

**\*\*Title:** John H. Osmeña vs. Oscar Orbos, et al.\*\*

**\*\*Facts:\*\***

The case arises from a Petition for Certiorari, Prohibition, and Mandamus under Rule 65 of the Rules of Court, centered around the constitutionality and legality of actions related to the Oil Price Stabilization Fund (OPSF). The OPSF, created by Presidential Decree (P.D.) No. 1956 by President Ferdinand Marcos on October 10, 1984, as subsequently amended, aimed to minimize the impact of fluctuating oil prices on consumers by reimbursing oil companies for cost increases due to changes in exchange rates and world market prices. The fund was later termed a “trust liability account” and Executive Order No. 137 issued by President Corazon C. Aquino further expanded the grounds for reimbursements.

Petitioner John H. Osmeña raised several grounds, including the invalidity of the “trust account” status of the OPSF, the unconstitutionality of delegating legislative power to the Energy Regulatory Board (ERB) through Section 8, paragraph 1 (c) of P.D. 1956, as amended, and the legality of various reimbursements made to oil companies from the OPSF.

The case progressed to the Supreme Court after the petitioner sought relief against the Executive Secretary, the Secretary of Finance, the head of the Office of Energy Affairs, the Chairman of the ERB, and the ERB itself, contending, among others, that the OPSF mechanism violated certain constitutional provisions and principles.

**\*\*Issues:\*\***

1. Whether the creation of the OPSF as a “trust account” violates the Constitution.
2. Whether Section 8, paragraph 1(c) of P.D. No. 1956, as amended, involves an undue delegation of legislative power to the ERB.
3. Whether reimbursements to oil companies from the OPSF contravene the statutory stipulations of P.D. 1956, as amended.
4. The validity of the ERB order dated December 10, 1990, increasing the pump prices of petroleum products.

**\*\*Court’s Decision:\*\***

1. The Supreme Court held that the OPSF, characterized as a “trust account,” does not violate the Constitution. It is a mechanism to protect consumers from frequent and erratic changes in oil prices, under both the police power and the power to tax, serving a public purpose. The OPSF is considered a special fund, supported by specific sources such as tax increases from ad valorem taxes or customs duty on petroleum products, and expenditures

from it are treated as special disbursements subject to review by the Commission on Audit (COA), thus complying with constitutional requirements for such funds.

2. On the issue of delegation of legislative power, the Court found that the law provided a sufficient standard for the ERB to follow, thus meeting the requirements for valid delegation. The powers granted to the ERB are in the context of police power rather than taxation, aimed at stabilizing pump rates and protecting the public and the industry from price fluctuations.

3. Regarding the legality of reimbursements made to oil companies, the Court differentiated among the challenged payments. It disallowed the reimbursement of financing charges as not authorized by law but upheld payments for inventory losses and sales to the National Power Corporation, citing relevant laws and regulations that support such reimbursements.

4. Due to pump rate adjustments that occurred during the pendency of the case, reducing prices to levels lower than those petitioned for, the Court deemed the issue regarding the December 10, 1990 order moot and academic.

**\*\*Doctrine:\*\***

- The Court reiterated the principles surrounding the valid delegation of legislative power, emphasizing the need for a law to be complete in itself and specifying a standard for its execution. Moreover, it affirmed the constitutional basis for the creation and operation of special funds like the OPSF, highlighting its compatibility with the state's police power and fiscal responsibilities.

**\*\*Class Notes:\*\***

- **\*\*Special Funds and Trust Accounts\*\***: Special funds constituted from taxes or levies for a specific purpose must be treated as such and expended only for the designated purpose, subject to COA review.

- **\*\*Delegation of Legislative Power\*\***: A lawful delegation requires the delegating statute to be complete and to set sufficient standards for the delegate's actions.

- **\*\*Police Power vs. Taxation\*\***: The differentiation between an act under the state's police power and its taxing authority may influence the validity of fund allocations and legislative delegations.

- **\*\*Ejusdem Generis Rule\*\***: In interpreting statutory provisions, general terms following a list of specifics are construed to include only items of the same type, unless legislative intent indicates otherwise.

**\*\*Historical Background:\*\***

The OPSF was established during a period of significant political and economic adjustments in the Philippines, initially as a response to the volatile international oil market and its domestic implications. Its evolution reflects shifting governmental priorities and approaches to economic management, particularly in addressing the challenges of energy security and price stability. The legal challenges against its mechanisms and operations tested the constitutional boundaries of executive action in economic regulation, the delegation of legislative powers, and the safeguarding of public interests in a critical sector.