

SENATE

S. No. 3230

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Introduced by Senator Ralph G. Recto

EXPLANATORY NOTE

The Malampaya Deep Water Gas-to-Power Project represents the single-biggest foreign direct investment to the Philippines, supplying three gas turbine power plants with a combined capacity of 2,700 megawatts of power. All fees, revenues and receipts covering the exploration, development and production of petroleum resources in the Camago-Malampaya Reservoir, located 80 kilometers west of Northern Palawan, goes to the Malampaya Special Account in the General Fund maintained by the Department of Energy (DOE).

According to the DOE, as of February 2012, the aggregate government production share from the Malampaya Natural Gas Project (MNGP) reached P94.441 billion since it began producing natural gas commercially in January 2002. The DOE is optimistic that the MNGP will bring in the same huge returns in future years.

Presidential Decree No. 910 mandates that the Malampaya Fund shall be used to finance energy resource development and exploration programs and projects as may be directed by the President.

However, the MNGP, which is one of the largest and most significant industrial endeavors in Philippine history, has in previous years been confronted with environmental and security threats. Thus, the Malampaya Fund should be utilized to secure the MNGP from the offshore gas platform, submerged pipelines up to the shore gas processing plant.

The Armed Forces of the Philippines (AFP), as one of the members of the Joint Task Force Malampaya, endeavors to strengthen the country's defense capability to secure the MNGP from terrorist attacks. However, the AFP and the other members of the Joint Task Force still have to improve their capacity in order to efficiently respond to terrorist attacks and security threat situations.

Republic Act No. 7898, also known as the "Armed Forces of the Philippines (AFP) Modernization Act" provides for the development and employment of certain capabilities to uphold the sovereignty and territorial integrity of the Republic and ensures the security of the national territory from all forms of intrusion and encroachment.

However, after more than seventeen years, the AFP is still far from achieving its mandate of full modernization of equipment and weapons systems.

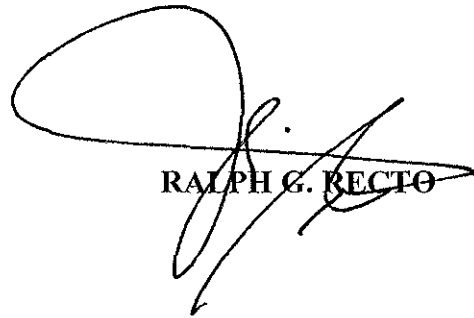
Last May 25, 2012, the Department of National Defense (DND) submitted a proposal to the President seeking an allocation of P75 billion for the military's modernization program in the next five years. The said amount is needed to fund 39

projects intended to boost the armed forces' capabilities, which includes acquisition of communications equipment, lead-in fighter trainer jets, closed air support aircraft, long-range patrol aircraft, radar systems and engineering equipment.

The Malampaya Fund should provide substantial funding for these programs since the necessary allocation for such could not be supported by the AFP Modernization Trust Fund alone.

Furthermore, to make the disbursement of the Malampaya Fund transparent and free from discretion and abuse, the bill also mandates that the allocation of the said Fund to augment the AFP Modernization Act Trust Fund 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

FIFTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
Third Regular Session)

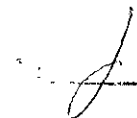
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SENATE

S. No. 3230

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Introduced by Senator Ralph G. Recto

AN ACT
ALLOCATING THE NET NATIONAL GOVERNMENT SHARE FROM THE
MALAMPAYA NATURAL GAS PROJECT TO FINANCE THE AFP
MODERNIZATION ACT

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 Armed Forces of the Philippines (AFP) Modernization Program: *Provided*, That the
4 amounts herein allocated shall be included in the General Appropriations Act: *Provided, further*,
5 That when the AFP Modernization Program expires, the aforementioned collection shall accrue to
6 the General Fund.

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

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

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

Approved,