



MEMORANDUM

FOR : **The Bureau Directors**
Environmental Management Bureau
Biodiversity Management Bureau
Mines and Geosciences Bureau

The Director
Legal Affairs Service

The OIC-Director
Policy and Planning Service

FROM : **The Director**
Legislative Liaison Office

SUBJECT : **REQUEST FOR COMMENTS FROM THE COMMITTEE ON
ENERGY OF THE HOUSE OF REPRESENTATIVES**

DATE : 26 August 2022

The Committee on Energy of the House of Representatives is requesting for comments and recommendations on several House Bills regarding Natural Gas Industry as follows:

1. **House Bill No. 17**, introduced by Representatives Ferdinand G. Romualdez and Yedda Marie K. Romuladez, entitled: "AN ACT PROMOTING THE DEVELOPMENT OF THE PHILIPPINE DOWNSTREAM NATURAL GAS INDUSTRY, CONSOLIDATING FOR THE PURPOSE ALL LAWS RELATING TO THE TRANSMISSION, DISTRIBUTION AND SUPPLY OF NATURAL GAS, AND APPROPRIATING FUNDS THEREFOR";
2. **House Bill No. 29**, introduced by Representative Lord Allan Q. Velasco, entitled: "AN ACT PROMOTING THE DEVELOPMENT OF THE PHILIPPINE DOWNSTREAM NATURAL GAS INDUSTRY, CONSOLIDATING FOR THE PURPOSE ALL LAWS RELATING TO THE TRANSMISSION, DISTRIBUTION AND SUPPLY OF NATURAL GAS, AND APPROPRIATING FUNDS THEREFOR";
3. **House Bill No. 173**, introduced by Representatives Caroline L. Tanchay and Rodante D. Marcoleta, entitled: "AN ACT DEVELOPING THE PHILIPPINES' NATURAL GAS INDUSTRY, AND APPROPRIATING FUNDS FOR THIS PURPOSE";
4. **House Bill No. 164**, introduced by Representatives Caroline L. Tanchay and Rodante D. Marcoleta, entitled: "AN ACT TO PROTECT THE FILIPINO CONSUMERS FROM ARBITRARY INCREASES IN THE PRICES OF LPG BEING CHARGED BY THE PLAYERS OF THE LPG INDUSTRY, AMENDING FOR THE PURPOSE SECTIONS 19 AND 14 OF R.A. 8479, OTHERWISE KNOWN AS DOWNSTREAM OIL INDUSTRY DEREGULATION LAW OF 1998";
5. **House Bill No. 1659**, introduced by Representative Mark Go, entitled: "AN ACT AMENDING REPUBLIC ACT NO. 8479. OTHERWISE KNOWN AS 'THE DOWNSTREAM OIL INDUSTRY DEREGULATION ACT'";

6. **House Bill No. 2150**, introduced by Representatives Presley De Jesus and Sergio C. Dagooc, entitled: "AN ACT EMPOWERING THE ENERGY REGULATORY COMMISSION IN MONITORING OIL PRICES CHARGED TO OIL-BASED POWER GENERATION FACILITIES, AMENDING REPUBLIC ACT NO. 8479, OTHERWISE KNOWN AS THE DOWNSTREAM OIL DEREGULATION ACT OF 1998 FOR THAT PURPOSE";
7. **House Bill No. 172**, introduced by Representatives Caroline L. Tanchay and Rodante D. Marcoleta, entitled: "AN ACT INSTITUTIONALIZING THE ENERGY INVESTMENT COORDINATING COUNCIL (EICC), STRENGTHENING AND FURTHER DEFINING ITS POWERS AND FUNCTIONS, APPROPRIATING FUNDS THEREFOR, AND FOR OTHER PURPOSES";
8. **House Bill No. 2608**, introduced by Representatives Luis Raymund "Lay" F Villafuerte, Miguel Luis R. Villafuerte, Tsuyoshi Anthony G. Horibata and Nicolas C. Enciso VIII, entitled: AN ACT MANDATING THE USE OF ETHANOL AS ALTERNATIVE TRANSPORT FUEL, ESTABLISHING FOR THE PURPOSE THE NATIONAL FUEL ETHANOL PROGRAM, APPROPRIATING FUNDS THEREFOR";
9. **House Bill No. 2317**, introduced by Representative Celso G. Regencia, entitled: "AN ACT GUARANTEEING THE RIGHT TO THE NATURAL WEALTH AND GRANTING A TWENTY PERCENT DISCOUNT (20%) IN THE ELECTRICITY RATES TO ALL ELECTRIC CONSUMERS IN ILIGAN CITY, LANA O DEL NORTE, AND LANA O DEL SUR BEING THE HOST CITY AND PROVINCES OF MARIA CRISTINA FALLS, AGUS RIVER, AND LAKE LANA O"; and
10. **House Bill No. 3015**, introduced by Representative Joey Sate Salceda, entitled: "AN ACT PROVIDING FOR THE NATIONAL ENERGY POLICY AND FRAMEWORK FOR THE DEVELOPMENT AND REGULATION OF THE PHILIPPINE MIDSTREAM NATURAL GAS INDUSTRY, AND FOR OTHER PURPOSES."

Relative to the matter, may we request your comments on the above-mentioned bills on or before 31 August 2022. Kindly send it through email at denrlegislative@yahoo.com. Attached herewith are copies of the bills for your reference.

For your immediate action, please.


ROMIROSE B. PADIN



COMMITTEE ON ENERGY

CTSS 1, Committee Affairs Department, 3rd Flr., RVM Building, House of Representatives, Constitution Hills, Quezon City
Tel. No. +63 2 8931-3593 or 8931-5001 local 7133; Fax No.: +63 2 8931-3593

August 19, 2022

MS. ANTONIA "TONI" YULO-LOYZAGA

Secretary

Department of Environment and Natural Resources

Dear Secretary Yulo-Loyzaga:

May we refer to you for comments the following measures:

1. **House Bill No. 17**, introduced by Representatives Ferdinand G. Romualdez and Yedda Marie K. Romuladez, entitled: "AN ACT PROMOTING THE DEVELOPMENT OF THE PHILIPPINE DOWNSTREAM NATURAL GAS INDUSTRY, CONSOLIDATING FOR THE PURPOSE ALL LAWS RELATING TO THE TRANSMISSION, DISTRIBUTION AND SUPPLY OF NATURAL GAS, AND APPROPRIATING FUNDS THEREFOR";
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3. **House Bill No. 173**, introduced by Representatives Caroline L. Tanchay and Rodante D. Marcoleta, entitled: "AN ACT DEVELOPING THE PHILIPPINES' NATURAL GAS INDUSTRY, AND APPROPRIATING FUNDS FOR THIS PURPOSE";
4. **House Bill No. 164**, introduced by Representatives Caroline L. Tanchay and Rodante D. Marcoleta, entitled: "AN ACT TO PROTECT THE FILIPINO CONSUMERS FROM ARBITRARY INCREASES IN THE PRICES OF LPG BEING CHARGED BY THE PLAYERS OF THE LPG INDUSTRY, AMENDING FOR THE PURPOSE SECTIONS 19 AND 14 OF R.A. 8479, OTHERWISE KNOWN AS DOWNSTREAM OIL INDUSTRY DEREGULATION LAW OF 1998";
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8. **House Bill No. 2608**, introduced by Representatives Luis Raymund "LRay" F. Villafuerte, Miguel Luis R. Villafuerte, Tsuyoshi Anthony G. Horibata and Nicolas C. Enciso VIII, entitled: AN ACT MANDATING THE USE OF ETHANOL AS ALTERNATIVE TRANSPORT FUEL, ESTABLISHING FOR THE PURPOSE THE NATIONAL FUEL ETHANOL PROGRAM, APPROPRIATING FUNDS THEREFOR"; and
9. **House Bill No. 2317**, introduced by Representative Celso G. Regencia, entitled: "AN ACT GUARANTEEING THE RIGHT TO THE NATURAL WEALTH AND GRANTING A TWENTY PERCENT DISCOUNT (20%) IN THE ELECTRICITY RATES TO ALL ELECTRIC CONSUMERS IN ILIGAN CITY, LANA DEL NORTE, AND LANA DEL SUR BEING THE HOST CITY AND PROVINCES OF MARIA CRISTINA FALLS, AGUS RIVER, AND LAKE LANA DEL NORTE".

We would appreciate receiving your comments within ten (10) working days from receipt hereof.

Thank you very much.

Very truly yours,

HON. LORD ALLAN Q. VELASCO
Chairperson

FOR THE CHAIRPERSON:


MELANIE T. AÑAIN
Committee Secretary



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila



NINETEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 17

Introduced by Representatives FERDINAND MARTIN G. ROMUALDEZ,
YEDDA MARIE K. ROMUALDEZ and JUDE A. ACIDRE

EXPLANATORY NOTE

The Natural Gas Industry has played a major role in the rise of numerous countries within the international arena. In fact, within an increasingly competitive global economy, the natural gas industry has fuelled the rapid rise of the Gross Domestic Product (GDP) of many countries by enabling their energy intensive industries to have access to an affordable, abundant and accessible energy source to be utilized long-term.

Moreover, with the impending negative effects of climate change as a result of anthropogenic activities such as overreliance on fossil fuels, countries such as the Philippines have begun to openly adopt and utilize its natural gas industry as a means to achieve its sustainable development goals for future development.

As it stands, the launching of the Malampaya Deep Water Gas-to-Power Project has given birth towards the rise of the natural gas industry within the country. As a result, the utilization of the Malampaya Gas Field has enabled the country to harness and make use of a clean, abundant and-accessible energy resource which has greatly propelled the country towards greater heights. Moreover, other industries like the transport industry through the Natural Gas Vehicle Program for Public Transportation (NGVPPT) have begun to utilize Natural Gas as an alternative to traditional fuel as a means to integrate other industries within the utilization of natural gas as a primary energy resource.

Aside from the launching of the Malampaya Deep Water Gas-to Power Project, various government policies have been initiated to adopt and spearhead the development of the country's downstream natural gas industry. Policies such as (i) Executive Order No. 66 which was signed by President Gloria Macapagal-Arroyo on January 18, 2002 which designated the Department of Energy (DOE) as the primary


agency that would push for the development of the country's natural gas industry as well as (ii) the issuance of the DOE interim rules and regulations governing the transmission, distribution and supply sub-sectors of the natural gas industry.

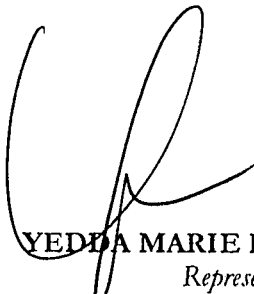
As it stands, the Malampaya's natural gas supply has been slowly decreasing throughout the years. In light of this, the Philippines is in dire need for solutions that would satisfy the country's needs for energy. However, despite the presence of the abovementioned policies, we are still lacking on a clear, comprehensive and integrated legislative framework that would serve as a pillar towards achieving the rapid development of the country's natural gas sector. As a result, international natural gas companies would tend to shy away from investing within the country which leaves the government with no other available options.

While acknowledging the fact that the natural gas industry is still a relatively young industry, it is vital that we introduce a proper legislative framework that would provide favorable conditions towards establishing a healthy natural gas industry in the country. This would then in turn lead towards rapid economic development while respectfully practicing sustainable development towards a brighter future.

This proposed measure was originally filed in the 18th Congress as House Bill No. 3031, authored by Representatives Lord Allan Jay Q. Velasco and Wilter "Sharky" Wee Palma II.

In view of the foregoing, immediate passage of this bill is earnestly sought.


FERDINAND MARTIN G. ROMUALDEZ
Representative
First District, Leyte


YEDDA MARIE K. ROMUALDEZ
Representative
Party-List, Tingog Sinirangan


JUDE A. ACIDRE
Representative
Party-List, Tingog Sinirangan



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

NINETEENTH CONGRESS
First Regular Session
17
HOUSE BILL NO. _____

**Introduced by Representatives FERDINAND MARTIN G. ROMUALDEZ,
YEDDA MARIE K. ROMUALDEZ and JUDE A. ACIDRE**

AN ACT
**PROMOTING THE DEVELOPMENT OF THE PHILIPPINE DOWNSTREAM
NATURAL GAS INDUSTRY, CONSOLIDATING FOR THE PURPOSE ALL LAWS
RELATING TO THE TRANSMISSION, DISTRIBUTION AND SUPPLY OF
NATURAL GAS, AND APPROPRIATING FUNDS THEREFOR**

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled.

CHAPTER I
TITLE AND DECLARATION OF POLICY

SECTION 1. *Short Title.* – This Act shall be known as the "*Philippine Downstream Natural Gas Industry Development Act*".

SEC. 2. *Declaration of Policy.* – It is hereby declared the policy of the State to:

- (a) Promote natural gas as a safe, environment-friendly, efficient and cost-effective source of energy, and an indispensable contributor to grid security, especially with the entry of more intermittent renewable energy sources by establishing the Philippine downstream natural gas industry (PDNGI) for the benefit of all segments of the nation's population and all sectors of its economy;
- (b) Promote natural gas as the energy fuel, which has tremendous potential to meet the increasing local demand for fuel, and the development of the Philippines as a liquefied natural gas (LNG) trading and transshipment hub within the Asia-Pacific Region. In all cases, the State shall ensure the safe, secure, reliable, transparent, competitive and environmentally responsible operation of the PDNGI value chain;

- (c) Provide a conducive industry environment through the issuance of policies, regulations, safety code, product quality and facility operational standards, and plans and programs geared towards the promotion and development of the PDNGI;
- (d) Promote the conversion of existing fossil fuel-operated machines and facilities to natural gas use, provided it is technically and financially feasible;
- (e) Promote access to and the financial viability of the PDNGI by liberalizing the entry of investors under a system of competition, transparency and fair trade and providing responsive policy support, with the end goal of attaining fair price for all stakeholders;
- (f) Ensure compliance with International and Philippine health, safety, security, environment (HSSE) standards and best practices under a system of safe, secure, high-quality, environmentally responsible operation and services that afford protection to consumers;
- (g) Encourage the inflow of private capital through equity participation by the private sector in the downstream natural gas value chain including gas transmission and distribution utilities;
- (h) Ensure transparent and reasonable price of natural gas and rates for its importation, storage and regasification, transmission and distribution in a regime of open and fair competition and full public accountability that shall promote greater operational and economic efficiency and enhanced competitiveness of the Philippine products in the global market;
- (i) Develop the necessary trades, technical expertise and skills to support the PDNGI; and
- (j) Facilitate the development of end-uses of natural gas including the use of natural gas as fuel for power, commercial, industrial, residential and transport that promote fuel diversity and compliance with existing environmental laws.

SEC. 3. *Scope.* – This Act shall provide a framework for the development of the PDNGI and its transition from emerging industry into mature industry status within a competitive natural gas market, and define the responsibilities of various government agencies and private entities in furtherance of this national goal.

All activities of the Department of Energy (DOE), Energy Regulatory Commission (ERC) and other concerned government agencies relevant to the development and regulation of the PDNGI shall be in accordance with this Act.

SEC. 4. *Definition of Terms.* – As used in this Act:

- (a) *Affiliates* refer to the corporate relationships of two or more persons, one of whom either owns or controls or is being controlled by other persons. As used herein, “control” shall mean

- the power to direct or cause the direction of management policies as an inherent part of decision-making power;
- (b) *Anti-Competitive Behavior* refers to the practices and agreements in violation of the provisions of Republic Act No. 10667, otherwise known as the "*Philippine Competition Act*";
 - (c) *Capacity* refers to the maximum flow expressed in normal cubic meters per time unit or in energy unit per time unit;
 - (d) *Delivery* refers to the transmission or distribution of natural gas and the supply of natural gas at wholesale or retail;
 - (e) *Distribution* refers to the transportation of natural gas through a gas distribution system to end-users;
 - (f) *Distribution system* refers generally to the pipeline and related facilities used to transport natural gas extending between the last delivery point of the transmission system to the last connection point to the end-user;
 - (g) *End-user* refers to any person that will receive delivery of natural gas for resale or final use;
 - (h) *Franchise* refers to the right, privilege and authority issued by Congress authorizing a person to engage in the transmission of natural gas or distribution of natural gas within a specific geographical area;
 - (i) *Gathering facilities* refer to natural gas pipelines and its ancillary facilities used to gather gas in the field and bring it to a location for processing or for delivery at an interconnection with the gas transmission system. The terms "gather" and "gathering" shall be construed accordingly;
 - (j) *Importation* refers to the act of bringing LNG into the Philippines;
 - (k) *Insurance* refers generally to a risk-transfer mechanism that ensures full or partial financial compensation for the loss or damage caused by events beyond the control of the insured party wherein compensation is normally proportionate to the loss incurred;
 - (l) *Liquefied natural gas or LNG* refers to natural gas which has been liquefied by cooling at a cryogenic temperature;
 - (m) *Natural gas* refers to gas obtained from boreholes and wells consisting primarily of a mixture of methane, ethane, propane and butane with small amounts of heavier hydrocarbons and some impurities, consistent with the Philippine National Standards (PNS) or the standards developed by the International Organization for Standardization (ISO);
 - (n) *Natural gas distribution code* refers to the code to be formulated by the DOE pursuant to Section 5(g) of this Act that shall set the technical performance standards for operating gas distribution utilities and the minimum financial standards for gas distribution systems;

- (o) *Natural gas distribution system* refers to the system of conventional pipelines and related facilities extending from the delivery points where the gas distribution system receives the natural gas to the point of connection in the premises of the end-user; and any available virtual pipeline that allows alternative modes of transportation;
- (p) *Natural gas distribution utility* refers to any person engaged in the operation of a natural gas distribution system providing services for general public use, which requires a franchise to operate a gas distribution system;
- (q) *Natural gas sales and purchase agreement* or *NGSPA* refers to any contract or agreement for the delivery and sale of indigenous or imported natural gas by and between sellers, suppliers, buyers and end-users;
- (r) *Natural gas transmission code* refers to the code to be developed by the DOE pursuant to Section 5(g) of this Act that shall set the technical performance standards for operating gas transmission systems and the minimum financial standards for gas transmission utilities;
- (s) *Natural gas transmission system* refers to the system of high-pressure pipelines, storage and its ancillary facilities that are used to transport natural gas from the interconnection with gathering facilities, other LNG-related facilities and other gas transmission or distribution systems;
- (t) *Natural gas transmission utility* refers to a natural or juridical person that has a franchise to operate or is intending to operate a gas transmission system except own-use pipelines;
- (u) *Own-use permit* refers to an authorization granted by the DOE to a permit holder or operator for the exclusive use by the operator or its affiliates in the operation of its natural gas facility;
- (v) *Permit* refers to an authorization issued by the DOE for the importation, construction, commercial operation and maintenance of natural gas facilities;
- (w) *Permit holder or operator* refers to a natural or juridical person who is granted a permit by the DOE to engage in the importation, construction, commercial operation and maintenance of natural gas facilities;
- (x) *Person* refers to a natural or juridical person, as the case may be, including the national and local governments of the Republic of the Philippines, its agencies and instrumentalities, and government-owned and controlled corporations;
- (y) *Philippine downstream natural gas industry* or *PDNGI* refers to the sectors of transmission, distribution, supply, and use of natural gas and their related activities, such as importation, storing, regasification, transmission and distribution of natural gas to end-users;

- (z) *Philippine Energy Plan* or *PEP* refers to the overall energy program formulated and updated yearly by the DOE and submitted to Congress pursuant to Republic Act No. 7638, otherwise known as the "*Department of Energy Act of 1992*", as amended;
- (aa) *Rates* refer to the payment on the utilization of the capacity and use of other services offered by the permit holder or operator of the transmission and distribution pipeline;
- (bb) *Supplier* refers to any person engaged and registered with the DOE to trade on indigenous or imported LNG and their subsequent supply to end-users;
- (cc) *Supply* refers to the trade or sale of indigenous or imported natural gas and their subsequent sale to end-users;
- (dd) *Third-party access or TPA* refers to a transparent and non-discriminatory access and utilization by a third-party user of the excess capacity of the LNG terminal and its related facilities;
- (ee) *Transmission* refers to the transportation of natural gas through a natural gas transmission system;
- (ff) *Virtual Pipeline* refers to alternative methods of transporting natural gas to places where there is no pipeline network available. It is based on a modular system of compression or liquefaction, transport and decompression and regasification of natural gas, which communities, industries, gas stations and others may use.

CHAPTER II

POWERS AND RESPONSIBILITIES OF THE DOE AND THE ERC

SEC. 5. *Powers and Responsibilities of the DOE.* – In addition to its existing powers and functions, the DOE shall have the overall responsibility of supervising and monitoring the development of the Philippine downstream natural gas industry. Towards this end, the DOE shall perform the following powers and functions:

- (a) Prepare the Natural Gas Industry Development Plan (NGIDP) within two (2) years from the effectivity of this Act, incorporating therein the plans submitted by public and private stakeholders after open discussions and consultations with them. The NGIDP shall consist of approved regasification, transmission and distribution development plans which shall be integrated into the Philippine Energy Plan (PEP), and reviewed and updated every three (3) years after its adoption;
- (b) Establish standards on gas quality, facility installation and safety of operation. For this purpose, a Philippine Inter-Agency Technical Committee (PIA-TC) shall be created by the Bureau of Philippine Standards (BPS) to be chaired by the DOE. The PIA-TC shall have as

members the representatives of concerned government agencies and private industries. A Philippine Inter-Agency Health, Safety, Security and Environment Inspection and Monitoring Team (PIA-HSSE IMT) shall likewise be created to monitor and enforce compliance with established standards;

(c) Evaluate applications and issue permits on the importation, exportation, receipt, unloading, loading, storage, regasification of liquefied natural gas; transmission, distribution, marketing, utilization, aggregation of natural gas; and the safe, secure, reliable and efficient planning, construction, operation, expansion, modification, maintenance, decommissioning and abandonment of the downstream natural gas industry infrastructure and facilities;

(d) Evaluate applications for permits or authorities to operate, including a Notice to Proceed (NTP), a Permit to Construct, Expand, Rehabilitate and Modify (PCERM), and a Permit to Operate and Maintain (POM) downstream natural gas projects and facilities, accreditation to import, supply and transport natural gas, Acknowledgement to Import (ATI) LNG and Acknowledgement to Supply and Transport (AST) natural gas;

(e) Review, suspend or revoke, after due notice and hearing, permits issued in accordance with the preceding paragraphs (c) and (d) herein, and Section 12 of this Act after a finding of non-compliance with the provisions of this Act, rules and regulations that shall be issued to implement it, and related issuances;

(f) Issue a written approval on the assignment or transfer of interest on any permits issued in accordance with Section 50 of this Act, after finding that the assignee or transferee has met all the legal, technical, and financial qualifications and has committed itself to assume all existing obligations of the permit holder, and such assignment or transfer is in accordance with existing laws, rules, and regulations: *Provided*, That permits requiring the prior issuance of a legislative franchise shall not be subject to assignment or transfer of interest;

(g) Issue, in coordination with the ERC and in consultation with other concerned government agencies and the PDNGI participants, the Gas Transmission and Distribution Codes, which shall contain the standards and best practices on safe, high-quality, environmentally responsible and consumer protected operation and service, competitive practices and reasonable rates of service;

(h) Endorse requests for investigation to the Philippine Competition Commission (PCC) of any anti-competitive behavior in the conduct of any business under the downstream natural gas industry;

(i) Issue directives to qualified government agencies, in their capacities as investing arms, to spearhead the development of the PDNGI value chain as the DOE may deem imperative to catalyze its development within a given timeline;

- (j) Determine the qualifications and detailed responsibilities of the Natural Gas Transmission System Operator (NGTSO) and Natural Gas Distribution Utilities (NGDUs) pursuant to their responsibilities provided in this Act;
- (k) Initiate actions against the NGTSO or NGDUs for failure to comply with the qualifications and detailed responsibilities specified in this Act;
- (l) Review and approve the natural gas supply and regasification development plan of the regasification terminal owner or operator, natural gas transmission development plan of the NGTSO, and the natural gas distribution development plans of the NGDUs, and integrate the same into the PEP;
- (m) Require the PDNGI participants to submit the regasification, transmission and distribution development plans, and regular and special reports regarding the organization, business, conduct, practices, and management of any business entity duly registered as part of the downstream natural gas industry, subject to Section 20 hereof; and
- (n) Exercise such other powers and functions as may be necessary or incidental to attain the objectives of this Act. Subject to existing laws, rules and regulations, the DOE is hereby authorized to create offices and appoint personnel as may be necessary to efficiently and effectively implement this Act.

SEC. 6. Powers and Responsibilities of the ERC. – In addition to its existing powers and functions, the ERC shall have the sole regulatory responsibility for establishing the rates and related terms and conditions of service for the transmission and distribution, regasification and supply of natural gas to the extent that such activities are regulated pursuant to the requirements set forth in this Act. It shall:

- (a) In the public interest, establish and enforce a methodology for setting transmission, distribution, and supply rates, taking into account all relevant considerations, including the efficiency or inefficiency of the regulated entities. The rates shall be to allow the recovery of just and reasonable costs and a reasonable return to enable the entity to operate viably. The ERC may, upon due notice and public consultation, adopt internationally accepted rate setting methodology. The rate setting methodology so adopted and applied shall promote efficiency and ensure a reasonable price or tariff, and the rates to be prescribed shall be non-discriminatory. For this purpose, the ERC is hereby authorized to require from all participants in the natural gas supply chain all necessary and appropriate records and documents relevant to the determination of just and reasonable fuel cost used in power generation as recoverable component of electricity cost to end-users;

- (b) Regasification services and supply services shall be subjected to rate regulation when there is no competing regasification operators;
- (c) Apply administrative procedures that will ensure the constitutional right to due process;
- (d) Before the end of April of each year, submit to the Office of the President of the Philippines and Congress, copy furnished the DOE, an annual report containing such matters or cases, which have been filed before or referred to it during the preceding year, the actions and proceedings undertaken thereon and its decision or resolution on each case. The ERC shall make copies of such report available to any interested party upon payment of a charge, which shall reflect the printing costs;
- (e) Publish in newspapers of general circulation all its cases and decisions involving rates;
- (f) Create offices and appoint personnel thereto as may be necessary to efficiently and effectively perform its functions as stipulated in this Act, subject to existing laws, rules and regulations; and
- (g) Exercise such other powers as may be necessary or incidental to attain the objectives of this Act.

CHAPTER III

POWERS AND RESPONSONSIBILITIES OF GOVERNMENT AGENCIES

Sec. 7. Powers and Responsibilities of the Department of Environment and Natural Resources (DENR). – In addition to its functions under Executive Order No. 192, otherwise known as the “*Reorganization Act of the Department of Environment and Natural Resources*”, the DENR shall, together with the DOE, determine and monitor compliance with the environmental standards for the location, construction, improvement, expansion, operation, rehabilitation, repair, maintenance, decommissioning, and abandonment of LNG terminals, natural gas transmission systems, and all related equipment and facilities.

Sec. 8. Powers and Responsibilities of the Department of Health (DOH). – In addition to its functions under Executive Order No. 317, Series of 1941, entitled, “*Organizing the Department of Health and Public Welfare*”, as amended, the DOH shall, together with the DOE, determine and monitor compliance with the health standards for the location, construction, improvement, expansion, operation, rehabilitation, repair, maintenance, decommissioning, and abandonment of LNG terminals, natural gas transmission systems, and all related equipment and facilities.

Sec. 9. Powers and Responsibilities of the Department of Trade and Industry-Bureau of Philippine Standards (DTI-BPS). – In addition to its functions under Republic Act No. 4109, entitled, “*An Act to Convert the Division of Standards under the Bureau of Commerce into a Bureau of Standards, to Provide for the Standardization and/or Inspection of Products and Imports of the Philippines and for other Purposes*”, the DTI-BPS shall, together with the DOE, determine, develop, formulate, promulgate, and revise, the Philippine National Standards for natural gas transmission systems, and for natural gas, in its original or liquefied form, LNG terminals, all related equipment and facilities.

SEC. 10. Powers and Responsibilities of the Philippine Competition Commission (PCC). – All matters concerning abuse of market power, cartelization, and any anti-competitive or discriminatory behavior shall be subject to the quasi-judicial powers of the PCC as provided for under Republic Act No. 10667, otherwise known as the “*Philippine Competition Act*”.

CHAPTER IV STRUCTURE, OPERATION AND REGULATIONS OF THE DOWNSTREAM NATURAL GAS INDUSTRY

SEC. 11. Structure. – For purposes of this Act, the structure of the PDNGI value chain shall consist of an LNG terminal and its related facilities, transmission, distribution pipelines and their related facilities, storage and distribution-related facilities, and supply and transport of natural gas.

SEC. 12. Permits. – The DOE shall have the power to issue, review, suspend and revoke for cause, the permits necessary for the construction, expansion, rehabilitation, modification, operation and maintenance of any PDNGI facility or activity. Own-use permit for natural gas facilities shall be allowed for the exclusive use of the operator and its affiliates in the operation of its facilities. The holder of an own-use permit shall still comply with the requirements in this Act. Transmission and distribution of natural gas shall be exempted from franchise requirement. The owner and operator of an LNG terminal shall have the option to apply for both permits and simultaneously perform the functions of an own-use LNG terminal permit holder, pursuant to Section 35 of this Act, and a third-party access (TPA) LNG terminal permit holder pursuant to Section 26 of this Act, to the extent of the capacity allowed by and during the period specified in each type of permit.

SEC. 13. *Rate Regulation.* – The rate of charges and fees for the services of transmission or distribution pipelines and their related facilities shall, when they function as public utilities, be subject to the review and approval by the ERC. The rate methodology to be applied by the ERC shall be based on the principle of full recovery of prudent and reasonable costs incurred, including a reasonable return on rate base, or such other principles that will promote the determination of just and reasonable rates that is consistent with the encouragement of private investments and goal of developing a PDNGI infrastructure.

SEC. 14. *Compliance with Philippine Laws, Rules and Regulations.* – Operators or permit holders of PDNGI facilities shall comply with all Philippine laws, rules and regulations implemented by the different agencies of the government.

SEC 15. *Compliance with Standards.* – The DOE shall ensure that downstream natural gas products are of high quality, and natural gas facilities provide efficient service, observe stringent safety systems, accord attention to design details and structural integrity and employ operational and maintenance best practices. Regulations shall be consistent with applicable Philippine and internationally-accepted natural gas industry standards.

SEC. 16. *Confidential Information.* – The government shall not use confidential or commercially sensitive information for purposes other than those provided herein and shall protect and limit the disclosure of confidential or commercially sensitive information, unless allowed by the operator or when required by laws, rules and regulations.

SEC. 17. *Authority to Obtain Information.* – The DOE, ERC and other concerned government agencies may require any downstream natural gas player or permit holder, through a valid order and with due regard to confidential information, proprietary data and trade secrets, to furnish, within a reasonable period specified, all information and documents relating to all such matters as to the permit, rates and operation of business and natural gas facilities, and provide explanations on the information or document submitted, subject to Section 16 of this Act. The failure of a PDNGI participant or permittee to provide the required information or document without valid reason shall be punishable under this Act.

SEC. 18. *Supply of Natural Gas.* – Existing laws and rules governing the upstream natural gas sector shall provide the government the option to sell directly or otherwise authorize a service contractor to sell its share of the indigenous production. Accordingly, the Secretary of Energy

may, when natural gas supply conditions so require, direct the supply of such share of indigenous production to the downstream natural gas sector.

The operator of an LNG-related facility shall likewise ensure the accommodation of both indigenous and imported supply of natural gas. The DOE shall support and ensure the implementation of any plan to upgrade an LNG terminal and its ancillary facilities into a hub for international trading and trans-shipment.

Any entity engaged in the distribution of natural gas may engage in the supply of the same.

SEC. 19. *Abandonment of Downstream Natural Gas Facility.* – No holder of a permit for the construction, installation, operation or maintenance of a downstream natural gas facility shall abandon or withdraw from service any portion of said downstream natural gas facility or project without obtaining prior authorization from the DOE. The DOE shall, in coordination with the DENR, provide the guidelines and regulations for decommissioning and abandonment of natural gas infrastructures and facilities.

SEC. 20. *Registration and Reportorial Requirements of Natural Gas Participants, Facilities, Import, Export and Supply.* – Holders of permits for the construction, installation, operation or maintenance of a downstream natural gas facility, including importers, exporters and supplier and transporter of natural gas or LNG, shall be registered with the DOE. Appropriate reportorial requirements shall likewise be required for proper supervision and monitoring in accordance with the implementing rules to be issued subsequently.

SEC. 21. *Rules of Practice.* – All concerned government agencies shall issue the appropriate rules of procedure to serve as guideline for administrative legal proceedings. The Rules of Court shall apply in a suppletory manner.

SEC. 22. *Fees.* – All concerned government agencies shall have the authority to prescribe and collect fees and charges relating to the issuance or review of permits, and the supervision and regulation of the PDNGI.

CHAPTER V FRANCHISE REQUIREMENT

SEC. 23. *Transmission and Distribution Pipeline and Related Facility as Public Utility.* – Operators of transmission and distribution pipelines and their related facilities considered as

public utility shall be required to obtain a legislative franchise and a Certificate of Public Convenience and Necessity (CPCN) from the ERC.

Operators of virtual pipelines and their related facilities, which are likewise considered as public utilities, shall no longer be required a legislative franchise. However, such operators shall be required to secure a CPCN from the concerned agency having appropriate jurisdiction over them, in accordance with the provisions of Commonwealth Act. No. 146, otherwise known as the "*Public Service Act*", as amended.

SEC. 24. *Philippine Ownership Requirement.* – As required under Article XII, Section 11 of the Constitution, no franchise, certificate, or any other form of authorization of a public utility shall be granted except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines, at least sixty percent (60%) of whose capital is owned by such citizens.

SEC. 25. *LNG Terminals Not a Public Utility.* – The operation of an LNG terminal shall not be considered as a public utility operation. Hence, it shall be exempted from securing a legislative franchise and a Certificate of Public Convenience and Necessity.

CHAPTER VI THIRD-PARTY ACCESS

SEC. 26. *Third-party Access (TPA) Obligation.* – Available and uncommitted excess capacity of an LNG terminal, transmission and distribution pipelines and related facilities shall be made accessible to third-party users. The ERC shall, in coordination with the DOE and in consultation with the PDNGI participants, ensure the full implementation of the TPA and shall issue the TPA Code within one (1) year from the effectivity of this Act.

The DOE is hereby authorized to synchronize activities to optimize and stabilize the utilization of existing infrastructure for the extraction, storage, and delivery of natural gas, such as the Malampaya natural gas facilities, which shall be subject to the third-party access provision in order to integrate the same with the PDNGI.

SEC. 27. *Available Capacity.* – A TPA shall apply only to the available and uncommitted excess capacity of LNG terminal, transmission or distribution pipelines and their related facilities, but excluding those constructed and operated under a dedicated use agreement or for own use. The operators thereof shall conduct an open and sufficient consultation process with

both existing and potential third-party users to discuss the available capacity and other available services.

To ensure safe and reliable operation, the operator shall determine, subject to the review and recommendation by the DOE, the available and uncommitted excess capacity of the natural gas facilities offered to third parties. The operator shall likewise allocate such excess capacity based on the following criteria as they pertain to the third-party user:

- (a) Proposed contract price and terms;
- (b) Credit-worthiness;
- (c) Availability of a functioning off-take facility;
- (d) Ability to meet fuel specification parameters of the LNG facility; and
- (e) Other relevant factors that may directly affect the allocation.

Non-availment by any third-party user of the excess capacity so allocated and offered shall not be a ground for the denial or cancellation of any permit under this Act.

SEC. 28. *Third-party Access (TPA) Principles.* – Adherence to the principles of transparency, fair competition, and safe practices is the key to the beneficial participation of third-party users. In line with this, the following guiding principles shall be observed:

- (a) Competition in the downstream natural gas industry must be encouraged because it promotes efficiency and lowers costs and prices to the benefit of end-users;
- (b) Investments in natural gas supply and infrastructure from both local and foreign sources, which are otherwise prevented by actions of incumbent monopolistic companies shall be earnestly pursued and supported;
- (c) Benefits to be derived from the diverse and sustainable use of natural gas make it an ideal tool of development;
- (d) Participation of third parties in the downstream natural gas industry shall be anchored on safe and measurable standards of service and practice;
- (e) Open and sufficient consultation between permit holders or facility operators on the available and excess capacity of natural gas is essential in the formulation of supply agreements between permit holders or facility operators and third-party users;
- (f) Transparency in business activities shall consistently be observed to spur confidence. Pursuant thereto, permit holders or facility operators shall publish their available and uncommitted excess capacity, access terms, and conditions, and allow the review and inspection of their facilities and records to verify the same.

SEC. 29. *Congestion Management.* – Whenever the holder of a capacity is no longer able to use or has not released the capacity without justifiable reason, the permit holder or the operator of the facility shall have the authority to release and market the same. The procedure and criteria of the release shall be part of the TPA Code. The government agency which shall have an oversight function on this matter shall be designated in the TPA Code.

SEC. 30. *Approved Access Conditions and TPA Contracts.* – Prior to the conduct of negotiations with third parties, the permit holder or the facility operator shall request the DOE for the review and recommendation of its access conditions in accordance with the TPA Code. All subsequent access contracts shall be reviewed and approved by the DOE.

SEC 31. *Infrastructure Development Period.* – To develop the TPA, the TPA Code shall provide an infrastructure development period and the TPA shall become obligatory only against the permit holder or facility operator if it can be demonstrated that there is already sufficient demand necessary to justify the investment and sustain the additional operational requirement. For this purpose, the DOE shall review and attest to the validity of supply and demand outlook for natural gas.

CHAPTER VII

STANDARDS ON FACILITIES, PRODUCT AND SAFETY PRACTICE

SEC. 32. *Standards on LNG Ships and LNG Facility.* – All PDNGI facilities shall be predicated to be of high quality and efficient service, observe stringent safety systems, accord attention to design details and structural integrity and employ operational and maintenance best practices. Regulations shall be consistent with both applicable Philippine and internationally-accepted natural gas industry standards. The DOE shall ensure compliance with this requirement.

SEC. 33. *Standards on Product Quality.* – The permit holder or operator shall maintain the quality of gas supply to end-users in accordance with the Philippine and internationally accepted standards and ensure that delivery of indigenous or imported LNG comply with the purification requirements to ensure that associated compounds that are unnecessary or damaging to the LNG regasification facility and other related natural gas facilities used for storage, distribution and transportation of natural gas supply are eliminated. The DOE shall ensure compliance with this requirement.

SEC. 34. *Standards on Safety Practice.* – The permit holder or operator shall implement an acceptable health, safety, security and environment management system in accordance with applicable Philippine and internationally accepted standards. The DOE shall ensure compliance with this requirement.

CHAPTER VIII RESPONSIBILITIES OF THE PERMIT HOLDER OR OPERATOR

SEC. 35. *Responsibilities of the Permit Holder or Operator.* – A permit holder or operator shall have the following responsibilities:

- (a) Align all its goals and objectives to the accomplishment of the declared policies of this Act;
- (b) Be directly responsible for the construction and operation of LNG facilities by providing the necessary services, technology and financing, either by itself or through its duly authorized subcontractors, without entitlement from the Philippine government to any reimbursement of any expense incurred;
- (c) Comply with applicable Philippine laws and regulations relating to tax, labor and employment, health, safety, indigenous people's rights, environmental protection and ecological preservation;
- (d) Comply with the regulatory obligations, maintenance of complete records and submission of all reportorial requirements and other documents as may be required by the DOE, ERC and other government agencies pursuant to this Act and its implementing rules;
- (e) Implement the natural gas project strictly adhering to the scope and limits of the permit and operate in accordance with Philippine and international standards;
- (f) Allow and facilitate, based on a valid order, the entry to the facility of the examiners of the Bureau of Internal Revenue and the Bureau of Customs and allow them full access to accounts, books, and records for tax and other fiscal purposes;
- (g) Allow, based on a valid order, the entry of personnel of the DOE, ERC, PIA-HSSE IMT and other government agencies to the facility and grant them full access to operational records for inspection and monitoring activities;
- (h) Give preference to qualified local talents for hiring and local companies or agencies in entering into subcontracts on projects or services, which are required in the construction or operation of the LNG facility;
- (i) Hold the DOE, ERC, PIA-HSSE IMT and other government agencies or other affected individuals free from all claims, demands or actions arising out of its failure to comply with laws,

regulations, standards, contracts, and permits in connection with accidents, damages, or injuries which are beyond their control; and

(j) Observe in the regular operational meeting of the DNG-REC and in the development, issuance and review of plans, protocols, standards and codes applicable to the natural gas project.

CHAPTER IX INCENTIVES

SEC. 36. *Fiscal Incentives.* – In recognition of the substantial investments needed for the construction of, operation and maintenance of, and conversion to natural gas facilities, the PDNGI value chain projects, as certified by the DOE, shall be included in the Strategic Investment Priorities Plan (SIPP) for the next ten (10) years from the effectivity of this Act. Entities engaged in said projects that are duly registered by any Investment Promotion Agency (IPA) shall be entitled to all the incentives under Title XIII (Tax Incentives) of the National Internal Revenue Code of 1997, as amended.

The sale of natural gas to locators inside the ecozone shall be subject to zero percent (0%) Value-Added Tax (VAT), pursuant to the National Internal Revenue Code of 1997, as amended.

SEC. 37. *Streamlined Regulatory Process.* – The operation of LNG terminals, natural gas transmission systems, natural gas distribution systems, own-use LNG terminals, own-use natural gas transmission systems, and own-use natural gas distribution systems shall be considered as energy projects of national significance (EPNS) whose implementation shall not be subject to unnecessary administrative processing delays pursuant to Executive Order No. 30, series of 2017. To be considered an EPNS, a project has to be endorsed by the DOE.

SEC. 38. *Withdrawal of Exemptions.* – To achieve the declared policies of this Act, particularly in relation to the promotion of fair and non-discriminatory treatment of public and private sector entities in the development of the PDNGI infrastructure, all existing tax exemptions applicable to persons engaged in the transmission or the distribution of natural gas, insofar as such exemptions relate to revenues derived from the transmission or the distribution of natural gas, shall be deemed revoked upon the effectivity of this Act, any law to the contrary notwithstanding.

CHAPTER X
PROMOTION OF COMPETITION

SEC. 39. *Anti-Competitive Behavior.* – No gas transmission utility, gas distribution utility or supplier, or affiliate thereof, may engage in any anti-competitive behavior or abuse of market power, specifically the prohibition against monopolies and combinations in restraint of trade under Article 186 of the Revised Penal Code and Chapter III of the Philippine Competition Act.

SEC. 40. *Functional and Structural Unbundling.* – All PDNGI participants shall functionally and structurally unbundle their business activities and rates in accordance with the particular sector. The ERC shall, within nine (9) months from the effectivity of this Act, promulgate the unbundling rules and regulations.

SEC. 41. *Complaint and Investigation Procedures.* – The ERC shall, within nine (9) months AFTER the effectivity of this Act, promulgate rules and regulations providing for a complaint and investigation procedure that shall, without limitation, provide the party alleged to have engaged in anti-competitive or abusive activities with notice and an opportunity to be heard.

SEC. 42. *Affiliated Suppliers.* – In order to prevent anti-competitive conduct, service contractors, gas transmission utilities and gas distribution utilities that own or control affiliates that are suppliers shall conduct their businesses, as follows:

- (a) No preference shall be given to the affiliate supplier over other persons in contracting, scheduling and balancing of available capacity, as well as curtailment, or the imposition of tariffs;
- (b) Marketing information provided to the affiliate supplier shall be provided to any non-affiliated supplier that is a competitor or potential competitor;
- (c) Employees of the affiliate supplier shall, to the maximum extent possible, function independently in making business decisions; and
- (d) Books of accounts and records of the affiliate supplier shall be maintained separately.

CHAPTER XI
FINES AND PENALTIES

SEC. 43. *Administrative Fines and Penalties.* - The following administrative fines and penalties shall be imposed on any industry participant who violates the provisions of this Act:

(a) The permit issued by the DOE under Chapter IV, Section 12 of this Act, may be suspended or revoked and the DOE shall impose upon the operator a fine of Fifty thousand pesos (Php50,000.00) per violation of any provision under Chapter VIII, Section 35 of this Act, without prejudice to other appropriate administrative fines and penalties that other relevant government agencies may impose on the operator: *Provided*, That the schedule of fines provided for in this Section shall be increased by the DOE every five (5) years.

(b) The permit issued by the DOE under Chapter IV, Section 12, may be suspended or revoked upon the recommendation by the ERC and the operator may be charged by the ERC a fine of Five hundred thousand pesos (Php500,000.00) per violation of any provision under Chapter IV, Section 13 of this Act. This is without prejudice to other appropriate administrative fines and penalties that other relevant government agencies may impose against the operator.

(c) Congress may, upon the recommendation of the DOE, ERC or other government agencies, as the case may be, revoke such franchise or privilege granted to the party found in violation of the provisions of this Act.

SEC. 44. *Criminal Fines and Penalties.* – Appropriate fines and penalties under existing penal laws shall apply to any criminal violation associated in the implementation of this Act.

CHAPTER XII TRANSITORY PROVISIONS

SEC. 45. *Existing Systems.* – Natural gas facilities that have been constructed prior to the effectivity of this Act shall continue to be operated under their existing permits and shall comply with additional requirements as may be applicable.

Suppliers who have entered into an NGSPA with end-users and have delivered indigenous or imported natural gas prior to the effectivity of this Act shall continue to operate under the said contracts, subject to compliance with the additional requirements in this Act.

SEC. 46. *Pending Application.* – All applications on any activity in the natural gas value chain pending before the DOE upon the effectivity hereof shall be covered by this Act.

CHAPTER XIII
FINAL PROVISIONS

SEC. 47. *Assignment or Transfer of Interest.* – Assignment or transfer of interest of the permit shall be allowed only upon prior written approval by the DOE based on acceptable reasons and compliance by the operator, the assumption by the assignee of all obligations of the former permit holder, and upon meeting the minimum legal, technical, and financial qualifications of the transferee.

SEC. 48. *Consultation and Arbitration.* – All parties shall make their best efforts to amicably settle any dispute arising from the performance or interpretation of any provision of this Act.

SEC. 49. *Natural Gas Oversight Commission.* - Upon the effectivity of this Act, a congressional commission, hereinafter referred to as the "Natural Gas Oversight Commission", is hereby constituted. The Natural Gas Oversight Commission shall be composed of ten (10) members, with the Chairpersons of the Committee on Energy of the Senate and the House of Representatives, as Co-Chairpersons, and four (4) additional members from each House, to be designated by the Senate President and the Speaker of the House of Representatives, respectively. The minority shall be entitled to pro rata representation but shall have at least one representative in the Natural Gas Oversight Commission.

The Natural Gas Oversight Commission shall, in aid of legislation, perform the following functions:

- (a) Set the guidelines and overall framework to monitor the proper implementation of this Act;
- (b) Look into the appropriateness of creating a single independent regulatory body when the conditions prevailing so require;
- (c) Conduct a periodic review of this Act at least once every three (3) years;
- (d) Determine inherent weaknesses in the law and recommend necessary remedial administrative or legislative measures;
- (e) Approve the budget for the programs of the natural gas of Oversight Commission and all disbursements therefrom;
- (f) Submit periodic reports to the President of the Philippines and Congress; and
- (g) Perform such other powers and functions as may be necessary to attain its objectives.

To carry out its powers and functions, expenses incurred by the Natural Gas Commission during the initial implementation of this Act shall be charged against the current appropriations of the Senate and shall thereafter be included in the annual General Appropriations Act.

The Natural Gas Oversight Commission shall adopt its internal rules of procedure, conduct hearings and receive testimonies, reports and technical advice, invite or summon by *subpoena ad testificandum* any public official, private individual or any other person to testify before it, or require any person by *subpoena duces tecum* to produce before it such records, reports, documents or other materials as it may require, and generally exercise all the powers necessary to attain the purposes for which it is created.

The Natural Gas Oversight Commission shall be assisted by a secretariat to be composed of personnel who may be seconded from the Senate and the House of Representatives and may retain consultants. The secretariat shall be headed by an executive director, who possesses a sufficient background and competence on policies and issues relating to the downstream natural gas industry.

SEC. 50. Appropriations. – The amount necessary for the implementation of this Act shall be included in the annual General Appropriations Act.

SEC. 51. Implementing Rules and Regulations. – The DOE shall, in consultation with the ERC, relevant government agencies such as the DENR, DOH, Department of Transportation (DOTr), Philippine Ports Authority (PPA), DTI and Department of Finance (DOF), the PDNGI participants, non-governmental organizations and end-users, promulgate rules and regulations for the effective implementation of this Act within twelve (12) months AFTER the effectivity of this Act.

SEC. 52. Separability Clause. – If for any reason, any provision of this Act is declared unconstitutional or invalid, the other parts or provisions hereof, which are not affected thereby, shall continue to be in full force and effect.

SEC. 53. Repealing Clause. – Any law, presidential decree or issuance, executive order, letter of instruction, rule or regulation inconsistent with the provisions of this Act is hereby repealed or modified accordingly.

SEC. 54. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

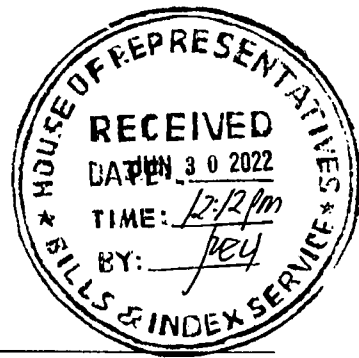
Approved,



Republic of the Philippines
HOUSE OF REPRESENTATIVES

NINETEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 29



Introduced by Representative Lord Allan Jay Q. Velasco

AN ACT
PROMOTING THE DEVELOPMENT OF THE PHILIPPINE DOWNSTREAM
NATURAL GAS INDUSTRY, CONSOLIDATING FOR THE PURPOSE ALL LAWS
RELATING TO THE TRANSMISSION, DISTRIBUTION AND SUPPLY OF
NATURAL GAS, AND APPROPRIATING FUNDS THEREFOR

EXPLANATORY NOTE


The Malampaya Deep Water Gas-to-Power Project has given hope to many Filipinos that we could benefit from the relatively low prices natural gas offers as an energy resource. The operation of the Malampaya Gas Field has enabled the country to harness and make use of a clean, abundant and- accessible energy resource which has resulted in the reliance of about 30% of Luzon island's energy needs on said energy resource. Natural Gas was also used as alternative fuel to the rather more expensive fossil fuel by some transport companies.

Several other government policies were launched to regulate and optimize the use of natural gas in the country such as (a) Executive Order No. 66 which was signed by President Gloria Macapagal-Arroyo on 18 January 2002 which designated the Department of Energy (DOE) as the primary agency that would push for the development of the country's natural gas industry as well as (b) the issuance of the DOE interim rules and regulations governing the transmission, distribution and supply sub-sectors of the natural gas industry.

Today, the supply of Malampaya's natural gas has been steadily dwindling, thus signifying that we need to find new sources of natural gas either domestically or through importation. Despite the same, the Philippines still lacks a clear, comprehensive and integrated legislative framework that would serve as a pillar towards achieving the rapid development of the country's natural gas sector. The lack of such clear policies is detrimental to the thrust of the DOE to attract foreign

investors to invest in our natural gas potentials or importation or transmission of the same.

In view of the foregoing, immediate passage of this bill is earnestly sought.


LORD ALAN JAY Q. VELASCO



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

NINETEENTH CONGRESS
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PROMOTING THE DEVELOPMENT OF THE PHILIPPINE DOWNSTREAM
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Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled.

CHAPTER I

TITLE AND DECLARATION OF POLICY

SECTION 1. **Short Title.** – This Act shall be known as the "*Philippine Downstream Natural Gas Industry Development Act*".

SEC. 2. **Declaration of Policy.** – It is hereby declared the policy of the State to:

- (a) Promote natural gas as a safe, environment-friendly, efficient and cost-effective source of energy, and an indispensable contributor to grid security, especially with the entry of more intermittent renewable energy sources by establishing the Philippine downstream natural gas industry (PDNGI) for the benefit of all segments of the nation's population and all sectors of its economy;
- (b) Promote natural gas as the energy fuel, which has tremendous potential to meet the increasing local demand for fuel, and the development of the Philippines as a liquefied natural gas (LNG) trading and transshipment hub within the Asia-Pacific

Region. In all cases, the State shall ensure the safe, secure, reliable, transparent, competitive and environmentally responsible operation of the PDNGI value chain;

(c) Provide a conducive industry environment through the issuance of policies, regulations, safety code, product quality and facility operational standards, and plans and programs geared towards the promotion and development of the PDNGI;

(d) Promote the conversion of existing fossil fuel-operated machines and facilities to natural gas use, provided it is technically and financially feasible;

(e) Promote access to and the financial viability of the PDNGI by liberalizing the entry of investors under a system of competition, transparency and fair trade and providing responsive policy support, with the end goal of attaining fair price for all stakeholders;

(f) Ensure compliance with International and Philippine health, safety, security, environment (HSSE) standards and best practices under a system of safe, secure, high-quality, environmentally responsible operation and services that afford protection to consumers;

(g) Encourage the inflow of private capital through equity participation by the private sector in the downstream natural gas value chain including gas transmission and distribution utilities;

(h) Ensure transparent and reasonable price of natural gas and rates for its importation, storage and regasification, transmission and distribution in a regime of open and fair competition and full public accountability that shall promote greater operational and economic efficiency and enhanced competitiveness of the Philippine products in the global market;

(i) Develop the necessary trades, technical expertise and skills to support the PDNGI; and

(j) Facilitate the development of end-uses of natural gas including the use of natural gas as fuel for power, commercial, industrial, residential and transport that promote fuel diversity and compliance with existing environmental laws.

SEC. 3. **Scope.** – This Act shall provide a framework for the development of the PDNGI and its transition from emerging industry into mature industry status within a competitive natural gas market, and define the responsibilities of various government agencies and private entities in furtherance of this national goal.

All activities of the Department of Energy (DOE), Energy Regulatory Commission (ERC) and other concerned government agencies relevant to the development and regulation of the PDNGI shall be in accordance with this Act.

SEC. 4. **Definition of Terms.** – As used in this Act:

(a) *Affiliates* refer to the corporate relationships of two or more persons, one of whom either owns or controls or is being controlled by other persons. As used herein, "control" shall mean the power to direct or cause the direction of management policies as an inherent part of decision-making power;

(b) *Anti-Competitive Behavior* refers to the practices and agreements in violation of the provisions of Republic Act No. 10667, otherwise known as the "*Philippine Competition Act*";

(c) *Capacity* refers to the maximum flow expressed in normal cubic meters per time unit or in energy unit per time unit;

(d) *Delivery* refers to the transmission or distribution of natural gas and the supply of natural gas at wholesale or retail;

(e) *Distribution* refers to the transportation of natural gas through a gas distribution system to end-users;

(f) *Distribution system* refers generally to the pipeline and related facilities used to transport natural gas extending between the last delivery point of the transmission system to the last connection point to the end-user;

(g) *End-user* refers to any person that will receive delivery of natural gas for resale or final use;

- (h) *Franchise* refers to the right, privilege and authority issued by Congress authorizing a person to engage in the transmission of natural gas or distribution of natural gas within a specific geographical area;
- (i) *Gathering facilities* refer to natural gas pipelines and its ancillary facilities used to gather gas in the field and bring it to a location for processing or for delivery at an interconnection with the gas transmission system. The terms "gather" and "gathering" shall be construed accordingly;
- (j) *Importation* refers to the act of bringing LNG into the Philippines;
- (k) *Insurance* refers generally to a risk-transfer mechanism that ensures full or partial financial compensation for the loss or damage caused by events beyond the control of the insured party wherein compensation is normally proportionate to the loss incurred;
- (l) *Liquefied natural gas or LNG* refers to natural gas which has been liquefied by cooling at a cryogenic temperature;
- (m) *Natural gas* refers to gas obtained from boreholes and wells consisting primarily of a mixture of methane, ethane, propane and butane with small amounts of heavier hydrocarbons and some impurities, consistent with the Philippine National Standards (PNS) or the standards developed by the International Organization for Standardization (ISO);
- (n) *Natural gas distribution code* refers to the code to be formulated by the DOE pursuant to Section 5(g) of this Act that shall set the technical performance standards for operating gas distribution utilities and the minimum financial standards for gas distribution systems;
- (o) *Natural gas distribution system* refers to the system of conventional pipelines and related facilities extending from the delivery points where the gas distribution system receives the natural gas to the point of connection in the premises of the end-user; and any available virtual pipeline that allows alternative modes of transportation;

- (p) *Natural gas distribution utility* refers to any person engaged in the operation of a natural gas distribution system providing services for general public use, which requires a franchise to operate a gas distribution system;
- (q) *Natural gas sales and purchase agreement* or *NGSPA* refers to any contract or agreement for the delivery and sale of indigenous or imported natural gas by and between sellers, suppliers, buyers and end-users;
- (r) *Natural gas transmission code* refers to the code to be developed by the DOE pursuant to Section 5(g) of this Act that shall set the technical performance standards for operating gas transmission systems and the minimum financial standards for gas transmission utilities;
- (s) *Natural gas transmission system* refers to the system of high-pressure pipelines, storage and its ancillary facilities that are used to transport natural gas from the interconnection with gathering facilities, other LNG-related facilities and other gas transmission or distribution systems;
- (t) *Natural gas transmission utility* refers to a natural or juridical person that has a franchise to operate or is intending to operate a gas transmission system except own-use pipelines;
- (u) *Own-use permit* refers to an authorization granted by the DOE to a permit holder or operator for the exclusive use by the operator or its affiliates in the operation of its natural gas facility;
- (v) *Permit* refers to an authorization issued by the DOE for the importation, construction, commercial operation and maintenance of natural gas facilities;
- (w) *Permit holder or operator* refers to a natural or juridical person who is granted a permit by the DOE to engage in the importation, construction, commercial operation and maintenance of natural gas facilities;
- (x) *Person* refers to a natural or juridical person, as the case may be, including the national and local governments of the Republic of the Philippines, its agencies and instrumentalities, and government-owned and controlled corporations;

- (y) *Philippine downstream natural gas industry or PDNGI* refers to the sectors of transmission, distribution, supply, and use of natural gas and their related activities, such as importation, storing, regasification, transmission and distribution of natural gas to end-users;
- (z) *Philippine Energy Plan or PEP* refers to the overall energy program formulated and updated yearly by the DOE and submitted to Congress pursuant to Republic Act No. 7638, otherwise known as the "*Department of Energy Act of 1992*", as amended;
- (aa) *Rates* refer to the payment on the utilization of the capacity and use of other services offered by the permit holder or operator of the transmission and distribution pipeline;
- (bb) *Supplier* refers to any person engaged and registered with the DOE to trade on indigenous or imported LNG and their subsequent supply to end-users;
- (cc) *Supply* refers to the trade or sale of indigenous or imported natural gas and their subsequent sale to end-users;
- (dd) *Third-party access or TPA* refers to a transparent and non-discriminatory access and utilization by a third-party user of the excess capacity of the LNG terminal and its related facilities;
- (ee) *Transmission* refers to the transportation of natural gas through a natural gas transmission system;
- (ff) *Virtual Pipeline* refers to alternative methods of transporting natural gas to places where there is no pipeline network available. It is based on a modular system of compression or liquefaction, transport and decompression and regasification of natural gas, which communities, industries, gas stations and others may use.

CHAPTER II

POWERS AND RESPONSIBILITIES OF THE DOE AND THE ERC

SEC. 5. Powers and Responsibilities of the DOE. – In addition to its existing powers and functions, the DOE shall have the overall responsibility of supervising and monitoring the development of the Philippine downstream natural gas industry. Towards this end, the DOE shall perform the following powers and functions:

- (a) Prepare the Natural Gas Industry Development Plan (NGIDP) within two (2) years from the effectivity of this Act, incorporating therein the plans submitted by public and private stakeholders after open discussions and consultations with them. The NGIDP shall consist of approved regasification, transmission and distribution development plans which shall be integrated into the Philippine Energy Plan (PEP), and reviewed and updated every three (3) years after its adoption;
- (b) Establish standards on gas quality, facility installation and safety of operation. For this purpose, a Philippine Inter-Agency Technical Committee (PIA-TC) shall be created by the Bureau of Philippine Standards (BPS) to be chaired by the DOE. The PIA-TC shall have as members the representatives of concerned government agencies and private industries. A Philippine Inter-Agency Health, Safety, Security and Environment Inspection and Monitoring Team (PIA-HSSE IMT) shall likewise be created to monitor and enforce compliance with established standards;
- (c) Evaluate applications and issue permits on the importation, exportation, receipt, unloading, loading, storage, regasification of liquefied natural gas; transmission, distribution, marketing, utilization, aggregation of natural gas; and the safe, secure, reliable and efficient planning, construction, operation, expansion, modification, maintenance, decommissioning and abandonment of the downstream natural gas industry infrastructure and facilities;
- (d) Evaluate applications for permits or authorities to operate, including a Notice to Proceed (NTP), a Permit to Construct, Expand, Rehabilitate and Modify (PCERM), and a Permit to Operate and Maintain (POM) downstream natural gas projects and facilities, accreditation to import, supply and transport natural gas, Acknowledgement to Import (ATI) LNG and Acknowledgement to Supply and Transport (AST) natural gas;

- (e) Review, suspend or revoke, after due notice and hearing, permits issued in accordance with the preceding paragraphs (c) and (d) herein, and Section 12 of this Act after a finding of non-compliance with the provisions of this Act, rules and regulations that shall be issued to implement it, and related issuances;
- (f) Issue a written approval on the assignment or transfer of interest on any permits issued in accordance with Section 50 of this Act, after finding that the assignee or transferee has met all the legal, technical, and financial qualifications and has committed itself to assume all existing obligations of the permit holder, and such assignment or transfer is in accordance with existing laws, rules, and regulations: *Provided*, That permits requiring the prior issuance of a legislative franchise shall not be subject to assignment or transfer of interest;
- (g) Issue, in coordination with the ERC and in consultation with other concerned government agencies and the PDNGI participants, the Gas Transmission and Distribution Codes, which shall contain the standards and best practices on safe, high-quality, environmentally responsible and consumer protected operation and service, competitive practices and reasonable rates of service;
- (h) Endorse requests for investigation to the Philippine Competition Commission (PCC) of any anti-competitive behavior in the conduct of any business under the downstream natural gas industry;
- (i) Issue directives to qualified government agencies, in their capacities as investing arms, to spearhead the development of the PDNGI value chain as the DOE may deem imperative to catalyze its development within a given timeline;
- (j) Determine the qualifications and detailed responsibilities of the Natural Gas Transmission System Operator (NGTSO) and Natural Gas Distribution Utilities (NGDUs) pursuant to their responsibilities provided in this Act;
- (k) Initiate actions against the NGTSO or NGDUs for failure to comply with the qualifications and detailed responsibilities specified in this Act;

(l) Review and approve the natural gas supply and regasification development plan of the regasification terminal owner or operator, natural gas transmission development plan of the NGTSO, and the natural gas distribution development plans of the NGDUs, and integrate the same into the PEP;

(m) Require the PDNGI participants to submit the regasification, transmission and distribution development plans, and regular and special reports regarding the organization, business, conduct, practices, and management of any business entity duly registered as part of the downstream natural gas industry, subject to Section 20 hereof; and

(n) Exercise such other powers and functions as may be necessary or incidental to attain the objectives of this Act. Subject to existing laws, rules and regulations, the DOE is hereby authorized to create offices and appoint personnel as may be necessary to efficiently and effectively implement this Act.

SEC. 6. Powers and Responsibilities of the ERC. – In addition to its existing powers and functions, the ERC shall have the sole regulatory responsibility for establishing the rates and related terms and conditions of service for the transmission and distribution, regasification and supply of natural gas to the extent that such activities are regulated pursuant to the requirements set forth in this Act.

It shall:

(a) In the public interest, establish and enforce a methodology for setting transmission, distribution, and supply rates, taking into account all relevant considerations, including the efficiency or inefficiency of the regulated entities. The rates shall be to allow the recovery of just and reasonable costs and a reasonable return to enable the entity to operate viably. The ERC may, upon due notice and public consultation, adopt internationally accepted rate setting methodology. The rate setting methodology so adopted and applied shall promote efficiency and ensure a reasonable price or tariff, and the rates to be prescribed shall be non-discriminatory. For this purpose, the ERC is hereby authorized to require from all participants in the natural gas supply chain all necessary and appropriate records

- and documents relevant to the determination of just and reasonable fuel cost used in power generation as recoverable component of electricity cost to end-users;
- (b) Regasification services and supply services shall be subjected to rate regulation when there is no competing regasification operators;
 - (c) Apply administrative procedures that will ensure the constitutional right to due process;
 - (d) Before the end of April of each year, submit to the Office of the President of the Philippines and Congress, copy furnished the DOE, an annual report containing such matters or cases, which have been filed before or referred to it during the preceding year, the actions and proceedings undertaken thereon and its decision or resolution on each case. The ERC shall make copies of such report available to any interested party upon payment of a charge, which shall reflect the printing costs;
 - (e) Publish in newspapers of general circulation all its cases and decisions involving rates;
 - (f) Create offices and appoint personnel thereto as may be necessary to efficiently and effectively perform its functions as stipulated in this Act, subject to existing laws, rules and regulations; and
 - (g) Exercise such other powers as may be necessary or incidental to attain the objectives of this Act.

CHAPTER III

POWERS AND RESPONSONSIBILITIES OF GOVERNMENT AGENCIES

Sec. 7. Powers and Responsibilities of the Department of Environment and Natural Resources (DENR). – In addition to its functions under Executive Order No. 192, otherwise known as the "*Reorganization Act of the Department of Environment and Natural Resources*", the DENR shall, together with the DOE, determine and monitor compliance with the environmental standards for the location, construction, improvement, expansion, operation, rehabilitation, repair,

maintenance, decommissioning, and abandonment of LNG terminals, natural gas transmission systems, and all related equipment and facilities.

Sec. 8. Powers and Responsibilities of the Department of Health (DOH). –

In addition to its functions under Executive Order No. 317, Series of 1941, entitled, "*Organizing the Department of Health and Public Welfare*", as amended, the DOH shall, together with the DOE, determine and monitor compliance with the health standards for the location, construction, improvement, expansion, operation, rehabilitation, repair, maintenance, decommissioning, and abandonment of LNG terminals, natural gas transmission systems, and all related equipment and facilities.

Sec. 9. Powers and Responsibilities of the Department of Trade and Industry-Bureau of Philippine Standards (DTI-BPS). –

In addition to its functions under Republic Act No. 4109, entitled, "*An Act to Convert the Division of Standards under the Bureau of Commerce into a Bureau of Standards, to Provide for the Standardization and/or Inspection of Products and Imports of the Philippines and for other Purposes*", the DTI-BPS shall, together with the DOE, determine, develop, formulate, promulgate, and revise, the Philippine National Standards for natural gas transmission systems, and for natural gas, in its original or liquefied form, LNG terminals, all related equipment and facilities.

SEC. 10. Powers and Responsibilities of the Philippine Competition Commission (PCC). – All matters concerning abuse of market power, cartelization, and any anti-competitive or discriminatory behavior shall be subject to the quasi-judicial powers of the PCC as provided for under Republic Act No. 10667, otherwise known as the "*Philippine Competition Act*".

CHAPTER IV
STRUCTURE, OPERATION AND REGULATIONS OF THE
DOWNSTREAM NATURAL GAS INDUSTRY

SEC. 11. **Structure.** – For purposes of this Act, the structure of the PDNGI value chain shall consist of an LNG terminal and its related facilities, transmission, distribution pipelines and their related facilities, storage and distribution-related facilities, and supply and transport of natural gas.

SEC. 12. **Permits.** – The DOE shall have the power to issue, review, suspend and revoke for cause, the permits necessary for the construction, expansion, rehabilitation, modification, operation and maintenance of any PDNGI facility or activity. Own-use permit for natural gas facilities shall be allowed for the exclusive use of the operator and its affiliates in the operation of its facilities. The holder of an own-use permit shall still comply with the requirements in this Act. Transmission and distribution of natural gas shall be exempted from franchise requirement.

The owner and operator of an LNG terminal shall have the option to apply for both permits and simultaneously perform the functions of an own-use LNG terminal permit holder, pursuant to Section 35 of this Act, and a third-party access (TPA) LNG terminal permit holder pursuant to Section 26 of this Act, to the extent of the capacity allowed by and during the period specified in each type of permit.

SEC. 13. **Rate Regulation.** – The rate of charges and fees for the services of transmission or distribution pipelines and their related facilities shall, when they function as public utilities, be subject to the review and approval by the ERC. The rate methodology to be applied by the ERC shall be based on the principle of full recovery of prudent and reasonable costs incurred, including a reasonable return on rate base, or such other principles that will promote the determination of just and reasonable rates that is consistent with the encouragement of private investments and goal of developing a PDNGI infrastructure.

SEC. 14. **Compliance with Philippine Laws, Rules and Regulations.** – Operators or permit holders of PDNGI facilities shall comply with all Philippine laws, rules and regulations implemented by the different agencies of the government.

SEC 15. **Compliance with Standards.** – The DOE shall ensure that downstream natural gas products are of high quality, and natural gas facilities provide efficient service, observe stringent safety systems, accord attention to design details and structural integrity and employ operational and maintenance best practices. Regulations shall be consistent with applicable Philippine and internationally-accepted natural gas industry standards.

SEC. 16. **Confidential Information.** – The government shall not use confidential or commercially sensitive information for purposes other than those provided herein and shall protect and limit the disclosure of confidential or commercially sensitive information, unless allowed by the operator or when required by laws, rules and regulations.

SEC. 17. **Authority to Obtain Information.** – The DOE, ERC and other concerned government agencies may require any downstream natural gas player or permit holder, through a valid order and with due regard to confidential information, proprietary data and trade secrets, to furnish, within a reasonable period specified, all information and documents relating to all such matters as to the permit, rates and operation of business and natural gas facilities, and provide explanations on the information or document submitted, subject to Section 16 of this Act. The failure of a PDNGI participant or permittee to provide the required information or document without valid reason shall be punishable under this Act.

SEC. 18. **Supply of Natural Gas.** – Existing laws and rules governing the upstream natural gas sector shall provide the government the option to sell directly or otherwise authorize a service contractor to sell its share of the indigenous production. Accordingly, the Secretary of Energy may, when natural gas supply conditions so require, direct the supply of such share of indigenous production to the downstream natural gas sector.

The operator of an LNG-related facility shall likewise ensure the accommodation of both indigenous and imported supply of natural gas. The DOE shall support and ensure the implementation of any plan to upgrade an LNG terminal and its ancillary facilities into a hub for international trading and trans-shipment.

Any entity engaged in the distribution of natural gas may engage in the supply of the same.

SEC. 19. Abandonment of Downstream Natural Gas Facility. – No holder of a permit for the construction, installation, operation or maintenance of a downstream natural gas facility shall abandon or withdraw from service any portion of said downstream natural gas facility or project without obtaining prior authorization from the DOE. The DOE shall, in coordination with the DENR, provide the guidelines and regulations for decommissioning and abandonment of natural gas infrastructures and facilities.

SEC. 20. Registration and Reportorial Requirements of Natural Gas Participants, Facilities, Import, Export and Supply. – Holders of permits for the construction, installation, operation or maintenance of a downstream natural gas facility, including importers, exporters and supplier and transporter of natural gas or LNG, shall be registered with the DOE. Appropriate reportorial requirements shall likewise be required for proper supervision and monitoring in accordance with the implementing rules to be issued subsequently.

SEC. 21. Rules of Practice. – All concerned government agencies shall issue the appropriate rules of procedure to serve as guideline for administrative legal proceedings. The Rules of Court shall apply in a suppletory manner.

SEC. 22. Fees. – All concerned government agencies shall have the authority to prescribe and collect fees and charges relating to the issuance or review of permits, and the supervision and regulation of the PDNGI.

CHAPTER V
FRANCHISE REQUIREMENT

SEC. 23. Transmission and Distribution Pipeline and Related Facility as Public Utility. – Operators of transmission and distribution pipelines and their related facilities considered as public utility shall be required to obtain a legislative franchise and a Certificate of Public Convenience and Necessity (CPCN) from the ERC.

Operators of virtual pipelines and their related facilities, which are likewise considered as public utilities, shall no longer be required a legislative franchise. However, such operators shall be required to secure a CPCN from the concerned agency having appropriate jurisdiction over them, in accordance with the provisions of Commonwealth Act. No. 146, otherwise known as the "*Public Service Act*", as amended.

SEC. 24. Philippine Ownership Requirement. – As required under Article XII, Section 11 of the Constitution, no franchise, certificate, or any other form of authorization of a public utility shall be granted except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines, at least sixty percent (60%) of whose capital is owned by such citizens.

SEC. 25. LNG Terminals Not a Public Utility. – The operation of an LNG terminal shall not be considered as a public utility operation. Hence, it shall be exempted from securing a legislative franchise and a Certificate of Public Convenience and Necessity.

CHAPTER VI
THIRD-PARTY ACCESS

SEC. 26. Third-party Access (TPA) Obligation. – Available and uncommitted excess capacity of an LNG terminal, transmission and distribution pipelines and related facilities shall be made accessible to third-party users. The ERC shall, in coordination with the DOE and in consultation with the PDNGI participants, ensure the full implementation of the TPA and shall issue the TPA Code within one (1) year from the effectivity of this Act.

The DOE is hereby authorized to synchronize activities to optimize and stabilize the utilization of existing infrastructure for the extraction, storage, and delivery of natural gas, such as the Malampaya natural gas facilities, which shall be subject to the third-party access provision in order to integrate the same with the PDNGI.

SEC. 27. Available Capacity. – A TPA shall apply only to the available and uncommitted excess capacity of LNG terminal, transmission or distribution pipelines and their related facilities, but excluding those constructed and operated under a dedicated use agreement or for own use. The operators thereof shall conduct an open and sufficient consultation process with both existing and potential third-party users to discuss the available capacity and other available services.

To ensure safe and reliable operation, the operator shall determine, subject to the review and recommendation by the DOE, the available and uncommitted excess capacity of the natural gas facilities offered to third parties. The operator shall likewise allocate such excess capacity based on the following criteria as they pertain to the third-party user:

- (a) Proposed contract price and terms;
- (b) Credit-worthiness;
- (c) Availability of a functioning off-take facility;
- (d) Ability to meet fuel specification parameters of the LNG facility; and

- (e) Other relevant factors that may directly affect the allocation.

Non-availment by any third-party user of the excess capacity so allocated and offered shall not be a ground for the denial or cancellation of any permit under this Act.

SEC. 28. Third-party Access (TPA) Principles. – Adherence to the principles of transparency, fair competition, and safe practices is the key to the beneficial participation of third-party users. In line with this, the following guiding principles shall be observed:

- (a) Competition in the downstream natural gas industry must be encouraged because it promotes efficiency and lowers costs and prices to the benefit of end-users;
- (b) Investments in natural gas supply and infrastructure from both local and foreign sources, which are otherwise prevented by actions of incumbent monopolistic companies shall be earnestly pursued and supported;
- (c) Benefits to be derived from the diverse and sustainable use of natural gas make it an ideal tool of development;
- (d) Participation of third parties in the downstream natural gas industry shall be anchored on safe and measurable standards of service and practice;
- (e) Open and sufficient consultation between permit holders or facility operators on the available and excess capacity of natural gas is essential in the formulation of supply agreements between permit holders or facility operators and third-party users;
- (f) Transparency in business activities shall consistently be observed to spur confidence. Pursuant thereto, permit holders or facility operators shall publish their available and uncommitted excess capacity, access terms, and conditions, and allow the review and inspection of their facilities and records to verify the same.

SEC. 29. Congestion Management. – Whenever the holder of a capacity is no longer able to use or has not released the capacity without justifiable reason, the

permit holder or the operator of the facility shall have the authority to release and market the same. The procedure and criteria of the release shall be part of the TPA Code. The government agency which shall have an oversight function on this matter shall be designated in the TPA Code.

SEC. 30. Approved Access Conditions and TPA Contracts. – Prior to the conduct of negotiations with third parties, the permit holder or the facility operator shall request the DOE for the review and recommendation of its access conditions in accordance with the TPA Code. All subsequent access contracts shall be reviewed and approved by the DOE.

SEC 31. Infrastructure Development Period. – To develop the TPA, the TPA Code shall provide an infrastructure development period and the TPA shall become obligatory only against the permit holder or facility operator if it can be demonstrated that there is already sufficient demand necessary to justify the investment and sustain the additional operational requirement. For this purpose, the DOE shall review and attest to the validity of supply and demand outlook for natural gas.

CHAPTER VII

STANDARDS ON FACILITIES, PRODUCT AND SAFETY PRACTICE

SEC. 32. Standards on LNG Ships and LNG Facility. – All PDNGI facilities shall be predicated to be of high quality and efficient service, observe stringent safety systems, accord attention to design details and structural integrity and employ operational and maintenance best practices. Regulations shall be consistent with both applicable Philippine and internationally-accepted natural gas industry standards. The DOE shall ensure compliance with this requirement.

SEC. 33. Standards on Product Quality. – The permit holder or operator shall maintain the quality of gas supply to end-users in accordance with the Philippine and internationally accepted standards and ensure that delivery of indigenous or

imported LNG comply with the purification requirements to ensure that associated compounds that are unnecessary or damaging to the LNG regasification facility and other related natural gas facilities used for storage, distribution and transportation of natural gas supply are eliminated. The DOE shall ensure compliance with this requirement.

SEC. 34. **Standards on Safety Practice.** – The permit holder or operator shall implement an acceptable health, safety, security and environment management system in accordance with applicable Philippine and internationally accepted standards. The DOE shall ensure compliance with this requirement.

CHAPTER VIII

RESPONSIBILITIES OF THE PERMIT HOLDER OR OPERATOR

SEC. 35. **Responsibilities of the Permit Holder or Operator.** – A permit holder or operator shall have the following responsibilities:

- (a) Align all its goals and objectives to the accomplishment of the declared policies of this Act;
- (b) Be directly responsible for the construction and operation of LNG facilities by providing the necessary services, technology and financing, either by itself or through its duly authorized subcontractors, without entitlement from the Philippine government to any reimbursement of any expense incurred;
- (c) Comply with applicable Philippine laws and regulations relating to tax, labor and employment, health, safety, indigenous people's rights, environmental protection and ecological preservation;
- (d) Comply with the regulatory obligations, maintenance of complete records and submission of all reportorial requirements and other documents as may be required by the DOE, ERC and other government agencies pursuant to this Act and its implementing rules;

- (e) Implement the natural gas project strictly adhering to the scope and limits of the permit and operate in accordance with Philippine and international standards;
- (f) Allow and facilitate, based on a valid order, the entry to the facility of the examiners of the Bureau of Internal Revenue and the Bureau of Customs and allow them full access to accounts, books, and records for tax and other fiscal purposes;
- (g) Allow, based on a valid order, the entry of personnel of the DOE, ERC, PIA-HSSE IMT and other government agencies to the facility and grant them full access to operational records for inspection and monitoring activities;
- (h) Give preference to qualified local talents for hiring and local companies or agencies in entering into subcontracts on projects or services, which are required in the construction or operation of the LNG facility;
- (i) Hold the DOE, ERC, PIA-HSSE IMT and other government agencies or other affected individuals free from all claims, demands or actions arising out of its failure to comply with laws, regulations, standards, contracts, and permits in connection with accidents, damages, or injuries which are beyond their control; and
- (j) Observe in the regular operational meeting of the DNG-REC and in the development, issuance and review of plans, protocols, standards and codes applicable to the natural gas project.

CHAPTER IX

INCENTIVES

SEC. 36. **Fiscal Incentives.** – In recognition of the substantial investments needed for the construction of, operation and maintenance of, and conversion to natural gas facilities, the PDNGI value chain projects, as certified by the DOE, shall be included in the Strategic Investment Priorities Plan (SIPP) for the next ten (10) years from the effectivity of this Act. Entities engaged in said projects that are duly registered by any Investment Promotion Agency (IPA) shall be entitled to all the incentives under Title XIII (Tax Incentives) of the National Internal Revenue Code of 1997, as amended.

The sale of natural gas to locators inside the ecozone shall be subject to zero percent (0%) Value-Added Tax (VAT), pursuant to the National Internal Revenue Code of 1997, as amended.

SEC. 37. Streamlined Regulatory Process. – The operation of LNG terminals, natural gas transmission systems, natural gas distribution systems, own-use LNG terminals, own-use natural gas transmission systems, and own-use natural gas distribution systems shall be considered as energy projects of national significance (EPNS) whose implementation shall not be subject to unnecessary administrative processing delays pursuant to Executive Order No. 30, series of 2017. To be considered an EPNS, a project has to be endorsed by the DOE.

SEC. 38. Withdrawal of Exemptions. – To achieve the declared policies of this Act, particularly in relation to the promotion of fair and non-discriminatory treatment of public and private sector entities in the development of the PDNGI infrastructure, all existing tax exemptions applicable to persons engaged in the transmission or the distribution of natural gas, insofar as such exemptions relate to revenues derived from the transmission or the distribution of natural gas, shall be deemed revoked upon the effectivity of this Act, any law to the contrary notwithstanding.

CHAPTER X PROMOTION OF COMPETITION

SEC. 39. Anti-Competitive Behavior. – No gas transmission utility, gas distribution utility or supplier, or affiliate thereof, may engage in any anti-competitive behavior or abuse of market power, specifically the prohibition against monopolies and combinations in restraint of trade under Article 186 of the Revised Penal Code and Chapter III of the Philippine Competition Act.

SEC. 40. Functional and Structural Unbundling. – All PDNGI participants shall functionally and structurally unbundle their business activities and rates in

accordance with the particular sector. The ERC shall, within nine (9) months from the effectivity of this Act, promulgate the unbundling rules and regulations.

SEC. 41. Complaint and Investigation Procedures. – The ERC shall, within nine (9) months AFTER the effectivity of this Act, promulgate rules and regulations providing for a complaint and investigation procedure that shall, without limitation, provide the party alleged to have engaged in anti-competitive or abusive activities with notice and an opportunity to be heard.

SEC. 42. Affiliated Suppliers. – In order to prevent anti-competitive conduct, service contractors, gas transmission utilities and gas distribution utilities that own or control affiliates that are suppliers shall conduct their businesses, as follows:

- (a) No preference shall be given to the affiliate supplier over other persons in contracting, scheduling and balancing of available capacity, as well as curtailment, or the imposition of tariffs;
- (b) Marketing information provided to the affiliate supplier shall be provided to any non-affiliated supplier that is a competitor or potential competitor;
- (c) Employees of the affiliate supplier shall, to the maximum extent possible, function independently in making business decisions; and
- (d) Books of accounts and records of the affiliate supplier shall be maintained separately.

CHAPTER XI FINES AND PENALTIES

SEC. 43. **Administrative Fines and Penalties.** - The following administrative fines and penalties shall be imposed on any industry participant who violates the provisions of this Act:

(a) The permit issued by the DOE under Chapter IV, Section 12 of this Act, may be suspended or revoked and the DOE shall impose upon the operator a fine of Fifty thousand pesos (Php50,000.00) per violation of any provision under Chapter VIII, Section 35 of this Act, without prejudice to other appropriate administrative fines and penalties that other relevant government agencies may impose on the operator: *Provided*, That the schedule of fines provided for in this Section shall be increased by the DOE every five (5) years.

(b) The permit issued by the DOE under Chapter IV, Section 12, may be suspended or revoked upon the recommendation by the ERC and the operator may be charged by the ERC a fine of Five hundred thousand pesos (Php500,000.00) per violation of any provision under Chapter IV, Section 13 of this Act. This is without prejudice to other appropriate administrative fines and penalties that other relevant government agencies may impose against the operator.

(c) Congress may, upon the recommendation of the DOE, ERC or other government agencies, as the case may be, revoke such franchise or privilege granted to the party found in violation of the provisions of this Act.

SEC. 44. **Criminal Fines and Penalties.** – Appropriate fines and penalties under existing penal laws shall apply to any criminal violation associated in the implementation of this Act.

CHAPTER XII

TRANSITORY PROVISIONS

SEC. 45. **Existing Systems.** – Natural gas facilities that have been constructed prior to the effectivity of this Act shall continue to be operated under their existing permits and shall comply with additional requirements as may be applicable.

Suppliers who have entered into an NGSPA with end-users and have delivered indigenous or imported natural gas prior to the effectivity of this Act shall continue to operate under the said contracts, subject to compliance with the additional requirements in this Act.

SEC. 46. **Pending Application.** – All applications on any activity in the natural gas value chain pending before the DOE upon the effectivity hereof shall be covered by this Act.

CHAPTER XIII FINAL PROVISIONS

SEC. 47. **Assignment or Transfer of Interest.** – Assignment or transfer of interest of the permit shall be allowed only upon prior written approval by the DOE based on acceptable reasons and compliance by the operator, the assumption by the assignee of all obligations of the former permit holder, and upon meeting the minimum legal, technical, and financial qualifications of the transferee.

SEC. 48. **Consultation and Arbitration.** – All parties shall make their best efforts to amicably settle any dispute arising from the performance or interpretation of any provision of this Act.

SEC. 49. **Joint Congressional Energy Commission.** - Upon the effectivity of this Act, the oversight function shall be exercised by the Joint Congressional Energy Commission (JCEC), as provided for by law.

The said Oversight Commission shall, in aid of legislation, perform the following functions:

(a) Set the guidelines and overall framework to monitor the proper implementation of this Act;

- (b) Look into the appropriateness of creating a single independent regulatory body when the conditions prevailing so require;
- (c) Conduct a periodic review of this Act at least once every three (3) years;
- (d) Determine inherent weaknesses in the law and recommend necessary remedial administrative or legislative measures;
- (e) Approve the budget for the programs of the said Oversight Commission and all disbursements therefrom;
- (f) Submit periodic reports to the President of the Philippines and Congress; and
- (g) Perform such other powers and functions as may be necessary to attain its objectives.

The JCEC shall be assisted by a secretariat to be composed of personnel who may be seconded from the Senate and the House of Representatives and may retain consultants who possess sufficient background and competence on policies and issues relating to the downstream natural gas industry.

SEC. 50. Appropriations. – The amount necessary for the implementation of this Act shall be included in the annual General Appropriations Act.

SEC. 51. Implementing Rules and Regulations. – The DOE shall, in consultation with the ERC, relevant government agencies such as the DENR, DOH, Department of Transportation (DOTr), Philippine Ports Authority (PPA), DTI and Department of Finance (DOF), the PDNGI participants, non-governmental organizations and end-users, promulgate rules and regulations for the effective implementation of this Act within twelve (12) months AFTER the effectivity of this Act.

SEC. 52. Separability Clause. – If for any reason, any provision of this Act is declared unconstitutional or invalid, the other parts or provisions hereof, which are not affected thereby, shall continue to be in full force and effect.

SEC. 53. **Repealing Clause.** – Any law, presidential decree or issuance, executive order, letter of instruction, rule or regulation inconsistent with the provisions of this Act is hereby repealed or modified accordingly.

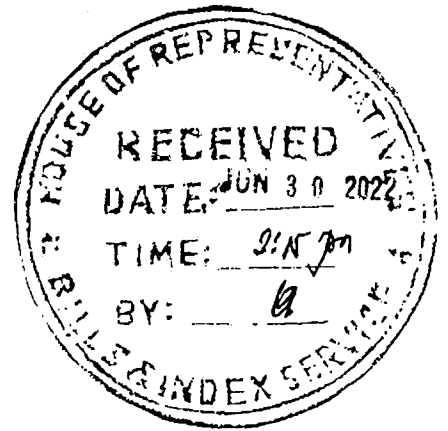
SEC. 54. **Effectivity.** – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

NINETEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 173



Introduced by Rep. Caroline L. Tanchay and Rep. Rodante D. Marcoleta

EXPLANATORY NOTE

The Malampaya Deep Water Gas-To-Power Project is a vital national energy asset. It supplies up to thirty percent (30%) of Luzon's electricity needs or about twenty percent (20%) of the country's entire energy requirements.

Malampaya currently supplies five (5) gas sales and purchase agreements (GSPA) for a total of 3200+ MW: (1) Ilijan Power Plant, (2) Sta. Rita Power Plant, (3) San Lorenzo Power Plant, (4) San Gabriel Power Plant, and (5) Avion Power Plant.

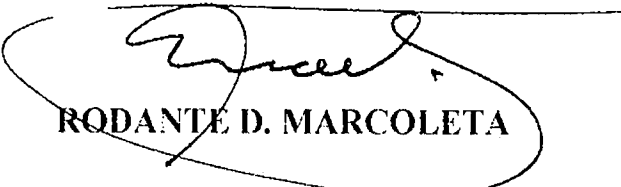
It is worth noting that the Malampaya concessions will all expire by 2024. Despite the nearing expiration, we still do not have any alternative to Malampaya—either in imported or indigenous sources. The depletion of Malampaya will greatly affect the country's needs for energy supply. The supply can go as far as 2027 but it does not have enough gas for further expansion to provide the future natural gas requirements, particularly on the plan to expand the application of natural gas in industrial, commercial, residential, and transport sectors. In fact, the supply will start to be significantly reduced starting, this year, 2022. This is putting at risk 3,200 MW of natural gas power plants installed capacity in the Luzon Grid.

There is no existing indigenous replacement for natural gas to supply Malampaya's current gas requirements. There are several prospective basins for potential domestic natural gas supply but exploration has not been a government priority. An alternative to this would be to import Liquefied Natural Gas (LNG) as alternate fuel for the existing gas-powered plants in the Luzon Grid. However, the Philippines today cannot yet access the LNG Market as there are no existing or operational import facilities.

Hence, the need to develop the Philippines' downstream natural gas industry, and to appropriate funds for this purpose.

In view of the foregoing, the immediate approval of this measure is earnestly sought.


CAROLINE L. TANCHAY


RODANTE D. MARCOLETA

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

NINETEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 173

Introduced by Rep. Caroline L. Tanchay and Rep. Rodante D. Marcoleta

AN ACT
DEVELOPING THE PHILIPPINES' NATURAL GAS INDUSTRY, AND
APPROPRIATING FUNDS FOR THIS PURPOSE

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

SECTION 1. This Act shall be known as “*Development of the Downstream Natural Gas Act*”.

SECTION 2. *Declaration of Policies and Objectives* – It is hereby declared as the policy of the State to:

- (a) Ensure reliable and sustainable clean and environmentally responsible sources of energy;
- (b) Develop policies, regulations, operational manuals, plans, and programs prioritizing the promotion of the downstream natural gas industry;
- (c) Ensure a transparent, competitive, operation of the downstream natural gas;
- (d) Declare the business of transporting and selling natural gas for ultimate distribution to the public as affected with public interest, and that State regulation is necessary for the protection thereof;
- (e) To ensure transparent and reasonable rates of natural gas transmission, distribution, and supply in the spirit of fair and open competition; and
- (f) To develop the necessary skills, trade, and industry necessary to support the development of downstream natural gas.

SECTION 3. *Definition of Terms* –

- (a) *DOE* shall refer to the Department of Energy;

- (b) *ERC* shall refer to the Energy Regulatory Commission created by virtue of Republic Act No. 9136;
- (c) *Downstream Natural Gas Industry* shall refer to the business of importing, exporting, re-exporting, shipping, transporting, processing, refining, storing, distributing, marketing, and/or selling natural gas;
- (d) *Joint Congressional Power Commission* has the same meaning as that of Section 62 of Republic Act No. 9136;
- (e) *Liquefied Natural Gas or "LNG"* is a fossil energy source that formed deep beneath the earth's surface. When it is transported to areas other than its source, it becomes liquified;
- (f) *LNG Terminal* includes all natural gas facilities located onshore or in State waters that are used to receive, unload, load, store, transport, gasify, liquefy, or process natural gas that is imported to the Philippines from a foreign country, exported to a foreign country from the Philippines, or transported in areas within the State by waterborne vessel, but does not include waterborne vessels used to deliver natural gas to or from any such facility;
- (g) *Philippine Energy Plan or "PEP"* refers to the overall energy program formulated yearly by the DOE and submitted to the congress pursuant to Republic Act No. 7838;
- (h) *Power Development Program or "PDP"* refers to the indicative plan for managing electricity demand through energy-efficient programs and for the upgrading, expansion, rehabilitation, repair and maintenance of power generation and transmission facilities, formulated and updated yearly by the DOE in coordination with the generation, transmission and distribution utility companies.

SECTION 4. Powers and Functions of the DOE – Aside from its existing powers and functions, the DOE shall exercise oversight and monitoring of the development of the downstream natural gas industry, and the regulation of the construction and establishment of natural gas terminals and other natural gas-related facilities. In order to achieve this purpose, the DOE shall have the following authority:

- (a) To create and promulgate the rules and regulations to implement this Act within six (6) months from effectivity, in coordination with the ERC, DENR, and other concerned Government Agencies and natural gas participants.
- (b) Jointly with the natural gas industry participants and the Joint Congressional Power Commission, to formulate the *Natural Gas Supply, Transmission, and Distribution Code* which shall contain the detailed rules for the sale and purchase of natural gas. Said rules shall provide the mechanism for determining the price of electricity covered by bilateral contracts between sellers and purchasers of natural gas. The price determination methodology shall be subject to the approval of the ERC and shall reflect accepted economic principles and provide a level playing field to all natural gas industry participants. Said rules shall likewise establish standards on gas quality, facility installation, and safety of operation.
- (c) To prepare a Philippine Natural Gas Industry Development Plan and integrate the same into the PEP.
- (d) To establish the rules of procedure for the application for permits for the construction and maintenance of LNG generation facilities and regasification units, including terminals, pipelines, and other related facilities for the transmission and distribution of natural gas, which include, among others: (1) Notice to Proceed (NTP), (2) Permit to Operate and Maintain a downstream natural gas project/facility (POM), (3) Permit to Construct, Expand, Rehabilitate, and Modify a downstream natural gas project/facility (PCERM), (4) Accreditation to Import, Supply, and Transport Natural Gas, (5) Acknowledgement to Import LNG, (6) Acknowledgment to Supply and Transport Natural Gas, (7) Certificate of Public Convenience and Necessity.
- (e) To evaluate the applications for permits for the construction and maintenance of LNG generation facilities and regasification units, including terminals, pipelines, and other related facilities for the transmission and distribution of natural gas, which include, among others: (1) Notice to Proceed (NTP), (2) Permit to Operate and Maintain a downstream natural gas project/facility (POM), (3) Permit to Construct, Expand, Rehabilitate, and Modify a downstream natural gas project/facility (PCERM), (4) Accreditation to Import, Supply, and

Transport Natural Gas, (5) Acknowledgement to Import LNG, (6) Acknowledgment to Supply and Transport Natural Gas, (7) Certificate of Public Convenience and Necessity.

- (f) To revoke or suspend, after due notice and hearing, any permits issued in pursuance of a natural gas project/facility of any person that fails to comply with the rules and regulations of this act, the *Natural Gas Supply, Transmission, and Distribution Code*, and any other requirement issued by the DOE in compliance with this Act. For this purpose, the DOE shall, within six (6) months from the issuance of the IRR and the Natural Gas Supply, Transmission, and Distribution Code, issue the corresponding rules of procedure in relation to this Act.
- (g) To issue rules and regulations for the importation, storage, regasification, and transport of LNG in accordance with the PEP.
- (h) Original and exclusive jurisdiction over all cases of contesting permits, non-price regulation, abuse of market power, any anti-competitive behavior, and other penalized acts in accordance with this Act.
- (i) To establish a set of fiscal incentives to promote and encourage the further exploration of potential supplies of indigenous natural gas, in consultation with the natural gas industry participants and the approval of the Joint Congressional Power Commission;
- (j) To undertake an information campaign, to educate the public on the benefits of developing the downstream natural gas industry, in coordination with other government agencies, and as may be appropriate.
- (k) To issue rules and regulations to promote competition and prohibit/penalize abuse of market power, market manipulation, and any other anti-competitive behavior, within one (1) year from the effectivity of this Act, in coordination with the ERC, and upon due notice and public consultation.
- (l) To exercise such other powers and functions as may be necessary or incidental to obtain the objectives of this Act.

SECTION 5. Powers and Functions of the ERC – Aside from its existing powers and functions, the ERC shall exercise regulatory responsibility for the implementation

of this Act. In order to achieve this purpose, the ERC shall have the authority for the following:

- (a) Establish the rate-setting methodology of the sale and purchase of natural gas, including the supply, transmission, and distribution of natural gas. The rates must provide a level playing field to all natural gas industry participants. Said rules shall likewise establish standards on gas quality, facility installation, and safety of operation.
- (b) Exercise such other powers and functions as may be necessary or incidental to obtain the objectives of this Act.

SECTION 6. *Importation of natural gas: LNG Terminals* - The importation of natural gas and the maintenance and operation of LNG terminals shall be governed by the following:

- (a) Starting six (6) months from the effectivity of this Act, no person, juridical or natural, shall be allowed to import natural gas without having first secured an order by the DOE authorizing it to do so. The DOE shall issue such order upon application, unless, after due notice and hearing, it finds that the proposed importation will not be consistent with the public interest. The approval of the DOE for the construction, establishment, maintenance, and operation of any such LNG terminal shall not automatically mean approval to import natural gas.
- (b) LNG Terminals – the DOE shall have the exclusive authority to approve or deny applications for the siting, construction, expansion, or operation of an LNG terminal. Upon filing of the application to site, construct, expand, or operate an LNG terminal, the DOE shall:
 - i.* Set the matter for hearing;
 - ii.* Give reasonable notice of hearing to all interested persons, including the Local Government Unit in which the LNG terminal is located;
 - iii.* Decide the matter in accordance with this subsection; and
 - iv.* Issue or deny the appropriate order.

SECTION 7. *Exploration of natural gas* – The DOE shall include the exploration of indigenous sources of natural gas in accordance with the PEP. Such amounts necessary to finance the initial implementation of this Act shall be sourced from the unprogrammed funds in the current General Appropriations Act (GAA).

Thereafter, such amounts necessary for its continued implementation shall be included in the annual GAA. There shall also be appropriated amounts for the following:

- (a) Upon application and approval, the DOE shall grant fiscal support for qualified persons, juridical or natural, for the exploration of natural gas.
- (b) Jointly with the DENR, the DOE shall provide for a streamlined process for the application for permit to explore natural gas.

SECTION 8. *Construction, extension, or abandonment of natural gas facilities*

- (a) *Construction* – No person, natural or juridical, may be allowed to site or construct a natural gas facility without the approval of the DOE. The DOE shall issue a Certificate of Public Convenience and Necessity to any person who is approved to construct and operate a natural gas facility.
- (b) *Extension or improvement* – No person, natural or juridical, may be allowed to extend a natural gas facility without the approval of the DOE. Who shall have the exclusive authority to approve or deny an application thereof. This shall include the extension of its transportation facilities and physical connection of transportation facilities.
- (c) *Abandonment* – No natural gas company, granted with a permit to operate as such, shall abandon all or any portion of its facilities, or any service rendered by means of such facilities, without the permission or approval of the DOE, after hearing and finding by the DOE that the available supply of natural gas is depleted to the extent that the continuance of service is unwarranted, or that the present or future public convenience or necessary permit such abandonment.

SECTION 9. *Determination of service area; jurisdiction of transportation to ultimate consumers* – The DOE, after due notice and hearing, may determine the service area to which each authorization under this section is to be limited. Within such service area, as determined by the DOE, a natural-gas company may enlarge or extend its facilities for the purpose of supplying increased market demands in such service area without further authorization.

Nothing contained in this section shall be construed as a limitation upon the power of the DOE to grant certificates of public convenience and necessity for service of an area already being served by another natural-gas company.

SECTION 10. *Prohibition on market manipulation* -- It shall be unlawful for any entity, directly or indirectly, to employ, in connection with the purchase and sale of natural gas or the purchase or sale of transportation services, ~~or~~ any manipulative or deceptive device or contrivance, in contravention to the rules and regulations established by the DOE, as may be prescribed as necessary in the public interest for the protection of natural gas players. Any person that violates the prohibition on market manipulation shall be subject to a civil penalty of not more than Ten Million Pesos (PhP10,000,000.00) per day per violation for as long as the violation continues.

No penalty shall be assessed without due notice and hearing. The DOE shall have original jurisdiction to hear cases on market manipulation or any complaints on abuse of market position.

SECTION 11. *Access to accounts, records, and other data*

- (a) Every natural-gas company shall make, keep, and preserve for such periods, such accounts, records of cost-accounting procedures, correspondence, memoranda, papers, books, and other records as the DOE may by rules and regulations prescribe as necessary or appropriate for purposes of the administration of this Act: *Provided, however,* That nothing in this Act shall relieve any such natural-gas company from keeping any accounts, memoranda, or records which such natural-gas company may be required to keep by or under the authority of any law. The DOE may prescribe a system of accounts to be kept by such natural-gas companies, and may classify such natural-gas companies and prescribe a system of accounts for each class.
- (b) The ERC shall at all times have access to and the right to inspect and examine all accounts, records, and memoranda of natural-gas companies; and it shall be the duty of such natural-gas companies to furnish to the ERC, within such reasonable time as the ERC may order, any information with respect thereto which the ERC may by order require, including copies of maps, contracts, reports of engineers, and other data, records, and papers, and to grant to all agents of the ERC free access to its property and its accounts, records, and memoranda when requested so to do. No member, officer, or employee of the ERC shall divulge any fact or

information which may come to his knowledge during the course of examination of books, records, data, or accounts, except insofar as he may be directed by the ERC or by a court.

SECTION 12. *Separability Clause* - If, for any reason, any provision of this Act or any part thereof shall be held unconstitutional and invalid, the other parts or provisions of this Act, which are not affected thereby, shall remain in full force and effect.

SECTION 13. *Repealing Clause* - All laws, decrees, orders, rules and regulations or parts thereof inconsistent with any of the provisions of this Act are hereby repealed, amended, or modified accordingly.

SECTION 14. *Effectivity* - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

NINETEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 164



Introduced by Rep. Rodante D. Marcoleta and Rep. Caroline L. Tanchay

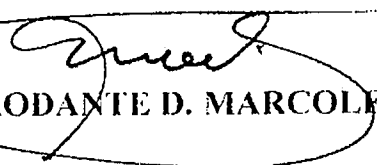
EXPLANATORY NOTE

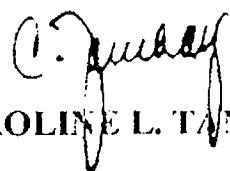
Since the passage of RA 8479 deregulating the price of petroleum products including liquefied petroleum gas (LPG), the price of the latter has skyrocketed since. Even as the law mandated the Department of Energy (DOE) to monitor the international and domestic prices of crude and petroleum products, the pricing is left to the oil/LPG companies and their dealers and retail outlets.

While the DOE has lately been successful in persuading most companies to implement price adjustments of liquid petroleum products in small increments, the situation is not true for all players in the LPG business. Some players have been noted to implement the full impact of increases in the benchmark monthly contract price (CP) in Saudi Arabia at the beginning of the month, but only smaller increments are implemented during times of downward CP movements.

It is recognized that domestic prices are dependent on the price in the international market and the peso exchange rate. However, certain mechanism may have to be put in place to protect the welfare of the consuming public from abuse by unscrupulous local LPG industry players.

Even as liberalization of the downstream oil industry has been the policy adopted by the government, the urgent passage of this bill is earnestly sought to provide a mechanism to ensure reasonable and timely adjustments of the prices of LPG.


RODANTE D. MARCOLETA


CAROLINE L. TANCHAY

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

NINETEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 164

Introduced by Rep. Rodante D. Marcoleta and Rep. Caroline L. Tanchay

AN ACT

TO PROTECT THE FILIPINO CONSUMERS FROM ARBITRARY INCREASES IN THE PRICES OF LPG BEING CHARGED BY THE PLAYERS OF THE LPG INDUSTRY, AMENDING FOR THE PURPOSE SECTIONS 19 AND 14 OF R.A. 8479, OTHERWISE KNOWN AS DOWNSTREAM OIL INDUSTRY DEREGULATION LAW OF 1998

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. Section 19 of Republic Act No. 8479 is hereby amended by adding another paragraph to read as follows:

“Providing further, that effective immediately, the price of LPG has to be guided by an Automatic Pricing Mechanism (APM). Such APM shall be determined by the Energy Regulatory Commission (ERC), after prior notice and hearing, within six (6) months from the affectivity of this bill.

To ensure that only safe and qualified LPG cylinders are put in circulation, the APM shall provide for cylinder repair and maintenance cost.”

SECTION 2. The functions of the Department of Energy-Department of Justice (DOE-DOJ) Task Force shall be transferred to the ERC. Thus, Sec. 14 (d) of the same law is hereby amended to read as follows:

“Any report from any person of an unreasonable rise in the prices of LPG shall be immediately acted upon. For this purpose, the ERC is hereby mandated to determine within thirty (30) days the merits of the

report and initiate the necessary actions warranted under the circumstances; *Provided*, that nothing herein shall prevent the ERC from investigating and/or filing the necessary complaint *moto proprio*.”

SECTION 3. *Implementing Rules And Regulations* – The ERC, in coordination with DOE and other concerned government agencies, shall formulate and issue the necessary implementing rules and regulations within sixty (60) days after the effectivity of this Act.

SECTION 4. *Repealing Clause* – All laws, Presidential Decrees, executive orders, issuances, rules and regulations or parts thereof, which are inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SECTION 5. *Effectivity* – This Act shall take effect fifteen (15) days after its complete publication in at least two (2) newspapers of general circulation.

Approved,

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Nineteenth Congress
First Regular Session

HOUSE BILL NO. 1659



Introduced by Hon. Mark O. Go

EXPLANATORY NOTE

This measure seeks to amend certain provisions of Republic Act No. 8479 known as the "Downstream Oil Industry Deregulation Act of 1998".

Republic Act 8479 was enacted in order to liberalize and regulate the downstream oil industry in order to ensure a truly competitive market under a regime of fair prices, adequate and continuous supply of environmentally-clean and high-quality petroleum products.

Since the enactment of the law on Oil Deregulation in 1998, consumers have been faced by fluctuating and high fuel prices. This also created disparities in pump prices in cities and provinces throughout the country resulting to transport strikes affecting public commuters. High price of oil burdens the people which equates to a lesser purchasing power on the part of the consumers. Pursuant to a study conducted by the Department of Energy, under a deregulated regime, changes in world oil prices are more immediately reflected in local pump prices. Even if the Philippines were producing significant quantities of crude oil, the country would still face higher local oil prices when world oil prices are high. At present, deregulation has allowed the unguarded increase of oil prices with adverse impact on the prices of basic commodities and other services.

Article XII Section 19 of the Constitution provides that the State shall regulate or prohibit monopolies when the public interest so requires. No combinations in restraint of trade or unfair competition shall be allowed.

It is therefore the role of the Department of Energy to ensure fair and reasonable pricing across areas, cities and municipalities. Such mandate of the agency will certainly prevent monopoly, oligopoly and will equally avert unfair competition aligned with the State's responsibility to promote social justice and equitable national economy for its people.

In view of this, the passage of this measure is earnestly sought.


MARK O. GO

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Nineteenth Congress
First Regular Session

HOUSE BILL NO. 1659

Introduced by Hon. Mark O. Go

AN ACT
AMENDING REPUBLIC ACT NO. 8479, OTHERWISE KNOWN AS “THE
DOWNSTREAM OIL INDUSTRY DEREGULATION ACT”

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. Section 2 of R.A. No. 8479 is hereby amended to read as follows:

“SEC. 2. Declaration of Policy- It shall be the policy of the State to liberalize and deregulate the downstream oil industry in order to ensure a truly competitive market under a regime of fair prices, adequate and continuous supply of environmentally-clean and high quality petroleum products. To this end, the State shall promote and encourage the entry of new participants in the downstream oil industry, and introduce adequate measures to ensure the attainment of these goals.

IT SHALL ALSO BE THE POLICY OF THE STATE TO ENSURE REASONABLE AND TRANSPARENT PRICES FOR PETROLEUM PRODUCTS AND TO PREVENT MONOPOLY, OLIGOPOLY, COMBINATION IN RESTRAINT OF TRADE, UNFAIR COMPETITION, AND ECONOMIC DOMINATION IN THE INDUSTRY IN CONSONANCE WITH PUBLIC INTEREST.”

SECTION 2. Section 14 of R.A. No. 8479 is hereby amended to read as follows:

“SEC. 14. Monitoring. - a) The DOE shall monitor and publish daily international crude oil prices, as well as follow the movements of domestic oil prices. It shall likewise monitor the quality of petroleum products and stop the operation of businesses involved in the sale of petroleum products with the national standards of quality that are aligned with the international standards/protocols of quality. The Bureau of Product Standards (BPS) of the DTI, together with the Department of Environment and Natural Resources (DENR), the DOE, the Department of Science and Technology (DOST), representatives of the fuel and automotive industries and the consumers, shall set the specifications for all types of fuel and fuel related products to improve

fuel composition for increased efficiency and reduced emissions. The BPS shall also specify the allowable content of additives in all types of fuels and fuel-related products.

B) THE DOE SHALL REGULARLY MONITOR THE RETAIL AND PUMP PRICES OF FUEL AND OTHER PETROLEUM PRODUCTS. TO IMPLEMENT THIS, ANY PERSON OR ENTITY ENGAGED IN THE BUSINESS OF PETROLEUM SHALL SUBMIT A VERIFIED MONTHLY REPORT TO DOE FOR THEIR PRICES IN CONSIDERATION OF THE NECESSARY FACTORS AND VARIABLES CONTITUTING IN THE FORMULATION OF SUCH PRICES. SUCH REPORT SHALL BE CONSIDERED AS A MATTER OF PUBLIC INTEREST AND SHALL BE MADE PUBLIC FROM TIME TO TIME.

C) THE DOE SHALL HAVE THE AUTHORITY TO INSPECT THE BOOK OF ACCOUNTS AND RECORDS OF SUCH PERSON OR ENTITY AS PART OF THE MONITORING POWERS OF THE AGENCY.

D) [b)] The DOE shall monitor the refining and manufacturing processes of local petroleum products to ensure that clean and safe (environment and worker-benign) technologies are applied. This shall also apply to the process of marketing local and imported petroleum products.

E) [c)] The DOE shall maintain a periodic schedule of present and future total industry inventory of petroleum products for the purpose of determining the level of supply. To implement this, the importers, refiners, and marketers are hereby required to submit monthly to the DOE their actual and projected importations, local purchases, sales and/or consumption, and inventory on a per crude/product basis.

F) [d)] Any report from any person of an unreasonable rise in the prices of petroleum products shall be immediately acted upon. For this purpose, the creation of DOE-DOJ Task Force is hereby mandated to determine within thirty (30) days the merits of the report and initiate the necessary actions warranted under the circumstances: *Provided*, That nothing herein shall prevent the said task force from investigating and/or filing the necessary complaint with the proper court or agency *moto proprio*. THE TASK FORCE SHALL CONDUCT UNANNOUNCED VISITORIAL INSPECTION OF PREMISES, LEASED AND OPERATED BY THE COMPANIES ENGAGED IN THE BUSINESS OF PETROLEUM.

Upon the effectivity of this Act, the Secretaries of Energy and Justice shall jointly appoint the members of a committee who shall be tasked with the drafting of rules and guidelines to be adopted by the Task Force in the performance of its duty. These guidelines shall ensure efficiency, promptness, and effectiveness in the handling of its cases. The Task Force shall be organized and its members appointed within one (1) month from the effectivity of this Act.

G) [e)] In times of national emergency, when the public interest so requires, the DOE may, during the emergency and under reasonable terms prescribed by it, temporarily take over or direct the operation of any person or entity engaged in the Industry.”

SEC. 3. Section 15 of R.A. No. 8479 is hereby amended to read as follows:

“SEC. 15. Additional Powers of the DOE Secretary. - In connection with the enforcement of this Act, the DOE Secretary shall have the following powers:

A. TO SET A PRICE CEILING AND FIX THE MAXIMUM RATE OF INCREASE IN THE PRICES OF FUEL AND OTHER PETROLEUM PRODUCTS TO SAFEGUARD AGAINST DISPARITY BETWEEN LOCATIONS, AREAS AND COMMUNITIES.

B) [a)] To gather and compile appropriate information concerning, and to investigate from time to time the organization, business, conduct, practices, and management of any person or entity in the Industry;

C) [b)] To require, by general or special orders, persons and entities engaged in a particular activity of the Industry: (I) to file an annual or special report, or both in such form as the Secretary may prescribe; or (ii) to answer specific questions in writing, furnishing to the Secretary such information as he may require as to the organization, business, conduct, practices, management, and relation to other corporations, partnerships, and individuals of the respective persons or entities filing such reports or answer. Such reports and/or answer shall be filed with the Secretary under oath and within such reasonable time as the Secretary may prescribe;

D) [c)] Upon the direction of the President or either House of Congress, to investigate and report the facts relating to any alleged violation of this Act by any person or corporation;

E) [d)] Upon the application of the Secretary of Justice, to investigate and make recommendations for the adjustment of the business of any person or entity alleged to be violating this Act in order that such person or entity may thereafter maintain his or its organization, management, and conduct of business in accordance with laws;

F) [e)] To recommend to the proper government agency the suspension or revocation and termination of the business permit of an offender;

G) [f)] Concomitant with the policy of ensuring a continuous, adequate and economic supply of energy to exercise his powers and functions as provided under Section 5 (c) of Republic Act No. 7638;

H) [g)] To make public from time to time such portions of the information obtained by him hereunder as are in the public interest; and to make annual and special reports to Congress and to submit therewith recommendations for additional legislation; and to provide for the publication of his reports and decisions in such form and manner as may be best adapted for public information and use: *Provided*, That the Secretary shall not have any authority to make public any trade secret or any commercial or financial information which is obtained from any person or entity and which is privileged or confidential, except that the Secretary may disclose such information to officers and employees of appropriate law enforcement agencies or to any officer or employee of any such law enforcement agency upon the prior certification by an officer of any such law agency that such information will be maintained in confidence and will be used only for official law enforcement purposes: and;

I) [h)] Whenever a final order has been entered against any dependent in any suit brought by the government to prevent and restrain any violation of the anti-trust provisions of this Act to make investigation, upon his initiative of the manner in which the decree has been or is being carried out, and upon the application of the Secretary of Justice, it shall be his duty to make such

investigation. He shall transmit to the Secretary of Justice a report embodying his findings and recommendations as a result of any such investigation, and the report shall be made public at the discretion of the Secretary.”

SEC. 4. *Repealing Clause.*- All laws, decrees and orders or parts thereof inconsistent herewith, are deemed repealed or modified accordingly.

SEC. 5. *Separability Clause.*- If any of the sections or provisions of this Act is held invalid, all other provisions not affected thereby shall remain valid.

SEC. 6. *Effectivity Clause.*- This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation in the Philippines.

Approved,



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City



NINETEENTH CONGRESS

First Regular Session

House Bill No. 2150

Introduced by
PHILRECA Party-List Representative Presley C. De Jesus,
APEC Party-List Representative Sergio C. Dagooc

EXPLANATORY NOTE

In 1998, Republic Act No. 8479, otherwise known as “Downstream Oil Industry Deregulation Act”, was enacted to liberalize the flow of crude oil and petroleum products into the country by way of imposing a lax approach in supplier qualifications. Yet, it fails to account for the undue and unreasonable increase in fuel prices, spanning from its effectivity up to the present time.

In 2001, Republic Act No. 9136 (EPIRA) deregulated the generation sector to encourage private companies to take part in power generation and provide for competitive prices to attain more affordable electricity. The deregulation in R.A. 8479, however, did not include government pricing control for oil used by the generation companies. Despite the creation of the Energy Regulatory Commission (ERC) under the EPIRA, which is tasked to investigate any violation of laws which affect the energy sector, it still lacks jurisdiction over entities that provide power generation inputs, such as oil suppliers. There is a direct relationship between oil prices and electricity prices; any increase in oil prices, will undauntedly result to an increase in the generation cost of electricity and passed on to the electric consumers.

Furthermore, pursuant to Section 38 of the EPIRA, the ERC was created as an independent, quasi-judicial regulatory body. Under the same statute, the ERC shall promote competition, encourage market development, ensure customer choice and penalize abuse of market power in the electricity industry. To achieve the Act’s legislative intent, it is empowered to promulgate necessary rules and regulations, and impose fines or penalties for any non-

compliance with or breach of the EPIRA, its IRR, and other relevant laws which it is mandated to implement¹.

Wherefore, it is imperative that we establish the jurisdiction of both the Energy Regulatory Commission and the Department on Energy, to investigate and monitor matters related to the variable pricing of fuel and petroleum products charged by power generation companies. The jurisdiction of the ERC and DOE over oil providers under this proposed bill is limited for fact-finding purposes. With the current mark-up on fuel and petroleum goods, the penalties and fines indicated in RA 8479 can be considered as measly change to oil suppliers. There is a need to reinforce the sanctions and increase the amounts stated in the RA 8479 to deter and prevent any attempt in oil price control.

In view of the foregoing, the approval of this bill is earnestly sought.



PRESLEY C. DE JESUS
PHILRECA Party-List Representative



SERGIO C. DAGOOC
APEC Party-List Representative

¹ Section 43, EPIRA



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

NINETEENTH CONGRESS

First Regular Session

House Bill No. 2150

Introduced by
PHILRECA Party List Representative Presley C. De Jesus,
APEC Party List Representative Sergio C. Dagooc

AN ACT
EMPOWERING THE ENERGY REGULATORY COMMISSION IN
MONITORING OIL PRICES CHARGED TO OIL-BASED POWER
GENERATION FACILITIES, AMENDING REPUBLIC ACT NO. 8479,
OTHERWISE KNOWN AS THE DOWNSTREAM OIL DEREGULATION ACT
OF 1998 FOR THAT PURPOSE

Be it enacted by the Senate and the House of Representatives on the Philippines in Congress assembled:

1 SECTION 1. Section 14 of Republic Act No. 8479 is hereby amended to
2 read as follows:

3 a) The DOE shall monitor and publish daily international crude
4 oil prices, as well as follow the movements of domestic oil prices.
5 **The publication of the prices shall either be in a newspaper**
6 **of general circulation or online.** It shall likewise monitor the
7 quality of petroleum products and stop the operation of
8 businesses involved in the sale of petroleum products with the
9 national standards of quality that are aligned with the
10 international standards/protocols of quality. The Bureau of
11 Product Standards (BPS) of the DTI, together with the
12 Department of Environment and Natural Resources (DENR),
13 the DOE, the Department of Science and Technology (DOST),
14 representatives of the fuel and automotive industries and the
15 consumers, shall set the specifications for all types of fuel and
16 fuel-related products to improve fuel composition for increased
17 efficiency and reduced emissions. The BPS shall also specify the

1 allowable content of additives in all types of fuels and fuel-
2 related products.

3 XXX XXX

4 d) Any report from any person of an unreasonable rise in the
5 prices of petroleum products shall be immediately acted upon.
6 For this purpose, the creation of DOE-DOJ Task Force is hereby
7 mandated to determine within ~~thirty (30)~~ **fifteen (15)** days the
8 merits of the report and initiate the necessary actions warranted
9 under the circumstances: Provided, That nothing herein shall
10 prevent the said task force from investigating and/or filing the
11 necessary complaint with the proper court or agency *moto*
12 *proprio*; **Provided, that any undue and unreasonable delay as**
13 **to the investigation, caused by the reported party, whether**
14 **directly or indirectly, shall be punishable under Section 24**
15 **of this Act; Provided further that, in case of any discrepancy**
16 **on the capital recovery factor pertaining to fuel costs used**
17 **by oil-based power generation companies, as compared to**
18 **the prices published under subsection (a) of this provision,**
19 **shall vest original and concurrent jurisdiction to the Energy**
20 **Regulatory Commission and Department of Energy.**

21 SECTION 2. Section 24 of Republic Act No. 8479 shall be amended as
22 follows:

23 SEC. 24. Penal Sanction. - Any person who violates any of the
24 provisions of this Act shall suffer the penalty of ~~three (3)~~ **six (6)**
25 **months to ~~one (1)~~ 6 years imprisonment** and a fine ranging
26 from ~~Fifty Five hundred thousand pesos (P50,000.00)~~
27 **(P500,000) to Three hundred thousand Three million pesos**
28 **(P3,000,000.00).**

29 SECTION 3. **Repealing Clause.** - All laws, decrees, orders, rules and
30 regulations, or parts thereof, inconsistent with the provisions of this Act are
31 hereby amended or repealed accordingly.

32 SECTION 4. **Separability Clause.** - The provisions of this Act are
33 hereby declared separable. In the event that any provision hereof is rendered
34 unconstitutional, those that are not affected shall remain valid and effective.

35 SECTION 5. **Effectivity.** - This Act shall take effect fifteen (15) days
36 following its publication in the Official Gazette or a newspaper of general
37 circulation

38 Approved,

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

NINETEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 172



Introduced by Rep. Caroline L. Tanchay and Rep. Rodante D. Marcoleta

EXPLANATORY NOTE

It is the policy of the State to promote a just and dynamic social order that will ensure the prosperity and independence of the nation and free the people from poverty through policies that provide adequate social services, promote full employment, a rising standard of living, and an improved quality of life for all, pursuant to Section 9 Article II of the 1987 Philippine Constitution. Consistent with this mandate, the government has been striving to streamline its processes to ensure efficient execution of projects to guarantee the effective delivery of necessary government services, such as the regulation of the energy sector.

In 2017, President Rodrigo Roa Duterte issued Executive Order (EO) No. 30, series of 2017 which created the Energy Investment Coordinating Council (EICC) to streamline the regulatory procedures affecting energy projects. Specifically, the EICC is tasked to spearhead and coordinate national government efforts to harmonize, integrate, and streamline regulatory processes, requirements, and forms relevant to the development of energy investments in the country, primarily with regard to the Energy Projects of National Significance (EPNS).¹

While the EICC has been efficient in fulfilling its roles in terms of policy coordination, there is a need to further amplify its role to safeguard the EPNS, especially considering the threat of an energy crisis on a global scale as well as the thinning energy resources on the national scale.²


In order to timely address the possible energy crisis that the country may face, it is essential to strengthen the role of the EICC to further ease and integrate

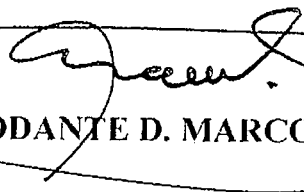
¹ About EICC. Department of Energy. See: <https://www.doe.gov.ph/eicc/#:~:text=The%20Energy%20Investment%20Coordinating%20Council,and%20economic%20supply%20of%20energy>.

² A Looming Energy Crisis? 22 March 2022, <https://www.philstar.com/other-sections/newsmakers/2022/03/22/2168889/looming-energy-crisis>

government processes, in order to attract/harness more energy investment, particularly for EPNS, and the energy sector as a whole.

In view of the foregoing, the immediate approval of this measure is earnestly sought.


CAROLINE L. TANCHAY


RODANTE D. MARCOLETA

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

NINETEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 172

Introduced by Rep. Caroline L. Tanchay and Rep. Rodante D. Marcoleta

AN ACT
INSTITUTIONALIZING THE ENERGY INVESTMENT COORDINATING COUNCIL (EICC), STRENGTHENING AND FURTHER DEFINING ITS POWERS AND FUNCTIONS, APPROPRIATING FUNDS THEREFOR, AND FOR OTHER PURPOSES

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

SECTION 1. *Declaration of Policies and Objectives* – It is the policy of the State to ensure a continuous, adequate, and economic supply of energy with the goal of achieving self-reliance in the country's energy requirements through the integrated and intensive exploration and development of the country's energy resources. The State likewise aims to ensure an efficient and effective administrative process for energy projects of national significance for the effective implementation of the Philippine Energy Plan (PEP) by rationalizing, integrating, and coordinating the various government programs towards self-sufficiency and enhanced productivity in the energy sector in consideration of the interests of all stakeholders.

SECTION 2. *Institution of the Energy Investment Coordinating Council* – To carry out the provisions of this Act, the Energy Investment Coordinating Council (EICC) created under Executive Order (EO) No. 30, series of 2017, is hereby institutionalized. The EICC will spearhead and coordinate national government and local government efforts to harmonize, integrate, and streamline regulatory processes, requirements and forms relevant to the development of energy investments in the country, primarily with regard to Energy Projects of National Significance (EPNS), as defined under EO No. 30, series of 2017, to uphold transparency and accountability among concerned agencies.

SECTION 3. *Composition.* The EICC shall be chaired by the Department of Energy (DOE) and vice-chaired by representative of the Energy Regulatory Commission (ERC). It shall be composed of the following agencies as members:

- (a) Department of the Environment and Natural Resources (DENR)
 - a.1) Biodiversity Management Bureau
 - a.2) Environmental Management Bureau
 - a.3) Forest Management Bureau
 - a.4) Land Management Bureau
- (b) National Electrification Administration
- (c) National Grid Corporation of the Philippines
- (d) National Power Corporation
- (e) National Transmission Corporation
- (f) Department of Finance
 - f.1) Bureau of Customs
 - f.2) Bureau of Internal Revenue
- (g) Department of Justice
 - g.1) Bureau of Immigration
- (h) Department of Transportation
 - h.1) Civil Aviation Authority of the Philippines
 - h.2) Marine Industry Authority
 - h.3) Philippine Coast Guard
 - h.4) Philippine Ports Authority
- (i) Department of Interior and Local Government
- (j) Housing and land Use Regulatory Board
- (k) Palawan Council for Sustainable Development
- (l) Laguna Lake Development Authority
- (m) Anti-Red Tape Authority

- (n) Other agencies and government instrumentalities whose participation in the EICC may be deemed necessary by the Council to attain the objectives of this Act.

SECTION 4. *Functions* – The EICC shall be reorganized and reconstituted within thirty (30) days from the effectivity of this Act and exercise the following functions:

- (a) Establish a simplified approval process, and harmonize the relevant rules and regulations of all government agencies and local governments involved in obtaining permits and regulatory approvals, to expedite the development and implementation of EPNS and other energy projects;
- (b) Prepare rules governing the resolution of inter-agency issues affecting the timely and efficient implementation of EPNS and other energy projects;
- (c) Maintain a database of information and a web-based monitoring system which shall be the vehicle for information exchange on the updates on the applications of EPNS and other energy projects;
- (d) Create inter-agency subcommittees as may be necessary to fulfill its mandate;
- (e) Submit a quarterly progress report to the Office of the President; and
- (f) Perform such other functions as may be necessary and incidental to attain the objectives of this Act.

SECTION 5. *Secretariat*. The EICC shall be supported by a Secretariat to be headed by the DOE with representatives from the other member agencies as may be needed, with the following functions:

- (a) Provide the necessary administrative and technical support aid the EICC in fulfilling its functions;
- (b) Serve as the repository of all documents and data of the EICC;
- (c) Monitor the status of the processing of all energy applications using the web-based monitoring system; and

- (d) Perform such other tasks and functions delegated by the EICC.

SECTION 6. *Cooperation of Other Agencies.* The EICC may summon any agency or instrumentality of the Government for such assistance as may be necessary in the performance of its functions. Local government units are mandated to adopt policies and procedures consistent with this Act, with respect to the processing of permits involving EPNS and other relevant matters.

SECTION 7. *Baseline of Processing of EPNS* – The rules and processes to be agreed upon with the EICC and to be adopted by its member-agencies shall adhere to the following baselines with regard to EPNS:

- (a) **Presumption of Prior Approvals.** Government agencies and instrumentalities that receive an application for a permit involving EPNS shall process such applications without awaiting the action of other agency. The processing agency shall act on the presumption that the relevant permits from other government agencies had already been issued.
- (b) **Action within thirty (30) calendar days.** Government agencies and instrumentalities shall act upon applications for permits involving EPNS within a specified processing timeframe not exceeding thirty (30) calendar days from the submission of complete documentary requirements. Should such application be denied, the denial should be made in writing, expressly providing the grounds therefor. If no decision is made within the specified processing timeframe, the approving authority may no longer deny the application and shall issue the relevant permit within five (5) working days after the lapse of such processing timeframe.

No deviation from the baselines shall be allowed except when absolutely necessary either to enable an agency to comply with a specific statutory directive or to avoid prejudicing the public interest.

SECTION 8. *Appropriations* – The amount as may be necessary for the initial implementation of this Act shall be taken from the current appropriations of the DOE. Thereafter, the fund necessary to carry out the provisions of this Act shall be included in the annual General Appropriations Act.

SECTION 9. *Implementing Rules and Regulations (IRR)* - Within ninety (90) days from the effectivity of this Act, the DOE, as the lead agency, together with the

EICC, and other public and private stakeholders representing consumers and sectors affected by this Act, shall promulgate the necessary implementing rules and regulations of this Act: *Provided*, That prior to its effectivity, the draft of the IRR shall be posted at the DOE website for at least one month, and shall be published in at least two newspapers of general circulation.

SECTION 10. *Separability Clause* – All provisions of EO No. 30, series of 2017 shall remain valid and effective. If, for any reason, any provision of this Act or any part thereof shall be held unconstitutional and invalid, the other parts or provisions of this Act, which are not affected thereby, shall remain in full force and effect.

SECTION 11. *Repealing Clause* - All laws, decrees, issuances, orders, letters of instructions, administrative orders, rules and regulations or parts thereof contrary to or inconsistent with any of the provisions of this Act are hereby repealed, amended, or modified accordingly.

SECTION 12. *Effectivity* - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

NINETEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 2608



Introduced by **HON. LUIS RAYMUND "LRAY" F. VILLAFUERTE, JR.,**
HON. MIGUEL LUIS R. VILLAFUERTE, HON. TSUYOSHI ANTHONY G.
HORIBATA AND HON. NICOLAS ENCISO VIII

EXPLANATORY NOTE

The dependence of the Philippines on imported petroleum creates a major strategic vulnerability for the nation, with majority of the energy supply of the country reliant on foreign sources. From economically damaging Arab oil embargoes of 1973-1974 and 1979 to the recession precipitated by rising oil prices which began in 1999, the economic stability of the Philippines has too often been shaken by economic forces outside its borders.

This bill seeks to shift Philippines' dependence away from foreign petroleum as an energy source toward alternative, renewable, and domestic agricultural sources. Its aim is to convert the current petroleum trade deficit to a trade balance by replacing foreign sources of supply with steady increases of ethanol fuels through domestic production.


LUIS RAYMUND "LRAY" F. VILLAFUERTE, JR.


TSUYOSHI ANTHONY G. HORIBATA


MIGUEL LUIS R. VILLAFUERTE


NICOLAS ENCISO VIII

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

NINETEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 2608

Introduced by HON. LUIS RAYMUND “LRAY” F. VILLAFUERTE, JR.,
HON. MIGUEL LUIS R. VILLAFUERTE, HON. TSUYOSHI ANTHONY G.
HORIBATA AND HON. NICOLAS ENCISO VIII

AN ACT
MANDATING THE USE OF ETHANOL AS ALTERNATIVE TRANSPORT FUEL,
ESTABLISHING FOR THE PURPOSE THE NATIONAL FUEL ETHANOL
PROGRAM, APPROPRIATING FUNDS THEREFOR

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. *Short Title.* — This Act shall be known as the “*Fuel Ethanol Act.*”

SECTION 2. *Declaration of Policy.* — It is declared the policy of the State to (a) ensure a continuous, adequate, and economic supply of energy with the end in view of ultimately achieving energy independence through the integrated and intensive exploration, production, management and development of the country’s indigenous, renewable energy resources, and to (b) pursue economic growth by providing opportunities for generating income, enhancing productivity, and promoting industrialization and employment based on sound agricultural development.

SECTION 3. *Definition of Terms.* - As used in this Act, the term:

- (1) “Ethanol” – refers to the biofuel made through fermentation and then distillation of starch and sugar crops such as maize, sorghum, potatoes, wheat, sugar-canes, cornstalks, fruit and vegetable waste.
- (2) “Program” – refers to the National Fuel Ethanol Program.

SECTION 4. *The Fuel Ethanol Program.* —

- (1) A fuel ethanol program shall be established nationally to provide for the development, promotion and commercialization of fuel ethanol by implementing policies, mechanisms, and procedures that encourage research and development, technology transfer, and investments in fuel ethanol production, distribution, and utilization.
- (2) On the basis of these specifications, the Department of Energy (DOE), in coordination with other government agencies, shall conduct consultations with the various stakeholders including but not limited to oil companies, car manufacturers, and sugar and alcohol industry players.

SECTION 5. *Implementing and Coordinating Agencies.* —

- (1) The DOE shall be the lead implementing agency and shall set the policy directions to meet the specific targets of the Program.
- (2) The Program shall be established in coordination with relevant government agencies including but not limited to the following agencies and their respective functions in relation thereto:
 - a. DEPARTMENT OF AGRICULTURE (DA). — It shall ensure increased productivity and sustainable supply of ethanol feedstocks. It shall institute a program which would guarantee that a certain percentage of the total national production of sugar shall be allocated for fuel ethanol production;
 - b. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES (DENR). — It shall facilitate the issuance of Environmental Compliance Certificates and other requirements related to the Fuel Ethanol Program and provide technical support related to emissions testing and standard-setting of ethanol vehicles with the view to improve the air quality;
 - c. DEPARTMENT OF SCIENCE AND TECHNOLOGY (DOST). — It shall provide R&D and technical support in propagating feedstock cultivation and fuel ethanol production;

- d. DEPARTMENT OF TRADE AND INDUSTRY (DTI). — It shall ensure the inclusion in its Motor Vehicle Development Program the development and promotion of the manufacture and/or investment in production of gasoline-fed vehicles that could effectively utilize up to 25% ethanol blend;
- e. GOVERNMENT FINANCING INSTITUTIONS (GFIs). — GFIs shall make available preferential financing to investment/developmental activities with the view to accelerate the development of the fuel ethanol industry.

SECTION 6. *Implementing Rules and Regulations.* — The DOE shall, in consultation with the relevant government agencies mentioned in the preceding section, industry participants, non-governmental organizations and end-users, promulgate the implementing rules and regulations of this Act, within six (6) months from the effectivity of this Act.

SECTION 7. *Fuel Ethanol Fund.* — One percent (1%) of the total excise tax collected from the sale of fuel ethanol shall be set aside by the Bureau of Internal Revenue (BIR) to constitute a Fuel Ethanol Fund to support the development, promotion and commercialization of fuel ethanol. This fund shall be managed and administered by the DOE for these purposes.

SECTION 8. *Penalty Clause.* — The DOE shall formulate and promulgate appropriate penalties for any person or entity that willfully violates rules and regulations provided in this Act.

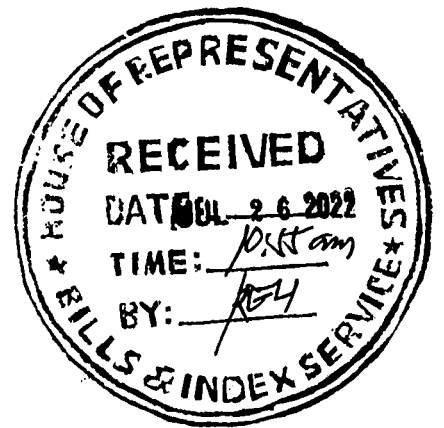
SECTION 9. *Separability Clause.* — If any provision or part hereof, is held invalid or unconstitutional, the remainder of the Act or the provision not otherwise affected shall remain valid and subsisting.

SECTION 10. *Repealing Clause.* - Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, rule or regulation contrary to, or inconsistent with the provisions of this Act is hereby repealed, modified or amended accordingly.

SECTION 11. *Effectivity Clause.* - This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

Approved,

NINETEENTH CONGRESS
REPUBLIC OF THE PHILIPPINES
First Regular Session



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

HOUSE BILL NO. 2317

Introduced by Honorable Celso G. Regencia

The majestic Maria Cristina Falls in Iligan and the grand Agus Rivers crisscrossing the entire Lanao Provinces and Iligan and its tributaries are not only traditional areas but are also historical and cultural properties of the various peoples in Iligan City, Lanao del Norte, and Lanao del Sur.

It is the Almighty God, the Divine Providence, who created these natural resources of which the great people of Iligan, Lanao del Sur, and Lanao del Norte are the foremost stewards of Maria Cristina Falls and the Agus River.

The identity, names, emotions, and feelings of the people along these natural resources are closely linked to Maria Cristina Falls and the Agus River. No other people in Mindanao or anywhere in the world are closely attached to these natural resources except the people of Iligan and the entire Lanao. They are the keepers of these natural gifts and shall be the first to benefit from them.

The history, culture, way of life, and aspirations of the peoples in Iligan, Lanao del Norte, and Lanao del Sur are defined by Maria Cristina, Agus River, and including Lake Lanao.

On June 14, 1952, in a meeting with the local leaders from Iligan and Lanao aboard the Presidential Yacht in Cagayan de Oro, President Elpidio Quirino who spearheaded the construction of the Maria Cristina Hydroelectric Power made an enduring promise to the local leaders that with the hydroelectric power, Iligan and the Lanao Provinces would become the premier industrial area in Mindanao.

That promise failed. That promise was never sustained by the national leadership at the expense of the exploitation of Maria Cristina and the Agus River.

In this 19th Congress with the new Presidency of President Ferdinand R. Marcos, Jr., the people of Iligan are voicing out and will be persistent in claiming the

promise, to give preference to Iligan City, Lanao del Norte, and Lanao del Sur from the benefits, opportunities, and potentials of the hydroelectric power to development of these areas and in improving the quality of life of the people.

As a host City, Iligan is going to claim the promise of industrialization and economic development in lieu of the natural wealth that was exploited.

To propel industrial and economic development, a 20% discount from the prevailing electricity rates must be given to Iligan City.

It is prayed that this proposed legislative measure must be prioritized and be given utmost urgency in its approval.



CELSO G. REGENCIA

NINETEENTH CONGRESS)
REPUBLIC OF THE PHILIPPINES)
First Regular Session

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

HOUSE BILL NO. 2317

Introduced by Honorable Celso G. Regencia

HOUSE BILL NO. _____

AN ACT
GUARANTEEING THE RIGHT TO THE NATURAL WEALTH AND GRANTING A
TWENTY PERCENT DISCOUNT (20%) IN THE ELECTRICITY RATES TO ALL
ELECTRIC CONSUMERS IN ILIGAN CITY, LANA DEL NORTE, AND LANA DEL
SUR BEING THE HOST CITY AND PROVINCES OF MARIA CRISTINA FALLS,
AGUS RIVER, AND LAKE LANA

SECTION 1. TITLE. This Act shall be known as "The Maria Cristina Falls Act of the Philippines".

SECTION 2. HOST AREAS. Iligan City, Lanao del Norte and Lanao del Sur are the host City, the stewards, of the natural resources of Maria Cristina Falls, Agus River, and Lake Lanao.

SECTION 3. RIGHT TO THE NATURAL WEALTH. It is guaranteed in this Act the right of the people in Iligan City, Lanao del Norte, and Lanao del Sur to enjoy the natural wealth of Maria Cristina Falls, Agus River, and Lake Lanao.

SECTION 4. PRIVILEGE. The residential, commercial, and industrial electric consumers in Iligan City, Lanao del Norte, and Lanao del Sur must be granted a 20% discount on electric rates compared to all other areas in Mindanao.

SECTION 5. ECONOMIC DEVELOPMENT PREFERENCE. The National Economic Development and the Mindanao Development Authority are mandated to give preference to Iligan City, Lanao del Norte, and Lanao del Sur in the economic development being the host areas of this natural wealth.

SECTION 6. ENVIRONMENTAL PROTECTION. The National Power Corporation shall be the foremost institution in leading the protection of Maria Cristina

Falls, Agus River, and Lake Lanao with close coordination with the local governments of Iligan, Lanao del Norte, and Lanao del Sur and the Department of Environment and Natural Resources.

SECTION 7. EFFECTIVITY. This Act shall take effect after fifteen (15) days following its publication in at least two (2) national newspapers of general circulation.

Approved,



COMMITTEE ON ENERGY

CTSS 1, Committee Affairs Department, 3rd Flr., RVM Building, House of Representatives, Constitution Hills, Quezon City
Tel. No. +63 2 8931-3593 or 8931-5001 local 7133; Fax No.: +63 2 8931-3593

August 26, 2022

MS. ANTONIA "TONI" YULO-LOYZAGA

Secretary

Department of Environment and Natural Resources

Dear Secretary Yulo-Loyzaga:

May we refer to you for comments the attached **House Bill No. 3015**, introduced by Representative Joey Sarte Salceda, entitled: "AN ACT PROVIDING FOR THE NATIONAL ENERGY POLICY AND FRAMEWORK FOR THE DEVELOPMENT AND REGULATION OF THE PHILIPPINE MIDSTREAM NATURAL GAS INDUSTRY, AND FOR OTHER PURPOSES".

We would appreciate receiving your comments within ten (10) working days from receipt hereof.

Thank you very much.

Very truly yours,

HON. LORD ALLAN Q. VELASCO

Chairperson

FOR THE CHAIRPERSON:

A handwritten signature in black ink, appearing to read "Melanie T. Añain".

MELANIE T. AÑAIN

Committee Secretary

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Nineteenth Congress
First Regular Session

House Bill No. 2015



Introduced by Representative **JOEY SARTE SALCEDA**

AN ACT
PROVIDING FOR THE NATIONAL ENERGY POLICY AND FRAMEWORK
FOR THE DEVELOPMENT AND REGULATION OF THE PHILIPPINE
MIDSTREAM NATURAL GAS INDUSTRY, AND FOR OTHER PURPOSES

EXPLANATORY NOTE

The Malampaya gas field accounts for around 20-30% of the country's electricity needs. As a fuel source, the gas field is able to displace as much as 1.35 million kilograms of CO₂ per hour compared to emissions if coal or oil were used as the fuel source.

The Malampaya gas field, however, is expected to be depleted completely by the first quarter of 2027. Unless we can find alternative indigenous sources of natural gas within the next six years, the country will face an even bigger power crisis than it is now facing. For perspective, Malampaya accounts for some 60% of the power sourced by the Manila Electric Company, making it the most dependable energy source for Metro Manila.

Drilling could nonetheless take more time than just six years. The period from discovery of reserves (1989) to first flow of gas (2001) took twelve years, with commercial production taking another year. The addition of two new wells (2013) took another twelve years.

These timelines indicate that a similar period of investment is required before the country can explore and exploit reserves of natural gas within its territory or exclusive economic zone.

As such, we will need to diversify our sources of natural gas, and a regulatory framework that enables the development of crucial infrastructure, business ecosystem, and competition is a key policy prerequisite towards this direction.

This bill aims to foster the development of the Midstream Natural Gas Industry by creating a legal and regulatory framework to govern the promotion and development of the natural gas industry, foster a competitive market for natural gas, encourage the flow of

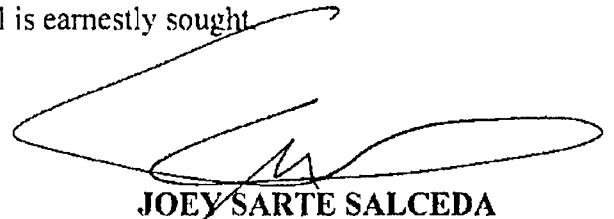
investments for industry development, and protect midstream end users by mandating transparent and fair rate-setting mechanisms.

The bill aims to set the regulation, terms of use and access, rate-setting, and other relevant processes for the establishment, operation, and maintenance of natural gas infrastructure, most crucially liquefied natural gas (LNG) terminals.

The bill also sets the legal treatment of transmission pipelines. Consistent with the spirit of the Public Service Act, natural gas transmission systems are considered public utilities under this bill, while dedicated pipelines are not.

The bill also aims to curb anti-competitive behavior in the natural gas sector. The Philippine Competition Commission will be tasked to decide competition cases arising from this bill, subject to complementary powers of investigation and recommendation exercised by the DOE and ERC, respectively. The bill also makes unbundling of prices for natural gas transmission mandatory, making the monitoring of price abuses easier.

In view of the foregoing, the passage of this bill is earnestly sought



JOEY SARTE SALCEDA

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Nineteenth Congress
First Regular Session

House Bill No. 3015

Introduced by **Representative JOEY SARTE SALCEDA**

**AN ACT
PROVIDING FOR THE NATIONAL ENERGY POLICY AND FRAMEWORK
FOR THE DEVELOPMENT AND REGULATION OF THE PHILIPPINE
MIDSTREAM NATURAL GAS INDUSTRY, AND FOR OTHER PURPOSES**

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

**Chapter I
GENERAL PROVISIONS**

SECTION 1. *Short Title.* – This Act shall be referred to as the “Midstream Natural Gas Industry Development Act”.

SEC. 2. *Declaration of Policy.* – It is hereby declared the policy of the State to:

- (a) Ensure the country's energy security by developing diversification of sources of primary energy supply to various sectors of the economy;
- (b) Promote the role of natural gas as an additional energy source and complementary fuel to variable renewable energy by creating a legal and regulatory framework that would govern the promotion and development of the natural gas industry in the country;
- (c) Create a regulatory environment that will foster a competitive market for natural gas;
- (d) Encourage the inflow of private capital in the development of the midstream natural gas industry;
- (e) Ensure a safe, secure, reliable, and environmentally responsible operation of the midstream natural gas value chain to include personnel and user protection, through the formulation and adoption of local or International standards on health, safety, security and the environment; and

(f) Protect midstream end users by mandating transparent and fair rates, fees, and charges.

SEC. 3. *Scope and Application.* – This Act shall apply to the midstream natural gas industry specifically the aggregation, supply, importation, exportation, receipt, unloading, loading, processing, storage, regasification, transmission, bunkering, and transportation of natural gas. In its original or liquefied form, from local or foreign sources, and the systems and facilities utilized for such. It shall also apply to the location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of such systems and facilities.

SEC. 4. *Definition of Terms.* – For purposes of this Act, the following terms shall be defined as stated below:

(a) *Affiliate* refers to any natural or juridical person who, singly or jointly with other natural or juridical persons, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with another natural or juridical person. It includes a subsidiary company, a parent company, and the subsidiaries, directly or indirectly, of a common parent;

(b) *Ancillary reserve* refers to the natural gas procured by the natural gas transmission utility or the NGTSO, whichever is applicable, necessary in the operation of the natural gas transmission system to regulate fluctuations in its operating pressure and maintain system stability, safety, and efficiency to ensure the continuous transmission of natural gas to midstream end-users in accordance with the Natural Gas Transmission Code. It shall be included in the natural gas transmission fee or the NGTSO fee, whichever is applicable;

(c) *Anticompetitive behavior* refers to any act enumerated under Section 14 and Section 15 of Republic Act No. 10667, otherwise known as the Philippine Competition Act;

(d) *LNG Bunkering* refers to the selling of natural gas for use of domestic or foreign marine vessels;

(e) *LNG Bunkering Facilities* refers to all infrastructure built and designed for LNG bunkering;

(f) *Capacity* refers to the handling design of a system used in the context of its functionality, expressed in a specific measurement such as volume in cubic meters or flow rate in normal cubic meters per time unit;

(g) *Control* refers to the power to determine the financial and operating policies of an entity to benefit from its activities. It is presumed to exist when the parent entity owns, directly or through subsidiaries or associates, more than fifty percent (50%) of the voting power of an entity. It also exists when the parent entity owns fifty percent (50%) or less of the voting power of an entity, but has any of the following powers:

(1) Power over more than fifty percent (50%) of the voting rights by virtue of an agreement with other investors,

- (2) Power to govern the financial and operating policies of the entity under a statute or agreement,
- (3) Power to appoint or remove the majority of the members of the board of directors or equivalent governing body, or
- (4) Power to cast the majority of votes at meetings of the board of directors or equivalent governing body;

(h) *Dedicated natural gas pipeline* refers to a pipeline exclusively utilized by a midstream natural gas industry participant or its affiliate for the conveyance of natural gas from an LNG terminal or a local natural gas production facility to the said midstream natural gas Industry participant or its affiliate;

(i) *Emergency reserve* refers to the amount of natural gas, in its original or liquefied form, which may be contracted by midstream end users based on public interest, sufficient to ensure a continuous, adequate, and stable supply of natural gas for a period in the event of a supply disruption. The period shall be determined in this Act's implementing rules and regulations;

(j) *Importation* refers to the bringing of natural gas. In its original or liquefied form, into the Philippines from foreign sources;

(k) *Gas aggregation* refers to the activity of pooling together various demands for natural gas from midstream end users and supplying them with natural gas from one or more sources;

(l) *Gas aggregator* refers to any natural or juridical person who engages in gas aggregation;

(m) *Liquefied Natural Gas (LNG)* refers to natural gas which has been cooled to a cryogenic temperature, converting it to a liquid state;

(n) *LNG terminal* refers to all facilities located onshore or offshore, that are used to import, receive, unload, load, process, store, and regasify natural gas. In its original or liquefied form, from local or foreign sources. It shall include berthing ports, unloading and loading arms, line packs, cryogenic pipelines, regasification facilities, and storage tanks, among others;

(o) *LNG Terminal Development Plan* refers to a comprehensive plan prepared by each LNG terminal owner and operator relating to the location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of each of its LNG terminals and all its required facilities and equipment, taking into consideration, among others, existing and projected demand and supply of natural gas;

(p) *LNG Terminal Regulated Third Party Access Code* refers to the compendium of responsibilities, qualifications, standards, and rules promulgated by the Department of Energy (DOE) for regulated third party access by one or more third parties to a portion, the entire, or the unutilized capacity of an rTPA LNG terminal permit holder, and the evaluation of performance of an LNG terminal with respect thereto;

(q) *Midstream end user* refers to any natural or juridical person, requiring the supply of natural gas, in its original or liquefied form, for resale or own use but excluding the retail use of natural gas. It includes power generation plants, industrial and commercial establishments, ecozones, storage facilities, bunkering facilities, virtual pipelines, and motor vehicles and marine vessels transporting natural gas;

(r) *Midstream natural gas industry* refers to the aggregation, supply, importation, exportation, receipt, unloading, loading, processing, storage, regasification, transmission, bunkering, and transportation of natural gas. In its original or liquefied form, but shall exclude the retail of natural gas. It utilizes, among others, LNG terminals, dedicated natural gas pipelines, natural gas transmission systems, storage facilities, bunkering facilities, virtual pipelines, and motor vehicles and marine vessels transporting natural gas;

(s) *Midstream Natural Gas Industry Development Plan* refers to the comprehensive plan for ensuring safe, secure, and reliable supply of natural gas, in its original or liquefied form, while establishing the efficient operations of the country's midstream natural gas infrastructure and managing demand for natural gas through specific government programs and policies. It shall include the various LNG Terminal Development Plans and Natural Gas Transmission Development Plans, and studies on over-all supply and demand, capacity, and other research necessary in achieving a sound demand and supply projection for natural gas in the country;

(t) *Midstream natural gas industry participants* refer to the supplier or importer of natural gas; gas aggregator; owner and operator of LNG terminal, dedicated natural gas pipeline, natural gas transmission system, storage and bunkering facilities, virtual pipelines, and motor vehicles and marine vessels utilized to transport natural gas; the Natural Gas Transmission System Operator; third parties; and midstream end users;

(u) *Natural gas* refers to gas obtained from boreholes and wells consisting primarily of a mixture of methane, ethane, propane, and butane with small amounts of heavier hydrocarbons and some impurities, notably nitrogen and complex sulfur compounds and water, carbon dioxide, and hydrogen sulfide as well as non-conventional gas including gas from bituminous shale;

(v) *Natural Gas Transmission Code* refers to the compendium of rules, procedures, requirements, regulations, and minimum technical performance standards governing the safe and reliable location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of all dedicated natural gas pipelines and natural gas transmission systems in the country. It also defines and establishes the relationship of dedicated natural gas pipelines and natural gas transmission systems with facilities and installations of other midstream natural gas industry participants, if applicable;

(w) *Natural Gas Transmission Development Plan* refers to the plan of each dedicated own use pipeline owner and operator, natural gas transmission utility, or the Natural Gas Transmission System Operator when applicable, for managing dedicated own use pipelines, natural gas transmission systems or the interconnected natural gas transmission system, whichever is applicable, through efficient planning for its location, construction, improvement,

operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment;

(x) *Natural gas transmission system* refers to a network containing pipelines and other related facilities, owned and operated by a natural gas transmission utility, which convey natural gas. In its original or liquefied form, from an LNG terminal or a local natural gas production facility to a midstream natural gas industry participant;

(y) *Natural gas transmission fee* refers to the amount paid by midstream natural gas industry participants for the use of a natural gas transmission system. It shall consist of amounts used to defray the costs of location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of the system, and provide a reasonable rate of return. It also includes the cost of operating the system while there is no Natural Gas Transmission System Operator;

(z) *Natural Gas Transmission System Operator (NGTSO)* refers to a natural or juridical person responsible for operating and maintaining the interconnected natural gas transmission system, ensuring the continuous and reliable delivery of natural gas to midstream natural gas industry participants, and securing the long-term ability of the system to meet demand for the transmission of natural gas;

(aa) *Natural gas transmission utility* refers to a natural or juridical person who has a franchise granted by law to construct, own, and operate a natural gas transmission system within a specified area;

(bb) *Negotiated Third Party Access (nTPA)* refers to a contractual arrangement between the owner and operator of a dedicated natural gas pipeline or an own use LNG terminal permit holder and a third party to allow the use and access to such third party of a specific capacity of a dedicated natural gas pipeline or an LNG terminal with an own use permit for a fee agreed upon between the two entities. It does not include contractual arrangements entered into by an own use LNG terminal permit holder and a third party pursuant to a declaration of unutilized capacity by the DOE in accordance with the LNG Terminal Regulated Third Party Access Code;

(cc) *NGTSO fee* refers to the amount paid by midstream natural gas industry participants to the NGTSO for its services in operating and maintaining the interconnected natural gas transmission system;

(dd) *Own use LNG terminal permit holder* refers to an LNG terminal whose owner and operator has been issued an own use permit;

(ee) *Own use permit* refers to an authorization issued by DOE to the owner and operator of an LNG terminal to exclusively use or allow its affiliate to use a specific capacity of the LNG terminal for a specified period of time, subject to LNG Terminal Regulated Third Party Access Code;

(ff) *Permit* refers to an authorization issued by the DOE, the Energy Regulatory Commission (ERC), or the Department of Transportation (DOT) or its attached agencies, whichever is applicable, for the aggregation, supply, importation, exportation, receipt, unloading, loading, processing, storage, regasification, and bunkering of natural gas, or the

location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of an LNG terminal, natural gas transmission system, dedicated natural gas pipeline, storage facilities, bunkering facilities, virtual pipelines, and motor vehicles and marine vessels transporting natural gas for a specified period of time;

(gg) *Permit holder* refers to a natural or juridical person who is granted a permit by the DOE, ERC, or DOTr or its attached agencies whichever is applicable, to engage in the aggregation, supply, importation, exportation, receipt, unloading, loading, processing, storage, regasification, and bunkering of natural gas, or the location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of an LNG terminal, natural gas transmission system, dedicated natural gas pipeline, storage facilities, bunkering facilities, virtual pipelines, and motor vehicles and marine vessels transporting natural gas for a specified period of time;

(hh) *Philippine National Standard (PNS)* refers to the standards promulgated by the Department of Trade and Industry (DTI) - Bureau of Philippine Standards (BPS) pertaining to product specifications, test methods, terminologies, procedures, or practices pursuant to Republic Act No. 4109, otherwise known as the Standards Act, and other applicable laws, rules and regulations;

(ii) *Regulated Third Party Access (rTPA)* refers to a contractual arrangement between the following:

- (1) An rTPA LNG terminal permit holder or a natural gas transmission utility and a third party to allow the latter transparent, fair, reasonable, and non-discriminatory use and access of the capacity available to third parties of the LNG terminal or the natural gas transmission system,
- (2) An own use LNG terminal permit holder and a third party pursuant to a declaration of unutilized capacity by the DOE in accordance with the LNG Terminal Regulated Third Party Access Code, or
- (3) A natural gas transmission utility and a third party pursuant to a declaration of unutilized capacity by the DOE in accordance with the Transmission Regulated Third Party Access Code:

(jj) *Regulated Third Party Access (rTPA) permit* refers to an authorization issued by the DOE to the owner and operator of an LNG terminal to offer to third parties, the fair, reasonable, and non-discriminatory use and access of a specific capacity of its LNG terminal for a specified period of time, subject to the LNG Terminal Regulated Third Party Access Code;

(kk) *Reserve price* refers to the undisclosed rate determined by ERC using a methodology pursuant to Section 6 of this Act that serves as the price ceiling for the natural gas transmission fee;

(ll) *Retail* refers to the sale of natural gas to the general public in relatively small quantities for consumption such as the sale of natural gas to motor vehicles and to households:

(mm) *rTPA LNG terminal permit holder* refers to an LNG terminal whose owner or operator has been issued an rTPA permit;

(nn) *Storage* refers to the stocking of natural gas for the purpose of regasification, bunkering, reserve, any combination thereof, or any other purpose consistent with this Act;

(oo) *Storage facilities* refer to any equipment or infrastructure used for storage;

(pp) *Supplier* refers to a natural or juridical person authorized by the DOE to engage in supply as defined in this Act;

(qq) *Supply* refers to the trade of indigenous or imported natural gas, in its original or liquefied form, and its subsequent sale or transfer to midstream natural gas industry participants;

(rr) *Terminal fee* refers to the rates, charges, and other similar considerations imposed upon third parties for the use and services of any of the following:

- (1) The capacity or a portion thereof covered by an rTPA permit of an LNG terminal, or
- (2) The unutilized capacity or a portion thereof covered by an own use permit of an LNG terminal;

(ss) *Third party* refers to a midstream natural gas industry participant who is not the owner, operator, or affiliate of the owner and operator of an LNG terminal, dedicated natural gas pipeline, or natural gas transmission system;

(tt) *Transmission* refers to the conveyance of natural gas either through a dedicated natural gas pipeline or a natural gas transmission system;

(uu) *Transmission Regulated Third Party Access Code* refers to the compendium of responsibilities, qualifications, standards, and rules promulgated by the ERC for regulated third party access by one or more third parties to a portion, the entire, or the unutilized capacity of a natural gas transmission system, and the evaluation of performance of a natural gas transmission utility with respect thereto;

(vv) *Unutilized capacity* refers to a portion of the capacity of an LNG terminal, with an own use permit, an rTPA permit or both, or a natural gas transmission system, set apart for the use of the LNG terminal owner and operator or a third party with regulated third party access to the LNG terminal or the natural gas transmission system, which remains unused after a reasonable period of time and declared as such by the DOE or the ERC pursuant to Sections 5 and 6 of this Act and the LNG Terminal Regulated Third Party Access Code and the Transmission Regulated Third Party Access Code, whichever is applicable; and

(ww) *Virtual Pipelines* refer to alternative methods of transporting natural gas using modules coupled to mobile platforms such as motor vehicles, marine vessels, or rail platforms.

Chapter II
POWERS AND RESPONSIBILITIES OF GOVERNMENT AGENCIES

SEC. 5. Powers and Responsibilities of the Department of Energy (DOE). – In addition to its functions under Republic Act No. 7638, otherwise known as the Department of Energy Act of 1992, the DOE shall be the lead implementing agency for this Act. Towards this end, it shall:

(a) Supervise and monitor the development of the midstream natural gas industry, and ensure the security and sufficiency of the supply of natural gas for local demand;

(b) Require the annual submission of, review, and approve LNG Terminal Development Plans and Natural Gas Transmission Development Plans: *Provided*, That the specific guidelines and timeline for the approval of these plans shall be determined In this Act's implementing rules and regulations taking into consideration the policy declarations of this Act and upon consultation with other relevant government agencies, midstream natural gas Industry participants, and other public and private stakeholders;

(c) Prepare a Midstream Natural Gas Industry Development Plan based on the various LNG Terminal Development Plans and Natural Gas Transmission Development Plans within two (2) years from the effectivity of this Act's implementing rules and regulations, upon consultation with other relevant government agencies, midstream natural gas industry participants, and other public and private stakeholders. The Midstream Natural Gas Industry Development Plan shall be reviewed and updated annually, and integrated into the Philippine Energy Plan;

(d) Promulgate the PNS or Identify and adopt other international standards adopted as PNS by the DTI-BPS, together with relevant government agencies and upon consultation with midstream natural gas industry participants and other public and private stakeholders, within eighteen (18) months from the effectivity of this Act's implementing rules and regulations, for the following:

- (1) Natural gas, in its original or liquefied form,
- (2) Location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of all LNG terminals,
- (3) Storage and bunkering of natural gas and its respective facilities,
- (4) Virtual pipelines, and
- (5) Motor vehicles and marine vessels transporting natural gas;

(e) Ensure compliance with the health, safety, security, and environmental standards of the following, together with the Department of Environment and Natural Resources (DENR), Department of Health (DOH), and other relevant government agencies:

- (1) Natural gas, in its original or liquefied form,

(2) Location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of all LNG terminals, and

(3) Storage and bunkering of natural gas and its respective facilities;

(f) Convene and co-chair with DTI-BPS, within two (2) months from the effectivity of this Act, a technical working group comprised of relevant government agencies to include the ERC, DTI, DOTr, DENR, DOH, Department of Labor and Employment (DOLE), Department of Interior and Local Government (DILG), their respective attached agencies, midstream natural gas industry participants, and other relevant public and private stakeholders to ensure consistent and streamlined standards and regulations in the midstream natural gas industry. The members of the technical working group shall fully cooperate and collaborate in the creation, promulgation, and streamlining of standards and regulations;

(g) Promulgate the guidelines for the establishment of safety and exclusion zones of LNG terminals, and determine such safety and exclusion zone for every LNG terminal, in consultation with the technical working group, relevant government agencies, local government units, and public and private stakeholders;

(h) Evaluate and act on applications for the location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of all LNG terminals as well as storage facilities and bunkering facilities;

(i) Issue the following:

(1) Permits for the aggregation, supply, importation, exportation, receipt, unloading, loading, processing, storage, regasification, and bunkering of natural gas, in its original or liquefied form in accordance with this Section, and

(2) Own use and rTPA permits to owners and operators of LNG terminals;

(j) Establish a methodology and timeframe for the determination of the unutilized capacity of LNG terminals, which shall be integrated in the LNG Terminal Regulated Third Party Access Code, taking into consideration the following:

(1) Reasonable period to use the capacity,

(2) Existing market demand, and

(3) Existing contracts;

(k) Promulgate the LNG Terminal Regulated Third Party Access Code, within one (1) year from the effectivity of this Act's implementing rules and regulations, and upon consultation with other relevant government agencies, midstream natural gas industry participants, and other public and private stakeholders, and ensure compliance therewith. The LNG Terminal Regulated Third Party Access Code shall be reviewed and updated regularly. The following principles shall govern the creation of this code:

(1) Reliable and continuous supply of natural gas, and

(2) Transparent, fair, reasonable, and non-discriminatory use and access;

(l) Declare the unutilized capacity of an LNG terminal and mandate regulated third party access for such in accordance with the LNG Terminal Regulated Third Party Access Code;

(m) Determine minimum guidelines to ensure the transparent, fair, reasonable, and non-discriminatory conduct of competitive selection processes by owners and operators of LNG terminal; *Provided*, That these minimum guidelines shall not include the mode of competitive selection process;

(n) Approve or disapprove any sale, assignment, or transfer of control to another entity by a midstream natural gas industry participant with a DOE issued permit within ninety (90) calendar days from submission of complete documentary requirements. Concomitantly, the DOE may require from any midstream natural gas industry participant with a DOE issued permit the prior disclosure of any sale, assignment, or transfer of ownership or direct or indirect interests, rights, or participation not amounting to control to another entity. In both these cases, the DOE may review, modify, cancel, approve, or disapprove any permit it has issued taking into consideration the legal, technical, and financial qualifications of the purchaser, assignee, or transferee and its compliance with its own use or rTPA permit or other DOE issued permits under this Act and existing laws, rules and regulations;

(o) Determine the qualifications of and procedure for the competitive selection of a single independent NGTSO taking into consideration Section 22 of this Act, upon consultation with relevant government agencies, midstream natural gas industry participants, and other public and private stakeholders, and undertake its selection upon the interconnection of natural gas transmission systems;

(p) Require the submission of the following information from suppliers, importers, aggregators, and owners and operators of LNG terminals, storage facilities, and bunkering facilities, whichever is applicable, subject to Section 32 of this Act:

(1) Progress and status reports on location, construction, improvement, operation, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of LNG terminals and storage and bunkering facilities,

(2) Regular reports on the following:

(i) Compliance with health, safety, security, and environmental standards,

(ii) Utilization of the LNG terminal by its owner and operator, the owner and operator's affiliates, and third parties, whichever is applicable,

(iii) Compliance with the LNG Terminal Regulated Third Party Access Code to include compliance with DOE directive to subject an unutilized capacity to regulated third party access;

- (3) Supply and demand of natural gas with respect to their own facilities or operations.
- (4) Volumes of specific inventories to include levels of importation and emergency reserve.
- (5) Progress and status reports on mitigation measures and responses in relation to accidents and other emergency incidents.
- (6) Mode of competitive selection of third parties for rTPA LNG terminal permit holders, reports on competitive selection processes undertaken, and status of utilization by third parties of the LNG terminal with an rTPA permit: *Provided*, That the mode for each competitive selection process shall be determined by each rTPA LNG terminal permit holder: *Provided further*, That each competitive selection process shall be transparent, fair, reasonable, and non-discriminatory, and
- (7) Other data and information necessary to the performance of the duties and functions of DOE;

(q) Determine the necessity of and then direct the interconnection of natural gas transmission systems based on the Philippine Energy Plan, Midstream Natural Gas Development Plan, and the Natural Gas Transmission Development Plans, taking into consideration the maturity of the industry, the existing natural gas transmission systems' infrastructure, and the cost efficiency of interconnection, and upon consultation with the ERC, other relevant government agencies, midstream natural gas industry participants, and other public and private stakeholders;

(r) Ensure compliance with the publication and unbundling of the terminal fee in accordance with Section 25 of this Act;

(s) Ensure and review compliance with, and investigate, motu proprio or upon complaint, any non-compliance with this Act including any permit DOE has issued in relation hereto, its rules and regulations, the LNG Terminal Regulated Third Party Access Code, and any other issuance promulgated pursuant to the DOE's powers under this Act, except those under the jurisdiction of the ERC as provided under Section 6 herein. Thereafter, the DOE may penalize, suspend, or revoke, after due notice and hearing, any permit it has issued;

(t) Endorse the findings of investigations against midstream natural gas industry participants, for any of the following:

- (1) Anticompetitive behavior before the Philippine Competition Commission (PCC), or
- (2) Violations of the provisions of this Act and other applicable laws, rules, and regulations before the ERC, other quasi-judicial agencies, or the courts; and

(u) Perform all other acts that are analogous to the aforementioned and in furtherance of the implementation of this Act.

SEC. 6. Powers and Responsibilities of the Energy Regulatory Commission (ERC). – In addition to its functions under Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001, the ERC shall have the authority to:

(a) Promulgate the PNS or identify and adopt other international standards adopted as PNS by the DTI-BPS, together with relevant government agencies and upon consultation with midstream natural gas industry participants and other public and private stakeholders, within eighteen (18) months from the effectivity of this Act's implementing rules and regulations, for the following:

- (1) Dedicated natural gas pipelines, and
- (2) Natural gas transmission systems;

(b) Ensure compliance with the health, safety, security, and environmental standards of the following, together with the Department of Environment and Natural Resources (DENR), Department of Health (DOH), and other relevant government agencies:

- (1) Dedicated natural gas pipelines, and
- (2) Natural gas transmission systems;

(c) Participate in the technical working group convened by DOE pursuant to Section 5 of this Act;

(d) Evaluate and act on applications for the location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of dedicated natural gas pipelines and natural gas transmission systems;

(e) Issue permits for the transmission of natural gas to include certificates of public convenience and necessity (CPCN) to natural gas transmission utilities;

(f) Establish a methodology and timeframe for the determination of the unutilized capacity of natural gas transmission systems, which shall be integrated in the Transmission Regulated Third Party Access Code, taking into consideration the following:

- (1) Reasonable period to use the capacity.
- (2) Existing market demand, and
- (3) Existing contracts;

(g) Promulgate the Transmission Regulated Third Party Access Code, within one (1) year from the effectivity of this Act's implementing rules and regulations, and upon consultation with other relevant government agencies, midstream natural gas industry participants, and other public and private stakeholders, and ensure compliance therewith;

(h) Promulgate the Natural Gas Transmission Code and Transmission Regulated Third Party Access Code, within one (1) year from the effectivity of this Act's implementing rules

and regulations, and upon consultation with other relevant agencies, midstream natural gas industry participants, and other public and private stakeholders, and ensure compliance therewith. The Natural Gas Transmission Code and the Transmission Regulated Third Party Access Code which shall be reviewed and updated regularly. The following principles shall govern the creation of these codes:

(1) Reliable and continuous supply of natural gas, and

(2) Transparent, fair, reasonable, and non-discriminatory use and access;

(i) Declare the unutilized capacity of a natural gas transmission system and mandate regulated third party access for such in accordance with the Transmission Regulated Third Party Access Code;

(j) Determine minimum guidelines to ensure the transparent, fair, reasonable, and non-discriminatory conduct of competitive selection processes by natural gas transmission utilities; *Provided*, That these minimum guidelines shall not include the mode of competitive selection process;

(k) Approve or disapprove any plan of a natural gas transmission utility, an owner and operator of a dedicated natural gas pipeline, and the NGTSO to sell, assign, or transfer control to another entity. Concomitantly, the ERC may require from a natural gas transmission utility, an owner and operator of a dedicated natural gas pipeline, and the NGTSO the prior disclosure of any sale, assignment, or transfer of ownership or direct or indirect interests, rights, or participation to another entity. In both these cases, the ERC may review, modify, cancel, approve, or disapprove any permit it has issued taking into consideration the legal, technical, and financial qualifications of the purchaser, assignee, or transferee and its compliance with its ERC issued permits under this Act and existing laws, rules and regulations;

(l) Require the submission of the following information from the owner and operator of dedicated natural gas pipelines, the natural gas transmission utility, and the NGTSO, whichever is applicable, subject to Section 32 of this Act:

(1) Progress and status reports on location, construction, improvement, operation, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of dedicated natural gas pipelines, natural gas transmission systems, and the interconnected natural gas transmission system,

(2) Regular reports on the following:

(i) Compliance with health, safety, security, and environmental standards,

(ii) Utilization of the dedicated natural gas pipeline and natural gas transmission system by its owner and operator, the owner and operator's affiliates, and third parties, whichever is applicable,

(iii) Compliance with the Transmission Regulated Third Party Access Code to include compliance with DOE directive to subject an unutilized capacity to regulated third party access;

- (3) Supply and demand of natural gas with respect to their own facilities or operations,
- (4) Volumes of specific inventories to include levels of ancillary reserve, when applicable,
- (5) Compliance with health, safety, security, and environmental standards, and activities in relation thereto,
- (6) Progress and status reports on mitigation measures and responses in relation to accidents and other significant or emergency incidents,
- (7) Mode of competitive selection of third parties for natural gas transmission utilities, reports on competitive selection processes undertaken to include the natural gas transmission fee, and status of utilization by third parties: *Provided*, That the mode for each competitive selection process shall be determined by each natural gas transmission utility: *Provided further*, That each competitive selection process shall be transparent, fair, reasonable, and non-discriminatory,
- (8) Billed and collected amounts of the natural gas transmission fee and NTSO fee, whichever is applicable, and
- (9) Other documents, data, and Information necessary to the performance by ERC of its functions under this Act;

(m) Ensure and review compliance with, and investigate, motu proprio or upon complaint, complaint, or upon endorsement of any government agency, any non-compliance with this Act including any permit ERC has issued in relation hereto, its rules and regulations, the Natural Gas Transmission Code, the Transmission Regulated Third Party Access Code, and any other issuance promulgated pursuant to the ERC's powers under this Act, except those under the jurisdiction of the DOE as provided under Section 5 herein. Thereafter, the ERC may penalize, suspend, or revoke, after due notice and hearing any permit it has issued;

(n) Endorse the findings of investigations on any anticompetitive behavior of an owner and operator of a dedicated natural gas pipeline, the natural gas transmission utility, and the NGTSO to the PCC;

(o) Exercise its rate-setting power through the determination and regular review of the following:

- (1) Reserve price for the natural gas transmission fee. It shall remain undisclosed until the winning bidder is declared, and
- (2) NGTSO fee;

The ERC shall notify and afford relevant stakeholders the opportunity to be heard in the following:

- (1) Methodology for the determination of the reserve price, and

(2) Determination of the NGTSO fee;

(p) Ensure compliance with the publication and unbundling of the natural gas transmission fee and the NGTSO fee imposed by the natural gas transmission utilities, and the NGTSO respectively, in accordance with Section 25 of this Act;

(q) Review regularly the performance of natural gas transmission utilities and the NGTSO, when applicable, including the quality of its service and compliance with its approved Natural Gas Transmission Development Plan and its powers and functions pursuant to Chapter V of this Act;

(r) Exercise exclusive jurisdiction over all matters pertaining to rate setting in this Act taking into consideration the policy of full recovery of prudent and reasonable economic costs with a reasonable rate of return or such other principles that promote efficiency and other internationally accepted rate setting methodology;

(s) Exercise overall regulatory supervision over dedicated natural gas pipelines, natural gas transmission systems, and the NGTSO; and

(t) Perform all other acts that are analogous to the foregoing and in furtherance of the implementation of this Act.

SEC. 7. Powers and Responsibilities of the Department of Environment and Natural Resources. – In addition to its functions under Executive Order No. 192, otherwise known as the Reorganization Act of the Department of Environment and Natural Resources, and other applicable laws, the DENR, together with the DOE, the ERC, or the DOTr, shall ensure and monitor compliance with the environmental standards for the location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of LNG terminals, natural gas transmission systems, dedicated natural gas pipelines, storage facilities, bunkering facilities, virtual pipelines, and motor vehicles and marine vessels transporting, storing or processing natural gas. In its original state or liquefied form, and all related equipment and facilities.

SEC. 8. Powers and Responsibilities of the Department of Health. – In addition to its functions under Executive Order No. 317, Series of 1941, entitled Organizing the Department of Health and Public Welfare, as amended, and Republic Act No. 11223, otherwise known as the Universal Health Care Act, the DOH, together with the DOE, the ERC or the DOTr, shall:

(a) Ensure and monitor compliance with the health standards for the location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of LNG terminals, natural gas transmission systems, dedicated natural gas pipelines, storage facilities, bunkering facilities, virtual pipelines, and motor vehicles and marine vessels transporting, storing, or processing natural gas, in its original state or liquefied form, and all related equipment and facilities;

(b) Recommend standards, rules, and regulations in the conduct of health risk assessment studies in cases of natural gas accidents;

(c) Develop guidelines, policies, and health standards on the treatment and management of patients affected by natural gas accidents; and

(d) Require health data and Information from LNG terminals, natural gas transmission systems, dedicated natural gas pipelines, storage facilities, and bunkering facilities, virtual pipelines, and motor vehicles and marine vessels transporting, storing, or processing natural gas, in its original state or liquefied form, and all related equipment and facilities.

SEC. 9. *Powers and Responsibilities of the Department of Trade and Industry - Bureau of Philippine Standards.* – In addition to its functions under Republic Act No. 4109, otherwise known as the Standards Act, the DTI-BPS, shall act as the Co-Chairperson of the technical working group created pursuant to Section 5 of this Act, and together with the DOE, the ERC, or the DOTR, determine, develop, formulate, promulgate, and revise the Philippine National Standards, or identify and adopt international standards as PNS, for natural gas, in its original or liquefied form, LNG terminals, dedicated natural gas pipelines, natural gas transmission systems, storage facilities, bunkering facilities, virtual pipelines, and motor vehicles and marine vessels transporting, storing, or processing natural gas, in its original state or liquefied form, and all related equipment and facilities.

SEC. 10. *Powers and Responsibilities of the Department of Transportation and its Attached Agencies.* – In addition to its functions under Executive Order No. 125, series of 1987 otherwise known as the Reorganization Act of the Ministry of Transportation and Communications, as amended, and other applicable laws, the DOTr or its attached agencies such as the Land Transportation Office, Land Transportation Franchising and Regulatory Board, and Maritime Industry Authority, in coordination with the DOE, DENR, DOH, DTI-BPS, and other relevant government agencies, shall issue the appropriate guidelines and regulations and the applicable permits, licenses, certificates, or authorizations to virtual pipelines, motor vehicles and marine vessels transporting, storing or processing natural gas, in its original state or liquefied form, as well as marine facilities used to import, receive, unload, load, transport, process, and store natural gas in its original or liquefied form, including those utilized as offshore LNG terminals. The DOTr shall monitor and ensure compliance therewith.

SEC. 11. *Powers and Responsibilities of the Philippine Competition Commission (PCC).* – In addition to its functions under Republic Act No. 10667, otherwise known as the Philippine Competition Act, the PCC shall exercise primary and exclusive jurisdiction over any anticompetitive behavior of midstream natural gas industry participants.

Chapter III MIDSTREAM NATURAL GAS INDUSTRY PARTICIPANTS

SEC. 12. *Responsibilities of Midstream Natural Gas Industry Participants.* – All midstream natural gas industry participants shall:

(a) Adhere to all health, safety, security, and environmental standards and all codes, rules, regulations, and issuances promulgated pursuant to Chapter II of this Act;

(b) Comply with all obligations and responsibilities under this Act to include reportorial requirements and submissions pursuant to Chapter II of this Act;

(c) Participate as a member of the technical working group pursuant to Section 5 of this Act;

(d) Unbundle their respective fees, if applicable, pursuant to Sections 5, 6, and 25 of this Act; and

(e) Not engage in any anticompetitive behavior.

Chapter IV LNG TERMINALS

SEC. 13. *Importation and Receipt of Natural Gas through LNG Terminals.* – Imported natural gas, in its liquefied form, shall only be received, unloaded, loaded, processed, stored, and regasified in, and then transmitted, transported, and conveyed in accordance with this Act.

SEC. 14. *Safety and Exclusion Zone.* – All LNG terminals shall have a safety and exclusion zone to be determined by the DOE in consultation with the technical working group created under Section 5 of this Act, relevant government agencies, local government units, and public and private stakeholders.

SEC. 15. *LNG Terminal Owner and Operator.* – An LNG terminal may have a separate owner and operator. The LNG terminal owner and operator, should they be separate entities, shall be treated as one and the same entity insofar as permits, licenses, certificates, and authorizations are concerned, as well as in the exercise of rights and compliance with obligations, standards, regulations, guidelines, and codes imposed by this Act, its implementing rules and regulations, and other relevant laws and issuances.

SEC. 16. *Use and Access of LNG Terminals.* – The use and access of LNG terminals shall be regulated pursuant to this Act, while the terminal fee shall be unbundled in accordance with Section 25 herein and unregulated. All owners and operators of LNG terminals shall annually submit their LNG Terminal Development Plan to DOE pursuant to Section 5 of this Act.

The DOE shall issue own use and rTPA permits to owners and operators of LNG terminals. The owner and operator of an LNG terminal shall have the option to apply for and hold an own use permit, an rTPA permit, or both permits simultaneously for each LNG terminal, and perform the functions of an own use LNG terminal permit holder pursuant to Section 18 of this Act and an rTPA LNG terminal permit holder pursuant to Section 19 of this Act, to the extent of the capacity allowed by and during the length of the time specified in each type of permit, and in accordance with the LNG Terminal Regulated Third Party Access Code.

Each type of permit shall specify the capacity and length of time covered by the permit: *Provided*, That the total capacity of all permits held by an owner and operator of an LNG terminal for each LNG terminal shall not exceed the maximum capacity of such LNG terminal. The unutilized capacity of an owner and operator or its affiliate covered by an own-use LNG terminal permit shall be opened to third parties through the issuance of an rTPA permit and pursuant to the LNG Terminal Regulated Third Party Access Code. The unutilized capacity by a third party covered by an rTPA LNG terminal permit shall be opened to other third parties pursuant to the LNG Terminal Regulated Third Party Access Code.

SEC. 17. *Own Use LNG Terminal.* – An own use LNG terminal permit holder shall:

(a) Exclusively utilize the capacity allowed by and during the length of time specified in the own use permit, and may allow its affiliates to do the same; and

(b) Not enter into an nTPA or any similar arrangement with third parties or otherwise grant use and access of its facilities to such third parties to the extent of the capacity allowed and during the length of time specified in the own use permit, subject to Section 17 of this Act and the LNG Terminal Regulated Third Party Access Code.

SEC. 18. Regulated Third Party Access LNG Terminal. – The issuance of an rTPA permit to an owner and operator of an LNG terminal shall take into consideration the capacity and utilization of the LNG terminal, current midstream end users, existing market conditions, and other relevant information with the end in view of enabling competition in the natural gas industry. The use and access of the capacity covered by an rTPA permit shall be open to all third parties subject to the payment of a terminal fee. An rTPA LNG terminal permit holder shall:

(a) Publicly disclose the capacity available to and utilization by third parties in accordance with the reportorial requirements under this Act and the LNG Terminal Regulated Third Party Access Code;

(b) Determine the mode of competitive selection of third parties: *Provided*, That each LNG terminal shall determine its own competitive selection process which shall be transparent, fair, reasonable, and non-discriminatory subject to the reportorial requirements under this Act;

(c) Provide regulated third party access to the extent of the capacity allowed by and during the length of time specified in its rTPA permit; and

(d) Not give any undue preference or advantage to any third party, whether in rates, terms, conditions, or special privileges.

Chapter V TRANSPORT AND TRANSMISSION OF NATURAL GAS

SEC. 19. Transport of Natural Gas. – Natural gas, in its original or liquefied form, may be transported within the country through virtual pipelines, motor vehicles, and marine vessels in accordance with this Act. The use, access, and fees for the transportation of natural gas shall be unregulated but shall be subject to the permits, licenses, certificates, authorizations, standards, regulations, and guidelines promulgated pursuant to Chapter II of this Act.

SEC. 20. Transmission of Natural Gas. – Natural gas may be transmitted through dedicated natural gas pipelines or natural gas transmission systems either from an LNG terminal or a local natural gas production facility.

SEC. 21. Dedicated Natural Gas Pipelines. – The ownership and operation of a dedicated natural gas pipeline shall not be considered a public utility and shall not require a legislative franchise, but shall require a permit in accordance with Section 6 of this Act. Its use, access, and fee for use shall be unregulated, but shall be subject to permits, licenses, certificates,

authorizations, standards, regulations, guidelines, codes, and reportorial requirements as provided in this Act. The owner and operator of a dedicated natural gas pipeline shall:

(a) Exclusively utilize the capacity of its dedicated natural gas pipeline or allow its affiliates to do the same;

(b) Not enter into an nTPA or any similar arrangement with third parties or otherwise grant use and access of its facilities to such third parties; and

(c) Inform the ERC of its intent to convert its facilities to a natural gas transmission system simultaneously with its application for a legislative franchise as a natural gas transmission utility.

SEC. 22. *Natural Gas Transmission Systems.* – The use, access, and terminal fee of a natural gas transmission system shall be regulated. The ownership and operation of a natural gas transmission system shall be considered a public utility and shall require a legislative franchise. The issuance of a CPCN to a natural gas transmission utility shall take into consideration its legal, technical, and financial capability.

The use and access to the entire capacity of a natural gas transmission system shall be open to all third parties for a natural gas transmission fee, subject to the reserve price of the ERC in accordance with Section 6 of this Act: *Provided*, That in the case of a dedicated natural gas pipeline that converts its facilities into a natural gas transmission system, existing contracts with affiliates for the use of the pipeline at the time of the effectivity of such franchise shall be allowed to continue until the end of the contract, which shall not be subject to any extension.

A natural gas transmission utility shall:

(a) Regularly disclose to the public the capacity available for and utilization by third parties in accordance with the reportorial requirements under this Act and the Transmission Regulated Third Party Access Code;

(b) Determine the mode of and conduct a competitive selection of third parties: *Provided*, That each natural gas transmission utility shall determine its own competitive selection process which shall be transparent, fair, reasonable, and non-discriminatory, subject to the reportorial requirements under this Act;

(c) Ensure that the winning bid does not go beyond the reserve price determined by ERC pursuant to Section 6 of this Act;

(d) Provide transparent, fair, reasonable, and non-discriminatory use and access to third parties;

(e) Not give any undue preference or advantage to any third party, whether in rates, terms, conditions, or special privileges;

(f) Submit annually its Natural Gas Transmission Development Plan to DOE for review and approval, or the NGTSO, whichever is applicable, pursuant to Sections 5 and 24 of this Act;

(g) Assign to the NGTSO the operation and maintenance of its natural gas transmission system upon direction of the ERC after the Interconnection of natural gas transmission systems and the selection of the NGTSO; and

(h) When applicable, inform and coordinate with the NGTSO for the location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of any part of the natural gas transmission system to be undertaken in accordance with its submitted National Gas Transmission Development Plan.

SEC. 23. *Natural Gas Transmission System Operator.* – The DOE, based on the Philippine Energy Plan, the Midstream Natural Gas Industry Development Plan, and the various Natural Gas Transmission Development Plans shall determine the necessity of and then direct the interconnection of natural gas transmission systems pursuant to Section 5 of this Act. The DOE shall thereafter select a single independent NGTSO. The NGTSO shall not be an affiliate of any LNG terminal owner and operator, natural gas transmission utility, or any midstream end-user. The NGTSO shall:

(a) Operate and manage the interconnected natural gas transmission system in accordance with the Natural Gas Transmission Code and Transmission Regulated Third Party Access Code;

(b) Coordinate with natural gas transmission utilities for the location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of any part of the natural gas transmission system in accordance with their submitted Natural Gas Transmission Development Plan;

(c) Furnish midstream natural gas industry participants with sufficient information for efficient access to the interconnected natural gas transmission system;

(d) Procure ancillary services necessary to support the reliable and continuous flow of natural gas through the interconnected natural gas transmission system;

(e) Annually prepare a comprehensive Natural Gas Transmission Development Plan based on the submitted Natural Gas Transmission Development Plans of natural gas transmission utilities, upon consultation with public and private stakeholders, and submit the same for review and approval of the DOE;

(f) Collect an NGTSO fee, subject to the approval of the ERC; and

(g) Perform other functions and responsibilities determined by the DOE and ERC pursuant to Sections 5 and 6 of this Act.

Chapter VI RATES, FEES, AND OTHER CHARGES

SEC. 24. *Publication and Unbundling of Fees.* – LNG terminals with regulated third party access, whether through an rTPA permit or a DOE declaration of an unutilized capacity, natural gas transmission utilities, and the NGTSO shall identify and segregate in their bills to

midstream end-users the components of their terminal fees, natural gas transmission fees, and NGTSO fee, respectively, and publish the same on their website.

SEC. 25. *Other Fees and Charges.* – The DOE, ERC, and other relevant government agencies may impose reasonable fees for processing applications and permits as may be necessary in this Act pursuant to Executive Order No. 292, otherwise known as the Administrative Code of 1987, and Republic Act No. 9136 otherwise known as the Electric Power Industry Reform Act of 2001.

Chapter VII PROHIBITED ACTS AND PENALTIES

SEC. 26. *Prohibited Acts.* – Without prejudice to civil and criminal liability, the following acts shall be prohibited:

(a) For government agencies: failing to comply with the responsibilities under Chapter II of this Act, and within the timeframes specified in Sections 5, 6, and 37 of this Act;

(b) For midstream natural gas industry participants:

(1) Engaging in activities without the required permits, licenses, certificates, and Authorizations under this act, specifically:

(i) Engaging in the aggregation, supply, importation, exportation, receipt, unloading, loading, processing, storage, regasification, transmission, bunkering, and transportation of natural gas, or the location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of an LNG terminal, natural gas transmission system, dedicated natural gas pipeline, virtual pipeline, and motor vehicles and marine vessels transporting natural gas without a permit as defined in this Act from DOE, ERC, or DOTR or its attached agencies.

(ii) Engaging in any activity as a midstream natural gas industry participant without a license, certificate, and authorization from DENR, DOH, Department of Interior and Local Government or its attached agencies, local government units, and other relevant government agencies,

(iii) Operating as an own use terminal without an own use permit,

(iv) Operating as an rTPA terminal without an rTPA permit, and

(v) Operating a natural gas transmission system without legislative franchise and a CPCN;

(2) Failure to comply with health, safety, security, and environmental standards, requirements, and guidelines as well as codes under this Act, whichever is applicable, specifically:

- (i) Failure to comply with the PNS or other International standards adopted as PNS of the following:
 - a) Natural gas, in its original or liquefied form.
 - b) Location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of all LNG terminals.
 - c) Storage and bunkering of natural gas and its respective facilities.
 - d) Virtual pipelines,
 - e) Motor vehicles and marine vessels transporting natural gas,
 - f) Dedicated natural gas pipelines, and
 - g) Natural gas transmission systems;
- (ii) Failure to comply with standards, rules, and regulations in the conduct of health risk assessment studies in cases of natural gas accidents.
- (iii) Failure to comply with the Natural Gas Transmission Code,
- (iv) Failure to comply with the LNG Terminal Regulated Third Party Access Code,
- (v) Failure to comply with the Transmission Regulated Third Party Access Code, and
- (vi) Failure to comply with the safety and exclusion zone;
- (3) Failure to submit or disclose required data, information, and documents, whichever is applicable, specifically:
 - (i) Failure to submit an LNG Terminal Development Plan,
 - (ii) Failure to submit a Natural Gas Transmission Development Plan,
 - (iii) Refusal or failure to submit the required data and information to the DOE pursuant to Section 5 of this Act.
 - (iv) Refusal or failure to submit the required documents, data, and information to the ERC pursuant to Section 6 of this Act.
 - (v) Refusal or failure to submit health data and Information to the DOH pursuant to Section 8 of this Act,
 - (vi) Refusal or failure to publicly disclose the following:

- a) Capacity available to third parties, and
 - b) Utilization of capacities by third parties;
- (vii) Failure to furnish midstream natural gas industry participants with sufficient information for efficient access to the interconnected natural gas transmission system, and
- (viii) Failure to inform the ERC of its intent to convert a dedicated natural gas pipeline to a natural gas transmission system simultaneous with its application for a legislative franchise;
- (4) Failure to comply with the requirements on fees, whichever is applicable, specifically:
- (i) Failure to comply with the publication and unbundling requirement for the terminal fee, natural gas transmission fee, and NGTSO fee, whichever is applicable,
 - (ii) Collecting an NGTSO fee without the approval of ERC,
 - (iii) Awarding a winning bid beyond the reserve price.
 - (iv) determined by ERC, winning bid, and
 - (v) Collecting a natural gas transmission fee higher than the Disclosing the reserve price before the determined time by ERC;
- (5) Failure to comply with the requirements on own use and regulated third party access, whichever is applicable, specifically:
- (i) Allowing a third party to use a portion or the entire capacity of a dedicated natural gas pipeline,
 - (ii) Entering into an nTPA or similar arrangement with third parties or granting use and access to third parties to the extent of the capacity covered by an own use permit for LNG terminals.
 - (iii) Refusal or failure to conduct a transparent, fair, reasonable, and non-discriminatory competitive selection of third parties for the capacity covered by an rTPA permit for LNG terminals, or the entire capacity of a natural gas transmission system.
 - (iv) Using or allowing an affiliate to use the capacity covered by an rTPA permit for LNG terminals or a portion or the entire capacity of a natural gas transmission system without undergoing a competitive selection process.
 - (v) Giving any undue preference or advantage to any third party, whether in rates, terms, conditions, or special privileges,

- (vi) Failure to provide transparent, fair, reasonable, and non-discriminatory use and access to third parties, and
 - (vii) Failure to comply with mandated regulated third-party access for unutilized capacity;
- (6) Failure to comply with other responsibilities as midstream natural gas industry participants, whichever is applicable, specifically:
- (i) Refusal to participate as an Identified member of the technical working group,
 - (ii) Failure to cooperate in any investigation conducted by DOE, ERC, or PCC pursuant to their powers under this Act,
 - (iii) Failure to comply with the prior approval requirement of any sale, assignment, or transfer of control of a midstream natural gas industry participant with a DOE issued permit to another entity.
 - (iv) Failure to comply with the directive of DOE for prior disclosure of any sale, assignment, or transfer of ownership or direct or indirect interests, rights, or participation of a midstream natural gas industry participant with a DOE issued permit to another entity,
 - (v) Engaging in anti-competitive behavior,
 - (vi) Refusal or failure to assign to the NGTSO the operation and maintenance of its natural gas transmission system upon directive of the ERC.
 - (vii) Refusal or failure to inform and coordinate with the NGTSO or the natural gas transmission utilities, whichever is applicable, for the location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of any part of the natural gas transmission system.
 - (viii) Failure to secure ancillary services necessary to support the reliable and secure flow of natural gas through the interconnected natural gas transmission system, and
 - (ix) Failure to comply with other responsibilities not otherwise stated in this Section.

SEC. 27. *Penalties.* – Without prejudice to civil and criminal liability, the following administrative penalties shall be imposed upon any natural or juridical person for every prohibited act enumerated below:

(a) Section 26 (a): Fine not exceeding the equivalent of six (6) months' salary or suspension not exceeding one (1) year, or removal depending on the gravity of the offense;

(b) Section 26 (b):

- (1) First Offense: Fine of not less than Five hundred thousand pesos (P500,000) for every day of non-compliance, and if applicable, suspension of permits, licenses, certificates, or authorizations until the violation is corrected.
- (2) Second Offense: Fine of not less than One million pesos (P1,000,000) for every day of non-compliance, and if applicable, suspension of permits, licenses, certificates, or authorizations until the violation is corrected, and
- (3) Third Offense: Fine of not less than Five million pesos (P5,000,000), revocation of permits, licenses, certificates, or authorizations, and disqualification from applying for future permits, licenses, certificates, or authorizations. In the case of natural gas transmission utilities, DOE and ERC shall recommend the revocation of their respective franchises to Congress. In the case of the NGTSO, it shall be replaced.

Provided, That the administrative penalty for Section 26(b)(6)(v) shall be pursuant to Section 29 of the Philippine Competition Act.

Chapter VIII FINAL PROVISIONS

SEC. 28. *Incentives*. – LNG terminals, storage facilities, bunkering facilities, dedicated own use natural gas pipelines, and natural gas transmission systems, shall be included in the Strategic Investment Priority Plan subject to an evaluation process and shall be entitled to the incentives and for the length of time provided under Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987, as amended by Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act, and other applicable laws.

SEC. 29. *Permits and Licenses*. – All permits, licenses, certificates, and authorizations issued pursuant to this Act shall be streamlined and shall be covered by Republic Act No. 11234, otherwise known as the Energy Virtual One-Stop Shop Act, except for those whose time frames are expressly provided herein.

SEC. 30. *Public Access to Information*. – The DOE, ERC, and other relevant government agencies shall allow public access, through its website, to all data and information submitted in the implementation of this Act: *Provided*, That such access is compliant with Section 32 hereto.

SEC. 31. *Treatment of Confidential Information*. – The DOE, ERC, and other relevant government agencies shall not disclose any proprietary and confidential information to the public and to other midstream natural gas industry participants unless prior consent of the source or owner of such information has been obtained by the requesting party: *Provided*, That prior consent shall not be required if the proprietary and confidential information is requested by a government agency and the request is made in performance of its functions: *Provided further*, That the requesting government agency shall not disclose the proprietary and confidential information to the public and to other midstream natural gas industry participants.

SEC. 32. *Establishment of Dedicated Offices.* – The DOE and the ERC shall establish dedicated bureaus or offices for the effective implementation of this Act. The organizational structure and staffing complement shall be determined by the DOE Secretary and ERC Chairperson respectively, with approval of the Department of Budget and Management or the Office of the President, whichever is applicable, and in accordance with existing civil service rules and regulations.

SEC. 33. *Appropriations.* – The amount of Seventy-five million pesos (P75,000,000.00) shall be charged against the current year's appropriations of the DOE and the amount of Seventy million pesos (P70,000,000.00) shall be charged against the current year's appropriations of the ERC, all for the initial Implementation of this Act. Thereafter, such amounts necessary for the sustainable implementation of this Act shall be included in the annual General Appropriations Act.

SEC. 34. *Congressional Oversight.* – The Joint Congressional Energy Commission (JCEC) shall exercise oversight powers over the implementation of this Act. The DOE, ERC, and other relevant government agencies shall submit annual reports to the JCEC no later than the fifteenth day of September, which shall include the latest relevant data, implementation review and reports, and policy and regulatory issues.

SEC. 35. *Transitory Period.* – All midstream natural gas Industry participants shall comply with the provisions of this Act within five (5) years from its effectivity: *Provided.* That health, safety, security, environmental, construction, operation and other permits, licenses, certificates, and authorizations issued prior to the effectivity of this which are not inconsistent herewith shall remain valid.

Natural gas transmission systems existing at the time of the effectivity of this Act shall be allowed to continue pursuant to the terms and conditions indicated in their franchise and until the lapse of the period accorded to them in the franchise.

SEC. 36. *Implementing Rules and Regulations.* – The DOE and ERC, in coordination and consultation with the relevant offices, agencies, and instrumentalities of the national and local government, as well as the public and private stakeholders, shall issue and promulgate the necessary implementing rules and regulations (IRR) of this Act within six (6) months from the effectivity of this Act.

SEC. 37. *Separability Clause.* – If any provision of this Act shall be declared invalid or unconstitutional, such declaration shall not affect the validity of the remaining provisions of this Act.

SEC. 38. *Amendatory and Repealing Clause.* – The specific provisions of Republic Act No. 387, otherwise known as the Petroleum Act of 1949, and Presidential Decree No. 334, Creating the Philippine National Oil Company, Defining Its Powers and Functions, Providing Funds Therefor, and For Other Purposes, that are inconsistent with this Act are hereby amended or repealed accordingly.

All other laws, ordinances, rules, regulations and issuance or parts thereof, that are inconsistent with this Act, are likewise repealed, amended or modified accordingly.

SEC. 39. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in two (2) newspapers of general circulation.

Approved,