

## DEPARTMENT CIRCULAR NO. 2003-01-001

### GUIDELINES IMPLEMENTING THE MINIMUM INVENTORY REQUIREMENTS OF OIL COMPANIES AND BULK SUPPLIERS AS PROVIDED UNDER EXECUTIVE ORDER NO. 134

Pursuant to Executive Order No. 134 issued by the President of the Republic of the Philippines on 14 October 2002, Republic Act No. 7638, otherwise known as an "Act Creating the Department of Energy" and Republic Act No. 8479, otherwise known as the "Downstream Oil Industry Deregulation Act of 1998", the Department of Energy hereby adopts the following guidelines to implement the minimum inventory requirement of all Oil Companies and Bulk Suppliers operating in the country, to ensure a continuous, adequate and stable supply of Petroleum Crude Oil and Products in cases where domestic and international events threaten or restrict the supply of Petroleum Crude Oil and Products to the Philippines such as, but not limited to, terrorist attacks, armed conflict in the Middle East and in other regions from which the Philippines draws or transits its supply of Petroleum Crude Oil and Products, and other similar events.

#### ARTICLE I - GENERAL PROVISIONS

##### SECTION 1. Title

These guidelines shall be known as the "Implementing Guidelines for the Minimum Inventory Requirements of Petroleum of Oil Companies and Bulk Suppliers" and shall be hereafter referred to as the "Guidelines".

##### SECTION 2. Scope and Coverage

These Guidelines shall apply to all Oil Companies and Bulk Suppliers engaged in any activity of the Downstream Oil Industry in the Philippines.

##### SECTION 3. Definition of Terms

For purposes of these Guidelines the following terms shall have the following meanings:

- a. *Bureau* refers to the Energy Industry Administration Bureau of the Department of Energy or its successor;
- b. *Bulk plant/terminal/depot* refers to an intermediate distribution facility where delivery of Petroleum Products to and from the facility is undertaken by tank trucks, tankers/barges, pipes and other modes of transport in large quantities;
- c. *Bulk Sales/Supply* refers to cargoes which are transported through tank trucks, tankers/barges, pipes and other modes of transport in large quantities;
- d. *Bulk Supplier* refers to any Person engaged in the sale of Petroleum Products in bulk sourced through direct importation,
- e. *BPS* means the Bureau of Product Standards of the Department of Trade and Industry,

- f. Crude Oil refers to oil in its natural state before the same has been refined or otherwise treated, and excludes water, bottoms, sediments and foreign substances;
- g. Days Supply refers to the equivalent number of days of in-country stocks of Petroleum Crude Oil and Products based on the average daily sales or liftings for the past six (6) months;
- h. DOE refers to the Department of Energy of the Republic of the Philippines;
- i. Downstream Oil Industry refers to the business of importing, exporting, re-exporting, shipping, transporting, processing, refining, storing, distributing, marketing and/or selling of Crude Oil, gasoline, diesel, Liquefied Petroleum Gas (LPG), kerosene and other Petroleum Products;
- j. Liquefied Petroleum Gas or LPG refers to commercial propane gas or commercial butane gas or a mixture of the said two gases, with properties conforming to the specifications set by the BPS
- k. Minimum Inventory Level refers to the minimum level of supply of Petroleum Crude Oil and Products to be stored by Oil Companies and Bulk Suppliers in their respective bulk plants, terminals or depots and stocks in-transit within the country,
- l. Oil Company refers to any Person who refines/manufactures/processes and/or imports/exports and stores, distributes and sells Petroleum Products;
- m. Person refers to any person, whether natural or judicial, who is engaged in any or a combination of activities in the Downstream Oil Industry,
- n. Petroleum refers to the naturally occurring mixture of compounds of hydrogen and carbon with a small proportion of impurities and shall include any mineral oil, petroleum gas, hydrogen gas, bitumen, asphalt, mineral wax and all other similar or naturally associated substances, with the exception of coal, peat, bituminous shale and/or other stratified mineral fuel deposits;
- o. Petroleum Products refers to products formed in the course of refining crude petroleum through distillation, cracking, solvent refining and chemical treatment coming out as primary stocks from the refinery such as, but not limited to: LPG, naphtha, gasolines, solvents, kerosene, aviation fuels, diesel oils, fuel oils, waxes and petroleums, asphalts, bitumens, coke and refinery sludges, or such refinery petroleum fractions which have not undergone any process or treatment as to produce separate chemically-defined compounds in a pure or commercially pure state and to which various substances may have been added to render them suitable for particular uses; Provided, that the resultant product contains not less than fifty percent (50.0 %) by weight of such Petroleum Products;
- p. Refiner refers to any Person who locally refines Petroleum through distillation, conversion and treatment thereof.

## **ARTICLE II - MINIMUM INVENTORY REQUIREMENTS**

### **SECTION 4. Application of Minimum Inventory Requirements**

In cases where domestic and international events may threaten or restrict the supply of Petroleum Crude Oil and Products to the Philippines such as, but not limited to terrorist attacks, armed conflict in the Middle East and in other regions from which the Philippines draws or transits its Petroleum Crude Oil and Products supply, and other similar events, the Secretary of Energy shall require Oil Companies and Bulk Suppliers to maintain a minimum inventory of Petroleum Crude Oil and Products, to ensure the continuous, adequate and stable supply of Petroleum Crude Oil and Products in the country.

## **SECTION 5. Minimum Inventory Level**

All Oil Companies, except Refiners operating in the country, and Bulk Suppliers shall maintain a minimum inventory equivalent to fifteen (15) Days Supply of Petroleum Products, excluding LPG, which shall have to be maintained at seven (7) Days Supply.

Refiners on the other hand, shall maintain a minimum inventory equivalent to thirty (30) Days Supply consisting of Petroleum Crude Oil and refined Petroleum Products.

The required minimum inventories shall include Petroleum Crude Oil and product stock, on shore and en route to stockpoints within the country, but shall exclude importations still in-transit to the country during the period specified in Section 7 of these Guidelines.

## **SECTION 6. Product Type/Mix to be Stocked**

For purposes of Section 4 of these Guidelines, the type and mix of Petroleum Products to be stocked may vary for each Oil Company and Bulk Supplier; Provided, that priority shall be given to the stockpiling of diesel and gasoline which are used, in the transport sector, LPG for household consumption and fuel oil for power generation.

## **SECTION 7. Commencement of Minimum Inventory Level Requirement and Duration of Compliance**

The Minimum Inventory Level requirement shall commence upon a determination by the Secretary of Energy of the existence of circumstances enumerated in Section 4 of these Guidelines that would require its imposition. the requirement of Minimum Inventory Level shall continue until such tune that the Secretary of Energy makes a determination that the circumstance/s warranting the application thereof no longer exists. The Oil Companies and Bulk Suppliers shall be notified in writing of the commencement and termination of the Minimum Inventory Level requirement.

# **ARTICLE III - MONITORING**

## **SECTION 8. Reportorial Requirements**

To ensure full compliance with E.O. 134 and these Guidelines, and for DOE's effective monitoring of the country's inventory level of supply of Petroleum Crude Oil and Products, all Oil Companies and Bulk Suppliers, shall submit to the Bureau weekly reports, prepared under oath, of their inventory on a per crude and per product basis including their actual and projected importations and local purchases and such other matters required for compliance with these Guidelines for the duration to be specified by the Secretary of Energy pursuant to Section 6 of these Guidelines.

The Bureau shall conduct, and the Oil Companies and Bulk Suppliers shall cooperate with, periodic inventory checks on the storage facilities, bulk plants, terminals or depots to reconcile actual submissions.

## **ARTICLE IV - FINAL PROVISIONS**

### **SECTION 9.** Penalties

Failure to comply with the provisions of these Guidelines shall constitute a violation of Section 12 of Republic Act No. 8479, in relation to Section 15 of Republic Act No. 8479, and Section 5(c) of Republic Act No. 7638, and shall be punishable in accordance therewith.

### **SECTION 10.** Effectivity

These Guidelines shall take effect upon complete publication in a newspaper of general circulation.

Issued in Fort Bonifacio, Taguig this 20<sup>th</sup> day of January 2003.

(Sgd.)  
VINCENT S. PÉREZ  
Secretary

Republic of the Philippines  
**DEPARTMENT OF ENERGY**

**C E R T I F I C A T I O N**

TO WHOM IT MAY CONCERN:

THIS IS TO CERTIFY that, as shown by our records, Department Circular No. DC2003-01-001, entitled: "**GUIDELINES IMPLEMENTING THE MINIMUM INVENTORY REQUIREMENTS OF OIL COMPANIES AND BULK SUPPLIERS AS PROVIDED UNDER EXECUTIVE ORDER NO. 134**," issued on January 20, 2003 was published in the 22 January 2003, Wednesday issue of Today.

Section 10 of said Department Circular provides that it shall take effect upon complete publication in a newspaper of general circulation. Pursuant to this provision, Department Circular No. DC2003-01-001, therefore, took effect on 22 January 2003.

**THIS IS TO CERTIFY FURTHER** that, in compliance with Section 3, Chapter 2, Book VII of the Administrative Code of 1987 (E.O. 292), which provides:

**"SEC. 3. Filing.** -(1) Every agency shall file with the University of the Philippines Law Center three (3) certified copies of every rule adopted by it. Rules in force on the date of effectivity of this Code which are not filed within three (3) months from the date shall not thereafter be the basis of any sanction against any party or persons."

three (3) certified copies of the Department Circular issued on 20 January 2003 had been filed with the University of the Philippines Law Center on 29 January 2003.

DONE, this 30<sup>th</sup> day of January, 2003, at the Department of Energy, Merritt Road, Fort Bonifacio, Taguig, Metro Manila.

(Sgd.)  
**MANUEL L. OCAMPO**  
OIC, Office of the Director  
Information Technology and  
Management Services