



# **NCDMB Hydrocarbon Value-chain Investment Process (HY-VIP)**

HANDBOOK FOR PROJECT PROMOTERS SEEKING PARTNERSHIP WITH THE  
BOARD ON INVESTMENT IN HYDROCARBON VALUE-CHAIN PROJECTS/FACILITIES



## Driving DEVELOPMENT in NCDMB Mandate

Putting in place an environment conducive for investors to thrive is one of the Board's key mandates. The developmental challenges we are currently experiencing as a country are opportunities for investors to be innovative in their approach and for the Board to be more supportive of investors who see challenges as opportunities.

Based on the approvals secured by the Board, the Commercial Ventures Division has been set up to manage the review of investment partnership proposals sent to the Board. While some of the proposals so far received fall short of expectations, others are not sure of the key steps required to approach the Board for partnership in the projects they are promoting.

In line with the Board's avowed commitment to provide clarity in its business operations, it has developed the Hydrocarbon Investment Value-Chain Process (HY-VIP) meant to provide a structured approach in the review of partnership proposals.

HY-VIP ensures a quick turnaround of document reviews and approvals. When investors come prepared

to commence the process of establishing a facility for hydrocarbon processing, they can be rest assured that they will receive timely and sound feedback on the support that they require.

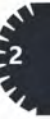
This document, therefore, is aimed at helping investors have an insight into the process required to fully participate in the in-country value addition to our hydrocarbon resources. The investors are in turn required to fine-tune their internal processes to align with the steps outlined in the HY-VIP for the attainment of their business goals. A section for 'Frequently Asked Questions' (FAQs) is also provided to provide additional clarity to project promoters and investors.

Support from the Board towards the establishment of modular refineries and delivering gas to business and homes is part of the long-term objectives encapsulated in our 10-year Strategic Roadmap. The highpoint of this objective is the attainment of 70 percent local content in the oil and gas industry, thereby domiciling a greater percentage of the US\$20 billion annual industry spend in-country. Achieving this strategic objective will create jobs and wealth for the country and her citizens, which is the vision of His Excellency, President Muhammadu Buhari.

I enjoin you to be bold and ambitious in seizing the vast opportunities inherent in the country's hydrocarbon value chain. Rest assured that you will receive the support of the Board in meeting your business goals.

Engr. Simbi Kesiye Wabote, FNSE  
Executive Secretary  
Nigerian Content Development and Monitoring Board

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## BACKGROUND

# Hydrocarbon Value-Chain Investment Process (HY-VIP) Silver lining in Nigeria's oil and gas industry

### 1.0 OVERVIEW

The NCDMB Governing Council gave approval to the Board to implement its 10-year Strategic Roadmap with mandate to look into taking up active role in commercial ventures to further enhance realization of the Board's target value retention in-country. The Board subsequently created the Commercial Ventures Division to midwife such opportunities aimed at intervening profitably in the Nigerian Hydrocarbon value-chain. The Hydrocarbon Value-Chain Investment Process (HYVIP) has been developed to manage the multi-staged procedure required to secure approval for selected interventions.

### 2.0 BACKGROUND

- 2.1 Section 70(c) of the Nigerian Oil & Gas Industry Content Development (NOGICD) Act of 2010 requires the NCDMB to supervise, administer, monitor and manage the development of Nigerian content in the Nigerian oil and gas industry
- 2.2 Section 104(1) of the NOGICD Act of 2010 establishes the NCDF for the purpose of funding the implementation of Nigerian content development in the Nigerian oil and gas industry.
- 2.3 Section 104(3) further vests the authority to manage the Fund on NCDMB and requires it to be employed for projects, programs and activities directed at increasing Nigerian content in the oil and gas industry.
- 2.4 Pursuant to the need to actualize its mandates as prescribed in the NOGICD Act, the Board developed a **10-year Strategic Roadmap** aimed at increasing the level of Nigerian Content in oil and gas activities from the current level to 70% by the year 2027 as presented and approved by NCDMB Governing Council in December 2017.
- 2.5 In line with this, the Board has elect to intervene profitably in the Nigerian hydrocarbon values chain using its Commercial Ventures Division and support the funding of projects and activities directed at increasing in-country processing and utilization of hydrocarbon resources while at the same time growing the Fund for further value adding impact.
- 2.6 The Hydrocarbon Value-Chain Investment Process (HYVIP) has been developed to manage the multi-staged procedure required to secure approval for selected interventions.

## HC Value-Chain Opportunities



### 3.0 KEY FEATURES OF HYVIP

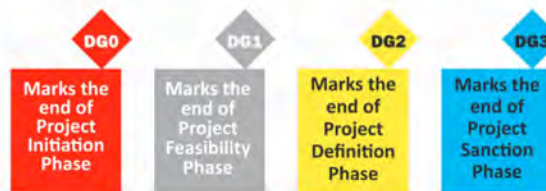
HY-VIP is defined as the Board's decision-driven framework used to progressively determine the type and scale of interventions in the Hydrocarbon value-chain. It has five defined phases, each punctuated by a Decision Gate, at which the Decision Executive, supported by members of the Committee/Council decides whether to **stop, hold, recycle or proceed**. Each phase has clear decisions, deliverables and decision requirements to guide project promoters and sponsors.

HYVIP provides common language and terminology for use in the Board and it defines the Governance models at the different phases and Decision Gates.

#### 3.1 Definition of Terms

##### 3.1.1 Decision Gates

The end of a phase at which the Decision Executive supported by other members decides whether to **stop, hold, recycle or proceed**.

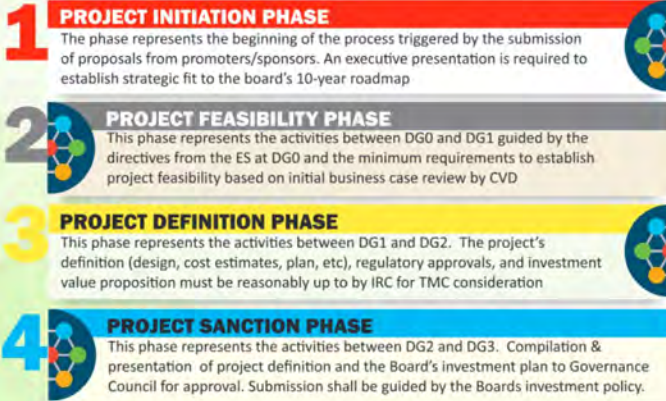




### 3.1.2 Project Phases

These are the periods in the project maturation during which the scope, duration, cost, and other key attributes required for project implantation are established with increasing level of certainty and accuracy.

The Project Initiation Phase is the entry point for project promoters in which an executive presentation is made to the Executive Secretary covering the key attributes of the project such as: Technical, Economic, Commercial, Organizational, Regulatory, Execution, and others. The specifics of the nature of partnership required from the Board and the value proposition to the Board must be apparent during the presentation to enable ES make a decision at DG0.



### 3.2 Key Roles and Governance

In driving the implementation of the new process, there are key roles played by individuals and group of people in ensuring that adequate governance is deployed over the projects/proposals and quality decisions are taken. These individuals/groups are as described below.

#### 3.2.1 Decision Executive (DE)

The Decision Executive chairs the review committee/council and has single point accountability for the quality of the decisions. The Executive Secretary is the DE at the Project Initiation phase.

#### 3.2.2 Business Opportunity Manager (BOM)

Business Opportunity Manager (BOM) is responsible for articulating and projecting the Business case. The role of BOM shall reside in the NCDMB Commercial Ventures Division (CVD).

### 3.2.3 Investment Review Committee (IRC)

Investment Review Committee responsible for evaluation of all the deliverables in the project feasibility stage. IRC is headed by DFPM as the Decision Executive (DE) and is accountable for DG1.

### 3.2.4 Top Management Committee (TMC)

Top Management Committee (TMC) responsible for evaluation of all the deliverables in the project definition phase. TMC is headed by the Executive Secretary as the Decision Executive (DE) supported by members of the TMC and is accountable for DG2 decisions.

### 3.2.5 Governing Council

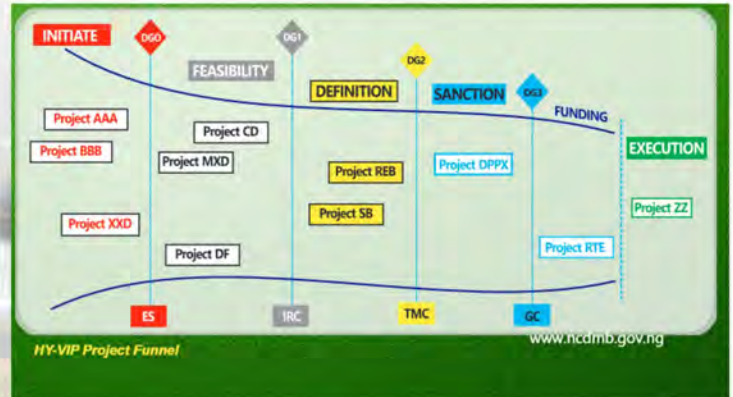
Governing Council responsible for approval of all the deliverables in the project sanctioning phase. GC is headed by HMS as the Decision Executive (DE) and is accountable for DG3 similar to Final Investment Decision.

### 3.3 Scope of Application

The Commercial Ventures Division of NCDMB is set up to drive partnerships in projects in which the Board has decided to intervene profitably. The HYVIP process will be applied largely to projects in the hydrocarbon value chain which the Board intends to invest in for profitability. Examples of these include modular refineries, manufacturing of LPG cylinders and accessories, LPG storage terminals, mini-LNG plants, gas processing plants, lube blending plants, and other manufacturing, infrastructure, or innovation/research start-ups that are profitable and have strategic fit into the Board's 10-year Strategic Roadmap.

### 3.4 HY-VIP Project Funnel

The HY-VIP Project Funnel is used to provide an overview of the status of the projects/partnerships under consideration by the Board. A template of the funnel is shown below.





# HY-VIP Checklist



## EXECUTIVE PRESENTATION OF PROPOSAL TO ES

- Business case
- Org Set-up and ownership
- Support Required
- Value proposition
- Strategic Fit (10-year Roadmap)

**Executive Secretary**



- Project Description/Scope • Block diagram/Layout Diagram • Location Map • FEED package (if any)
- L2/L3 cost estimate – breakdown • Financial appraisal summary and financial model (annualized in excel - USD & NGN version) • Project Execution strategy/plan • EPC Agreements • Local Content scope • L2 project schedule (inclusive of financial close elements) • Copy of regulatory permits/consents/agreements secured • Land C of O/Agreement • Copy of Certificate of Incorporation • Risk Assessment Register • Funding Structure: Debt/Equity/Project finance, etc. • Evidence of investors funding commitments and their equity stake where applicable • Copy of 3<sup>rd</sup> Party Agreement(s) – Products off-take, project finance, etc. • Operations Philosophy
- Investment request and equity offering to NCDMB • Any other info in support of your proposal

**Investment Review Committee (IRC)**



- Basic Design Engineering Package/FEED • 3<sup>rd</sup> Party Offtake Agreements
- L3 Cost Estimate • L3 Schedule • Project Execution Plan
- NC Plan • Regulatory Approvals (EIA, LTE, ATC, etc)
- Risk Assessment (updated) • Line of sight to financial construct (debt/equity) • Business Model • 3<sup>rd</sup> Party Agreement(s)

**Top Management Committee (TMC)**



Compilation of final Project attributes and appraisals for GC consideration and approval:

- Technical Details • Financial Appraisal • Market Analysis
- Risk Analysis • Project Schedule • Project Development
- NC Plan • Regulatory Approvals • Business Operations Model
- Offtake Agreement(s) • Investment proposition

**Governing Council (GC)**



## FUNDS RELEASE BASED ON APPROVED TRANCHES

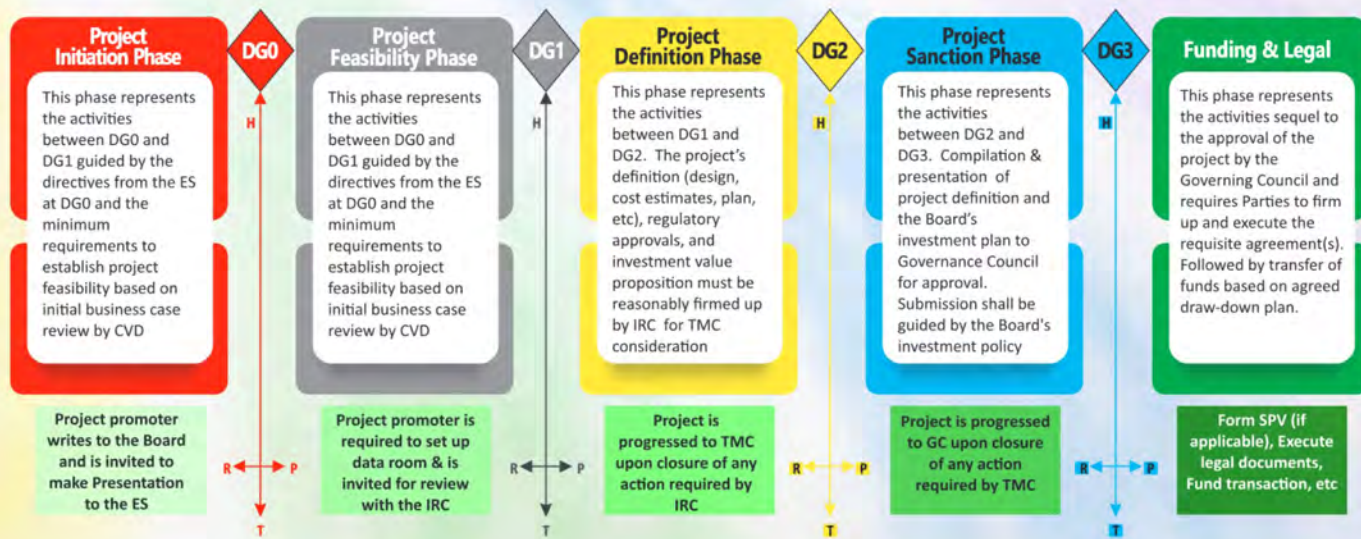
- Set-up of SPV
- Shares purchase Agreement
- Accounts opening
- CBN Paper-works
- Funds Remittance

**Finance & Legal**



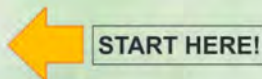


# HY-VIP Process Sequence



## THE FIRST STEP:

Project promoter completes the technical analysis, concept designs, business case, schedule, funding structure, risk mitigation, value proposition, support required, costing, etc



START HERE!

## KEY:

H – Hold  
R – Recycle  
P – Proceed  
T – Terminate



# NCDMB HYVIP FAQs

## **Q1: What is the method of application for the partnership?**

**A:** The first step is that the project promoter completes the technical analysis, concept designs, business case, schedule, funding structure, risk mitigation, value proposition, support required, costing, etc for the project of interest before approaching the Board. This pre-work should be compiled and send to the Board with a cover letter stating the project highlights, the nature of the partnership required from the Board and the value proposition. The submission would then be reviewed and subjected to the HYVIP Process.

## **Q2: Does the application have to be through BOI?**

**A:** Loan applications through the Bank of Industry (BOI) are meant for the products under the \$200million NCIFund domiciled with the BOI, namely Asset Acquisition financing, Manufacturing financing, Contract/Project financing, Loan refinancing, and Community Contractors financing. The BOI-NCIFund is for application for loans at single digit interest rates and is dedicated to contributors to the Nigerian Content Development Fund (NCDF). Applications for equity partnership with the Board is done by direct application to the Board.

## **Q3: What if I want support from the Board in form of loan instead of equity?**

**A:** The Board is not a bank and cannot disburse loans directly. Requests for loans will be referred to one of the Board's partner banks for review, evaluation, securitization, disbursement, and management in line with the best practice within the Nigerian banking industry.

## **Q4: Is it true that the Board will exit the partnership at some point?**

**A:** Yes, the Board will exit the partnership at some point. The role of NCDMB is to catalyze the realization of the project after which it will exit at a pre-agreed time. The Board's equity holding will be evaluated at the point of exit and typically offered to the pioneer partners on the 'right of first refusal' basis or sold to other interested investors or via the Nigerian Stock Exchange.

## **Q5: What is the typical equity participation by the Board?**

**A:** There is no single target as every partnership transaction has its unique proposition. Typically, NCDMB will not be expected to make equity contribution that is greater than the promoters of the project. The equity derivable to the Board will be ascertained as part of its review of the proposal and agreed based on the funding structure of the partnership under consideration.

## **Q6: Is the maximum loan/equity investment \$10million?**

**A:** The \$10million max is applicable to products under the NCIFund scheme domiciled with the Bank of Industry (BOI). It should be noted that the Board's investment can be as low as \$1million (or even lesser) and can also be more than \$10million depending on the project objectives, the benchmarked cost of the project, the funding structure, and other factors taken into consideration by the Board. It is also important to note that the Board's Fund is not limitless or meant for commitment to deliver capital intensive projects. The Board's intervention is to serve as a catalyst to bring projects into fruition and not to take up full or disproportionate funding of projects being promoted by investors.

## **Q7: What is the level of Local Content required?**

**A:** A minimum of 30% in the value of goods and services for the project must be provided by local sources or indigenous Nigerian businesses. The Board will also follow up with the project implementation to ensure that local participation of Nigerian businesses is maximized as much as possible. Partnership with NCDMB is not an excuse to flout the provisions of the NOGICD Act (2010).

## **Q8: Any preferred location of facility?**

**A:** The project must be located in any part of Nigeria, but preferably close to the source of feed stock and/or product offtake to minimize logistics/other costs and enhance project profitability.

## **Q9: Any limitation to the size of facilities?**

**A:** The range of capacities of modular refinery projects within the scope of partnership consideration shall be in the range of a minimum of 1,000bopd and a maximum of 5,000bopd especially for the topping plants largely dedicated to production of AGO. In some very few cases, the Board may partner to establish higher capacity modular refineries if the project fundamentals are justifiable.

## **Q10: Ownership structure of project promoters**

**A:** Company must have at least 51% Nigerian ownership and must be promoted by a company which is already in business as a going concern in the Oil and Gas Industry.

## **Q11: Do you become member of the Board of Director of the new establishment?**

**A:** Yes. The Board will typically nominate two (2) management staff of NCDMB into the Board of Directors of the company in which it has taken equity participation. A new Special Purpose Vehicle (SPV) could be formed to manage the new company or shares of the existing company could be allotted to NCDMB based on the agreed equity distribution. A shareholders agreement and share subscription agreement will be executed as part of the key documentation required before fund disbursement.

## **Q12: Can NCDMB fund the entire transaction?**

**A:** No. There has to be some level of commitment by the project promoter before NCDMB gets involved.

## **Q13: Can the partnership be deployed for CSR projects?**

**A:** No. The HYVIP process is primarily meant for profitable partnerships that will enable development of Nigerian Content while at the same time growing the fund for others to benefit. The process is domiciled in the Commercial Ventures Division of the Board while there are other Divisions in the Board that handle CSR projects.

## **Q14: What are L2 and L3 Cost Estimate and Schedule?**

**A:** There are various Levels of Accuracy used in cost estimating and project planning: Level 1 is at project initiation/initial concept, Level 2 is at Feasibility, Level 3 is at Project Definition/FEED while Level 4 is at Detailed Design. It is recommended that project promoters utilize the services of certified professionals and consultants in the preparation, evaluation, and review of their investments proposals to ensure the credibility of their assumptions, models, and projections.



[www.ncdmb.gov.ng](http://www.ncdmb.gov.ng)

*Our Vision*

To be a catalyst for the industrialization of the Nigerian oil and gas industry and its linkage sectors.

*Our Mission*

To promote the development and utilization of in-country capabilities for the industrialization of Nigeria through the effective implementation of the Nigerian Content Act.