



USAID | AFGHANISTAN

FROM THE AMERICAN PEOPLE

SHEBERGHAN GAS GENERATION ACTIVITY (SGGA)

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

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

Period: January 1 – March 31, 2014

Submitted: April 6, 2014

Prepared by:

Advanced Engineering Associates International, Inc. (AEAI)/SGGA Project Team
1707 L Street, NW, Suite 1030, Washington, DC (USA) 20036
Telephone: 1-202-263-0601

This Quarterly Report is made possible by support from the American People jointly sponsored by United States Agency for International Development (USAID) and the Government of the Islamic Republic of Afghanistan. The contents of this Quarterly Report were prepared by Advanced Engineering Associates International, Inc. and are the sole responsibility of Advanced Engineering Associates International, Inc. and do not necessarily reflect the views of USAID or the United States Government.

Table of Contents

1	MoMP Procurement Technical Assistance (Objective 2)	1
2	DABS Technical Assistance (Objective 1)	2
3	Capacity Development (Objectives 1 & 5)	3
4	Policy Support (Objectives 3 & 4)	4
5	Infrastructure Activities (Objective 2)	5
6	Deliverables Submitted This Period (Section F of Mod 2 and Mod 3).....	5
7	SGGA Quarterly Financials	6

Acronyms and Abbreviations

ADB	Asian Development Bank
AGE	Afghan Gas Enterprise
AGS	Afghanistan Geological Survey
APA	Afghanistan Petroleum Authority
DABS	Da Afghanistan Breshna Sherkat
DG	Director General
GIS	Geographic Information System
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German Agency for International Cooperation)
IT	Information Technology
MIDAS	Mining for Industrial Development of Afghanistan Sustainability
MoMP	Ministry of Mines and Petroleum
NEPA	National Environmental Protection Agency
OGS	Oil and Gas Survey
PPA	Power Purchase Agreement
SGDP	Sheberghan Gas Development Project
SGGA	Sheberghan Gas Generation Activity
TFBSO	Task Force for Business and Stability Operations
TPAO	Turkish Petroleum Corporation
US	United States
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. Ministry of Mines and Petroleum (MoMP) executed the drilling and re-entry services contract with Turkish Petroleum Corporation (TPAO) on 14 December. As of the end of this reporting period, approximately 40 percent of the contract performance period schedule has passed with very little progress.</p>	<p>Soon after award, TPAO submitted a revised performance schedule that pushed completion from 9 months out to approximately 14 months, a more than 50 percent schedule increase. The primary excuse for schedule delay has been TPAO's assertion that corrosive resistant casing and tubing have long lead times.</p>	<p>Sheberghan Gas Generation Activity (SGGA) has attempted to motivate MoMP to more aggressively push TPAO to improve their projected performance schedule via a corrective notice letter written for the MoMP in January, suggested schedule revisions, and monthly TPAO status meetings. Thus far, TPAO has failed to respond with plans to comply with the contract schedule.</p> <p>On 26 March following a meeting among SGGA, United States Agency for International Development (USAID), and MoMP, the Director General (DG) of Afghanistan Petroleum Authority (APA) delivered a letter to the Chairman of TPAO, with a copy to the Turkish ambassador to Afghanistan, describing the contract delays, the refusal of TPAO's project managers to present a plan for compliance, and requesting the Chairman's support in bringing the schedule in to compliance. As of the end of the reporting period, no response has been reported to SGGA.</p>
<p>Afghan National Environmental Protection Agency (NEPA) Issuance of a Certificate of Environmental Compliance for Re-entry/ Drilling Operations.</p>	<p>(1) Preparation and submission of responses to NEPA comments on the MoMP's application for the compliance certificate was delayed by several weeks because of lack of defined procedures and deadlines for the review and approval of such documents within MoMP. Procedures on which departments, such as legal, engineering etc., must review and approve documents, expected processing periods, and documentation of sufficiency apparently do not exist. This has resulted in a delay of at least four months (October 2013 to February</p>	<p>(1) On the receipt of comments from NEPA on 24 September 2014, SGGA prepared recommendations in cooperation with MoMP's legal department, and provided a final amended application, in English and Dari, to MoMP on 9 October. However the amended response was not finally approved for filing with NEPA by MoMP's legal department until 7 February. On 29 March, NEPA's expert panel delivered its comments on the amended application to MoMP. The comments have been translated to English and distributed to</p>

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
	<p>2014), in obtaining NEPA approval, which has still not been obtained.</p> <p>(2) MoMP has not been provided a pre-construction baseline environmental report by TPAO, the environments and content of which was provided to MoMP on 8 January, and sent by MoMP to TPAO soon thereafter. Despite this demand, TPAO began construction on 6 March and, judging by photographs has disturbed the original condition sufficiently that such as baseline study, particularly identification of previous spills, if any, at well locations, will be on minimal use in the event of an environmental incident. It appears that neither TPAO nor MoMP took this basic environmental and liability precaution seriously.</p>	<p>SGGA and USAID's expert for review.</p> <p>(2) It is possible that some baseline information can be reconstructed from witnesses and photographs. MoMP must inform TPAO that environmental and other reporting requirements are mandatory under the terms of the drilling contract, the USAID grant conditions, and, in many cases, under the terms of the NEPA certificate of environmental compliance and thus by law. Performance must be demanded from TPAO, although TPAO's apparent approach is to ignore requirements that it does not consider important. SGGA needs to provide support to MoMP in this by continuing to emphasize the importance of environmental and reporting requirements, and by completing and delivering to MoMP the "reports manual" that is being prepared.</p>

2 DABS Technical Assistance (Objective 1)

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
<p>Technical Assistance. Da Afghanistan Breshna Sherkat (DABS) managers needed assistance formulating a coherent business argument that the proposed Sheberghan power plant is a viable alternative to the Power Purchase Agreement (PPA) with Turkmenistan.</p>	<p>Currently, Asian Development Bank (ADB) is conditioning the funding of the transmission system to interconnect Turkmenistan with Afghanistan to the signature of the PPA. However, a portion of this transmission system is also required in order to transmit the power that would be generated by Sheberghan power sources.</p>	<p>(1) Assisted DABS managers with developing a presentation to the DABS Board of Directors to expose this problem.</p> <p>(2) Met with ADB representative in order to research ADB funding policies.</p>

3 Capacity Development (Objectives 1 & 5)

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
<p>Contract Management Training for the Afghanistan Petroleum Authority (APA) and Afghanistan Geological Survey (AGS). Provided five days of contract management instruction for APA and AGS staff; 32 people attended the training.</p>	<p>Zabih Sarwari, APA's Sheberghan Gas Development Project (SGDP) program manager demanded that SGGA only allow APA staff to attend the contract management training and threatened to withdraw APA's participation if SGGA continued to allow staff members from AGS to participate.</p>	<p>(1) SGGA refused to oblige this unreasonable request from Sarwari due to SGGA's Task Order requirement to effectively train as many MoMP personnel as possible. (2) SGGA moved the classroom of instruction to AGS to avoid a conflict over space with Sarwari, both APA and AGS staff continued to attend the remaining three days of instruction at AGS.</p>
<p>Sheberghan Trainings of Afghan Gas Enterprise (AGE) and Oil and Gas Survey (OGS). Provided technical trainings to 38 students from AGE and 37 from OGS on geological studies, oil and gas field terms, exploration techniques and historical field data from northern Afghanistan, descriptions of various well types, and the rig installation process.</p>	<p>Jamal Yassien, SGGA's petroleum engineering instructor had to abruptly resign his post due to a family emergency in the United States (US).</p>	<p>SGGA has provided introductory courses with its local field staff and is actively pursuing a replacement for Mr. Yassien, will remain open to bringing him back to Afghanistan if possible.</p>
<p>English Training of Afghanistan Petroleum Authority (APA), Afghan Gas Enterprise (AGE), Oil and Gas Survey (OGS) and Afghanistan Geological Survey (AGS). (1) Provided English language instruction for 48 (9 female) APA staff at beginner, intermediate, and advanced levels via 23 classes of instruction. (2) Provided Sheberghan-based English Language instruction for 56 (17 female) students from OGS and 101 (13 female) students from AGE, providing six classes per organization per week. In total, taught 36 classes to OGS and 33 classes to AGE. (3) Administered assessment exams to 142 AGS students. Separated the students into five classes: starter, beginner, pre-intermediate, intermediate, and advanced classes.</p>	<p>(1) Zabih Sarwari, APA's SGDP program manager demanded that SGGA should arrange for another instructor when the instructor for the advance English class is on leave. (2) Inappropriate email from one of the APA English students to an SGGA female instructor. The e-mail complained about supposed "un-Islamic" dress, apparently that the instructor's head scarf was not properly worn. (3) At various points, lack of coordination between APA and AGS administrative staffs, have created challenges for SGGA to secure classrooms for trainings.</p>	<p>(1) SGGA provided distance learning for APA advanced classes during the instructor's leave. (2) SGGA Met with Zabi Jaihoon and Zabih Sarwari to discuss this inappropriate email. As a result the student was removed from the class and counseled on his conduct. APA and SGGA will monitor his behavior closely moving forward to assess his suitability to participate in future trainings. (3) SGGA has diligently met every request from APA and AGS to comply with their administrative procedures.</p>

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
<p>Geographic Information System (GIS) Training for Afghanistan Geological Survey (AGS) and Afghanistan Petroleum Authority (APA). Coordinated among German International Cooperation (GIZ) and Mining for Industrial Development of Afghanistan Sustainability (MIDAS) to identify where SGGA can fill gaps pertaining to gender equality in their current joint GIS training program. It was determined that SGGA could provide an additional GIS trainer, who would embed with GIZ's training staff to use MIDAS's classroom, computers and software to conduct GIS training to 37 students (13 female).</p> <p>For its responsibilities within the agreement, SGGA interviewed and tentatively hired Mr. Ali Ahmad Wali, a very well-respected GIS expert in Afghanistan, as its GIS trainer.</p>	<p>MIDAS has failed to uphold its side of the agreement for both computers and software. Several attempts to cooperate with MIDAS have failed due to lack of responsiveness. SGGA finds it unclear if MIDAS will be able to secure a classroom for the training as well.</p>	<p>SGGA will procure the required resources on its own to enable training commencement as soon as possible. SGGA will also utilize its cooperative relationship with AGS's office of coordination to secure a classroom for the training.</p>
<p>2014 Capacity Development Schedule Implementation SGGA has remained on schedule for its English, petroleum engineering, and contract management trainings.</p> <p>SGGA has selected Kardan University to implement seven of its scheduled training courses and is awaiting vetting approval from USAID to commence implementation.</p>	<p>(1) The environmental training was delayed due to security precautions accompanying Afghanistan's presidential election.</p> <p>(2) SGGA's Microsoft Office training has been delayed due to lack of access to computers and software from APA.</p> <p>(3) Videography of Task Force for Business and Stability Operations' (TFBSO) gas plant commissioning has been delayed due to TFBSO's project delays.</p>	<p>(1) SGGA has rescheduled the environmental training for late May.</p> <p>(2) SGGA has coordinated with APA's Information Technology department to get its inventory of computers running so that SGGA can commence instruction.</p> <p>(3) SGGA remains in close contact with TFBSO regarding its commissioning schedule.</p>

4 Policy Support (Objectives 3 & 4)

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
<p>Commercialization of Afghan Gas Enterprise (AGE). Support to World Bank funded Afghan Gas Corporatization program. SGGA now monthly</p>	<p>SGGA continued to meet and support Unicon's research efforts and allowed Unicon team members to review SGGA library assets to assist in their search for historical</p>	<p>SGGA supported communications to APA's DG Jumriany so that he could communicate with Gustavson while visiting the US in order to retrieve historical gas</p>

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
interfaces with the MoMP project officer and contract lead, Unicon, in order to support their work.	gas field information. SGGA has also asked to review project papers and proposals to ensure Afghan Gas Corporatization efforts are congruent with SGDP.	field information used to develop past Sheberghan gas field reports, but which was never supplied to MoMP or USAID.

5 Infrastructure Activities (Objective 2)

Progress of Major Activity	Problems Encountered	Remedial Steps Taken/Recommended
<p>Poor Progress in Drilling Performance, Monitoring and Interfaces</p> <p>(1) MoMP and TPAO met in February and attempted to meet again in March in order to come to agreement on accelerating project progress. TPAO has shown little initiative to take measures to improve their schedule/progress.</p> <p>(2) SGGA personnel unexpectedly blocked from worksite by TPAO. Additionally, MoMP has no representative(s) on location monitoring the work.</p>	<p>(1) TPAO cancelled the March status meeting with MoMP at the last minute under the excuse of visa problems, which negatively impacted the MoMP's SGDP Project Manager's travel schedule to Sheberghan There have been no quality technical dialog with TPAO since contract award.</p> <p>(2) SGGA staff sent to observe the work for an end of month status update was removed from the site by TPAO. SGGA monitoring is necessary because MoMP is not yet monitoring the work.</p>	<p>(1) MoMP's SGDP Project Manager has finally come to the realization that he's not being taken seriously by TPAO and now appears more open to SGGA recommendations and support. This is an important project change because for the past few months he did not engage as aggressively as SGGA indicated was necessary.</p> <p>(2) SGGA wrote a letter of introduction for MoMP to send to TPAO authorizing SGGA staff access to the worksite. MoMP must be urged to assign field personnel on location to monitor the work.</p>
<p>Gas Treatment Plant.</p> <p>With drilling contract award and MoMP finally beginning to assert some leadership, USAID, MoMP, and SGGA are now at the point to determine the path forward on the gas sweetening/processing plant. Pros and cons of three primary sourcing alternatives have been reviewed and analyzed.</p>	<p>Several parties are concerned that the US\$ (financial information omitted) currently allocated for gas treatment plant construction may be insufficient to construct the plant to sufficient capacity and that limiting the capacity of the plant to only the estimated Juma/Bashikurd Field production may not be the most effective approach.</p>	<p>There were numerous discussions this quarter involving SGGA, USAID, MoMP, and industry. A strategy to pursue a public-private partnership tender for a very large capacity gas treatment plant is being developed and should be in progressing well by the end of next quarter. This is the most effective way to leverage the US\$ (financial information omitted).</p>

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	Implementation Letter/SGDP Activities Performance Report (Submitted monthly for October, November, and December 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	Approximately: 7 Feb 2014, 7 Mar 2014, and 7 Apr 2014

Task 2: Provide Procurement Support to MoMP to Implement the SGDP		
No.	Description	Date Submitted
Mod 3, Task 2, Del 24	<p>Monthly Report on progress and Quality Assurance/Quality Control of drilling operations, data collection, contract completion of the gas wells</p> <p>* First report began March 2014, triggered by first drilling operations contract performance, road site improvement work, which began on March 6, 2014.</p>	Approximately: 7 Apr 2014

7 SGGA Quarterly Financials

Financial information omitted