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Republic of the Philippines
HOUSE OF REPRESENTATIVES
THIRTEENTH CONGRESS

First Regular Session

House Bill No. 4206

Introduced by
Anakpawis Representatives Crispin B. Beltran, Rafael V. Mariano



EXPLANATORY NOTE

The Department of Energy (DOE) was created by virtue of the enactment in 1992 of Republic Act 7638. The same law, as written in Section 5(b), gave the DOE the responsibility to privatize the government agencies related to energy, deregulation of the power and energy industry and reduction of dependency on oil-fired plants.

Consistent to RA 7638, the first privatization effort in the energy sector after the passage of the said law was the selling of the Philippine National Oil Corporation's 40 percent equity in Petron Corporation to Arab-American Oil Corporation (ARAMCO). At that same period of time, the other 20 percent of Petron's equity was sold to the public through an initial public offering making the Philippine government as represented by the PNOC a minority in the country's leading oil company.

Petron Corporation is one of the three main players in the Philippine downstream oil industry. It is one of the country's largest oil refining and marketing company. It captures 35 percent of the local oil market. At present, it is the only oil company in the country that has the full capacity to refine crude oil and produce the different end products that are finally used in the industries and daily human activities.

Historically, Petron was created by the Philippine National Oil Company (PNOC) in 1973, the same year PNOC was created, as a reaction to the oil crisis in the 1960's. Initially, its main function is to become the marketing arm of the PNOC which refines the crude oil.

The creation of Petron is backed by the idea that the government should do something to prevent cartelization and monopolization of the downstream oil industry. The birth of Petron was designed to compete with the existing monopolistic control of Shell and Caltex in the oil industry during that time. The government oil company was setup to battle the continuous increase in oil prices brought by the global oil crisis of the mid 20th century.

As the post Marcos regimes adhere with the new order of the society now called as the free market globalization, efforts to privatize, liberalize and deregulation of the whole energy industry started. The first effort made was the sell of Petron shares to ARAMCO and other private companies interested in the oil industry. Since then, the only way the government could protect the people from the soaring oil prices was to entrust the Energy Regulatory Board (ERB) with the power to approve or disapprove oil price hike petitions submitted by the oil companies. This remaining safety net, however, was removed upon the enactment of the Oil Deregulation Law of 1998.

The enactment of Republic Act 8479 otherwise known as the Downstream Oil Deregulation Law of 1998 gave a free hand to oil companies to increase oil prices. Such authority guaranteed by the said law have resulted to tremendous increases in oil prices which affected the economic well-being of every Filipino household.

Since 1998, the year of the passage of the Oil Deregulation Law, gasoline and diesel prices increased by more than 130% and 230% respectively. Liquefied petroleum gas (LPG), the commonly used household fuel, also experienced a remarkable increased by at least 135%. It is also notable that prior to deregulation, a peso rollback in oil prices frequently occur while after 1998 oil price rollback happens very rarely and if ever there is one, oil prices decrease by not more than 50 centavos.

Ibon Foundation reported that in year 2003, oil corporations have overpriced their products by at least 91 centavos per liter. It is no wonder why oil companies such as Petron, Shell and Caltex ranked fourth, fifth and seventh among the Philippines' Top 500 Corporations in 2003. The overpricing of their products have resulted to the multi-billion peso superprofits they have acquired from the bed-ridden economic condition of the Filipino families.

This bill seeks to break the cartel created by the big transnational companies such as Petron, Shell and Caltex. It aims to give the government a bigger role in the downstream oil industry and have a greater participation in determining the market forces. Additional to such aims, this bill seeks to address the continuous increase of oil prices by paralyzing the free hands of oil companies in increasing oil prices at their whims and caprices which became very obvious during a public hearing conducted by the House Committee on Energy.

Approval of this bill is earnestly sought.

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Introduced by
Anakpawis Representatives Crispin B. Beltran, Rafael V. Mariano;
Gabriela Women's Party Liza Largoza-Maza;
Bayan Muna Reps. Satur C. Ocampo; Joel C. Virador; Teodoro A. Casino

AN ACT
ENABLING THE NATIONAL GOVERNMENT TO ACQUIRE MAJORITY CONTROL OF THE EQUITY OF
PETRON CORPORATION BY BUYING BACK EQUITIES FORM PRIVATE ENTITIES APPROPRIATING
FUNDS THERFOR

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

SECTION 1. Short Title. - This Act shall be known as "An Act Gaining Majority Control of Petron Corporation".

SECTION 2. Statement of Policy. - It shall be the policy of the State to play a major role in the country's oil industry by controlling majority stake of at least one of the major oil companies in the country.

SECTION 3. Controlling majority of the shares of Petron Corporation - The State, through the Philippine National Oil Corporation, shall hold majority control of the shares of stocks of Petron Corporation. It should have at least fifty one (51) percent of Petron Corporation's shares of stocks. As such, the State, through the Philippine National Oil Corporation shall buy the appropriate amount of stocks to other companies or entities, prioritizing the Arabian American Oil Company (ARAMCO) equity in Petron, to attain the majority stocks of Petron Corporation. That State shall also appoint the members of the Board of Directors of Petron Corporation.

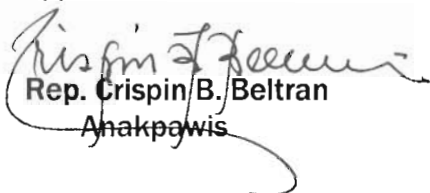
SECTION 4. Transition. - State control of the majority of the shares of stocks of Petron Corporation shall start on the immediate succeeding fiscal year after the effectivity of this Act. The Congress shall allocate funds for buying the necessary amount of Petron Corporation shares.

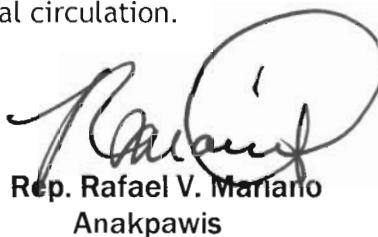
SECTION 5. Repealing Clause. - Any provision of law to the contrary notwithstanding, Republic Act Numbered 8479 entitled "Downstream Oil Deregulation Act of 1998" is hereby repealed.

SECTION 6. Separability Clause. If, for any reason, any section or provision of this Act is held unconstitutional or invalid, the other sections or provisions hereof shall not be affected thereby.

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

Approved,


Rep. Crispin B. Beltran
Anakpawis


Rep. Rafael V. Mariano
Anakpawis