



Confidential

Part A1– Strategy & Contract Plan (Addendum No. 1)

Date: 11.02.2022

Category	BMM	Contract ID	TBA
Contract Title	PROVISION OF MAINTENANCE, ENGINEERING AND PROJECTS SUPPORT SERVICES (MEPSS)		
HSE Mode & Risk	Mode 1, 2 & 3 High Risk: Various categories	Segmentation (Click here to access tool)	Tactical
Agenda Item	(TB secretary to complete)		
Estimated Contract Value (ECV)	NGN 202,325,050,145.18 + \$ 63,293,987.83 (F\$ 556,769,719.89)		
Proposed Contract Start Date	01.11.2022	Extension options	1 year
Proposed Contract End dates	31.10.2027		

EXECUTIVE SUMMARY & RECOMMENDATION

To seek approval from MCB to:

- Revise the previous MCB approved contract strategy in line with NAPIMS directives of October 28, 2021 as follows:
 - Progress a **single** tender with harmonized scope and split into 2 major buckets at award stage for SPDC/JV and SNEPCo respectively.
 - The combined SPDC/JV and SNEPCo Advert to be published in NIPEX portal and in the National Dailies.
 - Multiple awards of 15 (Fifteen) contracts for SPDC/JV to technically qualified lowest bidders at specified split ratios (below) and basis of award on pages 4 & 5) :
 - Category-1: Facilities Maintenance & Operations Support (12 contracts)
 - Category-2: Offshore Engineering & Maintenance Services (3 contracts)
- Revise the Contract duration from Two (2) firm years to **Five (5) firm** years with an option of one (1) year extension
- Revise the Estimated Contract Value (ECV) to align with updated contract duration above.
- Currency split of 60% to 40% for Naira (NGN) and USD (\$) respectively.

Stakeholder Endorsement:

	Senior Procurement Manager	Contract Owner
	Reviewed and approved for MCB 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 [Gabriel Cooley] - 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 [Umoren, Jackie] - HSSE consideration and requirements are met.
Signature		
Name	Okpoechi, Chioma	Obi, Emeka
Date		

Approval:

MCB Chairman	
Signature	
Name	
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: ASSESS DEMAND & SUPPLY**SCOPE AND BUSINESS REQUIREMENTS****Relevant Information**

Date Approved	Activity/Event
14/12/2020	MCB Approval of Strategy and Advertisement. Ref Attachment 1
28/10/2021	NAPIMS approval of strategy and advertisement. Ref Attachment 2
08/11/2021	MoM SNEPCo/SPDC/NAPIMS Clarification Meeting Ref Attachment 3
17/12/2021	MoM SNEPCo/SPDC/NAPIMS Meeting on Basis of Award & Tender Plan Ref Attachment 8

Summary of the Changes:

Previous MCB Approval	Proposed Change	Justification
Different Tender for SPDC and SNEPCo	Single Combined Tender and split into 2 major buckets at award stage for SPDC/JV and SNEPCo respectively	Eliminates duplication of efforts; improve tendering efficiencies and optimize cost competitiveness in running separate tenders for SPDC and SNEPCo.
Separate Advert and NC Plan for SPDC/JV and SNEPCo	The combined SPDC/JV and SNEPCo Advert to be published in NIPEX portal and in the National Dailies	Cost Optimization and efficiencies in external stakeholders' interface
Award strategy split into 5-categories as follows: A- 2- contracts. B- 3 contracts. C- 6 contracts. D- 2 contracts and E- 2-contracts.	Award strategy split harmonized into 2-categories as follows: A- Facilities Maintenance & Operations Support- 12 contracts B- Onshore and Offshore Engineering & Maintenance Services- 3 contracts.	To align with NAPIMS scope harmonization for both SNEPCo/SPDC JV.
Contract duration from Two (2) firm years with an option of one (1) year extension	Contract duration of Five (5) firm years with an option of one (1) year extension	To deliver efficiencies in projects execution and operations via improved tendering and contracting processes.
Estimated Contract Value of F\$ 271,479,518.34	Revised Estimated Contract Value of F\$ 556,769,719.89)	To align with updated contract duration and provide stability of supplies and supplier capacity development.

Service/Project Scope (Indicate scope of Nigerian Content):

Same as in approved MCB Part A – Attachment 1.

Post MCB Updates

At the MCB meeting held on Monday 20th December 2021; MCB “**Conditionally Approved**” the submission but gave the underlisted directives which have now been closed out as outlined below:

Directive No 1: Team to consult the Finance team on the economics between LEASE and ownership of some items

- **Update:** Extensive consultation was held with Finance, and the Finance team conducted a commercial analysis/comparative review, the outcome of the buy/lease decision quantitative/qualitative analysis shows that there is a clear advantage of leasing the units over buying for the life of the proposed contract. Hence, Finance supports the lease option (**Ref Attachment 6**)

Directive No 2: Team to update currency in the proposal to source currency.

- **Update:** Company Estimate was built using the source currency of the listed activities and services

Directive No 3: Team to review the proposal with SC Excellence Manager (Charles Oranyeli) to ensure the strategy does not violate the Red Threads.

- **Update:** The key red threads identified are **Antitrust**, **Legal** and **Worker Welfare**. Antitrust SME clearance has been secured for Strategy and Advert while the ITT package shall be reviewed prior to publication. On Legal & Worker Welfare, the Procurement Contracts and ancillary documents outlined in the Model Contract Library shall be deployed with all applicable

clauses hardwired to communicate Company's contracting position. In addition, prior to award, further risk assessment will be undertaken to assess and determine the Contractor Capability to manage the Worker Welfare.

- SC Excellence Manager also advised that the work scope documentation clearly describes what constitutes the service so that all bidders pricing for the service links the scope to the commercial template to avoid misconception that suggests manpower contract.

Directive No 4: Team to provide the minutes of alignment meeting with NAPIMS.

- **Update:** Minutes of alignment meeting with NAPIMS provided as **Ref Attachment 3, 7 & 8.**

GLOBAL STRATEGY FIT (CURRENT STRATEGY)

There is no global strategy for this service

RED THREADS

Potential Antitrust and Corporate separateness risks identified.

Antitrust SME and Legal extensively engaged and their steers (**Risk Assessment section**) were that the different scopes by the 2 entities (SNEPCo & SPDC) remain separate at Advert, ITT, Tender evaluation, and award stage respectively. To this end, the buckets/categories shall be clearly marked (**Bucket A- SNEPCo & Bucket B-SPDC**) in the Advert and DET (TITT and CITT) to allow bidders identify package(s) that belongs to each of the OUs.

Any bidder registered in the approved NJQS Product Categories and **active** as at Advert closing date in NiPEX is free to participate in the tender, but their bids must be clearly labeled indicating the bucket/category/OU of their choice.

Refer to approved Part A1

MARKET CONDITIONS

Same as in approved initial Part A – Attachment 1.

CURRENT & POTENTIAL SUPPLIERS

Same as in approved initial Part A – Attachment 1

BASIC INFORMATION APPLICABLE TO NON-NIPEX SUPPLIERS (if not NipeX)

NA

INDICATE ANY ISSUE OF CONCERN REGARDING EACH BIDDER

NA

SECTION B: DEVELOP & SELECT STRATEGY

COST MODELLING, COMPANY ESTIMATE, BENCHMARKING & VALUE FOR MONEY

Based on the updated contract duration from Two (2) firm years to **Five (5) firm** years with an option of one (1) year extension, the Company Estimate has been revised to: **NGN 202,325,050,145.18 + \$ 63,293,987.83 (F\$ 556,769,719.89)**

VALUE CREATION OPPORTUNITIES

Same as in approved initial Part A– Attachment 1. Also optimize time and cost by combining SNEPCo and SPDC tender.

INITIATIVES

Same as in approved initial Part A– Attachment 1.

RISK ASSESSMENT

Same as approved in initial Part A– Attachment 1.

The CMT has reviewed and evaluated potential Antitrust concerns with Legal and Managing Counsel Anti-Trust and steers are as follows:

- It is important that Shell as Operator of SPDC JV and SNEPCo PSC puts in place robust procedures to ensure that bids in respect of SNEPCo PSC related contracts are not shared with the SPDC JV and vice versa. The CMT discussed the fact that, of course, there is commonality between many of the participants in SPDC JV and SNEPCo JV (including, not least Shell) and that these common participants would therefore have visibility of bids offered to both SPDC JV and SNEPCo PSC. However, CMT need to ensure that information is shared via the appropriate JV representative channels and that SPDC JV and SNEPCo PSC take their contract award decisions independently, albeit the individual participants may look across their different investments to help inform their respective decision making (but they would manage this internally)
- As highlighted above, the current understanding is that there would be no joint contracts awarded by SPDC JV and SNEPCo PSC or joint negotiations by those ventures with the respective bidders – although it was acknowledged that Shell, as operator of both, may use common resources to manage its role in the tender process. If this position changes then CMT would need to reconsider the antitrust position and engage the Legal and Anti-trust team for further guidance.

SOURCING STRATEGY

The initial strategy was to advertise and download all bidders active in the indicated Product codes at the end of the advert period. However, NAPIMS' directive is that only the contractors pre-qualified in NIPEX under the relevant categories as at October 31 2021, will be requested to submit bid documents via the NIPEX portal. During the clarification engagement with NAPIMS, the joint CMT proposed that all active vendors in the specified Product codes as at the closing date of the Advert should be invited to tender. NAPIMS indicated they will revert on this proposal.

S/N	CATEGORY	CONTRACT OWNER	CONTRACT HOLDER
1	Operations Support Services – Onshore (JV)	Emeka Obi	Victory Eyiye
	Facility Maintenance – Onshore (JV)	Emeka Obi	Victory Eyiye
	Integrated Onshore and Offshore Operations Support (JV)	Tunde Tijani	Nasiru Gombe
	Operations Support Services – Offshore (EA FPSO)	Chris Ugochukwu	Brian Arodiogbu
2	Facility Maintenance – Offshore (EA FPSO)	Chris Ugochukwu	Eyitayo Balogun
	Engineering Services (Onshore)	Chris Ugochukwu	Kenneth Offor

Nigerian Content Development (NCD) – Refer to the approved Part A1

- c. Applicable NOGICD Act – Schedule target(s), current in country capacity and plan to close gap if any.

Table below illustrates required information for this section.

*Schedule	Schedule Target	Current In- Country Capacity	Measurement Metrics	Proposed Action to close gaps
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*List relevant Schedule to the contract as defined in NOGICD Act

NOGICD = Nigeria Oil & Gas Industry Content Development Act

b. Nigeria Content Plan

- c. Global Sustainable Sourcing plan (outline plan to utilise global sourcing opportunity to support attainment of Nigerian Content targets)

****Where the Nigeria Content in-country capacity falls short of set minimum targets by law a waiver may be required for these categories.**

Refer to the approved Part A1

COMMUNITY CONTENT DEVELOPMENT

Refer to the approved Part A1

PRICING STRUCTURE & INCENTIVES

Refer to the approved Part A1

MARKET APPROACH

Refer to the approved Part A1

BASIS OF AWARD/BIDDING STRATEGY

Premise for Number of Contracts (15nos) for SPDC:

The proposed contract shall be split into two categories. Commercial evaluation template and evaluation shall be conducted independently for the different categories. These contracts will be spread as follows:

Category 1 – Facility Maintenance & Operations Support (one TEC/bid list; Commercial ITT shall be per bucket)

- o Award 3 contracts for the JV Onshore Facility Maintenance to the three (3) technically qualified lowest bidders, in an ACV split of 45% to the lowest bidder and 35% to the 2nd lowest bidder and 20% to the 3rd lowest bidder (ref. attachment 2 – NAPIMS approval letter dated October 28, 2021).
- o Award 6 contracts for JV Onshore Operations Support to six (6) technically qualified lowest bidders, in an ACV split of 30% to the lowest bidder and 14% each to the remaining five (5) lowest bidders.

- Award 3 contracts for the JV Integrated Onshore and Offshore Operations Support to the three (3) technically qualified lowest bidders, in an ACV split of 45% to the lowest bidder and 35% to the 2nd bidder and 20% to the 3rd lowest bidder

Category 2 – Onshore and Offshore Engineering & Maintenance Services – (one TEC/bid list)

- Award 3 contracts for JV Production Operations Support Services Onshore to the three (3) technically qualified lowest bidders, in an ACV split of 40% to the lowest bidder and 30% each to the 2nd and 3rd lowest bidder

Any bidder can tender across the two (2) categories and if a bidder is technically acceptable and evaluated to be the commercially lowest bidder in multiple categories, the bidder shall only be awarded the contract package with the higher value and the other contract(s) awarded to the next lowest bidder(s). Though the tendering process for both SNEPCo and SPDC are to be combined based on NAPIMS' drive for the Nigerian Upstream Cost Optimisation Programme (NUCOP), the Contracts will run independently at award.

Reference the approved Basis of Award in Part A1. However, at a meeting to clarify/align on the Integrated Tender Strategy letter of October 28, 2021; NAPIMS clarified that the letter supersedes every other approval(s) previously obtained (See MoM – **Attachment 3**).

Further clarifications on the Tender Plan/timeline and Basis of award (how to address artificially low bids) held 17th December 2021 (**Attachment 8**) agreed as follows:

- ✓ For all Maintenance and Project Management packages, Commercial Evaluation of technically qualified bidders MUST be limited to bids that are more than 50% of Company Estimate threshold.
- ✓ For Operations Production packages, tenderers shall quote for the **variable elements** and **mark-ups** only (i.e., on advertised base rates). The Commercial/Base rates and TECs shall ONLY be shared with NAPIMS after bids have been submitted/closed in NIPEX.

IMPACT OF CHANGE (H/M/L)

It is expected that there will be positive impact in terms of providing stability of supply (long-term duration) and creating capacity development of local contractors in the selected categories of services.

Risk Description	Impact (H/M/L)
• Same as in approved initial Part A– Attachment 1.	• High

DELEGATIONS GUIDELINES

Options available but for exceptional condition listed in the NAPIMS approval letter necessitated MCB re-submission.

S/N	Amendments/Changes	Delegated Authority
1	At Pre-award, approve changes provided the changes are not based on the following: <ol style="list-style-type: none"> Change in Pricing Mechanism or estimated contract value Change in Sourcing strategy (from Open Tendering to selective/sole source or vis versa where opening Tendering may throw up some risks that led to initial selection of Sole Source) Change in Market conditions (specifically impact of new Technology, innovations and key player exit from market)" 	Line GM + SPM +HSE GM (where related to HSSE) + TA -1
2	Standard Technical Evaluation Criteria, Draft Advert & Product Category List	Line GM + Contract Owner + HSE Assurance +GM NCD + TA-1 +SPM

TECHNICAL / COMMERCIAL EVALUATION CRITERIA & NEGOTIATION PARAMETERS

Refer to the approved Part A1

Commercial Evaluation:

Refer to the approved Part A1

ALTERNATIVE STRATEGIES CONSIDERED:

Refer to the approved Part A1

TENDER TIMELINE:

Activity	Target Completion Date
Tender and Award Schedule	















MCB approval of Part A Addendum 01	20/12/2021
NCDMB Approval of Advert/NC Plan	21/02/2022
NAPIMS Approval of Advert in NipeX	25/02/2022
Advert in NipeX and National Dailies	28/02/2022
Download of Bid List	18/03/2022
NAPIMS Approval of Bid List in NipeX	25/03/2022
Publish Technical and Commercial ITT in NIPEX/Receive bids	18/04/2022
Technical Evaluation/Technical Evaluation Approval by NAPIMS and NCDMB	27/05/2022
Commercial Evaluation and sign off by NAPIMS	26/06/2022
Obtain NCDMB Commercial Evaluation Report and NCCC	15/07/2022
MCB Approval of Part B – Award Document & RTA to NAPIMS	29/07/2022
Award recommendation approved by NAPIMS	19/08/2022
Contract Start	01/10/2022

KEY PERFORMANCE INDICATORS:

Business Objective

KPI

Refer to the approved Part A1

1.Part A1-Approval	2.NAPIMS Approval of Strategy	3.SNEPCo/SPDC Clarifications MoM	4. Revised Company Estimate	5. Revised Tender Timeline
 SPDC_MCB_20_46 - 10 - PROV OF MAINT,	 NAPIMS Approval of Strategy.pdf	 NAPIMS MoM of Nov 8 2021.pdf	 SPDC MEPSS ACV SUMMARY 09122021  MEPSS Cat D Company Estimate.xls  Category E_Estimated ACV_01122021_1540  MEPSS Cat B2 Company Estimate re  MEPSS Cat B1 Company Estimate re  MEPSS Cat A Company Estimate_f  MEPSS Cat C Company Estimate_f	 Timeline_rev.xlsx
6. Engagement with Finance on Lease Vs Buy Option.  RE MCB directive Lease vs Buy option e	7. NAPIMS MoM of Sept 21, 2021  NAPIMS MoM of Sept 21 2021.pdf	8. MoM SNEPCo/SPDC/NAPIMS Meeting on Basis of Award & Tender Plan	9. SC Excellence Manager steers  Attachment 9_SC Excellence Mgr Supp	