



SENATE
S. B. No. 1259

'13 AUG -8 P2:58

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Introduced by Senator Maria Lourdes Nancy S. Binay

EXPLANATORY NOTE

Several years have passed since the advent of the pipeline leak involving West Tower Condominium that was affected by the pipeline leak, and First Philippine Industrial Corporation, which owns and operates the Batangas-Manila pipeline. However, up to this time, there is no single governing body that has a clear and substantial jurisdiction over said pipeline and other pipelines in terms of regulation as to safety, specification and overall operation.

Due to the closure of the Batangas-Manila pipeline, the efficient and reliable supply of white oil products (gasoline, diesel, kerosene and jet fuel) to Metro Manila and nearby provinces were affected. The said pipeline approximately supplies 30-40% of the oil supply in the Pandacan Terminal.

To address the need of a single governing body that will regulate, monitor and oversee the operations of petroleum pipelines this bill seeks to enhance and increase the jurisdiction of the Department of Energy (DOE) to include the foregoing. Also, this bill is in furtherance of the exercise of DOE's mandate to secure a safe and adequate supply of oil as well as to establish a Petroleum Pipeline Code that will serve as basis for the regulation, monitoring and overseeing operations of petroleum pipelines in the country.


In view of the foregoing, the passage of this bill is earnestly recommended.

MARIA LOURDES NANCY S. BINAY
Senator



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1 AN ACT TO STRENGTHEN THE JURISDICTION AND POWER OF THE
2 DEPARTMENT OF ENERGY OVER PETROLEUM PIPELINE OPERATIONS AND FOR
3 THIS PURPOSE PROVIDE A PETROLEUM PIPELINE CODE TO PRESCRIBE
4 STANDARDS FOR THE DESIGN, CONSTRUCTION, OPERATION AND
5 MAINTENANCE AND ABANDONMENT OF LIQUID PETROLEUM PIPELINES AND,
6 APPROPRIATING FUNDS THEREFOR, AND FOR OTHER PURPOSES
7

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

10
11 **CHAPTER I**
12 **GENERAL PROVISIONS**
13

14 **SECTION 1. Short Title.** This Act shall be known as the "Philippine Pipeline Act of
15 2013".

16
17 **SECTION 2. Declaration of Policy.** It is hereby declared the policy of the State to:

- 18
19 a) Promote transportation of liquid petroleum products through pipelines as a safe and
20 efficient way of transporting liquid petroleum products;
21
22 b) Provide for basic safety rules in petroleum pipeline operations and enhance reliability
23 in the transportation of oil and liquid petroleum products by pipeline in the country;
24
25 c) To encourage the inflow of private capital to encourage the use and development of
26 petroleum pipelines; and
27
28 d) To protect the public interest by ensuring the unhampered use of pipelines as a mode
29 of transporting petroleum, especially to urban areas.

30
31 **SECTION 3. Scope and Application.** Except as otherwise provided herein, this Act shall
32 apply to all existing and future petroleum pipelines in the country.
33

34 **SECTION 4. Definition of Terms.**

- 35
36 a) *Act* - shall refer to the Philippine Pipeline Act of 2013;
37

- 1 b) *Concession* - shall refer to the authority granted to a Person for the right to own,
2 establish, provide, construct, install, operate and maintain Petroleum Pipeline systems
3 for transporting Petroleum Products;
- 4 c) *Contract of Concession* - shall refer to the agreement executed between the DOE on
5 behalf of the Government of the Republic of the Philippines and a Pipeline Operator
6 granting a Pipeline Concession;
- 7
- 8 d) *Crude Oil* - means oil in its natural state before the same has been refined or
9 otherwise treated, excluding water and foreign substances;
- 10
- 11 e) *DILG* - shall refer to the Department of Interior and Local Government;
- 12
- 13 f) *DOE* - shall refer to the Department of Energy;
- 14
- 15 g) *DOH* - shall refer to the Department of Health;
- 16
- 17 h) *DOTC* - shall refer to the Department of Transportation and Communications;
- 18
- 19 i) *DPWH* - shall refer to the Department of Public Works and Highways;
- 20
- 21 j) *Grantee* - shall refer to a Person to whom a Concession for Petroleum Pipeline
22 Operations has been granted by law;
- 23
- 24 k) *Local Government Units or LGUs* - shall refer to the local government units created
25 under the Local Government Code;
- 26
- 27 l) *MMDA* - shall refer to the Metro Manila Development Authority;
- 28
- 29 m) *National Pipeline Board or NPB* - shall refer to the Board created under Chapter VI,
30 Section 16 of this Act;
- 31
- 32 n) *Petroleum Pipeline* - shall refer to the system of Pipelines, including related Pipeline
33 Facilities through which Petroleum Products are transported, including without
34 limitation the pipeline, valves, break out tanks and other appurtenances connected to
35 the pipeline and pumping units;
- 36
- 37 o) *Petroleum Products* - shall refer to any liquid petroleum product obtained from
38 distilling and processing of crude oil, unfinished oils, natural gas liquids and other
39 hydrocarbon compounds. The term shall exclude natural gas and liquefied natural gas;
- 40
- 41 p) *Petroleum Pipeline Operations* - shall refer to the business of engaging in the
42 Transportation of Petroleum Products through a Petroleum Pipeline;
- 43
- 44 q) *Petroleum* - shall refer to crude oil, condensate and liquefied petroleum gas;
- 45
- 46 r) *Person* - includes a natural person, corporation, or partnership;
- 47
- 48 s) *Pipeline or Line Pipe* - shall refer to a tube, usually cylindrical, through which liquid
49 Petroleum Product flows from one point to another;
- 50
- 51 t) *Pipeline Facility(ies)* - shall refer to a new or existing Pipeline, including rights-of-
52 way and any equipment, facility or building used in the Transportation of Petroleum
53 Products;

- 1
2 u) *Pipeline Operators* - Persons operating Petroleum Pipeline or Pipeline systems;
3
4 v) *PNP* - shall refer to the Philippine National Police; and
5
6 w) *Transportation of Petroleum Products* - shall refer to the conveyance, carriage or
7 transmission of Petroleum Products through a Petroleum Pipeline(s).
8
9

10 **CHAPTER II**
11 **JURISDICTION OF THE DEPARTMENT OF ENERGY**
12

13 **SECTION 5. *Jurisdiction.*** This Act strengthens and confirms the sole regulatory and
14 administrative power and authority of the DOE to supervise and regulate Petroleum Pipeline
15 Operations. In addition to its existing powers and functions, the DOE shall have the sole
16 responsibility to supervise and regulate Petroleum Pipeline Operations. It shall:
17

- 18 a) Formulate, in consultation with petroleum pipeline industry participants, a Petroleum
19 Pipeline Code and such other rules and regulations to Implement this Act: *Provided*
20 *that*, said regulations shall not be inconsistent with the standards and regulations
21 adopted under the Petroleum Pipeline Code;
22
23 b) Ensure the reliability and safety of transporting liquid petroleum products through
24 pipelines;
25
26 c) Enforce the Petroleum Pipeline Code as well as rules and regulations implementing
27 this Act;
28
29 d) Exercise original and exclusive jurisdiction over questions and cases involving
30 Concessions as well as fees and fines imposed by the DOE in the exercise of the
31 foregoing functions; and
32
33 e) Exercise such other powers and functions as may be necessary to attain the objectives
34 of this Act.
35
36

37 **CHAPTER III**
38 **PIPELINE CONCESSION**
39

40 **SECTION 6. *Nature of a Pipeline Concession.*** A Concession is an authority granted to a
41 Person for the right to establish, own, operate and maintain a Petroleum Pipeline(s) for
42 transporting Petroleum Products. No Person may engage in Petroleum Pipeline Operations
43 without a valid Concession obtained from the DOE: *Provided that*, Persons who are holders
44 of existing Concessions or are existing Pipeline Operators shall not be required to secure a
45 new Concession from the DOE for the remaining period of their current Concession.
46

47 **SECTION 7. *Philippine Ownership Requirement.*** No Concession for the ownership,
48 establishment, operation and maintenance of a Pipeline shall be granted except to citizens of
49 the Philippines or to corporations or associations organized under the laws of the Philippines
50 at least sixty percent (60%) of whose capital is owned by such citizens.
51

52 **SECTION 8. *Term of Concession.*** The Concession shall be valid for a term of twenty five
53 (25) years, renewable for another twenty five (25) years, provided that, due consideration will

1 be given for the automatic renewal of the Grantee's Concession in view of the Grantee's
2 sizeable investments, infrastructure and installations or the necessity and/or urgency of
3 maintaining the Pipeline to serve public interest. For existing Pipeline Operators, the term of
4 their Concession shall be as provided in their existing Concession Agreements: *Provided*
5 *that*, existing Pipeline operators may apply for a Contract of Concession under this Act prior
6 to the expiration of their current Concession.
7
8

9
10 **CHAPTER IV**
11 **PROCEDURES FOR APPLICATION OF CONCESSION**

12 **SECTION 9.** *Application of Concession.* Any applicant for Concession shall apply with the
13 DOE pursuant to the requirements herein. An application for Concession under this Act shall
14 be filed with the Oil Industry Management Bureau (OIMB) of the DOE which shall examine
15 and pass upon the same as well as upon the qualifications of the applicant.
16

17 **SECTION 10.** *Requirements.* The applicant must demonstrate that it is legally existing and
18 qualified to conduct its business under Philippine laws and, taking into account the length and
19 location of the Petroleum Pipeline, is financially and technically capable of operating and
20 maintaining the same pursuant to this Act, the Petroleum Pipeline Code and the rules and
21 regulations implementing this Act.
22

23 **SECTION 11.** *Public Notice.* The OIMB shall issue a public notice of all Concession
24 applications and afford interested parties an opportunity to comment on such applications. If
25 no opposition is filed within the period provided in the public notice, it shall be conclusively
26 presumed that no such opposition exist. Thereafter, no objection from third parties to the
27 granting of the Concession shall be heard and the Contract of Concession shall be executed
28 by the Secretary of the DOE on behalf of and for the Republic of the Philippines, and the
29 Grantee, in accordance with this Act, the implementing rules and regulations and existing
30 laws.
31

32 **SECTION 12.** *Disposition of Opposition to the Concession.* If an Opposition is filed in
33 accordance with Section 11 hereof, the DOE shall, decide based on the qualifications of the
34 applicant pursuant to this Act, the implementing rules and regulations as well as merits of the
35 oppositor's claims if the applicant is duly qualified to be granted a Concession. The DOE may
36 require submission of additional documents and other papers and shall render a decision
37 within fifteen (15) days from the date of filing of the opposition or from the date the case is
38 deemed submitted for resolution as may be provided in the implementing rules and
39 regulations, without prejudice to the right of any aggrieved party to appeal to the courts
40 pursuant to the Rules of Court.
41

42 **SECTION 13.** *Issuance of Concession.* The DOE shall issue a Contract of Concession upon
43 its determination that the establishment, operation and maintenance of the Petroleum
44 Pipeline(s) by the applicant is consistent with this Act. The Contract of Concession shall state
45 definitely the principal rights and obligations of the parties concerned pursuant to this Act.
46

47 **SECTION 14.** *Registry of Pipeline Operators.* The DOE shall establish and maintain a
48 registry of all pipeline operators or Concession Grantees.
49
50

51 **CHAPTER V**
52 **RIGHTS GRANTED**
53

1 **SECTION 15. *Grant of Rights.*** Grantees of Pipeline Concessions acquire the right to own,
2 construct, establish, operate and maintain a Petroleum Pipeline to transport Petroleum
3 Products, by means of, and through, a Pipeline or system of Pipelines, between the sources of
4 production and/or refining and/or supply (storage) the places defined in the Pipeline
5 Concession, in accordance with the provisions of this Act and the implementing rules and
6 regulations.

7
8 This right includes the construction, installation and operation of pipelines, pipeline facilities,
9 pumping stations, storage tanks and other buildings, water supply and communication
10 systems, roads, and such other equipment or facilities as may be needed by the Grantee to
11 conduct its Petroleum Pipeline Operations.

12
13 Among other things, the Contract of Concession shall state definitely:

- 14
15 a) The right of the Grantee to own, construct, install, operate and maintain a Petroleum
16 Pipeline system passing through a designated area(s), specifying the province(s),
17 city(ies) and/or municipality(ies);
18
19 b) The Grantee's right to acquire rights of way, easements and other similar rights on,
20 over, under, across and through the designated area(s) or adjacent thereto;
21
22 c) The right of eminent domain to be exercised by the Government, as represented by
23 the DOE, for and on behalf of and/or through the Grantee, over private property when
24 the occupation of private land is needed by the Grantee in connection with his
25 Concession, for the purpose of constructing, installing, maintaining and operating
26 Petroleum Pipelines, roads, wells, tanks, reservoirs, pumping stations for public use or
27 benefit;
28
29 d) Term of the Concession;
30
31 e) Right to receive assistance from the DOE in obtaining fiscal and non-fiscal incentives
32 granted by this Act;
33
34 f) Right to receive assistance from the DOE and/or other government instrumentalities
35 in securing permits, licenses and clearances relating to the Petroleum Pipeline
36 Operations; and
37
38 g) Other rights consistent with this Act.
39
40

41 **CHAPTER VI**

42 **THE NATIONAL PIPELINE BOARD AND THE PETROLEUM PIPELINE CODE**

43
44 **SECTION 16. *National Pipeline Board.*** There is hereby created the National Pipeline Board.
45 The NPB shall be composed of the Secretary of the DOE as Chairman and the Secretaries of
46 the Department of Environment and Natural Resources, Department of Transportation and
47 Communication and the Department of Public Works and Highways, as members, and
48 representatives from Pipeline Industry operators, who shall automatically be members by
49 reason of being Grantees of a Pipeline Concession. The DOE Secretary, in his capacity as
50 Chairperson, shall, within thirty (30) days from the effectivity of this Act, convene the NPB
51 to discharge its powers and functions as provided in Section 17 hereof. The Board shall be
52 assisted by a Technical Secretariat attached to the OIMB of the DOE. The number of staff of
53 the Technical Secretariat and the corresponding positions shall be determined by the Board,

1 subject to approval by the Department of Budget and Management (DBM) and existing civil
2 service rules and regulations.

3
4 **SECTION 17. Powers and Functions of the NPB.** The NPB shall have the following powers
5 and functions:

- 6
7 a) It shall recommend to the DOE the standards for the design, construction, pressure
8 testing, operation, and maintenance, corrosion control and abandonment of Petroleum
9 Pipeline systems. Within thirty (30) days from enactment of this Act, the NPB shall
10 formulate a Petroleum Pipeline Code for approval by the DOE. The NPB may adopt
11 such relevant and applicable standards from the United States Department of
12 Transportation Regulations and American Society of Mechanical Engineers on
13 Petroleum Pipelines as well as other internationally accepted standards for Petroleum
14 Pipelines. In view of changes in internationally accepted Petroleum Pipeline standards
15 and Pipeline technologies, the NPB may revise and/or amend the Petroleum Pipeline
16 Code; *Provided that*, the NPB may only introduce amendments after sufficiently
17 holding consultations with all its members to ensure transparency and further
18 encourage private sector participation. The NPB may call on members from the
19 academic community and experts from the private sector, and other pipeline industry
20 participants as resource persons to aid in updating the Petroleum Pipeline Code. There
21 shall be a mandatory review of the Petroleum Pipeline Code set pursuant to the
22 provisions of this Act every two (2) years;
- 23
24 b) In carrying out its duties and functions under this section, it shall, whenever
25 appropriate, be authorized to utilize agencies of the government to obtain technical,
26 economic and statistical information and advice; and
- 27
28 c) It shall conduct periodic analyses of the domestic transport of Petroleum Products by
29 Pipeline. Such analyses should identify the areas through which the Pipeline traverses
30 where unplanned loss of Petroleum Pipeline may cause shortages of Petroleum
31 Products or price disruptions and where shortages of Pipeline capacity and reliability
32 concerns may have or are anticipated to contribute to shortages of Petroleum Products
33 or price disruptions. Upon identifying such areas, the NPB may determine if the
34 current level of regulation is sufficient to minimize the economic impact for such
35 unplanned losses of Pipeline capacity. In preparing any analysis hereunder, the NPB
36 may consult with the heads of other government agencies and public and private
37 sector experts in Petroleum Pipeline Operations and other forms of Transportation of
38 Petroleum Products, energy consumption, pipeline capacity, population and economic
39 development.

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42 **CHAPTER VII**
43 **RIGHT OF WAY, EXPROPRIATION, EASEMENT**

44
45 **SECTION 18. Grant of Right of Way.** As may be required by the DOE or granted by the
46 Concession, all government agencies and/or instrumentalities, including but not limited to the
47 DPWH, the relevant LGUs, MMDA, their successors and assigns, shall grant the necessary
48 right of way over non-private property within their jurisdiction.

49
50 **SECTION 19. Priority.** Due to the importance of a steady, safe and efficient supply of
51 Petroleum Products, priority shall, whenever practicable, be given to Pipeline Operators in
52 acquiring right of way over government property.
53

1 **SECTION 20. *Right of Way over Private Property; Expropriation.*** The DOE shall assist or
2 represent Grantees of Concessions in procuring the necessary right of way over private
3 property.

4 When the occupation or possession of private land is needed by the Grantee in connection
5 with its Concession, for the purpose of constructing, installing, maintaining and operating
6 pipelines, reservoirs, wells, roads, railroads, telephone and telegraph lines, airfields, radio
7 stations, powerhouses, transmission lines, pumping stations, wharves, piers, and terminals,
8 which are hereby declared to be for public use or benefit, the right of eminent domain may be
9 exercised by the Government, as represented by the DOE, for and on behalf of the Grantee, in
10 accordance with the applicable laws on the matter. In all cases of voluntary agreement
11 between the Grantee and a private landowner, a copy thereof shall be furnished the DOE. For
12 the purpose of this Section, the necessity of the work in Petroleum Pipeline Operations will
13 be presumed in cases of construction of Pipelines, tanks, pumping stations, power systems,
14 and other means of transportation and communication, including any auxiliary facilities and
15 works.

16
17 **SECTION 21. *Easement Over Public Land*** - When easement or right of temporary
18 occupancy over public land is needed by a Grantee for the purpose of carrying out any work
19 necessary to its Petroleum Pipeline Operations, such right may be granted by the Government
20 through the DOE subject to applicable laws and regulations. The same presumption in
21 Section 20 applies in this instance.

22
23
24 **CHAPTER VIII**
25 **COMPLIANCE WITH STANDARDS**

26
27 **SECTION 22. *Petroleum Pipeline Code.*** All Grantees of a Pipeline Concession under this
28 Act shall provide safeguards for the safety, reliability, adequacy, security, stability and
29 integrity of their Petroleum Pipeline systems in accordance with the technical specifications
30 and performance standards set forth in the Petroleum Pipeline Code to be promulgated by the
31 NPB, as may be amended.

32
33
34 **CHAPTER IX**
35 **PIPELINE SECURITY**

36
37 **SECTION 23. *Pipeline Security; One Call System.*** It is hereby declared that Petroleum
38 Pipeline systems are imbued with public interest. For this purpose, the DOE, in coordination
39 with the DND, DPWH, PNP, MMDA, DILG, LGUs and the appropriate government
40 agencies and instrumentalities shall implement a one-call system, whereby any third party
41 shall report to a designated agency any possible excavation, installation or activity which may
42 affect Pipelines as well as any act which may result in damage to property or injury to
43 persons. The one-call system is intended to bring to immediate notice of the foregoing to the
44 affected Grantee or other underground utility providers and to provide a mechanism for
45 immediate liaison and coordination with all relevant government agencies to avoid damage to
46 or loss of property as well as injury to persons.

47
48 The DOE shall implement a procedure for a systematic response to emergency cases,
49 including without limitation, incidents involving leaks, breaches on the Pipelines or Pipeline
50 facilities and other similar occurrences, whereby there will be immediate, appropriate and
51 coordinated response actions from the concerned LGUs, Bureau of Fire Protection, the
52 DENR, DOH and such other government agencies and instrumentalities. In case of
53 remediation or clean-up, the DENR shall be the lead agency (in coordination with other

1 government agencies or instrumentalities) in directing the clean-up of affected areas premised
2 on a risk-based criteria.

3
4 **SECTION 24. *Inter-agency Cooperation.*** – Should the DOE find it necessary, it shall
5 consult, participate, cooperate and enter into agreement with other government agencies and
6 instrumentalities, non-governmental organizations or people's organizations and private
7 enterprises in the furtherance of the foregoing objectives.

8
9
10 **CHAPTER X**
11 **ROLE OF GOVERNMENT AGENCIES**

12
13 **SECTION 25. *Role of Government Agencies.*** In the Implementation of the provisions of this
14 Act, its implementing rules and regulations and related laws, the following agencies shall
15 perform, among others, the following functions:

16
17 a) The DOTC shall:

- 18
19 1. Assist in coordinating networks for the transportation of Petroleum as well as
20 the fast and safe transportation services thereof, as determined by the DOE;
21 and
22
23 2. When requested by the DOE, assist the DOE in identifying routes, zones or
24 areas of operations of particular operators.

25
26 b) The DPWH shall, when necessary, provide the technical support in the construction
27 and installation of Petroleum Pipelines.

28
29 c) The DILG shall:

- 30
31 1. Provide, through the Philippine National Police (PNP), manpower and
32 available resources to Grantees of Pipeline Concessions in cases of threats to
33 the security of the Pipelines and other similar acts;
34
35 2. Employ the assistance, cooperation and coordination of LGUs in the
36 implementation of the policies and orders issued by the DOE; and
37
38 3. Mobilize the Bureau of Fire Protection (BFP) to ensure the prevention and
39 suppression of all destructive fires on the Petroleum Pipeline installations.

40
41 d) The corresponding LGUs, where the Pipelines are situated, shall share in the
42 responsibility of implementing safety and prevention measures within their territorial
43 jurisdiction solely with respect to third parties who may affect the Pipelines situated
44 within their respective territorial jurisdictions.

45
46
47 **CHAPTER XI**
48 **ABANDONMENT AND DECOMMISSIONING**

49
50 **SECTION 26. *Abandonment and Decommissioning.*** At the expiration of the term of the
51 Contract of Concession or a renewal thereof, or when a Pipeline has come to the end of its
52 useful life and/or users or customers of the Petroleum Product have discontinued using the
53 Pipeline to transport Petroleum Products or there are no foreseeable new users or customers

1 in the future, the Grantee shall undertake Pipeline decommissioning and cleaning. The
2 Pipelines shall be cleaned and decontaminated before it can be either left in its existing place
3 or dismantled for proper disposal.

4 The DOE, through appropriate regulations, may provide guidelines for:

- 5
- 6 a) the clean-up of residual fluids in the Pipeline and proper disposal thereof in
7 accordance with applicable environmental laws and regulations;
 - 8
 - 9 b) decontaminated Pipelines which may be trenched or buried underground;
 - 10
 - 11 c) environmental concerns have been addressed; and
 - 12
 - 13 d) whether such Pipelines can be left in place without creating any risk to the
14 surrounding environment or to the community.
 - 15

16 **SECTION 27. Decommissioning Fund.** For this purpose, the DOE shall, after public
17 consultation with Pipeline Operators and Pipeline industry participants, implement a system
18 whereby the Pipeline Operator shall collect from its users or customers decommissioning
19 costs/fees, to be agreed upon between the Pipeline Operator and the users or customers.
20 These decommissioning costs or fees shall be held in a Decommissioning Fund, established
21 jointly by the Pipeline Operator and its users or customers and administered by the Pipeline
22 Operator specifically to pay for the costs of decommissioning. The Decommissioning Fund
23 shall not be subject to Value Added Tax, income tax and such other taxes, charges and fees.
24

25

26 CHAPTER XII

27 FISCAL INCENTIVES

28

29 **SECTION 28. Taxes.** Pipeline operations shall be subject to the payment of all taxes, duties,
30 fees or charges and other impositions under the National Internal Revenue Code of 1997, as
31 amended, and other applicable laws; *Provided however*, that in recognition of the substantial
32 investments needed for the construction, installation, operation and maintenance of the
33 Grantee, the Grantee shall be entitled to an income tax holiday and such other incentives
34 granted to pioneer enterprises under the Omnibus Investments Code, as amended.
35

36 **SECTION 29. Customs Duties.** The Grantee may import, free of applicable customs duties
37 and charges, all equipment, machinery, material, instruments, supplies and accessories
38 necessary for the installation, construction, operation and maintenance of the Petroleum
39 Pipeline.
40

41

42 CHAPTER XIII

43 FORCE MAJEURE AND/OR FORTUITOUS EVENTS

44

45 **SECTION 30. Force Majeure and/or Fortuitous Events.** Failure on the part of the Grantee to
46 fulfill any of the terms and conditions provided by this Act or its implementing rules and
47 regulations or by other relevant laws shall not be deemed a breach of such obligation on the
48 part of the Grantee in so far as such failure results from force majeure and/or fortuitous
49 events, including without limitation, acts of God, war, insurrection, riot, civil commotion,
50 strike, tide, storm, flood, lightning, explosion, fire earthquake, passage of laws, orders and
51 rules and any other happening which the Grantee could not reasonably prevent, control or
52 avoid.
53

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2
3
4 **CHAPTER XIV**
5 **PROHIBITED ACTS**
6

7 **SECTION 31. *Prohibited Acts.*** Without the prior written consent of the Grantee, it shall be
8 unlawful for any Person to:

- 9
10 a) Demolish, excavate, tunnel, or construct, drill, install, or make improvements within
11 five (5) meters from the nearest portion of the Pipeline facility;
12
13 b) Cut, saw, slice, separate, split, sever, smelt, remove, mutilate, alter, tap, reconnect,
14 disconnect, or in any way tamper any Pipeline or part thereof, or any other pipeline
15 related installation from the place of installation of any other place or site where it
16 may be rightfully or lawfully situated;
17
18 c) Take, carry away, transport, transfer, move, with or without the use of a motor vehicle
19 or any other means of conveyance, the Pipeline, or part thereof, or any other Pipeline
20 related installation;
21
22 d) Store, possess, or otherwise keep in his premises, custody or control, any portion of
23 the Pipeline including Pipeline related installation; and
24
25 e) Knowingly use or receive the direct benefit of petroleum delivery service obtained
26 through any of the acts mentioned in paragraphs (a), (b), (c) and (d) above.
27

28 **SECTION 32. *Fines and Penalties for Unlawful Acts.*** Any person who commits any of the
29 foregoing acts shall suffer the penalty of a fine of not less than Ten Thousand Pesos
30 (PhP10,000.00) but not more than Five Million Pesos (PhP5, 000,000.00) or imprisonment of
31 not less than six (6) months, or both shall be imposed. If the offender is a juridical person, the
32 president, manager, directors, trustees, officers or the officials directly in charge of the
33 operations shall suffer the penalty herein provided.
34
35

36 **CHAPTER XV**
37 **APPROPRIATIONS**
38

39 **SECTION 33. *Appropriations.*** Such sums as may be necessary for the initial implementation
40 of this Act shall be taken by the DOE from its annual appropriation. Thereafter, the fund
41 necessary to carry out the provisions of this Act shall be included in the annual General
42 Appropriations Act.
43
44

45 **CHAPTER XVI**
46 **FINAL PROVISIONS**
47

48 **SECTION 34. *Implementing Rules and Regulations.*** The DOE, in coordination with the
49 NPB, shall promulgate the necessary implementing rules and regulations within thirty (30)
50 days after the effectivity of this Act. There shall be a mandatory review every two (2) years
51 of the implementing rules and regulations and the pipeline standards set pursuant to the
52 provisions of this Act.
53

1 **SECTION 35. *Separability Clause.*** If any provision of this Act is declared invalid or
2 unconstitutional, the other provisions not affected thereby shall remain valid and subsisting.

3
4 **SECTION 36. *Non-Retroactivity Clause.*** Concessions which have been granted under
5 previous laws at the time this Act becomes effective, shall remain effective and shall continue
6 to operate under their existing Concessions or authority.

7
8 **SECTION 37. *Grantees of Concessions under Other Laws.*** Nothing in this Act shall be
9 deemed to revoke any existing Concession granted under the Petroleum Act of 1949, as
10 amended, or other administrative or regulatory permit, authority or contract, which
11 Concession, Permit, Authority or Contract shall be allowed to its full term or renewal thereof,
12 but may not be renewed except pursuant to the provisions of this Act.

13
14 **SECTION 38. *Precursor laws.*** Under the Petroleum Act of 1949, as amended, the power to
15 grant pipeline concessions was granted to the Secretary of Agriculture and Natural
16 Resources. The authority over pipeline concessions under the Petroleum Act was transferred
17 to the Petroleum Board pursuant to Presidential Decree No. 782 dated 25 August 1975. The
18 Petroleum Board was thereafter abolished and its powers and functions were transferred to
19 the Energy Development Board in accordance with Presidential Decree No. 910 dated 22
20 March 1976. The Energy Development Board (EDB) was abolished by Presidential Decree
21 No. 1206 dated 6 October 1977. The powers and functions of the EDB were transferred to the
22 Bureau of Energy Development under the Department of Energy pursuant to Section 12 of
23 Presidential Decree No. 1206. Presidential Decree No. 1700 issued on 10 July 1980 amended
24 Presidential Decree No. 1206 by transferring the power to regulate and fix the rates of
25 pipeline concessionaires under the Petroleum Act to the Board of Energy. The powers of the
26 Board of Energy to grant and regulate pipeline concessions were later transferred to the
27 Energy Regulatory Board under Section 3 of Executive Order No. 172. Executive Order No.
28 193 abolished the Bureau of Energy Development on 10 June 1987 and transferred its
29 pertinent functions to the Office of the Deputy Executive Director for Energy Operations of
30 the Office for Energy Affairs. The non-price regulatory jurisdiction, powers and functions of
31 the Energy Regulatory Board were thereafter transferred to the DOE, pursuant to Sections 12
32 c) and 18 of Republic Act No. 7638, otherwise known as the Department of Energy Act of
33 1992. Subsequently, the powers and functions of the Energy Industry Administration Bureau,
34 which includes the formulation and implementation of policies, programs and regulations on
35 the downstream oil industry, including the transportation of petroleum crude oils, products
36 and by-products, were transferred to the Oil Industry Administration Bureau under
37 Administrative Order No. 38 issued on 23 August 2002. Pursuant to Section 44 of Republic
38 Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001", the
39 non-price regulatory functions of the Energy Regulatory Board were transferred to the
40 Energy Regulatory Commission.

41
42 **SECTION 39. *Repealing Clause.*** The provisions of Republic Act No. 387, otherwise known
43 as the "Petroleum Act of 1949", as amended and the provisions of all foregoing precursor
44 laws, and such other laws, acts, executive orders, rules and regulations and other issuances
45 inconsistent with this Act are hereby repealed or modified accordingly.

46
47 **SECTION 40. *Transitory Provision.*** Pipeline Operators or Grantees of Petroleum Pipeline
48 Concessions which have been constructed and have commenced operation prior to the date of
49 effectivity of this Act shall continue to operate under their existing authorities. Nothing in
50 this Act shall be deemed to revoke or otherwise modify any of the powers and functions of
51 the Director of Mines and the Secretary of Agriculture and Natural Resources and its
52 successors and assigns under the Petroleum Act of 1949, as amended, any existing
53 Concession granted under the Petroleum Act of 1949, as amended, or any administrative or

1 regulatory permit or concession, which concession certificate or franchise shall be allowed to
2 its full term but may not be renewed except pursuant to the provisions of this Act.

3

4 **SECTION 41. *Effectivity.*** This Act shall take effect fifteen (15) days upon its publication in
5 the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,