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From Ethics to Advantage: ESG Integration in the Philippine Energy Sector – Energy Security as a Strategic ESG Opportunity

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Abstract

This conceptual-policy analytical study examines how the Philippines can transform persistent energy security challenges—characterized by high import dependence, fossil-fuel dominance, and price volatility—into sources of strategic advantage through Environmental, Social, and Governance (ESG) integration. Drawing on structured sectoral diagnostics, institutional analysis, and comparative insights from Taiwan and the United States, the paper develops an ESG Integration Framework and a phased implementation roadmap for the Philippine energy sector. Existing energy security research has largely emphasized technical supply adequacy and geopolitical risk, while ESG scholarship has focused on firm-level disclosure and financial performance. This study bridges these literatures by reframing energy security as a governance and value-creation challenge situated at the intersection of management and applied economics. The analysis demonstrates that ESG integration strengthens institutional resilience, enhances investor confidence, and supports long-term competitiveness while advancing a just and sustainable energy transition.

JEL classification numbers: Q40, Q42, Q48, G38.
Keywords: ESG integration, Energy security, Governance, Renewable energy, Applied economics.

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1. Introduction

Energy security has emerged as a core strategic issue for economies pursuing sustainable growth amid increasing geopolitical uncertainty, climate risk, and market volatility. Traditionally treated as a technical or policy-oriented concern, energy security is increasingly recognized as a determinant of national competitiveness and firm-level performance. In emerging economies such as the Philippines, sustained demand growth has coincided with structural vulnerabilities, including heavy reliance on imported fossil fuels, exposure to global price shocks, and persistent institutional constraints within the power sector (Aboitiz Power, 2024; CSIS, 2024).

Against this backdrop, Environmental, Social, and Governance (ESG) principles have gained prominence as a strategic framework guiding investment decisions, corporate governance, and public policy. While ESG is often framed as an ethical or compliance-driven agenda, its strategic implications for energy security remain underexplored in applied economics and management research. This paper argues that ESG integration offers a coherent mechanism for reframing energy security risks into opportunities for institutional reform, capital mobilization, and long-term value creation.

2. Literature Review

The literature on energy security has traditionally emphasized dimensions such as supply adequacy, diversification of fuel sources, affordability, and resilience to geopolitical disruption (Allas, 2025; CSIS, 2024). In this strand, policy instruments, infrastructure investment, and international energy relations occupy a central role. While these studies provide valuable insights, they often treat governance and institutional quality as secondary considerations.

In parallel, ESG research has expanded rapidly within finance, management, and accounting disciplines. Prior studies focus predominantly on ESG disclosure, corporate financial performance, risk pricing, and investor behavior (BSP, 2025). However, much of this literature remains firm-centric and does not sufficiently address sector-wide or national-level challenges such as energy security.

Recent policy-oriented analyses acknowledge the relevance of ESG in energy transition contexts, particularly in mobilizing green finance and supporting decarbonization (Ember, 2025; SFA Oxford, n.d.). Nonetheless, these contributions often remain descriptive and do not articulate a clear strategic framework linking ESG integration to competitive advantage. This paper addresses this gap by synthesizing energy security and ESG literatures within an applied economics and governance framework.

3. Methodological Positioning

This study adopts a conceptual and policy-analytical methodology rather than an empirical econometric approach. The analysis synthesizes institutional diagnostics, comparative case insights, and secondary data from authoritative policy and industry sources. This approach is appropriate given the study's objective of framework development and strategic integration rather than hypothesis testing.

Comparative insights from Taiwan and the United States are employed to illustrate how differences in governance quality, ESG disclosure, and capital market development shape energy security outcomes (Ko and Chao, 2025; CSIS, 2024). By integrating these insights with Philippine sectoral conditions, the paper develops a context-sensitive ESG Integration Framework intended to guide managerial decision-making and policy design.

4. ESG Integration Framework

The proposed ESG Integration Framework is structured around three mutually reinforcing dimensions: environmental sustainability, social equity, and governance quality. Environmentally, the framework emphasizes accelerated deployment of renewable energy, grid modernization, energy storage, and efficiency improvements to reduce import dependence and price volatility (Ember, 2025; SFA Oxford, n.d.; (See Figure 1).

The social dimension focuses on equitable energy access, affordability, and just transition mechanisms for workers and communities affected by structural change. Community-based energy systems and inclusive tariff design are highlighted as mechanisms for aligning social welfare with economic efficiency.

Governance constitutes the integrating dimension of the framework. Strong board oversight, transparent ESG disclosure, regulatory coherence, and institutional capacity are critical for mobilizing capital and sustaining investor confidence (BSP, 2025).

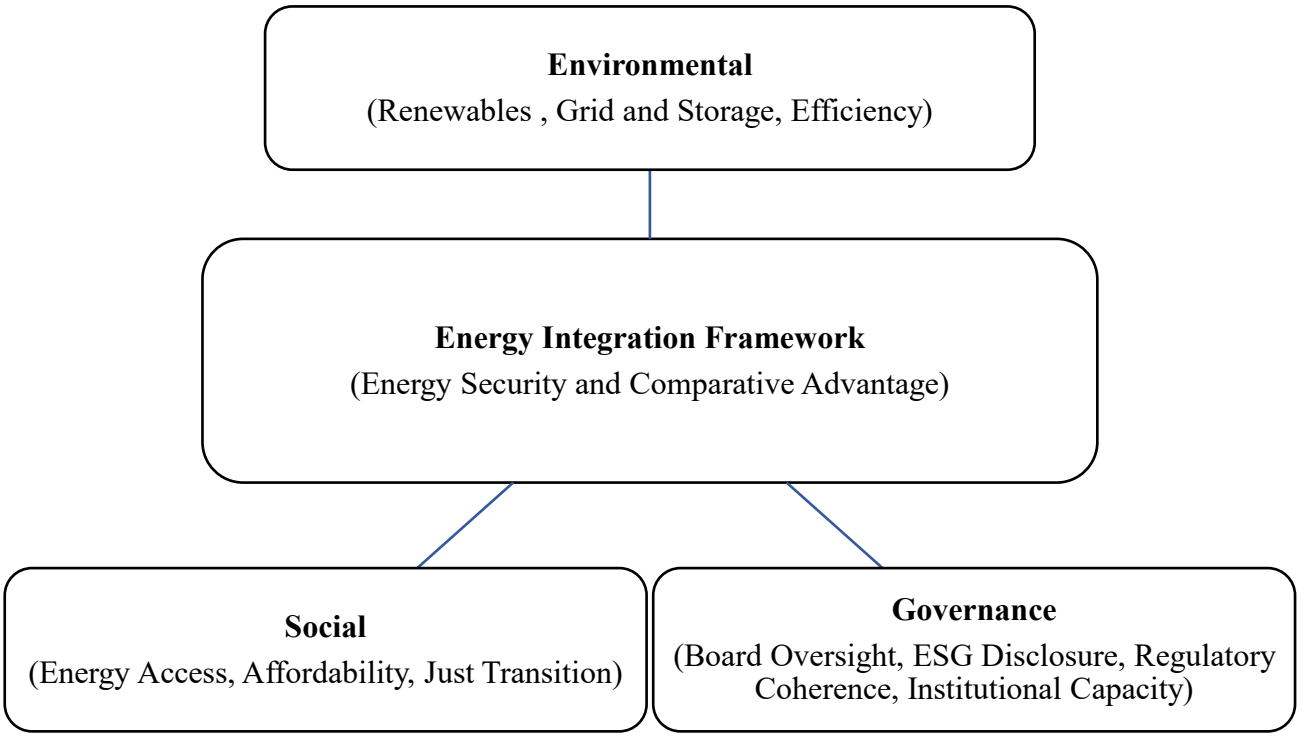

Figure 1: ESG Integration Framework

5. Comparative Insights

Taiwan and the United States provide contrasting but complementary insights for the Philippine energy sector. Taiwan's extreme import dependence underscores the systemic risks associated with concentrated fuel supply and limited strategic reserves, highlighting the importance of diversification and governance coordination (Ko and Chao, 2025).

The United States illustrates how ESG-oriented governance and disclosure standards influence capital allocation and accelerate clean energy investment (CSIS, 2024). For the Philippines, these cases demonstrate that governance quality and ESG credibility are as critical as technological capability in managing energy transition risks.

6. Future Considerations

Future progress in ESG integration within the Philippine energy sector will depend on coordinated action across managerial, policy, and institutional domains.

6.1 Managerial Implications

For managers, ESG integration provides a strategic tool for managing energy-related risks, enhancing access to capital, and innovating business models, such as energy-as-a-service and corporate power purchase agreements.

6.2 Policy Implications

For policymakers, integrating ESG principles into regulatory frameworks enhances institutional credibility and mobilizes private investment.

6.3 Research Limitations

As a conceptual study, this research does not employ econometric testing. Future studies may extend the framework through empirical validation.

7. Discussion and Conclusion

This paper highlights how ESG integration reframes energy security from a constraint into a strategic opportunity. Embedding ESG into energy strategy allows the Philippines to transform vulnerability into long-term advantage.

Statement on the Use of Artificial Intelligence Tools

Generative artificial intelligence tools were used exclusively for language refinement and formatting assistance. All analytical content remains the responsibility of the authors.

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