

DEPARTMENT CIRCULAR DC NO. \_\_\_\_\_

**GUIDELINES ON THE AWARDING OF SERVICE CONTRACTS FOR THE EXPLORATION, DEVELOPMENT AND UTILIZATION OF NATIVE HYDROGEN**

**WHEREAS**, Section 2, Article XII of the 1987 Constitution provides that “xxx *The exploration, development, and utilization of natural resources shall be under the full control and supervision of the State. The State may directly undertake such activities, or it may enter into co-production, joint venture, or production-sharing agreements with Filipino citizens, or corporations or associations at least sixty per centum of whose capital is owned by such citizens. Such agreements may be for a period not exceeding twenty-five years, renewable for not more than twenty-five years, and under such terms and conditions as may be provided by law. xxx*”;

**WHEREAS**, Presidential Decree No. 87, s. 1972 (PD 87), as amended, otherwise known as the “*Oil Exploration and Development Act of 1972*” was declared to be the policy of the State to hasten the discovery and production of indigenous petroleum through the utilization of government and/or private resources, local and foreign, under the arrangements embodied in this Act which are calculated to yield the maximum benefit to the Filipino people and the revenues to the Philippine Government for use in furtherance of national economic development, and to assure just returns to participating private enterprises, particularly those that will provide the necessary services, financing, and technology and fully assume all exploration risks;

**WHEREAS**, Section 4 of PD 87 provides that the Government may directly explore for and produce indigenous petroleum or indirectly undertake the same under service contracts;

**WHEREAS**, Section 3 of PD 87 provides that “*petroleum*” shall include any mineral oil hydrocarbon gas, bitumen, asphalt, **mineral gas** and all other similar or naturally associated substances with the exception of coal, peat, bituminous shale and/or other stratified mineral fuel deposits”;

**WHEREAS**, native hydrogen gas occurs naturally in geological formations, and can be associated with methane and other hydrocarbon gases and can be considered as a **mineral gas**<sup>1</sup>;

**WHEREAS**, academics<sup>2</sup> have documented several observations of seeps of native hydrogen, together with abiotic methane on the seafloor and on the continents (e.g. Mt. Chimaera in Turkey, Semail Ophiolite in Oman, and Los Fuegos Eternos in the Philippines) in the last three decades, proving the natural occurrence of hydrogen as gas in the environment formed through a number of mechanisms and may considered as mineral gas;

**WHEREAS**, the exploration, development, and utilization of native hydrogen found in geological formations are the same with “natural gas” as provided under Section 3 of

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<sup>1</sup> Abrajano et al. 1988; Etiopie et al. 2011; Etiopie et al. 2017; Zhu et al. 2023

<sup>2</sup> Smith et al. 2005; Etiopie and Schoell 2014; Prinzhoffer and Deville 2015; Frery et al. 2021; McMahon 2023; Levy et al. 2023

PD 87, which are obtained from boreholes and wells and consisting primarily hydrocarbons;

**WHEREAS**, the DOE is continuously adopting new mechanisms and strategies to effectively carry out its plans and programs as mandated under PD 87, as amended, including its implementing rules and regulations;

**WHEREAS**, there is a need to provide guidelines to accelerate the exploration, development and utilization of native hydrogen to contribute to the country's energy security, create jobs, and generate wealth;

**WHEREAS**, Republic Act No. 7638, as amended, otherwise known as "*The Department of Energy (DOE) Act of 1992*", mandates the DOE to prepare, integrate, coordinate, supervise, and control all plans, programs, projects, and activities of the Government relative to energy exploration, development, utilization, distribution, and conservation;

**NOW, THEREFORE**, in consideration of the aforementioned premises, the following policy is adopted and promulgated.

**Section 1. Policy.** Native hydrogen is the natural occurrence of hydrogen gas in geologic formations. The exploration, development and utilization of native hydrogen shall be governed by PD 87 as amended and implemented under the rules, regulations, issuances and procedures issued by the DOE relevant to the conduct of petroleum exploration, utilization and development.

**Section 2. Repealing Clause.** All issuances that are inconsistent with this Circular are hereby repealed or amended accordingly.

**Section 3. Effectivity.** This Circular shall be effective fifteen (15) calendar days after its publication in two (2) newspapers of general circulation. Let copies of this Circular be furnished the University of the Philippines Law Center – Office of the National Administrative Register (UPLC-ONAR)."

Issued this \_\_\_\_\_ 2023 in Bonifacio Global City, Taguig City, Metro Manila.

**RAPHAEL P. M. LOTILLA**  
Secretary