

Beyond Oil and Gas: Kazakhstan Bets its Future on Reform

Written by Ariel Cohen

Tuesday, 23 June 2015 00:00

Recent events in Ukraine and Russia's anti-Western rhetoric and military posture force European energy consumers to look for alternatives for Russian hydrocarbons. One of the possible suppliers of both oil and gas could be Kazakhstan, which boasts the largest hydrocarbon resources in the oil-rich Caspian basin.

Kazakhstan is among the top 15 countries in the world when it comes to essential oil reserves, having 3% of the world's total oil reserves. Oil and gas areas comprise 62% of the country, and there are 172 oil fields, of which more than 80 are under development. More than 90% of oil reserves are concentrated in the 15 largest oil fields, including the giants: Tengiz, Kashagan, Karachaganak, etc.

Kazakhstan, wedged between China and Russia, is seeking economic opportunities that cannot be found in cooperation with Russia alone. The country is happy to develop its massive oil and gas reserves, but is seeking to develop industrial production and post-industrial services.

Astana's calculus is pretty reasonable - according to the Kazakhstan Ministry of Oil and Gas, proven hydrocarbon reserves, both onshore and offshore, are estimated to amount to 4.8 billion tons, or more than 30 billion barrels. Not all of the reserves are fully prospected.

Many experts believe that there are probably more reserves of oil and gas in fields located in the Kazakh section of the Caspian Sea, with additional 17 billion tons or 124.3 billion barrels there. Given these impressive reserves as well as the ever-increasing production volumes, in the foreseeable future, Kazakhstan is much likely to remain among top global oil producers.

Astana is constructing a unified energy system across its three time zones, to fully meet electricity demand in the country. It plans to become less dependent on Russia, which is still supplying it with some electricity -- a legacy of the Soviet central planning. The energy grid of Kazakhstan is linked to Russia since the collapse of the USSR. Implementation of this program will bring thousands of jobs throughout the country and require more gas.

Speaking of gas exports, Kazakhstan has the most energy hungry consumer in the world right next door – China. One of the most impressive results of cooperation between China and

Beyond Oil and Gas: Kazakhstan Bets its Future on Reform

Written by Ariel Cohen
Tuesday, 23 June 2015 00:00

Kazakhstan is construction of a Sino-Kazakhstan oil pipeline and China – Central Asia gas pipeline, and implementation of other large energy cooperation projects.

The 2,800 km long Kazakhstan oil pipeline was officially launched in 2006, and became an important energy artery for China. More projects are forthcoming. In 2013 during his official visit to the country, Chinese President Xi Jinping announced that he wants to create a vast network of railways, energy pipelines, highways, and streamlined border crossings, both westward—through the former Soviet republics—and southward, toward Pakistan, India, and the rest of Southeast Asia.

This is the tremendous New Silk Road. If implemented, it will dwarf even the largest infrastructure systems in the world built in the nineteenth and the twentieth century, including the infamous Trans-Siberian railway and pipeline systems bringing oil and natural gas from Russia to Europe. Thus, Kazakhstan is an attractive location for investment projects targeting both Russian/Eurasian Economic Union and Chinese markets.

Kazakhstan's leadership understands the need to modernize. President Nursultan Nazarbaev, re-elected in April, has announced the "five reforms" before his recent presidential elections. The approach, outlined in the "100 Concrete Steps to Implement Five Institutional Reforms" was elaborated during the annual Astana Economic Forum that took place in Astana on the May 21st this year, and at which I spoke about the challenges of Eurasian integration. The five modernizations include:

- Formation of a modern, professional and independent public service
- The modern legal system, including the transition from the five-level justice system (first, appeal, cassation, supervising and re-supervising) to a three-level (first, appeal and cassation) system
- Attracting strategic investors to the country's agricultural sector
- Shaping a "Nation of Common Future" by nurturing a civic, not ethnic, identity, and a viable middle class as the backbone of a successful nation and of a modern civil service.
- Creation of an accountable and transparent government

The National Modernization Commission has been created in order to facilitate the implementation of these reforms. President Nazarbayev pointed out that "These are the improvement of public administration and the rule of law, promoting economic growth, strengthening the Kazakhstani (civic) identity and, finally, improving the transparency and accountability of the state." The implementation of these reforms has already been adopted and

Beyond Oil and Gas: Kazakhstan Bets its Future on Reform

Written by Ariel Cohen

Tuesday, 23 June 2015 00:00

a 100 step action plan titled 'Modern State for all' has been published.

Kazakhstan will remain a rapidly developing Eurasian tiger in the heart of the planet's largest land mass, blessed with oil, gas, natural resources and a young, ambitious and well-educated population – a magnet for foreign investment.

Ariel Cohen, PhD, is Senior Fellow at the Atlantic Council, Principal, International Market Analysis Ltd, a political risk advisory, and Director, Center for Energy, Natural Resources and Geopolitics at the Institute for the Analysis of Global Security (www.arielcohen.com)