



Energy

January 8, 2010 – January 22, 2010



This industry update from Manabat Sanagustin & Co. CPAs is a biweekly collection of the latest news and developments from the country's Energy segment. We hope that you will find this service, which the Firm provides its clients for the different Lines Of Business (LOB), interesting and useful.

Intervention in Customs-Shell tax row urged

A consumer group yesterday urged President Gloria Macapagal-Arroyo to step into the tax dispute between Pilipinas Shell Petroleum Corp. and the Bureau of Customs (BoC), fearing that the issue would cause "supply shortage anxieties" and push up pump prices. "President Arroyo should intervene and bring this issue to a resolution," Raul T. Concepcion, Consumer Oil Price Watch chairman, told reporters. The row between Pilipinas Shell and the BoC stems from the latter's allegation that the oil company has tax deficiencies in its importation of Catalytic Cracked Gasoline (CCG) and Light Catalytic Cracked Gasoline (LCGG) from 2004 to 2009. To answer for this, the BoC wants to seize P43 billion worth of incoming importations of Pilipinas Shell. Pilipinas Shell is arguing that the fuel type is not a finished product but only a component used for the production of unleaded premium gasoline, and therefore not subject to excise tax. Pilipinas Shell is contending that the BoC's demand constitutes double taxation since it has already paid import duties. The oil firm has threatened to close its refinery in Tabangao, Batangas, which would cause a massive loss of jobs and economic ruin for the town. The case is at the Court of Tax Appeals, which issued last Dec. 9 a 60-day temporary restraining order versus Customs. "We hope that the [court] will intervene before Feb. 9 to stop the planned seizures by the BoC," Pilipinas Shell lawyer Simeon V. Marcelo said.

<http://bworldonline.com/main/content.php?id=4914>

RP may import 150 million liters of ethanol

The Philippines may import around 150 million liters of ethanol this year, mostly from Brazil, as domestic output remains short of demand, a senior official said on Wednesday. Local production capacity of the biofuel is projected to double to 78 million liters this year from 2009, still far short of the forecast demand of 219 million liters. "We may end up importing around 150 million liters this year, give or take several tens of millions, depending on local production and availability," Rafael L. Coscolluela, vice-chairman of the National Biofuels Board, said in a phone interview. The board last year allowed oil companies to import 184 million liters of ethanol to help meet demand of 208 million liters.

<http://bworldonline.com/main/content.php?id=4923>

In the News

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Oil prices rolled back

Oil companies have rolled back the price of diesel to reflect the movements in world oil markets. Eastern Petroleum Corp., Pilipinas Shell Petroleum Corp., Chevron Philippines Inc. and Seoail Philippines Inc. rolled back the price of diesel products by P0.25 per liter and kerosene by P0.75 per liter. The decrease in diesel and kerosene prices, according to oil executives, reflects the decline in international oil prices, including the Mean of Platts Singapore. The latest price cut is the first oil-price cut after oil companies increased prices of gasoline and diesel by P2 and P2.25 per liter early this month. The Department of Energy earlier said the government has issued an order that will effectively offset the increase implemented by oil companies. Energy Secretary Angelo Reyes said President Arroyo has recently issued Executive Order (EO) 850 that will reduce the import tariff of petroleum products to zero from 3 percent. EO 850 was issued to modify the rate of duty on certain imported articles as provided under the Tariff and Customs Code of 1976. Reyes said the reduction in import duties would bring down prices of petroleum products by P0.70 per liter. <http://www.businessmirror.com.ph/home/top-news/21071-oil-prices-rolled-back.html>

Psalm sets forum on privatization of Ilijan IPPA

Government-run Power Sector Assets and Liabilities Management Corp. (Psalm) said on Tuesday it will conduct a forum for the appointment of the independent power producer Administrator (IPPA) for the contracted capacity of the 1,200-megawatt Ilijan Combined Cycle Power Plant on January 26. Pablo Anido, Psalm team leader for the IPPA privatization, said the objective of the forum is to present to prospective bidders and investors the technical details and operational experience regarding the plant, and the commercial approach and legal structure that Psalm is considering for the tendering of the IPPA. "We expect that inputs from interested parties will help ensure the successful selection of an IPP administrator for Ilijan," Anido said. Psalm said it will advise registrants of the confirmation of their registration. <http://businessmirror.com.ph/home/economy/21107-psalm-sets-forum-on-privatization-of-ilijan-ippa.html>

NGCP provides more power to Clark ecozone

Power lines concessionaire National Grid Corp. of the Philippines (NGCP) said that it has recently completed the transmission line and substation projects to support the power requirements in the Clark Special Economic Zone (CSEZ). In a statement, NGCP said the Concepcion-Clark Transmission Line-2, which was initially energized at 69 kilovolts (kV) to provide temporary power to CSEZ locator Texas Instruments, was energized at a higher 230-kV on November 30, 2009. NGCP added that Transformer 1 and 2 of the Clark substation were also energized on the same day. NGCP further noted that the Concepcion-Clark Line 1 was energized at 230 kV on December 9, 2009, to complete the final configuration of the transmission line system. The Concepcion-Clark Substation Project aims to intensify the delivery of quality and reliable power in the Clark Special Ecozone. Clark Special Ecozone will host an international airport and techno park which will require reliable electricity for their operations. The project includes the furnishing, delivery, installation, testing and commissioning of 230-kV substation equipment and its associated control, protection and communication equipment for NGCP's Concepcion Substation in Tarlac and Clark Substation in Pampanga. <http://businessmirror.com.ph/home/economy/21059-ngcp-provides-more-power-to-clark-ecozone.html>

DBP lends P500M to three hydropower plant projects

Hoping to help the government promote and further the development of renewable energy sources in the country, the Development Bank of the Philippines has lent P500 million to proponents of hydropower plants in the country. "We have three [loans] in the pipeline, which could reach a total of P500 million," said Reynaldo David, DBP president. He added that DBP is extending financial assistance to companies engaged in renewable energy development, which are mostly small-hydro-power plants. David declined to identify the proponents, according to Alcordo, these are companies with existing hydropower projects but are looking at putting up more power facilities in other locations. David said the proponents are old groups that are already in hydro but are looking at different areas. David noted that DBP wants to extend funds to relatively small business groups. David said DBP is still processing the applications of the three companies and hopes to come up with an approval soon. "One of the biggest hurdles in the development of renewable-energy sources is the huge capital that the investors should pour into projects," said David, adding that the country's renewable-energy industry will start to boom with the passage of the Renewable Energy Act. <http://businessmirror.com.ph/home/economy/21003-dbp-lends-p500m-to-three-hydropower-plant-projects.html>

Feedback

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Cebu Energy Development fires 1st of 3 82-MW coal-fired power plants in Cebu

Metrobank Group-led Cebu Energy Development Corp. (CEDC) on Sunday initially fired the first of its three 82-megawatt (MW) coal-fired power plants in a bid to improve the power supply's reliability in the Visayas Grid. CEDC is a consortium led by Metrobank Group, Global Business Power Corp. (GBPC), AboitizPower Corp., Vivant Energy Corp. and Formosa Heavy Industries Corp. The joint-venture partners also formed two holdings units—Global Formosa Power Holdings Inc. and Abovant Holdings Inc. Formosa serves as the consortium's technical partner for engineering, procurement and construction of the \$450 million power plant. CEDC said that among the bigger off-takers is the Visayan Electric Co. (Veco), which signed a memorandum of agreement last year with CEDC under a 25-year cooperation period. Prior to the initial firing, Jesus Alcorido, GBPC and CEDC president, assured the shareholders that project construction was on schedule. Alcorido noted that the power plant uses the latest circulating fluidized bed boiler technology that reduces emissions and waste at practically negligible levels. Alcorido said his group has been in negotiations with cement companies, and arrangements were being finalized for the sale of the power plant's coal ash before the three units come online. He added the initial firing signaled CEDC's commitment to help propel the economic development of the province. Based on internal projections of the company, according to the CEDC president, Cebu is expected to hit a high of about 703 MW in the next three years.

<http://businessmirror.com.ph/home/economy/21002-cebu-energy-development-fires-1st-of-3-82-mw-coal-fired-power-plants-in-cebu.html>

Global Power eyeing expansion in Luzon

While still completing power projects that shall help plug capacity gap in the Visayas, Global Business Power Corporation (GBPC) indicated that it is also cementing plans for prospective portfolio expansion in the Luzon grid. When cornered by reporters at the boiler firing of the company's 246-megawatt coal fired power project, Cebu Energy Development Corporation (CEDC) senior adviser George S.K. Ty dropped hints that capacity expansion will be cast for Luzon, though he noted that everything is still preliminary on blueprint. CEDC is the corporate vehicle used by the Global Power group for its Toledo coal-fired facility. CEDC Chairman Francisco Sebastian reinforced the company's pronouncement on the propounded Luzon expansion, yet he emphasized that the focus for the time being would be Visayas as they want to become instrumental in solving the area's power supply woes. "We don't have anything definite for Luzon for now, it's still too early. We want to concentrate on Visayas first," he stressed.

<http://www.mb.com.ph/articles/239066/global-power-eyeing-expansion-luzon>

Philippine Stock Exchange Weekly Top Gainers January 11 - 15, 2010

Last Trade Price, Comparative Price Change & Total Value

Rank	Stock	Last Traded Price (in P)	Comparative Price Change (%)		Total Value (in P'000)
			1 Week	4 Weeks	
1	Manchester International Holdings Unlimited Corporation "A"	1.6	116.22	150	485
2	Manchester International Holdings Unlimited Corporation "B"	1.6	81.82	90.48	2,140
3	Polar Property Holdings Corporation	4.5	80	73.08	32,366
4	MJC Investments Corporation	2.65	47.22	-11.67	40
5	Bogo Medellin Milling Company	45	45.16	50	40
6	IPVG Corporation	1.84	16.46	19.48	11,275
7	DFNN Inc.	10.75	13.16	34.38	203,199
8	F & J Prince Holdings Corporation "B"	2	12.36	66.67	4
9	Federal Resources Investment Group, Inc.	12.25	11.36	11.36	112
10	MRC Allied Industries, Inc.	0.69	11.29	102.94	66,862

Philippine Stock Exchange Weekly Top Gainers

January 11 - 15, 2010

PER, EPS & BPV

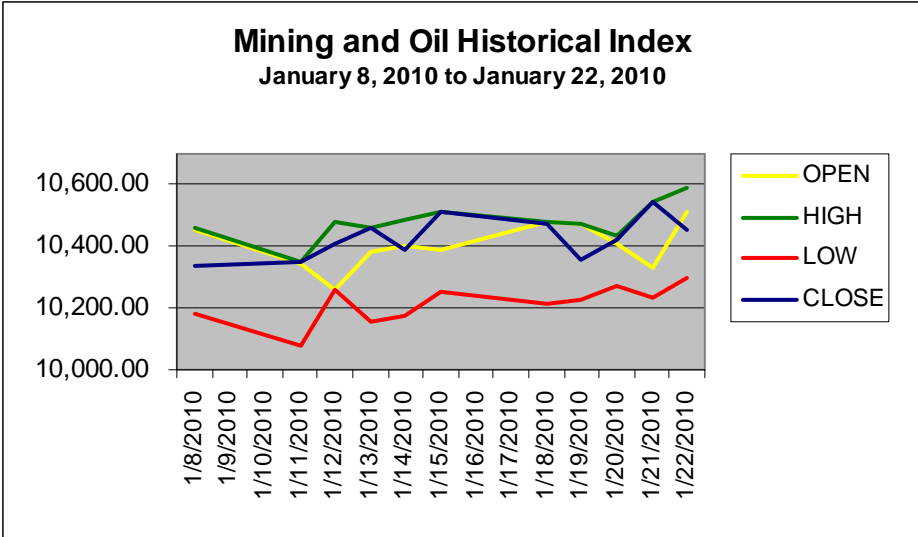
Rank	Stock	PER	EPS	PBV
1	Manchester International Holdings Unlimited Corporation "A"	4.54	0.35	0.78
2	Manchester International Holdings Unlimited Corporation "B"	4.54	0.35	0.78
3	Polar Property Holdings Corporation	10,912	0.00	4.16
4	MJC Investments Corporation	-20.22	-0.13	3.13
5	Bogo Medellin Milling Company	-15.99	-2.81	2.01
6	IPVG Corporation	-3.76	-0.49	1.51
7	DFNN Inc.	-10.3	-1.04	5.72
8	F & J Prince Holdings Corporation "B"	35.46	0.06	1.04
9	Federal Resources Investment Group, Inc.	21.56	0.57	16.11
10	MRC Allied Industries, Inc.	-3.05	-0.23	-1.93

Source: Philippine Stock Exchange, Weekly Market Watch,

Philippine Stock Exchange Index Composition for Mining and Oil As of January 22, 2010

SECURITY NAME	PRICES	OUTSTANDING SHARES	FREE FLOAT LEVEL	FREE FLOAT - ADJUSTED MARKET CAPITALIZATION	% WT
APEX MINING COMPANY, INC. "A"	2.70	458,981,818	26.0 %	322,205,236.24	0.53
APEX MINING COMPANY, INC. "B"	2.70	295,731,885	28.0 %	223,573,305.06	0.37
ATLAS CONSOLIDATED MINING & DEVELOPMENT CORPORATION	11.50	1,048,931,882	43.0 %	5,186,968,156.49	8.48
GEOGRACE REOURCES PHILIPPINES, INC.	0.77	2,522,105,615	98.0 %	1,903,180,897.08	3.11
LEPANTO CONSOLIDATED MINING COMPANY "A"	0.26	19,721,947,347	85.0 %	4,358,550,363.69	7.12
LEPANTO CONSOLIDATED MINING COMPANY "B"	0.26	13,145,619,988	84.0 %	2,871,003,405.38	4.69
MANILA MINING CORPORATION "A"	0.026	107,433,136,003	62.0 %	1,731,822,152.37	2.83
MANILA MINING CORPORATION "B"	0.027	71,571,185,202	66.0 %	1,275,398,520.30	2.08
NiHao Mineral Resources International, Inc.	4.45	600,000,000	61.0 %	1,628,700,000.00	2.66
OMICO CORPORATION	0.008	105,046,167,332	85.0 %	714,313,937.86	1.17
ORIENTAL PETROLEUM & MINERAL CORPORATION "A"	0.015	120,000,000,000	64.0 %	1,152,000,000.00	1.88
ORIENTAL PETROLEUM & MINERAL CORPORATION "B"	0.016	80,000,000,000	64.0 %	819,200,000.00	1.34
THE PHILODRILL CORPORATION	0.015	191,868,805,358	49.0 %	1,410,235,719.38	2.30
PHILEX MINING CORPORATION	14.75	4,901,499,961	52.0 %	37,594,504,700.87	61.44

Source: Philippine Stock Exchange, PSE Composite and Sectoral Indices



Source: Philippine Stock Exchange, PSE Composite and Sectoral Indices

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