



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

IMF predicts modest rise in Kazakh oil output

The International Monetary Fund (IMF) forecasts oil production in Kazakhstan to increase to 1.69 million barrels per day in 2017.

In 2016, 1.62 million barrels of oil were daily produced in Kazakhstan, said the IMF's updated Regional Economic Outlook for the Middle East and Central Asia, trend.az reports.

Oil production in Kazakhstan will grow to 1.79 million barrels per day in 2018, according to the IMF forecast.

The IMF also forecasts the export of oil from Kazakhstan to reach 1.38 million barrels per day in 2017 and 1.49 million barrels per day in 2018.

Kazakhstan's proven oil reserves stood at 30 billion barrels in early 2015, according to BP's Statistical Review of World Energy.

Tengiz, Karachaganak and Kashagan are the largest oil fields in Kazakhstan, Kazinform reported.

Kazakhstan backs OPEC's decision to cut oil output, expresses mid-term reservations

Kazakhstan welcomes and backs OPEC and non-OPEC members in their decision to extend oil output cuts agreement to keep suitable market prices, according to a statement of the Kazakh Ministry of Energy, Kazinform reports.

"On May 25, the participants of the meeting in Vienna agreed to extend the existing agreement as per which daily oil output across the world will be at 1.8 million barrels. The agreement was prolonged for 9 months beginning from the second half of 2017. Kazakhstan intends to continue performing its obligations as per the existing quota of 20,000 barrels per day. In November 2017, the terms of the agreement may be revised with the consideration of the global oil market conjuncture," the statement reads.

As the Ministry of Energy informed, Kazakhstan fulfills its obligations assumed earlier before the OPEC.

Oil output in the country makes in average 1,673 million per day. In May-June some decline in oil production is expected, but the country hopes to fully perform its commitments.

While Kazakhstan would continue to fulfill its obligations within the framework of the OPEC deal, it may revise the details of the obligations in November, the Kazakh Energy Ministry said, according to Vestnik Kavkaza.

"Kazakhstan support the decision by the OPEC and other oil producers to extend the oil cuts accord," the Kazakh Energy Ministry said.

The ministry added that "Kazakhstan is planning to continue adhering to its obligations under the existing quota on production reduction at the level of 20,000 barrels per day. At the same time it is possible to revise the details of the obligations taking into consideration the situation on the global oil market".

The statement added that Astana would meet its obligations and would reduce its output in May and in June.

The parties to the Vienna deal on oil production cuts agreed to extend the agreement for nine months until April 2018.

Kazakhstan expects \$180 million cash flow from Kashagan in 2017

Kazakhstan will get 180 million in cash flow from Kashagan oil field in 2017, Kazakhstan Today news agency quoted Dauren Karabayev, executive vice president and financial director of KazMunaiGas oil and gas company, one of the shareholders of the project.

"According to the preliminary estimates, Samruk-Kazyna National Fund and KazMunaiGas will jointly receive about 180 million in net cash flow from investment in Kashagan in 2017," Karabayev said.

He noted that the project partners already have positive cash flow from Kashagan, as oil production at the field is increasing.

According to Karabayev, currently oil production at Kashagan hits 180,000 barrels per day. By the end of the year it is expected to increase to 370,000 barrels per day, he said.

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, Trend reports.

OIL & GAS PRODUCTION

Kazakh Energy Minister announces forecast of oil production at large fields

The Minister of Energy of Kazakhstan Kanat Bozumbayev named the forecasted volumes of oil production at the three large deposits of Kazakhstan in 2017, Kazinform reports.

"This year it is planned to produce about 5 million tons of oil and 3.1 billion cubic meters of natural gas at Kashagan. In 4 months of this year, 2.2 million tons of oil have already been extracted here," the Minister said, reporting at the public council of the Ministry.

Meanwhile, according to him, at Karachaganak in 2017, it is planned to produce 11.8 million tons of oil and 18 billion cubic meters of natural gas. In four months of 2017, 4.3 million tons of liquid hydrocarbons were produced, which is 12 percent more than last year.

"At Tengiz it is planned to produce 27.5 million tons of oil and 4.5 billion cubic meters of natural gas. In four months of this year, 9.7 million of oil was extracted there, which is 100% more compared to the same period of 2016," he concluded.

Kashagan continues progress, output increase

The Kashagan field situated in the Kazakhstan sector of the Caspian Sea has produced three million tons of oil, Kazinform reports.

"Kashagan offshore field continues oil production as planned since it was resumed. It has just now reached 3 million tons. It is expected that the field will have produced 8m tons by year end," President of the Kazakhstan Association of Petroleum Geologists Baltabek Kuandykov advised.

Recall that the field production resumed in September last year. Presently, the production rate has reached 200,000 barrels a day. 1 million tons of oil were produced this January, and 2 million tons shortly before Nauryz Holiday. It is planned to start reinjection of associated sulfur dioxide gas into the reservoir as a part of the first phase of Kashagan field development. After that, the offshore oil production rate will reach 370,000 barrels a day. It is expected that the oil flow rate can increase up to 1.5 million barrels a day at the peak of oilfield development, Kazinform reported.

Oil production at Tengiz to reach 850 thousand barrels a day

With the implementation of the Future Growth Project-Wellhead Pressure Management Project total daily production from the Tengiz reservoir will reach 850 thousand barrels a day, Kazinform reports.

"TCO partners announced the final decision to finance the Future Growth Project-Wellhead Pressure Management Project (FGP-WPMP), which is the next stage in the expansion of the Tengiz field's production facilities. In order to maximize the ultimate recovery of resources, the construction of FGP-WPMP facilities is carried out simultaneously. The goal is to increase oil production by about 260,000 barrels a day, which is about 39 million tons a year, or 850,000 barrels a day," Tengizchevroil LLP's press service reports.

OIL & GAS EXPLORATION & DEVELOPMENT

Rosneft, Eni, CNPC plan to join Eurasia project

Oil giants Rosneft, Eni and CNPC are planning to join the Eurasia oil and gas project set to be implemented in Kazakhstan, Kazinform correspondent reports.

Baltabek Kuandykov, President of the Kazakhstan Society of Petroleum Geologists, revealed that meetings with representatives of Russia's Rosneft, Italy's Eni and China's CNPC had already been held.

“They stated their willingness to participate in the Eurasia project on drilling of a 15-km super-deep well. Needless to say that KazMunaiGas will participate in the project as well. The well will be drilled on the territory of Kazakhstan in the Caspian Lowland. The memorandum is being drafted. Azerbaijan’s SOCAR is also keen to become a part of this project,” Mr. Kuandykov told Kazinform correspondent.

As a reminder, KazMunaiGasEurasia company was established in order to implement the Eurasia project in Kazakhstan, Kazinform reported.

OIL & GAS EXPORT & TRANSPORTATION

KazTransOil to transport up to 1 million tons of Kashagan oil in 2017

KazTransOil JSC plans to transport up to a million tons of oil from the Kashagan oilfield, Kazinform reports.

“In 2016, the company transported 117,000 tons of oil from Kashagan. The planned volume of oil to be transported in 2017 amounts to 1 million tons,” general director of the company Dimash Dossanov said at a press conference.

He stressed that technical capacity enables the company to increase the volume of transported oil up to 2-3 million tons per year. The decision will depend on production output at Kashagan.

The NCOC plans to increase oil production by 80,000 barrels of oil a day at the Kashagan field, which is being developed on the Caspian shelf in the Atyrau region, the correspondent of MIA Kazinform reports.

“The company is constantly working on how it is better to master the huge reserves of the Kashagan field. Therefore, we plan to divide the work into successively managed stages. It is necessary to consider each of these stages as an independent project, the profitability of which should be clearly justified, and the return on the costs of investors is ensured. One of such projects, which can be called a project of modification of existing facilities, is investing in increases in the capacity of compressing raw gas. This will increase oil production to 80,000 barrels,” NCOC technical director Ram Sitharam stated.

Recall that at present on the Kashagan field, production at which it was resumed in the autumn of last year, about 200 thousand barrels of oil are produced per day. Since the beginning of production, 3 million tons of hydrocarbon raw materials have been extracted, Kazinform reported.

Kazakhstan resumes oil transportation via BTC pipeline

Kazakhstan has resumed the transportation of oil via the Baku-Tbilisi-Ceyhan (BTC) pipeline, Azerbaijan’s Energy Ministry reports.

According to the ministry, 90,000 tons of Kazakh oil was exported through Azerbaijan via the BTC pipeline in 2017.

Kazakhstan hasn’t transported oil via the Baku-Tbilisi-Ceyhan pipeline since the second half of 2015, Kazinform reported.

Earlier, the ministry’s press service told Trend that in 2016, export of Kazakh oil through Azerbaijan wasn’t carried out via any of the existing routes - neither via the Baku-Tbilisi-Ceyhan oil pipeline, nor via the Baku-Supsa pipeline and railway, Kazinform reported.

Blue Water Shipping secures new contract in Kazakhstan

In 2016, Blue Water Shipping announced the signing of three contracts in connection with the Tengizchevroil (TCO) Future Growth Project-Wellhead Pressure Management Project (FGP-WPMP). For these contracts, Blue Water Shipping is leading two consortiums that will supply 20 specially designed Module Carrying Vessels (MCVs) for the transportation of modules through the Russian Inland Waterway System and on the Caspian Sea to a new offloading facility in Prorva, Kazakhstan.

Blue Water Shipping can now announce a new contract in support of TCO’s FGP-WPMP. Blue Water Shipping is leading a consortium which includes Manchester Shipping. This consortium has been awarded a contract for the international transport of modular cargo from the Black Sea and

the Baltic Sea – via the Russian Inland Waterway System – to Prorva in Kazakhstan. This will involve the use of up to 11 barges and 29 tugs. These vessels will be upgraded and modified where required to meet the specific transport requirements of the cargo movements.

The consortium will work in close cooperation with the leading Russian tug and barge operators for the provision of the vessels' crews and services within the Russian Inland Waterways. This will bring significant investment into the Russian system and the client will benefit from the combined expertise and experience of the involved companies.

"Blue Water Shipping has more than 20 years of experience in complex transport in the Caspian Sea region, and we are honored and very delighted to have been awarded these contracts for TCO. We are in close partnership with strong and leading companies for each of the contracts," states Kurt Skov, CEO and founder of Blue Water Shipping.

Tengizchevroil LLP is a Kazakhstani partnership that explores, develops, produces and markets crude oil, LPG, dry gas and sulfur. TCO conducts its operations in accordance with world-class safety and environmental standards. In April 1993, Tengizchevroil was formed between the Republic of Kazakhstan and Chevron Corporation. Current partners are: Chevron Overseas Company, 50%; KazMunaiGas NC JSC, 20%; ExxonMobil Kazakhstan Ventures Inc., 25% and LUKARCO B.V., 5%, International Shipping News reported.

PROCESSING & REFINERY

Pavlodar refinery upgrade progressing on demand increase

Kazakhstan has increased oil production and refining. Oil production reached over 1 million 700 thousand barrels per day in the past four months. It was announced by the Kazakh Energy Ministry. The increase is due to expanded output at Kazakhstan's largest oil fields. The Energy Minister said that obligations to OPEC will be fulfilled in the first half of the year.

The number of Kazakhstani companies producing equipment for oil companies is also growing. Many of them receive state support. Among them is the Atyrau enterprise producing oil field equipment. The loan provided by Kazakhstan Development Bank let the plant to increase capacity by 2.5 times; now production is set to reach 20,000 tons of equipment per year. The organization supplies its equipment to Tengiz and Karachaganak.

Founder of the combine Sagat Tugelbayev commented: "Tengizchevroil, Karachaganak Petroleum Operating and NCOC purchase equipment from us on the same requirements as they would have bought in Europe, we just do not cross the state border, that's it! Everything is in full compliance with international standards. We sell products to a customer; they do not have double standards. We offer same quality products as in in Belgium or Germany, the same requirements."

Since the beginning of the year, Kazakhstan Development Bank decided to finance five innovative projects worth over 370 billion tenge. Bankers provide loans for creation of new enterprises in mining and metallurgy and electric power industry.

"At present, we are financing modernization; we are participating in modernization of two oil refineries in Pavlodar and Atyrau. Manufacturing enterprises that work in oil industry request loans," commented Bolat Zhamishev, chairman of the Kazakhstan Development Bank. After modernisation is completed at the Pavlodar petrochemical plant, it will launch aviation fuel production. Thus, three refineries will cover Kazakhstan's demand for aviation kerosene by 100%. The output of high-octane gasoline will be increased by almost 300,000 tons. The quality of diesel fuel is improved. New technological complexes will expand the volumes of oil processing from 5 to 6.5 million tons. After the plant's modernization, oil products will fully comply with the Customs Union technical regulations.

"Modernisation of all three refineries will let us cover domestic demand for automobile, diesel and aviation fuel by 100%. It is very important. We will produce less fuel oil, but this is good, because the production of more light oil products is better for the economy. We will fully cover domestic demand by 2018," in the words of Kazakhstan's energy minister Kanat Bozumbayev.

Development Bank of Kazakhstan invests in modernization of Shymkent oil refinery

Development Bank of Kazakhstan JSC opened a credit line for financing the modernization of the Shymkent oil refinery of PetroKazakhstan Oil Products LLP (PKOP). The loan is issued for a period of up to 13 years, the loan amount is \$932 million. This was announced on May 24 at a press briefing in Shymkent by the managing director of the DBK Adil Ismagambetov and vice president for modernization and development of the PKOP Aslan Mynbayev.

“This project is of strategic importance for both the South Kazakhstan region and the entire country. Technical and technological renovation of the petroleum refining and petrochemical industries of Kazakhstan with the expansion of production capacities is part of the mandate of the DBK. The final result of modernization of oil refining will be a qualitative transition of the entire industry to produce oil products that meet world environmental standards, as well as increase energy security in Kazakhstan,” said Adil Ismagambetov, Managing Director of DBK.

The project is to be carried out in two stages. At the end of the first stage of the project, the Shymkent oil refinery will have sufficient technical capacity to produce high-octane gasolines and diesel fuel of ecological classes K4, K5, which are analogues of Euro-4 and Euro-5.

According to Aslan Mynbayev, vice president of modernization and development at PKOP, the plant allows to increase the octane resource and reduce the volume fraction of benzene, which is a carcinogenic substance in commercial motor gasolines.

The second stage of modernization involves the construction of a catalytic cracking unit and an increase in quantity and quality, enabling the refinery to increase output from 5.25 to 6 million tons of products, Kapital reports.

RENEWABLE ENERGY

12 megawatt solar plant to be constructed in Mangystau

French technicians and Chinese investors will assist in joint construction of 12 megawatt solar power plant in Shetpe Village, Mangystau region, Kazakhstan, Kazinform reports.

Today, the Mangystau Regional Department of Energy and Municipal Housing Economy and French ECM Technologies signed the Protocol of Intent for construction of the mentioned solar plant. Three countries participate in the project: Kazakhstan, France and China. The green energy pilot project is planned to start as early as Q1 2018. The construction will involve 70-80 local residents, while 50 people will undergo training to operate the facility. “Choosing the Mangystau region is no coincidence. First, the region is growing rapidly. Second is a high sunspot activity. In addition, there is virtually no snow in winter. The French company will be in charge of technology and the Chinese company will do construction and investment. The first-stage investment will be approximately \$20 million. This project is a pilot one. Also, there is a further development in sight,” ECM Technologies President Advisor Azat Betekbayev said.

In the short run, the parties intend to sign a Memorandum of Cooperation. They said that the construction would take nearly 6 months, Kazinform reported.

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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