

**Confidential**

THE SHELL PETROLEUM DEVELOPMENT COMPANY OF NIGERIA LIMITED
MAJOR CONTRACT BOARD SUBMISSION

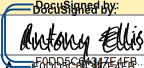
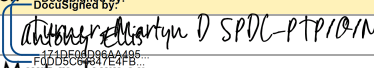
Part C – Variation Order No. 07**Date: 26 August 2019**

Category	NLNG Supplies Project	Contract ID:	NG01016919
		SAP Contract No:	4610042621
Contract Title:	Construction of Carbon Steel Flowlines, Bulklines and Intersite Composite Cables for Gbaran Phase 3A Enwhe Project (Package 2)		
HSE Mode & Risk	Mode 2 - High		
Contractor:	Mopol Engineering Services Ltd -Jaihind Projects Ltd/Zakhem Construction Ltd. (MIJA)		
Agenda Item			
	F\$	Expiry Date	
Original ACV	66,439,750.00	30 th Oct 2016	
Value of VO's approved to date	107,460,528.24	30 th Sep 2018	
Current ACV	178,862,278.24	31 st May 2021	
Delegated Authority (YES or NO)	YES	NA	
Value of commitments made to date	134,836,272.27	31 st May 2021	
Value of this VO request	NA	NA	
Requested new ACV	NA	NA	
Current level of NAPIMS approval	173,053,878.24	31 st May 2021	
Proposed expenditure while pending NAPIMS approval	5,025,000.00	30 th June 2022	


OBJECTIVE OF THIS SUBMISSION IS TO OBTAIN APPROVAL FROM MCB:

- 1% discount (a reduction from 7% to 6%) on reimbursable/mark-up due to OEM with no impact on ACV. This reduction in mark-up is the outcome of low oil price negotiations with Contractor.

Stakeholder Endorsement:

	GM CP	Contract Owner
	Reviewed and approved for submission to MTB and confirms: <ol style="list-style-type: none"> 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: <ol style="list-style-type: none"> 1. Finance [Adewale Adediran] - 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 [Gbolahon Sanu] - HSSE consideration and requirements are met
Signature		
Name	Anthony Ellis	Maryn Turner
Date		

Approval:

Finance Director	
Signature	
Name	Ian Scott
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

References & dates of previous approvals by SCC/MTB, NAPIMS. (Attach the latest Tender Board Meeting Minutes & NAPIMS approval/ correspondence)

Description of Previous Approvals	Approved ACV	Approval Dates	
		MTB	NAPIMS
Original Contract Value. MTB approved Contract Ceiling of FUS\$69,235,750.00 NAPIMS approved Contract Ceiling of FUS\$66,439,750.00	66,439,750.00	27 November 2012	18 July 2014
<u>VO.01:</u> Execute additional scope for hook-up of Gbaran 23 (NAG) and 25 (oil) wells at cost of F\$1,827,528.41.		18 August, 2014	
<u>VO.02</u> 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.	3,318,12824	26 September 2016	
<u>VO.03a:</u> additional ACV of \$62,907,000.99 plus N12,812,059,000.00 (F\$104,845,000.00 @305.5/\$1), for the additional Enwhe FDP Pipeline/ Intersite cable Scope. Extend contract duration to 31 st December, 2020	104,845,000.00 (No effect on ACV)	03 April 2017	05 October 2017
<u>VO.03b:</u> change in the award value from F\$104,845,000.00 to F\$100,500,000.00 taking into cognizance the 4.14% discount of F\$4,345,000.00 achieved through re-negotiation.	(4,345,000.00)	23 April 2018	
<u>VO. 5:</u> 1. For the total sum of F\$5.025mln (5% of the approved ACV) as provisional sum in subject contract. 2. To secure eLDL approval for F\$1,000,000.00 pending NAPIMS approval of the Provisional Sum.	5,025,000.00		
<u>VO. 6</u> 1. Time Extension: To extend contract validity period from 31st May 2021 to 30th June 2022 to enable contractor complete outstanding contract scope brought about by the demobilisation from site due to the COVID-19 pandemic and other project execution delays associated with land acquisition. This time extension is at no additional cost. 2. To increase Approved Contract Ceiling (ACV) by F\$760,017.00 to cater for additional rooms at Gbaran project camp as this contract is used as vehicle to provide accommodation/OTC for project activities during COVID-19 period. These include accommodation for re-mobilization of the Hilong 29 Drilling Rig for critical project activities and other Wells work for the project and extra accommodation for Operations for production critical activities.			

REASON FOR THIS VARIATION ORDER

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

Reasons for this Variation

This variation order is to reflect the 1% discount (7% to 6%) on reimbursable/mark-up due to OEM with no impact on ACV.

JUSTIFICATION

This is the outcome of the low oil price negotiation on this contract. See Attachment 1 (Minutes of Low Oil Price negotiation meeting).

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\$ (%)
66,439,750.00	106,614,128.24	134,836,272.27	N/A	

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)

Though this VO has no impact on the Authorised Contract Value, its impact will be on payment due to Contractor for Personnel Training in Nigeria with respect to trainings to be carried out by Original Equipment Manufacturers.

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.

The Pricing structure is based on the reimbursable/provisional sum in the contract.

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

Management meetings, monthly performance reviews, business performance review and weekly review meetings are currently being held as per schedule to manage all the issues related to the project for effective execution and progress.

NIGERIAN CONTENT EXECUTION PLAN

Is performance according to Part B and contract? What recovery plan is being put in place to meet target?

	Work Category	Schedule Target	Contractor's obligation	Measurement Metrics	Current performance status	Agreed actions including authorisation to import
1	Engineering for Onshore Facility	90%	90%	Man-hour	>90%	
2	Pipe laying services	50%	90%	Man-hour	>90%	
3	Low voltage cables	90%	90%	length	>90%	
4	High Voltage Cables	45%	45%	length	45%	
5	Coating Services	80%	80%	Man-hour	>80%	
6	Welding and Jointing Services	60%	100%	Man-hour	100%	
7	Trenching and Excavation services	100%	100%	Man-hour	100%	
8	Construction Mgt & supervision services	80%	90%	Man-hour	90%	
	Proposed variation	No changes				

NIGER DELTA CONTENT /COMMUNITY CONTRACTING EXECUTION PLAN

Describe additions to the Niger Delta Content /Community Contracting Execution Plan.

No Change. Remains the same as previous award.

Contractor is expected to honour subsisting GMOUs, new PGMoUs and NCD Plan within the project area.

RISK MANAGEMENT

Risk Description	Likelihood (H / M / L)	Impact (H / M / L)	Mitigating Actions	Action Owner
Delayed Payments	M	H	Continuous engagement with finance and timely response to invoice issues	CH/PE/CE

The complete list of the identified project risks is contained in the project risk register hosted in easy risk.

GOAL ZERO CONTRACTOR HSSE REEQUIREMENTS

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.

Attachments:

- Contractor's offer of 1% discount off the Mark-up for Reimbursable: (OEM) Personnel training in Nigeria



NG01016919-RE-CO
VID -19 CURRENT OIL

- Minutes of Negotiation Meeting.

THE SHELL PETROLEUM DEVELOPMENT COMPANY OF NIGERIA LIMITED
Major Contract Board Submission



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