



Republic of the Philippines
DEPARTMENT OF ENERGY

DEPARTMENT CIRCULAR NO. DC2006-04-0004

ADOPTING DEPARTMENT CIRCULAR NO. DC 2004-04-004 ENTITLED "GUIDELINES ON THE ISSUANCE OF CERTIFICATE OF ACCREDITATION AND CERTIFICATE OF AUTHORITY TO IMPORT UNDER THE NATURAL GAS VEHICLE PROGRAM FOR PUBLIC TRANSPORT" AS THE IMPLEMENTING RULES AND REGULATIONS OF EXECUTIVE ORDER NOS. 396 AND 488 DATED DECEMBER 31, 2004 AND JANUARY 12, 2006, RESPECTIVELY, AND DEPARTMENT CIRCULAR DC NO. 2005-07-006 DATED JULY 5, 2005 AND AMENDING CERTAIN PROVISIONS OF THE SAID D.C. NO. 2004-04-004

WHEREAS, Executive Order (E.O.) No. 66, series of 2002 entitled "Designating the Department of Energy (DOE) as the Lead Agency in Developing the Philippine Natural Gas Industry", mandates the DOE to ensure a unified and coordinated effort towards establishing a successful and robust natural gas industry;

WHEREAS, Her Excellency, President Gloria Macapagal-Arroyo launched the Natural Gas Vehicle Program for Public Transport (NGVPPT) on October 16, 2002 that aims to enhance the energy supply security in the transport sector through fuel diversification using indigenous natural gas and to use natural gas as a clean alternative fuel for transport, and at the same time unveiled a portfolio of incentives to encourage private sector participation to provide the necessary support, logistics and infrastructure;

WHEREAS, Executive Order No. 164, series of 2003 entitled "Modifying the Nomenclature and the Rates of Import Duty on Various Products under Section 104 of the Tariff and Customs Code of 1978 (Presidential Decree No. 1464, as amended)", reduces the rates of duty for NGV industry-related equipment, parts and components to encourage active private sector participation;

WHEREAS, Executive Order No. 290 entitled "Implementing the NGVPPT" was approved and signed on February 24, 2004 to ensure effective implementation of the program.

WHEREAS, to enable the DOE to effectively implement E.O. No. 290 and E.O. No. 164 and successfully pursue the overall execution plan of the NGVPPT, it issued and promulgated Department Circular No. 2004-04-004 which prescribed the Guidelines on the Issuance of certificate of accreditation and certificate of authority to import under the NGVPPT;

WHEREAS, Executive Order No. 396, series of 2004, further reduces the rates of duty from 1% to 0% for NGV industry-related equipment, parts and components to encourage active private sector participation;

WHEREAS, Section 4 of the said Executive Order mandates the DOE, in coordination with the Department of Trade and Industry (DTI), the National Economic and Development Authority (NEDA) and the Bureau of Customs (BOC) to promulgate the implementing rules and regulations that will govern the implementation of this Executive Order;

WHEREAS, in a meeting held on March 8, 2005 and attended by representatives of the DOE, NEDA, BOC and DTI through the Board of Investments, it was agreed upon that D.C. No. 2004-04-004 be adopted as the IRR of E.O. No. 396 and certain provisions thereof be amended;

WHEREAS, Department Circular No. DC2005-07-006, series of 2005, was issued to set the policy direction to guide all stakeholders particularly as regards to securing access to the supply of indigenous natural gas and establishment of CNG distribution infrastructure;

WHEREAS, after several meetings of the Technical Working Group established under the D.C. No. 2005-07-006, it was agreed upon that D.C. No. 2004-04-004 be adopted as the IRR of D.C. No. 2005-07-006 and certain provisions thereof be amended;

WHEREAS, Executive Order No. 488, series of 2006, modifies the import duty on components, parts and accessories for the assembly of hybrid, electric, flexible fuel and compressed natural gas (CNG) motor vehicles to provide opportunity for the manufacture and assembly of the emerging alternative fuel vehicle technology;

WHEREAS, in a meeting called by BOI on February 2, 2006 which was attended by representatives from the DOE and industry players including car manufacturers for the drafting of the guidelines for E.O. 488, it was agreed upon that registration and issuance of Certificate of Authority to Import for Category I: Manufacture and Assembly of CNG motor vehicles under D.C. 2004-04-004 shall be transferred to BOI's Motor Vehicle Development Program;

NOW, THEREFORE, the DOE in coordination with the DTI through BOI, NEDA, BOC and concerned industry players hereby adopts DOE Circular No. D.C. 2004-04-004 as the IRR of E.O. 396, E. O. 488 and D.C. 2005-07-006 and likewise promulgates the following rules and regulations/amendments to certain provisions of D.C. No. 2004-04-004:

SECTION 1. Section 1(b & d), Rule I are hereby amended to read as follows:

RULE I

GUIDELINES ON THE ISSUANCE OF CERTIFICATE OF ACCREDITATION

"Section I. Requirements.

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- b) Any natural or juridical person, organized under Philippine laws that will engage in any NGV industry-related businesses including CNG refueling station and transport operation; NGV operation; NGV and related parts/components manufacture and assembly; NGV re-power/retrofit/conversion including repair and maintenance; and related activities such as research and development (R&D) activities and operation of NGVs as shuttle service.
- d) "Qualified participants may be categorized under any of the following groups:

“Category I - Manufacture/Assembly of NGVs

- “Engaged in the establishment of new assembly facilities or utilization of an existing assembly facility for the assembly/manufacture of brand new quality NGVs registered under the BOI's Motor Vehicle Development Program

“Category II – Operation of NGVs

- “Engaged in the operation of NGVs in accordance with relevant Philippine National Standards (PNS) and procedures including the provision of warranties to NGV owners/operators

“Category III – Re-powering/Retrofitting/Conversion of NGVs

- “Engaged in the re-power, retrofit, conversion, repair and maintenance of NGVs in accordance with relevant Philippine National Standards (PNS) and procedures including the provision of warranties to NGV owners/operators

“Category IV – CNG Refueling Station/Transport Operation

- “Engaged in the design, construction, installation and operation of CNG refueling station/s and related infrastructures and facilities including hauling/transport of CNG in accordance with relevant PNS standards and procedures

“Category V – Others

- “Engaged in research and development (R&D) activities and operation of NGVs as shuttle service by government entities as approved by the DOE.”

SECTION 2. Section 1(e) is hereby amended to read as follows:

- e) As their commitment under the NGVPPT, each participant, over a period of one (1) year from the date of issuance of their CA, shall invest and/or bring in investments in any NGV industry-related businesses. The minimum investment requirements* are as follows:

“Category I (Manufacture and assembly)	: (MVDP)
“Category II (Operation)	: US\$0.40 million
“Category III (Re-powering/Retrofit/Conversion)	: US\$0.20 million
“Category IV (Refueling station)	: US\$0.50 million
“Category V (Others)	: (to be determined by the DOE)”

Note: The minimum investment requirements shall be recomputed every five (5) years to validate the viability of the figures to the prevailing conditions.*

“Proof of investments in the NGV industry-related businesses shall be in accordance with the commitments submitted to the DOE. Such proof may include an update report on the undertakings from the date of accreditation

and accompanied by certified photocopies of documents relative to the undertakings. The DOE may automatically cancel the CA after the Committee finds each participant to be non-compliant with its commitment, subject to the imposition of the following penalties payable to the pertinent government agency involved: (a) payment of duty differential on all importations; and (b) payment of other incentives provided under the program."

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SECTION 3. Section 2(b-f), Rule I are hereby amended to read as follows:

"Section 2. Procedures.

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- b) The DOE-EUMB shall only receive and record duly accomplished application forms with complete requirements as stated in the checklists (Annexes 2 and 3). A non-refundable processing fee of Php 5,000.00 shall be charged to the proponent/applicant upon filing of each application.
- c) The DOE-EUMB shall review and evaluate the application submitted by the proponent/applicant and recommend appropriate action on the application. The evaluation of the applicant's business proposal and/or feasibility study shall be based on, but not be limited to the following criteria:
- Viability of the project;
 - Impact on the industry and economy as a whole; and
 - Impact on the NGVPPT
- d) Upon EUMB recommendation, the DOE NGVPPT Committee created under D.C. 2005-07-006 shall decide on each application. If found meritorious, the Committee will recommend to the Undersecretary the approval of the application.
- e) Applicants with approved application shall be issued a Certificate of Accreditation (CA) signed by the DOE Undersecretary, with clearance and authority from the DOE Secretary, and shall comply with terms and conditions specified therein (Annex 1). The CA shall be valid for two (2) years from the date of issuance and shall be renewed every two (2) years subject to regular procedure.
- f) The original CA shall be claimed from the Office of the Director, Energy Utilization Management Bureau (EUMB), Energy Center, Merritt Road, Fort Bonifacio, Taguig, Metro Manila.

SECTION 4. A new provision to be known as Section I is incorporated under Rule 2 which reads as follows:

RULE II

GUIDELINES ON THE ISSUANCE OF CERTIFICATE OF AUTHORITY TO IMPORT (CAI) NATURAL GAS VEHICLES (CBU, CKD AND KD), COMPRESSED NATURAL GAS (CNG) REFUELING SYSTEMS, NGV CONVERSION/RETROFIT SYSTEMS, RELATED INFRASTRUCTURE AND FACILITIES, PARTS AND COMPONENTS

"Section 1. Coverage.

"The program shall cover the importation of NGV-CNG industry related equipment, parts and components by qualified participants to the NGVPPT at zero duty within the seven-year pilot phase period in accordance with the schedule provided under Annex A of E.O. 396. However, importation of CBU-CNG buses at zero duty is limited to the first 200 units for the Pilot CNG Project."

SECTION 5. Section 1, Rule 11 is hereby renumbered as Section 2, Rule 11 and Section 2(c) thereof is hereby amended to read as follows:

"Section 2. Requirements.

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"c) All applicants complying with the requirements under Section 1(a) hereof shall submit a duly accomplished application form signed by himself or a duly authorized representative, as the case may be, and duly verified together with the following documents for proper evaluation:

- "Pro forma Invoice;
- "Detailed list of items to be imported;
- "Liquidation Report (if applicable, to be submitted within one (1) month from end of each quarter duly signed by the company's authorized representative and duly verified);
- Authenticated Certificate of Compliance with relevant Philippine National Standards and procedures to be submitted prior to the shipment of units from the country of origin."

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SECTION 6. Section 2 is hereby renumbered as Section 3, Rule 11 and Section 3(iv) hereof is hereby amended to read as follows:

"Section 3. Procedures.

"a) Issuance of CAI:

"iv. The CAI shall be addressed and released to the NGVPPT participants/importer by the DOE-EUMB. All NGVPPT importations shall be processed by the BOC only on the basis of an original CAI. The BOC shall record all importations processed against the CAI running balance on utilization at the back of said CAI. The DOE-EUMB shall provide the BOC and the BOI a list of CAIs issued on a monthly basis for their reference and information. The BOC shall provide the DOE-EUMB and BOI records of importations processed for reference and monitoring purposes."

SECTION 7. The pertinent provisions of Department Circular No. 2004-04-004 not otherwise affected by the above amendments shall remain in force and in effect.

SECTION 8. This Department Circular shall take effect immediately upon its publication in at least two (2) national newspapers of general circulation and submission of three (3) certified copies thereof to the University of the Philippines Law Center.

Fort Bonifacio, Taguig City, Metro Manila APR 20 2006.



RAPHAEL P. M. LOTILLA
Secretary

**GENERAL TERMS AND CONDITIONS
FOR THE
NGVPPT ACCREDITATION**

1. Applicants for NGVPPT accreditation shall fully observe and abide by the provisions of the Natural Gas Vehicle Program for Public Transport (NGVPPT) and its implementing guidelines as well as the commitments and representations made in the application for accreditation. Applicants shall further take adequate measures to ensure that its obligations therein are faithfully discharged.
2. Participants shall fully comply with the directives and instructions issued by the DOE from time to time in pursuance of its authority under E.O. 66, E.O. 290, E.O. 396 and D.C. 2005-07-006.
3. The CA is non-transferable and participants to the Program shall not transfer and/or assign to any person, partnership, corporation or other entity without the written approval of the DOE.
4. The participant shall allow duly authorized representatives of the DOE to inspect its assembly facilities, manufacturing facilities, refueling stations and other NGV industry related operation/facilities and examine pertinent books of account, records and documents in order to ascertain compliance with the provision of the NGVPPT guidelines, the Supplemental Guidelines to the Program, its commitments and representations, as well as the general and specific terms and conditions of its accreditation.
5. The participant shall not make any changes or deviate from the business plan submitted in connection with its application for accreditation as a participant in Program without prior written DOE approval.
6. The participant's facilities, products and services related to the Program shall be subjected to safety tests in accordance with the duly approved standards and or whenever the DOE so requires.
7. The participant shall be responsible for all expenses that may be incurred in the testing and certification of its facilities, products and services for purposes of meeting the safety and products standard of the natural gas vehicle industry. The DOE, at its sole option, may require that appropriate tests be conducted in acceptable laboratories, located in the country and/or abroad.
8. The participant shall notify the DOE of any adjustments or increase in the retail prices of its products and services two (2) weeks before implementation.
9. The participant shall ensure that the consumers are well informed of the retail prices of its products and services. It shall endeavor to make its authorized dealers observe sound business practices and refrain from any illegal trading activities.

10. The participant shall exert efforts to be properly represented in all meetings that shall be called in connection with the implementation of the NGVPPT Guidelines.
11. The participant shall submit the following reports to the DOE EUMB in accordance with the following schedule:
 - a. *Quarterly reports which must be submitted one (1) month after the end of each calendar quarter.*
 1. Accomplishment Report;
 2. Monthly Production and Sales Report (if applicable);
 3. Quarterly schedule of manufacturing cost per model (if applicable);
 4. Quarterly export earnings (if applicable).
 - b. *Annual reports which must be submitted one (1) month after the end of each calendar year.*
 1. Accomplishment Report;
 2. Annual Production and Sales Report (if applicable);
 3. Annual schedule of manufacturing cost per model (if applicable);
 4. Annual export earnings (if applicable);
 5. Itemized prices.
 - c. *Latest Audited Financial Statements and Income Tax Return one (1) month after submission to BIR*
 - d. *Itemized Prices upon the introduction of a new model or change in FOB prices.*

Note: These reports must be submitted using the prescribed forms.

APPLICATION FOR NGVPPT ACCREDITATION
"Category I – Manufacture & Assembly of NGVs"
Checklisting Guide

- I. Check completeness of documents (3 sets)
 - Duly accomplished application form
 - MVDP Certificate of Registration
 - Business proposal/feasibility study
 - Board Resolution authorizing official representative to sign in behalf of the applicant enterprise, if applicable
 - Other relevant documents required by the DOE

- II. Check correctness of application
 - Check if application is duly signed by authorized representative and notarized
 - Validate the authenticity of permits and other documents
 - Validate the authenticity of the technical licensing agreement with the supplier
 - Evaluate the business proposal/feasibility study

APPLICATION FOR NGVPPT ACCREDITATION
"Category II – Operation"
Checklisting Guide

- I. Check completeness of documents (3 sets)
 - Duly accomplished application form
 - Duly accomplished project outline form
 - Business name and brand name
 - Business proposal/feasibility study
 - Business permits (DTI, SEC registration, Mayor's Permit, others)
 - Income Tax Return from the last three (3) years (or other proof of financial capability, if newly established company)
 - Technical Licensing Agreement/Technical Certification (or other proof of technical capability)
 - Pictures of terminal/s, if applicable
 - Bank Certification, if applicable
 - Board Resolution authorizing official representative to sign in behalf of the applicant enterprise, if applicable
 - Other relevant documents required by the DOE

- II. Check correctness of application
 - Check if application is duly signed by authorized representative and notarized
 - Validate the authenticity of permits and other documents
 - Validate the authenticity of the technical licensing agreement with the supplier
 - Evaluate the business proposal/feasibility study

APPLICATION FOR NGVPPT ACCREDITATION
"Category III – Re-powering/Retrofit/Conversion"
Checklisting Guide

- I. Check completeness of documents (3 sets)
 - Duly accomplished application form
 - Duly accomplished project outline form
 - Business name and brand name
 - Business proposal/feasibility study
 - Business permits (DTI, SEC registration, Mayor's Permit, others)
 - Income Tax Return from the last three (3) years (or other proof of financial, if newly established company)
 - Technical Licensing Agreement/Technical Certification
 - Certificate of Accreditation of facilities
 - Bank certification, if applicable
 - Board Resolution authorizing official representative to sign in behalf of the applicant enterprise, if applicable
 - Other relevant documents required by the DOE

- II. Check correctness of application
 - Check if application is duly signed by authorized representative and notarized
 - Validate the authenticity of permits and other documents
 - Validate the authenticity of the technical licensing agreement with the supplier
 - Evaluate the business proposal/feasibility study

APPLICATION FOR NGVPPT ACCREDITATION
"Category IV – Refueling Station/Transport"
Checklisting Guide

- II. Check completeness of documents (3 sets)
 - Duly accomplished application form
 - Duly accomplished project outline form
 - Business name and brand name
 - Business proposal/feasibility study
 - Business permits (DTI, SEC registration, Mayor's Permit, others)
 - Income Tax Return from the last three (3) years (or other proof of financial, if newly established company)
 - Technical Licensing Agreement/Technical Certification
 - Bank certification, if applicable
 - Board Resolution authorizing official representative to sign in behalf of the applicant enterprise, if applicable
 - Other relevant documents required by the DOE

- II. Check correctness of application
 - Check if application is duly signed by authorized representative and notarized
 - Validate the authenticity of permits and other documents
 - Validate the authenticity of the technical licensing agreement with the supplier
 - Evaluate the business proposal/feasibility study

APPLICATION FOR AUTHORITY TO IMPORT

Checklisting Guide

- I. Check completeness of documents (3 sets)
 - Proforma Invoice (original/certified true copy)
 - Detailed list of parts and/or equipment to be imported
 - Liquidation Report (to be submitted within one (1) month from the end of each quarter)
 - Authenticated certificate of compliance with relevant Philippine National Standards and procedures (to be submitted before shipment of items)

- II. Check correctness of application
 - Check description items – those indicated in the invoice should match those indicated in the application
 - Check bank information and name of equipment/parts suppliers
 - Check correctness of Tariff Heading

Example:

<u>Tariff Heading</u>	<u>Description</u>
7613.00 00	Aluminum containers for compressed or liquefied gas
8407.34 90	Other
8414.90 90	Parts
8702.90 90	Other

- Check if application is duly signed by authorized representative and notarized.