

CONFIDENTIAL

THE SHELL PETROLEUM DEVELOPMENT COMPANY OF NIGERIA LIMITED
MAJOR CONTRACTS BOARD

Ref: SPDC_MCB_20_40

MINUTES OF MCB MEETING NO.20_40
HELD ON MONDAY 19TH OF OCTOBER 2020 AT 2.00PM
VENUE: SKYPE MEETING

SPDC_MCB_20_40_1 ENGINEERING, PROCUREMENT, INSTALLATION, COMMISSIONING, OPERATION &
MAINTENANCE OF GAS HANDLING FACILITIES FOR DOMESTIC GAS PROJECTS.
(AGBADA NAG)- NG01020520

PART C – VARIATION ORDER NO. 33 ADDENDUM

The objectives of this submission are to seek MCB approval:

1. Inform MCB of the outcome of negotiation of VOR52 with the Contractor [Makon Engineering and Technical Services] which ended at F\$2,655,000.00 (99.9% of Company Estimate)
2. Seek MCB approval to convert the Naira portion of the agreed offer (i.e. 40% of F\$2,655,000) at the prevailing exchange rate of NGN380 to \$1.

DISCUSSIONS:

MCB Comments & Clarifications:

1. MCB noted that bulk of cost is on procurement (LLI items), and asked the assurance the team has that the contractor MAKON ENGINEERING will deliver on time to meet December 2020 deadline and a delay into 2021 won't result in another VO given the antecedent of the vendor. Team replied that the PMT will manage Vendor through TPA framework and other inventions currently used to manage the vendor.
2. MCB asked the reason for the disparity in the dollar component and if there is likelihood of a risk in the change of currency split. Team responded that the Contractor was targeting a value that would enable them to execute the scope. While CE was based on distinct source currencies for the work items especially offshore material procurement. There is no significant risk.
3. MCB asked the amount of \$ & NGN. Team replied that \$1.593m and NGN403.33m.
4. MCB asked why the team negotiated the contract in F\$ rather than in source currency NGN & \$. Team replied that (a) It is near impossible to negotiate lumpsum prices for complex facility scope, with tens or hundreds of components, in Source currencies when the different components have different mix of S\$ & SN. (b) The source currency mix between contractor and CE also means that a common basis for the negotiation is needed. (c) The approved mandate was in F\$ and in addition the CE has SN, S\$ & F\$ components. CMT noted that it is normal to negotiate complex scope in F\$. (d) NAPIMS has always insisted on S\$ component at max of 60%.
5. MCB enquired what the contract exchange rate is. Team noted that there is no exchange rate mentioned in the contract; only F\$, SN & S\$ figures.
6. MCB asked if the team had agreed an exchange rate with the contractor. CMT responded that it has not agreed any exchange rate with the contractor. Negotiation parties agreed to use an exchange rate of N305/\$1 (prevailing at the time) during the negotiation to convert the S\$ & SN to a common denominator F\$ to aid negotiation. CMT noted that the contractor condition for accepting CMT's final offer is that the Naira portion be calculated at exchange rate of N380/\$1. CMT's request to MCB is because this condition effectively implies that relative to approved CE (@100% Naira), contractor's offer is 103% of CE.
7. MCB commended the CMT for the outcome of negotiation and stated that it cannot approve a non-contractual exchange rate as there was no agreed exchange in the signed contract with the

vendor. CMT responded that it is not requesting for exchange rate approval but the negotiation outcome which can be construed as 103% of MCB negotiation mandate. CMT further noted that this is an entirely new scope and the terms of which will be covered by a new VO which will not include any reference to exchange rate as in the original contract.

DECISION: **Deferred**


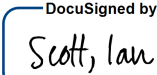
DIRECTIVES: 1. SPDC FD & MCB Project Finance rep to connect on how to deal with the request – **Done, Email attached**

TARGET DATE: 2nd of November 2020

ACTION: Benjamin Orabueze (CH) & Queen Madubuike (CM)

POST MEETING: Team provided an email support from SPDC FD & MCB Project Finance rep on the request as directed by the Board

DECISION: **Approved**

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| Sign & Date: | DocuSigned by:  2A34FAC47E0144F... | DocuSigned by:  DE00811EC31434... |
| | Victoria Ndudirim for Anietie Osagie Secretary, SPDC PTC/U/GE | Ian Scott Chairman, SPDC FUI/OG |
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