

AMENDING ENERGY REGULATIONS 1-94, DATED 24 MAY 1994 WHICH PRESCRIBED RULES AND REGULATIONS IMPLEMENTING SECTION 5 (I) OF REPUBLIC ACT NO. 7638, OTHERWISE KNOWN AS THE DEPARTMENT...

DE ENERGY REGULATIONS NO. 1-94-A, July 31, 1996

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WHEREAS, Energy Regulations No. 1-94 issued on 24 May 1994 prescribed the provision of direct benefits to pertinent local government units hosting energy resources and/or energy-generating facilities within their territorial jurisdiction, pursuant to Section 5 (i) of Republic Act No. 7638 (Department of Energy Act of 1992);

WHEREAS, under Section 8 of E.R. 1-94 , an energy-generating facility fired by natural gas shall be exempted from providing the benefits required under the said regulations;

WHEREAS, the Philippine natural gas project is deemed as a high priority project that would need the favorable endorsement and full support from the host local government units (LGUs) thereby ensuring smooth power plant construction and operation;

WHEREAS, the Department of Energy (DOE) deemed it meritorious to extend corresponding benefits to host LGUs of power plants fired by natural gas, including liquified natural gas (LNG), but is precluded from authorizing the same under the said regulations;

WHEREAS, considering that natural gas and LNG have been recognized as environment-friendly fuel that will have very minimal adverse environmental impact on communities affected, thereby making unnecessary the provision of benefits for reforestation, watershed management, health and/or environment enhancement;

WHEREFORE, premises considered, the DOE hereby adopts and promulgates the following amendments to E.R. 1-94;

1. Amendment to Section 7.d of E.R. 1-94 to provide corresponding set of benefits exclusively for natural gas, LNG -and LPG-fired power plants, by deleting natural gas resource development projects under sub-section (1) and adding sub-section (3), to read as follows:

"Section 7.d Oil/Petroleum/Natural Gas.

(1) Indigenous Petroleum

xxx

(3) Natural Gas - and LNG-fired Power Plants

a. Electrification benefits under Section

b. Reduction in the cost of electricity under Section 6 (a) (3);

c. Skills development under Section 6 (b);

- d. Preference in employment under Section 6 (c);
- e. Procurement of local supplies and services under Section 6 (d); and
- f. Development and livelihood fund equivalent to one-half of one-centavo (PO.005) per kilowatt-hour, which amount shall be applied in an equitable preferential manner in accordance with the proportion prescribed under Section 6 (e) (2)."

2. Amendment to Section 8.a of E.R. 1-94 by deleting subsection (5) to exclude natural gas from the exemptions, to read as follows:

"Section 8. Exemptions.

a. Each of the following shall be exempted from providing the benefits required under these rules and regulations:

1. a small-scale coal mining (SSCM) permittee;
2. an energy-generating facility with an aggregate installed or operating generation capacity that is less than ten (10) megawatts (MW);
3. an energy-generating facility located in a special economic zone which sells or exports less than ten (10) megawatts (MW) of its surplus power output outside of the special economic zones where it is located;
4. an energy-generating facility for the exclusive internal use of the owner (e.g., integrated to the industrial plant); and
5. an on-going energy-generating project with a negotiated benefits package which is better than or at least substantially equal to the benefits provided hereunder, as determined and certified by the DOE."

This Amendment shall take effect upon the lapse of fifteen (15) days from complete publication in one (1) newspaper of general circulation in the Philippines.

Adopted: 31 July 1996

(SGD.) FRANCISCO L. VIRAY
Secretary

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