DON'T DRILL PARADISE: PROTECTING PALAWAN, THE PHILIPPINES' LAST ECOLOGICAL FRONTIER, FROM FOSSIL FUEL EXTRACTION

A scoping paper on oil and gas exploration and development in the Philippines



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Don’t Drill Paradise: Protecting Palawan and Southeast Asia’s Ecological Frontiers from Fossil Fuels

A scoping paper on the upstream gas regulatory framework and the history of confronting gas projects in the Philippines

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EXECUTIVE SUMMARY

Palawan is known as the country's last ecological frontier and is home to some of the richest marine and terrestrial ecosystems in Southeast Asia. It is globally recognized for its two UNESCO World Heritage Sites, including the Tubbataha Reef Natural Park, a crucial spawning ground for marine life. Palawan's waters sustain a vibrant tourism and fisheries industry that supports local livelihoods and contributes significantly to the country's fisheries supply. Yet, ironically, the country's last ecological frontier is increasingly being positioned as its next fossil gas frontier. Palawan currently hosts the Malampaya gas field, the Philippines' largest source of indigenous fossil gas. It is subject to 14 active offshore petroleum service contracts, with additional areas under application or negotiation. At least four of these contract areas are situated near protected areas, including the Tubbataha Reef, El Nido-Taytay Resource Protected Area, and Malampaya Sound Protected Seascape. Four other PSCs overlap with municipal waters and all overlap with Fisheries Management Areas, raising further concerns about the implications of upstream activities for fishing grounds and coastal livelihoods.

This expansion reflects the national government's broader policy of prioritizing fossil gas. Since President Ferdinand Marcos Jr. identified gas as a key interim fuel as the country transitions to renewable energy in 2022, the government has adopted policies intended to hasten the development of the industry.[1] The Department of Energy through the Philippine Energy Plan (PEP) 2023-2050 has framed LNG as a necessary transition fuel to complement variable RE, citing the constraint on coal and plans of voluntarily decommissioning coal-fired power plants.[2] Republic Act No. 12120, or the Philippine Natural Gas Industry Development Act of 2025, expressly declares as state policy the prioritization of indigenous fossil gas over imported fossil gas. The law also requires the power sector to prioritize the procurement and utilization of indigenous fossil gas over imported fossil gas and that energy produced from it over other conventional energy sources. In the same year that the law was passed, eight new service contracts were awarded–marking the largest batch of PSCs awarded in a single period in Philippine history and bringing the total number of active service contracts to 22.

Before the gas boom under the current administration, there were only 10 active petroleum service contracts, and only four had ever become operational: the Malampaya gas field, which began production in 2002; the Galoc oil field, which began production in 2008; the West Linapacan oil and gas field, which operated from 1992 to 1996; and the Alegria oil and gas field, which operated from 2018 to 2023. Since then, the current administration has awarded 12 PSCs. Today, Malampaya continues to expand with new wells drilled in the area. The Galoc field resumed operations in January 2026 after its contract expired in December 2025 while the West Linapacan has since reapplied for a new and expanded contract. The Alegria field was reawarded to a new contractor in April 2026 in an effort to restart the dormant field within 18 months.

Key findings

- **The lifecycle of fossil gas fields causes cumulative harm to marine ecosystems.** During exploration, seismic surveys use airguns that can generate noise levels of up to 255 decibels–far above the levels that can harm human hearing with prolonged exposure (75–85 decibels) and the 160 decibels level at which marine mammals may experience behavioral disturbances. This noise pollution interferes with whale communication and kills organisms at the base of the marine food chain. Drilling of wells for exploration and production risks damaging the seabed, destroying habitats, and polluting waters with drilling fluids and oil spills. Construction of infrastructure and pipelines poses similar dangers and can degrade water quality. Even at the end of life stage of a gas field, it may cause significant harm to its environment. Decommissioning gas fields can reintroduce contaminants, enable invasive species to spread, and subject marine animals to demolition noise. Abandoned wells that are not sealed may continue leaking long after production ends. These impacts accumulate over a project's lifespan, threatening biodiversity in already fragile marine environments.

1 The 2022 State of the Nation Address. https://pbbm.com.ph/2022-state-of-the-nation-address/.
2 Philippine Energy Plan 2023-2050 Volume 1. Reliable and Resilient Energy Supply, p. 4.

- **Methane emissions undermine the country's climate goals and present serious health risks.** Methane is the principal component of fossil gas and a potent greenhouse gas that contributes significantly to near-term global warming. Across the upstream lifecycle, methane may escape through equipment leaks, venting, incomplete combustion during flaring, and improperly sealed wells after production ends. These emissions are not confined to a project's active production period and may continue after operations cease. It significantly contributes to the formation of ground-level ozone, which damages airways, triggers asthma attacks, and worsens lung diseases. At high concentrations, methane exposure poses serious health risks through oxygen displacement, particularly affecting the respiratory and cardiovascular systems. The story of Ali Hussein Jaloud, who lived near the Rumaila oil field, the world's largest flaring site, proves how harmful the emissions are. Ali was diagnosed with leukemia at 15 and died at 21. His doctors identified pollution as a probable cause of his illness, and he died shortly before he was scheduled to question the field's lead contractor about pollution affecting his community.

- **Coastal communities bear the direct economic impacts of upstream activities.** Fisherfolk report lower catches following the conduct of seismic surveys in their areas, as fish move away due to noise pollution. The installation of offshore infrastructure and underwater pipelines damages marine habitats and directly disrupts the livelihoods of fisherfolk by hindering access to fishing grounds and transportation routes. Fishing gear may also become entangled with pipelines, posing safety risks to fisherfolk. More broadly, every stage of gas projects carries the risk of oil contamination–from oil leaking in the pipelines to well blowouts that cause massive oil spills. These oil spills can devastate the marine ecosystems and even lead to fishing bans and the closure of the tourism industry in the areas affected–as seen in the case of the 2023 MT Princess oil spill that caused PHP 41.2 billion worth of damages to the ecosystem and coastal communities.

- **Biodiversity loss and fisheries decline pose risks to food security.** The expansion of the oil and gas industry in Palawan has costs that extend beyond environmental damage to the broader food system, especially with Palawan being a major fish producer in the country–contributing 7.45% of the national fisheries production in 2024. Palawan's fisheries are already under pressure from overfishing and other factors, the additional pressures from upstream oil and gas activities would only make it more vulnerable. Reduced fish catch would not only undermine the incomes of fishing communities but constrain the availability and affordability of fish as a source of food–resulting in higher prices that could affect the whole country.

- **Fossil gas only acts as a detour for the country's transition to clean renewable energy.** While the current administration frames fossil gas as an interim fuel or transition fuel only, a closer scrutiny of the PEP 2023-2050 and Republic Act No. 12120 undermines this narrative. A "transition fuel" would only be true if there were a phaseout plan for fossil fuels. A study by Climate Analytics found that gas' share in the total generation mix must be only sub-1% between 2030 and 2040 and 0.4% by 2050–constraining it strictly to peaking generation necessary for maintaining grid stability–in order to align to the 1.5°C Paris commitment. And yet, under the PEP Clean Energy Scenario 1 (CES-1), as renewable energy's share in the energy mix increases so does fossil gas' share–doubling from 4.2% in 2022 to 8.3% by 2050, adding a total of 15.99 GW. Likewise, the Republic Act No. 12120 does not contain any restriction on capacity, lifespan, and emissions. The current law governing upstream gas, Presidential Decree No. 87, has not been amended to include any significant restrictions on the industry.

  If gas truly is a "transition fuel", fossil gas should be phased out after displacing coal and oil in the energy mix. Yet, until now, there is no oil and coal phase-out and neither is there any plan to phase out gas after it has supposedly acted as a transition fuel. Without a fossil fuel phaseout plan, new gas projects may delay deployment of renewable energy by diverting investments away from it. The risk is particularly important given that renewable energy technologies are already readily deployable and more cost-efficient than fossil fuel technologies. At the same time, prioritizing fossil gas can even reinforce other fossil fuels, such as coal and oil, by encouraging continued investment in fossil fuel infrastructures. Since these assets are designed to operate for decades, they prolong the country's dependency on fossil fuels. The International Energy Agency (IEA) already stated that there is no need for new oil and gas fields in a scenario where global warming is limited to 1.5°C. Likewise, the International Court of Justice, through its Advisory Opinion on the Obligations of States in respect of Climate Change, made it clear that granting of fossil fuel exploration licenses may constitute an internationally wrongful act which is attributable to that State.

- **Policies continue to extend developmental incentives to an industry that has long since matured.** Presidential Decree No. 87 was enacted in 1972 in response to a global oil crisis. It aimed to stimulate the development of the upstream industry in the country by granting contractors extensive fiscal and regulatory incentives, including tax and tariff exemptions and exemptions from laws and ordinances governing creation and operation of power plants under certain conditions. More than five decades later, the law is still in effect and the same incentives remain in force even as the upstream oil and gas industry has long since been established. Moreover, since then, DOE policies have continued to widen access to upstream opportunities. In 2018, DOE launched the Philippine Conventional Energy Contracting Program (PCECP), which added a new mode of application–allowing proponents to nominate areas they find to have petroleum potential instead of just bidding on areas pre-determined by the government. The nomination mode gives private entities a way to initiate contracting based on their own technical assessments, subject to the review and approval of DOE. In 2023, the DOE further allowed direct negotiations with existing operators of active oil and gas fields through the Development and Production PSC–enabling the existing operators to continue development without reopening the field for a new bidding round.

- **Policies are heavily tilted to privilege conglomerates while offering little protection or benefit to host communities.** All of the current service contractors are big conglomerates either in the Philippines or abroad–including Prime Infrastructure Capital Inc., privately-held by Enrique K. Razon, PXP Energy Corporation led by Manuel V. Pangilinan, Philodrill Corporation under Anglo Philippine Holdings Corporation controlled by the Ramos group, and ENEX Energy Corp, a subsidiary of Ayala Corporation, and foreign companies from Israel, Australia, the United States, and the United Kingdom. These already rich companies are even granted tax exemptions under Presidential Decree No. 87. Meanwhile, the law provides no clear mechanism for reparations for damages suffered by communities or the environment. It merely requires contractors to give priority in employment to qualified local residents, effectively reducing host communities to a source of labor, while any direct community benefits remain discretionary and dependent on negotiations between the national government and the contractor. The Supreme Court in ***Republic v. Provincial Government of Palawan*** has likewise ruled that local government units are not entitled to a share in the revenues from offshore gas projects despite hosting them and bearing many of their environmental and social risks.

- **Weak enforcement renders existing safeguards and participation mechanisms futile.** Upstream projects require numerous permits from concerned agencies, endorsements from local governments, and an FPIC if ancestral domains are affected. These mechanisms do provide communities the opportunities to demand information and oppose projects. However, experience with gas exploration in Tañon Strait demonstrates that contractors may nonetheless commence activities before completing the necessary permits. Documented threats and reprisals to community members who oppose extractive projects also raises doubt on whether communities can genuinely and freely consent to projects.

- **Despite the hurdles, communities across the Philippines have successfully opposed extractive projects to protect their communities and the environment.** In the case of Tañon Strait in Cebu, where gas exploration was supposed to take place, local communities headed by fisherfolk organizations and marine scientists were successful in stopping the project. They also pursued legal remedies, including petitions for certiorari, prohibition, and mandamus, to challenge the legality of the service contract–particularly due to its failure to secure an ECC before undertaking exploration activities. In other instances, communities have also sought administrative relief by challenging the lack of necessary permits and requesting cease-and-desist orders before government agencies. Although communities and advocates opposing fossil fuel and extractive projects often operate within a legal framework that provides limited direct protection, they have nonetheless used legal remedies alongside collective action to assert their rights and defend the environment.

Conclusion and Recommendations

The current policy directions of the Marcos administration places communities and marine life at risk while delaying, rather than facilitating, the transition to renewable energy. Gas exploration and production disrupts marine ecosystems even before gas reserves are discovered. At the same time, large investments in the fossil gas industry divert resources away from renewable energy and lock the country into prolonged fossil-fuel dependence.

The experience of the Verde Island Passage already offers a warning. Communities that were greatly affected by the 2023 MT Princess Empress oil spill continue to suffer its consequences even three years later. Operational failures from the gas fields in Palawan has the possibility of causing the same or even a larger catastrophe to the province. Palawan should not be subjected to the same pattern of fossil-fuel expansion and damage. New upstream gas development has no place in the country's just energy transition.

To the national government

- **Phase out fossil fuels.** In order to ensure the fossil gas is used only as a transition fuel, the Philippine Energy Plan should be revised to include a fossil fuel phase-out plan, starting with coal and oil, then with gas.

- **Halt the development of new gas fields and awarding of new PSCs.** While slowly phasing out fossil fuels, no new gas fields should be opened. As Malampaya has recently yielded new gas, there is no justification for awarding new PSCs or exploring additional fields under the existing PSCs. The recently discovered gas from Malampaya can cover the needed >1% share of gas in the energy mix under a 1.5°C scenario. The International Energy Agency has also found that no new projects are needed as the supply of oil and gas from existing projects are enough to meet the demand of a 1.5°C world. The government should not award any new PSCs to contractors and other existing PSCs under the exploration stage should be revoked. Stopping the expansion of gas fields in the country now would prevent the risk of stranded assets and, more importantly, avert the irreversible damage to the environment and communities that the projects may cause.

- **Review and amend Presidential Decree No. 87.** The current law governing the upstream industry lacks safeguards for the environment and host communities. It should be reformed to include stronger environmental and community safeguards, benefits to host communities, and greater transparency in awarding PSCs. Incentives that encourage new fossil fuel exploration and production should be removed. The law should make it clear that contractors must bear the full cost of environmental damage and rehabilitation.

- **Adopt a more transparent and competitive mechanism for granting PSCs.** If the government nonetheless continues to award new PSCs, any remaining awards should be subject to a more transparent and competitive mechanism. The current direct negotiations between the DOE and existing PSC holders limits thorough reassessment of the project's environmental and social implications. Under a new system, all project proponents, whether existing or new, must undergo a public, competitive bidding process with clear disclosure requirements and equal opportunity for participation.

- **Strengthen environmental and social safeguards in upstream regulation.** The current environmental laws need to be expanded to efficiently regulate the upstream oil and gas industry and mitigate the harms caused by the projects. Policymakers should ensure that upstream operations are subject to stricter environmental standards and transparent permitting processes. The EIA process must be revised to expand the scope of impact assessments, particularly by including greenhouse gas (GHG) emissions. Meaningful participation of stakeholders, beyond the usual consultations, should also be prioritized in the process of granting permits.

- **Establish mandatory methane monitoring, reporting, and mitigation requirements for upstream oil and gas operations.** As methane emissions occur across the upstream lifecycle, it is imperative to adopt rules and regulations that set industry standards for detecting, reporting, and mitigating these emissions. Laws must require operators to quantify and publicly disclose methane emissions, conduct regular leak detection and repair (LDAR) inspections, and use appropriate measurement technologies to identify and verify emission sources. Routine flaring and venting should be restricted while emergency releases should be accounted for.

- **Adopt a policy restricting oil and gas exploration and development in biodiversity-rich and protected areas, including Palawan.** Protected areas under the E-NIPAS Law should also be expanded in order to prohibit non-renewable energy projects (such as fossil gas projects) in ecologically sensitive areas. Areas covering traditional fishing grounds and ancestral domains must also be excluded from upstream fossil gas activities.

- **Implement strict protection of ecologically critical areas.** While new laws and regulations are pending, in the meantime, the current ones, such as the E-NIPAS Act, the SEP for Palawan Act, and the EIS system, must be fully utilized and strictly enforced so that oil and gas projects are kept out where prohibited. The SEP for Palawan Act must be amended to clearly delineate the powers of the PCSDS and DENR and delegate police power to PCSDS to allow it to fully enforce the ECAN Zoning Rules and impose sanctions for violations. The four service contracts awarded and offered by the government, which are near protected areas must be closely monitored and scrutinized.

- **Accelerate the transition to renewable energy.** While the Philippine Energy Plan 2023-2025 targets 50% renewable energy in the energy mix by 2050, this is far from the 99% needed to align with the 1.5˚C Paris commitment.[3] A study by Climate Analytics finds that the country has sufficient renewable resources, estimated at around 1,200 GW from solar and wind resources, to replace fossil fuels in the energy sector and meet energy demands. The government should adopt a more ambitious target and accelerate the deployment of renewable energy technologies nationwide in order to align with the 1.5°C scenario where renewable energy is supposed to occupy 72% of the country's energy mix by 2030 and 99% by 2050.

To the local government of Palawan

- **Reject the development of new upstream fossil gas projects in Palawan waters.** Palawan waters have a significant importance not only to the livelihood and culture of the Palaweños but to global biodiversity, and must therefore be protected. The local government units of Palawan must exercise the powers granted to local governments under the Local Government Code to ensure that harmful projects do not proceed. Likewise, the Palawan Council for Sustainable Development should exercise its mandate under the Strategic Environmental Plan (SEP) for Palawan Act and withhold approvals for proposed upstream fossil gas projects that threaten biodiversity.

- **Invest in renewable energy solutions to address Palawan's energy needs.** Efforts to advance the transition to renewable energy should not only be on the national level but also on the local level. The Palawan Island Power Development Plan (PIPDP) 2014 to 2035, which contains its roadmap for an aggressive renewable energy strategy, needs to be revisited and updated and fully implemented to address the province's energy challenges while protecting ecosystems and livelihoods.

3 Climate Analytics. A 1.5C future is possible: Getting fossil fuels out of the Philippine power sector.(November 2023).

To stakeholders

- **Participate in consultations and demand transparency over the permitting and approval of upstream gas projects in Palawan.** Early engagement by communities and civil society organizations before any project begins is crucial to prevent proposals from advancing and causing harm to ecosystems and livelihoods. These include building broad coalitions among local communities, fisherfolk, Indigenous groups, and environmental organizations to oppose proposed projects, conducting information, education, and communication (IEC) activities, actively participating in environmental impact assessments, public hearings, and public consultations, and registering opposition of communities that will directly be affected through petitions, protests, and position papers.

- **Assert the right to free, prior, and informed consent.** Indigenous communities affected by the gas projects should exercise their right to decide, through their own processes, whether large-scale extractive projects can enter their territories, under the Indigenous Peoples Rights Act. Civil society organizations and other advocates can support Indigenous Peoples by providing legal and technical support during FPIC processes, ensuring they are fully informed of the long-term impacts of upstream gas and that the processes required by law are enforced, and helping communities document the potential impacts of proposed projects on ancestral lands, fishing grounds, and cultural practices.

- **Monitor compliance of service operators with legal safeguards.** Communities and civil society organizations play an important role in ensuring that operators comply with the required permits and safeguards before and during project operations. Key actions include verifying that operators have secured all required permits and clearances, documenting environmental and community impacts associated with upstream activities, such as changes in air quality, water quality, marine ecosystems, and fishing grounds, as well as impacts on livelihoods and public health, which may be used as evidence for further interventions, and raising documented concerns before regulatory agencies or oversight bodies, including through formal complaints, requests for investigation, or other administrative and legal remedies where necessary.

CHAPTER I: INTRODUCTION

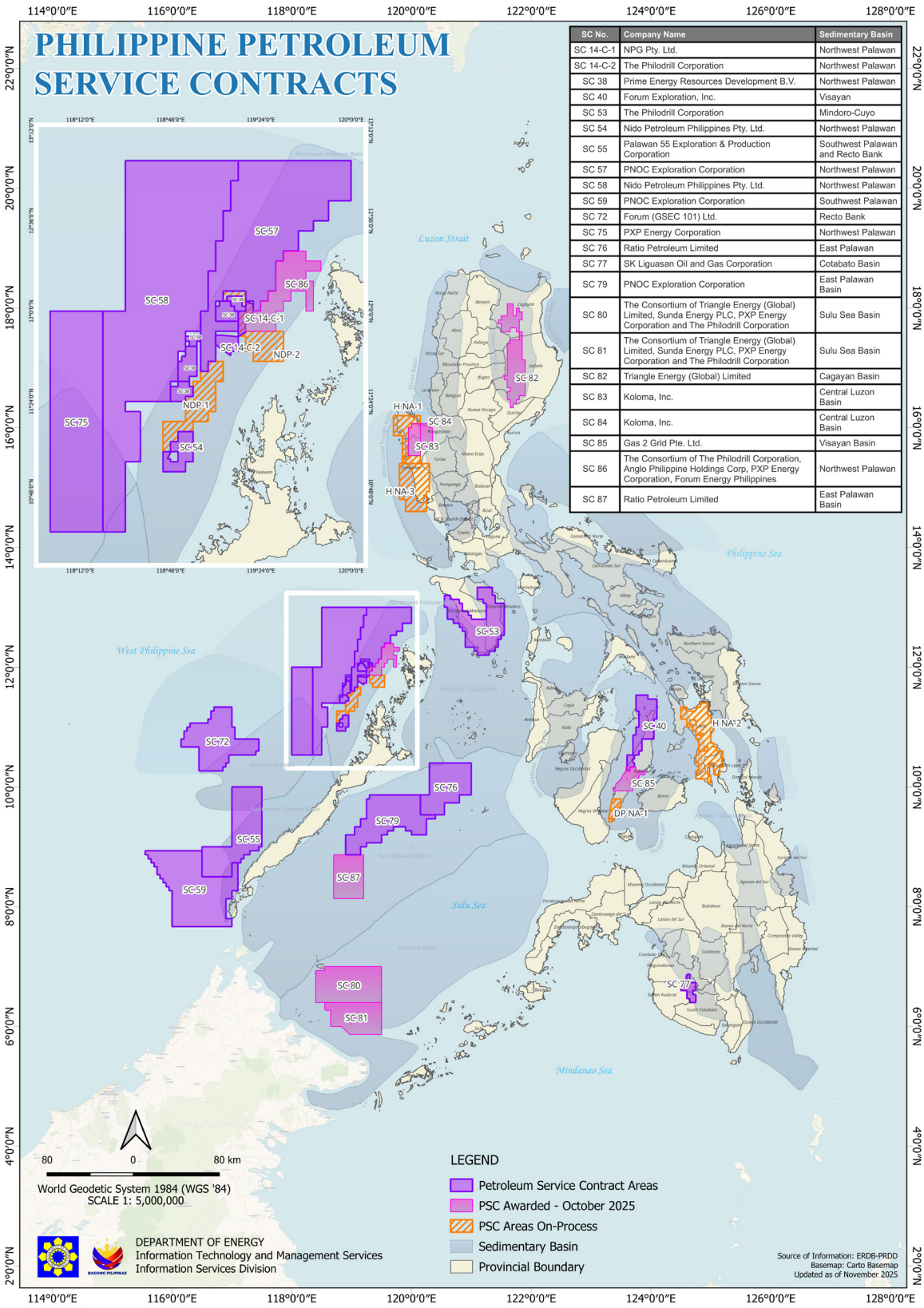
The current administration has positioned fossil gas as the new preferred fuel. In his State of the Nation Address in 2022, President Marcos Jr. has stated that as the transition to renewable energy needs a lead time, fossil gas will be the key during the interim period.[4] Following this pronouncement from the president, numerous policies and laws were enacted to strengthen the gas industry in the country. This policy direction has shifted discussions from whether fossil gas should even expand to which source should be prioritized. It triggered a race between conglomerates, particularly between developers of imported LNG and proponents of indigenous gas, to secure control over the gas industry. Ultimately, the competition ended with the enactment of Republic Act No. 12120, or the Philippine Natural Gas Industry Development Act of 2025, which codified the prioritization of indigenous gas as a state policy.

In the same year that the law was passed, eight new service contracts were awarded–marking the largest batch of Petroleum Service Contracts (PSCs) awarded in a single period in Philippine history and bringing the total number of active service contracts to 22.[5] PSCs are contracts between the government and private entities that grant the latter the rights to undertake gas exploration and production in the area stated in the contract.

Before the gas boom under the current administration, there were only 10 active petroleum service contracts, and only four had ever become operational: the Malampaya gas field, which began production in 2002; the Galoc oil field, which began production in 2008; the West Linapacan oil and gas field, which operated from 1992 to 1996; and the Alegria oil and gas field, which operated from 2018 to 2023. Since then, the current administration has awarded 12 PSCs.[6] Today, Malampaya continues to expand with new wells drilled in the area. The Galoc field resumed operations in January 2026 after its contract expired in December 2025 while the West Linapacan has since reapplied for a new and expanded contract. The Alegria field was reawarded to a new contractor in April 2026 in an effort to restart the dormant field within 18 months.[7]

4 "The 2022 State of the Nation Address," https://pbbm.com.ph/2022-state-of-the-nation-address/.
5 Presidential Communication Office, "PBBM unveils new Petroleum Service Contracts as biggest in history," https://pco.gov.ph/news_releases/pbbm-unveils-new-petroleum-service-contracts-as-biggest-in-history/, October 8 2025.
6 Department of Energy, "Marcos Administration Expands Domestic Energy Exploration with Two New Petroleum Service Contracts," https://doe.gov.ph/articles/3394735--marcos-administration-expands-domestic-energy-exploration-with-two-new-petroleum-service-contracts, April 7 2026.
7 Morexette Marie B. Erram, "DOE: Alegria oil field development to take 18 months," *Cebu Daily News*, https://cebudailynews.inquirer.net/747822/alegria-oil-field-development-to-take-18-months-doe-says, July 16, 2026.

Figure 1. DOE's Map of Service Contracts in the Philippines (November 2025)[8]



8 Department of Energy, "Petroleum Service Contract Map," https://doe.gov.ph/articles/3138004--updated-psc-map-and-psc-contractors-contact-details, November 2025.

As can be gleaned in *Figure 1,* 13 or majority of the PSCs are concentrated in Palawan, which is known to be the country's last ecological frontier. Another PSC was awarded in April 2026 in Northeast Palawan–bringing the total to 14 PSCs. Palawan is not the first key biodiversity area to be threatened by gas. The Verde Island Passage, known to be the Center of the Center of Marine Biodiversity, is surrounded by multiple LNG terminals and gas-fired power plants. It has been the center of a global campaign to challenge gas-fired power plants expansion in the Philippines.

The expansion of fossil gas comes amidst recent global events that have exposed the volatility of fossil fuels. The US-Israel's attack on Iran which led to the closing of the Strait of Hormuz, where 20% of global petroleum liquids consumption passes through, has triggered a global oil crisis. In the Philippines, the Iran war has led to spikes in fuel prices–creating a domino effect that led to the country declaring a national state of emergency. Roughly a month after the conflict started, diesel prices in the country increased by 145%, rising from PHP 65.39 on 2 March 2026 to PHP 160.20 by 7 April.[9]

These new developments are rapidly changing the energy landscape in the Philippines and posing new challenges to the country's energy transition. As renewable energy technologies have become increasingly available and affordable, continued expansion of fossil gas risks diverting much needed investments away from renewables. At the same time, the upstream gas industry remains a relatively unfamiliar terrain for many who have been advocating for a just transition and for renewable energy advancement as the Malampaya gas field has long been the country's only source of indigenous gas. This scoping paper seeks to provide an overview of the upstream gas in the Philippines, with a particular focus on Palawan, where many existing and proposed projects are located. It aims to inform policy and decision-making and equip communities and CSOs in confronting what lies ahead.

9 Arthur Fuentes, "How much have fuel prices risen since the start of the Mideast conflict?" *ABS-CBN News*, April 14, 2026, https://www.abs-cbn.com/news/business/2026/5/27/philippine-call-center-association-rebrands-to-embrace-ai-shift-1909

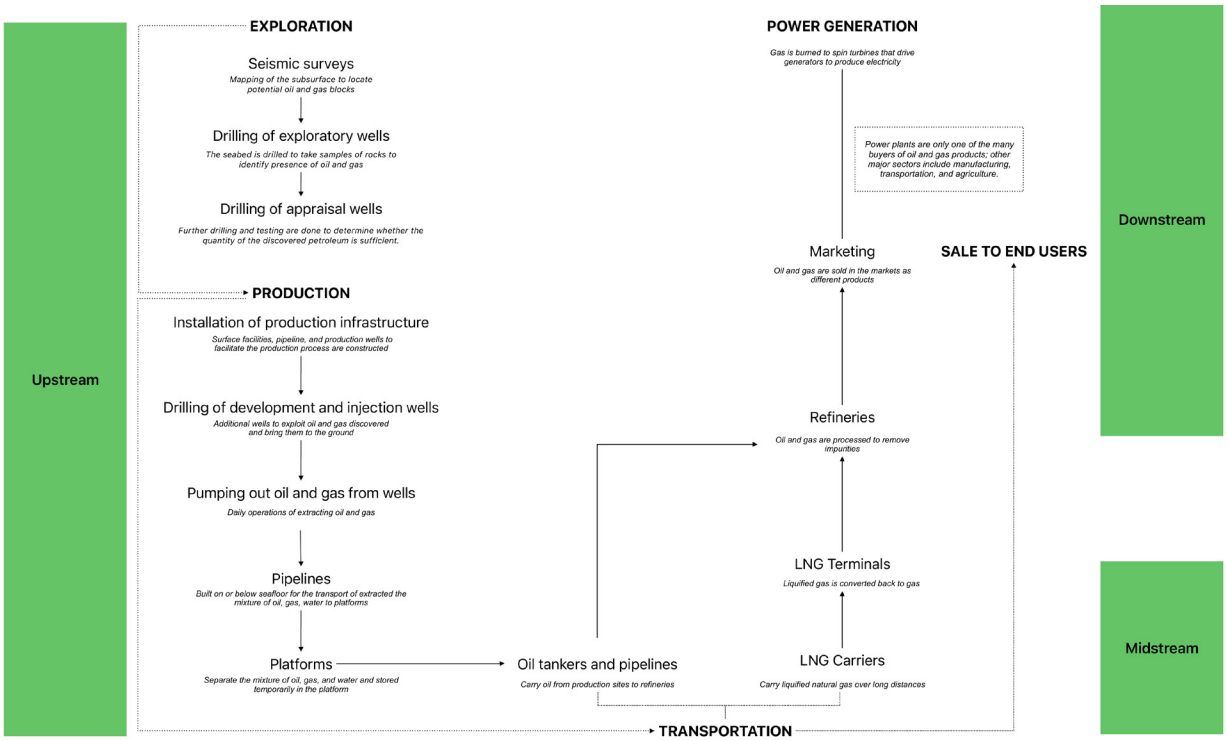
CHAPTER II: UNDERSTANDING GAS EXPLORATION AND DEVELOPMENT

Oil and gas are often referred to together as petroleum and are grouped together since they usually accumulate together in the same rock reservoir and can be extracted together. What sets fossil gas apart from other fossil fuels is that it is colorless, odorless, and lighter than air. It is mainly composed of methane along with ethane, propane, butane, and other hydrocarbon compounds.[10]

The Oil and Gas Value Chain

1. **Upstream:** Oil and fossil gas are located and extracted from the ground or seafloor. The upstream stage is further divided into the exploration and production stages. Exploration identifies oil and gas blocks and confirms whether there are enough reserves for commercial use. The production stage involves recovering oil and gas from the ground through wells and stabilizing them in a nearby facility to prepare them for storage and transport.
2. **Midstream:** Oil and fossil gas are transported through pipelines or ships from the production field to refineries and processing plants. While oil is naturally in the liquid form, fossil gas can either be in its natural form as a gas or liquefied to reduce its volume and make it easier to store and transport.
3. **Downstream:** Oil and fossil gas are processed and converted into finished products to be sold in markets, such as gasoline, diesel, jet fuel, and LPG. Power plants buy oil and fossil gas from the downstream industry to be used in generating electricity. Other buyers include manufacturing (for making plastic), transportation (for vehicle fuels), and agricultural sectors (for fertilizers).[11]

Figure 2. Overview of the oil and gas industry value chain



10 Malampaya, "Technology," https://malampaya.com/technology/.
11 RTENN Petroleum and Cordaid, "Informing Local Communities, Civil Society, and Local Governments about Oil and Gas: A practical guide on technical aspects," *International Finance Group*, 2016.

This scoping paper focuses on the upstream industry, which accounts for the largest share of planned investment, amounting to PHP 2.32 trillion according to the Philippine Energy Plan (PEP) 2023-2050 Clean Energy Scenario 1 (CES-1).[12]

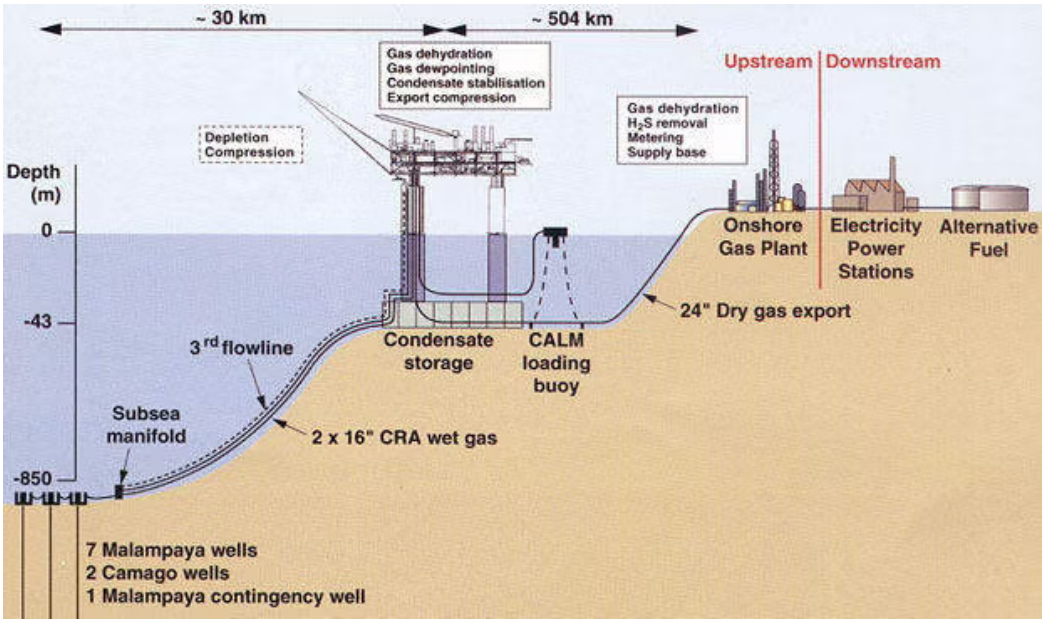
Case Study 1. How does Malampaya supply energy?

In Malampaya gas field, fossil gas is extracted from 2,200 meters below the seabed at a water depth of 830 meters through deepwater subsea wells. Both fossil gas and condensate oil are extracted from the seabed.[13] The extracted materials are sent to a nearby shallow water production platform to be separated. The platform is tied to the wells and supported by a concrete gravity sub-structure (CGS). The sub-structure is placed on a foundation of 17,000 tons of rock dumped on the seabed to ensure an even surface. It is further reinforced by 3,000 tons of rock around its corners and 75,000 tons of iron ore.[14]

Once the fossil gas and condensate are separated, they are stored in the CGS and then retrieved by tankers using a catenary anchored leg mooring (CALM) buoy located 3 kilometers from the platform.[15] The compressed gas is then transported through a 504-kilometer underwater pipeline that runs across three provinces, namely Palawan, Mindoro, and Batangas.

An onshore gas plant in Batangas receives the gas for further processing before it is sent to four combined-cycle gas turbine plants and one open-cycle gas turbine plant in Batangas. In open-cycle gas turbine plants, the fossil gas that comes from the Malampaya is burned to make hot air, which drives the turbine that spins a generator used to generate electricity. Similarly, in combined cycle gas turbines, gas is burned to make hot air but this air is used to heat water and make steam, which then drives a turbine to create energy.[16] The power plants generate over 2,011 megawatts (MW) of power for Luzon.

Figure 3. Diagram of Malampaya structure[17]



12 Department of Energy, "Total Investment Requirement by Scenario, 2023-2050 (PhP Billion @2022 Prices)," *Philippine Energy Plan 2023-2050 Volume 1*, 28, Table 2.
13 Yokogawa, "MALAMPAYA / Shell Philippines Exploration B.V. (SPEX)," https://www.yokogawa.com/ph/library/resources/references/malampaya-shell-philippines-exploration-bv-spex/
14 Offshore Technology, "Malampaya Gas Field Project, South China Sea," May 24, 2000, https://www.offshore-technology.com/projects/malampaya/?cf-view.
15 *Id.*
16 National Energy System Operator, "How is electricity generated using gas?" https://www.neso.energy/energy-101/electricity-explained/how-electricity-generated/how-electricity-generated-using-gas
17 Offshore Technology, "Malampaya Gas Field Project, South China Sea." https://www.offshore-technology.com/projects/malampaya/

Upstream Gas Process

The upstream industry can be further divided into five stages. Each stage introduces distinct activities with escalating risks to communities and ecosystems, as proven in studies from other countries, where gas exploration and production are also rampant.

1. **Licensing**: Before any activity begins, companies have to secure a contract with the government along with permits from concerned agencies, such as infrastructure and environmental permits. Some permits require public consultation before the government agency issues the specific permit.
2. **Exploration:** The search for oil and fossil gas primarily involves seismic surveys and drilling of exploratory wells to locate and confirm the existence of gas.

   Seismic surveys employ airguns and vessels that emit intense underwater sound blasts to detect petroleum reserves. These surveys are generally classified into three–the 2D, which has the least intense seismic surveys while the 3D and 4D surveys generate greater disturbance by deploying multiple sound sources and are more repetitive.[18]

   Individual airguns can reach up to 230 decibels, while arrays of multiple airguns used in large surveys can generate noise levels of up to 255 decibels.[19] For comparison, prolonged exposure to sounds that reach 75 to 85 decibels can already harm human hearing.[20] For marine mammals, exposure to 160 decibels is already likely to lead to behavioral disturbance.[21] These airgun blasts are fired every 10 to 15 seconds for hours, days, or even months as survey vessels move across the ocean. With low-frequency sound's ability to travel efficiently underwater, the noise can spread over large distances and disrupt marine ecosystems far beyond the immediate survey area.[22]

   Exploratory wells are drilled after prospective areas are identified using seismic data to confirm the location of reserves of recoverable gas and oil. A single exploratory well can already cost USD 150 million (approximately PHP 9.22 billion)[23] and only one in five usually succeeds.[24]

Case Study 2. Exploration activities and mitigation mechanisms of PSC 54.

PSC 54 is located offshore northwest Palawan–only 31.2 kilometers away from the farthest island of El Nido, Palawan. In its project description for scoping, the planned exploration activities include: **(1) site surveys,** which use multi-beam echosounders (MBES) to identify potential hazards and determine suitable locations for drilling; **(2) geotechnical investigations**, employing MBES, side scan sonar, sub-bottom profilers, shallow seismic surveys, and magnetometers to characterize seabed and subsurface conditions; **(3) exploration and appraisal drilling** to determine the extent and commercial viability of petroleum deposits; and **(4) extended well tests**, which involve flowing one or more wells for several days to several months to evaluate reservoir performance and determine whether commercial production should proceed.

While the project description acknowledges that exploration and production activities are expected to increase noise levels, the proposed mitigation measures are limited to installing noise mufflers on equipment and restricting noisy activities to daytime hours. These measures appear to focus primarily on reducing noise exposure for nearby communities and workers, with no corresponding mitigation measures identified for marine animals that may be affected by underwater acoustic disturbances generated during seismic surveys.[25]

18 Center for International Environmental Law, *Offshore, off-limits. The risks of offshore oil & gas exploration*, March 2025.
19 Alberto Acosta et al., "Mitigation provisions to be implemented for marine seismic surveying in Latin America: a review based on fish and cetaceans," *Aquatic Biology*, (2017).
20 National Geographic, "Noise Pollution," http://education.nationalgeographic.org/resource/noise-pollution/
21 Susan Blackwell et al., "Effects of airgun sounds on bowhead whale calling rates in the Alaskan Beaufort Sea," *PLoS ONE*, (2013).
22 Alberto Acosta et al., "Mitigation provisions to be implemented for marine seismic surveying in Latin America: a review based on fish and cetaceans."
23 *Conversion as of July 2026*.
24 Will Kenton, "Exploratory Wells: Definition, Function, and Examples," *Investopedia*, June 2026.
25 "PROJECT DESCRIPTION FOR SCOPING Service Contract 54 Oil and Gas Production Project," https://eia.emb.gov.ph/wp-content uploads/2023/01/SC-54-PROJECT-DESCRIPTION-FOR-SCOPING.pdf

3. **Discovery Appraisal**: After a discovery is made, the contractor would have to determine whether the quantity of discovered petroleum is sufficient to be economically developed–meaning it can generate sufficient profits to justify its development. For the appraisal stage, contractors drill **appraisal wells** to determine the size of the field, its reserves, and expected production rate.[26]

4. **Production:** The area where petroleum of commercial quantity is discovered is delineated as the ***production area***.[27] The operator constructs surface facilities, pipelines, and production wells to facilitate the production process. It also drills additional wells known as **development wells**. Development wells have various purposes with the goal of exploiting the petroleum discovered, such as flowing production, artificial lift production, injection of water or gas to maintain pressure and enhance recovery, and to monitor the performance of a well. In contrast to exploratory and appraisal wells, development wells are larger and have longer life cycles; thus, are more expensive. In general, production of new fields takes years. A study found that for giant oil fields worldwide, there is an average of 5.5 years for a newly discovered field to start its first production.[28]

   Daily operations of the gas field would include pumping oil and fossil gas from wells and processing them to make them safe for transport to pipelines. It also includes flaring and venting of gas, which releases methane–a greenhouse gas far more potent than carbon dioxide. Operators practice flaring or the burning of types of gas that are either too costly to store or sell, those that would otherwise present a safety risk, or those that contain a highly toxic hydrogen sulfide in order to convert it to less toxic compounds. On the other hand, venting is the direct release of methane gas to the atmosphere. It is practiced mostly for maintenance of wells, pipelines, and tanks or well completion.[29]

Case Study 3. How much air pollutants come from flaring and venting in a single well from the Jonah gas field in Wyoming?

In the Jonah gas field in Wyoming, USA, studies have estimated that venting of a single well will emit 115 tons of Volatile Organic Compounds (VOCs) and 4 tons of hazardous air pollutants (HAPs), including benzene, toluene, ethylbenzene, xylene and hexanes. If the gas is flared, the emissions of VOCS is decreased to 29 and HAPs to 1 but more than a ton of nitrogen oxides and half a ton of carbon monoxide are released as well.[30]

VOCs are chemicals usually found in paint, varnishes, and cleaning products. Exposure to VOCs may cause health issues to humans, such as eye and respiratory irritation, damage to the nervous system, and even cancer. They also significantly contribute to ozone pollution.[31]

5. **Termination** : When production eventually declines and the oil and fossil gas beneath run out, companies cannot just abandon the gas field. In most countries, they are mandated by laws to ensure that wells are properly sealed and equipment is removed in order to avoid further environmental degradation. Ideally, the site is returned to its original state.

   The decommissioning process requires substantial additional material and cost. Researchers suggest that the global cost of decommissioning work may reach USD 104.5 billion (approximately PHP 6.43 trillion)[32] by 2030. Divers and robotic submarines are required to plug wells and pipelines and cut and move steel structures. Pipelines and facilities must also be cleaned from hydrocarbons and platforms are dismantled.[33]

26 Richard Mason, "A Guide to Different Types Of Wells Used By Oil & Gas Companies," 2023, https://www.valuethemarkets.com/analysis/back-to-basics-a-guide-to-the-different-types-of-wells-used-by-oil-gas-companies
27 Presidential Decree No. 87, §9(d)
28 Henrik Wachtmeister, "Investment and production dynamics of conventional oil and unconventional tight oil: Implications for oil markets and climate strategies," *Energy and Climate Change*, December 2020.
29 Earthworks, "Flaring and venting," https://earthworks.org/issues/flaring_and_venting/
30 *Id*.
31American Lung Association, "Volatile Organic Compounds," https://www.lung.org/clean-air/indoor-air/indoor-air-pollutants/volatile-organic-compounds
32 *Conversion as of July 2026*.
33 Ibragim Khalidov et al., "Decommissioning of oil and gas assets: industrial and environmental security management, international experience and Russian practice," *Heliyon*, July 2021.

Case Study 4. How is decommissioning done in Europe's major oil-producing basin?

The North Sea is one of Europe's largest offshore oil and gas basins, with production led primarily by Norway and the United Kingdom, alongside Denmark, the Netherlands, and Germany. Production began in the 1960s and peaked in the 1990s. As of 2023, the basin hosts approximately 590 offshore oil and gas platforms.[34] However, after more than six decades of production, the North Sea has entered a period of terminal decline, with aging infrastructure requiring large-scale decommissioning. Research suggests that by 2025, many operators in the region would be spending more on decommissioning surplus infrastructure than on developing new oil and gas fields.[35]

Despite decommissioning efforts already being underway, the process is expected to span several decades. At the current pace, only around 23 offshore platforms can be decommissioned annually.[36] The total cost is estimated at EUR 80 to 100 billion (approximately PHP 5.6 to 7.02 trillion).[37] [38]

The scale of these financial and technical challenges has prompted the United Kingdom to adopt strict decommissioning policies, especially under the Petroleum Act 1998 and OSPAR Decision 98/3. The law mandates that offshore platforms be removed after production ceases to restore a "clean seabed." Operators are required to submit a decommissioning preparation plan at least six years before the expected cessation of production. Additionally, the framework also allows the government to hold previous license holders financially liable if the current operator is unable to meet its obligations to prevent decommissioning costs from falling on the public.[39]

Environmental, social, and health impacts

Studies in areas where gas exploration and production are also rampant have shown that every stage of the upstream industry has an associated impact on the environment and to the host communities, particularly in their health and livelihood.

Environmental impacts

During the exploration stage, the intense underwater noise pollution from seismic surveys causes hearing damage and stress to marine animals and interferes with their essential activities, such as communication, reproduction, navigation, and predator evasion–which often leads to alteration of critical behavior and displacement. For some, they develop more serious health issues, such as permanent defects for fish larvae and invertebrates, while zooplankton, a key component of the marine food chain, experience heightened mortality rates.[40]

34 Maria Clara Iruzun Martins et al., "Offshore energy structures in the North Sea: Past, present and future," *Marine Policy*, June 2023.
35 Ibragim Khalidov et al., "Decommissioning of oil and gas assets: industrial and environmental security management, international experience and Russian practice," *Heliyon*, July 2021.
36 *Id.*
37 *Conversion as of July 2026*.
38 Maria Clara Iruzun Martins et al., "Offshore energy structures in the North Sea"
39 *Id.*
40 Uplift & Oceana, *In Deep Water: Exposing the hidden impacts of oil and gas on the UK's seas*, April 2023.

Case Study 5. Studies in the Alaskan Beaufort Sea and Tasmania observe that seismic surveys silence whales and kill their food supply.

Marine mammals such as whales rely heavily on sound for communication, navigation, and locating food. Communication is particularly important during migration, where calls are vital for group cohesion. In the Alaskan Beaufort Sea, where bowhead whales have their autumn migration route, researchers observed for three months the communication patterns in areas exposed to a large 24-airgun array. The study found that in areas around 41 to 45 kilometers away from seismic activities, the number of whale calls plummeted from an average of 10.2 calls per hour before the airguns started to just 1.5 calls per hour or about 85% once airgun pulses reached 116 to 129 decibels.

While earlier research found that bowhead whales often move away from loud noises, researchers noted that the decline in calls was unusually sudden and dramatic, suggesting that the whales stopped calling altogether in response to the seismic blasts.[41]

A more recent research study found that before the bowhead whales go silent, they try to compete with the noise by calling more. However, as the sound intensity approached 115 decibels, their calls dropped significantly. Researchers suggest that this phenomenon, known as the *Lombard Effect*, is an attempt of whales to compete with the noise; however, there is a physical limit to how loud they can fight it.[42]

Many whale species depend on zooplankton as a food source, yet these microscopic organisms are also highly vulnerable to seismic blasting. In Tasmania, Australia, researchers found that seismic pulses, which reached 153 to 156 decibels, from a single airgun caused a 64% decline in zooplankton abundance and increased mortality rates for both adults and larvae by two to three times. These impacts were detected up to 1.2 kilometers away from the airgun source.[43] Similarly, a study in Norway found that exposure to seismic noise caused immediate death in 14% of juvenile zooplankton, while nearly all remaining organisms died within four days. Similarly, research in Norway found that exposure to seismic blasting, reaching 152 to 183 decibels, caused immediate death in 14% of juvenile (*nauplii*) Acartia tonsa, a type of zooplankton, while nearly all remaining organisms died within four days. The few that survived suffered from growth stunts and delayed development.[44]

Well drilling and installation of pipelines and underwater infrastructure poses significant risk of damaging the seabed, which causes habitat loss and smothering creatures, such as sponges and corals.[45] Drilling fluids, cuttings, and well treatment chemicals may also be sources of pollution of toxic contaminants.[46] The light and noise pollution from these constructions is also disruptive to fish, turtles, birds, and other wildlife and may impact marine food webs. It also causes a decline in water quality, alteration of water flow, oil and grease contamination, and reduced dissolved oxygen due to sedimentation.[47]

41 Susan Blackwell et al., "Effects of airgun sounds on bowhead whale calling rates in the Alaskan Beaufort Sea," *Marine Mammal Science*, January 2013.
42 Aaron Thode et al., "Roaring and repetition: How bowhead whales adjust their call density and source level (Lombard effect) in the presence of natural and seismic airgun survey noisea," *The Journal of the Acoustical Society of America*, March 2020.
43 Robert McCauley et al., "Widely used marine seismic survey air gun operations negatively impact zooplankton," *Nature Ecology & Evolution*, June 2017.
44 Emilie Hernes Vereide et al., "Effects of airgun discharges used in seismic surveys on development and mortality in nauplii of the copepod Acartia tonsa," *Environmental Pollution*, June 2023.
45 Uplift & Oceana, "In Deep Water: Exposing the hidden impacts of oil and gas on the UK's seas," April 2023.
46 UN Environment Programme, "Harmful Marine Extractives: Understanding the risks & impacts of financing non-renewable extractive industries," 2022.
47 Center for Energy Ecology and Development, *LNG, Shipping, and the Amazon of the Oceans*, December 2023.

Case Study 6. Drilling waste found to turn marine ecosystems toxic in Niger Delta, Nigeria.

Drilling of oil and gas wells produces large volumes of drilling waste, particularly drill cuttings and drilling mud. Drill cuttings are fragments of rocks produced as drill bits penetrate the seabed, while drilling mud consists of materials discharged overboard in offshore operations.

In 2024, a study done in Nigeria found that drilling mud and cuttings from an offshore field in the Niger Delta had a high concentration of heavy metals that exceeded the safety limits established by the Nigerian Upstream Petroleum Regulatory Commission (NUPRC). Most notably, lead concentrations in the drill cuttings reached 1,058.9 mg/l, which is more than 200 times the NUPRC limit of 5 mg/l. Other metals that surpassed regulatory thresholds in the drilling cuttings include the following:

Metals	Concentration	NUPRC limit
Chromium	19.16 mg/l	8 mg/l
Zinc	58.10 mg/l	50 mg/l
Silver	14.67 ml/l	5 mg/l
Cadmium	2.17 mg/l	1 mg/l

These heavy metals may contaminate marine and coastal ecosystems when directly disposed of into the environment without treatment. Particularly, heavy metals cause damage to the reproductive and nervous systems, as well as to kidneys and liver.[48]

Oil and gas extraction is a risky activity. The worst-case scenario would be a well blowout, where a sudden surge in pressure causes a sudden release of crude oil, fossil gas, and other fluids from a well. It causes high mortality in seabirds and marine mammals.[49]

48 Ndubuisi Elizabeth Chinyerem, et al., "Environmental and living organisms' disaster caused by discharge of drilling fluid waste," *World Journal of Advanced Research and Reviews* (April 2024).
49 Earth Insight and Skytruth, "Coral Triangle at Risk. Fossil Fuel Threats and Impacts," October 2024.

Case Study 7. The Deepwater Horizon Blowout that left shrimp eyeless and crabs clawless in the Gulf of Mexico.

The British Petroleum (BP) owned and operated the Deepwater Horizon, a floating deep-sea oil rig located 66 kilometers off the Louisiana coastline in the Gulf of Mexico. On April 20, 2010, the oil rig exploded after a surge of fossil gas blasted through a concrete core, which was supposed to seal the well, and traveled up to the rig's platform, where it ignited–killing 11 workers and injuring 17 others. The rig capsized and sank two days later. It is known as the largest marine oil spill in history, releasing 4.9 million barrels of oil that covered an oil slick extending over more than 149,000 square kilometers of the Gulf.[50]

It took 87 days to stop the oil spill, and at least 1.9 million gallons of chemical dispersants were used to sink the oil. Reports from the US Department of Interior found that the oil spill caused the death of over 6,000 birds, 600 marine turtles, and over 100 sea mammals, and over 1,609 miles of shoreline were affected by the oil.[51]

Two years after the oil spill, a news report indicated that the oil spill and the use of dispersants led to deformities in marine animals–with shrimp having tumors on their heads and defects on their gills and shells, fish without eyes and gill covers, crabs without claws and eyes or with holes on their shells.[52]

Figure 4. Images of eyeless shrimp, shrimp with tumors, and fish with lesions from the Gulf Coast.[53]





Even as the service contract term comes to an end, it still introduces new harms. Failing to properly decommission the infrastructure and abandoning them would enable the spread of invasive species.[54] Yet, even with proper decommissioning work, there is still the risk of reintroducing contaminants as sediments are disturbed and both the communities and marine ecosystems are again disturbed by noise from demolition. If wells are also not plugged correctly, oil and gas leaks are possible.[55]

50 Richard Pallardy, "Deepwater Horizon oil spill," https://www.britannica.com/event/Deepwater-Horizon-oil-spill/Cleanup-efforts, April 2026.
51 Safia Seddiki, "The Environmental impacts of offshore oil drilling: the case of BP oil spill," November 2012.
52 Dahr Jamail, "Gulf seafood deformities alarm scientists," *Al Jazeera*, https://www.aljazeera.com/features/2012/4/20/gulf-seafood-deformities-alarm-scientists, April 2012.
53 *Id*.
54 Center for International Environmental Law. *Seasick: The Turbulent Impact of Offshore Oil and Gas on Ocean Biodiversity and Coastal Livelihoods.* June 2025.
55 Uplift & Oceana. *In Deep Water: Exposing the hidden impacts of oil and gas on the UK's seas.* April 2023.

Case Study 8. Wells at the end of their life leak more methane than active ones in West Texas.

The Permian Basin in West Texas is one of the largest oil and fossil gas-producing regions in the United States. In the city of Lubbock alone, more than 612 wells were drilled within a decade during the 1980s and 1990s. Today, approximately 31% of all the wells drilled in the area are categorized as abandoned, inactive, cancelled, or with expired permits.

A study in 2024 assessed 1,781 abandoned wells in the area and found that about 45% had recorded instances of well leakage, averaging 5.8 cubic meters per day. Researchers identified cap leakage as the most commonly reported form of leakage, where the vented cap covering abandoned wells fails to fully seal methane due to deteriorating well integrity, poor cementing, or corrosion over time.

The study also noted that wells nearing the end of their productive life tend to emit more methane than actively producing wells due to aging infrastructure, inadequate maintenance, and inefficient operational practices. Methane leaking from abandoned wells contributes directly to greenhouse gas emissions and may also contaminate groundwater and surrounding ecosystems.[56]

Social impacts

From the preliminary stage, host communities are confronted with challenges that limit their right to participate in consultations and decision-making processes. Communities that oppose proposed upstream gas projects may face harassment, intimidation, and other forms of retaliation. Such experiences have been recorded for fossil fuel projects and such could be the same for gas projects as it is also exploitative.

Case Study 9. Residents blamed for opposing a coal power plant in Sual, Pangasinan.

In 2018, residents of Sual, Pangasinan, organized under the Save Sual Movement (SSM), opposed the construction of a proposed 1,000-megawatt coal-fired power plant in the municipality. Following their protest, tarpaulins bearing the photographs of SSM members were displayed in the town plaza, publicly labeling them as individuals who "oppose progress." The group also reportedly received a letter from a municipal councilor blaming them for allegedly derailing the project.[57]

Once exploration starts, the risk shifts to their livelihood. Fisherfolk report low catches following the conduct of seismic surveys in their areas.[58] Construction of facilities both onshore and offshore disrupts fishing and the livelihoods of nearby communities by hindering access to fishing grounds and transportation routes.[59] The light and noise pollution from the construction also cause great nuisance to communities. Undersea pipelines pose safety risks to fisherfolk by increasing the likelihood of fishing gear and vessels becoming entangled with the pipelines.[60]

Worse, accidental oil spills arising from well drilling and operations failure may cause fish bans, as oil contamination makes fish unsafe to consume. It may also lead to the closure of tourism businesses in the affected areas.[61]

56 Stanley U. Opara, et al, "A review of methane leakage from abandoned oil and gas wells: A case study in Lubbock, Texas, within the Permian Basin," *Energy Geoscience,* (2024).
57 Elizabeth Marcelo, "Sual residents opposed construction of coal-fired power plant," *Philstar,* https://www.philstar.com/nation/2018/02/09/1786150/sual-residents-oppose-construction-coal-fired-power-plant, February 2018.
58 *Id*.
59 Center for Energy Ecology and Development, *LNG, Shipping, and the Amazon of the Oceans*, December 2023.
60 Center for International Environmental Law, Se*asick: The Turbulent Impact of Offshore Oil and Gas on Ocean Biodiversity and Coastal Livelihoods*, June 2025.
61 Earth Insight & Skytruth, *Coral Triangle at Risk. Fossil Fuel Threats and Impacts*, October 2024.

Health impacts

Fossil gas pollution extends far beyond project sites. Beyond the impacts associated with each stage of upstream development, the oil and gas industry as a whole contributes to pollution that extends far beyond project sites. For instance, methane, as a main component of fossil gas, has been recognized as both a significant contributor to climate change and a direct threat to human health. It is known for being 80 times more powerful than carbon dioxide.[62]

As a contributor to climate change, methane is indirectly responsible for the rise of climate-related health impacts, such as the increased incidence of vector-borne and water-borne diseases as well as extreme heat– which in turn worsens cardiovascular, cerebrovascular, and respiratory diseases. On the other hand, methane poses a direct health risk by contributing to the formation of *tropospheric or ground-level ozone,* an air pollutant and greenhouse gas, which damages airways, triggers asthma attacks, and worsens lung diseases. Long-term exposure to such air pollutants is also associated with premature mortality from respiratory and cardiovascular diseases and cancer.

While methane is considered relatively non-toxic at lower concentrations, higher-level exposure may lead to methane gas poisoning through oxygen displacement. Early symptoms of methane poisoning include mood changes, irritability, slurred speech, blurred vision, memory loss, nausea, vomiting, facial flushing, and headaches. More severe exposure can cause irregular breathing, heart rate changes, dizziness, loss of balance, numbness, and, in extreme cases, loss of consciousness and death due to respiratory or cardiovascular failure.[63]

Flaring of fossil gas releases other pollutants along with methane (known as *volatile organic compounds*) that can cause cancer, affect the nervous system, and cause birth defects.[64] Other pollutants and their documented health effects include:

a. Black carbon contributes to respiratory issues, cardiovascular disease, and exacerbates asthma
b. Hydrogen sulfide irritates the lungs and eyes, leading to chronic respiratory problems and neurological effects
c. Toluene: causes dizziness, headaches, and long-term damage to the nervous system
d. Benzene: linked to leukemia and other cancers
e. Nitrogen oxides aggravate respiratory conditions such as asthma
f. Sulfur dioxide: causes throat and lung irritation, contributes to respiratory diseases and heart conditions.[65]

62 The Global Climate and Health Alliance, *Mitigating Methane: A Global Health Strategy – Overview,* August 2023.
63 Africa Centre for Energy Policy, *Environmental and Health Impacts of Methane Emissions,* April 2024.
64 The Global Climate and Health Alliance, *Mitigating Methane: A Global Health Strategy*
65 Africa Centre for Energy Policy, "Environmental and Health Impacts of Methane Emissions," April 2024.

Case Study 10. A 21-year-old resident who lived near Iraq's largest oil field died of chemicals linked to gas flaring.

Rumaila, Iraq's largest oil field, is known to flare more gas than any other oil field in the world. The results of a pollution monitoring testing amongst the host communities undertaken by BBC in their investigation revealed the presence of high levels of exposure to cancer-causing chemicals. BBC also made a documentary showcasing the lives of the host communities, where black clouds of smoke tower just a few hundred meters away from their houses. Even their schools are engulfed in thick black smoke.

The film features the life of Ali Hussein Jaloud, a 21-year-old Iraqi who lived near the oil field. Ali died of leukemia linked to fossil gas flaring . Ali was diagnosed with leukaemia at 15 and his doctors ruled pollution as a probable cause for his cancer. While he survived the two years of treatment, the cancer returned in December 2022. He died in April 2023–just days before he was supposed to question British Petroleum (BP), the lead contractor of the field, in their annual shareholder meeting regarding the cancer-causing pollution their field is spreading to his neighborhood.

Before Ali's death, an Iraqi minister already admitted that pollution from oil production is the main reason for the rising number of cancer rates in the country.[66] After Ali's death, his family filed a case against BP in the UK seeking damages for Ali's death.[67]

66 Jess Kelly, "Ali died days before he could challenge BP's CEO on the dangers of gas flaring. Don't let his death be in vain," *The Guardian,* https://www.theguardian.com/commentisfree/2023/apr/27/ali-smoke-choked-bp-oilfield-death-gas-flaring, April 2023.

67 Esme Stallard & Owen Pinnell, "Iraqi father in legal first against BP over son's death," *BBC,* https://www.bbc.com/news/science-environment-68829899, April 2024.

CHAPTER III: GOVERNING LAWS, POLICIES, AND REGULATIONS

Presidential Decree No. 87, the Oil Exploration and Development Act of 1972

Presidential Decree No. 87, also known as the Oil Exploration and Development Act of 1972, is the governing law of the exploration and development of indigenous fossil gas. It was enacted in response to the 1970s global oil crisis with the aim of attracting foreign investors to the Philippines in the hopes of achieving energy independence and securing energy supply for the country.

Prior to the enactment of the Oil Exploration and Development Act of 1972, Republic Act No. 387, or the Petroleum Act of 1949, provided the statutory framework for petroleum exploration and development. Under the old law, the government grants private parties (concessionaires) the right to explore for, develop, exploit or utilize the petroleum resources by means of concessions.[68] In turn, the concessionaires are required to pay the government the applicable taxes and, in case where production is made, a royalty which shall not be less than 12.5% of the petroleum produced and saved, less that consumed in the operations of the concessionaire.[69]

The old law also required an applicant to apply for the authorization corresponding to the intended petroleum activity. The law recognized a non-exclusive exploration permit for conducting geological or geophysical exploration; an exploration concession granting the exclusive right to explore for petroleum within specified areas; an exploitation concession granting the exclusive right to develop petroleum production within specified areas; a refining concession granting the right to manufacture or refine petroleum or extract its derivatives; and a pipeline concession granting the right to provide and operate pipeline systems for transporting petroleum.[70] Moreover, it limited the qualifications of concessionaires to Filipino citizens or partnership or corporations with at least 60% capital owned and held by Filipino citizens.[71]

Presidential Decree No. 87 replaced the concessionaire system with the service contract system. It also removed the citizenship requirement for contractors and consolidated authorizations for different activities into one service contract.

Under a service contract, a service contractor furnishes services and technology for exploration and production activities, while the government finances the petroleum exploration operations and pays the contractor a service fee for the service and technology the latter furnishes.[72] However, if the government is unable to finance, the proceeds from the sale of the produced petroleum may be used to pay the service fee and operating expenses. This method is preferred to induce contractors to exert maximum effort. At the end, the government retains ownership of all petroleum produced from the service contract. Other obligations and benefits of each party to a service contract under Presidential Decree No. 87 is summarized in *Table 1*.

Presidential Decree No. 87 has undergone several amendments, including the following laws, which aimed to further encourage investors while strengthening government control:

1. **Presidential Decree No. 1354** (1978) imposed a final income tax equivalent to 8% of the gross income derived from such contracts on subcontractors and 15% on the salaries of alien employees that they receive from service contractors and subcontractors.[73]

68 Republic Act No. 387, Art. 5
69 Republic Act No. 387, Art. 65
70 Republic Act No. 387, Art. 10
71 Republic Act No. 387, Art. 31
72 Presidential Decree No. 87, §6
73 Presidential Decree No. 1354, §§1–2

2. **Presidential Decree No. 1857** (1983) granted new incentives to petroleum service contractors, especially for deepwater service contracts. It allowed the reimbursement of ⅔ of the interest paid on financing and a lower period for depreciation from 10 years to 5 years for reimbursement of tangible exploration costs.[74] More importantly, it added a section for deepwater contracts. For these contracts, contractors holding different contracting areas are allowed to cross-recover the operating expenses incurred in two or more areas under different deepwater contracts as if they are covered by only one contract. The law also grants a longer extension to determine commercial quantity and for production planning.[75] Additionally, it granted an exemption privilege for foreign corporations from the investment requirements under the Corporation Code of the Philippines.[76]

74 Presidential Decree No. 1857, §2
75 Presidential Decree No. 1857, §3
76 Presidential Decree No. 1857, §4

Table 1. Obligations and benefits of the government and contractor in service areas as provided under the Oil Exploration and Development Act of 1972 and its subsequent amendments

	Government	Service contractor
Obligations	To finance the exploration operations. In case the government cannot provide financing, the proceeds of the sale of the petroleum shall cover the operating expenses.[77] To reimburse the contractor for all operating expenses not exceeding 70% of the gross proceeds from production in any year.[78] To pay the service fee, which shall not exceed 40% of the balance of gross income after deducting the Filipino participation incentive and operating expenses.[79]	To provide all necessary services, technology, and requisite financing for the petroleum operations.[80] To perform the exploration work obligations and programs prescribed in the agreement and operate the field on behalf of the government once petroleum in commercial quantity is discovered.[81] To assume all exploration risks such that if no petroleum in commercial quantity is discovered and produced, it will not be entitled to reimbursement.[82] To be subject to Philippine income tax.[83] In a decision, the Supreme Court held that the income tax is assumed by the government in its 60% net revenue share.[84] To pay the government the amount it should have spent but did not for exploration work in case of failure to comply with work obligations or renouncement or abandonment within two years from the effectivity date of the contract.[85]
Benefits	To receive an annual net revenue or share of not less than 60% of the difference between the gross income and the sum of operating expenses and Filipino participation incentive.[86] To retain ownership of all petroleum produced.[87]	To be exempted from all taxes except income tax and from payment of tariff duties and compensating tax on importation of machinery and equipment.[88] To be exempted upon approval by the Petroleum Board[89] from laws, regulations and/or ordinances restricting (a) the construction, installation, and operation of power plant for the exclusive use of the contractor if no local enterprise can supply within a reasonable period and at reasonable cost the power needed by the contractor in its petroleum operations, (b) exportation of machinery and equipment which were imported solely for its petroleum operation when no longer needed therefor.[90] To be exempted from the investment requirements for foreign corporations under the Corporation Code of the Philippines.[91] To take and dispose of and market either domestically or for export all petroleum produced under the contract, subject to supplying the domestic requirements of the country, on a pro-rata basis.[92] To be granted a Filipino participation incentive allowance if they have at least 15% participating interest of Filipino citizens or corporations.[93] To be reimbursed of ⅔ of the interest paid on financing.[94]

77 Presidential Decree No. 87, §6–7
78 Presidential Decree No. 87, §8(1)
79 Presidential Decree No. 87, §8(2)
80 Presidential Decree No. 87, §8(a)–(b)
81 Presidential Decree No. 87, §8(c)–(d)
82 Presidential Decree No. 87, §8(e)
83 Presidential Decree No. 87, §8(k)
84 Adrian Ayalin, "SC lifts charges vs Shell, PNOC, Chevron over Malampaya income taxes," *ABS-CBN*, July 31, 2025, https://www.abs-cbn.com/news/business/2025/7/31/sc-lifts-charges-vs-shell-pnoc-chevron-over-malampaya-income-taxes-1209
85 Presidential Decree No. 87, §9(b)
86 Presidential Decree No. 87, §18(b)
87 Presidential Decree No. 87, §6
88 Presidential Decree No. 87, §12(a)–(b)
89 There appears to be a typographical error in the provision, as the text refers to the "President Board" in this instance, while other parts of the same provision refer to approval by the "Petroleum Board." The Petroleum Board, created under PD 87, was subsequently abolished, with its powers and functions transferred to successive government agencies and ultimately to the Department of Energy.
90 Presidential Decree No. 87, §12(c)
91 Presidential Decree No. 1857, §4
92 Presidential Decree No. 87, §8 par. 1
93 Presidential Decree No. 87, §28
94 Presidential Decree No. 1857, §2

The law also provides for a timeline for the different stages of the gas exploration and production, as summarized in *Table 2*.

Table 2. Timelines for each stage of gas exploration and production as provided under the Oil Exploration and Development Act of 1972

Year 1 to 7	The initial exploration period is for seven years. At the end of the fifth year from the effective date, the contractor must relinquish at least 25% of the initial area granted to it that is not yet designated as a production area.[95]
Year 8 to 10	The exploration may be extended to three years as long as the contractor has not been in default in its exploration work obligations and other obligations. If an extension has been granted, the contractor must again relinquish at least 25% of the initial area at the end of seven years from the effective date.[96] In case there is no petroleum discovery by the end of the tenth year, the contract shall lapse.[97]
Year 11 to 15	Once petroleum has been discovered, the contractor may request an additional one year to determine if the petroleum discovered is of commercial quantity.[98] For exploration in deepwater and deepwater well contracts, an extension for five years shall be granted for the same purpose.[99] Offshore explorations would fall under the deepwater category.
Year 16 to 55	The contract remains in force for the remainder of the 10-year exploration period and is granted an additional 25 years, which the parties may again renew for 15 years maximum.[100]
Year 56	The contractor must remove all movable materials, equipment, plants, and other installations erected or placed on the exploration and/or production area within one year after the termination of the contract. Otherwise, it becomes the property of the government.[101]

Republic Act. No. 12120, a new supplemental law for the upstream industry

More recently, the **Philippine Natural Gas Industry Development Act** or the Republic Act No. 12120 was passed to further strengthen the fossil gas industry. The law declares the state policy to promote and hasten the exploration and development of indigenous fossil gas resources and facilities and prioritize them over imported fossil gas.[102] The law also mandates that the procurement and utilization of indigenous fossil gas, particularly by gas-fired power plants, be prioritized over imported fossil gas and that energy produced from it shall have priority over other conventional energy sources. It even allows DOE to prescribe a mandated minimum percentage of the electricity demand of generation companies and distribution utilities to be sourced from indigenous fossil gas.[103]

95 Presidential Decree No. 87, §§9(e) and (c)
96 *Id.*
97 *Id.*
98 Presidential Decree No. 87, §9(e)
99 Presidential Decree No. 1857, §10-A
100 Presidential Decree No. 87, §9(f)
101 Presidential Decree No. 87, §9(g)
102 Republic Act No. 12120, §2(f)
103 Republic Act No. 12120, §23

Case Study 11. How groups push back against Republic Act No. 12120.

Since its conception as a priority legislative agenda of the Marcos administration and its passing as a House Bill to the Senate, Republic Act No. 12120 has faced criticisms from consumer and environmental groups. While it aimed to solve the country's energy problems, critics argue that it would only burden electric consumers more and worsen climate change, all the while subsidizing the most profitable companies.

The Center for Energy, Ecology, and Development (CEED) has previously pointed out that gas is expensive, as admitted by then-Secretary Lotilla himself. While a gas power plant charges Meralco consumers more than PHP 8 per kilowatt-hour, renewable energy sources only cost PHP 3 per kilowatt-hour. From a wider economic standpoint, long-term gas investments are extremely risky given the uncertainty of the gas market and the risk of over-investment in assets that may be stranded in the near future due to cost, supply, and regulatory concerns.[104]

By incentivizing the fossil gas industry, the law allows further damage to the environment and host communities. Father Edwin Gariguez, convenor of Protect Verde Island Passage, has expressed concern that the law will only increase the direct threat to the marine seascape of the Verde Island Passage from the traffic of more ships and tankers and the emissions of power plants using gas. The Verde Island Passage has previously suffered from an oil spill in 2023.[105]

The Philippine Movement for Climate Justice (PMCIJ) has also called out the lack of consultation with civil society and gas-affected communities during the Senate hearings on the bill.[106] Greenpeace has called it an act of greenwashing and disinformation, with the law framing 'natural' gas as a cleaner alternative when, in fact, it is a fossil fuel that directly contributes to the climate crisis and harms host communities.[107]

Awarding Process for Service Contracts

As mentioned under Presidential Decree No. 87, the government may indirectly undertake petroleum exploration and production under service contracts with private entities or contractors. DOE Circular No. 2017-12-0017 prescribes the current guideline for awarding service contracts under the Philippine Conventional Energy Contracting Program (PCECP). In essence, service contracts are awarded either through a competitive selection process, where vying contractors apply for contracts over pre-determined areas (PDAs), or by a nomination process, where applicants nominate their areas of interest.

In 2023, DOE introduced a new process of awarding petroleum service contracts, known as the Development and Production PSC, through DOE Circular No. 2023-12-0033. Unlike the offering of PDAs and nomination processes that are concerned with exploring **potential** oil and gas fields, this new strategy is limited to fields with proven producible petroleum reserves already.

Service Contract Awardees

The law requires that a service contractor be technically competent and financially capable.[108] Under the DOE Circular, an applicant (operator) must meet all legal, technical, and financial requirements, while the members (non-operator) must be legally and financially qualified.[109] There is no citizenship requirement for project proponents, and even companies or groups of companies may apply.

104 Center for Energy, Ecology, and Development, "Gas development bills to burn holes in people's pockets," https://ceedphilippines.com/gas-development-bills-to-burn-holes-in-peoples-pockets/, August 25, 2023.
105 Dominique Nicole Flores, "Marcos urged to veto natural gas development bill," *Philstar*, https://www.philstar.com/headlines/climate-and-environment/2024/11/15/2400432/marcos-urged-veto-natural-gas-development-bill, November 15, 2024.
106 *Id.*
107 Greenpeace Philippines, "Greenpeace reacts to RA 12120: 'Natural' gas is a harmful fossil fuel," January 24, 2025, https://www.greenpeace.org/philippines/press/67531/greenpeace-reacts-to-ra-12120-natural-gas-is-a-harmful-fossil-fuel/.
108 Presidential Decree No. 87, §4
109 DOE Circular 2017-12-0017 Annex A. III (A)

Service Contract Areas

Service contracts may cover free areas, national reserve areas, and petroleum reservations, whether onshore or offshore. Private lands may also be subject to upstream activities, subject to just compensation or indemnity to the owner or legal occupant for material damage suffered.[110]

Table 3. Kinds of service contract areas

Classification	Description	Size limitation
Onshore area	Areas within the land territory of the Philippines	50,000 to 93,750 hectares
Offshore areas	Any portion beneath the Philippine territorial waters or its continental shelf, or any portion of the continental slope, terrace, or areas which are or may be subject to Philippine jurisdiction.	80,000 to 187,500 hectares
Deepwater	Service contracts where 85% of the total contract area is in water depths beyond 200 meters	

The law requires that every contract must adhere to provisions of laws of general application, including those relating to health, safety, and ecology.[111] This means that contract areas must align with laws which exclude extractive projects in key areas, including the following laws summarized in **Table 4.**

Table 4. Summary of prohibited areas

1. Strict nature reserves and natural parks under the National Integrated Protected Areas System Act (NIPAS)[112] and Expanded NIPAS (E-NIPAS) Act.[113]
2. Ancestral domains that are found necessary for critical watersheds, mangrove wildlife sanctuaries, wilderness, protected areas, forest cover, or reforestation under the Indigenous Peoples' Rights Act.[114]
3. Core zones under the SEP for Palawan Act.[115]

Modes for Awarding Service Contracts

The Philippine Conventional Energy Contracting Program (PCECP), under DC 2017-12-0017, serves as the primary system for awarding petroleum service contracts for exploration and production. The Review and Evaluation Committee (REC) heads all activities related to the Philippine Conventional Energy Contracting Program. Under the PCECP, there are two modes of application:

1. **Nomination:** Applicants submit written communication to REC to formally nominate their area of interest. The application is published to allow other applicants to submit their interest in the nominated area.
2. **Offering of pre-determined area (PDA):** The Energy Resource Development Bureau identifies and submits a list of PDAs for petroleum exploration, each with its respective location maps and technical description. Applicants may submit their bids within 180 calendar days from the date of publication.

110 Presidential Decree No. 87, §30(d)
111 Presidential Decree No. 87, §9(h).
112 Republic Act No. 7586, §14
113 Republic Act No. 11038, §13 par. 2
114 Republic Act No. 8371, §58
115 Republic Act No. 7611, §9(1)

For both the nomination and the offering of PDAs, the REC opens the applications on the last day of submission. The applications shall then undergo an evaluation procedure, with the contract being awarded to the highest-ranked applicant who meets all legal, technical, and financial requirements. The **criteria for evaluation** are as follows:

- Legal qualification: pass or fail
- Work program: 40%
- Technical qualification: 20%
- Financial qualification: 40%

The REC shall transmit to the Secretary of Energy a written endorsement of the winning applicant. The Secretary then approves the application and endorses it to the President for final approval. If the President approves, a Notice of Approval is sent to the applicant, and within seven calendar days, the applicant must pay a processing fee of PHP 0.48 per hectare. The REC Technical Working Group and Secretariat prepare the final PSC using the Model Contract and its Accounting Procedures. Every PSC shall follow and not deviate from the Model Contract and its Accounting Procedures published by DOE.

Under Department Circular No. 2023-12-0033, there is a new mode of application, specifically for existing operators and contract areas for development and production already.

3. **Direct Negotiations:** Existing operators of a PSC with producible petroleum reserves may negotiate with DOE at least 30 days before the expiry of their remaining production term.

May an applicant be disqualified under the PCECP?

An applicant vying for a PSC may be disqualified based on the following grounds:

- Applications with incomplete documents are automatically disqualified during the opening of the applications.
- Previous petroleum service contractors with cancelled or terminated PSCs for cause; and
- Previous petroleum service contractors with outstanding work and financial obligations with the DOE, as determined by the REC.[116]

For officials and employees of the executive branch connected with the administration and disposition of mineral resources, including petroleum, they are prohibited from applying for or acquiring concessions either directly or indirectly, or from being interested in any application filed or concessionaire acquired. While the Oil Exploration and Development Act of 1972 replaced the concession system under the Petroleum Act of 1949 with the service contract system, it did not explicitly repeal the prohibition.

Other required permits

Aside from a petroleum service contract, the operator must secure a series of permits from national and local authorities before an upstream petroleum exploration and development project can proceed to exploration and then commercial operations. This would include the following permits summarized in **Table 5.**

116 DOE Department Circular No. DC2017-12-0017

Table 5. Summary of required permits

Permit	Concerned government agency
Environmental Compliance Certificate (ECC)	Department of Environment and Natural Resources-Environmental and Management Bureau (DENR-EMB)
Clearance	Protected Area Management Board (PAMB) in each protected area
LGU endorsement	Local governments of the host area, including the provincial, city or municipal, and barangay local government units.
Certificate of Non-Overlap or Certification Precondition and Free, Prior, and Informed Consent (FPIC) of the concerned Indigenous Peoples	National Commission on Indigenous Peoples (NCIP)

These permits are important in ensuring environmental safeguards and public participation in projects that may have significant impacts on their lives. Other permits may also be required depending on the type of project and location. For instance, for gas projects in Palawan, the endorsement and clearance from the **Palawan Council for Sustainable Development (PCSD) pursuant to Republic Act No. 7611(SEP for Palawan Act)** are necessary. Under the SEP for Palawan Act, an Environmentally Critical Areas Network (ECAN) Zoning is implemented. For onshore upstream projects, additional permits, clearances, or agreements may be required for access to and use of public, private, forest, or agricultural lands.

Case Study 12. Additional Government Permits and Regulatory Requirement under Malampaya's ECC

Prime Energy Resources Development B.V., the proponent of the Malampaya Deepwater Gas-to-Power Project under Service Contract No. 38 (SC 38), is required to comply with the following conditions imposed by the DENR in connection with the issuance of its ECC:

- **Biodiversity Management Bureau (BMB):** Coordinate with the BMB in the preparation and implementation of the Biodiversity Assessment and Monitoring System (BAMS).
- **Department of Health (DOH):** Submit to the DOH, every two years, a continuing study on the project's effects on the health of workers and affected residents.
- **Philippine National Police (PNP):** Coordinate with the PNP to ensure compliance with Republic Act No. 9516, or the Philippine Explosives Law.
- **Department of Agriculture–Bureau of Fisheries and Aquatic Resources (DA–BFAR):** Coordinate with the BFAR to minimize disturbance to marine and fisheries resources
- **Philippine Coast Guard (PCG) and Maritime Industry Authority (MARINA):** Secure the appropriate permits and clearances for the use of vessels and installation of temporary structures; submit an Oil Spill Contingency Plan; coordinate applicable sea-traffic and navigation protocols; and comply with marine-vessel pollution-prevention requirements and related policies

Despite the range of permits and clearances required for upstream oil and gas projects, existing regulatory frameworks do not necessarily address all the environmental risks associated with these activities. One notable gap concerns methane emissions. Republic Act No. 8749, or the Philippine Clean Air Act of 1999, establishes a comprehensive air pollution control policy. However, neither the law nor its implementing rules and regulations (DENR Administrative Order No. 2000-81) expressly included methane in the Ambient Air Quality Guideline Values and Standards. As a result, the existing framework does not provide a clear, methane-specific basis for regulating releases from activities such as venting, equipment leaks, and incomplete flaring.

Moreover, the existence of permit requirements and environmental safeguards does not, by itself, guarantee that these measures are adequately implemented or enforced. The actual implementation of permit conditions, including the extent to which project proponents comply with their environmental obligations, is a separate and equally important concern.

Case Study 13. Community challenges LNG project permits in Batangas.

In 2022, local organizations and communities in Batangas challenged the development of a 1.75 1.75 GW LNG power plant owned by San Miguel Corporation-owned Excellent Energy Resources, Inc. (SMC-EERI) and an LNG import terminal owned by Atlantic Gulf and Pacific Company with Linseed Field Corporation (AG&P-Linseed). Both projects were heavily opposed by community members as they threaten the delicate ecology of the Verde Island Passage, which is considered as the center of the center of marine biodiversity and is the source of food and livelihood for many.[117]

In October 2022, groups filed a letter-complaint before the Department of Agrarian Reform (DAR) against the companies for developing the gas projects without first securing the appropriate land conversion order. A separate complaint in October 2022 was filed before the Department of Environment and Natural Resources (DENR) seeking to cancel the Environmental Compliance Certificate granted to the companies, and an issuance of a cease and desist order against them to stop the operations of their projects for failing to secure coconut tree-cutting permits from the Philippine Coconut Authority, tree-cutting permits from DENR, and the land conversion order from DAR.[118]

Despite sustained community opposition and the issuance of a cease order from DAR against the companies, the projects eventually became operational. The AG&P-Linseed LNG terminal began operations in 2023 and remains operational. SMC-EERI's power plant has two units that began operations in 2025. The case illustrates that while the licensing stage provides the earliest opportunities for intervention, regulatory action does not guarantee that projects will be halted.

117 Protect VIP, "DAR issues cease and desist order against illegal development of SMC-EERI, AG&P-Linseed," October 13, 2022, https://www.protectvip.org/post/dar-issues-cease-and-desist-order-against-illegal-development-of-smc-eeri-ag-p-linseed.
118 Gaea Katreena Cabico, "DENR asked to stop Batangas gas projects," *Inquirer*, October 14, 2022, https://www.philstar.com/headlines/climate-and-environment/2022/10/14/2216689/denr-asked-stop-batangas-gas-projects.

CHAPTER IV: MALAMPAYA AND THE PROMOTION OF MORE UPSTREAM GAS IN PALAWAN AND BEYOND

The Malampaya Gas-to-Power Project, located 50 kilometers northwest of Palawan, is the Philippines' primary source of indigenous fossil gas supply–producing around 70.3 million standard cubic feet of gas in 2024.[119] It sources its fossil gas from two fields: the Camago gas field, discovered in 1989 by Occidental Petroleum (Oxy), and the bigger Malampaya gas field, discovered in 1992 by Shell and Oxy.[120] The Malampaya gas field alone has proven reserves of around 2.7 trillion cubic feet of fossil gas and 85 million barrels of condensate.[121]

The project started its commercial operations in 2002 after construction was completed. Initially, it cost around USD 4.5 billion (PHP 277 billion).[122] It has since expanded with new wells having been drilled in 2013 and 2015, marking the project's Phase 2 and Phase 3, respectively.[123] In June 2025, Phase 4 of the project, which cost approximately USD 893 million (PHP 52.41 billion),[124] started with the arrival of a drillship that will undertake drilling of three new wells: Camago-3, Malampaya East-1, and Bagong Pag-Asa-1.[125]

Originally, Service Contract 38, which covers the Malampaya project, was granted exclusively to Shell. However, over the years, its ownership has changed as summarized in **Table 6**:[126]

Table 6. Brief history of Malampaya

1990	Shell was granted Service Contract 38.
1992	Shell entered into a joint venture with Oxy and they discovered the Malampaya gas field together.
1998	Shell acquired 100% of the shares of the project.
1999	Shell sold 45% shares to Chevron Texaco and 10% to PNOC.
2019	Udenna Corporation acquired Chevron's 45% shares. This deal would later be the subject of graft charges against then-DOE secretary Alfonso Cusi and other energy officials for approving the sale.[127]
2021	Udenna Corporation, through its subsidiary MEXP Holding Pte. Ltd. (MEXP), entered into an agreement with Shell Petroleum N.V. to acquire Shell's 100% shareholding in Shell Philippines Exploration B.V. (SPEX). SPEX held a 45% participating interest in Malampaya. However, PNOC-EC withdrew its consent from the deal–stalling the transaction.[128]
2022	Prime Infrastructure Capital, led by Enrique Razon Jr., acquired MEXP from Udenna. Shell then subsequently sold its share in SPEX to MEXP with the consent of PNOC-EC. Prime Infra then became the operator of Malampaya.[129]

119 Helen Flores, "Marcos bares major Malampaya gas find," *Philstar*, https://www.philstar.com/headlines/2026/01/20/2502189/marcos-bares-major-malampaya-gas-find, January 20, 2026.
120 Department of Energy, "Oil and Gas History," https://legacy.doe.gov.ph/oil-and-gas-overview.
121 Department of Energy, "Malampaya Gas Field," https://legacy.doe.gov.ph/natgas/malampaya-gas-field
122 *Conversion as of May 2026.*
123 IBON International, *Experiences from the Philippines: The Malampaya Deep Water Gas-to-Power Project*, October 2022.
124 *Conversion as of May 2026.*
125 Brix Lelis, "DOE: $893 million Malampaya drilling completed this year," *Philstar*, https://www.philstar.com/business/2025/07/14/2457713/doe-893-million-malampaya-drilling-completed-year, July 4, 2025.
126 IBON International, *Experiences from the Philippines: The Malampaya*
127 Isagani De Castro Jr., "About-face: Ombudsman indicts Cusi, others for graft over UC Malampaya-Chevron deal," *Rappler,* https://www.rappler.com/business/ombudsman-decision-cusi-others-graft-uc-malampaya-chevron-deal-december-2024/, December 11, 2024.
128 Jordeene B. Lagare, "Shell formally sells stake in Malampaya to Razon." *Inquirer,* https://newsinfo.inquirer.net/1688149/shell-formally-sells-stake-in-malampaya-to-razon, November 2, 2022.
129 *Id.*

The fossil gas extracted from Malampaya is transported through a 504-kilometer underwater pipeline that runs across three provinces, namely Palawan, Mindoro, and Batangas, as shown in **Figure 8.** It supplies four combined-cycle gas turbine plants and one open-cycle gas turbine plant in Batangas, including the following station customers:

1. Sta. Rita Power Station: 1,000 MW capacity
2. San Lorenzo Power Station: 500 MW capacity
3. San Gabriel Power Station: 414 MW capacity
4. Avion Power Station: 97 MW capacity

Malampaya used to supply the Iligan power plant, operated by San Miguel Global Power unit South Premier Power Corp. (SPPC). However, the gas sale purchase agreement (GSPA) ended in June 2022.[130]

Figure 8. Map of the 504-km Malampaya pipeline[131]

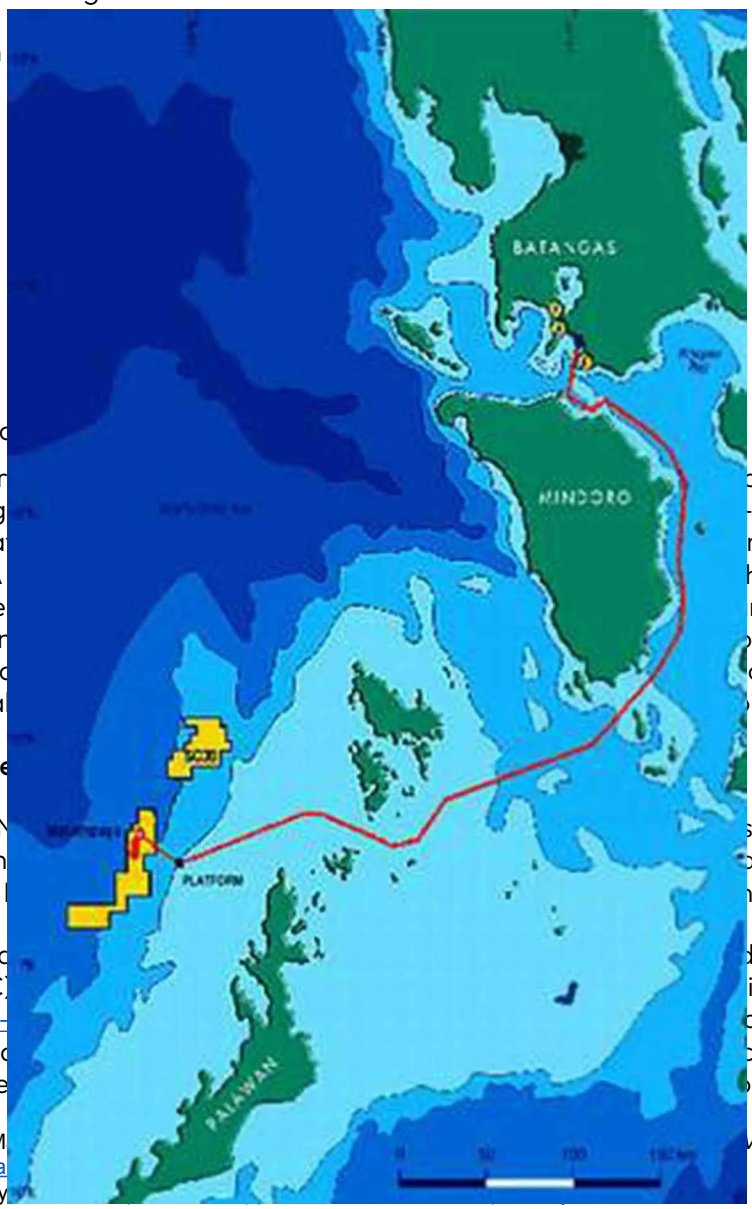
130 Richmond Mercurio, "Malampaya consortium weighs gas sale to SMC's Ilijan power plant, *Philstar,* https://www.philstar.com/business/2022/12/12/2230125/malampaya-consortium-weighs-gas-sale-smcs-ilijan-power-plant, December 12, 2022.
131 Malampaya, "Technology," https://malampaya.com/technology/

While the Malampaya Service Contract was originally set to expire in February 2024, President Marcos Jr. renewed it in May 2023. This allowed the continued production of the gas field for another fifteen years or until February 2039.[132] However, Malampaya's remaining reserves are expected to deplete between 2027 and 2029.[133] In January 2026, a new gas field, known as Malampaya East-1, was discovered. It is estimated to contain 98 billion cubic feet of fossil gas.[134] While the Marcos Jr. administration claims that this discovery is significant and "comparable to the original Malampaya wells," it actually only accounts for 3.62% of the reserves of the original Malampaya field, which had proven reserves of 2.7 trillion cubic feet.

Other gas projects in the Philippines

Beyond Malampaya, the DOE has been exerting much effort into new explorations and discoveries by encouraging new investments in the upstream industry. As of January 2026, there are 22 petroleum service contracts for oil and gas awarded for onshore and offshore areas around the country. The service contract areas are found in the following areas:

- Northwest Palawan
- Cagayan
- Northern Cebu
- Mindoro
- West Palawan
- Southwest Palawan
- Recto Bank
- East Palawan
- Bangsamoro Autono



Near our country's mar and gas industry with a new production sharing -403, being awarded to Petronas, Malaysia's na ny to develop fossil fuel resources in the area. A his potential exploration project because it cove rine Park, the country's largest marine park, ar n of Nature.[135] The Tun Mustapha Marine Park c orthern coast of Sabah, Malaysia, and roughly a ines.

Key players in the upstre

As Presidential Decree N some PSCs are awarded to foreign companies, in a. However, the majority of the PSCs are held by l nd Ayala.

The government-owned diary PNOC-Exploration Corporation (PNOC-EC) interests in three others. Under DOE DC 2017-12- ating interest before the contract is finalized, and ch may share in the cost and revenues of the ope stream industry.

132 Argyll Cyrus Geducos, "M *Manila Bulletin,* https://mb.com.ph/2023/5/15/marcos-signs-ma
133 Center for Energy, Ecology
134 Bea Cupin, "'Significant' volume of natural gas discovered in Malampaya — first in over a decade," *Rappler*, https://www.rappler.com/philippines/malampaya-east-natural-gas-discovery-service-contract-38/, January 19, 2026.
135 Robin Hicks, "Oil and gas prospecting in protected marine park in Sabah, Malaysia alarms NGO," *Eco-business,* https://www.eco-business.com/news/oil-and-gas-prospecting-in-protected-marine-park-in-sabah-malaysia-alarms-ngo/, September 4, 2024.
136 DOE Department Circular No. DC2017-12-0017 §11.

Table 7. List of Key Industry Players in the Upstream Industry

Company	Description	Sole-operated PSC	PSC JV/consortium participation[137]
Philippine National Oil Company – Exploration Corporation	Subsidiary of state-owned oil company (PNOC)	3	2 (as non-operator member)
Ratio Petroleum Ltd.	Israeli energy firm	2	
PXP Energy Corporation and its subsidiary Forum GSEC Ltd.	Owned by Manny Pangilinan	3	2 (as non-operator member) 2 (as operator-member)
Prime Energy Resources Development B.V.	Owned by Enrique Razon Jr.	1	1 (as non-operator member)
Philodrill Corporation	Owned by the Ramos family, founders of National Bookstore	2	1 (as non-operator member) 2 (as operator-member)
Palawan55 Exploration & Production Corporation	Subsidiary of ENEX Energy Corp., owned by Ayala Group	1	
Nido Petroleum Galoc (NPG) Pty. Ltd.	Owned by Matahio Energy, operating in Southeast Asia	1	
Nido Petroleum Philippines Pty Ltd.	Subsidiary of Sacgasco Company, an Australian oil company	1	
SK Liguasan Oil and Gas Corp	Mindanao-based firm	1	
Triangle Energy (Global) Ltd.	Australian firm	1	2 (as operator-member)
Sunda Triangle PLC	UK-based firm		2 (as operator-member)
Koloma Inc.	US-based firm	2	
Gas 2 Grid Pte. Ltd.	Australian firm	1	

Palawan as the epicenter of the upstream gas expansion

Palawan is known as the last ecological frontier of the Philippines. It has eight proclaimed protected areas, including marine protected areas such as the Tubbataha Reefs Natural Park, El Nido Managed Resource Protected Area, and Malampaya Sound Protected Landscape and Seascape.[138] Two of these protected areas, namely Tubbataha Reefs Natural Park and Puerto-Princesa Subterranean River National Park, are recognized globally as part of the UNESCO World Heritage Sites. Moreover, in recognition of its exceptional biodiversity and cultural diversity, Palawan was designated as a UNESCO Biosphere Reserve in 1990. As a Biosphere Reserve, the province is recognized as a key site for balancing conservation with sustainable development.[139]

It is the home to 39% of terrestrial and marine vertebrate animals in the Philippines.[140] It houses 22% or 105 out of the 475 threatened species in the country. Palawan also has one of the richest coastal and marine ecosystems with 379 species of corals, 13 species of seagrass meadow, and 31 species of mangrove.[141] It is also known for its rich marine biodiversity with 1,056 marine fish species recorded in Palawan waters.[142]

137 **Sole-operated PSCs** refers to PSCs for which the company serves as the sole operator. **PSC JV/consortium participation** refers to PSCs in which the company holds a participating interest. Participation may be divided into **non-operator members,** which refers to members of a JV/consortium that does not execute the work program, and **operator-members**, **which refers to members** that jointly participate in and operate a PSC.
138 DENR Biodiversity Management Bureau, "Protected Area Dashboard Province," https://pais.bmb.gov.ph/pas/home/province/25.
139 UNESCO, "What are biosphere reserves?" https://www.unesco.org/en/mab/wnbr/about.
140 Forest Foundation Philippines, "Palawan: The Last Ecological Frontier," https://www.forestfoundation.ph/wp-content/uploads/2022/04/Palawan_Landscape_Profile.pdf
141 UNESCO Man and the Biosphere Programme, "Palawan General Information," https://www.unesco.org/en/mab/palawan.
142 Rodulf Anthony Balisco et al. "Marine fishes of Palawan, Philippines: Species diversity, new records, and conservation status," *Regional Studies in Marine Science* (2022).

Palawan also has one of the largest fisheries production in the country. In 2024, it produced 123,245 metric tons (MT) of combined municipal marine and commercial fisheries–making up 7.45% of the national total and ranking third among the country's top provinces in terms of fisheries production. However, the fisheries production of the province is in constant decline–its 2024 fisheries production has dropped by more than 50% since 2006.[143]

Despite the province's ecological and environmental importance, upstream exploration and production activities are concentrated in Palawan. It hosts 14 active offshore petroleum service contracts, with several additional applications pending in nearby areas. Based on DOE's petroleum service contract map updated in 2025, there is one pre-determined area, one nominated area, and one negotiated area near Palawan. At least 4 of these service contract areas are near protected areas, particularly SC 87 and 79, which are near the Tubbataha Reef, while SC 54 and Negotiated Area DP-1 are near the El Nido Taytay Managed Resource Protected Area and Malampaya Sound Seascape and Landscape.

Beyond their proximity to protected areas, four of the active PSCs (SC 59, SC 55, SC 80, SC 86) in Palawan are located within municipal waters and all of them overlap with Fisheries Management Areas 4 and 5 as shown in **Figure 9.** This entails that upstream oil and gas activities are within areas directly relevant to municipal fishing and coastal livelihoods.

In addition to what is in DOE's current map, PXP has a pending application for the Cadlao Oil Field, the service contract for which expired in February 2024.[144] Philodrill also has an application for a new and significantly larger petroleum service contract covering the West Linapacan area, following the expiration of its previous service contract in December 2025.[145] **Table 8** lists the active PSCs in Palawan along with key details for each contract:

Table 8. List of Active Petroleum Service Contracts in Palawan

	SC No.	Operator	Parent Company of Operator	Non-operator members of PSC JV/Consortium[146]	Location	Phase	Area (ha)	Nearest Municipalities
1	88 / 14C1 (Galoc)	Nido Petroleum Galoc (NPG) Pty. Ltd.	Matahio Energy (Malaysian)	Philodrill - 10.18% Oriental Petroleum (*Coyiuto, Gokongwei*) - 7.78% Forum Energy Phil Corporation (*PXP, Pangilinan*) - 3.21%	Northwest Palawan	Awarded (Jan 2026)	16,300.95	Culion
2	38 (Malampaya)	Prime Energy Resources Development B.V.	Prime Energy (Razon)	Prime Energy - 45% Udenna UC-38 - 45% PNOC EC - 10%	Northwest Palawan	Production	83,000	Tapiutan Islands 504-km pipeline: Palawan (Linapacan, Culion), Mindoro (Bulalacao, Mansalay, Roxas, Pinamalayan, Pola, Calapan, Puerto Galera), Batangas (Verde Island, Ilijan)
3	54	Nido Petroleum Pty. Ltd.	Sacgasco Company (Australian)	Yilgarn Petroleum (*Australian)* - 30.1% TG World Corp (*Sacgasco)* - 12.5%	Northwest Palawan	Exploration	43,515	Tapiutan Islands, El Nido

143 Oceana, "Mercidar Fallout: Fisherfolk and experts unite in Palawan to defend coastal waters from illegal fishing and intrusion of commercial fishers," 2025, https://ph.oceana.org/press-releases/mercidar-fallout-fisherfolk-and-experts-unite-in-palawan-to-defend-coastal-waters-from-illegal-fishing-and-intrusion-of-commercial-fishers/

144 Sheldeen Joy Talavera, "PXP awaits Marcos nod for production, exploration," *Business World,* July 14, 2025, https://www.bworldonline.com/corporate/2025/07/14/684903/pxp-awaits-marcos-nod-for-production-exploration/.

145 Power Philippines, "Philodrill applies for new, expanded West Linapacan contract after SC lapse," December 18, 2025, https://powerphilippines.com/philodrill-applies-for-new-expanded-west-linapacan-contract-after-sc-lapse/.

146 A member (non-operator) has a participating interest in the joint venture/consortium but does not execute the work program of the PSC.

4	55	Palawan55 Exploration & Production Corporation	ACEN Corporation (Ayala)	ENEX (*Ayala*) - 37.5%	West Palawan	Exploration	988,000	Rizal, Quezon, Aborlan, Puerto Princesa (west)
5	57 (Calamian)	Philippine National Oil Company – Exploration Corporation	N/A	N/A	Northwest Palawan	Exploration	712,000	Busuanga, Culion
6	58 (West Calamian)	Nido Petroleum Pty. Ltd.	Sacgasco Company (Australian)	PNOC - 50%	Northwest Palawan	Exploration	1,344,000	San Vicente, El Nido, Linapacan, Busuanga
7	59 (West Balabac)	Philippine National Oil Company – Exploration Corporation	N/A	N/A	Southwest Palawan	Exploration	1,476,000	Balabac Islands (west), Bataraza, Rizal
8	72	Forum (GSEC 101) Ltd.	PXP (Pangilinan)	Monte Oro - (*Apex, Razon)* 30%	Recto Bank	Exploration	880,000	Puerto Princesa (west), San Vicente, El Nido
9	75	PXP Energy Corporation	Pangilinan	PetroEnergy Resources Corporation (*Yuchengco*) - 15% PNOC EC - 35%	Northwest Palawan	Exploration	616,000	San Vicente, Taytay, El Nido, Culion
10	76	Ratio Petroleum Limited	Israelite company	Navitas Petroleum (*Israeli company) - undisclosed* Prime Oil and Gas (*Kuwaiti company) - undisclosed*	East Palawan	Exploration	648,000	Aracelli, Dumaran, Cuyo, Roxas, Puerto Princesa (east)
11	79	Philippine National Oil Company – Exploration Corporation	N/A	N/A	East Palawan	Exploration	932,000	Puerto Princesa (east), Aborlan, Narra, Sofronio Española
12	PSC 86 (NA 10)	Philodrill Corporation	Anglo Philippine Holdings (Ramos Family)	Anglo Philippine Holdings (*Ramos) - undisclosed* Forum Energy PH (*PXP, Pangilinan*) - 6.8439% PXP Energy (*Pangilinan)* - 6.8439%	Northwest Palawan	Awarded (Oct 2025)	140,000	Busuanga, Culion
13	SC 87	Ratio Petroleum Ltd	N/A	N/A	East Palawan	Awarded (Oct 2025)	*Undisclosed*	*Undisclosed*
14	SC 91 (Cadlao)	Nido Petroleum Pty. Ltd.	Sacgasco Company (Australian)	The Philodrill Corp., Oriental Petroleum and Minerals Corp., Alcorn Petroleum and Minerals Corp., Forum Energy Philippines Corp.	Northwest Palawan	Awarded (April 2026)	103,034	Tapiutan Islands

Figure 9. Maps of Palawan showing oil and gas blocks and their overlap with important ecosystems.[147]

Analysis: The upstream gas industry has no place in the Philippines' energy transition

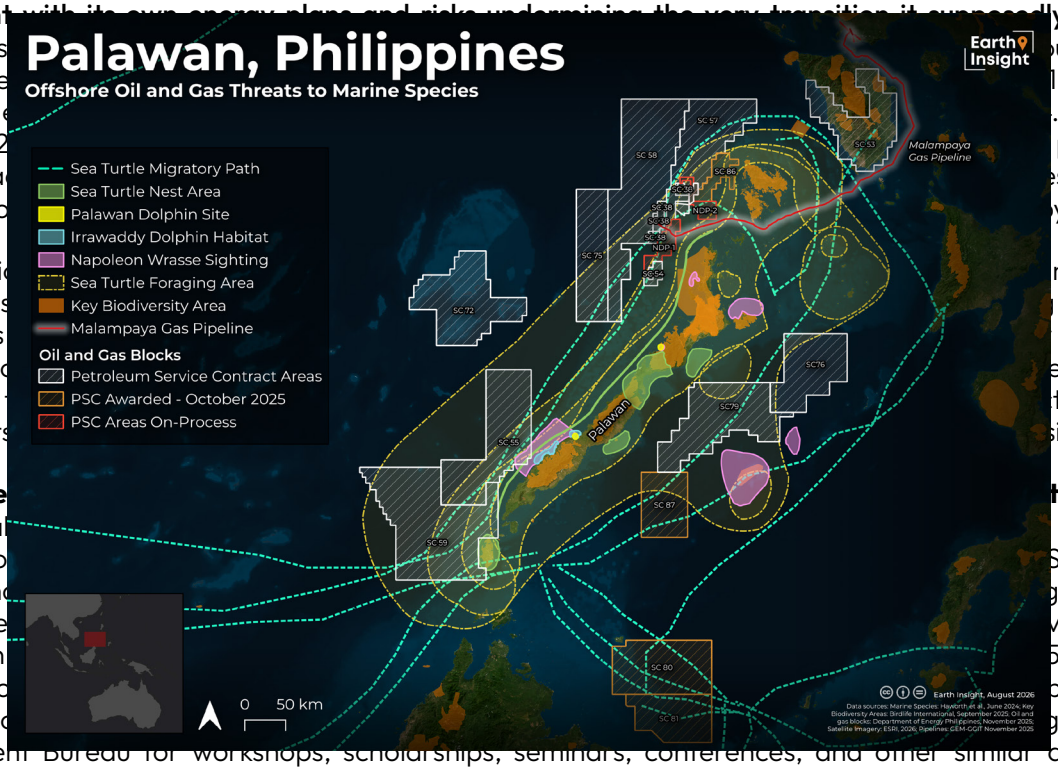
Presidential Decree No. 87, which establishes the framework for the upstream gas industry, was enacted in response to the 1970s global oil crisis. It provided a lot of fiscal and regulatory incentives to investors in order to stimulate the development of the upstream industry in the country. The goal was to secure the energy supply of the Philippines without relying too much on the international market. More than five decades later, the problem of energy insecurity continues to haunt the country. Moreover, the upstream industry is already mature industry, yet it continues to enjoy the same incentives originally aimed to establish and develop it.

With Malampaya already in decline, the current administration should stop pushing more gas fields to open. The International Energy Agency (IEA) already stated that there is no need for new oil and gas fields in a scenario where global warming is limited to 1.5°C. It also found that the oil and gas industry has an accelerating rate of decline globally.[148] Likewise, the International Court of Justice, through its Advisory Opinion on the Obligations of States in respect of Climate Change, made it clear that granting of fossil fuel exploration licenses may constitute an internationally wrongful act which is attributable to that State. Opening more gas fields would not only undermine the Philippines' global commitment to limit global warming to 1.5°C and its international human rights obligations but expose communities and ecosystems to further risks and delay the transition to renewable energy.

147 Earth Insight, "Palawan, Philippines: Offshore Oil and Gas Threats to Marine Habitats," map prepared for the Center for Energy, Ecology, and Development (CEED), August 2026 (unpublished).
148 Carbon Brief, "IEA reiterates 'no new oil and gas needed' if global warming is limited to 1.5C," https://www.carbonbrief.org/iea-reiterates-no-new-oil-and-gas-needed-if-global-warming-is-limited-to-1-5c, September 16, 2025.

The administration's narrative that fossil fuel would only serve as transition fuel to renewable energy is inconsistent with its own energy plans and risks undermining the very transition it supposedly supports. First, a clos…uld only be true if there…l (CES-1), as renewable e…2% in 2022 to 8.3% by 2… phased out after displa…s not phase out other fo…y 2050.[151]

Second, pri…nvestments would only s… the energy transition is… deployable and more co…en reinforce other fossil …tures. Since these assets…il fuels.[152]



The upstre…ties. Under Presidential… substantial benefits fro…SCs, certain bonuses and…government and the De…vernment is granted an…500,000 to USD 2 millio…roduced.[154] The contrac…gy Resource Development Bureau for workshops, scholarships, seminars, conferences, and other similar activities to address the training and capacity-building needs of the Bureau and its supporting services in the amount not less than USD 50,000 (PHP 3.084 million)[155] per year, cumulative during the production period.[156] The contractor is also obliged to provide the DOE a one time development assistance, amounting to USD 60,000 to 100,000 (3.701 million to 6.169 million),[157] upon DOE's written request.[158] However, the PSC does not specify the purpose of the development assistance. In several contracts, including PSCs 54, 55, and 58, the DOE also receives a signature bonus of USD 50,000 (PHP 3.084 million)[159] within 60 days from the date of the execution of the contract.[160]

Yet the local governments that host the projects are not entitled to any funds the national government acquires from the PSCs. Presidential Decree No. 87 is silent on the shares of the nearest municipalities and provinces on revenues that come from the exploration and production of gas happening near their vicinities. In *Republic v. Provincial Government of Palawan*, the Supreme Court held that Palawan is not entitled to any revenue share from Malampaya under the current laws, as it lies outside its municipal waters.

149 Department of Energy, "Installed Capacity, By Fuel (MW)," *PEP 2023-2050 Volume 1,* 90, Table 28.
150 Department of Energy, "TPES Mix, by Fuel Shares (%): 2030, 2040 and 2050, CES 1 (19 GW OSW) vs CES 2 (50 GW OSW)," *PEP Volume 1,* 91, Figure 67.
151 *Id.*
152 Center for Energy, Ecology, and Development, *Why the Midstream and Downstream Natural Gas Industries Development Bills are Climate-blind,* April 2021.
153 *Conversion as of July 2026.*
154 Renewal of Service Contract 38, §20
155 *Conversion as of July 2026.*
156 Renewal of Service Contract 38, §17
157 *Conversion as of July 2026.*
158 Renewal of Service Contract 38, §18
159 *Conversion as of July 2026*
160 Service Contract 54, §XX; Service Contract 55, §XX; Service Contract 58, §XX

Case Study 14. SC says Palawan is not entitled to a share in the revenues of Malampaya

Republic v. Provincial Government of Palawan concerns the right of a local government to revenue shares from an offshore fossil gas project, the Camago-Malampaya Natural Gas Project, which the Supreme Court held is not a vested right under the Local Government Code. The Province of Palawan claims 40% of the project proceeds based on the Local Government Code provision that LGUs are entitled to 40% of gross collection derived by the national government from any production sharing agreement in the utilization and development of national wealth within their territorial jurisdiction This provision stems from the 1987 Constitution, which provides that LGUs are entitled to an equitable share in the proceeds of the utilization and development of the national wealth within their respective areas.

However, the Court ruled that the project rests outside the territorial jurisdiction of Palawan, since it is limited only to land and the 15-kilometer coastal waters. It held that the Malampaya Project, located 80 kilometers offshore from mainland Palawan, falls under the continental shelf of the country, of which the Republic has jurisdiction. There is no law that grants Palawan jurisdiction over the areas where the fossil gas project is located.

While previous administrations have given Palawan a part of its share in the project, the Court ruled that this does not mean that the government has tied itself and committed to giving Palawan shares for the rest of the project's duration. The orders from the executive branch that granted Palawan a share are based only on a mistaken assumption that it was entitled to the allocation. However, in resolving the Motion for Reconsideration, the Court said that Palawan is not obliged to return the funds already released since that would undermine public welfare and weaken local autonomy. The Court resolves that all future shares of Palawan may only be granted by Congress based on its political discretion.

Notably, while the case was pending, it was discovered that the funds released to the provincial government of Palawan (amounting to P1.53 billion) were misused in fraudulent infrastructure projects by the then-governor, Reyes. Reyes, provincial planning and development coordinator Madamba, and seven other provincial government officials were convicted of graft for violating procurement laws, submitting spurious accomplishment reports, and releasing payments despite incomplete or defective work on government infrastructure.[161]

On the other hand, the contractor is granted a service fee and the right to be reimbursed for all operating costs. Although the government is guaranteed an annual net revenue and assumes no financial risk, a closer inspection of their benefit-sharing would reveal that the government seems to end up with the shorter end of the stick with the amount from which this share is computed may be substantially reduced by the contractor's operating expenses. Before the government's 60% share is determined, the contractor first deducts the operating expenses, which can amount to 70% of the gross proceeds every year. Any unrecovered expenses that exceed the 70% would also be reimbursed from the succeeding years.[162]

Additionally, the programs, training assistance, and scholarships given to the government and local communities are included in the operating expenses. Thus, these expenditures are deducted from the revenue base before the government's 60% share is computed, effectively reducing the amount available for sharing with the government.[163]

It is also the government's share that bears the taxes paid by or on behalf of the Contractor.[164] In February 2025, the Supreme Court issued a ruling holding that the income tax to be paid by contractors is actually covered by the 60% share of the government. It held that such is a tax assumption, not a tax exemption–while the contractors remain liable for income tax, the government pays it on their behalf.[165]

161 Renz Palalimpa, "Ex-Palawan Gov Reyes found guilty in Malampaya fund mess," *Inquirer*, July 31, 2025, https://newsinfo.inquirer.net/2089676/ex-palawan-gov-reyes-found-guilty-in-malampaya-fund-mess.
162 Presidential Decree No. 87, §8(1)
163 Renewal of Service Contract 38, §§15 and 17
164 Presidential Decree No. 87, §18(b)
165 Adrian Ayalin, "SC lifts charges vs Shell, PNOC, Chevron over Malampaya income taxes,"

This would essentially mean that **before the government could even see its share, the contractor could have already taken up to 70% of the total revenues in any given year, tax-free.** This clearly puts the public at a disadvantage, given that the extensive tax exemptions given to the contractors erode state revenue, not to mention the social and environmental costs borne by the local communities near these service contract areas.

The contractor also enjoys exemptions from laws, regulations, and ordinances concerning the establishment of power plants for their exclusive use and exportation of machinery and equipment imported solely for their operations.[166] The exemption related to power plants is particularly alarming, given that the provision does not specify which legal requirements may be waived or which environmental safeguards remain applicable. The provision conditions the exemption only on the inability of a local enterprise to supply the contractor's power needs within a reasonable period and at reasonable cost, and on the approval of the Petroleum Board. On its face, it does not require an assessment of the proposed plant's environmental impacts, consultation with affected communities, compliance with land-use restrictions, or consideration of whether the plant would be located within or near protected or ecologically sensitive areas. This ambiguity comes with the risk that safeguards ordinarily governing construction and operation of power plants could be weakened or circumvented in favor of facilitating petroleum operations.

The legal framework on upstream gas industry is also heavily tilted to favor foreign companies, with special privileges granted to them, such as the right to repatriate capital investments and retain profits abroad. Instead of having the revenues circulate and stimulate the domestic economy to bring about economic growth, the law allows foreign contractors to retain their export earnings outside the country, except for those that cover local costs and the government's share.[167] While the government justifies these incentives as necessary to attract foreign investments, **it comes at the cost of allowing our natural resources to be extracted but a substantial portion of the resulting revenues may remain outside the domestic economy–beyond the reach of the Filipino people.**

Despite absorbing the social and environmental risks from gas exploration, nearby communities receive little to no meaningful protection or benefit under Presidential Decree No. 87. First, the law provides no clear mechanism for reparations for damages to communities, livelihoods, or ecosystems arising from oil and gas activities. Host communities are not even recognized in the law. It merely requires public notice before public bidding of PSCs.[168] It also does not mandate any direct benefit to be given to communities. The law only provides that qualified personnel in the municipality or municipalities or province be given priority in employment for exploration and production operations–largely reducing the communities to a source of local labor.[169]

Benefits from the projects solely depend on the contract agreed upon by the government and the contractor. For instance, PSC 38 requires the contractor to undertake social development programs in the host communities or vicinity of the contract area or areas utilized by the contractor for its operations.[170] It also includes scholarships and institutional assistance amounting to USD 10,000 per year, cumulative during the production phase.[171] However, cost for the program may be recovered by the contractor as part of the operating expenses–not something that comes out of the contractor's own resources.[172] Even then, these commitments are modest in value compared to the billions in revenues, reimbursements, incentives, and tax privileges enjoyed by both the contractor and the national government. More importantly, they fall far short of compensating communities for the environmental, health, and livelihood risks they are made to bear.

166 Presidential Decree No. 87, §12(c)
167 The Oil Exploration and Development Act of 1972, §13
168 Presidential Decree No. 87, §5
169 Presidential Decree No. 87, §31
170 Renewal of Service Contract 38, §15
171 Renewal of Service Contract 38, §19
172 *Id*.

Case Study 15. Palawan remains dependent on expensive bunker fuel despite the Malampaya pipeline passing straight through it.

Despite the Malampaya pipeline passing through Palawan, the province does not obtain any supply from it, as it only supplies the Luzon grid. Among all distribution utilities (DU) nationwide, Palawan Electric Cooperative (PALECO) ranked as having the second-highest average DU rate for both 2024 and 2025, with the average rates of 15.60 PhP/kWh in 2024 and 16.65 PhP/kWh in 2025.

The Busuanga Island Electric Cooperative, Inc. (BISELCO) currently has the highest average DU rate for 2025 nationwide, with an average rate of 18.32 PhP/kWh. The province has long been suffering from an energy crisis with rotating blackouts and high electricity rates–issues that remain unresolved despite repeated promises that fossil gas would ensure energy security.

As discussed in Chapter II, gas exploration and production may have profound impacts on marine ecosystems, particularly on whales and other marine mammals. **Case Study 5** highlighted how seismic surveys have been shown to disrupt whale communication and reduce the abundance of zooplankton, a key food source for many marine species. These risks are especially relevant in the Philippine context, which is home to a rich diversity of marine life. At least 27 species of whales and dolphins have been recorded in Philippine waters, including humpback whales, pygmy blue whales, sperm whales, and pygmy killer whales.[173] Palawan itself hosts several cetacean species, including short-finned pilot whales.[174]

173 Balyena.org, "Cetacean Quick Facts," https://balyena.org.ph/cetacean-quick-facts/.
174 Romar Miranda, "Palawan waters now teem with pilot whales, dolphins," *Inquirer,* https://newsinfo.inquirer.net/1477165/palawan-waters-now-teem-with-pilot-whales-dolphins, August 23, 2021.

Case Study 16. Experiences during the MT Princess in the Verde Island Passage highlights the real risks of gas projects

On February 28, 2023, the oil tanker MT Princess Empress oil tanker, carrying 900,000 liters of industrial oil, sank in the waters off the coast of Naujan, Oriental Mindoro. The oil spill that ensued was massive–reaching the coastal municipalities of Oriental Mindoro, Batangas, Antique, and Palawan. Some of these provinces are situated in the Verde Island Passage (VIP).[175] The VIP is known to be the "center of the center of marine biodiversity" due to having the highest concentration of marine shorefish biodiversity on the planet, with over 1736 overlapping species.[176]

A study has estimated at least PHP 41.2 billion worth of damages caused by the sinking of the oil tanker to the ecosystem and the coastal communities, which is 800% higher than the estimated total damages by the government amounting only to Php 5.1 billion.[177] The Marcos administration has been criticized by organizations for its inadequate response to the oil spill.

A month after the oil spill, the Stop the Oil Spill (SOS) coalition has called out the administration for its lack of transparency in its investigation as concerned agencies, such as the DENR, Bureau of Customs, Maritime Industry Authority (Marina), Philippine Coast Guard (PCG) and Office of the Civil Defense failed to provide documents that would shed light on the liable actor. Groups have also called out the compensation rollout for fisherfolk as an agonizingly slow and arduous process.[178]

Five months after the tragedy, the government prematurely declared the end of the oil spill response with the oil removal and recovery operations in the affected areas allegedly already complete. The declaration was made based on the recommendation of the Bureau of Fisheries and Aquatic Resources (BFAR) despite the fact that water quality in marine protected areas still exceeded the water quality guidelines for oil and grease and that

oil residue and tar balls are still visible in some areas. The Protect VIP network has also called out BFAR for failing to show the comprehensive results of water testing in terms of oil and grease for water quality assessment and polycyclic aromatic hydrocarbons (PAHs) in fish samples.[179]

Three years since the oil spill, affected communities have attested that they have not yet recovered from the oil spill's impacts. Fisherfolk reported low fish catch even after three years and that many of them still have not received compensation. On December 9, 2025, affected fisherfolk filed a class suit–demanding accountability from RDC Reield Marine Services, Inc., owner of the MT Princess Empress; SL Harbor Bulk Terminal Corp., a San Miguel Corp. subsidiary; the insurer The Shipowners' Club; and the International Oil Pollution Compensation Funds.[180]

Finally, the continued expansion of the upstream gas industry raises serious concerns as to whether the affected communities are able to freely and meaningfully participate in decisions that greatly impact their lives. While the consent of communities are sought through public consultations and is manifested through the endorsement of their LGU representatives, the broader context raises questions about whether such consent is always freely given. Historically, resistance to extractive projects have been met with threats, harassment, and other human rights violations. In 2023, a global study reported that at least 25 killings were attributed to mineral and extractive industries, which include the oil and gas industry.[181] Against this backdrop, there is reason to question whether communities may meaningfully withhold their consent or voice opposition without fear of reprisal.

175 Center for Energy, Ecology, and Development, *The Big Bill of the Oil Spill in the Verde Island Passage: Extrapolating Lost Livelihood and Passive Use Values,* February 2024.
176 ABS-CBN Foundation, "The Verde Island Passage, "https://www.abs-cbnfoundation.org/environment/sea-vip/.
177 Center for Energy, Ecology, and Development, *The Big Bill of the Oil Spill in the Verde Island Passage.*
178 Jane Bautista & Madonna T. Virola, "Groups demand 'swift' gov't action as slick lingers in Mindoro," *Inquirer,* March 29, 2023, https://newsinfo.inquirer.net/1749473/groups-demand-swift-govt-action-as-slick-lingers-in-mindoro
179 Delfin T. Mallari Jr. & Madonna T. Virola, "Protect VIP: Oil spill crisis not yet over," *Inquirer,* July 25, 2023, https://newsinfo.inquirer.net/1806735/protect-vip-oil-spill-crisis-not-yet-over.
180 Madonna T. Virola, "Mindoro folk still await compensation 3 years after oil spill," *Inquirer,* March 3, 2026, https://newsinfo.inquirer.net/2189611/mindoro-folk-still-await-compensation-3-years-after-oil-spill.
181 Global Witness, *Missing Voices: The violent erasures of land and environmental defenders*, 14, September 2024.

Concerns also remain regarding the transparency of public participation for these projects. Based on the information available to the authors, no public hearings have been identified for the PSCs in Palawan, except Malampaya, and the Environmental Compliance Certificate (ECC) status of the 13 PSCs in Palawan remains unconfirmed. These information gaps make it difficult to establish whether the necessary environmental review and public participation processes have been undertaken.

Moreover, as illustrated by the Batangas case study, even sustained community opposition and the issuance of a cease-and-desist order from DAR did not ultimately prevent the LNG facilities from proceeding to operation. This raises a further question on whether public participation remains genuinely meaningful when communities invoke available legal remedies and secure regulatory action, yet still fail to influence the project's eventual outcome. An energy transition that is truly just cannot rely on an industry whose expansion is accompanied by conditions that undermine the free and meaningful participation of the communities expected to bear its risks.

Table 9. Cost Benefit Analysis of Upstream Oil and Gas Development in Palawan

Overlooked Costs	Claimed Benefits
▸ Biodiversity loss ▸ Reduced catch, disrupted spawning and nursery grounds, and loss of fishing access ▸ Lower availability of fish, price increases, reduced dietary access, and greater dependence on supplies from elsewhere ▸ Lost income, livelihood displacement, health risks ▸ Oil spills, global warming, residual environmental damage	▸ Expected national government revenue and taxes ▸ Potential contributions to electricity generation ▸ Employment and local economic activity ▸ Development assistances to the local government and local communities

CHAPTER V: COMMUNITY RIGHTS AND INTERVENTIONS

The Philippines has a long and vibrant history of environmental and conservation movements, with communities and civil society playing a central role in shaping environmental governance in the province. Palawan, itself, has been at the forefront of fights to defend the environment. In the 1990s, local advocacy in the province against illegal logging contributed to broader national efforts–culminating in a national logging ban.[182] In 2011, the Save Palawan Movement's (SPM) petition to declare the island a mining No-Go Zone garnered half a million signatures in 60 days since its launch. The campaign reached a major breakthrough recently with the province passing a 50-year moratorium on the issuance of endorsements by barangay, municipal, and provincial governments for all types of mining applications, including exploration and technical agreements.[183]

These victories demonstrate that environmental protection in Palawan has often been achieved not because existing laws provided sufficient safeguards, but because communities and civil society organized, advocated, and demanded stronger protections. Today, Palawan faces another major challenge with the expansion of the upstream fossil gas industry. As discussed in the previous chapter, Presidential Decree No. 87 provides limited safeguards for affected communities and the environment, leaving many of the industry's risks inadequately addressed. Similar to earlier struggles, the fight against the upstream gas development will likely depend not only on existing legal mechanisms but also on continued public vigilance and collective action.

Constitutory and statutory rights

Right to a balanced and healthful ecology

The right to a balanced and healthful ecology is provided for in Section 16, Article II of the 1987 Constitution. The Constitution also provides that the state has the duty to protect and advance this right in accord with the rhythm and harmony of nature. While it is not found in the Bill of Rights, it has been recognized as a fundamental right that concerns our self-preservation and self-perpetuation.[184] In the landmark case *Oposa v. Factoran, Jr,* the Supreme Court held that protection of such right is owed not only to the present generation but to future generations as well, who would otherwise inherit a degraded environment. The Court further provided that a denial or violation of this right by an entity with a correlative duty to protect it gives rise to a cause of action.[185]

In the context of the fossil gas industry, where upstream activities threaten marine ecosystems and ecologically critical areas, this constitutional right provides a legal basis to demand strict compliance with environmental safeguards and judicial relief in case of violations. Moreover, given the long-term harms of continued reliance on fossil fuels, the right to a balanced and healthful ecology may be invoked to call for fossil fuel phase-out.

182 Rebecca L. Austin & James F. Eder, "Environmentalism, Development, and Participation on Palawan Island, Philippines," *Society and Natural Resources*, (2007).
183 Environmental Legal Assistance Center, "No To Mining In Palawan," https://www.elacphilippines.org/campaigns/no-to-mining-in-palawan/
184 G.R. No. 101083 (July 30, 1993)
185 *Id.*

Right to health

The right to health is another constitutional right found under Section 15, Article II of the 1987 Constitution. It imposes a duty on the state to protect and promote such rights. In Oposa v. Factoran, Jr., the Supreme Court has recognized that the right to health is intertwined with the right to a balanced and healthful ecology.[186] Clearly, environmental degradation would inevitably give rise to public health concerns. As discussed in the previous chapters, fossil gas projects not only damage the environment and exacerbate climate change but also expose communities to toxic methane emissions, air pollution, and water contamination. The risks that fossil fuels carry not only undermine the right to a balanced and healthful ecology but also the communities' right to health. Hence, the right to health provides an independent constitutional basis not only to demand safeguards but to demand that the administration stop opening up new upstream projects that place communities at risk.

Right to livelihood and food security

The Constitution imposes a duty on the state to promote full employment and a rising standard of living.[187] It also mandates the state to protect the rights of subsistence fishermen, especially of local communities, to the preferential use of the communal marine and fishing resources, both inland and offshore and for the state to protect and conserve such resources.[188] The right to food security is a fundamental right recognized under the Universal Declaration of Human Rights, of which the Philippines is a signatory. The Declaration provides that everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food.[189] These constitutionally and internationally recognized rights, however, are placed at risk by government-sanctioned gas exploration and production projects.

Right to breathe clean air

Building upon the constitutional right to a balanced and healthful ecology, Republic Act No. 8749 or the Philippine Clean Air Act of 1999 affirms the people's right to breathe clean air and makes it a state policy to focus on pollution prevention rather than on control.[190] Nearby communities may invoke this right and the corresponding state duty to protect it since upstream oil and gas activities, such as flaring and venting, release greenhouse gases that negatively impact air quality. Violation of the provisions of the Clean Air Act is also actionable as a citizen suit under the said law.[191]

Right to be consulted

The Local Government Code requires prior consultation with affected communities and prior approval of concerned local government units.[192] Additionally, if the exploration area covers or affects an Ancestral Domain, the Indigenous Peoples Rights Act requires projects to consult with communities and obtain their free prior and informed consent through the process outlined previously. Under the Strategic Environmental Plan (SEP) for Palawan Act, public consultation may also be required under certain circumstances.

Failure of a project that affects the environmental and ecological balance to comply with the prior community consultation and LGU approval makes the project's implementation illegal. In one case, the Court made permanent the temporary restraining order issued against a landfill project for failing to secure the required LGU approval.[193]

186 *Id.*
187 1987 Constitution, Article II §9
188 1987 Constitution, Article XIII §7
189 Universal Declaration of Human Rights Article 25
190 Republic Act No. 8749, §§3(c) and 4(a)
191 Republic Act No. 8749, §41
192 Republic Act No. 7160, §26
193 G.R. No. 129546 (December 13, 2005)

Points of intervention

Engagement with government officials and agencies concerned with awarding service contracts and permits is crucial to ensure compliance with existing laws. The following are the key officials and agencies that deal with service contractors:

1. The Philippine Congress has the authority to declare and define protected areas under the Expanded NIPAS (E-NIPAS) Act. Through this authority, Congress effectively shapes the boundaries within which upstream oil and gas activities may proceed.
2. The Department of Energy is tasked with facilitating the development of energy production in the country and formulating and implementing policies, programs, and regulations related to the industry.
    a. The Energy Resource Development Bureau (ERDB) determines prospective petroleum areas in the country's territory.
    b. The Review and Evaluation Committee (REC) heads all activities related to the Philippine Conventional Energy Contracting Program.
3. The Philippine President gives the final approval for any application for a petroleum service contract.

Engagements with the aforementioned offices may be done through submitting petitions, positions papers, and monitoring reports, coordinating with legislative committees and local representatives, and attending technical conferences and meetings of concerned agencies. Other forms of engagement include the following:

1. Participation in public scoping and public hearing during the EIS process.
2. Engagement with the Multipartite Monitoring Team to monitor compliance with the ECC once it is issued.
3. Submission of position papers, scientific researches, and technical reports to the following agencies that issue their respective permits and clearances:
    a. Protected Area Management Board (PAMB) – clearance under E-NIPAS
    b. Local government units – endorsements from the provincial, city or municipal, and barangay governments
    c. Palawan Council for Sustainable Development (PCSD) – SEP clearance (for Palawan projects)
    d. DENR Environmental and Management Bureau (EMB) – ECC
4. Participation in the FPIC Process for Indigenous Peoples whose ancestral domains are affected by the projects.[194]

If administrative remedies prove to be fruitless, the following court remedies may be availed:

1. **Writ of Continuing Mandamus.** Courts may require agencies and government authorities who fail to fulfill their mandates under environmental laws to perform acts until the judgment is fully satisfied and submit periodic reports to the court regarding compliance.[195]
2. **Writ of Kalikasan.** The Court of Appeals or Supreme Court may grant relief related to the protection of environmental rights, including directing the respondent to stop the acts or omissions that result in environmental damage; protect, preserve, rehabilitate, or restore the environment; monitor strict compliance with the court's decision; and make periodic reports on the execution of the final judgment. It requires the following:
    a. There is an unlawful act or omission of a public official or employee, or a private individual or entity.
    b. There is an environmental damage of such magnitude as to prejudice the life, health, or property of inhabitants in two or more cities or provinces.
    c. There must be a causal link or a reasonable connection between the act and the environmental damage.[196]

194 Refer to *Table 5. Summary of required permits* under Chapter III for a full discussion of the process and requirements for each permit.
195 A.M. No. 09-6-8-SC, Rule 8
196 A.M. No. 09-6-8-SC, Rule 7

Case Study 17. Resident Marine Mammals of the Protected Seascape Tañon Strait vs. Reyes (2015)

This case is instructive for organizations dealing with exploration activities. In this case, stewards of marine mammals living in the Tañon Strait and fisherfolk filed a petition for certiorari, prohibition, and mandamus against the then-Secretary of Energy due to Service Contract 46, which allowed the exploration, development, and exploitation of oil and gas within the Tañon Strait, a protected seascape that serves as the country's biggest protected area. The Supreme Court nullified the service contract following a finding of several violations. First, the Service Contract violates the Constitutional requirement for the president's approval for financial and technical assistance agreements. Second, it violates several provisions of the NIPAS Act because it was not presented to Congress, and it does not have a special law passed by Congress to authorize the exploitation and utilization of energy resources within a NIPAS area. Third, the Court also found that the project proponent failed to follow the Environmental Impact Statement System process, as they started implementing the project without securing the necessary ECC.[197]

Civil groups expressed their opposition to the project. Fisherfolk organizations were the first to organize an opposition against the exploration. Marine scientists were the next to call for the immediate stopping of JAPEX's operation. As opposition grew, the Save Tañon Strait Citizens' Movement was formed by fisherfolk, environmentalists, students, scientists, lawyers, and other professionals.[198] Even before the Supreme Court reached its decision, Japex Philippines Ltd., the contractor, pulled out of the project, alleging that the area lacks oil and gas resources for commercial use.

Important legal principles

Social acceptability

As project proponents conduct their public consultations and the concerned agencies issue their endorsements or permits, communities must be vigilant in ensuring that social acceptability is accounted for and met through the said consultations. Social acceptability is one of the key operating principles of the EIS System, as provided in Administrative Order (DAO) No. 2003-30, the current IRR for the EIS System. It is defined as the "acceptability of a project by affected communities based on timely and informed participation in the EIA process particularly with regard to environmental impacts that are of concern to them." In *Braga v. Abaya,* the Court emphasized that both the consultation under the Local Government Code and Consultation under the EIS System are intended to measure a project's social acceptability and secure the community's approval before the project's implementation. Notably, the Court held that communities, through their sanggunian, are the ones that give their approval to socially acceptable projects. It also stated the responsibility of the lead agency, which the project is under, in ensuring that the concerned LGUs and stakeholders have been thoroughly and truthfully informed of the objectives of the program and its ecological impact on the community so that they can intelligently give their approval.[199] In *Villanueva v. Palawan Council for Sustainable Development*, the Court recognized public hearing/public consultation as an activity undertaken to ascertain the acceptability of the project in the community by gathering facts and threshing out all issues, concerns and apprehensions.[200] Taken together, these cases emphasize that social acceptability is complied with only when the affected stakeholders are properly informed and consulted and their concerns are seriously considered when permits are given.

197 G.R. No. 180771 (April 21, 2015)
198 Save Tañon Strait Citizens' Movement, *Tañon Saga,* 2013.
199 G.R. No. 223076 (September 13, 2016)
200 G.R. No. 178347 (February 25, 2013)

Exhaustion of administrative remedies

If one is to take the case to the court, administrative remedies must already be exhausted for the court to take cognizance of the case. In *Paje v. Casiño,* the Court held that failure to secure LGU approval is not subject to a writ of kalikasan because it would not lead to or is not reasonably connected with environmental damage; rather, it constitutes a violation of local autonomy, for which an administrative remedy is more proper. Similarly, non-compliance with IPRA, particularly for the Certificate of Non-Overlap requirement, should be first taken up with the NCIP or in a separate action to demand compliance, not a writ of kalikasan.[201] In *Citizens for Green and Peaceful Camiguin v. King Energy Generation Inc.*, the Court reiterated the same doctrine–that a writ of continuing mandamus cannot supplant these administrative remedies.[202]

LGU jurisdiction

Under the Local Government Code, local government units are tasked to share with the national government the responsibility in the management and maintenance of ecological balance within their territorial jurisdiction.[203] While offshore gas is often located beyond the 15-kilometer municipal water over which LGUs exercise jurisdiction, the Court made it clear in **Republic v. Palawan** that this does not entirely preclude local government involvement. It recognized that a project may have an ecological impact on a locality without necessarily being situated therein; thus, the required consultation and sanggunian approval is still required.[204] This recognizes that communities may voice their concerns through their elected local representatives and urge them to withhold their endorsement of projects that pose risks to their environment and livelihoods.

201 G.R. No. 207257 (February 3, 2015)
202 G.R. No. 213426 (June 29, 2021)
203 Republic Act No. 7160, §3(i)
204 G.R. No. 170867 (December 4, 2018)

CHAPTER VI: CONCLUSION AND RECOMMENDATIONS

The current policy directions of the Marcos administration places communities and marine life at risk while delaying, rather than facilitating, the transition to renewable energy. Gas exploration and production disrupts marine ecosystems even before gas reserves are discovered. At the same time, large investments in the fossil gas industry divert resources away from renewable energy and lock the country into prolonged fossil-fuel dependence.

The experience of the Verde Island Passage already offers a warning. Communities that were greatly affected by the 2023 MT Princess Empress oil spill continue to suffer its consequences even three years later. Operational failures from the gas fields in Palawan has the possibility of causing the same or even a larger catastrophe to the province. Palawan should not be subjected to the same pattern of fossil-fuel expansion and damage. New upstream gas development has no place in the country's just energy transition.

To the national government

- **Phase out fossil fuel.** A study by Climate Analytics has stressed the urgency to cut gas generation by 40% by 2030 and phase out nearly all fossil gas-fired generation by 2040 in order for the Philippines to fulfill its 1.5˚C Paris commitment. The Philippine Energy Plan should be revised to include a fossil fuel phase-out plan, starting with coal and oil, then with gas.
- **Halt the development of new gas fields and awarding of new PSCs.** While slowly phasing out fossil fuels, no new gas fields should be opened. As Malampaya has recently yielded new gas, there is no justification for awarding new PSCs or exploring additional fields under the existing PSCs. The recently discovered gas from Malampaya can cover the needed >1% share of gas in the energy mix under a 1.5°C scenario as found by Climate Analytics. Likewise, the International Energy Agency has also reported that there is not need to invest in new oil and gas projects if demand for the fuels fell in line with the 1.5C limit on global warming.[205] The government should not award any new PSCs to contractors and other existing PSCs under the exploration stage should be revoked. Stopping the expansion of gas fields in the country now would prevent the risk of stranded assets and, more importantly, avert the irreversible damage to the environment and communities that the projects may cause.
- **Review and amend Presidential Decree No. 87.** The current law governing the upstream industry lacks safeguards for the environment and host communities. It should be reformed to include stronger environmental and community safeguards, benefits to host communities, and greater transparency in awarding PSCs. Given that the industry is no longer in its infancy stage, incentives that encourage new fossil fuel exploration and production should be removed. The law should make it clear that contractors must bear the full cost of environmental damage and rehabilitation.
- **Adopt a more transparent and competitive mechanism for granting PSCs.** If the government nonetheless continues to award new PSCs, any remaining awards should be subject to a more transparent and competitive mechanism. The current direct negotiations between the DOE and existing PSC holders limits thorough reassessment of the project's environmental and social implications. Under a new system, all project proponents, whether existing or new, must undergo a public, competitive bidding process with clear disclosure requirements and equal opportunity for participation.
- S**trengthen environmental and social safeguards in upstream regulation.** The current environmental laws need to be expanded to efficiently regulate the upstream oil and gas industry and mitigate the harms caused by the projects. Policymakers should ensure that upstream operations are subject to stricter environmental standards and transparent permitting processes. The EIA process must be revised to expand the scope of impact assessments, particularly by including greenhouse gas (GHG) emissions. Meaningful participation of stakeholders, beyond the usual consultations, should also be prioritized in the process of granting permits.

205 Simon Evans, "IEA reiterates 'no new oil and gas needed' if global warming is limited to 1.5C," *Carbon Brief*, https://www.carbonbrief.org/iea-reiterates-no-new-oil-and-gas-needed-if-global-warming-is-limited-to-1-5c, September 16, 2025.

- **Establish mandatory methane monitoring, reporting, and mitigation requirements for upstream oil and gas operations.** As methane emissions occur across the upstream lifecycle, it is imperative to adopt rules and regulations that set industry standards for detecting, reporting, and mitigating these emissions. Laws must require operators to quantify and publicly disclose methane emissions, conduct regular leak detection and repair (LDAR) inspections, and use appropriate measurement technologies to identify and verify emission sources. Routine flaring and venting should be restricted while emergency releases should be accounted for.
- **The Philippines could take inspiration from the European Union's Regulation (EU) 2024/1787, which provides a framework for methane detection and reporting requirements.** Under the Regulation (EU) 2024/1787, operators are required to repair or replace all components found to be emitting methane at or above the above specified levels. The Regulation also establishes a framework for responding to super-emitting events, where a source emits large amounts of methane at a rapid scale.
- **Adopt a policy restricting oil and gas exploration and development in biodiversity-rich and protected areas, including Palawan.** Protected areas under the E-NIPAS Law should also be expanded in order to prohibit non-renewable energy projects (such as fossil gas projects) in ecologically sensitive areas. Areas covering traditional fishing grounds and ancestral domains must also be excluded from upstream fossil gas activities.
- **Implement strict protection of ecologically critical areas.** While new laws and regulations are pending, in the meantime, the current ones, such as the E-NIPAS Act, the SEP for Palawan Act, and the EIS system, must be fully utilized and strictly enforced so that oil and gas projects are kept out where prohibited. The SEP for Palawan Act must be amended to clearly delineate the powers of the PCSDS and DENR and delegate police power to PCSDS to allow it to fully enforce the ECAN Zoning Rules and impose sanctions for violations. The four service contracts awarded and offered by the government, which are near protected areas (Tubbataha Reefs Natural Park, the El Nido Managed Resource Protected Area, and the Malampaya Sound Protected Landscape and Seascape) must be closely monitored and scrutinized.
- Accelerate the transition to renewable energy. While the Philippine Energy Plan 2023-2025 targets 50% renewable energy in the energy mix by 2050, this is far from the 99% needed to align with the 1.5°C Paris commitment.[206] The government should adopt a more ambitious target and accelerate the deployment of renewable energy technologies nationwide. A study by Climate Analytics finds that the country has sufficient renewable resources, estimated at around 1,200 GW from solar and wind resources, to replace fossil fuels in the energy sector and meet energy demands. This transition would even benefit the economy by lowering the cost of electricity and generating up to a million jobs by 2050.[207] This goes to show that transitioning to 100% renewable energy is possible without sacrificing energy security and livelihood.

To the local government of Palawan

- **Reject the development of new upstream fossil gas projects in Palawan waters.** Palawan waters have a significant importance not only to the livelihood and culture of the Palawanos but to global biodiversity, and must therefore be protected. The local government units of Palawan must exercise the powers granted to local governments under the Local Government Code to ensure that harmful projects do not proceed. Likewise, the Palawan Council for Sustainable Development should exercise its mandate under the Strategic Environmental Plan (SEP) for Palawan Act and withhold approvals for proposed upstream fossil gas projects that threaten biodiversity.
- **Invest in renewable energy solutions to address Palawan's energy needs.** Efforts to advance the transition to renewable energy should not only be on the national level but also on the local level. Palawan is the first province to have a power development plan prepared through participative planning of a multi-sectoral group, including government agencies, the academe, business sector, and non-government organizations based in Palawan. Under the Aggressive RE-Based Scenario of the Palawan Island Power Development Plan (PIPDP), Palawan envisions shifting to RE sources, such as hydroelectric, biomass, wind, and solar, while reducing the use of fossil-based plants for peaking and reserve. The report found that Palawan has a potential of 164.9 MW of renewable energy sources, composed of 143.6 MW from hydro, 11.3 MW

206 Climate Analytics, *A 1.5C future is possible: Getting fossil fuels out of the Philippine power sector,* November 2023.
207 *Id*.

from solar, and 10.0 MW from wind. Under this plan, the Palawan Main Grid should have a total power supply of about 803.62 GWH by 2025.[208] The plan covers the period for 2014 to 2035; however, its full implementation remains to be actualized. The provincial government of Palawan needs to be revisited and updated and fully implemented to address the province's energy challenges while protecting ecosystems and livelihoods.

To stakeholders

- **Participate in consultations and demand transparency over the permitting and approval of upstream gas projects in Palawan.** Early engagement by communities and civil society organizations before any project begins is crucial to prevent proposals from advancing and causing harm to ecosystems and livelihoods. These include (1) building broad coalitions among local communities, fisherfolk, Indigenous groups, and environmental organizations to oppose proposed projects, (2) conducting information, education, and communication (IEC) activities, (3) actively participating in environmental impact assessments, public hearings, and public consultations, and (4) registering opposition of communities that will directly be affected through petitions, protests, and position papers.

  Past campaigns against offshore gas projects demonstrate the effectiveness of early public mobilization. In the case of the Tañon Strait campaign, sustained public pressure immensely contributed to the withdrawal of private contractors from exploration activities in the area.

- **Assert the right to free, prior, and informed consent.** Indigenous communities affected by the gas projects should exercise their right to decide, through their own processes, whether large-scale extractive projects can enter their territories. Civil society organizations and other advocates can support Indigenous Peoples by (1) providing legal and technical support during FPIC processes, (2) ensuring they are fully informed of the long-term impacts of upstream gas and that the processes required by law are enforced, and (3) helping communities document the potential impacts of proposed projects on ancestral lands, fishing grounds, and cultural practices.

- **Monitor compliance of service operators with legal safeguards.** While some service contracts are already operating, contractors remain bound to comply with laws of general application relating to labor, health, safety, and ecology. Communities and civil society organizations play an important role in ensuring that operators comply with the required permits and safeguards before and during project operations. Key actions include (1) verifying that operators have secured all required permits and clearances, (2) documenting environmental and community impacts associated with upstream activities, such as changes in air quality, water quality, marine ecosystems, and fishing grounds, as well as impacts on livelihoods and public health, which may be used as evidence for further interventions, and (3) raising documented concerns before regulatory agencies or oversight bodies, including through formal complaints, requests for investigation, or other administrative and legal remedies where necessary.

Taken together, these efforts point to a broader shift in the country's energy pathway. Redirecting investment from high-risk upstream gas projects towards distributed, community-scale renewables would reduce exposure to volatile LNG prices and fuel-related outages, as already experienced in gas plants in recent years. More importantly, it would avoid the irreversible damage to the protected areas and nearby communities. However, the fight does not end with stopping new upstream projects in Palawan. Accelerating the development of renewable energy is important to ensure that the province and the country's energy needs are met while safeguarding ecological integrity, community welfare, and the country's long-term energy security.

208 Palawan Island Power Development Plan (PIPDP), 1–3.

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ANNEX

Step-by-step application for PSCs

Under the Philippine Conventional Energy Contracting Program (PCECP), under DC 2017-12-0017, there are two modes of application:

1. Nomination

1. Applicants submit a written communication to the REC to formally nominate their area of interest. It should include a technical description of the nominated area, adhering to the prescribed Petroleum Blocking and Monitoring System (WGS'84 Geographic Coordinates) and area clearance of the nominated area from DOE-Information Technology and Management Services.
2. Once approved for publication, the existence of the application, following the template provided by DOE, which includes the timeline for the contracting program, location map, and technical description, as certified by DOE-ITMS, shall be published by the applicant in two broad sheets of general circulation. Applicants must also submit the required legal documentation, work program documentation, technical documentation, financial documentation *(found in Annex A)*, and proof of publication.
3. Upon publication, other applicants may also submit their interest in the area within 60 days from the date of publication.[209]

Timeline: Nominations are open at any time of the year.

Fee: A payment of an application fee of PHP 200,000 is required.

1. Offering of pre-determined area (PDA)

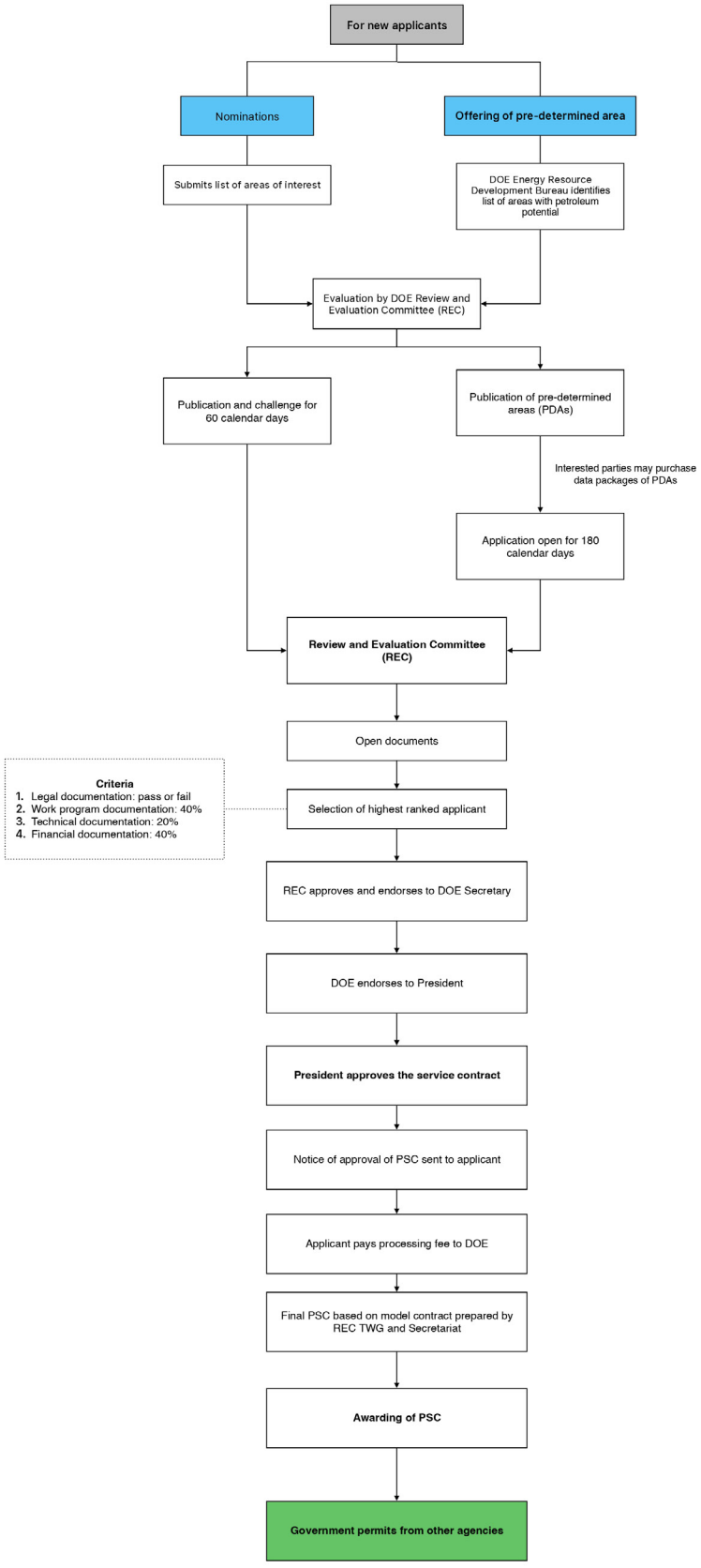
1. The Energy Resource Development Bureau identifies and submits a list of PDAs for petroleum exploration, each with its respective location maps and technical description. The REC shall approve the list.
2. The PDAs approved shall be published in at least two broadsheet newspapers of general circulation and posted on the DOE website.
3. The REC shall arrange for the availability of data packages for approved PDAs that can be purchased by interested parties to support their applications.[210]

Timeline: Applications may be submitted within 180 calendar days from the date of publication.

Fee: A payment of an application fee of PHP 200,000 is required.

209 DOE Department Circular No. DC2017-12-0017 Annex A.
210 DOE Department Circular No. DC2017-12-0017 Annex A.

Awarding of a service contract via nominations and offering of a pre-determined area



The REC shall transmit to the Secretary of Energy a written endorsement of the winning applicant. The Secretary then approves the application and endorses it to the President for final approval. If the President approves, a Notice of Approval is sent to the applicant, and within seven calendar days, the applicant must pay a processing fee of PHP 0.48 per hectare. The REC Technical Working Group and Secretariat prepare the final PSC using the Model Contract and its Accounting Procedures. Every PSC shall follow and not deviate from the Model Contract and its Accounting Procedures published by DOE.

Under Department Circular No. 2023-12-0033, there is a new mode of application, specifically for existing operators and contract areas for development and production already.

1. Direct Negotiations

1. Existing **operators of a PSC with producible petroleum reserves** may negotiate with DOE at least 30 days before the expiry of their remaining production term.

2. The **applicant shall submit a letter of application** along with a location map of the proposed contract area, its technical description, proposed plan of development or continued operations, third-party reserve audit, and the **legal, technical, and financial documents** required. A payment of the application fee of PHP 200,000 is required.

3. The **REC Technical Working Group shall evaluate** the application based on area clearance and legal, financial, and technical qualifications and submit a recommendation to REC. The REC shall then discuss and determine whether the applicant passed the evaluation. If it does, the REC issues a Notice of Qualification to Enter into Negotiation for a DP PSC.

4. REC and the applicant's authorized representatives shall commence **negotiation** on the sharing agreement, cost recovered assets, financial commitments, relinquishment of areas, decommissioning and abandonment plan, and other terms.

5. The negotiation is **limited to 60 days** and shall be automatically terminated unless the parties agree to extend for reasonable grounds. Upon reaching an agreement, the **REC recommends endorsement to the Secretary,** who shall then **endorse it to the President.**[211]

Timeline: 60 days negotiation

Fee: A payment of the application fee of PHP 200,000 is required.

211 DOE Department Circular No. 2023-12-0033

Awarding of a service contract via direct negotiation

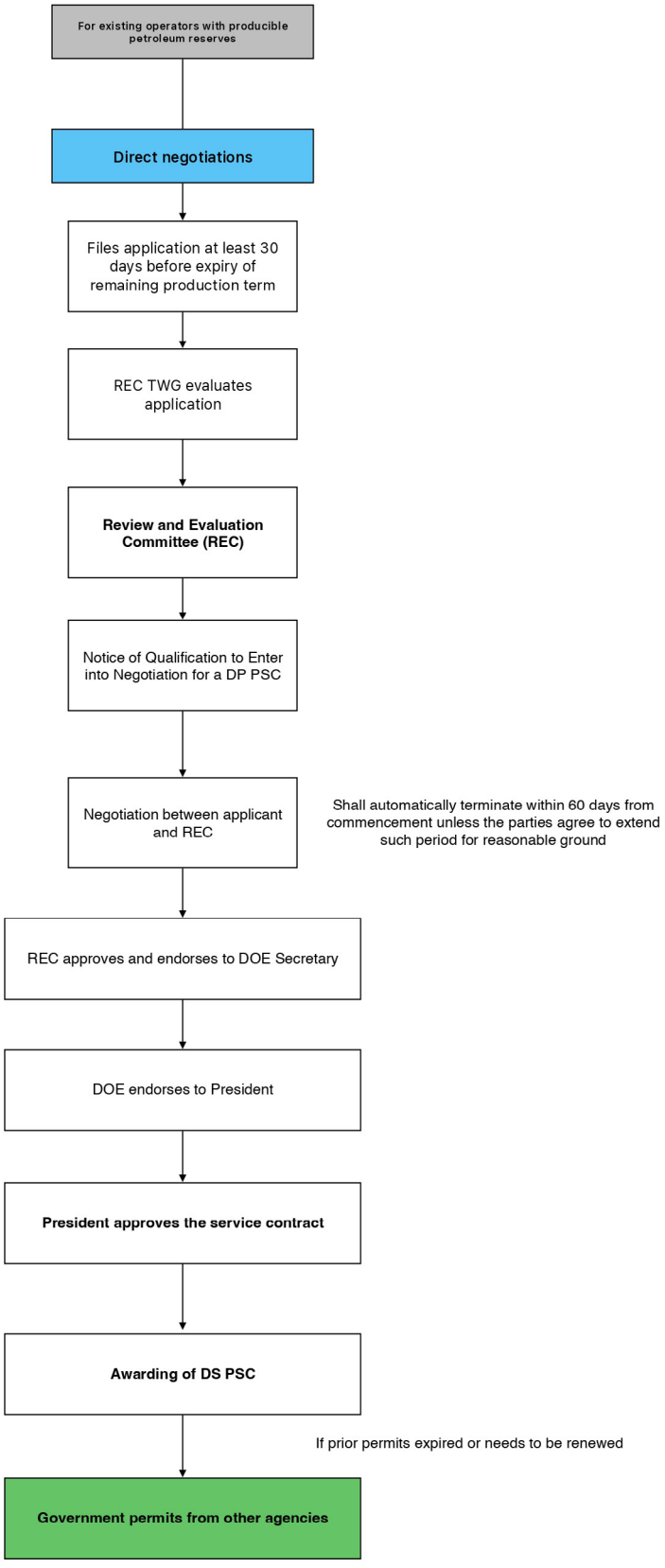
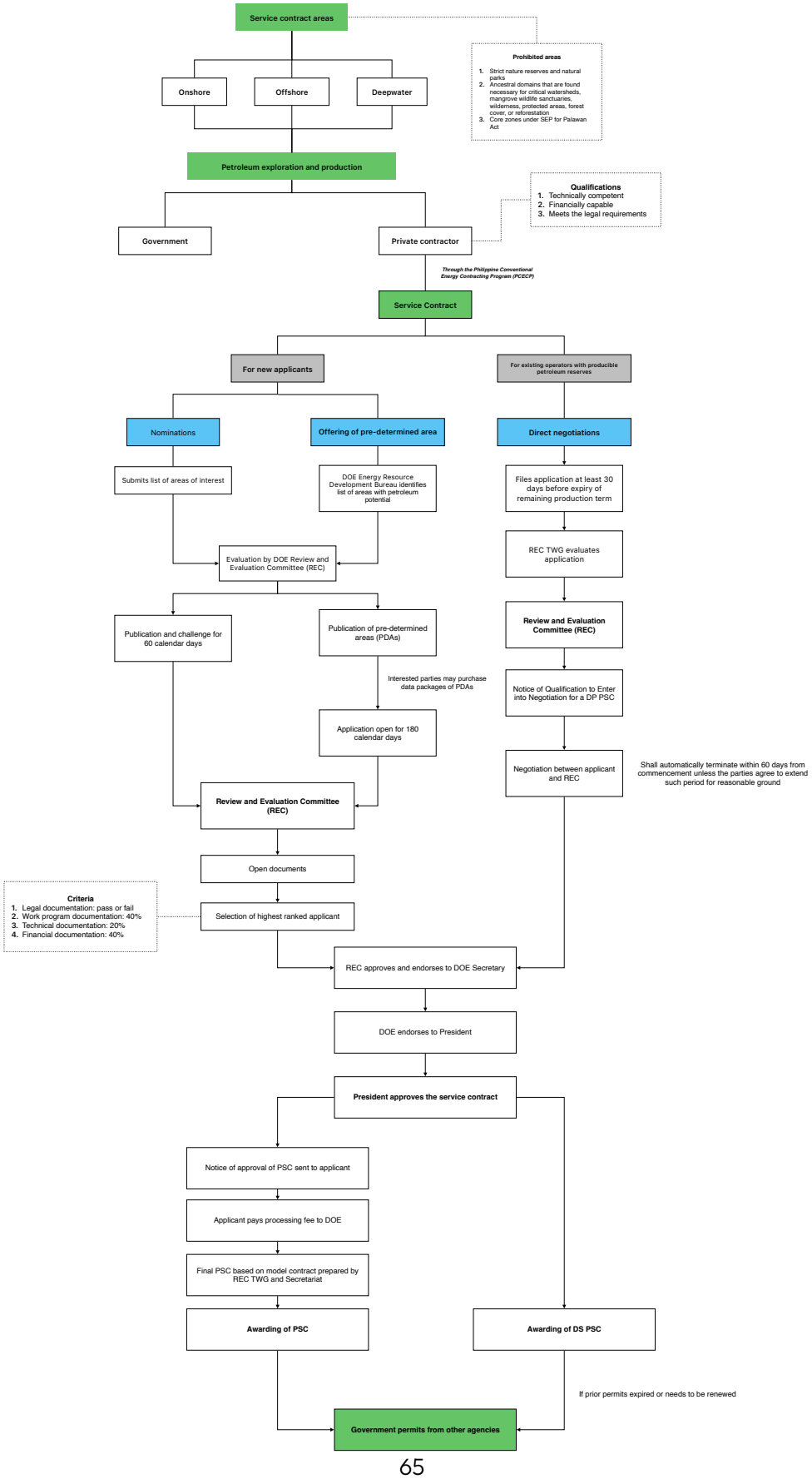


Illustration of the process of awarding a service contract



Required permits and process

Permit	Concerned government agency	Process
Environmental Compliance Certificate (ECC)	Department of Environment and Natural Resources-Environmental and Management Bureau (DENR-EMB)	Before an ECC is issued, a project is required to undergo an Environmental Impact Assessment (EIA), which predicts and evaluates the impacts of a project and ensures proper mitigation and enhancement measures to protect the environment and community. The EIA process starts with the project proponent conducting an Information, Education, and Communication (IEC) with identified stakeholders. Second, a public scoping is done, wherein the scope of the EIA study and terms of reference for the Environmental Impact Statement are disclosed to the public. Third, the EIA study is conducted with the participation of the public through public hearings. The completed EIA report is submitted to and reviewed by the EMB. If the project complies with the applicable requirements, the EMB may issue an ECC subject to specified conditions. The ECC may also identify permits, clearances, and licenses that must be secured from other government agencies before undertaking particular project activities. Once an ECC is issued, a Multipartite Monitoring Team (MMT), composed of LGU, NGO, and government agencies representatives, is organized as an independent entity representing stakeholders to monitor environmental impacts and compliance with the EIS System after the ECC is issued.[212] **Timeline:** maximum of 20 working days from application
Clearance	Protected Area Management Board (PAMB) in each protected area	Gas exploration activity is to be undertaken within a protected area strictly for gathering data and information, and must be carried out with the least damage to the surrounding areas. The proponent is required to secure the PAMB clearance before an ECC may be issued by DENR. The requirements would vary for each area and type of project. The proponent is also required to obtain approval from the DENR for the survey program, the result of such surveys shall be made available to the public, and submitted to the President who shall make the appropriate recommendations to Congress.[213] **Timeline:** 9 days[214]
LGU endorsement	Local governments of the host area, including the provincial, city or municipal, and barangay local government units.	Under the Local Government Code, project proponents must consult with local government units, nongovernmental organizations, and other concerned sectors and obtain approval from the sanggunian concerned.[215] First, the proponent must submit the required documents to the Office of the Mayor. Second, the application is deliberated by the Sangguniang Panlungsod or Bayan in a scheduled session with notices sent to CSOs and other concerned officials. Once approved, the Sangguniang Panlungsod or Bayan issues a Resolution of No Objection (RONO), which is endorsed to the mayor for their concurrence. The mayor may then issue a Letter of No Objection (LONO) if they approve the project.[216] **Timeline:** 45 days from date of receipt of requirements with a one-time extension of 20 working days for meritorious reasons.[217]
Certificate of Non-Overlap or Certification Precondition and Free, Prior, and Informed Consent (FPIC) of the concerned Indigenous Peoples	National Commission on Indigenous Peoples (NCIP)	A project must first apply for a Certification Pre-Condition, endorsed by the appropriate regulatory agency, to the NCIP Regional Office or the Ancestral Domain Office (for projects that affect two regions). If the project area is patently and publicly known to be outside an Ancestral Domain (AD), a Certificate of Non-Overlap may be issued. If there is an overlap, it undergoes a Field-based investigation (FBI) to determine whether the project overlaps with or affects an AD. If there is an overlap or the project affects an AD, the applicant must undergo the free and prior informed consent (FPIC) process. Two community assemblies are conducted, each set on a separate date and within the AD, to present the project, including its advantages and disadvantages, mitigating measures, results of the Environmental Impact Assessment, and allow the community to ask questions and voice out their concerns. The FPIC Team notifies the proponent and community representatives for MOA negotiation. If the community consents, the NCIP issues the Certificatication Precondition.[218] **Timeline:** Not more than 2 months for consensus-building period.[219]

212 The Revised Procedural Manual for DAO 03-30 provides the procedures for implementing the EIA and ECC process under the PEISS. The EMB Memorandum Circular 005 provides the guidelines for coverage screening and standardized requirements for ECC applications, while the DENR Administrative Order 2017-15 contains the guidelines on public participation.
213 Republic Act No. 11038, §13
214 SECSIME Charter No. RO-05. Application For Protected Area Management Board (PAMB) Clearance.
215 *Id*.
216 DILG Memorandum Circular 2026-032.
217 *Id*.
218 NCIP Administrative Order No. 3 Series of 2012
219 *Id*.

Legal		
	Duly filled-out covering information sheet (DOE Format)	Original
	SEC Certificate of Registration or Incorporation	Certified True Copy
	SEC Articles of Incorporation and By-Laws (The corporate purpose of the applicant shall include the exploration, development and utilization of petroleum resources)	Certified True Copy
	General Information Sheet (GIS) stamp-received by the SEC not more than 12 months old at the time of filing of application	Certified True Copy
	Certificate of Authority from the Board of Directors of the applicant authorizing designated representative/s to apply, negotiate, sign any documents and execute the Petroleum Service Contract (PSC). The said Certificate of Authority shall be executed under oath by the Corporate Secretary	Original
	Joint Venture Agreement, if applicable	Original
	Proof of payment for processing or application fee (DOE Official Receipt)	Original
	For foreign applicants: Document Nos. 2 and 3, applicants shall submit equivalent legal documents issued by the appropriate governing body and duly authenticated by the Philippine Consulate having the appropriate jurisdiction. **For local applicants**: Document Nos. 2–4 shall be duly authenticated by the SEC. All members of a Joint Venture shall submit Documents 2–5.	
Technical		
Work program		
	Summary of proposed work program and minimum expenditure per Sub-Phase for each proposed activity printed copy with respect to the area specified in the proposal a. Gantt Chart format b. Minimum Exploration and Work Commitment/ Minimum Financial Commitment Matrix	Digital and printed copy
	Work program and minimum expenditure with respect to the proposal a. Plan for exploration and work commitment b. Proposed minimum exploration commitment	
	Geological and geophysical evaluation of the area and applied for a. Database b. Petroleum potential analysis c. Prospect lead evaluation d. Resources	Digital and printed copy
	Probability of Discovery (whenever applicable)	
	Economics and development concepts of possible petroleum discoveries a. Plan of development b. Project economics	Digital and printed copy
	NOTE: Each item in the exploration and work commitment matrix must be given a stipulated cost figure, the sum of which will constitute the minimum cost of the work program	
Technical documentation		
	Overview of all its Upstream Petroleum Related Projects	Digital and printed copy
	Technical Personnel's relevant experience, educational attainment, and employment status	
	Particulars of the technical and industrial qualifications, eligibility, and work-related experiences of the applicant and its employees. Particulars on the experiences, achievements, and track records of the applicant and its employees related to technical and industrial undertakings. Operational organization, including resources, expertise, and experience	Original

Financial		
For corporations existing for more than 2 years at the time of filing of application:		
	Annual Report or Audited Financial Statements (FS) for the last two (2) years from the filing date and latest Unaudited FS duly signed by the responsible official, such as the President and/or Chief Finance Officer, if the Audited FS is more than six (6) months old at the time of filing;	Original
	Bank Certification to substantiate the cash balance as of the latest unaudited FS	Original
	Projected Cash Flow Statement for three (3) years covering fund sources and uses for the particular PCECP area applied for, other applied PCECP areas, renewable energy service contract applications, existing service/operating contracts with DOE, and other existing business, if applicable, with support by any or all of the following: a. Sales Agreement/Purchase Order of Buyer for projected revenues on existing operations; b. Sworn Letter of Commitment from stockholders for additional equity/cash infusion within one (1) year of operation; c. Bank-approved loan/credit line earmarked for the proposed operation	Certified true copy Original Original
	For domestic corporations, the latest income tax returns filed with the Bureau of Internal Revenue, and duly validated with tax payments made thereon.	Certified true copy
For newly-organized corporations (existing for two (2) years or less at the time of filing)		
	Audited Financial Statements (FS) or unaudited FS duly signed by the responsible official, such as the President and/or Chief Finance Officer;	Original
	Bank Certification to substantiate the cash balance as of the latest unaudited FS	
	Projected Cash Flow Statement for three (3) years covering fund sources and uses for the particular PCECP area, other applied PCECP areas, renewable energy service contract applications, existing service/operating contracts with DOE, and other existing business, if applicable, with supports by any or all of the following: a. Sales Agreement/Purchase Order of Buyer for projected revenues on existing operations b. Sworn Letter of Commitment from stockholders for additional equity/cash infusion within one (1) year of operation c. Bank-approved loan/credit line earmarked for the proposed operation	Certified true copy Original Original
For Parent Company's guarantee for corporations with insufficient working capital:		
	Parent Company's financial documents per Petroleum Application Checklist Items III. 1.a and III. 1.b;	Original
	Duly notarized Letter of Undertaking/ Support from the Original Parent Company to fund the Work Program;	Original
	General Information Sheet (GIS) of the shareholder availing the Parent Company fund guarantee	Certified true copy

Note: Applicants for PSC under nomination and offering of PDAs are required to submit all the requirements. Applicants for DP PSC under direct negotiation mode are required to submit the same requirements except for the technical documentation, for which they only need to submit the following:

Technical documentation		
	Proposed work program and budget for the first year of the DP PSC	Digital and printed copy
	Overview of all its upstream Digital and petroleum-related projects	Digital and printed copy
	Technical Personnel's relevant experience, educational attainment, and employment status	Digital and printed copy
	Particulars of the technical and industrial qualifications, eligibility, and work-related experiences of the applicant and its employees. Particulars on the experiences, achievements, and track records of the applicant and its employees related to technical and industrial undertakings. Operational organization, including resources, expertise, and experience	Digital and printed copy


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