QUESTIONS AND ANSWERS FROM THE BIDDERS CONFERENCE

Bid Submission Due Date	
Request to change (extend) the date of submission of the proposals.	The Department will look into this arising from the outcomes from the conference. However, given that it is a recurring theme, the DPR indicated that it was inclined to review it for the success of the programme. Based on a critical path developed by the DPR NGFCP team, it was established that the QAs should be given an additional 6 weeks.
Extension to the bid submission due date	DPR has extended the bid submission due date to April 10, 2020.
Bid Bonds	
Parameters for establishing bid bond amount based on estimated capex limits is outdated and punitive to certain industries that require a longer project life to recover profit. Eg power. It would be more appropriate to determine the bid bond as a percentage of the projected project NPV	Bid bonds cannot be determined based on projected project NPV since this can neither be determined nor validated by the DPR prior to the proposal being presented (even then it will depend on many inputs to which the DPR will not have access). Below further remarks: - Bid bonds are essential to guaranteed robust bidding and access to flare gas permitting process (bids without firm financial commitments in many cases will put the FGN in a very weak position and benefit those who present unrealistic proposals without recourse to those bidders that did a proper assessment of the flare gas-to-market scenarios). - One cannot determine the bid bond amount on information that is not within the DPR's purview (such as project NPV) - It is essential to establish a level playing field for all parties - The bid bond process applied in the NGFCP creates a level playing field for all QAs as a function of estimated CAPEX

Is the bid bond fee compulsory or not and is it not too high?	Bid bonds are compulsory and are stated in the Guidelines. Qualified Applicants are advised to study the Guidelines for Permits to Access Flare Gas for detail understanding. It is important to point out that the bid bond fee is 1% of the estimated project CAPEX but capped at [$1 Million]. Lack of a substantive bid bond would allow for unrealistic proposals to jeopardize the process.
The bid bond forces buyers to agree to terms that may not be beneficial to them	The bid bond is intended to safeguard the integrity of the process but also to reward those qualified applicants that have carried out a robust due diligence process. With regards to the concerns that were raised the DPR communicates the following: - The qualified applicants are requested to provide their comments on the commercial agreements no later than the 5th of March 2020 for the DPR's consideration. - Bid bonds are not intended to be drawn if and when the preferred bidder and the DPR cannot reach an agreement on specific terms and conditions which do not alter the bid evaluation criteria and the risk profile of the FGN. It is, nevertheless, intended to discourage certain bidders from presenting unrealistic proposals that also undermine those qualified applicants that would provide a proposal in line with market conditions.
Concerning the bond requirements, do financial institutions include insurance companies and merchant banks or are they restricted to commercial banks in Nigerian	The focus is banks but the if the insurance institutions are credible then they are accepted. The DPR will inform QA on what other financial institutions can issue a bond and the corresponding terms and conditions.
Bid bond and insurance bond are too high	The bid bond is intended to safeguard the integrity of the process but also to reward those qualified applicants that have carried out a robust due diligence process.
Flare Gas Data	

Why are the total and individual flare gas volumes of this first auction round so low (this question was making reference to the number of flare sites in the auction)	Although it is true that the total number of registered flare sites is in the range of 178, there are various reasons why only 45 flare sites are included in this first auction round. The DPR went through an extensive flare site and flare data review process and determined that at this moment 45 flare sites adding up to approx. 295 MMscf/d meet the established minimum criteria. Apart from that the following conditions must be observed: - The NGFCP is not served by including flare sites that do not meet certain minimum criteria - Certain flare sites have been exempted from the current auction process. If the corresponding producers do no perform accordingly these flare sites will be auctioned by the DPR in the future - As the field matures certain flare gas volumes will dwindle, it is recommended for bidders to seek additional gas volumes through "make up" (back stop for unexpected shortfalls), "top up" (where additional gas is needed to create economy of scale) and / or "extension" (to extend the economic life of flare gas-to-market projects) - Bidders are responsible for selecting the right technology and putting in place appropriate de-risking instruments.
Can additional information (such as gas composition and reserves) be included in the data prying package to allow bidders to make a better judgement as to whether it should invest additional money for data leasing?	Data prying provides qualified bidders with information on associated gas production and flare gas volumes and profile. The DPR will evaluate whether it is reasonable to also provide qualified bidders with information on flare gas composition and reserves; thereby giving them more criteria to decide on whether to invest in data leasing.
Why are some flare gas volumes reported as "zero"?	None of the flare sites being auctions have "zero" flare gas; where the prying data reports "zero" it will be corrected by the DPR (the 2017 data was a spot data and may be registering a specific 2017 event during which either production was interrupted). All flare sites incorporated in the current auction process report a minimum of 0.50 MMscf/d (this was used as the cut-off criteria). The DPR will review and make corresponding adjustments to the prying data.

With the reduced number of flare sites being auctioned, the opportunities for clustering smaller flare sites (to create economy of scale) has been diminished. Any project with less than 1 MMscf/d is not economically viable.	Although it is true that with less flare sites being auctioned the opportunities for clustering are compromised. Nonetheless, the DPR cannot include flare sites in this auction round that do not meet the minimum criteria that was established with reputable third-party experts. Each qualified bidder will have to determine which economics work for him; the DPR can neither mitigate the size of flare volumes nor flare gas-to-market economics.
Will the forecast be updated?	The DPR will update the historic data (up and till 2019).
You said 90 flare sites are available but we see that only 45 are being auctioned at this time. Will there be an increase?	The Government did not at any time commit to auction all the flare sites at the same time. The first batch of 45 flare sites auctioned during this first round were selected based on an extensive data validation process.
It would be good for the DPR to provide information on what type of data will be incorporated with data leasing?	The DPR will provide an inventory of data to be provided under data leasing. This includes data on crude oil and associated gas production forecast, associated gas composition and also flare gas volume forecast.
Can bidders trust information that has been provided by producers	The DPR has provided for the following safeguards (which is not the equivalent of guaranteeing the data): - The Regulations impose a penalty on producers who provide inaccurate data - Together with third parties the DPR validated the data provided by the producers. Where gaps/errors were identified the DPR requested for producers to update/validate the data. Nonetheless, buyers need to do their own due diligence to validate the data that was provided.
Since flare sites will be offered through various rounds, is it possible for the DPR to provide information on all flare sites. Thereby enabling bidders to determine what auction round to participate?	Bidding rounds are dynamic and the DPR cannot determine in advance which flare sites will enter into which bidding round.

Can bidders get information on the number of flare sites and the corresponding flare gas volumes?	The indicated data is available under data prying. Current data prying provides historic data ending 2017; this will be updated to 2019.
QAs are requesting the DPR include gas composition in data prying data	Forecast and composition is under data leasing. The DPR will look into the request to include the gas composition and reserves in data prying.
There are volume discrepancies between the RFP and those published through data prying.	The DPR is in the process of sorting out these apparent discrepancies (in most cases it has to do with the fact that different documents publish data corresponding to different years/operating conditions). The DPR is meeting with producers to have them update their flare data.
Proposal Evaluation	
Some sites show zero volumes bringing the number down to 40 sites. Does this correspond to 40 Preferred Bidders?	Every qualified applicant has equal chances to be awarded preferred bidders status for one or multiple flare sites. One preferred bidders status is awarded per flare site. It is important for all bidders to read the Programme Information Memorandum, the Regulations, the Guidelines and the corresponding NGFCP RFP document since these documents answer many of the questions that were raised.
How many applicants do you intend to give Preferred Bidders and Reserve Bidders status?	Only one preferred bidder status is awarded per flare site with the corresponding reserve bidder status. Subject to the proposal and the evaluation criteria, one qualified applicant may be awarded preferred bidder status for multiple flare sites. It is important for all bidders to read the Programme Information Memorandum the Regulations, the Guidelines and the corresponding NGFCP RFP document since these documents answer many of the questions raised.
What if 100 applicants become Preferred Bidders and are all doing the same pipeline project to market in Lagos, how can they all tie-in to the existing pipeline?	You are kindly advised to read the Programme Information Memorandum, the Regulations, the Guidelines and the corresponding NGFCP RFP document as this question have been addressed in these documents.
Gas Sales Agreement	

What is the term of the GSA?	The terms of the GSA is not regulated, it is tied to the term the bidder indicates in his proposal for the flare gas he commits to purchase (as a function of the flare gas volumes offered under the auction). For example: If the preferred bidder offered to purchase flare gas for the indicated flare site for 7 years than the term of the GSA (with the corresponding take or pay obligation will also be 7 years.
NGMC is supposed to administer the GSA but there has not been a formal handshake between the NGFC and the DPR yet. Need to ensure resources for management of administration of GSA.	The DPR is in engaging with the NGMC management to establish modalities for GSA administration
What flexibility do QAs have to negotiate certain terms and conditions of the NGFCP agreements without this triggering a need for the bid bond to de drawn?	The agreements are not sacrosanct nor required to be adopted wholesale. Applicants should review the documents and forward their comments to the DPR prior to the date indicated by the DPR. Subsequently, the DPR will review and revert updated commercial agreements to the qualified applicants. The agreements have also been sent to the Producers for their inputs. The aim is to ensure that the agreements will be robust enough to cater to bidders' interests in cognisance of the fact that investment decisions are based on some of those clauses. Subsequent to award of preferred bidders status, the bidders will enter into negotiations on the terms and conditions of the commercial agreements taking note of the fact that prices and certain terms and conditions limiting the FGNs risk profile are not negotiable.
Terms of the contract seems contradictory, e.g one contract has guaranteed flare gas supply while another does not.	There is no contradiction; by default, flare gas supply is not guaranteed unless the producer provides a guarantee through the deliver or pay agreement. Suggestions by QAs that the producer should be mandated to guarantee the flare gas supply cannot be upheld because by the nature of the industry, this request cannot be imposed on the producers. Besides, flare gas-to-market projects developed prior to the NGFCP auction process all have a “take-or-pay” commitments without any deliver or pay obligation on the side of the producer. It is highly recommended that QAs should carefully read the Programme Information Memorandum and also the Guidelines since these lay out the basic fundamentals of the NGFCP.

Various questions on commercial agreement by QAs submitted on the portal had not received a response.	The DPR shall provide response to all inquiries posted on the NGFCP web portal.
What happens when the buyer is not able to reach an agreement on the handling fee with the supplier?	The handling fee modalities and amounts have been established by the DPR in the corresponding Guidelines. This is non-negotiable
Connection Agreement	
Clarification with regards to gas connection asset. Who owns the assets?	QAs are invited to note the concepts of the gas connection assets laid out as follows: - The design of the programme contemplates for the permit holder to design, procure and build the gas connection assets to avoid interface issues with the producer (to the contrary the flare gas-to-project could be compromised with possible delays by the producer) - For liability reasons the project was designed for the permit holder to transfers title of the producers gas connection assets (facilities within the fence of the producer) to the producer (thereby making the producer liable for operation of the asset). The handling fee paid by the permit holder to the producer only covers operations and maintenance expenses of the gas connection assets transferred to the producer (the handling fee does NOT factor in any amortization corresponding to the investment made by the permit holder) - QAs are recommended to read the Regulations, Guidelines, PIM for better understanding
What role will government take in negotiating on behalf of preferred bidders especially in the connection agreement?	Section 21 of the Regulations states that where producers fail to supply flare gas (if and when available) where they fail to enter into a connection agreement with the buyer, the producer will pay ~~$~~2.50 Mscf/d in addition to the flare payment. This was put in to ensure that producers do not frustrate the process. Drafts of the deliver or pay and the connection agreements were provided to the producer to get their input. The following provisions and concepts should safeguard a seamless operation: - The Legal representatives of the DPR and MPR will be part of the negotiation to make it seamless - The Guidelines dictate that the producer needs to approve the gas connection design and also the EPC contractor - A producer frustrating the process would delay the flare gas being diverted from the flare (where the producer is liable for flare payments) to the project. Apart from that an additional 2.50 US$/Mscf applies if and when the producer frustrates the process

Why are flare gas volumes reported without making adjustments for water?	The following principles apply: - Flare gas is sold on an "as is where is" basis -The QAs should factor in probable water content in the proposed flare gas price
Deliver or Pay Agreement (DoPA)	
Who pays the flare payment where a DoPA has been signed?	As an encouragement for producers to guarantee volumes, producers are not liable for-flare payments if and when guaranteed flare gas volumes under a DoPA are diverted to the flare due to the permit holder not taking these volumes. Producer is liable for making the flare payment for any other flare gas volumes (not covered under a DoPA) diverted to the flare.
The deliver or pay is not a fair process. The quantity and quality of gas to be delivered should be made part of the sellers' responsibility	It is not practical nor feasible to mandate producers to guarantee flare gas when production of crude oil cannot be guaranteed (the producer provides a forecast but actual oil production; and the corresponding associated gas volumes are subject to multiple variable not under his control). It is also important to point out that the producer is not the seller but the FGN. In this case the FGN is also not in the position to guarantee flare gas volumes since he is not the operator of the oil fields.
Other NGFCP Issues	
What is the possibility of early engagement with producers - eg if shutdown of their facility is required for tie -in or other possibilities of modification etc. challenges with capex and engineering scope will be mitigated by engagement	DPR has resumed engagement with producers whose flare sites are on offer for auctioning. Before now, the DPR have regularly engaged with the Producers. With regards to the Guidelines (see also draft connection agreement), the Producers were engaged throughout the process.

What provision is in place for securitisation of pipelines.~~?~~	The NGFCP does not have provisions in place to securitize pipelines; in any case, the issues of pipeline security, as of today, are with crude oil pipeline and not gas pipelines. Moreover, except where a permit holder intends to sell gas into an existing pipeline, the most practical way to control the value chain to the final off-taker of the flare gas is by using modular scalable plants and virtual pipeline solutions.
What level of engagement has taken place with producers to ensure that there will be a handshake with the QA, subsequent preferred bidder and future permit holder	In line with Regulations, the QA will be issued a data access permit, additionally-DPR will give all the requisite support for QA to visit the flare site and interrogate the data with the producer. The MoP and the DPR have had a lot of interface with the producer from the launch of the NGFCP, and the DPR continuously engaged with the producer on flare site / flare data submission. With the current flare payments, producers should have incentives to support QAs in putting together a credible/robust proposal. The DPR will facilitate for QAs and producers to engage with each other.
Please reconfirm that the scope of the programme is AG only?	Under the NGFCP the FGN is auctioning flare sites that are flaring AG. Nonetheless, QAs may wish to engage with producers to make separate agreements for NAG or AG to de-risk the project (by making available "make up", "top up" and/or NAG to extend the economic lifespan of the flare gas-to-market project.
There are too many hurdles for investors to jump. Can FGN offer incentives?	The FGN is keen to ensure success of the programme and has provide incentives as follows: - There is a tax incentive for midstream projects - The economic evaluation criteria favours volume over price. The NGFCP provides a competitive advantage over previous flare gas-to-market projects since, prior to the NGFCP, prices were set by the producers (not market driven). It is also important to point out that previous (AG) flare gas projects that were developed (prior to any NGFCP auction) do not have a gas supply guarantee either. In other words, they have no recourse in the event not gas supply shortfall.

Has anyone done this before, what are success rates etc	In many countries flare gas monetization projects have been developed but usually based on an agreement reached with the producer operating the flare site. These projects range from "own consumption" (used to power the oil field operations) to flare gas-to-market (where the off-taker is not the producer). What makes the NGFCP/Nigeria case unique is the fact that it provides for a process (through an auction) for third parties to have access to flare gas by means of a permit to access flare gas. In other word, producers do not monopolize the flare reduction initiative anymore. Nonetheless, for any options to work you need buy-in from the producers for both i) interconnection facilities and ii) possible de-risking instruments.
Some sites show zero volumes bringing the number down to 40 sites. Does this correspond to 40 Preferred Bidders?	The number of flare sites auctioned is 45 and all report flare gas volumes > 500 Mscf/d (the DPR will make corrections to the prying data where needed).
Some producers have companies in this bid which gives them an (unfair) advantage over other bidders since they won't have to pay a connection fee for their own flare site(s).~~,~~ How can smaller bidders compete	A Producer can only participate in the NGFCP bid process through a midstream entity. Nonetheless, the "handling fee" is NOT the decisive factor in the project economics since it is only a marginal cost compared to other and overall project costs. The decisive factor is finding the right off-takers for the flare gas-to-market end product and putting in place a cost-effective value chain from the flare site to the off-taker.

Buyers are required to pay a monthly handling fee to the producer for security, operation and maintenance and yet create a community development plan (CDP) from scratch. This looks like a lose-lose situation with all the investments directed to the bidder. Can they be made mutually exclusive?	CDP and handling fee are entirely different elements and cannot replace one another. The handling fee is intended to remunerate the producer for operating and maintaining the producer's gas connection assets since it is not in the interest of either producer or project owner for the permit holder-to operate within the battery limits/ fence of the producer. The NGFCP was designed to assure that the permit holder is not held liable for any inconveniences / interruptions / failures of the producer's gas connection assets and to ensure oil revenue is not disrupted. The community development plan is something project needs to put in place based on agreements it reaches with the corresponding communities.
Why did NGFCP give some producers exemptions?	When the NGFCP was launched certain producers had already initiatied the development of their own flare gas-to-market solution. Given the FGNs objective to reach Zero Routine Flaring earliest possible it was only appropriate to let these producers continue with their efforts; subject to holding them accountable for meeting agreed upon time schedules. However, the waivers were granted in line with the NGFCP project development timeline and will be revoked if they fail to develop these projects.
Why did NGFCP lay too much emphasis on profits?	The emphasis is NOT on profits which is why there is a floor price of only 0.25 US$/Mscf (which is significantly less than what existing flare gas-to-market projects pay for the flare gas today). For this reason, one of the main economic evaluation criteria is volume and not flare gas price.
How well does the NGFCP portal work? Questions are posted on the portal and no response is received.	The DPR will ensure all question relevant to the NGFCP bid process posted on the portal is responded to in a timely fashion, going forward.
What percentage of gas flared in Nigeria is being offered in this bid round?	Between (35 -40)% of total flare gas is on offer in this auction round
Of the companies exempted, can we know the flare sites exempted, volumes exempted, what are the consequences if	The DPR shall revoke any flare sites granted exemption from the programme that fail to comply with the terms of exemption and offer such flare site(s) to bidders in subsequent bid round. However, by virtue of the confidentiality accorded to Producers information with the DPR, information regarding the producers may not be published as requested.

they don’t execute their project?	
Is there any one from Ministry of Environment - Climate Change Department involved in the NGFCP? If no, what is the relationship/synergy with DPR and Ministry of Environment in enforcing this laudable project to reduce emissions from the environment?	The Ministry of Environment is fully aware of the NGFCP and is working through the Ministry of Petroleum Resources to ensure implementation of this laudable project
Carbon Emission Credits in the RFP accrues to FGN. The credits should be shared between the FGN and Flare Gas Buyer through an agreement.	Currently, the emission credit market is averse to anything coming from the oil sector, in any case, possible emission credits will be marginal.
What recourse does the permit holder have to an extended event of force majeure and or a producer or FGNs event of default?	Both the connection agreement and the gas sales agreement have a buy-out provision in place.
Does the DPR recommend a certain percentage for community development or is it totally up to buyers?	There is currently no fixed amount on what is to be budgeted on community development by the bidder. The bidders should work with the community to determine any community development funds~~the amount~~ that needs to be built into the project cost. QAs should bear in mind that community development plans and funds are subject to directives of the FGN legislature. Bidders are advised to meet these communities during site visits to determine what impact the community development plan/fund will have on their project economics.

QAs asked why they should pay for gas when they are already being taxed?	Anything of value needs to have a price, to the contrary it is wasted. Deliberate and extensive evaluation was done to determine the right floor price of 0.25 US$/Mscf which, considering the total "end to end" cost of any flare gas-to-market value chain, is marginal. It is also important to point out that all existing flare gas-to-market projects (those the were developed prior to the NGFCP) pay significantly more to the producer for AG than the floor price established for the NGFCP. By establishing a more or less symbolic floor price of 0.25 US$/Mscf it is clear that the Government's intention is not to drive profit but to improve environmental safety and sustainability.
Since bidding is done in rounds can the DPR disclose to the bidders which flare sites will be auctioned during the various auction rounds; thereby allowing QAs to determine if / when to bid?	Given the uncertain (often unpredictable) nature of the oil industry, and the fact that the DPR cannot predict which flare sites could again become available (if for example certain producers do not follow through on waivers that were granted to them), it is not possible to do a definitive planning on future auction rounds.
Do prying fees have to be paid for each round?	Prying fees are to be paid per bid round. The NGFCP prying and leasing fees are lower than applied for any previous hydrocarbon auction.
Are there any fiscal incentives for Bidders	This is a midstream activity therefore all fiscal incentives are covered under CITA. The price of flare gas is market driven and determined by each biddder; bearing in mind the floor price of 25cents per Mscf/d. Bidders determine what price their business model can afford and such is then factored into the evaluation model. Letting the market dictate the price should also be considered a fiscal incentive
Will bidders have access to discuss directly with the Producers	Buyers will have a data access permit to carry out due diligence on the producers' flare gas sites
What are the prices of gas and are there different prices for gas in different sites	As indicated before, the price of gas is market driven and determined by each bidder (there is no fixed price for flare gas). A floor price of $0.25 per Mscf, $0.15 per Mscf and $0.10 per Mscf for land, swamp/shallow offshore and deep offshore terrain, respectively. Moreover, the evaluation criteria of the NGFCP rewards volume over price.

What is meant by non-guaranteed flare gas volumes	By definition all flare gas volumes are not guaranteed unless the producers wishes to offer guaranteed gas.
How to capture makeup gas volumes in the take or pay	"Make up" gas and "take or Pay" are two different concepts. Take or pay is applied over 80% of the offered and contracted flare gas volumes through the gas sales agreement. The permit holder pays for these flare gas volumes even when not taken (subject to these flare gas volumes having been available). This concept is critical to the integrity and fairness of the auction process since to the contrary any bidder could/would offer for the highest possible flare gas volumes to obtain maximum benefit for his proposal evaluation (irrespective of whether he has the intention and resources in place to develop the project based on the offered flare gas volumes.). The DPR wants to avoid at all cost permit holders sterilizing flare gas volumes that another bidder would have taken to market. "Make up", "top-up" and "Extension" gas have to be negotiated by the bidder with the producers (or other parties holding title to either associated gas or non-associated gas) outside of the NGFCP auction process. These gas volumes will not be governed under the NGFCP gas sales agreement.

At the expiration of the gas sales agreement the buyer gets no compensation for all the funds paid to the -producers to build and maintain the connection asset. This is not fair and no incentive is given to the buyer for his investment. At the end of the gas sales agreement, the buyer will forfeit the equipment to the Producer. Hence the buyer should be incentivised by making the Producer build, operate and maintain the facility, while bidders pay for the gas, including the services provided by the Producer.	As stated on various occasions, it is important for all QAs to carefully read the Programme Information Memorandum, the Regulations, Guidelines, RFP, etc. since one concludes from the question that certain concepts may not have been fully understood. The handling fee paid by the permit holder to the producer does NOT make provisions for any amortisation of the investment made by the permit holder for the producer's gas connection assets. The handling fee merely covers operations and maintenance expenses. The Programme has considered the option of requesting the producers to design and operate the producer's gas connection assets (those assets within his production facility). However, misalignment between the readiness of producers and the permit holders would lead to loss in profit and time. Therefore, it was agreed for the permit holder to control the construction risk and timeline and for the producer to assume operational risk. It is again important to be reminded that the handling fee is marginal within the whole flare gas-to-market chain expenses.