



THE SHELL PETROLEUM DEVELOPMENT COMPANY OF NIGERIA LIMITED
MAJOR CONTRACTS BOARD SUBMISSION

Confidential

Part C3 – Variation Order No. 3

Date: 20/04/2022

Category: Project	ROCI	Contract ID:	CW354836
		SAP Contract No:	4610054336
Contract Title:	PROVISION OF CRUDE OIL CUSTODY TRANSFER METERING IMPROVEMENT PROJECT IN BOGT		
HSE Mode & Risk	Mode 2 & Medium Risk		
Contractor:	PFL ENGINEERING SERVICES LTD		
Agenda Item			
	F\$	Expiry Date	
Original ACV	9,903,446.66	31/03/2022	
Value of VO's approved to date	0.00	N/A	
Current ACV	9,903,446.66	31/12/2022	
Delegated Authority	YES		
Value of commitments made to date	5,591,301.64	19/04/2022	
Value of this VO request	N/A	N/A	
Requested new ACV	No change	No change	
Current level of NAPIMS approval	9,903,446.66	31/12/2022	
Proposed expenditure while pending NAPIMS approval	N/A	31/12/2022	
OBJECTIVES OF THIS SUBMISSION IS TO:			
1) Inform Line/CP of increase in Welker's (OEM) cost for provision of specialist services and spares for completion of the Procurement and installation of 1no. Auto sampling system for FOT contract scope.			
2) Seek Line/CP approval:			
a) Of PFL's revised price (based on OEM new price list), which increases the total FOT Autosampler variation scope from F\$3,423,525.25 to F\$3,515,536.17 which is 87.57% of approved negotiation mandate.			
b) To issue a PO for the incremental value of N2,397,736.58 plus US\$86,233.24 (F\$92,010.92) or increase value of the issued PO to enable PFL place firm order for the ancillary activities relating to installation and commissioning of the Auto sampling system.			

Stakeholder Endorsement:

	Contracting & Procurement Manager	Contract Owner
	Reviewed and confirms: 1. Alignment with approved Category Strategy (& Global Category Strategy where applicable) 2. Compliance with the NOGICD Act & Community Content commitments.	Reviewed whole submission and confirms support from: 1. Finance [Ajala Femi] - for the financial aspects of the submission, including adequate budget cover/JV Partner approval to ensure full cost recovery/approved GIP in place (if applicable) 2. HSSE [Etsano Emma] - HSSE consideration and requirements are met.
Signature		
Name	Greg Akhibi	Chris Ubuane
Date		

Declaration: Signatories to this submission acknowledge that they have read and understood the Conflict of Interest Policy in SEPCIN and that they do not have any direct or indirect arrangement or relationship with any other person or company that breaches the requirements of that Conflict of Interest Policy, or that they have fully disclosed any potential Conflict of Interest to the Contract Owner, CP Manager and the Supply Chain Council/Tenders Board.

SECTION A: CHANGES

REFERENCES & APPROVAL DATES FOR PREVIOUS APPROVALS

MTB Part A Approval	August 2016
MTB Approval of Revised Part A1	November 2016
NAPIMS/NCDMB Approval of Revised Strategy	April 2017
NCDMB Approval of Technical Evaluation Results	August 2017
Technical Evaluation sign-off with NAPIMS	February 2018
MTB Approval of Technical Evaluation Results	February 2018
NAPIMS Approval of Technical Evaluation Results	May 2018
Commercial Evaluation signed by NAPIMS	September 2018
NCDMB Approval of Commercial Evaluation result	October 2018
MTB Part B Approval	October 2018
MTB Part B2 Approval	July 2019
NAPIMS Approval of contract	December 2019
MCB V01 Approval	February 2021
MCBV02 Approval	May 2021
MCB V03 Approval (Part C1)	October 2021
MCB V03 Approval (Part C2)	March 2022

REASON FOR THIS VARIATION ORDER

On 13th October 2021, MCB approved VO3 (Part C1) – Ref Attachment 1, to add the procurement and installation of 1 no. Auto sampling system for Forcados Terminal to the contract scope. This was implemented at a negotiated value of F\$3,423,525.25.

However, based on the request from the OEM (Welker) for upfront payment; PFL requested for milestone payment terms with respect to the procurement of the main Auto sampling unit and associated offshore scopes. MCB of 15th March 2022, approved the Part C2 (Ref attachment 2) to implement mini-milestone payments based on the negotiated value.

Purchase Orders were then issued to PFL in batches due to budget challenges and completion of milestone payment alignment with the last PO (installation / commissioning) issued on 8th April 2022. PFL issued initial POs to Welker and also forwarded the evidence to SPDC. However, the OEM rejected the latest PO and advised PFL of an upward review on their unit rates (based on latest price list effective before issuance of SPDC PO) for provision of Specialist service & operational / commissioning spares which was effective on 7th April 2022. The total incremental cost is N2,397,736.58 plus US\$86,233.24 (F\$92,010.92) – see the breakdown below:

Item Description	Award Value			Revised Value			Incremental Value		
	NGN	US\$	F\$	NGN	US\$	F\$	NGN	USD	F\$
OEM Specialist Charge	-	302,960.00	302,960.00	-	336,560.00	336,560.00	-	33,600.00	33,600.00
2 Years Operational and Commissioning spares	5,937,175.15	130,328.24	144,634.69	8,334,911.73	182,961.48	203,045.60	2,397,736.58	52,633.24	58,410.92
Total			447,594.69			539,605.60			92,010.92

All efforts to get the OEM - Welker to revert to their pre-7th April 2022 rates have failed. Refer to attachment 3 for correspondences between the main contractor (PFL) and OEM. They have further advised that costs will be reviewed upwards again in 2 weeks' time.

CMT hereby seeks Line/CP approval to issue PO or increase value of the rejected PO for the incremental sum of N2,397,736.58 plus US\$86,233.24 (F\$92,010.92) to enable PFL place firm order with OEM and prevent further cost escalation. MCB approved mandate can accommodate the incremental cost and upward review of ACV is not required.

MCB in approving the negotiation mandate for this work scope, also approved sign off at line level if the negotiation mandate is achieved, without recourse to MCB. The increased order value is still within MCB approved negotiation mandate for the scope (87.57%), thus this request.

NAPIMS Engagement

NAPIMS was engaged and supported the utilisation of this contract to execute the scope, furthermore they participated in the negotiation. They will also be informed of the incremental cost.

JUSTIFICATION

1. To enable CMT authorize contractor to issue PO to OEM to lock in current rates and prevent further cost escalation.
2. Further delay in finalizing the order with OEM will lead to project schedule slippage with possibility of getting sanctioned by NUPRC.

FINANCIAL STATUS

Original ACV (a)	Total value of all previous VOs (b)	Commitments to date	ACV for this VO (c)	Total value of all previous VOs + this VO/Original ACV (b+c)/a
F\$	F\$	F\$	F\$	F\$ (%)
9,903,446.66	0.00	5,591,301.64	Nil	N/A

IMPACT OF THIS VO

Inclusion of additional N2,397,736.58 plus US\$86,233.24 (F\$92,010.92) for the Autosampler procurement and other related offshore scope. No increase in ACV required as available ACV will cover the VO value.

PRICING STRUCTURE FOR THIS VO

This VO which has been priced as a lumpsum from various line items is broken down into mutually agreeable milestones.

SECTION B: POST AWARD CONTRACT MANAGEMENT

CONTRACTOR PERFORMANCE

Management	Commercial	Technical	HSES	Overall
Adequate	Adequate	Adequate	Adequate	Adequate

CONTRACT MANAGEMENT

The contractor will comply with all HSE and NCD provisions of the contracts. Progress review meetings will be held regularly to ensure all contract management issues are discussed.

NIGERIAN CONTENT EXECUTION PLAN

	Work Category	Schedule Target	Contractor's obligation	Current performance status	Agreed actions including authorisation to import
Award recommen- dation	Design, Construction & Commissioning	90% (Man hours)	93%	80%	N/A
Proposed variation	Unchanged	N/A	N/A	N/A	N/A

NOTE: Any additional scope/change in contract terms must remain compliant with NOGICD Act.

Confirm records of vendor's Nigerian Content performance on contract to date. Non-compliance with provisions of the Act attracts 5% penalty of project cost or outright cancellation of project.
Addendum to the approved NCCC will be issued to NCDMB.

NIGER DELTA CONTENT /COMMUNITY CONTRACTING EXECUTION PLAN

90% of CONTRACTOR's workforce is from the Niger Delta, all non-specialised services will be awarded to local vendors.




RISK MANAGEMENT

Risk Description	Likelihood (H / M / L)	Impact (H / M / L)	Mitigating Actions	Action Owner
Cost and Schedule Overrun arising from community disruption of work	H	M	Early and continuous engagement with community representatives and implementation of agreements.	CH
Cost escalations and claims on account of late payments to contractor	H	M	PMT will ensure to escalate late payment issues to minimize impact on contractor's cash flow	CH
Delays in contracting processes due to non-alignment with NAPIMS and NCDMB	H	M	Early and continuous engagements with NAPIMS & NCDMB to be sustained.	CH/CM

GOAL ZERO CONTRACTOR HSSE REQUIREMENTS

- i) Risk Assessment – State: Remains valid at Mode 2 & Medium Risk.
- ii) CH Appointment Letter – Confirm letter in place for correct CH per Ariba/SAP – Yes
- iii) HSE Capability Assessment – State: Amber
- iv) Contract HSSE Plan – State: Available

ATTACHMENTS:

Attachment 1: MCB VO3 Approval (Part C1)	Attachment 2: MCB VO3 Approval (Part C2)	Attachment 3: Correspondences on OEM's rates increase
 CW354836_FOT Auto Sampler V03 M	 MINUTES OF MCB MEETING NO.22_08_	 PFL Welker Price Update.pdf