



Category	NLNG Supplies Project	Contract ID:	NG01017640
		SAP Contract No:	4610047944
Contract Title:	EPC: GBARAN NODAL COMPRESSION PROJECT & SINGLE WELLS OPPORTUNITY PROJECT		
HSE Mode & Risk	Mode 2, High Risk		
Contractor:	Lee Engineering & Construction Company Limited		
Agenda Item	(TB secretary to complete)		

	GNC Project	GSW Project	Total	Expiry Date
	F\$			
Original ACV	114,622,979.07	30,666,686.64	145,289,665.71	31/12/2022
Value of VO's approved to date	75,780,862.15	540,000	76,320,862.15	
Current ACV	190,403,841.22	31,206,686.64	221,610,527.86	
Value of commitments made to date	185,635,750.63			
Value of this VO request-excl 2% HCD	19,686,712.74		19,686,712.74	31/12/2024
Requested new ACV- excl 2% HCD	210,090,553.96	31,206,686.64	241,297,240.60	31/12/2024
Current level of NUIMS approval	114,622,979.07	0	114,622,979.07	
Proposed expenditure while pending NUIMS approval	95,467,574.89	31,206,686.64	126,674,261.53	

**OBJECTIVE OF THIS SUBMISSION IS:**

**This proposal seeks to inform MCB of the following:**

1. **GNC Project:**

- The outcome of the negotiation held with Lee Engineering for 14nos. variation proposal (VPs) items for scope change request for shutdown works, OEM Engagement, Alternative Power + Shortfall Materials for GNC train 1 and train 2.
- The final position received from the contractor being N6,001,397,833.41 + US\$15,400,000.00 (F\$19,686,712.74 @N1400/U\$1) subject to all cost for OEM Support for commissioning, shutdown, site intervention and integration works being excluded and treated as reimbursable cost to Lee. This is 11% above the cost estimate of N5,219,262,790.10+ US\$13,998,982.56 (F\$17,727,027.41@N1400/U\$1) excluding OEM FSR Support cost which will be treated as reimbursable via the provisional sum amount approved by the MCB in April '24.

**To seek MCB approval:**

- GNC Project:** To accept the final position received from Lee Engineering via their letter post negotiation ref: attachment 1 and close-out the 14nos. VP request for GNC train 1&2 at N6,001,397,833.41 + US\$15,400,000.00 (F\$19,686,712.74@ N1400/U\$1)
- To include 2% provision for HCD to the proposed GNC Project VP close out sum and transfer same to the HCD central account managed by SPDC NC team. This amounts to N 120,027,956.67 + \$ 308,000.00 (F\$ 393,734.25 @1400)
- To further increase the ACV by N6,121,425,790.08 + \$15,755,813.59 (F\$20,128,260.58@1400) inclusive of the 2% provision for HCD obligation.
- To process e-LDL release for the full value and issue the POs to Lee Engineering pending NUIMS approval.

Note: The VO sum will be distributed into milestones and actual payment to LEE Engineering will be based on value of work done.

**Stakeholder Endorsement:**

	Senior Procurement Manager	Contract Owner	MCB Chairman
	<b>Reviewed and approved for submission to MCB and confirms:</b> 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 [Adekole Iludiran] - 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 [Alice George] - HSSE consideration and requirements are met.	
Signature			
Name	Greg Akhibi	Daka Otonye	
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**

<i>Description of Previous Approvals</i>	<i>Approved ACV</i>		<i>Approval Dates</i>	
	GNC	GSW		
	F\$		MCB	NAPIMS
Obtained MCB approval of award recommendation on contract NG01017640	114,622,979.07		10 <sup>th</sup> August 2017	5 <sup>th</sup> October 2017
VO.01 - Obtained MCB approval of overarching strategy for Single Well Opportunity Projects (Gbaran-026 & Gbaran F1B/F22).			9 <sup>th</sup> July 2018	8 <sup>th</sup> June 2018
VO.01b: Approval of tender tactics			29 <sup>th</sup> May, 2019	
<b>VO.01c</b> - Obtained MCB approval of award for Single Well Opportunity Projects (Gbaran-026 & Gbaran F1B/F22). <ul style="list-style-type: none"> <li>Award contract to LEE Engineering &amp; Construction Company Ltd at an ACV of \$16,683,346.31 + ₦2,739,918,799.27 (FUS\$25,666,686.64)</li> <li>Provisional sum of \$3,000,000.00 + ₦610,000,000.00 (FUS\$5,000,000.00) to cater for potential reimbursable items.</li> <li>Total Contract Ceiling of \$19,683,346.31 + ₦3,344,918,799.27 (FUS\$30,666,686.64) being the total for Firm scope and provisional sum.</li> <li>eLDL approval of F\$10,000,000.00 to allow for award and for work to progress pending NAPIMS approval</li> <li>Execution of Capacity Development Initiatives (CDI) mandated by NCDMB at 2% of the total ACV (\$2,325,000.00) for both Single Wells Contract and Soku NAG 2 contracts.</li> </ul>		32,991,686.64	22 <sup>nd</sup> May 2020	
<b>VO.02</b> - Obtained MCB approval to: 2(a) a variation sum of 14,300,000 for the procurement of additional bulk materials that emanated from detailed Engineering. 2(b) a variation sum of \$13,350,000 that emanated from the negotiations for Construction, Site Installation and commissioning works for the additional scope that emanated during detailed design	14,300,000  13,350,000		14 <sup>th</sup> December 2020  22 <sup>nd</sup> Feb 2021	
<b>VO.03</b> To authorise the PMT to pay percentages of contractual milestones against the VOWD as opposed to the current practice which requires individual milestones to be 100% completed before the value of the entire milestone is released.		N/A	23 <sup>rd</sup> August 2021	
<b>VO.4</b> Approval received from the MCB to pay Lee Engineering an additional Euro370,410 totalling F\$419,396.72 @ 1Euro/USD1.13225 for the manufacture of LV/HV switchgears from AOS Orwell/EATON on the GNC Project	(Replaced with VO5)		SPDC_MCB_22_03 of 31st Jan 2022	
<b>VO.5</b> For the following with respect to Order placed by Lee Engineering on AOS Orwell/EATON for GNC Project LV/HV Switchgears and Sub-Station: a) Put in place and operationalize a direct payment arrangement to the OEM – Eaton Industries B.V b) Pay additional Euro803,036.02 (F\$909,237.53 @ 1Euro/USD1.13225) from the Project Provisional Sum to cover Scope Change Proposals and Production Restart costs on the Order c) Process additional payment on this order through the provisional sum without recourse to the MCB d) Issue a Letter of Comfort to Eaton for assurance of payment due on the Order	909,237.53 (Provisional Sum)		14 <sup>th</sup> February 2022	
<b>VO 6</b> 1) Negotiate the variation requests submitted by Lee Engineering based on the following mandate: up to 100% of Lee's revised value of F\$10,921,299 (120% of the assured CE of F\$9,103,569) 2) Make 2% provision for the HCD obligation on the VO value 3) Reimburse in full all validated ETLS and CISS payment on the project shipment, on cost plus basis 4) Sign-off a Part C1 at Line level and award VO to Contractor without recourse to the Board, if negotiation mandate is achieved. 5) Effect a sliding scale performance bonus capped at F\$5m as early Project completion incentive effective June 2022 6) Make a provision of up to F\$5m for RFSU acceleration boost to drive and incentivise early Project completion 7) Process e-LDL release for the full sum and increase ACV to execute the VO pending NAPIMS approval	F\$10.2mln wrt Incentives		SPDC_MCB_22_07_7 4 <sup>th</sup> March 2022	

<p><b>VO 7</b> To obtain MCB approval of the following:</p> <ol style="list-style-type: none"> <li>1. Outcome of the negotiations held with Lee Engineering of N1,403,000,000.00 + US\$6,900,000.00 (F\$11,500,000.00 @N305 / US\$1) as full and final settlement of their Variation Proposals 1-10 listed under Table 1 in the submission. This is 105% of the approved negotiation mandate.</li> <li>2. Make a provision of 2% (F\$230,000) on the VO value for HCD</li> <li>3. Process e-LDL release for F\$11,730,000.00 and increase ACV to execute the VO pending NAPIMS approval</li> <li>4. Reimbursement of CISS &amp; ETLs payments (VP 11 &amp; 12) – To treat this as 100% reimbursable charge for previous and future procurements items and contract amended accordingly in line with negotiation outcome</li> <li>5. Additional 20% Contingency for Materials (VP 13 for F\$2,326,390.85) – To treat as a reimbursable cost and managed under the project's prov. sum in line with negotiation outcome</li> </ol>	F\$11,730,000		SPDC_MCB_22_1 1 28 <sup>th</sup> March 2022	
<p><b>VO 8</b> To obtain MCB approval of the following with respect to GNC</p> <ol style="list-style-type: none"> <li>1) Increase in ACV by \$9,457,628.51 to cover additional growth in materials. This will cover the 20% contingency earlier proposed in VO7 and contractual markup of 25% (F\$1.891m) for handling and delivery of the materials to site.</li> <li>2) To hold the F\$2,326,390 earlier approved by MCB in VO7 for 20% Material Contingency, intended to be drawn from prov. sum, for other trending costs e.g. commissioning of Train 1 ahead of train2, and the temporary LV system to be provided ahead of the HV/LV system.</li> <li>3) Provision of 2% of the VO value for HCD obligation (F\$189,152.57) and transfer to Corp. HCD central account</li> <li>4) Process e-LDL release for the VO sum (\$9,646,781.07 including 2% HCD provision) and increase ACV to execute the VO pending NAPIMS approval</li> </ol>	F\$9,457,628.51		29 <sup>th</sup> Sept 2022	
<p><b>VO 9</b> 1. To notify the MCB of Contractor (Lee Engineering) request for cost escalation on the GSW project awarded in 2019 citing an inflation index of 19.1% as at 2022. The cost escalation in their view is a key enabler for project traction and completion within the agreed schedule 2. To obtain MCB approval:</p> <ol style="list-style-type: none"> <li>a) To negotiate Contract items for outstanding work scope due to escalations in supply chains and premised on the index reflected in the Nigerian Supply Chain Projects Cost Escalation Response Strategy issued June 2022 &amp; the Global Category Market Dynamics data past one year trend.</li> <li>b) For a negotiation mandate of 13% escalation of the Contract lumpsum amount as against 42% requested by the contractor</li> </ol>				
<p><b>VO 10</b> 1. To notify the MCB of Contractor (Lee Engineering) request for cost escalation on the GNC project awarded in 2018 citing an inflation index of 19.1% as at 2022. The cost escalation in their view is a key enabler for project traction and completion within the agreed schedule. 2) To obtain MCB approval:</p> <ol style="list-style-type: none"> <li>a. To negotiate Contract items for outstanding work scope due to cost escalations in the supply chains and premised on the index reflected in the Nigerian Supply Chain Projects Cost Escalation Response Strategy &amp; the Global Category Market Dynamics data past one year trend.</li> <li>b. For a negotiation mandate of 23% escalation of the outstanding Contract lumpsum amount as against 71% requested by the contractor as shown below: <ul style="list-style-type: none"> <li>• Company Estimate at 100%: N2,053,695,428.42 + US\$3,655,099.51 (F\$ 10,388,527.15 @N460/US\$1)</li> <li>• Contractor Request at: N6,335,432,649.79 + US\$11,024,935.39 (F\$ 31,796,845.71 @N460/US\$1) at 71% overall escalation</li> <li>• For a negotiation range of 20% to 25% being aspiration and walk-away for the contract lumpsum escalation amount</li> </ul> </li> </ol> <p>3) To include 2% HCD to the negotiated outcome and sign-off negotiation outcome at line level if mandate is met</p>	TBA			
<p><b>VO. 11</b> To seek MCB approval for the following:</p> <ol style="list-style-type: none"> <li>1) <b>Koroama to GNC Rerouting Project:</b> . To engage Georaph for the re-routing of the low pressure (LP) Koroama wells to a dedicated manifold enabling wells compression and start-up gas for the GNC Project at a total cost of N118,160,710 + \$ 384,646.00 (F\$ 641,238.20 @N460.5/US\$1) against company estimate of N145,424,598.60 + \$454,020.31 (F\$ 769,817.48 @N460.5/US\$1) (Normalized)</li> <li>2) <b>GNC Construction Support</b> A. To engage <b>Morpol Engineering Services Limited</b> to provide construction support to GNC project in the form of equipment and personnel when Lee Engineering is unable or unwilling to provide. B. To adopt the following commercial framework for services provided by Morpol: <ol style="list-style-type: none"> <li>i.. Execution Worksopce -Utilize the schedule of rates for variation in Epu 2 Project pipelines contract awarded in Jan '23</li> <li>ii.. Scopes not in the Epu 2 Project contract - Reimbursable on cost-plus basis at 15%</li> </ol> </li> <li>3) To utilize the GNC contract provisional sum for execution of the work scopes above with all commitments being subject to NLNG PSRCP process - For an</li> </ol>	F\$ 641,238.20 + F\$986k (excl HCD + 15% mark up) + F\$5m prov sum increase			

estimated total spend of up to F\$641,238.20 for Koroama to GNC rerouting project + F\$986k for the construction support works- ref attachment 1 4) Approval to negotiate the following payment arrangements with <b>Lee Engineering</b> for execution of the work. i. Invoice partnering arrangement to facilitate direct payment to Morpol Engineering and Georaph under this contract. ii. Agree a pass-through mark-up with Lee Engineering from 0% aspiration to a maximum 15% as per their contract. 5) For an increase of the provisional sum amount by \$5mln to execute this work, as the previously approved acceleration boost of \$5mln (ref attachment. 4) has depleted the original Prov.Sum. <b>Note:</b> 1. NUIMS had been engaged informally and steer received to use the GNC provisional sum for the execution of the work scopes 2. Additional 2% HCD associated with these works will be drawn from the contract provisional sum																																										
<b>VO 11b</b> 1. To inform the MCB of the outcome of the negotiation held with Lee Engineering for the use of the GNC provision sum and premised on a mark-up basis ranging from of 0% - 15% being pass through compensation for the execution of: <b>a. Koroama to GNC Rerouting Project:</b> Through Georaph Ltd for the re-routing of the low pressure (LP) Koroama wells to a dedicated manifold enabling wells compression and start-up gas for the GNC Project <b>b. GNC Construction Support</b> Through <b>Morpol Engineering Services Limited</b> to provide construction support to GNC project in the form of equipment and personnel when the EPC contractor (Lee Engineering) is unable or unwilling to provide. 2.To obtain MCB approval to progress with a 15% mark-up being the contractual reimbursable mark-up percentage and Lee’s final condition for supporting the above works through their contract																																										
<b>VO 12</b> To seek the MCB approval: 1. To remove the wet gas meter calibration cost item from the portfolio of variation proposals submitted by Lee Eng. on Gbaran Singles Wells Project contract undergoing review and considered in isolation given the project schedule risk associated with this equipment. 2. To issue a Purchase Order (PO) for F\$540,000.00 to Lee Eng to enable the project secure a slot for calibration of the wet gas meter in June 2024 by making a commitment to Solatron ISA in December ’23. This is noting that only one slot exists for the calibration and test in 2024, 3. To progress the commitment for the Test/Calibration through available project provisional sum 4. For a time extension from 31 <sup>st</sup> Dec 2023 to 31 <sup>st</sup> Dec 2024 to enable business continuity																																										
<b>VO13</b> To proposal seeks the MCB approval as follows: 1. For an increase the provisional sum for this project by F\$10.5mln, from previously approved F\$25.4mln to F\$35.9mln to cover the cost Train1 outstanding items and Train 2 execution scope <table><tr><th>s/n</th><th>Activity</th><th>F\$</th></tr><tr><td>1</td><td><b>Train 1</b></td><td></td></tr><tr><td></td><td>Custom duty payment batch 5 (N447m)</td><td>298,000.00</td></tr><tr><td></td><td>OEM Support from T1-T2- 90 Day Reliability Test from Jan’24 – Jan ’25</td><td>4,257,244.00</td></tr><tr><td>2</td><td><b>Train 2</b></td><td></td></tr><tr><td></td><td>Construction Support via Morpol for a 6month period (N662.47m)</td><td>441,651.74</td></tr><tr><td></td><td>Custom duty payment bucket 1-5 and HV/LV substation</td><td>2,325,000.00</td></tr><tr><td></td><td>OEM Support pre-commissioning and commissioning works</td><td>1,470,000.00</td></tr><tr><td></td><td>Contractor Support For commissioning and 90day reliability test</td><td>758,031.59</td></tr><tr><td></td><td>Air Freight Of critical project materials</td><td>3,100,000.00</td></tr><tr><td></td><td><b>Sub Total</b></td><td><b>9,529,927.33</b></td></tr><tr><td></td><td>10% Contingency</td><td>952,992.73</td></tr><tr><td></td><td><b>TOTAL</b></td><td><b>10,482,920.06</b></td></tr></table> 2. To manage the requested additional provisional sum amount via the provisional sum council channel (Project Finance/CP mgrs. +PM) and actual payment will be against invoices submitted by the contractor as tested for cost competitiveness and schedule assurance. 3. Include 2% HCD to the provisional sum amount and agree utilization with the SPDC NC team. 4. Process eLDL for the additional provisional sum and the 2% HCD element pending NUIMS approval.	s/n	Activity	F\$	1	<b>Train 1</b>			Custom duty payment batch 5 (N447m)	298,000.00		OEM Support from T1-T2- 90 Day Reliability Test from Jan’24 – Jan ’25	4,257,244.00	2	<b>Train 2</b>			Construction Support via Morpol for a 6month period (N662.47m)	441,651.74		Custom duty payment bucket 1-5 and HV/LV substation	2,325,000.00		OEM Support pre-commissioning and commissioning works	1,470,000.00		Contractor Support For commissioning and 90day reliability test	758,031.59		Air Freight Of critical project materials	3,100,000.00		<b>Sub Total</b>	<b>9,529,927.33</b>		10% Contingency	952,992.73		<b>TOTAL</b>	<b>10,482,920.06</b>			
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<b>VO14</b> To seek MCB approval: 1. For DHL Logistics to the fast track the movement of the HV/LV switchgear critical to the success of the GNC T2 RFSU at the cost plus contractual 20% mark-up of \$954,535.20 for aggregated shipping on “Last In/First Out” basis as option 1 OR \$1,648,315.20 as “Sole Cargo” as option 2 (see attachment 1) 2. To increase the contract provisional sum by \$1,650,000.00 (inclusive of mark-up) for the fast track “Option 2” transportation of the HV/LV switchgear and associated costs.	\$1,648,315.20																																									

3. To include 2% HCD to the additional provisional sum amount and transfer to the central account managed by SPDC NC team.

4. To process e-LDL release for the full amount pending NUIMS approval/concurrence.

VO15

This proposal seeks to inform MCB of the following:

1. GNC Project:

a. Variations requests from Lee Engineering in the sum of \$21,741,705.25 + N8,575,081,476.30 (F\$27,866,763.45 @N1400/\$1) for 14no variation proposal items for scope change request for shutdown works, OEM Engagement, Alternative Power + Shortfall Materials for GN train 1 and train 2 as detailed in table 1 below.

2. SWO Project:

a. Deadlocked negotiation with Lee Engineering on the contract cost escalation proposal amounting to \$4,867,783.38 + N1,718,431,818.3 (F\$6,095,234.68) against an initial 100% TA Assured estimate of N505,261,608.12 + US\$1,689,207.66 (F\$2,787,602.46) @N460/US\$1).

b. Variation requests in the sum of N2,020,639,190 + \$12,941,235 (F\$19,229,379) citing significant Vendor Price and other Project Co Changes for 12nos variation proposals due to inflationary pressures caused by the impacts of COVID, War in Ukraine, Global Supply Chain disruptions and Local Fiscal and other policies on the Nigerian economy amounting to

To seek MCB approval:

3. For a negotiation mandate based on the TA Assured Estimate as shown in table below within a range of [Aspiration - 90%; Fallback - 95% and Walk Away - 100%] of the assured company estimate for the variation proposals as follows:

Project	Range	NGN	USD	F\$ @N1400/\$1
GNC	Aspiration	4,697,336,511.09	12,599,084.30	15,954,324.67
	Fallback	4,958,299,650.60	13,299,033.43	16,840,676.04
	Walk-Away	5,219,262,790.10	13,998,982.56	17,727,027.41
SWO	Aspiration	1,891,698,746.66	6,505,082.95	12,656,059.96
	Fallback	1,996,793,121.48	6,866,476.44	13,359,174.41
	Walk-Away	2,101,887,496.29	7,227,869.94	14,062,288.85

4. For a business decision to absorb the cost of the FSR support adjudged as lacking merit for variation being part of the contractor responsibility the contract and amounting to \$247,710,000 + \$637,258.34 (F\$ 814,194.06) within the project provisional sum.

5. To include 2% HCD to the negotiated outcome and transfer to the central account managed by SPDC NC team.

To sign off Part-C2 at CP/Line level where outcome of the negotiation is within mandate without recourse to MCB and thereafter process e-LDL release for the full negotiated sum and Increase ACV to execute the VO pending NUIMS approval.

### REASON FOR THIS VARIATION ORDER

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

#### BACKGROUND

##### 1. Gbaran Nodal Compression Project VP Close Out Proposal:

The Gbaran Nodal Compression EPC was awarded in 2018 and recently delivered the Train1 in January 2024. The project was initially scheduled for completion in December 2020, but was impacted by COVID-19, delays due to poor FEED and Contractor performance issues. Contractor is currently on site and construction ongoing, with planned CPF shutdown (SD) in August and OSD in October 2024.

The MCB approved on 3<sup>rd</sup> June '24 a negotiation request by the team for the close-out of the 14nos. variation proposal from Lee Eng. on GNC T1&T2 to enable progression of the phase 2 execution with an aim to deliver the SD and OSD schedules (ref attachment 2). The negotiation held on the 3<sup>rd</sup> July with participation of NUIMS and deadlocked. Following further engagements of the contractor by NUIMS, further reductions were received with the final conditional offer conveyed in a letter from Lee on the 23<sup>rd</sup> July '24, thus (ref Attachment 1):

- \$15,400,000 + NGN6,00,397,833.41 (representing 111% of the CE)
- all OEM related cost which includes; OEM Support cost for commissioning, shutdown, site intervention and integration works are excluded in the sum above and to be treated as reimbursable.
- 50% of the Final VO amount paid now, while Balance 50% of the VO Amount shall be released after purchase order issuance. Note that actual payments to LEE Engineering will be based on value of work done.

The summary of the negotiation is as expressed in the table below.

GNC	Lee's Position		JV's Position	
	USD	NGN	USD	NGN
VP Request/Comp. Estimate	21,741,705.25	8,573,425,476.30	13,998,893.56	5,219,262,790.10
1st offer	21,089,454.10	8,316,222,712.02	11,200,000.00	4,170,000,000.00
2nd Offer	20,654,619.99	8,144,754,202.49	11,800,000.00	4,450,000,000.00
3rd Offer	19,567,534.73	7,716,082,928.67	12,500,000.00	4,700,000,000.00
4th Offer	18,915,283.57	7,458,880,164.38	13,290,000.00	4,950,000,000.00
Post Negotiation offer – 4 <sup>th</sup> July	16,306,278.94	6,431,311,107.47		
<b>Final conditional Post Negotiation Offer -23 Jul</b>	<b>15,400,000.00</b>	<b>6,001,397,833.41</b>	<b>13,998,893.56</b>	<b>5,219,262,790.10</b>
<b>Variance from CE @ N1400:\$1</b>	<b>1,401,106.44</b>	<b>782,135,043.31</b>	<b>111%</b>	

Please note: \$10 million + N1.5 billion currently advanced to LEE on the back of this VO. Outstanding payments to LEE after this MCB approval will be \$5.4million + N4,501,397,833.41.

The informal sensing from NUIMS indicate that the contractor is unlikely to offer anymore reductions in view of their assessment of the outstanding works required to complete the project. Considering the drive to meet the Shut Down in Sept. '24 in view of OSD in Oct '24, the CMT is therefore proposing to the MCB to approve the VPs at the contractor's final number despite being 111% of the CE and Lee's proposed terms stated above wrt FSR support being reimbursable cost and 50% payment of VO now and balance payment with issuance of PO. This will enable issuance of POs for the outstanding works tied to critical procurement items and full focus by Lee on the Shutdown works and RFSU/Project completion.

#### JUSTIFICATION

Value proposition:

- 1) Contract execution continuity enabling enhanced opportunity for delivery of the value proposing of additional 200mmscf/d production from
- 2) Increased opportunity to meet the Shut Down and OSD milestones of Sep'24/Oct'24 respectively for the GNC project
- 3) Value retention of already sunk cost as timely resolution will enable value release and progression of the overall project.

**FINANCIAL STATUS**

Original ACV (a)	Total value of all previous VOs (b)	Commitments to date (GNC+GSW)	ACV for this VO (GNC+GSW) (c)	Total value of all previous VO's + this VO/Original ACV (b+c)/a
F\$	F\$	F\$	F\$	(%)
114,622,979.07	106,987,548.79	185,635,750.63	20,128,260.58	112%

**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)

Increase in the ACV to cover the VO sums for both GNC Project

**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 remains the same as the contract structure is not changed.

**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
Inadequate	Inadequate	Inadequate	Adequate	Inadequate

**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.

The contract will continue to be managed via: Management meetings, monthly performance reviews, business performance review, weekly review meetings and fortnightly Sponsor's meeting currently being held 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	Current performance status	Agreed actions including authorisation to import
Award recommendation	Engineering: - FEED - Detailed Design	90% 90%	100% 90%	On Target	N/A
Proposed variation	Engineering: - FEED - Detailed Design	90% 90%	100% 90%	On Target	N/A
Award recommendation	Fabrication/ Construction - Pipeline Systems	100%	100%	On Target	
Proposed variation	Fabrication/ Construction - Pipeline Systems	100%	100%	On Target	
Award recommendation	Installation, Hook-up, and Commissioning - Welding and Jointing - Pipe/ cable laying services - Trenching & Excavation	60% 100% 90%	100% 100% 100%	On Target	

Proposed variation	Installation, Hook-up, and Commissioning - Welding and Jointing - Pipe/ cable laying services - Trenching & Excavation	60% 100% 90%	100% 100% 100%	On Target	
Award recommendation	Training & Manpower Development	0%	100%		All trainings will be conducted in-country. The plan is to achieve minimum 10% of project man hours for training
Proposed variation	Training & Manpower Development	0%	100%		All trainings will be conducted in-country. The plan is to achieve minimum 10% of project man hours for training

*\*List of relevant Work Category/Categories to the contract as defined in the Nigeria Oil & Gas Industry Content Development (NOGICD) Act 2010*

*\*\*Where the Nigeria Content in-country capacity falls short of set minimum targets by law an authorisation to **import** may be required for these categories.*

*Confirm NCDMB directives in Commercial Evaluation Report (if any) have been closed? There are no directives in the commercial report to be closed. NCCC also approved.*

**C. Has Contractor complied with & executed** (This is for ALL contracts >\$1m)

S/N	Compliance Requirement	Provide evidence (as applicable)	Describe actions to address compliance gaps (if applicable)
1	Research & Development	Attach approved R&D Plan	Not applicable
2	Human Capital Development (HCD)***	Evidence of fund transfer to the Centralized HCD Account Evidence of close-out of previous HCD obligation and signoff by NCDMB still awaited from Lee Eng	Additional 2% HCD associated with previous VOs will be transferred by NLNG Supplies PFM to the escrow account on 15th March 2024
3	Capacity Development Initiative (CDI)	Provide NCDMB approval of CDI (If applicable)	Not applicable
4	Technology Transfer	Provide NCDMB approval of Technology Transfer Plan (If applicable)	Not applicable
5	Marine Vessel Utilization	Provide Nigerian Content Marine Vessel Certificates (NCMVC) for the vessels deployed	Not applicable
6	Nigerian Content Equipment Certificate (NCEC)	Requested from Contractor	Valid and will expire in April 2025
7	Expat Quota (EQ)	Provide NCDMB approval of EQ and/ or Temporary Work Permit (TWP)	Not applicable

*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 project cost or outright cancellation of project.*

- All materials that are available in-country will be purchased in-country or through local agents. SPDC and the Installation Contractor will seek to utilize Nigerian workers, as much as reasonably practicable, in the installation works
- The contract already has an approved NCCC however, may not cover this particulars scope. The corresponding 2% HCD value for this scope will also be deducted and moved to same account
- Commercial evaluation report could not be found at the time of this submission

#### **NIGER DELTA CONTENT /COMMUNITY CONTRACTING EXECUTION PLAN**

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

Lee Engineering & Construction Company Limited is wholly owned Nigerian company that has employed the services of its entire work force from within the Niger Delta area.

#### **RISK MANAGEMENT**



*Insert latest Risk Assessment Matrix*

Risk Description	Likelihood (H / M / L)	Impact (H / M / L)	Mitigating Actions	Action Owner
Late Approval of the VO	M	H	Continue NUIIMS engagement	CH/BR
Cost Escalation / Inflation	M	H	Timely reviews, agreement and issuance of PO	CH/CP
Resource /capacity overstretch	M	H	Monitor to ensure adequacy of resource planning/loading for execution of the full project scope. Utilize the construction support as required	CH/PS

**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 Omnicon/SAP –YES.*
- iii) HSE Capability Assessment – State: **Remains valid at Amber till December 2024***
- iv) Contract HSSE Action Plan OR HSSE Plan – State: **Remains valid till September 2024***

**Attachment**

- Letter Form Lee Engineering of their final offer



SIGNED RE  
CONTRACTOR's FULL

- MCB Approval of Negotiation Mandate



SPDC\_MCB\_24\_21 -  
4 - EPC Gbaran Nodal