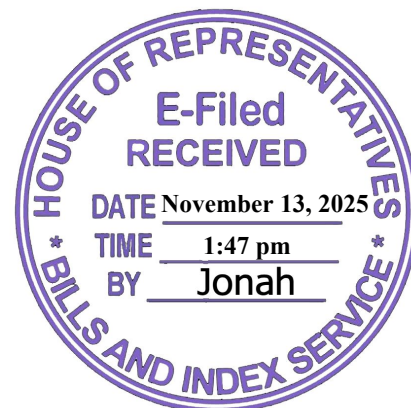


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 5958



Introduced by **Representative Ryan S. Recto**

EXPLANATORY NOTE

This bill seeks the renewal of the legislative franchise granted to First Gas Pipeline Corporation by virtue of Republic Act No. 8997 issued on January 11, 2001. The franchise was originally granted to First Gas Holdings Corporation but, as allowed and pursuant to the provisions of the franchise, First Gas Holdings Corporation assigned the same to its wholly-owned subsidiary, First Gas Pipeline Corporation.

The renewal of this franchise is urged to ensure the continuous and uninterrupted supply and distribution of quality and reliable energy. The proposed measure is anchored on two main objectives: first, to renew the franchise of First Gas Pipeline Corporation in line with state policy to promote and develop the Philippine natural gas industry and second, to expand its franchise coverage nationwide to build and maintain a wider distribution network for natural gas. These objectives are aligned with the national energy strategy of promoting supply stability, improving efficiency in distribution and gradually shifting towards cleaner sources of energy.

Energy is indispensable to economic growth and national development. The experience of the past decades has demonstrated that shortages, disruptions or inefficiencies in the energy supply chain have far-reaching consequences for industries, households and the economy at large. Natural gas, in particular, has been a cornerstone of the country's energy mix. Its role as a transitional or "bridge fuel" is recognized globally, as it emits 60% less carbon compared to coal and oil while providing the reliability and stability needed for the grid to integrate renewable energy sources.

Our country has already been reaping the benefits of natural gas use through the Malampaya gas field, which has fueled power plants supplying approximately one-fifth of the country's total electricity demand. However, the Malampaya gas field and its looming depletion threatens to create a gap in energy supply. If left unaddressed, this could result in higher power costs, greater dependence on imported fuel and vulnerabilities to global price shocks.

With that being said, the timely renewal as well as the expansion of First Gas Pipeline Corporation's franchise proves all the more urgent. The measure shall ensure that the infrastructure for transporting and distributing natural gas remains strong and ready to accommodate both existing and potential new source of energy supply

Lastly, the legislative franchise acts as a contract between the private company and the State which is a reflection of our commitment to uphold public interest by protecting strategic national assets.

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



RYAN S. RECTO
Representative
6th District, Batangas

Republic of the Philippines
HOUSE OF REPRESENTATIVES
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TWENTIETH CONGRESS
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HOUSE BILL NO. 5958

Introduced by **Representative Ryan S. Recto**

AN ACT

RENEWING FOR ANOTHER TWENTY-FIVE (25) YEARS THE FRANCHISE GRANTED TO FIRST GAS PIPELINE CORPORATION UNDER REPUBLIC ACT NO. 8997, ENTITLED "AN ACT GRANTING FIRST GAS HOLDINGS CORPORATION A FRANCHISE TO CONSTRUCT, INSTALL, OWN, OPERATE AND MAINTAIN A NATURAL GAS PIPELINE FOR THE TRANSPORTATION AND DISTRIBUTION OF NATURAL GAS TO DIFFERENT AREAS IN THE ISLAND OF LUZON" AND EXPANDING ITS COVERAGE TO THE ENTIRE PHILIPPINES

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

SECTION 1. *Nature and Scope of Franchise.* — Subject to the provisions of the Constitution and applicable laws, rules and regulations, there is hereby granted to First Gas Pipeline Corporation, its successors or assigns, hereunder referred to as the grantee, a franchise to construct, install, own, operate and maintain for commercial purposes and in the interest of the public, a natural gas pipeline system including pumping and compressing stations, metering and measurement facilities, storage tanks, gas tanks, power plants, shops, storehouses and other buildings, water supply and communication systems, roads and such other equipment or facilities as may be needed from time to time for the purpose of transporting and distributing natural gas throughout the Philippines.

Sec. 2. *Prior Approval of the Department of Environment and Natural Resources and the Department of Energy.* — The grantee shall secure from the Department of Environment and Natural Resources (DENR), the Department of Energy (DOE), or any other government agency which has jurisdiction over the operation of the herein franchise, the appropriate permits and licenses for the construction, installation, ownership, operation and maintenance of the said natural gas pipeline

system. The DENR, the DOE and other concerned government agencies shall not unreasonably withhold or delay the grant of any such authority.

Sec. 3. Authority to the End Consumer and the Environment. — The grantee shall at all times provide adequate, reliable and safe service to the end consumers and shall conform to the highest environment and safety standards as may be prescribed by the DOE, the DENR, and such other appropriate agencies of the government.

Sec. 4. Right of Way and Construction. — For the purpose of constructing, installing, operating and maintaining the pipeline system, it shall be lawful for the grantee to make excavations and lay pipes in any of the public lands, waters and properties, including highways, streets, bridges and public works in any city or municipality throughout the Philippines: *Provided*, That any public land, water and property, including highways, streets, bridges and public works disturbed, altered or changed thereby shall be repaired, restored and replaced in workmanlike manner by the grantee to the satisfaction of the Department of Public Works and Highways (DPWH) or the local engineering office, as the case may be, and in accordance with existing laws and rules on excavation and reconstitution of such public works.

Sec. 5. Easement Over Public Land. — When rights or easements of temporary occupancy over public land, water or property including highways, roads, bridges and other public works are needed by the grantee for the purpose of carrying out work essential to its operation, such right shall be granted by the DPWH who shall see to it that such easement or temporary occupancy shall cause the least inconvenience to the general public: whenever rights or easement of temporary occupancy over public land without existing infrastructure, including foreshore lands, are needed by the grantee in its operation, such rights or permit for the use or occupation of said public lands shall be granted by the DENR.

Sec. 6. Easement Over Private Land. — When easement or temporary occupancy over private lands are needed by the grantee for the purpose of carrying out work essential to its operations, the grantee may enter into the necessary agreement with the owner or legal occupant of such private lands. If no agreement could be reached, or if the owner or legal occupant refuses to grant such easement, or in general, when there exists any obstacle of whatever nature which may prevent the immediate and certain acquisition of the necessary area, or of any right indispensable to the grantee for the purpose of the franchise, the regional trial court of the city or province where the land is situated shall, upon application and posting of the necessary bond therefor, authorize the grantee to use and occupy the land needed by it in its operations, pending final determination of the case which shall include, among others, the reasonable value or rental of the land to be occupied and the compensation for any resulting damage that the landowner or legal occupant may suffer as a result of such operation.

Sec. 7. *Eminent Domain.* — The grantee may acquire such private property or portion thereof as is actually necessary for the realization of the purposes for which this franchise is granted: *Provided*, That in case the owner refuses to sell or allow the use thereof, the proper proceedings shall be instituted by the grantee, posting therefor a bond as may be fixed and approved by the regional trial court of the city or province where the land is situated. The court shall issue an order allowing such right pending the final determination of the proper amount that shall be paid by the grantee to the landowner or legal occupant.

Sec. 8. *Term of Franchise.* — This franchise shall be for a term of twenty-five (25) years from the date of effectivity of this Act, unless sooner revoked or cancelled. This franchise shall be deemed *ipso facto* revoked, in the event the grantee fails to commence the exercise of any privileges granted herein within five (5) years from the effectivity hereof.

Sec. 9. *Tax Provisions.* — The grantee, its successors or assigns, shall be subject to the payment of all taxes, duties, fees or charges and other impositions under the National Internal Revenue Code (NIRC) of 1997, as amended, and other applicable laws: *Provided*, That nothing herein shall be construed as repealing any specific tax exemptions, incentives or privileges granted under any relevant law: *Provided, further*, That all rights, privileges, benefits and exemptions accorded to existing and future natural gas distribution system franchises shall likewise be granted to the grantee.

The grantee shall file the return with the city or province where its facility is located, and pay the taxes due thereon to the Commissioner of Internal Revenue or his duly authorized representatives in accordance with the NIRC and the return shall be subject to audit by the Bureau of Internal Revenue.

Sec. 10. *Warranty in Favor of National and Local Government.* — The grantee shall hold the national, provincial and municipal governments of the Philippines harmless from all claims, accounts, demands or actions arising out of accidents or injuries, whether to property or to persons, caused by the construction, installation, operation and maintenance of the pipeline system.

Sec. 11. *Sale, Lease, Transfer, Usufruct, or Assignment of the Franchise.* - The Grantee shall not sell, lease, transfer, grant the usufruct of, or assign this franchise or the rights and privileges acquired thereunder to any person, firm, company, corporation or other commercial or legal entity, or merge with any other corporation, or entity, or transfer the controlling interest of the Grantee, whether as a whole or in part, and whether simultaneously or contemporaneously, to any person, firm, company, corporation, or entity without the prior approval of the Congress: *Provided*, That Congress shall be informed of any lease, transfer, grant of usufruct of, sale, or assignment of the franchise or the rights and privileges acquired thereunder, or of the merger, or sale of the controlling interest within sixty (60) days after the completion of said transaction: *Provided, further*, That, any such transfer,

sale, or assignment is in accordance with the constitutional limitations: *Provided, furthermore,* That failure to report to Congress such change of ownership shall render the franchise ipso facto revoked: *Provided, finally,* That any person or entity to which this franchise is sold, transferred, or assigned shall be subject to the same conditions, terms, restrictions, and limitations of this Act.

Sec. 12. *Separability Clause.* — If any of the sections or provisions of this Act is held invalid, all the other provisions not affected thereby shall remain valid.

Sec. 13. *Repealability and Nonexclusivity Clause.* — This franchise shall be subject to amendment, alteration or repeal by the Congress of the Philippines when the public interest so requires and shall not be interpreted as an exclusive grant of the privileges herein provided for.

Sec. 14. *Effectivity.* — This Act shall take effect fifteen (15) days from the date of its publication in the Official Gazette or in any newspaper of general circulation in the Philippines.