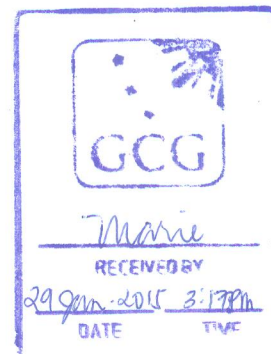


PHILIPPINE NATIONAL OIL COMPANY

ANTONIO M. CAILAO
President & CEO

January 28, 2015

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 PNOC's "Monitoring Report of Performance Targets" for the 4th Quarter of 2014.

If you need anything, please let us know.

Very truly yours,



A handwritten signature in dark ink, appearing to be "Ant", likely representing Antonio M. Cailao.

Performance Measures			Baseline Data (if available)				Agreed Targets	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
		Weight 2014	Formula	2010	2011	2012	2014	Target	Actual	Target	Actual	Target	Actual	Target	Actual
MFO 1- Evaluation and Approval of Projects and Programs															
PI 1: Evaluation and approval of the budget															
Quantity	No. of reviewed budget	10	Pass or fail	5	5	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 % of submissions approved within 50 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 Manila Gas Pipeline Project															
If alternative route:															
Quality (2a-alternative)	If shorter/alternative route: Complete the Technical Study, certified by the DOE	28	Pass or fail	N/A	N/A	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	N/A	N/A	100%								
		40													
Quality (2a-PPP)	If PPP Center: Complete the Technical Study, certified by the DOE	28	Pass or fail	N/A	N/A	N/A	100%		On track, Rebel Group, 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.		Accomplished. (Please see attached Certification from the DOE)
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 100% - completion >15 days before 31 December 2014	N/A	N/A	N/A	100%								Submitted on 15 December 2014 (more than 15 days before 31 December 2014)
		40													
PI 3: Implementation of the Memorandum of Understanding (MOU) between PNOC and PetroleumBRUNEI															
Quality	Decision by the PetroleumBRUNEI to invest	3	Pass or fail	N/A	N/A	N/A			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		This target is being requested to be moved to end 2015.		This 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. PNOC has requested this to GCG in its letter dated 21 April 2014. 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. This framework/report to the DOE Secretary was submitted on 15 August 2014. Attached is the Certification issued by the DOE.		Accomplished. Certification submitted together with the 3rd Quarter report.

Performance Measures			Baseline Data (if available)			Agreed Targets	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		
		Weight 2014	Formula	2010	2011	2012	2014	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Timeliness	Started in July 2013 with target completion date in 31 December 2014	2	Pass or fail	N/A	N/A	N/A	100%								
		5													
PI 4: Sale/ Monetization of Banked Gas															
	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	N/A	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 consortium 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		During the recent meeting of PNOC with GCG, this performance indicator was requested to be moved by end September 2014.		On 27 August 2014, PNOC wrote GCG after the GCG-PNOC meeting on 04 June 2014, requesting re-extension of this Performance Indicator from September 2014 to December 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		PNOC requested replacement of this target from signed Joint Sale Agreement between PNOC and SC38 to acceptability of the Offtake Framework Agreement (OFA) certified by DOE. OFA was signed and executed last December 2014. Attached is the certification from DOE on the acceptability of the OFA.
	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	N/A	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	N/A	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	N/A	N/A	100%								
		30													
MFO 2: Funding Support for Energy Projects															
PI I: Ability to Fund Projects															
Quantity	Amount of funding support appropriated for energy projects	4	Pass or fail	N/A	P1.5 billion for PNOC RC	P1.485 billion 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		No drawdown from PNOC RC for the 4th Quarter
							P97.3 million for BATMAN		Release of operating expenses amounting to Php18,261.00 for the first quarter		Release of operating expenses amounting to Php42,759.79 for the second quarter		Release of operating expenses amounting to Php27,469.05 for the third quarter		Release of operating expenses amounting to P17,073.65 for the 4th quarter
							P15 million Banked Gas		No release of funds for the first quarter		No release of funds for the second quarter		No release of funds for the third quarter		No release of fund for 4th quarter
Timeliness	Percentage of funding drawn within 7 banking days from the receipt of complete documents	5	Pass or fail	N/A	N/A	N/A	100%		Funds released within 2 days upon receipt of complete documents		Funds released within 2 days upon receipt of complete documents		Funds released within 2 days upon receipt of complete documents		Funds released within two days upon receipt of remittance documents.

Performance Measures			Baseline Data <small>(if available)</small>				Agreed Targets	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
		Weight 2014	Formula	2010	2011	2012	2014	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Quality	Funds will be made available as and when needed. Certification of drawdown or non-drawdown (not needed) by Subsidiary or Treasurer	1	Pass or fail	N/A	N/A	N/A	100%		100%		100%		100%		100%
Subtotal of Weights:		10													
Weights:		100													

Noted by:

RAINIER B. BUTALID
Commissioner, GCG

ANTONIO M. CAILAO
President, PNOC


CARLOS JERICO L. PETILLA
Secretary, DOE

06 January 2015

CERTIFICATION

This is to certify that, on 15 December 2014, the Philippine National Oil Company has completed the Technical Study for the Batangas to Manila Gas Pipeline Project, otherwise known as the BatMan Project. Said study was conducted by Rebel Group International, the Transaction Advisor for the project presented to and approved by the PNOC Board in its 17 December 2014 meeting.

This certification is being issued in compliance with one of the requirements of the Governance Commission for Government Owned and Controlled Corporations (GCG) for PNOC's Performance Commitments for 2014.


Carlos Jericho L. Petilla
Secretary
Department of Energy



Republic of the Philippines
DEPARTMENT OF ENERGY

IN REPLYING PLS CITE:

SOE-JLP-15000110



06 January 2015

CERTIFICATION

This is to certify that the Philippine National Oil Company (PNOC) has executed and signed the Offtake Framework Agreement (OFA) with the SC38 Consortium whose members are Shell Philippines Exploration B.V., Chevron Malampaya LLC and PNOC Exploration Corporation on 29 December 2014. The said agreement defines the obligation of the Consortium to make available capacity and deliver the carved-out banked gas to PNOC or its designee, among others. The Department of Energy finds the agreement acceptable which was approved by the PNOC Board of Directors on 17 December 2014.

This certification is being issued in compliance with one of the requirements of the Governance Commission for Government Owned and Controlled Corporation (GCG) for PNOC's Performance Commitments for 2014.


Carlos Jericho L. Petilla
Secretary, Department of Energy

