

[DOE DEPARTMENT CIRCULAR NO. DC 2011-03-0003, March 02, 2011]

ENJOINING ALL OIL COMPANIES TO ENGAGE IN MUTUAL PRODUCT SHARING ACCOMMODATIONS AND SIMILAR INDUSTRY PRACTICES TO STABILIZE OIL SUPPLY

WHEREAS, pursuant to Republic Act No. 7638, otherwise known as the Department of Energy Act of 1992, it is the declared 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;

WHEREAS, consistent with the policy above, the Department of Energy (DOE) is mandated to establish and administer programs for, among others, the transportation, marketing, distribution, utilization, stockpiling and storage of energy resources;

WHEREAS, further to its mandate, the DOE shall 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 provide a mechanism for the integration, rationalization and coordination of the various energy programs of the Government;

WHEREAS, consistent with Section 7 of Republic Act No. 8479, otherwise known as the Downstream Oil Industry Deregulation Act of 1998, the DOE shall encourage certain practices in the oil industry which serve the public interest and are intended to achieve efficiency, cost reduction and ensure continuous supply of petroleum products, which may include borrow and loan agreements, rationalized depot and manufacturing operations, hospitality agreements, joint tanker and pipeline utilization and joint actions on spill control and fire prevention;

WHEREAS, due to the fact that the Philippines is an archipelago, oil companies, from time to time, experience logistics supply constraints in the islands / areas where they may have limited or no facilities thus resulting in product shortages or run-outs;

WHEREAS, logistics supply constraints became even more apparent on July 12, 2010 when the 117-kilometer white oil pipeline operated by First Philippine Industrial Corporation, which services 60% of the petroleum requirements of Metro Manila and parts of Bulacan, Laguna, and Rizal, was shutdown causing disruption in the distribution of petroleum products to the National Capital Region and nearby provinces;

WHEREAS, consistent with accepted industry practices, participants in the downstream oil industry have been engaged in various forms of multiple and recurring arrangements of product accommodations to ensure a stable and