

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
First Regular Session

House Bill No. 347

Introduced by **HONORABLE DANILO E. SUAREZ**

EXPLANATORY NOTE

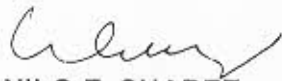
High oil prices is one of the most pressing issues in 2008 and continue to be a major concern for the economy. Soaring oil price levels have severely affected industries and have increased inflation rate even more. Republic Act No. 8479, otherwise known as Downstream Oil Industry Act of 1998, promised to foster a competitive environment for the oil industry that will push down price and provide better service to the public. But after ten years of deregulation, the competitive environment is nowhere to be found but have only given giant oil companies the opportunity to rake in bigger profits. The entry of new players, registering at least 50 companies does not temper the price of oil products in the country but only allowed them to make profits benefiting from the unregulated local oil industry. Deregulation has allowed oil price increases to go unchecked.

We are now entering into a new oil market paradigm where there is no certainty where oil price are going. A new scenario is shaping up where oil prices are more volatile than ever and developing countries are more vulnerable. Every country is affect by high oil price in one way or another. In situation like these, it is now up to the government to make a decisive step in order to counter the adverse effects high oil prices.

A solution to this problem, apart from the development of the country's alternative energy industry, is the repeal of RA 8497 thus the regulation anew of the oil industry in the Philippines. With the failure of the deregulation, the regulation of the oil industry is the proper way to go. The revival of the Oil Price Stabilization Funds (OPSF) in order to subsidize petroleum products is likewise important to cushion the drastic rise in cost of crude oil and petroleum products.

In recent surveys, six out of ten Filipinos want the oil deregulation law repealed and agree to restore regulation of the local oil industry. The Filipino people have greatly suffered from numerous oil price hikes in the last year. The Filipinos have been at the mercy of a number of oil companies while the industry is deregulated. It is time to bring the Philippine oil industry back under the watch of the government who will protect the rights of the Filipino people.

With the aforementioned, the approval of this bill is earnest sought.


DANILO E. SUAREZ
Representative
Third District, Province of Quezon

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Introduced by the Honorable Danilo E. Suarez

AN ACT REGULATING THE DOWNSTREAM OIL INDUSTRY, AND FOR OTHER
RELATED PURPOSES

ARTICLE I
GENERAL PROVISIONS

Section 1. **Title** – This Act shall be known as the “**Downstream Oil Industry Regulation Act of 2008**”.

Section 2. **Declaration of Policy** – It shall be the policy of the State to regulate the downstream oil industry, to provide appropriate price ceiling and price floor, to prevent cartels and monopolies, and to maintain continuous supply of environmentally-clean and high-quality petroleum products in order to foster fair and just oil industry operations and to protect the oil consumers at all times.

Section 3. **Coverage** – This Act shall apply to all natural or juridical persons, firms or entities engaged in the business of importing, exporting, re-exporting, marketing, distributing and selling on wholesale or retail crude oil and other petroleum products for their own consumption or for the use of other natural or juridical persons, firms and entities.

Section 4. **Definition of Terms** – For purposes of this Act, the following terms are hereinbelow defined:

a) *Downstream oil industry* shall refer to the business of importing, exporting, re-exporting, shipping, transporting, processing, refining, storing, distributing, marketing and/or selling crude oil, gasoline, diesel, liquefied petroleum gas (LPG), kerosene, and

other petroleum and crude oil products;

b) *Person* shall refer to any person, whether natural or juridical, who is engaged in activities within the downstream oil industry;

c) *Petroleum* shall refer to a naturally occurring mixture of compounds of hydrogen and carbon with a small proportion of impurities and shall include any mineral oil, petroleum gas, hydrogen gas, bitumen, asphalt, mineral wax, and all other similar or naturally-associated substances, with the exception of coal, peat, bituminous shale, and/or other stratified mineral fuel deposits;

d) *Crude oil* shall refer to oil in its natural state before the same has been refined or otherwise treated, but excluding water, bottom substances and foreign substances; and

e) *Petroleum products* shall refer to products formed in the course of refining crude petroleum through distillation, cracking, solvent refining and chemical treatment coming out as primary stocks from the refinery such as, but not limited to, LPG, Naphtha, gasoline, solvent, kerosene, aviation fuels, diesel oils, fuel oils, waxes and petrolatum, asphalts, bitumen, coke and refinery sludge, or such refinery petroleum fractions which have not undergone any process or treatment as to produce separate chemically-defined compounds in a pure or commercially pure state and to which various substances may have been added to render them suitable for particular uses: *Provided*, That the resultant product contains no less than fifty percent (50%) by weight of such petroleum products.

Section 5. Regulation of the Oil Industry

a) Persons or entities shall purchase or import only the standard quality of crude oil and petroleum products. Oil industry shall ensure safety and efficiency of the facilities and technologies that are to be used for their operations.

b) All oil importations shall be in accordance with the Basel Convention.

c) The Bureau of Product Standards (BPS), in coordination with the Department of Energy (DOE), shall set national standards of quality that are aligned with the international standards of quality.

d) The Energy Regulatory Board (Board) shall be the one responsible for regulating the oil price that must be fair and just and must be an instrument of enabling the people to have a higher standard of living.

Section 6. Limitation on the Number of Oil Companies – There will only be seven (7) oil companies which will be allowed to engage in the importation, refining, distribution and wholesale or retail sale of petroleum in the country, which qualifications shall be set in the Implementing Rules and Regulations of this Act.

Section 7. Oil Price Stabilization Fund – The Oil Price Stabilization Fund (OPSF) under Executive Act No. 137, as amended, is hereby revived.

Section 8. Security of Supply – To ensure that the oil industry maintains continuous supply of oil, the refiners and importers shall be required to maintain a minimum inventory equivalent to ten percent (10%) of their respective annual sales volume.

Section 9. Promotion of Fair Trade Services – The Department of Trade and Industry (DTI) and DOE shall take all measures to promote fair trade and to prevent cartelization, monopolies, and any unfair competition.

Section 10. Monitoring

- a) The DOE shall monitor the compliance of the oil companies to the standards and regulations set by the Energy Regulatory Board and the Bureau of Product Standards.
- b) The DOE shall monitor and publish daily international oil prices to enable the public to determine whether current market oil prices are reasonable.

**ARTICLE II
FINAL PROVISIONS**

Section 11. Implementing Rules and Regulations. – The DOE, in coordination with the Board, the Department of Environment and Natural Resources, Department of Health, Department of Finance, Department of Trade and Industry and National Economic and Development Authority, shall formulate and issue the necessary implementing rules and regulations within sixty (60) days after the effectivity of this Act.

Section 12. Administrative Fine. – The DOE may, after notice and hearing, impose a fine in the amount of not less than One Hundred Thousand Pesos (Php 100,000.00) but not more than One Million Pesos (Php 1,000,000.00) upon any person or entity who is found engaged in cartelization and overpricing and who violates minimum inventory

requirements, without prejudice to other criminal sanctions as may be found in other existing and applicable laws.

The Secretary of the DOE may recommend to the proper government agency the suspension or revocation and termination of the business permit of the offender concerned.

Section 13. Public Information Campaign. – The DOE, in coordination of the Board and the Philippine Information Agency, shall undertake an information campaign to educate the public on the regulation program of the downstream oil industry.

Section 14. Budgetary Appropriations. – Such amount, including the Oil Price Stabilizing Fund (OPSF), as may be necessary to effectively implement this Act shall be taken by the DOE from its annual appropriations.

Section 15. Separability Clause. – If, for any reason, any section or provision of this Act is declared unconstitutional or invalid, such parts not affected thereby shall remain in full force and effect.

Section 16. Repealing Clause. – All laws, presidential decrees, executive orders, issuances, rules and regulations or parts thereof, which are inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

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

Approved.