



Marcos gov't urged to pursue legislation on 'fuel cost unbundling'

By Myrna M. Velasco – June 13, 2022

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The incoming Marcos administration is being urged to pursue key legislation that will compel the oil companies to “unbundle” or segregate the various cost items they have been passing on to consumers at petroleum pumps.

One major policy prescription of a study underpinned by state-run Philippine Institute for Development Studies (PIDS) will be to push for the passage of a measure that will enforce unbundling of the fuel cost components similar to House Bill 10823 that was lodged in the 18th Congress.

For the recommended retail price segregation, the cost components that will be disclosed to the consuming public must include those on: landed cost of crude oil or finished petroleum products; port charges and other imposts; refining cost (for crude oil); storage cost; handling cost; marketing cost and transshipment costs.

According to Dr. Adoracion M. Navarro, author of the PIDS study and former Undersecretary of the National Economic and Development Authority (NEDA), the propounded retail price unbundling is “consistent with the deregulation law,” and such policy will also “promote transparency and fair pricing.”

She added that the segregation of fuel cost components “should actually be welcomed by industry players interested in maintaining a level playing field as it would help spot anti-competitive practices – such as predatory pricing, or even smuggling.”

The weekly price adjustments of the oil companies have been “the biggest puzzle” that consumers would need to guess every time they would gas up at retail pumps, because even roar for public interest will not compel the industry players to throw light on their pricing strategies.

When there are price hikes bigger than calculations or when they shortchange on rollbacks, the oil firms even refuse to fully explain to the Department of Energy (DOE) the factors that have triggered the disproportionate cost swings with the industry players arguing that those questioned adjustments are part of ‘trade secrets’ in oil markets.

Under Republic Act 8479 or the Downstream Oil Industry Deregulation Act, the policing powers of the DOE is just limited to monitoring price adjustments and the agency is not empowered to intervene or keep prices under control, even if there are unwarranted market disruptions.

In Navarro’s view, “legislating retail price unbundling will authorize the DOE to monitor the components of the domestic prices of petroleum products.”

Beyond that though, the PIDS study-author qualified that policymakers will also need “to examine the claim of some industry players that the unbundling order will cause them to violate non-disclosure agreements in some of their supply contracts,” therefore, such precept must be weighed thoughtfully in the legislation process.