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SHEBERGHAN GAS GENERATION ACTIVITY (SGGA)

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SGGA Quarterly Report (Mod 2, Section F, Paragraph B (3))

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Acronyms and Abbreviations

AGE	Afghan Gas Enterprise
AGS	Afghanistan Geological Survey
APA	Afghanistan Petroleum Authority
DABS	Da Afghanistan Breshna Sherkat
FY	Fiscal Year
GIS	Geographic Information System
MIDAS	Mining Investment and Development for Afghan Sustainability
MoMP	Ministry of Mines and Petroleum
NEPA	National Environmental Protection Agency
OGS	Oil and Gas Survey
SGDP	Sheberghan Gas Development Project
SGGA	Sheberghan Gas Generation Activity
TPAO	Turkish Petroleum Corporation
USAID	United States Agency for International Development

1 MoMP Procurement Technical Assistance (Objective 2)

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
<p>Drilling Contractor Schedule / Performance.</p>	<ol style="list-style-type: none"> 1) Turkish Petroleum Corporation (TPAO) continues to run behind contract schedule in drilling and have extended its estimated completion schedule to mid-April 2015. 2) TPAO submitted insurance documents that indicated intent to have 240 trucks cross Iran on the way to Afghanistan. 3) Afghanistan Petroleum Authority (APA) decided to move the location of well Juma #2A, from what the contract specifies. 	<ol style="list-style-type: none"> 1) During this quarter, Sheberghan Gas Generation Activity (SGGA) prepared and the Ministry of Mines and Petroleum (MoMP) has sent eight different letters to TPAO rejecting its extended schedule and requiring that it comply with various contract requirements. TPAO has become more responsive in reporting and APA can show active contract administration if the contract ends up in arbitration. 2) SGGA brought the potential Iran crossing to the attention of APA and United States Agency for International Development (USAID). SGGA developed a letter, which APA sent to TPAO warning it not to transit Iran. It appears that these actions have convinced TPAO not to cross Iran and according to conversations between TPAO and APA, TPAO has rerouted its logistics plan to cross Georgia, float across the Caspian Sea, into Turkmenistan, and to an Afghan border entry point. 3) SGGA advised against changing the well location post-award, but APA insisted. Two advantages of the well move include moving it from approximately seven kilometers away from the Old Military Camp to within 600 meters of it and also further from a village feared to harbor insurgents or trouble causers. It remains uncertain whether TPAO will request some sort of equitable adjustment as a result of the

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
		Move.
Afghan National Environmental Protection Agency (NEPA) Issuance of a Certificate of Environmental Compliance for Re-entry/ Drilling Operations.	1) Previously, achieving this goal had seemed elusive due to a lack of understanding and experience within both MoMP and NEPA.	1) Finally, on 26 April 2014, NEPA issued environmental approval.

2 DABS Technical Assistance (Objective 1)

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
Power Development Technical Assistance. Completed a preliminary analysis report and presentation regarding the evaluation method and data requirements to conduct a cost-benefit analysis on modifying and relocating two AEG MS5001 gas turbines from Kabul to Sheberghan.	1) No significant problems during this reporting period.	
Economic Modeling. Calculated the required wholesale purchase price for the planned Sheberghan Independent Power Plant and the Internal Rate of Return for the planned gas processing operator under various scenarios. Included data on gas prices and dispatch rates from neighboring countries in the scenario calculations.	1) Allen Eisendrath of USAID provided advice to include International Finance Corporation's interest and return on investment figures.	1) SGGA updated and polished the model for significant improvement and relevance. It will commence training Da Afghanistan Breshna Sherkat (DABS) during Q4.

3 Capacity Development (Objectives 1 & 5)

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
Environmental Law and Regulations Training.	1) The environmental law and procedures training required a delay of at least one month due to security precautions pertaining to Afghanistan's Presidential Election.	1) SGGA rescheduled the training to take place from 20-25 May and implemented the revised schedule on time.
Petroleum Engineering Training. SGGA has continued its technical trainings for Afghan Gas Enterprise (AGE) and Oil and Gas Survey (OGS) with its local engineering staff in Sheberghan.	1) The Ministry of Finance tax audit created a delay in Advanced Engineering Associates International, Inc.'s Afghanistan Investment Support Agency registration renewal; a requirement for Ministry of Foreign Affairs to issue entry and work visas.	1) SGGA pursued every avenue possible to expedite the finalization of its tax audit and eventually completed. Due to the delays in TPAO's work schedule, SGGA did not require the services of the engineer to explain the drilling progress.

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
	<p>This prevented entry of two petroleum engineers that SGGA hired to provide technical instruction to MoMP's field engineers in Sheberghan. Subsequently, due to the delay in visa issuance, one engineer resigned.</p> <p>2) TPAO's drilling operations delays have prevented on-site educational opportunities.</p> <p>3) Due to USAID's maximum salary limitations, SGGA has had a difficult time recruiting and retaining qualified petroleum engineering specialists. These specialists command extremely high rates on the open market and have either declined SGGA's position offers, or left their positions with SGGA as a result of better offers elsewhere.</p> <p>4) SGGA sought to establish a scholarship program for MoMP's top engineers and managers to pursue graduate education; however USAID rejected the proposal based on problems encountered from sending overseas for long-term trainings on other projects.</p>	<p>2) Since TPAO has not commenced drilling operations for Sheberghan-based employees to observe and learn from, SGGA has coordinated with Dragon Oil to arrange secondment trainings on Dragon's exploration activities to take place in fiscal year (FY) 14's fourth quarter.</p> <p>3) SGGA will continue to recruit qualified engineers and offer salaries within USAID's boundary until it succeeds in obtaining qualified specialists.</p> <p>4) SGGA pursued other avenues to increase the technical proficiency of APA's technical staff. It coordinated with Dragon Oil to establish a requirement for a request for proposal that it plans to issue to a short-listed group of providers for a short-term technical training that would enhance MoMP engineers' knowledge in key areas relevant to developing Afghanistan's hydrocarbon reserves.</p>
<p>English Training of APA, AGE, OGS and Afghanistan Geological Survey (AGS). Continued instruction for starter, beginner, intermediate, and</p>	<p>1) The majority of AGS staff commenced a strike from all training programs on 9 June 2014. SGGA understands that the AGS Engineers went on</p>	<p>1) SGGA suspended all training from AGS while the strike remains in effect unless a group of 20 or more students organizes to attend English</p>

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
advanced levels for APA, OGS and AGE. Commenced TOEFL level instruction for APA's advanced students.	strike based on discontent with the selection process for field trainings funded by Mining Investment and Development for Afghan Sustainability (MIDAS) and GIZ, which include per diem payments of approximately \$10-15 per day according to AGS's Coordination Department. The strike ended on the last day of the reporting period.	class. Also, in the beginner level course, APA students had merged with AGS. During the strike, SGGA provided English training to the non-striking APA students.
<p>Geographic Information System (GIS) Training for AGS and APA. Administered an assessment exam to employees of AGS and APA and commenced instruction.</p>	<p>1) In arranging to carry out the GIS training program, SGGA agreed with representatives from MIDAS that MIDAS would supply a classroom, computers, and software needed to implement the training, while SGGA and GIZ would supply the instructors and lesson plans. For several months, MIDAS failed to uphold its side of the agreement for both computers and software, which created a significant delay in training commencement. Eventually the training commenced with trial software (MIDAS has agreed to purchase permanent software at a later date).</p> <p>2) Director General Eng. Taheer of AGS increased the trainee list just before program instruction began, which stretched classroom limits and instructor availability.</p> <p>3) As mentioned above, the strike from AGS has prevented all classes from occurring for AGS students for three weeks during the quarter.</p>	<p>1) SGGA sought quotations for ArcGIS software, but had great difficulty obtaining quotations from multiple providers and a provider willing to agree to terms and conditions to export the software to Afghanistan. Eventually MIDAS agreed to uphold its end of the initial agreement and re-assumed responsibility for software purchasing.</p> <p>2) SGGA, GIZ, and MIDAS jointly met with Eng. Taheer and agreed to accommodate the additional students, however only with his guarantee of classroom availability and his agreement that the quality of the training might become diluted due to the additional students.</p> <p>3) SGGA initiated a separate class just for APA students and internal staff members of SGGA, MIDAS, and GIZ to attend.</p>
<p>2014 Capacity Development Schedule Implementation SGGA has completed, or remains on-schedule to implement all in-house-provided trainings in FY14.</p>	<p>1) USAID's Vetting Support Unit has still not gotten back to SGGA about its requests to vet Kardan University and Schlumberger Overseas S.A.</p>	<p>1) SGGA has discussed this matter with its Contracting Officers Representative, J. Jordy, on several occasions to discuss means to expedite</p>

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
	<p>SGGA scheduled its courses based on expectations that it would receive a response within one month; the time period that the Vetting Support Unit had responded within for previous vetting requests. The continued lack of responsiveness has forced SGGA to delay or consider cancelling capacity development courses. Additionally, MoMP staff has become discontent with SGGA's inability to deliver courses on the initially conceived timeline.</p> <p>2) Z. Sarwari requested SGGA to financially sponsor him to attend a Master of Business Administration program. SGGA relayed its inability to meet this request after discussing it with USAID.</p> <p>3) Z. Sarwari "insisted" that SGGA provide more overseas training for APA staff for the reason that APA has not demonstrated enough commitment in Kabul-based trainings.</p>	<p>the process. On 10 June, Mr. Jordy issued a "Priority Expedite Request" to the Kabul Vetting Support Unit to review SGGA's training providers, but as of the date of this report, vetting has still not concluded, approximately three months after SGGA submitted its requests. In the absence of vetting approval, SGGA will continue to delay and/or cancel training courses. This remains a huge problem negatively impacting SGGA's programming and its relationship with MoMP.</p> <p>2) SGGA plans to utilize Kardan University to provide short-term business management classes.</p> <p>3) SGGA clearly notified Mr. Sarwari that SGGA would pursue overseas training opportunities only in justified cases in which it cannot meet the minimum quality requirement in Afghanistan, or too great a security risk threatens the ability to bring a trainer into Afghanistan.</p>

4 Policy Support (Objectives 3 & 4)

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
Commercialization of AGE.	1) The World Bank funded Afghan Gas Corporatization contractor, Unicon, unexpectedly released its senior team leader from the project. He served as the focus of cooperation between Unicon and SGGA.	1) Fortunately, SGGA had established a good collaborating relationship with other Unicon staff, so SGGA continued collaboration without interruption gained access Unicon's "Supplementary Comments on Reserve Estimates Report," which may contribute helpful information to SGGA's planned reserve studies.

5 Infrastructure Activities (Objective 2)

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
Gas Treatment Plant.	1) TPAO's implementation delays that have prevented access to Juma-Bashikurd well data; SGGA has found it difficult locating and obtaining sufficient gas well data to facilitate gas field reservoir studies and information useful to potential investors seeking to invest in gas processing or power plant development.	1) SGGA and USAID's COR, J. Jody collaborated determine a new approach to tie initial gas supply to the closer, unutilized Gerquduq gas field which has wells recently rehabilitated through an Asian Development Bank drilling project. According to the Gustavson's research, the Gerquduq wells have approximately sufficient gas of approximately the same quality as the Juma/Bashikurd gas, to supply power production for Sheberghan Gas Development Project (SGDP). Additionally, due to the Gerquduq field's closer proximity to the anticipated gas processing plant site, the processing plan would require a shorter gathering system.

6 Deliverables Submitted This Period (Section F of Mod 2 and Mod 3)

Task 1: Technical Assistance, Training, and Capacity Enhancement		
No.	Description	Date Submitted
Mod 3, Task 1, Del 6	1) Implementation Letter/SGDP Activities Performance Report (Submitted monthly for April, May, and June of this quarterly reporting period). Note, SGGA submits a monthly report that combines this requirement with the monthly report required at F.5.B.1 2) Semi-Annual Performance Monitoring Plan Report.	1) Approximately: 7 May 2014, 7 June 2014, and 7 July 2014 2) 3 May 2014
Task 2: Provide Procurement Support to MoMP to Implement the SGDP		
No.	Description	Date Submitted
Mod 3, Task 2, Del 24	Monthly Report on progress and Quality Assurance/Quality Control of drilling operations, data collection, contract completion of the gas wells	Approximately: 7 May 2014, 7 June 2014, and 2 July 2014