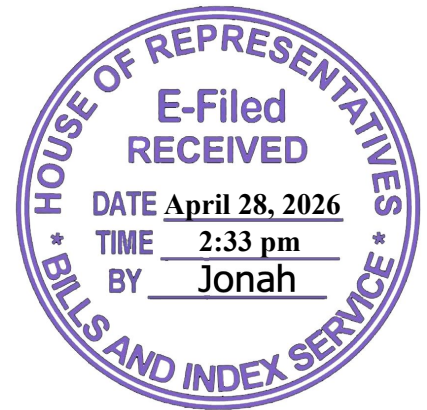




Republic of the Philippines
House of Representatives
Quezon City

TWENTIETH CONGRESS

First Regular Session



House Bill No. 8978

Introduced by

Sergio C. Dagooc, APEC Party-List Representative

Presley C. De Jesus, PhilRECA Party-List Representative

EXPLANATORY NOTE

The recent escalation of the US-Iran conflict has brought on a global oil crisis, exposing the Philippines' serious vulnerability to external supply shocks. With international shipping lanes in the Strait of Hormuz facing continuous disruptions and global crude prices reaching critical levels, this volatility undermines national economic stability and increases the cost of living for every Filipino.

Currently, the Philippines relies almost exclusively on the Minimum Inventory Requirement (MIR) of private oil companies¹, a framework that is increasingly insufficient for navigating long-term geopolitical emergencies. This measure seeks to strengthen our energy security by establishing a National Strategic Petroleum Reserve (NSPR), providing a state-controlled buffer that ensures the uninterrupted flow of fuel and shields the domestic economy from the impact of international conflict.

The experiences of neighboring Asian nations demonstrate the necessity of establishing a reserve program to insulate domestic economies. Drawing from the recommendation of the International Energy Agency (IEA), an international organization founded to ensure security of oil supply among its member-countries, Japan and South Korea as IEA members maintain

¹ Executive Order No. 134, Series of 2002 entitled, "Requiring Oil Companies and Bulk Suppliers to Maintain a Sufficient Minimum Inventory of Petroleum, for Purposes of Ensuring Continuity, Adequacy, and Stability of Crude and Fuel Supply."

massive stockpiles. As of 2021, Japan held 219 days of imports, while South Korea held 183 days. China and India, as non-IEA members, have also built their own state-owned reserves. China operates nine major stockpiles with a 37.7 million-ton capacity, while India manages three sites through a dedicated government-owned entity.²

A key feature of this proposed measure is the amendment of Presidential Decree No. 334 to explicitly mandate the Philippine National Oil Company (PNOC) to establish, manage, and administer the National Strategic Petroleum Reserve program of the Philippines. The bill likewise mandates a physical reserve equivalent to 120% of the 90-day oil requirements specifically for Luzon, Visayas, and Mindanao.

The measure also seeks to establish a Special Trust Fund sourced from 25% of the previous year's total annual excise tax collections and provides an exemption from the National Government Procurement Act (RA 12009), allowing for more responsive and competitive acquisition strategies.

Likewise, the President is granted the authority to suspend the program during periods of prolonged market stability, which ensures that public funds remain fluid and available for other priority national projects, while maintaining a standby mechanism for immediate reinstatement the moment national security demands it.

By establishing a sufficient buffer, the Philippines shifts from a reactive position to a proactive energy security framework, protecting Filipino consumers and the national economy from the unpredictable shocks of the global energy market.

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



REP. SERGIO C. DAGOOC
APEC Party-List



REP. PRESLEY C. DE JESUS
PhilRECA Party-List

² Navarro, A. M. May 2022. Philippine Institute for Development Studies (PIDS). On the OPSF and the Downstream Oil Industry Deregulation: Lead Us Not into Reversal Temptation and Deliver Us from Obfuscation. Page 13.



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AN ACT

ESTABLISHING THE NATIONAL STRATEGIC PETROLEUM RESERVE PROGRAM, AMENDING FOR THIS PURPOSE PRESIDENTIAL DECREE NO. 334, AND FOR OTHER PURPOSES

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

1 **SECTION 1. Short Title.** – This Act shall be known as the "*National*
2 *Strategic Petroleum Reserve Act*".

3 **SEC 2. Declaration of Policy.** – It is the policy of the State to protect
4 the Filipino people and the national economy from the adverse effects of
5 sudden oil price shocks by establishing a energy industry framework that
6 ensures a continuous, adequate, and stable supply of petroleum products. To
7 mitigate the impact of global supply disruptions, the State shall maintain a
8 government-owned strategic reserve independent of the private sector's
9 minimum inventory requirements.

10 **SEC. 3. Amendment to the PNOC Charter.** – Section 5 of Presidential
11 Decree No. 334 is hereby amended to include a new subsection:

12 “(s) To establish, manage, and administer the National Strategic
13 Petroleum Reserve (NSPR) Program, including the procurement,

1 storage, and distribution of crude oil and refined petroleum
2 products for emergency and price stabilization purposes.

3 xxxxx

4 “(T) to adopt a code of by-laws to complement this charter;

5 xxxx”

6 **SEC. 4. National Strategic Petroleum Reserve Program.** – The
7 National Strategic Petroleum Reserve shall consist of government-maintained
8 stockpiles of crude oil and refined petroleum products equivalent to one
9 hundred twenty percent (120%) of the combined ninety (90)-day requirement
10 of Luzon, Visayas, and Mindanao. The Department of Energy (DOE) shall
11 provide the annual volume calculations based on the preceding year's average
12 daily consumption.

13 The PNOC may acquire, store, and maintain petroleum reserves
14 through government-owned storage facilities, leased storage facilities, or
15 agreements with private oil companies for the maintenance of strategic
16 reserves.

17 **SEC. 5. Release Protocol.** – The NSPR shall only be released during
18 certified shortage of petroleum products in the country due to any geopolitical
19 conflicts, global supply disruptions, natural disasters, or other force majeure
20 events. The release shall be authorized by the President, upon
21 recommendation by the Secretary of Energy, specifying the volume, duration
22 and terms of the release.

23 In the allocation and distribution of the released petroleum stocks, the
24 DOE and PNOC shall ensure the preferential supply to the following priority
25 sectors:

- 26 1. Public Utility Vehicles (PUVs) and mass transit systems;
- 27 2. Electric power generation facilities, particularly those serving off-grid or
28 critical load areas; and
- 29 3. Critical logistics and freight services involved in the delivery of food,
30 medicine, and other basic necessities and prime commodities as defined
31 under Republic Act No. 7581.

32 *Provided, That* once the requirements of the aforementioned priority
33 sectors are met, the remaining released volume may be made available to
34 other authorized downstream oil industry participants and consumers to
35 ensure overall market stability.

1 **SEC. 6. Strategic Petroleum Reserve Trust Fund.** – There is hereby
2 created the Strategic Petroleum Reserve Trust Fund to be managed by the
3 PNOC.

4 The fund shall be sourced from twenty-five (25%) per cent of the
5 previous year's total annual collections from excise taxes on petroleum
6 products under the National Internal Revenue Code, as amended. All proceeds
7 from the sale of oil from the NSPR shall revert to this Trust Fund to ensure
8 the program's sustainability.

9 The Trust Fund shall be kept separate from the PNOC's corporate
10 funds. Funds shall be used exclusively for the procurement of physical oil
11 stocks, the construction of storage facilities and the payment of vessel
12 charters during supply crises.

13 During the period of suspension of the mandatory stockpiling under
14 Section 9 of this Act, all accrued and idle amounts in the Trust Fund shall be
15 remitted to the National Treasury and shall be made available for
16 appropriation of national priority projects as determined by the President,
17 upon recommendation of the Department of Budget and Management (DBM),
18 *Provided, That* such funds be immediately reinstated to the Trust Fund once
19 the suspension is lifted.

20 **SEC. 7. Exemption from Government Procurement Reform Act.** – In
21 the interest of national security and exigency, the procurement of crude oil,
22 refined petroleum products, and the lease of storage facilities for the NSPR
23 Program shall be exempt from the provisions of Republic Act No. 12009
24 otherwise known as the New Government Procurement Act.

25 The PNOC shall instead follow specialized guidelines for alternative
26 modes of procurement to ensure speed and transparency.

27 **SEC. 8. Tax Treatment.** – The importation of crude oil and petroleum
28 products for the NSPR Program shall be exempted from Value-Added Tax
29 (VAT), custom duties, and excise taxes at the point of entry. This exemption
30 shall apply to the total landed cost of the shipment.

31 **SEC. 9. Presidential Authority to Suspend.** – The President of the
32 Philippines, upon the joint recommendation of the DOE and the Department
33 of Finance (DOF), may suspend the reserve requirement and excise tax
34 diversion upon ascertainment of the following conditions:

- 35 a. When the price of Dubai Crude has remained below USD 75.00 per
36 barrel for ninety (90) consecutive days;

- 1 b. When the 90-day inventory requirement has been successfully attained
2 and maintained for Luzon, Visayas, and Mindanao for two consecutive
3 quarters;
4 c. Upon a formal finding by the DOE that there is no imminent threat of
5 a supply crisis or state of emergency; or
6 d. Global and domestic oil prices remain relatively stable for six (6)
7 consecutive months.

8 **SEC. 10. *Implementing Rules and Regulations.*** – The DOE and
9 PNOC shall, in consultation with public and private stakeholders, promulgate
10 the Implementing Rules and Regulation of this Act within ninety (90) calendar
11 days from its effectivity.

12 **SEC. 11. *Oversight Committee.*** – Upon the effectivity of this Act, the
13 Joint Congressional Energy Commission established under Republic Act No.
14 9136, as amended by Republic Act No. 11285, shall exercise oversight powers
15 over the implementation of this Act.

16 **SEC. 12. *Repealing Clause.*** – All laws, presidential decrees, executive
17 orders, and rules and regulations, or parts thereof, inconsistent with the
18 provisions of this Act are hereby repealed or modified accordingly.

19 **SEC 13. *Separability Clause.*** – If, for any reason, any section or
20 provision of this Act is held unconstitutional or invalid, the other sections or
21 provisions hereof shall not be affected thereby.

22 **SEC. 14. *Effectivity Clause.*** – This Act shall take effect after its
23 complete publication in at least two (2) national newspapers of general
24 circulation.

Approved,