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SHEBERGHAN GAS GENERATION ACTIVITY (SGGA)

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SGGA Monthly Report

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Acronyms and Abbreviations

APA	Afghanistan Petroleum Authority
DG	Director General
MoMP	Ministry of Mines and Petroleum
SGDP	Sheberghan Gas Development Project
SGGA	Sheberghan Gas Generation Activity
TPAO	Turkish National Petroleum Corporation
USAID	United States Agency for International Development

1 DRILLING CONTRACT MANAGEMENT SUPPORT

1.1 Achievements / Activities

Drilling Contract Activity

- The Ministry of Mines and Petroleum (MoMP) agreed with Turkish National Petroleum Corporation (TPAO) to extend the drilling contract period of performance to August 2015 in return for a full reserve study on Juma-Bashikurd by a third party. MoMP submitted a request for consent for contract modification to R. Plucknett, of United States Agency for International Development (USAID) on 7 December. As of the date of this report, USAID has not acted on the request.

Customs Clearance

- TPAO reports to have moved a number of trucks in the Aquina customs zone despite not having received concurrence USAID for contract extension (Afghanistan's customs procedures require a contract end date for duty-free treatment).
- On 23 December TPAO sent a written request to Afghanistan Petroleum Authority (APA) for "urgent" support for customs clearance.
- Conversations and e-mails with APA on 28 December revealed that TPAO is only now providing copies of the contract and other documents to the Customs Department that indicate the drilling contract is being funded by USAID. It appears from this request that TPAO failed to submit the necessary application and supporting documents for duty-free customs treatment before attempting to pass customs with a large number of trucks. The type of documents requested are those typically requested by the Customs Department in support of a duty-free application.
- As of 30 December TPAO was reported to have brought its duty-free customs applications to APA for confirmation before submitting them to the Customs Department.
- Vice President Rashid Dostum reportedly called Acting Minister of Mines and Petroleum, Jawed Sadat, to urge assistance to TPAO in clearing customs.
 - Sheberghan Gas Generation Activity SGGA informed R. Scott and K. Ludin informed of this report.
- On December TPAO submitted exemption forms for 39 trucks out of 243 trucks for APA to process.

APA Budget Cut

- 20 December constituted the last day of work for approximately 72 APA contract employees, whose positions were eliminated in the new national budget. This cut will leave only approximately 35 employees stationed at APA.
 - Approximately 25 APA contract employees have attempted to retain their positions, and kept working normal hours at their offices in the hopes of obtaining renewed funding.

Contract Management Support

- SGGA recommended alternative approaches to Z. Sarwari to act on depending on whether or not USAID approves a contract extension, including entry under bond, providing a copy of an extension agreement to customs officials, and instructing TPAO to stop sending trucks into the customs zone before completing paperwork. SGGA forwarded these recommendations to K. Ludin of USAID.
- SGGA provided, yet again, copies of relevant documents with references to the contract terms placing responsibility for customs matters on TPAO to APA and made recommendations on possible solutions.
- It appears that MoMP is not in compliance with IL-45-01. With the staff cuts at APA, the Sheberghan Gas Development Project (SGDP) manager is no longer formally employed. The

required monitoring, evaluation, and reporting committee no longer has positions filled due to departures and no required reports are known to have been filed. In addition, none of the required Environmental Management Plan reports to NEPA appear to have been filed.

1.2 Meetings

- 1 Dec 14, Met with USAID (R. Plucknett, A. Dix, J. Cardenas, J. Jordy, C. Drilling, K. Ludin, G. Wang), and Z. Sarwari of MoMP, regarding handling the TPAO contract and data collection for the reserve study. As a result of the meeting, USAID requested SGGA to draft a letter for USAID to send to MoMP regarding its option to terminate funding for the drilling contract.
- 1 Dec 14, Met with APA and TPAO to discuss options to extend TPAO's contract performance period.

1.3 Challenges

- TPAO appears to refuse to mitigate claimed problems with customs entry, including reported inability to clear customs due to inadequate documentation, and expiration of driver visas. TPAO continues to send trucks into the customs zone despite problems. Delays are attributable to TPAO's failure to provide customs documentation on time to MoMP, and TPAO's failure to obtain necessary exemption clearance from the Ministry of Finance.

1.4 Plans for Next Month

- Continue to monitor entry of TPAO equipment and materials into customs area; provide advice to MoMP as requested.
- Refresh MoMP's memory regarding its required actions for monitoring, reporting, and certifying in regard to the TPAO drilling contract.

2 SGDP NATURAL GAS DEVELOPMENT SUPPORT

2.1 Achievements / Activities

Reserve Estimate Study

- On 22 December, SGGA requested update on status of request for access to field data in connection with proposed reserve estimate and was informed by Z. Sarwari that the request for staff recommendation had not be forwarded to APA's Director General (DG) for action. Sarwari stated that DG Anwar stated that the report to the Minister must be in two parts, one "technical," the other "business." SGGA's formal request for agreement on access has been pending since at least 18 October 2014.

Gas-to-Power Symposium

- From 14-15 December SGGA executed the Afghanistan Gas-to-Power Symposium. Over 60 people attended, including representatives from the following interested investor organizations:
 - Elite Construction
 - SMN Investment
 - BB Energy
 - Bayat Energy
 - Chuangyue Energy Group
- SGGA facilitated matchmaking discussions with each of the investor groups listed above and provided interested investors chances for in-depth conversations about public private partnerships for gas processing and IPP investments.

- Presentations focused on the history of SGDP, gas market analysis, gas gathering system and processing public-private partnership opportunity, regulation of electricity in Afghanistan, inclusion of independent power plants in the Afghan Grid, Afghan National Security Forces coming to the grid, security conditions in Northern Afghanistan, an overview of the Asian Development Bank's drilling activities, and gas-to-power lessons learned in Iraq.

2.2 Meetings

- 6 Dec 14, Met with K. Ludin, J. Jordy, R. Scott, and C. Hurley from USAID to discuss final plans for the Gas-to-Power Symposium.
- 6 Dec 14, Met with GIRoA officials from MoMP, DABS, and MEW to discuss and unify GIRoA's position on gas development issues such as pricing and utilization policies, discuss points to emphasize during the presentations, and confirm event logistics.
- 7 Dec 14, Teleconference with C. Hurley from the USAID Department of Outreach and Communications Office, and J. Caplan from the US Embassy in the U.A.E. to provide project background information and discuss media engagement strategy for the Gas-to-Power Symposium.
- 9 Dec 14, Met with Acting Minister Sadat regarding MoMP's attendees for the Gas-to-Power Symposium. Minister Sadat purported to know nothing about SGDP, or gas processing plans, and ultimately refused to authorize MoMP's attendance at the event except for one individual.
- 11 Dec 14, Teleconference with J. Larkin, from Parsons Brinkerhoff, to discuss meeting opportunities with UAE business leaders in conjunction with the Gas-to-Power symposium.
- 14-15 Dec 14, Multiple meetings with investors as part of the Gas-to-Power Symposium.
- 15 Dec 14, Met with F. Donnachie, who J. Larkin introduced to SGGA from the UAE-based Al Nowais Group to discuss IPP development opportunities with M. Alami, the DABS Chief Commercial Officer.
- 17 Dec 14, Met with David Lindley, Exim company regarding refinery, gas supply, gas processing plant, and power plant.
- 23 Dec 14, SGDP was an agenda item for the ICE meeting. SGGA provided materials for Z. Sarwari to prepare a Ministry presentation, but no one from the Ministry appeared, reportedly because Acting Minister Sadat refused to authorize anyone to attend from the Ministry.

2.3 Challenges

- Locating adequate gas field well data to support SGGA's reservoir study initiative.
- Just three days prior to the Gas-to-Power Symposium, Acting Minister Sadat refused to allow any staff from the Afghan Petroleum Authority to attend the event, including SGDP Project Manager, Z. Sarwari, or Finance Director N. Shinwari, each of whom could have greatly contributed to and likely benefited from conference participation.

2.4 Plans for Next Month

- Continue advancing search for additional gas field well data to support SGGA's reservoir study initiative.

3 POWER SECTOR DEVELOPMENT AND ECONOMIC MODELING

3.1 Achievements

- Participated in the Gas-to-Power Symposium, including coordinating participation from MEW and DABS and facilitating investment conversations during matchmaking sessions.

3.2 Meetings

- None.

3.3 Challenges

- No significant challenges reported during this period.

3.4 Plans for Next Month

- SGGA's power sector workstream lead, A. Moncada, has demobilized from full-time employment with SGGA. SGGA's remaining staff in this workstream will continue to provide technical support as requested to DABS and MEW and contribute to capacity development moving forward.

4 CAPACITY DEVELOPMENT

4.1 Achievements / Activities

Course Implementation

- English Language Training: Continued instructing students from MoMP in both Sheberghan and Kabul and DABS in Sheberghan.
- Petroleum Engineering: Continued instructing Afghan Gas Enterprise and Oil and Gas Survey employees and mentoring MoMP's SGDP project engineers in Sheberghan.
- Geographic Information System: Continued instruction for APA and AGS staff.
- Petroleum Economics and Finance: Commenced instruction to two separate classes: One from AGS and MoMP headquarters, and another from APA.

Scheduled Course Planning

- Scheduled the training program from Kardan University to commence on or about 10 Jan 2015, beginning with Management and Database Management.

4.2 Meetings

- 23 Dec 14, Met with Z. Jaihoon, Z. Sarwari from APA, and A. Basheer from AGS's Coordination Department, to discuss future training programming for AGS and APA. Mr. Sarwari noted that APA is unable to confirm participation in any future trainings except for English due to the entity's uncertain future within MoMP and the non-continuation of many of its staff members' contracts.
- 23 Dec 14, Met with N. Shinwari, APA's Finance Director to discuss the planned Petroleum Finance and Economics training. Mr. Shinwari expressed that he was pleased that SGGA would provide the training, however with his staff members currently not holding employment contracts, he planned on ordering them to stay home from the work, which would prevent them from being able to receive the training.
 - SGGA notes that Mr. Shinwari did not end up ordering the Finance Department employees to stay home and has allowed them to continue working. Regarding the Petroleum Finance and Economics training, he allowed his staff to have availability for 45 minutes each day of the trainer's presence.
- 28 Dec 14, Met with G. Beenish and M. Ayube from Kardan University to discuss initial deficiencies in its Management training materials. Specifically, the initial materials did not show enough original content and required customization for Afghan participants. Kardan readily agreed to improve its materials.
- 28 Dec 14, Met with R. Shinwari and W. Alokozay to discuss training objectives for the presently unofficial APA Finance Department vis-à-vis the Petroleum Economics and Finance Training.

4.3 Challenges

- SGGA's gas processing instructor resigned during his regional rest break at the beginning of the month due to concerns about Afghanistan's security conditions. After consideration of the lengthy time horizon required to recruit another instructor and the limited amount of material that a replacement could cover even if mobilized in February, SGGA determined to not pursue a replacement.
- Initial training materials presented by Kardan University for a subcontracted training severely lacked up-to-date information, originality, and customization for Afghan trainees. As a result, SGGA refused initial acceptance of the materials; Kardan agreed to revise and resubmit materials expeditiously.
- SGGA learned that GIRoA did not approve continued funding for the discretionary budgets that supply salaries for the vast majority of APA staff members. As of the end of this reporting period it is unclear to SGGA which MoMP staff will remain working on hydrocarbon-related matters and how MoMP will restructure itself functionally to manage its petroleum development activities.
 - Since APA's future remains uncertain, SGGA has decided to shift its capacity development coordination to the AGS Coordination Department and MoMP's Human Resources Department. Due to the short timeline remaining on SGGA's contract, it cannot delay training activities until MoMP can fully reorganize its staff and functions, therefore SGGA will coordinate with a variety of departments from MoMP, MoF, MEW, and DABS to train any and all people who may have current/future hydrocarbon development responsibilities.
 - SGGA continues to make every opportunity for remaining APA staff to attend trainings with prioritization for their attendance considering the relevancy of their current, albeit uncertain, roles and responsibilities to the subject matter of the training.
 - APA's uncertainty has directly impacted SGGA's Petroleum Economics and Finance training, which it scheduled in November prior to learning about the budget cut. As a result, APA staff members were only made available for 45 minutes per day instead of the two hours that SGGA requested for the training. Although SGGA would have liked additional time to cover the material at a more detailed level, it has adjusted and prioritized class instruction to discuss APA's greatest needs within the confined time availability.

4.4 Plans for Next Month

- Complete the Petroleum Economics and Finance workshop for MoMP.
- Coordinate between Kardan University and MoMP/AGS/APA to implement training its training program.
- Continue all on-going training programs, including: English, Geographic Information System, and Petroleum Engineering.
- Continue coordination with APA as clarity emerges about its future.
- Conduct meetings with senior-level staff members from DABS, MoMP, Ministry of Finance and Ministry of Energy and Water to raise awareness and interest in the Gas-to-Power Negotiation Simulation that SGGA is planning for the first week of March.
- Depending on the availability of trainees, finalize a schedule with Schlumberger Overseas S.A. for the provision of Upstream Geoscience training.
 - Due to the uncertainty of APA's future, and that its technical services department may not receive approvals to attend the training, SGGA will hold off on its decision to implement since qualified trainees may not be available prior to SGGA's contract completion.

