



Special Energy Issue on Kazakhstan

| April 2017

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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

Kashagan already generates positive cash flow

Kashagan already generates positive cash flow, Executive Vice President – Financial Director of KazMunaiGas Dauren Karabayev said at a briefing held in the office of the Central Communications Service.

“The paces of production at Kashagan presently makes around 180,000 barrels per day,” he said and reminded that this indicator will be increased to 370,000 barrels per day.

“As per preliminary estimations, Samruk-Kazyna and KazMunaiGas will jointly receive net profit approximately at \$18 million. It means that the project covers all its operating costs, capital investments and already generates positive cash flow for its partners,” Dauren Karabayev said, KazWorld reported.

Kazakhstan, Uzbekistan ink oil and gas deal

Uzbekneftegaz, national oil and gas industry holding company of Uzbekistan, and KazMunaiGas, the state-owned oil and gas company of Kazakhstan, signed an agreement on cooperation in the oil and gas sector.

“The bilateral documents include an agreement on cooperation between Uzbekneftegaz and KazMunaiGas National Company JSC in the development of joint marketing and logistics of oil products, the mutual interest in increasing the supply of crude oil to Uzbekistan, as well as the transit of crude oil through Kazakhstan,” the Uzbek company said in a message.

A total of 10 documents worth about \$97 million were signed at the Kazakh-Uzbek business forum held during the visit of Uzbek President Shavkat Mirziyoyev to Astana.

The signed documents also include a memorandum of understanding between Uzbekneftegaz and the Kazakh Energy Ministry for cooperation in the oil and gas industry.

Earlier, it was reported that Uzbekistan, in order to supply its refineries with oil, reached an agreement with Kazakhstan on the use of the Omsk-Pavlodar-Shymkent oil pipeline, Trend reported.

OIL & GAS PRODUCTION

Kashagan field and bright prospects of oil output in Kazakhstan

In recent years, oil production in Kazakhstan has been steadily declining.

Oil is the main export product of Kazakhstan, and the country made every possible effort to increase oil production. However, the majority of Kazakhstan’s fields have already passed their production peak, and the oil output is getting low at these fields for natural reasons. According to the Agency of Statistics of Kazakhstan, 81.79 million tons of oil and gas condensate were produced in 2013, 80.83 million tons of oil and gas condensate were produced in 2014, 79.46 million tons were produced in 2015 and 78.04 million tons in 2016.

But, it seems, the period of decline in oil production has remained in the past, and starting from 2017, Kazakhstan expects stable growth in oil output. The positive changes at the three largest Kazakh oil fields - Kashagan, Tengiz and Karachaganak, make it possible to hope that the situation will get better.

Oil production at the Kashagan field, the recoverable reserves of which amount to approximately 9-13 billion barrels of oil, was launched in the fall of 2016. Before that, the start of production at the field was postponed several times.

According to the Kazakhstan’s KazMunaiGas, more than 2 million tons of oil have been produced so far at this largest oil field discovered for the last 40 years. By the end of 2017, it is planned to increase oil production at the Kashagan field to 370,000 barrels per day.

For comparison, currently, the total oil and condensate production in Kazakhstan at all fields is about 220,000-240,000 barrels per day, which is 1.5 times less than it is expected by the end of 2017 at the Kashagan alone. This is while last summer, before oil production at the Kashagan started, the daily oil production in Kazakhstan was even less and amounted to about 180,000 barrels.

With the start of oil production at the Kashagan field, the forecasts of several international organizations on oil production in Kazakhstan immediately grew.

Analysts from the International Energy Agency (IEA), OPEC, the Energy Information Administration of the US Department of Energy (EIA) link the increase in oil production namely with the Kashagan field. Key international financial organizations name the Kashagan field the main contributor of Kazakhstan's GDP growth.

Thus, the significance of the Kashagan field for the oil sector of Kazakhstan is difficult to overestimate.

The situation regarding the two other major oil-producing projects in Kazakhstan, Tengiz and Karachaganak fields, is also encouraging.

The oil production of Tengizchevroil, which develops the Tengiz field, has reached a record level of 27.56 million tons of oil in 2016. At the same time, the Tengiz oil field expansion project is being implemented. It will increase production at the field by approximately 12 million tons per year up to 39 million tons per year. Finally, it was possible to agree on the cost of this project after long discussions in 2016. The first oil is planned to be obtained in 2022 as part of the project.

A record production level of 142.5 million barrels was observed at Karachaganak field in 2014, while it slightly decreased in further years. However, an expansion project is also planned to be carried out at the field, which will increase production in the long term, although no final decision has yet been made on this issue.

In other words, even if new deposits are not discovered as a result of geological exploration in Kazakhstan, three oil giants, namely, Tengiz, Karachaganak, Kashagan, will be able to bring Kazakhstan's oil production to a new level in the coming years.

It seems that for the last time we will face with the decline in oil production in Kazakhstan in the next few years, which is necessary to fulfill the country's obligations as part of the agreement concluded with OPEC in late 2016 to maintain oil prices.

Then Kazakhstan agreed to reduce oil production by 20,000 barrels compared to November 2016.

However, in practice, production has not decreased in Kazakhstan since early 2017, but on the contrary increased.

However, as the obligations to cut oil production are assumed on average for January-June, rather than for each month separately, Kazakhstan can still fall within the scope of the agreement if oil production is greatly reduced in the next two months.

Kazakh Energy Minister Kanat Bozumbayev assured that it would be reached.

Oil production will increase in Kazakhstan after the expiration of the agreement in late June. Previously, Bozumbayev said that Kazakhstan will be unable to reduce oil production any more, but it will be able to increase it even if the agreement on the reduction of oil production is extended.

In its latest oil market review, OPEC mentioned Kazakhstan among the four countries that will make the biggest contribution to an increase in oil production in 2017 after the US, Brazil and Canada, Trend reported.

Oil output from Kashagan exceeds 2 million tons

Over 2 million tons of oil and more than 1 billion cubic meters of gas have been produced at Kazakhstan's Kashagan field, Kazakh national oil and gas company KazMunaiGas, which is one of the shareholders of the project, said in a message.

Oil production at Kashagan was launched in autumn 2016.

According to the company, two gas re-injection compressors will be launched at the field in 2017 in order to increase the level of oil production to 370,000 barrels per day.

Moreover it is planned to implement a project on expansion of gas reinjection at the field which will insure further increase in output. The optimal concept for this project is being selected. Kashagan located in the north part of the Kazakh sector of the Caspian Sea is one of the biggest oil fields opened in the last 40 years. Its recoverable oil reserves are assessed at 9-13 billion barrels.

Oil production at Kashagan was launched in autumn 2016 and Kazakhstan plans to produce 8.9 million tons of oil and 5.6 billion cubic meters of gas from this field in 2017. It is planned to increase production to 13 million tons of oil and 9 billion cubic meters of gas per year in subsequent years.

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), Trend reported.

OIL & GAS EXPLORATION & DEVELOPMENT

Kazakhstan's KazMunaiGas says proven oil reserves grow

The total increase in oil and gas condensate reserves of the Kazakh National Oil and Gas Company KazMunaiGas (KMG) in 2016 amounted to 7.2 million tons, the company said in a message on 21 April.

As of January 1, 2017, the consolidated proven recoverable reserves of liquid hydrocarbons of the KMG amount to 785.8 million tons.

"The change in the volume of residual recoverable oil reserves was due to the exploration of promising blocks, additional exploration and reassessment of reserves of the existing fields, as well as due to reduction in reserves during the extraction of hydrocarbon resources," reads the message.

The KMG's Exploration Work Development Program for 2015-2019 continues, and a program for additional exploration for 2017-2021 has been developed, the company said.

The additional exploration program envisages increase of reserves at the existing fields, said the message, Trend reported.

OIL & GAS EXPORT & TRANSPORTATION

Kazakhstan exports 17.1 million tons of oil in the first quarter of 2017

For the first quarter of 2017 Kazakhstan has exported 17.1 million tons of oil, Kazinform reports. The Energy Ministry press-service reported that the Ministry had been instructed to accomplish 9 target indicators of socioeconomic development as to execution of the Government Operation Plan for the first half of the year. By the end of the year it is planned to achieve 103.6 per cent growth of actual volume index in mining industry.

As per the results of the first quarter of 2017, growth has been achieved in all target indicators.

Oil and condensate production amounted to 21.1 million tons. Index of actual volume has increased by 5.2%. Mainly, production was in major projects: Kashagan (1.6 million tons), Tengiz (7.3 million tons) and KPO (3.2 million tons).

17.1 million tons of oil have been exported for the first quarter of 2017. Growth of volume index was 2.2%.

The quantity of refined oil was 3.6 million tons, volume index has increased by 26%.

Gas production equaled to 13.2 billion m³. Volume index growth was 8.5%.

Gas export was 4.1 billion cu m. Growth of volume index was 26%.

"The home market has been fully provided with domestic fuel and lubrication materials. Supply of gasoline was 80.9% with planned 68%, diesel fuel - 99.3% with planned 86% and jet fuel - 47.1% with planned 47%", the ministry reports.

As of April, the level of gas supply was 46.3%. Electricity production amounted to 27.1 billion kilowatt-hours. Growth of volume index was 10.3%.

Production of coal (net of coal concentrate) was 27.8 million tons, Kazinform reported.

Azerbaijan, Kazakhstan mull oil export from Kashagan via BTC

Azerbaijani Energy Minister Natig Aliyev and his Kazakh counterpart Kanat Bozumbayev mulled transportation of oil from the Kazakh Kashagan field via the Baku-Tbilisi-Ceyhan (BTC) pipeline at a meeting in Baku, Azerbaijani Ministry of Energy told Trend April 3.

The ministerial meeting was held as part of the official visit of Kazakh President Nursultan Nazarbayev to Azerbaijan.

During the meeting, Azerbaijani Minister Natig Aliyev noted that a number of measures need to be implemented within the intergovernmental commission to further strengthen ties between Azerbaijan and Kazakhstan.

"In May, Baku will host the 14th meeting of the Azerbaijan-Kazakhstan intergovernmental commission for the purpose of increasing trade turnover between the two countries and maximizing the use of their export and import capacity," he said.

Bozumbayev, in turn, said Kazakhstan will take similar measures and proposed to hold a meeting of deputy ministers in early May to exchange views.

The ministers also discussed the possible transportation of oil from the Kazakh Kashagan field to world markets via the BTC pipeline, Trend reported.

Caspian Pipeline Consortium increased oil export by 9.1% in the first quarter

The Caspian Pipeline Consortium (CPC) exported 13.014 million tons of oil in January-March 2017, 9.07% up year on year, reports the message of the company.

According to the consortium, oil export made 4.929 million tons in March against 4.21 million tons in March last year.

The previous record was set in December, 2016, when 4,517,286 tons of oil (35,729,373 barrels) were loaded on tankers in a month.

Over the entire history of CPC, its Marine Terminal has loaded for export more than 4.5 thousand oil vessels which took nearly 480 million tons of oil into their tanks.

The CPC pipeline system is one of the largest investment projects in the energy industry with participation of foreign capital on the CIS territory. The length of the pipeline connecting the oil fields in Western Kazakhstan with the Marine Terminal near Novorossiysk is 1,511 km. CPC Marine Terminal is equipped with single point moorings which allow for safe tanker lifting at a considerable distance from the shore, also when the weather conditions are unfavorable.

CPC Shareholders: Russian Federation (represented by Transneft – 24% and CPC Company – 7 %) – 31%; Republic of Kazakhstan (represented by KazMunayGaz – 19% and Kazakhstan Pipeline Ventures LLC – 1.75%) – 20.75%; Chevron Caspian Pipeline Consortium Company – 15%, LUKARCO B.V. – 12.5%, Mobil Caspian Pipeline Company – 7.5%, Rosneft-Shell Caspian Ventures Limited – 7.5%, BG Overseas Holding Limited – 2%, Eni International N.A. N.V. – 2% и Oryx Caspian Pipeline LLC – 1.75%, KazWorld reported.

PROCESSING & REFINERY

Output of Atyrau Oil Refinery increases by 1/3 in 2017

According to operational results for the first quarter of 2017, Atyrau Oil Refinery output has equaled to 1,210,300 tons. Refinery has increased by 405,800 tons as compared to the same period of last year, Kazinform reports.

"Against output volumes of the first quarter of the last year, production of all socially significant commercial oil products, such as gasoline and diesel fuel, has grown. For instance, low-octane gasoline has increased by 54,800 tons, high-octane gasoline of grades AI-98, AI-95, AI-92 by 61,000 tons and diesel fuel by 114,400 tons.

Production of benzene for 3 months of 2017 has equaled to 3,100 tons. Except for vacuum gasoil, the other types of oil products also have demonstrated production growth: furnace oil by 11,000 tons, mazut by 168,700 tons, coke by 1,400 tons and liquefied petroleum gas by 8,700 tons," the press-service of the oil refinery reported to the request of Kazinform.

The press-service underlined that the increased production of target oil products was achieved by stable operation of refinery processing units under conditions of a large-scale reconstruction of the plant, Kazinform reported.

RENEWABLE ENERGY

Kazakhstan's Deep South pioneers with wind power

Green energy is being actively developed in Zhambyl region. Korday wind power plant produced almost 160 million kilowatt-hours of electricity last year. These installations, or rather the generators, are just some part of the wind park. Two companies make contribution to the common electric balance in Kazakhstan.

"There are 40 wind stations. 21 of them produce 1 Megawatt and 17 stations – 1.65 Megawatts. To some extent, we reduce the problem of electricity deficit, both at the district and regional levels.

"Generators of the German company begin to produce electricity at a wind speed of 4 meters per second. The work is managed in automatic mode, and control is completely remote," wind power employee Marat Tukbayev commented.

"At full load, they can produce up to 40 megawatt hours, but this is with the strongest wind. The speed of the wind fluctuates, on the average somewhere at around 20-19 Megawatt hours. The average power generation is produced by wind electrical installations at Kordai," in the words of Kordai's governorate official Kairat Mametov.

Kordai wind power station's capacity is more than 50 megawatts. The electricity generation depends on the strength of the wind. In the near future, it is planned to install wind turbines with a total capacity of 99 megawatts," in the words of Kordai's governorate official Kairat Mametov.

Chinese SANY Group invests in Kazakhstan's wind power

Chinese Corporation "SANY Group" intends to wind power industry of Kazakhstan, the Senior Vice President of the corporation Duan Dawei told Kazinform.

"This year Nursultan Nazarbayev in his Address to the Nation of Kazakhstan emphasized the necessity to effectively implement the investment programme joint with China for establishment of manufacturing facilities in Kazakhstan. This encourages Chinese businesses and holds great promise for cooperation between entrepreneurs of the two countries. Our company stably operates in Kazakhstan in delivering construction engineering. Recently, we have agreed with Kazakh partners on cosponsoring a wind power project. In the short run our delegation will pay a visit to Kazakhstan. I think your country has a great potential for developing alternative energy," he said.

The entrepreneur reminded his meeting with Kazakh Ambassador to the People's Republic of China Shakhmat Nuryshev and plans to invest in machine-building industry of Kazakhstan. "Kazakhstan and China are friendly nations. The initiative of Chinese President Xi Jinping to establish the Silk Road Economic Belt has been strongly supported in Kazakhstan. In the mid-May President Nazarbayev will attend high-level international forum "One Belt - One Way" and Xi Jinping will visit Astana in June to participate in the Summit of Shanghai Cooperation Organization and the opening ceremony of Expo 2017," Mr. Dawei underlined.

According to him, Kazakhstan is an attractive market for Chinese investments in machine-building, railway and seaport logistics, as well as green energy, Kazinform reported.

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

INDUSTRY EVENTS IN 2017



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