

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



HOUSE OF REPRESENTATIVES

House Bill No. 2827

Introduced by Representative Ralph G. Recto

**AN ACT
TO PROMOTE FAIR TRADE IN THE OIL INDUSTRY AND FOR OTHER
PURPOSES, AMENDING REPUBLIC ACT NO. 8479, OTHERWISE KNOWN AS
THE "DOWNSTREAM OIL DEREGULATION ACT OF 1998"**

EXPLANATORY NOTE

Republic Act (R.A.) No. 8479, otherwise known as the "Downstream Oil Industry Deregulation Act of 1998" was enacted to liberalize and deregulate the downstream oil industry to ensure a truly competitive market under a regime of fair prices, adequate and continuous supply of environmentally-clean and high-quality petroleum products. Under the law, the government can no longer interfere with the pricing of oil products except to monitor which also means that it is freed from providing costly subsidies.

However, R.A. No. 8479 has failed to mitigate the effects of a global oil crisis. Worse, it appears that the deregulation policy even strengthened the cartelization of oil industry players since automatic oil price hikes are allowed without control from the government.

The disruptions in the global oil and gas supply chain brought about by the Russia-Ukraine conflict has a tremendous impact on the Philippines' oil supply and

prices. Average Dubai crude oil price jumped from US\$ 73.19 in January 2022¹ to US\$ 112.30 in June 2022.²

Frequent oil price hikes aggravated the hardships of the public especially the consumer, agriculture, manufacturing and service sectors. Thus, people's organizations have been demanding for a review of R.A. No. 8479. These groups have consistently raised concerns on whether international price movements were accurately considered in the pricing of petroleum products. It is, therefore, incumbent upon the government to ensure transparency in the pricing of petroleum products by the local oil industry players and to determine the computations or assumptions employed in their price adjustments to prevent oil companies from engaging in unwarranted profiteering.

To achieve this purpose, this measure shall require the local oil companies the submission of financial documents, that are pertinent in the determination of price adjustments of petroleum products. Submission of these documents is mandatory and penalties for non-compliance are increased.

This bill also declares unlawful for oil companies to engage in unwarranted oil price increases as may be determined by the Department of Energy (DOE) and provides for the imposition of heavier penalties against erring oil companies and officials.

To strengthen the Task Force created under Section 14 of the law, which is tasked to investigate and file complaints against unreasonable rise in the prices of petroleum products, this bill seeks the inclusion of representatives from consumer and public transport groups in the Task Force, together with the Departments of Energy, Justice and Trade and Industry.

Finally, to provide Filipinos the best energy choices and to ensure transparency in the pricing of oil products, the Task Force is mandated to post twice

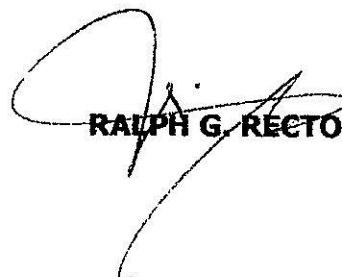
¹ Department of Energy. "Briefer on the Current Oil Supply and Price Situation and Implications of the Russian-Ukraine Conflict" 14 March 2022.

² <https://ph.investing.com/commodities/dubai-crude-oil-platts-futures-historical-data>. (Accessed 26 June 2022).

a month on the DOE's official website and publish in at least two (2) national newspapers the prevailing price of petroleum products in the retail market.

With the foregoing considered, the approval of this bill is earnestly sought.

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RALPH G. RECTO

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

1 Section 1. Section 4 of Republic Act No. 8479 is hereby amended to read as
2 follows:

3 "Sec. 4. *Definition of Terms.* – For purposes of this Act, the following
4 terms are herein below defined:

5 "xxx

6 **"(O) PREVAILING RETAIL PRICE – SHALL REFER TO THE**
7 **CURRENT PUMP PRICE OF ALL PETROLEUM PRODUCTS IN THE**
8 **COUNTRY;**

9 ~~"[(o)]~~ **(P)** *Singapore Import Parity (SIP)* – shall refer to the deemed
10 landed cost of a petroleum product imported from Singapore at a free-on-
11 board price equal to the average Singapore Posting for that product at the
12 time of loading;

13 ~~"[(p)]~~ **(Q)** *Singapore Posting* – shall refer to the price of petroleum
14 products periodically posted by oil refineries in Singapore and reported by
15 independent international publications; and

16 ~~"[(q)]~~ **(R)** *Wholesale Posted Price (WPP)* – shall refer to the ceiling
17 price of petroleum products set by the Board based on its duly approved
18 automatic pricing formula."

1 *Sec. 2. Creation of the Oil Monitoring Task Force.* – The Oil Monitoring Task
2 Force, herein referred to as the Task Force, shall be organized within one (1) month
3 from the effectivity of this Act to implement the Anti-Trust safeguards under Section
4 11 of Republic Act No. 8479 and ensure fair competition in the oil industry.

5 1) Creation and Composition. – The Secretaries of the Departments of
6 Energy (DOE), Justice (DOJ) and Trade and Industry (DTI) shall jointly appoint
7 the members of the Task Force which shall be composed of an Undersecretary
8 from the Departments of Energy and Justice, as Co-Chairpersons with the
9 following members:

- 10 a) One (1) member from the DOE;
11 b) One (1) member from the DOJ;
12 c) One (1) member from the DTI;
13 d) Two (2) members from the consumer and public transport
14 groups which have been in existence and active for the last five (5) years
15 prior to this Act; and
16 e) One (1) industry financial expert.

17 2) The members of the Task Force shall adopt its rules and guidelines in
18 the performance of its functions. These guidelines shall ensure the efficiency,
19 promptness, and effectiveness in the handling of its cases.

20 *Sec. 3. Powers and Functions of the Oil Monitoring Task Force.* –

- 21 a) To establish stricter and more industry-specific reporting guidelines;
22 b) To conduct periodic and unannounced inspections of oil depots and
23 facilities;
24 c) To inspect the books of accounts of companies engaged in the oil
25 industry;
26 d) To request all records that are deemed necessary to ensure
27 transparency and compliance of all oil industry participants with the provisions
28 of this Act; and
29 e) To conduct an annual analysis of oil industry performance, including
30 findings and issues encountered by the Task Force to be posted in the DOE
31 website.

32 *Sec. 4. Section 10 of Republic Act No. 8479 is hereby amended to read as*
33 follows:

1 "Sec. 10. *Promotion of Retail Competition.* – **THE TASK FORCE SHALL**
2 **ADOPT ALL MEASURES TO PROMOTE FAIR TRADE IN THE RETAIL**
3 **MARKET AND THE CONSUMERS' RIGHT OF ACCESS TO ANY AND ALL**
4 **INFORMATION REGARDING THE PRICES OF ALL PETROLEUM**
5 **PRODUCTS IN THE RETAIL MARKET. THE TASK FORCE SHALL**
6 **CONTINUE TO MONITOR THE MOVEMENT OF OIL PRICES IN THE**
7 **RETAIL MARKET AND POST THE PREVAILING RETAIL PRICES ON THE**
8 **DOE'S OFFICIAL WEBSITE AND PUBLISH THE SAME IN AT LEAST TWO**
9 **(2) NATIONAL NEWSPAPERS OF GENERAL CIRCULATION ON A**
10 **BIWEEKLY BASIS. THESE PRACTICES ARE INTENDED TO PROVIDE**
11 **THE CONSUMERS WIDER ACCESS TO PETROLEUM PRODUCTS THAT**
12 **GIVE BEST VALUE FOR MONEY."**

13 "To achieve the social and policy objective of fair prices, facilitate the
14 attainment of a truly competitive product market in the retail level, the DOE
15 shall promote and encourage by way of information dissemination, networking,
16 and management/skills training, the active and direct participation of the
17 private sector and cooperatives in the retailing of petroleum products through
18 joint venture/supply agreements with new industry participants for the
19 establishment and operation of gasoline stations: *Provided*, That the training
20 herein shall include LPG retailing.

21 "xxx

22 "xxx

23 "xxx

24 "xxx."

25 Sec. 5. Section 11 of Republic Act No. 8479 is hereby amended to read as
26 follows:

27 "Sec. 11. *Anti-Trust Safeguards.* – To ensure fair competition and prevent
28 cartels and monopolies in the Industry, the following acts are hereby
29 prohibited:

30 "(a) xxx

31 "(b) xxx

32 "Any person, including but not limited to the chief operating officer, chief
33 executive officer or chief finance officer of the partnership, corporation or any

1 entity involved, who is found guilty of any of the said prohibited acts shall
2 suffer the penalty of three (3) to seven (7) years imprisonment, and a fine
3 ranging from ~~One million pesos (P 1,000,000.00) to~~ Two million pesos (P
4 2,000,000.00) **TO THREE MILLION PESOS (P 3,000,000.00).**"

5 Sec. 6. Section 12 of Republic Act No. 8479 is hereby amended to read as
6 follows:

7 "Sec. 12. *Other Prohibited Acts.* – To ensure compliance with the
8 provisions of this Act, the refusal to comply with any of the following shall
9 likewise be prohibited:

10 "(a) Submission of any reportorial requirements **SUCH AS BUT**
11 **NOT LIMITED TO BOOKS OF ACCOUNTS, AUDITED FINANCIAL**
12 **STATEMENTS, VERIFIED REPORTS OF THE COMPANY'S**
13 **ASSUMPTIONS AND COMPUTATIONS IN THE PRICING OF THEIR**
14 **PETROLEUM PRODUCTS, WHETHER IN THE PROCESSING,**
15 **REFINING, DISTRIBUTING OR SELLING OF SAID PRODUCTS, TO**
16 **ENSURE THAT OIL COMPANIES ARE NOT INVOLVED IN**
17 **PROFITEERING;**

18 "(b) xxx

19 "(c) xxx

20 "(d) xxx.

21 "Any person, including but not limited to the chief operating officer or
22 chief executive officer of the partnership, corporation or any entity involved,
23 who is found guilty of any of the said prohibited acts shall suffer the penalty of
24 imprisonment for two (2) years and a fine ranging from ~~Two hundred fifty~~
25 ~~thousand pesos (P 250,000.00) to~~ Five hundred thousand pesos (P
26 500,000.00) **TO SEVEN HUNDRED FIFTY THOUSAND PESOS (P**
27 **750,000.00).**

28 **"IT SHALL LIKEWISE BE UNLAWFUL TO CAUSE THE**
29 **UNNECESSARY INCREASE OR CAUSE AN UNREASONABLE AMOUNT OF**
30 **INCREASE IN THE PRICES OF PETROLEUM PRODUCTS UNDER**
31 **SECTION 7 OF THIS ACT."**

32 Sec. 7. Section 14 of Republic Act No. 8479 is hereby amended to read as
33 follows:

1 "Sec. 14. **MONITORING.** – (a) The DOE shall monitor **ACTIVELY** and
2 publish daily international crude oil prices, as well as follow the movements of
3 domestic oil prices. **IT SHALL DETERMINE THE FACTORS WHICH CAUSE**
4 **THE CHANGE IN THE PRICES OF PETROLEUM PRODUCTS, EVALUATE**
5 **THE NECESSITY OF THE CHANGE IN THE PRICES AND THE**
6 **REASONABILITY OF THE AMOUNTS OF INCREASE OR DECREASE**
7 **BASED ON THE ACTUAL CONDITIONS OF THE MARKET AND OTHER**
8 **CAUSATIVE AND CONTRIBUTORY FACTORS AS IT MAY DETERMINE.** It
9 shall likewise monitor the quality of petroleum products and stop the operation
10 of businesses involved in the sale of petroleum products which do not comply
11 with the national standards of quality that are aligned with the national
12 standards/protocols of quality. The Bureau of Product Standards of the DTI,
13 together with the Department of Environment and Natural Resources (DENR),
14 the DOE, the Department of Science and Technology (DOST), representatives
15 of the fuel and automotive industries and the consumers, shall set the
16 specifications for all types of fuel and fuel-related products to improve fuel
17 composition for increased efficiency and reduced emissions. The BPS shall also
18 specify the allowable content of additives in all types of fuels and fuel-related
19 products.

20 "(b) xxx

21 "(c) The DOE shall maintain a periodic schedule of present and
22 future total industry inventory of petroleum products for the purpose of
23 determining the level of supply **FOR THE SUCCEEDING MONTH.** To
24 implement this, the importers, refiners, and marketers are hereby
25 required to submit ~~{monthly}~~ **EVERY THIRD WEDNESDAY OF THE**
26 **MONTH to the DOE their FORTY FIVE (45)-DAY INVENTORY** of
27 actual importations, local purchases, sales and/or consumption~~;~~ and
28 inventory~~}~~ on a per crude/product basis.

29 "(d) Any report from any person of an unreasonable ~~{rise}~~ **CHANGE**
30 in the prices of petroleum products shall be immediately acted upon. For
31 this purpose, the ~~{creation of the DOE-DOJ}~~ Task Force is hereby
32 mandated to determine within thirty (30) days the merits of the report
33 and initiate the necessary actions warranted under the circumstance:

1 *Provided*, That nothing herein shall prevent the said Task Force from
2 investigating and/or filing the necessary complaint with the proper court
3 or agency *motu proprio*.

4 ~~[Upon the effectivity of this Act, the Secretaries of Energy and~~
5 ~~Justice shall jointly appoint the members of a committee who shall be~~
6 ~~tasked with the drafting of the rules and guidelines to be adopted by the~~
7 ~~Task Force in the performance of its duty. These guidelines shall ensure~~
8 ~~the efficiency, promptness, and effectiveness in the handling of its cases.~~
9 ~~The Task Force shall be organized and its members appointed within one~~
10 ~~(1) month from the effectivity of this Act.]~~

11 “(e) In times of national emergency, when the public interest so
12 requires, the DOE may, during the emergency and under reasonable
13 terms prescribed by it, temporarily take over or direct the operation of
14 any person or entity engaged in the Industry.”

15 Sec. 8. *Implementing Rules and Regulations.* – The DOE, in coordination with
16 the DOJ, DTI, and representatives from the consumer and transport groups, shall
17 within sixty (60) days from the effectivity of this Act, promulgate the rules and
18 regulations to effectively implement the provisions of this Act.

19 Sec. 9. *Separability Clause.* – If any portion or provision of this Act is declared
20 unconstitutional, the remainder of this Act or any provisions not affected thereby
21 shall remain in force and effect.

22 Sec. 10. *Repealing Clause.* – Any law, presidential decree or issuance,
23 executive order, letter of instruction, rule or regulation inconsistent with the
24 provisions of this Act is hereby repealed, amended or modified accordingly.

25 Sec. 11. *Effectivity.* – This Act shall take effect after fifteen (15) days following
26 its complete publication in the *Official Gazette* or in at least two (2) newspapers of
27 general circulation.

 Approved,