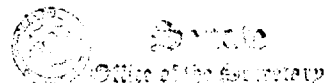
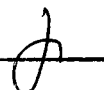


EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



20 APR 16 AM 11:30

SENATE
P.S. RES. No. 359

SECRETARY _____ 

Introduced by Senator WIN GATCHALIAN

A RESOLUTION DIRECTING THE SENATE COMMITTEE ON ENERGY TO CONDUCT AN INQUIRY IN AID OF LEGISLATION ON THE SUFFICIENCY OF THE DEPARTMENT OF ENERGY'S EXISTING POLICY ON THE MINIMUM INVENTORY REQUIREMENT FOR OIL AND PETROLEUM PRODUCTS AND THE NECESSITY OF ESTABLISHING A STRATEGIC PETROLEUM RESERVE TO ENSURE THE SECURITY OF THE COUNTRY'S OIL SUPPLY

1 WHEREAS, the Philippines imported 99.99% of its crude oil requirement in the
2 first quarter of 2019 alone, with 74% sourced from the Middle East alone,¹ making
3 the country highly vulnerable to disruptions in supply and drastic movements in price
4 in the global market as seen during the September 2019 drone attacks on Saudi
5 Arabian Oil Company's oil processing facilities,² and the January 2020 US-Iran
6 tensions following the death of an Iranian general in Iraq;³

7 WHEREAS, Republic Act No. 7638,⁴ otherwise known as the Department of
8 Energy (DOE) Act of 1992, and Republic Act No. 8479,⁵ otherwise known as the
9 Downstream Oil Industry Deregulation Act of 1998, both declare the policy of the
10 State to ensure the continuous, adequate, and economic supply of energy;

¹ Latest available data from DOE based on its Oil Supply/ Demand Report 1 H 2019 vs 1H 2018. Available at: <https://www.doe.gov.ph/energy-information-resources?q=/downstream-oil/oil-supply-demand-2019>. Accessed on 18 March 2020.

² Attacks on Saudi oil facilities will affect PH 'deeply': Locsin. Available at: <https://news.abs-cbn.com/business/09/15/19/attacks-on-saudi-oil-facilities-will-affect-ph-deeply-locsin>. 15 September 2019.

³ Oil prices surge 4% after Iran military leader killed in US strike. Available at: <https://cnnphilippines.com/business/2020/1/4/oil-prices-us-airstrike-iran.html>. 4 January 2020.

⁴ Section 1, RA 7638 (1992). Declaration of Policy – It is hereby declared the policy of the State:

(a) to ensure a continuous, adequate, and economic supply of energy with the end in view of ultimately achieving self-reliance in the country's energy requirements xxx

⁵ Section 2, RA 8479 (1998). Declaration of Policy. – It shall be the policy of the State to liberalize and deregulate the downstream oil industry in order to ensure a truly competitive market under a regime of fair prices, adequate and continuous supply of environmentally-clean and high-quality petroleum products. To this end, the State shall promote and encourage the entry of new participants in the downstream oil industry, and introduce adequate measures to ensure the attainment of these goals.

1 WHEREAS, in line with the aforementioned goal, the DOE is tasked to
2 establish and administer programs for the distribution, conservation, stockpiling, and
3 storage of energy resources;⁶

4 WHEREAS, Executive Order No. 134, Series of 2002⁷ emphasizes this by
5 directing DOE to establish a Minimum Inventory Requirement (MIR) for oil
6 companies to maintain a minimum stock of oil and petroleum products;⁸

7 WHEREAS, DOE Department Circular No. DC2003-01-001,⁹ in implementing
8 the MIR, requires oil companies and bulk suppliers to maintain fifteen (15) days of
9 supply of petroleum products and seven (7) days of supply of Liquefied Petroleum
10 Gas (LPG), while oil refiners are required to maintain thirty (30) days of supply of
11 crude oil and petroleum products;¹⁰

12 WHEREAS, in addition to requiring a MIR, another policy tool to secure the
13 country's oil supplies that is being explored by the DOE is the development of a
14 Strategic Petroleum Reserve (SPR);¹¹

15 WHEREAS, a 2018 study published by the International Energy Agency
16 identifies the following benefits of stockpiling of oil reserves: price reduction effect,
17 avoided gross domestic product losses and import costs, avoided domestic price
18 disruptions, protection against product and price shocks, diplomacy benefits, and
19 national security benefits; as well as its disadvantages: significant economic cost and
20 safety concerns;¹²

⁶ Section 5, RA 7638 (1992). Powers and Functions – The Department shall have the following powers and functions:

xxx

(c) establish and administer programs for the exploration, transportation, marketing, distribution, utilization, conservation, stockpiling, and storage of energy resources of all forms, whether conventional or nonconventional.

⁷ Entitled, "Requiring Oil Companies and Bulk Suppliers to Maintain a Sufficient Minimum Inventory of Petroleum, for Purposes of Ensuring Continuity, Adequacy, and Stability of Crude and Fuel Supply."

⁸ Section 2, EO 134. – to comply with the requirements under Section 1 of this Order, the Secretary of Energy is hereby directed to:

determine the existence of the circumstances envisaged in Section 1 that would trigger the application of the minimum inventory requirements; the types and mix of petroleum products to be stocked by the oil companies and bulk suppliers, the appropriate levels of minimum petroleum inventory of oil companies and bulk suppliers; and the commencement and duration of compliance by the oil companies and bulk suppliers therewith; promulgate appropriate issuances, directives and orders to implement this Order; and perform any and all acts necessary and appropriate to carry out the purposes of this Order.

⁹ Entitled, "Guidelines Implementing the Minimum Inventory Requirements of Oil Companies and Bulk Suppliers as Provided Under Executive Order No. 134."

¹⁰ Section 5, DOE DC 2003-01-001. Minimum Inventory Level. – xxx The required minimum inventories shall include Petroleum Crude Oil and product stock, on shore and en route to stock points within the country, but shall exclude importations still in-transit to the country during the period specified in Section 7 of these Guidelines.

¹¹ Page 10. Transcript of Stenographic Notes of 29 October 2018 hearing of the Senate Committee on Energy.

¹² Pages 18 to 36. Costs and benefits of emergency stockholding. International Energy Agency. 2018.


1 WHEREAS, a 2004 study conducted by the United States DOE estimated that
2 the Philippines needs USD 660 million or Php 37.2 billion¹³ to construct and maintain
3 reserves for the first year amounting to 30 million barrels of crude oil, diesel fuel,
4 and LPG;¹⁴

5 WHEREAS, the DOE has directed the Philippine National Oil Company
6 Exploration Corporation to conduct studies on the various means to implement the
7 program;¹⁵

8 WHEREAS, in view of recurring events threatening the country's security of oil
9 supply, it is imperative for Congress to review the DOE's implementation of the MIR
10 program, and to be updated on the DOE's initiative to establish an SPR program;

11 RESOLVED BY THE SENATE, as it is hereby resolved, to direct the Senate
12 Committee on Energy to conduct an inquiry, in aid of legislation on the sufficiency of
13 the Department of Energy's existing policies on Minimum Inventory Requirement for
14 oil and petroleum products and the necessity of establishing a Strategic Petroleum
15 Reserve to ensure the security of the country's oil supply.

16
Adopted,



WIN GATCHALIAN

¹³ Based on October 2004 average Philippine Peso to US Dollar foreign exchange of PhP 56.3414 to 1 USD as per data from Bangko Sentral ng Pilipinas. Available at: http://www.bsp.gov.ph/statistics/statistics_exchrates.asp. Accessed on 19 March 2020.

¹⁴ Page 27. Strategic Oil Stockpiling Study for the Republic of the Philippines. US Department of Energy Strategic Oil Stockpiling Advisory Team. October 2004.

¹⁵ Page 54. Transcript of Stenographic Notes of 23 September 2019 hearing of the Senate Committee on Energy.