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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

Tengizchevroil reduces payments to Kazakhstan by 41% in 2016

Tengizchevroil paid \$4.7 billion in 2016 to the revenue of Kazakhstan compared with \$8.2 billion in 2015, reports KazWorld.info.

The sum of direct payments to Kazakhstan amounted to \$8.2 billion in 2015, \$14.7 billion in 2014. The total volume of direct payments to Kazakhstan since 1993 until 2016 amounted to \$116 billion.

Tengizchevroil is a Kazakhstani partnership that explores, develops, produces and markets crude oil, LPG, dry gas and sulfur. Tengizchevroil was formed between the Republic of Kazakhstan and Chevron Corporation in April 1993. Current partners are: Chevron Overseas Company, 50%; KazMunaiGas NC JSC, 20%; ExxonMobil Kazakhstan Ventures Inc., 25% and LUKARCO B.V., 5%, according to KazWorld.

Tengizchevroil projects to employ 18,000 Kazakhs, calculations for expat workforce revised

Tengizchevroil plans to hire up to 18,000 Kazakh citizens and is committed to continuing personnel education and training as part of the Tengiz Future Growth Project and the Wellhead Pressure Management Project, Vice Minister of Labour and Social Protection of Population Birzhan Nurymbetov told a January 30 forum on the projects.

Nurymbetov said the government expects the projects to create more than 20,000 jobs, with 18,000 going to Kazakhs. Tengizchevroil, which operates the projects, will educate and train the Kazakh personnel.

So far, 10,500 specialists are working on the projects, including 9,400 local citizens, said Nurymbetov, with plans to attract additional staff from the Atyrau, Mangistau, Aktobe, Kyzylorda and West Kazakhstan regions.

Nurymbetov noted that the Tengizchevroil project is a prime example of a successful, national, long-term investment policy. Foreign investments, which are generated in this project, have a multiplier effect promoting business development and improving the social wellbeing of the population.

Also related to employment in Kazakhstan, Nurymbetov told the gathering the country has improved procedures to attract an expatriate workforce.

"We have revised the procedure for determining the quota for expat workforce. Particularly, we changed the rules concerning the recruitment of an expatriate workforce by employers and issue of permits. Also, we have proposed new approaches for foreigners arriving in Kazakhstan for self-employment," he explained.

The vice-minister explained that the quota for foreign labour, which was previously set as a percentage of the economically active population of the country, is now determined separately for each sector or economic activity. Calculations of the quota are carried out by regional commissions on the basis of employers' applications, taking into account the comprehensive analysis of the projected demand for labour, forecasts for the unemployment rate, strategic projects' requirements and assessments of the likely effectiveness that hiring of a foreign workforce might bring.

Representatives of central and local executive agencies, Kazakh and international contracting organisations of Tengizchevroil attended the event, the Astana Times reported.

OIL & GAS PRODUCTION

Kazakhstan reveals oil production forecast for 2017

Resource-rich Kazakhstan has set its oil production forecast for 2017 at the level of 81 million tons. Economy minister of the country Timur Suleymanov said that the increase is mainly due to expansion of production at Kashagan field, the world's largest discovery in the last 30 years, Kazakhstan Today reported.

Kazakhstan over-fulfilled its plan of energy production and increased the volume of export in 2016. The plan for 2016 was at the level of 75.5 million tons, while the actual volume stood at 78 million tons of oil.

The over-fulfillment was also due to production at Kashagan, which added some 1 million tons to the output level in 2016. The country plans to produce 8.9 million tons of oil and 5.6 million tons of gas at Kashagan field in 2017 with gradual increase in output in subsequent years.

Export of Kazakh oil increased up to 62 million tons, while liquefied gas production increased by some 136 tons.

The country is expected to be among the main contributors to world oil output growth in 2017, according to OPEC. The adjusted Kazakh oil supply is expected to grow by 0.14 million barrels per day and average 1.70 million barrels per day.

In late 2016, Kazakhstan agreed to implement modest cuts of some 20,000 barrels per day from November 2016 level within a deal between OPEC and non-cartel producers.

The reduction was mainly implemented in fields located in the Aktobe and Kyzylorda regions.

Proven oil reserves of the country as of early 2016 stood at 30 billion barrels, according to the BP Statistical Review of World Energy.

Oil production from Kazakhstan on the rise

Production from part of Kashagan oil field in the Kazakh waters of the Caspian Sea should reach capacity by the end of the year, an operating company said.

According to the economists at the Organisation of Petroleum Exporting Countries, Kazakhstan was producing around 1.38 million barrels of oil per day last year with the main share of growth coming from Kashagan.

The North Caspian Operating Co., a joint venture operating the giant oil field in the Kazakh waters of the Caspian Sea, confirmed to UPI that production from Kashagan was holding steady at 160,000 bpd and production would accelerate to 180,000 barrels per day in the coming months.

Once secondary production methods are optimized to increase pressure in the reservoir, a spokesperson for the NCOC said the first phase of Kashagan "is expected to reach production capacity of 370,000 barrels per day by the end of 2017."

Production at Kashagan, which holds an estimated 16 billion barrels of oil, was halted in October 2013, less than a month after it started, when a pipeline associated with the field cracked open. Operations resumed in September and by October, the consortium said the first batch of crude oil from the field was being processed and destined for exports.

The joint venture said it's produced more than 7 million barrels of crude oil and an ultra-light form of oil called condensate since production from Kashagan resumed in late 2016 and most of that was exported to the foreign market.

Kazakhstan is one of the non-OPEC members committed to a supply-side adjustment aimed at easing the glut of oil on the market that dragged crude oil prices lower last year.

In October, OPEC said Brent crude oil prices came under pressure in part from increased output from Russia and Kazakhstan's "massive" Kashagan oil field.

Caspian Energy achieved maximum production results during 2016

Caspian Energy Inc. is pleased to announce that its wholly-owned operating subsidiary, Aral Petroleum Capital LLP produced 158 thousand barrels of crude oil during 2016. That was the maximum production allowed under Aral's government-approved work program.

Commenting on the results, Chairman of the Board Frank Ingriselli stated: "Notwithstanding the challenges faced in the worldwide energy industry in 2016, Caspian Energy stayed focused on successfully settling major parts of its debt and reducing expenses and achieving the maximum production rates allowed. We will continue to focus on shareholder value in 2017".

During 2016 Aral Petroleum Capital LLP sold its oil in the local Kazakhstan market and exported the oil to the Russian port of Ust-Luga. Average market price was equal to \$21 per barrel.

The company fulfilled its minimum commitments under the annual work program for 2016. Also on January 16, 2017 the company received permission for gas flaring up to June 30, 2017. Permission for gas flaring for the second half of 2017 is expected to be received soon.

The company settled major parts of debts to its trade creditors. With the remaining trade creditors agreed on the repayment schedules. So no legal suits from the trade creditors are expected.

Aral Petroleum Capital LLP has all necessary permissions, resources and documentation to successfully operate during 2017, according to a company press release posted by KazWorld.

OIL & GAS EXPORT & TRANSPORTATION

Kashagan oil transportation by Atyrau - Samara pipeline started

New pipeline route has been created in Kazakhstan to transport Kashagan oil, Kazpravda.kz reports with reference to the KazTransOil company's PR service.

"Our company for the first time started to transport light crude oil of Kashagan on the pipeline from Atyrau to Samara for further transportation on Transneft PJSC system in the general stream of sweet Siberian light crude oil to the port of Novorossiysk, with subsequent export", CEO of the oil company Dimash Dosanov said.

According to him, until that time through the Atyrau - Samara pipeline, Kazakh oil was delivered in the amount of up to 15 million tons per year, which was then transported through the Transneft PJSC system in a mixture with the Russian Urals, including the first batches of Kashagan oil.

It is expected that the light oil of other Kazakhstan fields will be transported on this route.

Kashagan oil shipment in the port of Novorossiysk will be made in separate tanker loads, 80 000 tons each.

Shipment of the first tanker with Kashagan oil is due 22-23 February. In future the supplies volumes can be up to 3 million tons per year, Dimash Dosanov said.

Caspian Pipeline Consortium reveals plan for Kashagan oil pumping in 2017

Caspian Pipeline Consortium (CPC) received request for pumping of 10.4 million tons of Kashagan oil in 2017, the consortium said in a message.

Currently Kashagan oil is pumped to export by CPC pipeline system to Russian Novorossiysk port on the Black Sea and by Atyrau-Samara pipeline to Russian Ust-Luga port in the Gulf of Finland. From these ports oil is exported to European countries by tankers, trend.az reports.

In the future when oil output volume at Kashagan increases, the project shareholders consider possibility of oil export by Atyrau -Alashankou pipeline to China and by Kazakhstan Caspian Transportation System to Baku and further by pipelines connecting Baku and Black sea ports.

Kashagan is a large oil and gas field in Kazakhstan, located in the north of the Caspian Sea. Its total oil reserves amount to 38 billion barrels. Some 10 billion out of them are recoverable reserves. Kashagan's natural gas reserve exceeds one trillion cubic meters. Oil production at Kashagan was launched in autumn 2016.

The project participants are KMG Kashagan BV (16.88%), AGIP Caspian Sea BV (nearly 16.81%), CNPC Kazakhstan BV (8.33%), Exxon Mobil Kazakhstan Inc. (nearly 16.81%), INPEX North Caspian Sea Ltd. (nearly 16.81%), Shell Kazakhstan Development BV (nearly 16.81%), and Total E&P Kazakhstan (nearly 16.81%).

The field is operated by North Caspian Operating Company BV (NCOC), as reported by Kazinform.

Kazakhstan resumes negotiations on Trans-Caspian project

Officials in Kazakhstan recently resumed negotiations on the establishment of the Kazakhstan Caspian Transportation System, Nefte Compass magazine reports citing its sources.

The project of Caspian oil transportation system was actively discussed in 2007-2009. It was assumed that the KCTS would consist of an Eskene-Kuryk oil pipeline on the territory of Kazakhstan and Trans-Caspian system, including the oil terminal in Kuryk port on the Kazakh coast of the Caspian Sea, tankers and vessels, oil discharge terminals on the Azerbaijani coast of the Caspian Sea and connecting facilities to the Baku-Tbilisi-Ceyhan pipeline system. Then oil would be transported to international markets via Baku-Tbilisi-Ceyhan pipeline or other oil transport systems located at the territories of Azerbaijan, Georgia and Turkey.

But the project was postponed due to the uncertainty of launching production at the Kashagan field and the expansion of Tengiz field in Kazakhstan.

According to the oil workers' assessment the existing pipelines have sufficient capacity to ensure the export of oil from Kazakhstan in the current volumes.

The KCTS is back on the agenda in connection with the growth of optimism about the future of oil exports due to the beginning of production at the giant Kashagan field and making a final investment decision on the expansion of Tengiz field.

Creation of a transportation system in terms of global energy policies gives a possibility to Kazakhstan oil companies to take advantage of a new direction, providing an access to the port of Ceyhan, bypassing the Turkish straits of Bosphorus and the Dardanelles.

This opportunity, in its turn, opens up a cost-effective access to remote oil markets such as America and Southeast Asia. Oil from Kashagan field, as well as from other fields of the Caspian shelf and western Kazakhstan is planned to deliver in this direction.

Kashagan, first discovered in 2000, is considered to be the world's largest discovery in the last 30 years, combined with the Tengiz Field.

The field is developed by Kazakhstan's state oil company, KazMunayGas, and a consortium of some of the world's biggest oil companies, including ExxonMobil and Royal Dutch Shell.

Oil extraction at Kashagan, a large oil and gas field located in the north of the Caspian Sea, was re-launched in autumn 2016. The volume of production and export from the field has already exceeded 1 million crude oil and condensate. LS website reported that the figure of 1 million in export was reached on January 8, 2017.

Currently, the production rate is estimated at 180,000 barrels per day.

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The field is operated by North Caspian Operating Company BV (NCOC).

Kazakhstan enters the top 15 countries in the world when it comes to essential oil reserves, having 3% of the world's total oil reserves. There are 172 oil fields, of which more than 80 are under development. More than 90% of oil reserves are concentrated in the 15 largest oil fields - Tengiz, Kashagan, Karachaganak, Uzen, Zhetybai, Zhanazhol, Kalamkas, Kenkiyak, Karazhanbas, Kumkol, North Buzachi, Alibekmola, Central and Eastern Prorva, Kenbai, Korolevskoye. Oil fields can be found in six of the fourteen provinces of Kazakhstan, AzerNews reported.

OIL & GAS INFRASTRUCTURE

Sumatec to expand Kazakh oil and gas facilities

Sumatec Resources Bhd is ready to embark on a three-year development plan to ramp up the production of its Rakushechnoye oil and gas field in Kazakhstan towards optimal production of about 2,000 barrels of crude oil per day.

"We are ready to start developing the facilities to optimally extract the hydrocarbon at the Rakushechnoye oil and gas field because oil price has somewhat stabilised and it's feasible now for us to invest," general manager (geoscience) Felix Chang told StarBiz recently.

Earlier the company had proposed a fund-raising exercise to finance the development of oil and gas facilities in the area.

Sumatec currently extracts about 500 barrels of oil per day from the Rakushechnoye oil and gas field.

According to Chang, apart from crude oil, the area is also poised to produce condensate, liquefied petroleum gas (LPG) and gas.

The oil and gas reserves in the area is estimated to be at 32.8 million barrels of oil and the gas reserve is estimated to be at 89.3 million barrels of oil equivalent.

"We have to drill deeper to get to the river of oil and gas reserves. But first, we have to build a gas processing plant to cater for the production of gas that comes together with the oil.

“We expect to gradually start ramping up production in the middle of next year once all the facilities are in place,” he said.

Sumatec’s portion of the hydrocarbon will be based on production-sharing contract with its two partners.

Sumatec on February 17 had entered into a framework agreement with Ken Makmur Holdings Sdn Bhd and Markmur Energy (Labuan) Ltd (MELL), which is the concession holder of the Rakushechnoye oil and gas field, for the production of LPG and condensate from the 100 million standard cubic per day of the natural gas supplied from the area.

Chang said that based on a ballpark figure, the Rakushechnoye oil and gas field is able to generate revenue of \$377.6 million (RM1.68bil) per year, reported by KazWorld.

PROCESSING & REFINERY

Kazakhstan needs new refinery plant for export expansion

Kazakhstan needs new refinery plant for fuel production of the international quality, said Oleg Yegorov, chief scientist of the institute of economy of the Ministry of Science and Education.

“Looking at the history of three operating refineries in Kazakhstan, one was built in 1945, two others in late 1970th and early 1980th last century. They are outdated, the technological system is shabby. In order to produce Euro-5 standard and expand economic potentials we need to build a new refinery plant,” he said in the comment to KazTAG.

He said for production of high quality fuel the new plant needs to work with crude products from one field for a long time.

“The new plant must be supplied with crude products from one deposit for 20-25 years so that its technical-chemical parameters were the same. In this case technological process will be stable and it will produce high quality fuel,” he said.

The expert believes Karabatan village, Atyrau region, is an appropriate place for the plant location.

“The plant must be constructed nearby the petrochemical complex Karabatan, 80 km from Kashagan field. The effect will be reached when the deposit reaches its full capacity and gives up to 10 million tons of oil per annum, while the new plant's capacity will be 6 million tons,” he said, Kaztag.kz reports.

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Comments

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

INDUSTRY EVENTS IN 2017



Global Oil & Gas Atyrau

Atyrau Regional Oil and Gas Technological Conference

11 – 12 April 2017, Atyrau

Organizer: Iteca

www.oil-gas.kz



Atyrau Oil & Gas

North Caspian Regional Exhibition on Oil and Gas

11 – 13 April 2017, Atyrau

Organizer: Iteca

www.oil-gas.kz



KIOGE

International Oil & Gas Exhibition and Conference

3 – 6 October 2017, Almaty

Organizer: Iteca

www.kioge.kz



Global Oil & Gas Mangystau

Mangystau Regional Exhibition on Oil, Gas and Infrastructure

7 – 9 November 2017, Aktau

Organizer: Iteca

www.moge.kz