

ANNEX A

CONSTRUCTION, OPERATION AND MAINTENANCE PERMIT APPLICATION GUIDELINE

1. Coverage

This Guideline shall apply to the determination of the minimum legal, technical and financial qualifications of applicants, the evaluation of their applications, and the grant of permits to construct, expand, rehabilitate, modify, operate and maintain downstream Natural Gas facilities referred to in Rule 6 of the Philippine Natural Gas Regulation (PNGR).

2. Downstream Natural Gas Review and Evaluation Committee (DNG-REC).

The DNG-REC is hereby constituted to carry out the responsibilities set forth in Rule 13 of the PNGR and shall be composed of the following:

Chair	:	Supervising Undersecretary, Oil Industry Management Bureau or as otherwise designated by the DOE Secretary
Vice Chair	:	Supervising Assistant Secretary, Oil Industry Management Bureau as otherwise designated by the DOE Secretary
Members	:	Director, Oil Industry Management Bureau (OIMB)
	:	Director, Legal Services (LS)
	:	Director, Financial Services (FS)
	:	Director, Information and Technology and Management Services (ITMS)

3. Responsibilities of the DNG- REC.

- a. Examines, evaluates, and reviews the legal, technical and financial capabilities of the project applicants and recommends to the Secretary the issuance of downstream Natural Gas permits which shall include, among others, Notice to Proceed (NTP), Permit to Construct, Expand, Rehabilitate and Modify (PCERM) and Permit to Operate and Maintain (POM);
- b. Recommends to the Secretary the issuance of directives to any qualified Government Agency in their capacities as investing arms to spearhead the development of the natural gas value chain in case there is no interested developer and it is imperative to catalyze its development within the timeline given;
- c. Recommends to the Secretary the issuance of standards and policies on product, facilities and practices to ensure safety, quality, efficiency and economy;
- d. Supervises and monitors the progress of construction and operation of projects and authorizes conduct of joint upstream/downstream inspection and monitoring activities in coordination with the Philippine Inter-Agency Health, Safety, Security and Environment Inspection and Monitoring Team (PIA-HSSE IMT);
- e. Addresses any inquiry and issue that maybe raised by the Secretary in connection to the permits, policies and programs endorsed for execution and approval;
- f. Resolves issues in relation to the legal, technical and financial capabilities of applicants; and

- g. Implements all other necessary measures allowed under existing laws and/or rules.

4. DNG-REC Secretariat.

The DNG-REC Secretariat shall assist the REC in all activities related to PNGI and shall be composed of the following:

Head	:	Assistant Director, OIMB
Members	:	Head, Natural Gas Management Division, OIMB
	:	Head, Downstream Conventional Energy Division, LS
	:	Head, Downstream Conventional Energy Division, FS
	:	Head, Information Services, ITMS

5. Special Evaluation Committee or Technical Working Group.

The DNG-REC shall recommend to the Secretary the creation of Special Evaluation Committee or Technical Working Group in the implementation of this Guideline.

6. Application Procedure

- a. The Applicant shall submit a letter-request for a pre-application conference addressed to the DNG-REC Chair;
- b. The DNG-REC shall, within three (3) working days from receipt of the letter-request, send a reply-letter to the Applicant stating thereof the schedule of the pre-application conference;
- c. During the pre-application conference, the Applicant shall present the general project concept to the DNG-REC including the discussions on any clarification of the rules and requirements of the permit application;
- d. The Applicant shall submit the application with all the documentary requirements, including the payment of processing fee, addressed to the DNG-REC Chair;
- e. The DNG-REC shall, within thirty (30) working days from receipt of the application, evaluate, resolve and inform the Applicant whether or not it has completely submitted all the documentary requirements. A complete application shall qualify for further substantive legal, technical and financial evaluation while incomplete submission shall be automatically rejected;
- f. The DNG-REC shall conduct, within forty five (45) working days, the substantive legal, technical and financial evaluation and recommend, for approval of the DOE Secretary, the issuance or non-issuance of the NTP.
- g. The DOE Secretary shall, within fifteen (15) working days, review and decide on the recommendation for issuance or non-issuance of the NTP.

The DOE Secretary may, within an appropriate additional period given to the DNG-REC, require further explanation, clarification or re-evaluation of the recommendation;

- h. Upon approval and issuance of the NTP, the Applicant shall be given a period of six (6) months from date of issuance of NTP to secure permits or clearances from the other Government Agencies and the submission of the proof of Financial Closing;

- i. Within five (5) working days from the end of the six (6) months NTP period, the Applicant shall submit, for validation of the DNG-REC, its compliance to the acquisition of permits and clearances from the other Government Agencies and proof of Financial Closing. The DNG-REC shall then recommend, for approval of the DOE Secretary, the issuance or non-issuance of the PCERM as an authority of the Operator to proceed with the construction or expansion and modification, whenever applicable, of the Natural Gas facilities.
- j. To monitor the progress of the project, the Operator is required to submit regular progress report to the DNG-REC and, in coordination with the PIA-HSSE IMT, shall conduct on-site progress validation. The completion of construction shall be within the approved construction timeline;
- k. Within thirty (30) working days from the completion of the construction, the Operator shall submit an application for POM and together with its supporting post-construction documents. The DNG-REC, in coordination with the PIA-HSSE IMT, shall verify the completion of construction and compliance to the testing and commissioning requirements and then recommend, for approval of the Secretary, the issuance or non-issuance of POM; and
- l. By the authority of POM, the Operator shall proceed to the commercial operation of the Natural Gas facilities.

7. Documentary Requirements

I. General Information

- a. Ownership and operation of the downstream Natural Gas facilities in the Philippines may come from any local and/or foreign individual company or group of companies forming a joint venture or consortium, organized or authorized for the purpose of engaging in the downstream Natural Gas operation. The ownership and operation of transmission and distribution pipeline considered as public utilities shall comply, however, with the ownership requirements pursuant to Rule 8 of the PNGR;
- b. An Applicant who formed a joint venture or consortium shall, in all cases and stages of the application, construction or operation, designate an Operator who shall, in behalf of the joint venture/consortium, apply and meet the minimum legal, technical and financial qualifications under this guideline and represent the joint venture/consortium in all its dealing with the DOE.

Any change of designated Operator shall be supported by a formal written notice addressed to the DNG-REC. The notice must be supported by the duly issued joint board resolutions stating, among others, the reason/s of the change and all the legal documentation of the new operator as required in this Guideline, for evaluation of the DNG-REC and approval of the DOE Secretary.
- c. A foreign-registered Applicant shall submit its legal, technical and financial documents in English language and duly authenticated by its embassy which has operational coverage of the Philippines;
- d. The application must be both in paper, with two (2) complete sets of legal, technical, and financial documents, and digital (USB Drive in PDF format). Recommended format is the use of the Times New Roman at 12 font and in single line spacing, figures in A4 size and maps at an appropriate scale;
- e. A non-refundable processing fee shall be paid by the Applicant in accordance with the latest DOE approved schedule of fees and charges (**Annex A-1**), upon submission of the application and its supporting documents. Payment may be made in cash, manager/company check or by wire/bank transfer payable to the Philippine Department of Energy. All payments should be net of all

applicable foreign and local bank and financial charges. Application is not considered accepted by the DOE without full payment of the processing fee;

- f. The application shall be sent by courier, registered mail, or hand-delivered, stamped-received by the DOE Records Division and addressed to:

The Chair

Downstream Natural Gas-Review and Evaluation Committee
Department of Energy
Energy Center, Rizal Drive, Bonifacio Global City
Taguig City, Metro Manila, 1632
Philippines

II. Documentation

a. Requirements for the issuance of NTP

The Applicant shall submit the following documents to the DOE:

1. Legal Documentation

- a. Duly filled-out covering information sheet showing a brief profile of the Applicant **(Annex A-2)**;
- b. Certified true copies of the Securities and Exchange Commission (SEC) Certificate of Registration, Articles of Incorporation and By-Laws, and latest Certificate of Amendment, if applicable. The corporate purpose of the Applicant shall include the construction and operation of downstream Natural Gas facilities;
- c. Certified true copy of the updated General Information Sheet (GIS) and stamped-received by the Securities and Exchange Commission (SEC) within twelve (12) months from date of the filing of application;
- d. Original Copy of the Secretary's Certificate showing authority of the Applicant's representative to apply, negotiate, sign and execute documents in relation to the application;
- e. Notarized and duly authenticated description of the Applicant's profile, industry participation, operational experience, expertise and track record. The applicant shall submit a comprehensive description of its experience and technical capacity, relevant to carrying out the project

The description shall include the following:

1. A summary of company profile, business direction, strategy and major accomplishments in the downstream Natural Gas Industry;
2. A summary and description of all similar projects completed and pending to that being sought for under the permit application where the Applicant has participated during the last three (3) years preceding the date of the application including the assessment of the performance of their construction, operation and economic feasibilities;

3. Description of the qualifications and experience of Company's key management, professional and technical personnel in the downstream Natural Gas facility construction and operation;
4. Descriptions of company's safety and environmental compliance, including disclosure of any major safety or environmental incidents and any safety or environmental enforcement actions commenced by relevant authorities;
5. Description of existing Natural Gas supply sustainability program and arrangements; and
6. Other information that the Applicant may deem necessary to support its application or as maybe required by the DNG-REC.

2. Technical Documentation

a. Construction Plans and Designs

1. General Project Description;
2. Land use zoning assessment report subject to the local government zoning ordinance;
3. Site survey assessment report for safe distance requirements;
4. Environmental (land, air, water and people) impact identification, prevention and mitigation assessment report of the proposed infrastructure and processes on the proposed site consistent with the Philippine Environmental Impact Statement System Law (EISS) and its implementing rules;
5. Seismic, Geologic, Oceanographic, Atmospheric and Security hazard and disaster impact identification, prevention and mitigation assessment report to the proposed infrastructure and processes on the proposed site;
6. Certified true copy of the land Title in the name of the Applicant or if a non-owner, Certified true copy of the land Title in the name of the owner and supported by a duly executed site use agreement with the Applicant;
7. Grid and System impact study or embedded power plant construction plan for facility power supply requirement;
8. Detailed building and equipment plans and designs and their corresponding work program and budget;
 - a. Plans and designs of buildings, other facilities and equipment, with descriptions and flow diagram of their construction and installation processes including the integrity and safety engineering methods and technology applied with due consideration of the results of the assessments made from items 1 to 7 above;
 - b. Summary list with sufficient description of the Philippine or Internationally accepted codes and standards specifically used as basis on the formulation of the plans and designs for the construction

of buildings and other facilities and the installation of equipment including the materials used therein;

- c. Construction Schedule;
- d. Plot Plans and list of key buildings, other facilities, equipment, access roads, safety zones and distances;
- e. Manpower and construction equipment requirements;
- f. Management of change system;
- g. Maintenance of records system;

9. Third party quality assurance program validation

- a. Safety and Quality Assurance Certifications of the plans and designs of the buildings, other facilities and installed equipment;
- b. Safety and Quality Assurance Certifications of the material used on the construction, facilities and equipment;
- c. Safety and Quality Assurance Certifications of the applied engineering and technology for the construction, installation and operation of the buildings, facilities and equipment; and

10. Execution plan for the establishment of a professional project management team for construction, installation, testing and commissioning;

11. Assessment report on other Government agencies' permitting requirements before construction and before operation; and

12. Other relevant studies or assessment reports that the Applicant may deem necessary to support its application.

b. HSSE best practices during building construction and equipment installation

Submission of management and employee structure, qualification, HSSE culture and capacity development program on the following:

1. Environmental safety management plan

Consistent with the Philippine EISS law and/or International Standard, a comprehensive assessment and management program shall be made to address project-specific risks and potential impacts to the environment.

Potential environmental issues associated with LNG facilities include but not limited to the following:

- a. Threats to aquatic and shoreline environments;
- b. Hazardous material management;
- c. Wastewater;
- d. Air emissions;
- e. Waste management; and

- f. Noise

2. Occupational health and safety management plan

Occupational health and safety issues should be considered as part of a comprehensive hazard or risk assessment, a hazard identification study (HAZID), hazard and operability study (HAZOP), or other risk assessment studies shall be made. The results of these studies shall be used for health and safety management planning, in the design of the facility and safe working systems, and in the preparation and communication of safe working procedures.

Occupational health and safety issues associated with LNG Facilities include but not limited to the following:

- a. Fire and explosion;
- b. Roll-over;
- c. Contact with cold surfaces;
- d. Chemical hazards;
- e. Confined spaces;
- f. Facility Security; and
- g. Facility hazard emergency preparedness and response plans and program.

3. Hazard and disaster safety preparedness plan

Seismic, Geologic, Oceanographic, Atmospheric and Security hazard and disaster detection, containment, mitigation and repair systems of the process and facilities.

4. Community health and safety preparedness plan

Based on the results of the preceding environmental, occupational, hazard and disaster impact assessments, the Applicant shall prepare a community-based emergency preparedness and response plan in coordination with, among others, the local government units.

5. Other areas of concern that the Operator may deem necessary.

c. Financial Documentation

- 1. Economic/Financial feasibility Report;
- 2. Financial Closing methodology covering the entire proposed work program and budget;
- 3. Certified true copy of company's tax clearance certificate from the respective tax regulating Government Agency for the immediate preceding year from year of application as required by the Philippine Executive Order No. 398;

Supporting Financial Documents:

1. For corporations existing for more than two (2) years at the time of filing of application:
 - a. Certified true copy of the Annual Report or Audited Financial Statements (FS) for the last two (2) years from the filing date and Original copy of the latest Unaudited FS duly signed by the responsible official such as the President and/or Chief Finance Officer;
 - b. Original copy of the Bank Certification to substantiate the cash balance of the latest unaudited FS; and
 - c. Original copy of the Projected Cash Flow Statement covering the cash availability for the entire construction and expansion or modification, if applicable.
2. For newly-organized corporations existing for less than two (2) years at the time of filing of application:
 - a. Certified true copy of the Audited Financial Statements (FS) or Original copy of the latest Unaudited FS duly signed by the responsible official such as the President and/or Chief Finance Officer;
 - b. Original Copy of the Bank Certification to substantiate the cash balance as of the latest unaudited FS; and
 - c. Original copy of the Projected Cash Flow Statement covering the cash availability for the entire construction and expansion or modification, if applicable.
3. For Parent Company that guarantees for corporations with insufficient working capital:

Parent Company's fund guarantee shall be limited to the corresponding participating interest and shall submit the following:

- a. Certified true copy of the Parent Company's financial documents per 1.a to 1.b; and
- b. Original Copy of duly notarized Letter of Undertaking / Support from the Parent Company to fund the Work Program.

4. Minimum cash flow requirement is 100% of the financial commitment for the first two years of the proposed work program and budget. An approved credit line is not considered as Liquid Asset.
5. The Applicant shall have the minimum cash flow requirement for each application.

b. Requirements for the Issuance of PCERM

1. The Operator shall proceed with the acquisition of permitting requirements of other Government Agencies for the construction which shall include the following:
 - a. Environmental Compliance Certificate (ECC) from the Department of Environment and Natural Resources (DENR);
 - b. Endorsement and Permits from the Local Government Unit (LGU);
 - c. Certificate of Pre-Condition (CP) from the National Commission on Indigenous Peoples (NCIP), if applicable;
 - d. Land Conversion Clearance from the Department of Agriculture (DA), if applicable;
 - e. Registration with the Department of Labor and Employment (DOLE);
 - f. Registration with the Bureau of Internal Revenue (BIR), Philippine Health Insurance Corporation (PhilHealth), HDMF-Pag-ibig, and Social Security System Corporation (SSS); and
 - g. Other permits as maybe required by law or rules or the DNG-REC.
2. Submission of Proof of Financial Closing, thereafter the DOE shall issue the PCERM as an authority to proceed to construction.
3. The Construction shall proceed in accordance to the approved construction timeline.

c. Requirements for the Issuance of POM

1. After completion of construction, the Operator shall proceed to the application of POM. The Operator shall submit a request to operate to the DOE within thirty (30) working days from the completion of construction which shall include the following documents:
 - a. **Certificate of completion;**

Refers to the joint certification by the Owner, the Project Management Team and the Engineering, Procurement and Construction (EPC) Contractor that the facility is complete, structurally sound and has strictly followed the approved construction, HSSE plans and designs, Work Program and Budget and poses no risk to the Operators, the Community and the Environment;
 - b. **Engineering drawings and profiles of the As-Built Plan;**
 - c. **Operational process with flow diagram;**

Description of operational process with flow diagram of building, facilities, and equipment for testing, commissioning, operation, repair and maintenance for DOE guidance and reference;

d. **HSSE best practices plans and designs for operation; and**

Submission of management and employee structure, qualification, HSSE culture and capacity development program on the following:

1. Environmental safety management plan

Consistent with the Philippine EISS law and/or International Standard, a comprehensive assessment and management program shall be made to address project-specific risks and potential impacts to the environment.

Potential environmental issues associated with LNG facilities include but not limited to the following:

- b. Threats to aquatic and shoreline environments;
- c. Hazardous material management;
- d. Wastewater;
- e. Air emissions;
- f. Waste management; and
- g. Noise.

2. Occupational health and safety management plan

Occupational health and safety issues should be considered as part of a comprehensive hazard or risk assessment, a hazard identification study (HAZID), hazard and operability study (HAZOP), or other risk assessment studies shall be made. The results of these studies shall be used for health and safety management planning, in the design of the facility and safe working systems, and in the preparation and communication of safe working procedures.

Occupational health and safety issues associated with LNG Facilities include but not limited to the following:

- a. Fire and explosion;
- b. Roll-over;
- c. Contact with cold surfaces;
- d. Chemical hazards;
- e. Confined spaces;
- f. Facility Security; and

- g. Facility emergency preparedness and response plans and program.

3. Hazard and disaster safety preparedness plan

Seismic, Geologic, Oceanographic, Atmospheric and Security hazard and disaster detection, containment, mitigation and repair systems of the process and facilities.

4. Community health and safety preparedness plan

During the operation of LNG facilities, an additional hazard is the potential accidental natural gas leaks, in either liquid or gas form. The layout of a LNG facility and the separation distance between the facility and the public and/or neighboring facilities outside the LNG plant boundary should be based on an assessment of risks from LNG fire (thermal radiation protection), vapor cloud (flammable vapor-dispersion protection), or other major hazards.

Based on the results of the preceding environmental, occupational, hazard and disaster impact assessments, the Applicant shall prepare a community-based emergency preparedness and response plan in coordination with, among others, the local government units.

2. Community social development program

These programs are intended to improve the well-being of the community in the locality where the project is located on areas such as health, education, livelihood and other programs that promotes improvement of the lives and welfare of the community.

3. Other areas of concern that the Operator may deem necessary.

- e. **Permitting requirement of other Government Agencies** for the operation of the facility which shall include the following:
 - 1. Environmental Compliance Certificate (ECC) from the Department of Environment and Natural Resources (DENR);
 - 2. Endorsement and Permits for Operation from the Local Government Unit (LGU);
 - 3. Certificate of Pre-Condition (CP) from the National Commission on Indigenous Peoples (NCIP), if applicable;
 - 4. Registration and Permit to Operate from the Department of Labor and Employment (DOLE);
 - 5. Registration with the Bureau of Internal Revenue (BIR), Philippine Health Insurance Corporation (PhilHealth), HDMF-Pag-ibig and Social Security System Corporation (SSS); and
 - 6. Other permits as maybe required by law or rules or the DNG-REC.

8. Evaluation Criteria

1. In order to meet the objectives of the PNGI development, the DNG-REC shall accept project proposals through formal application on a first-come, first-serve basis, with due consideration for objectivity and transparency in the conduct of evaluation, recommendation and issuance of permits.
2. First-come, first-serve basis shall refer to the process of prioritizing the acceptance and substantive evaluation by order of time and date of application but applicable to those with complete legal, technical and financial documentary submissions;
3. The DNG-REC will endorse its recommendation for the issuance of permits, for approval of the Secretary, after compliance to the following considerations:
 - a. The construction of the Natural Gas project is consistent with the declaration of policies in this Circular;
 - b. The Applicant has met the minimum legal, technical and financial requirements in this Guideline; and
 - c. The proposed Natural Gas project shall be technically and financially viable by ensuring, among others, that:
 1. There is sufficient market for natural gas to justify the construction of the Natural Gas project;
 2. The proposed Natural Gas project shall be legally, technically and financially feasible to operate;
 3. The proposed activity in the PNGI shall not result to any Anti-Competitive Conduct.

9. Operational Meeting

The Operator shall participate, with the DNG-REC, in regular operational meeting and special workshops for the development, issuance and review of plans, protocols, standards and codes applicable to the Natural Gas project;

10. Progress Report and Validation

The Operator shall submit a monthly progress report of its work commitments under the NTP and PCERM which shall be subject for validation by the DNG-REC in coordination with the PIA- HSSE IMT.

10. Performance

Applicants with cancelled/terminated permits and other service/operating contracts with the DOE for a cause shall be disqualified from applying under this Guideline.

Annex A-1

DOE FEES AND CHARGES

Annex A-2

PARTICULARS	OPERATOR	PARENT COMPANY	JOINT VENTURE/CONSORTIUM MEMBERS	PARENT COMPANY
1. NAME AND PARTICIPATING INTEREST				
2. ADDRESS				
3. COUNTRY OF REGISTRATION				
4. NAME OF AUTHORIZED REPRESENTATIVE				
5. POSITION				
6. TELEPHONE NUMBER/S				
7. FAX NUMBER/S				
8. EMAIL ADDRESS				
9. WEBSITE ADDRESS				
10. SUMMARY DESCRIPTION OF APPLICATION: <input type="checkbox"/> Construct <input type="checkbox"/> Expand <input type="checkbox"/> Rehabilitate <input type="checkbox"/> Modify <input type="checkbox"/> Operate & Maintain				

Certification

I certify under penalty of law, based on information and belief formed after reasonable inquiry, the statements and information contained in these documents are true, accurate and complete.

Name and Signature of Authorized Representative: _____ Date: ____/____/____

DRAFT