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SENATE
P.S. RES. No. 101

RECEIVED BY: 

Introduced by Senator WIN GATCHALIAN

**A RESOLUTION DIRECTING THE APPROPRIATE SENATE COMMITTEE TO
CONDUCT AN INQUIRY IN AID OF LEGISLATION ON THE SUFFICIENCY OF
THE DEPARTMENT OF ENERGY'S EXISTING POLICIES ON 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, Republic Act No. 7638,¹ otherwise known as the Department of
2 Energy (DOE) Act of 1992, and Republic Act No. 8479,² otherwise known as the
3 Downstream Oil Industry Deregulation Act of 1998, both declare the policy of the
4 State to ensure the continuous, adequate, and economic supply of energy;

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

8 WHEREAS, in furtherance of this mandate, Executive Order No. 134, Series
9 of 2002⁴ directs the DOE to establish a Minimum Inventory Requirement (MIR) for
10 oil companies to maintain a minimum stock of oil and petroleum products;⁵

¹ 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

² 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.

³ Section 5, RA 7638 (1992). Powers and Functions – The Department shall have the following powers and functions:

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(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.

⁴ 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."

⁵ Section 2, EO 134. – to comply with the requirements under Section 1 of this Order, the Secretary of Energy is hereby directed to:

11 WHEREAS, on January 2003, the DOE issued Department Circular No.
12 DC2003-01-001,⁶ in implementing the MIR, requires oil companies and bulk
13 suppliers to maintain fifteen (15) days of supply of petroleum products and seven
14 (7) days of supply of Liquefied Petroleum Gas (LPG), while oil refiners are required
15 to maintain thirty (30) days of supply of crude oil and petroleum products;⁷

16 WHEREAS, in addition to requiring a MIR, the DOE, as early as 2018, has
17 likewise explored the establishment of a Strategic Petroleum Reserve (SPR) to be
18 carried out by the Philippine National Oil Company (PNOC) in order to enhance the
19 country's energy security;⁸

20 WHEREAS, on February 2021, the DOE issued Department Circular No.
21 DC2021-0-0028 providing the guidelines for the Philippine Strategic Petroleum
22 Reserve Program (SPRP) and directing the PNOC to perform the following tasks:

- 23 a) Prepare and jointly review and approve with DOE the SPRP feasibility
24 study terms of reference and undertake the SPRP feasibility study within
25 eighteen (18) months from the issuance of the Circular;
- 26 b) Prepare, endorse, and jointly review and approve with DOE several
27 implementing guidelines within twelve (12) months from the approval of
28 the implementation plan to cover standards and requirements for
29 inventory management, creation of management team, acquisition and
30 maintenance of storage, blending, transport, distribution, and other
31 ancillary facilities, among others;

32 WHEREAS, out of the total amount of Php 150,226,700.00 approved by
33 Congress from 2020 to 2022 for PNOC's SPR program, only Php 1,652.00 was
34 utilized by PNOC;⁹

35 WHEREAS, the International Energy Agency (IEA), an international
36 organization founded to ensure security of oil supply among its member-countries,
37 requires its member countries to maintain a stockpile of 90-day oil reserves sufficient

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.

⁶ Entitled, "Guidelines Implementing the Minimum Inventory Requirements of Oil Companies and Bulk Suppliers as Provided Under Executive Order No. 134."

⁷ 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.

⁸ Page 10. Transcript of Stenographic Notes of 29 October 2018 hearing of the Senate Committee on Energy.

⁹ General Appropriations Act FY 2020 to FY 2022.

38 to sustain domestic consumption and minimize economic disruptions brought about
39 by oil supply emergencies;¹⁰

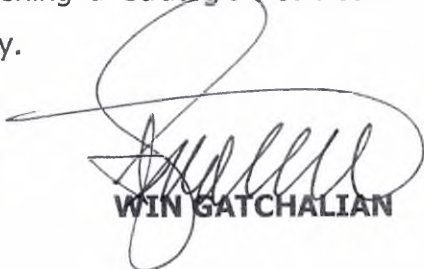
40 WHEREAS, a 2018 study published by the IEA identifies the following benefits
41 of stockpiling of oil reserves: price reduction effect, avoided Gross Domestic Product
42 losses and import costs, avoided domestic price disruptions, protection against
43 product and price shocks, diplomacy benefits, and national security benefits. The
44 IEA also identified disadvantages such as significant economic cost and safety
45 concerns;¹¹

46 WHEREAS, a 2004 study conducted by the United States DOE estimated that
47 the Philippines needs USD 660 million or PhP 37.2 billion¹² to construct and maintain
48 reserves for the first year amounting to 30 million barrels of crude oil, diesel fuel,
49 and LPG;¹³

50 WHEREAS, in view of various global events that continuously threaten to
51 disrupt the country's oil supply – the 2019 drone attacks on Saudi Arabian Oil
52 Company's oil processing facilities,¹⁴ the 2020 US assassination of an Iranian general
53 in Iraq,¹⁵ and the 2022 Russian invasion of Ukraine – it is imperative for Congress to
54 be updated and to review the DOE's implementation of the MIR program and the
55 proposed plan to establish an SPR program;

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

Adopted,



WIN GATCHALIAN

¹⁰ Article 2, Agreement on an International Energy Program (as amended 17 February 2018).

¹¹ Pages 18 to 36. Costs and benefits of emergency stockholding. International Energy Agency. 2018.

¹² 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.

¹³ Page 27. Strategic Oil Stockpiling Study for the Republic of the Philippines. US Department of Energy Strategic Oil Stockpiling Advisory Team. October 2004.

¹⁴ 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.

¹⁵ 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.