



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.

OIL & GAS PRODUCTION

Kazakhstan's oil output grows 12.9% in January-September 2017

In Kazakhstan, the volume of oil production in January-September 2017 amounted to 54.091 million tons or 12.9% more than in the same period of 2016, Kazinform reports with reference to the Statistics Committee of the Kazakh Ministry of National Economy.

For the reporting period, the country produced 9.926 million tons of gas condensate (10.1% growth in contrast to last year), 39.163 billion cubic meters of natural gas (+15.8%), 79.934 million tons of coal (+ 13.6%), 29.32 million tons of iron ore (+11.4%), 73.516 million tons of copper ore (+27.8%), 14.115 million tons of auriferous ores (+1.6%), and 3.427 million tons of chrome concentrate (+10.7%).

Prognosis of oil production volume in Kazakhstan updated to 85 million tons this year

The prognosis of oil production in Kazakhstan has been updated to 85 million tons in 2017, reports the Ministry of Energy of Kazakhstan.

"The key indexes in the field are expected as follows: oil production volume- approximately 85 million tons, gas production - more than 48 billion cubic meters, oil processing - more than 14 million tons, commodity gas production - more than 29 billion cubic meters," said in a message.

The Ministry of Energy of Kazakhstan reported growth of production in 8 months of the year in comparison to the same period in 2016. The Ministry reported oil production volume to 56.9 million tons (112.2%), 10.02 million tons of oil were processed (104% in comparison to the same period 2016), gas production volume amounted to 35.1 billion cubic meters, or 118%, 1.9 million tons of liquefied gas were produced, or 114.4%, Trend reports.

OIL & GAS EXPORT & TRANSPORTATION

In 2018 Kazakhstan will forward 58.7 million tons of oil via CPC system

Next year, Kazakhstan will forward 58.7 million tons of oil through the system of the Caspian Pipeline Consortium (CPC).

As the general director of the CPC, Nikolai Gorban, noted, in 2018, preliminary applications of oil companies amounted to 67 million 460 thousand tons of oil, of which 58 million 772 thousand tons come from Kazakhstan while 8 million 688 thousand tons consist of Russian oil.

"During the first 9 months of 2017, 5.2 million tons of Kashagan oil, 7.86 million tons of Karachaganak oil and 21 million 432,000 tons of crude from the Tengiz field were already pumped through the CPC to Novorossiysk," Kazinform quotes the general director of the CPC.

To date, the CPC has commissioned a new oil pumping station, built in the village Akkistau in the district of Atyrau. In addition, as part of the expansion of the CPC, the new oil pumping station A-OPS-3A was built. Now the capacity of the system has increased from 28 to 67 million tons per year.

The CPC pipeline system is one of the largest investment projects in the energy sector with the participation of foreign capital on the territory of the CIS. The length of the Tengiz-Novorossiysk pipeline is 1,511 km. This route transports more than two thirds of Kazakhstan's total export oil, as well as raw materials from Russian fields, including those located in the Caspian region. The CPC marine terminal is equipped with three remote berthing facilities that allow safe loading of tankers at a considerable distance from the shore, including under unfavorable weather conditions, Kursiv reports.

Kazakhstan launches gas exports to China

On October 15, Kazakhstan has debuted gas supply to China via the Beineu-Bozoy-Shymkent and Central Asia - China pipeline, Kazinform reports.

The inaugural ceremony in Astana was attended by the country's Energy Minister Kanat Bozumbayev, Chairman of the Board of KazMunaiGas Sauat Mynbayev, Vice President of KazMunaiGas Kairat Sharipbayev, and General Director of KazTransGas Rustam Suleymanov.

As previously reported, Kazakhstan and China signed a trade agreement covering exports of 5 billion cubic meters of natural gas a year. The deal is expected to generate the country \$1 billion in earnings. The natural gas for China will come from fields in western Kazakhstan, as well as from KazMunaiGas's underground storage facilities.

China will take delivery of the gas via the Khorgos border point, the most important trade frontier between the countries.

The historic agreement, which opens a new era of transit and export of the Kazakh gas, came as the result of an extensive work, both in terms of complete technical reorganization of the country's entire gas transportation system and in terms of diplomatic management.

Exports of the Kazakh gas to China is aimed at promoting beneficial bilateral relations focused on creating a common infrastructure and establishing trade and transport links in the Eurasian region, Kazinform reported.

PROCESSING & REFINERY

Kazakhstan oil refineries produced 6% more gasoline this year

Kazakhstan refineries increase the production rate of domestic gasoline, but the level of dependence on imported fuel is still high. In January-September this year, local producers produced 2.3 million tons of motor fuel (gasoline, including aviation fuel), or 131.1 thousand tons more than the level of production for the same period last year.

The rise in production of motor fuel is increasing, in the past year during 9 months, production was 85.7 thousand tons more than a year earlier.

The refineries were most productive in the third quarter of this year: in July, 6.3% more gasoline was produced than in July 2016; in August the on-year increase stood at 10.6%; in September at 21.8%.

However, the current acceleration of production is not enough to meet the demand for fuel from the Kazakh car enthusiasts in full. In January-August 2017, 2.8 million tons of motor gasoline were sold on the domestic market, or by 47.5 thousand tons more than in the same period in 2016.

Last year (January-August), the annual increase in gasoline consumption amounted to only 3.1 thousand tons.

A sharp increase in demand for fuel is taking place against the backdrop of a reduction in the volumes of imported gasoline supplies: during 9 months of this year, Kazakhstan imported 48.9 thousand tons of gasoline less than a year ago. And the reduction in imports of motor fuel is observed for the second year in a row.

The share of imports in the domestic market of gasoline sales decreased from 26.2% to 24.1%.

The price of gasoline is quite sensitive to the reduction in imports. In the first 9 months of this year, gasoline prices rose by 8.7%. The sharpest growth this year was posted by the cost of the popular AI-92 brand by 9.4%. Gasoline AI-95 and AI-96 increased in price from January to September by 8.8%, and AI-98 by 5.7%.

In the same period last year, gasoline prices in Kazakhstan increased by 1.5%: AI-92 by 1.6%, AI-95 and AI-96 by 1.6%, Ranking.kz reports.

RENEWABLE ENERGY

EBRD Director comments on future energy in Kazakhstan

EBRD Director for Kazakhstan Agris Preimanis praised Kazakhstan's efforts to introduce green technologies in the energy sector, Kazinform reports.

Speaking at the 25th Oil and Gas Exhibition and Conference KIOGE 2017, Mr. Preimanis noted that the EBRD approved a €200 million program to finance a number of renewable energy projects with a total capacity of 300 megawatts. According to him, projects aimed at increasing energy efficiency should reduce CO2 emissions by 600 thousand tons per year.

Agris Preimanis also stressed that Kazakhstan has all the necessary conditions for the successful development of renewable energy, however, the oil and gas will still play a very important role. Thus, it is necessary to improve energy efficiency.

"I am especially pleased with the initiatives that have been announced in the last few weeks. We knew about plans for Astana's gasification for a long time, but now we have specifications on the pipeline, which will supply natural gas to Astana. Positive news is coming from Almaty as well, the transition of some Almaty CHP plants to natural gas from coal begins, which will help us all breathe easier in this city. This is also very important. The EBRD will be involved in it. However, despite the activity of renewable energy, last year investments in the gas sector were bigger, €250 million were invested only in gasification," he said.

Today, the EBRD finances projects such as a 50 MW solar power plant in Burnoye (a \$76 million - EBRD loan, \$15 million - CTF), its expansion (\$44.5 million - EBRD, \$10 million - CTF) a 50 MW wind farm in Yerevan (\$59.2 million - EBRD, \$16 million CTF), modernization of the Shardar hydropower plant (EBRD - \$46 million).

Green Climate Fund to provide up to \$110 million for Kazakhstan clean energy projects

The Green Climate Fund (GCF) has approved the allocation of up to \$110 million to the European Bank for Reconstruction and Development (EBRD) Kazakhstan Renewables Framework, at a meeting in Cairo.

The framework aims to finance the construction and operation of solar, wind, small hydropower and biogas projects in the Central Asian country. The framework was originally approved by EBRD in 2016 as a €200 million financing pot. It will also aid the modernization and strengthening of the electricity grid to help integrate these renewables.

The GCF contribution comprises \$106 million in concessional finance and \$4 million in technical assistance grants. The GCF is a financial mechanism under the UNFCCC which helps fund climate-related finance investment.

Kazakhstan remains heavily dependent on fossil fuels for power generation, with coal-fired plants accounting for 72% of generation, according to EBRD. Under efforts to move towards clean energy, the EBRD has supported the Burnoye solar park and invested €1.7 billion in sustainable energy and resources. It is also set to finance the Baikonur Solar park.

Kazakhstan's Nationally Determined Contribution, under the Paris agreement, involves an emissions reduction target of 15% below 1990 levels by 2030.

Aida Sitdikova, EBRD director, Energy and Natural Resources Russia, Central Asia and Caucasus, said: "The framework builds on eight years of policy and investment work in Kazakhstan. It makes a profound contribution to the scaling up of renewable energy in the country, combined with a strong focus on gender and inclusion and a drive to lay the regulatory foundations for a sustainable renewable energy market in the country," according to PV Tech.

Kazakh government, UNDP to support 15 city energy saving projects

Fifteen Kazakh cities, including the capital, Kostanai, Shymkent and Taraz, will install energy saving technologies by 2020 to reduce carbon intensity and enhance infrastructure energy efficiency, said United Nations Development Programme (UNDP) Deputy Resident Representative Munkhtuya Altangerel during an October 13 press briefing.

The project will be implemented as part of an August 28 agreement between the Kazakh Ministry for Investments and Development and Damu Entrepreneurship Development Fund to support businesses working in renewable energy and the energy saving field with a much broader goal of fostering the nation's transition to a green economy.

The project's overall cost is estimated at \$6 billion and UNDP is set to provide financial support through subsidies, the mechanism similar to that used by the Damu Fund to bolster local businesses.

"Commercial loans taken for the implementation of the projects involving low-carbon technologies will have 10 percent of the loan's bank rate covered by the state to improve the project's financial indicators and shorten the payback period [for the project to recoup its initial investments]," said Altangerel.

With an average interest rate of 15%, businesses granted subsidies will repay loans at a 5% interest rate, she added, noting the rate corresponds to the level of the Organization for Economic Co-operation and Development (OECD) member states.

Altangerel said projects focused on reducing carbon dioxide emissions will eventually be included on the list of the economy's priority sectors that are entitled to state financial assistance.

The programme will continue through the end of October, she added, and every Kazakh citizen can take part in the project and suggest ideas that can help improve his or her region's environment, Astana Times reported.

Spanish company to build solar power plant in East Kazakhstan

Spain's ARESOL Group will build a solar power plant in East Kazakhstan region, Kazinform reports. Governor of the region Danial Akhmetov and Business Development Director at ARESOL Group Diego Luezas Lazaro discussed the construction of the plant during the meeting on September 29. The construction of the 30 MW solar power plant in Zhangiztobe village will begin in March 2018. According to Diego Luezas Lazaro, the cost of the project will amount to approximately \$43 million. ARESOL Group is ready to invest into the project. Other sources of investment are considered as well.

Governor Akhmetov fully supported the idea and asked to prepare the project roadmap.

In the future, the project will allow to use not only traditional sources of power supply but also the alternative ones.

The solar power plant is expected to power some 11,000 homes and reduce greenhouse gas emissions by 15 tons.

Largest solar station in Central Asia to be launched in Karaganda region

The largest solar power plant in Central Asia will be opened in the city of Sarani, Karaganda region, Kazinform reports.

According to the local administration's press service, the 100 MW solar power plant is scheduled to be put into operation in 2018.

The project is fully funded by direct investments from the EU countries and is supported by German, Czech, and Slovakian public and private investment structures.

Currently, seven projects in the sphere of green energy are being introduced in the region all of which were showcased at the Astana EXPO-2017.

Three of them have already been implemented, including a biogas plant in the village of Dubovka, a 570 kW mini-hydropower plant at the Intumak reservoir, and an innovative gas cleaning system "ABsalut ecology", which allows to solve energy problems of the region through a high-tech purification of industrial emissions.

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INDUSTRY EVENTS IN NOVEMBER 2017



Global Oil & Gas Mangystau

Mangystau Regional Exhibition on Oil, Gas and Infrastructure

7 – 9 November 2017, Aktau

Organizer: Iteca

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