



Republic of the Philippines
House of Representatives

Constitution Hills, Quezon City

Fifteenth Congress

Second Regular Session

House Bill No. 4893

Introduced by **HON. ROMEO M. ACOP**

EXPLANATORY NOTE

In the 1990's, the country began experiencing a power crisis which slowed down the economy and prodded the government to initiate major reforms to rehabilitate the energy sector. The crisis was being aggravated by a growing deficit in the Oil Price Stabilization Fund (OPSF) which has ballooned to P 8.3 billion in 1998, then threatening the fiscal stability of the economy. The OPSF, being tied up to the highly political nature of oil prices, was the mechanism used by the government to defer price increases as much as possible in order to avoid public protest even at the expense of incurring a fiscal deficit. Deregulation of the oil industry was thus seen as the solution to the recurring deficit and to the vulnerability of the economy from price shocks due to its heavy dependence on imported oil.

Republic Act No. 8479, otherwise known as the 'Downstream Oil Industry Deregulation Act of 1998', declares as state policy the deregulation of the oil industry to foster a truly competitive market which can better achieve the social policy objectives of fair prices and adequate, continuous supply of environmentally-clean and high quality petroleum products. It was meant to enhance market competition and private investments while freeing the government of costly subsidies on oil products. Most significantly, it means that the government does not interfere with the pricing of petroleum products. Since then, the government no longer has effective control over the industry except to monitor. The law mandates the Department of Energy (DOE), the Department of Trade and Industry (DTI), the Department of Science and Technology (DOST) and the Department of Environment and Natural Resources (DENR) as the monitoring agencies of the government.

Consequently, oil companies took advantage of the policy hiking pump prices of petroleum products by around 535% since the enactment of the Oil Deregulation law in 1998. Apparently, it failed to solve, or at least mitigate, the effects of the global oil crisis. Prices have

remained volatile upwards and sticky downwards vis-à-vis price movements of petroleum products in the world market. Worse, it appeared that the deregulation policy even strengthened the monopoly of the oil companies as automatic oil price hikes are allowed. In the face of surging oil prices, calls have been sounded both by civil society and policy makers for a re-examination of the Oil Deregulation Law and for legislative amendments to provide for tighter mechanisms on the oil companies' price adjustments. Concerns have arisen on whether local industry oil players were accurately reflecting international price movements. Currently, there is no formula for what constitutes 'reasonable pricing' as basis for price adjustments.

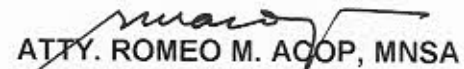
Hence, the need to ensure transparency in the pricing of petroleum products by the oil companies in the local industry, and to determine the computations or assumptions employed by them in their price adjustments to prevent oil companies from engaging in unwarranted profiteering.

This bill seeks to ensure transparency in the oil industry pricing by requiring the submission of book of accounts and other financial documents of oil companies, including their verified assumptions and computations used in the determination of price adjustments in the petroleum products. Submission of these documents is mandatory and non-compliance will be punishable under the existing provisions of the law. Furthermore, the proposed measure mandates the Department of Energy (DOE) as part of its monitoring task to determine other factors that cause or contribute to the increase or decrease of oil prices. On the basis of these documents and data, the DOE is directed to evaluate the necessity of such price increases or decreases, and the reasonability of the amounts of increase or decrease, as the case may be.

As a deterrent, the bill declares unlawful for oil companies to engage in unwarranted oil price increases, or unreasonable amounts of price increase or decrease as may be determined by the DOE and provides for the imposition of penalties in the present law against erring oil companies and officials.

Finally, to strengthen the Task Force created under Section 14 of the law tasked to investigate and file complaints against unreasonable rise in the prices of petroleum products, this bill seeks the inclusion of the Commission on audit (COA) in the Task Force together with the Departments of Energy and Justice. The COA as an independent body will enhance the credibility of the Task Force. The Commission, with its auditing and accounting expertise, will also fortify the capability of the Task Force in scrutinizing the financial documents and reports of the oil companies.

For the foregoing reasons, the immediate passage of this bill is earnestly sought.


ATTY. ROMEO M. ACOP, MNSA
Representative



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AN ACT
TO ENSURE TRANSPARENCY IN PRICING IN THE OIL INDUSTRY AND FOR OTHER
PURPOSES, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 8479,
OTHERWISE KNOWN AS 'AN ACT DEREGULATING THE DOWNSTREAM OIL
INDUSTRY'

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

SECTION 1. Section 12 of Republic Act No. 8479, otherwise known as an 'An Act Deregulating the Downstream Oil Industry' is hereby amended to read as follows :

SECTION 12. *Other Prohibited Acts* - To ensure compliance with the provisions of this Act, the refusal to comply with any of the following shall likewise be prohibited :

- (a) Submission of **BOOKS OF ACCOUNTS, FINANCIAL DOCUMENTS AND [any] OTHER** reportorial requirements **SUCH AS BUT NOT LIMITED TO VERIFIED REPORTS OF THE COMPANY'S ASSUMPTIONS AND COMPUTATIONS IN THE PRICING OF THEIR PETROLEUM PRODUCTS, WHETHER IN THE PROCESSING, REFINING, SALE OR DISTRIBUTION OF SAID PRODUCTS, RELEVANT TO ENSURE THAT OIL COMPANIES ARE NOT INVOLVED IN PROFITEERING;**

(b) xxxxx

(c) xxxxx

(d) xxxxx

IT SHALL LIKEWISE BE UNLAWFUL TO CAUSE THE UNNECESSARY INCREASE IN THE PRICES OF PETROLEUM PRODUCTS, OR CAUSE AN UNREASONABLE AMOUNT OF INCREASE OR DECREASE IN THE SAME UNDER SECTION 14 OF THIS ACT.

Any person, including but not limited to the chief operating officer or chief executive officer of the partnership, corporation or any entity involved, who is found guilty of any of the said prohibited acts shall suffer the penalty of imprisonment for two (2) years and a fine ranging from Two Hundred Fifty Thousand pesos (P 250,000) to Five Hundred Thousand pesos (P 500,000).

SECTION 2. Section 14, paragraphs (a) and (d) of Republic Act No. 8479, otherwise known as an 'An Act Deregulating the Downstream Oil Industry' are hereby amended to read as follows :

SECTION 14 *Monitoring -*

- (a) The DOE shall monitor and publish daily international crude oil prices, as well as follow the movements of domestic oil prices. **IT SHALL DETERMINE THE FACTORS WHICH CAUSE THE INCREASE OR DECREASE IN THE PRICES OF PETROLEUM PRODUCTS, EVALUATE THE NECESSITY OF THE INCREASE OR DECREASE IN THE PRICES AND THE REASONABILITY OF THE AMOUNTS OF INCREASE OR DECREASE BASED ON THE ACTUAL CONDITIONS OF THE MARKET AND OTHER CAUSATIVE AND CONTRIBUTORY FACTORS AS DETERMINED BY IT.**

It shall likewise monitor the quality of petroleum products and stop the operation of businesses involved in the sale of petroleum products which do not comply with the national standards of quality that are aligned with the national standards / protocols of quality. The Bureau of Product Standards of the DTI, together with the Department of Environment and Natural Resources (DENR), the DOE, the Department of Science and Technology (DOST), representatives of the fuel and automotive industries and the consumers, shall set the specifications for all types of fuel and fuel-related products to improve fuel composition for increased efficiency and reduced emissions. The BPS shall also specify the allowable content of additives in all types of fuels and fuel-related products.

(b) xxxxx

(c) xxxxx

- (d) Any report from any person of an unreasonable [rise] **INCREASE OR DECREASE, AS THE CASE MAY BE**, in the prices of petroleum products shall be immediately acted upon. For this purpose, the creation of the DOE-DOJ-COA Task Force is hereby mandated to determine within thirty (30) days the merits of the report and initiate the necessary actions warranted under the circumstances: *Provided*, that nothing herein shall prevent the said task force from investigating and/or filing the necessary complaint with the proper court or agency *motu proprio*.

Upon the effectivity of this Act, the Secretaries of Energy and Justice **AND THE CHAIRMAN OF THE COMMISSION ON AUDIT (COA)** shall jointly appoint the members of **THE TASK FORCE** [a committee who] **WHICH** shall **DRAFT AND ADOPT** [be tasked with the drafting of the] **ITS** rules and guidelines [to be adopted by the Task Force] in the performance of its duty. These guidelines shall ensure the efficiency, promptness, and effectiveness in the handling of its cases. The Task Force shall be organized and its members appointed within one (1) month from the effectivity of this Act.

(e) xxxxx

SECTION 3. *Implementing Rules and Regulations* - The Department of Energy, in coordination with the Department of Justice and the Commission on Audit, shall formulate and issue the necessary rules and regulations within sixty (60) days from the effectivity of this Act.

SECTION 4. *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 5. *Repealing Clause* - All laws, executive orders, issuances, rules and regulations or parts thereof, which are inconsistent with the provisions of this Act are hereby repealed or repealed accordingly.

SECTION 6. *Effectivity Clause* - This Act shall take effect upon its complete publication in at least two (2) newspapers of general circulation.

Approved.