

NGFCP 2022 FREQUENTLY ASKED QUESTIONS (FAQ) AND EXPLANATORY NOTES – MARCH 2023

S/N	Question	Answer
1	Can a bidder post a bid bond such as Third-party Guarantee/Bond by financial institutions	<p>Bidders are encouraged to adopt the bid bond template as prescribed in the RFP.</p> <p>Nonetheless, bidders patronizing financial institution resident in Nigeria may post a Third-party Guarantee/Bond by these institutions in as much the terms of the bid bond shall be equivalent to those prescribed in the bid bond template provided in the RFP and subject to the following requirements:</p> <ol style="list-style-type: none"> 1) The bid bond shall be irrevocable and without any restrictions, conditions, inquiry, or right of objection whatsoever on the part of the issuing financial institution. 2) In the event of drawing the bond, the guarantor shall comply with demand notice, notwithstanding any conditions, demands, or objections by the bidder or any other party, and 3) without you having to further substantiate such demand, upon notice of demand. 4) Provides for a pre-agreed format of “Demand Notice” for calling in the bid bond. <p>Bidders are therefore advised to seek the service of legal professionals to review the draft bid bond and bring them into harmony with that prescribed in the RFP.</p> <p>Any Bond that does not satisfy the stipulated minimum requirements will be rejected and would be grounds for the proposal being rejected.</p>
2	Can the bid bond be denominated in the Nigeria currency, Naira?	<p>Yes, bidders may post bid bond in Naira. However, the posting of the Bid Bond in Naira would be at the prevailing Nigerian Autonomous Foreign Exchange Fixing (NAFEX) Closing Rate of the Prior Date of</p>

		issuance of the bond (see Notification on Posting of Bid Bond in Naira on the NGFCP Portal)
3	Can a bidder submit a proposal to cluster flare sites from different concessions?	Bidders are advised to cluster only flare sites within the same concession and within the same terrain (onshore or offshore), Clustering across adjacent concessions may present additional interface challenges especially where the concessions belong to the different operators. In any case, Flare sites to be clustered should be within reasonable distance(s) apart and supported by clear evidence of economic viability, ease of project execution and benefits of economies of scale.
4	Is there a gas price ceiling prescribed for the NGFCP bid process beyond which a bid may be deemed unresponsive?	There is no ceiling price prescribed in the RFP. However, Bidders are strongly advised to provided reasonable financial bids (offered gas price), since they shall be bound by the gas price and volume quoted in their bids, which shall not be open for downward revision. Bids that are not supported by sound technical, commercial, and economic basis/viability would be rejected and disqualified.
5	Total number of flare sites on offer on this auction round	Forty-Nine (49) Flares sites are on offer as can be seen on the NGFCP Portal and Virtual Data Prying and Leasing Platform
6	May a Bidder refrain from submitting a proposal for flare site(s) for which data had already been leased?	Yes. Data Prying and Leasing are pre-requisites to Proposal submission. No flare site(s) may be proposed in a bid if available data for such have not been leased. However, a Bidder is at liberty to determine which flare site(s) are featured in its proposal irrespective of the number of flare site data leased.
7	Would Successful Bidders be able to access additional data on the flare sites following Award?	Yes. The NGFCP will continually support Permit Holders/ Flare Gas Buyers with updated data and relevant information to support the project during the development phase. The mechanism of accessing relevant data is the Data Access Permit, which may be issued any Bidder or Permit Holder upon request.

8	Can a Bidder issue an Insurance Certificate in lieu of a Letter of Credit as specified in the Bond Template in the RFP?	Yes, in line with the provisions of section 5.6.11 of the RFP. The insurance bond shall conform with the template provided (see Notification on Posting of Bid Bond in Naira on the NGFCP Portal)
9	Can a Bidder Post the Bid Bond at a later date following submission of the Proposal?	The Bid Bond shall accompany the Proposal and should have been posted by the Bid Submission Due Date (BSDD).
10	We have commenced the process of obtaining the bid bond from our bankers and have been notified that the process takes a bit of time. Considering that we have barely days to submission of the RFP, we will appreciate if you can suggest any acceptable document (in the interim) that can be submitted, while our bankers process the bid bond (in the event that the bid bond is not ready before the RFP submission deadline)	There is no alternative to the requirement to post a bid bond. However, QAs bidding from within Nigeria are at liberty to post a bank guarantee as bid bond rather than a letter of credit. Suffice to say that the bank guarantee or security bond must be irrevocable, imposes no hindrance or condition before drawing and accompanied by the prescribed "Notice of Demand" template as an Appendix, as provided for in the RFP. Same applies for a Bid/ Security Bond issued by an insurance company.
11	Please advise how to have access to the flared gas data sites as our payment for the data prying fee has been confirmed.	Please be informed that upon confirmation of payment, login details will be provided to Qualified Applicants to pry/lease data up to the Bid Submission Due Date.

12	What are the modalities to embark on physical site inspection to flare site(s)?	Physical site inspection by a prospective bidder can be considered where a bidder has applied to the Commission for access to the site for the purpose of additional information and only after leasing the data for the requested flare site . The instrument to enable this is the Data Access Permit.
13	Is there a comprehensive gas analysis of the flare gas?	Gas composition is part of the flare dataset which have been made available in the NGFCP virtual data room.
14	How will the Award Fee for “Permit to Access Flare Gas” be determined. Is it based on location, quantity, composition?	The Award fee determination is based on volume in accordance with a predetermined scale stipulated in the RFP.
15	Will there be any easements offered by government/regulatory authorities for facilities, construction, operations?	Yes, in accordance with Section 91 of the PIA, the Commission reserves the right of way, easement, or other right for the benefit of any person to whom Permit to Access Flare Gas is granted. In addition, Section 7e of the PIA mandates the Commission to monitor the design, construction, operation, and maintenance of flare elimination facilities.
16	Will Flare Gas Buyers have ownership of any carbon credits generated by its facilities? Including Carbon Credit trading rights	Any carbon credits that may accrue will be managed in line with applicable protocols established by Government in that respect. Any specific arrangements will be negotiated before the award of the Permit to Access Flare Gas, in line with applicable statutes.
17	What if the operator stops producing for whatever reason, or the production decreases significantly during the life of the Permit?	The flare forecast data that were provided are underpinned by the Field Development Plans (FDPs) and Work Programme of the Producers. Technical due diligence based on historical production profile and the current development strategy provides a reasonable basis to uphold the credibility of forecast. If anything, we foresee upswing in the flare quantities as some of the forecast quantities have been

		conservatively determined and may represent the worst-case scenarios.
18	Over what timeline are we hoping to have the project completed	The NGFCP Bid Process is expected to be completed March/April 2023, followed by execution of commercial agreements and the award of Permit to Access Flare Gas. The Programme design foresees the deployment of small-scale modular flare capture equipment that are readily available and easily deployed. Hence, the Commission anticipates that most of the projects will be completed within eighteen (18) to twenty-four (24) months of issuance of Permit to Access Flare Gas.
19	What happens if the field development plan is mistaken, and the reserve analysis is wrong?	Generally field development plans are underpinned by the reserves which have been subjected to detailed evaluation before the plans are approved by the Commission. It is noteworthy that the fields of interest are brownfield development as they have been in production for years and sufficient data have been gathered overtime to enable better understanding of the field and subsequent annual revalidation of the remaining reserves. Accordingly, we have no reason to expect reserves volume booked for the fields to significantly deviate from actual.
20	What happens if the price of oil drops, and the field operator decides to curtail production?	Generally, oil production is sensitive to oil price and drop in oil price may translate to reduced flare gas availability, arising from curtailment of oil production. Although the global economic outlook does not suggest the likelihood of collapse of oil price, it is advisable for investors to enhance the stability gas supply by considering mitigation against unexpected issues with flare gas supply. This may be done by side agreements for make-up gas or top-up gas by any producers for associated or non-associated with capability to deliver gas. Make-up or top up gas may further robustness of the flare project development. The Commission would provide necessary support to enable bilateral transactions between Flare Gas Buyers and Producers in this respect.

21	<p>What happens if the field operator decides to shut down for technical/maintenance purposes and exceeds their planned time? Say, planned shutdown was two weeks and they extend to four weeks. The flare gas operator may need to file a force majeure with their customers. Any compensations?</p>	<p>The NUPRC promotes maintenance of field facilities for efficiency and safe operation. However, the NUPRC will ensure that Producer execute their planned maintenance within schedule, as approved. Where the maintenance activities unavoidably extend beyond the approved schedule, the flare gas buyer may file for force majeure. However, neither the NUPRC nor Producer shall be liable for payment of compensation. The Commission shall ensure that no operator wittingly frustrates a Flare gas buyer using regulatory mechanisms and measures as provided by law.</p>
22	<p>Are there floor price and ceiling price applicable in the financial bid for flare gas? If yes, what are the applicable prices?</p>	<p>There is a floor price of \$0.25 per 1000scf of gas applicable to the financial bid. However, there is no ceiling to the price a bidder can offer in the bid process. It is however expected that Bidders offer reasonable, competitive bids that are supported by robust technical, commercial, and financial considerations based on industry benchmarks.</p>
23	<p>Which Flare Sites are under the NGFCP?</p>	<p>All flare Sites in Nigeria are being managed to ensure Flares-out in line with target set by Government. Forty-Nine (49) Flare Sites are included in this auction round based on the evaluation of the national flare portfolio by the Commission.</p>
24	<p>Is there a minimum volume of gas that can be offered as Flare Gas for the NGFCP?</p>	<p>There is no absolute minimum or maximum. However, offers must relate to the Flare Gas forecasts, which has been provided in compliance extant provisions of the law and the <i>Guidelines for Flare Gas Measurement, Data Management, and Reporting Obligations</i>. Bidders must subscribe to take (or pay for) a specified percentage as the Annual Contracted Flare Gas Quantities as prescribed in the RFP.</p>

25	Will there be another bid round after the first bid round?	The intention is that future rounds of the auction will cover Flare Sites that were not awarded under the current auction round. Also, excess Flare Gas volumes (if available) that were not contracted under the first auction round shall be consider for future rounds.
26	Will the Federal Government of Nigeria (or Producers) be providing any pipelines or other infrastructure to enable Flare Gas to be transported from Flare Sites to a project or market location under the NGFCP?	The Flare Gas will be sold and delivered to Flare Gas buyers on an “as is, where is” basis. The Federal Government of Nigeria gives no undertaking to provide access to any existing or additional gas pipeline capacity or other infrastructure. Similarly, Producers are not obligated to make available any pipelines or other infrastructure for projects carried out under the NGFCP, However, Producers will maintain and operate (for a handling fee) the facilities needed to deliver flare gas at the custody transfer point. The Gas Connection Assets will be paid for and built by the Flare Gas buyer.
27	If a Producer has submitted its Flare Gas data to the NGFCP for a flare site it has plan commercialise, can it withdraw that Flare Site?	No, once a certain Flare Site has been enlisted for the NGFCP, the Producer cannot withdraw the Flare site for the auction process (see Paragraphs 3(2)(a) and 3(3) of the Flare Gas Regulations 2018.) Regardless of whether a flare site is enlisted for the bid process or not, the title to flare gas at any oil and gas field belong to the Government, except where the Commission has granted approval to the producer to implement a gas utilization/commercialisation project for the specific flare site.
28	What assurance will bidders have for long-term gas delivery from existing oil production facilities?	The data provided by Producers includes credible and validated forecasts of oil and gas production up to 2035. This information will provide guidance to investors. It is noteworthy that the PIA and Flare Gas Regulations, 2018, mandates Producers to provide accurate data and credible forecasts, which were evaluated for consistency and validity by the Commission.

29	What confidence can a Flare Gas buyer have in associated gas production forecasts from each Flare Site?	Based on historical production and future crude oil production forecasts, an associated gas production and Flare Gas profile have been provided. The profiles indicate the depletion trend of the producing fields and the amount of associated gas the Producer will require for his own consumption. All Flare Gas data enlisted have been evaluated and found to be credible and meet the Tier 1 criteria.
30	Will a project under the NGFCP be able to export the output?	Yes, exports are permitted. There are no restrictions on the ability of projects to export product from Flare Gas utilization technologies.
31	What are the various fees payable during the auction process?	A proposal processing fee, data prying fee and data leasing fee will all be paid by wire transfers to a designated Nigerian Upstream Petroleum Regulatory Commission account. The award fee for grant of Permit to Access Flare Gas is also payable to the designated Federal Government of Nigeria account. Details of all fees are provided in the RFP and on the Programme Portal.
32	What are the receivable security requirements under the NGFCP?	As detailed in Schedule C of the <i>Guidelines for Grant of Permit to Access Flare Gas</i> , there are three (3) types of security payable: <ul style="list-style-type: none"> • Bid bond – must accompany submission of proposals during the RFP process; • Milestone bond – replaces the bid bond and is paid by Flare Gas buyers who execute a milestone development agreement; and • Performance bond – replaces the milestone bond and is paid by Permit Holders during the period of the Gas Supply Agreement.
33	Who retains the Emission Credits in this Programme?	This would be dependent on the arrangements agreed between the project sponsor and Government.
34	What fees/costs are payable to other parties as part of ongoing operations?	Handling Fee – payable to the Producer as operating and maintenance costs of the gas connection assets, constructed by the Flare Gas Buyer (but operated by the Producer).

35	If unsuccessful, can an applicant take any further part in the NGFCP process?	Yes, it is still possible (subject to acceptance by a consortium) for a qualified entity to become part of a consortium that has been successful in the RFQ process.
36	How does a Qualified Applicant obtain access to Flare Site data?	All Flare Site data will be available in the NGFCP data room and will be accessible by Qualified Applicants through the NGFCP portal. Qualified Applicants will be granted access to the data room in line with the provisions of the RFP.
37	What kind of Flare Site data will Qualified Applicants have access to?	Qualified Applicants will have access to Flare Gas forecast quantities and Flare Gas composition data. Once awarded a Permit to Access Flare Gas, a winning bidder - referred to as a Preferred Bidder - and its lenders and/or investors may request specific data (such as reservoir data) from the relevant Producers for the financial closing. The NGFCP shall issue Data Access Permit to applicants in this respect.
38	What are data prying and data leasing?	Data prying is the ability to see (but not download) Flare Site data on a screen through the NGFCP virtual data room. Data leasing is the ability to download the comprehensive Flare Site data through the NGFCP data room.
39	What is the form of submission of a proposal?	A proposal is submitted in two parts: a technical and commercial proposals (envelope 1) and a financial proposal (envelope 2).
40	What do preferred bidders do following the award?	Preferred bidders will be required to execute all commercial agreements and post the milestone bond and pay the award fee.
41	What do reserve bidders do following the award?	A reserve bidder has the option as to whether it wants to be held in reserve or not. If it accepts to do so, it stands ready to execute the commercial agreements in case one or more of the preferred bidders fail to do so.

42	Can the Qualified Applicant submit a tailored gas price per year? Is the gas price automatically subject to escalation?	Qualified Applicants can submit a tailored gas price per year or a single gas price in U.S. dollars that will be paid in Nigerian naira. In that case, the U.S. dollar gas price will be escalated annually according to the U.S. consumer price index. Conversion of U.S. dollar to naira will be based on an open market rate, to be set on a quarterly basis as stipulated in the RFP.
43	Can a bidder make changes to the draft commercial agreements in the RFP package?	A bidder may include in their proposal(s) suggestions for amendments and/or exceptions to the draft commercial agreements. Any such amendments and exceptions would be included in envelope 2 and would therefore not be available to the Bid Evaluation Team in its evaluation of envelope 1. Further, any suggested amendments and/or exceptions will play no part in the total take-or-pay net present value calculation that will go towards determining whether a proposal becomes one of the highest-ranking proposals. The suggestions for amendment and/or exceptions will be considered only post award to preferred bidders. The Commission will be under no obligation to accept any of the suggestions and exceptions. If a bidder's decision to proceed with a project under the NGFCP hinges on making changes to one or more commercial agreements and the suggested changes are not accepted by the Commission that would represent an opportunity for one or more reserve bidders.
44	What are the rules or restrictions on clustering of Flare Sites?	Bidders may bid for a single Flare Site or a set of Flare Sites of its choosing. It is however advisable that clustering should be in the same concession or terrain and within reasonable distance from each other (one another) to enable either co-development or aggregation. All proposals that feature clustering must be validated by acceptable techno-economic considerations of project execution.

45	What is the clustering philosophy for flare sites in the NGFCP? Are there rules or restrictions on clustering of Flare Sites?	<p>Clustering may be via one of two concepts. Gas gathering from multiple flare sites to a location(s) to develop a Project. In the alternative, clustering may also entail the co-development of two or more flare sites (on standalone basis) using the same technology, equipment vendors, Operations & Maintenance (O&M), logistics for product evacuation etc. The primary objective of clustering is to leverage economies of scale to improve project robustness and the economic viability of the flare sites(s).</p> <p>A maximum of five (5) flare sites is allowed to be clustered per proposal. In any case, the decision whether to cluster (via aggregation or co-development) or the manner of clustering remains that of the Bidder as a Bidder may also bid for a single Flare Site, if deemed expedient. It is noteworthy that bidding in clusters attract bonus point during evaluation of envelope 1.</p>
46	Will all proposals be evaluated?	<p>The Bid Evaluation Team will first check to ensure that the documentation provided in envelope 1 is compliant as to completeness and format. Compliant Proposals will have their proposals in envelope 1 evaluated by the Bid Evaluation Team. Those whose proposals in envelope 1 meet the evaluation criteria will have their financial proposals in envelope 2 evaluated.</p>
47	Under what circumstances can a performance bond be drawn?	<p>The performance bond may be drawn in some circumstances viz;</p> <ul style="list-style-type: none"> • failure of the Flare Gas buyer to comply with minimum take or pay obligations under the Gas Supply Agreement; • failure of the Flare Gas buyer to pay for Flare Gas delivered; • termination of the Gas Supply Agreement by the Commission due to Flare Gas buyer's default under the Gas Supply Agreement; or • failure of the Flare Gas buyer to maintain the performance bond.

48	Does a Producer's responsibility end at the point of separation of gas from oil?	No. Producers' responsibilities end at the Delivery Point where custody transfer of Flare Gas pass on to the Project, in accordance with the terms of the Connection Agreement.
49	Are all Gas Supply Agreement terms standardised or will certain terms be unique for individual Projects?	The terms in the Gas Supply Agreements are standardized as per the template. Minor amendments or modifications proposed by the Bidder may be considered by the Commission to cater for peculiarities and specific conditions during negotiations of the said agreements.
50	Under what scenarios does a project entity or a Producer make a flare payment?	<p>Producers will make a Flare Payment according to the Flare Gas (Prevention of Waste and Pollution) Regulations, 2018, for gas that they flare, whether routine or non-routine.</p> <p>Project entities (Flare Gas Buyers) are not required to make flare payments. However, they are liable to take (or pay for) the volume of gas stipulated in their bid. Further details on the flare payments are provided in the Guidelines for Flare Payments.</p>
51	If a Producer submits its Flare Site(s) to the NGFCP but the Flare Gas has not yet been contracted for, is that Flare Gas Producer exempted from making the flare payment?	<p>The Producer makes a flare payment according to the Flare Gas (Prevention of Waste and Pollution) Regulations, 2018, for Flare Gas at the Flare Sites that are connected to its production facilities. The Producer is however exempted once the Flare Gas is taken by the Flare Gas Buyer (Paragraph 13(1) and 13(2) of the Regulations Paragraph 13(3) of the Flare Gas Regulations 2018.</p> <p>The mechanism provides an incentive for the Producer to support the Flare Gas Buyer through early completion of facilities and continuous operations. However, Producers shall not be obligated to make flare payments arising from failure on the part of the Flare Gas Buyer in line with the take or pay provision of the GSA.</p>

52	Is it possible for Producers to apply for waivers (temporary or otherwise) from flare payments?	No, the Flare Gas (Prevention of Waste and Pollution) Regulations, 2018, do not provide for exemptions.
53	Will the NGFCP have an impact on the associated gas a producer may need for its operations?	No. However, if a Producer under-estimates the volume of associated gas needed for oil production, it will have to implement solutions that do not compromise the contracted Flare Gas volumes being supplied to the Flare Gas Buyer (see Paragraph 3(3) of the Regulations)
54	How is the Federal Government of Nigeria taking the interests of Producers into account?	The Commission is keenly aware of the interests of Producers to ensure their operations are not impacted by the NGFCP. For instance, Flare sites that have reached appreciable level in project development being implemented by the Producers are not listed in the Programme. Similarly, Producers may participate in the NGFCP through other entities if they so wish. In addition, Producers may develop an integrated gas utilisation projects on their own, as detailed in the <i>Guidelines for Producer's Approved Gas Utilisation Project</i> . Addressing gas flaring is also in the interest of the Producers to arrest flare payment, guarantee freedom to operate, improve host community relations, align with energy transition imperatives etc.
55	How can Producers find out more about the commercial agreements, Connection Agreement, and the Permit to Access Flare Gas?	Templates of the Agreements have been made available to Producers for inputs to accommodate their interest and address their concerns. The Commission is engaging the Producers on ongoing basis to align interests to ensure Programme success and guarantee protection of Producers' interest from safety, value, and compliance points of view.
56	How do we ensure that the Connection Agreements are technically sound?	Aside from internal due diligence by the Commission, the templates were subjected to multi-layer review and validation by different stakeholder groups. The templates will be the basis for negotiating of the respective agreement between parties in due course.

57	How amenable is the NGFCP to aggregation, swaps, and inter-site linkages?	The RFP process enables bidders to propose projects that aggregate Flare Gas from multiple Flare Sites in one proposal. Swaps and further aggregation outside of proposals are also allowed and encouraged if doing so enables value optimization and project economics. However, any swap or aggregation agreements will be independent of any Flare Gas transactions under this NGFCP. auction. NGFCP also encourages negotiation of make-up /top-up gas from other sources, to be negotiated on bilateral basis.
58	Will Preferred Bidders be able to negotiate terms of agreements (provided in the template) with the Commission/ Producers prior to execution	Generally, the core provisions of the agreement templates which honors the Programme structure, the auction process, and guarantees level playing ground for all Bidders are sacrosanct. Be that as it may, specific proposal for amendments during the Bid phase, bid submission or during the Commercial Agreement Execution Period by individual Preferred Bidders/ Permit Holders may be considered to address peculiar circumstances. In any case, each Bidders shall be bound by the Flare Gas Volume and offered gas price submitted in its Financial Bid during the auction process. This would not be subject to discriminatory redetermination.
59.	Can a Bidder submit multiple proposal featuring different technologies/ process but for the same flare site (or cluster of flare sites)?	Yes! A Bidder may present more than one proposal for a single flare site that features different technologies, processing option, product evaluation and market options etc. Each single Proposal and each one of the multiple Proposals constitute separate Proposals and for each such separate Proposal its Bidder will be required to submit a Bid Bond and effect proposal. For multiple Proposals, each Proposal shall be marked following this format: Unique_ID/01, Unique_ID/02 etc. (e.g., NGFCP/22/XXXX/01)