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SHEBERGHAN GAS GENERATION ACTIVITY (SGGA)

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SGGA Monthly Report

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Acronyms and Abbreviations

AEAI	Advanced Engineering Associates International
AGE	Afghan Gas Enterprise
AGS	Afghan Geological Survey
GOA	Government of the Islamic Republic of Afghanistan
MCM	Thousand Cubic Meters
MoMP	Ministry of Mines and Petroleum
NEPA	Afghanistan National Environmental Protection Agency
OGS	Oil and Gas Survey
OSHA	United States Occupational Health and Safety Administration
PPP	Public-Private Partnership
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

- In response to a 10 June letter from TPAO, reviewed TPAO's representations of final subcontract payments and taxes, prepared letter to TPAO from MoMP's Z. Sarwari outlining the remaining open issues and suggestions for MoMP negotiation positions; letter sent to TPAO.
- Obtained proof of payment transaction document on MoMP's first three payments against the TPAO on-budget drilling contract.
- On 26 June, the Acting Minister of MoMP sent a letter to TPAO summarizing remaining open contract closeout issues.
- Because MoMP was unable to prepare and issue a request for proposals for a reservoir study of the Juma-Bashikurd Field to be paid for by TPAO under MoMP-TPAO Contract Amendment 1, USAID instructed SGGA to obtain an amendment to the McDaniel & Associates petroleum engineering services contract to prepare a contingent resources report of the field. The amendment was signed on 30 June, with submission of the report required by 20 July.

1.2 Meetings

- On 25 June, SGGA met with Z. Sarwari and discussed remaining open issues precluding closeout of the on-budget drilling contract. Sarwari reported that TPAO was obtaining quotes for completing required field remediation work, so may perhaps complete the work on its own.

1.3 Challenges

- Although TPAO and MoMP made some progress on resolving differences on the final payments and requirements for the closeout of the MoMP-TPAO services contract, the parties were still substantially apart on the amount of delay penalties owed by TPAO and TPAO's claims for compensation for delays allegedly caused by MoMP.
- As previously reported, MoMP was unable and ultimately gave up efforts to prepare and issue a request for proposals for the Juma-Bashikurd Field reservoir study, as required by Amendment 1 to the MoMP-TPAO services contract. In order to have a study done at all, USAID agreed to add and pay for a contingent resources report to the existing seven-field study subcontract with McDaniel & Associates.

1.4 Plans for Next Month

- As reported to USAID, SGGA will continue to support MoMP as requested, but SGGA's scheduled closing on 31 July means, as a practical matter, SGGA will have only very limited ability to provide support during the month of July.
- SGGA expects to receive the Juma-Bashikurd contingent resources report due under the MoMP-TPAO services contract, on 20 July.

2 SGDP NATURAL GAS DEVELOPMENT SUPPORT

2.1 Achievements / Activities.

- SGGA submitted Part 1 of SGGA public-private partnership (options for PPP structuring mechanisms) contract deliverables B-8, B-9, and B-10A on 13 June.
- In May, SGGA had requested comments from MoMP and Ministry of Finance on options for PPP structuring, but received no comments from either ministry. The request was preceded by discussions with both ministries on the work being done and the desire for their input, with MoMP having been aware of the work for more than two years. The only comments received

were from World Bank PPP advisors to the Ministry of Finance. In the absence of GOA input and approaching deadlines for completing the work, SGGA directed its subcontractor Baker Botts to proceed with model transaction documents for its recommended option. This option appears to provide GOA with the greatest participation and potential revenue should the gas gathering/processing venture be pursued.

- USAID granted an extension for the submission of Part 2 (PPP model transaction documents) to 8 July.
- SGGA requested and received a three day extension (to 3 July) to submit the final documents for Deliverable B-14 (seven field data evaluation and reserve/contingent reports) to allow time for compiling an electronic report of the voluminous reports. Paper copies of the reports were delivered to USAID on, schedule on 30 June, and the electronic version was delivered on 3 July.
- SGGA submitted a supplemental report on completion of work on creating, organizing, and cataloging geological sample (drill core samples) libraries for MoMP (Oil & Gas Survey) in Sheberghan and Mazar-e-Sherif on 27 June. This task was authorized by USAID as an addition to the gas reserves task, deliverable B-11.
- Continued work on a pre-feasibility study assigned by USAID for a proposed hybrid 10 MW solar/gas-fired power generation plant to be located near Sheberghan.

2.2 Meetings

- On 9 June, SGGA's A. Moncada worked from USAID and met several times while data gathering in support of a pre-feasibility study analyzing several IPP scenarios, including the proposed 10MW solar/gas hybrid generation project.
- On 15 June, SGGA staff met with USAID to discuss an implementation letter to MoMP reciting work accomplished by SGGA, proposing an IPP-related conference in Abu Dhabi, and offering to arrange professional discussions between McDaniel & Associates and MoMP technical staff on contingent gas resources estimates.
- On 27 June, SGGA's A. Moncada met with DABS Head of Corporate Planning and discussed the current status of DABS projects, the likelihood of a Fall USAID IPP conference, and scheduled a future session to conduct training on the SGGA economic model.
- On 28 June, SGGA's A. Moncada met with members of DABS, including a member of their advisory board, to provide an overview of and training in using SGGA's economic model related to gas/power pricing interface.
- On 28 June, SGGA's A. Moncada met Siemens representatives to discuss northern substation construction, which has been contracted to Siemens by DABS.
- On 29 June, SGGA's A. Moncada provided training to DABS on the SGGA economic model, and met with DABS Acting CCO and Head of Corporate Planning.
- On 30 June, SGGA staff met with J. Jordy and L. Khalid at USAID to discuss SGGA work during J. Jordy's time out of country when L. Khalid will be Acting COR.

2.3 Challenges

- Despite the apparent concerns by MoMP and senior levels of GOA about the McDaniel & Associates contingent resources reports and the differences between the McDaniel reports and reserve estimates prepared by Gustavson Associates in 2005, at the date of this report, MoMP failed to respond in any way to proposals made by SGGA and later by USAID that MoMP submit written questions about the McDaniel reports and receive written responses from McDaniel in preparation for a VTC or conference call. This is despite initial urgent demands made by MoMP after receiving the results for a VTC or conference call with McDaniel without any advance information.

- Despite having known of the plan for SGGA to provide recommendations for possibly structuring a gas gathering/processing public-private partnership for at least two years, MoMP was completely unprepared to respond to requests for comments on the options memorandum provided to them, which was intended to provide an opportunity for GOA input. Instead, MoMP designated a committee to study the options, but nothing report was ever received from MoMP on the matter. When informed that because of lack of response and pending deadlines that SGGA intended to go forward with the subcontractor's recommendation, MoMP's Z. Sarwari responded with a hostile message, accusing SGGA of trying to dictate an option to GOA, despite the fact that SGGA had made clear in writing that the recommendations were only recommendations and never intended to do anything but provide a potential plan. This hostile response was responded to in part by a written note pointing out again that the recommendations had no binding effect, were not a condition of any USAID funding, and, in event, that there was no current need or commercial practicality to any sort of major gas gathering or processing facilities since the limited supply of gas made such commercially infeasible at present.

2.4 Plans for Next Month

- Provide printed, bound copies of the McDaniel reports to USAID for distribution by USAID to MoMP or others, as determined by USAID.
- Complete submission of public-private partnership deliverables, including in printed and bound form.
- If requested by USAID, arrange a VTC presentation by Baker Botts on the public-private partnership recommendations.
- Submit Gerquduq Energy Park conceptual plan.
- Submit SGGA Final Report.

3 CAPACITY DEVELOPMENT

3.1 Achievements / Activities

- SGGA submitted contract deliverable B-6, Final Capacity Development Report on 27 June.
- Sheberghan: All training initiatives were completed by end of the first week of June and certificates were prepared and provided.
- Kabul: All external SGGA training completed prior to June. Basic English for internal staff was completed by the end of June.
- The SGGA capacity development program is completed.

3.2 Meetings

- None.

3.3 Challenges

- None.

3.4 Plans for Next Month

- None.

4 MONTHLY EXPENDITURES

Accrual Report		
Reference: EPP-I-00-03-00004-00		
Task Order: AID-306-TO-12-00002		
Reporting Period		
June, 2016		
A. Contract Ceiling:	30,440,957	91.6% of Obligation
B. Total Obligated toward Ceiling	30,440,957	
C. Ceiling remaining	1,839,367	
D. Total disbursed	<u>27,882,683</u>	
E. Accruals	<u>2,558,274</u>	
F. Combined totals		
G. Pipeline balance		
Accruals:	337,529	
	768,765	
April Actual-Billed but not paid	<u>733,072</u>	
May Estimate	<u>1,839,367</u>	
June Estimate		

5 PROJECT SCHEDULE

