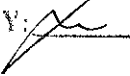


FIFTEENTH CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
*First Regular Session* )



'11 JUN -2 P4 :13

SENATE

RECEIVED BY: 

Senate Bill No. **2863**

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By Senator Teofisto "TG" L. Guingona III

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**EXPLANATORY NOTE**

It is a known fact that fuel is a necessary driver of a robust economy. Metro Manila alone is in need of a steady source of fuel and other petroleum products. Increased demand for petroleum products necessitates a fast, steady, efficient, safe and cost effective mode of transport.

Studies show that petroleum pipelines are still the safest and most efficient way of transporting petroleum products from one point to another. First, pipelines ensure lower delivery cost, contributing to lowering the cost of fuel to consumers. Second, pipelines are not affected by weather disturbances such as typhoon, flooding and other tidal changes. Third, pipelines reduce the traffic congestion in heavily trafficked areas, especially highly urbanized and populated cities. Fourth, by transporting petroleum products through pipelines, there is a lower risk of product contamination and the product volume is not diminished through evaporation. More volumes can be transported faster through a pipeline than through trucks, barges or lorries. Fifth and more importantly, petroleum pipelines have a lower carbon footprint in comparison to the use of barges, lorries or trucks. The environmental impact of pipelines is relatively minimal compared to other modes of transportation.

If properly maintained, pipelines pose lower risk to life and limb as well as damage to or loss of property compared to other conventional modes of transportation while providing a more efficient, reliable and sustainable means of transporting liquid petroleum products. In order to protect this vital infrastructure, protect public interest and encourage private sector participation in this industry, there is a need to establish a clear and comprehensive regulatory framework providing for the basic standards for the design, construction, operation and maintenance of liquid petroleum pipelines. This bill seeks to provide a Petroleum Pipeline Code that will provide for such a regulatory framework. This bill also seeks to strengthen the jurisdiction and power of the Department of Energy over pipeline operations.

In view of the foregoing, the immediate enactment of this measure is earnestly sought.

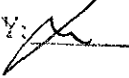
  
Teofisto "TG" Guingona III



FIFTEENTH CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
*First Regular Session* )

'11 JUN -2 P4:13

SENATE

RECEIVED BY: 

S. NO. 2863

By Senator Teofisto "TG" L. Guingona III

AN ACT TO PROVIDE A PETROLEUM PIPELINE  
CODE TO PRESCRIBE STANDARDS FOR THE  
DESIGN, CONSTRUCTION, OPERATION AND  
MAINTENANCE AND ABANDONMENT OF  
LIQUID PETROLEUM PIPELINES AND  
STRENGTHENING FOR THIS PURPOSE THE  
JURISDICTION AND POWER OF THE  
DEPARTMENT OF ENERGY OVER PIPELINE  
OPERATIONS, APPROPRIATING FUNDS  
THEREFOR, AND FOR OTHER PURPOSES

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*

CHAPTER I  
GENERAL PROVISIONS

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5 **Section 1. *Short Title.*** – This Act shall be known as the “*Philippine Pipeline Act*”.

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7 **Section 2. *Declaration of Policy.*** – It is hereby declared the policy of the State to:

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1. Promote transportation of liquid petroleum products through pipelines as a safe and efficient way of transporting liquid petroleum products;
  2. Provide for basic safety rules in petroleum pipeline operations and enhance reliability in the transportation of oil and liquid petroleum products by pipeline in the country;
  3. To encourage the inflow of private capital to encourage the use and development of petroleum pipelines; and
  4. To protect the public interest by ensuring the unhampered use of pipelines as a mode of transporting petroleum, especially to urban areas.

18 **Section 3. *Scope and Application.*** Except as otherwise provided herein, this Act shall apply to all  
19 existing and future petroleum pipelines in the country.

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21 **Section 4. *Definition of Terms.*** –

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- a) *Act* – shall refer to the Philippine Pipeline Act;
  - b) *Concession* – shall refer to the authority granted to a Person for the right to own, establish, provide, construct, install, operate and maintain Petroleum Pipeline systems for transporting Petroleum Products;

- 1 c) *Contract of Concession* – shall refer to the agreement executed between the DOE on  
2 behalf of the Government of the Republic of the Philippines and a Pipeline Operator  
3 granting a Pipeline Concession;  
4 d) *Crude Oil* – means oil in its natural state before the same has been refined or otherwise  
5 treated, excluding water and foreign substances  
6  
7 e) *DILG* – shall refer to the Department of Interior and Local Government;  
8  
9 f) *DOE* – shall refer to the Department of Energy;  
10  
11 g) *DOH* – shall refer to the Department of Health;  
12  
13 h) *DOTC* – shall refer to the Department of Transportation and Communications;  
14  
15 i) *DPWH* – shall refer to the Department of Public Works and Highways;  
16  
17 j) *Grantee* – shall refer to a Person to whom a Concession for Petroleum Pipeline  
18 Operations has been granted by law;  
19  
20 k) *Local Government Units or LGUs* – shall refer to the local government units created under  
21 the Local Government Code;  
22  
23 l) *MMDA* – shall refer to the Metro Manila Development Authority;  
24  
25 m) *National Pipeline Board or NPB* – shall refer to the Board created under Chapter VI,  
26 Section 16 of this Act;  
27  
28 n) *Petroleum Pipeline* – shall refer to the system of Pipelines, including related Pipeline  
29 Facilities through which Petroleum Products are transported, including without  
30 limitation the pipeline, valves, break out tanks and other appurtenances connected to  
31 the pipeline and pumping units;  
32  
33 o) *Petroleum Products* – shall refer to any liquid petroleum product obtained from distilling  
34 and processing of crude oil, unfinished oils, natural gas liquids and other hydrocarbon  
35 compounds. The term shall exclude natural gas and liquefied natural gas.  
36  
37 p) *Petroleum Pipeline Operations* – shall refer to the business of engaging in the  
38 Transportation of Petroleum Products through a Petroleum Pipeline;  
39  
40 q) *Petroleum* – shall refer to crude oil, condensate, and liquefied petroleum gas;  
41  
42 r) *Person* - includes a natural person, corporation, or partnership;  
43  
44 s) *Pipeline or Line Pipe* – shall refer to a tube, usually cylindrical, through which liquid  
45 Petroleum Product flows from one point to another; and  
46  
47 t) *Pipeline Facility(ies)* – shall refer to a new or existing Pipeline, including rights-of-way and  
48 any equipment, facility or building used in the Transportation of Petroleum Products;  
49  
50 u) *Pipeline Operators* – Persons operating Petroleum Pipeline or Pipeline systems  
51  
52 v) *PNP* – shall refer to the Philippine National Police; and  
53  
54 w) *Transportation of Petroleum Products* – shall refer to the conveyance, carriage or  
55 transmission of Petroleum Products through a Petroleum Pipeline(s).  
56  
57

58 **CHAPTER II**  
59 **DEPARTMENT OF ENERGY'S JURISDICTION**  
60

61 **Section 5. *Jurisdiction.*** This Act strengthens and confirms the sole regulatory and administrative

1 power and authority of the DOE to supervise and regulate Petroleum Pipeline Operations. In  
2 addition to its existing powers and functions, the DOE shall have the sole responsibility to supervise  
3 and regulate Petroleum Pipeline Operations. It shall:  
4

- 5 (a) Formulate, in consultation with petroleum pipeline industry participants, a Petroleum  
6 Pipeline Code and such other rules and regulations to implement this Act, provided that  
7 said regulations shall not be inconsistent with the standards and regulations adopted  
8 under the Petroleum Pipeline Code;
- 9 (b) Ensure the reliability and safety of transporting liquid petroleum products through  
10 pipelines;
- 11 (c) Enforce the Petroleum Pipeline Code as well as rules and regulations implementing this  
12 Act;
- 13 (d) Exercise original and exclusive jurisdiction over questions and cases involving  
14 Concessions as well as fees and fines imposed by the DOE in the exercise of the  
15 foregoing functions; and
- 16 (e) Exercise such other powers and functions as may be necessary to attain the objectives of  
17 this Act.  
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20

### 21 CHAPTER III 22 PIPELINE CONCESSION 23

24 **Section 6. *Nature of a Pipeline Concession.*** A Concession is an authority granted to a Person  
25 for the right to establish, own, operate and maintain a Petroleum Pipeline(s) for transporting  
26 Petroleum Products. No Person may engage in Petroleum Pipeline Operations without a valid  
27 Concession obtained from the DOE; provided that, Persons who are holders of existing  
28 Concessions or are existing Pipeline Operators shall not be required to secure a new Concession  
29 from the DOE for the remaining period of their current Concession.  
30

31 **Section 7. *Philippine Ownership Requirement.*** No Concession for the ownership,  
32 establishment, operation and maintenance of a Pipeline shall be granted except to citizens of the  
33 Philippines or to corporations or associations organized under the laws of the Philippines at least  
34 sixty percent (60%) of whose capital is owned by such citizens.  
35

36 **Section 8. *Term of Concession.*** The Concession shall be valid for a term of twenty five (25)  
37 years, renewable for another twenty five (25) years, provided that, due consideration will be given for  
38 the automatic renewal of the Grantee's Concession in view of the Grantee's sizeable investments,  
39 infrastructure and installations or, the necessity and/or urgency of maintaining the Pipeline to serve  
40 public interest.  
41

42 For existing Pipeline Operators, the term of their Concession shall be as provided in their existing  
43 Concession Agreements; provided that, existing Pipeline operators may apply for a Concession  
44 under this Act prior to the expiration of their current Concession.  
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### 49 CHAPTER IV 50 PROCEDURES FOR APPLICATION OF CONCESSION 51

52 **Section 9. *Application of Concession.*** Any applicant for Concession shall apply with the DOE  
53 pursuant to the requirements herein. An application for Concession under this Act shall be filed  
54 with the Oil Industry Management Bureau (OIMB) of the DOE, or such other equivalent attached  
55 agency of the DOE (as may be determined by the Secretary of the DOE) which shall examine and  
56 pass upon the same as well as upon the qualifications of the applicant.  
57

58 **Section 10. *Requirements.*** The applicant must demonstrate that it is legally existing and qualified  
59 to conduct its business under Philippine laws and, taking into account the length and location of the  
60 Petroleum Pipeline, is financially and technically capable of operating and maintaining the same  
61 pursuant to this Act, the Pipeline Code and the rules and regulations implementing this Act.

1  
2 **Section 11. *Public Notice.*** The OIMB shall issue a public notice of all Concession applications and  
3 afford interested parties an opportunity to comment on such applications. If no opposition is filed  
4 within the period provided in the public notice, it shall be conclusively presumed that no such  
5 opposition exist. Thereafter, no objection from third parties to the granting of the Concession shall  
6 be heard and the Contract of Concession shall be executed by the Secretary of the DOE on behalf  
7 of and for the Republic of the Philippines, and the Grantee, in accordance with this Act, the  
8 implementing rules and regulations and existing laws.  
9

10 **Section 12. *Disposition of Opposition to the Concession.*** If an Opposition is filed in  
11 accordance with Section 11 hereof, the DOE shall, decide based on the qualifications of the  
12 applicant pursuant to this Act, the implementing rules and regulations as well as merits of the  
13 oppositor's claims if the applicant is duly qualified to be granted a Concession, provided that  
14 preference shall be given to existing Pipeline Operators or Grantees of Concession under previous  
15 laws. The DOE may require submission of additional documents and other papers and shall render  
16 a decision within fifteen (15) days from the date of filing of the Opposition or from the date the  
17 case is deemed submitted for resolution as may be provided in the implementing rules and  
18 regulations, without prejudice to the right of any aggrieved party to appeal to the courts pursuant to  
19 the Rules of Court.  
20

21 **Section 13. *Issuance of Concession.*** The DOE shall issue a Concession upon its determination  
22 that the establishment, operation and maintenance of a Petroleum Pipeline(s) by the applicant is  
23 consistent with this Act. The Contract of Concession shall state definitely the principal rights and  
24 obligations of the parties concerned pursuant to this Act.  
25

26 **Section 14. *Registry of Pipeline Operators.*** – The DOE shall establish and maintain a registry  
27 of all pipeline operators or Concession Grantees.  
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## 31 **CHAPTER V** 32 **RIGHTS GRANTED** 33

34 **Section 15. *Grant of Rights.*** Grantees of Pipeline Concessions acquire the right to own,  
35 construct, establish, operate and maintain a Petroleum Pipeline to transport Petroleum Products, by  
36 means of, and through, a Pipeline or system of Pipelines, between the sources of production and/or  
37 refining and/or supply (storage) the places defined in the Pipeline Concession, in accordance with  
38 the provisions of this Act and the implementing rules and regulations.  
39

40 This right includes the construction, installation and operation of pipelines, pipeline facilities,  
41 pumping stations, storage tanks and other buildings, water supply and communication systems,  
42 roads, and such other equipment or facilities as may be needed by the Grantee to conduct its  
43 Petroleum Pipeline Operations.  
44

45 Among other things, the Concession Contract shall state definitely:  
46

- 47 (a) The right of the Grantee to own, construct, install, operate and maintain a Petroleum  
48 Pipeline system passing through a designated area(s), specifying the province(s), city(ies)  
49 and/or municipality(ies);
- 50 (b) The Grantee's right to acquire rights of way, easements and other similar rights on, over,  
51 under, across and through the designated area(s) or adjacent thereto.
- 52 (c) The right of eminent domain to be exercised by the Government, as represented by the  
53 DOE, for and on behalf of and/or through the Grantee, over private property when the  
54 occupation of private land is needed by the Grantee in connection with his Concession, for  
55 the purpose of constructing, installing, maintaining and operating Petroleum Pipelines,  
56 roads, wells, tanks, reservoirs, pumping stations for public use or benefit.
- 57 (d) Term of the Concession;
- 58 (e) Right to receive assistance from the DOE in obtaining fiscal and non-fiscal incentives  
59 granted by this Act;
- 60 (f) Right to receive assistance from DOE and/or other government instrumentalities in  
61 securing permits, licenses and clearances relating to the Petroleum Pipeline Operations; and

1 (g) Other rights consistent with this Act.  
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5 **CHAPTER VI**  
6 **THE NATIONAL PIPELINE BOARD AND THE PIPELINE CODE**  
7

8 **Section 16. *National Pipeline Board.*** There is hereby created the National Pipeline Board (the  
9 “NPB”). The NPB shall be composed of the Secretary of the DOE as Chairman and the Secretaries  
10 of the Department of Environment and Natural Resources, Department of Transportation and  
11 Communication and the Department of Public Works and Highways, as members, and  
12 representatives from Pipeline Industry operators, who shall automatically be members by reason of  
13 being Grantees of a Pipeline Concession.  
14

15 The DOE Secretary, in his capacity as Chairperson, shall, within thirty (30) days from the effectivity  
16 of this Act, convene the NPB to discharge its powers and functions as provided in Section 17  
17 hereof.  
18

19 The Board shall be assisted by a Technical Secretariat attached to the Oil Industry Management  
20 Bureau of the DOE. The number of staff of the Technical Secretariat and the corresponding  
21 positions shall be determined by the Board, subject to approval by the Department of Budget and  
22 Management (DBM) and existing civil service rules and regulations.  
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25 **Section 17. *Powers and Functions of the NPB.*** The NPB shall have the following powers and  
26 functions:  
27

- 28 a) It shall recommend to the DOE the standards for the design, construction, pressure testing,  
29 operation, and maintenance, corrosion control and abandonment of Petroleum Pipeline  
30 systems. Within thirty (30) days from enactment of this Act, the NPB shall formulate a  
31 Petroleum Pipeline Code for approval by the DOE. The NPB may adopt such relevant and  
32 applicable standards from the United States Department of Transportation Regulations and  
33 American Society of Mechanical Engineers on Petroleum Pipelines as well as other  
34 internationally accepted standards for Petroleum Pipelines. In view of changes in  
35 internationally accepted Petroleum Pipeline standards and Pipeline technologies, the NPB  
36 may revise and/or amend the Petroleum Pipeline Code; provided that, the NPB may only  
37 introduce amendments after sufficiently holding consultations with all its members to ensure  
38 transparency and further encourage private sector participation. The NPB may call on  
39 members from the academic community and experts from the private sector, and other  
40 pipeline industry participants as resource persons to aid in updating the Petroleum Pipeline  
41 Code.  
42

43 There shall be a mandatory review of the Petroleum Pipeline Code set pursuant to the  
44 provisions of this Act every two (2) years.  
45

- 46 b) In carrying out its duties and functions under this section, it shall, wherever appropriate, be  
47 authorized to utilize agencies of the government to obtain technical, economic and statistical  
48 information and advice.  
49
- 50 c) It shall conduct periodic analyses of the domestic transport of Petroleum Products by  
51 Pipeline. Such analyses should identify the areas through which the Pipeline traverses where  
52 unplanned loss of Petroleum Pipeline may cause shortages of Petroleum Products or price  
53 disruptions and where shortages of Pipeline capacity and reliability concerns may have or are  
54 anticipated to contribute to shortages of Petroleum Products or price disruptions. Upon  
55 identifying such areas, the NPB may determine if the current level of regulation is sufficient  
56 to minimize the economic impact for such unplanned losses of Pipeline capacity.  
57

58 In preparing any analysis hereunder, the NPB may consult with the heads of other  
59 government agencies and public and private sector experts in Petroleum Pipeline Operations  
60 and other forms of Transportation of Petroleum products, energy consumption, pipeline  
61 capacity, population and economic development.

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**CHAPTER VII  
RIGHT OF WAY; EXPROPRIATION; EASEMENT**

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**Section 18. *Grant of Right of Way.*** As may be required by the DOE and/or granted by the Concession, all government agencies and/or instrumentalities, including but not limited to the DPWH, the relevant LGUs, MMDA, their successors and assigns, shall grant the necessary right of way over non-private property within their jurisdiction.

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**Section 19. *Priority.*** Due to the importance of a steady, safe and efficient supply of Petroleum Products, priority shall, whenever practicable, be given to Pipeline Operators in acquiring right of way over government property.

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**Section 20. *Right of Way Over Private Property; Expropriation.*** The DOE shall assist and/or represent Grantees of Concessions in procuring the necessary right of way over private property.

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When the occupation and/or possession of private land is needed by the Grantee in connection with its Concession, for the purpose of constructing, installing, maintaining and operating pipe lines, reservoirs, wells, roads, railroads, telephone and telegraph lines, airfields, radio stations, powerhouses, transmission lines, pumping stations, wharves, piers, and terminals, which are hereby declared to be for public use or benefit, the right of eminent domain may be exercised by the Government, as represented by the DOE, for and on behalf of the Grantee, in accordance with the applicable laws on the matter.

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In all cases of voluntary agreement between the Grantee and a private landowner, a copy thereof shall be furnished the DOE.

For the purpose of this Section, the necessity of the work in Petroleum Pipeline Operations will be presumed in the cases of construction of Pipelines, tanks, pumping stations, power systems, and other means of transportation and communication, including any auxiliary facilities and works.

**Section 21. *Easement Over Public Land.*** — When easement or right of temporary occupancy over public land is needed by a Grantee for the purpose of carrying out any work necessary to its Petroleum Pipeline Operations, such right may be granted by the Government through the DOE subject to applicable laws and regulations. The same presumption in Section 20 applies in this instance.

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**CHAPTER VIII  
COMPLIANCE WITH STANDARDS**

**Section 22. *Petroleum Pipeline Code.*** All Grantees of a Pipeline Concession under this Act shall provide safeguards for the safety, reliability, adequacy, security, stability and integrity of their Petroleum Pipeline systems in accordance with the technical specifications and performance standards set forth in the Petroleum Pipeline Code to be promulgated by the NPB, as may be amended.

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**CHAPTER IX  
PIPELINE SECURITY**

**Section 23. *Pipeline Security; One Call System.*** It is hereby declared that Petroleum Pipeline systems are imbued with public interest. For this purpose, the DOE, in coordination with the DND, DPWH, PNP, MMDA, DILG, LGUs and the appropriate government agencies and instrumentalities shall implement a one-call system, whereby any third party(ies) shall report to a designated agency any possible excavation, installation or activity which may affect Pipelines as well as any act which may result in damage to property or injury to persons. The one-call system is intended to bring to immediate notice of the foregoing to the affected Pipeline Concession Grantee and/or other underground utility providers and to provide a mechanism for immediate liaison and coordination with all relevant government agencies to avoid damage to or loss of property as well as injury to persons.

1 The DOE shall implement a procedure for a systematic response to emergency cases, including  
2 without limitation, incidents involving leaks, breaches on the Pipelines or Pipeline facilities and other  
3 similar occurrences, whereby there will be immediate, appropriate and coordinated response actions  
4 from the concerned LGUs, Bureau of Fire Protection, the DENR, DOH and such other  
5 government agencies and instrumentalities. In case of remediation or clean-up, the DENR shall be  
6 the lead agency (in coordination with other government agencies or instrumentalities) in directing  
7 the clean-up of affected areas premised on a risk-based criteria.

8  
9 **Section 24. Inter-agency Cooperation.** – If and when necessary, the DOE shall consult,  
10 participate, cooperate and enter into agreement with other government agencies and  
11 instrumentalities, non-governmental organizations or people’s organizations and private enterprises  
12 in the furtherance of the foregoing objectives.

## 13 14 15 16 17 **CHAPTER X** 18 **ROLE OF GOVERNMENT AGENCIES**

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20 **Section 25. Role of Government Agencies.** In the implementation of the provisions of this Act,  
21 its implementing rules and regulations and related laws, the following agencies shall perform, among  
22 others, the following functions:

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24 a) The DOTC shall:

- 25  
26 (i) Assist in coordinating networks for the Transportation of Petroleum as well  
27 as the fast and safe transportation services, as determined by the DOE; and  
28 (ii) When requested by the DOE, assist the DOE in identifying routes, zones  
29 and/or areas of operations of particular operators.

30  
31 b) The DPWH shall, when necessary, provide the technical support in the construction and  
32 installation of Petroleum Pipelines.

33  
34 c) The DILG shall:

- 35  
36 (i) Provide, through the Philippine National Police (PNP), manpower and  
37 available resources to Grantees of Pipeline Concessions in cases of threats to  
38 security of the Pipelines and other similar acts;  
39 (ii) Employ the assistance, cooperation and coordination of LGUs in the  
40 implementation of the policies and orders issued by the DOE; and  
41 (iii) Mobilize the Bureau of Fire Protection (BFP) to ensure the prevention and  
42 suppression of all destructive fires on the Petroleum Pipeline installations.

43  
44 d) The LGUs, where the Pipelines are situated, shall share in the responsibility in implementing  
45 safety and prevention measures within their territorial jurisdiction solely with respect to third  
46 parties who may affect the Pipelines situated within their respective territorial jurisdictions.

## 47 48 49 50 **CHAPTER XI** 51 **ABANDONMENT/DE-COMMISSIONING**

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54 **Section 26. Abandonment/Decommissioning.** At the expiration of the term of the Concession  
55 or a renewal thereof, or when a Pipeline has come to the end of its useful life and/or users or  
56 customers of the Petroleum Product have discontinued using the Pipeline to transport Petroleum  
57 Products and/or there are no foreseeable new users or customers in the future, the Grantee shall  
58 undertake Pipeline decommissioning and cleaning. The Pipelines shall be cleaned and  
59 decontaminated before it can be either left in its existing place or dismantled for proper disposal.  
60 The DOE, through appropriate regulations, may provide guidelines for:



- 1 a) the clean-up of residual fluids in the Pipeline and proper disposal thereof in accordance  
2 with applicable environmental laws and regulations;  
3 b) decontaminated Pipelines which may be trenched or buried underground, provided  
4 environmental concerns have been addressed; and  
5 c) whether such Pipelines can be left in place without creating any risk to the surrounding  
6 environment or to the community.  
7

8 **Section 27. Decommissioning Fund.** For this purpose, the DOE shall, after public consultation  
9 with Pipeline Operators and Pipeline industry participants, implement a system whereby the Pipeline  
10 Operator shall collect from its users or customers decommissioning costs/fees, to be agreed upon  
11 between the Pipeline Operator and the users/customers. These decommissioning costs/fees shall  
12 be held in a Decommissioning Fund, established jointly by the Pipeline Operator and its  
13 users/customers and administered by the Pipeline Operator specifically to pay for the costs of  
14 decommissioning. The Decommissioning Fund shall not be subject to Value Added Tax, income  
15 tax and such other taxes, charges and fees.  
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20 **CHAPTER XII**  
21 **FISCAL INCENTIVES / TAXATION**  
22

23 **Section 28. Taxes.** Pipeline operations shall be subject to the payment of all taxes, duties, fees or  
24 charges and other impositions under the National Internal Revenue Code of 1997, as amended, and  
25 other applicable laws; provided however, that, in recognition of the substantial investments needed  
26 for the construction, installation, operation and maintenance of the Grantee, the Grantee shall be  
27 entitled to income tax holiday and such other incentives granted to pioneer enterprises under the  
28 Omnibus Investments Code, as amended.  
29

30 **Section 29. Customs Duties.** The Grantee may import, free of applicable customs duties and  
31 charges, all equipment, machinery, material, instruments, supplies and accessories necessary for the  
32 installation, construction, operation and maintenance of the Petroleum Pipeline.  
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35

36 **CHAPTER XIII**  
37 **FORCE MAJEURE AND/OR FORTUITOUS EVENTS**  
38

39 **Section 30. Force Majeure/ Fortuitous Events.** — Failure on the part of the Grantee to fulfill  
40 any of the terms and conditions provided by this Act or its implementing rules and regulations or by  
41 other relevant laws shall not be deemed a breach of such obligation on the part of the Grantee in so  
42 far as such failure results from force majeure and/or fortuitous events, including without limitation,  
43 acts of God, war, insurrection, riot, civil commotion, strike, tide, storm, flood, lightning, explosion,  
44 fire earthquake, passage of laws, orders and rules and any other happening which the Grantee could  
45 not reasonably prevent or control or avoid.  
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49 **CHAPTER XIV**  
50 **PROHIBITED ACTS**  
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52 **Section 31. Prohibited Acts.** Without the prior written consent of the Grantee, it shall be  
53 unlawful for any Person to:  
54

- 55 a) Demolish, excavate, tunnel, or construct, drill, install, or make improvements within five (5)  
56 meters from the nearest portion of the Pipeline facility;  
57  
58 b) Cut, saw, slice, separate, split, sever, smelt, remove, mutilate, alter, tap, reconnect, disconnect,  
or in any way tamper any Pipeline or part thereof, or any other pipeline-related installation

1 from the place of installation of any other place or site where it may be rightfully or lawfully  
2 situated;

3  
4 c) Take, carry away, transport, transfer, move, with or without the use of a motor vehicle or  
5 any other means of conveyance, the Pipeline, or part thereof, or any other Pipeline related  
6 installation;

7  
8 d) Store, possess, or otherwise keep in his premises, custody or control, any portion of the  
9 Pipeline including Pipeline-related installation; and

10  
11 e) Knowingly use or receive the direct benefit of petroleum delivery service obtained through  
12 any of the acts mentioned in paragraphs (a), (b), (c) and (d) above.  
13

14  
15 **Section 32. *Fines and Penalties for Unlawful Acts.*** — Any person who commits any of the  
16 foregoing acts shall suffer the penalty of a fine of not less than Ten thousand pesos (P10, 000) but  
17 not more than Five Million Pesos (P5, 000,000) or imprisonment of not less than six (6) months, or  
18 both shall be imposed. If the offender is a juridical person, the president, manager, directors,  
19 trustees, officers or the officials directly in charge of the operations shall suffer the penalty herein  
20 provided.  
21

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23  
24 **CHAPTER XV**  
25 **APPROPRIATIONS**  
26

27 **Section 33. *Appropriations.*** Such sums as may be necessary for the initial implementation of this  
28 Act shall be taken by the DOE from its annual appropriations.  
29

30 Thereafter, the fund necessary to carry out the provisions of this Act shall be included in the annual  
31 General Appropriations Act.  
32

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37 **CHAPTER XVI**  
38 **FINAL PROVISIONS**  
39

40 **Section 34. *Implementing Rules and Regulations.*** The DOE, in coordination with the NPB,  
41 shall promulgate the necessary implementing rules and regulations within thirty (30) days after the  
42 effectivity of this Act.  
43

44 There shall be a mandatory review of the implementing rules and regulations and the pipeline  
45 standards set pursuant to the provisions of this Act every two (2) years.  
46

47 **Section 35. *Separability Clause.*** If any provision of this Act is declared invalid or  
48 unconstitutional, the other provisions not affected thereby shall remain valid and subsisting.  
49

50 **Section 36. *Concessions Granted Prior to this Act; Non-Retroactivity.*** Concessions which  
51 have been granted under previous laws at the time this Act becomes effective, shall remain effective  
52 and shall continue to operate under their existing Concessions or authority.  
53

54 **Section 37. *Grantees of Concessions Under Other Laws.*** Nothing in this Act shall be deemed  
55 to revoke any existing Concession granted under the Petroleum Act of 1949, as amended, or other  
56 administrative or regulatory permit, authority or contract, which Concession, Permit, Authority or  
57 Contract shall be allowed to its full term or renewal thereof, but may not be renewed except  
58 pursuant to the provisions of this Act.  
59

1 **Section 38. *Precursor laws.*** Under the Petroleum Act of 1949, as amended, the power to grant  
2 pipeline concessions was granted to the Secretary of Agriculture and Natural Resources. The  
3 authority over pipeline concessions under the Petroleum Act was transferred to the Petroleum Board  
4 pursuant to Presidential Decree No. 782 dated 25 August 1975. The Petroleum Board was  
5 thereafter abolished and its powers and functions were transferred to the Energy Development  
6 Board in accordance with Presidential Decree No. 910 dated 22 March 1976. The Energy  
7 Development Board (EDB) was abolished by Presidential Decree No. 1206 dated 6 October 1977.  
8 The powers and functions of the EDB were transferred to the Bureau of Energy Development  
9 under the Department of Energy pursuant to Section 12 of PD No. 1206. Presidential Decree No.  
10 1700 issued on 10 July 1980 amended Presidential Decree No. 1206 by transferring the power to  
11 regulate and fix the rates of pipeline concessionaires under the Petroleum Act to the Board of  
12 Energy. The powers of the Board of Energy to grant and regulate pipeline concessions were later  
13 transferred to the Energy Regulatory Board under Section 3 of Executive Order No. 172. Executive  
14 Order No. 193 abolished the Bureau of Energy Development on 10 June 1987 and transferred its  
15 pertinent functions to the Office of the Deputy Executive Director for Energy Operations of the  
16 Office for Energy Affairs. The non-price regulatory jurisdiction, powers and functions of the  
17 Energy Regulatory Board were thereafter transferred to the DOE, pursuant to Sections 12 (c) and  
18 18 of Republic Act No. 7638, otherwise known as the Department of Energy Act of 1992.  
19 Subsequently, the powers and functions of the Energy Industry Administration Bureau, which  
20 includes the formulation and implementation of policies, programs and regulations on the  
21 downstream oil industry, including the transportation of petroleum crude oils, products and by-  
22 products, were transferred to the Oil Industry Administration Bureau under Administrative Order  
23 No. 38 issued on 23 August 2002. Pursuant to Section 44 of Republic Act No. 9136, otherwise  
24 known as the “Electric Power Industry Reform Act of 2011”, the non-price regulatory functions of  
25 the Energy Regulatory Board were transferred to the Energy Regulatory Commission.  
26

27 **Section 39. *Non-retroactivity, Repealing Clause.*** The provisions of Republic Act No. 387,  
28 otherwise known as the “Petroleum Act of 1949”, as amended and the provisions of all foregoing  
29 precursor laws, and such other laws, acts, executive orders, rules and regulations and other issuances  
30 inconsistent with this Act are hereby repealed or modified accordingly.  
31

32 **Section 40. *Transitory Provision.*** Pipeline Operators or Grantees of Petroleum Pipeline  
33 Concessions which have been constructed and have commenced copration prior to the date of  
34 effectivity of this Act shall continue to operate under their existing authorities.  
35

36 Nothing in this Act shall be deemed to revoke or otherwise modify any of the powers and functions  
37 of the Director of Mines and the Secretary of Agriculture and Natural Resources and its successors  
38 and assigns under the Petroleum Act of 1949, as amended, any existing Concession granted under  
39 the Petroleum Act of 1949, as amended, or any administrative or regulatory permit or concession,  
40 which concession certificate or franchise shall be allowed to its full term but may not be renewed  
41 except pursuant to the provisions of this Act.  
42

43 **Section 41. *Effectivity.*** This Act shall take effect fifteen (15) days upon its publication in the  
44 Official Gazette or in at least two (2) newspapers of general circulation.  
45  
46  
47

48 **APPROVED,**