CENTER FOR LOCAL AND REGIONAL GOVERNANCE
NATIONAL COLLEGE OF PUBLIC ADMINISTRATION AND GOVERNANCE
UNIVERSITY OF THE PHILIPPINES

POLICY BRIEF NO. 2026 - 06
ISSN (Online) 0000-0000

What LGUs Learned from the 2026 Energy Crisis

John Vincent J. Bucal | Francesca F. Esguerra
Adeline D. Intervalo | Florabelle G. Taguiling

EXECUTIVE SUMMARY

The 2026 oil shock pushed diesel past ₱130 a liter by late March and drove up fares, food prices, and household power bills. Executive Order No. 110 declared a national energy emergency and funded relief through UPLIFT but left local government units (LGUs) to respond with their own funds and rules. At CLRG's policy forum of 19 June 2026, resource persons from nine LGUs and agencies described what they did: fuel vouchers and cash aid for public utility vehicle (PUV) drivers (Santa Cruz, Naga, Zamboanga, Las Piñas); free or electric transport (Quezon City, Taguig, Pasay, Parañaque, General Santos); energy conservation in city offices (Quezon City); and renewable power for city facilities (Makati, Carmona, Naga). Relief measures lasted as long as supplemental budgets did; resilience measures survived because they cut recurring costs. The next price spike should find LGUs with the response already approved, not one put together after prices have risen. This brief recommends that LGUs pass an ordinance in advance that says when fuel assistance starts, where the money comes from, and who qualifies; that they comply with the energy-saving and electric-vehicle requirements in RA 11285 and RA 11697 and add renewable power where it lowers the bill, rooftop solar for most LGUs and, for large city facilities, the DOE's Green Energy Option Program; that DILG and DBM issue a joint circular on what local funds may be used for fuel assistance, and that DOTr and LTFRB share the driver lists; and that Congress keep any amendment to the Oil Deregulation Law limited in scope and duration.

Keywords: *Energy crisis, local governance, local government units, fuel subsidies, energy resilience*

POINTERS FOR PRACTITIONERS AND POLICYMAKERS

- **Integrated response.** Complement immediate responses with long-term institutional energy conservation measures and investments in renewable energy.
- **Renewable energy transition.** Expand investments in renewable energy systems, energy-efficient government facilities, and electric public service vehicles, financed without upfront cost where possible, to improve energy security and reduce long-term operating costs.
- **Research and partnerships.** Support locally grounded research and reinforce partnerships among LGUs, national government agencies, the private sector, and concerned stakeholders to improve planning and implementation.
- **Institutional and fiscal strengthening.** Promote prudent resource management, transparent financial practices, capacity-building, and regular monitoring to

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sustain long-term energy initiatives and strengthen local resilience.

- **Legislative reform.** Pursue legislative and policy reforms that improve the government's ability to respond to fuel price volatility while supporting a more secure, sustainable, and resilient energy system.

POLICY CONTEXT

The Philippines imports nearly all of its crude oil, mostly from the Middle East. The closure of the Strait of Hormuz due to regional geopolitical tensions left the Philippines, a net petroleum importer, exposed to supply disruption (Office of the President, 2026). By late March 2026, several sectors were affected by the drastic rise in fuel prices, with diesel exceeding ₱130 per liter, gasoline exceeding ₱100 per liter, and the Philippine peso depreciating significantly (Bangko Sentral ng Pilipinas, 2026). Despite its foreign roots, this energy problem is felt deeply at home. Filipinos nationwide are experiencing rising transportation costs, increasing food prices, and climbing household energy bills. Moreover, because the conflict damaged refining and shipping infrastructure in the Gulf, these economic pressures are expected to persist (Abriol & Rivera, 2026).

These circumstances prompted the issuance of Executive Order No. 110 on March 24, 2026, which declared a national energy emergency. The Office of the President also launched the Unified Package for Livelihoods, Industry, Food & Transport (UPLIFT) and gathered its ad hoc committee to stabilize energy supply, ensure the uninterrupted delivery of essential services, sustain economic activity, and protect the welfare of citizens, with particular focus on marginalized and vulnerable communities. The order gave immediate relief but said nothing about what LGUs could spend, from which funds, or for whom.

The 2015 Malampaya shutdown shows that a supply disruption can be planned a year in advance; the Interruptible Load Program and demand-side measures were in place before the shortfall (International Institute for Energy Conservation, 2024). The difference in 2026 was not national-level foresight alone, but the absence of a standing rule for what LGUs should do when pump prices spike.

Why local relief ran out, and what already exists

Three features of local public finance explain why LGU relief measures were short-lived. First, LGUs paid for fuel subsidies from supplemental budgets with no rule on when the assistance starts or ends, so each round needed a new appropriation from the Sanggunian. Second, RA 10121 reserves the Local Disaster Risk Reduction and Management Fund for disaster-related spending, which a price shock is not. Third, LGUs do not hold the franchise and driver data the Land Transportation Franchising and Regulatory Board (LTFRB) uses for the national Pantawid Pasada subsidy, so they built beneficiary lists from scratch, which overlapped with national aid.

Many of the forum participants' recommendations already exist in law. Republic Act No. 11285, the Energy Efficiency and Conservation Act of 2019, requires LGUs to designate an energy efficiency and conservation officer and to integrate efficiency plans into local development plans; Administrative Order No. 110 of 2019 institutionalized the Government Energy Management Program with a 10% reduction target in electricity and fuel use. Republic Act No. 11697, the Electric Vehicle Industry Development Act of 2022, requires government fleets to meet a minimum share of electric vehicles. The Green Energy Option Program (GEOP), created by the Renewable Energy Act of 2008 (RA 9513) and run by the Department of Energy, lets electricity users with demand of at least 100 kilowatts, including city governments, buy their power from a DOE-licensed renewable-energy supplier, which is how Makati sourced its electricity. The gap, in other words, is compliance and funding, not the absence of policy.

KEY FINDINGS

LGU Responses to the Energy Crisis Evolved from Immediate Relief to Long-Term Energy Resilience

Local government responses to the 2026 energy crisis, as described by the resource persons at the forum (CLRG, 2026), fall into four intervention

areas, running from immediate relief to long-term resilience measures. In the short term, LGUs provided fuel subsidies and cash assistance to ease the financial burden on affected sectors. They introduced adaptive transportation services to maintain mobility despite rising fuel costs. In the long term, LGUs institutionalized energy conservation measures to reduce electricity consumption in government operations and invested in renewable energy systems to strengthen energy security, lower operational costs, and support sustainable local development. The findings are self-reported by the LGUs concerned and have not been verified against budget or consumption data.

Short-Term Interventions Prioritized Livelihood Protection and Mobility

Short-term interventions focused on minimizing the immediate socio-economic impacts of rising fuel prices (Table 1). Fuel subsidy and voucher programs provided temporary financial relief to public utility vehicle (PUV) drivers, while adaptive transportation initiatives, including free electric bus services and the gradual adoption of electric public transport, helped maintain public mobility. Although these interventions offered immediate benefits, their sustainability remained dependent on continued fiscal support and the availability of transport infrastructure.

Table 1

Short-Term LGU Interventions in the 2026 Energy Crisis

Intervention	Purpose	Illustrative LGUs	Challenge
Fuel subsidy and cash assistance	Reduce the financial burden on PUV drivers	Santa Cruz (Laguna); Naga; Zamboanga; Las Piñas	Fiscal sustainability
Adaptive transport services	Maintain public mobility while reducing fuel dependence	Quezon City; Taguig; Pasay; Parañaque; General Santos	Infrastructure, operating costs, and stakeholder capacity

Note. Compiled from presentations at the CLRG Policy Forum of 19 June 2026 (CLRG, 2026). Illustrative LGUs are those whose representatives reported the measure; the list is not exhaustive.

Long-Term Strategies Focused on Institutional Efficiency and Sustainable Energy

Several LGUs adopted institutional reforms and invested in renewable energy to improve long-term energy resilience (Table 2).

Energy conservation measures were reported to reduce electricity consumption through operational adjustments. They strengthened compliance mechanisms, while renewable energy projects were expected to lower operating costs, diversify energy sources, and reduce greenhouse gas emissions.

Table 2

Long-Term LGU Strategies Reported at the Forum

Strategy	Key measures	Illustrative LGUs	Expected outcomes
Energy conservation in city offices	Flexible work arrangements, regulated electricity use, energy audits	Quezon City	Reduced electricity consumption and operating costs
Shift to renewable energy	Solar PV systems, renewable electricity procurement	Makati; Carmona; Naga	Improved energy security, lower long-term costs, reduced carbon emissions

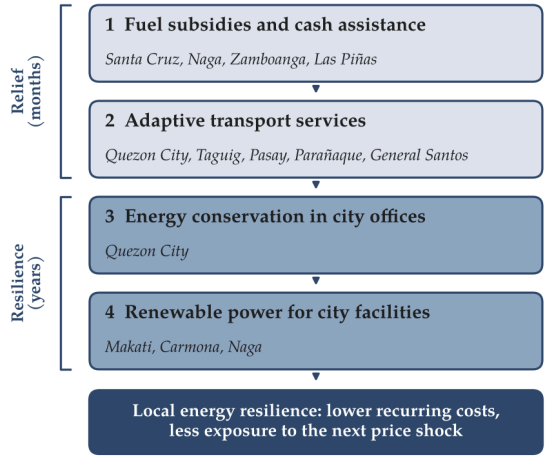
Note. Compiled from presentations at the CLRG Policy Forum of 19 June 2026 (CLRG, 2026). Outcomes are as reported by the LGUs and were not independently verified.

LGU Responses Illustrate a Progressive Pathway Toward Energy Resilience

The documented initiatives suggest that LGUs are gradually shifting from emergency response measures toward institutional and infrastructure-based solutions. While immediate interventions addressed urgent socio-economic needs, sustainable energy governance requires continued investments in renewable energy, institutional capacity, and enabling infrastructure.

Figure 1

Progression of LGU Energy Responses, From Relief to Resilience



Note. Based on the four intervention areas reported at the CLRG Policy Forum (CLRG, 2026). LGUs listed are those whose representatives reported the measure; the order is the sequence of adoption, not a causal chain.

POLICY RECOMMENDATIONS

The recommendations below are addressed first to local chief executives and Sanggunians, since the evidence comes from LGUs, and then to the national agencies that set the rules LGUs work under. The legislative proposal stands apart because it has a different owner and a longer horizon.

Pass the fuel-assistance ordinance before the next price spike

A Sanggunian ordinance, passed in a normal year, can settle three things in advance: when the assistance starts (for example, DOE's posted diesel price above a set amount for two weeks running); where the money comes from (an amount in the annual budget that may be released only when the mayor or governor certifies that the condition has been met, with the assistance ending after 60 to 90 days unless the Sanggunian extends it); and who qualifies (drivers and operators in the LTFRB list, checked against Pantawid Pasada recipients). Such aid is within the LGU's social welfare powers (Local Government Code, Sec. 17) and can be released through the local social welfare office. No national approval is needed.

Two national issuances would help. DILG and DBM, which issue the budget rules LGUs follow, should state in a joint memorandum circular which local funds may be used for fuel assistance and under what conditions; DOTr and LTFRB should give LGUs access to the list of franchise holders and drivers used for Pantawid Pasada, under a data-sharing agreement that follows the Data Privacy Act (RA 10173).

Support drivers and commuters together, and plan for the day national funds stop

A more inclusive approach should recognize that both transport operators and commuters bear the burden of escalating fuel costs. LGUs can address this gap by implementing subsidized transport services, similar to the Department of Transportation's (DOTr) Libreng Sakay program, which supports drivers by guaranteeing ridership while providing commuters with affordable, accessible transportation. To sustain driver participation, LGUs may complement these services with fuel vouchers or performance-based incentives for drivers who complete a designated number of subsidized trips. Because national Libreng Sakay funding is appropriated year to year, LGUs that want continuity should enter into a memorandum of agreement with DOTr and set aside a local counterpart in the Annual Investment Program (AIP).

The weak point is identifying recipients. LGUs should work from the driver and franchise lists kept by DOTr and LTFRB rather than build their own, to avoid paying drivers already receiving national aid.

Targeted assistance first; a fuel tax suspension only as a fallback

Congress, on the recommendation of the Department of Finance, may consider a temporary suspension or reduction of fuel-related taxes during periods of severe energy crises. Measures such as suspending excise taxes, adjusting other applicable fuel taxes, or implementing temporary tax relief can help cushion the impact of surging fuel prices on households, public transportation operators, and key industries. These interventions should be time-bound and accompanied by clear implementation guidelines to ensure that tax relief reaches consumers while balancing the government's fiscal responsibilities. Any proposal should state its revenue cost: petroleum excise is a

major source of national revenue, and suspending it also subsidizes the households that consume the most fuel. A targeted subsidy funded from the same amount reaches poor households and PUV drivers at lower cost (Abriol & Rivera, 2026). A tax suspension is therefore the fallback: national funds should first expand Pantawid Pasada through the same LTFRB lists the local ordinances above would use, and an excise suspension should be considered only if the subsidy cannot scale fast enough. Both rest with Congress and DOF; Section 133 of the Local Government Code bars LGUs from taxing petroleum products.

Enforce the efficiency mandates LGUs already have, then add renewable power that pays for itself

LGUs can start with what the law already requires: the 10% reduction in electricity and fuel use that the Government Energy Management Program asks LGUs to adopt the designation of an energy efficiency and conservation officer under RA 11285. Quezon City's energy audits and flexible work arrangements show what compliance looks like. Resilience investment then includes adopting e-vehicles for government services, such as ambulances, rescue operations, and other utility transport systems, which RA 11697 already requires for a minimum share of government fleets. LGUs may also expand renewable energy use in public spaces and institutions through renewable-powered vehicle charging stations, street lighting, and public waiting sheds. The energy officer required by RA 11285 must complete DOE-accredited training; LGUs should budget for it in the AIP.

Makati and Naga show the partnership route

Makati City reported at the forum that it sources 100% of its electricity requirements from renewable energy generated through solar, wind, and geothermal power, using the Green Energy Option Program. Separately, Naga City partnered with private firms to install solar photovoltaic (PV) panels on government buildings and expand the use of electric utility and service vehicles in its local operations (City of Naga, 2026). Energy savings come first; they cost the least. Most municipal buildings draw less than the 100 kilowatts needed to join GEOP, so for them the practical option is rooftop solar on the municipal hall or hospital under net metering, paid for without an upfront outlay through a solar lease or an energy service company contract under RA 11285, donations as in Naga, or the ER 1-94 benefits that LGUs hosting power plants receive. GEOP suits cities with large facilities, and only where the supplier's rate, obtained through competitive procurement under RA 12009, is below the generation charge the LGU now pays its distribution utility.

What an amendment to the Oil Deregulation Law should and should not do

Congress should review the Oil Deregulation Law (Republic Act No. 8479) to provide the government with greater flexibility during periods of exceptional market volatility. Since its enactment in 1998, the law has allowed oil companies to set domestic petroleum prices based on international market conditions without requiring prior government approval.

As a result, fuel prices in the Philippines remain highly susceptible to fluctuations in global oil supply and demand, as well as foreign exchange rates. Given the country's heavy reliance on imported petroleum, this pricing mechanism further amplifies the effects of external energy shocks on consumers and businesses. The amendment should be limited: a power to cushion pump prices for a fixed period, or a national fuel reserve that can be released during a declared emergency, with the conditions for use and its duration written into the law. A return to price control would deter the private investment in refining and storage that the country also needs.

CONCLUSION

The 2026 energy crisis exposed vulnerabilities across the nation. While immediate LGU interventions provided short-term relief, their long-term effectiveness and sustainability remain uncertain. To prevent a recurrence of disruptions caused by external shocks, move from reactive, stopgap measures to institutionalized planning.

The first steps cost little and require no new law: a local ordinance on when fuel assistance starts and where the money comes from; a DILG–DBM circular on which local funds may be used; and compliance with existing energy-saving requirements.

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ABOUT THE AUTHORS

John Vincent J. Bucal, PhD, is a CLRG University Extension Specialist and served as co-lead of the Policy Forum.

Francesca F. Esguerra completed her internship at the CLRG, UP-NCPAG, and is a BA Sociology undergraduate at the UP Los Baños Department of Social Sciences.

Adeline D. Intervalo is a CLRG University Researcher and served as co-lead of the Policy Forum.

Florabelle G. Taguiling is a CLRG University Researcher at UP NCPAG. She led the UP-NCPAG Better Governance Forum No. 1.

HOW TO CITE

Bucal, J. V. J., Esguerra, F. F., Intervalo, A. D., & Taguiling, F. G. (2026). *What LGUs Learned from the 2026 Energy Crisis* (CLRG Policy Brief No. 2026–06). Center for Local and Regional Governance, University of the Philippines National College of Public Administration and Governance. https://doi.org/10.5281/zenodo.23585721



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