

Title: Tatad vs. Secretary of the Department of Energy, G.R. Nos. 124360 & 127867

Facts:

1. **Background**:

- Prior to 1971, the Philippine oil industry was essentially unregulated, dominated by multinational companies.
- In 1971, in response to the global oil crisis, the Philippines created the Oil Industry Commission (OIC) via legislation to regulate the industry.

2. **Further Developments**:

- 1973: President Marcos established the Philippine National Oil Corporation (PNOC), acquiring local assets of multinationals and increasing Filipino participation in the oil industry.
- 1984: The Oil Price Stabilization Fund (OPSF) was created to buffer fluctuations in oil prices.

3. **Regulatory Changes**:

- 1987: President Aquino created the Energy Regulatory Board (ERB).
- 1992: Congress enacted R.A. No. 7638, establishing the Department of Energy (DOE) with a mandate towards privatization and deregulation of energy sectors.

4. **Deregulation Efforts**:

- 1993: Privatization of Petron Corporation, a major player.
- 1996: Congress passed R.A. No. 8180, commencing deregulation of the downstream oil industry to foster competition.

5. **Challenged Provisions**:

- On February 8, 1997, full deregulation was implemented through E.O. No. 372 in accordance with R.A. No. 8180, based on the lawful standards set therein.

Procedural Posture:

- **Petitions Filed**:

- Francisco Tatad filed G.R. No. 124360 to annul Section 5(b) of R.A. No. 8180 on grounds of violation of the equal protection clause, inconsistency with the law's policy, and violation of the one-subject-one-title rule.
- Various other petitioners filed G.R. No. 127867 challenging Section 15 of R.A. No. 8180 and E.O. No. 372, alleging undue delegation of legislative power and violation against

monopolies and restraint of trade.

Issues:

1. **Procedural Issues**:

- Whether the petitions presented a justiciable controversy.
- Whether the petitioners had legal standing to assail the law's constitutionality.

2. **Substantive Issues**:

- **Section 5(b)**: Whether it violated the one-subject-one-title rule, the equal protection clause, and the law's deregulation policy.
- **Section 15**: Whether it constituted an undue delegation of legislative power.
- **E.O. No. 392**: Whether its implementation was arbitrary and inconsistent with Section 15.
- **R.A. No. 8180**: Whether it enabled monopolistic practices contrary to constitutional prohibitions against monopolies and combinations in restraint of trade via Sections 5(b), 6, and 9(b).

Court's Decision:

- **Procedural Issues**:

- The Court found the petitions justiciable, holding that they raised important constitutional questions.
- The standing of petitioners was affirmed given the issues' transcendental importance.

- **Substantive Issues**:

- **Section 5(b)**:

- **One-subject-one-title rule**: Upheld, as the tariff differential was deemed germane to the law's deregulation policy.
- **Equal protection clause**: Found violative as it unduly favored existing refineries, creating an unequal playing field hindering new market entrants.

- **Section 15**:

- Court determined that it passed both the "completeness" and "sufficient standard" tests.
- However, the Court found fault in the application, as the Executive considered the OPSF depletion—a factor not enumerated in R.A. No. 8180.

- **Overall Deregulation Provisions**:

- Sections 5(b), 6, and 9(b) were found to impede market entry of new players, resulting in an oligopoly contrary to the intended competitive market.

- **Section 6**: Imposed prohibitive inventory requirements, discouraging new entrants.
- **Section 9(b)**: Failed to protect against predatory pricing due to existing market barriers.

Doctrine:

1. **Anti-Trust Principle**: In line with Section 19, Article XII of the Constitution, anti-trust policies should promote true competition by removing barriers and preventing cartels.
2. **Delegation Doctrine**: Adequate provisions and standards must guide executive implementation to avoid an invalid delegation of legislative power.

Class Notes:

- **Anti-Trust Law**: Focuses on promoting competition and preventing monopolies (Sec. 19, Art. XII of the Constitution).
- **Delegation of Legislative Power**: Execution and implementation must be guided by specific standards (P.D. 1956, E.O. 137).
- **Equal Protection Clause**: Calls for uniform treatment under the law (Art. III, Sec. 1, Constitution).

Historical Background:

- **Pre-1971**: Multinational dominance in the oil industry.
- **1971-1984**: Creation of government bodies and PNOC to increase regulation.
- **1987-1996**: Steps towards deregulation, culminating in R.A. No. 8180 aiming to liberalize the oil market.
- **1997 Onwards**: Full deregulation faced constitutional challenges and scrutiny, revealing systemic flaws and potential economic consequences.

The case is seminal in exploring how legislative measures intended to promote economic liberalization must align with constitutional mandates against anti-competitive practices.