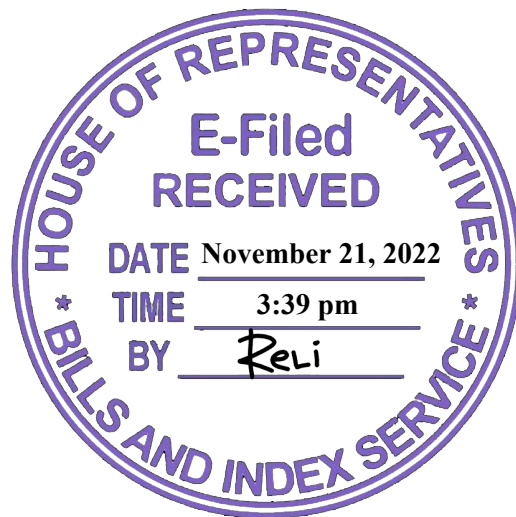




**Republic of the Philippines
House of Representatives
Quezon City, Metro Manila**

**Nineteenth Congress
First Regular Session**

HOUSE BILL NO. 6247



Introduced by Representative Rudys Caesar G. Fariñas I

EXPLANATORY NOTE

There is a need for a statute that will cover all aspects of the midstream natural gas industry, which includes transportation, transmission, storage, and marketing of natural gas, in its original or liquefied form. Because of this, and owing to the intricacy of the midstream natural gas industry, comprehensive legislation is needed to fill in the gaps and strengthen existing bridge policies to unlock the potential of natural gas as a vital energy source for the country.

This proposed measure has three main characteristics to develop the country's midstream natural gas industry:

- It allows private sector participation across the entire value chain, given the complex nature of the investment.
- It allows the government to adapt to evolving market conditions considering the nascency of the industry, which has the potential to grow into a mature market.
- It protects consumers' interests by incentivizing transparency and competition and disincentivizes anticompetitive behavior.

Hence, the passage of this measure is sought.

RUDYS CAESAR G. FARIÑAS I



**Republic of the Philippines
House of Representatives
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HOUSE BILL NO. 6247

Introduced by Representative Rudys Caesar G. Fariñas I

**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**

*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.”

SECTION 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

- 1
2 (f) Protect midstream end users by mandating transparent and fair rates,
3 fees, and charges.
4

5 **SECTION 3. Scope and Application.** – This Act shall apply to the midstream
6 natural gas industry specifically the aggregation, supply, importation,
7 exportation, receipt, unloading, loading, processing, storage, regasification,
8 transmission, bunkering, and transportation of natural gas, in its original or
9 liquefied form, from local or foreign sources, and the systems and facilities
10 utilized for such. It shall also apply to the location, construction, improvement,
11 operation, utilization, expansion, modification, rehabilitation, repair,
12 maintenance, decommissioning, and abandonment of such systems and
13 facilities.
14

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

- 17 (a) Affiliate refers to any natural or juridical person who, singly or jointly with
18 other natural or juridical persons, directly or indirectly, through one or
19 more intermediaries, controls, is controlled by, or is under common control
20 with another natural or juridical person. It includes a subsidiary company,
21 a parent company, and the subsidiaries, directly or indirectly, of a common
22 parent;
23 (b) Ancillary reserve refers to the natural gas procured by the natural gas
24 transmission utility or the NGTSO, whichever is applicable, necessary in
25 the operation of the natural gas transmission system to regulate
26 fluctuations in its operating pressure and maintain system stability,
27 safety, and efficiency to ensure the continuous transmission of natural gas
28 to midstream end-users in accordance with the Natural Gas Transmission
29 Code. It shall be included in the natural gas transmission fee or the
30 NGTSO fee, whichever is applicable;
31 (c) Anticompetitive behavior refers to any act enumerated under Section 14
32 and Section 15 of Republic Act No. 10667, otherwise known as the
33 Philippine Competition Act;
34 (d) LNG Bunkering refers to the selling of natural gas for use of domestic or
35 foreign marine vessels;
36 (e) LNG Bunkering Facilities refers to all infrastructure built and designed for
37 LNG bunkering;
38 (f) Capacity refers to the handling design of a system used in the context of
39 its functionality, expressed in a specific measurement such as volume in
40 cubic meters or flow rate in normal cubic meters per time unit;
41 (g) Control refers to the power to determine the financial and operating
42 policies of an entity to benefit from its activities. It is presumed to exist
43 when the parent entity owns, directly or through subsidiaries or
44 associates, more than fifty percent (50%) of the voting power of an entity.
45 It also exists when the parent entity owns fifty percent (50%) or less of the
46 voting power of an entity, but has any of the following powers:
47 a. Power over more than fifty percent (50%) of the voting rights by
48 virtue of an agreement with other investors,
49 b. Power to govern the financial and operating policies of the entity
50 under a statute or agreement,
51 c. Power to appoint or remove the majority of the members of the board
52 of directors or equivalent governing body, or
53 d. Power to cast the majority of votes at meetings of the board of
54 directors or equivalent governing body;
55 (h) Dedicated natural gas pipeline refers to a pipeline exclusively utilized by a
56 midstream natural gas industry participant or its affiliate for the
57 conveyance of natural gas from an LNG terminal or a local natural gas

- 1 production facility to the said midstream natural gas industry participant
2 or its affiliate;
- 3 (i) Emergency reserve refers to the amount of natural gas, in its original or
4 liquefied form, which may be contracted by midstream end users based on
5 public interest, sufficient to ensure a continuous, adequate, and stable
6 supply of natural gas for a period in the event of a supply disruption. The
7 period shall be determined in this Act's implementing rules and
8 regulations;
- 9 (j) Importation refers to the bringing of natural gas, in its original or liquefied
10 form, into the Philippines from foreign sources;
- 11 (k) Gas aggregation refers to the activity of pooling together various demands
12 for natural gas from midstream end users and supplying them with
13 natural gas from one or more sources;
- 14 (l) Gas aggregator refers to any natural or juridical person who engages in
15 gas aggregation;
- 16 (m) Liquefied natural gas (LNG) refers to natural gas which has been
17 cooled to a cryogenic temperature, converting it to a liquid state;
- 18 (n) LNG terminal refers to all facilities located onshore or offshore, that are
19 used to import, receive, unload, load, process, store, and regasify natural
20 gas, in its original or liquefied form, from local or foreign sources. It shall
21 include berthing ports, unloading and loading arms, line packs, cryogenic
22 pipelines, regasification facilities, and storage tanks, among others;
- 23 (o) LNG Terminal Development Plan refers to a comprehensive plan prepared
24 by each LNG terminal owner and operator relating to the location,
25 construction, improvement, operation, utilization, expansion,
26 modification, rehabilitation, repair, maintenance, decommissioning, and
27 abandonment of each of its LNG terminals and all its required facilities
28 and equipment, taking into consideration, among others, existing and
29 projected demand and supply of natural gas;
- 30 (p) LNG Terminal Regulated Third Party Access Code refers to the
31 compendium of responsibilities, qualifications, standards, and rules
32 promulgated by the Department of Energy (DOE) for regulated third party
33 access by one or more third parties to a portion, the entire, or the
34 unutilized capacity of an rTPA LNG terminal permit holder, and the
35 evaluation of performance of an LNG terminal with respect thereto;
- 36 (q) Midstream end user refers to any natural or juridical person, requiring the
37 supply of natural gas, in its original or liquefied form, for resale or own use
38 but excluding the retail use of natural gas. It includes power generation
39 plants, industrial and commercial establishments, ecozones, storage
40 facilities, bunkering facilities, virtual pipelines, and motor vehicles and
41 marine vessels transporting natural gas;
- 42 (r) Midstream natural gas industry refers to the aggregation, supply,
43 importation, exportation, receipt, unloading, loading, processing, storage,
44 regasification, transmission, bunkering, and transportation of natural gas,
45 in its original or liquefied form, but shall exclude the retail of natural gas.
46 It utilizes, among others, LNG terminals, dedicated natural gas pipelines,
47 natural gas transmission systems, storage facilities, bunkering facilities,
48 virtual pipelines, and motor vehicles and marine vessels transporting
49 natural gas;
- 50 (s) Midstream Natural Gas Industry Development Plan refers to the
51 comprehensive plan for ensuring safe, secure, and reliable supply of
52 natural gas, in its original or liquefied form, while establishing the efficient
53 operations of the country's midstream natural gas infrastructure and
54 managing demand for natural gas through specific government programs
55 and policies. It shall include the various LNG Terminal Development Plans
56 and Natural Gas Transmission Development Plans, and studies on over-
57 all supply and demand, capacity, and other research necessary in

- 1 achieving a sound demand and supply projection for natural gas in the
2 country;
- 3 (t) Midstream natural gas industry participants refer to the supplier or
4 importer of natural gas; gas aggregator; owner and operator of LNG
5 terminal, dedicated natural gas pipeline, natural gas transmission system,
6 storage and bunkering facilities, virtual pipelines, and motor vehicles and
7 marine vessels utilized to transport natural gas; the Natural Gas
8 Transmission System Operator; third parties; and midstream end users;
- 9 (u) Natural gas refers to gas obtained from boreholes and wells consisting
10 primarily of a mixture of methane, ethane, propane, and butane with small
11 amounts of heavier hydrocarbons and some impurities, notably nitrogen
12 and complex sulfur compounds and water, carbon dioxide, and hydrogen
13 sulfide as well as non-conventional gas including gas from bituminous
14 shale;
- 15 (v) Natural Gas Transmission Code refers to the compendium of rules,
16 procedures, requirements, regulations, and minimum technical
17 performance standards governing the safe and reliable location,
18 construction, improvement, operation, utilization, expansion,
19 modification, rehabilitation, repair, maintenance, decommissioning, and
20 abandonment of all dedicated natural gas pipelines and natural gas
21 transmission systems in the country. It also defines and establishes the
22 relationship of dedicated natural gas pipelines and natural gas
23 transmission systems with facilities and installations of other midstream
24 natural gas industry participants, if applicable;
- 25 (w) Natural Gas Transmission Development Plan refers to the plan of each
26 dedicated own use pipeline owner and operator, natural gas transmission
27 utility, or the Natural Gas Transmission System Operator when applicable,
28 for managing dedicated own use pipelines, natural gas transmission
29 systems or the interconnected natural gas transmission system, whichever
30 is applicable, through efficient planning for its location, construction,
31 improvement, operation, utilization, expansion, modification,
32 rehabilitation, repair, maintenance, decommissioning, and abandonment;
- 33 (x) Natural gas transmission system refers to a network containing pipelines
34 and other related facilities, owned and operated by a natural gas
35 transmission utility, which convey natural gas, in its original or liquefied
36 form, from an LNG terminal or a local natural gas production facility to a
37 midstream natural gas industry participant;
- 38 (y) Natural gas transmission fee refers to the amount paid by midstream
39 natural gas industry participants for the use of a natural gas transmission
40 system. It shall consist of amounts used to defray the costs of location,
41 construction, improvement, operation, utilization, expansion,
42 modification, rehabilitation, repair, maintenance, decommissioning, and
43 abandonment of the system, and provide a reasonable rate of return. It
44 also includes the cost of operating the system while there is no Natural
45 Gas Transmission System Operator;
- 46 (z) Natural Gas Transmission System Operator (NGTSO) refers to a natural or
47 juridical person responsible for operating and maintaining the
48 interconnected natural gas transmission system, ensuring the continuous
49 and reliable delivery of natural gas to midstream natural gas industry
50 participants, and securing the long-term ability of the system to meet
51 demand for the transmission of natural gas;
- 52 (aa) Natural gas transmission utility refers to a natural or juridical
53 person who has a franchise granted by law to construct, own, and operate
54 a natural gas transmission system within a specified area;
- 55 (bb) Negotiated third party access (nTPA) refers to a contractual
56 arrangement between the owner and operator of a dedicated natural gas
57 pipeline or an own use LNG terminal permit holder and a third party to

- 1 allow the use and access to such third party of a specific capacity of a
2 dedicated natural gas pipeline or an LNG terminal with an own use permit
3 for a fee agreed upon between the two entities. It does not include
4 contractual arrangements entered into by an own use LNG terminal permit
5 holder and a third party pursuant to a declaration of unutilized capacity
6 by the DOE in accordance with the LNG Terminal Regulated Third Party
7 Access Code;
- 8 (cc) NGTSO fee refers to the amount paid by midstream natural gas
9 industry participants to the NGTSO for its services in operating and
10 maintaining the interconnected natural gas transmission system;
- 11 (dd) Own use LNG terminal permit holder refers to an LNG terminal
12 whose owner and operator has been issued an own use permit;
- 13 (ee) Own use permit refers to an authorization issued by DOE to the
14 owner and operator of an LNG terminal to exclusively use or allow its
15 affiliate to use a specific capacity of the LNG terminal for a specified period
16 of time, subject to LNG Terminal Regulated Third Party Access Code;
- 17 (ff) Permit refers to an authorization issued by the DOE, the Energy
18 Regulatory Commission (ERC), or the Department of Transportation
19 (DOTr) or its attached agencies, whichever is applicable, for the
20 aggregation, supply, importation, exportation, receipt, unloading, loading,
21 processing, storage, regasification, and bunkering of natural gas, or the
22 location, construction, improvement, operation, utilization, expansion,
23 modification, rehabilitation, repair, maintenance, decommissioning, and
24 abandonment of an LNG terminal, natural gas transmission system,
25 dedicated natural gas pipeline, storage facilities, bunkering facilities,
26 virtual pipelines, and motor vehicles and marines vessels transporting
27 natural gas for a specified period of time;
- 28 (gg) Permit holder refers to a natural or juridical person who is granted
29 a permit by the DOE, ERC, or DOTr or its attached agencies whichever is
30 applicable, to engage in the aggregation, supply, importation, exportation,
31 receipt, unloading, loading, processing, storage, regasification, and
32 bunkering of natural gas, or the location, construction, improvement,
33 operation, utilization, expansion, modification, rehabilitation, repair,
34 maintenance, decommissioning, and abandonment of an LNG terminal,
35 natural gas transmission system, dedicated natural gas pipeline, storage
36 facilities, bunkering facilities, virtual pipelines, and motor vehicles and
37 marine vessels transporting natural gas for a specified period of time;
- 38 (hh) Philippine National Standard (PNS) refers to the standards
39 promulgated by the Department of Trade and Industry (DTI) – Bureau of
40 Philippine Standards (BPS) pertaining to product specifications, test
41 methods, terminologies, procedures, or practices pursuant to Republic Act
42 No. 4109, otherwise known as the Standards Act, and other applicable
43 laws, rules and regulations;
- 44 (ii) Regulated third party access refers to a contractual arrangement between
45 the following:
- 46 a. An rTPA LNG terminal permit holder or a natural gas transmission
47 utility and a third party to allow the latter transparent, fair,
48 reasonable, and non-discriminatory use and access of the capacity
49 available to third parties of the LNG terminal or the natural gas
50 transmission system,
- 51 b. An own use LNG terminal permit holder and a third party pursuant
52 to a declaration of unutilized capacity by the DOE in accordance
53 with the LNG Terminal Regulated Third Party Access Code, or
- 54 c. A natural gas transmission utility and a third party pursuant to a
55 declaration of unutilized capacity by the DOE in accordance with
56 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:
- a. The capacity or a portion thereof covered by an rTPA permit of an LNG terminal, or
 - b. 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

1 **SECTION 5. Powers and Responsibilities of the Department of Energy (DOE).**

2 – In addition to its functions under Republic Act No. 7638, otherwise known as
3 the Department of Energy Act of 1992, the DOE shall be the lead implementing
4 agency for this Act. Towards this end, it shall:

- 5 (a) Supervise and monitor the development of the midstream natural gas
6 industry, and ensure the security and sufficiency of the supply of natural
7 gas for local demand;
- 8 (b) Require the annual submission of, review, and approve LNG Terminal
9 Development Plans and Natural Gas Transmission Development Plans:
10 Provided, That the specific guidelines and timeline for the approval of these
11 plans shall be determined in this Act's implementing rules and regulations
12 taking into consideration the policy declarations of this Act and upon
13 consultation with other relevant government agencies, midstream natural
14 gas industry participants, and other public and private stakeholders;
- 15 (c) Prepare a Midstream Natural Gas Industry Development Plan based on the
16 various LNG Terminal Development Plans and Natural Gas Transmission
17 Development Plans within two (2) years from the effectivity of this Act's
18 implementing rules and regulations, upon consultation with other relevant
19 government agencies, midstream natural gas industry participants, and
20 other public and private stakeholders. The Midstream Natural Gas
21 Industry Development Plan shall be reviewed and updated annually, and
22 integrated into the Philippine Energy Plan;
- 23 (d) Promulgate the PNS or identify and adopt other international standards
24 adopted as PNS by the DTI-BPS, together with relevant government
25 agencies and upon consultation with midstream natural gas industry
26 participants and other public and private stakeholders, within eighteen
27 (18) months from the effectivity of this Act's implementing rules and
28 regulations, for the following:
- 29 a. Natural gas, in its original or liquefied form,
30 b. Location, construction, improvement, operation, utilization,
31 expansion, modification, rehabilitation, repair, maintenance,
32 decommissioning, and abandonment of all LNG terminals,
33 c. Storage and bunkering of natural gas and its respective facilities,
34 d. Virtual pipelines, and
35 e. Motor vehicles and marine vessels transporting natural gas;
- 36 (e) Ensure compliance with the health, safety, security, and environmental
37 standards of the following, together with the Department of Environment
38 and Natural Resources (DENR), Department of Health (DOH), and other
39 relevant government agencies:
- 40 a. Natural gas, in its original or liquefied form,
41 b. Location, construction, improvement, operation, utilization,
42 expansion, modification, rehabilitation, repair, maintenance,
43 decommissioning, and abandonment of all LNG terminals, and
44 c. Storage and bunkering of natural gas and its respective facilities;
- 45 (f) Convene and co-chair with DTI-BPS, within two (2) months from the
46 effectivity of this Act, a technical working group comprised of relevant
47 government agencies to include the ERC, DTI, DOTr, DENR, DOH,
48 Department of Labor and Employment (DOLE), Department of Interior and
49 Local Government (DILG), their respective attached agencies, midstream
50 natural gas industry participants, and other relevant public and private
51 stakeholders to ensure consistent and streamlined standards and
52 regulations in the midstream natural gas industry. The members of the
53 technical working group shall fully cooperate and collaborate in the
54 creation, promulgation, and streamlining of standards and regulations;
- 55 (g) Promulgate the guidelines for the establishment of safety and exclusion
56 zones of LNG terminals, and determine such safety and exclusion zone for
57 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:
 - a. 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
 - b. 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:
 - a. Reasonable period to use the capacity,
 - b. Existing market demand, and
 - c. 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:
 - a. Reliable and continuous supply of natural gas, and
 - b. 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 21 of this Act, upon consultation with relevant government agencies, midstream natural gas industry participants, and other public and private

- 1 stakeholders, and undertake its selection upon the interconnection of
2 natural gas transmission systems;
- 3 (p) Require the submission of the following information from suppliers,
4 importers, aggregators, and owners and operators of LNG terminals,
5 storage facilities, and bunkering facilities, whichever is applicable, subject
6 to Section 31 of this Act:
- 7 a. Progress and status reports on location, construction, improvement,
8 operation, expansion, modification, rehabilitation, repair,
9 maintenance, decommissioning, and abandonment of LNG
10 terminals and storage and bunkering facilities,
 - 11 b. Regular reports on the following:
 - 12 i. Compliance with health, safety, security, and environmental
13 standards,
 - 14 ii. Utilization of the LNG terminal by its owner and operator, the
15 owner and operator's affiliates, and third parties, whichever is
16 applicable, and
 - 17 iii. Compliance with the LNG Terminal Regulated Third Party
18 Access Code to include compliance with DOE directive to
19 subject an unutilized capacity to regulated third party access;
 - 20 c. Supply and demand of natural gas with respect to their own facilities
21 or operations,
 - 22 d. Volumes of specific inventories to include levels of importation and
23 emergency reserve,
 - 24 e. Progress and status reports on mitigation measures and responses
25 in relation to accidents and other emergency incidents,
 - 26 f. Mode of competitive selection of third parties for rTPA LNG terminal
27 permit holders, reports on competitive selection processes
28 undertaken, and status of utilization by third parties of the LNG
29 terminal with an rTPA permit: Provided, That the mode for each
30 competitive selection process shall be determined by each rTPA LNG
31 terminal permit holder: Provided further, That each competitive
32 selection process shall be transparent, fair, reasonable, and non-
33 discriminatory, and
 - 34 g. Other data and information necessary to the performance of the
35 duties and functions of DOE;
- 36 (q) Determine the necessity of and then direct the interconnection of natural
37 gas transmission systems based on the Philippine Energy Plan, Midstream
38 Natural Gas Development Plan, and the Natural Gas Transmission
39 Development Plans, taking into consideration the maturity of the industry,
40 the existing natural gas transmission systems' infrastructure, and the cost
41 efficiency of interconnection, and upon consultation with the ERC, other
42 relevant government agencies, midstream natural gas industry
43 participants, and other public and private stakeholders;
- 44 (r) Ensure compliance with the publication and unbundling of the terminal
45 fee in accordance with Section 24 of this Act;
- 46 (s) Ensure and review compliance with, and investigate, motu proprio or upon
47 complaint, any non-compliance with this Act including any permit DOE
48 has issued in relation hereto, its rules and regulations, the LNG Terminal
49 Regulated Third Party Access Code, and any other issuance promulgated
50 pursuant to the DOE's powers under this Act, except those under the
51 jurisdiction of the ERC as provided under Section 6 herein. Thereafter,
52 the DOE may penalize, suspend, or revoke, after due notice and hearing
53 any permit it has issued;
- 54 (t) Endorse the findings of investigations against midstream natural gas
55 industry participants, for any of the following:
- 56 a. Anticompetitive behavior before the Philippine Competition
57 Commission (PCC), or

- b. 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.

SECTION 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:
 - a. Dedicated natural gas pipelines, and
 - b. 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:
 - a. Dedicated natural gas pipelines, and
 - b. 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:
 - a. Reasonable period to use the capacity,
 - b. Existing market demand, and
 - c. 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:
 - a. Reliable and continuous supply of natural gas, and
 - b. Transparent, fair, reasonable, and non-discriminatory use and access;

- 1 (i) Declare the unutilized capacity of a natural gas transmission system and
2 mandate regulated third party access for such in accordance with the
3 Transmission Regulated Third Party Access Code;
- 4 (j) Determine minimum guidelines to ensure the transparent, fair,
5 reasonable, and non-discriminatory conduct of competitive selection
6 processes by natural gas transmission utilities: Provided, That these
7 minimum guidelines shall not include the mode of competitive selection
8 process;
- 9 (k) Approve or disapprove any plan of a natural gas transmission utility, an
10 owner and operator of a dedicated natural gas pipeline, and the NGTSO to
11 sell, assign, or transfer control to another entity. Concomitantly, the ERC
12 may require from a natural gas transmission utility, an owner and
13 operator of a dedicated natural gas pipeline, and the NGTSO the prior
14 disclosure of any sale, assignment, or transfer of ownership or direct or
15 indirect interests, rights, or participation to another entity. In both these
16 cases, the ERC may review, modify, cancel, approve, or disapprove any
17 permit it has issued taking into consideration the legal, technical, and
18 financial qualifications of the purchaser, assignee, or transferee and its
19 compliance with its ERC issued permits under this Act and existing laws,
20 rules and regulations;
- 21 (l) Require the submission of the following information from the owner and
22 operator of dedicated natural gas pipelines, the natural gas transmission
23 utility, and the NGTSO, whichever is applicable, subject to Section 31 of
24 this Act:
- 25 a. Progress and status reports on location, construction, improvement,
26 operation, expansion, modification, rehabilitation, repair,
27 maintenance, decommissioning, and abandonment of dedicated
28 natural gas pipelines, natural gas transmission systems, and the
29 interconnected natural gas transmission system,
- 30 b. Regular reports on the following:
- 31 c. Compliance with health, safety, security, and environmental
32 standards,
- 33 d. Utilization of the dedicated natural gas pipeline and natural gas
34 transmission system by its owner and operator, the owner and
35 operator's affiliates, and third parties, whichever is applicable,
- 36 e. Compliance with the Transmission Regulated Third Party Access
37 Code to include compliance with DOE directive to subject an
38 unutilized capacity to regulated third party access;
- 39 f. Supply and demand of natural gas with respect to their own facilities
40 or operations,
- 41 g. Volumes of specific inventories to include levels of ancillary reserve,
42 when applicable,
- 43 h. Compliance with health, safety, security, and environmental
44 standards, and activities in relation thereto,
- 45 i. Progress and status reports on mitigation measures and responses
46 in relation to accidents and other significant or emergency incidents;
- 47 j. Mode of competitive selection of third parties for natural gas
48 transmission utilities, reports on competitive selection processes
49 undertaken to include the natural gas transmission fee, and status
50 of utilization by third parties: Provided, That the mode for each
51 competitive selection process shall be determined by each natural
52 gas transmission utility: Provided further, That each competitive
53 selection process shall be transparent, fair, reasonable, and non-
54 discriminatory,
- 55 k. Billed and collected amounts of the natural gas transmission fee and
56 NTSO fee, whichever is applicable, and

1. 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, upon 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:
 - a. Reserve price for the natural gas transmission fee. It shall remain undisclosed until the winning bidder is declared, and
 - b. NGTSO fee.
- (p) The ERC shall notify and afford relevant stakeholders the opportunity to be heard in the following:
 - a. Methodology for the determination of the reserve price, and
 - b. Determination of the NGTSO fee;
- (q) 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 24 of this Act;
- (r) 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;
- (s) 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;
- (t) Exercise overall regulatory supervision over dedicated natural gas pipelines, natural gas transmission systems, and the NGTSO; and
- (u) Perform all other acts that are analogous to the foregoing and in furtherance of the implementation of this Act.

SECTION 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.

SECTION 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

1 Republic Act No. 11223, otherwise known as the Universal Health Care Act, the
2 DOH, together with the DOE, the ERC or the DOTr, shall:

- 3 (a) Ensure and monitor compliance with the health standards for the location,
4 construction, improvement, operation, utilization, expansion, modification,
5 rehabilitation, repair, maintenance, decommissioning, and abandonment of
6 LNG terminals, natural gas transmission systems, dedicated natural gas
7 pipelines, storage facilities, bunkering facilities, virtual pipelines, and motor
8 vehicles and marine vessels transporting, storing, or processing natural gas,
9 in its original state or liquefied form, and all related equipment and facilities;
10 (b) Recommend standards, rules, and regulations in the conduct of health risk
11 assessment studies in cases of natural gas accidents;
12 (c) Develop guidelines, policies, and health standards on the treatment and
13 management of patients affected by natural gas accidents; and
14 (d) Require health data and information from LNG terminals, natural gas
15 transmission systems, dedicated natural gas pipelines, storage facilities, and
16 bunkering facilities, virtual pipelines, and motor vehicles and marine vessels
17 transporting, storing, or processing natural gas, in its original state or
18 liquefied form, and all related equipment and facilities.

19
20 **SECTION 9. Powers and Responsibilities of the Department of Trade and**
21 **Industry – Bureau of Philippine Standards.** – In addition to its functions under
22 Republic Act No. 4109, otherwise known as the Standards Act, the DTI-BPS,
23 shall act as the Co-Chairperson of the technical working group created pursuant
24 to Section 5 of this Act, and together with the DOE, the ERC, or the DOTR,
25 determine, develop, formulate, promulgate, and revise the Philippine National
26 Standards, or identify and adopt international standards as PNS, for natural gas,
27 in its original or liquefied form, LNG terminals, dedicated natural gas pipelines,
28 natural gas transmission systems, storage facilities, bunkering facilities, virtual
29 pipelines, and motor vehicles and marine vessels transporting, storing, or
30 processing natural gas, in its original state or liquefied form, and all related
31 equipment and facilities.

32
33 **SECTION 10. Powers and Responsibilities of the Department of**
34 **Transportation and its Attached Agencies.** – In addition to its functions under
35 Executive Order No. 125, series of 1987 otherwise known as the Reorganization
36 Act of the Ministry of Transportation and Communications, as amended, and
37 other applicable laws, the DOTr or its attached agencies such as the Land
38 Transportation Office, Land Transportation Franchising and Regulatory Board,
39 and Maritime Industry Authority, in coordination with the DOE, DENR, DOH,
40 DTI-BPS, and other relevant government agencies, shall issue the appropriate
41 guidelines and regulations and the applicable permits, licenses, certificates, or
42 authorizations to virtual pipelines, motor vehicles and marine vessels
43 transporting, storing or processing natural gas, in its original state or liquefied
44 form, as well as marine facilities used to import, receive, unload, load, transport,
45 process, and store natural gas in its original or liquefied form, including those
46 utilized as offshore LNG terminals. The DOTr shall monitor and ensure
47 compliance therewith.

48
49 **SECTION 11. Powers and Responsibilities of the Philippine Competition**
50 **Commission (PCC).** – In addition to its functions under Republic Act No. 10667,
51 otherwise known as the Philippine Competition Act, the PCC shall exercise
52 primary and exclusive jurisdiction over any anticompetitive behavior of
53 midstream natural gas industry participants.

54
55
56 **CHAPTER III**
57 **MIDSTREAM NATURAL GAS INDUSTRY PARTICIPANTS**

SECTION 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 24 of this Act; and
- (e) Not engage in any anticompetitive behavior.

**CHAPTER IV
LNG TERMINALS**

SECTION 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.

SECTION 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.

SECTION 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.

SECTION 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 17 of this Act and an rTPA LNG terminal permit holder pursuant to Section 18 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.

SECTION 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 16 of this Act and the LNG Terminal Regulated Third Party Access Code.

SECTION 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

SECTION 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.

SECTION 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.

SECTION 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 simultaneous with its application for a legislative franchise as a natural gas transmission utility.

SECTION 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 23 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.

SECTION 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

1 select a single independent NGTSO. The NGTSO shall not be an affiliate of any
2 LNG terminal owner and operator, natural gas transmission utility, or any
3 midstream end-user. The NGTSO shall:

- 4 (a) Operate and manage the interconnected natural gas transmission system
5 in accordance with the Natural Gas Transmission Code and Transmission
6 Regulated Third Party Access Code;
- 7 (b) Coordinate with natural gas transmission utilities for the location,
8 construction, improvement, operation, utilization, expansion,
9 modification, rehabilitation, repair, maintenance, decommissioning, and
10 abandonment of any part of the natural gas transmission system in
11 accordance with their submitted Natural Gas Transmission Development
12 Plan;
- 13 (c) Furnish midstream natural gas industry participants with sufficient
14 information for efficient access to the interconnected natural gas
15 transmission system;
- 16 (d) Procure ancillary services necessary to support the reliable and
17 continuous flow of natural gas through the interconnected natural gas
18 transmission system;
- 19 (e) Annually prepare a comprehensive Natural Gas Transmission
20 Development Plan based on the submitted Natural Gas Transmission
21 Development Plans of natural gas transmission utilities, upon
22 consultation with public and private stakeholders, and submit the same
23 for review and approval of the DOE;
- 24 (f) Collect an NGTSO fee, subject to the approval of the ERC; and
- 25 (g) Perform other functions and responsibilities determined by the DOE and
26 ERC pursuant to Sections 5 and 6 of this Act.

27 28 **CHAPTER VI** 29 **RATES, FEES, AND OTHER CHARGES**

30
31 **SECTION 24. Publication and Unbundling of Fees.** – LNG terminals with
32 regulated third party access, whether through an rTPA permit or a DOE
33 declaration of an unutilized capacity, natural gas transmission utilities, and the
34 NGTSO shall identify and segregate in their bills to midstream end-users the
35 components of their terminal fees, natural gas transmission fees, and NGTSO
36 fee, respectively, and publish the same on their website.

37
38 **SECTION 25. Other Fees and Charges.** – The DOE, ERC, and other relevant
39 government agencies may impose reasonable fees for processing applications
40 and permits as may be necessary in this Act pursuant to Executive Order No.
41 292, otherwise known as the Administrative Code of 1987, and Republic Act No.
42 9136 otherwise known as the Electric Power Industry Reform Act of 2001.

43 44 **CHAPTER VII** 45 **PROHIBITED ACTS AND PENALTIES**

46
47 **SECTION 26. Prohibited Acts.**– Without prejudice to civil and criminal liability,
48 the following acts shall be prohibited:

- 49 (a) For government agencies: failing to comply with the responsibilities under
50 Chapter II of this Act, and within the timeframes specified in Sections 5,
51 6, and 36 of this Act;
- 52 (b) For midstream natural gas industry participants:
 - 53 a. Engaging in activities without the required permits, licenses,
54 certificates, and authorizations under this Act, specifically:
 - 55 i. Engaging in the aggregation, supply, importation, exportation,
56 receipt, unloading, loading, processing, storage,
57 regasification, transmission, bunkering, and transportation of

- 1 natural gas, or the location, construction, improvement,
2 operation, utilization, expansion, modification, rehabilitation,
3 repair, maintenance, decommissioning, and abandonment of
4 an LNG terminal, natural gas transmission system, dedicated
5 natural gas pipeline, virtual pipeline, and motor vehicles and
6 marine vessels transporting natural gas without a permit as
7 defined in this Act from DOE, ERC, or DOTR or its attached
8 agencies,
- 9 ii. Engaging in any activity as a midstream natural gas industry
10 participant without a license, certificate, and authorization
11 from DENR, DOH, Department of Interior and Local
12 Government or its attached agencies, local government units,
13 and other relevant government agencies,
- 14 iii. Operating as an own use terminal without an own use permit,
15 iv. Operating as an rTPA terminal without an rTPA permit, and
16 v. Operating a natural gas transmission system without a
17 legislative franchise and a CPCN;
- 18 b. Failure to comply with health, safety, security, and environmental
19 standards, requirements, and guidelines as well as codes under this
20 Act, whichever is applicable, specifically:
- 21 i. Failure to comply with the PNS or other international
22 standards adopted as PNS of the following:
- 23 1. Natural gas, in its original or liquefied form,
24 2. Location, construction, improvement, operation,
25 utilization, expansion, modification, rehabilitation,
26 repair, maintenance, decommissioning, and
27 abandonment of all LNG terminals,
28 3. Storage and bunkering of natural gas and its respective
29 facilities,
30 4. Virtual pipelines,
31 5. Motor vehicles and marine vessels transporting natural
32 gas,
33 6. Dedicated natural gas pipelines, and
34 7. Natural gas transmission systems
- 35 ii. Failure to comply with standards, rules, and regulations in
36 the conduct of health risk assessment studies in cases of
37 natural gas accidents,
- 38 iii. Failure to comply with the Natural Gas Transmission Code,
39 iv. Failure to comply with the LNG Terminal Regulated Third
40 Party Access Code, and
41 v. Failure to comply with the Transmission Regulated Third
42 Party Access Code,
43 vi. Failure to comply with the safety and exclusion zone;
- 44 c. Failure to submit or disclose required data, information, and
45 documents, whichever is applicable, specifically:
- 46 i. Failure to submit an LNG Terminal Development Plan,
47 ii. Failure to submit a Natural Gas Transmission Development
48 Plan,
49 iii. Refusal or failure to submit the required data and information
50 to the DOE pursuant to Section 5 of this Act,
51 iv. Refusal or failure to submit the required documents, data,
52 and information to the ERC pursuant to Section 6 of this Act,
53 v. Refusal or failure to submit health data and information to
54 the DOH pursuant to Section 8 of this Act,
55 vi. Refusal or failure to publicly disclose the following:
- 56 1. Capacity available to third parties,
57 2. 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;
 - d. 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 determined by ERC,
 - iv. Collecting a natural gas transmission fee higher than the winning bid, and
 - v. Disclosing the reserve price before the determined time by ERC;
 - e. 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,
 - vii. Failure to comply with mandated regulated third party access for unutilized capacity;
 - f. 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.

SECTION 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):
 - a. 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,
 - b. 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
 - c. 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)(f)(v) shall be pursuant to Section 29 of the Philippine Competition Act.

CHAPTER VIII FINAL PROVISIONS

SECTION 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.

SECTION 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.

SECTION 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 31 hereto.

SECTION 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.

SECTION 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.

SECTION 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.

SECTION 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 not later than the fifteenth day of September, which shall include the latest relevant data, implementation review and reports, and policy and regulatory issuances.

SECTION 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.

SECTION 36. Implementing Rules and Regulations. – The DOE and ERC, in consultation with the relevant government agencies, and public and private stakeholders, shall issue the implementing rules and regulations (IRR) of this Act within six (6) months from its promulgation.

1 **SECTION 37. Separability Clause.** – Any provision of this Act, which may be
2 declared unconstitutional or invalid shall not have the effect of nullifying other
3 portions or provisions hereof.
4

5 **SECTION 38. Amendatory and Repealing Clause.** – The specific provisions of
6 Republic Act No. 387, otherwise known as the Petroleum Act of 1949, and
7 Presidential Decree No. 334, Creating the Philippine National Oil Company,
8 Defining its Powers and Functions, Providing Funds Therefor, and For Other
9 Purposes, that are inconsistent with this Act are hereby amended or repealed
10 accordingly.
11

12 All other laws, ordinances, rules, regulations and issuance or parts thereof, that
13 are inconsistent with this Act, are likewise amended or repealed accordingly.
14

15 **SECTION 39. Effectivity Clause.** – This Act shall take effect fifteen (15) days
16 after its publication in the Official Gazette or one (1) newspaper of general
17 circulation.
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19 *Approved,*
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