

**Republic of the Philippines
DEPARTMENT OF ENERGY**

DEPARTMENT CIRCULAR NO. DC2005-04-004

**SUBJECT: INVESTMENT PROMOTION AND CONTRACTING ROUNDS
FOR GEOTHERMAL AND COAL PROSPECTIVE AREAS**

WHEREAS, Section 1 of Presidential Decree No. 1442, otherwise known as "An Act To Promote The Exploration And Development Of Geothermal Resources", and Section 6 of Presidential Decree No. 972, as amended, otherwise known as "The Coal Development Act of 1976", allow the Government to promote and offer prospective geothermal and coal areas for competitive proposals for geothermal service contract and coal operating contract;

WHEREAS, the Department of Energy (DOE) desires to conduct geothermal and coal investment promotion and utilize the competitive mode as much as practicable for the granting of geothermal service contract and coal operating contract over areas that were predefined by the Energy Resource Development Bureau (ERDB) of the DOE based on a blocking reference system to facilitate the identification of the most technically efficient and cost-effective exploration and production programs for each of the offered areas;

WHEREAS, in order to further increase the development and utilization of indigenous geothermal energy and coal resources, there is a need to attract both local and foreign investments for geothermal energy and coal exploration, development and production;

NOW, THEREFORE, in consideration of the aforementioned premises, the following procedure shall govern the competitive system of awarding geothermal service contracts and coal operating contracts:

1. Contracting Rounds

- 1.1 The Energy Resource Development Bureau (ERDB) shall determine prospective areas within the Philippine territory for competitive contracting rounds. The Secretary of Energy, upon the recommendation of the ERDB Director and the Undersecretary having supervision over ERDI, shall declare such areas open for Geothermal Service Contract (GSC and or Coal Operating Contract (COC) proposals. The contracting round shall have a duration of three (3) months beginning from the date of announcement until the deadline of submission of proposals. During this period and three months immediately prior to the start of each contracting round no geothermal and/or coal contract application on a first-come-first-served basis shall be accepted by the DOE. For the year 2005, this

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moratorium period for geothermal, petroleum and/or coal contract application shall commence on May 15, 2005.

- 1.2 The ERDB shall prepare the contracting round documents, with a description of available data and the geothermal/coal prospectivity of each area. It shall then request the DOE Contract Negotiating Panel (CNP), as constituted under Department Order No. 2003-05-005, to disseminate information on the contracting round. The notices will include among others the following:
 - a. Map of the area being offered during the contracting round;
 - b. Schedules including the commencement of the contracting rounds; and
 - c. Other information as appropriate
- 1.3 Participants to the contracting rounds shall submit the following documents for evaluation by the DOE CNP:
 - a. Work Program
 - a.1 Draft of the proposed GSC/COC, with comments, if any;
 - a.2 The proposals for work program and minimum expenditure in respect to the area or areas specified in the application.
 - b. Financial Documentation
 - b.1 Latest audited financial statement of the corporation and annual reports for the last three (3) years;
 - b.2 Duly filled-out information sheet of the corporation;
 - b.3 Resume/Profile of the corporation/incorporators/offices;
 - b.4 Particulars of the kinds of financial resources available to the applicant including capital, credit facilities, and guarantees so available.
 - b.5 Copy of latest income business tax returns duly stamped and receive by the Bureau of Internal Revenue, and duly validated with the tax payment made thereon, if applicable.
 - c. Legal Documentation
 - c.1 Articles of Incorporation;
 - c.2 By-laws of the Corporation;
 - c.3 SEC Registration Certificate.
 - d. Technical Documentation
 - d.1 Particulars of the technical and industrial qualifications of the applicant and his employees' working experience;
 - d.2 Particulars of the technical and industrial resources available to the applicant.

The DOE may require additional information as it sees fit.

- 1.4 The DOE negotiating panel shall open the submitted proposals relative to the contracting round during the first working day after the announced deadline for submission of proposals. No proposals or contracting documents shall be accepted on the designated day of the opening of proposals.
- 1.5 The Panel shall evaluate the contracting round documents within four (4) weeks from the opening of the contracting round deadline. The following factors will be evaluated in judging the proposals:
 1. Proposed work program;
 2. Financial/Legal qualifications;
 3. Technical qualifications.

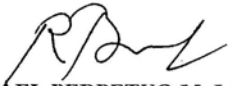
The DOE CNP if it deems appropriate, may reject any or all proposals submitted.

- 1.6 The DOE CNP shall formally inform all the applicants of the results of the evaluations and shall commence negotiation with the preferred proponent to finalize the contract details. The DOE CNP shall endeavor to complete negotiations with winning applicants within ninety (90) days. The DOE CNP shall then make a recommendation to the DOE Secretary for any award of GSC and/or COC based on the negotiations conducted.
- 1.7 Areas not awarded after each contracting round may be awarded to any qualified applicant under such terms and conditions as the DOE CNP may recommend to the DOE Secretary.

2. Effectivity

This Circular shall take into effect fifteen (15) days after publication in a newspaper of general circulation.

Issued this 20th day of April 2005 in Fort Bonifacio, Taguig City, Metro Manila.


RAPHAEL PERPETUO M. LOTILLA
Secretary