

NINETEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES
First Regular Session

)
)
)



22 AUG -1 10 59

SENATE
P.S. RES. No. 80

RECEIVED BY:

Introduced by Senator WIN GATCHALIAN

**A RESOLUTION DIRECTING THE APPROPRIATE SENATE COMMITTEE TO
CONDUCT AN INQUIRY IN AID OF LEGISLATION ON THE ISSUES
SURROUNDING SERVICE CONTRACT 38 OR THE MALAMPAYA DEEP WATER
GAS-TO-POWER PROJECT WITH THE END IN VIEW OF SAFEGUARDING
THE COUNTRY'S ENERGY SECURITY**

1 WHEREAS, the State considers the discovery and development of the
2 country's indigenous petroleum resources as vital to the country's national
3 development,¹ and places paramount importance on an integrated and intensive
4 exploration, development, and utilization of the country's indigenous energy
5 resources to achieve continuous and economic supply of energy and safeguard the
6 country's energy security;²

7 WHEREAS, towards the achievement of these policies, Presidential Decree No.
8 87 (PD 87), otherwise known as the Oil Exploration and Development Act of 1972,
9 was promulgated and lays down a policy and regulatory framework to encourage
10 investments and provide incentives for the exploration, exploitation, and
11 development of the country's oil and gas reserves, while ensuring that oil and gas
12 developers are held to the highest standards of operational efficiency, corporate
13 responsibility, and public accountability;

14 WHEREAS, the DOE is currently monitoring 19 active petroleum service
15 contracts,³ with Service Contract No. 38 (SC 38) or the Malampaya Deep Water Gas-

¹ Presidential Decree No. (PD) 87, otherwise known as the Oil Exploration and Development Act of 1972. (1972). Section 2.

² Republic Act No. (RA) 7638 otherwise known as the Department of Energy Act. (1992). Section 5(a).

³ As of 20 May 2022 data provided by the Department of Energy (DOE).

16 to-Power Project (Malampaya) being the most significant upstream development to
17 date;

18 WHEREAS, upon commencing its commercial operations in 2001, SC 38 was
19 initially held by a consortium composed of Shell Philippines Exploration, B.V. (SPEX)
20 with a 45% share, Chevron with a 45% share, and PNOC Exploration Corporation
21 (PNOC-EC) with a 10% share;

22 WHEREAS, Malampaya plays an important role in the Philippines' energy
23 security as it accounts for 19.35% of the installed capacity of the Luzon grid as of
24 2020,⁴ providing 48.50% of Meralco's 2021 electricity demand,⁵ and has likewise
25 provided the government an average annual revenue of USD 644 million from the
26 period 2017 to November 2021 proving to be a crucial source of funding for various
27 energy resource development programs⁶ and initiatives;⁷

28 WHEREAS, aside from concerns raised on the sale of participating interests in
29 SC 38,⁸ Malampaya faces other issues specifically: *First*, the lack of direction from
30 the government on SC 38 given its expiration on 23 February 2024, specifically
31 whether there will be an extension, and if not, whether government will operate and
32 manage Malampaya and how it will do so; and *Second*, the low growth of production
33 as shown by Malampaya's 1.45% annual average growth rate from 2009 to 2019,
34 and the projected 4.49% decline in natural gas production from 2019 to 2020;⁹

35 WHEREAS, in preparation for these eventualities, the Malampaya Consortium
36 led by its designated operator, Shell Philippines Exploration, B.V. (SPEX) submitted a
37 request before the Department of Energy for a fifteen (15) year extension of Service
38 Contract No. 38 as early as 2008, and SPEX reiterated the same request for
39 extension with a proposal to expand production in 2018;¹⁰

40 WHEREAS, the participating interest initially held by Chevron and SPEX as
41 members of the consortium operating Malampaya have been subject to transfer and

⁴ Department of Energy 2020 Key Energy Statistics.

⁵ Page 61. Kalinga: 2021 Meralco Sustainability Report.

⁶ PD 910, entitled Creating an Energy Development Board, Defining Its Powers and Functions, Providing Funds, Therefor, and for other Purposes. (1976). Section 8.

⁷ RA 11371 otherwise known as Murang Kuryente Act. (2018).

⁸ Senate adopts reso seeking raps vs Cusi, other execs over Malampaya deal. Inquirer.net. 2 February 2022. Available at: <https://newsinfo.inquirer.net/1549001/senate-adopts-reso-seeking-raps-vs-cusi-other-execs-over-malampaya-deal>. Accessed on 23 June 2022.

⁹ Natural Gas Production/Consumption as of 25 August 2020. Accessed at: <https://www.doe.gov.ph/natgas> accessed on 4 October 2020; DOE (2019) Natural Gas Situationer Report; OSSTG Internal Computations (2020).

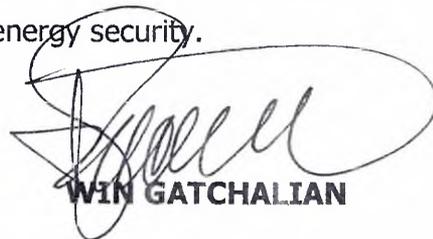
¹⁰ SPEX seeks DOE meeting on exploration contract. Business orld. 4 September 2019. Available at: <https://www.bworldonline.com/spex-seeks-doe-meeting-on-exploration-contract/>. Accessed on 10 May 2021; Malampaya operator still keen on extending service contract. BusinessMirror. 4 September 2019. Available at: <https://businessmirror.com.ph/2019/09/04/malampaya-operator-still-keen-on-extending-service-contract/>. Accessed on 10 May 2021.

42 assignment in recent years through several transactions: the 45% participating
43 interest held by Chevron Malampaya was subject to a transfer to UC Malampaya and
44 which the DOE approved on March 2021; the 45% participating interest held by
45 SPEX was supposed to be transferred to Malampaya Energy but PNOEC-EC withheld
46 its consent;¹¹ and the reported acquisition by Prime Infrastructure Holdings of the
47 45% participating interest acquired by UC Malampaya from Chevron Malampaya;¹²

48 WHEREAS, given the critical role of Malampaya in the country's energy
49 security and overall national development, it is imperative for Congress and the
50 Filipino public to be apprised of the plans of the government for SC 38 given the
51 various transfers of participating interests, its looming expiration, and Malampaya's
52 declining output;

53 RESOLVED BY THE SENATE, as it is hereby resolved, to direct the appropriate
54 Senate Committee to conduct an inquiry in aid of legislation on the issues
55 surrounding Service Contract 38 or the Malampaya Deep Water Gas-to-Power
56 Project with the end in view of safeguarding the country's energy security.

Adopted,



WIN GATCHALIAN

¹¹ PNOEC-EC withholds consent to Malampaya deal. Business World. 16 December 2021. Available at: <https://www.bworldonline.com/corporate/2021/12/16/417854/pnoc-ec-withholds-consent-to-malampaya-deal/>. Accessed on 27 June 2022.

¹² Razon firm 'poised' to control Malampaya Project. Business World. 3 June 2022. Available at: <https://www.bworldonline.com/corporate/2022/06/03/452675/razon-firm-poised-to-control-malampaya-project/>. Accessed on 3 June 2022.