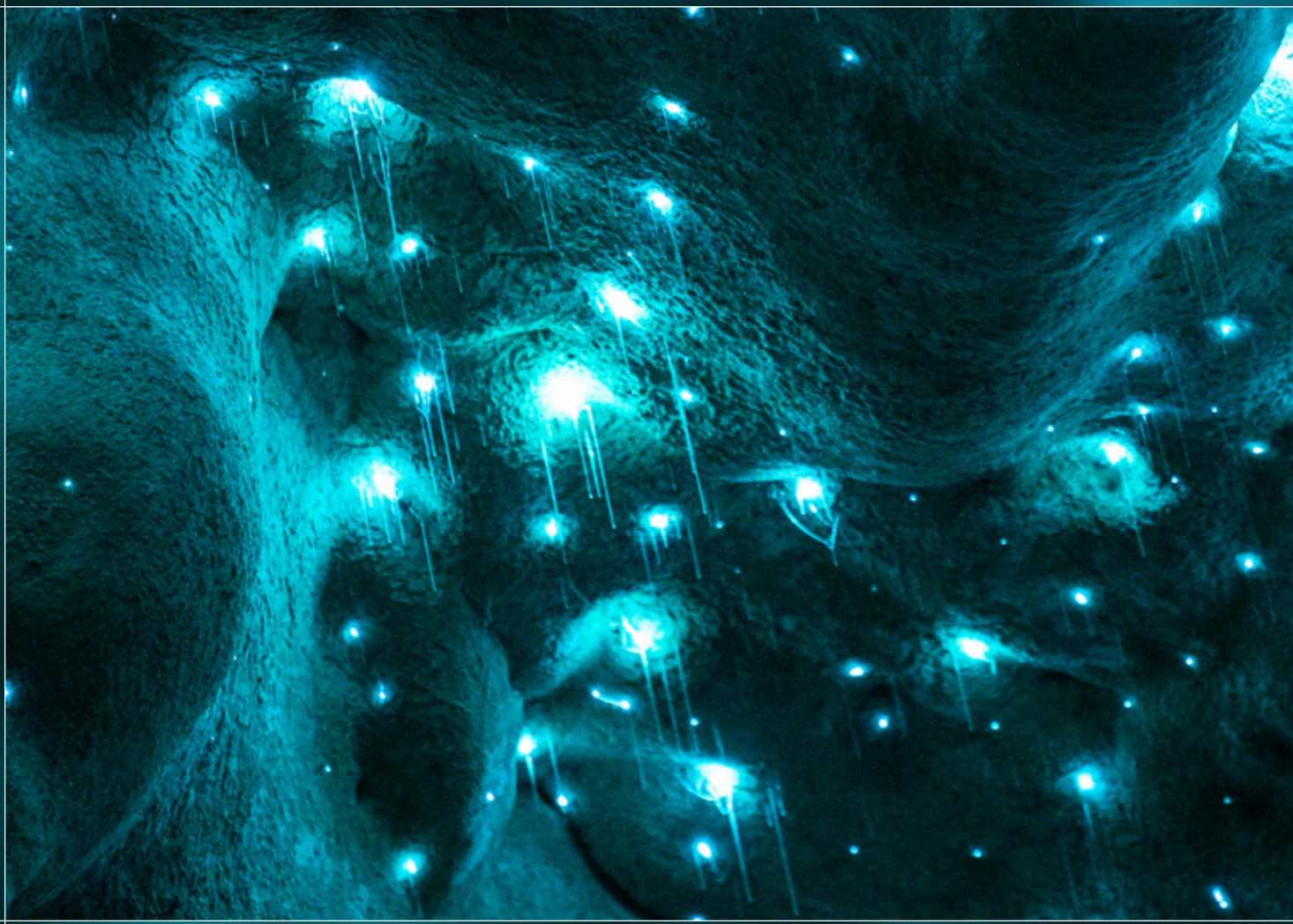
November 2026

Data Centres

APAC Regulatory Guide – **Philippines**

Investment considerations



MALLESONS

Chapter 9

Philippines

A year of... longer land tenure, targeted incentives and broader renewable procurement pathways

Population	Data centres	Live capacity	Pipeline capacity
117.8 million ▲	63 YoY: 1 (1.6%) ▲	118MW YoY: 34MW (40.4%) ▲	99MW+ YoY: -28MW (-22.1%) ▼

Data centre statistics provided by DC Byte (as at September 2026)

The Philippines is a dynamic and emerging data centre market, valued at US$633 million in 2024 and expected to grow at a CAGR of 20.89% to reach US$1.97 billion by 2030.

The Philippines government has been actively promoting the development of data centres through various incentives and regulatory support, positioning the country as an attractive destination for investment.

Recent legislative changes have further strengthened the investment environment, including the extension of maximum lease terms for foreign investors.

The country faces challenges such as foreign ownership restrictions and existing utility infrastructure limitations. But an increased focus on sustainability, and the country's commitment towards renewable energy initiatives and government support, provides opportunities for growth in the data centre market.

Opportunities

- Growing digital economy
- Government support
- Renewable energy initiatives

Challenges

- Land access restrictions
- Infrastructure limitations
- Competition from surrounding countries

Spotlight on key drivers

Government incentives

The Philippines government offers a range of incentives to attract data centre investments, including tax holidays, tax and duty exemptions on imported items, tax credits and additional deductions.

The Philippine Economic Zone Authority monitors and evaluates the developments and requirements of ecozones (where data centres are permitted), providing a favourable environment for investment.

The 2022 Strategic Investment Priority Plan (**SIPP 2022**) and the *Corporate Recovery and Tax Incentives for Enterprises Act of 2021* (**Tax Incentives Act**) also offer enhanced deductions and preferential corporate income tax rates for data centres.

Renewable energy and sustainability initiatives

The Department of Energy has set ambitious targets for renewable energy, aiming for a 35% share of renewable energy in the national electricity generation mix by 2030 and 50% by 2040.

The Green Energy Option Program (**GEOP**) allows new connections with an estimated monthly peak demand of ≥300kW to draw power directly from renewable energy sources. These initiatives provide data centres with opportunities to adopt sustainable practices and reduce their carbon footprint, as well as ensuring secure grid connection.

Longer-term land leases

The maximum duration of long-term leases of private land granted to foreign investors has been extended from 50 years (renewable by a further 25 years) to 99 years.

Republic Act No. 12252 amended the *Investors' Lease Act of 1993* to allow an aggregate lease period for private land of up to 99 years.

This extended lease period is available for investments (such as the development, construction and operation of a data centre on the leased land) that have been officially approved, evaluated and registered with a Philippine Investment Promotion Agency such as the Philippine Economic Zone Authority or Board of Investments. This allows the terms of private land leases in the Philippines to be comparable in the region.

> The Philippines is fast becoming one of Southeast Asia's leading data centre destinations, driven by AI and cloud demand, a strategic location, and reforms that have opened connectivity to new entrants and enhanced incentives for digital infrastructure.

Peter Pacheco
Partner, Romulo Mabanta Buenaventura Sayoc & De Los Angeles



01 Power

Getting power to a site

Power supply is open to competition and there are various suppliers in the market. The largest suppliers (based on market share) are San Miguel Corporation, AboitizPower and First Gen. However, electricity distribution is allocated to a single utility in each franchise area.

Unlike other countries in Southeast Asia, power is not subsidised in the Philippines, and electricity costs are the second highest in Asia after Singapore.

Data centres must be constructed on industrial land parcels with satisfactory grid capability. With multiple suppliers over different geographical areas, the process of securing power to a site varies depending on:

- site location
- the relevant supplier's processes, and
- whether the power requirements can be serviced by an existing connection with the distribution utility.

If the required power can be provided by a distribution utility, then the process to procure power is straightforward. If not, a satisfactory grid impact study may be needed before a supplier will enter into an electricity supply agreement. If a grid impact study is needed, it can take approximately 60 days from the date of application for it to be conducted.

Power purchase agreements

The Philippines electricity sector operates under a deregulated framework established by the *Electric Power Industry Reform Act of 2001* (**EPIRA**).

EPIRA established the Energy Regulatory Commission (**ERC**) and separates the electricity industry into 4 key activities:



Power generation is largely privatised, with multiple independent power producers competing to supply electricity.

Transmission is managed by the government-owned National Transmission Corporation (**TransCo**), although its operations and maintenance are run by the privately-owned National Grid Corporation of the Philippines (**NGCP**).

Electricity distribution regional utilities – dual system

Privatised distribution utilities (DUs) Most (like Meralco) privately owned	**Electric cooperatives (ECs)** Community owned receive government support + subsidies
Urban **+ densely populated areas**	**Rural regions**
Alternatively... Data centres and other... data centres and other large consumers	**Alternatively...** **using 500kW+ can bypass** traditional utilities... other large consumers
Competitive retail electricity market (CREM) Direct contract - renewable energy from licensed suppliers	

Electricity distribution is handled by regional utilities, which are regulated by the ERC and are either:

- DUs such as the Manila Electric Company (**Meralco**), are mostly privately owned and operate in urban and densely populated areas, or
- ECs which are community-owned but receive government support and subsidies and provide services in rural regions.

This dual system creates a fragmented regulatory environment, with varying levels of efficiency and service reliability across regions.

The CREM, introduced under EPIRA, allows large electricity consumers (500kW threshold) such as data centres to procure power directly from retail electricity suppliers rather than relying on regional utilities.

This market structure, combined with programs like the GEOP, enables end users to bypass traditional utilities and directly contract renewable energy from licensed suppliers. However, navigating this complex landscape requires careful consideration of regulatory compliance, grid access and regional utility frameworks.

Energy laws, regulations, policies and guidelines

There is currently no regulatory framework specific to powering data centres. In general, power generators sell power through:

- bilateral contracts with DUs or ECs, or
- sell at the Wholesale Electricity Spot Market.

Power from the generators is transmitted through transmission lines owned by the TransCo. The TransCo is operated by its concessionaire, the NGCP.

For distribution, this is handled by private utilities within specific franchise areas. Each franchise area is monopolised by one DU. The ERC regulates both transmission and distribution, and reviews and approves power supply agreements. Retail electricity suppliers then serve contestable customers in the CREM.

In this market:

- a 'contestable customer' is an end-user (such as a data centre) whose peak demand meets a regulatory threshold, allowing it to choose its electricity supplier rather than buying from the local distribution utility, and
- a 'retail electricity supplier' is an entity licensed by the ERC to sell electricity directly to such contestable customers.

Green Energy Option Program

End users with a new power connection:

- that have been in operation for less than 12 months, and
- with an estimated monthly peak power demand of ≥300kW

are eligible for the GEOP established under the *Renewable Energy Act of 2008*.

GEOP participants can elect to source power directly from renewable energy sources rather than obtaining from the franchised electricity distributor. Data centre operators not part of the GEOP can still source power directly from renewable energy sources.

GEOP gives eligible end users a statutory right to be supplied renewable energy through the distribution utility's network from a renewable energy supplier of their choice. The program provides a regulated process with defined eligibility criteria, switching mechanics and consumer protections.

Operators that do not participate in GEOP can still procure renewable energy through other routes, for example:

- bilateral renewable energy power supply agreements
- the Green Energy Auction Program, or
- on-site/self-generation.

However, these are commercial arrangements rather than the regulated GEOP pathway.



02 Water

Water supply

Data centre developers must have a permit to obtain bulk water supply from the National Water Resources Board (**NWRB**). The application for a permit requires, amongst other things:

- proof of right to use the relevant land
- certificates of registration with the relevant agencies (for example, the Department of Trade and Industry, Cooperative and Development Authority and Securities and Exchange Commission), and
- an Environmental Compliance Certificate, or Certificate of Non-Coverage from the Department of Environment and Natural Resources Regional Office.

Where a developer must source its own bulk water supply, the NWRB permit process takes a minimum of 60 days. However, a data centre located within an ecozone can generally connect to water already supplied by the zone's utility, and so may not need its own bulk-water permit.

Water laws, policies and guidelines

Data centres may be affected by the Philippine Water Supply and Sanitation Master Plan (**PWSSMP**), launched by the National Economic and Development Authority in 2021.

The PWSSMP aims to provide universal access to safe and sustainable water and sanitation across the country by 2030, and the regulatory environment is expected to evolve accordingly. As industrial users, data centres may face stricter standards or increased costs under the PWSSMP.

03 Land

Where can data centres be built?

Data centres are permitted on land parcels in industrial zones (with a satisfactory grid impact study, if a new connection is required).

Regardless of the location of the site, each development must receive zoning clearance (as part of the business permit process) from the relevant local government unit to ensure that the data centre is allowed in the chosen location.

What approvals and permits are required?

Data centres require the same permits and approvals needed for other industrial construction. These include building, occupancy and business permits from the relevant local government units. The specific requirements and timeframes are dependent on the site location, as these matters are dealt with by local officials in the relevant area.

What if rezoning is needed?

If the land identified is not already zoned for commercial or industrial use (noting that data centres are classified as 'communication' sector infrastructure entities), rezoning is required.

Rezoning is approved by the relevant local government unit through an ordinance enacted by the Local Sanggunian (that is, the legislative council for the relevant city, municipality or province). It is conditioned on factors such as the suitability of the land based on site assessment, feasibility studies and public consultation. Taken end to end, the process up to and including the Local Sanggunian's approval of the reclassification ordinance can take around one year.

Given these factors and uncertainty, practically speaking, it is more appropriate to develop on existing industrial sites than go through the process of rezoning.

04 Telecommunications

Is a telecommunications licence required?

A data centre operator is not required to obtain a telecommunication licence if it does not provide telecommunication services or operate its own network.

Applicability of telecommunications laws to data centres

Telecommunication laws do not apply to data centre operators that do not provide telecommunication services. Instead, these laws apply to the licensed service providers that supply connectivity to the facility.

05 Foreign investment restrictions

Land

Ownership of land is limited to Philippine entities with a maximum of 40% foreign ownership. Foreign entities that exceed this threshold may enter into a long-term lease of land provided that they comply with the *Investors' Lease Act of 1993*. The maximum term of the long-term lease is 99 years.

Water permit

A water permit from the NWRB is a right to appropriate (directly draw) water from a natural source. Consistent with constitutional limits on the use of natural resources, permits are granted only to Philippine citizens and corporations that are at least 60% Philippine-owned.

A foreign owned data centre that does not meet this threshold cannot obtain its own water permit. However, it can source water from a party that already holds one.

> In practice, a data centre located within an economic zone can draw its supply from the ecozone's water utility, which would already hold the relevant permits. Outside an ecozone, a data centre can connect to the local water district or public water utility as a commercial customer.

The foreign ownership restriction therefore limits only the direct appropriation of water, not a data centre's ability to purchase supply from a licensed utility.

06 Tax and other incentives

Ecozones

There are over 400 ecozones in the Philippines, including Clark SEZ which is set to house the Narra Technology Park data centre campus. Data centres can operate in all ecozones in the Philippines, and the Philippine Economic Zone Authority monitors and evaluates their developments and requirements.

Incentives are not specific to data centres and vary by ecozone. Incentives generally include:

- tax holidays
- tax/duty exemptions on imported items
- tax credits
- additional deductions
- non-fiscal incentives such as employment of foreign nationals, and
- simplification of customs procedures.

Tax incentives

Data centres may be eligible under the SIPP 2022 and the Tax Incentives Act for:

- tax holidays of 4 to 7 years duration, depending on the location and classification of the site, with longer incentives generally being granted to facilities located in an under-served region
- enhanced deductions, which typically include an additional enhanced depreciation allowance on capital expenditure such as buildings, machinery and equipment, and
- a preferential corporate income tax rate of 5% for a maximum period of 10 years from expiration of a tax holiday.

07 Data protection and cyber security

Data protection or privacy laws

The *Data Privacy Act of 2012* requires organisations that handle personal data (including cloud storage providers) to register with the National Privacy Commission as either a Personal Information Controller (**PIC**) or a Personal Information Processor.

Data centre operators and their customers are required to appoint a Data Protection Officer if they process or control personal data, and must implement appropriate organisational, physical and technical security measures to safeguard personal data.

PICs must also ensure that any third parties processing personal data on their behalf (which may include data centre operators) also adopt these protective measures.

Cyber security laws

Data centre operators should adhere to guidance issued by the National Privacy Commission which outlines best practices for data centre security, including:

- security controls and technologies
- policies which are applicable across physical, virtual and cloud environments, and
- monitoring of the network.

Data centre operators must also retain traffic data and subscriber information for a minimum of 6 months from the date of the transaction under the *Cybercrime Prevention Act of 2012*. This requirement forms part of the Philippines' efforts to prevent and combat cybercrime.

08 Critical infrastructure and security

Critical infrastructure laws

Data centres are not currently subject to *Republic Act No. 11659* (**Republic Act**), which amends the *Public Service Act*.

The Republic Act affects foreign investment in public services that own, use, or operate systems and assets (whether physical or virtual) so vital to the Philippines that their incapacity or destruction would have a detrimental impact on national security. This includes telecommunications and other vital services declared by the President.

The Republic Act also provides that where there is no reciprocity between the foreign investor's country and the Philippines, foreign ownership or control over such critical infrastructure cannot exceed 50%. Data centres, as noted above, are not currently subject to this restriction.

09 Data localisation

General data localisation requirements

There are no general data localisation or data residency requirements in the Philippines. The country has supported initiatives such as the Asia-Pacific Economic Cooperation (**APEC**) Cross-Border Privacy Rules system, a framework designed to protect personal data transferred across borders.

Data localisation requirements for government agencies

The Department of Information and Communications Technology requires all personal data processed by a government agency or by a private entity in relation to a government transaction to be localised.





10 Environmental, social and governance

International ESG commitments

The Philippines is a signatory to the Paris Agreement and has committed to an NDC target of 75% by 2035.

Although specific commitments have not been enacted into domestic law, the *Climate Change Act of 2009* established the Climate Change Commission to oversee and coordinate climate change policies and plans.

NDC UNDER THE PARIS AGREEMENT

75% emissions reduction & avoidance by 2035

35% renewable energy in power mix by 2030 & 50% by 2040

TARGET ANNOUNCED AT COP26

Power Development Plan

The Philippines Department of Energy has committed to a cleaner energy transition, proposing:

- a national renewable energy target of 35% by 2030, and
- an aspirational target of 50% by 2040

through the Power Development Plan 2023-2050 (**PDP**). The PDP is not mandatory and reflects the Department's aspirations for the future energy mix.

ESG reporting

The Securities and Exchange Commission has adopted mandatory sustainability reporting requirements under Memorandum Circular No. 16, Series of 2025, issued on 22 December 2025 (**SEC MC 16**).

SEC MC 16 replaces the previous 'comply or explain' framework. The circular requires relevant entities to report in accordance with the Philippine Financial Reporting Standards on sustainability disclosures, namely:

- PFRS S1 - relates to general sustainability-related financial information, and
- PFRS S2 - relates to climate-related disclosures.

These standards are aligned with the ISSB's IFRS S1 and IFRS S2.

The new requirements apply to publicly listed companies and large non-listed entities under a tiered, phased rollout beginning in 2026.

Mandatory limited assurance over Scope 1 and Scope 2 greenhouse gas emissions will apply two years after each relevant tier becomes subject to the reporting requirements.

Voluntary accreditation

Data centres in the Philippines commonly hold international certifications, such as the EDGE certification for green buildings. As an example, Digital Edge's data centre in Manila (NARRA1) is certified with ANSI/TIA-942-C, EDGE and US LEED Gold.

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Click here to access our full Data Centre APAC Regulatory Guide covering all 14 markets and exploring key themes across the region.

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