

Project Title	: PNOC BATANGAS LIQUEFIED NATURAL GAS (LNG) HUB PROJECT
Project Location	: Mabini, Batangas (Tentative)
Nature of Project	: Complete Value Chain LNG Facility
Implementing Agency	: PNOC

Project Description:

The PNOC, as the corporate arm of the Department of Energy (DOE), has steadily taken action towards the performance and attainment of the Department’s mandate, that is, for PNOC to spearhead the development of energy infrastructure for liquefied natural gas (LNG). To attain this vision and direction, the project, known as the “PNOC Batangas Liquefied Natural Gas (LNG) Hub Project,” was conceptualized.

The Project is a complete value chain LNG facility to be used to receive, store, regasify, and distribute imported LNG, and at the same time facilitate the withdrawal of banked gas owned by PNOC from the Malampaya gas field. With a complete LNG facility, it is aimed at contributing to the economic growth of the country by providing a dependable, sustainable and efficient source of energy. This will fill the gap in addressing the lost energy capacity from the Malampaya gas field when SC 38 expires in 2024 and if and when the Malampaya gas is depleted.

Initially, PNOC’s proposed implementation for the project is Government to Government (G-to-G) modality. With keen interest of the private sector, PNOC later on adopted the unsolicited proposal scheme under the 2013 Revised NEDA Joint Venture Guidelines and the Build-Operate-Transfer (BOT) Law. This however did not materialize since proposals received under this scheme were non-compliant with the PNOC-approved qualification criteria, requirements under BOT Law and/or NEDA JV guidelines, or due to incompleteness of proposals.

PNOC then decided to conduct a solicited competitive tender under NEDA’s Revised Guidelines and Procedures for Entering into Joint Venture Agreements between Government and Private Entities to select the JV partner that will develop the project with PNOC. However, in January 2019, due to the impending DOE issuance of Notices to Proceed to private proponents of similar LNG Terminal projects, the PNOC Board directed the management to conclude and terminate all activities in relation to the Competitive Selection of the Joint Venture Development partner for the project but without prejudice to exploration of new opportunities in the LNG value chain in light of current developments and business prospects available that are still timely and deemed feasible for PNOC’s participation.

Project Status as of June 30, 2020

PNOC remains active in studying any possible investment opportunities in the LNG industry. It has entered into non-binding collaborations with companies from the private sector to explore and discuss business opportunities and cooperation in LNG and other related projects.

It has an existing Memorandum of Understanding (MOU), a non-binding agreement, with Kaltimex Rural Energy Corporation to explore and undertake the following;

- a. Cooperate in the conduct of a preliminary FS for the off-taking of LNG supply;
- b. Facilitate exchange of technical information, sales and marketing data, and collaborate for the off-taking of LNG supply;
- c. Cooperate in the drafting of a possible business model towards the supply of LNG to encourage new gas-fired power plants to be built; and
- d. Cooperate to facilitate the issuance of necessary permits and clearances for the conduct of the study.

PNOC is also in the process of vetting several proponents for possible partnership, joint ventures or other viable business arrangements in furtherance of the development of a dynamic value chain to spur the LNG industry and promote the Philippines as a viable LNG Hub for investors.

Project Title	: STRATEGIC PETROLEUM RESERVE (SPR) PROJECT
Project Location	: To be determined by the Feasibility Study
Nature of Project	: Oil Stockpiling
Implementing Agency	: PNOC

Project Description:

Strategic Petroleum Reserves (SPR) are large stockpiles of crude oil and/or petroleum products, stored in facilities located around the country (and possibly overseas). The buildup and drawdown of inventory, from the specification and volume of products to be stored and required conditions for drawdown) are dependent on the series of legislations, mechanisms, and guidelines that have to be researched and formulated by the implementing agency, and approved by concerned agencies.

In order to undertake a program that will mitigate the vulnerability of the country from the threat of oil supply and price disruptions, the Department of Energy – the lead agency for energy and the agency which to PNOC is attached, has mandated the company through DOE MO 2019-11-0001 to conduct a feasibility study and accordingly, formulate an implementation plan for the establishment and operation of the National Strategic Petroleum Reserve. This endeavor is aligned to PNOC's mandate and reason for its creation as a government corporation: to ensure an adequate and stable supply of oil and petroleum products for the country's domestic needs.

The establishment of an SPR program is aimed at ensuring the long-term stability and security of oil supply in the country even in times of geopolitical events, calamities or emergencies which induce global oil supply disruptions. Such effects were recently demonstrated in the September 2019 drone attacks in Saudi Aramco's oil facilities which is resulted to about 5% of global oil production cut thereby causing oil prices to go up.

The envisioned SPR shall be a combination of the following:

- a.) Crude oil and petroleum products importation, storage, and distribution facilities established within and outside the country (domestic and overseas SPRs);
- b.) Partnerships with government agencies and private entities; and
- c.) Interconnected Pieces of legislation, mechanisms, and guidelines that would guide the project from development to operation.

The National SPR Program is considered to be an extensive undertaking which aims to provide an oil stockpile, either crude oil, finished petroleum products, or both, equivalent to 90 days of the country's domestic oil requirements. Such magnitude and considerable funding required for an all-encompassing SPR will necessitate the implementation of the program in phases, depending on the resources available.

Meanwhile, the implementation of an Interim Oil Stockpiling Program and Emergency Targeted Fuel Relief Program will suffice to jumpstart the initiative and lay the foundation for the need to establish a Strategic Petroleum Reserve that is responsive to the current and future needs of the Filipino people.

Project Status as of June 30, 2020

The target activities for the National SPR Program for 2020 entails the hiring of a Project Transaction Advisor. However, the PNOC's engagement in the hiring of a Project Transaction Advisor had been postponed until further notice due to the advent of COVID-19 Pandemic, which caused the imposition of lockdown policies in the country. As a consequence, the extensive National SPR Program will be pushed back, possibly in 2021, until the country and overall global economy and situation improves considerably to allow these activities to be undertaken.

In light of the effects of COVID19 pandemic and global health crisis, the DOE has directed PNOC, to assist it in drafting a Department Circular that will address the establishment of the Interim Oil Stockpiling mechanism. This mechanism is intended as a preliminary initiative relative to the wider more comprehensive and capital intensive National SPR Program. This mechanism will provide the government with an effective means of government intervention in response, should it be required, to the disruption in oil supply and price stability in times of price spikes while also taking advantage of the low global oil prices due to combined demand decrease and oil glut caused by the COVID-19 Pandemic.

In conjunction with these objectives, PNOC is in the process of crafting a targeted fuel relief mechanism for the government which will provide fuel assistance to marginalized fuel-consuming sectors which are or may be affected in emergency or crisis situations.

Currently, the details on the project specification of the Interim Oil Stockpiling Program will be presented to the Department of Budget and Management (DBM) to justify the special provision for the intended budget for said program, through DOE's endorsement. The preparation of the in-house feasibility study and implementation plan of said program is on-going.