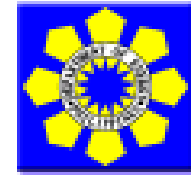


In the LPG industry, Petron Corp., and Pilipinas Shell Petroleum Corporation's market shares totaled 54.8% while the other players obtained 45.2%.

Among the other LPG players, Liquigaz got the biggest market share with a 26.8% share, followed by Total Petroleum with a share of 8.2%.

However, the entry of many independent refillers and marketers has resulted in malpractices in the industry and the proliferation of poor quality cylinders (not conforming to the standards for manufacture, requalification/maintenance or repair required by the BPS). Thus, House Bill No. 5052, which is being reviewed in Congress, has been filed to consider LPG cylinders and other ancillary equipment, such as hoses and valves, as critical to safety, hence, as significant as the LPG product itself.



## BENEFITS OF DEREGULATION



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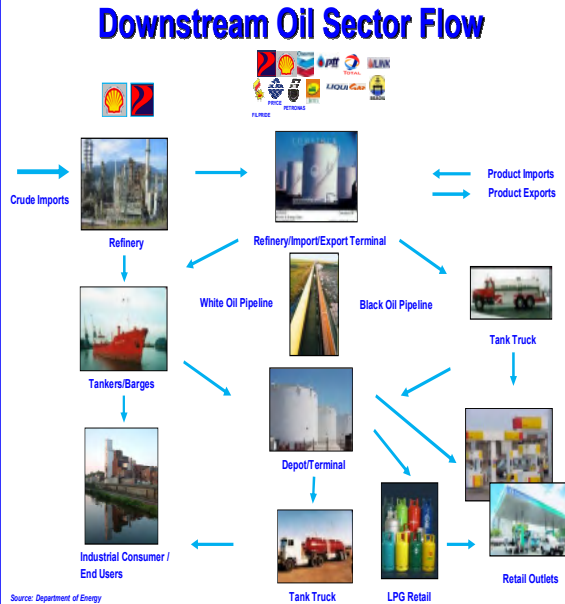
You may also text in your suggestions, comments, queries and complaints, just type DOE <space><message> and send to 2920.

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## Industry Structure



Source: OIMB-OICMD

## Promotion of Free Market Atmosphere

Adequate safeguards are provided under the law to ensure that healthy and fair competition would govern the downstream oil industry and that cartels and monopolies in the industry are prevented. Among these is the creation of a DOE-DOJ Task Force to address unreasonable rise in prices, predatory pricing and cartelization.

RA 8479 promotes a free market atmosphere in the local oil industry

has liberalized the downstream oil industry; established uniform tariff duties on both imported crude oil and refined petroleum products; promoted fair trade practices and free competition and encouraged the entry of new players in the industry.

These players include both local and foreign investors engaged in varied activities such as liquid fuels and LPG bulk and retail marketing, terminaling and bunkering, as well as operation of depots and storage facilities.

It must be emphasized that deregulation does not guarantee lower prices but fair prices. Domestic oil prices are increasing because world oil prices are increasing. Domestic prices are generally based on international prices with Dubai as benchmark crude and the Mean of Platts Singapore (MOPS) as basis for finished products. Hence, adjustments in domestic oil prices are reflective of price movements in the international market and foreign exchange rates. Currently, MOPS is being used as the benchmark since it is not only the new players who import

finished products but the refiners, as well.

The supply (importation/production), demand (sales/exports) and the inventory of petroleum products are also being monitored to ensure that there is sufficient supply at all times.

## Benefits of Deregulation

Deregulation has brought in, as of Year-to-Date (YTD) June 2011, about 1187 new players in the downstream oil industry, engaged in one or more activities, with actual investments totaling PhP 38.104 billion. The major oil companies (Petron Corp., Chevron Phils., Inc., and Pilipinas Shell Petroleum Corp.) got 72.6% market share of the total demand while the other industry players which include PTT Philippine Corp. (PTTPC), Total Phils., Seoil Corp., TWA, Filpride, Phoenix Petroleum, Liquigaz, Petronas, Pryce Gas, Micro Dragon, Unioil, Eastern Petroleum and Jeti as well as the end users who directly imported part of their requirements captured 27.4% of the market.