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## MALACAÑANG

Manila

EXECUTIVE ORDER NO. 137

### EXPANDING THE SOURCES AND UTILIZATION OF THE OIL PRICE STABILIZATION FUND (OPSF) BY AMENDING PRESIDENTIAL DECREE NO. 1956

WHEREAS, an Oil Price Stabilization Fund was created under Section 8 of Presidential Decree No. 1956 to be used to reimburse the oil companies for cost increases on crude oil and imported petroleum products resulting from exchange rate adjustment and/or increase in world market prices in the desire to stabilize the prices of petroleum products for a longer period despite exchange rate adjustments or world market price changes;

WHEREAS, Letter of Instructions No. 1431 provided for the utilization of the Oil Price Stabilization Fund to reimburse oil companies the additional costs of importation of crude oil and petroleum products due to fluctuations in foreign exchange rates, to assure adequate and continuous supply of petroleum products at reasonable prices;

WHEREAS, the spot prices of crude oil in the international market have been unstable;

WHEREAS, it is the policy of the government to recognize immediately declines in crude oil prices by reducing domestic petroleum product prices for the benefit of the public;

WHEREAS, the prevailing circumstances require the expansion of the sources and utilization of the Oil Price Stabilization Fund to maintain stability in the domestic prices of oil products at reasonable levels;

NOW, THEREFORE, I, CORAZON C. AQUINO, President of the Philippines, do hereby order:

SECTION 1. Section 8 of Presidential Decree No. 1956 is hereby amended to read as follows:

"SECTION 8. There is hereby created a Trust Account in the books of accounts of the Ministry of Energy to be designated as Oil Price Stabilization Fund (OPSF) for the purpose of minimizing frequent price changes brought about by exchange rate adjustments and/or changes in world market prices of crude oil and imported petroleum products. The Oil Price Stabilization Fund (OPSF) may be sourced from any of the following:

- a) Any increase in the tax collection from ad valorem tax or customs duty imposed on petroleum products subject to tax under this Decree arising from exchange rate adjustment, as may be determined by the Minister of Finance in consultation with the Board of Energy;
- b) Any increase in the tax collection as a result of the lifting of tax exemptions of government corporations, as may be determined by the Minister of Finance in consultation with the Board of Energy;
- c) Any additional amount to be imposed on petroleum products to augment the resources of the Fund through an appropriate Order that may be issued by the Board of Energy requiring payment by persons or companies engaged in the business of importing, manufacturing and/or marketing petroleum products;
- d) Any resulting peso cost differentials in case the actual peso costs paid by oil companies in the importation of crude oil and petroleum products is less than the peso costs computed using the reference foreign exchange rate as fixed by the Board of Energy.

The Fund herein created shall be used for the following:

- 1) To reimburse the oil companies for cost increases in crude oil and imported petroleum products resulting from exchange rate adjustment and/or increase in world market prices of crude oil;

- 2 To reimburse the oil companies for possible cost underrecovery incurred as a result of the reduction of domestic prices of petroleum products. The magnitude of the underrecovery, if any, shall be determined by the Ministry of Finance. 'Cost underrecovery' shall include the following:
- i. Reduction in oil company take as directed by the Board of Energy without the corresponding reduction in the landed cost of oil inventories in the possession of the oil companies at the time of the price change;
  - ii. Reduction in internal ad valorem taxes as a result of foregoing government mandated price reductions;
  - iii. Other factors as may be determined by the Ministry of Finance to result in cost underrecovery.

The Oil Price Stabilization Fund (OPSF) shall be administered by the Ministry of Energy."

SECTION 2. The Minister of Finance shall, in consultation with the Ministry of Energy, promulgate the necessary rules and regulations to implement this Executive Order.

SECTION 3. All laws, orders, issuances, and rules and regulations or parts thereof inconsistent with this Executive Order are hereby repealed or modified accordingly.

SECTION 4. This Executive Order shall be effective starting with the domestic products price reduction authorized on January 24, 1986.

Done in the City of Manila, this 27th day of February in the year of Our Lord, nineteen hundred and eighty-seven.

*Corazon B. Aquino*

By the President:

*[Signature]*  
 JOKER P. ARROYO  
 Acting Executive Secretary