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The Group General Manager,
National Petroleum Investment Mgt. Services (**NAPIMS**),
Nigerian National Petroleum Corporation,
36/38, Gerrard Road,
Ikoyi,
Lagos.

Attention: GM Gas

25th August, 2020

Our ref: **SPDC-MPR-2020-0212L**

Dear Sir,

SOUTHERN SWAMP ASSOCIATED GAS SOLUTIONS PLUS (SSAGS+) PROJECT - SSAGS+ COMMUNITY ELECTRIFICATION INTERDEPENDENCY PROJECT (CEIP)

Town Distribution Network (TDN) Work Packages - Reminder on Award Recommendation Approval and Update on Outcome of Low Oil Price (LOP) Negotiations

We refer to SPDC's letter Ref: SPDC-SCM-2019-0216L dated 4th October, 2019 seeking your approval for award recommendation of the six (6) work packages and subsequent Low Oil Price (LOP) joint negotiation meetings held with all the five TDN Contractors on 3rd, 4th and 10th June, 2020 respectively.

We thank you for your support and participation in the various LOP negotiation meetings with the respective Contractors which led to a price discount ranging from 7% to 11% for the six packages covering Town Distribution Network (TDN) Scope (base and optional) for Oporomor, Tarakiri, Ojobo, Egbemo, Mein and Iduwini Clusters (ref Table 1 below for summary).

Table 1: Work packages negotiation outcome and Amount (in Naira)

S/N	Contractor	Cluster	Communities	Pre-LOP Negotiation Contract Sum	% Discount	Discount (Amount)	Post-LOP Negotiation Contract Sum
1	Zech Oil and Gas	Tarakiri	1.Egbemo-Angalabiri 2.Agbidiana	281,631,902.00	7%	19,714,233.14	261,917,668.86
2	S2 Generation	Iduwini base scope	1.Letugbene	218,185,076.00	10%	21,818,507.60	196,366,568.40
		Iduwini optional scope	1.Aghoro 2.Famous Zion	62,881,404.36	10%	6,288,140.44	56,593,263.92
3	Moro Int'l Servicem	Oporomor	1.Norgbene 2.Amabolou 3.Tamogbene	325,250,000.01	11%	35,777,500.00	289,472,500.01
4	Green Belt	Mein	1.Bilabiri 1 2.Bilabiri 2	199,847,229.07	8%	15,987,778.33	183,859,450.74

5	Ukawima	Ojobo	1.Ojobo 2.Oweigbene 3. Peretorugbene	946,714,133.02	10%	94,671,413.30	852,042,719.72
6	Ukawima	Egbemo Base scope	1.Agbayama 2.Tonor	183,977,433.62	10%	18,397,743.36	165,579,690.26
		Egbemo Optional scope	1.Ogbotobo 2.Agge 3.Palm Bush	228,309,500.00	10%	22,830,950.00	205,478,550.00

Based on the outcome of the LOP negotiation, we have updated the amounts requested for your approval to enable us progress the Contracts award for the TDN Work Packages as follows (ref Table 2 below):

Table 2: Updated Contract Ceiling (in Naira) for approval

S/N	Cluster	Contractor	Base Scope Amount (Naira)	Optional Scope Amount (Naira)	Provisional Sum (Naira)	Total (Naira)	Remarks
1	Tarakiri	Zech Oil and Gas	261,917,668.86	-	26,191,766.89	288,109,435.75	Total amount requested for approval for each work package includes a provisional sum to cater for unforeseen changes that may occur during execution. NAPIMS approval will be obtained for specific drawdowns from the provisional sum when the need arises.
2	Iduwini	S2 Generation	196,366,568.40	56,593,263.92	76,229,920.76	329,189,753.08	
3	Oporomor	Moro Int'l Service	289,472,500.01	-	28,947,250.00	318,419,750.01	
4	Mein	Green Belt	183,859,450.74	-	18,385,945.07	202,245,395.81	
5	Ojobo	Ukawima	852,042,719.72	-	85,204,271.97	937,246,991.69	
6	Egbemo	Ukawima	165,579,690.26	205,478,550.00	37,105,824.03	408,164,064.29	

We appreciate your approval of the Award Recommendation for the four (4) SSAGS CEIP Generation/Transmission Work Packages covering Tunu, Opukushi, Benisede and Ogbotobo Nodes (ref. NAPIMS letter Ref: NAP/GGM/A-1045/02.01 dated 23rd December 2019), but wish to highlight that the delay in approving the Award Recommendation for the TDN scope will:

1. Lead to a misalignment between the Generation/Transmission packages and the related TDN packages. This will create interface and integration challenges for the project with attendant value erosion for the SPDC JV.
2. Potentially encourage agitation amongst the host communities considering that the TDN work packages that were ceded to the Community Contractors and they may not take the delay in contracts award in good faith.
3. Lead to further gap between the main project and the CEIP - the main project achieved 1st Gas in August 2019 while the CEIP is still at the contracting stage.

SSAGS CEIP is a critical component of the SPDC-JV social performance and sustainable development obligation to the host communities. There is urgent need to expedite the award of the CEIP Contracts to demonstrate SPDC JV's commitment and mitigate the risk of communities' agitation in the area.

For further clarification, please contact our **Ekiyokenegha Clark** on **08070322391** or e-mail ekiyokenegha.clark@shell.com

Thank you for your co-operation.

Yours faithfully,

For: The Shell Petroleum Development Company of Nigeria Limited
(Operator of the SPDC JV)

pp: 

STEVE OKWUOSAH
BUSINESS RELATIONS & JV EXCELLENCE MANAGER

Cc: NAPIMS DM SSAGS Project,

				Pre-LOP Negotiation			Post-LOP Negotiation
S/N o	Contractor	Cluster	Communities	Contract Sum	% Discount	Discount	Revised Contract Sum
1	Zech Oil and Gas	Tarakiri	1.Egbemo-Angalabiri 2.Agbidiama	281,631,902.00	7%	19,714,233.14	261,917,668.86
2	S2 Generation	Iduwini base scope	1.Letugbene	218,185,076.00	10%	21,818,507.60	196,366,568.40
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		Egbemo Optional scope	1.Ogbotobo 2.Agge 3.Palm Bush	228,309,500.00	10%	22,830,950.00	205,478,550.00
Total				2,446,796,678.08		235,486,266.17	2,211,310,411.91

Grand Total F\$		6,796,657.44		654,128.52	6,142,528.92
An exchange rate of N360 to \$1 was used					