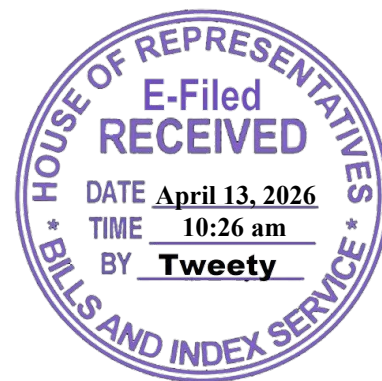


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City
20TH CONGRESS
First Regular Session



House Bill No. 8839

Introduced by: **REP. JOEL R. CHUA**

EXPLANATORY NOTE

The Philippines remains heavily dependent on imported petroleum products, making the country highly vulnerable to volatility in global oil markets and geopolitical conflicts. Filipino consumers have experienced significant increases in pump prices, with gasoline, diesel, and kerosene recording some of the largest weekly price adjustments.

Under Republic Act No. 8479, the government's role in the downstream oil industry is largely limited to monitoring price movements. **The Department of Energy has acknowledged that it currently lacks the legal authority to impose price ceilings or directly intervene in the market during periods of abnormal price spikes.**

Recent incidents have also raised concerns regarding premature or unjustified fuel price increases by certain retailers, prompting investigations and regulatory action by authorities. **These developments underscore the limitations of the existing deregulation framework in protecting consumers from excessive price volatility and potential market abuses.**

While deregulation was originally intended to promote competition and ensure a stable supply of petroleum products, our experience since its passage in 1998 has demonstrated that the current system lacks sufficient mechanisms for government intervention during extraordinary circumstances. In times of global energy crises, supply disruptions, or extreme price fluctuations, the absence of regulatory tools leaves both consumers and critical sectors of the economy exposed to severe economic hardship.

This measure seeks to address these gaps by creating a Fuel Regulatory Board with the authority to monitor and regulate fuel pricing mechanisms when necessary, establishing an Oil Price Stabilization Fund to cushion the impact of sudden global price shocks, and developing a

Strategic Petroleum Reserve to ensure the country's energy security during supply disruptions.

By restoring the State's capacity to intervene during abnormal market conditions, this bill aims to strike a balanced approach between maintaining a competitive petroleum market and protecting the Filipino public from excessive fuel price volatility.

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

A handwritten signature in black ink, consisting of a large, stylized 'J' and 'C' followed by a horizontal line.

JOEL R. CHUA
Representative, 3rd District, Manila

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Introduced by: **REP. JOEL R. CHUA**

**AN ACT CREATING THE FUEL REGULATORY BOARD
AND ESTABLISHING AN OIL PRICE STABILIZATION FUND
AND STRATEGIC PETROLEUM RESERVE, THEREBY
REPEALING PROVISIONS OF REPUBLIC ACT NO. 8479,
OTHERWISE KNOWN AS THE "DOWNSTREAM OIL
INDUSTRY DEREGULATION ACT OF 1998"**

Section 1. *Short Title.* – This Act shall be known as the “Fuel Price Stabilization and Energy Security Act.”

Section 2. *Declaration of Policy.* – It is hereby declared the policy of the State to ensure the availability, affordability, and stability of petroleum products in the country in order to protect consumers, promote economic stability, and safeguard national energy security.

Recognizing the volatility of global oil markets and the heavy dependence of the Philippines on imported petroleum products, the State shall adopt mechanisms to stabilize fuel prices, ensure transparency in pricing, and develop domestic petroleum resources.

Towards this end, the State shall establish a regulatory body to oversee fuel pricing mechanisms, and create a stabilization fund and strategic petroleum reserve to mitigate sudden price fluctuations.

Section 3. *Creation of the Fuel Regulatory Board.* – There is hereby created a Fuel Regulatory Board (FRB) which shall serve as the primary regulatory body overseeing the pricing, supply, and distribution of petroleum products in the country. The Board shall be attached to the Department of Energy for policy coordination but shall exercise independent regulatory authority in the performance of its functions.

Section 4. *Composition of the Board.* – The Fuel Regulatory Board shall be composed of five (5) members appointed by the President of the Philippines, including:

- a.) A Chairperson;
- b.) Two (2) members with expertise in energy economics, petroleum engineering, or energy policy;
- c.) One (1) member representing consumer interests; and
- d.) One (1) member representing the transportation sector.

Members shall serve a term of three (3) years with optional reappointment.

Section 5. *Compensation of Board Members.* - The Chairman of the Board shall receive compensation equal to that of a Department Undersecretary, while the Members shall each receive compensation equal to that of an official next in rank to a Department Undersecretary.

Upon completion of their terms or upon becoming eligible for retirement under existing laws, they shall be entitled to the corresponding retirement benefits and privileges provided for by law.

Section 6. *Staffing Requirements.* – The Board shall appoint and maintain an adequate staff, which shall include a Secretary who shall be a member of the Integrated Bar of the Philippines. He shall be the recorder and official reporter of the proceedings of the Board and shall have the authority to administer oaths in all matters falling within the jurisdiction of the Board.

Members of the technical staff, except those performing purely clerical functions, shall possess at least a bachelor's degree in the line of specialization required by their respective positions: Provided, That, except as to positions which are policy-determining, highly technical, or primarily confidential, all positions in the Board shall be subject to the provisions of the Civil Service Law and Rules.

Section 7. *Powers and Functions of the Board.* – The Fuel Regulatory Board shall have the following powers and functions:

- a.) Monitor and regulate the pricing of petroleum products to ensure fairness, transparency, and reasonableness;
- b.) Establish temporary price bands or price ceilings in accordance with Section 8 of this Act;

- c.) Require oil companies, importers, refiners, and distributors to submit relevant cost data and pricing information;
- d.) Investigate and prevent anti-competitive practices in coordination with the Philippine Competition Commission;
- e.) Monitor supply levels and require minimum inventory levels of petroleum products;
- f.) Issue rules and regulations governing the sale, distribution, and pricing of fuel products; and
- g.) Perform such other powers as may be necessary to carry out the provisions of this Act.

Section 8. *Parameters for Price Regulation.* – In setting prices or making changes thereof, the Board shall be guided by the following considerations:

1. Whether claimed increases or decreases in costs, sales, or profits are real or simulated;
2. Whether expenses and costs that are claimed to have been incurred, are being incurred, or are to be incurred are necessary and reasonable;
3. The impact of the proposed prices or change therein on the economy and on the consuming public, particularly low-income groups and industries essential to the national welfare or security; and
4. The cost-profit levels of the industry.

Section 9. *Establishment of the Oil Price Stabilization Fund.* – There is hereby established an Oil Price Stabilization Fund (OPSF) which shall be used to cushion the impact of sudden increases in global oil prices on domestic prices, and to ensure stability in the supply and affordability of petroleum products in the Philippines.

The Fund shall be administered by the Fuel Regulatory Board in coordination with the Department of Budget and Management and shall be maintained as a special trust fund to be used exclusively for fuel price stabilization purposes. The Fund may be released only upon a unanimous vote of the Board.

Section 10. *Sources of the Stabilization Fund.* – The Oil Price Stabilization Fund shall be sourced from the following:

- a.) A stabilization levy on petroleum products not exceeding One Peso (₱1.00) per liter;
- b.) A portion of the excise tax collections on petroleum products under Republic Act No. 10963;
- c.) Annual appropriations from Congress;
- d.) Grants, donations, or other lawful sources of funds.

Provided that, The amount of the stabilization levy may be adjusted by Congress through the General Appropriations Act upon recommendation of the Fuel Regulatory Board, taking into consideration prevailing global oil prices and domestic economic conditions.

Section 11. *Utilization of the Fund.* – The utilization of the Oil Price Stabilization Fund shall be subject to the following parameters:

- a.) **Price Shock Trigger.** - The Fund may be utilized when the average international price of crude oil or refined petroleum products increases by at least ten percent (10%) within fifteen (15) days, resulting in a projected substantial increase in domestic pump prices.
- b.) **Excessive Price Threshold.** - The Fund may be used when domestic pump prices exceed a threshold level determined by the Fuel Regulatory Board based on historical price averages and prevailing economic conditions affecting consumers.
- c.) **Supply Disruption.** - The Fund may be utilized during periods of supply disruption caused by geopolitical conflict, natural disasters, global market instability, or other events which significantly affect the availability or price of petroleum products.
- d.) **Targeted Stabilization.** - The Fuel Regulatory Board shall prioritize the use of the Fund to stabilize fuel prices for critical sectors, including public transportation, agriculture, fisheries, logistics, and power generation.
- e.) **Temporary Intervention.** - Assistance from the Fund shall be temporary and shall not exceed a stabilization period of ninety (90) days, unless extended by the Fuel Regulatory Board upon a determination that extraordinary market conditions continue to exist.

f.) **Fiscal Safeguards.** - The Fuel Regulatory Board shall ensure that withdrawals from the Fund shall not exceed fifty percent (50%) of the total available balance in any fiscal year, except upon approval of Congress during periods of national emergency.

g.) **Transparency and Reporting.** - All disbursements from the Fund shall be publicly disclosed and reported to Congress on a quarterly basis. Such reports shall include the amount utilized, the purpose of the disbursement, and the impact on domestic fuel prices.

Section 12. *Strategic Petroleum Reserve.* - The government shall establish and maintain a Strategic Petroleum Reserve (SPR) consisting of emergency stockpiles of crude oil and refined petroleum products to protect the country against supply disruptions, natural disasters, geopolitical crises, or extreme volatility in global oil markets.

The Department of Energy, in coordination with the Fuel Regulatory Board, shall determine the appropriate reserve levels and storage facilities necessary to ensure national energy security. The Strategic Petroleum Reserve shall be utilized only during periods of severe supply disruption, national emergencies, or extraordinary price volatility. The President, upon the recommendation of the Fuel Regulatory Board, shall order the release of the Strategic Petroleum Reserve.

Section 13. *Prohibited Acts.* - It shall be unlawful for any person, corporation, partnership, association, or entity engaged in the importation, refining, storage, distribution, or sale of petroleum products to:

a.) Refuse or fail to submit accurate cost data, pricing information, supply data, or other relevant documents required by the Fuel Regulatory Board;

b.) Submit false, misleading, or fraudulent information in any report or submission required under this Act;

c.) Engage in price manipulation, collusion, cartelization, hoarding, or any other anti-competitive conduct intended to artificially influence the price or supply of petroleum products;

d.) Withhold, conceal, or misrepresent inventory levels of petroleum products for the purpose of creating artificial shortages or influencing domestic prices;

e.) Violate any price ceiling, price band, or regulatory order issued by the Fuel Regulatory Board pursuant to this Act;

f.) Refuse to comply with lawful orders, subpoenas, or directives issued by the Fuel Regulatory Board in the exercise of its powers and functions; and

g.) Violate any rule or regulation issued by the Fuel Regulatory Board for the effective implementation of this Act.

Section 14. *Penalties.* Any person or entity found guilty of violating any provision of this Act or the rules and regulations issued pursuant thereto shall, after due notice and hearing, be subject to the following penalties:

a.) An administrative fine of not less than Five Hundred Thousand Pesos (₱500,000.00) but not more than Five Million Pesos (₱5,000,000.00) for each violation;

b.) Suspension or revocation of the license, permit, or authority to operate issued by the Department of Energy or any relevant government agency;

c.) In cases involving fraud, hoarding, cartelization, or deliberate price manipulation, imprisonment of not less than six (6) years but not more than twelve (12) years, at the discretion of the court;

d.) If the offender is a corporation, partnership, or juridical entity, the responsible directors, officers, or managers who knowingly participated in or allowed the violation shall be held criminally liable;

e.) Each day that a violation continues shall be considered a separate offense.

The imposition of administrative penalties by the Fuel Regulatory Board shall be without prejudice to the filing of appropriate civil or criminal actions under existing laws, including the Philippine Competition Act.

Section 15. *Appropriations.* - The sum of Ten Billion Pesos (Php10,000,000,000) is hereby appropriated out of any funds in the National Treasury not otherwise appropriated. Thereafter, the funds necessary for the implementation of this Act shall be included in the General Appropriations Act for the succeeding year.

Section 16. *Transparency and Audit.* – All transactions involving the Oil Price Stabilization Fund and Strategic Petroleum Reserve shall be subject to a quarterly audit by the Commission on Audit. The Fuel Regulatory Board shall submit a quarterly report to Congress detailing the status and utilization of the Fund.

Section 17. *Implementing Rules and Regulations.* – Within ninety (90) days from the effectivity of this Act, the Department of Energy, in coordination with relevant government agencies, shall promulgate the necessary implementing rules and regulations.

Section 18. *Separability Clause.* – If any provision or part of this Act is declared invalid or unconstitutional, the remaining parts or provisions not affected shall continue to be in full force and effect.

Section 19. *Repealing Clause.* – All laws, executive orders, and administrative orders or parts thereof inconsistent with any provision of this Act are hereby repealed or amended accordingly.

Section 20. *Effectivity Clause.* - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in two (2) newspapers of general circulation.