

Introduction to Downstream Oil Industry



**E-Power Mo: Empowering Filipinos through
Informed Energy Plans and Policies**

**Grand Xing Imperial Hotel H. Montinola cor. Muelle Loney St.,
Iloilo City
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Presentation Outline

THE OIL INDUSTRY MANAGEMENT BUREAU (OIMB)

DOWNSTREAM OIL INDUSTRY BACKGROUND

- **Regulatory Framework**

INDUSTRY COMPETITION AND MONITORING

- **Downstream Oil Activities**
- **Oil Supply and Demand**

STANDARDS MONITORING

RETAIL MARKET MONITORING



The Oil Industry Management Bureau (OIMB) Mandate

FORMULATES AND IMPLEMENTS POLICIES, PLANS AND PROGRAMS OF THE DOWNSTREAM OIL AND NATURAL GAS INDUSTRY

**OIL INDUSTRY
COMPETITION
AND MONITORING
DIVISION**

**OIL SUPPLY
MONITORING AND
EVALUATION SECTION**

**OIL DEMAND AND
MARKET
COMPETITION
MONITORING SECTION**

**OIL PRICE
MONITORING AND
EVALUATION SECTION**

**OIL INDUSTRY
STANDARDS
AND MONITORING
DIVISION**

**PETROLEUM
PRODUCTS
STANDARDS
SECTION**

**FACILITIES AND
PROCESSES
STANDARDS
SECTION**

**RETAIL MARKET
MONITORING
AND SPECIAL
CONCERNS DIVISION**

**LIQUID FUELS
SECTION**

LPG SECTION

**NATURAL GAS
MANAGEMENT
DIVISION**

**MARKET
DEVELOPMENT AND
MONITORING
SECTION**

**INFRASTRUCTURE
AND INDUSTRY
DEVELOPMENT
SECTION**



Downstream Oil Industry Background

REGULATORY FRAMEWORK

RA 7638 – DOE Act of 1992

- prepare, integrate, coordinate, supervise, and control all plans, programs, projects, and activities of the Government relative to energy exploration, development, utilization, distribution, and conservation.

RA 8479 - Downstream Oil Industry Deregulation Act of 1998

- ensure a truly competitive market for petroleum products under a regime of fair price, adequate and continuous supply of environmentally, clean and high quality petroleum products

Batas Pambansa 33

- Prohibited Acts/Penalties Involving Petroleum

RA 8749 - Clean Air Act of 1999

- set the specifications for all types of fuel and fuel-related products (Sec.26)
- set every two (2) years or thereafter or as the need arises, the specification of ULG and diesels shall be reviewed and revised (Sec. 26)

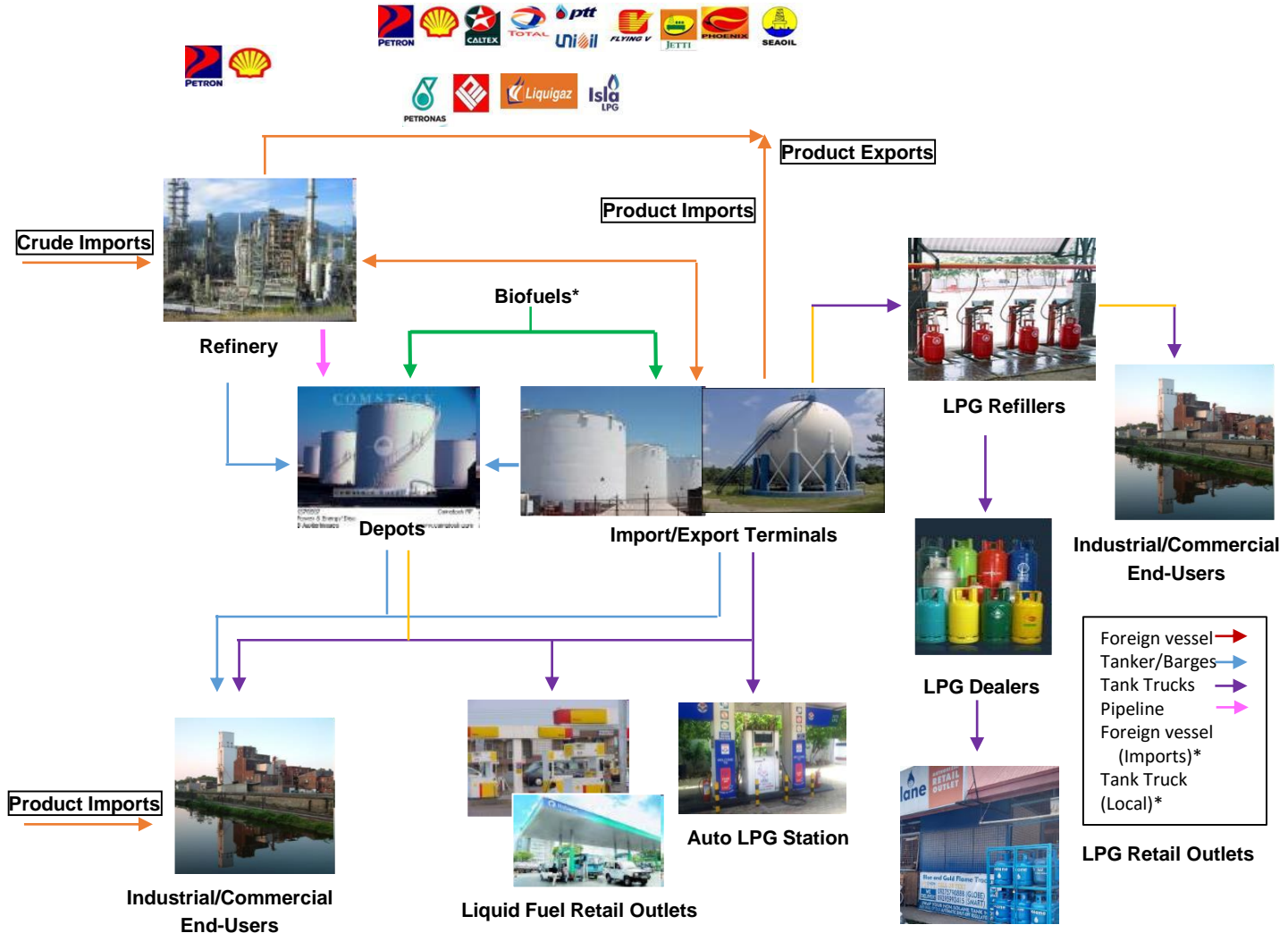
RA 9367 - Biofuels Act of 2006

- establish technical fuel quality standards for biofuels and biofuel-blended gasoline and diesel which comply with the PNS (Sec. 7c)



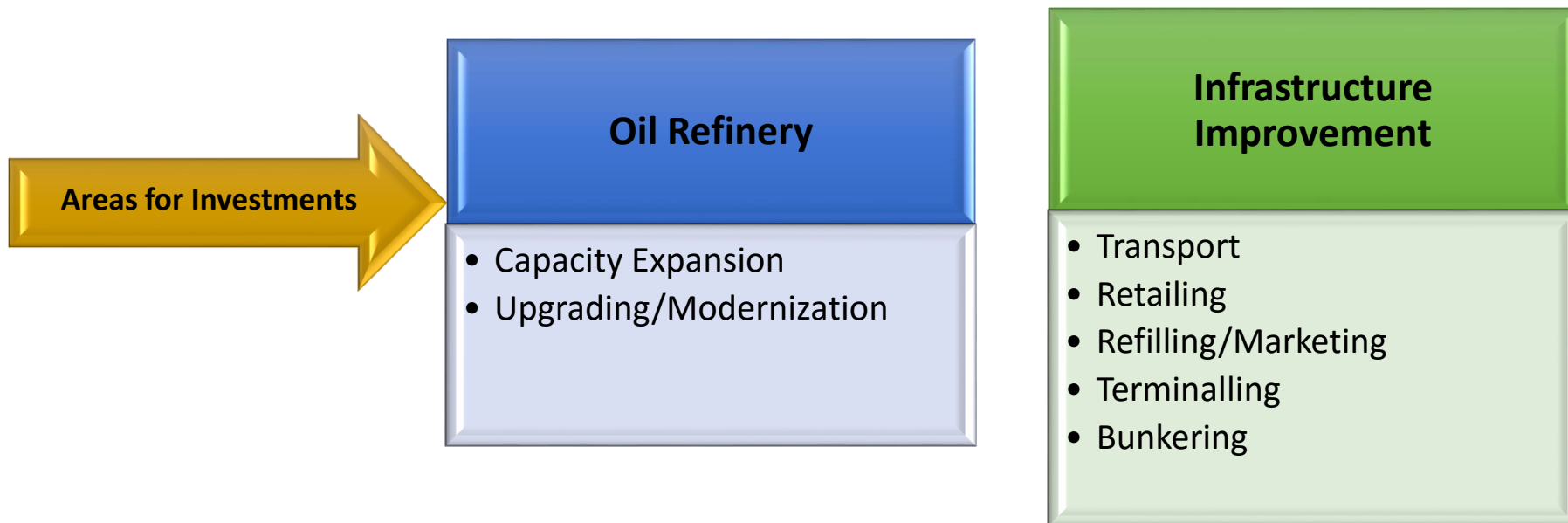
Industry Competition & Monitoring (Liquid and LPG)

DOWNSTREAM OIL ACTIVITIES



Industry Competition & Monitoring (Liquid and LPG)

PLAYERS & INVESTMENTS

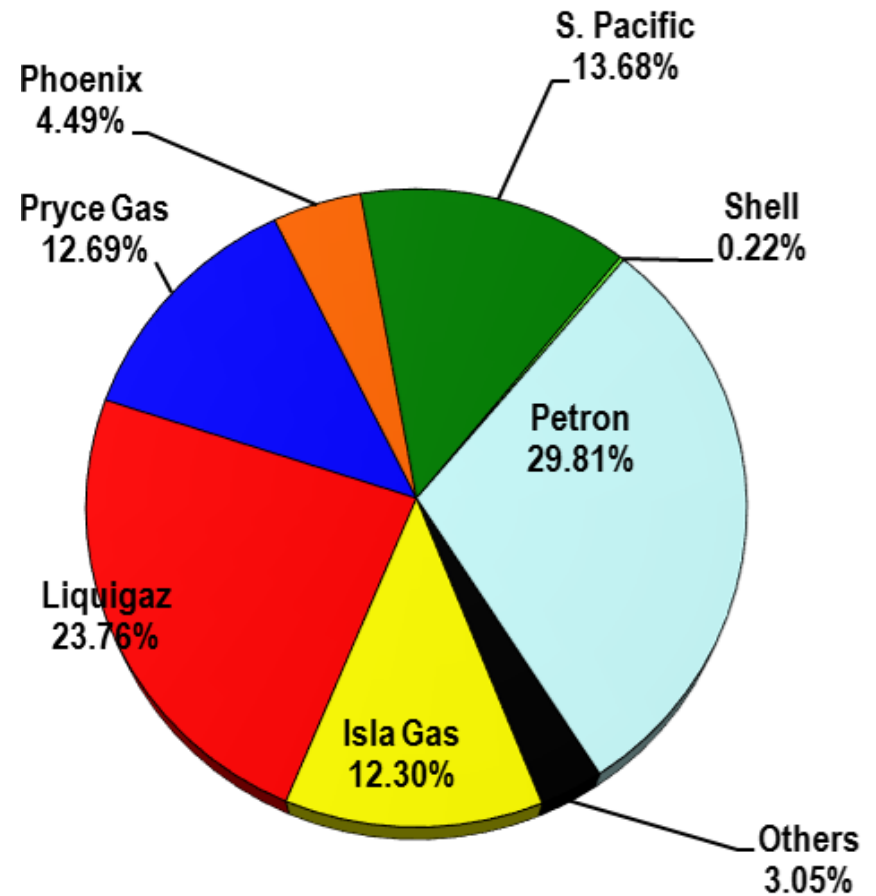
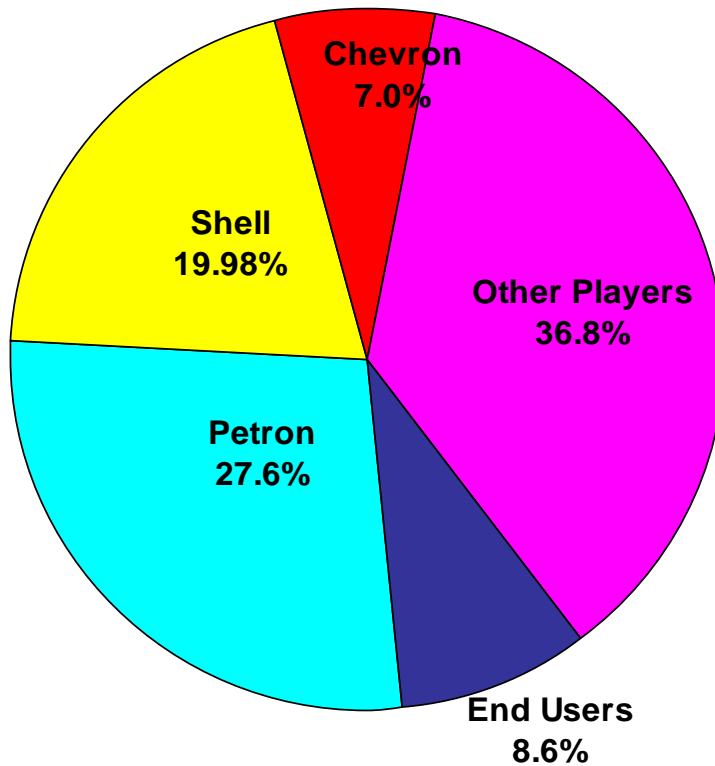


ACTIVITY	NUMBER OF PLAYERS		INVESTMENTS (Bn PhP)	
	FY 2010	FY 2017	FY 2010	FY 2017
Liquid Fuel Bulk Marketing	126	229	14.13	19.08
Fuel Retail Marketing	14	12	9.26	14.31
LPG Bulk Marketing	12	11	7.38	16.57
Bunkering	20	19	2.61	2.61
Terminalling	9	13	4.67	8.82
Refining *	2	2	6.7	118.3
Grand Total	181	284	82.80	241.08



Industry Competition & Monitoring (Liquid and LPG)

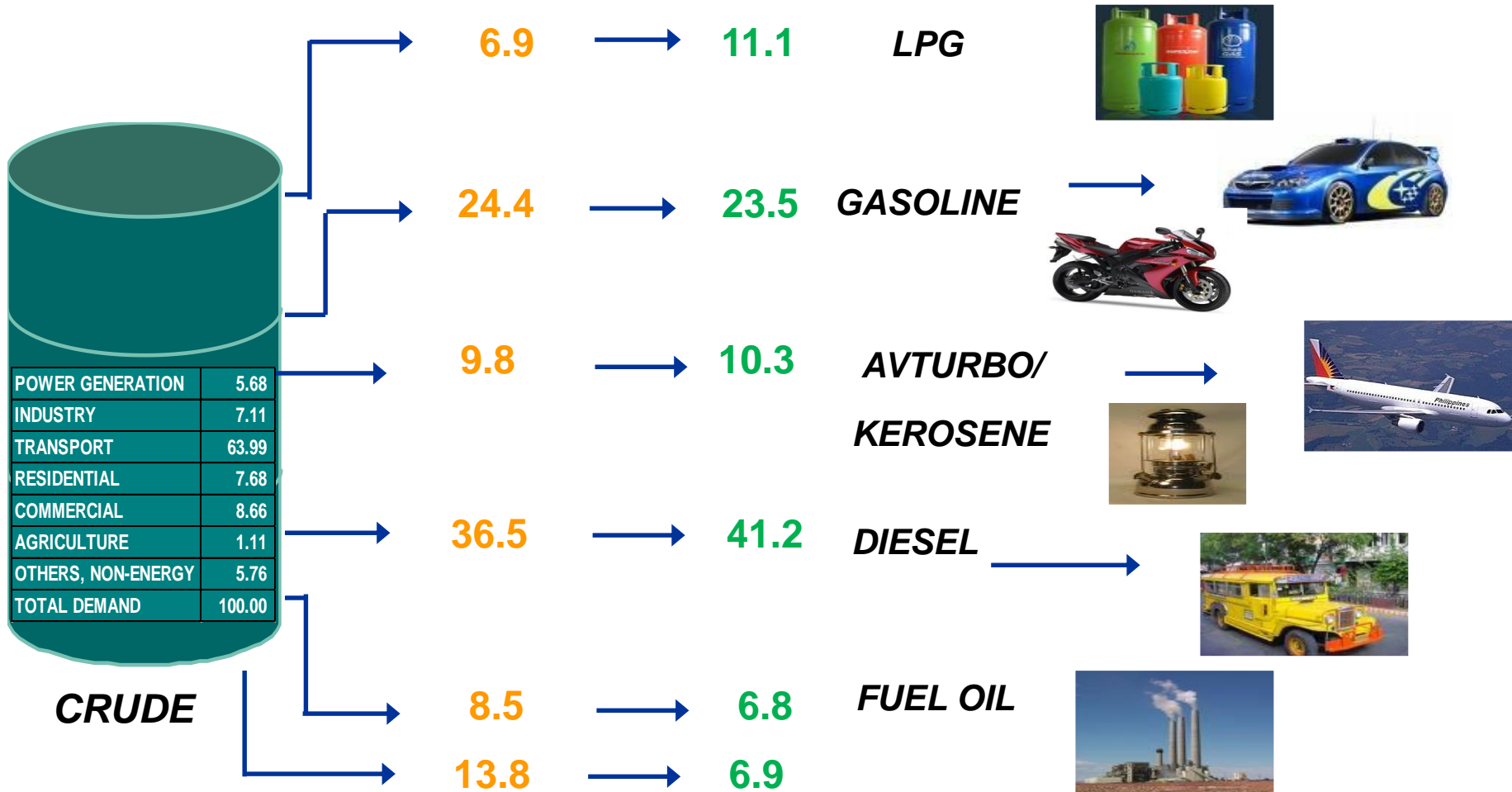
2017 TOTAL PRODUCTS / LPG MARKET MARKET SHARE



Industry Competition & Monitoring (Liquid and LPG)

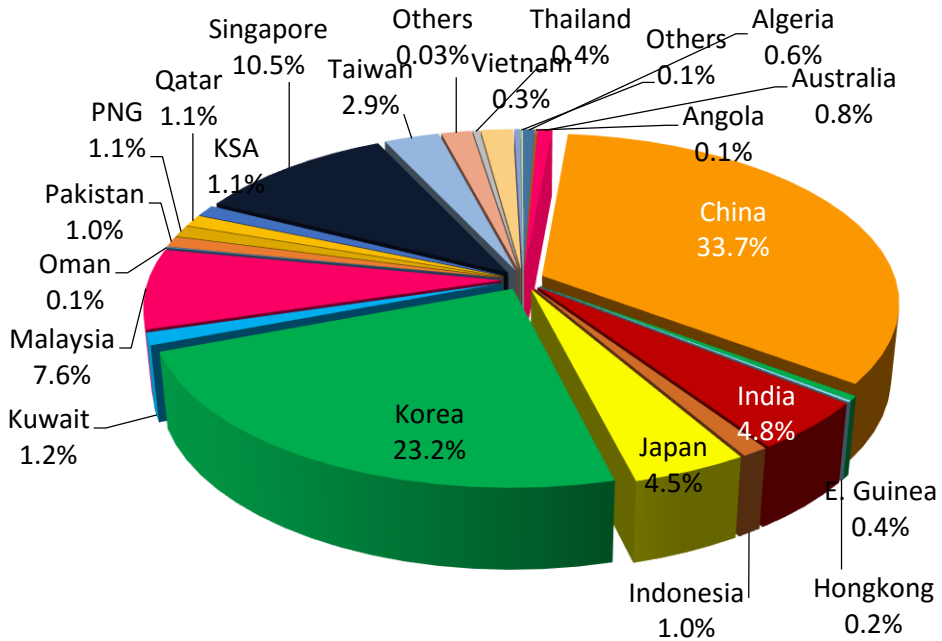
2017 PRODUCTION / DEMAND MIX

Production (208.2 MBCD) / Demand (445.1 MBCD) %Mix

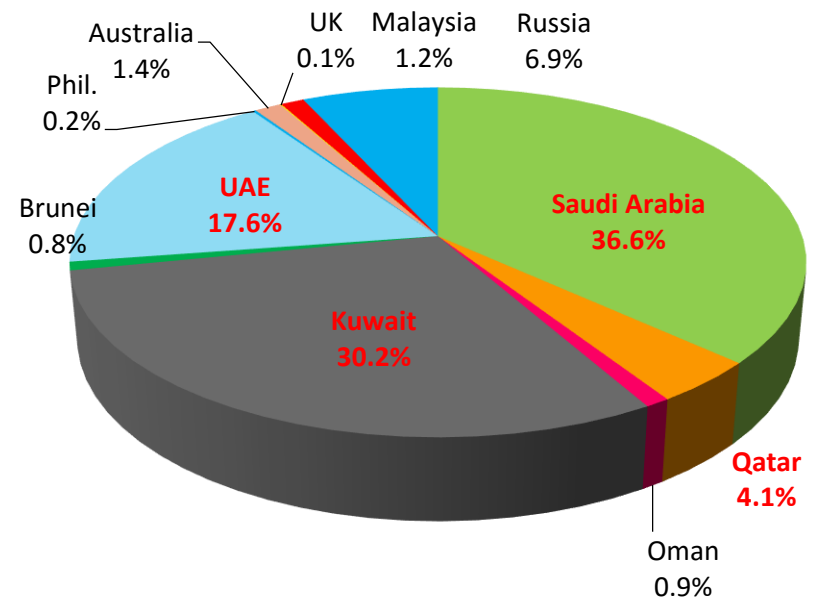


Industry Competition & Monitoring (Liquid and LPG)

2017 SOURCES OF OIL IMPORTS



PRODUCT IMPORTS
97,530 MB



CRUDE IMPORTS
73,943 MB

OPEC – 88.5 %
Non-OPEC – 11.5%

•Philippines - shipments from Subic/Clark freeports, sourced from various countries, e.g., Thailand, Singapore, etc.

Industry Competition & Monitoring (Liquid and LPG)

TAXATION: THE TRAIN Law

IMPACT OF EXCISE TAX ON PETROLEUM PRODUCTS PRICES (PER R.A. 10963)

Product	Pre-TRAIN Law			1ST TRANCHE - JAN 2018				
	Excise Tax	12% VAT	Total	Excise Tax	12% VAT	Total	2018 Total	
							Excise Tax	With 12% VAT
Peso/liter								
Gasoline	4.35	0.52	4.87	2.65	0.32	2.97	7.00	7.84
Avturbo	3.67	0.44	4.11	0.33	0.04	0.37	4.00	4.48
Kerosene	0.00	0.00	0.00	3.00	0.36	3.36	3.00	3.36
Diesel	0.00	0.00	0.00	2.50	0.30	2.80	2.50	2.80
Fuel oil	0.00	0.00	0.00	2.50	0.30	2.80	2.50	2.80
LPG (motive fuel)	0.00	0.00	0.00	2.50	0.30	2.80	2.50	2.80
LPG, P/kg	0.00	0.00	0.00	1.00	0.12	1.12	1.00	1.12

Product	2ND TRANCHE - JAN 2019					3RD TRANCHE - JAN 2020				
	Excise Tax	12% VAT	Total	2019 Total		Excise Tax	12% VAT	Total	2020 Total	
				Excise Tax	With 12% VAT				Excise Tax	With 12% VAT
Peso/liter										
Gasoline	2.00	0.24	2.24	9.00	10.08	1.00	0.12	1.12	10.00	11.20
Avturbo	0.00	0.00	0.00	4.00	4.48	0.00	0.00	0.00	4.00	4.48
Kerosene	1.00	0.12	1.12	4.00	4.48	1.00	0.12	1.12	5.00	5.60
Diesel	2.00	0.24	2.24	4.50	5.04	1.50	0.18	1.68	6.00	6.72
Fuel oil	2.00	0.24	2.24	4.50	5.04	1.50	0.18	1.68	6.00	6.72
LPG (motive fuel)	2.00	0.24	2.24	4.50	5.04	1.50	0.18	1.68	6.00	6.72
LPG, P/kg	1.00	0.12	1.12	2.00	2.24	1.00	0.12	1.12	3.00	3.36



Industry Competition & Monitoring (Liquid and LPG)

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



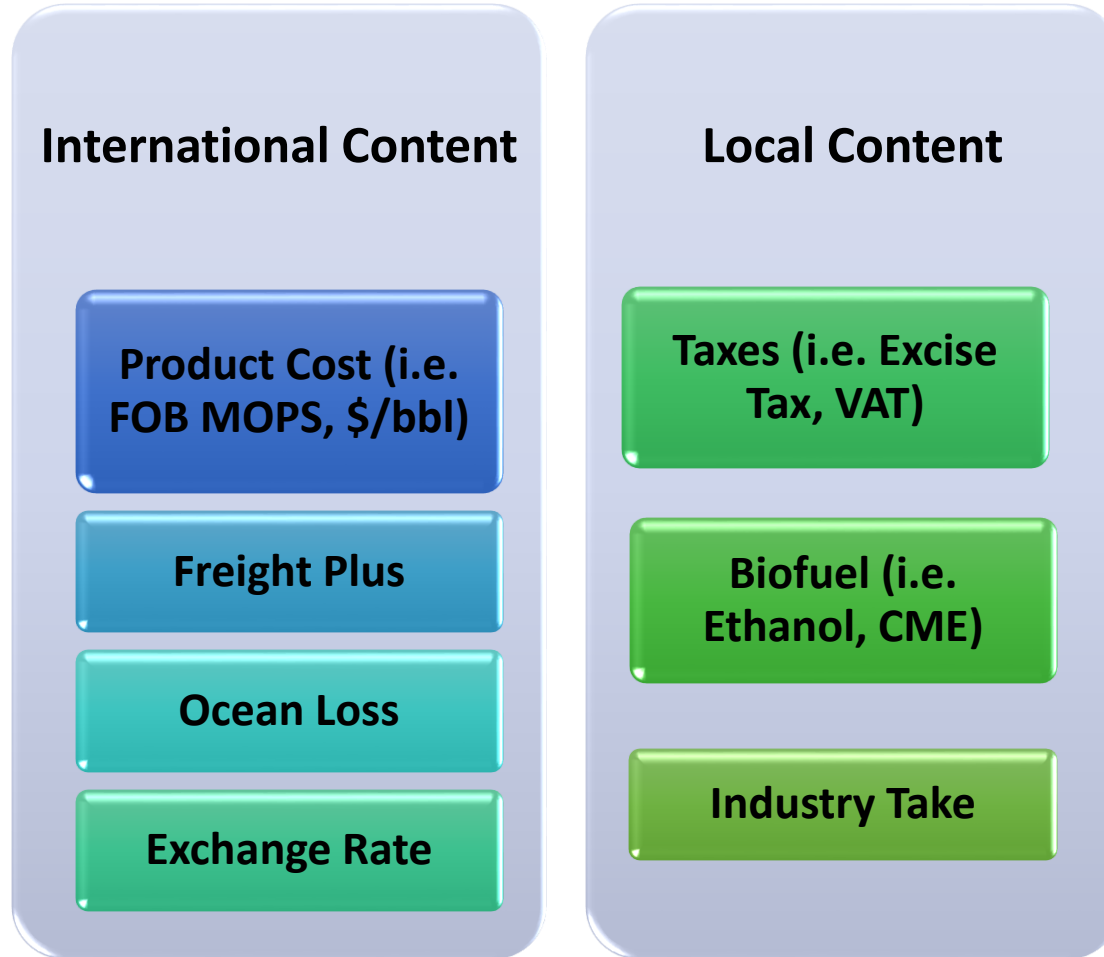
Oil companies set local prices

- 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)



Industry Competition & Monitoring (Liquid and LPG)

LOCAL OIL PRICE COMPONENTS



Industry Competition & Monitoring (Liquid and LPG)

HISTORICAL PRICES – WHAT COULD HAVE CAUSED THE MOVEMENT?

GASOLINE		Iloilo			
DETAILS	July 2018	January 2016	Adjustment in US\$	Adjustment in PHP	% Share of Adj.
FOB MOPS, \$/bbl	81.12	47.10	34.02	1617.49	78.04%
FREIGHT PLUS, \$/bbl	2.82	2.17	0.65	31.09	1.50%
OCEAN LOSS (0.5% of CIF)	0.42	0.25	0.17	8.24	0.40%
Total Import Cost	84.36	49.51	34.85	1656.82	79.94%
EXCHANGE RATE	53.42	47.54	5.88	415.80	20.06%
Peso Landed Cost. P/bbl	4,506.83	2,353.76		2,072.62	100.00%
Peso Landed Cost. P/liter	25.51	13.32		12.19	77.68%
EXCISE TAX	7.00	4.35		2.65	16.89%
VAT	5.38	3.58		1.80	11.48%
ETHANOL	3.88	4.82		(0.95)	-6.04%
Total Cost before Industry Take	41.76	26.07		15.69	100.00%
Industry Take	10.81	12.88		(2.07)	-13.19%
PUMP PRICE	52.57	38.95		13.62	86.81%



Industry Competition & Monitoring (Liquid and LPG)

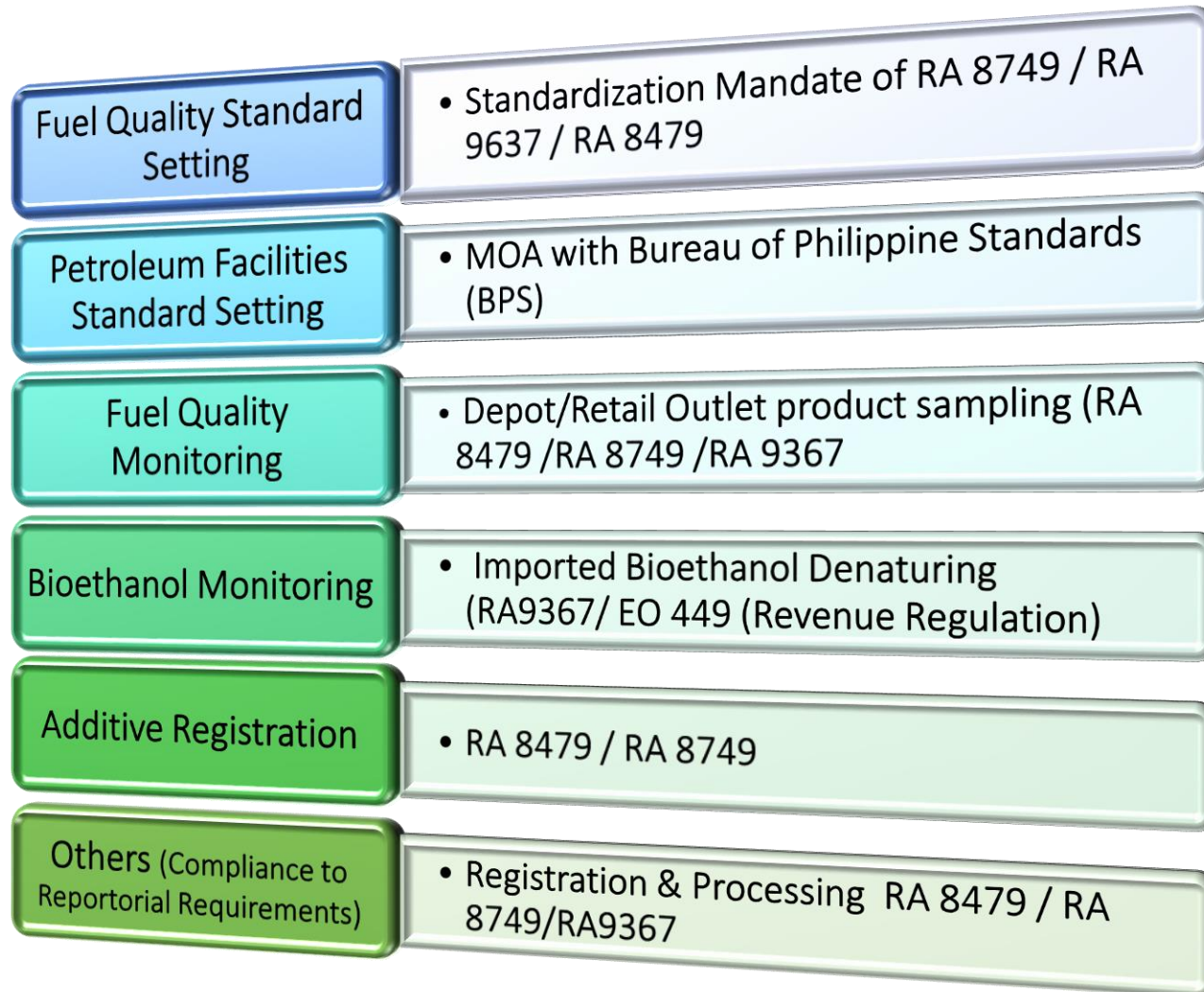
HISTORICAL PRICES – WHAT COULD HAVE CAUSED THE MOVEMENT?

DIESEL		Iloilo			
DETAILS	July 2018	January 2016	Adjustment in US\$	Adjustment in PHP	% Share of Adj.
FOB MOPS, \$/bbl	86.41	37.47	48.95	2326.94	82.21%
FREIGHT PLUS	1.47	2.05	(0.58)	(27.41)	-0.97%
OCEAN LOSS (0.5% of CIF)	0.44	0.20	0.24	11.50	0.41%
Total Import Cost	88.33	39.71	48.61	2311.03	81.64%
EXCHANGE RATE	53.42	47.54	5.88	519.58	18.36%
Peso Landed Cost. P/bbl	4,718.63	1,888.02		2,830.61	100.00%
Peso Landed Cost. P/liter	29.08	11.64		17.45	77.65%
EXCISE TAX	2.50	0.00		2.50	11.13%
VAT	4.51	2.26		2.25	10.03%
CME	1.30	1.03		0.27	1.19%
Total Cost before Industry Take	37.39	14.93		22.47	100.00%
Industry Take	4.70	6.12		(1.43)	-6.35%
PUMP PRICE	42.09	21.05		21.04	93.65%



Standards Monitoring

FUEL QUALITY STANDARDS: WHAT WE DO?



Standards Monitoring

EXISTING PRODUCT STANDARDS

E-Gasoline (E10)

Anhydrous Bioethanol &
Bioethanol Fuel

CME-blended Diesel Oil
(B2)

Coco Methyl Ester

LPG (automotive and non-
automotive)

Fuel oil (bunker)

EXISTING FACILITY & PROCESSES STANDARDS

LPG Refilling Plant – General
Requirements

Code of Safety Practices in LPG
Refilling Plant

Code of Safety - Hauler

Retail Outlets – General
Requirements (household LPG,
auto-LPG dispensing station)

Code of Safety Practices for LPP
in Retail Outlet

Code of Safety Practice in Auto-
LPG Dispensing Station

LPP Depot – General
Requirements

Retail Outlets – General
Requirements (Liquid
Fuel)

Code of Safety Practice for
LPP in Retail Outlet



Retail Market Monitoring

TOTAL NUMBER OF GASOLINE STATIONS BY ISLAND GROUP AND PER OIL COMPANY (2017)

REGION	MAJORS	NEW PLAYERS		REGIONAL TOTAL
		w/bulk supply/facilities	Independent*	
National Capital Region (NCR)	612	285	247	1144
Cordillera Administrative Region (CAR)	27	9	12	48
Region I (Ilocos Region)	122	70	237	429
Region II (Cagayan Valley)	107	57	141	305
Region III (Central Luzon)	295	233	352	880
Region IV (Southern Tagalog)	778	454	638	1870
Region V (Bicol Region)	188	38	313	539
Total NCR	612	285	247	1144
Total - Rest of Luzon	1517	861	1693	4071
Over-all Total Luzon	2129	1146	1940	5215
Region VI (Western Visayas)	337	223	209	769
Region VII (Central Visayas)	346	155	144	645
Region VIII (Eastern Visayas)	137	45	98	280
Over-all Total Visayas	820	423	451	1694
Region IX (Zamboanga Peninsula)	86	9	43	138
Region X (Northern Mindanao)	201	17	184	402
Region XI (Davao Region)	218	108	356	682
Region XII (SOCCSKSARGEN)	129	12	149	290
Region XIII (CARAGA)	70	5	79	154
Autonomous Region of Muslim Mindanao (ARMM)	0	5	4	9
Over-all Total Mindanao	704	156	815	1675
OVER-ALL TOTAL	3653	1725	3206	8584

* Outlets with 1 to 5 branches

Figures subject for further validation



Retail Market Monitoring

TOTAL NUMBER OF LPG PLAYERS BY ACTIVITY

- Refillers

277



- Brand-Owners (Marketer)

>100



- Dealers

>3455



- Retail Outlets

>15000



- Haulers

18



- Auto-LPG Refilling Station

178



Retail Market Monitoring Support Program

Gasoline Station Lending & Financial Assistance Program

Particulars	DC 2011-03-0005	DC 2002-05-001
Coverage	Includes improvement loan, working loan capital, and refinancing. Also, eligible is the establishment/ construction and improvement/maintenance of Auto LPG dispensing stations	Confined to gasoline stations only
Loanable Amount	100% of loan amount, not to exceed Php 10M	Php 5M to 10M
Loan Term	10 years @ 6% p.a.	7 years @ 6% p.a.
Equity Participation	Minimum of 20% of Total Project Cost, including land and improvements	50%



Retail Market Monitoring Support Program

Gasoline Station Lending & Financial Assistance Program

Milestones since its implementation

Conducted
fourteen (14)
SMC's in 7
provinces
nationwide

424 total
participants;
16 of the 24
initial loan
applicants
pursued their
applications

Seven (7) loan
applications
approved by
DBP
amounting to a
total
P18,954,065.00

Two (2) loan
applicants
fully-paid



SOCIAL RESPONSIBILITY: FOSTERING GOVERNMENT AND PRIVATE SECTOR PARTNERSHIP

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.

Together with our stakeholders, DOE delivers its full commitment to finding solutions which will better serve our consumers.



KAYANG-KAYA KUNG SAMA-SAMA !



Thank You !



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