

PHILIPPINE PUBLIC TRANSPORT ASSISTANCE PROGRAM: TARGETED FUEL SUBSIDY APPROACH

ATTY. JOSE M. LAYUG, JR.
Senior Partner, Puno & Puno Law Offices
Professor of Law, U.P. College of Law

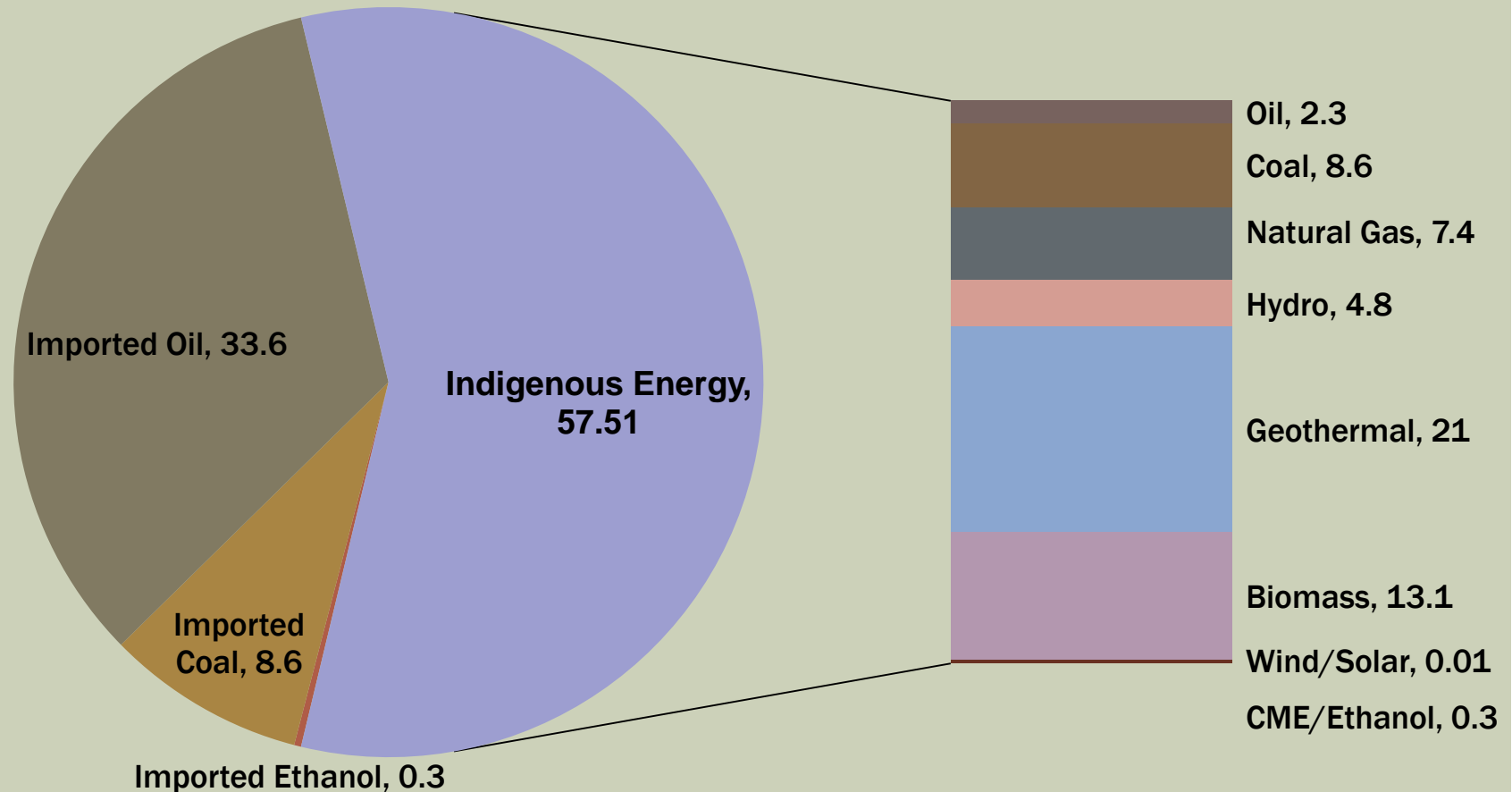


World Bank ESMAP Conference
Copenhagen, Denmark
October 22, 2014

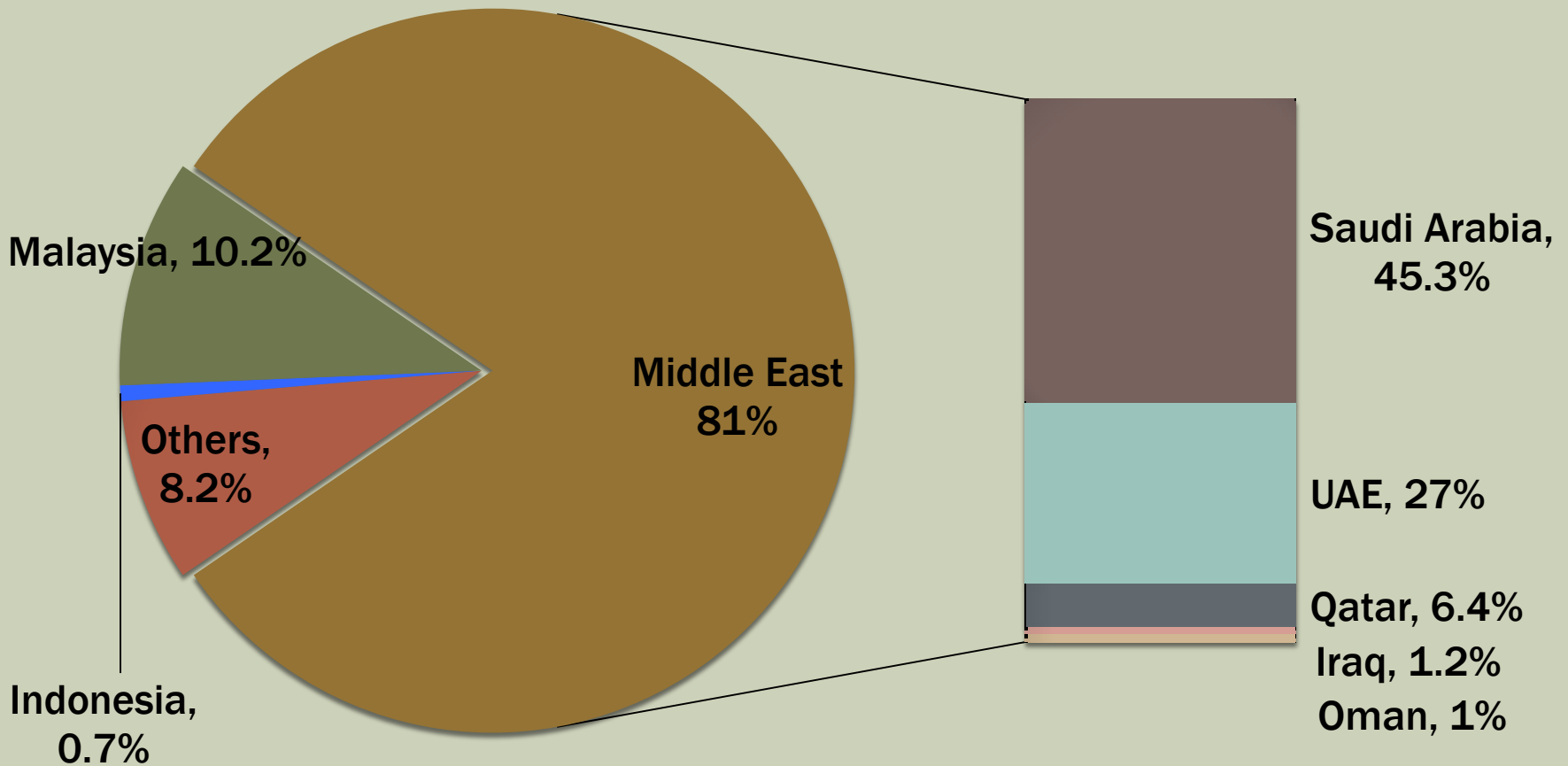
OUTLINE

- **Overview of Philippine Downstream Oil Industry**
 - **Energy Situationer**
 - **Supply and Demand**
 - **Issues in Downstream Oil**
 - **Revisiting Downstream Oil Industry Act**
 - **Factual Antecedents (1960s, 1970s, 1980s)**
 - **Republic Act 8479**
 - **2008 vs. 2011 Oil Price Fluctuations**
 - **Philippine Government Mitigating Measures**
 - **Public Transport Assistance Program**

PRIMARY ENERGY SUPPLY MIX



CRUDE OIL IMPORTATION

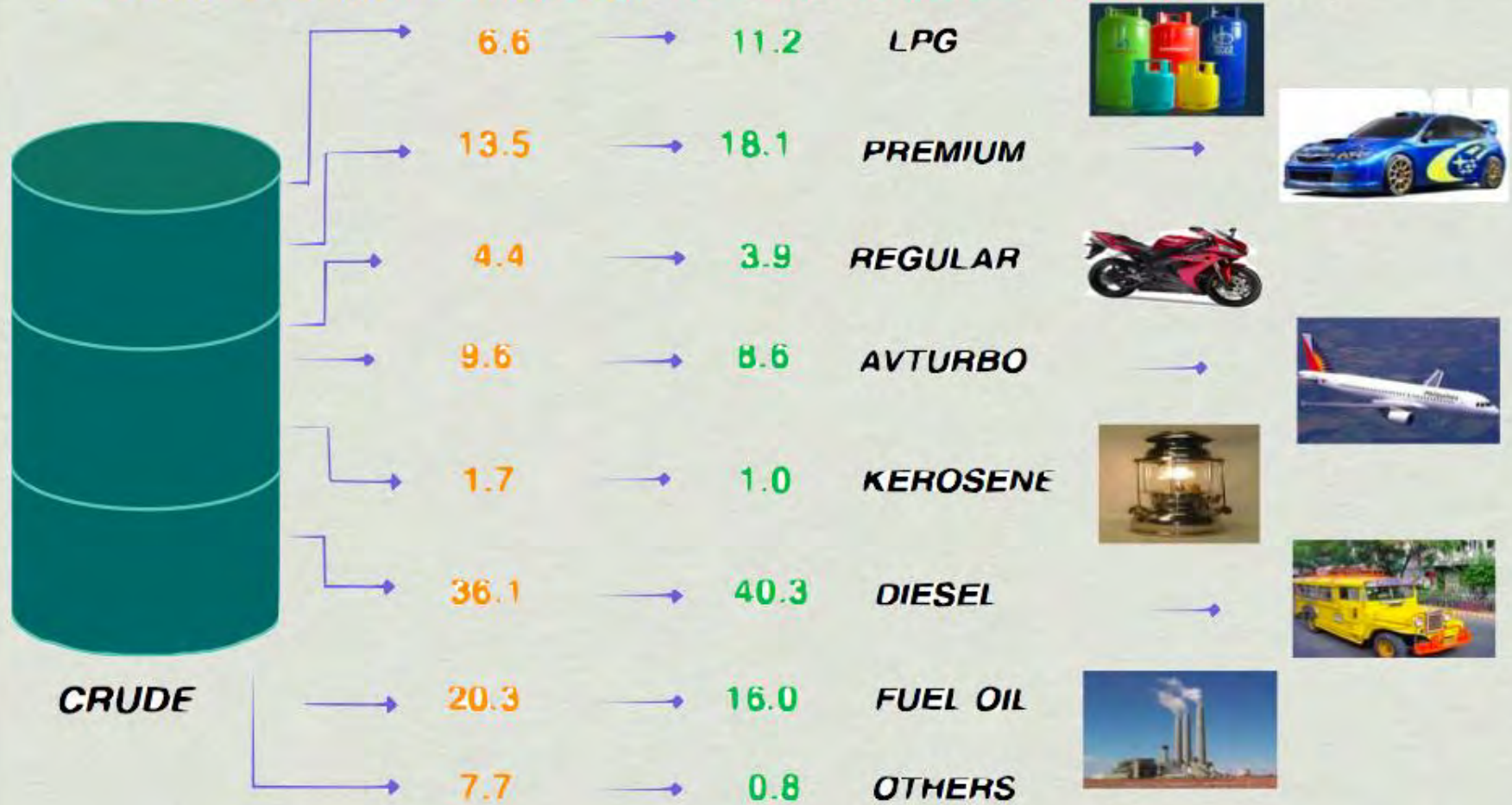


OIL SUPPLY SOURCES



DOMESTIC PRODUCTION-DEMAND MIX

Production (174.3 MBCD) / Demand (306.3 MBCD) %Mix



FACTUAL ANTECEDENTS - 1960S-1980S

1960s: Regime of Free Market Forces

- ❑ No government intervention – laissez-faire economics
- ❑ Market share by competition; 4 refiners and 6 marketing companies

1970s: Dawn of Regulation

- ❑ Creation of **Philippine National Oil Company**; government enters oil industry
- ❑ Creation of 2 separate agencies: (1) **Board of Energy** to regulate domestic oil prices and (2) Dept. of Energy, later renamed to **Ministry of Energy**, to formulate energy policies and programs

1980s: The Subsidy Regime

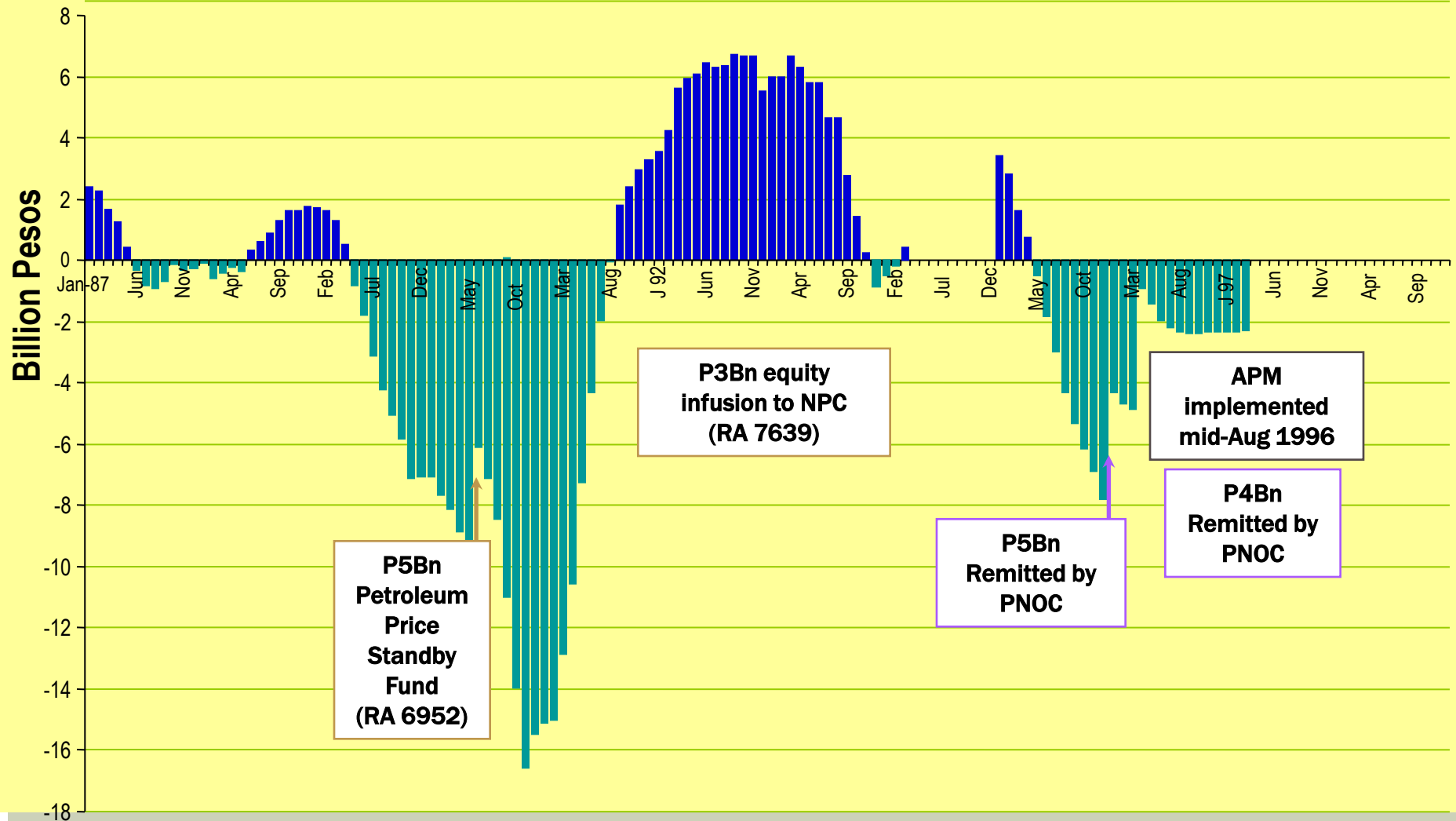
- ❑ **Consumer Price Equalization Fund (CPEF)** was established to avoid frequent oil price movements; CPEF was abolished in June 1983
- ❑ **Oil Price Stabilization Fund (OPSF)** created to stabilize the domestic price of petroleum products; review and reset domestic oil prices every 2 months

Factual Antecedents – 1990s

Sinking OPSF: Deficit, Rising Oil and Supply Crunch

- ❑ OPSF deficit reached P16.6B in November 1990
- ❑ ERB adjusted OPSF impost; prices increased substantially resulting in reduced OPSF deficit at P49M in August 1991
- ❑ Highest OPSF surplus in June 1992 at P8.3B
- ❑ RA 7639 - mandated the use of the OPSF (P3B) as payment in part to the capital stock of the National Power Corp.
- ❑ OPSF remained positive until April 1995 and deficit continued
- ❑ In 1996, Congress, through the 1996 General Appropriations Act, provided a special provision in the PNOC budget allocating P10B to partly wipe-out OPSF deficit

OIL PRICE STABILIZATION FUND



Factual Antecedents – 1996

Onset of Deregulation

- ❑ Oil industry left with three refiners: (1) Caltex, which acquired Mobil; (2) Shell, which acquired Getty; and (3) PNOC, which bought Filoil and Esso
- ❑ OPSF had a P2.5B deficit when RA 8180 was passed into law in March 1996; oil price became highly politicized
- ❑ With rise in international oil prices, government decided to relax regulatory functions and let market forces take over.
- ❑ RA 7638 (1992) – created the DOE with mandate to encourage free and active private sector participation
- ❑ Supreme Court declared RA 8180 unconstitutional in 1997

Factual Antecedents – 1998

Transition Phase to Full Deregulation

- ❑ RA 8479 – New Downstream Oil Deregulation Law signed in February 1998
 - ❑ Automatic pricing mechanism - adjusted the wholesale posted prices of petroleum products based on the changes in Singapore Posted Prices. APM enabled adjustments in domestic prices to approximate closely and reflect promptly the movement of international prices of oil
- ❑ Executive Order No. 471 (1998) declared full deregulation of the downstream oil industry

2011 PRICE MONITOR

Scenes in the International Market

Middle East Unrests

- ❑ Crude oil price remained above \$100 per barrel with political situation in Egypt, Libya, Bahrain, Yemen, Iran, Iraq

Economic Uncertainties

- ❑ Spain debts, Greek default, Euro tanks, US weak economy outlook

OPEC Discord and IEA Strategy

- ❑ OPEC abandons 24.845M b/d but Saudi boosts output
- ❑ IEA releases 60M barrels over 30 days or 2M b/d

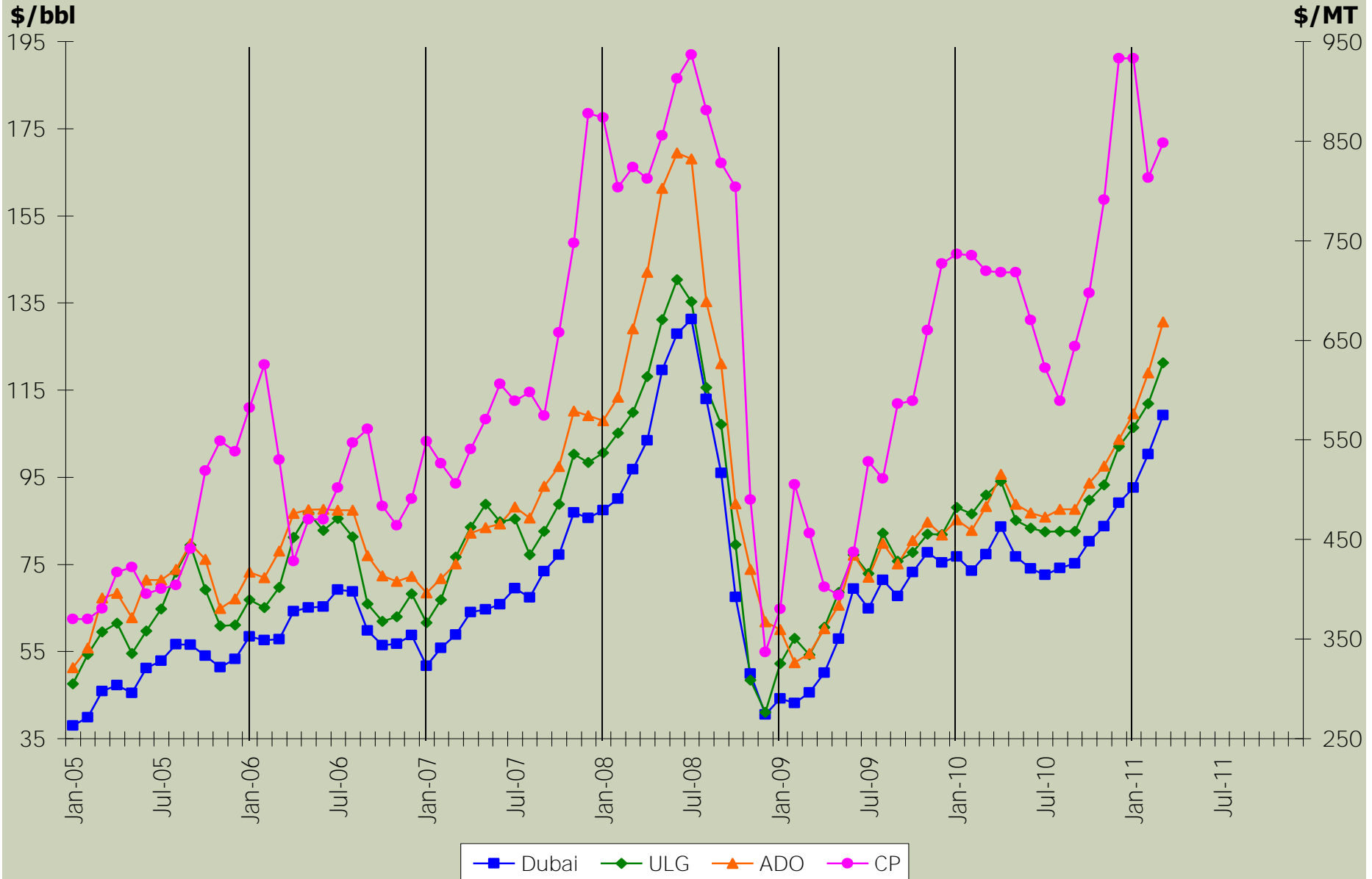
Japanese Tsunami and Earthquake

World Oil Demand and Asian Economies Increase



INTERNATIONAL PRICES

January 2005 – MTD October 2011





EVOLUTION OF PUBLIC TRANSPORT ASSISTANCE PROGRAM: PANTAWID PASADA

PANTAWID PASADA

- ❑ **President issued AO No. 6 “Organizing the Inter-Agency Energy Contingency Committee (IECC)**
 - ☞ **A precautionary measure to ensure that necessary preparation are in place in the event of oil supply cut**
 - ☞ **Update the Oil Contingency Plan**
- ❑ **DOE issued Circulars on Biofuels, Minimum Inventory and MPSA Included DBM and NEDA in the IECC**
- ❑ **DOE created the DOE Energy Security Committee and the Secretariat**
- ❑ **IECC identified the transport sector as one of the vulnerable sectors hardest hit by the oil price hikes**

PANTAWID PASADA

- ❑ **President issued EO No. 32 “Instituting the Public Transport Assistance Program-Pantawid Pasada”**
 - ☞ **A targeted relief to the public transport sector: jeepneys and tricycles**
 - ☞ **Cushion the impact of high fuel prices considering its cascading effect to other vulnerable sectors of the society**
- ❑ **DOE in coordination with DOTC-LTO/LTFRB will issue a smart cards to public utility jeepneys**
 - ☞ **An assistance for the fuel purchase of legitimate franchise holders and for the continuous availment of the fuel discount offered by oil companies**
- ❑ **DOE to execute a MOA with the DILG for support to about 1 million tricycles**

VULNERABLE SECTORS

TRANSPORT GROUPS

- Jeepney drivers earn \$6/day net income
- PUJ fares are regulated and no auto adjustment

WORKING CLASS CITIZENS

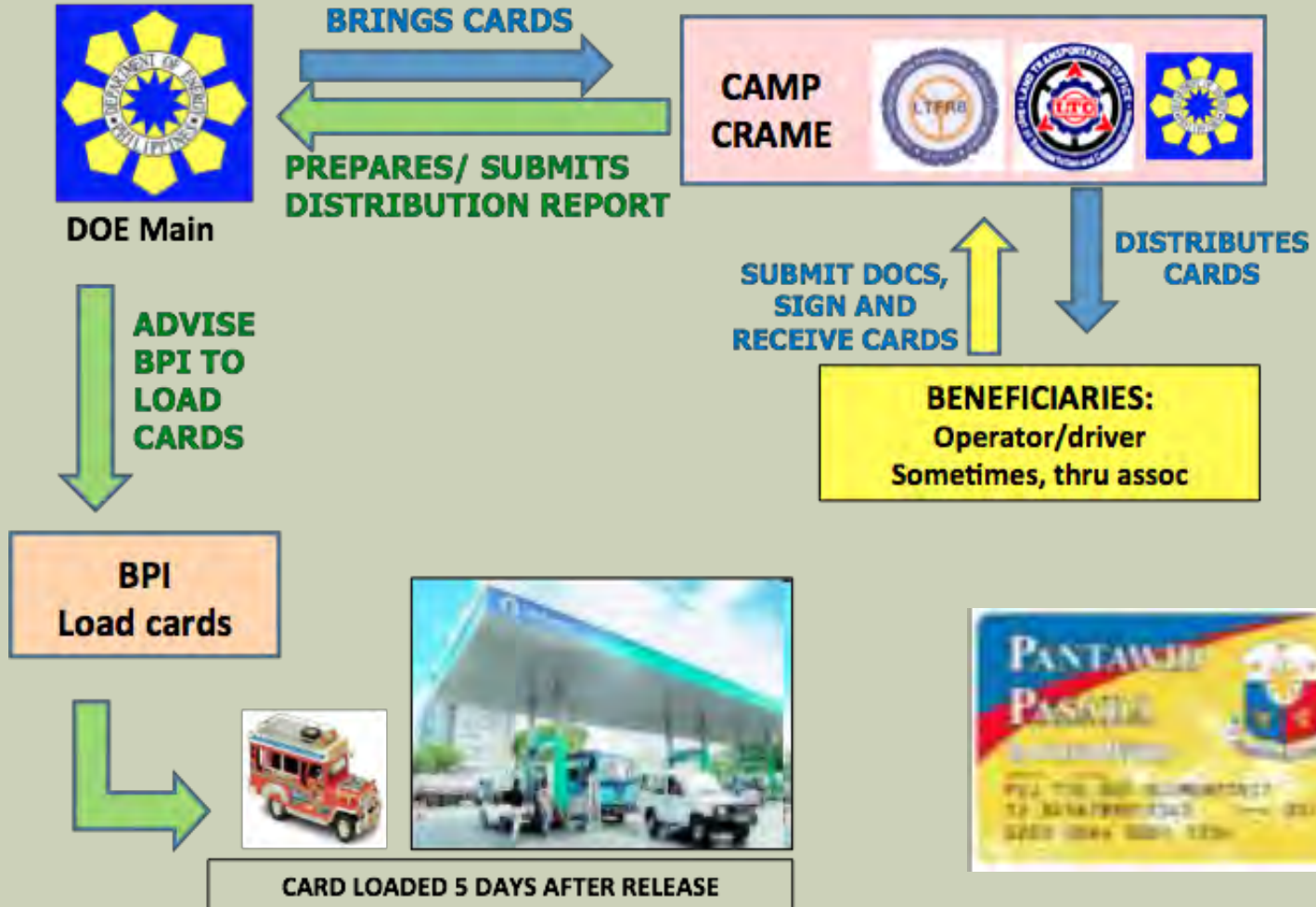
- Impact on fare increases
- No transport subsidies

FARMERS AND FISHERMEN

- Use petrol-run machinery and equipment
- No government support



PANTAWID PASADA



PANTAWID PASADA



Undersecretary Layug discusses to the transport leaders the mechanics for card release.



Secretary Almendras shows the Pantawid Pasada card to the members of the media during the program launch on May 2, 2011 at Camp Crame, Quezon City



Beneficiary- claimant signs the receiving form



Undersecretary Layug was joined by Marikina Councilor Bojie and Altodap Transport Group President Ka Boy in distributing cards in Marikina



Undersecretary Layug, joined by Dir. Monsada and Asst. Dir. Romero, graced the distribution in Guadalupe organized in partnership with Pasang Masda transport group

PANTAWID PASADA

KEY LEARNINGS

- Program well received by many sectors – transport, politicians, local government except economists
- Jeepney drivers felt direct assistance of government
- Program emphasizes need to operate jeepneys legally
- Good collaboration among government offices
- Lack of interconnected government database for jeepney registration
- Budgetary and manpower constraints in distribution
- Need for more media campaign

PHILIPPINE PUBLIC TRANSPORT ASSISTANCE PROGRAM: TARGETED FUEL SUBSIDY APPROACH

ATTY. JOSE M. LAYUG, JR.
Senior Partner, Puno & Puno Law Offices
Professor of Law, U.P. College of Law



World Bank ESMAP Conference
Copenhagen, Denmark
October 22, 2014