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Petroleum Policy and Management, CCOP
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Strategies for Natural Gas Management

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Outline

- Petroleum Law
- Provisions on Natural Gas
- Philippine Petroleum Fiscal Regime
- Natural Gas Resources
- Onshore Gas Fields
- Peak Demand Forecast
- Power Generation Forecast
- Gas Supply Forecast
- Investment Opportunities & Requirements
- Major Programs in Natural Gas
- Infrastructure Development Programs
Petroleum Law

- **Presidential Decree No. 87: “The Oil Exploration and Development Act of 1972”**
  - Service Contract System
    - Service Contract (SC)
    - Geophysical Survey and Exploration Contract (GSEC)
  - Philippine Petroleum Contracting Round

Provisions on Natural Gas

**Associated Gas**
- Shall be used primarily for purposes related to production operations and production enhancement
- Contractor has the obligation to evaluate the feasibility of commercially producing any excess associated gas
Non Associated Gas

- DISCOVERY
- APPRAISAL
- COMMERCIAL
- NON COMMERCIAL
- PRODUCE

Sales

- Contractor to market the gas including the Government share of petroleum
- Pricing based on internationally prevailing general pricing principles
### Philippine Petroleum Fiscal Regime

<table>
<thead>
<tr>
<th>Contract Area</th>
<th>800-15,000 sq km (offshore); 500-7,500 sq km (onshore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Term</td>
<td>7 yrs exploration + 3 yrs extension + 25 yrs production + 15 yrs extension</td>
</tr>
<tr>
<td>Signature Bonus</td>
<td>US$ 50,000 – 250,000</td>
</tr>
<tr>
<td>Royalties</td>
<td>None</td>
</tr>
<tr>
<td>Income Tax</td>
<td>Tax rate: 32% - paid out of Government share</td>
</tr>
<tr>
<td>Cost Oil / Gas</td>
<td>Cost oil limit: 70% of gross income</td>
</tr>
<tr>
<td></td>
<td>Capital expenditures depreciated over 5 to 10 yrs.</td>
</tr>
<tr>
<td>Profit Oil / Gas</td>
<td>Government share: 60%</td>
</tr>
<tr>
<td></td>
<td>FPIA up to 7.5% of gross proceeds with at least 15%</td>
</tr>
<tr>
<td>State Participation</td>
<td>None</td>
</tr>
</tbody>
</table>

### Filipino Participation Incentive Allowance (FPIA)

**Schedule of Percentage Incentive**

<table>
<thead>
<tr>
<th>Filipino Participation</th>
<th>Incentive Allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>30% - above</td>
<td>7.5%</td>
</tr>
<tr>
<td>27.5% but less than 30.0%</td>
<td>6.5%</td>
</tr>
<tr>
<td>25.0% but less than 27.5%</td>
<td>5.5%</td>
</tr>
<tr>
<td>22.5% but less than 25.0%</td>
<td>4.5%</td>
</tr>
<tr>
<td>20.0% but less than 22.5%</td>
<td>3.5%</td>
</tr>
<tr>
<td>17.5% but less than 20.0%</td>
<td>2.5%</td>
</tr>
<tr>
<td>15.0% but less than 17.5%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Below 15.0%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>
SC Profit Sharing (with FPIA)

$100.00 Gross Proceeds
7.50 less FPIA (to Contractor)
70.00 less Cost Recovery (to Contractor)

$22.50 Net Proceeds

$13.50 60% Government Share
$9.00 40% Contractor’s Share

SC Profit Sharing (without FPIA)

$100.00 Gross Proceeds
70.00 less Cost Recovery (to Contractor)

$30.00 Net Proceeds

$18.00 60% Government Share
$12.00 40% Contractor’s Share
Natural Gas Resources

- Discovered: 3.8 Tcf
- Undiscovered: 24.7 Tcf (33% mapped)

Onshore Gas Fields

- San Antonio
  - Currently used for power generation and NGV fuel
- Libertad
  - To fuel 1.75 MW power plant
- Sultan-sa-Barongis
  - For further evaluation

San Antonio
~4 bcf

Libertad
~3 bcf

SSB
~34 bcf
Peak Demand Forecast (in MW)

Ave. Growth Rate = 7.6% (Phil.)
8.2% (Luzon)
5.7% (Mindanao)
5.9% (Visayas)

Power Generation Forecast (in GWh)

Natural Gas

Source: Philippine Energy Plan

30 May – 3 June 2006
Gas Supply Forecast

Investment Opportunities & Requirements

- **Pipelines**
  - 423 km of Transmission
  - 504 sq km of Distribution
- **Gas-fired Power Plants**
  - 4200 MW of Greenfield
  - 2100 MW of Conversion
- **Gas in Industry**
  - 30 Ecozones
  - Cogeneration Systems
- **Gas in Buildings**
  - Cogeneration Systems
  - District Cooling
- **Gas in Transport**
  - Conversion Kits
  - 3000 units of CNG Vehicles
- **LNG Terminals**
  - Additional Gas Supply
Major Programs on Natural Gas

- NGas Infrastructure Development
- Investment Promotion
- Market Identification & Development
- Implementation of DOE Circular 2002-08-005
- Advocacy for the passage of the Downstream Natural Gas Bill
- Implementation of MOU/A on Downstream Natural Gas

Transmission Pipelines in Luzon

- **BATMAN 1**
  - (Batangas – Manila)
  - 80-100 kms

- **BATMAN 2**
  - (Batangas – Manila)
  - 540 kms

- **ET LOOP**
  - (EDSA – Taft Loop)
  - 40 kms

- **SU/MAL**
  - (Sucat – Malaya)
  - 35 kms

- **BATCAVE**
  - (Batangas – Cavite)
  - 40 kms

- **RO/BIN**
  - (Rosario – Binan)
  - 35 kms

- **BATMAN 3**
  - (Batangas – Manila)
  - 80-100 kms

- **SAYLINE**
  - (Sagay – Sariaya)
  - 30 kms

30 May – 3 June 2006 Strategies for Natural Gas Management
(Source: NGO & ERDB Presentations)
Infrastructure Development Program

Proposed LNG Terminal & CNG Mother/Daughter Stations

National Pipeline Network

Palawan to Batangas OGP (504 km)
Batangas OGP to Davao via Cebu (1400 km)
THANK YOU!