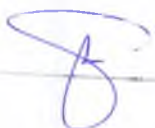


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SENATE
Senate Bill No. 2793

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Prepared and submitted jointly by the Committees on Energy; Ways and Means; and Finance with Senators Sherwin T. Gatchalian, Imee R. Marcos, Joel Villanueva, Raffy T. Tulfo, Francis "Chiz" G. Escudero, and Pia S. Cayetano as authors thereof

AN ACT
PROMOTING THE DEVELOPMENT OF THE PHILIPPINE NATURAL GAS
INDUSTRY, CONSOLIDATING FOR THE PURPOSE ALL LAWS RELATING TO
THE TRANSMISSION, DISTRIBUTION, AND SUPPLY OF NATURAL GAS, AND
APPROPRIATING FUNDS THEREFOR

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

CHAPTER I

TITLE AND DECLARATION OF POLICY

1
2
3 Section 1. *Title* – This Act shall be known as the "*Philippine Natural Gas Industry*
4 *Development Act*".

5 Sec. 2. *Declaration of Policy*. – It is hereby declared the policy of the State to:

- 6 (a) Promote natural gas as a safe, efficient, and cost-effective source of
7 energy and an indispensable contributor to grid security, especially with
8 the entry of more intermittent renewable energy sources by establishing
9 the Philippine Downstream Natural Gas Industry (PDNGI) for the benefit
10 of all segments of the nation's population and all sectors of the economy;
- 11 (b) Promote natural gas as an energy fuel, with the potential to meet the
12 increasing local demand for fuel, and to develop the Philippines as a
13 Liquefied Natural Gas (LNG) trading and transshipment hub within the
14 Asia-Pacific Region. In all cases, the State shall ensure the safe, secure,
15 reliable, transparent, competitive and environmentally responsible
16 operation of the PDNGI value chain;

- 1 (c) Provide a conducive industry environment for the promotion and
2 development of the PDNGI through the issuance of regulatory policies,
3 the localized codes and standards for products, facilities and its
4 operations based on the Philippine National Standards (PNS), and plans
5 and programs;
- 6 (d) Promote the conversion of existing fossil fuel-operated equipment and
7 facilities to natural gas use: *Provided*, That the conversion is technically
8 and financially feasible;
- 9 (e) Promote and hasten the exploration and development of indigenous
10 natural gas resources and facilities, and prioritize the use of indigenous
11 natural gas over imported natural gas to help attain greater energy
12 security;
- 13 (f) Promote the financial viability of the PDNGI by liberalizing the entry of
14 investors under a system of competition, transparency and fair trade,
15 and by providing responsive policy support, with the end goal of
16 attaining fair prices for all stakeholders;
- 17 (g) Promote the role of natural gas as an additional energy source and a
18 transition fuel to variable renewable energy by creating a legal and
19 regulatory framework that would govern the promotion and
20 development of the PDNGI;
- 21 (h) Ensure compliance with the PDNGI product and facility standards on
22 Health, Safety, Security, and Environment (HSSE) and other applicable
23 rules and regulations under a system of safe, secure, high-quality, and
24 environmentally responsible operations and services that afford
25 protection to consumers;
- 26 (i) Encourage the inflow of private capital through equity participation by
27 the private sector in the development of the PDNGI;
- 28 (j) Ensure transparent and reasonable pricing of natural gas and rates for
29 its storage, regasification, transmission, and distribution in a regime of
30 open and fair competition, with full public accountability that shall
31 promote greater operational and economic efficiency and enhanced
32 competitiveness in the global market;

- 1 (k) Develop the necessary technical expertise and skills of personnel in
2 government agencies and the private sector to support the PDNGI;
3 (l) Promote aggregation as a nationwide or grid-wide strategy in order to
4 mitigate end-users' exposure to risks associated with natural gas
5 availability and price volatility; and
6 (m) Facilitate the development of power and non-power end-uses of
7 natural gas which includes commercial, industrial, residential, and
8 transport applications that promote fuel diversity: *Provided*, That the
9 power rates from the utilization of natural gas shall be subject to
10 Republic Act (RA) No. 9136, otherwise known as the "Electric Power
11 Industry Reform Act of 2001 "(EPIRA).

12 Sec. 3. *Scope.* – This Act shall provide a framework for the development of the
13 PDNGI, and its transition from an emerging industry into a mature industry within a
14 competitive natural gas market. It shall also define the responsibilities of various
15 government agencies and private entities in furtherance of this national goal.

16 It shall apply to the permitting of siting, construction, operation and
17 maintenance, expansion, modification, rehabilitation, decommissioning, and
18 abandonment of PDNGI Facilities for Own-Use or Third-Party Access (TPA). It shall
19 likewise apply to the accreditation of Participants in the trade of natural gas, including
20 but not limited to the purchase, supply, aggregation, bunkering, reselling, and export
21 of natural gas, and any other activities related to the PDNGI.

22 All activities of the Department of Energy (DOE), Energy Regulatory
23 Commission (ERC), and other concerned government agencies relevant to the
24 development and regulation of the PDNGI shall be in accordance with this Act.

25 Sec. 4. *Definition of Terms.* – For the purposes of this Act, the following terms
26 shall be defined as follows:

- 27 (a) *Affiliate* refers to any corporation that directly or indirectly, through one
28 or more intermediaries, controls, is controlled by, or is under common
29 control of another corporation;

- 1 (b) *Aggregation* refers to the activity of procuring indigenous natural gas,
2 combining it with imported LNG, and selling the aggregated gas to gas
3 buyers in the Philippines or abroad, by a Participant known as an
4 Aggregator. The required minimum percentage of indigenous natural
5 gas for aggregation shall be determined by the DOE based on production
6 levels of indigenous natural gas sources and other relevant factors;
- 7 (c) *Aggregated Gas* refers to indigenous natural gas that has been combined
8 with or supplemented by imported LNG, pursuant to the required
9 minimum percentage of indigenous natural gas as provided in Section 4
10 (b) of this Act. Gas that is a blend or combination of purely imported
11 LNG, without any portion of the gas coming from indigenous natural gas
12 sources, shall not be considered Aggregated Gas;
- 13 (d) *Anti-Competitive Behavior* refers to any behavior and/or agreements in
14 violation of the provisions of RA No. 10667, otherwise known as the
15 "Philippine Competition Act" (PCA);
- 16 (e) *Bunkering* refers to the activity of selling natural gas for use of domestic
17 or foreign marine vessels by a Participant known as a bunker trader;
- 18 (f) *Capacity* refers to the handling design of a system used in the context of
19 its functionality and expressed in a specific measurement, such as
20 volume or flow per time unit or designated measurement unit;
- 21 (g) *Conventional Transportation System* refers to a network of fixed facilities
22 made up, among others, of wellheads, compressor stations, pipelines,
23 and metering for the purpose of delivering natural gas. This includes
24 both the PDNG Transmission and Distribution Systems;
- 25 (h) *Decommissioning and Abandonment* refers to the activity consisting of
26 the removal or condemnation of the entire PDNGI Facility installation or
27 a component thereof that has reached the end of its productive life and,
28 if applicable, the subsequent restoration of the Facility site to its previous
29 condition;
- 30 (i) *Delivery* refers to the transmission or distribution of natural gas and the
31 supply of natural gas at wholesale or retail;

- 1 (j) *Distribution* refers to the transportation of natural gas through a PDNG
2 distribution system;
- 3 (k) *End-user* refers to any person who will receive the delivery of natural
4 gas for final use;
- 5 (l) *Indigenous Natural Gas* refers to natural gas produced from fields within
6 the territorial jurisdiction of the Republic of the Philippines;
- 7 (m) *Liquefied Natural Gas or LNG* refers to natural gas that has been liquefied
8 by cooling at a cryogenic temperature;
- 9 (n) *LNG Storage and Regasification Terminal* refers to all component facilities
10 used to receive, unload, load, store, and regasify LNG. It shall include,
11 among others, jetty and unloading/loading arms, cryogenic and non-
12 cryogenic pipelines, storage tanks and pumps, boil-off gas compressors
13 and condensers, vaporizers, control facilities, metering, send-out and
14 other relevant components;
- 15 (o) *Natural gas* refers to gas consisting primarily of a mixture of methane,
16 ethane, propane, and butane, with small amounts of heavier
17 hydrocarbons and some impurities, consistent with PNS or other
18 applicable internationally accepted industry standards;
- 19 (p) *Natural Gas Sales and Purchase Agreement or NGSPA* refers to any
20 contract or agreement for the delivery and sale of natural gas by and
21 between sellers, suppliers, and buyers;
- 22 (q) *Offshore* refers to areas situated at sea, some distance from the shore;
- 23 (r) *Own-Use* refers to the exclusive use of the entire capacity of PDNGI
24 Facilities by a Permit Holder or its affiliates;
- 25 (s) *Own-Use Permit* refers to an authorization issued by the DOE to an Own-
26 Use Permit Holder;
- 27 (t) *Participant* refers to a natural or juridical person who engages in the
28 trade of natural gas either as a supplier, aggregator, bunker trader, or
29 reseller;
- 30 (u) *Permit* refers to an authorization issued by the DOE for the siting,
31 construction, operation and maintenance, expansion, modification,
32 rehabilitation, decommissioning, and abandonment of PDNGI Facilities

1 for Own-Use or TPA. It shall likewise apply to the accreditation of
2 Participants in the trade of natural gas, including but not limited to the
3 purchase, supply, aggregation, bunkering, reselling, and export of
4 natural gas, and any other activities related to the PDNGI;

5 (v) *Permit Holder* refers to a natural or juridical person who owns the PDNGI
6 Facility and is granted a permit by the DOE to engage in the siting,
7 construction, operation and maintenance, expansion, modification,
8 rehabilitation, decommissioning, and abandonment of PDNGI Facilities
9 for Own-Use or TPA;

10 (w) *Philippine Downstream Natural Gas Development Plan or PDNG Dev*
11 *Plan* refers to the comprehensive plan for ensuring a safe, secure, and
12 reliable supply of natural gas and establishing the efficient operations of
13 the PDNGI Facilities and proper management of natural gas demand
14 through appropriate government programs and policies. It shall include
15 the various natural gas supply plans, PLSR Terminal Dev Plan, PDNG
16 Transmission Dev Plan, and PDNG Distribution Dev Plan. This plan shall
17 be incorporated in the PEP;

18 (x) *Philippine Downstream Natural Gas Distribution Code or PDNG*
19 *Distribution Code* refers to the code formulated by the DOE, which shall
20 set the performance standards for operating a conventional and virtual
21 distribution system;

22 (y) *Philippine Downstream Natural Gas Distribution Development Plan or*
23 *PDNG Distribution Dev Plan* refers to a comprehensive plan prepared and
24 submitted to the DOE by the Permit Holders of all PDNG Distribution
25 Systems and Virtual Transportation Systems containing, among others,
26 information on their locations, construction, operation and maintenance,
27 expansion, modification, rehabilitation, decommissioning, and
28 abandonment, whichever is applicable. The plan shall likewise include all
29 studies, programs, and policies for the promotion and development of
30 the distribution sector;

31 (z) *Philippine Downstream Natural Gas Distribution System or PDNG*
32 *Distribution System* refers to a Conventional and Virtual Transportation

1 System starting at the receipt of natural gas from the source of
2 indigenous natural gas, LNG Storage and Regasification Terminal, or
3 PDNG Transmission System up to the receiving facility of the end-user;

4 (aa) *Philippine Downstream Natural Gas Industry Facility or PDNGI Facility*
5 refers to the LNG Storage and Regasification Terminal, PDNG
6 Transmission System, and PDNG Distribution System, and other related
7 facilities;

8 (bb) *Philippine Downstream Natural Gas Industry or PDNGI* refers to all
9 Permit Holders involved in the siting, construction, operation and
10 maintenance, expansion, modification, rehabilitation,
11 decommissioning, and abandonment of PDNGI Facilities. It shall
12 likewise refer to Participants involved in activities pertaining to the
13 purchase, supply, aggregation, bunkering, reselling, and export of
14 natural gas, and any other activities related to the PDNGI;

15 (cc) *Philippine Downstream Natural Gas Transmission Code or PDNG*
16 *Transmission Code* refers to the code formulated by the DOE, which
17 shall set the performance standards for operating a conventional
18 transmission system;

19 (dd) *Philippine Downstream Natural Gas Transmission Development Plan or*
20 *PDNG-Transmission Dev Plan* refers to a comprehensive plan prepared
21 and submitted to the DOE by the Permit Holders of all PDNG
22 Transmission Systems containing, among others, information on their
23 locations, construction, operation and maintenance, improvement,
24 expansion, modification, rehabilitation, decommissioning, and
25 abandonment, whichever is applicable. The plan shall likewise include
26 all studies, programs, and policies for the promotion and development
27 of the distribution sector;

28 (ee) *Philippine Downstream Natural Gas Transmission System or PDNG*
29 *Transmission System* refers to a conventional transportation system
30 starting at the receipt of natural gas from the source of indigenous
31 natural gas and/or from an LNG Storage and Regasification Terminal
32 up to the receiving facility of the PDNG Distribution System;

- 1 (ff) *Philippine Energy Plan* or *PEP* refers to the overall energy program
2 formulated and updated yearly by the DOE and submitted to Congress
3 pursuant to RA No. 7638, otherwise known as the "Department of
4 Energy Act of 1992", as amended;
- 5 (gg) *Philippine LNG Storage and Regasification Terminal Code* or *PLSR*
6 *Terminal Code* refers to the code formulated by the DOE, which shall
7 set the performance standards for operating an LNG Storage and
8 Regasification Terminal;
- 9 (hh) *Philippine LNG Storage and Regasification Terminal Development Plan*
10 refers to a comprehensive plan prepared and submitted to the DOE by
11 the Permit Holder of all LNG storage and regasification terminals
12 containing, among others, information on their locations, construction,
13 operation and maintenance, expansion, modification, rehabilitation,
14 decommissioning, and abandonment, whichever is applicable. The plan
15 shall likewise include all studies, programs, and policies for the
16 promotion and development of the regasification sector;
- 17 (ii) *Reselling* refers to the activity of procuring natural gas from a supplier
18 or aggregator and reselling it to gas buyers by a Participant known as
19 a reseller;
- 20 (jj) *Supply* refers to the activity of procuring or producing and selling
21 indigenous or imported natural gas to gas buyers in the Philippines or
22 abroad by a Participant known as a supplier;
- 23 (kk) *Third-party Access* or *TPA* refers to a transparent and non-
24 discriminatory access and utilization by a third-party user of the
25 capacity of PDNGI Facilities;
- 26 (ll) *Third-Party Access Code* or *TPA Code* refers to the code formulated by
27 the DOE, which shall set the performance standards for TPA;
- 28 (mm) *TPA Permit* refers to an authorization issued by the DOE to a Permit
29 Holder that allows TPA;
- 30 (nn) *Transmission* refers to the transportation of natural gas through a PDNG
31 Transmission System;

- 1 (oo) *Virtual Transportation System* refers to any alternative methods of
2 transporting natural gas other than through the conventional
3 transportation system, such as the use of land vehicles or sea vessels,
4 with or without an on-site modular regasification unit; and
5 (pp) *Waterfront* refers to facilities that are designated for the handling,
6 storing, stowing, loading, discharging, or transporting of dangerous
7 cargo, also called a "waterfront LNG plant".

8 CHAPTER II

9 POWERS AND RESPONSIBILITIES OF GOVERNMENT AGENCIES

10 Sec. 5. *Powers and Responsibilities of the Department of Energy (DOE)*. – In
11 addition to its existing powers and functions, the DOE shall have the overall
12 responsibility for supervising and monitoring the PDNGI and developing the strategies
13 to implement the state policies declared under this Act. Toward this end, the DOE shall
14 exercise the following powers and functions:

- 15 (a) Prepare the PDNG Dev Plan, incorporating the plans submitted by public and
16 private stakeholders, after open discussions and consultations with them,
17 within two (2) years from the effectivity of this Act. The PDNG Dev Plan shall
18 be reviewed and updated every three (3) years after its adoption;
- 19 (b) Establish standards on gas quality, facility and code of practice for the PDNGI
20 in coordination with relevant government agencies. For this purpose, a
21 Technical Committee (TC) shall be created to develop and promulgate the
22 applicable PNS for the PDNGI. The TC shall be co-chaired by the DOE and
23 the Department of Trade and Industry-Bureau of Philippine Standards (DTI-
24 BPS).

25 The TC members shall be composed of representatives from the following
26 sectors:

- 27 (i) Academe;
28 (ii) Trade/Industry;
29 (iii) Consumer;
30 (iv) Professional Associations;
31 (v) Research Institutions;

- 1 (vi) Government Agencies;
- 2 (vii) Testing Institutions; and
- 3 (viii) Other relevant sectors.

4 (c) Enforce PDNGI compliance with the standards, in coordination with relevant
5 government agencies, through the issuance of technical regulations
6 implementing the standards, review of reports, and conduct of onsite
7 inspections.

8 An Inter-Agency Health, Safety, Security and Environment Inspection and
9 Monitoring Team (IA-HSSE IMT) shall be created to monitor and enforce
10 compliance with established standards, co-chaired by the DOE and the
11 Department of Environment and Natural Resources (DENR).

12 The IA-HSSE IMT members shall be composed of representatives from the
13 following government agencies:

- 14 (i) Maritime Industry Authority (MARINA);
- 15 (ii) Philippine Coast Guard (PCG);
- 16 (iii) Department of Labor and Employment (DOLE);
- 17 (iv) Bureau of Fire Protection (BFP);
- 18 (v) Department of Health (DOH); and
- 19 (vi) Other relevant government agencies.

20 (d) Approve or issue:

- 21 (i) Permits for the construction, operation and maintenance, expansion,
22 modification, rehabilitation, decommissioning, and abandonment of
23 PDNGI Facilities;
- 24 (ii) Accreditation of Participants;
- 25 (iii) Acknowledgment of natural gas importation and exportation
26 notifications; and
- 27 (iv) Other endorsements or issuances in furtherance of the development
28 of the PDNGI.

29 The procedure for processing and issuance of all permits and other
30 endorsements or issuances pursuant to this Act shall be governed by RA No.
31 11234, otherwise known as the "Energy Virtual One Stop Shop Act" (EVOSS

- 1 Act). The EVOSS Steering Committee shall streamline the permitting process
2 for the PDNGI and shall continue its mandate under the EVOSS Act;
- 3 (e) Review, suspend, or revoke permits issued after a finding of non-compliance
4 with the provisions of this Act, its Implementing Rules and Regulations
5 (IRR), and related issuances;
- 6 (f) Issue a written approval for the assignment or transfer of permits after
7 determining that the assignee or transferee has met all the legal, technical,
8 and financial qualifications, has committed itself to assume all existing
9 obligations of the Permit Holder, and that such assignment or transfer is in
10 accordance with existing laws, rules, and regulations;
- 11 (g) Within two (2) years from the effectivity of the IRR of this Act, in consultation
12 with other concerned government agencies and the PDNGI stakeholders,
13 issue the PDNG Transmission Code, PDNG Distribution Code, the PLSR
14 Terminal Code, and the TPA Code;
- 15 (h) Endorse to the Philippine Competition Commission (PCC) for investigation
16 any reported or observed anti-competitive behavior in the PDNGI;
- 17 (i) Issue directives to relevant government agencies, in their capacities as
18 investing arms, to catalyze the development of the PDNGI;
- 19 (j) Require Permit Holders and Participants to submit regular and special
20 reports, and to provide real-time monitoring access to the operation and
21 maintenance activities of PDNGI Facilities;
- 22 (k) Publish on the DOE website the list of Permit Holders and Participants along
23 with the status of their projects;
- 24 (l) In times of national emergency, when the public interest so requires, the
25 President, through the DOE, upon the recommendation of the National
26 Economic and Development Authority (NEDA), may, during the emergency
27 and under reasonable terms, temporarily take over or direct the operation
28 of any person or entity engaged in the PDNGI;

1 (m) Create offices and appoint personnel as may be necessary to efficiently
2 and effectively implement this Act, subject to existing laws, rules and
3 regulations;

4 (n) Develop and establish such other plans and policies as may be consistent
5 with and in furtherance of the state policies declared under this Act; and

6 (o) Exercise such other powers and functions as may be necessary or incidental
7 to attain the objectives of this Act.

8 *Sec. 6. Powers and Responsibilities of the Energy Regulatory Commission*
9 *(ERC).* – The powers of the ERC shall be in accordance with its regulatory function
10 under Chapter IV of the EPIRA and Section 11 of RA No. 11646, otherwise known as
11 the “Microgrid Systems Act”, and such other powers as may be delegated to it by the
12 DOE pursuant to this Act.

13 The ERC shall provide the methodology for the determination and full recovery
14 of reasonable costs and other regulatory support for the generation of electricity
15 sourced from indigenous natural gas. The ERC shall likewise take into account the
16 government share and other revenues in the production of the indigenous natural gas
17 sold to power plants.

18 It shall perform its functions in a manner that supports the state policies
19 declared under this Act and is consistent with the plans and strategies developed by
20 the DOE pursuant to this Act.

21 It shall create offices and appoint personnel as may be necessary to efficiently
22 and effectively perform its functions in regulating power generated from natural gas,
23 subject to existing laws, rules and regulations.

24 *Sec. 7. Powers and Responsibilities of the Department of Environment and*
25 *Natural Resources (DENR).* – In addition to its functions under Executive Order No.
26 192, otherwise known as the “Reorganization Act of the Department of Environment
27 and Natural Resources”, the DENR, together with the DOE and the PCG, shall
28 determine and monitor compliance with the environmental standards for the siting,
29 construction, operation and maintenance, expansion, rehabilitation, decommissioning,
30 and abandonment of PDNGI Facilities, pursuant to existing environmental laws, such
31 as RA No. 8749, otherwise known as the “Philippine Clean Air Act of 1999”, as

1 amended, RA No. 7586, otherwise known as the "National Integrated Protected
2 Areas System Act of 1992", as amended by RA No. 11038, otherwise known as the
3 "Expanded National Integrated Protected Areas System Act of 2018", Republic Act
4 No. 6657, or the "Comprehensive Agrarian Reform Law of 1988", as amended, and
5 other existing environmental laws, rules, and regulations: *Provided*, That, within six
6 (6) months from the effectivity of this Act, the DENR shall establish national standards
7 for methane emissions and other pollutants from natural gas industries not otherwise
8 regulated by existing laws.

9 *Sec. 8. Powers and Responsibilities of the Philippine Coast Guard (PCG).* – In
10 addition to its functions under RA No. 9993, otherwise known as the "Philippine Coast
11 Guard Law of 2009", the PCG, together with the DENR, shall determine and monitor
12 compliance with the marine environmental protection standards for the offshore and
13 waterfront siting, construction, operation and maintenance, expansion, modification,
14 rehabilitation, decommissioning, and abandonment of PDNGI Facilities.

15 *Sec. 9. Powers and Responsibilities of the Department of Transportation (DOTr)*
16 *through the Maritime Industry Authority (MARINA).* – In addition to its functions under
17 Presidential Decree No. 474, otherwise known as the "Maritime Industry Decree of
18 1974", the MARINA shall have general jurisdiction over the development, promotion,
19 and regulation of all enterprises engaged in the business of designing, constructing,
20 manufacturing, acquiring, operating, supplying, repairing, and maintaining vessels, or
21 component parts thereof, including LNG carriers. The MARINA shall also provide for
22 the effective supervision, regulation, and rationalization of the organizational
23 management, ownership and operations of all water transport utilities and other
24 maritime enterprises.

25 *Sec 10. Powers and Responsibilities of the DOTr and its Attached Agencies.* -
26 In addition to its functions under Executive Order No. 125, series of 1987, otherwise
27 known as the "Reorganization Act of the Ministry of Transportation and
28 Communications", as amended, and other applicable laws, the DOTr or its attached
29 agencies, such as the Land Transportation Office, Land Transportation Franchising
30 and Regulatory Board, and MARINA, in coordination with the DOE, DENR, DOH, DTI-
31 BPS, and other relevant government agencies, shall issue the appropriate guidelines

1 and regulations, and the applicable permits, licenses, certificates, or authorizations for
2 virtual pipelines, motor vehicles, and marine vessels transporting, storing or
3 processing natural gas in its original state or liquefied form, as well as marine facilities
4 used to import, receive, unload, load, transport, process, and store natural gas in its
5 original or liquefied form, including those utilized as offshore LNG terminals. The DOTr
6 shall monitor and ensure compliance therewith.

7 *Sec. 11. Powers and Responsibilities of the Department of Trade and Industry-*
8 *Bureau of Philippine Standards (DTI-BPS).* – In addition to its functions under RA No.
9 4109, entitled, “An Act to Convert the Division of Standards under the Bureau of
10 Commerce into a Bureau of Standards, to Provide for the Standardization and/or
11 Inspection of Products and Imports of the Philippines and for Other Purposes”, the
12 DTI-BPS, together with the DOE, shall determine, develop, formulate, promulgate,
13 and revise the PNS for natural gas and PDNGI Facilities.

14 *Sec. 12. Powers and Responsibilities of the Department of Science and*
15 *Technology (DOST).* – In addition to its functions under Executive Order No. 128,
16 otherwise known as the “Reorganization Act of the National Science and Technology
17 Authority”, the DOST shall undertake scientific and technological research and
18 development for the improvement of new technologies in the PDNGI.

19 *Sec. 13. Referral to the Philippine Competition Commission (PCC).* – Consistent
20 with its functions under the PCA, the PCC shall:

- 21 (a) Promote free and fair competition in all commercial economic activities in the
22 PDNGI;
- 23 (b) Prevent economic concentration in the PDNGI that may have the tendency
24 to control the production, distribution, trade, or industry in a manner that
25 would unduly stifle competition, lessen, manipulate or constrict the discipline
26 of free markets; and
- 27 (c) Penalize all forms of anti-competitive agreements, abuse of dominant
28 position and anti-competitive mergers and acquisitions in the PDNGI, with the
29 objective of protecting consumer welfare and advancing domestic and
30 international trade and economic development.

1 All matters involving or suspected by ERC and/or DOE to involve anti-
2 competitive agreements or abuse of market power shall be referred to the PCC for
3 investigation and adjudication. Where the act or acts referred to the PCC are highly
4 technical in nature, the ERC and/or DOE shall assist the PCC in its inquiry and analysis
5 of the facts.

6 *Sec. 14. Powers and Responsibilities of the National Commission on Indigenous*
7 *Peoples (NCIP).* In addition to its functions under RA No. 8371, otherwise known as
8 "The Indigenous Peoples Rights Act of 1997" (IPRA), upon the DOE's endorsement in
9 accordance with the PEP or upon the its certification that the PDNGI project is an
10 energy project of national significance, the NCIP shall exempt such project from the
11 requirements of Section 59, Chapter VIII of the IPRA, in accordance with the
12 guidelines to be issued by the NCIP.

13 **CHAPTER III**
14 **ORGANIZATION, OPERATION, AND REGULATION OF THE DOWNSTREAM**
15 **NATURAL GAS INDUSTRY**

16 *Sec. 15. Organization* – For purposes of this Act, the PDNGI shall consist of the
17 following sectors: supply, storage and regasification, transmission, and distribution of
18 natural gas.

19 The DOE shall lead and initiate Aggregation. The DOE may directly undertake
20 this activity itself or enter into a joint venture, partnership, or other agreement with
21 any other entity, including the private sector, for the proper implementation thereof.
22 It may likewise delegate this function to any of its attached agencies and
23 instrumentalities.

24 In developing and establishing a natural gas Aggregation policy, and in issuing
25 rules and regulations to implement the same, the DOE shall be guided by the principle
26 of economies of scale, including the DOE's mechanisms that enable an Aggregator to
27 implement procurement strategies that will mitigate supply risks for end-users and
28 risks associated with a fragmented natural gas market.

29 *Sec. 16. DOE Permits and Issuances.* – The DOE shall have the power and
30 responsibility to evaluate, approve, and issue the permits necessary for the siting,
31 construction, operation and maintenance, expansion, modification, rehabilitation,

1 decommissioning, and abandonment of any PDNGI Facility or activity. Further, the
2 DOE shall accredit Participants and acknowledge notifications of natural gas
3 importation and exportation. Moreover, permits issued to Permit Holders may vary
4 based on their intended use, such as Own-use Permit or TPA Permit.

5 *Sec. 17. Compliance with Philippine Laws, Rules, and Regulations.* – Permit
6 Holders and Participants shall comply with all Philippine laws, rules, and regulations
7 implemented by the relevant government agencies.

8 *Sec 18. Compliance with Standards.* – The DOE shall ensure that Permit Holders
9 and Participants, products, facilities, services, and systems comply with the standards
10 set by relevant government agencies in terms of quality, design, efficiency, safety,
11 structural integrity, and operation and maintenance. Regulations shall be consistent
12 with applicable Philippine and internationally accepted natural gas industry standards.

13 *Sec. 19. Confidential Information.* – The government shall not use confidential
14 or commercially sensitive information for purposes other than those provided herein
15 and shall protect and limit the disclosure of such confidential or commercially sensitive
16 information, unless allowed by the Permit Holder or Participant, or when required by
17 laws, rules, and regulations.

18 *Sec. 20. Authority to Obtain Information.* – The DOE, ERC, PCC, and other
19 concerned government agencies may require any Permit Holder or Participant,
20 through a valid order to furnish, within a reasonable period specified, all information
21 and documents relating to all matters such as the permit, rates, and operation of the
22 business and PDNGI Facilities, and provide to explanations on the information or
23 documents submitted, subject to Section 19 of this Act. The failure of a Permit Holder
24 or Participant to provide the required information or documents without a valid reason
25 shall be punishable under this Act.

26 *Sec. 21. Natural Gas Supply.* –The procurement, delivery, and pricing of natural
27 gas from indigenous production facilities or from importation to the PDNGI shall be
28 transparent and secure. If necessary, the DOE, subject to Section 19 of this Act, shall
29 require the suppliers to submit relevant information pertaining to supply contracting,
30 procurement, pricing, and distribution scheme to users for the purpose of monitoring.

1 Procurement and utilization of indigenous natural gas, including without
2 limitation, by gas-fired power plants, shall be prioritized over imported natural gas. An
3 Indigenous Natural Gas Supplier shall provide fair access to its natural gas supply in a
4 non-discriminatory and transparent manner through physical supply, administrative or
5 financial contracts, or any other arrangements allowed by the DOE.

6 Power produced from indigenous natural gas shall have priority over other
7 conventional energy sources. Such prioritization shall cover indigenous natural gas
8 power supply contracting, including mechanisms for minimum supply requirements,
9 and optimal guaranteed utilization volumes for plants.

10 The DOE shall establish mechanisms for the optimal and full utilization of
11 indigenous natural gas in the generation, transmission, distribution, and supply of
12 power, subject to standards and limitations consistent with the state's policy of
13 ensuring energy security and consumer welfare. This includes requiring electricity
14 suppliers to source a portion of their energy supply from power plants that use
15 indigenous natural gas and determining the appropriate minimum percentage of the
16 power generation mix that should be supplied by natural gas power plants that use
17 indigenous natural gas.

18 The PDNGI Facilities may be designed and constructed to ensure the
19 accommodation of both indigenous natural gas and/or imported natural gas, pursuant
20 to the standards determined by the DOE. The DOE shall establish measures to support
21 the supply and use of indigenous natural gas in the domestic downstream natural gas
22 sector.

23 *Sec. 22. Decommissioning and Abandonment of Downstream Natural Gas*
24 *Facility.* – No Permit Holder shall abandon or decommission any portion of a PDNGI
25 Facility without obtaining prior written authorization from the DOE and approval by
26 the DOE of an abandonment and decommissioning plan based on Philippine or
27 internationally accepted standards. The DOE shall, in coordination with the DENR,
28 provide the guidelines and regulations for the decommissioning and abandonment of
29 PDNGI Facilities.

1 and not the general public, or if the LNG storage and regasification terminal has a
2 jetty, where the jetty is not used for the transportation of passengers or cargo for
3 general commerce.

4 Sec. 28. *Own-Use*. – The Own-Use Permit Holder shall utilize its entire capacity
5 exclusively for own-use and shall not be allowed to enter into TPA arrangements,
6 unless approved by the DOE.

7 The DOE may allow the use by a third party, if necessary, to address any issue
8 on the availability of LNG supply which may arise.

9 The DOE shall provide the rules and limitations on the participation of Own-
10 Use Permit Holders in TPA arrangements, taking into account energy security and
11 consumer welfare.

12 Sec. 29. *Third-Party Access (TPA)*. – A TPA Permit Holder shall utilize its entire
13 capacity exclusively for TPA and shall not be allowed to utilize any such capacity for
14 own-use, unless approved by the DOE.

15 The DOE may allow a TPA Permit Holder to utilize its capacity for Own-Use, if
16 necessary, to address any issue on the availability of LNG supply which may arise.

17 The DOE shall provide the rules and limitations on the utilization of TPA Permit
18 Holders' Capacity for Own-Use, taking into account energy security and consumer
19 welfare.

20 The TPA Permit Holder shall submit a regular report on the total Capacity,
21 along with all relevant details, to the DOE for monitoring.

22 Sec. 30. *Third-Party Access (TPA) Principles*. – Adherence to the principles of
23 transparency, non-discrimination, and safe practices is the key to the beneficial
24 participation of third-party users. In line with this, the following guiding principles shall
25 be observed:

26 (a) The TPA shall be transparent and non-discriminatory with regard to the
27 rates and services for the purpose of enhancing efficiency and
28 optimization of capacity which shall further encourage investments in the
29 PDNGI;

30 (b) The TPA shall encourage a diverse and sustainable market for natural gas
31 beyond the power sector;

- 1 (c) The TPA shall be anchored on a safe, secure, reliable, and efficient
2 operation for both the Permit Holder and the third-party users; and
- 3 (d) The TPA Permit Holders shall conduct an open and sufficient consultation
4 process with both existing and potential third-party users to discuss the
5 available capacity; and
- 6 (e) The TPA Permit Holders shall publish their available capacity, access terms
7 and conditions, and allow the review and inspection of their facilities and
8 records to verify the same.

9 *Sec. 31. Congestion Management.* – Whenever a TPA Permit Holder is no longer
10 able to use or has not released the capacity without justifiable reason, the TPA Permit
11 Holder of the PDNGI Facility shall have the authority to release and market the same.
12 The procedure and criteria for the release shall be part of the TPA Code. The
13 government agency which shall have an oversight function on this matter shall be
14 designated in the TPA Code.

15 **CHAPTER V**

16 **STANDARDS ON PRODUCT QUALITY, FACILITY, AND SAFETY PRACTICE**

17 *Sec. 32. Standards on Downstream Natural Gas Facilities.* – All PDNGI Facilities
18 shall be required to provide high quality and efficient service, observe stringent safety
19 systems, accord attention to design details and structural integrity, and employ best
20 practices in operation and maintenance. Regulations shall be consistent with both
21 applicable Philippine and internationally accepted natural gas industry standards. The
22 DOE shall ensure compliance with these requirements.

23 Applications for the issuance of DOE permits and continued operation of the
24 PDNGI Facilities shall be subject to continuous compliance with these standards.

25 *Sec. 33. Standards on Product Quality.* – The Permit Holder and Participant
26 shall maintain the quality of natural gas supply to gas buyers in accordance with the
27 Philippine and internationally accepted standards, and ensure that the delivery of
28 natural gas complies with the purification requirements to ensure that associated
29 compounds that are unnecessary or damaging to the PDNGI Facilities are eliminated.
30 The DOE shall ensure compliance with this requirement.

1 books, and records for tax and other fiscal purposes, in accordance with BIR
2 and BOC rules and procedures;

3 (h) Allow the DOE, IA-HSSE IMT, ERC, PCC, and other government agencies,
4 entry to the facility premises and full access to operational records for
5 inspection and monitoring activities, in accordance with the rules and
6 procedures of such government agencies;

7 (i) Give preference to qualified local talents for hiring, and to local companies
8 or agencies in entering into contracts on projects or services which are
9 required in the construction or operation of the PDNGI Facility;

10 (j) Hold the DOE, ERC, IA-HSSE IMT, and other government agencies, their
11 officers, agents, and employees, free and harmless from and against all suits,
12 claims, demands, or actions of any nature or kind, arising out of their acts or
13 omissions in the performance of any activity in connection with the
14 implementation of this Act;

15 (k) Participate in the development, issuance, and review of plans, protocols,
16 standards, and codes applicable to the PDNGI; and

17 (l) Such other responsibilities as mandated by the DOE to ensure the
18 development of the PDNGI.

19 **CHAPTER VII**

20 **INCENTIVES**

21 *Sec. 36. Fiscal Incentives.* – In recognition of the substantial investments
22 needed for the development, construction, lease, operation and/or maintenance of,
23 and conversion to natural gas facilities, all other activities in relation to the PDNGI
24 value chain projects, as certified by the DOE, shall be included in Tier III of the
25 Strategic Investment Priority Plan (SIPP), subject to the incentives provided under
26 Title XIII (Tax Incentives) of the National Internal Revenue Code of 1997 (NIRC),
27 as amended by Republic Act No. 11534, otherwise known as the “Corporate
28 Recovery and Tax Incentives for Enterprises (CREATE) Act”. Moreover, the
29 registered projects shall also be entitled to value-added tax (VAT) and duty
30 exemptions, as provided under Section 294 of the NIRC during the construction and
31 expansion periods.

1 Further, PDNGI projects, as certified by the DOE, shall be entitled to the
2 following incentives:

3 (i) Investments to convert facilities from oil and coal to gas shall be
4 deemed as qualified capital expenditures under Section 294 (C) of the
5 NIRC, as amended;

6 (ii) The purchase and sale of indigenous natural gas, aggregated gas, and
7 power generated by generation facilities using indigenous natural gas
8 and aggregated gas shall be exempt from VAT: *Provided*, That the
9 exemption from VAT for aggregated gas is only to the extent of the
10 amount of indigenous natural gas attributed to be in the aggregated
11 gas. This includes the (a) purchase and sale of indigenous natural gas
12 and aggregated gas by an aggregator, reseller, supplier, person
13 authorized by the ERC to operate facilities used in the generation of
14 electricity, or end-user, and (b) purchase and sale of electricity or
15 ancillary services produced by a generation facility using indigenous
16 natural gas and/or aggregated gas by a person authorized to (i) operate
17 facilities used in the generation of electricity or ancillary services, (ii)
18 sell, broker, market or aggregate electricity to end-users, (iii)
19 consolidate electric power demand of end-users for the purpose of
20 purchasing and reselling electricity on a group basis, (iv) engage in the
21 distribution of electricity, or (v) procure or provide ancillary services.
22 These shall include all modes of purchase and sale, whether through a
23 supply agreement, a duly-authorized market such as, but not limited
24 to, the Wholesale Electricity Spot Market or the ancillary reserves
25 market, financial gas contracts, NGSPA, or other mode.

26 (iii) PDNGI Facilities shall be entitled to zero-rated VAT on their purchases
27 of local supply of goods, properties and services needed for the
28 development, construction and installation of their facilities.

1 **CHAPTER VIII**

2 **PROMOTION OF COMPETITION**

3 *Sec. 37. Anti-Competitive Behavior.* – No Permit Holder or Participant, or any
4 affiliate thereof, may engage in any anti-competitive behavior or abuse of its dominant
5 position in accordance with the PCA.

6 *Sec. 38. Fair Access to Capital and Off-Taker Market.* – The DOE shall issue
7 applicable policies that promote the financial viability of the PDNGI and ensure
8 competitive access to both capital and off-taker markets for natural gas.

9 **CHAPTER IX**

10 **FINES AND PENALTIES**

11 *Sec. 39. Administrative Fines and Penalties.* – The following administrative fines
12 and penalties shall be imposed on any Permit Holder or Participant who violates the
13 provisions of this Act:

14 (a) The permit, accreditation, or other approvals issued by the DOE under
15 Section 16 of this Act, may be suspended or revoked, and the DOE shall
16 impose upon the Permit Holder or Participant a fine ranging from Fifty
17 Thousand Pesos (Php50,000.00) to Five Million Pesos (Php5,000,000.00)
18 per violation, without prejudice to other appropriate administrative fines
19 and penalties that other relevant government agencies may impose on the
20 Permit Holder or Participant: *Provided*, That the schedule of fines provided
21 for in this Section shall be increased by the DOE every five (5) years, for
22 violations of:

23 (i) Standards on PDNGI Facilities issued pursuant to Section 32;

24 (ii) Standards on product quality issued pursuant to Section 33;

25 (iii) Standards on safety practices issued pursuant to Section 34;

26 (iv) Responsibilities of the Permit Holder and Participant pursuant to Section
27 35;

28 (v) PDNG Transmission Code, PDNG Distribution Code, PLSR Terminal Code,
29 and TPA Code; and

30 (vi) Orders or directives of the DOE in the implementation of this Act.

1 (b) The applicable administrative penalty for Section 37 shall be pursuant to the
2 PCA.

3 Sec. 40. *Criminal Fines and Penalties.* – Appropriate fines and penalties under
4 existing penal laws shall apply to any criminal violation associated with the
5 implementation of this Act.

6 **CHAPTER X**
7 **TRANSITORY PROVISIONS**

8 Sec. 41. *Existing Systems.* – PDNGI Facilities that have been constructed prior
9 to the effectivity of this Act shall continue to be operated under their existing permits
10 and shall comply with additional requirements as may be applicable.

11 Suppliers who have entered into an NGSPA and have delivered natural gas prior
12 to the effectivity of this Act shall continue to operate under the said contracts, subject
13 to compliance with the additional requirements in this Act.

14 All Permit Holders and Participants shall comply with the provisions of this Act
15 within two (2) years from the effectivity of the IRR of this Act: *Provided*, That health,
16 safety, security, environmental, construction, operation, and other permits, licenses,
17 certificates, and authorizations issued prior to the effectivity of this Act that are not
18 inconsistent herewith shall remain valid.

19 PDNG Transmission Systems and PDNG Distribution Systems existing at the
20 time of the effectivity of this Act shall be allowed to continue pursuant to the terms
21 and conditions indicated in their franchise and until the lapse of the period accorded
22 to them in the franchise.

23 Sec. 42. *Pending Application.* – All applications for any activity in the PDNGI
24 pending before the DOE upon the effectivity hereof shall be covered by this Act.

25 **CHAPTER XI**
26 **FINAL PROVISIONS**

27 Sec. 43. *Assignment or Transfer of Permit.* – Assignment or transfer of the
28 permit or change of operatorship shall be allowed only upon prior written approval by
29 the DOE based on acceptable reasons and compliance by the existing Permit Holder,
30 the assumption by the assignee of all obligations of the existing Permit Holder, and

1 upon meeting the minimum legal, technical, and financial qualifications by the
2 assignee.

3 The DOE may require Permit Holders to notify the DOE of any change in control
4 or transfer of shares exceeding a specified threshold.

5 Sec. 44. *Amicable Settlement.* – All parties shall make their best efforts to
6 amicably settle any dispute arising from the performance or interpretation of any
7 provision of this Act.

8 Sec. 45. *Congressional Oversight.* – The Joint Congressional Energy
9 Commission (JCEC) shall exercise oversight powers over the implementation of this
10 Act. The DOE, ERC, and other relevant government agencies shall submit annual
11 reports to the JCEC no later than the fifteenth day of September each year, which
12 shall include the latest relevant data, implementation reviews and reports, and policy
13 and regulatory issues.

14 Sec. 46. *Appropriations.* – The amount necessary for the implementation of this
15 Act shall be included in the annual General Appropriations Act.

16 Sec. 47. *Implementing Rules and Regulations.* – The DOE shall promulgate the
17 rules and regulations for the effective implementation of this Act within six (6) months
18 after the effectivity of this Act.

19 Sec. 48. *Separability Clause.* – If, for any reason, any provision of this Act is
20 declared unconstitutional or invalid, the other parts or provisions hereof, which are
21 not affected thereby, shall continue to be in full force and effect.

22 Sec. 49. *Repealing Clause.* – Any law, presidential decree or issuance, executive
23 order, letter of instruction, rule or regulation inconsistent with the provisions of this
24 Act is hereby repealed or modified accordingly.

25 Sec. 50. *Effectivity.* – This Act shall take effect fifteen (15) days after its
26 publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,