

****Title:**** Hon. Heherson Alvarez (Substituted by Hon. Elisea G. Gozun) vs. Picop Resources, Inc.

****Facts:****

1. ****Background and Granting of TLA:**** On May 24, 1952, Bislig Bay Lumber Company, Inc. (BBLCI), the predecessor of PICOP Resources, Inc. (PICOP), was granted Timber License Agreement (TLA) No. 43, covering 75,545 hectares across Surigao del Sur, Agusan del Sur, Compostela Valley, and Davao Oriental. Subsequently amended on April 26, 1953, and March 4, 1959, the TLA was set to expire on April 25, 1977, but was renewed on October 7, 1977, for 25 more years, terminating on April 25, 2002.
2. ****Administrative Orders and Conversion Attempts:**** DENR Secretary Antonio H. Cerilles promulgated DENR Administrative Order (DAO) No. 99-53 on December 23, 1999, concerning the Integrated Forest Management Program (IFMP). Acting on this directive, PICOP sought to convert its TLA into an Integrated Forest Management Agreement (IFMA). However, communications between PICOP and DENR officials revealed procedural delays, evaluations, and compliance failures on part of PICOP, including non-submission of mandatory plans and unpaid forest charges.
3. ****Performance Evaluation and Issues:**** Evaluations conducted by the DENR found multiple violations by PICOP, including non-submitted plans, unpaid forest charges totaling approximately P167.59 million up to August 30, 2002, and additional silvicultural fees.
4. ****Legal Actions and Mandamus Petition:**** Faced with delays and hindrance in TLA to IFMA conversion, PICOP filed a Petition for Mandamus against then DENR Secretary Heherson T. Alvarez, seeking to compel him to execute the IFMA contract. On October 11, 2002, the RTC rendered a decision favoring PICOP, leading to a series of appeals by the DENR, which were consolidated into G.R. No. 162243, 164516, and 171875.

****Issues:****

1. ****Contractual Validity of the Presidential Warranty -**** Whether the presidential warranty constitutes a contract barring the State from exercising control over its natural resources.
2. ****Vested Rights over Concession Area -**** Whether PICOP acquired vested rights over its forest concession by virtue of the presidential warranty.
3. ****Jurisdiction and Grave Abuse of Discretion -**** Whether the RTC had jurisdiction over

the case and if the DENR Secretary committed grave abuse of discretion.

4. **Lack of Cause of Action and Improper Subject of Mandamus** - Whether PICOP lacked a cause of action and if the subject matter was suitable for mandamus.

5. **Compliance with IFMA Requirements** - Whether PICOP complied with all administrative and statutory requirements for the IFMA conversion.

6. **Partial Repeal of PD No. 605 by RA No. 8975** - Whether PD No. 605 was partially repealed by RA No. 8975.

Court's Decision:

1. **Presidential Warranty as a Non-Contractual Instrument:** The Supreme Court reaffirmed the principle that licenses and permits concerning natural resources do not confer property rights and cannot be considered contracts protected by the Constitution's Non-Impairment Clause. Thus, the presidential warranty offered to PICOP did not constitute a binding contract.

2. **No Vested Rights Over Concession:** The Court emphasized that forest concessions do not create vested rights immune from governmental control and highlighted the temporary nature of these privileges, which can be modified or revoked in the public interest.

3. **Jurisdiction of the RTC:** The Court recognized the RTC's jurisdiction to address the alleged grave abuse of discretion by the DENR Secretary. However, it found no exceptional urgency justifying the immediate judicial intervention bypassing administrative processes.

4. **Compliance with Administrative and Statutory Requirements:** The Court determined PICOP had not fulfilled all required conditions for IFMA conversion, noting significant administrative non-compliance, unpaid forest charges, and failure to secure necessary clearances from the National Commission on Indigenous Peoples (NCIP).

5. **No Partial Repeal of PD No. 605:** The Court clarified that RA No. 8975 did not partially repeal PD No. 605 and upheld the general prohibition on judiciary-issued injunctions involving natural resource exploitation permits.

Doctrine:

1. **License as Non-Contract:** Licenses for the exploitation of forest areas do not

constitute contracts and can be revoked or amended in the national interest (Oposa v. Factoran).

2. **Need for Full Compliance:** Conversion of a TLA into an IFMA requires compliance with all administrative and statutory prerequisites, including submission of plans and payment of charges.

Class Notes:

- **Key Concepts:** License as a privilege, Presidential Decree No. 605, RA No. 8371 (IPRA law and NCIP certification requirement), Exhaustion of administrative remedies.
- **Statutory Provisions:**
- **DAO No. 99-53:** Requirements for IFMA conversion.
- **Sections 26-27 of LGC:** Prior consultation and approval by local government units.
- **Section 59 of RA No. 8371:** NCIP certification precondition.
- **Application:** Compliance with statutory requirements, including submission of plans, payments, and clearances, is non-negotiable for conversions of natural resource licenses.

Historical Background:

The case unfolds against the backdrop of progressive and stringent environmental regulations evolving in the Philippines. From the early presidential mandates allowing extensive logging under defined licenses to the significant changes initiated by successive administrations aiming to enforce environmental protection and prioritize sustainable management of resources. This shift has led to stricter compliance requirements for tenure renewal or conversion of timber licenses into more regulated frameworks such as IFMAs, ensuring environmental preservation and equitable benefit distribution among stakeholders, including indigenous peoples.