



KAZENERGY ¹⁰ years INSIDE

SPECIAL EDITION

X KAZENERGY EURASIAN FORUM

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X KAZENERGY EURASIAN FORUM

"According Mr. T. Kulibayev, "the agenda of this Forum is interesting because it may have been the first time in the last decade for the world to confront several concurrent challenges in global geopolitics, economy, humanitarian sphere, and scientific and technological community. Some of them require operational solutions, therefore some ideas are expected to be born in the course of our discussions today, because tomorrow it might be too late."

Recently, completed its work the X KAZENERGY Eurasian Forum 2015. The Forum included plenary and agenda sections, scientific conferences, roundtables, the Youth Forum, Women's Energy Club meeting, etc.

At the opening, the Minister of Energy Vladimir Shkolnik read the Greeting Letter of the President of the Republic of Kazakhstan Nursultan Nazarbayev addressed to Forum participants.

According to the letter, "The oil, gas and energy sector is one of the national economy segments being the driving force of the country".

"Within the ten years of its existence, the KAZENERGY Association has strengthened its role as a leading industry association. The Association is a link between the government and businesses, which assists in attracting investments to implement new technologies. The Eurasian Forum KAZENERGY is progressing rapidly together with the Association" said the Head of State in his Letter.

Forum was attended by such key figures of the global energy industry as: Nuer Baikeli, Chairman (Minister), National Energy Administration, PRC, Tair Mansurov, Board Member (Minister) for energy and infrastructure of the Eurasian Economic Commission of EAEU, Joseph Toth, President of the World Petroleum Council (WPC), Kandeh Yumkella, Special Representative of the UN Secretary General, Chief Executive, Sustainable Energy for All Initiative (SE4ALL), Vladimir Shkolnik, Minister of Energy of the Republic of Kazakhstan, Seyed Mohammad Hossein Adeli, Secretary General, Gas

Exporting Countries Forum (GECF), Urban Rusnak, Secretary General, Secretariat of the Energy Charter (Brussels), Gerald Davis, Executive Chair, World Energy Scenarios, World Energy Council (WEC), Sauat Mynbayev, Chairman, "NC "KazMunayGas" JSC, Wang YuPu, Chairman of SINOPEC GROUP, Ian Taylor, President and Chief Executive Office, Vitol Group, De la Rey Venter, Executive Vice-President, Royal Dutch Shell, Bruno Jardin, Managing Director, ExxonMobil Kazakhstan Inc., Brendan McMahon, Managing Director, Total E&P Kazakhstan, Georgy Karnaukhov, Vice President of Schlumberger for the CIS countries and others.

Furthermore, for the purposes of demonstration of the latest technological achievements, the X Eurasian Forum held an exhibition titled "Energy4us: "Innovative Energy".



ENERGY SECURITY IN THE EURASIAN REGION



Oil and Gas Conference “Energy security in the Eurasian region: a new mechanism for cooperation” was held as part of the X KAZENERGY Eurasian Forum. The event was organized by KAZENERGY Association jointly with CNPC International and the Engineering Academy of China.

The program of the conference was aimed at discussing the prospects of cooperation between Kazakhstan and China in oil and gas industry under the “Silk Road Economic Belt”.

The aim of this conference is a creation of new joint mechanism of cooperation between parties in matters of the energy security, favorable for all participants of the process, both producers and suppliers of goods and consumers of energy resources. The main topics of the discussion were: “Oil and gas sector of Kazakhstan: benchmarks of fundamental development”, “Revival of the Silk Road and joint construction of the future”, “New possibilities of the scientific and technologic cooperation of Kazakhstan and China”, “Strategic concept of the oil and gas Silk Road” and others.

As is well known, the last decade trade relations between China and Kazakhstan are steadily developing. Power industry is one of the priority areas of cooperation. Currently, Chinese companies are involved in Kazakhstani projects in the field of engineering, maintenance of well stock, oil production, construction and operation of

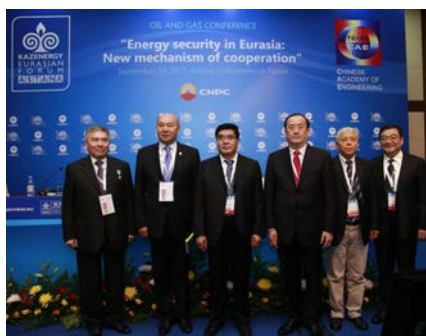
oil and gas pipeline systems, storage and marketing of petroleum products.

China’s position on oil and gas market of Kazakhstan has notably strengthened as a result of a major transaction on CNPC’s sale of participation share in the large and technically complex Kashagan field development project in Caspian Sea.

Uzakbay Karabalin, First Vice-Minister of Energy of the Republic of Kazakhstan, Wang Yupu, Chairman of China Petroleum and Chemical Corporation SINOPEC GROUP, Luy Gunsun, Vice-President of PetroChina, Bakhytzhan Zhumagulov, President, National Engineering Academy of the Republic of Kazakhstan, Feng Zhiqiang, Vice Chairman & President of Sinopec International Petroleum Exploration and Production Corporation and others appeared as speakers of the conference.

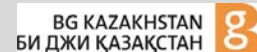
During the conference, parties have signed a Memorandum of Cooperation between the National Engineering Academy of the Republic of Kazakhstan and the Academy of Engineering of China People’s Republic.

The agreement provides for the exchange of experiences by experts, establishing communication between the corresponding INT sectors and other. Engineering Academies of Kazakhstan and China will conduct joint research in the field of energy and environment.



II Expanded meeting of the Women Energy Club (WEC) was held as part of the X KAZENERGY Eurasian Forum. At the general session Gulshara Abdykalikova, Secretary of State, Chairman of the National Commission for Women Affairs, Family and Demographic Policy under the President of the Republic of Kazakhstan, Aset Magauov, General Director of the KAZENERGY Association welcomed participants of the session. One of the most interesting and active moments of the event was life-coaching on “How to survive in the world of strong men” conducted by Oleg Afanasyev, the General Director of “Business System” consulting group. Additionally, the view on a gender policy in the energy sector of the Republic of Kazakhstan was shared by the male top-managers from the energy sector companies, namely, Deputy Chairman of the Board, “KazMunaiGas” NC” JSC, D.A. Berlibayev, General Director, “POCR” LLP Sh.A. Danbay, Vice-President & Global Head of Government and Public Affairs, “BG Group” Phil Murphy, Deputy Managing Director, “North Caspian Operating Company B.V.” Zh.N. Marabayev, Ambassador of the Kingdom of Norway to Kazakhstan Ole Johan Bjernoy and others. The session was completed by awards ceremony where the members of the WEC and Club sponsors received medals and diplomas. Chairman of the Club A.U. Akkasiyeva presented a biographical reference book “Women in the Energy Sector of the Republic of Kazakhstan” to the Financial Director of “Kazmorttransflot UK Ltd”.

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VIII KAZENERGY YOUTH FORUM “YOUTH. SCIENCE. INNOVATIONS”



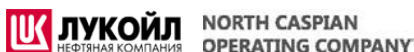
One of the most interesting in its content and style annual event with participation of the youth. This Forum became a platform for the dialogue between the leaders of the industry and promising young generation. The work of this Youth Forum was focused on the role of youth in the development of the energy sector and introduction of the new and innovative ideas in major oil & gas and energy projects of the Republic of Kazakhstan. Participants have been given a



great opportunity to meet with the leading figures of the energy sector. In particular, this time the speakers present were: First Deputy Energy Minister of the Republic of Kazakhstan, Deputy Chairman of the Energy Charter Conference Uzakbay Karabalin, WPC President Joseph Toth, Vice-President of HIS Research Company Daniel Yergin.

Deputy Chairman of NATD JSC Zhumatai Salimov acted as a Moderator of the discus-

Sponsors:



sion panel “Science as a business. Generation of innovators”. Serik Sapiyev, Deputy Chairman of the Board of the Corporate Development Center of “KazMunaiGas” NC” JSC, Merited Sports Master of RK, General Manager of “ASTANA

ARLANS” Professional sports club” LLP, Maksim Sarsenov, the founder of EcoTaxi, and Arman Suleimenov, the founder of The Summer Startup School, reported on the theme “Made in Kazakhstan”.

This year, the Forum was attended by the best Safi Utebayev scholarship holders for the sixth time. Traditionally, Safi Utebayev scholarship holders received the certificates and attended the master-class “Young, talented, happy? Do tell!” with participation of the Founder and Director General of Business Accelerator “Happy Farm” Anna Degtereva.

Safi Utebayev scholarships and grants – is a scholarship established by one of the most outstanding representative in the oil industry of Kazakhstan. These grants are awarded to the best professors and student of oil and gas specialties.

Partners:



DEVELOPERS COMPETITION “INNOVATION MAN”



Results of the competition between the developers of innovative projects in oil and gas and energy sector INNOVATION MAN were summarized. Tolep Ernur was awarded by the third place for his project Research of optimal conditions for organic solar cells, the prize in the amount of 200 000 tenge and invitation to participate in the activities of Open University of “Skolkovo” Fund in 2016; the second place was given to Markayev Ergali for his project Environmentally-friendly flame retardants for the processing of all kinds of materials, the prize in the amount of 300 000 tenge, grant for studying on MBA program of Kazakh-British Technical University and the additional grant from Skolkovo for the development of project in Russia. And the first place was given to Syzdykov Sagidulla for his project Intellectual field, the prize – 500 000 tenge, grant for studying on MBA program at Nazarbayev University. The winners of the Competition will also be provided with the opportunity to present their developments to the members of the Science and Technology Council. In his welcoming address to innovators, the Minister of Energy of the Republic of Kazakhstan V.S. Shkolnik noted the great interest of the state in the development and implementation of the state’s own technologies in all sectors of the economy, demand of the energy sector of the Republic of Kazakhstan for the innovative solutions and the key role of the youth in the development of the national science.

Then, Science and Technology Council chaired by Uzakbay Karabalin, First Vice-Minister of the Ministry of Energy of the Republic of Kazakhstan, with the participation of representatives of Karachaganak Petroleum Operating B.V., KAZENERGY Association, “NC “KazMunayGas” JSC and other energy and research organisations, listened to the reports of ten innovators, including the winners of “Innovation man” competition.

SCIENTIFIC AND TECHNOLOGICAL DEVELOPMENT OF KAZAKHSTAN'S OIL AND GAS INDUSTRY



A technical workshop on “Actual tasks of scientific and technological development of Kazakhstan’s oil and gas industry” was held as part of the anniversary X KAZENERGY Eurasian Forum. It was organized by the Society of Petroleum Engineers (SPE).

Participants of the workshop considered the most important and relevant aspects of the priority areas of technological development and outlined further steps for the development of targeted effective cooperation between oil and gas companies and the Government of Kazakhstan. In particular, participants presented the technological challenges and technologies existing in the Caspian region, including improved methods of sub-salt seismic imaging; technologies on oil refining in extreme conditions; a systematic approach to the choice of technologies in Kazakhstan’s oil and gas industry; cybersecurity risk management in oil and gas industry.

The various views and suggestions in solving these problems as part of the long-term implementation of the “Roadmap of scientific and technological development of Kazakhstan’s extractive industries” were studied in the course of discussion.

The seminar was attended by representatives of the Ministry of Energy of the Republic of Kazakhstan, Ministry of Investments and Development of the Republic of Kazakhstan, SPE, KAZENERGY Association, JSC

NC “KazMunayGas”, mining and service companies, including BG, Shell, ExxonMobil, Schlumberger, Tengizchevroil, KPO, NCOC, IHS Energy, UK Technology Facilitator, NorwayOG21, Nostromoil&Gas, APGK, representatives of universities and academia such as Nazarbayev University and KBTU, as well as oil and gas industry

experts.

As it was noted by the participants the Eurasian region possessing significant oil and gas reserves is becoming an increasingly important source and the center of world production of these mineral resources. Significant investments, serious innovative approach and active cooperation are required here for development of natural resources in order to ensure a balanced production of oil and gas fields, operation of which involves solving a number of complex environmental and logistical tasks.

Over the last decade the industry of oil and gas extraction has increased the volume of proven reserves by about 400 billion barrels of oil equivalent. The favorable economic situation and application of new exploration and production technologies have contributed to discovery of previously inaccessible oil and gas resources.

Further challenges facing the industry lie in deployment of these reserves to maintain the stability and availability of energy supplies in maximizing extraction from the previously used deposits and maintaining efficient operating activities. New technologies will play a key role in solving new technological challenges in the field of exploration and production in Kazakhstan. Therefore, oil and gas companies need to focus their efforts on technological innovations and effective interaction.

TIMUR KULIBAYEV:



“I would like to say, that despite of the current low oil prices, our major projects are capable of maintaining existing level of production in Kazakhstan and increase it in the future.”

“Kazakhstan will be able to produce over 2 million barrels per day by 2020 and then our country will become of the top largest producers of oil and gas,” he said.

«Coal production remains and will continue to be the main production source in the energy sector of our country; over 60% of generation capacity is produced by coal. There projects aimed at development of the nuclear power industry. Of course, we are paying a great attention to the development of renewable energy sources. Today, “Samruk-Energy” presented its first wind farm projects. We have constructed a plant for the production of solar panels by “Kazatomprom”, and, in general, we plan to continuously develop this area.”

“Chinese companies are one of the most active companies in the oil sector of Kazakhstan. They produce over 25% of the oil in Kazakhstan. A new Chinese company SINOPEC GROUP have recently entered the market. It bought up Lukoil assets in Kazakhstan and it is clear that this activity at present is being limited by the capacities of our pipelines.”

Press-conference of the X KAZENERGY Eurasian Forum

THE VII NATIONAL CONFERENCE OF THE EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE



On September 29 the VII National Conference of the Extractive Industries Transparency Initiative (EITI) was held as part of the X KAZENERGY Eurasian Forum.

Implementation of EITI in Kazakhstan has a high status of international, political and anti-corruption nature and is aimed at transparency in government and corporate earnings in the mining sector accessible to the public.

Annually, over 100 participants take part in the National Conference on EITI, including public representatives of the country involved in the EITI, extractive companies, Deputies of the Majilis of the Parliament, representatives of relevant government agencies, international institutions and organizations.

It is necessary to note this year's participation of representatives of EITI member countries who shared their experiences of the program's implementation.

The main theme of the conference is discussion of further measures on the promotion of EITI in Kazakhstan in the context of the disclosure of additional information on the activities of companies as well as preparation to a new procedure of validation in 2016.

It should be noted that Kazakhstan was one of the first countries that implemented the EITI, prepared national reports in accordance with the new Standards adopted by the International Board in May 2013. International experts have highly estimated that work.

National reports made under the new standards included maximum information data

which are currently required to be disclosed, namely: contextual information on the extractive industries, information on budget revenues, dividends on state shares in the property, on the terms of production and export, the data on transportation, data on the contribution of extractive industries to the national economy, social investments and others.

In addition, a popular version of reports reflecting the key, conceptual data in a simple and accessible format for a wide range of people was presented for the first time.

Another significant theme of the past conference is continuation of implementation of the EITI at the subnational level. In this regard, the Conference was attended by representatives of civil society and extracting companies, which have an obligation to promote the EITI principles in the regions, including accountability to the public and informing the public about financing of the social sphere in the regions of Kazakhstan.

The event was organized by the EITI National Secretariat jointly with KAZENERGY Association, the World Bank, GIZ Kazakhstan and other organizations.



INNOVATIVE SOLUTIONS FOR THE ENERGY INDUSTRY



Session "Innovative solutions for the energy industry" organized jointly with the JSC NC "Astana EXPO", drew attention to the problem of reducing the rates of hydrocarbons extraction and ways of solution; the necessity for using alternative energy sources in maritime transport, external innovation potential in the energetics and innovative information and communication technologies for the development of smart energetics and other issues.

Alisher Pirmetov, First Deputy Chairman of the Board of JSC NC "Astana EXPO-2017" greeted the participants.

Participants of discussion, including Viktor Martynov, Rector of the Russian State University of Oil and Gas named after I.M. Gubkin, Marat Ormanov, General Director of "NMSC "Kazmortransflot", Nikolay Grachev, Vice-President, Executive Director of the cluster of energy efficient technologies of the "Skolkovo" Fund, Tsyu Ley, Vice-President of Huawei for the Central Asia and Caucasus, Igor Korneyev, Deputy General Director of JSC "Teknou" and Titian Bonapache, Head of the Subregional Office for North and Central Asia, ESCAP, have noted that further development of the oil and gas industry directly depends on introduction of new technologies.

Thus, according to Mr. Tsyu Ley, information technologies as a means of business development in the oil and gas industry are applied in planning and optimization of enterprise assets, in development of the digital oilfield, for improvement of work processes as well as in the implementation of various systems of doing oil and gas business.

SETTLEMENT OF INVESTMENT DISPUTES

OIL AND CAPITAL: RESOLUTION OF NEW ENERGY EQUATIONS



zakhstan, Deputy Chairman of the Energy Charter Conference Uzakbay Karabalin, Executive Secretary of the Ministry of Energy of the Republic of Kazakhstan, Doctor of Law Kanatbek Safinov; as well as our foreign guests: Secretary General of the Energy Charter Urban Rusnak, Secretary

The Round table meeting dedicated to the topical issues of investment disputes settlement in the energy sector was held within the framework of the X KAZENERGY Eurasian Forum.

Investments in the energy sector, for instance, in construction of new and modernization of existing transit infrastructure facilities, require settlement and protection at the international level.

Under the Kazakhstan's chairmanship in the Energy Charter Conference (2014), Kazakhstan has put forward a number of initiatives on the improvement mechanisms for dispute settlement.

Considering the urgency of this issue, the Round table has been prepared in cooperation with the Energy Charter Secretariat, and is a continuation of the first global dialog between governments and energy companies on effective settlement of energy disputes held at the Hague Legal Forum of the Energy Charter which took place in Hague in May 2015.

Deputy Chairman of KAZENERGY Association, Special Representative of the Secretary General of the Energy Charter Dzhambulat Sarsenov was one of the main speakers of the Round table.

The Round table was attended by the heads of key ministries of the Republic of Kazakhstan involved in the work as a part of the Energy Charter Treaty: First Deputy Energy Minister of the Republic of Ka-

zakhstan, Deputy Chairman of the Energy Charter Conference Uzakbay Karabalin, Executive Secretary of the Ministry of Energy of the Republic of Kazakhstan, Doctor of Law Kanatbek Safinov; as well as our foreign guests: Secretary General of the Energy Charter Urban Rusnak, Secretary General of the International Center for Settlement of Investment Disputes in Washington, DC Meg Kinnear, Secretary General of the Stockholm Arbitration Institute Annette Magnusson, Professor of the Russian Academy of Foreign Trade, International Arbitrator Nina Vilikova, Partner, White & Case (London, Moscow) David Goldberg and other authoritative experts in this field.

Main purpose of the Round table was to stimulate a dialog between governments and companies. An interactive discussion provided an opportunity to review existing mechanisms for resolution of international energy disputes and issues of their improvement for investment promotion in energy sector.



Interactive discussion: «Oil and capital: resolution of new energy equations» with the world leaders in power industry took place on September 30.

Leading "majors" of the market, such as Seyed Mohammad Hossein Adeli, Secretary General, Gas Exporting Countries Forum (GECF), Urban Rusnak, Secretary General of the Energy Charter Secretariat (Brussels), Sauat Mynbayev, Chairman of the Board of "NC "KazMunayGas" JSC, Wang YuPu, Chairman of China Petroleum and Chemical Corporation SINOPEC GROUP, Ian Taylor, President and Chief Executive Office, Vitol Group, Gerald Davis, Executive Chair, World Energy Scenarios, World Energy Council (WEC), and moderator Daniel Yergin, Vice-Chairman of IHS, Pulitzer Prize Laureate, have discussed topical issues such as the possibility of energy prices stabilization, OPEC's ability to balance the global market individually, the prospects for financing energy projects under the conditions of market turbulence, the possible scenarios of development and future energy balance and others.

As speakers noted, the lack of consensus among cartel members on the level of oil prices currently leads to a serious dissociation between them and casts doubt on the OPEC's ability to control the market through the development of a common policy in the sphere of oil production. However, even these difficult relations between OPEC members – those who support low oil prices and, on the contrary, who opposes their further downfall – will hardly lead in the future to any transformation of this international organization.

According to countries which disagree with the OPEC's position, major suppliers of oil to the world market which are not members of OPEC have to make its contribution to settlement of the price situation, having sat at the negotiating table.

PROSPECTS OF THE LOCAL CONTENT DEVELOPMENT AMIDST REGIONAL INTEGRATION



The Expert seminar on the theme “Prospects of the local content development amidst regional integration” was held on 30th of September. It was organized by the KAZENERGY Association, the World Petroleum Council with the support of the Ministry of Energy of the Republic of Kazakhstan and JSC “National Agency for the development of local content “NADLoC”.

Purpose of the event is to evaluate work of the Government of the Republic of Kazakhstan and the subsoil user companies on the local content development of in industrial projects with due consideration of integration processes. It is recognized that local content is an indicator of the level of industrial-innovative development of any country, representing the share of domestic goods, works and services (GWS) in enterprises activities, and hence the degree of efficiency and quality of used GWS.

The roundtable was focused on the analysis of international practice of the local content development, research of best practices, as well as an overview of the experience of the Republic of Kazakhstan in increasing Kazakhstani content and implementation of measures to encourage the construction of new production facilities.

The event program included coverage of such topical issues as the consolidation of stakeholders for identifying the needs of different industries and projects in the long term; formation of an investment climate, creation of a unique platform for collecting

information; development and implementation of public policies aimed at supporting local content; formation of common operators for projects management; regulatory legal acts on the local content regulation in the oil, gas and energy sector; support and involvement of large companies in the oil, gas and energy sector and nurturance of conglomerates; strategic approaches to support domestic manufacturers in terms of increased competition within the EAEU, the WTO, etc.

The main speakers of the round table were the President of the World Petroleum Council (WPC) Joseph Toth and Vice-Minister of Energy of the Republic of Kazakhstan Magzum Mirzagaliyev, as well as the representatives of the WPC Member States, KAZENERGY Association, JSC “NADLoC”, “PSA” LLP, Tengizchevroil LLP, Karachaganak Petroleum Operating B.V., Agip and others.

Currently the domestic manufacturing industry has the potential to saturate the domestic market with domestic competitive products, however, production volume and, correspondingly, procurement of domestic goods, works and services is insignificant compared to the volume of imported goods and services. Many countries have occurred in a similar situation. Some of them, such as the United Kingdom, Brazil and Norway, have achieved considerable results.

According to the Vice-Minister of Energy of the Republic of Kazakhstan Magzum Mirzagaliyev, over the past few years Kazakhstan has done a great job on improving the processes of local content development in GWS. Thus, in comparison with 2010, the volume of GWS purchases by subsurface users increased twice, and the share of local content – in 2.5 times.

CURRENT TRENDS IN THE DEVELOPMENT OF CLEAN ENERGY



Pressing matters of clean energy have been discussed during the program session “Current trends in the development of clean energy”, organised in joint with the International Renewable Energy Agency (IRENA) within the framework of X KAZENERGY Eurasian Forum. Discussion was attended by Almasadam Satkaliyev, Chairman of the Board, “Samruk-Energy” JSC, Mohamed Elfarnawany, Director of Strategic Planning Department – Head of Staff of IRENA, Bakhytzhhan Dzhaksaliyev, Vice-Minister of Energy of the Republic of Kazakhstan, Mohamed Moussa Omran, First Deputy Minister of Electricity and Energy of Egypt, Levon Shahverdyan, Deputy Minister of Energy and Natural Resources of Armenia, John Woods, Vice President of MinasEnergy (Canada), Deger Saygin, and others.

By 2030 investments in electricity generation in the country are estimated at 54 billion dollars in case of implementation of the basic scenario of the industry development and at 36.5 billion dollars in case of conservative scenario.

Following the accident at the Fukushima nuclear power plant some countries scaled down their nuclear programs, while others (such as Russia and Kazakhstan), on the other hand, started to work actively to promote the idea of nuclear power plants and implement the project of a nuclear power plant construction in Kazakhstan.

In addition, solar and wind power plants, small hydropower plants are put into operation in our country. Kazakhstan is preparing to host international specialized exhibition EXPO 2017 “Future Energy”.

STRATEGIES OF THE NATIONAL OIL AND GAS COMPANIES UNDER THE CURRENT BUSINESS TRENDS



On September 30, the session on the subject “Strategies of the national oil and gas companies under the current business trends” was held as part of the X KAZENERGY Eurasian Forum. Considering conditions of the low oil prices and the reduction of the capital costs, the session experts presented their own vision of the consequences of these factors for the oil and gas industry in the regions of Central Asia and Caucuses. Discussions concerned changes in commercial evaluation of the deposits for market players and the potential impact on the global production portfolio of major oil and gas companies. Also considered was the effect on large infrastructure projects, such as Caspian Pipeline Consortium and Kazakhstan-China oil Pipeline. Additionally, the Wood Mackenzie company presented the forecast on the prospects for the production of hydrocarbons in Central Asia and the Caucasus.

The session participants have also discussed the bigger changes affecting major oil corporations of the world and national oil and gas companies considering the turbulent events of the past 12-18 months. Discussions focused on the analyses of transformation of the interests of market players in Central Asia and Caucuses, as well as the vision presented in relation to investment projects.

Discussion was attended by: Deputy Chairman of the Board, “KazMunaiGas” NC” JSC, D.A. Berlibayev, Managing Director, Total E&P Kazakhstan, Brendan McMahon, Research Director, Wood Mackenzie, Valentina

Kretzschmar, Research Director for Russia and Caspian region, Wood Mackenzie, Nick Gellatli, Deputy Chairman, Turkmengaz, Nepes Byashimov, Senior analyst for Caspian region, Wood Mackenzie, Ashley Sherman, Simon Flouers, First Vice President, Wood Mackenzie.



In his speech, Mr. Daniyar Berlibayev noted: “Currently we are completing renewal of the 10-year company’s development Strategy until 2025. Further, in the framework of transformation Program, we shall conduct the work on the improvement of the efficiency and competitiveness of all business segments of the company.” “Exploration and production was, is and will be a priority for the company. In this direction, the company aims to become one of the world’s 30 largest oil and gas companies in terms of production in 2025. By this period, we plan to increase production from the current level of 22.3 million tons to 35 million tons (an increase of approximately 43%)” – he said.

In his report, Mr. Brendan McMahon stated the fact of the inevitable increase in the cost of oil, “Development of a technically more complex reserves will be delayed if prices remain low ... it’s a factor that ultimately force the oil and gas markets to “shrink”, - he said.

SPONSORS OF KAZENERGY EURASIAN FORUM

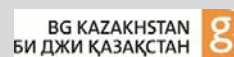
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II ISSUE OF THE NATIONAL ENERGY REPORT



An updated National Energy Report was presented at the X KAZENERGY Eurasian Forum. In recent years the world energy picture has changed considerably. The export markets, routes, etc. were reoriented. Since the previous Report of 2013, the world has undergone significant geopolitical and economic changes which significantly affected the economy and the energy sector of Kazakhstan. First of all, the question is about collapse in oil prices caused by excess supply, which marked the completion of the “raw materials super cycle” of the 2000s. According to developers of the Report – the International Analytical Agency IHSCERA, in 2016 prices for crude oil will rise at an average up to 63 dollars per barrel and by 2020 – up to about 80 dollars per barrel. Prior to 2035 it is expected that the growth in demand for primary energy re-

sources in the world will be at an average 1.3% per year and will amount from 90 to 115 million barrels per day. The aggregate volume of crude oil production in Kazakhstan will increase from 80.8 million tons (1.7 million barrels per day) in 2014 to 95.4 million tons (2.0 million barrels per day) in 2020. Europe will remain to be an important market for export of crude oil from Kazakhstan due to reduced production of its own oil in the European countries.

The National Energy Report forms a comprehensive picture of the current condition and prospects of development of fuel and energy complex of Kazakhstan. It reflects the strategic view of KAZENERGY Association on sustainable development of oil and gas and energy industries of the Republic of Kazakhstan as a single system. Daniel Yergin, reputable energy expert, Vice Chairman of HIS, Pulitzer Prize Laureate presented a review of the National Energy Report as part of the KAZENERGY Forum.



STATE REGULATION IN THE SPHERE OF OIL AND GAS RESERVES ACCOUNTING



Business breakfast on “State regulation of oil and gas reserves accounting” was held as part of the X KAZENERGY Eurasian Forum. The prerequisites for modernization of reserves accounting system in the Russian Federation, state regulation issues, the problems occurred in development and transition to a new system of reserves accounting and others were considered in the course of discussion.

Discussion was attended by Uzakbay Karabalin, First Vice-Minister of the Ministry of Energy of the Republic of Kazakhstan, Georgy Karnaukhov, Vice President of Schlumberger for the CIS countries, Larry P. Connor, Managing Senior Vice President, member of the Board of Directors of “Ryder Scott Company” and Bazarbay Nurabayev, Chairman of the Committee of Geology and Subsoil use of the Ministry of Investments and Development of the Republic of Kazakhstan. SPE-PRMS (Petroleum Resources Management System) and SEC (US Securities and Exchange Commission) are the internationally recognized systems for reserves accounting.

In order to implement international reserves accounting system in terms of hydrocarbon reserves it is necessary to carry out preliminary study of international experience in application of reserves and resources accounting, including government regulation (monitoring) of the balance of hydrocarbon reserves.

The experience of reserves accounting system modernization in the Russian Federation as the country which is close to the Kazakhstani system was discussed as part of the roundtable.

Plan of the Head of State “100 concrete steps to implement five institutional reforms” in terms of industrialization and economic growth provides for the introduction of international systems of mineral reserves accounting.



ENERGY RESOURCES IN THE LIMELIGHT OF GEOPOLITICAL RELATIONS



Main Plenary session of the second day of the Forum brought up a discussion on the topic “Energy resources in the limelight of geopolitical relations”. It was attended by the Moderator – Chris Burns, host of the Network program on Euronews channel, and speakers – Andrew Dominic Jerea, Minister of Energy of Romania, Jam Kamal Khan, Minister of State for Petroleum and Natural Resources of the Islamic Republic of Pakistan, Anton Pavlov, Deputy Minister of Energy of the Republic of Bulgaria, Mikhail Margelov, Vice-President of OJSC “SC “Transneft”, Jim Nicholson, Senior Vice President of ArgusMediaLtd for the Asian region, Simon Flouers, First Vice President of Wood Mackenzie for Corporate Research of Global Industry.

Speakers generally agreed that recently against a background of political and economic tension in the world, it is energy resources which often become a kind of lever to put pressure on one or the other opposing parties.

The EU countries are still heavily dependent on Russian gas import. Meanwhile, there are risks related to its transit through the territory of Ukraine and variable pricing which significantly increases the desire of European countries to diversify the sources of this import.

Competition of gas arteries is increasing

again. The routes proposed to be implemented bypassing Russia acquire particular relevance. Asian markets are becoming a serious alternative to the European gas supplies. Geopolitical ambitions are becoming a major trump card in the big energy game.

In these circumstances, it is clear that the level of applied tools of

world energy modeling is clearly insufficient, and to achieve a common energy security in the regions it is necessary to act as a unified force. Moscow has already offered to create the Eurasian center of planning and design of energy development to establish equal relations with neighbors in the region. In this context, the view of other market participants is very interesting.



Andrew Dominik Jerea, Minister of Energy of Romania said that Kazakhstan and Romania are able to complete implementation of bilateral projects in the energy sector based on the intergovernmental agreement. The Romanian minister noted with satisfaction the growing cooperation between the parties as part of Rompetrol project, work of Petrom representative office in Almaty and other projects. Deputy Minister of Energy of the Republic of Bulgaria Anton Pavlov who presented the transit energy potential of his country pointed out that only joint efforts of the EU states and the USA, producer countries of the Caspian region, Russia and the Middle

East may ensure realization of energy resources and reliable operation of the necessary infrastructure to ensure Europe's energy security in the long run.

Having presented existing and new Russia's oil pipeline projects, including those which are aimed at ensuring the continued supplies of oil to China, Vice-President of JSC “Transneft” Mikhail Margelov underlined that Europe remains principal direction for his country. “With regard to the ever-increasing interdependence between producer countries, transit countries, and consumer countries it is necessary to establish partner relations between all stakeholders to enhance global energy security. And the best way, in our opinion, to achieve this result is to establish transparent, efficient and competitive global energy markets,” - he said. In turn, Jim Nicholson, Senior Vice President of Argus Media Ltd for the Asian region, when speaking of the factors which currently affect the oil pricing in the world, drew attention to the “entirely new reality” of this process. “OPEC produces so much oil that it has never produced before,” - he said adding that the Organization of Petroleum Exporting Countries is not going to reduce its production. He noted that the lifting of Western sanctions against Iran also affects the basic price indicators. It is expected that Iran will fully return to international markets approximately in the beginning of next year. Mr. Nicholson has thus referred to Iran's Oil Minister who said earlier that one month after the lifting of sanctions this country would be able to produce about 2 million barrels of oil to the world market. The speaker called this scope as “very substantial”. He drew attention to the fact that countries outside of OPEC are also increasing oil production. Moreover, the expert considers Russia as the second largest supplier of oil and gas condensate to the world market.

POTENTIAL OF THE DOWNSTREAM SECTOR FOR THE FUTURE ECONOMIC GROWTH OF KAZAKHSTAN



The closing program session of the Forum was dedicated to the theme “Potential of the downstream sector for the future economic growth of Kazakhstan”. Klaus Pete Helsing, Vice-President of Fluor B.V., Askhat Omarov, Chairman of the Board of LLP “United Chemical Company”, Gabit Zakaria, Chairman of the Board of LLP “Polymer Production”, Galymzhan Amanturilin, Director of the Department – Advisor to the Director General – expert of “KazMunayGaz – processing and marketing”, Dominique Lavigne, Director for activities with government agencies and the public of the International Association of Methanol Producers (MI), and Romein Roux, General Director of Romain ROUX, Axens KGNT Energy Efficiency discussed the prospects of the development of petrochemical industry in Kazakhstan, the issues of modernization and technological upgrading of existing refineries, energy saving using pinch analysis in refineries and other issues.

In their reports speakers stated that the oil trajectory takes into account the necessity for a gradual displacement of industry focuses towards the organization and development of higher added value productions. This will help to pass stagnation without much noticeable time losses in the economy. Asian countries actively stimulate the

development of petrochemical industry with a focus on research and development activities, clusters, infrastructure and know-how. Governments of these countries are

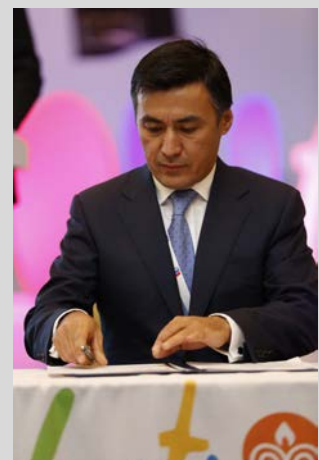
willing to heavily invest in the development of centers of oil refining and petrochemistry. At the same time Asia is a source of technologies and intellectual resources in the industry.

In Kazakhstan downstream sector is also one of the main directions of economic diversification. The country is on the cluster path, attracting considerable assets to this segment, Asian and Western technologies and experience. Large-scale modernization is carried out in refineries of the republic. A modern gas-chemical complex is being built in the west of Kazakhstan.

It is expected that effective functioning of the created cluster will provide multiplicative growth of related industries, creation of small and medium-sized enterprises around the major projects, as it was in Indonesia, Iran, and China.



On September 29 a Memorandum of Cooperation between the Ministry of Energy, KAZENERGY Association, “PSA” LLP, North Caspian Operating Company N.V. and “Karachaganak Petroleum Operating B.V.” was signed as part of the VII KAZENERGY Youth Forum. The document envisages to integrate efforts of five sides as part of the North Caspian and Karachaganak projects to improve the efficiency and transparency of spending funds on training of citizens of Kazakhstan; to create the conditions for effective implementation by each of the Parties of its tasks and functions of the Contractor’s obligations; to advance professional training of Kazakhstani personnel through joint decision-making on financing training and retraining programs. In general, cooperation will promote advanced training and preparation of citizens of the Republic of Kazakhstan on demanded specialties of oil and gas industry.



EXHIBITION

“ENERGY4US: “INNOVATIVE ENERGETICS”

In order to demonstrate the application of the latest technological achievements in the energy sector an exhibition “Energy4us: “Innovative Energetics” was held during the X Eurasian Forum. The contests in nominations: “Best Innovative Stand” and “Best Choice of the Audience”, were held within the framework of this exhibition. The winners are: KMG International (Rompetrol) and “Samruk-Energy” JSC.



RESOLUTION OF THE X KAZENERGY EURASIAN FORUM 2015

Summarizing three days of the X KAZENERGY Eurasian Forum 2015, its participants acknowledge the need for coordinated and sustainable development of the international oil & gas and energy partnership, fully taking into account the interests and views of all countries of the Eurasian continent; consider the strong influence of the oil & gas and energy sector on the economic development of the Republic of Kazakhstan.

It has been recommended to the states – owners of the fuel and energy resources to adjust their approach to foreign investment according to the shifts in the competitive landscape of the global industry. It is important in the view of the possible aggravation of competition between the states – owners of fuel and energy resources attracting investments into the sphere of exploration/production.

The primary objectives in the short term will be aimed at the further improvement of energy security, reliable energy supply, tariff reductions, diversification of energy sources, reduction of power generation and supply costs. According to the summarizing resolution of the Forum, current trends show that, in the long term, oil will come on stream at a higher price. Special responsibility rests with key oil producing countries whose harmonized policy affects the oil market's ability to adequately restore balance between demand and supply.

Integration processes have been discussed separately. Creating common energy markets will enable EAEU to assert itself as one of the major players in the new "global map of the energy markets". The energy potential and positive experience of the Union are welcomed by the international

community.

In the opinion of Forum participants, Kazakhstan can promote the development of projects with participation of foreign investors by offering competitive incentives for taxation, state regulation, and other partnerships with investors.

Since Kazakhstan has significant oil and gas reserves and great potential for the discovery of new deposits, the Forum participants have outlined a list of priority issues to be discussed by the Government of the Republic of Kazakhstan, and its decisions would affect further economic development of the country.

Overall reliability and stability of growth of oil production in the Republic of Kazakhstan depends on development of both large and small-scale exploration and production projects. Independent participants could play an essential and positive role in the oil and gas sector of the Republic of Kazakhstan due to more intense re-development of mature oil and gas fields and creative approach to the development of new reserves (including unconventional oil). International practices show that the startup and medium-size businesses tend to become the drivers of innovative development in the energy sector.

In order to increase the level of significance of the Republic of Kazakhstan in global sector of drilling and services, it is necessary to continue development of the skills required for the manufacture and use of the new high-tech equipment, as well as development of the relevant supporting sectors and associated infrastructure for implementation of the new generation projects.

It is necessary to continue the development

of the downstream activities, including modernization of existing facilities and construction of modern refineries and petrochemical complexes. In turn, implementation of innovative information and communication technologies would contribute to the development of so-called "smart energy".

Participants have also noted the need on intensification of the efforts for the development of new alternative directions in energy sector, taking into consideration a set of measures for the creation of favourable investment climate in the power sector. It is important to involve the local executive bodies and the public in the development of the renewable energy sources. State programs on energy saving and energy efficiency are of the particular significance.

Moreover, environmental protection issues should not exclude the development of the pollution monitoring systems at energy enterprises. Accordingly, it is necessary to accelerate the transition to clean technologies and production of modern fuel standards. In order to preserve potential of the non-renewable energy resources for future generations, it is important to use the renewable energy sources for keeping the energy balance.

Reports of the participants and detailed information about the Forum are available on the website:

<http://kazenergyforum.com/>



If you want to publish your information in the bulletin, please contact the press office of the KAZENERGY Association

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