



OIL SECTOR OF KAZAKHSTAN: CONSTRUCTION OF THE FOURTH OIL REFINERY

Presently, Kazakhstan exploits three oil refineries that were constructed during the USSR period: in the Pavlodar, Atyrau and South Kazakhstan regions. The first operating oil refinery plant was constructed in Atyrau in 1945, at the end of the World War II. The plant processed more than 4,920,005 tons of oil products in 2014. While the amount of refined oil in the oil installation in Pavlodar totaled to 4,925,774 tons, the amount in the oil refinery in Shymkent was 5,085,239 tons in 2014. The Pavlodar oil refinery has been operating since 1978 and the Shymkent oil refinery since 1985. Still, the amount of oil products produced at all three facilities is not sufficient to meet the economic demand of Kazakhstan.

Due to the growing domestic consumption of gasoline and diesel fuel during the last years, Kazakhstan authorities are considering the issue of building the Fourth Oil Refinery in the Mangystau region. In the period of 2014 oil refineries in Kazakhstan along with the Ministry of Energy of the Republic of Kazakhstan processed about 1.9 million tons of the AI 92 gasoline fuel and 4.1 million tons of diesel fuel.

At the same time, the amount of the AI 92 gasoline fuel consumed within the domestic market equals to 2.9 million tons, which exceeds the produced volume of gasoline fuel by 35%. In addition, it is claimed that the amount of diesel fuel consumed in the domestic economy equals to 4.9 million tons, which exceeds the volume of the processed diesel fuel by 19.5%.

Annual fuel deficit of Kazakhstan is about 1.6-1.7 million tons of light oil products and on average only 70% of the total domestic market demand is met, while remaining 30% is imported from abroad, particularly from Russia and China. According to the government officials, current oil refinery facilities cannot meet the need of domestic market for oil products.

In accordance with the statistical data of the Ministry of Economy of the Republic of Kazakhstan, during the period of 6 months from January 2015 to June 2015, the amount of produced motor oil (including gasoline oil and jet fuel) equaled to 1.9 million tones, which is 2.2% less than the amount produced at the same period in 2014. In addition, since the amount of the processed diesel fuel diminished by 4.5% and of mazut fuel by 2.9 % in 2014 the construction of the Fourth Oil Refinery is becoming more important.

The idea of construction of the new oil refinery was discussed at the 14th Kazakh-Iranian Intergovernmental Commission on Trade-Economic, Scientific-Technical and Cultural Cooperation held in Astana in October 14, 2015. During the meeting the governmental officials of both states deliberated on the idea of building a new oil refinery in the Mangystau region.

On the other hand, along with the Iranian involvement into the negotiation talks over the construction of the Fourth Oil Refinery, Chinese officials have also shown their interest in the project. At the beginning of 2015 Chinese Government sent an official

letter to the Ministry of Energy of the Republic of Kazakhstan stating their concern over the structure of the new oil refinery and their desire to invest in construction. In this respect, the Ministry of Energy of the Republic of Kazakhstan would pay a special interest to the negotiation process of the construction of the oil refinery.

For Kazakhstan the major deduction behind this huge industrial development in the oil industry is to eliminate the deficit of high-octane gasoline and jet fuel and to decrease the amount of fuel imports from Russia. One of the main positive effects of the Fourth Oil Refinery would be on the domestic economy due to creation of new employment opportunities. According to the recent negotiations on the new oil refinery issue, the approximate minimum amount of investments needed for realization of this project is \$6 billion and it would take about 5 years to construct the facility. The forecasted starting date of the construction is 2016.

Furthermore, the modernization of the equipment at the three oil refineries started in 2009 is planned to be finished till the end of 2016. Experts claim that along with the modernization process all domestic demand for light oil products would be met with the yearly amount of refined oil reaching 18.5 million tons. The new developments on the construction of the Fourth Oil Refinery show that this new oil refinery would allow Kazakhstan not only to reduce its import dependency on Russia, but also to enhance the financial and the industrial stability in the region.

Politics, Foreign Affairs and Security

- The voter turnout at the parliamentary elections in Turkey was 85.2% among the 54 million people eligible to vote. The Justice and Development Party won 49.5% of the votes and secured 317 seats in the 550-member parliament that is enough to form a single party government. As a result of the election, the Republican People's Party gained 25.3% of the votes (134 seats), the Nationalist Movement Party gained 11.9% of the votes (40 seats) and the Peoples' Democratic Party gained 10.8% of the votes (59 seats).
- The voter turnout at the parliamentary elections held in Azerbaijan was 55.7%. Over 2.89 million voters cast their ballots during the Milli Majlis election which is 6% more than in the previous election. The Central Election Commission of Azerbaijan has already announced the names of leading candidates in all 125 constituencies.
- The self-proclaimed Donetsk People's Republic has completed withdrawal of artillery of less than 100mm caliber from the contact line in Donbas.
- According to the official representative for Germany's OSCE Chairmanship, Gernot Erler, the OSCE Special Monitoring Mission to Ukraine would open from 8 to 9 new observation posts in Ukraine's Donetsk and Luhansk regions.
- The Council of the European Union announced about suspension of the sanctions imposed against Belarus for 4 months. The sanctions include the asset freeze and travel ban applying to 170 individuals and the asset freeze applying to three entities in Belarus.
- During the meeting of the Prime Ministers of the Commonwealth of Independent States (CIS) in Dushanbe, the parties signed about 40 documents concerning the air defense, trade and economic cooperation, humanitarian ties, financial and socio-economic areas, and cooperation in law enforcement.
- During the meeting held in Samarkand, Uzbekistan, the U.S. Secretary of State, John Kerry, and Foreign Ministers of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan approved the creation of the "C5+1" cooperation format, which would

be used by the Central Asian countries and the U.S. to review the security situation in the region, prospects for economic growth, the environment and the human dimension issues.

Economy, Finance and Energy

- The State Oil Company of Azerbaijan, SOCAR, and the French company Axens signed a contract for the construction of the diesel fuel and gasoline hydro-treating units as part of the modernization of the Heydar Aliyev Baku Oil Refinery. It is planned to increase the processing capacity of the plant and to establish production of high-quality oil products meeting the Euro-5 standard.
- The Kazakh state nuclear company Kazatomprom signed the documents on cooperation in the solar energy development with the Qatari company Qatar Solar Energy. Moreover, Kazatomprom signed a Memorandum of Understanding (MoU) in the field of nuclear energy with the Japan Atomic Power Company and Marubeni Utility Services, Ltd.
- According to the Ministry of Economy of Uzbekistan, the Uzbekneftegaz National Holding Company completed implementation of the project worth \$51.7 million for further development of the Kultak field with modernization of the Pamuk booster compressor station.
- The Development Bank of Kazakhstan (DBK) has reached an agreement with the Japanese bank Sumitomo Mitsui Banking Corporation (SMBC) regarding the drawing of a loan amounting to \$37.29 million. The SMBC's loan covers up to 7 years and will focus on general corporate purposes of the DBK.
- The Ministry of Investments and Development of Kazakhstan and the Ministry of Land, Infrastructure, Transport and Tourism of Japan inked a Memorandum of Cooperation in introduction of investment and innovation projects in the transport sector of Kazakhstan. The Memorandum was signed during an official visit of the Japanese Prime Minister, Shinzo Abe, to Kazakhstan.
- On the sidelines of the VI Astana Invest Forum 2015, the Astana city administration and the China Railway Asia Europe Construction Investment Co. Ltd. signed an agreement worth \$100 million on the establishment of an engineering and construction machin-

ery leasing company. Over 30 investment memorandums were signed at the Forum, including documents on attracting \$400 million for other major investment projects.

- The Russian Sberbank's subsidiary in Kazakhstan announced its plans to finance the projects implemented by Turkish companies in Kazakhstan before late 2015, providing them with at least \$50 million. Total liabilities of Turkish companies to the Sberbank's subsidiary in Kazakhstan exceed \$250 million.
- The Federation of Trade Unions of Belarus (FTUB) and the Confederation of Mongolian Trade Unions (CMTU) signed an agreement on cooperation. The agreement provides a range of measures to promote interaction, including provision of free legal assistance to the FTUB and the CMTU members, the development of the trade union education and tourism.
- According to the Legislative Chamber of Oliy Majlis of Uzbekistan, the deficit of the state budget for 2016 will reach the level of 2.2 trillion soums or 1% of the projected GDP. Moreover, the revenues of the state budget and expenditures are planned at 40.5 trillion soums (18.4% of GDP) and at 42.7 trillion soums (19.4% of GDP) respectively.
- The Development Bank of Kazakhstan announced its plans to start financing 61 projects in the manufacturing sector worth 55.8 billion tenge (\$200.1 million).

Society and Culture

- The President of Russia, Vladimir Putin, has declared national day of mourning on November 1 over the Russian plane crash in Egypt. An Russian Airbus A321 operated by the airline Kogalymavia with 224 people onboard crashed earlier on Saturday in Egypt's Sinai Peninsula.
- Over 54 people were hurt in a series of explosions that followed a fire at a munitions depot holding about 3,500 shells for Grad, Smerch and Uragan multiple launch missile systems in Svatovo, a city in the Kiev-controlled area in the eastern Ukrainian Luhansk region.
- According to the head of Roscosmos, Oleg Gorshkov, Russia will install 48 stations for its GLONASS navigation system in 36 countries.