



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

Can Kazakhstan survive without oil? Experts give their opinions

In the fourth year of the large-scale crisis that struck the Kazakhstani economy, the local government suddenly became concerned about the issue of getting rid of oil dependence and launching a new growth model.

Minister of National Economy Timur Suleimenov said that the government of the country has developed seven mechanisms that should make the Kazakh economy stable and independent of the oil price. However, in the expert environment all this causes a standard scepticism, as statements about the diversification of the economy have been made repeatedly, however, the dependence only increases every year.

So, what do the authorities of Kazakhstan suggest to enter the "thirty of the developed countries of the world"? Nursultan Nazarbayev has set this goal before.

In Astana, they are convinced that the economy, despite the crisis, can grow at a rate of 4-5% per year. This year, according to estimates of international currency funds, growth is expected about 3-3.5%, official authorities call the figure of 3.8%.

In the 2000s, during the oil boom, the economy of the republic at times grew at a rate of 10% per year, the average growth rate was 7%, so the current 3-4% seems absolutely insignificant to achieve the goals.

Despite the loud statements of the authorities on the reduction of dependence on oil, the extraction of raw materials in the republic is growing. The volume of oil production in January-August 2018 amounted to 51.132 million tonnes, which is 6.6% more than in the same period in 2017.

According to Maxim Edelson, the Senior Director of the Analytical Group for Natural Resources and Commodities at Fitch Ratings, Kazakhstan is even more dependent on oil exports than Russia. Kazakhstan consumes only 12% of the produced oil, and exports 88%.

At the same time, the growth of exports is also ensured by the industrial exploitation of the new giant Kashagan field, which before the fall of oil prices was called the project of the century. At present, oil exports comprise almost three-fourths of the national GDP.

Thus, in the structure of Kazakhstan's exports, 78.4% is oil and gas and 8.2% are metals, and in the structure of imports, 43.6% is machinery, 14.3% are chemical products and 10.3% are food goods and metals. At the same time, according to experts, the positive growth of Kazakhstan's GDP is beyond \$60 per barrel, that is, if the price of oil is below these values, then the country may face a recession and difficult times of a real large-scale crisis. This over-dependence on oil prices makes the Kazakhstani economy extremely vulnerable.

It should be noted that the head of the National Bank, Daniyar Akishev, in April of this year, openly admitted that almost the entire Kazakh economy depends on oil.

"There is dependence. The economy of Kazakhstan depends on oil, and the share of oil exports remains high. Dependence on the export of oil, oil and gas condensate and metals is probably even higher than in Russia, at about 85%," he admitted.

Minister of National Economy Timur Suleimenov, in the light of that, stated that Kazakhstan needs to create a new model of economic growth, which will be based on new industries along with modernisation of traditional sectors of the economy.

The new economic growth model will be based on the formation of a new technological, export-oriented economy with strong regions.

The authorities are convinced that they will be able to reorient the training system to new personnel needs of the economy, create new innovative industries, activate the private sector, bring the judicial system closer to international standards and the most incredible - to defeat corruption, eliminate imbalances between regions, implement a direction to modernise public consciousness, state bodies and organisations.

"Seven priority policies cover the provision of high quality of life, macroeconomics, increasing the competitiveness of economic sectors, developing the financial sector and the green economy, attracting investment, and proactive foreign economic policy," Timur Suleimenov commented on the forthcoming reforms.

However, Kazakhstani economist Sergey Smirnov is convinced that it will not be possible to reduce Kazakhstan's dependence on oil in the coming years, and possibly decades. According to him, all alternative sectors of the economy are in a deplorable situation, in recent years, all worked only on the development of the oil sector. The Soviet potential that ensured the diversification of the economy of the country is exhausted, and creating a new one from scratch is not easy, especially when the oil revenues have declined and industrialisation is becoming increasingly difficult.

"We wanted to create local engineering, but the effect is insignificant. The share of the machine building complex now accounts for about 4% of the production fixed assets and only 0.7% of the investment in fixed assets for production purposes. In the Soviet era, light industry in Kazakhstan formed up to a quarter of the local budget, the share of the industry in the structure of manufacturing industry was 21%, now this figure is just over 1%. It is impossible to rebuild the economy in an instant, there are no such precedents in the world," he concluded, according to KakTakto.com.

Oil and gas companies pay the highest taxes

The obtained data showed that 47 Kazakhstani companies provide 50% of all tax revenues. The biggest share of these enterprises operates in the oil and gas industry. In 2017, these companies transferred more than three trillion tenge to the budget.

Absolute leader in tax payments was Tengizchevroil. The company is developing the Tengiz field in the Atyrau region. Only the National Bank was able to compete in the volume of tax payments with oil enterprises. It took the second place, paying 262 billion tenge. According to analysts' forecasts, in case of a possible drop in prices for hydrocarbons, the financial sector, metallurgical and mining enterprises, construction and tobacco companies will be able to replace oilmen in the rating of taxpayers. There are more than 200 thousand legal entities in the list of taxpayers in Kazakhstan.

The oil regions of Kazakhstan are among the leaders by the total volume of investments in fixed assets. Last year in Atyrau region they amounted to almost two and a half trillion tenge, which is 20% more than in 2016. At the same time, 95.6% of investments in Atyrau region are own and borrowed funds, and only about 4% were state-owned. According to the dynamics, this is the second result after the Turkestan region, where investments in fixed assets increased by almost 30%, the third place is held by Aktyubinsk region, where the volume of investment in fixed assets increased by 17%.

Meanwhile, the Asian Development Bank raised the forecast for Kazakhstan's economic growth. The updated level of the indicator for the country in 2018 is 3.7%. The previous one was at the level of 3%. The forecast of economic growth for 2019 economists also revised upwards by 0.4%. According to analysts, the increase is due to an increase in the price of oil.

A positive outlook has also been revised for Armenia and Georgia. At the same time, experts predict a slowdown in economic growth for Kyrgyzstan, Turkmenistan and Uzbekistan. In Central Asia in 2018, according to the forecasts of the Asian Development Bank, economic growth will be more than 4%.

As a result of the last session, the weighted average dollar exchange rate was 359 tenge 76 tiyn. The total amount of Chinese investment in them will be almost two billion dollar. In the next two years, a plant for the production of televisions will be built in Kostanay. A year from the assembly line, they will produce three million copies. The enterprise intends to trade its products in the CIS. Also, countries intend to cooperate in e-commerce, logistics and agriculture. China is one of the main economic partners of Kazakhstan. Last year, the foreign trade turnover between the countries increased by 30%, as reported by 24.kz.

Kazakhstan, Russia agree on ownership rights for oil carried through shared pipelines

Kazakhstan and Russia will share oil in joint oil pipelines. The corresponding agreement between the Governments of the RK and the RF on determining the status of process oil in the main oil pipelines of Tuymazy-Omsk-Novosibirsk-2 and Omsk-Pavlodar was approved in the Kazakh Parliament at a plenary session.

"The agreement was signed in Chelyabinsk on November 9, 2017. It recognises ownership of part of the oil in the main oil pipeline Omsk-Pavlodar in the amount of 62,048 tons for Transneft-Ural,

part of the oil in the main oil pipeline Omsk-Pavlodar in the amount of 79,680 tons for KazTransOil JSC, oil in the main oil pipeline Tuymazy-Omsk-Novosibirsk-2 in the amount of 62,048 tons for JSC KazTransOil," the head of the Energy Ministry specified.

As noted in the conclusion of the Majilis Committee on Ecology and Environmental Management, after the USSR breakup, the oil that was in Kazakhstan's section of the Tuymazy-Omsk-Novosibirsk-2 trunk oil pipeline in the amount of 62,048 tons remained on the balance sheet of the predecessor organization of Transneft company, and oil in the Russian section of the Omsk-Pavlodar pipeline in the amount of 141 728 tons, remained on the balance of the predecessor organization of KazTransOil JSC.

"The agreement legal-frames the actual ownership of oil to the organisations mentioned in it, and the scheme specified in the Agreement makes it possible to simplify and minimise the necessary civil and legal procedures for the transfer of oil to its owners," the Committee concluded, as reported by Kazakhstanskaya Pravda.

OIL & GAS PRODUCTION

Kazakhstan ups oil output by 5.3 per cent in the first 8 months

Kazakhstan's oil output in the first eight months of 2018 rose 5.3 percent from a year earlier to 60 million tonnes, Energy Minister Kanat Bozumbayev said on September 12.

Output at Tengizchevroil, owned by Chevron, ExxonMobil, Lukoil and KazMunayGaz was 19 million tonnes during the period.

The giant Kashagan field, developed by Eni, ExxonMobil, China National Petroleum Corp, Royal Dutch Shell , Total, Inpex and KazMunayGaz, produced 8.4 million tonnes.

The Karachaganak field, operated by a consortium led by Shell and Eni, produced 8.4 million tonnes.

Kazakhstan's total oil exports during January to August rose 5.2 percent from the same time a year earlier to 48.4 million tonnes, Bozumbayev told a government meeting, as informed by the correspondent for Reuters.

Chinese oil and gas giant brings billions to Kazakhstan over past 20 years

Qin Weizhong, the deputy director of the Chinese oil and gas corporation CNPC, made a welcoming speech at the Kazakh-Chinese business forum in Astana.

"On the occasion of the 5th anniversary of the "One Belt, One Way" initiative and the 4th anniversary of the Nurlu Zhol Economic Program, let me express my congratulations to all participants of the initiative on behalf of our company. Our company is a practitioner of the "One belt, One Way" project. Back in 1997, our company became an equity participant of the Aktobe oil and gas plant," said Qin Weizhong, speaking at the forum.

He stressed that over the past 20 years, the Kazakh-Chinese cooperation continues to deepen and bring fruitful results.

"Many cooperation projects were noted by the leaders of the two countries as a model of cooperation between China and Kazakhstan. CNPC actively introduces technologies and advanced processes in Kazakhstan, diligently advances the level of development of oil fields. The annual production of crude oil is about 20 million tonnes. CNPC has become an important partner in the field of oil and gas production in Kazakhstan. Our company also actively promotes and diversification of oil exports to Kazakhstan. In cooperation with the National Kazakhstan Oil and Gas Company, a gas pipeline was built. The transfer of gas reached more than 230 billion cubic metres. The China-Kazakhstan oil pipeline with a capacity of 20 million tonnes was constructed. A cumulative transportation of oil exceeded 110 million tonnes, " representative of the Chinese oil and gas giant said.

Qin Weizhong expressed hope for further development of cooperation, noting in figures how much the Chinese company brought to the budget of Kazakhstan.

"CNPC actively supports the industry of Kazakhstan. The Shymkent refinery modernisation project is carried out in accordance with the plan. The second stage of the project was successfully put into operation. In Kazakhstan, the company paid more than 42 billion tenge in taxes and fees,

supporting the social security project with 360 million dollar and guaranteeing the work for more than 30 thousand people. At the next stage, CNPC is ready to continue cooperation with the Government of Kazakhstan, with its partners and friends, in order to actively promote the development of China-Kazakhstan oil and gas cooperation to a higher level and strive to create a community of interests in oil and gas cooperation," he concluded.
Reported by Kazinform.

Tengiz field increases oil production

Since 1993, Tengiz has one of the largest oil and gas companies, Tengizchevroil. 25 years after the establishment of the Kazakh-American joint venture, production was increased from 7 million tonnes of oil in 1997 to almost 29 million in 2017.

These volumes are planned to increase even more. To do this, Tengiz is implementing the Future Expansion Project - Wellhead Pressure Management Project, which is more often called abbreviated as FEP-WPMP.

The Tengiz field itself was discovered back in 1979. Oil in the first well went from the reservoir at a depth of just over four kilometres, which made Tengiz one of the deepest in the world. After this, drilling work began, and in 1986 the construction of factory complexes was started. In 1991, the Tengiz oil and gas complex was launched.

The history of Tengiz in its current form was launched on April 6, 1993. Then in Almaty, the President of Kazakhstan Nursultan Nazarbayev and the head of the American oil company Chevron, Kenneth Derr, signed an agreement on the formation of a joint Kazakh-American enterprise. The joint venture was named TengizChevrOil.

Now it has more participants: Chevron holds 50%, KazMunaiGaz has 20%, ExxonMobil Kazakhstan Ventures Inc. holds 25% and the Russian LukArco holds another 5%. Together, these companies own one of the world's largest oil fields. The total explored reserves of the Tengiz collector are 3.2 billion tonnes, and the recoverable reserves are from 890 million to 1.37 billion tonnes. In 2017, the Tengizchevroil reported the production of 3 billion barrels of oil during its operation since 1993. This is approximately equal to 375 million tonnes.

The pace of production at the enterprise was increased through gradual increase of capacity and modernisation. In 1997, they implemented the project for the Expansion of bottlenecks and brought the annual oil production up to 7 million tonnes. In the same year, work began on the Fifth thread and Program-12 projects, which were completed in 2001 and raised production to 12 million tonnes. In 2008, a second-generation plant and a re-injection complex were launched. Due to this, the indicators reached 25 million tonnes of production per year.

The current stage, the Future Expansion Project, actually started in the summer of 2016. Then the partners of TCO made the final decision on financing the FEP-WPMP project.

The current project involves the construction of a third-generation plant and facilities for the injection of crude gas. The peculiarity of these industries is that now the gas will be completely pumped back into the oil and gas layers. This will help to maintain the pressure necessary for the field operation.

The new production complex is assembled by modules, as a kit. For this, finished parts are brought to the construction site, most of which are manufactured in Kazakhstan, Italy and South Korea.

At the Ersai production site in Mangistau region modular overpasses are made. Each of them has a length of about 70 metres and a height of 20 metres. The modules are delivered to the construction site across the Caspian to the terminal on the Prorva Peninsula and further overland to Tengiz.

In Italy, gas turbine generator modules are manufactured, and prefabricated technological modular units are produced in South Korea. They are delivered through the Black and Baltic Seas through the system of inland waterways of Russia to the Caspian Sea, and further to the terminal on Prorva. As reported by TCO, the first cargoes from Italy and Korea have already been shipped for delivery to the field. Modules from Ersaya are already on the construction site.

The stabilisers of crude oil are also expected here. They are designed to separate oil from water, gas and sulfur for later shipment for processing.

To install all these heavy modules, a special Sarens crane with a payload of about 3.4 thousand tonnes was assembled. For the installation of it, seven additional cranes were needed.

The crane parameters allow the builders to install the modules in their entirety, which significantly speeds up the pace of work. Now on-site enterprises are pouring concrete and arranging a foundation. In parallel, Tengiz is expanding the network of highways and constructing field facilities and pipelines to load production capacities of existing factories.

In general, the project is planned to be completed by 2022. Production volumes should grow to 39 million tonnes per year.

In total, over 42,000 Kazakhstans are involved in the expansion project, which is 92% of the total project personnel. As the project develops, this number will exceed 50,000. If you take into account the shift workers, who will also be about 50 thousand, the total figure will be about 100 thousand people.

The Kazakh companies that provide services for designing, purchasing and manufacturing modules are also attracted to the expansion project. As Tengizchevroil informed, more than two thousand companies passed preliminary selection, 300 of them have already signed contracts. In general, from the beginning of the project, the cost of the Kazakh content was about \$4 billion.

This is quite correlated with the figures of Tengizchevroil's total payments to Kazakhstan over the years of its work of about 129 billion dollar. This includes salaries for Kazakh employees, dividends, and taxes. In 2017, the company paid 1.7 trillion tenge or almost 20% of all tax revenues in the country, which in fact made Tengizchevroil the largest taxpayer in Kazakhstan. As production increases, these figures will grow, unless, of course, the prices for hydrocarbons will not fall as reported by Inform Bureau (Kazakhstan).

Production at Kashagan in 8 months amounts to 8.4 million tonnes of oil

The volume of oil production in the Kashagan field in eight months of this year amounted to 8.4 million tonnes, Energy Minister Kanat Bozumbayev said.

"Three major projects amounted to 35.8 million tonnes, including 8.4 million tonnes at the Kashagan field," K. Bozumbayev said at a government meeting on Tuesday in Astana.

The oil production in Kashagan in 2018 is planned at the level of 10.8 million tonnes. In 2017, Kashagan produced 8.35 million tonnes of oil. Kashagan is the first offshore oil and gas field in the Kazakh sector of the Caspian Sea, as well as the largest international investment project in the country.

Commercial production at the field began on November 1, 2016, as reported by ABC TV (Kazakhstan).

Appointment of Sultanov shifts terms of pending agreement with developers of Karachaganak

The government of Kazakhstan and the consortium Karachaganak Petroleum Operating (KPO) are planning to sign a final agreement on the settlement of the dispute over the calculation of oil revenues for several months, Interfax-Kazakhstan reports with reference to the head of the Ministry of Energy Kanat Bozumbaev.

"We assume that in a couple of months it will be signed," Kanat Bozumbaev told.

Prior to the end of September 2018, it is planned to sign an agreement on principles, which establishes obligations for both parties.

"We had to sign an agreement on principles on September 19. Two signatories from our side: me and the finance minister, but because the fate of Sultanov, it seems that we will have to make changes first to the Government's decision, and this signing will move a bit, for a week, I think. This will be an agreement on principles, that is, we basically agree on what obligations they take on themselves and we," the head of the Ministry of Energy explained.

Earlier, the Minister of Energy informed that the expected agreement on the settlement of the dispute over the calculation of revenues from the sale of hydrocarbons between Kazakhstan and the shareholders of the KPO consortium provides for compensation for the country's lost profit for the past periods, financing the construction of the refinery and investments in maintaining the level of production at the field. June 19, 2018 reported that to maintain the current level of production in Karachaganak, the consortium of companies Karachaganak Petroleum Operating will

invest 1.5 billion dollar. To resolve the dispute, the project of future expansion at the field is also being discussed.

The disagreements between the Government of Kazakhstan and the contractor of the Karachaganak project, related to the calculation of the share in the production division, became known in April 2016. At the end of 2016 Kazakhstan applied to arbitration.

Disagreements over Karachaganak are based on the measurement of the "objectivity index", which, according to the Production Sharing Agreement (PSA), signed in 1997, determines how much profit the consortium receives and how much is the Government of Kazakhstan. It is calculated to allow international oil giants to return their investments before giving profits to the state. As reported by the Financial Times with reference to sources, the KPO consortium offered Kazakhstan to pay about \$300 million to settle the disagreements with the Government of Karachaganak, Kazakhstan rejected the offer.

The Karachaganak gas condensate field is located in the Burlinsky district of the WKO of Kazakhstan. Karachaganak Petroleum Operating BV consortium, which includes British Gas (29.25%), Eni (29.25%), Chevron (18%), Lukoil (13.5%) and KazMunaiGas (10%), develops the field, according to the statement of Inform Bureau Kazakhstan.

Karachaganak consortium injects \$1.1bn to sustain high output

A \$1.1 billion investment in the giant Karachaganak field in Kazakhstan agreed this month is aimed at sustaining plateau production levels and creating significant value from the field, a mainstay of CPC oil exports, Shell said Monday.

Karachaganak, a multi-billion barrel gas and liquids field in northwest Kazakhstan, has until recently been the second largest liquids source for CPC crude flows, which load at Novorossiisk on Russia's Black Sea coast but mostly come from Kazakh oil and gas fields.

Total CPC loadings amount to around 1.2 million-1.4 million b/d, and increasing volumes have been going to Asia -- exports of the blend outside Europe reached a record 14 million barrels in September, according to trading sources.

Within CPC blend, output from Karachaganak is being overtaken by Kashagan, which came on stream two years ago after delays and a development bill of over \$50 billion.

The largest source, Tengiz, produced 648,000 b/d in the first half of 2018, with production set to reach around 900,000 b/d from 2022 following expansion work. Kashagan has recently reached levels over 300,000 b/d.

Karachaganak, however, produced 247,000 b/d of liquids last year, according to Shell's main foreign partner at the field, Italy's Eni, which says 91% of the field's liquids output is exported through the CPC crude pipeline.

The production process at Karachaganak involves re-injecting huge quantities of gas back into the field to stimulate liquids production, with about half the gas output re-injected, and half sold via a processing plant across the nearby Russian border in Orenburg.

Last week Kazakhstan's energy ministry said the major investment project would enable the processing and re-injection of up to 4 Bcm/year of additional gas.

Shell said the Karachaganak Debottlenecking Project "aims to extend the duration of the plateau liquid production and will bring significant value creation to both the Republic and the Contractor." Shell and Eni each hold 29.25% stakes in Karachaganak, Shell having got its stake with its purchase of BG in 2016, while Chevron holds 18%, Russia's Lukoil 13.5%, and state-owned KazMunaiGaz 10%.

Last month Shell upstream director Andy Brown described Kazakhstan as the oil major's "No.1 conventional oil and gas country" on the strength of its stakes in Kashagan and Karachaganak, in an interview with S&P Global Platts.

Brown played down media reports of a shake-up in the consortium's composition, reflective of sometimes fraught relations between the country and its partners.

"The use of advanced production technology is enabling the maintenance of output volumes and the export of liquid hydrocarbons at a consistently high level," Murat Zhurebekov, managing director of the KazMunaiGaz holding company responsible for Karachaganak, said in a statement after what he called "rather complex talks" last week, as stated by Nick Coleman for Platts.

World's largest load-lifting crane assembled at Tengiz

The world's largest load-lifting crane was assembled at the Tengiz field, where a new oil plant is under construction.

Total lifting capacity of the crane is 3500 tonnes. It took seven additional cranes to assemble.

"The 3500-tonne crane was assembled at a construction site in Tengiz, where a new oil refinery is being built, which is currently the largest crane in the world, weighing 600 tonnes, so that it needs seven additional cranes to assemble it. four balancers weighing 100 tonnes each, " Rzabek Artigaliev, the general manager for government and public relations of Tengizchevroil said.

A new plant is being built at the Tengiz field, which will increase oil production by 2022 from 27 to 39 million tonnes per year, as reported by BNews (Kazakhstan).

Canadian oil firms eye Kazakh upstream opportunities

A number of Canadian companies from the province of Alberta in Canada are ready to establish their subsidiaries in Kazakhstan and invest in the oil and gas and energy sector of the country, the Director General for Trade and Investment, Environment and Energy of Europe Branch of the Government of Alberta Laurent Auger said at the conference, Kazinform reported.

The delegation from Canada has arrived in Almaty within the framework of the Kazakhstan International "KIOGE" - "Oil and gas" exhibition.

"Alberta is one of the 10 provinces in Canada where the oil, gas and energy sector is developed. This province is the third largest oil and gas production site in the world, using the latest technologies. We would like to show our capabilities in this industry, as well as to study Kazakhstan's experience in the framework of cooperation in this area. Probably, after studying the experience in the framework of the exhibition, our companies will want to open their offices in Kazakhstan," Laurent Auger said.

Four years ago, Canadian oil producers have already opened their representations in Kazakhstan.

The conference has been organized by the Canada Eurasia Russia Business Association (CERBA) in the framework of the meeting of the Kazakhstan-Canada Business Council (KCBC).

Within the framework of the event, a Memorandum on cooperation in the energy and oil and gas sectors was signed with the Kazakhstan's association of oil, gas and energy sector organizations "Kazenergy" as posted by AzerNews.

OIL & GAS EXPORT & TRANSPORTATION

Kazakhstan plans to increase gas exports to China

Kazakhstan has plans to significantly increase gas exports to China, Kazakhstan's energy minister Kanat Bozumbayev said.

"Yes, there are such plans. (...) There is a preliminary agreement to significantly increase. (...) There are already such agreements at least between the two gas companies," Kanat Bozumbaev confirmed.

He refused to name the planned export volumes, specifying only that this year the export could reach 5 billion cubic metres of gas.

Head of the KazMunaiGas national company, Sauat Mynbayev, earlier also confirmed Kazakhstan's plans to export gas to China. According to him, 5 billion cubic metres of gas is planned to be delivered to China by October.

As it was reported, in 2017 Kazakhstan started exporting its gas to China. Expected export revenue is about \$1 billion. In 2019, it is planned to increase gas exports to China to 10 billion cubic metres. According to the Ministry of Energy, at present gas reserves in the country amount to 3.9 trillion cubic metres. In 2017, Kazakhstan produced 53 billion cubic metres of gas. Of these, about 22 billion were consumed by the producers themselves, the domestic market took 13.8 billion, and the remaining 17.2 billion cubic metres went for export.

KazMunaiGas is Kazakhstan's national operator for the exploration, production, processing and transportation of hydrocarbons, representing the interests of the state in the oil and gas industry of Kazakhstan. 90% of the company's shares belong to the Samruk-Kazyna state fund, 10% - to the National Bank of Kazakhstan, reported by Kapital (Kazakhstan).

Kazakhstan is ready to supply oil to Belarus

Kazakhstan is ready to supply oil to Belarus even tomorrow. This was announced by the Ambassador of Kazakhstan Yermukhamet Yertysbayev, RIA Novosti reports.

He said that oilmen from Kazakhstan are ready to supply oil to Belarus "even tomorrow".

"But how to get into this pipe and bring it to your refinery is a very big question for me," Yertysbayev said, having admitted that he had discussed this issue with Kazakh officials. They confirmed their readiness to supply oil. At the same time, transportation is complicated by the absence of a common border, the ambassador said.

"And, as far as I know, as regards hydrocarbon raw materials, you have a boundary only with the Russian Federation only," Yertysbayev added.

The intergovernmental agreement between Belarus and Russia stipulates duty-free annual deliveries of 24 million tonnes of Russian oil to Belarus.

Earlier, the Kazakh Committee on Statistics reported that in the first half of this year the country increased oil production by 7.6% compared to the same period last year as reported by Sputnik Kazakhstan.

PROCESSING & ENERGY

Austrian, Arab companies invest into \$6.5bn Kazakh polyethylene factory

Austria's Borealis will invest into polyethylene factory in Atyrau region.

Head of Kazakh Invest Saparbek Tuyakbaev met with Trade Counselor of the Embassy of Austria in Kazakhstan Rudolph Taller to discuss prospects of investment cooperation.

The detailed information was provided about investment climate in Kazakhstan and investment opportunities for Austria.

"We focused on cooperation outside oil sectors – agribusiness, information technologies, finances. Kazakhstan runs a big investment project now with Austria's Borealis. The talks are in progress now and we hope the project will begin in the nearest time," the Trade Counselor said.

Alongside Arab and Kazakh partners, Borealis participate in polyethylene production project. The total budget of the project is \$6.5 billion.

3,000 jobs will be created during construction. Over 500 workplaces will be created at the factory. The factory will produce 1.2 million tons of polyethylene a year, reported by AKIpress (Kyrgyzstan).

Deficiency of fuels and lubricants in Kazakhstan at the height of the harvest is not observed

Kazakhstan's energy minister Kanat Bozumbaev reported on Sept. 11 about sufficient fuel reserves in the country at the height of harvesting.

"In general, the situation on the oil products market is stable and there is no deficit on fuel and lubricants. As of September 10, the quantity of residues of fuel and lubricants at oil tank farms is sufficient to meet the needs of the domestic market ... Diesel fuel is sufficient for 18 days," Bozumbaev said at a government meeting.

According to him, oil exports in January-August amounted to 48.4 million tonnes, with a growth of 5.2% compared with January-August 2017, the volume of oil refining amounted to 10.43 million tonnes of oil, showing an increase of 4% to January-August of 2017.

"The volume of production of petroleum products in three oil refineries amounted to 7.3 million tonnes, showing growth by 2.8% in the same period of 2017," the minister added.

The head of the Ministry of Energy said that the export of gas amounted to 14.3 billion cubic metres, which is by 24.7% more compared to the same period last year.

"2 million tonnes of liquefied petroleum gas were produced, which is 4.3% higher than last year. Production of petroleum bitumen amounted to 590.5 thousand tonnes, power generation amounted to 71 billion kilowatt/h, 11.2% more compared to the same period in 2017. The volume of coal production amounted to 69.8 million tonnes, showing an increase of 5%," the head of the energy department concluded, as stated by Kursiv (Kazakhstan).

Kazakhstan stops imports of petroleum products from Russia

President of PetroKazakhstan Oil Products, Jiang Shi, announced the completion of the modernisation of the plant, which turns the country from an importer into an exporter of fuels and lubricants.

"Five years ago, Kazakhstan imported most of its oil products from Russia. Everyone remembers last year's deficit of fuel and lubricants. But at the moment we have solved all these issues, and in the future there will be no shortage. That is, we can say, for today, not only we, but also the Atyrau refinery have completed the modernisation. We all get to a new level. A large volume of oil products is now entering the markets of Kazakhstan. The government of Kazakhstan stops imports of petroleum products from Russia. That is, our market has already been secured," Jiang Shi says.

The plant manager said that the margin from crude oil processing fluctuates around 8%. The price for finished oil products is established not by the plant, but by the state. "You can observe the trend that gasoline prices have risen. But in fact, the price in Kazakhstan is not very high. We will not compare with Europe. We will compare with neighbouring countries. In China, a similar price for the AI-92 gasoline is about 7 yuan, which is more than one dollar. In neighbouring Russia, the price is twice as high," Jiang Shi assures.

Previously, it was repeatedly stated that after the completion of the modernisation of the ShNOS, the company will stop overhauls for capital repairs. These monthly plant overhauls, as a rule, was the main excuse for the owners of gas stations in the region each time, explaining the deficit of fuel and lubricants. Although the factory has always assured that all storage facilities are filled with gasoline with a large margin, the lack of fuel has always fallen out for these periods. However, now the head of the enterprise assures that even a modernised plant will not be able to work without any overhaul, only now they will be held once in three years.

"We plan to switch to a three-year cycle in the future after the modernisation. But in order to achieve this, we will first halt once in one and a half years. Maybe in three years or in five years we will stop every three years. This year in October, there will be no stop, only in 2019, and only for 20 days," the president of PetroKazakhstan Oil Products promised.

PetroKazakhstan Oil Products is an oil refinery located in Shymkent, built in 1985. The plant is one of three refineries in Kazakhstan. 50% of shares belong to CNPC Exploration and Production, another 50% belong to KazMunayGas. The modernisation of the enterprise began in 2014, the total cost of the two stages is 1.85 billion dollar.

Both CNPC and KMG invested 400 million dollar, another billion was received as a loan from the State Development Bank of China through the Development Bank of Kazakhstan, the assets of the enterprise served as pledge. Modernisation allowed increasing the depth of oil refining at the plant and producing gasoline and diesel, corresponding to the quality of K-4 and K-5 ecological classes, which correspond to Euro-4 and Euro-5. Previously, PKOP produced gasoline not higher than K-2, the sulphur content in them was about 500, now it is not more than 50.

"With this example, I want to show you how much cleaner gasoline has become, and the risks for our ecology have diminished. After the modernisation, the second effect is that we have increased the depth of processing. If previously from 100 percent we received 50 percent of light oil products, now we receive 80 percent. Approximately, we now produce 15 thousand tonnes of fuel per day, but before the modernisation we managed slightly more than five thousand tonnes. If we talk about gasoline, then we produce five thousand tonnes of gasoline a day," the head of PKOP said.

According to the modernisation project, the unit for the production of elemental sulphur, an isomerisation unit, a loading ramp, a catalytic cracking unit, an operator station, from which it is possible to operate the plant, block, extinguish a fire, have been built on the territory of the enterprise.

Originally, the modernisation was planned to complete as early as 2016, but for various reasons, the date was always postponed, many problems were also brought to investors by the various construction norms of the two countries.

"I will frankly tell you that the biggest problem we faced during the project implementation were construction standards, norms, building regulations of China and Kazakhstan, they are different.

We faced this problem at all stages of implementation: design, construction, operation. In Kazakhstan, Chinese companies are also facing similar problems in other areas," Jiang Shi said. He also focused attention on the fact that previously launched facilities are already 100% run by Kazakh specialists trained in China. New objects are only at 70%, but in a year and a half, according to Jiang Shi, the remaining 30% of jobs will be occupied by local specialists, as reported by the correspondent for ABC TV (Kazakhstan).

GE, Eni join forces in Kazakh wind energy project

General Electric Company's [GE](#) Renewable Energy arm recently signed a deal with Eni SpA [E](#), per which it will provide its state-of-the-art onshore wind turbines for the Kazakhstan-based Badamsha wind power project of the former.

The Badamsha wind power plant is located in the north western region of Aktobe oblast, Kazakhstan. The 48-mega-watt facility is expected to boost the country's wind energy production capacity by nearly 25%. Per the deal, General Electric's Renewable Energy business arm will provide 13 3.8-130 onshore wind turbines for the Badamsha plant. These 3.8 megawatt (MW) turbines will include a 130 meter rotor. The Badamsha plant is the first onshore wind project of General Electric in Kazakhstan.

Renowned Italian multinational oil and gas company - Eni -has been providing its services in Kazakhstan since 1992. The Badamsha project is the former concrete realization of the Memorandum of Understanding that Eni had signed with General Electric and Kazakhstan's Ministry of Energy in the last year. Eni stated that the project will likely support the country's target to fulfil roughly 50% renewable energy demand before 2050.

Eni is an equity partner of various energy projects in the Northern Caspian Sea region. In 2018, the company took up the role of becoming the joint operator for the Isatay exploration block, with Kazakhstan's state-owned energy company - KazMunayGas. Over the next four years, the company plans to invest nearly €1.2 billion in various renewable energy projects across the world; including wind, solar and hybrid.

General Electric's Renewable Energy segment includes the hydro power and wind businesses of Alstom. The company believes increasing number of onshore wind orders will strengthen the segment's performances in the upcoming quarters. General Electric is poised to grow on the back of stronger innovation, strategic restructuring moves, solid international presence and robust end-market sales.

However, over the past three months, shares of this Zacks Rank #4 (Sell) company have lost 15.6%, as against 5.4% growth recorded by the [industry](#) it belongs to.

Notably, the company's shares price declined 2.1% to \$11.29 per share since Sep 27, 2018. Weakening GE Power business remains a key cause of concern for the company, according to Zacks Investment Research.

Kazakhstan to construct its biggest solar power plant in Almaty region

The biggest solar power plant 150 MW is being built near Kapshagai, Almaty region.

The plant is built under the memorandum signed in the sphere of renewable energy sources during the working visit of the delegation of Almaty region to Urumqi in April 2016.

Construction of the plant started in August. The first unit of the plant will be finished in the first quarter of 2019, the second unit – in the third quarter.

The first unit of the plant is expected to generate 151.1 MWh of electricity.

Investments of Chinese and Kazakh companies nears \$150 million as posted by AKIpress (Kyrgyzstan).

Supply of uranium to the Bank of NOU in Kazakhstan to begin in 2019

The 62nd session of the General Conference of the International Atomic Energy Agency (IAEA) is expected to sign an agreement on the transport of uranium to the IAEA bank, TASS informs.

IAEA General Director Yukiya Amano announced signing with Russia of an agreement on uranium transportation to the IAEA Low Enriched Uranium (LEU) Bank in Kazakhstan. Completion of the

procurement process of LEU is expected this year, and uranium should be delivered to the storage facility in 2019.

It should be reminded that the IAEA Low Enriched Uranium Bank was opened in Kazakhstan in 2017 and is located at the Ulba Metallurgical Plant in Ust-Kamenogorsk. The main goal of the establishment of a LEU bank is the establishment of a mechanism providing assured supplies of nuclear fuel to IAEA member states that are not interested in creating a full cycle of its production and faithfully fulfil their obligations on non-proliferation ..., as reported by Kursiv (Kazakhstan).

UPCOMING INDUSTRY EVENTS



PowerExpo Almaty

Kazakhstan International Electrical
Engineering, Alternative Energy Sources,
Lighting Engineering Exhibition
23 – 25 October 2018, Almaty
Organizer: Iteca
www.powerexpo.kz

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