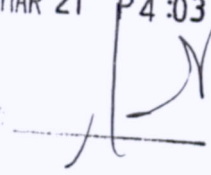


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SENATE

P.S. Res. No. 699

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Introduced by SEN. WIN GATCHALIAN

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**A RESOLUTION DIRECTING THE APPROPRIATE SENATE  
COMMITTEE TO CONDUCT AN INQUIRY ON THE PHILIPPINE  
DOWNSTREAM NATURAL GAS INDUSTRY POLICY WITH THE END IN  
VIEW OF ENACTING APPROPRIATE LEGISLATION FOR ITS  
DEVELOPMENT AND REGULATION IN LIGHT OF THE MALAMPAYA  
FRANCHISE EXPIRATION IN 2024**

**WHEREAS**, the downstream natural gas industry in the country was started as a result of the declaration of commerciality of the Malampaya-Camago wells in 1998; the construction of a subsea production system, shallow water production platform, onshore gas plant, and gas export pipeline in 2000 to 2001; and the production of first gas in 2001;

**WHEREAS**, Executive Order No. 66, Series of 2001 entitled "*Designating the Department of Energy as the Lead Agency in Developing the Philippine Natural Gas Industry*" was signed in 2001 to address the lack of a lead agency for the natural gas industry given the commencement of the Malampaya Gas-to-Power Project;

**WHEREAS**, the Malampaya Gas-to-Power Project supplies fuel to three natural gas plants with a total installed capacity of 2,700 MW. These power plants comprise 17.85% of the installed capacity of the Luzon grid as of June 2017,<sup>1</sup> and serve 53% of Meralco's electricity demand for the March 2018 billing. The Malampaya franchise, however, will end in 2024;

**WHEREAS**, Department of Energy (DOE), taking the foregoing into consideration, announced in 2016 its plans of making the Philippines a liquefied natural gas (LNG) hub via the construction of an LNG terminal with storage, liquefaction, re-gasification, distribution facility, and a power plant;<sup>2</sup>

**WHEREAS**, in November 2017, DOE issued Department Circular No. DC2017-11-0012, entitled "*Rules and Regulations Governing the Philippine Downstream Natural Gas Industry*" or the "*Philippine Downstream Natural Gas Regulation*". The Circular establishes the regulations to be followed with respect to siting, design, construction, expansion, rehabilitation, modification, operation, and maintenance of the Philippine Downstream Natural Gas Industry Value Chain;

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<sup>1</sup> Department of Energy. Power Supply and Demand Highlights January – June 2017.

<sup>2</sup> <https://businessmirror.com.ph/seven-foreign-firms-eye-venture-with-pnoc-for-ambitious-lng-hub/> visited 21 March 2018.

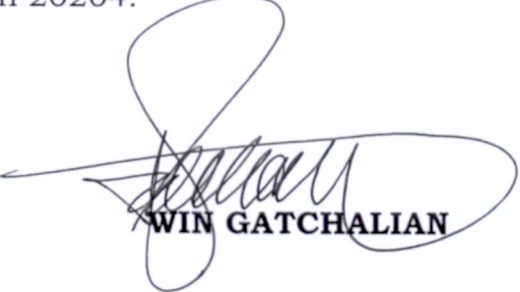
**WHEREAS**, through the Circular, DOE has made itself both the policy-maker and regulator of the downstream natural gas industry, and bestowed upon itself a wide range of powers such as but not limited to (1) permitting of all activities such as construction, expansion, rehabilitation, modification, operation, or maintenance of a downstream natural gas facility; (2) regulation of an LNG terminal, and transmission and distribution-related facilities; (3) accreditation of all importers and suppliers; and (4) fixing and regulating of rates or schedule of prices for the use of transmission and/or distribution pipelines;

**WHEREAS**, DOE has also started accepting letters of interest from investors to build the sole LNG terminal;<sup>3</sup>

**WHEREAS**, owing to the complexity of the downstream natural gas industry, the lack of existing legislation and an institutionalized regulatory framework, and the need to replace the fuel source of the three natural gas plants by 2024, there is a need to lay down and clarify the national government's downstream natural gas policy, and as a result provide certainty to attract more investors to the industry;

**NOW THEREFORE BE IT RESOLVED**, as it is hereby resolved, to direct the appropriate Senate Committee to conduct an inquiry on the Philippine downstream natural gas industry policy with the end in view of enacting appropriate legislation for its development and regulation in light of the Malampaya franchise expiration in 20204.

*Adopted,*



**WIN GATCHALIAN**

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<sup>3</sup> <http://www.malaya.com.ph/business-news/business/7-firms-keen-lng-terminal> visited 21 March 2018