

Office of the President  
of the Philippines  
Malacañang

**PRESIDENTIAL DECREE NO. 1722**

**CREATING THE NATIONAL COAL AUTHORITY DEFINING ITS POWERS AND FUNCTIONS, PROVIDING FUNDS THEREFOR, AND FOR OTHER PURPOSES.**

WHEREAS, overriding considerations of national interest recognize energy self-sufficiency as a national priority;

WHEREAS, the accelerated coal development program is an important component of the government's thrust towards energy self-sufficiency;

WHEREAS, the utilization of the coal as an alternate source of power for various industries necessitates the assurance by the government of an adequate and stable supply of coal for the use of such industries;

WHEREAS, in order to effect an integrated system of coal handling and thus accomplish the maximum efficient utilization of coal, it is imperative that a central government authority be established;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby order and decree as follows:

SEC. 1. **Short Title** - This decree shall be known and may be cited as "The Charter of the National Coal Authority."

SEC. 2. **Policy and Objectives** - Hand in hand with the existing Government policy of accelerating the development of indigenous conventional energy resources as well as non-conventional energy alternatives with great potential for immediate and future applications, it is hereby declared to be the policy of the State to consider the maximum efficient utilization of coal as an important segment of the Government's thrust towards energy self-sufficiency and in sustaining the rapid growth and development of the national economy. This policy shall be carried out by attaining the following objectives: 1) To provide and maintain an adequate and stable supply of coal, whether imported or locally produced; 2) To establish or cause the establishment, coordinate, control and regulate an effective, efficient and economical logistics system as will adequately function to meet domestic requirements; and 3) To set up the conditions that would enable coal to substantially contribute to the country's energy self-sufficiency program and thereby enhance the economic development of the nation.

SEC. 3. **Creation of the National Coal Authority**- There is hereby created the National Coal Authority, hereinafter referred to as the Authority, which shall be responsible for implementing the policy and attaining the objectives set under this Decree.

SEC. 4. **Powers and Functions of the Authority** - The Authority shall insofar as may be necessary, reasonable and practicable, undertake and assume primary responsibility for the shift in the use of fuel for industry from petroleum to coal, and in order to assure an adequate and stable supply of coal, it shall coordinate, integrate, systematize, control and regulate all activities relating to the procurement, purchase, sale, importation, exportation and handling of coal, including the pricing, receiving, storage, transport, distribution, processing and delivery thereof. Additionally, it shall;

a) Formulate and define, thru appropriate rules and regulations, the necessary plans, programs and guidelines for carrying out the policy and objectives laid down in this Decree;

b) Using the standards of necessity, reasonableness and practicability, determine the industries that would have to shift to coal as a source of fuel;

c) Set up the mechanism for the rapid shift in the use of coal as fuel for industry including the priorities and timing thereof, and extend such assistance as may be necessary therefor;

d) Adopt a system whereby the adequacy of coal supply and stability of coal prices would be assured;

e) Procure and control or cause the procurement and control of coal in such quantities and locations as may to foreseeably needed;

f) Engage in, control, supervise and regulate the purchase, sale, importation, exportation and supply of coal and their derivatives;

g) Establish, construct, install or maintain in any area within the national territory, ports and terminals, buildings, facilities and infrastructures for receiving, processing, blending, storing, transporting and distributing coal;

h) Undertake the efficient, effective, adequately suitable and economical means of distributing, delivering transporting and /or shipping coal for purposes of reducing marketing cost and ensuring stable supply;

i) Regulate and control the receiving, storage, transportation, distribution, processing, blending, delivery and handling of coal;

j) Regulate and control the utilization of coal as fuel for industry and establish, set up and regulate the prices thereof;

k) Coordinate with the Ministries of Energy, Industry and Natural Resources for the maximum efficient utilization of coal;

l) Enter into contracts with any person or entity, domestic or foreign, private or Government, for undertaking the various aspects of its coal operations;

m) Borrow money from local and foreign sources, guarantee or work for the guarantee of loans from Government and private financial institutions, and engage in such financing activities as may be necessary for its operations including relending to private industries to facilitate their rapid shift to the use of coal as source of fuel;

n) Any provisions of the law to the contrary notwithstanding invest its funds, acquire assets, real or personal, or interest therein, and encumber or otherwise dispose of the same as it may deem proper and necessary in the conduct of its business;

o) Subject to existing regulations, establish and maintain such communications systems, whether by radio, telegraph or any other manner, without the need of a separate franchise therefor;

p) Any provision of law to the contrary notwithstanding determine through its Board of Governors, its organizational structure and the number and positions of its officers and employees, appoint such officers and employees; fix their salaries, compensation, allowances, benefits, working hours and other terms and conditions of employment; grant them leaves of absence under such conditions as it may deem proper; discipline and/ or remove them for cause; and establish a recruitment and merit system for such offices and employees;

q) Hire technical consultants and other experts at rates competitive with private industry;

r) Accept detail of personnel from other government agencies including government owned or controlled corporations and pay allowances thereto in addition to their regular pay, provided such allowances do not exceed twenty-five per cent (25%) of the base pay of such personnel and provided further that the payments to be made shall come from funds out of the fines, fees and other charges which the Authority may generate as the exercise of its regulatory powers;

s) Establish and maintain offices, branches, agencies, sub-agencies, correspondents or other units anywhere as may be needed by the Authority and reorganize or abolish the same as it may deem proper;

t) Exercise the right of eminent domain as may be necessary for the purpose for which the Authority is created;

u) Acquire easement over public and private land necessary for the purpose of carrying out any work essential to its coal operations, subject to payment of just compensation;

v) Establish and maintain a technical educational system for the sustained development of the necessary manpower to manage and operate its affairs and business;

w) Perform such acts and exercise such functions as may be necessary for the attainment of the purposes and objectives herein specified;

x) Promulgate such rules and regulations as may be necessary to carry out the purposes of this Decree and impose a penalty for the violation thereof, consisting a fine not exceeding One Hundred Thousand Pesos ( P100,000.00) or imprisonment not exceeding five (5) years or both such fine and imprisonment;

y) Perform such other functions as may be provided by law.

SEC. 5. **Governing Body** - The Authority shall be governed by a Board of Governors which shall be composed of the Minister of Energy as ex-officio chairman, the Minister of Industry, the Minister of Natural Resources, and the Minister of the Budget as ex-officio members, and one other member, to be appointed by the President of the Philippines from the private sector.

The Authority shall have an Executive Director to be appointed by the President. The Executive Director who shall be the Chief Executive Officer of the Authority shall be under the administrative supervision and control of the Chairman. The Executive Director and the appointed members of the Board shall serve for a term of five (5) years or until their successors shall have been appointed and qualified. In case of any vacancy in the Board, the same shall be filled by the President of the Philippines for the unexpired term.

No person shall be appointed as Executive Director or member of the Board unless he is a natural-born citizen of the Philippines at least thirty-five (35) years old on the date of his appointment, of good moral character and of recognized executive ability and competence in public or private employment.

SEC. 6. **Duties and Responsibilities of the Chairman of the Board and Executive Director** - The Chairman of the Board of Governors and the Executive Director shall exercise such powers and perform such duties as are vested in them by the Authority thru the Board of Governors.

SEC. 7. **Auditor** - Any provision of law to the contrary notwithstanding, the Commission on Audit shall appoint, subject to the approval of the Board of Governors, a representative who shall be the Auditor of the Authority and such personnel as may be necessary to assist said representative in the performance of his duties. The salaries, allowances and other emoluments of the Auditor and his staff shall likewise be subject to the approval of the Authority.

SEC. 8. **Privileges and Incentives** - The provisions of P. D. No. 1177 and any other law to the contrary notwithstanding, the Authority shall be entitled to all the incentives and privileges granted by law to private enterprises engaged in energy exploration development and utilization.

In addition, the Authority shall be exempt from all taxes, duties, fees, imposts and all other charges imposed directly or indirectly by the Republic of the Philippines, its provinces, cities, municipalities and other government agencies and instrumentalities.

Other Government offices, agencies and instrumentalities including government owned or controlled corporations shall extend whatever assistance maybe needed by the Authority, including the detail of its employees and officials to the Authority.

The employees of the Authority shall not, as a matter of right, be subject to the provisions of the Government Service and Insurance System as provided for under Rep. Act. No. 180, as amended, as well as any law, executive orders and decrees relating to salaries, allowances, leaves of absence, retirement privileges, regular working hours and other government employee benefits.

**SEC. 9. *Power to Grant Tax and Duty Exemptions in times of Emergency*** - The provisions of any law, executive order rule or regulation to the contrary notwithstanding, the Authority may, in the exercise of its regulatory powers and in times of serious shortfall of supply of coal for the needs of domestic industries, and with the concurrence of the Minister of Finance, authorize the importation of coal in such quantities as it may determine wholly or partially free from taxes, duties, wharfage, special imposts and other importation taxes, fees and charges. The Authority shall, jointly with the Minister of Finance, determine whether full or partial exemption will be granted,, on the basis of the prevailing coal prices and other related expenses at the time of importation. The decision of the Authority and the Minister of Finance as to the allowable exemption rates shall be publicized at least one (1) month in advance prior to effectivity and shall apply equally to all who may be allowed to import coal at the time. Provided, that the period of effectivity of the allowable exemption rates shall not be changed more than once a month.

**SEC. 10. *Exemption*** - To ensure that the Authority will be able to operate with utmost flexibility, it shall be exempted from the existing requirements as to centralized Government purchasing under LOI No. 755, the Public Bidding requirement under LOI No. 794, the review of contracts by the Presidential Review Committee envisioned under LOI No. 620 as amended by LOI Nos. 646, 653, 1012 and Memorandum Circular No. 1012, and the provisions of P. D. Nos. 1585 and 1594 prescribing policies, guidelines, rules and regulations for infrastructure contracts, and standard conditions for government contracts, concessions licenses, etc. involving exploration, development, exploitation and utilization of natural resources, respectively.

**SEC. 11. *Government Financial Institution Guarantees*** - The provision of any law to the contrary notwithstanding, any financial institution owned or controlled by the Government of the Republic of the Philippines, other than the Central Bank, Government Service and Insurance System and the Social Security System, is hereby empowered to guarantee acceptance credits, loans, transactions, undertakings, or obligations of any kind which may be incurred by the Authority, whether directly or indirectly, in favor of any person, association or entity, whether domestic or foreign.

**SEC. 12. *Loans*** - The Authority, when specifically authorized by the President of the Republic of the Philippines is hereby authorized to contract loans, credit, in any convertible foreign currency or capital goods, and indebtedness from time to time from foreign governments, or any international financial institutions or fund sources, or any other entities, on such terms and conditions it shall deem appropriate for the accomplishment of its purposes and to enter into and execute agreements and other documents specifying such terms and conditions.

The Republic of the Philippines, through the President of the Philippines or his duly authorized representative, may guarantee, absolutely and unconditionally, as primary obligor and not as surety merely, the payment of the loans, credit and indebtedness secured by the Authority which may be over and above the amount which the President of the Philippines is authorized to guarantee under Republic Act. No. 6142, as amended, as well as the performance of all of any of the obligations undertaken by the Authority in the territory of the Republic of the Philippines pursuant to loan agreements entered into with foreign governments or any international financial institutions or fund sources.

The loans, credits and indebtedness contracted under this subsection and the payment of the principal, interest and other charges thereon, as well as the importation of machinery, equipment, materials, supplies and services, by the Authority as defined herein, paid from the proceeds of any loan, credit or indebtedness incurred under this Act, shall also be exempt from all direct as well as indirectly passed on taxes, duties, fees, imposts, and all other charges and restrictions, including import restrictions previously and presently imposed by the Republic of the Philippines, or any of its agencies, and political subdivisions.

SEC. 13. **Reports** - The Authority shall, within three months after the end of every fiscal year submit its annual report to the President. It shall likewise submit such periodic or other reports as may be required of it from time to time.

SEC. 14. **Appropriations** - The amount of Fifty Million Pesos (50,000,000.00) is hereby set aside and appropriated out of the Energy Special Fund created under Sec. 8 (j) of Rep. Act No., 6173 as amended, to provide for the initial funding requirements of the Authority for 1980. Thereafter, the appropriation of the Authority shall be included in the General Appropriations Act.

SEC. 15. **Separability Clause** - Should any provision of this Decree be held unconstitutional, no other provision hereof shall be effected thereby.

SEC. 16. **Repealing Clause** - All laws, decrees, executive orders, rules and regulations inconsistent herewith are hereby repealed, amended, or modified accordingly.

SEC. 17. **Effectivity** - This Decree shall take effect immediately.

Done in the City of Manila, this 16th day of September in the year of our Lord, nineteen hundred and eighty.

(Sgd.) **FERDINAND E MARCOS**  
President Republic of the Philippines

By the President:

(Sgd.) **JUAN C. TUVERA**  
Senior Presidential Assistant