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SENATE

S. No. 465

RECEIVED BY: *ji*

Introduced by Senator Ralph G. Recto

Explanatory Note

The Malampaya Deep Water Gas-to-Power Project is one of the largest and most significant industrial endeavors in Philippine history as it paved the way for the discovery of an alternative and indigenous source of energy. It reduced the country's dependence on imported fuel for the bulk of its domestic and industrial power requirement. The Malampaya Project is a joint undertaking of the national government and the private sector represented by Shell Philippines Exploration B.V. (SPEX) on behalf of joint venture partners Chevron Malampaya LLC and the PNOC Exploration Corporation.

The said project was expected to provide 2,700 megawatts of power or substantial long-term revenue of some US\$10 billion to the Philippine government for a period of 20 years starting June 2002.^{[1][2]}

The 2013 revenue estimate from the Malampaya Project is P28.74 Billion^[3], P3.28 Billion or eleven percent (11%) higher than the 2012 revenue estimate of P25.46 Billion.^[4]

Presidential Decree No. 910 mandates that the government share from service contracts and agreements such as the Malampaya Fund shall be used to finance energy resource development and exploration programs and projects as may be directed by the President. However, over the years, the annual revenue inflow from Malampaya was used to fund non-energy related programs such as rice sufficiency programs, relief operations and AFP Modernization Fund.

The utilization of the Malampaya Fund is currently not under scrutiny in the budget process. Due to the lack of transparency in the utilization of the Fund, there are conflicting reports on the project beneficiaries and actual Fund balance.

To make the disbursement of the Malampaya Fund transparent and free from abuse, this bill seeks to allocate the net national government share from the Malampaya Project to pay the National Power Corporation's (NPC) Stranded Contract Costs (SCC) and Stranded Debts portion of the Universal Charge (UC). Under the Electric Power Industry Reform Act (EPIRA), a UC will be imposed on all electricity end-users to cover payment of NPC's stranded debt and stranded contract costs.

¹ Expected life of the Malampaya Gas Project http://www.doe.gov.ph/DNG/malampaya_history.pdf (Accessed 2 April 2013)

² The SC 38 consortium applies for a 15-year extension of its service contract <http://www.doe.gov.ph/News/2011-10-03-Malampaya%20expansion.htm> (Accessed 2 April 2013)

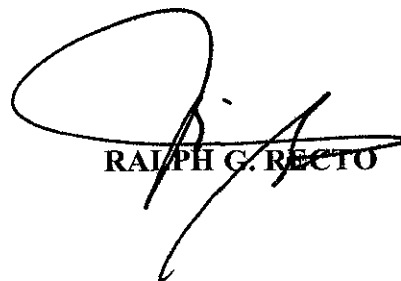
³ Department of Budget and Management, "Budget of Expenditures and Sources of Financing (Tables): Fiscal Year 2013" (Projected Revenues from the Malampaya Project for FY 2013)

⁴ Department of Budget and Management, "Budget of Expenditures and Sources of Financing (Tables): Fiscal Year 2012" (Projected Revenues from the Malampaya Project for FY 2012)

This bill would provide timely and substantial relief to power consumers in the light of the Decision promulgated on February 19, 2013 by the Energy Regulatory Commission (ERC) to set the Universal Charge (UC) for the recovery of National Power Corporation's (NPC) Stranded Contract Costs (SCC) at PhP0.1938/kWh. ^[5] The UC-SCC of PhP0.1938/kWh became effective last March 2013.

Instead of using Malampaya Fund to finance non-energy related programs and projects of national government agencies, the said Fund would now directly benefit power consumers. Furthermore, to ensure transparency in the Fund's utilization, the bill also mandates that the allocation of the said Fund to lower power costs should be clearly provided for in the General Appropriations Act.

In view of the foregoing, the approval of the bill is earnestly sought.



RAI/PH G. RECTO

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⁵ Energy Regulatory Commission. Press Release. "ERC Sets the Universal Charge for NPC's Stranded Contract Costs, 02/19/2013" <http://www.erc.gov.ph/PressRelease/ViewPressRelease/ERC-Sets-the-Universal-Charge-for-NPC's-Stranded-Contract-Costs> (Accessed on 20 March 2013)



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AN ACT
REDUCING ELECTRICITY RATES BY ALLOCATING THE NET NATIONAL GOVERNMENT SHARE FROM THE MALAMPAYA NATURAL GAS PROJECT FOR THE PAYMENT OF THE STRANDED CONTRACT COSTS AND STRANDED DEBTS OF THE NATIONAL POWER CORPORATION

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

1 **SECTION 1.** All proceeds of the net national government share from collections of the
2 Malampaya Natural Gas Project, otherwise known as the Malampaya Fund shall be allocated
3 solely for the payment of the National Power Corporation's Stranded Contract Costs and
4 Stranded Debts which shall be remitted to a Special Trust Fund to be administered by the Power
5 Sector Assets and Liabilities Management (PSALM) Corporation: *Provided*, That the amounts
6 herein allocated shall be included in the General Appropriations Act: *Provided, further*, That
7 when the stranded contract costs and stranded debts are fully paid, the aforementioned collection
8 shall accrue to the National Treasury.

9 **SEC. 2.** *Implementing Rules and Regulations.* – Within sixty (60) days from the
10 effectivity of this Act, the Department of Energy, Department of Finance and the Department of
11 Budget and Management shall provide the necessary rules and regulations for the proper
12 disposition of the said funds and the effective implementation of this Act.

13 **SEC. 3.** *Repealing Clause.* – All laws, decrees, issuances, rules, and regulations or
14 parts thereof inconsistent with the provisions of this Act are hereby repealed, amended or
15 modified accordingly.

16 **SEC. 4.** *Effectivity.* This Act shall take effect fifteen (15) days from the date of
17 publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,