PHILIPPINE INVESTMENT OPPORTUNITIES
FOR PETROLEUM EXPLORATION

PRESENTED BY:
THE DEPARTMENT OF ENERGY

March 2023
SEAPEX Exploration Conference (SEC)
The Philippines:
The country is under a new administration / leadership

Philippine Energy Sector:
Keen on accelerating development of energy resources

Areas of Focus for petroleum exploration:
Bangsamoro Autonomous Region of Muslim Mindanao (BARMM)
PHILIPPINE CONTRACTING SYSTEM

PETROLEUM SERVICE CONTRACT (PSC)
[Basis: Presidential Decree (PD) No. 87]

PHILIPPINE CONVENTIONAL ENERGY
CONTRACTING PROGRAM (PCECP) FOR PETROLEUM
[Basis: DOE Department Circular (DC) No. DC2017-12-0017]

Pre-Determined Areas
• Offered and published by the DOE;
• Includes a data package per PDA offered;
• Php 200,000 application fee
• 180-day application period

Area Nomination
• Area Clearance needed for DOE’s approval;
• Nominated and Published by interested parties
• Php 200,000 application fee
• 60-day challenge period
• Php 1,000,000 challenge fee (other applicants)
• Any time of the year
## INVESTOR INCENTIVES

<table>
<thead>
<tr>
<th>Financial Incentives</th>
<th>Government</th>
<th>Contractor</th>
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<tbody>
<tr>
<td><strong>Production Sharing</strong></td>
<td>60% of net proceeds</td>
<td>40% of net proceeds</td>
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<td><strong>FPIA</strong></td>
<td>Filipino Participation Incentive Allowance (FPIA) of a minimum of 1.5% up to a maximum of 7.5% of gross proceeds for service contractors with at least 15% participation by Filipino companies</td>
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<tr>
<td><strong>Cost Recovery</strong></td>
<td>Cost Recovery Allowance of up to 70% of the gross income from petroleum production in any calendar year with the unrecovered costs to be carried over in the succeeding calendar year(s). Capital expenditures are depreciated over 5-10 years.</td>
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<tr>
<td><strong>Importation</strong></td>
<td>Exemption from all levies, tariffs, duties, compensating tax and value added tax.</td>
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| **Special Income Tax** | Subcontractor: 8% of gross Philippine Tax  
Foreign Employees: 15% of gross Philippine Tax |
Policy Adjustments

- Issuance of Department Circular on Cross-cost recovery (in connection to PD 1857).

- Issuance of Department Circular providing PSC Incentives on Drilling of offshore Deepwater Wells and Onshore Deep Wells (Repealing DC94-01-01).

- Issuance of a Department Circular on data declassification and data access.
Current Production

Service Contract No. 14C1 - Galoc
- Effective Date: 17 December 1975
- Start of commercial production: 2008

Service Contract No. 38 – Malampaya
- Effective Date: 23 February 1989
- Entered production phase on 1999
- First Gas Sale: 2002

Service Contract No. 49 – Alegria
- Effective Date: 01 March 2005
- Entered production phase on 01 March 2015
- Joint Declaration of Commerciality was signed on 14 March 2018