

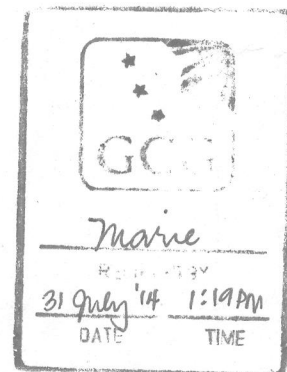


PHILIPPINE NATIONAL OIL COMPANY

ANTONIO M. CAILAO
President & CEO

30 July 2014

ATTY. CESAR L. VILLANUEVA
Chairman
Governance Commission for GOCCs
Office of the President of the Philippines
3rd Floor Citibank Center, 8741 Paseo de Roxas
Makati City, Philippines 1226



Dear Chairman Villanueva,

We are transmitting herewith PNOC's "Monitoring Report of Performance Targets" for the 2nd Quarter of FY 2014.

For your information.

Very truly yours,

Performance Measures			Baseline Data (if available)	Agreed Targets		1st Quarter		2nd Quarter	
	Weight 2014	Formula	2013 Targets	2014	Target	Actual	Target	Actual	
MFO 1- Evaluation and Approval of Projects and Programs									
PI 1: Evaluation and approval of the budget									
Quantity	No. of reviewed budget	10	Pass or fail	5	4	4	4		
Timeliness	Percentage of submissions approved within 50 days from the receipt of completed documents.	5	100 % of submissions approved within 40 days from the receipt of complete documents.	80% of submissions approved within 50 days from the receipt of complete documents.	100%	100% of submissions approved within 50 days from receipt of complete documents	100% of submissions approved within 32 days from receipt of complete documents		
Subtotal of Weights:		15							
PI 2: Batangas to Manila Gas Pipeline Project									
If alternative route:									
Quality (2a-alternative)	If shorter/alternative route: Complete the Technical Study, certified by the DOE	28	Pass or fail	N/A	100%				
Timeliness (2a- alternative)	Start in January 2014 with target completion date by 31 December 2014	12	0%- completion after 31 December 2014 90% -completion on 31 December 2014 95%- completion 1-15 days before 31 December 2014 100% - completion >15 days before 31 December 2014	N/A	100%				
		40							
Quality (2a-PPP)	If PPP Center: Complete the Technical Study, certified by the DOE	28	Pass or fail	N/A	100%		On track. RebelGroup, the winning Transaction Advisor, started the conduct of Feasibility Study (which includes the Technical Study) last March 10, 2014. Technical Study is targetted to be finished by November.		Transaction Advisor submitted the Demand and Supply Analysis portion of the Detailed Feasibility Study. The Transaction Advisor is a work-in process.
Timeliness (2a- PPP)	Start in January 2014 with target completion date by end December 2014	12	0%- completion after 31 December 2014 90% -completion on 31 December 2014 95%- completion 1-15 days before 31 December 2014 100% - completion >15 days before 31 December 2014	N/A	100%				N/A
		40							

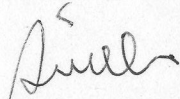
Performance Measures			Baseline Data (if available)	Agreed Targets	1st Quarter		2nd Quarter		
	Weight 2014	Formula	2013 Targets	2014	Target	Actual	Target	Actual	
PI 3: Implementation of the Memorandum of Understanding (MOU) between PNOOC and PetroleumBRUNEI									
Quality	3	Decision by the PetroleumBRUNEI to invest		Pass or fail	100%			During the March 19, 2014 meeting of PetroleumBRUNEI (PB) with the DOE Secretary, PB presented their target final investment decision which is end 2015. We are moving the target on PB's decision to invest from end 2014 to end 2015. PNOOC is preparing the GCG request and Board approval to move this target. PB finished their initial Site Selection Study and singled out the decommissioned Aplaya Power Plant as a possible project site, which is owned by PSALM and is outside PHIVIDEC. The challenge now is to come up with an acceptable framework on how to make the site available for PB given the constraints i.e. 54 titles unregistered, public bidding as PSALM is in privatization mode, etc. Note that the original target was based on PB's plan to locate inside PHIVIDEC. With all the options in PHIVIDEC failed, we are now looking into the second alternative described above.	This target is being requested to be moved to end 2015.
Timeliness	2	Started in July 2013 with target completion date in 31 December 2014		Pass or fail	100%				
	5								
PI 4: Sale/ Monetization of Banked Gas									
Quality	8	Scenario 1 - If joint sale: completion of signed agreement between SC38 and PNOOC Scenario 2 - If not joint sale: determination of need for Transaction Advisor, certified by the DOE		Pass or fail	N/A	100%		We are also proposing to move this target from June to August 2014 for the following reasons: 1) It is taking PSALM a long while to decide on the condition by which we are granting them access to the banked gas. This decision is a pre-condition for SC 38 consortium to have their head office approve the joint sale. Only then can we start drafting and finalizing the joint sale agreement. We have discussed this with PSALM in numerous meetings as early as February, in March 11 and the last one early April. But to date, PSALM has yet to decide. 2) We were also given indication by the SC38 consortium members that it will take months to secure both their HO approval and drafting and finalizing the joint sale agreement. These are circumstances that are not only beyond our control but also unforeseen until now.	During the recent meeting of PNOOC with GCG, this performance indicator was requested to be moved by end September 2014.
Timeliness	5	Start in January 2014 with target completion date in 30 June 2014		0%- completion after 30 June 2014 90% -completion on 30 June 2014 95%- completion 1-15 days before 30 June 2014 100% - completion >15 days before 30 June 2014	N/A	100%			

2

Performance Measures			Baseline Data (if available)	Agreed Targets		1st Quarter		2nd Quarter	
		Weight 2014	Formula	2013 Targets	2014	Target	Actual	Target	Actual
Quality 2	Certification by the DOE of the acceptability of the Terms of Reference of the Sale or TA engagement	12	Pass or fail	N/A	100%				
Timeliness 2	Start in June 2014 with target completion date in 31 December 2014	5	0%- completion after 31 December 2014 90% -completion on 31 December 2014 95%- completion 1-15 days before 31 December 2014 100% - completion >15 days before 31 December 2014	N/A	100%				
		30							
MFO 2- Funding Support for Energy Projects									
PI I: Ability to Fund Projects									
Quantity	Amount of funding support appropriated for energy projects	4	Pass or fail	P106.687 million for PNOG-RC	P195.3 million for PNOG-RC		No drawdown request from PNOG RC for the first quarter		No drawdown request from PNOG RC for the second quarter
				P146.821 million for BATMAN	P97.3 million for BATMAN		Release of operating expenses amounting to Php18,261.00 for the first quarter		Release of operating expenses amounting to Php42,759.79 for the second quarter
					P15 million Banked Gas		No release of funds for the first quarter		No release of funds for the second quarter
Timeliness	Percentage of funding drawn within 7 banking days from the receipt of complete documents	5	Pass or fail	100%	100%		Funds released within 2 days upon receipt of complete documents		Funds released within 2 days upon receipt of complete documents
Quality	Funds will be made available as and when needed. Certification of drawdown or non-drawdown (not needed) by Subsidiary or Treasurer	1	Pass or fail	100%	100%				
Subtotal of Weights:		10							
Weights:		100							

Noted by:

RAINIER B. BUTALID
Commissioner, GCG


ANTONIO M. CAILAO
President, PNOG

CARLOS JERICO L. PETILLA
Secretary, DOE