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SHEBERGHAN GAS GENERATION ACTIVITY (SGGA)

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SGGA Monthly Report

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Acronyms and Abbreviations

ADB	Asian Development Bank
AGE	Afghan Gas Enterprise
AGS	Afghanistan Geological Survey
APA	Afghanistan Petroleum Authority
ASI	Adam Smith International
DABS	Da Afghanistan Breshna Sherkat
FARI	Fiscal Analysis of Resource Industries
GIS	Geographic Information System
GIZ	German International Cooperation
IMF	International Monetary Fund
IPP	Independent Power Producer
kV	Kilovolt
MEW	Ministry of Energy and Water
MIDAS	Mining Investment and Development for Afghan Sustainability
MoMP	Ministry of Mines and Petroleum
MW	Megawatt
PPA	Power Purchase Agreement
SGDP	Sheberghan Gas Development Project
SGGA	Sheberghan Gas Generation Activity
TFBSO	Task Force for Business and Stability Operations
TPAO	Turkish National Petroleum Corporation
USAID	United States Agency for International Development
USD	United States Dollar
USGS	United States Geological Survey

1 DRILLING CONTRACT MANAGEMENT SUPPORT

1.1 Achievements / Activities

- Reviewed a letter with five attachments that Turkish National Petroleum Corporation (TPAO) sent to Ministry of Mines and Petroleum (MoMP) on 1 Aug 14, which includes insurance documents and a new schedule. Found all documents non-compliant with the contract. As a result, prepared a new response letter for Afghanistan Petroleum Authority (APA) to send to TPAO. APA sent the response letter to TPAO on 6 Aug 14.
- Made final tweaks to the July Drilling Operations Report and submitted to United States Agency for International Development (USAID).
- Prepared a log for APA letters to TPAO along with reasoning for the letters for Z. Sarwari so that he can show APA and MoMP's leadership his proactive actions to attempt to influence TPAO toward compliance with the contract.
- Prepared two letters for APA's Z. Sarwari to send to TPAO and USAID as a part of contract management; first, a contract notice to TPAO and second, a request for consent to USAID consent to extend TPAO's performance date for up to ninety days in increments of thirty days.
- Confirmed the validity of TPAO's renewed performance security with Habib Bank.
- Reviewed TPAO's letter to MoMP sent on 11 Aug 14 and prepared analysis for APA and two letters for it to send to USAID and TPAO to request a US-flag vessel waiver from USAID and to remind TPAO that approval of its mobilization remains on hold until it provides proof of insurance.
- Completed the first draft of a drilling contract reports manual for APA's use; sent it to Sheberghan Gas Generation Activity's (SGGA) environmental consultant for review.

1.2 Meetings

- 2 Aug 14, Met with Z. Sarwari, MoMP's Sheberghan Gas Development Project (SGDP) Project Manager, and reviewed TPAO's package of documents submitted 1 Aug 14 to determine required actions to respond.
- 5 Aug 14, Met with Z. Sarwari and conducted a second review of the TPAO documents submitted on 1 Aug 14.
- 6 Aug 14, Met with Z. Sarwari and discussed a forthcoming letter to TPAO to address transportation, and insurance requirements prior to mobilization; also added a rejection of TPAO's 4th revised schedule to the memorandum.
- 12 Aug 14, Met with Z. Sarwari and discussed the status of TPAO renewing its performance security and alternative options if not renewed.
- 16 Aug 14, Met with Z. Sarwari and discussed the need for him to send a letter to TPAO explaining that commencement cannot be granted until TPAO provides evidence of insurance.
- 27 Aug 14, Met with Z. Sarwari and discussed latest on TPAO progress and his need to attend a short-notice Afghanistan Business Spotlight Event in Dubai in September.

1.3 Challenges

- TPAO's lack of meaningful progress and continuing schedule slippage will almost certainly move the completion date of Juma-Bashikurd operations well past end date of grant agreement as set out in Implementation Letter 45-01.

1.4 Security Update

- TPAO's security personnel in Sheberghan received some of the salaries owed to them but still have yet to receive one month's back pay. The site commander assured that his team no longer has a problem regarding this matter because the personnel have received some of the pay.
- On 13 August, insurgents attempted to break out of the Sheberghan prison during a transfer to another prison. Afghan National Security Forces contained the attempt and did not report any casualties.
Reports indicate that insurgents gathered in the Sheberghan area while plotting attacks against Afghan National Security Forces. Three areas mentioned in intelligence reports that could be harboring insurgent activity include the areas provided below; however, SGGA's security specialists do not deem activity in these areas a threat to SGDP activities at this stage.
 - Darah-e Aqsai, located southwest of the Project's gas fields.
 - Khwaja Do Koh District, located northeast of the Project's gas fields.
 - Jungle Gagh Road, located east of the Project's gas fields.
- On 26 August at approximately 22:30 approximately 15-20 insurgents attacked a police checkpoint manned by ten police fifteen kilometers from the Gerquduq gas field. The checkpoint officials called for backup, which arrived, and the insurgents fled allowing the police to seize many assault weapons.

1.5 Plans for Next Month

- Continue to monitor TPAO's progress or lack of progress.

2 SGDP NATURAL GAS DEVELOPMENT SUPPORT

2.1 Achievements / Activities

- Supported SustainAbility's week-long USAID-funded audit of SGGA.
- Developed a draft market research guide for APA and SGGA local staff which provides guidance on tools and techniques to analyze market conditions and contractor alternatives.
- Completed first agenda and plans for the Gas to Power Symposium planned to be held in Abu Dhabi, and formulated initial plans to support and coach MoMP and Da Afghanistan Breshna Sherkat (DABS) attendees presenting at the Afghanistan Business Spotlight Event in Dubai and provided the plans to USAID for comment.
- Prepared a SGDP overview presentation for use upon request in briefing the new APA Director General and Deputy Minister Sadat.

2.2 Meetings

- 5 Aug 14, Attended the August 3-Party meeting with M. Jordy of USAID and Z. Sarwari of APA. Discussed numerous project issues, but primarily the Totimaidan block's future and a possible APA slowdown due to Deputy Minister Sadat flexing regulatory authority over APA for the first time since its creation.
- 12 Aug 14, Met with Unicon staff members and discussed status of their Afghan Gas Corporatization Assessment Report.
- 17 Aug 14, Met with USAID's J. Jordy and discussed Gas to Power Symposium planning status.
- 17 Aug 14, Met with Special Inspector General for Afghanistan Reconstruction for an interview regarding on-budget activities and SGDP progress.
- 26 Aug 14, Met with USAID's C. Drilling, J. Jordy, N. Ruzica, and J. Singer and discussed options for the Gas to Power Symposium which at the moment involve supporting MoMP and

APA attendance at a Department of Commerce-sponsored Afghanistan Business Spotlight Event in Dubai scheduled for 15 Sep 14.

2.3 Challenges

- Continued difficulty locating and obtaining sufficient gas well data to facilitate gas field reservoir studies; SGGA has concluded that some Afghan employees of the APA have withheld information necessary to support reservoir studies.

2.4 Plans for Next Month

- Additional planning for the Afghanistan Business Spotlight Event in Dubai, including preparing briefing scripts for MoMP and DABS participants, as well as a take away hand-out for attendees.

3 POWER SECTOR DEVELOPMENT SUPPORT

3.1 Achievements / Activities

- Provided technical advisory to K. Masood, the DABS SGDP Project Manager, regarding DABS's responsibilities under the memorandum of understanding it signed during the Independent Power Producer (IPP) Kick-off Meeting. Specifically, advised on the following areas:
 - The gas tolling agreement.
 - The impact of various gas prices on future power prices.
 - Gas reserves required to fire up to a 50 Megawatt (MW) gas power plant.
- Mentored Z. Sarwari on the SGDP Economic Model analyzing how a gas prices between \$140 and \$170 per million cubic meters impacts the power price at the terminal of the generators.
- Sent a memorandum to USAID summarizing the status of the transmission projects being funded by Asian Development Bank (ADB). These projects include a 220 Kilovolt (kV) interconnection with Turkmenistan and a 500kV transmission system known as Hindu Kush Crossing.
- Prepared a technical assistance program for DABS which includes advisory in negotiating a Power Purchase Agreement (PPA) with Turkmenistan and an energy purchasing schedule.
 - Ascertained that Afghanistan's current energy pricing position with Turkmenistan includes a price between 4 and 6 cents (USD) per kilowatt hour and an escalation factor of 2% upon operations commencement. Turk-Energy asked for a 4% escalation factor starting from the moment of PPA signature rather than the commencement of commercial operations.
- Continued to transfer the SGDP Economic Model to DABS by providing three coaching sessions to the DABS Corporate Planning Department's staff, including four participants for a total of seven hours.
- Organized a schedule and general content for the SGDP Economic Model training to include other DABS participants. Some of the topics to instruct include: IPP definition and its objectives, parties involved in establishing and operating an IPP, contracts required for IPPs, including a general services agreement, power purchase agreement, and generation license.
- Prepared material and coached DABS' Corporate Planning Department on the transformation capacity constraint limiting transportation of power from Mazar-e-Sharif to Sheberghan and Sar-e-Pul substations through the 110kV line under DABS' rehabilitation.
- Created an intuitive Microsoft Excel file to assist DABS's Corporate Planning Department to calculate Sheberghan's demand in MW with a voltage drop correction.
- Continued studying International Monetary Fund's (IMF) Fiscal Affairs Department's Fiscal Analysis of Resource Industries (FARI) model. The FARI model describes national financial

effects under different models of petroleum industry contracts and it may be appropriate to include its components in the SGDP Economic Model.

3.2 Meetings

- 4 Aug 14, Met with K. Masood, to go through the memorandum of understanding signed during the IPP Kick-off Meeting and DABS's schedule to continue negotiating the PPA with Turkmenistan.
- 4 Aug 14, Met with A. Sajid, Deputy Technical Director of DABS's Project Management Office, to discuss the status of the transmission projects funded by ADB related to SGDP.
- 5 Aug 14, Met with Z. Sarwari to go through the SGDP Economic Model.
- 13 Aug 14, Met with K. Masood to discuss DABS's availability to continue transferring the SGDP Economic Model and learn about DABS's PPA negotiation with Turkmenistan, which DABS has conducted through video conferences from Kabul.
- 16-18 Aug 14, Conducted training sessions for DABS Corporate Planning Department staff.
- 18 Aug 14, Met with K. Masood to discuss dividing DABS trainees into two groups for the SGDP Economic Model training based on the participants' skill levels.
- 25-27 Aug 14, Conducted training sessions with DABS Corporate Planning Department staff on SGDP Economic Model and Mazar-e-Sharif transformation capacity constraints on the transfer of power to Sheberghan through the 110 kV line under DABS' rehabilitation.
- 26 Aug 14, Met with Sheberghan Project Management Team Director, K. Masood, to discuss including other participants to the SGDP Economic Model training.
- 27 Aug 14, Met with DABS Chief Commercial Officer, M. Alami, to coordinate his participation in Dubai for the Afghanistan Business Spotlight Event.

3.3 Challenges

- No significant challenges reported during this period.

3.4 Plans for Next Month

- Continue technical coaching for DABS in preparation to transfer the SGDP Economic model, including material preparation.
- Continue reviewing in the IMF's FARI model.
- Prepare training documents and coaching for DABS to cover the following topics: demand forecasting using approaches, historical data, installed transformation capacity, and economic parameters.

4 CAPACITY DEVELOPMENT

4.1 Achievements / Activities

- Implemented Project Management Fundamentals for 25 students from MoMP.
- Assisted APA's Technical Department with developing general job descriptions for its technical staff.
- Completed a series of Microsoft Office trainings for APA.
- Continued teaching English courses from basic to advanced levels to students from MoMP and DABS.
- Continued teaching petroleum engineering courses to students from Afghan Gas Enterprise (AGE) and Oil and Gas Survey in Sheberghan. Course instruction included defining and discussing the importance of viscosity to hydrocarbons and how to measure it.
- Mentored APA field staff on the subject of packers.

- Continued teaching Geographic Information System (GIS) to students from APA and coordinated resource planning with United States Geological Survey (USGS), German International Cooperation (GIZ), and Mining Investment and Development for Afghan Sustainability (MIDAS) about trainings for Afghanistan Geological Survey (AGS).
- Emailed all key individuals from relevant donor-funded organizations (Task Force for Business and Stability Operations (TFBSO), Adam Smith, CBAGS II, and MIDAS) that have association with hydrocarbons and capacity development in their scopes of work to increase donor coordination in the aftermath of MIDAS conducting an energy production sharing contracts training unbeknownst to all other implementing partners.
- Coordinated with Adam Smith International (ASI) for members of SGGA's economic modeling team to attend its training on IMF FARI financial modeling.
- Researched resources required to provide Microsoft Office trainings to employees in Sheberghan.

4.2 Meetings

- 3 Aug 14, Met with Z. Sarwari from APA to brief him on the status of SGGA's capacity development programming. Mr. Sarwari did not raise any objections and agreed to collaborate to recruit trainees for the project management and Microsoft PowerPoint trainings that SGGA implemented.
- 3 Aug 14, Met with D. Drake from Unicon to discuss training AGE employees on basic computer skills and potentially other rudimentary business activities. SGGA agreed to provide support where it could, and asked Unicon to provide a scope of work that SGGA could evaluate to see if it could allocate resources to meet the training needs that Unicon has identified.
- 4 Aug 14, Met with P. Morgan from ASI, to collaborate on capacity development programming. Agreed that our training programs do not conflict and complement each other nicely.
- 10 Aug 14, Teleconference with E. Ebodaghe, Project Manager, Dragon Oil, to discuss collaboration for field training for APA's technical staff on the seismic work Dragon plans to conduct in Mazar-e-Sharif in the November time-frame.
- 11 Aug 14, Teleconferences with R. Heidtman and E. Podzorski to determine who has the responsibility for tracking all of MIDAS's trainings within the program's various project components. The calls confirmed that Mr. Podzorski maintains responsibility for knowing about and tracking all MIDAS training programs, which provides helpful information that eliminates confusion as to whom within MIDAS to contact for training collaboration.
- 12 Aug 14, Met with S. Darracq from GIZ to visit the room appointed for AGS to use for GIS training purposes. Discussed resources required to commence training and how to obtain them. Dr. Darracq requested funding for the resources from the World Bank and received preliminary approval.
- 12 Aug 14, Met with A. Noori, Program Officer within APA's Project Management Office and discussed APA's need for technical assistance to write an environmental report so that it would be in compliance with terms associated with the ADB drilling project. SGGA asked Mr. Noori to send an email requesting assistance for this matter, but his supervisor, Mr. Aimaq, instructed him to not send an email requesting assistance.
- 19 Aug 14, Met with M. Farhadi and E. Dahlbom of TFBSO to coordinate training activities. Discovered that TFBSO will be conducting training in coordination with the United States Land Bureau of Land Management that will likely bring several Afghans from MoMP to the United States in early-to-mid Fiscal Year 2015.
- 19 Aug 14, Met with P. Kennedy and M. Cushing from the USGS to discuss MoMP's GIS needs for both operational and training purposes at the AGS building.

- 21 Aug 14, Met with W. Mercer and L. Mattar of Texas A&M, and K. Mukhtar of Schlumberger for a pre-proposal conference in Doha, Qatar, to discuss SGGA's planned upstream hydrocarbon geoscience and engineering training.

4.3 Challenges

- USAID vetting office has not responded to SGGA's request for information and expedition of Kardan University and Schlumberger vetting. SGGA submitted the request about one month ago and the vetting of these large and well-known organizations has been pending for some five months.
- Acting APA Director General, Mr. Aimaq's refusal to allow Mr. Noori to send an email to SGGA requesting assistance in writing a technical report concerns SGGA as demonstration of lacking organizational leadership. Apparently, Mr. Aimaq would rather risk not complying with ADB's guidelines than appear weak in any way.
- Currently AGE does not have enough computers to receive training in the needs Unicon identified. Access to consistent electricity also presents a problem that may need to be overcome and/or mitigated with unlimited power supply devices. SGGA will research options to overcome these challenges in September.

4.4 Plans for Next Month

- Continue English, petroleum engineering, and GIS trainings.
- Submit follow up request for action on Kardan University and Schlumberger.
- Commence implementing a course on basic economic terms for APA.
- Research resource challenges associated with training AGE on Microsoft Office.

5 PROJECT SCHEDULE AS OF 31 MAY 2014

