



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

NINETEENTH CONGRESS
First Regular Session



COMMITTEE REPORT NO. 648

Submitted by the Committee on Energy, Committee on Appropriations and Committee on Ways and Means on **May 30, 2023**

Re: House Bill No. **8456**

Recommending its approval, in substitution of House Bills Numbered 17, 29, 173, 3015, 4097, 4267, 4615, 5811, 6235, 6247 and 7329

Sponsors: Representatives Lord Allan Jay Q. Velasco, Elizaldy S. Co, Joey Sarte Salceda and Rodante D. Marcoleta

Mr. Speaker:

The Committee on Energy, Committee on Appropriations and Committee on Ways and Means to which were referred:

House Bill No. 17, introduced by Representatives Ferdinand Martin G. Romualdez, Yedda Marie K. Romualdez and Jude A. Acidre, entitled:

AN ACT

PROMOTING THE DEVELOPMENT OF THE PHILIPPINE DOWNSTREAM NATURAL GAS INDUSTRY, CONSOLIDATING FOR THE PURPOSE ALL LAWS RELATING TO THE TRANSMISSION, DISTRIBUTION AND SUPPLY OF NATURAL GAS, AND APPROPRIATING FUNDS THEREFOR;

House Bill No. 29, introduced by Representative Lord Allan Jay Q. Velasco, entitled:

AN ACT

PROMOTING THE DEVELOPMENT OF THE PHILIPPINE DOWNSTREAM NATURAL GAS INDUSTRY, CONSOLIDATING FOR THE PURPOSE ALL LAWS RELATING TO THE TRANSMISSION, DISTRIBUTION AND SUPPLY OF NATURAL GAS, AND APPROPRIATING FUNDS THEREFOR;

House Bill No. 173, introduced by Representatives Caroline L. Tanchay and Rodante D. Marcoleta, entitled:

AN ACT

DEVELOPING THE PHILIPPINES' NATURAL GAS INDUSTRY, AND APPROPRIATING FUNDS FOR THIS PURPOSE;

House Bill No. 3015, introduced by Representative Joey Sarte Salceda, entitled:

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;

House Bill No. 4097, introduced by Representatives Eric Go Yap, Paolo Z. Duterte, Edvic G. Yap and Jeffrey Soriano, entitled:

AN ACT
PROMOTING THE DEVELOPMENT OF THE PHILIPPINE DOWNSTREAM
NATURAL GAS INDUSTRY, CONSOLIDATING FOR THE PURPOSE ALL
LAWS RELATING TO THE TRANSMISSION, DISTRIBUTION AND SUPPLY
OF NATURAL GAS, AND APPROPRIATING FUNDS THEREFOR;

House Bill No. 4267, introduced by Representative Gus S. Tambunting, entitled:

AN ACT
DEVELOPING THE PHILIPPINES NATURAL GAS INDUSTRY, AND
APPROPRIATING FUNDS FOR THIS PURPOSE;

House Bill No. 4615, introduced by Representative Michael L. Romero, Ph.D., entitled:

AN ACT
PROMOTING THE DEVELOPMENT OF THE PHILIPPINE DOWNSTREAM
NATURAL GAS INDUSTRY, CONSOLIDATING FOR THE PURPOSE ALL
LAWS RELATING TO THE TRANSMISSION, DISTRIBUTION AND SUPPLY
OF NATURAL GAS, AND PROVIDING FUNDS THEREFOR;

House Bill No. 5811, introduced by Representative Atty. Gerville “Jinky Bitrics” R. Luistro, entitled:

AN ACT
PROMOTING THE DEVELOPMENT OF THE PHILIPPINE DOWNSTREAM
NATURAL GAS INDUSTRY, CONSOLIDATING FOR THE PURPOSE ALL
LAWS RELATING TO THE TRANSMISSION, DISTRIBUTION AND SUPPLY
OF NATURAL GAS, AND APPROPRIATING FUNDS THEREFOR;

House Bill No. 6235, introduced by Representative Rudys Caesar G. Fariñas I, entitled:

AN ACT
PROMOTING THE DEVELOPMENT OF THE PHILIPPINE DOWNSTREAM
NATURAL GAS INDUSTRY, CONSOLIDATING FOR THE PURPOSE ALL
LAWS RELATING TO THE TRANSMISSION, DISTRIBUTION AND SUPPLY
OF NATURAL GAS, AND APPROPRIATING FUNDS THEREFOR;

House Bill No. 6247, introduced by Representative Rudys Caesar G. Fariñas I, entitled:

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;

and House Bill No. 7329, introduced by Representative Lex Anthony Cris A. Colada, entitled:

AN ACT
PROMOTING THE DEVELOPMENT OF THE PHILIPPINE DOWNSTREAM
NATURAL GAS INDUSTRY, CONSOLIDATING FOR THE PURPOSE ALL
LAWS RELATING TO THE TRANSMISSION, DISTRIBUTION AND SUPPLY
OF NATURAL GAS, AND APPROPRIATING FUNDS THEREFOR

have considered the same and recommends the approval of House Bill No. 8456 entitled:

AN ACT
PROMOTING THE DEVELOPMENT OF THE PHILIPPINE DOWNSTREAM
NATURAL GAS INDUSTRY, CONSOLIDATING FOR THE PURPOSE ALL

LAWS RELATING TO THE TRANSMISSION, DISTRIBUTION AND SUPPLY OF NATURAL GAS, AND APPROPRIATING FUNDS THEREFOR

in substitution of House Bills Numbered 17, 29, 173, 3015, 4097, 4267, 4615, 5811, 6235, 6247 and 7329 with Representatives Ferdinand Martin G. Romualdez, Lord Allan Jay Q. Velasco, Rodante D. Marcoleta, Yedda Marie K. Romualdez, Jude A. Acidre, Wilter Y. Palma, Jurdin Jesus M. Romualdo, Harris Christopher M. Ongchuan, Maria Carmen S. Zamora, Shernee A. Tan-Tambut, Noel “Bong” N. Rivera, Jonathan Keith T. Flores, Ralph G. Recto, Carl Nicolas C. Cari, Emigdio P. Tanjuatco III, Francisco Paolo P. Ortega V, Ramon Jolo B. Revilla III, Antonio “Tonypet” T. Albano, John Tracy F. Cagas, Edwin L. Olivarez, Divina Grace C. Yu, Faustino “Inno” A. Dy V, Jeyzel Victoria C. Yu, David “Jay-Jay” C. Suarez, Ma. Rene Ann Lourdes G. Matibag, Ching B. Bernos, Rachel Marguerite B. Del Mar, Julienne “Jam” Baronda, Mary Mitzi L. Cajayon-Uy, Keith Micah “Atty. Mike” D.L. Tan, Josephine Veronique “Jaye” R. Lacson-Noel, Dan S. Fernandez, Princess Rihan M. Sakaluran, Kristine Singson-Meehan, Joseph Gilbert F. 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Kho, Ricardo T. Kho, Luz V. Mercado, Edward Vera Perez Maceda, Janice Z. Salimbangon, Anna Victoria Veloso-Tuazon, Cheeno Miguel D. Almario, Jocelyn P. Tulfo, Romeo S. Momo Sr., Arnan C. Panaligan, Christopher V.P. De Venecia, Irwin C. Tieng, Jernie Jett V. Nisay, Allen Jesse C. Mangaoang, Angelica Natasha Co, Roy M. Loyola, Christian C. Unabia, Drixie Mae S. Cardema, Patrick Michael D. Vargas, Geraldine B. Roman, Sittie Aminah Q. Dimaporo, Lani Mercado-Revilla, Sergio C. Dagooc, Bryan B. Revilla, Ma. Alana Samantha T. Santos, Zia Alonto Adiong, Jorge “PATROL” Bustos, Jose Maria R. Zubiri, Jr., Marcelino C. Libanan, JC Abalos, Raul “Boboy” C. Tupas, Rodolfo “Ompong” M. Ordanes, Ruth Mariano-Hernandez, Ernesto M. Dionisio, Jr., Vincent Franco “Duke” D. Frasco, Maria Rachel J. Arenas, Arnie B. Fuentebella, Steve Chiongbian Solon, Edgar M. Chatto, Elpidio F. Barzaga, Jr., Gerville “Jinky Bitrics” R. Luistro, Oscar G. Malapitan, Bai Dimple I. Mastura, Maria Angela S. Garcia, Peter John D. 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Respectfully submitted,



ELIZALDY S. CO
Chairperson
Committee on Appropriations



LORD ALLAN JAY Q. VELASCO
Chairperson
Committee on Energy



JOEY SARTE SALCEDA
Chairperson
Committee on Ways and Means

The HONORABLE SPEAKER
HOUSE OF REPRESENTATIVES
Quezon City



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Quezon City

NINETEENTH CONGRESS
First Regular Session

House Bill No. 8456

Introduced by Representatives Ferdinand Martin G. Romualdez, Lord Allan Jay Q. Velasco, Rodante D. Marcoleta, Yedda Marie K. Romualdez, Jude A. Acidre, Wilter Y. Palma, Jurdin Jesus M. Romualdo, Harris Christopher M. Ongchuan, Maria Carmen S. Zamora, Shernee A. Tan-Tambut, Noel “Bong” N. Rivera, Jonathan Keith T. Flores, Ralph G. Recto, Carl Nicolas C. Cari, Emigdio P. Tanjuatco III, Francisco Paolo P. Ortega V, Ramon Jolo B. Revilla III, Antonio “Tonypet” T. Albano, John Tracy F. Cagas, Edwin L. Olivarez, Divina Grace C. Yu, Faustino “Inno” A. Dy V, Jeyzel Victoria C. Yu, David “Jay-Jay” C. Suarez, Ma. Rene Ann Lourdes G. Matibag, Ching B. Bernos, Rachel Marguerite B. Del Mar, Julianne “Jam” Baronda, Mary Mitzi L. Cajayon-Uy, Keith Micah “Atty. Mike” D.L. Tan, Josephine Veronique “Jaye” R. Lacson-Noel, Dan S. Fernandez, Princess Rihan M. Sakaluran, Kristine Singson-Meehan, Joseph Gilbert F. Violago, Gloria Macapagal-Arroyo, Ferdinand Alexander A. Marcos, Jose “Joboy” S. Aquino II, Albert S. Garcia, Roberto V. Puno, Brian Raymund S. Yamsuan, Wilfrido Mark M. Enverga, Michael John R. Duavit, Tobias “Toby” M. Tiangco, Raymond Democrito C. Mendoza, Aniela Bianca D. Tolentino, Greg G. Gasataya, Isidro T. Ungab, Luis N. Campos, Jr., Jose Arturo S. Garcia, Sr., Sonny “SI” L. Lagon, Daphne A. Lagon, Carmelo “Jon” B. Lazatin II, Mercedes K. Alvarez, Horacio P. Suansing, Jr., Marissa “Del Mar” P. Magsino, Jose Manuel F. Alba, Carlo S. Marquez, Augustina Dominique “Ditse Tina” C. Pancho, Robert Raymund M. Estrella, Dante S. Garcia, Joseph S. Tan, Josefina B. Tallado, Romulo “Kid” Peña, Jr., Fernando T. Cabredo, Marlyn “Len” B. Alonte, Joseph “Jojo” L. Lara, Maria Jamina Katherine B. Agarao, Faustino Michael Carlos T. Dy III, Angelo Marcos Barba, Mark O. Go, Emerson D. Pascual, Celso G. Regencia, Linabelle Ruth R. Villarica, Johnny T. Pimentel, Francisco “Kiko” B. Benitez, Marlyn L. Primicias-Agabas, Joey Sarte Salceda, Luisa Lloren Cuaresma, Claudine Diana D. Bautista-Lim, Michael M. Mordem, Gerardo “Gerryboy” J. Espina Jr., Yasser Alonto Balindong, Ma. Lucille L. Nava, Glona G. Labadlabad, Ruwel Peter Gonzaga, Edwin L. Gardiola, Jose Gay G. Padiernos, Mikaela Angela B. Suansing, Reynante U. Arrogancia, Alfelito “Alfel” M. Bascug, Ivan Howard A. Guintu, Loreto S. Amante, Danny A. Domingo, Ambrosio C. Cruz, Jr., Ysabel Maria J. Zamora, Vincent J. Garcia, Robert Ace S. Barbers, Eleandro Jesus F. Madrona, Camille A. Villar, Zaldy “Jecoy” S. Villa, Ramon N. Guico, Jr., Francisco Jose “Bingo” F. Matugas, CPA, CESO, LLB, Antonieta R. Eudela, Jocelyn Sy Limkaichong, Amparo Maria J. Zamora, Jaime R. Fresnedi, Richelle Singson, Miguel Luis R. Villafuerte, Alfredo D. Marañon III, Edsel A. Galeos, Rolando M. Valeriano, Alan 1 B. Ecleo, Maria Theresa V. Collantes, Laarni Lavin Roque, Eleanor C. Bulut-Begtang, Anthony Rolando T. Golez, Jr., Dean Asistio, Olga “Ara” T. Kho, Ricardo T. Kho, Luz V. Mercado, Edward Vera Perez Maceda, Janice Z. Salimbangon, Anna Victoria Veloso-Tuazon, Cheeno Miguel D. Almario, Jocelyn P. Tulfo, Romeo S. Momo Sr., Arnan C. Panaligan, Christopher V.P. De Venecia, Irwin C. Tieng, Jernie Jett V. Nisay, Allen Jesse C. Mangaoang, Angelica Natasha Co, Roy M. Loyola, Christian C. Unabia, Drixie Mae S. Cardema, Patrick Michael D. Vargas, Geraldine B. Roman, Sittie Aminah Q. Dimaporo, Lani Mercado-Revilla, Sergio C. Dagooc, Bryan B. Revilla, Ma. Alana Samantha T. Santos, Zia Alonto Adiong, Jorge “PATROL” Bustos, Jose Maria R. Zubiri, Jr., Marcelino C. Libanan, JC Abalos, Raul “Boboy” C. Tupas, Rodolfo “Ompong” M. Ordanes, Ruth Mariano-Hernandez, Ernesto M.

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AN ACT

PROMOTING THE DEVELOPMENT OF THE PHILIPPINE DOWNSTREAM NATURAL GAS INDUSTRY, CONSOLIDATING FOR THE PURPOSE ALL LAWS RELATING TO THE TRANSMISSION, DISTRIBUTION AND SUPPLY OF NATURAL GAS, AND APPROPRIATING FUNDS THEREFOR

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

CHAPTER I

TITLE AND DECLARATION OF POLICY

SECTION 1. Short Title. – This Act shall be known as the *“Philippine Downstream Natural Gas Industry Development Act”*.

SEC. 2. Declaration of Policy. – It is hereby declared the policy of the State to:

(a) Promote natural gas as a safe, environment-friendly, efficient and cost-effective source of energy and a competitive contributor to grid security, especially with the entry

1 of more intermittent renewable energy sources by establishing the Philippine Downstream
2 Natural Gas Industry (PDNGI) for the benefit of all segments of the nation's population and
3 sectors of its economy;

4 (b) Promote natural gas as the energy fuel, which has tremendous potential to meet the
5 increasing local demand for fuel, and the development of the Philippines as a Liquefied
6 Natural Gas (LNG) trading and transshipment hub within the Asia-Pacific Region. In all
7 cases, the State shall ensure the safe, secure, reliable, transparent, competitive and
8 environmentally responsible operation of the PDNGI value chain;

9 (c) Provide a conducive industry environment through the issuance of regulatory policies
10 based on the Philippine Downstream Natural Gas Industry Regulations (PDNGR), the
11 localized codes and standards for products, facilities and its operations based on the
12 Philippine National Standards (PNS), and plans and programs geared towards the
13 promotion and development of the PDNGI;

14 (d) Promote the conversion of existing fossil fuel-operated equipment and facilities to
15 natural gas use, provided it is technically and financially feasible;

16 (e) Promote and hasten the exploration and development of indigenous natural gas
17 resources and facilities, and to prioritize the use of indigenous natural gas to help attain
18 greater energy security;

19 (f) Promote access to and the financial viability of the PDNGI by liberalizing the entry of
20 investors under a system of competition, transparency and fair trade and providing
21 responsive policy support, with the end goal of attaining fair prices for all stakeholders;

22 (g) Promote the role of natural gas as an additional energy source and complementary
23 fuel to variable renewable energy by creating a legal and regulatory framework that would
24 govern the promotion and development of the natural gas industry in the country;

25 (h) Ensure compliance with the PDNGI standards on health, safety, security, and
26 environment (HSSE) standards and best practices under a system of safe, secure, high-
27 quality, environmentally responsible operation and services that afford protection to
28 consumers;

29 (i) Encourage the inflow of private capital through equity participation by the private
30 sector in the PDNGI value chain including gas transmission and distribution utilities;

31 (j) Ensure transparent and reasonable price of natural gas and rates for its importation,
32 storage and regasification, transmission and distribution in a regime of open and fair
33 competition and full public accountability that shall promote greater operational and
34 economic efficiency and enhanced competitiveness of Philippine products in the global
35 market;

36 (k) Develop the necessary trades, technical expertise and skills to support the PDNGI;
37 and

1 (l) Facilitate the development of power and non-power end-uses of natural gas including
2 the use of natural gas as fuel for power, commercial, industrial, residential and transport
3 applications that promote fuel diversity and compliance with existing environmental laws.

4 **SEC. 3. Scope.** – This Act shall provide a framework for the development of the PDNGI
5 and its transition from emerging into mature industry within a competitive natural gas
6 market and define the responsibilities of various government agencies and private entities
7 in furtherance of this national goal.

8 It shall apply to the permitting, securing of location, construction, operation,
9 improvement, expansion, modification, maintenance, repair, rehabilitation,
10 decommissioning and abandonment of downstream natural gas facilities. It shall likewise
11 apply to the permitting of commercial activities in the PDNGI value chain, including the
12 purchase, supply, aggregation, blending, storage, trading, transshipment, sale, import
13 and/or export of natural gas and/or LNG, and any other activities related to the PDNGI.

14 All activities of the Department of Energy (DOE), Energy Regulatory Commission (ERC)
15 and other concerned government agencies relevant to the development and regulation of
16 the PDNGI shall be in accordance with this Act.

17 **SEC. 4. Definition of Terms.** – As used in this Act:

18 (a) *Affiliate* refers to a person who directly or indirectly, through one or more
19 intermediaries, controls or is controlled by, or is under common control with the person
20 specified, through the ownership of voting shares or other means such as contractual
21 agreements. As used herein, control shall mean the power to direct or cause the direction
22 of management policies as an inherent part of decision-making power;

23 (b) *Aggregation* refers to the activity of having a single buyer or aggregator that procures
24 LNG volumes from multiple suppliers, including indigenous natural gas, and sells the
25 blended and consolidated gas to gas buyers in the Philippines;

26 (c) *Anti-Competitive Behavior* refers to the practices and agreements in violation of the
27 provisions of Republic Act No. 10667, otherwise known as the “*Philippine Competition Act*”
28 (PCA);

29 (d) *Bunkering* refers to the activity of selling of natural gas for use of domestic or foreign
30 marine vessels by a participant known as bunker trader;

31 (e) *Capacity* refers to the handling design of a system used in the context of its
32 functionality and expressed in a specific measurement such as volume or flow per time
33 unit or designated measurement unit;

34 (f) *Conventional Transportation System* refers to a network of fixed facilities made up of,
35 among others, wellheads, compressor stations, pipelines, and metering for the purpose of
36 delivering natural gas. This includes both the PDNG Transmission System and PDNG
37 Distribution System;

1 (g) *Delivery* refers to the transmission or distribution of natural gas and the supply of
2 natural gas at wholesale or retail;

3 (h) *Distribution* refers to the transportation of natural gas through a PDNG Distribution
4 System;

5 (i) *End-user* refers to any person that will receive delivery of natural gas for resale or
6 final use;

7 (j) *Importation* refers to the act of bringing LNG into the Philippines;

8 (k) *Liquefied natural gas or LNG* refers to natural gas which has been liquefied by cooling
9 at a cryogenic temperature;

10 (l) *LNG Storage and Regasification Terminal* refers to all component facilities used to
11 receive, unload, load, store, regasify LNG. It shall include, among others, jetty and
12 unloading/loading arms, cryogenic pipelines, storage tanks, boil-off gas compressors and
13 condensers, vaporizers, control facilities, metering and other relevant components;

14 (m) *Natural gas* refers to complex gaseous mixture of hydrocarbons, primarily methane,
15 but generally includes ethane, propane and higher hydrocarbons, and some non-
16 combustible gases such as nitrogen and carbon dioxide;

17 (n) *Natural Gas Distribution System Utility Operator or NGDSUO* refers to any person
18 engaged in the operation of a PDNGDS providing services for general public use;

19 (o) *Natural Gas Sales and Purchase Agreement or NGSPA* refers to any contract or
20 agreement for the delivery and sale of indigenous or imported natural gas by and between
21 sellers, suppliers, buyers and end-users;

22 (p) *Natural Gas Transmission System Utility Operator or NGTSUO* refers to any person
23 engaged in the operation of a PDNGTS providing services for general public use;

24 (q) *Own-use PDNGI Participant* refers to any natural or juridical entity engaged in the
25 exclusive use of PDNGI facilities by an Operator or its affiliates. Facilities operated by Own-
26 use PDNGI Participants shall not be covered by third party access provisions under
27 Chapter V of this Act;

28 (r) *Own-use Permit* refers to an authorization granted by the DOE to an Own-use PDNGI
29 Participant, which shall not be covered by the provisions under Chapter V of this Act;

30 (s) *Participant* refers to a natural or juridical person who engages in any of the activities,
31 operation and management of PDNGI. A participant may refer to a supplier, aggregator,
32 bunker trader, regasification operator, NGTSUO, NGDSUO and an End-user;

33 (t) *Permit* refers to an authorization issued by the DOE for the importation, exportation
34 aggregation, construction, commercial operation, own-use, maintenance of natural gas
35 facilities and any other PNDGI activities;

36 (u) *Permit Holder or Operator* refers to a natural or juridical person who is granted a
37 Permit by the DOE to engage in the importation, exportation aggregation, construction,

1 commercial operation, own-use, maintenance of natural gas facilities and any other PNDGI
2 activities;

3 (v) *Philippine Downstream Natural Gas Development Plan or PDNG DevPlan* refers to the
4 comprehensive plan for ensuring the safe, secure, and reliable supply of natural gas and
5 establishing the efficient operations of the country's downstream natural gas
6 infrastructure and proper management of natural gas demand through appropriate
7 government programs and policies. It shall include the various LNG supply plans, LNG
8 storage and regasification terminal development plans, downstream natural gas
9 transmission and distribution development plans. This plan shall be incorporated in the
10 PEP;

11 (w) *Philippine Downstream Natural Gas Distribution Code or PDNG Distribution Code*
12 refers to the code formulated by the DOE, which shall set the technical performance
13 standards for operating a conventional distribution system and the minimum financial
14 standards for such service;

15 (x) *Philippine Downstream Natural Gas Distribution Development Plan or PDNG*
16 *Distribution DevPlan* refers to a comprehensive plan prepared and submitted to the DOE
17 by the owners or operators of all existing, committed, and indicative conventional and
18 virtual distribution systems whether dedicated or utility containing, among others,
19 information on their locations, construction, operation, improvement, expansion,
20 modification, maintenance, repair, or rehabilitation, decommissioning and abandonment,
21 whichever is applicable. The plan shall likewise include all studies, programs and policies
22 for the promotion and development of the distribution sector;

23 (y) *Philippine Downstream Natural Gas Distribution System or PDNG Distribution System*
24 refers to a system of conventional pipelines and their related facilities extending from the
25 delivery points where the gas distribution system receives the natural gas to the point of
26 connection in the premises of the End-user;

27 (z) *Philippine Downstream Natural Gas Industry or PDNG Industry* refers to all
28 downstream natural gas industry participants and their affiliates involved in activities
29 pertaining to natural gas supply for bunkering or domestic storage and regasification,
30 transmission, distribution, and use. It shall likewise refer to the operation and
31 management of all downstream natural gas facilities which include, among others, LNG
32 carrier and support ships, LNG Storage and Regasification Terminals, PDNG Transmission
33 System and PDNG Distribution System and their related facilities;

34 (aa) *Philippine Downstream Natural Gas Transmission Code or PDNG Transmission Code*
35 refers to the code formulated by the DOE which shall set the technical performance
36 standards for operating a conventional transmission system and the minimum financial
37 standards for such service;

1 (bb) *Philippine Downstream Natural Gas Transmission Development Plan or PDNG-TDP*
2 refers to a comprehensive plan prepared and submitted to the DOE by the owners or
3 operators of all existing, committed, and indicative conventional and virtual transmission
4 system whether dedicated or utility containing, among others, information on their
5 locations, construction, operation, improvement, expansion, modification, maintenance,
6 repair, or rehabilitation, decommissioning and abandonment, whichever is applicable. The
7 plan shall likewise include all studies, programs and policies for the promotion and
8 development of the transmission sector;

9 (cc) *Philippine Downstream Natural Gas Transmission System or PDNG Transmission*
10 *System* refers to a system of conventional pipelines and their related facilities extending
11 from the delivery points where the system receives the natural gas from the indigenous
12 upstream source or from LNG Storage and Regasification Terminal to the point of
13 connection where the PDNG Distribution System receives the gas;

14 (dd) *Philippine Energy Plan or PEP* refers to the overall energy program formulated and
15 updated yearly by the DOE and submitted to Congress pursuant to Republic Act No. 7638,
16 otherwise known as the “Department of Energy Act of 1992”, as amended;

17 (ee) *Philippine LNG Storage and Regasification Terminal Code or PLSR Terminal Code*
18 refers to the code formulated by the DOE which shall set the technical performance
19 standards for operating an LNG Storage and Regasification Terminal and the minimum
20 financial standards for such service;

21 (ff) *Philippine LNG Storage and Regasification Terminal Development Plan or PLSR*
22 *Terminal DevPlan* refers to a comprehensive plan prepared and submitted to the DOE by
23 the owners or operators of all existing, committed, and indicative LNG storage and
24 regasification terminal projects containing, among others, information on their locations,
25 construction, operation, improvement, expansion, modification, maintenance, repair, or
26 rehabilitation, decommissioning and abandonment, whichever is applicable. The plan
27 shall likewise include all studies, programs and policies for the promotion and development
28 of the regasification sector;

29 (gg) *Rates* refer to the amount paid on the utilization of the capacity and use of other
30 services offered by the Permit Holder or Operator of the storage, regasification,
31 transmission and distribution pipeline;

32 (hh) *Supplier* refers to any person engaged and registered with the DOE to trade on
33 indigenous or imported LNG and their subsequent supply to end-users;

34 (ii) *Supply* refers to the trade or sale of indigenous or imported natural gas and their
35 subsequent sale to end-users;

36 (jj) *Third-party access or TPA* refers to a transparent and non-discriminatory access and
37 utilization by a third-party user of the entire or excess and uncommitted capacity of the

1 LNG Storage and Regasification Terminal, PDNG Transmission System and PDNG
2 Distribution System, and their related facilities;

3 (kk) *TPA Permit* refers to an authorization granted by the DOE to a Permit Holder or
4 Operator that allows third party access and utilization of the natural gas facilities' entire
5 capacity or excess uncommitted capacity by a third-party user in a transparent and non-
6 discriminatory manner;

7 (ll) *Transmission* refers to the transportation of natural gas through a PDNG
8 Transmission System; and

9 (mm) *Virtual Transportation System* refers to any alternative methods of transporting
10 natural gas other than through the conventional transportation system such as use of land
11 vehicles or sea vessels, with or without an on-site modular regasification unit.

12 **CHAPTER II**

13 **POWERS AND RESPONSIBILITIES OF GOVERNMENT AGENCIES**

14 **SEC. 5. Powers and Responsibilities of the DOE.** – In addition to its existing powers
15 and functions, the DOE shall have the overall responsibility of supervising and monitoring
16 the development of the PDNGI. Towards this end, the DOE shall perform the following
17 powers and functions:

18 (a) Prepare the PDNG DevPlan, incorporating therein the plans submitted by public and
19 private stakeholders after open discussions and consultations with them, within two (2)
20 years from the effectivity of this Act and reviewed and updated every three (3) years after
21 its adoption;

22 (b) Establish standards on gas quality, facility installation and safety and security of
23 operation, and environmental preservation, in coordination with the Department of Trade
24 and Industry-Bureau of Philippine Standards (DTI-BPS). For this purpose, a Philippine
25 Inter-Agency Technical Committee (PIA-TC) shall be created by the DTI-BPS to be chaired
26 by the DOE and co-chaired by the DTI-BPS. The other permanent members of the PIA-TC
27 shall be comprised of representatives from the Maritime Industry Authority (MARINA),
28 Philippine Ports Authority (PPA), Philippine Coast Guard (PCG), Department of
29 Environment and Natural Resources (DENR), Department of Labor and Employment
30 (DOLE), Bureau of Fire Protection (BFP), Department of Health (DOH), PDNGI
31 representatives and academe.

32 A Philippine Inter-Agency Health, Safety, Security and Environment Inspection and
33 Monitoring Team (PIA-HSSE IMT) shall likewise be created to monitor and enforce
34 compliance with established standards to be chaired by the DOE and co-chaired by the
35 DENR. The other permanent members of the PIA-HSSE IMT shall be comprised of
36 representatives from the MARINA, PPA, PCG, DENR, DOLE, BFP, DOH, Department of
37 Interior and Local Government (DILG), and Department of Science and Technology (DOST);

38 (c) Approve or issue:

- 1 i. Permits for the construction, operation, improvement, expansion, modification,
2 maintenance, repair, rehabilitation, decommissioning and abandonment of
3 downstream natural gas facilities;
- 4 ii. Accreditation as PDNGI Participant; and
- 5 iii. Acknowledgment of notification of commercial activities in the PDNGI value chain
6 such as the supply, aggregation, blending, storage, trading, transshipment, sale,
7 import or export of natural gas or LNG.

8 The procedure for the processing and issuance of all Permits and other clearances
9 pursuant to this Act shall be governed by Republic Act No. 11234, otherwise known as the
10 “*Energy Virtual One Stop Shop Act*”. The EVOSS Steering Committee shall streamline the
11 permitting process for the LNG industry and shall continue its mandate under Republic
12 Act No. 11234;

13 (d) Review, suspend or revoke, after due notice and hearing, permits issued in
14 accordance with the preceding paragraph (c) herein, and Section 14 of this Act after a
15 finding of non-compliance with the provisions of this Act, the rules and regulations that
16 shall be promulgated to implement it, and related issuances;

17 (e) Issue a written approval on the assignment or transfer of interest on any permits
18 issued in accordance with Section 40 of this Act, after finding that the assignee or
19 transferee has met all the legal, technical, and financial qualifications and has committed
20 itself to assume all existing obligations of the Permit Holder, and such assignment or
21 transfer is in accordance with existing laws, rules, and regulations;

22 (f) Within one (1) year from the effectivity of the Implementing Rules and Regulations of
23 this Act, issue, in consultation with other concerned government agencies and the PDNGI
24 Participants, the PDNG Transmission Code and PDNG Distribution Code, the PLSR
25 Terminal Code, and the TPA Code, which shall contain the standards and best practices
26 on safe, high-quality, environmentally responsible and consumer protected operation and
27 service, competitive practices and reasonable rates of service;

28 (g) Notify the Philippine Competition Commission (PCC) and endorse requests for
29 investigation on any anti-competitive behavior in the conduct of any business under the
30 downstream natural gas industry;

31 (h) Issue directives to qualified government agencies, in their capacities as investing
32 arms, to spearhead the development of the PDNGI value chain as the DOE may deem
33 imperative to catalyze its development within a given timeline;

34 (i) Determine the qualifications and detailed responsibilities of the NGTSUO and
35 NGDSUO pursuant to their responsibilities provided in this Act;

36 (j) Initiate actions against the NGTSUOs or NGDSUOs for failure to comply with the
37 qualifications and detailed responsibilities specified in this Act;

1 (k) Enforce the submission of regular and special reports of all Participants regarding,
2 among others, PDNGI activities as defined in this Act, progress reports on infrastructure
3 development, organization, business conduct and practices, natural gas supply-demand
4 procurement and delivery, utilization rate of the downstream natural gas facilities and
5 compliance with HSSE standards. Confidentiality of information shall not be applicable for
6 the compliance of the Participants in the submission of the above-mentioned reports;

7 (l) Publish at the DOE website the list of PDNGI Participants with the status of their
8 projects;

9 (m) In times of national emergency, upon the recommendation of the NEDA and DOE,
10 when the public interest so requires, during the emergency and under reasonable terms,
11 may temporarily take over or direct the operation of any person or entity engaged in the
12 PDNGI for a period of six (6) months unless otherwise extended; and

13 (n) Exercise such other powers and functions as may be necessary or incidental to attain
14 the objectives of this Act. Subject to existing laws, rules and regulations, the DOE is hereby
15 authorized to create offices and appoint personnel as may be necessary to efficiently and
16 effectively implement this Act.

17 **SEC. 6. Powers and Responsibilities of the ERC.** – The powers of the ERC shall be
18 limited to its regulatory function under Chapter IV of Republic Act No. 9136, otherwise
19 known as “*The Electric Power Industry Reform Act of 2001*”, as amended. It shall create
20 offices and appoint personnel thereto as may be necessary to efficiently and effectively
21 perform its functions in regulating power generated from natural gas resources, subject to
22 existing laws, rules and regulations.

23 **SEC. 7. Powers and Responsibilities of the Department of Environment and**
24 **Natural Resources (DENR).** – In addition to its functions under Executive Order No. 192,
25 otherwise known as the “*Reorganization Act of the Department of Environment and Natural*
26 *Resources*”, the DENR shall, together with the DOE and the PCG, determine and monitor
27 compliance with the environmental standards for the location, construction, improvement,
28 expansion, operation, rehabilitation, repair, maintenance, decommissioning, and
29 abandonment of LNG Storage and Regasification Terminals, PDNG Transmission System
30 and PDNG Distribution System, and all related equipment and facilities pursuant to
31 existing environmental laws, such as the *Clean Air Act* or Republic Act No. 8749, as
32 amended, *National Integrated Protected Areas System (NIPAS)* under Republic Act No. 7586,
33 as amended by the *Expanded National Integrated Protected Areas System (E-NIPAS)* under
34 Republic Act No. 11038.

35 **SEC. 8. Powers and Responsibilities of the Department of Transportation (DOTr)**
36 **through the Philippine Coast Guard (PCG).** – In addition to its functions under Republic
37 Act No. 9993, otherwise known as the “*Philippine Coast Guard Law of 2009*”, the PCG shall,
38 together with the DENR, determine and monitor compliance with the Marine

1 Environmental Protection standards for the location, construction, improvement,
2 expansion, operation, rehabilitation, repair, maintenance, decommissioning, and
3 abandonment of LNG Storage and Regasification Terminals, PDNG Transmission System
4 and PDNG Distribution System, and all related equipment and facilities.

5 **SEC. 9. Powers and Responsibilities of the Department of Transportation (DOTr)**
6 **through the Maritime Industry Authority (MARINA).** – In addition to its functions under
7 Presidential Decree No. 474, otherwise known as the “*Maritime Industry Decree of 1974*”,
8 the MARINA shall have general jurisdiction over the development, promotion and
9 regulation of all enterprises engaged in the business of designing, constructing,
10 manufacturing, acquiring, operating, supplying, repairing, and maintaining vessels, or
11 component parts thereof, including LNG carriers, and shall provide for the effective
12 supervision, regulation and rationalization of the organizational management, ownership
13 and operations of all water transport utilities and other maritime enterprises.

14 **SEC. 10. Powers and Responsibilities of the Department of Trade and Industry-**
15 **Bureau of Philippine Standards (DTI-BPS).** – In addition to its functions under Republic
16 Act No. 4109, entitled, “*An Act to Convert the Division of Standards under the Bureau of*
17 *Commerce into a Bureau of Standards, to Provide for the Standardization and/or Inspection*
18 *of Products and Imports of the Philippines and for other Purposes*”, the DTI-BPS shall,
19 together with the DOE, determine, develop, formulate, promulgate, and revise, the PNS for
20 natural gas transmission and distribution systems, and for natural gas, in its original or
21 liquefied form, LNG Storage and Regasification Terminals, all related equipment and
22 facilities.

23 **SEC. 11. Powers and Responsibilities of the Department of Science and**
24 **Technology (DOST).** – In addition to its functions under Executive Order No. 128,
25 otherwise known as the “*Reorganizing the National Science and Technology Authority*”, the
26 DOST shall undertake scientific and technological research and development for the
27 improvement of new technologies in the PDNGI.

28 **SEC. 12. Powers and Responsibilities of the Philippine Competition Commission**
29 **(PCC).** – Consistent with its functions under Republic Act No. 10667, or the “*Philippine*
30 *Competition Act*”, the PCC shall:

31 (a) Promote free and fair competition in all commercial economic activities in the
32 PDNGI;

33 (b) Prevent economic concentration in the PDNGI which may have the tendency to
34 control the production, distribution, trade, or industry that will unduly stifle competition,
35 lessen, manipulate or constrict the discipline of free markets; and

36 (c) Penalize all forms of anti-competitive agreements, abuse of dominant position and
37 anti-competitive mergers and acquisitions in the PDNGI, with the objective of protecting

1 consumer welfare and advancing domestic and international trade and economic
2 development.

3 All matters involving or suspected by the ERC or DOE to be involved in anti-competitive
4 agreements or abuse of market power shall be referred to the PCC for investigation and
5 adjudication. Where the act or acts to be referred to the PCC are highly technical in nature,
6 the ERC or DOE shall assist the PCC in its inquiry and analysis of the facts.

7 **CHAPTER III**

8 **STRUCTURE, OPERATION AND REGULATIONS OF THE** 9 **DOWNSTREAM NATURAL GAS INDUSTRY**

10 **SEC. 13. Structure.** – For purposes of this Act, the PDNGI shall consist of the following
11 sectors: natural gas supply and Aggregation, LNG bunkering, LNG Storage and
12 Regasification Terminals, Conventional and Virtual Transportation Systems, their related
13 facilities, and end-users.

14 **SEC. 14. DOE Permits and Issuances.** – The DOE shall have the power and
15 responsibility to evaluate applications and approve the Permits necessary for the
16 construction, operation, improvement, expansion, modification, maintenance, repair,
17 rehabilitation, decommissioning and abandonment of any PDNGI facility or activity.
18 Further, the DOE shall accredit PDNGI Participants and acknowledge notification of
19 commercial activities in the PDNGI value chain. Moreover, Permits issued to natural gas
20 facilities may vary depending on the intended use such as Own-use Permit and TPA Permit.

21 **SEC. 15. Compliance with Philippine Laws, Rules and Regulations.** – Operators or
22 Permit Holders of PDNGI facilities shall comply with all Philippine laws, rules and
23 regulations implemented by the different agencies of the government.

24 **SEC. 16. Compliance with Standards.** – The DOE shall ensure that all PDNGI
25 participants, products, facilities, services, systems shall be compliant with the standards
26 set by relevant government agencies in terms of quality, design, efficiency, safety,
27 structural integrity, and operation and maintenance. Regulations shall be consistent with
28 applicable Philippine and internationally-accepted natural gas industry standards.

29 **SEC. 17. Confidential Information.** – The government shall not use confidential or
30 commercially sensitive information for purposes other than those provided herein and
31 shall protect and limit the disclosure of confidential or commercially sensitive information,
32 unless allowed by the operator or when required by laws, rules and regulations.

33 **SEC. 18. Authority to Obtain Information.** – The DOE and other concerned
34 government agencies may require any downstream natural gas player or Permit Holder,
35 through a valid order to furnish, within a reasonable period specified, all information and
36 documents relating to all such matters as to the permit, rates and operation of business
37 and natural gas facilities, and provide explanations on the information or document
38 submitted, subject to Section 17 of this Act. The failure of a PDNGI Participant or Permit

1 Holder to provide the required information or document without valid reason shall be
2 punishable under this Act.

3 **SEC. 19. Natural Gas Supply.** – The procurement, delivery, and pricing of natural gas
4 from indigenous production facility or from LNG importation to the PDNGI shall be
5 transparent, competitive and secure. The DOE may require the suppliers to submit
6 relevant information pertaining to supply contracting, procurement, pricing, and
7 distribution scheme to users for the purpose of monitoring.

8 The LNG-related facilities, PDNG Transmission System and PDNG Distribution System
9 shall be designed and constructed to ensure the accommodation of both indigenous and
10 imported supply of natural gas pursuant to measures to be issued by the DOE. The DOE
11 shall provide measures to support the supply and use of indigenous natural gas to the
12 domestic downstream natural gas sector, and if necessary, including the dispatch of
13 indigenous gas.

14 Any entity engaged in the distribution of natural gas may engage in the supply of the
15 same.

16 **SEC. 20. Abandonment of Downstream Natural Gas Facility.** – No holder of a permit
17 for the construction, installation, operation or maintenance of a downstream natural gas
18 facility shall abandon or withdraw from service any portion of said downstream natural
19 gas facility or project without obtaining prior authorization from the DOE. The DOE shall,
20 in coordination with the DENR, provide the guidelines and regulations for
21 decommissioning and abandonment of natural gas infrastructures and facilities.

22 **SEC. 21. Administrative Rules and Procedures.** – The DOE shall issue the
23 administrative rules and procedure for the discharge of administrative cases and
24 imposition of administrative fines and penalties. The Rules of Court shall apply in a
25 suppletory manner.

26 **SEC. 22. Fees.** – All concerned government agencies shall have the authority to
27 prescribe and collect fees and charges relating to the issuance or review of Permits, and
28 the supervision and regulation of the PDNGI.

29 **CHAPTER IV**

30 **PUBLIC OPERATION OF LNG FACILITIES**

31 **SEC. 23. Transmission and Distribution System and Related Facility.** – The DOE
32 shall issue a license or authorization to operators of PDNG Transmission Systems and
33 PDNG Distribution Systems operating as public utilities if: (1) the operator is fit, willing
34 and able to perform such service properly in conformity with the provisions of this Act and
35 its Implementing Rules and Regulations; and (2) such service is required by the public
36 convenience and necessity. The rate of charges and fees for their services shall be non-
37 discriminatory, transparent and competitive.

1 uncommitted excess capacity, access terms, and conditions, and allow the review and
2 inspection of their facilities and records to verify the same; and

3 (f) The TPA shall not apply to facilities subject of Own-use Permits. Should the Own-use
4 Permit Holder opt to participate in TPA activities, it shall obtain a TPA Permit from the
5 DOE.

6 **SEC. 28. Congestion Management.** – Whenever the holder of a capacity is no longer
7 able to use or has not released the capacity without justifiable reason, the Permit Holder
8 or the Operator of the facility shall have the authority to release such capacity and market
9 the same. The procedure and criteria of the release shall be part of the TPA Code. The
10 government agency which shall have an oversight function on this matter shall be
11 designated in the TPA Code.

12 **CHAPTER VI**

13 **STANDARDS ON PRODUCT QUALITY, FACILITY, AND SAFETY PRACTICE**

14 **SEC. 29. Standards on LNG Ships and LNG Facility.** – All PDNGI facilities shall be
15 predicated to be of high quality and efficient service, observe stringent safety systems,
16 accord attention to design details and structural integrity and employ operational and
17 maintenance best practices. Regulations shall be consistent with both applicable
18 Philippine and internationally-accepted natural gas industry standards. The DOE shall
19 ensure compliance with this requirement.

20 Applications for the issuance of DOE Permits and continued conduct of any PDNGI
21 activity and operation of facility shall be subject to continuous compliance to standards.

22 **SEC. 30. Standards on Product Quality.** – The Permit Holder or Operator shall
23 maintain the quality of gas supply to end-users in accordance with the Philippine and
24 internationally accepted standards and ensure that delivery of indigenous or imported LNG
25 comply with the purification requirements to ensure that associated compounds that are
26 unnecessary or damaging to the LNG regasification facility and other related natural gas
27 facilities used for storage, distribution and transportation of natural gas supply are
28 eliminated. The DOE shall ensure compliance with this requirement.

29 **SEC. 31. Standards on Safety Practice.** – The Permit Holder or Operator shall
30 implement an acceptable health, safety, security and environment management system in
31 accordance with applicable Philippine and internationally accepted standards. The DOE,
32 DENR, DOH and other concerned agencies shall ensure compliance with this requirement.

33 **CHAPTER VII**

34 **RESPONSIBILITIES OF THE PERMIT HOLDER OR OPERATOR**

35 **SEC. 32. Responsibilities of the Permit Holder or Operator.** – A Permit Holder or
36 Operator shall have the following responsibilities:

37 (a) Align all its goals and objectives to the accomplishment of the declared policies of
38 this Act;

1 (b) Be directly responsible for the construction and operation of LNG facilities by
2 providing the necessary services, technology and financing, either by oneself or through
3 duly authorized subcontractors, without entitlement from the Philippine government to
4 any reimbursement of any expense incurred;

5 (c) Comply with applicable Philippine laws and regulations to attain energy security and
6 common welfare;

7 (d) Comply with the regulatory obligations, maintenance of complete records and
8 submission of all reportorial requirements and other documents as may be required by the
9 DOE and other government agencies pursuant to this Act and its Implementing Rules and
10 Regulations;

11 (e) Implement the natural gas project strictly adhering to the scope and limits of the
12 permit and operate in accordance with the Philippine and international standards;

13 (f) Allow and facilitate, based on a valid order, the entry to the facility of the examiners
14 of the Bureau of Internal Revenue and the Bureau of Customs and allow them full access
15 to accounts, books, and records for tax and other fiscal purposes;

16 (g) Allow, based on a valid order, the entry of personnel of the DOE, ERC, PIA-HSSE IMT
17 and other government agencies to the facility and grant them full access to operational
18 records for inspection and monitoring activities;

19 (h) Give preference to qualified local talents for hiring and local companies or agencies
20 in entering into subcontracts on projects or services, which are required in the
21 construction or operation of the LNG facility;

22 (i) Hold the DOE, ERC, PIA-HSSE IMT and other government agencies or other affected
23 individuals free from all claims, demands or actions arising out of its failure to comply with
24 laws, regulations, standards, contracts, and permits in connection with accidents,
25 damages, or injuries which are beyond their control; and

26 (j) Participate in the development, issuance and review of plans, protocols, standards
27 and codes applicable to the PDNGI.

28 The specific responsibilities of the PDNGI Participants shall be further defined in the
29 Implementing Rules and Regulations of this Act.

30 **CHAPTER VIII**

31 **INCENTIVES**

32 **SEC. 33. Fiscal Incentives.** – PDNGI projects, as certified by the DOE, shall be entitled
33 to the following incentives:

34 (i) Investments to convert facilities from oil and coal to gas shall be deemed as qualified
35 capital expenditures under Section 294 (C) of the National Internal Revenue Code,
36 as amended;

37 (ii) The sale of natural gas shall be subject to zero percent (0%) VAT, pursuant to the
38 NIRC, as amended; and

1 (iii) LNG terminals, PDNG Transmission Systems, and PDNG Distribution Systems shall
2 be entitled to zero-rated VAT on their purchases of local supply of goods, properties
3 and services needed for the development, construction and installation of their
4 facilities.

5 Activities in relation to the PDNGI value chain as certified by the DOE, which shall duly
6 register with any investment promotion agency within four (4) years from the effectivity of
7 this Act shall qualify for incentives under Tier III of the Strategic Investment Priority Plan
8 (SIPP) pursuant to Title XIII (tax incentives) of the National Internal Revenue Code of 1997
9 (NIRC), as amended.

10 Thereafter, PDNGI value chain projects shall be subject to Title XIII (tax incentives) of
11 the National Internal Revenue Code of 1997 (NIRC), as amended.

12 CHAPTER IX

13 PROMOTION OF COMPETITION

14 **SEC. 34. *Anti-Competitive Behavior.*** – No PDNGI Participant, or affiliate thereof, shall
15 engage in any anti-competitive behavior or abuse of its dominant position by engaging in
16 any conduct or behavior in accordance with Republic Act No. 10667 or the “*Philippine*
17 *Competition Act*”.

18 **SEC. 35. *Fair Access to Capital and Off-Taker Market.*** – The DOE shall issue
19 applicable policies that promote the financial viability of the PDNGI and competitive access
20 to both capital and off-taker market for natural gas.

21 CHAPTER X

22 FINES AND PENALTIES

23 **SEC. 36. *Administrative Fines and Penalties.*** - The following administrative fines
24 and penalties shall be imposed on any industry Participant who violates the provisions of
25 this Act:

26 (a) The permit, accreditation or other approvals issued by the DOE under Chapter III,
27 Section 14 of this Act, may be suspended or revoked and the DOE shall impose upon the
28 Operator a fine ranging from Fifty Thousand Pesos (₱50,000.00) to Five Million Pesos
29 (₱5,000,000.00) per violation without prejudice to other appropriate administrative fines
30 and penalties that other relevant government agencies may impose on the operator:
31 *Provided,* That the schedule of fines provided for in this Section shall be increased by the
32 DOE every five (5) years, for violation of:

- 33 i. Standards on LNG ships and LNG facility issued pursuant to Section 29 of this
34 Act;
- 35 ii. Standards on product quality issued pursuant to Section 30 of this Act;
- 36 iii. Standards on safety practice issued pursuant to Section 31 of this Act;
- 37 iv. Responsibilities of the Permit Holder or Operator pursuant to Section 32 of this
38 Act;

- 1 v. PDNG Transmission Code and PDNG Distribution Code, PLSR Terminal Code,
2 and TPA Code; and
3 vi. Orders or directives of the DOE in the implementation of this Act;

4 (b) The applicable administrative penalty for Section 34 of this Act shall be pursuant to
5 the PCA.

6 **SEC. 37. Criminal Fines and Penalties.** – Appropriate fines and penalties under
7 existing penal laws shall apply to any criminal violation associated in the implementation
8 of this Act.

9 CHAPTER XI

10 TRANSITORY PROVISIONS

11 **SEC. 38. Existing Systems.** – Downstream natural gas facilities that have been
12 constructed prior to the effectivity of this Act shall continue to be operated under their
13 existing permits and shall comply with additional requirements as may be applicable.

14 Suppliers who have entered into an NGSPA with end-users and have delivered
15 indigenous or imported natural gas prior to the effectivity of this Act shall continue to
16 operate under the said contracts, subject to compliance with the additional requirements
17 in this Act.

18 All PDNGI Participants shall comply with the provisions of this Act within two (2) years
19 from the effectivity of the Implementing Rules and Regulations of this Act: *Provided*, That
20 health, safety, security, environmental, construction, operation and other permits,
21 licenses, certificates, and authorizations issued prior to the effectivity of this Act which are
22 not inconsistent herewith shall remain valid.

23 PDNG Transmission Systems and PDNG Distribution Systems existing at the time of
24 the effectivity of this Act shall be allowed to continue pursuant to the terms and conditions
25 indicated in their franchise until the lapse of the period accorded to them in the franchise.

26 **SEC. 39. Pending Application.** – All applications for any activity in the PDNGI pending
27 before the DOE upon the effectivity hereof shall be covered by this Act.

28 CHAPTER XII

29 FINAL PROVISIONS

30 **SEC. 40. Assignment or Transfer of Interest.** – Assignment of the Permit or change
31 of operatorship shall be allowed only upon prior written approval by the DOE based on
32 acceptable reasons and compliance by the existing Permit Holder, the assumption by the
33 assignee of all obligations of the existing Permit Holder, and upon meeting the minimum
34 legal, technical, and financial qualifications by the assignee.

35 In case of a transfer of more than fifty percent (50%) of the shares of the Permit Holder
36 or Operator, without assignment of the Permit or change of operatorship, the Permit Holder
37 or Operator shall notify the DOE within seven (7) days from the date of transfer.

1 **SEC. 41. Amicable Settlement.** – All parties shall make their best efforts to amicably
2 settle any dispute arising from the performance or interpretation of any provision of this
3 Act.

4 **SEC. 42. Congressional Oversight.** - The Joint Congressional Energy Commission
5 (JCEC) shall exercise oversight powers over the implementation of this Act. The DOE, ERC,
6 and other relevant government agencies shall submit to the JCEC annual reports, which
7 shall include the latest relevant data, implementation review and reports, and policy and
8 regulatory issues no later than the fifteenth day of September.

9 **SEC. 43. Appropriations.** – The amount necessary for the implementation of this Act
10 shall be included in the annual General Appropriations Act.

11 **SEC. 44. Implementing Rules and Regulations.** – The DOE shall promulgate rules
12 and regulations for the effective implementation of this Act within twelve (12) months after
13 the effectivity of this Act.

14 **SEC. 45. Separability Clause.** – If for any reason, any provision of this Act is declared
15 unconstitutional or invalid, the other parts or provisions hereof, which are not affected
16 thereby, shall continue to be in full force and effect.

17 **SEC. 46. Repealing Clause.** – Any law, presidential decree or issuance, executive order,
18 letter of instruction, rule or regulation inconsistent with the provisions of this Act is hereby
19 repealed or modified accordingly.

20 **SEC. 47. Effectivity.** – This Act shall take effect fifteen (15) days after its publication
21 in the *Official Gazette* or in a newspaper of general circulation.

22 Approved,



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

NINETEENTH CONGRESS
First Regular Session

FACT SHEET

House Bill No. 8456

**“AN ACT
PROMOTING THE DEVELOPMENT OF THE PHILIPPINE
DOWNSTREAM NATURAL GAS INDUSTRY, CONSOLIDATING FOR
THE PURPOSE ALL LAWS RELATING TO THE TRANSMISSION,
DISTRIBUTION AND SUPPLY OF NATURAL GAS, AND
APPROPRIATING FUNDS THEREFOR”**

Introduced by REPRESENTATIVES FERDINAND MARTIN G. ROMUALDEZ, LORD ALLAN Q. VELASCO, RODANTE D. MARCOLETA, YEDDA MARIE K. ROMUALDEZ, JUDE A. ACIDRE, WILTER Y. PALMA, JURDIN JESUS M. ROMUALDO, HARRIS CHRISTOPHER M. ONGCHUAN, MARIA CARMEN S. ZAMORA, SHERNEE A. TAN-TAMBUT, NOEL “BONG” N. RIVERA, JONATHAN KEITH T. FLORES, RALPH G. RECTO, CARL NICOLAS C. CARL, EMIGDIO P. TANJUATCO III, FRANCISCO PAOLO P. ORTEGA V, RAMON JOLO B. REVILLA III, ANTONIO “TONYPET” T. ALBANO, JOHN TRACY F. CAGAS, EDWIN L. OLIVAREZ, DIVINA GRACE C. YU, FAUSTINO “INNO” A. DY V, JEYZEL VICTORIA C. YU, DAVID “JAY-JAY” C. SUAREZ, MA. RENE ANN LOURDES G. MATIBAG, CHING B. BERNOS, RACHEL MARGUERITE B. DEL MAR, JULIENNE “JAM” BARONDA, MARY MITZI L. CAJAYON-UY, KEITH MICAH “ATTY. MIKE” D.L. TAN, JOSEPHINE VERONIQUE “JAYE” R. LACSON-NOEL, DAN S. FERNANDEZ, PRINCESS RIHAN M. SAKALURAN, KRISTINE SINGSON-MEEHAN, JOSEPH GILBERT F. VIOLAGO, GLORIA MACAPAGAL-ARROYO, FERDINAND ALEXANDER A. MARCOS, JOSE “JOBOY” S. AQUINO II, ALBERT S. GARCIA, ROBERTO V. PUNO, BRIAN RAYMUND S. YAMSUAN, WILFRIDO MARK M. ENVERGA, MICHAEL JOHN R. DUAVIT, TOBIAS “TOBY” M. TIANGCO, RAYMOND DEMOCRITO C. MENDOZA, ANIELA BIANCA D. TOLENTINO, GREG G. GASATAYA, ISIDRO T. UNGAB, LUIS N. CAMPOS, JR., JOSE ARTURO S. GARCIA, SR., SONNY “SL” L. LAGON, DAPHNE A. LAGON, , CARMELO “JON” B. LAZATIN II, MERCEDES K. ALVAREZ, HORACIO P. SUANSING, JR., MARISSA “DEL MAR” P. MAGSINO, JOSE MANUEL F. ALBA, CARLO S. MARQUEZ, AUGUSTINA DOMNIQUE “DITSE TINA” C. PANCHO, ROBERT RAYMUND M. ESTRELLA, DANTE S. GARCIA, JOSEPH S. TAN, JOSEFINA B. TALLADO, ROMULO “KID” PEÑA, JR., FERNANDO T. CABREDO, MARLYN “LEN” B. ALONTE, JOSEPH “JOJO” L. LARA, MARIA JAMINA KATHERINE B. AGARAO, FAUSTINO MICHAEL CARLOS T. DY III, ANGELO MARCOS BARBA, MARK O. GO, EMERSON D. PASCUAL, CELSO G. REGENCIA, LINABELLE RUTH R. VILLARICA, JOHNNY T. PIMENTEL, FRANCISCO “KIKO” B. BENITEZ, MARLYN L. PRIMICIAS-AGABAS,

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*Committee Referral: **COMMITTEE ON ENERGY** (Primary)*

*Committee Chairperson: **HON. LORD ALLAN JAY Q. VELASCO***

*Committee Referral: **COMMITTEE ON APPROPRIATIONS** (Secondary)*

*Committee Chairperson: **HON. ELIZALDY S. CO***

*Committee Referral: **COMMITTEE ON WAYS AND MEANS** (Secondary)*

*Committee Chairperson: **HON. JOEY SARTE SALCEDA***

OBJECTIVES:

- To promote the role of natural gas as a safe, environment-friendly, efficient and cost-effective source of energy, and an indispensable contributor to grid security, especially with the entry of more intermittent renewable energy sources, through the creation of favorable conditions for establishing the Philippine Downstream Natural Gas Industry (PDNGI) for the benefit of all segments of the nation's population and sectors of the economy.
- To promote natural gas as the energy fuel, which has tremendous potential to meet the increasing local demand for fuel, and the development of the Philippines as a Liquefied Natural Gas (LNG) trading and transshipment hub within the Asia-Pacific Region. In all cases, the State shall ensure the safe, secure, reliable, transparent, competitive and environmentally responsible operation of the PDNGI value chain.
- To promote and hasten the exploration and development of indigenous natural gas resources and facilities, and to prioritize the use of indigenous natural gas to help attain greater energy security.

KEY PROVISIONS:

- Provide a framework for the development of the PDNGI and its transition from emerging into mature industry within a competitive natural gas market and define the responsibilities of various government agencies and private entities in furtherance of this national goal.
- Mandates the Department of Energy (DOE) to be the lead government agency

responsible for the supervision and monitoring of the development of the Philippine Downstream Natural Gas Industry, and the regulation of the construction and operation of natural gas pipelines and related facilities for the transmission, distribution, and supply of natural gas.

- Stipulates that the Energy Regulatory Commission (ERC) shall have the sole regulatory responsibility for establishing the rates and related terms and conditions of service for the transmission and distribution, regasification and supply of natural gas.
- Provides that the Department of Environment and Natural Resources (DENR) shall, together with the DOE and the Philippine Coast Guard (PCG), determine and monitor compliance with the environmental standards for the location, construction, improvement, expansion, operation, rehabilitation, repair, maintenance, decommissioning, and abandonment of LNG Storage and Regasification Terminals, PDNG Transmission System and PDNG Distribution System, and all related equipment and facilities pursuant to existing environmental laws, such as the Clean Air Act or Republic Act No. 8749, as amended, National Integrated Protected Areas System (NIPAS) under Republic Act No. 7586, as amended by the Expanded National Integrated Protected Areas System (E-NIPAS) under Republic Act No. 11038.
- Provides that the Department of Trade and Industry-Bureau of Product Standards (DTI-BPS) shall, together with the DOE, determine, develop, formulate, promulgate, and revise, the PNS for natural gas transmission and distribution systems, and for natural gas, in its original or liquefied form, LNG Storage and Regasification Terminals, all related equipment and facilities.
- Mandates that the DOE shall have the power to issue, review, suspend and revoke for cause, the permits necessary for the construction, expansion, rehabilitation, modification, operation and maintenance of any PDNGI facility or activity.
- Specifies that the available and uncommitted excess capacity relating to the use of LNG terminal, transmission, and distribution pipelines and their related facilities shall be made accessible for third-party users.
- Stipulates the mandate of the Philippine Competition Commission, by putting it along the various agencies with specific powers and responsibilities in the regulation and development of the LNG industry.
- Stipulates that the participation of stakeholders to Third Party Access (TPA) shall be voluntary and subject to the sole discretion of the permit holder or operator.
- Provides that facilities operated by own-use PDNGI participants shall not be covered by TPA provisions under the Act.
- Mandates more incentives, in consideration of the promotion and development of LNG, foremost of which is the sale of natural gas to locators inside ecozones shall be subject to zero percent (0%) Value Added Tax. More incentives are specified under the Section 33 of the bill.
- Mandates the Joint Congressional Energy Commission (JCEC) oversight powers

over the implementation of the Act.

- Mandates that the DOE, ERC, and other relevant government agencies shall submit annual reports which shall include the latest relevant data, implementation review and reports, and policy and regulatory issues to the JCEC no later than the fifteenth day of September.
- Stipulates that the amount necessary to implement the provision of the Act shall be included in the annual General Appropriations Act.

RELATED LAWS:

- Executive Order No. 128, otherwise known as the *“Reorganizing the National Science and Technology Authority”*
- Executive Order No. 192, otherwise known as the *“Reorganization Act of the Department of Environment and Natural Resources”*
- Executive Order No. 317, Series of 1941, otherwise known as *“Organizing the Department of Health and Public Welfare”*
- Presidential Decree No. 474, otherwise known as the *“Maritime Industry Decree of 1974”*
- Republic Act No. 4109, *“Act to Convert the Division of Standards under the Bureau of Commerce into a Bureau of Standards, to Provide for the Standardization and/or Inspection of Products and Imports of the Philippines and for other Purposes”*
- Republic Act No. 8749, otherwise known as the *“Clean Air Act”* as amended
- Republic Act No. 9136, otherwise known as *“The Electric Power Industry Reform Act of 2001”*, as amended
- Republic Act No. 10667, otherwise known as the *“Philippine Competition Act”*
- Republic Act No. 7586, otherwise known as the *“National Integrated Protected Areas System (NIPAS)”* as amended Republic Act No. 11038, otherwise known as the *“Expanded National Integrated Protected Areas System (E-NIPAS)”*
- Republic Act No. 9993, otherwise known as the *“Philippine Coast Guard Law of 2009”*
- Republic Act No. 11234, otherwise known as the *“Energy Virtual One Stop Shop Act”*