

# NIGERIAN UPSTREAM PETROLEUM REGULATORY COMMISSION



## Nigerian Gas Flare Commercialisation Programme (NGFCP) 2022 Bidders' Conference

Transcorp Hilton, Abuja

2<sup>nd</sup> February 2023



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# Presentation Outline

**Overview of the  
NGFCP 2022**



- NGFCP Framework
- The Journey So far
- Brief of the RFQ
- Preferred Technologies and Connection Model
- Flare Site Data Overview

**The RFP process**



- Overview of the RFP
- Flare Data Access
- Timelines
- Modalities for submission and evaluation

**Suite of  
Commercial  
Agreements**



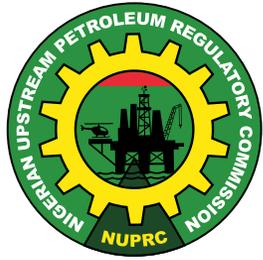
- Milestone Dev Agreement
- Gas Sales Agreement
- Connection Agreement



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# Overview of the NGFCP 2022

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# Programme Framework

### **Objective** of the Nigerian Gas Flare Commercialisation Programme (NGFCP) 2022

- Reduce or eliminate gas flaring in Nigeria O&G
- Forestall negative & deleterious impacts of Flaring
- End wastage of premium economic resource

### **Outcome** of the competitive bid process

- Award of Permits to Access Flare Gas to competent third-party investors with proven technologies and financial capability.

Legal and Regulatory Framework of the Programme include:

#### **Acts and Regulations**

Petroleum Act 1969

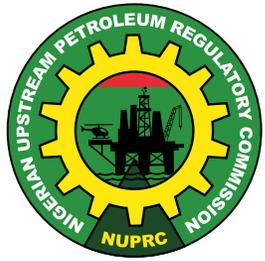
Petroleum Industry Act (PIA) 2021

- ✓ S.105: Prohibition of flaring of natural gas
- ✓ S.108: Natural gas flare elimination plan

Flare Gas (Prevention of Waste & Pollution) Regulation 2018

#### **Guidelines**

- Guideline for Grant of Permit to Access Flare Gas
- Guideline for Producer's Approved Flare Out Projects
- Guideline for Flare Payments
- Guideline for Flare Gas Measurement, data management and reporting obligations



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# The Journey So Far



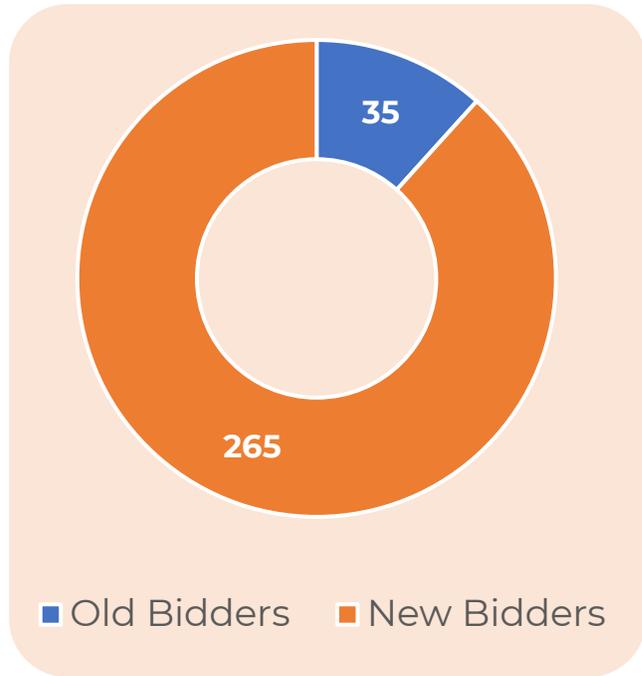


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# RFQ Dashboard

Following the relaunch of the NGFCP, the RFQ document was released.

Interested parties submitted their Statements of Qualification to the Commission. The following steps were thereafter taken.



Pre-  
Evaluation

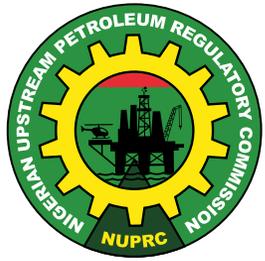
Evaluation

## Result

**Successful**

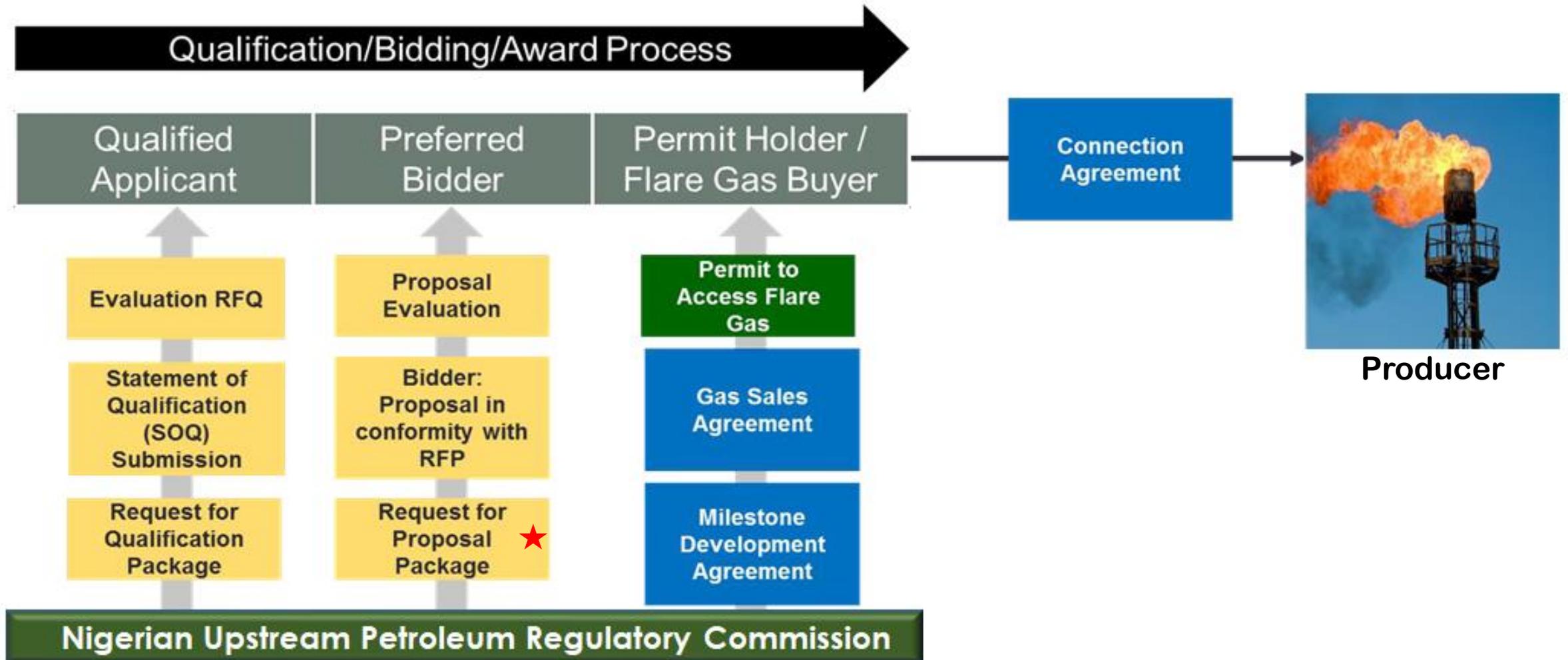
Interested Parties

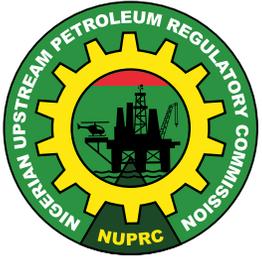
**139 Qualified Applicants**



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# Programme Implementation





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Small / Midscale modular technologies  
with unique features for:

- Scalability
- Mobility
- Ease of deployment
- Off-the-shelf availability

To cater for full stream of flare gas  
composition

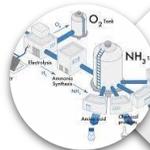
# Preferred Technologies & Equipment



Mini/Mid-Scale LNG



Modular LPG Facility



Modular Methanol/Ammonia Plant



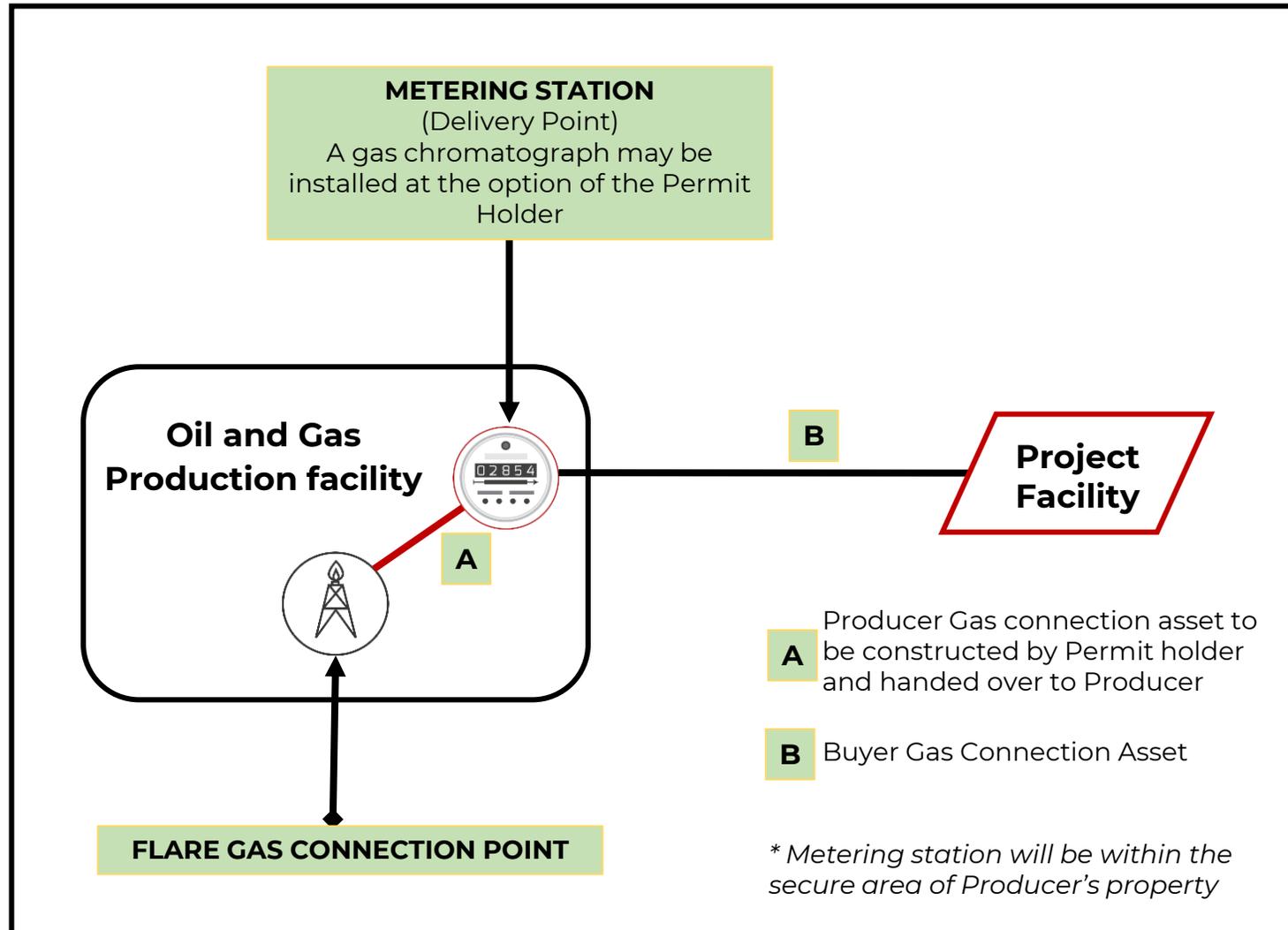
Gas to Liquid Facility



Virtual Pipeline Solution



# Typical Connection Model



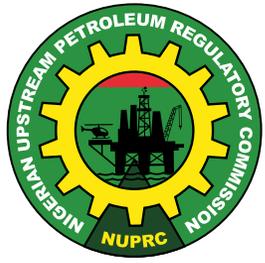
NB: Flare Gas Buyer becomes Permit Holder once issued with a Permit to Access Flare Gas

## Producer Gas Connection Assets

- Pipeline, equipment, machinery etc. used by Producer to transport flare gas from the Flare Gas Header to the Delivery Point
- Metering Station includes a Custody Transfer Meter and a sampling point
- Gas chromatograph may be installed at Permit Holder option

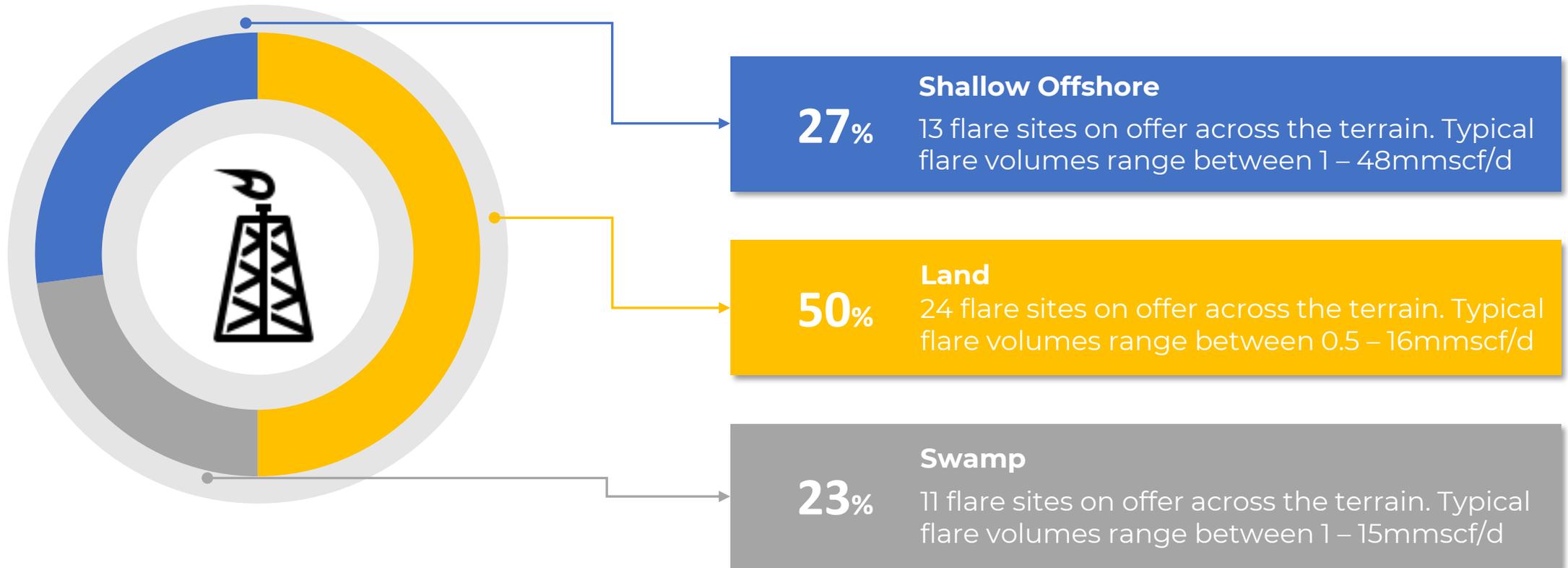
## Buyer Gas Connection Assets

- Black pipeline from Delivery Point to Project Facilities
- Optional gas compression



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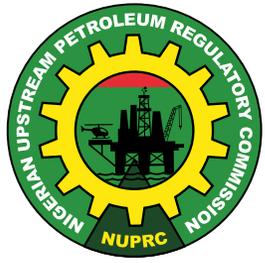
# Flare Site Data Overview



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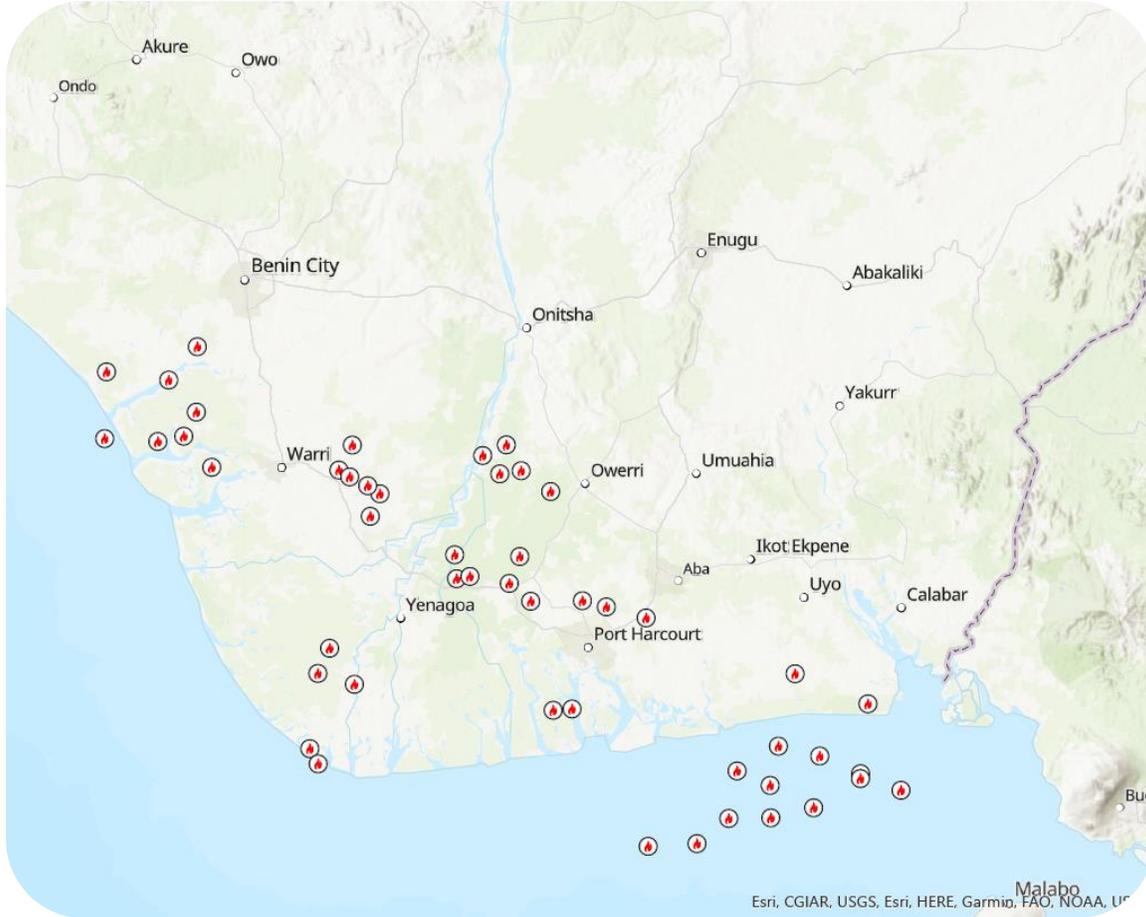
# The RFP Process

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# Flare Site Data Access



URL: [ngfcpapp.nuprc.gov.ng](http://ngfcpapp.nuprc.gov.ng)

### Data Prying



Applicants can view cultural data and limited volumetric data of all flare sites on offer.

Fee: \$2,000

### Data Leasing



Applicants can view all data on a selected flare site.

Fee: \$1,000 per flare site



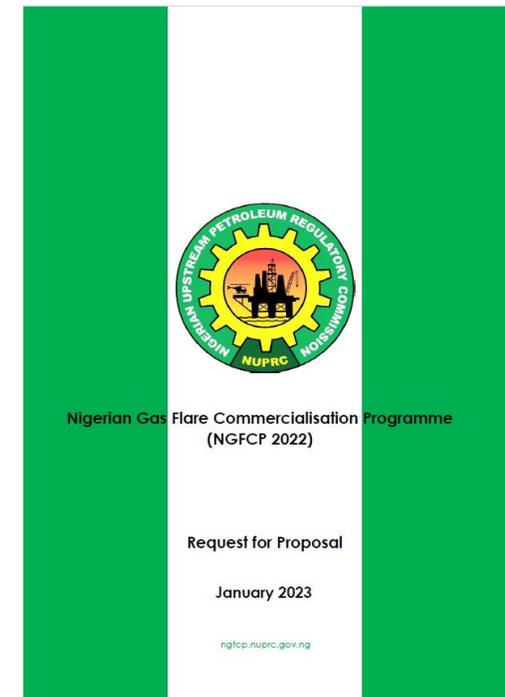
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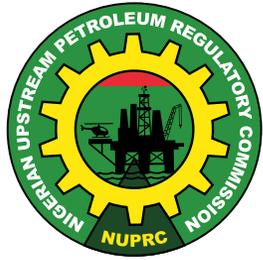
# Request for Proposal

- ❑ The Request for Proposal Package was issued to Qualified Applicants on the 23<sup>rd</sup> of January, 2023.
- ❑ The RFP document contains a detailed guide to Qualified Applicants on requirements while preparing bids, towards the issuance of Permit to Award Flare gas
- ❑ Proposal submission due date is scheduled for the **28<sup>th</sup> of February, 2023**

The RFP Package consists of the following

- RFP document
- Suite of Commercial Agreements
  - Gas Sales Agreement
  - Milestone Agreement
  - Connection Agreement





- ❑ Proposals shall be submitted both online and physically using the two (2) envelope approach.
- ❑ Envelope 1 is to contain details of Mandatory Information, Technical and Commercial Proposal
- ❑ Envelope 2 is to contain Financial Proposal

**\*All QAs are urged to ensure that they make online submission in addition to the hardcopy submission**

- ❑ Proposal numbers shall be in the format: NGFCP/2022/UniqueID/xxx (e.g NGFCP/2022/0999/001 where xxx increments with the number of proposals submitted by the QA)
- ❑ All submissions should be accompanied with evidence of payment of all relevant fees



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# Evaluation Criteria

## **Mandatory Information:**

Applicants are expected to present details of their Company Consortium information as well as a Bid Bond issued by a reputable bank or insurance company.

Details of these requirements are contained in section 5.6 of the RFP.

Evaluation outcome is either Pass or Fail.

## **Technical and Commercial Information:**

Applicants are expected to demonstrate strong knowledge of applicable technology for flare elimination and associated commercial plan. The submission should contain proof of experience, project concept and so on, as listed in Section 6.2 of the RFP.

A maximum score of 40 marks is awarded to Applicant (pass mark is 28/40)



## **Financial Information:**

An excel spreadsheet detailing out the proposed purchase price and the gas by the Applicant and the Take or Pay (ToP) quantity. The minimum price to be offered is \$0.25/1mscf.

All bids that pass the Mandatory and Technical/Commercial evaluation shall be ranked.

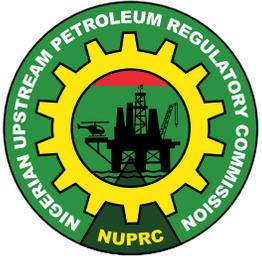
## **Notes**

- The Proposal will be ranked by the estimated revenue forecast as well as the amount of Flare Gas projected to be eliminated.
- The NGFCP 2022 favours clustering of flare sites by Applicants, hence proposals with a clustered approach to flare gas elimination stand a greater than of being ranked highly.

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# **Suite of Commercial Agreements**

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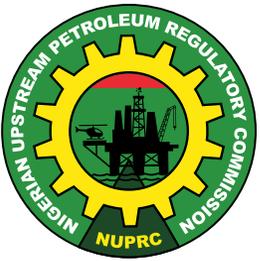


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# Commercial Agreements



**Suite of Commercial Agreements**

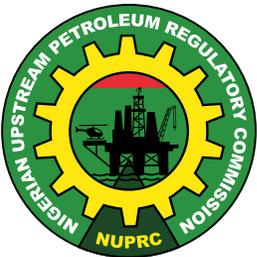


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# Milestone Development Agreement

- MDA is an agreement between **the Commission** and the **Flare Gas Buyer** (Permit Holder)
- The MDA sets forth milestones that the Flare Gas Buyer agrees to achieve in the development of its flare gas utilization project.
- The Commission shall monitor Flare Gas Buyer's progress in adhering to the set milestones, including adherence to the schedule which shall be attached to the MDA.
- The MDA terminates upon the achievement of the last Milestone, subject to the issuance of a NOTICE OF COMPLETION or a DEEMED GRANT OF NOTICE OF COMPLETION
- The MDA basically covers the following main clauses:
  - ✓ Covenants/Obligations of the Commission & Flare Gas Buyer
  - ✓ Calculation of Milestone Bond
  - ✓ Community Development
  - ✓ Milestone Schedule
  - ✓ Dispute Resolution Mechanism





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# Milestone Development Agreement

## Notice of Completion / Deemed Grant of Notice of Completion

### Notice of Completion

- To be issued by the Commission 10 days from receipt of Flare Gas Buyer's notice

### Refusal to Grant Notice of Completion

- 10 days from receipt of Flare Gas Buyer's notice, a written refusal by Commission stating the reasons why the notice of completion cannot be granted to Flare Gas Buyer will be issued

### Deemed Grant of Notice of Completion

- Should the Commission fail to respond to the Flare Gas Buyer's notice within 10 days and to subsequent Flare Gas Buyer's request within 15 days, the notice shall be deemed granted



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# Milestone Bond

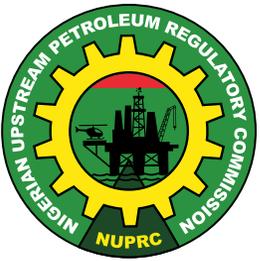
- On or prior to the MDA Execution Date, Flare Gas Buyer will post the Milestone Bond in the form of either a letter of credit or a demand guarantee to the NUPRC.
- The Milestone Bond Amount is calculated according to the table below and will be fixed for the duration of the MDA.

Project Technology	Power Generation	CNG	LNG	Methanol	Gas-to-Liquids	Pipeline	Other
<b>A. GGFR Unit CAPEX (US\$/mscf/d)</b>	8,000	3,000	8,500	7,000	11,500	3,750	6,500
<b>B. Milestone Bond Percentage (%)</b>	2%						
<b>C. Maximum Daily Contracted Quantity (mscf/d)</b>	Taken from Bidder's Proposal						
<b>D. Maximum Milestone Bond amount (US\$)</b>	2,000,000						
<b>E. Milestone Bond Amount (US\$)</b>	E = Minimum(A*B*C, D) rounded to the nearest \$5000						



# Gas Sales Agreement

- The Gas Sales Agreement (GSA) is an agreement between **Flare Gas Buyer** and **the Commission** (known as the Seller)
- The Seller shall sell the flare gas and such flare gas shall be delivered to Flare Gas Buyer by the Producer at the flare site(s) in the quantities and at the price(s) specified in the agreement
- Title to the flare gas is transferred to the Flare Gas Buyer at the delivery point.
- Parties agree to Take or Pay Quantity (TOPQ) provisions with specific obligations as to quantity, adjustments, and period. This take or pay provision is only applicable to the Flare Gas Buyer where it fails to take the requisite quantity of flare gas in a year. Specifically, **Clause 2.5** of the agreement states that ***'If for any Year of the Supply Period, commencing at the Handover Date, Flare Gas Buyer fails to take delivery of a quantity of Flare Gas at least equal to the TOPQ, then Flare Gas Buyer shall pay Seller the Annual TOPQ Deficiency Payment'***



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## Gas Sales Agreement (2)

- Flare Gas Payment is an amount payable by Flare Gas Buyer to Seller for the quantity of Flare Gas delivered in a given Day = **(quantity delivered) x (applicable Contracted Flare Gas Price)**.
- Flare Gas Price is set in US\$ in each GSA and is equal to the price Flare Gas Buyer bid in the auction
- US\$ price will escalate according to a US index (to be defined)
- Payment will be made electronically into a Nigeria based account of Seller\* in Naira using the applicable CBN exchange rate

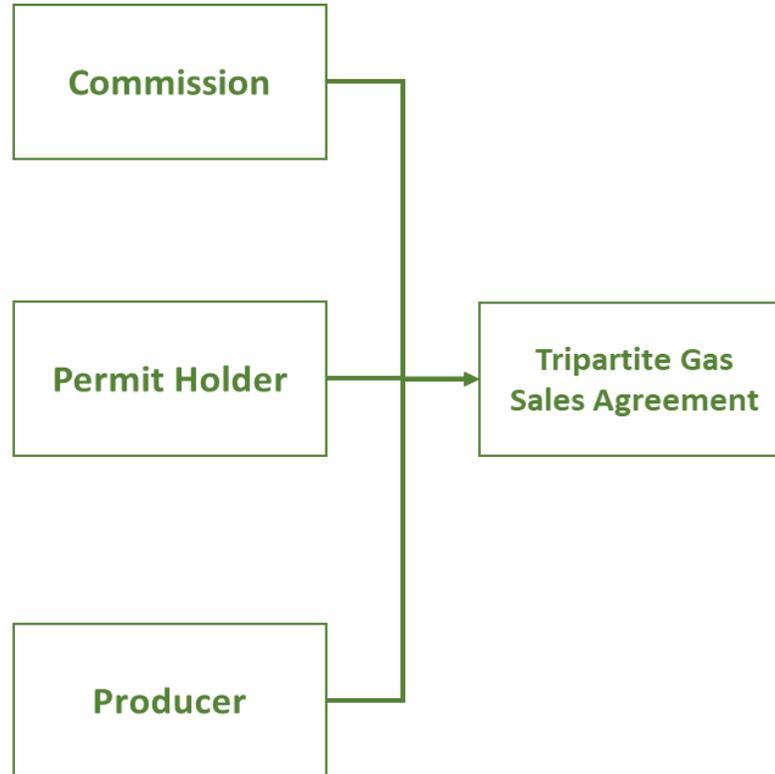


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# Gas Sales Agreement (3)

## Status

- i. Regulator
- ii. Owner of the Flare Gas / Seller
  
- i. Permit to Access Flare Gas
- ii. Owner and operator of Flare Gas monetization
  
- i. Oil field operator
- ii. Owner and operator Producer Gas Connection Assets
- iii. Owner "Make Up" and "Top Up" natural gas (can be either AG or NAG)
- iv. Administrator of the GSA at the flare site on behalf of the Commission

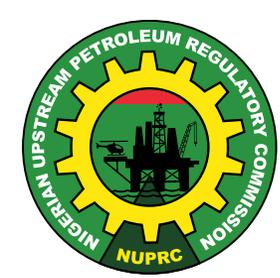


## Obligations

- i. Those assigned to the Commission under the PIA, the Flare Gas Regulations and the GSA
  
- i. Report to the Commission and the Producer on all technical, commercial and contractual matters related to the GSA
- ii. Make timely payments for the Flare Gas to the Commission and "Make Up" and "Top Up" gas to the Producer
  
- i. Report to the Commission on all technical, commercial and contractual matters related to the GSA
- ii. On a best endeavor basis, provide the contracted Flare Gas volume to the Permit Holder
- iii. On a best endeavor basis deliver, where requested, "Make Up" and "Top Up" natural gas to the Permit Holder

## Rights

- i. All rights assigned to under the PIA and the Flare Gas (Prevention of Waste and Pollution) Regulations
- ii. Receive income from Flare Gas sales
  
- i. Title and ownership of Contracted Flare Gas volumes
- ii. Right of first refusal of any Excess Flare Gas
  
- i. Receive payment for services rendered
- ii. Received payment for any "Make Up" and "Top Up" natural gas delivered to the Permit Holder



## Quantity Limitation and Guarantee

- The obligations of Seller and Flare Gas Buyer (FGB) shall be subject to the quantity limits set forth in the Agreement, including a Daily Contract Quantity (DCQ) and an Annual Contract Quantity (ACQ)
- There is no guarantee of supply to the FGB, regardless of these quantity limits (unless a Deliver or Pay Agreement has been entered into between FGB and Producer)





01

## Parties

Flare Gas Buyer and Producer



02

## Effective Date

Date on which Flare Gas Buyer delivers Permit to Access Flare Gas to the Producer



03

## Objectives

Covers construction and commissioning of the Gas Connection Assets, including handover to the Producer of the Producer Gas Connection Assets and their operation and maintenance by Producer



04

## Operations

Upon Execution, parties will develop Operating Procedures that cover, among other things, Operations Plan, Flare Gas Order, Nominations Procedure, Delivery Rates, Emergencies, Maintenance Procedures, Safety Rules



### Covers

-customary delivery and measurement obligations and

- the reporting of quantity of Flare Gas deliveries to Flare Gas Buyer and to Seller of Flare Gas

*Discussions on Operating Procedures shall be initiated at least 6 months prior to anticipated Handover Date, with a view to their being completed by one month prior*



# Connection Agreement (2)

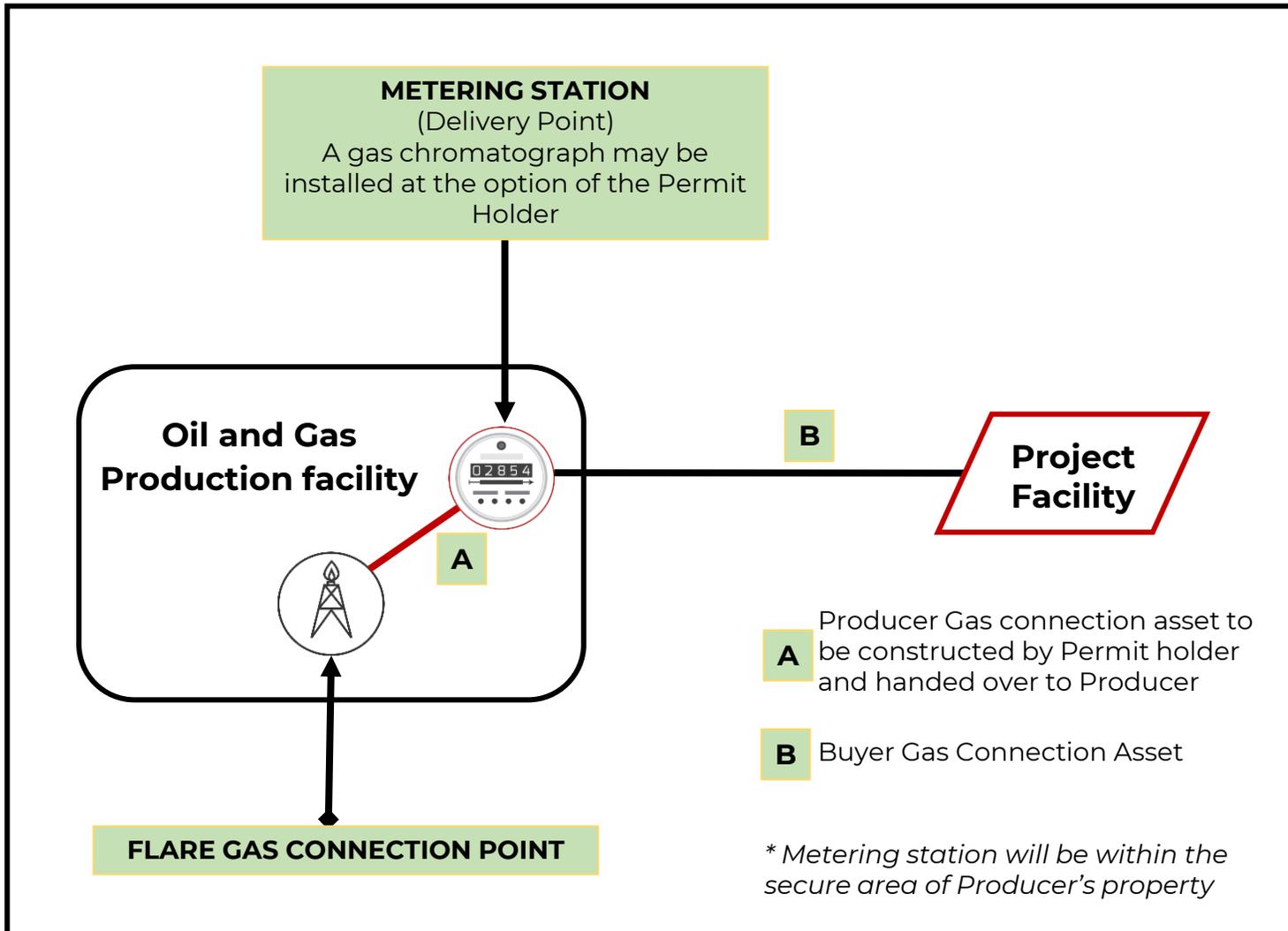
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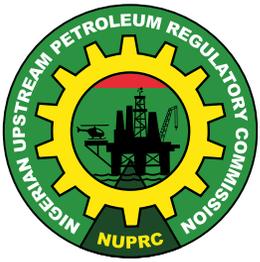
**Producer** obligations with respect to Connection Agreement are to:

- Host FGB and its contractor to construct Producer Gas Connection Assets and Metering Station – Construction Easement
- Maintain and operate, test and calibrate above assets – Operations Easement
- Deliver flare gas according to the Flare Gas Order – although no consequence for failure to do so both as to quality and quantity (unless there is a Deliver or Pay Agreement)
- Specify the minimum pressure at which flare gas will be made available at the Delivery
- Provide meter readings.
- Supply excess flare gas in priority of Flare Gas Price
- Issue Handling Fee invoices



## **Flare Gas Buyer** Obligations with respect to Connection Agreement:

- Design, construct and hand over Producer Gas Connection Assets and Metering Station
- Submit Flare Gas Orders
- Take delivery of flare gas delivered by Producer according to Flare Gas Order – no consequence for failure of Flare Gas Buyer to take (covered under Gas Sales Agreement)
- Pay Handling Fee [and Producer-incurred Producer Gas Connection Assets construction related costs]



**THANK YOU**