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IV Investors' Voice

The American Chamber of Commerce in Kazakhstan

Kazakhstan's Leading International Business Association

April 2019
SPRING ISSUE
#83

CASPIAN SPRING ISSUE 2019

KAZAKHSTAN'S OIL AND GAS HEARTLAND



- ExxonMobil - Safety Excellence Model
- Shell - Our Journey Towards Road Safety
- Tengizchevroil: 2018 in Review
- Fluor - Building a Complex Plant in the Future
- NCOC - Kashagan and the Role of Local Content
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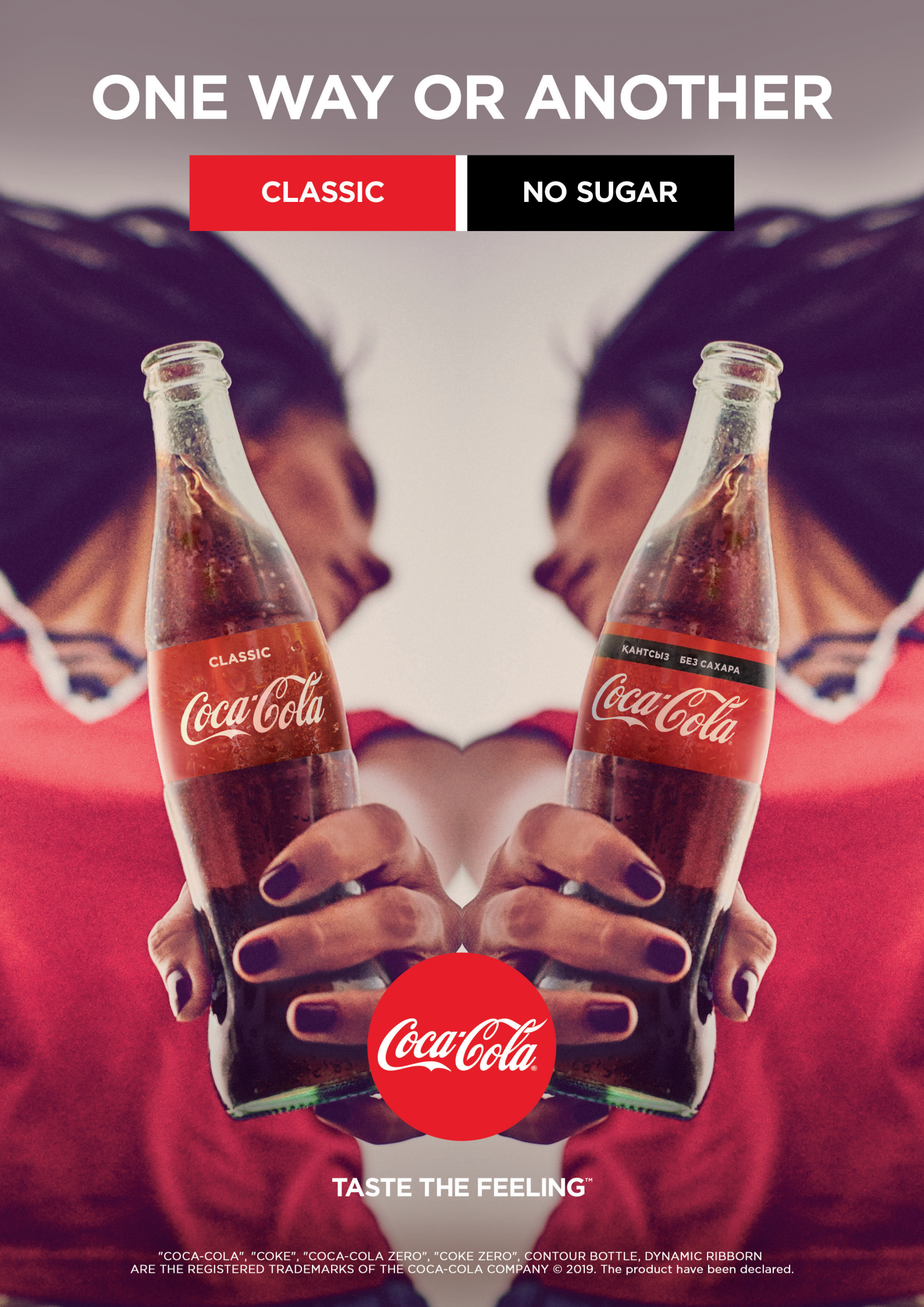
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EDITOR'S NOTE



Dear Readers,

The *Caspian Spring Issue* is always a special Issue of *Investors' Voice*, not only for Kazakhstan's oil industry centered in the Caspian region – the powerhouse of the country's economy – but for all AmCham members and for the country as a whole as spring arrives in Kazakhstan during the Nauryz holiday.

Atyrau, the major city in the Caspian region, marks this seasonal change with its annual Oil & Gas Exhibition that brings together industry participants, diplomats, visiting European and regional officials, and Kazakhstani Government leaders to consider recent trends in the country's major industry. AmCham also comes to Atyrau at this time of year to launch the Exhibition with its own events – workshops and business networking events, and the *Caspian Spring Issue,* which presents articles by the major players in the region's dominant industry:

- *Chevron*, the first western oil giant to successfully explore Kazakhstan's share of the Caspian Sea in the early 1990's and whose leadership gave birth to *Tengizchevroil (TCO)* and to the development of the country's oil and gas industry;
- *ExxonMobil*, the global industry leader and a leading partner in *TCO* and the *North Caspian Operating Company (NCOC)*;
- *Shell*, the Netherlands-based oil leader that dominates the *Pearls* project, a major partner in *Karachaganak* and *NCOC*;
- *Karachaganak Petroleum Operating (KPO)*, the huge oilfield in northwest Kazakhstan led by *Shell* and *ENI*;
- *INPEX*, the Japanese oil company in the NCOC consortium; and
- *Nostrum Oil and Gas (NoG)*, an independent oilfield operation in northern Kazakhstan, based in London and Amsterdam.

Additional articles from oilfield services leaders *Halliburton and Fluo*r, illuminate the more technical side of oilfield operations. Articles on tax and finance by three of the Big Four (*EY, KPMG, PwC*), and insights into legal trends by leading law firms (*Kinstellar*) serve to highlight challenges facing the major operators and the oilfields whose success they determine.

AmCham wishes every success to all participants in the Caspian Spring events in Atyrau in April, to the oil and gas industry that has determined Kazakhstan's economic leadership in Central Asia, and to everyone in Kazakhstan and Central Asia welcoming the return of spring during Nauryz.

Doris Bradbury
Executive Director

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Chevron



Balaji Krishnamurthy, Deputy Managing Director, Chevron Eurasia Business Unit

Balaji joined Chevron in 2002 and started his career in Chevron Technology Ventures. Most of his career has been in Upstream international business units in the United States and Thailand. In 2016 Balaji was appointed General Manager of Strategy in Corporate Strategic Planning for Chevron Corporation, where he was responsible for stewarding the strategic planning process, world oil supply analysis and outlook, competitor intelligence, climate change, enterprise risk management and investment analysis guidance.

Balaji Krishnamurthy assumed the position of Deputy Managing Director of Chevron's Eurasia Business Unit (EBU) in June 2018.

EY



Denis Borisov, Energy Center Leader (Central/ Eastern/ Southeastern Europe/ Central Asia), EY

Denis Borisov graduated in 2001 from the Gubkin Russian Oil and Gas University, specializing in Oil Industry Economics and Management. He holds a PhD economics and has over 15 years' experience in oil and gas and petrochemicals (RITEK, SIBUR, TNK-BP), investment finance (IFC Solid), and banking research (Bank of Moscow, NOMOS-Bank).

In January 2013 Denis joined the EY team, where he is currently part of the EY Energy Center responsible for analysis of fuel and energy operations. He is also a member of government working groups focused on the effectiveness of Kazakhstan's oil and gas industry, and is an invited speaker at industry conferences. Denis Borisov is considered the most highly quoted analyst in the mass media.

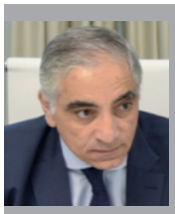


Petr Medvedev, Global Client Service Partner, EY

Petr Medvedev is a Partner in the EY Tax practice and previously served as Head of the EY CIS Tax and Law practice based in Moscow. He has specialized in tax issues for nearly 20 years in Moscow, Almaty and London. His extensive experience includes managing global projects for companies investing in Emerging Markets, as well as for Emerging Markets companies expanding outside their home territory.

Petr Medvedev is Global Client Service Partner for Gazprom Group. He has over 25 years of professional experience, including managing global oil and gas projects, public sector projects, and working with technology companies.

Halliburton



Moetaz Mohsen, Senior Area Manager, Halliburton

Moetaz Mohsen is Halliburton Senior Area manager for Caspian East based in Atyrau. Previously he was Baroid Country manager in Egypt. He has a total of 28 years of oil field experience and joined Halliburton in 2001. He has held different operational positions in Saudi, UK, France, UAE, and Indonesia.

Moetaz Mohsen holds a B.Sc. degree in Geology from Alexandria University, and graduated from Halliburton Business Leadership II in 2012.

INPEX



Hiroshi Ikeda, Director and Head of Kazakhstan Branch, Inpex North Caspian Sea

Hiroshi Ikeda joined the Japan National Oil Corporation in 1984. In 2003 he joined the INPEX Corporation, where he spent 8 years in finance and corporate strategy. He worked on the INPEX IPO on the Tokyo Stock Exchange in 2014 and the corporate merger between Inpex and Teikoku Oil in 2006, served as Investor Relations Manager for 3 years, and raised 50 billion USD in equity capital for the Australia Ichthys LNG Project in 2010. He has been a member of the NCOC Shareholders Committee and Chairperson of the Human Resources & Talent Committee since 2018.

CONTRIBUTORS

Kinstellar



Almas Zhaiylgan, Counsel, Kinstellar

Almas Zhaiylgan is a Counsel in the Kinstellar Almaty office and head of the firm's local Energy and Natural Resources practice. He has 20 years' experience advising companies in the oil and gas and mining industries in Kazakhstan. He has assisted clients with upstream exploration and production projects, including drafting and negotiating host government contracts, joint-venture agreements, farm-out agreements and joint operating agreements. He also has broad experience in mergers and acquisitions.

Almas Zhaiylgan has been consistently recognized by *Chambers, Legal 500, Who's Who Legal* and other benchmark publications as a leading lawyer in his field. He holds an LLM degree in Energy, Environment and Natural Resources Law from the University of Houston Law Centre as well as an International Law degree from Al-Farabi National University and a B.S. in Business Law from Indiana University.

KPMG



Rustem Sadykov, Partner, Head of Tax & Legal, KPMG

Rustem Sadykov is a *Partner and Head of KPMG Tax & Legal* in Kazakhstan and Kyrgyzstan. He has 20 years of tax advisory experience with clients from a broad range of industries. His areas of specialization include upstream taxation, international tax and transfer pricing.

Rustem Sadykov holds a BSc in Industrial Relations from Ankara University and an MSc in Industrial Relations from the London School of Economics. He is a US Certified Public Accountant and a Board Member of the Kazakhstan Chamber of Tax Consultants.

North Caspian Operating Company (NCOC)



Daurbek Utezhanov, Local Content Manager, North Caspian Operating Company (NCOC)

Daurbek Utezhanov is seconded to NCOC in Atyrau as a Local Content Manager by KMG Kashagan. He manages local content communication with the NCOC strategic projects (CC01, Kalamkas, Aktoty, Kairan) and stakeholder relations with Government and PSA authorities, key stakeholders and local communities, ensuring engagement with all stakeholders is maintained throughout the project lifecycle. He contributes to developing Local Content Strategy and joint ventures where foreign technology may assist in developing materials and services.

Daurbek Utezhanov holds a B.S. in computing systems from the Moscow Institute of Radio Technology and a B.S. in mathematics and computer science from the University of Houston.

PwC



Elena Kaeva, Tax Partner, PwC

Elena Kaeva is a Partner in the PwC Tax Department with almost 20 years' experience in PwC Kazakhstan.

Elena joined PwC after working in the Kazakhstan Ministry of Finance, where she was responsible for overseeing tax issues related to multinational companies operating in Kazakhstan. As a Partner Elena has strong knowledge of all domestic direct taxes (corporate tax, withholding tax, payroll taxes, etc), as well indirect taxation (VAT, excise duties, etc.). Elena also has extensive experience with international tax advice to clients planning inbound and outbound investments in Kazakhstan and Tajikistan with implementation of tax efficient corporate structures, and withother specialized tax issues.

Elena Kaeva is a member of the Tax Consultants Chamber and a Fellow of the Association of Certified and Chartered Accountants (ACCA), UK.

Shell



Zhuldyz Galiakpar, Social Performance Advisor, Shell Kazakhstan

Zhuldyz is a Social Performance Advisor at Shell Kazakhstan responsible for the company's social investment strategy and implementation and managing social impacts. She has been with Shell Kazakhstan since September 2016. Prior to this appointment she held a similar role at BG Kazakhstan. She has over 10 years' experience in the field of social development and holds a MA degree in Economics of Development.



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Safety excellence – model by ExxonMobil



Cheryl Gomez-Smith, Managing Director of ExxonMobil Kazakhstan Inc.

Cheryl Gomez-Smith, Managing Director of ExxonMobil Kazakhstan Inc. (EMKI), speaks about a culture of safety and operations excellence at ExxonMobil and how that culture supports assets in Kazakhstan, including those which are 'Operated-by-Others' (OBO).

Born in Colorado, USA, Cheryl Gomez-Smith earned a Bachelor of Science degree in Mechanical Engineering from the University of Notre Dame (Indiana, USA). She also holds an MBA degree from Tulane University (Louisiana, USA).

Cheryl advanced through engineering, operations, projects, and leadership roles in various ExxonMobil Upstream affiliates in the United States, Qatar, and Russia. Previously she served as the Operations Director for Exxon Neftegas Ltd, operator of the Sakhalin-1 project in Russia, where she was accountable for safety, production and field operations. Before moving to Kazakhstan in 2016, Cheryl was the ExxonMobil Global Operations Manager responsible for development, execution, and sustainment of ExxonMobil global production best practices. In this position she was responsible not only for ExxonMobil Upstream production operations global oversight, but also for maintenance, logistics, competency assurance, work management, alarm management, and operations cost management practices.

Safety is a core value at ExxonMobil

The Chairman and CEO of Exxon Mobil Corporation Darren Woods said, "Winning in today's energy business takes a company ... that operates safely and responsibly, taking care of people and the environment, and addressing the risks of climate change."

"That is true, a safe company is a well-run company," confirms Cheryl Gomez-Smith. "For ExxonMobil, safety is a value, not just a priority. ExxonMobil is committed to continuous efforts to identify and eliminate, or manage safety risks associated with all our activities. A company's priorities evolve over time depending on business conditions and other factors. A commitment to safety therefore must be more than a priority. Safety is a core value that shapes decision-making at every level. At ExxonMobil, our journey to excellence incorporates health, safety (including personnel and process safety along with risk management), security, and environment, or HSSE. At the intersection of a strong HSSE culture and reliability performance, we find operations excellence. This pursuit of operations excellence is a key driver of ExxonMobil's approach to business."

ExxonMobil adds value and supports Kazakhstan's portfolio

As a long-term investor in Kazakhstan, ExxonMobil has been present in the country for the last 25 years and is active in development,

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production and transportation of products. ExxonMobil is a shareholder in the Tengizchevroil (TCO) joint venture, which operates the Tengiz and Korolev fields; in the North Caspian Sea Production Sharing Agreement (NCSPSA), which includes the Kashagan field; and in the Caspian Pipeline Consortium (CPC).

"When it comes to HSSE, we apply the same focus and commitment to the ExxonMobil operated assets as we do to those which are not ExxonMobil operated", Cheryl noted. "In Kazakhstan, ExxonMobil is not an operator; here we are responsible for managing ExxonMobil's interests and participation in joint ventures. As an OBO organization, our role is to ensure continuous improvement in the effectiveness and efficiency of our operators' performance (i.e. TCO, NCOC, and CPC), as well as to identify and manage key risks to ExxonMobil."

"ExxonMobil has a global portfolio of OBO assets to which we apply a standardized management system that addresses our OBO activities throughout the life cycle of the asset, exploration through decommissioning," Cheryl explains. "The system is scalable and covers all parts of the business including HSSE, asset development, commercial, reliability, integrity, project execution, and operator performance. There is a rigorous process where key or strategic issues are identified and managed with a focus to where ExxonMobil can provide incremental value to the operator. This is where ExxonMobil leverages our global expertise to support the OBO asset."

"Not only are we providing focused ExxonMobil global expertise to TCO, NCOC, and CPC, but we are also enhancing technical knowledge of the local workforce. Starting in 2014, EMKI has delivered annual technical workshops to the national oil company KazMunayGas (KMG)," Cheryl continues. "Previous KMG workshops addressed drilling, geology, and project management. Supporting KMG's continued focus on HSSE, in 2018 our subject matter experts delivered practice-sharing workshops on safety and environmental management. At the first workshop, ExxonMobil shared values and practices that shape the company's HSSE and operations excellence culture including, for example, management of higher risk activities, contractor safety, and incident investigation. The second workshop focused on environmental management systems and regulatory frameworks. Discussions were also of interest to the attendees given the ongoing development of a new environmental code of Kazakhstan based on OECD standards." Following the workshop, KMG's Managing Director on HSSE Vincent Spinelli said: "Even if the workshop learnings may not be immediately applicable in KMG's day-to-day operations, they can kick off a change in the mindsets." Both workshops received high attendance and positive feedback from KMG.

Ideas for Kazakhstani leaders who are at an early stage of their journey to safety and operations excellence

"Begin with a self-assessment of your own behaviors and commit to the safety of your team members and your assets; this is one of THE most important element of your leadership responsibilities. Safety is and should be personal," Cheryl emphasizes to close out her conversation on safety. "Safety begins with leadership that nurtures a culture of operations excellence. For that culture to flourish, safety must be embedded as a core value throughout the workforce, supported by each person's commitment to stay safe and be responsible for the safety of each team member. Strong safety performance and operations excellence do not occur immediately...they are a continuous journey and an imperative for business success."

As one of the Republic's biggest investors with more than $20 billion of investment to date, ExxonMobil is committed to ensuring safety and operations excellence of its projects, remaining one of the largest foreign investors in Kazakhstan and continuing to support the country's progress for years to come.



Environmental Management Workshop participants with ExxonMobil lecturers, June 2018

TENGIZCHEVROIL: 2018 IN REVIEW

Over the past 26 years, Tengizchevroil (TCO) has risen to become a leader in Kazakhstan's oil and gas industry. TCO produces oil, gas and associated products that fuel the modern economy and our history is interlinked with the rise of an independent Kazakhstan. At TCO, we strive to contribute to Kazakhstan's economic progress and future, and to build a new legacy for generations to come through safe and reliable operations at our facilities in Western Kazakhstan.

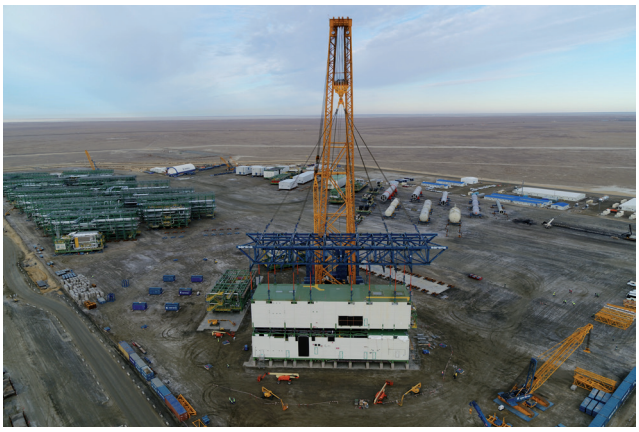
Last year, TCO achieved several significant milestones in our ongoing journey to create value for Kazakhstan, our four shareholders and the communities where we live in operate.

Tengiz, the center of TCO's activities in Atyrau Oblast, is one of the most prolific oil and gas producing fields in the world today. In 2018, production from Tengiz accounted for approximately 31 percent, or 28.6 million tons (228.2 million barrels), of Kazakhstan's overall production of 90.36 million tons of crude oil. This level of production exceeded planned production figures for the year by 3.3 percent despite a turnaround at the complex process lines facilities at KTL-2 (one of five such facilities in Tengiz) in September.

Maintenance during the KTL-2 turnaround, which was completed ahead of schedule thanks to the outstanding efforts of more than 8,200 people, involved work on over 250 columns, vessels, reactors and heat exchangers, as well as more than 1,000 valves. During the overhaul at KTL-2, the remaining four process lines at KTL, as well as the *Second Generation Plant and Sour Gas Injection facilities (SGP/SGI)*, provided for continued stable production at Tengiz.

In addition to producing oil, which was fully exported through the Tengiz-Novorossiysk pipeline of the Caspian Pipeline Consortium, in 2018 TCO sold more than 1.3 million tons of liquid gas, 9.2 billion cubic meters of dry gas and 2.5 million tons of sulfur. We also continued to advance the *Future Growth and Wellhead Pressure Management Projects (FGP-WPMP)*. Both projects, after their completion, will increase oil production in Tengiz by 12 million tons, to 39 million tons per year. WPMP will ensure full load of refining capacities of all the plants operating in Tengiz by reducing wellhead pressure of the blowing wells and by increasing pressure at the inlet of six existing integrated process lines.

The launching of the *Cargo Transportation Route (CaTRo)* last year enabled the start of unloading, storage and delivery of FGP modules to the work site in Tengiz and the assembly of the main equipment for FGP-WPMP. Modules are made in Kazakhstan, South Korea and Italy. After pre-assembly of the equipment in modules, they are sent by chartered heavy-load vessels to Tengiz for final assembly and installation. Unloading is carried out at a specially-built terminal at the Prorva port in the Caspian Sea.



Module carrying vessel loaded with a pre-assembled module for FGP-WPMP transiting through St. Petersburg

In autumn 2018, the first module of Frame 9 gas turbine generators (GTG), manufactured in Avenza, Italy, was delivered to the construction site of the future *Third Generation Plant (3GP) of FGP-WPMP*. The delivery to Kazakhstan was carried out from the Italian port of Marina di Carrara through the Bulgarian port city of Burgas, and then along the Southern route of the Russian inland waterways to CaTRo. GTG components continue to arrive at Tengiz this year.

In addition, twelve assembly modular blocks made in South Korea were sent through the transshipment base at Hamina port (Finland) and further along the Northern route of the Russian inland waterways last year. In mid-September in Tengiz, the contracting company Sarens, responsible for lifting heavy cargo with the help of self-mobile conveyors at 3GP, installed the first pre-assembled rack manufactured at the ERSAI production site in Mangistau Oblast on permanent foundations. Several modules from ERSAI are waiting their turn at Tengiz for assembly and installation. In total, 28 pre-assembled modular racks for the project were delivered from ERSAI to the *3GP* and T*hird Generation Injection (3GI)* sites at Tengiz.

A Tengiz-based common services group provided all important services in the work plan for infrastructure, capital facilities and a joint production management center. At the end of December, the control and power supply systems group installed the main substation of *3GP* on the foundation. The assembly system group made significant progress on field facilities and pipelines. Concrete works and laying of

underground pipeline are continuing at *3GP*. In November, the first gas turbine generator was reassembled. General construction and underground works continue.

At TCO, we conduct our business responsibly, we deliver results the right way and we differentiate our performance through our people. We believe that sustainable local companies are beneficial to the economy, and we support businesses to help them enhance their capabilities and to prosper. As part of our commitment to investing in local businesses, we have prioritized investment in Kazakhstani content in *FGP-WPMP*. More than 45,000 Kazakhstanis work on the project within the country, which is 91 percent of the total number of project personnel in Kazakhstan.

TCO has engaged Kazakhstani organizations to participate in engineering design, procurement and manufacture of modules for *FGP-WPMP*. Currently, more than 2,100 companies participated in the preliminary selection phase, where more than 400 companies received contracts. Representatives of *FGP-WPMP* visited the facilities of more than 160 Kazakhstani companies to assess their production capabilities.

TCO carries out its production activities in strict compliance with environmental requirements. Between 2000 and 2018, we invested $3.1 billion on projects to reduce impact of operations to the environment. Currently, TCO's gas utilization rate at Tengiz is 98 percent. The company has made significant investments in improving the reliability of equipment at all plants. From 2000 to 2018, the volume of unscheduled flaring decreased by 98 percent. Since 2000, total air emissions per ton of produced oil have decreased by 72 percent, while TCO has increased its annual oil production by 2.7 times as a result of investments in new capital projects and equipment reliability.

TCO has made a significant impact on the Kazakhstani economy. From 1993 until 2018, TCO's direct financial payments to Kazakhstan amounted to more than $135 billion, including salaries of Kazakhstani employees, purchases of goods and services from domestic producers and suppliers, payments to state enterprises, payment of dividends to the Kazakhstani partner, and taxes and royalties transferred to the state budget.

In 2018, direct payments to Kazakhstan exceeded $10.1 billion and TCO purchased goods and services from Kazakhstani suppliers in the amount of more than $3.5 billion, including more than $ 2.3 billion for *FGP-WPMP*. In total, since 1993 TCO has purchased goods and services from Kazakhstani suppliers totalling more than $28 billion.

2018 was a milestone year for TCO and we are making significant progress on building the future through of Tengiz. *FGP-WPMP* is a landmark project for the Kazakhstan that will deliver the promise of a world-class petroleum resources for future generations.



Restacking of gas turbine generator at the Third Generation Plant (3GP) site for FGP-WPMP by one of the world's largest cranes

KASHAGAN AND THE CRUCIAL ROLE OF LOCAL CONTENT

By Daurbek Utezhanov, Local Content Manager North Caspian Operating Company (NCOC)

Kazakhstan content has reached record levels and will keep growing

Since Kazakhstan achieved independence, the country's President and Government have focused attention on increasing local content in subsoil use, especially in large oil and gas projects. As the predominant industry in the national economy, the oil and gas industry has become a modern labor management school for thousands of Kazakhstan employees, and a testing ground for advanced technologies, research, and applied studies.

Integration of domestic companies and human resources into the operations of these large global ventures will take Kazakhstan's labor and manufacturing resources to a new level, enabling their gradual introduction into the global arena as equal players. A modern approach to increasing local content will allow Kazakhstan to make a technological breakthrough in the future. Thus the nation's leaders encourage and support foreign companies that show gradual local content growth every year.



One such company is the North Caspian Operating Company (NCOC), the operator of the Kashagan oilfield, which is noted for its enormous reserves. Since it began its project 25 years ago, NCOC has consistently pursued a policy of maximizing local content in full compliance with the laws of Kazakhstan.

The active effort by NCOC to increase local content is demonstrated by the fact that payments for local goods, works and services in the period 2006-2018 exceed US$14 billion and keep growing steadily year by year. Thirty-five contracts for goods and services previously performed by foreign companies, worth roughly US$4 billion, have been nationalized over the past five years. In 2018 alone, 94 contracts were signed with local companies for a total of more than US$527 million.

According to Richard Howe, NCOC Managing Director:

"We believe that cooperation in local content development will be beneficial not only for Kazakhstan providers of goods, services and works, but also for the Venture, which is committed to becoming an integral part of the community and making an active contribution to the social and economic development of the region. As for the upcoming turnaround, we will begin this work at Bolashak Plant and D Island in mid-April. A safe, high quality, and on schedule activity is our priority for 2019. Turnaround means complete shutdown for technical inspections and planned maintenance of equipment. We will conduct these large-scale operations involving about 5,000 NCOC and contractors' employees for the first time after production restart in 2016."

The Kashagan project has already contributed to job creation and business development opportunities in Kazakhstan. The country will continue to benefit from this project in the long term in the form of budget revenues, oil and gas production, and contributions to social and infrastructure development. This is strongly supported by NCOC's strategic initiative to sign memoranda of cooperation in the area of local content development with the *akimats* of oblasts that serve as major industrial hubs for Kazakhstan: Kyzylorda, Karaganda, Mangystau and Atyrau in the last year alone.

These memoranda improve cooperation between NCOC and the *oblast* authorities to encourage local content development. They are also intended to help develop local professionals and expand the production capacities of local companies. According to NCOC experts, the memoranda will serve as a starting point for full-scale collaboration and cooperation to increase local content in procurement of goods, works and services for Kashagan, improving the competitiveness of local companies, addressing the question of Kazakhstan content at the regional level, and creating capacity building of Kazakhstan companies to create new jobs.

NCOC efforts to increase local content have significantly contributed to improving the employment situation in Kazakhstan's western region. Kashagan is currently one of the largest regional employers with over 10,000 people employed as of year-end 2018 and with the share of Kazakhstan citizens exceeding 90%, an impressive indicator for a project of this scale.



Another notable fact is that, apart from creating jobs, NCOC is also constantly engaged in training and developing Kazakhstan personnel. The term "local content" means not only the utilization and development of local production facilities and technology transfer, but also creation of a new world-class talent pool. NCOC has provided training in a number of ways:

- *NCOC's Special Projects Training Program* has provided high-quality training for Kazakhstani professionals for many years. This Program supports NCOC mid-term and long-term personnel needs, aimed at recruitment, employment and training of Kazakhstan graduates to provide sufficient personnel for future operations and production support.

- Since 1998 more than 16,000 Kazakhstan citizens have received training, either from NCOC or as employees of local companies supported by NCOC.

- Over two decades, NCOC has invested nearly US$263 million on craft skills training to build local capacity for the North Caspian Project.

And there are future opportunities for growth within the *NCSPSA License Block*, apart from Kashagan. The New *Developments Project Team* is exploring opportunities for local companies in the *Aktote-Kairan* and *Kalamkas-Sea Projects* in terms of pipeline fabrication and installation, man-made island construction, equipment manufacture, material supply and service provision.

NCOC is working on increasing local content jointly with the Kazakhstan Government, as part of the recently-established *Oil and Gas Sector Strategic Partnership Development Council* under the auspices of the KAZENERGY Association. The construction and operation of new facilities will attract significant investments in the project and, according to President Nazarbayev, Kashagan has already become a major contributor to the Kazakhstan economy.

According to NCOC Managing Director Richard Howe:

"We believe that cooperation in local content development will be beneficial not only for Kazakhstan providers of goods, works and services, but also for NCOC, which is committed to becoming an integral part of the community and making an active contribution to the region's social and economic development. As for the activities planned for the nearest future, we will start the turnaround at Bolashak Plant and D Island this April, our 'must win' priority for 2019. Turnaround means complete shutdown for technical inspections and planned maintenance of equipment. We will conduct these large-scale operations with 5000 NCOC and contractor employees for the first time since production re-start [in 2016]."

Thus, the North Caspian Operating Company continues its pursuit of increased local content in the North Caspian Project in multiple areas. This not only contributes to invaluable experience at the global level, but also gives a strong impetus to development of the regional economy and social structure.



CHEVRON PROMOTES WOMEN'S LEADERSHIP AND GENDER EQUALITY IN KAZAKHSTAN

By Balaji Krishnamurthy, Vice President
Chevron Eurasia Business Unit

The contributions of the energy industry to people's social and economic development cannot be underestimated. Over the course of 140 years, Chevron has become a leader in helping improve the communities we touch – reducing poverty, improving health and education, delivering the benefits of modern life, and working to advance human progress.

We take seriously our responsibility to answer the call of those who aspire to a better today. That is why we are anchored to, and guided by, the vision, values and strategies of *The Chevron Way*. We strive to operate as the global energy company most admired for its people, partnership and performance.

Diversity and inclusion are part of our core values. Chevron believes that an inclusive culture strengthens business performance, drives innovation, and leads us as individuals and as a company to greater success. We widely support programs to foster inclusiveness among all our workforce and offer opportunities for all employees to grow personally and professionally.

We are very proud with the results of our employee development programs in Kazakhstan where Chevron promotes women to leadership and supervisory positions. Currently almost 43% of the leadership team of our Eurasian Business unit are women.

Chevron's affiliate, Tengizchevroil (TCO), also provides a strong example of women in positions of leadership. With her appointment as TCO General Director, Eimear Bonner became the first woman to hold this position. And women – citizens of Kazakhstan, successfully perform high level leadership roles, including General Manager for Human Resources and General Manager for Finance.

To help foster an environment for success, Chevron has a *Women's Network* that organizes public talks, guest lectures and social events to promote life and work balance, family values and female leadership in the oil & gas industry.

Support for women extends beyond just support for employees. As part of the company's social investments in Kazakhstan, Chevron is proud to have partnered with local organizations in the areas of education, business development and the delivery of equipment to hospitals and prenatal centers.



Chevron promotes technical education and Science Technology Engineering & Math (STEM) summer camps for girls. The inventions by these young women are inspiring and have won awards such as the *World Technovation Challenge*. Last year, an all-girl team from the *MakerSpace Almaty* traveled to Silicon Valley and won the Grand Prize for their app allowing young women and others to walk home safely at night. Proof that supporting inclusion is not only supports our business but society as well.

Despite all these success stories, our work is not completely done. Our data shows that we do a very good job of gender equality when we hire from universities and in our early career employees. However, we still see gender imbalance at the senior business and technical positions within the company.

To address this challenge, we are looking at all the barriers and impediments, and ways to overcome them to truly create a balanced workforce all the way at the top. We are looking at the HR policies and see how they can be improved to support women. Chevron has a program called *Men Advocating Real Change (MARC)*, empowering men to be active advocates of inclusion and gender equality. Ultimately, creating gender balanced workforce is better for the business and the society.

On a personal note, I don't have to look very far to understand the impact of women. My mother grew up in a family of 9 siblings with 4 brothers. She was a strong woman who withstood many adversities and was the family matriarch. She had a very successful career and made a positive impact on everyone around her. I'm certain we all can think of strong and successful women in our lives and take them as our role models.

On behalf of Chevron, let me wish all the women of Kazakhstan prosperity and success in all their endeavors.



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SHELL - OUR JOURNEY TOWARDS GOAL ZERO: ROAD SAFETY

By Zhuldyz Galiakpar, Social Performance Adviser Shell Kazakhstan

Shell Kazakhstan's Voluntary Social Investment Portfolio

Shell Kazakhstan is committed to become a trusted partner to Kazakhstan and a good neighbor to the communities where the company operates. Shell's approach to social responsibility is not only through sustainable and safe operations, local employee development and enhancing in-country-value (local content), but also through contribution to the country's socio-economic progress by implementing a portfolio of voluntary social investment initiatives.

Shell Kazakhstan's *Voluntary Social Investment Strategy for 2018-2020* was developed with a focus on providing employment for youth and economic diversification by developing small and medium enterprises and local talents by fostering STEM education. Promotion of road safety advanced practices is also a key priority area for the *Social Investment* portfolio. All projects within the portfolio target the western Kazakhstan region and are also implemented at the national level.

Road Safety Program

It might be surprising that an energy company leads a project in road safety. However, road transport is integral to Shell – whether it's delivering fuel to customers, transporting people and equipment to projects, or traveling to meetings. Globally, Shell employees and contractors drive a combined distance of almost one billion kilometers each year in more than 70 countries – the equivalent of 70 laps around the Earth daily. That is why we see Road Safety as a key risk area.

To address the issue of our road traffic incidents exposure, we at Shell share our experience of effective road safety with governments, private sector companies and non-government organizations. Shell is a board member of the *Network of Employers for Traffic Safety (NETS)* and the *Global Road Safety Partnership (GRSP)* and supports the *UN Decade of Action on Road Safety 2011-2020*.

According to the *Global Status Report (2018)* on road safety, launched by the World Health Organization (WHO), "deaths from road traffic crashes have increased to 1.35 million a year". That's nearly 3700 people dying on the world's roads every day. The burden is disproportionately borne by all road users, in particular those living in developing countries. The rising population and rapid motorization of transport has negative impact on social, economic, environmental developments.



The framework of the *UN Sustainable Development Goals (SDGs)* makes a commitment by 2030 to provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.

SDGs targets include safe, inclusive and accessible, green public spaces; integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters; improvements and sustainable development of urban planning and management; healthy lives and well-being at all ages in urban and rural areas.

The *World Health Organization Global Status Report 2015* revealed high road casualty rates in Kazakhstan. Despite a relatively low number of registered vehicles, Kazakhstan suffers an estimated 24.2 fatalities per 100,000 population, the highest rate in the region.

KPO reference: why WKO? Km driven in KPO?

Shell Kazakhstan's Road Safety program has been implemented in the West Kazakhstan Region since 2018. The program is aimed at raising awareness about road safety by targeting drivers and pedestrians and providing expert advice on infrastructure improvements. One of the main reasons for Shell Kazakhstan to launch its Road Safety program targeting West Kazakhstan region is because our joint venture, Karachaganak Petroleum Operating (KPO), in which our company is the co-operator, the JV and its subcontractors drive an average of 38 mln. kilometers a year.

In West Kazakhstan over 400 road traffic accidents occurred in 2017 with almost 100 fatalities and over 500 injured. As a company with very high safety standards, Shell feels it can contribute to improving the road safety situation by sharing our practices and expertise.

All these factors led to prioritization of the Road Safety topic for Shell Kazakhstan's social investment portfolio. In 2018, Shell in cooperation with the local non-profit *Common Road Association*, launched a 3-year project aimed at improving road safety and raising awareness among road traffic users with the ultimate goal of decreasing the number of road traffic accidents in West Kazakhstan. During 2018, a number of activities were initiated for the local police, parents, children and teachers. In addition, research on road traffic users' behavior and infrastructure gap assessment were conducted, with the results presented to the regional authorities.

As part of the project, a number of road safety awareness seminars were conducted in thirty-six school, and 5500 education packs for 6th grade students were developed by Shell and approved by the Ministry of Education. Over 4400 children were engaged through Road Safety theater performances, which explained basic safety rules in an engaging manner. Reflectors were also provided to children to increase their visibility at night as an additional safety measure.

Project experts provided capacity-building workshops for over 100 local police officers. In addition, *Defensive Driving Trainings (DDT)* have been conducted for the drivers of regional bus and taxi companies. In 2018, 106 drivers completed certified trainings. Throughout the year a road safety awareness campaign was also conducted through



installation of social billboards in Uralsk. Road safety promotional films were shown in the cinemas of Uralsk, Aktau, Atyrau, and Astana.

This year the project expanded and a Memorandum of Cooperation between four parties, including the West Kazakhstan regional Akimat, Shell Kazakhstan, our partner Agip Karachaganak and the *European Alliance for Sustainable and Safe Transport (EASST)*, was signed on 5 March. The aim of this Memorandum is to consolidate stakeholder efforts and jointly take proactive measures to improve road safety in the region. During the Memorandum's signing, the West Kazakhstan Akimat and partners proclaimed the *Year of Road Safety* in West Kazakhstan.

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CREATIVE ENERGY OF KARACHAGANAK

Karachaganak

Karachaganak is one of the largest international projects in Kazakhstan with a total investment volume of over $ 24 billion. Its implementation is carried out by an international consortium Karachaganak Petroleum Operating B.V., which includes Royal Dutch Shell, Eni, Chevron, LUKOIL and JSC NC KazMunaiGas.

The key to KPO's success is the established partnership and open dialogue with all project's stakeholders. This serves as a guarantee of responsible development of Karachaganak for the benefit of the Republic of Kazakhstan and the Partners.

Over the past two decades, KPO has been steadily achieving excellent results giving priority to industrial safety, labour and environmental protection as well as the development of local capacity.

Karachaganak today means not only record production levels and advanced technologies. It is a world-class project where the principles of corporate social responsibility and sustainable development are embedded in all its business activities.

KARACHAGANAK PETROLEUM OPERATING B.V.
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KPO ANNOUNCES 2018 PERFORMANCE RESULTS

In 2018, KPO managed to reach record production levels of 148 million boe (barrels of oil equivalent) of stabilized and unstabilized liquid hydrocarbons, raw and fuel gas. 8.6 billion cubic metres of gas, which is approximately 45.4 per cent of the total gas produced, were re-injected to maintain reservoir pressure.

According to KPO General Director Edwin Blom, the past year was notable for a number of major achievements. On December 20, 2018, KPO achieved an important milestone by successfully defending its *Design Project Update* before the *Central Exploration and Development Committee* of Kazakhstan's Ministry of Energy. Edwin Blom commented:

"The new document allows KPO and Kazakhstan to move forward with the development of the unique gas-oil-condensate field, Karachaganak, is using a wide range of advanced and innovative technologies in order to maximize liquid hydrocarbon production."

At the end of 2018, the Karachaganak Partners signed an agreement authorizing the launch of the *Karachaganak Gas Debottlenecking Project (KGDBN)*. According to the KPO General Director, this agreement was a significant milestone in the continued development of the Karachaganak field. *"The purpose of KGDBN is to maximize incremental production of liquids that will result in significant economic returns for Kazakhstan and the Karachaganak Partners"*

As of today, the Karachaganak Partners have invested $24 billion in development of the field, while direct payments to Kazakhstan have reached $17 billion.



At KPO, the principles of sustainable development and the highest environmental standards are imbedded in all business processes. KPO has been particularly successful in areas such as reduction of air emissions, waste management and implementing "green" technologies. Since 1998, KPO has invested $380 million into environmental protection. Last year's gas utilisation rate at Karachaganak was 99.94 per cent, a world-class achievement.



In May 2018 KPO hosted the *Second International Environmental Uralsk Green Forum* during which a cooperation and partnership agreement was signed between the *International Centre for Green Technologies and Investment Projects*, the WKO Akimat and KPO. The agreement aims to coordinate efforts to implement joint projects as part of Kazakhstan's transition to a "*green economy*".

KPO was also among the winners of the *2018 Environmental Responsibility* contest among the country's oil and gas companies co-hosted by the *World Wildlife Fund (WWF) of Russia* and *CREON Group* with the support of Kazakhstan's Ministry of Energy in partnership with the *United Nations Environment Programme in Central Asia (UNEP-CA), CREON Capital* and the *National Rating Agency*. Earlier, KPO was recognized by the American Chamber of Commerce in Kazakhstan for its outstanding achievements environmental protection, for which it won the prestigious *Environmental and Safety Award at the 2018 AmCham Achievement Awards*.

KPO has been very supportive of local manufacturers and strives to increase the share of local content in the Karachaganak Project, as Edwin Blom outlined:

"Last year KPO started localisation of 8 types of goods worth $70 million and 8 complex services worth $390 million. KPO is the first company in Kazakhstan that has placed an order for refurbishing high pressure gas turbines at a service center in Uralsk and the first international consortium that used locally produced drilling bits in its daily business, which in itself is an important step forward.

In 2018, the share of local content in goods, works and services procured by KPO reached 60 per cent, which in monetary terms is $474 million. Since signing the FPSA in 1997, the Local Content in KPO procurement has exceeded $7 billion".

Increasing the proportion of local employees is also one of KPO's top priorities. In 2018, Kazakhstan employees accounted for 95% of technical staff and supervisors, and 77% of managers. Overall, since signing the FPSA, more than $218 million has been invested in the education and training of national personnel.

KPO annually implements a large number of social infrastructure development projects for the West Kazakhstan Oblast. The list and priorities are set by the WKO authorities. The program provides for the construction and repairs of roads, streets, bridges as well as healthcare, education, culture and sports facilities. Only Kazakhstani contractors are involved.

To date, KPO's investments in the WKO social infrastructure has reached a total of $368 million. In 2018, it was agreed to increase annual funding over the current amount by $20 to $30 million for the period from 2019 to 2023.

In 2018, KPO supervised implementation of 36 social infrastructure projects, the highest number in the history of the company. Thirty-one projects were successfully completed during the year and the rest are still ongoing.

As part of the *Digital Kazakhstan Initiative*, KPO along with other energy companies operating in Kazakhstan were given the task of developing the *Karachaganak Technological Modernisation and Digitalization Plan*. An *International Digitalization Forum* was hosted in Uralsk on November 29, 2018 in conjunction with WKO Akimat. The event was attended by the Deputy Prime Minister and senior officials from Kazakhstan's Ministry of Education and Science and KAZENERGY. Leading national and western regional universities, international experts, and large international IT companies were also represented.

At the Forum, KPO presented its own *Digitalization Road Map* setting out the milestones along the consortium's transition to digital technologies with a view to optimising, improving and streamlining business processes in activities such as production, well operations, expansion projects, local business capabilities development and integration

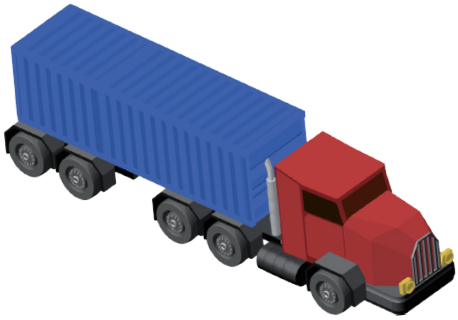


with other parts of its operational infrastructure. One of the Forum's highlights was the signing of a Memorandum on Cooperation between KPO, the Ministry of Education and Science, the WKO Akimat and KAZENERGY. The document is intended to facilitate coordinated efforts towards enhancing local content through training of new professionals and support for start-up companies.

Summarising 2018 results, Edwin Blom concluded:

"KPO has tremendous creative potential thanks to well-coordinated teamwork, competence and unrelenting aspiration to attain new highs. I hope our efforts to introduce cutting edge technologies and to continuously enhance efficiency will allow us to maintain a leading position within Kazakhstan's energy sector.

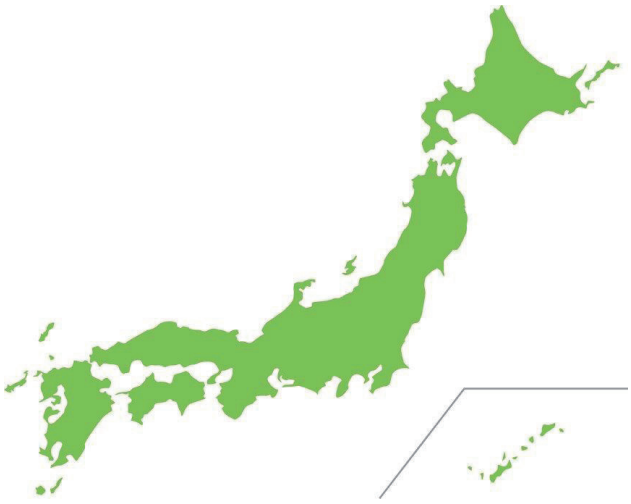
One of our priorities for 2019 is to deliver the Shutdown safely and efficiently and to carry on with the plateau extension projects including KGDBN, the 4th Injection Compressor Project and 5th Trunkline Project. Throughout, our paramount focus will be on industrial safety, occupational health and protection of the environment. In the long-term, KPO will strive to manage Karachaganak's resources in a wise and efficient manner in order to maximise the value for Kazakhstan and our Partners."



INPEX - A JAPANESE OIL AND GAS COMPANY IN THE CASPIAN REGION

By Hiroshi Ikeda,
Director and Head of Branch
INPEX North Caspian Sea

INPEX CORPORATION is the largest Japanese oil & gas exploration and production (E&P) company and is highly ranked among global Independent Upstream Companies. It is currently involved in over 70 oil and natural gas projects across more than 20 countries worldwide, including Kazakhstan and Azerbaijan in the Caspian Sea region. The mission of INPEX is to provide a stable and efficient supply of energy to broader communities by exploring and developing oil and natural gas resources both domestically in Japan and throughout the world.



Kazakhstan – Giant Kashagan Oilfield

INPEX celebrated its 20th anniversary in Kazakhstan in November 2018. Since 1998, INPEX has participated in the giant Kashagan oil field development project as a partner through its subsidiary INPEX North Caspian Sea, Limited. INPEX is proud to have been contributing to this project as a partner, together with its joint venture partners ExxonMobil, Shell, TOTAL, Eni, KazMunaiGaz, and CNPC.

As many readers may know, Kashagan has a long history dating from the drilling of the first well in 1999 and before that the acquisition of seismic data in 1994. Despite many well-known technical challenges such as a high-pressure reservoir and severe weather conditions during the winter season, Kashagan participants have never ceasing moving the project forward. Thanks to efforts by all the stakeholders, stable operation of the field by its Operator, NCOC, has been achieved.

One of the unique aspects of this project is the long distance from wellhead to tanker. The distance may reach 1,500 km or even up to 3,000 km, depending on the route. Crude oil is exported via either KazTransOil or CPC pipelines to the Black Sea port or Baltic Sea port.



Azerbaijan – ACG and BTC

In the region of the south Caspian Sea, INPEX acquired an interest in the *Azeri-Chirag-Gunashli (ACG) Oil Fields* in Azerbaijan in April 2003. INPEX participates in ACG through its subsidiary, INPEX South West Caspian Sea. At the ACG Oil Fields, oil is being produced at *Chirag, Central Azeri, West Azeri, East Azeri, Deepwater Gunashli* and *West Chirag*. In addition, INPEX also participates in the *Baku-Tbilisi-Ceyhan (BTC) Pipeline* consortium though its subsidiary INPEX BTC Pipeline.

Crude oil is exported from the Ceyhan port in the Turkish Mediterranean, and from the Supsa port in the Georgian Black Sea. Prior to Kashagan, this was the first experience for INPEX to have a mid-continent project requiring an 1,800 km pipeline to transport oil from the field to the export terminal. Long distance transportation is one of the distinctive characteristics of oil & gas projects in the Caspian region, and the nature of these projects had a considerable impact on the mindset of INPEX, which is headquartered in an island nation surrounded by the sea

Significance of projects in the Caspian Sea region

Although located far from Japan, projects in the Caspian region are significant to INPEX for several reasons. First, this region attracts INPEX in terms of its volume of oil and gas reserves, which directly contribute to the INPEX corporate Medium to Long Term Vision. Second, projects in this region contribute to creating a well-balanced geographic portfolio for INPEX, whose mission is contributing to a stable and efficient supply of energy. And finally, the vast landscape and sincere heart of the people in the Caspian region make this an attractive place for INPEX to do business.

NOSTRUM - HARNESSING A STATE-OF-THE-ART INFRASTRUCTURE HUB IN KAZAKHSTAN

Nostrum Oil & Gas is a leading independent multi-field oil and gas exploration company with substantial hydrocarbon and infrastructure assets in the pre-Caspian basin of North-western Kazakhstan. The Nostrum vision is to sustainably and responsibly grow our operations to become a leading independent oil and gas exploration and production company in the Former Soviet Union. To realise this ambition, the Group's strategy centres on leveraging our unique infrastructure footprint to fully develop the Group's reserve base and the substantial hydrocarbon resources in the region.

Kazakhstan: Utilising a prime location

Kazakhstan has proven oil reserves of 30 billion barrels and 1.1 trillion cubic metres proven gas reserves. It is also one of the world's leaders by size of oil and gas reserves and is the second largest oil producer in the Former Soviet Union after Russia. Since achieving independence in 1991, the country has more than trebled its oil and gas production, becoming one of the fastest growing oil-producing nations outside OPEC. In 2017, the country produced 1.8 million boepd. Nostrum is uniquely positioned to maximise the commercial opportunities available to the country's oil and gas sector.

Harnessing our infrastructure hub

Nostrum has invested over US$2 billion since 2004 to create a world class upstream infrastructure hub in north-western Kazakhstan that is ideally positioned to monetise the region's material resources. This investment has created:

- 4.2 bcm raw gas processing capacity
- Produced over 100m barrels of oil equivalent
- Staff of over 800 employees; 96% of whom are located in Kazakhstan
- US$1.37 million in Group training costs in 2018

Nostrum's extensive infrastructure is based around its current producing asset – the *Chinarevskoye* field – a 274km^2 licence located to the north of Uralsk, near to the Russian border. Both national and regional pipelines run in close proximity to our hub, allowing Nostrum to transport all processed products safely and efficiently. Furthermore, having achieved mechanical completion of our third Gas Treatment Facility ('GTU3') (full commissioning is anticipated in 2019), the Nostrum management team has demonstrated extensive experience delivering large and complex projects and possesses an unrivalled knowledge of the regional geology and what is required to realise its potential.



This state-of-the-art infrastructure is combined with our own substantial reserves. The *Chinarevskoye* field has produced over 100 million barrels of oil equivalent since 2004 and currently has million barrels of 2P reserves, while new discoveries in the Northern area of the field and our neighbouring three licences, *Rostoshinskoye, Darjinskoye* and *Yuzhno-Gremyachinskoye* (the Trident fields) exhibit substantial additional growth potential.

Uniquely positioned in the Pre-Caspian Basin

Nostrum's assets are all located in the oil-rich Pre-Caspian Basin close to the Russian border and in close proximity to some of the largest hydrocarbon resources in the Former Soviet Union. In addition to the Company's own processing, storage and transportation infrastructure, Nostrum's advantageous location means that the Group has access to multiple export markets and additional resources to support its operations over the long term.

"Nostrum is fortunate to operate in an area with significant hydrocarbon resources and benefits from access to large oil & gas reserves within our licence boundaries and surrounding fields." – Kai-Uwe Kessel, Chief Executive Officer

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Showcasing the value of Nostrum infrastructure

In August 2018, Nostrum signed binding agreements with Ural Oil & Gas LLP to process third party hydrocarbons from their *Rozhkovskoye* field in the Nostrum enlarged GTU3 facilities. Securing this deal underscores the substantial value of the Group's infrastructure and competitive positioning in the region.

Kai-Uwe Kessel, Chief Executive Officer of Nostrum Oil & Gas, commented:

"We see an ability to further grow our access to resources in the region as a result of the investments we have made in our infrastructure."

Commissioning of GTU3 will also allow us to centralise some of our cost base and drive efficiencies. Maintaining low operating costs, a stringent focus on return on capital employed and our substantial cash balance ensures that Nostrum is in a strong position to execute its strategic ambitions over the long term.

Developing responsibly with a focus on QHSE

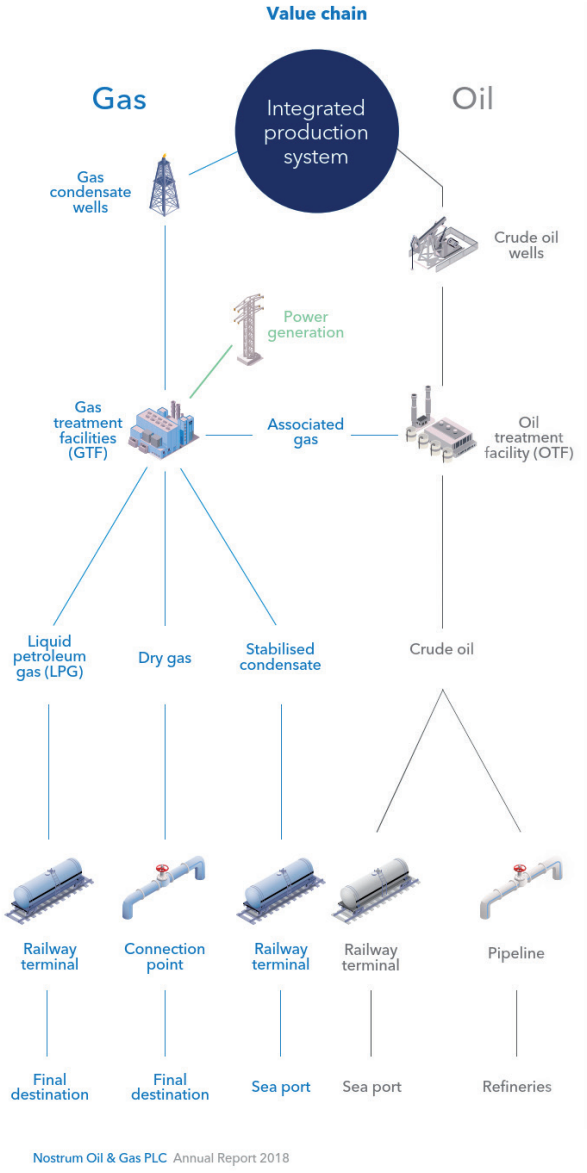
As Nostrum continues to develop its landmark gas processing facility, the Group recognises its responsibility to operate in a sustainable and ethical manner for the benefit of the community and all of its stakeholders. This is done by maintaining and promoting the highest standards of Environmental, Social and Governance practice.

Nostrum prides itself on being an integral community partner and the Company is one of the largest employers in Western Kazakhstan, with 96% of Group employees engaged locally. In addition to our Kazakh operations, Nostrum employs staff from over 20 countries in offices in Amsterdam, London, St Petersburg and Brussels.

Nostrum has operated in Kazakhstan for over 20 years and during this time the Company has sought to be a responsible and transparent company which places the public's interest at the core of all decision-making processes to ensure a positive impact. We have a deep understanding of, and respect for, the needs of the communities in which we operate and we therefore prioritise the ethical management of our people, our communities and our environment. In 2018 AMEC was again engaged to undertake a *Health, Safety and Environmental Compliance Audit* and report upon the content, methodology and results of the environmental efforts at Nostrum during the year. This report will inform our policies moving forward.

Nostrum seeks to minimise all GHG emissions and continues to invest in new technologies to improve GHG emission performance. In 2019 we will seek to participate in the *Carbon Disclosure Project (CDP)* process to demonstrate the Nostrum commitment to improvement and transparency in this area.

As part of our sustainable development commitment, we participate actively in a variety of corporate citizenship initiatives to support our local communities, particularly through social infrastructure and community projects. In



Nostrum Oil & Gas PLC Annual Report 2018

2018 some of our key activities included funding of the *Akzhaik Charitable Foundation*, a number of social projects in the *Zelenovskii* Area, the *Zhas Kanat Youth Association* and sponsoring the *West Kazakhstan Volleyball Federation* to support local youth teams.

Underpinned by a robust strategy for future growth, focused on leveraging the strengths across our value chain, Nostrum's fundamental mission is to maximise the value of our reservoirs and infrastructure. We are aiming to be a significant contributor to overall economic and social growth in the country through visible and active leadership, strong governance and QHSE culture.

Nostrum Oil & Gas PLC is listed on the London Stock Exchange, with operations in Kazakhstan as well as offices in Amsterdam, London, Brussels and St. Petersburg with a global institutional shareholder base.

FLUOR - BUILDING A COMPLEX PLANT IN THE FUTURE

1990 was a notable year for major world events. Nelson Mandela was released after 27 years of imprisonment, the Hubble space telescope sent back its first photographs from space and the Berlin Wall came down. It was also the year that Fluor started continuous operations in Kazakhstan. Since then, the company has undertaken some of the country's most challenging oil and gas projects, establishing a permanent operation center in Atyrau in 2009.

Fluor has been in business for more than a century. In order to maintain its position as a leader in engineering, procurement, fabrication, construction and maintenance, it continually needs to find new and better ways of working. This has meant taking an innovative approach and identifying new technologies that deliver cost and schedule certainty and efficiencies at every stage of a project's lifecycle. Innovation at Fluor takes many shapes as the company has evolved over the decades. To continue to succeed Fluor has made cost-competitive innovation central to its operating strategy and part of its strategic framework.

Business Transformation

To guarantee best-in-class project delivery, Fluor established its *Business Transformation and Innovation (BT&I)* group in 2014 to introduce innovations through collaboration across the entire company. Its purpose is to deliver improvements across the entire lifecycle of a project that benefit clients. Fluor's 53,000 employees develop a range of innovations that drive the engineering and construction industry forward. The BT&I group is responsible for a value awareness program run across the company's global operations which, since 2012, has secured client savings in excess of $1.2 billion.

Virtual reality, drones, reality capture, wearable technology and data analytics are just some of the new technologies that are now integrated into Fluor's project execution strategy. Developments include:

Zero Base Execution^{SM} – This proprietary methodology simplifies designs and rethinks the traditional engineering and construction execution model to create the most capital-efficient, fit-for-purpose facilities.

3rd Gen Modular Execution^{SM} – This technology is an innovative and Fluor-patented approach to modularization that drives the layout of facilities and significantly reduces overall costs. *3rd Gen Modular Execution* can move up to 75 percent of field hours to the module yard and reduce project footprints up to 40 percent. It can also improve safety and reduce disruption on brownfield sites. Scaffolding can also be designed into the modules to improve onsite productivity.



Construction-Driven Execution – Construction input during the front-end loading phase maximizes schedule and uses data analytics for advanced work packaging. This process connects the engineering deliverables to the craft workforce in a structured manner, which drives higher productivity and reduces overall labor demand. Use of this approach on a recent project resulted in 10 percent more time on tools and productivity gains of 25 percent.

Virtual Reality Solution – These technologies provide clients and employees with a life-like immersive experience. Virtual reality is used for safety and craft training and reviewing models for constructability and operability.

Virtual Presence Solution – Fluor's subject matter experts use technology to connect with the job site which saves time and travel costs. The technology has been developed to protect confidential information and to allow clients and suppliers to securely connect as needed.

Safety Pin^{SM} – Fluor developed this wearable technology which is worn by construction workers and used in conjunction with site sensors. Safety Pin sends critical notices in the event of a site evacuation, monitors craft movement and training history, confirms safe construction activity and to accounts for workers in an emergency.

MasterPlant® – Fluor has a suite of engineering and smart construction automation tools that enhance visualization of the project, track materials, optimize plot layouts and improve construction efficiency in the field.

Augmented Reality – 360-degree camera and drone footage shot at global construction sites are overlaid onto engineering models to provide detailed progress data for the project team. This material is used to create site walkthrough tours for clients.

Modular Construction and Fabrication

Modular construction and fabrication have been a significant part of Fluor's project capabilities for decades and across many industries. But the ability to build and transport even larger modules is now a key execution strategy for megaprojects.

The numerous benefits to modularization can include cost savings and increased schedule certainty. Projects are especially suited to modularization when construction is taking place in remote locations, is subject to extreme weather conditions or where there is limited available skilled craft labor.

Modular construction is a key part of Fluor's global strategy. Through joint ventures, Fluor owns, operates and maintains two fabrication yards, the ICA Fluor fabrication yard in Mexico and the COOEC-Fluor fabrication yard in Zuhai, China. Both fabrication yards provide pipe and steel fabrication and module assembly.

If incorporated during the early and detailed design phases, utilizing this approach substantially reduces quantities of equipment and materials and reduces field work. *3rd Gen Modular Execution* optimizes the process block including equipment, piping, electrical and control systems. The capability to fully modularize large-scale industrial facilities with minimal assembly at site improves safety, productivity and predictability and allows for an enhanced facility footprint by achieving significant plot size reduction.

The ability to essentially plug and play modules at site by relocating up to 75 percent of the field hours to a module yard, plus the easy connection of *3rd Gen Modular Execution* modules, is the new benchmark in project delivery.

The more work that can be modularized in this fashion, the more potential savings can be achieved. And the boundaries of what components can be modularized are continually being pushed.

The *3rd Gen Modular Execution* approach builds on decades of continuous improvement in modularization. The first generation of modules was just steel with some pipe. The second generation started more than 15 years ago when mechanical equipment was added on modules where appropriate. With *3rd Gen Modular Execution*, piping, equipment, cables, electrical gear, control systems, valves, insulation and more can be added onto modules.

But adding more components to modules is only part of the story.

Fluor has changed the way it designs by decentralizing the instrumentation and electrical aspects of projects. Process blocks and substations and control rooms are included on certain modules that feed connected and nearby modules. Only one home run cable goes back to a centralized electrical substation or control room.

Through *3rd Gen Modular Execution*, on a recent project a small team executed five heavy lifts and set in place 100-plus metric tons of steel; two pumps; two water coolers; two vessels; a one kilometer pipe complete with 10,000 diameter inches of welding; 1,500 meters of cable heat tracing and control panels; lights; insulation; and 100-plus soft covers all within a two-week window.



More and more components are being added to the modules as Fluor continues to look for ways to improve and optimize designs while driving better productivity through advanced workface planning. Better designs focused on constructability and enabling the field teams to execute safely, meet schedule and complete the work at the lowest possible cost.

3rd Gen Modular Execution is well-aligned with the demand for more standardization and replication of facilities.

The approach is attractive to projects where phased project development has become the norm. Projects are planned in stages to maximize capital efficiency. With *3rd Gen Modular Execution*, once the first investment is successfully running, clients can essentially install replicas for succeeding phases.

3rd Gen Modular Execution's proven benefits include:

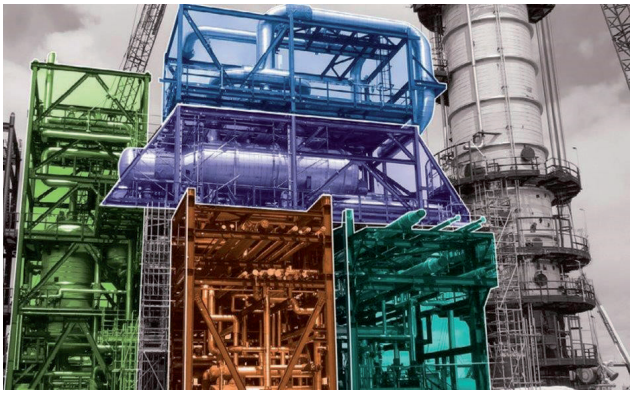
- Optimal modularization through process block configuration

- Reduction in concrete foundations
- Significant percentage of electrical and instrumentation on the modules
- Reduction in site hours through relocation to module yard
- Execution certainty and increased safety

Shell Quest Carbon Capture and Storage Project Case Study

Awarded on 2102, the *Shell Quest Carbon Capture and Storage Project* in Canada was the first application of the 3rd Gen approach. Fluor was involved from the project's early stages, performing preliminary designs, early engineering support, as well as engineering, procurement and direct field labor construction on the capture portion of the project.

The site was adjacent to an existing operating facility, and the project plot plan's available space was barely adequate under a traditional design basis. Fluor implemented *3rd Gen Modular Execution* in the project's early phases, with the goal of reducing plot plan requirements, reducing required craft levels on site, improving safety and reducing costs. Fluor designed and built the facility using 69 separate interlocking modules that were connected together at the jobsite.



Fluor reduced the facility's plot space by almost 20 percent from initial estimates, which enabled the project's plot plan to fit into the available space and eliminated material and labor costs. The peak workforce was optimized from 1,000 to 450 which improved worker productivity and safety.

The team reduced the project's capital costs through every phase, delivering the project at 30 percent below initial estimates. The project was delivered under budget, on schedule, with an exemplary safety record with no disruptions to the existing operating unit.

Module inspection walk-downs and documentation handover were completed in the yard before modules were delivered to the site, again saving on fieldwork. Shell's operations and maintenance team was involved early in the design process to provide input into such factors as walkway width and valve accessibility to ensure the ease of future maintenance.

Since the Quest project, Fluor has continued to improve its *3rd Gen Modular Execution* approach. It now has more than 1,000 modules either built or in the design phase.

Safety Innovation

Safety is one of Fluor's core values. It is non-negotiable and never to be compromised. It is a given that every Fluor employee understands that all work is to be executed with safety at the forefront.

An idea which came out of Fluor's annual innovation catalyst events was *Fluor's Safety Pin* solution which utilizes location badges and site sensors to monitor craft movement and training history to help confirm safe construction activity.

There are many potentially dangerous areas on projects – areas that require special training and permission to access. Utilizing geo-fencing and other advanced technology, *Safety Pin* helps ensure dangerous areas are identified and those entering the area have the required training and certification to work within it.

In addition to training and certification history, it is equally important for all site employees to complete their daily safety task analysis (STA) process. *Safety Pin* allows Fluor's craft workers to visually track which employees have and have not completed the process.

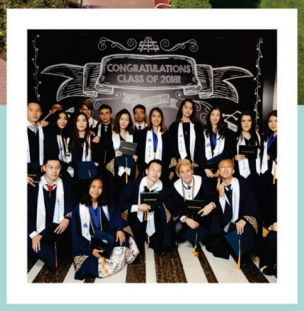
The location badges allow the jobsite management team to communicate critical notices to the craft in the event of a site evacuation or weather stand down and then ensure that all are accounted for after the notification.

Executive Commitment to Innovation

David Seaton, Fluor's chairman and chief executive officer, said: *"David Seaton, Fluor's chairman and chief executive officer, said: "While financial markets sometimes drive companies to make decisions focused on the short term, Fluor remains committed to deploying our strategies, initiatives and actions with a vision for the long term. For example, we continue to invest in innovations that differentiate us from our competitors and enable us to deliver the capital-efficient solutions that our clients demand."*

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HALLIBURTON - INSPIRED BY THE PAST. LEADING INTO THE FUTURE. INNOVATION. COLLABORATION. EXECUTION.

By Moetaz Mohsen,
Senior Area Manager for Caspian East
Halliburton

Founded in 1919, Halliburton got its start in the untested process of oil well cementing. Since then, it has expanded to become one of the world's largest providers of products and services to the energy industry.

Its core values of integrity, creativity, collaboration, and competition have helped Halliburton survive the boom-and-bust cycles of the oil and gas industry and are evident in the men and women throughout the world who work for Halliburton today. Just as founder Erle P. Halliburton and the many employees of the past delivered superior services to build the company's strong foundation, current employees continue to work with customers to engineer solutions that maximize asset value and deliver on what is promised.

Since its inception, Halliburton has been granted more than 37,000 patents for technology and services invented to help customers produce more oil and gas with greater efficiency. From the cementing and drilling innovations in the early part of the twentieth century to sensors and software platforms used today to yield the most advanced subsurface insight, Halliburton is consistently at the forefront of developing innovative solutions for its customers' business challenges.

With the same values that have sustained the company for the past century, Halliburton is leading into the future with a continued focus on innovation, collaboration, and execution to deliver superior customer service and unparalleled industry returns. We are now in the midst of a digital revolution. Today, smartphones put access to any point on the globe in the palm of one's hand and an endless number of apps to guide every aspect of life. It's not overstating it to say these innovations are fundamentally altering the dynamics of business, economics, education, governance, and even our sense of community. In our industry, digital technologies are redrawing the map of exploration and production in ways unimaginable not long ago.

Halliburton's digital initiatives are driven by business strategy and targeted at solving business challenges. From big data analytics to drive operational efficiency and accelerate cycle times, to the use of machine learning and artificial intelligence to provide real-time insights and enable automation across all stages of the well life cycle, Halliburton is able to automate both mechanical systems and processes, and allow people to focus on more advanced, value-adding tasks.



Amid all this change, certain constants remain. Contrary to what the naysayers began to say thirty or forty years ago, hydrocarbons remain the primary form of the world's energy. Demand for energy will grow substantially over the next few decades and a world powered entirely by other kinds of energy is a distant, if not unrealistic, goal. The economic reality is that no other form of energy is more abundant, affordable, and reliable than oil and natural gas.

Halliburton remains focused on what it has always done best: providing products, services, and solutions to the oil and gas industry. We are committed to continuing our legacy as one of the most well-respected oil and gas service providers in the world. That fidelity to our core identity is not subject to market trends; rather, it's only enhanced by customer collaboration, advanced technology, continuous improvement, safety, and service quality.

What makes Halliburton successful is our collective sense of purpose – to get the job done right the first time – and the values we share as part of Halliburton family. Everyone at Halliburton is accountable for our values. We love delivering on our promises, truly helping customers reach their objectives in an honest, collaborative, and efficient way that makes getting there all the more gratifying – that's a pretty admirable measure of success.

Halliburton is fiercely competitive, but never malicious or underhanded. We conduct our business according to the ethical principles of integrity that are uncompromising. And we hold our business partners to the same high level of ethical integrity, be they vendors, suppliers, or customers. We also prioritize safety. The way we look out for one another day after day, that sense of camaraderie, engenders

a high degree of trust, which in turn fosters respect for one another, the people we work with, and the communities in which we live.

Last but no least: we are reliable: we do what we say we'll do, no excuses. Our reputation for reliable execution is what blinds all the values together into the coherent whole. The Halliburton name, our people, our values, and our technologies together constitute our brand, and what that brand says more than anything else is: you can count on us – Halliburton is the execution company.

This legacy of listening to customers and providing them with industry – leading solutions dates back to the beginning. "It is our sincere desire and purpose to continue to bring new developments to the industry, to assist in the discovery and production of petroleum at a price within the reach of its millions consumers", wrote founder Erle P. Halliburton in the company's 1948 annual report. "We shall continue to provide equipment necessary to service the ever – increasing pressures encountered in drilling wells to greater depth."



Halliburton has come a long way since 1919. What started with a single product in a small town is now a global organization with more than 60,000 employees around the world. For 100 years, we have earned our reputation as "the execution company," delivering unparalleled customer service and innovative solutions to the oil and gas industry. Our inspiration comes from our people—past and present—and the values we stand for: integrity, safety, collaboration, competitiveness, creativity, reliability, and respect. Together, we are committed to continuing our legacy as one of the most well-respected energy services companies in the world as we prepare to lead into the future.

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TEN OBSERVATIONS ABOUT THE SUBSURFACE CODE

By Almas Zhaiylgan, Counsel
Kinstellar

The *Subsurface and Subsurface Use Code* (No. 125-VI ZRK) (**the Code**) came into effect on 29 June 2018. The Code replaced the Law of Kazakhstan (No. 291-IV, dated 24 June 2010, as amended) (the "**Subsurface Law**"), except for certain provisions that shall remain in force. So what should you know about this Code? Below are ten points that we believe every subsurface user and their stakeholders ought to know about the Code.

1. Different Regulatory Regimes for Different Types of Useful Minerals

Whereas the Subsurface Law generally regulated all subsurface use operations under one legal framework, the Code, apart from certain general provisions that apply to all types of subsurface use operations, stipulates separate regulatory regimes for different types of minerals. The differences, among others, apply to the period for which the rights can be granted, the holders of the right, as well as the type of contracts that one may enter into, based on a particular useful mineral.

For instance, subsurface use rights with respect to uranium may only be granted for production and only to the national company in the sphere of uranium based on direct negotiations. Moreover, rights under such uranium contracts may be transferred only to a legal entity in which the national company in the sphere of uranium owns directly or indirectly at least a 50% interest.

As for hydrocarbons, one can no longer enter into an exploration contract. The Code stipulates execution of either combined exploration and production contracts or production contracts. For hydrocarbon contracts, in certain cases the Code also provides for special exemptions for PSAs and contracts approved by the President of Kazakhstan as opposed to other hydrocarbon contracts signed in the form of tax-royalty contracts.

2. Licensing vs Contracts

The Code also introduces a licensing regime for certain types of operations such as geological study of the subsurface, exploration of hard minerals, production of hard minerals, production of commonly occurring minerals and certain other types of activities. This means that all of the above operations will be conducted based on a license only. Only exploration and production of hydrocarbons as well as production of uranium will continue to be regulated through execution of subsurface use contracts with the competent authority.



3. Retroactive Application of the Code

According to the Code, it applies to relations that arise after its effective date, except for cases stipulated in the Code. The list of such exceptions is extensive, and in some cases consists of whole chapters. This means that many provisions of the Code apply to contracts signed prior to its enactment. Thus, subsurface users may wish to carefully review the new requirements imposed by the Code and, where appropriate, take necessary action.

4. Survival of Certain Provisions of the Subsurface Law

Although, in general, the Code replaced the Subsurface Law, certain provisions of the law will continue to apply to contracts signed prior to the adoption of the Code. One such provision is Article 30 of the Subsurface Law. Article 30 guarantees the rights of subsurface users and states that, changes and additions to the law, which worsen the results of entrepreneurial activities of the subsurface user, shall not apply to contracts signed prior to such changes and additions, except for changes applying national security, public defence, environmental protection and health, taxation and customs regulation. Thus, those subsurface users who obtained their rights prior to enactment of the Code should still be able to rely on Article 30 of the Subsurface Law as protection against changes to the law.

5. Weaker Guarantees of Stability

Despite high expectations that the Code would expand stability guarantees, the Code as compared to the Subsurface Law offers no additional guarantees against frequent changes in legislation. In fact, the Code's language narrows stability guarantees. As such, Article 36 of the Code, while generally repeating the language of the Subsurface Law, adds legislation concerning protection

of competition to the list of issues which are not subject to guarantees of stability. Moreover, Article 120.11 of the Code states that if the period of production of hydrocarbons under a production contract is not less than 20 years, upon extension the contract terms must be brought into compliance with the legislation in effect as of the date of extension.

This provision, which retroactively applies to earlier signed contracts other than PSAs and the contract approved by the President, seems in direct contradiction with the principles of stability. These new provisions not only demonstrate the failure to fully honour contract sanctity, but are also indicative of the general trend of the last two decades, which appears to be moving towards limiting stability guarantees.

6. Updated Requirements for Transfer of Subsurface Use Rights

Although the Code generally contains the same requirements for transfer of subsurface use rights/objects related to subsurface use rights as compared with the Subsurface Law, it introduced a number of changes and clarifications. Namely, the Code sets out what constitutes a strategic field (in relation to which the State has a priority right of purchase in case of transfer of the underlying subsurface use contracts and objects) and modifies the existing definition of an 'object related to subsurface use rights'.

The Code also expands the list of exemptions when the waiver of the State's priority right/consent of the competent authority is not required. One such new exemption is the transfer of subsurface use rights (or a part thereof) or objects related to subsurface use rights, when the Government, a state authority, a national management holding, or a national company is a party to the transaction.

7. Stronger Role of Standard (Model) Contracts

The Code provides that drafts of subsurface use contracts must be developed in accordance with standard contracts approved by the competent authority. It further states that deviation from a standard contract shall be allowed in cases, to the extent and in the manner stipulated by this Code. However, the Code appears to provide for no cases when such deviation is possible except for cases when additional obligations must be added into the draft contract.

Moreover, in some cases deviation from the standard contracts may be the basis for the competent authority to demand execution of an entirely new contract. For instance, Article 120.10 (which applies to hydrocarbons[1] and has retroactive force) states that if provisions of a production contract do not comply with a standard contract, upon extension of its term the parties must enter into an 'amended and restated' production contract that is prepared in accordance with a standard contract.

Unlike the prior subsurface use legislation, which never required such strict compliance with the standard (model) contracts, Article 120 of the Code seems to grant the Government the right to entirely "re-write" certain production contracts upon extension of their terms.

8. Stricter Requirements for Liquidation Financing

The changes introduced by the Code also concern the types of security for liquidation of consequences of subsurface use operations. Under the Subsurface Law, subsurface users had to form so-called "liquidation funds" through regular payments to an account at a Kazakhstan bank. However, this form of security was not always effective since subsurface users sometimes failed to fully comply with their obligations to form liquidation funds. The new Code provides that subsurface users must fulfill their obligation to liquidate through a guarantee, a bank deposit, and/or insurance.



The specific type of security may vary depending on the type of useful mineral and the time when the subsurface use rights were obtained. For example, for hydrocarbons, the general rule is that liquidation must be ensured through a pledge of a bank account. However, as to earlier hydrocarbon contracts, new rules apply only 36 months after the Code comes into force: if there is no liquidation fund or if the reserves in such fund are not sufficient, the subsurface user shall be obliged to supply a pledge of a bank account or a guarantee. Guarantors (except for the national management holding and national company for hydrocarbons which can act as guarantors for companies

[1] *Article 120 does not apply to PSAs and the contract approved by the Kazakhstan President.*

which they control 50% or more) must have a minimum long-term credit rating in foreign currency not lower than BB- according to SP's grading scale or, an analogous level according to Moody's and FitchRatings.

9. New Reporting Requirements

In contrast to the Subsurface Law, where the reporting requirements of subsurface users were scattered all over the law, the Code attempts to streamline reporting requirements. For instance, the Code divides all reports to be submitted by the subsurface users into periodic and one-time reports. Again, the types of reports vary depending on the type of useful mineral. For hydrocarbons, the Code lists seven different types of reports, eleven for uranium and five for hard useful minerals.

In addition, subsurface users are now obliged to notify the competent authority about a change of persons/ organisations that directly or indirectly control the activities of the subsurface user within 30 calendar days of such change. For purposes of this requirement, control shall mean at least one of the following:

1. ownership of more than 25% of interests/shares and other forms of equity participation, as well as securities confirming the ownership right or convertible into shares in a legal entity or other organisation;

2. the right to more than 25% of all votes in the highest management body of an organisation;

3. receipt of more than 25% of distributable net profits of the subsurface user; and

4. the right to determine the decisions of another organisation based on an agreement or Kazakhstan legislation.

10. Additional Grounds for Termination of Contracts

Although some of the grounds for unilateral termination of subsurface use contracts provided for in the Subsurface Law have moved into the Code, the latter provides for additional cases/grounds for unilateral termination of a contract by the competent authority. Thus, for hydrocarbons, the competent authority has the right to unilaterally terminate a contract if:

1. a court decision prohibits subsurface use-related activities;

2. subsurface use operations are conducted on the basis of project documents that have not been properly approved;



3. requirements for transfer of subsurface use rights/ objects related to subsurface use rights which lead to a threat to national security are violated;

4. more than two violations of other obligations stipulated by a subsurface use contract are not eliminated within the prescribed time;

5. a subsurface user fulfills less than 30% of its financial obligations stipulated by a contract during a reporting period;

6. subsurface use operations are conducted that disturb the surface of the land with a concurrent violation of obligations to provide, or non-timely provision of, security for liquidation of consequences of its operations; and

7. there are other violations of obligations stipulated by a subsurface use contract.

It should be noted that, although the above grounds apply to contracts concluded prior to the enactment of the Code, grounds numbered 4), 5) and 6) do not apply to PSAs and a contract approved by the President.

For licenses for exploration or production of hard minerals, grounds for revocation include: 1) violation of requirements for transfer of subsurface use rights/objects related to subsurface use rights which threaten national security; and 2) violation of requirements to pay a signature bonus and lease payments for use of land plots and/or obligations to pay annual minimum expenditures. In case of the above violations, the competent authority must notify the subsurface user accordingly. The latter has 3 months to a year to correct the violation, depending on the type of violation.



OMV Petrom is an integrated energy company with activities in Upstream, Downstream Oil and Downstream Gas.
OMV Petrom has been active in Kazakhstan since 1998 and via its two operating companies, TOC and Kom Munai, is producing in four onshore oil fields: Tasbulat, Turkmenoi, Aktas and Komsomolskoye. Currently over 350 people, mainly skilled local staff, are employed by the company.
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NATURAL GAS AS AN ALTERNATIVE MOTOR FUEL

By Petr Medvedev, Global Client Service Partner, EY
Denis Borisov, Energy Center Leader, EY

The ongoing evolution of the energy market comes with a range of principal changes associated with globalization, de-carbonization, and digitalization as well as extending renewable energy sources (RES). Such global conversions affect certain industries specifically, and the automotive industry is no exception. In particular, one of the key trends in the automotive industry is the rapid development of vehicles running on fuels other than gasoline or diesel fuel.

The shift from conventional motor fuels to alternatives is not always determined by economic benefits. This transition is quite often driven by changes in customers' preferences and governmental support (in particular, for CNG). Although natural gas is a fossil fuel, CNG is included in the alternative fuel category in the classification of petrol, oils, and lubricants (POL). The number of natural gas vehicles (NGVs) worldwide jumped from 1.3 million in the early 2000s to over 26 million in 2018[1].

The wider employment of methane relative to alternative fuels is driven by a number of advantages. As of today, natural gas is the most widely available alternative fuel with low production costs and a widespread distribution infrastructure in place. Methane-fueled vehicles deliver performance comparable with those powered by conventional fuels in terms of engine power, acceleration, average speed and fuel consumption, and cause little pollution.

Indeed, CNG is rightfully considered more eco-friendly compared with other types of fossil fuel. For example, CO2 emissions of NGVs are ~30% and 20% less than from petrol and diesel vehicles, respectively. At the same time, the environmental benefits of electric cars compared with CNG vehicles are not always evident if the entire electricity generation cycle is taken into account along with vehicle manufacture and scrapping-related emissions. Therefore, the status of BEV as an eco-friendly vehicle is controversial and heavily depends on the given country and its energy mix.

We estimate that 100% RES generation provides approximately 70% or 60% less CO2 emissions compared to petrol and diesel vehicles, respectively. If the country has 100% coal generation, then BEV cannot be an ecological solution, as its life-cycle CO2 emissions are 40% and 60% above petrol and diesel internal combustion engine vehicles emissions, respectively.

As mentioned above, the global number of NGVs has increased twenty times since 2000. The largest growth of methane-fueled vehicles fleet was observed in the Asia-Pacific region and Latin America. The growth in NGVs for these regions amounted ~18 million and ~5 million units, respectively.

NGVs are employed mostly in Pakistan, Iran, Argentina, Bangladesh and Bolivia, accounting for 10% to 50% of the total fleet in these countries. China, India and Brazil — along with Pakistan, Iran and Argentina — are among the world's leaders in using methane as a single fuel source. These countries jointly account for 80% of the world's NGV fleet. Unfortunately, EU countries are not very progressive there with only 1% of natural gas vehicles in the overall automotive fleet despite environmental protection efforts. The largest methane-fueled fleet in Europe is found in Italy.

The upturn in CNG consumption in different countries can be attributed to various — and often unique — factors. For example, the promotion of natural gas as a vehicle fuel in China and India was focused on addressing environmental concerns associated with the fast growth of the transportation sector and population.

In a number of countries (Brazil, Iran, Pakistan, Bangladesh), the expansion of methane-fueled vehicle fleets was meant to reduce dependence on imports of oil-based motor fuels such as gasoline and diesel. In Bolivia, NGV market development was a part of a plan to combat poverty and increase the per-capita number of vehicles, while in Argentina it resulted from a substitution program designed to increase exports of crude oil and oil products.

We would like to point out that special conditions for CNG consumers have been introduced in practically all countries developing this segment. Among these conditions are concessional lending, special tax deductions, revisions to technical standards, and direct financing of infrastructure.

Nevertheless, not all examples of CNG development in global experience can be called successful, due to various factors. For instance, the Pakistani government announced plans for a gradual reduction of CNG use over the last five-six years due to the depletion of natural gas reserves resulting in fuel shortages for the transportation sector and power plants.

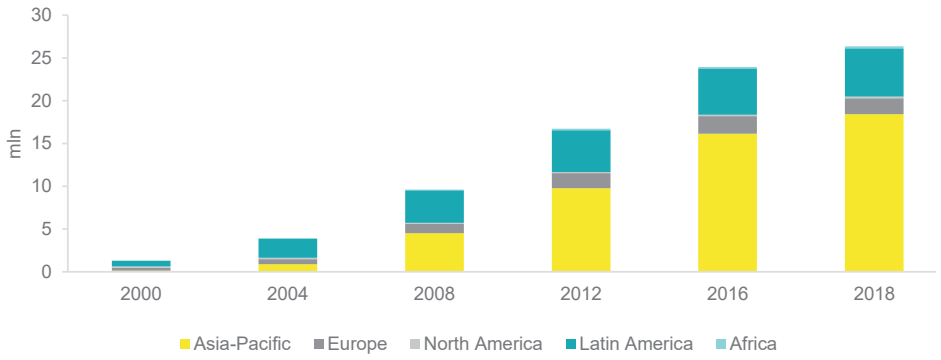
There are also countries that are starting to consider or are returning to the idea of using natural gas in transport. For example, we observe a growing CNG interest in Russia. An additional sub-program entitled *Development of the natural gas motor fuel market* is earmarked for approval in 2019 (as of now, it is under discussion).

[1] *NGV Global*

However, it is important to consider international experience to reduce risks and to help find the answers to a number of important questions. For instance, how can countries benefit from switching to alternative fuels from the economic, environmental or even fiscal and social points of view? Which CNG applications are promising and which are not? What tools or incentives are needed to boost the market?

In view of the growing interest in this subject, the EY Energy Center has released a new report on the prospects for CNG as a vehicle fuel (*CNG market: global experience and adaptation for Russia*), which focuses on international case studies and the potential benefits of its wider use.

Changes in the global NGV fleet, 2000-2018



Sources: NGV Global, EY Energy Center (Central, Eastern/ Southeastern Europe & Central Asia)



ECOLOGY INSPECTIONS AND TAX CONTROL: TO BE OR NOT TO BE

Elena Kaeva, Tax Partner
PwC

On 1 January 2018 the situation with environmental tax audits became unclear for a number of big business players in Kazakhstan. This is when amendments were made to the tax and environment regulations in terms of audits of environmental emissions. Business started working under the new rules. Some major Kazakhstani companies found themselves in limbo caused by uncertainty of audits for violations of environmental legislation resulting from transfer of control over calculation of environmental emission fees from tax authorities to the environmental body.

For example, on 1 January 2018, the Ministry of Energy became the key body to control environmental emissions. The new Tax Code has limited the environmental competence of tax authorities, which now are responsible only for control of the fees for emissions from moving sources and do not control environmental emissions as a whole. We believe that the delegation of powers was caused by the need for special knowledge in this area and multiple judicial disputes on environmental issues with tax authorities. The change complies with the functionality and expertise of the Ministry of Energy.

Disputes over environmental audits will now be heard at the Appeals Board of the Ministry of Energy or will be decided court. The actual arrears on emissions will be decided based on results of the lost appeal in the Ministry of Energy. The tax authorities will impose and collect this debt.

Despite the fact that the new administration procedure for the environmental emission fee has been in effect for more than a year, the practice of appeals through the Ministry of Energy Appeals Board has not yet been developed, nor has the practice of data exchange between the Ministry of Energy and the tax authority.

In the new legislation matrix, companies for which audits began prior to 1 January 2018 were left in limbo. How is the regulator planning to complete such tax audits? On the one hand, these tax audits were initiated under the legislation effective at the time. On the other hand, subject to the amendments made since 1 January 2018, the new legislation does not stipulate transitional provisions that would allow completing tax audits and appealing them through the Ministry of Finance Appeals Board.



In order to resolve the current situation, Parliament is currently considering a draft law “On amendments to certain legislative acts of the Republic of Kazakhstan on issues of development of the business environment and regulation of trade activities” (the “Draft law”). The Draft law stipulates amendments to the Tax Code that would allow completing tax audits for environmental emissions scheduled prior to 1 January 2018. If the Draft law is approved, the tax audits will be completed under the previous Tax Code. Therefore, the expected amendment will restore the tax authorities' competence to control environmental emission fees retroactively from 1 January 2018. The draft law with this amendment has already been passed by the Majilis (lower house) and is being discussed in the Senate.

The anticipated amendment could again lead to disputes between taxpayers, tax authorities, and the Ministry of Finance Appeals Board regarding application of the environmental legislation. These disputes arise mainly because the tax authorities, who are not ecology experts, have their own interpretation of the environmental legislation.

Moreover, retroactive amendments to the legislation can have a negative effect on Kazakhstan's investment appeal.

The way out could be introduction of amendments allowing unfinished audits to be transferred to the Ministry of Energy. This would conform to the general concept of transfering control to the environmental body. We believe the business community will welcome such an amendment since a relevant agency will then control environmental issues.

FARMING INTO AN UPSTREAM CONCESSION: A TAX PERSPECTIVE

By Rustem Sadykov
Partner, Head of Tax & Legal
KPMG in Kazakhstan & Kyrgyzstan

Mineral Concessions in Kazakhstan

A mineral concession in Kazakhstan refers either to a contract with the designated governmental agency or, more recently, to a state license granting an investor the right to explore and exploit the subsurface, onshore or offshore. For the purposes of this article, an entity that technically holds the concession rights is further referred to as the 'concession holder,' and its immediate shareholder / owner referred to as the 'existing investor.'

As regards the already existing concessions, the current legislative framework envisages several pathways for a new investor to acquire mineral rights under such a concession. Often the new investor would consider, as the base scenario, buying shares or an ownership interest in the concession holder, because this share deal only changes the concession holder's ownership structure, but does not require renewal or reissuance of the existing operating licenses and permits, and thus saves time and effort. From a tax perspective, though, selling ownership interest (or a part of the interest) in the concession holder could trigger additional tax leakage for the seller (i.e. the existing investor), if the seller realizes taxable gain on the sale.

An alternative, yet less popular, structure envisages the new investor acquiring part of the current concession holder's rights to explore / exploit the subsurface. However, tax-wise it delivers similar tax exposure for the existing investor: because the concession holder's mineral rights are technically treated as property, any gain the concession holder realizes is likely to represent taxable income.

Tax-efficient Farm-Ins

As long as the above transactional tax costs are born solely by the existing investor, the new investor would have little incentive to make the transaction more tax-efficient and would probably choose one of the two structures discussed above. However, if the existing investor is able to shift these tax costs (or any part of them) to the new investor, the latter could probably consider structuring the transaction differently: not as an acquisition of an existing interest or mineral right, but as a farm-in.



Farming into an existing upstream concession generally refers to the joining investor's commitment to bear full or part of the concession's future exploration and / or development costs (such as drilling costs) in return for a specified interest in the concession rights. In other words, instead of structuring the transaction as either a share- or a mineral right-type acquisition, the existing investor agrees to exchange a part of its interest in the concession for the new investor's commitment to cover a certain portion of the future exploration / development costs. The logic behind this structure finds its ground in several keystones in Kazakhstan's civil, mineral and tax laws, including the following:

- As a general principle, the legislation that governs mineral concessions empowers the contracting parties to expand the number of participants in the concession. Adding new participants to an existing concession is, in principle, allowed only with the mutual written consent of the pre-existing participants and, in some cases, with the government's corresponding written permission for a transfer of rights and duties under a mineral contract or a license.

- The concept of a consortium (or a simple partnership) allows the joining partners to unite resources for the joint development of a prospect or a concession. The participants' contributions to such joint activity, as well as the assets created or acquired as a result of such joint activity, are their common shared property, owned according to the participants' defined participation interests. In our example, the new investor and the concession holder could create a simple partnership

by entering into a joint operating agreement in order to jointly develop the concession.

- Because a simple partnership does not possess a legal personality and is not regarded as a separate entity, there is no corporation profit tax on the simple partnership's profits. Instead, the joint income and expenses are allocated to the partnerships' participants in proportion to their participation interests.

- Neither the tax law nor the civil law stipulate how revenues and expenses in a simple partnership are to be allocated among the participants, which means the participants could elect to allocate joint revenues and / or expense disproportionately to their corresponding participation interests in the partnership. By the same logic, this means that a participant paying all of the expenses of a joint activity is not deemed to have created taxable income for the other participants on whose behalf it pays these expenses.

Therefore, when a new investor farms into a joint activity, it is possible for the new investor to pay upfront only a minimal amount of cash for the per se purchase of an interest in the concession and simultaneously commit to pay a specified portion of the concession's future exploration / development costs. As committing to pay future work program costs (and subsequently paying them) by the joining new participant does not represent income to the existing participant, farm-ins can be structured to reduce or, in some instances, avoid the tax leakage that the share- or mineral right acquisition structures that we discussed earlier trigger.

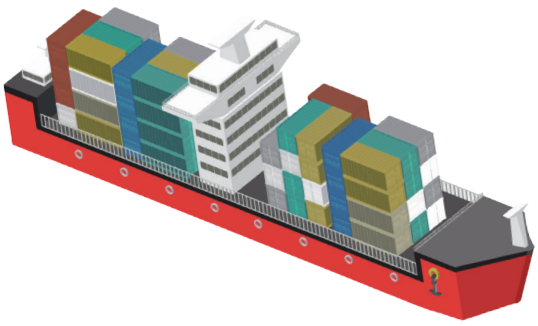
From the existing concession holder's perspective, this farm-in structure reduces the immediate cash requirements for the development of the concession and envisages the concept of a carried working interest or a 'carry.' It means that the newly joining investor will 'carry' the existing concession holder by paying the existing concession holder's portion of the costs to develop the prospect.



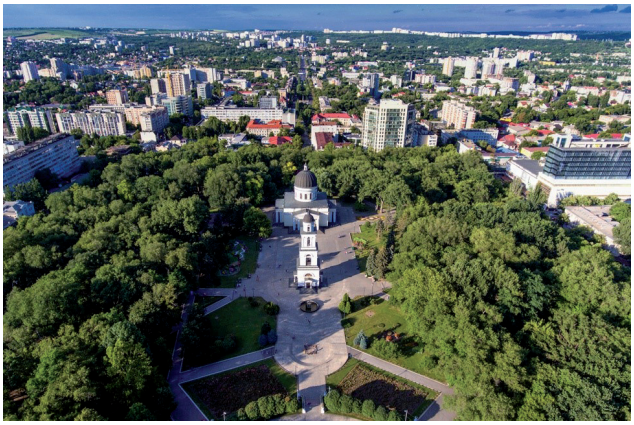
Altogether, this type of farm-in structure reduces the amount of cash the joining investor needs in order to obtain an interest in the concession by preventing the above upfront tax leakage.

Conclusion

The current mineral legislation requires a private investor to explore greenfield offshore prospects jointly with KazMunaiGas and, consequently, carry KazMunaiGas until the commercial discovery has been made. Apart from these legislatively required instances, farm-ins and the corresponding carry arrangements have arguably been used to date only infrequently in Kazakhstan's upstream sector. This is probably the reason why the tax legislature's response to farm-ins has also been somewhat random and failed to address certain tax aspects of these arrangements – for instance, the tax treatment of interest that the new investor may be charging on the carry financing being provided to the existing concession holder. Therefore, we believe there is room for lawmakers to adopt a more comprehensive approach to farm-ins and to make the relevant tax rules more explicit and specific.



GRATA International in Moldova



GRATA International is honored to announce that from February 2019 Popa & Associates (www.popa.md), a full-service law firm, represents GRATA International as an associate office in Chisinau, Moldova. This is another step in GRATA International's development and strategy to enhance its geographic coverage for delivering legal services.

Igor Popa, Senior Partner, Popa & Associates:

"The association with GRATA International is a decision we are certain will deliver great results. GRATA International is currently offering the opportunity for Popa clients to have free access in Euroasian countries such as Kazakhstan, Kyrgyzstan, Turkey, Tajikistan, Uzbekistan, or Russia. GRATA International standards will help us improve our efficiency and deliver the best quality services to our clients."

Akhmetzhan Abdullayev, Senior Partner, GRATA International:

"GRATA International unites the best local law firms with huge growth potential. Popa & Associates meets all GRATA standards and is one such local firm. Popa has a professional group of partners, excellent client recommendations, a young and dynamic group of lawyers - these are key features of the new associate office in Moldova."

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Web-site: www.popa.md

GRATA International in Chambers Global 2019

For another consecutive year, GRATA International enters the leading legal rankings and continues to be among the most outstanding law firms in Central Asia and the Caspian region. *Chambers Global 2019* shows GRATA securing its standing in rankings for Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan.

In **Kazakhstan**, Chambers Global ranked GRATA International in the following practice areas: *Dispute Resolution (Band 2), Corporate and Finance (Band 2), Energy & Natural Resources (Band 3)*. The *Dispute Resolution* team led by **Bakhyt Tukulov** have been ranked among Kazakhstan's leading litigators in Band 2. GRATA's *Corporate and Finance* team has also been ranked in Band 2 for a second consecutive year. **Shaimerden Chikanayev**, who heads the *Banking & Finance* department, has been selected as a leading lawyer and ranked in Band 4. In the *Energy and Natural Resources* practice, the Grata team was among the leading legal counsels in Kazakhstan in Band 3. *The Natural Resources* team was described as a well-rounded, prominent regional firm which regularly provides local legal support to clients in the oil and gas, mining and nuclear power industries.

In **Kyrgyzstan**, GRATA International's team in Bishkek has ascended to Band 2. Researchers and clients characterize the team as robust, catering to a distinguished clientele of international corporate and financial institutions, and regularly working in collaboration with overseas law firms.

In **Tajikistan**, the Grata Dushanbe office ranks in Band 2 among the most prominent legal advisors. Chambers Global described the team: "a respected group that advises an array of international law firms and financial institutions on Tajik law issues from its offices in Dushanbe and Bishkek".

In **Uzbekistan**, for a second consecutive year, GRATA International tops the Chambers Global rankings with a leading position in Band 1. Chambers & Partners paid special attention to the full-service scope of GRATA's team in Tashkent. Three key partners of the GRATA Tashkent team were among the leading practitioners in Uzbekistan: **Bakhodir Jabborov** (Band 2), **Nodir Yuldashev** (Band 2) and **Atabek Sharipov** (Band 3).

In Azerbaijan GRATA International's Baku team was recognised among the leading practitioners. **Ummi Jalilova**, Director of the Baku office and a Grata **Azerbaijan** partner, was among ranked lawyers.

The *Chambers Global 2019* rankings demonstrate GRATA International's capabilities and consolidate its position among the leading law firms in the region.

MEMBER NEWS

GLOBAL DEVELOPMENT

The Talan Towers Offices – Bringing a New Dimension to Astana

Kazakhstan will fully supply its oil and gas market in 2019 and export surplus oil products, said Kazenergy General Director Asset Magauov at the Feb. 28 Forbes Club business breakfast. The club, whose members represent the nation's business community, organized its second meeting in a series of morning meetings at the capital Talan Towers mixed-use development. Major oil companies such as Total and Shell shared their views about the Kazakh oil industry and made recommendations to improve conditions for investors.

Talan Towers hosted the inaugural meeting in November. In the intervening months, the owners have enriched the offer by additional solutions to the fitted-out offices ready for usage.

"New companies have appeared in Talan Towers since the Towers' previous event in November. We recently added the opportunity to rent office premises for companies with a small number of employees, from 6-15 people. After analyzing the Astana market, we realized many companies prefer small offices (90-150 square meters) with possible further expansion to large areas. Lease agreements have already been signed, and these offices will be ready in March" said leasing manager Almas Nyssanbayev.

The complex has two 30-storey and 25-storey buildings with The Ritz Carlton, Astana hotel and Talan Towers Offices international A-class offices connected by a luxury gallery that will open in 2019. The Talan Towers Offices houses the offices of major international companies as China Development Bank, ExxonMobil Kazakhstan Zinc., Astana International Financial Center, Kazzink Holding, Meinhardt Kazakhstan & Central Asia, White&Case, The Boston Consulting Group, Hewlett Packard Enterprise, Beeline, including the Verny Capital group of companies (the project's investor).

Talan Towers was built according to LEED (Leadership in Energy and Environmental Design) gold certificate international standards for eco-friendly buildings. The American architectural firm Skidmore, Owings & Merrill and the London-based Richmond Architects and Perkins+Will Architects developed the design.



MEMBER NEWS

Richard Howe

Managing Director

North Caspian Operating Company (NCOC)



The shareholders of the North Caspian project unanimously approved Richard Howe to succeed Bruno Jardin as Managing Director of NCOC as of 1 February 2019. He joined NCOC in October 2017 as Production Operations Director, bringing Kashagan safety performance, reliability and production to record levels.

"I'm looking forward to this challenge, and to building further upon what the organization has accomplished under Bruno's leadership. He has made worker safety a top priority, and I share that goal. He transitioned NCOC from a construction organization to one that is producing 340 thousand barrels of oil per day now with high reliability. I see my job as continuing to improve on that reliability, to ensure a safe and successful maintenance turnaround this spring, to ensure new growth opportunities, and to make Kazakhstan and our shareholders proud of NCOC."

Richard Howe holds a Bachelor's degree in Mechanical Engineering from Auburn University (Alabama) and Master's degrees in Mechanical Engineering from the Georgia Institute of Technology, in Petroleum Technology from Curtin University (Australia), and in Business Administration from Duke University.

Rich Howe joined Shell in 2002 as a Pressure Equipment Engineer at the Saraland Refinery in Alabama, and continued this role at the Norco Chemical Complex in Louisiana. He subsequently served as Project Engineer with the Shell Unconventional Resource and Energy team in Colorado, then moved to Shell's Deepwater division, supporting Gulf of Mexico subsea operations and pipeline flow assurance. He moved to Finance and Strategy, and then to Brazil as FPSO asset operations manager. He returned as Vice President Technical for US Deepwater assets, then was appointed Vice President for Shell's global Deepwater operations.

Ahmet Ervent Dalagan

Chief Financial Officer

Ramstore Kazakhstan



Ramstore Kazakhstan announces the appointment of Ahmet Ervent Dalagan as its new Chief Financial Officer.

Ahmet Ervent Dalagan began his retail career in 2006, and brings 15 years' finance experience in retail and production to Ramstore. He has served as Head of Finance, Head of FP&A, Financial Controller and Commercial Finance Manager.

Ahmet Ervent Dalagan graduated from Middle East Technical University in Ankara with a degree in Economics and Administration.

Ramstore Wins Discovery of the Year Award



This year the Ramstore All-In multifunctional complex won the *2GIS Discovery of the Year Award* in the *Shopping Centers* category in Kazakhstan. For Ramstore and similar companies, the 2*GIS Award* is a well-deserved opportunity to confirm the quality of their service.

On February 1, the *2GIS Navigator Service* published the results of its rating of popular companies. The rating was compiled automatically for 84 cities in Russia, Ukraine, Kazakhstan and Kyrgyzstan. *"The special algorithm took into account the number of calls to the company's card in the directory, transitions to its website, calls, built routes and, of course, the number of reviews and the average customer rating*," said 2GIS in an official report. In total, the service analyzed 260,000 organizations, to which users gave more than 900,000 ratings in 84 cities.

ALMATY NAURYZ SUNDOWNER AT SAFRAN RESTAURANT

As Nauryz approached the following week, an occasion to celebrate the arrival of spring, AmCham held its March Sundowner on Friday evening, 15 March, at a member favorite venue – Safran Restaurant. Now renamed Kishlak, the restaurant returns the Safran menu, familiar staff, and exotic décor. Members quickly settled onto sofas around tables that could accommodate all their friends beneath elaborate chandeliers.

Always hospitable with an abundant buffet dinner of Uzbek and Azeri pilaf, Turkish dolma, Georgian khachapuri, and an assortment of regional salads and fragrant desserts, Safran has welcomed AmCham members for many years. Wine, beer, and soft drinks flowed throughout the evening with jazz in the background.

Attendance surpassed 100 members and guests exchanging plans for their holiday plans abroad or in the mountains surrounding Almaty. In splendid early spring weather (temperatures had reached 20 C during the day), the evening was sponsored by AmCham with members attending at no cost.











WELCOME ADDITIONS TO THE CHAMBER

Bechtel

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Bechtel is one of the most respected global engineering, construction, and project management companies, delivering landmark projects that create long-term progress and economic growth. Since 1898, Bechtel has been the trusted partner of industry and governments worldwide, helping deliver more than 25,000 projects in 160 countries on all seven continents. The company serves the Infrastructure, Nuclear, Security & Environmental, Oil, Gas & Chemicals, and Mining & Metals markets. Bechtel services span from initial planning and investment through start-up and operations.

Bechtel has been operating in Kazakhstan for over 25 years, providing engineering and construction solutions to the oil and gas sector. Bechtel's joint venture Senimdi Kurylys (SK) is one of the largest construction companies in Kazakhstan today, with significant operations and projects ongoing in Tengiz.

Boston Consulting Group

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The Boston Consulting Group (BCG) is a global management consulting firm and the world's leading advisor on business strategy. BCG partners with clients in all sectors and regions to identify their highest-value opportunities, address their most critical challenges, and transform their businesses. The BCG customized approach combines deep insight into the dynamics of companies and markets with close collaboration at all levels of the client organization. This ensures that clients achieve sustainable competitive advantages, build more capable organizations, and secure lasting results.

Founded in 1963, BCG is a private company with 90 offices in 50 countries. BCG has been operating in Kazakhstan since 2005, working in both the private and public sectors. BCG Kazakhstan has an office in Astana and a permanent local team that works together with international experts.

IHS Markit

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IHS Markit (NASDAQ: INFO) is a dynamic team that includes more than 5,000 analysts, data scientists, financial experts and industry specialists. IHS Markit serves over 50,000 customers, including 85% of the *Fortune Global 500*, in over 140 countries. The company's global information expertise spans numerous industries, including leading positions in finance, energy, chemicals, transportation, life sciences, economics and country risk, and aerospace, defense and security.

This market brings together the deepest intelligence across the widest set of capital-intensive industries and markets. By connecting data across variables, IHS Markit's analysts and industry specialists present customers with a richer, highly integrated view of their world.

AMCHAM ADVOCACY UPDATE FEBRUARY – MARCH 2019

The Cabinet shuffle and appointment of a new Prime Minister with three new Deputy Prime Ministers in late February, followed by President Nazarbayev's resignation two weeks later, has caused AmCham to pause to allow the new Government to assume office and to settle into its new responsibilities. The AmCham *Council to Improve the Investment Climate* therefore did not meet in March, but will resume its monthly meetings in April with Prime Minister Askar Mamin and the panel of Cabinet Ministers that traditionally attends all Council meetings.

AmCham has worked closely with Prime Minister Mamin to resolve a number of issues in recent years – most notably, to fully reverse the planned introduction of a new work visa/ work permits regime two years ago that would have created major obstacles for foreign executives and staff. We look forward to working with the new Prime Minister and will meet with him in early April to reaffirm the Council's structure and mandate.

Similarly, AmCham looks forward to working with Finance Minister Alikhan Smailov, appointed late last year to the Finance portfolio and now assigned the additional responsibility of serving as First Deputy Prime Minister. We also look forward to working with National Economy Minister Ruslan Dalenov, with whom AmCham and its members met often when he served as Deputy Minister. The return to the Cabinet of Energy Minister Kanat Bozumbayev and Justice Minister Marat Beketayev will enable us to continue working with them on issues that have been open to discussion for some time. Outside the Cabinet, we look forward to interacting with Yerbolat Dossayev, whom we have known for many years, now the newly-appointed Governor of the National Bank.

As the last Council session was held on 21 February, the day on which the Cabinet and Prime Minister resigned, AmCham was caught in the unexpected Government upheaval. Given the importance of the Council topic that day – *Cybersecurity and Cybercrime*, reported in the *February Investors' Voice* – AmCham plans to revisit the topic with the new Cabinet and new Prime Minister later in the spring.

AmCham is also considering organizing its annual *Economic Policy Platform Conference* on the same topic in June.



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AMCHAM WORKING GROUP UPDATE FEBRUARY – MARCH 2019

Almaty

Almaty Tax Working Group

February On February 28, the Almaty Tax Working Group met in AmCham Boardroom to discuss recent tax issues. *Aliya Tokpayeva, Deloitte Senior Tax Manager* covered tax updates in 2019, outlining horizontal monitoring, changes in Controlled Foreign Corporation (CFC) rules and VAT control account. The speaker also discussed the expected changes in tax legislation. In the second part of the meeting, *Orynsha Kerim, Deloitte Tax Manager*, gave a presentation on recent judicial practices. Group members shared their comments on each case description.

Almaty Human Resources Working Group

March On March 5, the Almaty Human Resources Working Group met under the new chairperson *Anar Khassenova, PwC People and Organisation Director*. The chair opened the session with a brief overview of her work and expertise at PwC. The floor was then turned over to *Tatyana Kovzalova, Philip Morris International Manager Organization Effectiveness*, who started the presentation on gender policy, equal pay and equal opportunities. The speaker explained that PMI Kazakhstan is a 1st Equal Salary Certified company where gender policy is important.

Almaty Foreign Investments Working Group

March On Mach 12, the Almaty Foreign Investments Working Group met under Chair *Aibat Akhmetalimov, Managing Director of Philip Morris Kazakhstan*. After the Chair's introductory comments, the floor was turned over to *Assel Tumenbayeva, Philip Morris Kazakhstan Counsel*, who gave a detailed presentation on changes in intellectual property (IP) rights legislation. The speaker explained main aspects of trademarks and patents registration, IPR protection and licenses. The group discussed definition of counterfeit goods and observed administrative and criminal liabilities of IP rights violations. The Chair then led the discussion on IPR in Kazakhstan.





Astana

Astana Foreign Investment Working Group

March On March 1, the Astana Foreign Investment Working Group met in the GE Astana office. The agenda was devoted to development of renewable energy in Kazakhstan. *Ainur Sospanova, Renewable Energy Department Director* at the *Ministry of Energy of Kazakhstan* welcomed the participants and delivered an overview about renewable energy in Kazakhstan, underlying energy capabilities, current project plans, legislative frameworks and the auctions system.

The next topic was presented by USAID representatives. *Armen Arzumanyan, Chief of Party,* and *Bayan Abylkairova, Deputy Chief of Party*, who spoke about the goal and progress of the *USAID Power the Future Central Asia Regional Program*.

Astana Tax Working Group

March On March 1, the Astana Tax Working Group met in the GE Astana office. The agenda covered end-to-end inventory monitoring systems. *Sholpan Dossymkhanova, Deloitte Caspian Region Customs/Tax Manager* updated group members about the Astana-1 information system development, virtual warehouse modules, and E-invoicing.

Dariga Tokpayeva, Deloitte Senior Legal Manager, joined the group via conference call and spoke about criminal liabilities for tax offences topic. The group members discussed fiscal criminal responsibility in Kazakhstan. *Aliya Tokpayeva, Deloitte Senior Tax Manager*, delivered an overview of recent tax legislation updates.

Atyrau

Atyrau Trade and Customs Working Group

February On February 25, the Atyrau Trade and Customs Working was held in the Atyrau Fircroft office under WG chairperson and *EY Senior Associate Samat Karmys*. After the introduction, the floor was turned over to *Aizhan Sumembayeva, EY Senior Manager*, who delivered a presentation on transfer pricing and customs value. The speaker focused on interrelations and contradictions and explained transfer pricing methods and the interaction between taxation and customs officials in recognizing transfer pricing.

Atyrau Tax Working Group

February On February 25, the Atyrau Tax Working Group met to continue discussion about tax issues in Atyrau Region. The agenda was devoted to E-invoicing, inventory monitoring systems, tax legislation updates and court practice overview. *Sholpan Dossymkhanova, Deloitte Caspian Region Customs/Tax Manager*, delivered a detailed presentation on Warehouse module and the Astana-1 Information System. The speaker explained E-invoicing and answered participants' questions.

Later, *Aliya Tokpayeva, Deloitte Senior Tax Manager*, and *Orynsha Kerim, Deloitte Tax Manager*, presented on recent judicial practices and tax updates.

Atyrau Human Resources Working Group

February On February 25, The Atyrau Human Resources Working Group met in Atyrau Fircroft office. The agenda of the meeting covered relevant issues and key changes in immigration legislation. *Assel Dussumova PwC Manager, People and Organisations*, updated participants about the last changes in immigration laws and work permits for expat staff. In addition, the speaker explained how documents for work visas could be submitted online via E-gov services.

Aktau

Aktau Trade and Customs Working Group

February On February 26, The Aktau Trade and Customs Working Group met in the Aktau OMV Petrom office under the chairman and *EY Senior Associate Samat Karmys*. Together with *Aizhan Sumembayeva, EY Senior Manager*, Mr. Karmys spoke on transfer pricing and customs value. The speakers presented on different methods for used by customs and tax officials to evaluate transfer pricing – methods depending on individual circumstances, product type, and cost of goods.



Aktau Tax Working Group

February On February 26, The Aktau Tax Working Group met in the Aktau OMV Petrom office. The meeting agenda covered tax legislation updates, court practices cases and E-invoicing. *Aliya Tokpayeva, Deloitte Senior Tax Manager* covered tax updates and explained recent changes in VAT control account, risk degree gradation and horizontal monitoring updates.

Sholpan Dossymkhanova, Deloitte Caspian Region Customs/Tax Manager presented on the Astana-1 information system and explained use of electronic invoices. Lastly, *Orynsha Kerim, Deloitte Tax Manager*, presented on recent judicial practices.

Aktau Human Resources Working Group

February On February 26, the Aktau Human Resources Working Group met under the new chairperson *Saule Sharipova, OMV Petrom HR Department Manager*. The floor was turned over to *Janna Sadyrova, Aktau Marine North Terminal HR Director*, who spoke about introduction of electronic document management systems (EDMS) and business process automatization. The speaker explained that several EDMS programs make it possible to simplify and reduce paper-based bureaucracy inside the company. Janna Sadyrova demonstrated how EDMS could be implemented in a company, along with its benefits and drawbacks.





ATYRAU
OIL&GAS KAZAKHSTAN

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Atyrau, Kazakhstan

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ITE GROUP
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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

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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



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INPEX