

EIC COUNTRY REPORT KAZAKHSTAN

Executive summary

Kazakhstan, a country rich in natural resources with significant geopolitical importance, provides huge opportunities across all energy sectors. Crude oil is Kazakhstan's largest export, the production of which has almost tripled since its independence in 1991. With major fields, such as Kashagan, Tengiz and Karachaganak, still being developed, Kazakhstan has the potential to become a top five global oil producer and exporter by 2030.

A non-OPEC participant in the production cut deal, Kazakhstan is supporting the efforts to stabilise the oil market. Kazakhstan has agreed to cut output by 20,000 barrels per day from its November 2016 level of 1.7m barrel per day of oil. The Ministry of Energy is currently trying to negotiate terms for the extension of the oil production cuts agreement. Questions remain as to whether Kazakhstan will truly adhere to its output cap as the country comes under pressure to increase its oil revenue in the second half of 2017.

Kazakhstan's oil and gas industry reached two major milestones in 2016, which included the start-up of oil production from its multi-billion dollar Kashagan field and the final investment decision on the US\$36.8bn Tengiz Third Generation Project – Integrated Future Growth Project–Wellhead Pressure Management Project (FGP–WPMP). An essential

component of projects in Kazakhstan is the use of Kazakhstani goods, services and jobs, placing great emphasis on local content and local development.

Excessive government regulations as well as delays in the launch of projects has not deterred international companies from participating in Kazakh projects. An increase in the number of international companies has been observed in the Kazakh oil and gas sector as well as in the power and renewable sectors. Tier 1 contractors in addition to major international oil and gas operators have established offices in Kazakhstan. The country offers enormous potential for the supply chain from the larger Tier 1 and 2 contractors, down to small and medium sized enterprises, to establish a regional hub to expand their capabilities and opportunities in the region.

The rapid discovery and development of abundant mineral resources and prolific oil reserves has seen the country become one of the wealthiest nations in Central Asia, generating almost 60% of the region's total GDP. Trade and economic cooperation initiatives with Russia and Belarus, have also expanded Kazakhstan's sales market to around 182 million people. Kazakhstan's international competitiveness is growing impressively. In the World Bank's 2017 Doing Business index, Kazakhstan was ranked 35 out of 190, which puts Kazakhstan first among the countries of the Eurasian Customs Union.

The country does not generate electricity from nuclear sources; currently 59% of total power consumption comes from coal. The government is currently studying the feasibility of building the country's first 600MW nuclear reactor by 2025.

Furthermore, Kazakhstan has huge potential in renewable energy and therefore the government has introduced a plan to produce 3% of energy from renewables by 2020 and 50% by 2050, transitioning to a 'green' economy. As part of the 'green' economy concept, 34 wind farms, 28 solar, 41 hydroelectric and 3 biomass plants have been approved and are scheduled to be operational by the end of 2020, producing 3,055MW of renewable energy in total.

Kazakhstan is in the process of integrating the country into the global community and economic market place after a long period of being cut off as part of the Soviet Union. Kazakhstan is hosting EXPO 2017 and its Future Energy theme will promote efforts to find sustainable energy solutions to meet growing global demand and bring new opportunities to the country.

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Other recommended EIC events and activities

To compliment this report, we've suggested a related EIC event that will give you a complete picture of the Kazakhstani energy industry.

This will provide you with the latest market updates, connect you with key players in the country and give you an insight in how to do business in Kazakhstan.

Overseas Delegation to Kazakhstan

25–28 September 2017

EIC overseas delegations are the perfect way to learn about a new market in a supportive environment or strengthen existing business relationships.

During your time in Kazakhstan with the EIC you'll meet lots of senior decision makers from the country's major players and potential local partners, as well as learning about procurement processes and local content laws.

This delegation is the perfect way to find out about the Kazakhstani market and decide if it's a good fit for your company.

As Kazakhstan opens up to foreign investment, this delegation is your fast track to the front of the queue.

For more information and to register your interest please visit: www.the-eic.com/Events/FullEventsDiary.aspx

