

**PHILIPPINES-CHINA PLANNED JOINT EXPLORATION
OF OIL AND GAS IN THE SOUTH CHINA SEA:
*BUILDING BLOCKS AND ROADBLOCKS IN MARITIME COOPERATION***

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The 6th Asian Maritime Security Forum

New Development of Oceans Law and Policy in Asia-Pacific and the Arctic

November 15-16, 2018, Haikou, China

OUTLINE

- Background on the Idea of Joint Exploration and Development in the South China Sea
- Philippines-China Planned Joint Exploration in the South China Sea: Current Situation
- Building Blocks of Joint Exploration Plans
- Roadblocks Ahead

BACKGROUND



REPUBLIC OF THE PHILIPPINES

DEPARTMENT OF ENERGY

TAGUIG CITY, PHILIPPINES 1632

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7 November 2018

PHILIPPINES, CHINA SET UP JOINT EXPLORATION IN PALAWAN FIELD

MANILA, Philippines – Exploration in an oil and gas prospect offshore northwest Palawan between the Philippines and China is now awaiting the signature of President Duterte, Energy Secretary Alfonso Cusi said yesterday.

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Philippines says two energy exploration deals with China ready for signing

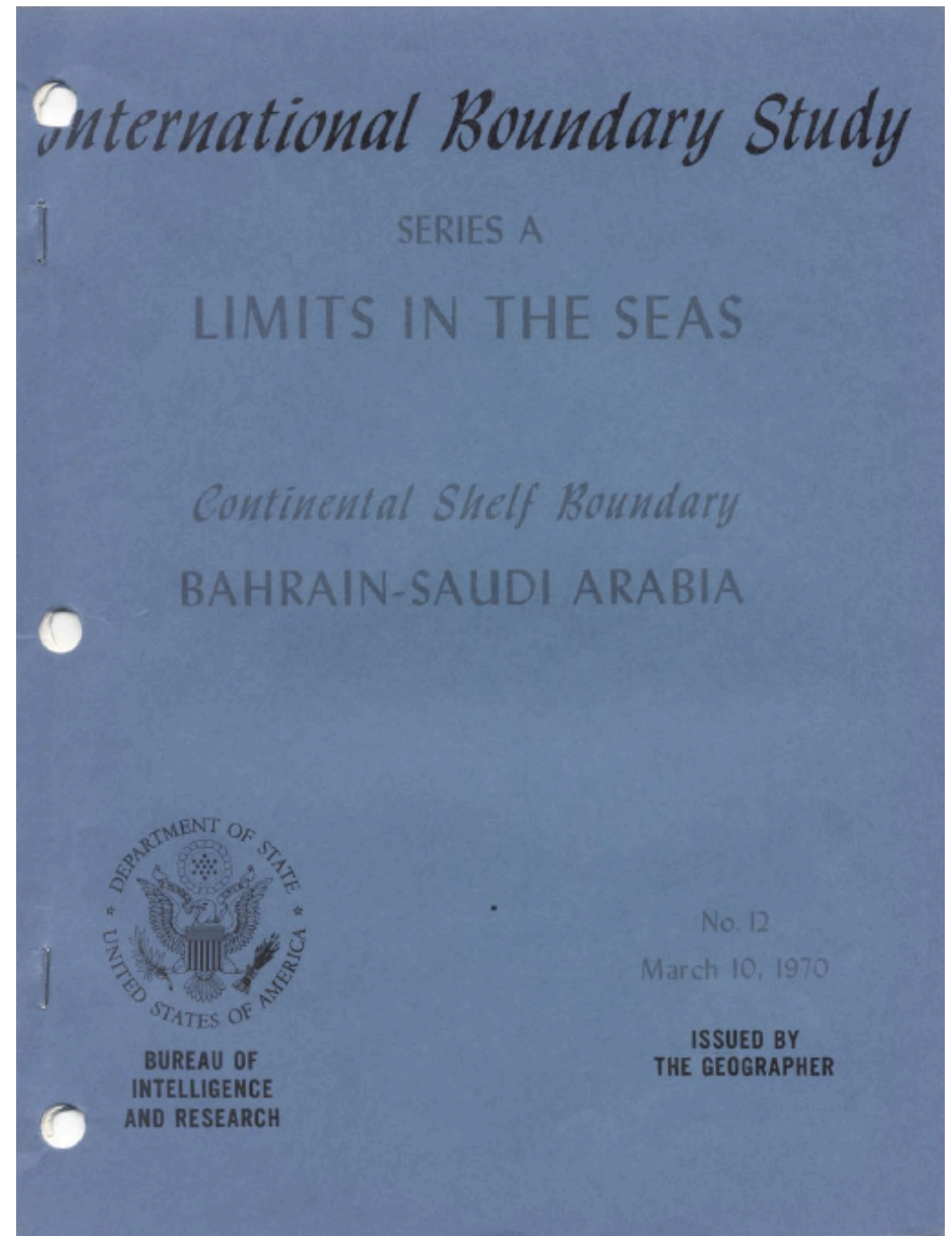
By Reuters - November 7, 2018 - 6:34 PM

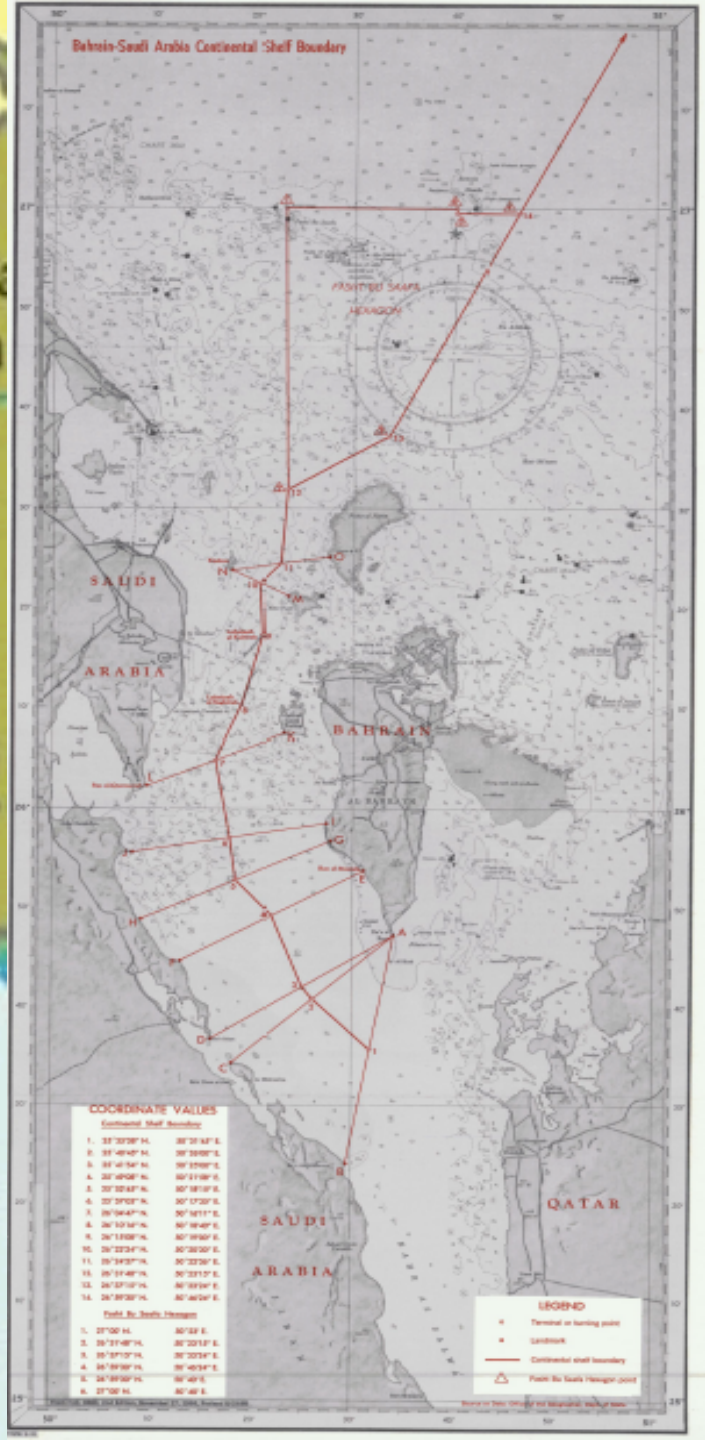


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- The idea of joint exploration or joint development in contested territories is not new.
- The idea was first implemented in the 1950s with the signing of the 1958 Joint Oil Development Agreement between Saudi Arabia and Bahrain
 - Divided the continental shelf in the Persian Gulf between the two countries.





This was followed by the following:

- Abu Dhabi-Qatar Joint Development Agreement (1969)
- France-Spain Agreement on the Bay of Biscal (1974)
- Saudi Arabia-Sudan Joint Development Agreement (1974)
- Japan-South Korea Joint Development Agreement (1974)
- Malaysia-Thailand Joint Development Agreement (1979)
- Australia-Indonesia Agreement (1989)
- China-Vietnam Joint Development Agreement (2000),
- Brunei-Malaysia Joint Development Agreement (2009)
- Others

In the South China Sea, then President Deng Xiaoping proposed in the 1970s the idea of “shelving disputes and seeking joint development”.



In the 1980s, UNCLOS urges parties with territorial disputes to pursue “provisional arrangements of a practical nature” but “without prejudice to the final delimitation” of territorial disputes



2002 Declaration on the Conduct of Parties

3 Major Elements

- Upholding norms for state-to-state interactions, particularly on dispute settlement
- Promoting confidence building measures
- Pursuing cooperative activities

DOC Paragraph 6

*Pending a comprehensive and durable settlement of the disputes, the Parties concerned may **explore or undertake cooperative activities**. These may include the following:*

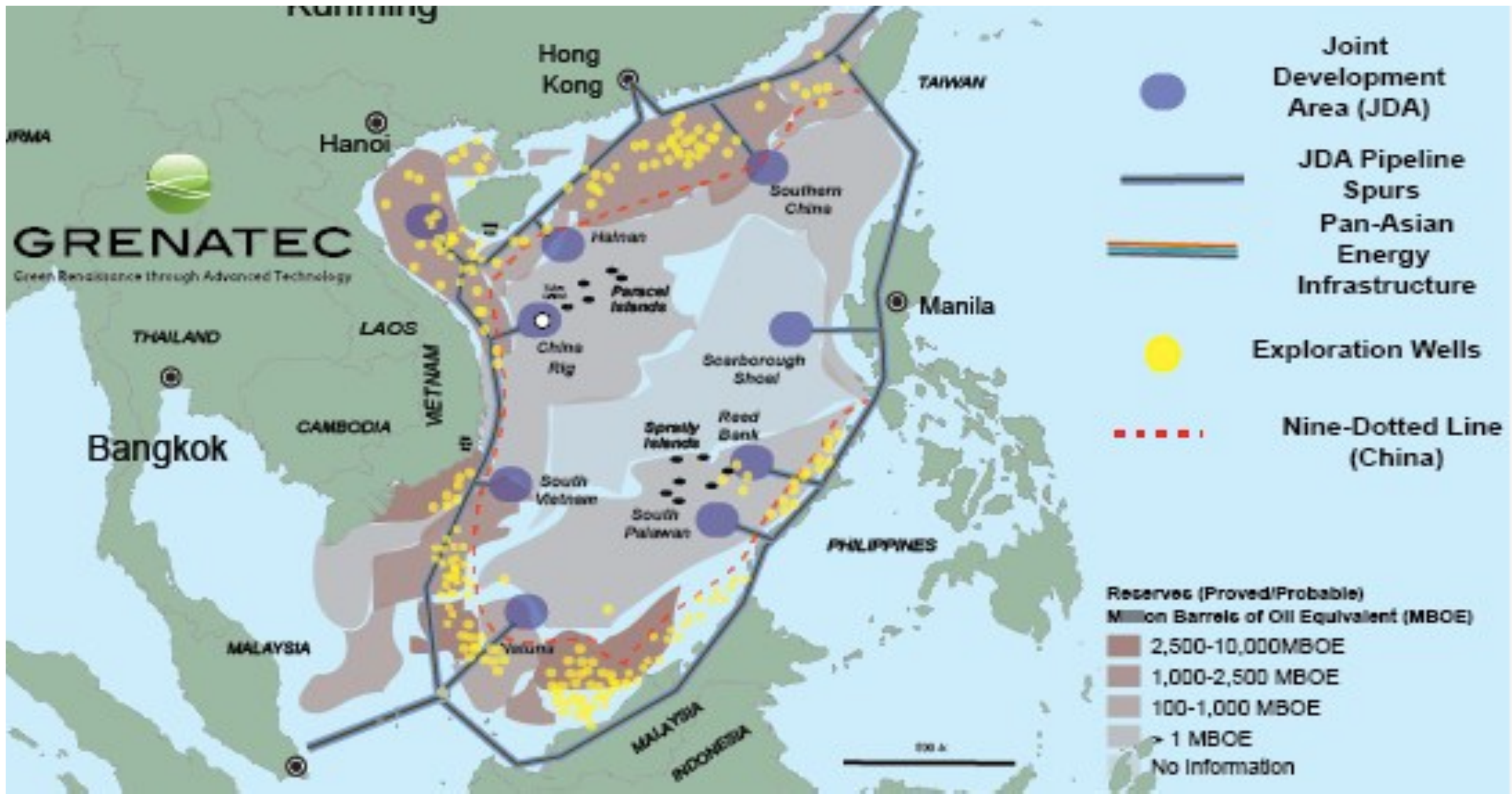
- 1. Marine environmental protection;*
- 2. Marine scientific research;*
- 3. Safety of navigation and communication at sea;*
- 4. Search and rescue operation; and*
- 5. Combating transnational crime*
Including but not limited to trafficking in illicit drugs, piracy and armed robbery at sea, and illegal traffic in arms
International terrorism

JOMSRE in the South China Sea
Joint Oceanographic and
Marine Scientific Research Expedition

- Phase I: Philippines and Vietnam
(1996-2007)
- Phase II Philippines, China, Vietnam

DOC Early Harvest Measures

- The Establishment of Hotline Communications among Senior Officials of the Ministries of Foreign Affairs (MFAs) of ASEAN and China in Response to Maritime Emergencies; and
- Joint Statement on the Application of the Code for Unplanned Encounters at Sea in the South China



Source: US EIA, Klaudia & Sandler, 2005, Grenatec

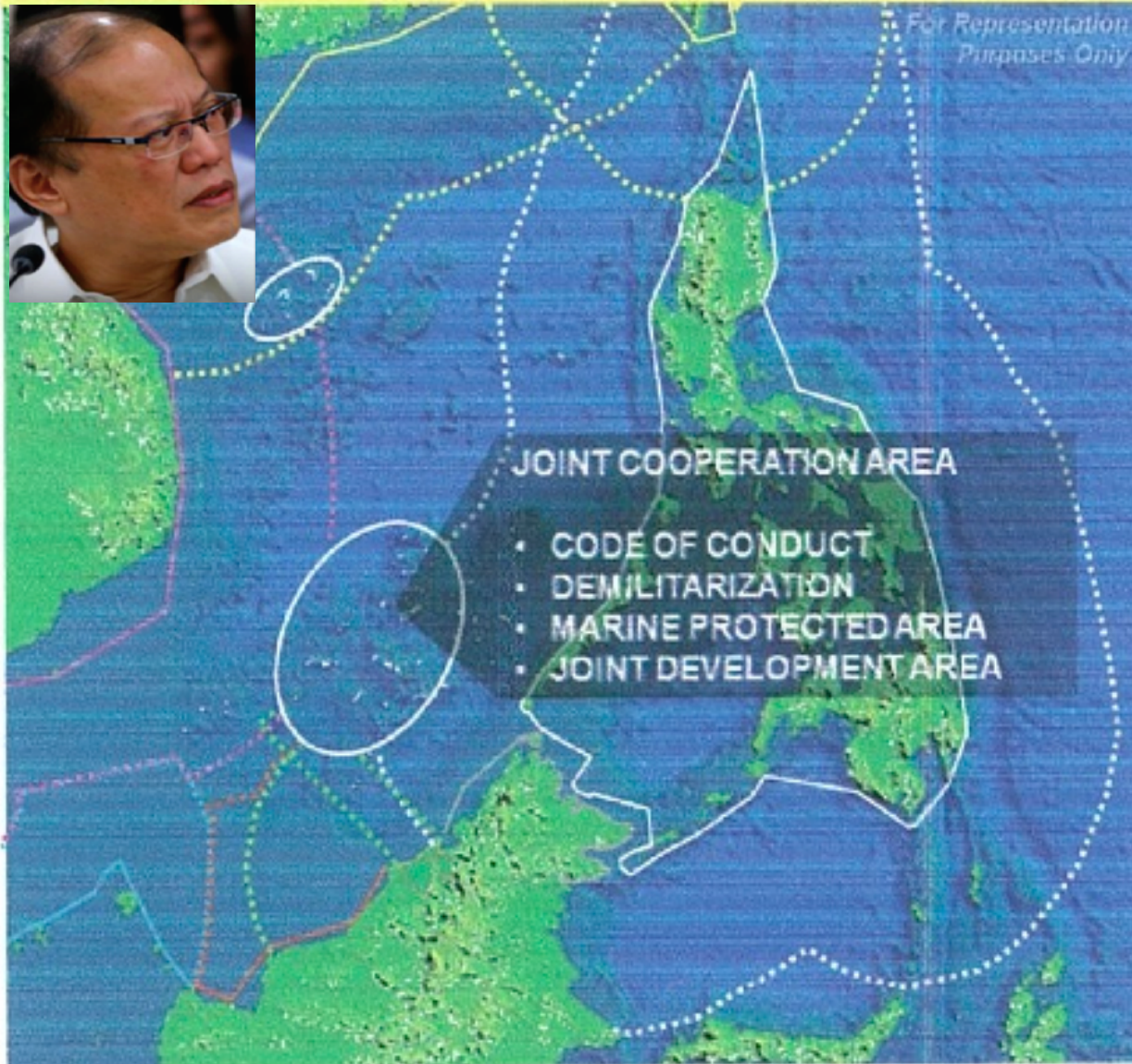


- In 2005, the oil companies of China, the Philippines and Vietnam signed the Joint Marine Seismic Undertaking (JMSU) to promote the idea of joint development in the South China Sea.



- But domestic politics in the Philippines resulted in the discontinuation of the JMSU.





- In 2013, then Philippine President Benigno Simeon Aquino III proposed the concept of **Joint Cooperation Areas** in the South China Sea.
- But international politics prevented it to take off.
- Claimants, particularly China and Vietnam, opposed the proposal.

CURRENT SITUATION

**The Philippines-China
Bilateral Consultation Mechanism
on the South China Sea**

- The BCM shall serve as a platform for CBM and for promoting maritime cooperation and maritime security.
- They have also committed to discuss issues of concern to either side and cooperation in the SCS, and where possible, identify mutually acceptable approaches in addressing these issues, including cooperation programs and projects.



STATE OF NATION



STATE
OF THE
NATION

**SEC. CAYETANO, NILINAW NA JOINT
EXPLORATION PA LANG ANG PINAG-UUSAPAN
HINDI JOINT DEVELOPMENT**

10:03 ON RATE O BILIS NG PAGTAAS NG PRESYO NG BILIHIN AT SERBISYO, LALO PA

Cayetano to fly to Beijing for talks on West PH Sea joint exploration



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PH notified China on working group for joint exploration: Cayetano

By [PTV News - AT](#) - August 11, 2018

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FRONT PAGE / NEWS

Cayetano: PH, China to set aside territorial claims during joint exploration

By CNN Philippines Staff

Updated 22:40 PM PHT Wed,
August 15, 2018

166 2

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has given Uson vic
birth, her PCOO



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FRONT PAGE / NEWS

Duterte offers Beijing '60-40' deal in S. China Sea joint exploration

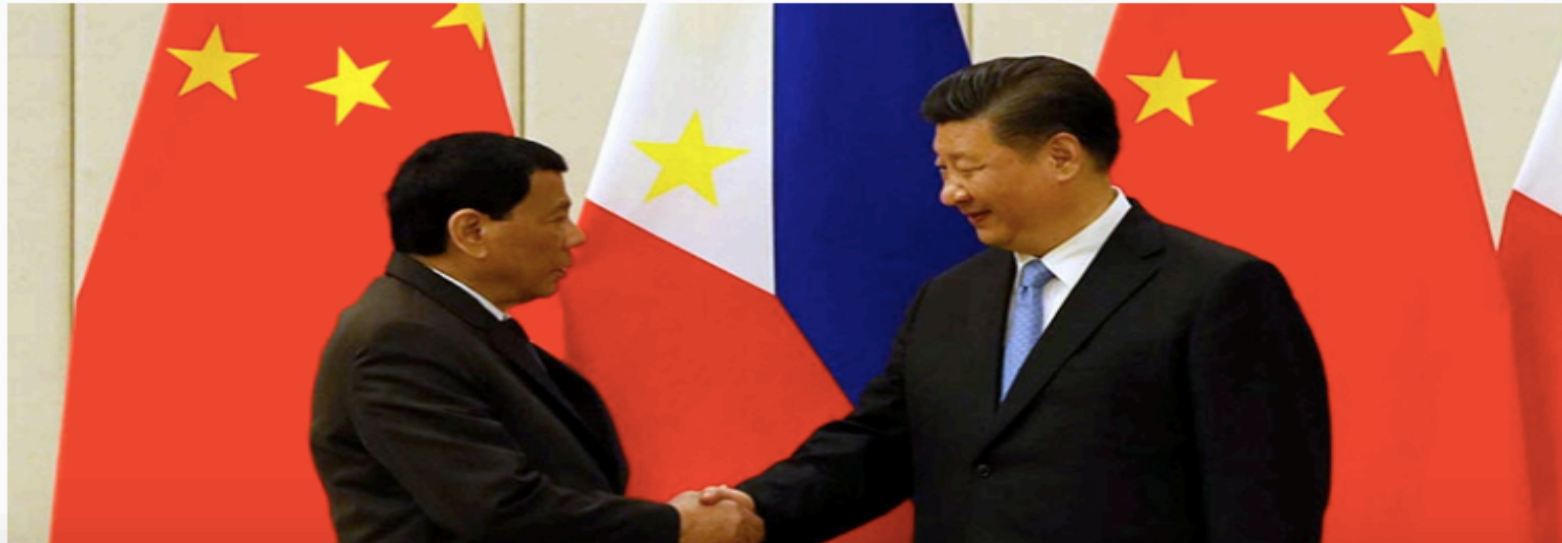
By [Chad de Guzman](#), CNN Philippines

Updated 13:47 PM PHT Sat, April 28, 2018

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A photograph of Xi Jinping, the Chinese President, waving with his right hand. He is wearing a dark suit, a white shirt, and a patterned tie. The background is slightly blurred, showing other people and flags.

**'CHINA,
IF THAT'S WHAT THE
PHILIPPINES WANTS,
IS WILLING TO DISCUSS
AND FIND A SOLUTION' IN
THE WEST PHILIPPINE SEA.'**

XI JINPING
CHINESE PRESIDENT



Improved diplomatic relations between the Philippines and China has reached a level of ease between the two countries and is now opening its doors to a joint exploration in West Philippine Sea.



ASEAN 50
PHILIPPINES 2017
PARTNERING FOR CHANGE, ENLARGING THE WORLD





ASEAN 50
PHILIPPINES 2011

PARTNERING FOR CHANGE
ENGAGING THE WORLD

BILATERAL ROOM RESERVATIONS DESK





[PHILIPPINES](#)

Aquino warns against 60-40 joint exploration in West PH Sea



SC 57

SC 72

SC 54-B

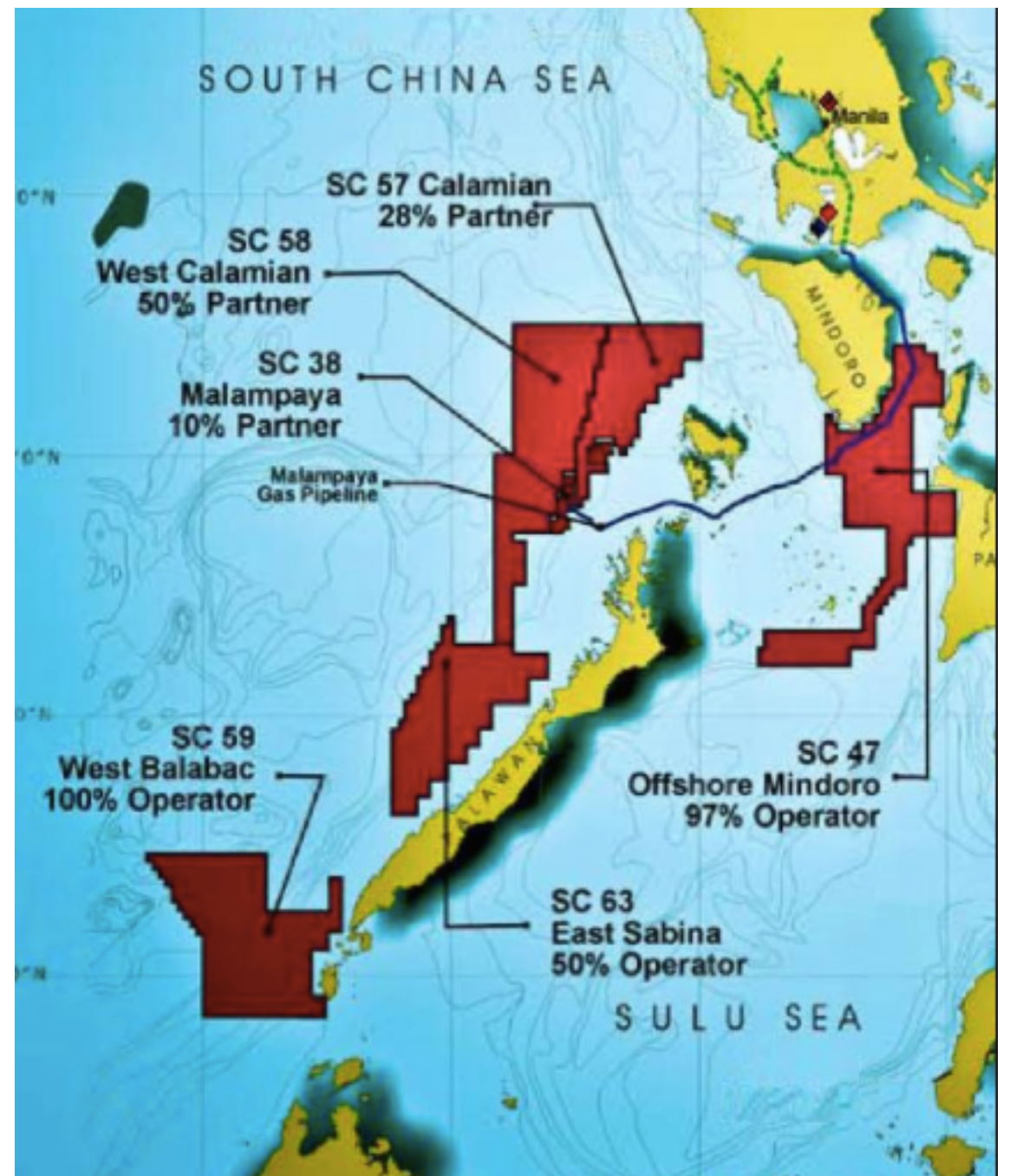
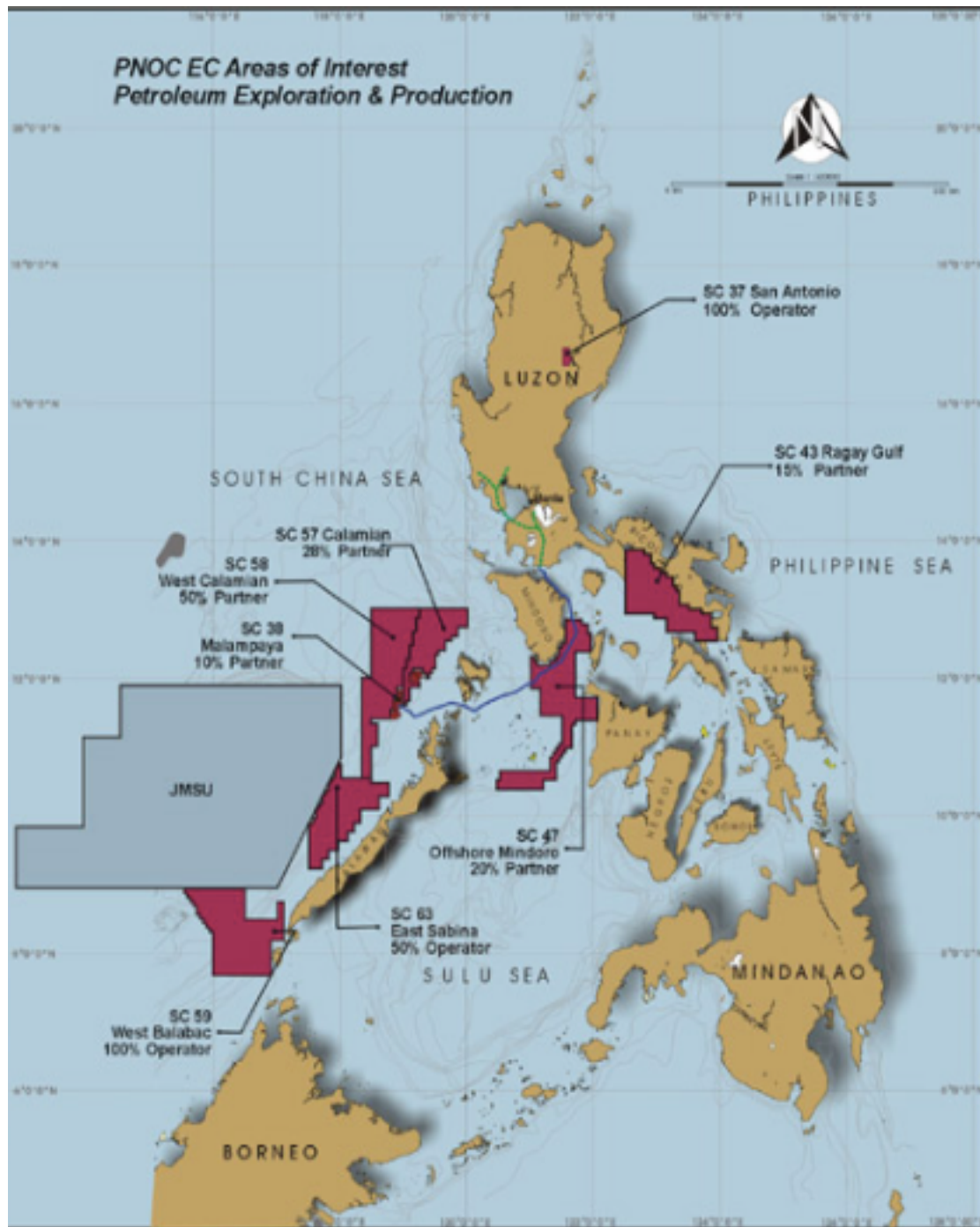
SC 63

AREA 7

AREA 8

AREA 9

150 Nmi



WEST PHILIPPINE SEA

PHILIPPINE SEA



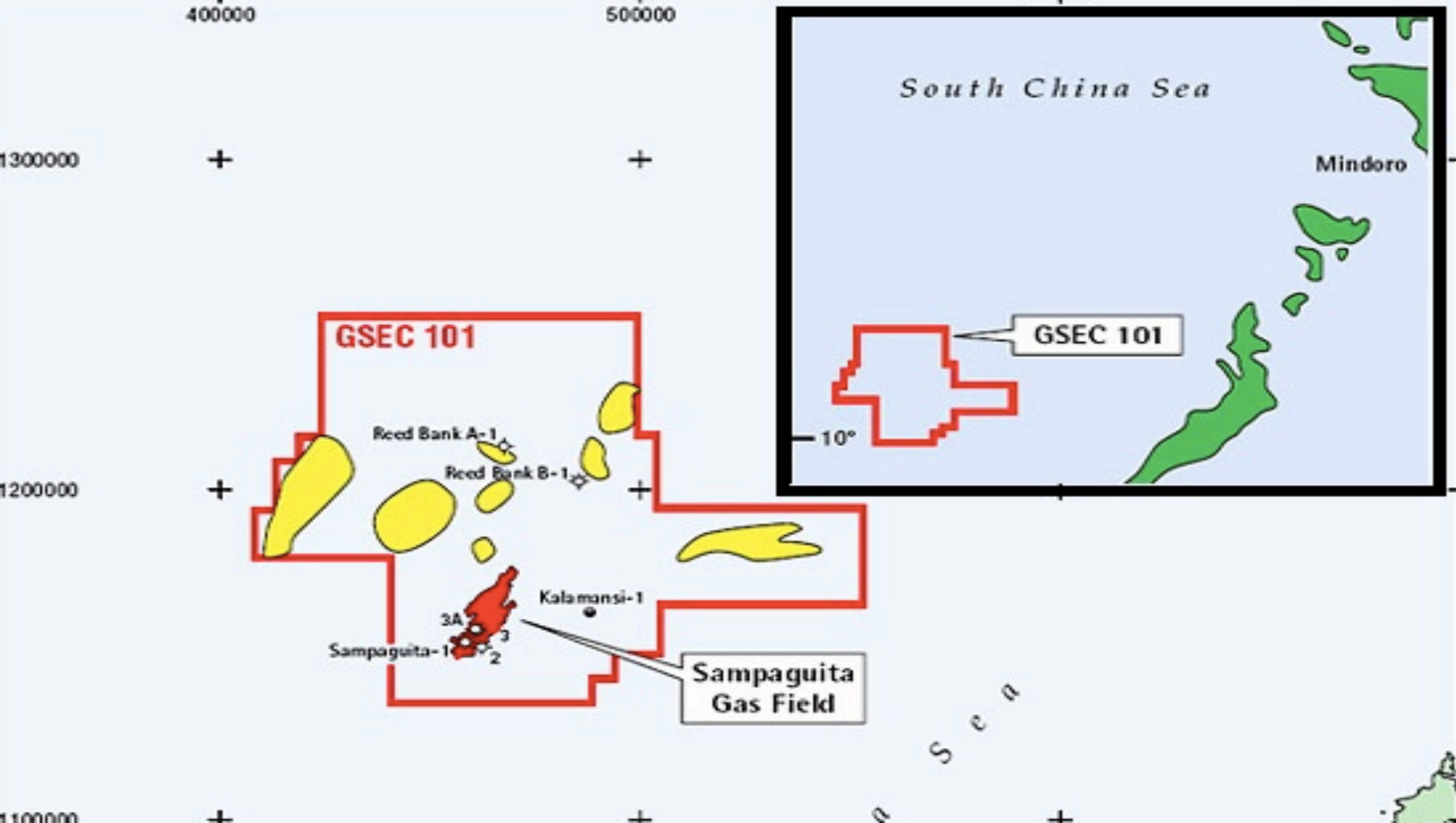
SC 75

SC 74

SC 40

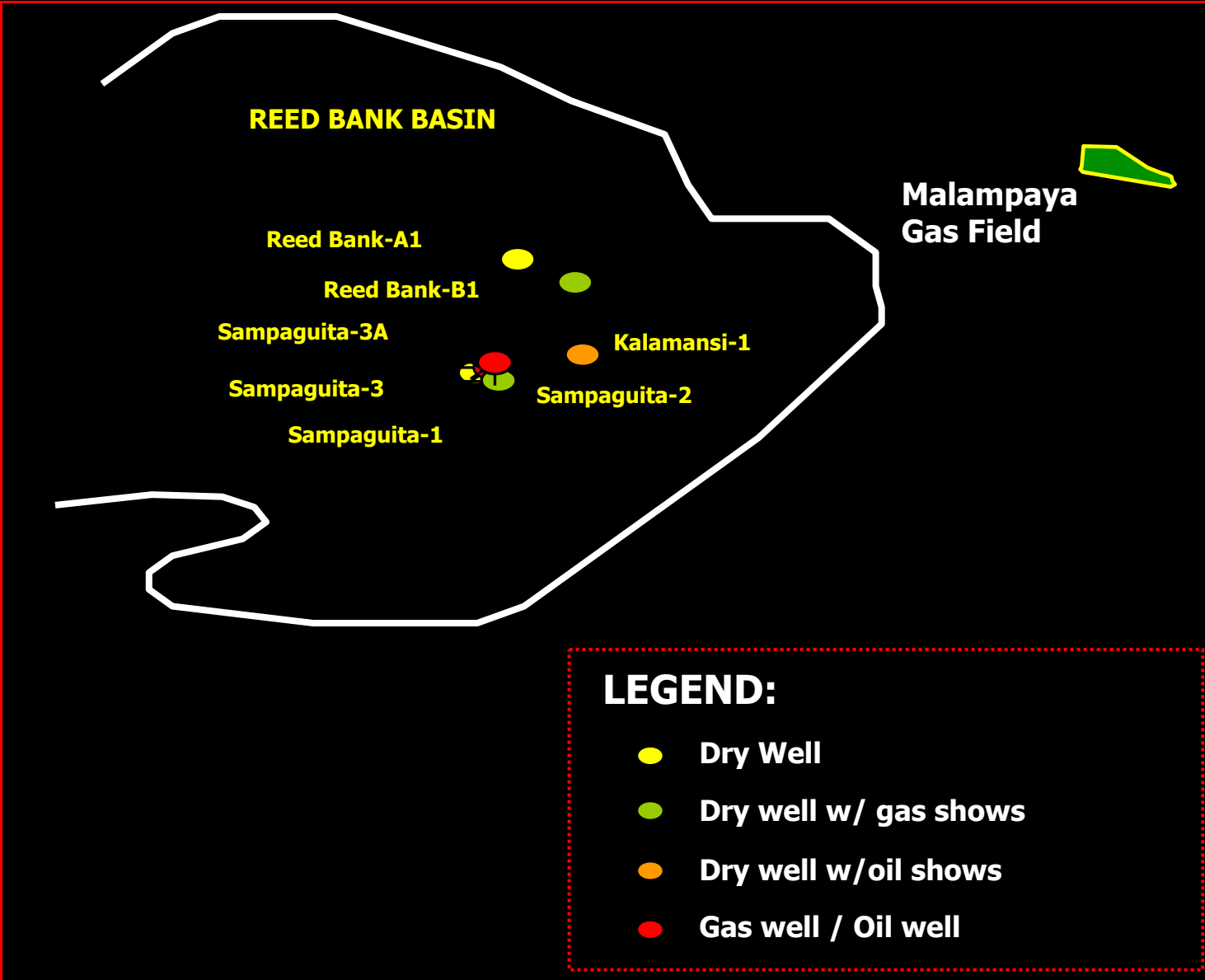
CEBU

PALAWAN

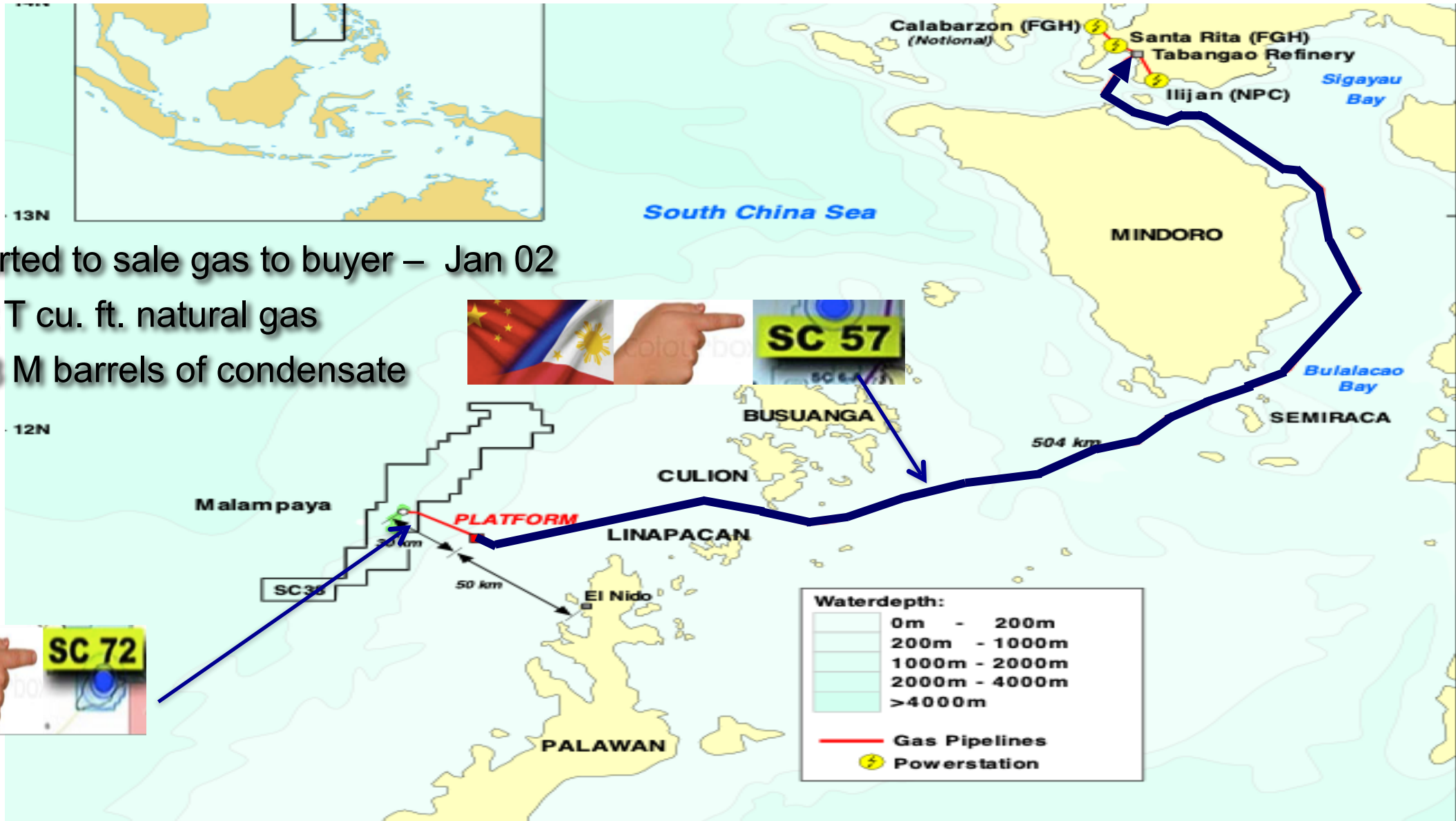


REED BANK BASIN RESOURCE POTENTIAL

RESOURCE	SIZE	WORTH (US\$)
Gas	3.9 Tcf	19.9 B
Oil	35 MMbbl	2.1 B
Condensate	21 MMbbl	1.2 B



MALAMPAYA NATURAL GAS TO POWER PROJECT








- Started to sale gas to buyer – Jan 02
- 3.2 T cu. ft. natural gas
- 118 M barrels of condensate



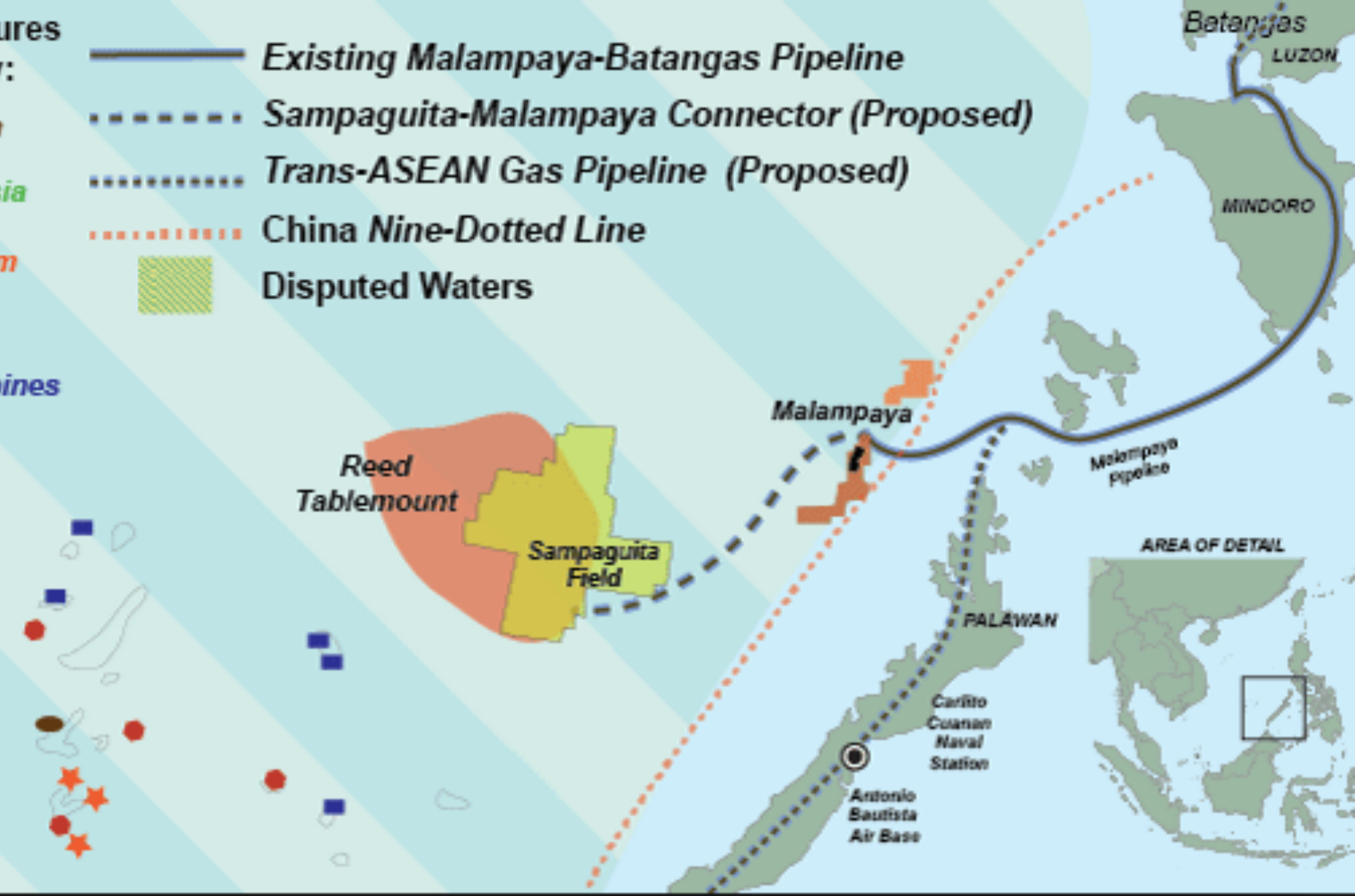
Offshore Features Claimed By:

Claimed By:

-  Taiwan
-  Malaysia
-  Vietnam
-  China
-  Philippines

-  Existing Malampaya-Batangas Pipeline
-  Sampaguita-Malampaya Connector (Proposed)
-  Trans-ASEAN Gas Pipeline (Proposed)
-  China Nine-Dotted Line
-  Disputed Waters

Green Renaissance through Advanced Technology
GRENNATEC



BUILDING BLOCKS

- Duterte's paradigm shift to China has created a calm security environment in the South China Sea, resulting in the warming up of Philippines-China relations.
- From the lowest level of Philippines-China relations under President Aquino III, bilateral ties achieved greater heights under President Duterte.





BUILD BUILD BUILD

BUILD

**The Duterte Administration's
Infrastructure Plan**

CLARK GREEN CITY

The first of many new cities. Ang long-term na solusyon sa kasikipan at traffic sa Metro Manila ay narito na.

REGIONAL AIRPORT DEVELOPMENT

Mga bago at magaganap na airport para sa madaling pagbiyahe.

RORO PORTS DEVELOPMENT

Para mas madali at mas mura na ang pagbiyahe ng mga tao sa iba't ibang sulok ng Pilipinas.

DAVAO CITY BYPASS CONSTRUCTION PROJECT

Biyaheng Mula sa Digos, Davao Del Sur papuntang Panabo, Davao Del Norte na mababawalan ng 2 oras, ngayon, 45 mins na lang.

MANILA-CLARK RAILWAY

Guaranteed 1 hour from Metro Manila to Clark International Airport.

ILOILO-GUIMARAS-NEGROS-CEBU LINK BRIDGE

Makakabiyahe na papuntang Iloilo, Guimaras, Negros at Cebu gamit ang bus at kotse.

UP - MIRIAM - ATENEYO VIADUCT

80% decrease in travel time sa Katipunan at CP Garcia.

SUBIC-CLARK CARGO RAILWAY PROJECT

Connection ng Subic port and Clark Airport para mabawasan ang mga truck sa IAH at mas madamayang ang iba't ibang mga biyahan.

CLARK INTERNATIONAL AIRPORT NEW TERMINAL BUILDING

Magkakaroon na ng kauna-unahang world-class airport ang Pilipinas. Mababawasan ang traffic at congestion sa NAIA.

SANTA MONICA - LAWTON - LINK BRIDGE

Pwede nang dumiretse BGC papuntang Ortigas. Mababawasan ng 10 mins ang sasakyan sa EDSA.

MINDANAO RAILWAY

2 oras na lang mula Davao hanggang Surigao at CDO. Mas mura at di na mabubulok ang pagkain at produkto.

METRO MANILA BUS RAPID TRAIN SYSTEM

Mabilis at siguradong schedule ng bus sa EDSA at mga malalaking kalye sa Metro Manila.

Makakarating na sa NAIA sa loob ng 15 mins galing Fort Bonifacio—walang traffic, walang delay.

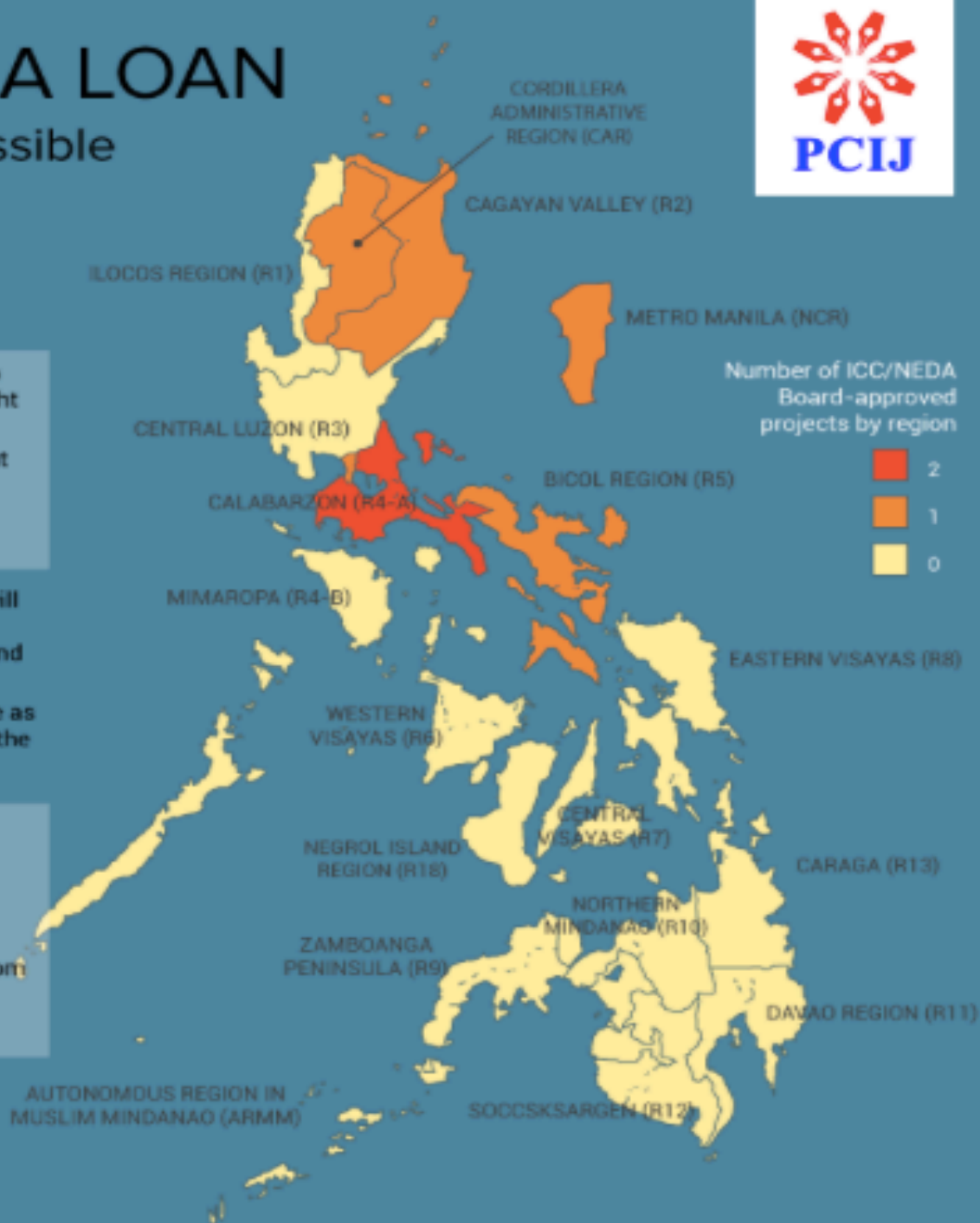
30 minutes na lang ang biyaheng papuntang Alabang hanggang Balintawak.

PRIORITY PROJECTS FOR CHINA LOAN

A geographical spread of projects submitted for possible Chinese funding and technical assistance



PROJECT NAME/ LOCATION/ PROponent AGENCY	ESTIMATED PROJECT COST	DESCRIPTION
Chico River Pump Irrigation Project/ Region II and Cordillera Administrative Region/ National Irrigation Administration- Office of the President	P2.696 billion	<ul style="list-style-type: none"> Installation of pump and construction of sump pump with the proposed pumping station located at the right bank facing downstream of the Chico River. Targeted to irrigate 8,700 hectares of land and benefit 4,350 farmers in the area.
New Centennial Water Source - Kaliwa Dam Project/ Region IV-A/ Metropolitan Waterworks and Sewerage System	P18.724 billion	<ul style="list-style-type: none"> Construction of a dam and conveyance tunnel that will provide additional 600 million liters of raw water to ensure water security in the whole of Metro Manila and parts of Cavite and Rizal. Aims to meet future potable water demand and serve as a redundant water source, to reduce dependence on the Angat Dam Reservoir.
North-South Railway Project (NSRP)-South Line/ National Capital Region, Region IV-A, and Region V/ Department of Transportation	P151 billion	<ul style="list-style-type: none"> Construction and subsequent operation and maintenance of a 581 -kilometer standard-gauge, long-haul railway operations from Manila to Legazpi with an extension line from Legazpi to Matnog and a branch line from Calamba to Batangas. Aims to achieve less than five hours of travel time from Manila to Legazpi.



SOURCE: National Economic and Development Authority's Indicative List of Pipeline Projects of the Philippine Government, as of Jan. 20, 2017
Submitted by the concerned Philippine Government agencies to DOF and NEDA for Chinese technical assistance and possible Chinese funding.

NOTES: Subject to updating by the Investment Coordinating Committee.
Projects on this list may still change funding source.

CHINA'S PROPOSED BELT AND ROAD INITIATIVE







Chico River Pump Irrigation Project Groundbreaking Ceremony

Brgy. Pinococ, Pinukpuk, Kalinga
June 8, 2018 | 1:00 PM

PROGRAMME

I. LAYING OF THE CAPSULE

SEC. LEONCIO B. EVASCO, JR.
Secretary of the Cabinet

Together with Governors of Cagayan and Kalinga, Representatives of District 2 and 3 of Cagayan and Lone District of Kalinga, NIA Officials, Chinese Officials, other Dignitaries and Officers of China CAMC Engineering Co. Ltd.

II. PROGRAMME PROPER

Prayer

GINA C. ROSETE
Sr. Industrial Relations Management Officer

National Anthem

GOLDIE ANGELEN C. TURINGAN
Irrigators Development Officer A

Ako Ay Pilipino

AVP

Acknowledgement of Guests
and Other Participants

EMCEE-DRIVEN

Welcome Address

HON. JOCEL C. BAAC
Governor, Province of Kalinga

Background of the Project

Engr. CONSTANCIO C. BANA-AY, JR.
Acting Regional Manager, NIA Region 2

Message

HON. ZHAO JIANHUA
Ambassador of China to the Philippines,
People's Republic of China

HON. MANUEL N. MAMBA, M.D.
Governor, Province of Cagayan

GEN RICARDO R VISAYA (Ret)
Administrator, National Irrigation Administration

Introduction of the Guest of Honor

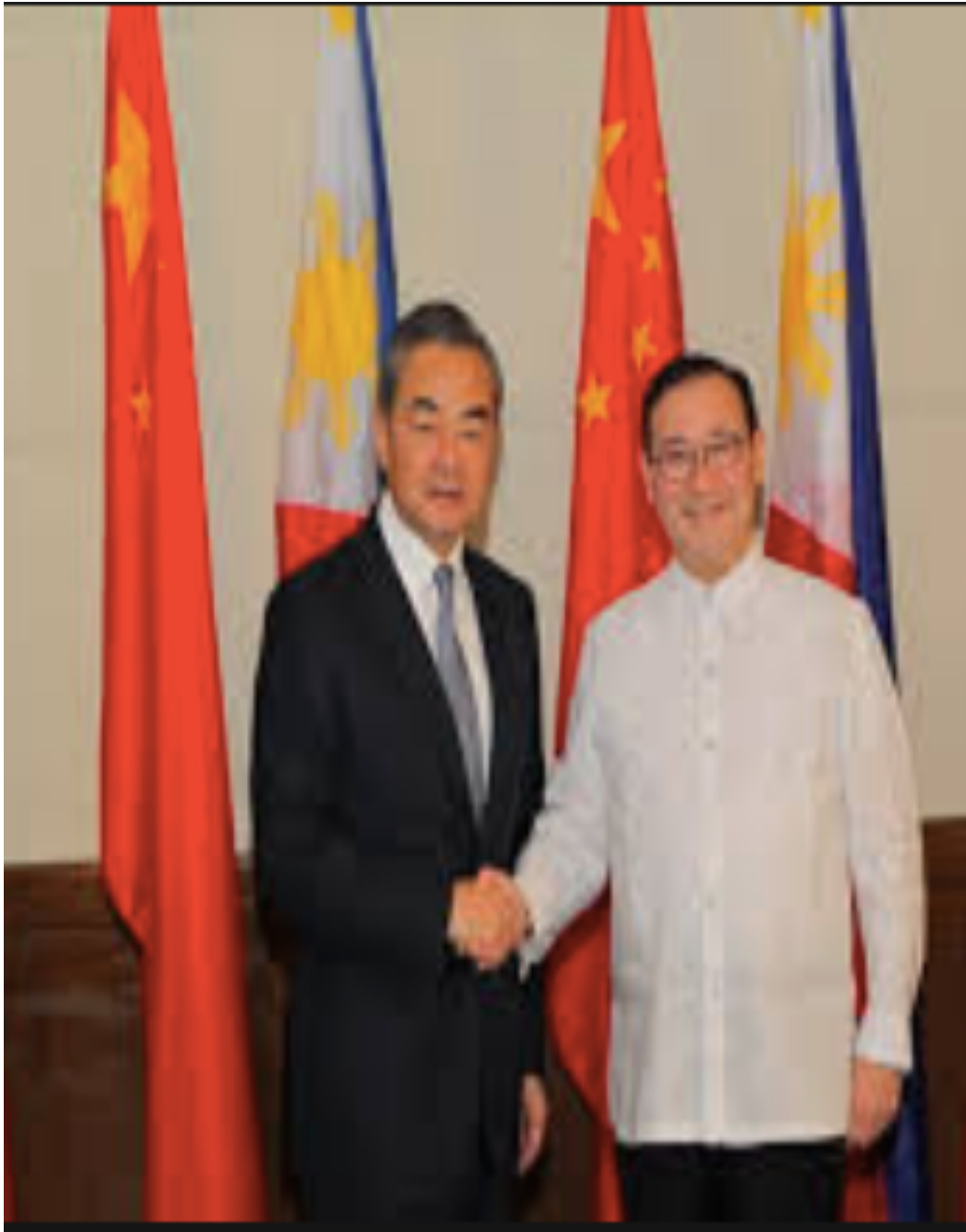
BGEN ABRAHAM B. BAGASIN (Ret)
Senior Deputy Administrator,
National Irrigation Administration

Speech of Guest of Honor

SEC. LEONCIO B. EVASCO, JR.
Secretary of the Cabinet

Master of Ceremony
PILIPINA P. BERMUDEZ, CESE
Department Manager, Public Affairs & Information Staff





ROADBLOCKS

- **Domestic Politics and Popular Nationalism**
 - Philippine constitutional requirements
 - May 2019 Philippine Mid-Term Elections
 - May 2022 Philippine Presidential Elections
- **International Politics and Involvements of Extra-Regional Powers**
 - More intrusive US FNOPs in the South China Sea
 - Increased involvements of Japan Australia

THANK YOU