

# Overview: Philippine Downstream Oil Industry and Pricing

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**THEME: “E-Power Mo! Smart Energy Utilization  
Forum and Stakeholders Conference”**

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Fontana Hot Spring Leisure Parks  
Clark Freeport Zone, Pampanga.



# Presentation Outline



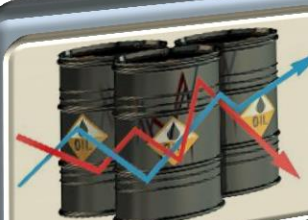
Introduction to  
Downstream Oil Sector



Regulatory Framework



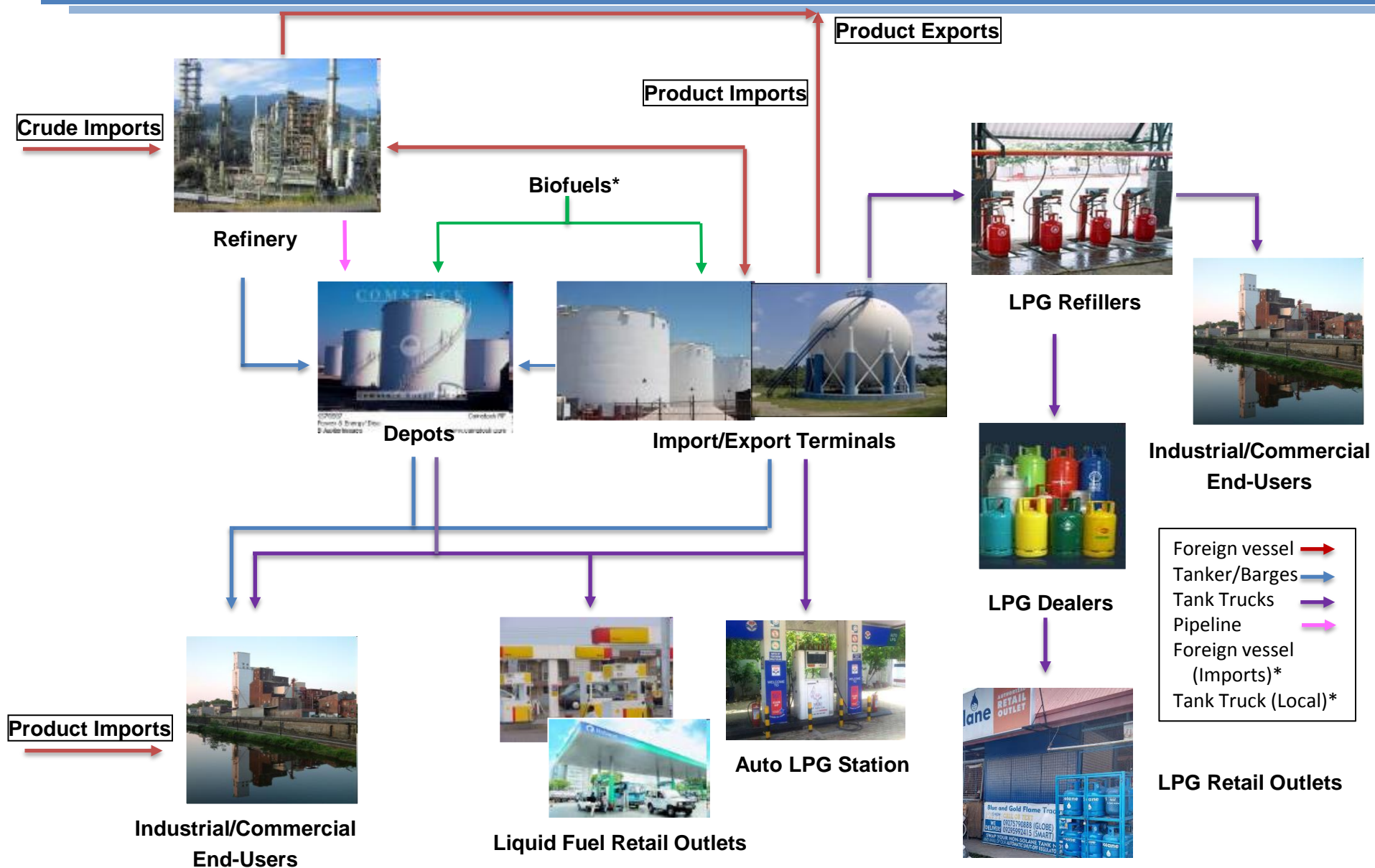
Oil Industry Situation



Oil Pricing

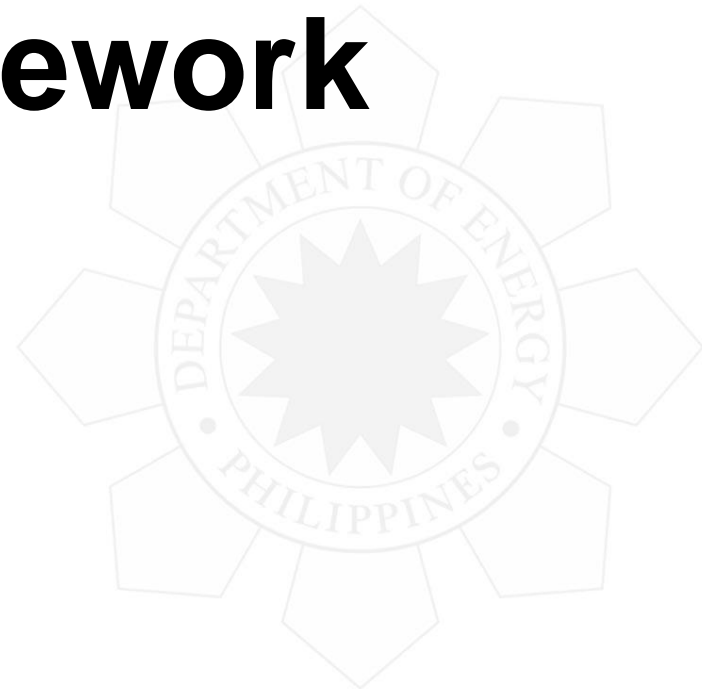


# Downstream Oil Industry Chain





# Regulatory Framework



# Mandate

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## **Republic Act No. 8479**

**‘An Act Deregulating the  
Downstream Oil Industry,  
and for other Purposes’**

- 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 9513 – Renewable Energy Act of 2008
- 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 - ERTLS

- Laboratory testing of samples

## DOE - Legal Services

- Processes findings of violations



# Regulatory Framework – Taxation

	Duty (%)	Excise Tax (P/l)	VAT (%)
	<b>EO 890</b>	<b>RA 8184</b>	<b>RA 9537</b>
Crude oil	0	-	12
Products			
gasoline	0	4.35	12
diesel	0	0	12
kerosene	0	0	12
jet fuel	0	3.67	12
bunker fuel	0	0	12
LPG	0	0	12
Bioethanol	<b>EO 449</b>	<b>RA 9153</b>	<b>RA 9537</b>
- imported	1	0	12
- local	-	0	0
Biodiesel		<b>RA 9153</b>	<b>RA 9537</b>
- local only	-	0	0





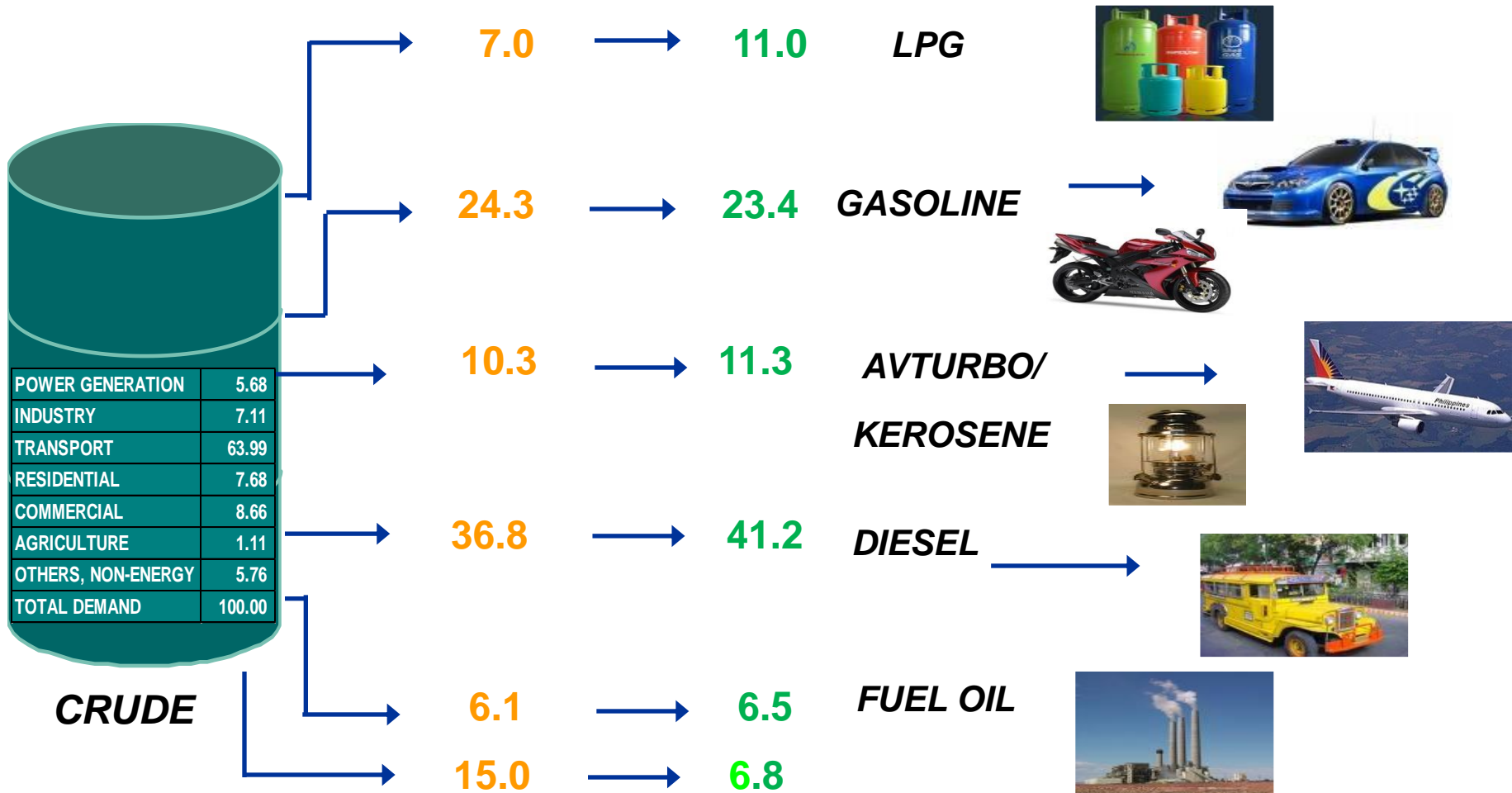


# Oil Industry Situation

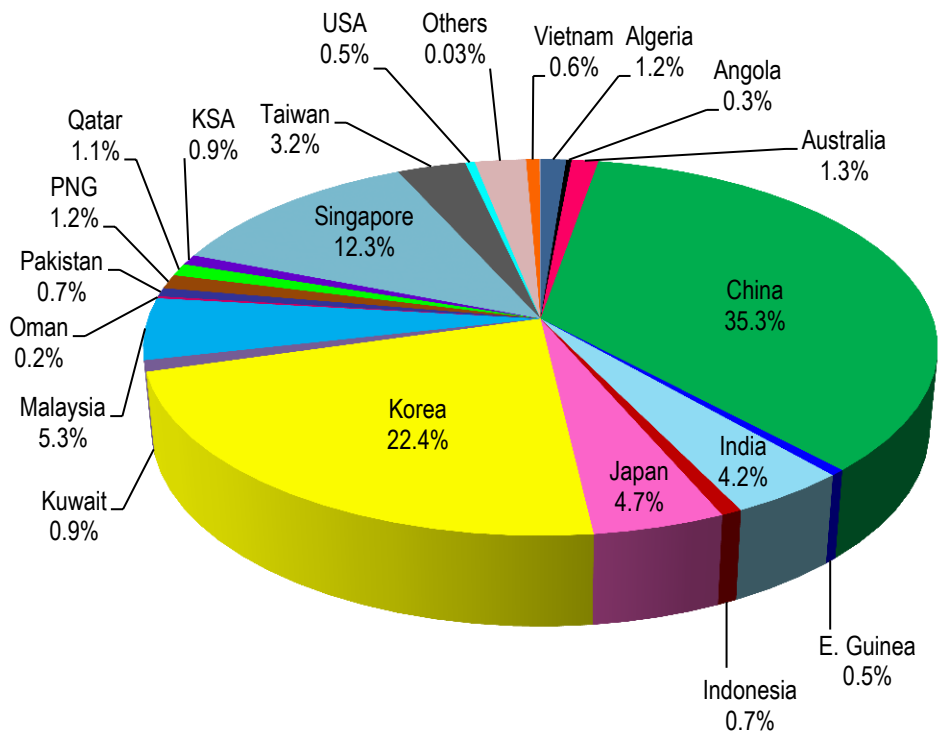


# 1H 2017 Production / Demand Mix

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

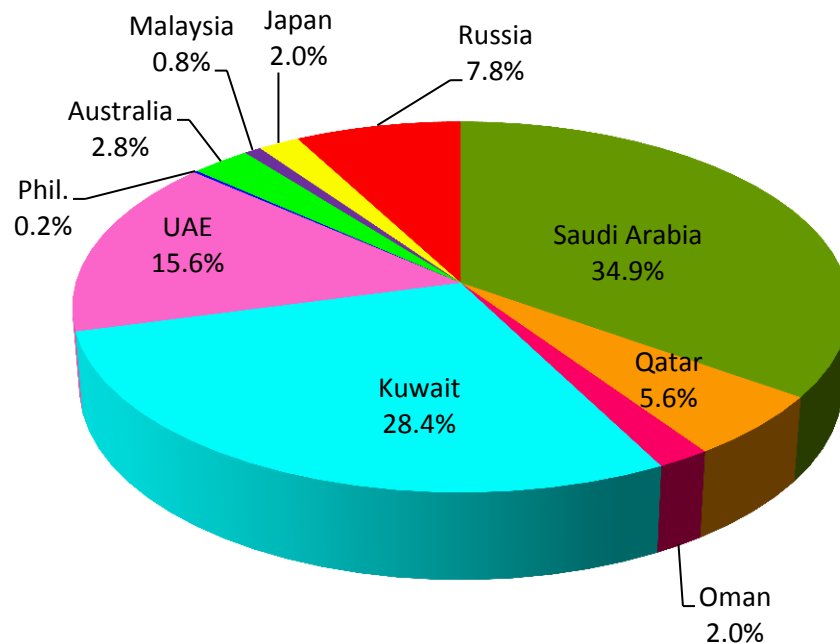


# 1H 2017 Oil Imports By Country of Origin



**PRODUCT IMPORTS**

**48,592 MB**

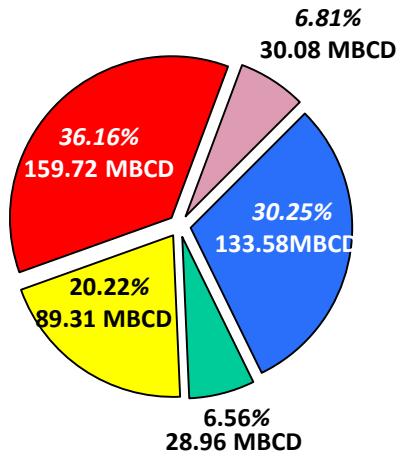


**CRUDE IMPORTS**

**35,759 MB**

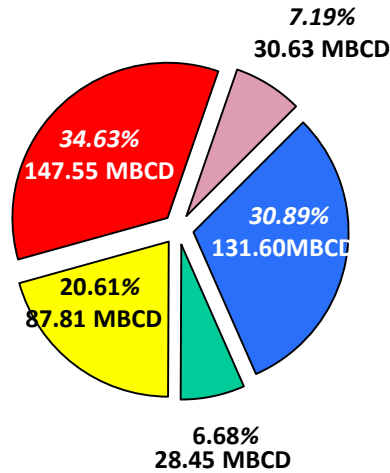


# Market Share



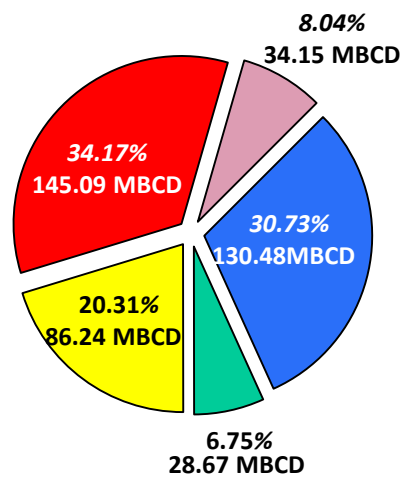
**YTD June 2016**

**441.66 MBCD**



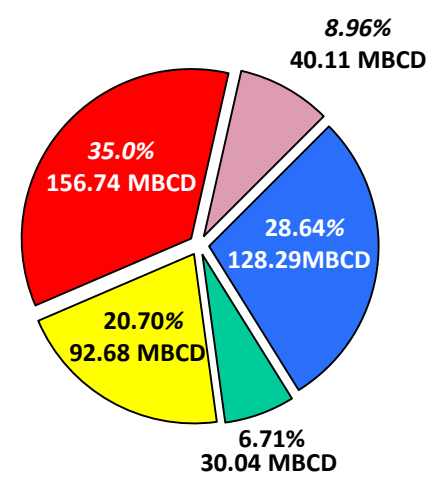
**YTD Sep 2016**

**426.05 MBCD**



**FY 2016**

**424.63 MBCD**

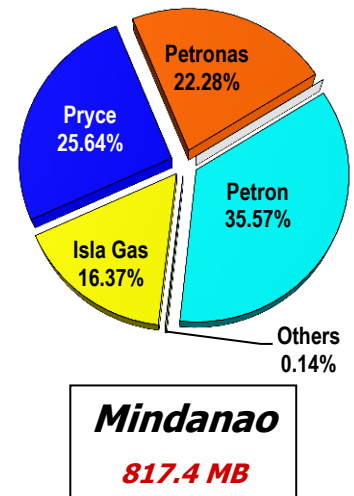
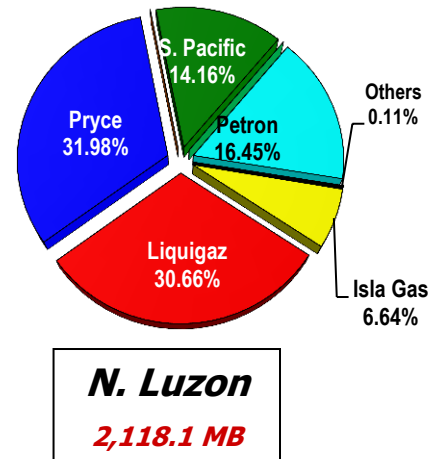
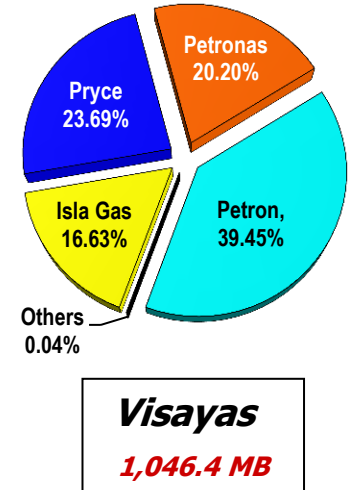
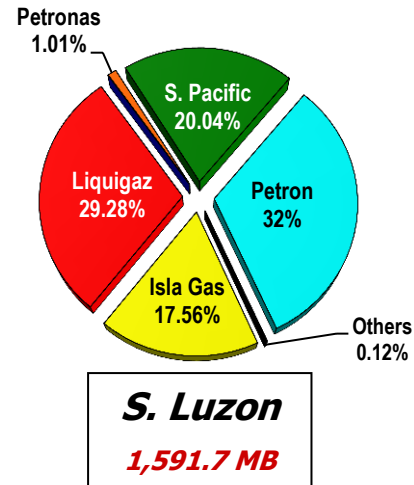
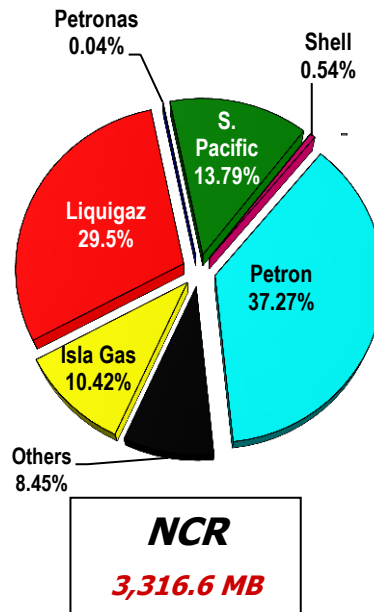
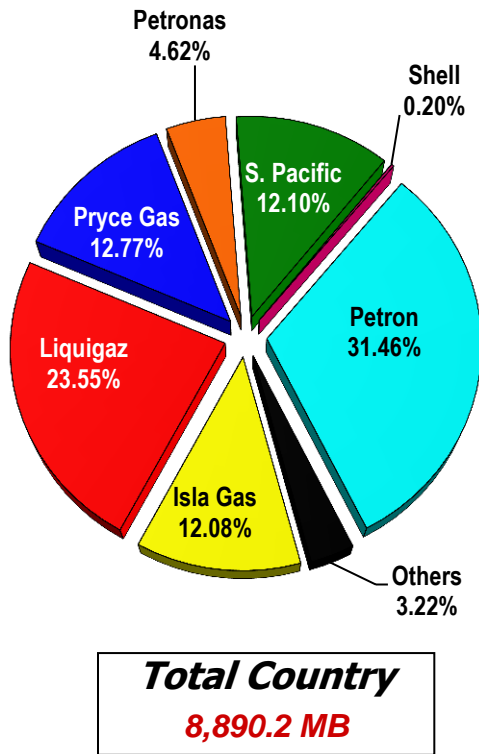


**YTD June 2017**

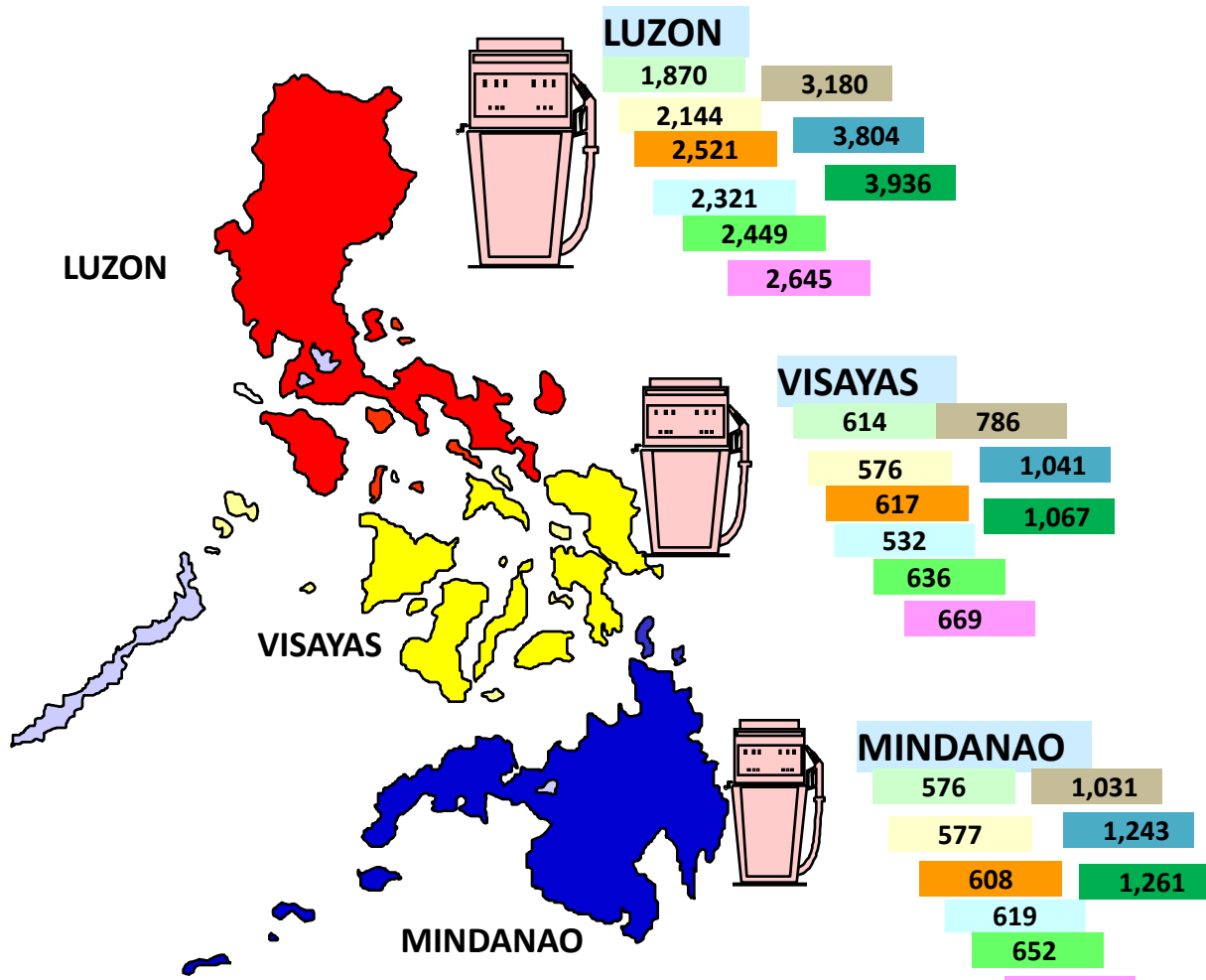
**447.85 MBCD**



# LPG Market Share - YTD June 2017



# New Players' Gas Stations



Total (1996) = 3,060	Total (2005) = 3,369	Total (2012) = 4,997
Total (1999) = 3,297	Total (2008) = 3,737	Total (2013) = 6,088
Total (2002) = 3,746	Total (2011) = 4,114	Total (2015) = 6,264

Flying V	314
Total Phils.	193
Unioil	42
Seaoil	262
Jetti	54
PTT/SBDI	52
Eastern	35
City Oil	
Metro Oil Subic	20
Uno Fuel	18
Nation Petroleum	
USA 88	7
Filoil Gas Co.Inc	101
Phoenix	298
Independent	1,080
<b>TOTAL</b>	<b>2,476</b>
Dec. 2011	1,019
Dec. 2008	741
Dec. 2007	738
Dec. 2006	602
Dec. 2005	506
Dec. 2004	755
Dec. 2003	661
Dec. 2002	564
Dec. 2001	411
Dec. 2000	276
Dec. 1999	112

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

ACTIVITY	NUMBER OF PLAYERS (In operation)	INVESTMENTS (In Billion Pesos)
Liquid Fuel Bulk Marketing	219	17.36
Fuel Retail Marketing	11	14.31
LPG Bulk Marketing	11	14.36
Terminaling	12	8.82
Bunkering	19	2.61
<b>TOTAL</b>	<b>272</b>	<b>57.46</b>



# 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

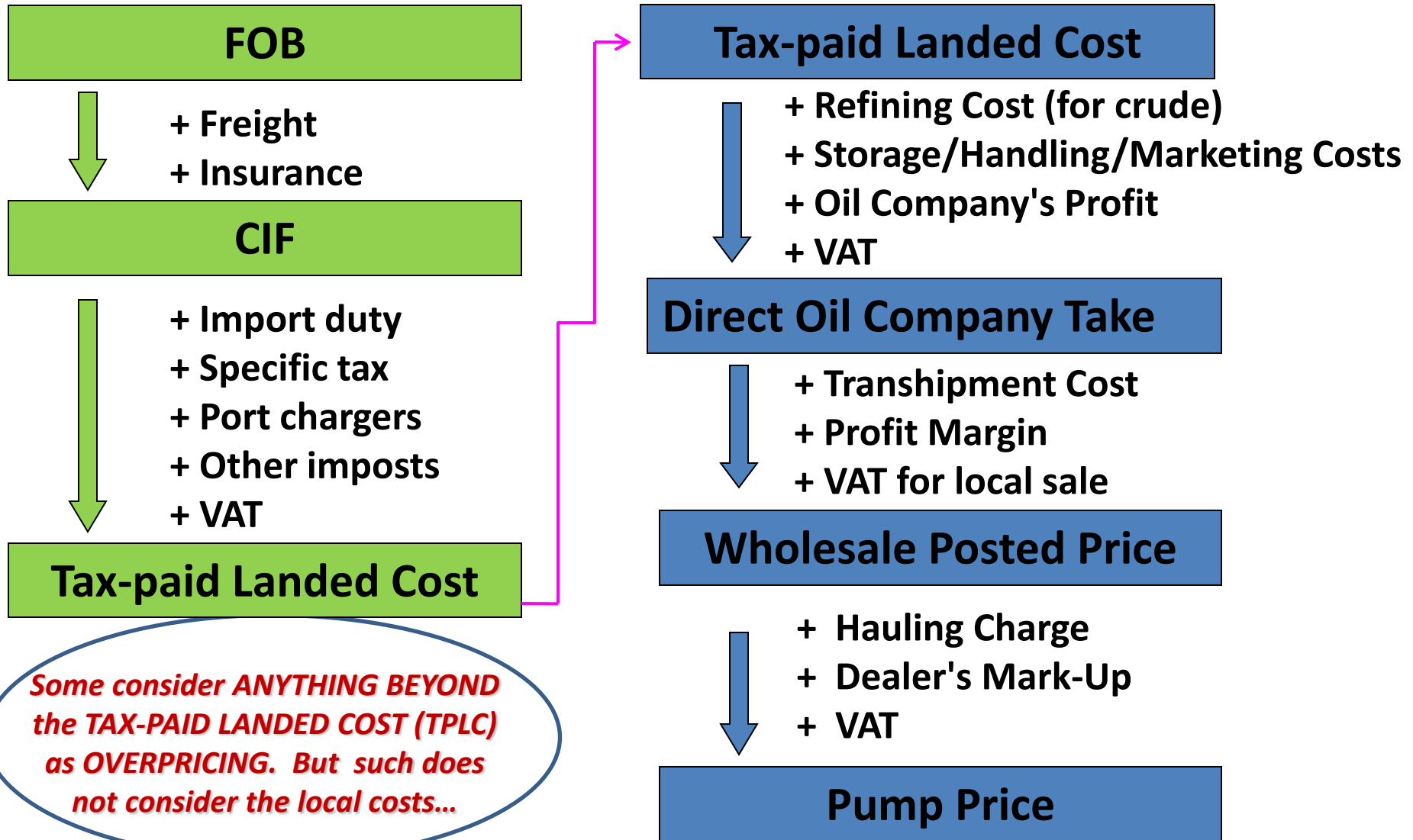


### Oil companies set local prices

- 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



# Oil Pricing – ERB Formula

## AUTOMATIC PRICING MECHANISM

Computation of the estimated adjustment for the week

LANDED COST (Product)	Past Week	Present Week
US\$ PER BARREL		
FOB (MOPS*)	$a_1$	$a_2$
FREIGHT PLUS	$b_1$	$b_2$
CIF	$c_1 = a_1 + b_1$	$c_2 = a_2 + b_2$
EXCHANGE RATE	$d_1$	$d_2$
PESO LANDED COST		
CIF	$e_1 = c_1 * d_1$	$e_2 = c_2 * d_2$
DUTY:	$f_1 = e_1 * \_\%$	$f_2 = e_2 * \_\%$
OCEAN LOSS	$g_1 = e_1 * 0.5\%$	$g_2 = e_2 * 0.5\%$
TOTAL (Without VAT)	$h_1 = e_1 + f_1 + g_1$	$h_2 = e_2 + f_2 + g_2$
TOTAL (With VAT)	$i_1 = h_1 * 1.12$	$i_2 = h_2 * 1.12$
PESO LANDED COST, P/ll	$j_1 = i_1 / 159$	$j_2 = i_2 / 159$
DIFFERENCE		
Peso/barrel		$k_2 = i_2 - i_1$
Peso/liter		$l_2 = k_2 / 159$

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

Note: The value appearing in  $l_2$  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

Sept 2017 MOPS Gasoline (FOB)	67.58
Add: Freight	2.00
CNF, \$/bbl	69.58
Forex	50.99
CNF, P/lit	22.31

Concerned Area	Gasoline Actual Price Sep 30, 2017	International Content (CNF)	Local Content		
		Amount	Excise Tax	VAT	Industry Take
Manila	46.35	22.31	4.35	4.97	14.72
North Luzon					
La Trinidad Benguet	55.77	22.31	4.35	5.98	23.13
Tuguegarao Cagayan	45.00	22.31	4.35	4.82	13.51
Vigan Ilocos Sur	45.42	22.31	4.35	4.87	13.89
San Fernando La Union	44.25	22.31	4.35	4.74	12.84
Lingayen Pangasinan	42.85	22.31	4.35	4.59	11.59
San Fernando Pampanga	47.95	22.31	4.35	5.14	16.15
Bulacan	47.40	22.31	4.35	5.08	15.66



# Oil Pricing – After Landed Cost

## DIESEL PRICE ANALYSIS

### International Content of the Pump Price

Sept 2017 MOPS Diesel (FOB)	69.14
Add: Freight	2.00
CNF, \$/bbl	71.14
Forex	50.99
CNF, P/lit	22.81

Concerned Area	Diesel Actual Price Sep 30, 2017	International Content (CNF)	Local Content		
		Amount	Excise Tax	VAT	Industry Take
Manila	34.15	22.81	0.00	3.66	7.68
North Luzon					
La Trinidad Benguet	36.93	22.81	0.00	3.96	10.16
Tuguegarao Cagayan	34.61	22.81	0.00	3.71	8.09
Vigan Ilocos Sur	32.02	22.81	0.00	3.43	5.78
San Fernando La Union	32.62	22.81	0.00	3.50	6.31
Lingayen Pangasinan	34.80	22.81	0.00	3.73	8.26
San Fernando Pampanga	34.44	22.81	0.00	3.69	7.94
Bulacan	33.65	22.81	0.00	3.61	7.23





# In Closing



# THE GOVERNMENT CANNOT DO IT ALONE.....

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*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.*

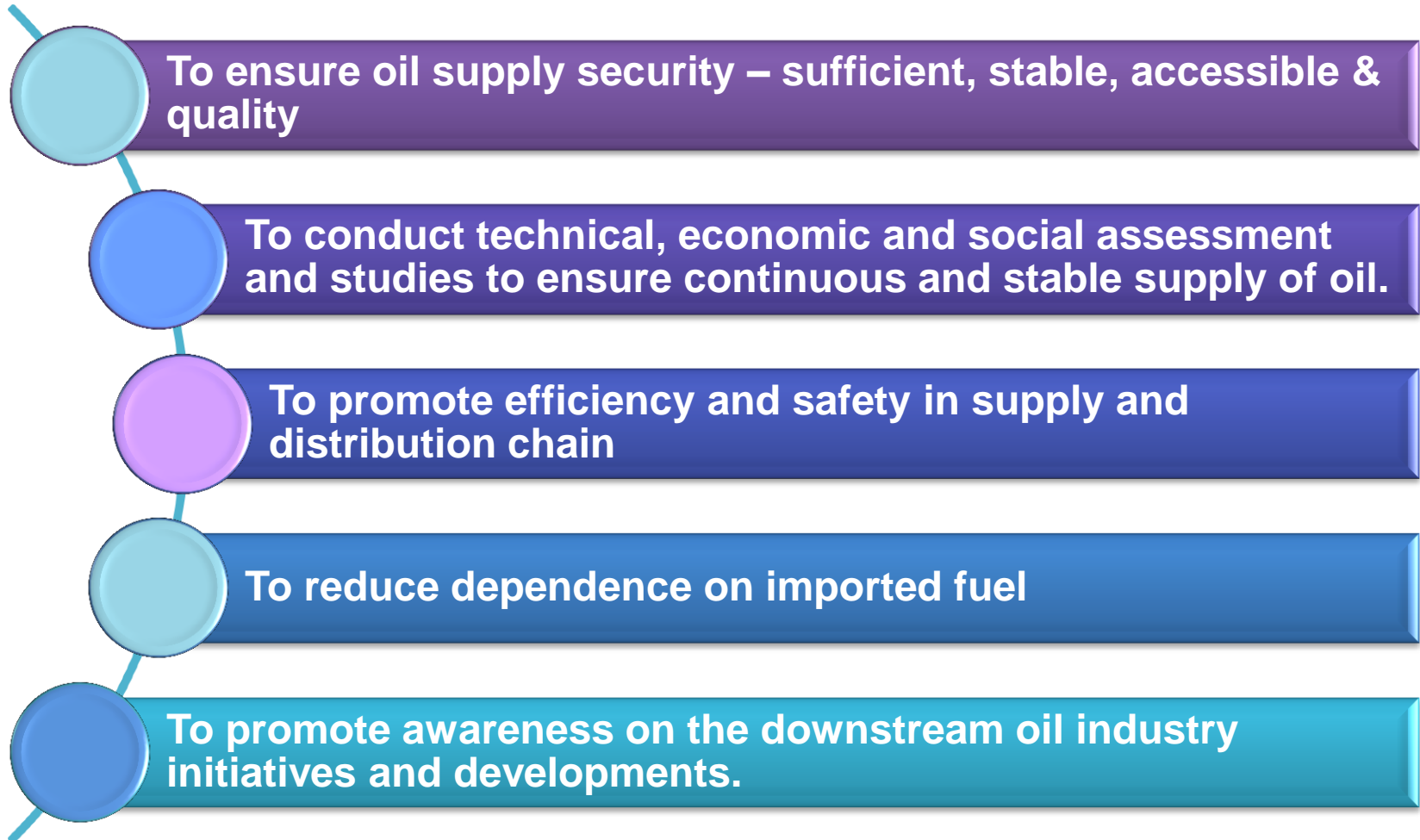
**KAYANG-KAYA KUNG  
SAMA-SAMA !**



# WE NOTE: DOE's mandate is far beyond just oil pricing

**POLICY : ENSURE STABLE SUPPLY OF ENERGY**

**GOALS:**





# Information at DOE website

## Oil Pricing Information:

**Oil Monitor**

**Pricing Formula**

**Retail Pump Prices**

**LPG/Auto-LPG Prices**

**Price Adjustments**

**List of Stations  
Offering Discount**

**Reportorial  
Requirements**

## Other Information on the Downstream Oil Industry:

**Industry Structure**

**Regulatory Framework**

**Promotion of Free  
Market Atmosphere**

**Benefits of Deregulation**

**Competition**

**Standard Formulation and  
Enforcement**

**Oil Supply Demand Report**

**Reportorial Requirements**



# Thank You !



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