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KAZAKHSTAN'S ENERGY POLICY IN THE CONTEXT OF SUSTAINABLE DEVELOPMENT IMPLEMENTATION

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Abstract. Sustainable development is a mechanism that opens up for Kazakhstan the prospect of successful participation in a kind of competition for the right joining the group of leaders of world countries. The energy issue for Kazakhstan could become a factor of economic, social, political stability and security in the region. The article describes the geopolitical aspect of the development of energy policy of Kazakhstan. In the interests of its multi-vector energy and politics, Kazakhstan

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develops cooperation with Russia, China, USA, EU countries and neighbors in Central Asia. From following the geopolitical balance with these players depends on the further direction development of the country's energy policy by and large.

Keywords: *Energy policy, Oil and Gas Industry, Transnational Corporations, Sustainable Development, National Interests.*

ТҰРАҚТЫ ДАМУДЫ ЖҮЗЕГЕ АСЫРУ ЖАҒДАЙЫНДАҒЫ ҚАЗАҚСТАННЫҢ ЭНЕРГЕТИКАЛЫҚ САЯСАТЫ

Сәкен Мұқан, Гүлнаш Асхат, Эльмира Саудабекова

Андатпа. Тұрақты даму - бұл Қазақстанға әлем елдері көшбасшыларының тобына кіру құқығы үшін бәсекелестікке табысты қатысу мен даму болашағын ашатын механизм. Қазақстан үшін энергия мәселесі аймақтағы экономикалық, әлеуметтік, саяси тұрақтылық пен қауіпсіздіктің факторына айналуы мүмкін. Мақалада Қазақстанның энергетикалық саясаты дамуының геосаяси қыры ашылады. Қазақстан өзінің көп векторлы энергетикасы мен саясаты мүддесінде Ресеймен, Қытаймен, АҚШ-пен, ЕО елдерімен және Орталық Азиядағы көршілермен ынтымақтастықты дамытады. Елдің энергетикалық саясатын одан әрі дамытудың жалпы бағыты осы ойыншылармен геосаяси тепе-теңдікті сақтауға байланысты.

Кілтме сөздер: *энергетикалық саясат, мұнай-газ индустриясы, трансұлттық корпорациялар, тұрақты даму, ұлттық мүдделер.*

ЭНЕРГЕТИЧЕСКАЯ ПОЛИТИКА КАЗАХСТАНА В КОНТЕКСТЕ РЕАЛИЗАЦИИ УСТОЙЧИВОГО РАЗВИТИЯ

Сакен Муқан, Гулнаш Асхат, Эльмира Саудабекова

Аннотация. Устойчивое развитие - это механизм, открывающий Казахстану перспективу успешного участия в своеобразном конкурсе за право вхождения в группу лидеров стран мира. Энергетический вопрос для Казахстана может стать фактором экономической, социальной, политической стабильности и безопасности в регионе. В статье раскрывается геополитический аспект развития энергетической политики Казахстана. В интересах своей многовекторной энергетики и политики Казахстан развивает сотрудничество с Россией, Китаем, США, странами ЕС и соседями в Центральной Азии. От соблюдения геополитического баланса с этими игроками зависит дальнейшее направление развития энергетической политики страны в целом.

Ключевые слова: *энергетическая политика, нефтегазовая индустрия, транснациональные корпорации, устойчивое развитие, национальные интересы.*

Introduction

As it is known, Sustainable Development is a broad concept, including the concept of sustainable development is associated

with modern strategy of socio-economic development, providing sustainable economic growth and access to available resources.

The implementation of the United Nations

Program on Sustainable Development – POST 2015, strategic problems of a global scale, voiced in a speech at the jubilee UN Assembly by the ex-President Nazarbayev, adopted State Programs, Plan of the Nation “100 concrete steps” actualize the task of further study of development issues and solutions problems of sustainable development in Kazakhstan.

One of the goals of the UN Sustainable Development Program – POST 2015 is to provide access to affordable, reliable, sustainable and modern energy for all.

In modern conditions, energy policy takes priority place in the system of national and regional security. On the traditional realistic concept of security was replaced by the concept of comprehensive security, one of the most important dimensions of which, is energetic. This dimension becomes one of the main measurements in modern security concepts.

The energy sector of Kazakhstan is one of the leading links social and economic life of the state. This sector produces a significant part of industrial production, and Kazakhstan in a significant degree develops due to energy exports. In this regard, in it is now very important to define a basic strategy for sustainable energy development for a long time.

Research Methodology

The drastic changes taking place in international arena, require serious theoretical and applied nature, with the aim of studying and understanding the processes in geopolitical environment of Central Asia and threats to national interests of Kazakhstan. No less difficult and responsible task understanding of the trends of modern processes for prevention of risks and threats to energy policy. Gain processes of globalization of world politics leads to an increase transnational threats, therefore it is necessary to study regional sources of threats to the energy policy of the Republic of Kazakhstan, identify probable threats at all levels and in the context of geopolitical changes to consider the national interests of the Republic of Kazakhstan.

In the study of the assigned tasks, it is

assumed to use the following research methods: system approach method, methods of analysis and synthesis, empirical research, institutional and structural-functional analysis, sectoral-level analysis.

The main search directions are the assessment of risks, challenges and threats energy policy; systematization of the main factors, processes and phenomena affecting the current state of energy policy Kazakhstan, study of the main modern trends.

Research Results

Lack of necessary own capacity in Central Asia, particularly in Kazakhstan requires the support of national efforts from international organizations that could play a more effective role for supporting cooperation in the region. According to experts in countries with economies in transition and developing countries addressing cross-border problems were successful only where there was support from international organizations providing a neutral platform for trust, guarantor decisions taken and supporting the financing of cross-border cooperation for the sake of sustainable development with the FDI involvement.

Results Discussion

Kazakhstan since having got its independence entered into the world free market economy with its vast potential of natural resources reserves. It gave the opportunity to lead in major energy sector not only within the Central Asian context as well as region itself, but far beyond of it. Foreign Direct Investment (FDI) to Kazakhstani national economy has prevailed in energy sector rather than in non-energy fields of industry as textile, light industry, machinery etc. involved by transnational oil companies' giants such as Chevron, ENI, Shell, CNPC and others.

Kazakhstan is rich for its energy sector with huge reserve of oil, gas, uranium, coal and other hydrocarbons that are the main export item resources for the country giving the substantial part of income to the national economy and its citizens' welfare by and large.

If we focus on the primary energy resource as crude oil proven reserve in Kazakhstan, then according to International Energy Statistics of 2018, the table 1 shows Kazakhstan as for 2018 is ranked as top 12 with 30 billion barrels' crude oil proven reserve.

Table 1. International Energy Statistics of 2018 on Crude Oil Proven Reserve [1].

Rank	Country	Rank (millions of Barrels)
1	Venezuela (OPEC)	302
2	Saudi Arabia (OPEC)	266
3	Canada	171
4	Iran (OPEC)	157
5	Iraq (OPEC)	149
6	Kuwait (OPEC)	102
7	United Arab Emirates (OPEC)	98
8	Russian Federation	80
9	Libya (OPEC)	48
10	Nigeria (OPEC)	37
11	United States of America	35 (as for 2017)
12	Kazakhstan	30

The data indicates 12th rank among the majority of OPEC member-states constructing the spirit of the game in international oil market both politically and economically with its competitive scale of oil reserve potential.

The dependency of national economy on oil price in the world market affecting the economy's internal turbulence such as planning national budget drops according to estimated price; reinforce the state's diversification policy towards producing non-energy products etc. Overall 85 % of Kazakhstan's economy is dependent on oil export [2] that makes it vulnerable for commodity price volatility more than in neighboring Russia. From the table 1, it is obviously seen that for many OPEC members, it is vitally essential to have high price for oil in the market to stabilize their national economy focusing on exporting as much as possible to have an appropriate balance sheet rate for further strategic planning of their welfare gross.

As for natural gas as the second primary energy source in Kazakhstan, the table 2 shows that Kazakhstan is ranked as top 19 according to OPEC Annual Statistical Bulletin of 2018.

Table 2. OPEC Annual Statistical Bulletin of 2018 on Natural Gas Proven Reserve [3].

Rank	Country	TCM (Trillion of Cubic Meters)
1	Russian Federation	50,617
2	Iran	33,810
3	Qatar	23,861
4	Turkmenistan	9,838
5	United States of America	9,067
6	Saudi Arabia	8,715
7	United Arab Emirates	6,091
8	Venezuela	5,707
9	Nigeria	5,627
10	Algeria	4,504
11	Iraq	3,744
12	Australia	3,173
13	China	2,934
14	Malaysia	2,909
15	Indonesia	2,866
16	Norway	2,314
17	Egypt	2,221
18	Canada	2,059
19	Kazakhstan	1,898

The proven natural gas reserve in Kazakhstan makes it comparatively less proven reserves than oil shown in Table 1. The table 2 data demonstrate that natural gas proven reserves is much concerned with such energy actors as Russia, Iran, Qatar and Turkmenistan with their GDP gross dependency, rather than Kazakhstan who is far away from such dependency with its mainly oil-oriented economy in a priority agenda. But despite of the fact that Kazakhstan is ranked as top 19 with its proven natural gas reserves there are still dependency with gas transport corridor with its southern neighbor as Uzbekistan. The southern part of Kazakhstan is still consuming the Uzbek gas as a heritage of Central Asia gas corridor left from the Soviet Union. "Heavily populated south and south-eastern regions of Kazakhstan have limited access to indigenous gas and the country is highly dependent on gas imports from rather unreliable Uzbekistan" [4]. Thus, natural gas as a strategic energy source for local population in the South Kazakhstan is essential, despite of the fact that ex-President Nazarbayev announced 50 % of country's gasification.

The oil and gas industry is one of the main drivers of Kazakhstan's GDP growth, reflecting

essential dependence of economy on sector's revenue export potential. Decreasing price for oil from 98 USD in 2014 down to 53 USD in 2015 and 44 USD in 2016 made recession of its production promoting slowdown in economic growth from 4,1% in 2014 down to 1,2% and 1% in 2015 and 2016 respectively [5]. However, since then Kazakhstan Government strengthened to realize its long-term stabilization strategy attracting additional sources from Asian Development Bank and European Investment Bank to support small and medium enterprise by getting a loan 156 billion KZT that caused a huge debate and tension in the Parliament on such amount of loan. The state structures and private entities partnership were actively joined to implement long-term strategy to fight against crisis. The main focus was targeted such sectors as agriculture, migration flow of youth from the South to the North seeking for new job opportunities in the Northern part of Kazakhstan.

Since Kazakhstan's independence, it could be divided into three main stages of GDP growth related with oil revenue in Kazakhstan [5]:

1. 1990-1999: no growth from the oil revenue;
2. 2000-2014: positive dynamics for oil price, inflow of foreign direct investment and growth of production promoted annual increase in GDP gross on average for 7–8%, except the period of world financial crisis in 2007-2009;
3. 2015-2017: demonstrated by steady and dip in oil price, decreasing in production and investment into the oil sector.

As for three different stages, it makes positive outcome for stabilization of national economy taking into account a favorable oil price condition in international oil market for 2000-2014 when Kazakhstan demonstrated high income balance rate for its national economy from the revenue export and gained GDP gross comparatively with the previous stage. In order to show real impact for oil industry, the most large-scale deposits of oil in Kazakhstan are:

a) product sharing agreement (PSA) based “North Caspian Operating Company” in Kashagan opened in 2000.

b) product sharing agreement (PSA) based

“Karachaganak Petroleum Operating B.V.” in Aksay operating since 1997, and

c) joint venture (JV) contract based “TengizChevroil” in Atyrau operating since 1993.

These are three main largest oil fields in Kazakhstan contributing 70 % of all oil production in the Western Kazakhstan.

However, there are about 200 oil and gas field reservoirs in Kazakhstan totally, but the main three of them mentioned above are actively implemented - giving high inflow of income to the republican budget by attracting foreign direct investments to Kazakhstan's oil sector. So, three main giant oil projects in Kazakhstan makes us involved into the structure of the projects in detail.

First, Kashagan Field is an offshore oil field in Kazakhstan's zone of the Caspian Sea. The field was discovered in 2000. It is located in the northern part of the Caspian Sea close to Atyrau and it is considered the world's largest discovery in the last 30 years, along with the Tengiz Field.

“The field is being developed by a group of foreign partners including Shell (16.81%), Exxon Mobil (16.81%), Total (16.81%), China National Petroleum Corporation (CNPC - 8.33%, which was acquired from ConocoPhillips for USD 5 billion in 2013), and Kazakh state-run oil company KazMunaiGas (16.81%), INPEX (7.56%) and AgipKCO (Eni) (16.81%). ENI is responsible for phase I of the field's development, while Shell is responsible for production operations”.

Table 3. Kashagan Offshore Oil Field Project [6].

The State Owner	The Company Name	Share in the Project %
British-Dutch	Shell	16,81
Italy	ENI	16,81
USA	Exxon Mobil	16,81
France	Total	16,81
Kazakhstan	KazMunaiGas	16,81
China	CNPC	8,33
Japan	Inpex	7,56

From the Table 3, it is obviously seen that the proportion of share by Shell, ENI, Exxon Mobil, Total and KazMunaiGas is the same comprising 16,81 % share for each, whereas CNPC and Inpex having less share contribute less. Based on PSA Contract, the Kashagan Field is considered as very expensive oil project with its recovery for about 40 years.

Second, Karachaganak Field is a gas condensate field in Kazakhstan. It is located about 23 km. to the east of Aksai in the northwest of Kazakhstan. It is estimated to contain 1.2 trillion cubic meters of gas and one billion tons of liquid condensate and crude oil as well. It was discovered in 1979. By 2012, the share of “Product Sharing Agreement” Contract is according to following table 4:

Table 4. Parent Companies of Karachaganak BG [7].

The State Owner	The Company Name	Share in the Project %
Shell	The Netherlands	29,25
Italy	ENI	29,25
USA	Chevron	18
Russia	Lukoil	13,5
Kazakhstan	KazMunaiGas	10

ENI together with Shell (through its 100 % affiliated company BG Karachaganak Limited) are joint operators and each holds a 29.25 per cent interest in the venture. Chevron and Lukoil hold respective interests of 18 per cent and 13.5 per cent. National company KazMunaiGas, which entered the Joint Venture from 1st July 2012, holds a 10 per cent interest.

Third Tengiz field first discovered in 1979. It has recoverable reserves estimated at between 6 billion and 9 billion barrels. The field was jointly developed in 1993 as a 40-year venture between Chevron Texaco (50%), KazMunaiGaz (20%), US ExxonMobil (25%) and LUKArco (5%). The joint venture company is known as TengizChevrOil (TCO). Chevron is the operator of the TCO field.

Table 5. Tengiz Oilfield [8].

The State Owner	The Company Name	Share in the Project %
USA	Chevron Texaco	50
USA	Exxon Mobil	25
Kazakhstan	KazMunaiGas	20
Russia	LukArco	5

When the “Contract” was signed in 1993 between Kazakhstan Government and Chevron Company with the share of 50 % for each claiming it “Contract of Century”. But afterwards, KazMunaiGas on behalf of Kazakhstan Government sold its interest share to American Exxon Mobil and Russian LukArco 25 and 5 percent respectively.

Today, three oil giants are the main source for Kazakhstani citizens to work in the fields providing Kazakhstani and foreign job seekers with stable job opportunities with high monthly income comparatively with non-energy sector industry and regional balance.

During the years of Kazakhstan’s independence, it did main focus for export of mineral resources (export earnings of oil and gas condensate). But since the recent years, having fell down price for hydrocarbon raw materials led to decrease the indicators of export income to the country, and Kazakhstan joined into the OPEC and OPEC + Initiative on reduction of oil to increase the supply by subsequent increasing the price for it in the market.

Summing up, Kazakhstan has been following by it’s purely identity based “multivectoral” foreign policy since independence by and large. We can observe that Kazakhstan was/is attractive by foreign actors mainly in energy sector today. At the same time, in order to have a balance in “multivectoral” foreign policy, it attracted less non-Russian oil and gas companies to the strategic field of its economy. For example, Kazakhstan does not experience GazProm presence in three mentioned oil and gas giants as a potential investor. That is to say, foreign policy of Kazakhstan has been directed to attract western transnational corporations to enjoy its foreign policy identified at the

beginning of its state building and implement stable and corporate economic policy in extractive industry.

Kazakhstan is one of the five world leaders among carbon-intensive states. That is, it has one of the most environmentally friendly economies. In this the situation, according to Kazakhstani experts, for Kazakhstan, as for a country, being a major exporter of oil, gas and coal, real steps towards the use of renewable energy will be an indicator of its competitiveness. Kazakhstan, which has passed the transit period, must make the transition to the principles of sustainable development in order to long-term national strategy [9].

The goal of Kazakhstan is to introduce a low-carbon or “green” an economy that will reduce emissions of various harmful substances, preventing and reducing environmental pollution. To this end, in Kazakhstan adopted the Concept of transition to a green economy [10].

For Kazakhstan, sustainable development and a green economy are not theoretical concepts, but vital issues “Transition to Green economy” will allow Kazakhstan to achieve the set goal of becoming one of the 30 most developed countries in the world.

It is estimated that by 2050, transformations within the framework of the “green economy” will allow an additional increase in GDP by 3%, create more than 500 thousand new jobs, create new industries and services, to ensure

universally high standards of quality of life for the population.

Conclusion

Thus, the energy policy of Kazakhstan, that is in its infancy and subject to its modernized provision, namely on the conditions of a market economy, may become a fundamental way of involving the republic in global economic structures of Europe and Asia, and, accordingly, claim to provide it security from various international structures, institutions, organizations.

The implementation of the principles of sustainable development will contribute to overcoming the imbalance between economic, social and ecological indicators of the state’s growth.

The energy policy of Kazakhstan can be defined as the opportunity, on the one hand, to implement your strategy on world energy markets, and on the other hand, develop energy infrastructure and reserve capacity, to realize the potential energy saving and environmental friendliness of the technologies used, to ensure investment inflow into the industry, diversify the internal energy balance with the purpose of fully meeting the needs of the national economy with energy resources. Kazakhstan will continue to adhere to the position of diversification ways of transporting hydrocarbons to the world market and maximally efficient functioning of pipeline systems.

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