

**SENATE**  
**P.S. RES. No. 389**

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Introduced by Senator WIN GATCHALIAN

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**A RESOLUTION DIRECTING THE SENATE COMMITTEE ON ENERGY TO CONDUCT AN INQUIRY IN AID OF LEGISLATION ON THE SHORT, MEDIUM, AND LONG-TERM RAMIFICATIONS OF THE CORONA VIRUS DISEASE 2019 ON THE PHILIPPINE UPSTREAM, MIDSTREAM, AND DOWNSTREAM OIL AND GAS SECTORS AND THE MEASURES TO BE EMPLOYED BY THE DEPARTMENT OF ENERGY TO ADDRESS SUCH EFFECTS**

1 WHEREAS, due to the outbreak of the Corona Virus Disease 2019 (COVID-  
2 19), countries across the world have imposed measures to curtail the spread of the  
3 disease which have resulted in drastic reduction in transport, industrial, and  
4 commercial activities leading to an overall decrease in energy consumption;<sup>1</sup>

5 WHEREAS, the International Energy Agency has projected that the significant  
6 reduction in economic activities combined with strict restrictions imposed on public  
7 mobility would result to a drop in global demand for oil to the same levels last  
8 experienced in 1995;<sup>2</sup>

9 WHEREAS, in line with these projections, actual oil demand has begun to  
10 slowdown<sup>3</sup> leading to a historic slide in prices, with the oil price benchmark West  
11 Texas Intermediate (WTI) declining 49% since the beginning of the year and hitting

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<sup>1</sup> Bloomberg New Energy Finance. "Impact of Coronavirus Outbreak" by Ali Izadi-Najafabadi. 24 February 2020.

<sup>2</sup> Oil Market Report – April 2020. International Energy Agency. Available at: <https://www.iea.org/reports/oil-market-report-april-2020>. Accessed on 26 April 2020.

<sup>3</sup> 13 stunning photos of supertankers and storage tanks reveal the global oil glut in epic proportions. Business Insider. 27 April 2020. Available at: <https://www.businessinsider.com/13-photos-reveal-the-epic-oil-glut-in-new-proportions-2020-4>. Accessed on 28 April 2020.

1 negative prices last 20 April 2020,<sup>4</sup> and the natural gas price benchmark Henry Hub  
2 dropping 11% from January to March 2020;<sup>5</sup>

3 WHEREAS, the drastic decrease in petroleum prices has adversely affected  
4 the oil and gas supply chain with the global upstream sector forecasted to  
5 experience a 32% drop in capital expenditure<sup>6</sup> already manifested in the  
6 postponement of final investment decisions (FIDs) on oil and gas production projects  
7 in northern<sup>7</sup> and western<sup>8</sup> Australia, Nigeria,<sup>9</sup> United Kingdom,<sup>10</sup> and the United  
8 States;<sup>11</sup>

9 WHEREAS, the COVID-19 outbreak has also proven to be detrimental to the  
10 Philippine upstream sector specifically causing the postponement of the opening of  
11 proposals to develop potential oil and gas sources due to logistical disruptions,<sup>12</sup> and  
12 the Department of Energy's (DOE) expectation that oil and gas exploration and  
13 production companies will revisit their plans to drill and explore in the country  
14 because of the low prices of oil;<sup>13</sup>

15 WHEREAS, the COVID-19 containment measures has likewise caused  
16 disruptions to the global midstream sector<sup>14</sup> with interruptions in the oil freight and  
17 storage industry,<sup>15</sup> wave of closures in oil refineries across Europe and Africa,<sup>16</sup> and  
18 operational delays in LNG liquefaction facilities in Mozambique<sup>17</sup> and Indonesia,<sup>18</sup>  
19 and in an LNG import terminal in China;<sup>19</sup>

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<sup>4</sup> Oil price crashes into negative territory for the first time in history amid pandemic. Reuters. 20 April 2020. Available at: <https://www.reuters.com/article/us-global-oil/oil-price-crashes-into-negative-territory-for-the-first-time-in-history-amid-pandemic-idUSKBN2210V9>. Accessed on 27 April 2020.

<sup>5</sup> US Energy Information Agency's latest data available as of 4 May 2020 shows that WTI January 2020 price is \$57.52 per barrel, while March 2020 price is \$29.21 per barrel. Henry Hub January 2020 price is \$2.02 per million British thermal units (mbtu), while March 2020 price is \$1.79 mbtu. Available at: <https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=RWTC&f=M> and <https://www.eia.gov/dnav/ng/hist/rngwhhdm.htm>.

<sup>6</sup> Oil Market Report – April 2020. International Energy Agency. Available at: <https://www.iea.org/reports/oil-market-report-april-2020>. Accessed on 26 April 2020.

<sup>7</sup> LNG Supply Boom and Bust: Oil Price and Covid-19 Shake-up. Bloomberg New Energy Finance. 22 April 2020.

<sup>8</sup> LNG Supply Boom and Bust: Oil Price and Covid-19 Shake-up. Bloomberg New Energy Finance. 22 April 2020.

<sup>9</sup> Many oil projects in Nigeria, others may not see FID this year. The Guardian. 28 April 2020. Available at: <https://guardian.ng/business-services/many-oil-projects-in-nigeria-others-may-not-see-fid-this-year/>. Accessed on 30 April 2020.

<sup>10</sup> Covid-19: Siccac Point and Shell UK delay Cambo project FID to 2021. Offshore Technology. 31 March 2020. Available at: <https://www.offshore-technology.com/news/covid-19-siccac-point-shell-cambo-fid/>. Accessed on 30 April 2020.

<sup>11</sup> Shell reportedly delays Whale, Jackdaw projects. Offshore. 26 April 2020. Available at: <https://www.offshore-mag.com/business-briefs/coronavirus/article/14174796/shell-reportedly-delays-whale-jackdaw-projects>. Accessed on 30 April 2020.

<sup>12</sup> Covid delays opening of petroleum bids. The Manila Times. 26 April 2020. Available at: <https://www.manilatimes.net/2020/04/27/news/top-stories/covid-delays-opening-of-petroleum-bids/719394/>. Accessed on 30 April 2020.

<sup>13</sup> Oil, gas exploration firms likely to rethink plans – DOE. Philstar. 3 May 2020. Available at: <https://www.philstar.com/business/2020/05/03/2011365/oil-gas-exploration-firms-likely-rethink-plans-doe>. Accessed on 4 May 2020.

<sup>14</sup> LNG Supply Boom and Bust: Oil Price and Covid-19 Shake-up. Bloomberg New Energy Finance. 22 April 2020.

<sup>15</sup> The global oil industry is experiencing a shock like no other in its history. International Energy Agency. 1 April 2020. Available at: <https://www.iea.org/articles/the-global-oil-industry-is-experiencing-shock-like-no-other-in-its-history>. Accessed on 27 April 2020.

<sup>16</sup> Closures at refineries in Europe, Africa as COVID-19 hits demand. S&P Global Platts. 30 March 2020. Available at: [https://www.spglobal.com/platts/en/market-insights/latest-news/petrochemicals/033020-closures-at-refineries-in-europe-africa-as-covid-19-hits-demand#\\_ga=2.171809248.1158110658.1587984665-1428730188.1587984665](https://www.spglobal.com/platts/en/market-insights/latest-news/petrochemicals/033020-closures-at-refineries-in-europe-africa-as-covid-19-hits-demand#_ga=2.171809248.1158110658.1587984665-1428730188.1587984665). Accessed on 27 April 2020.

<sup>17</sup> LNG Supply Boom and Bust: Oil Price and Covid-19 Shake-up. Bloomberg New Energy Finance. 22 April 2020.

<sup>18</sup> LNG Supply Boom and Bust: Oil Price and Covid-19 Shake-up. Bloomberg New Energy Finance. 22 April 2020.

<sup>19</sup> Covid-19 could delay progress of upcoming LNG regasification projects in 2020. Offshore Technology. 23 March 2020. Available at: <https://www.offshore-technology.com/comment/covid-19-regasification-projects/>. Accessed on 27 April 2020.

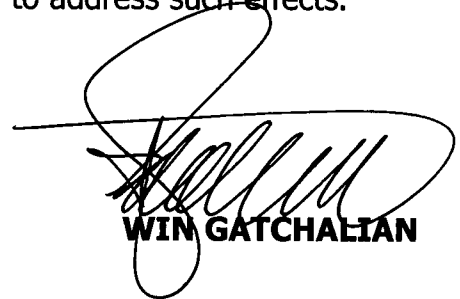
1           WHEREAS, the community quarantine and shutdowns implemented to arrest  
2 the spread of COVID-19 may also cause delays in the country's midstream sector  
3 particularly the proposed LNG import terminal projects which the DOE initially  
4 expected to reach FID within 2020;<sup>20</sup>

5           WHEREAS, the drop in oil demand in various countries has likewise been  
6 experienced in the Philippine downstream sector<sup>21</sup> as strict mobility restrictions has  
7 diminished demand and threatens the viability of small and independent retailers  
8 which currently account for 41.7% of the domestic market, more so that 900 gas  
9 stations have already suspended operations since the beginning of the outbreak;<sup>22</sup>

10           WHEREAS, there is a need for Congress to be apprised of the short, medium,  
11 and long-term effects and implications of COVID-19 on the Philippine oil and gas  
12 industry, in particular, the status of oil and gas exploration projects towards energy  
13 security since the country is mainly dependent on imported fuel, the situation of the  
14 LNG terminal projects considering the nearing depletion of Malampaya gas, and the  
15 viability of small and independent oil retailers whose closures can possibly hamper  
16 competition in the downstream oil sector;

17           RESOLVED BY THE SENATE, as it is hereby resolved, to direct the Senate  
18 Committee on Energy to conduct an inquiry in aid of legislation on the short,  
19 medium, and long-term ramifications of the Corona Virus Disease 2019 on the  
20 Philippine upstream, midstream, and downstream oil and gas sectors and the  
21 measures to be employed by the Department of Energy to address such effects.

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Adopted,



**WIN GATCHALIAN**

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<sup>20</sup> DOE set to approve Tan's P37-B LNG terminal project. Manila Bulletin. 9 December 2019. Available at: <https://business.mb.com.ph/2019/12/08/doe-set-to-approve-tans-%E2%82%B137-b-lng-terminal-project/>. Accessed on 27 April 2020.

<sup>21</sup> 900 gas stations suspend operations. Malaya Business Insight. 27 April 2020. Available at: [https://malaya.com.ph/index/index.php/news\\_business/900-gas-stations-suspend-operations/](https://malaya.com.ph/index/index.php/news_business/900-gas-stations-suspend-operations/). Accessed on 27 April 2020.

<sup>22</sup> Ibid.