

DEPARTMENT CIRCULAR NO. 95-06-006

POLICY GUIDELINES ON THE OVERALL DEVELOPMENT AND UTILIZATION OF NATURAL GAS IN THE PHILIPPINES

WHEREAS, Section 2 of R.A. 7638, otherwise known as the "Department of Energy Act of 1992," declares, among others, the 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 through the integrated and intensive exploration, production, management, and development of the country's indigenous energy resources, without sacrificing ecological concerns;

WHEREAS, Sections 4, 5(a) and 59b) of R.A. 7638 provide that the Department of Energy (Department) is mandated to 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 to provide a mechanism for the integration, rationalization and coordination of the various energy programs of the Government with a preferential bias for environment-friendly, indigenous, and low-cost sources of energy;

WHEREAS, among the indigenous energy resources which include fossil fuels such as petroleum, natural gas and gas liquids, geothermal resources, and other less conventional existing and potential forms of indigenous resources, natural gas been recognized as environment-friendly, indigenous, and low-cost source of energy;

WHEREAS, Section 5(e) of R.A. 7638 authorizes the Department to regulate private sector activities relative to energy projects provided it shall endeavor to provide for an environment conducive to free and active private sector participation and investment in all energy activities;

NOW, THEREFORE, the Department hereby declares the following policy guidelines on natural gas development and utilization.

SEC. 1. The government shall promote the role of natural gas into the energy supply mix of the country by creating the conditions for a Philippine Gas Industry that economically serves a broader variety of users, including efficient gas-fired power plants, industrial, commercial and residential customers.

SEC. 2. The Malampaya/Camago gas field shall serve as the foundation for the Philippine Gas Industry by planning and developing it to primarily supply efficient gas-fired power plants starting year 2001.

SEC. 3. The Philippine Gas Industry shall be consistent with the government's overall policy of encouraging private sector participation and reducing the direct involvement of government in the ownership of assets and facilities. The role of government will be confined to that of policy direction and regulation, unless government involvement is demonstrated to provide substantial reduction in the cost of natural gas and economic benefit to the people.

SEC. 4. Government regulation of the development and operation of the Philippine Gas Industry facilities shall be structured to facilitate the safe operation and growth of the industry while ensuring equitable non-discriminatory access to all industry participants.

SEC. 5. The facilities of the Philippine Gas Industry shall be constructed and operated in compliance with all existing Philippine environmental regulations and with international safety standards.

SEC. 6. The development of the Philippine Gas Industry shall primarily promote the policy of utilizing indigenous energy resources to stabilize energy prices.

SEC. 7. This Department Circular shall take effect immediately a day after its complete publication in a national newspaper of general circulation.

Merritt Road, Fort Bonifacio, Metro Manila, June 15, 1995.

(sgd.) **Sec. FRANCISCO L. VIRAY**