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SENATE

P.S.R. No. 950

INTRODUCED BY SENATOR RISA HONTIVEROS

RESOLUTION

CALLING FOR THE SENATE COMMITTEE ON ENERGY TO CONDUCT AN INQUIRY INTO THE PROPRIETY OF ALLOWING A SINGLE PRIVATE ENTITY TO CONTROL ALMOST ALL OF THE NATION'S STRATEGIC FOSSIL ENERGY ASSETS IN THE WEST PHILIPPINE SEA

WHEREAS, the Malampaya Deep Water Gas-to-Power Project ("Malampaya"), as well as the Malampaya-Camago gas field in which the project is located, is one of the country's most important strategic assets;

WHEREAS, Malampaya is covered by Service Contract No. 38 ("SC38") dated December 11, 1990, which is set to expire in December 2024;

WHEREAS, according to the Malampaya website, since the project began its commercial operations in January 2002, it has contributed over 12 Billion US Dollars ("USD") in revenue to the Philippine government while supplying fossil gas to power plants in Luzon with a combined capacity of 3,200 megawatts;

WHEREAS, Malampaya was developed and operated by a joint venture composed of Shell Philippines Exploration B.V. ("Shell"), Chevron Malampaya LLC ("Chevron"), and the Philippine National Oil Company ("PNOC"), until Udenna Corporation ("Udenna") acquired Chevron's 45% share in the project for 545 Million USD on November 13, 2019;

WHEREAS, it was also reported that Udenna had likewise reached an agreement to purchase Shell's 45% share in the project for a base price of 380 Million USD;

WHEREAS, despite the impending depletion of Malampaya's existing wells in 2024, the Department of Energy ("DOE") stated that the projected income from Shell and Chevron's share in the project, from the date of the buy-out by Udenna to the termination of SC38 in 2024, will amount to nearly 1.2 Billion USD;

WHEREAS, the DOE also stated that, according to geological surveys conducted in the same area, there is a good probability that the Malampaya-Camago gas field contains untapped sources of fossil energy;

WHEREAS, despite a number of requests from the private joint venture partners to extend SC38 to allow the exploration and possible development of these untapped sources, the DOE has thus far failed to act on these requests, making it highly unlikely that these sources can be brought online before the depletion of Malampaya in 2024;

WHEREAS, despite having a right of first refusal over Shell and Chevron's stake in Malampaya, the DOE and PNOC failed to exercise such right, thus depriving the Philippine government of some 275 Million USD in income over the next four (4) years;

WHEREAS, the DOE also recommended the award of two (2) additional service contracts covering areas in the Recto Bank – an underwater formation that is said to contain most of the oil and natural gas in the West Philippine Sea - to Udenna;

WHEREAS, the Malampaya gas pipeline can also be used to transport fossil gas from the Recto Bank to Batangas;

WHEREAS, because Udenna itself has an almost non-existent background in energy exploration, this has led to speculation that it will be bringing in a foreign partner to enable it to exploit the resources in Malampaya and Recto Bank; and

WHEREAS, by allowing Udenna to control both the Malampaya project and its gas pipeline, as well as the fossil energy resources in the Recto Bank, the DOE and PNOC not only deprived the Philippine government of a substantial source of revenue, they also allowed private – and possibly foreign – interests an undue advantage over the nation through the possession of its vital strategic assets.

Adopted,

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RISA HONTIVEROS
Senator