

The future of the Kazakh energy sector and the Kazakhstan 2050 Strategy

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Energy sector of Kazakhstan

General information

- Owns large reserve of energy resources
- Oil, gas, coal and uranium reserves are among the ten biggest in the world
- Has influence over world's energy supply
- Strategic geographical location to control oil and gas flows from Central Asia to the East and West
- Landlocked country
- Accounted for 46.5 percent of country's revenues and over 75 percent of total FDI in 2010
- 57.6 percent of the country's 2011 exports came from the four oil-producing regions in western Kazakhstan

Energy sector of Kazakhstan

Development

- Fuel and energy complex largely determines the structure of the economy
- Is now the most influential factor of socio-economic development and the integration in the world market
- Government announced in June 2003 a new Caspian Sea development program according to which new offshore blocks of oil and gas to be auctioned
- 2005 were new restrictions granting to the state-owned oil and gas company KazMunaiGas (created in 2002) the status as a contractor and at least the half of any production sharing agreement (PSA) introduced

Energy sector of Kazakhstan

Development

- Present stage of development requires a strategic view of the transformation process in Kazakhstan and assessment passed and future steps
- „Strategy of Industrial and Innovation Development for 2003-2015“ provides a sustainable economy by diversifying sectors, including the energy complex
- Production and consumption of energy resources is growing every year, so the energy industry is the basis of the economy of Kazakhstan, the most important source of export revenues

Energy sector of Kazakhstan

Oil

- Oil producer since 1911
- Posses the second larges oil reserves and the second largest oil production in the CIS after the Russian Federation
- Proven oil reserves were estimated at 30 billion barrels
- Total production of 1.6 million bbl/d in 2012 (U.S. Energy Information Administration)
- Current production is dominated by five onshore fields in the Western part of the country, which produce half of the total reserves:
 1. Tengiz
 2. Karachaganak
 3. Aktöbe
 4. Mangistau
 5. Uzen
- Two offshore fields in the Kazakh sector of the Caspian Sea:
 1. Kashagan (nine billion barrels) – largest known oil field outside the Middle East – still under development – timetable for start of production has been pushed back to this year with a total delay of eight years
 2. Kurmangazy (five billion barrels)

Energy sector of Kazakhstan

Oil

- Sector organization:
 - March 2010 Ministry of Energy and Mineral Resources was dissolved and replaced by Ministry of Oil and Gas (petroleum industry) and Ministry for Industry and New Technologies (mining sector) – gives the state a more central role in the oil and gas sector
 - KazMunaiGaz was created in 2002 to represent the state's interest in Kazakhstan's oil gas industry – plays a growing role in the oil and gas industry development by obtaining a majority stake in all new projects and joint ventures
 - Influx of foreign investment since 1991 caused an impressive expansion of the oil sector
 - Chevron holds the largest stake of any foreign international oil company and largest producer

Energy sector of Kazakhstan

Natural Gas

- Rising natural gas production over the last decade has transformed the country from a net gas importer to a country that became self-sufficient in 2011
- Development of this sector has lagged oil due to the lack of a domestic gas pipeline grid linking the western producing part with the eastern industrial region, as well as the lack of export pipelines

Energy sector of Kazakhstan

Natural Gas

- Proven natural gas reserves are 85 trillion cubic feet (January 2012)
- 80 percent of total reserves are located in four fields:
 1. Karachaganak
 2. Tengiz
 3. Imashevskoye
 4. Kashagan
- Production in 2009 was at 388 billion cubic feet

Kazakhstan 2050 Strategy

Introduction

- Was presented during the annual state of the nation address in Astana on December 14, 2012 by President Nursultan Nazarbayev
- Aims to bring the Central Asian country into the ranks of the world's top 30 most developed countries by 2050
- Is a new political course for the country that builds on tasks set by the Kazakhstan 2030 Strategy
- Kazakhstan Strategy 2030 was developed in 1997 and defined the country's strategic goals in terms of international security, stability and national unity, economic growth, health and education, energy resources as well as infrastructure

Kazakhstan 2050 Strategy

Main Points

- Further strengthening of statehood
- Transition to the new principles of economic policy
- Full support of entrepreneurship
- Formation of a new social model
- Creation of modern and effective education and healthcare systems
- Increasing accountability, effectiveness and functionality of the state apparatus
- Formation of international and defense policy responsive to new challenges

Kazakhstan 2050 Strategy

The transition to the new principles of economic policy

- Sticks to the comprehensive economic pragmatism
- Economic system of Kazakhstan will be liberalized through the minimization of the governments participation in the regulation of business, holding large-scale privatization and increasing the share of the private sector
- Monetary policy will be revised to support projects that implement the next phase of industrialization in the framework of the third industrial revolution
- Providing best conditions for foreign investments
- Development of mineral resources will speed up in order to export them to the global markets in exchange for access to advanced technologies and the creation of new industries in the country – Example: German-Kazakh resources partnership signed in 2012
- Boosting the transition to a green development part

Kazakhstan 2050 Strategy

Increased attention to the development of the regions

- Creation of a Ministry of Regional Development by presidential decree on January, 16, 2013
- Minister Bakytzhan Sagintaev is also first deputy prime minister and first deputy chairman of the government party „Nur Otan“
- Specific attention has been focused on the development of Kazakhstan resource rich western part

Kazakhstan 2050 Strategy

Challenges in western Kazakhstan

- Gap between the western regions high production level and their lagging development has been recognized as destabilizing factor
- Serious unrest in the city of Zhanaozen in the oil rich Mangystau area in December 2011 was caused by striking oil workers demanding wage increases and improving working conditions clashed with the police and left fourteen people dead
- Region needs to bring economic and social infrastructure to a level that matches the local production
- Four out of five most revenue-positive regions of the country are the major oil-producing regions in the West, but much of the money from there ends up in rapidly developing capital Astana
- By contrast, Mangystau region has the highest rate of poverty, with over ten percent of the population earning less than the minimum cost of living
- Contributing to these high poverty rates is the fact, that the oil sector is not a main source of employment opportunity as it is more capital than a labour intensive industry

Kazakhstan 2050 Strategy

Role of the Ministry of Regional Development

- Part of the tasks of this government institution will be aimed at development of non-extractive industries, specifically in Kazakhstan's Caspian region
- Some of these industries are likely to be rooted in alternative energy
- Reflecting the declaration in the Strategy that „the era of hydrocarbon economy is coming to its end“ the government plans to invest in wind, solar and hydropower production, adding one Gigawatt of renewables to the national grid in the next seven years
- In connection with this goal, the authority of the Ministry of Environmental Protection was significantly broadened
- It is now responsible for developing the country's renewable energy policy and for overseeing the implementation of the „green economy“ policies
- Additionally, the ministry will become one of the central institutions organizing the „Expo 2017“ having the main focus on renewables