

What is FID?

A guide for project managers and stakeholders

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FID stands for Final Investment Decision, which is the point at which a project sponsor or investor decides whether to proceed with a project or not. FID is usually based on a comprehensive assessment of the project's feasibility, risks, costs, benefits, and alignment with the strategic goals of the organization.

The importance of FID

Making a FID is a critical step in any project, as it commits a significant number of resources and time to the project's execution. Therefore, it is important to have a clear and robust process for making a FID, which involves the following steps:

- Define the project scope, objectives, and deliverables, and ensure that they are aligned with the organization's vision and mission.
- Conduct a feasibility study, which analyzes the technical, economic, social, environmental, and legal aspects of the project, and identifies the key assumptions, uncertainties, and risks.
- Prepare a detailed project plan, which outlines the project schedule, budget, quality, resources, procurement, communication, and stakeholder management strategies.
- Perform a financial analysis, which evaluates the project's profitability, cash flow, return on investment, and sensitivity to various scenarios.
- Seek approval from the relevant authorities, such as regulators, lenders, partners, and shareholders, and obtain the necessary permits, licenses, and contracts.
- Review the project's operations readiness and includes verifying the availability of resources, resolving any outstanding issues, and conducting a final risk assessment.
- Make the FID, which is usually a formal document that summarizes the project's rationale, objectives, scope, plan, budget, benefits, risks, and approval status.

Establishing a clear governance structure

Making a FID is not a one-time event, but a dynamic and iterative process that requires constant monitoring and evaluation of the project's performance and environment. An FID can be revised or revoked if there are significant changes in the project's assumptions, risks, or opportunities, or if the project's objectives are no longer aligned with the organization's strategy. Therefore, it is essential to have a clear and transparent governance structure and decision-making criteria for making, reviewing, and updating an FID.

A governance and decision-making criteria for making, reviewing, and updating a Final Investment Decision (FID) can be outlined as follows:

Governance Structure:

1. *Project Sponsor*: Responsible for the overall project and making the final decision.
2. *Steering Committee*: Composed of senior executives and key stakeholders who provide oversight and guidance.
3. *Project Manager*: Manages the day-to-day activities and ensures the project aligns with the strategic goals.
4. *Subject Matter Experts (SMEs)*: Provide technical, financial, and legal expertise.

Building an effective operating model

An effective governance operating model should include the following components:

Structure: Organization design and reporting structure, committee structures and charters, and control and support function interdependencies.

Decision-Making Guidelines: Establish clear guidelines for decision-making, delegation, and accountability.

Decision-Making Criteria:

1. *Project Scope and Objectives*: Ensure they are aligned with the organization's vision and mission.
2. *Feasibility Study*: Analyze the technical, economic, social, environmental, and legal aspects of the project.
3. *Project Plan*: Outline the project schedule, budget, quality, resources, procurement, communication, and stakeholder management strategies.
4. *Financial Analysis*: Evaluate the project's profitability, cash flow, return on investment, and sensitivity to various scenarios.
5. *Approval from Authorities*: Obtain necessary permits, licenses, and contracts.
6. *Project Readiness*: Verify the availability of resources, resolve any outstanding issues, and conduct a final risk assessment.
7. *Formal Documentation*: Summarize the project's rationale, objectives, scope, plan, budget, benefits, risks, and approval status.

Review and Update Process:

1. *Continuous Monitoring*: Regularly assess the project's performance and environment.
2. *Revisions*: Revise or revoke the FID if there are significant changes in the project's assumptions, risks, or opportunities.

Roles and Responsibilities: Define the roles and responsibilities of governing, managing, and operating fiduciaries.

These elements ensure that the board receives the information it requires to effect good governance and management, and that business units can conduct their activities in ways that comply with regulations and serve strategic ends.

If you need any assistance or guidance in your plant commissioning project, contact us at Rev1 Energy, your Commissioning Experts. We have the experience, expertise, and resources to help you achieve your commissioning goals.



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