

TERMS OF REFERENCE (TOR)
FOR
CONSULTING SERVICES ON UPGRADATION OF TECHNICAL AND FISCAL TERMS OF
THE MODEL PRODUCTION SHARING CONTRACT (MPSC) FOR OIL & GAS
EXPLORATION IN BANGLADESH
(Contract Package No. S-85)

1. BACKGROUND:

In Bangladesh, Natural Gas is the main source of indigenous primary commercial energy in the national economic development activities. To meet the increasing demand of gas it has become extremely important to explore new gas fields. To accelerate the exploration activities the Government of Bangladesh has been systematically inviting International Oil Companies to invest in oil and gas sector. So far these activities have been limited to onshore and mostly shallow offshore areas. After demarcation of the maritime boundaries with the neighboring countries, Government has opened up the deep offshore frontier areas to the IOCs for investment. In this context it has become necessary to update the existing Model PSC taking into consideration the complexity of the deep offshore oil and gas exploration, its technical and financial challenges as well as risks.

Another issue of this sector is gas price. Most of the previous bidding rounds failed to attract much investment due to unattractive gas price. Therefore, it has become crucial to adopt a new gas pricing formula which is competitive in the region.

Since Petrobangla has no prior experience in deep offshore oil and gas exploration, it has become essential to procure consultancy services from a reputed consultancy firm to update the terms and conditions of the existing Model PSC to make it competitive and internationally acceptable for oil and gas exploration and development. Petrobangla, therefore, intends to appoint an internationally reputed consultancy firm to assist Petrobangla to accomplish the mentioned services by using World Bank fund under RERED-II TA of the Power Cell, Power Division, Ministry of Power, Energy & Mineral Resources.

2. OBJECTIVE OF THE ASSIGNMENT:

The objective of the assignment is to secure appropriate technical and financial advices from a reputed consultancy firm for updating the MPSC for onshore and offshore with special emphasis on deep water oil and gas exploration and development.

3. SCOPE OF WORK

The consultancy firm will undertake the following activities:

- 3.1 Examine the existing Model PSC and assess the need of changes or up-gradation to make the model competitive and internationally acceptable for onshore, shallow offshore and deep offshore oil and gas exploration and development.
- 3.2 Compare the current terms under the Bangladesh Model PSC with those terms applying in a peer group of countries. The peer group should consist of those countries with which Bangladesh competes for international oil company investment and should include, but

necessary be limited to, other countries in the Asia region. The analysis should be based upon the outputs from an economic model to determine the returns from the peer group of regimes under a range of field types and economic metrics.

- 3.3 Using outputs from the review under section 3.2, determine whether Bangladesh's fiscal terms are internationally competitive and if not, what are the potential changes that could be made to the terms to make internationally competitive, thereby encouraging inward investment in the oil and gas sector.
- 3.4 Accomplish the above job considering the regional and international best practices. Provide Petrobangla with necessary information, documents and justifications in support of the changes or up-gradation suggested for the Model PSC which are as follows:
 - A report addressing the methodology;
 - Findings from the peer group analysis;
 - Comparison of options for changes;
 - Recommendations for the future fiscal regime; and
 - The gas pricing formula to apply in Bangladesh.
- 3.5 Assist Petrobangla in determining the optimal terms that would meet the target of making Bangladesh an attractive province for exploration and development activities. As part of recommendations on the fiscal regime, a review of the gas pricing formula is to be carried out together with recommendations for the future gas price formula for Model PSC to be used.
- 3.6 Petrobangla shall assist the consultants in securing relevant information and reports on Bangladesh gas sector and associated literature.

4. **SCHEDULE OF WORK:**

The implementation will be effective upon the signing of the contract and is envisaged to be approximately for 6 months. Consultants' payments would be dependent on the achievement of the milestones as given below:

- a) **Inception Report:** The Consultant would be required to submit 5 (five) copies of the inception report not later than 2 weeks of the effective date of contract signing. The report shall encompass review completed by the Consultant and its plans for undertaking the review work over the subsequent period based on the specified scope of services.
- b) **Interim Project Report:** The Consultant would be required to submit 5 (five) copies of the Interim Project Report not later than 12 weeks of the effective date of contract signing. The Interim Report should contain preliminary findings and analysis of need of changes, approach for upgrading the Model to competitiveness and acceptability, detailed plans for work during the subsequent period.
- c) **Draft Final Report:** The Consultant would submit 5 (five) copies of draft final report not later than 19 weeks of the effective date of contract signing. This report should include detailed review of the accomplished work, justification in support of changes, suggestion for the up-gradation of the Model PSC, financial and economic feasibility of project and other related matters.
- d) **Presentation of Draft Final Report:** Consultant shall make presentations at Dhaka within approximately 20 weeks of the effective date of the contract signing. During this presentation, detailed comments/opinion from Petrobangla and stakeholders would be received by the Consultant.

- e) **Submission of Final Report:** After incorporation of all agreed comments/opinions of Petrobangla and stakeholders in the Final Report the Consultant would submit 15 (fifteen) copies of the final report not later than 23 weeks after the effective date of the contract signing.

5. QUALIFICATION AND EXPERIENCE REQUIREMENT OF THE CONSULTANTS:

The consultancy firm will engage three (3) experts to cover legal, technical and financial aspects of the Model PSC. The academic and professional qualification of each expert must be as follows:

Legal Expert: Masters or equivalent degree in Law with minimum 15 years of work experience in Oil and Gas industry. He/she should have experience in drafting Production Sharing Contracts for at least 5 different governments.

Technical Expert: Masters or equivalent degree in Engineering/ Geosciences with minimum 15 years of work experience in Oil and Gas industry. The expert should have technical knowledge and practical experience in both onshore and offshore oil and gas operations. He/she should be well aware of the challenges of oil and gas transportation from deep offshore production.

Financial Expert: Masters or equivalent Degree in Finance/ Commerce/ Management with minimum 15 years of work experience in Oil and Gas industry. The expert should have deep understanding and knowledge about the economics of the PSC regime and international oil-gas market.

Having working experience in the oil and gas sector of the South East Asia will be of advantage. An excellent communication and writing skills in English and high-level computer literacy will be considered as mandatory requirement. The experts must be of international repute with known probity and integrity.

6. DURATION OF THE SERVICES:

The duration of the consultancy services will be six months. Each expert will work for maximum two (2) man-months within the duration of the consultancy services. The consultants' inputs may be intermittent.

7. RESPONSIBILITIES OF PETROBANGLA:

Petrobangla will provide necessary assistance to the individual PSC consultant in carrying out his/her activities. Petrobangla also will provide appropriate office space, internet and other associated facilities to carry out his/her roles and responsibilities.