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## **SHEBERGHAN GAS GENERATION ACTIVITY (SGGA)**

Contract No. EPP-I-00-03-00004-00, USAID Task Order No. AID-306-TO-12-00002

# **SGGA Monthly Report**

Period: February 1 – February 28, 2015

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## Acronyms and Abbreviations

DABS	Da Afghanistan Breshna Sherkat
GIS	Geographic Information System
MIDAS	Mining Investment and Development for Afghan Sustainability
MoF	Ministry of Finance
MoMP	Ministry of Mines and Petroleum
NEPA	National Environmental Protection Agency
SGDP	Sheberghan Gas Development Project
SGGA	Sheberghan Gas Generation Activity
TPAO	Turkish Petroleum Corporation
USAID	United States Agency for International Development

# 1 DRILLING CONTRACT MANAGEMENT SUPPORT

## 1.1 Achievements / Activities

### Technical Advisory

- By letter (delivered February 8) to Deputy Minister Jamel Hares of the Ministry of Mines and Petroleum (MoMP), copied to Z. Sarwari, provided a detailed list of inspections and other actions required to confirm completion of mobilization by Turkish Petroleum Corporation (TPAO), for which TPAO is expected to invoice soon. The letter specified that USAID will not reimburse MoMP for the mobilization unless a complete inspection and verification is provided by MoMP. As of the date of this report, MoMP has not provided a report on the status of the inspections or other actions, nor has it provided a plan for doing so.
- Distributed Implementation Letter (IL) 45-14 to MoF and MoMP. This IL requires that GIRoA take all precautions to ensure that the eventual Totimaidan Block production sharing contractor is not able to cost recover against USAID-funded Juma-Bashikurd well drilling and rehabilitation work.
- Delivered letter to Min. Sabah from USAID Mission Director Hammink urging cooperation with SGGA for access to Ministry records for gas data evaluation and reserve estimate.
- Updated and prepared six binders of invoice payment process training materials, checklists, templates, and examples for the Afghanistan Petroleum Authority, and offered additional training for payment processing. As of the date of this report, the offer of training has not been accepted.
- Drafted for MoMP an amendment to the TPAO drilling contract that would extend the time for completion by TPAO until August 31, 2016, in return for which TPAO would pay for a reservoir study of the Juma-Bashikurd Field by an internationally recognized petroleum engineering firm. Negotiations between MoMP and TPAO on the extension are continuing as of the date of this report.
- Outlined actions to be taken by MoMP in response to assertions in a February 27 letter from TPAO that complained of (1) its not being made aware of the prohibition against mobilizing equipment and materials through Iran, and (2) the MoMP not providing adequate support for customs clearance with resulting delays and costs. The letter clearly lays the basis for a claim by TPAO for damages and further extensions of the performance period. Copies of correspondence between both MoMP and SGGA clearly explaining both the prohibition and reasons for it, including that it was clear from the tender documents that it would likely not be permitted. The actions recommended to prepare for the claim included such things as immediately preparing documentation of contacts with TPAO on customs issues. The recommendations, and an offer to help prepare a response, were provided to MoMP on March 2, but as of the date of this report, SGGA has received no information or plan for action from MoMP regarding a response to TPAO.
- Drafted response and provided documentation to MoMP to respond to a letter from TPAO claiming that they had “just discovered” that the Juma #2A might have salt formations. This likelihood had been made clear in the original drilling tender documents provided to TPAO.

### Performance Oversight

- Credible Construction Company, an SGGA subcontractor, was mobilized to inspect quality of the roads, camp, and well locations constructed by TPAO to insure both compliance with the contract performance standards and with the National Environmental Protection

Agency (NEPA)-approved environmental and safety requirements. A fair-market evaluation of the claimed cost of the work will also be provided.

### Security Update

- The security situation in Sheberghan was relatively quiet during this reporting period. SGGA tracked the following incidents:
  - Intelligence reporting is that many Jawjzan-based Taliban commanders have been invited to join Islamic State of Iraq and the Levant.
  - As the end of the reporting period, TPAO's security personnel had not be paid by the security subcontractor for more than three months, but continued to work.

### 1.2 Meetings

- 1 Feb 15, SGGA staff met with Credible Construction Company's owner and engineers to review the scope of work and logistics arrangements for Credible's inspection and cost appraisal of civil works done by TPAO.
- 4 Feb 15, SGGA's Chief of Party attended implementing partner meeting w H. Higginbottom, Dep. Secretary of State for Management.
- 5 Feb 15, met with USAID (G. Weynand, R. Scott, J. Jordy) to explain project objectives and implementation plans (followed by special project report to USAID).
- 8 Feb 15, met with Z. Sarwari to discuss monitoring of TPAO contract work.
- 8 Feb 15, CoP met with MoMP Deputy Minister Jamel Hares to discuss TPAO contract mobilization verification; delivered letter detailing the steps necessary to verify completion of TPAO mobilization.

### 1.3 Challenges

- MoMP continues to seem to be unable to manage routine monitoring and reporting of TPAO's contract activities.
  - During the reporting period SGGA learned that the MoMP monitors had not been able to visit the work locations except by transportation provided by TPAO, and when TPAO managers were not in the field, not even that was available. To correct this situation, SGGA has offered transportation to the work locations whenever needed.
  - MoMP still has not provided any of the monthly reports to USAID required under the grant agreement and has not made the reports to NEPA required by the environmental management plan. SGGA offered the assistance of one of its local staff and placed the staff member in Z. Sarwari's office, but he was given nothing to do, so he was returned to regular duties. On February 15, SGGA sent Z. Sarwari an e-mail detailing unmet reporting and monitoring requirements, however, as of the date of this report, no efforts to comply were apparent.
- As noted above, TPAO continues to assert apparently unfounded complaints about delays caused by not being able to transit Iran and MoMP's not providing required assistance on customs clearance. The first complaint is completely unfounded. SGGA is attempting to determine and document the facts the facts in order to assist MoMP to respond.
- Unable to attend meeting with Min. Sabah and USAID on February 22 because of demonstrations near MoMP.

## 1.4 Plans for Next Month

- Continue to provide legal and business support to MoMP for concluding the contract extension agreement with TPAO
- Continue to urge compliance with both USAID and NEPA reporting requirements, and to offer assistance to MoMP to comply.
- Continue to urge compliance with mobilization verification requirements and remind of the consequences of failure to document compliance to USAID.

## 2 SGDP NATURAL GAS DEVELOPMENT SUPPORT

### 2.1 Achievements / Activities

- Completed a rough draft of the Gas Market Feasibility Study Update.

### 2.2 Meetings

- 4 Feb 15, Met with D. Drake, M Medinaceli, and O. Grynyk from Unicon to discuss natural gas feasibility study findings

### 2.3 Challenges

- No challenges during this reporting period.

### 2.4 Plans for Next Month

- Continue supporting gas corporatization efforts and interministerial coordination regarding gas development.

## 3 POWER SECTOR DEVELOPMENT AND ECONOMIC MODELING

### 3.1 Achievements

- Added a scope of work for the subcontractor completing the gas market feasibility study to update and add industry-standard complexity to SGGA's Sheberghan Gas Development Project Economic Model.

### 3.2 Meetings

- None

### 3.3 Challenges

- No significant challenges reported during this period.

### 3.4 Plans for Next Month

- Continue to provide technical support as requested to Da Afghanistan Breshna Sherkat (DABS) and the Ministry of Energy and Water and contribute to capacity development moving forward.

## 4 CAPACITY DEVELOPMENT

### 4.1 Achievements / Activities

#### Course Planning

- Upon MoMP's appointment of Minister Saba, MoMP's Human Resource Director instructed SGGA to refrain from commencing any new training programs not already underway. As a

result, SGGA informed Kardan University, one of its training subcontractors, to hold off on all activity until it receives clearance to proceed with classes.

- SGGA continued its planning and preparation for the gas-to-power simulation strategy sessions, the planning for which had already been underway for the past two months. Implementation is scheduled for the second week of March.
- Interviewed and selected a preferred candidate to serve as a health and safety instructor based on responses compiled from an RFP.
- Conducted research following a request from AGE to provide additional gas processing and chromatograph training.

### Course Implementation

- Gas Market Analysis: Completed training sessions for DABS and MoMP. SGGA noticed excellent participation from DABS's executive staff, which requested the training last longer than SGGA had originally planned for, however MoMP did not participate with as much interest.
  - English Language Training: Continued course implementation across MoMP's subdirectorates, including MoMP executive staff, the Afghanistan Geological Survey (AGS), Afghanistan Gas Enterprise (AGE), Oil and Gas Survey (OGS), and remaining staff from the Afghanistan Petroleum Authority.
- Continued petroleum engineering training and mentoring with AGS and OGS employees.
  - Hosted Engineers Sadiq and Safi from AGE for mentoring sessions on drilling monitoring in Sheberghan

## 4.2 Meetings

- 7 Feb 15, Met with A. Basheer, Coordination Manager at AGS. He stated that AGS Engineers have requested trainings in the following areas:
  - Petrography and Mineralogy
  - Theoretical and Practical Exploration
  - Geographic Information System
  - Geographic Positioning System
  - Deposit Forming
  - Proposal and Technical Report Writing
  - Senior Management
  - Software Training (Geo-office, Geo-soft)
  - Geo-Physical Data Interpretation
  - Economic Geology
  - Remote Sensing
  - Test of English as Foreign Language Preparation

## 4.3 Challenges

- MoMP's leadership change and resulting request to delay new courses has forced SGGA to delay course implementation in certain areas.

## 4.4 Plans for Next Month

- Compile the SGGA Final Capacity Development Report.
- Implement the gas-to-power simulation training.

# 5 PROJECT SCHEDULE

