

KAZENERGY INSIDE

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THE WORLD PETROLEUM COUNCIL IS INTERESTED IN TAKING PART IN THE EXPO-2017

Thus, over the period from October 26 to 28, Deputy Chairman of the Kazakhstan National Committee of the WPC – Deputy Chairman of the KAZENERGY Association Dzhambulat Sarsenov participated at the regular meeting of the Executive Committee of the World Petroleum Council – the largest international organization representing the interests of the global oil and gas community – held in New Delhi (India). The program of a three-day event includes meetings of the executive and program committees, as well as the WPC meeting.

Presentation of the largest in the near-term international project of Kazakhstan – EXPO-2017 became the main theme of the speech. “Participation in the EXPO-2017 provides a huge opportunity for increasing cooperation in social and technological spheres to implement policies to prevent climate change and to find solutions to reduce CO2 emissions. The world-famous exhibition EXPO is one of the greatest opportunities for further strength-

ening of bilateral relations. The total area of EXPO territories in Astana will amount to 174 hectares.

We expect that the exhibition will be attended by representatives from more than 100 countries and 10 international organizations, as well as about three million visitors. Today we have already received official confirmation from 49 countries”- said in a statement.

Previously the Council' participation in EXPO-2017 was discussed during the WPC meeting in 2013 in Calgary. Following the results of the meeting, the WPC President Renato Bertani expressed his intention to support the World Exhibition in Astana and to take part in it through holding specialized event of the World Petroleum Council regarding sustainable energy issues.

Furthermore, Dzhambulat Sarsenov introduced the key mechanisms to ensure the economic prosperity of the country which

are carried out thanks to the efforts of the President Nursultan Nazarbayev. First of all, these mechanisms include the program “Nurly Zhol – The way forward”, as part of which 90 priority projects of the economy with a total financial contribution of 9 billion US dollars will be realized, and “Economic Belt of the Silk Road”. The desire to ensure the economic security of the region is reflected in the joint project of Kazakhstan and China. “Energy supply and demand of China and Kazakhstan highly complement each other, while bilateral economic and trade exchange and cooperation continue to develop”, - said the Deputy Chairman of KAZENERGY.

More: <http://www.kazenergy.com/en/press-center/2011-04-18-15-52-18/13860-world-petroleum-council-shows-interest-in-expo-2017-participation.html>

X INTERNATIONAL CONFERENCE “OIL AND GAS STANDARD – 2015”

From October 26 to 29, 2015, representatives of the Association and members of the TC 89 “Equipment and technology of exploration and production of oil and gas” took part in the X International Conference “OIL AND GAS STANDARD – 2015” held in Astrakhan, the Russian Federation.

The conference was devoted to the analysis of the current state of reform of technical regulation and standardization in the EAEC countries, problems and prospects of development of the Russian oil and gas complex, as well as the role of standardization in solving the problems of import substitution.

The conference was traditionally organized by the Committee of the Russian Union of Industrialists and Entrepreneurs on technical regulation, standardization and conformity assessment.

A joint meeting of TC 23 “Oil & Gas Industry” / TC 523 “Equipment and technology of extraction and processing of oil and gas” was held as part of the conference.

The conference participants also visited a



unique corporate training center of PJSC “LUKOIL” which is designed to train staff in emergency situations in the offshore oil and gas facilities. Imitation of the following types of accidents was demonstrated:

1. Emergency landing of helicopter: imitation of emergency landing of passenger helicopter MI-8 at the helicopter pad of fire site. On average, an aircraft at the time of accident burns for two minutes, which means that time for saving people is very

limited.

The relevance and increasing interest in the problem of rescue of passengers and crew in case of emergency landing of the helicopter are conditioned by the growth of intensity of helicopter transportation serving offshore platforms.

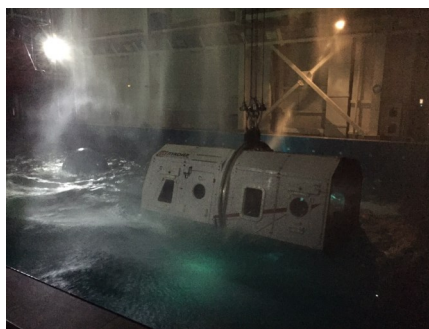


2. Cascade of burning stairs: an exercise to simulate skills of extinguishing the cascade of burning stairs using foam.

3. Oil platform: an exercise on fighting the fire which occurred during the emergency landing of the helicopter with the help of simulator modeling the part of oil platform.

4. The ATC highlight is a deep (the deepest in the region) pool with equipment for imitating the air disaster conditions. Technicians of the center are ready to recreate any – even the most severe weather conditions: strong wind (there are two powerful aeroguns), lightning (stroboscope), wave with a height of 2.5 meters and rain.

During training, the airframe with people sitting in it quickly falls into the water and turns almost half way. So that imitation of the crash is abundantly realistic.



AKTAU DECLARATION: SYNERGY AND LOCALIZATION



In early October the KAZENERGY Association, JSC “NC “KazMunayGas”, as well as three major operators of oil and gas fields in Kazakhstan – “North Caspian Operating Company N.V.”, “Tengizchevroil” LLP and “Karachaganak Petroleum Operating B.V.” held a Joint Forum of Suppliers “Aktau declaration: synergy and localization” in Almaty.

One of the most successful aspects of this cooperation is the implementation and realization of the principles of “Aktau declaration on joint actions” dated September 2012 expressed in the “support of the conceptual design of local content development in Kazakhstan”.

The declaration reflects intentions of the largest oil and gas operators of the Republic of Kazakhstan to develop the following priority activities in relation to the local content: development of the engineering industry and service industry, development of human resources and research and development activities (R&D), unification of the process of pre-qualification assessment and unification of tender procedures, as well as creation of a unified database of Kazakhstani industry. Implementation of the Declaration intentions is managed and controlled by the Ministry of Energy of the Republic of Kazakhstan.

The main purpose of the Forum is to familiarize the industry with the status of the Declaration execution as well as to promote development of the domestic market for the production of goods and services and localization of the priority product groups required for the oil and gas sector.

More: <http://www.kazenergy.com/en/press-center/2011-04-18-15-52-18/13826-joint-forum-aktau-declaration-synergy-and-localization-was-held-in-almaty.html>



The Ministerial Conference and the International Forum on Energy for Sustainable Development of the UN Economic Commission for Europe will be held as part of the Astana EXPO 2017

The decision was taken following the results of the 24th session of the Committee on Sustainable Energy of the UN Economic Commission for Europe (UNECE) held from November 18 to 20 in Geneva. The Republic of Kazakhstan was represented by the KAZENERGY Association in the name of the General Director Asset Magauov and the Executive Director Ramazan Zhampiisov. Main purpose of the visit was to discuss the prospects of bilateral cooperation as part of the program of activities of the International Exhibition EXPO-2017.

In this context, Asset Magauov held several bilateral meetings with the General Director of the UN Unit in Geneva Michael Meller, Chairman of the UNECE Committee on Sustainable Energy Jurgen Keinherst, Director of the UNECE Unit on Sustainable Energy Scott Foster, and also spoke at the meeting of the Committee with a presentation of EXPO 2017 in Astana. A decision of the Committee on Sustainable Energy to hold the Ministerial Conference and the International Forum on Energy for Sustainable Development of the UNECE in Astana in 2017 has become the successful outcome of negotiations.

It should be reminded that in the course of the X KAZENERGY Eurasian Forum which was attended by the UNECE Deputy Executive Secretary Andrey Vassilyev, an agreement was reached on joint cooperation.



During discussion of ways to develop sustainable energy it was stated that for ecology of our country it is very important to make a gradual replacement of coal power (about 60% of the energy consumption) with environmentally friendly sources: gas energy, renewable energy sources and nuclear energy. It should be noted that Kazakhstan has become the first country in the Asian region that created the national system for regulating greenhouse gas emissions. Kazakhstani legislation has a high level of stability for investments in renewable energy sources.

In addition, the range of experts discussed mechanisms to support renewable energy sources, ensure energy efficiency and reduce greenhouse gas emissions in the Republic of Kazakhstan. Kazakhstan has developed a mechanism to support the use of renewable energy sources, following the schemes of "special" tariffs implemented in the EU (and other countries). Due to the

high level of support for renewable energy sources in the legislation of Kazakhstan, renewable energy projects with a total capacity of more than 3,000 MW (14% of total installed capacity) have been submitted for consideration over the past two years it.

In terms of energy efficiency, the currently implemented policy on energy saving provides: introduction of various regulations and requirements in the field of energy consumption and operation of energy-using equipment, as well as a ban on the use of incandescent lamps and introduction of new requirements for project documentation. Large enterprises of the Republic are obliged till mid-2016 to conduct energy audits, on the basis of which to form plans for energy conservation and increasing energy efficiency. Taking into account international experience a mechanism of energy service contracts is being introduced in the country, which allows to attract investments in energy saving measures.

On November 3 in London a Memorandum of Cooperation between the KAZENERGY Association, LLP "PSA" and the UK Department of Trade and Investment was signed during the visit of the President of the Republic of Kazakhstan to the United Kingdom.

According to the Memorandum the parties agreed to establish a joint Working Group that will focus on promoting the establishment of a durable long-term partnership between the supplier companies of Kazakhstan and the UK in the field of oil and gas, including taking into account the principles of Aktau declaration on joint actions dated September 25, 2012.

The Joint Working Group will have the opportunity for better knowledge sharing, better coordination and focused attention on measures for advanced getting of results on the way of attaining common goals, such as organization of new partnerships that will increase the performance, technical capabilities and contribute to the competitive advantage of Kazakhstan, as well as support the growth of industrial oil and gas sector of Kazakhstan and provide opportunities for export to regional and international markets.

The initial focus of the Joint Working Group would be given to the production of equipment and components, as well as the services of specialists and experts to meet demand both at the capital and production stages (operation, maintenance/integrity of fields) of oil and gas fields development. Moreover, the Working Group will prepare a program for the development of cooperation in accordance with the agreed work assignment.

FORUM OF CONSTRUCTION COMPANIES



On November 9 in Astana the Forum of Construction Companies was held under the Future Expansion Project – “Tengizchevroil” LLP Wellhead Pressure Management Project under the chairmanship of General Manager on Relations with Government and Public of “Tengizchevroil” LLP Rzaabek Artygaliyev with the participation of 148 representatives of construction and service companies, including 68 domestic and 16 foreign companies, and members of the Expert Group of FEP-WPMP TCO. The Presidium of the Forum was led by the administration of the Ministries of the Republic of Kazakhstan represented by Vice-Minister for Investment and Development Rau A.P. and Vice-Minister of Energy Mirzagaliyev M.M., General Director of KAZENERGY Association Magauov A.M., Gen-

eral Manager of “Tengizchevroil” LLP projects K. Brannan, Deputy General Director of “Tengizchevroil” LLP Dzhakiyev A.S.

Forum participants heard presentations and reports of “Tengizchevroil” LLP on the current status of FEP-WPMP TCO, strategy of the project for local content, FEP-WPMP construction activities, volumes of construction work as part of the route of cargo transportation; moreover, a specialist in prequalification KPJV Sh. Bartram told about the prequalification process of FEP-WPMP project and requirements for construction companies.

At the end of the plenary session of the Forum Rzaabek Artygaliyev announced to members of the Expert Group that in December 2015 the project will continue to work over the editorship of the 7th Plan for the local content development.

Interactive sessions between Kazakhstani and foreign companies, and consultation on additional items by TCO administration were held at the end of the Forum.

ON THE INTERNATIONAL SYSTEM OF REPORTING STANDARDS ON CRUDE HYDROCARBON RESERVES



Within the frameworks of implementation of the Nation's Plan “100 concrete steps to implement five institutional reforms” in terms of introducing the international system of reporting standards on crude hydrocarbon reserves the Committee of Geology and Min-

eral Resources of the Ministry of Innovations and Development of the Republic of Kazakhstan formed the corresponding Target working group. On October 29 the first meeting was held during which the results of the work done were reviewed, and the Roadmap of activities for implementing the international system was discussed. KAZENERGY Association announced that first of all it is necessary to carry out analytical work to study the international experience of both countries taking leading positions in matters of subsurface use, particularly in attraction of investments to exploration, and our partners in the EAEC.

ADIPEC FORUM “WOMAN IN INDUSTRY”

In early November the International Oil Conference and Exhibition ADIPEC ended in the capital of the Emirates, as part of which the Forum “Woman in Industry” was held. The event was attended by members of the Executive Committee of the Women's Energy Club (WEC): Executive Director of the KAZENERGY Association Togzhan Kozhaliyeva, Deputy Director of the TCO Department of JSC NC “KazMunayGas” Zhanyl Kozhanazar and Director of the Branch “ConocoPhillipsNorthCaspianLtd” in Kazakhstan Almagul Ashikova.

At this year's Forum a large number of topical issues were discussed, including: How can women achieve success in today's challenging economic environment? How do men support and promote women's growth and development? The importance of achieving gender balance and equality in the workplace to improve business and society. The challenges of the traditional views of women in business: which women leaders today can inspire and be mentors for future generations of young women? Sheikha Lubna Al Qasimi, Minister of International Cooperation and Development, the United Arab Emirates, was one of the key speakers. She is among the most influential women in the world. The theme of her main sectoral report is: Why do women face difficulties – the importance of women in today's complex of energy market. “Thanks to the UAE reasonable wise policy the success of women in the country is caused by the collective desire to destroy barriers towards the opportunities for women. Women certainly need to show their qualities and abilities in order to benefit and attain good results”, - said Sheikh Lubna Al Qasimi.

Members of the delegation noted a large number of women who are industrial workers, engineers in the energy sector of the UAE occupying high positions. Unfortunately, there is no such indicator in Kazakhstan. All of them are active, advanced, highly educated women and mostly middle-class representatives.

REGULATION GREENHOUSE GAS EMISSIONS



On October 22-24, 2015 a meeting “On consideration of the cancellation or delay of actions under Chapter 9-1 “State regulation in the sphere of emissions and absorption of greenhouse gases” of the Environmental Code of the Republic of Kazakhstan” was held under the chairmanship of the Minister of Energy of the Republic of Kazakhstan Shkolnik V.S. Participants of the meeting noted that the current environmental legislation of Kazakhstan which regulates greenhouse gas emissions has legal conflicts, in view of which subsoil users have problems in terms of its application.

The protocol decision was accepted:

- Regarding the possibility of postponing actions of certain provisions of the Chapter 9-1 of the Environmental Code of the Republic of Kazakhstan not later than till 2020 prior to development of a clear mechanism to regulate greenhouse gas emissions;

- Regarding amendment of the Decree of the Government of the Republic of Kazakhstan “On approval of the Rules of distribution of quotas for greenhouse gas emissions” dated May 7, 2012 № 586 in terms of baseline exception and allocation of quotas with respect to the design capacity.

As a result of the agreements reached work is being done in 3 directions:

- Adoption of IAP for 2016-2020 developed in accordance with the current legislation of the Republic of Kazakhstan on the ground of the baseline;

- Introduction of amendments to the IAP in order to exclude the method of allocating quotas under the baseline and allocating quotas with respect to the design capacity;
- Legislative resolution of the issue of suspension of certain articles of Chapter 9-1 of the Environmental Code of the Republic of Kazakhstan.

Currently, the above directions are being worked out by the Ministry of Energy of the Republic of Kazakhstan jointly with the National Chamber of Entrepreneurs of the Republic of Kazakhstan, KAZENERGY Association and other industrial associations.

ENVIRONMENTAL POLLUTION DAMAGE EVALUATION

As part of the work on changes and amendments of environmental legislation the Association initiated the issue of changing approaches for determining the extent of damage by an indirect method (in order to avoid an emerging excessive burden on enterprises).

To this end, the Association together with the Association of mining and metallurgical enterprises engaged consultants to develop proposals and new formulas for determining the extent of damage. The approaches of calculation using the tax rate of payment and divisible factor designed by consultants were agreed upon by members of the Association and companies of the energy, mining and metallurgical industries after open-ended discussions during 2015.

A draft resolution of the Government of the



Republic of Kazakhstan on amending the Rules of the economic evaluation of damage caused by environmental pollution was initiated by the Ministry of Energy of the Republic of Kazakhstan and is currently being coordinated with government agencies and other stakeholders.

In June 2015 the Association initiated a target project in order to conduct research on the creation of ISOA and development of the investment proposal and feasibility study of the budget investment project which are necessary for its creation.

As part of this work, independent consultants were engaged out of the funds of the target membership fee of the KPO Company who developed and submitted for approval to the Ministry of Energy of the Republic of Kazakhstan a draft investment proposal comprising the following conceptual framework of creating the ISOA:

1. The ISOA should be created by integrating / joining it to the existing accounting systems of subsoil users in order to minimize the costs of affected entities. At the same time, replacement of existing equipment and appliances will not be required.

2. Formation of the system is assumed by gradual inclusion of objects into the ISOA with the purpose of consistent integration of objects from major hubs to smaller ones during the period from 2017 to 2020.

On November 10, 2015 the ISOA project, including the investment proposal, was presented at a meeting of the Scientific and Technical Council of the Association with the participation of representatives of subsoil user companies, transport and processing companies, following the results of which comments of companies were taken into account in further development of the project. Currently, a working group for ISOA development is being formed with participation of specialists of the Ministry of Energy of the Republic of Kazakhstan, JSC “Information-Analytical Center of Oil and Gas”, the Association and subsoil users. In addition, discussions on the draft of the investment proposal are held with the Ministry of Energy of the Republic of Kazakhstan and JSC “Information-analytical center of oil and gas”. After considering the results the investment proposal approval by the Ministry of Energy of the Republic of Kazakhstan, consultants in a timely manner will submit for consideration a draft feasibility study of the budget investment project.

ON THE DRAFT LAW OF THE REPUBLIC OF KAZAKHSTAN "ON AMENDMENTS AND ADDITIONS TO SOME LEGISLATIVE ACTS ON ENVIRONMENTAL ISSUES"



On October 16 the Committee on Ecology and Natural Resources Management of the Majilis of Parliament of the Republic of Kazakhstan presented the draft law "On amendments and additions to some legislative acts on environmental issues" which had been developed by the Working Group under the Ministry of Energy of the Republic of Kazakhstan with the participation of government agencies, industry associations and companies-users of natural resources in the period from October 2014 to April 2015.

This draft law includes amendments on the following directions elaborated by members of the Association:

- 1) inclusion of technological failures/rejection of equipment in case of technically unavoidable gas flaring;
- 2) optimization of administrative procedures by combining the state environmental expertise and permits for emissions into the environment;
- 3) separation of powers of government bodies when considering development programs of associated gas processing by eliminating its coordination with the competent environmental authority;
- 4) reduction of the base of liability for exceeding emission standards by excluding from it the cases of deviations from the project documentation submitted for the state

environmental expertise, as well as development projects of associated gas processing which do not entail excess of emission standards.

Currently, one meeting of the Working Group of the Majilis of Parliament of the Republic of Kazakhstan was held, following the results of which development of the deputies' comments received is being conducted in working order. It should be noted that discussion of the draft law by the Working Group of the Majilis of Parliament of the Republic of Kazakhstan in accordance with the schedule will be held until March 2016.

Moreover, with a view of further practical implementation of the proposed amendments on the inclusion of technological failures/rejection of equipment in case of technically unavoidable gas flaring the Association initiated the target project for the development of amendments and additions to the Methodology of calculating the standards and volumes of flaring of associated and (or) natural gas during oil operations.

As part of the target project JSC "Information-Analytical Center of Oil and Gas" will be involved with the provision of target membership fees by KRO, NCOC companies in order to analyze the corresponding international experience of acceptable parameters when performing unplanned technologically unavoidable gas flaring, statistics of Kazakhstan's operating enterprises, development of changes and additions to the above Methodology and other matters necessary for implementation of the proposed amendments to the Law "On Subsoil and Subsoil Use" at the sub-legal level.

SCIENTIFIC AND TECHNICAL COUNCIL MEETING

10 November 2015, the Scientific and Technical Council (STC) of KAZENERGY Association held a meeting attended by Kazakhstan's First Energy Vice-Minister U. S. Karabalin

The meeting participants discussed the following topics: implementation of the Law "On subsoil and subsoil use" in the field of accounting and reporting by companies involved in the oil turnover. The requirements of the oil accounting information system (OAIS) to the accounting systems of subsoil users, oil and oil transportation companies, and refineries; shale gas and shale oil exploration, development and production of hydrocarbons (oil and gas) from low-permeability shale strata of Kazakhstan; down-well fiber-optic systems; composite protective materials ARC, their scope and application.

In reference to the OAIS issue, currently, the problem is especially acute in accounting transparency, control of shadow oil turnover, monitoring of effective oilfield exploitation by the state and consequences of tax increases. The created oil accounting information system will also contribute to the implementation of one of the 100 Steps of Five Presidential Reforms, which is ensuring online access for the Kazakhstani public to statistical database of the advanced extractive industry of Kazakhstan. In this regard, the STC members are requested to elaborate proposals on the implementation of the Law "On subsoil and subsoil use" in terms of accounting and reporting by companies involved in oil turnover and to elaborate OAIS requirements to the accounting systems of subsoil users, oil and oil transportation companies, and refineries.

More: <http://kazenergy.com/en/press-center/2015-04-18-15-52-18/13882-10-november-2015-the-scientific-and-technical-council-stc-of-kazenergy-association-held-a-meeting-attended-by-kazakhstans-first-energy-vice-minister-u-s-karabalin.html>

MEETING OF THE COMMITTEE OF OIL AND GAS INDUSTRY OF "ATAMEKEN" NATIONAL CHAMBER OF ENTREPRENEURS OF THE REPUBLIC OF KAZAKHSTAN



On 11 November held 14th meeting of the Committee of Oil and Gas Industry of "Atameken" National Chamber of Entrepreneurs of the Republic of Kazakhstan. Representatives of the Ministry of Energy of RK, State Revenue Committee of MF of RK, KAZENERGY Association, KazMunaiGas NC JSC, KazMunaiGas – Refining and Marketing JSC etc. attended the meeting.

The agenda was quite busy, in particular, the report on the results of X KAZENERGY Eurasian Forum, report on the activities of Kazakhstan Association of NDT and technical diagnostics were read and approved. The issues on extension or cancellation of the installation of metering devices at tank farms in 2016, regulation of greenhouse gases were discussed in details. Also complex analysis of oil and gas industry needs in technical standards and problematic issues of interstate standards, technical regulations in oil and gas industry, including within the Cus-

toms Union, Eurasian Economic Union, were considered.

Successful results of conducting Anniversary KAZENERGY Forum are pointed out. This year, the event was attended by about 3230 people from 53 world countries. Media coverage was made by over 100 mass media organizations.

The most important and hotly discussed item on the agenda of the meeting was control metering devices for tank farms (CMD). According to the opinion of the business community, more detailed review and transition to new CMD systems will take time, and some points of legislation need amendments and additions, as previously specified date of January 2016 - reduces the time for transition to CMD installation, which greatly affects the production and financial situation of tank farms and fuel stations.

The work is conducted on greenhouse gas regulation in the part of suspension of particular articles of chapter 9-1 of the Environmental Code of the RoK "State regulation of emissions and absorption of greenhouse gas", development of National plan for the allocation of quotas for greenhouse gas emissions for 2016-2020 based on calculations of GG emissions on the designed capacity of the enterprises.

MEETING OF THE COORDINATING COUNCIL FOR HUMAN CAPITAL DEVELOPMENT OF KAZENERGY ASSOCIATION

On November 16 a regular meeting of the Coordinating Council for Human Capital Development was held in KAZENERGY Association under the chairmanship of the President of BG Kazakhstan Peter Kostello. The meeting was attended by representatives of KAZENERGY, JSC NC "KazMunaiGas", JSC "KazTransOil", JSC "KEGOC", BG Kazakhstan, NCOC, "Tengizchevroil" LLP, TethysPetroleum, AgipCaspianSea BV, KPI, SOUTH-OIL, as well as the Ministry of Energy of the Republic of Kazakhstan, Information Analytical Center for Employment of the Ministry of Public Health and Social Development of the Republic of Kazakhstan and others. The meeting marked the end of this year and was devoted to projects implemented in 2015 and plans for the coming period.

Thus, following the results of cooperation between KAZENERGY and JSC "CNPC "Ai Dan Munai" on implementation of contractual obligations, 237 students are studying at the expense of the subsoil user in universities and colleges of the country. As part of the administrative functions of training citizens of the Republic of Kazakhstan education of selected 328 students will be paid for in the scale of the North Caspian and Karachaganak projects. In both cases, priority was given to representatives of students among vulnerable population. In addition, as part of the KAZENERGY educational program for 2014-2015 academic year with the support of KazMunaiGas, Mangistaumunaigaz, Chevron and Intergas Central Asia, 91 people received scholarships and grants for education. Moreover, this year for the involvement of students with technical specialties in solving actual problems of the industry, development of innovative thinking and involvement of young people in the movement for the development of innovative ideas the following activities were carried out: Debate Tournament "Oil – energy of the past, present and future", Competition of developers of innovative projects "Innovation man", meetings of contest winners with the Vice-Minister of the Ministry of Energy of the Republic of Kazakhstan Karabalin U.S.

More: <http://kazenergy.com/ru/press/2011-04-18-15-52-18/13891-----kazenergy.html>



TRANSFER PRICING



In accordance with decisions of the Committee of Oil and Gas Industry of the Presidium of the National Chamber of Entrepreneurs of the Republic of Kazakhstan, on October 20, 2015 a Working Group was created under the Kazenergy Association in order to develop proposals for amendments and additions to the Law of the Republic of Kazakhstan "On Transfer Pricing" regarding the issues related to the oil and gas and energy industries.

Participants of the Working Group include subsoil users engaged in the export of crude oil to various export routes, consulting companies, representatives of the Committee of State Revenues of the Republic of Kazakhstan, the Ministry of National Economy of the Republic of Kazakhstan, the Ministry of Energy of the Republic of Kazakhstan.

Areas of activities of the Working Group are:

Development of the Methodology of pricing in export operations with crude oil;

Elaboration and introduction of amendments to the Law of the Republic of Kazakhstan "On Transfer Pricing".

It is planned to finalize elaboration of the Methodology of pricing in export operations with crude oil before the end of 2015.

THE INTRODUCTION OF THE OFFSET POLICY

On November 10, 2015 at a meeting of the Interdepartmental Commission on legislative activities under the Government of the Republic of Kazakhstan (hereinafter – IDC) the Concept of the draft Law of the Republic of Kazakhstan "On offset agreements" (hereinafter – the Concept) was discussed, which resulted in approval of the Concept with due consideration of the comments and suggestions of the IDC members.

The basic idea of introducing the offset policy in Kazakhstan is the supply of foreign high-tech products bought from non-resident suppliers in exchange for attracting foreign investments in order to create high-technology and science-intensive enterprises in the Republic of Kazakhstan.

At the same time, one of the innovations according to the Concept is the spread of offset obligations on subsoil users when purchasing TRU (with a certain threshold value) which are not produced in the territory of the Republic of Kazakhstan from non-resident suppliers.

The Association expressed conceptual comments on the subject (no clear legal grounds for imposing these public challenges to subsoil users, the lack of such practices in relation to subsoil users in other countries, undesirability of imposing additional duties on the subsoil users, complication of the procurement process, a possible increase in the cost of TRU, etc.).

During discussion of the Concept at the IDC meeting the representative of the Ministry of Investment and Development of Kazakhstan (the developer) explained that the offset obligations will not be applied to previously concluded contracts on subsoil use, and will be applied to new extraction contracts.

Following the IDC meeting, the Association re-directed questions and comments available to the developer (the Ministry of Investments and Development of the Republic of Kazakhstan), the Ministry of Energy of the Republic of Kazakhstan and SPE of the Republic of Kazakhstan "Atameken" with the proposal to take them into account when developing and reviewing the draft law.

ON TAX REMISSIONS FOR SUBSOIL USERS

Regarding export customs duties (ECD) the Ministry of National Economy of the Republic of Kazakhstan determined the list of goods which are subject to export customs duties, their rates and duration, as well as the Rules for calculating the rates of export customs duties for crude oil and products produced from crude oil. At the moment, members of KAZENERGY Association are considering this issue and are working on the vault of comments and suggestions. In addition, on November 11, 2015 the Government of the Republic of Kazakhstan approved amendments and additions to the Decree of the Government of the Republic of Kazakhstan dated December 31, 2010 № 1528 "On approval of the Rules for classifying the hydrocarbon fields (group of fields, part of field) as low-margin, highly viscous, flooded, low-yield and developed ones and the order of taxation in terms of the tax on extraction of mineral resources". These amendments are aimed to reduce the overall terms for consideration of subsoil users applications



by public authorities for obtaining preferences; regimentation on terms of the procedure of inquiry, submission and consideration by public authorities of additional information substantiating calculations presented by the subsoil user in his application; regulation of the concept of the reporting period for which it is necessary to provide a copy of the financial statements (unaudited) when applying by subsoil user and mitigation of requirements that are the basis for refusal in obtaining preferences.

“CLASSIFIER OF OCCUPATIONS” AND THE ROLE OF PROFESSION LIST



On November 18 the draft Classifier of Occupations (professions, positions) was discussed at the National Chamber of Entrepreneurs of the Republic of Kazakhstan “Atameken”. Director of the Department for human capital development Lyazzat Akmurzina told about the list of professions of oil and gas industry grouped by type of work and areas of professional activity.

The Association proposes to make some amendments to the draft Classifier of Occupations:

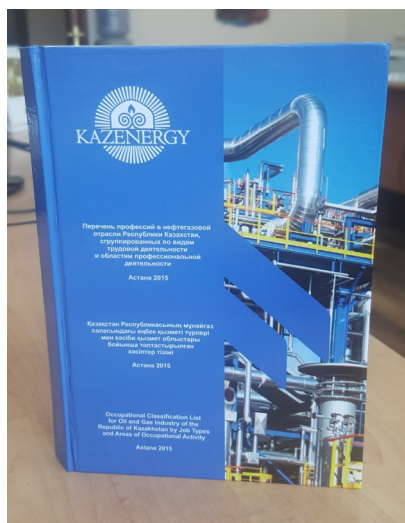
1) To identify all the professions of workers and positions of employees of oil and gas industry according to their specificity and type of activity (occupation associated with the exploration of oil and natural gas; associated with drilling of crude oil and natural gas; occupations related to extraction of crude oil and natural gas).

2) To expand the range of qualifications of professions of workers and positions of employees by occupation of subindustry to level 5 and continue qualifications of code 90 (occupation in the field of administrative and production management) to 6 and 7 levels, which is harmonized and identified with the levels of qualifications in various regulations classifying levels of Qualifications: All-Union Classifier of the professions of workers, employees and job wage categories; Single wage-rate reference book; Qualification guidance book of managers, professionals and other employees; Qualifier of professions of technical, vocational, post-secondary education; Qualifier of specialties of higher and postgraduate education; National Qualifications Framework and

the Sectoral Qualifications Framework.

3) All activities on geodetic and geological study: the study of the earth's surface and the adjacent soil layers; hydrological survey works; research on the underground layers; cartographic activities associated with the demarcation of borders and others should be defined in the general section “Activities in the field of engineering research and technical consultations in this area” according to the General Classifier of Economic Activities of the Republic of Kazakhstan, or to define them in the “Occupations associated with drilling of crude oil and natural gas”.

KAZENERGY Association currently conducts activities in other areas in the field of classification of occupations, which are planned to be completed in the near future.



Main task of the Association in this regard is the necessity of inclusion of all professions in the oil and gas industry into the Classifier of Occupations in accordance with the new tariff-qualification characteristics of the sector adopted in 2015, the List of professions and positions in the oil and gas industry and other relevant documents.

“100 CONCRETE STEPS – PEOPLE’S REFORM PLAN”

This was the title of a Scientific-Practical Conference held on November 13, 2015 in Almaty with the participation of the National Commission for Women Affairs, Family and Demographic Policy in collaboration with the UN Development Programme in Kazakhstan (“UNDP”).

The main task during the event was to discuss the role of women in implementation of reforms set by the Head of the State Nursultan Nazarbayev. The conference was attended by the Secretary of State of the Republic of Kazakhstan, Chairman of the National Commission for Women Affairs, Family and Demographic Policy under the President of the Republic of Kazakhstan G. Abdykhalykova, Akim of the city of Almaty B. Baibek, Acting UNDP Resident Representative in Kazakhstan Munhtuya Altangerel, Deputy Chairman of the Agency for Civil Service Affairs and Anti-corruption of the Republic of Kazakhstan S. Akhmetzhanov, representatives of government agencies, NGOs, experts and others. According to the speakers concepts of the rule of law, human capital development, economic growth, strengthening of the Kazakhstani identity through the development of a system of values “Mangilik El”, development of innovative projects, preservation of national traditions, education through the family, the prospects for improving the quality of population’s life through the formation of accountable state, empowerment of women in the formation of the modern state apparatus and many others issues acquire now particular importance. A report of KAZENERGY Association was presented by the Executive Director of KAZENERGY Association Lyazzat Akhmurzina in which she talks about the KAZENERGY project – “Information - analytical review “Women in oil and gas industry” (research on the example of oil and gas industry). One of the objectives of the study will be to follow women's involvement in oil and gas industry in its “male” professions. Moreover, the entire section will be devoted to describing the history of oil in the Republic of Kazakhstan and the aspect of “woman in oil and gas industry”. Furthermore, the survey will reflect programs and initiatives of oil and gas companies which are aimed to support working women in the form of case studies.

UP-COMING EVENTS

KAZENERGY ASSOCIATION COUNCIL



On December 9, 2015 the 19th extended meeting of the Association Council will be held.

Agenda of the Council meeting will include the following issues:

- Report of the Executive Committee for 2015 on the work done;

- On the results of the Anniversary X Eurasian Forum «KAZENERGY»;

- On the activities of the Association in 2016.

The Council will be attended by the first heads of all member companies of the Association.

The Association Council is the collegial management body chaired by the Chairman of the Association who organizes and coordinates its work. The competence of the Council includes specification of the priorities of the Association activities and resolution of other issues.

THE COORDINATING COUNCIL FOR OIL AND GAS INDUSTRY DEVELOPMENT



On December 2, 2015 it is planned to hold the regular meeting of the Coordinating Council for oil and gas industry development in order to discuss topical issues and tasks for 2016.

The agenda includes issues on the implementation of targeted projects of KAZENERGY Association in development of the Code "On Subsoil and Subsoil Use", in the work on amendments and additions to the "Tax Code of the Republic of Kazakhstan", in the work on amendments and additions to the Law of the Republic of Kazakhstan "On Transfer Pricing" for 2016, in a study on the establishment of information system of accounting of

crude oil and petroleum products. The Department of Technical Regulation of KAZENERGY Association will participate in development of regulatory and technical documents of the Ministry of Energy of the Republic of Kazakhstan. Moreover, the agenda considers discussion of problems by members of the Association: regarding reduction of cargo base for oil fleet of the Republic of Kazakhstan, proposal to amend the Article 92 of the Law of the Republic of Kazakhstan "On Subsoil and Subsoil Use" on the construction of wells.

THE 26TH SESSION OF THE ENERGY CHARTER CONFERENCE



On December 3-4, 2015 the 26th session of the Energy Charter Conference will be held in Tbilisi, Georgia.

On December 3, 2015 the Charter part of the Conference will be held. On December 4 Ministerial part on "Development of regional cooperation through cross-border trade in energy sources" will be held.

Purpose of the Ministerial part of the 26th session of the Energy Charter Conference is to provide a global forum to discuss issues related to the promotion of regional cooperation through cross-border trade in energy sources.

The main topics for discussion will include:

- The role of cross-border trade in energy sources in ensuring energy security at the regional and global levels;
- The role of large-scale projects on creating infrastructure of transportation of energy sources for sustainable development;
- The role of regional cooperation for promoting investments in sustainable energy and promoting integration of the energy market;
- The beneficial effect of multilateral frameworks for the promotion of cross-border trade in energy sources and diversification of transportation routes.

The Ministerial part of the Conference will be attended by ministers of relevant ministries of the member countries of the Energy Charter, as well as senior executives of energy companies. It is necessary to remind that the 25th session of the Energy Charter Conference was held last year in Astana.

CONGRATULATIONS ON THE DAY OF THE FIRST
PRESIDENT AND THE INDEPENDENCE DAY OF KAZAKHSTAN!



Dear members and partners!

December for our country is marked by two major national holidays – the Day of the First President (December 1) and the Independence Day (December 16). Thanks to reasonable policy of the Head of the state Kazakhstan continues to develop steadily. Particular attention is paid to the support of various sectors of the economy including energy industry. Much is made for attracting investments; decent conditions are created for business.

On the eve of these main dates KAZENERGY Association congratulates members and partners, and sincerely wishes stable growth, successful overcoming of obstacles, patience, prosperity to all companies, employees and their families!



If you want to publish your information in the bulletin, please contact the press office of the KAZENERGY Association
Tel: +7(7172) 710181
Alimova@kazenergy.com
www.kazenergy.com