

Request for Proposals Value Added Natural Gas British Columbia Opportunity Study

Ministry of Jobs, Tourism and Skills Training Request for Proposals Number: RFP 01-NGS01

Issue date: January 4, 2013

Closing Time: Proposal must be received before 2:00 PM Pacific Time on: January 28, 2013

GOVERNMENT CONTACT PERSON: All enquiries related to this Request for Proposals (RFP), including any requests for information and clarification, are to be directed, in writing, to the following person who will respond if time permits. Information obtained from any other source is not official and should not be relied upon. Enquiries and any responses will be recorded and may be distributed to all Proponents at the Province's option.

Rob Wood, Project Manager,

PO Box 9325 Stn Prov Govt, Victoria, BC, V8W 2G5,

fax: 250-356-7578

e-mail: Robert.Wood@gov.bc.ca

DELIVERY OF PROPOSALS:

Proposals must not be sent by mail, facsimile or e-mail. Proposals are to be submitted to the closing location as follows:

A. (2) complete hard-copies(and 1 copy on diskettes or CDs) must be delivered by hand or courier to:

Major Investments Office
Ministry of Jobs, Tourism and Skills Training
PO Box 9325 Stn Prov Govt
Victoria, B.C. V8W 2G5

Location: 470-1675 Douglas Street

Attention: Rob Wood

Proposal envelopes should be clearly marked with the name and address of the Proponent, the Request for Proposals number, and the project or program title.

PROPONENTS' MEETING:



A Proponents' meeting will not be held.

PROPONENT SECTION:

For hard-copy proposals, a person authorized to sign on behalf of the Proponent must complete and sign the Proponent Section (below), leaving the rest of this page otherwise unaltered, and include the originally signed and completed page with the first copy of the proposal.

The enclosed proposal is submitted in response to the above-referenced Request for Proposals, including any addenda. Through submission of this proposal we agree to all of the terms and conditions of the Request for Proposals and agree that any inconsistent provisions in our proposal will be as if not written and do not exist. We have carefully read and examined the Request for Proposals, including the Administrative Section, and have conducted such other investigations as were prudent and reasonable in preparing the proposal. We agree to be bound by statements and representations made in our proposal.

Signature of Authorized Representative:	Legal Name of Proponent (and Doing Business As Name, if applicable):
Printed Name of Authorized Representative:	Address of Proponent:
Title:	
Date:	Authorized Representative phone, fax or email address (if available):

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A. Definitions and Administrative Requirements

t. Definitions

Throughout this Request for Proposals, the following definitions apply:

- a) "SSBC" means Shared Services BC of the Ministry of Citizens' Services;
- b) "Contract" means the written agreement resulting from this Request for Proposals executed by the Province and the Contractor:
- "Contractor" means the successful Proponent to this Request for Proposals who enters into a written Contract with the Province:
- d) "Ministry" means Jobs, Tourism and Skills Training;
- e) "must", or "mandatory" means a requirement that must be met in order for a proposal to receive consideration;
- f) "Proponent" means an individual or a company that submits, or intends to submit, a proposal in response to this Request for Proposals;
- g) "Province" means Her Majesty the Queen in Right of the Province of British Columbia and includes SSBC and the Ministry;
- h) "Request for Proposals" or "RFP" means the process described in this document; and
- "should" or "desirable" means a requirement having a significant degree of importance to the objectives of the Request for Proposals.

2. Terms and Conditions

The following terms and conditions will apply to this Request for Proposals. Submission of a proposal in response to this Request for Proposals indicates acceptance of all the terms that follow and that are included in any addenda issued by the Province. Provisions in proposals that contradict any of the terms of this Request for Proposals will be as if not written and do not exist.

3. Additional Information Regarding the Request for Proposals

All subsequent information regarding this Request for Proposals, including changes made to this document will be posted on the BC Bid website at www.bcbid.ca. It is the sole responsibility of the Proponent to check for amendments on the BC Bid website.

4. Late Proposals

Proposals will be marked with their receipt time at the closing location. Only complete proposals received and marked before closing time will be considered to have been received on time.

Hard-copies of late proposals will not be accepted and will be returned to the Proponent. Electronic proposals that are received late will be marked late and will not be considered or evaluated.

In the event of a dispute, the proposal receipt time as recorded at the closing location shall prevail whether accurate or not.

5. Eligibility

a) Proposals will not be evaluated if the Proponent's current or past corporate or other interests may, in the Province's opinion, give rise to a conflict of interest in connection with the project described in this Request for Proposals. This includes, but is not limited to, involvement by a Proponent in the preparation of this Request for Proposals. If a Proponent is in doubt as to whether there might be a conflict of interest, the Proponent should consult with the Government Contact Person listed on page 1 prior to submitting a proposal.

b) Proposals from not-for-profit agencies will be evaluated against the same criteria as those received from any other Proponents.

6. Evaluation

Evaluation of proposals will be by a committee formed by the Province and may include employees and contractors of the Province. All personnel will be bound by the same standards of confidentiality. The Province's intent is to enter into a Contract with the Proponent who has the highest overall ranking.

7. Negotiation Delay

If a written Contract cannot be negotiated within thirty days of notification of the successful Proponent, the Province may, at its sole discretion at any time thereafter, terminate negotiations with that Proponent and either negotiate a Contract with the next qualified Proponent or choose to terminate the Request for Proposals process and not enter into a Contract with any of the Proponents.

8. Debriefing

At the conclusion of the Request for Proposals process, all Proponents will be notified. Unsuccessful Proponents may request a debriefing meeting with the Province.

9. Alternative Solutions

If alternative solutions are offered, please submit the information in the same format, as a separate proposal.

10. Changes to Proposals

By submission of a clear and detailed written notice, the Proponent may amend or withdraw its proposal prior to the closing date and time. Upon closing time, all proposals become irrevocable. The Proponent will not change the wording of its proposal after closing and no words or comments will be added to the proposal unless requested by the Province for purposes of clarification.

11. Proponents' Expenses

Proponents are solely responsible for their own expenses in preparing a proposal and for subsequent negotiations with the Province, if any. If the Province elects to reject all proposals, the Province will not be liable to any Proponent for any claims, whether for costs or damages incurred by the Proponent in preparing the proposal, loss of anticipated profit in connection with any final Contract, or any other matter whatsoever.

12. Limitation of Damages

Further to the preceding paragraph, the Proponent, by submitting a proposal, agrees that it will not claim damages, for whatever reason, relating to the Contract or in respect of the competitive process, in excess of an amount equivalent to the reasonable costs incurred by the Proponent in preparing its proposal and the Proponent, by submitting a proposal, waives any claim for loss of profits if no Contract is made with the Proponent.

13. Proposal Validity

Proposals will be open for acceptance for at least 90 days after the closing date.

4. Firm Pricing

Prices will be firm for the entire Contract period unless this Request for Proposals specifically states otherwise.

15. Currency and Taxes

Prices quoted are to be:

- a) in Canadian dollars;
- inclusive of duty, where applicable; FOB destination, delivery charges included where applicable; and
- c) exclusive of applicable taxes.

16. Completeness of Proposal

By submission of a proposal the Proponent warrants that, if this Request for Proposals is to design, create or provide a system or manage a program, all components required to run the system or manage the program have been identified in the proposal or will be provided by the Contractor at no charge.

17. Sub-Contracting

- a) Using a sub-contractor (who should be clearly identified in the proposal) is acceptable. This includes a joint submission by two Proponents having no formal corporate links. However, in this case, one of these Proponents must be prepared to take overall responsibility for successful performance of the Contract and this should be clearly defined in the proposal.
- b) Sub-contracting to any firm or individual whose current or past corporate or other interests may, in the Province's opinion, give rise to a conflict of interest in connection with the project or program described in this Request for Proposals will not be permitted. This includes, but is not limited to, any firm or individual involved in the preparation of this Request for Proposals. If a Proponent is in doubt as to whether a proposed subcontractor gives rise to a conflict of interest, the Proponent should consult with the Government Contact Person listed on page 1 prior to submitting a proposal.
- c) Where applicable, the names of approved sub-contractors listed in the proposal will be included in the Contract. No additional subcontractors will be added, nor other changes made, to this list in the Contract without the written consent of the Province.

18. Acceptance of Proposals

- a) This Request for Proposals should not be construed as an agreement to purchase goods or services. The Province is not bound to enter into a Contract with the Proponent who submits the lowest priced proposal or with any Proponent. Proposals will be assessed in light of the evaluation criteria. The Province will be under no obligation to receive further information, whether written or oral, from any Proponent.
- b) Neither acceptance of a proposal nor execution of a Contract will constitute approval of any activity or development contemplated in any proposal that requires any approval, permit or license pursuant to any federal, provincial, regional district or municipal statute, regulation or by-law.

19. Definition of Contract

Notice in writing to a Proponent that it has been identified as the successful Proponent and the subsequent full execution of a written Contract will constitute a Contract for the goods or services, and no Proponent will acquire any legal or equitable rights or privileges relative to the goods or services until the occurrence of both such events.

20. Contract

By submission of a proposal, the Proponent agrees that should its proposal be successful the Proponent will enter into a Contract with the Province on the terms set out in Appendix B.

21. Liability for Errors

While the Province has used considerable efforts to ensure information in this Request for Proposals is accurate, the information contained in this Request for Proposals is supplied solely as a guideline for Proponents. The information is not guaranteed or warranted to be accurate by the Province, nor is it necessarily comprehensive or exhaustive. Nothing in this Request for Proposals is intended to relieve Proponents from forming their own opinions and conclusions with respect to the matters addressed in this Request for Proposals.

22. Modification of Terms

The Province reserves the right to modify the terms of this Request for Proposals at any time in its sole discretion. This includes the right to cancel this Request for Proposals at any time prior to entering into a Contract with the successful Proponent.

23. Ownership of Proposals

All proposals submitted to the Province become the property of the Province. They will be received and held in confidence by the Province, subject to the provisions of the *Freedom of Information and Protection of Privacy Act* and this Request for Proposals.

24. Use of Request for Proposals

Any portion of this document, or any information supplied by the Province in relation to this Request for Proposals may not be used or disclosed, for any purpose other than for the submission of proposals. Without limiting the generality of the foregoing, by submission of a proposal, the Proponent agrees to hold in confidence all information supplied by the Province in relation to this Request for Proposals.

25. Reciprocity

The Province may consider and evaluate any proposals from other jurisdictions on the same basis that the government purchasing authorities in those jurisdictions would treat a similar proposal from a British Columbia supplier.

26. No Lobbying

Proponents must not attempt to communicate directly or indirectly with any employee, contractor or representative of the Province, including the evaluation committee and any elected officials of the Province, or with members of the public or the media, about the project described in this Request for Proposals or otherwise in respect of the Request for Proposals, other than as expressly directed or permitted by the Province.

27. Collection and Use of Personal Information

Proponents are solely responsible for familiarizing themselves, and ensuring that they comply, with the laws applicable to the collection and dissemination of information, including resumes and other personal information concerning employees and employees of any subcontractors. If this RFP requires Proponents to provide the Province with personal information of employees who have been included as resources in response to this RFP, Proponents will ensure that they have obtained written consent from each of those employees before forwarding such personal information to the Province. Such written consents are to specify that the personal information may be forwarded to the Province for the purposes of responding to this RFP and use by the Province for the purposes set out in the RFP. The Province may, at any time, request the original consents or copies of the original consents from Proponents, and upon such request being made, Proponents will immediately supply such originals or copies to the Province.

B. Requirements and Response

1. Summary of the Requirement

The Province is specifically interested in developing new value-add markets for natural gas to monetize the resource and capture the economic benefits at home. BC is looking to gain a comprehensive understanding of the value-add sectors along with associated opportunities and challenges for British Columbia. The purpose of the proposed project is to provide a clear understanding of the potential for BC value-add natural gas sectors, current advantages and challenges for these sectors to be developed in BC, and recommendations for how the Province could attract further investment. Examples of these sectors that the Province would like to focus on but not exclusively are: power generation, gas-to-liquids, chemicals and fertilizers.

The successful proponent will generate a value-add natural gas sector analysis and strategy that meets the above stated objective. The report will provide background on the existing sector and a strategy to capitalize on new opportunities for investment and overcome existing challenges in BC

2. Additional Definitions

In addition to the Request for Proposals Definitions set out in paragraph 1 of Section A, throughout this Request for Proposals, the following definitions will apply:

- a) Gas-to-Liquids (GTL) is a refinery process to convert methane-rich natural gas or other gaseous hydrocarbons into longer-chain hydrocarbons such as, but not limited to:
 - Clean (low sulphur) Diesel
 - Kerosene (jet fuel)
 - Naphtha (high octane gas or petrochemical feedstock)
- b) Natural Gas Value-Add is GTL products such as those listed above plus other products produced from natural gas feedstock such as, but not limited to:
 - Methanol (plastic, textiles, fuel, antifreeze)
 - Ammonia (fertilizer), and
 - Paraffin (waxes for candles or cardboard waterproofing).

3. Ministry Situation/Overview

The Ministry of Jobs, Tourism and Skills Training manages key lines of government service that help create the economic prosperity needed for the success of families and communities across the province. This means seizing the opportunities and responding to the challenges of a globalized economy in order to create new jobs, defend existing ones and position ourselves for long-term growth.

To accomplish these tasks, the Ministry works to:

- Open international and domestic markets to B.C. products, and attract and facilitate major new investments in the province.
- Develop key industries and regions to their full economic potential.
- Support research, innovation, and entrepreneurship.
- Ensure that B.C. has enough skilled, highly productive workers to meet the needs of our growing economy.
- Develop B.C.'s tourism industry.

3.1 Ministry Responsibility

The Ministry leads, and is guided by, the Government's new economic strategy, <u>Canada Starts Here:</u> <u>The BC Jobs Plan</u>. Central to the <u>Jobs Plan</u> is the recognition that we stand on the cusp of the "Pacific Century," and that B.C. needs to secure its place in the Asian markets that will drive global economic growth. To achieve that, B.C. must leverage its competitive advantages in industries that are poised to meet the needs of the world's markets, today and into the future — including forestry, tourism, technology, mining, natural gas, agri-foods, transportation (ports, marine and aerospace), and international education. The Ministry's work to implement the <u>Jobs Plan</u> is carried out in collaboration with ministries and agencies from across government.

As part of Canada Starts Here: the BC Jobs Plan, the Major Investments Office works directly with prospective investors whose projects have the potential to provide significant economic and job creation benefits to British Columbia. Our office provides client-focused and personalized business services to help major investors save time and money, minimize risk, and maximize certainty as their project proposal moves through provincial government regulatory and approval processes.

3.2 Background

Context

The Province of British Columbia (BC) is committed to sustainably developing the province's abundant natural gas resources to create jobs and economic development. Since 2011 the Province has released several strategy documents, including Canada Starts Here: The BC Jobs Plan, the British Columbia Natural Gas Strategy and the British Columbia Liquefied Natural Gas Strategy which outline targets and plans related to natural gas development.

The Province is specifically interested in developing new value-add markets for natural gas to monetize the resource and capture the economic benefits at home. BC is looking to gain a comprehensive understanding of the value-add sectors along with associated opportunities and challenges for British Columbia.

Gas to Liquids: Background

Processing

Gas-to-Liquids (GTL) is a refinery process to convert methane-rich natural gas or other gaseous hydrocarbons into longer-chain hydrocarbons such as:

- Clean (low sulphur) Diesel
- Kerosene (jet fuel)
- Naphtha (high octane gas or petrochemical feedstock)
 Other value-add products from natural gas include:
- Methanol (plastic, textiles, fuel, antifreeze)
- Ammonia (fertilizer), and
- Paraffin (waxes for candles or cardboard waterproofing).

Existing and Planned Facilities

GTL production dates to the early 1950's with SASOL gassifying coal in South Africa. A sample of other commercial operations that exist:

- Shell in Malaysian (15,000 bbl/d),
- Shell/ Qatar Petroleum in Qatar (70,000bbl/d, phase II in development),
- SASOL/ Oatar Petroleum in Oatar (34,000 bbl/d).

- Planned GTL facilities in Canada
- SASOL in Edmonton (potential of 48-96,000 bbl/d)
- GTL production test/research facilities include:
- ExxonMobil in Louisiana (200bbl/d);
- BP in Alaska (300-bbl/d),
- ConocoPhillips in Oklahoma (400-bbl/d),
- Japan Petroleum Exploration Co. and the Japan National Oil Corporation (now the Japan Oil, Gas and Metals National Corporation (JOGMEC)) in Japan (7 bbl/d).
- Nippon GTL with JOGMEC in Japan (500 bbl/d).

Natural Gas Feedstock and Markets

Currently natural gas prices are low and inventory predictions in northeast BC are increasing making GTL facilities enticing. However there needs to be better knowledge of the range of gas stock prices that would allow profitability and further information to secure confidence in long-term natural gas supply.

Historical limitations to GTL investment include:

- Natural gas feedstock cost,
- Limited market demand,
- Significant research investment to develop proprietary technology
- High capital investment costs to establish a commercial production plant.
- Further investigation into the following is needed to demonstrate the opportunity for the GTL sector to become a major driver in BC:
- Feedstock availability,
- Feedstock price projections,
- Price range where GTL remains profitable,
- Access to market.

GTL production sites in BC

Further investigation is required to confirm where suitable locations for GTL plants exist in BC. Some site requirements include sufficient access to:

- Natural gas pipelines,
- Electric transmission lines.
- Water (fresh for processing and cooling),
- Land.
- Transportation infrastructure (port, rail and road).

Advantages to Investing in BC

The following is a list of some general advantages to investing in BC that the contractor should consider when exploring sector specific advantages:

- Strategic gateway to the Pacific Rim and the USA
- Cost competitive with major North American centres
- Provincial-federal combined corporate income tax rate is among the lowest of both Canada and the rest of the G7 nations
- Streamlined regulations
- Favourable attitude to foreign investment
- Educated, multi-lingual talent pool
- Expedited immigration procedures
- Exceptional quality of life

- Pro-business government
- Reliable, low cost power; electrical price certainty program under development
- Excellent infrastructure
- Stable political and economic environment

3.3 Project Scope

The purpose of the proposed project is to provide a clear understanding of the potential for BC value-add natural gas sectors, current advantages and challenges for these sectors to be developed in BC, and recommendations for how the Province could attract further investment. Examples of these sectors that the Province would like to focus on but not exclusively are: gas-to-liquids, chemicals and fertilizers.

3.4 Budget

The maximum funding available for the project is \$100,000.00 Cdn, exclusive of HST (fixed price based on milestone billing). There are no additional allowances for travel or expenses. The project must be completed by March 31, 2013.

4. Requirements

The successful proponent will generate a value-add natural gas sector analysis and strategy that meets the above stated "Project Scope". The report will provide background on the existing sector and a strategy to capitalize on new opportunities for investment and overcome existing challenges in BC

The following are topic areas to consider, but should not be considered an exclusive or mandatory list:

- Value-add processing facility requirements, including:
 - o Land area (how much, general location),
 - o Shipping requirement,
 - o Utilities (power, water).
 - o Feedstock (type, proximity to gas plant),
 - o Labour force (construction, operation),
 - Other infrastructure needs.
- Suitability for a value-add processing facility (advantages and disadvantages) for three broad geographic areas in BC: a) near natural gas supply (i.e. BC northeast); b) the BC interior, and; c) port-side (i.e. BC coast). Consider:
 - o Access to natural gas (pipelines),
 - o Access to electricity (electricity transmission lines),
 - o Water availability for processing (fresh) and cooling (fresh or salt),
 - o Land availability (fee simple or crown with potential for lease),
 - o Airshed consideration,
 - o Transportation infrastructure to market (port, rail and road),
 - Access to relevant supplies and services (consider how BC compares to key locations in Alberta),
 - o Labour/workforce (locally or other).
- Regulatory authority, permitting process and timelines associated with the establishment and operation of value-add facilities.
- Environmental benefits and risks of natural gas processing (e.g. greenhouse gas emissions).

Upstream Factors:

- Natural gas feedstock price range where a the development of value-add sectors would occur.
- Natural gas price predictions over the next 20 years.
- 20 year natural gas supply-demand analysis (BC northeast vs. North America).

Downstream Factors:

- GTL products most likely to be produced from BC natural gas.
- Market potential and projections for GTL products.

Other Jurisdictions

• Drivers and best practices from other jurisdictions that have successfully attracted major downstream development projects (e.g., taxes, feedstock supply, infrastructure, government incentives).

5. Evaluation

This section details all of the mandatory and desirable criteria against which proposals will be evaluated. Proponents should ensure that they fully respond to all criteria in order to receive full consideration during evaluation.

5.1 Mandatory Criteria

Proposals not clearly demonstrating that they meet the following mandatory criteria will be excluded from further consideration during the evaluation process.

Criteria		
a)	The proposal must be received at the closing location before the specified closing time.	
b)	The proposal must be in English and must not be sent by mail, facsimile or e-mail.	
c)	Two (2) hard copies of the proposal (and 1 copy on USB, disk or CD) must be submitted, with one unaltered, completed Request for Proposals cover page including an originally-signed Proponent Section with the first copy.	
d)	Proposal <u>must</u> outline a timeline to complete the work by March 31, 2013, assuming a start date of February 11, 2013.	

5.2 Desirable Criteria

Proposals meeting all of the mandatory criteria will be further assessed against desirable criteria.

Criterion	Weight	Minimum score
Methodology	30	20
 Quality of solution; Degree to which the proposed methodology meets the objectives, deliverables and considers the listed topic areas 		
Project Plan	25	15
 Proposed scope of the project plan 		
 Strategies for conducting research and analysis 		
 Ability to complete the work within the timeframes and budget as stated in RFP 		
Proponent Experience and Qualifications	30	20
 Experience and understanding of creating a strategy at a provincial scale 		
 Experience and Qualifications of staff assigned to the project (as per resumes attached) 		
 Familiarity with issues specific to this assignment including proposed approach to the work program. 		
Value added services	5	
Price (Hourly rates and estimated hoursnot to exceed \$100,000. Cdn, before tax)	10	

Pricing Formula

Provide the all inclusive hourly rate (excluding taxes) of the primary resource roles to be assigned to the project. The hourly rates listed may also be used for any <u>authorized work</u> that may occur outside of the initial contract.

Price will be evaluated based on the following formula:

Price of lowest Hourly Rate / Price of Proponent's Hourly Rate X Points available.

6. Proposal Format

The following format, sequence, and instructions should be followed in order to provide consistency in Proponent response and ensure each proposal receives full consideration. All pages should be consecutively numbered.

- a) An unaltered and completed Request for Proposals cover page, including Proponent Section as per instructions.
- b) Table of contents including page numbers.
- c) A short summary of the key features of the proposal.
- d) The body of the proposal, including pricing, i.e. the "Proponent Response".
- e) Key personnel including roles and a Bio or Resume.

7. Proponent Response

In order to receive full consideration during evaluation, proposals should include a detailed response to the following:

- Company capacity including availability of resources (include team Bios outlining relevant experience).
- Company's relevant experience, including internet links to previously completed work (if available).
- A project plan, including proposed strategies for conducting research and analysis, description of the approach for a solution and timelines including the required completion date.
- Proposed Price (including hourly rates of the primary resource roles to be assigned to the project).

Appendix A Contract Form

By submission of a proposal, the Proponent agrees that should its proposal be successful, the Proponent will enter into a Contract with the Province in accordance with the terms of the Province's General Service Agreement; a copy of which is available on the Internet at:

http://www.pss.gov.bc.ca/psb/GSA/docs/GSA.doc