



## RESOLUTION NO. 09-2006

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### **APPROVING AND ADOPTING THE REVISED GUIDELINES ON INDEX-BASED PRICING FOR PETROLEUM AND OIL PRODUCTS**

**WHEREAS**, the Government Procurement Policy Board (GPPB) pursuant to its mandate under Republic Act No. 9184 (RA 9184) and its Implementing Rules and Regulations (IRR-A) issued the Guidelines on Index-Based Pricing For Petroleum, Oil and Lubricant (POL) Requirements during its 3<sup>rd</sup> meeting held on 28 April 2005, through Resolution No. 05-2005;

**WHEREAS**, the guidelines referred to above govern the procurement of petroleum products by government agencies when the same is a major operational requirement for the agencies' principal mandates, and prescribe the rules and procedures on the use of index-based pricing scheme for the aforementioned undertaking;

**WHEREAS**, during the 9<sup>th</sup> meeting on October 7, 2005, the GPPB, through Resolution No. 22-2005, introduced amendments to the aforementioned guidelines to implement effectively its provisions;

**WHEREAS**, requests for further amendments from different government agencies, particularly, Department of National Defense (DND) and National Power Corporation (NPC), were received by the GPPB through its Technical Support Office (TSO);

**WHEREAS**, the Inter-Agency Technical Working Group (IATWG) of the GPPB in its meeting on March 2, 2006 reviewed the provisions of the said guidelines, and recommended for the consideration and approval of the GPPB, the Revised Guidelines on Index-Based Pricing for Petroleum and Oil Products incorporating the proposed amendments of DND and NPC.

**NOW, THEREFORE**, for and in consideration of all the foregoing, **WE**, the Members of the **GOVERNMENT PROCUREMENT POLICY BOARD**, by virtue of the powers vested on **US** by law, hereby **RESOLVE** to approve and adopt the **REVISED GUIDELINES ON INDEX-BASED PRICING FOR PETROLEUM AND OIL PRODUCTS**, attached hereto as Annex "A" and made an integral part hereof.



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This resolution shall take effect immediately.

**APPROVED** this 10<sup>th</sup> day of April, 2006 at Pasig City, Philippines

(Sgd)

**ROLANDO G. ANDAYA JR.**  
Secretary  
Department of Budget and Management

**ROMULO L. NERI**

Secretary  
National Economic and Development  
Authority

(Sgd)

**NATIONAL ECONOMIC AND  
DEVELOPMENT AUTHORITY**

**DEPARTMENT OF NATIONAL  
DEFENSE**

(Sgd)

**DEPARTMENT OF EDUCATION**

(Sgd)

**DEPARTMENT OF HEALTH**

(Sgd)

**DEPARTMENT OF THE INTERIOR  
AND LOCAL GOVERNMENT**

(Sgd)

**DEPARTMENT OF ENERGY**

(Sgd)

**DEPARTMENT OF PUBLIC WORKS  
AND HIGHWAYS**

(Sgd)

**DEPARTMENT OF FINANCE**

(Sgd)

**DEPARTMENT OF TRADE AND  
INDUSTRY**

(Sgd)

**DEPARTMENT OF SCIENCE AND  
TECHNOLOGY**



**RESOLUTION NO. 09-2006**

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(Sgd)  
**DEPARTMENT OF TRANSPORTATION  
AND COMMUNICATIONS**

(Sgd)  
**PRIVATE SECTOR REPRESENTATIVE**

Attested by:

(Sgd)  
**ESTANISLAO C. GRANADOS JR.**  
Executive Director, GPPB-TSO

## REVISED GUIDELINES ON INDEX-BASED PRICING FOR PROCUREMENT OF PETROLEUM AND OIL PRODUCTS

### 1. SCOPE AND APPLICATION

These guidelines shall govern the use, under extraordinary circumstances, of an index-based pricing scheme, in accordance with Section 61 of Republic Act No. 9184 (R.A. 9184), otherwise known as "Government Procurement Reform Act" and its Implementing Rules and Regulations Part A (IRR-A), and the GPPB Guidelines for Contract Price Escalation.

These rules and procedures shall govern the petroleum and oil procurement of the national government, its departments, bureaus, offices and agencies, including state universities and colleges, government-owned and/or controlled corporations, government financial institutions and local government units when petroleum and oil is a major operational requirement necessary for the prosecution of their principal mandate. Procurement of petroleum and oil products from retailers or dealers other than major suppliers as hereafter defined, or from those who are engaged in the business of selling the same to the general public for ultimate consumption and which are sold at pump prices shall not be subject to these guidelines.

### 2. PURPOSE

These guidelines are formulated to meet the following objectives:

- 2.1. To identify the conditions for the applicability of the index-based pricing scheme on the procurement of petroleum and oil products by a procuring entity.
- 2.2. To prescribe the rules and procedures on the use of index-based pricing scheme for the procurement of petroleum and oil requirements.

### 3. DEFINITION OF TERMS

- a. **Bid Price.** Refers to the difference of the WPP of the prospective supplier less discounts given plus delivery cost and the effect of E-VAT, in case of procurement using the WPP index; and the sum of MOPS plus the

premium imposed and delivery cost, in case of procurement using the MOPS index;

- b. **Bulk Procurement.** Procurement which, by the totality of all petroleum and oil product requirements and by their sheer volume, necessitates procurement from major suppliers for purpose of economies of scale.
- c. **Total Contract Price.** Refers to the aggregate of the amounts set by a procuring entity, as the ceiling, to meet the volume requirement for each type of petroleum and oil product; the value of which shall not exceed the ABC.
- d. **Delivery Cost.** Cost of freight incurred by the Supplier from the source to the delivery point, i.e., refinery to delivery point for deliveries ex-refinery, or oil terminal/depot to delivery point for deliveries ex-depot
- e. **Discounts.** Refer to the total deductions from the WPP.
- f. **Extraordinary Circumstance.** Refers to an event or occurrence, or series of events or occurrences, before or during contract implementation, which give(s) rise to price movements in petroleum and its derivative products.
- g. **Major Suppliers.** Refer to petroleum and oil wholesale suppliers and who, in the operation of their business, either maintains a refinery in the Philippines or directly imports petroleum and oil products from production or trading venues.
- h. **Mean of Platts Singapore.** Refers to the mean of the high and low components of a Platts assessment for oil cargoes loading from Singapore. **Platts** is a publishing/trading house based in Singapore which publishes daily information on oil price and shipping rates.
- i. **Petroleum and Oil Products.** For purposes of these guidelines, shall refer to those mentioned in Section 5 hereof.
- j. **Premium.** All applicable and reasonable cost or expenses (i.e. ocean freight, marine insurance, bank charges, ocean loss, storage/handling/throughput fees, profit, margin, etc.) to arrive at a landed cost of petroleum fuel in the Philippines.
- k. **Wholesale Posted Price.** Is the reference fuel prices individually set by local refiners and traders subject to periodic changes based on the

movement in crude oil prices, foreign exchange, and all other costs as verified and confirmed by the Department of Energy (DOE).

#### **4. CONDITIONS FOR APPLICABILITY OF THESE GUIDELINES**

- 4.1. These guidelines shall be applicable only in cases of bulk procurement of petroleum and oil requirements, by the national government, its departments, bureaus, offices and agencies, including state universities and colleges, government-owned and/or controlled corporations, government financial institutions and local government units where petroleum and oil procurement is a major requirement in their operations. For this purpose, procuring entities intending to use these guidelines for their petroleum and oil procurement shall notify the Government Procurement Policy Board (GPPB) in writing.

Petroleum and oil requirements shall be considered as major requirement of the procuring entity if the use of the same is necessary in the primary operation of the procuring entity and in the prosecution of its principal mandate. The duration of the contract to cover the petroleum and oil requirement of the procuring entity shall not exceed one (1) year.

#### **5. INDEX-BASED PRICING FOR PETROLEUM, OIL AND LUBRICANT PRODUCTS**

- 5.1. The Wholesale Posted Price (WPP) index shall be used in the procurement of the following petroleum and oil products:
- i. Premium, Unleaded or Regular Gasoline;
  - ii. Automotive Diesel Oil
  - iii. Jet A-1;
  - iv. AVGAS; and
- 5.2. The Mean of Platts Singapore index shall be used in the procurement of the following products:
- i. Industrial Fuel Oil;
  - ii. Low Sulfur Fuel Oil; and
  - iii. Industrial Diesel Oil.

- 5.3. The foregoing list of petroleum and oil items to be procured using either WPP or MOPS indices shall be subject to annual review, modification or re-classification by the GPPB, or as often as it deems necessary.

## **6. WPP AND MOPS-BASED PRICING SCHEME**

- 6.1. For the procurement of petroleum and oil products using the WPP index, the Bid Price shall be determined based on the prospective supplier's Wholesale Posted Price (WPP), subject to the rules under Item 7 hereunder.
- 6.2. For the procurement of petroleum and oil products using the MOPS index, the Bid Price shall be determined based on the MOPS assessments as officially released by Platts Singapore, subject to the rules under Item 7 hereunder.

## **7. BID AND CONTRACT PRICES**

- 7.1. Bid prices for procurement using the WPP index in accordance with Section 5.1 hereof shall be the individual WPP of the prospective supplier less the discounts given, if any, plus delivery cost and the effect of E-VAT. On the other hand, the bid price for procurement using the MOPS index in accordance with Section 5.2 hereof shall be the MOPS plus premium and delivery cost charged by the bidder.
- 7.2. Cost for E-VAT and other governmental costs which fall equally on all prospective suppliers are presumed to be included in the computation of the bid price.
- 7.3. In determining the Bid Price, reference shall be made to the WPP of the prospective supplier ten (10) days prior to the date of bid opening as verified with the Oil Industry Management Bureau of the Department of Energy, in case of procurement using WPP index, or, the average of MOPS of the immediately preceding calendar month prior to the originally determined date of bid opening, in case of procurement using MOPS index.

**8. BID EVALUATION AND COMPARISON OF BIDS**

- 8.1. For purposes of bid evaluation and/or comparison of bids, regardless of the index used, the Lowest Calculated Bid shall be determined by identifying the bidder who offered the lowest bid price.,
- 8.2. For purposes of payment, the discount or premium and the delivery cost stated in the contract shall be fixed from the time of the bidding through the life of the contract.

**9. ACTUAL PRICES PAYABLE**

- 9.1. The amount to be paid by the procuring entity for petroleum and oil requirements actually delivered and duly received by it shall be the WPP less the discounts offered, if any, plus the delivery cost charged and the effect of E-VAT, at the date of actual delivery; or the MOPS, plus the premium imposed and the delivery cost charged, referenced to the average of the MOPS of the calendar month immediately preceding the date of actual delivery.
- 9.2. For staggered deliveries, the procuring entity shall make, after every delivery, an accounting of the amount actually payable based on the date of the delivery receipt to determine the allowable unit/volume that may still be ordered from the remaining amount allotted for each petroleum or oil product. The procuring entity shall be allowed to make adjustments in the units/volume to be delivered per type of product to conform to the remaining amount in the total contract price.
- 9.3. For contracts stipulating consignment whereby a supplier makes a delivery of petroleum and oil products to a procuring entity's holding area and payment is based on volume consumed, the actual price payable shall be determined based on the weighted average of the applicable index from the date the order is placed up until the cut-off date for payments agreed upon by the parties. The same rule shall apply for contracts where a major supplier delivers the petroleum and oil products to the procuring entity through its authorized stations and/or distribution centers.
- 9.4. If during contract implementation, the total contract price for the project would have been consumed notwithstanding that the requirements were not fully delivered in the units/volume contemplated, no further order and



payments shall be made. This agreement shall form part of the bidding documents.

**10. REPEALING CLAUSE**

These Guidelines shall repeal GPPB Resolution 05-2005 and the amendments thereto per GPPB Resolution 22-2006, dated 01 April 2005 and 07 October 2005, respectively.

**11. EFFECTIVITY**

These Guidelines or any amendments hereto shall take effect fifteen (15) days after publication in the Official Gazette or in a newspaper of general nationwide circulation and upon filing with the University of the Philippines Law Center of three (3) certified copies of these guidelines.