

# The Impact of Current Oil Price Trends: Views of the Consumer Sector

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## OIL PRICE OUTLOOK

- Oil Price went down in January
  - ASIA Dubai
    - January Average \$ 87.85
    - As of Jan 23 \$ 84.44
  - New York -WTI
    - January Average \$ 93.65
    - As of Jan 23 \$ 86.99
  - London Brent
    - January Average \$ 92.13
    - As of Jan 23 \$ 86.62
  
- Oil prices will likely further decline in February
  - During the winter season (November to February) demand for heating oil is high

- But in the Spring and Summer months (March to June) there is a dramatic DROP in demand

Philippine Peso vis-à-vis US dollar

● As of Jan 2007	P 49.02	● September	P 45.50
● Feb & March	P 48.00	● October	P 44.00
● April	P 47.90	● November	P 42.50
● May & June	P 46.00	● December	P 41.60
● July	P 45.90	● As of Jan 2008	P 41.13
● August	P 47.00		

In January 2007, the exchange rate was 49.02, for February, March it appreciated to 48.00, in May & June it appreciated to 46 to the dollar. Come August, the peso rose to 47.00 but since that time it has appreciated to 45.50 in September, 42.50 in November, and 41.13 in January 2008. This peso appreciation will soften the impact of oil price increase.

SAFETY NETS FOR THE POOR

LPG: For Residential Customers

	Current Price	Discount of 12% (VAT)	NEW PRICE without VAT
LPG (p/11kg)	P 625.00	75.00	550.00

This means that the residential customer will pay P550 for 11kg tank instead of P 625 or a savings of 75 pesos as a result of the removal of the 12% VAT

Using the lifeline rate of Meralco of 2,354,410 residential consumers of 150Kwh, this is equivalent to P176,580,750 monthly or 2.118 Billion annually

### ELECTRICITY (MERALCO)

MERALCO residential customers enjoy a life line rate subsidy for those consumers of up to a maximum of 100 kWh per month, that is paid for by residential, commercial and industrial users consuming more than 100 kWh per month.

COPW proposes to increase the lifeline rate subsidy from 100 kWh to 150 kWh per month which means an additional 620,741 residential consumers will benefit.

101-150 kWh is an additional 620,741 residential users at P8.19 per kWh is P 736,083,072.27 monthly or a total of P 8.832 Billion annually

### SAFETY NETS FOR THE TRANSPORT SECTOR

#### 1. COPW's proposal to the DOE

- Accelerate the program for METRO MANILA Buses and Jeeps to run on CNG or LPG instead of DIESEL/Gasoline as it is cheaper

- Mileage per liter for Aircon Bus: Diesel is 2.5km on CNG it is 2.41km

	Diesel (A)	(B) CNG (Compressed Natural Gas)	Savings C = A-B
Price per liter (Php)	37.36	14.52	22.84

## 2. COPW's proposal to DTI

- Extend financing for the conversion and or acquisition of NEW or REBUILT CNG Buses from abroad

COPW proposes to the DTI to encourage the conversion and acquisition of new or rebuilt buses from abroad to re-fleet as well as upgrade the present public utility bus system

## WHERE WILL THE FUNDS FOR THE SAFETY NETS COME FROM?

### 1. OIL SMUGGLING

- According to the DOE, in 2007 there is an estimated revenue loss of P14 Billion from smuggled crude oil into the country

- COPW is pleased with the announcement of Sec. Angelo Reyes in creating a Technical Working Group (TWG) to plug loopholes in revenue collection due to oil smuggling
  
- 2. COPW will work closely with the DOF, BOC, BIR and the PASG to address the issue of smuggling as revenue lost due to smuggling is valued anywhere from 50 Billion to 100 Billion pesos annually from:
  - a. Duty Free Ports
    - i. Passenger and Commercial Vehicles
    - ii. Sin Products (Alcohol and Tobacco)
    - iii. Agricultural Products (Onions, garlic, rice, carrots, rice)
  - b. "168" type malls proliferation
    - i. clothing
    - ii. Household items
    - iii. Electronic products
  - c. And even Ukay-ukay
  
- The requirements of the Safety Nets is substantially lower than the P50 to 100 Billion that can be collected from SMUGGLING

### WHY COPW IS FOR OIL DEREGULATION

- SAFEGUARDS UNDER RA 8479
  - Any Oil Price Increase/Decrease is now easily verifiable as the Department of Energy, working

closely with the BOC and the BIR to monitor the volume, value and cost of inbound Oil Shipping Lines must give advance information on ALL inbound oil tankers, including the Consignee name and destination. THIS WILL ENSURE THE PAYMENT OF THE CORRECT DUTIES & VAT COLLECTION BEFORE THE CARGO IS RELEASED.

- DOE-DOJ Task Force
  - Section 14 (d) states that: “d) Any report from any person of an unreasonable rise in the prices of petroleum products shall immediately be acted upon.
  - For this purpose, the creation of DOE-DOJ Task Force is hereby mandated to determine within thirty (30) days the merits of the report and initiate the necessary action warranted under the circumstances: Provided, that nothing herein shall prevent the said task force from investigating and/or filing the necessary complaint with the proper court or agency motu proprio.”
- Chapter III, Section 11 (a) of the Oil Deregulation Law, specifically prohibits acts of cartelization, combination or concerted action by refiners, importers and/or dealers, or their representatives, to fix prices...in restraint of trade or free competition.”
- On May 25,2001, DOE Secretary Camacho issued DOE Memorandum Circular No. 2001-05-002 (Prior Notice on

- Price Adjustments.) The Circular requires oil companies to notify the DOE on the details of oil price adjustments, whether upward or downward, at least one (1) day prior to its effectivity.
- DOE Secretary Raphael Lotilla further issued on 11 August 2005 Department Circular 2005-08-007 entitled "Guidelines Implementing The Requirements Of A Prior Notice On Price Adjustments Pursuant to Memorandum Circular No. 2001-05-002.

### PROPOSED AMENDMENT TO THE VAT LAW

- Should Congress still see the need for amending the law, COPW supports the position that the VAT be suspended for 2 months only for DIESEL used by the transport sector and LPG purchased by the poor whose consumption is limited to 11kg per month.