



Kazakhstan

Population ¹	18,272,430
Area (km ²) ¹	2,724,902
GDP per capita (USD) ¹	9,814.79
TPES (Mtoe) ²	84.99
Energy intensity (toe/10 ³ 2010 USD) ²	0.43
CO ₂ emissions - energy (MtCO ₂) ³	255.77

Data from Orbis Crossborder Investment on energy projects and deals completed between 2015-2020⁴

Target industry	Number of projects and deals	Project/deal type	Project CapEx and deal value (million EUR)
Extraction of natural gas and crude petroleum	2 deals	1 acquisition deal 1 joint venture deal	Deal value n.a.
Support activities for petroleum and natural gas extraction	3 deals	2 acquisition deals 1 joint venture deal	168m EUR total value of deals
Manufacture of refined petroleum products	1 project	new project	78m EUR total project CapEx
Mining of uranium and thorium ores	1 project	new project	1000m EUR total project CapEx

Sources:

1. The World Bank 2018
2. ©IEA, World energy balances, 2020, www.iea.org/data-and-statistics, webstore.iea.org/key-world-energy-statistics-2019
3. ©IEA 2020, CO₂ emissions from fuel combustion, www.iea.org/data-and-statistics, webstore.iea.org/key-world-energy-statistics-2019
4. Orbis Crossborder Investment (2020), Bureau Van Dijk. Kazakhstan is the destination country of the investment. Data represents the period 1 April 2015 - 1 April 2020. For more information see Annex II of this report.

Kazakhstan's overall risk level against the assessed areas is **low**.

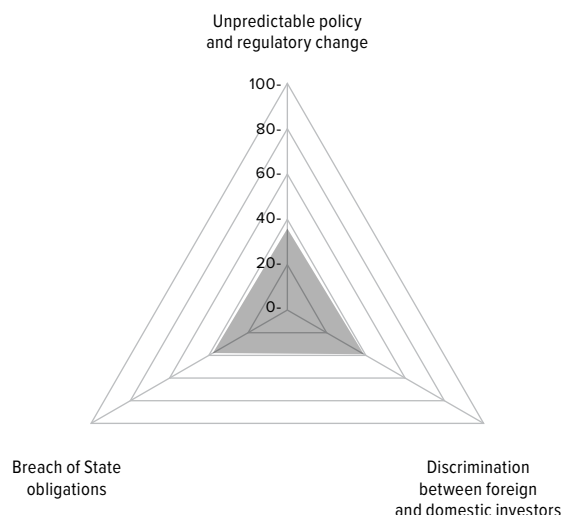
Among the three risks assessed in EIRA, *unpredictable policy and regulatory change* is lower compared to *breach of State obligations* and *discrimination between foreign and domestic investors*.

Kazakhstan has a moderate performance on two indicators, and it has a good performance on the other two. The country has improved its score in *management of decision-making processes*, which now stands at 78. Its score on *rule of law* is once again 63. Its score on *foresight of policy and regulatory change* is the same as last year (53). On the indicator *regulatory environment and investment conditions* it has maintained a score of 44.

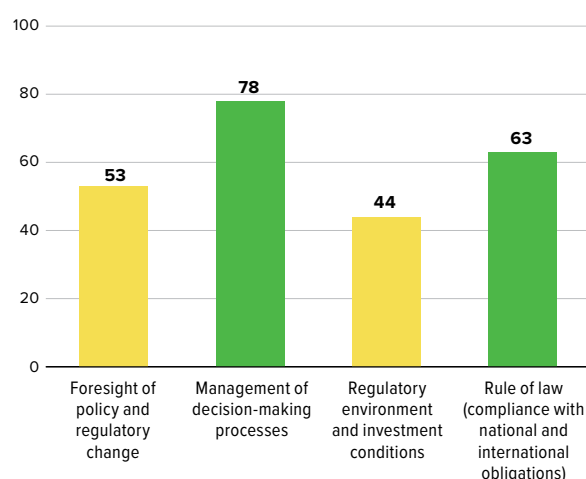
On a more detailed level, Kazakhstan's overall sub-indicator performance is good. The highest-scoring sub-indicator is *transparency* at 81, followed by *management and settlement of investor-State disputes* and *institutional governance*, both at 75. On *communication of vision and policies*, it has again scored 63. Its score on *restrictions on FDI* and *respect for property rights* stands at 50, respectively. Next is the sub-indicator *robustness of policy goals and commitments* at 42. *Regulatory effectiveness* is the lowest-scoring sub-indicator at 37.

While Kazakhstan has the relevant policies and measures in place, there is potential for improvement. Attention should be given to strengthening the country's regulatory effectiveness.

RISK LEVEL



INDICATOR PERFORMANCE



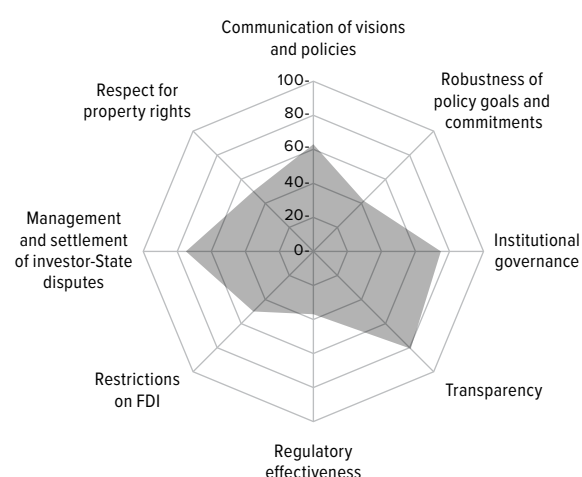
YEAR-ON-YEAR COMPARISON

RISK AREAS	2018	2019	2020
Unpredictable policy and regulatory change	37*	38*	36
Discrimination between foreign and domestic investors	37*	41*	39
Breach of State obligations	38*	38*	38

INDICATORS	2018	2019	2020
Foresight of policy and regulatory change	53	53	53
Management of decision-making processes	74	72	78
Regulatory environment and investment conditions	54	44	44
Rule of law	63*	63*	63

*These numbers have been adjusted due to identified errors in previous editions

SUB-INDICATOR PERFORMANCE



Foresight of policy and regulatory change

QUICK FACTS

The Development Strategy of Kazakhstan focuses on the fuel and energy sector of the country. The Government has developed the Strategy for the period until 2030 (announced in 1997) and the period until 2050 (announced in 2012).

The strategic documents for Kazakhstan's energy sector are the Concept for the Transition of the Republic of Kazakhstan to Green Economy (adopted in 2013) and the Concept for the Development of the Fuel and Energy Complex of the Republic of Kazakhstan until 2030 (adopted in 2014).

Kazakhstan ratified the Paris Agreement in December 2016.

STRENGTHS

Kazakhstan has committed to generate half its energy from renewables by 2050. In keeping with this commitment, the country doubled its capacity of existing renewable energy facilities to 1,050.1 MW in 2019. Renewables accounted for 2.3% of the total electricity generated in 2019. There are new wind parks and solar plants, with a total capacity of 150 MW, planned for 2020. Moreover, international donors have pledged fresh funds to support transmission and distribution, and renewable projects that will facilitate the trade of surplus electricity, improve regional energy security, and reduce reliance on external actors. The Government anticipates that these initiatives will reduce CO₂ emissions by at least 500,000 tonnes per year, and in turn, help to address the implications of climate change.

The Ministry of Energy is the lead authority for monitoring the Government's energy strategy. International partners oversee the realisation of specific projects, while the Council for the Green Economy Transition advises the Ministry of Energy on future policies. The Government is currently assessing the implementation of the Concept for the Transition to Green Economy because its first phase of targets will end in 2020. It plans to integrate environment- and climate-related strategic documents in the revised Concept to produce a single, comprehensive strategy.

AREAS FOR IMPROVEMENT

The Government's efforts to ensure a larger share of renewable energy in the generation mix are commendable. However, given the large number of planned mining and petrochemicals projects and the high energy-intensity of the sector, a more coordinated approach should be taken towards the overall strategic planning.

Institutional reforms are needed to ensure the substantive independence of the monitoring framework currently in place. For better and transparent planning, all interested individuals and organisations should be able to review the progress achieved and provide feedback to the Government on how to improve implementation processes.

Management of decision-making processes

QUICK FACTS

The Ministry of Energy is the leading policy-maker for the energy sector.

In 2019, the Presidential Decree "On measures for further improvement of the system of public administration of the Republic of Kazakhstan" was adopted.

The general process of developing national legislation and public consultations is defined in the Law "On Legal Acts" of 2016.

STRENGTHS

The Government is determined to carry forward its public sector transformation agenda. In 2019, there were several institutional reconfigurations, including the creation of a new Ministry of Ecology, Geology and Natural Resources that holds the environment-related divisions formerly housed in the Ministry of Energy and the Ministry of Agriculture. After consolidating several State authorities and setting their respective mandates, the Government is now pursuing further reforms to curtail bureaucracy and to digitalise its economy per the "Digital Kazakhstan" economic development strategy.

The Government is taking significant steps to improve the transparency and accountability of State authorities. A market auction mechanism, characterised by openness, security, and simple implementation rules, has already been set up for the selection of renewable energy projects. All the information regarding public procurement and tenders is available online. Starting in 2019, the Ministry of Industry and Infrastructure Development (MIID) disclosed for the first time beneficial ownership data on its website. It also intends to establish a beneficial ownership register in 2020-2021 as part of a digital data bank. In December 2019, the Government launched a pilot project called "budget with wide public participation". The Ministries of National Economy and Finance and the National Bank will develop a unified digital register of external debt by the end of 2020.

AREAS FOR IMPROVEMENT

A significant gap exists between the country's CO₂ reduction goals and the efforts towards their achievement. The Government should set up tracking and verification mechanisms for all sectors of the economy. It should also direct more resources to the decommissioning of old, inefficient units, as well as require environmental impact assessments for all projects. These measures will facilitate and allow Kazakhstan to achieve the ambitions stated in its NDC.

Regulatory environment and investment conditions

QUICK FACTS

The Ministry of Energy is vested with regulatory responsibility in the electric power, oil and gas sub-sectors.

The MIID is authorised to grant and terminate subsoil use rights for solid minerals, except uranium.

The Committee for Regulation of Natural Monopolies is the key regulator of natural monopolies. The Committee has been divided into two: Committee for Regulation of Natural Monopolies and Committee for Protection of Competition and Consumer Rights, both under the Ministry of National Economy.

The Entrepreneurial Code 2015 provides for non-discrimination between domestic and foreign investors.

STRENGTHS

The Ministry of Energy is one of the first in the region to introduce a competitive wholesale electricity market, including a liquid spot market. The Government has taken the first steps towards changing the long-term tariff regulation to stimulate the economic involvement of utility firms and reduce their operating costs. A new performance-based tariff methodology, envisaged in the Law “On Natural Monopolies”, has been approved by the tariff regulator. The new methodology will apply to the water, district heating and electricity distribution sectors most likely before 2021.

Improving Kazakhstan’s investment climate and the business environment is a national priority. Over the past two years, the Government has introduced legislative changes to boost investment in infrastructure development, and geological exploration and technology. It has enacted a new public-private partnership law and improved the legal framework on concessions by amending the Law “On Natural Monopolies” and the Subsoil and Subsoil Use Code. The said amendments provide fairer bidding opportunities, simplified licensing procedures such as online services, and delineate the State’s role, especially with regards to its pre-emptive purchase rights.

AREAS FOR IMPROVEMENT

The Government should consider gradually phasing-out the regulatory responsibilities of ministries. It should reassess organisational aspects of the current regulatory structure, such as the employment duration of key staff members, the composition of the executive board and its budget, and update it in line with international best practice.

There should be efforts made to limit State-led sector management and to implement the multi-market model (capacity market, bilateral, spot, balancing, and ancillary services) so that the power sector is more competitive and appealing to investors.

The Government should proceed with the phasing out of its local goods and services requirements, in line with its international commitments.

Rule of law

QUICK FACTS

Kazakhstan ratified the Energy Charter Treaty in 1995.

Kazakhstan ratified the Convention on the Settlement of Investment Disputes between States and Nationals of Other States in 2000.

Kazakhstan acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards in 1995.

STRENGTHS

Over the past years, State authorities have adopted an increasingly pro-arbitration stance. The Astana International Financial Centre (AIFC), incorporating the AIFC Court and the International Arbitration Centre (IAC), is intended to become an arbitration hub in the region. As an arbitral institution, the IAC is not limited to administering disputes arising out of transactions within the AIFC but is available for dispute settlement generally. It has state-of-the-art rules and a panel of international arbitrators and mediators. The decisions are directly enforceable in the territory of Kazakhstan. In 2019 the Law “On Arbitration” was amended to ease the requirements for arbitration agreements, limit the grounds for the annulment of awards, internationalise the grounds for refusing the recognition of awards, and restrict State parties from retracting their consent to arbitrate.

Expropriation is only permitted in exceptional cases and upon the payment of compensation. The international investment agreements, to which Kazakhstan is a party, contain provisions on the protection of IP rights. Recently introduced amendments to the national trademarks and service marks regime provide, among other things, stricter time limits for examining applications, and for their mandatory publication after the preliminary examination. The Government has adopted initiatives for the establishment and operation of the Eurasian technology transfer network, in the context of the Eurasian Economic Union.

AREAS FOR IMPROVEMENT

The Law “On Investment” of 2014 established the institution of Investment Ombudsman, in line with international best practice. Currently, the Prime Minister is responsible for this institution. However, the Government should consider making this a fully independent institution to ensure effective and fair decisions, and to promote confidence in private investors.

The Government should set the core requirements for fair and rightful expropriation, and introduce a robust compensation procedure with a specified timeframe for its payment.

IMPLEMENTATION STATUS



Kazakhstan

PROPOSED IN	EIRA AREAS FOR IMPROVEMENT	IMPLEMENTATION STATUS AS OF 1 APRIL 2020
Indicator 1		
2018	Improve coherence and alignment in the objectives identified under the different strategy documents, and revise the national energy documents in a timely fashion.	Work ongoing. The Government is currently revising the Concept for the Transition to a Green Economy.
	Enhance the independence of policy monitoring and evaluation bodies.	Pending
	Establish tracking mechanisms and incentive schemes, and conduct environmental impact assessments, to implement the country's NDC successfully.	Work ongoing. New wind and solar projects are planned for 2020, and external funding has been secured to support renewable energy.
Indicator 2		
2018	Improve and streamline the division of responsibilities between different State entities.	Work ongoing. In 2019, the Government amended regulations and adopted decrees to define the responsibilities of the lead ministries, the Investment Committee, Kazakh Invest National Company JSC, and the Astana International Financial Centre (AIFC).
	Promote public consultation in decision-making.	Work ongoing. Most recent reforms include the launch of a pilot project called "budget with wide public participation" which aims to ensure greater involvement of citizens in drafting government agencies' budgets.
Indicator 3		
2018	Phase out local content requirements in the energy sector.	Work ongoing. In 2019, the new Subsoil and Subsoil Use Code was amended to state that the minimum level of local content cannot exceed 50%.
	Reduce State control in different energy activities.	Pending
Indicator 4		
2018	Adopt alternative dispute resolution mechanisms such as mediation and a foreign investment ombudsman authority.	Work ongoing. The AIFC became fully-functional in 2019 and the Law "On Arbitration" was amended to ease the requirements for arbitration agreements, limit the grounds for the annulment of awards, internationalise the grounds for refusing the recognition of awards, and restrict State parties from retracting their consent to arbitrate.
	Introduce criteria to determine which activities constitute "public purpose" in the context of expropriation.	Pending