

# **Asian Development Bank Afghanistan Natural Gas Sector Support**

Dan Millison, P.E., P.G.

ADB South Asia Energy Division

July 2005

**ADB Emergency  
Infrastructure Rehabilitation  
and Reconstruction Project -  
ADB Loan 1997-AFG**

Approved in May 2003

Part A – Transport

Part B – Power (Transmission)

Part C – Gas

# ADB Support to Gas Program 2005 - 2008

- \$3.5 million in Technical Assistance
- \$50 million loan/grant for further gas rehabilitation work
- \$100 million guarantee to support private investment in gas development and production

# ADB Loan 1997-AFG Part C

TOTAL PROJECT COST: \$24 Million

OBJECTIVE: Revive Domestic Gas Sector

PHYSICAL INVESTMENTS:

- Rehabilitation of 12 gas wells
- Rehabilitation of pipeline network

# ADB Loan 1997-AFG Part C

## IMPLEMENTATION:

Turnkey contracts for

- (i) gas well rehabilitation and
- (ii) pipeline rehabilitation

Contract awards and mobilization in January 2006; initial physical results by end 2006 – early 2007

# ADB Loan 1997-AFG, Part C

- Details of well and pipeline rehabilitation to be determined by MMI and Afghan Gas, with technical support from loan-funded consultants
- MMI is the owner, ADB is facilitator and financier

# ADB Loan 1997-AFG Part C

## EXPECTED OUTCOMES (2003):

- Increase gas production by 70,000 m<sup>3</sup>/d
- + Eliminate leakage of 250,000 m<sup>3</sup>/d
- = Net increase of 320,000 m<sup>3</sup>/d
- Current production = 850,000 m<sup>3</sup>/d
- Deliver gas and collect payment from all customers
- No provision for new power plant

# ADB Loan 1997-AFG, Part C

Financial viability:

- 2003 tariff: \$12 / 1000 m<sup>3</sup>
- Need \$44 / 1000 m<sup>3</sup> for FIRR = 15%
- Need 75% collection rate on industrial and commercial customers + 50% collection rate on domestic customers



# ADB Loan 1997 Assurances

Government of Afghanistan will pursue:

- Metering, billing, and collection of arrears for power and gas
- Eliminate evasion of payments for electricity
- Adjust tariffs to achieve full cost recovery

# Shebergan Gas-to-Power

- ADB has no official involvement in the project
- MMI and Afghan Gas own the gas resources and are gas sellers
- MEW is gas buyer? (DABM?)
- ADB Loan 1997 does not discriminate between customers with respect to tariffs and collection of payments

# Shebergan Gas-to-Power Project

TIMING and INTEGRATION with ADB Loan 1997:

- No need if utilizing existing surplus production capacity
- If dependent on production increase from ADB funded project, integration is needed and tariff assurances apply

# Shebergan Gas-to-Power: Issues to Resolve

- Timing and Integration with ADB funded gas rehabilitation work and reconstruction of power transmission lines?
- Tariffs, metering, billing, collection (gas and power plant)
- Interruptible vs. uninterruptible gas customers? (winter heating season!)

**Thank you!**

Visit our web site:

<http://www.adb.org>