

# KAZENERGY INSIDE

# 03 APRIL- MAY 2016

## CURRENT ISSUE

- VIP Interview: B.Akchulakov
- “Eurasia” Project Will Be Continued
- STC KAZENERGY for Innovations & Development of Technologies
- NCOC News
- National Energy Report 2015: Available Now



## DZHAMBULAT SARSENOV IS ASSIGNED AS HONORARY CONSUL OF HUNGARY IN THE REPUBLIC OF KAZAKHSTAN

**Dzhambulat Sarsenov, Deputy Chairman of KAZENERGY Association, is assigned as Honorary Consul of Hungary in the Republic of Kazakhstan**

Mr. Sarsenov was awarded this significant diplomatic mission, which is mainly the recognition of his merits as the co-chairman of Kazakhstan-Hungary Business Council, on April 21 in Aktobe city at the opening of the Honorary Consulate of Hungary.

The solemn ceremony was attended by Berdibek Saparbayev, Akim of Aktobe region, Andrash Barani, the Ambassador of Hungary, Zsolt Csutora, Ministry of Foreign Affairs and Trade of Hungary, and representatives of MFA of Hungary and RK, administration of Aktobe region and Aktobe city, “Atameken” NCE. Kazakhstan is on the important moderni-

zation stage based on “Kazakhstan – 2050” Strategy, “Nurly zhol” NEP and “National Plan – 100 specific steps on five institutional reforms implementation” initiated by the Head of the State, which provide strengthening of Kazakhstan’s positions on the international and economic stages.

The consular district, in which Dzhambulat Sarsenov now represents the interests of friendly country, includes Almaty, Karaganda and Aktobe regions. In accordance with the Vienna Convention on Consular Relations dated April 24, 1963, the legislation of RK as well as international agreements and conventions in which our country participates, in the performance of the functions of the Honorary Consul Mr. Sarsenov will use all the rights and privileges of the Consul. During the same day, Mr. Sarsenov in

his new diplomatic mission attended the meeting of the representatives of Hungarian diplomatic and business circles with Berdibek Saparbayev, Akim of the region, where further strengthening of Kazakhstan-Hungary cooperation was discussed.

Broad prospects were also discussed during the meeting with business community of Aktobe region. Entrepreneurs of two countries highlighted the availability of significant opportunities for participation of Hungarian and Kazakh companies in joint oil and gas and other projects.

## BOLAT AKCHULAKOV ABOUT THE NATIONAL ENERGY REPORT, FORECASTS, INVESTMENTS



**Last month, Doha hosted a meeting of OPEC countries, which was also attended by Kazakhstani representatives. One of the agenda items was the discussion of the hydrocarbon production freezing. However, as it became known, the leading exporting countries are unable to come to a consensus. Nevertheless, some people believe that the oil price stabilization is only a matter of time. Thus, the 2nd National Energy Report presented by KAZENERGY Association has forecasted a possible increase in oil prices to 60 USD per barrel. General Director Bolat AKCHULAKOV explained why oil prices may grow**

*Recently, the Association presented the 2nd National Energy Report. What is the difference between this fundamental document and the previous one, which was published in 2013? What mining industry sectors of Kazakhstan does it describe? What major trends can be traced in the development of the commodity market?*

The 2nd National Energy Report contains information on the energy potential that the country had in 2015. The difference from the previous report lies in its analytical part. In fact, an attempt was made to evaluate and sum up the entire energy potential of the country. Much work was done on analyzing the current energy balance of the country, which is production and consumption, as well as its prospects; it also contains forecasts regarding oil prices. The NER presents an overview of the entire fuel and energy complex of the country: oil, gas, coal and nuclear sectors. It also elaborates on the development of unconventional sources, shale oil and gas, renewable energy sources.

*What forecasts do analysts make regarding oil prices?*

Just a year or two ago, the price per barrel was one hundred dollars and above. It would be misleading to say that this price will rise back to that level, of course. However, numerous factors point to a possible increase in oil prices this year. We can observe such trends today, when the price per barrel goes up to over 40 dollars. As for a price from 80 dollars and above, we estimate that it will not happen this year and probably not even in the first half of next year.

*The share of Kazakhstani oil in the world's total hydrocarbon production is not that significant. In this regard, is there any sense for our country to cut the production volumes of the "black gold"?*

In comparison to Saudi Arabia or Russia, where the oil production is over 500 million tons per year, the oil production in our country is much lower. From this point of view, of course, freezing the oil production in Kazakhstan will not significantly affect the oversupply observed in the oil market. However, Kazakhstan's participation at the meetings of the OPEC countries is, of course, useful from the perspective of understanding the modern trends and learning the positions of countries that dictate pricing policies by reducing or increasing oil production, as it is in the case of Saudi Ara-

bia. As for freezing oil production at the level of January, which was mostly discussed by international experts, it means that the Kazakhstani production will not be cut.

*The report provides analysis of investment attractiveness, in particular, special attention is paid to China. What are the prospects of the Kazakhstan -China cooperation in the energy sector?*

China is one of the strategic partners of Kazakhstan, not only due to its geographic proximity, but, primarily, because of the huge capacity of the Chinese market. Moreover, the new leadership of China has announced the country's commitment to increase the quality of domestic consumption, which implies the expected production growth in the neighboring country. In this case, China's potential for the sale of Kazakhstan's hydrocarbons and, possibly, uranium is very likely to grow rather than be reduced. As it is known, Chinese companies have heavily invested in exploration and production, as well as in the construction of cross-border pipeline, an oil refinery in Shymkent, and a gas processing plant in Zhanazhol. The construction of main oil and gas pipelines towards China is an option for diversification of Kazakhstani exports.

*Do you think Iran will really allow Kazakhstani oil service companies to enter its market?*

Our country traditionally maintains friendly relations with Iran, as evidenced by the recent visit of President of Kazakhstan Nursultan Nazarbayev to Tehran, where he met with President Hassan Rouhani. I think that this meeting will provide an additional impetus to the Kazakhstan-Iran cooperation. Moreover, the parties share mutual interests in a number of areas, including the oil and gas sector. We are aware of Iran's intention to restore the production to the level that existed before the imposition of sanctions, which is about 3.5 million barrels per day. For this purpose, Iran is planning to invest about 140 billion dollars. At the same time, as you know, Iran's oil and gas industry has long been in isolation due to an embargo, technologies and equipment were not updated, access to foreign professionals was denied. As a result, the main infrastructural assets are worn out.

As for our companies, they are looking for new markets and opportunities because of the adverse global trends. Kazakhstan oil service companies have significant experience, technology and qualified personnel, so they intend to enter the Iranian market and offer their services in the field of drilling and heavy machinery. Thus, in my opinion, Iranian and Kazakhstani parties share mutual interests.

*Do you think the privatization of three Kazakh oil refineries was timely?*

Currently, the Government of Kazakhstan is carrying out a large-scale privatization of assets belonging to the Republic for the purpose of bringing the state's share in the economy down to 15% of GDP by 2020. Under this program, it is planned in the first place to sell the state-owned shares of 60 large enterprises. This list includes three refineries in Kazakhstan, as well as, a refinery in the Romanian city of Constanta, which is part of KMG International N. V. (wholly owned by JSC "NC "KazMunaiGas").

Decisions on what share of domestic refineries can be sold are still pending. As you know, JSC "KazMunaiGas" owns 100% of the Atyrau and Pavlodar refineries and 50% of the Shymkent refinery.

I think the privatization of refineries could significantly improve the situation, because the state will receive significant revenues, and the presence of private business will contribute to a speedy modernization of the refineries.





## “EURASIA” PROJECT WILL BE CONTINUED



**On April 14, the meeting of the Roundtable on “Eurasia” project was held under the chairmanship of Kanat Bozumbayev, the Minister of Energy of RK**

The meeting was attended by: Vladimir Shkolnik, RK Presidential Advisor, Uzakbay Karabalin, Deputy Chairman of the Management Board of KAZENERGY Association, Sauat Mynbayev, Chairman of the Management Board of “KazMunayGas” NC” JSC, Bazarbay Nurabayev, Chairman of the Committee of Geology and Subsoil use of MID RK, representatives of foreign and transnational companies.

The project implementation was discussed at the Roundtable. It was noted that in the part of geological exploration state, “KazMunayGas” NC” JSC had already conducted work on integration and analysis of available geological and geophysical data. “Eurasia” project implementation has positive legislative developments associated with tax and customs preferences.

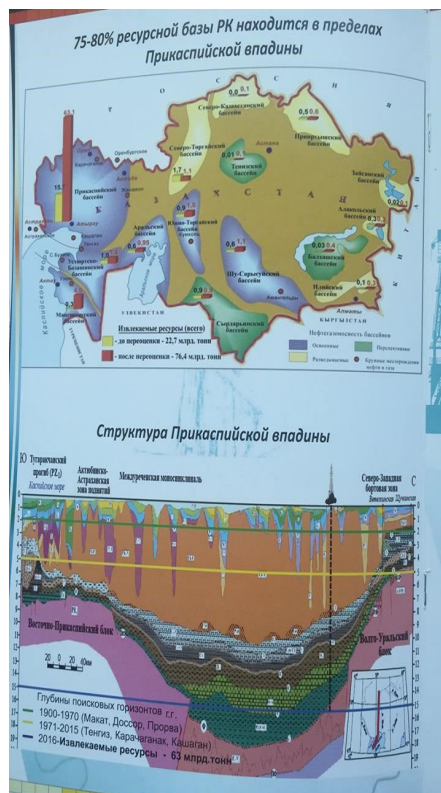
The need to attract foreign and transnational companies to participate in “Eurasia” project was noted during the Roundtable. For this purpose, ME RK and “KazMunayGas” NC” JSC plan to conduct several meetings with the interested parties and to cover them in mass media.

### Background

“Eurasia” project includes exploration of deep-sunk deposits geological structure in the Caspian Lowland, as well as raw hydrocarbon prospecting. By the preliminary assessment, the deep-sunk deposits may contain the reserves in amount of 63 bn. tons of reference fuel.

“Eurasia” project implementation is approved by the heads of RK and RF, the Memorandum of Understanding is signed between MID RK and Rosnedra RF Federal Sub-

soil Agency to exchange geological and geophysical data. During the meeting of the interdepartmental commission chaired by the Prime Minister Karim Massimov, the issues associated with provision of tax and customs preferences on “Eurasia” project by RK were approved.



## STC KAZENERGY:

### SUPPORT OF INNOVATIONS AND DEVELOPMENT OF TECHNOLOGIES



**Modern solutions and technologies in the petroleum and energy industries of Kazakhstan were discussed from the point of view of science and sector companies at the meeting of KAZENERGY Association's Scientific and Technical Council (STC), chaired by Uzakbai Karabalin, KAZENERGY Deputy Chairman**

There was a hot discussion around the presentation of JSC "Hydrometallurgical plant" (HMP) titled "Utilization of new generation technologies with complex intra-stratum exposure at viscous oil fields". The presented solutions of the HMP group meet the current needs for new methods of increasing oil recovery by injection of sulfuric acid into the formation. Advantages: additional oil production, reduction of environmental pollution with sludge, gradual elimination of accumulated sulphuric piles, possibility for associated extraction of rare and noble metal compounds from sulfuric acid solutions. The second presentation was devoted to the utilization of next-generation technologies for "remediation of radioactive waste (RW) tailings in the Republic of Kazakhstan". The HMP enterprises have more than 60 years' experience of radioactive waste management. The meeting participants discussed the technological and economic prospects

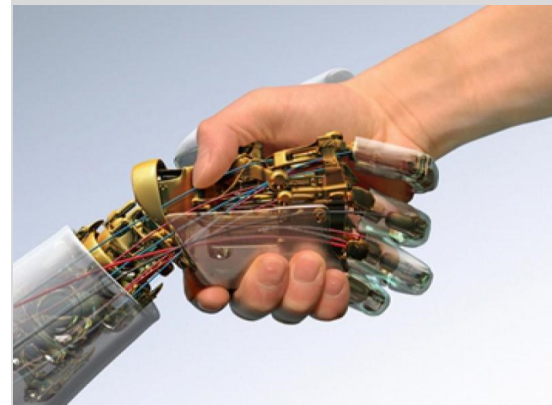
of introducing the proposed methods. No less interesting was the presentation of expert of the National Engineering Academy of Kazakhstan on increasing the efficiency of seismic exploration at oil fields with the help of special calculation and scanning methods. He presented informational models for creation of a 3D image in parallel with a mathematical model. The scientists call their work a know-how, because, in their opinion, the Millennium problem – the Navier-Stokes equation – has been resolved. The new calculations help to reduce the number of blasts needed for seismic surveys without compromising the quality of results, which can be integrated with the existing seismic software.

In turn, the representative of "Dynaenergetics Siberia" spoke on the new solution of the company, in particular, on cumulative energy charges DPEX used for secondary opening of strata and examination of results by simulating reservoir conditions. The conventional cumulative charges were compared with the charges in the energy funnel. Unlike the former method, DPEX allows providing longer pressure in the reservoir, leading to an increase in the diameter of the channel, and accordingly ensuring a higher increment of oil production both in volume and in time.



The members of the STC took note of

the guests' presentations and encouraged their further development and application by way of recommendations and meetings with professionals from various companies.





## 17 LOCAL COMPANIES WERE CERTIFIED AGAINST INTERNATIONAL STANDARDS



**NCOC organised awarding ceremony of International Organisation for Standardisation (ISO) Certificates ISO 9001, ISO 14001, OHSAS 18001, ISO 22000, to 17 local companies**

They all successfully completed the training provided by Quality Management Centre (QMC LLP) and were certified by Rina Services SpA Kazakhstan. The training and certification related costs were incurred by NCOC under the Special Long-Term Local Content Development Program with one of its objectives related to assistance in sustainable development of local companies in line with international standards and in improvement of RoK Nationals' skills.

Implementing ISO standards will at first allow RoK companies to streamline operations and enhance cost-efficiency; secondly, to ensure complete and quality submission of tender documentation thereby increasing their chances to be awarded a contract; and, finally, to provide invaluable support in performance of works under contracts and guarantee timely supplies within the budget in accordance with all technical criteria and quality specifications thus fully complying with their customers' requirements.

As of today, over 180 training courses have been arranged and almost 2,300 employees of more than 40 RoK companies have attended these courses.

At further phases of the development, the North Caspian Project Operator will remain focused on increasing local content share by encouraging further development of local companies' production capacities in line with international standards and design specifica-

tions. Thus, the facilitation of sustainable development of the RoK industrial capacity and human resources without prejudice to HSE requirements is still one of the North Caspian Project top priorities.



**On April 25, the NCOC presented 33 projects as part of the Consortium's Sponsorship and Donation Program (S&D) out of which 27 were completed in 2015, and six projects are under execution in 2016. Along with that, under the S&D Program NCOC handed over several projects to local institutions of education, healthcare and sports**

The events started at the secondary school named after F. Ongarsynova in Atyrau which the Consortium had provided with computers, musical equipment, furniture and a set of interactive whiteboards, and continued further in the Atyrau Sports Club for Disabled Persons. NCOC equipped the workout section there and donated special fitness equipment that will open new opportunities for the physical development of children.

The next facility to be visited was the Atyrau Region Ophthalmology Hospital which NCOC provided with the necessary medical equipment, specifically, a diagnostic device for non-contact measurement of the eye parameters and calculation of the IOL using special software.

This tour of the facilities was concluded with the presentation of the total scope of works done by NCOC in 2015-2016. The North Caspian Consortium always supported the efforts of the state aimed at the socio-economic development of the country. Over the past 17 years \$500 mln were allocated for social and infrastructure projects only in Atyrau and Mangystau Regions that enabled implementation of 160 projects.

The Consortium's Sponsorship and Donation Program is aimed at ensuring the economic sustainability, and enhancing the well-being of the population, supporting the healthcare, education, culture and cultural heritage, sports and assisting the disadvantaged. It is worth noting that the Consortium carries out various campaigns year in year out that are targeted at improving the lives of children.

In addition to the beneficiaries, the event was also attended by Akimat officials of the Atyrau Region, Makat, Makhambet, Issatay districts, senior management of some NGOs and NCOC.



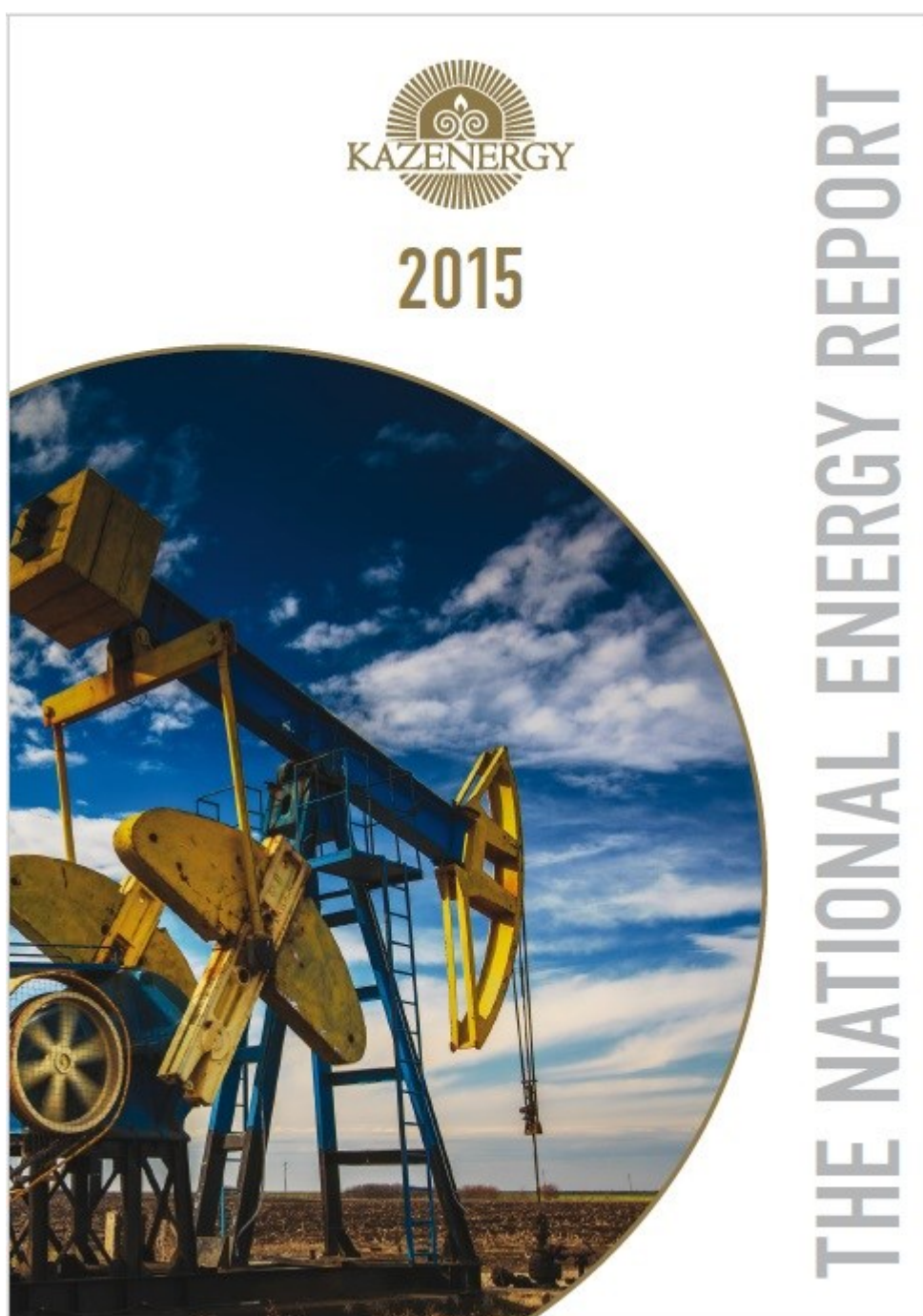
## NATIONAL ENERGY REPORT 2015 AVAILABLE TO EVERYONE

Dear friends!

The 2nd issue of the National Energy Report, recently presented by KAZENERGY Association aroused much interest among the industry specialists, representatives of academia, state structures, students. The Association receives a large number of requests on the possibility to purchase this important analytical document.

In this connection, the Executive Committee of KAZENERGY decided to distribute the National Energy Report free of charge with electronic versions in Russian and English provided on our website [www.kazenergy.com](http://www.kazenergy.com)

We hope that the report's materials will be useful and will help to solve scientific and practical tasks for the benefit of our country!





Press & PR Office

KAZENERGY

Tel: +7(7172) 790181, 790173

[shaira@kazenergy.com](mailto:shaira@kazenergy.com)