

PHILIPPINE NATIONAL OIL COMPANY

ANTONIO M. CAILAO President & CEO

October 27, 2014



HON, CESAR L. VILLANUEVA

Chairman
Office of the President of the Philippines
Governance Commission for GOCCs
3rd Floor Citibank Center, 8741 Paseo de Roxas
Makati City, Philippines 1226

Dear Chairman Villanueva:

We are transmitting herewith PNOC's "Monitoring Report of Performance Targets" for the 3rd Quarter of this year.

If you need anything, please let me know.

Very truly yours,

	Performance	Measures		Baseline Data (if available)	Agreed Targets		1st Quarter		2nd Quarter		3rd Quarter
		Weight 2014	Formula	2013 Targets	2014	Target	Actual	Target	Actual	Target	Actu al
	I Approval of Projects and Program	ns	v consequence								
	pproval of the budget										T
Quantity	No. of reviewed budget	10	Pass or fail	5	4	4	4				
Timeliness	Percentage of submissions approved within 50 days from the receipt of completed documents.	5	100 % of submissions approved within 40 days from the receipt of complete documents.	80% of submissions approved within 50 days from the receipt of complete documents.	100%	100% of submissions approved within 50 days from receipt of complete documents	100% of submissions approved within 32 days from receipt of complete documents				
Subtotal of Weights		15									
PI 2: Batangas to Man	ila Gas Pipeline Project			gerandelen se er er er			医原生物学的 医二苯甲甲甲基甲基甲基甲基甲基甲基甲基甲基甲基甲基甲基甲基甲基甲基甲基甲基甲基甲基		turks or explanation to be a first		
F alternative route:											
Quality (2a-alternative)	If shorter/alternative route: Complete the Technical Study, certified by the DOE	28	Pass or fail	N/A	100%						
Timeliness (2a- alternative)	Start in January 2014 with target completion date by 31 December 2014	12	0%- completion after 31 December 2014 90% -completion on 31 December 2014 95%- completion 1-15 days before 31 December 2014 100% - completion >15 days before 31 December 2014	N/A	100%						
		40									
Quality (2a-PPP)	If PPP Center: Complete the Technical Study, certified by the DOE	28	Pass or fail	N/A	100%		On track. RebelGroup, the winning Transaction Advisor, started the conduct of Feasibility Study (which includes the Technical Study) last March 10, 2014. Technical Study is targetted to be finished by November.		Transaction Advisor submitted the Demand and Supply Analysis portion of the Detailed Feasibility Study.		Conduct of Technical Study by RebelGroup is on-going.
Timeliness (2a- PPP)	Start in January 2014 with target completion date by end December 2014	12	0%- completion after 31 December 2014 90%-completion on 31 December 2014 95%- completion 1-15 days before 31 December 2014	N/A	100%						
(==)			100% - completion >15 days before 31 December 2014								

	Performance	e Measures		Baseline Data (if available)	Agreed Targets		1st Quarter		2nd Quarter		3rd Quarter
		Weight 2014	Formula	2013 Targets	2014	Target	Actual	Target	Actual	Target	Actual
PI 3: Implementation of	of the Memorandum of Understand		tween PNOC and PetroleumBRUNEI								
Quality	Decision by the PetroleumBRUNEI to invest	3	Pass or fail		100%		During the March 19, 2014 meeting of PetroleumBRUNEI (PB) with the DOE Secretary, PB presented their target final investment decision which is end 2015. We are moving the target on PB's decision to invest from end 2014 to end 2015. PNOC is preparing the GCG request and Board approval to move this target. PB finished their initial Site Selection Study and singled out the decommissioned Aplaya Power Plant as a possible project site, which is owned by PSALM and is outside PHIVIDEC. The challenge now is to come up with an acceptable framework on how to make the site available for PB given the constraints i.e, 54 titles unregistered, public bidding as PSALM is in privatization mode, etc. Note that the original target was based on PB's plan to locate inside PHIVIDEC. With all the options in PHIVIDEC failed, we are now looking into the second alternative described above.		This target is being requested to be moved to end 2015.		The target is being requested to be moved to end 2015. Petroleum Brunei (PB) represented in March 2014, that their investment decision on the planned LNG Receiving Terminal Project in Mindanao will be in December 2015. As a replacement, PNOC also requested to submit instead an acceptable framework by which Petroleum Brunei can acquire the property with target completion date of 31 August 2014. Attached is a copy of PNOC's letter-request to GCG dated April 21, 2014 received by the latter on same date. This framework/report to the DOE Secretary was submitted on 15 August 2014. Attached is the Certification issued by the DOE.
Timeliness	Started in July 2013 with target completion date in 31 December 2014	2	Pass or fail		100%						
		5									
PI 4: Sale/ Monetizatio	n of Banked Gas										
Quality	Scenario 1 - If joint sale: completion of signed agreement between SC38 and PNOC Scenario 2 - If not joint sale: determination of need for Transaction Advisor, certified by the DOE	8	Pass or fail	N/A	100%		We are also proposing to move this target from June to August 2014 for the following reasons: 1) It is taking PSALM a long while to decide on the condition by which we are granting them access to the banked gas. This decision is a pre-condition for SC 38 consortiumto to have their head office approve the joint sale. Only then can we start drafting and finalizing the joint sale agreement. We have discussed this with PSALM in numerous meetings as early as February, in March 11 and the last one early April. But to date, PSALM has yet to decide. 2) We were also given indication by the SC38 consortium members that it will take months to secure both their HO approval and drafting and finalizing the joint sale agreement. These are circumstances that are not only beyond our control but also unforeseen until now.		During the recent meeting of PNOC with GCG, this performance indicator was requested to be moved by end September 2014.		On 27 August 2014, PNO© wrote GCG after the GCG-PNOC meeting on 04 June 2014, requesting re-extension of this Performance Indicator from September 2014 to December 2014. Attached is a copy of that letter received by the GCG on September 2, 2014. To date, there is no joint sale agreement being worked out, instead, a letter of intent to jointly sell the banked gas was sent to the 3 members of the SC38 Consortium wherein the latter agreed with and signed. PNOC and the SC38 Consortium are currently crafting the Offtake Framework Agreement (OFA) and Terms of Reference (TOR) for the joint sale. For PNOC and the Consortium to jointly sell, the 2 parties should both agree first on the OFA and TOR. The OFA, on the other hand, is contingent on the agreement of PSALM and Napocor to carve-out the Banked Gas.

Performance Measures				Baseline Data (if available)	Agreed Targets		1st Quarter		2nd Quarter		3rd Quarter
		Weight 2014	Formula	2013 Targets	2014	Target	Actual	Target	Actual	Target	Actual
Timeliness	Start in January 2014 with target completion date in 30 June 2014	5	0%- completion after 30 June 2014 90% -completion on 30 June 2014 95%- completion 1-15 days before 30 June 2014 100% - completion >15 days before 30 June 2014	N/A	100%						
Quality 2	Certification by the DOE of the acceptability of the Terms of Reference of the Sale or TA engagement	12	Pass or fail	N/A	100%						
Timeliness 2	Start in June 2014 with target completion date in 31 December 2014	5	0%- completion after 31 December 2014 90% -completion on 31 December 2014 95%- completion 1-15 days before 31 December 2014 100% - completion >15 days before 31 December 2014	N/A	100%				4		
		30									
MFO 2- Funding Support	ort for Energy Projects										
PTI. Ability to Pulla Pt	Ojecis										
				P106.687 million for PNOC-RC	P195.3 million for PNOC-RC		No drawdown request from PNOC RC for the first quarter		No drawdown request from PNOC RC for the second quarter		No drawdown request from PNOC RC for the third quarter
Quantity	Amount of funding support appropriated for energy projects	4	Pass orfail		P195.3 million for PNOC-RC P97.3 million for BATMAN						
Quantity	appropriated for energy	4	Pass or fail	PNOC-RC P146.821 million for			the first quarter Release of operating expenses amounting to P18,261.00 for the first		RC for the second quarter Release of operating expenses amounting to P42,759.79 for the		the third quarter Release of operating expenses amounting to P27,469.05 for the third
Quantity Timeliness	appropriated for energy	5	Pass or fail Pass or fail	PNOC-RC P146.821 million for	P97.3 milllion for BATMAN P15 milllion		the first quarter Release of operating expenses amounting to P18,261.00 for the first quarter		RC for the second quarter Release of operating expenses amounting to P42,759.79 for the second quarter No release of funds for the second		the third quarter Release of operating expenses amounting to P27,469.05 for the third quarter
	appropriated for energy projects Percentage of funding drawn within 7 banking days from the receipt of			PNOC-RC P146.821 million for BATMAN	P97.3 million for BATMAN P15 million Banked Gas		the first quarter Release of operating expenses amounting to P18,261.00 for the first quarter No release of funds for the first quarter Funds released within 2 days upon		RC for the second quarter Release of operating expenses amounting to P42,759.79 for the second quarter No release of funds for the second quarter Funds released within 2 days upon		the third quarter Release of operating expenses amounting to P27,469.05 for the third quarter No release of funds for the third quarter Funds released within 2 days upon
Timeliness Quality Subtotal of Weights	appropriated for energy projects Percentage of funding drawn within 7 banking days from the receipt of complete documents Funds will be made available as and when needed. Certification of drawdown or non-drawdown (not needed) by Subsidiary or Treasurer	5 1 1 10	Pass or fail	PNOC-RC P146.821 million for BATMAN 100%	P97.3 million for BATMAN P15 million Banked Gas 100%		the first quarter Release of operating expenses amounting to P18,261.00 for the first quarter No release of funds for the first quarter Funds released within 2 days upon		RC for the second quarter Release of operating expenses amounting to P42,759.79 for the second quarter No release of funds for the second quarter Funds released within 2 days upon		the third quarter Release of operating expenses amounting to P27,469.05 for the third quarter No release of funds for the third quarter Funds released within 2 days upon
Timeliness	appropriated for energy projects Percentage of funding drawn within 7 banking days from the receipt of complete documents Funds will be made available as and when needed. Certification of drawdown or non-drawdown (not needed) by Subsidiary or Treasurer	5	Pass or fail	PNOC-RC P146.821 million for BATMAN 100%	P97.3 million for BATMAN P15 million Banked Gas 100%		the first quarter Release of operating expenses amounting to P18,261.00 for the first quarter No release of funds for the first quarter Funds released within 2 days upon		RC for the second quarter Release of operating expenses amounting to P42,759.79 for the second quarter No release of funds for the second quarter Funds released within 2 days upon		the third quarter Release of operating expenses amounting to P27,469.05 for the third quarter No release of funds for the third quarter Funds released within 2 days upon

Noted by:

RAINIER B. BUTALID Commissioner, GCG ANTONIO M. CAILAO President, PNOC CARLOS JERICHO L. PETILLA Secretary, DOE