



Republic of the Philippines  
**DEPARTMENT OF ENERGY**

**DEPARTMENT CIRCULAR NO.** DC2006-08-0011 *AS*

**INTERIM GUIDELINES FOR THE ACCREDITATION OF OIL INDUSTRY  
PARTICIPANTS IN THE FUEL BIOETHANOL PROGRAM**

WHEREAS, under Section 2(a) of Republic Act No. 7638, otherwise known as the "Department of Energy Act of 1992" (the "Act"), it is declared the policy of the State to develop the country's indigenous energy resources taking into consideration the active participation of the private sector in the various areas of energy resource development;

WHEREAS, under Section 5(b) of the Act, the Department of Energy ("DOE") is mandated to develop and update the existing Philippine energy program which shall provide for an integrated and comprehensive exploration, development, utilization, distribution, and conservation of energy resources, with preferential bias for environment-friendly indigenous, and low-cost sources of energy;

WHEREAS, bioethanol is an energy resource that is environment-friendly, renewable and has significant prospects to be produced locally such that, if blended with petroleum products, would support the Government's five-point energy independence package as well as the DOE's thrusts towards the development of indigenous and renewable energy resources and increased use of alternative fuels for the transport sector;

WHEREAS, in 2005, the DOE has adopted the Fuel Bioethanol Program (the "Program") to promote the use of bioethanol as a blending component to gasoline under certain terms and conditions particularly in view of the fact that the Program is on a voluntary basis and currently there is no local source or production of bioethanol;

WHEREAS, there are pending legislations expected to be passed soon by Congress that aim to promote and/or mandate the use of bioethanol in the transport sector which includes a package of incentives intended to encourage the local production of bioethanol within the next few years;

WHEREAS, there is a need for the DOE to provide and set out an interim accreditation process for the effective monitoring and implementation of the Program while at this phase where sources are limited to importation of bioethanol and related products, in anticipation also and in preparation for a smooth transition to a nationwide, legislated bioethanol or biofuels program;

NOW, THEREFORE, in consideration of these premises, these Interim Guidelines for the accreditation of participants in the Program are hereby promulgated in accordance with the provisions of this Department Circular.

**Section 1. Scope**

This Department Circular shall apply to and provide the accreditation only of Oil Industry Participants, as defined below, engaged in or intending to engage in any one of the following set of activities:



- 1.1 *Full scale Bioethanol activity.* Importation of Anhydrous Bioethanol, denaturing to local sale of Fuel Bioethanol, blending Fuel Bioethanol to gasoline, and retail sale of E-gasoline;
- 1.2 *Bioethanol importation to retail sale.* Importation of Anhydrous Bioethanol, denaturing and blending of Fuel Bioethanol to gasoline, and retail sale of E-gasoline;
- 1.3 *Full scale Fuel Bioethanol activity.* Importation and local sale of Fuel Bioethanol, blending of Fuel Bioethanol to gasoline, and retail sale of E-gasoline;
- 1.4 *Fuel Bioethanol Importation/Local purchase to retail sale.* Importation and/or local purchase of Fuel Bioethanol, blending of Fuel Bioethanol to gasoline, and retail sale of E-gasoline; and
- 1.5 *E-gasoline Purchase and retail sale.* Local purchase and retail sale of E-gasoline.

## **Section 2. Definition of Terms**

- 2.1 *Accreditation* – refers to the process of certification of an Oil Industry-Participant for determination that the latter complied with the prescribed qualification criteria for the conduct of activities set forth in Section 1 of these Interim Guidelines and the documentary requirements of the DOE under its Fuel Bioethanol Program.
- 2.2 *Bioethanol* – refers to ethanol ( $C_2H_5OH$ ) produced from biomass resources.
- 2.3 *E-gasoline* – refers to unleaded gasoline blended with Fuel Bioethanol.
- 2.4 *Certificate of Accreditation* – refers to the certification issued by the Department, through the OIMB, in favor of the Oil Industry-applicant pursuant to these Interim Guidelines as confirmation of the latter's qualification to participate in the Fuel Bioethanol Program and engage in the activities set forth in Section 1 of these Interim Guidelines.
- 2.5 *Certificate of Quality or COQ* – refers to the certification issued by the supplier, either local or foreign, or by an independent or third- party surveyor on the quality of the goods transported and consigned in favor of the Oil Industry-Participant for use in the Fuel Bioethanol Program
- 2.6 *Fuel Bioethanol* – refers to the suitably denatured bioethanol, for use as blending component to gasoline to produce E-gasoline.
- 2.7 *Notice of Importation* – refers to the written notice filed by an Oil Industry Participant in accordance with Section 4.2(a) hereof.
- 2.8 *Oil Company/ies* – refers to such person/s or entity/ies recognized/acknowledged by the OIMB as a player in the Philippine Downstream Oil Industry, whose activities include retailing of petroleum products in gasoline station
- 2.9 *Oil Industry Management Bureau or OIMB* – refers to the unit within the Department of Energy that is in charge of monitoring the activities of players in the Philippine Downstream Oil Industry.



- 2.10 *Oil Industry Participant* – refers to an Oil Company duly authorized and accredited by the Department, in accordance with the requirements and process provided herein, to engage in the activities provided in Section 1 hereof.
- 2.11 *Request for Accreditation* – refers to the written application filed by Oil Company intending to engage in the activities governed by these Interim Guidelines, in accordance with Section 4.1 hereof, that commences the Accreditation process.

### **Section 3. Criteria for Accreditation of an Oil Industry Participant**

The Oil Industry Management Bureau (OIMB) shall adhere to the following guidelines for the Accreditation of Oil Industry Participants and the issuance of the appropriate Certificate of Accreditation as an Oil Industry Participant applicable and specific to the nature of the activities that each participant shall engage and undertake.

- 3.1 *Oil Companies of good standing.* Only Oil Companies of good standing shall be allowed to apply and participate in the Fuel Bioethanol Program under these Interim Guidelines. Accordingly, an applicant must demonstrate its full compliance with the pertinent rules and regulations of the Department, including such notice and reportorial requirements.
- 3.2 *Active marketing or retail business.* The Oil Company-applicant must be actively engaged in the business of retailing gasoline.
- 3.3 *Technical and logistics capability.* The Oil Company-applicant must submit proof of its technical and physical or logistical capability to handle bioethanol products appropriate and commensurate to the scope of activity applied for DOE accreditation, e.g. provision of dedicated storage tanks and/or especially modified/retrofitted retail outlets where bioethanol-blended products shall be marketed, in accordance with the procedure and requirements set forth in Section 4 hereof.

### **Section 4. Documentary Requirements**

- 4.1 *Accreditation prior to any activity.* The Oil Company-applicant shall file with the OIMB a Request for Accreditation relative to its intent to participate in the Fuel Bioethanol Program under these Interim Guidelines. The Request for Accreditation shall state the set of activities, as indicated in Section 1 herein, that the applicant intends to undertake. In addition, the Request for Accreditation shall provide the following information:
- (a) Timetable of product launching or introduction of product into the market;
  - (b) Location, tank ID number and capacity (MB) of dedicated storage tanks duly approved by the Bureau of Internal Revenue (BIR) and/or the Bureau of Customs (BOC), as the case may be, subject to issuances or regulations of said agencies.
  - (c) List, including addresses, of its retail outlets marketing E-gasoline, and the corresponding work, maintenance and/or retrofitting program to be undertaken to ensure compatibility of the retail outlet equipment/facility to handle and dispense E-gasoline products.

Within ten (10) days from the effectivity of this Circular, the OIMB shall publish at the DOE website the timeline and process flow of the Request for Accreditation. Receipt by the OIMB of the Request for Accreditation, with the complete documentary attachments



and information, shall commence the Accreditation. The process shall terminate upon the issuance of the Certificate of Accreditation in favor of the Oil Company Applicant.

4.2 *Post-Accreditation obligations.* All Oil Industry Participants shall submit the following reports to the OIMB:

(a) Notice of Importation – This shall be filed at least one (1) day prior to loading of every shipment of Bioethanol imported by the Oil Industry Participant and strictly intended for use in the Program, with the following details:

- i. Type and quantity of cargo;
- ii. Certificate of Quality (COQ) for the product, to include among others the properties per PNS for anhydrous bioethanol; denaturant used and dosage, provided by the product supplier, original or notarized copy.
- iii. Vessel particulars, loadport and discharge, ETL/ETA;
- iv. Supplier of cargo, FOB price, freight and insurance costs, and
- v. Proforma invoice.

The OIMB shall correspondingly issue an Acknowledgement of Notice of Bioethanol Importation for every qualified application filed before the Bureau by an Oil Industry Participant.

For purposes of qualifying and to avail of applicable tax and duty privileges consequent to its participation to the Program, the Oil Industry Participant must be ready to present its valid Certificate of Accreditation as an Oil Industry Participant issued by the Department together with the Acknowledgement of Notice of Bioethanol Importation to the BOC and/or BIR, subject to issuances and regulations of said agencies.

(b) Monthly Reports – These shall include information on products covered by this Circular, as warranted and due on the fifteenth (15<sup>th</sup>) day of the succeeding month, subject to other information as the DOE-OIMB may require:

i. Schedule II – Imports

Names and address of foreign suppliers, dates, volume and price of actual importation of Bioethanol, Fuel Bioethanol, and gasoline, as applicable (for verification against the Notices of Importation).

ii. Schedule IV C – Local Purchases Report/Receiving Reports

On a per supplier basis, the names and addresses of the suppliers of products covered by this Circular, and the volume of Fuel Bioethanol and E-gasoline received (for verification against the Product Movement Reports).

iii. Schedule IV D – Sales Reports/Removal Reports

On a per customer basis, the names and addresses of customers/consignees, the volume of Bioethanol and/or Fuel Bioethanol sold/transferred and the volume of E-Gasoline sold/transferred. The report shall also include (for verification against the Product Movement Reports) the details on the actual movement from and to other depots/storage facilities owned and operated by the Oil Industry Participant and/or sale or transfer to other Oil Industry



Participant of products covered by this Circular occurring in the immediately preceding month.

iv. Schedule V – Inventory Summary Reports

On a per company basis, the inventory stocks including in-transit volume of Bioethanol, Fuel Bioethanol and E-gasoline.

- (c) Further, the Oil Industry Participant shall submit a copy of the BIR approval for every product movement to and from the BIR-approved dedicated storage tanks within two (2) days after receipt of approval from the BIR.

## Section 5. Other Provisions

- 5.1 *Product Quality.* The Oil Industry Participant shall sell only products, i.e. fuel bioethanol and E-gasoline, conforming to the Philippine National Standards. For purposes of ensuring quality, products imported and/or sourced locally have to be accompanied by a COQ from the supplier, which shall be verified through spot testing on certain properties

- 5.1.1 For the anhydrous bioethanol, the properties to be determined shall be: ethanol content, water content and density.
- 5.1.2 For unleaded gasoline to be used as a denaturant, the density property shall be determined and the Certificate of Quality for the product shall be submitted.
- 5.1.3 For fuel bioethanol directly imported and/or produced locally by entities other than the Oil Industry Participant, the properties to be determined are: ethanol content, denaturant type and content, water content, and density.

Sampling at the BIR-approved shore tanks shall be conducted by the representatives from the DOE, BIR, and BOC, along with the importer/Oil Industry Participant. The testing at the importer's laboratory and/or DOE/BIR laboratories shall be witnessed by the same parties. Testing may also be conducted by an independent third party laboratory, in which case all the properties in the PNS shall have to be tested, and at the cost of the importer.

- 5.2 *Marketing.* Subsequent re-sale or trading of domestically purchased Fuel Bioethanol by an Oil Industry Participant to another entity including accredited Oil Industry Participant(s) is not allowed.
- 5.3 *Pump Labels.* All E-gasoline dispensing pumps must be labeled indicating bioethanol blend, as follows: "This gasoline contains 10% Bioethanol." and "Generally recommended for fuel-injection engines."
- 5.4 *Assignability.* The Certificate of Accreditation issued pursuant to these Interim Guidelines shall not be assigned, transferred or otherwise conveyed to or used by such person other than the Oil Industry Participant to which the same was issued.
- 5.5 *Compliance with other government requirements.* Oil Industry Participants shall at all times be in compliance with pertinent government rules and regulations including among others the BIR/BOC, as a requisite for availment of and continuous access to incentives under the Fuel Bioethanol Program.



- 5.6 *Compliance to standards and practices.* Oil Industry Participant shall at all times adhere to the Philippine National Standards, or in its absence to industry-accepted standards and practices in the storage and handling of bioethanol, fuel bioethanol and E-gasoline products. The Oil Industry Participant shall develop and maintain its own internal Code of Practice or Manual consistent with its DOE-accredited nature of activity under the Fuel Bioethanol Program.

## **Section 6. Term of Certificate and Transition Clause**

- 6.1 *Term.* The Certificate of Accreditation issued pursuant to these Interim Guidelines shall have a term of one (1) year from the date of issuance, unless earlier revoked or terminated by the DOE. Oil Industry Participants may renew or obtain a new Certificate of Accreditation by complying with the criteria and process set forth in Sections 3 and 4 hereof.
- 6.2 *Transition Clause.* All certifications related to the Program issued by the DOE prior to the effectivity of this Circular shall be valid only for a period of thirty (30) days after the effectivity of this Circular. Thereafter, only those Oil Industry Participants duly accredited or that have commenced the Accreditation process pursuant to these Interim Guidelines shall be allowed to engage in such activities and avail of the incentives and benefits of the Program.

## **Section 7. Penalty Provisions**

Failure to fully comply with all the above requirements as provided under Sections 4 and 5 herein shall constitute a violation of the criteria for Accreditation provided in Section 3 and shall be a ground for the automatic revocation of the Certification of Accreditation issued.

Any person/entity who engages in any of the activities under Section 1 of this Interim Guidelines without the appropriate Certificate of Accreditation as an Oil Industry Participant under the Fuel Bioethanol Program of the Department shall suffer the appropriate penalty as indicated under existing laws, rules and regulations.

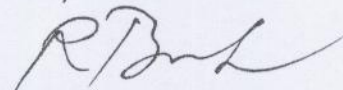
## **Section 8. Separability Clause**

If for any reason, any section or provision of this Interim Guidelines is declared unconstitutional or invalid, such parts not affected shall remain in full force and effect.

## **Section 9. Effectivity and Term**

This Circular shall take effect immediately after its publication in a newspaper of general circulation and shall remain in effect until revoked or modified by the Secretary of Energy, or upon issuance of the final and comprehensive guidelines for accreditation of all participants in the Fuel Bioethanol Program.

Energy Center, Fort Bonifacio, Taguig City, Metro Manila, 30 August, 2006.

  
**RAPHAEL P. M. LOTILLA**  
Secretary