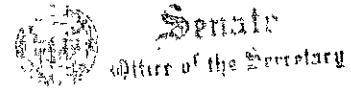


FIFTEENTH CONGRESS OF THE REPUBLIC
OF THE PHILIPPINES
Second Regular Session



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SENATE

S. No. 2925

RECEIVED BY:

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 January 2002.

According to the DOE, as of May 2011, the aggregate government production share from the Malampaya Project has reached P200.41 billion since it began producing natural gas commercially in January 2002.

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 President has used the annual revenue inflow from Malampaya to fund non-energy related programs such as rice sufficiency programs, relief operations and AFP Modernization Fund.

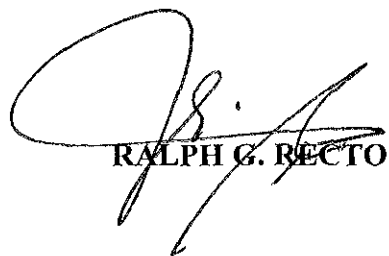
The utilization of the Malampaya Fund is currently not under scrutiny in the budget process. Due to the lack of transparency in the utilization of the Fund, there are conflicting reports on the project beneficiaries and actual Fund balance.

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 and Stranded Debts portion of the Universal Charge (UC). This would provide timely and substantial relief to power consumers in the light of impending power rate increase due to the new petition filed by Power Sector Assets and Liabilities Management (PSALM) Corporation before the Energy Regulatory Commission (ERC) seeking to pass on P139 billion stranded debt and stranded contract costs to power consumers through the UC. PSALM has proposed to collect a UC of P0.03 per kilowatt-hour (kWh) over 15 years for the stranded debt, and P0.36/kWh over four years for contract costs. 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.

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.



RALPH G. RECTO

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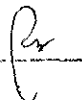


Senate
Office of the Secretary

'11 JUL 28 P 2 :24

SENATE

S. No. **2925**

RECEIVED BY: 

Introduced by Senator Ralph G. Recto

AN ACT
PROVIDING RELIEF TO POWER CONSUMERS BY ALLOCATING THE NET
NATIONAL GOVERNMENT SHARE FROM THE MALAMPAYA NATURAL GAS
PROJECT FOR THE PAYMENT OF THE STRANDED CONTRACT COSTS AND
STRANDED DEBTS

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 the Special Trust Fund created by the Power Sector
5 Assets and Liabilities Management (PSALM) Corporation: *Provided*, That the amounts herein
6 allocated shall be included in the General Appropriations Act: *Provided, further*, That when the
7 stranded contract costs and stranded debts are fully paid, the aforementioned collection shall
8 accrue to the General Fund.

9 **SEC. 2.** *Repealing Clause.* – All laws, decrees, issuances, rules, and regulations
10 or parts thereof inconsistent with the provisions of this Act are hereby repealed, amended or
11 modified accordingly.

12 **SEC. 3.** *Implementing Rules and Regulations.* – Within sixty (60) days from the
13 effectivity of this Act, the Department of Energy, Department of Finance and the Department of
14 Budget and Management shall provide the necessary rules and regulations for the proper
15 disposition of the said funds and the effective implementation of this Act.

16 **SEC. 4.** *Effectivity.* – The Act shall take effect after fifteen (15) days following
17 its publication in at least two (2) newspapers of general circulation.

Approved,