



№ 5 (4-) 2010

KAZENERGY

INTERNATIONAL

special edition

KAZENERGY EURASIAN FORUM

**ELECTRIC ENERGY OF KAZAKHSTAN:
KEY INVESTMENT PROJECT**

**ASTANA CITY – A PEARL
OF KAZAKHSTAN**

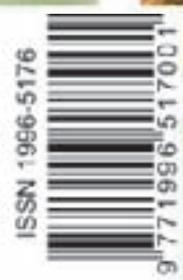


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KAZENERGY



KAZENERGY Association – is a union of companies working in the energy industry of Kazakhstan.

This year is the 5th anniversary of the Association and this gives a reason to look back at what has been achieved. The number of members has increased significantly and now includes 50 companies. Ten coordinating committees have been created to work on recommendations for all aspects of the energy industry: from ecology and tax to international cooperation and transport potential. In the future, KAZENERGY will continue working efficiently and responding to changing economic conditions and just like its predecessors, the Vth KAZENERGY Eurasian Forum will help direct the future activities of the Association.



UNITED ENERGY

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Ассоциация KAZENERGY – это объединение организаций нефтегазового и энергетического комплекса Казахстана.

В этом году Ассоциация отмечает своё пятилетие, что даёт повод подвести некоторые итоги деятельности: количество членов Ассоциации достигло 50 компаний, было создано 10 координационных советов, работающих по разработке рекомендаций по всем спектрам развития отрасли: от экологии и налогообложения до международного сотрудничества и развития транспортного потенциала. Ассоциация и дальше планирует действовать согласно меняющимся экономическим условиям, а 5-й Евразийский Форум KAZENERGY, как и его предшественники, поможет направить дальнейшую деятельность Ассоциации.



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TIMUR

KULIBAYEV

CHAIRMAN OF KAZENERGY ASSOCIATION



DEAR LADIES AND GENTLEMEN!



On behalf of KAZENERGY Association, it is my great pleasure

to greet participants and guests of the 21st World Energy Congress!

Since 2009, Kazakhstan has been a full member of the World Energy Council.

The Republic's membership in such a prestigious and well-established international organization creates conditions for the stable development of the country's energy industry, and ensures Kazakhstan's wider participation in the field of global energy.

The participation of the Kazakhstani delegation in the World Energy Congress is an important step towards strengthening international cooperation on the topic of energy, and Kazakhstan's position within it.

The Congress is the largest event in the global energy industry. Providing a forum for leading representatives of the global energy complex to discuss topical issues and aspects of energy development, the Congress offers a splendid opportunity to increase multilateral interaction, to strengthen dialogue and understanding, to exchange opinions and experiences, and also to demonstrate the advances and achievements of the energy industry.

Crucially, the 21st World Energy Congress will concentrate its attention on aspects of the ecological development of energy, and environment protection, following the key theme: «Energy for transition for a living planet» The Congress will search for appropriate solutions to the challenges of developing eco-friendly energy.

One of the top long-term priorities of Kazakhstan's contribution to the sphere of energy development is an increase in ecological stability, as well as an optimal use of natural resources.

I'm sure that the working proceedings and results of the discussions at Congress will provide further encouragement to build an environmentally friendly, ecology-based energy complex both in the Republic of Kazakhstan and the whole world.

I wish you success and productive debates!





ALMASADAM

SATKALIEV

PRESIDENT OF «KEGOC» JSC,
CHAIRMAN OF THE KAZAKHSTAN MEMBER COMMITTEE
OF THE WORLD ENERGY COUNCIL



DEAR COLLEAGUES, PARTICIPANTS OF THE 21ST WORLD ENERGY CONGRESS!



It is a great honor for me to greet you on behalf of the
Kazakhstan Committee of the World Energy Council!

Due to the initiative of the KAZENERGY Association, Kazakhstan became a full member of the WEC in 2009, and today our country takes part in the proceedings of that influential international event for the first time.

I'm sure that our experience of the work done by the World Energy Council will help us to develop the national energy complex, and to foster the stability of global energy relations.

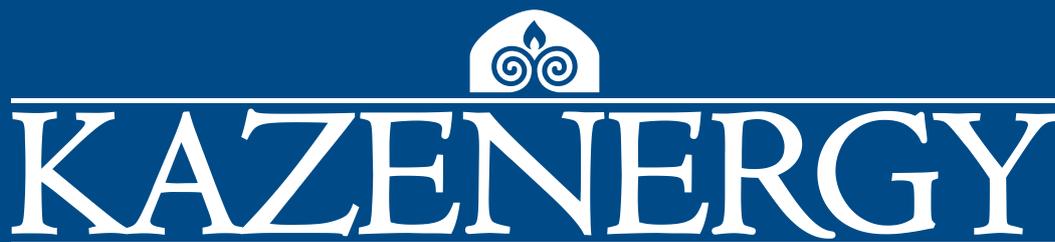
The emphasis on a fruitful and open exchange of opinions between participants in the Congress offers unique opportunities for widening business contacts and interacting with others in the field.

This year, the theme of the 21st Congress – namely «Energy for transition for a living planet» – sets a trajectory of analysis and discussion concerning key problems of the energy sector, which exert influence on sustainable development opportunities.

We expect that the results of the Congress will contribute greatly to the advances in up-to-date resource- and energy-saving technologies that have found global success in the sphere of environment protection.

In conclusion, I'd like to wish you constructive debates and successful work during the Congress!





KAZENERGY

ASSOCIATION AT THE CENTER OF THE INDUSTRY DIALOGUE

THE KAZENERGY ASSOCIATION OF OIL-GAS AND ENERGY WAS ESTABLISHED ON 2 NOVEMBER 2005 AS AN INDEPENDENT, NON-COMMERCIAL UNION OF LEGAL ENTITIES.

SINCE ITS ESTABLISHMENT, THE ASSOCIATION HAS BEEN ABLE TO POSITION ITSELF AS A SIGNIFICANT INNOVATOR OF SOLUTIONS AND STEPS DIRECTED TOWARDS ENSURING THE INDUSTRY'S SYSTEMATIC DEVELOPMENT. IT HAS CREATED MECHANISMS OF INTERACTION WITHIN AND BETWEEN PRIVATE BUSINESSES AND THE STATE, AND ALSO AT THE LEVEL OF CORPORATIONS.

SIGNIFICANCE OF THE ASSOCIATION FOR THE INDUSTRY

Today the KAZENERGY Association consists of over 40 of Kazakhstan's largest oil-gas and energy companies.

Among them are the most significant investors and extracting companies operating today within the country's oil-gas, mineral and en-

ergy complex. The companies that belong to the Association are the basis of the economy of Kazakhstan.

The Association's member companies provide more than 60% (or 5.4 trillion tenge – more than \$36.5 billion) of the Republic's industry output, which totals 8.92 trillion tenge, as calculated at the end of last year. In 2006,

enterprises led by the Association's member companies formed approximately 52% of the total volume of the Republic's industry output. In total, KAZENERGY member companies boast more than 100 thousand workers. Member companies of the Association achieved 61% of export revenue in 2009. In 2006, KAZENERGY members provided 43.2%





The Chairman of the Association is Mr Timur Kulibayev. It should be noted that in December 2009, Mr Timur Kulibayev was awarded Kazakhstan's state decoration – «Barys», order of III degree – for assisting in the development of the country's energy industry; and in December 2007, he received the Russian award «Druzhby» for his considerable contribution to the strengthening of relations and cooperation in the area of energy and fuel development between the Russian Federation and the Republic of Kazakhstan.

The Chairman of the Association also chairs the Council of the KAZENERGY Association, which is an advisory and deliberative department of the organization.



of the total export revenue of the Republic, or \$16.5 billion.

In 2009, member companies' share in total crude oil and gas condensate production in the Republic of Kazakhstan was 90%. In that year, KAZENERGY companies extracted more than 68 million tons of oil and gas condensate, in comparison with 56 million in 2006.

It is expected that the oil and gas condensate production will reach an annual 92-95 million tons by 2015.

Companies united under KAZENERGY provided 91% of natural gas extraction in Kazakhstan, namely 32.5 billion cubic m from a total of 35.6 billion cubic m extracted in 2009. By comparison, Association member companies

extracted 22 billion cubic m of natural gas in 2006. It is expected that by 2015 the extraction of natural gas by Association members will have risen to 50-55 billion cubic m.

Last year, the Association's share of oil and gas condensate export reached approximately 95%, or 60 million tons. This represents an increase of more than 13 million tons since

MISSION AND OBJECTIVES OF THE ASSOCIATION

The KAZENERGY Association is an independent, voluntary and non-profit organization which seeks to create favorable conditions for the dynamic and sustainable development of Kazakhstan's oil, gas and electric power industries.

Among the key objectives of the Association are the following:

- Representing the interests and protecting the rights of Association members working within state departments;; harmonizing legislative frameworks.
- Creating an information network for subsoil users, power generation and distribution companies, and transporters and consumers of the energy sector's goods and services.
- Developing and supporting cooperation and entrepreneurial projects on local, regional and international levels.
- Promoting the positive reputation of the Association, its members and the entire industry at regional and global levels.
- Stimulating economic, social, environmental, and scientific research activity with the Kazakhstan community.

The Association actively supports national awards such as the «Golden Prometheus» award and the social award «Altyn Zhurek», and international and regional conferences and workshops, including the Northern Caspian exhibition «Atyrau Oil and Gas», Kazakhstan's international exhibition «Power and lightning», and Mangistau's regional exhibition «Oil and Gas», among others .





For instance, the KAZENERGY Association took an active role in discussing and drafting the laws "About subsoil and subsoil use", "About the state support of renewable energy sources", "About energy efficiency", "About transfer payments" and many others, including additions to existing legal norms. Recommendations elaborated under Association assistance have conceptually improved and in many cases perfected the drafts mentioned above.

Proposals for the Ecology, Labor and Tax codes were also decided upon and introduced by the Association.



2006, when 46.9 million tons were exported by the Association. . The enterprises headed by members of KAZENERGY are linked with trade partners and consumers of crude oil and gas condensate around the world, including Europe, Asia, America and the FSU states. Thanks to the acceptance of NUC «Kazatomprom» JSC as a KAZENERGY member, uranium production by Association companies has reached 13.7 thousand tons. It is expected that uranium extraction will have risen to 17 thousand tons by 2015.

INTERACTION WITH GOVERNMENTAL AND STATE BODIES

Since its establishment, the Association has fostered constructive interaction with the state bodies and departments of Kazakhstan, including the Ministry of Oil and Gas, the Ministry of Environment Protection, the Ministry of Labor and Social Protection, and others.

It provides an ideal forum to seek efficient solutions to emergent issues, and to produce balanced decisions and initiatives oriented towards the dynamic development of the industry, with a consistent focus on dialogue and debate.

The Association has been tirelessly dedicated to solving problematic issues that arise in Kazakhstan's energy sector, and forming proposals and recommendations for state bodies concerning important industry matters during 2005-2010. These matters were discussed in the Association's special Coordinating Committees, as well as within governmental and parliamentary Working groups, and during meetings of the Interdepartmental Commission for development of the oil-gas and energy complex, chaired by the Prime Minister of the Republic of Kazakhstan.

The KAZENERGY Association helped to establish the Interdepartmental Commission mentioned above, which plays such an important role in coordinating the efforts of state bodies to develop the industry and support an effective interaction between business and the state.

The KAZENERGY Association has become a member of several governmental and parliamentary Working groups, including the Working group for development of the Kazakhstan content, which functions on behalf of the government of the Republic, and the Expert Council on entrepreneurship, a department of Kazakhstan's Ministry of Finance. Moreover, the Association has expanded its activity in providing assistance to improve the legislature and legal regulations governing Kazakhstan's oil-gas and energy industries as well as subsoil use, taxation, tariff forming, and so on.

COORDINATING COMMITTEES OF THE ASSOCIATION

Coordinating Committees within the framework of KAZENERGY were established to focus attention on the most important issues associated with developing Kazakhstan's oil-gas and energy sectors, including drafting of practical recommendations.

Coordination Committees became one of the primary means of developing dialogue within the industry. Among those who regularly participate in the Committees are heads of Kazakhstan's government and ministries; Parliament deputies; managers of the oil-gas and energy companies that are the Association's members and partners; leading experts, and representatives of non-governmental organizations.

Regular Working groups under four Coordinating Committees have been established to manage topical concerns. The Working group on corporative social responsibility is just one example.

The KAZENERGY Association implements its activities by means of the following Coordinating Committees:



1. COORDINATING COMMITTEE ON LOCAL CONTENT IN INVESTMENT PROJECTS

Chairman Uzakbai Karabalin, President of «Mangystaumunai-gas» JSC, Co chairman Campbell Keir, Chairman of the Board of Shell Group in Kazakhstan, and Managing Director of Shell Kazakhstan Development B.V. The Coordinating Committee on Local Content in Investment Projects emphasises the importance of an increase in Kazakhstani content, including helping to administrate priorities set by state bodies.

2. COORDINATING COMMITTEE ON OIL-GAS AND ENERGY INDUSTRY DEVELOPMENT

Chairman Zhakyp Marabayev, Deputy Managing Director, NCOC. The co chairman is Todd Levy, General Director of TengizChevroil. The Coordinating Committee on Oil-Gas and Energy Industry Development integrates the processes of discussion and decision-making by members of the Association, plenipotentiary state bodies and other interested parties. The main objective of the Coordinating Committee is to participate in working on the state policy and strategies for the development of the oil-gas and energy industry. The Committee also supervises special projects implemented by the Association.

3. COORDINATING COMMITTEE ON TAXATION AND LEGISLATIVE PROCESSES

Chairman Kenzhegali Sagadiyev, Deputy of the Mazhilis of the Parliament of the RK. Co chairman Askar Aubakirov. The Coordinating Committee on Tax and Legislative Processes integrates the processes of discussion and decision-making by members of the Association, plenipotentiary state bodies and other interested parties. The main objective of the Coordinating Committee is analysing, discussing and forming expert opinions on legislature improvement in the fields of taxation and customs regulation to regulate the activity of oil-gas and energy companies.

4. COORDINATING COMMITTEE ON PROFESSIONAL EDUCATION AND TRAINING

Chairman Mark Rollins, President of BG Kazakhstan. Co chairman Assan Nugmanov. The Coordinating Committee on Professional Education and Training examines issues linked with professional education and its improvement, as well as the creation of new opportunities in educational environments.

5. COORDINATING COMMITTEE ON EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE

Chairman Zamira Kanapyanova, Head of the regional office of Chevron in Kazakhstan. Co chairman Patricia Graham. The Coordinating Committee on Extractive Industries Transparency Initiative integrates the processes of discussion and decision-making with members of the KAZENERGY Association, state bodies and other interested parties. The main objective of the Coordinating Committee is to elaborate recommendations related to the realization of the Industries Transparency Initiative, and also to supervise special projects implemented by the Association.



6. COORDINATING COMMITTEE ON INFORMATION AND CONSULTING WORK AND REPUTATION MANAGEMENT

Chairman Odd Magne Inste fjord, General Director, Statoil Nors Caspian AS. Co chairman – Gaziz Kulakhmetov.

The Coordinating Committee on Information and Consulting Work and Reputation Management promotes the image of the Association and the industry as a whole, provides coverage of the Association's activity in various fields, interacts with mass-media, and elaborates related recommendations and proposals.

7. COORDINATING COMMITTEE ON ELECTRIC ENERGY DEVELOPMENT, ENERGY EFFICIENCY AND RENEWABLE ENERGY

Chairman Yesbergen Ab itayev, First Deputy of the Chairman of the Board of Samruk-Kazyna JSC. Co chairman Almasadam Satkaliev, President of KEGOC JSC.

The Coordinating Committee on Electric Energy Development, Energy Efficiency and Renewable Energy integrates the processes of discussion and decision-making with members of the KAZENERGY Association, state bodies and other interested parties.

The Coordinating Committee's main objective is to analyse and elaborate matters associated with the development of electric energy, energy efficiency and renewable energy. Again, it supervises special projects implemented by the Association.

8. COORDINATING COMMITTEE ON TRANSPORTATION POTENTIAL DEVELOPMENT IN OIL AND GAS SECTOR

Chairman Kaigeldy Kabyldin, President of NC Kazmunaigas JSC, Co chairman Jean-Luc Porcheron, Managing Director, Total E&P Kazakhstan.

The Coordinating Committee integrates the processes of discussion and decision-making with members of the KAZENERGY Association, state bodies and other interested parties.

The main objective of the Coordinating Committee is to develop the transport potential of the oil-gas sector, together with providing supervision for over special projects implemented by the Association.

9. COORDINATING COMMITTEE ON THE PETROLEUM PRODUCTS CIRCULATION

Chairman Wei Yuxiang, President of PetroKazakhstan Overseas Service Inc. Co chairman Berlibaiev Daniyar, General Director of Trade House Kazmunaigas JSC.

The Coordinating Committee on the Petroleum Products Circulation integrates the processes of discussion and decision-making with members of KAZENERGY Association, state bodies and other interested parties.

The main objective of the Coordinating Committee is to analyse and prepare issues relating to the circulation and development of petroleum products, along with providing supervision for the Association's special projects.

10. COORDINATING COMMITTEE ON INTERNATIONAL RELATIONS AND COOPERATION WITH FOREIGN ORGANIZATIONS

Chairman Richard Spooner. Co chairman Meruyert Bafina.

The Coordinating Committee directs its activity towards building effective partnerships with foreign organizations and associations, first and foremost in the energy sector.

COOPERATION IN THE INDUSTRY

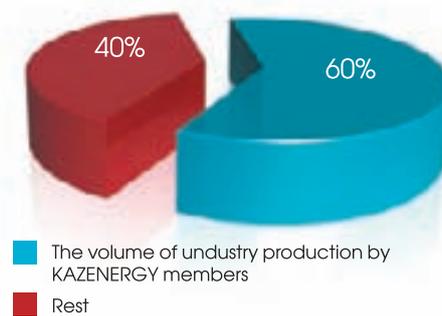
The KAZENERGY Association actively develops international cooperation in the energy sector, linking Kazakhstan's largest industrial organizations with national energy associations overseas.

Under the initiative of the Association, Kazakhstan has become a full member of such important international organizations as the World Petroleum Council and the World Energy Council.

This has allowed Kazakhstan to considerably strengthen its international image as a reliable participant in the global system of energy relations, and to reach the level of international partnership.

The Association has finalized a whole range of agreements in the interests of the Republic's energy industry promoting cooperation between Kazakhstan's industrial organizations and those of foreign countries. Particularly worthy of note are partnerships with the Norwegian Associa-

Picture 1. **The volume of industry output**
(Sources: Agency of the RK for statistics, KAZENERGY Association, Expert Bureau "Energy Focus")



tion of partners in the oil-gas industry INTSOK, the Kazakhstan National Economic Chamber «Atameken», and others.

In addition, the KAZENERGY Association is a regular participant in important international events and forums such as the CIS Summit for oil and gas, to give just one example.

SUPPORT OF THE TRANSPARENCY INITIATIVE

The KAZENERGY Association seeks to popularize and realize of the Extractive Industry Transparency Initiative (EITI), partly through interaction with state bodies and non-governmental organizations.

In December 2006, members of the Council of the Association adopted a decision to fully support the realization of the Initiative; this decision was subsequently coordinated with all members of the Association.

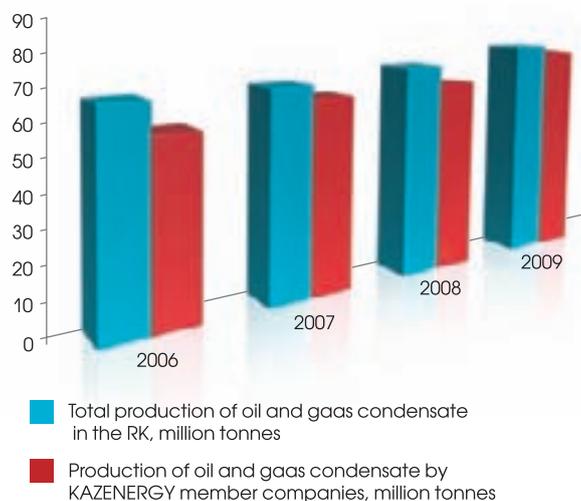
With the Association's help, the Initiative has achieved wide recognition within the oil-gas and energy sector.

The Association takes an active part in in the work done by the National Council of Interested Parties, and since the first conference in February 2008 has given informational and organizational support to national conferences for popularization of the Transparency Initiative in Kazakhstan. It also provides support in producing reports on the Transparency Initiative concerning budget revenues.

EDUCATIONAL PROGRAM OF KAZENERGY

One of the top priorities of the KAZENERGY Association's policies is to support scientific, consultative, and educational organizations and establishments, and to promote state and corporation-based educational policy. In an effort to develop policy effectively in these directions, the Associa-

Picture 2. **Oil and gas condensate production**
(Sources: Ministry of oil and gas of the RK, Agency of the RK for statistics, KAZENERGY Association)



tion has successfully implemented the Educational Program of KAZENERGY. Nowadays, the Educational Program of KAZENERGY has earned the status of an effective mechanism that fosters development of specialized education and supports cadres with industry potential.

It is unsurprising that the Educational Program has been realized with the active support of the leading oil-gas and energy companies operating in the country. In 2008, cooperation agreements were concluded with the Center of International Programs, «Bolashak», and the privately established United Center for Personnel Development in National Companies, «KazMunaiGas».

KAZENERGY EURASIAN FORUM

One of the Association's most authoritative and influential brands is the KAZENERGY Eurasian Forum.

INTERACTION WITH MASS-MEDIA AND PUBLISHING ACTIVITY

The KAZENERGY Association develops contacts with mass-media and the world of journalism. In particular, it stages press conferences on topical issues, and holds informal meetings with journalists and mass-media representatives. The Association also holds a Contest for journalists known as «The energy of the pen».

Under the aegis of the Association, the leading domestic oil-gas and energy analytical magazine KAZENERGY circulates monthly with more than seven thousand issues.

The KAZENERGY Eurasian Forum is regarded as an important forum for debate that unites the whole energy industry and enterprises within Kazakhstan's oil and gas industry. The event is the largest international forum in Kazakhstan and the Caspian region.

The breadth of discussion and the extensive, high-level participants of the Forum are testament to the Forum's continual strengthening of its position as an event of continental significance.

The Forum has been organized annually under the auspices of KAZENERGY since 2006, and four Forums have been held since that time. Their participants were leading domestic and foreign representatives of the oil-gas and energy sector: prominent European, Asian and American policy makers.

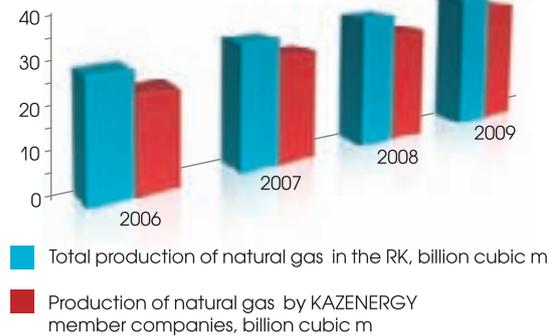
Heads of states and governmental bodies, managers of both global and Kazakhstani energy companies, influential experts and mass-media are among the Forum's delegates. Participants have included such prominent and well-known figures as the Prime Minister of Kazakhstan, Karim Massimov; former Chancellor of Germany, Gerhard Shroeder; and Kazakhstan's Minister of Oil and Gas, Sauat Mynbayev.

As a result of the Forums, recommendations and solutions proposed to ensure the stable development of the energy complex and to strengthen international energy partnerships have inspired much productive debate within the industry.

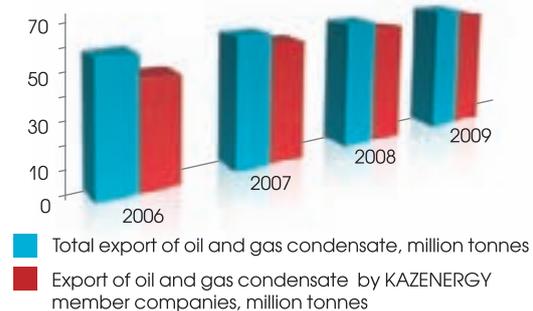
The KAZENERGY Association has thus been able to attain a position at the heart of the industry's dialogue, while providing the oil-gas and energy branch with additional opportunities for stable and balanced progress.

Picture 3. **Natural gas extraction**

(Sources: Ministry of oil and gas of the RK, Agency of the RK for statistics, KAZENERGY Association)



Picture 4. **Export of oil and gas condensate**
(Sources: Ministry of oil and gas of the RK, Agency of the RK for statistics, KAZENERGY Association)



Picture 5. **Uranium production** (Sources: Ministry of oil and gas of the RK, NUC Kazatomprom JSC)



Astana city, the capital of Kazakhstan, is to hold one of the largest events in the energy, oil and gas sectors: The Vth KAZENERGY Eurasian Forum.

KAZENERGY EURASIAN FORUM



SINCE THE FIRST EURASIAN FORUM, WHICH TOOK PLACE IN 2006, THE EVENT HAS GAINED CONSIDERABLE AUTHORITY AS A FORUM FOR DEBATE, REGULARLY INVITING LEADING REPRESENTATIVES OF THE GLOBAL ENERGY INDUSTRY, STATE OFFICIALS, MEMBERS OF THE BUSINESS COMMUNITY AND INDUSTRY EXPERTS.

Trends in the development of the oil-gas, electric energy and petro chemistry industries are discussed, as well as methods of forming fair and united policies of international cooperation, and searching for new ways to invest in Eurasia's largest international energy projects. New technologies and production methods are demonstrated, and strategically important agreements are made with partners and clients.

It should be noted that the Forum's organizer is Kazakhstan's largest industry union: the KAZENERGY Association.

Uniting more than 40 of the most influential players in the oil-gas and energy market of Kazakhstan, the KAZENERGY Association has strengthened its position as a key instrument for ensuring the interaction and cooperation of state and businesses.

The Association takes an active role in producing effective industrial legislature, promoting issues of social responsibility in business, and training young professionals. This includes KAZENERGY'S Educational Program, among many other projects.

Aiming to promote effective discussion about a wide range of issues linked with the complex development of the energy industry, the KAZENERGY Forum offers a marvellous opportunity to explore common points of view, new vectors of interaction, and balanced and functional solutions for existing challenges and problems.

During the proceedings of the KAZENERGY Forums, an effective model of dialogue has been established. This is evident from the results of previous Forums, from which have arisen actual recommendations to be implemented step-by-step.

KAZENERGY FORUM – HISTORIC REVIEW

«Oil-gas industry and energy», the theme of the first KAZENERGY Eurasian Forum, held in 2006, directed the attention of its participants towards securing ecological balance, developing oil chemistry clusters, establishing a secure energy infrastructure in Kazakhstan and promoting the use of alternative and renewable sources of energy. More than 200 delegates participated in the 2006 debates.

The First Eurasian Forum offered the KAZENERGY Association the opportunity to formulate its basic directions of activity.

The Forum has become one of the most important instruments for promoting KAZENERGY initiatives in a practical sense. In particular, the initiative concerning the establishment of the Interdepartmental Commission for the development of Kazakhstan's oil-gas and energy complex has met with approval, and pacts establishing energy stability in Eurasia and the Caspian Sea have also been welcomed.

Along with the aspects already mentioned, particular attention has been drawn to the





growth of Kazakhstan content in the service market for subsoil users, and the creation of the oil chemistry industry within the guidelines set by state programs for realizing the development of oil chemistry in Kazakhstan.

The Second KAZENERGY Eurasian Forum was dedicated to discussion of topical issues surrounding the development of the oil-gas and energy sector, including reviews of analytical information, the elaboration of proposals and recommendations, the coordination of common approaches to creating mechanisms for effective legislature and practical tools for activity in the important financial sector, along with debate about the role of national companies in ensuring economic competition.

The results of the Second Eurasian Forum have included decisions to support the conceptions, legal drafts and programs aimed at development of new directions in the energy sector. Agreements have also been made to promote the use of scientific energy-saving technologies that preserve ecological norms, to foster a suitable climate for investment in the electric energy sphere, and to elaborate proposals for improving security and the protection of labor protection in line with SCO's initiative concerning energy integration.

The Third KAZENERGY Eurasian Forum, held in 2008, emphasised discussion of

THE FIRST EURASIAN FORUM OFFERED THE KAZENERGY ASSOCIATION THE OPPORTUNITY TO FORMULATE ITS **BASIC DIRECTIONS OF**

topical and complex processes and significant trends that had emerged in global economy during this period, and affected energy interests in Kazakhstan and the worldwide community alike.

Over 400 delegates that attended the Third Forum focused their attention on Kazakhstan's reliability and responsibilities as an international partner in the energy sphere, following a framework provided by the Forum's theme, «Global challenges – energy solutions». The Fourth KAZENERGY Eurasian Forum brought together more than 800 participants from 15 countries around the world. As part of the Kazakhstan Energy Week, the Forum focused on a crucially important topic that became the main theme of all discussions held: «Global challenges and strategic alliances». In particular, participants in the **Fourth Eurasian Forum KAZENERGY** conducted debates about Europe and Asia's cooperation in matters of energy, since reliable





More than 800 participants from 15 countries of the world the Fourth Eurasian Forum KAZENERGY

access to energy supplies for all countries was one of the most important conditions for stability in Eurasia.

At the heart of the matter was the proper coordination of a balanced and mutually beneficial energy policy shared by countries of the region.

Eight plenary meetings and sessions were held in total. In just two days of the Forum, discussion took place on issues of developing the electric energy industry and transporting energy resources, developing infrastructure projects, reclaiming the Kazakhstani sector of the Caspian Sea, and generating new perspectives on oil and gas chemistry and refining. In addition, ways of forming common and coherent policy options for interaction were addressed, and new financial instruments for investment were sought.

Among the Fourth Forum speakers were Karim Massimov, the Prime Minister of Kazakhstan; Nurlan Balgymbayev, the

President's Councillor of Kazakhstan; Sauat Mynbayev, the Minister of Energy and Mineral Resources; Nurgali Ashimov, the Minister of Environment Protection; Timur Kulibayev, the Chairman of the KAZENERGY Association; Kaigeldy Kabyldin, the President of the national company «KazMunaiGas» JSC, and others.

Among the foreign speakers were Gerhard Shroeder, the 33rd Chancellor of Germany and member of the Board of Directors of Nord Stream AG; Randall Gossen, the President of the World Oil Council; Traicho Traikov, Bulgaria's Minister of Economy, Energy and Tourism, and other well-known figures. The Fourth KAZENERGY Eurasian Forum resulted in decisions to deepen cooperation between Kazakhstan and its key international partners; to form regional mechanisms for mutual support to overcome the consequences of the global economic crisis on the energy industry; to promote ecological issues in the





energy sphere; to accelerate the modernization of existing oil refineries and oil and gas chemistry enterprises, and the building of new ones; and to increase local content in the Republic's energy sector.

AWAITING THE FIFTH KAZENERGY EURASIAN FORUM

The theme of the Fifth Eurasian Forum will be «Eurasian Energy Map: balance of risks and new opportunities», which directs attention towards current conditions of and perspectives on energy in Eurasia, including its political and economic aspects, and the issue of international cooperation.

Ensuring secure and stable cooperation in the energy sector is a crucial long-term goal not only for single countries but for the global community.

Preserving the stability of worldwide and domestic communities can be achieved first through strengthening mutual understanding and the complex processes of cooperation between all actors in the global energy sphere, whether states or corporations.

This is why delegates at the Fifth Eurasian Forum KAZENERGY will so thoroughly discuss the issues and opportunities involved in Eurasian energy partnership, as well as the combined containment of risks and more problematic moments.

Supplying all countries with reliable energy resources is an important basis of stability in Eurasia. Countries within the region should coordinate and balance their energy policies.

discuss key aspects of energy geopolitics as a means of fostering effective and mutually beneficial systems of international relations, free of scaled risks and interstate contradictions.

Moreover, debate during the session entitled «Energy security: balance between transit routes, centers of supply and consumption» will provide the opportunity to develop an effective formula for supporting the balance of interests between suppliers and consumers of energy resources that is so crucial to the continent's energy stability.

Issues concerning the transportation of energy resources, ecology and environment protection, investment climate, renewable energy and energy efficiency will also receive thorough study.

For instance, participants of the Forum will hold open debates on 'new generation' energy, the attractiveness to investors of Kazakhstan and the Caspian region, along with other aspects of these topics.

During the session «Lessons of the global economic crisis: the role of energy industry in the recovery of post-crisis economies», the Forum delegates will also try to find a common vision for post-crisis development of global energy, and ways of containing of risks as the crisis continues.

It should be noted that the primary feature of the KAZENERGY Fifth Eurasian Forum will be a complex analysis of problems and aspects of environment protection and climate change, as well as consideration of how best to prevent industrial catastrophes..

A sensitive attitude to environmental concerns must be the priority during the stable development of the energy industry.

Debate during such sessions as «Energy and climate changes: global scenarios and risks», «Lessons of the Gulf of Mexico disaster», «Caspian Sea: ways of mitigating industrial risks» will offer an opportunity to form new approaches and make practical recommendations concerning these important problems.

Such a large event as KAZENERGY Eurasian Forum attracts the attention of key public figures and companies, playing an important role in developing the world oil-gas sector.

This year, as is traditional, the Forum is expected to gather a high-level audience.

Leaders in Kazakhstan's government and state bodies, will participate alongside foreign officials in the work of the KAZENERGY Eurasian Forum. For instance, Karim Massimov, the Prime Minister of Kazakhstan; Sauat Mynbayev, Minister of Oil and Gas of

UNITING MORE THAN 40 OF THE MOST INFLUENTIAL PLAYERS IN THE OIL-GAS AND ENERGY MARKET OF KAZAKHSTAN, THE KAZENERGY ASSOCIATION HAS STRENGTHENED ITS POSITION AS **A KEY INSTRUMENT FOR ENSURING THE INTERACTION AND COOPERATION OF STATE AND BUSINESSES.**

The Forum will scrutinize the geopolitical issues that play an increasingly important role in energy policy. This issue is topical both for Kazakhstan, which is actively strengthening its position as an important energy centre in Eurasia, and for the other countries involved. As a result, delegates of the Forum during its plenary meeting – «Energy geopolitics: the role of Eurasia and balance of interests» – will



Kazakhstan; Nurgali Ashimov, Minister of Environment Protection of Kazakhstan; and other well-known persons will be among the Forum's delegates.

One of the key speakers at the Forum will be the former Prime Minister of Australia, John Howard, who holds considerable authority in today's world energy sector.

It is worth noting that the leaders and managers of the largest energy companies, both in Kazakhstan and worldwide will contribute to the Forum's proceedings and debates.

In particular, the Fifth KAZENERGY Eurasian Forum will be attended by the Secretary General of the World Energy Council, Christoph Frei; the President of the World Petroleum Council, Randall Gossen; Secretary General of the Gas Exporting Countries Forum, Leonid Bokhanovskiy; and top representatives of such industry leaders as KazMunaiGas, ExxonMobil, Chevron, Total, ConocoPhillips, Tengizchevroil, BG, CNPC, Repsol, KEGOC and others.

In conclusion, it is clear that the KAZENERGY Forum has become an important component of decision-making and the processes of rapprochement at a global as well as a national level. The Fifth KAZENERGY Eurasian Forum will without doubt provide those processes with considerable impetus to ensure the stable development of Eurasian energy. tive impulse to ensure a stable development.

OVER 400 DELEGATES THAT ATTENDED THE THIRD FORUM FOCUSED THEIR ATTENTION ON KAZAKHSTAN'S RELIABILITY AND RESPONSIBILITIES AS AN INTERNATIONAL PARTNER IN THE ENERGY SPHERE, FOLLOWING A FRAMEWORK PROVIDED BY THE FORUM'S THEME, «GLOBAL CHALLENGES – ENERGY SOLUTIONS».





DEBATE DURING THE SESSION ENTITLED "ENERGY SECURITY: BALANCE BETWEEN TRANSIT ROUTES, CENTERS OF SUPPLY AND CONSUMPTION" WILL PROVIDE THE OPPORTUNITY TO DEVELOP AN EFFECTIVE FORMULA FOR SUPPORTING THE BALANCE OF INTERESTS BETWEEN SUPPLIERS AND **CONSUMERS OF ENERGY RESOURCES THAT IS SO CRUCIAL TO THE CONTINENT'S ENERGY STABILITY.**





KEGOC JSC, THE SYSTEM OPERATOR OF KAZAKHSTAN'S ELECTRIC ENERGY GRID, IS A DYNAMICALLY DEVELOPING COMPANY AND AN ACTIVE PARTICIPATOR IN THE PROCESS OF MODERNIZING THE COUNTRY'S ENERGY COMPLEX. WE ASKED THE PRESIDENT OF KEGOC JSC, MR ALMASADAM SATKALIYEV, TO TELL ABOUT THE COMPANY'S PERSPECTIVES, THE RESULTS IT HAS ACHIEVED, AND ITS INTERACTION WITH THE KAZENERGY ASSOCIATION.

KEGOK JSC: PROVIDING A STABLE PROGRESS OF KAZAKHSTAN ENERGY



1. Mr Satkaliyev, KEGOC JSC takes an active part in the enterprises of the KAZENERGY Association. In your view, what role does KAZENERGY Association play in developing dialogue within the Republic's energy industry?

The strategy taken to secure Kazakhstan's entry into the group of the 50 most competitive countries of the world was one of basic documents for the KAZENERGY Association. Achievement of that aim, which was declared by the President of Kazakhstan, Nursultan Nazarbayev, in January 2006, reflects the diverse and innovative economic development of the Republic.

One of the key objectives of the document in question was the «organization of a new level of efficiency for the country's fuel and energy complex». This expressed very concisely and precisely the idea central to the Association,

and defined its main strategic priorities for development.

For companies that operate according to an ideology of socially responsible business, participating in the activities of the Association helps to develop partnership and cooperation between enterprises of the oil-gas and energy complex, state bodies, the population of Kazakhstan and the international community. Each company that is a member of the Association is able to elaborate its own programs and projects, and then propose and promote them for realization within the framework of the 10 Coordinating Committees of KAZENERGY.

I am the co-chairman of the Coordinating Committee on Electric Energy Development, Energy Efficiency and Renewable Energy. Those who work in this Committee include representatives of Kazakhstan's various ministries – including the Ministry of Industry

and New Technologies, the Ministry of Oil and Gas, and the Ministry of Environment Protection – as well as delegates from energy companies; scientific and training institutes; Unions of energy engineers and engineering companies; and Kazakhstan UNO Development program.

During the meetings of the Committee, we actively discuss law drafts concerning energy (one important example is the law draft «About energy efficiency»), and make proposals for the elaboration of strategic programs of development – both in the electric energy sector and as part of inter-industry programs concerning the production and consumption of electric energy and heat. This is the object of the Republic's program of energy saving. In this light, KAZENERGY offers an ideal forum for debate among industry professionals regarding the adoption of optimal proposals for industry development, the protection of individual interests, interaction with the government and state bodies, and so on. The Association's expanded role in developing international cooperation should also be mentioned.

Without doubt, all of these achievements have promoted the Association to its leading position as an innovator in fostering dialogue and debate in the Republic's energy industry.

2. This autumn, the 5th KAZENERGY Eurasian Forum will be held in Astana. How do you evaluate the significance of this event for the development of domestic energy and the dialogue on energy as a whole?

as an effective dialogue ground capable of elaborating new and constructive approaches, ideas and proposals that were relevant to the economic development of the country, and established a common vision of international energy security.

The 5th KAZENERGY Eurasian Forum is being organized at a special time: namely, during Kazakhstan's chairmanship in the OSCE. It is quite natural, therefore, for Kazakhstan to internationally promote its aim of forming a stable and secure global energy system. Complex efforts with that aim undertaken under the leadership of President Nursultan Nazarbayev, are felt by the global community to be an indication of Kazakhstan's great commitment to broadening partnerships and increasing the stability of energy relations. It is thus quite reasonable that the 5th KAZENERGY Eurasian Forum will focus on discussing the «Eurasian energy map».

It is no secret that Europe and Asia together define global energy processes today. It is for this reason that the creation of a stable system of energy relations on a continental scale, and the development of a complex Eurasian energy dialogue, are so crucial. The Forum also increases the intensity of processes of experience exchange, and works to attract new investments and new technologies.

I am sure that the 5th anniversary of the KAZENERGY Eurasian Forum will mark another step forward in the development of the energy and oil-gas industry, and will strengthen the bonds of multilateral partnership.



THE 5th KAZENERGY EURASIAN FORUM IS BEING ORGANIZED AT A SPECIAL TIME: NAMELY, DURING KAZAKHSTAN'S CHAIRMANSHIP IN THE OSCE. IT IS QUITE NATURAL, THEREFORE, FOR KAZAKHSTAN TO INTERNATIONALLY PROMOTE ITS AIM OF FORMING A STABLE AND SECURE GLOBAL ENERGY SYSTEM.

Within a short period of time since its inception, the Forum became one of the most authoritative international events in Kazakhstan, showcasing participation at a high level from leaders in the energy and oil-gas industry: experts and heads of companies. The Forum offers to all interested parties the opportunity to discuss topical issues associated with the functioning and development of the fuel and energy complex.

From that point of view, the KAZENERGY Forum has successfully recommended itself

3. Kazakhstan became a full member of the World Energy Council in 2009. What do you expect as a result of the Republic's membership in that influential organization?

The KAZENERGY Association helped to initiate the process by which Kazakhstan became a member of the World Energy Council.

On September 16-19, 2009, the meeting of the Executive Assembly of the WEC took place in Reykjavik, Iceland, and its Secretary

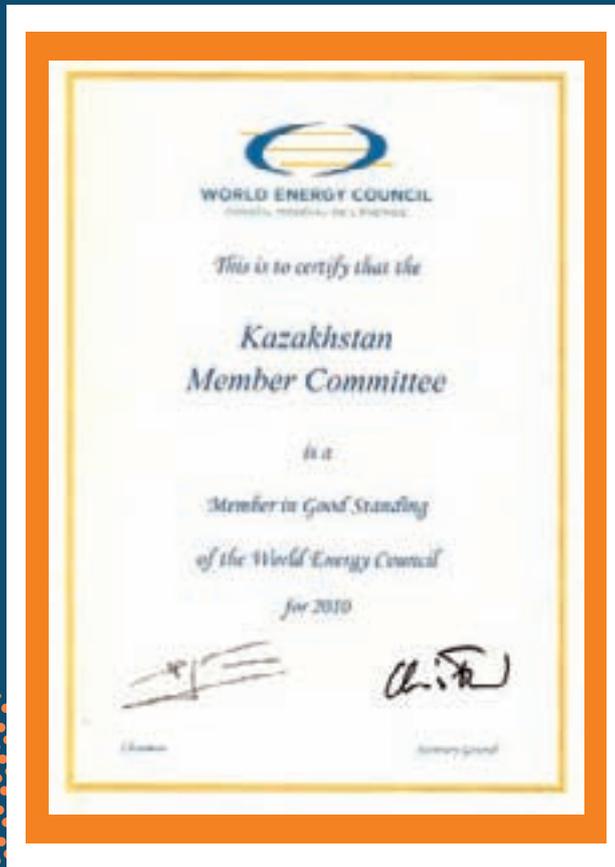


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**Kazakhstan, represented
by KAZENERGY Association,
joined the World Energy Council**

September 16-19, 2009

World Energy Council has a Member Committee in 93 countries world-wide.

www.worldenergy.org

General, Dr Christoph Frei, officially declared Kazakhstan a member (through participation of the KAZENERGY Association) of that authoritative international body.

Participation in the Council offers the unique opportunity to become involved in finding means to ensure a stable energy policy, to attract new technologies, and to apply the Council's advanced experience to the task of reforming the energy sector.

The activity of the WEC is oriented towards economic development and the peaceful use of resources to benefit all countries and regions of the world. In recent years, increased attention has been paid to problems of regional energy strategy; the development and access of the poorest countries to energy; the creation of a global energy database; the need to liberalize the electric energy sector; and ecological security.

This is why membership in the World Energy Council provides Kazakhstan with a range of advantages. First, the Council offers unique opportunities to cooperate, to search for new business partners and to participate in the WEC's global research and technical programs.

Kazakhstan's Membership Committee of the WEC actively participated in the work of the Executive Assembly and the European regional meeting in 2009. We studied the results of ongoing global research and surveys undertaken by the WEC (including «Current economic crisis: impact on the energy sector», «Road map for competitive energy market», and «European policy towards climate changes after 2012»), and also examined possible directions that the WEC's regional activity might take in the future.

The Committee participated in the WEC Symposium, «Evaluation of energy policy and practices for its realization», during which the results of three years' worth of research by the WEC on the evaluation of energy policies and methods for their realization were presented and discussed by 34 members of the Council. Since last year, the Kazakhstan Committee has taken an active part in the WEC's global studies, such as «Assessment of vulnerability of stability of energy», «Survey of energy resources and their use in the world», «Policy of energy efficiency and its indicators», and «Rules of international energy trade and investments».

The results of these global and regional technical studies will be discussed in the next World Energy Congress.

In 2010, the Kazakhstan Committee of the WEC was awarded a certificate declaring that it (and, correspondingly, the KAZENERGY

Association) had become a member of the World Energy Council «in good standing». The certificate thus indicated the high rating of the Kazakhstan Committee within that organization.

The next (21st) World Energy Congress will take place on September 12-16 of this year in Montreal, Canada. Alongside the Congress will take place an exhibition of energy equipment, technologies and services.

The theme of the 21st Congress is «Energy for transition for a living planet», and it defines frameworks for examining the main challenges of the energy sector, solutions to which will ensure the possibility of stable development. The Congress also includes specialized programs such as the Ministerial Forum and the program aimed at future energy leaders. More than 200 sessions and events will be held during the World Energy Congress. Representatives of the KAZENERGY Association and the Kazakhstan Committee of the WEC will participate in the proceedings of both the Congress and the Exhibition. In turn, representatives of the World Energy Council and its Secretariat, under the leadership of Secretary General Dr Christoph Frei, will take part in the 5th KAZENERGY Eurasian Forum.

4. Could you tell us about your vision for the development of Kazakhstan's electric energy system? In particular, what solutions do you foresee for the problem of energy deficiency?

KEGOC JSC calculated a forecast balance in 2005 in which we clearly indicated that in a case of inaction we should expect an energy deficiency.

Cooperating with the industrial Ministry, we have elaborated the program document «Plan of actions for development of electric energy industry until 2015». The program outlines which capacities must be created year by year. As a result of measures undertaken by the industry, the energy complex of Kazakhstan has managed to evade the most pessimistic scenario.

The passing of time has proven our calculations to be correct. By now, a majority of the projects and proposals belonging to the industrial plan have become a part of the state program for the forced industrial and innovative development of the Republic of Kazakhstan during 2010-2014.

The program assumes the volume of investments required to develop of electric energy between now and 2014 to be in the region of 700 billion tenge (about \$4.8 billion). KEGOC JSC plans to implement three projects with

PARTICIPATION IN THE COUNCIL OFFERS THE UNIQUE OPPORTUNITY TO BECOME INVOLVED IN FINDING MEANS TO ENSURE A STABLE ENERGY POLICY, TO ATTRACT NEW TECHNOLOGIES, AND TO APPLY THE COUNCIL'S ADVANCED EXPERIENCE TO THE TASK OF REFORMING THE ENERGY SECTOR.





KEGOC

Joint Stock Company "Kazakhstan Electricity Grid Operating Company

**KEGOC JSC is a system operator of the Unified Power System (UPS)
of the Republic of Kazakhstan**



On the Company balance sheet there are power transmission lines (total length more than 24 ths. km) with voltage 110-1150 kV and 74 substations with the installed capacity of transformers equal to 33697 MVA. They make National Power Grid (NPG).

Mission of KEGOC JSC is to ensure reliable functioning of Unified Power System of the Republic of Kazakhstan according to the modern technical, economical, environmental requirements, professional safety and health protection standards.

The founder of KEGOC JSC is the Government of the Republic of Kazakhstan.
Sole shareholder is National Welfare Fund "Samruk-Kazyna" JSC.

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KEGOC JSC PLANS TO
IMPLEMENT THREE PROJECTS
WITH TOTAL INVESTMENTS
WORTH 92.3 BILLION TENGE
(ABOUT \$0.65 BILLION)

total investments worth 92.3 billion tenge (about \$0.65 billion).

To ensure that an advanced infrastructure is possible for the economy of the Republic, the Company has adopted KEGOC JSC's long-term strategy of development until 2025, which assumes the realization of 16 projects worth a total of 531 billion tenge (about \$3.6 billion).

Perspectives on developing the industry of Kazakhstan are focused on strengthening the country's leading role in electric energy to meet the demands of population and economy with electric energy rather than non-renewable resources. The aim is to increase transit potential.

Since last year, the electric energy sector has witnessed the setting in motion of several small hydro-power stations in the Almaty region, a gas turbine station in Aktobe, a new power unit in Uralsk, and a 90 MW gas turbine station in Kalamkas, along with the expanded role of Karaganda State District Power Station-2, Ekibastuz (a combined heat and power plant).

In accordance with the state guidelines for

forced industrialization, the large-scale project of building Balkhash Thermal Power Station (capacity 1320 MW) has begun. The creation of new roles and capacities in the electric energy generation sector gives us a certain confidence that the United Electric System of Kazakhstan will achieve a positive balance within the next 5 years.

In fact, due to the exploitation of these new capacities, and the development of the energy complex, the work of Kazakhstan's energy system is predicted to be overabundant. The balance of electric generation in 2009 was positive: 0.5 billion kWh.

The dynamics of electric energy consumption since the beginning of 2010 enables us to forecast the growth of consumption as rising from 5.5% to 8% in comparison with 2009.

In a long-term perspective assuming the stabilization of the economy and the realization of the State Program of forced industrial and innovative development, we can forecast a stable growth of electric energy consumption up to 4% annually until 2015: 3% annually within the period of 2016-2020, and 2.5% annually between 2021 and 2025.

5. What steps does the State Program of forced industrial and innovative development intends to take in the sphere of electric energy? What has already been done?

To ensure a broad increase in electric energy consumption, the government plans to build new thermal, hydro- and nuclear power stations as well as increasing the capacities of existing ones in the sector of electric energy generation. Balkhash Thermal Power Station, Moynak Hydro Power Station, Bulak Hydro Power Station, Kerbulak Hydro Power Station, the combined heat and power plant No 3 in Astana city, Aktau Nuclear Power Plant and several gas turbine power stations in the Western part of the country are just a few examples.

Construction works are currently being implemented in Moynak Hydro Power Station, and the project of Balkhash Thermal Power Station has begun. Some other projects remain in their projection stages. KEGOC JSC has concluded agreements to implement a full range construction for Moynak Electric-

IN COMPARISON WITH THE SAME PERIOD OF 2009, ELECTRIC ENERGY CONSUMPTION GREW UP TO 10%, ITS GENERATION – 8%



ity Transmission Project and Alma Electricity Transmission Project, in order to build 500 kV Alma SS. Under the project description «Modernization of the National Electric Grid of Kazakhstan, II stage», contractors are to be chosen to implement a full range construction in three packages of the projects.

To increase the reliability of Astana city's electric power supply, the Company plans to reconstruct 220 kV OH TL TsGPP: Ossa-karovka.

To detail our contribution, KEGOC JSC has built lines for the second transit, north to south, with a total length of 1.1 thousand km. Due to the twofold increase in power transit from 640 up to 1380 MW in the southern direction; we have ensured a stable electric power supply to consumers of energy in the south of the country.

It is an innovation in the history of the electric energy industry that the power line from Northern Kazakhstan to Aktobe region has been built according to a principle of state and business partnership.

Since the dissolution of the Soviet Union, the north-western region of the country

has worked independently from the United Energy System of Kazakhstan. Nowadays, consumers in that area are able to choose between foreign or cheaper domestic electric energy. The planned architecture of the United Energy System will combine the electric grids of the western and eastern zones with the rest of the system. In this way, the landscape itself will take part in solving problems of energy independence and security within the Republic as a whole.

The construction of a 500 kW radial electric transmission line north-east-south along with the strengthening of the existing interregional line north-south will create a much-needed infrastructure for exporting supplies to China and other parts of central and southern Asia. More detailed information about the National Electric Grid of Kazakhstan's development projects can be found on the Company's website: www.kegoc.kz.

6. How attractive is the Republic's electric energy industry for investors?

The government of Kazakhstan has imple-

mented considerable measures to attract investment to the sector of electric power generation. It has planned a program of step-by-step escalation of tariffs to protect the interests of both producers and consumers. The level of tariffs in operation since March 2009 has given proprietors of power stations the opportunity to begin modernizing their assets. We are currently able to observe a positive increase in the capacity of electric power generation, which mitigates the issue in the short-term.

However, this is not sufficient to bring about cardinal change. Moreover, the state's construction of power stations with funds gained merely through an increase in prices for kilowatt hours of electricity does not answer the original question of private investment. . In a long-term perspective on development, it will be necessary to create conditions to attract private investments in the industry, not only state ones.

As the system operator of the United Electric Power Grid, the Company is responsible for the state of the industry in 5-10 years' time. We are therefore involved in active coopera-



REALIZATION OF THE STRATEGY WILL ENABLE KAZAKHSTAN TO FULLY MEET THE DEMANDS OF ITS POPULATION AND ECONOMY FOR ELECTRIC ENERGY, TO ENSURE THE STABILITY AND RELIABILITY OF THE NATIONAL ELECTRIC GRID.

tion with the Ministry of Industry and KOREM JSC to make use of Kazakhstan's new technologies to create effective instruments such as the capacity market.

KEGOC JSC operates here as an operator of the market, securing MWs produced by building sources of energy. This scheme will increase the cost-effectiveness of projects associated with the construction of new electric plants and, accordingly, will ensure the attractiveness of the electrical energy generation sector to private investors.

There is, moreover, a large potential. Experts estimate that to meet the required level of electric power generation it will be necessary to invest more than 2 trillion tenge (more than \$13 billion) in electricity generating sector between now and 2025. Those financial assets are needed to construct new power units, and to modernize technical equipment in existing power stations.

The issue of electric energy demands serious attention. Not only that, but it requires an increase in state energy supervision, and a firmer control of investment regulations. The security and reliability of the energy supply provided to the Republic's consumers are entirely conditional on those assets.

7. Since August 1, 2010, Kazakhstan has adopted a unified tariff for electric energy transmission services within the National Electric Grid. What were the reasons for such a step?

The decision to adopt a unified tariff has been taken to create equal conditions for the Company's consumers, including equal consumer access to the National Electric Grid.

This measure will lead to an increase in the transparency of the mechanisms of tariff-forming and price-formation, as well as regional development in accordance with the 2010-2014 state program of forced industrial and innovative development.

The unified tariff is the final stage in the fulfillment of Kazakhstan's obligation – following



the rulings of the World Bank – to reconstruct and develop in such a way as to avoid the dependence of electrical energy tariffs on distance. Within the framework of the Custom Union, this project will also ensure non-discriminatory access to the National Electric Grid, including those subjects who carry out export-import and transit operations involving electrical energy.

As a result of the adoption of the unified electric energy transmission, and taking into consideration KEGOC's share in the price of electric energy charged to a final consumer, it has been predicted that electric energy prices will fall between 1 and 2.5%, but in certain regions of the country may increase by 1%.

8. KEGOC JSC, being the system operator of the United Electric Energy Grid of Kazakhstan, is one of the largest companies in the country. Can you tell us about the main results of the Company's activity?

The electric energy industry functioned with the system operator according to a regular regime during the 1st half of 2010. The electric energy consumption in Kazakhstan reached 42.1 billion kWh; its generation, 41.7 kWh. In comparison with the same period of 2009, electric energy consumption grew up to 10%, and its generation increased by 8%.

As a result, the of regulating services in the Company has increased, including energy transmission (9%), technical controlling (7.8%), and balancing the production of electric energy and its consumption (10.2%) I'd also like to mention that the Company has concluded a purchase-and-sale contract with a Russian energy company Inter RAO EES, within the framework of intergovernmental agreements, to balance transmission of electrical energy and compensate for deviations. In comparison with the same period in 2009, the Company's revenues have rocketed to 33% (5.91 billion tenge or more than \$40 million), including revenues stemmed from

realization of services – 40% (5.81 billion tenge) – as tariffs for the regulating services of the Company have increased since August 1, 2009. The growth of revenues due to tariffs was 2.95 billion tenge, as a result of the increase in volume of implemented services – 1.81 billion tenge.

Moreover, following the finalization of contracts with Russian company Inter RAO EES, revenues in the region of 341.2 million tenge were gained from selling electric energy to compensate for imbalances; and 704.5 million tenge were generated in May-June 2010 alone as a result of services implemented to transmit electric energy around the country.

Expenses fell to 23% (5.51 billion tenge or more than \$37.5 million) compared to the same period in 2009. The main reason for this was the reduction of expenses concerning the exchange course margin.

9. What strategic perspective plans have been made by the Company?

In April 16, 2010, the Board of Directors decided to adopt KEGOC JSC's Long-term Strategy of Development until 2025.. That strategy has defined priorities for development, including the investment program. It has also resulted in an increase in the Company's capital, after taking into consideration objectives set by the government of the Republic of Kazakhstan and its single shareholder.

The strategy has been elaborated according to the guidelines set by the Decree of the President of Kazakhstan («About the system of state planning», which dates back to June 18, 2009, No 827), and has been based on a long-term plan for the development of Kazakhstan until 2020: the state program of forced industrial and innovative development. In July 2010, the government decided to establish the Complex Plan of Activities to Implement the Long-term Strategy of Development of KEGOC JSC until 2025, which defines the measures, forms and terms of the latter's implementation.

According to this Plan, achieving the strategy's main objective – namely «Creation of a Company that is competitive in the global economy» – is ensured by completing several tasks at a high level, including:

- Implementing requests from the state to provide a secure and high quality service for the United Electric Grid of Kazakhstan.
- Securing the sustainable growth of the Company's market value by developing main business, increasing the efficiency of the transit potential of the National Electric Grid, and creating the necessary conditions to realize export capacities of the United Electric Grid of Kazakhstan.

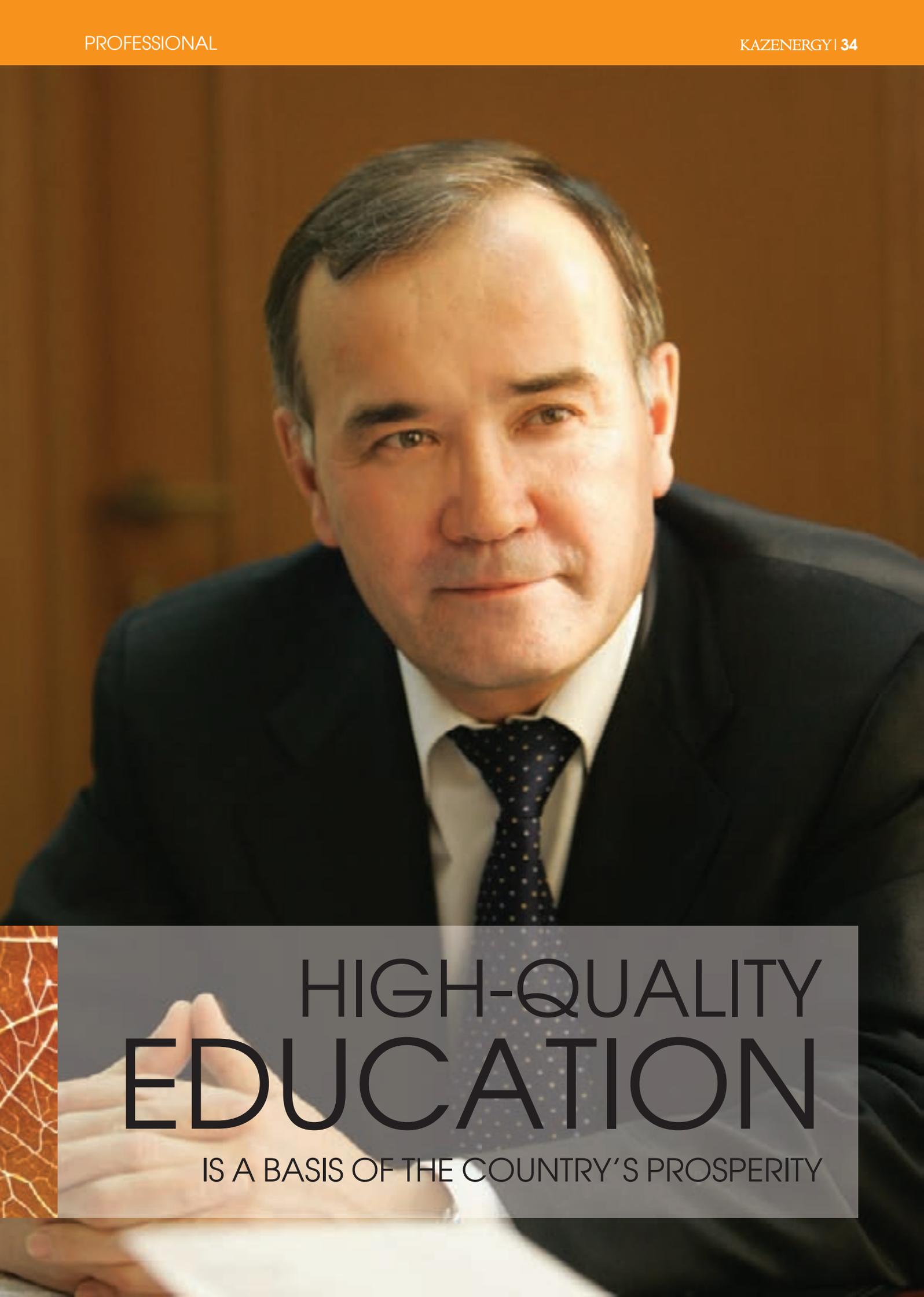
In turn, the achievement of these tasks presumes the implementation of a complex of objectives concerning all parts of the Company's activity. That is to say, technical (innovational) development of assets leads to the effective implementation of standards and requests in the area of professional security and health protection. Minimization of ecology risks is directly linked with an increase in the level of corporation management and social responsibility.

Finally, realization of the strategy will enable Kazakhstan to fully meet the demands of its population and economy for electric energy, to ensure the stability and reliability of the National Electric Grid, and to increase the independence and transit potential of electrical energy. Eventually, realizing the government's strategy will secure KEGOC JSC's status as a visible, competitive and investment-attracting company.

Balance of the electric energy of the United Electric Grid of Kazakhstan

Billion kWh

	2009	2010	2015	2020	2025
Electric energy consumption	77,9	82,2	100,5	116,00	130,15
Electric energy generation	78,4	84,7	103,46	120,2	136,35
Deficiency (-), abundance (+)	+0,5	+2,5	+2,96	+4,20	+6,20



HIGH-QUALITY EDUCATION

IS A BASIS OF THE COUNTRY'S PROSPERITY



- Mr Kabyldin, could you tell us about the projects completed by the National Company in cooperation with the KAZENERGY Association?

Without doubt, the main event of 2010 was the 65th anniversary of victory in the Great Patriotic War.

This year, National Company KazMunaiGas allotted more than 28 million tenge to assist war veterans and members of the wartime Labor Front through various veteran organizations. In cooperation with the KAZENERGY Association, many special events were organized as part of the action plan «Scions of the Victory», including an official party for 150 veterans from Astana and the Atyrau region, and a teleconference bridge between Astana and Moscow («The meeting of Kazakhstan and Russian veterans: 65 years on»), with the support of the Embassy of Kazakhstan in Russia. In addition, symbolic «Memory Walls» were constructed, SMS and voice messages of congratulation for Kazakhstan's war veterans were invited, and the official website www.nur.kz was created.

At the time of the anniversary, residents and guests of the capital of Kazakhstan placed their written congratulations on the symbolic «Memory Walls» established near the Astana-Bayterek monument and in front of the Congress Hall building. During the official opening ceremony for the «Memory Walls», veterans present were congratulated by cadets of the Republican military school, «Zhas Ulan» (named after General S. K. Nurmagambetov) and representatives of KazMunaiGas and the KAZENERGY Association.

The winners of the art competition organized by «Scions of the Victory» in the categories of «To sons and grandchildren, to remember...», «The memory that does not depend on time...» (pho-

The Chairman of the Board of the National Company KazMunaiGas JSC

KAIRGELDY

KABYLDIN:

«In 2010, KazMunaiGas JSC plans to spend more than \$130 million in total on the realization of various social programs. This is a considerable amount; today, KazMunaiGas JSC is a leader in the field of social investments».



«The most important goal of the forthcoming decade is to improve the quality and standard of life of all citizens of Kazakhstan, to strengthen social stability and the mechanisms of defense...»

Citing the President's message to the people of Kazakhstan, entitled «New decade – New economic growth – New opportunities for Kazakhstan»

tography competition), and «I take pride and remember» were also announced at this time.

Award-holders in the competition «The best story» are as follows. Among school pupils: Maifruza Suleimanova (Kokshetau's school No. 1) and Darja Potapova (Gymnasium No. 6 in Astana); among students of universities and colleges: Adykbek Kaliev (of the Eurasian National University, named after L.N. Gumil'jov); among young specialists: Olga Titova (ExxonMobil Kazakhstan).

Holding first place in the competition for best story among cadets of the military school «Zhas Ulan» is Ivan Yeremenko, a pupil in the 8th grade, for his composition based on a real-life letter from a soldier that failed to reach its addressee. Second place went to Farkhat Kulbayev, a pupil in the 10th grade, and the third to Maksut khan Amirgazy, a 5th-grade pupil.

- How do you evaluate the significance of these events as a whole?

In my view, these events are especially important because they preserve memories of the Great Victory, a heroic feat achieved

by the previous generation both on and behind the front line, and thereby increase patriotism in the nation's younger generation. I'd like to mention that the collective activity of «Scions of the Victory» continues. Recently, National Company KazMunaiGas held a 65 meter light athletic race in the children's health resort «Sunkar», dedicated to the anniversary of the Great Victory.

- Could you tell us more about the Safi Utebayev scholarship program that has received such considerable attention in the society?

Among the priorities of the work done by KazMunaiGas is caring for the growing generation, and training young qualified specialists for employment in Kazakhstan's oil and gas industry.

In 2009, therefore, the National Company KazMunaiGas and the KAZENERGY Association announced the inception of the project «Stipends and grants named after Safi Utebayev» during the 1st Young International Conference, part of 4th Eurasian Forum KAZENERGY.

As you know, Safi Utebayev is one of the founders of the oil and gas industry of Kazakhstan. Having dedicated his whole life to the development of the oil and gas industry, he has emphasized the importance to Kazakhstan of training highly qualified specialists in the industry.

He drew considerable attention to this young generation by helping to provide techni



cal equipment to the oil departments in educational centers. His name has been linked with the opening of the oil faculty at Kazakhstan Polytechnic University; he cooperated closely with the students of the faculty for many years afterwards. Moreover, he encouraged the important decision taken by the Government to require leading USSR oil institutes to accept 10 graduates per year from secondary schools in Kazakhstan, for a total of 20 years.

The best students of Kazakhstan's higher educational institutions, and teachers in the oil and gas discipline at secondary special educational bodies took part in the competition for Safi Utebayev the scholarships and grants. In total, 11 teachers (representing 5 professional lyceums and colleges) and 63 students from 5 higher educational bodies took part in the competition.

This project was unique, being the first time in Kazakhstan's history that teachers in the oil and gas discipline at technical and professional educational bodies had been allowed to participate in the competition. I'd like to mention that such indications of ability as scientific publications, participation in the preparation of manuals and method-based papers, the use of innovative educational technologies in the educational process, and the management of students' activities in science and art, were taken into consideration.

The main criteria for students of higher education bodies were a GPA level above 3.5,

membership in professional societies, and participation in scientific events and publications at a Republican and international level. Participants' interest in the project had grown during 2010-2011 due to an increase in the number of stipends and grants to 15, including 5 for teachers.

- Which applicants became scholarship and grant-holders?

Nine award-holders were identified after votes cast by a Working group composed of members of the KAZENERGY Association. The award-holders include three teachers: Zhaukashty Cherkesov, representing the Beineu professional lyceum; Klara Mustafina, from the Uralsk College of gas, oil and industrial technologies; and Dossan Kushmanov from the Mangistau Polytechnic College.

The student award-holders were Erik Atashev (KBTU), Marat Ibragimov (KBTU), Gabyt Kuserbayev (Kazakh National Technical University), Bakhtijar Aliev (Kazakh National Technical University), Indira Shugaiyeva (Atirau Institute of Oil and Gas), and Zhadyra Kubeiseitova (Caspian State University of Technologies and Engineering).

- What other educational projects are organized by the mutual efforts of the KAZENERGY Association and KazMunaiGas?

WITHOUT DOUBT,
THE MAIN EVENT
OF 2010 WAS THE
65th ANNIVERSARY
OF VICTORY IN THE
GREAT PATRIOTIC
WAR.



I'd like to emphasize joint projects such as the series of open lessons in chemistry provided at Astana's Kazakh-Turkish lyceum.

We open a special classroom, named KazMunaiGas-KAZENERGY, and stock it with information desks and special tools relating to chemical reagents. KazMunaiGas specialists in the field of oil refinery and oil chemistry are invited to lecture there.

I'm sure that this will increase interest in the study of chemistry. As you know, KazMunaiGas is currently implementing three projects to reconstruct and modernize oil refineries. One large project is the production of road bitumen in the Aktau plastics plant. Oil refinery and chemistry are our future. The work we do in the classroom is professionally-oriented: perhaps the children we teach will eventually become oil workers.

I think that the current generation is responsible for the future of Kazakhstan.

Young people, who are just beginning to learn how to live, are our future. Our joint educational projects seek to foster the prosperity of Kazakhstan, and promote the welfare and success of every citizen.



I THINK THAT THE CURRENT GENERATION IS RESPONSIBLE FOR THE FUTURE OF KAZAKHSTAN. **YOUNG PEOPLE, WHO ARE JUST BEGINNING TO LEARN HOW TO LIVE, ARE OUR FUTURE.**





ҚазМұнайГаз
NATIONAL COMPANY ҰЛТТЫҚ КОМПАНИЯСЫ

**ФЛАГМАН
НАЦИОНАЛЬНОЙ
ЭКОНОМИКИ**



**«ҚазМұнайГаз» ҰК АҚ –
ұлттық экономиканың
көшбасшысы**

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2010**

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PROSPEROUS KAZAKHSTAN HAS FOUND ANOTHER RESOURCE TO BOOST ITS SOCIO-ECONOMIC DEVELOPMENT AND ENSURE ITS ENTRY INTO THE TOP FIFTY MOST COMPETITIVE ECONOMIES IN THE WORLD. IT IS TRADITIONALLY ASSOCIATED WITH THE COUNTRY'S MOST SUCCESSFUL INDUSTRY, THAT OF OIL AND GAS. THIS TIME, HOWEVER, KAZAKHSTAN'S NEW RESOURCE IS NOT HYDROCARBON RESERVES BUT PEOPLE: THE TRAINING OF NEW AGE PROFESSIONALS FOR THE MODERN ECONOMY.

OIL

INDUSTRY

IN KAZAKHSTAN IS TRAINING NEW AGE PROFESSIONALS



Mr Jambulat Sarsenov, the General Director of KAZENERGY,

Kazakhstan's Association of oil-gas and energy organizations, tells us what is being done and planned by the oil industry in this direction. This industry alliance unites more than 40 Kazakhstani and foreign companies, and its activities in training specialists has been recognized by the government as a breakthrough.

OIL AND GAS INDUSTRY - MORE THAN AN INDUSTRY

- *Mr Sarsenov, KAZENERGY is actively involved in the process of staffing for the industrial and innovative development of Kazakhstan. Could you please explain how this is being carried out by the industry alliance?*

- Our Association has several coordinating councils that are focused on different aspects of the industry. Issues discussed at meetings, one way or another, go beyond the scope of the industry to affect the interests of the entire state. The oil and gas industry plays a major role in the economic and social life of Kazakhstan, and is not limited to departmental interests.

We provide more than 20% of the annual gross domestic product. This figure indicates the input of the oil and gas industry into the national economy, and our contribution to the industrial and innovative development of the country. Moreover, the pace of production growth in oil-gas and energy industries is among the highest in Kazakhstan.

We must also take into account the fact that, since the early 1990s, oil-gas and energy industries have been among the first and most active industries not only in attracting foreign investment,

but also in developing modern technology and providing professional training for new, better-educated and more highly-skilled personnel. In past years, all of this took place within individual, albeit large, oil industry projects. Since its inception in 2005, however, the KAZENERGY Association has been striving to assist the state in this matter at a national level. In September 2006, we began conducting KAZENERGY's Educational program, a unique example of an association of companies – representing all subsoil users, regardless of their nationality – that works with talented young people. By implementing the Program, private businesses help to develop our country by supporting social and educational projects, and training highly qualified personnel. Since 2007, the Association has provided grants and scholarships to students of universities, professional schools, and colleges. In November of the same year, KAZENERGY and the Ministry of Education and Science signed a Memorandum agreeing to cooperate in training personnel for the industry. In February 2008, a similar Memorandum was signed with CIP JSC as part of the student scholarship program 'Bolashak'. We were also involved in producing the State program for the development of technical and professional education in the Republic of Korea for 2008-2012. Last September, the KAZENERGY Association signed a trilateral Agreement on scientific-technical cooperation with the Ministry of Education and Science and the Ministry of Labour and Social Protection.

"VERTICAL PERSONNEL"

– *What is the most significant aspect of your participation in the state's personnel policy?*



designed by the Association for Kazakhstan's youth.

You can appreciate the scope: KAZENERGY has more than 40 member-companies, and our partners in education include 25 colleges and professional schools, and 20 universities. Educational institutions selected as partners of the Association's Education program will be announced in October 2010, prior to the 5th Eurasian Energy Forum.

KAZENERGY Association's website, www.KAZENERGY.com, has an 'Educational program' section where one can find conditions of participation and requirements for grants and scholarship applicants, as well as information

grants for students, the KAZENERGY Association implements various youth projects. These include establishing the Association's Youth Committee, and staging both an international youth conference and an annual gathering of KAZENERGY fellows and scholarship-holders. We encourage these fellows and scholars to attend republican debate tournaments and the annual KAZENERGY Eurasian Forum. This work has received international recognition: our fellow Rahimzhan Hismetov, for example, became a member of the Youth Committee of the World Petroleum Council (WPC) and a participant of the second World Youth Forum, «Energize Your Future», organized by WPC.

NEAR THE 110th ANNIVERSARY OF THE KAZAKHSTANI OIL RESERVES, WE AWARDED – IN CONJUNCTION WITH KAZMUNAYGAS JSC – SIX SCHOLARSHIPS, NAMED AFTER SAFI UTEBAEV, TO **UNIVERSITY STUDENTS, AND THREE GRANTS TO TEACHERS IN COLLEGES AND PROFESSIONAL SCHOOLS.**

– People. The core of our participation is preparing professionals to work in an innovative economy that is constantly evolving and improving its technology. We are not a training organization, but we managed to involve oil-gas and energy players in implementing a State program on professional education, and we were also able to combine educational institutions and oil companies in the projects

on universities, professional schools and colleges that train specialists for the oil-gas and energy sector. The website also features a database of our fellows and scholarship holders. We publish and distribute leaflets with information on our offers for students, and conduct outreach briefings in industrial educational institutions.

In addition to providing scholarships and

All these activities are aimed at supporting talented young people in their quest to study and pursue science. For instance, receiving scholarships and grants reduces students' domestic and financial concerns, and gives them more time to study. We also take care of orphans, so that their difficult social situation does not prevent them from succeeding.

While training professionals for their projects,

NOWADAYS,
COMPANIES TRY
TO RECRUIT PEOPLE
WITH EXPERIENCE
THAT STUDENTS AND
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LACK. KAZENERGY'S
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THIS BARRIER IN THE
WAY OF YOUNG
PERSONNEL FLOW.

members of our association drew practical conclusions about the need for highly qualified personnel at all levels. High-quality education and excellence are of great importance in any professional position, whether a skilled worker, an engineer or a manager. Our goal is to build high-quality personnel vertically, from worker to manager.

In fact, this policy is manifested in such a way that we support our future professionals at all levels of their education. KAZENERGY provides 25 educational grants, pays fellowships to 293 university students, and offers more than 40 scholarships for students of professional schools and colleges. Members of the Association provide these future professionals with production facilities for internships, as well as including them on committees for the certification of graduates of technical, professional schools and institutions of higher and postgraduate education. On the one hand, we help to raise professionals for the industry, assisting young people in finding decent entry-level jobs. And on the other hand, our Program affects both quality of education, and the working style of schools.

This dynamic is very important, enabling employers to assess the knowledge and skills of future specialists, and giving graduates the opportunity to become acquainted with the requirements of employers, and to get a suitable job. Nowadays, companies try to recruit people with experience that students and alumni often lack. KAZENERGY's Education program removes this barrier in the way of young personnel flow. Members of our Association actively support the recruitment of young personnel to the industry's workforce, especially among the «Bolashak» fellows.

HUMAN CAPITAL

– You are talking about real money for certain people; this is even more impressive than official declarations. Will your Educational program expand, or do you expect that the drop in the world oil prices will reduce its magnitude?

– Development of the Educational program is funded by distinguished members of our Association. Among them are KazMunayGas, Intergas Central Asia JSC, Shell Kazakhstan Development BV (UK / Netherlands), Chevron Corporation (U.S.), Lukoil Overseas, Ltd. (Russia), Statoil (Norway), and KazStroyService NGSK JSC. These companies carry out large projects in various fields of the oil-gas and energy industries. Investors realize that money invested in the education and training of Ka-

zakhstani professionals will return to them in the form of highly qualified personnel.

Companies should consider the assistance we give to professionals not as charity, but rather more like oil investments, which are always long-term and focused not on fleeting gains, but on long-term benefits. Therefore, there will be no reduction of capital investment in education on the part of the oil and gas industry.

On the agenda is the expansion of the Educational program, and its institutionalization via communication with members of the Association and various educational institutions. We also intend to place a special emphasis on relations with the vocational education institutions. Near the 110th anniversary of the Kazakhstani oil reserves, we awarded – in conjunction with KazMunayGas JSC – six scholarships, named after Safi Utebaev, to university students, and three grants to teachers in colleges and professional schools. We also launched a scholarship project for postgraduates. This is all especially necessary given the current climate of economic innovation: as I mentioned earlier, on modern production sites it is important to build high-quality personnel vertically: from skilled workers - graduates of professional schools and colleges – to university-trained engineers and technicians, to managers.

EDUCATION – DOUBLE-SIDED BREAKTHROUGH

– So, the main objective of the Education program is the training of young, skilled professionals for the oil-gas and energy industries?

– I would say that this is the main but not the only goal in our personnel policy. There are other goals. For example, by selecting participants for the Program, our experts try to take into account forecasts for the future of the industry.

It is important to explore and understand which technologies and skills will be in demand in the industry in five to ten years' time, when new deposits of hydrocarbons will have developed, and acting ones will have moved into the mature stage of production. Once our uranium industry is well developed, oil refineries will be radically modernized. Accordingly, which professionals and professions will be in demand, and what students and scientists do we need to support now in view of the long-term?

In order to answer these questions, we must link education and production. Support for graduates of professional schools and universities is currently the only project of the Educa-

tional program. Its future projects will assume greater involvement of future specialists in science, and offer broader opportunities for identifying innovative, breakthrough ideas that are useful for the development of Kazakhstan's economy.

We have already started gathering information on innovative research, specifically projects relevant to the oil-gas and energy industries. In this case, the Association will rely, as before, on open competitions. Candidates who qualify to apply for our scholarships and grants are registered students, graduate students, undergraduates, doctoral students, researchers, university professors and industry employees with scientific interests.

– Why do colleges, professional schools and universities in Kazakhstan experience difficulties in competing with their foreign counterparts?

– The reason for this is that they have long been separated from enterprises, closed to the outside world, and disengaged from applied research. It is business that connects academic, research and business activities. Educational institutions still lack stable ties with customers and clients of educational services. KAZENERGY Educational program aims to meet the precise challenges of creating these ties: to enable professional schools, colleges, and higher education institutions to «break through» to the innovative economy, to modern technologies of education and science.

“GOLD STANDARD” OF THE PROFESSION

– In oil companies with foreign participation, conflicts frequently arise from the fact that Kazakhstani employees feel undervalued in comparison with foreigners, who refer disparagingly to differences in qualifications. Do you think this situation will change once Kazakhstan's industrial and innovative development is assisted by its own personnel? And how it should change?

– In my opinion, this is a bilateral process. On the one hand, the salaries of Kazakhstani and foreign employees occupying the same position should be adjusted. As one way of solving this problem, the Association organizes internships for Kazakhstani personnel in foreign companies.

The difference between salaries and qualifications is only the «visible» aspect of the issue.

The real reason lies elsewhere, in the vacuum

between the educational system and real economy - that is, the discrepancy between educational standards and the requirements of employers. There is no system of professional standards, no National Qualification System to build a bridge between theory and practice. The absence of a National Qualification System - the system that assesses professional qualifications - disguises the changes

THE ABSENCE OF A NATIONAL QUALIFICATION SYSTEM - THE SYSTEM THAT ASSESSES PROFESSIONAL QUALIFICATIONS – DISGUISES THE CHANGES THAT HAVE OCCURRED IN THE NATURE OF PROFESSIONS DURING THE YEARS OF INDEPENDENCE.

that have occurred in the nature of professions during the years of independence. Some jobs have become obsolete, while others have appeared. Both the ownership structure, and what is expected and required of employees have changed. Production has become much more technologically advanced and innovative than it was 10-20 years ago. And in order to ensure that our personnel meet the industrial-innovative development of the country, we should be aware of their real readiness for change.

It is generally acknowledged nowadays that NQS is necessary. An example of this is the establishment of a Working group composed of representatives of the Ministry of Education and Science, the Ministry of Labour and Social Protection, «Atameken» National Economic Chamber, and EU experts.

– In turn, the question arises: who should certify employees' qualifications to ensure an objective, fair and generally accepted result?

– The certification of specialists is also one of the main elements of the National Qualification System. In my opinion, the certification should take place in specialized industry centers under the jurisdiction of organizations similar to our Association, where employers are able to participate in the development of assignments and in the work of qualifications commissions as independent experts.





KAZENERGY

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«SAMRUK-ENERGO» – SUCCESSFULLY DEVELOPING THE ELECTRIC ENERGY INDUSTRY



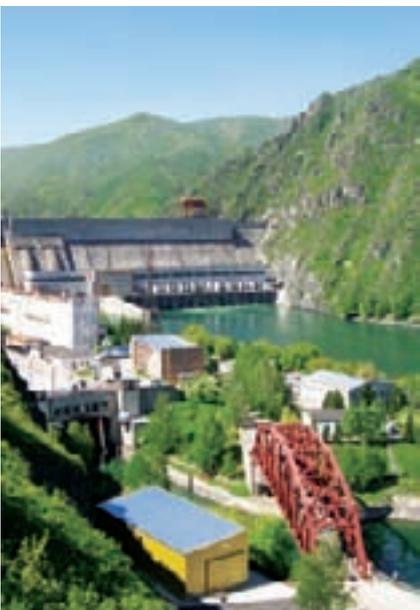
Самрук-Энерго

THESE DAYS, NO INDUSTRY CAN WORK WITHOUT ELECTRIC ENERGY. HAVING UNDERGONE SERIOUS MARKET REFORM DURING THE 1990S, KAZAKHSTAN'S INDUSTRY HAS REACHED A NEW AND SIGNIFICANT STAGE OF TRANSITION IN ELECTRIC ENERGY. DURING RECENT YEARS, HOWEVER, A COMPLEX OF SCALED INDUSTRIAL, FINANCIAL AND MANAGERIAL PROBLEMS AROSE IN THAT BRANCH WHICH REQUIRED QUICK AND SYSTEMATIC DECISIONS TO SOLVE.





2010 AND THE THREE YEARS FOLLOWING ARE REGARDED AS THE INCEPTION OF AN INTENSIVE DEVELOPMENT OF «SAMRUK-ENERGO» JSC.



It was an effective resuscitation

measure for the whole energy complex to consolidate state electric energy assets in a single management structure, namely «Samruk-Energo» JSC. Created in May 2007, that body began to generate and implement the long-term state policy of modernizing existing electric generation facilities and building new ones.

One of the main problems faced by «Samruk-Energo» JSC was a imbalance in the growth of the economy and the energy complex. Existing electric generation capacities were unable fully to meet Kazakhstan's rapidly growing electric energy consumption, resulting in the run-out and depreciation of power equipment in enterprises.

In accordance with planned objectives, «Samruk-Energo» JSC works actively towards two priorities. The first is to effectively manage electric energy assets that foster state policy in the industry. The second is to modernize existing electric generation capacities and to build new ones, in order to embed new technologies in the sphere of energy development.

The problem of modernizing electric energy implies not only narrow, technical production aspects but also improvements to inner and outer corporate environments, including management, as well as the embedding of international standards of quality, the optimization and increased transparency of business processes, and the more effective interaction of structural bodies within energy companies. Since its establishment, «Samruk-Energo» JSC has made a whole range of positive changes to the country's electric energy industry

For instance, the Society acquired a 50% share in «Bogatyr-Komir» Ltd in December 2008, in order to develop the energy complex. In December 2009, the Society began preliminary building during the preparatory period of Balkhash thermal station. In July 2010, a \$770 million credit agreement was made between «Ekibastuz State District Power Station – 2» JSC, State Corporation «Vnesheconombank» (Russia) and the Eurasian bank for development, with the participation of «Samruk-Energo» JSC and «Inter RAO EES» in financing the construction of the power unit No. 3 at the «Ekibastuz State District Power Station – 2». The agreement was signed in the presence of the Presidents of the Republic of Kazakhstan, Nursultan Nazarbayev, and of the Russian Federation, Dmitry Medvedev. The construction of the Moynak hydroelectric plant – capacity 300 MW – continues; it will be ready for exploitation in 2011.

Particular attention is drawn to the development of the Almaty energy complex, the construction of substations to provide energy supplies for the 2011 Asian Games, and Almaty Subway. The issues entailed in building the 8th power unit of Almaty's «Combined heat and power plant - 3» are examined along with modernization projects proposed for the «Combined heat and power plant - 1» and the «Combined heat and power plant – 2».

Taking into consideration a considerable territory of Kazakhstan, with a large potential for alternative sources of energy, «Samruk-Energo» JSC – in cooperation with the Chinese Guangdong Nuclear Energy Corporation – examines issues associated with the building of a Wind Energy Park with capacity 300 MW in Shelek corridor, situated in Almaty region. Today, the group of companies «Samruk-Energo» JSC has achieved significant results, uniting 18 companies with a combined electric generation capacity of up to 5379 MW. The society's share in Kazakhstan's electric generation exceeds 28%. In 2009, for instance, the generation of electric energy was 11.77 billion kWh, the volume of energy transportation was 7.45 million kWh, and coal extraction occurred at 35 million t. Investments gained back 20.8 billion tenge (app. \$140 million) in 2009, and 87.6 billion tenge (app. \$595 million) in 2010. The main stream of investment will be directed towards realizing strategic projects such as the building of Moynak hydroelectric plant, the power unit No 3 at «Ekibastuz State District Power Station – 2», and Balkhash thermal station.

As for the local content of Kazakhstan's acquisitions in 2009, the group of companies «Samruk-Energo» JSC has concluded agreements worth 149 billion tenge. The share of Kazakhstan content in commodities and services acquisition was 85%. Plans have been made to acquire commodities and services in the amount of 264 billion tenge in 2010; as a result, local producers' shares will be increased by 64 billion tenge.

2010 and the three years following are regarded as the inception of an intensive development of «Samruk-Energo» JSC, when the use of capital investments during the realization phase of the Program for Kazakhstan's industrial and innovative development will be enforced.

Teaching math, one student at a time

With significant backing from ExxonMobil, a new math instruction program provides a learning experience tailor-made for each student. It's another step toward meeting the nation's pressing need for greater proficiency in math and science.

▶ Although using computers as teaching tools isn't new, the ways in which students are learning from them are. ExxonMobil is a major supporter of a cutting-edge program called Reasoning Mind, and it's changing the way math is taught.

"Reasoning Mind is an exciting, innovative Web-based program designed to improve the way teachers teach and students learn," says Gerald McElvy, president of ExxonMobil Foundation. "It's a 21st century approach to math education."

The program is aimed at grades two through six. It's currently used by 5,000 students in 75 schools in five states – California, Florida, Louisiana, Missouri and Texas. Plans call for expanding to additional states and for making the program available to 100,000 students in 1,000 schools over the next four years.

Meeting individual needs

The Reasoning Mind software program presents a student with a problem representing a certain math concept. If the student solves it, he or she is presented with similar problems until mastery of the concept is attained. The student then moves on to a more challenging level.

When a student has difficulty, the program goes back to a review of the material and further testing.

The "Reasoning Mind Genie," a cartoon-like character, interacts with the student in presenting the problem, checking the answer and providing encouragement. The Genie is, in effect, the student's private tutor, customized to individual needs and levels of proficiency.

"Reasoning Mind also transforms the role of the teacher," says McElvy. "The classroom does not have to move at a single pace. Teachers can work with students one-on-one. Children who need more help from the teacher can get it without holding back the rest of the class. Gifted students can work independently beyond their grade level."

Students can use the program outside regular school hours – during break time, at lunch, after school and at home.

In addition, parents can purchase an annual subscription to Reasoning Mind. This benefits both home-schooled children and regular-school students who want to polish their skills.

Teachers report that the program is so popular that students frequently ask for more homework.

Growth of an idea

Reasoning Mind was co-founded by Alex and Julia Khachatryan, who immigrated to the United States in 1989 from the former Soviet Union. They were inspired by personal experience to create the organization.

Alex Khachatryan, CEO of Reasoning Mind, holds a doctorate in physics and mathematics, and his wife, vice president, is a petroleum engineer. They became interested in math education as a result of concerns about the quality of instruction received by their son.

"We wanted to provide our son with the highest level of education," he says, "but we were frustrated as we looked at the educational system through his eyes."

The program that eventually became Reasoning Mind was initially designed for gifted students. As it evolved, Khachatryan saw its utility for children at all levels of ability, and today the curriculum is world-class, comparable to math programs used in high-performing countries around the world.

"We want to challenge upper-level students while helping bring up those who are less proficient," he says. "We designed Reasoning Mind to stimulate and engage students with that goal in mind."

Khachatryan says ExxonMobil's assistance has been critical to the program's success.

"ExxonMobil's support is huge," he says. "They're the largest donor, but their participation goes beyond the financial since they serve on the board and leadership team of Reasoning Mind, and provide employee volunteers. They've also helped get the word out about the program, and they've made it possible for us to partner with other organizations and companies around the country."

Measuring results

In Houston, Reasoning Mind has helped students make impressive gains in scores on the Texas Assessment of Knowledge and Skills, or TAKS, which is given to primary and secondary school students.

For example, on the math section of the 2009 TAKS, fifth-graders at the city's John Cornelius Elementary School performed at virtually the same level their peers in the Highland Park school district did in 2008. Highland Park is a top-rated school district near Dallas.

One hundred percent of the fifth-graders at Cornelius and in Highland Park passed the math section. Seventy-eight percent of Highland Park students earned "commended" status, compared with 74 percent at Cornelius.

Cornelius and Highland Park serve very different student populations. Cornelius students are 98 percent minority and 86 percent "economically disadvantaged." Highland Park is composed of 3 percent minority students. None are economically disadvantaged.

Texas Governor Rick Perry lauded the accomplishments of the Cornelius students during a recent visit to the school, calling the Reasoning Mind program a "game changer" and "a great tool if we are to stay competitive in the world."

Support on many fronts

Reasoning Mind is just one of many programs supported by ExxonMobil to improve math and science education. Some other examples:

▶ ExxonMobil has been a founding sponsor of the National Math and Science Initiative (NMSI) since 2007 and committed US\$125 million to support its programs.

▶ With Dr. Bernard Harris, a former astronaut, ExxonMobil sponsors the Bernard Harris Summer Science Camps at college campuses. The program targets students in urban school districts. It consists of free, two-week residential camps focusing on math, science, technology and engineering.



Above: Helping the students with their math problems, checking their answers and giving support is the "Reasoning Mind Genie," a private animated tutor customized for a child's individual needs and skills.

Above right: Kory Patterson, a student at Bastian Elementary School in Houston, gets into a math problem using the Reasoning Mind tutorial.

Source: the Lamp, an ExxonMobil shareholder magazine
Story by Bill Corporon
Photography by David Hill

► In partnership with professional golfer Phil Mickelson and his wife, Amy, the company sponsors the Mickelson ExxonMobil Teachers Academies. The Academies help third- through fifth-grade teachers learn how to motivate students to pursue careers in math and science.

"No company has made anything like ExxonMobil's commitment to math and science education," says Dr. Larry Faulkner, president of the Houston Endowment, chairman of the National Math Panel and a member of ExxonMobil's board of directors. "I'm very proud of what's being done to address an issue so critical to this nation's future."

Support for math in Kazakhstan

ExxonMobil's support for math and science education is not limited to the US. In Kazakhstan ExxonMobil has been supporting the Zhautykov National Specialized Physics and Math High School since 2004. By equipping the school with multimedia classes and sponsoring English classes from native speakers, the company seeks to improve the students' ability to

participate in international competitions and compete for placement in the best universities in the world. In 2008, ExxonMobil became one of three official sponsors of the school's International Physics and Math Olympiad, which brings together over 200 participants from 16 countries. In 2009, the Minister of Education officially recognized the company's continuous effort to groom the next generation of Kazakh engineers and scientists.

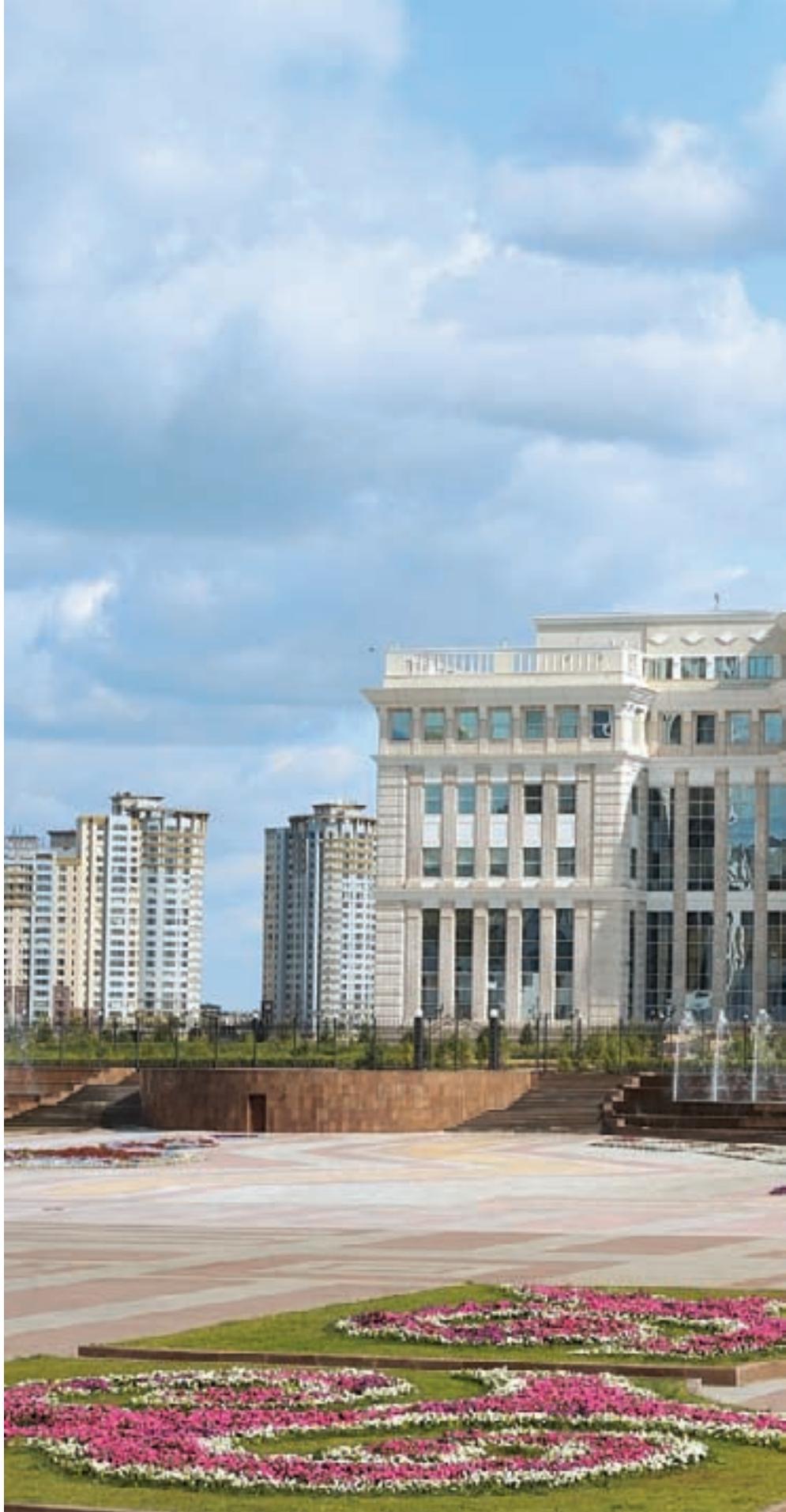
In July 2010, Kazakhstan hosted the 51st International Math Olympiad, the first post-Soviet country to host this most prestigious math competition among high school students. Over 500 children from 97 countries competed for the title of best mathematician. ExxonMobil became the proud General Sponsor of the Olympiad. The Kazakh team took 5th place after China, Russia, USA and South Korea and it's with great pride that ExxonMobil recognized two students of the Zhautykov School on the team!

To learn more visit www.reasoningmind.org

To learn more visit
exxonmobil.com

ExxonMobil
Taking on the world's toughest energy challenges.™

ASTANA CITY – A PEARL OF KAZAKHSTAN





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2010

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THESE DAYS KAZAKHSTAN IS WELL-KNOWN GLOBALLY FOR ITS HUGE OIL AND GAS RESERVES. HOWEVER, KAZAKHSTAN HAS ONE MORE MIRACLE: THE NEW CAPITAL OF THE COUNTRY, ASTANA CITY, WHICH IS UNDOUBTEDLY ONE OF THE LARGEST PROJECTS ON THE CONTINENT. ASTANA HAS RECENTLY HELD A LAVISH CELEBRATION TO MARK ITS 12TH ANNIVERSARY AS THE NATIONAL CAPITAL.

It is well known that in the mid-nineties, the President of Kazakhstan Nursultan Nazarbayev made a wise and unexpected but significant decision – to move the capital from Almaty in the South to the very heart of the country, to a then provincial city Akmola. Within a short period of time, Astana, as Akmola was renamed afterwards, became the centre of economic, political and cultural life of Kazakhstan. Astana is already a «golden page» in the history of the young independent nation of Kazakhstan.



SOME 15 MILLION SQUARE METRES OF REAL-ESTATE WILL BE CONSTRUCTED IN THE COMING YEARS.

Other countries have built futuristic capitals in their less populated areas; the most famous example is Brasília, and other cities like Dubai have experienced fast, transformational construction. But none have sprung up quite like Astana, from the ambition to create not only a national capital but also a national identity. Astana became a unifying symbol for the people of Kazakhstan and helped both to speed up the economic development of Kazakhstan and assist the people to live through the difficult period of the economic crisis of 2007-2009.

The government of Kazakhstan believes that the geographical location of the new capital – in the middle of the transport routes between the Pacific Ocean and Europe – will enable it to become a major transit hub.

According to analysts' projections, this promising region has high investment potential and Kazakhstan is determined not to lose this opportunity; therefore this opportunity is becoming a reality.

INVESTOR'S HARBOR

Astana is already extremely attractive for investors, both domestic and foreign. Around \$13 billion has already been invested in Astana, though some analysts suggest that this estimate is too low due to the increase in private investments which are difficult to evaluate correctly. A total of \$5 billion has been invested in the government quarter alone since the establishment of a Special Economic Zone in 2002 offering tax incentives for investors.

Astana's share in the GDP of Kazakhstan has sky-rocketed from a meagre 1.5% a decade ago to almost 10%. The next serious impulse for the economy of Astana will come from the Industrial Park with the already existing investment fund of up to \$6 billion.

Regardless of the cost, there is no arguing that Astana has experienced an intensive construction boom with several years still to go: many major projects are due to be finished by 2012-13. In spite of the economic crisis some 15 million square metres of real-estate will be constructed in the coming years.

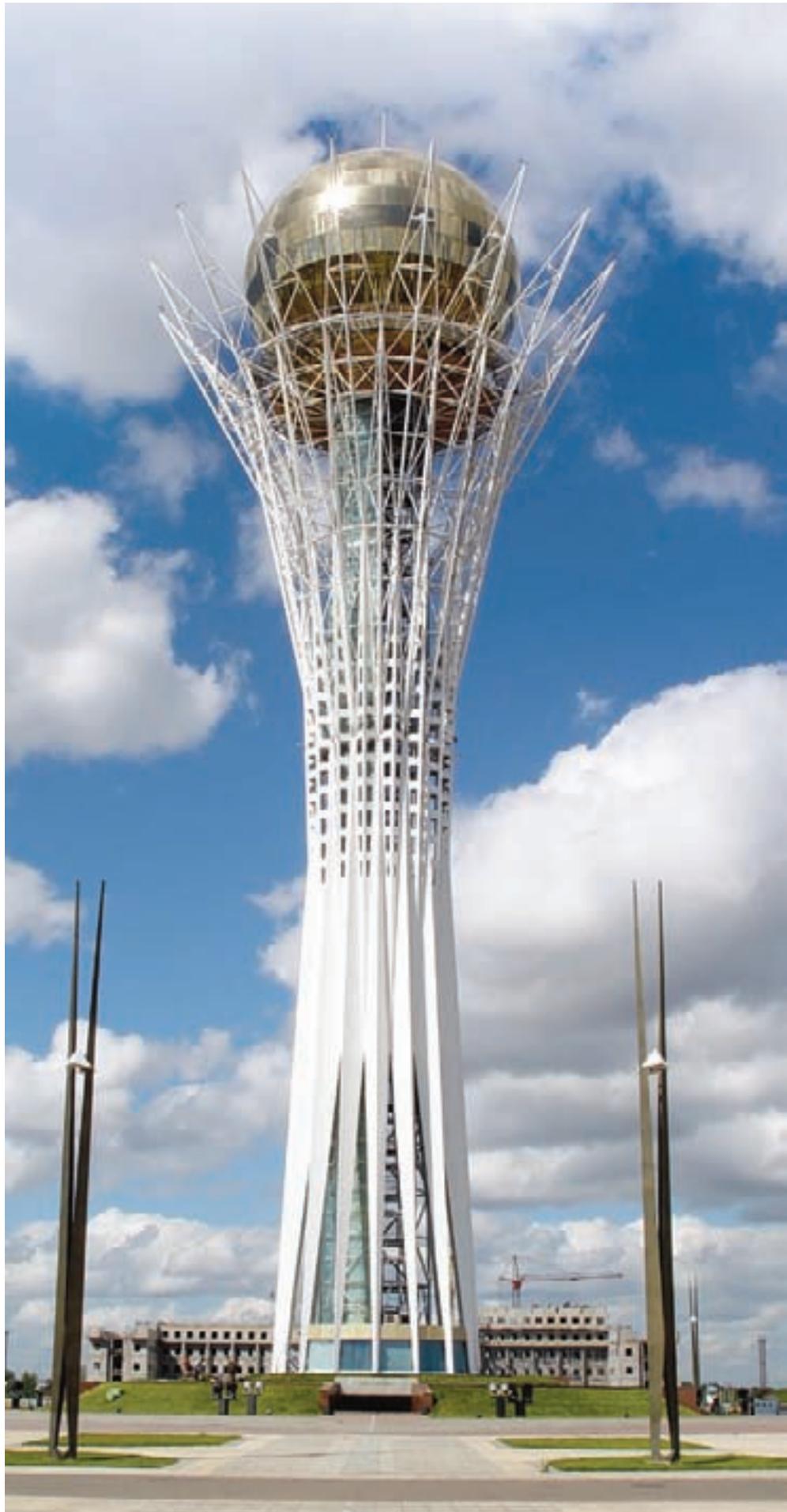
What is also interesting is that the population of Astana has more than doubled since the move and numbers 650,000 people, and is estimated to increase to over 1 million by 2020. The capital of Kazakhstan has already

ECONOMY DIVERSIFICATION AND UTILIZATION OF INTELLECTUAL RESOURCES ARE PERCEIVED AS THE MAIN DIRECTIONS FOR THE FURTHER **DEVELOPMENT OF ASTANA CITY'S COMPETITIVE ADVANTAGES.**

become a hub of international activity: one of the most unique international events was established here by President Nursultan Nazarbayev – the regular Congress of World and Traditional Religions. In July 1999 Astana was awarded a special UNESCO Cities of Peace prize. In 2003 the city was highly evaluated by Moody's Investors Service. In December 2010 Astana will host the OSCE Summit and afterwards, the 7th Asian Winter Games.

SPLENDID ARCHITECTURE

It should be noted that some of the world's most famous architects have been invited to create the conceptual design of the city – this was the start of creating the unique architecture that Astana is famous for. The original city plan was drafted by a prominent Japanese architect Kisho Kurokawa and has since been revised to a grander form. Manfredi Nicoletti of Italy has designed the concert hall. Lord Foster, a British architect, is now working on a new project that echoes his magnificent Palace of Peace and Accord built in Astana earlier: a giant conical structure, bent as though blown by the harsh winds that are notorious there. It is known as the Khan's Pavilion. It was completed in 2010, and Khan's Pavilion is a trade-and-entertainment centre containing stores and theatres, a water park and seven acres of terraced gardens modeled on nothing less than the Hanging Gardens of Babylon.





Norman Foster has also designed the Abu Dhabi Plaza complex that includes an 88-storey tower, hotels and a winter garden the size of a soccer pitch.

However, it is the fantastic Bayterek monument that is considered to be the face of Astana.

The main goal of all those efforts is to create one of the best cities in the world, both to live and work in.

BUILDING A COMPETITIVE PROFILE

Astana is not just an architectural phenomenon. To be highly competitive and to have a leading position, Astana has to be attractive for its residents, investors, business people and guests – that is the main focus of its current development.

All of the above means that Astana is now



ADVANCED HIGH-TECH PRODUCTION

AND INNOVATIVE POLICIES REQUIRE AN INCREASE IN MANPOWER RESOURCES, THE PRIORITIZATION OF EDUCATION AND SCIENCE AND THE CREATION OF AN INNOVATION SYSTEM.

devoted to achieving its strategic development goals: ensuring sustainable economic development, maintaining a favourable environment and sustainable infrastructure, establishing a socially sustainable urban community and improving municipal management systems.

To ensure sustainable economic development Astana constantly improves not only its image as the administrative centre of Kazakhstan but also as a city with a diversified economy and the high involvement of the competitive private sector.

A competitive economy, work efficiency improvement, new goods and services production will become the basis for an increase in standards of living that will ensure a high employment rate. This, in turn, will create favourable conditions for domestic and especially foreign investments.

HIGH-TECH FUTURE

It is important to note that in the near future Astana will become the centre for technological progress; it will become the capital city of the information community, i.e. a national innovation centre.

Under certain conditions it is possible to construct new high tech and science clusters focused on alternative energy and energy efficiency, biotechnology and medicine, information, telecommunication and electronic technologies. Even now, arrangements are being made to increase competitiveness and create equal opportunities.

At the moment the global economic development means transitioning from industrial and post-industrial types of development based on intellectual resources, to knowledge-based and high technologies. Thus, economy diversification and utilization of intellectual resources are perceived as the main directions for the further development of Astana City's competitive advantages.

Innovative economic development implies

both modernization of the existing city and suburban enterprises, and establishment of new high-tech, science-intensive industries with high added value.

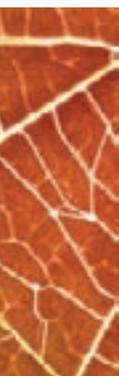
With this goal in mind, a modern Astana university and scientific complex named after President Nazarbayev has already been built. The »New University of Astana« project will give the young citizens of Kazakhstan an opportunity to receive an education equal to that of the highest standards in the world without having to leave the country.

Advanced high-tech production and innovative policies require an increase in manpower resources, the prioritization of education and science and the creation of an innovation system. For this reason, a satellite science

town in the suburbs of Astana will soon be founded. The town will consist of a large techno-park with a technical university, research centres and numerous small innovation enterprises, pooled into several clusters of information, telecommunication, high tech and science-intensive industries.

Astana authorities will merge neighbouring enterprises with other related institutions: universities, research centres, techno-parks. To financially support the cluster development and the improvement of the quality of life, the city authorities aim to make a profit through the cost reduction of the merged enterprises. Public and private research institutes, design bureaus, higher educational institutions, science and technology enterprises, and state institutes for micro-financing serve as the basis for high-tech, IT, education and biotechnological cluster development in Astana. The focus will be on the science-intensive cluster creation to make Astana the national centre for sustainable production, technology, education and science-intensive activities of Kazakhstan.

Thus, in the near future Astana will become a completely transformed innovative city in the heart of Eurasia which serves as a model for future city-building and opens huge possibilities for foreign investors.





KAZAKHSTAN'S ECONOMIC SUCCESS

THE ROLE OF KAZAKHSTAN IN MAINTAINING GLOBAL ENERGY SECURITY CONSTANTLY GROWS. THIS IS EXTREMELY IMPORTANT, TAKING INTO CONSIDERATION THE FACT THAT ENERGY BECOMES A MORE AND MORE CRUCIAL FACTOR IN THE GLOBAL GEOPOLITICAL BALANCE.

Along with the search for an effective

response to traditional and new challenges to international stability, the significance of the security of the global energy balance has grown immensely in the new century. Energy resources have a key significance in improving living standards and widening opportunities globally.

That is why the securing of effective, sustainable and ecologically safe energy supplies at prices which reflect the fundamental market economy principles is considered to be one of the most important challenges for the world community.

As risks accumulate in supplying an ever-growing world energy demand, the international system is straining to meet the demands of new players in the global oil and gas game, as well as deal with old issues such as energy security and resource nationalism, and new issues like climate change and energy equity.

The oil and gas industry has always been about risk taking and risk management. The challenge of the 21st century is to pursue a pathway that allows nations to cooperate in meeting



THE CHALLENGE OF THE 21ST CENTURY IS TO PURSUE A PATHWAY THAT ALLOWS NATIONS TO COOPERATE IN MEETING THEIR LEGITIMATE INTERESTS TO PRODUCE AND **OBTAIN CLEAN, AFFORDABLE AND SECURE ENERGY, AND IN ESTABLISHING MARKET RULES THAT ALLOW THE INDUSTRY TO COMPETE EFFECTIVELY TO SATISFY THOSE NEEDS.**





their legitimate interests to produce and obtain clean, affordable and secure energy, and in establishing market rules that allow the industry to compete effectively to satisfy those needs.

The main danger is a return to 19th century «beggar thy neighbour» type policies that threaten the benefits of globalization and the search for global solutions for global problems.

It is necessary to achieve stability and security in that sphere in a framework of comprehensive and coordinated international approach in order to avoid tensions.

KAZAKHSTAN OIL AND GAS

Kazakhstan has a position in this 21st century game as it unfolds. Energy security as a key factor of international stability is one of the main politico-economic priorities for Kazakhstan. The country is an important element in the global energy infrastructure, which is why a considerable part of the country's foreign policy concentrated on solutions to the problems of the stable and safe export of domestic hydrocarbon resources.

Kazakhstan is important to world energy markets because it has significant oil and natural gas reserves.

With sufficient export options, Kazakhstan could become one of the world's largest oil producers and exporters in the next decade, possessing approximately 36 bln barrels (5.2 bln t) proven oil reserves and 3.4 trillion cubic metres of natural gas, though it is possible that oil reserves could reach 70-75 bln barrels.

Thus, Kazakhstan takes 2nd place among CIS oil-extracting countries, just after Russia, and 12th place on a global scale.

Kazakhstan's leadership is laying the founda-



THE COUNTRY UNDERTOOK A PROCESS OF DEMONOPOLIZATION, PRIVATIZATION, DEBT RESTRUCTURING, PRICE LIBERALIZATION, CUSTOMS REFORM, AND TAX RESTRUCTURING.

tion for its integration into the global economy and global energy sector.

The country adheres to the position of diversification of methods of hydrocarbon transportation to the world market and highly effective use of pipeline systems.

It is important to note that Kazakhstan exported more than 67 mln t from 76.5 mln t of extracted crude oil in 2009, primarily to European and Chinese energy markets. The total revenues from oil exports were US\$26.2 billion.

Moreover it is alleged that Kazakhstan will be able to produce about 110 mln t of crude oil in 2015-16, and its export potential will grow to 100 mln t annually.

SEEKING DIVERSIFIED AND INNOVATIVE FUTURE

From the very outset the Government of independent Kazakhstan has sought to lay the foundations of a market economy, civil society and democracy simultaneously through pursuing economic growth and rising living standards whilst maintaining stability. The basis of Kazakhstan's energy strategy is formed on the principle of an economic expedience and the minimization of the technogenic impact on the environment.

However, Kazakhstan's strategic aspiration is to become a modern, diversified economy with a high value added and high-tech component, fully integrated in to the global economy. The energy sector is viewed as a good basis from which to achieve this goal.

At independence in 1991, Kazakhstan had a promising resource base, from its sizable hydrocarbon reserves to its well-educated workforce. More importantly though, it had the wisdom to quickly move away from the

failed policies of the past. Kazakhstan's leadership embarked on a new transformational course. In a little over ten years, Kazakhstan implemented a series of broad-based reforms that brought the country from a planned to a market economy.

The country undertook a process of demonopolization, privatization, debt restructuring, price liberalization, customs reform, and tax restructuring. Kazakhstan established a Securities and Exchange Commission, liberalized trade, enacted laws on investment, established a new government procurement process, and reformed the banking system.

The recovery of international oil prices in 1999-2000, combined with a well-timed national currency (tenge) devaluation and a bumper grain harvest, pulled the Kazakhstan economy out of recession in 2000.

The Government has embarked upon an industrial policy designed to diversify the country's economy away from over-dependence on the oil sector by developing innovative heavy and light industry. Without doubt, full dependence on natural resources and world prices makes a national economy vulnerable.

Kazakhstan has enjoyed impressive economic growth since 2000, buoyed by increased oil exports, as well as by bold economic reforms, prudent fiscal policies and economic initiatives that were instituted in 1999. Those measures boosted a constant and stable growth of the national economy and the well-being of its people.

In spite of the hardships of the global economic crisis 2007-09, Kazakhstan became one of a small group of countries in the world that evaded a sharp downturn. This is also due to effective anti-crisis state programs and mea-





Строительство ПС-500кВ «Шу»
(1 - 2 этапы)



ОПИСАНИЕ ПРОЕКТА:

полное развитие подстанции с установкой
шунтирующего неуправляемого реактора 500 кВ
и автотрансформатора 500/220кВ
монтаж 8 ячеек 500 кВ
монтаж 3 ячеек 220 кВ

ОБОРУДОВАНИЕ:

элегазовые выключатели
220 кВ и 500 кВ фирмы «AREVA»
трехполюсные разъединители
220 кВ и 500 кВ фирмы «AREVA»
трансформаторы тока и напряжения фирмы «ABB»
ограничители перенапряжения 500 кВ



sures.

For instance Kazakhstan can boast a relatively high level of GDP real growth, which reached 1.2% in 2009 (US\$110 billion) and 8% in the first half of 2010 (US\$81.5 bln). International reserves of the country peaked at US\$53.1 bln, up from a meagre US\$3.5 bln in the middle of 2001. Foreign investments influx in the first half of 2010 achieved US\$5.1 billion.

At the beginning of 2003 the Government of Kazakhstan adopted the Innovative Industrial Development Strategy for the years 2003-2015.

The Strategy came at a time when basic economic reforms had been completed, successfully replacing the old system of economic relations with a market economy. In the first decade of its independence Kazakhstan was successful in fostering market-based institutions, the country's energy industry saw a rapid growth and the banking sector has taken the leading position within the CIS countries.

However, being aware of the economy's heavy reliance on the energy and minerals sectors the Kazakhstan Government adopted an ambitious three-stage New Industrial Development Strategy to ensure sustainable development of the domestic economy through its genuine diversification, creation of new competitive industries, modernization and expansion of the existing infrastructure with the ultimate goal of moving from an extraction-based industry to a service and technology based economy.

On top of the successfully operating National Oil Fund established in 2000, and the Development Bank of Kazakhstan, the first ever institution of its kind in the FSU, established in 2001, new development institutions were established in 2003 within the Strategy, all deriving millions of dollars from oil revenues.

These new institutions included the Sustainable Development Fund «Kazyna», Export Credit Corporation, Centre for Engineering and Transfer of Technologies, Centre for Market Research and Analysis among others, which were further united under the «Samruk-Kazyna» Fund.

INVESTMENT POTENTIAL

The country's investment potential is now based on minerals and raw materials. Because their exploitation forms a considerable part of the national gross product, the quality and extent of deposits' utilization and the reproduction of raw material reserves play a decisive role in the present and future of Kazakhstan.

For example, it is envisaged that exploration of the oil and gas field Kashagan, which is one of largest fields in the world, will make Kazakhstan one of the major producers of hy-





FOR INSTANCE KAZAKHSTAN CAN BOAST A RELATIVELY HIGH LEVEL OF GDP REAL GROWTH, WHICH REACHED **1.2% IN 2009 (US\$ 110 BILLION) AND 8% IN THE FIRST HALF OF 2010 (US\$81.5 BLN).**



drocarbons not only in the region, but also at an international level.

The oil and gas sector of Kazakhstan has attracted almost all leading energy companies of the world, with Total, Shell, Eni, ExxonMobil, BG, Lukoil and CNPC among them. According to some estimates, Kazakhstan is going to attract US\$30 billion in the next ten years for development of its big oil fields, and the country's economy will grow by 3.5 times.

ments Kazakhstan pursues its policy of ensuring a stable macroeconomic environment and realizes other measures which contribute to the improvement of the investment climate in the country. The Government, the National Bank and development institutions pursue the coordinated policy aimed at ensuring sustainable economic growth with low inflation rates and a budget deficit within the predicted limits

Thus, Kazakhstan has been constantly working

FOR INSTANCE, SEVERAL YEARS AGO THE STATE OIL COMPANY OF KAZAKHSTAN "KAZMUNAIGAZ" BOUGHT A 75% STAKE IN THE ROMANIAN OIL COMPANY ROMPETROL GROUP NV, WHICH OWNS SEVERAL REFINERIES AND 630 FILLING STATIONS IN 7 EUROPEAN COUNTRIES, FOR US\$2.7 BLN.

At the same time, the Kazakhstan Government's top priority is to encourage foreign direct investments into industry, agriculture, innovation and processing sectors in order to decrease the dependence of the domestic economy on the energy and extracting sectors, and to ensure the continued growth of Kazakhstan's economy.

With the aim of attracting foreign direct invest-

on the improvement of its investment climate.

In 2001 and 2002 respectively the EU and the USA recognized Kazakhstan, first in the CIS, as a country with a market economy.

Moreover, thanks to the sufficiently stable level of the domestic economy, the financial crisis, exacerbated during the autumn months of the last year, had an insignificant impact on the development tempo and investment attrac-

tiveness of the country.

Experts say that Kazakhstan's economy has accumulated more than 80% of all foreign direct investments for the Central Asian region, and the World Bank listed Kazakhstan among the Top 20 most attractive countries of the world for investors. Thus, the value of the foreign investments in the period from 1993 to 2010 reached US\$113 bln.

It is important that Kazakhstan, thanks to its economic progress, has become an investments' exporter since 2003.

The total value of Kazakhstan investments abroad exceeded US\$10 bln and continues to grow constantly. Most of these investments were in Russia and other CIS countries, though Kazakhstan companies actively invest in Europe, Turkey, Israel, etc.

For instance, several years ago the state oil company of Kazakhstan «KazMunaiGaz» bought a 75% stake in the Romanian oil company Rompetrol Group NV, which owns several refineries and 630 filling stations in 7 European countries, for US\$2.7 bln.

Without doubt, such positive changes will contribute greatly to the further diversification of the economy of Kazakhstan based on investment openness, and to the process of finding a real and sustainable balance with economic development.





Завершение работ
по Бестюбинскому водохранилищу



ОПИСАНИЕ ПРОЕКТА:

Выполнение строительно-монтажных работ

Длина плотины по гребню – 515 м

Максимальная высота плотины – 94 м

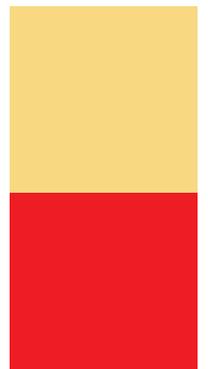
Ширина гребня – 12м. Объем насыпи всего – 607 360 м³

Полный объем образуемого водохранилища –
238 000 000 м³

Рабочий водовыпуск с механическим оборудованием

Строительный туннель с шахтным водосбросом

Объем железобетона – 13 450 м³





ELECTRIC ENERGY BALANCE OF KAZAKHSTAN. INDUSTRY REVIEW

ELECTRICITY IN KAZAKHSTAN IS GENERATED AT 63 POWER PLANTS WHICH HAVE DIFFERENT FORMS OF OWNERSHIP. THE TOTAL INSTALLED GENERATION CAPACITY OF KAZAKHSTAN IS 19,127.9 MW, AND THE AVAILABLE CAPACITY IS 14,821.0 MW. THE NATIONAL POWER GRID (NPG) IS THE BACKBONE OF THE UNIFIED POWER SYSTEM (UPS) NETWORK OF KAZAKHSTAN.

THE SYSTEM OPERATOR IS THE KAZAKHSTAN ELECTRICITY GRID OPERATING COMPANY (KEGOC) JSC WHICH OWNS THE SUBSTATIONS, SWITCHGEAR INSTALLATIONS, INTERREGIONAL AND CROSS-BORDER TRANSMISSION LINES, AS WELL AS THE TRANSMISSION LINES FOR THE DELIVERY OF POWER FROM THE POWER PLANTS – THESE LINES ARE ALL
220 KV OR HIGHER AND COMPRISE THE NPG.



The Regional Electricity Companies (REC) own and operate the networks at a regional level.

Electricity Transmission Organizations (ETO) are contracted to transmit electricity via their own electrical networks to wholesale and retail consumers and energy-supplying organizations.

The National Dispatch Centre of the System Operator – NDC SO – is the KEGOC's branch responsible for the centrally managed and controlled dispatch of the UPS Kazakhstan.

The electricity supply sector of the Kazakhstan electricity market is comprised of the Electricity Supply Organizations (ESO) who are engaged in direct electricity buying and selling operations with the electricity generating organizations, and in centralized auctions with further re-sale to end retail consumers.

In 1999 Kazakhstan electricity market participants (generation companies, RECs, System Operator and bulk consumers) established the Kazakhstan Reserve Capacity Pool (POOL REM). The main objective of the Pool is to provide capacity reserves on a contractual basis to secure an uninterrupted supply to the Pool founders in case of an unexpected failure of generating capacities and transmission lines in Kazakhstan.

78,433.7 mln kWh of electricity was

generated in Kazakhstan in 2009

including: heat power plants

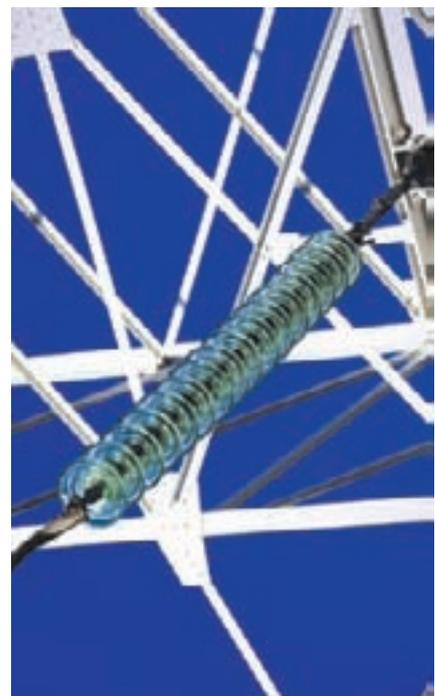
67,096.7 mln kWh;

hydro power plants

6,859.4 mln

kWh; gas-

turbine





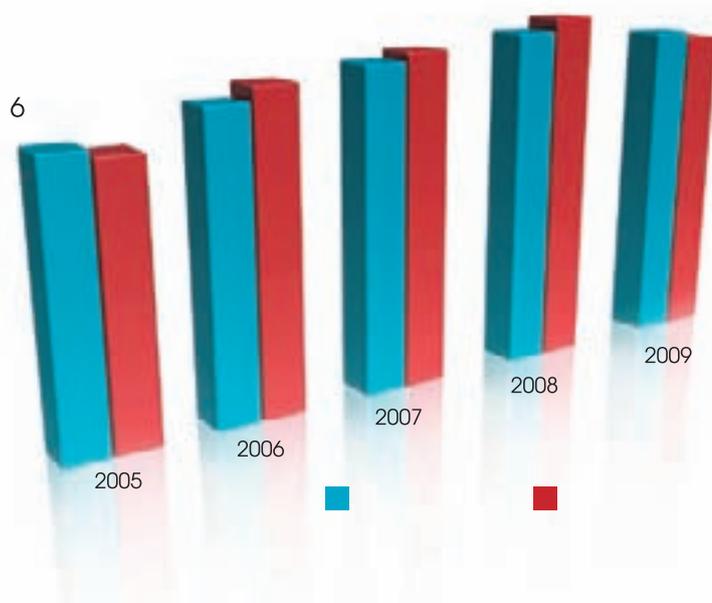
Dynamics of Electricity Generation and Consumption

power plants 4,477.6 mln kWh

Electricity generation fell in January – October due to a lower demand for electricity. In general electricity generation compared to 2008 fell by 1,640.5 mln kWh or 2.0%.

Electricity generation went up in Zone North of Kazakhstan by 2,510.7 mln kWh (4.2%) because of Aktobe Oblast, which became a part of Zone North since the commissioning of 500 kV OHTL Zhitikara – Ulke on 22 February 2009, and because of the higher concentration of power plants.

Electricity generation went down in Zone South of Kazakhstan by 2,753.0 mln kWh (25.2%) mainly because of a lesser loading of Zhambyl GRES power plant. In 2009 Zhambyl





GRES generated a total of 1,348.4 mln kWh, which is 2,856.1 mln kWh or 67.9% less compared to 2008.

In comparison to 2008, hydro generation in Kazakhstan is down by 577.3 mln kWh or 7.8%, generating 6,859.4 mln kWh. The operation mode of the hydro power plants was subject to requirements of water economy balance.

Generation at Kazakhstan's gas-turbine power plants was 4,477.6 mln kWh, which compared to 2008 is a 335.1 mln kWh or 8.1% increase. Electricity consumption in Kazakhstan in 2009 was 77,959.6 mln kWh, which is a decrease of 2,660.0 mln kWh or 3.3% compared to 2008. The consumption fell between January and October 2009 mainly because of a decrease in Kazakhstan's industrial production. However, positive signs of growing consumption emerged in November and December.

In comparison to 2008 the consumption was lower at: Kazphosphate LLP by 895.5 mln kWh or 51.4%; Aksu Ferroalloy Plant by 609.1 mln kWh or 11.6%; Aktobe Ferroalloy Plant by 65.9 mln kWh or 4.8%; PO ZhTsM (ZhezkazganTsvetMet Production Enterprise) by 350.9 mln kWh or 14.4%; PO BTsM (BalkhashTsvetMet Production Enterprise) by 389.3 mln kWh or 27.6%; UKTMK JSC (Ust-Kamenogorsk Titanium-Magnesium Combine) by 252.4 mln kWh or 29.7%; Higher consumption was attributed to: Tengizchevroil by 169.2 mln kWh or 11.6%; Kazakhstansky Electrolizny Zavod JSC (Kazakhstan Electrolytic Plant) by 305.0 mln kWh or 18.0%;

Electricity consumption structures with respect to Kazakhstan Zones changed in 2009. After the 500 kV OHTL Zhitikara – Ulke plant was put into operation on 22 February

HIGHER CONSUMPTION WAS ATTRIBUTED TO: TENGIZCHEVROIL BY
169.2 MLN KWH OR 11.6%;
 KAZAKHSTANSKY ELECTROLIZNY ZAVOD JSC (KAZAKHSTAN ELECTROLYTIC PLANT) BY 305.0 MLN KWH OR 18.0%;



THE NET ELECTRICITY FLOW
BETWEEN KAZAKHSTAN AND
RUSSIA WAS

1,572.8 MLN KWH

(8.5 MLN KWH IN 2008). ZONE
NORTH OF KAZAKHSTAN
EXPORTED 1 918.4 MLN KWH TO
RUSSIA, WHICH IS ALMOST THE
SAME AS 2008.

2009, Aktobe Oblast (Province) was included in Zone North of Kazakhstan, which made consumption in this zone higher by 1,679.3 mln kWh or 3.2%.

Consumption structure with the Zone breakdown:

– Kazakhstan overall: 77,959.6 mln kWh or 100.0%

– Zone North 53,916.5 mln kWh or 69.1%

– Zone South 15,016.3 mln kWh or 19.3%

– Zone West 9,026.8 mln kWh or 11.6%

It is noteworthy that consumption in 2009 was generally lower than in 2008 in most of the Kazakhstani Oblasts (Provinces), including Pavlodar Oblast – down by 504.1 mln kWh (3.3%), East-Kazakhstan Oblast – down by 450.1 mln kWh (5.3%), Zhezkazgan power region – by 458.5 mln kWh (7.0%), Zhambyl Oblast – by 1,185.6 mln kWh (33.2%), and Almaty Oblast – by 189.1 mln kWh (2.2%). Consumption went up in Atyrau Oblast by 164.6 mln kWh (5.0%), West-Kazakhstan Oblast by 68.7 mln kWh (4.8%), Karaganda power region by 58.1 mln kWh (0.6%), and Kyzylorda Oblast by 56.6 mln kWh (5.4%). In 2009 electricity generation topped consumption by 474.1 mln kWh or 0.6%.

The electricity market consists of both wholesale and retail customers. The heat energy market consists only of retail customers.

The System Operator, regional network companies, and other organizations owning the electric networks provide free access to the electricity market for all participants according to procedures established by the state body responsible for managing natural monopoly and regulated markets.

The functional structure of the wholesale electricity market of Kazakhstan includes:

- a decentralized electricity market (bilateral buy and sell contracts);

- a centrally managed electricity market of short-term (spot), mid-term (weekly, monthly) and long-term (quarterly, yearly) transactions. The management of centralized market operations is executed by the Operator of Centrally Managed Electricity Market – KOREM JSC;

- a balancing real-time market for physical and further financial settlement of hourly imbalances during the operational day.

Such imbalances occur due to inconsistency between the actual and contractual values of generation and consumption of electricity in the Unified Power System of Kazakhstan (according to existing Law «On Electric Power Industry» the market has operated in trial mode since 1 January 2008, which does not include actual monetary settlement);

- a market of system and incidental services,

where the System Operator of Kazakhstan UPS offers system services and purchases incidental services from market participants to meet the requirements of the state standards for reliability of the Kazakhstan UPS operation and quality of electricity.

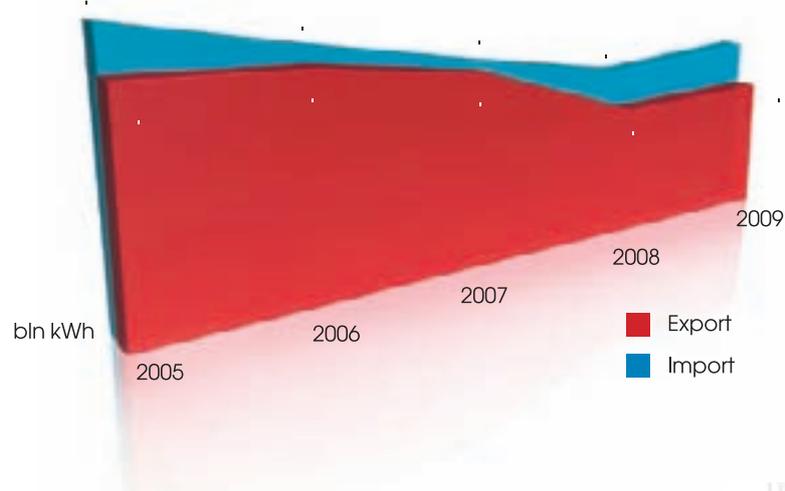
The net electricity flow between Kazakhstan and Russia was 1,572.8 mln kWh (8.5 mln kWh in 2008). Zone North of Kazakhstan exported 1,918.4 mln kWh to Russia, which is almost the same as 2008. Zone West of Kazakhstan imported 345.6 mln kWh. The importing of electricity from Russia to Kazakhstan dropped significantly owing to transmission lines constructed to link Aktobe Oblast with the generating sources of North Kazakhstan.

The electricity flow from Central Asia dropped by 544.8 mln kWh or 98.4% to 1,098.7 mln kWh. Electricity to Kazakhstan was mainly delivered from Kyrgyzstan.



ELECTRICITY CONSUMPTION IN KAZAKHSTAN IN 2009 WAS 77,959.6 MLN KWH, WHICH IS A DECREASE OF 2,660.0 MLN KWH OR 3.3% COMPARED TO 2008.

Dynamics of Electricity Export and Import



ELECTRIC ENERGY OF KAZAKHSTAN

KEY INVESTMENT PROJECTS

ELECTRIC ENERGY IS ONE OF THE MOST DYNAMICALLY DEVELOPING INDUSTRIES IN THE STRUCTURE OF THE ECONOMY OF KAZAKHSTAN, AND PROVIDES HIGH INVESTMENT ATTRACTIVENESS IN THE INDUSTRY. MOREOVER, AN ACTIVE INVESTOR IS NOT ONLY THE PRIVATE SECTOR BUT ALSO THE GOVERNMENT, TAKING INTO CONSIDERATION THE STRATEGIC IMPORTANCE OF ELECTRIC ENERGY FOR STABLE GROWTH OF THE COUNTRY'S ECONOMY.

It was 2007 when the Plan of activities for development of electric

energy industry for 2007-15 was adopted. According to this Plan it is proposed to build new generic capacity up to 2015, with total capacity of 8,164 MWh, comprising the creation of new facilities to produce 5,456 MWh, and the widening of existing ones to give 2,708 MWh.

In order to realize these planned measures (along with investments in heating systems) it is planned to attract investments in the electric energy industry in the amount of 2.8 trillion tenge equivalent to about \$19 billion. The potential volume of investments needed for the generation sector is about 1.55 trillion tenge, for development of the National electric grid it is 197 billion tenge, and for rehabilitation and development of transmission lines it is 963 billion tenge.

In 2009 total investments in the industry equated to approximately 65 billion tenge or about \$440 million. In that structure of investments the share of KEGOC is 29,426.3 million tenge or about \$200 million.

Nowadays Kazakhstan implements investment projects in the sphere of electric energy, as mentioned below.

1 KAZAKHSTAN ELECTRICITY TRANSMISSION REHABILITATION PROJECT, PHASE I

The main project objective is to improve the availability and quality of supply through modernization of substations, including dispatch and monitoring systems; to develop competition by means of sustainable wholesale electricity market operation and to facilitate access to transmission networks; to reduce operation costs; and to extend the range of KEGOC services. KZT 8 555.6 mln worth of capital expenditures were disbursed under the project. Works were completed and put into operation for the modernization of protective relay and substation automation devices at 220 kV Kuibyshevskaya SS, 220 kV Krasnoarmeiskaya SS, 220 kV Makinskaya SS, 220 kV No.18 Semipalatinsk SS, 110 kV Pavlodarskaya SS, 220 kV Metallurgicheskaya SS, 220





kV Nickolskaya SS, 220 kV Sarbaiskaya SS, 220 kV Kairakty SS, 220 kV Akshatau SS; for modernization of the main protection at 22 transmission lines of 110–220 kV; and for modernization of 20 channels of PLC-communication, protective relay and substation automation.

2 CONSTRUCTION OF 500 KV SECOND TRANSMISSION LINE OF KAZAKHSTAN NORTH-SOUTH TRANSIT

The main project objectives are to secure power supply to the deficit southern regions of Kazakhstan by means of higher (up to 7-7.5 bln kWh per year) transmission capacity from North to South, and to improve availability and operational security of the National Power Grid of Kazakhstan and parallel operation of Russian, Kazakhstan and Central Asian power systems. Construction of 500 kV Second Transmission Line of Kazakhstan North-South Transit (1 096.94 km) was completed in accordance with the project implementation plan.

The total project value according to the approved FS was KZT 43.7 bln. In 2009 the project capital expenditures were disbursed to the amount of KZT 18 220.8 mln.

3 KAZAKHSTAN ELECTRICITY TRANSMISSION REHABILITATION PROJECT, PHASE II

The main project objectives are to secure reliable and safe operation of the National Power Grid of Kazakhstan; to improve electricity market performance, reliability and quality of electricity supply to consumers, technical and environmental safety of high-voltage equipment and to reduce the cost of equipment operation and maintenance. The project requires partial modernization of 55 high-voltage substations including replacement of high-voltage and power equipment, and modernization of protective relays.

Project value is EUR 257.33 mln including EUR 255.00 mln granted by EBRD under Loan Agree-

PROJECT VALUE IS
EUR 257.33 MLN INCLUDING
 EUR 255.00 MLN GRANTED BY EBRD
 UNDER LOAN AGREEMENT NO. 38647
 DATED 5 JUNE 2008.





ment No. 38647 dated 5 June 2008. As of the end of 2009 KEGOC had disbursed EUR 0.46 mln; and EUR 2.33 mln of KEGOC own funds. In 2009 the project tender was prepared to meet the commencement of work in 2010.

4 MOINAK ELECTRICITY TRANSMISSION PROJECT

The main project objective is to secure power delivery from the 300 MW Moinak HPP, being constructed to reduce energy deficiency and to cover peak loads, and to provide a reliable power supply to consumers of Almaty Oblast and overall South Kazakhstan.

KZT 26.3 mln worth of capital expenditures was disbursed under the project. The estimated cost as well as the financial and economical parts of FS were adjusted.

5 ALMA ELECTRICITY TRANSMISSION PROJECT

The main project objective is to secure a reliable power supply over the Almaty region, power delivery from the first stage of Balkhash TPP (1 320 MW), to create engineering potential for the development of Almaty's

satellite towns, the construction of industrial park in Almaty and the infrastructure for the Asian Games in 2011.

Capital expenses under the project were disbursed to the amount of KZT 10.4 mln. Design and estimate documentation was developed and construction of operational premises at 500 kV Alma SS was commenced.

6 MODERNIZATION OF 220 KV OH TL TSGPP – OSSA-KAROVKA

In 2009 for the purpose of project implementation a contract on preparation of a feasibility study was concluded.

TES OF THE PROJECT IS BEING WORKED ON AS WELL AS THE DED BEING PREPARED FOR THE FACILITIES THAT ARE A TOP PRIORITY. **THE CONSTRUCTION OF THE FIRST FACILITIES STARTED IN JANUARY 2010.**



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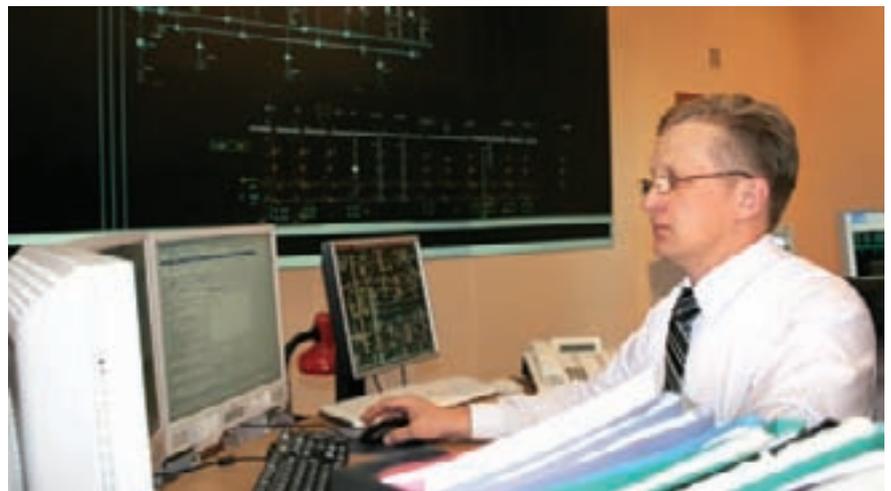


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7 CONSTRUCTION OF BALKHASH THERMAL POWER STATION

The objective of the project is an electric power supply for users who have experienced power shortages in the southern regions of Kazakhstan; provision of energy independence; and security of the Republic of Kazakhstan. Production capacity is 7722 GW/h per year.

TES of the project is being worked on as well as the DED being prepared for the facilities that are a top priority. The construction of the first facilities started in January 2010.

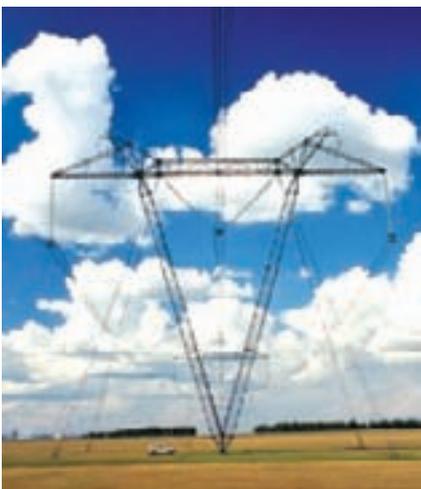
8 EXPANSION AND RECONSTRUCTION OF EKIBASTUZ STATE DISTRICT POWER STATION - 1 (SDPS)

The objectives of the project are to increase installed station capacity over 1,590 MW and to provide an electric power supply in regions of the country which have experienced power shortages. The expected result of project implementation is to create the production of an additional 9.8 billion kWh of electric power per year.

TES and DED of the project have been prepared. Construction and assembly works are conducted on the power unit No5 in order to install an energy filter.

9 EXPANSION AND RECONSTRUCTION OF EKIBASTUZ SDPS - 2 WITH INSTALLATION OF A POWER UNIT AT STATION NO3

The objectives of the project are to meet the growing requirements of Kazakhstan in electric power and electric capacity, increasing the export potential of the Republic of Kazakhstan; provide reliable electric power and as a consequence, electrical independence and energy security of Kazakhstan; and increase the degree of technical and ecological security of an energy source. The expected result of project implementation is to increase production by an additional 4.6 billion kWh of electric power per year. TES is has been developed; the agreement for preparation of DED of the project is signed. The project is now at the development stage.





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Technology has changed the way we live, transformed the global economy and opened gateways to new opportunities, industries and careers. But for many women in the world's poorest countries, the lack of technological progress means this: limited mobility and few options beyond important yet time-consuming and low income-generating jobs, such as carrying water or collecting firewood.

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EC^{♻️}OLOGICAL PRIORITIES OF «KEGOC»



CARRYING OUT LARGE-SCALE PRODUCTION AND TECHNOLOGICAL ACTIVITY, TAKING INTO ACCOUNT POSSIBLE NEGATIVE ENVIRONMENTAL IMPACTS, KEGOC FOCUSED ON ENVIRONMENT UNDER AN INTEGRATED QUALITY MANAGEMENT SYSTEM AND ENVIRONMENTAL MANAGEMENT SYSTEM IN LINE WITH ISO 14001:2004.

Environmental priorities in KEGOC's operation are determined by Kazakhstan's accession to WTO, and the implementation of a Strategy for Kazakhstan to Join the World's Top 50 Most Competitive Countries and Corporate Governance Code. The Company approved an environmental policy which provided a basis for creating certain production objectives, the achievement of which will be the criterion of adopted strategy compliance and confirmation of the Integrated Management System's proper functioning.

In MES Branches the standards for maximum permissible emissions (MPE) and maximum permissible discharges (MPD) of pollutants were elaborated upon and agreed with territorial environmental bodies, where the activities for bringing waste and discharges up to technically sound values and standards (WGS) are determined. Upon expiration of

the validity period (5 years on average) new norms are formulated.

In 2009 the draft environmental assessments and environmental regulation documentation were prepared for the environmental assessment of the Company facilities: maximum permissible emissions standards, and environmental control programs.

Permissions for environmental emissions and special use of natural resources are obtained. Measures are implemented on reducing environmental risks through objective and timely environmental assessments and monitoring of air, land and water resource pollution and equipment safety. Operational environmental monitoring has been conducted involving specialist organizations. Actual environmental discharge and waste do not exceed the limits stated in the permits for natural resources use.

In the MES branches and EA according to the draft MPE and MPD standards the sources of hazardous substances emissions, both operational and occasional, are determined as well as the total volume of waste from operational (stationary) sources (repair workshops, accumulator and welding stations, etc.).

Air emissions from the branches' activity were 54.3t/year in 2009 including 1.6t of NOx, 4.9t of SOx and 15.5t of COx. Air impact is assessed as insignificant. According to programs for operational environmental control and monitoring, the specialist organizations conduct air, water resources and drainage monitoring using laboratory and computational methods.

The Company's energy consumption is comprised of two components: technological consumption (losses) for transmission which accounts for the lion's share of energy consumption; and consumption for the needs of the economy.

From the point of view of energy saving, the maximum effect comes from activities aimed at reducing electricity technological consumption for transmission via electricity networks, and by bringing the actual value of technical electricity losses to their optimum level.

Every year the MES branches prepare an action plan for reducing losses, directed at the detection of points of electricity loss and taking measures towards their reduction.

Based on the 2009 results according to activities performed on losses reduction KEGOC has over-achieved the plan by 20.7% or 1.7 mln kWh, i.e. the effect of performing technical activities on reducing electricity consumption for its transmission in the KEGOC electricity networks for 2009 made 9.9985 mln kWh.

In accordance with the Regulations on Risk Management in the KEGOC JSC the equipment environmental safety is monitored. MES Branches prepare topics and conduct emergency response training on environmental protection (reacting in cases of oil spills, emergency leaks and transformer oil burning at oil-filled equipment, accumulator acid spillage, OHTL tripping due to mechanical damage (fracture) of post insulator with creeping fire from falling loop flash, mercury-containing lamps, etc.).

Carrying out environmental activities reduces risk situations and prevents causing harm to the lives and health of personnel and the environment. Environmental protection under the Kazakhstan Electricity Transmission Rehabilitation Project, and Construction of 500 kV Second Transmission Line of



Kazakhstan North-South Transit Project was carried out in accordance with the approved Environmental Action Plans agreed with the project's financial backers – European Bank for Reconstruction and Development and the International Bank for Reconstruction and Development.

The accepted project decisions were in compliance with regulatory requirements for sanitary and environmental safety. During implementation of the Construction of 500 kV Second Transmission Line of Kazakh-

projects – new investment projects for the upgrading and construction of electric grid facilities – the Terms of Reference include requirements for meeting environmental legislation during designing and implementation of projects. At present during implementation of the Kazakhstan Electricity Transmission Rehabilitation Project – Phase II, Moinak Electricity Transmission Project, Alma Electricity Transmission Project, and Reconstruction of 220 kV OHTL TsGPP–Ossakarovka Project, the preliminary environmental impact assessment (PEIA) is carried out under the FS of the projects mentioned. The opinions of the State Environmental Experts for PEIA was obtained for both the Kazakhstan Electricity Transmission Rehabilitation Project – Phase II and the Alma Electricity Transmission Project.

During the environmental impact assessment of the new projects the Company considers the opinions of stakeholders and conducts public hearings. Thus, in 2009 the hearings were conducted for the Moinak Electricity Transmission Project and Alma Electricity Transmission Project.

The World Bank conducted its own independent assessment of these projects, and based on its findings the projects are acknowledged to comply with the environmental policy of the Bank. It should be noted that the environmental actions of KEGOC were also acknowledged as satisfactory under the other projects implemented by the Company.

ENVIRONMENTAL PRIORITIES IN KEGOC'S OPERATION ARE DETERMINED BY KAZAKHSTAN'S ACCESSION TO WTO, AND THE IMPLEMENTATION OF A STRATEGY FOR KAZAKHSTAN TO **JOIN THE WORLD'S TOP 50 MOST COMPETITIVE COUNTRIES AND CORPORATE GOVERNANCE CODE.**

stan North-South Transit Project at 500 kV YuKGRES SS, Agadyr SS and Ekibastuz SS, 17 sets of SF₆ circuit-breakers were installed. This equipment and the equipment installed under the Kazakhstan Electricity Transmission Rehabilitation Project comply with environmental standards and reduce negative impact on the environment.

During construction works on substation upgrading and line construction all actions are performed in line with air, land, surface and underground water protection.

When planning NPG development

AIR EMISSIONS FROM THE BRANCHES' ACTIVITY WERE 54.3T/YEAR IN 2009 INCLUDING 1.6T OF NO_X, 4.9T OF SO_X AND 15.5T OF CO_X.





7th ASIAN WINTER GAMES

KAZAKHSTAN WILL HOLD ONE OF THE MOST IMPORTANT GAMES OF ASIA – THE 7TH ASIAN WINTER GAMES IN 2011 AND THE COUNTRY IS MAKING SUCCESSFUL PREPARATIONS FOR THAT CONTINENTAL MAJOR SPORT EVENT.

UNITY OF PURPOSE – OF SPIRIT!

The Asian winter games have existed for less time than the summer games. They emerged in Japanese city of Sapporo where the teams from seven different countries arrived in 1986. The program of the first Asian winter games included seven events and the winner of the first games was the Japanese team with 29 gold medals. This record has not been broken up so far in spite of the extension of the competition program. The second games were conducted in Sapporo too. The third Asian games were conducted in the Chinese city of Harbin in 1996. Kazakhstan joined the games and our countrymen took the second place after the Chinese team who took the first place. The next games were conducted in the South Korean province of Kangvon in 1999 where the winners were the Chinese team. Our national team took the third place.



ECONOMY DIVERSIFICATION AND UTILIZATION OF INTELLECTUAL RESOURCES ARE PERCEIVED AS THE MAIN DIRECTIONS FOR THE FURTHER DEVELOPMENT OF ASTANA CITY COMPETITIVE ADVANTAGES.



In 2003 the fifth Asian Games were conducted in Aomori, Japan. The sportsmen of Kazakhstan got seven gold medals. In 2007 the sixth Asian games were conducted in Changchun, China.

As a whole, Kazakh athletes have won 92 gold, 95 silver and 129 bronze medals – placing the country just behind Japan, China and South Korea in the ratings.

Kazakhstan won the bid to host the 7th Asian Winter Games 2011 in January 5, 2006, when Almaty was selected to be a host-city.

In 2007, due to economical and political reasons, the Government of the Republic of Kazakhstan proposed the OCA to organize the 7th Asian Winter Games in the two main cities of Kazakhstan - Astana, the capital of Kazakhstan, and Almaty.

In October 20, 2008 the additional agreement was concluded and signed in Bali between the Olympic Council of Asia, represented by its president Sheikh Ahmad Al-Fahad Al-Sabah, the city of Astana, represented by its mayor Mr. Tasmagambetov, the city of Almaty, represented by its mayor Mr. Yes-simov, and the National Olympic Committee of Kazakhstan.

Nowadays, in the period of steady progressive development, Kazakhstan has all pre-

conditions to become one of the continent's biggest sport powers, able to organize and successfully carry out such a large-scaled event.

The area around Almaty, in the South, is perfect for competitions like Alpine skiing, biathlon and short-track. «Medeo», a world-known high mountain skating rink, was reconstructed for such events. Not far from this venue, almost 2000 meters above sea level and 3620 meters long, is the Shymbulak Alpine Ice Resort, picturesque and amazing place, and in the foothills of Zailiyskiy, Alatau – there is a new ski-biathlon stadium being built, along with International Ski Jump Complex with world-class ski-jumps K-125, K-95. Other Asiatic Games venues are situated in the capital Astana, where modern stadia and sport complexes were also erected, such as the Indoor Football Stadium and the Indoor Speed Skating Stadium. A list of first-class hotels in the cities is already defined for the guests.

According to a provisional programme, it is planned to hold competitions in 12 separate sporting events, and to award 65 sets of medals. More than 2000 athletes from 26 Asian countries will take part in the Games. At the Asian Games of 2011 our athletes will definitely show great results.

A keen sportsman, President Nursultan Nazarbayev designated sport as one of the best ways to have Kazakhstan recognized on the international scene, and in April 2008, the President of Kazakhstan participated in the Olympic torch relay ceremony, personally carrying the torch along the streets of Almaty on its way to Beijing.



CYCLING ENERGY: «ASTANA» GOES FORWARD

THIS SUMMER WAS SYMBOLIZED BY THE BRILLIANT VICTORY OF KAZAKHSTAN'S «ASTANA» CYCLING TEAM IN THE PRESTIGIOUS TOUR DE FRANCE. «ASTANA» THEREBY STRENGTHENED ITS POSITION IN THE WORLD RANKS AS A LEADING CYCLING FORMATION, EVEN THOUGH THIS SEASON OF THE TOUR DE FRANCE HAD BEEN A TOUGH FIGHT.

Astana's team captain, the Spanish champion Alberto Contador, won the Tour de France for the third time in his career. This is also the 5th «Grand Tour» title he can claim, having won the Tour de France in 2007 and 2009, the Vuelta Espana in 2008 and the Giro d'Italia in 2008.

«Astana» was, and remains, one of the strongest teams in the world. In recent years, the team has achieved stunning success, winning the Giro d'Italia and the Vuelta, and achieving its second victory in the most prestigious cycling race in the world: the Tour de France. The team now boasts fans from all around the world

It should be noted that the team's success was ensured by the constant support and sponsorship of «Samruk Kazyna» National Welfare Fund JSC and KEGOC JSC.

As Kairat Kelimbetov, Chairman of JSC «Samruk Kazyna» National Welfare Fund and President of Kazakh Cycling Federation, remarked, «the victory of the Kazakh Cycling Team at the world's prestigious race, attracting the attention of millions of people around the globe, promotes the image of Astana and raises interest to Kazakhstan in general».

Despite the fact that Tour de France champion Contador is to quit the squad, «Astana» Cycling



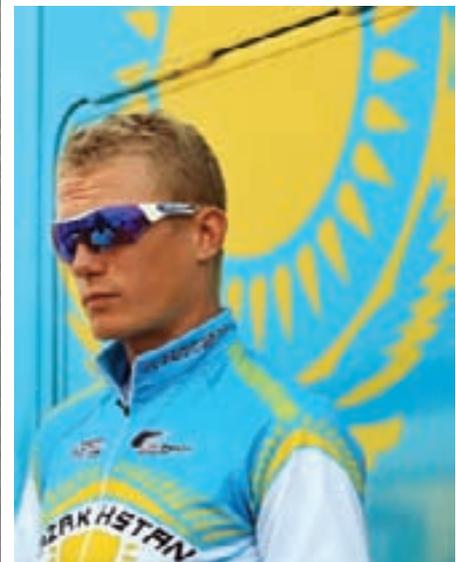
IN THE INTERNATIONAL INDIVIDUAL RATINGS, KAZAKHSTANI BICYCLE RACER ALEXANDER VINOKUROV HAS RISEN FROM 10TH TO 6TH PLACE, AND KAZAKHSTAN TOOK THE 7TH POSITION IN UCI NATIONS RATINGS, APPEARING AMONG LEADING TEAMS FROM AROUND THE WORLD.

Team has great ongoing plans to remain part of 2010's cycling season, and to continue its success into the next season. The team is in excellent form, and shows unique team cooperation, which was worked out to the smallest detail during the last Tour de France.

It is worth mentioning that after the completion of the San Sebastian Classic cycling race on July 30, the Union Cycliste International (UCI) announced «Astana»'s rating in the top division of Pro



DESPITE THE FACT THAT TOUR DE FRANCE CHAMPION CONTADOR IS TO QUIT THE SQUAD, «ASTANA» CYCLING TEAM HAS GREAT ONGOING PLANS TO REMAIN PART OF 2010'S CYCLING SEASON, AND TO **CONTINUE ITS SUCCESS INTO THE NEXT SEASON.**



Tour. And having risen to first place following the Tour de France, the team confidently outscores the Danish team, 'Saxobank', and the Russian team, 'Katyusha'.

In the International Individual ratings, Kazakhstani bicycle racer Alexander Vinokurov has risen from 10th to 6th place, and Kazakhstan took the 7th position in UCI Nations ratings, appearing among leading teams from around the world.

«Astana»'s victories inspire young Kazakhstani athletes, and support the development of cycling in Kazakhstan. The team's management is currently completing negotiations with a number of perspective bicycle racers, and, in accordance with the best traditions of the «Astana» Team, plans to continue winning the great bicycle races – including next year's Tour de France.





ALMATY TO BECOME THE CENTRE OF WORLD BOXING

ON NOVEMBER 1ST – 2ND, 2010, KAZAKHSTAN IS TO HOST THE CONGRESS OF THE AMATEUR INTERNATIONAL BOXING ASSOCIATION. FOR THESE TWO DAYS, ALMATY WILL BE THE CENTRE OF WORLD BOXING, THE CONGRESS FLOODED BY REPRESENTATIVES FROM ALL LEVELS OF THE AIBA. AFTER THE CONGRESS ENDS, THE GENERAL ASSEMBLY OF THE CONFEDERATION OF AIBA ORGANIZATIONS WILL TAKE PLACE, AND, SUBSEQUENTLY, THE MEETING OF THE EXECUTIVE COMMITTEE OF THE AIBA.



It is worth mentioning that

four years have passed since the current president of AIBA, Dr. Ching-Kuo Wu, was elected. The time has come, therefore, for the global boxing community to select a future leader for the authority in world boxing, AIBA.

It should be emphasised that Dr Wu's chairmanship will long be remembered as a period of reorganization of world boxing. It was Dr Wu who advocated the inclusion of female boxers in the program of the Olympic Games. And his reinstatement of a former game-rule, – «3 rounds x 3 minutes» – has made this dynamic sport still more compelling. Generally speaking, Dr Wu has a good chance of being re-elected. He lacks nothing for the role, including efficient administrative resources. However, the pre-election campaign is at its peak, and any candidate able to convince the electorate of his vision of boxing development will have the opportunity to compete for the Presidential chair of AIBA. For our country, such an important event represents recognition of the fact that the senior officials of the domestic boxing federation are people who truly love boxing. AIBA officials under the leadership of Ching-Kuo Wu have visited the country several times, and have appreciated the considerable measures taken to develop and popularize the sport in Kazakhstan.

Holding this symbolic event in Kazakhstan will undoubtedly have a very positive impact on the country as a whole, recognizing once again that we play a leading role in boxing worldwide. It should also be noted that the world championship for cadets will take place in the country's capital, Astana city: yet another indication of the fruitful development of Kazakhstan boxing.

A few words will suffice on the history of Kazakhstan boxing: in short, it has gone from strength to strength since the country gained its independence, repeatedly winning medals in the Olympic Games – gold medals included! Hopes are high for the Games to be held in London in 2012. Kazakhstan has every chance of succeeding.

This year, the boxing federation in Kazakhstan initiated a new project, under the auspices of which matches are taking place in the «wall-to-wall» format across all regions of the country. The ultimate aim of the project is to strengthen the interest of spectators and audiences in boxing and its propaganda throughout Kazakhstan. In yet more positive news, an agreement has been reached between AIBA president Dr. Ching-Kuo Wu and Timur Kulibayev, the president of Kazakhstan's boxing federation, that a World Boxing Academy will be built in Almaty. It is impossible to doubt that boxing really is Kazakhstan's 'number one sport'...

FOR OUR COUNTRY, SUCH AN IMPORTANT EVENT REPRESENTS RECOGNITION OF THE FACT THAT THE SENIOR OFFICIALS OF THE **DOMESTIC BOXING FEDERATION ARE PEOPLE WHO TRULY LOVE BOXING.**





GOING TO SCHOOL

THE BEGINNING OF THE NEW SCHOOL YEAR FOR CHILDREN FROM POOR FAMILIES HAS BEEN MARKED BY THE PECULIAR HOLIDAY TITLED AS «FUNNY SENDOFFS» WITH PRESENTS FOR SCHOOLCHILDREN WHICH WAS ORGANIZED BY INITIATORS OF THE ACTION – THE KAZENERGY ASSOCIATION, LEADING ASSISTANCE COMPANY MEDICARE AND RECREATIONAL TRADE MALL «KHAN'S SHATYR».

More than 50 pupils has got

presents from organizers such as needed school utensils beginning from pencils, india-rubbers and notebooks to backpacks. Children were presented by tickets for free attractions attendance in the recreational trade mall. Diverse recreational events and show-programs were organized for them there. After a funny holiday a tea party with candies has been organized for children. The holiday has been finished with showing of the last cinema hit of the season – Avatar cartoon. As children said, «Funny sendoffs» with presents would be memorized for long, and they wished to spend this school year as today's holiday presented by its sponsors, and to meet again next year.



Children were presented by tickets for free attractions attendance **in the recreational trade mall.**



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