

MALACAÑANG
MANILA

EXECUTIVE ORDER NO. 377

PROVIDING THE INSTITUTIONAL FRAMEWORK FOR THE ADMINISTRATION
OF THE DEREGULATED LOCAL DOWNSTREAM OIL INDUSTRY

WHEREAS, Republic Act No. 8180, otherwise known as the "Downstream Oil Industry Deregulation Act of 1996", provides for the deregulation of all activities of the downstream oil industry in the country to foster competitive market and achieve the social policy objectives of fair prices and adequate, continuous supply of environmentally-clean and high-quality petroleum products;

WHEREAS, the effective and efficient administration of the deregulated local downstream oil industry involves the participation and coordination of various agencies as required under the Implementing Rules and Regulations of the Act;

WHEREAS, there is need to provide an institutional framework for the administration of the industry in order to define and delineate the functions and responsibilities of these agencies;

NOW, THEREFORE, I, FIDEL V. RAMOS, President of the Republic of the Philippines, by the powers vested in me by law, do hereby establish the delineation of agency functions and responsibilities as the institutional framework for the administration of the deregulated local downstream oil industry:

Section 1. Delineation of Agency Functions and Responsibilities. The functions and responsibilities of agencies are delineated as follows:

- 1.1 **Overall Administration.** The Department of Energy (DOE) shall be the lead agency in the administration of the deregulated local downstream oil industry. It shall serve as the oversight body which will integrate and coordinate the implementation of policies and programs affecting the industry. It shall be responsible for the overall monitoring of the downstream oil industry, including the monitoring and publication of daily international oil prices, to ensure the security and continuity of oil supply as well as the compliance of petroleum businesses with quality, safety and environmental standards and fair trade regulations.

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1.2. **Standards Setting.** The government shall prescribe the appropriate quality, safety and environmental standards for petroleum products, downstream facilities and processes as well as set guidelines governing fair trade practices in the local downstream oil industry through the following agencies:

a. **Department of Trade and Industry (DTI)** shall establish and update, in coordination with the DOE, the Philippine National Standards (PNS) on quality and safety of petroleum products, including that of materials, equipment and facilities related to petroleum products such as storage tanks, LPG refilling plants and cylinders, valves and regulators; methods of requalification of cylinders; and codes of practices for gas stations. Along with this, the DTI shall undertake the following:

Enforce the existing PNS in coordination with the DOE, LGUs and other concerned agencies and sectors;

Provide measures to promote and ensure fair trade practices; and

Encourage investments in the downstream oil sector

b. **Department of Science and Technology (DOST)** shall prescribe the calibration and verification intervals of all measuring instruments used in petroleum products. Towards this, the DOTC shall initiate the following:

Evaluate and accredit the laboratories of the municipalities performing the calibration and verification of tank lorries, road tankers, storage tanks, flow meters, calibrating buckets, and weighing scales;

(2) Assist the municipalities in calibrating these measuring instruments; and

(3) Calibrate the reference standards of accredited laboratories, such as proving tanks, provers, master meter and test weighs.

- c. **Department of Environment and Natural Resources (DENR)** shall prescribe the environmental standards for petroleum products and related activities thereto. In this regard, the DENR shall undertake the following:

Review, evaluate and issue environmental compliance certificate to petroleum businesses;

Issue permit to construct and operate petroleum facilities engaged in the recycling, re-refining and re-processing of oil/petroleum products; and that for air and water pollution control installations and devices as may be required in certain aspects of the downstream oil businesses pursuant to RA 6969 (An Act to Control Toxic Substances and Hazardous and Nuclear Wastes) and PD 984 (Pollution Control Law); and

- 3 Monitor emissions, effluents, and the compliance of petroleum businesses with environmental standards and regulations, including the application of sanctions for violation of rules and regulations thereof.

- d. **Department of Health (DOH)** shall prescribe the allowable level of toxicity to health as regards the emissions of particulates and harmful substances accruing from the manufacturing, use and combustion of petroleum products. In line with this, the DOH shall undertake the following:

- (1 Issue the necessary health and safety guidelines on toxicity level

Provide health advisory services, information and education related to the effects of petroleum and petroleum products on humans; and

Conduct continuing studies on these effects towards determining measures to address them.

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- e. **Department of Labor and Employment (DOLE)** shall set and enforce standards for the protection and safety of workers during their employment in any petroleum facility. In this regard, the DOLE shall undertake the following:

Enforce the requirements for the operation of pressure vessels used in business and in the issuance of certificate of safety of electrical and wiring system for petroleum facilities;

Develop guidelines for handling and storage procedures in petroleum businesses to ensure the safety of workforce and the public in general; and

Formulate and implement programs and information dissemination activities to enhance workers' and employers' awareness on the health risks involved in storage, handling and distribution of petroleum products, including safety measures in dealing with emergency situations.

- f. **Department of Transportation and Communication (DOTC)** shall set the standards for safety and roadworthiness/seaworthiness of petroleum carriers such as trucks, haulers, tankers and barges, including their allowable gas emission levels. It shall also set, in coordination with the DOE, the quality standards for fuels used in air transport. In addition, the DOTC shall pursue the following:

- 1 Regulate routes of service, zones or areas of operation of tank trucks and other petroleum transport facilities; and

Establish fare rates for land and sea transport taking into consideration the price in the international market of oil.

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1.3. **Enforcement.** The government shall enforce quality and safety standards for petroleum products, carriers and downstream oil facilities. As such, the following agencies shall ensure the compliance of petroleum businesses with these standards, including their strict adherence to fair trade regulations so as to prevent cartelization and monopolies:

a. **Department of Interior and Local Government (DILG)** shall, in coordination with national agencies, ensure the compliance of petroleum businesses with prescribed quality, safety and environmental standards on fuel, downstream oil facilities and labor to ensure the protection of localities hosting petroleum facilities. Towards this, the DILG shall undertake the following:

1 Strictly enforce the provisions of PD 1185 (Fire Code of the Philippines) on safety measures regarding the use, storage and handling of petroleum products and downstream oil facilities; and

(2) Issue corresponding permits for storage, conveyance, installation of tanks and containers, including other petroleum facilities.

b. **Department of Public Works and Highways (DPWH)** shall enforce the provisions of the National Building Code to ensure the adherence of all downstream oil industry infrastructure to safety standards thereto.

c. **Philippine Economic Zone Authority (PEZA) and the Subic Bay Metropolitan Authority (SBMA)** shall enforce laws to prevent smuggling and dumping of petroleum products in Special Economic Zones, including the rules and regulations of the DOE with regard to the lifting of shipments to or from the Zone.

d. **Department of Finance (DOF)** shall be responsible for the proper application of import tariff duties on petroleum and related goods/products. In this regard, it shall vigorously undertake the following:

1 Collect taxes, duties and other charges due;

(2 Enforce the pertinent provisions of the Oil Industry Deregulation Act on the importation, exportation, re-exportation and bunkering of petroleum products within the purview of the Tariff and Customs Code and related laws; and

(3) Monitor and enforce quality as well as the environmental standards on imported oil.

e. **Department of Justice (DOJ)** shall, in its capacity as member of the DOE-DOJ Task Force, adjudicate cases of cartelization, overpricing and predatory pricing of petroleum products.

f. **Department of National Defense (DND)** shall curb the illegal entry and smuggling of petroleum products and related facilities into the country. It shall also prevent and control maritime pollution through inspection of vessel design and equipment, oil transfer procedures and operation, and communications requirement.

g. **Energy Regulatory Board (ERB)** shall, upon the implementation of the full deregulation phase of the downstream oil industry, be responsible for fixing and regulating the rate of schedule or prices of piped gas to be charged by duly franchised gas companies which distribute gas by means of underground pipe system.

1.4. **Policy Support.** The **National Economic and Development Authority (NEDA)** shall conduct studies on the social, economic and financial impact of changes in prices of petroleum products. These shall serve as inputs to policy formulation for and review of downstream industry.

1.5. **Transition Pricing.** During the transition phase of the deregulation, the pricing of petroleum products shall be the responsibility of the **Energy Regulatory Board (ERB)**, in particular the following:

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- a Setting, reviewing and resetting of the wholesale posted domestic prices of petroleum products based on the approved automatic pricing formula;
- b Maintaining the current margin of dealers and the rates charged by water transport operators, haulers, fillers and pipeline concessionaires, and prescribing the formula automatically setting the rates of the same; and
- c Issuing appropriate Order requiring payment of additional amount to be imposed on petroleum products to augment the resources of the Oil Price Stabilization Fund to persons or companies engaged in the business of importing, manufacturing or marketing petroleum products, including those directly importing petroleum products for their own use.

Section 2. Reportorial Requirements. The concerned Departments and Agencies shall submit at least a quarterly report to the DOE on their activities in discharging their respective functions and responsibilities relative to the deregulated local downstream oil industry, including developments thereto which may require government action.

Section 3. Repealing Clause. All orders, issuances, rules and regulations or parts thereof inconsistent with this Order are hereby repealed or modified accordingly.

Section 4. Effectivity. This Order shall take effect immediately.

DONE in the City of Manila, this 31st day of October in the Year of Our Lord, Nineteen Hundred and Ninety-Six.

By the President:


RUBEN D. TORRES
Executive Secretary



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