

LPG Industry Situationer/ Regulatory Framework

Robert R. Cardinales

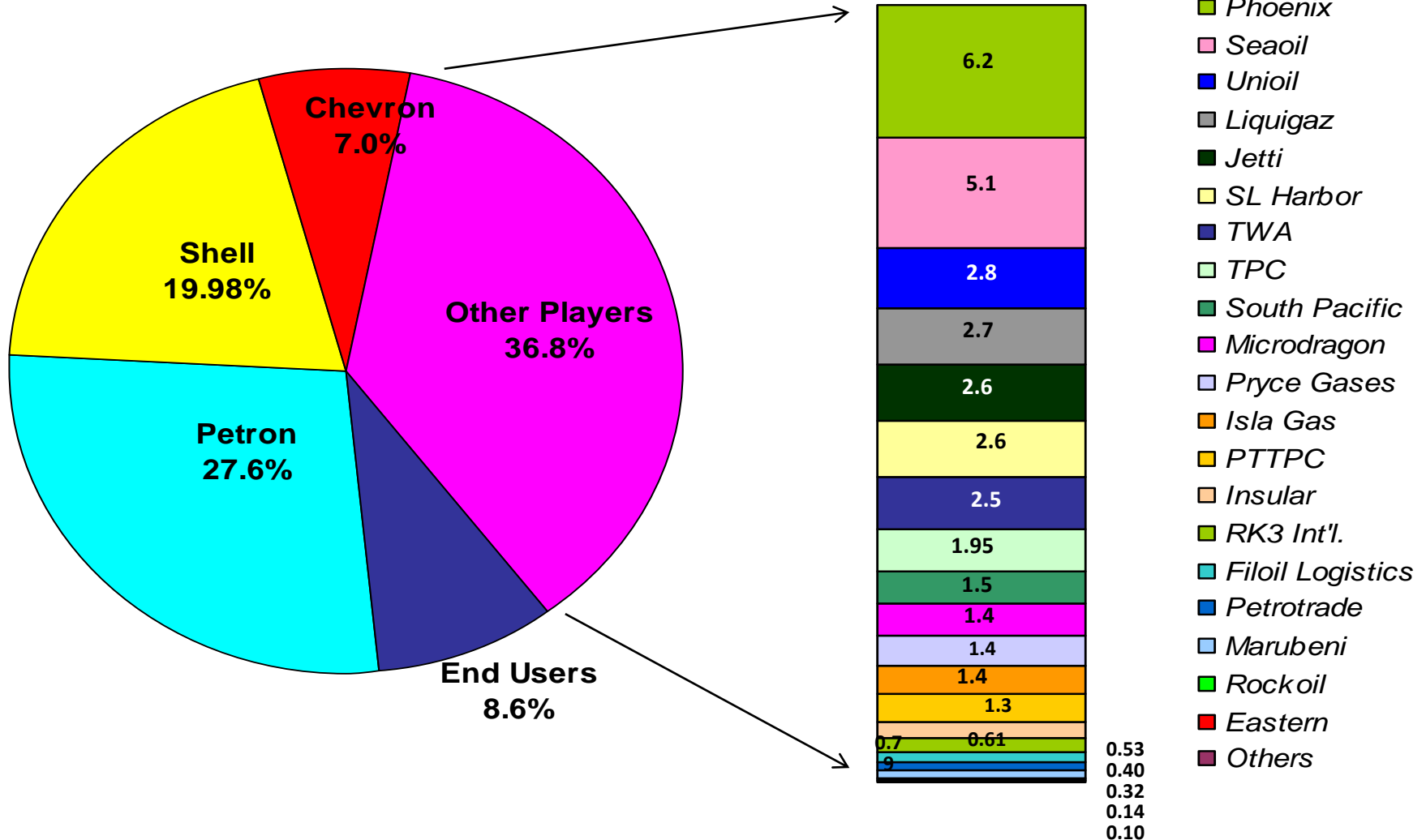
ENERGY CONSUMERS AND STAKEHOLDERS' CONFERENCE 2018
THEME: “E-Power Mo! Communicating Efficiency
Across the Energy Sector”

24 April 2018
Hotel Supreme, Opal Function Room
Baguio City



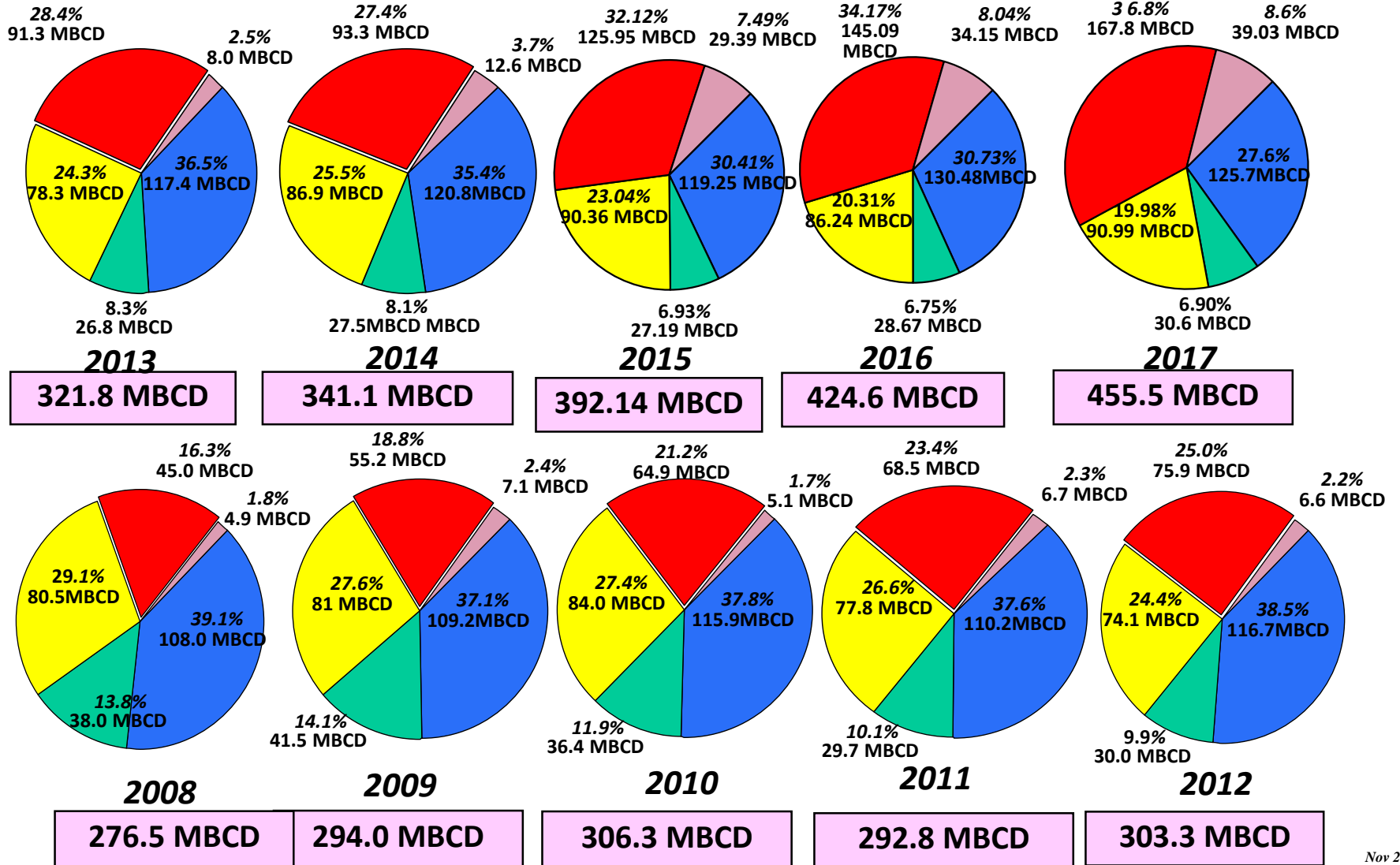
LPG Industry Situationer

FY 2017 MARKET SHARE (TOTAL PRODUCTS)



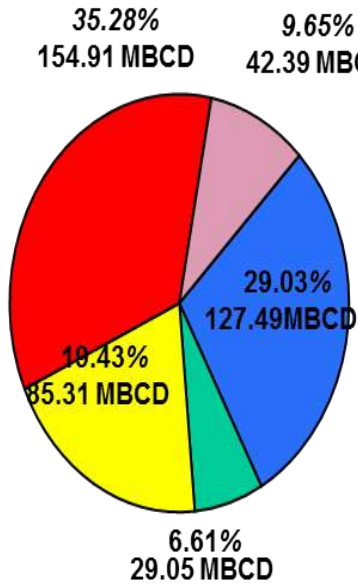
MARKET SHARE

■ Petron
 ■ Chevron
 ■ Shell
 ■ Others
 ■ End Users



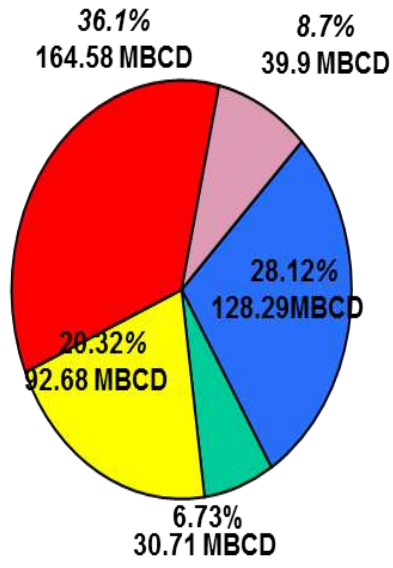
MARKET SHARE

■ Petron
 ■ Chevron
 ■ Shell
 ■ Others
 ■ Direct Imports



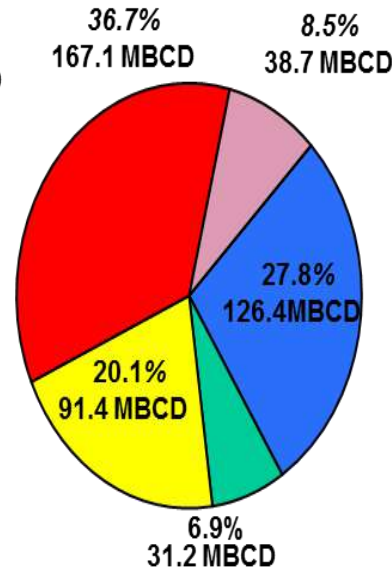
YTD Mar 2017

439.13 MBCD



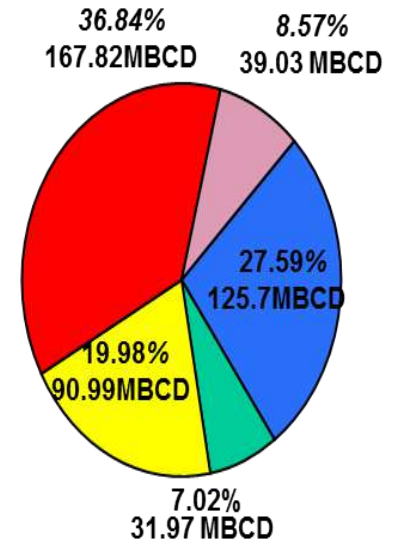
YTD June 2017

456.17 MBCD



YTD Sep 2017

454.8 MBCD

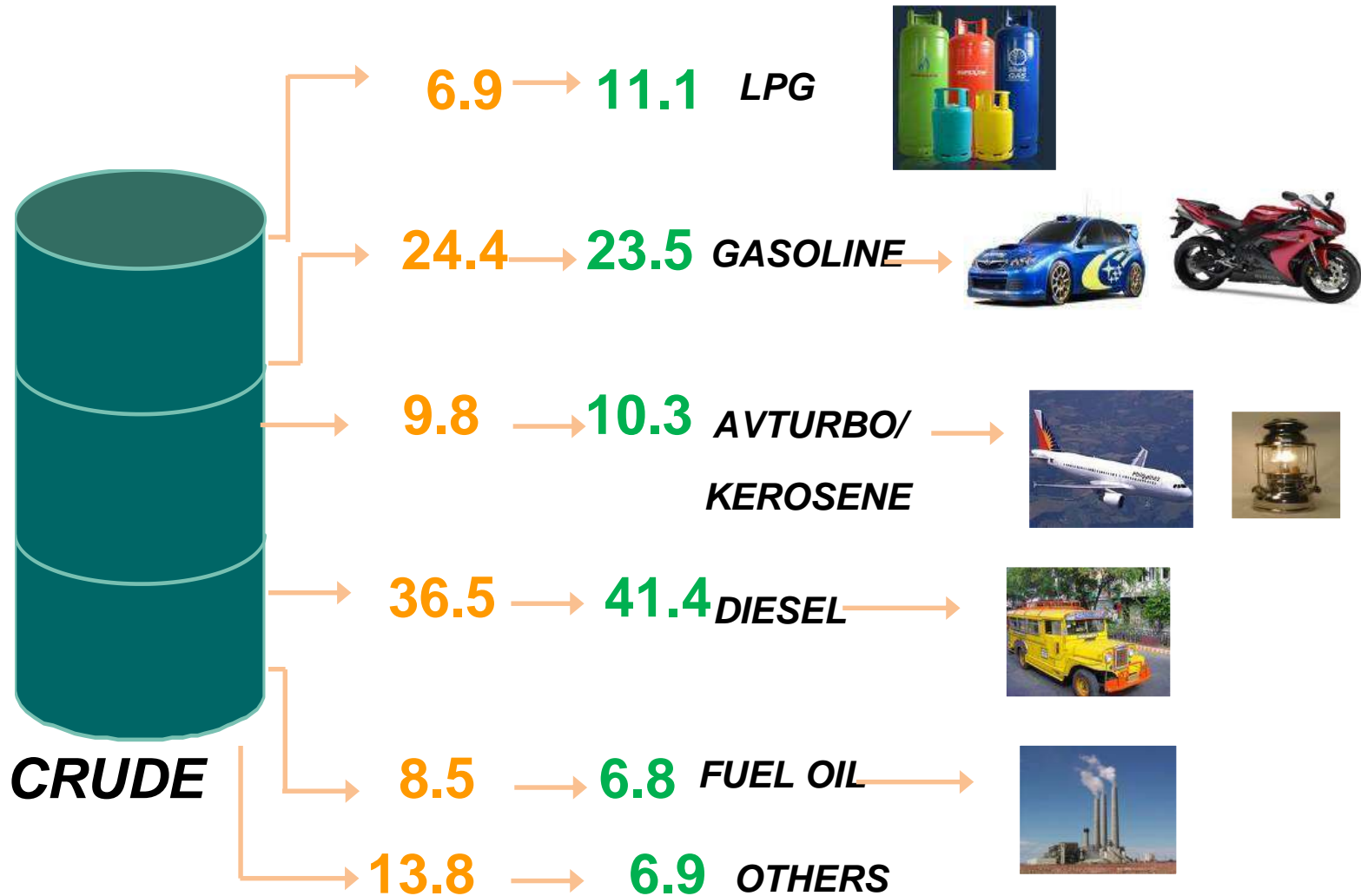


FY 2017

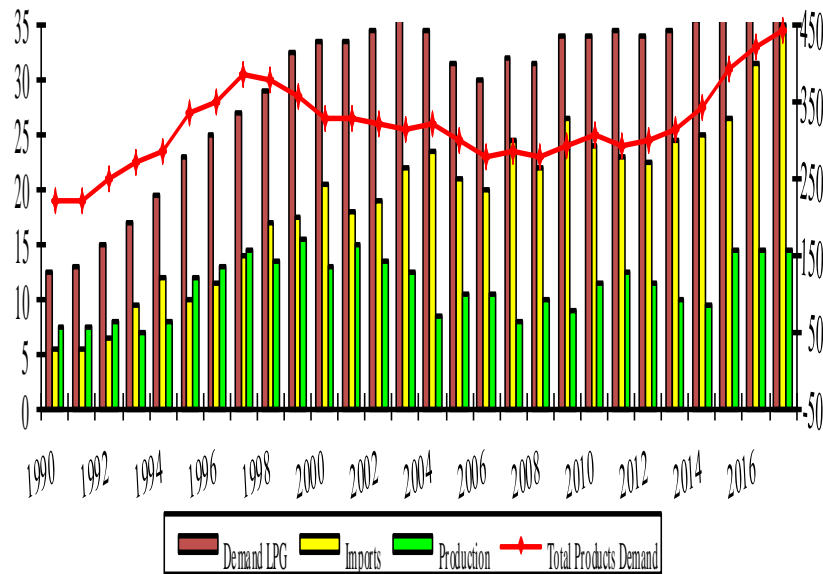
455.5 MBCD



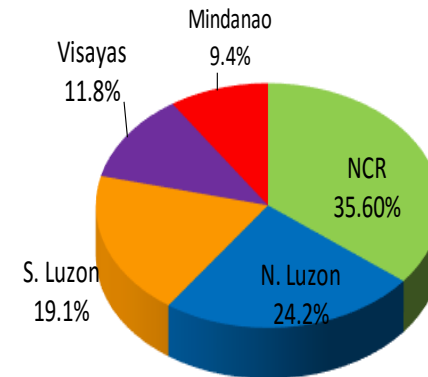
FY 2017 PRODUCTION/DEMAND MIX



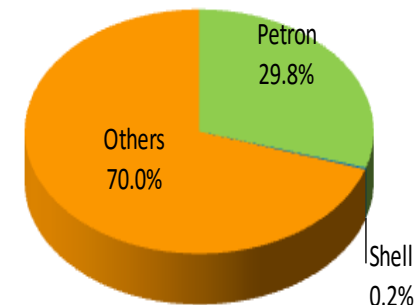
FY 2017 LPG IN THE PHILIPPINES



Demand by Region



Market Share

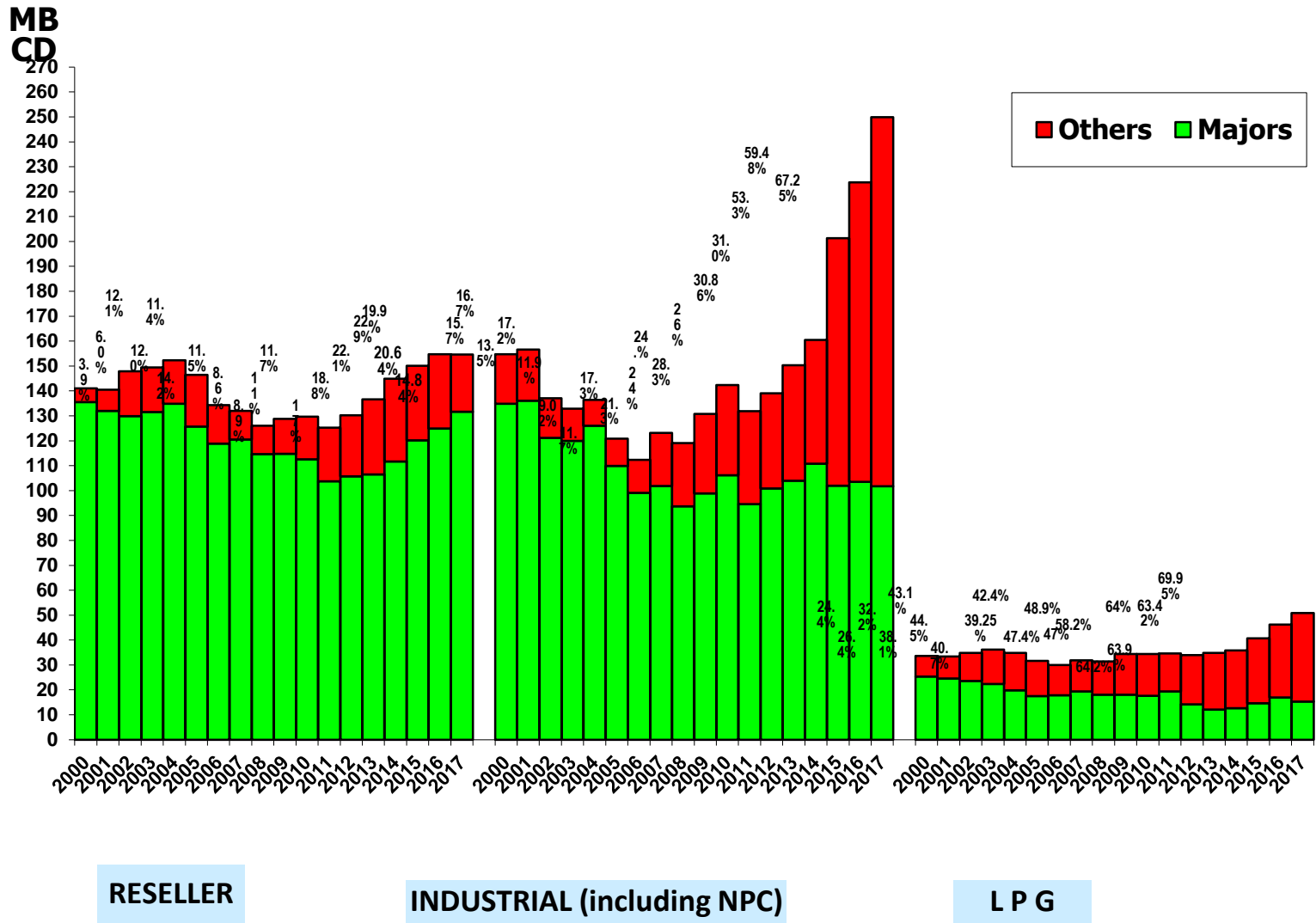


LPG Players by Activity

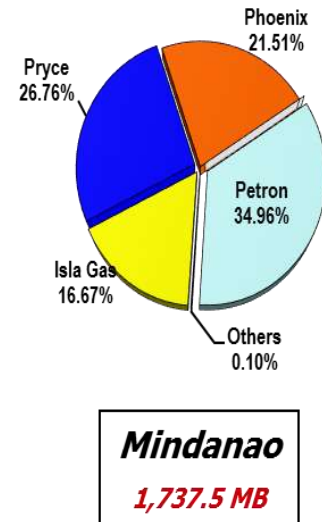
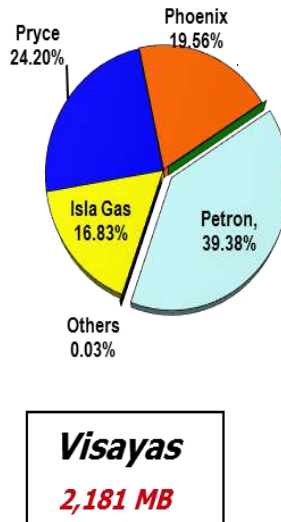
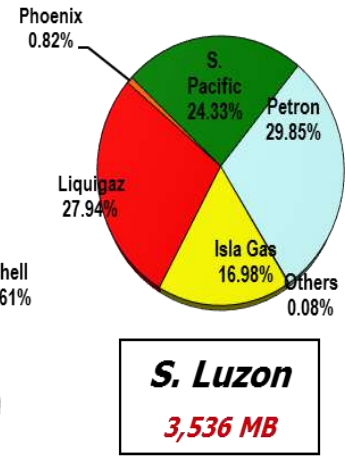
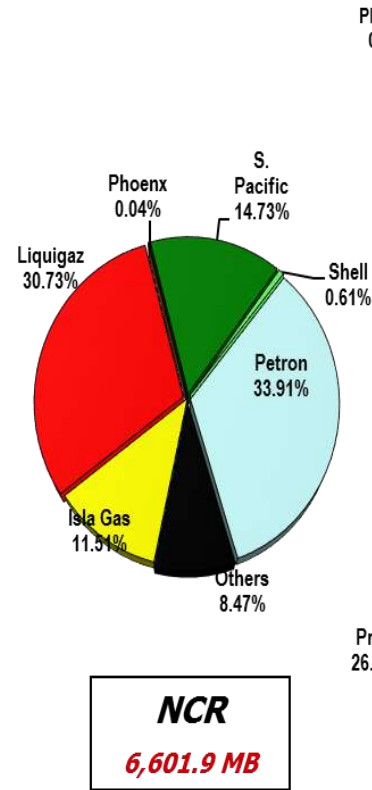
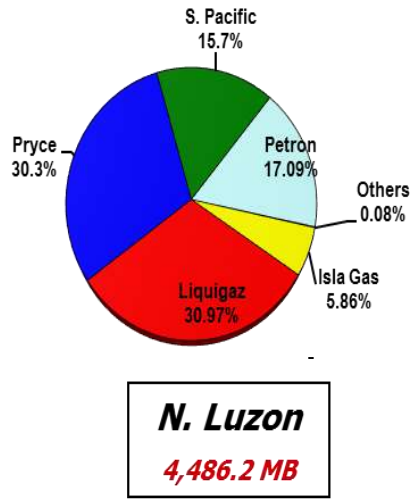
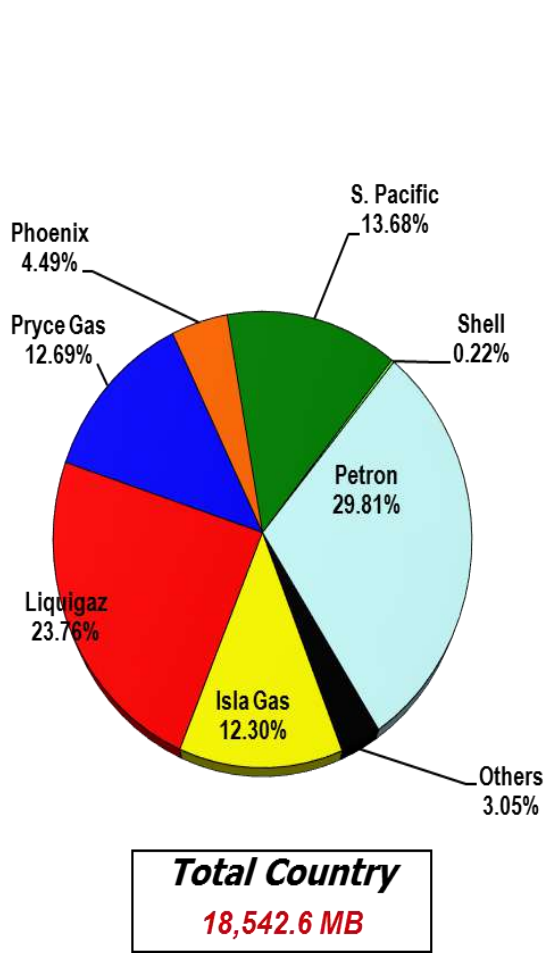
Activity	Number
Refiners	2
Importers	6
Refillers	111
Brand-owners	145
Dealers	> 2000
Retail Outlets	> 15000



MARKET SHARE – BY SECTOR



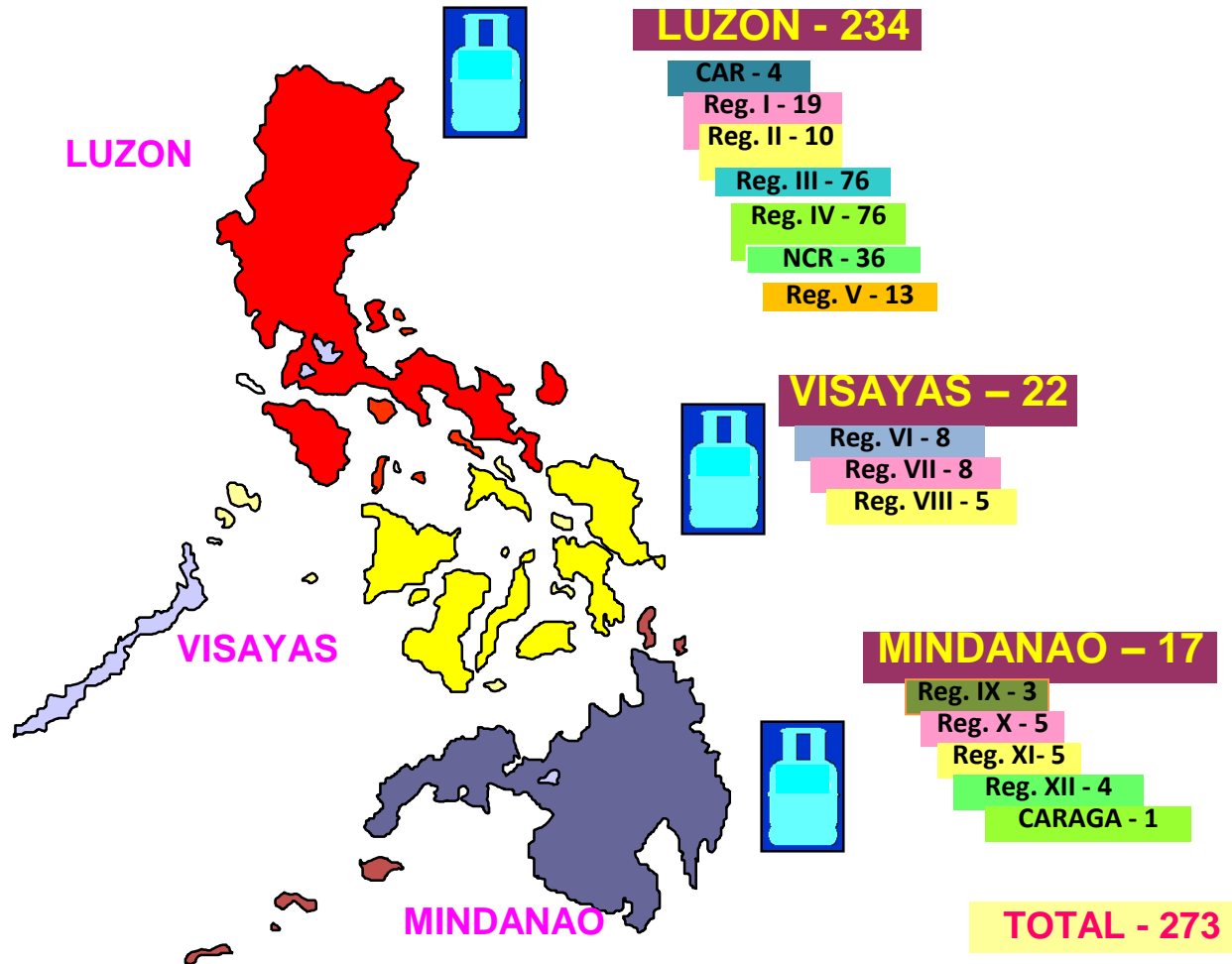
FY 2017 LPG MARKET SHARE



Mar 07, 2018



LPG Refilling Plants



LPG Regulatory Framework

- **RA 8479**
 - **DOE MC 98-03-004**
 - **DOE MC 98-06-009**
- **BP 33**
- **Industry MOA (9/9/99)**
 - **DOE MC 2000-05-007**
 - **DOE MC 2000-06-010**
- **DOE-DTI MOU**
- **DOE-DILG MOA**
- **DOE DC 2007-10-0007**
- **DOE DC 2013-09-0022**
- **DOE DC 2014-01-0001**
- **R.A. 10623**
- **Downstream Oil Industry Deregulation Act of 1998**
- **IRR for RA 8479**
- **Supplemental IRR for RA 8479**
- **Regulations, Fees & Charges**
- **Active Industry Participation for Orderly Competition**
- **Quality Requirements for Cylinders**
- **Revised Schedule of Fines/ Penalties**
- **LPG Cylinder Quality Standard**
- **LGU action in support of DOE resolutions/orders**
- **LPG Cylinder Ownership and Obligations Related Thereto**
- **Minimum Safety Standards in the Transportation and Distribution of LPG in Cylinders**
- **The LPG Industry Rules**
- **Amending Certain Prov of RA 7581**



LPG-related Laws

- **Republic Act 623 as amended by RA 5700 or “An Act to Regulate the Use of Steel Containers, Bottles, Casks, etc.”**
- **Republic Act 8293 or the “Intellectual Property Rights Law”**

Laws on Criminal Offenses are Implemented by Law Enforcement Agencies Based on Complaint by Offended Party/ies

PROVIDING THE RULES AND REGULATIONS IN THE LIQUIFIED PETROLEUM GAS (LPG) INDUSTRY

OR

“LPG INDUSTRY RULES”

LPG Industry Rules

- Signed..... January 7, 2014**
- Published..... January 15, 2014**
- Effectivity.....January 30, 2014**
- Transition period.....All existing LPG establishments shall be given three (3) months to fully comply with the provisions of the Circular**

LPG Rules Scope/Coverage

□ **Sec. 2-SCOPE/COVERAGE- All LPG Industry Players/ Establishments:**

✓ **Refiners**



✓ **LPG Importers**



✓ **LPG Refillers/**

✓ **Refilling Plants**



LPG Rules Scope/Coverage

□ All LPG Industry Players/Establishments:

✓ LPG Marketers



✓ LPG Distributors



✓ LPG Haulers/

✓ Transporters



LPG Rules Scope/Coverage

□ All LPG Industry Players/Establishments:

✓ LPG Traders/Dealers



✓ LPG Retailers



✓ LPG Handling/
Storage



Standards Compliance Certificate

Section 6 (a) :

“No person shall engage in the industry activity without first applying for and being issued by the OIMB with an SCC. Applications in the **Visayas and **Mindanao** shall be filed with the **appropriate field office** of the DOE in these regions...xxx”**

Terms of the SCC:

- ✓ **Validity of three (3) years**
- ✓ **Site/Plant/Outlet specific**
- ✓ **SCC holder may transact business only with an SCC holder**

Requirements for SCC

- **Notarized application, which contain the following information:**
 - ✓ **Activity/(ies) to be engaged**
 - ✓ **Business name, address, telephone/fax number**
 - ✓ **Location and complete address of the establishment(s)**
 - ✓ **Name of owner/(s)**
 - ✓ **Other requirements as required**
- **Supporting Documents which are distinct for each activity**



Prohibited Acts

- **ILLEGAL TRADING**

- ✓ Engaging in business without SCC
- ✓ Failure to post SCC
- ✓ Transacting business with other LPG industry participants without a SCC
- ✓ Refusal/Obstruction of Inspection
- ✓ Sale of LPG in cylinders that do not conform with PNS
- ✓ Failure to comply with standards
- ✓ Failure to comply with weighing device requirements
- ✓ Illegal possession of and/or use of unregistered and/or inappropriate LPG cylinder seals



Prohibited Acts

- **ILLEGAL TRADING**

- ✓ Sale or distribution of LPG-filled cylinders without seals, tampered seals, or inappropriate seals
- ✓ **Sale of LPG in single-trip (non-refillable) container/canister previously filled with butane...**
- ✓ Illegal storage
- ✓ Pilferage of LPG
- ✓ Tampering of LPG cylinders
- ✓ Overloading (in hauling)
- ✓ Hoarding



Typical Brand - New Butane Canisters (Non-refillable)



BEWARE: THIS CONTAINERS SHOULD NOT BE RE-FILLED BY LPG.



Dilapidated Butane Canisters (for refilling of LPG)



Administrative Fines and Sanctions

- Industry participant without SCC = **P60,000**
- Transacting with an industry participant without SCC = **P60,000**
- Violation not covered by previous DOE circular on penalties and fines = **P10,000 or P5,000 per cylinder, whichever is higher**
- Refusal, prevention and obstruction of inspection by DOE inspectors = **P50,000**

* Administrative fine is without prejudice to any criminal action filed pursuant to BP 33, as amended, and /or RA8479



DOE Circular No. 2000-06-010 Revised Penalties and Charges

Ä No tare weight	3	2	1
Ä No appropriate LPG seal	3	2	1
Ä No trade name/unbranded/ no serial no./no distinguishing color no embossed/identifying mark/dist. collar	4	3	1
Ä Underfilled	4	3	1
Ä Tampering,altering,modifying cyl. changing valves, repainting, relabeling	5	3	1.5
Ä Unauthorized decanting/refilling	5	5	5

Penalties in thousand pesos for refillers, marketers/dealers,
retail outlets, respectively



DOE Circular No. 2000-06-010 Revised Penalties and Charges

Ä No price display board	Reprimand		
Ä No weighing scale	5	3	Reprimand
Ä Hoarding	10		
Ä Refuse inspection	10		
Ä Refuse fine	Closure		

Penalties in thousand pesos for refillers, marketers/dealers, retail outlets, respectively

DEPARTMENT CIRCULAR NO. DC-2018-03-0004



“ Prohibiting the Sale and Distribution of Small-sized 2.7 KG Capacity and Below LPG Cylinders Without the Required “ For Outdoor Use Only” Marking in Addition to the Usual Mandatory Markings for LPG Cylinders, And For Other Purposes “



Background



- 2.7kg. cap. tank was first introduced in the 1960s as “Camping Gaz” brand
- Used for outdoor cooking and lighting activities
- Rebranded as “Superkalan” after Shellane acquisition
- Widely used for household cooking during the 1980s energy crisis



Background



- With its cheaper price, though with lesser net content, the 2.7kg. cap. cylinder became a substitute for the standard 11kg household tanks..





- Other LPG brands also came up with their 2.7kg cylinder, i.e., Gasulette for Petron Gasul and Tankito for Caltex LPG before it was acquired by Fiesta Gas in year 2007





- Other independent 2.7kg cap. LPG brands were introduced, the cylinders mostly imported from China.



Safety issues



- Improperly welded bottom and lower cap
- Poorly maintained cylinders in circulation

Safety issues

- Standard 11kg cylinder with regulator. Pressure relief valve (PRV), etc.



- Stove or burner connected directly to the 2.7 kg cylinder



LPG accidents in stores...

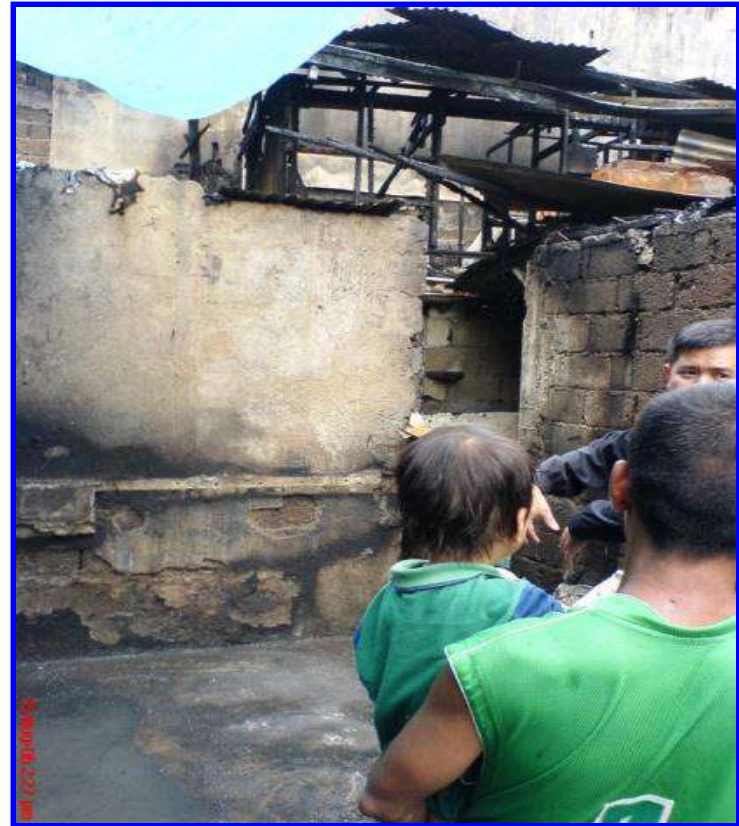


- FGaz LPG Store explosion on 03 August 2017 in Calamba City caused by a defective 2.7kg capacity cylinder being repaired



.....and homes...

Malibay, Pasay LPG explosion in August 2016 leaving nine (9) families homeless and causing numerous injuries



Caloocan LPG explosion on May 20, 2017



...even serious injuries and death.

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PATROL PH

Tangke ng LPG, sumabog, nagdulot ng sunog

ABS-CBN News
Posted at May 23 2017 05:42 PM | Updated as of May 23 2017 07:14 PM

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- A leak coming from a 2.7kg capacity cylinder caused the explosion
- The explosion occurred inside the kitchen where five (5) family members died due to severe injuries



Philippine National Standards for Gas Cylinders

Outdoor use only



PNS 03-1 : 2014
“Transportable and
refillable welded steel
cylinders for liquefied
petroleum gas (LPG) – Part 1
: Specification

- Covers LPG cylinders of up to 150 liter water capacity
- A provision on “**For Outdoor Use Only**” for 2.7kg cap is added as amendment of PNS 03-1 :2010
- Presently no BPS IRR, thus not yet mandatory



- DOE Circular on Required Markings, specifically for 2.7kg Cap cylinder
 - Provides for the mandatory markings as embodied in PNS 03-1 : 2014, specifically “For outdoor use only” on 2.7kg cap;



-Reiterates prohibition on name plating for uncertified/non-compliant cylinders;



-Imposes appropriate penalties as per DOE DCs 2000-06-010 and 2014-01-0001





DOE – DILG (BFP/BLGS) – DOTr (LTO) – MMDA Joint Administrative Order no. XXXXXX-XXXX

*Supplementing DOE DC 2013-09-0022, entitled
“Directing All LPG Industry Participants to Observe
the Minimum Safety Standards in the Transportation
and Distribution of LPG in Cylinders”*



- Vehicle design/requirement
 - Delivery vehicle engine shall be of compression ignition (diesel) type
 - Main body should be of metal cage
 - Cargo space must be isolated from driver's compartment
 - Must be equipped with suitable racks and belts



- Vehicle design/requirement
 - The use of closed vans is strictly prohibited. A vehicle is deemed closed if it has side or back walls, or a roof, subject to provisions hereof.



- Personnel Safety
 - Drivers and attendants shall be trained in proper LPG handling by a government-recognized training institution, i.e., PLPGA, LPGIA, etc.
 - Drivers must have a professional driver's license
 - Drivers and attendants shall wear proper PPE and shall carry valid company's ID at all times





- Cylinder stacking
 - All filled and used empty LPG cylinders shall be loaded in an upright position.
 - Transport of empty cylinders due for repair/requalification are exempted provided there is corresponding proof, i.e., documents.



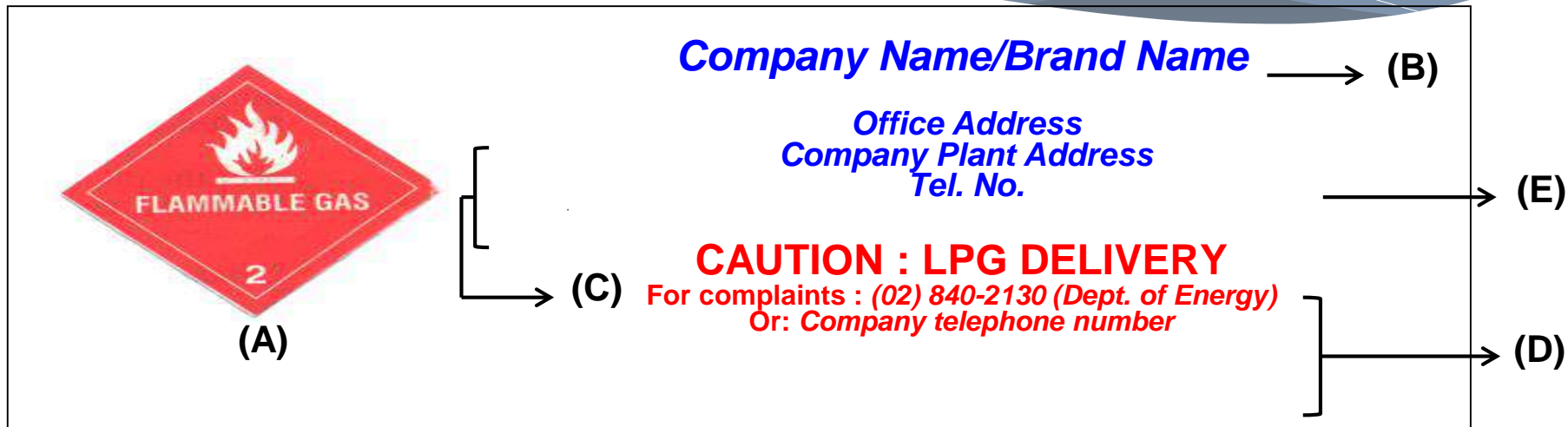
- Cylinder Stacking

- All filled LPG cylinders shall be transported with the required valve seal intact at all times.
- Cylinders without collar support shall be transported in appropriate crates.



Annex 1. SIGNAGES AT THE SIDES OF THE CARGO COMPARTMENT

Prescribed signage shall be placed 12 in. above floor level in the mid part on both sides of the cargo compartment of the truck and not more than 25% of the wall area where the signage is to be mounted.



Legend :

- A** - Diamond (square-on-point) logo background color, international red.
 - measurement = 10 ³/₄ in. H x 10 ³/₄ in. W
 - words “flammable gas”, number “2” and “flame” color, white
 - white border distance from tip of logo, 0.5 inch
- B** - Specific LPG brand name / names that it represents / services or sells
 - Font Color, royal blue
- C** - Address and telephone no. of letter “B”
 - Font Color, royal blue
- D** - Caution signage and Department of Energy Hotline Telephone Number
 - Font Color, international red
- E** - Board background color, white

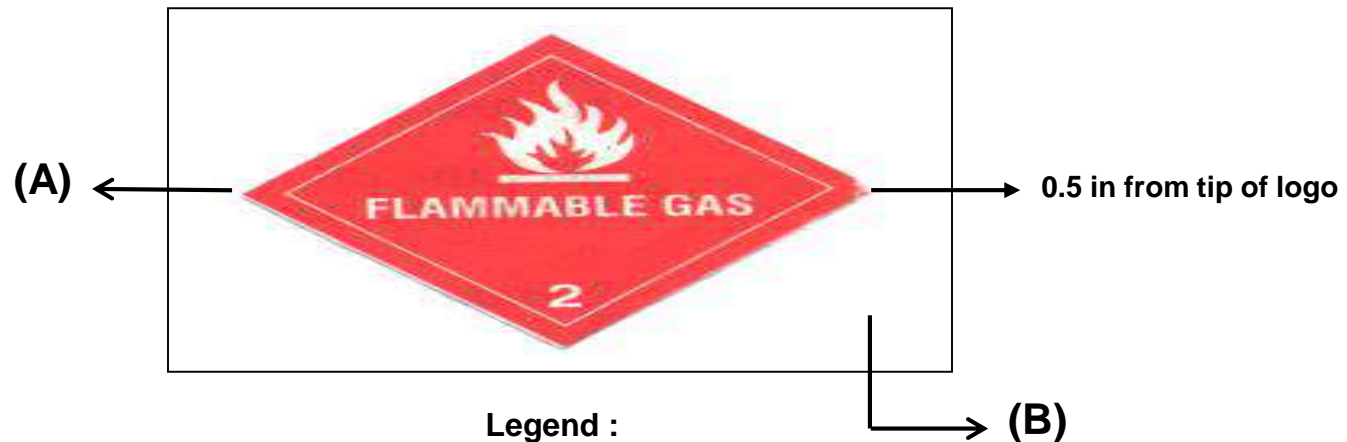
SPECIAL LABEL PROTECTION :

All labels must be resistant to oil, grease, solvent, detergents and water and must be capable of withstanding extreme weather conditions so that all entries are clearly readable at all times.



Annex 2. SIGNAGE AT THE BACK OF THE CARGO COMPARTMENT

Prescribed signage shall be placed 12 in. above floor level at the back (not to be placed at door opening) of the cargo compartment of the truck



Legend :

- A** - Diamond (square-on-point) logo background color, international red.
 - measurement = $10 \frac{3}{4}$ in. H x $10 \frac{3}{4}$ in. W
 - words "flammable gas", number "2" and "flame" color, white
 - white border distance from tip of logo, 0.5 inch
- B** - Board background color, white

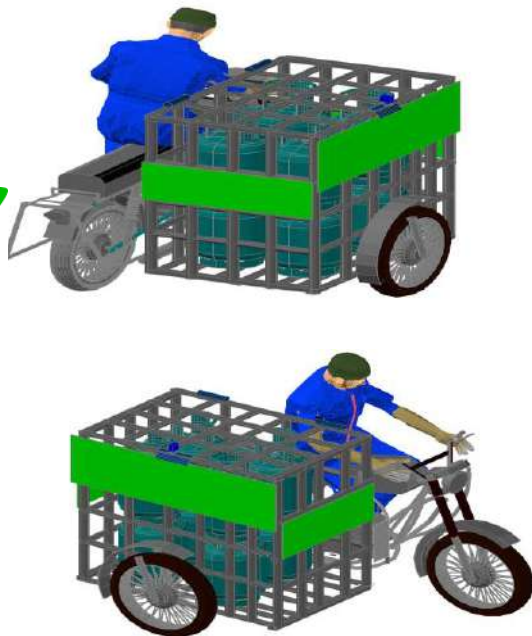
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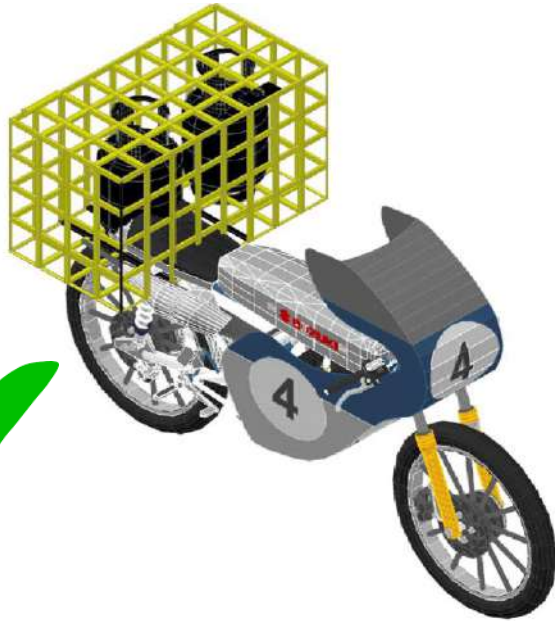
3-wheeled and 4-wheeled delivery motorcycles

- Maximum load of 2 stacks, 12-11 kg or its equivalent of smaller sizes
- Back and side signages are required
- Signages shall indicate dealer's name, address and contact numbers



Two-wheeled Delivery Vehicles

- Maximum load of 2-11kg cylinders or 4-2.7kg cylinders
- Back signage is required
- Cylinder sizes higher than 11kg shall not be transported using motorcycles



DOE SCC Compliance

- All vehicles used in LPG cylinder transport shall at all times have a copy of a DOE SCC issued to its refiller, marketer, dealer or retail outlet. For third party haulers, a hauler's SCC shall be required.
- Non-compliant LPG delivery vehicles are not allowed to enter the premises of refillers, depots and warehouse
- Joint liability for violators



Joint Administrative Order Highlights

- *The DOE shall:*
 - Issue and suspend or revoke, as warranted, the LPG industry players' SCC
 - Conduct inspection of vehicles at establishment's premises
 - Constitute Joint Inspection Team
 - Recommend closure of establishment to LGU and suspension of vehicle registration to LTO



Joint Administrative Order Highlights

- *The DILG, through the BLGS, shall:*
 - Direct LPG players in their area to comply with DC No. 2013-09-002
 - Suspend / revoke business permits for violations of existing regulations enforced by participating agencies



Joint Administrative Order Highlights

- *The DILG, through the BFP, shall:*
 - Issue Fire Safety Clearance to each approved LPG delivery vehicle
 - Strictly require safety signages and markings as provided in the subject DC
 - Conduct fire related trainings and issue certificate of completion
 - Designate personnel to form part of the Joint Inspection Team



Joint Administrative Order Highlights

- *The DOTr, through the LTO, shall:*
 - Designate LTO personnel to form part of the Joint Inspection team
 - Apprehend and impose fines on drivers and owners of motor vehicles found in violation of existing LTO regulations



Joint Administrative Order Highlights

- *The MMDA shall:*
 - Designate personnel who shall form part of the Joint Inspection Team to conduct flagdown operations with NCR
 - Provide impounding areas for vehicles found in violation of the DC



JAO Procedural Guidelines

- Participating agencies, including regional/provincial units, shall designate personnel for the Joint Inspection Team (JIT)
- The DOE, as the lead agency, shall schedule on a regular basis the field activities of the JIT. For complaint-initiated operations, a verified complaint filed under oath is required
- Each agency may, motu proprio, initiate independently or jointly, administrative proceedings against violators



JAO Procedural Guidelines

- The JIT shall impound LPG delivery vehicles while LPG cylinders shall be brought at DOE designated warehouse/impounding areas
- The JIT shall issue a joint summary report after each operations
- The JIT shall release the impounded vehicles after fines/storage fees have been paid and corrective measures made.



Thank you !

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