

**The 1<sup>st</sup> East Asia Energy Forum**  
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**Brgy. Danao, Panglao Island,**  
**Bohol, Philippines**



# **STABLE MARKET AND STOCKPILING**

**ENGR. MELITA V. OBILLO**  
**OIC-Director**  
**Department of Energy**



# Outline of Presentation

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- I. International Crude and Products Pricing
- II. ASEAN + 3 Oil Stockpiling Roadmap (OSRM)
- III. Current Philippine Energy And Oil Situation
- IV. Policy Framework on Oil Supply Security
- V. Stockpiling Initiatives
- VI. Challenges
- VII. Recommendation



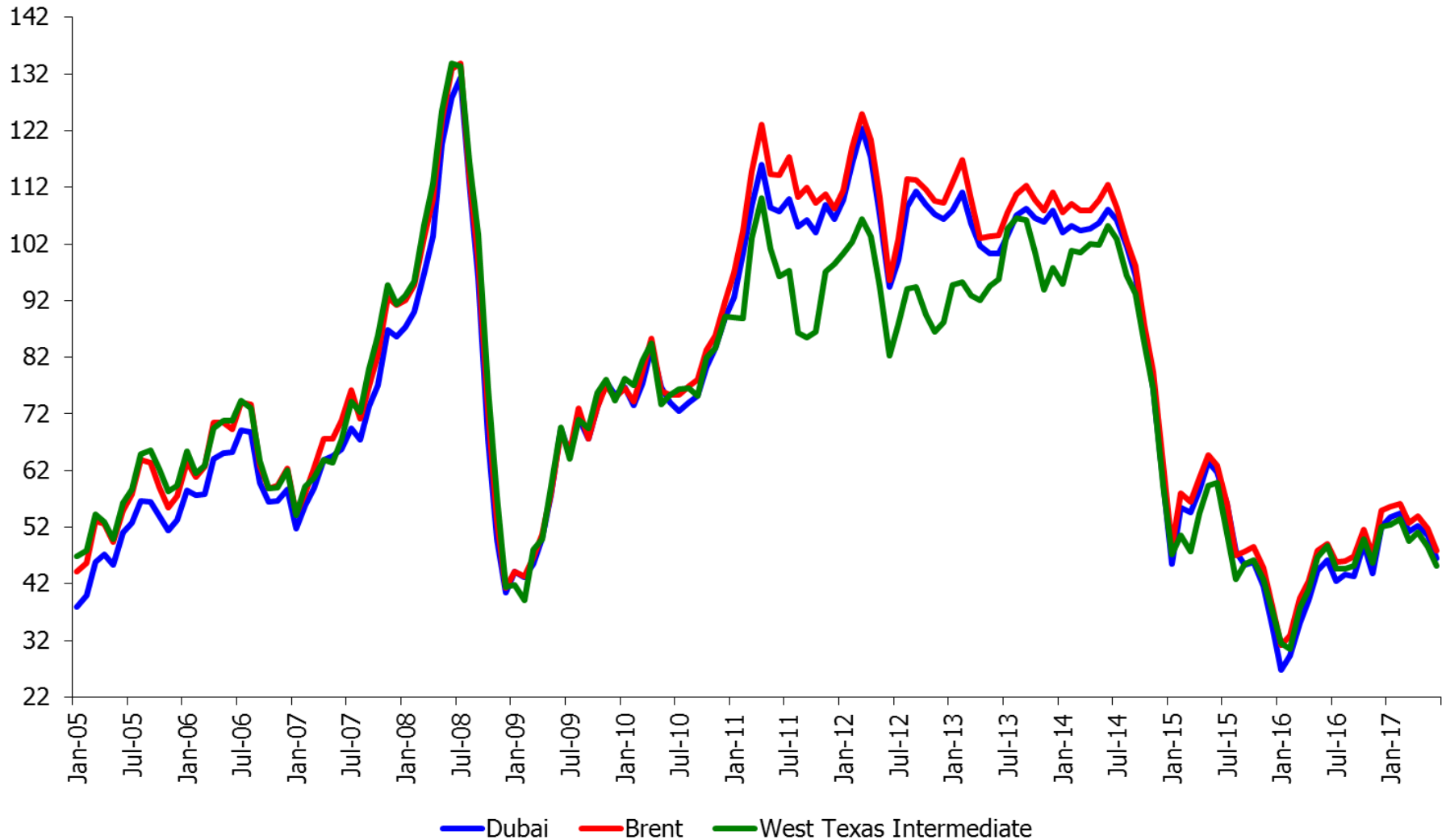
# International Crude and Products Pricing



# International Crude Oil Prices (MOPS)

January 2005 – MTD June 2017

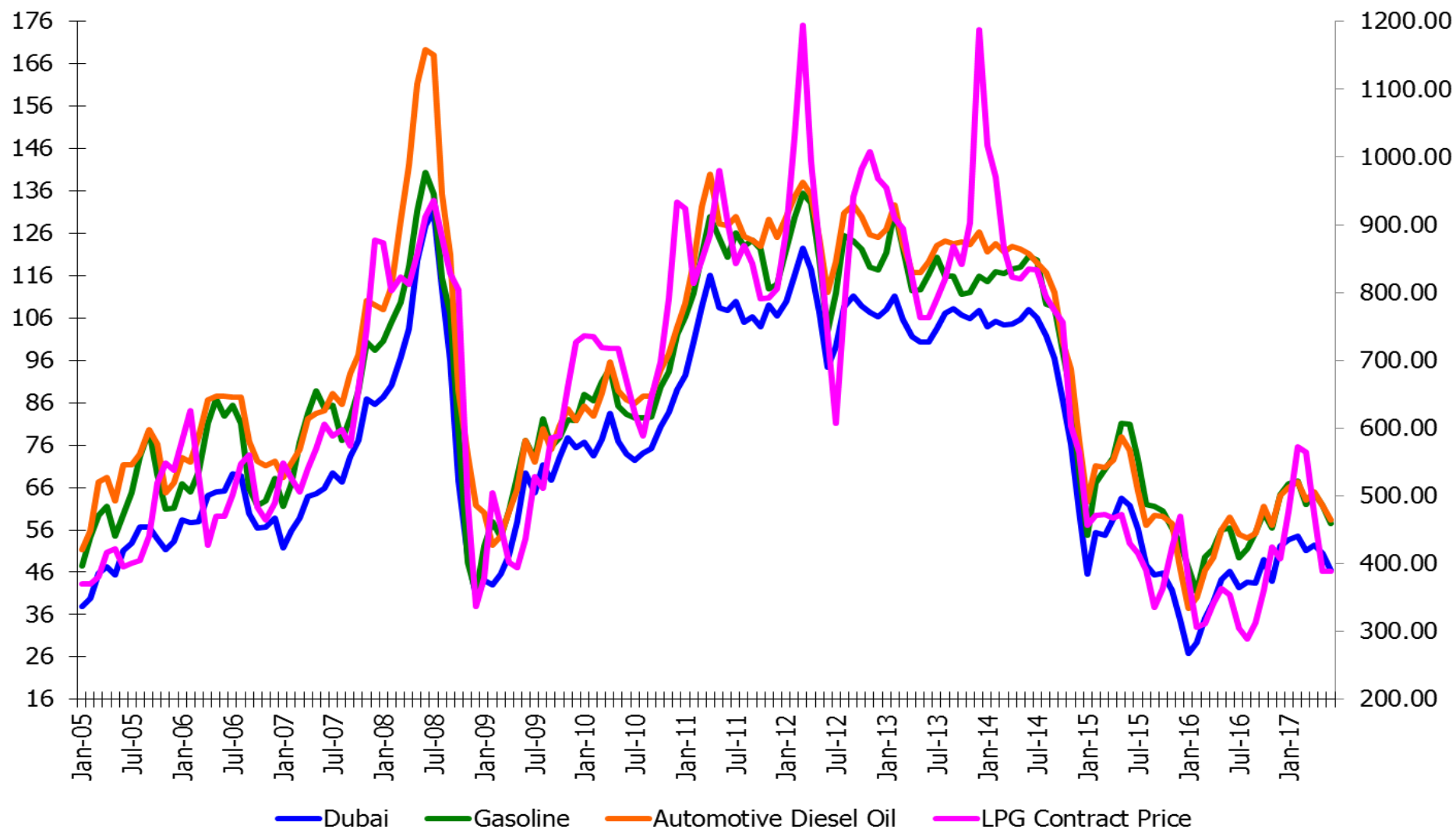
\$/bbl



# International Oil Products Prices (MOPS)

January 2005 – MTD June 2017

\$/bbl



# ASEAN + 3 Oil Stockpiling Road Map



# Impetus for OSRM Initiative...

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- In August 2008, during the 5<sup>th</sup> AMEM + 3, the ASEAN + 3 recognized the necessity of oil stockpiling initiatives
  - Persistent risks of supply disruption (due to US-Iraq war)
  - Highly volatile oil market (with international spot prices of crude started reaching \$100/bbl)





# Why establish OSRM?

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**Energy Security in the Region by 2020**



# Why is it still Important?

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- Greater Demand for Fuel
- Energy Supply Disruptions brought about by persistent geopolitical threats as well as natural geohazard challenges as exacerbated by climate change
- Minimal Crude Oil Production in Asia
- Volatile international prices
- Improved Economic Outlook of the Region



# Why is OSRM important for the Philippines?

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- In order to ensure oil supply security in the country
  - High oil import dependency due to lack of local crude supply
  - Price taker in volatile international oil trading
    - 0.4% share to total oil consumption
    - Insignificant oil production
  - Susceptibility to natural geohazards
    - 2<sup>nd</sup> most riskiest country in the world, with about 20 typhoons every year as well as occurrence of earthquakes

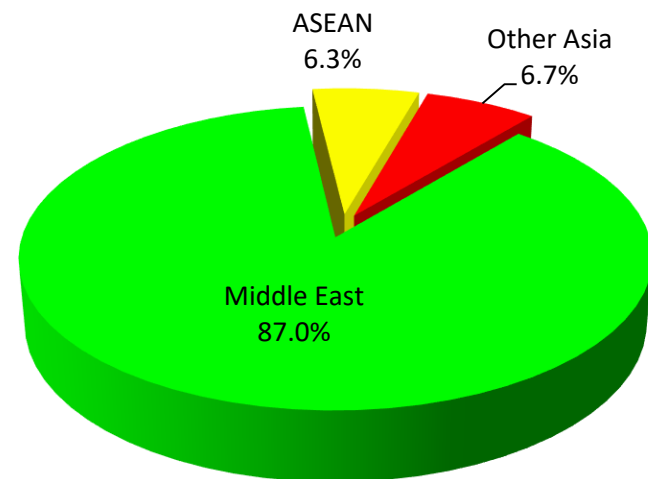


# Current Philippine Oil and Energy Situation



# FY 2016 Crude Imports by Source

COUNTRY	Import Volume (in thousand barrels, MB)	% Share
Saudi Arabia	28,438	36.1
Oman	524	0.7
Qatar	2,618	3.3
Kuwait	26,448	33.6
UAE	10,507	13.3
<b>TOTAL MIDDLE EAST</b>	<b>68,537</b>	<b>87.0</b>
Philippines	135	0.2
Malaysia	4,160	5.3
Indonesia	396	0.5
Brunei	288	0.4
<b>TOTAL ASEAN</b>	<b>4,980</b>	<b>6.3</b>
Russia	5,256	6.7
<b>TOTAL OTHER ASIA</b>	<b>5,256</b>	<b>6.7</b>
<b>TOTAL COUNTRY</b>	<b>78,772</b>	<b>100.0</b>

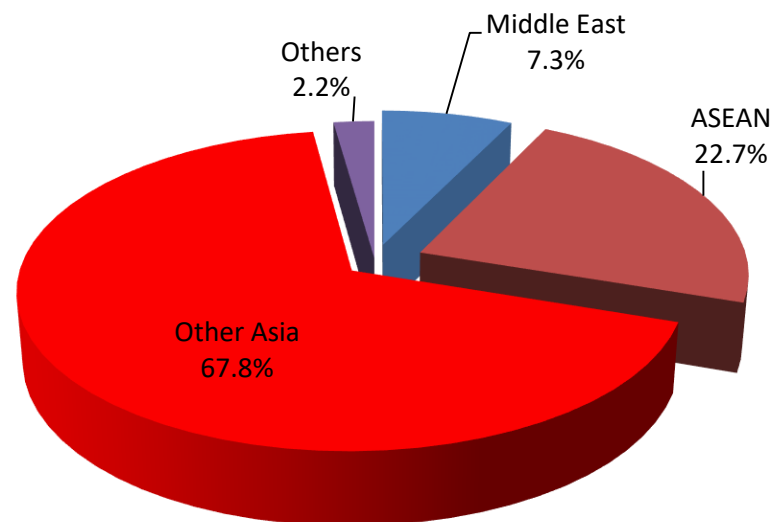


**Crude Import Volume**  
**78,772 MB**



# FY 2016 Product Imports by Source

Country	Import Volume (thousand barrels)	% Share
Iran	1	0.001
KSA	1,402	1.6
Kuwait	692	0.8
Qatar	1,490	1.7
UAE	2,695	3.1
<b>TOTAL MIDDLE EAST</b>	<b>6,280</b>	<b>7.3</b>
Indonesia	1,610	1.9
Malaysia	4,572	5.3
Singapore	12,147	14.1
Thailand	36	0.04
Vietnam	1,192	1.4
<b>TOTAL ASEAN</b>	<b>19,557</b>	<b>22.7</b>
China	24,997	29.0
Hongkong	51	0.1
India	2,763	3.2
Japan	4,701	5.5
South Korea	16,233	18.9
Pakistan	393	0.5
Taiwan	9,204	10.7
<b>TOTAL OTHER ASIA</b>	<b>58,342</b>	<b>67.8</b>
Australia	123	0.1
Croatia	3	0.0
Italy	3	0.0
Nigeria	548	0.6
PNG	1,236	1.4
South Africa	1	0.001
Switzerland	15	0.02
USA	0.4	0.001
<b>TOTAL OTHERS</b>	<b>1,930</b>	<b>2.2</b>
<b>TOTAL IMPORTS</b>	<b>86,108</b>	<b>100.0</b>

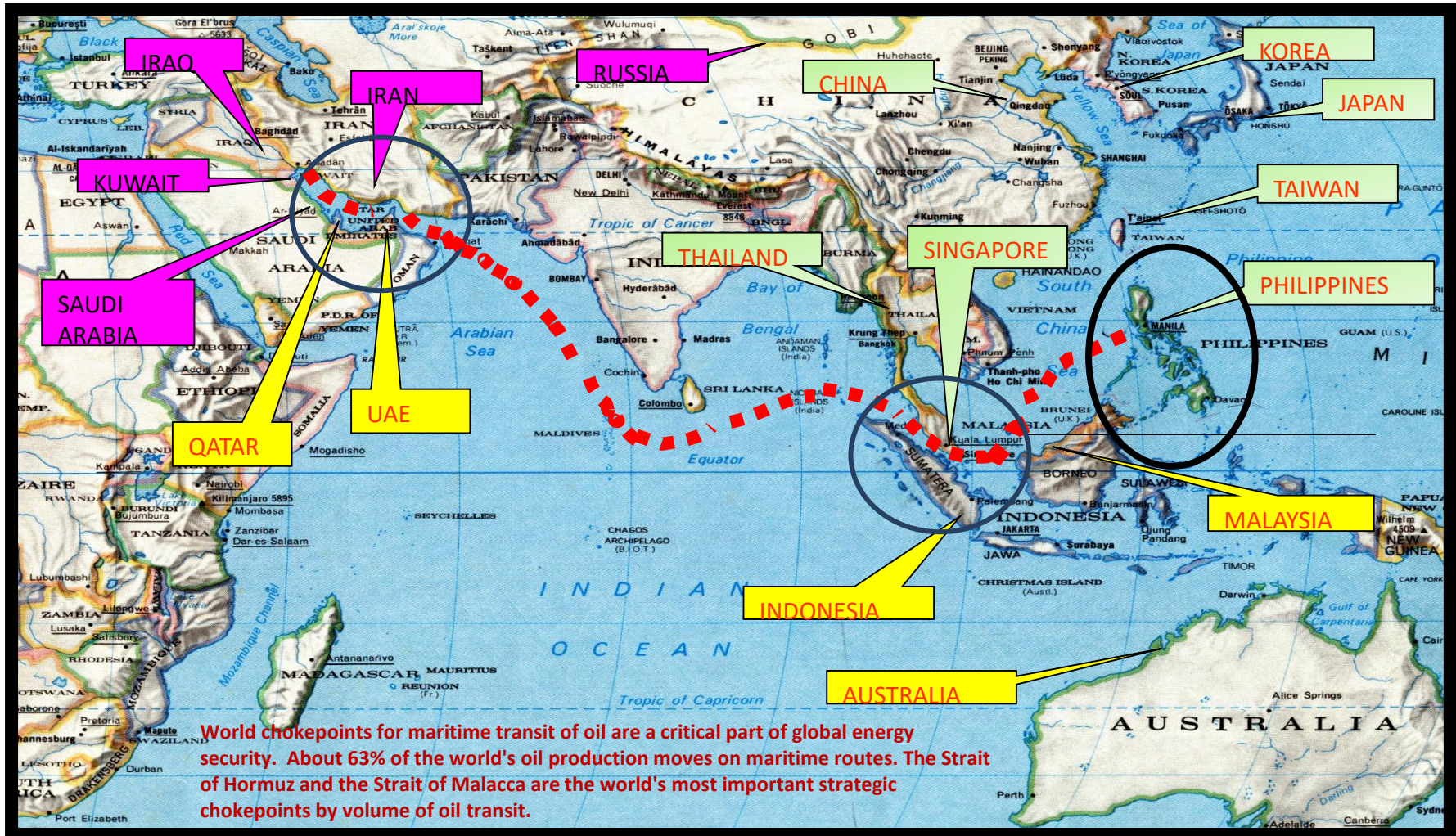


**Product Import Volume**  
**86,108 MB**



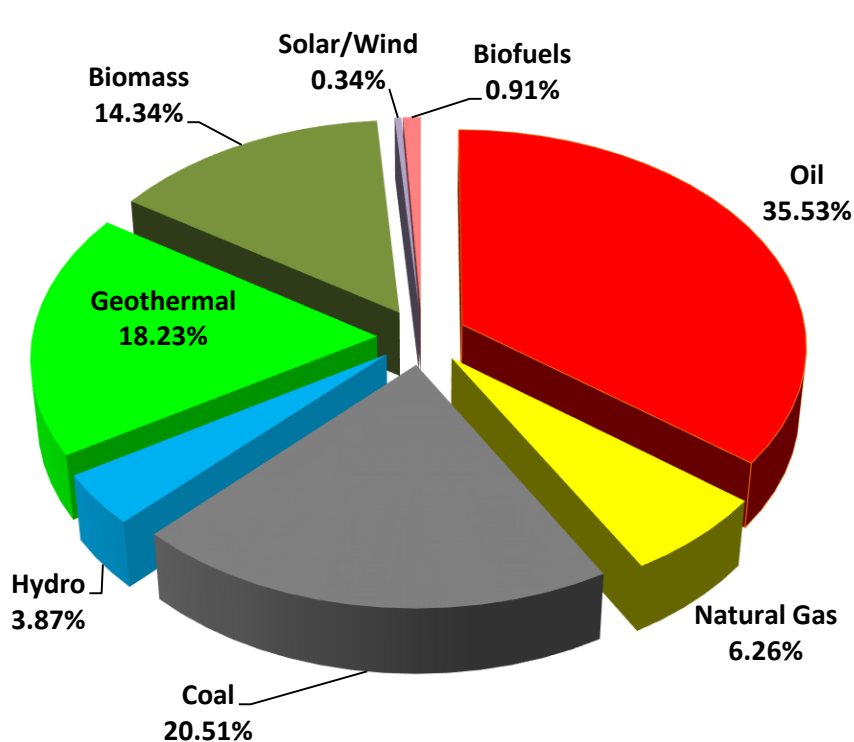


# RP Import Sources

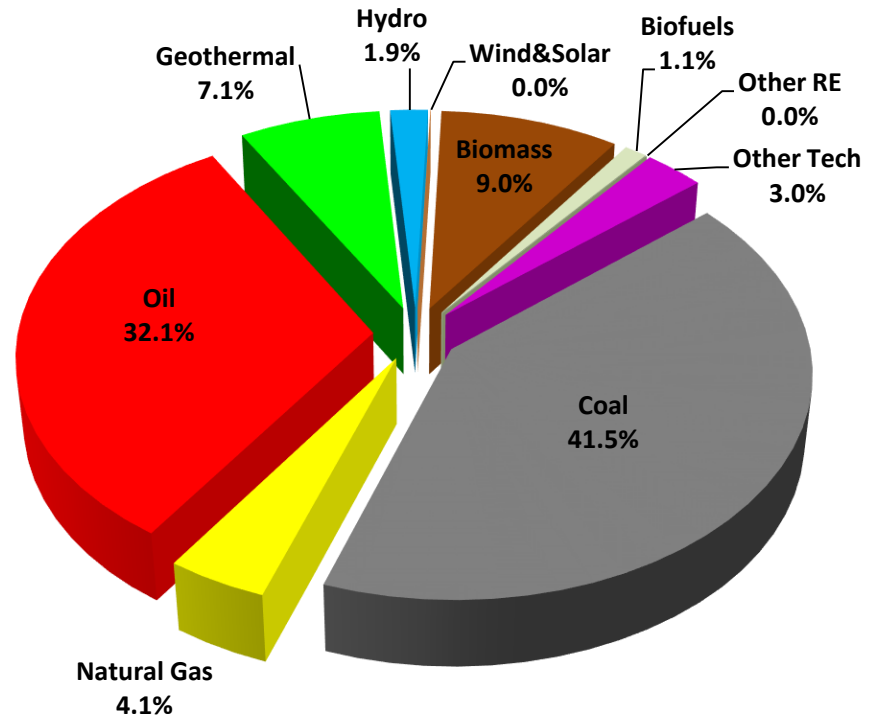


# Philippines Energy Supply Outlook

## *Primary Energy Mix –2016 vs 2040*



**2016 Actual (prelim)**  
**Total Energy: 52.2 MTOE**



**2040 Outlook (Clean Energy Scenario)**  
**Total Energy: 134.2 MTOE**





# Policy Framework on Oil Supply Security



# Policy Framework on Oil Supply Security

## ***Minimum Inventory Requirement for Commercial Stocks***

- ❑ Executive Order No. 134 – Requiring Oil Companies and Bulk Suppliers to Maintain a Sufficient Minimum Inventory of Petroleum, for Purpose of Ensuring Continuity, Adequacy and Stability of Crude and Fuel Supply
- ❑ Department Circular No. 2003-01-001 – Guidelines Implementing the Minimum Inventory Requirements as Provided Under Executive Order No. 134
  - Refiners – 30 days in-country stocks of crude and petroleum products
  - Bulk Suppliers – 15 days in- country stocks of petroleum products
  - LPG Importers – 7 days in-country stocks of LPG
- ❑ Department Circular No. 2003-03-002 – Relaxation of the Minimum Inventory Requirements
  - Refiners – 15 days in-country stocks of crude and petroleum products
  - Bulk Suppliers – 7 days in- country stocks of petroleum products
  - LPG Importers – 7 days in-country stocks of LPG
- ❑ Department Circular No. 2011-03-0002 – Reinstatement of DC No. 2003-01-001



# FY 2016 Average Petroleum Inventory

*(In Days Supply)*

Product	Days Supply
LPG	14
Gasoline	28
Diesel Oil	25
Jet A1	21
Kerosene	55
Fuel Oil	35
Crude Stock	12
Crude in-transit	9

Industry Grouping	Days Supply	MIR
Refiner	48	30
Bulk Supplier	33	15
LPG importers	11	7



# Stockpiling Initiatives



# Stockpiling Initiatives

## *Legislative Measures*

- ❑ Proposed Bills on the creation of National Strategic Petroleum Reserve
  - Senate Bill No. 159 filed in 2010
  - House Bill No. 4526 filed in 2011
  
- ❑ Features of the Proposed Bills
  - SPR will be established, managed, administered and funded by PNOC itself or in partnership/joint venture with other entity
  - Products to be stored - gasoline, diesel and LPG
  - Location – in any area within or outside the national territory
  - Establishment of SPR is within 2 years from the lapse of the sixty days set for submission of the Implementing Guidelines
  
- ❑ Status - Pending



# Stockpiling Initiatives

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## ***Bilateral Cooperations***

- ❑ Technical Assistance:
  - US DOE on Strategic Petroleum Reserves
  - Japan METI Assistance on Regional Oil Stockpiling
  
- ❑ Joint Cooperation Oil and Gas Activities with Thailand
  - MOU between RP\_DOE and Thailand MOE
  - MOU between PNOC and PTT



# Challenges and Recommendations



# Challenges

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## ☐ Funding Source and Requirement for:

- Land and Installation
- Value of Oil  
(What type & quantity of oil to store?)
- Operation and Maintenance
- Other Related Costs

## ☐ Security

## ☐ Timing

## ☐ Operational Conditions & Control (When to download and replenish)





# Recommendations

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- ❑ **Conduct of a comprehensive study on the viability of maintaining a strategic oil stockpile.**
- ❑ **Government could consider an option of putting up first a storage facility for a commercial stockpile. The storage tanks could be rented out to existing or would be industry players to increase the level of inventory of commercial stockpile in the country. If this venture becomes profitable, the income could be used for expansion and eventual use as a strategic oil stockpile facility. Economic feasibility of this option should, however, be look into.**



# Thank You!



(+632) 479-2900



name@doe.gov.ph



www.doe.gov.ph



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