



# BUSINESS OPPORTUNITIES IN KAZAKHSTAN

## SHORT OVERVIEW

Business Sweden

May 2013

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# WE MAKE SWEDEN MORE ATTRACTIVE TO DO BUSINESS WITH.

- Business Sweden makes Sweden more attractive to do business with by making it easier for Swedish companies to grow internationally and making it easier for foreign companies to invest in Swedish competence and technology clusters
- Business Sweden has an industrial sector approach in order to be close to Swedish companies, competence and industrial clusters
- Business Sweden supports Swedish companies in homeland and worldwide



# WE COMBINE THE BEST OF TWO WORLDS

Use our strengths for your development



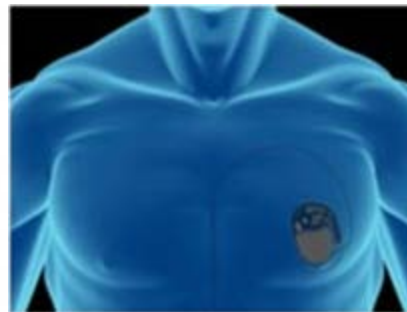


# FOCUS ON INDUSTRY SECTORS

## TRADE – BUSINESS UNITS



ICT



Health Care and  
Life Science



Creative Industries



Safety and Security



Industrial Equipment  
and Vehicles



Energy and  
Environmental  
Technology



Transport Systems



Food Industry

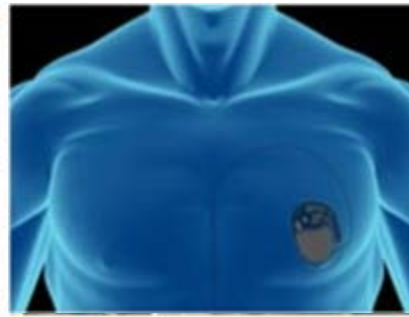


# FOCUS ON INDUSTRY SECTORS

## INVEST – BUSINESS UNITS



ICT



Health Care and  
Life Science



Services Industry



Metals and Mining



Engineering and  
Packaging



Energy and  
Environmental  
Technology



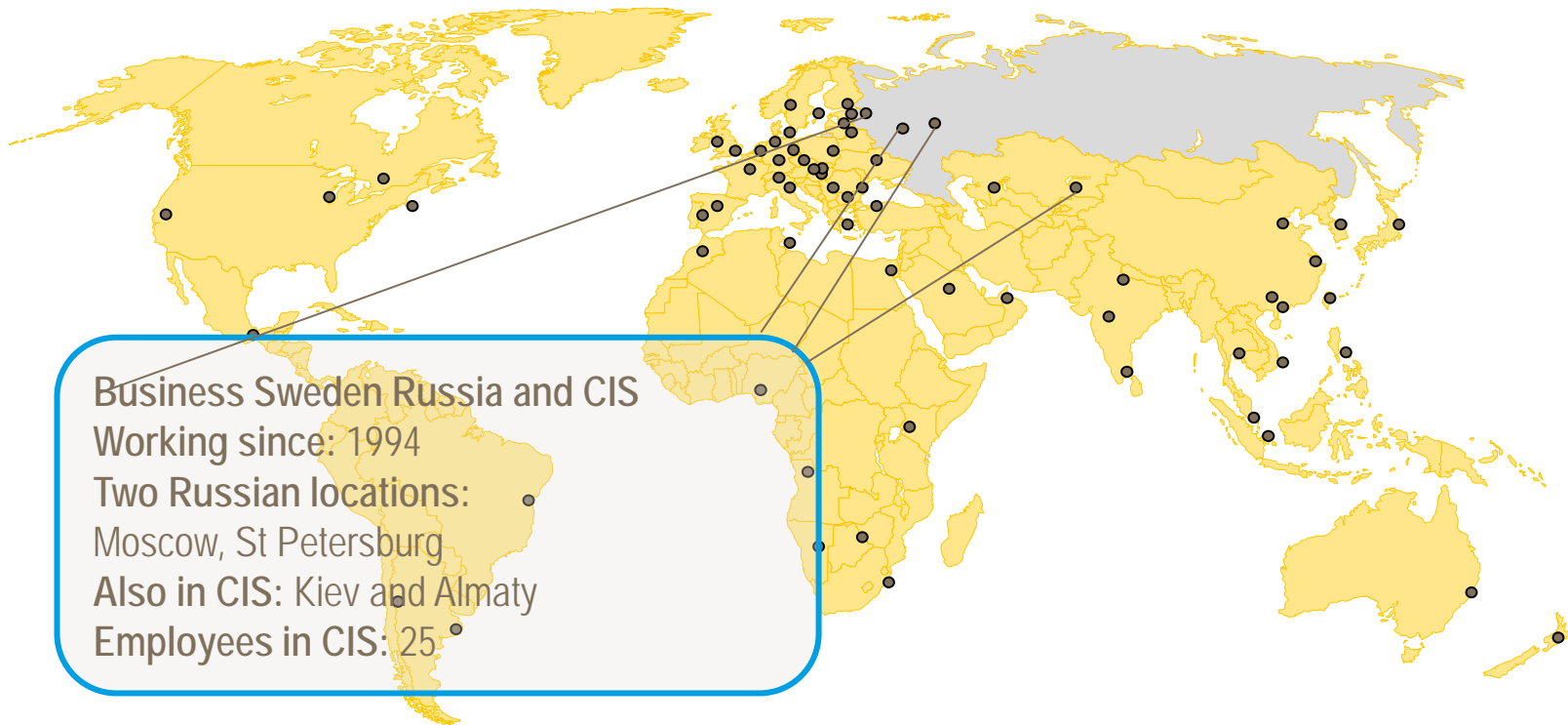
Biobased Materials



# GROWING SWEDEN WORLDWIDE

At home on foreign markets

Over 550 employees worldwide  
60+ offices in 57 countries





# PROVIDING CUSTOMIZED SUPPORT IN CIS

Examples of common assignments today

## Companies new to the market

- Market analysis
- Marketing & sales support
- Partner search
- Visits/booking meetings
- Sourcing
- Establishing company/legal entity
- Recruiting staff
- Premises search

## Companies established at the market

- Market analysis
- Stakeholder mapping & management
- Support with official contacts / government relations
- Office hotel/ business center with fully equipped work desks in Russia and Ukraine
- Recruitments

## General promotion activities

- Official delegation trips
- Seminars and exhibitions in Sweden and in Russia
- Customized activities for individual companies



# KAZAKHSTAN IS THE LARGEST ECONOMY IN CENTRAL ASIA



- **Area:** 2 724 900 km<sup>2</sup>
- **Inhabitants:** 16.9 million (Jan. 2013)
- **Inhabitants/km<sup>2</sup>:** 6.1 (2011)
- **Religion:** Islam (70%), Orthodox Christianity (20%), Other (10%)
- **Constitution:** Presidential Republic
- **President:** Nursultan Nazarbayev
- **Prime Minister:** Serik Akhmetov
- **Languages:** Kazakh, Russian

- **Capital City:** Astana
- **Main Cities:** Astana, Almaty
- **Currency:** Kazakh Tenge (KZT)
- **GDP:** USD 183 billion (2011)
- **GDP Growth:** 5.4% (2012)
- **GDP Per Capita (PPP):** USD 13,029 (2011)
- **Gross average wage 2012:** USD 844/month
- **Inflation 2012:** 6%

- **FDI:** USD 18 billion (2012)
- **Total Export (2011):** USD 88 billion
- **Total Import (2011):** USD 38 billion
- **Main Exports:** mineral oils & fuels, metals, chemicals, food products
- **Main Imports:** machinery & equipment, chemicals, mineral oils & fuels, metals
- **Income Tax:** 10%
- **Profit tax:** variable 10-60% depending on profit
- **VAT:** 12%
- **Social tax:** 11%

General country data

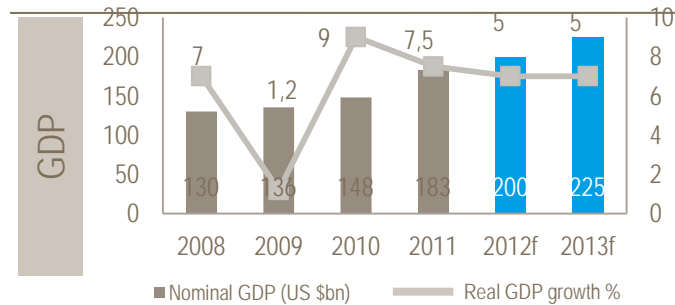
Source: SCB, Economist Intelligence Unit, UN Trade, Ministry of Statistics Republic of Kazakhstan





# KAZAKHSTAN IS A GROWING ECONOMY

## Exports of minerals (oil and gas, metals, etc.) is a major contributing factor to Kazakhstan's GDP



- GDP has been experiencing continuous growth for the past years despite a decline in growth in 2009
- Forecasted real GDP growth is for 2013 and 2014 is 5% per year
- Industrial production forecasted to grow 4% in 2013



- Inflation has been decreased and remained on the level of around 7% since 2008
- Inflation was forecasted at 6% for 2012 and later the inflation target was set at 6% by the Kazakh National Bank.



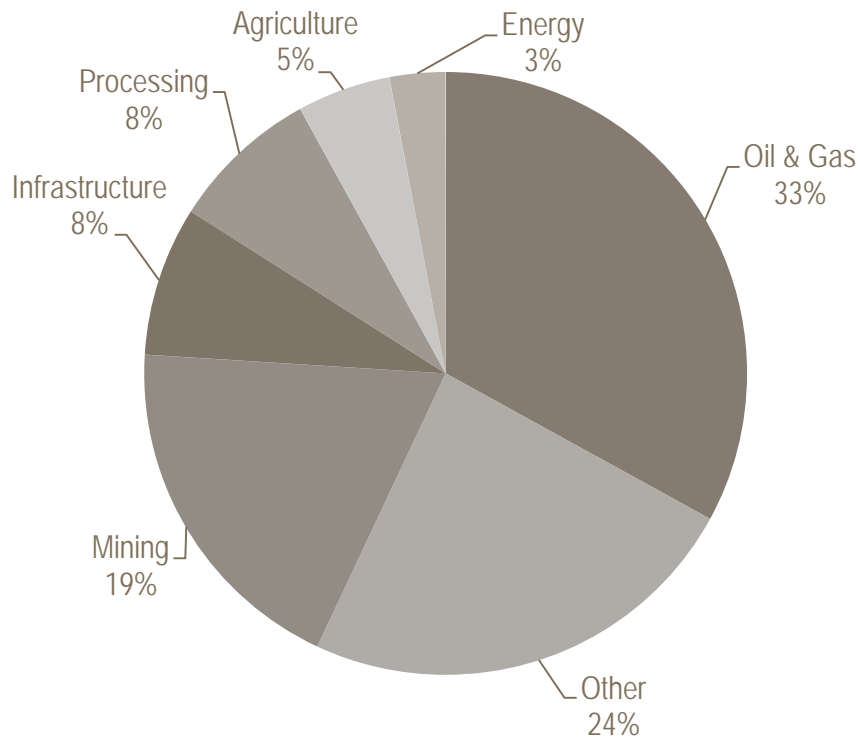
- The majority of the recent years' FDI has flowed into the natural resource sector, primarily within mining, oil and gas
- Kazakhstan was the 25th largest receiver of FDI in the world in 2010
- Kazakhstan is a net exporter



# KAZAKHSTAN IS IN NEED OF MACHINERY AND EQUIPMENT FOR INDUSTRIAL EFFICIENCY AND PROCESSING

## GDP breakdown (2011)

USD 148 billion = 100%



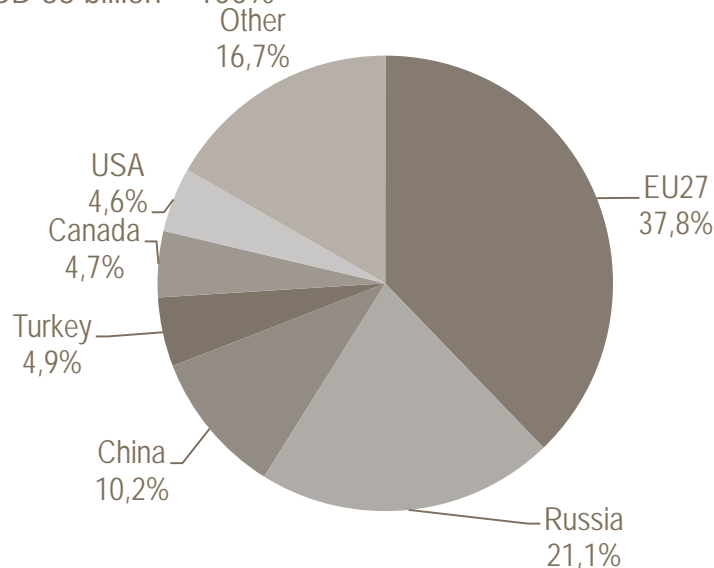
## Comments

- In 2011 Kazakhstan was ranked the 11<sup>th</sup> country in the world on oil reserves and in the top 20 countries on gas reserves, thus, a development of domestic oil and gas machine industry is essential for future growth
- There is an import demand for mining equipment such as pipes, tubes and hollow profiles, iron metal works, like iron and plain steel bars, and other ferrous metals.
- The infrastructure sector is at the stage of development within transportation, logistics and ICT solutions such as landlines, mobile communication and internet
- The processing industry recorded a significant growth during 2012 within engineering, production of non-metal mineral goods, chemical and pharmaceutical industry
- In agriculture the annual average level of grain production put Kazakhstan among the top 10 largest grain exporters in the world

# CHINA AND RUSSIA ARE KAZAKHSTAN'S KEY EXPORT AND IMPORT PARTNERS

## Export partners 2011

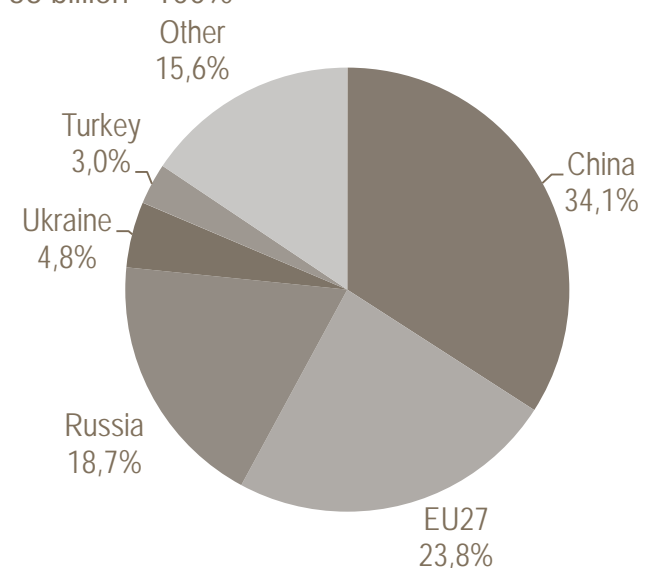
USD 88 billion – 100%



Kazakhstan exports crude oil, base metals, chemicals, food and agricultural products

## Import partners 2011

USD 38 billion – 100%



Kazakhstan imports machinery and equipment for mining and production of chemicals, metals, mineral oils and fuels

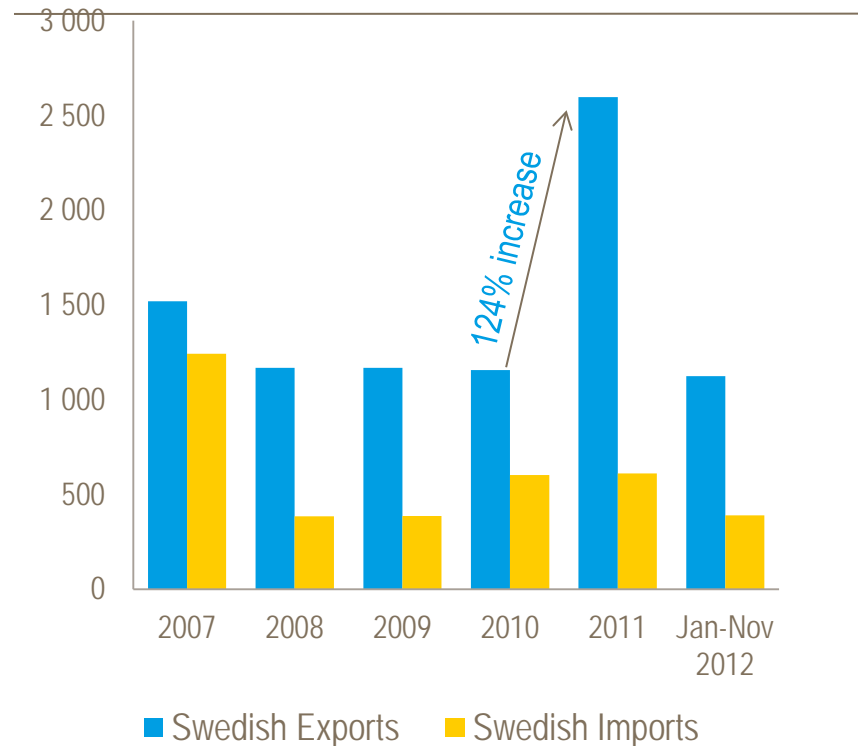
Neighboring countries (Russia and China) and EU27 dominate imports to Kazakhstan  
 Customs union in force with Russia and Belarus  
 Export more than double size of imports



# TRADE BETWEEN SWEDEN AND KAZAKHSTAN

## Trade value between Sweden and Kazakhstan

Million SEK



## Largest import categories from Sweden

	2009	2010	2011	2012 (Jan-June)
1	Telecom Apparatus (29,6%)	Telecom Apparatus (33,2%)	Telecom Apparatus (60,9%)	Telecom Apparatus (26,1%)
2	Construction & mining (13,8%)	Chemical products (2,7%)	Lorries, trucks, buses (4%)	Power generating machinery (8,1%)
3	Machines for special industries	Electrical machinery	Semi-manufactures	Pumps & centrifuges
4	Chemical products	Medical instruments, apparatus	Electrical machinery	Chemical products
5	Lorries, trucks, buses	Pumps & centrifuges	Machines for special industries	Equipment for distr. electricity
6	Manufactures of metals	Machines for special industries	Pumps & centrifuges	Non-electrical machinery

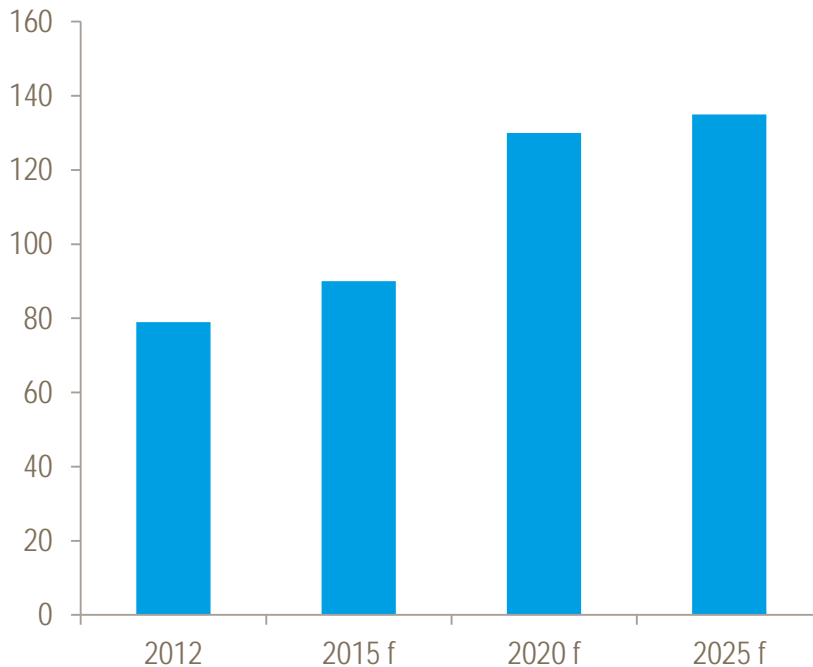
- ICT solutions, products and machinery for various industrial sectors were imported from Sweden during the past four years
- Just over 25 Swedish companies present on the market today with local legal entities

Source: SCB

# IN 2020 KAZAKHSTAN WILL RANK AMONG THE 10 LARGEST OIL PRODUCERS IN THE WORLD

## Current oil production and forecast

Million tonnes



## Comments

- According to the International Energy Agency (IEA), Kazakhstan in 2020 will rank among the 10 largest oil producers and exporters in the world.
- Already in 2015, Kazakhstan would be among the few countries where oil production will be exceeding 2 million barrels per day
- The start-up of the Kashagan field in the Caspian Sea, run by NCOC international consortium will be the main driver of future growth in production volumes
- Kazakhstan increased the export of crude oil and gas condensate up to 68,6 mln. tonnes in 2012
- The biggest customers of Kazakhstan's crude oil and oil products are Italy, China, the Netherlands, France, Romania and Switzerland

Source: Ministry of Oil & Gas of RK, KMG, BP Statistical Review of the World Energy

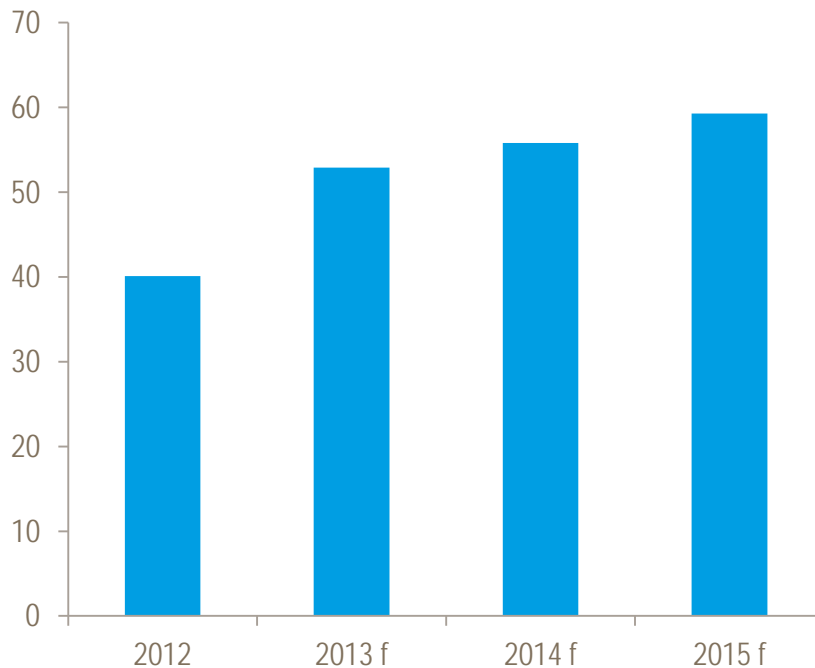
Promising sectors

# KAZAKHSTAN IS INCREASING ITS GAS PRODUCTION



## Current gas production and forecast

Billion M3



## Comments

- In 2012 there was produced 40,1 bln. m3 of gas in Kazakhstan. A volume of gas production for export consisted of 21,2 bln. m3. A volume of gas consumption by the republic consisted of 10,5 bln. m3. and there was exported 8,8 bln. m3 of gas from Kazakhstan. A volume of 96,5 bln. m3 of gas was transported through the territory of Kazakhstan.
- The increase in gas production will be provided by development of new and further development of the main existing fields of hydrocarbons such as Karachaganak, Tengiz, Zhanazhol, Tolkyn and a number of other fields which belong to the joint-stock company "The National Company "KazMunaiGas" as well as the fields of the Caspian shelf (Kashagan and others).



# PROJECTS ARE IN THE PIPE OF THE OIL & GAS SECTOR

## REGULATOR: THE NATIONAL COMPANY "KAZMUNAYGAS" JSC

Company/Project type	Project description	Budget	Timeline
NCOC and group of oil & gas companies  <a href="#">Kashagan Oil Field Development</a>	Kashagan is the giant oil and gas field of Kazakhstan located on the northern part of the Caspian Sea. It was discovered on 30 June, 2000. It is one of the biggest fields in the world opened during the last 40 years as well as the biggest offshore oil field. Currently the project is divided to 2 phases: Phase 1 assumes an initial production start-up at 370,000-450,000 barrels per day by October 2013 and at this stage is production start-up. In Phase 2 which is planned to complete by 2019 the production will peak at 1.5 million barrels per day.	US\$187bn	2013-2019
LLP PetroKazakhstan Oil Products  <a href="#">Refinery upgrading</a>	Shymkent refinery upgrade. Recovery of the designed refining capacity to 6mn tons/year. Increase in the crude processing depth up to 90%. Bringing the oil products quality to the Euro-4, Euro-5 standards. Reduction in atmospheric emissions of pollutants. Preliminary cost estimate of project alternatives: with catcracking - US\$1.2bn; with hydrocracking - US\$2.35bn; with catcracking+HC - US\$2.4bn	US\$1.2-2.4bn	2010-2014
LLP Atyrau Refinery  <a href="#">Refinery upgrading</a>	Atyrau refinery upgrade. Construction of the complex on oil deep conversion (Catalytic cracking). Construction of the complex on production of aromatic hydrocarbons. Turn-key. The project implementation will allow to increase production volume of high octane motor fuels, improve the quality of fuels to Euro-3 standards and organize production of benzol and paraxylene as basic petrochemical raw for RK oil industry. Construction of catalytic reforming unit. Results of modernization: <ol style="list-style-type: none"> <li>1. Increase balanced oil refinery production volume to 5,0 million tons per year;</li> <li>2. Increase development of light petroleum products;</li> <li>3. Oil conversion depth to 84%;</li> <li>4. Improve the quality of motor fuels to EURO-4 standards.</li> </ol>	US\$2.1bn	2010-2014

# PROJECTS ARE IN THE PIPE OF THE OIL & GAS SECTOR

## REGULATOR: THE NATIONAL COMPANY "KAZMUNAYGAS" JSC

Company/Project type	Project description	Budget	Timeline
LLP Kazakhstan Petrochemical Industries Inc.  New petrochemical plant	The Atyrau petrochemical project is being developed by Kazakhstan Petrochemical Industries (KPI) who will own and operate the complex. The facility will include capacity for 400,000 tonnes/year of low density polyethylene (LDPE) and high density polyethylene (HDPE), 400,000 tonnes/year of linear low density polyethylene (LLDPE) and 400,000 tonnes/year of polypropylene (PP).	US\$5.2bn	2012-2015
LLP Atyrau Oil Refinery  New petrochemical complex	"Construction of the complex on production of benzene hydrocarbons on the Atyrau Oil Refinery". The future production capacity will be – 133.0 thousand tons/year benzol, and 496 thousand tons/year paraxylene. "Sinopec Engineering" Chinese company has been attracted as a EBU-contractor to carry out construction works provided by the project. The project is on the stage of the construction.	US\$1.3bn	2009-2013
LLP Kazakhstan Petrochemical Industries Inc.  Plastic plant upgrade	"Organization of production of paving bitumen at Aktau Plastics Plant complied with the specificity of Kazakhstani climate conditions". Future volume of production – paving bitumen 420 thousand tons per year; benzene-diesel fraction 225 thousand tons per year; vacuum gas oil 277 thousand tons per year.	NA	2010-2013
The National Company KazMunayGas  Oil transportation system	The Kazakhstan Caspian Transportation System (KCTS) is a major new project including construction of the pipeline "Eskene-Kuryk" and creation of the Trans-Caspian System ("Kuryk-Baku"). It will consist of oil-discharge terminals on the Kazakhstani coast of the Caspian Sea, tankers and vessels, oil-discharge terminals on the Azeri coast of the Caspian Sea and connecting facilities to the oil pipeline system "Baku-Tbilisi-Ceyhan". Phased expansion of the system is ought to achieve the maximum throughput capacity up to 56 million tons per year.	US\$700mn	2008-2016

Source: The National Company "KazMunayGas"

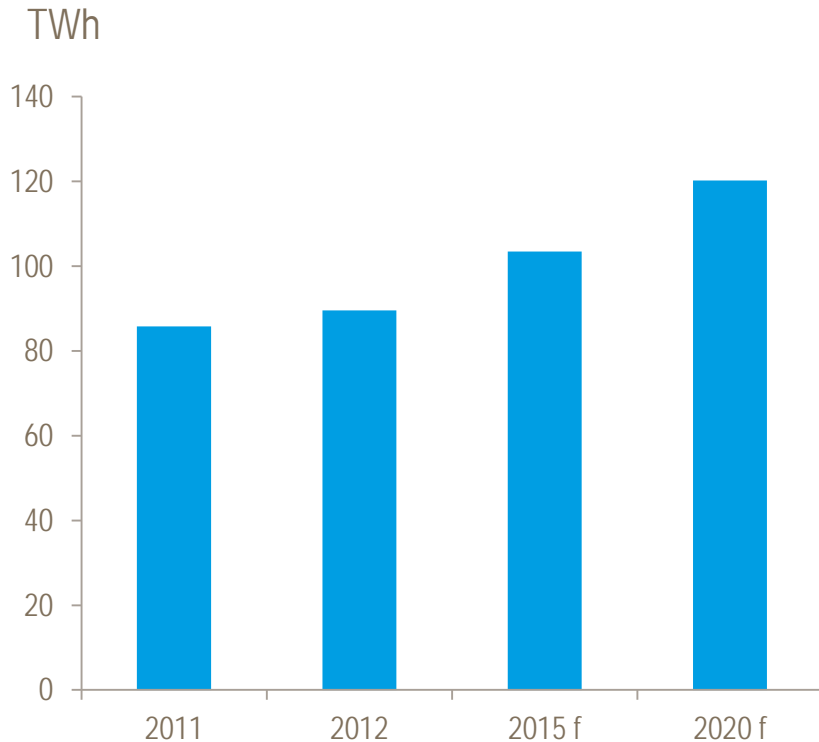
Major projects



# ENERGY SECTOR IS RAPIDLY GROWING



## Current electricity production and forecast



## Comments

- Continuous growth of GDP in Kazakhstan comes amid a growth of the electricity consumption volumes to 5-7% per year. It requires a fast increase of power stations' capacities, further development of the national and regional electrical networks.
- An expected growth of electricity consumption will increase to 80% by 2020 which will require an increase of electricity production.
- The Government of the Republic of Kazakhstan is aiming to attract USD 23.5 bln. into the energy sector by 2015. USD 12.9 bln. will be spent for the electricity generation sector. It is planned to put into operation 8164 megawatt of generating capacity by 2015 including a construction of new stations for 5456 megawatt and extension of the existing electrical stations for 2708 MWt.



# MAJOR ONGOING PROJECTS OF THE ENERGY SECTOR

## REGULATORS: MINISTRY OF ENERGY & MINERAL RESOURCES, KEGOC

Company/Project type	Project description	Budget	Timeline
JSC KEGOC Kazakhstani company on electrical network management  <a href="#">National electrical network upgrading</a>	Modernization of the National Electrical Network of Kazakhstan. Project realization will increase a technical level of equipment on substations of the NEN of RK, will provide the energy effectiveness work of the NEN RK by installation of the modern high voltage equipment on substations, means of automation of substations and protection relay, systems of dispatch control, collection of data and management of energy SCADA/EMS, automation systems of commercial accountancy of electricity, digital corporate telecommunication network.	US\$798,4 mln	2008- 2017
JSC KEGOC Kazakhstani company on electrical network management  <a href="#">Heat and electricity generation development projects</a>	Implementation of 8 projects on development of heat and electricity generation by 2015: 1. Construction of Balkhash TES - 2640 MW; 2. Extension of Ekibastuz GRES-2 (blocks №3, №4) - 1050 MW; 3. Construction of TETS-3 in Astana - 240 MW; 4. Extension of TETS-2 in Almaty - 240 MW; 5. Construction of Karaganda TETS-4 - 570 MW; 6. Extension of TETS-2 in Astana - 240 MW; 7. Construction of GTES Agip KCO – 235 MW; 8. Construction of Moinakskiy GES - 300 MW.	US\$21.9bn	2011- 2015
JSC KEGOC Kazakhstani company on electrical network management  <a href="#">Balkhash heating and electrical station construction</a>	Construction of the Balkhash Heating Power Station with the capacity of 1320 MW with the perspective of increasing up to 2640 MW. In June 2012 the JSC «Samruk-Kazyna-Energy» signed the contract with the Korean company Samsung Engineering Company for construction of the first module of the Balkhash heat (coal) electrical station.	US\$2.3bn	2013- 2017

Source: KEGOC, KazEnergy

Major projects

# MAIN LEGISLATIVE BASE FOR ENERGY EFFICIENCY

## Industrial modernization is closely connected to energy efficiency

### Kyoto Protocol was ratified in 2009

- Kazakhstan has voted to extend a validity of the Kyoto Protocol till 2020. It governs restrictions on greenhouse gas emissions
- Kazakhstan will decrease greenhouse gas emissions by installing the systems of regulating heat consumption on budget objects of the city in the following volumes: CO<sub>2</sub> (920 t/y), N<sub>2</sub>O (0,210 t/y); NO<sub>2</sub> (4,200 t/y); SO<sub>2</sub> (6,100 t/y); CO (0,200 t/y)

### Law on “Energy Saving & Increasing the Energy Efficiency”, January 13, 2012

- It is focused on key sectors in the area of energy saving and efficiency: industry, utilities and municipal sectors
- Implements mechanisms of the state regulation including regulatory, stimulating and administrative measures on energy saving and increasing energy efficiency for realization. Ban on burning associated and natural gas in flares effective 2015. Introduces an international standard for energy management effective 2014 and is required for subjects of the state energy register of energy consumption in the volume of 1500 MW and more

### Complex Plan of Increasing the Energy Efficiency of the RK for 2012-2015

- It is focused on reduction of energy intensity of GDP to at least 10% by 2015 annually towards 2008 in the equivalent of USD 1.3 bln by decreasing an ineffective usage of heating and energy resources
- Realization of the Plan will create a completely new system which will develop a modernized industry with high production capacity
- World expo in 2017 in Astana focusing on clean tech

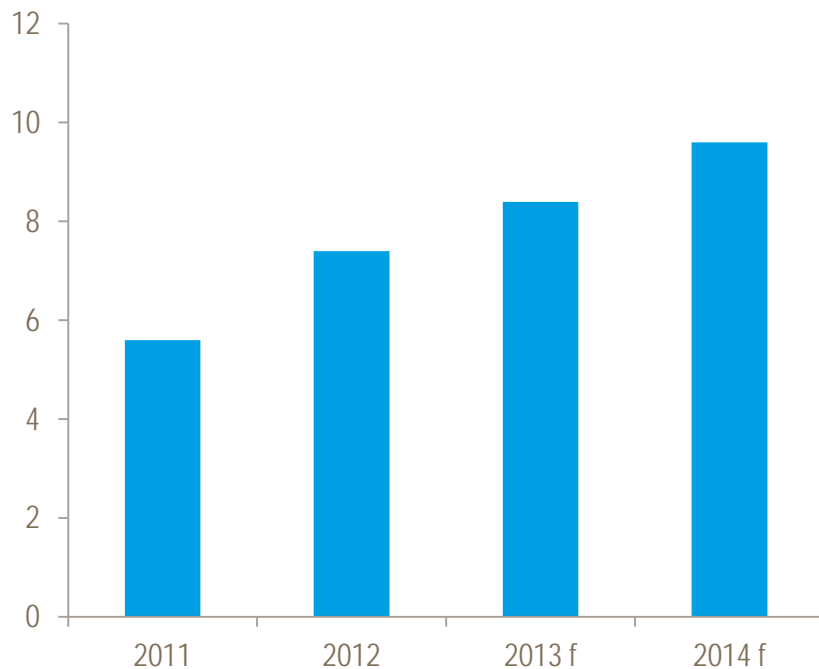
### Plan for Development of Alternative and Renewable Energy for 2013-2020, January 2013

- Development in 5 directions: (1) adoption of measures to support and use of renewable energy, (2) development and research of renewable energy fields by experts, (3) development of local content, (4) promoting renewable energy policy, (5) implementation of specific projects in the field of renewable energy.
- It is forecasted that there will be an increase of the power capacity generated by renewable energy sources by the year 2020 up to 1040 MWt of which 13 wind turbines will be on the 793 MWt, 14 hydropower stations for 170 MWt and 4 solar stations for 77 MWt

# MINING & METALLURGY SECTOR IS ONE OF THE PRIORITIZED SECTORS IN THE COUNTRY

## Mining & metallurgy production and forecast

Million USD



## Comments

- Total amount of investments into technical re-equipment of mining and metallurgy enterprises will consist of KZT 1,72 trillion by 2015.
- Investments into the sector by 2015 will consist of USD 13 bln.
- Creation of favorable investment climate for local and foreign investors into the sector by providing a wider access to geological information for potential investors and quality control of products and technologies during the purchase process.
- Creation of Industrial zones around big enterprises in the Eastern-Kazakhstan, Pavlodar and Aktobe regions by 2015.

## OTHER GROWING SECTORS

Environmental technologies / energy efficiency – “Astana 2017”, clean tech focus

Infrastructure development – logistics hub between Russia and China (railway, road, logistics hub, construction sector)

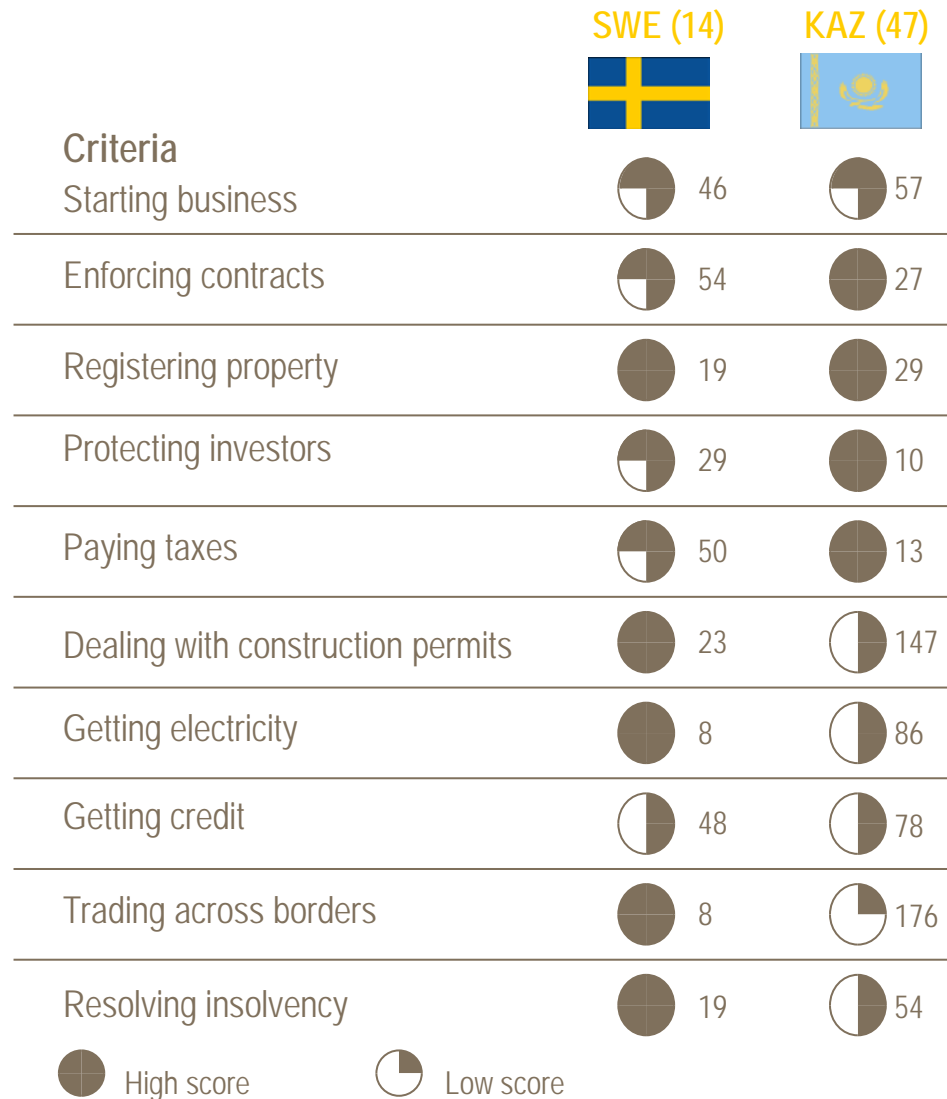
Agriculture sector – several Swedish companies already working on the market

Retail segment – large number of new shopping centers and retail outlets

Health care sector



# THE BUSINESS CLIMATE IS IMPROVING IN SOME CRITERIA EVEN THOUGH ISSUES REMAIN



## Comments

- Bureaucracy / corruption is there  
– admin, customs procedures
- Certification often needed for Kazakhstan market
- Notable efforts have been conducted to remove bureaucratic obstacles when it comes to investing in Kazakhstan
- Kazakhstan is currently in the process of negotiating WTO membership, which has brought the country's trade and legal regimes more in line with WTO standards
- Local legislation grants foreigners equal civil rights as to Kazakhstani citizens and expatriates are allowed to conduct business on similar rights as local employees



# SWEDISH COMPANIES ARE RECOMMENDED TO FOCUS ON GROWING SECTORS AND MAJOR PROJECTS

Gain detailed knowledge on potentials, do homework & work proactively on upcoming projects

- Kazakhstan has a clear business potential based on availability of energy and natural resources but they still depend on imports. Kazakhstan's biggest sectors are the oil & gas, energy and mining. Larger focus is also in environmental technologies and infrastructure sector is also developing
- Further development of the three biggest promising sectors in each country offers opportunities for sales of products. Swedish companies are recommended to work proactively on upcoming projects to influence and gain specific knowledge on volumes and types of products that are highly demanded.

Consider a local partner

- A local partner that already has a broad customer base and established contacts with important stakeholders should be able to create sales towards new customers.
- Local content requirements might become a decisive purchasing criteria for Swedish products. Joining up with a local partner may be the first step towards future fulfillment of local content requirements. Business Sweden can be used for support of Swedish companies by lobbying at relevant levels of authorities.

Explore potential for local production

- Kazakhstan's exports are dominated by unprocessed or semi-processed commodities. For several industrial products, Central Asian countries are significant exporters to CIS countries and less to the rest of the world. Exports to non-CIS countries are dominated by raw materials and commodities, particularly energy products. However, enhanced processing of local raw materials that are already exported will often be a more viable option. Supplies of equipment, services and high technologies for local production will be the most valuable and demanded. Creation of joint ventures for local production will be the most welcome.

# BUSINESS SWEDEN ACTIVITIES IN KAZAKHSTAN

## Delegations 2012

- General Kazakhstan delegation to Astana and Almaty spring 2012, over 15 participants from Sweden
- Railway delegation to Kazakhstan end of 2013, 14 Swedish participants
- Opening of local office in Almaty in November 2012

## Plans for 2013

- Incoming railway delegation to Sweden June or September 2013
- Delegation to Kazakhstan autumn 2013 (main aspect energy and environment, but also other segments possible)
- Full customized support depending on individual companies need
- Also – delegation to Azerbaijan 2-5<sup>th</sup> June 2013 with state secretary to Trade Minister