

Oil & Gas Cooperation Opportunities for the Philippines to Ensure Its Future Energy Security

By Ameya Satam

Introduction

Various Asian countries have been significantly impacted by the supply shortage of oil and gas due to the ongoing war in the Strait of Hormuz. Especially, the Philippines has been affected the most due to its heavy dependence on the [Middle East](#) for the supply of oil and gas. The Philippines gets almost all of its oil and gas from Middle Eastern countries; as a consequence of this situation, the country is facing a shortage of oil and gas supply. Marcos Jr., the President of the Philippines, declared a [national emergency](#) on 24 March 2026 in light of this scenario. This extreme dependence on oil and gas imports from the Middle East has necessitated Philippines to seek new alternatives for a stable supply. This shortage of oil and gas has impacted almost every sector of the economy. Mr. Marcos stated that in 2025, the Philippines experienced economic growth of 4.4%, but now, due to the closure of the Strait of Hormuz, it is facing imported inflation, which has severely affected the transport, logistics, food supply, and manufacturing sectors. The Philippines had to bring about various changes in its policies to navigate through this crisis. To find new alternatives, the Philippines has initiated discussions with [various countries and ASEAN](#).

Visualizing the Philippines' Extreme Middle East Fuel Reliance

Data Source: WITS, World Bank Group (2023)

Region ● Asia ● Middle East

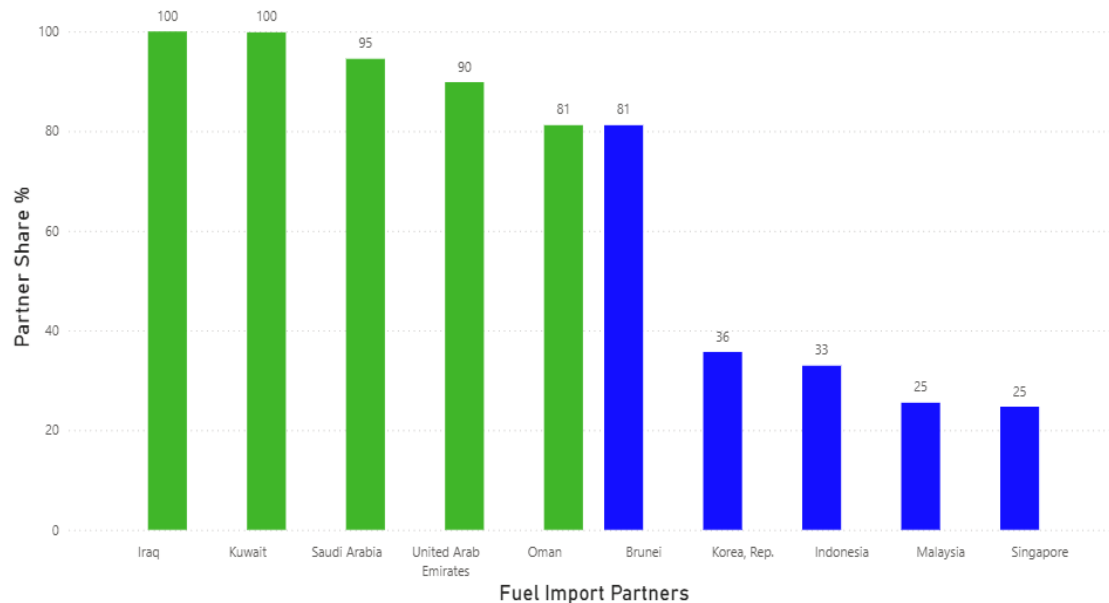


Figure 1: Visual evidence of the "Single Source" dependency showing that the Philippines has been heavily reliant on Middle Eastern imports, which has now necessitated a shift toward strategic energy alliances within ASEAN and with international partners such as Australia and the UK to ensure future energy security.

Importance of ensuring Energy Security

On February 28, Iran's conflict with the U.S. and Israel commenced, resulting in transit disruptions in the [Strait of Hormuz](#) as Iran blocked vessels from crossing the area. This led to increase in global oil prices, compelling the Philippines to ration fuel. Around 2,000 ships, including those carrying oil and gas, are stranded in the Middle East awaiting passage through the Strait of Hormuz. Furthermore, on April 12, Trump ordered the [US Navy](#) to block all ships in the Strait of Hormuz due to the failure of the peace talks between the U.S. and Iran. Baker Hughes has predicted that the strait might not reopen until the [second half of 2026](#). This situation has exacerbated conditions for the Philippines, despite a ceasefire being declared. The blockade by the US has created uncertainty regarding the future supply of oil and gas from the Middle East for the Philippines.

The Philippines is the most vulnerable country in this situation, as it is largely dependent on the Middle East for fuel supply and has limited capacity to absorb price shocks. The halted supply of oil and gas has raised the prices of food and energy.

Internal Policy Changes

The [Philippine government](#) is providing subsidies, taking over the operations of oil companies during the national emergency, reducing fuel prices, and lowering transport fares, among other measures to support various sectors of society.

Transport Sector:

- Many Public Utility Vehicle (PUV) operators are benefiting from a subsidy of P10 per liter which has a weekly limit of 150 litres.
- The PUV operators and drivers are also benefiting from the Service Contracting Program (SCP), receiving subsidies ranging from P40 to P100 per kilometre. This program also benefits their passengers, as PUV operators and drivers offer a 20% discount on fares to qualify for the subsidy. This subsidy is mitigating the impact of higher logistics costs on goods and services.

Oil and Gas Sector:

- The 1998 Oil Deregulation Law has been overridden by the national emergency, allowing the national government to take over the operations of oil companies.
- As a result, fuel prices have been lowered.
- Excise fuel taxes have been suspended on liquefied petroleum gas and kerosene, while diesel and gasoline are excluded for three months.

If these [temporary measures](#) are implemented for an extended period, there is a significant risk that the government's stability may be compromised, as pandemic-related spending has already strained public finances. The government's budget will

become tight if these measures continue for an extended time, as the global energy prices are unstable. Prolonged reductions in fuel costs will also impact the regular profits of fuel refiners, fuel distributors, and power sector companies if honorarium payments are not made on time or are insufficient.

The Philippine government may face challenges if it does not prioritize the energy security of the Philippines by collaborating with other countries on oil and gas exploration or by importing oil and gas from nations located in other regions. This is why the Philippines has been engaged in discussions with other countries since the onset of the conflict in the Strait of Hormuz. The Philippines can transform these discussions into cooperative opportunities, which will help ensure its energy security for the future, as it is one of the countries most affected by the closure of the Strait of Hormuz.

ASEAN Petroleum Security Agreement: ASEAN Member States Oil & Gas Cooperation Possibilities

Mr. Marcos has urged ASEAN to coordinate for emergency cooperation. The Philippines has suggested three initiatives: using and testing the [ASEAN Petroleum Security Agreement](#) emergency response structure with a regional model exercise, advancing a study on joint oil stockpiling led by the Economic Research Institute for ASEAN and East Asia, and forming mutual recognition protocols for emergency fuel allotment to improve cross-border assistance during crises.

Using the ASEAN Petroleum Security Agreement can facilitate the Philippines' efforts, as the agreement's purpose is to support the ASEAN member states during oil and petroleum product supply shortages and oversupply. This agreement ensures greater security and sustainability of energy through diversification, development and conservation of resources, the efficient use of energy, and the wider application of environmentally-sound technologies. Cooperative activities for establishing interconnecting arrangements for power and natural gas are supported by this agreement for those within the ASEAN Power Grid (APG) and Trans-ASEAN Gas Pipeline Project (TAGP). The Philippines has the required eligibility to take advantage of this agreement during the ongoing crisis.

The ASEAN Petroleum Security Agreement ensures that ASEAN member states will cooperate with the affected states to explore new petroleum resources in whichever area the affected parties of ASEAN prefer. The ASEAN member states can participate on a commercial and voluntary basis in joint ventures to explore and develop petroleum resources, especially in deepwater and new frontier areas, both globally and regionally.

This agreement also confirms that the ASEAN member states can cooperate with the affected ASEAN member states in energy diversification and improvement of energy efficiency, which also includes working on the APG and TAGP, fuel switching to other optional energy sources, joint research Development & Demonstration in

renewable energy, energy efficiency, and New Energy Technologies. The cooperation of ASEAN member states for diversifying energy supply sources is required to lessen the need to import from a single petroleum source; for example, in the case of the Philippines, it is the Middle East (the single source).

The liberalisation of oil and gas markets is supported, as the [ASEAN member states](#) recognise that the non-interference and liberalisation of the petroleum industry will strengthen the petroleum security if more players are allowed to enter the markets.

ASEAN member states are permitted to engage in oil stockpiling in any manner, whether individually or jointly, on a voluntary and commercial basis. Joint stockpiling can be initiated by ASEAN member states that are prepared to make commitments and cooperate.. The ASEAN Petroleum Security Agreement allows member states to supply up to 10 percent of a distressed country's normal fuel requirement on a voluntary and commercial basis.

Service Contracts (SC) - Strengthening Oil & Gas Cooperation between the Philippines & other Countries

UK

In October 2025, [Sunda Energy](#), a UK-based company, was awarded a 37.5% non-operated working interest in both licensed blocks SC-80 and SC-81, which are located in the southwest part of the Sulu Sea, offshore the Philippines. SC-80 encompasses most of the areas covered by an earlier Service Contract (SC-56). In this area, there are an estimated combined 1C Contingent Gas Resources of 181 billion cubic feet (Bcf), 2C Contingent Gas Resources of 470 Bcf, and 3C Contingent Gas Resources of 1,319 Bcf. SC-81 is situated to the south of SC-80. In SC-81, the Wildebeest-1 and Lumba Lumba-1 wells have indicated the presence of hydrocarbons with an estimated five million barrels of condensate in the area. If Sunda is successful in the exploration of oil and gas, it will facilitate the evaluation and exploration of targeted sites for farmout and future drilling.

Israel

In 2015, Ratio Petroleum was among a number of foreign companies that invested in an exploration deal in the eastern part of Palawan Island (SC-76). In 2019, the Philippine government permitted the company to expand its exploration area of SC-76 by around 50%. In 2022, [Navitas Petroleum](#), a new partner, joined the block. Later, in 2024, Prime Oil and Gas, a Philippines-based company, also registered in the license agreement. In the SC-76 area, Ratio Petroleum holds 35% ownership, which encompasses approximately 6,480 square kilometers, with water depths ranging from 900 to 1,700 meters. In 2025, [Ratio Petroleum](#) was awarded an area of about 4,16,000 hectares for oil and gas exploration under the SC-87 (East Palawan Block). Ratio Petroleum has 100% ownership in this new block.

Indonesia

The Philippine Star reported that [Texcal Energy Mahato Inc.](#), an Indonesian firm, has been awarded a new service contract (SC-89) to revive oil and gas production in Alegria, Cebu, which was previously managed by China International Mining Petroleum Ltd. Co. (CIMP). This oil and gas field has remained unused for the last three years. However, operations have not yet commenced because the Department of Energy (DOE) is continuously addressing the [concerns of local stakeholders](#) and the coordination gaps between local government units. Once the pending issues are resolved, the new company can initiate the production phase of the project. Such new investors can boost the Philippines' progress toward achieving the goal of energy security.

Australia

[Triangle Energy](#) holds offshore and onshore properties awarded under SC-80 and SC-81 in the Sulu Sea, as well as SC-82 onshore on Luzon Island in the Philippines. Triangle Energy has been awarded a 4,80,000-hectare area onshore in SC-82, which is located in the Cagayan Basin, for oil exploration. Triangle also holds a 37.5% of operatorship in SC-80 and SC-81. [Nido Petroleum Philippines Pty. Ltd](#) won SC-91, covering an area of 103,034 hectares in the Northwest Palawan Basin, including the Cadlao Oil Field. These investments are made under the Australian government's vision of the [Southeast Asia Economic Strategy to 2040](#), which focuses on supporting mutual economic development across the region. This indicates that, in the future, more Australian companies may invest in the oil and gas fields in the Philippines.

U.S.

In 2025, the [Noble Corporation](#), which originated in the U.S., entered into a contract with Prime Energy to drill three wells, with one additional optional well, at the Malampaya-Camago field offshore the Philippines. Under this contract, [Camago-3, Malampaya East-1, and Bagong Pag-Asa-1](#) were drilled, which increased the life of the gas field and boosted the Philippines' oil and gas supply. Koloma, a firm established in the U.S., has been awarded SC-83 and SC-84; both cover Central Luzon, and these contracts are focused on native hydrogen exploration. SC-83 covers 1,26,645ha, while SC-84 covers 85,082ha.

Singapore

The SC-85 was awarded to [Gas 2 Grid Pte Ltd](#). It is located in Cebu, covering an area of around 127,475ha.

Oil & Gas Imports by Philippines

Russia

In March, the U.S. allowed a one-month waiver to the Philippines for the purchase of [Russian oil](#). Due to this waiver, the Philippines was able to acquire 2.48 million barrels of crude oil during the ongoing crisis in the Strait of Hormuz. According to the 2024 data from the Department of Energy, the Philippines requires around 2,00,000 barrels of diesel daily, and this deal for Russian oil was essential as it met the country's requirement and ensured energy security for some time. However, the waiver expired on April 11, and the Philippines has requested [that the U.S. extend the waiver](#) for the purchase of Russian oil and petroleum products. Sharon Garin, the Secretary of Energy, is optimistic that the U.S. may grant this extension.

Singapore

On 11 April, the Philippines received 3,29,000 barrels (52.311 million litres) of diesel. The Philippines purchased these diesel barrels from [Vitol Asia Pte. Ltd.](#), a Singapore-based company. The second batch of delivery contained 1.042 million barrels of diesel (165,678,000 litres), which was sufficient to meet the demand for five days. By the end of April, two more batches of diesel are scheduled to be delivered by the Singapore-based companies Vitol and Trafigura.

Issue with China on Oil and Gas Cooperation

In late March 2026, the Philippines and China began planning for a joint oil and gas exploration initiative in the South China Sea (West Philippine Sea) at the [Recto Bank petroleum block](#), though the talks have not progressed into a contract due to protests from activists, political organisations and other entities in the Philippines, as there are ongoing disputes between the Philippines and China regarding territorial claims in the South China Sea. China asserts the Nine-Dash Line, which also includes the West Philippine Sea, a legally recognized part of the Philippines. However, Sharon Garin has stated that the Philippines is open to partnerships with countries that are capable of oil and gas exploration. She also mentioned that there are existing contracts with some Chinese partners, along with partners from [Australia, the UK, and Israel](#).

The West Philippine Sea is estimated to contain 6.203 billion barrels of total oil and over 12.158 trillion cubic feet of natural gas classified as undiscovered resources, according to the 2021 data from the Department of Energy in the Philippines. According to this data, the Recto Bank, or Reed Bank, could be a rich source of natural gas. [PXP Energy Corporation](#), a Philippines-based firm and the operator of the Recto Bank, has urged the Filipino government to make plans to collaborate with China to initiate the commercial development of contracts affected by disputes. Should the exploration of this oil and gas source proves successful, PXP Energy Corp. will require a financially robust and technically proficient partner, for which China is a very suitable candidate. PXP Energy Corp. currently lacks the necessary expertise and funding to operate underground or underwater.

This oil and gas exploration is important because if the reserves at Recto Bank are confirmed to be advantageous, they could significantly change the future of the Philippines' energy security. This oil and gas exploration deal could help the Philippines lessen its dependency on imported fuel. [Cooperation with China](#) may create various opportunities for investment, technology transfer, and infrastructure development, fostering security and prosperity. Therefore, for these reasons, there is a possibility of collaboration between China and the Philippines on an oil and gas exploration project in the future.

Terms & Conditions for West Philippines Sea:

In the case of the West Philippine Sea's oil and gas exploration deal, [1Sambayan](#), a political organisation, suggested that if any foreign state or foreign corporation is interested in the exploration, development, and utilisation of oil and gas within the Philippine Exclusive Economic Zone (EEZ) in the West Philippine Sea, it must comply with the following conditions:

- The agreement must expressly recognise that the oil and gas belong to the Philippine State
- The exploration, development, and utilisation of the oil and gas must be embodied in a Service Contract under Presidential Decree No. 87 (Oil Exploration and Development Act of 1972), as amended; and
- The Service Contract must be governed by Philippine law.

According to 1Sambayan, these conditions make such an agreement compliant with the Philippine Constitution, the July 12, 2016, Arbitral Award, and the 2023 Supreme Court Decision in *Bayan Muna v. President Gloria Macapagal Arroyo*.

Investments of Foreign Companies in the Oil and Gas Fields of Philippines

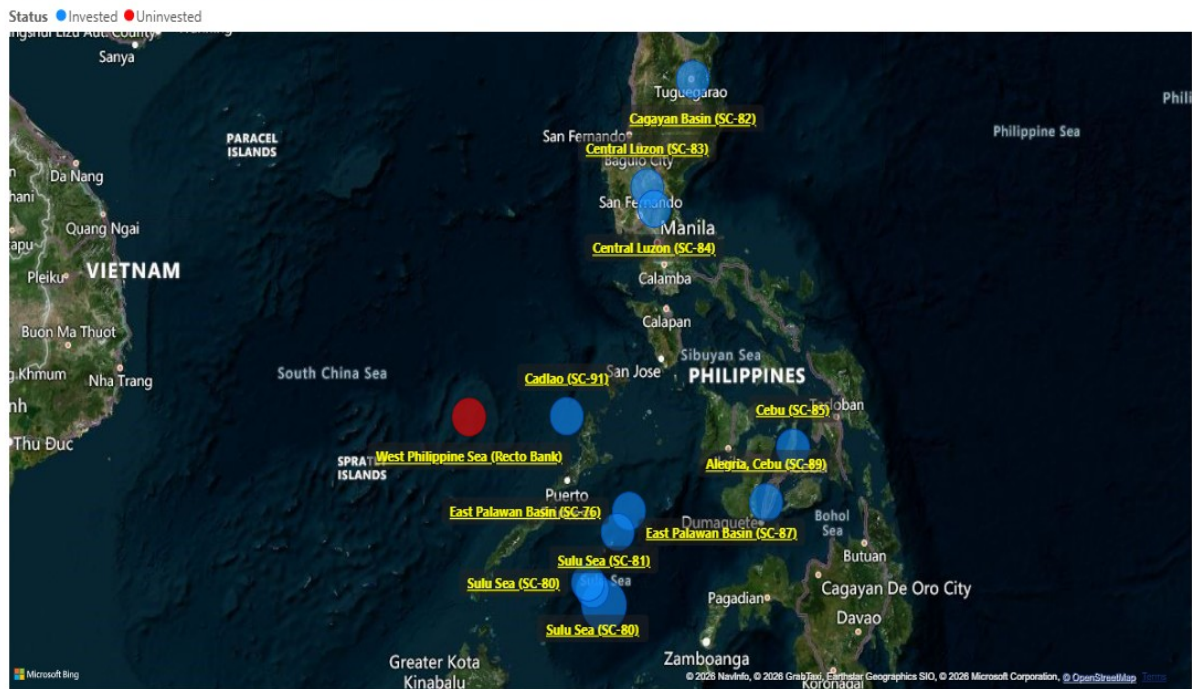


Figure 2: Depicting Foreign Direct Investments in the Philippine Oil and Gas Sector. While multiple offshore and onshore sites (SC-76 through SC-91) demonstrate active progress by partners from the US, UK, Australia, Israel, and Singapore, the high-potential Recto Bank remains uninvested due to ongoing territorial and political complexities.

Conclusion

The Philippines is currently facing numerous challenges due to the ongoing energy crisis. It has become necessary for the Philippines to take firm steps at this time to ensure energy security for the future. The existing service contracts with foreign companies are a good sign for the Philippines, as these international players are engaged in oil and gas cooperation. These foreign entities are contributing to the economic development of the Philippines by investing in the exploration, development, and utilization of oil and gas resources. They are accelerating efforts to secure the future of energy security.

The Philippines has demonstrated significant potential to attract more foreign investments in oil and gas exploration projects; however, it should also focus on bringing in investments for the West Philippine Sea (Recto Bank) oil and gas field. Several companies from the U.S. have expressed interest; [Tetra Energy](#), an Australian firm, is also keen on pursuing in oil and gas projects in the Southeast Asia region. If the Philippines awards more contracts to foreign companies, it will create a very easy path for the country to achieve its energy security objectives. The Philippine government can strengthen its relations with other nations, such as [Russia](#) and South Korea, by converting the import partnership into an oil and gas exploration partnership. This will enhance the opportunities for oil and gas cooperation between the Philippines and other countries. Advocating for the use of the ASEAN Security Agreement is a strategic move to establish oil and gas cooperation and deepen

relationships with Southeast Asian nations. Furthermore, the Philippines should focus on coordinating with local government units, as delays in this area hinder the commencement of projects. This energy crisis has marked the end of passive importing, making the establishment of strategic energy alliances a necessity.

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