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[REPUBLIC ACT No. **12120**]

AN ACT PROMOTING THE DEVELOPMENT OF THE PHILIPPINE NATURAL GAS INDUSTRY, CONSOLIDATING FOR THE PURPOSE ALL LAWS RELATING TO THE TRANSMISSION, DISTRIBUTION, AND SUPPLY OF NATURAL GAS, AND APPROPRIATING FUNDS THEREFOR

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

CHAPTER I

TITLE AND DECLARATION OF POLICY

SECTION 1. *Title.* – This Act shall be known as the “Philippine Natural Gas Industry Development Act”.

SEC. 2. *Declaration of Policy.* – It is hereby declared the policy of the State to:

(a) Promote natural gas as a safe, efficient, and cost-effective source of energy and an indispensable contributor to energy security by establishing the Philippine Downstream Natural Gas Industry (PDNGI) for the benefit of all segments of the nation's population and all sectors of the economy;

(b) Develop natural gas as a reliable fuel for power plants capable of addressing the peaking, mid-merit, and baseload demand of the country to help achieve energy security, while progressively transitioning to renewable energy sources;

(c) Promote natural gas as an energy fuel, with the potential to meet the increasing local demand for fuel, and develop the Philippines as a Liquefied Natural Gas (LNG) trading and transshipment hub within the Asia-Pacific Region. In all cases, the State shall ensure the safe, secure, reliable, transparent, competitive, and environmentally responsible operation of the PDNGI value chain, and ensure alignment with the State's policy on transitioning to a low-carbon future, consistent with the sustainable development goals on increasing the share of renewable energy in the country's energy mix;

(d) Provide a conducive industry environment for the promotion and development of the PDNGI through the issuance of regulatory policies, localized codes and standards for products, facilities and its operations based on the Philippine National Standards (PNS), and plans and programs;

(e) Promote the conversion of existing fossil fuel-operated equipment and facilities to natural gas use: *Provided*, That the conversion is technically and financially feasible;

(f) Promote and hasten the exploration and development of indigenous natural gas resources and facilities, and prioritize the use of indigenous over imported natural gas to help attain greater energy security without impairment of contracts;

(g) Promote the entry of investors under a system of competition, transparency and fair trade, and by providing responsive policy support, with the end goal of attaining low cost energy prices pursuant to Republic Act No. 7638 or the "Department of Energy Act of 1992";

(h) Promote the role of natural gas as an additional energy source and a transition fuel to variable renewable energy by creating a legal and regulatory framework that will govern the promotion and development of the PDNGI;

(i) Ensure compliance with the PDNGI product and facility standards on Health, Safety, Security, and Environment (HSSE) and other applicable rules and regulations under a system of safe, secure, high-quality, and environmentally responsible operations and services that afford protection to consumers;

(j) Encourage the inflow of private capital through equity participation by the private sector in the development of the PDNGI;

(k) Ensure transparent and low-cost pricing of natural gas pursuant to Republic Act No. 7638 and rates for its storage, regasification, transmission, and distribution in a regime of open and fair competition, with full public accountability that shall promote greater operational and economic efficiency and enhanced competitiveness in the global market;

(l) Develop the necessary technical expertise and skills of personnel in government agencies and the private sector to support the PDNGI;

(m) Promote aggregation whenever economically beneficial for end-users and to contribute to mitigating natural gas supply and price shocks; and

(n) Facilitate the development of power and non-power end-uses of natural gas which includes commercial, industrial, residential, and transport applications that promote fuel diversity: *Provided*, That the power rates from the utilization of natural gas shall be subject to Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001".

SEC. 3. *Scope.* – This Act shall provide a framework for the development of the PDNGI, and its transition from an emerging industry into a mature industry within a competitive natural gas market. It shall also define the responsibilities of

various government agencies and private entities in furtherance of this national goal.

It shall apply to the permitting of siting, construction, operation and maintenance, expansion, modification, rehabilitation, decommissioning, and abandonment of PDNGI Facilities for Own-Use or Third-Party Access (TPA). It shall likewise apply to the accreditation of Participants in the trade of natural gas, including but not limited to the purchase, supply, aggregation, bunkering, reselling, and export of natural gas, and any other activities related to the PDNGI.

All activities of the Department of Energy (DOE), Energy Regulatory Commission (ERC), and other concerned government agencies relevant to the development and regulation of the PDNGI shall be in accordance with this Act.

SEC. 4. *Definition of Terms.* – For the purposes of this Act, the following terms shall be defined as follows:

(a) *Affiliate* refers to any corporation that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control of another corporation. As used herein, “control” shall mean the power to direct or cause the direction of management policies as an inherent part of decision-making power;

(b) *Aggregation* refers to procurement of indigenous natural gas, combining it with imported LNG, and selling the aggregated gas to gas buyers in the Philippines or abroad, by Participant/s known as aggregator/s. The DOE shall determine the requirements to be an aggregator as well as the minimum percentage of indigenous natural gas for aggregation and pricing mechanism for aggregated gas, taking into account consumer welfare, competitive pricing, the production levels of indigenous natural gas sources, the capacity of existing and future PDNGI Facilities, and other relevant factors to ensure a stable and reliable supply of natural gas;

(c) *Aggregated Gas* refers to indigenous natural gas that has been combined with or supplemented by imported LNG, pursuant to the required minimum percentage of indigenous natural gas, pricing mechanism and competitive pricing as provided in Section 4(b) of this Act. Gas that is a blend or

combination of purely imported LNG, without any portion of the gas coming from indigenous natural gas sources, shall not be considered Aggregated Gas;

(d) *Anti-Competitive Behavior* refers to any behavior and/or agreements in violation of the provisions of Republic Act No. 10667, otherwise known as the “Philippine Competition Act”;

(e) *Bunkering* refers to the sale of natural gas by a Participant known as a bunker trader for use of domestic or foreign marine vessels;

(f) *Capacity* refers to the handling design of a system used in the context of its functionality and expressed in a specific measurement, such as volume or flow per time unit or designated measurement unit;

(g) *Conventional Energy Sources* refer to non-renewable fossil fuel energy sources such as coal, oil, and gas;

(h) *Conventional Transportation System* refers to a network of fixed facilities made up of, among others, compressor stations, pipelines, and metering for the purpose of delivering natural gas. This includes both the PDNG Transmission and Distribution Systems;

(i) *Decommissioning and Abandonment* refer to the removal or condemnation of the entire PDNGI Facility installation or a component thereof that has reached the end of its productive life and, if applicable, the subsequent restoration of the Facility site to its previous condition;

(j) *Delivery* refers to the transmission or distribution of natural gas and the supply of natural gas at wholesale or retail;

(k) *Distribution* refers to the transportation of natural gas through a PDNG Distribution System;

(l) *End-user* refers to any person who will receive the delivery of natural gas for final use;

(m) *Indigenous Natural Gas* refers to natural gas produced from fields within the territorial jurisdiction of the Republic of the Philippines;

(n) *Liquefied Natural Gas* or *LNG* refers to natural gas that has been liquefied by cooling at a cryogenic temperature;

(o) *LNG Storage and Regasification Terminal* refers to all component facilities used to receive, unload, load, store, and regasify LNG. It shall include, among others, jetty and unloading/loading arms, cryogenic and non-cryogenic pipelines, storage tanks and pumps, boil-off gas compressors and re-condensers, vaporizers, control facilities, metering, send-out systems, and other relevant components;

(p) *Natural Gas* refers to gas consisting primarily of a mixture of methane, ethane, propane, and butane, with small amounts of heavier hydrocarbons and some impurities, consistent with PNS or other applicable internationally accepted industry standards;

(q) *Natural Gas Sales and Purchase Agreement* or *NGSPA* refers to any contract or agreement for the delivery and sale of natural gas by and between sellers, suppliers, and buyers;

(r) *Offshore* refers to areas situated at sea, some distance from the shore;

(s) *Own-Use* refers to the exclusive use of the entire capacity of PDNGI Facilities by a Permit Holder or its affiliates;

(t) *Own-Use Permit* refers to an authorization issued by the DOE to an Own-Use Permit Holder;

(u) *Participant* refers to a natural or juridical person who engages in the trade of natural gas either as a supplier, aggregator, bunker trader, or reseller;

(v) *Permit* refers to an authorization issued by the DOE for the siting, construction, operation and maintenance, expansion, modification, rehabilitation, decommissioning, and abandonment of PDNGI Facilities for Own-Use or TPA. It shall likewise apply to the accreditation of Participants in the trade of natural gas, including but not limited to the purchase, supply, aggregation, bunkering, reselling, and export of natural gas, and any other activity related to the PDNGI;

(w) *Permit Holder* refers to a natural or juridical person who owns the PDNGI Facility and is granted a permit by the DOE to engage in the siting, construction, operation and maintenance, expansion, modification, rehabilitation, decommissioning, and abandonment of PDNGI Facilities for Own-Use or TPA;

(x) *Philippine Downstream Natural Gas Development Plan* or *PDNG Dev Plan* refers to the comprehensive plan for ensuring a safe, secure, and reliable supply of natural gas and establishing the efficient operations of the PDNGI Facilities and proper management of natural gas demand through appropriate government programs and policies. It shall include the various natural gas supply plans, PLSR Terminal Dev Plan, PDNG Transmission Dev Plan, and PDNG Distribution Dev Plan. This plan shall be incorporated in the Philippine Energy Plan (PEP);

(y) *Philippine Downstream Natural Gas Distribution Code* or *PDNG Distribution Code* refers to the code formulated by the DOE, which shall set the performance standards for operating a conventional and virtual distribution system;

(z) *Philippine Downstream Natural Gas Distribution Development Plan* or *PDNG Distribution Dev Plan* refers to a comprehensive plan prepared by the DOE, after modeling and taking into consideration the plans prepared by the Permit Holders of all PDNG Distribution Systems and Virtual Transportation Systems containing, among others, information on their locations, construction, operation and maintenance, expansion, modification, rehabilitation, decommissioning, and abandonment, whichever is applicable. The plan shall likewise include all studies, programs, and policies for the promotion and development of the distribution sector, which are economically beneficial for end-users;

(aa) *Philippine Downstream Natural Gas Distribution System* or *PDNG Distribution System* refers to a Conventional and Virtual Transportation System, starting from the receipt of natural gas from the source of indigenous natural gas, LNG Storage and Regasification Terminal, or PDNG Transmission System up to the receiving facility of the end-user;

(bb) *Philippine Downstream Natural Gas Industry Facility* or *PDNGI Facility* refers to the LNG Storage and Regasification Terminal, PDNG Transmission System, and PDNG Distribution System, and other related facilities;

(cc) *Philippine Downstream Natural Gas Industry* or *PDNGI* refers to all Permit Holders involved in the siting, construction, operation and maintenance, expansion, modification, rehabilitation, decommissioning, and abandonment of PDNGI Facilities. It shall likewise refer to Participants involved in the purchase, supply, aggregation, bunkering, reselling, and export of natural gas, and any other activity related to the PDNGI as defined in Section 4(bb) of this Act;

(dd) *Philippine Downstream Natural Gas Transmission Code* or *PDNG Transmission Code* refers to the code formulated by the DOE, which shall set the performance standards for operating a conventional transmission system;

(ee) *Philippine Downstream Natural Gas Transmission Development Plan* or *PDNG Transmission Dev Plan* refers to a comprehensive plan prepared by the DOE, after modeling and taking into consideration the plans prepared by the Permit Holders of all PDNG Transmission Systems containing, among others, information on their locations, construction, operation and maintenance, improvement, expansion, modification, rehabilitation, decommissioning, and abandonment, whichever is applicable. The plan shall likewise include all studies, programs, and policies for the promotion and development of the transmission sector, which are economically beneficial for end-users;

(ff) *Philippine Downstream Natural Gas Transmission System* or *PDNG Transmission System* refers to a conventional transportation system starting from the receipt of natural gas from the source of indigenous natural gas and/or from an LNG Storage and Regasification Terminal up to the receiving facility of the PDNG Distribution System;

(gg) *Philippine Energy Plan* or *PEP* refers to the overall energy program formulated and updated yearly by the DOE and submitted to Congress pursuant to Republic Act No. 7638, as amended;

(hh) *Philippine LNG Storage and Regasification Terminal Code* or *PLSR Terminal Code* refers to the code formulated by the DOE, which shall set the performance standards for operating an LNG Storage and Regasification Terminal;

(ii) *Philippine LNG Storage and Regasification Terminal Development Plan* refers to a comprehensive plan prepared by the DOE, after modeling and taking into consideration the plans prepared by the Permit Holder of all LNG storage and regasification terminals containing, among others, information on their locations, construction, operation and maintenance, expansion, modification, rehabilitation, decommissioning, and abandonment, whichever is applicable. The plan shall likewise include all studies, programs, and policies for the promotion and development of the regasification sector, which are economically beneficial for end-users;

(jj) *Renewable Gases* refer to hydrogen, ammonia, biomethane, synthetic methane, and other gases derived from renewable sources;

(kk) *Reselling* refers to the procuring of natural gas from a supplier or aggregator and reselling it to gas buyers by a Participant known as a reseller;

(ll) *Supply* refers to the procuring or producing and selling indigenous or imported natural gas to gas buyers in the Philippines or abroad by a Participant known as a supplier;

(mm) *Third-Party Access* or *TPA* refers to a transparent, fair, reasonable, and non-discriminatory access and utilization by a third-party user of the capacity of PDNGI Facilities;

(nn) *Third-Party Access Code* or *TPA Code* refers to the code formulated by the DOE, which shall set the performance standards for TPA;

(oo) *TPA Permit* refers to an authorization issued by the DOE to a Permit Holder that allows TPA;

(pp) *Transmission* refers to the transportation of natural gas through a PDNG Transmission System;

(qq) *Virtual Transportation System* refers to any alternative methods of transporting natural gas other than through the conventional transportation system, such as the use of land vehicles or sea vessels, with or without an on-site modular regasification unit; and

(rr) *Waterfront* refers to facilities that are designated for the handling, storing, stowing, loading, discharging, or transporting of dangerous cargo, also called a "waterfront LNG plant".

CHAPTER II

POWERS AND RESPONSIBILITIES OF GOVERNMENT AGENCIES

SEC. 5. *Powers and Responsibilities of the Department of Energy.* – In addition to its existing powers and functions, the DOE shall have the overall responsibility of supervising and monitoring the PDNGI and developing the strategies to implement the State policies declared under this Act. Toward this end, the DOE shall exercise the following powers and functions:

(a) Prepare the PDNG Dev Plan, based on modeling, considering forecasted demand, supply, and uses of natural gas in the country, taking into account the plans submitted by PDNGI Permit Holders and Participants, after open discussions and consultations with relevant government agencies and public and private stakeholders, within two (2) years from the effectivity of this Act. The PDNG Dev Plan shall be reviewed and updated every three (3) years after its adoption;

(b) Establish standards on gas quality, facility, and a code of practice for the PDNGI, in coordination with relevant government agencies. For this purpose, a Technical Committee (TC) shall be created to develop and promulgate the applicable PNS for the PDNGI. The TC shall be co-chaired by the DOE and the Department of Trade and Industry-Bureau of Philippine Standards (DTI-BPS).

The TC shall be composed of representatives from the following sectors:

- (1) Academe;
- (2) Trade/Industry;
- (3) Consumer;
- (4) Professional Associations;
- (5) Research Institutions;
- (6) Government Agencies;
- (7) Testing Institutions; and
- (8) Other relevant sectors.

(c) Enforce PDNGI compliance with the standards, in coordination with relevant government agencies, through the issuance of technical regulations implementing the standards, review of reports, and conduct of onsite inspections.

An Inter-Agency Health, Safety, Security, and Environment Inspection and Monitoring Team (IA-HSSE IMT) shall be created to monitor and enforce compliance with established standards. It shall be co-chaired by the DOE and the Department of Environment and Natural Resources (DENR), with members composed of representatives from the following government agencies:

- (1) Maritime Industry Authority (MARINA);
 - (2) Philippine Coast Guard (PCG);
 - (3) Department of Labor and Employment (DOLE);
 - (4) Bureau of Fire Protection (BFP);
 - (5) Department of Health (DOH); and
 - (6) Other relevant government agencies.
- (d) Approve or issue:

(1) Permits for the construction, operation and maintenance, expansion, modification, rehabilitation, decommissioning, and abandonment of PDNGI Facilities;

(2) Accreditation of Participants;

(3) Acknowledgment of natural gas importation and exportation notifications; and

(4) Other endorsements or issuances in furtherance of the development of the PDNGI.

The processing and grant of all permits and other endorsements or issuances pursuant to this Act shall be governed by Republic Act No. 11234, otherwise known as the "Energy Virtual One-Stop Shop Act". In reviewing applications for permits, the DOE shall ensure that the application is consistent with the declaration of policies in this Act, and that the proposed project is technically and financially viable by ensuring, among others, sufficient supply of imported LNG or indigenous natural gas, and clear source of funding for the project. The EVOSS Steering Committee shall streamline the permitting process for the PDNGI and continue its mandate under Republic Act No. 11234;

(e) Review, suspend, or revoke permits issued after a finding of non-compliance with the provisions of this Act, its implementing rules and regulations (IRR), and related issuances;

(f) Issue a written approval for the assignment or transfer of permits after determining that the assignee or transferee has met all the legal, technical, and financial qualifications, has committed itself to assume all existing obligations of the Permit Holder, and that such assignment or transfer is in accordance with existing laws, rules, and regulations: *Provided*, That this also applies to sales of shares that would result in a change in control of the Permit Holder or its ultimate parent.

(g) Issue the PDNG Transmission Code, PDNG Distribution Code, the PLSR Terminal Code, and the TPA Code within two (2) years from the effectivity of the IRR of this Act, in consultation with other concerned government agencies and the PDNGI stakeholders;

(h) Endorse to the Philippine Competition Commission (PCC) for investigation any reported or observed anti-competitive behavior in the PDNGI;

(i) Require Permit Holders and Participants to submit regular and special reports, and to provide real-time monitoring access to the operation and maintenance activities of PDNGI Facilities;

(j) Publish the list of Permit Holders and Participants along with the status of their projects on the DOE website;

(k) Temporarily take over or direct the operation of any person or entity engaged in the PDNGI in times of national emergency, when the public interest so requires, as may be directed by the President upon the recommendation of the National Economic and Development Authority (NEDA);

(l) Create offices and appoint personnel as may be necessary to efficiently and effectively implement this Act, subject to existing laws, rules, and regulations;

(m) Develop a comprehensive national strategy, with input from the National Renewable Energy Board (NREB), for integrating renewable gases into the energy mix, and outlining the roadmap for their adoption;

(n) Regulate, as applicable, the quality of service and rates of TPA conventional transportation systems: *Provided*, That the rate-setting methodologies shall be based on the policy of full recovery of prudent and reasonable economic cost with a reasonable rate of return or such other principles that promote efficiency and other internationally-accepted rate-setting methodology;

(o) Ensure compliance with the publication and unbundling of TPA conventional transportation system fees, whether for a PDNG transmission or distribution system;

(p) Develop and establish such other plans and policies as may be consistent with and in furtherance of the State policies declared under this Act;

(q) Exercise such other powers and functions as may be necessary or incidental to attain the objectives of this Act; and

(r) Identify and assess the risk of stranded assets associated with natural gas infrastructure development, taking into account factors such as declining demand due to the energy transition, the emergence of alternative energy carriers, stricter climate policies, and technological advancements in renewable energy. The DOE shall develop a transparent methodology for evaluating stranded asset risk applicable to both existing and proposed projects, maintain a publicly accessible database that tracks these projects and their risk assessments on any identified stranded assets, and regularly update this information to serve as foundation for informed policy decisions and regulatory actions.

To mitigate the risks of stranded assets, the DOE is empowered to establish and enforce regulations that promote responsible investment in natural gas infrastructure, and encourage a timely transition to renewable energy sources. These regulations may include facilitating the early retirement of high-risk assets through financial mechanisms.

The DOE shall also coordinate with relevant government agencies to align natural gas development, national climate targets, and ensure a smooth transition to a sustainable energy system.

SEC. 6. Powers and Responsibilities of the Energy Regulatory Commission. – The powers of the ERC shall be in accordance with the provisions of Republic Act No. 9136 on the organization, operation, regulation of the power industry, and such other powers as may be given to it under applicable laws.

It shall create offices and appoint personnel necessary to efficiently and effectively perform its functions in regulating power generated from natural gas, subject to existing laws, rules, and regulations.

SEC. 7. Powers and Responsibilities of the Department of Environment and Natural Resources. – In addition to its functions under Executive Order No. 192, otherwise known as the “Reorganization Act of the Department of Environment and Natural Resources”, the DENR, together with the DOE and the PCG, shall determine and monitor compliance with the environmental standards for the siting, construction, operation

and maintenance, expansion, rehabilitation, decommissioning, and abandonment of PDNGI Facilities, pursuant to existing environmental laws, such as Republic Act No. 8749, otherwise known as the “Philippine Clean Air Act of 1999”, as amended, Republic Act No. 7586, otherwise known as the “National Integrated Protected Areas System Act of 1992”, as amended by Republic Act No. 11038, otherwise known as the “Expanded National Integrated Protected Areas System Act of 2018”, Republic Act No. 6657, otherwise known as the “Comprehensive Agrarian Reform Law of 1988”, as amended, and other existing environmental laws, rules, and regulations: *Provided, That*, within six (6) months from the effectivity of this Act, the DENR shall establish national standards for methane emissions and other pollutants from natural gas industries not otherwise regulated by existing laws.

SEC. 8. Powers and Responsibilities of the Philippine Coast Guard. – In addition to its functions under Republic Act No. 9993, otherwise known as the “Philippine Coast Guard Law of 2009”, the PCG, together with the DENR, shall determine and monitor compliance with the marine environmental protection standards for the offshore and waterfront siting, construction, operation and maintenance, expansion, modification, rehabilitation, decommissioning, and abandonment of PDNGI Facilities.

SEC. 9. Powers and Responsibilities of the Department of Transportation (DOTr) through the Maritime Industry Authority. – In addition to its functions under Presidential Decree No. 474, otherwise known as the “Maritime Industry Decree of 1974”, the MARINA shall have general jurisdiction over the development, promotion, and regulation of all enterprises engaged in the business of designing, constructing, manufacturing, acquiring, operating, supplying, repairing, and maintaining vessels, or parts thereof, including LNG carriers. The MARINA shall also provide for the effective supervision, regulation, and rationalization of the organizational management, ownership, and operations of all water transport utilities and other maritime enterprises.

SEC. 10. Powers and Responsibilities of the DOTr and its Attached Agencies. – In addition to its functions under Executive Order No. 125, series of 1987, otherwise known as the “Reorganization Act of the Ministry of Transportation and

Communications”, as amended, and other applicable laws, the DOTr or its attached agencies, such as the Land Transportation Office, Land Transportation Franchising and Regulatory Board, and MARINA, in coordination with the DOE, DENR, DOH, DTI-BPS, and other relevant government agencies, shall issue the appropriate guidelines and regulations, and the applicable permits, licenses, certificates, or authorizations for virtual pipelines, motor vehicles, and marine vessels transporting, storing, or processing natural gas in its original state or liquefied form, as well as marine facilities used to import, receive, load, unload, transport, process, and store natural gas in its original or liquefied form, including those utilized as offshore LNG terminals. The DOTr shall monitor and ensure compliance therewith.

SEC. 11. *Powers and Responsibilities of the Department of Trade and Industry-Bureau of Philippine Standards.* – In addition to its functions under Republic Act No. 4109, titled, “An Act to Convert the Division of Standards under the Bureau of Commerce into a Bureau of Standards, to Provide for the Standardization and/or Inspection of Products and Imports of the Philippines and for Other Purposes”, the DTI-BPS, together with the DOE, shall determine, develop, formulate, promulgate, and revise the PNS for natural gas and PDNGI Facilities.

SEC. 12. *Powers and Responsibilities of the Department of Science and Technology (DOST).* – In addition to its functions under Executive Order No. 128, otherwise known as the “Reorganization Act of the National Science and Technology Authority”, the DOST shall undertake scientific and technological research and development for the improvement of new technologies in the PDNGI.

SEC. 13. *Powers and Responsibilities of the Department of Health.* – In addition to its functions under Executive Order No. 317, series of 1941, titled “Organizing the Department of Health and Public Welfare”, as amended, and Republic Act No. 11223, otherwise known as the “Universal Health Care Act”, the DOH, together with the DOE, ERC, or DOTr, shall:

(a) Ensure and monitor compliance by Permit Holders and Participants with the health standards of PDNGI Facilities and PDNGI activities;

(b) Recommend standards, rules, and regulations in the conduct of health risk assessment studies in cases of natural gas accidents;

(c) Develop guidelines, policies, and health standards on the treatment and management of patients affected by natural gas accidents; and

(d) Require health data and information from PDNGI Facilities, Permit Holders, and Participants.

SEC. 14. *Referral to the Philippine Competition Commission.* – Consistent with its functions under Republic Act No. 10667, the PCC shall:

(a) Promote free and fair competition in all commercial economic activities in the PDNGI;

(b) Prevent economic concentration in the PDNGI that may have the tendency to control the production, distribution, trade, or industry in a manner that would unduly stifle competition in and lessen, manipulate, or constrict the discipline of free markets; and

(c) Penalize all forms of anti-competitive agreements, abuse of dominant position, and anti-competitive mergers and acquisitions in the PDNGI, to protect consumer welfare and advance domestic and international trade and economic development.

All matters involving or suspected by ERC and/or DOE to involve anti-competitive agreements or abuse of market power shall be referred to the PCC for investigation and adjudication. Where the act/s referred to the PCC are highly technical in nature, the ERC and/or DOE shall assist the PCC in its inquiry and analysis of the facts.

SEC. 15. *Powers and Responsibilities of the National Commission on Indigenous Peoples (NCIP).* – In addition to its functions under Republic Act No. 8371, otherwise known as “The Indigenous Peoples’ Rights Act of 1997”, the NCIP, upon the DOE’s endorsement in accordance with the PEP or its certification that the PDNGI project is an energy project of national significance, shall process the application for the

certification precondition under Section 59, Chapter VIII of Republic Act No. 8371, in accordance with the processes provided in Republic Act No. 11234.

SEC. 16. *Powers and Responsibilities of the Philippine Energy Research and Policy Institute (PERPI).* – Pursuant to Republic Act No. 11572, otherwise known as the “Philippine Energy Research and Policy Institute Act”, the PERPI shall conduct research and development on renewable gas technologies, including production, storage, and distribution, with support from the DOST and Philippine National Oil Company (PNOC).

CHAPTER III

ORGANIZATION, OPERATION, AND REGULATION OF THE DONWSTREAM NATURAL GAS INDUSTRY

SEC. 17. *Aggregation.* – The DOE shall be the lead agency to determine the need for and regulate the development of aggregation in the country. The DOE shall determine and designate the aggregator/s and issue the applicable policies to implement aggregation, adhering to the principles of economies of scale, as well as energy transparency, competitive pricing, security and reliability, and consumer welfare. The DOE may direct any of its attached agencies and instrumentalities to participate in aggregation activities.

SEC. 18. *DOE Permits and Issuances.* – The DOE shall have the power and responsibility to evaluate, approve, and issue the permits necessary for the siting, construction, operation and maintenance, expansion, modification, rehabilitation, decommissioning, and abandonment of any PDNGI Facility or activity.

The DOE shall accredit Participants and acknowledge notifications of natural gas importation and exportation. Permits issued to Permit Holders may vary based on their intended use, such as Own-Use Permit or TPA Permit.

SEC. 19. *Compliance with Philippine Laws, Rules, and Regulations.* – Permit Holders and Participants shall comply with all Philippine laws, rules, and regulations implemented by the relevant government agencies.

SEC. 20. *Compliance with Standards.* – The DOE shall ensure that Permit Holders and Participants, products, facilities, services, and systems comply with the standards set by relevant government agencies in terms of quality, design, efficiency, safety, structural integrity, and operation and maintenance. Regulations shall be consistent with applicable Philippine and internationally accepted natural gas industry standards.

SEC. 21. *Confidential Information.* – The DOE, ERC, or PCC, as applicable, shall determine whether submitted documents and reports are confidential or proprietary information. The Government shall not disclose confidential or proprietary information to the public, other Permit Holders, or Participants unless allowed by the Permit Holder or Participant, or when required by laws, rules, and regulations.

SEC. 22. *Authority to Obtain Information.* – The DOE, ERC, PCC, and other concerned government agencies may, through a valid order, require any Permit Holder or Participant, to provide, within a reasonable specified period, all information and documents relating to all matters such as the permit, rates, and operation of the business and PDNGI Facilities, with explanations on the information or documents submitted, subject to Section 21 of this Act. The failure of a Permit Holder or Participant to provide the required information or documents without valid reason shall be punishable under this Act.

SEC. 23. *Natural Gas Supply.* – The procurement, delivery, and pricing of natural gas from indigenous production facilities or from importation to the PDNGI shall be transparent and secure. If necessary, the DOE, ERC, and PCC shall require the suppliers to submit relevant information pertaining to supply contracting, procurement, pricing, and distribution scheme to users for monitoring purposes.

Procurement and utilization of indigenous natural gas, including without limitation, by gas-fired power plants, shall be prioritized over imported natural gas: *Provided*, That it is consistent with the State’s policy of ensuring energy security and consumer welfare. An indigenous natural gas supplier and aggregator shall provide fair and open access to its natural gas supply in a non-discriminatory and transparent manner

through physical supply, administrative or financial contracts, or any other arrangements allowed by the DOE.

Power produced from indigenous natural gas shall have priority over other conventional energy sources. Such prioritization shall cover indigenous natural gas power supply contracting, including mechanisms for minimum supply requirements.

The DOE shall establish mechanisms for the optimal and full utilization of indigenous natural gas in the generation, transmission, distribution, and supply of power, subject to standards and limitations consistent with the state's policy of ensuring energy security and consumer welfare. Pursuant thereto, the DOE shall formulate mechanisms that shall prescribe a mandated minimum percentage of the electricity demand of generation companies and/or distribution utilities to be sourced from indigenous natural gas. Such minimum percentage shall be reviewed and adjusted by the DOE as may be necessary.

Subject to viability, the PDNGI Facilities may be designed and constructed to ensure the accommodation of both indigenous natural gas and/or imported natural gas, pursuant to the standards determined by the DOE. The DOE shall establish measures to support the supply and use of indigenous natural gas in the domestic downstream natural gas sector.

SEC. 24. *Decommissioning and Abandonment of Downstream Natural Gas Facility.* – No Permit Holder shall abandon or decommission any portion of a PDNGI Facility without prior written authorization from the DOE and absent its approval of an abandonment and decommissioning plan based on Philippine or internationally accepted standards. The DOE, in coordination with the DENR, shall provide the guidelines and regulations for the decommissioning and abandonment of PDNGI Facilities.

SEC. 25. *Administrative Rules and Procedures.* – The DOE shall issue the administrative rules and procedures for the discharge of administrative cases and imposition of administrative fines and penalties. The Rules of Court shall apply in a suppletory manner.

SEC. 26. *Fees.* – All concerned government agencies shall have the authority to prescribe and collect fees and charges relating to the issuance or review of permits, and the supervision and regulation of the PDNGI.

CHAPTER IV

OPERATION OF DOWNSTREAM NATURAL GAS FACILITIES

SEC. 27. *PDNG Transmission and Distribution System and Related Facilities.* – The DOE shall issue a license or authorization to Permit Holders of PDNG transmission and distribution systems for the purpose of ensuring safe, efficient, and reliable infrastructure and facilities.

SEC. 28. *Cross-Ownership.* – An entity may hold an interest in the ownership of upstream and downstream natural gas facilities, as well as the supply and aggregation of natural gas to gas buyers subject to legal prohibitions on anti-competitive acts. Such ownership shall be allowed for operational and financial feasibility considerations, subject to the powers and responsibilities of the PCC under Section 14 of this Act. The PCC shall review compliance with Republic Act No. 10667, specifically to prevent substantial lessening of competition, while the DOE shall review the impact on energy security, the cost of electricity, market stability, and any other matters concerning the PEP.

The DOE shall apply relevant laws and regulations to ensure that public interest is protected.

SEC. 29. *Own-Use.* – The Own-Use Permit Holder shall utilize its entire capacity exclusively for its own use and shall not be allowed to enter into TPA arrangements, unless approved by the DOE. The DOE's approval shall specify the standards and limitations thereof.

The DOE may allow the use by a third party, if necessary, to address any issue on the availability of LNG supply which may arise.

The DOE shall provide the rules and limitations on the participation of Own-Use Permit Holders in TPA arrangements, taking into account energy security and consumer welfare.

SEC. 30. *Third-Party Access.* – A TPA Permit Holder shall utilize its entire capacity exclusively for TPA and shall not be allowed to utilize any such capacity for Own-Use, unless approved by the DOE. The DOE's approval shall specify the standards and limitations thereof.

The DOE may allow a TPA Permit Holder to utilize its capacity for Own-Use, if necessary, to address any issue on the availability of LNG supply which may arise.

The DOE shall provide the rules and limitations on the utilization of TPA Permit Holders' capacity for Own-Use, taking into account energy security and consumer welfare.

The TPA Permit Holder shall submit a regular report on the total capacity, along with all relevant details, to the DOE for monitoring.

SEC. 31. *Third-Party Access Principles.* – Adherence to the principles of transparency, non-discrimination, and safe practices is the key to the beneficial participation of third-party users. In line with this, the following guiding principles shall be observed:

(a) The TPA shall be transparent, fair, reasonable, and non-discriminatory with regard to the rates and access to services for the purpose of enhancing efficiency and optimization of capacity to avoid overcapacity and encourage necessary investments in the PDNGI;

(b) The TPA shall encourage a diverse and sustainable market for natural gas beyond the power sector;

(c) The TPA shall be anchored on a safe, secure, reliable, and efficient operation for both the Permit Holder and the third-party users; and

(d) The TPA Permit Holders shall conduct an open, transparent, and sufficient consultation process with both existing and potential third-party users to discuss the available capacity; and

(e) The TPA Permit Holders shall regularly publish their available capacity, access terms and conditions, and rates,

which shall be available to the public, and allow the review and inspection of their facilities and records for verification.

SEC. 32. *Congestion Management.* – Whenever a TPA Permit Holder is no longer able to use or has not released the capacity without justifiable reason, the DOE shall have the authority to direct its release.

The procedure and criteria for release shall be governed by the TPA Code.

CHAPTER V

STANDARDS ON PRODUCT QUALITY, FACILITY, AND SAFETY PRACTICE

SEC. 33. *Standards on Downstream Natural Gas Facilities.* – All PDNGI Facilities shall be required to provide high quality and efficient service, observe stringent safety systems, accord attention to design details and structural integrity, and employ best practices in operation and maintenance. Regulations shall be consistent with both applicable Philippine and internationally accepted natural gas industry standards. The DOE shall ensure compliance with these requirements.

Applications for DOE permits and for the continued operation of the PDNGI Facilities shall be subject to continuous compliance with these standards.

SEC. 34. *Standards on Product Quality.* – The Permit Holder and Participant shall maintain the quality of natural gas supply to gas buyers in accordance with Philippine and internationally accepted standards, and ensure that the delivery of natural gas complies with the purification requirements to guarantee the elimination of associated compounds which are unnecessary or damaging to the PDNGI Facilities. The DOE shall ensure compliance with this requirement.

SEC. 35. *Standards on Safety Practice.* – The Permit Holder and Participant shall implement an acceptable health, safety, security, and environmental management system in accordance with applicable Philippine and internationally accepted standards. The DOE, DENR, DOH, DOLE, and other

concerned agencies shall ensure compliance with this requirement.

SEC. 36. *Safety Standards.* – The DOE, in collaboration with the NREB and PNOC, shall develop and implement safety standards of natural gas, including renewable gases, in order to address their unique properties and risks.

CHAPTER VI

RESPONSIBILITIES OF PERMIT HOLDERS AND PARTICIPANTS

SEC. 37. *Responsibilities of Permit Holders.* – A Permit Holder shall have the following responsibilities:

- (a) Align all goals, objectives, and accomplishments with the declared policies of this Act and the PEP;
- (b) Take direct responsibility and accountability for the construction, operation, and maintenance of PDNGI Facilities by providing the necessary services, technology, and financing, either by itself or through its duly authorized contractors;
- (c) Secure a permit before engaging in any activity relating to siting, construction, operation and maintenance, expansion, modification, rehabilitation, decommissioning, and abandonment of PDNGI Facilities;
- (d) Comply with regulatory obligations, maintain complete records, and submit all reportorial requirements and other documents as may be required by the DOE and other government agencies pursuant to this Act and its IRR;
- (e) Comply with the standards on natural gas quality, facility, construction and equipment installation, safety, and security of operations and environmental protection in the siting, construction, operation and maintenance, expansion, modification, rehabilitation, decommissioning, and abandonment of PDNGI Facilities;
- (f) Operate the PDNGI Facility in strict adherence with the scope and limits of the permit, and in accordance with the HSSE best practices and the Philippine and internationally accepted standards;

(g) Allow examiners of the Bureau of Internal Revenue (BIR) and Bureau of Customs (BOC) entry to the facility premises and full access to accounts, books, and records for tax and other fiscal purposes, in accordance with BIR and BOC rules and procedures;

(h) Allow the DOE, IA-HSSE IMT, ERC, PCC, and other government agencies, entry to the facility premises and full access to operational records for inspection and monitoring activities, in accordance with the rules and procedures of such government agencies;

(i) Give preference to qualified local talent for hiring, and to local companies or agencies in entering into contracts on projects or services which are required in the construction or operation of the PDNGI Facility;

(j) Hold the DOE, ERC, IA-HSSE IMT, and other government agencies, their officers, agents, and employees, free and harmless from and against all suits, claims, demands, or actions of any nature or kind, arising out of their acts or omissions in the performance of any activity in connection with the implementation of this Act: *Provided*, That such acts or omissions are lawful and not contrary to the provisions of this Act and its IRR;

(k) Participate in the development, issuance, and review of plans, protocols, standards, and codes applicable to the PDNGI;

(l) Establish and maintain a decommissioning fund at the start of operations of the PDNGI Facility to be utilized for its decommissioning in accordance and consistent with the policies and guidelines of the DENR on the establishment, maintenance, and use of the Environmental Guarantee Fund to ensure compliance with, among others, decommissioning obligations in all co-located or single projects that have been determined by the Environment Management Bureau to pose a significant public risk;

(m) Unbundle and make available to the public its unbundled rates and fees, if applicable;

(n) Not engage in anti-competitive behavior; and

(o) Such other responsibilities mandated by the DOE to ensure the development of the PDNGI.

CHAPTER VII

INCENTIVES

SEC. 38. *Fiscal Incentives.* – In recognition of the substantial investments needed for the development, construction, lease, operation and/or maintenance of, and conversion to natural gas facilities, all PDNGI Facilities, as certified by the DOE, shall undergo an evaluation process for possible inclusion in and entitlement to incentives under the Strategic Investment Priority Plan (SIPP), subject to the incentives provided under Title XIII (Tax Incentives) of the National Internal Revenue Code of 1997 (NIRC), as amended by Republic Act No. 11534, otherwise known as the “Corporate Recovery and Tax Incentives for Enterprises Act”, and any amendments thereto.

The purchase and sale of indigenous natural gas, aggregated gas, and power generated by generation facilities using indigenous natural gas and aggregated gas shall be exempt from Value-Added Tax (VAT): *Provided*, That the exemption from VAT for aggregated gas is only to the extent of the amount of indigenous natural gas attributed to be in the aggregated gas. This includes the: (a) purchase and sale of indigenous natural gas and aggregated gas by an aggregator, reseller, supplier, person authorized by the ERC to operate facilities used in the generation of electricity, or an end-user, and (b) purchase and sale of electricity or ancillary services produced by a generation facility using indigenous natural gas and/or aggregated gas by a person authorized to (1) operate facilities used in the generation of electricity or ancillary services, (2) sell, broker, market, or aggregate electricity to end-users, (3) consolidate electric power demand of end-users for the purpose of purchasing and reselling electricity on a group basis, (4) engage in the distribution of electricity, or (5) procure or provide ancillary services. These shall include all modes of purchase and sale, whether through a supply agreement; a duly authorized market such as, but not limited to, the wholesale electricity spot market or the ancillary reserves market, financial gas contracts, NGSPA; or through other modes.

CHAPTER VIII

PROMOTION OF COMPETITION

SEC. 39. *Anti-Competitive Behavior.* – In accordance with Republic Act No. 10667, no Permit Holder or Participant, or any affiliate thereof, may engage in any anti-competitive behavior or abuse its dominant position.

SEC. 40. *Fair Access to Capital and Off-Taker Market.* – The DOE shall issue applicable policies that promote the financial viability of the PDNGI and ensure competitive access to both capital and off-taker markets for natural gas.

CHAPTER IX

FINES AND PENALTIES

SEC. 41. *Administrative Fines and Penalties.* – The following administrative fines and penalties shall be imposed on any Permit Holder or Participant who violates the provisions of this Act:

(a) The permit, accreditation, or other approvals issued by the DOE under Section 18 of this Act, may be suspended or revoked, and the DOE shall impose upon the Permit Holder or Participant a fine ranging from Fifty thousand pesos (P50,000.00) to Five million pesos (P5,000,000.00) per violation, without prejudice to other appropriate administrative fines and penalties that other relevant government agencies may impose on the Permit Holder or Participant: *Provided*, That the schedule of fines provided in this section shall be increased by the DOE every five (5) years, for violations of:

(1) Standards on PDNGI Facilities issued pursuant to Section 33;

(2) Standards on product quality issued pursuant to Section 34;

(3) Standards on safety practices issued pursuant to Section 35;

(4) Responsibilities of the Permit Holder and Participant pursuant to Section 37;

(5) PDNG Transmission Code, PDNG Distribution Code, PLSR Terminal Code, and TPA Code; and

(6) Orders or directives of the DOE in the implementation of this Act.

(b) The applicable administrative penalty for Section 39 shall be pursuant to Republic Act No. 10667.

SEC. 42. *Criminal Fines and Penalties.* – Appropriate fines and penalties under existing penal laws shall apply to any criminal violation committed in the implementation of this Act.

CHAPTER X

TRANSITORY PROVISIONS

SEC. 43. *Existing Systems.* – PDNGI Facilities that have been constructed prior to the effectivity of this Act shall continue to be operated under their existing permits and shall comply with additional requirements as applicable.

The application and implementation of the pertinent provisions of this Act shall not impair vested rights or obligations of contracts. Current and subsisting agreements shall remain valid and in force in accordance with the existing terms and conditions agreed to by the parties until the expiration or termination thereof.

All Permit Holders and Participants shall comply with the provisions of this Act within two (2) years from the effectivity of the IRR of this Act: *Provided*, That health, safety, security, environmental, construction, operation, and other permits, licenses, certificates, and authorizations issued prior to the effectivity of this Act that are not inconsistent herewith shall remain valid.

PDNG Transmission Systems and PDNG Distribution Systems existing at the time of the effectivity of this Act shall be allowed to continue pursuant to the terms and conditions indicated in their franchise and until the lapse of the period accorded therein.

SEC. 44. *Pending Application.* – All applications for any activity in the PDNGI which are pending before the DOE upon the effectivity hereof shall be covered by this Act.

CHAPTER XI

FINAL PROVISIONS

SEC. 45. *Assignment or Transfer of Permit.* – Assignment or transfer of the permit or change of operatorship shall be allowed only upon prior written approval by the DOE based on acceptable reasons and compliance by the existing Permit Holder, the assumption by the assignee of all obligations of the existing Permit Holder, and upon meeting the minimum legal, technical, and financial qualifications by the assignee: *Provided*, That this also applies to sales of shares that would result in a change in control of the Permit Holder or its ultimate parent: *Provided, further*, That assignments or transfers shall not be allowed near the end of life of a PDNGI Facility if the assignee or transferee cannot comply with the guidelines and regulations for the decommissioning and abandonment of PDNGI Facilities as provided in Section 24 of this Act and if the Environmental Guarantee Fund is not maintained and administered in accordance with the policies and guidelines of the DENR.

SEC. 46. *Amicable Settlement.* – All parties shall make their best efforts to amicably settle any dispute arising from the performance or interpretation of any provision of this Act.

SEC. 47. *Congressional Oversight.* – The Joint Congressional Energy Commission (JCEC) shall exercise oversight powers over the implementation of this Act. It shall conduct a policy review five (5) years from the effectivity of this Act, without prejudice to an earlier periodic review as necessary.

The DOE, ERC, and other relevant government agencies shall submit to the JCEC, no later than the fifteenth (15th) day of September each year, annual reports which shall include the latest relevant data, implementation reviews and reports, and policy and regulatory issues.

SEC. 48. *Appropriations.* – The amount necessary for the implementation of this Act shall be included in the annual General Appropriations Act.

SEC. 49. *Implementing Rules and Regulations.* – The DOE shall promulgate the rules and regulations for the effective implementation of this Act within six (6) months after its effectivity.

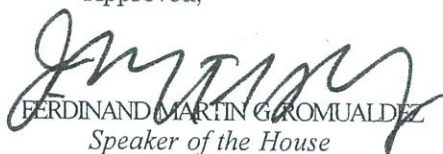
SEC. 50. *Separability Clause.* – If, for any reason, any provision of this Act is declared unconstitutional or invalid, the other parts or provisions hereof, which are not affected thereby, shall continue to be in full force and effect.

SEC. 51. *Repealing Clause.* – Any law, presidential decree or issuance, executive order, letter of instruction, rule, or regulation inconsistent with the provisions of this Act is hereby repealed or modified accordingly.

SEC. 52. *Saving Clause.* – The provision of Presidential Decree No. 87, otherwise known as “The Oil Exploration and Development Act of 1972”; Republic Act No. 9136, otherwise known as the “Electric Power Industry Reform Act of 2001”; and Republic Act No. 9513, otherwise known as the “Renewable Energy Act of 2008”, shall remain applicable and shall not in any way be amended or repealed by the provisions of this Act and its rules and regulations.


SEC. 53. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,


FERDINAND MARTIN G. ROMUALDEZ
Speaker of the House
of Representatives


FRANCIS “CHIZ” G. ESCUDERO
President of the Senate

This Act was passed by the Senate of the Philippines as Senate Bill No. 2793 on November 11, 2024 and adopted by the House of Representatives as an amendment to House Bill No. 8456 on November 13, 2024.


REGINALD S. VELASCO
Secretary General
House of Representatives


RENATO N. BANTUG JR.
Secretary of the Senate

Approved: **JAN 08 2025**

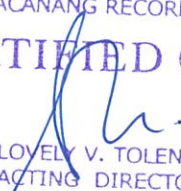



FERDINAND ROMUALDEZ MARCOS JR.
President of the Philippines

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ACTING DIRECTOR IV
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