

The Working People's Response to the Rising Oil Prices

Rep. Crispin B. Beltran
Anakpawis Partylist
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OIL: Vital to National Development

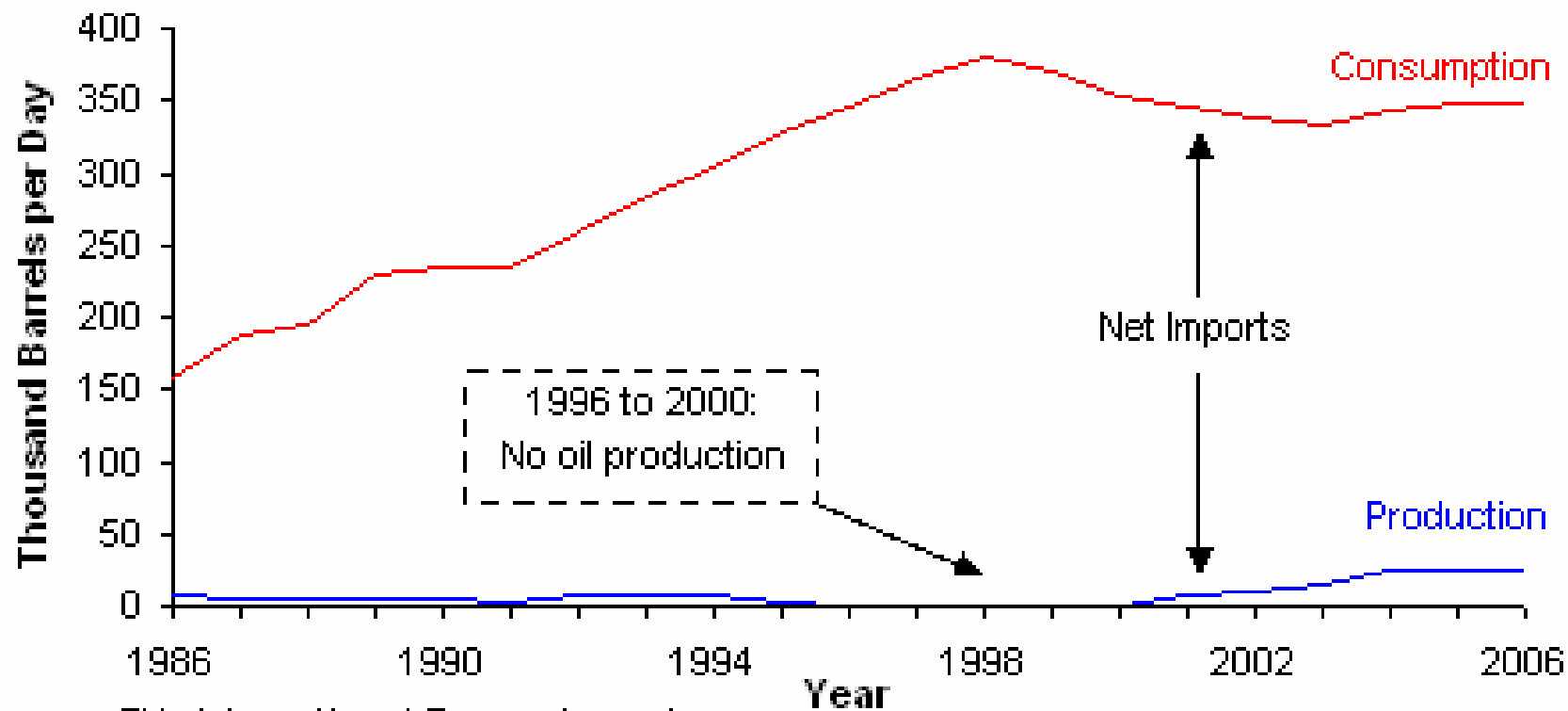
- **Crude oil and various petroleum products are crucial in literally fueling the economy of a nation**
- **Ensure national security and defense**
- **Help provide basic consumer needs**

→ *Oil is the lifeline of the economy*

Import-Dependence

- **The Philippines is rich in oil and energy sources**
 - Malampaya and Nido in Palawan
 - Liguasan Marsh in Central Mindanao
- **These and other potential energy sources are left in the control of foreign corporations, making us heavily dependent on imported oil products**

Oil Production and Consumption in the Philippines, 1986-2006*

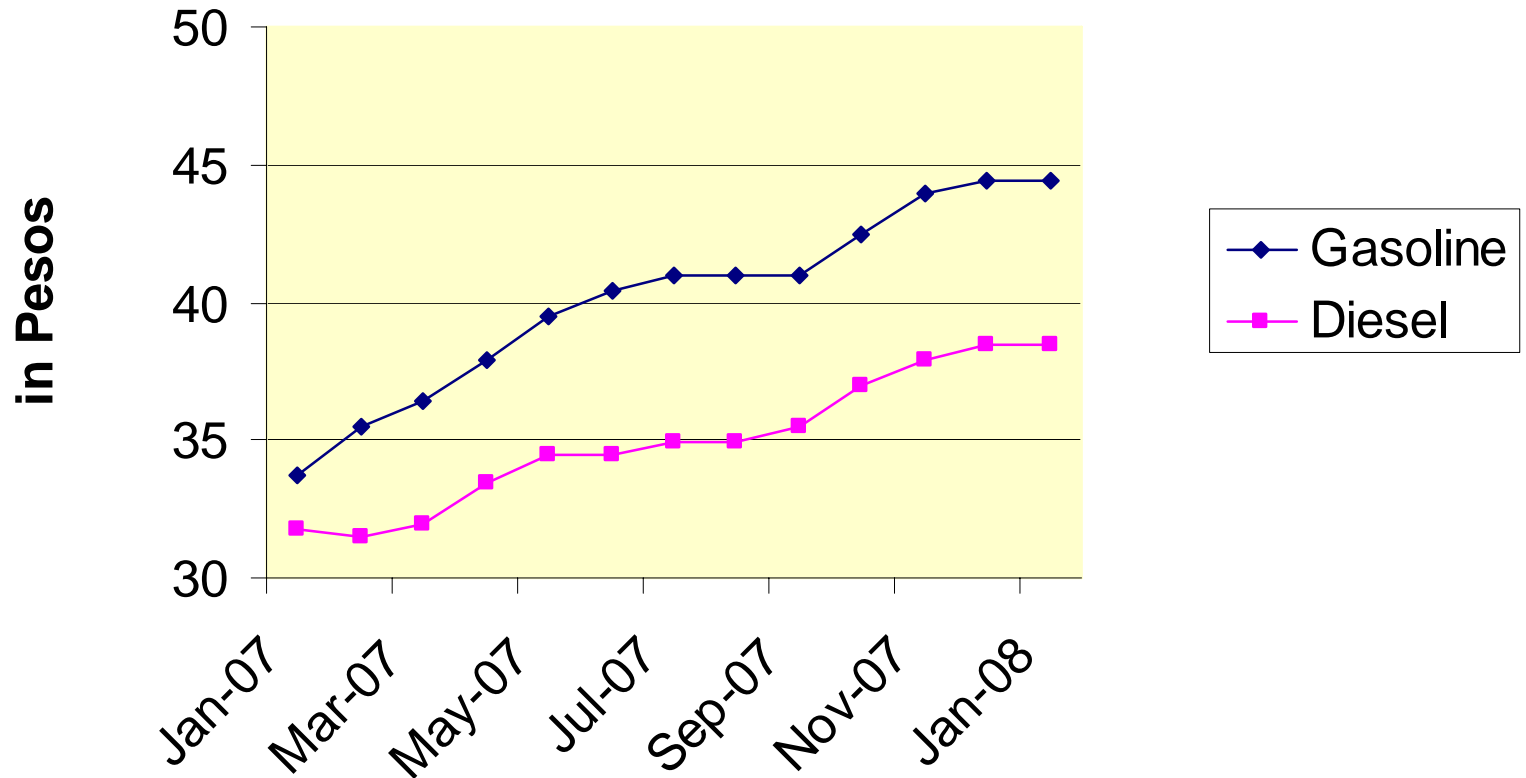


Source: EIA *International Energy Annual*;
Short-term Energy Outlook

*Jan-Sep only

Rapid Increase in Oil Prices (Jan 2007 - Jan 2008)

Source: DOE Oil Monitor



January to December 2007 Increase in pump prices

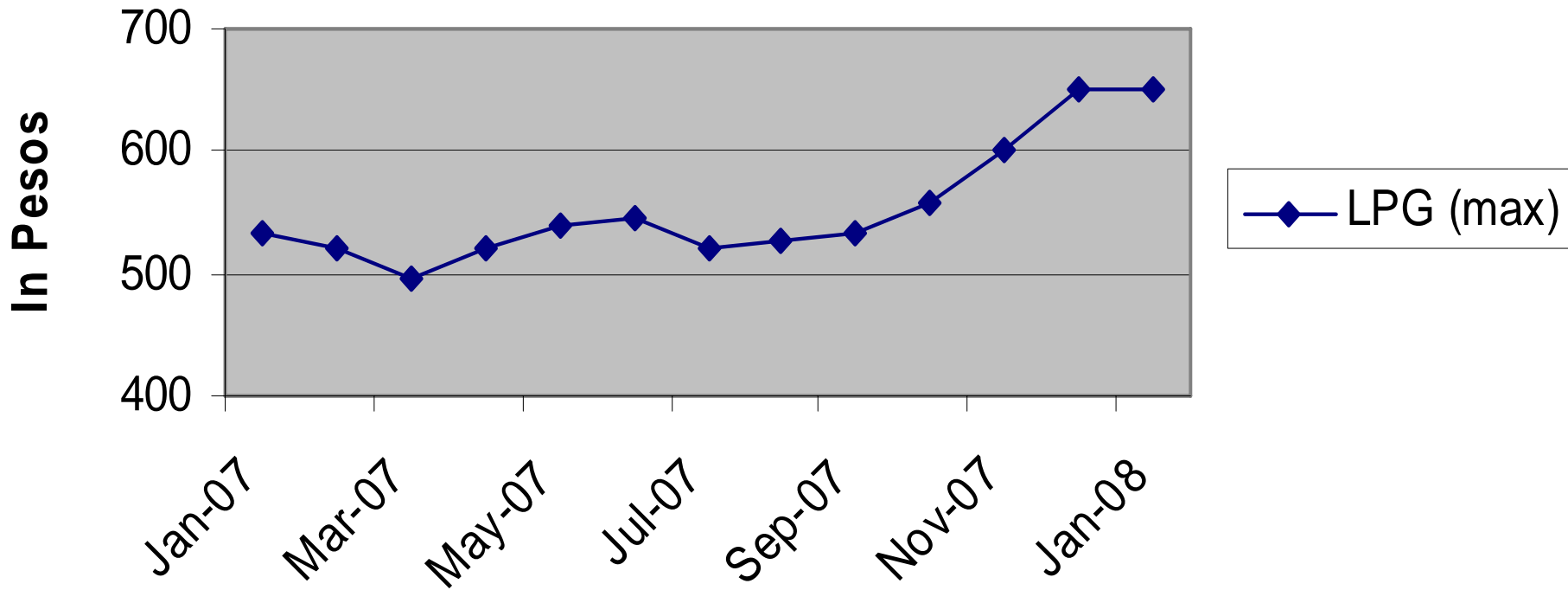
Gasoline: **24%** (P35.75 to P44.45)

Diesel: **21%** (P31.75 to P38.45)



Rapid Increase in LPG Prices (Jan 2007- Jan 2008)

Source: DOE Oil Monitor



January to December 2007 Increase in pump prices

LPG: **21.95%** (P533 to P650)



Impact of Oil Price Hikes

- **Retail prices of kerosene jumped up by 14%**
- **Since 2001, oil prices increased**
 - **Gasoline: 143-147%**
 - **Diesel: 172%**

Impact of Oil Price Hikes

- **Since the enactment of the Downstream Oil Law in 1996, prices of oil products increased**
 - Gasoline: 352% to 364%
 - Diesel: 434%
 - Kerosene: 454%
 - LPG: 356%
- **12% VAT - made oil more expensive and unaffordable**

Impact of Oil Price Hikes



Graphic: IBON Facts & Figures 15 March 1990

- **Since 2001, wage of private sector workers increased by only 18%**
 - **Oil Price Increase: at least 140%**
- The workers and the majority of the basic masses with very low purchasing power suffer the burden of sky-rocketing prices of basic commodities

Impact of Oil Price Hikes



Graphic: IBON Facts & Figures 15 March 1990

- Concrete effect on our consumers since the implementation of deregulation:
 - Average increase of **Php 915** in the cost of **diesel** shouldered by jeepney drivers
 - Average increase of **Php 438** in the cost of an **11-kg tank of LPG** shouldered by thousands of consumers and households using LPG

Impact of Oil Price Hikes



Graphic: IBON Facts & Figures 15 March 1990

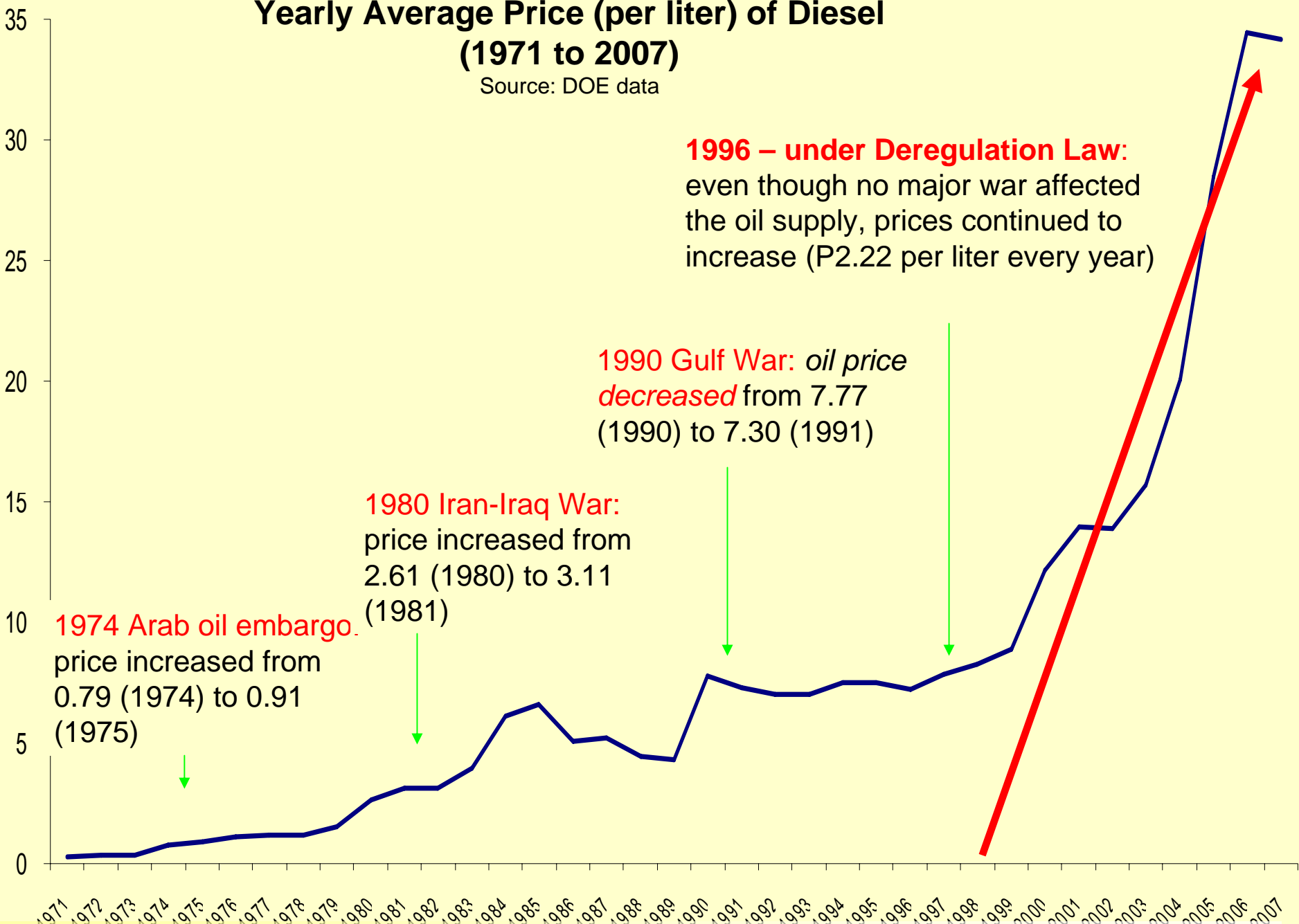
Family Income and Expenditures Survey

- average family income for all families taken as a whole dropped PhP20,400 between 2000 and 2006, measured using prices in 2000



Yearly Average Price (per liter) of Diesel (1971 to 2007)

Source: DOE data



1996 – under Deregulation Law:
even though no major war affected
the oil supply, prices continued to
increase (P2.22 per liter every year)

1990 Gulf War: oil price
decreased from 7.77
(1990) to 7.30 (1991)

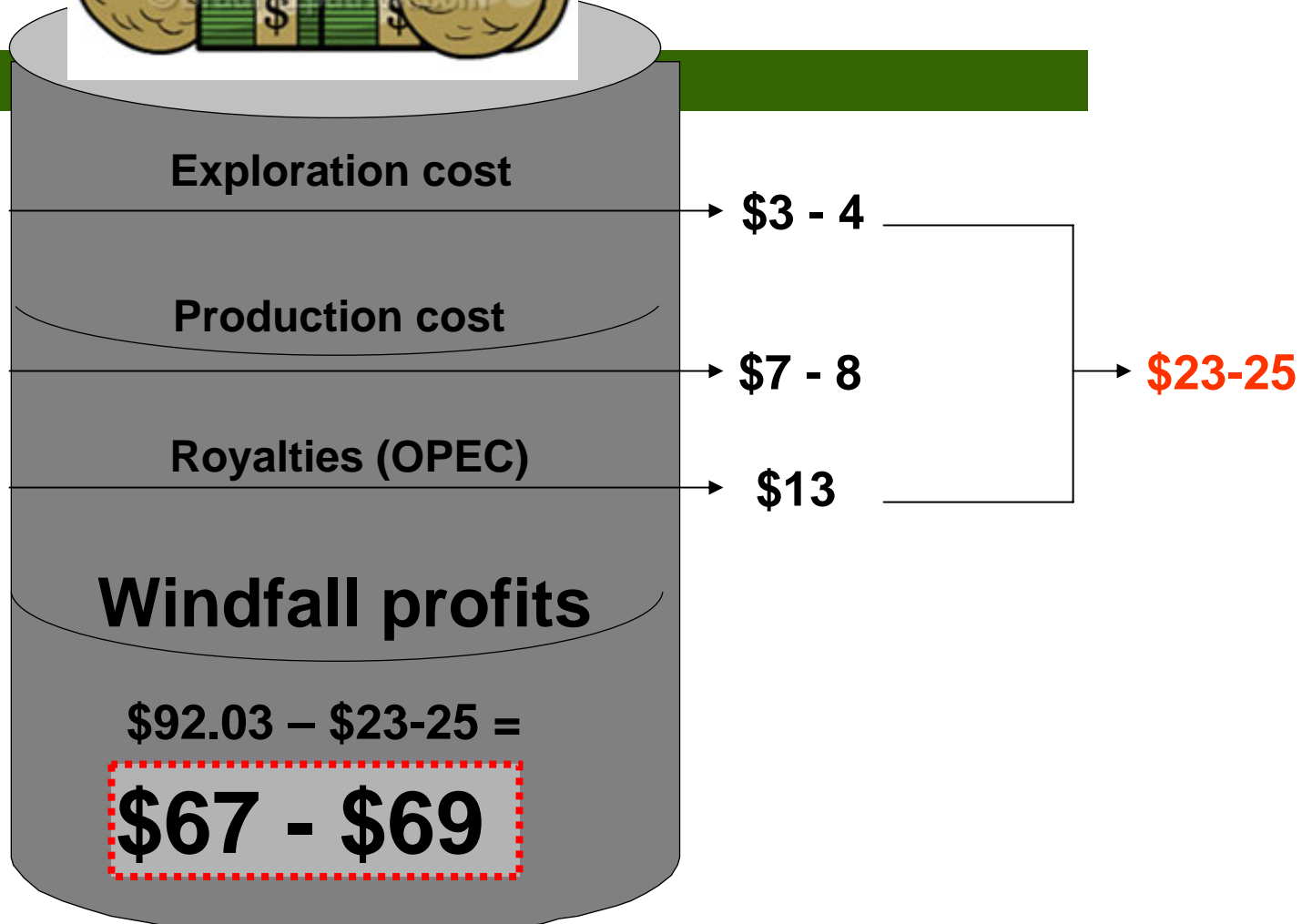
1980 Iran-Iraq War:
price increased from
2.61 (1980) to 3.11
(1981)

1974 Arab oil embargo:
price increased from
0.79 (1974) to 0.91
(1975)



Dubai crude (As of Jan 3)

\$92.03 / barrel



Impact of Oil Price Hikes

- **savage attack against the economic well-being of consumers:**

- Urban poor
- Labor
- Peasant
- Fisherfolk
- small business
- transport
- middle class



Graphic: IBON Facts & Figures 15 March 1990

Oil Deregulation Law



Oil Deregulation Law



Under the oil deregulation law, the following took place to the detriment of the Filipino people and the national economy:

- a. The removal of the limits to profiteering which, prior to the deregulation, the rate of return base (RORB) was pegged at 12%; removal of P0.50 limit on price increase**

Oil Deregulation Law



b. The implementation of automatic pricing mechanism

- no more public hearings at the then Energy Regulatory Board (ERB) prior to any oil price hike.**
- increases have become automatic.**
- oil companies are no longer obligated or bound by law to explain the increases; neither are they compelled to announce the increases at an earlier date**

Oil Deregulation Law



- c. The removal of the Oil Price Stabilization Fund (OPSF) or subsidies on oil products**

- d. Failure to effect competition and accessibility**

House Bill 1724:

REPEAL
Oil Deregulation Law!



Oil Deregulation Law



- **Monopolistic Control of Transnational Corporations in the oil industry is the sole reason why oil prices remain exorbitant and continuously increase.**
- **They can and do dictate the price of oil**

Oil Deregulation Law



- **Supreme Court 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**

ALTERNATIVE MEASURES

Nationalization

- **Oil is a strategic and vital commodity**
 - It must be developed and nationalized
 - Price must be controlled for the benefit of the people

Nationalization

- Through nationalization and regulation:
 - **we can change the profit-oriented character of the industry into one that is essentially service-oriented**
 - **we can even integrate the downstream oil industry with the thrust towards economic development. State control would enable the industry to respond to the power and energy demand of the economy and the people.**

PROPOSED LEGISLATIONS

- HB 1724: Repeal Oil Deregulation Law
- HB 3029: Regulation of the Downstream Oil Industry
- HB 3030: Centralized Procurement of Petroleum
- HB 3031: Re-Nationalize Petron
- HB 1126: Inclusion of LPG in the list of Basic Necessities in the Price Act

House Bill 3029:

Regulation of the Downstream Oil Industry



Regulation

- **Regulation must form part of the program to nationalize the Oil Industry;**
- **Regulation aims to lower down local pump prices, in contrast to the present high prices dictated by big oil firms;**
- **Regulation aims to stop monopoly pricing and price manipulation**

House Bill 3030:

Centralized Procurement

A photograph of several large, cylindrical industrial storage tanks, likely for oil or gas, set against a clear blue sky. The tanks are arranged in a row, with some in the foreground and others receding into the background. The lighting suggests it's daytime.

Centralized Procurement

- **centralized procurement of all imported crude oil and refined petroleum products**
 - includes the creation of buffer supplies to cushion consumers against drastic increases in petroleum prices
 - re-nationalization of Petron Corporation

House Bill 3031: **Buy-back**



Renationalize Petron

- **To assure that locally refined and processed petroleum products, as well as imported crude oil and processed petroleum, shall be primarily for the benefit of the general welfare; and**
- **To assure the public of reasonable prices for petroleum products and to prevent collusive practices in the industry, particularly as to prices.**

House Bill 1126:

**Inclusion of LPG
and Kerosene in
the list of Basic
Necessities**

LPG & Kerosene are Basic Necessities

- **LPG and kerosene are considered basic household necessities and socially sensitive products**
- **Both are not included in the list of basic necessities provided in Section three (3), Definition of Terms of Republic Act 7580, otherwise known as the “Price Act”**

Immediate Relief

- **Moratorium on Oil Price Increase**
- **Removal of VAT on oil products**

Urgent reforms must be instituted:

- **the government must declare as a matter of national policy that all activities relating to the downstream and upstream oil industry must be under full regulation, control and supervision of the State**

THE STATE MUST:

- **Ensure that the country has 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**

THE STATE MUST:

- **Ensure that the entire petroleum industry serves the national interest and economic needs of the country.**

THE STATE MUST:

- **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.**

THE STATE MUST:

- **Promote Filipino capital, labor and technology in the downstream and upstream oil industry.**

THE STATE MUST:

- **Uphold the constitutional guarantee of full state control and supervision over the country's petroleum resources in the name of national interest and 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.**

OUR CALLS

- **0% VAT on Oil**
- **Moratorium on Oil Price Hikes**
- **Repeal Oil Deregulation Law**
- **Buy-back/Renationalize Petron**
- **Centralize Petroleum Procurement**
- **Regulate the Downstream Oil Industry**

REPEAL Moratorium

Price Hikes



Buy-

