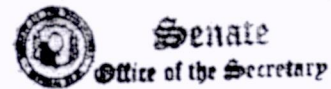


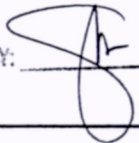
EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



'19 AUG 19 AIO :18

SENATE

P.S. RES. No. 98

RECEIVED BY: 

Introduced by Senator WIN GATCHALIAN

A RESOLUTION DIRECTING THE SENATE COMMITTEE ON ENERGY TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE PHILIPPINES' NATURAL GAS INDUSTRY POLICY WITH THE END IN VIEW OF ENACTING A COMPREHENSIVE NATURAL GAS REGULATORY FRAMEWORK TOWARDS ENERGY SECURITY

1 WHEREAS, the Malampaya Gas-to-Power Project supplies fuel to five power
2 plants with a total installed capacity of 3,200 MW which comprise 17.85% of the
3 installed capacity of the Luzon grid¹, and serves 59.4% of Meralco's electricity
4 demand as of July 2019²;

5 WHEREAS, almost 20 years since the project has begun commercial
6 operations, its production is expected to start decreasing because of declining
7 reserves.³ In addition, the project's service contract is set to expire in 2024;

8 WHEREAS, the Department of Energy (DOE), taking the foregoing into
9 consideration, announced in 2016 its plans of making the Philippines a liquefied
10 natural gas (LNG) import hub through the construction of LNG terminals with
11 storage, re-gasification, distribution, and power plant facilities⁴;

12 WHEREAS, in November 2017, the DOE issued Department Circular No.
13 DC2017-11-0012, entitled "Rules and Regulations Governing the Philippine
14 Downstream Natural Gas Industry" or the "Philippine Downstream Natural Gas

¹ Department of Energy. Power Supply and Demand Highlights January – June 2017.

² Meralco July 2019 Generation Charge.

³ Malampaya: when the gas runs out will Luzon have power? Available at: <http://nine.cnnphilippines.com/news/2015/06/26/Malampaya-When-the-gas-runs-out-will-Luzon-have-power.html>. 27 June 2015.

⁴ <https://businessmirror.com.ph/seven-foreign-firms-eye-venture-with-pnoc-for-ambitious-lng-hub/> visited 21 March 2018.

15 Regulation” outlining the regulations to be followed by all stakeholders in the
16 industry;

17 WHEREAS, the Circular designated the DOE as both the policy-maker and
18 regulator of the natural gas industry through the (1) issuance of permits on the
19 construction, expansion, rehabilitation, modification, operation, and maintenance of
20 downstream natural gas facilities; (2) regulation of the activities of an LNG terminal,
21 and transmission and distribution-related facilities; (3) accreditation of importers and
22 suppliers; and (4) determination and setting of rates or schedule of prices for the
23 use of transmission and distribution pipelines;

24 WHEREAS, since the issuance of the circular, the DOE⁵ and ERC⁶ have
25 engaged in various capacity building activities to improve their respective expertise
26 on the various technical, financial, legal, regulatory, and commercial aspects of the
27 LNG industry through the assistance of the academe, the private sector, and non-
28 government organizations;

29 WHEREAS, the private sector has responded positively to the expected
30 natural gas supply gap by 2024 as seen in several announcements on new LNG
31 project proposals⁷ with even one project breaking ground recently.⁸ However,
32 several other projects have been delayed⁹;

33 WHEREAS, owing to the complexity of the natural gas industry, the lack of an
34 institutionalized comprehensive regulatory framework, and the continuously
35 decreasing amount of time left to replace the fuel source coming from Malampaya,
36 there is a need to clarify and seek updates on the national government’s natural gas
37 industry plan and policies to guarantee sufficient supply beyond 2024 in line with the
38 DOE’s pillar of ensuring energy security;

⁵ DOE fleshing out LNG pricing and contracting for PH. Available at: <https://business.mb.com.ph/2019/06/10/doe-fleshing-out-lng-pricing-and-contracting-for-ph/>. 10 June 2019

⁶; ERC Enters into a partnership exchange with NARUC. Available at: <https://www.erc.gov.ph/ContentPage/61747>. 1 July 2019.

⁷ Lloyds, Mitsubshi partner to build 1,200-MW LNG merchant power hub. Available at: <https://businessmirror.com.ph/2019/07/08/lloyds-mitsubishi-partner-to-build-1200-mw-lng-merchant-power-hub/>. 8 July 2019; Lucio Tan to venture into LNG. Available at: <https://www.philstar.com/business/2019/06/17/1927016/lucio-tan-venture-lng>. 17 June 2019; US firm proposes LNG facility in Philippines. Available at: <https://www.bworldonline.com/us-firm-proposes-lng-facility-in-philippines/>. 8 January 2019.

⁸ First Gen, Tokyo Gas start LNG work in race to beat Malampaya depletion. Available at: <https://www.bworldonline.com/first-gen-tokyo-gas-start-lng-work-in-race-to-beat-malampaya-depletion/>. 29 May 2019.

⁹ Dennis Uy group, China oil firm seek LNG project extension. <https://www.gmanetwork.com/news/money/companies/699760/dennis-uy-group-china-oil-firm-seek-lng-project-extension/story/>. 2 July 2019; and Delay in Energy World Corp. power plant disrupts DOE’s supply plan. <https://www.philstar.com/business/2019/03/13/1900901/delay-energy-world-corp-power-plant-disrupts-does-supply-plan>. 13 March 2019.

39 RESOLVED BY THE SENATE, as it is hereby resolved, to direct the Senate
40 Committee on Energy to conduct an inquiry, in aid of legislation, on the Philippine
41 natural gas industry policy with the end in view of enacting a comprehensive natural
42 gas regulatory framework towards energy security.

Adopted,



WIN GATCHALIAN