

22 May 2020

**SENATOR SHERWIN T. GATCHALIAN**

Chairperson  
Committee on Energy  
Senate of the Philippines  
GSIS Building, Roxas Boulevard  
Pasay City

**Dear Senator Gatchalian:**

We are pleased to submit the Department's Position on Senate Bill No. 1188, entitled:

**“An Act Providing for the National Energy Policy and Regulatory Framework for the Philippine Liquefied Petroleum Gas Industry”.**

This is without prejudice to the Department's submission of additional comments.

With my best regards.

Very truly yours,

  
**RAMON M. LOPEZ**  
Secretary



**OFFICE OF THE SECRETARY**

**DTI Position on:****Senate Bill No. 1188****“An Act Providing for the National Energy Policy and Regulatory Framework for the Philippine Liquefied Petroleum Gas Industry”**

The Department recognizes the intent of the proposed legislation seeking to protect the interests and welfare of consumers, as well as establish standards of conduct for business in the Liquefied Petroleum Gas (LPG) industry. The DTI agrees that there is a need to revisit the policies governing the LPG value chain<sup>1</sup> to improve and update the policy framework for the benefit of consumers. Further, we believe that the passage of the bill will further strengthen and streamline the laws and regulations governing the domestic LPG industry.

Latest statistics provided by the Department of Energy (DOE) reveal that in 2017, LPG remained to be the overwhelming source of petroleum fuel needed by the residential sector at 11.75 million barrels or 95.20% of total residential use.<sup>2</sup> Table 1 below is the LPG consumption vis-a-vis other petroleum products, across sectors, for the year of 2017.

**Table 1. LPG Use vis-a-vis other Petroleum Products, by Sector (2017)**

	LPG Consumption (in thousand barrels)	Total Petroleum Fuel Consumption (in thousand barrels)	LPG Share	Annual Average Growth Rate % (2007 – 2017)
<i>Industry</i>	924	11,129	8.30 %	0.4%
<i>Transport</i>	112	105,148	0.11%	-13.6%
<i>Residential</i>	11,749	12,342	95.20%	3.8%
<i>Commercial</i>	5,767	17,357	33.21%	10.4%
<i>Agriculture, Forestry &amp; Fishing (AFF)</i>	0	2,202	0 %	N/A
<i>Power Generation</i>	0	6,955	0 %	N/A
<b>TOTAL</b>	<b>18,552</b>	<b>155,133</b>	<b>11.96%</b>	

Source of Data: DOE Key Energy Statistics 2017

The above data reveal that although LPG only accounts for 11.96% of the country's total petroleum fuel use, it remains to be an important fuel source for residential and commercial purposes at 95.20 % and 33.21%, respectively. Further, the future demand for LPG in these two sectors is seen to grow more, given the growth rate in

<sup>1</sup> Section 3 of the bill identifies the LPG industry value chain activities, as follows: importation, refining, refilling, transportation, conveyance, distribution, marketing of LPG & manufacturing, requalifying, exchanging, and swapping of LPG pressure vessels. Section 4 of the bill defines each activity.

<sup>2</sup> 2017 DOE Key Energy Statistics, Page 20, Accessed at:

[https://www.doe.gov.ph/sites/default/files/pdf/energy\\_statistics/2017\\_key\\_energy\\_statistics.pdf](https://www.doe.gov.ph/sites/default/files/pdf/energy_statistics/2017_key_energy_statistics.pdf)

the demand for this type of fuel in the commercial sector, at 10.4%, and the residential sector, at 3.8%. This can be partly explained by the latest survey of the Department of Energy on Energy Consumption indicating that LPG is primarily used for cooking and heating water for bathing.<sup>3</sup>

The LPG consumption pattern also shows that the fuel will remain to be an important component of energy use in the residential and commercial sectors. This observation is supported by DOE's energy outlook projections, which indicate that the two sectors would still have the bulk of demand for LPG as an energy source by the year 2040.<sup>4</sup> Table 2 below presents the projected LPG use vis-a-vis Total Final Energy Consumption by the year 2040.

**Table 2. Projected LPG use vis-a-vis Total Final Energy Consumption (TFEC), by Sector and By Use, Year 2040 (in thousand tons of oil equivalent: ktoe)**

	Projected use (in ktoe)	Projected TFEC (in ktoe)	LPG Share (%)
<i>Industry</i>	782	26069	3 %
<i>Residential</i>	3793	19566	19.39%
<i>Commercial</i>	630	8817	7.15%
<i>Transport</i>	11	35333	0.03%

Source of Data: DOE Compendium of Energy Statistics

The information indicates that when total final energy demand, such as electricity needs per sector, are taken into consideration, LPG still forms a major chunk of the energy source for residential and commercial use until 2040. Thus, the DTI finds it very timely to implement particular changes in the policy framework governing the domestic LPG value chain in the country in order to address issues on safety, consumer welfare, and quality for the long-term.

On the regulation side, the Department would like to note that the proposed legislation is in line with existing legislations, namely Republic Act 7394 (R.A. 7394) or the Consumer Act of the Philippines<sup>5</sup> and the Republic Act 4109 (R.A. 4109) or the Standards Law<sup>6</sup>.

With the mandate of standardizing products all over the country, the DTI's Bureau of Philippine Standards (BPS) has also been very active in LPG standardizing activities. In particular, the BPS has issued various regulations to make LPG products compliant with the Philippine National Standards (PNS).<sup>7</sup> Table 3 below shows the pertinent LPG-related qualifications found in the PNS:

<sup>3</sup> Department of Energy Compendium of Philippine Energy Statistics and Information, Table 3, page 202, accessed at:

[https://www.doe.gov.ph/sites/default/files/pdf/energy\\_statistics/doe\\_compendium\\_energy\\_statistics.pdf](https://www.doe.gov.ph/sites/default/files/pdf/energy_statistics/doe_compendium_energy_statistics.pdf)

<sup>4</sup> Department of Energy Compendium of Philippine Energy Statistics and Information, Table 5, pages 230-231, accessed at:

[https://www.doe.gov.ph/sites/default/files/pdf/energy\\_statistics/doe\\_compendium\\_energy\\_statistics.pdf](https://www.doe.gov.ph/sites/default/files/pdf/energy_statistics/doe_compendium_energy_statistics.pdf)

<sup>5</sup> Articles 7,8,10 & 14 of the Consumer Act

<sup>6</sup> Section 3 mandates the BPS to have charge of establishment of standards for, and inspection of all products of the Philippines for which no standards have as yet been fixed by law, executive order, rules and regulations

<sup>7</sup> LPG Cylinders and Auto LPG Dispensing Stations

**Table 3. PNS Standards on LPG**

<b>PNS No.</b>	<b>Title</b>
PNS/ DOE QS 005-2018	Petroleum Products – Liquefied petroleum gases (LPG) - Specification
PNS 03-1-2014	Steel Cylinders for liquefied petroleum gas (LPG) – Part 1 Specification
PNS 03-2-2014	Steel Cylinders for liquefied petroleum gas (LPG) – Part 2: Method of requalification
PNS 03-3-2014	Steel Cylinders for liquefied petroleum gas (LPG) – Part 3: Requirements for repair
PNS/ DOE FS 3:2014	Auto-LPG Dispensing Stations

Likewise, the Bureau has also disseminated consumer guidelines on buying, installing and maintaining LPG cylinders, thereby requiring sellers, distributors, and retailers to apply for a Philippine Standard license and import commodity clearance under the Product Certification Scheme.

In view of the above, the Department would like to submit its comments, suggestions, and recommendations on some of the provisions of the bills, as follows:

	<b>Section</b>	<b>Department's Comments/ Recommendations/ Suggestions</b>
<b>On Accreditation of manufacturers, requalifiers or repairers of LPG pressure vessels</b>	Section 4(a)	<p>The Department agrees with the provision designating the DTI as the agency to accredit manufacturers, requalifiers or repairers of LPG pressure vessels.</p> <p>Recommends that the DTI be given also the authority to enumerate the required competencies of inspection bodies and methods of requalification of steel cylinders for LPG for the information of all concerned sectors prior to its application for accreditation or recognition.</p>
<b>On the specification of the Powers, Functions, Roles and Responsibilities of related agencies</b>	Chapter II, Role of Government Agencies	We support the intention of the bill to delineate the specific functions of the Department of Energy (Section 6), Department of Trade and Industry (Section 7), Department of the Interior and Local Government (Section 8), Department of Transportation (Section 9), Local Government Units (Section 10), Philippine National Police (Section 11), and other government agencies (Section

		12) to avoid confusion and overlapping of jurisdictions amongst the identified government agencies.
<b>On the Powers and Functions of the Department of Trade and Industry (DTI)</b>	Section 7	Consistent with the mandate of DTI to establish standards and inspect products by virtue of R.A. 4109 or the Standards Law, the Department commits to the development of other pertinent standards governing the various LPG products. We also commend the identification of PNS as the governing standards for LPG products.
<b>On granting of licenses</b>	Section 18	Issuance and/or granting of licenses to operate must be limited to qualified LPG retailers that sell or market LPG outside subdivisions/ residential areas in consideration of fire safety.
<b>On Prohibited Acts &amp; Consumer Complaints Forum</b>	Section 29 (z)	The Department recommends for a proper definition of the allowable period for consumers to refund their deposit for LPG cylinders. Moreover, it is suggested that a proper forum be established where consumers can file complaints related to either the exorbitant pricing of LPG, refusal to refund deposit, or refusal to replace/ swap dilapidated cylinders

The Department reiterates its support to the objectives of the proposed legislation to protect consumer interests and welfare, as well as establish standards in business practice governing the domestic LPG value chain.

*Kayapinchay*  
 Bureau of Trade and Industrial Policy Research  
 22 May 2020  
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