

GRANT OF MAXIMUM SEVEN AND ONE-HALF PERCENT (7-1/2%) FILIPINO PARTICIPATION INCENTIVE ALLOWANCE (FPIA) TO PETROLEUM SERVICE CONTRACTORS IN DEEPWATER CONTRACTS

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WHEREAS, Sec. 20 of P.D. No. 87, "An Act to Promote the Discovery and Production of Indigenous Petroleum, and Appropriating Funds Therefor", grants that petroleum service contracts in which Filipino citizens or corporations have a minimum participating interest of fifteen percent (15%) in the contract area may, subject to reasonable conditions imposed by the Office of Energy Affairs (OEA), be granted a government subsidy commensurate with the scope of Filipino participation incentive not exceeding 7-1/2% of the gross proceeds of petroleum sale.

WHEREAS, OEA Circular No. 87-12-003 dated December 1, 1987 provides for a schedule of percentage incentive of FPIA depending on the level of Filipino participation in the service contract which grants a maximum of 7-1/2% allowance for a Filipino participation of 30% and a minimum of 1-1/2% allowance for a 15% Filipino participation.

WHEREAS, it is recognized that petroleum operations in deepwater areas entail greater risks and substantially higher costs which are more than double the expenditures incurred in shallow waters thus discouraging Filipino corporations to participate in such ventures.

WHEREAS, it is the thrust of the government to encourage foreign as well as local corporations to accelerate the petroleum exploration and development of deepwater areas which have been recently proven to be highly prospective through grants of more incentives to interested participants therein.

WHEREFORE, the foregoing premises considered, a maximum of seven and one-half percent (7-1/2%) Filipino Participation Incentive Allowance (FPIA) is hereby granted to a deep-water petroleum service contractors with at least fifteen percent (15%) Filipino participation.

This Circular shall take effect immediately.

Adopted: 6 Oct. 1992

(Sgd.) RUFINO B. BOMASANG
Acting Executive Director

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