

2
NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



'22 JUL 12 AM 11:55

SENATE
S.B. No. 380

RECEIVED BY: _____

Introduced by Senator WIN GATCHALIAN

**AN ACT PROVIDING A NATIONAL ENERGY POLICY AND FRAMEWORK FOR
GOVERNMENT-INITIATED PETROLEUM EXPLORATION AND
DEVELOPMENT FURTHER AMENDING FOR THE PURPOSE THE CHARTER OF
THE PHILIPPINE NATIONAL OIL COMPANY (PNOC), AS AMENDED**

EXPLANATORY NOTE

Given the nature of petroleum exploration and development as a capital-intensive industry and its importance in achieving energy security and self-sufficiency, governments have historically played a major role in jumpstarting and developing the sector.¹ This is evidenced by some of the most prominent oil companies being state owned national companies: Saudi Arabia's Saudi Aramco, China's China National Offshore Oil Corporation, Brazil's Petrobras, Indonesia's Pertamina, Vietnam's Petrovietnam, and Malaysia's Petronas.

The Philippines has its own state owned national oil company – the Philippine National Oil Company (PNOC) which was created in 1973 to provide an adequate and stable supply of petroleum products to meet domestic requirement, and to promote the exploration and development of local petroleum sources.² However, during its almost 50 years in operation, the PNOC has engaged in various activities that are far removed from its original mandate, organizing and incorporating a total of eight subsidiary companies whose involvement range from developing geothermal resources to

¹ Page 5. The Role of National Oil Companies in the International Oil Market. United States Congressional Research Service. 21 August 2007.
² Section 4, PD 334.

promoting energy efficiency programs.³ Moreover, PNOC and its subsidiaries have faced problems arising from financial mismanagement. For example, PNOC Shipping and Transport Corporation, at the time of its dissolution in 2013, suffered an annual loss of Php 533.73 million,⁴ while PNOC Alternative Fuels Corporation failed to remit a total of Php 121.60 million in unpaid dividends to the national government from 2013 to 2018.⁵

Currently, PNOC has focused its resources only on three companies: PNOC which acts as the holding company with current operations primarily focused on leasing real estate which includes the energy supply base, PNOC Exploration Corporation (PNOC EC) which is engaged in upstream operations with projects geared towards the exploration and development of the country's petroleum and coal resources, and PNOC Renewables Corporation (PNOC RC) which is involved in renewable energy projects. However, even these existing corporations are not exempt from financial challenges. To illustrate, PNOC EC was unable to collect a total of Php 748 million of receivables from previous business transactions it has undertaken,⁶ while PNOC RC has continuously operated at a loss since 2013, with its total net loss until 2020 amounting to Php 339.568 million.⁷

This proposed legislation thus seeks to address the challenges faced by PNOC by laying down a national energy policy and framework for government-initiated petroleum exploration and development. This policy will be implemented by the PNOC, refocusing the company's mandate exclusively to upstream petroleum operations. To do so, the company is empowered to invest in petroleum operation projects, both here and abroad, and is given the power to retain 50% of its annual net earnings for local petroleum exploration and development. Moreover, strict professional and technical qualifications on the members of its Board of Directors and officers have been

³ These companies are: PNOC Shipping and Transport Corporation (PSTC) which was tasked to engage in the movement of oil products throughout the country; the PNOC Coal Corporation (PCC) which was mandated to engage in coal exploration and development activities; the PNOC Energy Development Corporation (PNOC EDC) which was mandated to engage in geothermal exploration and power plant operations and management; the PNOC Exploration Corporation (PNOC EC) which was tasked to engage in oil and gas exploration, utilization, and development; the PNOC Petrochemical Development Corporation (PPDC) which was eventually renamed to PNOC Alternative Fuels Corporation (PAFC) was tasked to engage in developing alternative sources of energy; the PNOC Development and Management Corporation (PDMC) which was mandated to engage in the development of key energy infrastructure such as refineries and pipelines; and the PNOC Renewables Corporation (PNOC RC) which was tasked to engage in the promotion and development of renewable energy and energy efficiency programs in the country.

⁴ Executive Summary of 2014 Commission on Audit Annual Audit Report for PNOC Shipping and Transport Corporation.

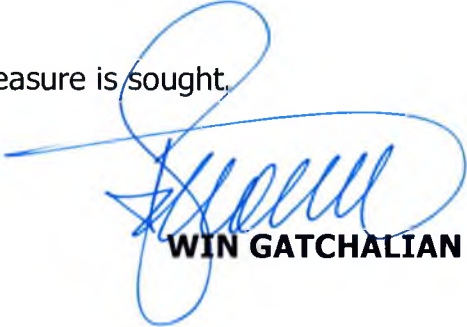
⁵ Executive Summary of 2019 Commission on Audit Annual Audit Report for PNOC Alternative Fuels Corporation.

⁶ Broken down as follows: A total of Php 192 million from A Blackstone Energy Corp. for the Lalat Coal Project; Php 147 million from PNOC for leasing of the Energy Supply Base; Php 144 million from PNOC for the Batangas-Manila gas pipeline project 1 and Batangas-Manila gas pipeline project 2 projects; Php 150 million from various customers of its coal trading and marketing operations; Php 115 million from various customers of its bunkering services.

⁷ Page 14. Note 3.3. Notes to Financial Statements. Commission on Audit Annual Audit Report on the PNOC RC for the years ended December 31, 2020 and 2019.

imposed. All these are with the end in view of achieving energy security and self-sufficiency.

For these reasons, the immediate passage of this measure is sought.



WIN GATCHALIAN

)
)
)

'22 JUL 12 AM 11:55

SENATE
S.B. No. 380

RECEIVED BY 

Introduced by SEN. WIN GATCHALIAN

**AN ACT PROVIDING A NATIONAL ENERGY POLICY AND FRAMEWORK FOR
GOVERNMENT-INITIATED PETROLEUM EXPLORATION AND
DEVELOPMENT FURTHER AMENDING FOR THE PURPOSE THE CHARTER OF
THE PHILIPPINE NATIONAL OIL COMPANY (PNOC), AS AMENDED**

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

1 Section 1. Sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, and 17
2 of Presidential Decree No. 334, as amended by Presidential Decree No. 334, and
3 further amended by Presidential Decree No. 405, Presidential Decree No. 572,
4 Presidential Decree No. 927, Presidential Decree No. 1516, Memorandum Order No.
5 18 Series of 1986, Executive Order No. 171 Series of 1987, and Republic Act No. 7638,
6 is further amended to read as follows:

7
8 "Section 1. Short Title. This **ACT** [decree] shall be known as the
9 "Charter of the Philippine National Oil Company."
10

11 Section 2. Declaration of Policy. – It is the declared policy of the
12 State to promote industrial and over-all economic development
13 through **THE ADVANCEMENT OF ENERGY SECURITY AND**
14 **ENERGY SELF-SUFFICIENCY, AND** the effective and efficient
15 utilization of energy. In line with this policy, the establishment of

1 an organized entity is necessary in order to assure adequate
2 supply of ~~[oil and oil products as well as power and]~~ energy to all
3 users and consequently enable the unimpeded and efficient
4 growth of the economy.

5
6 Section. 3. Creation, Name, Domicile, and Term. – There is
7 hereby created a body corporate to be known as the Philippine
8 National Oil Company, hereinafter referred to as the "[Company]
9 **PNOC**", which shall undertake and transact the corporate
10 business **OF** ~~[relative primarily to oil or]~~ petroleum operations
11 ~~[and other energy resources exploitation as defined hereunder],~~
12 and for that purpose, the [Company] **PNOC** shall have capacity
13 to sue and be sued.

14
15 ~~["Oil or Petroleum Operations" shall include [actual exploration,~~
16 ~~production, refining, tankerage and/or shipping, storage,~~
17 ~~transport, marketing, and related activities concerning oil and~~
18 ~~petroleum products.~~

19 ~~"Energy resources exploitation" shall include exploration,~~
20 ~~discovery, development, extraction, utilization, refining,~~
21 ~~processing, transport, and marketing of all forms of energy~~
22 ~~resources.~~

23 ~~"Energy resources" means any substance, mineral or otherwise,~~
24 ~~which by itself or in combination with other substances or after~~
25 ~~processing or refining or the application to it of technology~~
26 ~~emanates, gives off, generates or causes, the emanation or~~
27 ~~generation of heat or power or energy such as, but not limited to,~~
28 ~~petroleum or oil, coal, marsh gas, methane gas, geothermal~~
29 ~~sources of heat and power, uranium and other minerals and~~
30 ~~deposits.]~~

31

1 The principal office of the [Company] **PNOC** shall be determined
2 by its Board of Directors. It may establish such offices, agencies,
3 subsidiaries, branches, or correspondents in the Philippines or
4 abroad as its business operations would require.

5
6 The [Company] **PNOC** shall have a term of fifty (50) years from
7 the issuance hereof, which shall be deemed renewed for an equal
8 period unless sooner dissolved by law.

9
10 Section. 4. Purposes. The **PRIMARY PURPOSE OF THE**
11 Philippine National Oil Company (PNOC) shall **BE** ~~[have the~~
12 ~~following purposes:~~

13 ~~(a) To provide and maintain an adequate and stable supply of oil~~
14 ~~and petroleum products for the domestic requirement and for that~~
15 ~~purpose to engage in the transportation, storage, importation,~~
16 ~~exportation, refining, supply, sale and distribution of crude oil,~~
17 ~~refined, petroleum and petroleum based products, whether~~
18 ~~imported or produced by local refineries;~~

19 ~~(b)] To engage in the exploration, exploitation and development~~
20 ~~[operations] **OF PETROLEUM AND UNDERTAKE ALL FORMS**~~
21 ~~**OF PETROLEUM OPERATIONS IN THE COUNTRY,** and~~
22 ~~[other energy resources;~~

23 ~~(c)] To foster conditions relating to [oil or] petroleum operations~~
24 ~~[and other energy resources exploitation] conducive to a~~
25 ~~balanced and sustainable growth of the economy.[;~~

26 ~~(d) To undertake, by itself or otherwise, exploration, exploitation,~~
27 ~~and development of all energy resources of the country, including~~
28 ~~surveys and activities related thereto;~~

29 ~~(e) To undertake all other forms of petroleum or oil operations~~
30 ~~and other energy resources exploitation.]~~

1 **SECTION 5. DEFINITION OF TERMS. – THE FOLLOWING**
2 **TERMS AS USED IN THIS ACT SHALL BE DEFINED AS:**

3 **(A) *DOWNSTREAM OIL INDUSTRY* REFERS TO THE**
4 **BUSINESS OF IMPORTING, EXPORTING, RE-**
5 **EXPORTING, SHIPPING, TRANSPORTING,**
6 **PROCESSING, REFINING, STORING,**
7 **DISTRIBUTING, MARKETING AND/OR SELLING**
8 **CRUDE OIL, GASOLINE, DIESEL, LIQUEFIED**
9 **PETROLEUM GAS (LPG), KEROSENE, AND OTHER**
10 **PETROLEUM PRODUCTS;**

11 **(B) *PETROLEUM* REFERS TO THE NATURALLY**
12 **OCCURRING MIXTURE OF COMPOUNDS OF**
13 **HYDROGEN AND CARBON WITH A SMALL**
14 **PROPORTION OF IMPURITIES AND SHALL**
15 **INCLUDE ANY CRUDE MINERAL OIL, NATURAL**
16 **GAS, HYDROGEN GAS, BITUMEN, ASPHALT,**
17 **MINERAL WAX, AND ALL OTHER SIMILAR OR**
18 **NATURALLY-ASSOCIATED SUBSTANCES, WITH THE**
19 **EXCEPTION OF COAL, PEAT, BITUMINOUS SHALE**
20 **OR OTHER STRATIFIED MINERAL FUEL DEPOSITS;**

21 **(C) *PETROLEUM BASE TERRITORY* REFERS TO LAND,**
22 **BUILDINGS, AND FACILITIES THAT ARE DIRECTLY**
23 **RELATED AND NECESSARY TO PETROLEUM**
24 **OPERATIONS. IT MAY INCLUDE:**

25 **(1) DUTY-FREE PORTS ADEQUATE FOR THE USE**
26 **OF VESSELS ENGAGED IN PETROLEUM**
27 **OPERATIONS,**

28 **(2) AIRPORTS SUFFICIENT FOR DIRECT**
29 **SERVICE FLIGHTS,**

30 **(3) TELECOMMUNICATIONS CENTER AND SHIP-**
31 **TO-SHORE COMMUNICATIONS,**

- 1 **(4) WAREHOUSES AND LOGISTICAL CENTERS**
2 **FOR THE STORAGE OF PETROLEUM**
3 **DRILLING AND PETROLEUM WELL SUPPLIES,**
4 **FABRICATION OF OFFSHORE AND ONSHORE**
5 **DRILLING COMPONENTS, AND CONDUCT OF**
6 **MECHANICAL REPAIR AND THE LIKE, AND**
7 **(5) SPACES FOR THE OFFICE, HABITATION AND**
8 **RECREATIONAL REQUIREMENTS OF**
9 **PERSONNEL ENGAGED IN PETROLEUM**
10 **OPERATIONS AND THEIR IMMEDIATE**
11 **DEPENDENTS; AND**

12 **(D) *PETROLEUM OPERATIONS* SHALL REFER TO**
13 **ACTIVITIES INVOLVING THE EXPLORATION,**
14 **DISCOVERY, AND EXTRACTION OF PETROLEUM**
15 **WITHIN OR OUTSIDE THE PHILIPPINES THROUGH**
16 **DRILLING AND PRESSURE, OR SUCTION, OR THE**
17 **LIKE, AND ALL OTHER OPERATIONS INCIDENTAL**
18 **THERE TO INCLUDING THE TRANSPORTATION,**
19 **STORAGE, HANDLING, AND MARKETING OF**
20 **EXTRACTED PETROLEUM, BUT EXCLUDING THE**
21 **ACTIVITIES IN THE DOWNSTREAM OIL INDUSTRY;**

22
23 Section [5]6. Powers and Functions of [~~the Company~~] **PNOC**. –
24 [~~t~~]The [~~Company~~] **PNOC** shall have the following powers and
25 functions:

- 26 (a) To undertake **AND ENGAGE IN**, by itself or otherwise,
27 **PETROLEUM OPERATIONS PRIMARILY IN THE**
28 **COUNTRY AND SECONDARILY ABROAD, WHICH**
29 **INCLUDES** exploration, exploitation, and development of
30 all areas of [~~oil- or~~] petroleum deposits in the country,
31 including surveys and activities related thereto;

1 (B) TO DIRECTLY EXPLORE FOR AND PRODUCE
2 INDIGENOUS PETROLEUM FOR THE GOVERNMENT
3 PURSUANT TO SECTION 4 OF PRESIDENTIAL
4 DECREE NO. 87 OTHERWISE KNOWN AS THE OIL
5 EXPLORATION AND DEVELOPMENT ACT OF 1972
6 AS AMENDED;

7 (C) TO UNDERTAKE ALL THE POWERS, FUNCTIONS, AND
8 RESPONSIBILITIES OF THE PETROLEUM BOARD
9 PURSUANT TO PRESIDENTIAL DECREE NO. 87 AS
10 AMENDED;

11 ([b] D) To establish, maintain, control, and direct in any area
12 within the national territory as it may deem appropriate, a
13 petroleum [~~and—energy~~] base territory **WHICH**
14 **INCLUDES** [~~and—construct, install or maintain therein~~]
15 **CONSTRUCTING, INSTALLING, OR MAINTAINING**
16 duty-free ports adequate for the use of vessels engaged in
17 offshore [øi] **PETROLEUM** drilling operations, airports
18 sufficient for direct service flights, telecommunications
19 center, and ship-to-shore communications facilities,
20 [~~provide electric power and fresh water supply,~~] and
21 perform such other acts as it may deem necessary and
22 advantageous or convenient to [such] **PETROLEUM**
23 operations;

24 ([e] E) To lease, at reasonable rates, to private domestic entities
25 or persons such portion or portions of the petroleum [~~and~~
26 ~~energy~~] base **TERRITORY WHICH INCLUDES** [~~;~~
27 ~~including~~] facilities necessary for warehousing, logistical
28 centers for the storage of [øi] **PETROLEUM** drilling and
29 [øi] **PETROLEUM** well supplies, fabrication of offshore
30 drilling components and structure, mechanical repair
31 facilities and the like [~~;~~], **AND** spaces for the office,
32 habitation and recreational requirements of personnel

1 directly engaged in offshore [oil] **PETROLEUM** drilling and
2 in manning the various logistical support operations and
3 their immediate dependents: **PROVIDED, THAT THE**
4 **LEASED PORTIONS OF THE PETROLEUM BASE**
5 **TERRITORY SHALL BE EXCLUSIVELY UTILIZED FOR**
6 **PETROLEUM OPERATIONS;**

7 ([d] **F**) To undertake all other forms of petroleum [or-oil]
8 operations **CONSISTENT WITH THIS ACT** [and other
9 energy resources exploitations];

10 ([e] **G**) To enter into contracts, with or without public bidding,
11 with any person or entity, domestic or foreign, and with
12 governments for the undertaking of the varied aspects of
13 [oil-or] petroleum operation**S**, [and energy resources
14 exploitation] including the acquisition, by way of purchase,
15 lease, or rent, or other deferred payment arrangements of
16 equipment and /or raw materials and supplies, as well as
17 for services connected therewith under such term and
18 conditions as it may deem proper and seasonable;

19 ([f] **H**) To borrow money from local and foreign sources as may
20 be necessary for its **PETROLEUM** operations;

21 ([g] **I**) [~~Any provision of law to the contrary notwithstanding,~~
22 ~~including but not limited to Section 13 of Act 1459, as~~
23 ~~amended,] [t]To invest its funds as it may deem proper
24 and necessary in any activity related to **PETROLEUM**
25 **OPERATIONS PRIMARILY IN THE COUNTRY AND**
26 **SECONDARILY ABROAD** [its purposes], [including]
27 **AND** in any bonds, [or] securities, **OR FINANCIAL**
28 **INSTRUMENTS** issued and guaranteed by the
29 Government of the Philippines, and the [Company] **PNOC**
30 may organize and incorporate subsidiary corporations for
31 [the] **THIS** purpose. The capital stock of corporations
32 organized and incorporated by the [Company] **PNOC** may~~

1 be subscribed in whole or in a part by the [Company]
2 **PNOC**. Where the [Company] **PNOC** has a controlling
3 interest of not less than fifty-one percent (51%) of the
4 issued and outstanding capital stock, of such subsidiaries,
5 the securities, including shares of capital stock, issued by
6 the subsidiaries and corporations owned and/or controlled
7 by it, as well as the sale of and/or subscription to such
8 securities and shares of capital stock shall be exempt from
9 registration, licensing or other requirements imposed
10 under the Securities Act (C. A. No. 83, as amended) any
11 other law, decree, order or regulation[-];

12 ([h] J) To purchase, hold alienate, mortgage, pledge or otherwise
13 dispose of the shares of the capital stock of, or any bond,
14 security of other corporations or associations of this or any
15 other country; and while the owner of said stock, to
16 exercise all the rights of ownership, including the right to
17 vote thereon: **PROVIDED, THAT SUCH**
18 **CORPORATIONS OR ASSOCIATIONS ARE ENGAGED**
19 **IN PETROLEUM OPERATIONS PRIMARILY IN THE**
20 **COUNTRY, AND SECONDARILY ABROAD;**

21 ~~(i) To hold lands and acquire rights over mineral lands in excess~~
22 ~~of the areas permitted to private corporations, associations~~
23 ~~and persons by statute;~~

24 ~~j) To engage in export and import business of oil or petroleum~~
25 ~~and its derivatives, as well as in related activities;]~~

26 (k) To acquire assets, real or personal, or interest therein, and
27 encumber or otherwise dispose the same as it may deem
28 proper and necessary in the conduct of its business;

29 (l) Subject to existing regulations, if it deems necessary, to
30 establish and maintain [such] **A** communication system,
31 whether by radio, telegraph, or any other manner, without
32 the need of a separate franchise therefor: [-] **PROVIDED,**

1 **THAT SUCH COMMUNICATION SYSTEM SHALL BE**
2 **EXCLUSIVELY UTILIZED FOR PETROLEUM**
3 **OPERATIONS;**

4 (m) To determine its organizational structure, and the number
5 and salaries of its officer and employees: [-] **PROVIDED,**
6 **THAT ITS ORGANIZATIONAL STRUCTURE,**
7 **NUMBER, AND SALARIES OF ITS OFFICERS AND**
8 **EMPLOYEES SHALL BE SUBJECT TO THE**
9 **PROVISIONS OF SECTION 13 OF THIS ACT;**

10 (n) To establish and maintain offices, branches, agencies,
11 subsidiaries, correspondents, or other units anywhere as
12 may be needed by the [Company] **PNOC** and reorganize
13 or abolish the same as it may deem proper: [-]
14 **PROVIDED, THAT SUCH OFFICES, BRANCHES,**
15 **AGENCIES, SUBSIDIARIES, CORRESPONDENTS, OR**
16 **UNITS ARE DIRECTLY ENGAGED IN AND**
17 **NECESSARY FOR PETROLEUM OPERATIONS, OR**
18 **ORGANIZED AND INCORPORATED PURSUANT TO**
19 **SECTION 6(I) OF THIS ACT;**

20 (o) To exercise the right of eminent domain as may be necessary
21 for the purpose for which the [Company] **PNOC** is created;
22 [-]

23 (p) Subject to payment of the proper amount, to enter private
24 lands for the purpose of conducting geological or
25 geophysical studies in connection with petroleum
26 **OPERATIONS** [~~, mineral and other energy resources,~~
27 ~~exploration and exploitation~~];

28 (q) To acquire easement over public and private lands necessary
29 for the purpose of carrying out any work essential to [its]
30 petroleum operation**S** [~~and energy resources exploitation~~],
31 subject to payment of just compensation;

1 Board, the same shall be filled by the President of the Philippines
2 for the unexpired term.]

3
4 [No person shall be appointed as member of the board unless he
5 is a natural born citizen of the Philippines, at least thirty-five (35)
6 years of age, and of established integrity.

7
8 The Chairman of the Board, who shall be the chief executive
9 officer of the Company, as well as the President of the Company
10 shall be appointed by the President of the Philippines. The other
11 officers of the Company shall be appointed by the Board.]

12
13 **THE APPOINTMENT, REMOVAL, AND TERM OF OFFICE OF**
14 **THE MEMBERS OF THE BOARD, EXCLUDING THE**
15 **CHAIRPERSON, SHALL BE GOVERNED BY SECTIONS 15,**
16 **16, AND 17 OF REPUBLIC ACT NO. 10149, OTHERWISE**
17 **KNOWN AS THE GOCC GOVERNANCE ACT OF 2011:**
18 ***PROVIDED*, THEY SHALL LIKEWISE POSSESS THE**
19 **FOLLOWING QUALIFICATIONS:**

- 20 (A) A NATURAL BORN CITIZEN OF THE PHILIPPINES;
21 (B) AT LEAST THIRTY-FIVE (35) YEARS OF AGE;
22 (C) AT LEAST TEN (10) YEARS OF CUMULATIVE
23 EXPERIENCE IN ANY OF THE FOLLOWING FIELDS:
24 PETROLEUM OPERATIONS, ENERGY, LAW,
25 ECONOMICS, FINANCE, OR ENGINEERING; AND
26 (D) OF RECOGNIZED GOOD MORAL CHARACTER,
27 INTEGRITY, PROBITY, INDEPENDENCE, AND
28 COMPETENCE.

29
30 **THE DUTIES AND RESPONSIBILITIES OF THE MEMBERS**
31 **OF THE BOARD SHALL BE GOVERNED BY SECTIONS 19,**
32 **20, 21, AND 22, OF REPUBLIC ACT NO. 10149: *PROVIDED*,**

1 **THAT IN ADDITION TO THE FOREGOING PROVISIONS,**
2 **THE MEMBERS OF THE BOARD SHALL:**

3 **(A) UPON APPOINTMENT, DIVEST THROUGH SALE OR**
4 **LEGAL DISPOSITION ANY AND ALL INTERESTS**
5 **FROM ANY PETROLEUM OPERATIONS OR**
6 **DOWNSTREAM OIL INDUSTRY BUSINESS;**

7 **(B) UPON APPOINTMENT, RELINQUISH ANY EXISTING**
8 **EMPLOYMENT, CONSULTANCY, OR ANY**
9 **CONNECTION WITH, AND ANY PECUNIARY**
10 **INTEREST IN ANY PETROLEUM OPERATIONS OR**
11 **DOWNSTREAM OIL INDUSTRY BUSINESS;**

12 **(C) PUBLICLY DISCLOSE ANNUALLY ANY RELATIVE BY**
13 **CONSANGUINITY OR AFFINITY WITHIN THE**
14 **FOURTH CIVIL DEGREE WHO HAS A PREVIOUS OR**
15 **EXISTING EMPLOYMENT, CONSULTANCY,**
16 **CONNECTION WITH, OR PECUNIARY INTEREST IN**
17 **ANY ENERGY COMPANY;**

18 **(D) ACT IN THE BEST INTEREST OF THE PNOC WITH**
19 **THE COUNTRY'S ENERGY SECURITY AND ENERGY**
20 **SELF-SUFFICIENCY AS THE UTMOST OBJECTIVE;**

21 **(E) EXERCISE OBJECTIVE AND INDEPENDENT**
22 **JUDGMENT, AND EXTRAORDINARY DILIGENCE**
23 **AND SKILL IN THE PERFORMANCE OF THEIR**
24 **DUTIES;**

25 **(F) ESTABLISH CONCRETE POLICIES AND SPECIFIC**
26 **PROCEDURES TO ENSURE THE HIGHEST**
27 **STANDARDS OF ETHICS, PROFESSIONALISM,**
28 **TRANSPARENCY, AND ACCOUNTABILITY OF THE**
29 **MEMBERS OF THE BOARD, AND THE OFFICERS AND**
30 **EMPLOYEES OF THE PNOC,**

31 **(G) ENSURE THAT THE OPERATIONS OF THE PNOC'S**
32 **SUBSIDIARY CORPORATIONS REMAIN**

1 **CONSISTENT WITH THE MANDATE OF THE PNOC AS**
2 **PROVIDED IN THIS ACT;**

3 **(H) APPOINT, DISCIPLINE, AND REMOVE THE**
4 **MEMBERS OF THE BOARD OF DIRECTORS AND THE**
5 **PRESIDENTS OF THE PNOC'S SUBSIDIARY**
6 **CORPORATIONS; AND**

7 **(I) RECOMMEND A SHORTLIST OF QUALIFIED**
8 **CANDIDATES FOR THE PNOC PRESIDENT TO THE**
9 **PRESIDENT OF THE PHILIPPINES: *PROVIDED,***
10 **THAT THE CANDIDATES SHALL POSSESS THE**
11 **FOLLOWING QUALIFICATIONS:**

12 **(1) AT LEAST THIRTY-FIVE (35) YEARS OF AGE;**

13 **(2) AT LEAST TEN (10) YEARS OF CUMULATIVE**
14 **EXPERIENCE IN ANY OF THE FOLLOWING**
15 **FIELDS: PETROLEUM OPERATIONS, ENERGY,**
16 **LAW, ECONOMICS, FINANCE, OR**
17 **ENGINEERING;**

18 **(3) PROVEN TRACK RECORD AND EXPERIENCE**
19 **IN MANAGING COMPANIES IN THE PRIVATE**
20 **OR PUBLIC SECTOR; AND**

21 **(4) OF RECOGNIZED GOOD MORAL CHARACTER,**
22 **INTEGRITY, PROBITY, INDEPENDENCE, AND**
23 **COMPETENCE.**

24
25 **THE COMPENSATION AND ALLOWANCES, AND**
26 **LIABILITIES OF THE MEMBERS OF THE BOARD SHALL BE**
27 **GOVERNED BY SECTIONS 23 AND 24 OF REPUBLIC ACT**
28 **NO. 10149.**

29
30 Section [7]8. Capital Stock. – The [company] **PNOC** shall have a
31 capital stock divided into ten million no-par shares to be
32 subscribed, paid for and voted as follows:

1 (a) Two million shares of stock shall be originally subscribed
2 and paid for by the Republic of the Philippines at an original
3 issue value of P50 per share.

4 (b) The remaining eight million shares of stock may be
5 subscribed and paid for by the Republic of the Philippines
6 or by government financial institutions at values to be
7 determined by the Board, but in no cases less than the
8 original issued value above stated to the Republic of the
9 Philippines.

10 The voting power pertaining to shares of stock subscribed
11 by the government of the Republic of the Philippines shall
12 be vested in by the President of the Philippines or in such
13 person or persons as he may designate.

14 The voting power pertaining to shares of stock subscribed
15 by the government institutions shall be vested in them.

16
17 Section [8]9. Duties and Responsibilities of the [Chairman]
18 **CHAIRPERSON** of the Board and **THE PNOC** President. – The
19 [Chairman] **CHAIRPERSON** of the Board [~~and the President~~]
20 **SHALL HAVE THE FOLLOWING DUTIES AND**
21 **RESPONSIBILITIES:**

22 (a) **SET, IN COORDINATION WITH THE BOARD, THE**
23 **GENERAL POLICY DIRECTION FOR THE PNOC AND**
24 **ITS SUBSIDIARY CORPORATIONS;**

25 (b) **CONVENE THE BOARD FOR REGULAR AND SPECIAL**
26 **MEETINGS;**

27 (c) **PREPARE THE AGENDA FOR THE REGULAR AND**
28 **SPECIAL MEETINGS OF THE BOARD;**

29 (d) **RECOMMEND TO THE PRESIDENT THE**
30 **REORGANIZATION OF THE BOARD AS MAY BE**
31 **DEEMED NECESSARY; AND**

1 (e) [e]Exercise such powers and perform such duties as may
2 be provided in the By-Laws [~~or as may be vested in them~~
3 ~~by the Board~~].
4

5 **IN ADDITION TO THE PROVISIONS UNDER SECTIONS 18**
6 **AND 22 OF REPUBLIC ACT NO. 10149, THE PNOC**
7 **PRESIDENT SHALL:**

- 8 (a) **UPON APPOINTMENT, DIVEST THROUGH SALE OR**
9 **LEGAL DISPOSITION ANY AND ALL INTERESTS**
10 **FROM ANY PETROLEUM OPERATIONS OR**
11 **DOWNSTREAM OIL INDUSTRY BUSINESS;**
- 12 (b) **UPON APPOINTMENT, RELINQUISH ANY EXISTING**
13 **EMPLOYMENT, CONSULTANCY, OR ANY**
14 **CONNECTION WITH, AND ANY PECUNIARY**
15 **INTEREST IN ANY PETROLEUM OPERATIONS OR**
16 **DOWNSTREAM OIL INDUSTRY BUSINESS;**
- 17 (c) **PUBLICLY DISCLOSE ANNUALLY ANY RELATIVE BY**
18 **CONSANGUINITY OR AFFINITY WITHIN THE**
19 **FOURTH CIVIL DEGREE WHO HAS A PREVIOUS OR**
20 **EXISTING EMPLOYMENT, CONSULTANCY,**
21 **CONNECTION WITH, OR PECUNIARY INTEREST IN**
22 **ANY ENERGY COMPANY;**
- 23 (d) **SERVE AS THE CHIEF EXECUTIVE OFFICER OF THE**
24 **PNOC;**
- 25 (e) **EXECUTE, ADMINISTER, AND IMPLEMENT THE**
26 **GENERAL POLICY DIRECTION AND SPECIFIC**
27 **MEASURES APPROVED BY THE BOARD;**
- 28 (f) **DIRECT AND SUPERVISE THE OPERATIONS AND**
29 **ADMINISTRATION OF THE PNOC;**
- 30 (g) **SUBMIT FOR CONSIDERATION BY THE BOARD**
31 **SUCH POLICIES AND MEASURES NECESSARY TO**

1 CARRY OUT THE PURPOSES AND OBJECTIVES OF
2 THIS ACT;

- 3 (h) REPRESENT THE PNOC IN ALL DEALINGS WITH
4 THIRD PARTIES: *PROVIDED*, THAT THE REQUISITE
5 AUTHORITY HAS BEEN ISSUED BY THE BOARD; AND
6 (i) EXERCISE SUCH OTHER POWERS AND DUTIES
7 PROVIDED IN THE BY-LAWS AND VESTED UPON BY
8 THE BOARD.

9
10 Section [9]10. Issuance of Bonds. – The [Company] **PNOC**, upon
11 the recommendation of the Secretary of Finance and with the
12 approval of the President, is hereby authorized to issue bonds or
13 other securities, whether tax-exempt or not, which may be
14 guaranteed by the government, to finance its [oil-or] petroleum
15 operation**S**.

16
17 Section [10]11. General Counsel. – The [Secretary of Justice or
18 the] Solicitor General shall perform the duties of General Counsel
19 of the Company. [Any] **SUBJECT TO APPLICABLE** [provision
20 of] law**S**, [to the contrary notwithstanding, the Secretary of
21 Justice of] the Solicitor General and such personnel as may be
22 necessary to assist him in the performance of his duties and
23 responsibilities [shall] **MAY** receive such allowances as shall be
24 fixed by the Board.

25
26 Section. [11]12. Auditor. – Any provision of law to the contrary
27 notwithstanding, the Commission on Audit shall appoint [, subject
28 to the approval of the Board,] a representative who shall be the
29 Auditor of **THE PNOC** [the Company] and such personnel as may
30 be necessary to assist said representative in the performance of
31 [his] duties. [The salaries of the Auditor and his staff shall be
32 approved by the Board. The auditors of corporations owned or

1 controlled by the Company who shall be reputable accounting and
2 auditing firms shall be appointed by their respective boards of
3 directors.]

4
5 Section [12]13. Appointment, **COMPENSATION**, Control, and
6 Discipline of Personnel. – Any provision of law to the contrary
7 notwithstanding, the Board, upon recommendation of the
8 President of **THE PNOC** [the Company], shall appoint **THE**
9 **PNOC'S** [the] officers [and employees of the Company] and
10 **THAT OF** its [subsidiaries] **SUBSIDIARY CORPORATIONS**; fix
11 their compensation, allowances and benefits, their working hours
12 and such other conditions of employment as it may deem proper;
13 grant them leaves of absence under such regulations as it may
14 promulgate; discipline or remove them for cause; and establish
15 and maintain a recruitment and merit system for the [Company]
16 **PNOC** and its **SUBSIDIARY CORPORATIONS** [affiliates and
17 subsidiaries]: **PROVIDED, THAT THE APPOINTMENT,**
18 **COMPENSATION, ALLOWANCES AND BENEFITS,**
19 **WORKING HOURS, DISCIPLINE AND REMOVAL, AND**
20 **OTHER EMPLOYMENT CONDITIONS OF EMPLOYEES OF**
21 **THE PNOC'S SUBSIDIARY CORPORATIONS SHALL BE**
22 **DETERMINED BY THEIR BOARD OF DIRECTORS, UPON**
23 **RECOMMENDATION OF THEIR PRESIDENT; PROVIDED**
24 **FURTHER, THAT THE PROVISIONS OF THIS SECTION**
25 **SHALL BE IMPLEMENTED IN ACCORDANCE WITH**
26 **REPUBLIC ACT NO. 10149.**

27
28 **THE EMPLOYEES OF THE PNOC SHALL BE ENTITLED TO**
29 **ALL RETIREMENT AND INSURANCE BENEFITS AS WELL AS**
30 **LEAVE PRIVILEGES OF GOVERNMENT EMPLOYEES:**
31 **PROVIDED, THAT THE PNOC'S SUBSIDIARY**
32 **CORPORATIONS SHALL NOT BE SUBJECT TO THE**

1 **PROVISIONS OF THE GOVERNMENT SERVICE AND**
2 **INSURANCE SYSTEM, AS PROVIDED UNDER**
3 **COMMONWEALTH ACT NO. 186 OTHERWISE KNOWN AS**
4 **GOVERNMENT SERVICE INSURANCE ACT, AS AMENDED.**

5
6 Section ~~[13]~~**14**. Loans. – The [Company] **PNOC** is hereby
7 authorized to contract loans, credits, any convertible foreign
8 currency or capital goods, and indebtedness from time to time
9 from foreign governments, or any international financial
10 institutions or fund sources, or any other entities, on such terms
11 and conditions it shall deem appropriate for the accomplishment
12 of its purposes, and to enter into and execute agreements and
13 other documents specifying such terms and conditions.

14
15 The Republic of the Philippines, through the President of the
16 Philippines, or [his] **THE** duly authorized representative, may
17 guarantee, absolutely and unconditionally, as primary obligor and
18 not as surety merely, the payment of the loans, credits and
19 indebtedness issued up to the amount herein authorized, which
20 may be over and above the amount which the President of the
21 Philippines is authorized to guarantee under Republic Act **NO.**
22 **6142** [~~Numbered Sixty One Hundred Forty Two~~], as amended, as
23 well as the performance of all or any of the obligations undertaken
24 by the [Company] **PNOC** in the territory of the Republic of the
25 Philippines pursuant to loan agreements entered into with foreign
26 governments or any international financial institutions or fund
27 sources.

28
29 Section ~~[14]~~**15**. Government Financial Institutions Guarantees. –
30 The provision of any law to the contrary notwithstanding, any
31 financial institution owned or controlled by the Government of the
32 Republic of the Philippines, other than the Central Bank,

1 Government Service and Insurance System, and the Social
2 Security System, is hereby empowered to guarantee acceptance
3 credits, loans, transactions, undertakings, or obligations of any
4 kind which may be incurred by the [Company] **PNOC**, whether
5 directly or indirectly, in favor of any person, association or entity,
6 whether domestic or foreign.

7
8 Section ~~[15]~~**16**. Privileges and Incentives. – The [Company]
9 **PNOC** shall be entitled to all the incentives and privileges granted
10 by law to private enterprises engaged in petroleum ~~[or oil]~~
11 operations.

12
13 In addition, the [Company] **PNOC** shall be exempt from all taxes,
14 duties, fees, imposts, and all other charged imposed directly or
15 indirectly by the Republic of the Philippines, its provinces, cities,
16 municipalities and other government agencies and
17 instrumentalities:~~;~~ *Provided, That* ~~[the Company affiliate]~~ **THE**
18 **PNOC'S SUBSIDIARY** corporations ~~[as provided in Section 13~~
19 ~~hereof, as amended,]~~ shall be exempt only from all taxes, duties,
20 fees, imposts, and all other charges imposed directly or indirectly
21 by the Republic of the Philippines, its provinces, cities,
22 municipalities and other government agencies and
23 instrumentalities, on importations of aircrafts, vessels, tankers,
24 barges, and other floating structures, including any machinery,
25 engines, motors, equipment, spare parts and materials thereof.

26
27 Other government offices and other government-owned or
28 controlled corporations shall extend whatever assistance may be
29 needed by the [Company] **PNOC** or any of its **SUBSIDIARY**
30 **CORPORATIONS** ~~[affiliates and subsidiaries]~~, including the
31 details of its officials and employees to the [Company] **PNOC** or
32 any of its subsidiaries on full time or part time basis under

1 arrangements satisfactory to the [Company] **PNOC** or any of its
2 subsidiaries and the other government office or corporation
3 concerned. Said officials and employees, as well as the directors
4 of the [Company] **PNOC** and its **SUBSIDIARY**
5 **CORPORATIONS** [~~affiliates and subsidiaries~~], may receive
6 allowances and other emoluments, **IN ACCORDANCE WITH**
7 **THE PROVISIONS OF SECTION 13 OF THIS ACT.**
8 [~~notwithstanding the provision of any law to the contrary.~~]

9
10 Section [~~16~~]**17. Appropriations AND BUDGETARY**
11 **REQUIREMENTS.** – For the initial funding requirements of the
12 [Company] **PNOC**, the sum of Two Hundred Million Pesos is
13 hereby set aside and appropriated from the General Funds, not
14 otherwise appropriated. **THE ANNUAL BUDGET OF THE PNOC**
15 **SHALL BE SUBMITTED TO CONGRESS FOR APPROVAL.**

16
17 Section [~~17~~]**17-A. Reports AND CONGRESSIONAL**
18 **OVERSIGHT.** – **THE JOINT CONGRESSIONAL ENERGY**
19 **COMMISSION (JCEC) CREATED UNDER REPUBLIC ACT**
20 **NO. 9136, OTHERWISE KNOWN AS THE ELECTRIC POWER**
21 **INDUSTRY REFORM ACT OF 2001, AND RENAMED UNDER**
22 **REPUBLIC ACT NO. 11285, OTHERWISE KNOWN AS THE**
23 **ENERGY EFFICIENCY AND CONSERVATION ACT, SHALL**
24 **EXERCISE OVERSIGHT POWERS OVER THE**
25 **IMPLEMENTATION OF THIS ACT.**

26
27 **IN ADDITION TO THE DISCLOSURE REQUIREMENTS**
28 **PROVIDED UNDER REPUBLIC ACT NO. 10149,** the
29 [Company] **PNOC** shall, within three months after the end of
30 every fiscal year, submit **TO THE HOUSE OF**
31 **REPRESENTATIVES AND THE SENATE OF THE**
32 **PHILIPPINES AND UPLOAD ON THE ITS WEBSITE** its annual

1 report [to the President. It shall likewise submit such periodic or
2 other reports as may be required of it from time to time.”]

3
4 **SECTION 17-B. TRANSITORY PROVISIONS. – THE PNOC**
5 **SHALL WIND DOWN ALL FUNCTIONS, ACTIVITIES,**
6 **RESPONSIBILITIES, PERSONNEL, PROPERTIES, ASSETS,**
7 **AND LIABILITIES WHICH ARE INCONSISTENT WITH THE**
8 **PROVISIONS OF THIS ACT WITHIN THREE (3) YEARS**
9 **FROM ITS EFFECTIVITY, INCLUDING SUBSIDIARY**
10 **CORPORATIONS WHOSE FUNCTIONS, ACTIVITIES,**
11 **RESPONSIBILITIES, PERSONNEL, PROPERTIES, ASSETS,**
12 **AND LIABILITIES ARE INCONSISTENT HERETO.**

13
14 **ALL REGULAR EMPLOYEES TRANSFERRED TO THE PNOC**
15 **SHALL NOT SUFFER ANY LOSS OF SENIORITY OR RANK,**
16 **OR DECREASE IN EMOLUMENTS: *PROVIDED*, THAT ANY**
17 **EMPLOYEE WHO CANNOT BE ACCOMMODATED SHALL BE**
18 **GIVEN ALL THE BENEFITS AS MAY BE PROVIDED UNDER**
19 **EXISTING LAWS, RULES, AND REGULATIONS.”**

20
21 Section 2. Separability Clause. – Should any provision of this Act be held
22 unconstitutional, no other provision hereof shall be affected thereby.

23
24 Section 3. Repealing and Amendatory Clause. – The following are hereby
25 repealed: Presidential Decree No. 334 entitled Creating The Philippine National Oil
26 Company, Defining Its Powers And Functions, Providing Funds Therefor, And For Other
27 Purposes; Presidential Decree No. 405 entitled Amending The Charter Of The
28 Philippine National Oil Company, As provided for in Presidential Decree No. 334 dated
29 November 9, 1973, and for other purposes; Presidential Decree No. 572 entitled
30 Further Amending The Charter Of The Philippine National Oil Company (PNOC), as
31 provided for in Presidential Decree No. 334, as amended, and for other purposes;
32 Presidential Decree No. 927 entitled Further Amending the Charter of the Philippine

1 National Oil Company (PNOC) as provided for in Presidential Decree No. 334, as
2 amended, and for other purposes; Presidential Decree No. 1516 entitled Further
3 Amending The Charter Of The Philippine National Oil Company as Provided for in
4 Presidential Decree No. 334, as amended; Memorandum Order No. 18, Series of 1986
5 entitled Modifying Presidential Decree No. 334 Creating The Philippine National Oil
6 Company, Defining Its Powers And Functions, Providing Funds therefor, and for other
7 purposes; Executive Order No. 171 entitled Amending Certain Provisions of
8 Presidential Decree No. 334, as amended and Executive Order No. 131.

9 The following laws are hereby amended: Republic Act No. 7638 otherwise
10 known as the Department of Energy Act of 1992, Republic Act No. 7656 otherwise
11 known As An Act Requiring Government-Owned Or Controlled Corporations to Declare
12 Dividends Under Certain Conditions to the National Government And For Other
13 Purposes, and Presidential Decree No. 87 as amended.

14 All other laws, presidential decrees, ordinances, rules, regulations, and any
15 other issuance or parts thereof, which are inconsistent with this act, are hereby
16 amended, modified, or repealed accordingly.

17
18
19 Section 4. Effectivity. – This Act shall take effect fifteen (15) days after its
20 publication in at least two (2) newspapers of general circulation.

Approved,