

Building strong partnerships

By SAUAT MYNBAYEV

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SAUAT MYNBAYEV graduated from Lomonosov Moscow State University as an economist-cybernetician. He was First Deputy Chairman of the Board of Directors of Kazkommertsbank Joint-Stock Bank and in 1998 became Minister of Finance. From January 1999 he was Deputy Head of the Presidential Administration and became Minister of Agriculture in 1999. He has also served as Deputy Prime Minister and Minister of Industry and Trade. He was Chairman of the Board of Samruk JSC (2006-2007) and was appointed Minister of Energy and Mineral Resources in 2007. He became Minister of Oil and Gas in 2010 and was appointed Chairman of KazMunayGas in 2013.

KazMunayGas is a state owned, vertically integrated oil and gas company. KMG carries out the full production cycle, from hydrocarbons exploration and production, their transportation and processing, to offering specialized support sector services.

Around 218 companies are incorporated within the KMG group. KazMunayGas occupies over a third of Kazakhstan's market for oil and gas production and has the dominant position in oil refining, pipeline transportation of oil and natural gas in the country.

KazMunayGas produces more than 450,000 barrels of oil and gas per day. Many of those barrels are produced in co-operation with British partners. By 2022, there will be even greater opportunity for co-operation, as we plan to increase oil and gas production up to 710,000 barrels per day. Statistics from 2014 show that the cumulative proven recoverable reserves of KMG amount to 811 million tons – the equivalent of 6 billion barrels. By 2024 we plan to achieve 1,230 million tons or 9 billion barrels of the total recoverable resources.

In all our operations, we give value to money to our shareholders through increasing the long-term value of assets and helping to modernize and diversify the national economy. KMG faces an array of tasks, from increasing the volume of exploration, the reconstruction and extension of refining capacity, developing the service sector, driving innovation and technological potential, as well as establishing an effective and transparent system of asset management.

Given the vast geographical distances involved in moving oil and gas from Kazakhstan to the world's key markets, finding innovative solutions to hydrocarbon transportation is one of KMG's priorities. Pipelines account for the bulk of oil exports and remain an area of special interest. Today, our Republic is producing 1.5 million barrels per day – and we can export the bulk of that as needed. But we're expanding rapidly. As the Tengiz field expands, and Kashagan comes back online, further development of transportation infrastructure is essential.

By 2022 KMG has ambitious plans to join the top 30 largest oil and gas companies in the world. If we're to see these plans realized, cooperation with foreign energy companies are key. U.K. firms are of particular interest to us.

Key cooperation projects

Since 2001, British companies have increased their involvement in hydrocarbon production in Kazakhstan, from 4 per cent to 7 per cent. There have been a number of projects between Kazakhstan and the UK that illustrate that cooperation.

For example, the Karachaganak field in West Kazakhstan. British Gas (BG), along with KMG and other partners began work on the field in 1997, signing a 40 year Final Production Sharing Agreement. BG is the integrated key operator on the project, which remains a success story. Today, 240,000 barrels of oil and about 1,641 million cubic feet of gas are produced daily at Karachaganak. Since production began, more than 1 billion barrels of oil and over 6 and a half million cubic feet of gas have been produced at the field.

Yet there is more to be done. Right now, we're implementing the "Industrial Development Stage." Once that's done, we are planning an ambitious expansion programme. It will mean more wells drilled, construction of gas treatment facilities and installation of additional compressors to increase gas reinjection volumes.

Besides the Karachaganak field, British Gas is one of the shareholders of the Caspian Pipeline Consortium. Presently the CPC oil pipeline is one of the main export routes of Kazakhstan hydrocarbons to the world market. The CPC is a 1,510 km oil pipeline, put into operation in 2001 and connecting the giant Tengiz field in Kazakhstan and the oil terminal "Yuzhnaya Ozereyevka" on the Black Sea (near the Novorossiysk Port).

Over 300 million barrels of oil were transported by the CPC oil pipeline in 2014. Meanwhile, against the backdrop of increased capacity at the Tengiz oil field and the beginning of developments at the Kashagan megafield in the Caspian Sea, one of the issues of the CPC Project is the oil pipeline capacity expansion.

So in 2010 the CPC shareholders made a decision to invest in the Expansion Project, a three stage endeavour to increase transportation capacity up to 500 million barrels.

To the latest technologies

Innovation and new technologies are essential to progress. At a time when prices are low, it's essential that companies make sound investments and optimise operating costs. KazMunayGas understands the necessity of investing in new technology that will drive up the capacity of

Kazakhstan's oil and gas industry. Using innovative methods to produce and search for hydrocarbons is now an integral part of our corporate culture.

A good example is a new joint venture by KMG's subsidiary - KMG Systems & Services and a British company - Invensys. KMG Automation, with 200 employees, will focus on the high-tech automation of industrial processes and the development of software and energy management systems to develop local content in Kazakhstan. The new company will create of new high skilled jobs, improvement in the technical ability of Kazakhstan specialists and increasing profitability of the oil and gas sector by minimizing costs and improving equipment.

Human resources for the industry

Training programs for our employees and apprentices are an essential component of KMG policy.

The UK is a valued partner in training specialists in the oil and gas sector. In 2001, a joint initiative from President Nazarbayev and the UK government led to the opening of the Kazakh-British Technical University, a subsidiary of KazMunayGas. KBTU is a state of the art institution training and preparing the technicians of outstanding ability for Kazakhstan. In cooperation with the British Embassy Astana and the British Council, UK universities are providing assistance. The University of Aberdeen,, the Heriot-Watt University (Edinburgh) and the Westminster University (London) all offer enhanced training programs in "Oil and Gas Development" and "Business Administration".

Every year over a hundred petroleum experts graduate from KBTU. Annually KBTU graduates about 100 petroleum experts. Due to the fact that Their qualification, "Petroleum Engineering" has international accreditation from the UK, so Kazakhstani students receive an education complying with British standard and master the competencies required by the best oil and gas companies. It's no coincidence that the rate of employment among university graduates is 98 per cent and many of those graduates come to work with us. KMG is one of the most attractive places to work for young people in Kazakhstan.

Considering the rich history of Britain as a sea-faring nation, British firms will be interested to know that the Kazakhstan Maritime Academy opened in May 2013. The rapid development of the domestic oil and gas industry demands effective marine transportation. Every year, freight traffic on the Caspian Sea grows exponentially. Annually high rates of growth of freight traffic on the Caspian Sea makes marine transport one of the most promising sectors of the economy. In addition, the problem of a shortage of skilled sailors is being resolved by the Academy.

The Program of the Kazakhstan Maritime Academy

in English is a four year course. Upon graduation, the cadets receive the KBTU bachelor's degree and a professional diploma for working on vessels of any cargo capacity which will allow them to sail all over the world.

This course is an excellent example of British and Kazakhstani partners working together.

British lecturers are often in Kazakhstan to give seminars, training, and hold conferences. A number of young engineers from KazMunayGas have successfully completed training in the leading universities of Great Britain - University of Leicester, University of Aberdeen, Durham University and Leeds University.

Today, the most important institution for research in Kazakhstan is the Nazarbayev University, established under the initiative of the Republic's President. Leading British universities such as the University College London and University of Cambridge are actively involved in successful programmes with this university.

By sending the employees to master's programs in the Nazarbayev University, KazMunayGas is adopting the knowledge and expertise of its British colleagues.

Partnership perspectives

Today Kazakhstan ranks among the 15 largest countries in terms of proven oil reserves and among the top 20 on gas reserves. For KazMunayGas, discovering more reserves is one of our strategic priorities. Geological exploration is one of the most exciting areas of cooperation with British companies.

Today KMG is cooperating with its subsidiaries to conduct a broad range of geological and research on a whole group of the Caspian blocks. In particular, a large scope of geoscience research has been conducted at N block over the last few years including a seismic survey at Rakushechnoye More and Nursultan, basin modelling, risk assessment and structure ranging. In 2015 the first exploration well is expected to be drilled at Satpayev STP-1. A detailed design for its construction has already been developed.

Under the Zhemchuzhiny offshore project, the RK State Committee for Reserves have placed on the books the oil reserves recoverable at Khazar field, located in the contract area. More exploration well drilling is expected at Khazar, Auezov, Tulpar and Naryn.

Further increases in hydrocarbon reserves with KMG is not limited to the resource potential of the Kazakhstan sector of the Caspian Sea but also with onshore fields. More and more reserves are being discovered both in the Caspian Sea and onshore. KMG is at the forefront of both. The expertise of British petroleum experts would be welcomed in both areas.

I am confident that cooperation between Kazakhstan and the UK in the oil and gas industry will develop to strengthen both nations.

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