



Republic of the Philippines
DEPARTMENT OF ENERGY

DEPARTMENT CIRCULAR NO. DC 2011-03-0003

7

ENJOINING ALL OIL COMPANIES TO ENGAGE IN MUTUAL PRODUCT SHARING ACCOMMODATIONS AND SIMILAR INDUSTRY PRACTICES TO STABILIZE OIL SUPPLY

WHEREAS, pursuant to Republic Act No. 7638, otherwise known as the Department of Energy Act of 1992, it is the declared policy of the State to ensure a continuous, adequate and economic supply of energy with the end in view of ultimately achieving self-reliance in the country's energy requirements;

WHEREAS, consistent with the policy above, the Department of Energy (DOE) is mandated to establish and administer programs for, among others, the transportation, marketing, distribution, utilization, stockpiling and storage of energy resources;

WHEREAS, further to its mandate, the DOE shall formulate policies for the planning and implementation of a comprehensive program for the efficient supply and economical use of energy consistent with the approved national economic plan, and provide a mechanism for the integration, rationalization and coordination of the various energy programs of the Government;

WHEREAS, consistent with Section 7 of Republic Act No. 8479, otherwise known as the Downstream Oil Industry Deregulation Act of 1998, the DOE shall encourage certain practices in the oil industry which serve the public interest and are intended to achieve efficiency; cost reduction and ensure continuous supply of petroleum products, which may include borrow and loan agreements, rationalized depot and manufacturing operations, hospitality agreements, joint tanker and pipeline utilization and joint actions on spill control and fire prevention;

WHEREAS, due to the fact that the Philippines is an archipelago, oil companies, from time to time, experience logistics supply constraints in the islands / areas where they may have limited or no facilities thus resulting in product shortages or run-outs;

WHEREAS, logistics supply constraints became even more apparent on July 12, 2010 when the 117-kilometer white oil pipeline operated by First Philippine Industrial Corporation, which services 60% of the petroleum requirements of Metro Manila and parts of Bulacan, Laguna, and Rizal, was shutdown causing disruption in the distribution of petroleum products to the National Capital Region and nearby provinces;

WHEREAS, consistent with accepted industry practices, participants in the downstream oil industry have been engaged in various forms of multiple and recurring arrangements of product accommodations to ensure a stable and continuous supply of petroleum products for the daily needs of the consuming public;

WHEREAS, these arrangements of product accommodations, commonly known as borrow and loan arrangements or mutual product supply accommodations, serve to achieve efficiency and cost reduction in specific cases by reducing the operating costs of the contracting parties;

NOW, THEREFORE, premises considered, and pursuant to its statutory mandate, the DOE hereby declares as follows:

SECTION 1. *Scope and Application.* This Circular shall apply to all participants in the downstream oil industry.

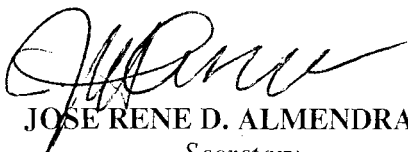
SECTION 2. *Recognition of Mutual Product Supply Accommodations.* The importance and significance of the mutual product supply accommodation is hereby recognized as an accepted downstream oil industry practice, which serves the public interest and is intended to achieve efficiency, cost reduction and ensure continuous supply of petroleum products. All downstream oil industry players are encouraged to continue with their existing mutual product supply accommodation agreements and consider further supply cooperation agreements among themselves to ensure the stable and continuous supply of petroleum products to the general public and to achieve efficiency and cost reduction.

SECTION 3. *Anti-Trust Safeguards.* Nothing in this Circular shall be construed to permit any violation or circumvention of the anti-trust safeguards provided under Republic Act No. 8479.

SECTION 4. *Effectivity and Publication.* This Circular shall be effective immediately upon its publication in two (2) newspapers of general circulation.

This Circular shall remain in effect until otherwise revoked.

Issued in Fort Bonifacio, Taguig this 2nd day of March 2011.


JOSE RENE D. ALMENDRAS
Secretary

