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<p>GUIDELINES FOR GRANT OF PERMIT TO ACCESS FLARE GAS</p>	<p>Code: DPR Guide 0007 - 2020 Revision Date: 1st August 2020</p>

GUIDELINES FOR GRANT OF PERMIT TO ACCESS FLARE GAS

ISSUED BY

DEPARTMENT OF PETROLEUM RESOURCES

2020

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TABLE OF CONTENTS

1.	SCOPE.....	5
2.	THE PETROLEUM ACT CAP.P10 LFN 2004 (as amended).....	5
3.	FLARE GAS (PREVENTION OF WASTE AND POLLUTION) REGULATIONS, 2018.....	5
4.	PURPOSE OF THESE GUIDELINES	6
5.	OTHER RELEVANT LAWS, REGULATIONS AND PRACTICES	6
6.	COMPETITIVE BID PROCESS	7
7.	PERMIT TO ACCESS FLARE GAS (PERMIT).....	7
8.	RIGHTS AND OBLIGATIONS OF THE PERMIT HOLDER	7
10.	APPLICABLE FEES.....	9
11.	COMMUNITY OBLIGATIONS AND CORPORATE SOCIAL RESPONSIBILITY	9
12.	SAFETY AND ENVIRONMENT.....	9
	SCHEDULE A – BID PROCESS AND PROCEDURE FOR THE GRANT OF PERMIT TO ACCESS FLARE GAS	10
	SCHEDULE B – APPLICABLE FEES.....	17
	SCHEDULE C - BONDS	19
	GLOSSARY.....	22


 <p>DEPARTMENT OF PETROLEUM RESOURCESPetroleum Regulatory Agency Of Nigeria</p> <p>DPR</p>	<p>Applicable to all Oil & Gas Operators</p>
<p>GUIDELINES FOR GRANT OF PERMIT TO ACCESS FLARE GAS</p>	<p>Code: DPR Guide 0007 - 2020</p> <p>Revision Date: 1st August 2020</p>


TABLE OF FIGURES

Figure 1: Bid Process..... 10

LIST OF TABLES


Table 1: Bid Bond Table 20

Table 2: Milestone Bond Table..... 21

 <p>DEPARTMENT OF PETROLEUM RESOURCESPetroleum Regulatory Agency Of Nigeria DPR</p>	<p>Applicable to all Oil & Gas Operators</p>
<p>GUIDELINES FOR GRANT OF PERMIT TO ACCESS FLARE GAS</p>	<p>Code: DPR Guide 0007 - 2020 Revision Date: 1st August 2020</p>

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 <p>DEPARTMENT OF PETROLEUM RESOURCES ...Petroleum Regulatory Agency Of Nigeria DPR</p>	<p>Applicable to all Oil & Gas Operators</p>
<p>GUIDELINES FOR GRANT OF PERMIT TO ACCESS FLARE GAS</p>	<p>Code: DPR Guide 0007 - 2020 Revision Date: 1st August 2020</p>

1. SCOPE

These Guidelines are issued pursuant to Paragraph 35 (b) of the First Schedule to the Petroleum Act and the Flare Gas (Prevention of Waste and Pollution) Regulations, 2018 (Regulations).


The Federal Government of Nigeria is responsible for establishing an enabling environment for investment in the petroleum sector through policies, regulations, and market-economic measures. The Federal Government of Nigeria has approved the National Gas Policy 2017 with specific policy measures for the upstream, midstream and downstream segments of the petroleum sector. On that basis, the Federal Government of Nigeria took the decision to commercialise Flare Gas.

2. THE PETROLEUM ACT CAP.P10 LFN 2004 (as amended)

- 2.1 Paragraph 35 (b) (i) of the First Schedule to the Petroleum Act 1969 (as amended) confers on the Federal Government of Nigeria the right to take natural gas produced with crude oil by the licensee or lessee at the flare free of cost or at an agreed cost, and without payment of royalty.
- 2.2 Pursuant to the above, the Federal Government of Nigeria is exercising its right to take Flare Gas and, through an open and competitive bid process, grant a Permit to Access Flare Gas.

3. FLARE GAS (PREVENTION OF WASTE AND POLLUTION) REGULATIONS, 2018

- 3.1 To give effect to Nigeria's commitments to international conventions and treaties such as the Paris Agreement for Climate Change, United Nations Sustainable

 <p>DEPARTMENT OF PETROLEUM RESOURCES ...Petroleum Regulatory Agency Of Nigeria DPR</p>	<p>Applicable to all Oil & Gas Operators</p>
<p>GUIDELINES FOR GRANT OF PERMIT TO ACCESS FLARE GAS</p>	<p>Code: DPR Guide 0007 - 2020 Revision Date: 1st August 2020</p>

Development Goals, and Zero-Routine Flaring Initiative by 2030, the Federal Government of Nigeria has issued the Regulations.


- 3.2 These Guidelines are issued pursuant to the Regulations. The objectives of the Regulations are to: ensure reduction of environmental and social impacts caused by the flaring of natural gas; protection of the environment; prevention of waste of natural resources; and creation of social and economic benefits from flare gas capture.

4. PURPOSE OF THESE GUIDELINES

- 4.1 These Guidelines give direction for the competitive bidding processes to be conducted by the Federal Government of Nigeria and for granting Permits to Access Flare Gas to Nigerian-registered companies in order to take Flare Gas at any Flare Site on behalf of the Federal Government of Nigeria. The process described applies to Third Party Flare Gas Commercialisation Projects, and not to Producers' Approved Flare Out Projects, which are described in the Guidelines for Producer's Associated Gas Utilisation Project.
- 4.2 These Guidelines also stipulate the obligations of the Permit Holder with regards to the implementation of the Flare Gas commercialisation project. With the exception of requirements related to the Auction, such as payment of the Bid Bond, other obligations of the Permit Holder apply equally to those executing Producers' Approved Flare Out Projects.

5. OTHER RELEVANT LAWS, REGULATIONS AND PRACTICES

In addition to the regulatory and technical considerations outlined in these Guidelines, it is the responsibility of the Permit Holder and relevant stakeholders to familiarise themselves and comply with the laws of Nigeria, State and local government authority requirements,

	<p>Applicable to all Oil & Gas Operators</p>
<p>GUIDELINES FOR GRANT OF PERMIT TO ACCESS FLARE GAS</p>	<p>Code: DPR Guide 0007 - 2020 Revision Date: 1st August 2020</p>

industry recommended practices, local content and workers' compensation rules, and other relevant practices and regulations.

6. COMPETITIVE BID PROCESS


As provided in Paragraph 3 (1) of the Regulations, the grant of a Permit to Access Flare Gas shall be by way of an open and competitive bid process, in accordance with the procedures outlined in these Guidelines, including Schedule A.

7. PERMIT TO ACCESS FLARE GAS (PERMIT)

A Permit Holder may take Flare Gas only at a Flare Site or set of Flare Sites specified in the Permit. A Permit Holder will be entitled, on an exclusive basis, to take such quantities of Flare Gas and for such duration as will be specified in the Permit. A Qualified Applicant or Preferred Bidder may be a company incorporated outside Nigeria; however, a Permit Holder must be a company incorporated in Nigeria.

8. RIGHTS AND OBLIGATIONS OF THE PERMIT HOLDER


- 8.1 The Permit Holder has the right to take Flare Gas from one or more Flare Sites as specified in the Permit. Pursuant to a Gas Sales Agreement, title to Flare Gas in the amounts specified in such Gas Sales Agreement is transferred from the Federal Government of Nigeria to the Permit Holder.
- 8.2 The Permit Holder shall be entitled to sustained and continuous operations with respect to the Flare Site(s) specified in the Permit. The design and construction of the Producer Gas Connection Assets shall be the responsibility of the Permit Holder and in accordance to the terms and conditions stipulated in the Connection Agreement.

 <p>DEPARTMENT OF PETROLEUM RESOURCES ...Petroleum Regulatory Agency Of Nigeria DPR</p>	<p>Applicable to all Oil & Gas Operators</p>
<p>GUIDELINES FOR GRANT OF PERMIT TO ACCESS FLARE GAS</p>	<p>Code: DPR Guide 0007 - 2020 Revision Date: 1st August 2020</p>

- 8.3 The Permit Holder shall carry out its operations in a safe, environmentally sound and in line with good Oil Field practice so as not to hamper the operations of the Producer. The Producer Gas Connection Assets shall meet the following criteria:
- a. The design shall be in accordance with engineering best practice and standards as approved by the Department of Petroleum Resources.
 - b. The design shall comply with standards agreed upon between the Producer and Permit Holder on health, safety and environment protocols, validated by a hazard and operability study.
 - c. The Permit Holder may procure equipment and material from the Producer’s approved vendor list. If the vendor proposed by the Permit Holder is not on the Producer’s vendor’s list, the Producer shall expedite the process of determining whether or not it approves such vendor, the approval of which may not be unreasonably withheld.
 - d. The Producer’s Gas Connection Assets must be built by a construction contractor agreed between the Producer and the Permit Holder.
- 8.4 The Producer and the Permit Holder may by agreement determine the location of the Gas Connection Assets as well as its operations and maintenance, subject to standard engineering practice and safety considerations.
- 8.5 The Department of Petroleum Resources shall mediate between the Producer and the Permit Holder in any cases of dispute that may arise and shall seek resolutions in line with the provisions of applicable laws and regulation.

9. NON-PERFORMANCE AND REVOCATION OF PERMIT TO ACCESS FLARE GAS

- 9.1 The Permit is granted for the duration as specified in the Permit.

 <p>DEPARTMENT OF PETROLEUM RESOURCES ...Petroleum Regulatory Agency Of Nigeria DPR</p>	<p>Applicable to all Oil & Gas Operators</p>
<p>GUIDELINES FOR GRANT OF PERMIT TO ACCESS FLARE GAS</p>	<p>Code: DPR Guide 0007 - 2020 Revision Date: 1st August 2020</p>

- 9.2 A Permit to Access Flare Gas shall comply with Paragraph 12 (2) of the Regulations, which states that no Permit Holder shall engage in Routine Flaring or venting of natural gas from any facility operated by such Permit Holder.
- 9.3 The Permit shall be revoked by the Minister in circumstances as specified in Paragraph 9 of the Regulations, without prejudice to any obligation or liability accruing to the Permit Holder prior to such revocation.

10. APPLICABLE FEES


Applicable Fees are as set by the Department of Petroleum Resources from time to time and are listed in Schedule B.

11. COMMUNITY OBLIGATIONS AND CORPORATE SOCIAL RESPONSIBILITY

The Permit Holder shall be responsible for managing a fair and balanced community relationship in its operations.

12. SAFETY AND ENVIRONMENT

A Permit Holder shall provide a comprehensive safety, health and environmental policy, which shall at a minimum be in accordance with laws and regulations issued by the Federal Government of Nigeria, including the guidelines and standards issued by the Department of Petroleum Resources.

 <p>DEPARTMENT OF PETROLEUM RESOURCES ...Petroleum Regulatory Agency Of Nigeria DPR</p>	<p>Applicable to all Oil & Gas Operators</p>
<p>GUIDELINES FOR GRANT OF PERMIT TO ACCESS FLARE GAS</p>	<p>Code: DPR Guide 0007 - 2020 Revision Date: 1st August 2020</p>

SCHEDULE A – BID PROCESS AND PROCEDURE FOR THE GRANT OF PERMIT TO ACCESS FLARE GAS

A party wishing to apply for a Permit shall follow the bid process which shall be conducted as defined in this Schedule A.

1. BID PROCESS

The procedure below lays out the steps and sequence of a competitive bidding process conducted by the Federal Government of Nigeria for granting Permits to Access Flare Gas. Details of each competitive bidding process will be laid out in the corresponding bid documents to be issued by the Department of Petroleum Resources.

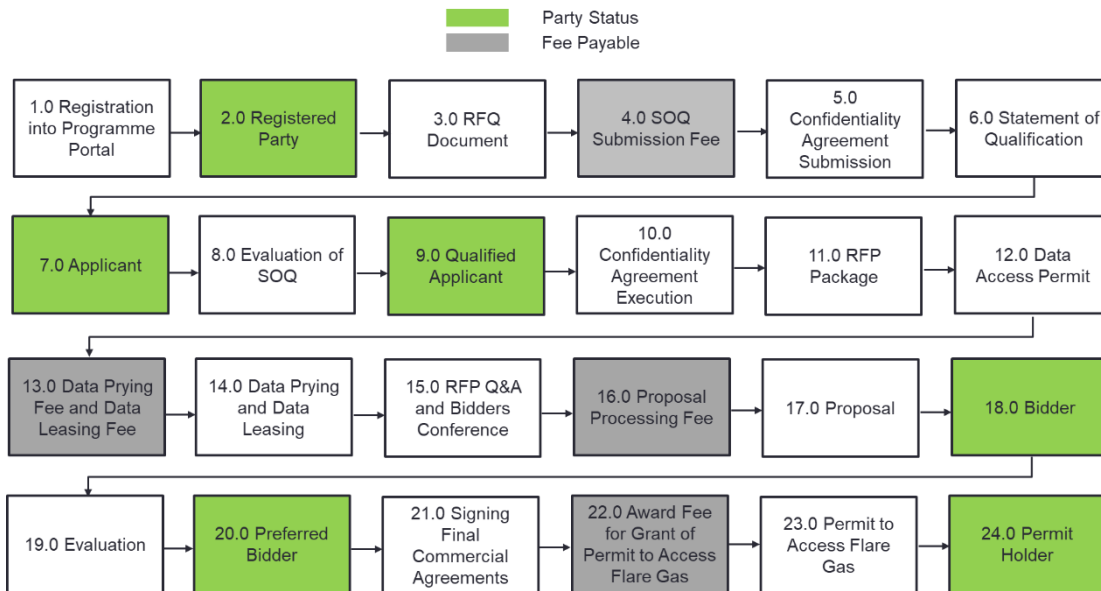



Figure 1: Bid Process

 <p>DEPARTMENT OF PETROLEUM RESOURCES ...Petroleum Regulatory Agency Of Nigeria DPR</p>	<p>Applicable to all Oil & Gas Operators</p>
<p>GUIDELINES FOR GRANT OF PERMIT TO ACCESS FLARE GAS</p>	<p>Code: DPR Guide 0007 - 2020 Revision Date: 1st August 2020</p>


2. PROCEDURE FOR THE GRANT OF PERMIT TO ACCESS FLARE GAS

2.1 Registration on the Programme Portal

Parties are invited to register on the Programme Portal at no cost, thereby becoming Registered Parties.

2.2 Request for Qualification (RFQ) Stage:

- a. Registered Parties shall be eligible to download the RFQ Package from the Programme Portal at no cost.
- b. Registered Parties, thereby becoming Applicants, will be required to submit a Statement of Qualification (SOQ) to demonstrate their capability to develop a Project by providing the information requested in the RFQ that includes the following:
 1. Mandatory Information:
 - i. SOQ Checklist Form
 - ii. Commitment Letter
 - iii. (if Applicant is a Consortium) Power of Attorney Form
 - iv. Confidentiality Agreement
 - v. Applicant Information Form
 - vi. (if Applicant is a Consortium) Consortium Letter
 2. Technical Qualifications Form

 <p>DEPARTMENT OF PETROLEUM RESOURCES ...Petroleum Regulatory Agency Of Nigeria DPR</p>	<p>Applicable to all Oil & Gas Operators</p>
<p>GUIDELINES FOR GRANT OF PERMIT TO ACCESS FLARE GAS</p>	<p>Code: DPR Guide 0007 - 2020 Revision Date: 1st August 2020</p>


3. Financial Qualifications Form
 4. (If Applicant is a Consortium) Legal Qualifications Form
 5. Evidence of Payment of the SOQ Submission Fee
 6. All other information as required in the corresponding RFQ
- c. Any entity or individual barred, amongst others, by the Economic and Financial Crimes Commission (EFCC), Independent Corrupt Practices and Other Related Offences Commission (ICPC), World Bank Debarred list and US Treasury Office of Foreign Assets Control shall not be eligible to participate in the bid process.

2.3 Qualification of Applicants

Each SOQ submitted, and for which a SOQ Submission Fee (see Schedule B) has been paid, both within the SOQ Submission Deadline, will be evaluated based on the criteria set out in the corresponding RFQ. Applicants whose SOQs meet the criteria will attain the Qualified Applicant status and will be so advised, and the list of the Qualified Applicants will also be published on the Programme Portal.

2.4 Grant of Data Access Permit


- a. Qualified Applicants invited to proceed to the RFP stage may apply for a Data Access Permit, and, following the Department of Petroleum Resources data access procedures and payment of the corresponding Data Prying Fee and Data Leasing Fee (if applicable) (see Schedule B), obtain access to relevant Flare Site Data from the Programme Portal.

	<p>Applicable to all Oil & Gas Operators</p>
<p>GUIDELINES FOR GRANT OF PERMIT TO ACCESS FLARE GAS</p>	<p>Code: DPR Guide 0007 - 2020 Revision Date: 1st August 2020</p>

- b. A Data Access Permit is required for a Qualified Applicant to access Flare Site Data in the Data Room. A holder of a Data Access Permit may, upon payment of the Data Prying Fee, pry all Flare Sites Data, and upon payment of a Data Leasing Fee per Flare Site, download Flare Site Data for Flare Sites selected by the holder of the Data Access Permit from amongst those specified in the Data Access Permit (see Schedule B – Applicable Fees).

2.5 Request for Proposal (RFP) Stage

- a. In response to the Request for Proposal, a Qualified Applicant may submit a Proposal, thereby becoming a Bidder, to take Flare Gas at designated Flare Site(s) on behalf of the Federal Government of Nigeria to commercialise the gas. The Proposal shall contain two separate envelopes:
 - i. Envelope 1 - Mandatory Information and Technical and Commercial Proposal;
 - ii. Envelope 2 - Financial Proposal
- b. A Bidder may make a Single Proposal or Multiple Proposals.
- c. The Technical and Commercial Proposal will contain the technical details, business case and all other underlying assumptions of the proposed Project(s). A separate Technical and Commercial Proposal is required for each Proposal. The business case does not require detailed engineering or detailed project costs.
- d. The Financial Proposal will contain the proposed Flare Gas Price (which is subject to the Flare Gas Floor Price), the Contracted Flare Gas Quantity the


 <p>DEPARTMENT OF PETROLEUM RESOURCES ...Petroleum Regulatory Agency Of Nigeria DPR</p>	<p>Applicable to all Oil & Gas Operators</p>
<p>GUIDELINES FOR GRANT OF PERMIT TO ACCESS FLARE GAS</p>	<p>Code: DPR Guide 0007 - 2020 Revision Date: 1st August 2020</p>

Bidder proposes to take through the prospective Gas Sales Agreement, and the Bidder’s proposed Take or Pay Quantity.

- e. Each Proposal must be accompanied by a Proposal Processing Fee (see Schedule B).
- f. A Bid Bond, as stipulated in Schedule C, must accompany the Proposal.


2.6 Proposals’ Evaluation and Selection of Preferred Bidder(s)

- a. The Mandatory Information for each Proposal will be examined by the Department of Petroleum Resources to determine that it is compliant with the RFP. Only those Proposals for which their Mandatory Information is adjudged compliant by the Department of Petroleum Resources will have their Technical and Commercial Proposal evaluated.
- b. The Technical and Commercial Proposal shall be evaluated based on pre-established criteria included in the RFP. Thereafter, only Bidders whose Technical and Commercial Proposals meet the evaluation criteria shall proceed to the Financial Proposal evaluation stage.
- c. Following the evaluation of the Financial Proposals, Preferred Bidder(s) will be selected based on the pre-established published criteria and methodology in the RFP to calculate the Total Take-or-Pay Net Present Value for each Proposal. The Preferred Bidders will be informed and their names will be posted on the Programme Portal.

 <p>DEPARTMENT OF PETROLEUM RESOURCES ...Petroleum Regulatory Agency Of Nigeria DPR</p>	<p>Applicable to all Oil & Gas Operators</p>
<p>GUIDELINES FOR GRANT OF PERMIT TO ACCESS FLARE GAS</p>	<p>Code: DPR Guide 0007 - 2020 Revision Date: 1st August 2020</p>

2.7 Conditions Precedent to the Issuance of the Permit to Access Flare Gas


- a. Following the selection process, a Preferred Bidder shall fulfil the following conditions precedent prior to the grant of the Permit by the Minister:
 1. Execution of a Milestone Development Agreement with the Federal Government of Nigeria, through which the Project(s) will be monitored and performance assured, within sixty (60) days of the date of award of Preferred Bidder status.
 2. Execution of a Gas Sales Agreement with the Federal Government of Nigeria within sixty (60) days of the date of the award of Preferred Bidder status.
 3. Execution of a Connection Agreement with the relevant Producer within sixty (60) days of the date of the award of Preferred Bidder status.
 4. If applicable, execution of the Deliver or Pay Agreement with the relevant Producer within sixty (60) days of the date of the award of Preferred Bidder status.
 5. Upon the execution of the Milestone Development Agreement, a Milestone Bond shall be posted to replace the Bid Bond. In the case of a Permit being granted for a Producer's Approved Flare Out Project, a Milestone shall be posted without replacement of a Bid Bond. The Milestone Bond will be in an amount as prescribed in table 2 of Schedule C.
 6. Payment of the prescribed Award Fee for Grant of Permit to Access Gas (refer to Schedule B) shall be made within sixty (60) days of the date of award of Preferred Bidder status.

 <p>DEPARTMENT OF PETROLEUM RESOURCES ...Petroleum Regulatory Agency Of Nigeria</p> <p>DPR</p>	<p>Applicable to all Oil & Gas Operators</p>
<p>GUIDELINES FOR GRANT OF PERMIT TO ACCESS FLARE GAS</p>	<p>Code: DPR Guide 0007 - 2020</p> <p>Revision Date: 1st August 2020</p>

7. Notwithstanding the above, a Preferred Bidder or a Producer Entity must be a Nigerian-registered company to be granted a Permit to Access Gas.
8. The Preferred Bidder may be granted access to the Flare Site or Sites by the Department of Petroleum Resources.
9. The Preferred Bidder's access to the Flare Site or Sites would be exercised in a manner that is in conformity with basic health, safety and environment protocols and access control procedures of the Producer.
 - b. In the event that a Preferred Bidder is unable to fulfil the above conditions, a revocation notice shall be issued by the Minister to the Preferred Bidder.
 - c. Consequent upon the revocation notice, if the Preferred Bidder has not fulfilled the conditions within thirty (30) days of the issuance of the revocation notice, the Preferred Bidder shall be deemed to have forfeited its Preferred Bidder status and its Bid Bond will be drawn on by the Federal Government of Nigeria.

2.8 Issuance of the Permit to Access Flare Gas


- a. Following the fulfilment of the conditions precedent stated in Section 2.7 of this Schedule A, a Permit to Access Flare Gas shall be granted to a Preferred Bidder within 14 days, and the Preferred Bidder shall become a Permit Holder.
- b. On the Commercial Operations Date, the Milestone Bond must be replaced with the Performance Bond, which shall be valid for the term of the Permit to Access Flare Gas.

	<p>Applicable to all Oil & Gas Operators</p>
<p>GUIDELINES FOR GRANT OF PERMIT TO ACCESS FLARE GAS</p>	<p>Code: DPR Guide 0007 - 2020 Revision Date: 1st August 2020</p>

Payable to a designated Federal Government of Nigeria account by a Preferred Bidder or a Producer Entity as a condition precedent to being granted a Permit. A Permit covers one or a set of Flare Sites contained within a Proposal for which Preferred Bidder status has been granted or Flare Site(s) that will supply natural gas for a Producer’s Approved Flare Out Project. The Award Fee for Grant of Permit to Access Flare Gas is based on a Project’s Take or Pay specified in the Gas Sales Agreement as set out below:

1,000 – 5,000 Mscf/d	US\$5,000
5,000 – 10,000 Mscf/d	US\$10,000
10,000 – 15,000 Mscf/d	US\$15,000
>15,000 Mscf/d	US\$20,000

- f. The Handling Fee payable by the Flare Gas Buyer to the Producer shall be based on the Contracted Flare Gas Quantity for each Flare Site and in accordance with the Connection Agreement. The applicable Handling Fee shall be computed as follows:
1. For a maximum capacity throughput per the Gas Sales Agreement of less than or equal to 10,000 Mscf/d, the annual Handling Fee will be calculated as a fixed monthly fee of US\$500 plus a monthly throughput capacity charge of US\$100 per MMscf/d.
 2. For a maximum capacity throughput per the Gas Sales Agreement of greater than 10,000 Mscf/d, the annual Handling Fee will be calculated as a fixed monthly fee of US\$500 plus a monthly throughput capacity charge of US\$80 per MMscf/d.

 <p>DEPARTMENT OF PETROLEUM RESOURCES ...Petroleum Regulatory Agency Of Nigeria DPR</p>	<p>Applicable to all Oil & Gas Operators</p>
<p>GUIDELINES FOR GRANT OF PERMIT TO ACCESS FLARE GAS</p>	<p>Code: DPR Guide 0007 - 2020 Revision Date: 1st August 2020</p>

- g. In the event that a Permit Holder elects to install a Chromatograph, applicable operations and maintenance fee shall be agreed between the Producer and the Permit Holder as provided for in the Connection Agreement.

SCHEDULE C - BONDS

1. Bid Bond
 - a. A Bid Bond must accompany each Proposal, and for each of Multiple Proposals if a Bidder is submitting more than one Proposal.
 - b. The Bid Bond shall remain valid for a period not less than six (6) months after the bid submission due date. In the event that a Bidder is not selected as the Preferred Bidder or Reserve Bidder, the Bid Bond will be returned to such Bidder. Once a Bid Bond has been returned to a Bidder, the Bidder ceases to be a participant in the bid process for which that Proposal had been submitted.
 - c. To retain its status as a Preferred Bidder, a Preferred Bidder shall ensure that its Bid Bond remain valid until he provides a Milestone Bond as specified in the Milestone Development Agreement. The Bid Bond will be returned once the Milestone Bond has been received.
 - d. The Bid Bond shall be a 1% of the estimated Project capital expenditures (capex) subject to a maximum of US\$1,000,000. The Project capex is calculated by multiplying the maximum proposed daily Contracted Flare Gas Quantity in Mscf/d by the unit capex in US\$/Mscf of the selected Flare Gas-to-Market Technology as specified in the table below.


 DEPARTMENT OF PETROLEUM RESOURCES <small>...Petroleum Regulatory Agency Of Nigeria</small> DPR	Applicable to all Oil & Gas Operators
GUIDELINES FOR GRANT OF PERMIT TO ACCESS FLARE GAS	Code: DPR Guide 0007 - 2020 Revision Date: 1st August 2020

Table 1: Bid Bond Table

Project Type	Power Generation	CNG	LNG	Methanol	Gas-to-Liquids	Pipeline	Other
A. Capex (US\$ per Mscf/d)	8,000	3,000	8,500	7,000	11,500	3,750	6,500
B. Bid Bond Percentage (%)	1%						
C. Maximum proposed daily Contracted Flare Gas Quantity (Mscf/d)	<i>Taken from Bidder's Proposal</i>						
D. Maximum Bid Bond amount (US\$)	1,000,000						
E. Bid Bond Amount (US\$)	E = Minimum (A*B*C, D) rounded to the nearest US\$5,000						

2. Milestone Bond

The Milestone Bond shall be 2% of the estimated Project capex subject to a maximum of US\$2,000,000. The Project capex is calculated by multiplying the maximum daily Contracted Flare Gas Quantity in Mscf/d by the unit capex in US\$ per Mscf/d of the selected Flare Gas-to-Market Technology as specified in the table below.

 <p>DEPARTMENT OF PETROLEUM RESOURCES ...Petroleum Regulatory Agency Of Nigeria DPR</p>	<p>Applicable to all Oil & Gas Operators</p>
<p>GUIDELINES FOR GRANT OF PERMIT TO ACCESS FLARE GAS</p>	<p>Code: DPR Guide 0007 - 2020 Revision Date: 1st August 2020</p>

Table 2: Milestone Bond Table

Project Type	Power Generation	CNG	LNG	Methanol	Gas-to-Liquids	Pipeline	Other
A. Capex (US\$ per Mscf/d)	8,000	3,000	8,500	7,000	11,500	3,750	6,500
B. Milestone Bond Percentage (%)	2%						
C. Maximum Daily Contracted Quantity (Mscf/d)	Taken from Gas Sales Agreement						
D. Maximum Bid Bond amount (US\$)	2,000,000						
E. Bid Bond Amount (US\$)	E = Minimum (A*B*C, D) rounded to the nearest US\$5000						

If the Contracted Flare Gas Quantity is used for more than one purpose, than the Bid Bond/Milestone Bond amount will be calculated based on the volume taken for each utilisation option (such as electricity generation, compressed natural gas, and liquefied natural gas).

3. Performance Bond


The Seller will require a Performance Bond from Flare Gas Buyer in advance to cover three (3) months' gas delivery payments for the Take-or-Pay Flare Gas Quantity per the

 <p>DEPARTMENT OF PETROLEUM RESOURCES ...Petroleum Regulatory Agency Of Nigeria</p> <p>DPR</p>	<p>Applicable to all Oil & Gas Operators</p>
<p>GUIDELINES FOR GRANT OF PERMIT TO ACCESS FLARE GAS</p>	<p>Code: DPR Guide 0007 - 2020</p> <p>Revision Date: 1st August 2020</p>


Gas Sales Agreement. This may be increased to six (6) months if a payment default occurs. The Federal Government of Nigeria reserves the right revoke the Permit of any defaulting Flare Gas Buyer in accordance with the provision of the Gas Sale Agreement.

GLOSSARY

Applicant	A Registered Party upon submission of its SOQ for a Third-Party Flare Gas Commercialisation Project or the Producer upon submission of its request through a Producer Entity for a Producer's Approved Flare Out Project
Associated Gas	Gas associated with Crude Oil or Condensate production
Auction	Competitive bid process conducted by the Federal Government of Nigeria to take Flare Gas on its behalf at any Flare Site as set forth in the Regulations
Award Fee for Grant of Permit to Access Flare Gas	A fee in an amount stated in the Guidelines for Grant of Permit to Access Flare Gas to be paid to the Department of Petroleum Resources by a Preferred Bidder or an Applicant for a Producer's Approved Flare Out Project to obtain the Permit to Access Flare Gas
Bid Bond	A bond posted by a Bidder and accompanying its Proposal in the RFP
Bidder	A Qualified Applicant that has presented a Proposal or Multiple Proposals in conformity with the requirements of the RFP, including payment of a Bid Bond for each Proposal
Buyer Gas Connection Assets	The natural gas pipeline used to transport Flare Gas from the Delivery Point at the perimeter of the Flare Site to the Project Facility and any other equipment, machinery or other property of any kind that are owned or leased by the Flare Gas Buyer to take delivery of Flare Gas under the Connection Agreement
Chromatograph	A gas chromatograph capable of measuring online gas compositions up to and including C7 and the main non-hydrocarbon constituents of the gas

 <p>DEPARTMENT OF PETROLEUM RESOURCES ...Petroleum Regulatory Agency Of Nigeria DPR</p>	<p>Applicable to all Oil & Gas Operators</p>
<p>GUIDELINES FOR GRANT OF PERMIT TO ACCESS FLARE GAS</p>	<p>Code: DPR Guide 0007 - 2020 Revision Date: 1st August 2020</p>


<p>Commercial Operations Date</p>	<p>Date upon which the Flare Gas Buyer declares start of commercial operations or the date upon which it starts delivering its Flare Gas-to-Market Product to its Off-Taker(s), whichever comes earlier</p>
<p>Condensate</p>	<p>A low-density, high-API gravity liquid hydrocarbon phase that generally occurs in association with natural gas</p>
<p>Confidentiality Agreement</p>	<p>Confidentiality agreement that is signed by Applicant and submitted in connection with an Applicant’s submission of its SOQ</p>
<p>Connection Agreement</p>	<p>An agreement, conforming substantially to the template appended to the RFP Document, which is entered into by and between a Producer and a Flare Gas Buyer with respect to the connection of the respective facilities of the Producer and the Flare Gas Buyer through the Gas Connection Assets</p>
<p>Consortium</p>	<p>A consortium comprising two or more parties, which jointly submit a SOQ as a single Applicant pursuant to and in accordance with the terms and conditions of the RFQ, or submit a Proposal as a single Bidder pursuant to and in accordance with the terms and conditions of the RFP</p>
<p>Contract Period</p>	<p>The term of the Gas Sales Agreement</p>
<p>Contract Year</p>	<p>Any period of twelve (12) months commencing from the Commercial Operations Date and subsequently from the 1st day after each 12-month period thereafter</p>
<p>Contracted Flare Gas Price</p>	<p>The price to be paid by the Flare Gas Buyer to the Seller for Contracted Flare Gas Quantity as specified in the Gas Sales Agreement</p>
<p>Contracted Flare Gas Quantity</p>	<p>The sum of Contracted Guaranteed Flare Gas and Contracted Non-Guaranteed Flare Gas. The sum of Contracted Flare Gas quantity cannot be greater than the sum of the Offered Guaranteed Flare Gas and the Offered Non-Guaranteed Flare Gas quantity.</p>
<p>Contracted Guaranteed Flare Gas</p>	<p>The Guaranteed Flare Gas quantity contracted by the Flare Gas Buyer under the Gas Sales Agreement which can be no greater than the volume of the Offered Guaranteed Flare Gas quantity, and for which Flare Gas Buyer has entered into a Deliver or Pay Agreement with the Producer</p>

 <p>DEPARTMENT OF PETROLEUM RESOURCES ...Petroleum Regulatory Agency Of Nigeria DPR</p>	<p>Applicable to all Oil & Gas Operators</p>
<p>GUIDELINES FOR GRANT OF PERMIT TO ACCESS FLARE GAS</p>	<p>Code: DPR Guide 0007 - 2020 Revision Date: 1st August 2020</p>


<p>Contracted Non-Guaranteed Flare Gas</p>	<p>The Non-Guaranteed Flare Gas quantity contracted by the Flare Gas Buyer under the Gas Sales Agreement. The Contracted Non-Guaranteed Flare Gas quantity cannot be greater than the difference between the Total Offered Flare Gas quantity and the Contracted Guaranteed Flare Gas quantity.</p>
<p>Crude Oil</p>	<p>Oil in its natural state before it has been refined or treated (excluding water and other foreign substances)</p>
<p>Data Access Permit</p>	<p>A permit granted by the Department of Petroleum Resources to a Qualified Applicant on a non-exclusive basis, which authorises the Qualified Applicant to access data from the Department of Petroleum Resources in respect of any Flare Site specified in the Data Access Permit</p>
<p>Data Leasing Fee</p>	<p>Fee paid by a Qualified Applicant to the Department of Petroleum Resources for the purpose of leasing Flare Site Data</p>
<p>Data Prying Fee</p>	<p>Fee paid by a Qualified Applicant to the Department of Petroleum Resources for the purpose of prying Flare Site Data</p>
<p>Data Room</p>	<p>The virtual data room in the DPR which houses the Flare Site Data, the RFP Document and the RFP supporting materials</p>
<p>Deliver or Pay Agreement</p>	<p>An agreement that the Producer may sign with the Flare Gas Buyer under which the Producer guarantees to supply an agreed quantity of Flare Gas to the Flare Gas Buyer</p>
<p>Delivery Point</p>	<p>Point within the Metering Station at which the title to the Flare Gas passes from the Seller to the Flare Gas Buyer</p>
<p>Department of Petroleum Resources</p>	<p>The Department of Petroleum Resources of the Federal Ministry of Petroleum Resources, or any successor entity that has statutory responsibility for ensuring compliance with petroleum laws, regulations and guidelines related to the oil and gas industry in Nigeria</p>
<p>Excess Flare Gas</p>	<p>Any Flare Gas quantity available for purchase by the Flare Gas Buyer that is in excess of the amount of the Contracted Flare Gas Quantities</p>
<p>Final Commercial Agreements</p>	<p>The final form of the Commercial Agreements, issued to Preferred Bidders and for signature as Flare Gas Buyers, which follow the clarification process with Preferred Bidders and which the Preferred</p>

	<p>Applicable to all Oil & Gas Operators</p>
<p>GUIDELINES FOR GRANT OF PERMIT TO ACCESS FLARE GAS</p>	<p>Code: DPR Guide 0007 - 2020 Revision Date: 1st August 2020</p>


	<p>Bidder may accept or otherwise be modified to reflect any of the amendments/exceptions proposed by Preferred Bidders and Reserve Bidders in their Proposals</p>
<p>Flare Gas</p>	<p>Any natural gas produced in association with Crude Oil and/or Condensate by a Producer and finally diverted toward a Flare Site by the Producer with the intent of flaring the natural gas so diverted, including any such natural gas from a Greenfield Project</p>
<p>Flare Gas Buyer</p>	<p>The entity which, after having executed the Final Commercial Agreements and having been granted the Permit to Access Flare Gas, will purchase Flare Gas from the Seller through the Gas Sales Agreement</p>
<p>Flare Gas Connection Point</p>	<p>The point where the Gas Connection Assets tie into the facilities of the Producer</p>
<p>Flare Gas Floor Price</p>	<p>The minimum price of US\$0.25/Mscf required to be paid by the Flare Gas Buyer to the Seller for Flare Gas delivered at the Delivery Point</p>
<p>Flare Gas Forecast Quantities</p>	<p>Flare Gas volumes forecast on an annual basis provided by the Producer and validated by the Department of Petroleum Resources. These Flare Gas quantities are reserved for competitive bid processes conducted by the Federal Government of Nigeria to take Flare Gas at any Flare Site on behalf of the Federal Government of Nigeria</p>
<p>Flare Gas Header</p>	<p>The gas facility or facilities within the Producer’s existing infrastructure from where Associated Gas is directed to the Flare Stack (Flare Gas Connection Point may or may not be at the Flare Gas Header)</p>
<p>Flare Gas (Prevention of Waste and Pollution) Regulations 2018</p>	<p>The Regulations by this name that were signed into effect on the 5th of July 2018, also referred to as the Regulations in the Guidelines</p>
<p>Flare Gas Price</p>	<p>The price of a unit of Flare Gas in US\$/Mscf, which shall either be the Contracted Flare Gas Price or the Excess Flare Gas Price, as applicable</p>
<p>Flare Gas-to-Market Product</p>	<p>A product delivered by the Project to an Off-Taker after having been processed and/or transported by the Flare Gas-to-Market Technology</p>

	<p>Applicable to all Oil & Gas Operators</p>
<p>GUIDELINES FOR GRANT OF PERMIT TO ACCESS FLARE GAS</p>	<p>Code: DPR Guide 0007 - 2020 Revision Date: 1st August 2020</p>


Flare Gas-to-Market Technology	A technology that will convert Flare Gas into a Flare Gas-to-Market Product or infrastructure that will transport Flare Gas to market
Flare Site	As defined in the Regulations, location where natural gas produced in association with Crude Oil and/or Condensate is flared, commencing at a Flare Gas Header and going to the point of the flare within an Oil Mining Lease or Marginal Field area or within an oil terminal or refinery. A Producer may consolidate operations for more than one production area into one or more Flare Sites. Flare Stacks connected to different Flare Gas Headers are considered to be separate Flare Sites.
Flare Site Data	The data, including Flare Gas Data and Flare Gas Forecast Quantities, for specified Flare Sites that Producers and Processing Facility operators provide to the Department of Petroleum Resources for its review and validation
Flare Stack	Gas combustion device used at the Flare Site or at the Project to burn Flare Gas
Gas Connection Assets	Assets that include: (a) Buyer Gas Connection Assets; and (b) Producer Gas Connection Assets;
Gas Sales Agreement	An agreement, conforming substantially to the template appended to the RFP Document, whereby Flare Gas is sold by the Seller to the Flare Gas Buyer
Greenfield Project	Any project to develop new oil or natural gas production from an Oil Mining Lease or Marginal Field after the effective date of the Flare Gas (Prevention of Pollution and Waste) Regulations, 2018
Guaranteed Flare Gas	Flare Gas for which a Producer guarantees volume and composition range
Handling Fee	A fee paid by the Flare Gas Buyer to the Producer under the Connection Agreement to cover the operating and maintenance costs of the Producer Gas Connection Assets
Mandatory Information	The part of the SOQ and the Proposal that contains the mandatory information requested of an Applicant and Qualified Applicant

 <p>DEPARTMENT OF PETROLEUM RESOURCES ...Petroleum Regulatory Agency Of Nigeria DPR</p>	<p>Applicable to all Oil & Gas Operators</p>
<p>GUIDELINES FOR GRANT OF PERMIT TO ACCESS FLARE GAS</p>	<p>Code: DPR Guide 0007 - 2020 Revision Date: 1st August 2020</p>

	<p>respectively, the format for which is outlined in the RFQ and RFP respectively</p>
<p>Metering Station</p>	<p>A gas measuring, control and registering station funded, designed, equipped and built according to industry standards by the Flare Gas Buyer. This station incorporates the Delivery Point and is located within the Producer's property at the perimeter of the Flare Site and forms part of the Producer Connection Assets. This station should register, amongst others, the following parameters:</p> <ul style="list-style-type: none"> • Pressure • Temperature • Flow
<p>Milestone Bond</p>	<p>A performance bond posted by the Flare Gas Buyer as defined in the Milestone Development Agreement</p>
<p>Milestone Development Agreement</p>	<p>Agreement signed between Seller and the Flare Gas Buyer or the Producer Entity (in case of a Producer's Approved Flare Out Project) by means of which the Flare Gas Buyer or the Producer Entity (as applicable) commits to the development of the Project according to agreed milestones</p>
<p>Minister</p>	<p>The Minister of Petroleum Resources</p>
<p>Multiple Proposals</p>	<p>Separate Proposals, whether the same technically or otherwise, for different Flare Sites or different sets of Flares Sites, where each separate Proposal is to be considered on its own merits and one, or any combination of more than one, or all, may be awarded Preferred Bidder status</p>
<p>MMscf/d</p>	<p>Million (thousand thousand) cubic feet per day</p>
<p>Mscf/d</p>	<p>Thousand standard cubic feet per day</p>
<p>Non-Guaranteed Flare Gas</p>	<p>Flare Gas for which the Producer does not provide guarantees to the Flare Gas Buyer with regards to supply quantity or composition</p>

	<p>Applicable to all Oil & Gas Operators</p>
<p>GUIDELINES FOR GRANT OF PERMIT TO ACCESS FLARE GAS</p>	<p>Code: DPR Guide 0007 - 2020 Revision Date: 1st August 2020</p>


Offered Guaranteed Flare Gas	Guaranteed Flare Gas quantity offered by the Producer which together with the Offered Non-Guaranteed Flare Gas volumes cannot be greater than the Flare Gas Forecast Quantity
Offered Non-Guaranteed Flare Gas	Non-Guaranteed Flare Gas quantity offered by the Producer which together with the Offered Guaranteed Flare Gas cannot be greater than the Flare Gas Forecast Quantity
Off-Taker	Entity that receives or purchases the Flare Gas-to-Market Product from a Permit Holder
Oil Field	A geographic area under which an oil reservoir lies, and/or a tract of land used for extracting petroleum, otherwise known as Crude Oil, from the ground
Performance Bond	A payment security lodged by a Flare Gas Buyer as an obligation under the Gas Sales Agreement
Permit	Permit to Access Flare Gas
Permit Holder	A company that has, pursuant to the Regulations, been granted a Permit to Access Flare Gas by the Minister
Permit to Access Flare Gas	As defined in the Regulations, a permit granted to a Permit Holder by the Minister to take Flare Gas at a Flare Site or a set of Flare Sites on behalf of the Federal Government of Nigeria. This permit can be granted to either a Producer Entity carrying out a Producer's Approved Flare Out Project or to a Preferred Bidder as part of a competitive bid process under a Programme conducted by the Federal Government of Nigeria.
Preferred Bidder	The status given to a Bidder whose Proposal for one or more Flare Site(s) is one of the Proposals that make up the highest-ranking Proposals
Producer	A holder of Oil Mining Lease or allottee of a Marginal Field or a contractor under a Production Sharing Contract
Producer Entity	A midstream subsidiary corporate entity either existing or to be incorporated in Nigeria that is not a Producer which, pursuant to the procedures set out in the Flare Gas (Prevention of Waste and Pollution)

	<p>Applicable to all Oil & Gas Operators</p>
<p>GUIDELINES FOR GRANT OF PERMIT TO ACCESS FLARE GAS</p>	<p>Code: DPR Guide 0007 - 2020 Revision Date: 1st August 2020</p>


	<p>Regulations, 2018, and its associated Guidelines, may become a Flare Gas Buyer</p>
<p>Producer Gas Connection Assets</p>	<p>The pipeline, equipment, machinery, and other assets or facilities including the Measuring Station designed, funded and built by the Permit Holder and used to transport Flare Gas from the Flare Gas Connection Point to the Delivery Point under the Connection Agreement. Title, care and custody of these assets are transferred by the Permit Holder to the Producer on the Commercial Operations Date.</p>
<p>Producer’s Approved Flare Out Project</p>	<p>As defined in the Regulations, a Flare Gas Commercialisation project intended to be developed by a Producer that is not already operating commercially and that meets the following criteria as validated and approved by the Department of Petroleum Resources:</p> <ol style="list-style-type: none"> i. received all required permits / licenses necessary for its operation; ii. executed all material commercial agreements necessary for the implementation of the project; iii. achieved financial closing; iv. has demonstrated the viability of achieving commercial operations by no later than 1 January 2020; and v. the Producer has provided a financial guarantee to the Federal Government of Nigeria to underpin its commitment to milestones for the implementation of the Project
<p>Programme</p>	<p>The Nigerian Gas Flare Commercialisation Programme or any other programme to take Flare Gas at any Flare Site on behalf of the Federal Government of Nigeria through a competitive bid process and/or through authorisation of Producers’ Approved Flare Out Projects.</p>
<p>Programme Portal</p>	<p>The website hosted by the Department of Petroleum Resources on which all Programme data is published and through which, among other things, Registered Parties, Applicants, Qualified Applicants and Bidders communicate about the Programme, access the RFQ and the RFP Package and pay any fees related to the Programme</p>
<p>Project</p>	<p>A technically and commercially viable and sustainable Flare Gas utilisation project developed by the Flare Gas Buyer either as a Third</p>

	<p>Applicable to all Oil & Gas Operators</p>
<p>GUIDELINES FOR GRANT OF PERMIT TO ACCESS FLARE GAS</p>	<p>Code: DPR Guide 0007 - 2020 Revision Date: 1st August 2020</p>

	<p>Party Flare Commercialisation Project or a Producer’s Approved Flare Out Project</p>
<p>Project Facility</p>	<p>The facilities used in the Project, including the surrounding facilities and property, at which a Flare Gas Buyer takes Flare Gas as fuel and/or feedstock and which produce and/or transport a Flare Gas-to-Market Product</p>
<p>Proposal</p>	<p>The combination of Technical, Commercial and Financial Proposal(s) for a single (Single Proposal) or multiple Flare Sites (Multiple Proposal) to take and commercialise Flare Gas on behalf of the Federal Government of Nigeria at any Flare Site</p>
<p>Qualified Applicant</p>	<p>An Applicant that passes the compliance, technical, financial and other evaluation criteria laid out in the RFQ</p>
<p>Registered Party</p>	<p>A company or a Consortium that has registered into the Programme</p>
<p>Regulations</p>	<p>Flare Gas (Prevention of Waste and Pollution) Regulations, 2018</p>
<p>Reserve Bidder</p>	<p>The status that may be given to a Bidder whose Proposal is next highest in rank to one of the Proposals that make up the highest-ranking Proposals</p>
<p>Request for Proposal (RFP)</p>	<p>Request for proposal under the Programme</p>
<p>RFP Document</p>	<p>The document available to Qualified Applicants through the Programme Portal as part of the RFP process of the Programme</p>
<p>RFP Package</p>	<p>The RFP Document, RFP supporting materials, and the Flare Site Data</p>
<p>RFQ</p>	<p>Request for Qualification and the Programme Information Memorandum being issued simultaneously by the Federal Government of Nigeria.</p>
<p>Seller</p>	<p>An entity owned and nominated by the Federal Government of Nigeria as the Seller of the Flare Gas to the Flare Gas Buyer</p>
<p>Single Proposal</p>	<p>A single Proposal for one Flare Site or a set of Flare Sites</p>

 <p>DEPARTMENT OF PETROLEUM RESOURCES ...Petroleum Regulatory Agency Of Nigeria DPR</p>	<p>Applicable to all Oil & Gas Operators</p>
<p>GUIDELINES FOR GRANT OF PERMIT TO ACCESS FLARE GAS</p>	<p>Code: DPR Guide 0007 - 2020 Revision Date: 1st August 2020</p>

<p>SOQ Submission Fee</p>	<p>A fee in an amount stated in the Guidelines for Grant of Permit to Access Flare Gas to be paid through the Programme Portal in conjunction with the SOQ of an Applicant</p>
<p>Statement of Qualification (SOQ)</p>	<p>A documentary submission, in line with the RFQ requirements, by an Applicant and submitted as part of the RFQ process</p>
<p>Take or Pay Quantity</p>	<p>The quantity of Flare Gas for each Contract Year during the Contract Period and from each Flare Site all as specified in its Gas Sales Agreement that a Flare Gas Buyer agrees to take or pay for</p>
<p>Technical and Commercial Proposal</p>	<p>Proposal that will contain the technical details, business case and all other underlying assumptions of the proposed Project(s)</p>
<p>Third Party Flare Gas Commercialisation Project</p>	<p>A Project awarded under any Programme Auction</p>
<p>Total Offered Flare Gas</p>	<p>For any Year, the sum of Offered Guaranteed Flare Gas and Offered Non-Guaranteed Flare Gas and is equal to the Flare Gas Forecast Quantity</p>
<p>Total Take-or-Pay Net Present Value</p>	<p>The sum of the net present values, at a discount rate stated in the RFP Document, over the Contract Period of the Take or Pay Quantity per Contract Year using (1) the Flare Gas Price offered by the Bidder for each Contract Year and (2) the unit value of the emissions credit for each Contract Year set by the Department of Petroleum Resources</p>

<p>Approved by</p>		
<p>Engr. Sarki Auwalu, MNSE (Director/CEO, Department of Petroleum Resources)</p>		
	<p>Date</p>	<p>1st August 2020</p>