



CONCURSO PÚBLICO PARA
O INVESTIMENTO NA
REFINARIA
DO LOBITO

PUBLIC TENDER FOR THE INVESTMENT IN THE LOBITO REFINERY

TERMS OF REFERENCE

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CHANGE TRACKING

Version	Description
1.0	Initial Version
1.1	Revision 01 (01/07/21)
1.2	Revision 02 (04/07/21)
1.3	Final Revision (05/07/21)

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1.0 General Vision of the Project

1.1 Introduction

The Angolan State, through SONANGOL, invites qualified organizations, as defined in the terms of reference, to respond to this request for investment proposals to plan, build and in partnership with SONANGOL, own and manage (Build, Own, Operate - BOO) an oil refinery and related infrastructure (hereinafter `Project´), in the city of Lobito, in Benguela province, capable of refining up to 200,000 bopd (barrels of crude oil per day) to contribute to the State´s effort to improve gradual elimination of the current import dependency on refined products, mainly gasoline and diesel.

1.2 General framework for the Refining Sector in Angola

Currently, Angola depends almost entirely on the import of refined products, mainly gasoline and diesel, which are widely used in transport and in the growing industry, noting that in 2020, Angola disbursed more than USD 3,000,000,000 (three billion America dollars) in the import of refined products. Thereunder, in order to eliminate this dependence, the Angolan Government defined a strategy that allows national and foreign groups to invest in the oil refining industry in order to build new refineries.

The Luanda Refinery has a nominal refining capacity of 65,000 bopd, which at this stage is undergoing some technical and operational improvements to increase the production of gasoline and diesel, besides improving their quality. The Cabinda Refinery is projected to start operating in 2022, with a refining capacity of 60,000 bopd, while the Soyo Refinery is projected to start operating in 2025, with a production capacity of 100,000 bopd.

1.3 Localization of the Refinery

The Lobito Refinery will be built in a reserved location, with an estimated area of approximately 3,800 hectares, wherefore the land reserved for this refinery is located approximately 35 km northwest of the city of Benguela and 8 km northwest of the city of Lobito.

As part of the execution of the refinery project, SONANGOL carried out, between 2009 and 2016, the implementation of several physical improvements to the site reserved for it, which is summarized in the following tasks:

- Dredging of the Bay of Lobito, with a total depth of 15m;
- Total demining of the land reserved for the refinery;
- Deep demining of the area dedicated to the implementation of the factory and reservoirs;
- Land clearing;
- Fence the 3,800 hectares;

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- Construction of access roads inside the refinery;
- Construction of a road that withstands super heavy loads to transport refinery equipment;
- Construction of a sea terminal capable of unloading super heavy equipment via roll-on-roll-off, as well as the docking and disembarkation of ships;
- Preparation and leveling of the land for the implementation of the refinery and oil and product reservoirs;
- Construction of a road (12km) that diverts the public road that connects the city of Lobito to the commune of Hanha North outside the refinery area;
- Construction of a road and bridge that allows access to the lighthouse in Lobito Bay;
- Base excavation of pools intended for the reserve of raw water for the refinery;
- Opening and demining of the section (24km) for the implementation of the water collection and transport system from the Biopio dam to the refinery;
- Construction of an information center for the project in Restinga;
- Construction of two heliports within the refinery's perimeter

We emphasize that the area reserved for the construction of the refinery is in a relative proximity to other industrial structures and natural resources that direct or indirectly may benefit the project. Structures such as:

- Lobito Mining Terminal;
- Lobito Oceanic Terminal (TOL) belonging to SONANGOL;
- Lobito Commercial Port;
- Lobito Railway;
- Catumbela Industrial Development Centre (PDIC);
- Catumbela River;
- Catumbela International Airport;
- Benguela Railway;
- Baia Farta Fishing Industrial Centre

1.4 Studies Carried Out

Likewise, within the scope of the implementation of the refinery project, SONANGOL carried out between 2009 and 2016 several studies:

- Economic and financial feasibility study of the project
- Environmental impact study of the project;
- Topographic studies of the refinery area;
- Geotechnical studies of the refinery area;
- Bathymetric studies of the Lobito bay and the Biopio dam basin;

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2.0 Tender

2.1 Purpose of the tender

SONANGOL intends, through this international public tender, to select one or more Partners to, in partnership with SONANGOL, design, build, own and operate an oil refinery in the city of Lobito, province of Benguela, with the capacity to process up to 200,000 bopd to be installed in one or more phases.

2.2 Eligibility Criteria

Any investor can participate in this tender individually or in consortium with other companies/persons if they demonstrate good repute, legal status and unharmed reputation, which will be verified through a Due Diligence process.

To qualify for this tender, bidders must submit:

1. Enough financial resources to cover all development and construction costs associated with the Project, or adequate capital to support its corporate share.
2. Technical and organizational capacity to plan, implement and manage the proposed refinery.

2.4 Refinery Characteristics

For the development of the refinery implementation strategy, the investor must consider the following aspects:

- a) **Production Capacity:** The refinery can be implemented in one or more phases obtaining in the end a preferential production of 200,000 bopd.
- b) **Raw material (Crude Oil):** the investor should plan to use any crude it deems suitable, acquired from any place it deems convenient, including domestic crudes.
- c) **Main Products:** the investor must have their production oriented towards maximizing gasoline and diesel in order to contribute to the reduction of their import;
- d) **Target Market:** the investor must prioritize the local market for the sale of a significant amount of its products, and must export the remainder of its production;

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- e) Product Quality Standards: the investor must ensure that gasoline and diesel comply, at a minimum, with quality standards equivalent to AFRI-V and aviation Kerosene must meet IATA / JIG specifications. In the case of Fuel-Oil production, it must comply with IMO standards;
- f) Petrochemical Industry: the investor can include in its refining configuration the production of a by-product designated the petrochemical industry.
- g) Refinery useful life: the investor must consider a minimum useful life of the facilities of 30 years.

2.5 Economic and Financial Feasibility Study 2020

SONANGOL carried out between May and August 2020, with McKinsey & Company, an economic and financial feasibility study for the Lobito refinery project.

Competitors are free to consider or not the data presented in the feasibility report provided.

2.6 Corporate Structure for the Refinery

The nature of the partnership between the partners and SONANGOL, as well as the Corporate Structure of the group that owns the refinery will be defined during the negotiation period.

The refinery Owner group must consider the following responsibilities:

- A. Acquisition of all licenses and authorizations for the construction and operation of the refinery required by Angolan legislation;
- B. Payment of all taxes and fees to the Angola State in accordance with the laws in force;
- C. Registration of the owner group in the Angola Private Investment and Export Promotion Agency (AIPEX), satisfying all the requirements requested by the referred entity;
- D. Definition and implementation of the financing strategy for the construction of the refinery;
- E. Acquisition of crude supply agreements for the refinery (Crude Supply Agreement);
- F. Acquisition of Refined Product Sale Agreements (Offtake Agreements)

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- G. Definition and implementation of the refinery construction strategy;
- H. Definition and implementation of the follow-up/inspection strategy during the construction of the refinery;
- I. Definition and implementation of the refinery operation strategy;
- J. Definition and implementation of the refinery staff empowerment strategy;
- K. Definition and implementation of the recruitment strategy for the operation of the refinery;
- L. Definition and implementation of social development programs;

3.0 Proposals

3.1 Technical Proposal

Competitors in this tender must clearly and in detail, present the following in their technical proposal:

1. The implementation strategy that must include the design, licensing, procurement, engineering, construction and commissioning of the Project, demonstrating the best practices in the market;
2. A detailed total cost estimate of investment (CAPEX);
3. An overall Project implementation schedule (Level 1) that should consider the need to start physical work on the refinery in 2022;
4. If the investor chooses to implement the refinery in a phased manner, present the phase plan and the respective schedule;
5. The refinery's management, operation and maintenance strategy must comply with all applicable local and best practice codes and regulations, ensuring efficient management of resources;
6. Operating cost estimate (OPEX);

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7. Technical configuration for the refinery, identifying the units to be implemented, type of feedstock to be used (feedstock crude assay) and balance of refined products (yields);
8. Identification of risks associated with the implementation and management of the refinery, as well as the appropriate mitigation plans;
9. Plan for the implementation of social development programs such as, but not limited to:
 - i. Education;
 - ii. Health;
 - iii. Construction and improvement of local infrastructures;
 - iv. Community development programs;
 - v. Education and environmental protection programs.

3.2 Financial Proposal

Competitors in this tender must clearly and in detail submit the following in their financial proposal:

1. The Project's financing strategy;
2. Comfort letter from the financial institution and/or proof of the existence of equity necessary for the implementation of the project.
3. In the case of financing via a financial institution, present a detailed schedule for the execution of this activity (Finance Project);
4. For financing, present the specific financing conditions imposed by the financial institution and possibly the agreement between the parties;
5. All bid amounts must be presented in United States Dollars (USD);
6. Present a business model (Business Model) with cash flow projections, internal rate of return (IRR), payment period (Payback Period), expected refining margin as well as the production cost per barrel;
7. Indication of the percentage (%) of interest as well as proof of the existence of enough financial resources to cover all the costs of the indicated share;
- 8.

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8. The investor considers in its financial plan that the Angolan State will not offer any type of Sovereign Guarantee or equivalent.

3.3 Qualification Documents

To ensure the legitimacy and adequacy of the investor in this tender, he must submit the following corporate qualification documents, which will undergo a Due Diligence process:

1. Certification:

- a. Copies of company certifications;
- b. Copy of the company's incorporation certificates;
- c. Date of incorporation and registration of the company (i.e., private company, partnership, joint venture, private limited company, public limited company, etc.).

2. Corporate Organization:

- a. Name and contact details of the main holders and/or controlling parties of the company, together with the respective cumulative voting rights in terms of percentages (final beneficiaries);
- b. Corporate organization chart showing the company's executive, administrative and operational bodies.

3. Policy and Philosophy:

- a. A brief description of the main operational and administrative management policies/philosophies adopted for investments of nature;
- b. Compliance with anti-corruption legislation

4. Recent and Pending Disputes:

- a. Declaration of non-existence legal disputes in the last 10 years;

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- b. In case there is any dispute involving the company as the plaintiff, in progress now and/or during the last three years, please provide a detailed explanation of the case.

5. Financial Aspects:

- a. Declaration of non-debtor to the state/tax or equivalent;
- b. Provide a copy of your externally audited financial statements for the last 3 (three) years, including balance sheets, income statements, cash flow statement or equivalent and relevant economic ratios.

6. Others:

- a. If applicable, the Investor must briefly present the participation in similar investments, highlighting the magnitude of the investment carried out, type of industry involved and the year in which the investment was made;
- b. Health, Safety and Environmental history of the company's last three years, audited by an external entity;
- c. In case the investor participates in this tender in a consortium with other entities, provide information described in the points above, of all companies associated with the consortium;
- d. In case the investor participates in this tender in a consortium with other entities, provide a copy of the formal agreement (memorandum of understanding or equivalent) between the parties where the responsibilities of each member are clearly described and the identity of the representative of the consortium is clearly identified;
- e. Submit the "Know Your Partner - KYP" forms, duly completed;
- f. Power of Attorney" or Resolution of the Board of Directors certified by a notary and legalized by the Ministry of Foreign Affairs and the Angolan Consulate;
- g. Companies may, exceptionally, change the designation of the accredited representative, upon presentation of a new power of attorney, under assessment by Sonangol of the reasons that justify such change.

SONANGOL reserves the right to reject any proposal, during the evaluation period, for non-compliance with the Terms of Reference of this tender.

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3.4 Proposals Validity

Proposals submitted must be binding and valid for a period of not less than 180 (one hundred and eighty) days from the deadline for their submission.

3.5 Applicable Laws and Decrees for the Investment

For the development of its implementation plan for the Project and operation of the refinery, the investor must consider, among others applicable, compliance with Private Investment Law No. 10/18 of 26 June, Chapter VII – Exchange Rate Regime and Implementation of Investment Projects , Section II – Implementation of the Investment Project, Art. 46 – Workforce.

Likewise, the investor must comply with the provisions of Decree Law 17/09 of 26 June, on the Rules and Procedures to Observe in the Recruitment, Integration, Training and Development of Workers in the Oil Sector, Presidential Decree No. 208/19 of 1 July – Laws on Refining Activity, Executive Decree nº 217/17 of 10 April – Settlement of Consumption Tax on Petroleum, and any other law not mentioned and applicable.

For the benefit of the Lobito refinery project, the investor must consider the tax exemptions applicable by Angolan legislation described in the Private Investment Law (No. 10/18 of 26 June). Due to the results of the project's feasibility, the refinery owner group will be able to negotiate with related institutions to obtain additional incentives.

3.6 Dispute Resolution

This tender must be governed and interpreted in accordance with the laws of the Republic of Angola.

Dispute resolution must comply with the following:

1. Any dispute arising out of or in connection with this tender, including, but not limited to, any questions relating to its existence, validity, effects, interpretation, execution or termination, which cannot be settled amicably, must be submitted and finally resolved by a panel composed of (3) three arbitrators in accordance with the LCIA Arbitration Rules;

2. The arbitration must be held in Luanda (unless otherwise agreed between the Parties), and the entire process must be conducted in Portuguese.

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4.0 Bid Evaluation

4.1 Selection Process

The evaluation Committee is responsible for evaluating and selecting the most advantageous proposal for SONANGOL and the industrial development of Angola in terms of strategy and investment cost, implementation and operation plan, and overall quality of the project.

4.2 Bid Evaluation Criteria (to be updated)

5.0 Bidding Instructions

5.1 Confidentiality

The information contained in this document and any other information associated with this tender is strictly confidential, as per the terms of confidentiality accepted above. Entrants must use the documents only for the purpose of preparing their proposals.

Likewise, the consultation process is private and confidential and must not be displayed, copied or distributed to any entity or persons not directly associated with SONANGOL or the respective participant.

5.2 Additional Information

Any request for additional information during the proposal preparation process must be addressed to the assigned technical team via the following email:

SONANGOL E.P
Att.: Technical Team for the Lobito Refinery Tender
e-mail: lobitoref.project@sonangol.co.ao

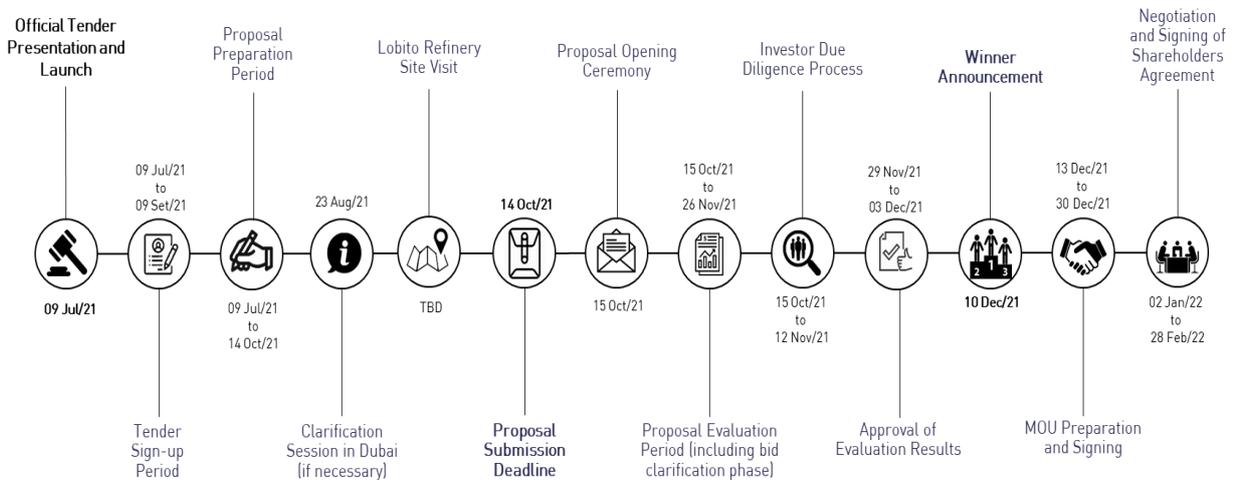
All questions and clarifications will be shared in a private forum with all competitors.

5.3 Tender Schedule

The following timeline has been established for this tender, which may, if necessary, be changed by SONANGOL:

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5.4 Alternative Proposals

Alternative proposals, which show technical, financial or environmental advantages, differing in whole or in part from what is specified in the terms of reference, will be exceptionally considered, if they are submitted within the established deadlines.

5.5 Proposal Preparation Costs

SONANGOL will not be responsible for any costs incurred by the participants in the preparation and presentation of their proposals.

5.6 Content and Format of Proposals

Proposals must be submitted in Portuguese or English language and in accordance with the instructions presented in this document.

Submission of physical proposals:

Proposals must be delivered in person, in a sealed envelope, by 5:00 p.m. and on the defined date (October 14, 2021) to the following address:

SONANGOL EP.
Att.: Eng^o Joaquim Fernandes
Membro da Comissão Administrativa
Rua Rainha Ginga n.º 29-31
Caixa Postal 1316
Luanda - República de Angola

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The package containing the proposals must include one (1) original physical document and two (2) copies, as well as a digital copy on a flash drive.

The proposal package must contain:

- Letter with the proposal summary (according to the available sample)
- Technical offer;
- Financial proposal;
- Qualification Documents
- Pen-Drive

No proposals, or any part thereof, will be accepted after 5:00 pm local time on October 14, 2021.

SONANGOL will not accept proposals that are not submitted strictly following the instructions presented or that are in poor condition at the time of delivery.

5.7 Public Opening of the Proposals

SONANGOL will hold a public act of opening of the proposals on October 15, 2021 in the city of Luanda, at a place and time to be announced. Participants must be represented at the public opening of the proposals.