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PNOC-EDC seen retaining government guarantees

November 20, 2007
Updated 01:59:49 (Mla time)
Abigail L. Ho
Inquirer

Ahead of the completion of the privatization of PNOC Energy Development Corp. (PNOC-EDC) at the end of the month, the Department of Finance has agreed to keep national government guarantees on the company's debts subject to certain conditions.

In a letter to PNOC-EDC president and chief executive Paul Aquino, Finance Secretary Margarito Teves said the government guarantees would "continue to have force and effect even after the complete divestment of PNOC's [parent company Philippine National Oil Co.'s] interest in PNOC-EDC.

However, subject to agreement of the government's Privatization Council, there will be an increase in the guarantee fee to be paid by PNOC-EDC to the national government from one percent a year to two percent starting in January 2008 up to December 2010, Teves said.

The fee will be increased by 0.25 percentage point every year starting January 2011, he said.

The fee will be kept at no more than five percent.

Teves said the increase in the fees would also be subject to the signing of a guarantee fee agreement between the Department of Finance in behalf of the government and PNOC-EDC that would include a provision that PNOC-EDC would have the option to continue with the guarantee or to refinance the guaranteed loans.

The government is selling its remaining 60-percent shareholding in PNOC-EDC. Five groups have been pre-qualified to bid for this stake: ACR-AEI Holdings Inc., FDC Geo-Energy Holdings Inc., AP Renewables, Red Vulcan Holdings Corp., and Panasia Energy Holdings Inc.

ACR-AEI Holdings is a joint venture of Alsons Consolidated Resources and AEI Investments Inc.

FDC Geo-Energy is a partnership of Filinvest Development Corp. and International Power Masinloc Holdings Inc.

Red Vulcan is a consortium composed of First Gen Corp., Spalmare Holdings BV, and Prime Terracota Holdings Corp.

Panasia Energy is a partnership between San Miguel Energy Corp. and Beleggingsmaatschappij Broem BV

AP Renewables is a unit of Aboitiz Power Corp.

The five bidders have until 9 a.m. of Nov. 21 to submit their bids.

The notice of award will be issued to the winning bidder on Nov. 22. Full payment of the bid will have to be remitted to the government by Nov. 30, the scheduled closing date of the transaction. **With INQUIRER.net**