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AUTUMN ISSUE 2024

#109

Kazakhstan's Oil and Gas Industry Forges Ahead

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EDITOR'S NOTE

Dear Readers,

Each year AmCham returns to the Oil & Gas Industry as the priority for the autumn season when the year's major oil industry exhibitions and conferences take place in Almaty and Astana and the industry that is Kazakhstan's economic powerhouse revs up to forge ahead. For that reason, the *Autumn Investors' Voice* is always devoted to an enquiry into the the industry's status with articles from virtually all of the leading oil and oilfield service companies, as well as commentary from firms working closely with the energy sector: technology, financial services, law firms, and – never forgotten – renewable energy and energy transition.

This year's *Autumn Issue* is a multifaceted examination composed of many perspectives reporting on the oil industry's status, which has progressed from the challenges of ever-growing global climate change, Kazakhstan's internal political changes, the geopolitical conflicts with limited expectation of ending soon, sanctions impacting the business environment, inflation that continues in Kazakhstan, and last but not least, the ever-present new Covid variations. Kazakhstan has sought its own balance to meet these challenges, and the oil industry has sought and found its own solutions, forging ahead to fulfill its ambitious agenda.

Readers will find in the present *Autumn Issue* articles from *Chevron, ExxonMobil, Shell, the North Caspian Operating Company (NCOC), Karachaganak Petroleum Operating (KPO), Halliburton, Baker Hughes, Schlumberger, Fluor,* and *ILF Consulting Engineers*. In addition, informed articles from *Kinstellar, Baker McKenzie, Grata International, KPMG, DIS Group*, and *Borusan CAT* approach the oil and gas industry from a different perspective outside the industry. This wealth of perspectives constitutes a thoughtful mixture placing the oil industry as a new element in a framework that will continue to change shape in the future.

AmCham encourages its members and abundant readership extending into many realms of activity in Kazakhstan, across Central Asia, and abroad into Western Europe, Asia Pacific, the Middle East, and North America, to read this year's *Autumn Issue* and to reflect on our rapidly changing world in which the Oil and Gas industry occupies and will continue to occupy a central position of crucial importance.

Doris Bradbury
Executive Director, AmCham in Kazakhstan
Editor-in-Chief, Investors' Voice

TABLE OF CONTENTS

Articles

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CONTRIBUTORS:

Aleksandr Batrov

Joel Benjamin

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Cécile Rauline began her career with ExxonMobil's French affiliate in 2002, and since then has held various commercial, supervisory, and managerial positions in Refining & Supply, Global Gas Logistics, Upstream Commercial and Business Development in France, Belgium, USA, and the UK. She worked as Managing Director for ExxonMobil Exploration and Production Vietnam, and Managing Director for Esso Exploration and Production Chad.

Cécile Rauline graduated from École de Sciences Politiques (France) with a degree in political and social sciences in 1998 and from ESSEC Business School (France) in 2002.

Baker Hughes

Mikhail Dobronravov, Caspian Regional Director, Baker Hughes

Mikhail Dobronravov has over thirty years of experience in the oil & gas industry as well as extensive knowledge of working in Central Asia. He is currently responsible for developing Baker Hughes business as Caspian Regional Director. He has served as CIS Regional Director for Baker Hughes GE and CIS Regional Director for General Electric O&G as well as Turbomachinery Sales Director for Kazakhstan and Central Asia. Between 1992-1996 he was Managing Director for the Soviet-Canadian Joint Venture Eming in Moscow. Between 1985-1991 he was a Research Engineer at the Moscow Automotive and Mechanical Institute.

Mikhail Dobronravov graduated with Honors as an Automotive Engineer from Moscow Automotive and Mechanical Institute.

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Zaira Sarsenova is a Partner and Branch Director of GRATA International in Western Kazakhstan (Atyrau, Aktau, Aqtobe). She focuses on natural resources (oil and gas), transport and telecommunications, construction and infrastructure, as well as Employment and Labor Law, Administrative Law, Corporate Law, Commercial Law, and is a specialist in Licenses and Permits. With 16 years of experience, Zaira has advised domestic and multinational corporations and built an impressive oil and gas, corporate and commercial practice. She is an expert in corporate governance of joint ventures between international and local companies.

Zaira Sarsenova is a member of the Kazakhstan Bar Association and a graduate of Kazakh University, Vrije University, and Amsterdam University.

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Joel Benjamin, Managing Partner, Kinstellar

Joel Benjamin is Managing Partner of the Kinstellar Central Asia practice and manages its offices in Almaty, Astana and Tashkent. He has over 40 years' experience and has been involved in many high- profile and ground-breaking transactions advising international and local clients in energy and natural resources, banking, telecommunications and media in Kazakhstan. He is a respected authority in the oil & gas industry, excelling in project finance, syndicated loans, and trade finance.

Joel Benjamin has been ranked an *Eminent Practitioner by Chambers and Partners 2024* for Corporate and Finance work in Kazakhstan and named *Lawyer of the Year* for Banking and Finance and Capital Markets Law in the 2017-2018 edition of *Best Lawyers in Kazakhstan*. He holds an MBA in Finance from the Wharton School, University of Pennsylvania and a *Juris Doctor* from University of Pennsylvania Law School.

Almas Zhaiylgan, Counsel, Kinstellar

Almas Zhaiylgan is a Counsel at Kinstellar's Almaty office with over 25 years' experience advising companies in the oil and gas and mining sectors of Kazakhstan. He consults clients on upstream exploration and production projects, including drafting and negotiating host government contracts, joint venture agreements, farm-out agreements as well as joint operating agreements. He also has broad experience in M&A and advises clients on corporate, regulatory and compliance matters.

Almas Zhaylgan is highly recommended by *Who's Who Legal* (Energy) and by *Chambers & Partners* as a leading lawyer in his field since 2008. He holds an LL.M. in Energy, Environment, and Natural Resources from the University of Houston Law Center, a BS in Business from Indiana University, and a Specialist degree in International Law with honors from Al-Farabi National University.

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Gabit Musrepov joined KPMG in 2010 and brings over a decade of experience in various sectors of Kazakhstan's economy. He is an expert in sustainability, corporate governance, risk management and compliance, including environmental aspects. He has led projects on environmental management, greenhouse gas quantification, low-carbon development programs, and ESG regulations, highlighting his commitment to sustainability and corporate responsibility.

Gabit Musrepov is a frequent speaker on ESG topics at local and international events, including at the Kazakhstan Senate and International Investment Forum in Uzbekistan. He also serves on the Kazakhstan Institute of Internal Auditors Board of Directors. He holds Bachelor degrees in Management and Economics from New York State University, and in Business Administration from the University of New York in Prague.

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Alexander Batrov joined KPMG CCA in December 2023 after working in various large companies, including in the energy sector. He has over 12 years of experience and specializes in developing and implementing energy efficiency, decarbonization, and accounting GHG emissions Scope 1, 2 and 3 for companies in various sectors, from office buildings to industrial plants. He speaks at seminars on ESG, GHG calculation methodology (Scope 1, 2 and 3), decarbonisation strategies, including decarbonisation of investment portfolios for financial institutions and the EU carbon regulation mechanism.

Alexander Batrov holds a Master's Degree in Renewable Energy Sources from Bauman Technical University and postgraduate education in Renewable Energy Sources from Moscow Power University. He has been a Certified Energy Auditor since 2017.

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Based in Paris and backed by over 30 years of experience in the oil and gas industry, Matthew Billingham is responsible for technical guidance on all aspects of intervention services, including service delivery, technology development, and advancement of intervention techniques. He has held roles both in the field and in senior management across wireline, slickline, coiled tubing, and testing services in North America, Saudi Arabia, Kuwait, and Bahrain.

Matthew Billingham also holds multiple intervention-related patents and has published several papers and articles on the subject.

OIL REVENUES: HOW FOREIGN INVESTMENTS AFFECT THE LIVES OF KAZAKHSTANIS

by Chevron

The State Revenue Committee named the ten largest taxpayers in Kazakhstan based on the results of last year. In 2023, they contributed to the state budget 6.4 trillion tenge. Tengizchevroil took the first line, transferring 3.7 trillion tenge to the state treasury. The Tengiz field brings in up to 22% of all tax revenues in the country. *Orda.kz* determined how oil revenues are distributed and how foreign investments make the lives of Kazakhstanis better.

Tax payments from oil producing companies and revenue from sales currently form more than a third of the state budget. Despite the widespread belief that money ends up in the pockets of big business and does not reach ordinary Kazakhstanis, this is not the reality. Most of the net income of oil companies is returned to the Kazakh economy through various taxes, payments, wages, and support for local companies through the purchase of goods and services.

According to the *Kazakhstan Accounts Committee*, every third tenge goes to the budget from the *National Fund*, which accumulates payments from the oil sector. An expert on oil and gas projects, Nurlan Zhumagulov, emphasized in the *National Interest Program* that it is due to oil and gas that Kazakhstan now has a stable economy. "Thanks to the "*oil safety cushion*", we created the *National Fund*, from which, in the event of a state budget deficit, we can withdraw funds to stabilize the economy," said Nurlan Zhumagulov.

Hefty investments

The first international energy company entered Kazakhstan in April 1993, bringing large investments. The contract for the development of the Tengiz field was signed at that time. The formation of Tengizchevroil launched a business partnership between Kazakhstan and Chevron.

Thirty years ago, this is precisely what allowed us to take a serious step towards attracting foreign investment. Kazakhstan achieved impressive success in creating a favorable investment climate over the years of independence. This helped to increase the competitiveness of the region's economy and, as a result, improved citizens' well-being. Today, Chevron is involved in two of the three largest oil projects in Kazakhstan by taking part in the development of the Tengiz and Karachaganak fields.

Kazakhstan is a leader in attracting foreign direct investment among Central Asian countries. Over the past year, 59 investment contracts were concluded,

and the total volume of investments amounted to 602 billion tenge. The leaders in terms of capital contribution to Kazakhstan over the past year were the *Netherlands, the USA, Switzerland, Belgium, Russia, South Korea,* and *China*. In terms of industries, the largest volume of investments was directed to the mining industry, manufacturing industry, wholesale and retail trade, professional, scientific, and technical activities, transport and warehousing, construction, financial and insurance activities, electricity and gas supply.

"Today, Tengizchevroil, as a leading international company, successfully contributes to the economic prosperity of the country. TCO produces a third of the total oil production in the country. The company purchases 70% of its goods and services from local suppliers. More than 95% of TCO workers are citizens of Kazakhstan," - said Kazakhstan President, Kassym-Jomart Tokayev.

S&P Global, jointly with *KIMEP University*, studied the impact of Chevron's activities on the country's economic performance, as well as its contribution to social investment programs. According to the data obtained, out of every 100 dollars of net income from production activities, 62 dollars is directed to the economy of Kazakhstan.

Foreign investments entail not only direct capital and taxes, but also innovative technologies, modern management practices, and new jobs. Kazakhstan's task in this case is to avoid an imbalance between the investment of foreign capital in the country's economy and displacing of local producers. Kazakhstan's Prime Minister, Olzhas Bektenov, has repeatedly emphasized that one of the priorities of economic policy is development of local content.

"It is required to build closer interaction with domestic manufacturers interested in producing products. At the same time, if the necessary goods and equipment are not produced in the country, we want to see specific plans for the localization of these production facilities in Kazakhstan in the next two to three years," emphasized Kazakhstan Prime Minister, Olzhas Bektenov, at a meeting with Derek Magness, Chevron EBU MD.

The Energy Ministry is also paying serious attention to this issue. Chevron is significantly increasing volumes in this direction in order to meet this demand. The overall level of Kazakhstani content in goods and services purchased by the company has increased almost seven times over 30 years of operation - from 11% to 71%.

In addition, the influx of foreign investment in one sector of the economy leads to the attraction of foreign capital in areas adjacent to this industry. Chevron is actively developing local production. Thus, in 2003, the company commissioned a *Polyethylene Pipe Plant in Atyrau*. Six production lines produce 16,000 tons of polyethylene pipes per year. Thanks to new technology, the Kazakh enterprise began to produce products that were previously imported. Specialists are now upgrading production to increase efficiency and optimize processes. This will reduce the cost of producing polyethylene pipes and meet the growing demand in the market.

The Ministry of Energy, together with Chevron, created the *Chevron Direct Investment Fund* with a budget of about $248 million. The Fund's goal is to develop the economy and local content by investing in commercial Kazakh enterprises in various fields. Support includes, but is not limited to, the oil and gas industry. Local companies involved in environmental protection, information and digital technologies can count on investments. Last year, two Kazakh companies received investments: the business services marketplace *TOP.KZ* and the medical company *Orhun Med Limited*. These companies plan to use the support to expand their businesses, create more jobs, and introduce new technologies.

One million people in the oil and gas industry

Oil and gas projects expert Nurlan Zhumagulov clarifies that the oil and gas industry provides jobs for up to one million people. The activities of oil and gas companies in the country have created an economic basis for the emergence of hundreds of new enterprises in related areas, which contributes to the development of these industries and leads to the creation of new jobs for Kazakhstanis. Every Chevron job supports 33 more jobs in the country's economy. This includes professional services, construction, manufacturing, transportation and retail, among other industries. The nearly 96,000 people who work in Chevron-supported fields collectively earn about $737 million in salaries annually.

The President of Kazakhstan, Kassym-Jomart Tokayev, has repeatedly spoken about the social responsibility of enterprises and noted the need for a mature approach to doing business. "We are building a state based on the principles of solidarity and mutual responsibility. I constantly urge our wealthy businessmen to invest and develop socially significant projects. It is unacceptable to treat everything that happens around you as "it's no concern of mine," - The President emphasized.

Over its more than 30-year history, Chevron alone has committed approximately $500 million to social investment, implementing more than 300 projects with more than 30 partners. In 2020, Chevron became one of the first foreign companies in Kazakhstan to provide support in the fight against the coronavirus pandemic, providing medical equipment and medicines worth more than $20 million.

One of the leading branches of industrial production is the basis of the country's economic independence. Experts emphasize that the oil and gas industry is a blessing, not a resource curse for the country, and the beneficiaries ultimately are ordinary Kazakhstanis. The agreement concluded in 1993 between Chevron and Kazakhstan will be valid until at least 2033, but two things are already obvious: the company will continue to invest in economic and social development, and this contribution will be measured in billions of dollars.

What has already been created during the partnership will last for decades. Yet the human capital accumulated over 30 years of cooperation cannot be measured numerically.

ADVANCEMENT FOR PROFESSIONAL WOMEN IN THE OIL INDUSTRY – THE TENGIZCHEVROIL EXPERIENCE

The following two interviews with successful female managers at Tengizchevroil provide in-depth examples of advancement by talented, committed women in a professional environment that welcomes and supports women.

Maira Mailybek, TCO Digital Project Portfolio Planning Manager

Maira's Background: During 5 years of work at Tengizchevroil (TCO), Maira changed 7 technical roles: she played a crucial role in introducing Agile methodology in the capital projects department, IT, and strategic departments. Her contribution to the implementation of the *SAP HR* platform that was launched at TCO in a record 9 months was also remarkable. Maira is currently focused on high-quality prioritization of IT projects at TCO, ensuring maximum efficiency and competitiveness of processes at every stage of digital portfolio management. Apart from her professional achievements, Maira also demonstrates an active attitude to life. She serves as a mentor to young female professionals who are planning a successful career in the masculine oil and gas industry.

A stereotype about oil and gas industry as a purely male territory still dominates (especially in the western regions of the country). How did you get a job at an oil production company?

Maira: While studying at university, I did an internship at the *Sokolovsk-Sarbaiskoye Mining and Processing Production* unit close to Rudny City. It was my first experience working in operations, and I became acquainted with an interesting area in IT - *Project Management*. My mentor was a Project Manager from Scotland, and we were implementing the *SAP ERP* system in all *ERG* enterprise business units. I am thankful to my mentor for the comprehensive knowledge she imparted to me about project management, including awareness about the project, program and portfolio layers, and depths of planning all associated plans and risks. I learned a lot from her.

I decided to further my education in IT management and found I was more inspired working in production where I saw the tangible results of my efforts. I pursued a Master's degree in Economic Sciences with a focus on IT management at *FH Schmalkalden University of Applied Sciences* in Germany. After two rounds of interviews, I was offered the job and started working as a TCO contractor employee in Atyrau in 2018.

What has your career path looked like up to date?

Maira: I started as a service contractor employee - a Business Analyst, and six months later I was employed as a direct TCO employee for the new position of a *Scrum Master*. I was thrilled with this opportunity as it allowed me to apply the Agile knowledge I had acquired in Germany. At that time, the IT industry was transitioning to project management using the new *Agile Framework*, and TCO was following the trend. I was involved in this transition as one of the Agile coordinators and eventually began working as an Agile coach, providing training and supporting project management.

After two years of experience in TCO IT, I continued this work in the *Decision-Making Center of Excellence* team of the *Strategic Planning and Business Performance Department*. Later, I was nominated as leader of this group. However, some changes occurred and I was fortunate enough to work in the *Leading Performance (LP)* group, where I helped improve TCO's competitive performance tracking processes.

After working with the LP team for six months, I transitioned to my current position as TCO *Digital Projects Portfolio and Planning Manager*. Over four and a half years, I held seven roles, served as a coordinator of two transformations, and coached over 15 projects. I am grateful to all my managers, colleagues, and teams who supported me. Without them, I would not be where I am today.

Have you ever had to deal with gender-based discrimination in your life?

Maira: Luckily, I have not faced any apparent discrimination. There have been instances of distrust based on my age when I started my career or when I joined a new team but once I established a trusting relationship, people viewed me as a professional in my field.

Is there a so-called "glass ceiling" in women's career, or is it a myth?

Maira: At TCO, I never felt held back by a *"glass ceiling"* - unlike in some of my previous workplaces. This type of barrier is not just unhelpful, it is bad for business performance. The *"glass ceiling"* assumes that only men are considered for some positions, cutting out 50% of the talent pool. As a result, you have fewer candidates, slower progress, and restrict the company's growth. A company's effectiveness depends on the fact that, regardless of gender and age, people are competent and can deliver results.

I currently work in the Production Department where there is a program for women called *"Women in Operations"* – not because there is a *"glass ceiling"*, but because the Department wants to promote more women to leadership positions. When you work with a female leader, the dialogue is structured differently: better listening, understanding, and helping. The employees trust her more. I believe a woman leader can better motivate staff.

How do you see yourself in 5-10 years?

Maira: I want to continue being a valuable asset to TCO in the future and bring even greater benefits to the company. Furthermore, I want to share my knowledge and experience not only within TCO but also with small and medium-sized businesses. I want to act as a consultant and catalyst and help others succeed. I hope all my plans will come to fruition.

Ilan Tazabekova, Marketing and Transportation Department

Ilan's Background: Ilan has twice received awards from the Ministry of Energy for her contribution to development of the oil and gas industry. Despite working in a department that has been subject to constant dynamic changes for over 17 years, Ilan received an MBA from the University of Manchester and went on to earn her Ph.D. She also completed a temporary assignment at Chevron in Houston.

A stereotype of the oil and gas industry as a purely man's territory still dominates. How did you get a job at an oil company?

Ilan: Yes, hard physical jobs such as those in drilling operations are often filled by men. However, many women are employed in other areas of the oil and gas industry. I haven't experienced noticeable discrimination against females. I owe my job due to my diploma from the Chemistry Department at Moscow State University, as well as to my personal and professional skills. TCO has an objective, transparent approach to selecting candidates, ensuring the most suitable professionals are hired. This creates opportunities for women like myself to advance their careers at TCO.

How has your career path progressed until now?

Ilan: At the beginning of my career, I didn't pay much attention to future prospects. I focused on performing my duties diligently and worked hard to improve myself for the sake of my family's future. However, I eventually became interested in reaching higher levels, taking on more responsibilities, and making decisions that would benefit my team. Our work is closely tied to national economic, political, and social factors and I found it stimulating to resolve complex problems, to analyze and predict outcomes, and respond to new challenges.

What are your current responsibilities?

Ilan: My responsibilities include working with stakeholders on gas supplies, including for the domestic market. TCO plays a leading role in meeting Kazakhstan's growing needs for liquefied petroleum gas, both for the country's petrochemical industry and for the population's domestic needs. Our task is to reliably ensure constant supplies of the product. TCO is currently supplying 100% of the propane that the KPI plant processes. In November 2022, TCO signed an agreement with *Butadiene LLP* to support the supply of butane to a new petrochemical plant for production of butadiene in Atyrau.

Have you had to deal with gender discrimination in your life?

Ilan: In real life, yes. At school, we were constantly taught that a girl should follow certain rules just because she is a girl. In business, when I was responsible for supply of chemical equipment, partners often believed a woman was below them in intelligence and initiative.

I also often faced gender discrimination when I worked for other private companies in Kazakhstan. But at TCO that I absolutely do not have to deal with gender discrimination. Perhaps this is due to TCO policy that establishes that discrimination on any grounds, whether gender, age, ethnicity, or religioun, is unacceptable.

Is there a so-called "glass ceiling" in women's careers or is this a myth?

Ilan: In my opinion, there is still a glass ceiling for women in our society. They seem to hit a certain level beyond which it is difficult to advance. Balancing a successful career and a family is a challenging task, particularly if one has children. Both require a significant amount of time, effort, and resources. Inevitably some sacrifices have to be made, but our societal norms dictate that it is the woman's responsibility to maintain the family home, often at the expense of her career and personal development. This is the cause of the glass ceiling for women in our society, although I do not face it at TCO.

The specifics of a woman's work are such that she has to go on maternity leave, parental leave, sick leave when children are unwell, etc. Can this be an obstacle to career growth? How can this be combined with professional ambitions?

Ilan: In terms of career and professional growth, having children can certainly pose a challenge. However, I consider myself fortunate to have had a supportive and "feminist" environment, thanks to my family who assisted me in setting priorities and caring for my children. With their help, I was able to return to work early after maternity leave, successfully defend my thesis, and graduate from the University of Manchester.

Should the government give preference to women in employment and their career?

Ilan: No, it would be gender discrimination if a position was offered solely based on gender. If I were offered a position solely based on my gender, I would feel offended. I think a job should be given to the person whose professional qualities are the best fit for the role and who meets the requirements, regardless of their gender.

Where do you see yourself in 5, 10, 20 years?

Ilan: Despite the demands of my personal life, I will not be deterred from pursuing a career in national management. It is well-known that countries where women hold managerial positions tend to demonstrate higher levels of economic prosperity and overall well-being.

30 ЖЫЛ
ЛЕТ · YEARS

SUMMIT OF SUCCESS

TENGIZCHEVROIL IS THE MOST ATTRACTIVE EMPLOYER OF KAZAKHSTAN

LEADING THE CHARGE: EXXONMOBIL GLOBAL COMMITMENT TO METHANE ABATEMENT

by Cécile Rauline
Managing Director
ExxonMobil Kazakhstan

ExxonMobil has partnered with Kazakhstan for 30 years in the development of the nation's resources. As one of the leading foreign investors in Kazakhstan with over $29 billion investment in three world-scale projects – Tengiz, Kashagan and the Caspian Pipeline Consortium – ExxonMobil is proud of the partnerships that we have forged with Kazakhstan and are privileged to be part of the country's remarkable growth.

Kazakhstan's role in providing sustainable energy

Energy producing countries like Kazakhstan will be critical to meeting the enormous growth in global demand while forging a path to a lower carbon future.

As Kazakhstan provides the world with affordable and reliable energy, we are confident it can do so while meeting society's need for lower emissions. ExxonMobil commends Kazakhstan's ambition to achieve a 15% reduction in greenhouse gases by 2030 and carbon neutrality by 2060.

Aiming for zero methane emissions

The global energy sector – including oil, natural gas, coal and bioenergy – accounts for nearly 40% of methane emissions, with the oil and gas industry representing over 60% of the emissions from the energy sector, and industry estimates suggest that methane emissions from fossil fuels have been increasing in recent years.

Experts agree that working to stop methane emissions is one of the most powerful ways to help address climate change. Natural gas emits up to 60% less greenhouse gases and significantly fewer air pollutants than coal, but unintended methane leaks can make their way into the atmosphere during the production, storage and transportation of oil and gas.

That's why it's important for ExxonMobil to keep methane contained and managed in our operations – in our pipeline networks, in our storage tanks, and in our processing equipment.

We support the *Global Methane Pledge*, where more than 100 countries, including Kazakhstan, have signed up to help reduce global methane emissions. And, like *KazMunayGas*, we are one of the 50+ international oil companies and national oil companies who have pledged near-zero methane emissions by 2030 as part of the *Oil and Gas Decarbonization Charter*.

ExxonMobil has been working on methane issues for almost 15 years now, seeking to understand our own emissions sources, launching an extensive new technology development program, and engaging with others in industry and civil society on emissions reductions – including advocating for sound policies and regulations.

Reducing methane emissions is key to ExxonMobil's *Net Zero by 2050* ambitions. We've reduced methane emissions from all operated assets by more than 60% since 2016 and are on track to achieve near zero emissions by 2030.

We've also made significant investments in environmental performance here in Kazakhstan. In our Tengiz and Kashagan joint ventures, we're working to improve energy efficiency, by eliminating routine flaring, enhancing leak detection and preventing fugitive methane emissions. Through the *Oil and Gas Climate Initiative*, we've supported efforts that provide satellite imagery to Kazakhstan that facilitates the detection and elimination of emissions.

A technology-driven approach to reducing methane emissions

Methane emissions in our industry come from four primary sources:

- **Flaring**, which is the burning of excess natural gas for safety or other reasons, resulting in CO2 emissions.

- **Venting**, when pneumatic devices, storage tanks, dehydration units, and other components of our operations sometimes release excess methane to the atmosphere to reduce pressure and help ensure personnel safety.

- **Fugitive emissions** that occur when we experience unintentional leaks from our equipment and

- **Combustion slips**, which is the uncombusted methane left over in the exhaust of natural gas fired engines used to power operations.

ExxonMobil assets across the world are often in remote locations with extreme weather conditions, making detection a challenge. Finding methane leaks in those environments, across vast acreage, is not simple. Methane emissions are not concentrated at certain points or at certain times in our operations. Leaks can be short in duration, low in volume, infrequent in occurrence, and therefore harder to identify.

This is why ExxonMobil have come to see technology solutions as essential to reducing methane emissions. Our scientists and engineers are collaborating with industry partners and academia to develop, test and deploy cutting-edge technologies that can quickly detect methane emissions for potential application across the energy industry.

From satellites, high-altitude balloons, aircraft, drones, and ground sensors, ExxonMobil continues to develop and deploy enhanced technologies for rapid detection, mitigation, and quantification of sources of methane at our operated assets. In 2022, in the Permian region alone, ExxonMobil surveyed 2.3 mn components with optical gas imaging cameras and over 1.3 mn components using aerial flyovers. From our command center in Houston, where all of this data is integrated, we are building the capacity to respond to leaks in real time.

At the same time, we are introducing systemic changes, like phasing out pneumatic devices and electrifying our drilling fleet, including introduction of the first electric fracturing unit.

Policy support in eliminating methane

It's exciting to see this host of new technologies coming online to help us address methane emissions. But for these technologies to be as effective as possible, governments must ensure the right types of policies are in place. As policymakers develop regulatory frameworks, it is imperative that they allow for the development and deployment of new technologies and incentivize their use.

At the same time, the most effective policies are those that are developed with the input of all key stakeholders working together with government – from industry to academia to civil society groups and more. In the United States, ExxonMobil works collaboratively with leading universities, NGOs, national laboratories, and industry counterparts.

This collaboration can lead to the type of comprehensive and consistent methane regulations that need to be enacted so all industry players are participating. Particularly in countries with hundreds of dozens of companies, voluntary actions by a few are not enough.

ExxonMobil has developed a model framework for industry-wide methane regulations which underpins our advocacy efforts and the guidance we've offered U.S. regulators as they've developed new rules.

We share these potential approaches and the work going on in the United States as an example of the types of regulations that could provide meaningful emissions reductions. That is not to suggest that Kazakhstan will or even should adopt this approach wholesale. Every country is different and therefore needs a policy framework that suits its specific considerations.

Where ExxonMobil can help is through our history of working with key stakeholders to utilize our experience and expertise to drive methane emissions globally. We stand ready to work with the Kazakhstan policymakers on the optimal policy framework for methane abatement leveraging our global best industry practices while continuing to improve operational practices in our Joint Ventures.

NCOC: BUILDING LOCAL INDUSTRY CAPACITY - 20 YEARS OF LOCAL CONTENT DEVELOPMENT

NCOC local content development or its in-country value increase program have been conducted simultaneously with the company's production activities. NCOC has managed to deliver more than 110 mln tons of oil since the restart of the project in 2016. Today NCOC is one of the leading oil and gas development companies as a result of our people's unparalleled commitment and dedication.

Local content development is a crucial component of NCOC's sustainable economic growth. To date since 2004, overall payments to local suppliers for goods, works and services have been more than US$ 7.6 billion. For NCOC, local content means creating jobs, training people, supporting local businesses, buying goods, works and services from local suppliers.

There are currently 2,641 Kazakhstani companies registered in the *NCOC Vendor Qualification* database.

In-country value is about maximising industrial activities and jobs inside Kazakhstan. NCOC has provided support to local companies for a long time, including obtaining international certification that significantly improves their competitiveness. Overall, around 230 local companies have obtained international certification, including the *International Organization for Standardization (ISO), American Society of Mechanical Engineers (ASME) and American Petroleum Institute (API)*.

During the past 20 years, NCOC has conducted roughly 530 technological qualification audits of local companies and visited production facilities to ascertain their ability to conform to stringent technical standards and international norms for goods and services that then allow local companies to participate in the Companies' tender processes.

NCOC has also organized specialized vocational training for over 5,300 employees of local companies working in confined space, safety during welding operations, working at heights, electrical works, and other requirements. This training enables local companies to improve their skill base and meet requirements imposed by international standards, codes and heavy industry norms in use today.

NCOC Support - International Standards Certification Applied to Local Companies

NCOC provides support to local companies in their international certification for management systems and certification of goods and services, thus significantly enhancing their competitive ability in NCOC contracts.

A number of local companies were *ISO 45001* standard certified in 2023. Among them are *Uralsk Plant Zenit, Centech, Temir-Stroy Service & Co., GAZ Stroy Montazh KZ, Karasaiskiy Machinery Plant,* and the *Petropavlovsk Heavy Machine Building Plant* received an *ISO 50001* certificate.

We can be proud that 11 Kazakhstani manufacturers successfully confirmed their compliance with international heavy engineering standards such as *ASME (American Society of Mechanical Engineers)* and *API (American Petroleum Institute)*. To name a few, companies such as *Kazturboremont, Kazkor-Mashzavod, Kazneftegazmash, Zhigermunaiservice*, and *Almaty Ventilation Plant* successfully received *ASME* certificates. *Kazarmatura, Karlskrona, Ust Kamenogorsk Industrial Valve Plant (UZPA), MAKER* and a few other manufacturers successfully implemented the *API* standard.

NCOC Partnerships

The development of local vendors is an NCOC priority with the objective of helping local vendors improve their technical and managerial capabilities to qualify as potential suppliers for the *North Caspian Project* and, in the long-term, to compete in national and international markets.

A good example of the NCOC local content commitment is active involvement in development of the *International Machine Building Center (IMBC)*. This Center is expected to support Kazakhstani manufacturers in upgrading their business capabilities through potential localization of manufacturing in Kazakhstan and adaptation of technical standards.

On July 10-12 this year, NCOC jointly organized a *Forum and Open Doors Day* in Atyrau with *IMBC* and two other oil & gas operators to discuss increasing opportunities for local content development in goods, works and services, and to support local manufacturers in Kazakhstan's major oil & gas projects. NCOC shared the results of the *North Caspian Project's* localization efforts over the last three years at the Forum.

The oil & gas operators briefed local manufacturers and suppliers on instructions for suppliers and procurement and vendor pre-qualification rules. More than 100 local manufacturers and suppliers of goods, works and services attended the *Forum and Open Doors Day* and became acquainted with the oil & gas equipment required to conduct operations in the Tengiz, Kashagan and Karachaganak fields.

During this event, NCOC signed several *Memoranda of Understanding* with a number of local vendors.

Local Content – Local Employment Opportunities

NCOC is today represented by slightly less than 3,000 employees, 96% of whom are Kazakhstani citizens, with 95% of more than 9,000 contractors who are Kazakhstani citizens engaged in the *North Caspian Project*.

To achieve the NCOC medium– and long-term nationalization goals, NCOC has developed a specially targeted program to identify and recruit Kazakhstani citizens, and to provide them with training for advancement in a long-term NCOC career. Since 1998 more than 26,000 Kazakhstani citizens have received some form of training, either from NCOC or as employees of NCOC-supported local companies.

Over three decades, NCOC has spent almost US$300 million on job skills and professional training to build local capacity for the North Caspian project. In terms of nationalisation, NCOC has achieved outstanding results with 96% of its personnel currently Kazakhstani citizens.

NCOC strongly believes that by moving in this direction a great contribution has been made to increase the value added in-country.

KPO ACHIEVES FIRST GAS REINJECTION FOR KEP-1A PROJECT AHEAD OF SCHEDULE

by Karachaganak Petroleum Operating (KPO)

July 31, 2024, Aksai – Karachaganak Petroleum Operating B.V. (KPO) is pleased to announce that the *KEP-1A Project* safely achieved the *First Gas Reinjection*. This significant milestone was reached with the successful operation of the 5th compressor at full discharge pressure, enabling gas from the *Karachaganak Processing Complex (KPC)* to be reinjected into the reservoir through the new *KEP-1A* gas reinjection system for the first time. This milestone, the most critical in the *KEP-1A Project*, was safely completed one month ahead of schedule, liquidating over 22 million man-hours.

Achievement of this milestone demonstrates KPO's ongoing commitment to safe, responsible and efficient operation of the giant Karachaganak field. The compressor is set to significantly boost gas re-injection volumes, maintaining reservoir pressure and extending the field's liquid production plateau. The project has progressed successfully despite external challenges such as geopolitical tensions, logistical restrictions, and supply chain crisis, showcasing KPO's world-class project delivery capability.

The *KEP-1A Project* is the latest in a series of the following major projects successfully delivered by KPO to manage increasing gas-oil-ratio and maintain the field's liquid production plateau:

- **2019: 5th Trunkline and Gas Reinjection Wells** to upgrade the injection network capacity downstream of Unit 2 through installation of a new trunk line and drilling and completion of new gas injection wells.
- **2021: KPC Gas Debottlenecking (KGDBN)** aimed at increasing overall *KPC gas processing* by expanding gas handling capacity.
- **2022: 4th Gas Reinjection Compressor (4IC)** aimed at increasing the daily average volume of gas re-injected into the reservoir and improving reservoir pressure support.
- **2024: 6th Trunkline and Gas Reinjection Wells** to upgrade the injection network capacity through installation of a new trunk line and drilling and completion of new gas injection wells.

KPO's dedication to local content is a cornerstone of its operations. KPO is highly focused on supporting local communities and building the local economy. KEP-1A project has achieved 62% local content overall, significantly exceeding expectations. This includes 18% local content for goods, underscoring KPO's aspiration to develop local manufacturers in Kazakhstan's oil and gas industry. The project has also created job opportunities for nearly seven thousand local people during the construction phase and will continue to provide further employment opportunities for the local community during the operation phase.

This milestone aligns the Kazakhstan Government's vision for the energy sector, reinforcing Karachaganak's position as a critical asset in Kazakhstan's energy landscape. Since the inception of Karachaganak, contributions to the national budget through taxes and mandatory payments have been substantial. The successful completion of the *KEP-1A Project* represents a major advancement in the continued development of the Karachaganak field, ensuring long-term production stability and economic growth, further enhancing national revenue and fostering regional development.

Karachaganak Petroleum Operating B.V. (KPO) is a joint venture between Eni SpA (29.25%), Shell plc, (29.25%), Chevron (18%), Lukoil (13.5%) and KazMunayGas (10%). KPO oversees the expansion and development of the Karachaganak field – one of the world's largest oil and gas condensate fields.

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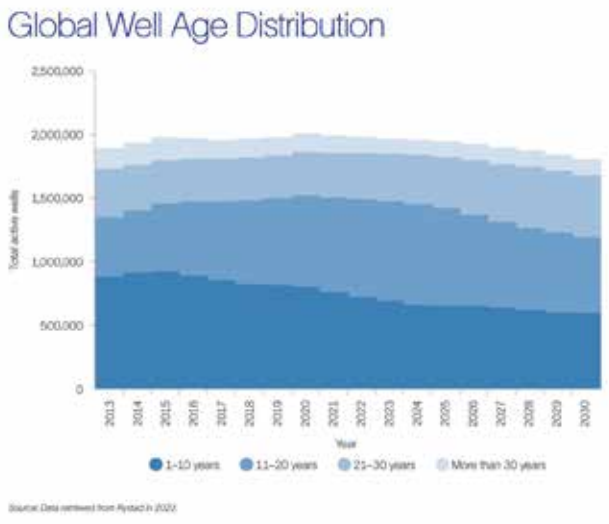
PROACTIVE INTERVENTION: THE KEY TO MANAGING MATURE ASSETS

by Matthew Billingham
Global Intervention Director, Reservoir Performance
SLB (Schlumberger)

With statistics showing that oil and gas wells must remain a part of our net-zero future to service the world's energy needs, the challenge now becomes managing those assets as they mature. Why? Because drilling new wells is becoming an increasingly unviable option, while demand is continuously on the rise. One proven solution to this predicament is leveraging proactive intervention to optimize, safeguard, and in some cases, even restore the production levels of existing wells.

Current predictions are that the annual number of new wells drilled will not increase. It will either remain stagnant or decrease (*see chart below*), depending on the net-zero transition scenario modeled. Meanwhile, *the global population continues to expand, with developing nations wanting access to readily available, robust energy supplies*.



Global Well Age Distribution (Rystad. Data retrieved in 2022)

While significant funding is going into green energy sources, analyses performed by the *International Energy Agency* show that, even in a net-zero scenario, oil and gas will be significantly needed in 2050 and beyond. One of the simulations goes as far as to depict how the world would fall short of energy requirements in a net-zero scenario if we stopped investing in oil and gas starting today.

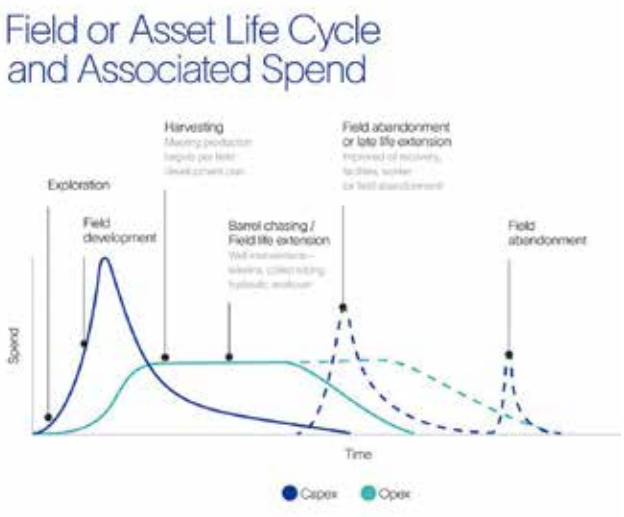
Hence the dilemma on our hands: If we are to ensure the right energy mix is available to sustain a growing population, then *we must control greenhouse gas emissions holistically* — and that includes within the oil and gas industry. One means of achieving this would be to ensure that we maximize, or perhaps more accurately, optimize production and recovery from the reserves that already exist today.

Can the production levels of maturing assets be maintained?

The productive fields and reservoirs of the world are maturing and, as seen in the chart above, more than two-thirds of wells will be over 10 years old by 2030. These wells will encounter production bottlenecks as they age. From a subsurface perspective, common blockers will be related to flow assurance, reservoir drive, phase conformance, well integrity, and more. Surface bottlenecks will occur, too, as the topside facility is no longer attuned to the well's actual production.

If we examine the typical life cycle of an asset, we can see how production and ultimate recovery can be optimized. Once the asset is brought online, we enter the harvest phase, with all the initial capex invested and opex now spent to operate the asset. Production will start to decline as the asset matures, but it can very well be maintained by interventions that optimize, safeguard, or even restore production. This can be achieved with small, agile intervention platforms such as slickline, electric line, or coiled tubing, ideally coupled with relevant surface production metering and handling facilities.

Field or asset life cycle and associated CAPEX and OPEX spend



Secondary recovery will become more important, requiring the likes of waterflooding to support production. There will, however, come a point when the asset matures to the extent that the return becomes less effective with respect to the money spent making it. On a plot of return versus spend, this point is often referred to as "*the scorpion's tail*." An analysis then needs to be made to see whether it makes more sense to decommission the asset or to reinvest capex into field redevelopment and enhanced recovery.

Addressing the intervention challenges we face

In an SPE paper titled *The Intervention Opportunity: Why the Industry Does Not Do More and How New Collaborative Workflows with Aligned Outcomes Can Change This,* a couple of my peers and I identified the following headwinds*:*

First and foremost, asset mindset reflects the concern that intervention may be risky—that it might result in a reduction rather than increase in production should the well be adversely affected. But intervention is already challenging enough as it is. It must address a diverse range of issues, and the workflows are nonstandard in many operator organizations where the focus has always been more on reserves replacement.

Then, you have benchmark data showing that the outcomes are unpredictable, with 35% of interventions potentially not meeting their technical objectives. Such a success ratio needs to be challenged—for it is considered unacceptable in the well construction domain—but the industry lacks actionable data when it comes to interventions.

Less than 10% of operations have meaningful downhole data. This is mostly due to cost and reliability concerns about more complex bottomhole assemblies on slickline, electric line, and coiled tubing. Without such data, programs cannot be tuned to real-time downhole conditions to enable a positive outcome.

Last, but not least, logistical planning for intervention is also a challenge, especially offshore. Deck space, deck loading, crane capacity, personnel-on-board limitations, and more can cause considerable issues. So much so that some operators deem this their number one issue.

Intervention operations remain an underserved tool

Benchmarking done by the *North Sea Transition Authority (NSTA)* has demonstrated that production can be increased by an average of 10% if operators invest in regular well maintenance. The number rises to as high as 19% on dry tree platforms, perhaps reflecting a greater focus on these expensive wells. To put things into perspective, achieving this on a global level would be the equivalent of bringing online two Ghawar fields overnight and approximately 10 million bbl/d.

The question then becomes: Is this economically viable? Again, NSTA benchmarking proves the case to be very much so. The average cost per barrel for production gained by intervention is about USD 12, meaning it's of great value. It should be noted that this figure was derived from data in which 50% of intervention spend was attributed to subsea wells—a much more expensive intervention and one that accounts for just 11% of total activity. This means that in the dry tree scenario (remembering a possible 19% increase in production), the cost would be only about USD 6 per barrel.

If we review global opex and capex figures, approximately 13% is spent on well servicing, which includes both interventions and workover activity. The latter includes line items such as rig costs and tubulars and accounts for most of the spend. But even if we assumed a 50:50 split, investment in intervention activity would still be a low single-digit percentage of total spend. Is the industry missing an opportunity, and if so, why?

Experience shows it's more a matter of the industry realizing, under new macros, the potential of interventions. We're simply seeing a fresh focus on production and recovery optimization, hence the claim that intervention-based production is the low-hanging fruit, providing the lowest CO2 footprint and cost production.

ENERGIZING THE FUTURE OF THE GAS INDUSTRY FROM A BUSINESS PERSPECTIVE

by Mikhail Dobronravov
Director, Caspian Region
Baker Hughes

Baker Hughes is an energy technology company that provides solutions to energy and industrial customers worldwide. Built on a century of experience and conducting business in over 120 countries, our innovative technologies and services are taking energy forward – making it safer, cleaner, and more efficient for people and the planet.

Climate change is a real and existential challenge of our time, and one that will continue to affect global economies and energy affordability. The Baker Hughes mission to help energize change to support the sector's transformation has never been more relevant.

With growing energy demand around the globe, hydrocarbons will continue to be a significant part of the global energy mix for many years to come. Accordingly, finding ways to increase production efficiently is essential for delivering the energy transition. We believe that reducing emissions and utilizing new technologies and solutions to achieve this goal should be a priority. Today, the imperative to advance sustainable energy development has never been greater.

Natural gas is needed as both a transition and destination fuel especially when emissions need to be abated. While the role of renewables is expected to gradually increase in the coming years, gas remains critical, both for integrating intermittent energy sources and for supporting the energy transition by replacing other fossil fuels with a larger carbon footprint. Accordingly, natural gas will play a significant role in meeting global energy demand today and in the future.

There is a huge potential for growth for Kazakhstan's gas industry. According to industry leaders and experts, Kazakhstan is among the top twenty countries in the world in terms of natural gas reserves and among the top fifty in gas consumption per capita. Most of these gas reserves are from the *Karachaganak, Kashagan*, and *Tengiz* fields, where operators continue to adopt new technologies to manage high sulfur content in the natural gas to enable ever more efficient production, purification, and use.

Increased gas production would help meet Kazakhstan's growing energy demand and create opportunities through new gas pipelines and hubs, while reducing greenhouse gas emissions. The Baker Hughes diverse portfolio of technologies across our *Oilfield Services & Equipment (OFSE)* and *Industrial & Energy Technology (IET)* jointly enable our customers to improve their productivity and lower emissions.

Baker Hughes is well-positioned to play a key role to enable the delivery of affordable, reliable, and secure energy in a sustainable manner. *OFSE* provides products and services for onshore and offshore oilfield operations across the lifecycle of a well, ranging from exploration, appraisal, and development, to production, rejuvenation, and decommissioning. Its core strengths include drilling services, subsea systems, flexible pipes, artificial lift, and chemicals.

The *IET* segment combines a broad array of domain expertise, technologies, software, and services for energy customers including on-and offshore, *LNG*, pipeline and gas storage, refining, petrochemical, distributed gas, nuclear, hydrogen, carbon capture, utilization and storage, clean power and renewables. It also provides cutting edge technology for hard-to-abate industries and broader industrial verticals such as aviation, automotive, marine, food and beverage, mining, cement, and utilities.

This increase in production would drive the adoption of new natural gas-related technologies, such as small-scale *LNG* installations and digital solutions for drilling, remote operations, production optimization, and monitoring. Additionally, this could lead to the conversion of railway locomotives, sea vessels, trucks, and quarry equipment to gas engine fuel. Collectively, this would all result in economic growth.

By leveraging sustainable practices, Baker Hughes has reduced the carbon intensity of its operations and helped enable our customers and partners to meet their environmental goals using low-carbon and new energy solutions. Baker Hughes is also focused on refining processes and prioritizing efficiency, which is the cornerstone of the transition and key to revolutionizing not only the energy sector but industries across the board.

Kazakhstan is an important market for Baker Hughes. We see potential growth in the energy industry, with an emphasis on increasing local content and capability and talent development. Our global expertise and strong local presence and know-how, complemented by our innovative technologies and solutions can support increased gas production in Kazakhstan and help take energy forward in the country.

Driving sustainable energy development

We are solution seekers, using the power of engineering, science, and data to redefine what's possible. Together with our customers and industry partners, we're on a mission to ensure a sustainable energy future, developing technology solutions that accelerate the adoption and deployment of lower emissions and new energy sources.

Our commitment to LNG dates back 35 years, with many industry firsts including introduction of the now common mega-train. We have tailored solutions to meet all the industry's needs, and our experience spans all geographies and climate conditions. With proven, best-in-class reliability and availability, our technologies and teams have what it takes to support LNG industry challenges—all the way through and far beyond the current energy transition.

This is how we take energy forward.

bakerhughes.com

Baker Hughes

30 YEARS OF ILF CONSULTING ENGINEERS IN KAZAKHSTAN: ENGINEERING EXCELLENCE AND INNOVATION

As ILF Consulting Engineers commemorates its 30th anniversary in Kazakhstan, we reflect on the significant impact the company has had on the nation's oil and gas sector. Since its establishment in 1994, ILF has become a key player in Kazakhstan's engineering landscape, contributing to major infrastructure and energy projects. This milestone celebrates not just the passage of time but the deep partnerships, innovations, and contributions that have defined ILF's journey in this vibrant region.

A Legacy of Engineering Excellence

ILF Consulting Engineers arrived in Almaty during a pivotal era of transformation. As the country emerged from the Soviet Union's dissolution, it sought international expertise, particularly in the oil and gas sector, to drive economic growth. ILF, with its global experience and engineering expertise, was ideally positioned to support Kazakhstan's ambitious infrastructure projects.

Over the past three decades, ILF has played a critical role in shaping Kazakhstan's oil and gas industry. The company's extensive portfolio, which includes landmark projects such as the *Asia Gas Pipeline*, the *Beineu-Shymkent Gas Pipeline*, and the *First Integrated Gas Chemical Complex* in Atyrau, shows its commitment to delivering high-quality, sustainable engineering solutions.

ILF Consulting Engineers has been growing significantly over the last years, this year marking the 5th anniversary of its branch office in Atyrau, Kazakhstan. This location serves as a crucial hub for two of the country's major clients — companies with leading oil, gas, and associated products in the Atyrau region, fueling the modern economy as well as supporting services in Central Asia. ILF's involvement in the *Project Management Consultancy (PMC)* for the gas processing plant in Uzbekistan marked a notable expansion of its engineering excellence into the southern region.

The dynamic growth of Uzbekistan's oil and gas sector in 2020 underscored the market's importance, prompting ILF to establish its third Central Asian office in Tashkent. This move not only reinforced ILF's commitment to advancing the region's energy infrastructure but also solidified its position as a key player in the industry's ongoing development. These projects not only enhance Kazakhstan's energy security but also contribute to the broader development of the country's infrastructure.

Forging Strong Partnerships and Driving Innovation

ILF's success in Kazakhstan is rooted in its ability to build strong partnerships with local and international clients. The company's collaborative approach has been crucial in overcoming the challenges associated with large-scale engineering projects. By sharing knowledge and building local capacity, ILF ensures that its projects are not only technically sound but also sustainable for the long term.

Innovation has always been at the core of ILF's operations. The company consistently leverages cutting-edge technologies to deliver engineering solutions that meet the highest international standards. ILF's use of digital engineering tools and advanced project management systems has enabled

it to stay ahead of industry trends, providing clients with the most efficient and effective ions.

Commitment to Sustainability and Social Responsibility

In alignment with the *Paris Agreement* and ILF's goal to achieve net-zero emissions by 2040, the company's *Sustainable Solutions Competence Center* has developed a *Greenhouse Gas (GHG) methodology*. This initiative helps clients calculate, reduce, and mitigate *GHG* emissions, reflecting ILF's dedication to environmental stewardship.

ILF's commitment to sustainability extends beyond its technical work. The company actively engages in social responsibility initiatives, focusing on education, healthcare, and local economic development. These efforts have enhanced the well-being of local communities and reinforced ILF's reputation as a responsible corporate citizen.

Looking Forward: The Next Chapter

As ILF Consulting Engineers celebrates 30 years of success in Kazakhstan, the company looks to the future with optimism and resolve. With Kazakhstan increasingly focusing on renewable energy and sustainable development, ILF is well-positioned to continue leading with innovative engineering solutions that align with the country's strategic goals.

ILF's ongoing projects in renewable energy, including wind and solar power plants, underscore its commitment to supporting Kazakhstan's transition to a low-carbon economy. Additionally, ILF is expanding its services in digitalization, offering advanced solutions in smart infrastructure, essential for the country's modernization efforts.

Acknowledging the Journey and Developing Future Talent

The 30th anniversary of ILF Consulting Engineers in Kazakhstan is a celebration of the collective efforts of its dedicated employees, partners, and clients. ILF's achievements are the result of collaboration, hard work, and a shared vision for the future. As the company continues to evolve, it remains committed to its core values of excellence, innovation, and sustainability.

ILF's commitment to nurturing future talent in Kazakhstan is evident through its scholarships for students at *Atyrau Oil and Gas University, Nazarbayev University*, and *Satbayev University*. These initiatives provide financial aid and invaluable experience, preparing the next generation of engineers for successful careers. ILF also organizes technical lectures, job fairs, and a summer internship program, offering students practical work experience and a pathway to future employment.

The *Club of Young Engineers*, another ILF initiative, bridges the gap between young talents and seasoned professionals, fostering a culture of continuous learning and growth. The club's activities, which include social and sporting events, underscore ILF's commitment to developing future leaders in the engineering field.

As ILF Consulting Engineers moves forward, it remains dedicated to making significant contributions to Kazakhstan's engineering sector, ensuring a sustainable and prosperous future for all. Here's to the next 30 years of engineering excellence and innovation.

ENERGY TRANSITION AND ITS IMPACT ON THE OIL AND GAS INDUSTRY

by Gabit Musrepov
Consulting Partner, KPMG

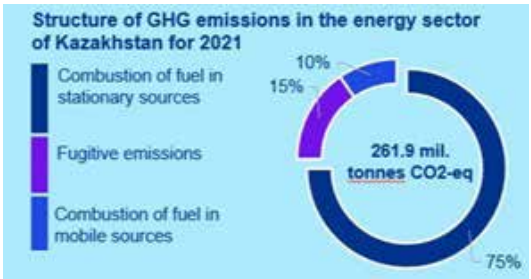
Aleksandr Batrov
CCA Senior Consultant, KPMG

Basic concepts related to energy transition

Energy transition is one of the most important tools for achieving *Carbon Neutrality*, a goal set by countries that have ratified the *2015 Paris Agreement on Climate Change*. The main goal of the *Paris Agreement* is to strengthen the global response to the threat of climate change by keeping the increase in global temperature in the 21st century to no more than 2°C above pre-industrial levels while continuing efforts to limit the temperature rise to 1.5°C.

The definition of energy transition refers to a major transformation of the energy supply and consumption mix, with a shift from a fossil fuel-based energy mix to one dominated by renewable energy mix (hereafter referred to as RES) with very limited carbon emissions.

Decarbonisation (carbon reduction) of the energy sector is an important goal, as the energy sector traditionally accounts for a significant share of global greenhouse gas (*GHG*) emissions. In Kazakhstan, for example, the energy sector contributes more than 70% of total *GHG* emissions. According to the analysis conducted in 2021, the energy sector in Kazakhstan was responsible for 77% of emissions, i.e., 261.9 million tons of CO2-eq. with 75% of these emissions operating from stationary sources of fuel combustion, particularly power generation facilities.



A significant contribution to decarbonisation of the energy sector is the electrification of end-users who can receive electricity from renewable energy facilities, leading to reduced *GHG* emissions in other sectors, such as transport. In contrast, energy efficiency improvements, reduction in electricity losses and increased digitalization in electricity distribution will enhance efficiency and decrease overall energy consumption.

Given the extensive use of fossil fuels in different countries, energy transition is expected to be a gradual and complex process, even in developed countries. Besides increasing the share of renewables, carbon-intensive energy sources need to be replaced by low-carbon sources (e.g. decreasing oil consumption while increasing the use of LPG and biofuels).

Impact of energy transition on fossil fuel consumption

The oil and gas industry, which supplies around half of the world's fossil fuel consumption, is highly susceptible to both risks and opportunities arising from energy transition.

Global oil consumption declined by 7% over the period 2019-2020, coal consumption fell by 4,4%, and natural gas consumption decreased by 2,8%. Experts predict that oil consumption will drop to 14 million barrels per day by 2050 from the current level of 102.43 million barrels per day. Oil consumption has been increasing in recent years: in 2019, global oil consumption was 97.96 million barrels per day, and in 2025 oil consumption is forecast to reach 103.81 million barrels per day. However, the share of oil in the global energy consumption mix has decreased significantly. According to *SPGlobal*, in 2023 the share of oil was 33%, peaking at 50% in 1973.

This suggests that the share of *RES* in the global energy consumption structure is increasing. By 2023 wind and solar energy accounted for 13,2% of global energy consumption, while fossil fuel usage continues to decline in percentage terms (though it may still grow in absolute values).

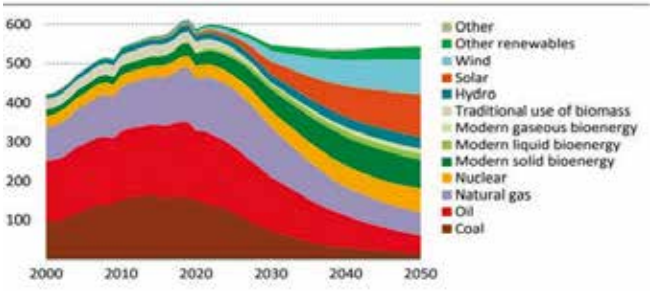
In Kazakhstan, the share of *RES* in the energy mix in 2023 was 5,97%, electricity generation by *RES* facilities in 2023 total of 6,675,5 million kWh. The installed capacity of *RES* facilities in 2024 is 2,903.54 MW and in 2014 was only 178 MW, i.e. over 10 years of growth of *RES* facilities in Kazakhstan the share of *RES* facilities has increased more than 16 times.

According to the *International Energy Agency (IEA)*, in 2022 the world consumed about 97 million barrels of oil per day and 4,150 billion cubic meters of natural gas. This led in *GHG* emissions of just over 18 Gt, representing roughly half of the total *GHG* emissions from the energy sector. The recent development of clean energy technologies suggests that oil and gas demand will peak by 2030 under the *Sustainable Policy (STEPS)* scenario, after which a gradual decline is projected.

The transition to net zero requires a significant acceleration in the deployment of clean energy technologies and a more rapid reduction in the use of oil and gas.

The IEA's *Net Zero by 2050* report for the scenario of achieving carbon neutrality by 2050: the energy mix in 2050 is more diverse than today. Renewable energy sources provide two-thirds of energy consumption in 2050, split between bioenergy, wind, solar, hydroelectric and geothermal. In addition, the nuclear energy supply will increase significantly, almost doubling between 2020 and 2050.

Total energy supply in the Net Zero Emissions scenario according to IEA, in Exajoules



The share of fossil fuels in the total energy mix will fall from 80% in 2020 to just over 20% in 2050. However, their use will not fall to zero in 2050: significant amounts are still used to produce non-energy goods, carbon capture and utilization storage (*CCUS – Carbon capture and utilization storage*) technologies will be used and in sectors where emissions are particularly difficult to reduce, such as heavy industry and transport. All remaining emissions in 2050 are offset by carbon capture and utilization technologies and climate projects (e.g., carbon sequestration in forest ecosystems).

Coal use will fall from 5,250 million tons of coal equivalent in 2020 to 2,500 million tons of coal equivalent in 2030 and to less than 600 million tons in 2050 – an average annual decline estimated at 7% per year. Oil demand will fall to 72 million barrels per day in 2030 and 24 million barrels per day in 2050 - an average annual decline of more than 4% through 2050. Natural gas use will peak in the mid-2020s and then begins to decline as it is phased out in the power sector. Natural gas use will decline to 3,700 billion m3 in 2030 and 1,750 billion m3 in 2050 - an average annual decline of just under 3% per year.

Cumulative global *GHG* emissions associated with energy and industrial processes from 2020-2050 would be just over 460 Gt in the *Net Zero* scenario. Assuming that there are parallel reductions in *GHG* emissions from agriculture, forestry and other land uses in the period, the cumulative emissions from this sector would be around 40 Gt CO2e by 2050, i.e. a cumulative *GHG* emission of around 500 Gt, which is consistent with the IPCC SR1.5 climate scenario, which states that the total *GHG* emissions from 2020 providing a 50% probability of limiting warming to 1.5°C is 500 Gt CO2e (*IPCC*, 2018).

Impact of energy transition on prices and changes in consumer structure for the oil and gas industry

The implementation of scenarios aimed at reducing GHG emissions is associated with stricter regulatory standards on the part of national governments, as well as trends related to changes in the investment structure when investors are increasingly investing in green energy projects (including hydrogen projects), while investments in the development of fossil fuels will be reduced – this will directly affect the oil and gas industry.

The oil and gas industry will need to adapt to the changes by adopting more energy-efficiency technologies, implementing the best available technologies to minimize negative environmental impacts, carbon capture and storage technologies (*CCUS, Direct Air Capture*), and building on the practical results achieved in reducing *GHG* emissions in cooperation with stakeholders. To withstand the increasing level of competition, oil and gas companies will need to increase their own investments to implement decarbonization programs and sustainable development practices.

As an example of carbon regulation that in the future will have a direct impact on the oil and gas industry in Kazakhstan, the *CBAM (Carbon Border Adjustment Mechanism)*, the *European Union's* mechanism for cross-border carbon regulation, will impose additional duties on groups of goods supplied to the *European Union (EU)* depending on the amount of greenhouse gas emissions emitted into the atmosphere during production and the level of carbon tax paid in the country where the goods are produced.

Although oil and petroleum products are not subject to these duties for 2025-2026, when *CBAM* is scheduled to be launched, the trend shows that these duties will be extended to the oil and gas sector in the future. As the *EU* is Kazakhstan's main trading partner (40.5% share of exports to *EU* countries), it can be concluded that Kazakhstan will have to adapt to new measures in the medium term, either by reconfiguring its oil export structure or reducing oil production.

The introduction of new technologies and practices will increase production costs and, consequently, the selling price of oil and gas to consumers while the price threshold for profitability will be determined by the demand and purchasing power of major consumers. Fossil fuel consumers will also be affected – large consumers will also have to comply with best sustainability practices. Given the trend towards stricter regulatory mechanisms for fossil fuel suppliers, the main consumers will be developing and undeveloped countries where there is no global climate agenda (no comprehensive decarbonisation programs or carbon neutrality targets).

Therefore, much will depend on the purchasing power of these countries and the cost of oil production: in the future, these countries will not be able to pay the oil price that developed countries can afford and will reduce their purchases of oil products, while oil will no longer be in high demand in developed countries as renewable and low-carbon energy sources will account for a large share of energy. Major oil and gas suppliers need to take this into account and diversify their economies by developing other sectors and implementing the energy transition by increasingly developing the renewable energy industry and switching to low-carbon energy sources.

It is important to note that implementation of the energy transition presents not only challenges and constraints but also new jobs and opportunities for oil and gas companies to invest in *RES*, energy efficiency technologies, best available practices in the decarbonisation sector (carbon capture and storage technologies, use of hydrogen to replace fossil fuels), development in the development and implementation of climate projects and other practices aimed at achieving carbon neutrality.

Therefore, in adapting to energy transition, oil and gas companies will need to overcome emerging challenges: change their management approach, set new company priorities in environmental aspects, and develop sustainable development practices in cooperation with stakeholders (consumers, suppliers of new technologies, logistics companies and others). Energy transition for the oil and gas industry is a complex process that requires assessing risks from emerging challenges and developing a comprehensive development strategy for the long term so that companies in this field can successfully adapt and remain sustainable in changing market conditions and global trends aimed at minimizing climate change.

Business

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Beeline - is a reliable partner
to smart technologies world.

HOW DATA MANAGEMENT HELPS OIL AND GAS COMPANIES SAVE MILLIONS OF DOLLARS

by DIS Group

Every day oil and gas companies face the challenges of managing huge amounts of data, from upstream to downstream. Solutions from Informatica, a leader in data management, help solve the problem of consolidating large amounts of data and improving management decisions. Below DIS Group discusses how such solutions helped Weatherford and Indian Oil boost production efficiency and streamline internal processes.

According to *Allied Market Research*, the global oil and gas data management market was valued at $29.4 billion in 2023, and the market's compound annual growth rate will be 16.8% from 2023 to 2033.

Oil and gas companies more and more often use artificial intelligence and data processing algorithms to extract useful information from complex data sets, streamline processes and mitigate risks. This enhances the capabilities of petroleum engineers and geologists by driving data processing and aiding informed decision making. Analytics and data management software are actively changing the industry by delivering flexibility, efficiency and competitiveness.

Data management in the oil and gas industry deals with the collection, storage, processing, and analysis of data generated throughout upstream and downstream. Companies use a wide range of data types including geological, geophysical, petrophysical, production, operational and environmental data.

In their journey to data management success, oil and gas companies often face the challenges of organizing the collection, storage and delivery of large amounts of data. In a big organization, the number of discrete data sources can be as many as 2,000–4,000, with data generally stored on different platforms. To get a broad picture and make effective business decisions, disembodied data (e.g., upstream and downstream data) must be combined, and authorized employees must have quick access to such data.

Data Management Tools

ETL (Extract, Transform, Load) is the process of extracting data from various sources, transforming and loading data into a data warehouse. In the oil and gas industry, ETL is used to combine data from various systems and sources such as field sensors, monitoring and forecasting systems, and financial statements. *ETL* makes data centralized and available for analysis.

MDM (Master Data Management) is the process of creating and managing unified, accurate and consistent data about a company, its customers, products, etc. In the oil and gas industry, *MDM* helps maintain data integrity and avoid duplication or inconsistencies in information, which improves decision making.

Data Governance (DG) is a set of rules, processes and practices to ensure data quality, protection and security. In the oil and gas industry, *DG* plays a key role in ensuring compliance, protecting confidential information, and managing risks.

Data Governance helps companies improve their performance, make informed data-driven decisions and improve customer interaction. Therefore, *ETL, MDM* and *Data Governance* become an integral part of the development strategy of oil and gas companies.

Data Governance and MDM in *Weatherford*

Weatherford International, a transnational oilfield services company, focuses on manufacturing and supplying oilfield equipment and provides services to oil and gas companies in over 100 countries.

At some point, the company's management faced a lack of consistency between key data. Disparate systems made it difficult to create a unified version of the truth. To solve the problem, *Weatherford* embarked on an initiative to implement *Data Governance (DG)* and master data management tools across the company. Through *Informatica* solutions, the company isolated repeatable master data management processes that are now used for all types of data within the company.

Weatherford also adapted the existing data storage processes within *DG* processes, which positively impacted the functionality of the system as a whole. Transaction and finance data are stored and processed from a single source, which increases reporting efficiency.

Data Management in Indian Oil

Indian Oil is India's largest company that focuses on oil refining and distribution of refined products. The company supplies oil products to all regions of the country. The Indian government recently lifted oil price controls, paving the way for market-based pricing on a highly competitive market. *Indian Oil* decided to adopt a dynamic pricing model that could be controlled at the corporate level through the company's retail locations as well as through distributors/dealers. The company's sales network covers over 43 thousand points of sale.

Indian Oil needed to put in place complete, centralized and flexible control over retail sales of both gasoline and *LPG*. The company implemented *Informatica's Enterprise Streaming Data Management* solution made up of *Edge Data Streaming* and other real-time data integration components. As a result, the company began saving $200 million a year after India had abolished its budgetary allocations for *LPG* subsidies through integration of customer accounts of all *LPG* companies in the country.

Informatica's solution enabled *Indian Oil* to make more informed decisions on dynamic gasoline and gas pricing as well as monitor stock levels at retail locations. This ensures routine maintenance and prevents stock depletion at filling stations.

The positive effect of *Enterprise Streaming Data Management* also extended to marketing activities. The company integrated a multidisciplinary network-wide loyalty program and expedited the launch of sales promotion activities.

OVERVIEW OF KAZAKHSTAN'S OIL AND GAS REGULATORY REGIME

by Joel Benjamin, Managing Partner, Kinstellar
Almas Zhaiylgan, Counsel, Kinstellar

Development of oil and gas resources continue to be an important area not only for the economy of Kazakhstan but also for attraction of foreign investments. This article provides a brief description of the regulatory regime for exploration and production of hydrocarbons as envisaged by the Kazakhstan Code "On Subsurface and Subsurface Use" (No. 125-VI ZRK) dated 27 December 2017, as amended (the "Code").

How to obtain rights for hydrocarbons

Subsurface use rights for hydrocarbons may be granted based on either an auction or direct negotiations (in case it is provided to a national company/strategic partner). The participant of the auction that offers the highest signature bonus shall be the winner of the auction.

Terms of exploration and production periods

Legislation does not currently provide for execution of exploration contracts[1] for hydrocarbons but rather, provides for execution of combined exploration and production (E&P) contracts that may contain separate periods for each phase, i.e. an exploration period, a preparatory period (in some cases) and a production period. The length of exploration and production periods differ for complex[2] and non-complex projects.

An exploration period with respect to a non-complex project may last for up to 6 years and, upon compliance with certain conditions, may be extended for appraisal of a discovery (including for test production) for up to 6 additional years. In addition, in case of non-complex projects, at the request of a subsurface user, a preparatory period, which may last for up to three years, may be provided.

As for complex projects, the exploration period is 18 years which includes an initial exploration period of 9 years, an appraisal period of 6 years and a period of test production of 3 years. A production period for non-complex projects, which will be reduced for the length of any preparatory period, may last up to 25 years, and in case of large fields for up to 45 years.

As for complex projects, a production period is equal to 25 years, and in case of large fields is equal to 45 years. The term of the production period (regardless of whether it is a complex or non-complex project) may be further extended for up to an additional 25 years.

Standard (model) contracts

Drafts of subsurface use contracts must be developed in accordance with standard (model) contracts approved by the competent authority. Deviation from a standard contract is allowed in very limited cases. Moreover, in some cases deviation from the standard contracts may be the basis for the competent authority to demand execution of an entirely new contract. For instance, *Article 120.10* of the *Code* states that if provisions of a production contract do not comply with a standard contract, upon extension of its term, the parties must enter into an 'amended and restated' production contract that is prepared in accordance with the standard contract.

Ownership structures and the operator

The most common structure for holding E&P rights is a single Kazakhstan or foreign legal entity (including offshore special purpose vehicles) holding the rights to a concession agreement. E&P rights may be granted to multiple parties in a consortium. Members of such consortium have joint and several liability before the State for the obligations under the concession contract. Such joint holders must appoint an operator and enter into a joint operating agreement, which will regulate their mutual rights and obligations.

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[1] *Exploration contracts executed prior to the effective date of the Code remain in force.*

[2] *Complex projects include: 1) offshore projects (fully or partially located within the Kazakhstan sector of the Caspian Sea or Aral Sea); 2) onshore projects which have of the following parameters:*

a) contain unconventional hydrocarbon reserves;

b) absolute depth of the highest point of the deposit is not less than 4,500 meters;

c) hydrogen sulphide content of the deposit is 3,5% or more in reservoir fluid;

d) deposit has abnormally high reservoir pressure with an anomaly coefficient of 1,5 or more;

e) the deposit is located under salt deposits more than 100 meters thick; and

f) deposit belongs to non-structural straps;

3) onshore gas projects with respect to deposits containing gas or gas condensate reservoir or a field with a volume fraction of the oil-saturated part of 25% or less of the total volume of hydrocarbons of the reservoir or field.

According to amendments that came into effect on 10 January 2023, a person who is a single holder of subsurface use rights cannot concurrently be appointed an operator. This means that currently if a single foreign or Kazakhstan legal entity holds the rights, then they cannot operate it themselves. They will need to appoint an operator and must enter into an operating agreement.

Strategic partner

Subsurface use rights for certain areas may be provided only to a national company on the basis of direct negotiations. Such rights may be granted to a national company independently or jointly with a strategic partner. A mandatory condition for granting rights on the basis of direct negotiations with respect to large fields is participation of a national company with a share of 50% or more.

A strategic partner is a company (or consortium of companies) that meets the requirements, established by the national company and coordinated with the competent authority, and which has undertaken to carry out investment financing. The *Code* specifies that investment financing means financing of the exploration costs under an agreement on joint activities or agreement (joint operating agreement) on financing (carry) concluded between a strategic partner and the national company or a company where the national company directly or indirectly owns 50% or more of its shares/interests. The agreement on joint activities must stipulate the obligation of the strategic partner to pay the signature bonus or compensate the amount of the signature bonus to the national company if the latter has paid it.

Land use rights

There are different types of land use rights, including private ownership, leases and easements. Most commonly land use rights are granted on the basis of a resolution of the local authority and a subsequent lease agreement between the local authority responsible for land management and the subsurface user. Lease agreements and any other land use right must be registered with the local justice authorities.

The *Code* provides that conclusion of a production contract or transfer to a production stage under a combined E&P contract is the basis for granting to the subsurface user land use rights in accordance with the land legislation.

Relinquishment

Historically, the parties agreed a schedule in the subsurface use contract for gradual relinquishment of the contract area. The *Code* does not require the subsurface user to relinquish any part of the contract area during the exploration or production stage. However, a subsurface user may at any time prior to expiry of a subsurface use contract apply to the competent authority with a request to relinquish part of the contract area. Such request may be satisfied subject to fulfilment of the following conditions by the subsurface user:

- conduct of abandonment works at the relinquished area;
- relinquishment must be done in blocks; and
- if the subsurface use rights are encumbered, prior consent of the pledge holder must be obtained.

Project design documents

Requirements for carrying out prospecting and appraisal, trial production as well as works on development of fields are set out in unified rules for rational and complex use of the subsurface ("*Unified Rules*").

Subsurface users must carry out subsurface use operations based on a project (design) document that went through expert examinations required under the law and received positive expert conclusions. Subsurface use operations must be carried out in accordance with the following project documents:

- base project documents: exploration plan; project of trial production; project of field development; and
- technical project documents, a list of which is established in the *Unified Rules*.

Prospecting and appraisal works must be carried out in accordance with the exploration plan. During the exploration period the subsurface user has the right to carry out trial production in accordance with the project of trial production. Production operations must be carried out in accordance with a project of field development, project of trial production or development analysis.

Gas flaring and gas utilisation

As a general rule, gas flaring is prohibited, with limited exceptions, such as:

- for flaring in an emergency, or where there is danger to the life of personnel, health of the population or the environment, no permit is required; however, the authorities must be notified of any emergency flaring within ten days;
- well testing and trial production, subject to obtaining a permit; and
- flaring of technologically unavoidable gas during start-up and operation of technological equipment and maintenance or repair of technological equipment, all subject to obtaining a permit.

Subsurface users carrying out production of hydrocarbons must take measures aimed at minimisation of gas flaring. The project of field development must contain a section on processing (utilisation) of crude gas.

The production of hydrocarbons without processing of all produced crude gas is prohibited except for gas:

- flared in cases stipulated above;
- used by the subsurface user for own needs in volumes approved by the project document; and
- sold to other persons for processing or utilisation.

At fields where processing of crude gas is not economically justified, the project of field development may stipulate utilisation of all gas (except for gas used for own needs) by injecting into the formation for purposes of storage and/or maintaining reservoir pressure.

Operational licences

Petroleum operators must obtain operational licences and a host of other permits and approvals depending on the specific types of operations. Licences are also required for construction of buildings and facilities. Some of these licences may be held by third party service providers, such as drilling or construction companies.

Additionally, Kazakhstan has a comprehensive permit system. Legislation requires certification of a broad number of products and goods, accreditation for certain laboratories and experts, approvals for personnel, use of certain substances, as well as buildings and constructions of certain designations. There is also a separate special set of permits and approvals for construction activities. Legislation also requires various permits relating to health, safety and labour protection.

Conclusion

The above is only a general overview of the regulatory regime in the oil and gas industry of Kazakhstan. One should note that over the years Kazakhstan's subsurface use legislation has gone through a number of significant reforms and is relatively frequently amended. Thus, we recommend anyone seeking to acquire subsurface use rights in Kazakhstan either directly from the State or from an existing subsurface user to consult with a legal advisor and/or carefully study the relevant legislative requirements for obtaining rights and conducting subsurface use operations in Kazakhstan.

NAVIGATING THE COMPLEXITIES OF JOINT VENTURES IN KAZAKHSTAN'S OIL AND GAS SECTOR

by Zaira Sarsenova
Partner, GRATA International

Joint ventures (JVs) have become a prevalent business model in Kazakhstan, particularly within the oil and gas industry. The allure of shared resources, expertise, and risk has driven numerous partnerships. However, the complexities inherent in these arrangements often lead to conflicts that can significantly impact the venture's success. This paper delves into the challenges faced by joint venture partners in Kazakhstan's oil and gas sector, examining the root causes of conflicts, their impact on performance, and strategies for mitigation.

Historically, the rapid expansion of the Kazakhstani oil industry spurred a surge in JV formation. To expedite project timelines and meet local content requirements, many partnerships were forged hastily, with limited time for meticulous negotiation and contract drafting. This rushed approach often resulted in poorly defined agreements, leaving ample room for disputes to arise.

The legal framework governing joint ventures in Kazakhstan provides a foundation for business operations, but it also presents certain ambiguities. The flexibility afforded to companies in structuring their partnerships, while advantageous in some respects, can create uncertainties that contribute to disputes. Moreover, the absence of mandatory provisions for shareholder agreements can exacerbate these issues.

By adopting a strategic approach to JV formation and management, businesses can enhance their chances of success in the Kazakhstani market. By understanding the potential pitfalls and implementing effective risk mitigation strategies, companies can navigate the complexities of the local business environment and create enduring partnerships.

Several factors contribute to the prevalence of conflicts within joint ventures in Kazakhstan's oil and gas sector.

- **Cultural and Business Differences**

The convergence of local and foreign partners often brings together distinct cultural and business practices. It is worth understanding that for about 70 years Kazakhstan was among the countries of the Soviet Union, which did not envisage entrepreneurship as a model of interaction, the echoes of which affect the management style, although Kazakhstan is recognized as one of the most dynamic and economically open comparatively to other post-Soviet countries. Divergent management styles, communication approaches, and risk tolerances can create friction and hinder effective collaboration. Moreover, differing expectations regarding project timelines, profitability, and corporate social responsibility can exacerbate tensions.

- **Imbalance of Power**

In many cases, joint ventures in Kazakhstan exhibit an imbalance of power between partners. This disparity can arise from variations in financial resources, technological expertise, or market influence. Such imbalances can lead to conflicts over decision-making, resource allocation, and profit sharing.

The structure of ownership can significantly impact power dynamics within a joint venture. Equal equity splits, such as 50/50 partnerships, often create a delicate balance that can easily tilt in favor of one partner. This is particularly problematic when coupled with "model" constituent documents that fail to address potential power struggles. The risk of deadlock, where one partner can effectively veto decisions, becomes a significant threat to the venture's success.

Kazakhstani law, while providing a framework for LLPs, does not explicitly address the challenges posed by power imbalances. The requirement for unanimous consent on certain decisions, for example, as basis as, amending the charter, can exacerbate these issues. Moreover, the law's general nature often leaves gaps that parties must address through their own agreements, which may lead to further conflicts.

- **Inadequate Pre-venture Planning**

Inadequate pre-venture planning is a significant contributor to conflicts within joint ventures in Kazakhstan's oil and gas sector. A well-structured plan serves as the foundation for a successful partnership, outlining the roles, responsibilities, and expectations of each party. Without a clear roadmap, misunderstandings and disputes are likely to arise.

Key areas where inadequate planning can lead to conflicts include:

- ***Unclear ownership structure:*** Ambiguities regarding ownership percentages, voting rights, and decision-making authority can create power imbalances and disputes.

- ***Undefined roles and responsibilities:*** A lack of clarity on the roles and responsibilities of each partner can lead to inefficiencies, duplication of efforts, and disagreements.

- ***Insufficient risk assessment:*** Failing to identify and assess potential risks can leave the joint venture vulnerable to unforeseen challenges and disputes.

- ***Lack of exit strategy:*** Without a well-defined exit strategy, disagreements may arise regarding the valuation of assets and the distribution of proceeds upon termination of the partnership.

By addressing these areas through 'tailored' foundation documents, joint venture partners can significantly reduce the likelihood of conflicts and build a solid foundation for collaboration.

- **Economic Factors**

Fluctuations in oil prices, exchange rates, and regulatory changes can significantly impact the financial performance of joint ventures. These external factors can create tensions as partners disagree on how to respond to market volatility.

The Impact of Conflicts

Conflicts within joint ventures can have far-reaching consequences. Delayed project timelines, reduced profitability, and damaged reputations are common outcomes. Moreover, conflicts can erode trust and cooperation among partners, hindering effective decision-making and innovation. In severe cases, disputes can lead to the dissolution of the partnership, resulting in significant financial losses for all parties involved.

To mitigate the negative impacts of conflicts, joint venture partners should adopt a proactive approach that emphasizes prevention, early intervention, and effective resolution.

Conflict Resolution Mechanisms

- ***Comprehensive Joint Venture Agreement:*** A well-drafted agreement should clearly outline ownership structures, decision-making processes, dispute resolution mechanisms, and exit strategies.

- ***Cultural Awareness Training:*** Understanding cultural differences can enhance collaboration and prevent misunderstandings.

- ***Robust Governance Structure:*** Implementing a clear governance structure with well-defined roles and responsibilities can prevent power imbalances and facilitate decision-making.

- ***Dispute Resolution Mechanisms:*** Incorporating effective dispute resolution mechanisms, such as mediation or arbitration, into the joint venture agreement can streamline conflict resolution.

- ***Mediation and Negotiation:*** These informal processes can be effective in resolving disputes amicably provided that a joint venture anticipatorily prescribes such mechanisms.

- ***Legal Counsel Involvement:*** Emphasize the importance of seeking legal advice during the formation and operation of a joint venture to mitigate risks and address potential conflicts.

- ***Litigation:*** While often seen as a last resort, understanding the legal landscape is crucial for protecting the interests of the parties involved.

Building Resilient Partnerships. Strong Leadership. Trust and Evaluation

The joint venture agreement should clearly define the roles and responsibilities of the management team, including the establishment of a board of directors or supervisory board to oversee the venture's operations.

Fostering a culture of trust and cooperation through transparent communication and fair dealing is essential. Legal mechanisms such as confidentiality agreements and intellectual property protection can contribute to this environment.

Periodic legal audits and reviews of the joint venture agreement can help identify potential issues and ensure compliance with applicable laws.

Conclusion

Navigating the complexities of joint ventures in Kazakhstan's oil and gas sector requires a multifaceted approach. By understanding the root causes of conflicts, implementing effective prevention strategies, and adopting robust conflict resolution mechanisms, partners can enhance their chances of success. Building strong, collaborative relationships based on mutual trust and respect is essential for overcoming challenges and achieving shared objectives.

THE BORUSAN CAT KAZAKHSTAN SERVICE CAPACITY AND CAPABILITY

Borusan Cat Kazakhstan is one of 160 Caterpillar® dealers in the world and operates in 3 industries: *Construction, Resources, Energy* and *Transportation*. Borusan Cat conducts business with the purpose of "*We Create Solutions for A Better World*" in the countries of the Caucasus and Central Asia.

Adhering to the Borusan Group's focus on human, climate and innovation topics, as a part of the Group, Borusan Cat globally follows the same strategy. The company also strives to be a *Solution Provider* for customers.

Borusan Cat Kazakhstan invests in resources and capabilities, enhancing service for the oil and gas industry. The *Component Rebuild Center* in Atyrau was inaugurated in 2023 and is gaining momentum repairing multi-engine components and creating savings and certified remanufacturing capabilities. From cylinder heads repair to crankshaft polishing, to hydraulic cylinder honing, and hydraulic hoses manufacturing, the repair time and cost for engines have been improved.

As of today, more than 30 various Cat® engine models have been repaired at Atyrau CRC, more than 25 Cat® cylinder heads and 2 Cat® engine components have been repaired under the *Borusan Cat Exchange Program* in 2024.

Within the Atyrau facility Borusan Cat holds stock for multi-diesel generator ratings for quick deliveries, as well as multi-gas generators that operate on low methane associated gas, assisting in the utilization of flare gas. The company also has natural gas generators suitable for pipeline gas.

With over 23 branches, 2 component rebuild centers, over 1500 employees and a broad product range of power generation equipment, gas and diesel proves the status of the trusted *Solution Provider*.

REDUCED PORTLAND, HIGH-PERFORMANCE SYSTEMS

NEOCEM™ SYSTEM, NEOCEM™ E+ SYSTEM, AND ENVIRACEM™ SYSTEM

by Halliburton

Overview

As we transition to a lower-carbon future, it is critical to design dependable cement barriers with reduced Portland content. To meet this challenge, Halliburton has developed a portfolio of reduced Portland slurries that includes the *NeoCem™* system, *NeoCem™ E+* system, and *EnviraCem™* system. These slurries contain less mass of Portland content compared to conventional designs. The reduction in Portland content helps customers lower carbon emission baselines and provides engineered systems with enhanced barrier performance.

NeoCem System: up to 50% reduction in mass Portland cement of blend

NeoCem E+ System: 50%-70% reduction in mass Portland cement of blend

EnviraCem System: 70% or greater reduction in mass Portland cement of blend

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Features

- Lower Portland content compared to conventional cement systems
- Leverages more mined and recycled materials
- Enables higher compressive strenght at a lower density
- Increased ductility
- Reduced permeability
- Enhanced sheath performance
- Delivered using same equipment and processes as conventional designs

Benefits

- Contributes to a lower carbon footprint per cement job
- Reduces supply chain constraints
- Reduces *ECDs* to achieve planned top of cement
- Improved resistance to cyclic loading and wellbore stresses
- Improved corrosion resistance
- Improved wellbore isolation to reduce fugitive emissions
- Operationally efficient

HALLIBURTON

Enhanced tailoring capabilities provide improved mechanical properties

NeoCem, *NeoCem E+*, and *EnviraCem* systems leverage the synergies between the chemical and physical properties of specialized materials combined with Portland cement. Halliburton's innovative tailoring process engineers these reduced Portland systems to deliver high-performance, compressive strength and ductility, at a lower density than conventional systems for improved barrier dependability

Lower density, higher compressive strength

The synergies these specialized materials impart allow for enhanced tailoring capabilities over conventional designs. Traditionally, higher density cement systems exhibit higher performance, such as higher compressive strengths, while lower density cement systems present reduced performance.

However, laboratory data indicates that the Halliburton reduced Portland systems can deliver a compressive strength-to-Young's-modulus ratio (*CS/YM*) greater than a higher density conventional cement system.

Additionally, because the *NeoCem* system, *NeoCem E+* system, and *EnviraCem* system are lower density slurries, equivalent circulating densities (*ECDs*) are more manageable. Managing *ECDs* mitigates the risk of contamination, channeling, and lost circulation, which results in poor zonal isolation.

Table 1: EnviraCem System Mechanical Properties and Permeability

	11.5ppg	12.5ppg	13.2ppg	14.5ppg
Ultimate Crush Compressive Strength [psi]	693	1,477	1,977	3,595
Young's Modulus [Mpsi]	0.370	0.621	0.857	1.360
Poisson's Ratio [-]	0.316	0.313	0.301	0.257
Permeability (μD)	0.029	0.023	0.420	0.010

Mechanical Property and Permeability Testing performed at Houston Technology Center. Samples cured for 7 days at 170°F and 3500 psi.

Increased Ductility

Cements with improved ductility allow the cement sheath to better withstand the cyclic pressures during operations and reduce the potential for stress-induced damage, which can lead to fugitive emissions. The *NeoCem* system, *NeoCem E+* system, and *EnviraCem* system provide an increase in ductility and toughness compared to conventional systems. This improved flexibility enables the Halliburton reduced Portland designs to better withstand the downhole demands from continual pressure and temperature changes throughout the life of the well to provide improved long-term zonal isolation compared to conventional cement systems.

Reduced Permeability

Reduced Portland designs engineered from the innovative Halliburton tailoring process provide reduced permeability of the set sheath compared to conventional cement designs. A cement sheath with low permeability provides more resistance to corrosive fluids and gases downhole to deliver a dependable barrier for the life of the well. Permeability testing of the four different density *EnviraCem* systems, as shown in Table 1, resulted in ranges from 0.01 to 0.42 D. This range is exponentially lower than 0.1mD, or gas tight permeability.

Tailoring methodology provides flexibility for utilization of locally sourced materials

Halliburton's innovative approach to design reduced Portland systems incorporates more locally sourced, natural, and recycled materials. The reduced dependence on Portland cement to provide a dependable barrier enables flexibility with industry supply chain challenges and delivers a more sustainable barrier solution.

The *NeoCem* system, *NeoCem E+* system, and *EnviraCem* system are compatible with the extensive Halliburton portfolio of materials and additives. These reduced Portland systems require no specialized equipment to deploy, to provide an operational efficient and sustainable barrier.

MEMBER NEWS

Stephen Salmon is Appointed General Manager of Fluor Kazakhstan

Stephen Salmon, with a robust background in engineering, brings over 25 years of invaluable experience to his role as General Manager at Fluor Kazakhstan. His extensive career with Fluor has seen him excel in various capacities, including departmental management, Manager of Farnborough office's MPG Multi-Projects Group®, project manager, and most recently, project director for a sustainable aviation fuel front-end engineering design (FEED) project.

His journey with Fluor has been marked by adeptness in handling complex projects and ability to lead teams towards achieving significant outcomes. He has collaborated with clients across Europe, the Middle East, and Asia, bringing a wealth of knowledge and a global perspective to his current role.

Under Stephen Salmon's leadership, Fluor Kazakhstan will continue to support completion of the multi-billion dollar *Tengizchevroil (TCO) Future Growth Project*. In addition to this project, he will oversee Fluor Kazakhstan's collaboration with *Karachaganak Petroleum Operating (KPO)* and *North Caspian Operating Company (NCOC)*.

A key priority for the team at Fluor Kazakhstan is continuing its high national content and the utilization of local employees. By focusing on developing local talent and leveraging their skills developed through the diverse experience on local projects, Fluor Kazakhstan aims to deliver services that support its clients with fit-for-purpose solutions, to meet the goals and objectives of our clients and their projects.

Ivan Circelli Appointed Managing Director of ILF Consulting Engineers Kazakhstan

ILF Consulting Engineers is delighted to announce the appointment of Ivan Circelli as the new Managing Director for its Kazakhstan operations. Since joining the company in 2011, Ivan has demonstrated exceptional leadership and technical expertise, most recently as Head of the Atyrau Branch. With over 21 years of experience in the oil, gas, and industrial sectors, he brings a wealth of knowledge to this strategic role.

As a project and engineering manager, Ivan's extensive portfolio includes completed and ongoing projects in the Oil & Gas Industry, upstream and midstream as well as in a *Project Management Consulting (PMC)* role. He holds a Master's degree in Chemical Engineering from the University of Rome "*La Sapienza*" and is a certified *Project Management Professional (PMP®)*.

Ivan Circelli has successfully led major projects across Austria, Italy, Kazakhstan, Kuwait, and Saudi Arabia. His leadership in the Atyrau office has been pivotal in managing high-profile projects for clients such as Tengizchevroil and NCOC. His expertise, commitment, and visionary leadership continue to drive the success of ILF Consulting Engineers in Kazakhstan and to contribute significantly to the broader engineering community.

MEMBER NEWS

Talgat Jantassov is Appointed President of Prime Aviation

Talgat Jantassov began his career in 2004 as Supervisor of Marketing at Astana International Airport, where he developed a strong understanding of airport operations and marketing strategies. In the following year, he transitioned to Duty Officer at the airport's Operations Control Center (OCC), and in 2008 he was promoted to OCC Deputy Manager. By 2009 he became OCC Manager, overseeing all operational aspects.

In 2009, Talgat Jantassov transitioned to a regional role as Astana Manager for Prime Aviation, which led to his promotion as Prime Operations Director of Ground Operations in Almaty in 2011. In August 2020, he was appointed Vice-President of Prime Aviation. This role entailed overall company management, business development, strategic planning, and the efficient running of day-to-day operations. A major milestone in 2024 was promotion to President of Prime Aviation, the company's highest level of leadership and strategic direction, as well as development and implementation of long-term strategies to ensure the company's continued success and growth.

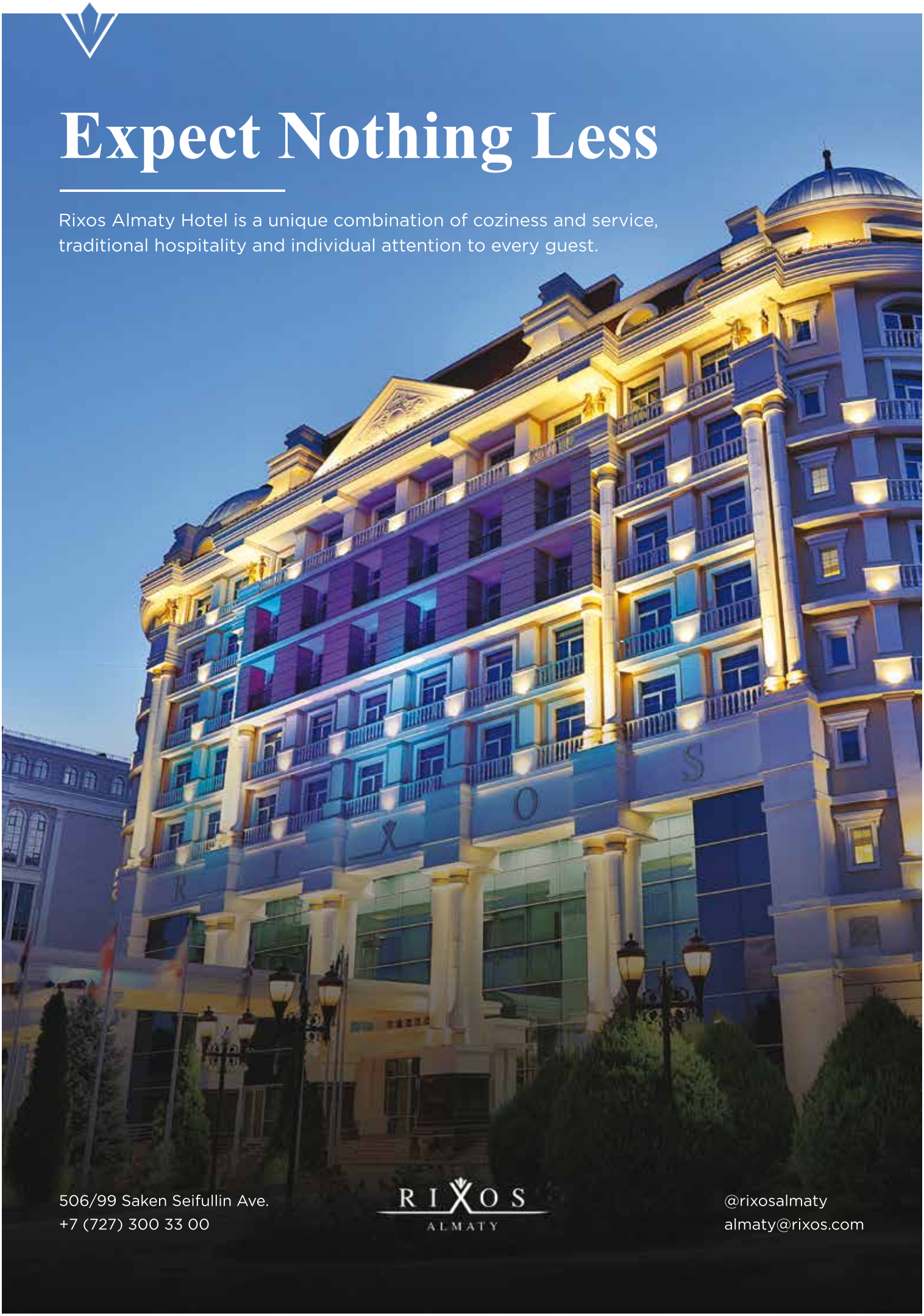
Talgat Jantassov pursued a degree at Moscow State Technical University of Civil Aviation, where he recieved a Management degree, acquiring a deep understanding of the complexities involved in aviation management. In 2024, he received an Executive MBA from KIMEP University, which equipped him with the strategic and managerial skills needed to handle high-level roles within the industry.

Serkan Dilek is Appointed General Director of Coca-Cola Kazakhstan

Serkan Dilek has succeeded Shadab Ahmet Khan as General Director of Coca-Cola Kazakhstan as of August 2024. He will support further development of the Coca-Cola business in Kazakhstan, working in close collaboration with bottling partner Coca-Cola Icecek (CCI). Prior to this, he was head of the representative office of The Coca-Cola Company in Uzbekistan.

Serkan Dilek joined the Coca-Cola System in 2011. He started at CCI and worked first in internal audit in Turkey, and then as business development manager in Kazakhstan during 2016-2018. In March 2018 he transitioned to the role of Customer and Commercial Execution Manager for Central Asia and Caucasus at The Coca-Cola Company based in Istanbul. In January 2020, he was promoted to Commercial Director for Central Asia and the Caucasus region, and in April 2022 he became franchise director and head of the representative office of The Coca-Cola Company in Uzbekistan.

Prior to Coca-Cola, Serkan Dilek worked in the banking and automotive industries in Turkey, including a 4-year tenure at QNB Finansbank (2007-2011) and 2 years at Volkswagen (2005-2007). He is a graduate of the political sciences faculty at Ankara University.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WELCOME ADDITIONS TO THE CHAMBER

Alvarez & Marsal Central Eurasia

CORPORATE A

Eriks Ciguzis
Managing Director

30A Turan Avenue
Astana Kazakhstan

Email: *elikhacheva@alvarezandmarsal.com*
Website: *alvarezandmarsal.com*

Alvarez and Marsal was founded in 1983 in New York, expanded to Los Angeles in 1994, and by 2013 had grown to over 3000 personnel working in 55 offices around the world. Today it has 80+ offices in 39 countries across four continents. The firm employs 10,000 employees worldwide. Since the firm was founded, it has worked with over 4,000 clients in virtually every industry and capability area.

The firm brings operating and enterprise management, top¬ tier consulting and specialized industry experience, combined to meet the needs of companies and investors. It helps companies improve both profitability and cash flow, as well as restructure their balance sheets through key services of: Restructuring and Corporate Finance, Performance Improvement and Corporate Transformation, Technology, Disputes and Investigations.

Alvarez and Marsal is noted for its work in turnaround management, corporate restructuring, due diligence and performance improvement in the US and abroad. Its clients have included *Lehman Brothers, Arthur Anderson, Timex Corporation, Target, HealthSouth, Tribune Company, Warnaco,* and other high-profile companies.

Metso Kazakhstan

CORPORATE A

Andrey Solovyov
Director

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Website: *www.metso.com*

Headquartered in Espoo, Finland, Metso employs over 17,000 people in close to 50 countries and sales for 2023 were about EUR 5.4 billion. The company is listed on the Nasdaq Helsinki. Metso is a leading international player in Central Asia, successfully operating for over 30 years. Collaboration with the region's largest mining enterprises, including Kazakhstan, spans seven countries, confirming the company's strong market position and significant growth potential. It has recently opened a consignment warehouse in Karaganda

The company is a frontrunner in sustainable technologies, end-to-end solutions and services for the minerals processing and metals refining industries globally. The company improves its customers' energy and water efficiency, increases productivity, and reduces environmental risks with the Metso product and service expertise.

Metso aims to promote the sustainable development of the industries in which it operates. Investments are focused on developing technologies that enhance the productivity and environmental efficiency of clients. The company's goal is to create resource-efficient solutions that reduce environmental impact and ensure the long-term sustainability of businesses.

AVIS7

CORPORATE C

Kozy Abdildin
Director

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Website: *www.ansaim.kz*

AVIS7 is a private Kazakhstani company, the only official authorized reseller since 2020 of *Jeppesen*, a *Boeing Company*, for government users in Kazakhstan. AVIS7 also cooperates with other American companies such as *Universal Avionics, Rockwell Collins, Genesys Aerosystems, Garmin* and *Honeywell*.

AVIS7 services are intended to enhance flight safety. It provides aeronautical information documents *(maps/charts, airways manuals, flight planning software, electronic databases for aircraft on-board equipment (avionics) and portable devices)*. The company provides services within the state defense framework and is in the register of Atameken domestic manufacturers. AVIS7 also has its own products: *Kazakhstan Airways Manual* and a *Radionavigation Chart*.

Since 2020, the volume of services sold by AVIS7 and *Jeppesen* has doubled in Kazakhstan. With the increase in the aircraft fleet and the emergence of new technologies, the demand for services in Kazakhstan continues to grow. AVIS7 clients include the *Ministry of Emergency Situations*, as well as private business aviation and small aviation companies: *Dala Air, Alaman Air, Q-AVIA, South Oil, Prime Aviation, Zhetusy* and others.

AMERICAN CHAMBER OF COMMERCE IN KAZAKHSTAN

MEMBERSHIP APPLICATION

ABOUT AMCHAM

Registered in Kazakhstan as a non-profit organization in March of 1999 with 36 charter members, the American Chamber of Commerce in Kazakhstan currently represents over 200 member companies including US, multinational, and local businesses in 30 industry sectors. Their collective investment in Kazakhstan's economy is several billion USD. The American Chamber in Kazakhstan is a member of the US American Chamber of Commerce in Washington D.C. and has working relationships with many regional business associations.

BENEFITS OF MEMBERSHIP

- ✓ AmCham members participate in an organization existing solely to serve members
- ✓ AmCham actively advocates for reform of the business environment with the Kazakhstan Government at senior levels
- ✓ AmCham members may attend 20 Working Groups in 5 cities plus 3 Inter-Ministerial Working Groups
- ✓ Monthly speaker luncheons with senior government and business leaders are reserved for AmCham members
- ✓ Seminars, conferences, and monthly social networking events are organized for AmCham members
- ✓ AmCham membership contact lists are available exclusively to AmCham members
- ✓ Economic, political, legal, social, and business development information is distributed to AmCham members
- ✓ Member companies provide exclusive discounts on products and services to other AmCham members
- ✓ Access to the Members' Only section on the AmCham Website
- ✓ Publishing opportunities are available in *Investors' Voice*, the *Annual Membership Directory*, and Special Publications

MEMBERSHIP APPLICATION

Company Name: _____

Industry Area: _____

CEO Name, Signature, Email: _____

Contact Individual: _____

Title(s): _____

Address: _____

Tel.: _____ Fax: _____ E-mail: _____

Please include us in the following Working Groups:

Almaty (7)

- ☐ Foreign Investment
- ☐ Human Resources
- ☐ Tax
- ☐ Technology and Innovation
- ☐ Corporate Social Responsiblity
- ☐ Healthcare Reform
- ☐ Trade and Customs

Atyrau (4)

- ☐ Tax
- ☐ Human Resources
- ☐ Trade and Customs
- ☐ Corporate Social Responsiblity

Aktau (3)

- ☐ Human Resources
- ☐ Tax
- ☐ Trade and Customs

Astana (4)

- ☐ Foreign Investment
- ☐ Tax
- ☐ Trade and Customs
- ☐ Human Resources

Shymkent (1)

- ☐ Foreign Investment

AMCHAM WORKING GROUPS

Working Groups made up of representatives from Amcham member companies provide comment, discussion and submission of positions and represent the united interests of the business community in Kazakhstan by identifying challenges faced by investors and proactively addressing them. Each group meets regularly, providing a forum for networking and the exchange of information. Groups are formed on an as-needed basis at the request of the AmCham membership.

GOVERNANCE

The AmCham is governed by a Board of Directors elected annually from and by the membership. Directors currently and in the past have included individuals from the following company members:

AES
AIG Insurance
Baker & McKenzie
BASF Central Asia
Beeline
BG Group
Bracewell and Giuliani
Capital Bank
Chevron
Citibank
Conoco Phillips
Coca-Cola
Dechert
Deloitte
EBRD
EY
GE International
Halliburton
HSBC
Hyatt Hotel
Honeywell
Inditex
Intercontinental Hotel
KIMEP
KPMG
Nestle
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White & Case

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Doris Bradbury
Executive Director
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Dana Kabylkhanova
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Zhanel Suleimenova
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Aminat Akhmatova
Events Coordinator
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info@amcham.kz

Sergey Nikulin
Technical Support

REGIONAL REPRESENTATIVES

Bela Ferenczi
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Resident Representative, Astana
Bela.Ferenczi@ge.com

Marina Trinca Vespan
Managing Director, SLB
Resident Representative, Atyrau and Aktau
MVespan@slb.com

MEMBERSHIP CATEGORIES AND ANNUAL FEES

Corporate A	(Worldwide revenues in excess of 100 million USD)	$5,500 USD
Corporate B	(Worldwide revenues between 2-100 million USD)	$4,000 USD
Corporate C	(Worldwide revenues not exceeding 2 million USD)	$3,000 USD
Non-Profit		$2,000 USD
Individual**		$500 USD

***Individual memberships are available only under special circumstances for persons not associated with a company.*

Corporate membership entitles a company to delegate 3 individuals as AmCham voting members. The number of persons from each company participating in working groups, forums, and business roundtables is usually not limited.

All applications for membership must be approved by the Board of Directors of the American Chamber of Commerce in Kazakhstan. For further information about membership benefits, the application process, or Investors' Voice magazine, please contact: info@amcham.kz


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