

Developing local industry: The Kazakh case

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The Executive Committee of the World Petroleum Council has launched an inter-Congress programme, the WPC Expert Workshops, with the aim of sharing experience and to promote co-operation between WPC members and to present the main conclusion of such workshops in a special session during the next Congress.

One of the first expert workshops was organised in the Kazakh capital, Astana by the Kazakh National Committee selecting a very topical theme: Local Content Development – International Experience and Best Practices. The Kazakh initiative dealing with the theme of local content issue is based on the implementation of an accelerated industrialisation programme in Kazakhstan.

It goes without saying that the long-term sustainability of the petroleum industry will depend on how the local suppliers of goods and services are promoted.

The presentations in the workshop have emphasised the necessary availability of vital components in their countries. Nevertheless most of the presentations drew the attention to further measures to be introduced. The suppliers of goods and services have emphasised the necessity to increase the incentives for local content creation. The papers presented at the workshop by a variety of authors, in particular by the Brazilian Petroleum Institute (IBP) in view of that country's up and coming oil industry, highlighted how important it is to improve the efficiency of the education system focussed on the real needs of the labour market and to expand opportunities for historically disadvantaged persons.

At the workshop, the Kazakh government outlined its intention to redouble efforts to increase the local content of goods and services that meet international standards.

However, the tone of some presentations were critical concerning the achievements so far. They pointed out that the low level of local content in procurement by major oil and gas project operators was due to a number of problems. The reason for the Kazakh content in the purchases of goods not exceeding eight per cent in 2012 is due to a number of factors, which included:

- Insufficient awareness of the key role of strict compliance with safety requirements in the international companies;
- The conservative attitude of operators who prefer to work with proven suppliers rather than with local organisations that they have never dealt with before;

- Language barriers.

As a result, the Kazakh government and major oil and gas operators signed "the Aktau Declaration" in 2012 with the aim of decreasing the obstacles and increasing local content.

This declaration is designed to facilitate the integration of separate programmes run by the major oil and gas operators in Kazakhstan. Such endeavours include the establishment of new production facilities, unification of standards and also procedures used by the major oil and gas operators. The Aktau Declaration also calls for the establishment of a consolidated database of Kazakhstan industry, for better personnel training and support of scientific research.

MOL, the Hungarian oil and gas company, has focused on another approach to help to develop local manufacturing industry in Kazakhstan. The company is the operator of an exploration block in western Kazakhstan and is preparing to invest in an above-surface facility.

MOL has intervened at its Hungarian supplier DKG-East Oil and Gas Equipment Manufacturing Company to create a joint manufacturing operation in Kazakhstan. This will make various valves and well-head equipment, using Hungarian technological know-how and employing Kazakh workers who have been trained by DKG in Hungary. ■

Workers at D Island, the main processing hub for the Kashagan oil project, in the northern Caspian Sea

