

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City

**EIGHTEENTH CONGRESS**  
First Regular Session



**House Bill No. 6009**

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Introduced by CIBAC Party-List Representatives  
Eduardo "Bro. Eddie" C. Villanueva and Domingo C. Rivera

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**AN ACT**  
**AMENDING PRESIDENTIAL DECREE NO. 972, AS AMENDED BY**  
**PRESIDENTIAL DECREE NO. 1174, OTHERWISE KNOWN AS THE**  
**"COAL MINING DEVELOPMENT ACT OF 1976"**  
**AND FOR OTHER PURPOSES**

**EXPLANATORY NOTE**

Over the decades, the Philippine coal mining industry has displayed a considerable expansion. Nevertheless, whether the industry has made significant economic and social benefits remains a question. Currently, coal mining contributes a measly share to the public sector. Under existing sharing scheme of the coal revenues, a coal mining company can deduct as much as 90% of the gross proceeds of coal as expenses. While such deductions are commonly allowed among government contracts with extractive industries, the proportion of recoverable cost for coal operators is among the highest; oil and natural gas operators, for example, are only allowed to deduct up to 70% of total proceeds of their extractions as expenses.

From the remaining 10% of gross proceeds, the company receives a share equal to 7%. This is tantamount to the sum of the company's "basic fees" and "special allowances." Thus, the state – the inherent owner of these extracted resources – is left with a measly share of 3% of the gross proceeds from coal.

As part of its incentives, coal mining operators are also exempted from payment of all national taxes, except income tax. However, a company's income tax expense

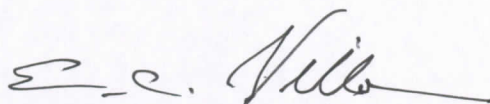
may be included in the total amount of expenditure to be deducted from the total sale of coal, as explicitly stated in the "Guidelines for Coal Operations in the Philippines."

Moreover, the governing law on coal mining operation – last amended in 1977 – needs to be strengthened to minimize the unwanted environmental impact of coal mining operations. Lastly, like other mineral mining companies, coal operators need to directly contribute to the sustainable development of their host communities. This is to ensure that significant benefits from the use of the country's finite resources are enjoyed by the current and future generations.

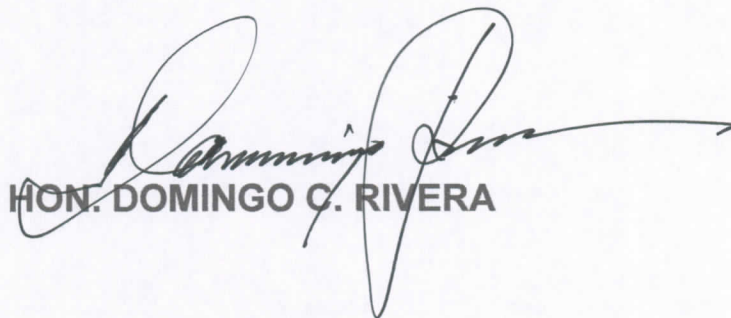
In consideration of these factors, this bill seeks to amend Presidential Decree No. 972 to increase the public share from the coal proceeds, minimize the environmental impact of the coal mining operations, and strengthen the role of coal operators to the development of communities:

- a) Lower the proportion of allowable deduction from 90% to 70% of gross proceeds, and exclude taxes and fees from the items included in the operating expense to be deducted from the gross proceeds;
- b) Repeal the 30% special allowance, thus leave the share of operators to 40% of net proceeds;
- c) Exclude excise taxes on coal and local taxes, fees, and charges from the incentives granted to operators;
- d) Require operators to incorporate an Environmental Protection and Enhancement Program in the operators' exploration and production programs;
- e) Create a Mine Rehabilitation Fund to be used for physical and social rehabilitation of areas and communities affected by coal mining activities, among others; and
- f) Require coal mining operators to allocate 1.5% of their operating expense for programs and projects designed to improve the well-being of host communities.

The immediate passage of this bill is earnestly sought.



**HON. EDUARDO "BRO. EDDIE" C. VILLANUEVA**



**HON. DOMINGO C. RIVERA**



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**"COAL MINING DEVELOPMENT ACT OF 1976"**  
**AND FOR OTHER PURPOSES**

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*

**SECTION 1.** Section 9 of Presidential Decree No. 972 (PD 972), as amended by Presidential Decree No. 1174 (PD 1174), is hereby further amended to read as follows:

"SECTION 9. *Obligations of Operator in a Coal Operating Contract.*

"x x x

"On the other hand, the Energy Development Board shall:

- (a) On behalf of the Government, reimburse the operator for all operating expenses not exceeding SEVENTY PERCENT (70%) of the gross proceeds from production in any year; Provided, that if in any year, the operating expenses exceed SEVENTY PER CENT (70%) of the gross proceeds from production, then the unrecovered expenses shall be recovered from the operating of succeeding years. Operating expenses means the total expenditures for coal operating incurred by the operator as provided in a coal operating contract. **OPERATING EXPENSES TO BE DEDUCTED**

1 FROM THE GROSS PROCEEDS SHALL EXCLUDE TAXES, FEES, OR  
2 CHARGES, INCLUDING RELATED SURCHARGES, INTERESTS OR  
3 FINES, PAID TO THE NATIONAL AND LOCAL GOVERNMENT.  
4

5 "X X X  
6

7 **SECTION 2.** Section 10 of PD 972, as amended by PD 1174, is hereby REPEALED  
8 and a new Section 10 is provided to read as follows:  
9

10 "SECTION 10. *SOCIAL DEVELOPMENT.* EACH CONTRACTOR SHALL ALLOT  
11 AT LEAST ONE AND A HALF PERCENT (1.5%) OF ITS OPERATING COST TO  
12 ASSIST IN THE DEVELOPMENT OF ITS HOST COMMUNITY, AS WELL AS  
13 NEARBY COMMUNITIES, AND IN THE PROMOTION OF THE GENERAL  
14 WELFARE OF ITS INHABITANTS."  
15

16 **SECTION 3.** A new Section 10-A of PD 972, as amended by PD 1174, is hereby  
17 amended to read as follows:  
18

19 "SECTION 10-A. *ENVIRONMENTAL PROTECTION.* EACH CONTRACTOR  
20 SHALL UNDERTAKE AN ENVIRONMENTAL PROTECTION AND  
21 ENHANCEMENT PROGRAM COVERING THE PERIOD OF THE COAL  
22 OPERATING CONTRACT. SUCH ENVIRONMENTAL PROGRAM SHALL BE  
23 INCORPORATED IN BOTH THE EXPLORATION PROGRAM AND  
24 DEVELOPMENT AND PRODUCTION PROGRAM. THE ENVIRONMENTAL  
25 PROGRAM SHALL INCLUDE NOT ONLY PLANS RELATIVE TO EXPLORATION  
26 AND PRODUCTION OPERATIONS BUT ALSO TO REHABILITATION,  
27 REGENERATION, REVEGETATION AND REFORESTATION OF COAL  
28 CONTRACT AREAS, SLOPE STABILIZATION OF THE COVERED AREAS,  
29 AQUACULTURE, WATERSHED DEVELOPMENT AND WATER  
30 CONSERVATION."  
31

32 **SECTION 4.** A new Section 10-B of PD 972, as amended by PD 1174, is hereby  
33 inserted to read as follows:  
34

35 "SECTION 10-B. *ENVIRONMENTAL IMPACT ASSESSMENT.* EXCEPT DURING  
36 THE EXPLORATION PERIOD OF A COAL MINING CONTRACT, AN  
37 ENVIRONMENTAL CLEARANCE CERTIFICATE SHALL BE REQUIRED BASED  
38 ON AN ENVIRONMENTAL IMPACT ASSESSMENT AND PROCEDURES UNDER  
39 THE PHILIPPINE ENVIRONMENTAL IMPACT ASSESSMENT SYSTEM, AND  
40 SECTIONS 26 AND 27 OF THE LOCAL GOVERNMENT CODE OF 1991 WHICH  
41 REQUIRE NATIONAL GOVERNMENT AGENCIES TO MAINTAIN ECOLOGICAL  
42 BALANCE, AND PRIOR CONSULTATION WITH THE LOCAL GOVERNMENT  
43 UNITS, NON-GOVERNMENTAL AND PEOPLE'S ORGANIZATIONS AND OTHER  
44 CONCERNED SECTORS OF THE COMMUNITY: PROVIDED, THAT A  
45 COMPLETED ECOLOGICAL PROFILE OF THE PROPOSED COAL CONTRACT  
46 AREA SHALL ALSO CONSTITUTE PART OF THE ENVIRONMENTAL IMPACT  
47 ASSESSMENT. PEOPLE'S ORGANIZATIONS AND NON-GOVERNMENTAL  
48 ORGANIZATIONS SHALL BE ALLOWED AND ENCOURAGED TO PARTICIPATE  
49 IN ENSURING THAT CONTRACTORS SHALL OBSERVE ALL THE  
50 REQUIREMENTS OF ENVIRONMENTAL PROTECTION.



1 **SECTION 5.** A new Section 10-C of PD 972, as amended by PD 1174, is hereby  
2 inserted to read as follows:

3  
4 "SECTION 10-C. *REHABILITATION.* CONTRACTORS SHALL TECHNICALLY  
5 AND BIOLOGICALLY REHABILITATE THE COAL CONTRACT AREAS TO THE  
6 CONDITION OF ENVIRONMENTAL SAFETY, AS MAY BE PROVIDED IN THE  
7 IMPLEMENTING RULES AND REGULATIONS OF THIS ACT. A MINE  
8 REHABILITATION FUND SHALL BE CREATED AND SHALL BE DEPOSITED AS  
9 A TRUST FUND IN A GOVERNMENT DEPOSITORY BANK AND USED FOR  
10 PHYSICAL AND SOCIAL REHABILITATION OF AREAS AND COMMUNITIES  
11 AFFECTED BY COAL MINING ACTIVITIES AND FOR RESEARCH ON THE  
12 SOCIAL, TECHNICAL AND PREVENTIVE ASPECTS OF REHABILITATION.  
13 FAILURE TO FULFILL THE ABOVE OBLIGATION SHALL MEAN IMMEDIATE  
14 SUSPENSION OR CLOSURE OF THE COAL MINING ACTIVITIES OF THE  
15 CONTRACTOR CONCERNED."

16  
17 **SECTION 6.** Section 16 of PD 972, as amended by PD 1174, is hereby amended to  
18 read as follows:

19  
20 "SECTION 16. Incentives to Operators.

21  
22 (a) Exemption from all taxes except income tax, EXCISE TAXES, AND LOCAL  
23 TAXES, FEES, AND CHARGES IMPOSED BY LOCAL GOVERNMENT  
24 UNITS HOSTING THE COAL MINING OPERATION;

25  
26 "x x x  
27

28 **SECTION 7. Implementing Rules and Regulations.** – Within sixty (60) days from  
29 the effectivity of this Act, the Department of Energy, in consultation with the  
30 Department of Environmental and Natural Resources, Bureau of Internal Revenue and  
31 other concerned stakeholders, shall promulgate the rules and regulations for the  
32 effective implementation of this Act.

33  
34 **SECTION 7. Separability Clause.** – If any provision of this Act is declared  
35 unconstitutional or invalid, other parts or provisions hereof not affected thereby shall  
36 continue to be in full force and effect.

37  
38 **SECTION 8. Repealing Clause.** – All laws, decrees, executive orders, rules and  
39 regulations or parts thereof which are contrary to or inconsistent with this Act are  
40 hereby repealed, amended or modified accordingly.

41  
42 **SECTION 9. Effectivity.** – This Act shall take effect fifteen (15) days after its  
43 publication in this Official Gazette or in any two newspapers of general circulation.  
44

45  
46 **Approved,**