Overview:
Philippine Downstream Oil Industry and Pricing

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ENERGY CONSUMERS AND STAKEHOLDERS’ CONFERENCE 2017
THEME: “E-Power Mo! Smart Energy Utilization Forum and Stakeholders Conference”

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Clark Freeport Zone, Pampanga.
Presentation Outline

- Introduction to Downstream Oil Sector
- Regulatory Framework
- Oil Industry Situation
- Oil Pricing
Downstream Oil Industry Chain

Crude Imports

Refinery

Biofuels*

Import/Export Terminals

Depots

Product Imports

LPG Dealers

LPG Refillers

Industrial/Commercial End-Users

Foreign vessel
Tanker/Barges
Tank Trucks
Pipeline
Foreign vessel (Imports)*
Tank Truck (Local)*

Auto LPG Station

Liquid Fuel Retail Outlets

LPG Retail Outlets

Product Imports

Product Exports

Industrial/Commercial End-Users
Regulatory Framework
To ensure a truly competitive market under a regime of fair prices, adequate and continuous supply of environmentally-clean and high quality petroleum products.
Regulatory Framework – Oil Industry

Republic Acts
- RA 7638 – DOE Act of 1992
- RA 8479 – Oil Deregulation Act of 1998
- RA 8749 – Clean Air Act of 1999
- RA 9367 – Biofuels Act of 2006
- RA 8184 – Excise Tax
- RA 9337 – RVAT Law of 2005

Batas Pambansa
- BP 33 – Prohibited Acts/Penalties Involving Petroleum

Executive Orders
- Implementing Issuances:
  - DOE Circulars
  - BIR Revenue Regulations
  - BFP Rules and Regulations
Regulatory Framework – Role of DOE Units

**DOE - OIMB**
- Monitoring fuel quality/quantity, refining/marketing process, inventory, price
- Registration/Engagement in any downstream oil activity
- Fuel Quality Standard Setting
- Petroleum Facilities Standard Setting
- Regulate as necessary

**DOE - REMB**
- Accreditation & Monitoring of Biofuels Manufacture
- Transition Secretariat for National Biofuels Board (NBB)

**DOE - ERTLSS**
- Laboratory testing of samples

**DOE - Legal Services**
- Processes findings of violations
## Regulatory Framework – Taxation

<table>
<thead>
<tr>
<th></th>
<th>Duty (%)</th>
<th>Excise Tax (P/I)</th>
<th>VAT (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EO 890</strong></td>
<td></td>
<td><strong>RA 8184</strong></td>
<td><strong>RA 9537</strong></td>
</tr>
<tr>
<td>Crude oil</td>
<td>0</td>
<td>-</td>
<td>12</td>
</tr>
<tr>
<td><strong>Products</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>gasoline</td>
<td>0</td>
<td>4.35</td>
<td>12</td>
</tr>
<tr>
<td>diesel</td>
<td>0</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>kerosene</td>
<td>0</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>jet fuel</td>
<td>0</td>
<td>3.67</td>
<td>12</td>
</tr>
<tr>
<td>bunker fuel</td>
<td>0</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>LPG</td>
<td>0</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td><strong>Bioethanol</strong></td>
<td><strong>EO 449</strong></td>
<td><strong>RA 9153</strong></td>
<td><strong>RA 9537</strong></td>
</tr>
<tr>
<td>- imported</td>
<td>1</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>- local</td>
<td>-</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Biodiesel</strong></td>
<td></td>
<td><strong>RA 9153</strong></td>
<td><strong>RA 9537</strong></td>
</tr>
<tr>
<td>- local only</td>
<td>-</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
Oil Industry Situation
1H 2017 Production / Demand Mix

Production (200.3 MBCD) / Demand (447.9 MBCD) \%Mix

<table>
<thead>
<tr>
<th>Fuel</th>
<th>Production</th>
<th>Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>LPG</td>
<td>7.0</td>
<td>11.0</td>
</tr>
<tr>
<td>GASOLINE</td>
<td>24.3</td>
<td>23.4</td>
</tr>
<tr>
<td>AVTURBO/KEROSENE</td>
<td>10.3</td>
<td>11.3</td>
</tr>
<tr>
<td>DIESEL</td>
<td>36.8</td>
<td>41.2</td>
</tr>
<tr>
<td>FUEL OIL</td>
<td>6.1</td>
<td>6.5</td>
</tr>
<tr>
<td>CRUDE</td>
<td>15.0</td>
<td>6.8</td>
</tr>
</tbody>
</table>

- POWER GENERATION: 5.68\%
- INDUSTRY: 7.11\%
- TRANSPORT: 63.99\%
- RESIDENTIAL: 7.68\%
- COMMERCIAL: 8.66\%
- AGRICULTURE: 1.11\%
- OTHERS, NON-ENERGY: 5.76\%
- TOTAL DEMAND: 100.00\%
1H 2017 Oil Imports By Country of Origin

**PRODUCT IMPORTS**

- China: 35.3%
- Korea: 22.4%
- Singapore: 12.3%
- Japan: 4.7%
- India: 4.2%
- E. Guinea: 0.5%
- Indonesia: 0.7%
- Others: 0.03%

**CRUDE IMPORTS**

- Saudi Arabia: 34.9%
- Kuwait: 28.4%
- Russia: 7.8%
- UAE: 15.6%
- Malaysia: 5.3%
- Japan: 2.0%
- Qatar: 5.6%
- Others: 0.03%

**Import Volumes**

- Product Imports: 48,592 MB
- Crude Imports: 35,759 MB
### Market Share

**YTD June 2016**
- **Petron**: 36.16% (159.72 MBCD)
- **Chevron**: 30.25% (133.58 MBCD)
- **Shell**: 20.22% (89.31 MBCD)
- **Others**: 6.56% (28.96 MBCD)
- **Direct Imports**: 6.81% (30.08 MBCD)

**YTD Sept 2016**
- **Petron**: 34.63% (147.55 MBCD)
- **Chevron**: 30.89% (131.60 MBCD)
- **Shell**: 20.61% (87.81 MBCD)
- **Others**: 6.68% (28.45 MBCD)
- **Direct Imports**: 7.19% (30.63 MBCD)

**FY 2016**
- **Petron**: 34.17% (145.09 MBCD)
- **Chevron**: 30.73% (130.48 MBCD)
- **Shell**: 20.31% (86.24 MBCD)
- **Others**: 6.68% (28.45 MBCD)
- **Direct Imports**: 8.04% (30.63 MBCD)

**YTD June 2017**
- **Petron**: 35.0% (156.74 MBCD)
- **Chevron**: 30.73% (128.29 MBCD)
- **Shell**: 20.70% (92.68 MBCD)
- **Others**: 6.71% (30.04 MBCD)
- **Direct Imports**: 8.96% (40.11 MBCD)

**YTD June 2016**
- **Petron**: 441.66 MBCD
- **Chevron**: 426.05 MBCD
- **Shell**: 424.63 MBCD
- **Others**: 424.63 MBCD
- **Direct Imports**: 447.85 MBCD
LPG Market Share - YTD June 2017

Total Country: 8,890.2 MB

NCR: 3,316.6 MB

S. Luzon: 1,591.7 MB

Visayas: 1,046.4 MB

N. Luzon: 2,118.1 MB

Mindanao: 817.4 MB

Sep 15, 2017
## Investments of New Players after R. A. 8479 (as of June 2017)

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>NUMBER OF PLAYERS (In operation)</th>
<th>INVESTMENTS (In Billion Pesos)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquid Fuel Bulk Marketing</td>
<td>219</td>
<td>17.36</td>
</tr>
<tr>
<td>Fuel Retail Marketing</td>
<td>11</td>
<td>14.31</td>
</tr>
<tr>
<td>LPG Bulk Marketing</td>
<td>11</td>
<td>14.36</td>
</tr>
<tr>
<td>Terminaling</td>
<td>12</td>
<td>8.82</td>
</tr>
<tr>
<td>Bunkering</td>
<td>19</td>
<td>2.61</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>272</strong></td>
<td><strong>57.46</strong></td>
</tr>
</tbody>
</table>
Oil Pricing
Oil Situation in the Philippines

- Price Decontrol

**DOE price monitoring and assessment**
- International prices, i.e. Daily MOPS Dubai, gasoline, diesel, kerosene, and monthly CP of LPG
- Retail prices in Metro Manila and key cities of Luzon, Visayas and Mindanao

**Oil companies set local prices**
- For gasoline, diesel, etc. – industry players reflect weekly MOPS movements in local prices
- For LPG, movements in the CP are quickly reflected in the domestic market on the first week of the month
- Independent oil marketers exercise freedom of choice (shop around for lowest price or enter into supply contracts)
Local Oil Pricing – Cost Components

- **FOB**
  - + Freight
  - + Insurance

- **CIF**
  - + Import duty
  - + Specific tax
  - + Port chargers
  - + Other imposts
  - + VAT

- **Tax-paid Landed Cost**
  - + Refining Cost (for crude)
  - + Storage/Handing/Marketing Costs
  - + Oil Company's Profit
  - + VAT

- **Direct Oil Company Take**
  - + Transhipment Cost
  - + Profit Margin
  - + VAT for local sale

- **Wholesale Posted Price**
  - + Hauling Charge
  - + Dealer's Mark-Up
  - + VAT

- **Pump Price**

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*Some consider ANYTHING BEYOND the TAX-PAID LANDED COST (TPLC) as OVERPRICING. But such does not consider the local costs...*
# Oil Pricing – ERB Formula

## Automatic Pricing Mechanism
Computation of the estimated adjustment for the week

<table>
<thead>
<tr>
<th>LANDED COST (Product)</th>
<th>Past Week</th>
<th>Present Week</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$ PER BARREL</td>
<td>a_1</td>
<td>a_2</td>
</tr>
<tr>
<td>FOB (MOPS*)</td>
<td>b_1</td>
<td>b_2</td>
</tr>
<tr>
<td>FREIGHT PLUS</td>
<td>c_1 = a_1 + b_1</td>
<td>c_2 = a_2 + b_2</td>
</tr>
<tr>
<td>EXCHANGE RATE</td>
<td>d_1</td>
<td>d_2</td>
</tr>
</tbody>
</table>

**Peso Landed Cost**

<table>
<thead>
<tr>
<th></th>
<th>e_1 = c_1 * d_1</th>
<th>e_2 = c_2 * d_2</th>
</tr>
</thead>
<tbody>
<tr>
<td>DUTY</td>
<td>f_1 = e_1 * ___%</td>
<td>f_2 = e_2 * ___%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OCEAN LOSS</th>
<th>g_1 = e_1 * 0.5%</th>
<th>g_2 = e_2 * 0.5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL (Without VAT)</td>
<td>h_1 = e_1 + f_1 + g_1</td>
<td>h_2 = e_2 + f_2 + g_2</td>
</tr>
<tr>
<td>TOTAL (With VAT)</td>
<td>i_1 = h_1 * 1.12</td>
<td>i_2 = h_2 * 1.12</td>
</tr>
</tbody>
</table>

**Peso Landed Cost, P/l**

<table>
<thead>
<tr>
<th></th>
<th>j_1 = i_1 / 159</th>
<th>j_2 = i_2 / 159</th>
</tr>
</thead>
</table>

**Difference**

<table>
<thead>
<tr>
<th></th>
<th>k_2 = i_2 - i_1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peso/barrel</td>
<td></td>
</tr>
<tr>
<td>Peso/liter</td>
<td>l_2 = k_2 / 159</td>
</tr>
</tbody>
</table>

* MOPS of ULG, Diesel, IFO or LPG (Contract Price, CP)

Note: The value appearing in I_2 is the estimated adjustment in the price of the product for the week.

WPP = Landed Cost + Oil company Margin + Specific Tax + VAT

PP = WPP + Dealers/Haulers Margin
**Oil Pricing – After Landed Cost**

**GASOLINE PRICE ANALYSIS**

**International Content of the Pump Price**

<table>
<thead>
<tr>
<th></th>
<th>Sept 2017 MOPS Gasoline (FOB)</th>
<th>Add: Freight</th>
<th>CNF, $/bbl</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>67.58</td>
<td>2.00</td>
<td>69.58</td>
</tr>
<tr>
<td>Forex</td>
<td></td>
<td></td>
<td>50.99</td>
</tr>
<tr>
<td>CNF, P/lit</td>
<td></td>
<td></td>
<td>22.31</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Concerned Area</th>
<th>Gasoline Actual Price Sep 30, 2017</th>
<th>International Content (CNF)</th>
<th>Local Content</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Amount</td>
<td>Excise Tax</td>
</tr>
<tr>
<td>Manila</td>
<td>46.35</td>
<td>22.31</td>
<td>4.35</td>
</tr>
<tr>
<td>North Luzon</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>La Trinidad Benguet</td>
<td>55.77</td>
<td>22.31</td>
<td>4.35</td>
</tr>
<tr>
<td>Tuguegarao Cagayan</td>
<td>45.00</td>
<td>22.31</td>
<td>4.35</td>
</tr>
<tr>
<td>Vigan Ilocos Sur</td>
<td>45.42</td>
<td>22.31</td>
<td>4.35</td>
</tr>
<tr>
<td>San Fernando La Union</td>
<td>44.25</td>
<td>22.31</td>
<td>4.35</td>
</tr>
<tr>
<td>Lingayen Pangasinan</td>
<td>42.85</td>
<td>22.31</td>
<td>4.35</td>
</tr>
<tr>
<td>San Fernando Pampanga</td>
<td>47.95</td>
<td>22.31</td>
<td>4.35</td>
</tr>
<tr>
<td>Bulacan</td>
<td>47.40</td>
<td>22.31</td>
<td>4.35</td>
</tr>
</tbody>
</table>
# Oil Pricing – After Landed Cost

## DIESEL PRICE ANALYSIS

### International Content of the Pump Price

<table>
<thead>
<tr>
<th>Sept 2017 MOPS Diesel (FOB)</th>
<th>69.14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Add: Freight</td>
<td>2.00</td>
</tr>
<tr>
<td>CNF, $/bbl</td>
<td>71.14</td>
</tr>
<tr>
<td>Forex</td>
<td>50.99</td>
</tr>
<tr>
<td>CNF, P/lit</td>
<td>22.81</td>
</tr>
</tbody>
</table>

### Concerned Area

<table>
<thead>
<tr>
<th>Concerned Area</th>
<th>Diesel Actual Price Sep 30, 2017</th>
<th>International Content (CNF)</th>
<th>Local Content</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Excise Tax</td>
<td>VAT</td>
</tr>
<tr>
<td>Manila</td>
<td>34.15</td>
<td>22.81</td>
<td>0.00</td>
</tr>
<tr>
<td>North Luzon</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>La Trinidad Benguet</td>
<td>36.93</td>
<td>22.81</td>
<td>0.00</td>
</tr>
<tr>
<td>Tuguegarao Cagayan</td>
<td>34.61</td>
<td>22.81</td>
<td>0.00</td>
</tr>
<tr>
<td>Vigan Ilocos Sur</td>
<td>32.02</td>
<td>22.81</td>
<td>0.00</td>
</tr>
<tr>
<td>San Fernando La Union</td>
<td>32.62</td>
<td>22.81</td>
<td>0.00</td>
</tr>
<tr>
<td>Lingayen Pangasinan</td>
<td>34.80</td>
<td>22.81</td>
<td>0.00</td>
</tr>
<tr>
<td>San Fernando Pampanga</td>
<td>34.44</td>
<td>22.81</td>
<td>0.00</td>
</tr>
<tr>
<td>Bulacan</td>
<td>33.65</td>
<td>22.81</td>
<td>0.00</td>
</tr>
</tbody>
</table>
In Closing
The DOE recognizes that there are always rooms for improvement. The Department will always seek the wisdom of the lawmakers, as well as its stakeholders, on how the law, and its implementing rules, can be improved.

The DOE therefore delivers its full commitment to finding solutions which will better serve our consumers.

KAYANG-KAYA KUNG SAMA-SAMA!
WE NOTE: DOE’s mandate is far beyond just oil pricing

**POLICY : ENSURE STABLE SUPPLY OF ENERGY**

**GOALS:**

- To ensure oil supply security – sufficient, stable, accessible & quality
- To conduct technical, economic and social assessment and studies to ensure continuous and stable supply of oil.
- To promote efficiency and safety in supply and distribution chain
- To reduce dependence on imported fuel
- To promote awareness on the downstream oil industry initiatives and developments.
Thank You!

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