



Republic of the Philippines  
**DEPARTMENT OF ENERGY**  
(Kagawaran ng Enerhiya)

**DEPARTMENT CIRCULAR NO. DC 2021-09-0028** <sup>m</sup>

**ESTABLISHING THE PHILIPPINE STRATEGIC PETROLEUM RESERVE PROGRAM**

**WHEREAS**, Republic Act (R.A.) No. 7638 or the Department of Energy Act of 1992 mandates the Department of Energy (DOE) to formulate policies for the planning and implementation of a comprehensive program for the efficient supply and economical use of energy, establish and administer programs, among others, stockpiling and storage of energy resources with the end in view of securing energy supply;

**WHEREAS**, R.A. No. 8479 or the Downstream Oil Industry Deregulation Act of 1998 declares the policy of the State to liberalize and deregulate the downstream oil industry in order to ensure a truly competitive market under a regime of fair prices, adequate and continuous supply of environmentally-clean and high quality petroleum products;

**WHEREAS**, under the deregulated regime, the Government has not actively participated in domestic downstream oil industry activities and relied on the commercial and emergency supply from the private sector;

**WHEREAS**, the Philippines is a net importer of both crude oil and finished petroleum products and our private sector is directly vulnerable to any international supply disruption hence in need of support from the Government in securing the country's reserve supply;

**WHEREAS**, the Philippines is likewise considered to be one of the countries most vulnerable to natural disasters, and R.A. No. 10121 or the Philippine Disaster Risk Reduction and Management Act of 2010 mandates, among others, that it is the policy of the State to institutionalize the policies, structures, coordination, mechanisms and programs on disaster risk reduction in all sectors of Philippine society;

**WHEREAS**, in support of the Philippine disaster risk reduction and management, the DOE continuously adopted policies and mechanisms on energy resiliency to mitigate the impact of energy supply disruptions;

**WHEREAS**, the experience of other countries have shown that establishing a Strategic Petroleum Reserve Program would be effective in helping mitigate risks and addresses the impact of crude oil and finished petroleum products supply disruptions;

**WHEREAS**, Presidential Decree No. 334, as amended otherwise known as the Charter of the Philippine National Oil Company (PNOC), provides among its purposes that it should provide and maintain an adequate and stable supply of oil and petroleum products for the

domestic requirement and for that purpose to engage in the transportation, storage, importation, exportation, refining, supply, sale and distribution of crude oil, refined petroleum and petroleum based products, whether imported or produced by local refineries, hence PNOC is considered to be in the best position to assist the DOE in the implementation of the SPRP;

**NOW, THEREFORE**, in consideration of the foregoing, the DOE hereby issues and adopts this Circular:

## **Title I. General Provisions**

### **Section 1. Scope and Application.**

This Circular shall govern the establishment of the Philippine Strategic Petroleum Reserve Program.

### **Section 2. General Policies and Principles.**

- a. Institutionalize the establishment of a government-owned Crude Oil and/or Finished Petroleum Products and Biofuel reserve to enhance security of fuel supply;
- b. Establish available supply of Crude oil and/or Finished Petroleum products and Biofuel at the disposal of the Government to address a severe international supply interruption or to implement the Targeted Fuel Relief Program; and
- c. Implement the over-all Strategic Petroleum Reserve Program that incorporates compliance to herein declared policies in the manner most economical and advantageous to the government.

### **Section 3. Definition of Terms.**

- a. Biofuel - refers to bioethanol and biodiesel and other fuels made from biomass and primarily used to motive, thermal and power generation with quality specifications in accordance with the PNS, and added or blended to petroleum fuels to enhance or alter chemical or physical properties and improve performance/usage of the fuels;
- b. Crude Oil - refers to oil in its natural state before the same has been refined or otherwise treated, but excluding water, bottoms, sediments and foreign substances;
- c. Disaster - refers to a serious disruption to the function of a community or a society involving widespread human, material, economic or environmental losses and impacts, which exceeds the ability of the affected community or society to cope using its own resources. Disasters, which can be natural or man-made, are often described as a result of the combination of: the exposure to a hazard; the conditions of vulnerability that are present; and insufficient capacity or measures to reduce or

cope with the potential negative consequences. Disaster impacts may include loss of life, injury, disease and other negative effects on human, physical, mental and social well-being, together with damage to property, destruction of assets, loss of services, social and economic disruption and environmental degradation;

- d. Drawdown – refers to the act of releasing supply from the reserve for the purpose of satisfying the different requirements provided in Section 9 hereof;
- e. Emergency - refers to a situation which results to a severe or limited supply interruption, either on a local or global scale due to any kind of crisis such as natural and manmade calamities, public health and economic crises, wars and other analogous events, which requires immediate government intervention or support to sectors as identified or determined by the President and/or the DOE Secretary;
- f. Emergency Response - refers to the provision of emergency services and public assistance during or immediately after a disaster to save lives, reduce health impacts, ensure public safety and meet the basic subsistence needs of the people affected. Disaster response is predominantly focused on immediate and short-term needs and intended to be assisted through the Targeted Fuel Relief Program;
- g. Finished Petroleum Products - refer to products formed in the case of refining crude petroleum through distillation, cracking, solvent refining and chemical treatment coming out as primary stocks from the refinery such as, but not limited to: LPG, naphtha, gasolines, solvents, kerosene, aviation fuels, diesel oils, fuel oils, waxes and petrolatum, asphalt, bitumen, coke and refinery sludges, or other such refinery petroleum fractions which have not undergone any process or treatment as to produce separate chemically-defined compounds in a pure or commercially pure state to which various substances may have been added to render them suitable for particular uses: Provided, that the resultant product contains not less than 50% by weight of such petroleum products;
- h. Hazard - refers to a dangerous phenomenon, substance, human activity or condition that may cause loss of life, injury or other health impacts, property damage, loss of livelihood and services, social and economic disruption, or environmental damage;
- i. Mobile Distribution Vehicle or MDV - refers to the means, whether by land or by sea, specifically designed to transport and dispense Finished Petroleum Products at areas identified for Targeted Fuel Relief Program. It could be in a form of a single or a fleet of land vehicles and marine vessels procured and maintained for the purpose;
- j. Strategic Petroleum Reserve Program or SPRP – refers to the over-all policy, plans and implementing guidelines related to the Government-owned stockpile of crude oil and/or finished petroleum products at the minimum and maximum level determined to satisfy the need for supply as identified in Section 2 hereof; and

- k. Targeted Fuel Relief Program – refers to the delivery of fuel supply to affected areas as part of the Government’s Emergency Response.

## **Title II. Responsibilities**

### **Section 4. Department of Energy (DOE).**

- a. Provide the overall guiding policy for the implementation of SPRP;
- b. Jointly review and approve with PNOC the SPRP feasibility study terms of reference, SPRP feasibility study, implementation plan, implementing guidelines and implementation performance indicators;
- c. Assist PNOC on the access of necessary data and information from the DOE;
- d. Assist PNOC in coordinating data gathering activities from relevant government agencies and the private downstream oil industry;
- e. Assist PNOC in sourcing funds necessary to develop, implement and sustain the program;
- f. Monitor the progress and reports of PNOC in the implementation of the SPRP;
- g. Spearhead the filing of the Strategic Petroleum Reserve Bill; and
- h. Implement other responsibilities that may be necessary for the SPRP implementation.

### **Section 5. Philippine National Oil Company (PNOC).**

- a. Comply with the policy directions of the DOE on SPRP;
- b. Implement the following deliverables:
  1. Prepare and jointly review and approve with DOE the SPRP feasibility study terms of reference and undertake the SPRP feasibility study within eighteen (18) months from the issuance of this Circular;
  2. Jointly review and approve with DOE the SPRP feasibility study within two (2) months from official receipt of the DOE;
  3. Prepare and jointly review and approve with DOE the implementation plan detailing the work program and budget for the actual implementation of the SPRP within twelve (12) months from the approval of the feasibility study; and

4. Prepare, endorse, and jointly review and approve with DOE the following implementing guidelines within twelve (12) months from the approval of the implementation plan:
  - i. Standards and requirements for the creation of the PNOC SPRP management team;
  - ii. Standards and requirements for the acquisition and maintenance of storage, blending, transport, distribution and other ancillary facilities and equipment;
  - iii. Standards and requirements for establishing supply contract of Crude Oil and/or Finished Petroleum Product and Biofuel;
  - iv. Standards and requirements for inventory management;
  - v. Standards and requirements for setting of inventory purchase and drawdown prices;
  - vi. Standards and requirements for the implementation of the different types of drawdown;
  - vii. Standards and requirements for the preparation, evaluation and approval of budget and financial performance;
  - viii. Standards and requirements for ensuring health, safety, security and environment;
  - ix. SPRP Implementation performance indicators;
  - x. Reportorial requirements; and
  - xi. Other guidelines as maybe necessary to the implementation of the SPRP.
- c. Secure the necessary project approvals from other relevant oversight or regulatory government agency/ies;
- d. Operationalize the SPRP; and
- e. Comply with the submission of reports and participate in the review of policy and operational meetings with DOE.

### **Title III. Strategic Petroleum Reserve Program Implementation**

#### **Section 6. PNOC SPRP Management Team.**

The PNOC SPRP management team shall be established to directly handle the implementation and operationalization of the SPRP.

#### **Section 7. Storage and Blending Facilities.**

The necessary storage and blending capacity of PNOC shall be established by construction, lease or other acquisition options based on the applicable minimum and maximum volume level specified in the guideline for the management of storage and blending facilities. The

specifications of the storage and blending facilities shall be consistent likewise with the applicable supply contract and products portfolio.

**Section 8. Crude Oil and/or Finished Petroleum Products and Biofuel Supply Contract and Products Portfolio.**

The appropriate supply contract and product portfolio shall be established for PNOG to secure the necessary volume in addressing the guiding policies and principles stated in Section 2 hereof. The approval of supply contracts and maintenance of product portfolio shall consider the feasible and sustainable operation of the SPRP in the manner most economical and advantageous to the Government.

**Section 9. Drawdown.**

The resort to any of these types of drawdowns should be made for the purpose of satisfying the declared policies stated in Section 2 hereof:

- a. **Full drawdown.** The DOE Secretary may order a full drawdown of the reserve to counter a severe international supply interruption where the following conditions exist:
  1. It constitutes a severe emergency situation of significant scope and duration;
  2. It will cause a significant reduction of the country's supply without clear replacement; and
  3. There is a need to implement conservation of available supply both from the private and the Government sector.
  
- b. **Limited drawdown.** The DOE Secretary may order a limited drawdown of the reserve to implement the Targeted Fuel Relief Program where the following conditions exist:
  1. It constitutes a limited supply interruption of limited scope and duration;
  2. It will cause a temporary supply disruption due to a domestic disaster or emergency and the limited drawdown will address the emergency need until the availability of the supply from the private sector; and
  3. The reserve can be replaced through replenishment.
  
- c. **Test drawdown.** The PNOG President shall order drawdown as part of the test requirement. The volume however shall be properly accounted for consistent with the prescribed testing requirement and returned to the storage if still fit for use after testing.

- d. **Replenishment drawdown.** The PNOC President may order the sale of Crude Oil and/or Finished Petroleum Products or Biofuel to the Government or the private sector as part of the SPRP replenishment requirement.

**Section 10. Distribution.**

The necessary competence of PNOC shall be established to distribute products to the intended purposes stated in Section 2 hereof, from the transport logistics down to fuel discharge to the end-consumers. This distribution chain may be done through lease and/or acquisition. To address the Emergency Response deployment, the PNOC shall ensure the immediate implementation of MDV.

**Section 11. Component of the National Oil Contingency Plan.**

The SPRP shall be part of the National Oil Contingency Plan under the Inter-Agency Energy Contingency Committee (IECC) created by Administrative Order No. 6, Series of 2011.

**Section 12. International Commitment on Oil Stockpiling.**

The DOE and PNOC shall ensure continuous engagement and participation with international commitments on oil stockpiling projects and initiatives. Engagement shall come in the form of consistent participation in trainings and meetings, joint studies and projects, and compliance to approved international agreements.

**Section 13. Funding.**

The funding of the SPRP shall come mainly from the Annual General Appropriations Act. Support funding may likewise come from the internally generated funds of PNOC as well as from international funding assistance.

**Title IV. DOE SPRP Review and Evaluation Committee  
(DOE SPRP REC)**

**Section 14. DOE SPRP REC.**

The DOE SPRP REC is hereby constituted to carry out the responsibilities set forth in Section 4 hereof and shall be composed of the following:

- Chair : Supervising Undersecretary, Oil Industry Management  
Bureau (OIMB) or as otherwise designated by the DOE Secretary.
- Vice Chair : Supervising Assistant Secretary Oil Industry Management  
Bureau (OIMB) or as otherwise designated by the DOE Secretary.

Members : Director, OIMB  
Director, Legal Services (LS)  
Director, Financial Services (FS)

**Section 15. Responsibilities.**

- a. Prepare and recommend for approval of DOE Secretary issuance of policies for the implementation of SPRP;
- b. Jointly prepare and review with PNOC and recommend for approval of DOE Secretary the SPRP feasibility study terms of reference, SPRP feasibility study, implementation plan, implementing guidelines and implementation performance indicators;
- c. Assist PNOC on the access of necessary data and information from the DOE;
- d. Assist PNOC in coordinating data gathering activities from relevant government agencies and the private downstream oil industry;
- e. Assist PNOC in sourcing funds necessary to develop, implement and sustain the program;
- f. Monitor the progress and reports of PNOC in the implementation of the SPRP based on the approved performance indicators;
- g. Spearhead the filing and passage of the SPR Law; and
- h. Implement other responsibilities as may be necessary to the SPRP implementation.

**Section 16. DOE SPRP REC Secretariat.**

The Secretariat shall assist the DOE SPRP REC in all activities related to its responsibilities set forth in Section 15 hereof and shall be composed of the following:

Head : Assistant Director, OIMB

Members : Head, Oil Competition and Monitoring Division, OIMB  
Head, Downstream Conventional Energy Division, LS  
Head, Downstream Conventional Energy Division, FS



## **Title V. Reportorial Requirements**

### **Section 17. Quarterly.**

The following report shall be submitted by the PNOC to the DOE on or before the tenth (10th) day of the following month from the end of the quarter:

- a. Policy update report.
- b. Performance evaluation report in compliance to the standards and requirements provided in the issued guidelines and the identified performance indicators pursuant to Section 5 (b) (3):
  1. Manpower performance report;
  2. Facility operation performance report;
  3. Supply contract and inventory management performance report;
  4. Inventory drawdown performance report;
  5. Pricing performance report;
  6. Budget and financial performance report;
  7. Health, safety, security and environment performance report;
  8. Implementation performance indicator report; and
  9. Other quarterly reports as maybe necessary.

### **Section 18. Annually.**

The following report shall be submitted by the PNOC to the DOE on or before the fifteenth (15th) day of January of the following year:

- a. Annual comprehensive report of the previous year;
- b. Annual plans and programs for the current year;
- c. Comparative annual budget for the previous and current year;
- d. Updated five- year development plan; and
- e. Other annual reports as maybe necessary.

### **Section 19. Policy and Operational Meeting.**

There shall be a regular quarterly policy and operational update meeting between the DOE SPRP REC and the PNOC SPRP management team. Special meetings may be called to address urgent matters.

## **Title VI. Other Provisions**

### **Section 20. Separability Clause.**

Should any provision of this Circular be subsequently declared invalid or unconstitutional, such parts not affected thereby shall remain in full force and effect.

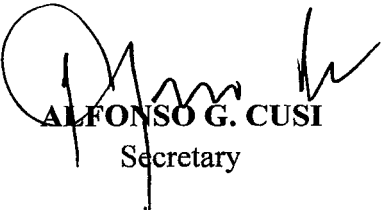
**Section 21. Repealing Clause.**

Any Department Circular or Order, contrary to or inconsistent with this Circular, is hereby repealed, modified, or amended accordingly.

**Section 22. Effectivity Clause.**

This Department Circular shall take effect fifteen (15) days following its complete publication in two (2) newspapers of general circulation and submission of a copy to the University of the Philippines Law Center-Office of the National Administrative Register (UPLC-ONAR).

Done this \_\_\_\_ of SEP 16 2021, 2021 in Bonifacio Global City, Taguig City, Metro Manila.

  
**ALFONSO G. CUSI**  
Secretary



Republic of the Philippines  
DEPARTMENT OF ENERGY  
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