

MEMORANDUM OF UNDERSTANDING ON COOPERATION ON OIL AND GAS DEVELOPMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES AND THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA

I. Context. Recalling the Charter of the United Nations, the 1982 United Nations Convention on the Law of the Sea (UNCLOS) and the 2002 Declaration on the Conduct of Parties in the South China Sea, and acknowledging that through positive dialogue and practical cooperation the Government of the Republic of the Philippines and the Government of the People's Republic of China (hereinafter referred to as "the two governments") have made substantial progress and meaningful gains in exploring opportunities and means to cooperate with each other in maritime activities, which has made significant contributions to peace, stability and development in the region.

II. Basic Principle. In accordance with the principles of " mutual respect , fairness and mutual benefit, flexibility and pragmatism and consensus", through equal and friendly consultation, the two governments have decided to negotiate on an accelerated basis arrangements to facilitate oil and gas exploration and exploitation in relevant maritime areas consistent with applicable rules of international law (hereinafter referred to as "the cooperation arrangements").

III. Working Mechanism.

(A) The two governments will establish an Inter-Governmental Joint Steering Committee (hereinafter referred to as "Committee") and one or more Inter Entrepreneurial Working Group (hereinafter referred to as "Working Group"). The Committee will be co-chaired by the Foreign Ministries, and co-vice chaired by the Energy Ministries , with the participation of relevant agencies of the two governments , and will comprise an equal number of members nominated by the two governments. Each Working Group will consist of representatives from enterprises authorized by the two governments.

(B) T he Committee will be responsible for negotiating and agreeing the cooperation arrangements and the maritime areas to which they will apply (hereinafter referred to as the " cooperation area"), and deciding the number of Working Groups to be established and for which part of the cooperation area each Working Group is established (hereinafter referred to as its "working area "). Each Working Group will negotiate and agree on inter entrepreneurial technical and commercial arrangements that will apply in the relevant working area.

(C) China authorizes China National Offshore Oil Corporation as the Chinese enterprise for each Working Group. The Philippines will authorize the enterprise (s) that has/have entered into a service contract with the Philippines with respect to the applicable working area or , if there is no such enterprise for a particular working area , the Philippine National Oil Company - Exploration Corporation (PNOEC), as the Philippine enterprise(s) for the relevant Working Group .

(D) The two governments will endeavour to agree on the cooperation arrangements within twelve (12) months of this Memorandum of Understanding. The Committee and each Working Group will meet regularly to discharge their respective functions.