

KAZENERGY INSIDE

Ministerial Conference
and 8-th International Forum



**MEETING THE CHALLENGE
OF SUSTAINABLE ENERGY**

11-14 June 2017, Astana, Kazakhstan



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KAZENERGY is actively preparing for the Ministerial Conference and the Eighth International Forum.

Ramazan Zhampiissov, Executive Director of KAZENERGY, reported at the meeting of the Committee on Sustainable Energy in Geneva.

UN ESCAP: PARTICIPATION OF KAZENERGY IN THE MEETING OF THE FIRST SESSION OF THE ENERGY COMMITTEE



Arman Satimov, Advisor to KAZENERGY Association Chairman spoke at First session of UN ESCAP Committee on Energy in Bangkok.

This year Thailand’s capital hosts the First Session of Committee on Energy at the UN Conference Centre on 17-19 January 2017. The First Session addresses energy issues in Asian and Asian Pacific countries including increase in production and consumption of energy resources to meet growing demands of the region characterized by high rates of urbanization, industrial-

ization and economic development.

Arman Satimov who was invited by UN Deputy General Secretary and ESCAP Executive Secretary Shamshad Akhtar delivered a speech at the session and invited its participants to attend the Ministerial Conference “Meeting the Challenge of Sustainable Energy” and 8th International Forum on Energy for Sustainable Development. These events will be held in Astana on 11-14 June 2017. Upcoming conference’s goal:

Global dialogue to find better solutions for a balanced development of alternative and conventional energy, ensure accessibility of energy resources and develop political incentives to realize national energy strategies. The dialogue is intended to improve understanding of global processes, a role and place of conventional energy in the future energy system of the world.

Speaking of energy issues in the coun-

tries of our region Mr. Satimov primarily emphasized on the necessity to facilitate the environmentally sustainable way of development.

He underlined that participation in Kazakhstan’s events would be an excellent opportunity to strengthen further cooperation in projects deemed significant by the energy community including the Green Bridge Partnership Program and International Centre for Environmentally Clean Technologies and Investments under the aegis of UN.

About the Session of UN ESCAP Committee on Energy:

The Committee on Energy meets once in two years for no longer than 3 days. If required and considered worthwhile joint plenary sessions with participation of other Committees are conducted to discuss overlapping issues in the energy area.

THE REPUBLIC OF KAZAKHSTAN TOOK PART IN THE UNECE EXHIBITION ON "ENERGY TRANSITION"



On January 19, 2017, the regular meeting of the Committee on Sustainable Energy of the UN Economic Commission for Europe (UNECE) was held in Geneva within the preparation for the Ministerial Conference and the Eighth International Forum on Energy for Sustainable Development, which will gather more than a thousand participants in Astana on June 11-14 this year. The ministerial conference will be held within the Forum for the first time and will be conducted immediately after the official Opening Ceremony of the International Specialized Exhibition EXPO-2017 "Future Energy".



It was reported that the main result of the activities should be signing of the Ministerial declaration of high importance in taking specific measures to achieve the aims of new Global Agenda for the period till 2030. Preparatory meeting in Geneva highly appreciated consultations conducted at the international level on the preparation of the Declaration text.

In addition, similar discussion and approval of the draft Ministerial Declaration was also held in January 18, but in several thousands of kilometers from Geneva, at the first Session of the Energy Committee of the Economic and Social Commission for Asia and the Pacific (ESCAP).

KAZENERGY Association jointly with the Ministries of Energy and Foreign Affairs

of Kazakhstan perform unique diplomatic work on agreement of the text of the Ministerial declaration globally, which in turn will be the basis for the Manifesto of Values and Principles of EXPO – the main final document of the exhibition. It is expected that prepared declaration will be approved by the ministers, the heads of the UN regional commissions and international energy organizations during the Ministerial Conference under the chairmanship of Kazakhstan.

The planned Ministerial Conference is aimed to strengthen understanding of the energy sustainable development concept, to provide high-level political dialogue, to share international experience and to take practical steps to implement Paris Agreement.

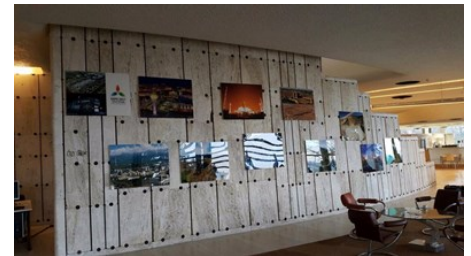
It should be noted that further discussions of the ministers will be aimed to analyze the role of fossil fuels in future energy systems as well as to search possible strategies for balanced development of renewable and traditional energy.

It is expected that the ministers taking part in the conference will agree on specific actions to achieve the aims of sustainable development in energy and will agree to present key ideas and recommendations at further meetings of such level.



One of the key areas of prepared Dec-

laration will be general resolution to support the establishment of the **International Centre for the development of "green" technologies and investment projects** under the auspices of the UN in Astana, initiated by the President of Kazakhstan. The mission of the Centre – to make contribution to the global sustainable development through the support of the green growth, transfer of clean technologies, innovations and promotion of international cooperation within the "Green Bridge" Partnership Program, initiated by the Republic of Kazakhstan.



The Centre will be established based on the long-term strategy of building capacity with the use of innovative approach and the best world practices in transition to green economy. International Centre will cover seven main activities: energy sector transformation, urban sustainable development, "green" business development, transfer and adaptation of green technologies and the best practices, green funding development, renewable energy sources development, building green growth capacity.

The exhibition is held by the Regional Committee for the first time. The event was opened by the UNECE Executive Secretary and the UN Deputy Secretary General Christian Bach, as well as the Vice-Chairman of the Bureau of the UNECE Committee on Sustainable Energy and the Executive Director of KAZENERGY Association Ramazan Zhampiisov.

THE COUNCIL OF KAZENERGY ASSOCIATION: TO SUPPORT THE NATIONAL PROJECT – EXHIBITION EXPO-2017 "FUTURE ENERGY" IS THE PRIORITY OF 2017 ACTIVITIES.



On the 25th of January 2017, the Council of KAZENERGY Association convened for the 21st regular in-person meeting chaired by Timur Kulibayev.

This is an annual meeting, at which all representatives of the Association's member companies address the most important issues of the current operations and approve plans and projects for the upcoming year.

The agenda for this Session has included the Progress Report of the Association's Executive Committee for 2016, the discussion of the Annual Work Plan and the List of Target Projects of KAZENERGY for 2017 as well as aspects of hosting a number of the Association's events during the International Specialized Exhibition "EXPO-2017 "Future Energy".

Opening the session, Association's Chairperson Timur Kulibayev noted that the last year was challenging for the sector – the global energy market was shocked by a sharp drop of prices, which caused certain difficulties in implementing the investment programs of oil and gas companies.

In order to minimize the negative implications for domestic oil and gas produc-



ers, the Government of Kazakhstan has undertaken a series of system-wide actions, first of all, in tax and environmental legislation. KAZENERGY Association has been actively involved in this work and is continuing its involvement this year.

In 2017, thanks to the foreign policy of the Head of State, Kazakhstan is hosting the International Specialized Exhibition EXPO-2017 "Future Energy". KAZENERGY Association is placing special emphasis on this national project. The Association has orchestrated active efforts to host the Ministerial Conference and the Eighth International Forum on Energy for Sustainable Energy Development under the aegis of the UN during the EXPO-2017.



It is planned to adopt the Ministerial Declaration, which will become a part of the Values Statement – the final document of all events of the EXPO.

One of the significant events at the meetings at the level of the ministers will be the decision of the international community to establish the International Centre for the Development of Green Technologies and Investment Projects under the aegis of the UN in Astana as initiated by the Head of the State.

In addition, shortly before the closing of the EXPO, the Association will host the XI KAZENERGY Eurasian Forum "Securing the Future of Energy".

It is important to note that at the Forum the National Energy Report KAZENERGY-2017 will be presented – the document will contain the updated statistical and analytical information on the development of the fuel and energy complex of the country.

According to the Chairperson of the Association, these projects are crucial both to the successful holding of the EXPO and to the general reflection of the role of the oil and gas and electric power sectors of the country in the future.

Bolat Akchulakov, General Director of

KAZENERGY, talked about the current work of the Association. His report covered the analysis of the results of the key functional areas of the Association, specifically: subsoil use, production and turnover of oil products, taxation, environment, technical regulation, energy, human capital development and international activities, i.e. the report comprised all those important issues that need to be addressed in the oil and gas sector. Throughout the year, the Association discussed and participated at the highest level in working out solutions for the legislation. The focus has been placed on efforts to prepare the Subsoil and Subsoil Use Code, Procurement Rules, etc.

Another crucial area is the taxation. As obvious from the report of Bolat Akchulakov, out of the package of the conceptual tax proposals, four issues have been accepted for further discussion among the state bodies. Some amendments from the Association's members have already been presented to the Tax Code.



The Association has submitted proposals: in the area of regulation of greenhouse gas emissions and regulating responsibility for exceeding the rates of emissions, gas burning limits in the case of technology faults and equipment deviations, technical regulation and standardization, Qualifications Sectoral Framework, implementation of the Aarhus Convention, oil spills in the Caspian Sea and many others.

As regards the Educational Program continued by KAZENERGY for the fourth year, last year its practical accomplishment led to 590 students of Kazakhstan being awarded with educational grants for the academic year of 2016-2017 (over 1 million USD) from the funds of

the North Caspian and Karachaganak Projects. Students passed the challenging two-level contest. Scholarships of KAZENERGY for the academic year of 2016-2017 were also awarded to 16 university students and 15 college students of Kazakhstan.

Overall, the Report triggered great interest among the members of the Association, which noted their support for the work underway and expressed their wishes and proposals as to the further work.

Also, Bolat Akchulakov informed the members of the session about the work plans of KAZENERGY for the current 2017. Thus, the Association will continue to participate in the development of the Code "On Subsoil and Subsoil Use" and other legal acts, city-planning and architecture documentation as well as regulations on standardization. Focus will be placed on formation of the unified tax and customs code.



It is envisaged that this year work will be started on the version of the 3rd National Energy Report "Kazenergy-2017". This project is an important event for the whole expert community of the country and it traditionally triggers broad public interest. Conclusions and recommendations developed on its basis are crucial for the state and business community to make important and complex decisions.

Ramazan Zhampiisov, Executive Director of the Association, addressed the meeting with the report "On Conducting the Association's Events as part of the International Specialized Exhibition EXPO-2017 "Future Energy". He noted that the Association will organize a number of significant events on the margins of the EXPO, including: Ministerial Conference and the Eighth International Forum under the umbrella name "Ensuring Sustainable Development of Energy" organized under the auspices of the five UN Regional Com-

missions (ECE, ESCAP, ECLAC, ESCWA, ECA) (11-14 June 2017) as well as the XI KAZENERGY Eurasian Forum "Securing the Future of Energy". It should be noted that these events have been included in the Schedule of Significant Events of EXPO with the injunction of the Prime Minister of the Republic of Kazakhstan.

Also the XI KAZENERGY Eurasian Forum will become the continuation of the political dialogue initiated during the Ministerial Conference and the Eighth International Forum but now this will be at the level of the industry and companies. At the Forum, leaders and representatives of the global energy business will discuss the ways of further sector development and will elaborate the specific recommendations to secure sustainable energy with a focus on the regional aspect and the strategy of interaction with the governments in order to accomplish the main goals of the Agenda 2030.

In conclusion of the meeting, Chairman Timur Kulibayev congratulated the six new members on joining KAZENERGY and handed the certificates to them – these are Maersk Oil Kazakhstan GmbH, MOL (FED) Kazakhstan B.V., OMV Petrom S.A., representative office of China Petrochemical Corporation in the Republic of Kazakhstan, KNPZ LLP, ProektStroyServis LLP.

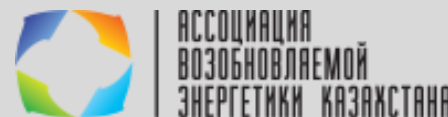


The ceremonial portion was continued. Honorary certificate was awarded to

Ramazan Zhampiisov, Executive Director of KAZENERGY Association, for contribution to the state and public activities, social and economic and cultural development of the country, strengthening of the friendship and cooperation between the peoples. The certificate was handed by Timur Kulibayev, Chairman of the Association.



NEW PARTNER OF THE ASSOCIATION



KAZENERGY and Association of Renewable Energy of Kazakhstan (AREK) combine their efforts in supporting sustainable development of renewable energy in Kazakhstan.

KAZENERGY Association and Association of Renewable Energy of Kazakhstan (AREK) signed Partnership Agreement where they agreed to combine their efforts in order to provide assistance for Kazakhstan companies, performing their activities in renewable energy field, and to develop this sector in our country.

It is planned that the partners will actively participate in exhibitions, conferences, workshops, meetings and other events devoted to the effective generation of renewable energy. Such events extend business and culture relations and strengthen friendly ties between Kazakh and foreign companies.

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (EITI)



The Association members discussed the plans and tasks for 2017 on disclosure of the beneficial ownership, preparation of the Republic of Kazakhstan for validation (i.e. inclusion valuation) and other issues.

The companies noted high importance of implementation of the Roadmap for beneficial ownership disclosure jointly with all the stakeholders of the National Council of

Stakeholders and expressed their readiness to actively participate in this work.

In addition, participants considered the inclusion of reports on the costs for research and development to EITI by sub-soil users and agreed to provide additional consultations on this subject.

During the meeting, the candidature of *Mr. Olzhas Kemelov*, Government and External Affairs Coordinator of NCOC,



was unanimously approved for appointment as the member of the National Council from oil and gas companies. The members of this Council also include representatives of KAZENERGY Association, Shell Kazakhstan and Chevron.

ROUNDTABLE ON “INTERNAL REFINED PRODUCTS MARKET OF THE REPUBLIC OF KAZAKHSTAN”



On February 15 this year, roundtable on “Internal refined products market of the Republic of Kazakhstan” was held at “KAZENERGY” Association under the chairmanship of Magauov A.M., Vice Minister of Energy of the Republic of Kazakhstan.

Event participants, including JSC NC “KazMunayGas”, JSC “KazMunayGas – Refining and Marketing”, “KazMunayGas Onimderi” LLP, “Kazakhstan fuel association 1”, “PetroSun” LLP, “Helios” LLP, JSC “Information-analytical centre of oil and gas”, discussed the relevant problems of pricing and consumption of refined products in the retail market of refined products of the country, as well as pricing of fuels and lubricants imported from the Russian Federation (RF).

At the opening of the roundtable, Bolat

Akchulakov, General Director of KAZENERGY Association, noted that internal market of refined products of the Republic of Kazakhstan is becoming extremely transparent and open for consumers and invited not only energy workers, but also the representatives of national mass media to introduce all important issues of the industry for discussion.

Agenda of the round table included the reports of representatives of:

JSC “Information-analytical centre of oil and gas” on “Dynamics of refined products consumption in 2000-2016 with reference to dynamics of the population number and growth of the number of cars in 2000 and in 2016”,

JSC “KazMunayGas – Refining and Marketing” on “Reconstruction and modernization of refineries of RK for the purpose of broad awareness of taken actions”,

“PetroSun” LLP on “Mechanism of refined products distribution to the regions of the Republic”,

“KazMunayGas Onimderi” LLP on “Development of filling stations through franchising”,

“Helios” LLP on “Pricing in the retail

market of refined products of RK, also pricing of imported fuels and lubricants from RF”.



Thus, Bagdad Kadirov, Director of Analytics and Project Management Department of JSC “Information-analytical centre of oil and gas”, told on the growth of consumed refined products in the country from 2001-2016. It turned out, that in the growth of the number of cars by 1000, consumption of refined products grows more than two times. Also, energy workers announced their forecast on increase of the number of cars in 2030: it is expected that by 2030, the number of cars will be 310 per 1 000 people, compared to the current indicator – 235 cars per 1000 people.

In turn, Nurken Murzagaliyev, Chairman

of “KazMunayGas Onimderi” LLP reported on development of filling station chain based on franchising scheme in Kazakhstan, its positive effects, requirements to potential partners and on the current status of the project implementation to participants of the round table. On franchising advantages, Nurken Murzagaliyev noted that the owners of filling stations working under “KazMunayGas” brand obtain broad opportunities to attract the clients and certain guarantees for the sales of fuel and goods at their filling stations.

Artur Nam, Director of Logistics Unit of “Helios” LLP, reported on pricing in refined products market, the theme of great interest for oil fuel consumers. Expert told on the structure of costs by the links of fuel and lubricants sales chain, including railroad rates for transportation across RK, as well as the costs of oil depots and filling stations. In addition,

the representatives of “Helios” calculated the cost of gasoline. Thus, the price per liter of the most demanded gasoline AI-92 is not less than 137-139 tenge. It was noted that the deficit of own-produced fuel has the greatest influence on Kazakhstan market, but, by the forecast of Daniyar Satybaldin, Deputy General Director for Marketing of JSC “KazMunayGas – Refining and Marketing”, Kazakhstan will be able to provide own gasoline next year. By the energy workers, reconstruction and modernization process at three refineries of the Republic of Kazakhstan in Atyrau, Pavlodar and Shymkent will be completed this year. This will allow to significantly increase gasoline production from 1100 thous. - 2 270 thous. tons per year, diesel fuel - from 1 200 thous. - 1 900 thous. tons per year and jet fuel - 235 thous. - 400 thous. tons per year.

In conclusion of the roundtable, Asset Magauov, Vice Minister of Energy, expressed intention of the Ministry to introduce certain changes to the section on subsoil user taxation in forming new tax code and code on subsoil in order to maintain the demand for the companies, workplaces and to support the market in general.



SCIENTIFIC TECHNICAL COUNCIL: CURRENT ISSUES OF GAS RE-INJECTION



On February 24, 17th meeting of Scientific and Technical Council of KAZENERGY Association on “Current issues of gas re-injection” was held.

Agenda of this meeting included discussion of gas re-injection technologies at three giant fields - Kashagan, Karachaganak and Tengiz.

During the meeting, the representatives of “PSA”, “Karachaganak Petroleum Operating” (KPO), “North Caspian Operating Company” (NCOC) and “Tengizchevroil” (TCO) presented their reports.

In his report on gas re-injection at Kashagan and Karachaganak fields, Khassanov Bakhytzhon Kenessovich,

Managing Director for “PSA” projects management, provided assessment for the field development process. The speaker provided detailed dynamic characteristics of the field wells. Kashagan field development is under pilot commercial development. In future, it is planned to increase oil production due to supplementary sour gas injection compression facilities. Also, Abzal Aitzhanov, Head of the group for gas injection of “Tengizchevroil” LLP Field Development Management, reported on sour gas injection at Tengiz field. He reported that this project will allow increasing and improving oil production due to maintenance of formation pressure and invasion, as well as increasing production due to unloading of the second generation plant (SGP). According to Aitzhanov, compression facility operation, well injection capacity, well bore reliability and productive capacity are also successful indicators of SGP. The company plans to continue using compression facilities and to increase their number soon.



Representatives of Karachaganak Petroleum Operating, research and development engineer Bakhytzhon Kaliyev and Senior Development Geologist Alibek Kassenov told on experience of gas re-injection at Karachaganak gas-condensate field. Experts noted the methods of geological and formation studies in three-dimensional geological and mathematical formation model, which helped to optimize and improve gas injection project management.

In turn, Zeinep Yesbulatova, Head of Technical Regulation Department of the Technical Directorate of NCOC, presented her report on gas development and injection at Kashagan field. Zeinep Yesbulatova noted that North Caspian has

specific features which create difficulties in filed development. The field will be



developed in complicated geological conditions with abnormally high formation pressure and high hydrogen sulphide concentration in formation fluids. Oil operations at the field are performed with utmost care and minimum impact on environment and bioresources of the project area, which are significant for the health of the population and economy of Kazakhstan and are international commons. By Yesbulatova, all required documents and approvals for gas injection are

received from the state authorities. Industrial experiment works on gas injection are scheduled for the second quarter of this year.

Satimov Arman Nurlanovich, Advisor to the Chairman of KAZENERGY Association, noted that gas injection is the key issue in gas production industry and offered to consider the questions of subsoil users at the separate meetings involving project institutes, representatives of state authorities and other interested parties.

In general, speeches and presentations of all reporters aroused much interest and continuous discussions of the meeting participants, who expressed their wishes and recommendations.

In conclusion, Karabalin Uzakbai Suleimenovich provided recommendations for all reporters to develop this field of study at universities, to contact research centers and to consider the possibility to

cover these materials in scientific and technical magazines.



THE 3RD "NATIONAL ENERGY REPORT" WILL BE PRESENTED WITHIN EXPO-2017 "FUTURE ENERGY"



KAZENERGY Association started active preparation of the 3rd National energy report (NER) timed to the International specialized exhibition EXPO-2017 "Future Energy".

On February 24, the First working meeting of the Steering Committee was held under the chairmanship of Uzakbai Karabalin. "The first two NER releases – he noted, - received positive feedback among the experts as well as among the representatives of state authorities and companies of the sector. And therefore, this

year the Association decided to continue this work involving the same international advisors - IHS Markit company".

By Karabalin, over the last two years, significant changes, which directly influence on energy sector, have occurred in political and economic life. In this connection, the Report should be focused on the acute problems and challenges faced by the sector today, as well as on formation of proposals on their resolution. At the same time, NER proposals should be balanced and should take into account the interests of all the Association members and the state as a whole. It is important that this work is performed in close connection with all energy market participants. That is why, - Deputy Chairman of the Association noted, - it has been resolved to establish the Steering Committee – a single authority, making resolutions connected with the Report preparation and approv-

al on behalf of KAZENERGY.



In turn, the Association partners – IHS experts - told on general approaches to the Report preparation. Polina Mirenkova, Deputy Director of IHS Markit, provided general information and main directions of the draft NER.

Matt Sagers, Managing Director of IHS Markit Eurasia, shared information on the key trends of the world energy and their influence on the market of Kazakhstan. He pointed out that despite significant growth of the use of renewable energy sources, next decades the

demand for traditional energy sources will increase, that may have positive effect for the prospects of development of Kazakhstan fuel and energy field.

By the results of reports, the meeting participants provided their proposals and comments on the most important moments which should be reflected in this analytical report.

The next meeting of the Committee is scheduled for the early June.



THE FIRST OFFICIAL PARTICIPANTS

We are delighted to announce that
European Commission Vice-President for Energy Union **Maroš Šefčovič** and
The Secretary General of the Energy Charter **Dr. Urban Rusnak**
have officially confirmed their participation in the Ministerial Conference and the Eighth International Forum on energy to be held in Astana on June 11-14.



NEW ASSOCIATION MEMBERS

KAZENERGY Association included six new companies:

“Maersk Oil Kazakhstan GmbH”,

“MOL (FED) Kazakhstan B.V.”,

“OMV Petrom S.A.”,

Representative office of China Petrochemical Corporation in Kazakhstan,

“KOPP” LLP,

“Projectstroysservice” LLP.

Ministerial Conference
and 8-th International Forum



Government
of the Republic
of Kazakhstan



UNECE
ESCAP
ECLAC
UNECA

**MEETING
THE CHALLENGE
OF SUSTAINABLE
ENERGY**

11-14 June 2017
Astana, Kazakhstan



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