

[EXECUTIVE ORDER NO. 794, April 06, 1982]

WHEREAS, aside from the President's power under Sec. 401 of Presidential Decree No. 1464, as amended, to adjust tariff rates in the interest of national economy, general welfare and/or national security subject to certain limitations, under Presidential Decree No. 1610 which took effect on 28 February 1979, the President may, upon the recommendation of the Minister of Energy, authorize the tax and duty free importation of petroleum products the supply of which becomes critical during the petroleum product supply emergency.

WHEREAS, pursuant to the latter law which also allowed the importation of liquefied petroleum gas, motor gasoline, naphtha and natural gas liquids free from customs duties and other importation taxes and charges, the President had authorized the tax and duty free importation of fuel oil (LOI No. 837) and diesel fuel and kerosene (LOI No. 839).

WHEREAS, with the easing of the supply shortage for some petroleum products towards the end of 1980, the President directed under LOI No. 1068, the lifting of the tax and duty exemption on the importation of premium and regular motor gasoline, naphtha, natural gas liquids and kerosene.

WHEREAS, this was followed in May 1981, by the lifting of the tax and duty exemption on liquefied petroleum gas under LOI No. 1135, thereby leaving fuel oil and diesel fuel as the only petroleum products enjoying exemption from duties and importation taxes and charges.

WHEREAS, presently, while the price and supply of fuel oil remains unstable, the spot prices of diesel fuel has dropped to such levels that the oil companies could now import diesel oil and make sufficient profit even without the benefit of the tax and duty exemption originally allowed under LOI No. 839.

WHEREAS, on the basis of a projected diesel fuel importation of about 860 MB for the rest of the year, if the tax and duty exemption on diesel fuel were to continue, and spot prices remain at present levels, the oil companies would realize a windfall profit of some P71 Million.

WHEREAS, it is however, recognized that the present price fluctuation could be abnormal and it may be necessary to retain, to a certain extent, the incentive mechanism to assure the country its supply of diesel fuel.

WHEREAS, by limiting this incentive to the state owned by Philippine National Oil Company, the government would be able to check the realization of windfall profits by the oil companies and at the same time indirectly recover the revenue loss resulting from the continued exemption.

NOW, THEREFORE, by virtue of the powers vested in me by Section 401 of