



**The Working People's Response
to the Rising Oil Prices:
REPEAL THE OIL DEREGULATION LAW!
NATIONALIZE THE DOWNSTREAM OIL INDUSTRY!**
*Speech of Anakpawis Representative Crispin Beltran
2008 Philippine Energy Summit,
January 29, 2008, SMX Convention Center*

To the organizers of this Energy Summit, distinguished resource persons and guests, on behalf of Anakpawis Partylist, I would like to greet you all a pleasant afternoon!

As Anakpawis Partylist's representative to Congress, I am here to echo the working people and other marginalized stakeholders' concerns on the spiraling costs of oil and petroleum products.

We all know that the oil industry is very vital to the nation's development. *Crude oil and various petroleum products are crucial in literally fueling the economy of a nation, ensuring its security and defense and help provide basic consumer needs. Presently, oil has become a strategic and vital product to the global nations. If blood is the lifeline of our body, then oil is the lifeline of the economy, even sustains the life of a nation.*

Ang langis ang nagpapatakbo sa industriya at serbisyo hanggang sa mga batayang gamit pangkonsumo. Ang langis ang nagpapatakbo sa mga makina ng sektor ng manupaktura at makinaryang agrikultural, sa mga sasakyan sa lupa, karagatan at sa kalawakan. Mahalaga ang langis mula sa paggana ng ating mga kalan sa kusina hanggang sa pagpapaandar ng ekonomya ng bansa.

The Philippines is rich in oil and energy sources such as the Malampaya and Nido in Palawan and the Liguasan Marsh in Central Mindanao. Ironically these and other potential energy sources like coal and geothermal are left for exploration and development in the control of foreign corporations, making us heavily dependent on imported oil products at perpetually increasing prices and later will be buying our own locally sourced new energy and power sources from foreign firms at higher costs.

Last year, the pump prices of various gasoline products increased by 24% (P35.75 to P44.45) while diesel prices hiked by up to 21% (P31.75 to P38.45). Cooking gas or LPG, most commonly used in households posted an increase of 21.95% (P533 to P650). Retail prices of kerosene which is used by small fishers as well as most households in the countryside and urban poor communities have jumped by 14%. Since Mrs. Gloria Macapagal-Arroyo rose to power in 2001, prices of gasoline products increased by 143% up to 147%; diesel prices increased by 172%. For the past twelve years since the Downstream Oil Industry Deregulation Law was enacted in 1996, prices of gasoline products increased by 352% to 364%; diesel by 434%; kerosene by 454% and LPG by 356%. The VAT on oil all the more makes it unaffordable and expensive.

The workers and the majority of the basic masses with very low purchasing power suffer the burden of sky-rocketing prices of basic commodities that rise up along with the price of oil, and worsened by the implementation of 12% RVAT. Since 2001, the wage of our workers

particularly in the private sector increased by only 18% in huge contrast with the oil prices increases of not less than 140%.

An additional cost of P915 was shouldered by public utility jeepney drivers consuming an average of 30 liters per day; neighborhood tricycle drivers shouldered P135 more for their gasoline consumption; small fishers using motorized bancas paid P316 more per fishing trip. Households using LPG shelled out P438 more for an 11-kg tank of cooking gas – which means Filipino families being mired deeper in poverty. Based on the latest Briefing Paper released by IBON Databank, average family income for all families taken as a whole dropped Php20,400 between 2000 and 2006, measured using prices in 2000.

Last month, world crude oil prices breached the \$100 a barrel-mark for the first time in history. We all know that every adjustment in the prices of petroleum products lead to higher prices of basic commodities and services. Now, there are reports from oil companies that diesel and gasoline prices will be increased 50 centavos every week as global prices, a favorite excuse, continue to climb. Will the dip in the U.S. stock market, be made another excuse?!

As the great majority suffers, we ask: who benefits and how? Recently recorded oil prices reveal the manipulations of the industry by the big oil firms and large financial capitalists for super profits. An Ibon Foundation study revealed that using the spot market price of Dubai crude as of January 3, 2008, transnational corporations earn super profits of around \$67-69 per barrel. This estimate is based on the following figures: Exploration Cost of \$3-4 per barrel (based on the financial statements of the top 5 oil transnational corporations); Production cost (Middle East) of \$7-8 per barrel; and Royalties of \$13 per barrel (which, according to OPEC, is equivalent to 14% of the spot price; computation was based on Jan 3, 2008 Dubai crude spot price of \$92.03 per barrel). The total of all these items is \$23-25 per barrel, which we assume as the “real cost” of crude oil, and compared it with the July 2006 Dubai crude spot price of \$92.03 per barrel.

Any increase in the price of oil and petroleum products is a savage attack against the economic well-being of consumers particularly the poor section of the population, cripples small business enterprises, undermines the income of ordinary people, especially those in the public transport system, and now even affecting our small middle class and our own economic priorities. I am sure our friends from the more advanced economies understand our predicaments as a poor and weak nation; but of course, the responsibility to look into our own national interest still falls on our political leaders. Concrete and decisive steps must be implemented to stop these attacks on the income and livelihood of our people.

Repeal Oil Deregulation Law

One concrete, urgent and doable remedy to the evils of high oil prices is to scrap the Downstream Oil Industry Deregulation Law. We have given it a chance and suffered its adverse impacts such as:

- a) The removal of the 12-percent limit on the profits of oil companies, as well as of the .50-centavo per liter limit on the amount of oil price hike let loose oil companies to arbitrarily increase prices of oil and oil products. The government even joined in bleeding the people dry by imposing a 12% RVAT on these products;

- b) Under deregulation, oil companies are no longer obligated or bound by law to justify the increases; neither are they compelled to announce the increases at an earlier date to prepare the public;
- c) The removal of the Oil Price Stabilization Fund (OPSF) or subsidies on oil products. For all its limitations and loopholes, the fund could have still been tapped to cushion the impact of oil increases even as the public demand more transparency and accountability re its fund management;
- d) The promise to effect competition and accessibility with the entry of new industry players *did not* result in competition and affordability nationwide, particularly in the rural areas.

Sa katumayan, inamin po ng Total Corporation sa isang hearing na isinagawa ng House Committee on Energy na ang kanilang source ay ang kanilang regional station sa Singapore na under sa Total-Fina na isa sa anim na pinakamalalaking kumpanya ng langis na involved sa exploration, importation at refining ng langis. Ganito din ang market process ng Shell, Caltex at Petron na kapwa mga subsidiaries ng Royal Dutch Shell, Chevron Texaco at Saudi Aramco na may mga estratehikong kasunduan sa Exxon Mobil at Royal Dutch Shell sa pagdadalisay at pagbebenta ng mga produktong petrolyo na kabilang sa pinakamalalaking TNC's na may kontrol sa global oil market.

The monopolistic control of transnational corporations, nurtured by the Oil Deregulation Law, like Petron, Royal Dutch-Shell, and Chevron (formerly Caltex) in the oil industry is the immediate reason for exorbitant and continuously increasing oil prices. They can and do dictate the price of oil, pressure countries, including OPEC member countries, to create the market favorable to them and earn billions of dollars.

Author Anthony Sampson, in his book the *Seven Sisters*, even concludes that these oil corporations, in dealing with oil, are abundant in oil resources and reserves, invulnerable to the law of supply and demand and to the vagaries of the stock market. It is because six oil giants control the oil industry from exploration up to retailing of petroleum products making them the richest and most powerful block in the world.

Even the Supreme Court in its decision on the constitutionality of the 1996 version of the oil deregulation law affirms the existence of such foreign oligopolistic control in the local oil industry. Why do you think oil corporations defend deregulation? Even ordinary man of the street knows that it through deregulation that they can squeeze super profits from consumers. Yet, the government can afford to be callous by saying "it can't do anything to lower the prices as it is now the market forces that operates"! Unbelievable!

Nationalization

Oil is a strategic and vital commodity and must, therefore, be developed and nationalized, under which price is controlled, for the benefit not just by the oil companies but above all, of the people.

Through nationalization and regulation, we can change the purely profit-oriented corporations into one that is essentially socially responsible and on a mutually-beneficial relationship. With government at the helm of the oil industry, it can integrate and direct the downstream oil industry with the national thrust towards economic development. Acquiring new technologies and

assuming direct hand and/or even in partnership with friendly foreign corporations in its exploration and development, state regulation would enable to direct oil and energy industry respond to the demand of the economy and the people.

Currently there are proposed measures in Congress filed by Anakpawis, Bayan Muna and Gabriela Women Party to address immediate and long-term solutions to the problems of the oil industry. These measures are:

House Bill 3029: An Act Regulating the Downstream Petroleum industry - This proposal requires the regulation of the petroleum industry through the creation of a buffer fund and a Petroleum Regulatory Council that will not be bound by the dictates of oil companies. Regulation can only be effective and truly beneficial if it is part of a program to nationalize the oil industry, so that local oil prices can be brought down from unreasonable and unjustifiable levels set by giant transnational oil corporations and can be prevented from falling prey to further monopoly pricing and manipulation.

House Bill 3030: An Act Instituting Centralized Procurement of Petroleum in the Country - This bill sees the need to interdict the hidden and unchecked transfer pricing between oil company subsidiaries, including probable price padding in the sale of petroleum and petroleum products between refiners and local subsidiaries, to protect the majority of Filipinos from current runaway increases in oil prices. This can be done through centralized procurement of all imported crude oil and refined petroleum products, which includes the creation of buffer supplies to cushion consumers against drastic increases in petroleum prices, and the re-nationalization of Petron Corporation.

HB 3031: An Act Renationalizing Petron Corporation - This bill defines it as a State policy that the business of importing, exporting, re-exporting, marketing, distributing, and selling, whether retail or wholesale, as well as operations and activities of natural and juridical persons, firms, and entities engaged in such activities, shall be carried out in a manner consistent with the public interest. This policy aims to: a) To assure that locally refined and processed petroleum products, as well as imported crude oil and processed petroleum, be primarily for the benefit of the general welfare; and, (b) To assure the public of reasonable prices for petroleum products and to prevent unfair trade/business practices in the industry, particularly with regards to prices.

HB 1126: An Act to include LPG and Kerosene in the list of basic necessities in Section 3, Definition of terms of Republic Act 7581 or the Price Act - LPG and kerosene are considered basic household necessities and socially sensitive products. Ironically, both are not included in the list of basic necessities provided in Section three (3), Definition of Terms of Republic Act 7580, and otherwise known as the "Price Act." Thus, the filing of this bill.

Other proposals include the moratorium on oil price hikes and the suspension of the 12%-Value Added Tax on oil products for a period of six months. When passed and sincerely implemented, can give immediate relief to almost half a million jeepney drivers and their families and 8.6 million households consuming LPG and 9.4 million households using kerosene.

This must start with the government declaring as a matter of national policy that all activities relating to the downstream and upstream oil industry must be under regulation and supervision so as to allow the State to:

1. Ensure adequate and continuous supply of crude oil and refined petroleum products under the most economic and competitive terms possible considering all available sources of supply, including local supply.
2. Ensure that the entire petroleum industry serves the national interest and economic needs of the country.
3. Ensure that the consuming public enjoys reasonable prices of petroleum products and prevent price manipulation, unfair competition and other trade abuses being committed primarily by big foreign oil corporations.
4. Promote Filipino capital, labor and technology in the downstream and upstream oil industry.
5. Uphold the constitutional guarantee of full state control and supervision over the country's petroleum resources in the name of national interest and in pursuit of industrialization, while maximizing whatever benefits that foreign financial and technical assistance will bring in the exploration, development and utilization of local crude oil and other petroleum.

Challenges

Ladies and gentlemen, urgent reforms must be instituted to address said problems chronically faced by the consumers with the cartels in control of the oil industry. Yours truly, was a taxi driver and a factory worker before I got elected as a congressman. This rare moment that I get invited to this gathering of big people, so to speak, allow me to raise my appeal, not in my usual tone of protestation.

In behalf of my constituents of marginalized sectors, this representation calls on the government to be sensitive to public cries and not just be passive in finding solutions to these perennial oil price increases. Neither, that we could agree with the government predisposition of selling our own natural resources like land, mines, energy resources and even our cheap labor overseas, to name a few, to foreign investors to address the problem. Phil. Government website, including the Department of Energy even takes pride in luring foreign investors to come to our shores and buy our natural patrimony at bargain prices! We agree to foreign investors but on the principle of equality and mutual benefit!

Only with a clear national objective can the executive and legislative branches of government be united and be able to provide immediate relief to the public and set the grounds for nationalization of the oil industry and equitable progress for all!

Maraming salamat at magandang araw! #

Sources:

Various IBON Papers on the Oil Industry

Bagong Alyansang Makabayan Briefing Paper January 2008

Various sectoral position papers and materials on the oil industry