

OECD FORUM 2005

FUELLING THE FUTURE: Security, Stability, Development

Unlocking the World's Energy Potential

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Thank you, Mr. Chairman,
Ladies and Gentlemen,

I want to start with informing you, that this year the Government was forced to reexamine its budget in order to increase revenues side because of the sharp increase of oil revenues.

As you see, we in Kazakhstan have our own dimension of the situation in the world energy. And there we try hard to avoid Dutch disease and - so much litanized over – curse upon the oil-producing countries. We have a National Fund that accumulates extra oil revenues with double purpose - to sterilize money supply and to better use the funds for the sake of future generations of Kazakh citizens. Now the resources of National Oil Fund reached 5,3 bln US\$.

But let me start with an anecdote that once Jean Paul Sartre, was asked by a local newspaper to describe the reasons of his personal success in an article, he sent a short note that said: “some people oil, the others don't” and brief outlook of Kazakhstan's energy sector's current status, perspectives and challenges. Indeed this sector plays a pivotal role in the country's economy.

In 2004 oil and gas-condensate output reached 1.2 million bpd or grew 15 and a half per cent in year-to-year terms. According to Government forecasts, Kazakhstan will overcome a target of 2 million bpd earlier than 2010 and by 2015 – will produce 3 million barrels per day.

Actual recoverable resources of the country are estimated today around 30 billion barrels that makes Kazakhstan fifteenth largest world producer. That is not so bad but further discoveries and confirmations are on the line and after new developments on Kashagan, Kurmangazy and other projects we hope recoverable resources easily exceed 70 billion barrels.

As you know, main surplus will come from the Kazakh zone of the Caspian offshore but we in the Government – and oil-producing companies as well, I hope - do not underestimate environmental challenge in that region.

In Kazakhstan, as a land-locked country, the arithmetical increase of the output is not enough. The efforts to get access to multiple routes to evacuate oil are critically important. In this sense, the Government in consultation with major producers opted for multi-vector policies.

The eldest evacuation option has been Russian pipeline system to which Kazakh oil goes through Atyrau – Samara pipeline with throughput capacity of 300 thousand bpd. The newer and ever more important one is CPC (Caspian Pipeline Consortium) with 445 thousand bpd.

Today when the BTC (Baku – Tbilisi –Ceyhan) pipeline is closer than ever to become a reality the negotiations on the ATBC (Aktau - Baku – Tbilisi – Ceyhan oil transportation system) are underway. And the studies on another one – southern option - that may pass by Iran - are also realized with the active participation of our friends and partners, in particular from Total.

Meanwhile, last September, construction and installation works on Atasu - Alashankou pipeline begun. It will bring Kazakh oil directly to western China. It is expected that the 962 km. pipeline with pipe diameter of 813 mm. will ship from 2 to 4 hundred thousand bpd by 2006. Otherwise, rehabilitation and modernization of existing trunk pipeline system takes place.

Kazakh oilmen, in particular, TCO, KMG, Aktobemunaygaz and others, has actively used railway and maritime transport in order to get their produce to the world market. Among main routes are Aktau – Baku – Poti (Georgian port on the Black Sea) and - through Russia - to Baltic ports. By the way, in 2004, Kazakh port Aktau on the Caspian, transshipped over 200 thousand bpd.

In December 2004 and January 2005 Kazakhstan's national oil company KazMunayGaz built 2 new tankers on Russian shipyard of Vyborg - the fact that represents a start of the country's tanker fleet.

As far as the electrical power is concerned the electricity output last year was more than 65 billion kwt/hours. At present, the North – South line's being constructed that will connect our neighbors over the Northern border to those in the South. 258 million dollars National electrical grid modernization project is underway.

All in all, being a producer of electrical power, hydrocarbons - oil and gas, and coal and lignite, having largest uranium reserves, and neighboring such fast growing economies like China Kazakhstan has huge possibilities to become successful energy exporter.

Nevertheless, the Government has developed a program of industrial innovation of the economy trying to trigger diversification of the economy with SME being main actors of that. We believe that huge energy development projects that are being developed in Kazakhstan will create opportunities for multifaceted improvement of business and social climate and infrastructure both in the regions and on the national level. There's one huge "if" - if there is an understanding between major transnational producers and country's authorities.

In order to get such a cooperation in place we in Kazakhstan developed a concept of Foreign Investors Council that twice a year discusses current problems with the President himself. Mr. Jean Lemier of EBRD, Lakshmi Mittal of Mittal Steel, BG's Franck Chapman and Total's Christophe de Margery, as well as Peter Robertson of Chevron-Texaco, are regular participants to the meetings in Astana, Almaty and elsewhere in Kazakhstan.

It helps a lot to prevent conflicts and sometimes corrects legislation and regulation drafting process. For instance, law on Production Sharing Agreement was amended recently after the discussion at one of the FIC meetings. Or, the oil sector transparency initiative was discussed in positive ways.

In general, I would like to emphasize that my Government's legislation enacting and enforcing activities aim at several priorities. Among them: provision of solid legal base for efficient, balanced and environmentally-friendly utilization of natural resources, so that it could contribute to the sustainable development of the country.

Kazakhstan leaves through the period of accelerated economic, social and political modernization with one of the highest GDP growth in the world during the last 5 years. Kazakhstan is by far a leader of the FSU (CIS) area as far as the structural reforms, market liberalization and macroeconomic indicators are concerned. Accumulatively Kazakhstan attracted more than 30 billion US dollars of the FDI.

According to international agencies forecasts' Kazakhstan will continue to grow 8-9 per cent in next 3-5 years. WTO accession will contribute to further integration of my country into the global trade and economic cooperation.

Thank you.