



Special Energy Issue on Kazakhstan

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The Economic Section of the Embassy of the Kingdom of the Netherlands in Kazakhstan intends to distribute this newsletter as widely as possible among Dutch institutions, companies and persons from the Netherlands. The newsletter summarises economic news from various Kazakhstani and foreign publications and aims to provide accurate information. However, the Embassy cannot be held responsible for any mistakes or omissions in the bulletin.

GENERAL

BP reveals volume of Kazakhstan's proven oil reserve

Kazakhstan's proven oil reserve as of early 2016 stood at 30 billion barrels, or 1.8% of the world's proven hydrocarbon reserve, according to the BP Statistical Review of World Energy.

The oil and condensate production in Kazakhstan stood at 79.46 million tons in 2015, or 1.7% less than in 2014, according to the country's statistical committee.

The country plans to produce 74 million tons of oil in 2016.

Kazakhstan's largest oil fields are Tengiz, Karachaganak and Kashagan. It is planned to expand the production at Tengiz and Karachaganak fields and to resume the production at Kashagan field by late 2016, Trend.az reports.

Prime Minister Massimov, ExxonMobil Vice President discuss Kashagan issues

On June 23, Prime Minister Karim Massimov met with ExxonMobil Senior Vice President Mark W. Albers, a government news release said.

"I have met with Senior Vice President of ExxonMobil Mark Albers. We discussed #Kashagan," the Prime Minister tweeted.

The ExxonMobil corporation is the world's largest oil and gas company, whose shares are freely traded on the open stock market. The company is engaged in exploration and production of oil and gas, manufacturing of petroleum products and transportation and sale of crude oil, natural gas and petroleum products.

One of Kazakhstan's measures being taken to ensure economic growth will be the launch of Kashagan in October 2016. ExxonMobil is one of Big Seven from 2011 - investor of Kashagan with 16.81% of the shares.

As the Minister of National Economy of Kazakhstan Kuandyk Bishimbayev reported oil production at Kashagan will provide 500 thousand tons of raw materials this year, Akpress reports.

Oil output at Kashagan to resume in the autumn

Oil output at Kazakhstan's Kashagan field should start in October 2016.

Prime Minister Karim Massimov gave relevant instructions to Energy Minister Kanat Bozumbayev and KazMunaiGas during a government meeting on June 14, the PM's website reports.

"All the needed negotiations have been held and the necessary regulatory decisions have been made," Massimov said.

"Therefore, you, together with the consortium need to bring all this to a logical conclusion to launch output in Kashagan in October."

Kashagan is a large oil and gas field in Kazakhstan, located in the north of the Caspian Sea.

Its reserves are estimated at 4.8 billion tons of oil.

The total oil reserves are 38 billion barrels; about 10 billion of these are recoverable. There are large amounts of natural gas reserves at the Kashagan field - over one trillion cubic meters.

The production at the Kashagan field started in September 2013, but in October, it was suspended after a gas leak in one of the main pipelines.

Earlier, the country's energy ministry said the repair and restoration work at the Kazakh oil field Kashagan are being performed slightly ahead of plan, Trend reports.

Kazakhstan, Kashagan partners agree on production sharing rules

Kazakhstan and shareholders of the Kashagan oil field have signed the rules for sampling oil, gas and sulfur at the field, the Kazakh Energy Ministry has said.

The sampling rules determine the schedule, storage, measuring and forecasts on production, the distribution and calculation of production volume at the Kashagan field in the production sharing process between Kazakhstan and contractors.

The talks on the sampling rules have been ongoing for several years.

Kashagan is a large oil and gas field located in the northern part of the Caspian Sea.

The reserves of Kashagan are estimated at 4.8 billion tons of oil. The total oil reserves are 38 billion barrels; around 10 billion of these are recoverable. There are also large amounts of natural gas at the field - over one trillion cubic meters, Trend reports.

Kashagan pipeline repairs running fast

"The repair work at the oilfield has been 83% performed," Minister Kanat Bozumbayev told the prime minister of Kazakhstan during a recent government session.

If Kazakhstan launches the oilfield in October, its oil production will rise to 70.5 million tons, he said.

Prime Minister Karim Massimov is expected to visit the Kashagan oilfield to check the situation. According to Bozumbayev, the country plans to increase oil processing to 14.1 million tons in 2016. These figures will be achieved as part of the plan to reduce the time needed for planned preventive work at two plants.

"The time period needed for repairs will be reduced by five days, it will be optimized from 35 to 30 days at the Pavlodar Petrochemical Plant. At the Shymkent Refinery, repairs will take 18 days. That is, time periods were optimized from 51 to 33 days. Another 150 thousand tons of oil was processed and additional volumes of petroleum products will be processed," he said, according to Akipress.

Bozumbayev provides Kashagan update

Production at the Kashagan oil field is expected to resume this year, according to Kazakhstan's Minister of Energy Kanat Bozumbayev.

"The production at Kashagan will begin in late 2016. We are expecting to produce nearly 35,000 tons in December 2016," Bozumbayev revealed.

He said that repair and restoration work as well as pipelines' replacement are in full swing at Kashagan.

The giant oil field entered production in September 2013 and was sidelined in October due to a gas leak. The production resumed the same month, but was suspended again due to another gas leak in one of the main pipelines.

Reserves at Kashagan, located southeast of Atyrau, in the Kazakh sector of the Caspian Sea, are estimated at 4.8 billion tons, the ministry said. The total oil reserves amount to 38 Bbbl, according to Offshore Mag.

Kazakhstan pushing for Tengiz expansion

Kazakhstan is hoping the successful expansion of its giant Tengiz field will help drag the country out of its slump, with the Kazakh government leaning on the project partners to approve the development.

The Chevron-led Tengizchevroil (TCO) joint venture is scheduled to bring its next phase of expansion online later this year, which will increase the oil and gas production capacity at Tengiz by more than 30% by 2021-2022 and bolster TCO's status as Kazakhstan's dominant producer and money-earner.

However, as is the case with other megaprojects around the world, the startup of the Future Growth Project (FGP), as the expansion is known, has been delayed by the oil price slump and the trend among most of the majors to slash capital expenditure.

Chevron and its partners in TCO – ExxonMobil (with a 25% share), KazMunaiGas (20%) and LUKoil (5%) – could end up spending over \$35 billion on the project, and the companies are looking to cut costs where they can.

An FID was due to be made last year, but a source close to the project said it is just a matter of time before a decision is made. There is no turning back, he added. "There is no way that it won't happen, because without it the reservoir would suffer and production (would) decline," the source said.

Tengiz produces around 600,000 barrels per day of crude and is also a major gas producer. The field produced close to 15 billion cubic meters last year – roughly one-third of Kazakhstan's overall output and second only to the BG/Eni-operated Karachaganak field, which produced around 18 bcm.

Most of the sour gas produced from Tengiz is reinjected, although more of its output is being sold on the domestic market as production rises. During the first quarter of this year, TCO sold 1.8 bcm of dry gas as well as LPG and sulphur, which is mostly shipped out of the Russian Black Sea. All the

extra gas produced under the FGP is earmarked for reinjection to maintain the reservoir pressure and maximise oil production.

The 40-year contract for TCO was signed by Chevron and Kazakhstan in April 1993, and it has been a success story for both sides.

Whereas Karachaganak and especially Kashagan, Kazakhstan's two other giant oil and gas developments, have been plagued by disputes between the contractors and the government, Tengiz has been relatively plain sailing from the outset.

Chevron also holds an 18% interest in the Karachaganak project, which like Tengiz is a money-spinner for the government and relies on the sale of liquids – currently around 250,000 b/d – to create most of its revenue.

However, the consortium – which is jointly operated by the BG Group and Eni, which each have a 29.25% share alongside LUKoil (13.5%) and KazMunaiGas (10%) – has never been able to get any meaningful value from gas sales because every molecule produced that is not reinjected has to be piped across the border to southern Russia.

It is then processed at a refinery operated by Gazprom subsidiary Gazprom Dobycha Orenburg before it is marketed by Kazrosgas, a 50/50 joint venture between KazMunaiGas and Gazprom.

"This gives Gazprom a de facto monopoly, so the partners never get the prices they want," a source familiar with the project said. "There is no other viable market they can turn to."

Like Tengiz, Karachaganak requires significant reinjection to sustain reservoir pressure, which means more investment will be required in the years ahead to upgrade facilities and bring new wells onstream.

However, the partners are reluctant to make the necessary investment, and an initial plan for a Phase 3 expansion costing well in excess of \$20 billion appears to have been downgraded. No investment decision is expected to be made before 2017.

The situation at Karachaganak has been complicated by Shell's takeover of BG, which was finalised in February and leaves the Anglo-Dutch major with an asset that is not a high priority, at least when compared with projects in Brazil and Australia.

Shell, like its co-operator Eni, already has a large Exposure in Kazakhstan. It is one of the main shareholders in the Kashagan project, where around \$50 billion has been spent without any oil coming to market.

Shell has given no indication so far that it wants to sell out of Karachaganak, but analysts say it would be tempting if a serious buyer came along.

The problem is that the field's proximity to Russia makes it unattractive for Chinese companies, which operate three pipelines that pump gas across Central Asia to mainland China. Meanwhile, Kazakhstan has the right of first refusal on any oil asset being sold in the country.

Kazakhstan's President Nursultan Nazarbayev is pushing all sides to give the green light to the FGP. "There is a direct assignment of the head of state to accelerate the process of starting the project implementation," Yerbolat Dossayev, the minister for national economy, said at the end of last year, according to Interfax Energy.

Samruk-Kazyna Sovereign Welfare Fund comments on shares acquisition from Kashagan shareholder

Samruk-Kazyna Sovereign Welfare Fund has acquired 882.2 thousand ordinary shares from a limited liability company KazMunaiGas Kashagan B.V. for its working capital financing, said the fund.

"On June 17 2016 the fund conducted preliminary payment for the ordinary shares of KazMunaiGas Kashagan B.V. in the volume of 882 206 shares valued \$6 025 000," said Samruk-Kazyna answering KazTAG's request commenting on the information published by Kazakhstani stock exchange.

According to the state fund, in compliance with the production share agreement and other documents on the North-Caspian project, all the contract companies, including Kashagan B.V. carry liabilities on the expenses financing on the project proportionally to their stakes, KazTAG reports.

Lukoil says Caspian region most promising

Lukoil considers the Caspian region to be the most promising exploration area for the company, President Vagit Alekperov told TASS.

"I think the Caspian is the most promising," he said, adding it also holds "the highest priority" for Lukoil.

Vagit Alekperov said crude production at the Kashagan field (in Kazakhstan's sector of the Caspian Sea) is "a zone of LUKoil's strategic interests."

Eni, Royal Dutch Shell, Exxon Mobil, Total, KazMunaiGas, China National Petroleum Corporation (CNPC) are involved in the field's exploration, Akipress reports.

EXPLORATION & DEVELOPMENT

Roxi Petroleum remains focused on developing Kazakhstan deep wells

Roxi Petroleum PLC on Wednesday said its focus remains on developing its existing deep wells at the BNG Contract Area in Kazakhstan to allow flow testing to commence, as work continues at a number of the sites.

The producing oil and gas company said its Deep Well A5 the pressure encountered outside the production tubing has been consistently of the order of 300 bar, and Roxi said it flows the well periodically when the pressure in the oil production tubing has exceeded 320 bar.

Over time, as the obstructions in the well have been removed, the time required for the pressure inside the tubing to revert to 320 bar has reduced from several days to a few hours, Roxi said, noting that it should not now be long before the well is able to flow continually with the pressure in the oil production tubing staying above the 250 bar level.

Once the level drops below 250 bar, flowing is stopped to protect the well.

As a suitable rig has become available, work has commenced to attempt to side-track the well from a depth of 4,013 to 4,450 meters to gain access to structures at these depths, Roxi said, and, as such, work to allow the well to flow uninterrupted has been suspended and will resume once the side-track has been completed.

Meanwhile at the Deep Well 801, core samples and logging reveal a potentially oil bearing interval starting from 4,536 meters and extending 100 meters. The well has flowed periodically and Roxi said it is the company's expectation that following a programme of chemical washes the well will begin to flow on a more consistent basis.

Drilling at Deep Well 6 has reached a depth of 4,000 metres, but has been paused to allow additional 7-inch casing to be set, and then drilling will resume to a depth of 4,450 metres, with a further casing to be applied, and then down to 5,000 metres, Roxi said.

Roxi also holds interest in a number of shallow wells at the site, which it also gave an update on.

Aggregate production from the shallow wells is currently 628 barrels of oil per day, which is a net of 367 to Roxi. The company noted that at the Munaily site a workover rig is in the process of being assembled, and it expects work on the first well re-entry to commence in July. The wells were drilled during the Soviet period but were closed.

Roxi holds a 58.41% stake in Munaily, where currently 145 barrels of oil per day, with a net of 85 to Roxi, are being produced.

Roxi also has a 50% stake in Beibars Munai LLP, which operates the 167 square kilometer Beibars Contract Area on the Caspian shoreline south of the city of Aktau. No operations have been carried out at the site, since the site was put under force majeure in 2008. Roxi said it understands a court hearing has been convened for September to consider the ending of the force majeure.

"Our focus continues to be in developing our existing deep wells to allow flow testing to commence," said Chairman Clive Carver, according to Alliance News.

OIL & GAS PRODUCTION

EIA forecasts decline in Kazakh oil output

Oil production in Kazakhstan will experience a decline from 1.73 million barrels per day in 2015 to 1.68 million barrels per day in 2016 and 1.7 million barrels per day in 2017, the US Energy Information Administration (EIA) forecasts in its short-term energy outlook June 2016.

EIA outlook states that Kazakhstan's oil output amounted to 1.67 million barrels a day in the first quarter of 2016.

The agency forecasts the output of the country to amount to 1.69 million and 1.68 million barrels per day respectively in second and third quarters of the current year.

Meanwhile, in 2017, the country's crude production will equal to 1.7 million barrels per day in the first quarter of 2017, 1.69 million barrels per day in the second and third quarters each and 1.71 million barrels per day in the fourth quarter of 2017.

The reduction in Kazakhstan's oil production in 2016 is due to the depletion of the deposits.

Kazakhstan produced 79.5 million tons of oil in 2015, including gas condensate, which is 1.7% less than in 2014.

The government of Kazakhstan plans to compensate the projected decline in oil production by commissioning the Kashagan field in the near future.

Kashagan is one of the largest oil and gas fields in Kazakhstan, located in the north of the Caspian Sea. The geological reserves of this field are estimated to amount to 4.8 billion tons of oil. The total oil reserves amount to 38 billion barrels, and some 10 billion out of them are recoverable reserves.

The production at the Kashagan field started September 2013. However, in October, it was ceased after a gas leak in one of the main pipelines. The analysis revealed numerous cracks in the pipeline, which needed to be completely replaced. The total length of the pipeline is about 200 kilometers.

The production at the Kashagan is expected to resume in late 2016.

The other largest oil fields of Kazakhstan are Tengiz and Karachaganak.

The Karachaganak field's oil and liquid condensates are estimated at around 1.2 billion tons. About 18 percent of its produced oil is extracted from this field.

Kazakhstan's Tengiz field is one of the world's deepest developed super giant oil fields, with the top of the reservoir at about 4,000 meters. It the sixth largest oil field in the world with estimated reserves of 25 billion barrels.

Kazakhstan's proven oil reserve stood at 30 billion barrels as of early 2015, according to BP.

Kazakhstan is the second largest oil producer in Eurasia after Russia, and the twelfth largest in the world.

The country holds 1.8% of the world's total proven oil reserves, and produces 1.9% of the world's total oil output, according to the BP statistical review of world energy 2015, Azernerws reports.

US forecasts decrease in Kazakh oil production

Kazakhstan's oil output will fall from 1.73 million barrels per day in 2015 to 1.68 million barrels per day in 2016 and 1.7 million barrels per day in 2017, according to the US Energy Information Administration's (EIA) forecasts published in its Short-Term Energy Outlook.

Kazakh oil production stood at 1.67 million barrels per day in the first quarter of 2016, according to the EIA.

It is forecasted to reach 1.69 million barrels per day in the second and third quarters and 1.68 million barrels in the fourth quarter of 2016.

The EIA expects the country's oil output will hit 1.7 million barrels per day during the first quarter of 2017, 1.69 million barrels per day in the second and third quarters each, and 1.71 million barrels per day in the fourth quarter of 2017.

Kazakhstan's proven oil reserve stood at 30 billion barrels as of early 2015, according to BP.

Kazakhstan's largest oil fields are Tengiz, Karachaganak and Kashagan, Trend reports.

Kazakhstan's crude production to total 74 million tons in 2016

Kazakhstan plans to produce 74 million tons of crude oil this year, the country's energy minister Kanat Bozumbayev said.

“Taking into consideration the global oil prices around \$30 per barrel the plan is to produce 74 million tons by the end of this year,” he said, adding that “in the first four months of this year the country’s oil output stood at 26.2 million tons.”

“We’re 4% ahead of the current plan,” the minister said. According to Bozumbayev, “rising oil prices will allow companies to accelerate drilling operations and exceed this year’s target.”

In 2015, Kazakhstan’s oil and condensate production topped 79 million tons, the ministry said, according to TASS.

OPEC: Kazakhstan ups gas production

Kazakhstan in 2015 increased production of marketable gas by five percent to 21.16 billion cubic meters, according to OPEC’s Annual Statistical Bulletin.

Gas exports from Kazakhstan in 2015 rose by one percent to 11.98 billion cubic meters, according to OPEC.

Proven gas reserves in Kazakhstan as of late 2015 amounted to 1.92 trillion cubic meters, according to OPEC. The country’s natural gas reserves assessment hasn’t changed compared to the previous year.

About 90% of the gas produced in Kazakhstan is associated gas. A part of the associated gas, which is nearly 30%, is pumped back into the reservoir to maintain its pressure.

Some 15% of the associated gas is used for Kazakhstan’s own technical needs, power generation, and a small part of it is burnt. Marketable gas accounts for nearly 55% of production. The bulk of the gas produced in Kazakhstan comes from the Karachaganak (natural gas) and the Tengiz fields (associated gas), Trend reports.

Tengizchevroil plans to extract 26.4 million tons of oil in 2016

Tengizchevroil consortium plans to produce 26.4 million ton of oil in 2016. Tengizchevroil plans to extract 26.4 million tons of oil this year. The project for the future expansion of the company is also considered to be economically and socially important. The decision to finance the project will be made in the near future,” Minister of Energy Kanat Bozumbayev said during a public meeting.

He noted the Tengizchevroil expansion project will make it feasible to increase oil production from 27 million tons to 36 million tons. It will help create about 20 thousand jobs. The launch of the new facilities is scheduled preliminarily for 2022, according to Kazinform.

Aral Petroleum recommences production at East Zhagabulak field

Caspian Energy Inc. is pleased to announce that its wholly-owned operating subsidiary, Aral Petroleum Capital LLP has resumed oil production at the East Zhagabulak field in Kazakhstan. With three wells operating, Aral is producing oil at an average rate of 932 barrels per day.

Production was previously halted by Aral due to low prices of crude oil in the local and global markets. With recent increases in the price of crude oil, production has once again become cash flow positive for Aral. Further, the Kazakhstani government has also recently decreased custom duties on oil exports, giving local producers the ability to access global markets at more attractive prices.

During the month of May 2016, Aral sold its oil in the local Kazakhstani market at a price of \$12 per barrel. It has received government approval to commence exports in the month of June 2016 and entered into an agreement with a Swiss petroleum trading company to export its production to the Russian port of Ust’-luga. The maximum production allowed under Aral’s government-approved work program is 143,250 barrels, and as of May 31, 2016, Aral had produced 32,828 barrels, leaving it with the ability to produce a further 110,422 barrels through the remainder of the year.

“The recommencement of production represents a significant development for Aral,” said Michael Nobbs, Chairman of Caspian’s board of directors. “If the sale prices for crude oil available to Aral are maintained or continue to increase, Aral will begin generating excess cash flow that can be deployed towards the business and/or its creditors. However, Aral continues to face claims and demands from its trade creditors, as discussed in previous announcements made by Caspian. If a

creditor were to take action to seize or block access to Aral's bank accounts, Aral's ability to continue producing would be seriously jeopardized," according to Oil Voice.

OIL & GAS INFRASTRUCTURE

Azerbaijan to yield dividends from Kuryk port

A ferry complex being constructed in the port of Kuryk in the Caspian Sea is expected to allow transporting goods to neighboring countries without unloading cars and is focused on handling wide range of goods.

Rakhman Alshanovm, the rector of Kazakstan Turan University, scientist and Doctor of Economics, in his interview with Day.az said transit trade from the realization of the new ferry complex project will yield dividends to Azerbaijan. He underlined that the country will get huge advantages as under the conditions of world trade expansion, transit trade accounts to 1/3 of the world economy.

"In the first stage, 360,000 tons of freight per year is expected to be transported from Azerbaijan. The volume of Kazakhstan freight will increase in the future and this will lead to the additional flow of funds to Azerbaijan," he added.

Azerbaijan is expected to supply about 82,000 tons of freight to Kazakhstan through Kuryk with 32,000 tons being electric equipment, 30,000 tons of consumer goods, 10,000 tons of vehicles and devices.

The new ferry terminal is expected to allow Kazakhstan to export oil, polyethylene, iron ore and concentrates to world markets through Baku, Azerbaijan. As many as 16 buildings and facilities are planned to be established in the territory of the complex.

Energy-rich Kazakhstan is also considering the issue of the oil terminal construction in the Kuryk port. Nevertheless, timeframe for the construction of the terminal has not yet been established. Oil transportation from Kuryk port will also be implemented through the ferry complex which is currently in the process of construction.

The ferry complex which is considered to be a strategically important object is expected to be commissioned in December 2016. Works on the bank protection of the ferry complex which will provide for wash out and measures to protect the impact of sea waves are currently underway.

The main destinations of oil transportation through the Kuryk port's ferry terminal are Russia, Georgia, Ukraine, Estonia and Latvia. Potential for growth of transportation by the sea route is centered on Kuryk port (Kazakhstan) – Baku port (Azerbaijan) – Batumi port (Georgia) – Constanza port (Romania).

The volume of cargo transshipment by the new complex is expected to reach the level of 4.1 million metric tons per year.

Currently freight transportation by ferries from Kazakhstan to the Caspian Sea littoral states is possible only through the port of Aktau. Kazakhstan plans to increase transportation which currently amounts to 18 million tons, the figure is expected to reach 33 million tons by 2020, and 50 million tons by 2030, according to Azernews.az.

PROCESSING & RECYCLING

Kazakhstan to process 14 million tons of oil this year

This year, Kazakhstan will process about 14 million tons of oil, Energy Minister Kanat Bozumbayev said during a public reporting meeting on June 6.

"In 2015, the country processed 14.5 million tons of oil, the plan for 2016 is 14 million tons. For 4 months (January - April) of this year, the country has processed 4.23 million tons," Bozumbayev said.

The minister noted that in the period from January to March, there was a decline in oil refining due to the extremely low prices for raw materials at the refinery, as well as for heavy export-oriented petroleum products.

He noted production has also been affected by prices for petroleum products from Russia.

“The low price for petroleum products on the domestic market implies a deficit in our country compared with Russia, and vice versa - the high price for petroleum products on the domestic market leads to an inflow of foreign sources, primarily gasoline compared to Russia, where we have a deficit. There is now a high price on the Russian market compared to ours, and therefore our ministry constantly monitors and takes action on the saturation of the domestic market to prevent the deficit,” he said, according to Akipress.

Atyrau refinery modernization to be completed by end of 2016

The modernization of the Atyrau oil refinery will be completed before the end of 2016, Energy Minister Kanat Bozumbayev said during a public reporting meeting.

“Now the completion of the modernization of the Atyrau oil refinery is nearing the finish line. The main equipment has already been launched, the completion of the mechanical upgrade is scheduled by the end of this year,” Bozumbayev said.

The completion of the modernization of the Pavlodar and Shymkent refineries is planned for late 2017.

“After the modernization of three refineries, we will meet domestic market demand by 100%. Today, we are nearly 35% dependent on imported high-octane gasoline,” he said, according to Akipress.

Modernization of refineries in Pavlodar and Shymkent to finish in 2017

The mechanical completion of the modernization and reconstruction of Atyrau’s refinery will be completed before the end of 2016, the modernization of Pavlodar and Shymkent oil refinery - in 2017, Deputy Minister of Energy of Kazakhstan Magzum Mirzagaliyev has said at the conference titled “Oil Refining and Petrochemical Industry of Central Asia” in Astana.

“At the moment three Kazakh oil refineries are being reconstructed. Atyrau refinery will be the first to finish the modernization works. Mechanical completion of the plant is expected later this year. Mechanical completion of the modernization and reconstruction in Pavlodar and Shymkent refineries is planned in 2017”, Mirzagaliyev said.

According to the Vice Minister, the refinery modernization will allow Kazakhstan to remove the dependence on imports of light petroleum products, increase the processing capacity from 15 to 17.5 million tons annually, according to Primeminister.kz.

Kazakhstan to privatize oil refineries after they are modernized

Energy Minister Kanat Bozumbayev says the privatization of the country’s three large oil refineries is only possible after they are modernized, Novosti-Kazakhstan reports.

“In my opinion, we must modernize the oil refineries first, as we must provide oil products to the domestic market. After the modernization they will turn into highly-efficient production facilities. If we sell them now, we will sell them as assets with a history of 40-50 years at a low price,” Bozumbayev said at a meeting with the public on June 6.

He noted the modernization of the Atyrau oil refinery, for instance, will boost the production of light oil products from today’s 40% up to 92%.

Kazakhstan has three oil refineries — in Atyrau, Pavlodar, and Shymkent.

Bozumbayev added that in January-April, Kazakh oil production exceeded forecasts by 4%. “In the first four months of this year, oil production was 26.2 million tons,” he said.

It was reported earlier that the Energy Ministry had lowered this year’s oil production plan down to 74 million tons compared to 79.5 million tons last year, according to the Times of Central Asia.

Kazakhstan wants to increase output at oil refineries

The output volume at Kazakhstan’s oil refineries might reach 14.15 million tons, Kapital.kz quoted Energy Minister Kanat Bozumbayev as saying.

He said volumes will be increased by shortening the term of preventive maintenance operations at the Pavlodar Petrochemical Plant and the Shymkent Oil Refinery.

The current backlog from the target figure in oil processing is 200,000 tons.

The measures are expected to eliminate lag time, process an additional 150,000 tons of oil, and produce additional volumes of petrochemicals.

Diesel fuel output is expected to reach a level of 41,000 tons, while petrol will hit 22,500 tons. Commenting on the operations currently being implemented at the Kashagan field, Bozumbayev stressed that repair-and-renewal operations have already been conducted by 87%.

"We are planning to launch the field ahead of schedule. The volume of oil extraction is expected to increase to 70.5 million tons," he added.

Oil production in Kazakhstan decreased by 2.8% to 27.67 million tons in January-May 2016. Oil sector of economy accounts for approximately 20% of the country's GDP.

The country's proven oil reserve as of early 2016 stood at the level of 30 billion barrels, according to BP Statistical Review of World Energy. Largest oil fields of the country are Tengiz, Karachaganak and Kashagan, according to Azernews.

Construction of polypropylene plant to be launched in Atyrau region by the end of 2016

On the basis of the SEZ in Atyrau region by the end of this year the construction of a polypropylene plant will be launched, Deputy Minister of Energy of Kazakhstan Magzum Mirzagaliyev has said at the conference titled "Oil Refining and Petrochemical Industry of Central Asia" in Astana.

"Projects of polypropylene are being implemented in Atyrau SEZ. We previously reported that we have all documentation for the project, contract was signed with the Chinese contractors. Today, work is underway to attract funding. We expect that construction work on the project - a factory for the production of polypropylene will begin in late 2016. The state provides the necessary and systematic support," Mirzagaliyev said.

However, the Vice-Minister noted that last year the global oil and gas industry has undergone a series of radical changes against the backdrop of economic uncertainty and the fall in energy prices.

"The economy of Kazakhstan faces a difficult task to adapt to changing external realities," he said.

In this regard, Deputy Minister stressed that the implementation of projects on modernization of refining capacities and construction of competitive industries of petrochemical industry is a priority for the development of the oil and gas sector of Kazakhstan.

It should be recalled that today the capital hosts the III International Conference "Oil Refining and Petrochemical Industry of Central Asia". This is a practical business conference, which will highlight the best projects in this region, as well as the most important issues and challenges in Central Asian countries.

The conference in Astana has been organized by the GBC International company with the support of the Ministry of Energy and KAZENERGY Association. It is attended by representatives of companies such as Gas Production Oil, LukOil, Huawei, Indorama, ExxonMobil, as well as heads of KazMunaiGas, Kazakhstan-China Pipeline and other companies associated with the oil and petroleum industry, Primeminister.kz reports.

RENEWABLE ENERGY

Kazakhstan sees rise in capacity of renewable facilities

The installed capacity of renewable energy facilities and production of green energy have increased significantly in Kazakhstan, Energyprom.kz reports.

In the first quarter of 2016, the installed capacity of renewable energy facilities in Kazakhstan, with the exception of large hydropower plants totaled 251.55 megawatts, which is 74 megawatts or 1.4 times more than in the same period of 2015.

The main increase in the installed capacity came from solar and wind farms for 52.16 megawatts and 17.49 megawatts respectively, for the year.

Moreover, the total production of green electricity in the country was 186.9 million kilowatt/hours in January-March 2016 compared to 82.3 million kilowatt/hours over the same period of 2015.

The majority of generated electricity came from small hydropower plants (117.63 megawatts) and wind farms (59.76 megawatts).

Meanwhile, renewable energy facilities contribution to the total volume of electricity generated in Kazakhstan stands at 0.8%.

Kazakhstan plans on generating 50% of its electricity from renewable and alternative energy sources according to President Nazarbayev's ambitious 2050 strategy.

This strategy is a part of the country's comprehensive initiative to transfer itself from one of the world's major hydrocarbon energy producers to a model green economy.

Kazakhstan's Green Bridge Initiative aims to provide a stable and long-term basis for green investment, transfer of new technologies and innovations in order to create sustainable economy and new and long-term green jobs.

In addition to green energy, Kazakhstan's transition also focuses on water source conservation, waste management and a reduction in carbon emissions.

Kazakhstan envisages the realization of 25 projects to generate solar, wind and hydro-electricity power. The country plans to spend more than \$3 billion to achieve its green goals, Azernews reports.

LAWS & REGULATIONS

Kazakh government will be able to block subsoil transaction

Kazakhstan's national code on subsoil and subsurface use will come into force in 2017.

The new code will give the state the right to block any transactions on the sale or resale of the country's subsoil, Minister of Investments and Development, Zhenis Kasymbek said at a reporting meeting, a BNews.kz correspondent reports.

"If any investor works with the subsoil today and has desire to sell/resell a share, the state has priority right. This will be stated in the new law as a highlight. The state has priority right before any investor. Besides, if the state does not want to buy, or if something is unpleasant, it has the right to block the sale," he said in the lobby of the Kazmedia Ortalygy building in Astana, according to BNews.kz.

Kazakh MPs amend agreement with Russia on delimitation of Caspian Sea

The Kazakh Senate has ratified the protocol amending the agreement with Russia on the delimitation of the northern section of the Caspian Sea to exercise sovereign rights for subsoil use as of July 6, 1998.

The protocol was signed on October 15, 2015 by Russian President Vladimir Putin and Kazakh President Nursultan Nazarbayev in Astana.

The amendments see to both countries assuming sovereign rights for subsoil exploration and operation.

The changes will allow the Russian government to acquire a license for geological prospecting and the production of oil and gas at the Tsentralnoye structure on the Caspian Sea shelf.

The license is expected to be issued without a tender for 25 years, with geological mineral resource exploration to last up to seven years.

The Caspian Sea littoral states are Azerbaijan, Iran, Kazakhstan, Russia and Turkmenistan.

The Tsentralnaya structure is located in the Russian waters of the Caspian Sea, 180 kilometers east of Makhachkala, Akipress reports.

Temporary state regulation of liquefied gas prices introduced in Mangistau

Temporary state regulation of liquefied natural gas price introduced for 180 days in the Mangistau Oblast, the Ministry of National Economy of Kazakhstan announced.

The move is aimed at "stabilizing the situation in the market of wholesale and retail sale of liquefied natural gas and eliminate unproductive intermediaries and speculations."

In particular, this measure applies to the KazGPP's wholesale distribution of liquefied petroleum gas on domestic market and gas stations in the Mangistau Oblast.

Thus, the maximum price for retail sales of liquefied petroleum gas for fueling vehicles at filling stations and (or) gas stations will be: 45 tenge (including VAT) per 1 liter in Beineu district; 35 tenge (including VAT) per 1 liter in Aktau and Zhanaozen districts.

Reserve price on the wholesale sale for KazGPP for liquefied petroleum gas in domestic market will be 28,000 tenge per ton (excluding VAT).

According to the administration of the region, the region is one of the largest consumers of LPG fuel. At the same time, in May this year demand for gas increased twice. To date, the oblast has registered about 179 thousand vehicles, the main share of which use 64% or 115 thousand units. The number of gas filling stations (gas stations) is 202, and individual entrepreneurs implementing liquefied gas is 170, according to Akipress.

CONTACTS

Embassy of the Kingdom of the Netherlands

62, Kosmonavtov str.
Chubary mcrd, 3rd floor
010000 Astana
T: +7 7172 555450
F: +7 7172 555474
ast@minbuza.nl

Embassy Office in Almaty

103, Nauryzbai Batyr Str.
050022 Almaty
T: +7 727 2503773
F: +7 727 2503772
alm@minbuza.nl

Comments

The Special Energy Issue on Kazakhstan appears every month on the Embassy's website:
<http://kazakhstan.nlembassy.org/>.

UPCOMING INDUSTRY EVENTS IN 2016



KIOGE

Kazakhstan International Oil & Gas Exhibition and Conference
4 – 7 October 2016, Almaty
Organizer: Iteca
www.kioge.kz



Mangystau Oil, Gas and Infrastructure

Mangystau Regional Exhibition on Oil, Gas and Infrastructure
8 – 10 November 2016, Aktau
Organizer: Iteca
www.mangystau.oil-gas.kz