

DOWNSTREAM OIL and GAS



Presentation Outline

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Downstream Oil Industry –

- 2011 Major Accomplishments
- Measurable Targets
- Plans and Programs

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Natural Gas –

- 2011 Major Accomplishments
- Plans and Programs

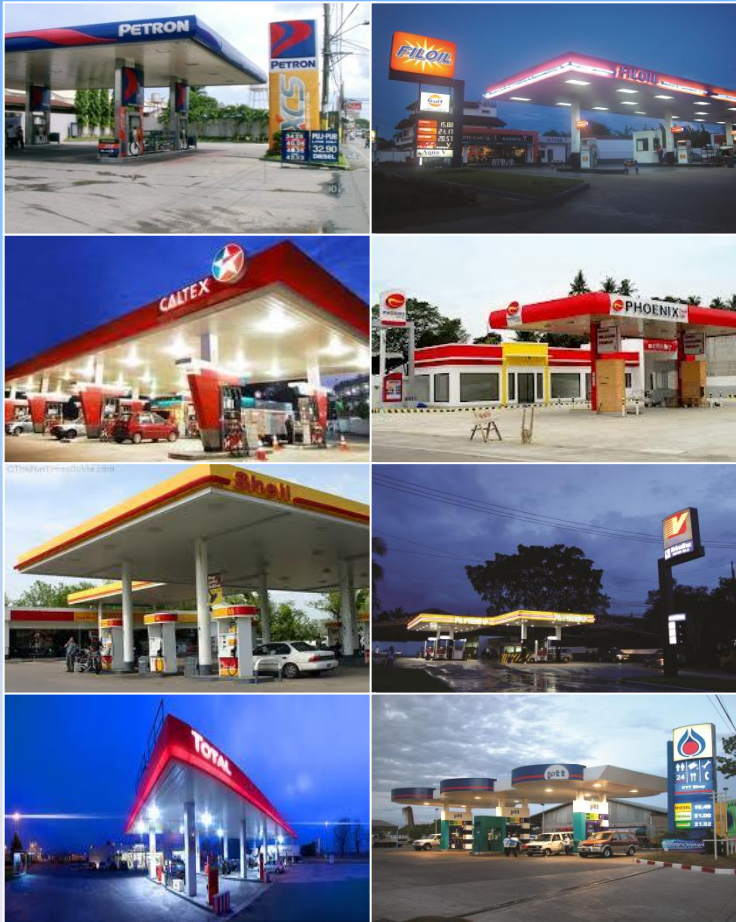
DOWNSTREAM OIL INDUSTRY

2011 Accomplishments



Ensured Sufficient Supply

Oil Products



- Recorded additional 8 *new players* in the oil industry in 2011, bringing to a total of 1,200 *players* and P39B investments
- Conducted inspection and sampling of liquid petroleum products in
 - 60 Depots
 - 1,200 Gasoline Stations
 - 1,400 LPG establishments
- Witnessed with BIR the denaturing of ethanol for biofuels use
- Conducted aggressive information campaign through IECs to empower consumers in making informed-choice in petroleum product purchases



Ensured Sufficient Supply

Oil Products

- Issued *Department Circulars* (DC) in response to the unrests in the Middle East, and the earthquake and tsunami in Japan:
 - **DC No. 2011-02-0001** – *Mandatory Use of Biofuel Blends*
 - **DC No. 2011-03-0002** – *Providing for the Increase of the Minimum Inventory Requirements of All Oil Companies and Bulk Suppliers Operating in the Country*
 - **DC No. 2011-03-0003** – *Enjoining All Oil Companies to Engage in Mutual Product Sharing Accommodation and Similar Industry Practices to Stabilize Oil Supply*
 - **DC No. 2011-03-0004** – *Enjoining the Strict Compliance of the Downstream Oil Industry Participants to the Reportorial Requirements of RA 8479*
 - **DC No. 2011-12-0013** – *Providing Guidelines for the Utilization of Locally-Produced Bioethanol*
- Initiated the drafting of DC - “*Guidelines for Petroleum Products Importations and Exportations*” to address the increasing complaints on proliferation of unsafe and unlawful practices including smuggling of petroleum products



Ensured Sufficient Supply

Oil Products



- Formulated/Reviewed Quality Standards (*PNS*) for fuel and facilities:
 - Aviation Gasoline (*new*) and Multi-grade 10 percent ethanol blend (*E10*)
 - Jet A1, E-Gasoline, Anhydrous Bioethanol, Euro4 Fuels
 - Storing and Handling of biodiesel and biodiesel blends at Depots and Storing and Handling E-gasoline at Retail Outlets
 - Storing and Handling 5 percent biodiesel blend (*B5*) at Retail Outlets and Transportation of Petroleum Products via Pipeline



Ensured Sufficient Supply

Oil Products

- Ensured reasonable price adjustments
 - Close monitoring of international prices and determining its estimated impact to domestic prices
 - Posting of oil pricing formulas in the DOE website
- Implemented price mitigation measures that enlightened the various transport groups
 - Regular meetings with the transport leaders for updates on the oil price movement
 - *Public Transport Assistance Program (PTAP)*
 - ✓ P450M total fund
 - ✓ P300M for PUJs → cards distributed by DOE (NCR) and DOTC (regions)
→ load = P1,050 + P1,200
 - ✓ P150M for tricycles → @P150 cash distributed by LGUs



DOWNSTREAM OIL INDUSTRY

Plans and Programs



Plans and Programs

Downstream Oil Industry

- Update Oil Supply Contingency Plan to incorporate related emergency preparedness mechanisms consistent with the National Crisis Management Manual
- Encourage additional oil (*and biofuels*) infrastructure on storage and distribution
- Encourage expansion/upgrading of oil refineries to produce Euro 4 compatible fuels
- Promote the development/establishment of a national oil stockpile program
- Promote awareness on the Downstream Oil Industry developments and initiatives



Plans and Programs

Downstream Oil Industry

- Operationalize mobile fuel quality monitoring facility
- Enhance existing guidelines to encourage fair and orderly competition
- Collaborate with LGUs, DTI and other agencies in the enforcement of rules/regulations and standards
- Collaborate with DTI in excellence (*Bagwis*) award for LPG retailers
- Promote transparency in oil prices, including the biofuel component
- Mitigate impact of high oil prices through:
 - Collaboration with public transport sector and DOTC, DENR, DTI on projects/programs to improve take home pay
 - Provision of targeted subsidy to vulnerable sectors



Plans and Programs

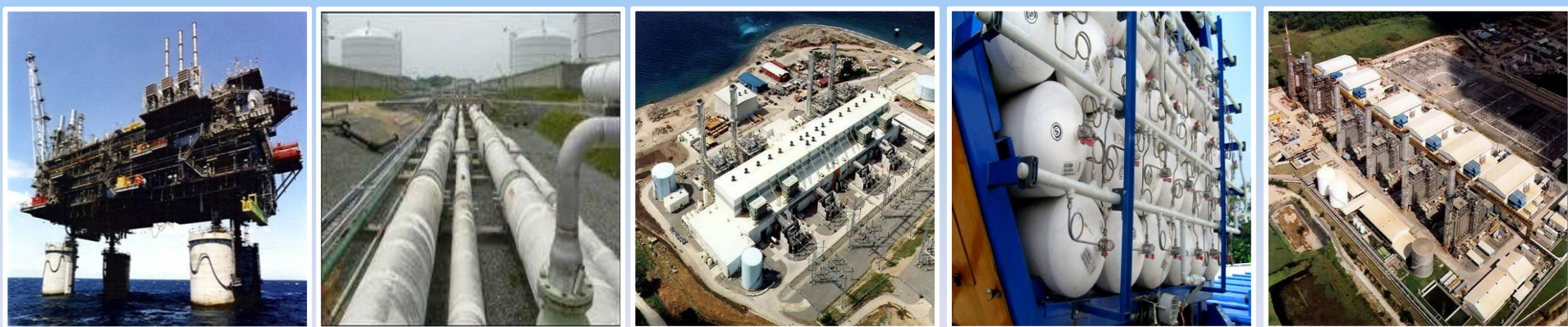
Downstream Oil Industry

- Minimize economic oil leakage and operationalize marker technology to address smuggling :
 - Close monitoring of compliance to guidelines on importations, especially on reportorial requirements
 - Strict enforcement of rules on petroleum product storage, marketing and distribution
 - Institutionalization of a monitoring mechanism and product tracking system
 - Installation of *Global Positioning System* (GPS) trackers on sea-going and land-based oil tankers
- Collaborate with DOF to clarify and resolve issues on taxation (*e.g., excise tax on imported intermediate products, VAT on feedstocks/ intermediate products for biofuels, real estate taxes per BOI incentives...*)



DOWNSTREAM NATURAL GAS

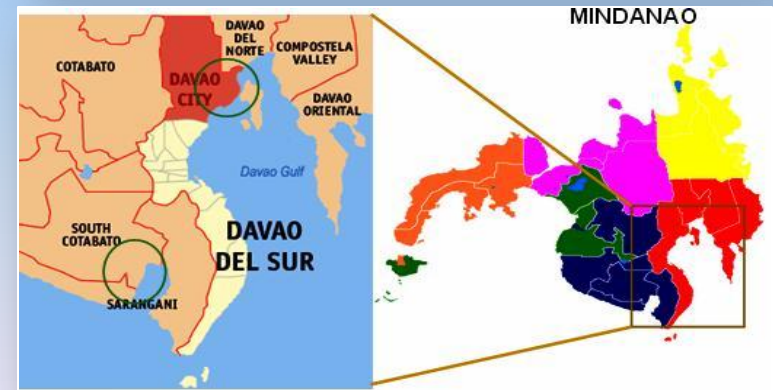
2011 Accomplishments



Ensured Sufficient Supply

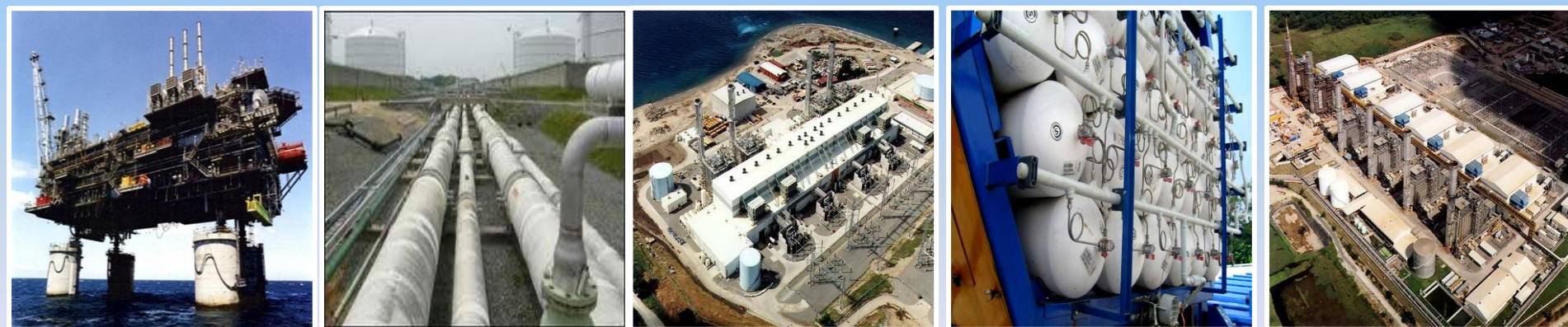
Natural Gas

- Completed the JICA Study for the Update of the Master Plan for the Development of the Natural Gas Industry in the Philippines
- Completed the *World Bank* (WB) Study on *liquefied natural gas* (LNG) sites in Bataan and Mindanao
- Conducted WB market assessment for natural gas in Mindanao
- Presentation on the result of the market assessment in Mindanao was in May 2012 in Cagayan de Oro
- Forged an agreement in UK with Pilipinas Shell to conduct technical feasibility of a *Floating Storage Regasification Unit* (FSRU) in Batangas



DOWNSTREAM NATURAL GAS

Plans and Programs



Plans and Programs

Natural Gas

Luzon Critical Infrastructure Projects

Pipeline Projects	Target Year
105 k.m. Batangas-Manila (<i>BatMan 1</i>) Pipeline	2015-2017
15-k.m. Sucat-Fort Bonifacio Pipeline	2017-2018
35-k.m. Sucat-Malaya (<i>Su-Ma</i>) Pipeline	2017-2018
38-k.m. Sucat-Quirino Pipeline	2020
140-k.m. Bataan-Manila (<i>BatMan2</i>) Pipeline	2020
40-k.m. Metro Manila/EDSA-Taft Gas Pipeline – ET Loop	2020
40-k.m. Subic Pipeline (<i>from proposed BatMan2 to Subic</i>)	2021
25-k.m. Clark Pipeline (<i>from proposed BatMan2 to Clark</i>)	2022
40-k.m. Bataan-Cavite (<i>BatCave</i>) Pipeline	2022

Note: 1) Timeline for Batman 1 and LNG Terminal in Batangas is recommended in the updated Masterplan study for the Development of the Natural Gas Industry in the Philippines. However, for other projects, the target date is assumed as a chain result to the operation of Batman 1.

2) Said Targets are still subject for review based on current socio-economic conditions.



Plans and Programs

Natural Gas

Luzon Critical Infrastructure Projects

Refilling Stations	Target Year
CNG Refilling Stations in Metro	2013-2015

Liquefied Natural Gas (LNG) Terminals	Target Year
LNG Hub Terminal in Pagbilao, Quezon	2013-2014
LNG Terminal in Batangas	2021-2030
LNG Terminal in Bataan	2025

Note: Said Targets are still subject for review based on current socio-economic conditions.



Plans and Programs

Natural Gas

Mindanao Critical Infrastructure Projects Phase I

Floating Storage & Regasification Unit (FSRU)	Target Year
FSRU Facility in Macajalar Bay, Misamis Oriental	2014-2016
Pipeline Projects	Target Year
27.4 k.m. Pipeline System for Cagayan de Oro and PHIVIDEC Area	2014-2016
2x2 k.m. Distribution Pipeline in Iligan City	2014-2016
Storage Facility	Target Year
Satellite Supply Terminal (2 Storage Tanks each with 120 cu.m.) in South Iligan	2014-2016
Satellite Supply Terminal (1 Storage Tanks with 120 cu.m.) in North Iligan	2014-2016
Refilling Station	Target Year
Liquefied Compressed Natural Gas (LCNG) Refueling Stations in Iligan City, CDO and PHIVIDEC Areas	2016-2017

Note: Said Targets are still subject for review based on current socio-economic conditions.



Plans and Programs

Natural Gas

Mindanao Critical Infrastructure Projects Phase II

Liquefied Natural Gas (LNG) Terminals	Target Year
3 Satellite LNG Terminals in Davao via General Santos	2018-2020

Pipeline Projects	Target Year
53 k.m. Pipeline in General Santos	2016-2018

Refilling Stations	Target Year
Liquefied Compressed Natural Gas (LCNG) Refueling Stations in General Santos and Davao	2016-2018

Note: Said Targets are still subject for review based on current socio-economic conditions.



Plans and Programs

Natural Gas

- Advocate for the approval of Natural Gas Bill in the Congress
- Support and promote the exploration and development of natural gas in the country
- Promote investment for the implementation of the identified natural gas infrastructure projects
- Expand market bases through intensified promotion of natural gas to potential industries located along the route of the identified gas transmission pipelines to expand
- Review and coordinate with concerned government agencies the enhancement of existing incentive package for the overall downstream natural gas program for integration into the overall DOE Investment Promotion Program



Plans and Programs

Natural Gas

- Revisit the parameters in the gas pricing index provided under the existing Gas Sales and Purchase Agreement (*GSPA*) and recommend a localized pricing mechanism for the indigenous natural gas
- Conduct an evaluation and market research on techno-economic aspects of related technologies for possible fuel shift to natural gas, as well as vigorously continue the conduct of profiling of potential gas markets nationwide
- Prepare and implement a collegiate level-curriculum that will introduce energy and natural gas in selected courses at PUP and other universities in the country in collaboration with natural gas stakeholders



Thank You

