

Project Title	:	PNOC BATANGAS LIQUEFIED NATURAL GAS (LNG) HUB PROJECT
Project Location	:	Mabini, Batangas (Tentative)
Nature of Project	:	Complete Value Chain LNG Facility
Implementing Agency	:	PNOC

Project Description:

The PNOC, as the corporate arm of the Department of Energy (DOE), has steadily taken action towards the performance and attainment of the Department's mandate, that is, for PNOC to spearhead the development of energy infrastructure for liquefied natural gas (LNG). To attain this vision and direction, the project, known as the "PNOC Batangas Liquefied Natural Gas (LNG) Hub Project," was conceptualized.

The Project is a complete value chain LNG facility to be used to receive, store, re-gasify, and distribute imported LNG, and at the same time facilitate the withdrawal of banked gas owned by PNOC from the Malampaya gas field. With a complete LNG facility, it is aimed at contributing to the economic growth of the country by providing a dependable, sustainable and efficient source of energy. This will fill the gap in addressing the lost energy capacity from the Malampaya gas field when SC 38 expires in 2024 and if and when the Malampaya gas is depleted.

Initially, PNOC's proposed implementation for the project is Government to Government (G-to-G) modality. With keen interest of the private sector, PNOC later on adopted the unsolicited proposal scheme under the 2013 Revised NEDA Joint Venture Guidelines and the Build-Operate-Transfer (BOT) Law. This however did not materialize since proposals received under this scheme were non-compliant with the PNOC-approved qualification criteria, requirements under BOT Law and/or NEDA JV guidelines, or due to incompleteness of proposals.

PNOC then conducted a solicited competitive tender under NEDA's Revised Guidelines and Procedures for Entering into Joint Venture Agreements between Government and Private Entities to select the JV partner that will develop the project with PNOC. However, in January 2019, due to the impending DOE issuance of Notice to Proceed to private-led LNG project/s, the PNOC Board directed the management to conclude and terminate all activities in relation to the Competitive Selection of the Joint Venture Development partner for the project but without prejudice to exploration of new opportunities in the LNG value chain in light of current developments and business prospects available that are still timely and deemed feasible for PNOC's participation.

Project Status as of December 31, 2020:

PNOC remains active in studying any possible investment opportunities in the LNG industry. It has entered into non-binding collaborations with companies from the private sector to explore and discuss business opportunities and cooperation in LNG and other related projects.

Moreover, PNOC is also in the process of vetting several proponents for possible partnership, joint ventures or other viable business arrangements in furtherance of the development of a dynamic value chain to spur the LNG industry and promote the Philippines as a viable LNG Hub for investors.

Project Title	:	MONETIZATION OF PNOC BANKED GAS
Project Location	:	
Nature of Project	:	Sale of the Remaining Volume of Banked Gas
Implementing Agency	:	PNOC

Project Description:

Banked gas is the accumulated unused gas of the Ilijan Power Plant, amounting to 108.6 Petajoules, as a result of the underutilization of the plant's Take-or-Pay quantity (TOPQ) within the period 2002 to 2007. Under TOP, a fixed quantity of gas is being paid for by the power plant every year, whether they use the gas or not. The banked gas was originally paid for by the Government of the Philippines (GOP), through the Net Government Share, in assistance to the National Power Corporation, then owner of the Ilijan Power Plant, to satisfy the plant's TOPQ provisions of their GSPA with the Service Contract Number 38 (SC38) Consortium. In September 2009, PNOC purchased from the DOE all the rights, benefits and entitlements of the banked gas.

Currently, the remaining volume of banked gas is equivalent to 97.67 PJ since Power Sector Assets and Liabilities Management Corporation (PSALM) withdrew 4.61 PJ in 2013 for the Ilijan power plant and another portion, equivalent to 6.324 PJ, was contracted to Pilipinas Shell Petroleum Corporation (PSPC) in 2014 for its Tabangao Refinery.

Project Status as of December 31, 2020:

PNOC has received its Board of Directors' approval to pursue negotiations for the sale of as much as the remaining volume of banked gas with an interested party. Further, the Memorandum of Understanding, and a Non-Disclosure Agreement is being finalized between PNOC and the said party to facilitate exchange of information towards reaching a more definitive and binding agreement.

Project Title : **ESTABLISHMENT OF PNOC'S STRATEGIC PETROLEUM RESERVE (SPR)**

Project Location :

Nature of Project : Oil Importation, Stockpiling and Distribution

Implementing Agency : PNOC

Project Description:

Strategic Petroleum Reserves (SPR) are large stockpiles of crude oil and/or petroleum products, stored in facilities located around the country (and possibly overseas). The buildup and drawdown of inventory, from the specification and volume of products to be stored and required conditions for drawdown) are dependent on the series of legislations, mechanisms, and guidelines that have to be researched and formulated by the implementing agency, and approved by concerned agencies.

In order to undertake a program that will mitigate the vulnerability of the country from the threat of oil supply and price disruptions, the Department of Energy – the lead agency for energy and the agency which to PNOC is attached, has mandated the company through DOE MO 2019-11-0001 to conduct a feasibility study and accordingly, formulate an implementation plan for the establishment and operation of the National Strategic Petroleum Reserve. This endeavor is aligned to PNOC's mandate and reason for its creation as a government corporation: to ensure an adequate and stable supply of oil and petroleum products for the country's domestic needs.

The establishment of an SPR program is aimed at ensuring the long-term stability and security of oil supply in the country even in times of geopolitical events, calamities or emergencies which induce global oil supply disruptions. Such effects were recently demonstrated in the September 2019 drone attacks in Saudi Aramco's oil facilities which resulted to about 5% of global oil production cut thereby causing oil prices to go up.

The envisioned SPR shall be a combination of the following:

- a) Crude oil and petroleum products importation, storage, and distribution facilities established within and outside the country (domestic and overseas SPRs);
- b) Partnerships with government agencies and private entities; and
- c) Interconnected Pieces of legislation, mechanisms, and guidelines that would guide the project from development to operation.

The National SPR Program is considered to be an extensive undertaking which aims to provide an oil stockpile, either crude oil, finished petroleum products, or both, equivalent to 90 days of the country's domestic oil requirements. Such magnitude and considerable funding

required for an all-encompassing SPR will necessitate the implementation of the program in phases, depending on the resources available.

Meanwhile, the implementation of the proposed Interim Oil Stockpiling Program and/or Emergency Targeted Fuel Relief Program can be seen as jumpstart or preparatory initiatives that can lay the foundation for in the establishment of the bigger Strategic Petroleum Reserve that is responsive to the current and future needs of the Filipino people.

Project Status as of December 31, 2020:

The target activities for the National SPR Program for 2020 entails the hiring of a Project Transaction Advisor. However, the PNOC's engagement in the hiring of a Project Transaction Advisor had been postponed until further notice due to the advent of COVID-19 Pandemic, which caused the imposition of lockdown policies in the country. As a consequence, the extensive National SPR Program will be pushed back, possibly in 2021, until the country and overall global economy and situation improves considerably to allow these activities to be undertaken.

In light of the effects of COVID19 pandemic and global health crisis, the PNOC has been directed to assist it in drafting of a DOE Department Circular that will address the establishment of the Interim Oil Stockpiling mechanism. This mechanism is intended as a preliminary initiative relative to the wider more comprehensive and capital intensive National SPR Program. This mechanism will provide the government with an effective means of intervention in response to the disruption in oil supply and price stability, should it be required, in times of price spikes while also taking advantage of the low Global oil prices due to combined demand decrease and oil glut caused by the COVID-19 Pandemic.

In conjunction with these objectives, PNOC has completed its in-house study for the Targeted Fuel Relief Program – a mechanism envisioned by the company to provide assistance to marginalized fuel-consuming sectors during emergencies (such as the COVID-19 pandemic) or crisis situations, PNOC has submitted the same to the PNOC Board of Directors for approval.

In regard to the engagement of a Project Transaction Advisor, documents and other relevant information are currently being prepared, in anticipation that conditions would improve in 2021, allowing PNOC to conduct the Competitive Selection Process by first (1st) quarter of aforesaid year.