


**NINETEENTH CONGRESS OF THE  
REPUBLIC OF THE PHILIPPINES**  
*First Regular Session*

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**SENATE**  
**P.S. RES: No. 79**

RECEIVED BY: 

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**Introduced by Senator WIN GATCHALIAN**

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**A RESOLUTION DIRECTING THE APPROPRIATE SENATE COMMITTEE TO  
CONDUCT AN INQUIRY IN AID OF LEGISLATION ON THE STATUS OF THE  
PHILIPPINE UPSTREAM OIL AND GAS INDUSTRY AND THE  
IMPLEMENTATION OF PRESIDENTIAL DECREE NO. 87, OTHERWISE  
KNOWN AS THE OIL AND EXPLORATION AND DEVELOPMENT ACT OF 1972,  
WITH THE END IN VIEW OF INTRODUCING REMEDIAL LEGISLATION AS  
MAY BE NECESSARY**

1           WHEREAS, Presidential Decree No. 87 (PD 87), otherwise known as the Oil  
2 and Exploration and Development Act of 1972, provides the framework and  
3 incentives for the exploration, exploitation, and development of the country's oil and  
4 gas reserves and declares as policy of the States to hasten the discovery and  
5 production of indigenous petroleum through the utilization of government and  
6 private resources;<sup>1</sup>  
7           WHEREAS, almost fifty (50) years after the promulgation of PD 87, out of the  
8 nineteen (19) service contracts that remain active,<sup>2</sup> only seven (7) are currently in  
9 production stage,<sup>3</sup> and only three (3) are actually producing oil and gas;<sup>4</sup>  
10           WHEREAS, during the ten-year period between 2007 to 2017, only 5 wells  
11 have been drilled in the country, a far cry from our Southeast Asian neighbors which

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<sup>1</sup> Section 2. PD 87. (1972)  
<sup>2</sup> Petroleum Service Contracts 6A, 6B, 14C1, 37, 38, 40, 49, 53, 55, 56, 57, 58, 59, 72, 74, 75, 76, and 77. As of 20 May 2022, data provided by the Department of Energy (DOE).  
<sup>3</sup> Petroleum Service Contracts 6A, 6B, 14C1, 37, 38, 40, and 49. As of 20 May 2022, data provided by the Department of Energy (DOE).  
<sup>4</sup> Petroleum Service Contracts 14C1, 38, and 49. As of 20 May 2022, data provided by the Department of Energy (DOE).

12 during the same period saw a significant number of wells drilled: 29 wells in  
13 Myanmar, 81 in Malaysia, 594 in Thailand, and 903 in Indonesia.<sup>5</sup> The number  
14 reflects the struggle of the country in attracting sufficient investments in the  
15 upstream oil and gas sector, a high-risk and high-capital industry;<sup>6</sup>

16 WHEREAS, the perceived instability of government policies on oil and gas  
17 exploration was cited by the Petroleum Association of the Philippines, the national  
18 association of oil and gas exploration companies, as the general reason why private  
19 corporations have not made the necessary investments in the sector;<sup>7</sup>

20 WHEREAS, apart from the perceived instability of government policies,  
21 concerns likewise remain on the competitiveness of the country's fiscal regime for  
22 upstream oil and gas as reflected in the World Rating of Fiscal Systems for Oil  
23 where, out of 768 fiscal systems with 1 being the most attractive, the Philippines'  
24 fiscal system for oil and gas exploration and development ranked 396<sup>th</sup> for onshore  
25 projects, 425<sup>th</sup> for shallow water projects, and 452<sup>nd</sup> for deep water projects;<sup>8</sup>

26 WHEREAS, the Department of Energy (DOE) has made proposals to revisit  
27 several provisions of PD 87 in order to introduce the following amendments geared  
28 toward further attracting capital in the sector: explicitly provide that income tax paid  
29 by service contractors already form part of the government's 60% share of net  
30 proceeds, update provisions on tax exemptions of foreign nationals employed by  
31 contractors and sub-contractors, and limit the issuance of injunctions against Service  
32 Contracts to only the Supreme Court;<sup>9</sup>

33 WHEREAS, it is thus high-time to revisit the half-century old PD 87 in order to  
34 review its implementation, and update its provisions in order to spur investments in  
35 the exploration and development of the country's oil and gas reserves;

36 RESOLVED BY THE SENATE, as it is hereby resolved, to direct the appropriate  
37 Senate Committee to conduct an inquiry on the implementation of Presidential

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<sup>5</sup> DOE pushes oil, gas exploration in PH with new contracting round. Available at: <https://pia.gov.ph/news/articles/1012932>. 19 September 2018.

<sup>6</sup> Oil explorers bat to retain perks under service contract system. Available at: <https://www.bworldonline.com/oil-explorers-bat-to-retain-perks-under-service-contract-system/>. 19 June 2018.

<sup>7</sup> PAP urges government to retain gas industry incentives. Available at: <https://businessmirror.com.ph/2018/06/20/pap-urges-government-to-retain-gas-industry-incentives/>. 20 June 2018.

<sup>8</sup> Van Neurs Energy. February 2019.

<sup>9</sup> Letter by DOE Secretary Cusi to the Senate Committee on Energy dated 27 April 2021.

38 Decree No. 87, otherwise known as the Oil and Exploration and Development Act of  
39 1972, with the end in view of introducing remedial legislation as may be necessary.

Adopted,



**WIN GATCHALIAN**