

**[DOE Department Circular No. DC2015-06-0007,
June 11, 2015]**

**REVISED GUIDELINES ON THE UTILIZATION OF LOCALLY-
PRODUCED BIOETHANOL IN THE PRODUCTION OF E-GASOLINE**

Adopted: 11 June 2015

Date Filed: 30 June 2015

WHEREAS, Department Circular No. 2011-12-0013 was issued on 15 December 2011 with the primary purpose of ensuring that all locally produced bioethanol by the accredited bioethanol producers are purchased and utilized by the oil companies before the latter are allowed to import supplemental bioethanol to comply with the Bioethanol mandate;

WHEREAS, through Department Circular No. 2011-12-0013, the mechanism of Local Monthly Allocation (LMA) and Notice of Allowable Bioethanol Importation (NABI) was institutionalized specifically to monitor actual bioethanol requirement and utilization of both local and imported bioethanol on a monthly basis, with non-compliance therewith to be subject to certain penalties;

WHEREAS, during its implementation, it has been determined and subsequently validated by all the oil companies, that planning, ordering, purchasing and scheduling deliveries for local and imported bioethanol were too tight especially when un-programmed delays or cancellations of deliveries occur, thus, adversely affecting the stability, continuity and ability of the oil companies to make E- gasoline available in the market;

WHEREAS, during the 5-6 March 2013 Workshop in Antipolo City for the Review, Assessment and Consultation on the DOE Department Circulars participated in by all the stakeholders in the Bioethanol Program, various implementation issues were discussed and solutions were developed specifically to resolve and address future supply constraint through the review and amendment of DC No. 2011-12-0013;

WHEREAS, the amendments to the above-cited Circular were discussed and agreed upon by the National Biofuel Board in its Board Meeting of 4 July 2013 and further refined in succeeding Bioethanol Committee meetings of 24 February 2015 and 22 April 2015 and these amendments include:

1. the elimination of the notice of allowable bioethanol importation (NABI) and requirement of minimum inventory of the component to produce E10;
2. the consideration for major equipment breakdown;
3. the expanded definition of supply sales, the allowance of carry over for advance liftings; clarification of required reports and due dates;

4. all monthly volumes reported for the quarter by the local bioethanol producers are committed volumes;
5. reported committed volumes shall now be production and inventory;
6. submission of a Certificate of Sale of Bioethanol by both the local bioethanol producers and oil companies which shall be the basis of the former's sale and the latter's compliance with its local monthly allocation (LMA); and
7. submission by the oil companies of the Summary of Planned and Actual Lifting;

NOW, THEREFORE, in consideration of the foregoing, the DOE hereby issues, adopts and promulgates this Department Circular revising **DC No. 2011-12-0013:**

Section 1. Title. This Circular shall be known as the "*Revised Guidelines on the Utilization of Locally-Produced Bioethanol.*"

Section 2. Scope and Application. This Circular shall apply to all entities involved in the Biofuels Program.

Section 3. Definition of Terms. As used in this Circular, the following terms shall be understood to mean as follows:

- a. *Advance Lifting* refers to volume(s) lifted by an oil company beyond its LMA for the quarter and for volume(s) beyond the ethanol producers' committed/projected volumes for the same quarter.
- b. *First Month of the Allocating Quarter* refers to the month when the Bioethanol Producers submit their committed volumes available for lifting for the succeeding quarter and when the OIMB circulates the Local Monthly Allocation (LMA) of the Oil Companies. For example, January 2015 is the Allocating Month for the 2nd quarter of 2015 (April – June).
- c. *Certificate of Sale of Bioethanol* refers to the Certificate issued by the local bioethanol supplier to the oil company after every bioethanol lifting made by the oil company.
- d. *Contracted Volume* refers to the volume of locally-produced bioethanol which is agreed upon by a bioethanol producer with an oil company through a supply contract and is not available for direct sale to other oil companies.
- e. *Conventional, Neat, or Unblended gasoline* refers to gasoline not blended with any biofuel, and may be used interchangeably.
- f. *E-Gasoline* refers to unleaded gasoline blended with Bioethanol complying with the PNS (e.g. E-10 is a blend of 10% Bioethanol and gasoline);
- g. *Force Majeure* refers to any act of God, fire, riot, war, civil unrest, natural disaster, accident, act of government which would prevent it from producing its committed volume.
- h. *Historical Sales* refers to the sales for the same period of previous year.
- i. *Lifting Month* refers to the month when Bioethanol Producers deliver the committed volume and when the Oil Companies lift the bioethanol products based on their LMA or adjusted LMA.
- j. *Locally produced Bioethanol* refers to Bioethanol derived from feedstock grown/planted, harvested and processed in the Philippines;
- k. *Local Monthly Allocation (LMA)* refers to the local bioethanol volume imposed on the Oil Companies based on the committed volume by the local bioethanol producers of bioethanol available for lifting by the Oil Companies and

computed and circulated by the OIMB in compliance with the legal obligation of Oil Companies to use locally-sourced bioethanol before importing bioethanol that will be blended with gasoline to be sold in the Philippines;

- l. *Major Equipment Breakdown* refers to any unexpected equipment failure beyond the control of a bioethanol producer that requires a plant shutdown of five (5) days or more before normal operation can resume, as listed in Annex A.
- m. *Market Share* refers to an Oil Company's percentage share in the total sales of gasoline sold in the Philippines based on historical sales of gasoline.
- n. *NBB* refers to the National Biofuel Board;
- o. *OIMB* refers to the DOE's Oil Industry Management Bureau;
- p. *Procurement Plan* – see Summary of Monthly Planned Lifting;
- q. *REMB* refers to the DOE's Renewable Energy Management Bureau;
- r. *Summary of Monthly Planned/Actual Lifting*, which contains the lifting dates for the month, the name/s and address/es of the local bioethanol suppliers and the volume to be lifted as agreed upon by both the oil company and the local bioethanol supplier. Summary of Monthly Planned Lifting shall be submitted before the first day of the lifting month while the Summary of Monthly Actual Lifting shall be submitted fifteen (15) days after the lifting month.
- s. *Supply Sales* refers to the sales of Bioethanol among refiners and oil importers for blending into their gasoline to be sold to end users. In the case of E10, supply sales shall refer to sales among oil industry participants.

Section 4. Obligations of the Bioethanol Producers. The Bioethanol Producers shall:

- a. Secure and maintain a DOE accreditation as a 'Bioethanol Producer.'
- b. Submit to the REMB on the first (1st) day of February of each year:
 - i. Copy of annual local government licenses and permits;
 - ii. Projected monthly production capacity for the current year for EP-95 (95% purity bioethanol) and EP-99.5 (99.5% purity bioethanol); and
 - iii. Storage capacity for each location, product grade and tank as of the current year.
- c. Submit to the REMB not later than the first (1st) day of each Allocating month the Monthly Volume Report containing:
 - i. Committed volume available for lifting by the oil companies on the third (3rd) month (the "Lifting Month") succeeding the Allocating month. For example, for the Allocating month of January, the committed volume available for lifting on April, May and June shall be reported. Any Force Majeure Event or Major Equipment Breakdown that will result in non-compliance with committed volume for the allocating or succeeding months shall be included in this report; and,
 - ii. Contracted volume and volume available for lifting by other Oil Companies. Contracted volume shall be part of the committed volume but needs to be declared to apprise the other Oil Companies of the available volume of local bioethanol for lifting.

- d. Actively market their products, with due consideration to their production, storage and distribution capabilities, to the Oil Companies to establish a high level of trust and reliability between buyers and sellers leading to a more stable market share;
- e. Reply within seven (7) calendar days upon receipt of any request on quotation and offer to buy from the Oil Companies. Failure to reply to the Oil Companies at the prescribed period shall automatically mean that a bioethanol producer is not capable of supplying the required volume of locally-produced bioethanol;
- f. Issue the Certificate of Sale of Bioethanol to the Oil Company for every volume of bioethanol lifted; (Form- Annex B);
- g. Improve distribution infrastructure and system to better serve the unique requirements of the downstream oil industry, such as providing for isotanks/containers, consolidated or jointly operated storage tanks, etc.;
- h. Notify the DOE-REMB and all customers within 24 hours of any substantial disruption to production operations resulting from Force Majeure Event or Major Equipment Breakdown and submit a confirmatory report to DOE- REMB and all customers within 5 days from the occurrence of the breakdown. The confirmatory report shall contain the adjustments of the estimated committed volume and delivery schedules including the list of equipment / production facilities that broke down subject to validation by DOE-REMB, projected date of resumption of normal operations and repair plan. Otherwise, the confirmatory report shall contain an assurance that committed volume and deliveries would be met;
- i. Strictly comply with the committed monthly volume to be produced for a specific quarter as indicated in the Monthly Volume Report submitted to REMB. Failure to comply with said commitment shall constitute a prohibited act and shall be subject to penalties under Section 9 of this Circular; and
- j. Participate in the NBB Bioethanol Committee (NBB-BC) monthly meeting.

Section 5. Obligations of the Oil Companies. The Oil Companies shall:

- a. Secure and maintain a DOE accreditation as an 'Oil Industry Participant in the Fuel Bioethanol Program;
- b. Notify in writing the OIMB every purchase of locally-produced bioethanol prior to actual lifting;
- c. Submit to the OIMB within the month of January of each year, the Performance Compliance Report of the prior year containing its compliance with the minimum biofuel blends, as well as other information as may be required by the DOE. Such report shall be duly certified and signed by an authorized responsible officer of the Oil Company;
- d. Submit to OIMB the following Monthly Reports:
 - i. Summary of Monthly Planned Lifting not later than the first (1st) day of each month; (Form- Annex C);
 - ii. On the fifteenth (15th) day of each month:
 - 1. Activity reports as required under Republic Act No. 8479, otherwise known as the "Downstream Oil Deregulation Act of 1998" and related issuances;