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Working Party on State Trading Enterprises

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STATE TRADING

NEW AND FULL NOTIFICATION PURSUANT TO ARTICLE XVII:4(A) OF THE GATT 1994 AND PARAGRAPH 1 OF THE UNDERSTANDING ON THE INTERPRETATION OF ARTICLE XVII

AFGHANISTAN

The following communication, dated 29 July 2016, is being circulated at the request of the Delegation of Afghanistan.

I. ENUMERATION OF STATE TRADING ENTERPRISES

A. IDENTIFICATION OF STATE TRADING ENTERPRISES

Da Afghanistan Brishna Shirkat (DABS) has monopoly rights for operating all public electricity transmission and distribution lines. DABS is a government owned corporation dealing with electricity generation, imports, transmission and distribution in Afghanistan.

B. DESCRIPTION OF PRODUCTS AFFECTED (INCLUDING TARIFF ITEM NUMBER(S) ENCOMPASSED IN PRODUCT DESCRIPTION)

Product affected: Electricity (HS 2716.00)

II. REASON AND PURPOSE

A. REASON OR PURPOSE FOR ESTABLISHING AND/OR MAINTAINING STATE TRADING ENTERPRISE

DABS is maintained in order to provide stable and secure supply of electricity and is a natural monopoly operating power transmission and distribution lines.

B. SUMMARY OF LEGAL BASIS FOR GRANTING THE RELEVANT EXCLUSIVE OR SPECIAL RIGHTS OR PRIVILEGES, INCLUDING LEGAL PROVISIONS AND SUMMARY OF STATUTORY OR CONSTITUTIONAL POWERS

The Afghanistan Electricity Company Charter (published in the Official Gazette No 945 of 4 May 2008) is the main document regulating DABS activities.

III. DESCRIPTION OF THE FUNCTIONING OF THE STATE TRADING ENTERPRISE

DABS is involved in imports of electricity. No exports have been conducted so far, due to insufficient power generation in country.

There is no formal prohibition for imports and exports by private traders. Afghanistan's long-term power sector strategy envisages private sector involvement in this sector. No procedures and mechanism are developed for private participation in the energy imports.

DABS conducts annual needs forecasts for imports of electricity based on expected increased consumption, technical distribution capacities and breaks them down by monthly needs. Based on these forecasts power purchase agreements are negotiated with potential suppliers of electricity.

DABS sets the tariffs for electricity subject to approval by the following four ministers: Minister of Finance, Minister of Economy, Minister of Rural Development, and Minister of Energy and Water. The tariff levels are established taking into account the cost of generation and/or import as well as transmission and distribution costs.

Depending on the costs of generation and transmission, different rates are applied for diesel-generated, hydro-power-generated, and imported electricity. Rates also vary depending on the types of consumers. Due to social security considerations, cheaper rates are applied for residential consumers. Higher rates are applied for commercial consumers. In order to stimulate energy saving behaviour, step-based rates apply for residential users where rates escalate with the increase of consumption. The tariff rates vary also from one region to another. There are 76 regions in Afghanistan.

Power purchase agreements for imports are negotiated by a team formed by the Afghan Government and include representatives of Ministry of Finance, Ministry of Energy and Water, Ministry of Foreign Affairs and DABS. Power purchase agreements are negotiated on annual basis or multi-year basis.

DABS has conducted 100% of all imports of electricity into Afghanistan. Data on production and imports of electricity for the last three years is provided in the table below.

Electricity	2013	2014	2015
Total imports in kWh	3,436,438,172	3,796,767,995	3,787,206,224
Share of imports by DABS	100%	100%	100%
Domestic production in kWh	1,113,921,890	1,077,725,563	1,041,146,019

IV. STATISTICAL INFORMATION

See *Annex* (Table I "Imports" and Table III "Domestic Activities")

V. REASON WHY NO FOREIGN TRADE HAS TAKEN PLACE

No exports were conducted due to insufficient generation capacity in Afghanistan to supply domestic market demand.

VI. ADDITIONAL INFORMATION

According to the National Energy Sector Strategy, the reform agenda includes proposals for the unbundling of electricity generation, transmission and distribution. Longer-term proposals include creating conditions for a competitive environment in the electricity sector.

ANNEX

TABLE I

STATE TRADING: DA AFGHANISTAN BRISHNA SHERKAT (DABS)

STATISTICAL INFORMATION, IMPORTS (Years 2013-2015)

Description of product(s) (including HS number(s))	Total quantity imported ¹ (kWh)	Quantity imported by state trading enterprise ¹ (kWh)	Average import price (Afs/kWh)	Average representative domestic sales price (Afs/kWh)	Mark-up ²	National production (kWh)
1	2	3	4	5	6	7
Electricity HS 2716.00						
2015	3,787,206,224	3,787,206,224	2.81	3.19		1,041,146,019
2014	3,796,767,995	3,796,767,995	2.62	3.10		1,077,725,563
2013	3,436,438,172	3,436,438,172	2.06	2.82		1,113,921,890

¹ In cases where no imports have taken place under columns 2 or 3, provide an explanation under Section V of this questionnaire.

² Members may report either under columns 4 and 5 or under column 6.

TABLE III

STATE TRADING: DA AFGHANISTAN BRISHNA SHERKAT (DABS)

STATISTICAL INFORMATION, DOMESTIC ACTIVITIES (Years 2013-2015)

Description of product(s) (including HS number(s))	Domestic purchases by state trading enterprise (kWh)	National production (kWh)	Domestic sales by state trading enterprise (kWh)	National consumption (kWh)
1	2	3	4	5
Electricity HS 2716.00				
2015	0	1,041,146,019	4,828,352,243	4,828,352,243
2014	0	1,077,725,563	4,874,493,558	4,874,493,558
2013	0	1,113,921,890	4,550,360,062	4,550,360,062