

LPG Industry Regulatory Framework (Household LPG) and Gasoline Station Training and Loan Fund

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**THEME: "E-Power Mo! Smart Energy Utilization
Forum and Stakeholders Conference"**

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Fontana Hot Spring Leisure Parks
Clark Freeport Zone, Pampanga.



LPG Industry Situationer



What is LPG?

LPG stands for Liquefied Petroleum Gas, either propane or butane or a mixture of both. These gases occur naturally in crude petroleum or natural gas.

In the Philippines, LPG is essentially a mixture of 60% butane and 40% propane.

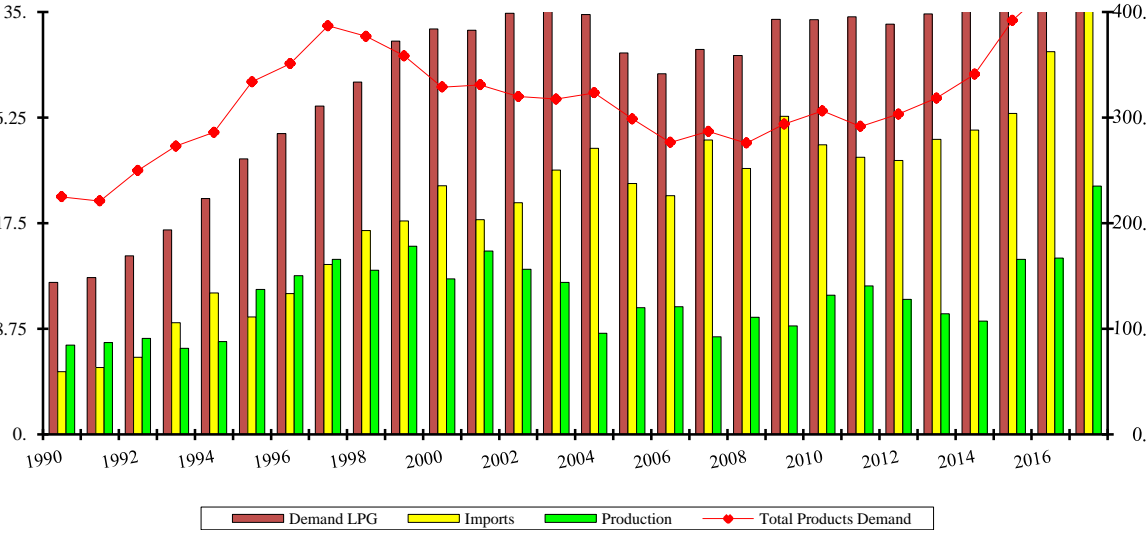


Characteristics of LPG

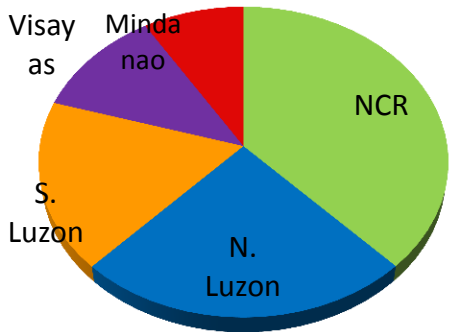
- Pure LPG is colorless and odorless.
- LPG is in liquid form inside the cylinder and transforms to gas when released
- LPG is heavier than air when in gas form
- LPG is odorized so it can be detected by smell An odorizing agent called “ethyl mercaptan” is added to the gas for easy detection of leaks
- LPG is non-poisonous and environment friendly
- LPG dissolves natural rubber and certain plastic materials



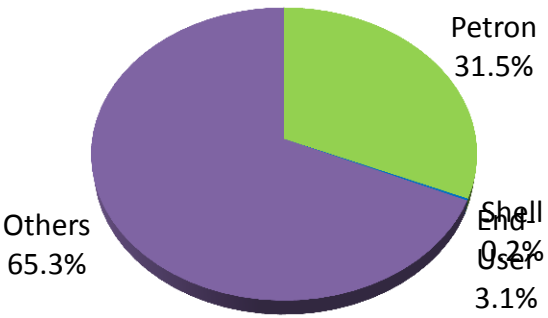
LPG in the Philippines - H1 2017



Demand by Region



Market Share



LPG Players by Activity	
Activity	Number
Refiners	2
Importers	6
Refillers	271
Brand-owners	145
Dealers	> 2000
Retail Outlets	> 15000

RP LPG Industry

Bulk Suppliers

- Refiners (2) - Petron, Shell
- Importers (5) - Petron, Liquigaz, Petronas, Pryce Gas, South Pacific Inc.

Refillers

- Bulk Suppliers (6)
- Independent Refillers (83) - Island Gas, Continental Gas, PR Gas, Fortune Gas, Brent Gas, Caimol Gas, Best Gas, Capitol Allied Trading (CatGas), etc.

Dealers - about 2,000*

Retail Outlets - about 15,000*

*subject to further validation

RP LPG Cylinder Industry

Suppliers

- Manufacturers - 11 accredited by BPS – DTI
- Importers
- Traders

Service Entities

- Repairers - 15
- Requalifiers - 18

Marketers

Dealers

Retail Outlets



Types of LPG Cylinders



**Household and
Commercial use
cylinders**

50.0 kg

22.0 kg

11.0 kg

9.0 kg

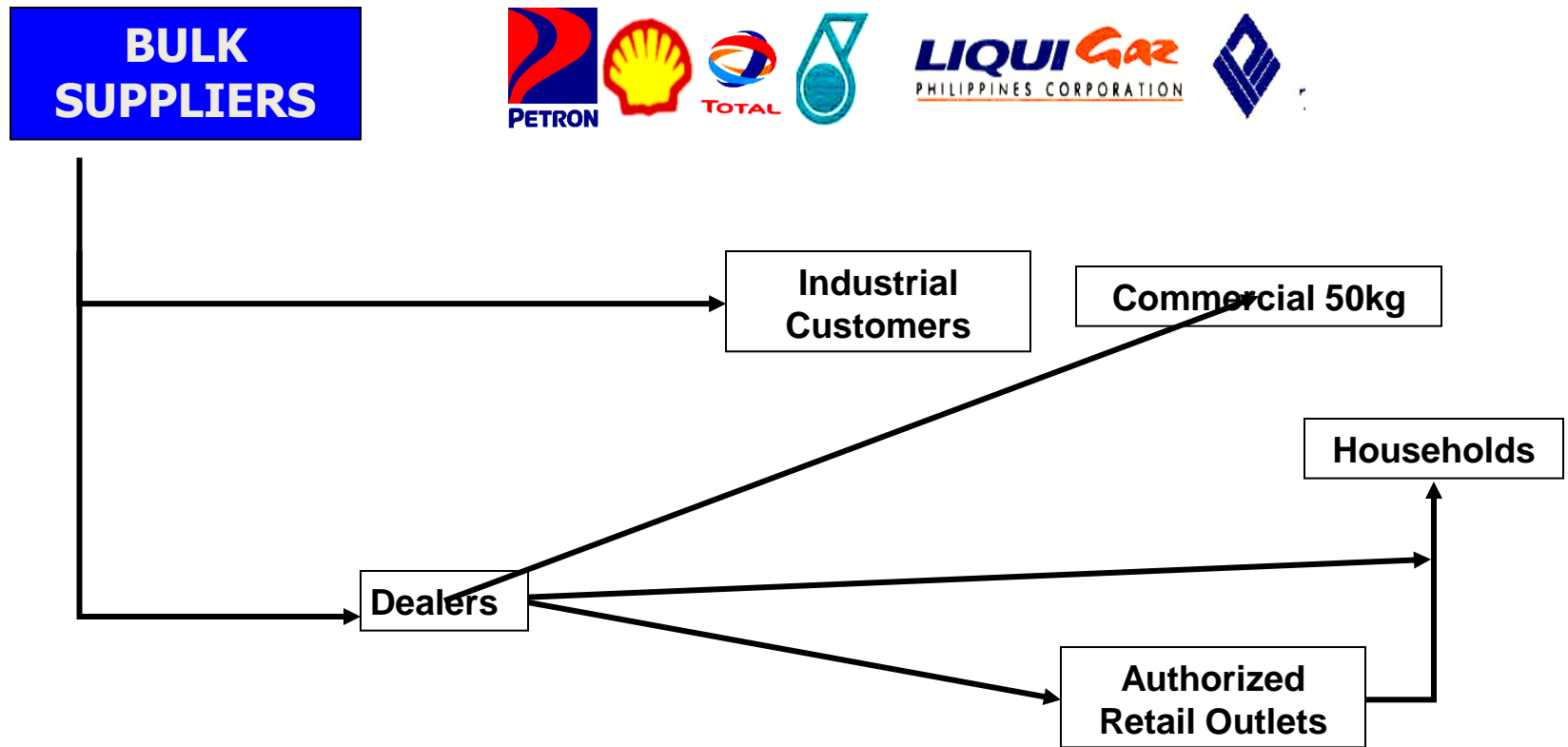
7.0 kg

5.0 kg

2.7 kg



LPG Distribution System



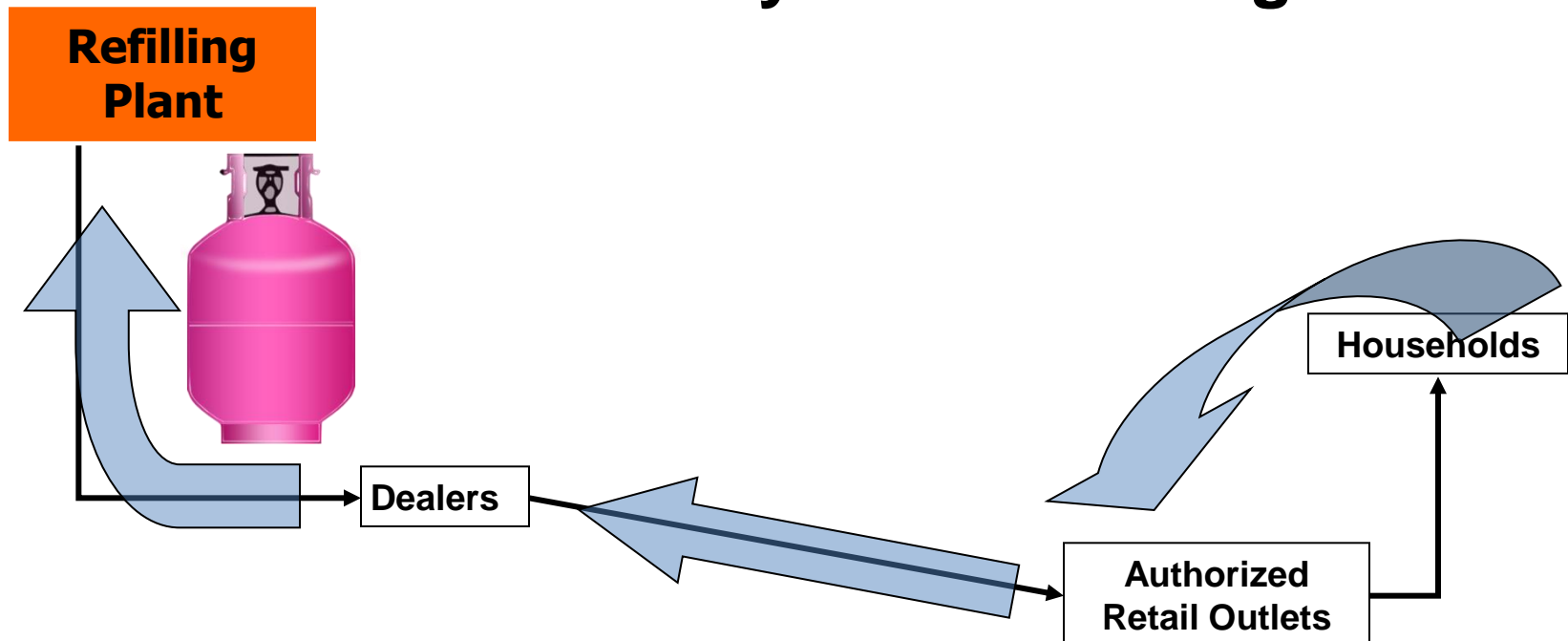
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LPG Distribution System

12

Cylinder Refilling



LPG cylinders remain the property of the brand owners and are refilled by exchange

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LPG Industry Situation

The industry is marred by unsafe and unfair practices.

- Illegal Refilling
- Cylinder Tampering



- Uncertified & Illegally Manufactured Cylinders
- Use of Scrapped & Dilapidated Cylinders

- Under-filled Cylinders

Today, consumer safety is at risk. Your family is in danger.

13



LPG Regulatory Framework

- **RA 8479**
 - **DOE MC 98-03-004**
 - **DOE MC 98-06-009**
- **BP 33**
- **Industry MOA (9/9/99)**
 - **DOE MC 2000-05-007**
 - **DOE MC 2000-06-010**
- **DOE-DTI MOU**
- **DOE-DILG MOA**
- **DOE DC 2007-10-0007**
- **DOE DC 2013-09-0022**
- **DOE DC 2014-01-0001**
- **R.A. 10623**
- **Downstream Oil Industry Deregulation Act of 1998**
- **IRR for RA 8479**
- **Supplemental IRR for RA 8479**
- **Regulations, Fees & Charges**
- **Active Industry Participation for Orderly Competition**
- **Quality Requirements for Cylinders**
- **Revised Schedule of Fines/ Penalties**
- **LPG Cylinder Quality Standard**
- **LGU action in support of DOE resolutions/orders**
- **LPG Cylinder Ownership and Obligations Related Thereto**
- **Minimum Safety Standards in the Transportation and Distribution of LPG in Cylinders**
- **The LPG Industry Rules**
- **Amending Certain Prov of RA 7581**



LPG-related Laws

- **Republic Act 623 as amended by RA 5700 or “An Act to Regulate the Use of Steel Containers, Bottles, Casks, etc.”**
- **Republic Act 8293 or the “Intellectual Property Rights Law”**

Laws on Criminal Offenses are Implemented by Law Enforcement Agencies Based on Complaint by Offended Party/ies



Illegal Activities in the Industry

Illegal Refilling

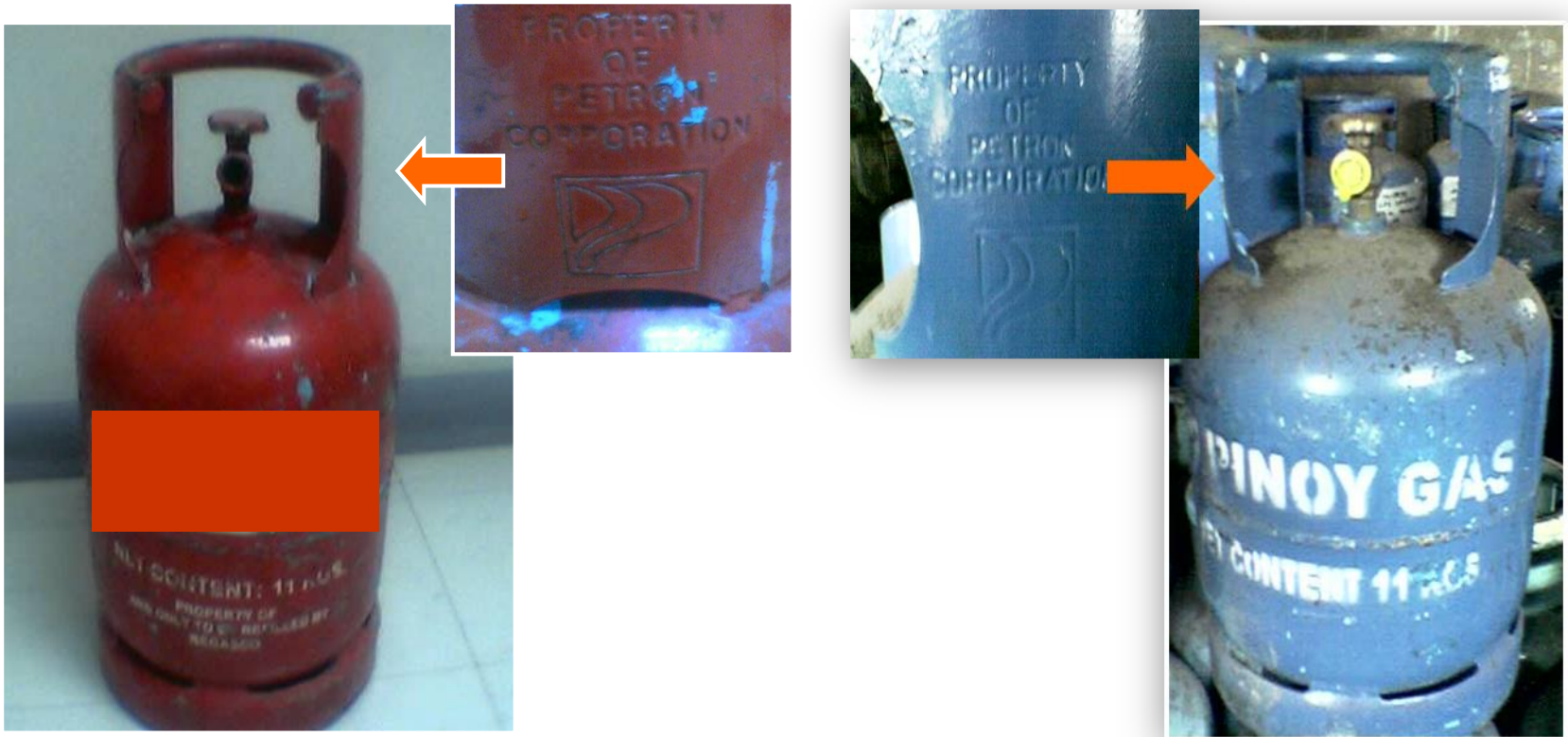


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Illegal Activities in the Industry

Tampering and Conversion of Cylinders



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Illegal Activities in the Industry

Uncertified and Illegally Manufactured Cylinders



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Illegal Activities in the Industry

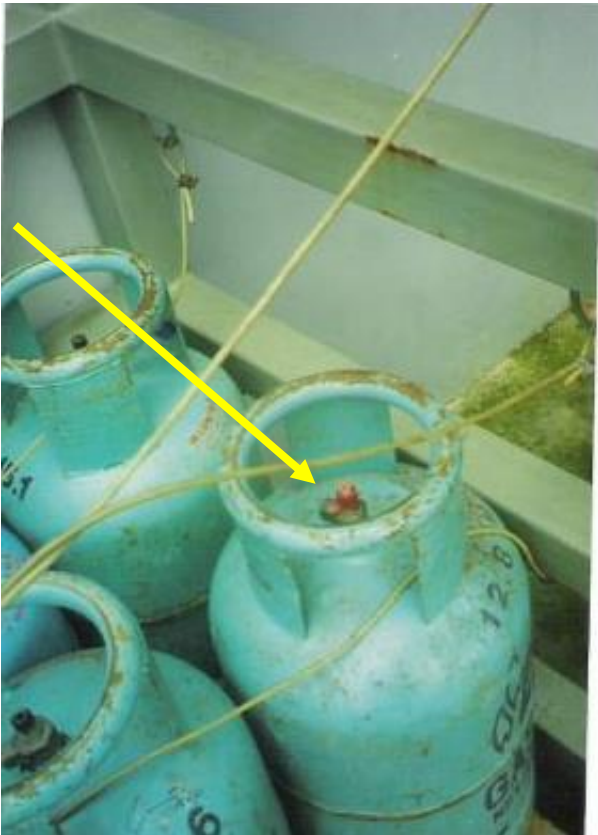
Unbranded / Defective LPG Cylinders



Illegal Activities in the Industry

Illegally Refilled Cylinders

**FAKE
SEAL**



**NO
SEAL**



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Illegal Activities in the Industry

Illegal use, defective or no seals



Illegal Activities in the Industry

Scrapped and Dilapidated Cylinders



- Leaking Valve
- Dents
- Rust
- Improper painting

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Illegal Activities in the Industry

Scrapped and Dilapidated Cylinders



- Corroded footing and bottom cap

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Illegal Activities in the Industry

Underfilling



11/14/2017



Illegal Activities in the Industry



**Defective / No Tare
Weight (TW)
Markings**

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Illegal Activities in the Industry

Pilferage or “Paihi”



11/14/2017

DOE Circular No. 2000-06-010 Revised Penalties and Charges

Ä No tare weight	3	2	1
Ä No appropriate LPG seal	3	2	1
Ä No trade name/unbranded/ no serial no./no distinguishing color no embossed/identifying mark/dist. collar	4	3	1
Ä Underfilled	4	3	1
Ä Tampering,altering,modifying cyl. changing valves, repainting, relabeling	5	3	1.5
Ä Unauthorized decanting/refilling	5	5	5

Penalties in thousand pesos for refillers, marketers/dealers,
retail outlets, respectively



DOE Circular No. 2000-06-010 Revised Penalties and Charges

Ä No price display board	Reprimand		
Ä No weighing scale	5	3	Reprimand
Ä Hoarding	10		
Ä Refuse inspection	10		
Ä Refuse fine	Closure		

Penalties in thousand pesos for refillers, marketers/dealers, retail outlets, respectively



PROVIDING THE RULES AND REGULATIONS IN THE LIQUIFIED PETROLEUM GAS (LPG) INDUSTRY

OR

“LPG INDUSTRY RULES”



LPG Industry Rules

- ❑ **Signed..... January 7, 2014**
- ❑ **Published..... January 15, 2014**
- ❑ **Effectivity.....January 30, 2014**
- ❑ **Transition period.....All existing LPG establishments shall be given three (3) months to fully comply with the provisions of the Circular**

LPG Rules Scope/Coverage

□ Sec. 2-SCOPE/COVERAGE- All LPG Industry Players/ Establishments:

✓ Refiners



✓ LPG Importers



✓ LPG Refillers/

✓ Refilling Plants



LPG Rules Scope/Coverage

□ All LPG Industry Players/Establishments:

✓ LPG Marketers



✓ LPG Distributors



✓ LPG Haulers/

✓ Transporters



LPG Rules Scope/Coverage

□ All LPG Industry Players/Establishments:

✓ LPG Traders/Dealers



✓ LPG Retailers



✓ LPG Handling/
Storage



Standards Compliance Certificate

Section 6 (a) :

“No person shall engage in the industry activity without first applying for and being issued by the OIMB with an SCC. Applications in the **Visayas and **Mindanao** shall be filed with the **appropriate field office** of the DOE in these regions...xxx”**

Terms of the SCC:

- ✓ **Validity of three (3) years**
- ✓ **Site/Plant/Outlet specific**
- ✓ **SCC holder may transact business only with an SCC holder**

Requirements for SCC

- **Notarized application, which contain the following information:**
 - ✓ **Activity/(ies) to be engaged**
 - ✓ **Business name, address, telephone/fax number**
 - ✓ **Location and complete address of the establishment(s)**
 - ✓ **Name of owner/(s)**
 - ✓ **Other requirements as required**
- **Supporting Documents which are distinct for each activity**



Other Features of the LPG Industry Rules

- **Minimum Standards and Requirements**
 - ✓ LPG refilling
 - ✓ Transportation (bulk and cylinders)
 - ✓ Auto-LPG dispensing
- **Qualifications, Duties and Responsibilities of LPG Industry Participants**
 - ✓ Refillers/Marketers
 - ✓ Dealers
 - ✓ Retail Outlets
 - ✓ Others



Other Features of the LPG Industry Rules

- **Reportorial Requirements:**
 - ✓ **Monthly Submission**
 - Supply
 - Demand/Sales/Consumption
 - Inventory
 - ✓ **Annual Reports**
 - List of facilities and capacities, including transport vehicles with plate numbers
 - List of suppliers/customers, with volumes
 - List of supply contracts and refilling arrangements
 - List of qualified personnel/attendants
 - Inventory of LPG cylinders
 - Schedule of LPG cylinders acquisition, requalification, repair, scrappage,
 - Applicable permits for new, additional, renovated or refurbished facilities and/or changes in their respective operation



Prohibited Acts

- **ILLEGAL TRADING**

- ✓ Engaging in business without SCC
- ✓ Failure to post SCC
- ✓ Transacting business with other LPG industry participants without a SCC
- ✓ Refusal/Obstruction of Inspection
- ✓ Sale of LPG in cylinders that do not conform with PNS
- ✓ Failure to comply with standards
- ✓ Failure to comply with weighing device requirements
- ✓ Illegal possession of and/or use of unregistered and/or inappropriate LPG cylinder seals



Prohibited Acts

- **ILLEGAL TRADING**

- ✓ Sale or distribution of LPG-filled cylinders without seals, tampered seals, or inappropriate seals
- ✓ **Sale of LPG in single-trip (non-refillable) container/canister previously filled with butane...**
- ✓ Illegal storage
- ✓ Pilferage of LPG
- ✓ Tampering of LPG cylinders
- ✓ Overloading (in hauling)
- ✓ Hoarding



Typical Brand - New Butane Canisters (Non-refillable)



BEWARE: THIS CONTAINERS SHOULD NOT BE RE-FILLED BY LPG.



Dilapidated Butane Canisters (for refilling of LPG)



Other Prohibited Acts

- **UNDERFILLING**
- **ADULTERATION**
- **FAILURE TO COMPLY WITH**
 - ✓ **REPORTORIAL REQUIREMENTS**
 - ✓ **RULES ON LPG TRANSPORT**

Administrative Fines and Sanctions

- Industry participant without SCC = **P60,000**
- Transacting with an industry participant without SCC = **P60,000**
- Violation not covered by previous DOE circular on penalties and fines = **P10,000 or P5,000 per cylinder, whichever is higher**
- Refusal, prevention and obstruction of inspection by DOE inspectors = **P50,000**

* Administrative fine is without prejudice to any criminal action filed pursuant to BP 33, as amended, and /or RA8479



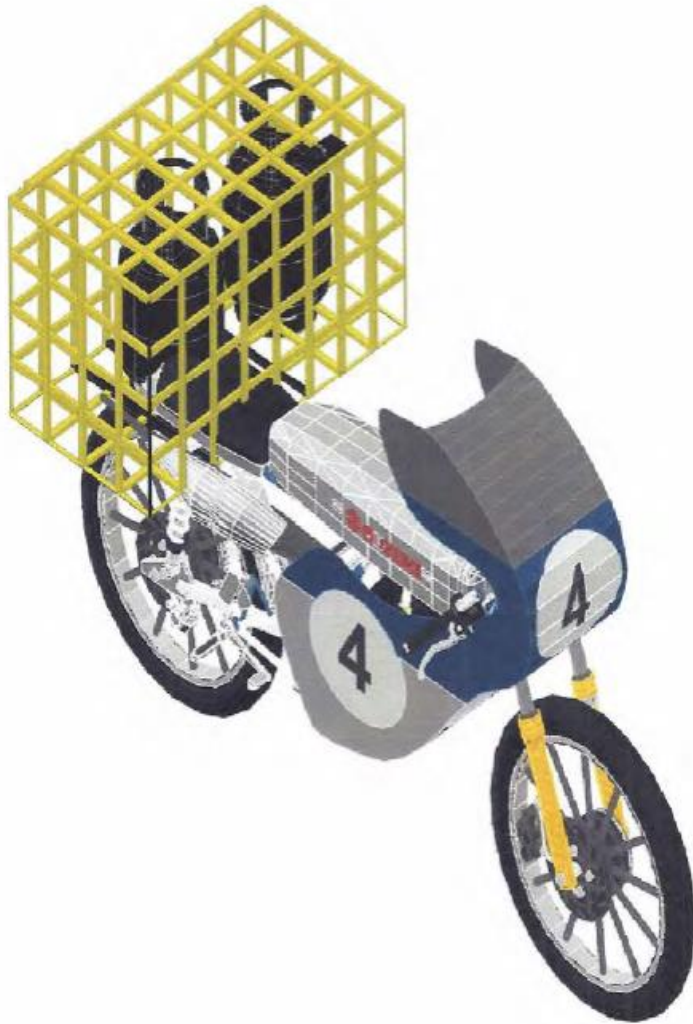
Other Powers of the DOE

- **Section 15(e), R.A. No. 8479** : Power of the DOE Secretary to recommend to the proper government agency the suspension or revocation and termination of the business permit of an offender.
- **Section 14, D.C. No. 2000-06-010**: The DOE shall recommend to the proper local government unit the closure of business of a respondent who refuses or fail to pay any administrative fine without prejudice to the filing of an appropriate criminal action if warranted



LPG Transport Standards

DC 2013-09-0022



Liquid Fuels

Policy Initiatives

DOE DC 2003-11-010 or “Retail Rules” provides the accepted international and national codes on safety and business practices in the retailing of Liquid Petroleum Products. It stipulates the administrative fines and sanctions against prohibited acts such as **ILLEGAL TRADING, ADULTERATION, UNDERDELIVERY and HOARDING**

Draft “Revised Retail Rules” to include Standards and Requirements, Product Quality, Types and Categories of Retail Outlets/Gasoline Stations and Punishable Acts



Gasoline Station Training and Loan Fund



Background

Section 10, Chapter II of RA 8479

DOE shall promote management/skills training in the retailing of petroleum products with new industry participants for the establishment and operation of gas station including LPG

Eligible loan purposes:

1. Establishment/construction of new gas station / Auto LPG station
2. Improvement and maintenance of existing gas station
3. Refinance loan proceeds acquired from other banks that were utilized in the gas station/auto LPG business

Pre-requisite prior to fund availment:

Attendance to a two-fold skills and management course in the management and operation of the business



Amendments

Particulars	DC 2011-03-0005	DC 2002-05-001
Coverage	Includes improvement loan, working loan capital, and refinancing. Also, eligible is the establishment/ construction and improvement/maintenance of Auto LPG dispensing stations	Confined to gasoline stations only
Loanable Amount	100% of loan amount, not to exceed Php 10M	Php 5M to 10M
Loan Term	10 years @ 6% p.a.	7 years @ 6% p.a.
Equity Participation	Minimum of 20% of Total Project Cost, including land and improvements	50%



Thank you !

www.doe.gov.ph

www.doe.gov.ph/issuances/department-circular/2271-dc2014-01-0001

