www.amcham.kz

IV Investors' Voice

The American Chamber of Commerce in Kazakhstan

Kazakhstan's Leading International Business Association

April 2018
SPRING ISSUE #78

CASPIAN SPRING 2018
OIL AND GAS IN RECOVERY MODE


Loss prevention – how prepared are you?
It's about your people
It's about your equipment
It's about your process
It's about your business reputation
Choose your world leading authority on safety, asset reliability and business performance to support a safer oil and gas industry.
Lloyd's Register Kazakhstan LLP
T +7 7122 760807/08/09
E almaty@lr.org
Lloyd's Register is a trading name of Lloyd's Register Group Limited and its subsidiaries.
For further details please see http://www.lr.org/entities
© Lloyd's Register Group Limited 2018
Lloyd's Register

EDITOR'S NOTE

Dear Readers,

The April Issue of *Investors' Voice* is always devoted to Kazakhstan's Caspian region, the base of the country's dynamic oil and gas industry, the engine driving Kazakhstan's economy. Kazakhstan owes its affluence and economic leadership to this industry and to the international oil companies that have brought their expertise and experience to the Caspian region and to its giant Tengiz and Kashagan oilfields over the past three decades.

The oil industry is constantly developing and facing new challenges. This ensures the *Caspian Spring Issue* of *Investors' Voice* is each year filled with a broad range of articles on technical, legal, and tax issues requiring new ideas and new approaches. As always, the industry leaders have contributed comprehensive overviews of their operations and plans to this Issue.

The past few years have entailed a serious challenge to the industry as a result of a cyclical downturn in the price of oil, but the price has recently risen to a level double oil's the lowest levels several years ago, signaling a return to the dynamism of this inherently dynamic, flourishing industry.

This year's Caspian Issue's lead article is from Tengizchevroil, which is celebrating its 25th anniversary of operations in Kazakhstan, a crucial landmark in the country's economic development. It is followed by an article from N.C.O.C., the operator of the giant Kashagan oilfield, which this year marks its first full year of operations in extremely challenging environmental conditions. Articles from ExxonMobil, Shell, Fluor and Lloyd's Register follow, all companies with a lengthy history in Kazakhstan, each signaling new initiatives in the past year and in the year ahead.

Articles by Deloitte, EY, and Nostrum Oil & Gas, a smaller oil company in northern Kazakhstan, discuss financial and tax issues facing the industry, and a fascinating article by Gantek turns readers' attentions to IT activity driving the Green Economy, a priority for Kazakhstan, after the Future Energy Expo in 2017.

AmCham hopes our readers will enjoy and find informative the collection of articles we have assembled to create a picture of the oil industry as it enters 2018, a promising year for Kazakhstan and its leading industry.

Doris Bradbury
Executive Director

TABLE OF CONTENTS

Cover Tapestry: Saule and Alibay Bapanov

ARTICLES

BOARD OF DIRECTORS

CREDITS

EDITOR IN CHIEF:
Doris Bradbury

PHOTOGRAPHER:
Indira Izteleuova

COVER TAPESTRY:
Saule and Alibay Bapanov

CONTRIBUTORS:
Dana Aristanbayeva
Ted Etchison
Alan Evans
Igor Girnyk
Olcum Gobeklioglu
Maken Iskakova
Bruno Jardin
Anthony Mahon
Anatoly Solovyev
Michael Wagner
Myra Yessengeldiyeva

EXECUTIVE COMMITTEE

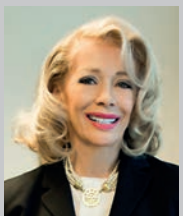
Kenneth Mack
President
Principal
Mack Law

Bela Ferenczi
Vice-President
CEO
General Electric

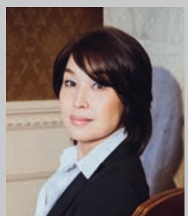
Paul Cohn
Treasurer
Partner
Ernst & Young

Ashley Clarke
Secretary
Chief Operating Officer
KPMG

BOARD MEMBERS



Doris Bradbury
Executive Director
AmCham



Gulnara Danybayeva
General Manager
Philips Kazakhstan

Ted Etchison
General Director
Tengizchevroil

Tim Miller
Managing Director
Eurasia Business Unit
Chevron

Gani Uzbekov
Founder and CEO
SILK

Olga Voronova
Country Manager
Procter and Gamble

PUBLISHER:

American Chamber
of Commerce in Kazakhstan
Tel.: +7 (727) 330 92 50
Fax: +7 (727) 330 92 51

For information about the AmCham, please email *info@amcham.kz*
For information about Investors' Voice and the Chamber's website,
please contact Zhanyl Aidaralieva at *Zhanyl.Aidaralieva@amcham.kz*
To register for an AmCham event,
please email Togzhan Smagulova at *info@amcham.kz*
To enquire about financial issues,
please contact Rimma Kazhemyakina at *Rimma.Kazhemyakina@amcham.kz*

CONTRIBUTORS

Deloitte

Anthony Mahon, Partner, Caspian Energy and Resources Leader, Deloitte Kazakhstan

Originally from Deloitte in the UK, Anthony Mahon spent three years working for Deloitte in the Middle East and joined Deloitte CIS in 2012. He leads Deloitte's Caspian Energy & Resources practice across all service lines. A tax partner who specialises in international tax, mergers and acquisitions and restructuring, he advises a range of Kazakhstan's most significant subsoil users.

Anthony Mahon holds a BSc from Aston University and is a member of the Institute of Chartered Accountants of England & Wales.

Maken Iskakova, Senior Tax Manager, Deloitte

Maken Iskakova has over 16 years of experience in accounting and taxation, having spent time with large international oil companies both in Kazakhstan and the Middle East. During the course of her career, she has built an impressive skill set in consulting on corporate taxation for oil and gas companies. She has extensive advisory and in-house experience of the Kazakhstan PSA regime.

Maken Iskakova graduated from Kazakh State University in Almaty.

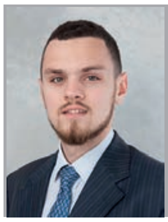
Dow

Igor Girnyk, Country Manager, Dow Kazakhstan

Igor Girnyk is the Country Manager for Dow in Kazakhstan in addition to his commercial role with Dow Oil, Gas & Mining. Igor Girnyk joined Dow in 2006 in Kiev as Sales Representative for Basic and Performance Chemicals. In 2008, he was assigned to Dow's Oil & Gas business unit in Russia and the CIS, with Kazakhstan playing a strategic role. From 1999 - 2002, he worked in various chemical companies, and was responsible for sales at Rhodia from 2004-2006.

Igor Girnyk graduated from Kiev University in 1999 with a degree in Chemistry.

EY



Anatoly Solovyev, Senior Consultant, Cleantech and Sustainability Services group, EY

Anatoly Solovyev specializes in safety management, behavior safety, organizational change management, safety trainings, and leadership workshops for companies in the Oil & Gas and Mining & Metals sectors. He has extensive experience in implementing best safety practices that boost safety performance and productivity with proven results.

Anatoly Solovyev has a Specialist degree in Environmental Engineering from the Peoples' Friendship University of Russia.

Dana Aristanbayeva, Manager, Global Compliance and Reporting Services, EY

Dana Aristanbayeva has over five years of experience in financial accounting (conforming to IFRS and US GAAP) and reporting compliance services for local and international companies in the mining, pharmaceutical, and services industries. She specializes in corporate/managerial reporting and assists in reconciliations between the IFRS and US GAAP. She has been involved in various EY projects, including the transition from 1C to SAP and development of accounting policy. In addition, she works on internal and external audits.

Dana Aristanbayeva holds an MSc degree in Accounting and Finance from the University of Essex (UK).

Fluor

Alan Evans, Senior Director, Business Development, Fluor

Alan Evans is an Oxford-educated Chartered Engineer with broad experience in engineering contracting for the Automotive, Aerospace and Process industries. With experience in Proposal, Contract, Project, and Site Management, as well as Sales and Business Development, he has experience in every aspect of the business. Most recently, Alan has been leading Fluor's Sales activities in the UK, concentrating on Azerbaijan and Kazakhstan, resulting in many major contracts to Fluor and its joint venture partners.

Alan Evans holds an Honors Degree in Physics, as well as an MA from Wadham College, Oxford.

CONTRIBUTORS (Con't)

Gantek Technology

Olcum Gobeklioglu, Director, Gantek Technology Kazakhstan

Olcum Gobeklioglu serves as Director of Gantek Technology in Kazakhstan, as well as VP of Regional Operations at Gantek's HQ office in Istanbul. He is a Senior Executive with 20 years of progressive experience in the IT market in both Turkey and the CIS.

Olcum Gobeklioglu holds a BSc in Systems & Industrial Engineering from Yeditepe University in Istanbul.

Lloyd's Register

Myra Yessengeldiyeva, Business Development Manager, Lloyd's Register Kazakhstan

Myra Yessengeldiyeva has more than 10 years' experience in managerial positions, 7 years at Lloyd's Register. She previously worked as Operations Support Manager and currently serves as Lloyd's Business Development Manager in Kazakhstan and the Caspian region. Ms. Yessengeldiyeva works to promote Lloyd's technical expertise to customers and to analyze business opportunities in the region.

Myra Yessengeldiyeva graduated from Central Asian University in Almaty with a degree in Engineering.

NCOC

Bruno Jardin, Managing Director, North Caspian Operating Company, (NCOC)

Bruno Jardin started his professional career in 1982 as a Facilities and Project engineer at the ESSO Port Jerome Refinery in Normandy and, over the next several years, held positions of increasing responsibility with ExxonMobil in France and in the United States. In 2015, Mr. Jardin was appointed Managing Director of the North Caspian Operating Company (NCOC). He is fluent in both French and English.

Bruno Jardin holds a Master of Science degree in Civil Engineering from the École Nationale des Ponts et Chaussées in Paris.

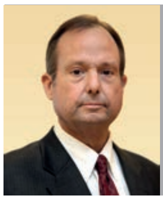
NoG

Michael Wagner, Group Head of Tax, Nostrum Oil and Gas

Michael Wagner is the Group Head of Tax at Nostrum Oil and Gas. He has over 20 years of energy taxation / fiscal risk management experience in Kazakhstan and other successor states to the former Soviet Union.

Michael Wagner earned a B.A. in Economics from Arizona State University and an International MBA from the American Graduate School of International Management (Thunderbird).

Tengizchevroil (TCO)



Ted Etchison, General Director, Tengizchevroil (TCO)

During his 36-year career with Chevron, Ted Etchison has held various engineering, operations, and managerial positions of increasing scope and responsibility – both in the United States and abroad. In January 2014, Ted Etchison was appointed General Manager of Operations at Tengizchevroil, and on November 1, 2015, he was appointed General Director.

Ted Etchison holds a B.Sc. in Petroleum Engineering from Texas A&M University and an MBA from Tulane University (USA).


YOUR FREE TICKET
THREE TIMES FASTER
Join Nomad Club and start earning points
three times faster on flights within Kazakhstan.
air astana
airastana.com

TENGIZCHEVROIL - A QUARTER CENTURY LEADING THE WAY

Ted Etchison
General Director, Tengizchevroil (TCO)

A Jewel in the Oil and Gas Crown

Tengizchevroil was created on April 6, 1993, when Nursultan Nazarbayev, President of Kazakhstan, and Kenneth Derr, Chairman of the Board of Directors for Chevron, signed the *Formation Agreement* in the symbolically named *Friendship Palace.*

This agreement was approved by special decree from the Kazakhstani President, which emphasized its important status and guaranteed all provisions enshrined in the document. President Nursultan Nazarbayev trusted Chevron in this bold decision, and the company went on to make a tremendous contribution to the Kazakhstani economy.

As the first major investment by a global American company in this young state, TCO went on to become a shining example to other international companies that the country was open for business and is a good destination for investment. According to TCO General Director Ted Etchison, *"TCO is proud to have played a supporting role in the rise of Kazakhstan to global prominence. Together, we have delivered impressive results in safety, production and revenue, and in the process, created prosperity for the country with the creation of thousands of jobs, a trained the local workforce, a sustainable supplier base, and improved well-being in the communities where we operate"*.

The Tengiz oil field on the Caspian coast was discovered back in 1979. Without a doubt, it was a unique jewel in the oil and gas crown of the Soviet Union at the time. In terms of oil reserves, it immediately became one of the ten largest oil fields in the world. The development of Tengiz began in the 1980s and, within a few years, production reached a level of about 3 million tons of oil per year. To increase production further, significant investments and new technologies were required, which the Soviet economy could not provide at that time. However, Chevron was ready.

In 1988, a protocol was signed between the Soviet Ministry of Oil and Gas and Chevron on the intention to create a joint venture *Sovshevroil*. Even though the deposit was located within the territory of Kazakhstan, the document was signed in Moscow without the participation of the Kazakh government. It was only at the insistence of the President of Kazakhstan, Nursultan Nazarbayev, that Kazakh specialists were included in the negotiation process. After the collapse of the USSR in 1991, Kazakhstan became a fully-fledged party to the negotiations, and, as a result, the parameters of the future contract were agreed upon, which were profitable for both the American oil and gas giant and the young republic.

Many years later, President Nursultan Nazarbayev would remember the talks: *"Twenty-one years ago, I was in talks with Chevron for the first time, inviting this company to Kazakhstan. I was sitting opposite the president of the company at the time, Mr. Derr, and argued with him about taxes, how much to Kazakhstan, how much to him, what territory. He said to me: "Mr. President, you do not have laws, you do not have specialists, you do not have technologies. What should we hope for? How can you convince us? ". I responded: "My only argument is that you must believe me." I think that I did not fail them. They have been working successfully here in Kazakhstan ever since"*.

Tengiz Expansion

In a quarter of a century, Tengizchevroil, became the leader of the oil and gas industry in Kazakhstan. Today, the share of crude oil produced by the company at the Tengiz and Korolev fields is approximately one third of the total oil produced in the country. In mid-2017, the company achieved a historic milestone of 3 billion barrels of oil produced, despite the fact that the first billion barrels were produced as recently as 2006, a mere 13 years after the investors came to Tengiz.

By 2012, the production of the second billion took place in half the time - only 6 years. This was due to the implementation of two large-scale projects in Tengiz: *Second Generation Plant (SGP)*, which reached its full design capacity in 2010, and the construction of a unit for the injection of sour gas (SGI) into the reservoir in 2007. The SGI facility is unique, pumping gas at an incredibly high pressure and volume. After the commissioning of these two facilities in 2010, production amounted to a record 25.9 million tons of crude oil.

Last year, the company delivered another production record, producing 28.7 million tons of crude oil and selling about 1.38 million tons of liquefied gas, 7.45 billion cubic meters of dry gas, and 2.49 million tons of sulfur. However, the future offers even more opportunities for TCO.

On July 5, 2016 in Astana, shareholders of the joint venture Tengizchevroil announced a final investment decision (FID) on the *Tengiz Future Growth Project - Wellhead Pressure Management Project (FGP-WPMP)* - that involves 36.8 billion dollars of investment. It became one of the largest investment projects in the global oil and gas industry in 2016! The project involves the construction of a new plant at the Tengiz field to produce and transport crude oil to markets, as well as a system for injecting associated gas back into the oil reservoirs.

FGP-WPMP is a global Project with global impact. It works from its execution centers in 19 different locations in 11 different countries. The *Future Growth Project* and *Wellhead Pressure Management Project (FGP-WPMP)* are being constructed simultaneously to realize significant efficiencies.

Based on TCO's highly successful *Sour Gas Injection-Second Generation Project (SGI-SGP)* expansion project, FGP will expand production by about 12 million tons per year (260,000 barrels per day). This will increase total production to about 39 million tons per year (850, 000 barrels per day). WPMP will keep the existing Tengiz plants full by lowering the flowing wellhead pressure and boosting the pressure to the six existing processing trains.

Most of the FGP-WPMP equipment is being constructed in Kazakhstan, South Korea, and Italy, and will be pre-assembled into modules for transportation to Tengiz and final assembly.

TCO's *Future Growth Project-Wellhead Pressure Management Project* will generate significant economic benefits for Kazakhstan, including the creation of jobs. Currently, more than 30 thousand Kazakhstanis are employed at the FGP- WPMP in the country, which accounts for 92% of the total project personnel in Kazakhstan. TCO has attracted Kazakhstani companies that provide services in design, procurement, and manufacturing to participate in the project. To date, more than 2000 Kazakhstani companies have been pre-screened.

The installation of pipe racks commenced at the ERSAI yard in Mangystau Oblast, Kazakhstan in October 2016 and is progressing according to plan. The engineering of gas turbine generators in Italy and modules in South Korea are progressing on plan as well. The creation of module-carrying vessels (MCVs) continues in Vietnam and Romania and the first 10 MCVs have been launched. In addition, the construction of the 71 kilometre marine channel at Prorva has been completed and the turning basin for ships has already been filled with water.

Tengiz infrastructure construction is progressing according to plan. Civil and underground works continue to ramp up at the 3GP and 3GI construction sites. The well pads are completed and have been delivered to the drilling team, and construction is progressing on the pipelines and metering stations for high-pressure early oil.

FGP-WPMP is a state-of-the-art project that will create a legacy of trained workers, new facilities, technology transfer through partnerships with international companies, and upgraded infrastructure in the region. FGP-WPMP is a landmark project for the nation that will deliver the promise of a world-class petroleum resource to future generations of Kazakhstanis.

Safety and Environmental Care

Personal and plant process safety remain the number one priority at TCO. In 2017, TCO employees and contractors reached the world level of safety, having put in over 94.5 million man-hours with only 4 incidents that require a day away from work. However, even with these impressive statistics, TCO is never satisfied and consistently strives to achieve incident free Operations.

Also, environmental protection has been and continues to be a priority for TCO. In 2017, TCO investments in projects aimed at reducing environmental impact have exceeded three billion USD since 2000. Investments in equipment reliability have reduced the number of technical malfunctions at the plants, and the volume of unplanned sour and acid gas flaring has been reduced by 99 percent from 2000 to 2017.

Total air emissions generated per ton of oil produced have been reduced by 70 percent since 2000, even as annual crude oil production has grown by 2.7 times as a result of TCO's investments in capital programs and equipment reliability. TCO's current gas utilization rate is over 98 percent – a work class performance!

In 2014, TCO launched a *Water Treatment Plant (WTP)* as part of a new integrated water management system in Tengiz. The new system design provides for cleaning up to 6,000 cubic meters of domestic wastewater per day for use in boilers at Tengiz plants. The purified wastewater from the WTP is sent to the state-of-the-art water recycling facility (WRF), which cleans up to 3,000 cubic meters of water per day to the quality of service water.

Two years later, TCO completed remediation of 1,320 hectares of technologically disturbed lands (TDL), reaching 94% of the total area of the TDLs planned for restoration. The following year, a new laboratory was opened at new Industrial Base in Tengiz. The consolidated laboratory was put into operation to provide support for sampling and analysis designed to ensure the receipt of quality environmental data from the TCO *Environmental Monitoring Program.*

TCO conducts ongoing environmental monitoring in the area of operations, reporting on the results of air, water, and soil monitoring to the relevant state bodies in Kazakhstan.

In 2011-2012, Tengizchevroil was recognized at the *Kazakhstan International Conference on Labor and Industrial Safety KIOSH* as the safest enterprise in the country.

Socially Responsible Partner

Tengizchevroil has established itself as a socially responsible partner for 25 years of operation in Kazakhstan. One of the company's strategies is investing in human resources for the development and support of highly qualified employees, who ensure achievement of proper results. TCO staff consists of people of different ages, qualifications, experience and interests. Through the regulation of labor and production relations in the company, TCO ensures creation of an effective compensation system, social protection of employees, ensuring effective use of their potential, training and development of specialists, cultivating a corporate culture, employees' commitment to corporate values and company strategies.

TCO implements various programs for training and developing personnel, improving leadership skills, and increasing professionalism. For a quarter of a century, the Tengiz project has become a real forge of personnel for the oil and gas industry.

In 1993, the share of Kazakhstani employees in TCO did not exceed 50%, today it stands at 83%. Because of ongoing training and development programs, more and more employees are being promoted to key positions. Since 2007, 156 Kazakhstanis have already replaced their foreign colleagues in key management and technical positions. In addition, 50 TCO employees were seconded to various business units of Chevron abroad and in Kazakhstan.

Employees who have gone through TCO School successfully work in a variety of companies, both in Kazakhstan and in all parts of the world. Experience in TCO at the same time is a certificate of high qualification and corporate culture of a potential employee for the company.

Tengizchevroil has received several *Paryz* national prizes for corporate social responsibility:

- *2008 - Silver Prize for Best Social Project*
- *2009 - Golden Prize for Best Collective Agreement*
- *2011 - Grand Prix for Business Social Responsibility*

Responding to the needs of the local community, TCO takes an active part in transforming social infrastructure in the region. At the very beginning of its journey in 1993, TCO launched the *Atyrau Bonus Fund* Program with an investment of 50 million USD, part of the Tengiz project agreements. In close cooperation with the Atyrau Oblast Akimat, the most urgent social projects were selected, aimed at improving medical facilities and infrastructure facilities in the regional center and in Zhylyoi District, where the company conducts production activities.

All these projects were financed by TCO and successfully completed in 1998. Following this, the *Egilik Voluntary Social Infrastructure Program* was launched in 1999, approved by all of the JV partners. The criteria for selecting projects under *Egilik* are simple and transparent:

- the project should benefit the local community;
- it must be sustainable; that is, after putting the facility into operation, the project goes to the ownership of another legal entity without further financial support from TCO;
- The project should correspond to the company's overall business strategy.

Within the *Egilik* framework, many projects were implemented that changed the appearance of the cities and the villages and improved people’s lives in the Atyrau Oblast. These projects include modern schools and kindergartens, a college in Kulsary, a filter station in the district center, hospitals and family medicine dispensaries in the villages, and many other important social projects.

Total costs of *Egilik* amounted to more than 239 million US dollars. In total, 110 projects were implemented and more than 1,000 jobs were created. Since 1993, Tengizchevroil spent more than $1.4 billion to finance various social projects for the population of Atyrau Oblast and its employees.

Input to the Kazakh Economy

Today it is impossible to overestimate the role of Tengizchevroil in the Kazakh economy. TCO is the largest taxpayer in the country. However, taxes are not everything. Just last year, overall financial payments to Kazakhstan, including salaries for Kazakhstan employees, purchases of goods and services of domestic producers and suppliers, payments, tariffs and fees to state companies and enterprises, as well as taxes and royalties transferred to the state budget, amounted to 8.5 billion USD. In general, since the formation of the joint venture in April 1993, the company's contribution to the Kazakh economy has exceeded 125 billion USD.

In 2002, the enterprise purchased goods and services of domestic producers for $ 415 million, and then in 2017, this figure exceeded $ 2.5 billion.

In addition, there are things that cannot be measured with money. In addition to financial payments, the joint venture has brought other values to Kazakhstan: a new corporate culture, new, truly unique technologies, new opportunities in the field of engineering and technical design, maintenance of high-tech equipment, project management, construction and production; as well as creation of joint ventures between Kazakhstani and foreign companies.

Tengizchevroil confidently looks forward to the next 25th anniversary of its joint work with Kazakhstan. According to Ted Etchison, *"We want to contribute to the increase of knowledge and skills and help create a lasting legacy in Kazakhstan. We want to implement not one-off projects, but to create knowledge, skills and technologies that would benefit the country in the future."*

25

ТСО ТЕНІЗШЕВРОЙЛ

ЖЫЛ • ЛЕТ • YEARS

25 YEARS OF SUCCESS - BUILDING THE FUTURE TOGETHER!

NCOC - THE FIRST FULL YEAR OF SAFE PRODUCTION

by Bruno Jardin
Managing Director
North Caspian Operating Company (NCOC)

Overall, 2017 was a very remarkable year for the North Caspian project.

First, the North Caspian Operating Company (NCOC) is proud of its safety performance that has been equal or better than global industry averages. In the last four months of 2017, NCOC did not have a single lost time injury.

On the environmental side, thanks to higher-than-expected system reliability, the Company flared less than two percent of gas produced, and its flared volumes were well within permit. Regarding business results, NCOC is proud of the great work that has been done by the Company staff in its first full year of safe production.

Raw Gas Injection – a difficult and complex engineering task – was started up in the middle of 2017, without incident. This allowed the Operator to ramp up to a production capacity level close to 300 thousand barrels per day, or roughly 13 million tons per year.

In addition, NCOC began the first export of Kashagan sulfur by rail in October. Production of sulfur pastilles ramped up quickly. By year's end, NCOC had already exported more than 100 thousand tons. In 2017, the Company continued to bring on-line new wells and to commission additional drilling islands. Another important project is to increase the recycling of process water at Bolashak, in order to minimize consumption of water that is otherwise available to the region. In 2017, NCOC reduced water intake by 50%.

Objectives for 2018

As for NCOC's 2018 plans, the company's first priority is safety, and its goal is zero. This means that NCOC aims to have *zero* personal injury incidents and *zero* environmental incidents for the upcoming year.

As regards to production objectives for 2018, the Company has learned a great deal about how the Kashagan reservoir is reacting with the start of gas re-injection in August 2017. Pressure decline, and hence production increase, is more gradual than originally expected. NCOC is dedicated to reaching its full design capacity of 370 thousand barrels per day at the earliest possible date, and the company is studying options to accelerate this. Its approach to ramping up production is a sequence of steady and planned steps to build confidence in the equipment, processes, and the reaction of the reservoir.

Plans for the future

The Operator believes in progressing a "pipeline of projects", with attractive new projects for its investors. To keep this "pipeline" filled, NCOC has completed a major concept selection study for the potential co-development of Kalamkas-Sea field and CMOC's nearby Khazar field. A number of opportunities to reduce the cost of the project have been identified that could make it economically viable.

The shareholders of the project are committed to progress early engineering, once all government approvals have been secured. At the same time, NCOC continues to look at opportunities to develop the Aktoty and Kairan fields, this includes synergistic approaches to enhance the development of Kashagan's future phases.

On that note, NCOC continues to assess all options for the development of future phases of Kashagan. The Consortium is committed to developing a world class project that maximizes the use of local goods, works and services. The Consortium's approach to local content development comprises three main areas: growing local industry capability; job skills training and knowledge transfer; and enhancing local infrastructure. The results are clear. Overall payments for local content in goods, works, and services have totaled more than 13.7 billion US dollars since 2004.

Significant progress has been also made in the nationalization of company staff. Between 2015 and 2017, the number of expatriate employees was reduced by 40%. The percentage of national employees in NCOC currently stands at 89%. NCOC also delivers social infrastructure and other benefits directly to the people of the Atyrau and Mangystau oblasts.

In total, more than 570 million US dollars have been spent to build 187 new social facilities, including schools, kindergartens, hospitals, and sports facilities. Twenty of these projects were completed in 2017. As Kazakhstan's largest direct foreign investment project, which is celebrating its 25th anniversary this year, the North Caspian project has a powerful multiplier effect on the economy, creating employment opportunities for Kazakh people and opportunities for local companies.

EXXONMOBIL WORKSHOPS BUILD EXPERTISE AND PARTNERSHIPS

To contribute to the development of national technical expertise in Kazakhstan's major Tengiz and Kashagan oil fields – where ExxonMobil has 25-percent and 16.8-percent interests, respectively, ExxonMobil Kazakhstan Inc. (EMKI) has sponsored and organized workshops for engineers and geologists of the state-owned oil and gas company KazMunayGas (KMG) and its subsidiaries for the last four years.

These seminars have focused on topics such as reservoir interpretation, with a field trip to a carbonate core storage facility, and on ExxonMobil's experience in drilling some of the world's longest and most-complex wells. Most recently, ExxonMobil subject-matter experts traveled to Astana to provide a week-long training session on principles of project management for 30 national specialists.

The project management session sought to contribute to the development of project engineers and strengthen local technical capabilities. Another objective was to provide guidance for KMG specialists to leverage proven approaches to project execution; for example, evaluating environmental concerns and regulatory requirements early in the project design and implementation process.

Over the course of five days, ExxonMobil shared industry-leading best practices for consistently delivering complex, integrated projects safely, on time, and on budget. Key topics included:

- project management overviews;
- development and business planning, optimization and front end engineering design (FEED);
- cost and schedule estimating, contracting, detailed design, quality and contract administration;
- concepts of leadership and teamwork.

Deputy KMG Vice President Zhanyl Kozhanazar emphasized the importance of incorporating new learnings into future project planning and design and in strengthening KMG's capabilities, especially in light of the development of future projects such as the Tengiz expansion. "*ExxonMobil's worldwide experience will help KMG to rethink their approaches and learn how to deliver complex projects at a lower cost*," Kozhanazar said.

KMG's project practitioners noted that in addition to sharing expertise, one key learning was to understand project execution specifics and techniques applied by ExxonMobil.

Overall, it was another opportunity for EMKI to reinforce its commitment to Kazakhstan as well as to respond to the government's call for foreign investors to upgrade the qualifications of national technical professionals. More than 100 Kazakhstani employees have received training since the start of EMKI's knowledge-sharing initiative.

"*Today's environment requires strong partnerships between foreign investors and host governments to ensure there is an incentive to make significant, sustained investments in the development and deployment of technologies to meet the energy demand challenge,"* EMKI Lead Country Manager Cheryl Gomez-Smith said. *"A partnership that fosters technology sharing, collaboration and ingenuity will sustain complex projects with lifespans of decades. As one of Kazahstan's biggest investors and long-term partners, ExxonMobil will continue to look for new knowledge-sharing opportunities*."

SHELL - *MAKE THE FUTURE* PROGRAM

Make the Future Singapore, a festival of bright energy ideas and innovations for Asia, took place at Singapore's Changi Exhibition Centre from March 8 to 11, 2018. Returning to Singapore for a second year, the public festival was a platform for conversation, collaboration and innovation around the global energy challenge: how to generate more energy, while producing less CO2 emissions.

Headlining the festival *was Shell Eco-Marathon Asia*, where over 120 student teams from 18 countries across Asia Pacific and the Middle East put their self-built energy-efficient cars to the test. One of the world's longest-running student competitions, the Shell Eco-Marathon is a global program that challenges bright students to design and build ultra-energy-efficient cars and then put them to the test in competition.

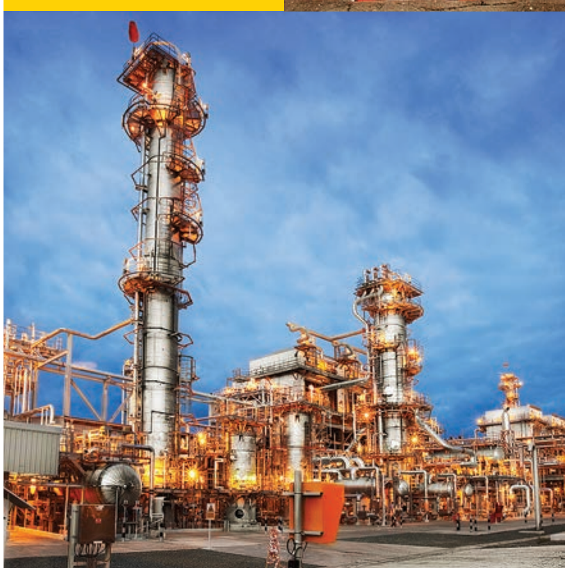
For the first time, *Shell Eco-Marathon Asia* welcomed student teams from Kazakhstan, represented by *Nazarbayev University* and *Satpayev Research Technical University*. Shell Kazakhstan supported the participation of these teams as part of company's Social Investment portfolio to develop STEM (Science, Technology, Engineering and Math) education. Kazakhstan students were inspired by the concept of Shell Eco-Marathon, which was featured at the *Shell Energy Lab* pavilion during *Expo 2017* in Astana.

Students from Satpayev Research Technical University competed with a unique ethanol-powered car designed to perform under extreme weather and temperature conditions, mirroring Kazakhstan's diverse climate which ranges from -40C in winter to +40C in summer. The team from Nazarbayev University built their energy-efficient prototype, powered by an electrical battery.

Overall, 126 student teams competed in one of two categories of the competition: either *Prototype* – futuristic and highly aerodynamic vehicles – or *UrbanConcept* – highly economical vehicles that resemble today's cars. Students competed in three different categories based on their selected energy source: Internal Combustion Engine (ICE): Gasoline, diesel, ethanol (biofuel); hydrogen fuel cell; and battery electric power.

Vehicles had to pass a detailed technical inspection before they were allowed onto the track to see how far they could go on the least amount of fuel. After thorough technical inspections consisting of 12 stations, Nazarbayev University went on track and finished 12th place among 26 prototype electric cars. The Satpayev University prototype car on ethanol also placed in the top 10 for the best design. S. Iswaran, Minister for Trade and Industry of Singapore, complimented the Kazakhstan team's aesthetic car design.

Make the Future Festivals are Shell's global platform for conversation, collaboration and innovation around the world's energy challenges. With events hosted in countries around the globe, they aim to provide an opportunity for multiple stakeholders including students, entrepreneurs, businesses, governments, and the public, to experience, test and contribute bright energy ideas.



ЧЕТВЕРТЬ ВЕКА
ПОД ЗНАКОМ УСПЕХА

25 YEARS SHELL IN KAZAKHSTAN
1993-2018

FLUOR IN KAZAKHSTAN - TECHNOLOGY AND LEADERSHIP

by Alan Evans
Senior Director, Business Development
Fluor

First impressions are important. So when David Hunter took up his role as General Manager of Fluor Kazakhstan in August 2017, he was asked for his. *"My first, second, and now, lasting impression on arriving at the Atyrau office is of the highly trained, dedicated and experienced personnel,"* he said. *"The workforce is fully familiar and skilled in the use of all of Fluor's tools and systems making them* an integral part of Fluor's global engineering capabilities."

He adds: *"I was also impressed by the empowerment of women, shown by the significant number in engineering roles and the dedication and enthusiasm the team has for tackling new challenges*."

Having spent 25 years working for Fluor around the world, David's experiences are wide-ranging. He began his career as a mechanical engineer in the UK and progressed through the design department into engineering and project management roles. During the last two decades, he worked on energy and chemicals projects in Europe, Australia and the Middle East. Most recently, Hunter was part of the management team that helped build and develop the company's office in Al Khobar, Saudi Arabia.

"If the last few months have shown me anything, it is that this office can adapt and grow to meet the challenges of today's market place and the needs of our local clients. We will continue to update our skills and processes so that we are prepared to meet future industry demands," said Hunter.

Megaproject Capabilities

Complex, technically challenging projects are Fluor's particular area of expertise. Working with Kazakhstan's largest and demanding oil and gas developments, such as Tengiz, Kashagan and Karachaganak, for the last 28 years has provided Fluor with one of the most highly experienced engineering and construction teams in the industry. The company's in-depth knowledge of the technical demands in managing highly sour feedstocks and expertise in field dynamics are instrumental in delivering projects that are not only of significant importance to its clients, but also to Kazakhstan.

Successfully undertaking megaproject calls for proven procedures and processes that can handle project requirements such as: managing immense amounts of data, optimizing construction methods to maximize weather windows, managing complex logistics for remote locations, global procurement and working with a large integrated project team located around the world. A key element is ensuring that the project team is aligned and committed to achieving the client's goals for an efficientdesign solution so that the project is built safely, cost-effectively and to the highest standards whilst achieving first-class safety and environmental performance.

For the last decade, Fluor's Atyrau office has been of strategic importance to the company as it allows close access to clients and a better understanding of their needs, thereby allowing Fluor to identify innovative solutions based on the company's local and global experience. Fluor continues to build and maintain its office in Atyrau to undertake studies and front-end engineering design (FEED) work, supported by Fluor's global subject matter experts, as well as being part of the company's mega-project capability. The Atyrau office is currently part of the global team supporting Tengizchevroil's *Future Growth Project-Wellhead Pressure Management Project (FGP-WPMP)*.

Optimizing Assets' Lifecycle

Fluor's capabilities to provide integrated solutions for the entire lifecycle of an oil and gas asset were enhanced when Stork was acquired in 2016. Stork is a global provider of integrated operations, maintenance, modification and asset integrity solutions with 18,000 employees. Using innovative approaches, data-driven asset management and maintenance solutions, Stork teams aim to improve the performance of oil and gas assets from concept and design through to decommissioning.

Embracing the opportunities that digitalization is providing to gain better productivity, Stork is moving from reactive to predictive maintenance strategies using sensors, tablets, data algorithms and artificial intelligence. As technology pushes performance and decreases costs, demanding maintenance challenges are becoming more solvable using smart sensor technology and site connectivity.

Building Local Capabilities

By engaging with local suppliers and contractors, partnering with local design institutes and construction companies and by training and developing Kazakhstani personnel, Fluor is building its local capabilities. The company is also dedicated to understanding and developing local suppliers, by embedding its quality management personnel into suppliers' organizations to maximize alignment.

Kazakhstani companies working with Fluor on various projects have access to international best work practices, can capitalize on global business opportunities and enhance their management skills. In addition to creating new jobs, companies can benefit from working with technologies that are new to Kazakhstan.

Developing Future Leaders

People are another key aspect to Fluor's success. The strategy for growing Fluor Kazakhstan's operations is based on employing qualified nationals, many of whom have previously worked for Fluor on other projects in the region. The company also develops and trains craft and technical personnel. Additionally, Fluor has sponsored educational programs in collaboration with multiple design institutes and educational establishments.

In-house training is another important element of developing staff. Fluor has created a virtual Fluor University and encourages employees to continue their education and gain further industry knowledge through completing these courses. This learning platform features video conference learning, 500 instructor-led opportunities and more than 25,000 online courses. This ensures its employees have the opportunities to keep abreast of professional developments, and allows them to train at their own pace.

Investing in employees makes sound business sense and ensures that the team is totally committed to providing excellent service to our clients. Fluor Kazakhstan employees completed more than 18,300 courses in the past three years.

Supporting the Local Community

"It is Fluor's privilege to support the communities in which we operate," said Hunter. "It is an important priority for us to work with local suppliers, educate our workforce, undertake outreach programs with local universities and support community projects."

Fluor Cares is an outreach program run by Fluor volunteers to better the lives of those less fortunate. Since 2016, Fluor Kazakhstan has worked closely with its partner charity, the local Aspen Charity Fund, to provide food packs and other assistance to low-income families. As part of Fluor's worldwide '*Building Futures Backpack Project*', volunteers provided backpacks filled with school supplies. Other community projects included installation of playgrounds at a children's boarding school and a special needs nursery.

As part of a Working Group with the *World Economic Forum*, helped by the *Society of Petroleum Engineers*, Fluor is working with other leading organizations to ensure that university courses and content meet world-class standards and industry needs. Fluor also has a direct scholarship program with three Kazakh universities providing stipends for deserving students to assist their studies, as well as providing equipment and other learning materials.

ARTICLES

LLOYD'S REGISTER - THE POTENTIAL FOR ENERGY

by Myra Yessengeldiyeva
Business Development Manager
Lloyd's Register Kazakhstan

Developing sustainability for shipboard energy is arguably the marine industry's greatest challenge. At Lloyd's Register, we strive to ensure that the industry's Rules and Regulations, intended to protect life and the environment, facilitate introduction of the technologies and developments needed to help ensure that the industry can respond to this challenge. There are many potential options for future marine power generation, and Lloyd's Register is committed to making the shipping industry more sustainable.

Sustainability means different things to different people. According to the *Renewable Energy & Energy Efficiency Partnership,* sustainable energy has two key components; renewable energy and energy efficiency. However, with respect to the provision of shipboard energy, short-term sustainability is really about reducing emissions and fuel consumption.

Harmful emissions, particularly airborne pollutants and greenhouse gases, need to be reduced. Often, ships are increasingly portrayed as among the worst offenders in the struggle to combat climate change. Whether sustainable power generation will ultimately mean zero emissions remains to be seen, but in the near term, at least, companies need to focus on reducing the emissions of nitrogen oxides, sulphur oxides, and carbon dioxide.

Inextricably linked to reducing emissions is the need to reduce oil fuel consumption. While the effect of pollutants and greenhouse gases on climate change remains the subject of intense debate, it is universally recognized that society's dependence on fossil fuels is unsustainable. It may be assumed that sustainable power generation will ultimately mean an end to the combustion of fossil fuels. In the near term, however, Lloyd's is focused on making ships significantly more efficient to reduce the carbon footprint of our fleet.

Ship Efficiency

A recent study estimates that fuel consumption could be reduced by up to 30% in new ships by including a range of technical features in the design of the ship as a whole. Features such as waste heat recovery, improved steering configurations, improved hull form and antifouling would greatly improve ship fuel efficiency.

Equally large reductions can be gained from implementing operational improvements, such as enhanced weather routing, optimized trim, and ballasting. The adoption of such measures alone would be a massive step towards sustainable shipping.

Energy Conversation

Another major short-term step to increase fuel efficiency is to switch to natural gas fuelled engines. Major engine manufacturers have been delivering engines capable of running on natural gas for some time, and switching to natural gas has several advantages compared to burning *Heavy Fuel Oil (HFO)* or *Marine Diesel Oil (MDO).* This implementation would offer many environmental benefits, including:

- *30% lower CO2 emissions*
- *85% reduction in Nitrogen Oxides*
- *no release of Sulphur Oxides*
- *very low particulates*
- *No visible smoke*
- *no sludge deposits*

The large reductions in CO^2 compared with HFO and MDO are due quite simply to the fact that the main component of natural gas, methane (CH^4), contains significantly less carbon. Indeed, methane is the most efficient hydrocarbon when comparing energy content against carbon content.

With a clear understanding of the risks associated with gas-fuelled engines, Lloyd's Register has been working closely with the industry to develop Rules and Regulations for using methane gas as a fuel.

Wind Energies

With the potential to reduce shipboard fuel consumption of 30%, the contribution of wind engines, better known as *Flettner Rotors*, to sustainable marine power generation could be very significant. These rotors utilize a phenomenon known as the *Magnus Effect,* in which the force of the wind on a rotating vertical cylinder creates a low pressure on one side, generating thrust in much the same way that a sail does, only with a magnitude 10 to 14 times greater.

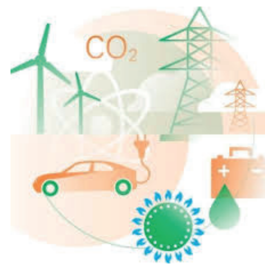
At least two full scale Flettner Rotor demonstration projects are currently underway. Lloyd's Register is currently working closely with the *Wind Assisted Ship Propulsion* (WASP) project, which is designing four 2.3 by 17 meter rotors that are currently undergoing review. Following this, testing will be carried out ashore. Once ready, these rotors can be installed on board bulk carriers, allowing them to be partially propelled by wind energy. Overall, this technology has great potential to help make the marine industry more environmentally sustainable.

On - Shore Power Supplies

The use of on-shore power supplies for *Cold-Ironing* while in port may become standard procedure for port operations in the future. Cold-ironing is a US Navy term for connecting a ship to a shore-side power supply in port, allowing the ship's machinery to be shut down and causing the installation to become "cold".

The term is now commonly used to describe a new generation of different high-voltage shore connections for fast plug connections and seamless load transfer without blackouts, allowing for ships to be repowered in port while discharging and loading cargo.

When shore power is provided by renewable energy, such as local wind turbines, the environmental benefits are clear. Most importantly, this technology has the potential to allow ships to be powered with cleaner, renewable energy- making them less reliant on fossil fuels.To help facilitate this transition to on-shore power, Lloyd's Register has been working closely with the industry to develop *Rules and Regulations* for wide scale implementation.



Conclusion

The energy demands on board a large, modern ship make the challenge of sustainable shipping appear daunting. However, several short-term solutions can be implemented which have the potential to make a significant contribution to fuel efficiency and marine sustainability. Together, these innovations can lead to a dramatic reduction in both emissions and fuel consumption.

Above all, Lloyd's Register is committed to helping to innovate and implement these new technologies which can help make sustainable shipping a reality.

DOW - OPTIMIZING REFINING AND GAS PROCESSING OPERATIONS IN KAZAKHSTAN

by Igor Girnyk
Country Manager
Dow Kazakhstan

The refining and gas processing industry throughout the Caspian basin faces capacity, production efficiency, and regulatory challenges that highlight the need for substantial long-term capital investment. In fact, extensive infrastructure is under construction to extract more fuel from production to meet increasing global demand, even as air emissions and fuel regulations tighten worldwide.

Unfortunately, with the development of infrastructure comes inevitable inefficiencies, especially during the period when assets are put on stream and before take-away capacity has been established. For instance, flaring of natural gas may be common as a temporary or routine measure due to a lack of pipelines and capacity. Kazakhstan ranks eleventh on the World Bank's top 30 flaring countries (2013-2015), releasing millions of tons of carbon dioxide (CO2) into the atmosphere. The recovery of this natural gas liquid (NGL) would be especially attractive since the Kazakhstan government heavily regulates flaring by taxing producers based on the size of their oilfields.

Another issue facing Kazakhstan's hydrocarbon producers is the increasing sulfur content in crude oil and feedstock. Intensified international clean fuel standards and national air emission regulations require deep – or total – sulfur removal.

How can challenges such as deeper sulfur removal and flare reduction requirements be met with limited capital resources? Operators often believe that substantial capital investment is required, and the industry continues to invest in refineries, upgrades, retrofits and expansions to reduce sulfur levels and/or capture, rather than flaring, of natural gas. However, as capital investment and timelines tighten, there has been a noticeable shift towards enhancing the efficiency of existing operations with state-of-the-art technology before new infrastructure is completed.

Increasing Capacity while Removing Sulfur from Existing Operations

With the goal of maximizing hydrocarbon output while minimizing sulfur content, enabling technologies have become a critical component in the refining and gas processing operations. Solutions are available today that not only help reduce and remove sulfur content, but play a key role in the production of high-quality finished refinery products.

Solvents are required to remove sulfur from gas and liquid streams and are differentiated to meet specific contaminant removal parameters. As industry standards tighten, advanced, high-performance solvents can be applied to existing refineries to help improve performance, as well as remove more sulfur from the same operation unit. Often, if a refinery needs to increase production or reach deeper treating, the refinery will need to use more of their valuable energy. Modern solvents are available to increase capacity without increasing the absolute amount of consumed energy.

As an example: As part of a performance improvement project, Dow assisted a refinery in converting from MDEA to UCARSOL™ Solvents. This change increased the treating capacity by 48 percent, reduced energy consumption by 350 billion BTU/year and reduced the solvent make-up by 34 percent. This was achieved without investing any capital and reduced the yearly cost of operation by roughly $0.8 million.

With international emissions standards at play, it is no longer sufficient simply to remove hydrogen sulphide (H2S) from gas streams. Refinery gas or natural gas that is high in H2S is often high in organic sulfur compounds, such as mercaptans. Mercaptans are difficult to remove using conventional solvent systems due to their partial acid gas nature and partial organic nature. They require a specialized technology or a combination of technologies.

In response, Dow has developed hybrid solvents, a combination of chemical and physical solvents capable of removing organic sulfur compounds from gas streams. Hybrid solvents reduce hydrocarbon uptake and meet gas specifications for acid gas removal. These solvents can be applied at natural gas plants and refineries, and they have additional potential oil and gas industry applications.

Improving refining and gas processing operations in the face of low-sulfur regulations go beyond pure chemistry. It requires expertise, coupled with analysis, simulation and testing capabilities. While these solvents have been used in the industry for over 20 years, they continue to evolve. Historically available technologies can save cost; however, capitalizing on more modern, recent technology developments, such as formulated amines, hybrid solvents and novel adsorbent systems can solve an operator's specific challenges and lead to significantly lower capital and operating costs.

Flare Reduction: Minimizing System Inefficiencies to Capture Value and Reduce Environmental Impact

The reason that many operations in Kazakhstan and other countries flare valuable NGL comes down to the complication and expense of capturing it. Historically, it has required a very low-temperature refrigeration unit to separate the liquid products from the gas stream. These separation technologies required significant capital investment and had a substantial operating cost penalty, including energy required and people needed in the field.

Today, UCARSORB™ NGL Adsorbents help enable the capture of valuable NGLs from streams, allowing operators the opportunity to generate income from the captured NGLs. This technology selectively recovers NGLs being targeted by the operator, and minimizes the less-desired removal of water, CO2, and lighter NGLs. Because this NGL recovery process requires minimal operator intervention and capital, operating expenses are substantially lower compared with previous recovery techniques. In addition, these systems can be quickly deployed and are relatively portable. The resulting gas can then be used to generate electricity in plant generators, which creates another valuable product. Recovering NGLs and using the gas with a generating engine can effectively eliminate the need for flaring.

Enhancing Oil and Gas Operations

Committed to improving the environment and helping oil and gas producers extract as much value as possible, Dow has been at the forefront of oil refining and gas treating science and technology for more than 65 years. Dow is a leading provider of chemistry and technology to remove contaminants from hydrocarbon streams.

Dow's global network of process engineers supports plants designed in one geographic area and installed in another. With Dow, operators benefit from our application knowledge to help meet refining and gas treating requirements, and to reduce capital investment and operating costs. From computer simulations to hands-on operations support and analytical evaluations, Dow experts provide the oil and gas industry with customized solutions based on individual needs.

GANTEK - ENERGY-SAVING IT EQUIPMENT AND ITS IMPORTANCE IN THE AGE OF GREEN ENERGY

by Olcum Gobeklioglu
Director
Gantek Technology Kazakhstan

In Kazakhstan, there is an increased emphasis on energy efficiency. As Kazakhstan places more significance on the transition to renewables and clean energy, as evidenced by last year's 2017 EXPO, the country also needs to focus on reducing energy costs for the IT sphere. As a leading global technology company, Gantek Technology can help provide these systems to Kazakhstan.

Developers of IT equipment around the world pay significant attention to the energy efficiency of technology systems. This factor has a significant impact on the cost of operations and often determines which IT systems customers will buy. The demand for energy-saving technologies is increasing due to the increase of electricity costs as well as the shortage of power inputs.

Producers of server platforms are trying to solve a difficult task - to ensure the development of data centers under conditions that restrict energy consumption and space. After all, in addition to financial costs, IT developers often face problems due to a lack of installed capacity or the need to remove excess heat, which has a serious impact on the choice of energy-efficient solutions. In many operating data centers, the limits of energy consumption and physical space are almost exhausted. At the same time, further scaling and increasing of system performance are required. To solve these problems, we need energy-efficient servers and storage systems, which are particularly high in demand where there is a high density of equipment.

The energy efficiency of equipment is relevant in the development of large-scale, integrated solutions. On that note, energy-efficient solutions are becoming more and more popular. The economic situation and the growth of electricity tariffs contribute to the fact that consumers are looking for opportunities for savings; they are using innovative products because the cost of energy-saving technologies is going down.

We can see the benefits of this approach in data centers where large number of servers are installed. It is obvious that telecommunications companies and large organizations that use a lot of IT equipment are the most interested in energy efficiency. These companies calculate their business in the long term and consider all costs.

In addition, energy efficient equipment helps to reduce local heating and, as a result, lower the level of acoustic noise by reducing the level of airflow needed to cool the servers. In case of accidents in the power supply system, the battery life of uninterruptible power supplies is increased. Meanwhile, small organizations are increasingly paying attention to the characteristics of energy consumption, hoping to save money in the long run.

At the same time, many global consumer are very attentive to energy consumption when choosing IT servers. These customers take the costs of cooling, uninterrupted power supply, as well as the cost of lifelong maintenance into consideration. These factors are very important because, due to increased energy efficiency, the total power consumption of a server or data center could decrease by 5-10%. For organizations that annually consume hundreds of kilowatts of electricity, this provides serious savings.

The new servers use built-in systems to reduce power consumption when reducing the load, in particular, the technology to reduce the processor clock speed. In the same time, effective energy saving tool is virtualization, where a significant number of services are transferred to a small number of physical machines.

Energy efficiency has been one of the world trends for several years in all sectors of the economy, including IT. Most manufacturers consider this factor when developing solutions. One example is improving the energy efficiency of storage systems with flash technologies. A new generation of popular dual-processor servers with Intel Xeon processors is optimized to ensure maximum energy efficiency. These servers use high-performance components, advanced cooling technologies, and power management tools.

Compared with the previous versions of DDR3 memory, the use of DDR4 provides a 50 percent increase in bandwidth and energy efficiency for each of these indicators. Special software monitors the temperature of components and, if critical values are reached, speeds up the rotation of the fans to increase efficiently. Other times, this software can lower the processor clock speed to reduce power consumption. Therefore, servers can operate in an extended temperature range, and the risk of downtime due to overheating is reduced.

There are many more examples of solutions that can dramatically increase energy saving points in the IT sphere, and Gantek Technology Solutions is providing these logistical solutions in implementation, integration and support.

KAZAKHSTAN'S LONG-AWAITED FISCAL REFORM

by Anthony Mahon,
Partner, Caspian Energy and Resources Leader
Deloitte Kazakhstan

Maken Iskakova, Senior Tax Manager
Deloitte Kazakhstan

Following the introduction of Kazakhstan's previous tax code (which set out the current unstablized taxation regime[1]) in 2009 oil prices increased from around the $60 mark to their 2014 peak of over $100 per barrel. During this period of rising prices, upstream companies in Kazakhstan were faced by continuous pressure as the authorities sought to augment tax revenues using a fiscal regime designed for an environment of lower oil prices. The cumulative effect was that, by 2014, the level of government take for oil and gas projects in Kazakhstan was seen to be increasingly uncompetitive.

Even before the slump in global oil prices, the outcome of this re-balancing of economic interests in favor of the state was a reduction in new investments in projects in Kazakhstan's oil and gas sector. With the exception of the recently-commenced *'Future Growth Project'* at the giant Tengiz field there has been a near total absence of significant new investment into the sector in Kazakhstan over the last 5 years.

Although there has been continuing interest in potential oil and gas projects in Kazakhstan over this period, the overwhelming sentiment from investors has been that fresh investment would not flow under the existing fiscal terms. As oil prices bottomed out at the end of 2015, a degree of emergency relief was handed to a market in distress as the rates of export customs duty (applicable to exports of crude oil) were reduced so as to lessen the tax burden on producers as prices remained depressed.

Throughout the last couple of years, however, representations from the extractive industries (both hard minerals and oil & gas) led to a break in the legislative log-jam and the state authorities opened up to industry dialogue in relation to extractive industry taxation regimes (in addition to general tax reform). These discussions led to the new Kazakhstan Tax Code effective from January 1 2018 but features certain provisions to be phased in from 2018 to 2020.

The new Code has been greeted with cautious but wide-spread approval from the industry and observers. Although there are clear areas with scope for continued improvement (most notably the absence of incentives for producers to make investments into brownfield acreage and/or employ more sophisticated enhanced recovery technologies and processes), there is clear potential for this newly issued legislation to trigger new investment to flow into this sector in Kazakhstan.

[1] This applies to all upstream projects with the exception of 9 grandfathered contracts which are stablized.

New concepts applicable to all taxpayers

The new law is intended to provide more clarity on the taxation of companies in the extractive industries (normally referred to as 'subsoil users' in the relevant legislation) and related tax administration with the objective of fostering a more attractive investment climate. Amongst the conceptual changes introduced is the principle of taxpayer good faith, which shifts the burden of proof regarding "taxpayer fault" to the tax authorities.

Along with the Tax Code, a new concept of 'horizontal monitoring' is introduced, based on information exchange between the state revenue authorities and the taxpayer, and relying on the principles of trust and transparency giving the tax authorities enhanced access to taxpayers' records and information. New rules on horizontal monitoring will take effect from 2019 and allow taxpayers meeting certain criteria (as yet to be specified by the State Authorities), to sign an agreement for exchange of information with the state revenue authorities, which will also grant the authorities access to taxpayers' business and tax accounting systems. Taxpayers opting into this horizontal monitoring regime will secure certain advantages, amongst which are (1) an automatic VAT refund (without a tax audit), (2) an exemption from tax audits, and (3) exemption from administrative fines if a tax violation is discovered by the tax authorities during horizontal monitoring.

Oil and gas related changes

The following are the most significant reforms to the bases and mechanisms of taxation for the oil and gas industry. This will affect current and future projects apart from those which are stabilized[2].

Discovery Bonus

As of 1 January 2019, the obligation to pay Commercial Discovery Bonuses shall be abolished for all subsoil users in Kazakhstan. This reform that has long been called for by the industry. The previous Commercial Discovery Bonus regime was contentious as payment was due often significantly in advance of a subsoil user actually being certain that such a discovery would indeed be commercially exploited. Consequently, the amount of bonuses payable to the state budget could lead to significant adverse impacts upon project returns, especially if the level of bonus due was substantial. The abolition of this regime is, therefore, seen as a positive step for the industry.

Alternative Tax

A new and elective tax regime is introduced starting from 1 January 2018 as an alternative to subsoil user taxes for entities, which have concluded mineral extraction contracts for exploration and production from deep (4,500 meters and lower) and continental shelf deposits. If a taxpayer elects to apply the Alternative Tax, this charge shall be due in place of the taxpayer's obligations in respect of Mineral Extraction Tax, historical cost payments[3], Rental Tax on Export and Excess Profits Tax.

In general, a taxpayer may opt to apply the Alternative Tax on a voluntary basis, but once this method is chosen, it may not be changed until the expiration of the relevant contract.

Tax rates vary from 0% to 30%, depending on the world market price of crude oil[4], increasing by 6% for each US$ 10 step change in oil prices. For example, the tax rate is 0% when the "world" price of oil is below US$ 50 per barrel, 6% - when the price is between US$50 and US$60, etc (please see chart below).

World market price	Rate, %
Below 50 USD per barrel	0
Below 60 USD per barrel	6
Below 70 USD per barrel	12
Below 80 USD per barrel	18
Below 90 USD per barrel	24
Above 90 USD per barrel	30

Early Depreciation of Exploration Expenses

Subsoil users are entitled to deduct tax depreciation in respect of exploration expenses incurred from 1 January 2018 under a subsoil use contract where production has not commenced against taxable income arising under another contract where production has started. However, these expenditures shall not be available for tax offset in the event that the costs relate to abortive exploration.

Prior to this change there was a requirement to maintain ring-fenced accounting of income and expenditures for each subsoil use contract. Failure to comply with such requirements was considered to violate tax legislation and constitute a breach of the subsoil user's contract obligations (which could in principle lead to the contract being forfeit).

[2] Refer to previous footnote.

[3] Reimbursement of costs incurred by government entities/agencies in relation to the contract area.

[4] Defined as the average value of daily price quotations of each separate standard grade of crude oil "Urals Mediterranean" (Urals Med) or "Dated Brent" (Brent Dtd) in the tax period on the basis of information published in *Platts Crude Oil Marketwire*.

VAT control account

The changes also introduce a new VAT control account (regionally known as the “Azerbaijani method” of VAT accounting) as a tool to optimize the VAT refund process and reduce fraudulent VAT schemes. A VAT control account should be opened by an eligible VAT-payer in a Kazakh commercial bank. This is effectively an escrow account into which a purchaser of VAT-able goods and services will transfer VAT charged to it, instead of paying this to the supplier. Only VAT payers using the e-invoicing system may elect to use VAT control accounts. Once VAT liabilities are settled, all amounts remaining in the VAT control account will be subject to refund within 15 working days.

Other changes

The New Tax Code adds software technical maintenance, software updates and internet resource access to the list of services whose place of sale is determined by the buyer’s place of registration for VAT purposes. Thus, when Kazakhstani taxpayers procure such services from a non-resident, Kazakhstan will be recognised as the place of supply and charges will be subject to reverse charge VAT in Kazakhstan.

In addition, the categories of non-residents’ Kazakh source income subject to withholding tax has been expanded to include:

- income from the provision of engineering and marketing services outside Kazakhstan to a Kazakhstan-based customer; and
- income of a tax-heaven registered non-resident entity in the form of an advance payment for goods or services not provided within a two-year period from the advance payment date.

It is worth noting another fundamental change in the tax legislation: the new Tax Code states that any ambiguities and gaps not covered by the tax law should be interpreted in favor of the taxpayer. Whilst there is uncertainty as to how this will work in practice, it is a very important milestone in Kazakh tax legislation, and one that could potentially go a long way towards protecting the interests of taxpayers acting in good faith.

Conclusion

It is still too early to assess the impact of the Government’s attempt to tailor the new tax legislation to create a more adaptable “investor-oriented” environment. However, both the new code itself and (most importantly) the fact that industry consultation was one of the primary factors driving its development could be viewed with real optimism regarding the positive impact this may have on the oil and gas industry in Kazakhstan.

HIGH TIME TO CHANGE KAZAKHSTAN'S TRANSFER PRICING LAW

by Michael Wagner
Group Head of Tax
Nostrum Oil & Gas (NOG)

Transfer pricing in Kazakhstan is one of the most striking examples of where the Kazakhstan fiscal laws are out of step with international best practice and OECD principles.

What is a "transfer price"?

The answer to this question can vary, depending on whom you ask. The Journal of Accounting contains the following definition: "*A transfer price is the price charged between related parties (e.g., a parent company and its controlled foreign corporation) in an intercompany transaction (McKinly, October, 2013)*[1]."

Shall we ask Kazakhstan what this term means?

The Kazakhstan TP Law[2] defines "transfer price" as: *"the price that is formed between related parties and (or) differs from the objectively forming market price, considering the range of prices when making transactions between independent parties, subject to control in accordance with this Law."*

This definition, in combination with Article 11.15 of the TP Law, among others, establishes which parties are "related parties" for transfer pricing purposes: "*participants of the transactions apply the transaction price under which the deviation exists from the market price subject to the range of prices according to the data of one of the authorized bodies*".

In plain English, this means that even if two parties with a transaction are completely unrelated, (i.e., they are legally and commercially independent of one another), the Kazakhstan tax authority has the right to audit you and tell you that you should have earned more money from your customers. The authority will then assess additional income tax on that deemed income they believe you should have received. It will not be easy defending yourself in local courts on these issues.

In reality, Kazakhstan has a law that is used as an instrument of the state to artificially collect additional economic rents from the private sector. It is not really a transfer pricing law, but a price control law. It would be useful to see this information included in the World Bank's *Ease of Doing Business* publication as its readers might find it quite interesting, good preparation for doing business in Kazakhstan.

Why does Kazakhstan have a different definition?

To be fair, Kazakhstan started its transfer pricing journey on the right foot. In its very first Tax Code from 1995, Article 138 originally contained a provision giving the tax authorities the power to adjust a taxpayer's income to reflect arm's length prices in the case of transactions **with related parties** that were not on an arm's length basis. This meant that transactions between independent parties fell outside the scope of the "control" of the transfer pricing law and as such was in line with the scope of most jurisdictions' OECD-aligned, transfer pricing laws.

The 1995 tax code provision was amended with effect from 1 July 1998 to apply to transactions between completely unrelated parties.

There have been numerous reasons over the years as to why Kazakhstan should be different than 99% of the countries in the world. A former Head of the State Revenue Committee (SRC) defended this approach as follows: "In Kazakhstan, all people are related to each other so how can we differentiate?"

It would be informative to ask this SRC Head "to which Kazakhs are the big multinational oil companies related?" What would his answer be?

Is Kazakhstan's transfer pricing practice a problem?

Kazakhstan's transfer pricing is not a problem unless you are 1) an investor or 2) interested in upholding international law or 3) trying to uphold contractual stability rights or 4) interested in adopting OECD best practice. In short, transfer pricing as interpreted in Kazakhstan is terrible for investors as they have no certainty over their cash flows. Investors know that the tax inspector can come along and take the investor's profits away, even if it has none.

[1] John McKinley, CPA, CGMA, JD and John Owlsey, PHD in *Journal of Accountancy*, October 2013

[2] Law of the Republic of Kazakhstan "*On Transfer Pricing*" with amendments as of 1 January 2018.

It is commonly understood amongst international tax experts that the Kazakhstan transfer pricing application to unrelated parties stands in direct conflict with Article 9 of the OECD Model Tax Convention that clearly indicates transfer pricing is applicable only for transactions between related parties. It's considered irrelevant that Article 1.2 of the TP Law[3] states that international treaties have priority application of the TP Law. Kazakhstan's tax authority and courts ignore that inconvenient detail.

As for stabilized investment contracts (primarily in the oil and gas sector) – there are a number of these contracts signed by Kazakhstan that give investors contractual stability on the provisions of transfer pricing – back to the 1995 version as discussed above, that applies transfer pricing control only to related party transactions. Kazakhstan's position is that transfer pricing is a matter of national security, therefore, they have chosen to completely ignore this part of contractual stability. If the affected foreign oil and gas companies ever takes this matter to international arbitration it will be a "slam dunk" arbitration issue. At worst, a tribunal would very likely give the investors declaratory and financial relief.

What is the best OECD practice? President Nazarbayev has publicly stated on many occasions that Kazakhstan should attempt to adopt best international practice, and, in particular, to model its laws after OECD best practices. OECD best practice is that transfer pricing is applicable only to transactions between related parties. The current TP Law is not international best practice.

Addressing Kazakhstan concerns

To address the oft-cited claim from the KZ authorities that it is not possible to establish which parties are or are not related, this is a fallacy for the largest taxpayers because:

1) Most large taxpayers (especially oil companies) are subject to independent financial audits that require full disclosure in the financial statements of all related party transactions,
2) It is now possible to obtain taxpayer information from other jurisdictions per double tax treaties, as well as new initiatives under BEPS actions that provide for free flow of information between tax authorities, and;
3) Recent amendments to the TP Law obligate these largest taxpayers to present a Master File that, if in line with BEPS recommendations, will contain details of the group's organizational structure, a description of all worldwide businesses of the group, a list of intangibles, disclosure of all intercompany financial transactions, and the group's country-by-country financial and tax position.

As you can see, there is a great deal of transparency accessible to the tax authority to determine which transactions of the largest taxpayers are between related parties.

By now, there really can be no more excuses as to why Kazakhstan must be different than the rest of the world.

Call to Action

It is now up to AmCham members and other private investor advocacy groups to ratchet up the pressure on Kazakhstan to finally amend its TP Law to limit its applicability to transactions between related parties. It is the responsibility of all oil and gas investors - first and foremost the largest investors with arguably the loudest voices - to join in this just cause.

[3] Article 1.2 of the current TP Law states that "if an international treaty ratified by the Republic of Kazakhstan establishes other rules than those contained in this Law, the rules of the international treaty are applied."

EY - MANAGING PRODUCTION CHANGES SAFELY

by Anatoly Solovyev
Senior Consultant
Cleantech and Sustainability Services Group, EY

How do oil & gas companies create value through change?

This article will cover the importance of management of change for oil and gas companies. Management of Change, or MOC, is applied to ensure that environmental, health and safety (hereinafter – EHS) risks are controlled when a company makes changes in their facilities, documentation, personnel, or operations.

Oil and gas companies implement change in order to increase productivity, improve work organization, cut costs or improve quality of services. On the one hand, changes create a competitive advantage, but, on the other, they carry potential risks of injury, accidents, and equipment failures.

Insufficient attention to EHS risks during implementation of change may lead to significant losses in the future. Major accidents in recent years indicate that even companies that distinguish themselves with a high safety performance are not able to prevent all EHS risks. When decisions and changes are made rapidly, even simple changes at a worksite can potentially lead to tragedy.

Statistics: local and global cases in the oil & gas industry

Nine out of ten major industrial accidents occur due to the absence of a comprehensive risk assessment before the implementation of changes.

Explosion on the oil platform of a large international oil and gas company (USA, 2010)

Because of the explosion, 11 people died, and the initial costs of eliminating the consequences of the accident amounted to more than 17.7 billion US dollars. The US Department of Energy reported that more that 4 million barrels of crude oil spilled into the open ocean. According to the official investigation report, some of the main causes of the accident were a contractor's MOC procedure failure and an underestimation of EHS risks before implementing changes in the production process.

After the accident, the company fundamentally revised its approach to management of change, including its approach to setting MOC procedure requirements for contractors.

Another example is the explosion at a refinery in Russia in 2014. The accident killed eight people, with another 24 seriously injured. The *Russian Federal Service for Environmental, Technological and Nuclear Oversight* reported that overall costs due to the accident amounted to 6.2 billion rubles.

According to the official investigation, the main causes of the accident included violations committed by expert organizations during the examination of the industrial safety of new equipment before its installation (the corrosion rate of pipeline sections operating in particularly difficult conditions was underestimated).

How does MOC help companies to manage risks and capture opportunities?

The benefits of MOC

One obvious benefit of MOC is avoiding the consequences of unforeseen safety and health hazards through planning and coordinating the implementation of change in your facility.

What are the benefits of MOC?

Change management is an integral part of the operational management system of leading oil and gas companies

- It minimizes the unplanned negative impact on system integrity, security, stability, and reliability for the business process being altered or added.
- It maximizes the productivity and efficiency of staff planning, coordinating, and implementing the changes in the facilities, documentation, personnel, operations.
- It ensures the proper level of technical completeness, accuracy of modifications, and testing of systems before implementation.

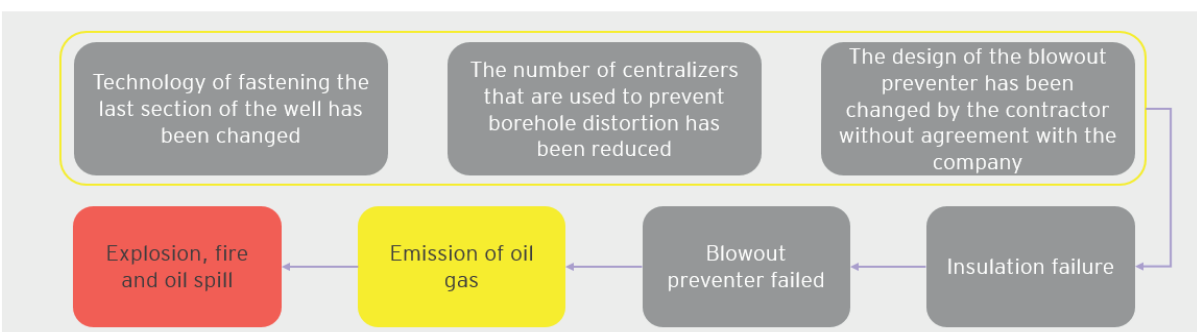


FIGURE 1. Failure to perform the risk assessment procedure before implementing changes on the oil platform of one of the largest international oil and gas companies in 2010

Explosion at a refinery of a large international oil and gas company (Russia, 2014)

- It provides an appropriate level of management approval and involvement.
- It increases the level of communication and collaboration between workers, engineering staff and management, as well as overall safety awareness and personal commitment.

In addition, the MOC database contains a description of all changes, which helps to raise awareness of all stakeholders about the real state of technological equipment and processes.

Implementation of MOC best practices

- Compose safety data on the products, equipment, materials or processes that are changing and develop the MOC policy and procedures; be sure to formalize information on how to investigate accidents, audit compliance with safety procedures, and plan for emergency responses.
- Establish a way to gather employee feedback, such as interviews, group discussions or surveys; take into account employee comments and suggestions while drafting the MOC policy and procedures.

Stage 1. Initiating changes	Stage 2. Risk assessment	Stage 3. Implementing a change	Stage 4. Readiness Check
▶ Determining the feasibility of the change ▶ Classification of change ▶ Requesting a change	▶ Assessing EHS risks and impacts of the change ▶ Conducting corrective measures in order to reduce EHS risks (if necessary) ▶ Approval of change	▶ Control the process of implementing a change	▶ Pre-start safety check ▶ Informing (educating) staff members about changes

FIGURE 2. Stages of MOC - a brief description of MOC methodology

MOC processes

MOC often seems deceptively simple in concept, but can be very effective in the prevention of accidents and can be used as a best practice at hazardous industrial facilities.

The four main stages of MOC are initiation of a change, risk assessment, implementation of the change and a readiness check before introducing the change in operations. (Figure 2).

MOC program outputs

The first results from MOC process implementation could be achieved within a year: raising safety awareness, personal commitment, and boosting safety performance rates.

However, sustainable changes, such as changes in behavior patterns, employee habits, and raising safety culture, should be expected in several years. The MOC program results also could include an:

- increase in reliability of processes and equipment
- reduction in accident and injury rates due to changes
- reduction in unplanned equipment downtime
- reduction in losses due to EHS risk reduction

- Formalize instructions for all employees at every process in which changes are involved. The procedures must be clear, include steps for performing every operation, cover safety information, and state what to do in the case of an emergency.
- Train employees on the MOC policy and procedures; highlight all EHS hazards and what to do in the case of an emergency; the practical training must take place prior to allowing staff to operate the equipment or perform the job that the changes were related to.
- Involve senior management in management of change processes during every stage of implementation.

EY - INTERNATIONAL FINANCIAL REPORTING STANDARDS

by Dana Aristanbayeva
Manager
Global Compliance and Reporting Services, EY

One of the key areas of my specialization as a Tax and Law Practice Partner at EY Kazakhstan is leading the Financial Accounting and Reporting Group. In practice, companies from the oil and gas industry often visit EY with a request to check financial statements prepared by their internal accounting department or to compile financial statements in compliance with International Financial Reporting Standards (IFRS), which is subsequently subject to further audit by a professional organization.

Typically, this is because oil and gas companies, both producers and oil-service companies, have an internal accounting department that not only performs day-to-day operations, but also takes responsibility to prepare financial statements, interact with external auditors, as well as receive comments and recommendations during an audit period.

It is important to note that, in accordance with International Standards, auditors have to be sure that issues identified during an audit (related to the effectiveness of how economic operations are reflected and reported) are brought to the attention of the management of the audited entity. In accordance with these standards, issues brought to the attention of management include significant weaknesses in the reflection of economic operations and reporting.

The following article recommends following an observation regarding the preparation of financial statements which significantly influences the process, time required by, and comments of auditors.

Preparation of financial statements in accordance with IFRS

Observation

Generally, oil and gas companies lack IFRS expertise in terms of employee numbers and professional IFRS qualifications. Having the appropriate number of properly trained IFRS specialists is extremely important for companies in order to prepare quality financial statements in accordance with IFRS without errors or missing required disclosure. According to auditors, in recent years companies have made significant efforts to train and certify their employees as well as set up special departments for IFRS and management reporting. However, audited companies find it important to have sufficient practical experience to prepare quality financial statements in accordance with IFRS in due time.

As practice shows in oil and gas companies, despite having an internal accounting department that prepares financial statements under IFRS, prepared reports do not fully comply with the standards required by auditors.

The main sections that usually contain reporting errors, when prepared by internal accounting departments with insufficient knowledge in IFRS standards, are the following:

- Disclosure of non-monetary transactions
- Accounting and disclosure of obligations under capital construction contracts
- Accounting and disclosure of asset retirement obligations
- Classification and assessment of corporate income tax and deferred tax liability in significant amounts.

To summarize the above (i) the volume of daily operations in oil and gas companies, (ii) the specifics and complexity of the requirements for preparing financial statements under IFRS, and (iii) the lack of required qualifications and experience of employees of the internal accounting department may negatively affect the preparation and issuance of financial statements.

The most effective way to overcome this problem is to improve the practical skills of the internal accounting department and ask them to take international certification, which is certainly a long process and requires regular attention from the company's management. Along with the above solution, the alternative option could be outsourcing the preparation of IFRS financial statements, which minimizes the risk of submitting incorrect reports to auditors.


Kcell
БІЗДІҢ ҚАЛАМЫЗДА
3G
4G
4G+
В НАШЕМ ГОРОДЕ
Мемлекеттік лицензия ҚР ККМ 08.06.1998 жылғы № ДС0000270, мерзімсіз, ҚР ККМ берген.
Государственная лицензия МТК № ДС0000270 от 08.06.1998, бессрочная, выдана МТК РК.
www.kcell.kz

Ramada Almaty is part of a family of more than 850 locations in 64 countries, including Kazakhstan. We offer you a warm, friendly and comfortable stay, with free high-speed wireless Internet access, spacious rooms, comfortable beds, business services, and fitness centers. If you're planning a meeting, conference, wedding, or event, our team of Ramada Ambassadors is ready to help you make it a success.

RAMADA®
Almaty

MEMBER OF
WYNDHAM REWARDS®

https://www.facebook.com/ramadaalmaty

Book at **RAMADA.COM** / or call +7 727 344 99 99

WYNDHAM GARDEN®
Astana

PLAN YOUR NEXT EVENT at Wyndham Garden Astana
Coffee breaks from 1980 KZT

+7 7172 79 00 00
+7 7172 79 02 17

event@wyndhamgardenastana.com
www.wyndhamgardenastana.com

Wyndham Garden Astana
wyndhamgardenastana

MEMBER NEWS

Cathay Pacific and Air Astana Bring Hong Kong, Kazakhstan, and the World Closer Together

Cathay Pacific and Air Astana today announced an agreement that will enhance travel options for Cathay Pacific customers travelling to and from Kazakhstan and for Air Astana customers travelling to and from destinations in Asia and Australia via the airlines' hubs in Hong Kong and Almaty.

The two airlines' new codeshare partnership will offer greater choice and seamless connections to customers of both airlines through Hong Kong and Almaty

Commencing 15 March 2018, Cathay Pacific will place its CX code on Air Astana's non-stop flights between Hong Kong and Almaty, the financial and cultural heart of Central Asia, as well as on connecting services between Almaty and Astana, the Kazakh capital.

Air Astana currently flies twice weekly between Hong Kong and Almaty (on Tuesdays and Fridays) but will be upping frequency by adding a third service (on Mondays) from 25 March.

Cathay Pacific will also codeshare on Air Astana's five weekly services between Bangkok and Almaty (daily from 25 March) and four weekly services between Seoul and Almaty, giving customers additional options for travel between Hong Kong and Kazakhstan.

Air Astana will place its KC code on selected Cathay Pacific services operating between Hong Kong and Sydney, Melbourne, Perth and Singapore.

Cathay Pacific Commercial and Cargo Director Ronald Lam welcomed the codeshare partnership, saying it underlined the airline's commitment to establishing convenient connections to captivating new destinations.

"*We are delighted to join with Air Astana and provide our customers with links to one of the most fascinating countries in Central Asia. With its vibrant economy, which is set to grow as a result of its integral role in the Belt and Road Initiative and beautiful natural landscapes, Kazakhstan has many attractions for both business and leisure travelers alike*," he said.

Richard Ledger, Vice President Marketing and Sales at Air Astana, commented: "*With its excellent worldwide connectivity, Cathay Pacific is our ideal partner as we look to extend our reach across Asia and Australia via Hong Kong. Together, our airlines share an award-winning reputation for consistently delivering the very highest standards of customer service*."

"*We are thrilled to strengthen co-operation with this wide-reaching codeshare agreement, which will further benefit our respective passengers, as well as the overall economic relationship between Kazakhstan and dynamic Hong Kong.*"

OSG Opens New Document Storage Archive in Astana

OSG Records Management

OSG Records Management, the document storage and archival expert company, has opened a new document storage archive in Astana. The purpose-built facility is located in the industrial zone of Astana, just 20 minutes from the city center. With a capacity of 500 m², the storage facilities has high specifications for security, fire-prevention, and safety.

OSG launched operations in Kazakhstan in 2004 with its first archive in Almaty. The company provides offsite document storage, scanning, archival services, document destruction, and safe storage of backup tapes. Their client base includes leading international and regional companies in sectors such as banking, retail, oil, insurance, telecoms, and legal services.

Outsourcing document storage is becoming increasingly popular as it allows companies to reduce costs - real estate, staffing, and infrastructure - associated with running an in-house archive. Advanced systems also speed up access to documents and allow staff to share information faster and more accurately.

OSG is the largest archival company in Kazakhstan, Russia and the CIS. Mikhail Betin, General Manager OSG Kazakhstan commented "*We are now able to offer our services in the two key cities of Astana and Almaty. OSG is pleased to be part of the successful development of business in Kazakhstan. We look forward to working with clients in Astana to help them achieve operational efficiencies*."

MEMBER NEWS

White & Case Provides Advisory Services to the China Development Bank - the First Foreign Financial Institution Registered in the AIFC

White & Case provided advisory services to China Development Bank (CDB) for the registration of the Bank's representative office in the newly established *Astana International Financial Center (AIFC)*.

CDB is the world's largest development finance institution and the largest Chinese bank for foreign investment and financing cooperation, long-term lending, and bond issuance. The Bank is the first foreign financial institution registered with the AIFC.

In order to conduct business in or from the AIFC as an AIFC participant, every foreign company must be registered under the AIFC Rules by submitting relevant application forms to the Astana Financial Services Authority (AFSA). It also requires the appointment of authorized persons to accept services for the recognized company, the address of the principal office within the AIFC territory and the provision of documents with all necessary details of shareholders or members of the company. Upon registration, the AFSA issues a certificate of recognition and assigns an identification number.

In the meantime, to carry out the regulated activity of operating a representative office in the AIFC, a recognized company must apply for a license, subject to the AFSA`s satisfaction, and to be regulated by a financial services regulator in a jurisdiction other than the AIFC.

Such regulated activities may include marketing, increasing the profile in the AIFC, promoting financial products or services, etc. One of the main requirements set for a representative office is that a principal representative (e.g. head of representative office) must be a Kazakh resident and he/she must satisfy the AFSA on propriety. Nevertheless, any applicant may seek for a waiver or suggest modification to the AIFC rules by submitting another application to the AFSA. It worth noting that AFSA managers are very cooperative and responsive, which makes the entire process smooth and effective.

The first deals always demand diligent regulatory analysis and a comprehensive approach to the requirements; this was completed quickly and smoothly within a tight timeframe. This mandate demonstrates one of the hallmark strengths of the White & Case Astana-based team: the ability to combine global standard capital markets, client needs, and a deep knowledge of regulations and their intricacies.

The on-the-ground team has been representing in wide variety of transactions in Kazakhstan since 1995. As clients take advantage of the advances and investment opportunities taking place in Kazakhstan, which has one of the large economies in the Central Asian region, they can always rely on the global footprint and local experience of the firm to realize their business objectives. White & Case brings local depth and global breadth to bear in the areas of law that affect clients, which benefit from outstanding counsel in such areas as: Oil & Gas, Energy and Natural Resources; M&A/Corporate; Banking and Financial Services; Restructuring and Bankruptcy; Project Finance; and Capital Markets.


THE SPA
RIXOS ALMATY
Пр. Сейфуллина 506/99, уг. ул. Кабанбай батыра, г. Алматы, Республика Казахстан
+7 727 300 33 30 (ext. 8891)
almaty@rixos.com
www.rixos.com

MEMBER NEWS

Coca-Cola Celebrates International Women's Day in Kazakhstan

Coca-Cola marked International Women's Day in Kazakhstan with a conference entitled *Female Entrepreneurship in Rural Areas*. The conference, dedicated to the 6th anniversary of the Coca-Cola female empowerment program Belesteri (stepping-stones), was held in Astana and began with keynote speeches by Member of Parliament Maira Aisina, Deputy Minister of Labor and Social Protection Nurzhan Altayev, and Coca-Cola Public Affairs & Communications Manager in the Caucasus and Central Asia Alexandra Akkirman.

The Coca-Cola Belesteri Program was created in 2012 to develop entrepreneurial skills and increase employment among rural women. The program provides training designed to empower women to manage and own small businesses. The Belesteri Program also conducts an entrepreneurial competition in which women submit ideas for start-ups. The winners are provided small grants to make their business dreams a reality.

The Coca-Cola Belesteri Program is financed by The Coca-Cola Foundation and administered by the *Social Dynamics Public Fund* and the *Coalition for Green Economy and Development (G-Global)*. Over 9000 women have been trained in business through the program, which has given out more than 600 business grants and helped female entrepreneurs start over 40 successful businesses thus far. Roughly 62% of these businesses are in agriculture, 24% in the services sector, and 14% are in goods production.

According to Coca-Cola PAC Manager Alexandra Akkirman:

"*The Coca-Cola Company believes that when women succeed in their communities, the communities themselves succeed in terms of overall prosperity. We are very happy to help Kazakhstani women succeed, and today, on the eve of International Women's Day, we are celebrating women and the extraordinary roles they play in their communities, families, and places of work.*"

THE Coca-Cola FOUNDATION

HELPING WOMEN SUCCEED

WE ARE COMMITTED TO HELPING STRENGTHEN
THE COMMUNITIES WE SERVE AROUND THE WORLD

OUR 5by20 INITIATIVE → AIMS TO ECONOMICALLY ENABLE **5 Million Women BY 2020**

THE PROGRAM HAS ALREADY TOUCHED THE LIVES OF

2.4 MILLION WOMEN IN **75** COUNTRIES WORLDWIDE

AND

9000 women in Kazakhstan

OVER 9000 WOMEN

were trained in Akmola, Almaty and Karaganda regions in the framework of Coca-Cola Belesteri Project. The programme will further focus its efforts on the work in the regions of Kazakhstan in upcoming period.

«THE COCA-COLA BELESTERI» PROJECT

is aimed at involving women in business throughout Kazakhstan by providing an opportunity to participate in trainings, gain financial knowledge and skills and get financial support.

KEY FACTS

• More than 150 trainings were conducted • More than 650 women took part in business case competition • Over 40 grants were awarded • Created more than 100 new jobs

www.greenkaz.org

www.ccb.kz

WE HONOR AND THANK OUR PARTNERS WHO SHARE OUR PASSION AND INSPIRE US THROUGH POWERFUL PUBLIC-PRIVATE PARTNERSHIP INITIATIVES INCLUDING:

Coca-Cola · G-GLOBAL · CGEGD greenkaz · ҚОҒАМДЫҚ ҚОРЫ ӘЛЕУМЕТТІК ҚОЗҒАЛЫС / СОЦИАЛЬНАЯ ДИНАМИКА ОБЩЕСТВЕННЫЙ ФОНД

AMCHAM ASTANA MARCH SUNDOWNER AT THE ST. REGIS HOTEL

On Wednesday evening, 28 March, AmCham held its March Sundowner at the St. Regis Astana hotel. As one of the newest and most luxurious hotels in Astana, the St. Regis provided the perfect venue for guests to relax and dine in the Hotel's beautiful glass-enclosed Winter Garden Room.

Surrounded by parkland away from the city center, the St. Regis offers the perfect escape from urban turbulence, an oasis in which to relax at the end of a busy day. With large French doors opening out to a winding terrace with a view over the river, the Winter Garden will be the perfect summer location for all varieties of events. The Hotel has spared no expense to ensure its guests' relaxation and well-being. Standard Rooms are spacious, the size of suites, and personalized staff service is always at hand.

The event was generously sponsored by OSG Records Management, which provided a generous dinner buffet and drinks for guests. Members and guests, who included a mixture of ambassadors and diplomats, socialized and networked with friends and colleagues.

OSG Chief Executive Officer Mikhail Betin, the recipient of an AmCham Award for entrepreneurship and the high quality of service provided by OSG, spoke briefly about the company, its history in Kazakhstan and its plans for the future. OSG is currently celebrating the recent opening of its new branch in Astana, and the event served as an excellent opportunity for the company to highlight its success. Next year will mark OSG's fifteenth year in Kazakhstan.

A Lottery sponsored by OSG and the St. Regis Hotel was the evening's centerpiece with an array of St. Regis services and gifts (St. Regis Brunch, Spa certificates) and OSG services, plus a bottle of Moet & Chandon champagne for a lucky guest.


OMV Petrom,
the largest oil & gas producer
in Romania and
South Eastern Europe

AMCHAM ADVOCACY UPDATE MARCH - APRIL 2018

AmCham advocacy in March and April has been centered on the two monthly meetings of the *Council to Improve the Investment Environment* and on the launch of the *Environmental Regulatory Reform Working Group* created at the November 2017 Council session. In addition, the *Renewable Energy Working Group* has been officially created and will meet in the near future.

The Council to Improve the Investment Environment

February 2018 - Judicial Reform in Progress

Judicial reform is acknowledged to be one of the most intractable problems facing investors in Kazakhstan. Having inherited a Soviet judicial system that, although restructured and redirected in the nearly thirty years since Kazakhstan's independence, still bears unmistakable traces of the Soviet system with a judiciary not well-versed in the broad range of investment disputes, Kazakhstan does not have a reputation for successfully handling investors in the courts.

This year's February Council session devoted to **Judicial Reform in Progress** proved a very useful and positive session. A pre-Council meeting with Supreme Court Justice Aigul Kydyrbaeva, the most senior judge at the Supreme Court after the Chief Justice, was especially encouraging in that recommendations from the Council speakers, some of which were already in progress of being realized, were received positively.

Most of the AmCham Council legal speakers had already worked with Justice Kydyrbaeva on creation of a Supreme Court Investors Panel, which she now heads. At the pre-Council meeting, Justice Kydyrbaeva voiced her support for a proposal to create an Economic Advisors' Panel along the lines of a UK model to resolve tax issues before they reach the courts. She also supported creation of an Intellectual Property Court to hear Intellectual Property (IP) cases.

Presentations at the Council included, apart from the four Council Ambassadors (U.S., UK, E.U., and Canada), a video-presentation by OECD Public Governance Director Marcos Bonturi (whose Directorate will soon launch an OECD Judicial Reform Program for Kazakhstan), a Deloitte tax specialist, and three Kazakhstan-based lawyers at prominent international law firms (Baker McKenzie and White & Case). A trademark infringement case was also presented by a leading AmCham corporate member as an illustration of the need for an IP court with the specialized expertise needed to handle IP cases.

Clarification was sought about the jurisdiction, scope of eligible cases, and enforcement measures at the *Astana International Financial Center (AIFC) Court*, a widely anticipated new investor court. The U.K. Ambassador spoke in support of UK Common Law to be used in the AIFC Court, pointing out that Common Law was internationally recognized as the best legal code to govern business relationships.

AmCham will pursue further interaction with the Supreme Court and Justice Ministry to advance the proposals for creation of better, more specialized courts to handle the great variety of investor cases that are an inevitable component of doing business internationally. Judicial reform is a very challenging task that will continue to require serious attention from the AmCham membership and from the Council in future sessions.

March 2018 - Challenges to Kazakhstan's Economic Diversification: Focus on Agriculture, Mining, and Technology

Kazakhstan's reliance on oil revenue to fuel its economy is a typical challenge of the world's leading oil and gas-based economies. The country's oil reserves and the industry that serves it - above all, the foreign oil industry with its sophisticated technical knowledge and operational excellence - has been a great boon to Kazakhstan, making it Central Asia's economic success story. However, Kazakhstan's affluence, a product not only of its abundant energy resources but also of the good management of these resources and of the economy as a whole, requires diversification, a goal the Government has set but not yet realized.

Given the Government's numerous economic plans to create industries beyond the oil industry, and its prioritization of those sectors of the economy that could reasonably be expected to develop with the proper support, it is a reasonable question why these priority economic sectors have not yet shown the growth that could be expected. AmCham chose to focus on three of the top industry priorities in the Government's diversification list - *Agriculture, Mining*, and *Technology*, all of which have served as topics of discussion in the past - to identify where the problems lie.

This Council session was fortunate to have as its primary Guest Speaker *OECD Eurasian Division Head William Tompson*, who was in Kazakhstan to present the *OECD Country Program Report on Kazakhstan* and to chair a workshop on the Mining Industry. The OECD has recently designated Kazakhstan as the central focus for its Central Asian strategy due to the size and success of its economy.

The Agriculture presentation stressed the still-unresolved issue of land reform, the financing obstacles encountered by farmers, and the low level of social infrastructure in villages and rural communities that discourage young people from staying in the villages to engage in farming. The Mining presentation pointed to the new Mining Code to be legislated in June as a crucial factor in persuading Freeport to return to Kazakhstan with a long-term commitment, and the Technology presentation placed focus on the lack of protection for intellectual property rights, Kazakhstan's overly-ambitious plans to create an innovative technology hub, and the need to match new technology to the country's established industry sectors.

Global Oil&Gas
Atyrau

Global Oil&Gas

17th North Caspian Regional Atyrau Oil&Gas exhibition

10-12 April 2018

Atyrau, Kazakhstan

Find out more at
www.oil-gas.kz

Photo is provided by TENGIZCHEVROIL LLP

GENERAL PARTNER

25

ITE GROUP

Iteca

WORKING GROUP UPDATE
MARCH - APRIL 2018

Astana

Astana Foreign Investment Working Group

March On March 1, the Astana Foreign Investment Working Group met in the General Electric Astana office. The the meeting was devoted to discussing President Nursultan Nazarbayev's visit to the United States in January and its impact on US business in Kazakhstan.

Guest speakers for this meeting were *George Krol, US Ambassador to Kazakhstan; Shelbie Legg, Economic Counselor to the US Embassy; and Dean Matlack, Senior Commercial Officer at the US Consulate*. Ambassador Krol and his colleagues analyzed the results of meeting between the two Presidents. In addition, the speakers discussed the activity of the *Overseas Private Investment Corporation (OPIC)* and key areas of US investment in Kazakhstan.

Astana Trade and Customs Working Group

March On March 1, the Astana Trade and Customs Working Group met in the General Electric Astana office under chairman and *EY Senior Associate Samat Karmys*. Mr. Karmys gave a presentation that highlighted updates in the new Kazakhstan Customs Code, which came to force in early 2018. The speaker delivered an overview of changes to the new Code including Custom duties, Authorized Economic Operator status, administrative sanctions, and E-declarations. *Nikolay Yefimchuk, PwC Senior Manager*, also outlined some of the main issues with the new Code.

Almaty

Almaty Technology and Innovation Working Group

March On March 1, the Almaty Technology and Innovation Working Group met in the AmCham conference room at the Rixos Almaty hotel. The meeting was opened by Tibor Kolejak, Director of Commercial Enterprise, Microsoft CIS.

New legislative changes will affect cyber-security and other IT requirements in Kazakhstan. The March ITWG served to explain many of these legislative changes and discuss their impact on foreign investment and the technology sector. Mr. Kolejak, an expert on these issues and one of the major team members behind Microsoft's joint efforts with the Kazakhstan government to digitalize Kazakhstan's economy, led the meeting along with Ronald Binkofski and two other Microsoft experts who connected to the meeting via Skype for Business.

Mr. Kolejak began with a presentation that outlined seven changes to Kazakhstan's IT legislation. The presentation highlighted the changes and discussed possible concerns with their implementation, as well as IT procurement and procedures, information security, cloud base infrastructure, and changes in surveillance laws.

The business community will have upcoming opportunities to voice their concerns on these issues. ITWG Chair Ronald Binkofski holds a position on AmCham *Council to Improve the Investment Climate* that meets monthly with the Prime Minister in Astana. The March Council Meeting will discuss Information Technology and Ronald Binkofski has agreed to deliver a presentation that will voice the concerns of the business community.

MEMBER COMPANIES

OIL & GAS • BAKER HUGHES • BG KAZAKHSTAN • CATERING INTERNATIONAL & SERVICES • CHEVRON • ERSAI • EXXONMOBIL • HALLIBURTON • INPEX NORTH CASPIAN SEA • KARACHAGANAK PETROLEUM OPERATING (KPO)• KAZAKH OIL AKTOBE • KELLOG BROWN & ROOT • LLOYD'S REGISTER • MAERSK OIL • MOL (FED) KAZAKHSTAN • NCOC • NOSTRUM • OMV PETROM • PARKER DRILLING • SCHLUMBERGER • SHELL • TENGIZCHEVROIL (TCO) • WEATHERFORD • **MINING & ENERGY** • AES KAZAKHSTAN • ARCELORMITTAL TEMIRTAU • CAMECO • CENTRAL ASIA METALS • FREEPORT-MCMORAN • KAZ MINERALS MANAGEMENT • RIO TINTO • YILMADEN HOLDING • **ENGINEERING & INDUSTRIAL EQUIPMENT** • BASF • BORUSAN MAKINA • CENTRAL ASIA METALS • DOW EUROPE • DUPONT KAZAKHSTAN • EMERSON ELECTRIC • EURASIA GROUP KAZAKHSTAN • FLUOR • GE INTERNATIONAL • HONEYWELL • ILF • KAZAKHSTAN KAGAZY • KARAGANDA PROMSTROYPROEKT • KB ENTERPRISES • SCHNEIDER ELECTRIC • SEWON VERTEX HEAVY INDUSTRY • WORLEYPARSONS • **CONSUMER PRODUCTS** • 3M • ALD AUTOMOTIVE • AMERICANA GROUP • AMWAY • AVON COSMETICS • BEIERSDORF • BRITISH AMERICAN TOBACCO • BURGER KING • CARLSBERG • CASPIAN MOTORS • COCA-COLA • COLGATE-PALMOLIVE • DANONE BERKUT • EFES • HERBALIFE • KIMBERLY-CLARK • JOTUN KAZAKHSTAN • MARS • METRO CASH AND CARRY • NESTLE • PEPSICO • PHILIPS KAZAKHSTAN • PHILIP MORRIS • PROCTER & GAMBLE • SAMSUNG • RAMSTORE • RG BRANDS • STARBUCKS • WRIGLEY • **BANKING & FINANCE** • AL-HILAL ISLAMIC BANK • BANK OF TOKYO-MITSUBISHI • CENTRAS SECURITIES • CITIBANK • EURASIAN BANK • MASTERCARD • SOCIETE GENERALE • VISA • **ACCOUNTING & TAX** • CROWE HORWATH • DELOITTE • EY • KPMG • PRICEWATERHOUSECOOPERS • TMF GROUP • **INSURANCE** • CENTRAS SECURITIES • EUROPEAN INSURANCE COMPANY • KAZKOMMERTS-POLICY • NOMAD INSURANCE • OIL INSURANCE COMPANY • **LAW FIRMS** • AEQUITAS • BAKER & MCKENZIE • CENTIL LAW FIRM• DECHERT • DENTONS • GRATA LAW FIRM• KINSTELLAR • LINKAGE & MIND • MACK LAW • MORGAN LEWIS • SIGNUM LAW FIRM • WHITE & CASE • **COMMUNICATIONS TECHNOLOGY & INFORMATION** • BEELINE • CISCO • DICOSTA TECHNOLOGIES • ERICSSON KAZAKHSTAN • HEWLETT PACKARD ENTERPRISE • GANTEK • IBM • K'CELL • MICROSOFT • RBC GROUP • TELE2 • XEROX • **FREIGHT FORWARDING & LOGISTICS & STORAGE** • ARCAS LOGISTICS • BERTLING LOGISTICS• EMEX/FEDEX • GLOBALINK LOGISTICS GROUP • ICT LOGISTICS • IFC COLOS • M AIR CARGO • OSG RECORDS MANAGEMENT • UPS (UNITED PARCEL SERVICE) • **TOURISM & HOSPITALITY & TRAVEL** • AIR ASTANA • AVIS RENT A CAR • INTERCONTINENTAL ALMATY HOTEL • KLM • LUFTHANSA • MARRIOTT ASTANA HOTEL • PRIME AVIATION • RADISSON ASTANA • RADISSON PARK INN ASTANA • RAMADA ALMATY HOTEL • RENAISSANCE AKTAU HOTEL • RENAISSANCE ATYRAU HOTEL • RITZ CARLTON ALMATY • RITZ CARLTON ASTANA • RIXOS ALMATY HOTEL • RIXOS BOROVOE HOTEL • RIXOS KHADISHA SHYMKENT • RIXOS PRESIDENT ASTANA • ROYAL TULIP HOTEL • WYNDHAM GARDEN HOTEL • **CONSTRUCTION & REAL ESTATE** • AECOM CAPITAL PARTNERS • ESTATE MANAGEMENT COMPANY • HEIDELBERG CEMENT • OFFICE SOLUTIONS KAZAKHSTAN • STEPPE CEMENT • TURKUAZ • TURNER INTERNATIONAL • **HEALTH PRODUCTS & SERVICES** • ABBOTT LABORATORIES • ABBVIE BIOPHARMACEUUTICALS • ABDI IBRAHIM GLOBAL PHARM • DR. REDDY'S • ELI LILLY • GLAXOSMITHKLINE • MEDTRONIC • MERCK • NOVARTIS • OCTAPHARMA • PFIZER • INTERNATIONAL SOS • PSI CENTRAL ASIA • SANTO • SANOFI • **CONSULTING & TRAINING & RECRUITMENT** • BOOZ ALLEN HAMILTON • BOSTON CONSULTING GROUP • BUREAU VERITAS KAZAKHSTAN • CAREER HOLDINGS • CHECKPOINT TALENT SOLUTIONS • FIRCROFT • NEOTECH GLOBAL • PBN HILL KNOWLTON • SHNEIDER GROUP • SMART SOLUTIONS PERSONNEL • QUALITY MANAGEMENT CENTER • WE PARTNERS • **EDUCATION** • ALMATY INTERNATIONAL SCHOOL • AMERICAN COUNCILS FOR INTERNATIONAL EDUCATION • COLUMBIA SCHOOL OF SOCIAL WORK • HAILEYBURY SCHOOL ALMATY • KIMEP UNIVERSITY • **INTERNATIONAL ORGANIZATIONS & IFIS** • AMERICAN RED CROSS • ASIAN DEVELOPMENT BANK • EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT • INTERNATIONAL FINANCE CORPORATION • INTERNATIONAL SCIENCE AND TECHNOLOGY CENTER • ITIC • ICD • RED CRESCENT • UNHCR • USAID • UN WOMEN • **FOUNDATIONS & FUNDS & GOVERNMENT PROJECTS** • ARGO CIVIL SOCIETY DEVELOPMENT ASSOCIATION • US-KAZAKHSTAN BUSINESS ASSOCIATION • **MASS MEDIA & PUBLISHING** • KAZAKHSTAN PRESS CLUB • POLYGON INTERNATIONAL • **INDIVIDUALS** • KEVIN WHITE • MARTHA OLCOTT

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 AmCham in Kazakhstan is a member of the US AmCham 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 Kazakhstan Government at senior levels
- ✓ AmCham Members may attend 19 Working Groups in 5 cities plus 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 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

WORKING GROUPS

Working Groups made up of representatives from our 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 our 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
Bracewell & Giuliani
BG Group
Capital Bank
Chevron
Citibank
Conoco Phillips
Coca–Cola
Dechert
Deloitte
DUCAT
EBRD
Ernst & Young
GE International
Halliburton
Honeywell
HSBC
Hyatt Hotel
Intercontinental Almaty Hotel
KIMEP
KPMG
LeBoeuf, Lamb, Greene & MacRae
Nestle
PetroKazakhstan
Philip Morris Kazakhstan
Philips Kazakhstan
PricewaterhouseCoopers
Procter & Gamble
Raytheon
Scot Holland CBRE
Tengizchevroil
USAID
Visor Capital
White & Case
Procter and Gamble

OFFICE

Rixos Almaty Hotel Office Tower, 8th floor
506/99 Seifullin Street/Kabanbay Batyr
050012 Almaty Kazakhstan
Tel.: +7 (727) 330 92 50
Fax: +7 (727) 330 92 51
www.amcham.kz

Doris Bradbury
Executive Director
Doris.Bradbury@amcham.kz

Rimma Kazhemyakina
Finance Director
Rimma.Kazhemyakina@amcham.kz

Michael Burger
Publications / Working Groups Coordinator
Michael.Burger@amcham.kz

Zhanyl Aidaralieva
Publications / Communications Coordinator
Zhanyl.Aidaralieva@amcham.kz

Islam Ishmukhametov
Regional Working Groups Coordinator
Islam.Ishmukhametov@amcham.kz

Bunyod Abdukarimov
Government Relations Coordinator
Bunyod.Abdukarimov@amcham.kz

Balaussa Kabas
Events / New Memberships Coordinator
Balaussa.Kabas@amcham.kz

Kamila Khudayberdieva
Accountant
Kamila.Khudayberdieva@amcham.kz

Togzhan Smagulova
Administrative Assistant
info@amcham.kz

REGIONAL REPRESENTATIVES

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

Dorin Baru
OMV Petrom
Resident Representative, Aktau
Dorin.Baru@omv.com

Haymish Paulse
Tengizchevroil
Resident Representative, Atyrau
HPaulse@tengizchevroil.com

Roman Kempe
HeidelbergCement
Resident Representative, Shymkent
Roman.Kempe@heidelbergcement.kz

MEMBERSHIP CATEGORIES AND ANNUAL FEES

Corporate A	(Worldwide revenues in excess of 100 million USD)	$5,000 USD
Corporate B	(Worldwide revenues between 2-100 million USD)	$3,800 USD
Corporate C	(Worldwide revenues not exceeding 2 million USD)	$2,700 USD
Non-Profit		$1,500 USD
Individual**		$500 USD

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.

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

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