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THE REPUBLIC OF KAZAHKSTAN, AT THE  
2010 OSCE REVIEW CONFERENCE**

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**Economic and environmental dimension (EED)  
Session 4: Economic cluster (continued) – Migration; energy security;  
the way forward.**

Mr. Chairperson,  
Ladies and gentlemen,  
Distinguished Conference participants,

As Kazakhstan holds the OSCE Chairmanship, allow me to thank you for participating in the Review Conference.

After the report, I look forward to a free exchange of views on energy security at this challenging time in the wake of the global economic crisis.

The energy market is of course made up of various stakeholders: energy consumer countries, energy supplier countries and energy transit countries. Maintaining the balance of interests between these stakeholders also ensures the energy security of the market.

All market stakeholders have an interest in energy resources that are delivered and received on time, in accordance with the agreed volumes and prices, and on the basis of sustainable and stable contracts, strong relationships between partners and political stability.

Kazakhstan commands 3 per cent of the world's oil reserves and 1.7 per cent of the gas reserves, as well as 17 per cent of the uranium reserves. It also has coal reserves. It is therefore a potential supplier of energy, particularly hydrocarbons (oil and gas).

Allow me to elaborate on this.

The map of Eurasia showing energy consumer, supply (export) and transit countries reveals that Kazakhstan is a supplier and a transit country, even though its hydrocarbon sector is relatively modest on the global or even Eurasian scale.

In 2009, the main importers of oil were the European Union with around 550 million tons and China with 200 million tons. The principal oil exporters were Russia (250 million

tons), Iran (110 million tons), Iraq (90 million tons), Kazakhstan (68 million tons) and Azerbaijan (44 million tons).

Like the other exporters in the region, Kazakhstan, is thus situated between the two major markets of Europe and China, not to mention its closest neighbours, Kyrgyzstan, Tajikistan and Afghanistan. The situation with gas is the same, with the result that Kazakhstan occupies a strategic position for energy supply and transit, and could play an important role in energy security in Eurasia.

The Eurasian oil and gas market is now part of the global energy market.

At a time when oil and gas supplies from its Eurasian neighbours are increasing, China is stepping up its imports from various parts of the world. Already, most oil imported into China is from Africa and the Middle East (around 65 per cent).

Recently, more and more of the oil and gas in Europe has come from Central Asia – oil from Kazakhstan and gas from Uzbekistan and Turkmenistan.

Almost all supplies of oil and Central Asian gas to Europe pass through Russia so that Russia is a transit country. Kazakhstan is also a transit country for Central Asian gas.

In that connection, it is understandable that suppliers and consumers alike are seeking to diversify the market for selling and obtaining supplies. Here, partnerships among countries based on trust and mutual respect for the stakeholders' interests are of particular importance.

Exactly two weeks ago, the fifth KazEnergy Eurasian forum was held in Astana; one of the items discussed was energy security.

In his statement, the Kazakh Minister for Oil and Gas, Mr. Sauat Mynbaev, said: "As soon as someone gives reason to doubt the reliability of supply or transit, this inevitably leads to a search for alternatives, often more expensive, which ultimately only puts up the prices for the end-users and brings down the producers' revenues. In the end everybody loses."

Energy security therefore depends on predictable action by partners, the readiness of countries to negotiate, and consideration of the interests of all stakeholders.

I should like to bring up some specific points on the role of Kazakhstan in regional energy security.

In 2010, we plan to extract around 80 million tons of oil, around 70 million of which are intended for export.

The Kashagan deposit discovered on the shelf of the Caspian Sea holds prospective reserves of over 20 billion barrels. A project valued at around 150 billion dollars is being administered by a consortium of international oil companies: Eni, Shell, Exxon Mobil, Total, ConocoPhillips, INPEX and KazMunaiGas.

Counting Kashagan, the estimated amount of oil and gas condensate to be extracted by 2020 will be around 135 million tons, which means that 100 million tons of oil could be exported per year for around 40 to 50 years.

Ensuring that crude hydrocarbons are extracted on time depends on establishing an attractive investment climate in the country's oil and gas sector.

Between 1995 and 2010, almost 104 billion United States dollars, foreign and national, have been invested in Kazakhstan's hydrocarbon sector.

I shall now broach some of the critical issues that have been discussed recently.

The Government of Kazakhstan does not intend to renegotiate the subsurface management contracts, but subsurface users-contractors will be obligated to fully honour their obligations. Kazakhstan resolves all disputes through negotiation and will continue to do so.

Under the Tax Code that entered into force on 1 January 2009, tax regime stability for subsurface use contracts has been abolished except for the tax regime drawn up in consultation with the production sector and concluded between the Government of Kazakhstan or the competent authority and the subsurface user before 1 January 2009, which has been subjected to a mandatory tax audit; the subsurface use contract approved by the President of Kazakhstan (with Tengizchevroil) is also exempt.

The Product Sharing Agreement has been abolished as a contract form.

The Kazakh Law on Agreements (contracts) for sharing marine oil production operations has been revoked. This does not mean that previously concluded Product Sharing Agreements will be cancelled, but it does mean that Kazakhstan does not intend to conclude any agreements on product sharing in the future.

Kazakhstan will always take a responsible approach to ensuring an attractive investment climate and counts on subsurface users showing similar responsibility in fulfilling their obligations.

According to the 2009 figures, the national company KazMunaiGas extracts only 24 per cent of the oil produced in the country. The rest is extracted by private sector and international oil companies.

Therefore we welcome new investors, which will also promote the sustainable development of the Kazakh hydrocarbon sector.

Diversification of export routes.

In 2009, 68 million tons of oil were exported:

- 27.5 million tons through the Caspian Pipeline Consortium;
- Atyrau – Samara: 17.5 million tons;
- To China: over 6 million tons;
- Through the port of Aktau: 11 million tons;

- By rail: 4 million tons;
- To Orenburg gas processing plant: about 2 million tons.

Through the Caspian Pipeline Consortium: Construction work has begun under the project to increase the capacity of the pipeline, which is planned for the first half of 2011, when the quota for Kazakhstan will be increased from 27 million tons to 52.5 million tons.

Towards China: The current capacity is 10 million tons per year. An agreement has been signed to increase the capacity of the pipeline to 20 million tons; by 2011 it should reach 12 million tons of oil per year.

Kazakhstan has the opportunity to increase its capacity via all the other active export routes, so that the prospects for the immediate future are bright.

The period from 2018 to 2020 is another matter. For example, phase II of Kashagan is being linked to the trans-Caspian route with an outlet into the Baku-Tblisi-Ceyhan pipeline and separately into the Black Sea ports. Work on these channels is already under way.

Gas transport: In 2009, construction work began on the Turkmenistan-China transit gas pipeline crossing our country, which will have a capacity of 30 billion cubic metres. Kazakhstan plans to link up to this by constructing the Beyneu-Shymkent gas pipeline within the country. Its capacity will be up to 10 billion cubic metres.

The Caspian gas pipeline project transit route: Implementation of this depends on agreement between Russia and Turkmenistan. For our part, we have a stake in the transit revenues and support this project.

Trans-Caspian gas supplies are sometimes mentioned, especially in connection with the Nabucco project. Kazakhstan has a definite interest in diversifying export routes, depending on their commercial expediency.

Kazakhstan is also confident that the creation of a customs union among Belarus, Russia and Kazakhstan will foster understanding among the stakeholders and improve the energy security of the entire region.

Regarding the implementation of the Extractive Industries Transparency Initiative (EITI), the Government of Kazakhstan has undertaken commitments under the initiative through a memorandum of understanding signed by the Government, extraction companies, a group of deputies of the Kazakh parliament and a coalition of Kazakh non-governmental organizations (NGOs) called "Oil revenues under public control!"

In line with international criteria, an EITI National Council of stakeholders has been created, made up of representatives of the Government, parliament, companies and NGOs. The observers on the National Council are the World Bank, the Soros Kazakhstan fund and the OSCE. Since 2005, the number of companies that have signed the memorandum has increased from 24 to 136.

Under the implementation of EITI in Kazakhstan, four reports were prepared on revenues and budget contributions for the years for 2005 to 2008; the fifth report for 2009 is currently being drafted.

In December 2009, Kazakhstan underwent the validation process.

More detailed information on the activities of the international Board and the Secretariat is available on the website [www.eiti.org](http://www.eiti.org).

Validation is an important component of EITI implementation, ensuring the status of EITI as an international standard. The aim of the validation process is to obtain an independent assessment of the progress made by Kazakhstan (a candidate country) in implementing EITI and in developing recommendations to improve and speed up work under EITI.

The Government of Kazakhstan has earmarked resources for EITI implementation in its budget for 2006 to 2012. Financing will be provided under annual national budget programme 029 on implementation of EITI in the Republic of Kazakhstan and used to draft EITI reports for collation and validation.

Kazakhstan is a progressive and steadfast member of this programme and has received an award for its activities on implementing EITI. The award, which was only set up in 2009, was presented by the Chair of the EITI Board, Peter Eigen. Kazakhstan was one of the first group of three countries to receive an award for their contribution to the development of the transparency initiative.

Information about EITI is published regularly.

Since 2005, more than 15 conferences have been organized on the implementation of the transparency initiative, under the auspices of the National Council and the Ministry of Energy and Mineral Resources and the Ministry of Oil and Gas of Kazakhstan.

In 2009, civil society organizations held round tables and seminars for representatives of civil society on such topics as the taxation of subsurface users and measuring the attainment of EITI. These seminars brought more companies into the process of preparing the accounts.

As already noted, the transparency of information on payments made by extraction companies to the accounts of countries with rich natural resources has a direct and positive impact on energy security.

The implementation of the transparency initiative by energy exporting countries and transit countries will strengthen energy security in the region by ensuring reliable energy supplies.

In conclusion, allow me to assure you that Kazakhstan will always strive towards long-term co-operation and stable partnership to reach the goal we all share – energy security.

Thank you.