



## THE SHELL PETROLEUM DEVELOPMENT COMPANY OF NIGERIA LIMITED

## MAJOR CONTRACTS BOARD SUBMISSION

**Confidential**  
**Date: 20/07/2020**

**Addendum Part A1– Strategy & Contract Plan**

Category	Project Services	Contract ID	
Contract Title	PROVISION OF ENGINEERING SERVICES AGREEMENT AND PROJECT SUPPORT SERVICES CONTRACTS FOR ALL MAJOR PROJECTS ACROSS SPDC OPERATIONS		
HSE Mode & Risk	MODE 1, MEDIUM RISK	Segmentation Click here to access tool)	OPERATIONAL
Agenda Item	(TB secretary to complete)		
Estimated Contract Value (ECV)	F\$ 339,219,974.31		
Proposed Contract Start Date	01/11/2020	Extension options	1 year
Proposed Contract End dates	30/10/2023		
<b>Executive Summary &amp; Recommendation</b>			
<p>To seek approval from MCB to:</p> <ol style="list-style-type: none"> <li>1. Increase the scope of the contracts for Provision of Engineering Services Agreement and Project Support Services to accommodate Provision of Expertise Level Engineering and Project Support Services.</li> <li>2. Increase the Estimated Contract Value (ECV) from F\$ 276,408,333.34 to F\$339,219,974.31 for 4-year contract duration.</li> </ol>			

## Stakeholder Endorsement:

	Senior Procurement Manager (SPM)	Contract Owner
	<p>Reviewed and approved for CC/MCB and confirms:</p> <p>Alignment with approved Category Strategy (&amp; Global Category Strategy where applicable)</p> <p>Compliance with the NOGICD Act &amp; Community Content commitments.</p> <p><i>DocuSigned by:</i>  <i>Judah.ogunnoiki</i></p>	<p>Reviewed whole submission and confirms support from:</p> <p>Finance [Femi Ajala] - 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)</p> <p>[HSSE Valentine Okpala] - HSSE consideration and requirements are met.</p> <p><i>DocuSigned by:</i>  <i>Olabanji.Raimi</i></p>
Signature		
Name	Ogunnoiki, Judah	Raimi, Olabanji
Date	22 July 2020   16:01 BST	22 July 2020   15:51 BST

## Approval:

## MCB Chairman

Signature

Name

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.

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## Section A: ASSESS DEMAND & SUPPLY

### Scope and Business Requirements

#### **Business Requirements**

In January 2020, MCB approved contract strategy for the replacement of existing contract for the provision of Engineering Services and Project Support Services which will expire December 2020, attachment 1.

The request for addendum to the approved replacement contract strategy was necessitated following several engagements with NCDMB in 2017 and the letter received from NCDMB (Ref NCDMB/MED/MUQ/18/042) attachment 2 in 2018, notifying SPDC of violation of the NOGICD Act in execution of technical manpower contracts.

NCDMB in its letter instructed the following:

1. Operator must review the structure and title of their Technical Manpower Services contracts to either be activity/services based before such Expatriate Quota requests can be entertained by the Board because, the manpower supply permits obtained from DPR by the agencies (Contractors providing Expatriate manpower ) prohibits the supply of Expatriate (expat) Man-Power.
2. Operators must work with Technical Manpower Service Agency (TMSAs) to propose a robust knowledge transfer program to Board in place of the understudy program required in the succession plan in compliance with section 31(1) of the NOGICD Act.
3. Operators must work with their TMSAs to submit Nigerian Content Non-Compliance remediation proposal to the Board for approval, which will be implemented as penalty for deploying Expatriates on Oil and Gas (O&G) projects without approval from the Board in compliance with section 33 of the NOGICD Act.

NCDMB established that none of the contractors (Contractors providing Expatriate manpower) had a valid license for providing work permits to any expat and that SPDC is in breach of the law by accepting the service of expats without their quotas being authorized by NCDMB.

NCDMB, in a further communication (attachment 3) directed SPDC to terminate the deployment of expatriates using Man- Power Suppliers (MPS) who do not have Expatriate Quota (EQ) approvals from the Board and whose permits authorize them to provide Nigerian Professionals only.

In addition, NCDMB stressed that several MPS vendors across the O&G industry are in non-compliance of the EQ and DPR licenses for Expatriates Personnel; and that NCDMB will be holding IOCs liable with the possibility of being penalized up to 5% of contract value and not approving COMPANY's EQ requests for the COMPANY's employees (e.g. EQ for Shell full-time employees), including negative publicity against the COMPANY on NCDMB website for non-compliance.

Based on recent engagement, it is now clear that NAPIMS will not approve an extension of the Expat MPS Contract which initially expired on 30 April 2020, and were extended to 31st October 2020, with no option of further renewals.

To comply with the NOGICD Act and ensure business continuity it has become necessary to put alternative compliant plans in place to avoid cost recovery exposure and non-compliance with NAPIMS/NCDMB, hence the need to include Expertise Level Engineering and Project Support services currently provided via Man-Power Service contracts into the ongoing Engineering services Tender.

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Expertise Level Engineering and Project Support Services scope to be included in Engineering Services Contracts are listed in table 1 below. Note, all job title in the current MPS contract have been converted into services in line with the directive from NCDMB which states that Operators should review the structure and title of their Technical Manpower Services contracts to either be activity/services.

Table 1, List of MPS converted to Expertise Level Engineering and Project Support Services

Services Description			
1	Commissioning Electrical Services	17	Mech. Instr. Services
2	Commissioning Engineering Services	18	Mechanical Technical Services
3	Commissioning Instrumentation Services	19	Operational Engineering Services
4	Commissioning Instrumentation Services	20	Operations Technicians Services (Oil & Gas, Power, Sea Eagle FPSO)
5	Commissioning M+C Services	21	Planning Engineering Services
6	Commissioning Planning Services	22	Principal QA/ QC Engineering Services
7	Commissioning Services (CPF)	23	Project Engineering services
8	Contracting Services	24	Project Security Services
9	Control Room Operational Services (Sea Eagle FPSO)	25	RTOC Services
10	Control Room Operational Services (Sea Eagle FPSO).	26	Scaffolding Services
11	Database Managerial Services	27	Security Advisory Services
12	Diving Authorized Services.	28	Security Operations Center Services
13	Diving CSR Services	29	Tank Rehabilitation Services
14	Drilling Supervisory Services	30	Technical Operational Services (Oil & Gas, Power) Eagle FPSO
15	E& I Construction Supervisory Services	31	Technical Safety Services
16	Mech. Engineering - Static Equipment Services	32	Technical Security services

Global strategy fit (Current Strategy)

No

Red Threads

Utilizing the Red Threads Checklist identify the Red threads relevant to you.

Red Thread	Consideration	Mitigating Action	Action Owner
Ethics & Compliance	Private interest or gifts & hospitality could interfere with Shell's interest	Fully disclosed COI and record in the Code of Conduct Register	All
Finance	Supplier Financial Risk assessment indicates that financial risk requires mitigation	Contractor to provide PCG or Bank guaranty	Contract Holder

MARKET CONDITIONS

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Same as in approved initial Part A1 – Attachment 1

**PRICING STRUCTURE AND TRENDS:**

Same as in approved initial Part A1 – Attachment 1

**CURRENT & POTENTIAL SUPPLIERS**

Same as in approved initial Part A1 – Attachment 1

**SECTION B: develop & select strategy**

**Cost Modelling, Company Estimate, Benchmarking & Value for Money**

Total Estimated Contract Value (ECV) approved for the ongoing Engineering Services and Project Support Services Tender for all major projects across SPDC operations is FUSD 276,408,333.34 over a period of 3 years plus option of 1 year extension. In addition, MCB approved a total of 10 contracts to be awarded with the ECV shared among the 10 proposed contracts. The Summary of the estimate is as shown in table 1 below.

It is estimated that the additional scope (Expertise Level Engineering and Project Support Services) will cost F\$ 62,811,640.97 for a period of 4 year based on the current rate for provision of expertise level through Technical Manpower Service Agency (TMSAs) contracts.

The inclusion of Expertise level Engineering and Project Support Services into the ongoing tender for Engineering Services Agreement and Project Support Services contracts will increase the estimated contract value to F\$339,219,974.31, see table 1 below.

Table 1, Breakdown of ECV per category of Services

	Service Category	Duration	Estimated ceiling (F\$)
1	Engineering Design Services	4 years	79,566,000.00
2	Project Support Services	4 years	196,842,333.34
3	Expertise level Engineering and Project Support Services (current TMSAs scope), Attachment 4.	4 years	62,811,640.97
			339,219,974.31

**Value Creation Opportunities**

Not applicable, contract is operational

**Initiatives**

Not applicable, contract is operational

**Risk Assessment**

Same as in approved initial Part A1 – Attachment 1

**Sourcing Strategy**

Nigerian Content Development (NCD)

Bidders will be required to comply with NOGICD Act applicable to provision of Expertise Level Engineering and Project Support services

**PRICING STRUCTURE & INCENTIVES**

Describe which work element is lump sum and Unit rate

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<b>MARKET APPROACH</b>	
Same as in approved initial Part A1 – Attachment 1	
<b>BASIS OF AWARD / BIDDING STRATEGY</b>	
Same as in approved initial Part A1 – Attachment 1	
<b>TECHNICAL / COMMERCIAL EVALUATION CRITERIA &amp; NEGOTIATION PARAMETERS</b>	
Same as in approved initial Part A1 – Attachment 1	
<b>COMMERCIAL TIMELINE:</b>	
<b>Activity</b>	<b>Target Completion Date</b>
Tender and Award Schedule	
Issue Technical/ Commercial ITT	31 <sup>st</sup> Jul 2020
Technical Evaluation	31 <sup>st</sup> Aug 2020
Commercial Evaluation	18 <sup>th</sup> Sept 2020
Nigerian Content Compliance Certification	25 <sup>th</sup> Sept 2020
NAPIMS submission	30 <sup>th</sup> Sept 2020
Contract Award	30 <sup>th</sup> Oct 2020
<b>KEY PERFORMANCE INDICATORS:</b>	
Same as in approved initial Part A1 – Attachment 1	

#### ATTACHMENTS

Attachment 1; MCB approved contract strategy for replacement of the current of Engineering Services Agreement and Project Support Services



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2 - PROV OF ENGINEI

Attachment 2; NCDMB (Ref NCDMB/MED/MUQ/18/042)



Attachment  
1\_Tech\_manpower\_cc

Attachment 3; Further communication from NCDMB



Attachment 2\_  
Further communicatic

Attachment 4; Cost estimate of the Expertise level Engineering and Project Support Services



ECV.pdf