Submitted by the Committee on Energy on September 28, 2021
Re: House Bill No. 10307
Recommending its approval, in substitution of House Bill Number 8762
Sponsors: Representative Juan Miguel Macapagal Arroyo

Mr. Speaker:

The Committee on Energy to which was referred:

House Bill No. 8762, introduced by Representative Juan Miguel Macapagal Arroyo, entitled:

“AN ACT FURTHER AMENDING PRESIDENTIAL DECREES NO. 334, AS AMENDED, OTHERWISE KNOWN AS THE CHARTER OF THE PHILIPPINE NATIONAL OIL COMPANY”

has considered the same and recommends the approval of House Bill No. 10307, entitled:


Respectfully submitted,

JUAN MIGUEL MACAPAGAL ARROYO
Chairperson
Committee on Energy

The HONORABLE SPEAKER
HOUSE OF REPRESENTATIVES
Quezon City

AN ACT

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. Section 5 of Presidential Decree (PD) No. 334 is hereby further amended to read as follows:

“SEC. 5. Powers and Functions of the Company. – The Company shall have the following powers and functions:

a) To undertake, by itself or otherwise, exploration, exploitation, storage, [and] development, transportation and distribution of all conventional energy resources of the country, including surveys and activities related thereto. THE COMPANY IS HEREBY GRANTED A FRANCHISE TO DEVELOP,
CONSTRUCT, OWN AND OPERATE PIPELINES AND ALL OTHER MODES OF TRANSPORTATION OF CONVENTIONAL ENERGY RESOURCES ALL OVER THE COUNTRY. IT SHALL UNDERTAKE COAL, OIL AND GAS OPERATIONS UNDER SERVICE CONTRACTS;

a-1) TO PREPARE AND IMPLEMENT, BY ITSELF, THROUGH ITS SUBSIDIARIES OR WITH OTHER ENTITIES, A COMPREHENSIVE AND INTEGRATED PROGRAM FOR ALL CONVENTIONAL ENERGY RESOURCES, SUCH AS COAL, OIL AND GAS, AS MAY BE SPECIFICALLY ASSIGNED AS THE CORPORATE IMPLEMENTING ARM OF THE DEPARTMENT OF ENERGY (DOE);

m) To determine its organizational structure, and the number [and salaries] of its officers and employees, INCLUDING THEIR SALARIES, AND BENEFITS IN ACCORDANCE WITH REPUBLIC ACT NO. 10149, OTHERWISE KNOWN AS “GOCC GOVERNANCE ACT OF 2011” AND THE RULES ON CLASSIFICATION, POSITION AND COMPENSATION SYSTEM.”

SEC. 2. Section 6 of PD No. 334 is hereby further amended to read as follows:

“SEC. 6. Governing Body. – The Company shall be governed by a Board of Directors, hereinafter referred to as the “Board” which shall be composed of [nine (9) members] SEVEN (7) MEMBERS to be appointed by the President of the Philippines.

The CHAIRPERSON, members of the Board, AND PRESIDENT OF THE COMPANY shall serve for a term of [three (3) years] ONE (1) YEAR, SUBJECT TO REAPPOINTMENT BY THE PRESIDENT OF THE PHILIPPINES, AS PROVIDED FOR IN R.A. NO. 10149, or until their successors shall have been appointed and qualified.
{In case of any vacancy in the Board, the same shall be filled by
the President of the Philippines for the unexpired term.]

IF A VACANCY IN THE BOARD ARISES, THE PRESIDENT THE
PHILIPPINES SHALL APPOINT A SUCCESSOR THERETO WHO
SHALL SERVE ONLY THE UNEXPIRED PORTION OF THE
TERM OF THE PREDECESSOR.

No person shall be appointed as member of the Board unless
he is a natural born citizen of the Philippines, at least thirty-
five (35) years of age and of established integrity.

[The Chairman of the Board who shall be the Chief Executive
Officer of the Company as well as the President of the Company,
shall be appointed by the President of the Philippines. The other
officers of the Company shall be appointed by the Board.]

THE SECRETARY OF ENERGY SHALL, IN CONCURRENT
CAPACITY, BE THE EX-OFFICIO CHAIRPERSON OF THE
BOARD AND ITS SUBSIDIARIES: PROVIDED, THAT IN NO
CASE SHALL THE SECRETARY OF ENERGY BE THE CHIEF
EXECUTIVE OFFICER OR CHIEF OPERATING OFFICER OF
THE COMPANY OR ITS SUBSIDIARIES, ANY LAW TO THE
CONTRARY NOTWITHSTANDING.

THE CHIEF EXECUTIVE OFFICER OR CHIEF OPERATING
OFFICER OF THE COMPANY OR ITS SUBSIDIARIES SHALL BE
ELECTED ANNUALLY BY THE MEMBERS OF THE BOARD
FROM AMONG ITS RANKS.

THE PRESIDENT OF THE COMPANY SHALL HAVE AT LEAST
FIVE (5) YEARS OF EXPERIENCE IN OIL, GAS, OR ANY
ENERGY-RELATED INDUSTRY TO ENSURE THE
SUSTAINABILITY OF THE PLANS AND PROGRAMS OF THE
COMPANY AND ITS CONTINUED GROWTH.

THE CORPORATE SECRETARY AND THE VICE PRESIDENTS
OF THE COMPANY SHALL BE APPOINTED BY THE BOARD.”

SEC. 3. Section 17 of PD No. 334 is hereby further amended, to read as
follows:
"SEC. 17. Reports. - The Company shall, within three months after the end of every fiscal year, submit its annual report, INCLUDING ITS BUDGET, to the President OF THE PHILIPPINES AND TO CONGRESS AND FURNISH THE SAME TO THE JOINT CONGRESSIONAL ENERGY COMMISSION. It shall likewise submit such periodic or other reports as may be required of it from time to time.”

SEC. 4. Non-Exemption to Public Bidding. - The Company shall adhere to the requirements of public bidding in procuring goods and services directly related in operating its business as mandated under Republic Act No. 9184, otherwise known as the “Government Procurement Reform Act”.

SEC. 5. Contracts, Benefits and Obligations of the Company. - All contracts entered into, benefits enjoyed and obligations incurred by the Company shall remain valid, in force and effect and shall be under the name of the Company from the effectivity of this Act.

SEC. 6. Separability Clause. - If, for any reason, any section or provision of this Act is declared unconstitutional or invalid, the other provisions not affected thereby shall remain in full force and effect.

SEC 7. Repealing Clause. - Any laws, decrees, executive orders, proclamations and administrative regulations, or parts thereof inconsistent herewith are hereby repealed or modified accordingly.

SEC. 8. Effectivity. - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,
FACT SHEET

House Bill No. 10307
(In substitution to House Bill No. 8762)

AN ACT
STRENGTHENING THE POWERS AND FUNCTIONS OF THE
PHILIPPINE NATIONAL OIL COMPANY, FURTHER AMENDING FOR
THE PURPOSE PRESIDENTIAL DECREE NO. 334, AS AMENDED,
OTHERWISE KNOWN AS THE “CHARTER OF THE PHILIPPINE
NATIONAL OIL COMPANY”

Introduced by: REPRESENTATIVES JUAN MIGUEL MACAPAGAL ARROYO, JERICHO
JONAS B. NOGRALES, PRESLEY C. DE JESUS, HECTOR S. SANCHEZ, ABDULLAH D.
DIMAPORO, LUISA LLOREN CUARESMA, DIEGO C. TY, JOHN MARVIN “YUL SERVO”
C. NIETO, ALYSSA SHEENA P. TAN, ADRIANO A. EBCAS, RUTH MARIANO-
HERNANDEZ, JOSE GAY G. PADIERNOS, SERGIO C. DAGOOC, GODOFREDO N.
GUYA, ROSE MARIE “BABY” J. ARENAS, RUFUS B. RODRIGUEZ, CRISTAL L.
BAGATSING AND TYRONE D. AGABAS

Committee Referral: COMMITTEE ON ENERGY (Primary)
Committee Chairperson: REP. JUAN MIGUEL “MIKEY” M. ARROYO

OBJECTIVES:

• To strengthen the PNOC to make it more responsive and flexible in terms of
  energy exploration, exploitation and development

• To equip PNOC with a degree of flexibility to meet energy challenges as a
government-owned or controlled corporation that generate revenues for the
government and fully committed to nation building

KEY PROVISIONS:

• Mandates that the Company shall be granted a franchise to develop,
  construct, own and operate pipelines and all other modes of transportation
  of conventional energy resources all over the country

• Provides that the Company through its subsidiaries or other entities, will
  prepare and implement a comprehensive and integrated program for all
conventional energy resources, such as coal, oil and gas, as the corporate implementing arm of the Department of Energy

- Decreases the members of the Board of Directors from nine (9) members to seven (7) members including the Chairperson and the President

- Authorizes the Secretary of Energy, in concurrent capacity, to be the Ex-Officio Chairperson of the Company and its subsidiaries. He is, however, prohibited to be the Chief Executive Officer or Chief Operating Officer of the Company or its subsidiaries, any law to the contrary notwithstanding

- Provides that the Chief Executive Officer or the Chief Operating Officer of the Company and its subsidiaries shall be elected annually by the members of the Board among its ranks

- Mandates that the President of the Company, on the date of his appointment, shall have at least five (5) years experience in oil, gas and energy related industries in order to ensure the sustainability of the PNOC’s plans and programs and its continuous growth

- Mandates that the other officers of the Company, such as the Corporate Secretary and the Vice Presidents, shall be appointed by the Board

- Requires the Company to submit its annual report, including its budget, to President of the Philippines and to Congress and furnish the same to the Joint Congressional Energy Commission

- Stipulates that the Company is covered by the requirements of public bidding in the procurement of goods and services that are directly related to the operation of its business

- Declares that all contracts entered into, benefits enjoyed and obligations incurred by the Company shall remain valid, in force and effect and shall be under the name of Company from the effectivity of the Act

**RELATED LAWS:**

- Presidential Decree No. 87, otherwise known as the “Oil Exploration and Development Act of 1972”
- Presidential Decree No. 334, otherwise known as the “Charter of the Philippine National Oil Company”
- Republic Act No. 6758, otherwise known as the “Compensation and Position Classification Act of 1989”
- Republic Act No. 9184, otherwise known as the “Government Procurement Reform Act”
- Republic Act No. 10149, otherwise known as the “GOCC Governance Act of 2011”