

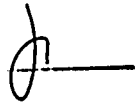
EIGHTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
*Second Regular Session* )



21 JAN 18 P 4:03

**SENATE**

**S.B. No. 1992**

RECEIVED 

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Introduced by Senator WIN GATCHALIAN

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**AN ACT PROVIDING A NATIONAL ENERGY POLICY AND FRAMEWORK FOR  
GOVERNMENT-INITIATED PETROLEUM EXPLORATION AND  
DEVELOPMENT FURTHER AMENDING FOR THE PURPOSE THE CHARTER OF  
THE PHILIPPINE NATIONAL OIL COMPANY (PNOC), AS AMENDED**

**EXPLANATORY NOTE**

Given the nature of petroleum exploration and development as a capital-intensive industry and its importance in achieving energy security and self-sufficiency, governments have historically played a major role in jumpstarting and developing the sector.<sup>1</sup> This is evidenced by some of the most prominent oil companies being state owned national companies: Saudi Arabia's Saudi Aramco, China's China National Offshore Oil Corporation, Brazil's Petrobras, Indonesia's Pertamina, Vietnam's Petrovietnam, and Malaysia's Petronas.

The Philippines has its own state owned national oil company – the Philippine National Oil Company (PNOC) which was created in 1973 to provide an adequate and stable supply of petroleum products to meet domestic requirement, and to promote the exploration and development of local petroleum sources.<sup>2</sup> However, during its almost 50 years in operation, the PNOC has engaged in various activities that are far removed from its original mandate, organizing and incorporating a total of eight subsidiary

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<sup>1</sup> Page 5. The Role of National Oil Companies in the International Oil Market. United States Congressional Research Service. 21 August 2007.  
<sup>2</sup> Section 4, PD 334.

companies whose involvement range from developing geothermal resources to promoting energy efficiency programs.<sup>3</sup> Moreover, PNOC and its subsidiaries have faced problems arising from financial mismanagement. For example, PNOC Shipping and Transport Corporation, at the time of its dissolution in 2013, suffered an annual loss of Php 533.73 million,<sup>4</sup> while PNOC Alternative Fuels Corporation failed to remit a total of Php 121.60 million in unpaid dividends to the national government from 2013 to 2018.<sup>5</sup>

Currently, PNOC has focused its resources only on three companies: PNOC which acts as the holding company with current operations primarily focused on leasing real estate which includes the energy supply base, PNOC Exploration Corporation (PNOC EC) which is engaged in upstream operations with projects geared towards the exploration and development of the country's petroleum and coal resources, and PNOC Renewables Corporation (PNOC RC) which is involved in renewable energy projects. However, even these existing corporations are not exempt from financial challenges. To illustrate, PNOC EC was unable to collect a total of Php 748 million of receivables from previous business transactions it has undertaken,<sup>6</sup> while PNOC RC has continuously operated at a loss since 2013, with its total net loss until 2019 amounting to Php 301.438 million.<sup>7</sup>

This proposed legislation thus seeks to address the challenges faced by PNOC by laying down a national energy policy and framework for government-initiated petroleum exploration and development. This policy will be implemented by the PNOC, refocusing the company's mandate exclusively to upstream petroleum operations. To do so, the company is empowered to invest in petroleum operation projects, both here and abroad, and is given the power to retain 50% of its annual net earnings for local petroleum exploration and development. Moreover, strict professional and technical qualifications on the members of its Board of Directors and officers have been

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<sup>3</sup> These companies are: PNOC Shipping and Transport Corporation (PSTC) which was tasked to engage in the movement of oil products throughout the country; the PNOC Coal Corporation (PCC) which was mandated to engage in coal exploration and development activities; the PNOC Energy Development Corporation (PNOC EDC) which was mandated to engage in geothermal exploration and power plant operations and management; the PNOC Exploration Corporation (PNOC EC) which was tasked to engage in oil and gas exploration, utilization, and development; the PNOC Petrochemical Development Corporation (PPDC) which was eventually renamed to PNOC Alternative Fuels Corporation (PAFC) was tasked to engage in developing alternative sources of energy; the PNOC Development and Management Corporation (PDMC) which was mandated to engage in the development of key energy infrastructure such as refineries and pipelines; and the PNOC Renewables Corporation (PNOC RC) which was tasked to engage in the promotion and development of renewable energy and energy efficiency programs in the country.

<sup>4</sup> Executive Summary of 2014 Commission on Audit Annual Audit Report for PNOC Shipping and Transport Corporation.

<sup>5</sup> Executive Summary of 2019 Commission on Audit Annual Audit Report for PNOC Alternative Fuels Corporation.

<sup>6</sup> Broken down as follows: A total of Php 192 million from A Blackstone Energy Corp. for the Lalat Coal Project; Php 147 million from PNOC for leasing of the Energy Supply Base; Php 144 million from PNOC for the Batangas-Manila gas pipeline project 1 and Batangas-Manila gas pipeline project 2 projects; Php 150 million from various customers of its coal trading and marketing operations; Php 115 million from various customers of its bunkering services.

<sup>7</sup> Various Commission on Audit Annual Audit Report for PNOC Renewables Corporation.

imposed. All these are with the end in view of achieving energy security and self-sufficiency.

For these reasons, the immediate passage of this measure is sought.

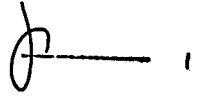


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GOVERNMENT-INITIATED PETROLEUM EXPLORATION AND  
DEVELOPMENT FURTHER AMENDING FOR THE PURPOSE THE CHARTER OF  
THE PHILIPPINE NATIONAL OIL COMPANY (PNOC), AS AMENDED**

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

1 Section 1. Sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, and 17  
2 of Presidential Decree No. 334, as amended by Presidential Decree No. 334, and  
3 further amended by Presidential Decree No. 405, Presidential Decree No. 572,  
4 Presidential Decree No. 927, Presidential Decree No. 1516, Memorandum Order No.  
5 18 Series of 1986, Executive Order No. 171 Series of 1987, and Republic Act No.  
6 7638, is further amended to read as follows:

7  
8 "Section 1. Short Title. This **ACT** [~~decree~~] shall be known as the  
9 "Charter of the Philippine National Oil Company."  
10

11 Section 2. Declaration of Policy. – It is the declared policy of the  
12 State to promote industrial and over-all economic development  
13 through **THE ADVANCEMENT OF ENERGY SECURITY AND**  
14 **ENERGY SELF-SUFFICIENCY, AND** the effective and efficient

1 utilization of energy. In line with this policy, the establishment  
2 of an organized entity is necessary in order to assure adequate  
3 supply of ~~[oil and oil products as well as power and]~~ energy to  
4 all users and consequently enable the unimpeded and efficient  
5 growth of the economy.

6  
7 Section. 3. Creation, Name, Domicile, and Term. – There is  
8 hereby created a body corporate to be known as the Philippine  
9 National Oil Company, hereinafter referred to as the "[Company]  
10 **PNOC**", which shall undertake and transact the corporate  
11 business **OF** ~~[relative primarily to oil or]~~ petroleum operations  
12 ~~[and other energy resources exploitation as defined hereunder],~~  
13 and for that purpose, the [Company] **PNOC** shall have capacity  
14 to sue and be sued.

15  
16 ~~["Oil or Petroleum Operations" shall include [actual exploration,~~  
17 ~~production, refining, tankerage and/or shipping, storage,~~  
18 ~~transport, marketing, and related activities concerning oil and~~  
19 ~~petroleum products.~~

20 ~~"Energy resources exploitation" shall include exploration,~~  
21 ~~discovery, development, extraction, utilization, refining,~~  
22 ~~processing, transport, and marketing of all forms of energy~~  
23 ~~resources.~~

24 ~~"Energy resources" means any substance, mineral or otherwise,~~  
25 ~~which by itself or in combination with other substances or after~~  
26 ~~processing or refining or the application to it of technology~~  
27 ~~emanates, gives off, generates or causes, the emanation or~~  
28 ~~generation of heat or power or energy such as, but not limited~~  
29 ~~to, petroleum or oil, coal, marsh gas, methane gas, geothermal~~  
30 ~~sources of heat and power, uranium and other minerals and~~  
31 ~~deposits.]~~

1 The principal office of the [Company] **PNOC** shall be  
2 determined by its Board of Directors. It may establish such  
3 offices, agencies, subsidiaries, branches, or correspondents in  
4 the Philippines or abroad as its business operations would  
5 require.

6  
7 The [Company] **PNOC** shall have a term of fifty (50) years from  
8 the issuance hereof, which shall be deemed renewed for an  
9 equal period unless sooner dissolved by law.

10  
11 Section. 4. Purposes. The **PRIMARY PURPOSE OF THE**  
12 Philippine National Oil Company (PNOC) shall **BE** ~~[have the~~  
13 ~~following purposes:~~

14 ~~(a) To provide and maintain an adequate and stable supply of~~  
15 ~~oil and petroleum products for the domestic requirement and for~~  
16 ~~that purpose to engage in the transportation, storage,~~  
17 ~~importation, exportation, refining, supply, sale and distribution~~  
18 ~~of crude oil, refined, petroleum and petroleum-based products,~~  
19 ~~whether imported or produced by local refineries;~~

20 ~~(b)] To engage in the exploration, exploitation and development~~  
21 ~~[operations] OF PETROLEUM AND UNDERTAKE ALL FORMS~~  
22 ~~OF PETROLEUM OPERATIONS IN THE COUNTRY, and~~  
23 ~~[other energy resources;~~

24 ~~(c)] To foster conditions relating to [oil or] petroleum operations~~  
25 ~~[and other energy resources exploitation] conducive to a~~  
26 ~~balanced and sustainable growth of the economy.[;~~

27 ~~(d) To undertake, by itself or otherwise, exploration,~~  
28 ~~exploitation, and development of all energy resources of the~~  
29 ~~country, including surveys and activities related thereto;~~

30 ~~(e) To undertake all other forms of petroleum or oil operations~~  
31 ~~and other energy resources exploitation.]~~

1           **SECTION 5. DEFINITION OF TERMS. – THE FOLLOWING**  
2           **TERMS AS USED IN THIS ACT SHALL BE DEFINED AS:**

3           **(A) *DOWNSTREAM OIL INDUSTRY* REFERS TO THE**  
4           **BUSINESS OF IMPORTING, EXPORTING, RE-**  
5           **EXPORTING, SHIPPING, TRANSPORTING,**  
6           **PROCESSING, REFINING, STORING,**  
7           **DISTRIBUTING, MARKETING AND/OR SELLING**  
8           **CRUDE OIL, GASOLINE, DIESEL, LIQUEFIED**  
9           **PETROLEUM GAS (LPG), KEROSENE, AND OTHER**  
10           **PETROLEUM PRODUCTS;**

11           **(B) *PETROLEUM* REFERS TO THE NATURALLY**  
12           **OCCURRING MIXTURE OF COMPOUNDS OF**  
13           **HYDROGEN AND CARBON WITH A SMALL**  
14           **PROPORTION OF IMPURITIES AND SHALL**  
15           **INCLUDE ANY CRUDE MINERAL OIL, NATURAL**  
16           **GAS, HYDROGEN GAS, BITUMEN, ASPHALT,**  
17           **MINERAL WAX, AND ALL OTHER SIMILAR OR**  
18           **NATURALLY-ASSOCIATED SUBSTANCES, WITH**  
19           **THE EXCEPTION OF COAL, PEAT, BITUMINOUS**  
20           **SHALE OR OTHER STRATIFIED MINERAL FUEL**  
21           **DEPOSITS;**

22           **(C) *PETROLEUM BASE TERRITORY* REFERS TO LAND,**  
23           **BUILDINGS, AND FACILITIES THAT ARE DIRECTLY**  
24           **RELATED AND NECESSARY TO PETROLEUM**  
25           **OPERATIONS. IT MAY INCLUDE:**

26           **(1) DUTY-FREE PORTS ADEQUATE FOR THE USE**  
27           **OF VESSELS ENGAGED IN PETROLEUM**  
28           **OPERATIONS,**

29           **(2) AIRPORTS SUFFICIENT FOR DIRECT**  
30           **SERVICE FLIGHTS,**

31           **(3) TELECOMMUNICATIONS CENTER AND SHIP-**  
32           **TO-SHORE COMMUNICATIONS,**

1 (4) WAREHOUSES AND LOGISTICAL CENTERS  
2 FOR THE STORAGE OF PETROLEUM  
3 DRILLING AND PETROLEUM WELL  
4 SUPPLIES, FABRICATION OF OFFSHORE  
5 AND ONSHORE DRILLING COMPONENTS,  
6 AND CONDUCT OF MECHANICAL REPAIR  
7 AND THE LIKE, AND

8 (5) SPACES FOR THE OFFICE, HABITATION AND  
9 RECREATIONAL REQUIREMENTS OF  
10 PERSONNEL ENGAGED IN PETROLEUM  
11 OPERATIONS AND THEIR IMMEDIATE  
12 DEPENDENTS; AND

13 (D) *PETROLEUM OPERATIONS* SHALL REFER TO  
14 ACTIVITIES INVOLVING THE EXPLORATION,  
15 DISCOVERY, AND EXTRACTION OF PETROLEUM  
16 WITHIN OR OUTSIDE THE PHILIPPINES  
17 THROUGH DRILLING AND PRESSURE, OR  
18 SUCTION, OR THE LIKE, AND ALL OTHER  
19 OPERATIONS INCIDENTAL THERETO INCLUDING  
20 THE TRANSPORTATION, STORAGE, HANDLING,  
21 AND MARKETING OF EXTRACTED PETROLEUM,  
22 BUT EXCLUDING THE ACTIVITIES IN THE  
23 DOWNSTREAM OIL INDUSTRY;

24  
25 Section [5]6. Powers and Functions of [~~the Company~~] **PNOC**. –  
26 [~~t~~]The [~~Company~~] **PNOC** shall have the following powers and  
27 functions:

28 (a) To undertake **AND ENGAGE IN**, by itself or otherwise,  
29 **PETROLEUM OPERATIONS PRIMARILY IN THE**  
30 **COUNTRY AND SECONDARILY ABROAD, WHICH**  
31 **INCLUDES** exploration, exploitation, and development of



1 all areas of ~~[oil-or]~~ petroleum deposits in the country,  
2 including surveys and activities related thereto;

3 **(B) TO DIRECTLY EXPLORE FOR AND PRODUCE**  
4 **INDIGENOUS PETROLEUM FOR THE GOVERNMENT**  
5 **PURSUANT TO SECTION 4 OF PRESIDENTIAL**  
6 **DECREE NO. 87 OTHERWISE KNOWN AS THE OIL**  
7 **EXPLORATION AND DEVELOPMENT ACT OF 1972**  
8 **AS AMENDED;**

9 **(C) TO UNDERTAKE ALL THE POWERS, FUNCTIONS,**  
10 **AND RESPONSIBILITIES OF THE PETROLEUM**  
11 **BOARD PURSUANT TO PRESIDENTIAL DECREE NO.**  
12 **87 AS AMENDED;**

13 ~~[(b)]~~ **D)** To establish, maintain, control, and direct in any area  
14 within the national territory as it may deem appropriate,  
15 a petroleum ~~[and-energy]~~ base territory **WHICH**  
16 **INCLUDES** ~~[and-construct, install or maintain therein]~~  
17 **CONSTRUCTING, INSTALLING, OR MAINTAINING**  
18 duty-free ports adequate for the use of vessels engaged  
19 in offshore ~~[oil]~~ **PETROLEUM** drilling operations, airports  
20 sufficient for direct service flights, telecommunications  
21 center, and ship-to-shore communications facilities,  
22 ~~[provide electric power and fresh water supply,]~~ and  
23 perform such other acts as it may deem necessary and  
24 advantageous or convenient to ~~[such]~~ **PETROLEUM**  
25 operations;

26 ~~[(e)]~~ **E)** To lease, at reasonable rates, to private domestic entities  
27 or persons such portion or portions of the petroleum ~~[and~~  
28 ~~energy]~~ base **TERRITORY WHICH INCLUDES** ~~[~~  
29 ~~including]~~ facilities necessary for warehousing, logistical  
30 centers for the storage of ~~[oil]~~ **PETROLEUM** drilling and  
31 ~~[oil]~~ **PETROLEUM** well supplies, fabrication of offshore  
32 drilling components and structure, mechanical repair

1 facilities and the like [;], **AND** spaces for the office,  
2 habitation and recreational requirements of personnel  
3 directly engaged in offshore [øit] **PETROLEUM** drilling  
4 and in manning the various logistical support operations  
5 and their immediate dependents: **PROVIDED, THAT**  
6 **THE LEASED PORTIONS OF THE PETROLEUM BASE**  
7 **TERRITORY SHALL BE EXCLUSIVELY UTILIZED**  
8 **FOR PETROLEUM OPERATIONS;**

9 ([d] **F**) To undertake all other forms of petroleum [øf-øit]  
10 operations **CONSISTENT WITH THIS ACT** [and other  
11 energy resources exploitations];

12 ([e] **G**) To enter into contracts, with or without public bidding,  
13 with any person or entity, domestic or foreign, and with  
14 governments for the undertaking of the varied aspects of  
15 [øit-øf] petroleum operation**S**, [and energy resources  
16 exploitation] including the acquisition, by way of  
17 purchase, lease, or rent, or other deferred payment  
18 arrangements of equipment and /or raw materials and  
19 supplies, as well as for services connected therewith  
20 under such term and conditions as it may deem proper  
21 and seasonable;

22 ([f] **H**) To borrow money from local and foreign sources as may  
23 be necessary for its **PETROLEUM** operations;

24 ([g] **I**) [~~Any provision of law to the contrary notwithstanding,~~  
25 ~~including but not limited to Section 13 of Act 1459, as~~  
26 ~~amended,] [t]To invest its funds as it may deem proper  
27 and necessary in any activity related to **PETROLEUM**  
28 **OPERATIONS PRIMARILY IN THE COUNTRY AND**  
29 **SECONDARILY ABROAD** [its purposes], [including]  
30 **AND** in any bonds, [øf] securities, **OR FINANCIAL**  
31 **INSTRUMENTS** issued and guaranteed by the  
32 Government of the Philippines, and the [Company]~~

1           **PNOC** may organize and incorporate subsidiary  
2 corporations for [the] **THIS** purpose. The capital stock of  
3 corporations organized and incorporated by the  
4 [Company] **PNOC** may be subscribed in whole or in a  
5 part by the [Company] **PNOC**. Where the [Company]  
6 **PNOC** has a controlling interest of not less than fifty-one  
7 percent (51%) of the issued and outstanding capital  
8 stock, of such subsidiaries, the securities, including  
9 shares of capital stock, issued by the subsidiaries and  
10 corporations owned and/or controlled by it, as well as the  
11 sale of and/or subscription to such securities and shares  
12 of capital stock shall be exempt from registration,  
13 licensing or other requirements imposed under the  
14 Securities Act (C. A. No. 83, as amended) any other law,  
15 decree, order or regulation[-];

16       ~~[(h)]~~ **J)** To purchase, hold alienate, mortgage, pledge or  
17 otherwise dispose of the shares of the capital stock of, or  
18 any bond, security of other corporations or associations  
19 of this or any other country; and while the owner of said  
20 stock, to exercise all the rights of ownership, including  
21 the right to vote thereon: **PROVIDED, THAT SUCH**  
22 **CORPORATIONS OR ASSOCIATIONS ARE**  
23 **ENGAGED IN PETROLEUM OPERATIONS**  
24 **PRIMARILY IN THE COUNTRY, AND SECONDARILY**  
25 **ABROAD;**

26       ~~[(i)] To hold lands and acquire rights over mineral lands in excess~~  
27       ~~of the areas permitted to private corporations,~~  
28       ~~associations and persons by statute;~~

29       ~~[(j)] To engage in export and import business of oil or petroleum~~  
30       ~~and its derivatives, as well as in related activities;]~~

1 (k) To acquire assets, real or personal, or interest therein, and  
2 encumber or otherwise dispose the same as it may deem  
3 proper and necessary in the conduct of its business;

4 (l) Subject to existing regulations, if it deems necessary, to  
5 establish and maintain [such] A communication system,  
6 whether by radio, telegraph, or any other manner,  
7 without the need of a separate franchise therefor: [-]  
8 **PROVIDED, THAT SUCH COMMUNICATION**  
9 **SYSTEM SHALL BE EXCLUSIVELY UTILIZED FOR**  
10 **PETROLEUM OPERATIONS;**

11 (m) To determine its organizational structure, and the number  
12 and salaries of its officer and employees: [-] **PROVIDED,**  
13 **THAT ITS ORGANIZATIONAL STRUCTURE,**  
14 **NUMBER, AND SALARIES OF ITS OFFICERS AND**  
15 **EMPLOYEES SHALL BE SUBJECT TO THE**  
16 **PROVISIONS OF SECTION 13 OF THIS ACT;**

17 (n) To establish and maintain offices, branches, agencies,  
18 subsidiaries, correspondents, or other units anywhere as  
19 may be needed by the [Company] **PNOC** and reorganize  
20 or abolish the same as it may deem proper: [-]  
21 **PROVIDED, THAT SUCH OFFICES, BRANCHES,**  
22 **AGENCIES, SUBSIDIARIES, CORRESPONDENTS,**  
23 **OR UNITS ARE DIRECTLY ENGAGED IN AND**  
24 **NECESSARY FOR PETROLEUM OPERATIONS, OR**  
25 **ORGANIZED AND INCORPORATED PURSUANT TO**  
26 **SECTION 6(I) OF THIS ACT;**

27 (o) To exercise the right of eminent domain as may be  
28 necessary for the purpose for which the [Company]  
29 **PNOC** is created; [-]

30 (p) Subject to payment of the proper amount, to enter private  
31 lands for the purpose of conducting geological or  
32 geophysical studies in connection with petroleum

1                    **OPERATIONS** [~~mineral and other energy resources,~~  
2                    ~~exploration and exploitation~~];

3                    (q) To acquire easement over public and private lands necessary  
4                    for the purpose of carrying out any work essential to [its]  
5                    petroleum operations **S** [~~and energy resources~~  
6                    ~~exploitation~~], subject to payment of just compensation;

7                    (r) To **CONDUCT RESEARCH AND STUDIES ON**  
8                    **PETROLEUM OPERATIONS, PRIMARILY IN THE**  
9                    **COUNTRY, AND SECONDARILY ABROAD, AND**  
10                    establish and maintain a technical educational system for  
11                    the sustained development of the necessary manpower  
12                    to manage and operate its affairs and business;

13                    **(S) TO RETAIN AT LEAST FIFTY PERCENT (50%) OF ITS**  
14                    **ANNUAL NET EARNINGS: PROVIDED, THAT THE**  
15                    **ENTIRE RETAINED ANNUAL NET EARNINGS SHALL**  
16                    **BE EXCLUSIVELY UTILIZED FOR PETROLEUM**  
17                    **OPERATIONS IN THE COUNTRY;**

18                    ([s] **T**) To adopt a code of by-laws to complement this charter;

19                    ([t] **U**) To adopt and use a corporate seal which shall be  
20                    judicially noticed;

21                    ([u] **V**) To perform such acts and exercise such functions as  
22                    may be necessary for the attainment of the purposes and  
23                    objectives herein specified; **AND**

24                    ([v] **W**) To perform such other functions as may be provided by  
25                    law.

26  
27                    Section [6]7. Governing Body. – The [Company] **PNOC** shall be  
28                    governed by a Board of Directors, hereinafter referred to as the  
29                    "Board" which shall be composed of nine (9) members, to be  
30                    appointed by the President of the Philippines: **PROVIDED,**  
31                    **THAT THE CHAIRPERSON OF THE BOARD AND THE**  
32                    **BOARD OF DIRECTORS OF ALL OF THE PNOC'S**

1           **SUBSIDIARY CORPORATIONS SHALL BE THE**  
2           **SECRETARY OF THE DEPARTMENT OF ENERGY WHO**  
3           **SHALL SERVE AS SUCH IN *EX OFFICIO* CAPACITY. [The**

4           ~~members of the Board shall serve for a term of three (3) years~~  
5           ~~or until their successors shall have been appointed and~~  
6           ~~qualified. In case of any vacancy in the Board, the same shall be~~  
7           ~~filled by the President of the Philippines for the unexpired term.]~~

8  
9           ~~[No person shall be appointed as member of the board unless~~  
10           ~~he is a natural born citizen of the Philippines, at least thirty five~~  
11           ~~(35) years of age, and of established integrity.~~

12  
13           ~~The Chairman of the Board, who shall be the chief executive~~  
14           ~~officer of the Company, as well as the President of the Company~~  
15           ~~shall be appointed by the President of the Philippines. The other~~  
16           ~~officers of the Company shall be appointed by the Board.]~~

17  
18           **THE APPOINTMENT, REMOVAL, AND TERM OF OFFICE OF**  
19           **THE MEMBERS OF THE BOARD, EXCLUDING THE**  
20           **CHAIRPERSON, SHALL BE GOVERNED BY SECTIONS 15,**  
21           **16, AND 17 OF REPUBLIC ACT NO. 10149, OTHERWISE**  
22           **KNOWN AS THE GOCC GOVERNANCE ACT OF 2011:**  
23           ***PROVIDED*, THEY SHALL LIKEWISE POSSESS THE**  
24           **FOLLOWING QUALIFICATIONS:**

- 25           **(A) A NATURAL BORN CITIZEN OF THE PHILIPPINES;**  
26           **(B) AT LEAST THIRTY-FIVE (35) YEARS OF AGE;**  
27           **(C) AT LEAST TEN (10) YEARS OF CUMULATIVE**  
28           **EXPERIENCE IN ANY OF THE FOLLOWING FIELDS:**  
29           **PETROLEUM OPERATIONS, ENERGY, LAW,**  
30           **ECONOMICS, FINANCE, OR ENGINEERING; AND**

1 (D) OF RECOGNIZED GOOD MORAL CHARACTER,  
2 INTEGRITY, PROBITY, INDEPENDENCE, AND  
3 COMPETENCE.  
4

5 THE DUTIES AND RESPONSIBILITIES OF THE MEMBERS  
6 OF THE BOARD SHALL BE GOVERNED BY SECTIONS 19,  
7 20, 21, AND 22, OF REPUBLIC ACT NO. 10149:  
8 *PROVIDED*, THAT IN ADDITION TO THE FOREGOING  
9 PROVISIONS, THE MEMBERS OF THE BOARD SHALL:

10 (A) UPON APPOINTMENT, DIVEST THROUGH SALE OR  
11 LEGAL DISPOSITION ANY AND ALL INTERESTS  
12 FROM ANY PETROLEUM OPERATIONS OR  
13 DOWNSTREAM OIL INDUSTRY BUSINESS;

14 (B) UPON APPOINTMENT, RELINQUISH ANY  
15 EXISTING EMPLOYMENT, CONSULTANCY, OR ANY  
16 CONNECTION WITH, AND ANY PECUNIARY  
17 INTEREST IN ANY PETROLEUM OPERATIONS OR  
18 DOWNSTREAM OIL INDUSTRY BUSINESS;

19 (C) PUBLICLY DISCLOSE ANNUALLY ANY RELATIVE BY  
20 CONSANGUINITY OR AFFINITY WITHIN THE  
21 FOURTH CIVIL DEGREE WHO HAS A PREVIOUS OR  
22 EXISTING EMPLOYMENT, CONSULTANCY,  
23 CONNECTION WITH, OR PECUNIARY INTEREST IN  
24 ANY ENERGY COMPANY;

25 (D) ACT IN THE BEST INTEREST OF THE PNOC WITH  
26 THE COUNTRY'S ENERGY SECURITY AND ENERGY  
27 SELF-SUFFICIENCY AS THE UTMOST OBJECTIVE;

28 (E) EXERCISE OBJECTIVE AND INDEPENDENT  
29 JUDGMENT, AND EXTRAORDINARY DILIGENCE  
30 AND SKILL IN THE PERFORMANCE OF THEIR  
31 DUTIES;

- 1 (F) ESTABLISH CONCRETE POLICIES AND SPECIFIC  
2 PROCEDURES TO ENSURE THE HIGHEST  
3 STANDARDS OF ETHICS, PROFESSIONALISM,  
4 TRANSPARENCY, AND ACCOUNTABILITY OF THE  
5 MEMBERS OF THE BOARD, AND THE OFFICERS  
6 AND EMPLOYEES OF THE PNOC,
- 7 (G) ENSURE THAT THE OPERATIONS OF THE PNOC'S  
8 SUBSIDIARY CORPORATIONS REMAIN  
9 CONSISTENT WITH THE MANDATE OF THE PNOC  
10 AS PROVIDED IN THIS ACT;
- 11 (H) APPOINT, DISCIPLINE, AND REMOVE THE  
12 MEMBERS OF THE BOARD OF DIRECTORS AND  
13 THE PRESIDENTS OF THE PNOC'S SUBSIDIARY  
14 CORPORATIONS; AND
- 15 (I) RECOMMEND A SHORTLIST OF QUALIFIED  
16 CANDIDATES FOR THE PNOC PRESIDENT TO THE  
17 PRESIDENT OF THE PHILIPPINES: *PROVIDED,*  
18 THAT THE CANDIDATES SHALL POSSESS THE  
19 FOLLOWING QUALIFICATIONS:
- 20 (1) AT LEAST THIRTY-FIVE (35) YEARS OF AGE;
- 21 (2) AT LEAST TEN (10) YEARS OF CUMULATIVE  
22 EXPERIENCE IN ANY OF THE FOLLOWING  
23 FIELDS: PETROLEUM OPERATIONS, ENERGY,  
24 LAW, ECONOMICS, FINANCE, OR  
25 ENGINEERING;
- 26 (3) PROVEN TRACK RECORD AND EXPERIENCE  
27 IN MANAGING COMPANIES IN THE PRIVATE  
28 OR PUBLIC SECTOR; AND
- 29 (4) OF RECOGNIZED GOOD MORAL CHARACTER,  
30 INTEGRITY, PROBITY, INDEPENDENCE, AND  
31 COMPETENCE.
- 32



1           **THE COMPENSATION AND ALLOWANCES, AND**  
2           **LIABILITIES OF THE MEMBERS OF THE BOARD SHALL BE**  
3           **GOVERNED BY SECTIONS 23 AND 24 OF REPUBLIC ACT**  
4           **NO. 10149.**

5  
6           Section [7]8. Capital Stock. – The [company] **PNOC** shall have  
7           a capital stock divided into ten million no-par shares to be  
8           subscribed, paid for and voted as follows:

9           (a) Two million shares of stock shall be originally subscribed  
10           and paid for by the Republic of the Philippines at an  
11           original issue value of P50 per share.

12           (b) The remaining eight million shares of stock may be  
13           subscribed and paid for by the Republic of the Philippines  
14           or by government financial institutions at values to be  
15           determined by the Board, but in no cases less than the  
16           original issued value above stated to the Republic of the  
17           Philippines.

18           The voting power pertaining to shares of stock subscribed  
19           by the government of the Republic of the Philippines shall  
20           be vested in by the President of the Philippines or in such  
21           person or persons as he may designate.

22           The voting power pertaining to shares of stock subscribed  
23           by the government institutions shall be vested in them.

24  
25           Section [8]9. Duties and Responsibilities of the [Chairman]  
26           **CHAIRPERSON** of the Board and **THE PNOC** President. – The  
27           [Chairman] **CHAIRPERSON** of the Board [~~and the President~~]  
28           **SHALL HAVE THE FOLLOWING DUTIES AND**  
29           **RESPONSIBILITIES:**

30           (a) **SET, IN COORDINATION WITH THE BOARD, THE**  
31           **GENERAL POLICY DIRECTION FOR THE PNOC AND**  
32           **ITS SUBSIDIARY CORPORATIONS;**

- 1 (b) CONVENE THE BOARD FOR REGULAR AND SPECIAL  
2 MEETINGS;
- 3 (c) PREPARE THE AGENDA FOR THE REGULAR AND  
4 SPECIAL MEETINGS OF THE BOARD;
- 5 (d) RECOMMEND TO THE PRESIDENT THE  
6 REORGANIZATION OF THE BOARD AS MAY BE  
7 DEEMED NECESSARY; AND
- 8 (e) [e]Exercise such powers and perform such duties as may  
9 be provided in the By-Laws [~~or as may be vested in them~~  
10 ~~by the Board~~].

11

12 **IN ADDITION TO THE PROVISIONS UNDER SECTIONS 18**  
13 **AND 22 OF REPUBLIC ACT NO. 10149, THE PNOC**  
14 **PRESIDENT SHALL:**

- 15 (a) UPON APPOINTMENT, DIVEST THROUGH SALE OR  
16 LEGAL DISPOSITION ANY AND ALL INTERESTS  
17 FROM ANY PETROLEUM OPERATIONS OR  
18 DOWNSTREAM OIL INDUSTRY BUSINESS;
- 19 (b) UPON APPOINTMENT, RELINQUISH ANY EXISTING  
20 EMPLOYMENT, CONSULTANCY, OR ANY  
21 CONNECTION WITH, AND ANY PECUNIARY  
22 INTEREST IN ANY PETROLEUM OPERATIONS OR  
23 DOWNSTREAM OIL INDUSTRY BUSINESS;
- 24 (c) PUBLICLY DISCLOSE ANNUALLY ANY RELATIVE BY  
25 CONSANGUINITY OR AFFINITY WITHIN THE  
26 FOURTH CIVIL DEGREE WHO HAS A PREVIOUS OR  
27 EXISTING EMPLOYMENT, CONSULTANCY,  
28 CONNECTION WITH, OR PECUNIARY INTEREST IN  
29 ANY ENERGY COMPANY;
- 30 (d) SERVE AS THE CHIEF EXECUTIVE OFFICER OF THE  
31 PNOC;

- 1 (e) EXECUTE, ADMINISTER, AND IMPLEMENT THE  
2 GENERAL POLICY DIRECTION AND SPECIFIC  
3 MEASURES APPROVED BY THE BOARD;
- 4 (f) DIRECT AND SUPERVISE THE OPERATIONS AND  
5 ADMINISTRATION OF THE PNOC;
- 6 (g) SUBMIT FOR CONSIDERATION BY THE BOARD  
7 SUCH POLICIES AND MEASURES NECESSARY TO  
8 CARRY OUT THE PURPOSES AND OBJECTIVES OF  
9 THIS ACT;
- 10 (h) REPRESENT THE PNOC IN ALL DEALINGS WITH  
11 THIRD PARTIES: *PROVIDED*, THAT THE REQUISITE  
12 AUTHORITY HAS BEEN ISSUED BY THE BOARD;  
13 AND
- 14 (i) EXERCISE SUCH OTHER POWERS AND DUTIES  
15 PROVIDED IN THE BY-LAWS AND VESTED UPON BY  
16 THE BOARD.

17  
18 Section [9]10. Issuance of Bonds. – The [Company] **PNOC**,  
19 upon the recommendation of the Secretary of Finance and with  
20 the approval of the President, is hereby authorized to issue  
21 bonds or other securities, whether tax-exempt or not, which  
22 may be guaranteed by the government, to finance its [oil-or]  
23 petroleum operations.

24  
25 Section [10]11. General Counsel. – The [~~Secretary of Justice or~~  
26 ~~the~~] Solicitor General shall perform the duties of General  
27 Counsel of the Company. [Any] **SUBJECT TO APPLICABLE**  
28 [~~provision of~~] law**S**, [~~to the contrary notwithstanding, the~~  
29 ~~Secretary of Justice of~~] the Solicitor General and such personnel  
30 as may be necessary to assist him in the performance of his  
31 duties and responsibilities [shall] **MAY** receive such allowances  
32 as shall be fixed by the Board.

1  
2 Section. ~~[11]~~**12.** Auditor. – Any provision of law to the contrary  
3 notwithstanding, the Commission on Audit shall appoint [~~7~~  
4 ~~subject to the approval of the Board,~~] a representative who shall  
5 be the Auditor of **THE PNOC** [~~the Company~~] and such  
6 personnel as may be necessary to assist said representative in  
7 the performance of [his] duties. [~~The salaries of the Auditor and~~  
8 ~~his staff shall be approved by the Board. The auditors of~~  
9 ~~corporations owned or controlled by the Company who shall be~~  
10 ~~reputable accounting and auditing firms shall be appointed by~~  
11 ~~their respective boards of directors.~~]

12  
13 Section ~~[12]~~**13.** Appointment, **COMPENSATION**, Control, and  
14 Discipline of Personnel. – Any provision of law to the contrary  
15 notwithstanding, the Board, upon recommendation of the  
16 President of **THE PNOC** [~~the Company~~], shall appoint **THE**  
17 **PNOC'S** [~~the~~] officers [~~and employees of the Company~~] and  
18 **THAT OF** its [~~subsidiaries~~] **SUBSIDIARY CORPORATIONS**;  
19 fix their compensation, allowances and benefits, their working  
20 hours and such other conditions of employment as it may deem  
21 proper; grant them leaves of absence under such regulations as  
22 it may promulgate; discipline or remove them for cause; and  
23 establish and maintain a recruitment and merit system for the  
24 [~~Company~~] **PNOC** and its **SUBSIDIARY CORPORATIONS**  
25 [~~affiliates and subsidiaries~~]: **PROVIDED, THAT THE**  
26 **APPOINTMENT, COMPENSATION, ALLOWANCES AND**  
27 **BENEFITS, WORKING HOURS, DISCIPLINE AND**  
28 **REMOVAL, AND OTHER EMPLOYMENT CONDITIONS OF**  
29 **EMPLOYEES OF THE PNOC'S SUBSIDIARY**  
30 **CORPORATIONS SHALL BE DETERMINED BY THEIR**  
31 **BOARD OF DIRECTORS, UPON RECOMMENDATION OF**  
32 **THEIR PRESIDENT; PROVIDED FURTHER, THAT THE**

1           **PROVISIONS OF THIS SECTION SHALL BE IMPLEMENTED**  
2           **IN ACCORDANCE WITH REPUBLIC ACT NO. 10149.**

3  
4           **THE EMPLOYEES OF THE PNOC SHALL BE ENTITLED TO**  
5           **ALL RETIREMENT AND INSURANCE BENEFITS AS WELL**  
6           **AS LEAVE PRIVILEGES OF GOVERNMENT EMPLOYEES:**  
7           ***PROVIDED,* THAT THE PNOC'S SUBSIDIARY**  
8           **CORPORATIONS SHALL NOT BE SUBJECT TO THE**  
9           **PROVISIONS OF THE GOVERNMENT SERVICE AND**  
10          **INSURANCE SYSTEM, AS PROVIDED UNDER**  
11          **COMMONWEALTH ACT NO. 186 OTHERWISE KNOWN AS**  
12          **GOVERNMENT SERVICE INSURANCE ACT, AS AMENDED.**

13  
14          Section ~~[13]~~**14. Loans.** – The ~~[Company]~~ **PNOC** is hereby  
15          authorized to contract loans, credits, any convertible foreign  
16          currency or capital goods, and indebtedness from time to time  
17          from foreign governments, or any international financial  
18          institutions or fund sources, or any other entities, on such terms  
19          and conditions it shall deem appropriate for the accomplishment  
20          of its purposes, and to enter into and execute agreements and  
21          other documents specifying such terms and conditions.

22  
23          The Republic of the Philippines, through the President of the  
24          Philippines, or ~~[his]~~ **THE** duly authorized representative, may  
25          guarantee, absolutely and unconditionally, as primary obligor  
26          and not as surety merely, the payment of the loans, credits and  
27          indebtedness issued up to the amount herein authorized, which  
28          may be over and above the amount which the President of the  
29          Philippines is authorized to guarantee under Republic Act **NO.**  
30          **6142** ~~[Numbered Sixty One Hundred Forty Two]~~, as amended,  
31          as well as the performance of all or any of the obligations  
32          undertaken by the ~~[Company]~~ **PNOC** in the territory of the

1 Republic of the Philippines pursuant to loan agreements entered  
2 into with foreign governments or any international financial  
3 institutions or fund sources.

4  
5 Section ~~[14]~~**15. Government Financial Institutions Guarantees.** –  
6 The provision of any law to the contrary notwithstanding, any  
7 financial institution owned or controlled by the Government of  
8 the Republic of the Philippines, other than the Central Bank,  
9 Government Service and Insurance System, and the Social  
10 Security System, is hereby empowered to guarantee acceptance  
11 credits, loans, transactions, undertakings, or obligations of any  
12 kind which may be incurred by the [~~Company~~] **PNOC**, whether  
13 directly or indirectly, in favor of any person, association or entity,  
14 whether domestic or foreign.

15  
16 Section ~~[15]~~**16. Privileges and Incentives.** – The [~~Company~~]  
17 **PNOC** shall be entitled to all the incentives and privileges  
18 granted by law to private enterprises engaged in petroleum [~~or~~  
19 ~~oil~~] operations.

20  
21 In addition, the [~~Company~~] **PNOC** shall be exempt from all  
22 taxes, duties, fees, imposts, and all other charged imposed  
23 directly or indirectly by the Republic of the Philippines, its  
24 provinces, cities, municipalities and other government agencies  
25 and instrumentalities:~~;~~ *Provided, That* [~~the Company affiliate~~]  
26 **THE PNOC'S SUBSIDIARY** corporations [~~as provided in~~  
27 ~~Section 13 hereof, as amended,~~] shall be exempt only from all  
28 taxes, duties, fees, imposts, and all other charges imposed  
29 directly or indirectly by the Republic of the Philippines, its  
30 provinces, cities, municipalities and other government agencies  
31 and instrumentalities, on importations of aircrafts, vessels,  
32 tankers, barges, and other floating structures, including any

1 machinery, engines, motors, equipment, spare parts and  
2 materials thereof.

3  
4 Other government offices and other government-owned or  
5 controlled corporations shall extend whatever assistance may be  
6 needed by the [Company] **PNOC** or any of its **SUBSIDIARY**  
7 **CORPORATIONS** [~~affiliates and subsidiaries~~], including the  
8 details of its officials and employees to the [Company] **PNOC** or  
9 any of its subsidiaries on full time or part time basis under  
10 arrangements satisfactory to the [Company] **PNOC** or any of its  
11 subsidiaries and the other government office or corporation  
12 concerned. Said officials and employees, as well as the directors  
13 of the [Company] **PNOC** and its **SUBSIDIARY**  
14 **CORPORATIONS** [~~affiliates and subsidiaries~~], may receive  
15 allowances and other emoluments, **IN ACCORDANCE WITH**  
16 **THE PROVISIONS OF SECTION 13 OF THIS ACT.**  
17 [~~notwithstanding the provision of any law to the contrary.~~]

18  
19 Section [16]**17. Appropriations AND BUDGETARY**  
20 **REQUIREMENTS.** – For the initial funding requirements of the  
21 [Company] **PNOC**, the sum of Two Hundred Million Pesos is  
22 hereby set aside and appropriated from the General Funds, not  
23 otherwise appropriated. **THE ANNUAL BUDGET OF THE PNOC**  
24 **SHALL BE SUBMITTED TO CONGRESS FOR APPROVAL.**

25  
26 Section [17]**17-A. Reports AND CONGRESSIONAL**  
27 **OVERSIGHT.** – **THE JOINT CONGRESSIONAL ENERGY**  
28 **COMMISSION (JCEC) CREATED UNDER REPUBLIC ACT**  
29 **NO. 9136, OTHERWISE KNOWN AS THE ELECTRIC**  
30 **POWER INDUSTRY REFORM ACT OF 2001, AND**  
31 **RENAMED UNDER REPUBLIC ACT NO. 11285,**  
32 **OTHERWISE KNOWN AS THE ENERGY EFFICIENCY AND**

1 CONSERVATION ACT, SHALL EXERCISE OVERSIGHT  
2 POWERS OVER THE IMPLEMENTATION OF THIS ACT.

3  
4 IN ADDITION TO THE DISCLOSURE REQUIREMENTS  
5 PROVIDED UNDER REPUBLIC ACT NO. 10149, the  
6 [Company] PNOC shall, within three months after the end of  
7 every fiscal year, submit TO THE HOUSE OF  
8 REPRESENTATIVES AND THE SENATE OF THE  
9 PHILIPPINES AND UPLOAD ON THE ITS WEBSITE its  
10 annual report [~~to the President. It shall likewise submit such~~  
11 ~~periodic or other reports as may be required of it from time to~~  
12 ~~time.~~"]

13  
14 SECTION 17-B. TRANSITORY PROVISIONS. – THE PNOC  
15 SHALL WIND DOWN ALL FUNCTIONS, ACTIVITIES,  
16 RESPONSIBILITIES, PERSONNEL, PROPERTIES, ASSETS,  
17 AND LIABILITIES WHICH ARE INCONSISTENT WITH THE  
18 PROVISIONS OF THIS ACT WITHIN THREE (3) YEARS  
19 FROM ITS EFFECTIVITY, INCLUDING SUBSIDIARY  
20 CORPORATIONS WHOSE FUNCTIONS, ACTIVITIES,  
21 RESPONSIBILITIES, PERSONNEL, PROPERTIES, ASSETS,  
22 AND LIABILITIES ARE INCONSISTENT HERETO.

23  
24 ALL REGULAR EMPLOYEES TRANSFERRED TO THE PNOC  
25 SHALL NOT SUFFER ANY LOSS OF SENIORITY OR RANK,  
26 OR DECREASE IN EMOLUMENTS: *PROVIDED*, THAT ANY  
27 EMPLOYEE WHO CANNOT BE ACCOMMODATED SHALL BE  
28 GIVEN ALL THE BENEFITS AS MAY BE PROVIDED UNDER  
29 EXISTING LAWS, RULES, AND REGULATIONS.”

30  
31 Section 2. Separability Clause. – Should any provision of this Act be held  
32 unconstitutional, no other provision hereof shall be affected thereby.



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Section 3. Repealing and Amendatory Clause. – The following are hereby repealed: Presidential Decree No. 334 entitled Creating The Philippine National Oil Company, Defining Its Powers And Functions, Providing Funds Therefor, And For Other Purposes; Presidential Decree No. 405 entitled Amending The Charter Of The Philippine National Oil Company, As provided for in Presidential Decree No. 334 dated November 9, 1973, and for other purposes; Presidential Decree No. 572 entitled Further Amending The Charter Of The Philippine National Oil Company (PNOC), as provided for in Presidential Decree No. 334, as amended, and for other purposes; Presidential Decree No. 927 entitled Further Amending the Charter of the Philippine National Oil Company (PNOC) as provided for in Presidential Decree No. 334, as amended, and for other purposes; Presidential Decree No. 1516 entitled Further Amending The Charter Of The Philippine National Oil Company as Provided for in Presidential Decree No. 334, as amended; Memorandum Order No. 18, Series of 1986 entitled Modifying Presidential Decree No. 334 Creating The Philippine National Oil Company, Defining Its Powers And Functions, Providing Funs therefor, and for other purposes; Executive Order No. 171 entitled Amending Certain Provisions of Presidential Decree No. 334, as amended and Executive Order No. 131.

The following laws are hereby amended: Republic Act No. 7638 otherwise known as the Department of Energy Act of 1992, Republic Act No. 7656 otherwise known As An Act Requiring Government-Owned Or Controlled Corporations to Declare Dividends Under Certain Conditions to the National Government And For Other Purposes, and Presidential Decree No. 87 as amended.

All other laws, presidential decrees, ordinances, rules, regulations, and any other issuance or parts thereof, which are inconsistent with this act, are hereby amended, modified, or repealed accordingly.

Section 4. Effectivity. – This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

*Approved,*