

## **NOCAL BID ROUND EXPLAINED**

All informed Liberians would agree that the year 2014 has been one of our most challenging years. What with the dreadful Ebola virus killing our people, damaging our sense of security, and devastating our economy.

Just prior to the onslaught of the Ebola virus disease, our economy was being affected adversely by various factors including significant drops in prices of our key exports - rubber and iron ore. The impact was evident at the end of the first quarter of calendar year 2014. Economic growth was being seriously challenged and Government faced prospects of significant financial deficits due to the consequential shortfalls in revenue collection.

To help address these financial difficulties, the Executive and Legislative branches agreed to proceed with a bid round designed to lease four available oil blocks, and tasked the National Oil Company of Liberia (NOCAL) with planning and executing the bid round. NOCAL was instructed to ensure that the bid round should be conducted quickly and within a short timeframe, and that **the process be competitive, transparent, and consistent with international best practices.**

The bid round had two key objectives: (i) seek to maximize signature bonuses that would assist in addressing the Nation's present financial challenge; and (ii) through exploration for hydrocarbons, increase Liberia's prospects for commercial oil discovery and development by opening some vacant and vacated acreage for development in the Liberia Basin.

With those objectives and guidelines, NOCAL was instructed to proceed after briefing both Houses of the Legislature, and after obtaining the concurrence to proceed.

Liberia Basin Bid Round 2014 planning then commenced in June 2014, with key partner TGS Nopec (TGS), the international firm that has worked with NOCAL for many years in collecting seismic data on Liberia's acreage. The international auditing and consulting firm Ernst & Young (EY) was hired, after a competitive process, to provide independent oversight and to ensure the process conformed to international industry standards.

In addition to EY, the International Monetary Fund (IMF) was consulted for professional advisory assistance on the financial model and fiscal terms. International legal and commercial experts were hired to advise and develop the bid invitation letter, prequalification submission forms, and a Production Sharing Contract (PSC) modeled on that used last year for LB-13 with ExxonMobil, but with more favorable conditions on Liberian-citizen participation, local content, and State benefits.

With core elements in place, and with the requisite approvals, NOCAL announced and opened the Liberia Basin 2014 competitive bid round for four undrilled offshore petroleum exploration Blocks (LB-6, LB-7, LB-16 and LB-17) on August 5, 2014. Press releases announcing the bid round were issued by TGS and NOCAL, and the bid round website went live.

## **BID ROUND STRUCTURE AND PROCESS**

- Consistent with instructions, the bid round was designed to be transparent, competitive, achieve maximum benefit for Liberia, and be in accordance with international best practices.
- Qualified bidders were evaluated on one biddable item: a Signature Bonus, and were expected to submit bids that were in conformity with the published form of the PSC. (Copy of the Bid Round Invitation Letter is available on NOCAL's website).
- The bid round also offered an innovative local content opportunity for Liberian-citizen owned companies aspiring to operate in the oil sector. A local content feature provided for a signature bonus evaluation uplift of 20% for bids that included Liberian companies. In sum, if a bidder included a Liberian-citizen owned company either directly or indirectly (through an ECOWAS company) that ultimately holds a 5% interest in the PSC, that bidder received a 20% "uplift" on its signature bonus evaluation for the bid. To illustrate, a \$30 million dollar bid would become \$36 million for purposes of bid ranking if it included a Liberian company holding 5% of the contract. (Forms required of all category of bidders are also posted on the NOCAL website.)
- TGS advised NOCAL on the structuring of the new bid round, assisted NOCAL with marketing and promotion of the bid round to prospective bidders, and will supply winning bidders (under the appropriate licensing agreements) with available seismic data for the four blocks on offer.
- EY provided the following services to NOCAL (i) advice on the structuring of the bid round, (ii) assistance with the development of the fiscal model used to create competitive PSC fiscal terms, (iii) received, reviewed, and made recommendations to NOCAL with respect to pre-qualification submissions from prospective bidders; (iv) received the bids, opened the bids in the presence of TGS and NOCAL; (v) undertook evaluation of the quantitative and qualitative elements of the bids received, and made recommendations. (Copy of the EY Pre-qualification summary checklist is available).

As the bid process stands now, the Executive has submitted to the Legislature for ratification a Production Sharing Contract for the first block, **LB-16**. The Contractor for LB-16 comprises Liberty Petroleum Corporation, an international oil company from the United States of America; Pillar Oil Limited, an oil exploration and production company from the Federal Republic of Nigeria; and New Millennium Corporation, an entity owned by some private Liberian-citizens. This award was recommended by EY based on its evaluation of bid received. NOCAL and the Hydrocarbon Technical Committee have assented to the recommendation and in keeping with law the PSC has been duly signed by required representatives of the Executive.

Based on the criteria set, the signature bonus offer, from Liberty Petroleum and their partners, of United States Ten Million Five Hundred Thousand (US\$10,500,000.00) Dollars was the highest bid received for Block LB-16. With the additional funds due and payable for the acquisition of seismic data for LB-16, at United States Eleven Million Five Hundred Thousand (US\$11,500,000.00) Dollars, the total amount to be received from the transaction for LB-16 United States is Twenty-Two Million (**US\$22,000,000.00**) Dollars.

This first PSC from the Liberia Basin 2014 Bid Round, which has been submitted for Legislative ratification, enables the generation of needed revenue for the State, sets a precedent for Liberian citizens to participate actively in this sector of our economy, and, amidst the challenging global oil market conditions, places Liberia once again in the forefront of active frontier countries for oil exploration.

The evaluation process, by the Government and EY, to determine the most suitable party with whom the State, through NOCAL, should contract for the other blocks put out for the Liberia Basin 2014 Bid Round continues. With the advent of Liberian participation in Block LB-16, it is expected that other Liberian-owned businesses will get the opportunity to participate with other international oil companies to obtain interests in other oil blocks.

The Government, NOCAL and relevant partners are working expeditiously to conclude the task of assessment for the other blocks, as its outcome will guide the next steps in the process.

It is the expectation that in the national interest, the Legislature will ratify the PSC for Block LB-16, and consistent with our understanding, pass the new Exploration and Production Petroleum Law together with the revised NOCAL Bill.

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