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RULES AND REGULATIONS GOVERNING THE ESTABLISHMENT AND IMPLEMENTATION OF THE ALTERNATIVE FUELS FUND

DOE DEPARTMENT CIRCULAR NO. DC- 2005-03-002, March 11, 2005

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WHEREAS, it is the policy of the Government to ensure continuous, adequate and economic supply of indigenous energy to increase self-reliance in the country's energy requirements;

WHEREAS, by virtue of Executive Order No. 66, the DOE is designated as the lead government agency in ensuring a unified and coordinated efforts towards establishing a successful and robust Philippine Natural Gas Industry;

WHEREAS, the Malampaya Gas-to-Power Project represents the beginning of the natural gas industry in the Philippines;

WHEREAS, it is the policy of the Department of Energy (DOE) to promote the utilization of alternative fuels and energy technologies for industrial, commercial and transport sectors;

WHEREAS, the Natural Gas Vehicle Program for Public Transport (NGVPPT) which was launched on October 16, 2002 unveils a portfolio of incentives to encourage active participation of the private sector in providing the necessary support, logistics and infrastructure to the said program;

WHEREAS, by virtue of Executive Order No. 290, the DOE is designated as the lead implementing government agency for the NGVPPT in coordination with different government agencies, institutions and the private sector;

WHEREAS, the development of infrastructure and market for compressed natural gas (CNG) and CNG-fueled public utility buses was supported by the private sector;

WHEREAS, a Memorandum of Agreement (MOA) was signed among CNG suppliers for the establishment of Compressed Natural Gas for Public Transport Pilot Project to study and evaluate the commercial viability, technical requirements and market demand of CNG and CNG-fueled public utility buses;

WHEREAS, a Supplement to the MOA was signed providing the CNG pump price and pricing structure for the Pilot Project and the Alternative Fuels Fund as a contribution for the implementation of the DOE's Alternative Fuels Program;

WHEREAS, Section 13 (General Provisions) of Republic Act 9336, otherwise known as the General Appropriations Act for fiscal year 2005 provides that departments, bureaus, offices or agencies may accept donations, contributions, grants, bequests or gifts in cash or in kind, from various sources, domestic or foreign for purposes relevant to their functions.

NOW, THEREFORE, pursuant to the provisions of the Supplement dated 26 January 2005 to the Memorandum of Agreement for Compressed Natural Gas for Public Transport Pilot Project executed on 4 August 2003 by and among the Department of Energy (DOE) and Malampaya Service Contract No. 38 Consortium, the following rules and regulations governing the establishment, administration and implementation of the Alternative Fuels

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Fund is hereby promulgated.

SECTION 1. TITLE - This Department Circular shall be known and cited as the RULES AND REGULATIONS ESTABLISHING AND IMPLEMENTING THE ALTERNATIVE FUELS FUND.

SECTION 2. OBJECTIVES - The purpose of this Department Circular is to establish the Alternative Fuels Fund (AFF) for the promotion on the use of alternative fuels and energy technologies and provide guidelines on the administration of the said Fund by:

a) defining the scope of projects and/or activities applicable for which the Fund may be utilized; and
b) defining the procedures on disbursement, accountabilities, audit and other related matters pertaining to the administration of the Fund.

SECTION 3. SCOPE - This Department Circular shall apply to the DOE's Alternative Fuels Program which is implemented under the Energy Utilization Management Bureau-Alternative Fuels and Energy Technology Division (EUMB-AFETD). The activities under which the Alternative Fuels Programs may avail of the Alternative Fuels Fund shall include:

a) Research and development (R&D) undertakings on alternative fuels and energy technologies for pilot/experimental application;
b) Development and maintenance of prototype equipment, vehicles, and facilities to include related materials such as software program, testing protocols, fuels, parts and components, etc.;
c) Development of local standards for the application and utilization of alternative fuels and energy technologies to include acquisition of manuals, handbooks, etc. on international standards as reference;
d) Acquisition and maintenance of alternative fuel vehicles conversion kits, alternative fuel-fed original equipment manufactured (OEM) vehicles, etc. for research and demonstration;
e) Manpower capacity building of DOE personnel and program stakeholders on alternative fuels and energy technologies such as hiring of consultants/experts (international), conduct of seminars and attendance to technical trainings and workshops (local and international) relating to AFETD activities to include funding of travel, accommodation and daily subsistence allowance;
f) Hiring of contractual personnel such as drivers, mechanics and staff dedicated to the operation, monitoring and maintenance of acquired alternative fuel-fed OEM and converted vehicles, and other related equipments;
g) Such other projects/activities that promote the utilization of alternative fuels and energy technologies.

The Alternative Fuels Fund should not be construed as a replacement for or reduce any budget (regular or otherwise) allotment for Alternative Fuels and Energy Technology Division.

SECTION 4. ROLE OF THE DEPARTMENT OF ENERGY (DOE)

The DOE Secretary shall approve or disapprove projects/activities that will be charged to the Alternative Fuels Fund. The EUMB Director will endorse to the Secretary projects/activities to be funded by the Alternative Fuels Fund. A special budget with corresponding Notice of Cash Allocation for this purpose shall be requested from the Department of Budget and Management. The disbursement of Fund shall be subject to the usual accounting and auditing rules and regulations.

The DOE shall monitor and audit the proceeds to the AFF from the Pilipinas Shell Petroleum Corporation's CNG sales. The audit shall be made within sixty (60) days from the end of each semester.

SECTION 5. ROLE OF THE PILIPINAS SHELL PETROLEUM CORPORATION (PSPC) - The PSPC, as

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provided in the Supplement to the MOA for CNG for Public Transport Pilot Project, shall set aside fifty-two centavos (PhP 0.52) per Nm3 sale of CNG for the AFF and shall be remitted to the DOE within ten (10) days after the end of each month. For this purpose, PSPC shall submit monthly CNG sales, remittances and Fund status reports to the DOE.

SECTION 6. SANCTIONS - Any person who violates any provision of this Department Circular shall be given the corresponding criminal, civil and/or administrative sanctions as provided under existing applicable laws, rules and regulations.

SECTION 7. FINAL PROVISIONS

All Department orders, rules and regulations inconsistent with or contrary to the provisions of this Department Circular are hereby repealed and modified accordingly.

If any provision of this Department Circular or the application of said provision to any person or circumstances is declared unconstitutional, the remainder of the Circular or the application of such provision to other persons or circumstances shall not be affected by the said declaration.

SECTION 8. EFFECTIVITY

This Department Circular shall take effect fifteen (15) days after its complete publication in a national newspaper of general circulation.

Adopted: 11 March 2005

(SGD.) VICENTE S. PÉREZ, JR.
Secretary

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