

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

Eighteenth Congress
First Regular Session

HOUSE RESOLUTION NO. 390



Introduced by HONORABLE STELLA LUZ A. QUIMBO

RESOLUTION

**DIRECTING THE COMMITTEE ON ENERGY TO CONDUCT AN INQUIRY
IN AID OF LEGISLATION ON THE SUDDEN INCREASE IN FUEL PRICES
FOR SEPTEMBER 2019, WITH AN END VIEW OF PASSING LEGISLATION
TO STABILIZE FUEL PRICES OR AMEND THE APPROPRIATE LAWS**

WHEREAS, Section 2 of Republic Act No. 8479 (R.A. No. 8479) or the Downstream Oil Industry Deregulation Act of 1998 provides that “[i]t shall be the policy of the State to liberalize and deregulate the downstream oil industry in order to ensure a truly competitive market under a regime of fair prices, adequate and continuous supply of environmentally-clean and high-quality petroleum products;”

WHEREAS, pursuant to this provision, Section 14 of R.A. No. 8479 mandates the Department of Energy (DOE) to monitor and publish daily international crude oil prices, as well as follow the movements of domestic oil prices;

WHEREAS, to further ensure transparency in terms of the pricing, DOE issued Department Circular 2005-08-007, which requires notice to the Department of at least 6 hours to one (1) day before a price increase or any public announcement;

WHEREAS, the DOE also issued a recommendatory pricing formula¹ that would serve as a guide to the public as to the bases for price adjustments, with the caveat that while oil companies are mandated to follow fair pricing as per the Oil Deregulation Law, the same law or formula does not set the price, but rather by market forces and global access to oil;

WHEREAS, to augment the notice requirement, and ensure transparency on the application of the cited formula, the DOE issued Department Circular No. 2019-05-008, which required notice by 3 PM of the

¹ Pricing Formula, Retrieved from: <https://www.doe.gov.ph/pricing-formula-0>, Previously accessed on September 26, 2019.

day for any price adjustment or lack thereof, and prior to any other public announcement, and further required price adjustments be set on Tuesdays;

WHEREAS, the same circular also required the submission of unbundled costs on the part of the oil companies, which would have required them to report their “unbundled price adjustments” that contribute to the changes in retail prices;

WHEREAS, the Regional Trial Court of Mandaluyong Branch 213 granted Petron Corp.’s application for a writ of preliminary injunction against the said Department Circular last August 5;² thus, oil companies are not required to disclose the aforementioned applicable unbundled costs;

WHEREAS, under Section 14 of R.A. No. 8479, the DOE is mandated to maintain a periodic schedule of present and future total industry inventory of petroleum products for the purpose of determining the level of supply;

WHEREAS, under Department Circular No. 2003-01-001, all oil companies, and bulk suppliers are required to maintain a minimum inventory equivalent of fifteen (15) days’ supply of petroleum products,;³

WHEREAS, under the cited Circular, all refiners shall maintain a minimum inventory equivalent to thirty (30) days’ supply consisting of petroleum crude oil and refined petroleum product;⁴

WHEREAS, the Philippines is largely dependent on the importation of crude oil, and Saudi Arabia is a major source of oil imports;⁵

WHEREAS, last 14 September 2019, a drone attack took place on two oil facilities in Saudi Arabia, knocking out nearly 60 percent of Saudi Arabia’s oil capacity, thus affecting Saudi Arabia’s capacity to produce oil for the world market, which reached up to 9.8 million barrels per day in August 2019;

WHEREAS, last 23 September 2019, before the Senate Committee on Energy, representatives from oil companies admitted that that the country has enough fuel supply and may readily source refined and crude oil from other countries should tensions in the Middle East intensify;

² 2019, August. *Business Mirror*. Retrieved from: <https://businessmirror.com.ph/2019/08/06/court-issues-injunction-against-fuel-unbundling/>, Previously accessed on September 26, 2019.

³ 2003, GUIDELINES IMPLEMENTING THE MINIMUM INVENTORY REQUIREMENTS OF OIL COMPANIES AND BULK SUPPLIERS AS PROVIDED UNDER EXECUTIVE ORDER NO. 134

⁴ Id.

⁵ Per the DOE’s Oil Supply/Demand Report for 2017, Saudi Arabia accounts for 36.6 percent of imported crude oil for the Philippines.

WHEREAS, despite this pronouncement, last 23 September 2019, oil companies simultaneously announced a price increase of P2.35 per liter on gasoline, P1.80 per liter on diesel and P1.75 per liter on kerosene for the week, resulting in the highest increase for 2019;

WHEREAS, the sudden increase in fuel prices took place allegedly as a result of the Saudi Arabia supply crisis, which oil companies allege affected their capacity to supply oil;

WHEREAS, the oil price increase took effect nine (9) days after the drone attacks, despite the mandatory requirement to maintain a certain level of stock, pursuant to DOE Department Circular No. 2003-01-001;

WHEREAS, given that the requisite stock of refiners is at least thirty (30) days per Department Circular No. 2003-01-001, the stock being sold right now should be insulated from the supply problem brought about by the Saudi Arabia crisis;

WHEREAS, oil companies are required to report price adjustments to the DOE on the basis of the cited pricing formula, which uses parameters that do not vary by firm (such as the Mean of Platts Singapore (MOPS), exchange rates, and tax rates), that is calculated on a weekly basis, despite the fact that importation is not necessarily weekly;

WHEREAS, because of the DOE pricing formula and policies relating to it and despite differences in actual costs of operations, oil companies continue to submit to DOE similar price adjustments in a simultaneous and concerted manner;

WHEREAS, the DOE pricing formula and policies relating to it may be facilitating tacit collusion or parallel pricing, thereby unnecessarily increasing prices to the detriment of consumers;

NOW THEREFORE, BE IT RESOLVED, as it is hereby resolved, that the House of Representatives conduct an investigation in aid of legislation, on (i) the legality, necessity and determination of the propriety of these sudden fuel price increases, for purposes of accountability and the passage or amendment of pertinent legislation and (ii) the propriety of DOE pricing policies perceived to be facilitating the tacit collusion of oil companies, for purpose of revising policies and passage of pertinent legislation, if necessary.

Adopted,



STELLA LUZ A. QUIMBO