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State Prize of RK for 2015 in the field of the Science and Technology named after Al-Farabi

A number of the reputable oil and gas workers, by Presidential Decree, have been awarded a State Prize of RK for 2015 in the field of the Science and Technology named after Al-Farabi, for the series of works on the theme “Scientific substantiation of hydrocarbon potential of the Republic of Kazakhstan”.

Namely:

1. Ural Akchulakov – Deputy General Director, “AkAi Consulting” LLP, Candidate of Geological and Mineralogical Sciences, Academician of the Academy of Mineral Resources of the Republic of Kazakhstan;

2. Geroy Zholtayev – Head of the department of geology of oil and gas, non-commercial “Kazakh National Research Technical University named after K.I. Satpayev” JSC of

the Ministry of Education and Science of Kazakhstan, Geological and Mineralogical Sciences Doctor, Professor, Academician of the International Academy of Mineral Resources;

3. Kurmangazy Iskaziyeu – General Director, KazMunayGas Exploration & Production JSC, Candidate of Geological and Mineralogical Sciences;

4. Pyotr Kovrizhnykh – First Deputy General Director, “Scientific-Production Center “Geoken” LLP, Candidate of Geological and Mineralogical Sciences;

5. Baltabek Kuandykov – President, “Meridian Petroleum” LLP, Geological and Mineralogical Sci-

ences Doctor, Academician of the Academy of Mineral Resources of the Republic of Kazakhstan;

6. Yevgeniy Ogai – Deputy General Director on production and drilling of “KazMunayGas” Research and Development Institute of Production and Drilling Technology” LLP, “National Company “KazMunayGas” JSC, Technical Sciences Doctor.

FUTURE TRENDS OF WORLD ENERGY DEVELOPMENT

LOCAL CONTENT, SCIENCE, INNOVATIONS IN OIL&GAS



On November 23, 2015, KAZENERGY Association in cooperation with KazMunayGas National Company conducted regular meeting of the Strategic Expert Club on the theme: "World energy development trends".

The meeting of the club was attended by the representatives of Presidential Administration of RK, the Ministry of Energy of RK, Ministry of Foreign Affairs of RK, "Nur Otan" party, National Chamber of Entrepreneurs of RK, scientific research organizations (KISS under the President of RK, Economic Research Institute, Strategic Studies and Forecasting Service, Institute of Economics, Production and Drilling Technology SRI, Economic Policy Institute, Center for Macroeconomic Research), KazMunayGas NC and its subsidiaries, Society of Petroleum Engineers (SPE), and the members of Bolashak Association.

Pereslegin Sergey Borissovich, well-known Russian expert, head of the range of research groups was a speaker. Darmen Sadvakassov, Director of Strategy and Summary coordination work Department of KazMunayGas NC was the moderator.

In his speech, the speaker reported on different methodological approaches and tools for forecasting (foresight, delphi method, simulation, discrete and continuum scenario planning, designing the future), noting the importance of strategic planning in decision-making, and shared his own results of foresight studies and long-term technological world energy forecasts.

Within this, S.Pereslegin reported on brief history of oil and economic crises, marking the global energy issue, since modern energy cannot cope with all the volume of current consumer requirements and, especially, with projected growth of these requirements. For example, in Russia, shortage of electricity will increase by 2.2 GW per year, and in the global scale – approximately by 50 GWh per year. Under these conditions, the current trend to energy saving is a natural process, although it leads to slower economic growth due to the slowdown of industrial and municipal energy consumption.

At the same time, the expert noted that in the context of globalization we cannot cope with energy resources deficit only through economy measures, in connection with this, currently observed geopolitical and geo-economic changes are being artificially formed. During the meeting, alternative scenarios of long-term global energy development, such as possible renaissance of coal industry,

extensive hydraulic engineering development, "revolution" in atomic energy, renewable energy sources innovative development were considered. Thus, "Energy-efficient future" scenario implementation involves clean energy development, smart-technologies ("smart" networks and "smart" energy saving buildings), the use of international law mechanisms for the establishment of strict environmental regulations (ecolonialism). It is particularly noted that each scenario saves considerable role of hydrocarbon resources (oil and gas), although with their gradual displacement from basic power generation into the transport sector and their relative share reduction.

Within the active discussion, the experts also raised the issue of real oil prices. According to most participants, the current oil price is significantly undervalued. According to experts, the equilibrium oil price in relation to the cost of metals, raw materials and food products (uranium, gold, grain, etc.), is at the level above 100 USD per barrel. This means that to achieve global balance, a substantial increase in oil prices or significant drop in the value of other commodities should occur.

Experts believe that the most promising trend of world energy development, formed under the technological development influence is a stable trend in transition to renewable energy with large-scale development of "carbon-free cities". Trends in the advanced development of oil and gas complex and transition to nuclear energy on fast neutrons and closed nuclear cycle are indicated as highly promising. Possibilities of forming hydrogen economy, involving the active use of the engine with hydrogen cells as the transformer between the different types of energy are separately marked.

Within this, experts agreed that oil and gas industry, as a key for the country's economy, has great opportunities for clustering and development of related industries.

KAZENERGY Association discussed issues of local content development in the oil and gas industry procurement and realization of R&D projects under the Road Map at the Coordination Board meeting on science, innovations and local content development.

This meeting was chaired by Duncan van Bergen, Shell Country Chair in Kazakhstan and attended by the top-management from PSA, KPO B.V., BG, Agip Karachaganak B.V., NCOC, KMG-onimderi, Intergas Central Asia and other businesses.

The meeting agenda included introduction of a new data base (portal) of petroleum industry vendors (ALASH); further steps on the development of investment relations with the United Kingdom; adoption and operation of *early tender* mechanism; legal regulation of procurements in the area of subsoil use; implementation of the Road Map for research and technological development; and research activity examples of Association Members, etc. It is anticipated that Operators of three large-scale projects (TCO, KPO and NCOC) will be able to use the ALASH system from February 2016 to search goods and services vendors, which will be assessed to client's requirements (pre-qualification). Based on provisions of the Aktau Declaration for Local Production Development in Kazakhstan, new joint ventures with UK companies will be established to manufacture goods and equipment for oil and gas industry. As many as 40 British companies are willing to cooperate with Kazakh companies. In addition, to date early tender project has been commenced as agreed with PSA LLP meaning that investment is made at the stage of production start ensuring guaranteed business orders. To date KPO and NCOC have defined 10 early tenders. In addition, as instructed by the Government, the Road Map has been developed to create clusters in the oil and gas industry. Project's goal is to enhance the productivity, efficiency and competitiveness of local companies at the national and world markets based on the geographical concentration of inter-related enterprises: proximity; technology similarity; common feedstock base etc. Read more:

<http://kazenergy.com/en/press-center/2011-04-18-15-52-18/13917-local-content-development-science-and-innovations-in-oil-and-gas-industry.html>

Environmental issues of subsoil use



On November 27, the meeting of Coordination Council on the issues of environmental protection, social responsibility and transparency chaired by Vincent Spinelli, managing director on HSE, KazMunayGas NC JSC was held at KAZENERGY Association.

The issues of changing the environmental legislation, implementation of the Initiative for Production Industry Transparency (IPIT) and GG emissions regulation system functioning were discussed. Currently, the draft Law “On amendments and additions to some legislative acts on environmental issues” is being considered by the Mazhilis of RK. The document provides exclusion of alignment of Gas Utilization Program (GUP) with environmental authorities, responsibility for deviation from gas flaring “scenarios”, environmental permits and extension of cases of technically unavoidable gas flaring. With respect to responsibility for environmental damage caused in the part of tax rates 10-fold increase in the rates of payment for excess emissions and 20-fold increase in the rates of Maslikhats is excluded, however, state agencies 20 times increased the basic rate of gas flaring. Further work on changing the rates of payments and the list of contaminants according to OECD countries experience is being conducted. Moreover, the Rules of the economic assessment of damage caused by environmental pollution were changed: exclusion of unjustified multiplying factors, introduction of a single formula on emissions (stationary sources/flares), linking of environmental damage to the rates of the Tax Code of RK.

Concerning IPIT issues – according to Asset Magauov, General Director of KAZENERGY Association, by validation results of the previous year, according to the assessment of independent audi-

tors, Kazakhstan met all the standards of Initiatives of Production Industry Transparency. Kazakhstan is the first country that published reports on the activities according to IPIT principles for 2014. Thus, our country is at the forefront among the countries participating in the initiative. Today, such large countries as Canada and Norway joined IPIT. For more information about IPIT, visit <https://eiti.org/ru/Kazakhstan>

During the meeting, shortcomings of GG (CO₂) emissions regulation system were discussed. The participants discussed the existing GG emissions quota allocation mechanism. It was noted that unregulated economy sectors, such as housing and utilities, transport, which shall not be required to reduce emissions of harmful substances into the atmosphere, in fact occupy a significant part in the total volume of CO₂ emissions. To date, KAZENERGY Association, “Atameken” NCE of RK together with the Ministry of Energy and other industrial associations consider a range of measures, including amendments to the current legislation to improve greenhouse gas emissions regulation system.

On November 26-27 in Aktau was held a Meeting of the Work Group on Supply, Infrastructure and Markets

The meeting was organised by Akimat of Mangystau region, the United Nations Economic Commission for Europe and the UNECE Gas Center. Discussed were the new projects in the field of gas supply infrastructure: development and obstacles. Discussion was attended by Akim of Mangystau region Mr. Alik Aidarbayev, Director of Sustainable Energy Division, UNECE Mr. Scott Foster, Deputy Minister of Energy of the Republic of Kazakhstan Mr. Magzum Mirzagaliyev, Secretary General of International Gas Union Mr. Torstein Indrebo, and others. Executive Director Mr. Rustem Kabzhanov spoke on behalf of KAZENERGY Association. In his speech he noted the importance of gas industry development in Kazakhstan, taking into account the need for gasification of Kazakhstan, in particular the regions of South, North and East of Kazakhstan, which are short of gas. Currently, the main gas producing region is the West Kazakhstan Region. Beineu-Shymkent-Bozoi gas pipeline has been commissioned to supply the gas from west to south regions of the Republic of Kazakhstan. In addition, Kazakhstan has a transit capacity for transportation of gas from Turkmenistan, Uzbekistan and Kazakhstan to China. The possibilities for transit and joint operations with the countries of Caspian region are being considered. Along with the production of liquid hydrocarbons that make up the lion's share in the production of hydrocarbons in Kazakhstan, the share of natural gas production is insignificant, and to date, the entire bulk of it goes to the injection into the reservoir in order to maintain the production. Once the part on extraction of liquid hydrocarbons is implemented, our oil and gas companies will be able to switch to the gas production. In addition, according to R. Kabzhanov, it is necessary to resolve the issues of increasing the attractiveness of investing in projects of gas exploration and production, considering prevailing market prices for raw hydrocarbons.



On November 26, 2015, the National Board for Technical and Vocational Training held a session chaired by Deputy Prime Minister of the Republic of Kazakhstan D.N. Nazarbayeva.

Session speakers included Minister of Education and Science of RK A.B. Sarinzhapov speaking on implementation of recommendations of the 2014 Parliament Hearings on quality and prospects of economic training in the technical, vocational and higher education system, the 2016-2019 RoK State Program for Education and Science Development; Vice Minister of Healthcare and Social Development of RK S.K. Zhakupova reporting on *the Assessment of Staffing Requirements in the Areas of Economy*; Deputy Akim of Kyzylorda Region R. Kenzhekhanuly reported on the adoption of innovative approaches for development of technical and vocational training throughout the Kyzylorda Region following recommendations of the Parliament Hearings; and Akim of Kostanai Region M. Zhundubayev delivering report on *Defining the staffing requirements in the region as a mechanism to achieving indicators of the above-mentioned State Program*.

Other participants:

N. Altayev, Deputy Chairman, NEC "Atameken";

E. Sadvakassova, Chairman, Manage-

ment Board of Holding "Kasipkor;

S. Abdenov, Managing Director for Human Resources Management and Remuneration, NC KazMunayGas JSC;

T.M. Taitulleyev, Director of Almaty State College of Energy and Electronic Technologies.

During the course of the session, the Ministry of Education and Science was recommended to be actively involved jointly with relevant state authorities in the work of industrial boards on technical and vocational training, development of integrated module educational programs based on profession standards and elaborate measures on development and renovation of the material and technical base of colleges. Recommendations for NEC included drafting of proposals jointly with state authorities on creation of independent centers for certification of graduates of technical and vocational organizations. Akims of Astana and Almaty have to strengthen the efforts on involving employers in staff training and the work of regional boards. The Ministry of Healthcare and Social Development, in cooperation with state authorities, is required to assist with provision of occupational guidance through awareness efforts for school students and their parents on future staff requirements.



Oil spill preparedness & response matters were discussed by representatives of Ministry of Energy RK jointly with experts from industry businesses.

Seminar was conducted under the road map for research and technological development of the oil and gas production sector, Target Section 5. KAZENERGY Association General Director Aset Magauov welcomed seminar participants. The basic message of the event embraced key elements to successful response to oil spills, defining of basic principles, Kazakhstan's compliance with the international best practices, compatibility with the RoK Laws, action planning in case of emergency and the response strategy; cumulative environmental benefits, response in line with the climatic conditions, new international technologies (chemical collectors) and national planning of preparedness and response in Kazakhstan.

Speakers:

Askhat Khassenov, Director of Oil, Gas and Chemical Industry Development and Technical Regulation, Ministry of Energy of the RK;

Zhaksybek Kulekeyev, Advisor to General Director of KMG Research Institute of Production and Drilling Technologies;

Peter Taylor, OSPRI Manager;

Steven Sleep, Regional Representative (North Africa & Caspian), Senior Spill Response Specialist/ Trainer OSR Ltd;

Gani Zharikessov, Crisis Management and Communication Manager NCOC.

The experts addressed potential use of international emergency response approaches in Kazakhstan including multi-level response preparedness approach, risk assessment, availability of equipment – methods for oil spill response (mechanical collection, chemical dispersion, controlled combustion of the spilled oil), bringing into compliance the legal framework to ensure these approaches can be applied. Clear division of powers of state authorities is required as well. Currently, the state authorities are reviewing the International Convention on Oil Pollution Preparedness, Response and Co-operation (1990). The Aktau Protocol on Regional Readiness, Response and Cooperation in case of oil pollution incidents to the Framework Convention on the Caspian Sea Marine Environment Protection is at the ratification stage. The Regional Plan for Control of Caspian Sea Oil Pollution in case of Emergencies will enter into force following the Aktau Protocol.

What are the key concerns for subsoil users?



Representatives of the oil and gas companies note that in the current pricing environment it is necessary to significantly optimize the tax load, including tax rates and separate provisions of tax legislation, restricting the rights of subsoil users. In particular, insufficient reduction of discussed rates of export customs duty for oil and dark oil products, need to eliminate the difference in excises for domestic and imported oil products, tax charges in product sales below cost. Those issues have been discussed on December 2, during the meeting of KAZENERGY Coordinating Council for oil and gas industry development and the Committee of Oil and Gas industry of the Presidium of "Atameken" NCE of RK. The meeting was chaired by Sauat Mynbayev, Chairman of the Board, KazMunayGas NC JSC, and was attended by representatives of the Ministry of National Economy of RK, Ministry of Energy of RK, "Atameken" NCE of RK, subsoil user companies and others.

Also the need of rapid consideration of the applications from subsoil users for the use of reduced MPT (Mineral Production Tax) rates for low-margin fields was announced.

Changes in environmental legislation, introduction of oil products metering devices at Fuel Stations and oil depots were discussed. Moreover, the issues of establishing a single operator for main pipelines were considered, subsoil user companies noted that their priorities are reliability and safety of supply system, and currently, Kaztransoil JSC is addressing these issues.

During the meeting, KAZENERGY Association presented its reports on implementation of target projects aimed at the development of the Code "On subsoil", introduction of changes and amendments into the "Tax code" of the Republic of Kazakhstan and the law "On transfer pricing", research on creating MCIS (Management and Control Information System) regarding the activities in the field of technical regulation.



19th meeting of the KAZENERGY Association Board chaired by Timur Kulibayev was held on December 9, 2015.

The Members of the Board listened to the reports of the Executive Committee on the activities completed in 2015. They approved the annual work plan, the list of the Association's target projects and the 2016 budget.

This year, the Association has actively discussed the changing conditions in subsoil matters, reduction of the tax burden on the industry, improvement of the legislation in the field of environment and electric power. Furthermore, the Association implemented human capital development projects in oil-gas and energy industries: educational, dual training system projects and others. Participants raised the issues of creating a single operator for the main pipelines and implementing the gasification program in the Republic of Kazakhstan. Subsoil companies note that the first and foremost priority in the oil transportation is the supply reliability and security. Currently, "KazTransOil" JSC fully meets these requirements. Besides, it was noted that the main equipment of the main pipeline facilities for oil and gas is fundamentally different in their composition and principle of action. It is important for servicing costs to be in line with the required standards. Therefore, it is impossible to achieve synergies by reducing the costs with the establishment of a single operator. A number of questions were raised on the commercial gas procurement procedure to meet the domestic needs of the country... More: <http://kazenergy.com/en/press-center/2011-04-18-15-52-18/13964-19th-meeting-of-the-kazenergy-association-board-chaired-by-timur-kulibayev-held-yesterday.html>

KAZENERGY COORDINATING COUNCIL FOR ENERGY SECTOR

KAZENERGY Coordinating Council for energy sector development under the chairmanship of A. Satkaliyev has been completed last session on December.

CC members discussed the results of work performed by KAZENERGY Coordinating Council for energy sector development and plans for 2016.

During this year, the draft law of RK "On additions and amendments to certain legislative acts of RK on electrical energy" was discussed, tariff setting issues were considered. Market model with competitive pricing was proposed, discussions on the most efficient form of market council functioning were conducted, non-commercial organization with the function of monitoring the operation of electrical energy and power market will be created in accordance with approved amendments. The main working principles of national operator were also discussed within the Coordinating Council according to the Concept of fuel and energy complex of RK till 2030 in order to address systemic problems of the industry. Saukhimov A.A., Deputy Dean of Electrical Energy Faculty of AUEC, reported on implementation of the strategy for electrical grids intellectualization. The essence is the efficient load flow

management of active and reactive facilities based on algorithms, complying with the criteria of: reliability, efficiency and safety. An example based on the implementation of the experience of American Electric Power in "Atyrau-Zharyk" JSC was provided. The developed system of Kazakhstan NES regimes adaptive management meets the requirements for maintaining stability with the maximum use of transport power grids capacity and control actions management in real time. This strategy meets the current requirements for the introduction of smart technologies and innovations to manage electrical grids in real time, and it has been supported by the participants of the meeting.

THE 26TH ENERGY CHARTER CONFERENCE (EC)



On December 3 – 4 , 2015, the 26th Energy Charter Conference (EC) was held in Georgia. Georgia is the chairman of the Energy Charter in 2015.

The event was attended by highly distinguished guests, members of the governments, representatives of international organizations and financial institutions. Uzakbai Karabalin, First Vice-Minister of Energy of RK, Klara Rakhmetova, Manager of KAZENERGY's project on Energy Charter, S.I. Katyshev, Advisor of the Chairman of the Board of "KEGOC" JSC, represented the Republic of Kazakhstan.

The issues concerning updating the Energy Charter were considered, in-depth reviews of energy efficiency in the Energy Charter countries were completed, further monitoring to assess the effectiveness of recommendations on the completed review, Conference priorities for the coming years were discussed, the report on its activities in 2015, including the prospects for the future, presented by Dr. Urban Rusnak, the Secretary General, and the working groups, were discussed. The European Commission also presented its Energy cooperation program in the countries of Eastern Partnership and Central Asia, while the partner-countries invited to more active participation and full use of potential within the Energy Charter to strengthen the long-term energy development programs in the region.

Ministerial part of the Conference was opened with official address of Irakli Garibashvili, Prime-Minister of Georgia, to the participants. U.S. Karabalin, First Vice-Minister of Energy, performed his welcome speech on behalf of the Republic of Kazakhstan.

During the conference, the participants shared their opinions on providing the global forum to discuss the issues associated with promotion of the regional cooperation through transboundary trade of energy carriers, energy cooperation integration and investments into clean and sustainable energy.

The main subjects for discussion:

- Further promotion of regional cooperation advantages within the EC;

- The need to encourage the creation of regional power pools, interconnections and electricity trade as a means of ensuring energy security and access to reliable and affordable energy;

- The need to create a multilateral legal framework to foster the development of transportation, transit and trade of energy carriers;

- Benefits of regional cooperation towards closer integration of renewable energy sources;

- Increased promotion and expansion of necessary investments in renewable energy and energy efficiency.

In 2016, the chairmanship will be passed to Japan.

We should note that Kazakhstan chaired the Energy Charter Conference in 2014. On November 2014, KAZENERGY Association jointly with the Government of Kazakhstan conducted 25th Energy Charter Conference in Astana.



MEDALS AWARD



A solemn presentation of medals was held at the 19th meeting of Association Board

Asset Magauov, General Director of KAZENERGY Association, was awarded by III category medal of NCE of RK "For commitment" for his special personal merits in the development of economy and private entrepreneurship. KAZENERGY medal as a sign of recognition and reward for working and professional merits in the development of oil and gas and energy field of the Republic of Kazakhstan as well



as for active cooperation with the Association was awarded to: S. Mynbayev – Chairman of the Board of "KazMunayGas" NC" JSC, D.Sarsenov-

Deputy Chairman of the Association, D. Abulgazin – Chairman of the Committee for oil and gas of the Presidium of NCE RK, B.Kazhiyev – Chairman of the Management Board of "KEGOC" JSC, Stefan de Mayu -



Managing Director of NCOC, D. Tiyessov – General Director of "KazMunayGas – Refining and Marketing" JSC, B. Akchulakov – Chairman of

"Almex Plus" JSC, Peter Costello – President of BG Kazakhstan, A.Dzhakiyev – Deputy General Director of "Tengizchevroil" LLP, K.Urazbayev – General Director of "Atyrau Refinery" LLP (ANPZ), E. Zikibayev – Public Relations Department Director of Chevron company.



Ceremony of awarding state orders



On the eve of Kazakhstan's Independence Day, Timur Kulibayev, Chairman of the Presidium of the National Chamber of Entrepreneurs of Kazakhstan, Chairman of Kazakhstan association of oil, gas and energy sector organizations KAZENERGY held a ceremony of awarding state orders.

By the decree of the President of the Republic of Kazakhstan, Nursultan Nazarbayev, dated 3 December 2015 No. 124 the Order "Parasat" for merits in the state and public activities, significant contribution to socio-economic and cultural development of the country, strengthening friendship and cooperation among peoples was awarded to the following persons:

- Dzhambulat Sarsenov, deputy Chairman of KAZENERGY Association;
- Daniyar Abulgazin, advisor to the Chairman of KAZENERGY Association, Chairman of the Committee for Oil and Gas Industry of the Presidium, NCE;
- Yuriy Lavrinenko, deputy Chairman of the Presidium Transportation Companies Union of Kazakhstan "KAZLOGISTICS".

The order "Kurmet", for merits in the development of the economy, social sphere, science and culture, education, exemplary service in the state bodies and active public life, was awarded to:

- Orak Kudayberdi, General Director, JV "KazakhTurkMunay" LLC;
- Rzabek Artygaliyev, General Manager, Department for Government and Public Relations, Tengizchevroil;
- Galymzhan Amanturlin, Director of the Department for the 4th Refinery project, advisor to the General Director of JSC "KazMunaiGaz – Refining and Marketing"

The medal "Eren enbegi ushin" was awarded to Marat Bakkulov, Chairman of the Directors Board of LLC "Almaty Fan Plant".

Certificate of merit of the Republic of Kazakhstan was awarded to Gulmira Konkasheva, Director of LLC "Ta-Mak" (Zhambyl Oblast).

The Medal of "Atameken" NCE RoK "for Loyalty to Business, 1st Degree"

for outstanding personal merits in the development of economy and private entrepreneurship was awarded to Nikolay Radostovets, Chairman of the Committee for mining and metallurgical industry of the NCE. Additionally, on his 60th anniversary, Nikolay Vladimirovich was given a congratulatory letter signed by T. Kulibayev.

The Medal of "Atameken" NCE RoK "For Loyalty to Business, 3rd Degree" was awarded to:

- Nurlan Kudaybergenov, Chairman of the Revision Committee, "Atameken" NCE of RoK;
- Yeldos Ramazanov, head of the Administration, "Atameken" NCE of RoK ;
- Nurlan Sakuov, secretary of the Secretariat of the Committee for Processing Industry, "Atameken" NCE of RoK;
- Nurgul Zhanarbayeva, expert of the 1st Category, Department of Customs Administration, "Atameken" NCE of RoK ;
- Daniyar Akezhanov, expert of the 1st Category, Department for Human Resource Management, "Atameken" NCE of RoK.

In honor of the 10th Anniversary of KAZENERGY Association, in recognition and reward for labor and professional services in the development of oil-gas and energy field of the Republic of Kazakhstan, as well as for active cooperation with the Association, the Jubilee Medal is awarded to:

- Sauat Mynbayev, Chairman of the Board, JSC "NC "KazMunaiGaz";
- Kuandyk Kulmurzin, Director, Depart-

ment of Oil and Gas Industry of the Ministry of Energy of RoK;

- Makhambet Batyrbaev, honored oilman of Kazakhstan;
- Guldana Musalim, advisor to the Chairman of KAZENERGY Association, secretary of the Association Board and Award Committee of KAZENERGY;



- Ramazan Zhampiisov, Executive Director, KAZENERGY Association;

- Togzhan Kozhalieva, Executive Director, KAZENERGY Association, acting President of the "KAZENERGY" Fund;

- Lyazzat Akhmurzina, Director, Department for Human Capital Development, KAZENERGY Association, Executive Director of the "KAZENERGY" PF;

- Dameli Bakiyeva, advisor to the deputy Chairman, KAZENERGY Association;

- Marzhan Erkisheva, Chief Accountant, KAZENERGY Association;

- Talgat Ibragimov, Senior Lawyer, KAZENERGY Association.

We extend our congratulations to all and express wishes to have further success in our common work!

APPOINTMENTS IN COMPANIES

EXPERT COUNCIL ON LEGISLATION

Tengizchevroil

Ted Etchison has been assigned as a new General Director of Tengizchevroil LLP (TCO). Earlier he was the General Manager of TCO for Production and substituted Tim Miller who had become the Managing Director of Chevron Eurasia Business Unit.

KazTransOil

By the Decision of the Board of Directors of KazTransOil JSC dated December 14, 2015, on December 15, 2015, the authorities of Kaigeldy Kabyldin, General Director (Chairman of the Board) of "KazTransOil" JSC, were early terminated according to his resignation letter. Since December 16, 2015, Nurtas Shmanov has been elected as a General Director (Chairman of the Board) of KazTransOil JSC.

Shmanov Nurtas Nuribekovich was born in 1956 in Atyrau city, graduated from Ufa Petroleum Institute with degree in "design and operation of oil and gas pipelines, gas tanks and oil farms", Market Institute under Kazakh State Academy (specialty – Finance and Credit), University of Massachusetts (Boston, the USA).

He has been working in pipeline transport of the Republic of Kazakhstan for more than 36 years; he passed a long and hard way from the essential technology equipment repairman to senior positions in the range of companies. N.N. Shmanov is a hereditary pipeline worker. His father Nuribek Nabiyevich is the veteran of the field, first Kazakh researcher, who investigated the issues of "hot" oil pipelines operation, applying his experience and knowledge in practical work. One of oil pumping stations of KazTransOil JSC was named after Nuribek Shmanov.

Kaigeldy Kabyldin has been holding the position of General Director of KTO since 2011; he has been working in oil and gas sector of Kazakhstan for more than 30 years, earlier he was the Chairman of the Management Board of KazMunayGas NC JSC.

KazTransGas

Rustam Suleimanov was assigned as a General Director (Chairman of the Board) of KazTransGas JSC. He substituted Kairat Sharipbayev who was assigned as a Chairman of the Board of Directors of KazTransGas JSC on December 11. Before the assignment, R.Suleimanov held the position of the Deputy General Director of KazTransOil JSC for Marketing and Commerce.

Mangistaumunaigas

Mangistaumunaigas JSC announced new staff appointments in the company. As it is known, the provisions of the agreement of the shareholders provides alternating right to appoint senior managers and managers of Mangistaumunaigas JSC subdivisions with the interval of three years. Thus, Bakyt Imanbayev, who has earlier held the position of the first deputy General Director, is assigned as a General Director of Mangistaumunaigas JSC. And Sun Sinyun, who has been holding the position of General Director of Mangistaumunaigas JSC for the last three years, is assigned as the first Deputy General Director.

NCOC

Bruno Jardin has become the Managing Director of NCOC having left the position of the head of ExxonMobil Kazakhstan Inc., which he has been holding since 2013. He was unilaterally supported by the consortium's shareholders. Earlier the company was headed by Stephan de Mayu. Bruno Jardin has over thirty years of working experience at managing positions in different large projects on oil operations.



On December 11, 2015, the extended meeting of the Expert Board on legislation under KAZENERGY Association jointly with the Association of International Petroleum Negotiators was held

The agenda included several relevant issues; in particular, the results and the action plan on improving environmental legislation, possibilities to increase the terms of issued permits for associated gas combustion were announced. Problematic issues of expenses allocation, incurred at the stage of geological exploration works on the exploration contracts concluded on the units, were considered.

Zangar Nogaibay, Executive Director, KAZENERGY, covered the work results of the Association's legal, financial and economic units and the action plan for developing the draft Code of RK "On subsoil and subsoil use" for 2016.

In turn, Nurlan Dzhanekenov, Director of financial and economic analysis Department of KAZENERGY, reported on the results of the activities on improving the tax legislation and plans for 2016. Kazakhstan's WTO accession, its influence and consequences for the subsoil use field were also covered by the attention of the participants.

During the session, the information on Association of International Petroleum Negotiators (AIPN), established in 1981 in the USA was presented.

TECHNICAL COMMITTEES



On December 18, 2015 the second Meeting of the Technical Committee for Standardization No.89 “Equipment and technology for oil and gas exploration and production” has been finished

During the meeting the Chairman of Subcommittee 10, Head of the Department of Technological Machinery and Equipment at the Atyrau Institute of Oil and Gas Nurlan Azhikenov was introduced in absentia. Were reviewed the results of work for 2015 and discussed the plans of TC 89 for 2016-2017.

The Meeting of the Technical Committee for Standardization No. 88 “Petroleum, petroleum products and lubricants” was held on December 11, 2015

Participants of the meeting reviewed the reports on the work conducted by TC No.88 in 2015 and the progress of the develop-

ment of non-governmental standards; discussed the adjustments and additions to the TC’s Work Plan for 2016-2018 and amendments to applicable construction standards and regulations.

Following results of discussions, decisions were made on approval of the TC’s Work Plan for 2016-2018 with consideration of the amendments and additions, proposals on amendments to construction standards and regulations of the Republic of Kazakhstan with the applied comparative table, and on the conduction of the workshop with participation of oil refineries and partners of “KazMunayGas – Refining and Marketing” JSC.

KAZENERGY STAFF WERE AWARDED

The management of Association prepared a real New Year present to its employees. Medals, certificates and recognition letters have been awarded to company’s specialists

The Medal of “Atameken” NCE of RK “For Loyalty to Business, 3rd Degree” was awarded to Executive Director of KAZENERGY Rustem Kabzhanov.

The Certificate of Merit of “Atameken” NCE of RK was awarded to Executive Director Zangar Nogaibay for his professionalism, loyalty to the chosen work, and important contribution to the strengthening of the business community and social development of Kazakhstan.

KAZENERGY medals awarded to:

- Rymzhan Shaimukhanova, Chief Manager
- Talgat Karashev, Director, Department of International Cooperation
- Anar Burkutbayeva, Chief Manager
- Nurlan Dzhanekenov, Director, Department of Financial and Economic Analysis
- Zhanar Kalikaskyzy, KAZENERGY Public Fund Accounting
- Baurzhan Umirzakov, Chief Manager

Certificates awarded to:

- Asem Mukazhanova, Manager
- Alua Dauletova, Chief Manager
- Tatyana Blokhina, Expert Analyst
- Ainamkoz Sasayeva, Expert Analyst
- Danara Zhumadilova, Chief Manager

Recognition letters awarded to:

- Yerzhan Abuov, Deputy Director, Department of Technical Regulation
- Olzhas Sapargaliyev, Chief Manager
- Adlet Adrayev, Chief Manager
- Yesenzhol Abylkasym, Manager
- Anar Satmagambetova, Manager
- Khamitov Ualikhan, Driver
- Pyotr Tokmachyov, Driver
- Nurbolat Ryskeldiyev, Driver
- Serik Basharov, Driver

We congratulate our colleagues and wish them new achievements in 2016!

EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE



On December 22, the Working group of KAZENERGY Association implementing the Extractive Industries Transparency Initiative conducted the meeting

The participants unanimously approved the new list of members of EITI National Stakeholder Council consisting of the member companies and KAZENERGY Working Group. They discussed the reconciliation of social investment data of

organizations, the scheme ensuring transparency of expenses in social area to identify the discrepancies between the data of the companies financing the social area and data of Akimats on their actual development. Also they considered the inclusion of information on reporting, submitted by subsoil users on obligations implementation on expenses for education, training and re-training of employees, into the Terms of Reference of the company on EITI reconciliation for 2015.

KPMG IN KAZAKHSTAN & CENTRAL ASIA

On 1 January 2016 Assel Khairova replaced Gregor Mowat as Managing Partner.

Assel Khairova has worked with KPMG for more than 19 years, including 17 years in Kazakhstan and two years in KPMG's London office. In 2011 Assel was appointed Deputy Managing Partner and Head of KPMG's office in Astana. In this role Assel has been extensively involved in developing the firm's marketing strategy in Kazakhstan and Central Asia as well as government relations and relationships with key clients. Assel is an established expert in audit and consulting, with a very strong industry focus on energy and natural resources. Holder of a Kazakhstan audit licence and international accountant certification Assel has accumulated an extensive experience of delivering services to Kazakhstan and global clients.

Gregor Mowat will leave KPMG after working for almost 17 years in KPMG. For 10 years, Gregor worked as KPMG's partner, 7 years of them in practice with the CIS. Since 2011, Gregor has held the position of CFO, KPMG in Russia and the CIS. For the last three years he has been the Managing Partner of KPMG in Kazakhstan and Central Asia, paying great attention to the increase of client base and sustainably improving the efficiency of the company in Kazakhstan and Central Asia regarding provision of services to the clients.

In 2016, KPMG will celebrate 20 years of operating in Kazakhstan. Being the member of the international network of KPMG member firms, the company has been successfully operating and developing since 1996 in Kazakhstan and Central Asia. Throughout its 20 years, KPMG in Kazakhstan and Central Asia has worked hard to build a sustainable business that makes it the clear choice for its clients, its people and its community.

KPMG presents the results of research on "Corporate reporting preparation", within which the annual reporting of 90 companies of different world countries has been analyzed on such issues as the contents of the annual report, risk reporting, performance reporting and integrated reporting. In the center of the research, there is the question why the information disclosed in annual reports serves as a basis for decision-making only in the short term, as well as why its contents do not always fully meet expectations of the stakeholders. Thus, according to the research findings: Only 7% of the companies provided data on the assessment of orientation to the needs of customers or customer satisfaction with the service quality, despite the fact that audit committees isolate this issue as one of the key.

In 85% of analyzed reports, the risks in corporate reputation and brand are not emphasized as the most serious.

21% of the companies – participants of research did not provide any evaluation criteria for operating activities efficiency.

According to KPMG's conclusion, the annual reports should not only cover historical data but also should disclose the management vision of the company's future. All this should help the investors to make more complete idea on the question in what direction the company is moving and what awaits it in the future.

KPMG offers four variants for corporate reporting improvement:

To link the performance indicators with fundamental factors of the business cost.

Only a few number of the companies makes reports on the achievement of the main criteria of making the business cost.

To recognize that financial reporting is only the beginning of the story. The results of operating activities much better demonstrate the prospects of the company development than historical financial data.

To provide the reporting connectivity and logicity: each question should have the

answer. Many reports do not disclose the issues, associated with the business development, especially in the part of the approaches to management.

To improve the reporting culture. The companies should confirm the fact that in reporting preparation they use the approach focused on business, they understand what information the stakeholders would like to see in their reporting.

KPMG Oil and Gas NewsFlash

KPMG in Kazakhstan and Central Asia presents the Oil and Gas NewsFlash publication.

This publication has been created within the programme for developing further in-depth understandings and exchanging basic analytical information on the sector specific issues. It features the summary of the sector's news and market headlines in the region, finance arrangements and deals, key facts and ratings of top oil & gas companies, etc.

HAPPY NEW YEAR!



Dear members, partners, colleagues!

2015 year is left behind. It was different for everyone, but doubtless - every year we gain experience, become a bit wiser, more aware of vital things in life. At the country level, it was another difficult period - a step towards the development and growth, an attempt to sustain despite the global economic situation.

We all need patience, perseverance, tenacity and for sure - victory in final. Let the New Year 2016 bring success, a lot of joy and good mood! And the most important - do not be discouraged! We wish all the friends and families good health & prosperity!

KAZENERGY Association



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