

Why explore in the Philippines?

- Underexplored hydrocarbon potential (**10% explored areas**)
- Very attractive fiscal terms
- Expanding internal energy market
- Technology-neutral policy



The Petroleum Service Contract (PSC) System

Production Sharing	Government	60% of net proceeds
	Contractor	40% of net proceeds
Financial Incentives	FPIA	Filipino Participation Incentive Allowance (FPIA) with a minimum of 1.5% up to a maximum of 7.5% of gross proceeds for service contractors allows at least 15% participation by Filipino companies
	Cost Recovery	Cost Recovery of up to 70% of gross income from petroleum production in any calendar year with the unrecovered costs to be carried over in the succeeding calendar year(s). Capital expenditures are depreciated over 5-10 years.
	Importation	Exemption from all levies, tariffs, duties, compensating tax and value added tax.
	Special Income Tax	Subcontractor 8% of gross Philippine Tax Foreign Employees 15% of gross Philippine Tax (subject to TRAIN Law)

The Petroleum Service Contract (PSC) System

Contract Area	Onshore	50,000 to 750,000 hectares
	Offshore	80,000 to 1,500,000 hectares
Nationality of Operator	Either Foreign or Local (must be financially, legally and technically qualified; and will provide the necessary services, financing and technology and fully assume all exploration risks)	
Contract Duration	Exploration	Initially 7 years (can be extended up to 3 years)
	Production	Initially 25 years (can be extended up to 15 years)

Note: Total Contract term shall not exceed 50 years

Breakdown of Proceeds from Production

Gross Proceeds	\$	100.00
Less:	Filipino Participation Incentive Allowance (FPIA) if applicable	7.50*
	Cost Recovery	70.00**
Net Proceeds		22.50
Less:	Contractor's Share (40%)	9.00
	Government Share (60%)	13.50
Less:	Income Tax (Contractor's Share / 70%) x 30%***	3.86
Net Government Share		9.64
National Government Share (60%)		5.78
Local Government Unit Share (40%)		3.86

* Percentage of FPIA varies from 1.5% to a maximum of 7.5%, depending of the participating interest of the Filipino partners
** 70% of Gross Income or actual recoverable cost whichever is lower
*** Income Tax Rate starting January 2009 (Tax Code)

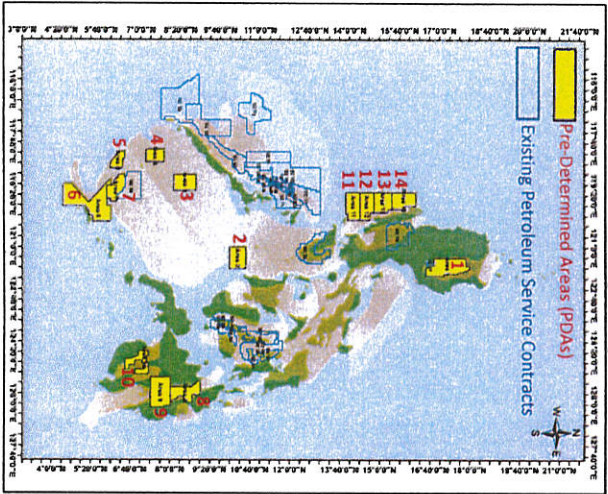
New Contracting / Licensing Scheme

The Philippine Conventional Energy Contracting Program (PCECP) for Petroleum

Adopts Two (2) Modes of Awarding Petroleum Service Contracts (PSCs):

- (1) By competitive selection process – DOE may publish a set of Pre-Determined Areas (PDAs) for bidding;
- (2) By nomination - Applicant/s may nominate and publish their respective areas/ of interest

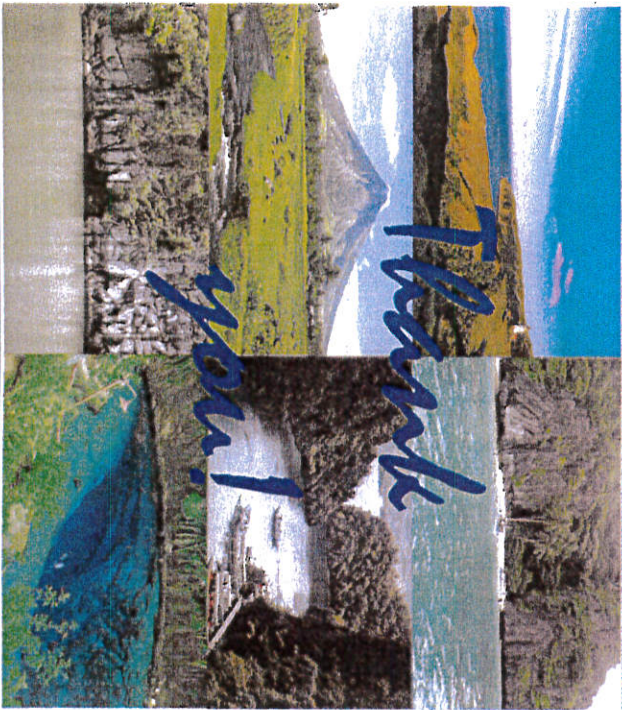
Pre-Determined Areas (PDAs) for 2018



COVERAGE (HECTARES) LOCATION		
AREA 1	748,000	CAGAYAN
AREA 2	448,000	EAST PALAWAN
AREA 3	440,000	EAST PALAWAN
AREA 4	288,000	EAST PALAWAN
AREA 5	212,000	SULU SEA
AREA 6	1,282,000	SULU SEA
AREA 7	358,000	SULU SEA
AREA 8	488,000	AGUSAN-DAVAO
AREA 9	748,000	COTABATO
AREA 10	354,000	WEST LUZON
AREA 11	488,000	WEST LUZON
AREA 12	454,000	WEST LUZON
AREA 13	452,000	WEST LUZON
AREA 14	480,000	WEST LUZON

PCECP: Modes of Application

- 1. **Pre-Determined Areas (PDAs)**
 - Offered and published by the DOE;
 - Includes a data package per PDA offered;
 - Php 200,000 application fee (all applicants, non-refundable)
 - 180-day application period
 - Offering of PDAs – **22 November 2018 (Launching of PCECP)**
- 2. **Nominated Areas**
 - Submitted by applicants for DOE's approval;
 - Published by nominating parties at their own expense
 - Php 200,000 application fee (nominating applicants, non-refundable)
 - 60-day challenge period
 - Php 1,000,000 challenge fee (other applicants, non-refundable)
 - **Any time of the year**



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The Philippine Conventional Energy Contracting Program (PCECP) for Petroleum

Presented by the:
DEPARTMENT OF ENERGY
Republic of the Philippines



SEAPEX EXPLORATION CONFERENCE 2019
Fairmont Hotel, Singapore
03 April 2019

Energy Sector Agenda: Energy Security



- Malampaya, sole producer of natural gas
- Galoc oil production is a major contributor to the country's oil production



DOE targets energy security and sustainability

PHILIPPINE ECONOMY

- Upgraded Country Credit Rating : **BBB** FitchRatings **S&P Global** **MOODY'S** Ratings INVESTORS SERVICE
- One of the fastest growing economies in the world (6.2% in 2018)
- Focus of Duterte Administration: **Build, Build, Build**
- For Petroleum: **Explore, Explore, Explore**



Producing Gas Fields in the Philippines



- Meets 40-45% of Luzon's power generation requirements (3,200 MW)
- Investment of USD 2.1 billion cost-recovered in four (4) years