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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

AEAI	Advanced Engineering Associates International
AGE	Afghan Gas Enterprise
AGS	Afghanistan Geological Survey
APA	Afghanistan Petroleum Authority
DM	Deputy Minister
DABS	Da Afghanistan Breshna Sherkat
IL	Implementation Letter
MERC	Monitoring Evaluation and Reporting Committee
MoMP	Ministry of Mines and Petroleum
OGS	Oil and Gas Survey
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><b>Drilling Contractor Schedule / Performance.</b></p> <p>Turkish Petroleum Corporation (TPAO) is not in compliance with the drilling contract, and is some 369 days behind schedule.</p> <p>At the very end of the reporting period, TPAO appeared to have made progress by beginning to rig up; however it needs to complete additional preparatory work prior to commencing drilling operations.</p>	<ol style="list-style-type: none"> <li>1) At the end of the reporting period TPAO was some 369 days behind schedule, and had not yet completed a significant portion of mobilization of equipment and materials. Two extensions of performance period have been granted and a third, for seven months, was approved by USAID via Implementation Letter (IL) 45-13, however the Ministry of Mines and Petroleum (MoMP) and TPAO had not reached agreement on the terms of the extension at the end of the reporting period.</li> <li>2) On 8 January 2015, MoMP received a no objection letter from USAID granting permission to extend the time for completion period through 31 August 2015.</li> <li>3) The Afghanistan Petroleum Authority (APA) is possibly not ready to promptly process TPAO's first invoice. There are six major checks and actions that APA needs to complete in order to be ready to process a TPAO invoice.</li> <li>4) In early February, TPAO sent an e-mail to APA expressing its concern that the work could take longer because they have discovered an unexpected salt horizon in Juma-Bashikurd</li> </ol>	<ol style="list-style-type: none"> <li>1) The Sheberghan Gas Generation Activity (SGGA) has previously reported that contract performance is irreparably behind schedule and that drilling activity will not complete prior to the Sheberghan Gas Development Project's (SGDP's) expiration on 30 April 2015, potentially barring funding by USAID unless the grant agreement is amended.</li> <li>2) SGGA and APA have monitored TPAO's schedule closely. At one point TPAO had projected the work to continue until 15 September 2015; however on 2 February 2015 TPAO reduced its schedule back to a completion on 31 August 2015. On 22 February 2015, APA and TPAO finally began serious discussions over the terms of the time for completion extension.</li> <li>3) SGGA updated training materials for APA staff and offered to conduct a fourth training session on invoice processing procedures. SGGA prepared a letter and hand-carried it to MoMP's Deputy Minister (DM) Hares on 8 February 2015, outlining SGGA's concerns about steps necessary to process TPAO's first invoice, confirm the work being billed for is complete, and to pay it within 30 days.</li> <li>4) On 11 February 2015, SGGA drafted a response from APA to TPAO explaining that the salt horizons were identified in Appendix 1 to the original tender and all bidders had the information prior to submitting their bids. Thus, this is <u>not a new discovery</u>.</li> </ol>

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
<p><b>Performance of APA and MoMP</b></p> <p>1) Under the USAID grant agreement MoMP is responsible for managing the TPAO contract and reporting on progress to USAID. MoMP oversight is to be done through a management, evaluation, and reporting committee (MERC).</p> <p>2) The Afghanistan Petroleum Authority (APA) received an extension in early March 2015. Approximately 25 of the formerly 72 staff members remained part of the directorate. At the end of the reporting period, Minister Saba appointed Dr. Q. Qaeym as the new acting director general.</p>	<p>1) Continuing from last month, MoMP still has not submitted required reports to USAID and the MERC committee has still never met.</p> <p>2) From 21 December 2014 to March 2015 staff members from APA continued to carry out official duties despite not holding formal roles.</p> <p>3) APA's previous director general, Dr. Aryan, and his immediate successor, N. Shinwari, both of whom previously managed contracts and financial decisions departed. Dr. Qaeym, while known to have a substantial technical background, has little to no experience in petroleum business economics, or finance. His appointment could potentially signal a movement within MoMP to remove contractual and/or financial decision making from APA. Meanwhile APA's mid-level staff, especially the finance department, lacks anyone with significant experience to run the department.</p>	<p>1) For the third time, SGGA prepared a report template and explained how to begin reporting to APA's Z. Sarwari on 8 and 11 February 2015. Additionally, SGGA offered a member of the SGGA staff to assist in developing the first reports to USAID and NEPA and offered to train APA staff on how to complete future reports. After a few days sitting at APA without being utilized, he returned to SGGA.</p> <p>2) SGGA continues to work with APA's Z. Sarwari, though his interest in SGDP appears to have waned based on slow, or no responsiveness to SGGA's attempts to provide technical guidance and collaborate on contract management requirements. SGGA is prioritizing engaging him with its director of capacity development for the second quarter of this year to improve collaboration.</p> <p>3) SGGA recognizes current organizational deficiencies within APA, however these issues do not appear, at present, to influence SGDP greatly as Dr. Qaeym does not appear to have limited Z. Sarwari's decision making regarding the administration of SGDP. Considering the continuing changes within MoMP, SGGA will continue to work with MoMP senior leadership to address strategic SGDP issues and Z. Sarwari for day-to-day contract management.</p>
<p><b>MoMP Request for AEAI's Implementing</b></p>	<p>On 17 February 2015, DM Sadat requested information from donors'</p>	<p>After consulting with its contracting officer's representative, responded to DM</p>

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
Partner Contract, Budget, and Related Documents	implementing partners, including AEAI. The request included implementing partner contracts, budgets, and related documents.	Sadat's office explaining that most of the requested information is the property of USAID and the MoMP should contact USAID directly if they require those documents. SGGA did provide copies of all SGDP ILs and a PowerPoint presentation on the current status of SGDP.
Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
<p>MoMP support for assistance projects including field data evaluation and reserve estimates</p> <p>1) Full access and cooperation with APA officials is needed in order to implement assistance successfully.</p> <p>2) In order for SGGA to contract for petroleum engineering services to conduct evaluation of data on seven known gas fields and provide, if possible, reserve estimates, an agreement with MoMP to obtain and use the field data is needed.</p>	<p>1) USAID and SGGA delayed a crucial SGDP three party meetings for weeks in order to ensure that then director general Dr. Aryan could attend. However, even after confirmation from all three, Dr. Anwar failed to attend the meeting even though a major topic was the continuation of grant funding by USAID.</p> <p>2) On 18 October 2014, SGGA submitted a written request for MoMP agreement to provide the needed data and enter into a confidentiality agreement on the use of the data by the contracted petroleum engineering firm. A full explanation of plans and a draft confidentiality agreement was provided to APA. As of the end of the reporting period, APA technical staff had initially blocked the proposal, and despite follow up through Deputy Minister J. Hares, no response had been received.</p>	<p>1) Shortly after Minister Saba's appointment, SGGA's Chief of Party met with him to explain the project background and establish means of cooperation. SGGA will continue to build on this positive start throughout the following quarter and remainder of contract period.</p> <p>2) On 6 January 2015, SGGA discovered that DM Hares had given written instructions to APA to evaluate and report on 16 December, but that APA had not picked up the instructions as directed. SGGA delivered Hares' instructions to APA on 6 January. On 7 January, SGGA received confirmation that document was received and that staff had been assigned to prepare a report and recommendation to Hares. SGGA will continue to pursue the agreement.</p>

## 2 Power Sector Technical Assistance (Objective 1)

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
<p>Economic Modeling.</p> <p>1) MoMP staff has continued to report to Da</p>	<p>1) This information is not exactly accurate. At most, Afghan Gas Enterprise (AGE) can produce approximately 600 MCM a day</p>	<p>1) As described in more detail in the capacity development section below, SGGA provided an executive-level gas market analysis</p>

<p>Afghanistan Breshna Sherkat (DABS) that they have sufficient gas available to immediately fuel a 200MW power plant.</p> <p>2) At the request of the Combined Security Transition Command – Afghanistan and USAID, SGGA provided additional economic modeling support for their joint planning to convert Afghan military facilities from diesel generation to grid-supplied electricity.</p> <p>3) At the request of USAID, advised the Power Transmission Expansion and Connectivity Project about the Salang Pass Substation's technical specifications.</p>	<p>of unprocessed semi-sour gas. The gas is not sufficient in quantity or quality to fuel a 200MW power plant. Without a gas processing plant and gas gathering system, the necessary gas will remain stranded at various wells.</p>	<p>presentation to MoMP's DM Hares and conducted gas market analysis workshops with DABS' senior leadership.</p>
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### 3 Capacity Development (Objectives 1 & 5)

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
<p><b>Kardan University Training Program.</b></p> <p>Completed a database management course.</p>	<p>1) The appointment of Minister Saba led MoMP to indefinitely postpone all new training courses until further notice until new leadership can evaluate all options and approve the Human Resource Department's activities.</p>	<p>1) SGGA has decided to cancel the remainder of courses that it planned to subcontract through Kardan University due to a lack of responsiveness from MoMP and its restructuring, which led to a substantial downsizing of the originally intended trainees from APA.</p>
<p><b>English Training of APA, AGE, Oil and Gas Survey (OGS) and Afghanistan Geological Survey (AGS).</b></p> <p>Continued instruction for starter, beginner, intermediate, and advanced levels for APA, AGS, OGS and AGE.</p>	<p>1) SGGA experienced difficulties securing classroom space for its classes based at AGS.</p>	<p>1) The continual classroom access problem prompted SGGA to re-evaluate the applicability of its English classes for AGS and APA employees, which primarily consisting of geologists, to SGGA's key project objectives. SGGA decided to postpone English instruction at AGS until it could re-coordinate efforts with MoMP's HR Director to most efficiently meet</p>

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
		MoMP's needs for the most appropriate staff.
<b>Gas Market Analysis Training</b> 1) Conducted three outstanding sessions in which SGGA's subcontracted economist discussed both the rationale and calculations for gas market analysis with senior DABS officials	2) Only DM Hares attended a session on this subject from MoMP.	1) SGGA more vigorously recruited MoMP participation for its following activity on executive negotiations for gas-to-power agreements.
<b>Executive Gas-to-Power Negotiation Simulation</b> 1) Completed the exercise from 14-16 March at MoMP's headquarters. Among the trainees, Z. Sarwari, MoMP's SGDP Project Manager, shined as a top performer. SGGA developed outstanding materials that could greatly aid real life negotiations regarding gas-to-power agreements.	1) Despite holding multiple meetings and obtaining attendance confirmations from senior officials at MoMP, DABS, MEW, and MoCI, few showed up for the training.	1) The absence of DABS for most of the exercise was excusable due to the organization's crisis transmitting power through the Salang pass. MoMP senior officials claimed that they had an urgent request that needed to be addressed for the Minister. SGGA learned that future capacity development activities that seek to engage senior-level require coordination at the Ministerial level. Otherwise, Deputy Ministers and department heads will unlikely attend. Lack of attendance may also be attributable to precedents that were set among a variety of implementing partners of donor organizations to fund international travel to complete the trainings. Accordingly, without the travel and the associated per diem built into it, officials may not deem that enough incentive exists to devote their time to attending training.

#### 4 Policy Support (Objectives 3 & 4)

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
<b>Commercialization of AGE</b> Commercialization of AGE remains at a pivotal project point. SGGA's role is supportive to monitor and	SGGA's review of 2014 Unicon's gas market feasibility study found many of the study's assumptions to be extremely conservative.  In late March, SGGA learned that	SGGA completed its own gas market feasibility study and shared the information with the gas corporatization contractor, Unicon. It is unknown how the Unicon team will utilize the data. It is unknown at this time whether the

report.	the corporatization component has been removed from Unicon's scope of work.	change in scope represents a change in MoMP plans for Afghan Gas, although it is known that there is senior level resistance in the Ministry for changing Afghan Gas' status as an SOE.
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## 5 Infrastructure Activities (Objective 2)

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
Lack of Approval of Release of Gas Field Technical Data Continues to Halt Reserve Studies	1) Despite numerous requests and explanations to multiple members of the APA and a formal request to MoMP from SGGA and USAID, the MoMP still has not agreed to provide the information. Either APA's staff members are unable to comprehend the technical and financial value of reservoir studies, or they must have other reasons for not agreeing to provide the information.	1) USAID gave a brief explanation to the new Minister of MoMP and now SGGA is free to open up a dialog directly with the Minister's office to explain the value of reservoir studies and hopefully, obtain top-down direction to APA.

## 6 Deliverables Submitted This Period (Section F of Mods 2, 3, and 5)

Task 1: Technical Assistance, Training, and Capacity Enhancement		
No.	Description	Date Submitted
Mod 3, Task 1, Del 6	Implementation Letter/SGDP Activities Performance Report (Submitted monthly for July, August, and September 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 February 2015, and 12 March 2015, and on or about 7 April 2015
Task 2: Provide Procurement Support to MoMP to Implement the SGDP		
No.	Description	Date Submitted
Mod 5, Task 2, Del 13	Monthly Report on progress and Quality Assurance/Quality Control of drilling operations, data collection, contract completion of the gas wells	7 February 2015, 11 March 2015, and on or about 7 April 2015

Task 2: Provide Engineering Review and technical assistance to MoMP and USAID with respect to SGDP		
No	Description	Date Submitted
Mod 5, Task 2, Del 15	Report on applicability capacity building activities related to gas gathering, assuming that either a Totimaidan bloc production sharing contractor becomes responsible for the Juma-Bashikurd field or gas processing venture includes gas gathering services	25 March 2015
Mod 5, Task 2, Del 17	Report on the elements of a gas processing plant. This report and accompanying capacity building is mainly targeted for MoMP personnel dealing with a gas processing plant and is designed to shed light on best practices, international norms, and standards, risks and mitigation strategies as well as cost estimates.	31 March 2015
Mod 5, Task 2, Del 18	Report on best practices on QA/QC for gas processing plant. This report and accompanying capacity building, targets MoMP personnel dealing with gas processing and is designed to teach best practices, international standards, risks, and mitigation strategies and cost control.	28 February 2015
Mod 5, Task 2, Del 20	Gas Feasibility Study: Definition of the current natural gas supply and demand situation focusing on northern Afghanistan, except when/where bottled gas products are involved.	8 March 2015