



THE SHELL PETROLEUM DEVELOPMENT COMPANY OF NIGERIA LIMITED

MAJOR CONTRACT BOARD SUBMISSION

Confidential

Part C – Variation Order No. 01

Date: 06/07/2020

Category	Pipelines/ Flowlines Maint.	Contract ID: SAP Contract No:	CW241273, CW260274, CW260390, CW260402, 4610049984, 4610049985, 4610049986, 4610049947		
Contract Title:	Integrated Pipeline Maintenance & Repair Services				
HSE Mode & Risk	Mode 2, High risk				
Contractor:	STRIDES ENERGY & MARITIME LTD ; MELCURT NIGERIA LIMITED; ANASAMI CONSTRUCTION NIG LTD; HOUSTON ENG & MARINE SERV LTD				
Agenda Item					
	CW241273	CW260274	CW260390	CW260402	Expiry Date
	STRIDES ENERGY	MELCURT	ANASAMI	HOUSTON	
Original ACV	22,844,990.00	22,844,990.00	22,844,990.00	22,844,990.00	31/07/2022
Value of VO's approved to date	0.00	0.00	0.00	0.00	31/07/2022
Current ACV (MCB)	22,844,990.00	22,844,990.00	22,844,990.00	22,844,990.00	31/07/2022
Value of commitments made to date	5,353,392.98	8,380,417.74	4,525,036.76	7,481,396.24	06/07/2020
Value of this VO request	0.00	0.00	0.00	0.00	31/07/2022
Requested new ACV	22,844,990.00	22,844,990.00	22,844,990.00	22,844,990.00	31/07/2022
Current level of NAPIMS approval	22,844,990.00	22,844,990.00	22,844,990.00	22,844,990.00	31/07/2022
Proposed expenditure while pending NAPIMS approval	0.00	0.00	0.00	0.00	

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

- Implement the contract rate reduction ranging from 0.5% to 5% achieved from the Low Oil Price negotiations.

Stakeholder Endorsement:

	Senior Procurement Manager	Contract Owner
	Reviewed and approved for submission to MCB and confirms: 1. Alignment with approved Category Strategy (& Global Category Strategy where applicable) 2. Compliance with the NIGL Act & Community Content commitments	Reviewed whole submission and confirms support from: 1. Finance [Obiora Aguegbah] - 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 [Franklin Igbodo] - HSSE consideration and requirements are met.
Signature		
Name	Pius Okeadinma	Chris Griffiths
Date		

Approval:

	DocuSigned by: MCB Chairman (Delegated)
Signature	
Name	Chioma Okpoechi
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

- MCB Approval of award Recommendation – Part B obtained on 11/05/2019 (**Attachment 1**)
- NAPIMS approval obtained on 18/12/2019 (**Attachment 2**)

REASON FOR THIS VARIATION ORDER

Low Oil Price Negotiations with NAPIMS

In line with the recent cost reduction steers due to the low oil price impact, negotiations held with the contractors for downward review of their rates. The negotiations which held with NAPIMS in attendance resulted in various percentage discounts ranging from 0.5% to 5% reduction on all their rates. – **Attachment 3**

Contract No	Contractor	Discount offered by contractor
CW241273	STRIDES ENERGY & MARITIME LTD	1%
CW260274	MELCURT NIGERIA LIMITED	0.50%
CW260390	ANASAMI CONSTRUCTION NIG LTD	5%
CW260402	HOUSTON ENG & MARINE SERV LTD	1%

These negotiated rates will be effected in SAP following the approval of this submission and signing of the amending agreements by the contractors. The estimated third-party spend savings from July 2020 to expiration in June 2022 is F\$1.3m based on projected spend from these suite of contracts.

Contract No	Contractor	% reduction	NAPIMS approved ACV	Performance till date	Balance ceiling	Projected spend till contract expiration on 16/6/2022 (24 months)	Projected Savings
IPRS							
CW241273	STRIDES ENERGY & MARITIME LTD	1%	22,844,990.00	5,353,392.98	17,491,597.02	17,491,597.02	174,915.97
CW260274	MELCURT NIGERIA LIMITED	0.50%	22,844,990.00	8,380,417.74	14,464,572.26	14,464,572.26	72,322.86
CW260390	ANASAMI CONSTRUCTION NIG LTD	5%	22,844,990.00	4,525,036.76	18,319,953.24	18,319,953.24	915,997.66
CW260402	HOUSTON ENG & MARINE SERV LTD	1%	22,844,990.00	7,481,396.24	15,363,593.76	15,363,593.76	153,635.94
							1,316,872.43

IDD and HSE Capability Status:

Vendor	IDD	HSE Capability
STRIDES ENERGY & MARITIME LTD	13-Jan-21	13-Nov-2021
MELCURT NIGERIA LIMITED	4-Feb-21	6-May-2022
ANASAMI CONSTRUCTION NIG LTD	12-Apr-20	26-Oct-2021
HOUSTON ENG & MARINE SERV LTD	2-Mar-21	11-Jul-2022

The HSE Capability of all four vendors is valid. However, the IDD for ANASAMI CONSTRUCTION NIG LTD is currently expired and undergoing revalidation. Implementation of the negotiation outcome for this vendor shall be on hold pending the satisfactory revalidation of the IDD.

JUSTIFICATION

The negotiations aimed at contracts rate reductions were necessitated by the accelerated fall in oil prices, closure of country borders and decline in global demand due to the novel coronavirus pandemic, combined with rising costs in many areas that has heightened existing concerns over spend levels and sustainability across the industry.

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
Contract No	F\$	F\$	F\$	F\$	(%)
CW241273	22,844,990.00	0.00	5,353,392.98	0.00	0.00

CW260274	22,844,990.00	0.00	8,380,417.74	0.00	0.00
CW260390	22,844,990.00	0.00	4,525,036.76	0.00	0.00
CW260402	22,844,990.00	0.00	7,481,396.24	0.00	0.00

IMPACT OF THIS VO

This variation is required to implement the discounts offered by the contractors in response to requests made by the JV to ensure business sustainability in response to accelerated fall in oil prices, closure of country borders and decline in global demand due to the novel coronavirus pandemic.

PRICING STRUCTURE FOR THIS VO

All other existing terms and conditions on the contracts remain unchanged.

SECTION B: POST AWARD CONTRACT MANAGEMENT**CONTRACTOR PERFORMANCE**

The overall contract performance is adequate. The contract personnel are made up of 100% Nigerians and most of the materials procured are sourced via local vendors

Performance Assessment, rating based on Good/Adequate/Inadequate.

Contract No	Management	Commercial	Technical	HSES	Overall
CW241273	Adequate	Adequate	Adequate	Adequate	Adequate
CW260274	Adequate	Adequate	Adequate	Adequate	Adequate
CW260390	Adequate	Adequate	Adequate	Adequate	Adequate
CW260402	Adequate	Adequate	Adequate	Adequate	Adequate

CONTRACT MANAGEMENT

Contract is mode 2 and HSE risk is High. NCD provisions in the contract are being adhered to strictly.

The NCD Focus has been on the following areas to ensure maximum benefit to the local communities where the works will be carried out.

- Manpower development
- Skills/Competency Acquisition
- Job creation/Employment
- Local Economic activity
- Indigenous contractor growth

All these are continuously achieved through engagement of community vendors as sub-contractors and employment of local labour groups during work execution. This formed part of the MoU negotiations between the contractors and the host communities.

NIGERIAN CONTENT EXECUTION PLAN

	Work Category	Schedule Target	Contractor's obligation	Current performance status	Agreed actions including authorisation to import
Award Recommendation	Pipeline Systems	100%	100%	100%	N/A
Proposed variation	Pipeline Systems	100%	100%	100%	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 contract cost or outright cancellation of contract.

NOGICD = Nigeria Oil & Gas Industry Content Development Act

NIGER DELTA CONTENT /COMMUNITY CONTRACTING EXECUTION PLAN

All past non-specialist activities (Supply of Boat, Tugboat and badges, manual excavation, Labour) have been executed with the involvement and participation of communities. Relevant parts of the contract have also been subcontracted to the community contractors in line with the FTO agreements and Local Content Plan. This principle is being fully adopted in this contract(s) for all non-specialist repair works.

Vendor will align with Community Content Guideline and ensure minimum 100% Unskilled and 60% semi-skilled labour required are sourced from relevant host community.

RISK MANAGEMENT

Risk Description	Likelihood (H / M / L)	Impact (H / M / L)	Mitigating Actions	Action Owner
Community disturbance	L	M	Secure FTO before contractor mobilisation to site	Contract Holder
Poor Funding	M	H	Issue PO before start of work	Contract Holder
Inadequate HSE site coverage	L	M	Employ services of SPDC HSE Support personnel and project management personnel	Contract Holder / HSE Support
Inability of a vendor to respond and deliver on call out	H	H	Stop issuance of Work order/PO to vendor and direct Work order to other responsive vendors	CH and CM
Inability of all vendors to respond and deliver on call out	H	H	<ul style="list-style-type: none"> Seek MCB and NAPIMS approval to revert to the original rates (prior to reduction) Commence replacement contract 	CH and CM

GOAL ZERO CONTRACTOR HSSE REEQUIREMENTS

- i) Risk Assessment – Remains valid at Mode 1 / High Risk.
 - ii) CH Appointment Letter –Confirm Letter in place for correct CH per Omnicom/SAP –YES.
 - iii) Current HSE Articles –Contract contains current HSE Articles
 - iv) Child Labour Clause –Contract contains current Child Labour Clause
 - v) HSE Capability Assessment – Not Applicable
 - vi) Life Saving Rules Roll-out – State: Life Saving Rules have been rolled-out to Vendors. YES.
- Contract HSE Action Plan **OR** HSE Plan: Has been updated.

ATTACHMENTS

Attachment 1 – MCB Approval  NG01021246_PART B and Note to File_upd	Attachment 2 – NAPIMS Award Approval  NG01021246_NAPIMS Award Approval.pdf	Attachment 3 –Vendor discount offers  IPRS contracts_LOP negotiation outcome.
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