

1 **PH-EITI 12th MSG MEETING**
2 **9:00 AM- 12:00 PM | April 04, 2014**
3 **Visayas Room, Department of Finance,**
4 **Roxas Blvd., Manila**

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6
7 **Attendees:**

8		
9	Asst. Sec. Ma. Teresa S. Habitan	Department of Finance (DOF)
10	Director Stela Montejo	DOF
11	Febe J. Lim	DOF
12	Engr. Benjamin Mortos	Department of Energy (DOE)
13	Atty. Janet Gudez	DOE
14	Engr. Romualdo Aguilos	Mines and Geosciences Bureau—Department of Environment and Natural Resources (MGB-DENR)
15		
16	Michael Joseph Juan	Union of Local Authorities of the Philippines (ULAP)
17	Dr. Cielo Magno	Bantay Kita
18	Prof. Jay L. Batongbacal	University of the Philippines, College of Law
19	Prof. Maria Aurora Teresita W. Tabada	Visayas State University
20	Ronald Allan A. Barnacha	Philippine Rural Reconstruction Movement (PRRM)/ North Luzon
21		
22	Starjoan Villanueva	Alternate Forum for Research in Mindanao, (AFRIM) Inc.
23	Vince Lazatin	Bantay Kita/Transparency & Accountability Network (TAN)
24	Agustin Docena	Samar Island Bio-diversity Foundation (SIBF)/Eastern Visayas Network of NGOs and POs, Inc. (EVNET)
25		
26	Dr. Merian C. Mani	Romblon Ecumenical Forum Against Mining (REFAM)/ Romblon State University
27		
28	Engr. Artemio F. Disini	Chamber of Mines of the Philippines (COMP)
29	Nelia Halcon	COMP
30	Ronald S. Recidoro	COMP
31	Angel Villamor	Nickel Asia Corporation/ COMP
32	Francisco J. Arañes Jr.	Cambayas Mining Corporation
33	Sebastian C. Quiniones, Jr.	Shell Philippines Exploration BV (SPEX)/ Petroleum Association of the Philippines (PAP)
34		
35	Atty. Gay Alessandra V. Ordenes	Secretariat
36	Maria Meliza T. Tuba	Secretariat
37	Abigail D. Ocate	Secretariat
38	Mary Ann D. Rodolfo	Secretariat
39	Liezel Empio	Secretariat
40	Grace A. Estacio	Secretariat

1 RESOURCE PERSONS:
2

3 Jervin Lee	Philippine National Oil Company Exploration Corporation
4	(PNOC EC)
5 Eugene Opelario	PNOC EC
6 Cherrylin Javier	Isla Lipana & Co.
7 Pocholo Domondon	Isla Lipana & Co.
8 Feve Hisug	Isla Lipana & Co.
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10
11 **AGENDA:**

- 12 • Minutes of the 11th MSG meeting and special MSG meeting
- 13 • Matters arising from previous MSG meetings
- 14 • Scope of the EITI report (non-mandatory information)
- 15 • Confirmation of list of payments
- 16 • Update on scoping study
- 17 • Other matters

18
19
20 **1. Call to Order:**

21
22 1.1. The Philippine Extractive Industries Transparency Initiative (PH-EITI) Multi-Stakeholder Group (MSG)
23 meeting was called to order at 9:05 AM.

24
25 The proposed agenda was presented and subsequently approved by the body.

26
27 **2. Minutes of the 11th MSG Meeting and Special MSG Meeting**

28
29 2.1. The Chair mentioned that the minutes of the two meetings were circulated to the Multi-Stakeholder
30 Group (MSG) for comments and reactions, and no comments were received by the Secretariat.

31
32 2.2. One MSG member noted that the minutes should reflect what was agreed upon during the MSG
33 meeting that the scoping consultant failed to deliver his output to the satisfaction of the MSG, and
34 therefore, it should be recommended that his services be discontinued.

35
36 2.3. Having no further comments, the body approved both the minutes of the 11th MSG meeting and special
37 MSG meeting.

38

1 **3. Matters Arising from Previous MSG Meetings**

2
3 3.1. *Establishment and management of a revenue-linked database:* The Secretariat reiterated that this is
4 dependent on the availability of the Multi-Donor Trust Fund (MDTF) from the World Bank.
5

6 3.2. *Auditing of government reports:* It was mentioned that the Secretariat was previously tasked to invite
7 the Commission on Audit (COA) to discuss the current auditing practices on government data. The body was
8 informed that COA attended the PH-EITI forum with National Government Agencies (NGAs). In the said
9 forum, representatives from COA mentioned that they will draft a memo to be signed by Commissioner
10 Heidi Mendoza, tasking the resident auditors of relevant government agencies to engage in EITI
11 implementation.
12

13 To follow up on this, the government agencies represented in the MSG were requested to inquire whether
14 their resident auditors have already received the memo sent by Commissioner Mendoza. The Secretariat
15 was also tasked to follow up with COA.
16

17 3.3. *Offer of Timor Leste to conduct a training for the PH-EITI MSG on the Petroleum Fund process:* This was
18 reported to be also dependent on the availability of the MDTF.
19

20 3.4. *Bureau of Internal Revenue (BIR) waiver:* It was shared that 25 waivers have already been signed and
21 submitted. The Secretariat mentioned that one of the documents for the meeting provided to the MSG
22 members was an updated list of the mining, oil and gas companies that have signed the waiver and the
23 companies that need to be followed up.
24

25 3.5. *Incentive regime for mining:* It was recalled that the Board of Investments (BOI) representative who
26 attended the last Technical Working Group (TWG) meeting informed the body that the Omnibus
27 Investments Code contains a confidentiality provision prohibiting the disclosure of incentives. It was
28 mentioned that the Secretariat is trying to set up a meeting with the BOI Director Arcansalin to have a more
29 in depth discussion regarding this matter.
30

31 A Civil Society Organization (CSO) Representative suggested that while the body is waiting for the
32 appointment with Director Arcansalin, the MSG can prepare a formal letter addressed to the BOI asking how
33 many mining companies in the EITI list are availing of incentives in order for the MSG to have an overview of
34 the likely impact of these incentives. In addition, the BOI will be requested to identify the types of incentives
35 availed of without having to identify the companies so that it does not violate the confidentiality and the
36 MSG can decide on its materiality.
37

38 The Chair agreed and requested that the Secretariat prepare the letter to BOI.
39

40 3.6. *Selection of Non-COMP alternate representative:* As there has been difficulty assembling the non-
41 members of Chamber of Mines of the Philippines (COMP), a representative from the industry suggested that
42 instead of calling for another election, the representative who got the next highest number of votes in the

1 same January 2013 election will be the new non-COMP alternate. In this case, the representative from
2 Marcventures received the next highest number of votes. It was suggested that the current non-COMP
3 representative, Cambayas Mining, with the assistance of the Mines and Geosciences Bureau (MGB) notify
4 the Marcventures representative that he is the new non-COMP alternate. The MGB concurred and stated
5 that they will schedule a meeting with Marcventures in the last week of April, before the next MSG Meeting.
6

7 *3.7. Other information from DOE:* There were discussions whether other information, aside from contracts,
8 can be disclosed by the Department of Energy (DOE) without any legal impediments. It was recalled that the
9 representative of DOE stated that he will get the opinion of their legal department regarding this matter.
10 The Secretariat mentioned that this is still a pending matter.
11

12 *3.8. Inclusion of coal in the report:* It was shared that Asec. Ariaso and Asec. Habitan met with the President
13 and Vice President of Semirara to discuss EITI. The Secretariat stated that the representatives of Semirara
14 Mining Corporation expressed their willingness to participate, and that they will present to their board the
15 idea of participating in EITI.
16

17 The MSG will receive an update regarding this matter after the company board meeting which is scheduled
18 in mid-April.
19

20 *3.9. Scoping consultants:* It was recalled that during the special MSG meeting on March 19, 2014, that there
21 was an agreement that the MSG will evaluate the performance of the scoping study consultants. The
22 Secretariat informed the body that the results of the evaluation were already communicated to the
23 consultants.
24

25 *3.10. Reporting template for local units:* The secretariat was tasked to coordinate with Bureau of Local
26 Government Finance (BLGF) regarding the memo and the draft template to be sent to the Local Government
27 Units (LGUs) informing them about the data that are required to provide the EITI. It was reported that the
28 said memo has been prepared and is now for distribution to the LGUs through the BLGF.
29

30 **4. Scope of the EITI Report (Non-Mandatory Information)**

31 **Overview of the Philippine National Oil Company Exploration Corporation (PNOC EC)**

32
33
34 4.1. Representatives from the PNOC EC presented an overview of the company's profile, structure and
35 projects (Annex A).
36

37 As part of the presentation, representatives from PNOC EC enumerated their exploration and production
38 projects (for both petroleum and coal) including downstream projects. Coal and oil trading, PNOC EC
39 facilities and payments to the government were also discussed.
40

41 4.2. The salient part of the presentation was the discussion on the production sharing and government share
42 distribution.

1 4.3. It was explained that 70% of the total petroleum revenue will be the cost recoverable which will be
2 shared by the PNOEC and other Joint Venture Partners (JVP). The remaining 30% of the total revenue will
3 then be declared as the profit which will then be divided between the government and contractors. The
4 government will receive 60% of the profit while the remaining 40% will be divided among the contractors
5 based on their participating interest.

6
7 4.4. Another production sharing scenario is when there is a Filipino Partner owning at least 15% participating
8 interest. In this case, there will be an incentive of 7.5% which is the Filipino Participating Incentive Allowance
9 (FPIA). This will increase the cost recoverable from 70% to 77.5% while the profit will now be 22.5% of the
10 petroleum revenue. On the other hand, the government share from the profit is still 60% and the remaining
11 40% again will be divided among the contractors based on participating interest (see Annex A).

12
13 4.5. As for government share distribution, 60% goes to BIR (for income tax and branch profit remittance tax)
14 and DOE, while 40% goes to LGUs.

15
16 4.6. The same concept applies to the production sharing scheme for Coal Operating Contracts (COC). The
17 difference is that the minimum cost recoverable is 90% of the total coal revenue. Also, the share of
18 government and contractors from the profit is 30% and 70%, respectively. On the other hand, 60% of the
19 government share goes to DOE and the share of LGUs is still 40%. PNOEC representative clarified that
20 income tax for COCs is not included in the 60% government share. The companies pay for income tax and
21 other taxes separately.

22
23 4.7. The Chair raised a point of clarification with regard to importation as it was mentioned that there are
24 also payments made to the Department of Trade and Industry (DTI). The Chair inquired into the nature of
25 these payments made to the DTI.

26
27 4.8. According to PNOEC, the payments are usually in the form of fees and permits, mostly minor
28 payments limited to importation.

29
30 The Chair then inquired whether PNOEC has duty exempt or privilege, to which the PNOEC representative
31 replied that if the shipments will be used directly for the oil and gas service contract and the coal operating
32 contract, DOE issues a tax exempt certificate.

33
34 4.9. A representative from the industry then asked whether coal production is at 3 to 4 million tons locally.

35
36 4.10. PNOEC clarified that production is at 150,000 to 200,000 metric tons per year, adding that 95% of the
37 coal is from Semirara and only 2% of the total production is from PNOEC¹. The PNOEC representative went on
38 to say that they supplied around 250,000 metric tons of coal to power plants, while the remaining was
39 delivered to cement plants and other small boiler units.

40

¹ However, from the DOE data, the actual figure of Semirara's coal production is 96% of the total coal production.

1 It was also added that Indonesian coal is much cheaper and has a higher quality compared to Philippine coal,
2 which is why most customers buy directly from Indonesia.

3
4 4.11. A representative from the CSO suggested that the scoping consultants supply a narrative of the PNOC
5 EC presentation and include this in the contextual information as the presentation is a good background
6 material. The same representative also requested PNOC EC to provide the MSG with a list of all the contracts
7 they have summarizing the type of operation whether it is exploration or production, the location of the
8 operations, start of operation, etc.

9
10 The PNOC EC representative agreed to submit the information requested.

11
12 4.12. A representative from the industry inquired regarding the market value used for determining the share
13 for the signature bonus and profit sharing.

14
15 The PNOC EC representative replied that for previous and new service contracts or coal operating contract,
16 they usually indicate for example “Php 1 million signature bonus in kind” and DOE will determine the items
17 that will go into it, whether it be a service vehicle, office equipment, or other such items.

18
19 4.13. A representative from the CSO asked whether PNOC EC can make a detailed list of tax exemptions and
20 provide the same to the MSG.

21
22 PNOC EC representative replied that they will be able to provide such list and will coordinate with the
23 Secretariat regarding this.

24
25 4.14. A representative from the CSO inquired regarding the LGU share, adding that the barangay should get
26 a larger share because this is the area where the actual operations takes place.

27 The Chair then clarified if the sharing is provided by law, to which PNOC replied that it is stated in the Local
28 Government Code.

29
30 4.15. On the other hand, the PNOC EC representative shared that they have Corporate Social Responsibility
31 (CSR) activities in the barangays directly affected by their operations.

32
33 4.16. A representative from the government then sought clarification whether PNOC EC has additional funds
34 for social spending for communities where there are coal operations and if this is pegged at a certain
35 percentage.

36
37 The PNOC representative stated that they do have funds for social spending, however, they are not required
38 to peg it at a fixed percentage.

39
40 4.17. The same government representative then inquired, how much on the average, is the social spending
41 for coal, or if there is an existing minimum.

1 4.18. The PNOEC representative stated that they do not have a fixed percentage or a minimum but they
2 make sure that they are good corporate social citizens and thus perform CSR activities that for the long-term
3 will benefit the communities where their operations are, such as livelihood programs that empower or
4 equip affected communities and leave them in a much better condition than they were in before the
5 operations began in their area.

6
7 4.19. The Chair then inquired whether the PNOEC can supply the MSG with its CSR activities in their areas
8 of operation.

9
10 The PNOEC representative agreed.

11
12 4.20. A representative from the CSO further followed-up on the issue of social spending. The representative
13 inquired on how PNOEC conducts its CSR activities – if the PNOEC partners with a local organization, or with
14 LGUs or other Non-Governmental Organizations (NGOs) in the area.

15
16 4.21. According to the PNOEC representative, they coordinate with LGUs from the barangay up to the
17 provincial level. But, for most of their operations, they coordinate directly with the barangay because these
18 are the communities directly affected by the operations and as such, will also be the beneficiaries of their
19 CSR activities.

20
21 4.22. A representative from the industry then inquired regarding environmental protection, if PNOEC also
22 provides environmental protection funds or rehabilitation and decommissioning funds for their areas.

23
24 The representative of PNOEC responded that the DENR requires them to set up a fund that will be used for
25 environmental restoration. It was added that they are also required to apply for an Environmental
26 Compliance Certificate (ECC). PNOEC will not be able to start operating without an ECC and a Certificate of
27 Non-Coverage issued by the National Commission on Indigenous Peoples (NCIP).

28
29 4.23. The same industry representative suggested that the PNOEC furnish the MSG with a schedule of the
30 environmental protection funds they are paying and the social development programs that they presently
31 have for the MSG to have an idea of how much PNOEC is spending for their host communities.

32
33 The PNOEC representative took note of this request.

34
35 4.24. Another industry representative clarified if the real cost of operating is at 77.5%, as stated in the
36 presentation made earlier.

37
38 4.25. The PNOEC representative clarified that for the initial years, 70% is the maximum amount that will be
39 recovered for a certain period. An example was then provided; if a company has already spent Php 500
40 million for exploration up to when it can finally start production and the company has Php 100 million
41 revenue for the first year. The company can only recover 70% of the Php 100 million. Therefore, the balance

1 of P430 million will be recovered in the succeeding years, with the annual cost recovery capped at 70% of
2 revenue for the pertinent year.

3
4 According to the PNOC EC representative, when the company reaches year 5 and only Php 10 million is
5 needed to recover the Php 500 million cost, a Php 100 million revenue will mean that only 10% of the cost is
6 to be recovered; the remaining 90% will then be the profit that will be divided among the government and
7 the contractors. The PNOC representative then added that during the production years, government and
8 contractor share any increase.

9
10 4.26. Having no further questions for the PNOC, the representatives were then excused from the meeting.

11 12 **Summary of MSG's Decision on Non-Mandatory Information for the EITI Report**

13 14 **• Contract disclosure including all annexes**

15
16 4.27. The Chair clarified that although contract disclosure is only encouraged in the 2013 Standards, the
17 decision made during the 11th MSG meeting was to include this information; however, there are certain
18 aspects that need to be cleared with the legal department of the DOE.

19
20 4.28. A representative from the DOE replied that the legal department is in the process of finalizing whether
21 or not the figures or the sharing may be disclosed. However, they do not see any problem with disclosing
22 the figures considering these figures may be considered public information and these are also submitted to
23 the DBM. The DOE will issue a formal legal opinion on this matter.

24
25 4.29. A representative from the CSO mentioned that in the National Conference of Bantay Kita, the MGB
26 already made a statement that all materials of the Bureau are public documents. However, some documents
27 such as the Environmental Impact Assessment (EIA), for example, will come from the Environmental
28 Management Bureau (EMB). It was then noted that the body will have to double check if the EMB is willing
29 to make the said document public. It was mentioned that there is actually a need to check whether all
30 documents in all the Bureaus of the DENR can indeed be made public.

31 32 **• Information on beneficial ownership**

33
34 4.30. The Chair mentioned that in an exchange of emails dating last October 2013, the body agreed that this
35 will be excluded from the 2014 Report.

36
37 4.31. A representative from the CSO pointed out that the decision was not to participate in the pilot study
38 being undertaken by the EITI International Secretariat, however it was unclear whether a categorical
39 decision was made at that point that the MSG will not include beneficial ownership in the December 2014
40 report.

1 4.32. The Secretariat then clarified that beneficial ownership simply means that you have to disclose
2 whoever ultimately benefits from the company. For example, in the articles of incorporation if the owner is
3 another corporation, one has to disclose the identity of the individuals behind that corporation.
4

5 4.33. The Chair then mentioned that this is recommended in the 2013 Standard and the matter is now being
6 put up for discussion whether or not to include beneficial ownership in the December report. Should the
7 body decide to exclude it, this decision will only hold true for the first report.
8

9 4.34. The Secretariat recalled that the main consideration for not including beneficial ownership in the first
10 report is that it will entail a lot of additional work. Under the Standard, publicly listed companies are not
11 required to do so. What is required is for those who are not publicly listed to disclose their beneficial
12 ownership. Further inquiry needs to be made to these corporations regarding their beneficial owners.
13

14 4.35. The Chair added that a lot of companies in the MSG's list are not publicly listed.
15

16 4.36. A representative from the CSO asked if the body can provide one or two volunteer companies to show
17 beneficial ownership.
18

19 4.37. The Secretariat was tasked to create a table of all EITI-reporting companies and distinguishing between
20 those that are publicly listed from those that are not, and to ask MGB to disclose who the signatories of their
21 contracts are.
22

23 4.38. Another CSO representative suggested that the MSG include the list of publicly listed corporations and
24 their board members in the contextual information.
25

26 4.39. That being said, the Chair then stated that the MSG will include data from the publicly listed
27 corporations and find out if there are any volunteers from the non-listed companies.
28

29 The body agreed to the action.
30

31 • **Revenue Management and Expenditures**
32

33 4.40. The body decided to include this in the report.
34

35 • **Level of disaggregation for publication of data**
36

37 4.41. According to the Chair, BIR data is available for the companies that have signed the waiver. The said
38 data is broken down by kind of tax payment and is disaggregated per company but not disaggregated per
39 project.
40

1 4.42. A representative from the CSO mentioned that based on discussions from the interim MSG and
2 Technical Working Group (TWG) before, the agreement was for data to be disaggregated per company and
3 per site because this will matter much to the LGUs.
4

5 The same CSO representative added that some companies can have different operations in the country and
6 the disaggregation per site will be significant in determining the LGU share. It was suggested that data be
7 disaggregated per site, per mineral and per stream. It was further explained that companies have different
8 operating costs which is the basis for determining the budget for the Social Development and Management
9 Program (SDMP) per site.
10

11 4.43. The Chair then remarked that data on excise tax and corporate income tax are available, but whether
12 the MSG can get the disaggregation that it wants is still unsure.
13

14 4.44. The CSO representative suggested that if the data from BIR is disaggregated per company, then the
15 body reports it per company; the data will then be validated with the MGB data as it is supposed to monitor
16 the production data by project site. It was mentioned that the MGB should have an aggregate gross value of
17 production per site and per mineral. The company should report their operating cost per site as well and
18 from there, one can already validate if the total income tax that the company paid is equivalent to the
19 computed taxable income per site.
20

21 In terms of disaggregation, therefore, the MSG can have a disaggregation at a per company and per site
22 level with the MGB supplying data on the gross value of production which can be reconciled by the tax paid
23 per company based on the BIR data.
24

25 4.45. An industry representative noted that for income tax, it is possible that the company does not pay per
26 project but as a whole.
27

28 4.46. The Chair then suggested that this matter be included in the tasks for the IA.
29

30 4.47. The CSO Representative agreed with the Chair and added that this will be helpful in terms of
31 understanding how the Philippines is allocating its resources to the LGUs. For example, in terms of the
32 operating cost, the main office of a company will have an operating cost that will be shared by the site aside
33 from the operating cost per site. If identified in the report, this will be helpful because operating cost is also
34 the basis for determining amount to be allocated to the SDMP. If done in this manner, it will be helpful in
35 understand how the SDMP should be allocated.
36

37 4.48. The industry representative stated that this is possible for the operating cost, but is unsure regarding
38 data disaggregation at the corporate level.
39

40 4.49. The CSO representative then suggested to report the data as is.
41

1 4.50. Another industry representative asked whether operating costs need also be provided by the
2 company. It was also mentioned that the companies already file a report on their operating cost every year.
3

4 4.51. A CSO representative then suggested that the basis for computation be also included in the reporting
5 template. For example, if the excise tax is based on gross production, the gross production data including
6 the average price should be indicated in the report.
7

8 4.52. The CSO representative further stated that in terms of gross production, it might be possible to
9 disaggregate it in terms of what is being sold locally as the body will have to ascertain the proportion of the
10 minerals that are processed locally vis-à-vis those that are being exported.
11

12 It was further suggested that the MSG identifies the destination countries of the exported minerals.
13

14 4.53. An industry representative requested if the template can have the first two columns featuring the
15 mandatory EITI requirements, the rest of the columns are the details in case a company wants to further
16 disaggregate the information.
17

18 According to the industry representative, considering the body is pressed for time, the MSG should be able
19 to submit the minimum required information and aim to go further in the following years.
20

21 4.54. The CSO representative then clarified that while there is an international standard, whatever the MSG
22 agrees regarding the scope of PH-EITI reporting will be the country standard. The same representative goes
23 on to say that whatever decision the MSG makes will govern the Philippines' level of compliance and
24 assessment in terms of the timelines.
25

26 4.55. The industry member raised concerns regarding the December deadline. The Chair also commented
27 that the task of getting the breakdown of excise tax per product will be difficult.
28

29 4.56. The CSO representative then said that the body can already use whatever data is available with the BIR
30 but what they personally want to see is the level of disaggregation with respect to MGB data. It was
31 mentioned that the accuracy of the BIR data can be easily validated based on the data of MGB.
32

33 4.57. The same representative goes on to add that if the MSG aims for a high goal for this requirement and
34 for some reason it is not met, this does not mean that the Philippines will not be able to produce a report. It
35 was explained that the IA should be able to identify why the country is unable to deliver the data on the
36 level of disaggregation it wants – one reason could be that there are gaps in the data, etc. It was noted that
37 the MSG will still be able to meet the minimum reporting requirement.
38

39 4.58. The Chair then clarified that the body was discussing two separate issues. First, is how the template
40 should look like. It was pointed out that what the CSO representative is saying is that the MSG is setting an
41 internal standard for the Philippines, but that this does not necessarily mean that because these are our
42 standards the country can already fully comply with everything in time for the December report. The Chair

1 then suggested that the body continue along this manner. It was stated that the “Philippine Standard”
2 essentially means that given a perfect world, for example, this is what the MSG seeks to show in the report.

3
4 The Chair noted that this is also a way by which the MSG can push government data to improve.

5
6 The Chair further explained that should the body be unable to meet said country standard, the IA can
7 identify the gaps and relay to the body the next steps forward.

8
9 4.59. A CSO representative then returned to the discussion on disaggregation saying that if the body does
10 not set this up as a goal for the report, it will not be able to motivate the agencies responsible for getting
11 these data and putting the data in a form that is usable for the public. The same CSO representative stated
12 that there is a bigger governance goal in the process other than coming up with a report.

13
14 4.60. An industry representative added that to come up with an almost perfect report for December is a
15 very tall order. It was then cited that for the computation of the excise tax, in terms of determining the
16 value of the shipment at a certain period of time, there is a time gap when the actual payment will be higher
17 or lower and there can be around 50 shipments for each company per year. Thus, it is almost impossible to
18 determine that figure. The suggestion was to accept what is currently provided by the company.

19
20 4.61. The CSO representative stressed that this is why the MSG has to set a standard and measure itself
21 against that standard.

22
23 According to the CSO representative, if the body cannot comply with the standard for one reason or
24 another, then it will also be in the best position to identify the problem. Without a standard, the MSG will be
25 able to produce data but will be unable to identify the problem and policy gaps.

26
27 4.62. The Chair then stated that the MSG seems to agree on trying to set a disaggregation that would be
28 ideal and working towards that. The Chair mentioned that from the government perspective, this is a push
29 towards policy improvement especially with regard to the movement for open data. It was also shared that
30 the EITI has already been contacted regarding contributing to the open data program of the government.

31
32 4.63. A CSO representative added that in drafting the report, the MSG must always have the end user in
33 mind. In addition, it was stated that what the MSG should also think about is how the information will trickle
34 down to the community-level. Given the pressing time constraints, the MSG should find a good balance
35 between compliance and quality.

36
37 4.64. The Chair stated that the MSG should develop a template which would contain a disaggregation that is
38 recommended by the standard and also input some of the things that each MSG member finds necessary for
39 their respective purposes.

1 4.65. A CSO representative also mentioned that one important finding from the EITI report is regarding LGU
2 shares. The computed LGU shares based on the gross value of production can be compared to the reported
3 share of the LGU and to the amount that what was recorded in the books of the LGUs.
4

5 4.66. Considering the foregoing discussion, the body agreed to disaggregate per company, per stream, per
6 commodity, per site and include export destination countries.
7

8 • **Final list of companies**
9

10 4.67. The Chair clarified that the discussion point is how to treat the contractors of State Owned Enterprises
11 (SOEs).
12

13 4.68. According to the Secretariat, PNOG Exploration Corporation and PMDC are the two SOEs included in
14 the list of companies. It was explained that in the official list given by MGB, PMDC is treated as one
15 company. However, the Secretariat shared that there are 26 large-scale and small-scale contractors under
16 PMDC.
17

18 4.69. As a way forward, it was recommended that the PMDC representatives be invited for a presentation so
19 that the MSG will understand their structure and who are these 26 other contractors. The MSG then will be
20 guided whether it would want to include in the report all the 26 contractors.
21

22 4.70. The MGB representative pointed out that from the 26 contractors of PMDC, only AAM-PHIL Natural
23 Resources Exploration and Development Corporation reports to MGB. It was also clarified that the said
24 company is already included in the list of 38 operating mines.
25

26 4.71. The Secretariat reiterated the suggestion to invite PMDC to enumerate the contractors under them
27 and explain how they are structured. Then the MSG will be able to determine which among these 26
28 contractors are already included in the list provide by MGB.
29

30 The body agreed to ask the PMDC for a presentation.
31

32 4.72. Before moving to the next item, one member of the MSG shared that there are two (2) operating
33 nickel mines in Tawi-Tawi. Since all the operating mines are included in the EITI report, it was suggested that
34 MSG discuss on how to include the said nickel mines.
35

36 4.73. In response to this, the Chair stated that the Secretariat will write a letter to Governor Hataman of the
37 Autonomous Region of Muslim Mindanao (ARMM) explaining the EITI and asking for assistance in engaging
38 the two mining companies in Tawi-Tawi.
39

1 • **Additional information**

2
3 4.74. For the contextual information, there was a suggestion to also include the profile of individual
4 companies and not only the general contribution of the industry to the economy. This was suggested since
5 the level of data produced in the scoping study is not disaggregated and still based on the aggregate data
6 that can be found in the website of the government agency. A CSO representative pointed out that the
7 needed contextual information should be included in the template for the companies to complete.

8
9 4.75. One MSG member cited for example, when a mining company completes the reporting template, the
10 additional contextual information could also be asked including if the company has an FPIC or not and who
11 are their partner organizations in implementing the FPIC. If the contextual information of all mining
12 companies in a given province were gathered, the data can be aggregated and the MSG will have a
13 provincial level context already.

14
15 4.76. One representative from the CSO was asked to present the matrix for contextual information that they
16 prepared (Annex B).

17
18 4.77. The matrices presented were for the following parts of contextual information:

- 19 • Company profile
20 • Employment
21 • SDMP
22 • Gross Production
23 • Pricing

24
25 4.78. The Secretariat clarified if the data for contextual information will be unilaterally disclosed by the
26 companies or if it will be counter checked with government data. For example, if the information on the
27 employment reported by the company will be compared with the data from Department of Labor and
28 Employment (DOLE).

29
30 4.79. The CSO representative responded that the data for contextual information should also be validated by
31 the IA.

32
33 4.80. A concern was raised whether going into such detail is still part the function of EITI. Specifically, it was
34 asked if determining the number of female or male employees is important.

35
36 4.81. It was explained that under the Magna Carta for women the data on the employment should be
37 disaggregated. However, it was mentioned that this law is not exclusive to extractive industry and governs
38 operations of all companies as well as government agencies.

39
40 4.82. The Chair added that if companies are compliant with almost everything especially their taxes, they
41 will also be compliant with things like the labor and gender requirements under the law.

1 4.83. One representative of the industry sector shared that the information on employees is readily
2 available since they are required to submit to DOLE. It was stated that the companies should try to fill up as
3 much as they can; nevertheless, it was suggested that the mandatory information be prioritized in the
4 template to be able to submit a report by November.

5
6 4.84. The CSO representative reiterated that given the short period of time, this is the easiest way that the
7 MSG can get disaggregated data from companies. In addition, since there has been a long debate on how
8 much the mining industry really contributes to the economy, seeing the amount of employment that the
9 industry creates at a local level will respond to the argument. Moreover, it was mentioned that contextual
10 information requires economic contribution and employment should be included since it is an outcome of
11 the economic activity.

12
13 4.85. The Chair agreed that employment is an important statistics to be reported because it will make the
14 people realize exactly what are the impacts of the extractive industry to the local communities.. The Chair
15 also mentioned that most mining companies have special preference in hiring people from the host and
16 neighboring barangays. The template will show whether this is a general principle being followed in the
17 industry.

18
19 A representative of the industry sector mentioned that direct employment will not give the complete
20 picture. Thus, it was suggested that the multiplier effect be also reported. It was mentioned that the
21 companies should report who are their suppliers.

22
23 4.86. The Chair noted that another column for suppliers will be added in the template to capture the
24 employment contribution of the mining companies through suppliers. The Chair clarified that the EITI report
25 may not provide a complete picture but it will provide a window for the information that was not previously
26 disclosed or not readily available, so that interested party and policy makers can take a look and really see
27 the impact of the extractive industry.

28
29 4.87. One of the MSG members expressed the opinion that the disclosure of suppliers can also be optional.
30 If there are companies who really want to disclose and identify their suppliers it can be included as an
31 attachment. As for the multiplier effect, it was mentioned that a consultant can be hired to do a scoping
32 study on the multiplier effect of the industry as part of the contextual information for the 2015 report.

33
34 4.88. A representative of the CSO commented that this may later on influence the policy in terms of
35 providing royalty and making sure that certain percentage of the royalty really goes to women projects
36 especially in Indigenous People (IP) areas.

37
38 4.89. Going back to the issue on suppliers, it was shared that companies are mandated to submit this
39 information to the BIR. However for the royalty, the company will pay directly to IPs and how the royalty is
40 distributed may not be tracked.

41
42 The Chair noted that the IP royalty might not be validated since the recipient is not a government agency.

1 4.90. The body agreed that it is impossible to audit the IPs. At the minimum, what we can be done is to get
2 the information on how much the companies are paying, the copy of the MOA and who receives the royalty.

3 4 **5. Confirmation of list of payments**

5
6 5.1. The Chair presented the list of payments as discussed in the last MSG meeting. The body was asked to
7 give its final confirmation that these are really the revenue streams to be covered in the EITI report.

8
9 5.2. On the issue of incentives, it was suggested that the companies be asked to waive the confidentiality
10 clause on the incentives. The Secretariat was asked to draft both the letter requesting for a waiver from the
11 companies and the actual waiver.

12 The body agreed.

13
14 5.3. One CSO representative questioned how the operating cost data provided by the company are going to
15 be validated.

16
17 5.4. In response, it was proposed that the identification of the data weaknesses including integrity and
18 validity of data be added in the task of the IA. It was elaborated that if a report of an agency is just based on
19 what the company submitted then there will be no gap but, the accuracy of the data will not be validated.
20 Thus, the lack of mechanism to validate should be part of the assessment of the IA.

21
22 5.5. On the list payments for of oil and gas, the business tax included in the local payments was asked to be
23 removed. A representative from the industry sector pointed out that they are not paying business tax.

24
25 5.6. As for the mining industry, a question was raised whether the companies in the exploration phase
26 should be included in the list of reporting companies since they will be requested to report their Community
27 Development Program (CDP).

28
29 5.7. The Secretariat pointed out that as indicated in the Terms of Reference (TOR) of the IA, other special
30 funds whether or not included in the list of 38 mining companies will also be looked into.

31
32 5.8. A representative from the MGB shared that they have a copy of the exploration permit for exploration
33 companies.

34
35 5.9. One MSG member stated that there is no need to add the exploration companies in the list of 38 mining
36 companies. However, what can be done at the minimum is to make public the CDP of the exploration
37 companies.

38
39 5.10. The MGB representative responded that there will be no problem in making the said documents
40 public.

1 5.11. A CSO representative explained that if the 10% spent for CDP is incorporated in the operating cost and
2 is part of the recoverable cost once the mining company started operating, then it is critical that the 10%
3 spent during exploration be disclosed.

4
5 5.12. The body agreed but subject to confirmation if the 10% spent for CDP will be added to the recoverable
6 cost of the company.

7
8 5.13. On a different note, it was recalled that there were discussions on whether or not to include the
9 Corporate Social Responsibility (CSR) of the companies. It was suggested that the CSR be included in the
10 report but on a voluntary basis.

11
12 5.14. The body agreed to encourage the companies to voluntarily disclose their CSR activities and
13 expenditures.

14
15 5.15. The list of payments for both mining and petroleum industry were approved by the body.

16
17 5.16. The Chair noted that the data on the tax payments of companies from the BIR Commissioner were
18 included in the meeting kits. There are two documents from the BIR, one showed the name of the
19 companies that executed the waiver while the companies are coded in other document.

20 21 **6. Update on scoping study**

22
23 6.1. The Chair mentioned that the Secretariat already shared the second draft report of the scoping
24 consultant to the MSG members.

25
26 6.2. It was noted that the second draft report was slightly improved compared to the initial draft submitted
27 to the MSG. However, there was still a material lack of discussions on how to compute for a materiality
28 index so that the MSG would know which of the revenue stream are to be included in the report. The Chair
29 then expressed that this will now be the task of the IA.

30
31 6.3. The body was informed that the scoping consultant has not yet submitted the final report which was
32 due on March 31.

33
34 6.4. The Chair relayed that the reason of the scoping consultant for not submitting the draft was because
35 the names of the companies which executed the BIR waiver were not identified in the data initially provided
36 by the BIR. However, the Chair explained that for purposes of determining materiality, the consultant should
37 only need the payment streams and since the MSG will include all the companies, it was simply a matter of
38 adding or subtracting the data from BIR to determine which of the streams will be material. Nevertheless,
39 the Chair mentioned that the revised BIR data, with company names, was sent to the scoping consultant.
40 But still, the final report was not submitted.

1 6.5. The Chair mentioned that all of the MSG findings can be reported to World Bank, which is the entity
2 funding the scoping study. It is the Word Bank that has to determine what to do with the engagement of the
3 consultant and the remaining payment balance.
4

5 6.6. The Secretariat, however, shared that the World Bank is asking for the recommendation of the MSG
6 whether or not the engagement of the scoping consultant should be continued. It was further elaborated
7 that as the signatory of the contract, World Bank is responsible for informing the scoping consultant.
8 However, as the end user, it is the task of the MSG to evaluate the performance of the consultant.
9

10 6.7. The Chair shared that the MSG has an objective basis for assessing the performance of the scoping
11 consultant since the Secretariat prepared a matrix measuring the deliverables of the scoping consultant and
12 the timelines. The Chair added that there is also a matrix summary in terms of what has been delivered and
13 what was not.
14

15 The Secretariat presented the evaluation of deliverables based on the TOR for scoping study.
16

17 6.8. It was mentioned that the MSG can share the said evaluation document with the World Bank.
18

19 6.9. The Chair asked what will be the recommendation of the body if ever the World Bank asked for a
20 categorical statement from the MSG whether or not to continue the services of the scoping consultant.
21

22 6.10. A representative of the industry sector commented that the figures compiled by the consultant were
23 fairly accurate. It was mentioned that the report also encompasses all the figures that the representatives
24 from the mining industry are interested in and are familiar with. However, the industry noted that this is just
25 an observation based on a quick review done only in the part involving the mining sector.
26

27 6.11. One MSG members stated that from the summary matrix, almost 70% has not been delivered by the
28 scoping consultant and this is just on the quantitative basis. Moreover, in terms of quality and looking at the
29 detailed matrix of what each undelivered item supposed to contain, it was mentioned that more than 70%
30 was not delivered.
31

32 6.12. A question was raised as to who will finish the report if the scoping consultant will be terminated.
33

34 6.13. The Secretariat clarified that if there is still remaining funds from what was originally allotted for the
35 scoping consultant then the Secretariat can hire another consultant to improve on what was already
36 submitted or draft at least the contextual information. All the other information will then be delivered by
37 the IA. Furthermore, the Secretariat mentioned that most of the needed information are already available
38 and can easily be requested from the companies and the government.
39

40 6.14. One MSG member asked how the writer will be procured.

1 6.15. The Secretariat responded that three (3) curriculum vitae and draft TOR will be submitted to the World
2 Bank. Once approved, the consultant will be enrolled in the World Bank system and then the writer can
3 already start working.

4
5 For clarification, the Secretariat mentioned that since the writer is for the contextual information, the work
6 can be done simultaneously with the work of the IA. The MSG is no not really going for a specific deadline
7 for the contextual information aside from the December deadline for the report.

8
9 6.16. It was suggested that a sample work of the applicants for the writer be asked in order to evaluate their
10 skill in technical writing.

11
12 6.17. Considering the foregoing discussion, the body agreed to recommend that World Bank discontinue the
13 engagement of the scoping consultant and fund the writer for the contextual information. The decision as to
14 whether the scoping consultant should be paid in full or only partially, and how much, shall be left to the
15 World Bank.

16 17 **7. Other Matters**

18 19 **Update on the MDTF**

20
21 7.1. It was shared to the body that the MDTF has been delayed and that the World Bank cannot give a
22 definite time when it can be released. However, the Secretariat mentioned that an arrangement has been
23 made and the World Bank will give a Bank executed fund so that all PH-EITI activities at least until
24 September 2014 will be funded.

25
26 7.2. For clarification, it was mentioned that the MDTF will cover two (2) PH-EITI country reports.

27 28 **Upcoming activities**

29
30 7.3. The members of the MSG were reminded that the 13th MSG meeting will be held on May 2, 2014.

31
32 7.4. It was recalled that an LGU briefing was conducted last February. However, some of the LGUs were not
33 able to attend the said briefing thus, the need to conduct another one. The Secretariat shared that the
34 second LGU briefing will be held on May 14, 2014.

35
36 7.5. There was a suggestion to include the barangay units in the briefing especially those affected areas
37 since the MSG will be getting their support later for the contextual information and in the reconciliation
38 process.

39
40 7.6. It was suggested that the Secretariat only invite a barangay association to save on costs.

41
42 The body agreed.

1 7.7. The body was also informed that the 2nd PH-EITI National Conference and template workshop will be
2 conducted on May 15 and 16. The Secretariat mentioned that the program for the 2-day event has been
3 drafted and will be sent out next week.
4

5 7.8. The Secretariat flagged that there will be a sectoral assessment during the National Conference wherein
6 each sector will be asked to evaluate the first year of EITI implementation and then plan the next steps how
7 they want to be more involved in the EITI.
8

9 It was also mentioned that international speakers were again invited to give the proper context on the
10 global EITI implementation.
11

12 **Pool of speakers**

13
14 7.9. It was raised that there is a suggestion to create a pool of speakers for PH-EITI. Because the MSG will be
15 instructing the reporting entities on how to fill up the reporting template, more briefings and trainings are
16 expected to be conducted in the coming months. In addition, the Secretariat pointed out that it is necessary
17 to conduct as many outreach activities as possible.
18

19 Each sector was requested to identify individuals that the Secretariat can invite from time to time as a
20 speaker for EITI.
21

22 7.10. The Chair mentioned that it will be good if other sectors would also speak on behalf of the MSG to
23 show that it is really a multi-sectoral group.
24

25 7.11. It was suggest that the selection of speakers be done per activity. The MSG will be informed ahead if
26 there is a scheduled training or briefing and then they will identify who are available to speak from the
27 different sectors.
28

29 The body agreed.
30

31 **New EITI code of conduct**

32
33 7.12. For the information of the MSG members, the Secretariat shared that a new EITI code of conduct was
34 release by the International Board last month. A copy of the said document was included in the meeting kits
35 of the MSG.
36

37 **Financial report**

38
39 7.13. The Secretariat reported that out of the total budget of Php 10.9 million for 2013, around Php 1.3
40 million or 12.74% of the total budget has already been spent. There is still a remaining balance of Php 9.5
41 million or 87.2% of the total budget.
42

1 7.14. One of the MSG members asked if the balance will be enough to cover the remaining work to be done.

2

3 7.15. The Secretariat confirmed that the remaining amount is enough.

4

5 **Update on engagement of Independent Administrator**

6

7 7.16. It was reiterated that Isla Lipana emerged as the highest bidder and will be the Independent
8 Administrator for PH-EITI. However, it was noted that the execution of their contract is still being processed
9 by the Bids and Awards Committee (BAC) of DOF.

10

11 7.17. The body was informed that the total bid submitted by Isla Lipana is 3.8 million pesos. There is a Php
12 200,000 savings since the original budget was 4 million.

13

14 7.18. It was also shared that last Monday, pursuant to bidding procedures, a negotiation with Isla Lipana was
15 conducted. The Secretariat was able to negotiate the following:

16

1. Inclusion of reference documents for all data

17

2. Determination of materiality

18

3. Inclusion of other payments and companies that are not in the list but which might be discovered in
19 the course of data gathering

20

21 In return, Isla Lipana asked to have an office space provided by DOF.

22

23 7.19. The representatives of Isla Lipana were called in the meeting to present their work plan to the MSG
24 (Annex C).

25

26 7.20. One MSG member asked for a list of mining, oil and gas companies that are clients of Isla Lipana.

27

28 7.21. The IA shared that requested information is included in their technical proposal. However, it was
29 mentioned that it can also be part of the inception report that will be submitted on April 30.

30

31 7.22. It was clarified that the IA will issue a formal monthly report but there can be weekly discussions with
32 the Secretariat depending on the needs.

33

34 7.23. The IA was asked to attend the monthly MSG meeting.

35

36 7.24. Representatives from Isla Lipana noted that they will be coordinating with the Secretariat on how to
37 effectively share all the files to the MSG members.

38

39 **ADJOURNMENT**

40

41 There being no other matters to discuss, the meeting was adjourned at 11:50 AM.



PNOC Exploration Corporation
An Overview Presentation
to the PH-EITI
MSG and Secretariat

4 April 2014

**Energizing
Change**



**PHILIPPINE
NATIONAL OIL
COMPANY
(PNOC)**

**PNOC
ALTERNATIVE
FUELS
CORPORATION
(PAFC)**

**PNOC SHIPPING
AND TRANSPORT
CORPORATION
(PSTC)**

**PNOC
EXPLORATION
CORPORATION
(PNOC EC)
99.79%**

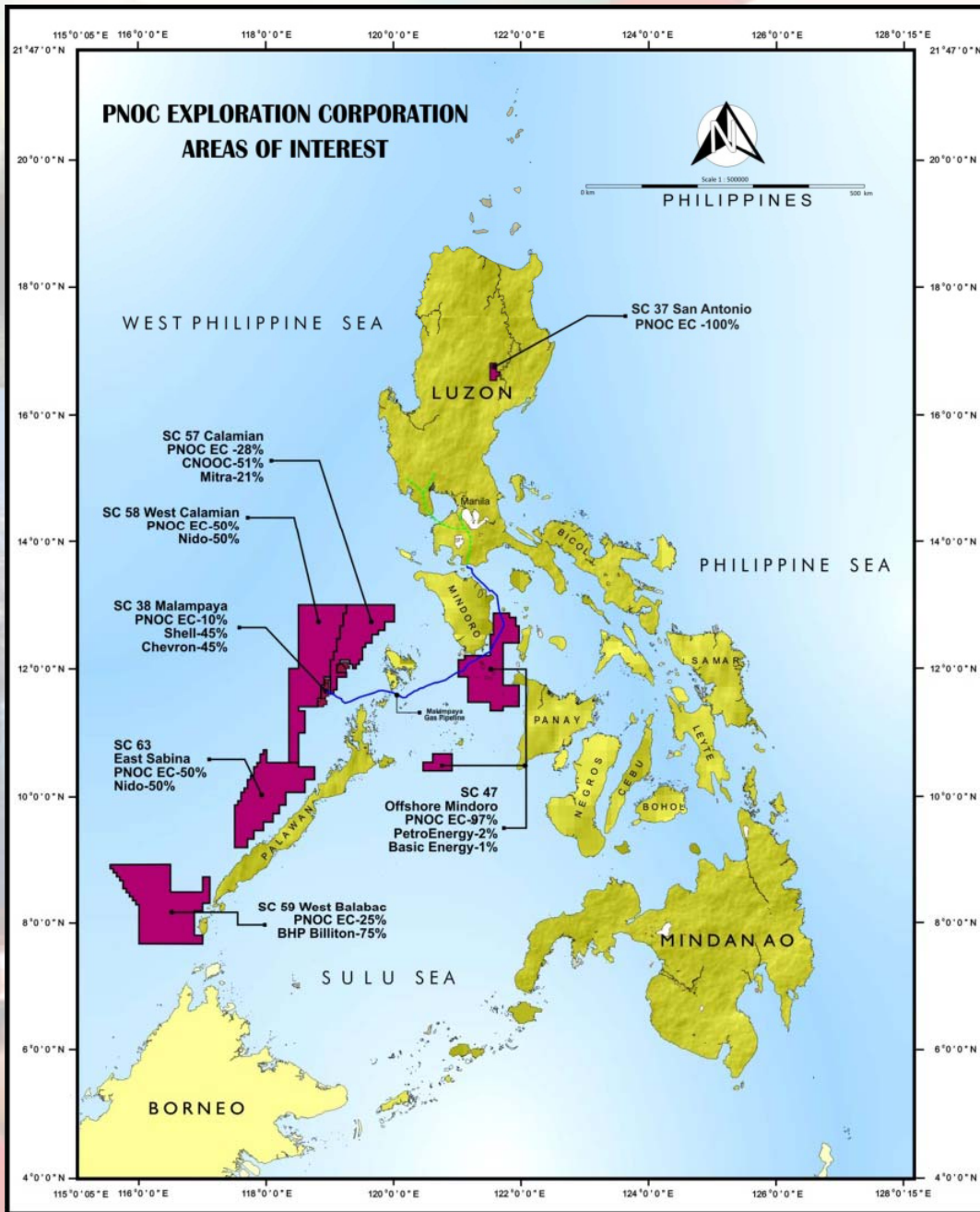
**PNOC
DEVELOPMENT &
MANAGEMENT
CORPORATION
(PDMC)**

**PNOC
RENEWABLES
CORPORATION
(PRC)**



PNOC Exploration Corporation General Company Profile

- Philippine Government, through PNOG, owns 99.79% of PNOG EC; the remaining 0.21% is held by public stockholders.
- The Petroleum and Coal subsidiary of the Philippine National Oil Company (PNOC)
- Started out as an exploration department of PNOG in April 1975 and became incorporated on April 20, 1976 as a PNOG subsidiary

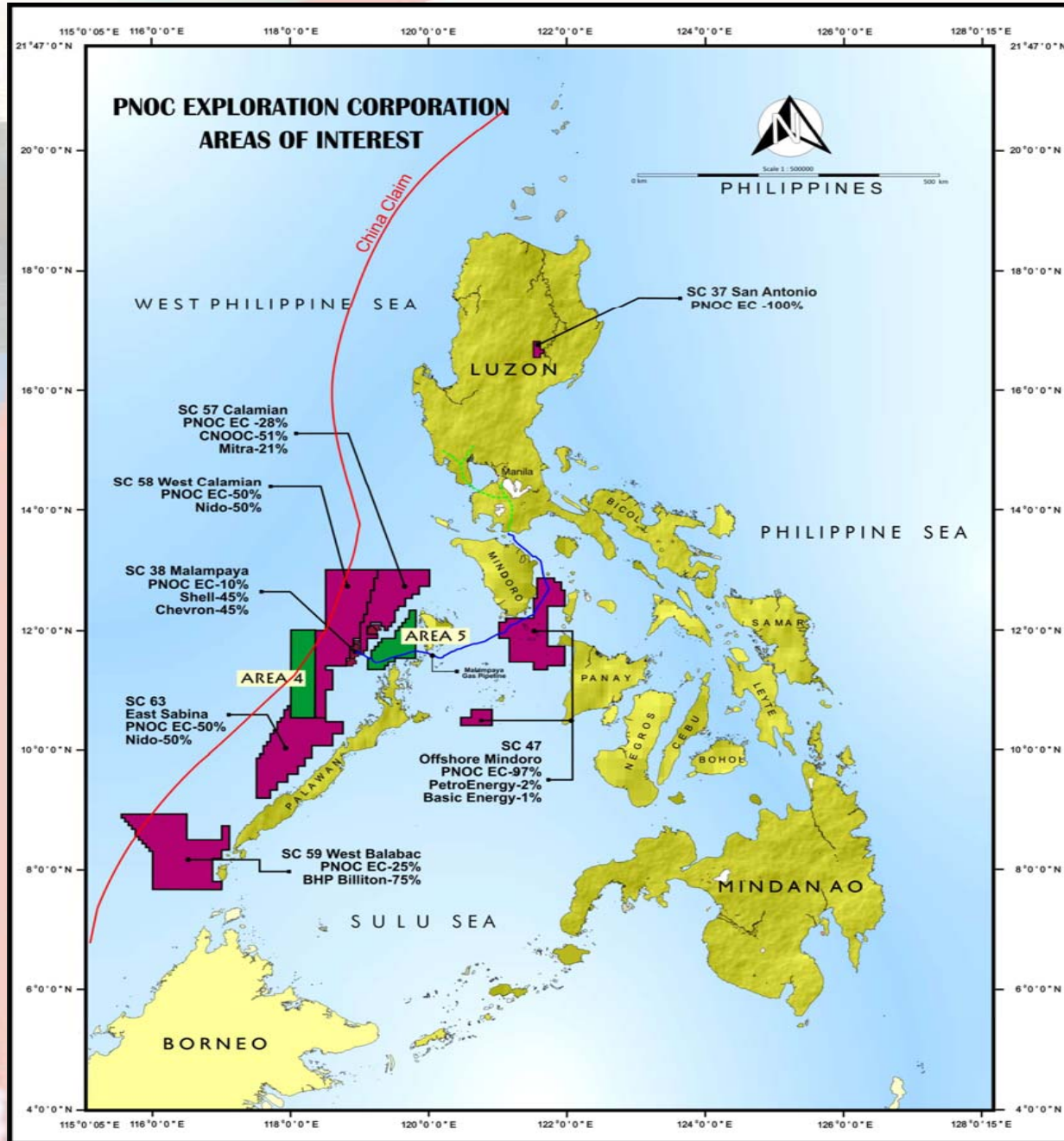


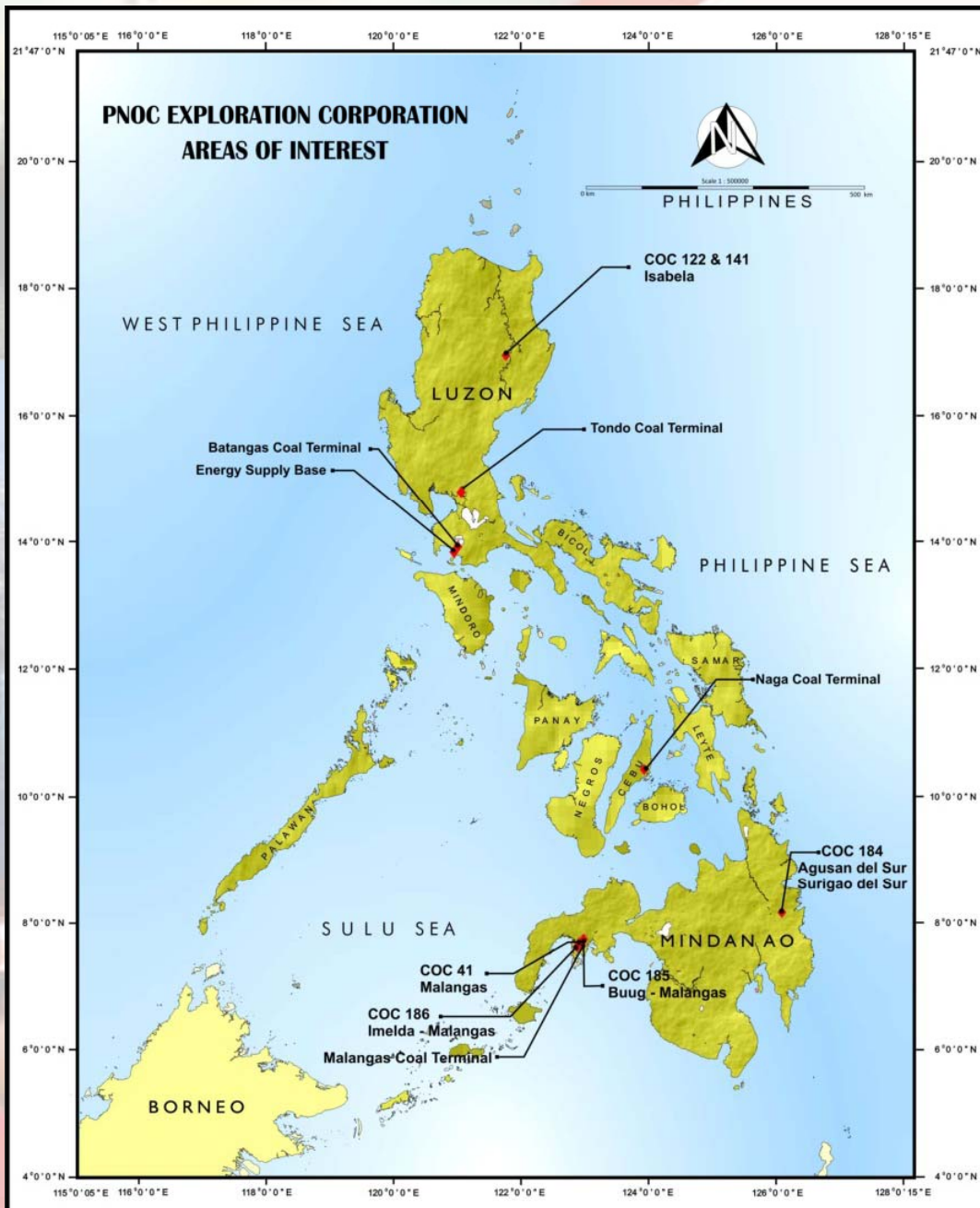
As Operator

- SC 37 (100%)
- SC 47 (97%) w/ Petro Energy & Basic Petroleum
- SC 63 (50%) w/ NIDO

As Active Partner

- SC 38 (10%) w/ SPEX & Chevron
- SC 57 (28%) w/ CNOOC & Mitra
- SC 58 (50%) w/ NIDO
- SC 59 (25%) w/ BHP





Coal Operating Contracts

COC 41 - Zamboanga Sibugay
 COC 122 & COC 141 - Isabela
 COC 184 – Agusan-Surigao
 COC 185 – Buug-Malangas
 COC 186 – Imelda-Malangas

Coal Terminals

Bauan, Batangas
 Naga, Cebu
 Tondo, North Harbor
 Malangas, Zamboanga Sibugay

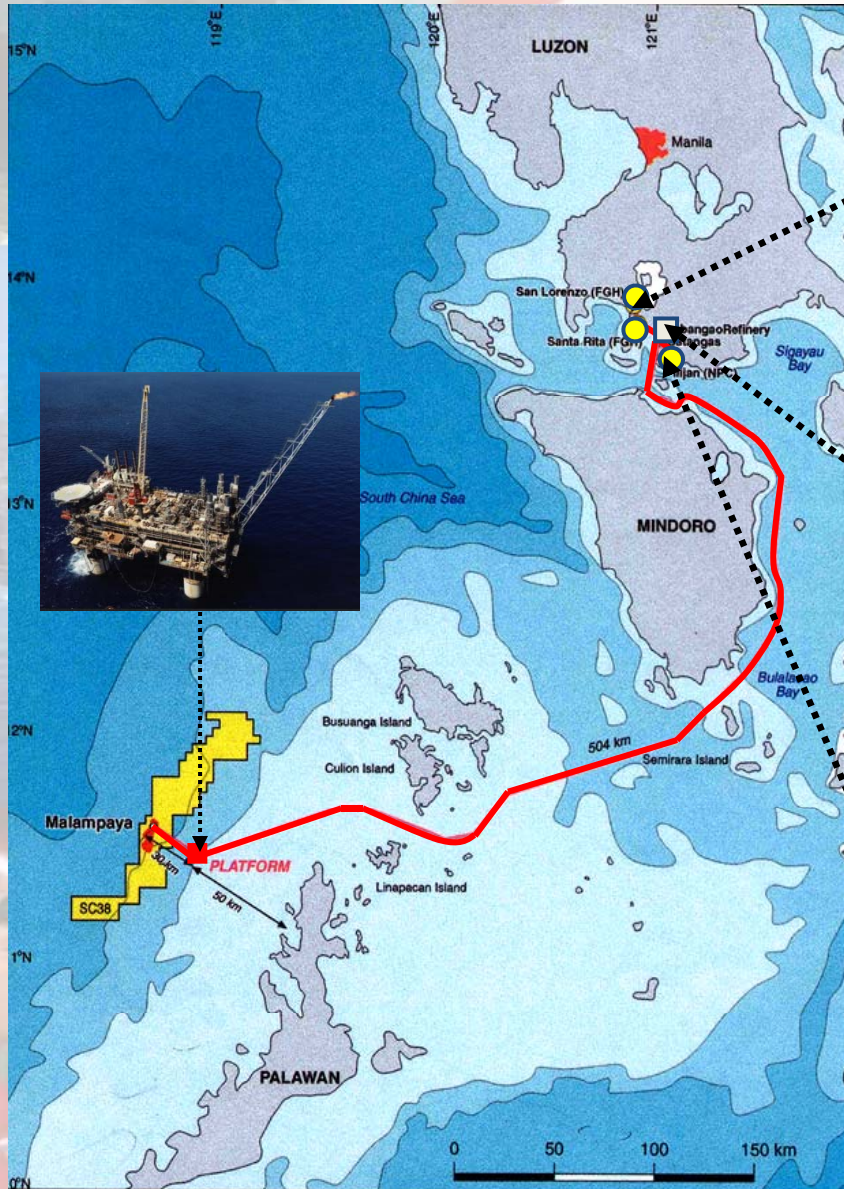
Energy Supply Base



Petroleum E & P



SC 38 Malampaya Project



SAN LORENZO POWER PLANT
/ First Gas Corp, 500 MW / 2002



STA. RITA POWER PLANT /
First Gas Corp. 1,000 MW /
Jan 2002

ONSHORE GAS PLANT/
SC 38 Consortium/Oct
2001



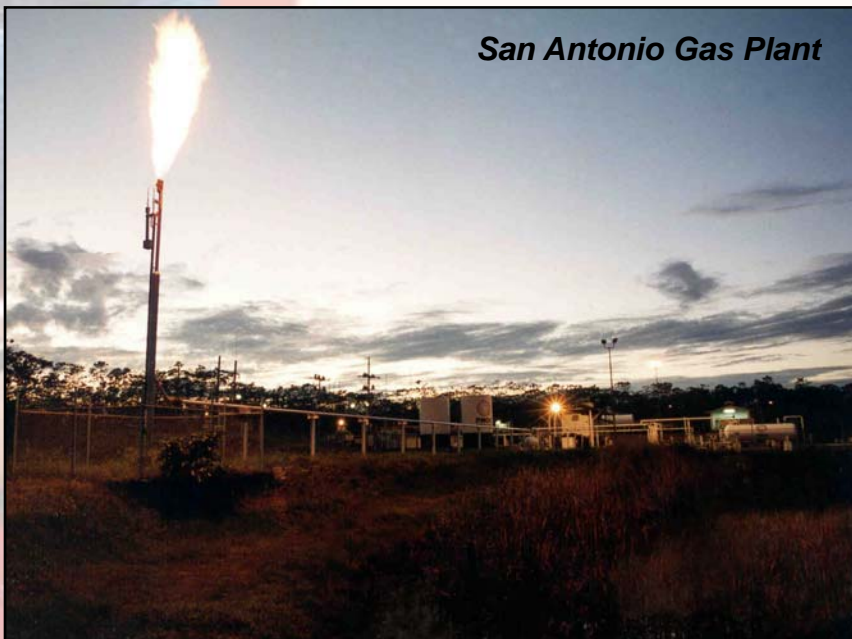
ILIJAN POWER PLANT /
1200 MW / Oct 2001

Industcards' Power Plants Around the World

SC 37 – Cagayan Basin



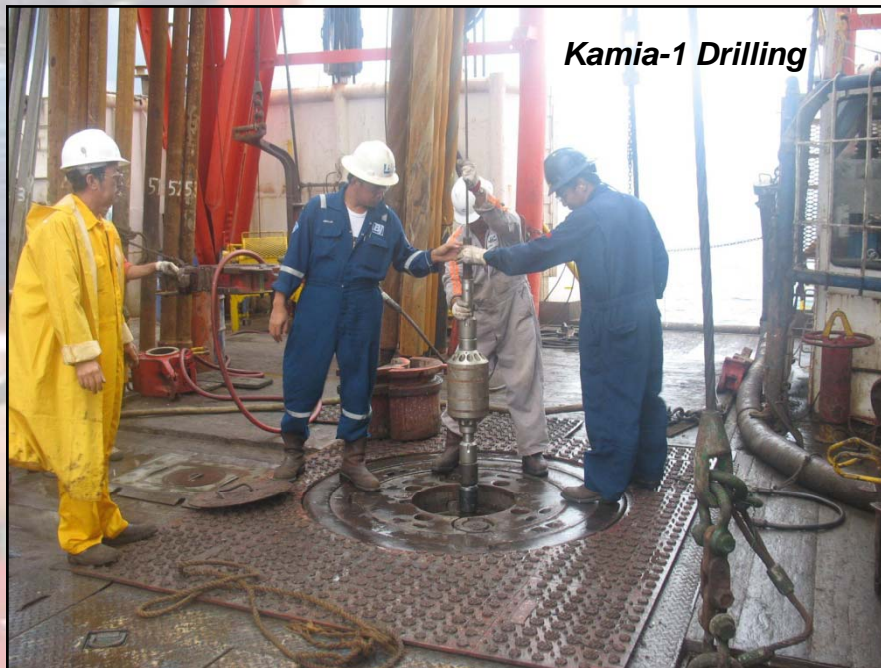
- Site of the 3-MW San Antonio Power Gas Field, the country's 1st gas-fired power plant in 1994
- Produced 4 BCF of gas until 2008 as fuel for the power plant supplying electricity to 3 towns and one city in Isabel province
- Plans to drill the Mangosteen prospect in 2014
- Plans to put up gas fired power plant





SC 47 – Offshore Mindoro

- PNOC EC holds 97% with PetroEnergy 2% and Basic Energy 1%
- Maniguin 2 oil discovery in 1994
- Looking for JV partner
- In talks with a potential farminee to acquire seismic data and drill a well



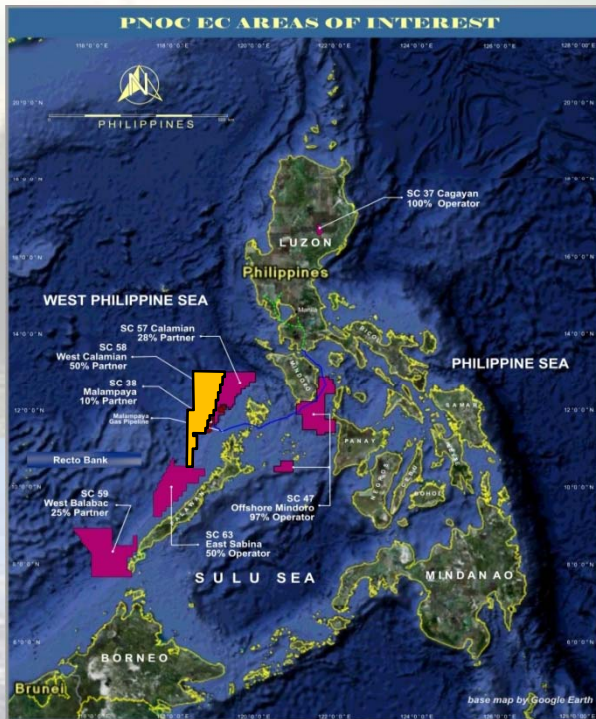
SC 57 – Calamian

- PNOC EC holds 28% with CNOOC International Ltd holding 51% and Mitra Energy Ltd with 21%
- PNOC EC will be carried free up to the 1st well
- Activities are pending the transfer of participating interests to CNOOC and Mitra Energy
- Programmed G&G and Well Drilling



SC 58 – West Calamian

- Partner with Nido Petroleum (50%) and will carry PNOC EC up to the drilling of the 1st well
- Ongoing Geological and Geophysical Studies
- Finalizing Drilling Plans for the first Exploration Well





SC 59 – West Balabac

- Just north of the oil and gas fields in Malaysia
- BHP Billiton, our partner, will carry PNOEC up to the 3rd well
- Ongoing Geological and Geophysical Studies
- 1st well scheduled in 2014



SC 63 – East Sabina

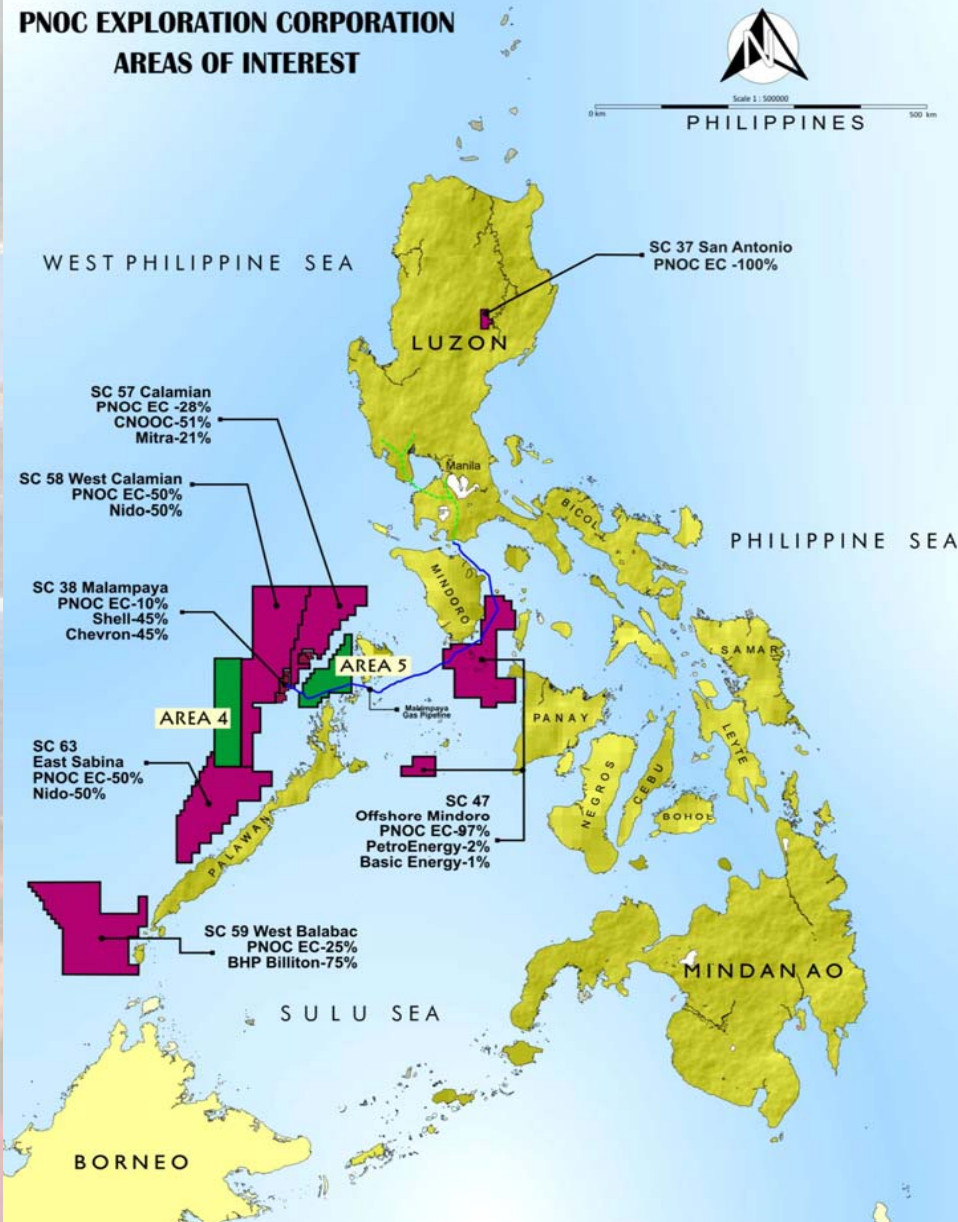
- Partner with Nido Petroleum (50%)
- On-going preparations for the drilling of one well in 2014



New Areas – Petroleum



PNOC EXPLORATION CORPORATION AREAS OF INTEREST



- PNOC EC participated in the recent Petroleum bid rounds conducted by the DOE; Applied for 2 new SC areas (Area 4 and Area 5) in partnership with other oil companies
- Awaiting official announcements from the DOE on the award

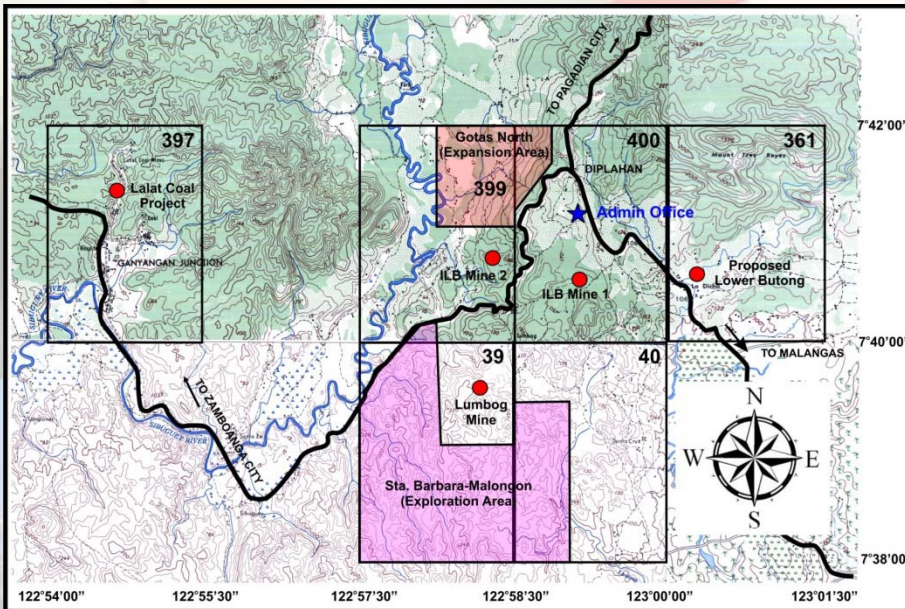


Coal E & P



COC 41 - Zamboanga Sibugay

- License valid up to August 2030
- Producing 150,000-200,000 metric tons/year from 2 mines and also from DOE-accredited small scale mining operations
- Coal CV is 6100-6300 Kcal/kg
- Developing a 3rd mine for production in 2014 and a 4th mine for production in 2015



Coal Underground Mining Operations



**Coal Mine in Zamboanga Sibugay –
COC 41**

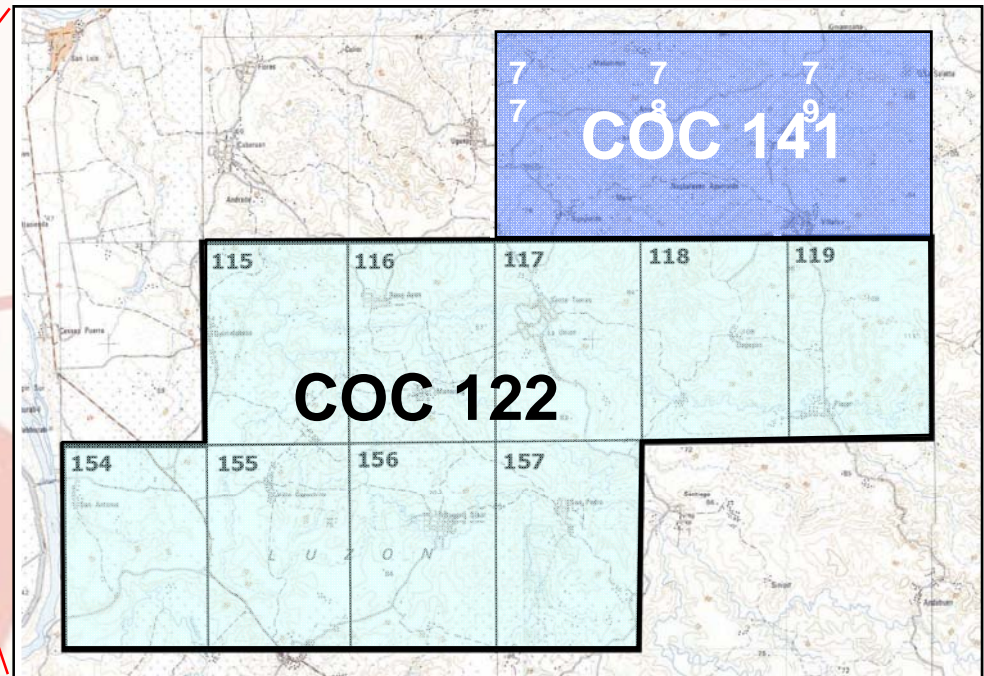
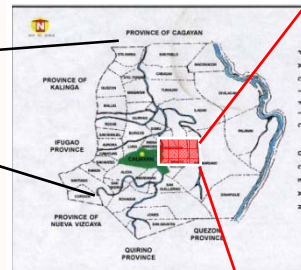
COC 122 – Isabela

- Covers Cauayan City, Benito Soliven and Naguilian towns in ISabela Province
- Lignite Coal
- Already in the Development Phase
- On-going pre-development work
- Looking for JV partner in the development of integrated Mine and power plant

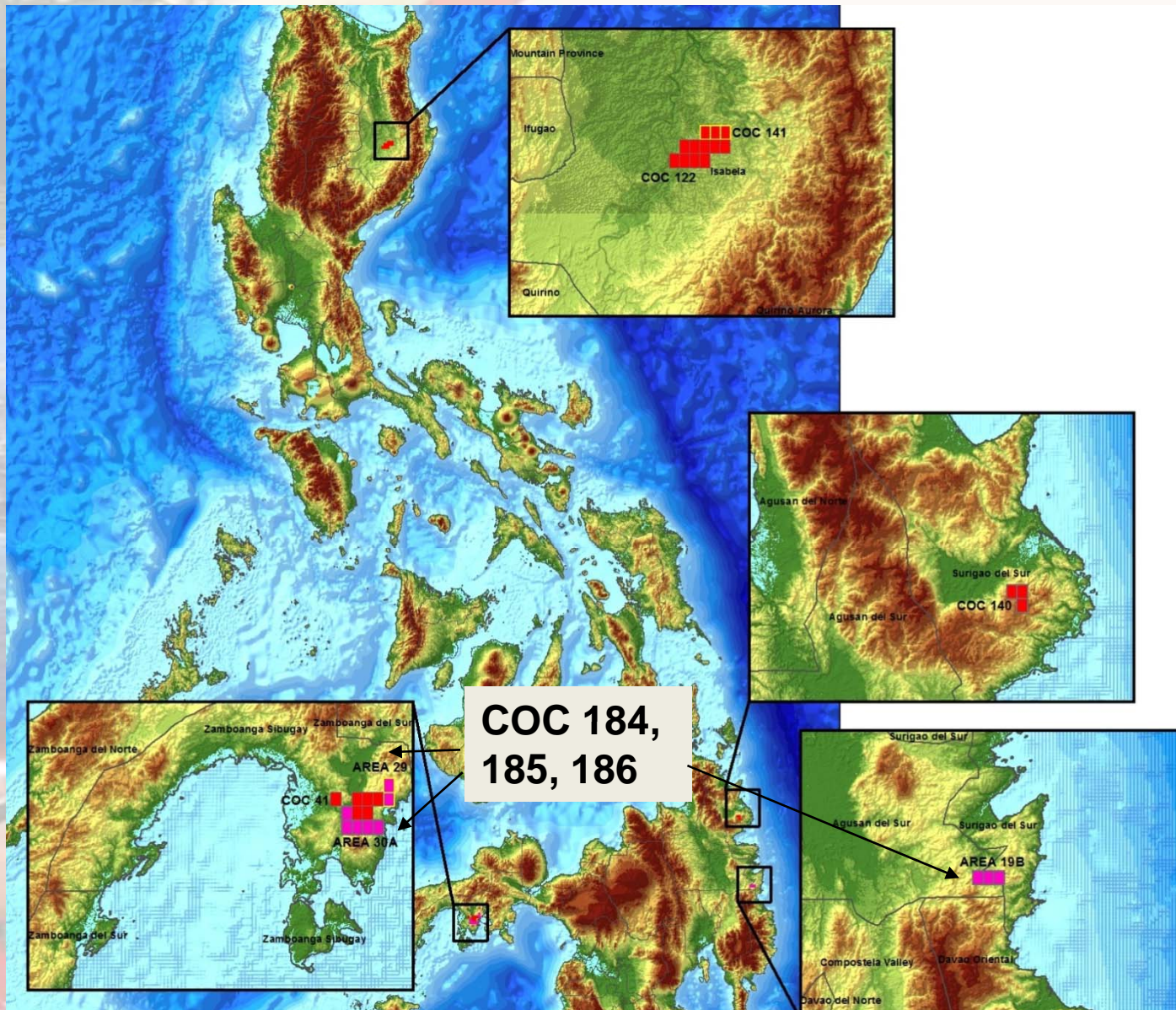
COC 141 – Isabela



- Located north and adjacent to COC 122 coal block;
- Northern extension of coal seam encountered in COC 122
- Under Exploration Stage
- Programmed the drilling of exploration wells to determine reserves



New Areas - Coal



- Participated in the recent coal COC bid rounds of the DOE
- Programmed the conduct of Exploration Surveys and Drilling in 2013/2014



Downstream Projects



Coal Mine Mouth Power Plants



- PNOC EC plans to put up 100 MW power plant; both in Isabela and in Sibugay
- Looking for partners to develop the integrated Mine and Power Plant project



Compressed Natural Gas (CNG) Stations

- PNOCC EC will develop 2 new CNG refilling stations
- Initially for 200 buses – continue pilot phase
- In support of the government's program of expanding the use of natural gas for the transport sector
 - Biñan and Batangas City daughter stations
 - Pre-development activities in the civil works and procurement of CNG equipment for the two stations

CNG Station for Buses



Trading and Marketing

Coal Trading

- Supply Coal to:
 - Power plants
 - Cement
 - Traders
 - Other industrial users
- Sources
 - Own Production
 - Other Mines – Local and International

Oil Trading

- International Oil Trading
- Supply of Petroleum Products
 - Gas Oil
 - MoGas
 - Jet Fuel

PNOC EC Facilities

–Energy Supply Base

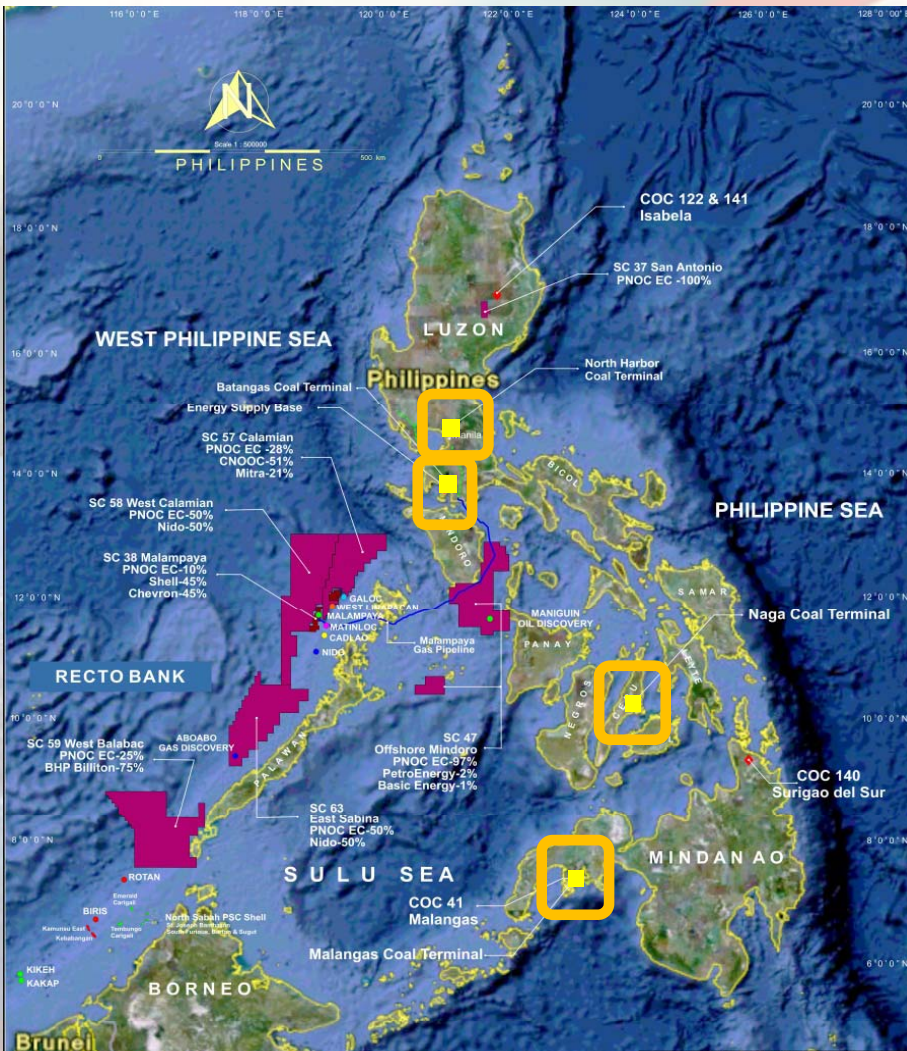
–Coal Terminals





Coal Terminals

- Support the Company's Coal Trading Operations
- Offers integrated services such as discharging foreign and local coal shipments, stockpiling, screening, blending and hauling of coal to end users
- Coal Terminals located in Batangas, Cebu, Tondo (Manila) and Malangas



COAL TERMINALS

Terminal	Capacity
<ul style="list-style-type: none">• BCT - Batangas Coal Terminal (<i>Bauan, Batangas</i>)	: 120 KMT
<ul style="list-style-type: none">• NCT – Naga Coal Terminal (<i>Naga, Cebu</i>)	: 50 KMT
<ul style="list-style-type: none">• MCT – Malangas Coal Terminal (<i>Malangas, Zamboanga Sibugay</i>)	: 35 KMT
<ul style="list-style-type: none">• TCT – Tondo Coal Terminal (<i>Manila</i>)	: 20 KMT

Energy Supply Base



PNOC EC's private commercial port in Mabini, Batangas— the Energy Supply Base

Energy Supply Base



- Created to support the country's energy exploration projects
- Area: 10.5 hectares ; draft of 11 meters
- Accommodates local and foreign vessels
- Provides integrated services such as loading, unloading, stevedoring
- Provide fuel, water and other supplies to clients
- Leases warehouses, office, pipe rack and open yard spaces



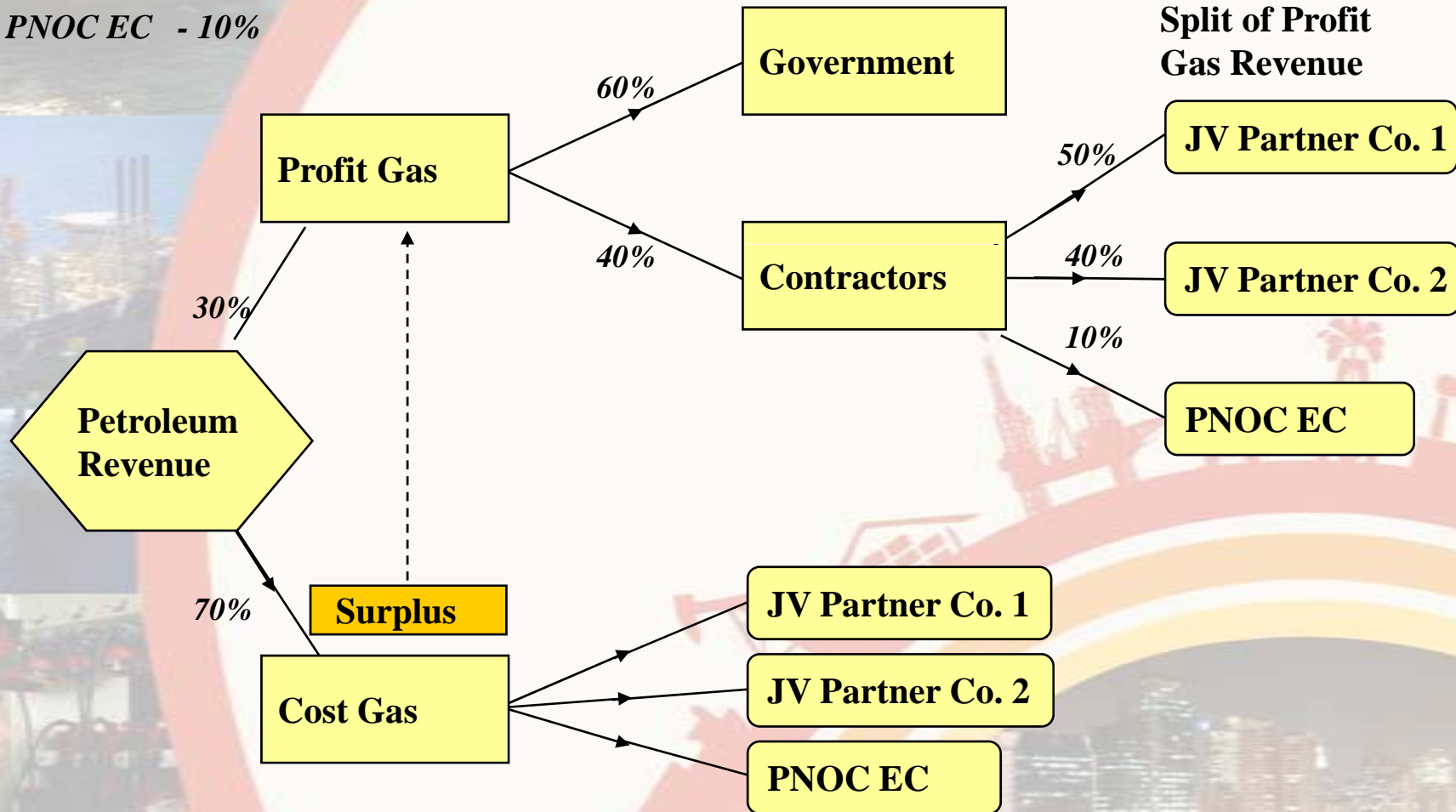
Distribution / Sharing



Production Sharing – SC



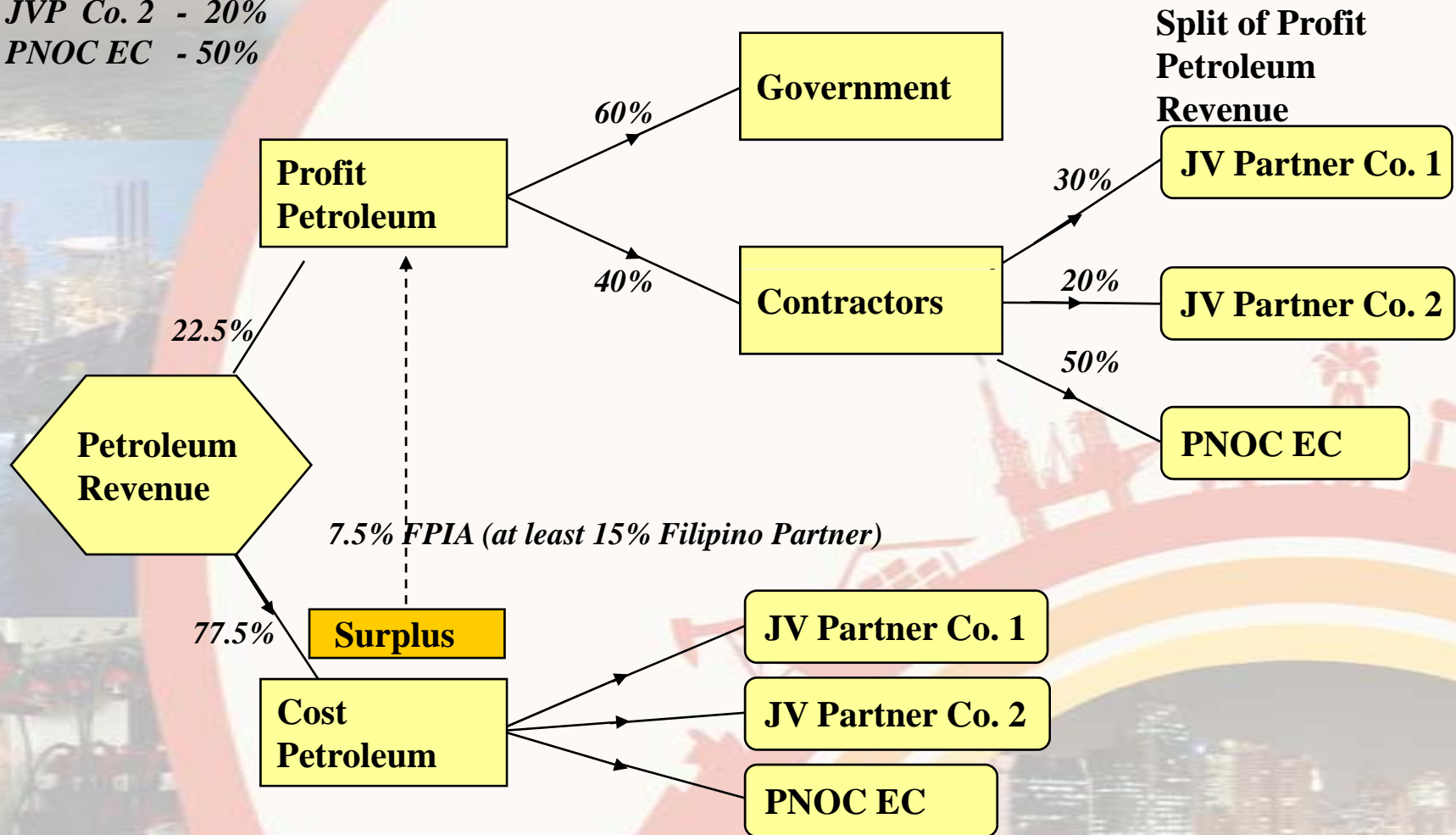
JVP Co. 1 - 50%
JVP Co. 2 - 40%
PNOC EC - 10%



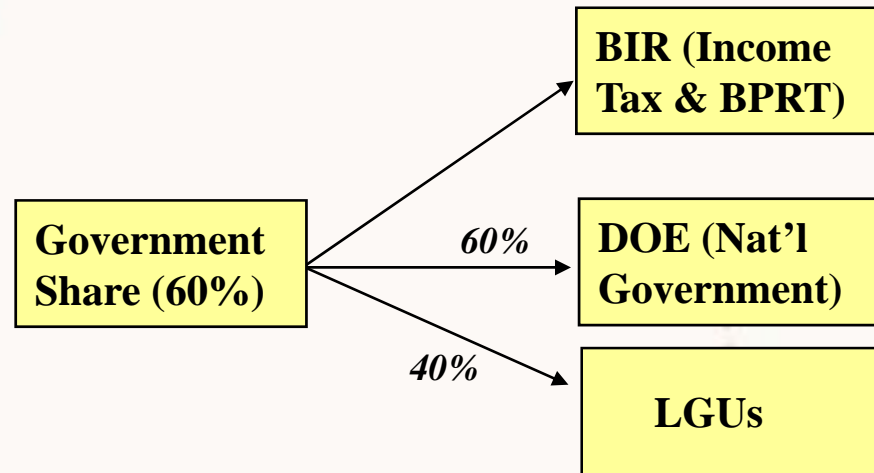
Production Sharing – SC (FPIA)



JVP Co. 1 - 30%
JVP Co. 2 - 20%
PNOC EC - 50%



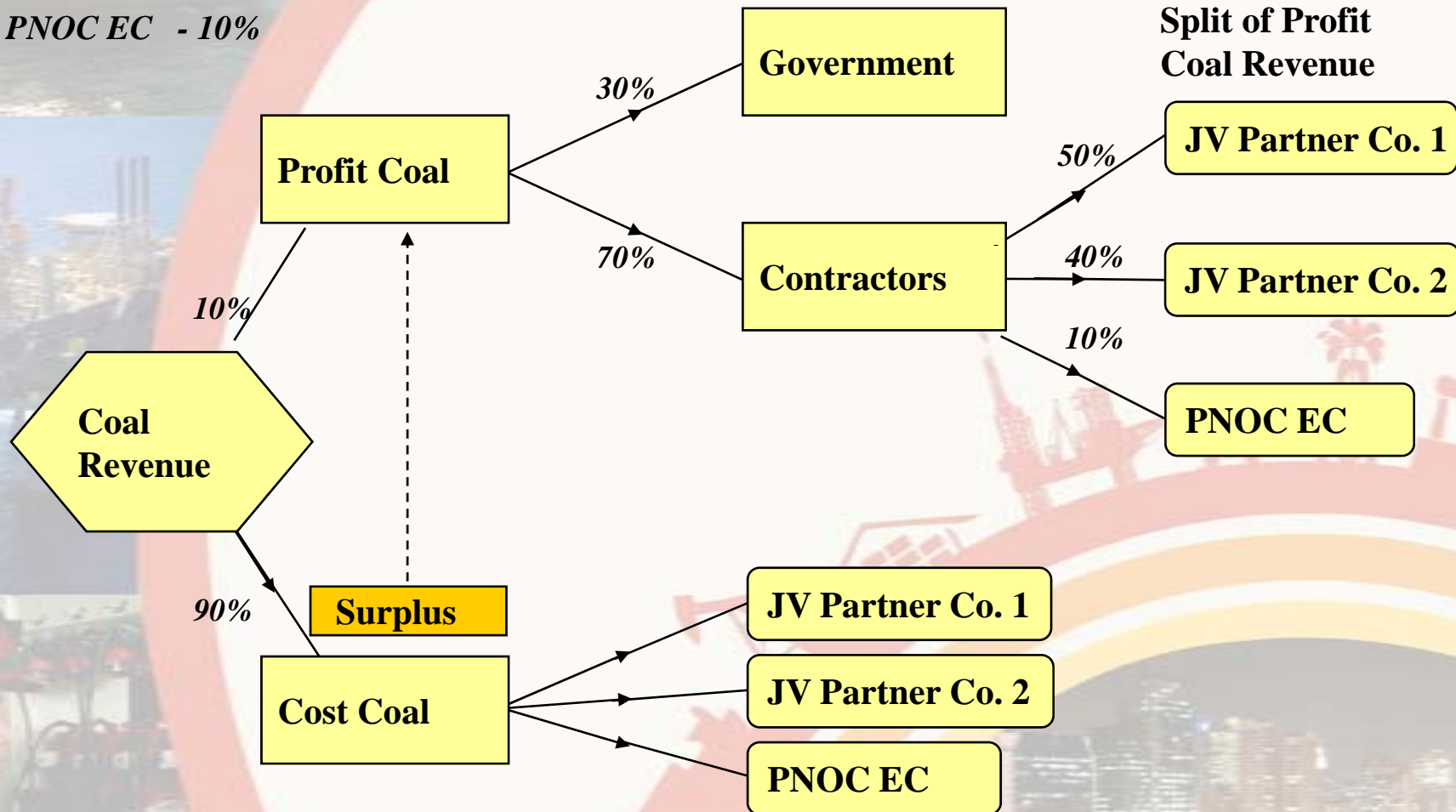
Government Share Distribution (SC)



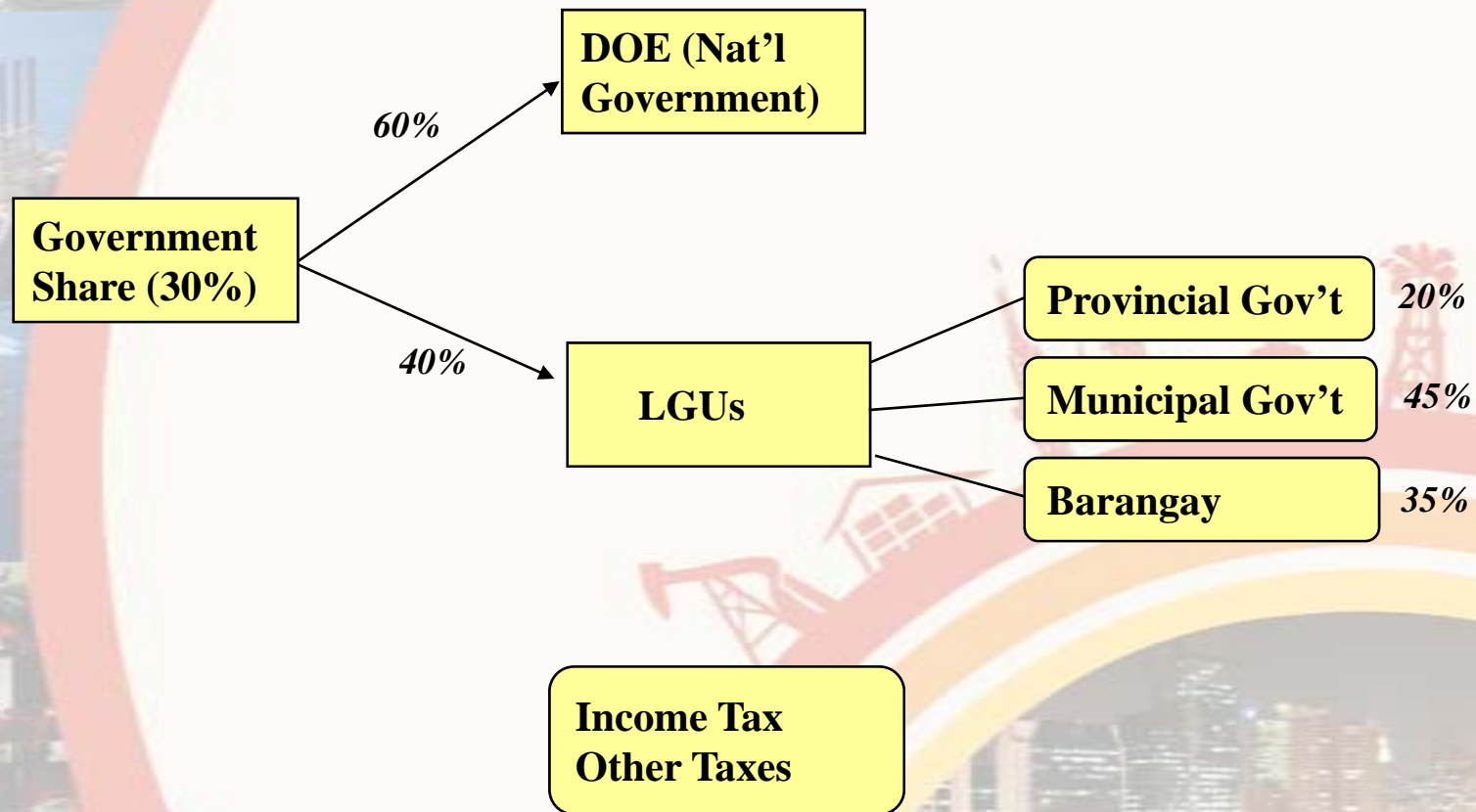
Production Sharing – COC



JVP Co. 1 - 50%
JVP Co. 2 - 40%
PNOC EC - 10%



Government Share Distribution (COC)



Payments to the Government



Nature of Payment	Paid To
Signature Bonus	DOE
Training Fund	DOE
Income Tax / BPRT / Other Taxes	BIR
Royalties	DOE / LGU
Importation	DTI / BOC

COMPANY PROFILE

Name of company:

Location of Company Projects: (Provide copy of maps)

Barangays/Municipality/Province

Located within ancestral domain?

Do you have a MOA with IP community? (Provide copy of the MOA)

If yes, identify IP community _____

If yes, indicate duration of MOA?

How much is the annual IP royalty?

How much did you release to the IP community in 2012?
(Provide supporting documents as evidence)

Who are the listed owners of the company?

SOCIAL DEVELOPMENT MANAGEMENT PROGRAM (SDMP)

- How much is the total SDMP planned for 2012?
- How much is the operating cost for 2012?
- How much was actually spent?
- Who is the implementor/contractor?
- Who are the partner organizations?

Planned Expenditures	Actual Expenditures
No. of recipients who are not related to the companies	

	SD 75%	MT 10%	IEC 15%
ACTUAL			
ITEMIZED			

GROSS PRODUCTION in MT

Breakdown by Type of Minerals

GOLD		COPPER	
Local	Export	Local	Export
Ave Price	Ave Price	Ave Price	Ave Price

Destination Countries of Mineral Exports

Destination Countries	Specific Companies to whom minerals are exported

PRICING

Mineral	Local Purchase	International Purchase
Average Price	P	P

TEMPLATE FOR MINING

Item	Formula	Gross Value of Production	Actual Amount	Reference Document
Excise tax	2% of total gross revenue	In metric tons	P	MGB O.R. #

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reliability***
Independent administrator
for the Philippines
Extractive Industries
Transparency Initiative
(PH-EITI)
December 2014

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Agenda

- Objectives and scope
- Approach and methodology
- Project timeline
- Project management structure

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4 April 2014
Slide 2

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Objectives and scope

Overall objective
Preparation and release of the Philippines' first EITI report in December 2014 in accordance with the EITI standard

- Preparation of Inception Report detailing agreed scope based on defined materiality (thresholds) including, among others, types of payments and receipts and participating companies.
- Gather required data and perform initial and final reconciliation, as well as investigation of discrepancies noted.
- Providing recommendations and proposing suggested scope for the next reconciliation exercise, and extending necessary assistance during the validation process by the EITI Board.

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Slide 3

Approach and methodology

Communication

Planning and scoping

Data gathering and reconciliation

Final reporting

- Hold discussion meeting with the MSG to prepare and finalize work plan including scoping of information to be obtained and reconciled.
- Agree on specific timetable in relation to data gathering and reconciliation process.
- Preparing reporting templates to standardize presentation of information and data.

- Commence actual data gathering wherein simultaneous process will be performed with identified government agencies.
- Validation of information based on understanding of transaction process and sample selection.
- Initiate reconciliation through discussions with respective parties and identify sources of differences.

- Final communication to all parties and stakeholders including debrief of the process, and obtaining suggestions and recommendations for ease of process in subsequent periods.
- Preparation and finalization of reports for release.

PwC Experience

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Slide 4

Approach and methodology, continued

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**Materiality/
Threshold**

Validation

**Recon-
ciliation**

Threshold may be determined using a range of percentages (between 0.5% and 2%) applied against standard benchmarks (e.g. total payments). The threshold and other variables including required level of assurance (e.g. High) will be adjusted relative to assessed significance of each component. Accordingly, high risk areas will warrant greater coverage and so forth.

Procedures will entail the following:

- Reconciliation of reporting templates to public documents such as audited financial statements (e.g. RR 15-2010 and annual reports).
- Conduct of audit procedures (e.g. target/ non-stat sampling) on selected payments/ receipts to ascertain accuracy and validity.

Guided by agreed materiality levels, audit procedures will also be performed to review sample reconciling items primarily through discussions with relevant parties and examination of supporting documents. We will agree on remediation steps for unreconciled or unexplained differences.

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Slide 5

Terms of Reference (amendments)

Scope

<p>EITI</p> <ul style="list-style-type: none"> • Validation of other material receipts/payments that may not be included in the initial agreed scope with the MSG per Inception Report. • Contextual information will be prepared by another third party, which will form part of the final EITI Country Report. 	<p>PwC</p> <ul style="list-style-type: none"> • Identification of other receipts/ payments will be based on established thresholds, and correspondingly included if deemed material. Draft reporting template should be able to solicit these information. • If possible, contextual information will also be provided to our tax/legal experts for review and comments based on their experience on field.
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4 April 2014
Slide 6

Terms of Reference (amendments)

Audit procedures

EITI

- To agree on mechanisms to validate data (i.e., planned audit procedures), as well as other information that should be reviewed (e.g. revenue).
- Conduct of necessary orientation and training to participating companies and government agencies (i.e., roadshow).
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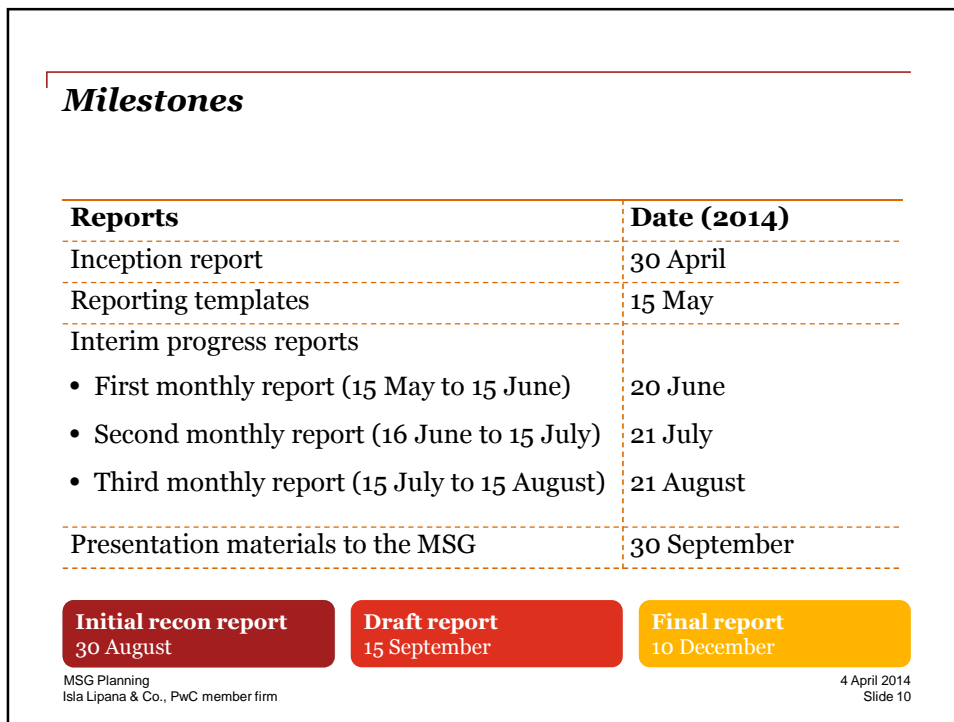
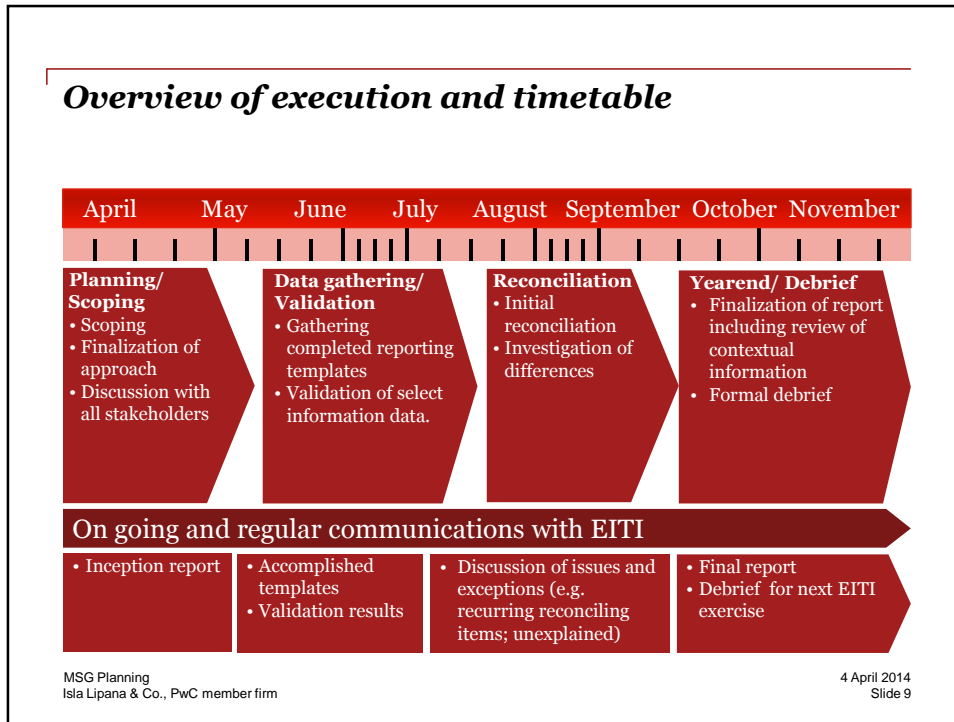
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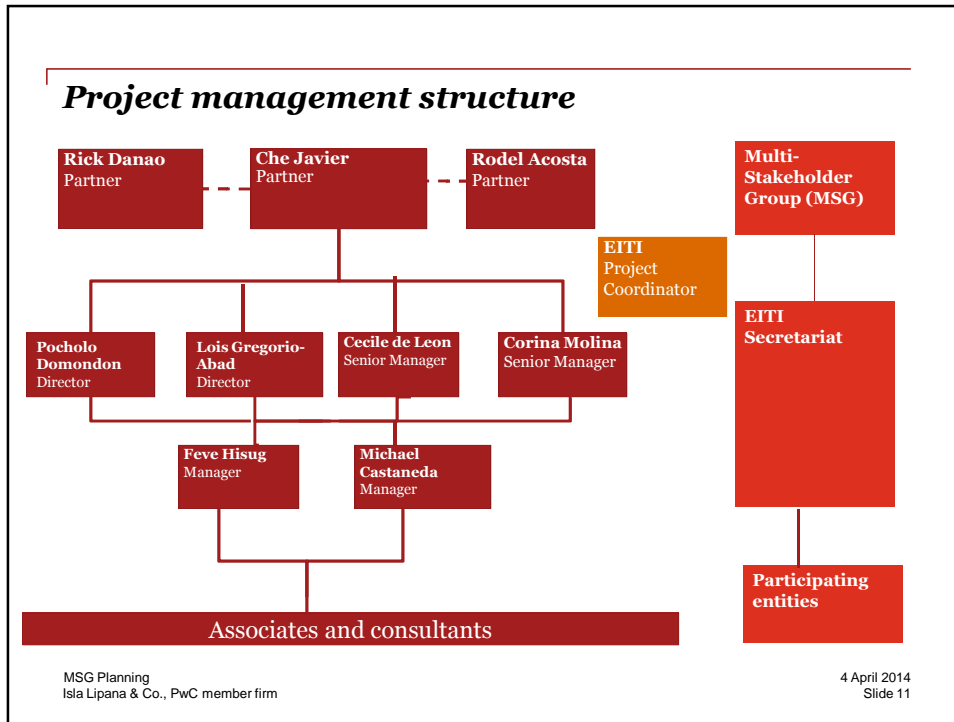
- This is conceptually part of the *Preliminary Analysis* phase and will be discussed in the Inception Report.
- Availability of sufficient manpower complement to accompany EITI representatives during proposed meetings with stakeholders.
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Negotiation points

Other matters

- To agree on logistical requirements including travel and accommodation arrangements, and office space.
- PwC will be endorsed to assigned representatives of each participating company and government office.
- Other matters for confirmation include confidentiality agreement (i.e., NDA) and participation of other entities (e.g. coal miners).





Thank you

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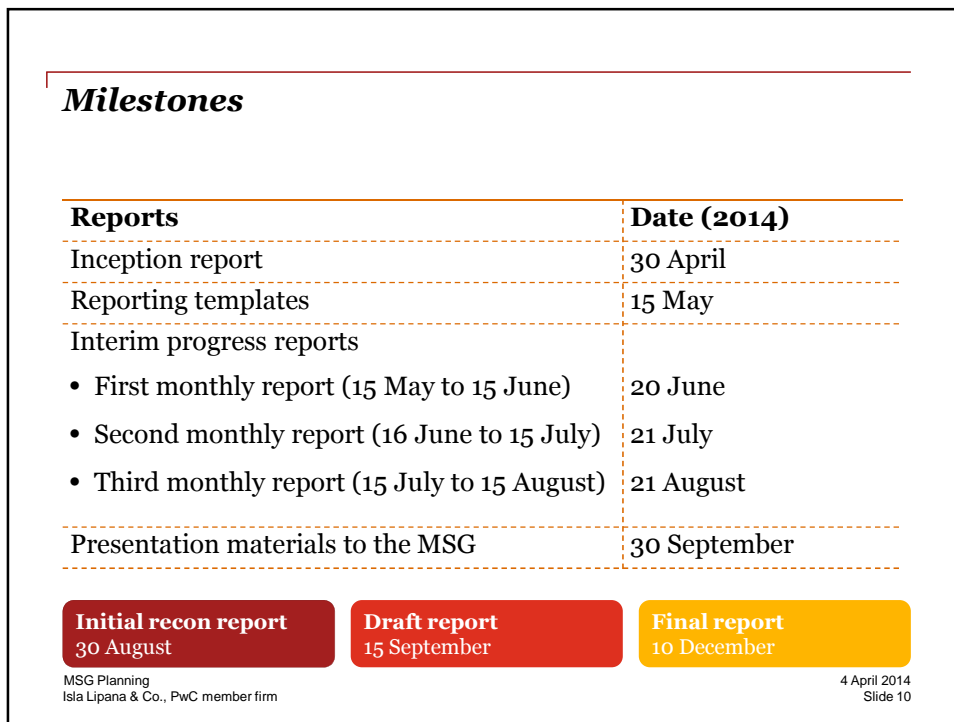
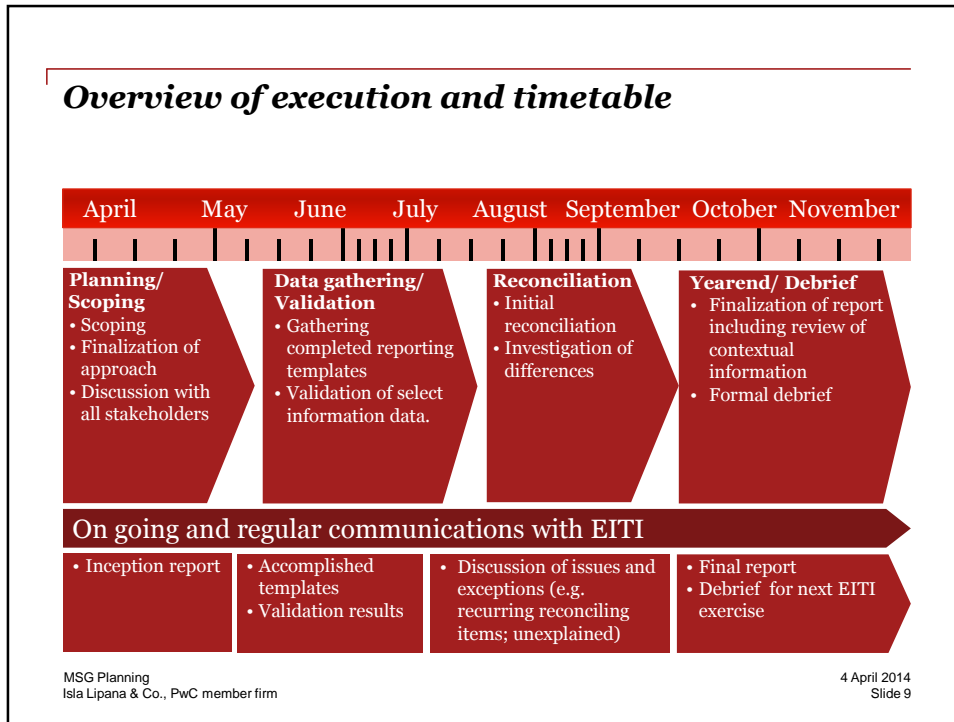
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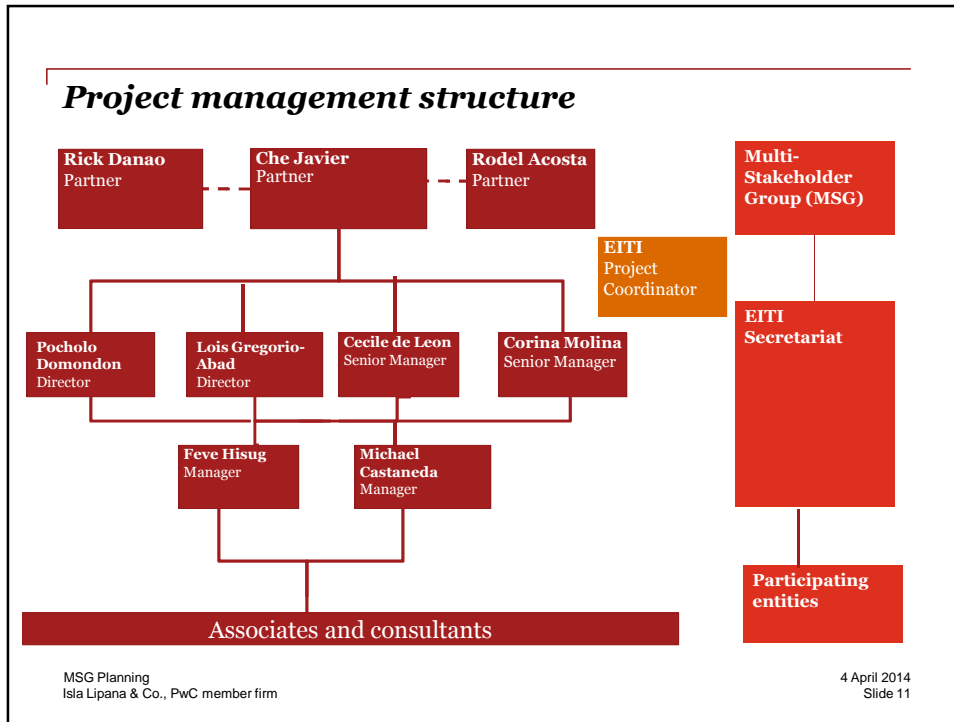
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