



Energy



15 December 2008 –
26 December 2008

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This industry update from KPMG Manabat Sanagustin & Co. is a bi-weekly collection of the latest news and developments from the country's Industrial Markets - Energy sector. We hope that you will find this service, which the Firm provides its clients for the different Lines of Business, interesting and useful.

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IN THE NEWS:

ERC awards retail electricity supplier license to Team Energy

THE Energy Regulatory Commission (ERC) has awarded a retail electricity supplier (RES) license to TeamM (Philippines) Energy Corp. that will allow the Japanese firm to engage in electricity trading upon implementation of open access and retail competition.

Team Philippines Energy is a subsidiary of TeamM Energy, the consortium of Japanese firms Tokyo Electric Power Co. and Marubeni Corp. that bought Mirant's Philippine assets.

The company was established to sell the uncontracted capacity of the 1,000-megawatt Sual coal-fired power plant to bulk consumers of electricity, particularly to industrial customers.

The license given to TeamM Energy brings to nine the total RES operating in the country.

"The ERC is happy to note the growing confidence of investors on the electric power industry in the Philippines. It is hoped that Team Philippines Energy will continue to support the electric power industry's ultimate goal of providing consumers the power to choose their source of power," Zenaida Cruz-Ducut, ERC chairperson, said.

The eight other RES that received licenses were GN Power Ltd. Co., Aboitiz Energy Solutions, Inc., Trans-Asia Oil and Energy Development Corp., GNPowr Mariveles Coal Plant Ltd. Co., First Gen. Energy Solutions, Inc., Cabanatuan Electric Corp., Masinloc Power Partners Co. Ltd. and Premier Energy Resources Corp.

<http://www.manilatimes.net/national/2008/dec/26/yehey/business/20081226bus10.html>

Galoc oil field production to resume late January

PRODUCTION from Galoc will resume late January because of mechanical troubles at the oil field.

In a statement to the Australian Stock Exchange, Otto Energy Ltd said that an underwater survey undertaken by Rubicon Offshore International found that one of the components of the mooring and riser system attached to the floating production, storage and offloading system (FPSO) vessel was partially detached.

Rubicon operates the field's FPSO, which acts as an oil platform to the

Bank shares in power distributor

Oil rises above \$47 on signs of OPEC cut

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Galoc field's two production wells.

Otto Energy said that the component would have to be reinstated before the Galoc field can start churning out oil again. In light of this, Rubicon is preparing a vessel in Singapore to undertake the needed repair works. In light of the downtime in production expected from the field, Otto Energy said that GPC has started discussions with the banks regarding the project's debt facility repayment schedule.

To recall, adverse weather conditions and mechanical troubles at the field led to delays in its start up production, which had been targeted for April but later on moved to October.

Because of this and the substantial drop in crude prices, Otto Energy said that GPC has been unable to meet all its original debt repayments under the non-recourse portion of the project's debt facility from production cash flow.

<http://www.manilatimes.net/national/2008/dec/26/yehey/business/20081226bus5.htm>

Global Green, Panay Island distributor sign long-term power supply deals

GLOBAL Green Power PLC of Britain is set to kick off its renewable energy projects in the Philippines after inking long-term supply contracts with distributors.

David de Montaigne, Global Green chief executive officer, said the company, through its affiliate, Green Power Panay Philippines Inc. (GPPI), signed agreements with Iloilo Electric Cooperative (ILECO) I and II on December 16 and December 17, respectively, for 25-year electricity supply agreements in Panay.

Global Green bagged the supply agreements after electric cooperatives on Panay Island had organized the Panay-Guimaras Power Supply Consortium and bid out their power requirements.

GPPI will put up two 18-megawatt biomass power plants in Panay with an estimated construction cost of \$40 million each.

The first plant would be "embedded" within ILECO II's franchise area and is targeted for completion by January 2011 followed by the second plant several months later.

Each project is expected to deliver P200 million to the local community where the plants are located during the first year of its operations and P9.30 billion each over the 25-year contract period.

<http://www.manilatimes.net/national/2008/dec/25/yehey/business/20081225bus10.html>

Gov't receives payment for Petron

THE Ashmore Group of Britain has fully paid its purchase of the Philippine government's remaining stake in Petron Corp. State-owned Philippine National Oil Co. (PNOC) said it received from Ashmore unit, SEA Refinery Corp., the full amount of P25.687 billion for its remaining 40 percent shares in Petron.

"The government got paid in record time. We will also remit to the government in record time," Antonio Cailao, PNOC president, said.

Of the amount it received from Ashmore, PNOC remitted to the national Treasury P20.912-billion less the cost of the investment more than a month ahead of the February 5, 2009, deadline.

Despite its exit, the government is not closing its doors on the petroleum industry and is considering another company that would compete with the local oil majors, Cailao said.

"This fact has not escaped the attention of very financially-capable investors and companies," he said, adding that "several local and foreign groups have approached PNOC, expressing interest in partnering with us to create the next oil refining and marketing company, the next crown jewel, the next Petron. But we are still studying the matter closely and evaluating our options."

It would be recalled that when the government sold its geothermal unit, PNOG Energy Development Corp., to the Lopez Group, PNOG also had ensured that a “non-compete clause” would not be stipulated in its privatization.

<http://www.manilatimes.net/national/2008/dec/25/yehey/business/20081225bus8.htm>
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Meralco taps Metrobank for fresh financing

MANILA Electric Co. (Meralco) has inked an agreement for the issuance of IOUs with various institutional lenders to restructure its maturing obligations.

In a disclosure to the Philippine Stock Exchange, Meralco said that it has signed a facility agreement with Metropolitan Bank and Trust Co. (Metrobank) as facility agent for the issuance of its floating and fixed rate notes worth P5 billion.

Jesus Fransisco, Meralco president, said the proceeds from the notes issuance would be used by the Lopez-controlled utility to “restructure a maturing loan obligation” and for other corporate expenditures.

Based on figures from the company’s 2008 third quarter financial report, its total liabilities of P124.35 billion and equity of P57.54 billion as of the first nine months of the year would result in a debt-to-equity ratio—a measure of financial leverage—of about 2.161.

The figure is a slight improvement compared with the full year 2007 figure of 2.287.

The slight improvement from last year’s said ratio was mainly brought about by an increase in Meralco’s authorized capital stock to 1,250 million shares with a par value of P10 from 1,080 common shares.

<http://www.manilatimes.net/national/2008/dec/25/yehey/business/20081225bus7.htm>
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Napocor seeks higher adjustments in tariffs

STATE-OWNED National Power Corp. (Napocor) is again seeking an increase in its rates, this time through higher adjustments in its fuel and foreign exchange costs.

In a joint application with state-run Power Sector Assets and Liabilities Management Corp., Napocor has asked the Energy Regulatory Commission (ERC) for a rate hike of P0.57 per kilowatt-hour in Luzon, P0.81 in the Visayas and P0.12 in Mindanao through the company’s 12th Generation Rate Adjustment Mechanism (GRAM) and 11th Incremental Currency Exchange Rate Adjustment (Icera).

Industry players had scored the lag in Napocor’s cost recovery, as this fails to reflect the “true cost” of electricity.

In an effort to help make Napocor’s costs current, Francis Saturnino Juan, ERC executive director, said the regulator is mulling the adoption of an automatic adjustment mechanism and has come up with proposed rules for such a scheme.

With the proposed rules, Napocor can automatically adjust its generation charge on a monthly basis, for the recovery or refund of any fuel or foreign exchange cost.

Juan said this would allow the power firm to keep its electricity rates up to date as well as eliminate added costs from interests and carrying charges.

<http://www.manilatimes.net/national/2008/dec/24/yehey/business/20081224bus4.htm>
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Oil firms slash autoLPG prices

MANILA, Philippines — Total (Philippines) Corp. and Eastern Petroleum Corp. slashed P1 off their prices of autoLPG, liquefied petroleum gas used as transport fuel.

Total implemented the rollback at 6 p.m. on Dec. 16, while Eastern followed suit at 6 a.m. Wednesday.

Total’s autoLPG is now priced at P18.30 a liter, while that of Eastern sells

for P18 a liter.

The price cut will benefit hundreds of taxis now using autoLPG. Owners of vehicles using other fuels are not likely to enjoy a similar treat. Eastern chair and chief executive Fernando Martinez said another reduction in gasoline or diesel was highly unlikely at this point.

http://newsinfo.inquirer.net/breakingnews/nation/view/20081218-178600/Oil_firms_slash_autoLPG_prices

Negros eyes new geothermal plant

BACOLOD CITY, Philippines—The Energy Development Corp. has plans to set up a 20-megawatt (MW) geothermal power plant that would use the excess steam from the Palinpinon 2 geothermal steam field of the Southern Negros Geothermal Production Field (SNGPF).

SNGPF resident manager Dwight Maxino said the EDC hoped to commission the facility by 2010 to help bridge the projected power deficit in Negros Occidental.

The SNGPF has been supplying steam to the 112.5-MW Palinpinon-1 and 80MW Palinpinon-2 power plants of the National Power Corp., for conversion into electricity, Maxino said.

The SNGPF, with an installed capacity of 192.5MW, is the second largest of the four geothermal fields operated by EDC. It lies on the northern slope of the dormant Cuernos de Negros volcanic complex.

http://newsinfo.inquirer.net/breakingnews/regions/view/20081216-178353/Negros_eyes_new_geothermal_plant

Taiwan Cogen's Subic project to push through

TAIPEI: The joint power-generation project between Aboitiz Power Corp. (AP) of the Philippines and Taiwan Cogeneration Corp. will push through amid the global economic downturn, as plant construction in Subic would begin next year, a Taiwan Cogen official said.

"Taiwan and the Philippines are not [affected] that bad, and we believe that the power demand in the Philippines would grow, so we are optimistic of this project," said Brian Hsu, Taiwan Cogen president. "Material costs are also going down and interest rates are getting lower. We should tap opportunities amid the crisis."

He said the construction of the power plant for the first phase of the \$550-million venture, under the name Redondo Peninsula Energy Inc. (RP Energy), would commence in the second quarter of 2009.

This initial phase, which would have a rated capacity of 300 megawatts, is targeted for completion and for commercial operations in 2012, Hsu said.

<http://www.manilatimes.net/national/2008/dec/16/yehey/business/20081216bus10.html>

Aboitiz Power readies P3.6-B note issue

Aboitiz Power Corp. will issue P3.56 billion worth of fixed-rate debt notes before yearend to raise cash for acquisitions in 2009, the company said.

The peso-denominated notes will have terms of five years and seven years "with the option to upsize depending on market demand," Aboitiz Power corporate secretary M. Jasmine Oporto said in a disclosure to the stock exchange.

The notes will be issued to not more than 19 institutional investors, and the proceeds "will be used to finance planned acquisitions ... as well as for other general corporate purposes," she said.

Joint lead managers for the notes issuance are BDO Capital and Investment Corp., BPI Capital Corp., First Metro Investment Corp. and the Manila branch of ING Bank NV.

In an earlier interview, Aboitiz Power executive vice president Luis Miguel Aboitiz said the company would bid for the 192.5-megawatt Palinpinon geothermal power plant that the government's Power Sector Assets and Liabilities Management Corp. (PSALM) had lined up for privatization next year.

He said the company was also looking at the "independent power producer" administrator contracts that PSALM would auction starting in February.

http://business.inquirer.net/money/topstories/view/20081217-178419/Aboitiz_Power_readies_P3.6-B_note_issue

Cheap crude imperils payment of Galoc debt

GALOC Production Co. (GPC) has been unable to meet its obligations due to delays in oil production at the offshore Northwest Palawan basin, and to low crude prices.

In a statement, Otto Energy Ltd., which along with the Vitol Group owns Galoc, said that delays in the project's start up production combined with the recent fall in oil prices have resulted in revenues being "significantly less than originally budgeted."

"This has resulted in GPC being unable to meet all its original debt repayments under the non-recourse portion of the project's debt facility from production cash flow," Otto said. A non-recourse debt means that creditors cannot secure a debtor's other assets for repayment.

The Galoc field's maiden production was originally scheduled in April but mechanical problems coupled with weather disturbances pushed this to October.

The contractual and operational delays led project costs to balloon from \$86 million to over \$120 million.

<http://www.manilatimes.net/national/2008/dec/16/yehey/business/20081216bus8.html>

Meralco cancels Land Bank shares in power distributor

MANILA Electric Co. (Meralco) has cancelled the shares of Land Bank of the Philippines in the utility.

In a disclosure to the Philippine Stock Exchange, Meralco said it cancelled the lender's stock certificates in the company totaling 42,002,750 common shares, or about 3.77 percent of the country's electricity distributor as of September 2008.

The said shares were cancelled in favor of Josefina Lubrica, an assignee of Federico Suntay, who had a land dispute with Landbank and the Department of Agrarian Reform (DAR) that reached the courts.

In light of this, Meralco said that it maintains that the cancellation of Landbank's shares in the company in favor of Lubrica is in order and valid, "contrary to the self-serving claim" of the lender.

The company said that proceeds of the debt paper sale, which would be done next month, would be used for general corporate requirements.

Its board has approved a 10-percent cash dividend to its stockholders as of December 31, 2008 payable on January 31, 2009.

<http://www.manilatimes.net/national/2008/dec/16/yehey/business/20081216bus6.html>

Oil rises above \$47 on signs of OPEC cut

Oil bounced back \$1.00 to trade above \$47 a barrel on signs that OPEC members are set to make a deep supply cut when the oil cartel meets, in an effort to prop up prices.

US light crude for January delivery rose \$1.04 to \$47.32 a barrel by 0207 GMT, having risen earlier to \$47.41. The contract closed \$1.70 lower on Friday after the US Senate failed to pass a bailout for automakers and Goldman Sachs predicted oil could fall to \$30.

London Brent crude gained 69 cents to \$47.10.

Ministers of the Organization of Petroleum Exporting Countries (OPEC) are in agreement on the need to cut output when they meet in Algeria to prop up sagging prices, OPEC president Chakib Khelil said, but declined to say by how much the organization would cut.

Iran will propose that OPEC cut its oil output by between 1.5 and 2 million barrels per day (bpd), Iran's oil minister was quoted as saying.

"With global oil demand expected to continue falling through much of 2009,

Feedback

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the pressure is on the cartel as well as non-OPEC producers such as Russia to remove excess production from the market," said Jonathan Kornafel, Asia director of Hudson Capital Energy in a note.

http://business.inquirer.net/money/breakingnews/view/20081215-178092/Oil_rises_above_%2447_on_signs_of_OPEC_cut

Philippine Stock Exchange Weekly Top Gainers (Dec. 22 – 26)

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	Information Capital Technology Ventures, Inc.	1.40	57.30	129.51	894
2	First Abacus Financial Holdings Corporation	0.57	42.50	14.00	358
3	Benguet Corporation "A"	6.6000	36.08	13.79	191
4	Empire East Land Holdings, Inc.	0.33	32.00	57.14	24,858
5	Oriental Peninsula Resources Group, Inc.	0.44	29.41	(34.33)	168
6	Premiere Entertainment Productions, Inc.	0.72	26.32	16.13	1,091
6	Uniwide Holdings, Inc.	0.1200	26.32	20.00	52
8	Abacus Consolidated Resources and Holdings, Inc. "A"	0.63	26.00	14.55	1,502
9	Mabuhay Holdings Corporation	0.2000	25.00	29.03	46
10	Belle Corporation	0.71	22.41	31.48	12,948

Philippine Stock Exchange Weekly Top Gainers (Dec. 22 – 26)

PER, EPS & BPV

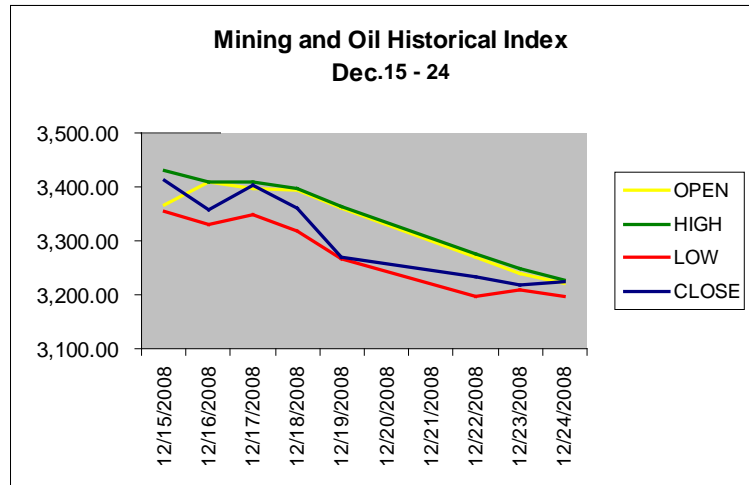
Rank	Stock	PER	EPS	PBV
1	Information Capital Technology Ventures, Inc.	(4,733.38)	(0.0003)	1.40
2	First Abacus Financial Holdings Corporation	(10.44)	(0.05)	1.00
3	Benguet Corporation "A"	25.09	0.26	(0.69)
4	Empire East Land Holdings, Inc.	11.29	0.03	0.21
5	Oriental Peninsula Resources Group, Inc.	(8.06)	(0.05)	0.37
6	Premiere Entertainment Productions, Inc.	(16.56)	(0.04)	2.68
6	Uniwide Holdings, Inc.	(0.65)	(0.19)	(0.12)
8	Abacus Consolidated Resources and Holdings, Inc. "A"	3.98	0.16	0.86
9	Mabuhay Holdings Corporation	(17.99)	(0.01)	0.37
10	Belle Corporation	14.42	0.05	0.86

Source: Philippine Stock Exchange, Weekly Market Watch, VOL. II NO. 52

**Philippine Stock Exchange Index Composition for Mining and Oil
As of Jan, 5, 2009**

SECURITY NAME	PRICE	OUTSTANDING SHARES	FREE FLOAT LEVEL	FREE FLOAT - ADJUSTED MARKET CAPITALIZATION	% WT
APEX MINING COMPANY, INC. "A"	1.12	458,981,818	26.0%	133,655,505.40	0.47
APEX MINING COMPANY, INC. "B"	1.18	295,731,885	28.0%	97,709,814.80	0.35
ABRA MINING & INDUSTRIAL CORP.	0.003	182,946,882,574	53.0%	290,885,543.29	1.03
ATLAS CONSOLIDATING MINING & DEVELOPMENT CORP.	2.80	1,048,931,882	45.0%	1,321,654,171.32	4.68
BENGUET CORPORATION "A"	6.60	3,761,587	40.0%	247,530,589.68	0.88
BENGUET CORPORATION "B"	9.60	57,049,272	74.0%	405,278,028.29	1.44
BASIC ENERGY CORP.	0.13	2,289,821,964	99.0%	294,700,086.77	1.04
DIZON COPPER SILVER MINES, INC.	1.20	78,006,687	33.0%	30,890,648.05	0.11
GEOGRACE RESOURCES PHILIPPINES, INC.	0.41	2,522,105,615	98.0%	1,013,382,036.11	3.59
LEPANTO CONSOLIDATED MINING "A"	0.0625	19,721,933,633	85.0%	1,047,727,724.25	3.71
LEPANTO CONSOLIDATED MINING "B"	0.07	13,145,610,845	84.0%	772,961,917.69	2.74
MANILA MINING CORPORATION "A"	0.0065	107,433,136,003	63.0%	439,938,691.93	1.56
MANILA MINING CORPORATION "B"	0.0065	71,571,185,202	66.0%	307,040,384.52	1.09
NiHao MINERAL RESOURCES INTERNATIONAL, INC.	3.45	100,000,000	63.0%	217,350,000.00	0.77
OMICO CORPORATION	0.007	105,046,167,332	77.0%	566,198,841.92	2.01
ORIENTAL PETROLEUM & MINERAL CORPORATION "A"	0.0085	120,000,000,000	64.0%	652,800,000.00	2.31
ORIENTAL PETROLEUM & MINERAL CORPORATION "B"	0.0085	80,000,000,000	64.0%	435,200,000.00	1.54
ORIENTAL PENINSULA RESOURCES GROUP, INC.	0.44	1,452,000,005	32.0%	204,441,600.70	0.72
THE PHILODRILL CORPORATION	0.0085	191,868,805,358	30.0%	978,530,907.33	3.47
PETROENERGY RESOURCES CORPORATION	4.50	136,912,110	48.0%	295,730,157.60	1.05
PHILEX MINING CORPORATION	5.00	3,880,851,172	74.0%	14,359,149,336.40	50.88
SEMIRARA MINING CORPORATION	34.00	277,572,800	40.0%	3,774,990,080.00	13.38

UNITED PARAGON MINING CORPORATION	0.0032	261,314,797,080	40.0%	334,482,940.26	1.19
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Source: Philippine Stock Exchange, PSE Composite and Sectoral Indices