



Republic of the Philippines
DEPARTMENT OF ENERGY

DEPARTMENT CIRCULAR No. DC 2010-03-0005 ^{gc}

**PROVIDING ADDITIONAL GUIDELINES FOR A TRANSPARENT AND
COMPETITIVE SYSTEM OF AWARDING SERVICE/OPERATING CONTRACTS FOR
COAL AND PETROLEUM PROSPECTIVE AREAS AMENDING FOR THIS PURPOSE
DEPARTMENT CIRCULAR NO. DC 2006-12-0014**

WHEREAS, on April 2, 2009, the DOE issued Department Circular No. DC2009-04-0004 providing for investment promotion and public contracting rounds for awarding geothermal, petroleum and coal service/operating contracts;

WHEREAS, under Republic Act No. 9513, otherwise known as the "Renewable Energy Act of 2008", geothermal energy has been considered as a renewable energy and shall be under the direct supervision and implementation by the Renewable Energy Management Bureau (REMB);

WHEREAS, the DOE issued Department Circular No. DC2009-07-0011 providing for the guidelines governing a transparent and competitive system of awarding Geothermal RE Contract, partially superseding Department Circular No. 2009-04-0004 with regard to provisions involving geothermal areas;

WHEREAS, Department Circular No. DC2009-04-0004 does not cover petroleum and coal areas not offered or offered but without qualified proponent in the previous public contracting rounds but are deemed potential areas for exploration and development by foreign and local investors who are willing to apply for a Service Contract or Coal Operating Contract on these areas;

WHEREAS, due to the increasing cost of imported crude oil and coal which imposes an unduly heavy burden on the country's international reserves, there is a need to actively pursue the exploration, development and utilization of indigenous petroleum and coal resources through public contracting rounds by nomination/publication for petroleum and coal areas not offered or offered without qualified proponents in the previous Philippine Energy Contracting Rounds (PECR) but are deemed by foreign and local investors to be worth exploring and developing.

NOW, THEREFORE, in consideration of the aforementioned premises, the following amendments and additional provisions to the Circular shall govern the contracting rounds by publication or direct negotiation for the purpose of awarding petroleum service contracts and coal operating contracts.

Section 1. Section 3 of the Circular is amended to read as follows:

a ✓



Republic of the Philippines
DEPARTMENT OF ENERGY

IN REPLYING PLS CITE:

SE10-020398



"Section 3.a Public Contracting By Nomination/Publication.

a.1 Nomination Period

Official nomination by prospective applicants for petroleum or coal areas shall commence forty-five (45) calendar days from the opening of the proposals submitted for the regular PECR. The Department reserves the right to suspend the period for public contracting for nomination/publication in preparation for the next regular PECR.

a.2. Nomination of Prospective Areas by the Applicant/s

a.2.1 Applicants for petroleum or coal service/operating contract/s shall formally nominate the area/s of their interest for the DOE's consideration. Before the application is accepted for the DOE consideration, the following shall be submitted:

- a. Technical Description of the nominated area/s
- b. Certification of Non-Overlap of nominated area/s with existing contract/nominated area/s from the Information Technology Management Services (ITMS) of the DOE.
- c. Certification from the Department of Environment and Natural Resources (DENR) and/or Local Government Units (LGU) that the nominated area/s is/are not within a Protected Area/s.

a.2.2 The Energy Resource Development Bureau (ERDB) shall within fifteen (15) working days from receipt of the nomination with complete documents shall recommend for approval the opening of the subject area for public contracting round by publication to the Secretary, through the concerned Undersecretary.

a.2.3 Upon approval by the Secretary of the nominated area/s for public contracting round by publication, the ERDB shall, within fifteen (15) working days from receipt of approval, prepare the contracting round documents with a description of available data and prospects on petroleum and coal resources in the area applied for.

The proponent, in coordination with the DOE, shall, at its own expense, cause the publication in two (2) newspapers of general circulation the nominated petroleum or coal area.

The items for publication shall include, among others, the following:

- a. Timeline for the contracting round by publication:
- Publication Date – Day 1
 - Deadline for the Submission of Documents by Applicants – Day 1 plus 29 calendar days on or before 3pm (for coal) and Day 1 plus 89 calendar days on or before 3pm (for petroleum)
 - Opening of Documents – Day 1 plus 30 calendar days (for coal) and Day 1 plus 90 calendar days (for petroleum)
 - Evaluation of Documents – Thirty (30) to Sixty (60) working days for coal and Forty five (45) to Ninety (90) working days for petroleum
 - Notice to Qualified Applicant – Five (5) working days from approval by the Department
- b. Location Map and Technical Description of the area/s*;

**areas to be nominated for coal and petroleum shall conform to existing coal and petroleum blocking systems:*

*Coal : Minimum area for nomination = 2 coal blocks
(1 coal block = 2 minutes of latitude by 1 ½ minutes of longitude with an area of approximately 1,000 hectares)*

Petroleum:

*Onshore : Minimum area for nomination =
50,000 has.;
Maximum = 750,000 has.*

*Offshore : Minimum area for nomination =
80,000 has.;
Maximum = 1,500,000 has.
(1 petroleum block = 4 minutes of latitude by 3 minutes of longitude with an area of approximately 4,000 hectares)*

- c. List of documents that should accompany the application;
- d. Other information that the DOE-CNP deems appropriate.

- a.2.4. Interested parties for the contracting round by publication on petroleum and coal areas shall submit to the ERDB Director the complete set of documents for evaluation by the DOE-CNP as specified in Section 1.4 (a-d) in the Department Circular No. DC2009-04-0004 and the published guidelines referred to in 3a.2.3 of this Circular. The procedure in Section 1.5, 1.6 and 1.7 as indicated in Department Circular No. DC2009-04-0004 shall be followed.

Section 3.b **Direct Negotiation.**

Direct Negotiation shall be allowed only in the following instances, subject to confirmation by the ERDB:

- b.1 Frontier Areas – Frontier areas as defined in the Department Circular No. DC2009-04-0004 and as determined by the DOE-ERDB.
- b.2 When, during the conduct of PECR, any of the following circumstances exist:
- i. No proposal is received by the ERDB;
 - ii. No one among the applicants was able to meet the minimum requirements after the CNP evaluation.
- b.3 When no proposal other than the proposal by the qualified nominee under Section 3.a of this Circular is received by the ERDB.

Proponents who nominated area/s for inclusion under the regular PECR but failed to submit a proposal/application shall be disqualified for direct negotiation under Section 3 (b.2) of this Circular on the same nominated area/s."

Section 2. **Disclaimer.**

Proponents/applicants warrant that it shall not undertake proceedings of whatever kind against DOE, its officers, employees for any and all acts, resolutions or decisions of the CNP, except where such acts, resolutions or decisions violate applicable laws, or if any member of the CNP acted in evident bad faith, with willful misconduct, or gross negligence.

Section 3. **Separability Clause.**

If for any reason, any section or provision of this Circular is declared unconstitutional or contrary to law, such parts not affected shall remain in full force and effect.



Section 4. **Amendatory Clause.**

The provisions of Department Circular No. DC2009-04-0004 and all other department circulars, which are inconsistent with the provisions of this Circular are hereby amended or modified accordingly.

Section 5. **Effectivity.**

This Circular shall take effect immediately after publication in at least two (2) newspapers of general circulation and shall remain in effect until otherwise revoked.

Issued this 24 day of March 2010 in Fort Bonifacio, Taguig City, Metro Manila.


ANGELO T. REYES
Secretary
 Republic of the Philippines
DEPARTMENT OF ENERGY
IN REPLYING PLS CITE:
SE10-020402
