

1 Republic of the Philippines
2 **HOUSE OF REPRESENTATIVES**
3 Quezon City

4
5 **EIGHTEENTH CONGRESS**
6 2nd Regular Session
7

8
9 House Bill No. 8762
10

11

Introduced by Hon. Juan Miguel Macapagal Arroyo

12
13
14 **EXPLANATORY NOTE**
15

16 The Philippine National Oil Company (PNOC) was created through
17 Presidential Decree No. 334, as a response to the world oil situation of crisis
18 proportions in 1973 resulting from international political developments. It was
19 then deemed imperative for the Philippine Government to embark on measures
20 to ensure stable supply of petroleum products to support the economic growth
21 and social well-being of the nation. Since then, P.D. 334 has undergone
22 amendments to continually respond to the needs of the times and to better serve
23 the interest of the nation.
24

25 Recent developments and current challenges faced by the energy sector
26 today made it imperative that we make PNOC more responsive and flexible in
27 terms of its energy exploration, exploitation and development.
28

29 Today, we speak not only of energy from petroleum, oil and gas but
30 efforts must also be directed towards tapping other energy resources of our
31 patrimony that are indigenous and alternative and new and renewable. We
32 cannot forever be fully dependent upon sources of energy, the bulk of which
33 cannot be found within our own shores, and at worst times, the prices of which
34 are manipulated by the few countries with control over worldwide supplies.
35 Moreover, amid the threat of decreasing global reserves, we should again
36 mobilize the same vehicle that addresses successfully the 1973 oil crisis.
37

38 While its ASEAN counterparts have become globally competitive and
39 among the top 1000 corporations in the world today like the Petrolam National
40 Berhad (PETRONAS of Malaysia), Pertamina of Indonesia and PTT of
41 Thailand, PNOC, sadly, shackled by stringent rules, remained dormant in its
42 present state without an outlook of spirited expansion. The passage of this bill
43 will equip PNOC with a certain degree of flexibility to meet energy challenges
44 not merely as a passive government-owned and controlled corporation but as a
45 business entity making profits for the government while at the same time, an



46 active, vigorous and strong organization fully committed to nation building. It
47 is envisioned that through this bill and the efforts and commitment of PNOC, our
48 vast national patrimony could be better utilized and meet the growing demands
49 for a stable and reliable energy resources.

50
51 Early approval of this bill is, therefore, earnestly solicited.

52
53
54
55
56 JUAN MIGUEL MACAPAGAL ARROYO
57 2nd District, Pampanga
58

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS
2nd Regular Session

House Bill No. 8762

Introduced by Rep. Juan Miguel Macapagal Arroyo

AN ACT
FURTHER AMENDING PRESIDENTIAL DECREE NO. 334,
AS AMENDED, OTHERWISE KNOWN AS THE CHARTER OF
THE PHILIPPINE NATIONAL OIL COMPANY

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

WHEREAS, it is imperative that the government intensify, strengthen and
accelerate the pace of, and give special attention to energy exploration,
exploitation, development, storage and transportation in the light of the
current trend in petroleum supply and prices and our continued industrial
progress;

WHEREAS, under Presidential Decree No. 334, The Philippine National
Oil Company is specifically tasked:

- (a) To provide and maintain an adequate and stable supply of oil
and petroleum products for the domestic requirement and for
that purpose to engage in transportation, storage, importation,

94 exportation, refining, supply, sale and distribution of crude
95 oil, refined petroleum and petroleum-based products, whether
96 imported or produced by local refineries;

97
98 (b) To engage in the exploration, exploitation and development
99 of local oil, petroleum and other energy sources;

100
101 (c) To foster conditions relating to oil or petroleum operations
102 and other energy resources exploitation conducive to a
103 balanced and sustainable growth of the economy;

104
105 (d) To undertake, by itself or otherwise, exploration, exploitation,
106 and development of all energy resources of the country
107 including survey activities related thereto;

108
109 (e) To undertake all other forms of petroleum or oil operations
110 and other energy resources exploitation.

111
112 **WHEREAS**, in its original charter, PNOC is granted authorities and
113 powers necessary to fulfill its mandate and as such it was successful in its
114 operations;

115 **WHEREAS**, due to the passage of several laws, these innate powers and
116 authorities of PNOC under its Charter were slowly eroded and it is now
117 shackled with so many rules and regulations which make it extremely
118 difficult to operate;

119 **WHEREAS**, in order that the Philippine National Oil Company could
120 effectively and efficiently attain these objectives as well as enable it to
121 capitalize on new opportunities in the energy exploitation, exploration,
122 development, storage and transportation including the exploration and

development of indigenous, renewable and alternative energy sources, it is necessary that it be granted additional powers and incentives consistent with its role in the overall thrust of the National Government for economic growth and stability.

SEC. 1. Section 5 paragraphs (a), (d), and (m) is amended to read:

“SEC. 5. Powers and Functions of the PNOC.-

The PNOC shall have the following powers and functions:

(A) TO ESTABLISH AND ADMINISTER A COMPREHENSIVE AND INTEGRATED PROGRAM FOR THE EXPLORATION, EXPLOITATION, DEVELOPMENT AND EXTRACTION OF FOSSIL FUEL AND UNDER PRESIDENTIAL DECREE 87 (AMENDING FURTHER SECTION 17 OF PD 87 TO REFER TO PNOC AS THE IMPLEMENTING AGENCY TAKING THE PLACE OF THE DEPARTMENT OF ENERGY, AND UNDER SECTION 3 PARAGRAPH 20 OF THE DEFINITION OF TERMS);

(b) To undertake, by itself or otherwise, exploration, exploitation, development, STORAGE, TRANSPORTATION AND

DISTRIBUTION of all energy resources of the country, including surveys and activities related thereto AS WELL AS UNDERTAKE OIL, GAS AND COAL OPERATIONS UNDER SERVICE CONTRACTS. AS SUCH THE PNOC IS GRANTED FRANCHISE FOR THE DEVELOPMENT, CONSTRUCTION, OWNERSHIP AND OPERATIONS OF PIPELINES AND ALL OTHER MODES OF TRANSPORTATION OF ENERGY RESOURCES ALL OVER THE COUNTRY.

xxx

(d.) To undertake all forms of petroleum or oil operations and other energy resources exploitations BOTH LOCALLY AND INTERNATIONALLY.

xxx

(m.) To determine its organizational structure, and the number and salaries of its officers and employees, EXISTING PROVISIONS OF LAW TO THE CONTRARY NOTWITHSTANDING.

xxx

SEC. 3. Section 6 shall be amended to read as follows:

181
182
183 **SEC. 6. Governing Body** – The PNOC shall be
184 governed by a Board of Directors, hereinafter referred
185 to as the “Board”: which shall be composed of nine (9)
186 members, to be appointed by the President of the
187 Philippines. The members of the Board, EXCEPT THE
188 CHAIRMAN AND THE PRESIDENT, shall serve for
189 a term of three (3) years or until their successors have
190 been appointed and qualified. In case of any vacancy
191 in the Board, the same shall be filled by the President
192 of the Philippines for the unexpired term.

193
194 THE BOARD SHALL HAVE THE SOLE
195 POWER AND AUTHORITY TO ESTABLISH AND
196 MAINTAIN OFFICES, BRANCHES, AGENCIES,
197 SUBSIDIARIES OR OTHER UNITS ANYWHERE
198 AS MAY BE NEEDED BY THE PNOC AND
199 REORGANIZE AND ABOLISH THE SAME AS
200 NEEDED; DETERMINE THE ORGANIZATIONAL
201 STRUCTURE OF THE PNOC AND THE NUMBER
202 AND SALARIES OF ITS OFFICERS AND
203 EMPLOYEES; AND TO ELECT THE DIRECTORS
204 OF ITS SUBSIDIARIES AND AFFILIATES
205 INCLUDING THE POWER TO REORGANIZE THE
206 SAME.

207
208 NO APPOINTMENTS TO THE
209 SUBSIDIARY/AFFILIATE BOARDS SHALL BE

MADE UNLESS SO ELECTED BY THE PNOC
BOARD.

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

THE SECRETARY OF THE DEPARTMENT OF
ENERGY SHALL, IN CONCURRENT CAPACITY,
BE THE EX-OFFICIO CHAIRMAN OF THE PNOC
BOARD AND ITS SUBSIDIARIES, PROVIDED,
THAT IN NO CASE SHALL THE SECRETARY BE
THE CHIEF EXECUTIVE OFFICER OR CHIEF
OPERATING OFFICER OF THE PNOC OR ITS
SUBSIDIARIES, ANY LAW TO THE CONTRARY
NOTWITHSTANDING.

THE PRESIDENT OF THE PNOC SHALL BE
APPOINTED BY THE PRESIDENT OF THE
PHILIPPINES. IN ADDITION, HE SHALL ALSO
BE THE PRESIDENT OF ALL PNOC
SUBSIDIARIES. THE PRESIDENT OF THE PNOC,
ON THE DATE OF HIS APPOINTMENT, SHOULD
HAVE AT LEAST TEN (10) YEARS EXPERIENCE
IN OIL AND GAS AND ENERGY RELATED
INDUSTRIES. FURTHER, IN ORDER TO ENSURE
THE SUSTAINABILITY OF THE PNOC'S PLANS
AND PROGRAMS AND TO ENSURE ITS

239 CONTINUOUS GROWTH, THE PRESIDENT OF
240 THE PNOC SHALL SERVE FOR A TERM OF TEN
241 (10) YEARS.

242
243 THE OTHER OFFICERS OF THE PNOC, SUCH AS
244 THE CORPORATE SECRETARY AND THE VICE
245 PRESIDENTS SHALL BE APPOINTED BY THE
246 BOARD.

247
248
249 **SEC. 4.** Section 12 shall be amended to read:

250
251 “SEC. 12. Appointment, Control and Discipline
252 of Personnel. – IN ORDER TO MAINTAIN
253 OPERATIONAL FLEXIBILITY AND TO ENSURE
254 COMPETITIVE EDGE IN THE MARKET SO THAT
255 THE TECHNICAL EXPERTISE OF QUALIFIED
256 PERSONNEL MAY BE AVAILED OF TO REALIZE
257 THE GOALS OF THIS ACT, any provision of law to
258 the contrary notwithstanding, the Board, upon
259 recommendation of the President of the PNOC, shall
260 ESTABLISH AND MAINTAIN A POSITION
261 CLASSIFICATION AND COMPENSATION
262 STRUCTURE BASED ON JOB EVALUATION
263 STUDIES AND WAGE SURVEYS, grant them leave
264 of absence under such regulations as it may
265 promulgate, discipline and/or remove them for cause;
266 and establish and maintain a recruitment and merit
267 system for the PNOC and its affiliates and subsidiaries.

268
269 THE PNOC SHALL WITHIN A PERIOD OF
270 SIXTY (60) DAYS FROM APPROVAL OF THIS
271 ACT SHALL COME UP WITH A POSITION
272 CLASSIFICATION AND COMPENSATION
273 STRUCTURE TO BE APPROVED BY THE
274 PRESIDENT OF THE PHILIPPINES.”
275
276

277 **SEC. 5.** A paragraph shall be added between the first and
278 second paragraph of section 15, which shall read:
279

280 “**SEC. 15. Privileges and Incentives.** – The
281 PNOC shall be entitled to all the incentives and
282 privileges granted by law to private enterprises engaged
283 in petroleum or oil operations.
284

285 xxx

286 THE PROVISIONS OF REPUBLIC ACT 9184
287 NOTWITHSTANDING, THE COMPANY SHALL
288 HEREAFTER BE EXEMPTED FROM THE
289 REQUIREMENTS OF PUBLIC BIDDING IN
290 PROCURING GOODS AND SERVICES DIRECTLY
291 RELATED IN OPERATING ITS BUSINESS.
292

292 xxx

293
294
295 **SEC. 6.** A paragraph shall be added to Section 17, which
296 shall read:

297
298 “**SEC. 17. Reports.** – The PNOC shall, within
299 three (3) months after the end of every fiscal year,
300 submit its annual report to the President. It shall
301 likewise submit such periodic or other reports as may
302 be required of it from time to time.

303
304 SECTION 13, CHAPTER III OF REPUBLIC
305 ACT NO. 7638 NOTWITHSTANDING, THE PNOC
306 SHALL BE EXEMPT FROM SUBMITTING ITS
307 ANNUAL BUDGET TO CONGRESS FOR
308 APPROVAL. HOWEVER, A JOINT SENATE AND
309 HOUSE PETROLEUM OVERSIGHT COMMITTEE
310 SHALL BE CREATED FOR THE PURPOSE OF
311 OVERSEEING THE OPERATIONS OF THE PNOC.

312
313 **SEC. 7. Contracts, Benefits and Obligations of the Philippine**
314 **National Oil Company.** All contracts entered into, benefits enjoyed
315 and obligations incurred by the Philippine National Oil Company
316 previous to the effectivity of this Act shall remain valid and in force
317 and effective unless otherwise provided and shall, from hereon, be
318 in the name of the PNOC.

319
320 **SEC. 9. Separability Clause.** – Should any section or
321 provision of this Act be held unconstitutional or invalid, no other
322 provision hereof shall be affected thereby and shall continue to be in
323 full force and effect.

325 **SEC. 10. Repealing Clause.** – All laws, decrees, executive
326 orders, administrative orders, rules or regulations inconsistent
327 herewith are hereby repealed, amended or modified accordingly.

328

329 **SEC. 11. Effectivity.** – This Act shall take effect fifteen (15)
330 days after publication in two (2) newspapers of general circulation.

331

332

333 **APPROVED.**

334

335