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SENATE
P. S. R. No. **926** RECEIVED BY 

Introduced by Senator Miriam Defensor Santiago

RESOLUTION
DIRECTING THE PROPER SENATE COMMITTEE TO CONDUCT AN INQUIRY,
IN AID OF LEGISLATION, ON THE ALLEGED PROPOSAL TO REMOVE
ROYALTIES ON NATURAL GAS

WHEREAS, according to news reports, the Philippine Chamber of Commerce and Industry (PCCI) is reportedly pushing for the removal of royalties on natural gas, as this may be a way to prevent companies from downsizing their operations and laying off people;

WHEREAS, according to PCCI vice president for energy Jose Alejandro allegedly, the PCCI energy committee had agreed in its last meeting to revive the campaign for the removal of government royalties on natural gas; this could be one way to help companies operating in the country stay afloat, amid declining consumer demand both here and abroad;

WHEREAS, this will supposedly allow industries to significantly reduce their electricity costs and help prevent retrenchment of workers or business closure;

WHEREAS, prior to the global crisis, PCCI engaged in a series of dialogue with officials of the departments of energy and finance on how best to slash power rates; PCCI allegedly suggested that the royalties on natural gas paid to the government be given to electricity consumers by way of discounts;

WHEREAS, sharing the royalty from the Malampaya gas with the consumers as discounts could supposedly trim power rates by as much as P1 per kilowatt-hour (kWh), which is a big relief to industries that were not entitled to the special ecozone rate of P3.27 per kWh; however, this suggestion was allegedly turned down by finance officials, saying this would run counter to the government's thrust of increasing revenue;

WHEREAS, according to the PCCI, the government's royalty earnings from the Malampaya gas reportedly reached US\$800 million to US\$1 billion in 2007, when the cost-recovery period for the Malampaya Deep Water Gas-to-Power Project ended;

WHEREAS, royalty payments for Malampaya gas were seemingly jacking up prices of electricity produced by the country's three gas-fired power plants: The 1,000-megawatt (MW) Sta. Rita and 500-MW San Lorenzo of the Lopez family and the 1,200-MW Ilijan plant operated by Kepco Philippines Corp; the Sta. Rita and San Lorenzo plants are both independent power producers of Manila Electric Co., also Lopez-led;

WHEREAS, PCCI pointed out the irony that natural gas is an indigenous fuel that must be cheaper than imported fuel like coal and petroleum; the high cost of electricity in Luzon, particular in the Meralco franchise area, was traced further to the 60-percent royalty take of government from Shell Exploration's net earnings from Malampaya gas;

WHEREFORE, be it hereby resolved by the Philippine Senate, to direct the proper Senate Committee to conduct an inquiry in aid of legislation, on the alleged proposal to remove royalties on natural gas.

Adopted,

Miriam Defensor Santiago
MIRIAM DEFENSOR SANTIAGO

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