

[LETTER OF INSTRUCTION NO. 996, March 08, 1980]

TO: The Minister of Energy
The Minister of Budget
The Treasurer of the Philippines

In line with its mandated task of providing and maintaining adequate and stable supply of petroleum products, the Philippines National Oil Company (PNCC) has entered into a term contract with the Kuwait National Petroleum Company for the supply of industrial fuel oil (IFO) at a price which escalates based on IFO posted prices in the Arabain Gulf. The supply arrangement is necessary in order to augment domestic supply availability of IFO particularly for the use of the National Power Corporation.

The price of this imported IFO has since exceeded the domestic ceiling price and, as a result, the importer has been absorbing losses representing the difference between its higher IFO import cost and the price it can charge domestic consumers. This price situation is expected to continue notwithstanding adjustments in the domestic price ceiling.

In order to correct this situation, a cost equalization mechanism similar to that which had been set-up for crude oil pursuant to Letter of Instruction No. 842 is hereby authorized to be established which will allow the recovery by the importer of the variance between the higher import cost and the domestic ceiling price of IFO. Funds needed for this purpose shall be drawn from the Special Fund created pursuant to Sec. 8 (j) of R.A. 6173, as amended.

The Ministry of Energy shall promulgate the necessary rules and regulations to carry into effect the intent and objective of this Letter of Instruction. These shall include provision that reimbursement shall only be allowed for duly documented and validated cost differentials actually incurred in importing IFO at a higher cost and selling the same at the authorized domestic ceiling price.

The Ministry of Energy is further directed to submit to me periodic reports accounting for the disbursement and use of the amount released to it.

This Letter of Instruction shall take effect immediately.

Done in the City of Manila, this 8th day of March, in the Year of Our Lord, nineteen hundred and eighty.

(Sgd.) FERDINAND E. MARCOS
President of the Philippines



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