



Republic of the Philippines

DEPARTMENT OF ENERGY

Rules and Regulations Implementing Republic Act No. 8180, "An Act Deregulating the Downstream Oil Industry and for Other Purposes"

Pursuant to Chapter IV, Section 19 of Republic Act No. (RA) 8180, *An Act Deregulating the Downstream Oil Industry*, the Department of Energy, in coordination with the Energy Regulatory Board, Department of Environment and Natural Resources, Department of Labor and Employment, Department of Health, Department of Finance, Department of Trade and Industry and the National Economic Development Authority, hereby issues, adopts and promulgates the following rules and regulations to govern the activities in the downstream oil industry.

RULE I - GENERAL PROVISIONS

SECTION 1. Title.

These rules shall be known and cited as the "Implementing Rules and Regulations (IRR) of the Downstream Oil Industry Deregulation Act of 1996."

SECTION 2. Coverage.

These rules shall apply to all persons or entities engaged in any or all activities of the domestic downstream oil industry, which shall include the activity of blending, recycling, processing and/or re-processing of petroleum and other crude oil products as well as persons or companies directly importing refined petroleum products for their own use or requirement.

SECTION 3. Definition of Terms.

The terms used in this IRR shall have the following respective meanings:

- a. *Act* refers to Republic Act 8180.
- b. *Automatic Oil Price Mechanism* refers to the process adopted by the Energy Regulatory Board first after full public hearings and subsequently without need of such hearings, to automatically adjust the wholesale posted price of petroleum products based on Singapore Posting and other factors and costs resulting in the formula to be adopted by the Board.
- c. *Basel Convention* refers to the international accord which governs the trade or movement of hazardous and toxic waste across borders.
- d. *Board* refers to the Energy Regulatory Board.
- e. *BPS* refers to the Bureau of Product Standards.
- f. *Bureau* refers to the Energy Industry Administration Bureau of the Department of Energy.
- g. *Crude Oil* refers to the oil on its natural state before the same has been refined or otherwise treated, but excluding water, bottom sediments and foreign substances.
- h. *Dealer* refers to any person that is engaged or intends to engage in the retail of petroleum products.
- i. *DENR* refers to the Department of Environment and Natural Resources.
- j. *DOE* refers to the Department of Energy.
- k. *Downstream Oil Industry* refers to the business of importing, exporting, re-exporting, shipping, transporting, processing, refining, storing, distributing, marketing, and/or selling, crude oil, gasoline, diesel, liquefied petroleum gas (LPG), kerosene, and other petroleum and crude oil products.
- l. *EMB* refers to the Environmental Management Bureau of the DENR.
- m. Unless the context otherwise indicates, *Importer* refers to any person engaged in the importation of petroleum products, whether for marketing or own use.
- n. *IRR* refers to these rules and regulations implementing RA 8180.

- (2) *Not later than ten (10) working days after unloading of every importation:* Import Entry Declaration/Manifest and Release Certificate issued by the Bureau of Customs (BOC) and Certificate of Quality issued by the supplier for the actual shipment.

c. Exportations.

Any person or entity who shall engage in exportation of crude oil and petroleum products shall submit the following to the Bureau, *not later than five (5) working days after the exportation:* name and address of exporter and consignee; crude/product shipment details, guaranteed specifications, cost and vessel particulars. A copy of the Export Manifest and Release Certificate shall likewise be submitted.

d. Bunkering From Freeports and Special Economic Zones.

Any person or entity who shall engage in bunkering of international vessels in Philippine waters, bunkering of aircraft for domestic service and liftings from Customs Bonded Warehouses located outside the source freeports/special economic zones, but which shall be eventually used for international bunkering shall report the following to the Bureau, *not later than five (5) working days after bunkering:* the details of such bunkering activity and copy of bunkering permit from Bureau of Customs (BOC) for specific vessels.

e. Chartering of Foreign Vessel.

Any person who shall use, charter or utilize a foreign-owned petroleum product tanker/vessel from an international source for domestic use in the Philippines as approved by the Maritime Industry Authority (MARINA), shall report the following to the Bureau *not later than five (5) working days after the actual date of commissioning/utilization of the tanker/vessel:* name and capacity of vessel, number of compartments, cargo segregation, draft and year built.

f. Inventory

All refiners and importers, except those importing for their own use or requirement, shall submit to the Bureau monthly reports of their actual and projected importations, local purchases, actual and projected sales (local, international and exports) and/or consumption on a per crude and/or product basis, in the format to be prescribed for this purpose. Submissions are *due on the fifteenth (15th) day of the following month.*

SECTION 9. Tariff.

Pursuant to Section 5(b) of RA 8180, tariff duty shall be imposed and collected on imported crude oil at the rate of three percent (3%) and imported refined petroleum products at the rate of seven percent (7%), except fuel oil and LPG, the rate for which shall be the same as that for imported crude oil: *Provided*, That beginning on January 1, 2004 the tariff rate on imported crude oil and refined petroleum products shall be the same: *Provided, further*, That this provision may be amended only by an Act of Congress.

NPC Exemption.

Pursuant to Section 5 (c) of RA 8180, for as long as the National Power Corporation (NPC) enjoys exemptions from taxes and duties on petroleum products used for power generation, the exemption shall apply to purchases through the local refineries and to the importation of fuel oil

- (v) Maximum design and actual capacities for crude and product storage, oil movements facilities (docking, berthing, and loading), as well as process units capacities.

- (2) Storing (transshipment)
 - (i) Exact location of the storage site;
 - (ii) Plot plan (location of various facilities for the storage);
 - (iii) Maximum design and actual capacities of crude and product storage oil movements facilities (docking, berthing, and loading).
- (3) Distribution/Operation of Petroleum Carriers (Pipeline, Tankers, Barges, Tanktrucks)
 - (i) For tankers and barges: details and particulars of the vessel
 - (ii) For pipelines: location and description; product service; and capacity/pumping rate
 - (iii) For tank trucks: number of units and corresponding capacities; and Calibration Certificate
- (4) Gasoline Stations
 - (i) Approved-type dispensing pumps;
 - (ii) Approved-type underground storage tanks either for gasoline, kerosene and/or diesel;
 - (iii) Fire extinguisher consistent with the requirement of local government;
 - (iv) Calibrating bucket;
 - (v) Price display boards; and
 - (vi) Oil-water separator with corresponding clearance from the DENR for those offering car care services such as washing, change oil and other similar car care services.
- (5) LPG Refilling Plant
 - (i) Approved-type filling equipment and facilities such as weighing devices duly inspected, sealed and regularly calibrated,
 - (ii) Adequate storage and fixed facilities
 - (iii) Qualified LPG servicemen
 - (iv) Duly licensed personnel
- (6) Bunkering From Freeports and Special Economic Zones
 - (i) Copy of the delivery receipt signed by both the transporter and end-user vessels' official/master/chief mate, and representatives of the BOC and Philippine Ports Authority

b. Inspection and Audit of Facilities.

The Bureau shall conduct periodic inspection and audit at various points of the business, such as but not limited to refineries, manufacturing and storage plants, handling, marketing, and distribution facilities, as well as terminals, tankers, barges, pipeline, and tank trucks, or in coordination with the appropriate government agencies. Such facilities shall conform to the government standards, or in its absence, internationally accepted standards for the downstream oil industry.

c. Safety.

To ensure safety of end-users and the buying public in general, all persons and engaged in the downstream oil industry shall comply with the following:

- (1) All persons and entities engaged in the downstream oil industry, including selling of gasolines and any petroleum and petroleum-based products, shall use only facilities, and equipment that comply with the specification, design, fabrication, inspection, marking and requalification provision of the safety codes set and observed in the industry.
- (2) All other matters affecting the safe and proper handling, transport, storage, installation and use of equipment and facilities used in the downstream oil industry shall be governed by the pertinent provisions of the different international safety codes now observed and adopted in the industry
- (3) All installations for the filling, use and storage of petroleum products including gasoline and LPG as well its containers and their necessary appurtenances shall conform to local zoning ordinances and regulations.
- (4) Any person undertaking the initial installation of an LPG system shall be responsible for providing his customer with adequate instructions for the proper and safe

- ergy.
- g. *Crude Oil* refers to the oil on its natural state before the same has been refined or otherwise treated, but excluding water, bottom sediments and foreign substances.
- h. *Dealer* refers to any person that is engaged or intends to engage in the retail of petroleum products.
- i. *DENR* refers to the Department of Environment and Natural Resources.
- j. *DOE* refers to the Department of Energy.
- k. *Downstream Oil Industry* refers to the business of importing, exporting, re-exporting, shipping, transporting, processing, refining, storing, distributing, marketing, and/or selling, crude oil, gasoline, diesel, liquefied petroleum gas (LPG), kerosene, and other petroleum and crude oil products.
- l. *EMB* refers to the Environmental Management Bureau of the DENR.
- m. Unless the context otherwise indicates, *Importer* refers to any person engaged in the importation of petroleum products, whether for marketing or own use.
- n. *IRR* refers to these rules and regulations implementing RA 8180.
- o. *Liquefied Petroleum Gas (LPG)* means commercial propane gas or commercial butane gas or a mixture of the two gases, with properties conforming to the specifications set by the BPS.
- p. *LPG cylinder* refers to any portable pressure-vessel or container for LPG, conforming to the specifications set by the BPS.
- q. *Marketer* refers to any person engaged in the sale of petroleum products, whether in bulk or retail.
- r. *Minimum Inventory* refers to the lowest level of inventory of crude oil and petroleum products that shall be maintained by refiners and importers at any given time, as prescribed under this IRR.
- s. *OPSF* refers to the Oil Prize Stabilization Fund established under Presidential Decree No. 1956, as amended.
- t. *Person* refers to any person, whether natural or juridical, that is engaged or intends to engage in the downstream oil industry.
- u. *Petroleum* refers to a naturally occurring mixture of compounds of hydrogen and carbon with a small proportion of impurities and shall include any mineral oil, petroleum gas, hydrogen gas, bitumen, asphalt, mineral wax, and all other similar or naturally associated substances; with the exception of coal, peat, bituminous shale, and/or other stratified mineral fuel deposits.
- v. *Petroleum Products* refers to products formed in the course of refining crude petroleum through distillation, cracking, solvent refining and chemical treatment coming out as primary stocks from the refinery such as but not limited to, liquefied petroleum gas (LPG), naphtha, gasolines, solvent, kerosenes, aviation fuels, diesel oils, fuel oils, waxes and petrolatums, asphalts, bitumens, coke and refinery sludges, or such refinery petroleum fractions which have not undergone any process or treatment as to produce separate chemically defined compounds in a pure or commercially pure state, and to which various substances may have been added to render them suitable for particular uses: *Provided*, that the resultant product contains not less than 50% by weight of such petroleum products.
- w. *PNS* refers to the Philippine National Standards.
- x. *Qualified serviceman* refers to an individual who has been trained, qualified and certified by the Philippine Liquefied Petroleum Gas Association (PLPGA) or to an individual who has successfully completed an approved training course for LPG servicemen in a training school duly recognized and accredited by the Philippine government.
- y. *Refilling Plant* refers to installations that have LPG bulk storage and filling/refilling facilities for bottling LPG.
- z. *Refiller* refers to an LPG marketer who buys LPG in bulk from bulk suppliers, refills LPG into cylinders under his own brand name or that of other LPG marketers, and sells the same, whether in bulk or retail to his customers.
- aa. *Refiner* refers to any person which locally refines through distillation, conversion and treatment of crude oil and other naturally occurring petroleum hydrocarbons.
- bb. *Singapore Import Parity (SIP)* refers to the deemed landed cost of a petroleum product imported from Singapore at a free-on-board price equal to the average Singapore Posting for that product at the time of loading.
- cc. *Singapore Posting* shall refer to the price of petroleum products periodically posted by oil refineries in Singapore and reported by independent International publications.
- dd. *Wholesale Posted Price (WPP)* shall refer to the ceiling price of petroleum products set by the Board based on a formula using the Singapore Posting.

SECTION 4. *Phases of Deregulation.*

Pursuant to Section 11 of RA 8180, the deregulation shall be done in two phases: Phase I (Transition Phase) and Phase II (Full Deregulation Phase).

RULE II — LIBERALIZATION OF DOWNSTREAM OIL INDUSTRY AND TARIFF TREATMENT

SECTION 5. *Liberalization of Downstream Oil Industry.*

Any person or entity may import or purchase any quantity of crude oil and petroleum products from foreign or domestic source, lease or own and operate refineries and other downstream facilities and market such crude and petroleum products either in generic name or its own

name. All persons and entities engaged in the downstream oil industry, including setting of gasolines and any petroleum and petroleum-based products, shall use only facilities, and equipment that comply with the specification, design, fabrication, inspection, marking and requalification provision of the safety codes set and observed in the industry.

SECTION 9. *Tariff.*

Pursuant to Section 5(b) of RA 8180, tariff duty shall be imposed and collected on imported crude oil at the rate of three percent (3%) and imported refined petroleum products at the rate of seven percent (7%), except fuel oil and LPG, the rate for which shall be the same as that for imported crude oil: *Provided*, That beginning on January 1, 2004 the tariff rate on imported crude oil and refined petroleum products shall be the same: *Provided, further*, That this provision may be amended only by an Act of Congress.

NPC Exemption.

Pursuant to Section 5 (c) of RA 8180, for as long as the National Power Corporation (NPC) enjoys exemptions from taxes and duties on petroleum products used for power generation, the exemption shall apply to purchases through the local refineries and to the importation of fuel oil and diesel.

RULE III — SECURITY OF SUPPLY AND FAIR TRADE PRACTICES

SECTION 10. *Security of Supply*

All refiners and importers of crude oil and petroleum products shall maintain a minimum inventory equivalent to ten percent (10%) of their respective annual sales volume or forty (40) days of supply, whichever is lower. For this purpose, the 40-day supply inventory shall consist of twenty (20) days of supply of crude oil and twenty (20) days of supply of refined petroleum products, or forty (40) days of total crude and product supply.

a. *Minimum Inventory Composition.*

The minimum inventory shall consist of total stocks i.e., in stock, onshore and/or enroute to other stockpoints in the country, and importations in-transit to the country. For practical reasons, in the case of importers exclusively engaged in the LPG trade or business requiring specialized facilities for storage, handling and distribution, and whose operation necessitate immediate turnover of the product, bulk supply in-transit to its customers shall be deemed part of its inventory.

b. *Minimum Inventory Determination.*

The volume of the minimum inventory shall be based on the actual sales for the preceding year of each refiner and importer. Towards this end, the Bureau shall, upon consultation with refiners and importers, set their respective minimum inventory requirements within one month from the effectivity of this IRR, and every January 31 thereafter. In the case of new importers and refiners, the minimum inventory shall be based on their sales projection for the year.

c. *Contingency Plan.*

In cases of eminent supply disruptions, the DOE shall adopt contingency measures pursuant to Section 12 (c)(2) of RA 7638.

SECTION 11. *Promotion of Fair Trade Practices.*

To promote fair trade and to prevent cartelization and monopolies and combinations in restraint of trade and any unfair competition, no person complying with the requirements as provided in this IRR shall be discriminated against the operation of any business in the downstream oil industry.

Joint Industry Activities.

To serve the public interests, achieve efficiency and cost reduction, ensure continuous supply of petroleum products, or enhance environmental protection, the Bureau shall continue to encourage joint industry activities, which may include borrow-and-loan-agreements, rationalized, depot operations, hospitality agreements, joint tanker and pipeline utilization, and joint actions on oil spill control and fire prevention.

RULE IV — MONITORING

SECTION 12. *Prices.*

The DOE shall monitor international and domestic oil prices pursuant to Section 8 of RA 8180.

a. *Price Publication.*

To enable the public to determine whether current market oil prices are reasonable, the DOE shall monitor and publish daily international oil prices.

b. *Price Display Boards.*

For the convenience of the public, all retailers of petroleum products shall display the prices of each type of petroleum product sold in gasoline stations in prominently installed price display boards with backgrounds conforming to the color coding scheme for the product, such as: green for Unleaded Premium Gasoline, red for Premium Low Lead Gasoline, orange for Regular Gasoline, yellow for Diesel Fuel, and white for Kerosene. In the case of LPG (which has no product color), the price display board shall be light blue in color. The numeric entries in these boards shall be at least six (6) inches in height

- (1) All persons and entities engaged in the downstream oil industry, including setting of gasolines and any petroleum and petroleum-based products, shall use only facilities, and equipment that comply with the specification, design, fabrication, inspection, marking and requalification provision of the safety codes set and observed in the industry.
- (2) All other matters affecting the safe and proper handling, transport, storage, installation and use of equipment and facilities used in the downstream oil industry shall be governed by the pertinent provisions of the different international safety codes now observed and adopted in the industry
- (3) All installations for the filling, use and storage of petroleum products including gasoline and LPG as well its containers and their necessary appurtenances shall conform to local zoning ordinances and regulations.
- (4) Any person undertaking the initial installation of an LPG system shall be responsible for providing his customer with adequate instructions for the proper and safe handling, use and maintenance of the system installed. All installations of LPG systems shall be done only by Qualified Servicemen.
- (5) All LPG brand owners shall keep their own cylinders in safe, clean and serviceable condition and shall maintain them in a manner consistent with the provisions of the safety codes adopted in the industry.
- (6) All persons or entities engaged in the sale and distribution of petroleum products including LPG shall provide free inspection and technical assistance to their customers, retail outlets and dealers, as the case may be, to ensure conformity to safety standards in accordance with the provisions of this IRR and shall respond to all emergency calls affecting safety at any time.
- (7) To ensure safety of consumers, all LPG marketers are enjoined to procure only brand new cylinders from duly licensed cylinder manufacturers with their brand name clearly embossed on the cylinder body and shall conform with the provisions of the Philippine National Standards ("Specification for Steel Cylinders for LPG"). All cylinders shall be pre-qualified ten (10) years from the date of manufacture and every five (5) years thereafter.
- (8) All LPG marketers shall have appropriate provisions for the safe handling of all cylinders in circulation.
- (9) Imported cylinders that are without the prescribed safety and engineering standard markings must be requalified prior to being put in circulation, and every five (5) years thereafter.
- (10) Vehicles used in transporting LPG cylinders shall have substantially flat floors and equipped with suitable racks for holding the cylinders which shall be securely fastened in a position that shall minimize the possibility of movement and tipping over, which might cause danger to life and property.
- (11) All brand owners who sell LPG in bulk or retail shall carry a product liability insurance to answer for whatever damage or liability that may result from the unsafe condition of LPG tanks, installation and equipment.
- (12) All cylinders offered for sale to the public shall be filled only at the authorized filling and refilling plants.
- (13) All unsafe or dilapidated empty cylinders shall be set aside for requalification, repair, cleaning, painting prior to having such cylinders refilled.
- (14) All LPG refillers shall test-weigh and leak test every cylinder before each one leaves the refilling plant premises.

d. *Data on Facilities.*

Any person who shall engage in any activity or business in the downstream oil industry shall provide the Bureau with annual updates of information on the facilities used in the operation, including the capacities and working/operating conditions of such facilities. Pertinent permits for any or all new/additional/renovated/refurbished facilities and its respective operation shall be submitted to the Bureau prior to commissioning. Decommissioning or non-operation of facilities, and the reasons for such, have to be reported to the Bureau within five (5) working days from stoppage of operation.

RULE V — PROHIBITED ACTS

SECTION 15. *Prohibited Acts.*

Any person found to have violated any of the prohibited acts namely, cartelization and predatory pricing, as defined under Section 9 of RA 8180, shall suffer the criminal and administrative penalties so provided therein.

Likewise, any person found to have violated the other prohibited acts, defined under Section 10 of the said Act as failure to comply with any of the following: 1) submission of any reportorial requirements, 2) maintenance of the minimum inventory; and 3) use of clean and safe (environment and worker-benign) technologies, shall suffer the criminal and administrative penalties so provided therein, without prejudice to the administrative fine that may be imposed pursuant to Section 20 of the said Act.

RULE VI — PHASE I: THE TRANSITION

SECTION 16. *OPSF/Buffer Fund.*

Pursuant to Section 12 of RA 8180, upon the effectivity of the Act, and prior to Phase 1, the

RULE II — LIBERALIZATION OF DOWNSTREAM OIL INDUSTRY AND TARIFF TREATMENT

SECTION 5. *Liberalization of Downstream Oil Industry.*

Any person or entity may import or purchase any quantity of crude oil and petroleum products from foreign or domestic source, lease or own and operate refineries and other downstream oil facilities and market such crude and petroleum products either in generic name or its own trade name, or use the same for his own requirement.

SECTION 6. *Notice Prior to Engagement in any Activity or Business in the Downstream Oil Industry.*

Any person who intends to engage in the business of importing, exporting, refining, processing, manufacturing, shipping, transporting, transshipping, and marketing of crude oil, gasoline, diesel, liquefied petroleum gas (LPG), kerosene, and other petroleum and crude oil products, and in any similar activities, shall file a notice with the Bureau prior to initial engagement in the proposed activity or business. The notice shall be accompanied by the project or business plan and list of facilities to support the activity and business permits such as Mayor's permit, building permit if applicable, locational/zoning Clearance and other local government permits/clearances.

Persons or entities already legally engaged in any activity in the downstream oil industry upon the effectivity of this IRR are deemed to have complied with this notice requirement. All notice requirements prescribed herein shall be made by the owner/operator.

Procedure.

All notices shall be made in writing, addressed to the Bureau, containing such information as business name and address, the scope of operation/activity and proof of the availability of facilities to support the proposed business. Such person or entity shall be subject to the reportorial requirements provided in Section 8 of this IRR.

SECTION 7. *Notice Prior to Every Importation.*

For effective monitoring, and to ensure conformance to the Basel Convention, any person who shall import crude oil and/or petroleum products from foreign countries, freeports and economic zones, whether for trade or for his own use or requirement shall file a notice with the Bureau prior to actual loading of every importation, indicating therein the type and quantity of cargo to be imported, the estimated date of loading and arrival and the port of discharge.

In the case of importations of slop/used/waste oils, sludges and similar petroleum products/oil-products, such notice shall be accompanied by a clearance from the EMB/DENR pursuant to RA 6969, otherwise known as "Toxic Substances, Hazardous and Nuclear Wastes Control Act of 1990," in accordance with the Basel Convention.

SECTION 8. *Reportorial Requirements.*

Any person who is engaged or intends to engage in any activity or business in the downstream oil industry shall submit the following reportorial requirements to the Bureau:

a. *Prior to Operation in Proposed Business or Activity.*

Any person intending to engage in any business/activity in the downstream oil industry shall submit authenticated copies of the following documents and permits to the Bureau:

- (1) Fire Safety Inspection Certificate of the facilities;
- (2) Permits on the suitability of facilities for the proposed operation (Certificate of conformance of facilities to national or accepted international standards on health, safety and environment);
- (3) Product Liability Insurance Certificate or Product Certificate of Quality;
- (4) Environmental Compliance Certificate issued by EMB, whenever applicable.

b. *Importations.*

To ensure proper representation of the importation and to ascertain the quality of imported crude oil, petroleum products and petroleum-based products, the importer shall submit to the Bureau the following documents:

- (1) **Not later than one (1) working day prior to loading of every importation:** crude/product shipment details, guaranteed specifications, cost and vessel particulars.

b. *Price Display Boards.*

For the convenience of the public, all retailers of petroleum products shall display the prices of each type of petroleum product sold in gasoline stations in prominently installed price display boards with backgrounds conforming to the color coding scheme for the product, such as: green for Unleaded Premium Gasoline, red for Premium Low Lead Gasoline, orange for Regular Gasoline, yellow for Diesel Fuel, and white for Kerosene. In the case of LPG (which has no product color), the price display board shall be light blue in color. The numeric entries in these boards shall be at least six (6) inches in height and colored in black.

The price display boards shall be installed within a reasonable period of time after the effectivity of this IRR, but not later than March 1997. The Bureau shall regularly monitor the industry's compliance with this requirement.

c. *DOE-DOJ Task Force.*

Any report from any person of an unreasonable rise in the prices of petroleum products shall be immediately acted upon by the Department of Energy (DOE)-Department of Justice (DOJ) Task Force. The said Task Force shall determine the merits of the report and shall initiate the necessary actions warranted under the circumstances.

SECTION 13. *Product Quality and Quantity.*

The Bureau shall monitor the quality of petroleum products, including adulteration and other forms of product misrepresentation, and stop the operation of businesses involved in the sale of petroleum products which do not comply with the existing national standards of quality and such other standards of product quality aligned with international standards/protocol of quality, which the BPS may set in coordination with the DOE.

Misrepresentation of the quantity of petroleum products such as underdelivery and shortselling, including underfilling of LPG, dispensed at the outlets shall be subject to the penalties provided under Batas Pambansa Bilang 33, as amended.

a. *Color Coding.*

Products sold on retail shall conform to the color coding scheme prescribed under Section 12 (b) hereof. The required marker dyes for certain petroleum products shall likewise be enforced to all marketers.

b. *Sampling and Testing of Product.*

To ascertain and ensure conformance to national standards of quality, the Bureau may conduct spot and periodic sampling and testing of petroleum products at various points of the business.

Sample Testing Fees. All fees and charges to be encountered during the testing of petroleum product samples shall be borne by the refiners/importers/bulk marketers except in cases of product complaints from the public against such entities, whereby the corresponding testing fee for the product shall be borne by the Bureau.

c. *Calibration.*

Periodic calibration of dispensing pumps, tank trucks storage tanks and weighing scales shall be done in accordance with existing government standards, the records of which shall be made available upon the Bureau's inspection and validation.

SECTION 14. *Refining, Manufacturing and Marketing Processes.*

The Bureau shall monitor the local refining and manufacturing processes and the process of marketing local and imported petroleum products to ensure that clean and safe (environment and worker-benign) technologies are applied.

a. *Conformance to Standards and Facilities.*

The refiners and marketers shall operate using processes and facilities conforming to national standards and/or internationally-accepted standards for the oil industry. The following documents shall be submitted upon actual start of operation, and to be updated annually:

- (1) Refining, Processing, including Recycling and Blending
 - (i) Exact location of the refinery/plant;
 - (ii) Plot plan (location of various equipment and facilities for the refinery/plant);
 - (iii) Process configuration and description;
 - (iv) Material balance and product yield;

ment and worker-benign) technologies, shall suffer the criminal and administrative penalties so provided therein, without prejudice to the administrative fine that may be imposed pursuant to Section 20 of the said Act.

RULE VI — PHASE I: THE TRANSITION

SECTION 16. *OPSF/Buffer Fund.*

Pursuant to Section 12 of RA 8180, upon the effectivity of the Act, and prior to Phase 1, the DOE shall seek the condonation of all outstanding claims against the OPSF; *Provided, however,* That it shall keep or provide a buffer fund for One billion pesos (P1,000,000,000) therein.

SECTION 17. *OPSF Coverage.*

All persons or entities engaged in the business of importing, manufacturing and/or marketing of petroleum products, including persons or companies that will directly import refined petroleum products for their own use, shall comply with the existing government regulations governing the OPSF.

Amounts beyond the P0.50 per liter cap increase allowed under the Act to be reflected in the domestic prices may be claimed by all importers and refiners from the OPSF buffer fund. However, claims by importers who are non-refiners resulting from negative imposts on sales are limited to the extent of their respective contribution to the OPSF.

SECTION 18. *Automatic Oil Pricing Mechanism.*

Upon the effectivity of the automatic oil price formula to be established by the Board pursuant to Section 14 of RA 8180, the maximum domestic prices shall be based on such formula.

RULE VII — PHASE II: FULL DEREGULATION

SECTION 19. *Implementation of Full Deregulation.*

The DOE shall, upon approval of the President, implement the full deregulation of the downstream oil industry **not later than March, 1997.** Upon the implementation of full deregulation, the transition phase shall be deemed terminated.

SECTION 20. *OPSF and Foreign Exchange Forward Cover.*

Upon full deregulation the OPSF mechanism shall be terminated, including the extension of forward cover for foreign exchange. All outstanding claims during the transition phase against the OPSF shall be settled out of the One billion peso (P1,000,000,000) fund and the balance, if any, shall be transferred to the General Fund.

RULE VIII — FINAL PROVISIONS

SECTION 21. *Administrative Fine.*

The DOE shall, after due notice and hearing, impose a fine in the amount of not less than One hundred thousand pesos (P100,000), but not more than One million peso (P1,000,000) upon any person or entity who violates any of its reportorial and minimum inventory requirements provided in this IRR, without prejudice to criminal sanctions.

The Secretary of the DOE may recommend to the proper government agency the suspension or revocation and termination of the business permit of the offender concerned.

SECTION 22. *Public Information Campaign.*

The DOE, in coordination with the Board and the Philippine Information Agency, shall undertake an information campaign to educate the public on the deregulation program of the downstream oil industry.

SECTION 23. *Effectivity.*

This IRR and any amendment thereof shall take effect fifteen (15) days after its complete publication in at least two (2) newspapers of general circulation.


FRANCISCO L. VIRAY
Secretary

Fort Bonifacio, Metro Manila, May 31, 1996.