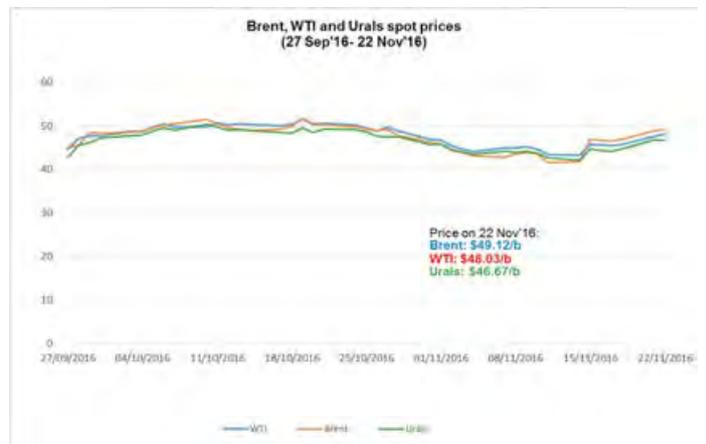




### International market headlines

- OPEC rose its production of oil by 230 thousand bpd in October to another record of 33.83 mln bpd, as noted in IEA (International Energy Agency) monthly survey. The above rise was due to recovery of crude production in Nigeria and Libya and Iraq's crude oil production, which surged to its highest level over the past years. OPEC crude production is rising for the fifth consecutive month, mainly because of Saudi Arabia and Iraq. During the last month, OPEC produced crude by 1.3 mln bpd more than the year before. Total crude output in the world rose by 800 thousand bpd and reached 97.8 mln bpd in October.
- A little-known energy exploration company said that it has made a world-class oil discovery in remote Alaska, potentially breathing new life into the state's declining North Slope. Caelus Energy LLC, a closely-held firm backed by private-equity fund Apollo Global Management LLC, said it made the oil find in the shallow waters of Smith Bay, about 300 miles north of the Arctic Circle. The company says it expects to be able to extract between 1.8 bln and 2.4 bln barrels from the discovery, probably using barges built along the Gulf Coast, then towed to Alaska and permanently sunk in the bay to create man-made drilling islands.
- Royal Dutch Shell Plc said it is selling \$1.04 bln worth of non-core oil and gas properties in western Canada to Tourmaline Oil Corp, the latest example of the global oil major trimming its operations in the region. Shell said it will sell 206,000 acres (83,365 hectares) of developed and undeveloped lands, amounting to production of about 24,850 bpd of oil equivalent, to Calgary-based Tourmaline. The assets include 61,000 acres (24,685 hectares) in the Gundy area in northeast British Columbia and 145,000 acres (58,679 hectares) in the Deep Basin area of west-central Alberta. Shell is undergoing a \$30 bln asset divestment program globally and has already pulled back from some capital commitments in western Canada.

### Brent, WTI and Urals spot prices (27 September 2016 - 22 November 2016)



Source: EIA; www.topoilnews.com

### Brent Crude Oil Forecasts, \$/barrel

Year	Consensus Bloomberg	Number of Forecasts	EIU
2013	-	-	108,9
2014	-	-	98,9
2015	-	-	53,4
2016	47,4	24	43,7
2017	55,3	21	53,5
2018	67,0	15	63,4
2019	69,5	8	62,0
2020	-	-	61,4

Source: Consensus Bloomberg, EIU

<http://gfs.eiu.com/Article.aspx?articleType=cf&articleId=1243614708&seclcd=0>

## International market headlines (continued)

- Iran hopes to raise its crude oil production to around 4 mln bpd in the next two weeks, up from the current level of 3.89 mln bpd, a senior National Iranian Oil Company official said. The Islamic Republic also aims to increase its exports to 2.4 mln bpd, from 2.2 mln bpd currently, NIOC managing director Ali Kardor told journalists on the sidelines of a conference in Tehran. “We think we will be able to export 2.5 mln bpd by the end of the Iranian year, and gas condensates will be 500,000 bpd then,” Kardor said.
- The IMF expects average reference crude oil price to be at \$43 per barrel in 2016, \$51 per barrel – in 2017, and \$56 per barrel – in 2020. The World Bank forecasts oil price to remain at \$43 per barrel.
- The World Bank is raising its 2017 forecast for crude oil prices to \$55 per barrel from \$53 per barrel as members of OPEC prepare to limit production after a long period of unrestrained output. Energy prices, which include oil, natural gas and coal, are projected to jump almost 25% overall next year, a larger increase than anticipated in July. The revised forecast appears in the World Bank’s latest Commodity Markets Outlook.
- China in November increased oil imports from Angola by 46% in annual terms, to 4.19 mln tonnes. As a result the African country has overtaken Russia and Saudi Arabia came in first place for the supply of fuel to China. On second place was Iraq. Purchases of oil in Russia who has dropped to third place, fell in September by 2.1% in annual terms — up to 3.96 mln tonnes. Oil imports from Saudi Arabia fell by 1.3% to 3.8 mln tonnes, the lowest since November 2015. In total China imported in September 33,06 mln tonnes of oil, which is 18.3% more than in the same period last year.
- General Electric (GE) has signed an agreement to combine its oil and gas business with Baker Hughes to create a new oilfield technology company with more than \$32 bln in revenue. The new company will combine GE’s oil and gas manufacturing and technology solutions covering subsea and drilling, rotating equipment, imaging and sensing, and Baker Hughes’ portfolio in drilling and evaluation and completion and production. GE will own 62.5% of the new company, while Baker Hughes will own 37.5%.
- The number of active oil and gas rigs worldwide increased in October, according to oilfield-services company Baker Hughes. An average number of rigs operated globally was 1630 as against 1584 in September. The US rig count for October rose by 35 to 544 and in Canada rose by 15 to 156. Both indicators are at its highest level from February this year. In October, North America accounted for 43.2% of the active rigs in the world as against 41% in the preceding month and 46.7% a year earlier. In October, the rig count in Europe fell by 5 to 87, in Asian-Pacific Region by 8 to 182 and Latin America by 6 to 183. The number of rigs in Africa has not changed and remained at 77, which is at its lowest since August 2011. Meanwhile, the number of rigs in the Middle East rose by 5 to 391.



- The European Union will increase imports of shale gas from the US, even if it is in conflict with the Paris Agreement on Global Warming, writes the Brussels Internet resource EurActiv. “Despite the fact that the demand for gas is now at its lowest level in 20 years, the decline in own gas production in the EU faces a shortage,” writes EurActiv with reference to the report of the European Commission, adopted in February. “In this regard, the Executive Board (EU) considers it necessary to increase imports of liquefied natural gas (LNG), despite the increase in production of solar and wind energy, – says the publication, arguing the relevant EU Commissioner Arias Cañete. – Gas is the cleanest fossil fuels, it is less pollution plays an important role in the transition to a low carbon economy”.
- Members of OPEC ended its first day of technical meetings in Vienna on 28 October, without reaching a final deal on country oil quotas, a delegate who took part in the talks said to journalists. Experts from OPEC countries and non-OPEC nations met for consultations on how to implement the decisions reached in Algiers and only agreed on when to meet again to hold the same level consultations. It was agreed that it would be held before a scheduled regular OPEC meeting on November 30 and by that time the members would come up with their own and proposed figures on possible cut or decrease of oil output.
- As stated in the annual OPEC forecast, World Oil Outlook (WOO), oil demand in 2017 will reach 95.3 mln pbd, which is by 300 thousand bpd more than the previous year figure reported in December last year. In 2020, oil consumption is expected to reach 98.3 mln bpd, which is by 900 thousand bpd more than the last forecast. Moreover, OPEC expects that the demand for its own oil will grow to reach 33.7 mln bpd in 2019, which is by 1 mln bpd higher than the figure in 2016.

## International market headlines (continued)

- Members of OPEC have agreed to use a unified set of independent production data for output cuts, General Secretary of the organisation Mohammed Barikindo said in an interview with The Wall Street Journal. The development came at a meeting of OPEC technical experts at the end of October.
- OPEC worsened its expectations for non-OPEC crude production in 2016: according to a new forecast, non-OPEC crude production will reduce by 780 thousand bpd and come to 56.2 mln bpd, OPEC monthly survey says. At the same time, OPEC experts improved their forecasts for crude production in Canada, Russia and Kazakhstan. In particular, OPEC rose its forecast for crude production in Russia by 200 thousand bpd to 11.05 mln bpd at year-end 2016. According to OPEC estimates, non-OPEC crude production in 2017 will rise by 230 thousand bpd and reach 56.43 mln bpd.
- Eleven OPEC and non-OPEC oil-producing countries held a meeting to define their position before the meeting of cartel at the end of November, at which, as expected, a decision on oil production cut would be made, Alexander Novak, Head of RF Ministry of Energy, told journalists. According to the Russian Minister, the meeting had a positive effect and oil producers brought their positions closer together on the issue of measures to stabilize the market. "The opportunity to reach an agreement becomes a realistic one. Today I would not give any specific figures as it may affect the existing arrangements," he added. A. Novak noted that the meeting in Doha gave hope that the OPEC countries would be able to reach an agreement on output cut during the meeting on 30 November. "It is important for other countries to join the agreement. Issue of freezing production is one of the instruments to prop up the market. If we can curb the market supply, this will help balance the market" Head of MinEnergO added.



## CIS market headlines

- Oil and gas condensate extraction was up 2% in Russia in January-September 2016 to 406.718 mln tonnes, demonstrating a year-on-year growth, according to the Central Dispatching Department of the Fuel Energy Complex. Exports of Russian resources to countries outside the former Soviet Union grew by 6.1% year-on-year to 174.225 mln tonnes in January-September 2016. Natural gas extraction declined by 0.1% year-on-year to 449.301 bln cubic meters.
- Russia has informed OPEC that it is ready to freeze oil production at the current level, but will not go on its contraction. About it reports Reuters citing sources familiar with the negotiations. This position was voiced by Russian energy Minister Alexander Novak, during his visit to Saudi Arabia. And we are talking about the freezing of Russia's production to a record level of 11.11 mln bpd, thinned one of the interlocutors of the Agency.
- Commercial production at the Vladimir Filanovsky field in the Caspian Sea has been launched by the President of the Russian Federation, Vladimir Putin. The V. Filanovsky field, discovered by Lukoil in 2005, is Russia's largest oil discovery for the past twenty-five years and the second field commissioned by the company in the Russian offshore sector of the Caspian Sea. The field's C1+ C2 recoverable reserves under the Russian classification are estimated at 129 mln tonnes of crude oil and 30 bln cubic meters of gas. The annual oil production at the plateau is estimated at 6 mln tonnes. Two horizontal production wells have been drilled to date, yielding a total daily flow rate of over 45,000 barrels of oil. Construction of a third well is currently underway.
- Russian President Vladimir Putin and his Turkish counterpart Recep Erdogan discussed the "Turkish Stream" gas pipeline construction; at the 23rd World Energy Congress, V. Putin said their countries wanted to press ahead with the Turkish Stream project. Russia intends to actively expand exports of hydrocarbons in the East – China, Japan, India. V. Putin also noted that currently "the Nord Stream-2 project is being intensively implemented (pipeline construction – IF)".
- Russian Energy Ministry forecasts crude oil production to rise in 2016 from 544 mln tonnes to 547 mln tonnes. Domestic oil allocation is to decrease by 2.4% - to 276 mln tonnes.
- International Energy Agency (IEA) rose a forecast of crude production in Russia by 190 thousand bpd in 2017 to 11.48 mln bpd, IEA monthly survey says. According to expectations, crude production in Russia will rise by 230 thousand bpd and reach 11.29 mln bpd. Russia produced 11.2 mln bpd of crude oil in October.
- Russian ABC1+C2 oil reserves increased 0.7% to 29.4 bln tonnes in the period from 1 January, 2016 through 1 September, 2016, the Natural Resources and Environment Ministry said in materials. Reserves in the unallocated fund totaled 1.8 bln tonnes, while allocated reserves totaled 27.6 bln tonnes. ABC1+C2 gas reserves reached 70.3 trln cubic meters as of 1, September 2016, 1.4% more than on 1, January, 2015.

- The Kashagan field is expected to produce 4 -7 mln tonnes of crude oil in 2017, Kazakh Minister of Energy Kanat Bozymbayev said in the Senate, the upper chamber of the Kazakh parliament, in Astana. "If everything goes well, [this year's] output may reach as high as one mln tonnes. Next year we expect the production to reach four to seven mln tonnes. All will depend on behavior of the wells," Bozymbayev said.
- The Kashagan field on 1 November reached a production level of more than 75,000 barrels per day, Kazakhstan's Energy Minister Kanat Bozumbayev said. As of November 19, Kashagan has produced over 450,000 tonnes of oil, he added. "Until the end of the year, Kashagan is expected to produce 1.1 million tonnes of crude oil up to 31 December," Minister of Energy said.
- Oil production at Kashagan is profitable for Kazakhstan even at the oil price of \$50 per barrel, Energy Minister Kanat Bozumbayev has said. To say straightforwardly that this is not profitable is wrong because even at \$50 per barrel Kazakhstan will receive over \$20 bln in Kashagan's taxes alone until the end of the contract duration [the Production Sharing Agreement (PSA)], or up to \$25 bln, Bozumbayev said in Astana when asked about the efficiency of the PSA concluded in the early years of the country's independence.
- The pipeline system of Kazakh KazTransOil company got 18,900 tonnes of Kashagan oil as of 18 October the company reported. KazTranOil plans to ship the Kashagan oil for export using Ust-Luga seaport in Leningrad region (the northwest of the Russian Federation) in November 2016, press office of the company said. Export of crude oil from the Kashagan field may reach about 500 thousand tons in 2016, Kazakh Vice-Minister of Energy Magzum Mirzagaliyev told. "That is the volume, which will be pumped into the export pipeline", he clarified. CPC is expected to pump up to 1 mln tonnes of Kazakh Kashagan oil till the end of 2016 and up to 12 mln tonnes of Kashagan oil in 2017.



- The IMF expects a 0.8% decline in Kazakhstan's GDP in 2016. "It is expected that Kazakhstan's economy will shrink 0.8% due to lower export revenues in 2016," the IMF said in its world economic outlook. The experts say, however, that the economy will be gradually growing on back of an increase in hydrocarbon production, higher oil prices and a more competitive currency. The IMF sees GDP growth in Kazakhstan at 0.6% in its forecast for 2017. Earlier, the IMF forecast Kazakhstan's GDP growth at 0.1% in 2016 and at 1% in 2017.
- KazMunaiGas Exploration Production JSC (KMG EP) produced 9.134 mln tonnes of crude oil (246,000 bpd) in January-September 2016 or a decrease of 1% year over year, the company says in a press release.
- JSC KazMunaiGas Exploration Production (KMG EP) has announced the results of additional exploration of the Rozhkovskoye field, the company has said. When testing the Tournasian horizon lower bed inflows of gas and condensate were detected with the average rates of 111,000 cubic meters per day and 245 cubic meters per day, respectively, in the exploration well U-25, drilled in 2016 within the range of 4,418-4,430 meters, the company said in a statement.
- The rate of export customs duty (ECD) for oil bitumen in Kazakhstan has been permanently reduced from \$60 to 15 euro per 1 ton, irrespective of season, press service of the Ministry of Energy said. Order of the Ministry of National Economy No.81 of 17 February 2016 has been amended respectively to create the conditions for export of Kazakh oil bitumen. Until now seasonal ECD rates for export of oil bitumen have been applying. For example, during the period from 15 October to 15 April the ECD rate was 15 euro per ton and \$60 per ton for the rest of months.
- The economy of Kazakhstan expanded 0.4% in January-September 2016, the Ministry of National Economy said.
- Fitch Ratings has affirmed Kazakhstan's Long-term foreign and local currency Issuer Default Ratings (IDR) at 'BBB+' and 'A-', respectively. The Outlooks are Stable.
- According to Suat Mynbayev, Chairman of the Board of NC "KazMunaiGas", two subsidiaries of "KazMunaiGas" – "KMG - Processing and Marketing" and "KazTransGas" will be liquidated soon. "KazMunaiGas - Refining and Marketing" will be liquidated probably until the year end, "KazTransGas" in will be liquidated in the first half of 2017" Mynbayev said at a roundtable on the topic: "The role of «Samruk-Kazyna» JSC in the implementation of Strategy "Kazakhstan – 2050" which took place in the Majilis of the Parliament of Kazakhstan.

## Kazakhstan market headlines

- During January-October 2016 Kazakhstan has produced 53,697.2 thousand tonnes of crude oil and 10,169 mln tonnes of gas condensate, which is less by 2.5% and 4.4%, respectively, as compared to January-October 2015, the Statistics Committee of the Ministry of Economy informed. Production of natural gas in gaseous state amounted to 17,392 bln of cubic meters (decrease by 1.1%). Production of petroleum gas during the reporting period was 20,137 bln of cubic meters (increase by 2.5%).
- JSC KazTransOil pumped 32.817 mln tonnes of oil through its pipelines in January-September 2016 or a decrease of 9% year over year, the company says in a press release. Consolidated oil transportation in the reporting period totaled 42.405 bln tonnes/km or a decrease of 8% year-on-year. In January-September 2016 the volume of oil transported by JSC KazTransOil amounted to 26.802 bln tonne/km or down 3% year over year, the consolidated volume of transportation by KazTransOil group came to 32.479 bln tonne/km or a decrease of 5%, respectively.
- The EBRD and KazTransGas signed a Memorandum of Understanding in Astana. The document was signed by EBRD First Vice President Phil Bennett and Rustam Suleimanov, the General Director of KazTransGas. According to the Memorandum, the two partners will explore ways to promote energy efficiency in the gas sector. A more efficient use of energy and reduced losses will strengthen energy security and help Kazakhstan cut greenhouse gas emissions. "The EBRD and KazTransGas will examine specific possibilities for modernisation and energy efficiency improvements in gas compressor stations and gas networks, systems responsible for the monitoring and control of fugitive greenhouse gas emissions and of supervisory control and data acquisition (SCADA) systems," the press release says.



## 22nd Conference of the Parties (COP 22) to the UN Framework Convention on Climate Change

The Moroccan Marrakesh hosted the UN World Climate Change Conference. The participants developed an action plan to implement the historical Paris Climate Change Agreement inked in December 2015.

Among the key decisions made in Morocco is, for instance, a decision to quit coal use completely. 48 countries, most adversely impacted by climate change, would welcome as soon as possible, not later than by 2050, a shift to renewable energy sources. It is aimed not to allow global warming more than 1.5 degrees C. These targets have been also set in the Paris Agreement, however are difficult to meet.

At the initiative of Germany, a small Partners Office will be set up in Washington to provide consultants support to those countries, which do not have sufficient climate protection expertise. According to the Environment Minister of Federal Republic of Germany, Ms Barbara Hendricks, 150 countries have never developed any climate protection plans.

UN Secretary General Ban Ki-moon noted that by 18 November the Paris Climate Change Agreement has been ratified by 118 countries which account for 75 percent of global greenhouse gas emissions.

The developed countries confirmed their commitment to provide US\$ 100 bln per year by 2020 to developing countries to resolve climate change related issues, the document adopted in Morocco said.

### Top 10 oil production companies, H1 2016

No	Name of company	mln tonnes
1	Tengizchevroil	14 747 662
2	Karachaganak Petroleum Operating B.V.	5 569 469
3	KazMunayGas	4 201 680
4	Mangystaumunaigas	3 128 029
5	CNPC-Aktobemunaygas	2 120 763
6	Kazgermunay	1 458 869
7	Embamunaygas	1 407 195
8	Karazhanbasmunay	1 052 604
9	Buzachi Operating	760 477
10	Petro Kazakhstan Kumkol Resources	767 405
	<b>Total</b>	<b>38 789 879</b>

### Top 10 gas production companies, H1 2016

No	Name of company	mln tonnes
1	Tengizchevroil	7 858 893
2	Karachaganak Petroleum Operating B.V.	8 298 317
3	CNPC-Aktobemunaygas	2 973 441
4	Zhaikmunay	609 129
5	KazMunayGas	559 912
6	Mangystaumunaigas	368 739
7	KazAzot	331 856
8	Kazgermunay	318 120
9	KazakhOil-Aktobe	311 103
10	KazGPZ	154 380
	<b>Total</b>	<b>22 731 732</b>

Source: Petroleum Journal

# Contacts



**Mukhit Kossayev**  
Partner,  
Head of Oil & Gas  
KPMG Kazakhstan  
& Central Asia  
T: +7 (727) 298 08 98  
E: mkossayev@kpmg.kz



**Vassily Savin**  
Partner  
Head of Deal Advisory  
KPMG Kazakhstan  
& Central Asia  
T: +7 (727) 298 08 98  
E: vsavin@kpmg.kz



**Rustem Sadykov**  
Partner,  
Head of Tax & Legal  
KPMG Kazakhstan  
& Central Asia  
T: +7 (727) 298 08 98  
E: rsadykov@kpmg.kz



**Eduard Yegay**  
Director,  
Deal Advisory  
Transaction Services  
KPMG Kazakhstan  
& Central Asia  
T: +7 (727) 298 08 98  
E: eyegay@kpmg.kz



**Arman Nurkin**  
Director,  
Deal Advisory,  
Corporate Finance  
KPMG Kazakhstan  
& Central Asia  
T: +7 (727) 298 08 98  
E: anurkin@kpmg.kz



**Karlygash Kaltayeva**  
Head of Marketing  
Department  
KPMG Kazakhstan  
& Central Asia  
T: +7 (727) 298 08 98  
E: kkaltayeva@kpmg.kz

## Almaty office

180 Dostyk Avenue  
Almaty 050051  
T: +7 727 298 08 98  
F: +7 727 298 07 08  
E: company@kpmg.kz

## Astana office

Samal 12  
Astana 010000  
T: +7 7172 55 28 88  
F: +7 7172 55 28 00  
E: company@kpmg.kz

## Atyrau office

34A Satpayev Street  
Atyrau 060011  
T: +7 7122 55 62 00  
F: +7 7122 55 62 02  
E: company@kpmg.kz

[www.kpmg.kz](http://www.kpmg.kz)

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