



THE SHELL PETROLEUM DEVELOPMENT COMPANY OF NIGERIA LIMITED

MAJOR CONTRACT BOARD SUBMISSION

Confidential

Part C – Variation Order No. 08

Date: 26/08/2020

Category	NLNG Supply Projects	Contract ID:	NG01016919
		SAP Contract No:	4610042621
Contract Title:	Construction of Carbon Steel Flowlines, Bulklines & Intersite Composite Cables (FOC) for Gbaran Ubie Phase 2 Project Package 2 (Gbaran 026 & Gbaran F1B/F22 Single Well Opportunity - Laying of DSS Bulklines)		
HSE Mode & Risk	Mode 2, High Risk		
Contractor:	Morpol Engineering Services Ltd – Jaihind Projects Ltd/Zakhem Construction Ltd (MJZA)		
Agenda Item	(TB secretary to complete eg.		

	F\$	Expiry Date
Original ACV	69,235,750.00	30/10/2016
Value of VO's approved to date	116,098,128.24	30/09/2018
Current ACV	185,333,878.24	31/12/2020
Delegated Authority (YES or NO)	YES	NA
Value of commitments made to date	91,614,816.43	31/12/2020
Value of this VO request	(205,600.00)	31/12/2022
Requested new ACV	NA	NA
Current level of NAPIMS approval	173,053,878.24	31/12/2020
Proposed expenditure while pending NAPIMS approval	5,000,000.00	31/08/2020

OBJECTIVE OF THIS SUBMISSION IS TO OBTAIN APPROVAL FROM MCB DELEGATED AUTHORITY FOR:

- Implement 2% reduction on ACV of contract firm and Optional scopes reducing the ACV from \$6,168,000.00 + ₦1,254,160,000.00 (FUS\$10,280,000.00) to \$6,044,640.00 + ₦1,229,076,800.00 (FUS\$10,074,400.00) being the outcome of Low Oil Price negotiations.
- Reduction in reimbursable mark-up

Stakeholder Endorsement:

	GM CP	Contract Owner
	Reviewed and approved for submission to SCC/MTB 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 [Adediran, Adewale] - 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 [Sanu, Gbolahan] - HSSE consideration and requirements are met.
Signature	<small>DocuSigned by:</small> <i>Antony Ellis</i>	<small>DocuSigned by:</small> <i>Turner, Martyn D SPDC-PTP/B/N</i>
Name	<small>F00D5C6A3424F8</small> Antony Ellis	<small>171DF00C26AA095...</small> Martyn Turner
Date		
Approval:		
Finance Director		
Signature	<small>DocuSigned by:</small> <i>Ian Scott</i>	
Name	<small>DEED9611EC29434...</small> Ian Scott	
Date		

Dedclaration:

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

Description of Previous Approvals	Approved ACV	Approval Dates	
		MCB	NAPIMS
Original Contract Value. MTB approved Contract Ceiling of FUS\$69,235,750.00 NAPIMS approved Contract Ceiling of FUS\$66,439,750.00	69,235,750.00	27 November 2012	18 July 2014
VO.02 Retain critical resources on standby, pending delivery of Company free issued line pipes, community related stoppages and interim demob/ mobilisation. Extend contract duration to 30th November 2017.	3,318,128.24	26 September 2016	
VO.03: additional ACV of F\$100,500,000.00, for the additional Enwhe FDP Pipeline/ Intersite cable Scope. Extend contract duration to 31 st December, 2020	100,500,000.00	03 April 2017	05 October 2017
Approval of overarching strategy approving use of contract for SWO scope		9 th July, 2018	8 th June, 2018
Approval of tender tactics		29 th May, 2019	

REASON FOR THIS VARIATION ORDER

List changes/updates/variation. Where there is scope variation, state the Nigerian Content scope in new scope.

This variation order is to reflect the following:

- 2% reduction in Contract ACV for the firm and optional scope offered by Contractor during the Low Oil Price negotiation.
- Reduction in reimbursable mark-up as presented in the table below

S/ N	REIMBURSABLE/ PROVISIONAL SCOPE (ACTIVITY)	PERCENTAGE (%) MARK-UP ON NET PRICE	
		Original Contract Rate	Contractor Acceptable Rate
1	REIMBURSABLE: Customs Clearance (including Import Duty, etc)*	AS APPLICABLE	
2	Customs Clearance	20%	15%
3	REIMBURSABLE: (OEM) Personnel training in Nigeria**	10%	6%
4	REIMBURSEABLE: Items Procured Outside Nigeria - the mark-up includes; ALL handling, freight / customs duties and clearing, provisions for profits and overheads, transportation, HSE, agents fees and loading on vessel in country of purchase; clearance, agent fees, off-boarding and transportation to worksite within Nigeria*	35%	30%
5	REIMBURSEABLE: Item Procured inside Nigeria - the mark-up include handling, provisions for profits and overheads, HSE, and transportation to worksite within Nigeria**	20%	10%
6	Reimbursable items Mark up – (Other Miscellaneous Services by CONTRACTOR)	20%	15%

JUSTIFICATION				
This is the outcome of the low oil price negotiation on this contract.				
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\$ (%)
69,235,750.00	103,818,128.24	91,614,816.43	-205,600.00	268%
IMPACT OF THIS VO				
Describe any major impacts of this VO on business, explain budget coverage/offset, NPV calculation based on this VO (if applicable) The VO will decrease the contract ACV by F\$205,600.00				
PRICING STRUCTURE FOR THIS VO				
Is the pricing structure for this VO based on established unit rates or negotiated based on Enterprise Frame Agreement (EFA)? For negotiations, show aspiration, fallback and walk-away positions. Proposed Negotiation Team. NA				

SECTION B: POST AWARD CONTRACT MANAGEMENT

CONTRACTOR PERFORMANCE				
Contractor performance under this contract including details of KPI's and review dates. Highlight any performance issues (including HSE management, NCD) and support required.				
Performance Assessment, rating based on Good/Adequate/Inadequate.				
Good: Fully satisfied expectations, met requirements without support; no identifiable improvements				
Adequate: Generally satisfied expectation & met requirements but needed support to ensure required performance was achieved				
Inadequate: Contractor standard of performance below that needed for repeat business; severe deficiencies in service performance				
Management	Commercial	Technical	HSES	Overall
Good	Good	Good	Good	Good
CONTRACT MANAGEMENT				
Highlight any contract management issues, e.g. training, documentation. HSE, NCD. List outstanding activities, action parties and target date. State dates and highlights of COR/BPR/CPCR or other contract compliance reviews. There has been no issues with the Gbaran Infill 2 Pkg 2 Project				
NIGERIAN CONTENT EXECUTION PLAN				
Is performance according to Part B and contract? What recovery plan is being put in place to meet target? NA				
NIGER DELTA CONTENT /COMMUNITY CONTRACTING EXECUTION PLAN				
Describe additions to the Niger Delta Content /Community Contracting Execution Plan. NA.				
RISK MANAGEMENT				
Insert latest Risk Assessment Matrix NA				

GOAL ZERO CONTRACTOR HSSE REQUIREMENTS

Comment as appropriate on validity of applicable Goal Zero Contractor HSE assurance actions below: [Click here](#) for checklist.

- i) Risk Assessment – State: Remains valid at Mode 2 High Risk.
- ii) CH Appointment Letter – Confirm letter in place for correct CH per Omnicom/SAP –YES.
- iii) HSE Capability Assessment – State: Remains valid at Green.
- iv) Contract HSSE Action Plan OR HSSE Plan – State: Remains valid.