

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Nineteenth Congress
First Regular Session

House Bill No. 3015



Introduced by **Representative JOEY SARTE SALCEDA**

AN ACT
PROVIDING FOR THE NATIONAL ENERGY POLICY AND FRAMEWORK
FOR THE DEVELOPMENT AND REGULATION OF THE PHILIPPINE
MIDSTREAM NATURAL GAS INDUSTRY, AND FOR OTHER PURPOSES

EXPLANATORY NOTE

The Malampaya gas field accounts for around 20-30% of the country's electricity needs. As a fuel source, the gas field is able to displace as much as 1.35 million kilograms of CO₂ per hour compared to emissions if coal or oil were used as the fuel source.

The Malampaya gas field, however, is expected to be depleted completely by the first quarter of 2027. Unless we can find alternative indigenous sources of natural gas within the next six years, the country will face an even bigger power crisis than it is now facing. For perspective, Malampaya accounts for some 60% of the power sourced by the Manila Electric Company, making it the most dependable energy source for Metro Manila.

Drilling could nonetheless take more time than just six years. The period from discovery of reserves (1989) to first flow of gas (2001) took twelve years, with commercial production taking another year. The addition of two new wells (2013) took another twelve years.

These timelines indicate that a similar period of investment is required before the country can explore and exploit reserves of natural gas within its territory or exclusive economic zone.

As such, we will need to diversify our sources of natural gas, and a regulatory framework that enables the development of crucial infrastructure, business ecosystem, and competition is a key policy prerequisite towards this direction.

This bill aims to foster the development of the Midstream Natural Gas Industry by creating a legal and regulatory framework to govern the promotion and development of the natural gas industry, foster a competitive market for natural gas, encourage the flow of

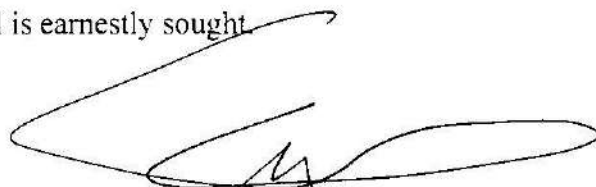
investments for industry development, and protect midstream end users by mandating transparent and fair rate-setting mechanisms.

The bill aims to set the regulation, terms of use and access, rate-setting, and other relevant processes for the establishment, operation, and maintenance of natural gas infrastructure, most crucially liquefied natural gas (LNG) terminals.

The bill also sets the legal treatment of transmission pipelines. Consistent with the spirit of the Public Service Act, natural gas transmission systems are considered public utilities under this bill, while dedicated pipelines are not.

The bill also aims to curb anti-competitive behavior in the natural gas sector. The Philippine Competition Commission will be tasked to decide competition cases arising from this bill, subject to complementary powers of investigation and recommendation exercised by the DOE and ERC, respectively. The bill also makes unbundling of prices for natural gas transmission mandatory, making the monitoring of price abuses easier.

In view of the foregoing, the passage of this bill is earnestly sought.



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

Chapter I
GENERAL PROVISIONS

SECTION 1. *Short Title.* – This Act shall be referred to as the “Midstream Natural Gas Industry Development Act”.

SEC. 2. *Declaration of Policy.* – It is hereby declared the policy of the State to:

(a) Ensure the country's energy security by developing diversification of sources of primary energy supply to various sectors of the economy;

(b) Promote the role of natural gas as an additional energy source and complementary fuel to variable renewable energy by creating a legal and regulatory framework that would govern the promotion and development of the natural gas industry in the country;

(c) Create a regulatory environment that will foster a competitive market for natural gas;

(d) Encourage the inflow of private capital in the development of the midstream natural gas industry;

(e) Ensure a safe, secure, reliable, and environmentally responsible operation of the midstream natural gas value chain to include personnel and user protection, through the formulation and adoption of local or International standards on health, safety, security and the environment; and

(f) Protect midstream end users by mandating transparent and fair rates, fees, and charges.

SEC. 3. *Scope and Application.* – This Act shall apply to the midstream natural gas industry specifically the aggregation, supply, importation, exportation, receipt, unloading, loading, processing, storage, regasification, transmission, bunkering, and transportation of natural gas. In its original or liquefied form, from local or foreign sources, and the systems and facilities utilized for such. It shall also apply to the location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of such systems and facilities.

SEC. 4. *Definition of Terms.* – For purposes of this Act, the following terms shall be defined as stated below:

(a) *Affiliate* refers to any natural or juridical person who, singly or jointly with other natural or juridical persons, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with another natural or juridical person. It includes a subsidiary company, a parent company, and the subsidiaries, directly or indirectly, of a common parent;

(b) *Ancillary reserve* refers to the natural gas procured by the natural gas transmission utility or the NGTSO, whichever is applicable, necessary in the operation of the natural gas transmission system to regulate fluctuations in its operating pressure and maintain system stability, safety, and efficiency to ensure the continuous transmission of natural gas to midstream end-users in accordance with the Natural Gas Transmission Code. It shall be included in the natural gas transmission fee or the NGTSO fee, whichever is applicable;

(c) *Anticompetitive behavior* refers to any act enumerated under Section 14 and Section 15 of Republic Act No. 10667, otherwise known as the Philippine Competition Act;

(d) *LNG Bunkering* refers to the selling of natural gas for use of domestic or foreign marine vessels;

(e) *LNG Bunkering Facilities* refers to all infrastructure built and designed for LNG bunkering;

(f) *Capacity* refers to the handling design of a system used in the context of its functionality, expressed in a specific measurement such as volume in cubic meters or flow rate in normal cubic meters per time unit;

(g) *Control* refers to the power to determine the financial and operating policies of an entity to benefit from its activities. It is presumed to exist when the parent entity owns, directly or through subsidiaries or associates, more than fifty percent (50%) of the voting power of an entity. It also exists when the parent entity owns fifty percent (50%) or less of the voting power of an entity, but has any of the following powers:

- (1) Power over more than fifty percent (50%) of the voting rights by virtue of an agreement with other investors,

- (2) Power to govern the financial and operating policies of the entity under a statute or agreement,
- (3) Power to appoint or remove the majority of the members of the board of directors or equivalent governing body, or
- (4) Power to cast the majority of votes at meetings of the board of directors or equivalent governing body;

(h) *Dedicated natural gas pipeline* refers to a pipeline exclusively utilized by a midstream natural gas industry participant or its affiliate for the conveyance of natural gas from an LNG terminal or a local natural gas production facility to the said midstream natural gas industry participant or its affiliate;

(i) *Emergency reserve* refers to the amount of natural gas, in its original or liquefied form, which may be contracted by midstream end users based on public interest, sufficient to ensure a continuous, adequate, and stable supply of natural gas for a period in the event of a supply disruption. The period shall be determined in this Act's implementing rules and regulations;

(j) *Importation* refers to the bringing of natural gas. In its original or liquefied form, into the Philippines from foreign sources;

(k) *Gas aggregation* refers to the activity of pooling together various demands for natural gas from midstream end users and supplying them with natural gas from one or more sources;

(l) *Gas aggregator* refers to any natural or juridical person who engages in gas aggregation;

(m) *Liquefied Natural Gas (LNG)* refers to natural gas which has been cooled to a cryogenic temperature, converting it to a liquid state;

(n) *LNG terminal* refers to all facilities located onshore or offshore, that are used to import, receive, unload, load, process, store, and regasify natural gas. In its original or liquefied form, from local or foreign sources. It shall include berthing ports, unloading and loading arms, line packs, cryogenic pipelines, regasification facilities, and storage tanks, among others;

(o) *LNG Terminal Development Plan* refers to a comprehensive plan prepared by each LNG terminal owner and operator relating to the location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of each of its LNG terminals and all its required facilities and equipment, taking into consideration, among others, existing and projected demand and supply of natural gas;

(p) *LNG Terminal Regulated Third Party Access Code* refers to the compendium of responsibilities, qualifications, standards, and rules promulgated by the Department of Energy (DOE) for regulated third party access by one or more third parties to a portion, the entire, or the unutilized capacity of an rTPA LNG terminal permit holder, and the evaluation of performance of an LNG terminal with respect thereto;

(q) *Midstream end user* refers to any natural or juridical person, requiring the supply of natural gas, in its original or liquefied form, for resale or own use but excluding the retail use of natural gas. It includes power generation plants, industrial and commercial establishments, ecozones, storage facilities, bunkering facilities, virtual pipelines, and motor vehicles and marine vessels transporting natural gas;

(r) *Midstream natural gas industry* refers to the aggregation, supply, importation, exportation, receipt, unloading, loading, processing, storage, regasification, transmission, bunkering, and transportation of natural gas. In its original or liquefied form, but shall exclude the retail of natural gas. It utilizes, among others, LNG terminals, dedicated natural gas pipelines, natural gas transmission systems, storage facilities, bunkering facilities, virtual pipelines, and motor vehicles and marine vessels transporting natural gas;

(s) *Midstream Natural Gas Industry Development Plan* refers to the comprehensive plan for ensuring safe, secure, and reliable supply of natural gas, in its original or liquefied form, while establishing the efficient operations of the country's midstream natural gas infrastructure and managing demand for natural gas through specific government programs and policies. It shall include the various LNG Terminal Development Plans and Natural Gas Transmission Development Plans, and studies on over-all supply and demand, capacity, and other research necessary in achieving a sound demand and supply projection for natural gas in the country;

(t) *Midstream natural gas industry participants* refer to the supplier or importer of natural gas; gas aggregator; owner and operator of LNG terminal, dedicated natural gas pipeline, natural gas transmission system, storage and bunkering facilities, virtual pipelines, and motor vehicles and marine vessels utilized to transport natural gas; the Natural Gas Transmission System Operator; third parties; and midstream end users;

(u) *Natural gas* refers to gas obtained from boreholes and wells consisting primarily of a mixture of methane, ethane, propane, and butane with small amounts of heavier hydrocarbons and some impurities, notably nitrogen and complex sulfur compounds and water, carbon dioxide, and hydrogen sulfide as well as non-conventional gas including gas from bituminous shale;

(v) *Natural Gas Transmission Code* refers to the compendium of rules, procedures, requirements, regulations, and minimum technical performance standards governing the safe and reliable location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of all dedicated natural gas pipelines and natural gas transmission systems in the country. It also defines and establishes the relationship of dedicated natural gas pipelines and natural gas transmission systems with facilities and installations of other midstream natural gas industry participants, if applicable;

(w) *Natural Gas Transmission Development Plan* refers to the plan of each dedicated own use pipeline owner and operator, natural gas transmission utility, or the Natural Gas Transmission System Operator when applicable, for managing dedicated own use pipelines, natural gas transmission systems or the interconnected natural gas transmission system, whichever is applicable, through efficient planning for its location, construction, improvement,

operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment;

(x) *Natural gas transmission system* refers to a network containing pipelines and other related facilities, owned and operated by a natural gas transmission utility, which convey natural gas. In its original or liquefied form, from an LNG terminal or a local natural gas production facility to a midstream natural gas industry participant;

(y) *Natural gas transmission fee* refers to the amount paid by midstream natural gas industry participants for the use of a natural gas transmission system. It shall consist of amounts used to defray the costs of location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of the system, and provide a reasonable rate of return. It also includes the cost of operating the system while there is no Natural Gas Transmission System Operator;

(z) *Natural Gas Transmission System Operator (NGTSO)* refers to a natural or juridical person responsible for operating and maintaining the interconnected natural gas transmission system, ensuring the continuous and reliable delivery of natural gas to midstream natural gas industry participants, and securing the long-term ability of the system to meet demand for the transmission of natural gas;

(aa) *Natural gas transmission utility* refers to a natural or juridical person who has a franchise granted by law to construct, own, and operate a natural gas transmission system within a specified area;

(bb) *Negotiated Third Party Access (nTPA)* refers to a contractual arrangement between the owner and operator of a dedicated natural gas pipeline or an own use LNG terminal permit holder and a third party to allow the use and access to such third party of a specific capacity of a dedicated natural gas pipeline or an LNG terminal with an own use permit for a fee agreed upon between the two entities. It does not include contractual arrangements entered into by an own use LNG terminal permit holder and a third party pursuant to a declaration of unutilized capacity by the DOE in accordance with the LNG Terminal Regulated Third Party Access Code;

(cc) *NGTSO fee* refers to the amount paid by midstream natural gas industry participants to the NGTSO for its services in operating and maintaining the interconnected natural gas transmission system;

(dd) *Own use LNG terminal permit holder* refers to an LNG terminal whose owner and operator has been issued an own use permit;

(ee) *Own use permit* refers to an authorization issued by DOE to the owner and operator of an LNG terminal to exclusively use or allow its affiliate to use a specific capacity of the LNG terminal for a specified period of time, subject to LNG Terminal Regulated Third Party Access Code;

(ff) *Permit* refers to an authorization issued by the DOE, the Energy Regulatory Commission (ERC), or the Department of Transportation (DOT) or its attached agencies, whichever is applicable, for the aggregation, supply, importation, exportation, receipt, unloading, loading, processing, storage, regasification, and bunkering of natural gas, or the

location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of an LNG terminal, natural gas transmission system, dedicated natural gas pipeline, storage facilities, bunkering facilities, virtual pipelines, and motor vehicles and marine vessels transporting natural gas for a specified period of time;

(gg) *Permit holder* refers to a natural or juridical person who is granted a permit by the DOE, ERC, or DOTr or its attached agencies whichever is applicable, to engage in the aggregation, supply, importation, exportation, receipt, unloading, loading, processing, storage, regasification, and bunkering of natural gas, or the location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of an LNG terminal, natural gas transmission system, dedicated natural gas pipeline, storage facilities, bunkering facilities, virtual pipelines, and motor vehicles and marine vessels transporting natural gas for a specified period of time;

(hh) *Philippine National Standard (PNS)* refers to the standards promulgated by the Department of Trade and Industry (DTI) - Bureau of Philippine Standards (BPS) pertaining to product specifications, test methods, terminologies, procedures, or practices pursuant to Republic Act No. 4109, otherwise known as the Standards Act, and other applicable laws, rules and regulations;

(ii) *Regulated Third Party Access (rTPA)* refers to a contractual arrangement between the following:

- (1) An rTPA LNG terminal permit holder or a natural gas transmission utility and a third party to allow the latter transparent, fair, reasonable, and non-discriminatory use and access of the capacity available to third parties of the LNG terminal or the natural gas transmission system,
- (2) An own use LNG terminal permit holder and a third party pursuant to a declaration of unutilized capacity by the DOE in accordance with the LNG Terminal Regulated Third Party Access Code, or
- (3) A natural gas transmission utility and a third party pursuant to a declaration of unutilized capacity by the DOE in accordance with the Transmission Regulated Third Party Access Code;

(jj) *Regulated Third Party Access (rTPA) permit* refers to an authorization issued by the DOE to the owner and operator of an LNG terminal to offer to third parties, the fair, reasonable, and non-discriminatory use and access of a specific capacity of its LNG terminal for a specified period of time, subject to the LNG Terminal Regulated Third Party Access Code;

(kk) *Reserve price* refers to the undisclosed rate determined by ERC using a methodology pursuant to Section 6 of this Act that serves as the price ceiling for the natural gas transmission fee;

(ll) *Retail* refers to the sale of natural gas to the general public in relatively small quantities for consumption such as the sale of natural gas to motor vehicles and to households;

(mm) *rTPA LNG terminal permit holder* refers to an LNG terminal whose owner or operator has been issued an rTPA permit;

(nn) *Storage* refers to the stocking of natural gas for the purpose of regasification, bunkering, reserve, any combination thereof, or any other purpose consistent with this Act;

(oo) *Storage facilities* refer to any equipment or infrastructure used for storage;

(pp) *Supplier* refers to a natural or juridical person authorized by the DOE to engage in supply as defined in this Act;

(qq) *Supply* refers to the trade of indigenous or imported natural gas, in its original or liquefied form, and its subsequent sale or transfer to midstream natural gas industry participants;

(rr) *Terminal fee* refers to the rates, charges, and other similar considerations imposed upon third parties for the use and services of any of the following:

- (1) The capacity or a portion thereof covered by an rTPA permit of an LNG terminal, or
- (2) The unutilized capacity or a portion thereof covered by an own use permit of an LNG terminal;

(ss) *Third party* refers to a midstream natural gas industry participant who is not the owner, operator, or affiliate of the owner and operator of an LNG terminal, dedicated natural gas pipeline, or natural gas transmission system;

(tt) *Transmission* refers to the conveyance of natural gas either through a dedicated natural gas pipeline or a natural gas transmission system;

(uu) *Transmission Regulated Third Party Access Code* refers to the compendium of responsibilities, qualifications, standards, and rules promulgated by the ERC for regulated third party access by one or more third parties to a portion, the entire, or the unutilized capacity of a natural gas transmission system, and the evaluation of performance of a natural gas transmission utility with respect thereto;

(vv) *Unutilized capacity* refers to a portion of the capacity of an LNG terminal, with an own use permit, an rTPA permit or both, or a natural gas transmission system, set apart for the use of the LNG terminal owner and operator or a third party with regulated third party access to the LNG terminal or the natural gas transmission system, which remains unused after a reasonable period of time and declared as such by the DOE or the ERC pursuant to Sections 5 and 6 of this Act and the LNG Terminal Regulated Third Party Access Code and the Transmission Regulated Third Party Access Code, whichever is applicable; and

(ww) *Virtual Pipelines* refer to alternative methods of transporting natural gas using modules coupled to mobile platforms such as motor vehicles, marine vessels, or rail platforms.

Chapter II

POWERS AND RESPONSIBILITIES OF GOVERNMENT AGENCIES

SEC. 5. *Powers and Responsibilities of the Department of Energy (DOE).* – In addition to its functions under Republic Act No. 7638, otherwise known as the Department of Energy Act of 1992, the DOE shall be the lead implementing agency for this Act. Towards this end, it shall:

(a) Supervise and monitor the development of the midstream natural gas industry, and ensure the security and sufficiency of the supply of natural gas for local demand;

(b) Require the annual submission of, review, and approve LNG Terminal Development Plans and Natural Gas Transmission Development Plans: *Provided*, That the specific guidelines and timeline for the approval of these plans shall be determined In this Act's implementing rules and regulations taking into consideration the policy declarations of this Act and upon consultation with other relevant government agencies, midstream natural gas Industry participants, and other public and private stakeholders;

(c) Prepare a Midstream Natural Gas Industry Development Plan based on the various LNG Terminal Development Plans and Natural Gas Transmission Development Plans within two (2) years from the effectivity of this Act's implementing rules and regulations, upon consultation with other relevant government agencies, midstream natural gas industry participants, and other public and private stakeholders. The Midstream Natural Gas Industry Development Plan shall be reviewed and updated annually, and integrated into the Philippine Energy Plan;

(d) Promulgate the PNS or Identify and adopt other international standards adopted as PNS by the DTI-BPS, together with relevant government agencies and upon consultation with midstream natural gas industry participants and other public and private stakeholders, within eighteen (18) months from the effectivity of this Act's implementing rules and regulations, for the following:

- (1) Natural gas, in its original or liquefied form,
- (2) Location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of all LNG terminals,
- (3) Storage and bunkering of natural gas and its respective facilities,
- (4) Virtual pipelines, and
- (5) Motor vehicles and marine vessels transporting natural gas;

(e) Ensure compliance with the health, safety, security, and environmental standards of the following, together with the Department of Environment and Natural Resources (DENR), Department of Health (DOH), and other relevant government agencies:

- (1) Natural gas, in its original or liquefied form,

(2) Location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of all LNG terminals, and

(3) Storage and bunkering of natural gas and its respective facilities;

(f) Convene and co-chair with DTI-BPS, within two (2) months from the effectivity of this Act, a technical working group comprised of relevant government agencies to include the ERC, DTI, DOTr, DENR, DOH, Department of Labor and Employment (DOLE), Department of Interior and Local Government (DILG), their respective attached agencies, midstream natural gas industry participants, and other relevant public and private stakeholders to ensure consistent and streamlined standards and regulations in the midstream natural gas industry. The members of the technical working group shall fully cooperate and collaborate in the creation, promulgation, and streamlining of standards and regulations;

(g) Promulgate the guidelines for the establishment of safety and exclusion zones of LNG terminals, and determine such safety and exclusion zone for every LNG terminal, in consultation with the technical working group, relevant government agencies, local government units, and public and private stakeholders;

(h) Evaluate and act on applications for the location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of all LNG terminals as well as storage facilities and bunkering facilities;

(i) Issue the following:

(1) Permits for the aggregation, supply, importation, exportation, receipt, unloading, loading, processing, storage, regasification, and bunkering of natural gas, in its original or liquefied form in accordance with this Section, and

(2) Own use and rTPA permits to owners and operators of LNG terminals;

(j) Establish a methodology and timeframe for the determination of the unutilized capacity of LNG terminals, which shall be integrated in the LNG Terminal Regulated Third Party Access Code, taking into consideration the following:

(1) Reasonable period to use the capacity,

(2) Existing market demand, and

(3) Existing contracts;

(k) Promulgate the LNG Terminal Regulated Third Party Access Code, within one (1) year from the effectivity of this Act's Implementing rules and regulations, and upon consultation with other relevant government agencies, midstream natural gas industry participants, and other public and private stakeholders, and ensure compliance therewith. The LNG Terminal Regulated Third Party Access Code shall be reviewed and updated regularly. The following principles shall govern the creation of this code:

(1) Reliable and continuous supply of natural gas, and

(2) Transparent, fair, reasonable, and non-discriminatory use and access;

(l) Declare the unutilized capacity of an LNG terminal and mandate regulated third party access for such in accordance with the LNG Terminal Regulated Third Party Access Code;

(m) Determine minimum guidelines to ensure the transparent, fair, reasonable, and non-discriminatory conduct of competitive selection processes by owners and operators of LNG terminal; *Provided*, That these minimum guidelines shall not include the mode of competitive selection process;

(n) Approve or disapprove any sale, assignment, or transfer of control to another entity by a midstream natural gas industry participant with a DOE issued permit within ninety (90) calendar days from submission of complete documentary requirements. Concomitantly, the DOE may require from any midstream natural gas industry participant with a DOE issued permit the prior disclosure of any sale, assignment, or transfer of ownership or direct or indirect interests, rights, or participation not amounting to control to another entity. In both these cases, the DOE may review, modify, cancel, approve, or disapprove any permit it has issued taking into consideration the legal, technical, and financial qualifications of the purchaser, assignee, or transferee and its compliance with its own use or rTPA permit or other DOE issued permits under this Act and existing laws, rules and regulations;

(o) Determine the qualifications of and procedure for the competitive selection of a single independent NGTSO taking into consideration Section 22 of this Act, upon consultation with relevant government agencies, midstream natural gas industry participants, and other public and private stakeholders, and undertake its selection upon the interconnection of natural gas transmission systems;

(p) Require the submission of the following information from suppliers, importers, aggregators, and owners and operators of LNG terminals, storage facilities, and bunkering facilities, whichever is applicable, subject to Section 32 of this Act:

(1) Progress and status reports on location, construction, improvement, operation, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of LNG terminals and storage and bunkering facilities,

(2) Regular reports on the following:

(i) Compliance with health, safety, security, and environmental standards,

(ii) Utilization of the LNG terminal by its owner and operator, the owner and operator's affiliates, and third parties, whichever is applicable,

(iii) Compliance with the LNG Terminal Regulated Third Party Access Code to include compliance with DOE directive to subject an unutilized capacity to regulated third party access;

- (3) Supply and demand of natural gas with respect to their own facilities or operations,
- (4) Volumes of specific inventories to include levels of importation and emergency reserve,
- (5) Progress and status reports on mitigation measures and responses in relation to accidents and other emergency incidents,
- (6) Mode of competitive selection of third parties for rTPA LNG terminal permit holders, reports on competitive selection processes undertaken, and status of utilization by third parties of the LNG terminal with an rTPA permit: *Provided*, That the mode for each competitive selection process shall be determined by each rTPA LNG terminal permit holder: *Provided further*, That each competitive selection process shall be transparent, fair, reasonable, and non-discriminatory, and
- (7) Other data and information necessary to the performance of the duties and functions of DOE;

(q) Determine the necessity of and then direct the interconnection of natural gas transmission systems based on the Philippine Energy Plan, Midstream Natural Gas Development Plan, and the Natural Gas Transmission Development Plans, taking into consideration the maturity of the industry, the existing natural gas transmission systems' infrastructure, and the cost efficiency of interconnection, and upon consultation with the ERC, other relevant government agencies, midstream natural gas industry participants, and other public and private stakeholders;

(r) Ensure compliance with the publication and unbundling of the terminal fee in accordance with Section 25 of this Act;

(s) Ensure and review compliance with, and investigate, *motu proprio* or upon complaint, any non-compliance with this Act including any permit DOE has issued in relation hereto, its rules and regulations, the LNG Terminal Regulated Third Party Access Code, and any other issuance promulgated pursuant to the DOE's powers under this Act, except those under the jurisdiction of the ERC as provided under Section 6 herein. Thereafter, the DOE may penalize, suspend, or revoke, after due notice and hearing, any permit it has issued;

(t) Endorse the findings of investigations against midstream natural gas industry participants, for any of the following:

- (1) Anticompetitive behavior before the Philippine Competition Commission (PCC), or
- (2) Violations of the provisions of this Act and other applicable laws, rules, and regulations before the ERC, other quasi-judicial agencies, or the courts; and

(u) Perform all other acts that are analogous to the aforementioned and in furtherance of the implementation of this Act.

SEC. 6. *Powers and Responsibilities of the Energy Regulatory Commission (ERC).* – In addition to its functions under Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001, the ERC shall have the authority to:

(a) Promulgate the PNS or identify and adopt other international standards adopted as PNS by the DTI-BPS, together with relevant government agencies and upon consultation with midstream natural gas industry participants and other public and private stakeholders, within eighteen (18) months from the effectivity of this Act's implementing rules and regulations, for the following:

- (1) Dedicated natural gas pipelines, and
- (2) Natural gas transmission systems;

(b) Ensure compliance with the health, safety, security, and environmental standards of the following, together with the Department of Environment and Natural Resources (DENR), Department of Health (DOH), and other relevant government agencies:

- (1) Dedicated natural gas pipelines, and
- (2) Natural gas transmission systems;

(c) Participate in the technical working group convened by DOE pursuant to Section 5 of this Act;

(d) Evaluate and act on applications for the location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of dedicated natural gas pipelines and natural gas transmission systems;

(e) Issue permits for the transmission of natural gas to include certificates of public convenience and necessity (CPCN) to natural gas transmission utilities;

(f) Establish a methodology and timeframe for the determination of the unutilized capacity of natural gas transmission systems, which shall be integrated in the Transmission Regulated Third Party Access Code, taking into consideration the following:

- (1) Reasonable period to use the capacity,
- (2) Existing market demand, and
- (3) Existing contracts;

(g) Promulgate the Transmission Regulated Third Party Access Code, within one (1) year from the effectivity of this Act's implementing rules and regulations, and upon consultation with other relevant government agencies, midstream natural gas industry participants, and other public and private stakeholders, and ensure compliance therewith;

(h) Promulgate the Natural Gas Transmission Code and Transmission Regulated Third Party Access Code, within one (1) year from the effectivity of this Act's implementing rules

and regulations, and upon consultation with other relevant agencies, midstream natural gas industry participants, and other public and private stakeholders, and ensure compliance therewith. The Natural Gas Transmission Code and the Transmission Regulated Third Party Access Code which shall be reviewed and updated regularly. The following principles shall govern the creation of these codes:

(1) Reliable and continuous supply of natural gas, and

(2) Transparent, fair, reasonable, and non-discriminatory use and access;

(i) Declare the unutilized capacity of a natural gas transmission system and mandate regulated third party access for such in accordance with the Transmission Regulated Third Party Access Code;

(j) Determine minimum guidelines to ensure the transparent, fair, reasonable, and non-discriminatory conduct of competitive selection processes by natural gas transmission utilities; *Provided*, That these minimum guidelines shall not include the mode of competitive selection process;

(k) Approve or disapprove any plan of a natural gas transmission utility, an owner and operator of a dedicated natural gas pipeline, and the NGTSO to sell, assign, or transfer control to another entity. Concomitantly, the ERC may require from a natural gas transmission utility, an owner and operator of a dedicated natural gas pipeline, and the NGTSO the prior disclosure of any sale, assignment, or transfer of ownership or direct or indirect interests, rights, or participation to another entity. In both these cases, the ERC may review, modify, cancel, approve, or disapprove any permit it has issued taking into consideration the legal, technical, and financial qualifications of the purchaser, assignee, or transferee and its compliance with its ERC issued permits under this Act and existing laws, rules and regulations;

(l) Require the submission of the following information from the owner and operator of dedicated natural gas pipelines, the natural gas transmission utility, and the NGTSO, whichever is applicable, subject to Section 32 of this Act:

(1) Progress and status reports on location, construction, improvement, operation, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of dedicated natural gas pipelines, natural gas transmission systems, and the interconnected natural gas transmission system,

(2) Regular reports on the following:

(i) Compliance with health, safety, security, and environmental standards,

(ii) Utilization of the dedicated natural gas pipeline and natural gas transmission system by its owner and operator, the owner and operator's affiliates, and third parties, whichever is applicable,

(iii) Compliance with the Transmission Regulated Third Party Access Code to include compliance with DOE directive to subject an unutilized capacity to regulated third party access;

- (3) Supply and demand of natural gas with respect to their own facilities or operations,
- (4) Volumes of specific inventories to include levels of ancillary reserve, when applicable,
- (5) Compliance with health, safety, security, and environmental standards, and activities in relation thereto,
- (6) Progress and status reports on mitigation measures and responses in relation to accidents and other significant or emergency incidents,
- (7) Mode of competitive selection of third parties for natural gas transmission utilities, reports on competitive selection processes undertaken to include the natural gas transmission fee, and status of utilization by third parties: *Provided*, That the mode for each competitive selection process shall be determined by each natural gas transmission utility: *Provided further*, That each competitive selection process shall be transparent, fair, reasonable, and non-discriminatory,
- (8) Billed and collected amounts of the natural gas transmission fee and NTSO fee, whichever is applicable, and
- (9) Other documents, data, and Information necessary to the performance by ERC of its functions under this Act;

(m) Ensure and review compliance with, and investigate, motu proprio or upon complaint, complaint, or upon endorsement of any government agency, any non-compliance with this Act including any permit ERC has issued in relation hereto, its rules and regulations, the Natural Gas Transmission Code, the Transmission Regulated Third Party Access Code, and any other issuance promulgated pursuant to the ERC's powers under this Act, except those under the jurisdiction of the DOE as provided under Section 5 herein. Thereafter, the ERC may penalize, suspend, or revoke, after due notice and hearing any permit it has issued;

(n) Endorse the findings of investigations on any anticompetitive behavior of an owner and operator of a dedicated natural gas pipeline, the natural gas transmission utility, and the NGTSO to the PCC;

(o) Exercise its rate-setting power through the determination and regular review of the following:

- (1) Reserve price for the natural gas transmission fee. It shall remain undisclosed until the winning bidder is declared, and
- (2) NGTSO fee;

The ERC shall notify and afford relevant stakeholders the opportunity to be heard in the following:

- (1) Methodology for the determination of the reserve price, and

(2) Determination of the NGTSO fee;

(p) Ensure compliance with the publication and unbundling of the natural gas transmission fee and the NGTSO fee imposed by the natural gas transmission utilities, and the NGTSO respectively, in accordance with Section 25 of this Act;

(q) Review regularly the performance of natural gas transmission utilities and the NGTSO, when applicable, including the quality of its service and compliance with its approved Natural Gas Transmission Development Plan and its powers and functions pursuant to Chapter V of this Act;

(r) Exercise exclusive jurisdiction over all matters pertaining to rate setting in this Act taking into consideration the policy of full recovery of prudent and reasonable economic costs with a reasonable rate of return or such other principles that promote efficiency and other internationally accepted rate setting methodology;

(s) Exercise overall regulatory supervision over dedicated natural gas pipelines, natural gas transmission systems, and the NGTSO; and

(t) Perform all other acts that are analogous to the foregoing and in furtherance of the implementation of this Act.

SEC. 7. Powers and Responsibilities of the Department of Environment and Natural Resources. – In addition to its functions under Executive Order No. 192, otherwise known as the Reorganization Act of the Department of Environment and Natural Resources, and other applicable laws, the DENR, together with the DOE, the ERC, or the DOTr, shall ensure and monitor compliance with the environmental standards for the location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of LNG terminals, natural gas transmission systems, dedicated natural gas pipelines, storage facilities, bunkering facilities, virtual pipelines, and motor vehicles and marine vessels transporting, storing or processing natural gas. In its original state or liquefied form, and all related equipment and facilities.

SEC. 8. Powers and Responsibilities of the Department of Health. – In addition to its functions under Executive Order No. 317, Series of 1941, entitled Organizing the Department of Health and Public Welfare, as amended, and Republic Act No. 11223, otherwise known as the Universal Health Care Act, the DOH, together with the DOE, the ERC or the DOTr, shall:

(a) Ensure and monitor compliance with the health standards for the location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of LNG terminals, natural gas transmission systems, dedicated natural gas pipelines, storage facilities, bunkering facilities, virtual pipelines, and motor vehicles and marine vessels transporting, storing, or processing natural gas, in its original state or liquefied form, and all related equipment and facilities;

(b) Recommend standards, rules, and regulations in the conduct of health risk assessment studies in cases of natural gas accidents;

(c) Develop guidelines, policies, and health standards on the treatment and management of patients affected by natural gas accidents; and

(d) Require health data and Information from LNG terminals, natural gas transmission systems, dedicated natural gas pipelines, storage facilities, and bunkering facilities, virtual pipelines, and motor vehicles and marine vessels transporting, storing, or processing natural gas, in its original state or liquefied form, and all related equipment and facilities.

SEC. 9. *Powers and Responsibilities of the Department of Trade and Industry - Bureau of Philippine Standards.* – In addition to its functions under Republic Act No. 4109, otherwise known as the Standards Act, the DTI-BPS, shall act as the Co-Chairperson of the technical working group created pursuant to Section 5 of this Act, and together with the DOE, the ERC, or the DOTR, determine, develop, formulate, promulgate, and revise the Philippine National Standards, or identify and adopt international standards as PNS, for natural gas, in its original or liquefied form, LNG terminals, dedicated natural gas pipelines, natural gas transmission systems, storage facilities, bunkering facilities, virtual pipelines, and motor vehicles and marine vessels transporting, storing, or processing natural gas, in its original state or liquefied form, and all related equipment and facilities.

SEC. 10. *Powers and Responsibilities of the Department of Transportation and its Attached Agencies.* – In addition to its functions under Executive Order No. 125, series of 1987 otherwise known as the Reorganization Act of the Ministry of Transportation and Communications, as amended, and other applicable laws, the DOTr or its attached agencies such as the Land Transportation Office, Land Transportation Franchising and Regulatory Board, and Maritime Industry Authority, in coordination with the DOE, DENR, DOH, DTI-BPS, and other relevant government agencies, shall issue the appropriate guidelines and regulations and the applicable permits, licenses, certificates, or authorizations to virtual pipelines, motor vehicles and marine vessels transporting, storing or processing natural gas, in its original state or liquefied form, as well as marine facilities used to import, receive, unload, load, transport, process, and store natural gas in its original or liquefied form, including those utilized as offshore LNG terminals. The DOTr shall monitor and ensure compliance therewith.

SEC. 11. *Powers and Responsibilities of the Philippine Competition Commission (PCC).* – In addition to its functions under Republic Act No. 10667, otherwise known as the Philippine Competition Act, the PCC shall exercise primary and exclusive jurisdiction over any anticompetitive behavior of midstream natural gas industry participants.

Chapter III

MIDSTREAM NATURAL GAS INDUSTRY PARTICIPANTS

SEC. 12. *Responsibilities of Midstream Natural Gas Industry Participants.* – All midstream natural gas industry participants shall:

(a) Adhere to all health, safety, security, and environmental standards and all codes, rules, regulations, and issuances promulgated pursuant to Chapter II of this Act;

(b) Comply with all obligations and responsibilities under this Act to include reportorial requirements and submissions pursuant to Chapter II of this Act;

(c) Participate as a member of the technical working group pursuant to Section 5 of this Act;

(d) Unbundle their respective fees, if applicable, pursuant to Sections 5, 6, and 25 of this Act; and

(e) Not engage in any anticompetitive behavior.

Chapter IV LNG TERMINALS

SEC. 13. *Importation and Receipt of Natural Gas through LNG Terminals.* – Imported natural gas, in its liquefied form, shall only be received, unloaded, loaded, processed, stored, and regasified in, and then transmitted, transported, and conveyed in accordance with this Act.

SEC. 14. *Safety and Exclusion Zone.* – All LNG terminals shall have a safety and exclusion zone to be determined by the DOE in consultation with the technical working group created under Section 5 of this Act, relevant government agencies, local government units, and public and private stakeholders.

SEC. 15. *LNG Terminal Owner and Operator.* – An LNG terminal may have a separate owner and operator. The LNG terminal owner and operator, should they be separate entities, shall be treated as one and the same entity insofar as permits, licenses, certificates, and authorizations are concerned, as well as in the exercise of rights and compliance with obligations, standards, regulations, guidelines, and codes imposed by this Act, its implementing rules and regulations, and other relevant laws and issuances.

SEC. 16. *Use and Access of LNG Terminals.* – The use and access of LNG terminals shall be regulated pursuant to this Act, while the terminal fee shall be unbundled in accordance with Section 25 herein and unregulated. All owners and operators of LNG terminals shall annually submit their LNG Terminal Development Plan to DOE pursuant to Section 5 of this Act.

The DOE shall issue own use and rTPA permits to owners and operators of LNG terminals. The owner and operator of an LNG terminal shall have the option to apply for and hold an own use permit, an rTPA permit, or both permits simultaneously for each LNG terminal, and perform the functions of an own use LNG terminal permit holder pursuant to Section 18 of this Act and an rTPA LNG terminal permit holder pursuant to Section 19 of this Act, to the extent of the capacity allowed by and during the length of the time specified in each type of permit, and in accordance with the LNG Terminal Regulated Third Party Access Code.

Each type of permit shall specify the capacity and length of time covered by the permit: *Provided,* That the total capacity of all permits held by an owner and operator of an LNG terminal for each LNG terminal shall not exceed the maximum capacity of such LNG terminal. The unutilized capacity of an owner and operator or its affiliate covered by an own-use LNG terminal permit shall be opened to third parties through the issuance of an rTPA permit and pursuant to the LNG Terminal Regulated Third Party Access Code. The unutilized capacity by a third party covered by an rTPA LNG terminal permit shall be opened to other third parties pursuant to the LNG Terminal Regulated Third Party Access Code.

SEC. 17. *Own Use LNG Terminal.* – An own use LNG terminal permit holder shall:

(a) Exclusively utilize the capacity allowed by and during the length of time specified in the own use permit, and may allow its affiliates to do the same; and

(b) Not enter into an nTPA or any similar arrangement with third parties or otherwise grant use and access of its facilities to such third parties to the extent of the capacity allowed and during the length of time specified in the own use permit, subject to Section 17 of this Act and the LNG Terminal Regulated Third Party Access Code.

SEC. 18. *Regulated Third Party Access LNG Terminal.* – The issuance of an rTPA permit to an owner and operator of an LNG terminal shall take into consideration the capacity and utilization of the LNG terminal, current midstream end users, existing market conditions, and other relevant information with the end in view of enabling competition in the natural gas industry. The use and access of the capacity covered by an rTPA permit shall be open to all third parties subject to the payment of a terminal fee. An rTPA LNG terminal permit holder shall:

(a) Publicly disclose the capacity available to and utilization by third parties in accordance with the reportorial requirements under this Act and the LNG Terminal Regulated Third Party Access Code;

(b) Determine the mode of competitive selection of third parties: *Provided*, That each LNG terminal shall determine its own competitive selection process which shall be transparent, fair, reasonable, and non-discriminatory subject to the reportorial requirements under this Act;

(c) Provide regulated third party access to the extent of the capacity allowed by and during the length of time specified in its rTPA permit; and

(d) Not give any undue preference or advantage to any third party, whether in rates, terms, conditions, or special privileges.

Chapter V

TRANSPORT AND TRANSMISSION OF NATURAL GAS

SEC. 19. *Transport of Natural Gas.* – Natural gas, in its original or liquefied form, may be transported within the country through virtual pipelines, motor vehicles, and marine vessels in accordance with this Act. The use, access, and fees for the transportation of natural gas shall be unregulated but shall be subject to the permits, licenses, certificates, authorizations, standards, regulations, and guidelines promulgated pursuant to Chapter II of this Act.

SEC. 20. *Transmission of Natural Gas.* – Natural gas may be transmitted through dedicated natural gas pipelines or natural gas transmission systems either from an LNG terminal or a local natural gas production facility.

SEC. 21. *Dedicated Natural Gas Pipelines.* – The ownership and operation of a dedicated natural gas pipeline shall not be considered a public utility and shall not require a legislative franchise, but shall require a permit in accordance with Section 6 of this Act. Its use, access, and fee for use shall be unregulated, but shall be subject to permits, licenses, certificates,

authorizations, standards, regulations, guidelines, codes, and reportorial requirements as provided in this Act. The owner and operator of a dedicated natural gas pipeline shall:

(a) Exclusively utilize the capacity of its dedicated natural gas pipeline or allow its affiliates to do the same;

(b) Not enter into an nTPA or any similar arrangement with third parties or otherwise grant use and access of its facilities to such third parties; and

(c) Inform the ERC of its intent to convert its facilities to a natural gas transmission system simultaneously with its application for a legislative franchise as a natural gas transmission utility.

SEC. 22. *Natural Gas Transmission Systems.* – The use, access, and terminal fee of a natural gas transmission system shall be regulated. The ownership and operation of a natural gas transmission system shall be considered a public utility and shall require a legislative franchise. The issuance of a CPCN to a natural gas transmission utility shall take into consideration its legal, technical, and financial capability.

The use and access to the entire capacity of a natural gas transmission system shall be open to all third parties for a natural gas transmission fee, subject to the reserve price of the ERC in accordance with Section 6 of this Act: *Provided*, That in the case of a dedicated natural gas pipeline that converts its facilities into a natural gas transmission system, existing contracts with affiliates for the use of the pipeline at the time of the effectivity of such franchise shall be allowed to continue until the end of the contract, which shall not be subject to any extension.

A natural gas transmission utility shall:

(a) Regularly disclose to the public the capacity available for and utilization by third parties in accordance with the reportorial requirements under this Act and the Transmission Regulated Third Party Access Code;

(b) Determine the mode of and conduct a competitive selection of third parties: *Provided*, That each natural gas transmission utility shall determine its own competitive selection process which shall be transparent, fair, reasonable, and non-discriminatory, subject to the reportorial requirements under this Act;

(c) Ensure that the winning bid does not go beyond the reserve price determined by ERC pursuant to Section 6 of this Act;

(d) Provide transparent, fair, reasonable, and non-discriminatory use and access to third parties;

(e) Not give any undue preference or advantage to any third party, whether in rates, terms, conditions, or special privileges;

(f) Submit annually its Natural Gas Transmission Development Plan to DOE for review and approval, or the NGTSO, whichever is applicable, pursuant to Sections 5 and 24 of this Act;

(g) Assign to the NGTSO the operation and maintenance of its natural gas transmission system upon direction of the ERC after the Interconnection of natural gas transmission systems and the selection of the NGTSO; and

(h) When applicable, inform and coordinate with the NGTSO for the location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of any part of the natural gas transmission system to be undertaken in accordance with its submitted National Gas Transmission Development Plan.

SEC. 23. *Natural Gas Transmission System Operator.* – The DOE, based on the Philippine Energy Plan, the Midstream Natural Gas Industry Development Plan, and the various Natural Gas Transmission Development Plans shall determine the necessity of and then direct the interconnection of natural gas transmission systems pursuant to Section 5 of this Act. The DOE shall thereafter select a single independent NGTSO. The NGTSO shall not be an affiliate of any LNG terminal owner and operator, natural gas transmission utility, or any midstream end-user. The NGTSO shall:

(a) Operate and manage the interconnected natural gas transmission system in accordance with the Natural Gas Transmission Code and Transmission Regulated Third Party Access Code;

(b) Coordinate with natural gas transmission utilities for the location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of any part of the natural gas transmission system in accordance with their submitted Natural Gas Transmission Development Plan;

(c) Furnish midstream natural gas industry participants with sufficient information for efficient access to the interconnected natural gas transmission system;

(d) Procure ancillary services necessary to support the reliable and continuous flow of natural gas through the interconnected natural gas transmission system;

(e) Annually prepare a comprehensive Natural Gas Transmission Development Plan based on the submitted Natural Gas Transmission Development Plans of natural gas transmission utilities, upon consultation with public and private stakeholders, and submit the same for review and approval of the DOE;

(f) Collect an NGTSO fee, subject to the approval of the ERC; and

(g) Perform other functions and responsibilities determined by the DOE and ERC pursuant to Sections 5 and 6 of this Act.

Chapter VI

RATES, FEES, AND OTHER CHARGES

SEC. 24. *Publication and Unbundling of Fees.* – LNG terminals with regulated third party access, whether through an rTPA permit or a DOE declaration of an unutilized capacity, natural gas transmission utilities, and the NGTSO shall identify and segregate in their bills to

midstream end-users the components of their terminal fees, natural gas transmission fees, and NGTSO fee, respectively, and publish the same on their website.

SEC. 25. *Other Fees and Charges.* – The DOE, ERC, and other relevant government agencies may impose reasonable fees for processing applications and permits as may be necessary in this Act pursuant to Executive Order No. 292, otherwise known as the Administrative Code of 1987, and Republic Act No. 9136 otherwise known as the Electric Power Industry Reform Act of 2001.

Chapter VII

PROHIBITED ACTS AND PENALTIES

SEC. 26. *Prohibited Acts.* – Without prejudice to civil and criminal liability, the following acts shall be prohibited:

(a) For government agencies: failing to comply with the responsibilities under Chapter II of this Act, and within the timeframes specified in Sections 5, 6, and 37 of this Act;

(b) For midstream natural gas industry participants:

- (1) Engaging in activities without the required permits, licenses, certificates, and Authorizations under this act, specifically:
 - (i) Engaging in the aggregation, supply, importation, exportation, receipt, unloading, loading, processing, storage, regasification, transmission, bunkering, and transportation of natural gas, or the location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of an LNG terminal, natural gas transmission system, dedicated natural gas pipeline, virtual pipeline, and motor vehicles and marine vessels transporting natural gas without a permit as defined in this Act from DOE, ERC, or DOTR or its attached agencies.
 - (ii) Engaging in any activity as a midstream natural gas industry participant without a license, certificate, and authorization from DENR, DOH, Department of Interior and Local Government or its attached agencies, local government units, and other relevant government agencies.
 - (iii) Operating as an own use terminal without an own use permit,
 - (iv) Operating as an rTPA terminal without an rTPA permit, and
 - (v) Operating a natural gas transmission system without legislative franchise and a CPCN;
- (2) Failure to comply with health, safety, security, and environmental standards, requirements, and guidelines as well as codes under this Act, whichever is applicable, specifically:

- (i) Failure to comply with the PNS or other International standards adopted as PNS of the following:
 - a) Natural gas, in its original or liquefied form,
 - b) Location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of all LNG terminals,
 - c) Storage and bunkering of natural gas and its respective facilities,
 - d) Virtual pipelines,
 - e) Motor vehicles and marine vessels transporting natural gas,
 - f) Dedicated natural gas pipelines, and
 - g) Natural gas transmission systems;
- (ii) Failure to comply with standards, rules, and regulations in the conduct of health risk assessment studies in cases of natural gas accidents,
- (iii) Failure to comply with the Natural Gas Transmission Code,
- (iv) Failure to comply with the LNG Terminal Regulated Third Party Access Code,
- (v) Failure to comply with the Transmission Regulated Third Party Access Code, and
- (vi) Failure to comply with the safety and exclusion zone;
- (3) Failure to submit or disclose required data, information, and documents, whichever is applicable, specifically:
 - (i) Failure to submit an LNG Terminal Development Plan,
 - (ii) Failure to submit a Natural Gas Transmission Development Plan,
 - (iii) Refusal or failure to submit the required data and information to the DOE pursuant to Section 5 of this Act,
 - (iv) Refusal or failure to submit the required documents, data, and information to the ERC pursuant to Section 6 of this Act,
 - (v) Refusal or failure to submit health data and Information to the DOH pursuant to Section 8 of this Act,
 - (vi) Refusal or failure to publicly disclose the following:

- a) Capacity available to third parties, and
 - b) Utilization of capacities by third parties;
- (vii) Failure to furnish midstream natural gas industry participants with sufficient information for efficient access to the interconnected natural gas transmission system, and
 - (viii) Failure to inform the ERC of its intent to convert a dedicated natural gas pipeline to a natural gas transmission system simultaneous with its application for a legislative franchise;
- (4) Failure to comply with the requirements on fees, whichever is applicable, specifically:
- (i) Failure to comply with the publication and unbundling requirement for the terminal fee, natural gas transmission fee, and NGTSO fee, whichever is applicable,
 - (ii) Collecting an NGTSO fee without the approval of ERC,
 - (iii) Awarding a winning bid beyond the reserve price,
 - (iv) determined by ERC, winning bid, and
 - (v) Collecting a natural gas transmission fee higher than the Disclosing the reserve price before the determined time by ERC;
- (5) Failure to comply with the requirements on own use and regulated third party access, whichever is applicable, specifically:
- (i) Allowing a third party to use a portion or the entire capacity of a dedicated natural gas pipeline,
 - (ii) Entering into an nTPA or similar arrangement with third parties or granting use and access to third parties to the extent of the capacity covered by an own use permit for LNG terminals,
 - (iii) Refusal or failure to conduct a transparent, fair, reasonable, and non-discriminatory competitive selection of third parties for the capacity covered by an rTPA permit for LNG terminals, or the entire capacity of a natural gas transmission system,
 - (iv) Using or allowing an affiliate to use the capacity covered by an rTPA permit for LNG terminals or a portion or the entire capacity of a natural gas transmission system without undergoing a competitive selection process,
 - (v) Giving any undue preference or advantage to any third party, whether in rates, terms, conditions, or special privileges,

- (vi) Failure to provide transparent, fair, reasonable, and non-discriminatory use and access to third parties, and
 - (vii) Failure to comply with mandated regulated third-party access for unutilized capacity;
- (6) Failure to comply with other responsibilities as midstream natural gas industry participants, whichever is applicable, specifically:
- (i) Refusal to participate as an Identified member of the technical working group,
 - (ii) Failure to cooperate in any investigation conducted by DOE, ERC, or PCC pursuant to their powers under this Act,
 - (iii) Failure to comply with the prior approval requirement of any sale, assignment, or transfer of control of a midstream natural gas industry participant with a DOE issued permit to another entity.
 - (iv) Failure to comply with the directive of DOE for prior disclosure of any sale, assignment, or transfer of ownership or direct or indirect interests, rights, or participation of a midstream natural gas industry participant with a DOE issued permit to another entity,
 - (v) Engaging in anti-competitive behavior,
 - (vi) Refusal or failure to assign to the NGTSO the operation and maintenance of its natural gas transmission system upon directive of the ERC,
 - (vii) Refusal or failure to inform and coordinate with the NGTSO or the natural gas transmission utilities, whichever is applicable, for the location, construction, improvement, operation, utilization, expansion, modification, rehabilitation, repair, maintenance, decommissioning, and abandonment of any part of the natural gas transmission system,
 - (viii) Failure to secure ancillary services necessary to support the reliable and secure flow of natural gas through the interconnected natural gas transmission system, and
 - (ix) Failure to comply with other responsibilities not otherwise stated in this Section.

SEC. 27. *Penalties.* – Without prejudice to civil and criminal liability, the following administrative penalties shall be imposed upon any natural or juridical person for every prohibited act enumerated below:

(a) Section 26 (a): Fine not exceeding the equivalent of six (6) months' salary or suspension not exceeding one (1) year, or removal depending on the gravity of the offense;

(b) Section 26 (b):

- (1) First Offense: Fine of not less than Five hundred thousand pesos (P500,000) for every day of non-compliance, and if applicable, suspension of permits, licenses, certificates, or authorizations until the violation is corrected.
- (2) Second Offense: Fine of not less than One million pesos (P1,000,000) for every day of non-compliance, and if applicable, suspension of permits, licenses, certificates, or authorizations until the violation is corrected, and
- (3) Third Offense: Fine of not less than Five million pesos (P5,000,000), revocation of permits, licenses, certificates, or authorizations, and disqualification from applying for future permits, licenses, certificates, or authorizations. In the case of natural gas transmission utilities, DOE and ERC shall recommend the revocation of their respective franchises to Congress. In the case of the NGTSO, it shall be replaced.

Provided, That the administrative penalty for Section 26(b)(6)(v) shall be pursuant to Section 29 of the Philippine Competition Act.

Chapter VIII FINAL PROVISIONS

SEC. 28. *Incentives*. – LNG terminals, storage facilities, bunkering facilities, dedicated own use natural gas pipelines, and natural gas transmission systems, shall be included in the Strategic Investment Priority Plan subject to an evaluation process and shall be entitled to the incentives and for the length of time provided under Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987, as amended by Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act, and other applicable laws.

SEC. 29. *Permits and Licenses*. – All permits, licenses, certificates, and authorizations issued pursuant to this Act shall be streamlined and shall be covered by Republic Act No. 11234, otherwise known as the Energy Virtual One-Stop Shop Act, except for those whose time frames are expressly provided herein.

SEC. 30. *Public Access to Information*. – The DOE, ERC, and other relevant government agencies shall allow public access, through its website, to all data and information submitted in the implementation of this Act: *Provided*, That such access is compliant with Section 32 hereto.

SEC. 31. *Treatment of Confidential Information*. – The DOE, ERC, and other relevant government agencies shall not disclose any proprietary and confidential information to the public and to other midstream natural gas industry participants unless prior consent of the source or owner of such information has been obtained by the requesting party: *Provided*, That prior consent shall not be required if the proprietary and confidential information is requested by a government agency and the request is made in performance of its functions: *Provided further*, That the requesting government agency shall not disclose the proprietary and confidential information to the public and to other midstream natural gas industry participants.

SEC. 32. *Establishment of Dedicated Offices.* – The DOE and the ERC shall establish dedicated bureaus or offices for the effective implementation of this Act. The organizational structure and staffing complement shall be determined by the DOE Secretary and ERC Chairperson respectively, with approval of the Department of Budget and Management or the Office of the President, whichever is applicable, and in accordance with existing civil service rules and regulations.

SEC. 33. *Appropriations.* – The amount of Seventy-five million pesos (P75,000,000.00) shall be charged against the current year's appropriations of the DOE and the amount of Seventy million pesos (P70,000,000.00) shall be charged against the current year's appropriations of the ERC, all for the initial Implementation of this Act. Thereafter, such amounts necessary for the sustainable implementation of this Act shall be included in the annual General Appropriations Act.

SEC. 34. *Congressional Oversight.* – The Joint Congressional Energy Commission (JCEC) shall exercise oversight powers over the implementation of this Act. The DOE, ERC, and other relevant government agencies shall submit annual reports to the JCEC no later than the fifteenth day of September, which shall include the latest relevant data, implementation review and reports, and policy and regulatory issues.

SEC. 35. *Transitory Period.* – All midstream natural gas Industry participants shall comply with the provisions of this Act within five (5) years from its effectivity: *Provided*, That health, safety, security, environmental, construction, operation and other permits, licenses, certificates, and authorizations issued prior to the effectivity of this which are not inconsistent herewith shall remain valid.

Natural gas transmission systems existing at the time of the effectivity of this Act shall be allowed to continue pursuant to the terms and conditions indicated in their franchise and until the lapse of the period accorded to them in the franchise.

SEC. 36. *Implementing Rules and Regulations.* – The DOE and ERC, in coordination and consultation with the relevant offices, agencies, and instrumentalities of the national and local government, as well as the public and private stakeholders, shall issue and promulgate the necessary implementing rules and regulations (IRR) of this Act within six (6) months from the effectivity of this Act.

SEC. 37. *Separability Clause.* – If any provision of this Act shall be declared invalid or unconstitutional, such declaration shall not affect the validity of the remaining provisions of this Act.

SEC. 38. *Amendatory and Repealing Clause.* – The specific provisions of Republic Act No. 387, otherwise known as the Petroleum Act of 1949, and Presidential Decree No. 334, Creating the Philippine National Oil Company, Defining Its Powers and Functions, Providing Funds Therefor, and For Other Purposes, that are inconsistent with this Act are hereby amended or repealed accordingly.

All other laws, ordinances, rules, regulations and issuance or parts thereof, that are inconsistent with this Act, are likewise repealed, amended or modified accordingly.

SEC. 39. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in two (2) newspapers of general circulation.

Approved,