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SHEBERGHAN GAS GENERATION ACTIVITY (SGGA)

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SGGA Monthly Report

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Table of Contents

1	DRILLING CONTRACT MANAGEMENT SUPPORT	1
1.1	Achievements / Activities	1
1.2	Meetings	1
1.3	Challenges	1
1.4	Plans for Next Month	1
2	SGDP NATURAL GAS DEVELOPMENT SUPPORT	2
2.1	Achievements / Activities	2
2.2	Meetings	2
2.3	Challenges	2
2.4	Plans for Next Month	2
3	POWER SECTOR DEVELOPMENT AND ECONOMIC MODELING	2
3.1	Achievements	2
3.2	Meetings	2
3.3	Challenges	3
3.4	Plans for Next Month	3
4	CAPACITY DEVELOPMENT	3
4.1	Achievements / Activities	3
4.2	Meetings	3
4.3	Challenges	4
4.4	Plans for Next Month	4
5	PROJECT SCHEDULE	5
6	PMP DATA.....	Error! Bookmark not defined.
7	MONTHLY EXPENDITURES.....	Error! Bookmark not defined.

Acronyms and Abbreviations

AGE	Afghan Gas Enterprise
APA	Afghanistan Petroleum Authority
DABS	Da Afghanistan Breshna Sherkat
DM	Deputy Minister
ESL	English as a Second Language
MEW	Ministry of Energy and Water
MoMP	Ministry of Mines and Petroleum
PMP	Performance Monitoring Plan
OGS	Oil and Gas Survey
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

- USAID consented to the Ministry of Mines and Petroleum's (MoMP's) request to agree with Turkish Petroleum Corporation (TPAO) to extend the performance period of the drilling contract until August 2015. Following this decision, SGGA:
 - Stressed in conversations and e-mails with Z. Sarwari that, in light of TPAO mobilization and extension of the performance period, MoMP will need to step up its monitoring and reporting of TPAO activity and be prepared to certify payment milestones. The Afghanistan Petroleum Authority (APA) / MoMP has reportedly assigned two engineers from Afghan Gas to perform these functions, but apparently these engineers are not reporting regularly to MoMP project manager Sarwari.
 - At request of USAID, SGGA prepared two versions of a draft implementation letter requiring MoMP to provide information on how MoMP proposes to assure that no claims for cost recovery for work done under the drilling contract are made by the prospective exploration and production sharing contractor for the Totimaidan block. Additionally, the implementation letter will require MoMP to clarify what steps, if any, MoMP is taking to obtain credit in the proposed production sharing contract for the costs of drilling and re-entry of the three wells, especially if TPAO is awarded the exploration and production sharing contract.
- 37 TPAO cargos were reported to have cleared customs at Aquina by end of reporting period, and 39 trucks are still holding in Aquina border crossing for custom clearance. Another 100+ trucks have not yet been dispatched from Turkey.
- Discovered that instructions from MoMP Deputy Minister (DM) Jamel Hares to APA to prepare a recommendation on access to data for reserve estimates had not been picked up by APA as directed nearly a month after DM Hares directed APA to do so. As a result, SGGA hand delivered the request to Z. Sarwari who passed it to Director General Anwar; who in turn committed to assign preparation of a recommendation within one week. At end of reporting period there has been no report on the status of this report.

1.2 Meetings

- 25 Jan 15, Met with Z. Sarwari and presented him with a new critical items checklist focused on the urgent need for MoMP to prepare for TPAO's first invoice and begin IL required reporting to USAID.

1.3 Challenges

- Sarwari's response to reminders that MoMP will need to deploy monitors for reporting on TPAO contract activities failed to mention that DM Hares assigned two engineers from Afghanistan Gas Enterprise on 6 May. His initial reply was that such monitors would likely not be assigned unless USAID paid salaries for such personnel.
- Obtaining an agreement on access to data continues to be delayed by MoMP's inattention, thereby delaying the issuance of the prepared request for proposal for gas field data evaluation and reserve estimates. It is possible that this delay may not be resolved until confirmation of the new Minister of MoMP.

- The uncertain existence and authority of the APA and non-paid staff members remaining in their positions continue to negatively impact SGGA's fulfillment of implementing partner responsibilities. SGGA, for lack of anyone else assigned as the SGDP Project Manager, will continue to work with Z. Sarwari while he appears to maintain authority within MoMP despite his lack of official employment.

1.4 Plans for Next Month

- Obtain more complete information about the assignment of monitoring engineers from Afghan Gas and their duties.
- Obtain an update on the status of the request to access gas field data for data evaluation and reserve estimates.

2 SGDP NATURAL GAS DEVELOPMENT SUPPORT

2.1 Achievements / Activities

- Reports on Abu Dhabi Gas to Power Symposium delivered to Acting Ministers Faruq (MEW) and Sadaat (MoMP), and CEO Samadi at Da Afghanistan Breshna Sherkat (DABS), and to other key MEW, MoMP, and DABS personnel.

2.2 Meetings

- None.

2.3 Challenges

- In conversations with APA, SGGA learned that the pending award of the Totimaidan block exploration and production contract may be rejected by the Inter-ministerial Council, or that the Juma-Bashikurd Field may be removed from the tender, on the dubious basis that since "exploration" has already been conducted in the Juma-Bashikurd Field and that the contract is not needed. This reasoning clearly ignores the need for substantial outside investment to assure proper development of the field and field infrastructure.

2.4 Plans for Next Month

- Attempt to obtain further information about the status and possible action on the Totimaidan block contract award, and respond as required.

3 POWER SECTOR DEVELOPMENT AND ECONOMIC MODELING

3.1 Achievements

- Assisted the DABS Planning Department in performing the calculations and analysis of gas to power conversion.
- Translated technical documents of gas to power conversion for DABS planning department.

3.2 Meetings

- 5, 7, 12 Jan 15, Assisted the Capacity Development Team in Meetings with M. Alami and Eng. Nasery at DABS.

3.3 Challenges

- No significant challenges reported during this period.

3.4 Plans for Next Month

- 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
 - Administered English as second language (ESL) placement assessment to 76 students from AGS/APA.
 - Continued various level ESL classes for MoMP Kabul staff and Afghan Gas Enterprise (AGE) and Oil and Gas Survey (OGS) in Sheberghan, including lesson preparation and facilitation for ESL trainers.
 - Developed and commenced instruction for an additional business English course for DM Sadat and his staff at his request.
- Continued petroleum engineering training with AGE and OGS employees.
 - Visited a local supplier to research procuring laboratory equipment for training purposes.
- Completed finance and economics course for MoMP and the Afghanistan Geological Survey.
- Completed Microsoft Office training in Sheberghan for AGE and OGS.

Scheduled Course Planning

- Subcontractor Kardan University completed its database management training.
- Reviewed multiple iterations of management course materials from Kardan in preparation for its upcoming course delivery for MoMP.

4.2 Other Activities

Translations

- Completed translating selected excerpts from *The Global Oil and Gas Industry* from English to Dari and provided translation to MoMP.

4.3 Meetings

- 5 Jan 15, Met with Eng. Abdul Walik Nasery, DABS Deputy Commercial Officer, to present, discuss and gather feedback on the final component for the AEAI Sheberghan oil, gas and gas-to-power courses on economics, finance, project management and strategic negotiations simulations.
 - The discussion on simulating contract negotiations focused on the critical issues and challenges that can come up during contract negotiations. The conversation presented pricing components such as demand charges and heat rate options; the potential for take-or-pay provisions; and the need for performance guarantees and liquidated damages. The attendees also discussed the informational and competitive issues associated with setting demand charges.
- 6 Jan 15, Met with DM Hares from MoMP to discuss the gas-to-power simulation training. Discussed parameters of discussion that will come up in the training, including demand

charges, heat rate options, start and ramp charges, take-or-pay, liquidated damages on performance failure, balancing GIRoA project support with regulatory responsibilities.

- 7 Jan 15, Met with Mirwais Alami from DABS to introduce the gas-to-power simulation to him and discussed DABS's key commercial issues including the potential Turkmenistan Power Purchase Agreement.
- 10 Jan 15, met with acting MoMP and MEW ministers and DABS Chief Commercial Officer to discuss upcoming AEAI trainings and obtain their views on how capacity development could be more effective for their organizations.
- 11, 12 Jan 15, met with senior staff from MoMP, MEW, DABS and AGS to clarify the protocols for facilitating training events with their respective organizations.
- 12 Jan 15, Met with Mirwais Alami, DABS Chief Commercial Officer, to discuss capacity development opportunities for the DABS staff.
- 20 Jan 15, Met with Mr. Zamani, Director of Human Resources for MoMP to introduce SGGA's Director of Capacity Development and coordinate plans for the upcoming Microsoft Visio and Management trainings.
- 21 Jan 15, Met with DM Hares to discuss a training opportunity that he identified for financial management information system trainings at MoMP's provincial offices and SGGA's upcoming trainings on gas market analysis and the gas-to-power negotiation simulation.
 - Regarding the software training request, SGGA believes that MIDAS would serve as a better fit for the scope of work due to the facts that it has longer time remaining on its contract that would be required to complete the extensive training and also that it has operations in a variety of locations of Afghanistan, unlike SGGA, which only operates in Kabul and Sheberghan. In the event that MIDAS undertakes the training opportunity and a subsequent contract with USAID utilizing SGGA capacity development resources materializes, SGGA would coordinate with and support MIDAS's efforts; focusing on how and why to use the software for hydrocarbon financial reporting.
- 25 Jan 15, Met with M. Alami to discuss the gas market analysis executive training sessions for DABS. He advised that SGGA meet individually with CEO Samadi, COO Shakeeb, and K. Masood to coordinate their participation and confirmed his availability for the second week of February.
- 28 Jan 15, Met with DM Sadat to discuss his request for an executive English class. SGGA agreed to support his request and commenced instruction on 31 January.

4.4 Challenges

- No significant challenges during this reporting period.

4.5 Plans for Next Month

- Conduct pre-assessment for MS-Visio training for MoMP staff and begin training.
- Continue arrangements for Oracle SQL training.
- Continue the development of training including:
 - Management training by Kardan University
 - Gas to power negotiation simulation
 - Up-stream geoscience training
 - MS Visio training

- Continue all on-going training programs including English, GIS and Petroleum Engineering.
- Continue discussion with MoMP in regard to advanced ESL classes with MoMP directors.

5 PROJECT SCHEDULE



