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

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RECEIVED BY: 

SENATE

S. B. NO. 1991

Introduced by **SENATOR JOEL VILLANUEVA**

**AN ACT
PROVIDING FOR THE NATIONAL FRAMEWORK FOR THE
DEVELOPMENT AND REGULATION OF THE PHILIPPINE
MIDSTREAM NATURAL GAS INDUSTRY, APPROPRIATING
FUNDS THEREFOR AND FOR OTHER PURPOSES**

EXPLANATORY NOTE

According to the Department of Energy (DOE), natural gas accounted for 5.5% of the total primary energy supply of the country and generated 18% of On Grid power generation in 2021.¹

Since it began operations in 2001, the Malampaya Deep Water Gas-to-Power project, the country's major source of natural gas, has produced cleaner-burning natural gas which supplies five power plants in Luzon with a combined capacity of 3,200 megawatts. Its operations resulted in the reduction of oil imports and the provision of a more stable supply of cleaner energy from an indigenous resource.² However, the Malampaya gas field is projected to be depleted by 2027.³

In view of the impending depletion of the natural gas reserves in Malampaya, and to continue to promote diversification of sources for the country's primary energy supply, it is necessary to have a clearer regulatory and legal framework to govern the promotion and development of the midstream natural gas industry.

¹ October 7, 2022. DOE 2023 Proposed Budget Presentation.

² Overview of Malampaya. Retrieved from: <https://malampaya.com/about/> (Last accessed on December 4, 2022)

³ November 25, 2022. Latest look into the country's oil and gas industry. Retrieved from:

<https://www.bworldonline.com/special-features/2022/11/25/489398/latest-look-into-the-countrys-oil-and-gas-industry/> (Last accessed on December 4, 2022).

Recognizing this need, this bill seeks to set parameters with respect to the use, access, rate setting, transportation, and transmission of natural gas in the country. This bill also seeks to ensure that natural gas industry operations are compliant with international and local best practices and standards, including the provisions on the health and safety of workers pursuant to Republic Act No. 11058, otherwise known as the Occupational Safety and Health Law, and other applicable laws, rules and regulations. This bill also encourages the participation of the private sector, while ensuring that safeguards are in place to prevent anti-competitive behavior and for a more transparent rate setting process.

In view of the foregoing, and as one of the priority measures of the Marcos Administration, the immediate passage of the bill is earnestly sought.



SENATOR JOEL VILLANUEVA



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THEREFOR AND FOR OTHER PURPOSES

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

CHAPTER 1
GENERAL PROVISIONS

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4 **SECTION 1. *Short Title.*** – This Act shall be referred as the “Midstream
5 Natural Gas Industry Development Act.”
6

7 **SEC. 2. *Declaration of Policy.*** – It is hereby declared the policy of the State
8 to:
9

- 10 (a) Ensure the country’s energy security by developing diversification of sources of
11 primary energy supply to various sectors of the economy;
12
13 (b) Promote the role of natural gas as an additional energy source and
14 complementary fuel to variable renewable energy by creating a legal and
15 regulatory framework that would govern the promotion and development of the
16 natural gas industry in the country;
17
18 (c) Create a regulatory environment that will foster a competitive market for natural
19 gas;
20
21 (d) Encourage the inflow of private capital in the development of the midstream
22 natural gas industry;
23

- 1 (e) Ensure a safe, secure, reliable, and environmentally responsible operation of
2 the midstream natural gas value chain to include personnel and user protection,
3 through the formulation and adoption of local or international standards on
4 health, safety, security and the environment; and
5
- 6 (f) Protect midstream end users by mandating transparent and fair rate, fees, and
7 charges.
8

9 **SEC. 3. Scope and Application.** – This Act shall apply to the midstream
10 natural gas industry, specifically the aggregation, supply, importation, exportation,
11 receipt, unloading, loading, processing, storage, regasification, transmission,
12 bunkering, and transportation of natural gas, in its original or liquefied form, from
13 local or foreign sources, and the systems and facilities utilized for such. It shall also
14 apply to the rehabilitation, repair, maintenance decommissioning, and abandonment
15 of such systems and facilities.
16

17 **SEC. 4. Definition of Terms.** – For purposes of this Act, the following terms
18 shall mean:
19

- 20 (a) *Affiliate* refers to any natural or juridical person who, singly or jointly with other
21 natural or juridical persons, directly or indirectly, through one or more
22 intermediaries, controls, is controlled by, or is under common control with
23 another natural or juridical person. It includes a subsidiary company, a parent
24 company, and the subsidiaries, directly or indirectly, of a common parent;
25
- 26 (b) *Ancillary reserve* refers to the natural gas procured by the natural gas
27 transmission utility or the Natural Gas Transmission System Operator
28 (NGTSO), whichever is applicable, necessary in the operation of the natural
29 gas transmission system to regulate fluctuations in its operating pressure and
30 maintain system stability, safety, and efficiency to ensure the continuous
31 transmission of natural gas to midstream end-users in accordance with the
32 Natural Gas Transmission Code. It shall be included in the natural gas
33 transmission fee or the NGTSO fee, whichever is applicable;
34
- 35 (c) *Anticompetitive behavior* refers to any act enumerated under Section 14 and
36 Section 15 of Republic Act No. 10667, otherwise known as the Philippine
37 Competition Act;
38
- 39 (d) *Capacity* refers to the handling design of a system used in the context of its
40 functionality, expressed in a specific measurement such as volume in cubic
41 meters or flow rate in normal cubic meters per time unit;
42
- 43 (e) *Control* refers to the power to determine the financial and operating policies of
44 an entity to benefit from its activities. It is presumed to exist when the parent
45 entity owns, directly or through subsidiaries or associates, more than fifty
46 percent (50%) of the voting power of an entity. It also exists when the parent
47 entity owns fifty percent (50%) or less of the voting shares of an entity, but has
48 any of the following powers:
 - 49 (1) Power over more than fifty percent (50%) of the voting rights by virtue of
50 an agreement with other investors;

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- (2) Power to govern the financial and operating policies of the entity under a statute or agreement;
 - (3) Power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or
 - (4) Power to cast the majority of votes at meetings of the board of directors or equivalent governing body;
- (f) *Dedicated natural gas pipeline* refers to a pipeline exclusively utilized by a midstream natural gas industry participant or its affiliates for the conveyance of natural gas from an LNG terminal or a local natural gas production facility to the said midstream natural gas industry participant or its affiliates;
- (g) *Emergency reserve* refers to the amount of natural gas, in its original or liquefied form, which may be contracted by midstream end users based on public interest, sufficient to ensure a continuous, adequate, and stable supply of natural gas for a specified period in the event of a supply disruption. Such period shall be determined in the implementing rules and regulations (IRR) of this Act;
- (h) *Importation* refers to the bringing of natural gas, in its original or liquefied form, into the Philippines from foreign sources;
- (i) *Gas aggregation* refers to the activity of pooling together various demands for natural gas from midstream end users and supplying them with natural gas from one or more sources;
- (j) *Gas aggregator* refers to any natural or juridical person who engages in gas aggregation;
- (k) *Liquefied natural gas (LNG)* refers to natural gas which has been cooled to a cryogenic temperature, converting it to a liquid state;
- (l) *LNG Bunkering* refers to the selling of natural gas for use of domestic or foreign marine vessels;
- (m) *LNG Bunkering facilities* refer to all infrastructures built and designed for LNG bunkering;
- (n) *LNG terminal* refers to all facilities located onshore or offshore, that are used to import, receive, unload, load, process, store, and re-gasify natural gas, in its original or liquefied form, from local or foreign sources. It shall include berthing ports, unloading and loading arms, line packs, cryogenic pipelines, regasification facilities, and storage tanks, among others;
- (o) *LNG Terminal Development Plan* refers to a comprehensive plan prepared by each LNG terminal owner and operator relating to the location, construction, improvement, operation, utilization expansion, modification, rehabilitation,

1 repair, maintenance decommissioning, and abandonment of each of its LNG
2 terminals and all its required facilities and equipment, taking into consideration,
3 among others, existing and projected demand and supply of natural gas;

4
5 (p) *LNG Terminal regulated Third Party Access Code* refers to the compendium of
6 responsibilities, qualifications, standards, and rules promulgated by the
7 Department of Energy (DOE) for regulated third party access by one or more
8 third parties to a portion, the entire, or the unutilized capacity of an rTPA LNG
9 terminal permit holder, and the evaluation of performance of an LNG terminal
10 with respect thereto;

11
12 (q) *Midstream end users* refers to any natural or juridical person, requiring the
13 supply of natural gas, in its original or liquefied form, for resale or own use, but
14 excluding the retail use of natural gas. It includes power generation plants,
15 industrial and commercial establishments, ecozones, storage facilities,
16 bunkering facilities, virtual pipelines, and motor vehicles and marine vessels
17 transporting natural gas;

18
19 (r) *Midstream natural gas industry* refers to the aggregation, supply, importation,
20 exportation, receipt, unloading, loading, processing, storage, regasification,
21 transmission, bunkering, and transportation of natural gas, in its original or
22 liquefied form, but shall exclude the retail of natural gas. It utilizes, among
23 others, LNG terminals, dedicated natural gas pipelines, natural gas
24 transmission systems, storage facilities, bunkering facilities, virtual pipelines,
25 and motor vehicles and marine vessels transporting natural gas;

26
27 (s) *Midstream Natural Gas Industry Development Plan* refers to the
28 comprehensive plan for ensuring safe, secure, and reliable supply of natural
29 gas, in its original or liquefied form, while establishing the efficient operations of
30 the country's midstream natural gas infrastructure and managing demand for
31 natural gas through specific government programs and policies. It shall include
32 the various LNG Terminal Development Plans and Natural Gas Transmission
33 Development Plans, and studies on over-all supply and demand, capacity, and
34 other research necessary in achieving a sound demand and supply projection
35 for natural gas in the country;

36
37 (t) *Midstream natural gas industry participants* refer to the supplier or importer of
38 natural gas; gas aggregator; owner and operator of LNG terminal, dedicated
39 natural gas pipeline, natural gas transmission system, storage and bunkering
40 facilities, virtual pipelines, and motor vehicle and marine vessels utilized to
41 transport natural gas; the Natural Gas Transmission System Operator; third
42 parties; and midstream end users;

43
44 (u) *Natural gas* refers to gas obtained from boreholes and wells consisting primarily
45 of a mixture of methane, ethane, propane, and butane with small amounts of
46 heavier hydrocarbons and some impurities, notably nitrogen and complex sulfur
47 compounds and water, carbon dioxide, and hydrogen sulfide as well as non-
48 conventional gas including gas from bituminous shale;

49

- 1 (v) *Natural Gas Transmission Code* refers to the compendium of rules, procedures,
2 requirements, regulations, and minimum technical performance standards
3 governing the safe and reliable location, construction, improvement, operation,
4 utilization, expansion, modification, rehabilitation, repair, maintenance,
5 decommissioning, and abandonment of all dedicated natural gas pipelines and
6 natural gas transmission systems in the country. It also defines and establishes
7 the relationship of dedicated natural gas pipelines and natural gas transmission
8 system with facilities and installations of other midstream natural gas industry
9 participants, if applicable;
10
- 11 (w) *Natural Gas Transmission Development Plan* refers to the plan of each
12 dedicated own use of pipeline owner and operator, natural gas transmission
13 utility, or the Natural Gas Transmission System Operator when applicable, for
14 managing dedicated own use pipelines, natural gas transmission systems or
15 the interconnected natural gas transmission system, whichever is applicable,
16 through efficient planning for its location, construction, improvement, operation,
17 utilization, expansion, modification, rehabilitation, repair, maintenance,
18 decommissioning, and abandonment;
19
- 20 (x) *Natural Gas Transmission System* refers to a network containing pipelines and
21 other related facilities, owned and operated by a natural gas transmission utility,
22 which convey natural gas, in its original or liquefied form, from an LNG terminal
23 or a local natural gas production facility to a midstream natural gas industry
24 participant;
25
- 26 (y) *Natural gas transmission fee* refers to the amount paid by midstream natural
27 gas industry participants for the use of a natural gas transmission system. It
28 shall consist of amounts used to defray the costs of location, construction,
29 improvement, operation, utilization, expansion, modification, rehabilitation,
30 repair, maintenance, decommissioning, and abandonment of the system, and
31 provide a reasonable rate of return. It also includes the cost of operating the
32 system while there is no Natural Gas Transmission System Operator;
33
- 34 (z) *Natural Gas Transmission System Operator (NGTSO)* refers to a natural or
35 juridical person responsible for operating and maintaining the interconnected
36 natural gas transmission system, ensuring the continuous and reliable delivery
37 of natural gas to midstream natural gas industry participants, and securing the
38 long-term ability of the system to meet demand for the transmission of natural
39 gas;
40
- 41 (aa) *Natural gas transmission utility* refers to a natural or juridical person who has a
42 franchise granted by law to construct, own, and operate a natural gas
43 transmission within a specified area;
44
- 45 (bb) *Negotiated third party access (nTPA)* refers to a contractual arrangement
46 between the owner and operator of a dedicated natural pipeline or an own use
47 LNG terminal permit holder and a third party to allow the use and access to
48 such third party of a specific capacity of a dedicated natural gas pipeline or an
49 LNG terminal with an own use permit for a fee agreed upon between the two
50 entities. It does not include contractual arrangements entered into by an own

1 use LNG terminal permit holder and a third party pursuant to a declaration of
2 unutilized capacity by the DOE in accordance with the LNG Terminal Regulated
3 Third Party Access Code;

4
5 (cc) *NGTSO fee* refers to the amount paid by midstream natural gas industry
6 participants to the NGTSO for its services in operating and maintaining the
7 interconnected natural gas transmission system;

8
9 (dd) *Own use LNG terminal permit holder* refers to an LNG terminal whose owner
10 and operator has been issued an own use permit;

11
12 (ee) *Own use permit* refers to an authorization issued by DOE to the owner and
13 operator of an LNG terminal to exclusively use or allow its affiliate to use a
14 specific capacity of the LNG terminal for a specified period of time, subject to
15 LNG Terminal Regulated Third Party Access Code;

16
17 (ff) *Permit* refers to an authorization issued by the DOE, the Energy Regulatory
18 Commission (ERC), or the Department of Transportation (DOTr) or its attached
19 agencies, whichever is applicable, for the aggregation, supply, importation,
20 exportation, receipt, unloading, loading, processing, storage, regasification, and
21 bunkering of natural gas, or the location, construction, improvement, operation,
22 utilization, expansion, modification, rehabilitation, repair, maintenance,
23 decommissioning, and abandonment of an LNG terminal, natural gas
24 transmission system, dedicated natural gas pipeline, storage facilities,
25 bunkering facilities, virtual pipelines, and motor vehicles and marine vessels
26 transporting natural gas for a specified period of time;

27
28 (gg) *Permit holder* refers to a natural or juridical person who is granted a permit by
29 the DOE, ERC, or DOTr, or its attached agencies whichever is applicable, to
30 engage in the aggregation, supply, importation, exportation, receipt, unloading,
31 loading, processing, storage, regasification, and bunkering of natural gas, or
32 the location, construction, improvement, operation, utilization, expansion,
33 modification, rehabilitation, repair, maintenance, decommissioning, and
34 abandonment of an LNG terminal, natural gas transmission system, dedicated
35 natural gas pipeline, storage facilities, bunkering facilities, virtual pipelines, and
36 motor vehicles and marine vessels transporting natural gas for a specified
37 period of time;

38
39 (hh) *Philippine National Standard (PNS)* refers to the standards promulgated by the
40 Department of Trade and Industry (DTI) - Bureau of Philippine Standards (BPS)
41 pertaining to product specifications, test methods, terminologies, procedures, or
42 practices pursuant to Republic Act No. 4109, otherwise known as the Standard
43 Act, and other applicable laws, rules and regulations;

44
45 (ii) *Regulated third party access (rTPA)* refers to a contractual arrangement
46 between the following:

47 (1) An rTPA LNG terminal permit holder or a natural gas transmission utility
48 and a third party to allow the latter transparent, fair, reasonable, and non-
49 discriminatory use and access of the capacity available to third parties of
50 the LNG terminal or the natural gas transmission system;

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(2) An own use LNG permit holder and a third party pursuant to a declaration of unutilized capacity by the DOE in accordance with the LNG Terminal Regulated Third Party Access Code; or

(3) A natural gas transmission utility and a third party pursuant to a declaration of unutilized capacity by the DOE in accordance with the Transmission Regulated Third Party Access Code;

(jj) *Regulated third party access (rTPA) permit* refers to an authorization issued by the DOE to the owner and operator of an LNG terminal to offer to third parties, the fair, reasonable, and non-discriminatory use of access of a specific capacity of its LNG terminal for a specified period of time, subject to the LNG Terminal Regulated Third Party Access Code;

(kk) *Reserve price* refers to the undisclosed rate determined by ERC using a methodology pursuant to Section 6 of this Act that serves as the price ceiling for the natural gas transmission fee;

(ll) *Retail* refers to the sale of natural gas to the general public in relatively small quantities for consumption, such as the sale of natural gas to motor vehicles and households;

(mm) *rTPA LNG terminal permit holder* refers to an LNG terminal whose owner or operator has been issued an rTPA permit;

(nn) *Storage* refers to the stocking of natural gas for the purpose of regasification, bunkering, reserve, any combination thereof, or any other purpose consistent with this Act;

(oo) *Storage facilities* refers to any equipment or infrastructure used for storage;

(pp) *Supplier* refers to a natural or juridical person authorized by the DOE to engage in supply as defined in this Act;

(qq) *Supply* refers to the trade or indigenous or imported natural gas, in its original or liquefied form, and its subsequent sale or transfer to midstream natural gas industry participants;

(rr) *Terminal fee* refers to the rates, charges and other similar considerations imposed upon third parties for the use and services of any of the following:

(1) The capacity or a portion thereof covered by an rTPA permit of an LNG terminal, or

(2) The unutilized capacity or a portion thereof covered by an own use permit of an LNG terminal;

- 1 (ss) *Third party* refers to a midstream natural gas industry participant who is not the
2 owner, operator, or affiliate of the owner and operator of an LNG terminal,
3 dedicated natural gas pipeline, or natural gas transmission system;
4
- 5 (tt) *Transmission* refers to the conveyance of natural gas, either through a
6 dedicated natural gas pipeline, or natural gas transmission system;
7
- 8 (uu) *Transmission Regulated Third Party Access Code* refers to the compendium of
9 responsibilities, qualifications, standards, and rules promulgated by the ERC for
10 regulated third party access by one or more third parties to a portion, the entire,
11 or the unutilized capacity of a natural gas transmission system, and the
12 evaluation of performance of a natural gas transmission utility with respect
13 thereto;
14
- 15 (vv) *Utilized capacity* refers to a portion of a capacity of an LNG terminal, with an
16 own use permit, an rTPA permit or both, or a natural gas transmission system,
17 set apart for the use of the LNG terminal owner and operator or a third party
18 with rTPA to the LNG terminal or the natural gas transmission system, which
19 remains unused after a reasonable period of time and declared as such by the
20 DOE or ERC pursuant to this Act and the LNG Terminal Regulated Third Party
21 Access Code and the Transmission Regulated Third Party Access Code,
22 whichever is applicable; and
23
- 24 (ww) *Virtual Pipelines* refer to alternative methods of transporting natural gas using
25 modules coupled to mobile platforms such as motor vehicles, marine vessels,
26 or rail platforms.
27

28 **CHAPTER II**
29 **POWERS AND RESPONSIBILITIES OF GOVERNMENT AGENCIES**
30

31 **SEC. 5. Powers and Responsibilities of the Department of Energy (DOE).**

32 – In addition to its functions under Republic Act No. 7638, otherwise known as the
33 Department of Energy Act of 1992, the DOE shall be the lead implementing agency
34 for this Act. Towards this end, it shall:
35

- 36 (a) Supervise and monitor the development of the midstream natural gas industry,
37 and ensure the security and sufficiency of the supply of natural gas for local
38 demand;
39
- 40 (b) Require the annual submission of, review, and approve LNG Terminal
41 Development Plans and Natural Gas Transmission Development Plans:
42 *Provided*, That the specific guidelines and timeline for the approval of these
43 plans shall be determined by the policy declarations of this Act and upon
44 consultation with other relevant government agencies, midstream natural gas
45 industry participants, and other public and private stakeholders;
46
- 47 (c) Prepare a Midstream Natural Gas Industry Development Plan based on the
48 various LNG Terminal Development Plans and Natural Gas Transmission
49 Development Plans within two (2) years from the affectivity of this Act's
50 implementing rules and regulations, upon consultation with other relevant

1 government agencies, midstream natural gas industry participants, and other
2 public and private stakeholders. The Midstream Natural Gas Industry
3 Development Plan shall be reviewed and updated annually, and integrated into
4 the Philippine Energy Plan;

5
6 (d) Promulgate the PNS or identify and adopt other international standards
7 adopted as PNS by the DTI-BPS, together with relevant government agencies
8 and upon consultation with midstream natural gas industry participants and
9 other public and private stakeholders, within eighteen (18) months from the
10 effectivity of this Act's implementing rules and regulations, for the following:

11 (1) Natural gas, in its original or liquefied form;

12
13 (2) Location, construction improvement, operation, utilization expansion,
14 modification, rehabilitation, repair, maintenance decommissioning, and
15 abandonment of all LNG terminals;

16
17 (3) Storage and bunkering of natural gas and its respective facilities;

18
19 (4) Virtual pipelines; and

20
21 (5) Motor vehicles and marine vessels transporting natural gas;

22
23 (e) Ensure compliance with the health, safety, security, and environmental
24 standards of the following, together with the Department of Health (DOH),
25 Department of Labor and Environment (DOLE), and other relevant government
26 agencies:

27 (1) Natural gas, in its original or liquefied form;

28
29 (2) Location, construction improvement, operation, utilization expansion,
30 modification, rehabilitation, repair, maintenance decommissioning, and
31 abandonment of all LNG terminals,

32
33 (3) Storage and bunkering of natural gas and its respective facilities;

34
35 (f) Convene and co-chair with DTI-BPS, within two (2) months from the effectivity
36 of this Act, a technical working group composed of relevant government
37 agencies to include the ERC, DTI, DOTr, DENR, DOH, DOLE, Department of
38 Interior and Local Government (DILG), their respective attached agencies,
39 midstream natural gas industry participants, and other relevant public and
40 private stakeholders to ensure consistent and streamlined standards and
41 regulations in the midstream natural gas industry. The members of the
42 technical working group shall fully cooperate and collaborate in the creation,
43 promulgation, and streamlining of standards and regulations;

44
45 (g) Promulgate the guidelines for the establishment of safety and exclusion zones
46 of LNG terminals, and determine such safety and exclusion zone for every LNG
47 terminal, in consultation with the technical working group, relevant government
48 agencies, local government units, and public and private stakeholders;

49

- 1 (h) Evaluate and act on the applications for the location, construction,
2 improvement, operation, utilization, expansion, modification, rehabilitation,
3 repair, maintenance decommissioning, and abandonment of all LNG terminals
4 as well as storage facilities and bunkering facilities;
5
- 6 (i) Issue (i) permits for the aggregation, supply, importation, exportation, receipt,
7 unloading, loading, processing, storage, regasification, and bunkering of natural
8 gas, in its original or liquefied form in accordance with this Section, and (ii) Own
9 use and rTPA permits to owners and operators of LNG terminals;
10
- 11 (j) Establish a methodology and timeframe for the determination of the unutilized
12 capacity of LNG terminals, which shall be integrated in the LNG Terminal
13 Regulated Third Party Access Code, taking into consideration the following: (i)
14 reasonable period to use the capacity, (ii) existing market demand, and (iii)
15 existing contracts;
16
- 17 (k) Promulgate the LNG Terminal Regulated Third Party Access Code, within one
18 (1) year from the effectivity of this Act's implementing rules and regulations, and
19 upon consultation with other relevant government agencies, midstream natural
20 gas industry participants, and other public and private stakeholders, and ensure
21 compliance therewith. The LNG Terminal Regulated Third Party Access Code
22 shall govern the creation of (i) a reliable and continuous supply of natural gas,
23 and (ii) transparent, fair, reasonable, and non-discriminatory use and access;
24
- 25 (l) Declare the unutilized capacity of an LNG terminal and mandate Regulated
26 Third Party Access for such in accordance with the LNG Terminal Regulated
27 Third Party Access Code;
28
- 29 (m) Determine minimum guidelines to ensure the transparent, fair, reasonable, and
30 non-discriminatory conduct of competitive selection processes by owners and
31 operators of LNG terminal: *Provided*, That these minimum guidelines shall not
32 include the mode of competitive selection process;
33
- 34 (n) Approve or disapprove any sale, assignment, or transfer of control to another
35 entity by a midstream natural gas industry participant with a DOE issued permit
36 within ninety (90) calendar days from submission of complete documentary
37 requirements. Concomitantly, the DOE may require from any midstream natural
38 gas industry participant with a DOE issued permit the prior disclosure of any
39 sale, assignment, or transfer or ownership or direct or indirect interests, rights,
40 or participation not amounting to control to another entity. In both these cases,
41 the DOE may review, modify, cancel, approve, or disapprove any permit it has
42 issued taking into consideration the legal, technical, and financial qualifications
43 of the purchaser, assignee, or transferee and its compliance with its own use or
44 rTPA permit or other DOE issued permits under this Act and existing laws, rules
45 and regulations;
46
- 47 (o) Determine the qualifications of and procedure for the competitive selection of a
48 single independent NGTSO taking into consideration Section 21 of this Act,
49 upon consultation with relevant government agencies, midstream natural gas

1 industry participants, and other public and private stakeholders, and undertake
2 its selection upon the interconnection of natural gas transmission systems;

3
4 (p) Require the submission of the following information from suppliers, importers,
5 aggregators, and owners and operators of LNG terminals, storage facilities, and
6 bunkering facilities, whichever is applicable, subject to Section 31 of this Act:

7 (1) Progress and status report on the location, construction, improvement,
8 operation, expansion modification, rehabilitation, repair, maintenance,
9 decommissioning, and abandonment of LNG terminals and storage and
10 bunkering facilities;

11
12 (2) Regular reports on the following: (i) compliance with health, safety,
13 security, and environmental standards; (ii) utilization of the LNG terminal
14 by its owner and operator, their affiliates, and third parties, whichever is
15 applicable; and (iii) compliance with the LNG Terminal Regulated Third
16 Party Access Code to include compliance with DOE directive to subject an
17 unutilized capacity to regulated third party access;

18
19 (3) Supply and demand of natural gas with respect to their own facilities or
20 operations;

21
22 (4) Volumes of specific inventories to include levels of importation and
23 emergency reserve;

24
25 (5) Progress and status report on mitigation measures and responses in
26 relation to accidents and other emergency incidents;

27
28 (6) Mode of competitive selection of third parties for rTPA LNG terminal
29 permit holders, reports on competitive selection processes undertaken,
30 and status of utilization by third parties of the LNG terminal with an rTPA
31 permit: *Provided*, That each competitive selection process shall be
32 transparent, fair, reasonable, and non-discriminatory; and

33
34 (7) Other data and information necessary to the performance of the duties
35 and functions of DOE;

36
37 (q) Determine the necessity of, and then direct the interconnection of natural gas
38 transmission systems based on the Philippine Energy Plan, Midstream Natural
39 Gas Development Plan, and the Natural Gas Transmission Development Plans,
40 taking into consideration the maturity of the industry, the existing natural gas
41 transmission systems' infrastructures, and the cost efficiency of
42 interconnection, and upon consultation with the ERC, other relevant
43 government agencies, midstream natural gas industry participants, and other
44 public and private stakeholders;

45
46 (r) Ensure compliance with the publication and unbundling of the terminal fee in
47 accordance with Section 24 of this Act;

48
49 (s) Ensure and review compliance with, and investigate, *motu proprio* or upon
50 complaint, any non-compliance with this Act, including any permit DOE has

1 issued in relation hereto, its rules and regulations, the LNG Terminal Regulated
2 Third Party Access Code, and any other issuance promulgated pursuant to the
3 DOE's powers under this Act, except those under the jurisdiction of the ERC as
4 provided under Section 6 herein. Thereafter, the DOE may penalize, suspend,
5 or revoke, after due notice and hearing any permit it has issued;

- 6
- 7 (t) Endorse the findings of investigations against midstream natural gas industry
8 participants, for (1) anticompetitive behavior before the Philippine Competition
9 Commission (PCC); or (2) violations of the provisions of this Act and other
10 applicable laws, rules, and regulations before the ERC, other quasi-judicial
11 agencies, or the courts; and
- 12
- 13 (u) Perform all other acts that are analogous to the foregoing and in furtherance of
14 the implementation of this Act.
- 15

16 **SEC. 6. Powers and Responsibilities of the Energy Regulatory**
17 **Commission (ERC).** – In addition to its functions under Republic Act No. 9136,
18 otherwise known as the Electric Power Industry Reform Act of 2001, the ERC shall
19 have the authority to:

20

- 21 (a) Promulgate the PNS of and identify and adopt other international standards
22 adopted as PNS by the DTI-BPS, together with relevant government agencies
23 and upon consultation with midstream natural gas industry participants and
24 other public and private stakeholders, within eighteen (18) months from the
25 effectivity of the implementing rules and regulations of this Act for the (1)
26 dedicated natural gas pipelines, and (2) natural gas transmission systems;
- 27
- 28 (b) Ensure compliance with the health, safety, security, and environmental
29 standards of (1) dedicated natural gas pipelines, and (2) natural gas
30 transmission systems, together with the Department of Environment and
31 Natural Resources (DENR), Department of Health (DOH), Department of Labor
32 and Employment (DOLE), and other relevant government agencies;
- 33
- 34 (c) Participate in the technical working group convened by the DOE pursuant to
35 Section 5 of this Act;
- 36
- 37 (d) Evaluate and act on applications for the location, construction, improvement,
38 operation, utilization, expansion, modification, rehabilitation, repair,
39 maintenance, decommissioning, and abandonment of dedicated natural gas
40 pipelines and natural gas transmission systems;
- 41
- 42 (e) Issue permits for the transmission of natural gas to include certificates of public
43 convenience and necessity (CPCN) to natural gas transmission utilities;
- 44
- 45 (f) Establish a methodology and timeframe for the determination of the unutilized
46 capacity of natural gas transmission systems, which shall be integrated in the
47 Transmission Regulated Third Party Access Code, taking into consideration the
48 (1) reasonable period to use the capacity, (2) existing market demand, and (3)
49 existing contracts;
- 50

- 1 (g) Promulgate the national Gas Transmission Code and Transmission Regulated
2 Third Party Access Code within one (1) year from the effectivity of the
3 implementing rules and regulations of this Act, and upon consultation with other
4 relevant government agencies, midstream natural gas industry participants, and
5 other public and private stakeholders, and ensure compliance therewith. The
6 Natural Gas Transmission Code and the Transmission Regulated Third Party
7 Access Code which shall be reviewed and updated regularly. The creation of
8 these codes shall be governed by the following: (1) reliable and continuous
9 supply of natural gas, and (2) transparent, fair, reasonable, and non-
10 discriminatory use and access;
11
- 12 (h) Declare the unutilized capacity of a natural gas transmission system and
13 mandate regulated third party access for such in accordance with the
14 Transmission Regulated Third Party Access Code;
15
- 16 (i) Determine minimum guidelines to ensure the transparent, fair, reasonable, and
17 non-discriminatory conduct of competitive selection processes by natural gas
18 transmission utilities: *Provided*, That these minimum guidelines shall not
19 include the mode of competitive selection process;
20
- 21 (j) Approve or disapprove any plan of a natural gas transmission utility, an owner
22 and operator of a dedicated natural gas pipeline, and the NGTSO to sell,
23 assign, or transfer control to another entity. For this purpose, the ERC shall
24 require from natural gas transmission utility, the owner and operator of a
25 dedicated natural gas pipeline, and the NGTSO the prior disclosure of any sale,
26 assignment, or transfer of ownership or direct or indirect interests, rights, or
27 participation to another entity. In all cases, the ERC shall have the power to
28 review, modify, cancel, approve, or disapprove any permit it has issued taking
29 into consideration the legal, technical, and financial qualifications of the
30 purchaser, assignee, or transferee and its compliance with the conditions
31 attached to the permits issued by ERC pursuant to this Act and existing laws,
32 rules, and regulations;
33
- 34 (k) Require the submission of the following information from the owner and
35 operator of dedicated natural gas pipelines, the natural gas transmission utility,
36 and the NGTSO, whichever is applicable, subject to Section 31 of this Act:
37 (1) Progress and status reports on the location, construction, improvement,
38 operation, expansion, modification, rehabilitation, repair, maintenance,
39 decommissioning, and abandonment of dedicated natural gas pipelines,
40 natural gas transmission systems, and the interconnected natural gas
41 transmission system,
42
- 43 (2) Regular reports on the following:
44 (i) Utilization of the dedicated natural gas pipeline and natural gas
45 transmission system by its owner and operator, their affiliates, and
46 third parties, whichever is applicable,
47 (ii) Compliance with the Transmission Regulated Third Party Access
48 Code to include compliance with DOE directive to subject an
49 unutilized capacity to regulated third party access;

- 1 (iii) Supply and demand of natural gas with respect to their own facilities
2 or operations,
3 (iv) Volumes of specific inventories to include levels of ancillary reserve,
4 when applicable,
5 (v) Compliance with health, safety, security, and environmental
6 standards, and activities in relation thereto,
7 (vi) Progress and status reports on mitigation measures and responses
8 in relation to accidents and other significant or emergency incidents,
9 (vii) Mode of competitive selection of third parties for natural gas
10 transmission utilities, reports on competitive selection processes
11 undertaken to include the natural gas transmission fee, and status of
12 utilization by third parties: *Provided*, That the mode for each
13 competitive selection process shall be determined by each natural
14 gas transmission utility: *Provided further*, That each competitive
15 selection process shall be transparent, fair, reasonable, and non-
16 discriminatory
17 (viii) Billed and collected amounts of the natural gas transmission fee and
18 NGTSO fee, whichever is applicable, and
19 (ix) Other documents, data, and information necessary to the performance
20 by ERC of its functions under this Act;
21
22 (l) Ensure and review compliance with, and investigate, motu proprio, upon
23 complaint or upon endorsement of any government agency, any non-
24 compliance with this Act including any permit ERC has issued in relation
25 hereto, its rules and regulations, the Natural Gas Transmission Code, the
26 Transmission Regulated Third Party Access Code, and any other issuance
27 promulgated pursuant to the ERC's powers under this Act, except those under
28 the jurisdiction of the DOE as provided under Section 5 herein. Thereafter, the
29 ERC may penalize, suspend, or revoke, after due notice and hearing any
30 permit it has issued;
31
32 (m) Endorse the findings of investigation on any anticompetitive behavior of an
33 owner and operator of a dedicated natural gas pipeline, the natural gas
34 transmission utility, and the NGTSO to the PCC;
35
36 (n) Exercise its rate-setting power through the determination and regular review of
37 the (i) reserve price for the natural gas transmission fee, which shall remain
38 undisclosed until the winning bidder is declared, and (ii) NGTSO fee. The ERC
39 shall notify and afford relevant stakeholders the opportunity to be heard in the
40 (i) methodology for the determination of the reserve price, and (ii) determination
41 of the NGTSO fee;
42
43 (o) Ensure compliance with the publication and unbundling of the natural gas
44 transmission fee and the NGTSO fee imposed by natural gas transmission
45 utilities, and the NGTSO respectively, in accordance with Section 24 of this Act;
46
47 (p) Review regularly the performance of natural gas transmission utilities and the
48 NGTSO, when applicable, including the quality of its service and compliance
49 with its approved Natural Gas Transmission Development Plan and its powers
50 and function pursuant to Chapter V of this Act;

- 1
2 (q) Exercise exclusive jurisdiction over all matters pertaining to rate setting in this
3 Act taking into consideration the policy of full recovery of prudent and
4 reasonable economic costs with a reasonable rate of return or such other
5 principles that promote efficiency and other internationally accepted rate setting
6 methodology.
7
8 (r) Exercise overall regulatory supervision over dedicated natural gas pipelines,
9 natural gas transmission systems, and the NGTSO; and
10
11 (s) Perform all other acts are analogous to the foregoing and the furtherance of the
12 implementation of this Act.
13

14 **SEC. 7. Powers and Responsibilities of the Department of Environment**
15 **and Natural Resources.** – In addition to its functions under Executive Order No.
16 192, otherwise known as the Reorganization Act of the Department of Environment
17 and Natural Resources, and other applicable laws, the DENR, together with the DOE,
18 the ERC, and/or the DOTr, shall ensure and monitor compliance with the
19 environmental standards for the location, construction, improvement, operation,
20 utilization, expansion, modification, rehabilitation, repair, maintenance,
21 decommissioning, and abandonment of LNG terminals, natural gas transmission
22 systems, dedicated natural gas pipelines, storage facilities, bunkering facilities,
23 virtual pipelines, and motor vehicles and marine vessels transporting, storing or
24 processing natural gas, in its original state or liquefied form, and all related
25 equipment and facilities.
26

27 **SEC. 8. Powers and Responsibilities of the Department of Health.** – In
28 addition to its functions under Executive Order No. 317, Series of 1941, entitled
29 Organizing the Department of Health and Public Welfare, as amended, and Republic
30 Act No. 11223, otherwise known as the Universal Health Care Act, the DOH,
31 together with the DOE, ERC, DOLE and/or the DOTr, shall:
32

- 33 (a) Ensure and monitor compliance with the health standards, including
34 occupational safety and health standards, for the location, construction,
35 improvement, operation, utilization, expansion, modification, rehabilitation,
36 repair, maintenance decommissioning, and abandonment of LNG terminals,
37 natural gas transmission systems, dedicated natural gas pipelines, and motor
38 vehicles and marine vessels transporting, storing, or processing natural gas, in
39 its original state or liquefied form, and all related equipment and facilities;
40
41 (b) Recommend standards, rules, and regulations in the conduct of health risk
42 assessment studies in cases of natural gas accidents;
43
44 (c) Develop guidelines, policies, and health standards on the treatment and
45 management of patients affected by natural gas accidents; and
46
47 (d) Require health data and information from LNG terminals, natural gas
48 transmission systems, dedicated natural gas pipelines, storage facilities, and
49 bunkering facilities, virtual pipelines, and motor vehicles and marine vessels

1 transporting, storing, or processing natural gas, in its original state or liquefied
2 form, and all related equipment and facilities.

3
4 **SEC. 9. Powers and Responsibilities of the Department of Trade and**
5 **Industry – Bureau of Philippine Standards.** – In addition to its functions under
6 Republic Act No. 4109, otherwise known as the Standards Act, the DTI-BPS, shall
7 act as the Co-Chairperson of the technical working group created pursuant to
8 Section 5 of this Act, and together with the DOE, the ERC, and the DOTr, determine,
9 develop, formulate, promulgate, and revise the Philippine National Standards, or
10 identify and adopt international standards as PNS for natural gas in its original or
11 liquefied form, LNG terminals, dedicated natural gas pipelines, natural gas
12 transmission systems, storage facilities, bunkering facilities, virtual pipelines, and
13 motor vehicles and marine vessels transporting, storing, or processing natural gas, in
14 its original state of liquefied form, and all related equipment and facilities.

15
16 **SEC. 10. Powers and Responsibilities of the Department of**
17 **Transportation and its Attached Agencies.** – In addition to its functions under
18 Executive Order No. 125, Series of 1987 otherwise known as Reorganizing the
19 Ministry of Transportation and Communications, Defining its Powers and Functions
20 and for Other Purposes, as amended, and other applicable laws, the DOTr and its
21 attached agencies, such as the Land Transportation Office (LTO), Land
22 Transportation Franchising and Regulatory Board (LTFRB), and Maritime Industry
23 Authority (MARINA), in coordination with the DOE, DENR, DOH, DTI-BPS, and other
24 relevant government agencies, shall issue the appropriate guidelines and regulations,
25 and the applicable permits, licenses, certificates, or authorizations to virtual pipelines,
26 motor vehicles and marine vessels transporting, storing, or processing natural gas in
27 its original state of liquefied form, as well as marine facilities used to import, receive,
28 unload, load, transport, process, and store natural gas in its original or liquefied form,
29 including those utilized as offshore LNG terminals. The DOTr shall also monitor and
30 ensure compliance with the appropriate laws, rules and regulations issued for the
31 purpose.

32
33 **SEC. 11. Powers and Responsibilities of the Philippine Competition**
34 **Commission (PCC).** – In addition to its functions under Republic Act No. 10667,
35 otherwise known as the Philippine Competition Act, the PCC shall exercise primary
36 and exclusive jurisdiction over any anticompetitive behavior of midstream natural gas
37 industry participants.

38
39
40 **CHAPTER III**
41 **MIDSTREAM NATURAL GAS INDUSTRY PARTICIPANTS**

42
43 **SEC. 12. Responsibilities of Midstream Natural Gas Industry Participants.**
44 – All midstream natural gas industry participants shall:

- 45
46 (a) Adhere to all health, safety, security and environmental standards and all
47 codes, rules, regulations, and issuances promulgated pursuant to Chapter II of
48 this Act;

- 1 (b) Comply with all obligations and responsibilities under this Act to include
2 reportorial requirements and submissions pursuant to Chapter II of this Act;
3
4 (c) Participate as a member of the technical working group pursuant to Section 5 of
5 this Act;
6
7 (d) Unbundle their respective fees, if applicable, pursuant to Sections 5, 6, and 24
8 of this Act; and
9
10 (e) Not engage in any anticompetitive behavior.
11

12
13 **CHAPTER IV**
14 **LNG TERMINALS**
15

16 **SEC 13. *Importation and Receipt of Natural Gas through LNG Terminals.***

17 – Imported natural gas, in its liquefied form, shall only be received, unloaded, loaded,
18 processed, stored, transmitted, transported, and conveyed in accordance with this
19 Act.
20

21 **SEC. 14. *Safety and Exclusion Zone.*** – All LNG terminals shall have a
22 safety and exclusion zone to be determined by the DOE in consultation with the
23 technical working group created under Section 5 of this Act, and other relevant
24 stakeholders from the public and private sectors.
25

26 **SEC. 15. *LNG Terminal Owner and Operator.*** – An LNG terminal may have
27 a separate owner and operator. If the LNG terminal owner and operator are separate
28 entities, they shall be treated as one and the same entity insofar as permits, licenses,
29 certificates, and authorizations are concerned, as well as in the exercise of rights
30 and compliance with obligations, standards, regulations, and other relevant laws and
31 issuances.
32

33 **SEC. 16. *Use and Access of LNG Terminals.*** – The use and access of LNG
34 terminals shall be regulated pursuant to this Act, while the terminal fee shall be
35 unbundled in accordance with Section 24 and unregulated. All owners and operators
36 of LNG terminals shall annually submit their LNG Terminal Development Plan to
37 DOE pursuant to Section 5 of this Act.
38

39 The DOE shall issue own use and rTPA permits to owners and operators of
40 LNG terminals. Such owners and operators shall have the option to apply for and
41 hold an own use permit, an rTPA permit, or both permits simultaneously for each
42 LNG terminal, and perform the functions of an own use LNG terminal permit holder
43 pursuant to Section 17 of this Act and an rTPA LNG terminal permit holder pursuant
44 to Section 18 of this Act, to the extent of the capacity allowed by and during the
45 length of the time specified in each type of permit, and in accordance with the LNG
46 Terminal Regulated Third Party Access Code.
47

48 Each type of permit shall specify the capacity and length of time covered by
49 the permit: *Provided*, That the total capacity of all permits held by an owner and
50 operator of an LNG terminal for each LNG terminal shall not exceed the maximum

1 capacity of such LNG terminal. The unutilized capacity of an owner and operator or
2 its affiliate covered by an own use LNG terminal permit shall be opened to third
3 parties through the issuance of an rTPA permit and pursuant to the LNG Terminal
4 Regulated Third Party Access Code. The unutilized capacity by a third party covered
5 by an rTPA LNG terminal permit shall be opened to other third parties pursuant to
6 the LNG Terminal Regulated Third Party Access Code.

7
8 **SEC. 17. Own Use LNG Terminal.** – An own use LNG terminal permit holder
9 shall:

- 10
11 (a) Exclusively utilize the capacity allowed by and during the length of time
12 specified in the own use permit, and may allow its affiliates to do the same; and
13 (b) Not enter into an nTPA or any similar arrangement with third parties or
14 otherwise grant use and access of its facilities to such third parties to the extent
15 of the capacity allowed and during the length of time specified in the own use
16 permit, subject to Section 16 of this Act and the LNG Terminal Regulated Third
17 Party Access Code.

18
19 **SEC. 18. Regulated Third Party Access LNG Terminal.** – The issuance of
20 an rTPA permit to an owner and operator of an LNG terminal shall take into
21 consideration the capacity and utilization of the LNG terminal, current midstream end
22 users, existing market conditions, and other relevant information with the end in view
23 of enabling competition in the natural gas industry. The use and access of the
24 capacity covered by an rTPA permit shall be open to all third parties subject to the
25 payment of a terminal fee. An rTPA LNG terminal permit holder shall:

- 26
27 (a) Publicly disclose the capacity available to and utilization by third parties in
28 accordance with the reportorial requirements under this Act and the LNG
29 Terminal Regulated Third Party Access Code;
30
31 (b) Determine the mode of competitive selection of third parties: *Provided*, That
32 each LNG terminal shall determine its own competitive selection process which
33 shall be transparent, fair, reasonable, and non-discriminatory, subject to the
34 reportorial requirements under this Act;
35
36 (c) Not give any undue preference or advantage to any third party, whether in
37 rates, terms, conditions, or special privileges.

38
39
40 **CHAPTER V**
41 **TRANSPORT AND TRANSMISSION OF NATURAL GAS**

42
43 **SEC. 19. Transport of Natural Gas.** – Natural gas, in its original or liquefied
44 form, may be transported within the country through virtual pipelines, motor vehicles,
45 and marine vessels in accordance with this Act. The use, access, and fees for the
46 transportation of natural gas shall be unregulated but shall be subject to the permits,
47 licenses, certificates, authorizations, standards, regulations, and guidelines
48 promulgated pursuant to Chapter II of this Act.

1 **SEC. 20. *Transmission of Natural Gas.*** – Natural gas may be transmitted
2 through dedicated natural gas pipelines or natural gas transmission systems either
3 from an LNG terminal or local natural gas production facility.
4

5 **SEC. 21. *Dedicated Natural Gas Pipelines.*** – The ownership and operation
6 of a dedicated natural gas pipeline shall not be considered a public utility and shall
7 not require a legislative franchise, but shall require a permit in accordance with
8 Section 6 of this Act. Its use, access, and fee for use shall be unregulated, but shall
9 be subject to permits, licenses, certificates, authorizations, standards, regulations,
10 guidelines, codes, and reportorial requirements as provided in this Act. The owner
11 and operator of a dedicated natural gas pipeline shall:
12

- 13 (a) Exclusively utilize the capacity of its dedicated natural gas pipeline or allow its
14 affiliates to do the same;
- 15
- 16 (b) Not enter into an nTPA or any similar arrangement with third parties or
17 otherwise grant use and access of its facilities to such third parties; and
18
- 19 (c) Inform the ERC of its intent to convert its facilities to a natural gas transmission
20 system simultaneous with its application for a legislative franchise as a natural
21 gas transmission utility.
22

23 **SEC. 22. *Natural Gas Transmission Systems.*** – The use, access, and
24 terminal fee of a natural gas transmission system shall be regulated. The ownership
25 and operation of a natural gas transmission system shall be considered a public
26 utility and shall require a legislative franchise. The issuance of a CPCN to a natural
27 gas transmission utility shall take into consideration its legal, technical, and financial
28 capability.
29

30 The use and access to the entire capacity of a natural gas transmission
31 system shall be open to all third parties for a natural gas transmission fee, subject to
32 the reserve price of the ERC in accordance with Section 6 of this Act: *Provided*, That
33 in the case of a dedicated natural gas pipeline that converts its facilities into a natural
34 gas transmission system, existing contracts with affiliates for the use of the pipeline
35 at the time of the effectivity of such franchise shall be allowed to continue until the
36 end of the contract, which shall not be subject to any extension.
37

38 A natural gas transmission utility shall:
39

- 40 (a) Regularly disclose to the public the capacity available for, and utilization by
41 third parties in accordance with the reportorial requirements under this Act and
42 the Transmission Regulated Third Party Access Code;
43
- 44 (b) Determine the mode of, and conduct a competitive selection of third parties:
45 *Provided*, That each natural gas transmission utility shall determine its own
46 competitive selection process which shall be transparent, fair, reasonable, and
47 non-discriminatory, subject to the reportorial requirements under this Act;
48
- 49 (c) Ensure that the winning bid does not go beyond the reserve price determined
50 by ERC pursuant to Section 6 of this Act;

- 1
2 (d) Provide transparent, fair, reasonable, and non-discriminatory use and access to
3 third parties;
4
5 (e) Not give any undue preference or advantage to any third party, whether in
6 rates, terms, conditions, or special privileges;
7
8 (f) Submit annually its Natural Gas Transmission Development Plan to DOE for
9 review and approval, or the NGTSO, whichever is applicable, pursuant to
10 Sections 5 and 23 of this Act;
11 (g) Assign to the NGTSO the operation and maintenance of its natural gas
12 transmission system upon direction of the ERC after the interconnection of
13 natural gas transmission systems and the selection of the NGTSO; and
14
15 (h) When applicable, inform and coordinate with NGTSO for the location,
16 construction, improvement, operation, utilization, expansion, modification,
17 rehabilitation, repair, maintenance, decommissioning, and abandonment of any
18 part of the natural gas transmission system to be undertaken in accordance
19 with its submitted National Gas Transmission Development Plan.
20

21 **SEC. 23. Natural Gas Transmission System Operator.** – The DOE, based
22 on the Philippine Energy Plan, the Midstream Natural Gas Industry Development
23 Plan, and the various Natural Gas Transmission Development Plans shall determine
24 the necessity of, and then direct, the interconnection of natural gas transmission
25 systems pursuant to Section 5 of this Act. The DOE shall thereafter select a single
26 independent NGTSO.
27

28 The NGTSO shall not be an affiliate of any LNG terminal owner and operator,
29 natural gas transmission utility, or any midstream end-user. The NGTSO shall:
30

- 31 (a) Operate and manage the interconnected natural gas transmission system in
32 accordance with the Natural Gas Transmission Code and Transmission
33 Regulated Third Party Access Code;
34
35 (b) Coordinate with natural gas transmission utilities for the location, construction,
36 improvement, operation, utilization, expansion, modification, rehabilitation,
37 repair, maintenance, decommissioning, and abandonment of any part of the
38 natural gas transmission system in accordance with their submitted Natural
39 Gas Transmission Development Plan;
40
41 (c) Furnish midstream natural gas industry participants with sufficient information
42 for the efficient access to the interconnected natural gas transmission system;
43
44 (d) Procure ancillary services necessary to support the reliable and continuous flow
45 of natural gas through the interconnected natural gas transmission system;
46
47 (e) Annually prepare a comprehensive Natural Gas Transmission Development
48 Plan based on the submitted Natural Gas Transmission Development Plans of
49 natural gas transmission utilities, upon consultation with public and private
50 stakeholders, and submit the same for review and approval of the DOE;

- 1
2 (f) Collect an NGTSO fee, subject to the approval of the ERC; and
3
4 (g) Perform such other functions and responsibilities determined by the DOE and
5 the ERC pursuant to Sections 5 and 6 of this Act.
6
7

8 **CHAPTER VI**
9 **RATES, FEES, AND OTHER CHARGES**

10
11 **SEC. 24. *Publication and Unbundling of Fees.*** – LNG terminals with
12 regulated third party access, whether through an rTPA permit or a DOE declaration
13 of an unutilized capacity, natural gas transmission utilities, and the NGTSO shall
14 identify and segregate in their bills to midstream end-users the component of their
15 terminal fees, natural gas transmission fees, and NGTSO fee, respectively, and
16 publish the same on their website.
17

18 **SEC. 25. *Other Fees and Charges.*** – The DOE, ERC, and other relevant
19 government agencies may impose reasonable fees for the processing of applications
20 and permits required under this Act pursuant to Executive Order No. 292, otherwise
21 known as the Administrative Code of 1987, and Republic Act No. 9136 otherwise
22 known as the Electric Power Industry Reform Act of 2001.
23
24

25 **CHAPTER VII**
26 **PROHIBITED ACTS AND PENALTIES**

27
28 **SEC. 26. *Prohibited Acts.*** – Without prejudice to civil and criminal liability,
29 the following acts shall be prohibited:
30

- 31 (a) For government agencies: failing to comply with the responsibilities under
32 Chapter II of this Act, and within the timeframe specified in Sections 5, 6, and
33 36 of this Act;
34
35 (b) For midstream natural gas industry participants:
36 (1) Engaging in activities without the required permits, licenses, certificates,
37 and authorizations under this Act, specifically:
38 (i) Engaging in the aggregation, supply, importation, exportation,
39 receipt, unloading, loading, processing, storage, regasification,
40 transmission, bunkering, and transportation of natural gas, or the
41 location, construction, improvement, operation, utilization,
42 expansion, modification, rehabilitation, repair, maintenance,
43 decommissioning, and abandonment of an LNG terminal, natural gas
44 transmission system, dedicated natural gas pipeline, virtual pipeline,
45 and motor vehicles and marine vessels transporting natural gas
46 without a permit as required under this Act from the DOE, ERC, and
47 DOTr and/or its attached agencies;
48
49 (ii) Engaging in any activity as a midstream natural gas industry
50 participant without a license, certificate, and authorization from the

- 1 DENR, DOH, Department of Interior and Local Government (DILG)
2 or its attached agencies, LGUs, and other relevant government
3 agencies;
4
- 5 (iii) Operating as an own use terminal without an own use permit;
6
7 (iv) Operating as an rTPA terminal without an rTPA permit; and
8
9 (v) Operating a natural gas transmission system without a legislative
10 franchise and a CPCN;
11
- 12 (2) Failure to comply with health, safety, security, and environmental
13 standards, requirements, and guidelines as well as codes under this Act
14 and other applicable laws, including the provisions of Republic Act No.
15 11058, otherwise known as the Occupational Safety and Health Law,
16 whichever is applicable, specifically:
17
- 18 (i) Failure to comply with the PNS of other international standards
19 adopted as PNS of the following:
20 A. Natural gas, in its original or liquefied form,
21 B. Location, construction, improvement, operation, utilization,
22 expansion, modification, rehabilitation, repair, maintenance,
23 decommissioning, and abandonment of all LNG terminals,
24 C. Storage and bunkering of natural gas and its respective
25 facilities,
26 D. Virtual pipelines,
27 E. Motor vehicles and marine vessels transporting natural gas,
28 F. Dedicated natural gas pipelines, and
29 G. Natural gas transmission systems
30
- 31 (ii) Failure to comply with the standards, rules, and regulations in the
32 conduct of health risk assessment studies in cases of natural gas
33 accidents;
34
- 35 (iii) Failure to comply with the Natural Gas Transmission Code;
36
- 37 (iv) Failure to comply with the LNG Terminal Regulated Third Party
38 Access Code;
39
- 40 (v) Failure to comply with the Transmission Regulated Third Party
41 Access Code; and
42
- 43 (vi) Failure to comply with the safety and exclusion zone;
44
- 45 (3) Failure to submit or disclose required data, information, and documents,
46 whichever is applicable, specifically:
47 (i) Failure to submit an LNG Terminal Development Plan;
48
49 (ii) Failure to submit a Natural Gas Transmission Development Plan;
50

- 1 (iii) Refusal or failure to submit the required data and information to the
2 DOE pursuant to Section 5 of this Act;
3
4 (iv) Refusal or failure to submit the required documents, data, and
5 information to the ERC pursuant to Section 5 of this Act;
6
7 (v) Refusal or failure to submit health data and information to the DOH
8 and other applicable agencies, pursuant to Section 8 of this Act;
9
10 (vi) Refusal or failure to disclose the (A) capacity available to third
11 parties, and (B) utilization of capacities by third parties,
12
13 (vii) Failure to furnish midstream natural gas industry participants with
14 sufficient information for efficient access to the interconnected
15 natural gas transmission system, and
16
17 (viii) Failure to inform the ERC of its intent to convert a dedicated natural
18 gas pipeline to a natural gas transmission system simultaneous with
19 its application for a legislative franchise;
20
21 (4) Failure to comply with the requirements on fees, whichever is applicable,
22 specifically:
23 (i) Failure to comply with the publication and unbundling requirement
24 for the terminal fee, natural gas transmission fee, and NGTSO fee,
25 whichever is applicable,
26
27 (ii) Collecting an NGTSO fee without the approval of ERC;
28
29 (iii) Awarding a winning bid beyond the reserve price determined by the
30 ERC;
31
32 (iv) Collecting a natural gas transmission fee higher than the winning bid;
33 and
34
35 (v) Disclosing the reserve price before the determined time by the ERC;
36
37 (5) Failure to comply with the requirements on own use and regulated third
38 party access, whichever is applicable, specifically:
39 (i) Allowing a third party to use a portion or the entire capacity of a
40 dedicated natural gas pipeline;
41
42 (ii) Entering into an nTPA or a similar arrangement with third parties or
43 granting the use and access to third parties to the extent of the
44 capacity covered by an own use permit for LNG terminals;
45
46 (iii) Refusal or failure to conduct a transparent, fair, reasonable, and
47 non-discriminatory competitive selection of third parties for the
48 capacity covered by an rTPA permit for LNG terminals, or the entire
49 capacity of a natural gas transmission system;
50

- 1 (iv) Using or allowing an affiliate to use the capacity covered by an rTPA
2 permit for LNG terminals or a portion of the entire capacity of a
3 natural gas transmission system without undergoing a competitive
4 selection process;
5
6 (v) Giving any undue preference or advantage to any third party,
7 whether in rates, terms, conditions, or special privileges;
8
9 (vi) Failure to provide transparent, fair, reasonable, and non-
10 discriminatory use and access to third parties; and
11
12 (vii) Failure to comply with mandated regulated third party access for
13 unutilized capacity;
14
15 (6) Failure to comply with other responsibilities as midstream natural gas
16 industry participants, whichever is applicable, specifically:
17 (i) Refusal to participate as an identified member of the technical
18 working group;
19
20 (ii) Failure to cooperate in any investigation conducted by the DOE,
21 ERC, or PCC pursuant to their powers under this Act;
22
23 (iii) Failure to comply with the prior approval requirement of any sale,
24 assignment, or transfer of control of a midstream natural gas industry
25 participant with a DOE issued permit to another entity;
26
27 (iv) Failure to comply with the requirement for prior disclosure of any
28 sale, assignment, or transfer of ownership or direct or indirect
29 interests, rights, or participation of a midstream natural gas industry
30 participant with a DOE issued permit to another entity;
31
32 (v) Engaging in anti-competitive behavior;
33
34 (vi) Refusal or failure to assign to the NGTSO the operation and
35 maintenance of its natural gas transmission system upon directive of
36 the ERC;
37
38 (vii) Refusal or failure to inform and coordinate with the NGTSO or the
39 natural gas transmission utilities, whichever is applicable, for the
40 location, construction, development, operation, utilization, expansion,
41 modification, rehabilitation, repair, maintenance, decommissioning,
42 and abandonment of any part of the natural gas transmission
43 system;
44
45 (viii) Failure to secure ancillary services necessary to support reliable and
46 secure flow of natural gas through the interconnected natural gas
47 transmission system; and
48
49 (ix) Failure to comply with other responsibilities otherwise stated in this
50 Act.

1
2 **SEC. 27. Penalties.** – Without prejudice to any civil and criminal liability, the
3 following administrative penalties shall be imposed upon any natural or juridical
4 person:

5
6 (a) For violation of Section 26(a) of this Act: A fine not exceeding the equivalent of
7 six (6) month’s salary or suspension not exceeding one (1) year, or removal
8 depending on the gravity of the offense;

9
10 (b) For violation of Section 26(b) of this Act:

11 (1) *First offense:* Fine of not less than Five hundred thousand pesos
12 (P500,000) for every day of non-compliance, and if applicable, suspension
13 of permits, licenses, certificates, or authorizations until the violation is
14 corrected,

15
16 (2) *Second offense:* Fine of not less than One million pesos (P1,000,000) for
17 every day of non-compliance, and if applicable, suspension of permits,
18 licenses, certificates, or authorizations until the violation is corrected; and

19
20 (3) *Third offense:* Fine of not less than Five million pesos (P5,000,000),
21 revocation of permits, licenses, certificates, or authorizations, and
22 disqualification from applying for future permits, licenses, certificates, or
23 authorizations. In the case of natural gas transmission utilities, the DOE
24 and ERC shall recommend the revocation of their respective franchise to
25 Congress. In the case of the NGTSO, it shall be replaced: *Provided,* That
26 the administrative penalty for violations of Section 26 (b)(vi)(5) shall be
27 pursuant to Section 28 of the Philippine Competition Act.
28
29

30
31 **CHAPTER VIII**
32 **FINAL PROVISIONS**

33 **SEC. 28. Incentives.** – LNG terminals, storage facilities, bunkering facilities,
34 dedicated natural gas pipelines, and natural gas transmission systems shall be
35 included in the Strategic Investment Priority Plan subject to an evaluation process.
36 For this purpose, these investments shall be entitled to the incentives and for the
37 length of time provided under Executive Order No. 226, otherwise known as the
38 Omnibus Investments Code of 1987, as amended by Republic Act No. 11534,
39 otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act,
40 and other applicable laws.
41

42 **SEC. 29. Permits and Licenses.** – All permits, licenses, certificates, and
43 authorizations issued pursuant to this Act shall be streamlined and shall be covered
44 by Republic Act No. 11234, otherwise known as the Energy Virtual One-Stop Shop
45 Act, except for those whose frames are expressly provided herein.
46

47 **SEC. 30. Public Access to Information.** – The DOE, ERC, and other
48 relevant government agencies shall allow public access, through its website or other
49 applicable means, to all data and information submitted in the implementation of this
50 Act: *Provided,* That such access is compliant with Section 31 hereto.

1
2 **SEC. 31. Treatment of Confidential Information.** – The DOE, ERC, and
3 relevant government agencies shall not disclose any proprietary and confidential
4 information to the public and to other midstream natural industry participants unless
5 prior consent of the source or owner of such information has been obtained by the
6 requesting party: *Provided*, That prior consent shall not be required if the proprietary
7 and confidential information is requested by a government agency and the request is
8 made in the performance of governmental functions: *Provide further*, That the
9 requesting government agency shall not disclose the proprietary and confidential
10 information to the public and to other midstream natural gas participants.

11
12 **SEC. 32. Establishment of Dedicated Offices.** – The DOE and the ERC
13 shall establish dedicated bureaus or offices for the effective implementation of this
14 Act. The organizational structure and staffing complement shall be determined by the
15 Secretary of Energy and the Chairperson of the ERC, as appropriate, with approval
16 of the Department of Budget and Management (DBM) and in accordance with
17 existing civil service rules and regulations.

18
19 **SEC. 33. Appropriations.** – The amount of Seventy-five million pesos
20 (P75,000,000) shall be charged against the current year's appropriations of the DOE,
21 while the amount of Seventy million pesos (P70,000,000) shall be charged against
22 the current year's appropriations of the ERC, for the initial implementation of this Act.
23 Thereafter, such amounts necessary for the effective implementation of this Act shall
24 be included in the annual General Appropriation Act.

25
26 **SEC. 34. Congressional Oversight.** – The Joint Congressional Energy
27 Commission (JCEC) shall exercise oversight powers over the implementation of this
28 Act. The DOE, ERC, and other relevant government agencies shall submit annual
29 reports to the JCEC not later than the fifteenth day of September, which shall include
30 the latest relevant data, implementation review and reports, and policy and
31 regulatory issuances, and such other relevant information.

32
33 **SEC. 35. Transitory Period.** – All midstream natural gas industry participants
34 shall comply with the provisions of this Act within five (5) years from its effectivity:
35 *Provided*, That health, safety, security, environmental, construction, operation and
36 other permits, licenses, certificates, and authorizations issued prior to the effectivity
37 of this Act which are not inconsistent herewith shall remain valid.

38
39 Natural gas transmission systems existing at the time of the effectivity of this
40 Act shall be allowed to continue pursuant to the terms and conditions indicated in
41 their franchises and until the lapse of the period accorded to them in the franchise.

42
43 **SEC. 36. Implementing Rules and Regulations.** – The DOE and ERC, in
44 consultation with the relevant government agencies, and public and private
45 stakeholders, shall issue the implementing rules and regulations (IRR) of this Act
46 within six (6) months from its effectivity.

47
48 **SEC. 37. Separability Clause.** – Any provision of this Act, which may be
49 declared unconstitutional or invalid, shall not have the effect of nullifying other
50 portions of provision hereof.

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Sec. 38. Amendatory and Repealing Clause. – The specific provisions of Republic Act No. 387, otherwise known as the Petroleum Act of 1949, and Presidential Decree No. 334, Creating the Philippine National Oil Company, Defining its Powers and Functions, Providing Funds Therefor, and For Other Purposes that are inconsistent with this Act are hereby amended or repealed accordingly.

All other laws, ordinances, rules, regulations and issuance or parts thereof, that are inconsistent with this Act, are likewise amended or repealed accordingly.

SEC. 39. Effective Clause. – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in one (1) newspaper or general circulation.

Approved,