Escaping the landlockedness – The Kazakh multi-vector oil export policy
Structure

• Basic overview
• Starting point (situation in the early 1990s)
• Kazakh oil export policy
• Results (infrastructural achievements)
• Some summarizing comments
Basic overview

Kazakh oil balance (in Mt)

Kazakh oil sector contributes:
- 28.3% to GDP
- 68.5% to exports
- 53.7% to budgetary revenues

Proven oil reserves (in Bl bbl)

Source: BP Statistical Review of World Energy 2013
### Soviet Heritage
- Limited export capacity
- Dependence on Russia (not only in terms of transport but also for domestic supplies)

### Geopolitics of Exports
- Landlocked country (depending on neighbors, high transport costs, interests of external actors)

<table>
<thead>
<tr>
<th>Source: IEA</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Starting Point</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Capacity Mt/y</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atyrau-Samara</td>
<td>10.5</td>
</tr>
<tr>
<td>Kenkiyak-Orsk</td>
<td>6.5</td>
</tr>
<tr>
<td>Karachaganak-Orenburg</td>
<td>Ca. 5</td>
</tr>
<tr>
<td>Aktau</td>
<td>Up to 5</td>
</tr>
<tr>
<td>Total</td>
<td>Ca. 27</td>
</tr>
</tbody>
</table>

Source: IEA
Starting point – political challenges

Kazakh depending on Russia in transport terms (only Russian/Transneft controlled pipeline routes), but additionally also facing:
• zero-sum-game-logic against CIS producers
• capacity limitations (especially at ports)
• quota-regulations (CIS/Non-CIS)
• limited prices on Russian domestic market (+ discriminating practices)
• discriminating tariff policy
• quality loss (through blending with heavy Russian oil)
• political instrumentalization (access to fields etc.)

Necessity of improving export conditions at existing routes + creating new export routes = **diversification**

Russian levers against Kazakhstan:
• demography (ethnic composition)
• economy (industry, trade/transit, energy supply)
• security/military (borders, neighborhood)

Necessity of creating new export routes and in the same time respecting Russian interests in the region/Kazakhstan
Export policy – goals and strategies

• Improving transport conditions on existing routes (access/quota, reliability, tariff parity, oil quality etc.)
• Expansion of existing routes
• General support for new infrastructure out of the region regardless of the routing (commercial diversification)
• Limiting Russian political influence on every day export operations:
  • creating routes without Transneft/Russian regulatory control (geo-economical diversification)
• Increasing political and economic independence from Russia:
  • creating routes avoiding Russian territory (geopolitical diversification)

• Political strategy components:
  • Balancing
  • Bandwagoning

**Multivectoralism**

<table>
<thead>
<tr>
<th></th>
<th>Policy strategy</th>
<th>Diversification</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>commercial</td>
</tr>
<tr>
<td>Using/Expanding existing Routes, improving transport conditions</td>
<td>Bandwagoning</td>
<td>no</td>
</tr>
<tr>
<td>New routes (via Russia)</td>
<td>Bandwagoning</td>
<td>yes</td>
</tr>
<tr>
<td>New routes via Russia beyond control of Transneft or Russian regulatory agencies</td>
<td>Bandwagoning</td>
<td>yes</td>
</tr>
<tr>
<td>New routes avoiding Russia</td>
<td>Balancing</td>
<td>yes</td>
</tr>
</tbody>
</table>
Results – new infrastructure

Source: IEA
<table>
<thead>
<tr>
<th>Route</th>
<th>Capacity (Mt/y)</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atyrau-Samara-Pipeline</td>
<td>17.5-18</td>
<td>Depending on Transneft quota; Expansion to 25-30 Mt depending on Kazakh throughput guarantees</td>
</tr>
<tr>
<td>Kenkiyak-Orsk-Pipeline</td>
<td>6.5</td>
<td>Abandoned (real capacity around 2.5 Mt)</td>
</tr>
<tr>
<td>Karachaganak-Orenburg-Pipeline</td>
<td>Up to 5</td>
<td>Only for Karachaganak condensate</td>
</tr>
<tr>
<td>Makhachkala–Novorossiysk Pipeline</td>
<td>Up to 5</td>
<td>Access via tanker from Aktau; also used by Azerbaijan (from Baku) and Turkmenistan</td>
</tr>
<tr>
<td>CPC-Pipeline</td>
<td>28.5</td>
<td>Expansion to 52.5 Mt (with DRA up to 61 Mt) expected in 2015</td>
</tr>
<tr>
<td>Aktau</td>
<td>12</td>
<td>Expansion to 13-14 Mt; Exports to Makhachkala, Baku, Neka</td>
</tr>
<tr>
<td>Baku-Batumi/Kulevi - Rail</td>
<td>13 (real ca. 5)</td>
<td>Also used by Azerbaijan, Turkmenistan; Access via tanker from Aktau; costly</td>
</tr>
<tr>
<td>Baku-Supsa-Pipeline</td>
<td>7.5</td>
<td>Owned by AIOC; not used by Kazakhstan</td>
</tr>
<tr>
<td>BTC-Pipeline</td>
<td>60</td>
<td>Used by Azerbaijan and Turkmenistan; quality restrictions; not used at present by Kazakhstan; expansion to up to 90 Mt depending on KCTS</td>
</tr>
<tr>
<td>KCTS</td>
<td>25–36–56 (planed)</td>
<td>Connected with Kashagan Phase II; transport from Baku via BTC, rail, possibly Baku–Supsa Pipeline or a new pipeline to Batumi or Supsa</td>
</tr>
<tr>
<td>Kazakhstan-China-Pipeline</td>
<td>12</td>
<td>Expansion to 20 Mt depending on available volumes (expected 2014)</td>
</tr>
<tr>
<td>Neka</td>
<td>Up to 25</td>
<td>Not used at present by Kazakhstan; Depending on Aktau; Iran plans an expansion to Neka (50 Mt)</td>
</tr>
<tr>
<td>Rail</td>
<td>10+</td>
<td>Exports to ports in Ukraine and Baltic's; small exports in within the Region</td>
</tr>
</tbody>
</table>
Results – Kazakh oil exports by route (Mt)

Routes under direct Russian control
- Turkmenistan (Rail; 1993,1994)
- Kirgistan (Rail)
- Uzbekistan (Rail)
- Azerbaijan (Tanker)
- Neka (Tanker, Rail)
- Aktau-BTC
- Aktau-Baku-Batumi/Kulevi (Rail)
- Kazakhstan-China (Rail)
- Kazakhstan-China-Pipeline
- CPC
- Produktion
- Export
Results – exports by route (relative)

Kirgistan (Rail)
Uzbekistan (Rail)
Kazakhstan-China-Pipeline
Kazakhstan-China (Rail)
Neka (Tanker, Rail)
Aktau-BTC
Aktau-Baku-Batumi/Kulevi (Rail)
CPC
Other via Russia (Rail and until 2002 Kenkiyak-Orsk-Pipeline)
Aktau-Makhatchkala (Tanker)
Karachaganak-Orenburg-Pipeline
Atyrau-Samara-Pipeline
Results – exports by geographic vectors (Mt)

- In within Caspian Region
- Southern Vector
- Eastern Vector
- Western Vector
- Northern Vector
Results – exports by diversification types

- Russian Routes without CPC
- Geo-economic Diversification
- of this Geopolitical Diversification

of this Geopolitical Diversification in within the Caspian (Azerbaijan, Turkmenistan, Uzbekistan, Kyrgyzstan)
Summarizing comments

• Russia still dominates Kazakh oil exports, but Kazakhstan was able to develop multiple routes reducing its dependence in the last two decades

• The balancing-component of Kazakh multivectoralism is subordinated to the bandwagoning-behavior against Russia

• Kazakhstan doesn´t use the balancing-strategy against Russia in an offensive way, i.e. to force Russia to fulfill Kazakh conditions, but in a rather defensive way, i.e. in situations when extensive concessions have been already made without a change in Russian behavior

• The pursued geo-economic diversification away from Transneft controlled pipelines must not be mistaken with an aspiration of geopolitical renunciation from Russia; the same is true for the geopolitical diversification

• Kazakh infrastructural policy has an pragmatic character, i.e. Kazakhstan doesn´t forces „geopolitical diversification“ at all costs. But, because of its role for the Kazakh internal supply security the Chinese route enjoys a special position (= in this case costs played no role)

• Kazakh government is ready to subordinate the implementation of an export route to interests in the national oil sector

• Kazakhstan uses the balancing-strategy not only against Russia, but also against partners with whom it pursues its diversification policy

• General: (geo)political character of regional infrastructural policy - under existing (geo)political circumstances Kazakhstan can´t implement even a commercially attractive export option without political support from an influential political actor, if this route is at the same time opposed by an other influential political actor
Thanks for attention