

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



23 MAR -1 A11 :26

**SENATE**  
S.B. No. 1944

RECEIVED BY: 

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Introduced by **SENATOR IMEE R. MARCOS**

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**AN ACT**  
**PROMOTING THE DEVELOPMENT OF THE PHILIPPINE DOWNSTREAM**  
**NATURAL GAS INDUSTRY, AND APPROPRIATING FUNDS THEREFOR**

**EXPLANATORY NOTE**

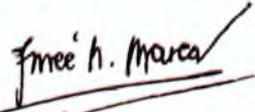
Article II Section 20 of the 1987 Constitution states that *"The State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments."*

As of 2021, natural gas accounts for 12.8% of the country's installed capacity in the grid at 3,453 MW. Due to the location of the Malampaya Gas Field and its related infrastructure, almost all of this capacity is located in Luzon. As such, natural gas accounts for 18.6% of the capacity mix of the Luzon Grid at 3,452 MW of installed capacity.

However, the Malampaya Gas Field is projected to run out at 2027. Even before that, the Malampaya concession will expire at 2024. These developments threaten to transform the natural gas installed capacity into stranded assets unless alternative sources of natural gas can be developed.

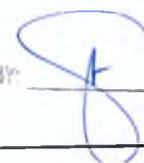
Absent the development of new gas fields, the only remaining option to avert an energy crisis is for the country to import natural gas. As such, there is a need to pass a law to cover the downstream natural gas industry. The proposed measure recognizes regulated private sector participation in the industry, with an end goal of protecting the interest of consumers.

The passage of this bill is earnestly sought.

  
**IMEE R. MARCOS**

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

**CHAPTER I**  
**GENERAL PROVISIONS**

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

6  
7 **SEC. 2.** *Declaration of Policy.* – It is hereby declared the policy of the State to:

- 8 a. Promote natural gas as a safe, environment-friendly, efficient and cost-effective  
9 source of energy, and an indispensable contributor to grid security, especially  
10 with the entry of more intermittent renewable energy sources by establishing  
11 the Philippine downstream natural gas industry (PDNGI) for the benefit of all  
12 segments of the nation's population and all sectors of its economy;
- 13 b. Promote the development of the Philippines as a liquefied natural gas (LNG)  
14 trading and transshipment hub within the Asia-Pacific Region;
- 15 c. Provide a conducive industry environment through the issuance of policies,  
16 regulations, safety code, product quality and facility operational standards, and  
17 plans and programs geared towards the promotion and development of the  
18 PDNGI;

- 1 d. Promote access to and the financial viability of the PDNGI by liberalizing the  
2 entry of investors under a system of competition, transparency and fair trade  
3 and providing responsive policy support, with the end goal of attaining fair price  
4 for all stakeholders;
- 5 e. Ensure compliance with international and Philippine health, safety, security,  
6 environment (HSSE) standards and best practices under a system of safe,  
7 secure, high-quality, environmentally responsible operation and services that  
8 afford protection to consumers;
- 9 f. Ensure transparent and reasonable price of natural gas and rates for its  
10 importation, storage and regasification, transmission and distribution in a  
11 regime of open and fair competition and full public accountability that shall  
12 promote greater operational and economic efficiency and enhanced  
13 competitiveness of the Philippine products in the global market;
- 14 g. Develop the necessary trades, technical expertise and skills to support the  
15 PDNGI; and
- 16 h. Facilitate the development of end-uses of natural gas including the use of  
17 natural gas as fuel for power, commercial, industrial, residential and transport  
18 that promote fuel diversity and compliance with existing environmental laws.

19  
20 **SEC. 3. Scope.** – This Act shall provide a framework for the development of  
21 the PDNGI and its transition from emerging industry into mature industry status within  
22 a competitive natural gas market, and define the responsibilities of various  
23 government agencies and private entities in furtherance of this national goal. All  
24 activities of the Department of Energy (DOE), Energy Regulatory Commission (ERC)  
25 and other concerned government agencies relevant to the development and regulation  
26 of the PDNGI shall be in accordance with this Act.

27  
28 **SEC. 4. Definition of Terms.** – As used in this Act:

- 29 a. *Affiliates* refer to the corporate relationships of two or more persons, one of whom  
30 either owns or controls or is being controlled by other persons. As used herein,  
31 “control” shall mean the power to direct or cause the direction of management  
32 policies as an inherent part of decision-making power;

- 1 *b. Anti-Competitive Behavior* refers to the practices and agreements in violation of  
2 the provisions of Republic Act No. 10667, otherwise known as the "*Philippine*  
3 *Competition Act*";
- 4 *c. Capacity* refers to the maximum flow expressed in normal cubic meters per time  
5 unit or in energy unit per time unit;
- 6 *d. Delivery* refers to the transmission or distribution of natural gas and the supply of  
7 natural gas at wholesale or retail;
- 8 *e. Distribution* refers to the transportation of natural gas through a gas distribution  
9 system to end-users;
- 10 *f. Distribution system* refers generally to the pipeline and related facilities used to  
11 transport natural gas extending between the last delivery point of the transmission  
12 system to the last connection point to the end-user;
- 13 *g. End-user* refers to any person that will receive delivery of natural gas for resale or  
14 final use;
- 15 *h. Franchise* refers to the right, privilege and authority issued by Congress authorizing  
16 a person to engage in the transmission of natural gas or distribution of natural gas  
17 within a specific geographical area;
- 18 *i. Gathering facilities* refer to natural gas pipelines and its ancillary facilities used to  
19 gather gas in the field and bring it to a location for processing or for delivery at an  
20 interconnection with the gas transmission system. The terms "gather" and  
21 "gathering" shall be construed accordingly;
- 22 *j. Importation* refers to the act of bringing LNG into the Philippines;
- 23 *k. Liquefied natural gas or LNG* refers to natural gas which has been liquefied by  
24 cooling at a cryogenic temperature;
- 25 *l. Natural gas* refers to gas obtained from boreholes and wells consisting primarily of  
26 a mixture of methane, ethane, propane and butane with small amounts of heavier  
27 hydrocarbons and some impurities, consistent with the Philippine National  
28 Standards (PNS) or the standards developed by the International Organization for  
29 Standardization (ISO);
- 30 *m. Natural gas distribution code* refers to the code to be formulated by the DOE  
31 pursuant to Section 5(h) of this Act that shall set the technical performance

- 1 standards for operating gas distribution utilities and the minimum financial  
2 standards for gas distribution systems;
- 3 *n. Natural gas distribution system* refers to the system of conventional pipelines and  
4 related facilities extending from the delivery points where the gas distribution  
5 system receives the natural gas to the point of connection in the premises of the  
6 end-user; and any available virtual pipeline that allows alternative modes of  
7 transportation;
- 8 *o. Natural gas distribution utility* refers to any person engaged in the operation of a  
9 natural gas distribution system providing services for general public use, which  
10 requires a franchise to operate a gas distribution system;
- 11 *p. Natural gas sales and purchase agreement* or *NGSPA* refers to any contract or  
12 agreement for the delivery and sale of indigenous or imported natural gas by and  
13 between sellers, suppliers, buyers and end-users;
- 14 *q. Natural gas transmission code* refers to the code to be developed by the DOE  
15 pursuant to Section 5(h) of this Act that shall set the technical performance  
16 standards for operating gas transmission systems and the minimum financial  
17 standards for gas transmission utilities;
- 18 *r. Natural gas transmission system* refers to the system of high-pressure pipelines,  
19 storage and its ancillary facilities that are used to transport natural gas from the  
20 interconnection with gathering facilities, other LNG-related facilities and other gas  
21 transmission or distribution systems;
- 22 *s. Natural gas transmission utility* refers to a natural or juridical person that has a  
23 franchise to operate or is intending to operate a gas transmission system except  
24 own-use pipelines;
- 25 *t. Own-use permit* refers to an authorization granted by the DOE to a permit holder  
26 or-operator for the exclusive use by the operator or its affiliates in the operation  
27 of its natural gas facility;
- 28 *u. Permit* refers to an authorization issued by the DOE for the importation,  
29 construction, commercial operation and maintenance of natural gas facilities;
- 30 *v. Permit holder or operator* refers to a natural or juridical person who is granted  
31 a permit by the DOE to engage in the importation, construction, commercial  
32 operation and maintenance of natural gas facilities;

- 1 *w. Person* refers to a natural or juridical person, as the case may be, including the  
2 national and local governments of the Republic of the Philippines, its agencies and  
3 instrumentalities, and government-owned and controlled corporations;
- 4 *x. Philippine downstream natural gas industry* or *PDNGI* refers to the sectors of  
5 transmission, distribution, supply, and use of natural gas and their related  
6 activities, such as importation, storing, regasification, transmission and distribution  
7 of natural gas to end-users;
- 8 *y. Philippine Energy Plan* or *PEP* refers to the overall energy program formulated and  
9 updated yearly by the DOE and submitted to Congress pursuant to Republic Act  
10 No. 7638, otherwise known as the "*Department of Energy Act of 1992*", as  
11 amended;
- 12 *z. Rates* refer to the payment on the utilization of the capacity and use of other  
13 services offered by the permit holder or operator of the transmission and  
14 distribution pipeline;
- 15 *aa. Supplier* refers to any person engaged and registered with the DOE to trade on  
16 indigenous or imported LNG and their subsequent supply to end-users;
- 17 *bb. Supply* refers to the trade or sale of indigenous or imported natural gas and their  
18 subsequent sale to end-users;
- 19 *cc. Third-party access* or *TPA* refers to a transparent and non-discriminatory access  
20 and utilization by a third-party user of the excess capacity of the LNG terminal and  
21 its related facilities;
- 22 *dd. Transmission* refers to the transportation of natural gas through a natural gas  
23 transmission system;
- 24 *ee. Virtual Pipeline* refers to alternative methods of transporting natural gas to places  
25 where there is no pipeline network available. It is based on a modular system of  
26 compression or liquefaction, transport and decompression and regasification of  
27 natural gas, which communities, industries, gas stations and others may use.

28  
29 **SEC. 5. Powers and Responsibilities of the DOE.** – In addition to its existing  
30 powers and functions, the DOE shall have the overall responsibility of supervising and  
31 monitoring the development of the Philippine downstream natural gas industry.  
32 Towards this end, the DOE shall perform the following powers and functions:

- 1 a. Prepare the Natural Gas Industry Development Plan (NGIDP) within two (2)  
2 years from the effectivity of this Act, incorporating therein the plans submitted  
3 by public and private stakeholders after open discussions and consultations  
4 with them. The NGIDP shall consist of approved regasification, transmission  
5 and distribution development plans which shall be integrated into the Philippine  
6 Energy Plan (PEP), and reviewed and updated every three (3) years after its  
7 adoption;
- 8 b. Establish standards on gas quality, facility installation and safety of operation.  
9 For this purpose, a Philippine Inter-Agency Technical Committee (PIA-TC) shall  
10 be created by the Bureau of Philippine Standards (BPS) to be chaired by the  
11 DOE. The PIA-TC shall have as members the representatives of concerned  
12 government agencies and private industries. A Philippine Inter-Agency Health,  
13 Safety, Security and Environment Inspection and Monitoring Team (PIA-HSSE  
14 IMT) shall likewise be created to monitor and enforce compliance with  
15 established standards;
- 16 c. Evaluate applications and issue permits on the importation, exportation,  
17 receipt, unloading, loading, storage, regasification of liquefied natural gas;  
18 transmission, distribution, marketing, utilization, aggregation of natural gas;  
19 and the safe, secure, reliable and efficient planning, construction, operation,  
20 expansion, modification, maintenance, decommissioning and abandonment of  
21 the downstream natural gas industry infrastructure and facilities;
- 22 d. Evaluate applications for permits or authorities to operate, including a Notice  
23 to Proceed (NTP), a Permit to Construct, Expand, Rehabilitate and Modify  
24 (PCERM), and a Permit to Operate and Maintain (POM) downstream natural gas  
25 projects and facilities, accreditation to import, supply and transport natural gas,  
26 Acknowledgement to Import (ATI) LNG and Acknowledgement to Supply and  
27 Transport (AST) natural gas;
- 28 e. Review, suspend or revoke, after due notice and hearing, permits issued in  
29 accordance with the preceding paragraphs (c) and (d) herein, and Section 12  
30 of this Act after a finding of non-compliance with the provisions of this Act,  
31 rules and regulations that shall be issued to implement it, and related  
32 issuances;

- 1 f. Issue a written approval on the assignment or transfer of interest on any  
2 permits issued in accordance with Section 42 of this Act, after finding that the  
3 assignee or transferee has met all the legal, technical, and financial  
4 qualifications and has committed itself to assume all existing obligations of the  
5 permit holder, and such assignment or transfer is in accordance with existing  
6 laws, rules, and regulations: *Provided*, That permits requiring the prior issuance  
7 of a legislative franchise shall not be subject to assignment or transfer of  
8 interest;
- 9 g. Ensure compliance of PDNGI participants with health, safety, security, and  
10 environmental standards, together with the Department of Environment and  
11 Natural Resources (DENR), Department of Health (DOH), and other relevant  
12 government agencies;
- 13 h. Issue, in coordination with the ERC and in consultation with other concerned  
14 government agencies and the PDNGI participants, the Gas Transmission and  
15 Distribution Codes, which shall contain the standards and best practices on  
16 safe, high-quality, environmentally responsible and consumer protected  
17 operation and service, competitive practices and reasonable rates of service;
- 18 i. Endorse requests for investigation to the Philippine Competition Commission  
19 (PCC) of any anti-competitive behavior in the conduct of any business under  
20 the downstream natural gas industry;
- 21 j. Issue directives to qualified government agencies, in their capacities as  
22 investing arms, to spearhead the development of the PDNGI value chain as the  
23 DOE may deem imperative to catalyze its development within a given timeline;
- 24 k. Determine the qualifications and detailed responsibilities of the Natural Gas  
25 Transmission System Operator (NGTSO) and Natural Gas Distribution Utilities  
26 (NGDUs) pursuant to their responsibilities provided in this Act;
- 27 l. Initiate actions against the NGTSO or NGDUs for failure to comply with the  
28 qualifications and detailed responsibilities specified in this Act;
- 29 m. Review and approve the natural gas supply and regasification development plan  
30 of the regasification terminal owner or operator, natural gas transmission  
31 development plan of the NGTSO, and the natural gas distribution development  
32 plans of the NGDUs, and integrate the same into the PEP;

- 1 n. Require the PDNGI participants to submit the regasification, transmission and  
2 distribution development plans, and regular and special reports regarding the  
3 organization, business, conduct, practices, and management of any business  
4 entity duly registered as part of the downstream natural gas industry, subject  
5 to Section 21 hereof;
- 6 o. Promulgate the TPA Code and ensure compliance therewith. The TPA Code  
7 shall be reviewed and updated regularly;
- 8 p. Determine the necessity of and then direct the interconnection of natural gas  
9 transmission systems based on the Philippine Energy Plan, taking into  
10 consideration the maturity of the industry, the existing natural gas transmission  
11 systems' infrastructure, and the cost efficiency of interconnection, and upon  
12 consultation with the ERC, other relevant government agencies, midstream  
13 natural gas Industry participants, and other public and private stakeholders;
- 14 q. Ensure compliance with the publication and unbundling of the terminal fee in  
15 accordance with Section 35 of this Act;
- 16 r. Exercise such other powers and functions as may be necessary or incidental to  
17 attain the objectives of this Act. Subject to existing laws, rules and regulations,  
18 the DOE is hereby authorized to create offices and appoint personnel as may  
19 be necessary to efficiently and effectively implement this Act.

20

21 **SEC. 6. Powers and Responsibilities of the ERC.** – In addition to its existing  
22 powers and functions, the ERC shall have the sole regulatory responsibility for  
23 establishing the rates and related terms and conditions of service for the transmission  
24 and distribution, regasification and supply of natural gas to the extent that such  
25 activities are regulated pursuant to the requirements set forth in this Act. It shall:

- 26 a. In the public interest, establish and enforce a methodology for setting  
27 transmission, distribution, and supply rates, taking into account all relevant  
28 considerations, including the efficiency or inefficiency of the regulated entities.  
29 The rates shall be to allow the recovery of just and reasonable costs and a  
30 reasonable return to enable the entity to operate viably. The ERC may, upon  
31 due notice and public consultation, adopt internationally accepted rate setting  
32 methodology. The rate setting methodology so adopted and applied shall

1 promote efficiency and ensure a reasonable price or tariff, and the rates to be  
2 prescribed shall be non-discriminatory. For this purpose, the ERC is hereby  
3 authorized to require from all participants in the natural gas supply chain all  
4 necessary and appropriate records and documents relevant to the  
5 determination of just and reasonable fuel cost used in power generation as  
6 recoverable component of electricity cost to end-users;

- 7 b. Regasification services and supply services shall be subjected to rate regulation  
8 when there are no competing regasification operators;
- 9 c. Apply administrative procedures that will ensure the constitutional right to due  
10 process;
- 11 d. Before the end of April of each year, submit to the Office of the President of  
12 the Philippines and Congress, copy furnished the DOE, an annual report  
13 containing such matters or cases, which have been filed before or referred to  
14 it during the preceding year, the actions and proceedings undertaken thereon  
15 and its decision or resolution on each case. The ERC shall make copies of such  
16 report available to any interested party upon payment of a charge, which shall  
17 reflect the printing costs;
- 18 e. Publish in newspapers of general circulation all its cases and decisions involving  
19 rates;
- 20 f. Create offices and appoint personnel thereto as may be necessary to efficiently  
21 and effectively perform its functions as stipulated in this Act, subject to existing  
22 laws, rules and regulations; and
- 23 g. Exercise such other powers as may be necessary or incidental to attain the  
24 objectives of this Act.

25 **SEC. 7. Powers and Responsibilities of the Department of Environment and**  
26 *Natural Resources (DENR).* – In addition to its functions under Executive Order No.  
27 192, otherwise known as the "Reorganization Act of the Department of Environment  
28 and Natural Resources", the DENR shall, together with the DOE, determine and  
29 monitor compliance with the environmental standards for the location, construction,  
30 improvement, expansion, operation, modification, rehabilitation, repair, maintenance,  
31

1 decommissioning, and abandonment of LNG terminals, natural gas transmission  
2 systems, and all related equipment and facilities.

3  
4 **SEC. 8. Powers and Responsibilities of the Department of Health (DOH).** – In  
5 addition to its functions under Executive Order No. 317, Series of 1941, entitled,  
6 "*Organizing the Department of Health and Public Welfare*", as amended, the DOH  
7 shall, together with the DOE, determine and monitor compliance with the health  
8 standards for the location, construction, improvement, expansion, operation,  
9 modification, rehabilitation, repair, maintenance, decommissioning, and abandonment  
10 of LNG terminals, natural gas transmission systems, and all related equipment and  
11 facilities.

12  
13 **SEC. 9. Powers and Responsibilities of the Department of Trade and Industry-**  
14 **Bureau of Philippine Standards (DTI-BPS).** – In addition to its functions under Republic  
15 Act No. 4109, entitled, "*An Act to Convert the Division of Standards under the Bureau*  
16 *of Commerce into a Bureau of Standards, to Provide for the Standardization and/or*  
17 *Inspection of Products and Imports of the Philippines and for other Purposes*", the  
18 DTI-BPS shall, together with the DOE, determine, develop, formulate, promulgate,  
19 and revise, the Philippine National Standards for natural gas transmission systems,  
20 and for natural gas, in its original or liquefied form, LNG terminals, all related  
21 equipment and facilities.

22  
23 **SEC. 10. Powers and Responsibilities of the Department of Transportation and**  
24 **its Attached Agencies.** – In addition to its functions under Executive Order No. 125,  
25 series of 1987 otherwise known as the Reorganization Act of the Ministry of  
26 Transportation and Communications, as amended, and other applicable laws, the  
27 DOTr or its attached agencies such as the Land Transportation Office, Land  
28 Transportation Franchising and Regulatory Board, and Maritime Industry Authority, in  
29 coordination with the DOE, DENR, DOH, DTI-BPS, and other relevant government  
30 agencies, shall issue the appropriate guidelines and regulations and the applicable  
31 permits, licenses, certificates, or authorizations to virtual pipelines, motor vehicles and  
32 marine vessels transporting, storing or processing natural gas, in its original state or

1 liquefied form, as well as marine facilities used to import, receive, unload, load,  
2 transport, process, and store natural gas In its original or liquefied form, including  
3 those utilized as offshore LNG terminals. The DOTr shall monitor and ensure  
4 compliance therewith.

5  
6 **SEC. 11.** *Powers and Responsibilities of the Philippine Competition Commission*  
7 *(PCC).* – All matters concerning abuse of market power, cartelization, and any anti-  
8 competitive or discriminatory behavior shall be subject to the quasi-judicial powers of  
9 the PCC as provided for under Republic Act No. 10667, otherwise known as the  
10 "*Philippine Competition Act*".

11  
12 **CHAPTER III**  
13 **STRUCTURE, OPERATION AND REGULATIONS OF THE**  
14 **DOWNSTREAM NATURAL GAS INDUSTRY**

15  
16 **SEC. 12.** *Structure.* – For purposes of this Act, the structure of the PDNGI value  
17 chain shall consist of an LNG terminal and its related facilities, transmission,  
18 distribution pipelines and their related facilities, storage and distribution-related  
19 facilities, and supply and transport of natural gas.

20  
21 **SEC. 13.** *Permits.* – The DOE shall have the power to issue, review, suspend  
22 and revoke for cause, the permits necessary for the construction, expansion,  
23 rehabilitation, modification, operation and maintenance of any PDNGI facility or  
24 activity. Own-use permit for natural gas facilities shall be allowed for the exclusive use  
25 of the operator and its affiliates in the operation of its facilities. The holder of an own-  
26 use permit shall still comply with the requirements in this Act. Own- use transmission  
27 and distribution of natural gas shall be exempted from franchise requirement.

28 An LNG terminal may have a separate owner and operator. The LNG terminal owner  
29 and operator, should they be separate entities, shall be treated as one and the same  
30 entity insofar as permits, licenses, certificates, and authorizations are concerned, as  
31 well as in the exercise of rights and compliance with obligations, standards,

1 regulations, guidelines, and codes imposed by this Act, its implementing rules and  
2 regulations, and other relevant laws and issuances.

3 The owner and operator of an LNG terminal shall have the option to apply for both  
4 permits and simultaneously perform the functions of an own-use LNG terminal permit  
5 holder and a TPA LNG terminal permit holder, to the extent of the capacity allowed by  
6 and during the period specified in each type of permit.

7  
8 **SEC. 14. *Rate Regulation.*** – The rate of charges and fees for the services of  
9 transmission or distribution pipelines and their related facilities shall, when they  
10 function as public utilities, be subject to the review and approval by the ERC. The rate  
11 methodology to be applied by the ERC shall be based on the principle of full recovery  
12 of prudent and reasonable costs incurred, including a reasonable return on rate base,  
13 or such other principles that will promote the determination of just and reasonable  
14 rates that is consistent with the encouragement of private investments and goal of  
15 developing a PDNGI infrastructure.

16  
17 **SEC. 15. *Compliance with Philippine Laws, Rules and Regulations.*** – Operators  
18 or permit holders of PDNGI facilities shall comply with all Philippine laws, rules and  
19 regulations implemented by the different agencies of the government.

20  
21 **SEC 16. *Compliance with Standards.*** – The DOE shall ensure that downstream  
22 natural gas products are of high quality, and natural gas facilities provide efficient  
23 service, observe stringent safety systems, accord attention to design details and  
24 structural integrity and employ operational and maintenance best practices.

25 All PDNGI facilities shall be predicated to be of high quality and efficient service,  
26 observe stringent safety systems, accord attention to design details and structural  
27 integrity and employ operational and maintenance best practices. Regulations shall be  
28 consistent with both applicable Philippine and internationally-accepted natural gas  
29 industry standards. Regulations shall be consistent with applicable Philippine and  
30 internationally-accepted natural gas industry standards.

31 The permit holder or operator shall maintain the quality of gas supply to end-  
32 users in accordance with the Philippine and internationally accepted standards and

1 ensure that delivery of indigenous or imported LNG comply with the purification  
2 requirements to ensure that associated compounds that are unnecessary or damaging  
3 to the LNG regasification facility and other related natural gas facilities used for  
4 storage, distribution and transportation of natural gas supply are eliminated.

5  
6 **SEC. 17. Confidential Information.** – The government shall not use confidential  
7 or commercially sensitive information for purposes other than those provided herein  
8 and shall protect and limit the disclosure of confidential or commercially sensitive  
9 information, unless allowed by the operator or when required by laws, rules and  
10 regulations.

11  
12 **SEC. 18. Authority to Obtain Information.** – The DOE, ERC and other  
13 concerned government agencies may require any downstream natural gas player or  
14 permit holder, through a valid order and with due regard to confidential information,  
15 proprietary data and trade secrets, to furnish, within a reasonable period specified, all  
16 information and documents relating to all such matters as to the permit, rates and  
17 operation of business and natural gas facilities, and provide explanations on the  
18 information or document submitted, subject to Section 16 of this Act. The failure of  
19 a PDNGI participant or permittee to provide the required information or document  
20 without valid reason shall be punishable under this Act.

21  
22 **SEC. 19. Supply of Natural Gas.** – Existing laws and rules governing the  
23 upstream natural gas sector shall provide the government the option to sell directly  
24 or otherwise authorize a service contractor to sell its share of the indigenous  
25 production. Accordingly, the Secretary of Energy may, when natural gas supply  
26 conditions so require, direct the supply of such share of indigenous production to the  
27 downstream natural gas sector.

28 The operator of an LNG-related facility shall likewise ensure the accommodation of  
29 both indigenous and imported supply of natural gas. To this end, the DOE and the  
30 ERC shall provide measures to ensure that the supply of indigenous natural gas to the  
31 domestic downstream natural gas sector is given preferential treatment.

1 The DOE shall support and ensure the implementation of any plan to upgrade an  
2 LNG terminal and its ancillary facilities into a hub for international trading and trans-  
3 shipment.

4 Any entity engaged in the distribution of natural gas may engage in the supply of  
5 the same.

6  
7 **SEC. 20. *Abandonment of Downstream Natural Gas Facility.*** – No holder of a  
8 permit for the construction, installation, operation or maintenance of a downstream  
9 natural gas facility shall abandon or withdraw from service any portion of said  
10 downstream natural gas facility or project without obtaining prior authorization from  
11 the DOE. The DOE shall, in coordination with the DENR, provide the guidelines and  
12 regulations for decommissioning and abandonment of natural gas infrastructures and  
13 facilities.

14  
15 **SEC. 21. *Registration and Reportorial Requirements of Natural Gas***  
16 ***Participants, Facilities, Import, Export and Supply.*** – Holders of permits for the  
17 construction, installation, operation or maintenance of a downstream natural gas  
18 facility, including importers, exporters and supplier and transporter of natural gas or  
19 LNG, shall be registered with the DOE. Appropriate reportorial requirements shall  
20 likewise be required for proper supervision and monitoring in accordance with the  
21 implementing rules to be issued subsequently.

22  
23 **SEC. 22. *Rules of Practice.*** – All concerned government agencies shall issue  
24 the appropriate rules of procedure to serve as guideline for administrative legal  
25 proceedings. The Rules of Court shall apply in a suppletory manner.

26  
27 **CHAPTER IV**  
28 **FRANCHISE REQUIREMENT**

29  
30 **SEC. 23. *Natural Gas Transmission System.*** – The use, access, and terminal  
31 fee of a natural gas transmission system shall be regulated. The ownership and  
32 operation of a natural gas transmission system shall be considered a public utility and

1 shall require a legislative franchise. The issuance of a CPCN to a natural gas  
2 transmission utility shall take into consideration its legal, technical, and financial  
3 capability. The use and access to the entire capacity of a natural gas transmission  
4 system shall be open to all third parties for a natural gas transmission fee, subject to  
5 the reserve price of the ERC in accordance with Section 6 of this Act.

6 A natural gas transmission utility shall:

- 7 a. Regularly disclose to the public the capacity available for and utilization by third  
8 parties in accordance with the reportorial requirements under this Act and the TPA  
9 Code;
- 10 b. Determine the mode of and conduct a competitive selection of third parties.  
11 *Provided*, That each natural gas transmission utility shall determine its own  
12 competitive selection process which shall be transparent, fair, reasonable, and non-  
13 discriminatory, subject to the reportorial requirements under this Act;
- 14 c. Ensure that the winning bid does not go beyond the reserve price determined by  
15 ERC pursuant to Section 6 of this Act;
- 16 d. Provide transparent, fair, reasonable, and non-discriminatory use and access to  
17 third parties;
- 18 e. Not give any undue preference or advantage to any third party, whether in rates,  
19 terms, conditions, or special privileges;
- 20 f. Submit annually its Natural Gas Transmission Development Plan to DOE for review  
21 and approval, or the NGTSO, whichever is applicable, pursuant to Sections 5 and  
22 of this Act;
- 23 g. Assign to the NGTSO the operation and maintenance of its natural gas transmission  
24 system upon direction of the ERC after the Interconnection of natural gas  
25 transmission systems and the selection of the NGTSO; and
- 26 h. When applicable, inform and coordinate with the NGTSO for the location,  
27 construction, improvement, operation, utilization, expansion, modification,  
28 rehabilitation, repair, maintenance, decommissioning, and abandonment of any  
29 part of the natural gas transmission system to be undertaken in accordance with  
30 the submitted National Gas Transmission Development Plan

31

1           **SEC. 24. *Natural Gas Transmission System Operator.*** – The DOE, based on the  
2 Philippine Energy Plan, the Midstream Natural Gas Industry Development Plan, and  
3 the various Natural Gas Transmission Development Plans shall determine the necessity  
4 of and then direct the interconnection of natural gas transmission systems pursuant  
5 to Section 5 of this Act. The DOE shall thereafter select a single independent NGTSO.  
6 The NGTSO shall not be an affiliate of any LNG terminal owner and operator, natural  
7 gas transmission utility, or any midstream end-user. The NGTSO shall:

- 8 a. Operate and manage the interconnected natural gas transmission system in  
9 accordance with the Natural Gas Transmission Code and TPA Code;
- 10 b. Coordinate with natural gas transmission utilities for the location, construction,  
11 improvement, operation, utilization, expansion, modification, rehabilitation, repair,  
12 maintenance, decommissioning, and abandonment of any part of the natural gas  
13 transmission system in accordance with their submitted Natural Gas Transmission  
14 Development Plan;
- 15 c. Furnish midstream natural gas industry participants with sufficient information for  
16 efficient access to the interconnected natural gas transmission system;
- 17 d. Procure ancillary services necessary to support the reliable and continuous flow of  
18 natural gas through the interconnected natural gas transmission system;
- 19 e. Annually prepare a comprehensive Natural Gas Transmission Development Plan  
20 based on the submitted Natural Gas Transmission Development Plans of natural  
21 gas transmission utilities, upon consultation with public and private stakeholders,  
22 and submit the same for review and approval of the DOE;
- 23 f. Collect an NGTSO fee, subject to the approval of the ERC; and
- 24 g. Perform other functions and responsibilities determined by the DOE and ERC  
25 pursuant to Sections 5 and 6 of this Act.

26           **SEC. 25. *Transmission and Distribution Pipeline and Related Facility as Public***  
27 ***Utility.*** – Operators of transmission and distribution pipelines and their related facilities  
28 considered as public utility shall be required to obtain a Certificate of Public  
29 Convenience and Necessity (CPCN) from the ERC and shall be subject to the provisions  
30 of Commonwealth Act. No. 146, otherwise known as the "*Public Service Act*", as  
31 amended.  
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**CHAPTER V**  
**THIRD-PARTY ACCESS**

**SEC. 26.** *Third-party Access (TPA) Obligation.* – Available and uncommitted excess capacity of an LNG terminal, transmission and distribution pipelines and related facilities shall be made accessible to third-party users. The ERC shall, in coordination with the DOE and in consultation with the PDNGI participants, ensure the full implementation of the TPA and shall issue the TPA Code within one (1) year from the effectivity of this Act.

The DOE is hereby authorized to synchronize activities to optimize and stabilize the utilization of existing infrastructure for the extraction, storage, and delivery of natural gas, such as the Malampaya natural gas facilities, which shall be subject to the third-party access provision in order to integrate the same with the PDNGI.

A TPA shall apply only to the available and uncommitted excess capacity of LNG terminal, transmission or distribution pipelines and their related facilities, but excluding those constructed and operated under a dedicated use agreement or for own use. The operators thereof shall conduct an open and sufficient consultation process with both existing and potential third-party users to discuss the available capacity and other available services.

To ensure safe and reliable operation, the operator shall determine, subject to the review and recommendation by the DOE, the available and uncommitted excess capacity of the natural gas facilities offered to third parties. The operator shall likewise allocate such excess capacity based on the following criteria as they pertain to the third-party user:

- a. Proposed contract price and terms;
- b. Credit-worthiness;
- c. Availability of a functioning off-take facility;
- d. Ability to meet fuel specification parameters of the LNG facility; and
- e. Other relevant factors that may directly affect the allocation.

Non-avilment by any third-party user of the excess capacity so allocated and offered shall not be a ground for the denial or cancellation of any permit under this Act.

1           **SEC. 27. *Third-party Access (TPA) Principles.*** – Adherence to the principles of  
2 transparency, fair competition, and safe practices is the key to the beneficial  
3 participation of third-party users. In line with this, the following guiding principles shall  
4 be observed:

- 5 a. Competition in the downstream natural gas industry must be encouraged because  
6 it promotes efficiency and lowers costs and prices to the benefit of end-users;
- 7 b. Investments in natural gas supply and infrastructure from both local and foreign  
8 sources, which are otherwise prevented by actions of incumbent monopolistic  
9 companies shall be earnestly pursued and supported;
- 10 c. Benefits to be derived from the diverse and sustainable use of natural gas make it  
11 an ideal tool of development;
- 12 d. Participation of third parties in the downstream natural gas industry shall be  
13 anchored on safe and measurable standards of service and practice;
- 14 e. Open and sufficient consultation between permit holders or facility operators on  
15 the available and excess capacity of natural gas is essential in the formulation of  
16 supply agreements between permit holders or facility operators and third-party  
17 users;
- 18 f. Transparency in business activities shall consistently be observed to spur  
19 confidence. Pursuant thereto, permit holders or facility operators shall publish their  
20 available and uncommitted excess capacity, access terms, and conditions, and  
21 allow the review and inspection of their facilities and records to verify the same.

22  
23           **SEC. 28. *Congestion Management.*** – Whenever the holder of a capacity is no  
24 longer able to use or has not released the capacity without justifiable reason, the  
25 permit holder or the operator of the facility shall have the authority to release and  
26 market the same. The procedure and criteria of the release shall be part of the TPA  
27 Code. The government agency which shall have an oversight function on this matter  
28 shall be designated in the TPA Code.

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30           **SEC. 29. *Approved Access Conditions and TPA Contracts.*** – Prior to the conduct  
31 of negotiations with third parties, the permit holder or the facility operator shall  
32 request the DOE for the review and recommendation of its access conditions in

1 accordance with the TPA Code. All subsequent access contracts shall be reviewed and  
2 approved by the DOE.

3  
4 **SEC 30.** *Infrastructure Development Period.* – To develop the TPA, the TPA  
5 Code shall provide an infrastructure development period and the TPA shall become  
6 obligatory only against the permit holder or facility operator if it can be demonstrated  
7 that there is already sufficient demand necessary to justify the investment and sustain  
8 the additional operational requirement. For this purpose, the DOE shall review and  
9 attest to the validity of supply and demand outlook for natural gas.

## 10 11 **CHAPTER VI**

### 12 **RESPONSIBILITIES OF THE PERMIT HOLDER OR OPERATOR**

13  
14 **SEC. 31.** *Responsibilities of the Permit Holder or Operator.* – A permit holder  
15 or operator shall have the following responsibilities:

- 16 a. Align all its goals and objectives to the accomplishment of the declared policies  
17 of this Act;
- 18 b. Be directly responsible for the construction and operation of LNG facilities by  
19 providing the necessary services, technology and financing, either by itself or  
20 through its duly authorized subcontractors, without entitlement from the  
21 Philippine government to any reimbursement of any expense incurred;
- 22 c. Comply with applicable Philippine laws and regulations relating to tax, labor  
23 and employment, health, safety, indigenous people’s rights, environmental  
24 protection and ecological preservation;
- 25 d. Comply with the regulatory obligations, maintenance of complete records and  
26 submission of all reportorial requirements and other documents as may be  
27 required by the DOE, ERC and other government agencies pursuant to this Act  
28 and its implementing rules;
- 29 e. Implement the natural gas project strictly adhering to the scope and limits of  
30 the permit and operate in accordance with Philippine and international  
31 standards;

- 1 f. Allow and facilitate, based on a valid order, the entry to the facility of the  
2 examiners of the Bureau of Internal Revenue and the Bureau of Customs and  
3 allow them full access to accounts, books, and records for tax and other fiscal  
4 purposes;
- 5 g. Allow, based on a valid order, the entry of personnel of the DOE, ERC, PIA-  
6 HSSE IMT and other government agencies to the facility and grant them full  
7 access to operational records for inspection and monitoring activities;
- 8 h. Give preference to qualified local talents for hiring and local companies or  
9 agencies in entering into subcontracts on projects or services, which are  
10 required in the construction or operation of the LNG facility;
- 11 i. Hold the DOE, ERC, PIA-HSSE IMT and other government agencies or other  
12 affected individuals free from all claims, demands or actions arising out of its  
13 failure to comply with laws, regulations, standards, contracts, and permits in  
14 connection with accidents, damages, or injuries which are beyond their control;  
15 and
- 16 j. Observe in the regular operational meeting of the DNG-REC and in the  
17 development, issuance and review of plans, protocols, standards and codes  
18 applicable to the natural gas project.

19  
20 **CHAPTER VII**  
21 **INCENTIVES**  
22

23 **SEC. 32. *Fiscal Incentives.*** – In recognition of the substantial investments  
24 needed for the construction of, operation and maintenance of, and conversion to  
25 natural gas facilities, the PDNGI value chain projects, as certified by the DOE, shall be  
26 included in the Strategic Investment Priorities Plan (SIPP) for the next ten (10) years  
27 from the effectivity of this Act. Entities engaged in said projects that are duly  
28 registered by any Investment Promotion Agency (IPA) shall be entitled to all the  
29 incentives under Title XIII (Tax and Duty Incentives) of the National Internal Revenue  
30 Code of 1997, as amended, during the construction period of the projects and ten  
31 (10) years of commercial operation thereafter.

1 The sale of natural gas to locators inside the ecozone shall be subject to zero  
2 percent (0%) Value-Added Tax (VAT), pursuant to the National Internal Revenue Code  
3 of 1997, as amended.  
4

5 **SEC. 33. Streamlined Regulatory Process.** – The operation of LNG terminals,  
6 natural gas transmission systems, natural gas distribution systems, own-use LNG  
7 terminals, own-use natural gas transmission systems, and own-use natural gas  
8 distribution systems shall be considered as energy projects of national significance  
9 (EPNS) whose implementation shall not be subject to unnecessary administrative  
10 processing delays pursuant to Executive Order No. 30, series of 2017. To be  
11 considered an EPNS, a project has to be endorsed by the DOE.

12 All permits, licenses, certificates, and authorizations issued pursuant to this Act  
13 shall be streamlined and shall be covered by Republic Act No. 11234, otherwise known  
14 as the Energy Virtual One-Stop Shop Act, except for those whose time frames are  
15 expressly provided herein.  
16

## 17 **CHAPTER VIII**

### 18 **PROMOTION OF COMPETITION**

19

20 **SEC. 34. Anti-Competitive Behavior.** – No gas transmission utility, gas  
21 distribution utility or supplier, or affiliate thereof, may engage in any anti-competitive  
22 behavior or abuse of market power, specifically the prohibition against monopolies  
23 and combinations in restraint of trade under Article 186 of the Revised Penal Code  
24 and Chapter III of the Philippine Competition Act.  
25

26 **SEC. 35. Functional and Structural Unbundling.** – All PDNGI participants shall  
27 functionally and structurally unbundle their business activities and rates in accordance  
28 with the particular sector. LNG terminals with regulated third party access, whether  
29 through an TPA permit or a DOE declaration of an unutilized capacity, natural gas  
30 transmission utilities, and the NGTSO shall identify and segregate in their bills to  
31 midstream end-users the components of their terminal fees, natural gas transmission  
32 fees, and NGTSO fee, respectively, and publish the same on their website.



- 1           ii. Failure to comply with health, safety, security, and environmental
- 2           standards, requirements, and guidelines as well as codes under this
- 3           Act, whichever is applicable
- 4           iii. Failure to submit or disclose required data, information, and
- 5           documents, whichever is applicable,
- 6           iv. Failure to comply with the requirements on fees, whichever is
- 7           applicable,
- 8           v. Failure to comply with the requirements on own use and regulated
- 9           TPAs, whichever is applicable,
- 10          vi. Failure to comply with other responsibilities as PNDGI participants,
- 11          whichever is applicable.

12  
13           **SEC. 39. Penalties.** – Without prejudice to civil and criminal liability, the  
14 following administrative penalties shall be imposed upon any natural or juridical person  
15 for every prohibited act enumerated below:

- 16 a. Section 27 (a): Fine not exceeding the equivalent of six (6) months' salary or
- 17       suspension not exceeding one (1) year, or removal depending on the gravity of
- 18       the offense;
- 19 b. Section 27 (b):
  - 20       i. First Offense: Fine of not less than Five hundred thousand pesos
  - 21       (P500,000) for every day of non-compliance, and if applicable,
  - 22       suspension of permits, licenses, certificates, or authorizations until
  - 23       the violation Is corrected,
  - 24       ii. Second Offense: Fine of not less than One million pesos (P1,000,000)
  - 25       for every day of non-compliance, and if applicable, suspension of
  - 26       permits, licenses, certificates, or authorizations until the violation Is
  - 27       corrected, and
  - 28       iii. Third Offense: Fine of not less than Five million pesos (P5,000,000),
  - 29       revocation of permits, licenses, certificates, or authorizations, and
  - 30       disqualification from applying for future permits, licenses,
  - 31       certificates, or authorizations. In the case of natural gas transmission
  - 32       utilities, DOE and ERC shall recommend the revocation of their

1                    respective franchises to Congress. In the case of the NGTSO, it shall  
2                    be replaced.

- 3 c. Congress may, upon the recommendation of the DOE, ERC or other government  
4 agencies, as the case may be, revoke such franchise or privilege granted to the  
5 party found in violation of the provisions of this Act.

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

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10                  **SEC. 40. Existing Systems.** – Natural gas facilities that have been constructed  
11 prior to the effectivity of this Act shall continue to be operated under their existing  
12 permits and shall comply with additional requirements as may be applicable within  
13 five (5) years of its effectivity.

14                  Suppliers who have entered into an NGSPA with end-users and have delivered  
15 indigenous or imported natural gas prior to the effectivity of this Act shall continue to  
16 operate under the said contracts, subject to compliance with the additional  
17 requirements in this Act.

18  
19                  **SEC. 41. Pending Application.** – All applications on any activity in the natural  
20 gas value chain pending before the DOE upon the effectivity hereof shall be covered  
21 by this Act.

22                    **CHAPTER XI**  
23                    **FINAL PROVISIONS**

24  
25                  **SEC. 42. Assignment or Transfer of Interest.** – Assignment or transfer of  
26 interest of the permit shall be allowed only upon prior written approval by the DOE  
27 based on acceptable reasons and compliance by the operator, the assumption by the  
28 assignee of all obligations of the former permit holder, and upon meeting the minimum  
29 legal, technical, and financial qualifications of the transferee.

1           **SEC. 43. *Consultation and Arbitration.*** – All parties shall make their best efforts  
2 to amicably settle any dispute arising from the performance or interpretation of any  
3 provision of this Act.  
4

5           **SEC. 44. *Congressional Oversight.*** – The Joint Congressional Energy  
6 Commission (JCEC) shall exercise oversight powers over the Implementation of this  
7 Act. The DOE, ERC, and other relevant government agencies shall submit annual  
8 reports to the JCEC not later than the fifteenth day of September, which shall include  
9 the latest relevant data, implementation review and reports, and policy and regulatory  
10 issuances.  
11

12           **SEC. 45. *Appropriations.*** – The amount necessary for the implementation of  
13 this Act shall be included in the annual General Appropriations Act.  
14

15           **SEC. 46. *Implementing Rules and Regulations.*** – The DOE shall, in consultation  
16 with the ERC, relevant government agencies such as the DENR, DOH, Department of  
17 Transportation (DOTr), Philippine Ports Authority (PPA), DTI and Department of  
18 Finance (DOF), the PDNGI participants, non-governmental organizations and end-  
19 users, promulgate rules and regulations for the effective implementation of this Act  
20 within twelve (12) months AFTER the effectivity of this Act.  
21

22           **SEC. 47. *Separability Clause.*** – If for any reason, any provision of this Act is  
23 declared unconstitutional or invalid, the other parts or provisions hereof, which are  
24 not affected thereby, shall continue to be in full force and effect.  
25

26           **SEC. 48. *Repealing Clause.*** – Any law, presidential decree or issuance,  
27 executive order, letter of instruction, rule or regulation inconsistent with the provisions  
28 of this Act is hereby repealed or modified accordingly.  
29

30           **SEC. 49. *Effectivity.*** – This Act shall take effect fifteen (15) days after its  
31 publication in the *Official Gazette* or in a newspaper of general circulation.

*Approved,*