

Project Title : **MONETIZATION OF PNOC BANKED GAS**

Project Location :

Nature of Project : Sale of the Remaining Volume of Banked Gas

Implementing Agency : PNOC

Project Description:

Banked gas is the accumulated unused gas of the Ilijan Power Plant, amounting to 108.6 Petajoules, as a result of the underutilization of the plant's Take-or-Pay quantity (TOPQ) within the period 2002 to 2007. Under TOP, a fixed quantity of gas is being paid for by the power plant every year, whether they use the gas or not. The banked gas was originally paid for by the Government of the Philippines (GOP), through the Net Government Share, in assistance to the National Power Corporation, then owner of the Ilijan Power Plant, to satisfy the plant's TOPQ provisions of their GSPA with the Service Contract Number 38 (SC38) Consortium. In September 2009, PNOC purchased from the DOE all the rights, benefits and entitlements of the banked gas.

The Power Sector Assets and Liabilities Management Corporation (PSALM) withdrew 4.61 PJ in 2013 for the Ilijan power plant and another portion, equivalent to 2.71 PJ, was offtaken by Pilipinas Shell Petroleum Corporation (PSPC) from June 2018 to January 2021 for its Tabangao Refinery. Prior to the consummation of a new sale this year with another buyer, the remaining volume of banked gas is equivalent to 101.28 PJ.

Project Status as of December 31, 2021:

The final draft Gas Sale and Purchase Agreements (GSPAs) based on the Board-approved terms sheet between PNOC and buyers were approved by the PNOC Board of Directors on 11 November 2021.

Subsequently, the GSPAs were submitted to the Office of the General Corporate Counsel (OGCC) on 15 November 2021 for its legal review and concurrence. The favorable contract review of the OGCC was received by PNOC on 22 December 2021. In view of this, PNOC and the buyers proceeded with the signing and execution of the GSPAs, on 24 December 2021. Delivery of banked gas has commenced on 26 December 2021.

Project Title : **ESTABLISHMENT OF PNOC'S STRATEGIC PETROLEUM RESERVE (SPR)**

Project Location :

Nature of Project : Oil Importation, Stockpiling and Distribution

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.

On September 16, 2021, the Department Circular (No. 2021-09-0028) on Establishing the Philippine Strategic Petroleum Program (SPR) was approved and signed by DOE Sec. Cusi. This was published and made effective in October 2021.

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.

Status as of December 31, 2021:

In light of the failed bidding during the second round of publication for the engagement of a Transaction Advisor for the SPR Project conducted from August 3 to 10, 2021, the terms of reference (TOR) was revisited and revised. A third round of bidding was conducted from October 5 to 12, 2021, however, lone offeror was declared ineligible due to incomplete eligibility documents.

Right after the previous failed round of bidding, PNOC immediately conducted a re-bid (fourth round of posting) from October 19 to 26, 2021. However, the lone offeror was found to be ineligible due to non-compliance to the expertise requirements under the TOR.

On November 9, 2021, PNOC met with the DOE to discuss on the organization of the SPR Review and Evaluation Committee (REC) pursuant to the Department Circular #2021-09-0028. Also discussed was to subject the above said TOR under joint review by PNOC and DOE prior to a possible re-bid and/or pursuing other alternative modes of procurement. The TOR was submitted to DOE on November 19, 2021 for its review. A virtual meeting was conducted between PNOC and DOE on December 9, 2021 aimed at securing favorable endorsement from DOE on the TOR.

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, re-gasify, 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 Notice to Proceed to private-led LNG project/s, 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 December 31, 2021:

PNOC remains open to any possible investment opportunities in the LNG industry. In the last quarter of 2020, PNOC 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. However, COVID19 abruptly delayed initiation and progress of envisioned cooperation. Discussion shall resume once COVID19 crisis subsides.