

# DOWNSTREAM OIL INDUSTRY

The passage of R.A. 8479 otherwise known as the “Downstream Oil Industry Deregulation Act of 1998” liberalized and deregulated the country’s downstream oil industry to ensure a truly competitive market and an adequate and continuous supply of environmentally-clean and high-quality petroleum products. To attain these goals, the government continues to encourage the entry of new investors in the downstream oil industry.

## Number of Gasoline Stations, 1H2008

REGION	NO. OF NEW PLAYERS	TOTAL INDUSTRY
Luzon	277	2,449
Visayas	8	636
Mindanao	61	652
<b>TOTAL</b>	<b>346</b>	<b>3,737</b>

Source: Oil Industry Management Bureau

Ten (10) years after the implementation of R.A. 8479, the downstream oil industry experienced a steady growth. New industry players engaged in different activities such as marketing, distribution and storage of petroleum products. The independent players increased by 43 percent from 604 in 2005 to 863 in the first half of 2008 bringing in a total accumulated investments of PhP 33.62 billion.

Similarly, the industry reported a 3 percent increase in gasoline stations established which is equivalent to an additional 103 stations, bringing a total of 3,737 gasoline stations nationwide.

Among the country’s 3 main island grids, Luzon has the most number of gasoline stations constructed by the new players.

## Downstream Oil Industry

The following activities are the business opportunities in the downstream oil industry:

- ❖ **Refining** - investments in oil refining and/or oil processing include expansion, modification and rehabilitation in a refinery resulting in an increase in existing volume of production, and/or improvement in the quality of petroleum products in conformance with the Philippine National Standards (PNS), the Clean Air Act, and other applicable laws and regulation.
- ❖ **Fuel Bulk Marketing** - refers to the selling of petroleum products in wholesale through tank trucks, lorries, tankers, barges or pipelines, which may be imported or locally purchased. Investments shall include storage tanks and/or tank trucks, lorries, tankers and barges.
- ❖ **Petroleum Transport** - refers to the carriage for transfer of petroleum products from one supply point to another or to end user. Investments shall include tankers, barges, tank trucks, lorries, pipelines for both liquid



Shell Refinery



- ❖ **LPG Refilling and Marketing** - refers to the combined activities of storage, refilling, distribution, and marketing of LPG. Investments shall include storage tanks, refilling facilities, bullet tankers, delivery trucks and LPG cylinders.
- ❖ **Retailing** - refers to selling of petroleum products in retail, generally directed to end users, through dispensing pumps in gasoline stations for the liquid fuels and auto-LPG and metal cylinders for LPG. This includes the establishment and operation of gasoline stations and LPG outlets.
- ❖ **Bunkering** - refers to the activity of selling fuels for direct use by a marine vessel and delivered by a barge or smaller transport vessel.

Infrastructure improvement in the oil downstream sector i.e. in the areas of transport and retailing to ensure sufficient supply and easy access by consumers. Tankers and barges, which are provided by third parties, need upgrading. Retail outlets/gas stations, especially for LPG, are also encouraged.

**Total Country Storage, 2008**

STORAGE FACILITY	NUMBER	CAPACITY (MB)
<b>Depots</b>		
Majors	75	5,652
Others	75	2,842
<b>Total</b>	<b>150</b>	<b>8,493</b>
<b>Import/Export Terminals</b>		
Subic - Olongapo	1	2,445
Clark - Pampanga	1	386
SGEI - Tabangao, Batangas	1	290
Caltex - San Pascual, Batangas	1	1,548
<b>Total</b>	<b>4</b>	<b>3,121</b>
<b>Refinery (Crudes &amp; Product)</b>		
Petron - Limay, Bataan		9,382
Shell - Tabangao, Batangas		5,380
<b>TOTAL</b>		<b>14,762</b>
<b>TOTAL STORAGE</b>		<b>28,139</b>

Source: Oil Industry Management Bureau

**Total Number of New Players Per Activity, 1H2008**

ACTIVITY	NO. OF NEW PLAYERS
Liquid Fuel Bulk Marketing	92
LPG Bulk Marketing	10
Liquid Fuel Retail Marketing	738
Bunkering	19
Terminals	4
<b>TOTAL</b>	<b>863</b>

Source: Oil Industry Management Bureau



Petron Depot

**Oil Storage or Stockpiling Concepts**

The Philippine government is open to other initiatives/ investments such as the establishment of regional petroleum stockpile to form part of the government measures to ensure oil security. Below are the possible areas/sites for interested investors:

- ❖ **Subic Bay Terminal** (now under the subsidiary of PTT Philippines for domestic market) has a total capacity of 2,445 MB. PTT is only utilizing about 1.199 MB. Thus, there is still room for expansion in the area for additional storage facility which could be used for stockpiling.
- ❖ **Chevron Philippines Inc. Import Terminal in Batangas** is another option for storage with a total storage capacity of 2,283 MB subject to negotiations with the private owners.

Because of limited available existing capacity, the government is also encouraging investors to establish new facilities instead of filling up the spare ones.

