



**NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)**

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**SENATE
P.S. RES. No. 255**

RECEIVED BY:

Introduced by Senator WIN GATCHALIAN

A RESOLUTION DIRECTING THE APPROPRIATE SENATE COMMITTEE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON UNLOCKING THE OIL AND GAS POTENTIAL IN THE WEST PHILIPPINE SEA TOWARDS IMPROVING EXPLORATION, DEVELOPMENT, AND UTILIZATION WITH THE END IN VIEW OF ACHIEVING ENERGY SECURITY AND SELF-SUFFICIENCY

1 WHEREAS, Presidential Decree No. 87 (PD 87), otherwise known as the Oil and
2 Exploration and Development Act of 1972, provides the framework and incentives for
3 the exploration, exploitation, and development of the country's oil and gas reserves
4 and declares as policy of the States to hasten the discovery and production of
5 indigenous petroleum through the utilization of government and private resources;¹

6 WHEREAS, on 22 January 2013, the Republic of the Philippine instituted arbitral
7 proceedings against the People's Republic of China before the Permanent Court of
8 Arbitration concerning the role of historic rights and the source of maritime
9 entitlements in the South China Sea, among others. The final award was issued on 12
10 July 2016 where the Tribunal found that there was no legal basis for China's nine-
11 dash line claim to historic rights in the South China Sea, among others;²

12 WHEREAS, there are five (5) Petroleum Service Contracts directly affected by
13 the South China Sea/West Philippine Sea territorial dispute specifically Service
14 Contract 54 held by Nido Petroleum Phils, Pty Ltd. in Offshore Northwest Palawan,
15 Service Contract 58 held by Nido Petroleum Phils. Pty Ltd. in West Calamian or

¹ Section 2, PD 87. (1972)

² PCA Case No. 2013-19 In the Matter of the South China Sea Arbitration before an Arbitral Tribunal Constituted Under Annex VII to the 1982 United Nations Convention on the Law of the Sea between The Republic of the Philippines and the People's Republic of China. Award. 12 July 2016.

1 Northwest Palawan, Service Contract 59 held by Philippine National Oil Company-
2 Exploration Corporation in Southwest Palawan, Service Contract 72 held by Forum
3 (GSEC101) Ltd. in Recto Bank, and Service Contract 75 held by PXP Energy
4 Corporation in Northwest Palawan.³ The work in these areas was suspended in various
5 times between 2015 and 2018 due the approval of the Department of Energy (DOE)
6 of the request for declaration of force majeure due to the geopolitical issues in the
7 area;⁴

8 WHEREAS, DOE data shows that there is an estimated 6,203 million barrels of
9 total oil resources⁵ and 12,158 billion cubic feet of total gas resources in the West
10 Philippine Sea as of 2021. It is estimated that this volume will be sufficient to meet
11 the demand of the Philippines for 36 years when it comes to oil and 96 years when it
12 comes to gas;⁶

13 WHEREAS, on 20 November 2018, the Republic of the Philippines and the
14 People's Republic of China entered a Memorandum of Understanding on Cooperation
15 on Oil and Gas Development (MOU) which sought to establish an Inter-Governmental
16 Joint Steering Committee to negotiate and agree on the cooperation agreements and
17 the maritime area to which they will apply. Under the MOU, both governments
18 endeavored to agree on the cooperation arrangements within twelve (12) months;

19 WHEREAS, on 28 October 2019, the 1st meeting of the Inter-Governmental
20 Joint Steering Committee took place in Beijing China and both governments had a
21 "candid, in-depth and friendly exchange on cooperation agreements under the MOU
22 and agreed to further push forward communication and coordination on oil and gas
23 development". It was also agreed to hold a 2nd meeting in the Philippines in early
24 2020.⁷ However, this meeting never pushed through. Moreover, after three years of
25 negotiations, the Philippines terminated the talks;⁸

³ Department of Energy (DOE) (2021)

⁴ Service Contract 54 Date of Approval of Force Majeure: 6 July 2017; Service Contract 58 Date of Approval of Force Majeure: 5 January 2015; Service Contract 59 Date of Approval of Force Majeure: 3 January 2018; Service Contract 72 Date of Approval of Force Majeure: 26 February 2015; Service Contract 75 Date of Approval of Force Majeure: 9 September 2015.

⁵ This includes undiscovered resources, discovered resources, actual production, and remaining reserves.

⁶ Internal OSSTG Computation (2021)

⁷ Accessed from https://www.fmprc.gov.cn/nanhai/eng/wjbxw_1/201910/t20191029_8523418.htm on 14 September 2022

⁸ Accessed from <https://www.pna.gov.ph/articles/1179936> on 14 September 2022

1 WHEREAS, on 14 October 2020 and 16 October 2020, the DOE lifted the force
2 majeure for the five petroleum service contracts.⁹ According to the DOE, there is a
3 total remaining minimum work commitment of USD 79.630 million for exploration in
4 these five service contract areas;¹⁰

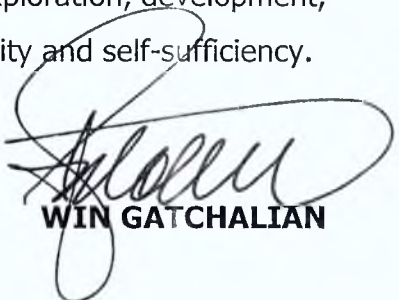
5 WHEREAS, the lack of oil and gas exploration and as a result the lack of
6 indigenous oil and gas have contributed to the country's import dependence with 98%
7 of petroleum products imported as of 2021, and lack of energy self-sufficiency. In
8 fact, the country' energy self-sufficiency has gone down from 61.4% in 2011 to
9 51.15% in 2021;¹¹

10 WHEREAS, the adverse effect of dependence on imported fuel was felt recently
11 with the Russian invasion of Ukraine raising global crude oil prices from USD 50 per
12 barrel in January 2021 to USD 120 barrel in March 2022. This has resulted to an
13 increase in the pump price of gasoline from Php 50 per liter in January 2021 to almost
14 Php 90 per liter in June 2022;¹²

15 WHEREAS, it is crucial for the country to utilize its remaining oil and gas
16 resources, starting with the resources in the West Philippine Sea, to increase the
17 supply of indigenous fuel and to protect the country from price and supply shocks in
18 the global oil and gas market;

19 RESOLVED BY THE SENATE, as it is hereby resolved, to direct the appropriate
20 Senate Committee to conduct an inquiry in aid of legislation on unlocking the oil and
21 gas potential in the West Philippine Sea towards improving exploration, development,
22 and utilization with the end in view of achieving energy security and self-sufficiency.

Adopted,



WIN GATCHALIAN

⁹ Service Contract 54 Date of Lifting of Force Majeure: 16 October 2020; Service Contract 58 Date of Lifting of Force Majeure: 16 October 2020; Service Contract 59 Date of Lifting of Force Majeure: 14 October 2020; Service Contract 72 Date of Lifting of Force Majeure: 14 October 2020; Service Contract 75 Date of Lifting of Force Majeure: 14 October 2020.

¹⁰ DOE (2021)

¹¹ DOE Key Energy Statistics (2022)

¹² Oilprice.com (2022); DOE Fuel Price Monitoring (2022)