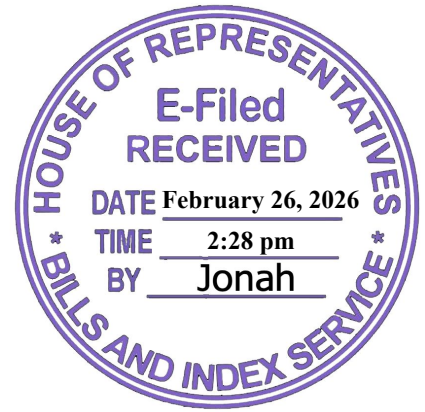


1 Republic of the Philippines
2 **HOUSE OF REPRESENTATIVES**
3 Batasan Hills, Quezon City

4
5
6 **TWENTIETH CONGRESS**
7 First Regular Session

8
9
10 **HOUSE Bill No. 8126**



11 -----
12
13 Introduced by
14 **ACT Teachers Party-List Rep. ANTONIO L. TINIO,**
15 **Gabriela Women's Party Rep. SARAH JANE I. ELAGO,**
16 **and KABATAAN Party-List Rep. RENEE LOUISE M. CO**
17 -----

18
19 **AN ACT**
20 **INSTITUTING CENTRALIZED PROCUREMENT OF PETROLEUM IN THE**
21 **COUNTRY**

22
23
24 **EXPLANATORY NOTE**

25
26 Up to 95% of the country's petroleum requirements are imported, rendering the
27 Philippines exceedingly vulnerable to the dictates of big transnational oil corporations.
28 These corporations control the importation, refining, and retailing of crude and
29 petroleum products in the world market, as well as the exploration, exploitation,
30 refining, retailing, and even re-exportation of our country's indigenous petroleum and
31 petroleum-based products. The worst implication of this system is that our severe
32 dependence on such corporations deprives us of the opportunity to become self-
33 sufficient.

34
35 These corporations, including Exxon-Mobil, Royal Dutch Shell, Chevron-
36 Texaco (its marketing arm is Caltex), British Petroleum (BP), and CFP-Total, have
37 almost complete control over the oil prices they collusively set worldwide. Even though
38 the largest oil-producing countries (Saudi Arabia, Iran, Venezuela, Mexico, and China)
39 control 90% of the world's oil reserves, these five transnational oil companies dictate
40 world prices because they control 60% of oil production and hold all levels of the market
41 through their vast global network of exploration and exploitation sites, partnerships with
42 nationalized oil companies, refineries, pipelines, tankers, and stations.

43
44 For the longest time, the Big Three—the local subsidiaries of Shell and Caltex
45 plus Petron—claim that they do not overprice. They justify their pricing by citing Dubai
46 oil prices exchanged over the spot market and Peso-Dollar exchange rate fluctuations.

Moreover, they deny the existence of a cartel, alleging that they merely follow the movements of world oil prices. They maintain these claims even as they are minimally affected by prices in world markets and even as they are able to trade in the same currency between subsidiaries.

Both public perception and research reveal what is called “price asymmetry”: whenever global prices rise, oil companies, especially the Big Three, are quick to hike pump prices more than proportionately. However, when global prices fall, they decrease prices slowly and less than proportionately. This pattern suggests collusion between oil companies taking advantage of global price increases to boost profits—acts of price manipulation that the government cannot check or prevent because it has relinquished control over oil price regulation.

For example, on June 18, 2013, citing escalating world oil prices, oil firms operating in the Philippines hiked prices of gasoline (₱1.05), diesel (₱1.45) and kerosene (₱1.30) per liter, inclusive of the 12% value-added tax. Even when international oil prices slumped in 2015, the corresponding downward adjustment of local oil prices was hardly commensurate with the price movement in the international oil market.

More recently, on February 22 and March 1, 2022, oil companies immediately announced local oil price hikes citing increases in global oil prices due to “prospects of a Russian invasion of Ukraine” and “fear of supply concerns across Europe and the world”¹—despite the fact that the Philippines does not buy oil directly from Russia. On March 7, 2022, there was a big-time local oil price hike due to the “discussions to ban Russian oil in the United States and Europe.”² The actual ban was only announced by the United States the following day.

Most tellingly, in contrast to the lowering of international oil prices from September 30 to October 17, 2025, Filipino consumers continued to suffer from consecutive local oil price hikes. From October 7 to November 10, 2025, the domestic price of gasoline increased by ₱4.00 per liter, while diesel and kerosene prices increased by ₱5.80 per liter and ₱3.60 per liter, respectively. These increases brought NCR pump prices³ of gasoline to ₱50.00-71.82 per liter, diesel to ₱49.00-66.90 per liter, and kerosene at ₱76.50-93.89 per liter. The following week, the Department of Energy announced another gasoline and diesel price hike amounting to ₱1.20.

Studies by independent economic research institution IBON on the prices of Dubai crude at US\$55.4 per barrel, with exploration costs at US\$3-4 per barrel, production costs at US\$7-8 per barrel, and royalties at US\$8 per barrel, show that a staggering US\$35-37 per barrel (63-67%) is taken home as super profits by the

¹ “Price Watch: Oil Monitor.” Department of Energy. Retrieved from <https://legacy.doe.gov.ph/oil-monitor?page=161>

² Crismundo, K. “‘Real’ big-time oil price hike set March 8.” Philippine News Agency, 7 March 2022. Retrieved from <https://www.pna.gov.ph/index.php/articles/1169175>

³ According to NCR Price Monitoring of Liquid Fuels of the DOE from November 4-7, 2025.

transnational oil corporations. This is only for the initial stage of production; more is expected to be raked-in from hidden transfer-pricing between company subsidiaries.

Because these subsidiaries under the same corporations are both the buyers (refiners in the downstream petroleum industry) and the sellers (producers in the upstream petroleum industry), they can fix and pad prices through hidden transfer pricing every step of the way, including the mere sale of petroleum and petroleum products from refiners to dealers. Estimates show that 67% of world trade in oil is done through term contracts, or transactions between subsidiaries of the same companies, bypassing exchanges over world markets.

Our dependence on imported petroleum and petroleum products has continually depleted our foreign currency reserves, which has caused the further devaluation of the Peso and has made importation more and more expensive. Even without factoring in increases in the world demand for oil and the artificial effects of speculation, world oil prices are unreasonably and unjustifiably high because they are under the control of monopolistic transnational oil corporations.

Republic Act No. 8479, or the “Downstream Oil Industry Deregulation Act of 1998,” professed to “ensure a truly competitive market under a regime of fair prices” through the liberalization and the deregulation of the local downstream oil industry. But to begin with, R.A. 8479 has the wrong premise that the world pricing of petroleum and petroleum products is fair and justifiable.

Hence, this deregulation law merely advocates fair pricing through the “mediation” between big oil companies (refiners and importers) and relatively small dealers, haulers, and LPG distributors, the opening of the market to new industry participants nonetheless dependent on big transnational oil corporations, and the relatively insignificant financial and operational support for small-scale gasoline station retailers.

From the very beginning, R.A. 8479 was bound to fail to implement fair prices since it ignored monopoly-pricing practices and cartel behavior by the giant transnational oil corporations. Worse, deregulation has given transnational oil corporations even more room to manipulate prices through automatic oil price hikes, less transparency in pricing, profits, and operations, and virtually no accountability to the consuming public.

Petroleum is a sensitive commodity, since its price directly affects the cost of almost all other commodities and services, including essentials such as food, housing, social services, as well as transportation. Deregulation has allowed oil price increases to go unchecked. Deregulation has given transnational oil corporations even more leeway to influence the country’s cost of living, livelihoods, business and commerce, employment, and the National Budget. The detrimental effects of an unfair world set-up dominated by giant, monopolistic, transnational oil corporations are magnified by liberalization and deregulation.

134
135 There is a pressing need to interdict the hidden and unchecked transfer pricing
136 between oil company subsidiaries, including probable price padding in the sale of
137 petroleum and petroleum products between refiners and local subsidiaries, to protect
138 the majority of Filipinos from current runaway increases in oil prices.
139

140 But such state intervention can only be effective and truly beneficial if it is part
141 of a program to institutionalize national oil industrialization, so that local oil prices can
142 be brought down from the unreasonable and unjustifiable levels set by giant
143 transnational oil corporations, and prevented from further monopoly pricing and
144 manipulation.
145

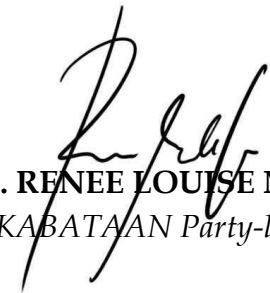
146 This Bill therefore requires the institution of a centralized procurement system
147 of all imported crude oil and refined petroleum products, which includes the creation of
148 buffer supplies to cushion consumers against drastic increases in petroleum prices.
149

150 This measure was first and originally filed during the 16th Congress by the
151 Makabayan bloc led by Bayan Muna Reps. Neri Colmenares and Carlos Zarate as HB
152 176. The Bill was also refiled during the 17th Congress as HB 3678.
153

154 Immediate passage of this measure is earnestly sought.
155


REP. ANTONIO L. TINIO
ACT Teachers Party-list


REP. SARAH JANE I. ELAGO
Gabriela Women's Party


REP. RENEE LOUISE M. CO
KABATAAN Party-list

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Batasan Hills, Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE Bill No. 8126

Introduced by
ACT Teachers Party-List Rep. ANTONIO L. TINIO,
Gabriela Women’s Party Rep. SARAH JANE I. ELAGO,
and **KABATAAN Party-List Rep. RENEE LOUISE M. CO**

AN ACT
INSTITUTING CENTRALIZED PROCUREMENT OF PETROLEUM IN THE
COUNTRY

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

SECTION 1. Short Title. – This Act shall be known as the “**Centralized Petroleum Procurement Act.**”

SEC. 2. Declaration of Policy. –

I. Social Justice

Article II, Section X of the 1987 Constitution states: “The State shall promote social justice in all phases of national development.”

Article II, Section XIX of the 1987 Constitution states: “The State shall develop a self-reliant and independent national economy effectively controlled by Filipinos.”

II. National Economy and Patrimony

Article XII, Section I of the 1987 Constitution states: “The goals of the national economy are a more equitable distribution of opportunities, income, and wealth; a sustained increase in the amount of goods and services produced by the nation for the benefit of the people; and an expanding productivity as the key to raising the quality of life for all, especially the under-privileged.”

Article XII, Section XIII of the 1987 Constitution states: “The State shall pursue a trade policy that serves the general welfare and utilizes all forms and arrangements of exchange on the basis of equality and reciprocity.”

Article XII, Section XIV of the 1987 Constitution states: “The State shall regulate or prohibit monopolies when the public interest so requires. No combinations in restraint of trade or unfair competition shall be allowed.”

Article XII, Section XVIII of the 1987 Constitution states: “The State may, in the interest of national welfare or defense, establish and operate vital industries and, upon payment of just compensation, transfer to public ownership utilities and other private enterprises to be operated by the Government.”

Consistent with the foregoing, petroleum and petroleum products, being vital to national security and their supply at reasonable prices being essential to the general welfare, it is hereby declared to be the policy of the State that the act and business of importing, exporting, re-exporting, distributing, and selling at wholesale of crude oil, gasoline, kerosene, gas, and other refined petroleum products, as well as operations and activities of natural and juridical persons, firms, and entities engaged in the petroleum industry shall be carried out in a manner consistent with the public interest, so as to attain the following objectives and purposes:

- a. To assure that the indigenous petroleum and petroleum-based resources shall be primarily for the benefit of the general welfare;
- b. To assure that the country shall have a proper, adequate, and continuous supply of crude oil and refined petroleum products under the most economic and competitive terms possible, considering all available sources of supply;
- c. To assure the public of reasonable prices for petroleum products and to prevent monopoly, combinations in restraint of trade, unfair competition, and economic domination; and
- d. To minimize the cost and the outflow of foreign exchange involved in the operations of the petroleum industry.

SEC. 3. Coverage. – This Act shall apply to all natural and juridical persons, firms, and entities engaged in any and all activities of the petroleum industry, as well as persons or companies directly importing or exporting crude or refined petroleum products for their own use or for the use of other natural and juridical persons, firms, and entities engaged in any and all activities of the petroleum industry.

These activities include the act and business of importing, exporting, re-exporting, storing, distributing, and selling both at wholesale and retail of crude oil, gasoline, kerosene, gas, and other refined petroleum products.

249
250 **SEC. 4. Definition of Terms. –**
251

- 252 a. **“Exchange”** shall mean the Philippine National Oil Company-National
253 Petroleum Exchange Corporation (PNOC-NPEC).
254
255 b. **“Logistics Company”** shall mean the PSTSC or the PNOC (Philippine National
256 Oil Company) Shipping, Transport, and Storage Corporation.
257
258 c. **“Petroleum”** shall refer to the naturally occurring mixture of compounds of
259 hydrogen and carbon with a small proportion of impurities and shall include any
260 mineral oil, petroleum gas, hydrogen gas, bitumen, asphalt, mineral wax, and all
261 other similar or naturally-associated substances, with the exception of coal, peat,
262 bituminous shale and/or other stratified mineral fuel deposits;
263
264 d. **“Crude oil”** or **“oil”** shall be used interchangeably with **“petroleum”**.
265
266 e. **“Petroleum products”** shall only refer to liquefied petroleum gas (LPG),
267 naphtha, gasolines, kerosenes, automatic/industrial diesel oils, and
268 industrial/residual fuel oils.
269
270 f. **“Plan”** shall refer to the Centralized Petroleum Procurement Plan.
271

272 **SEC. 5. Creation of the National Petroleum Exchange Corporation. –** There is
273 hereby created the National Petroleum Exchange Corporation (NPEC), hereafter
274 referred to as the Exchange, with the primary objective to enable the country to get the
275 best prices, and adequate and stable supplies for its requirements of crude oil and
276 petroleum products. The National Petroleum Exchange Corporation shall be a
277 subsidiary company of the Philippine National Oil Company (PNOC), making
278 Philippine National Oil Company-National Petroleum Exchange Corporation (PNOC-
279 NPEC) the company’s formal corporate name.
280

281 **SEC. 6. Board of Directors of the Exchange. –** The Board shall be composed of a
282 Chairperson and six (6) Directors to be appointed by the Board of Directors of the
283 Exchange’s mother corporation, the Philippine National Oil Company (PNOC). The
284 Chairperson and the Board Directors shall be natural-born citizens and residents of the
285 Philippines; persons of good moral character; at least thirty-five (35) years of age; of
286 recognized competence in any of the following fields: energy, law, economics, finance,
287 commerce and industry, and management; or the transportation and consumer sectors;
288 and with at least five (5) years of actual and distinguished experience in their respective
289 fields of expertise or sectors: *Provided, That* of the six (6) Directors of the Board, at
290 least one (1) shall have had (10) years experience in the fields of management,
291 economics, or commerce and industry; one (1) shall be a certified public accountant
292 with at least ten (10) years experience in active practice; and one (1) shall be a sector
293 leader who has been active for at least ten (10) years in the transportation, consumer, or
294 industrial sector.

The term of office of the Chairperson and the Board Directors shall be four (4) years: *Provided*, That for the first appointees, the Chairperson shall hold office for four (4) years, one Director shall hold office for four (4) years, another two for three (3) years, and the remaining two Directors shall hold office for two (2) years: *Provided further*, That for subsequent appointees, the successor of each Director shall have the same tenure as his predecessor: *Provided further*, That appointment to any vacancy shall only be for the unexpired term of the predecessor: *Provided finally*, That in no case shall any member serve for more than four (4) years in the Board.

Within three (3) months from the creation of the Exchange, the Chairperson shall submit for the approval by the PNOC Board of Directors the new organization structure and plantilla positions necessary to carry out the powers and functions of the Exchange.

No person who has worked within four (4) years immediately prior to his appointment or is working in any firm engaged in the petroleum industry or any other entity whose main business is directly or indirectly related to any such firm shall be appointed to the Board. The Chairperson and Directors of the Board shall be prohibited from holding any interest whatsoever, except for the Chairperson of the NPSTSC, either as investor, stockholder, officer, or director, in any company or entity engaged in the business of exploring, exploiting, importing, exporting, re-exporting, shipping, transporting, processing, refining, storing, marketing, distributing, and selling both at wholesale and retail any petroleum resource and must, therefore, divest through sale or legal disposition of any and all interest in the petroleum industry upon assumption of office.

The presence of at least four (4) members of the Board shall constitute a quorum and the vote of three (3) members in a meeting where a quorum is present shall be necessary for the adoption of any rules, rulings, orders, resolutions, decisions, or other acts of the Board in the exercise of its functions.

Former Chairpersons and members of the Board are prohibited from working directly or indirectly in any firm engaged in the petroleum industry or any other entity whose main business is directly or indirectly related to any such firm within one (1) year from the time they have ceased to be officially connected with the Exchange.

The five (5) appointed Board Directors shall devote their full time to the Board and shall not accept any other employment while sitting in the Board.

SEC. 7. Jurisdiction, Powers, Functions, and Duties of the Exchange. – The Exchange shall centralize and strictly regulate the movement of petroleum and petroleum products at the stages of importation, exportation, re-exportation, distribution, storage, and selling both at wholesale and retail of crude oil, gasoline, kerosene, gas, and other refined petroleum products.

For this purpose, the general jurisdiction, powers, functions, and duties of the Exchange shall include the following:

- 341
- 342 a. Instituting a centralized procurement system, which shall take over all
- 343 importation of crude oil and petroleum products and shall be the sole supplier of
- 344 crude and petroleum for the local markets—for all local oil subsidiaries,
- 345 wholesalers, retailers, as well as to all natural and juridical persons, firms, and
- 346 entities engaged in the act and business of importing, marketing, distributing,
- 347 and selling both at wholesale and retail crude oil and petroleum products for their
- 348 own use or for the use of other natural and juridical persons, firms, and entities
- 349 engaged in any and all activities of the petroleum industry;
- 350
- 351 b. Determining and supplying the country's total annual requirement for crude oil,
- 352 gasoline, diesel, kerosene, fuel oil, liquefied petroleum gas, and other oil
- 353 products;
- 354
- 355 c. Determining and sourcing the most economic, stable, and adequate foreign
- 356 sources of crude oil and petroleum products based on the following criteria:
- 357
- 358 i. Ownership of petroleum suppliers: shares of small private investors,
- 359 national governments, and transnational oil corporations and the
- 360
- 361 ii. Inclusion of mutually advantageous commodity swaps and/or foreign
- 362 exchange arrangements in bilateral petroleum trade agreements; and
- 363
- 364 d. Ensuring that locally extracted crude oil, locally refined petroleum, and locally
- 365 processed petroleum products primarily and singularly serve the country's local
- 366 petroleum requirements.
- 367

368 **SEC. 8. Staff of the Exchange.** – The Chairperson and the Directors of the Exchange

369 board shall appoint and maintain their adequate officers, staff, and personnel, including

370 technical boards, to be maintained according to the functions, powers, and duties of the

371 PNOC-NPEC.

372

373 **SEC. 9. Centralized Petroleum Procurement Plan.** – Complete procurement of 100%

374 of the national petroleum needs, as determined by the NPEC, shall be effected over a

375 period of not less than four (4) years and not more than five (5) years, for which each

376 year shall cover 20% to 25% more than the previous year of the national petroleum

377 needs.

378

379 The pace and the time frame of the Centralized Petroleum Procurement Plan shall be

380 based on the following criteria:

381

- 382 a. Total national demand forecasts on crude oil and petroleum products, on a
- 383 weekly, monthly, quarterly, and yearly basis, to be organized and undertaken by
- 384 the Exchange, which shall be based on the requirements of the local petroleum
- 385 marketing companies, independent demand projections, and demand forecasts
- 386 by the Exchange;

- 387
- 388 b. Actual total national requirements on crude oil and petroleum products, for
- 389 previous months, quarters, and years, to be organized and undertaken by the
- 390 Exchange, which shall be based on actual sales of local petroleum marketing
- 391 companies and separate investigations by the Exchange;
- 392
- 393 c. Actual total importations of crude oil and petroleum products, for previous
- 394 months, quarters, and years, to be organized and undertaken by the Exchange,
- 395 which shall be based on the records of the Bureau of Customs, actual sales of
- 396 local petroleum marketing companies, and separate investigations by the
- 397 Exchange;
- 398
- 399 d. Effective control of the Exchange over shipping, transport, and storage facilities
- 400 of crude oil and petroleum products, as detailed under Section 12 of this Act;
- 401
- 402 e. Levels of the sources of funding, as delineated under Section 17 of this Act;
- 403
- 404 f. Efficacy of Commodity Swaps and other bilateral trade negotiations between
- 405 PNOC-NPEC and state-owned oil companies from oil-producing countries as
- 406 delineated under Sections 10-11 of this Act; and
- 407
- 408 g. Forecasts, feasibility studies, and planning sessions by the Board of the
- 409 Exchange.
- 410

411 For the first year upon the effectivity of this Act, the Exchange shall utilize the shipping,

412 transport, and storage facilities of Petron Corporation, as renationalized under Section

413 13 and 14 of this Act, and of the PNOC Shipping and Transport Corporation (PSTC),

414 and shall progressively augment such facilities and capabilities, for the succeeding years

415 of the Centralized Petroleum Procurement Plan, as delineated under the provisions of

416 Section 12 of this Act.

417

418 The ability of the Exchange to procure a surplus of imported petroleum over the actual

419 total national requirements, as delineated under Section 15 of this Act as the Buffer

420 Supply, marks the last period of the Centralized Petroleum Procurement Plan.

421

422 At the conclusion of the Plan, the National Petroleum Exchange Corporation shall be

423 the sole source of the country's total requirement for petroleum and refined petroleum

424 products. All petroleum marketing companies, petroleum dealers and traders, and all

425 other importers of petroleum and refined petroleum products shall thereby be prohibited

426 to procure by themselves or through other natural and juridical persons, firms, and

427 entities, through importation or any such transportation, shipment, and freight activity,

428 petroleum and refined petroleum products. They shall likewise be prohibited from

429 exporting or re-exporting crude oil and petroleum products within the period of the plan,

430 from which time they will be required to apply for exporting and re-exporting licenses

431 from the Exchange.

432

Violations of these provisions shall be dealt with by the penalties under Section 19 of this Act.

SEC. 10. Bilateral Negotiations between PNOC-NPEC and state-owned oil companies from oil-producing countries. – When bidding out supply contracts to prospective exporters of crude oil and refined petroleum products, the Exchange shall prioritize, and if possible, restrict supply contracts to 100% state-owned oil companies from oil-producing countries, which have the least influence from transnational oil corporations.

The Exchange shall avoid dealing with state-owned oil companies with strategic linkages with transnational oil corporations and shall, by policy, include in such contracts trade agreements involving non-petroleum products. These trade agreements include, but are not limited to, commodity swaps as delineated under Section 11 of this Act.

The Exchange shall minimize, as much as possible and within the limits of annual appropriations under Section 17 of this Act, cash outlays for performing its procurement activities.

SEC. 11. Commodity Swaps and other bilateral trade and currency agreements. – When bidding out supply contracts to prospective importers of crude oil and refined petroleum products, the Exchange shall, as a matter of policy and especially in trade with state-owned oil companies from oil-producing countries, pursue commodity swaps where the Exchange shall push for special terms in supply contracts of crude oil and refined petroleum products in exchange for equally favorable concessions to exporting countries.

Such swaps shall include the trade of products without the exchange of foreign currencies to minimize the impact of fluctuations in the U.S. Dollar-Philippine Peso exchange rate on the price of oil. An alternative practice shall include the Exchange purchasing petroleum imports using the Philippine Peso, which oil-exporting countries can subsequently use to pay for their imports from the Philippines. These trade practices shall be subject to actual negotiations.

The Exchange, in consultation with the Secretary of the Department of Trade and Industry (DTI), is tasked to spearhead activities relating to commodity swaps and other bilateral trade agreements. It shall conduct studies on which petroleum exporting countries would such arrangements be most feasible before commencing with the bidding and negotiations.

The Exchange, in consultation with the DTI Secretary, shall likewise explore previously untapped trade partners for crude oil and refined petroleum products for which commodity swaps and other bilateral trade agreements may be feasible.

SEC. 12. Shipping, Transport and Storage. – For the Exchange to centralize and strictly regulate the movement of petroleum and petroleum products at shipping, transport, and storage, as well as enable it to get the best shipping, transport, and storage prices for its imported crude oil and petroleum products, Petron Corporation, as renationalized under Sections 13 to 14 of this Act, with the PNOC Shipping and Transport Corporation (PSTC), another subsidiary company of the Philippine National Oil Company, are hereby tasked to fulfill, in the first year upon the effectivity of this Act, the shipping and transportation needs of the Exchange. Any and all deficiencies in the ability of Petron and the PSTC to fulfill the shipping and transport needs of the Exchange shall be resolved by the Exchange by acquiring, leasing, or renting private shipping and transport facilities, through supplementary appropriations.

To respond to the storage needs of the Exchange, the mandate of the PNOC Shipping and Transport Corporation is hereby extended to include storage, besides shipping and transport. The PSTC is thus renamed as the PNOC Shipping, Transport, and Storage Corporation (PSTSC), hereon referred to as the Logistics Company.

To effectively empower the Exchange, together with the use of the oil depots and storage facilities of Petron Corporation, the newly established PSTSC shall hereby acquire majority equity control over vital, national oil storage facilities through the purchase of stock. PSTSC shall initially acquire, through supplementary appropriations and succeeding general appropriations, majority stake in the top three (3) to five (5) oil depots in the country. PSTSC shall acquire more stock in these corporations and shall likewise take control of, lease, or rent other vital oil storage facilities as the need arises for the Exchange and as is feasible according to the Centralized Petroleum Procurement Plan under Section 8 of this Act.

The Logistics Company shall initially attempt to buy back the shares at the Philippine Stock Exchange. If the minimum 51% equity from the involved corporations is not purchased, the Exchange shall cause the expropriation, subject to just and fair compensation, of shares from foreign investors or from local investors, or whoever/whichever has possession/ownership/control/custody thereof.

SEC. 13. Transitory Provision. – Upon the effectivity of this Act, the Philippine National Oil Company (PNOC) shall, upon the first year of effectivity of this Act, reacquire equity in Petron Corporation by at least 11% of its total subscribed stocks. PNOC shall initially buy back the shares at the Philippine Stock Exchange. If the minimum 11% is not repurchased, the PNOC shall cause the expropriation, subject to just and fair compensation, of Petron stocks.

For the first year, upon the effectivity of this Act, Four Billion Pesos (₱4,000,000,000) shall be appropriated by the National Government for this initial repurchase of Petron stocks. Earnings from the stake of PNOC in Petron Corporation shall be utilized as the secondary funding source for this stock repurchase.

SEC. 14. Full Nationalization of Petron Corporation. – The PNOC shall reacquire 100% ownership of Petron Corporation over a period of four (4) years. Reacquisition costs shall mainly be funded by the National Government, through annual budget appropriations. The secondary source for the full repurchase shall be the expanding earnings of PNOC from its increasing stake in Petron Corporation over the period of reacquisition.

To achieve this objective, the PNOC is hereby required to aggressively and consistently improve the operations and income of Petron Corporation in line with the policies of this Act. The eventual corporate merger of the PNOC and Petron Corporation shall be a matter of policy.

SEC. 15. Buffer Supply. – Once the Exchange has reached procurement levels where 100% of the previous year's actual total importation is already being procured for the current year, the Exchange shall procure greater volume than the present year's total national demand or importation forecasts, if warranted by the availability of funds. Any surplus inventories from present year's petroleum procurement shall serve as stock for the Buffer Supply of the Exchange.

Buffer supplies shall thereon be maintained and expanded during periods of relatively low world prices of oil, lower levels of consumption, and during periods where commodity swaps and bilateral trade negotiations bear extraordinary levels of supply.

These supplies shall be withdrawn during periods of extremely high global prices of oil and during shortages in order to delay any necessary price increases and bridge the gap between import levels and actual domestic demand.

The Exchange shall set minimum Buffer Supply levels at the conclusion of the Centralized Petroleum Procurement Plan. At this point, the Exchange shall set a program to progressively increase the minimum Buffer Supply level until a suitable floor level can be maintained. Minimum Buffer Supply levels and subsequent modifications shall be set by the Board of the Exchange.

When Buffer Supply minimum floor levels have been maintained for at least five (5) years, extraordinary gains from existing inventories due to extremely large increases in global prices can be plowed back, by recommendation of the Board of the Exchange, into the funding resources of the Exchange.

SEC. 16. Waiving of Tariff Duties on Imported Oil. – The PNOC-National Petroleum Exchange Corporation shall hereby be exempted from import tariffs on crude oil and petroleum products, thus amending Section 106 of Presidential Decree No. 1464, otherwise known as the "Tariff and Customs Code of 1978", as follows:

“Sec. 106. Drawbacks. –

On Petroleum Oils and Oils Obtained from Bituminous Minerals, Crude Eventually Used for Generation of Electric Power and for the Manufacture of City Gas. – On petroleum oils and oils obtained from bituminous materials, crude oils imported by non-electric utilities, sold directly or indirectly, in the same form or after processing, to electric utilities for the generation of electric power and for the manufacture of city gas, a refund or tax credit shall be allowed not exceeding fifty per cent (50%) of the duty imposed by law upon such oils, which shall be paid or credited under such rules and regulations as may be prescribed by the Commissioner of Customs with the approval of the Secretary of Finance: **PROVIDED, THAT IMPORT TARIFFS FOR SUCH PETROLEUM PRODUCTS SHALL BE WAIVED FOR IMPORTS BY THE PHILIPPINE NATIONAL OIL COMPANY-NATIONAL PETROLEUM EXCHANGE COMPANY (PNOC-NPEC).**

x x x”

SEC. 17. Sources of Funds. – The Exchange shall be funded by the following:

17.1 PNOC-NPEC Buffer Supply

After the conclusion of the Centralized Petroleum Procurement Plan of the NPEC and when its Buffer Supply minimum floor levels have been maintained for at least five (5) years, extraordinary gains from existing inventories due to extremely large increases in global prices can be used for the expenses of the Exchange.

17.2 Excise Taxes on Petroleum-based Manufactured Oils and Other Fuels

The PNOC-National Petroleum Exchange Corporation shall be allocated twenty-five percent (25%) of the proceeds from excise taxes on covered petroleum-based manufactured oils and other fuels.

Section 148 of Republic Act No. 8424, otherwise known as Tax Reform Act of 1997, as amended by Republic Act No. 10963, is hereby amended to read as follows:

“SEC. 148. Manufactured Oils and Other Fuels. – There shall be collected on refined and manufactured mineral oils and motor fuels, the following excise taxes which shall attach to the goods hereunder enumerated as soon as they are in existence as such:

x x x

“(e) Naphtha, regular gasoline and other similar products of distillation, per liter of volume capacity, Four pesos and thirty-five (P4.35): *Provided*, That the by-product including fuel oil, diesel fuel, kerosene, pyrolysis gasoline, liquefied

petroleum gases and similar oils having more or less the same generating power, which are produced in the processing of naphtha into petrochemical products shall be subject to the applicable excise tax specified in this Section, except when such by-products are transferred to any of the local oil refineries through sale, barter or exchange, for the purpose of further processing or blending into finished products which are subject to excise tax under this Section: *Provided further*, That of total excise taxes collected on naphtha, regular gasoline, and other similar products of distillation, twenty-five percent (25%) shall accrue directly to the PNOC-National Petroleum Exchange Corporation;”

“(f) Leaded premium gasoline, per liter of volume capacity, Five pesos and thirty-five centavos (P5.35); unleaded premium gasoline, per liter of volume capacity, Four pesos and thirty-five centavos (P4.35): *Provided*, That of total excise taxes collected on leaded premium gasoline, twenty-five percent (25%) shall accrue directly to the PNOC-National Petroleum Exchange Corporation;”

17.3 Value-Added Taxes on the Sale of Petroleum and Petroleum Products

The PNOC-National Petroleum Exchange Corporation shall be allocated twenty-five percent (25%) of the proceeds of excise taxes on petroleum-based manufactured oils and other fuels.

Section 106 of Republic Act No. 8424, otherwise known as Tax Reform Act of 1997, as amended by Republic Act No. 10963, is hereby amended as follows:

“SEC. 106. Value-Added Tax on Sale of Goods or Properties. –

“(A) XXXX:

“(1) XXXX

PROVIDED, THAT OF THE TOTAL VALUE-ADDED TAXES COLLECTED ON LIQUEFIED PETROLEUM GAS (LPG), NAPHTHA, GASOLINES, KEROSENES, AUTOMATIC/INDUSTRIAL DIESEL OILS, AND INDUSTRIAL/RESIDUAL FUEL OILS, TWENTY-FIVE PERCENT (25%) SHALL ACCRUE DIRECTLY TO THE PNOC-NATIONAL PETROLEUM EXCHANGE CORPORATION;

“(2) XXXX:

“(a) XXXX:

“(1) XXXX;

“(2) XXXX;

“(3) XXXX;

“(4) XXXX; and

“(5) XXXX.

“(6) The sale of goods, supplies, **AND** equipment [and fuel] to persons engaged in international shipping or international air transport operations: *Provided*, That the goods, supplies, **AND** equipment [and fuel] shall be used for international shipping or air transport operations: **PROVIDED FURTHER, THAT THE TERM “GOODS” DOES NOT INCLUDE PETROLEUM AND PETROLEUM PRODUCTS AND BY-PRODUCTS.**

PROVIDED, THAT OF THE TOTAL VALUE-ADDED TAXES COLLECTED ON LIQUEFIED PETROLEUM GAS (LPG), NAPHTHA, GASOLINES, KEROSENES, AUTOMATIC/INDUSTRIAL DIESEL OILS, AND INDUSTRIAL/RESIDUAL FUEL OILS, TWENTY-FIVE PERCENT (25%) SHALL ACCRUE DIRECTLY TO THE PNOC-NATIONAL PETROLEUM EXCHANGE CORPORATION;

“(b) XXXX.

PROVIDED, THAT OF THE TOTAL VALUE-ADDED TAXES COLLECTED ON LIQUEFIED PETROLEUM GAS (LPG), NAPHTHA, GASOLINES, KEROSENES, AUTOMATIC/INDUSTRIAL DIESEL OILS, AND INDUSTRIAL/RESIDUAL FUEL OILS, TWENTY-FIVE PERCENT (25%) SHALL ACCRUE DIRECTLY TO THE PNOC-NATIONAL PETROLEUM EXCHANGE CORPORATION.

17.4 Value-Added Taxes on the Sale of Services Directly Involving Petroleum and Petroleum Products

The PNOC-National Petroleum Exchange Corporation shall be allocated twenty-five percent (25%) of the proceeds of these value-added taxes on the sale of services directly involving petroleum and petroleum products.

Section 108 of Republic Act No. 8424, otherwise known as Tax Reform Act of 1997, as amended by Republic Act No. 10963, is hereby amended to read:

“SEC. 108. Value-added Tax on Sale of Services and Use or Lease of Properties. -

“(A) XXXX:

"The phrase 'sale or exchange of services' means the performance of all kinds of services in the Philippines for others for a fee, remuneration or consideration, including those performed or rendered by construction and service contractors; stock, real estate, commercial, customs and immigration brokers; lessors of property, whether personal or real; warehousing services; lessors or distributors of cinematographic films; persons engaged in milling, processing, manufacturing or repacking goods for others; proprietors, operators or keepers of hotels, motels, resthouses, pension houses, inns, resorts; proprietors or

operators of restaurants, refreshment parlors, cafes and other eating places, including clubs and caterers; dealers in securities; lending investors; transportation contractors on their transport of goods or cargoes, including persons who transport goods or cargoes for hire and other domestic common carriers by land relative to their transport of goods or cargoes; common carriers by air and sea relative to their transport of passengers, goods or cargoes from one place in the Philippines to another place in the Philippines; sales of electricity by generation companies, transmission by any entity, and distribution companies, including electric cooperatives; services of franchise grantees of electric utilities, telephone and telegraph, radio and television broadcasting and all other franchise grantees except those under Section 119 of this Code and non-life insurance companies (except their crop insurances), including surety, fidelity, indemnity and bonding companies; and similar services regardless of whether or not the performance thereof calls for the exercise or use of the physical or mental faculties: **PROVIDED, THAT OF THE TOTAL VALUE-ADDED TAXES COLLECTED ON LIQUEFIED PETROLEUM GAS (LPG), NAPHTHA, GASOLINES, KEROSENES, AUTOMATIC/INDUSTRIAL DIESEL OILS, AND INDUSTRIAL/RESIDUAL FUEL OILS, TWENTY-FIVE PERCENT (25%) SHALL ACCRUE DIRECTLY TO THE PNOC-NATIONAL PETROLEUM EXCHANGE CORPORATION;**”

SEC. 18. Petroleum Security Procedures. – The Exchange shall draw up plans to cope with such contingencies as may arise should prevailing sources of supply become closed or inaccessible, and enter into such preliminary negotiations or arrangements with possible alternative sources as may be necessary to assure a stable, adequate, and continuous supply of crude oil and refined petroleum products under the most economic and competitive terms possible.

SEC. 19. Penalties for Violations. –

- a. Any person who violates any provision of this Act or any order, decision, ruling, or regulation of the Council shall, upon conviction, be sentenced for a period of not less than six months and not more than five years and a fine of not less than ten thousand pesos and not more than fifty thousand pesos. If the offender is a corporation, partnership, or juridical person, the penalty shall be imposed on the officer or officers responsible for permitting or causing a violation by the corporation, partnership, or juridical person of the provisions of this Act;
- b. If the offender is a government official or employee, the maximum penalty prescribed in paragraph (a) shall be imposed and the offender shall suffer the additional penalty of perpetual disqualification from public office without prejudice to any administrative action against him;
- c. If the offender is a member of the PNOC-National Petroleum Corporation or any of its attached agencies and companies, and the commission of the offense is attended by clear abuse of discretion on his part, or by any corrupt practice

defined in Republic Act No. 3019, otherwise known as the “Anti-Graft and Corrupt Practices Act,” or other similar irregularity, the penalty imposed shall be a fine of one hundred thousand pesos and imprisonment of not less than ten years. A similar penalty shall be imposed upon any private person, whether in the government service or not, who induces, aids, or abets the offender in the commission of the offense;

d. It shall be an offense, penalized as provided in paragraph (b) or (c) above, whichever may be applicable, for any person serving in the PNOC-National Petroleum Corporation or any of its attached agencies and companies, either as a Chairperson, Member, or as a member of the staff or directly or indirectly be employed by, or to receive any compensation from, or to have any direct or indirect financial interest in, any firm engaged in the business of exploring, exploiting, importing, exporting, re-exporting, shipping, transporting, processing, refining, storing, marketing, distributing, and selling both at wholesale and retail any petroleum resource; and

e. Any alien violating this Act shall, in addition to the penalty herein provided, be deported after service of sentence and shall not be permitted reentry into the Philippines.

f. All monetary penalties shall directly accrue to the PNOC-National Petroleum Corporation.

SEC. 20. Implementing Rules and Regulations. – The PNOC-National Petroleum Corporation shall formulate and issue the necessary implementing rules and regulations within thirty (30) days upon the effectivity of this Act.

SEC. 21. General Repealing Clause. – Republic Act No. 8479, also known as the “Downstream Oil Industry Deregulation Act of 1998,” is hereby repealed. All other laws, decrees, executive orders, rules and regulations, or parts thereof inconsistent with any of the provisions of this Act, are hereby repealed or amended accordingly.

SEC. 22. Separability Clause. – If, for any reason, any section or provision of this Act is declared unconstitutional or invalid, such other sections or provisions not affected thereby shall remain in full force and effect.

SEC. 23. Effectivity. – This Act shall take effect fifteen days after its complete publication in two (2) national newspapers of general circulation.

Approved,