October 2002

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Afghanistan Fact Sheet

The information contained in this report is the best available as of October 2002 and can change.

General Background

Afghanistan currently is governed by a transitional administration headed by Hamid Karzai, who took office after a U.S.-led coalition defeated the previous Taliban government, which had provided sanctuary in Afghanistan for the terrorist group al-Qaeda. After more than two deacdes of war and chaos, and three years of drought in the late 1990s, Afghanistan's primarily agricultural economy is in very poor condition.

Foreign aid has begun to flow in to the transitional government, and pledges of assistance now total about $4.5 billion. Afghan agriculture, which is believed to make up about 80% of the country's economic output, has benefitted over the last year from increased rainfall.

Still, the hurdles to recovery in Afghanistan are high. The transitional government has limited authority in much of the country, and competing regional power centers remain. The country's infrastructure also is in very poor condition. Commerce is inhibited by roads in need of repair, and in many places, existing electricity and telephone lines are inoperable.

Afghanistan recently replaced its currency. "Old Afghani" notes were exchanged in September 2002 for "New Afghani" notes, at a ratio of 100-to-1. This move was intended to give credibility to a currency which was so devalued that it had become nearly worthless. Use of U.S. dollars or neighboring countries' currencies is still common for many transactions in Afghanistan.

Energy Overview

The Soviets had estimated Afghanistan's proven and probable natural gas reserves at up to 5 trillion cubic feet (Tcf) in the 1970s. Afghan natural gas production reached 275 million cubic feet per day (Mmcf/d) in the mid-1970s. The Djarquduk field was brought online during that period boosted Afghan natural gas output to a peak of 385 Mmcf/d by 1978-79. However, sabotage of infrastructure by the anti-Soviet mujaheddin fighters limited the country's total production to 290 Mmcf/d, an output level that was held fairly steady until the Soviet withdrawal in 1989. After the Soviet pullout and subsequent Afghan civil war, roughly 31 producing wells at Sheberghan area fields were shut in pending the restart of natural gas sales to the former Soviet Union.

At its peak in the late 1970s, Afghanistan supplied 70%-90% of its natural gas output to the Soviet Union's natural gas grid via a link through Uzbekistan. In 1992, Afghan President Najibullah indicated that a new natural gas sales agreement with Russia was in progress. However, several former Soviet republics raised price and distribution issues and negotiations stalled. In the early 1990s, Afghanistan also discussed possible natural gas supply arrangements with Hungary, Czechoslovakia, and several Western European countries, but these talks never progressed further. Afghan natural gas fields include Djarquduk, Khowaja Gogerdak, and Yatimtaq, all of which are located within 20 miles of the northern town of Sheberghan in Jowzjan province. In 1999, work resumed on the

repair of a distribution pipeline to Mazar-i-Sharif. Spur pipelines to a small power plant and fertilizer plant also were repaired and completed. Mazar-i-Sharif is now receiving natural gas from the pipeline. A training center for natural gas workers is being reopened in Mazar-i-Sharif with Russian assistance. The possibility of exporting a small quantity of natural gas through the existing pipeline into Uzbekistan also is reportedly being considered.

Soviet estimates from the late 1970s placed Afghanistan's proven and probable oil and condensate reserves at 95 million barrels. Oil exploration and development work as well as plans to build a 10,000-bbl/d refinery were halted after the 1979 Soviet invasion. A very small amount of crude oil, about 300 barrels per day (bbl/d), is produced at the Angot field in the northern Sar-i-Pol province.

Petroleum products such as diesel, gasoline, and jet fuel are imported, mainly from Pakistan, Turkmenistan, and Uzbekistan. Turkmenistan also has a petroleum product storage and distribution facility at Tagtabazar near the Afghan border, which supplies northwestern Afghanistan.

Besides oil and natural gas, Afghanistan also is estimated to have 73 million tons of coal reserves, most of which is located in the region between Herat and Badashkan in the northern part of the country. Although Afghanistan produced over 100,000 short tons of coal annually as late as the early 1990s, as of 2000, the country was producing only around 1,000 short tons.

Afghanistan's power grid has been severely damaged by years of war, and only about 6% of its population currently has access to electricity. Transmission lines from the Kajaki Dam in Helmand province near Kandahar were hit by an airstike in November 2001, but were repaired in early 2002. On several occasions since then, however, power to Kandahar has been cut off by attacks on the transmission lines. Other operational dams include the Dahla Dam in Kandahar province, the Breshna-Kot Dam in Nangarhar province, which has a generating capacity of 11.5 MW, and the 66-MW Mahipar dam which supplies Kabul.

Neighboring countries also supply electricity to some of Afghanistan's border regions. Turkmenistan supplies electricity to much of northwestern Afghanistan, including Mazar-i-Sharif and Herat. This arrangement was affirmed in an

agreement signed in August 2002 between the Karzai government and Turkmenistan, continuing an earlier agreement between the Taliban government and Turkmenistan. Uzbekistan also supplies electricity to the northern area around Mazar-i-Sharif, supplementing a small local gas-fired power plant. Uzbekistan resumed its supply arrangement in August 2002, after having terminated supplies of electricity in 1999 during the period of Taliban rule. Iran also supplies electricity to Afghanistan, in some areas directly adjacent to the Afghan-Iranian border in Herat, Farah, and Nimroz provinces.

Afghanistan as an Energy Transit Route

Due to its location between the oil and natural gas reserves of the Caspian Basin and the Indian Ocean, Afghanistan has long been mentioned as a potential pipeline route, though in the near term, several obstacles will likely prevent Afghanistan from becoming an energy transit corridor. Unocal had pursued a possible natural gas pipeline from Turmenistan to Pakistan in the mid-1990s, but pulled out after the U.S. missile strikes against Afghanistan in August 1998. The new Afghan government under President Karzai has tried to revive the pipeline plan, and talks have been held between the governments of Afghanistan, Pakistan, and Turkmenistan in 2002 on the issue, but a signing ceremony for a framework agreement between the governments has been delayed until at least December 2002.

Given the obstacles to development of a natural gas pipeline across Afghanistan, it seems unlikely that such an idea will make any progress in the near future, and no major Western companies have expressed interest in reviving the project. The security situation in Afghanistan is one obvious major risk, and the tensions between India and Pakistan make it unlikely that such a pipeline could be extended into India, which unlike Pakistan has sufficient immediate demand for imported natural gas to justify a project of such magnitude. Financial problems in the utility sector in India, which would be the major consumer of the natural gas, also could pose a problem.

Energy Infrastructure at a Glance

Oil

Angot Oilfield	Produces a small quantity of crude oil; located in Sar-i-Pol province

Natural Gas

Sheberghan Area Gas Fields	The Djarquduk, Khowaja Gogerak, and Yatimtaq natural gas fields are all located within 20 miles of Sheberghan.
Pipeline to Mazar-i-Sharif	A pipeline connects these natural gas fields to Mazar-i-Sharif. Gas is used for a small power plant, a fertilizer plant, and domestic use.
Local pipelines	Small local pipelines near the natural gas fields distribute natural gas in small quantities to nearby villages and Sheberghan

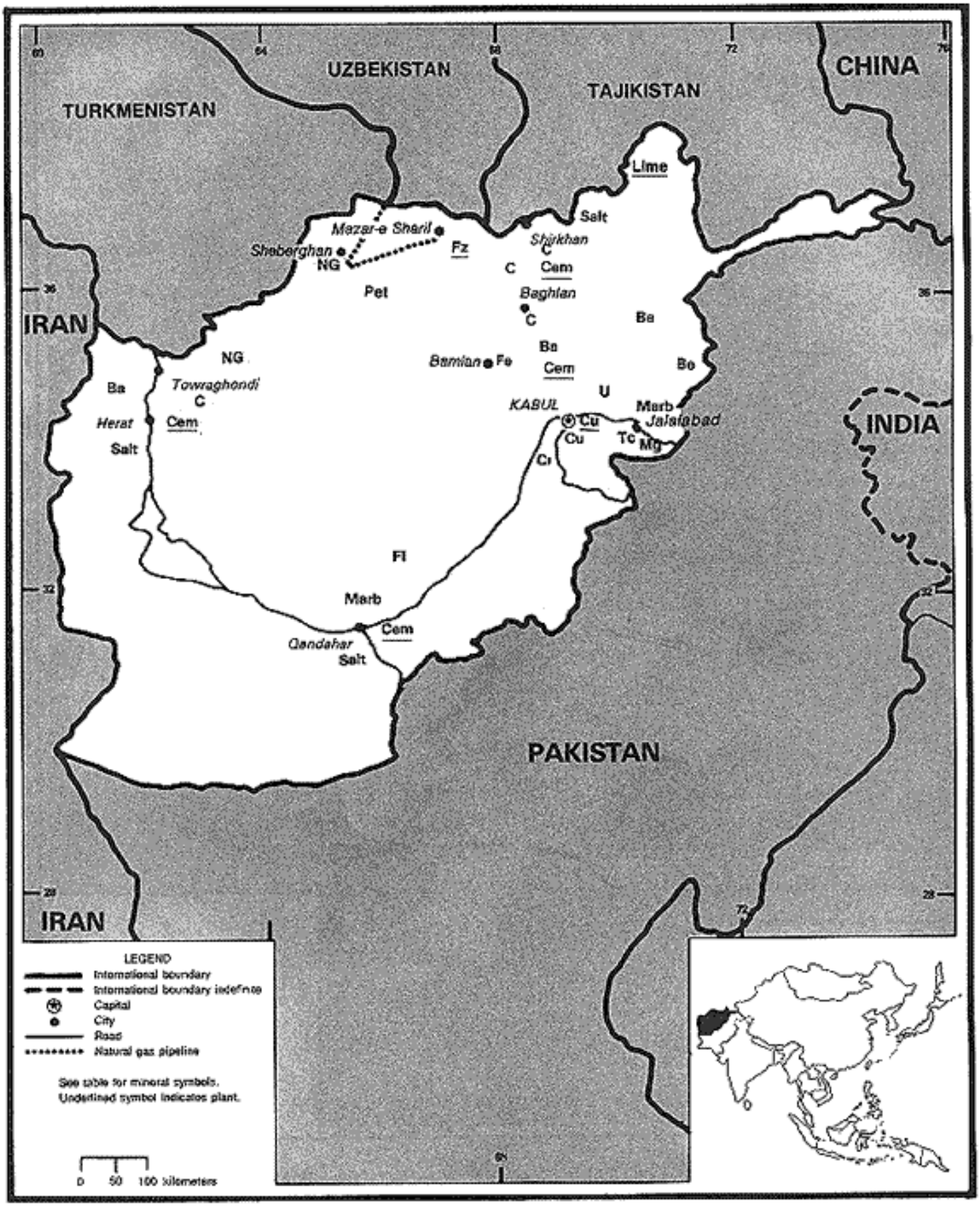
Electricity

Kajaki Dam	Located in Helmand province near Kandahar; transmission lines to Kandahar repaired in early 2002, after being damaged by airstrikes in November 2001.
Mahipar Dam	Installed capacity of 66 MW. Near Kabul. Operational but currently lacking adequate water.
Naghlu Dam	Installed capacity of 100 MW. Operational. Provides most of the electricity used in Kabul.
Darunta Dam	Installed capacity of 11 MW. Operational. In Nangarhar province near Jalalabad.
Sarobi Dam	Installed capacity of 22 MW.
Dahla Dam	Kandahar province. Operational.
Mazar-i-Sharif Power Plant	Small natural gas-fired power plant near Mazar-i-Sharif, partially operational at under 30 MW.

Note: This listing of Afghanistan's energy infrastructure was compiled from information available in press and media sources, and should not necessarily be considered comprehensive. Only facilities which have been reported to be functional or under repair have been included.

U.S. Geological Survey - Map of Afghanistan's Natural Resources

AFGHANISTAN



Sources for this report include: BBC Monitoring South Asia; BBC Summary of World Broadcasts; Dow Jones; DRI-WEFA; Economist Intelligence Unit Viewswire; Financial Times Asia Intelligence Wire; Foreign Broadcast Information Service(FBIS).

LINKS

For more information from EIA on Afghanistan, please see:
EIA - Country Information on Afghanistan

Links to other U.S. government sites:
CIA World Factbook - Afghanistan
U.S. State Department Travel Warning on Afghanistan
U.S. State Department Consular Information Sheet -- Afghanistan
U.S. Geological Survey - Afghanistan Natural Resources Map

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