



# The Philippines Energy Security Compact

## Delivering for American Firms, Exports, and Influence

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**BLUF:** A Philippines Energy Security Compact would deliver real wins for the United States, including new markets for US tech, diversified mineral supply chains, and a stronger ally in the Indo-Pacific. The Energy Security Compact would secure the Philippines' energy system through coordinated investments that expand US export opportunities, increase grid resilience, and strengthen market governance. By anchoring US technology and financing in a critical economy on the front lines of Chinese aggression, the Philippines Energy Security Compact would also limit Chinese leverage and advance American interests.

### What is an Energy Security Compact?

An Energy Security Compact is an investment package by the US government alongside private sector partners in the energy system of a strategic priority country. These Compacts meet the urgency of the moment and the ambition of the Trump Administration by directing US agencies to make targeted investments that advance core foreign policy priorities.

### Why the Philippines?

The Philippines is a frontline US ally and military partner in Southeast Asia and could be a vital help in diversifying mineral supply chains away from China. But energy vulnerabilities threaten its security and economic competitiveness. An aging and fragmented electricity grid, partially controlled by China's State Grid Corporation, discourages private investment and creates operational and security risks. The Philippines also imports [over half its energy supply](#), exposing it to price shocks and disruptions. And high electricity prices constrain key industries that could help secure mineral supply chains.

### What Does the US Gain?

- **Extended power in the Indo-Pacific.** The Philippines sits on the frontlines of US-China competition in the South China Sea. A stable, energy-secure Manila is essential for maintaining US access and logistical reach under the [Enhanced Defense Cooperation Agreement](#).
- **Expanded energy exports and tech markets.** Targeted US investment and technical engagement in the Philippines would lower the commercial and regulatory barriers that currently deter private capital. The Philippines' [growing energy demand](#) creates new commercial opportunities for US LNG, geothermal, nuclear, and grid technology. Every US-backed project secures market share and influence that would otherwise default to China or Russia.
- **Diversified critical mineral supply chains.** The Philippines [holds major nickel, copper, and cobalt reserves](#), but exports most of its ore to China for processing. Targeting energy infrastructure that supports local refining capacity would open US investment opportunities and diversify supply chains away from Chinese control.

## How Would the Philippines Energy Security Compact Work?

The Millennium Challenge Corporation is close to finalizing a Threshold Program with the Philippines. The Threshold Program, focused on policy and institutional reform, would anchor this Energy Security Compact. Other key US agencies would coordinate to: 1) expand export and market opportunities; 2) increase grid resilience; and 3) strengthen energy market governance and investment potential.

### Negotiation and Design

- State Department
  - Lead negotiations between the US and the Philippines to ensure coherence with US foreign policy objectives, and align US agencies around common goals.
- Millennium Challenge Corporation
  - Undertake diagnostic analysis to prioritize investments and policy reforms.

### Direct Investment

- Millennium Challenge Corporation
  - Invest in grid expansion and upgrades to improve supply, reliability, and local control.
  - Secure energy supply in off-grid communities vulnerable to Chinese pressure.
- Development Finance Corporation
  - Promote investment facilitation and risk-sharing mechanisms to attract US firms.
  - Develop deals for LNG import terminals and storage, enabling US exports.
  - Mobilize private capital to complement MCC's investments in the power grid.
- Department of Defense
  - Upgrade inter-island transmission, enhance grid cybersecurity, and deploy distributed systems, especially around Enhanced Defense Cooperation Agreement sites and other areas vulnerable to Chinese aggression.
  - Coordinate ongoing defense energy resilience efforts with commercial power reliability goals to catalyze additional investment through the Defense Innovation Unit.
- US Trade and Development Agency
  - Fund feasibility studies and early-stage projects using US technology to support geothermal, grid enhancements, and other infrastructure development.

### Policy Engagement

- State Department
  - Lead diplomatic efforts to reduce Chinese ownership and influence in critical grid assets.
  - Operationalize the [123 Agreement](#) to introduce US nuclear technology.
- Millennium Challenge Corporation
  - Attract private investment via support for procurement, pricing, and regulatory reform.
  - Remove financing and permitting barriers for grid-resilience solutions such as energy storage, geothermal technology, or other technologies that reflect US industrial strengths.
- Department of Energy
  - Provide technical standards for LNG import terminals and storage, enabling US LNG exports.
  - Help upgrade inter-island transmission, enhance grid cybersecurity, and deploy distributed systems in support of DOD.