



# Kazakhstan

Population <sup>1</sup>	18,276,452
Area (km <sup>2</sup> ) <sup>1</sup>	2,724,902
GDP per capita (USD) <sup>1</sup>	9,812.62
TES (Mtoe) <sup>2</sup>	75.76
Energy intensity (toe/10 <sup>3</sup> 2015 USD) <sup>2</sup>	0.38
CO <sub>2</sub> emissions - energy (MtCO <sub>2</sub> ) <sup>3</sup>	214.0

Data by Orbis Crossborder Investment on completed energy projects and deals from 2015-2021<sup>4</sup>

Target industry	Number of projects and deals	Project CapEx and deal value (million EUR) by source country
Extraction of natural gas and crude petroleum	1 acquisition deal 1 joint venture deal	Values of 2 deals (Luxemburg & United States of America) are N/A
Manufacture of refined petroleum products	1 new project	Russian Federation: 1 project of 77.6 mEUR
Support activities for petroleum and natural gas extraction	2 acquisition deals 1 joint venture deal	Canada: 1 deal of 168.3 mEUR Values of 2 deals (Austria and France) are N/A
Mining of uranium and thorium ores	1 new project	China: 1 project of 1,000 mEUR

Sources:

1. The World Bank 2018
2. ©IEA (2021), World Energy Balances (<https://www.iea.org/data-and-statistics>). All rights reserved.
3. ©IEA (2021), CO<sub>2</sub> Emissions from Fuel Combustion (<https://www.iea.org/data-and-statistics>). All rights reserved.
4. Orbis Crossborder Investment (2021), Bureau Van Dijk. Kazakhstan is the destination country of the investment. Data represents the period 1 April 2015 - 1 April 2021 (accessed on 1 July 2021). For more information see Annex II of this report.

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

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

Kazakhstan has a very good performance on one indicator, a good performance on one indicator and a moderate performance on the remaining two indicators. Compared to EIRA 2020, its score on the indicator *management of decision-making processes* has improved by three points, reaching 81. Its score on *rule of law* is 63. On *foresight of policy and regulatory change*, its score has increased from 53 to 56. Its score on *regulatory environment and investment conditions* is the same as in EIRA 2020 (44).

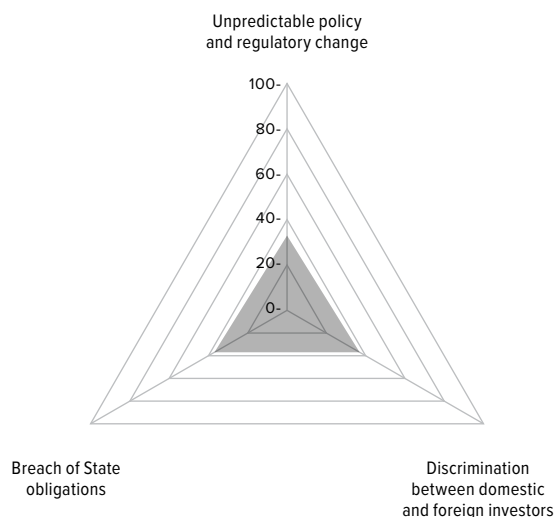
On a more detailed level, Kazakhstan's overall sub-indicator performance is good. The highest-scoring sub-indicator is *transparency* at 86, followed by *institutional governance* and *management and settlement of investor-State disputes*, both at 75. It has a score of 70 on the sub-indicator *communication of vision and policies*. Its score on two sub-indicators, *restrictions on FDI* and *respect for property rights*, is 50. On *robustness of policy goals and commitments* it has scored 42, the same as in EIRA 2020. The lowest-scoring sub-indicator is *regulatory effectiveness* 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.

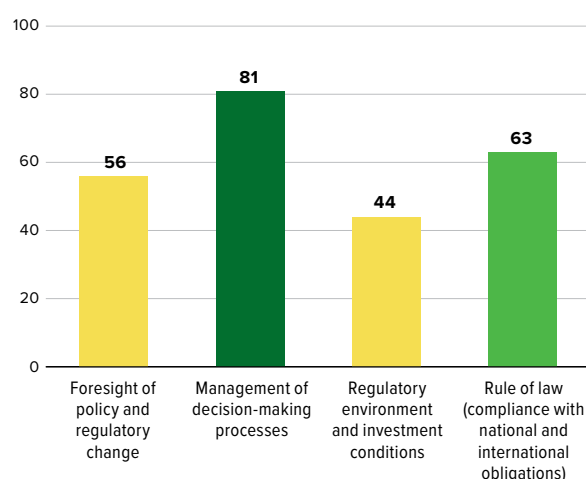
## YEAR-ON-YEAR COMPARISON

RISK AREAS	2018	2019	2020	2021
Unpredictable policy and regulatory change	37	38	36	33
Discrimination between domestic and foreign investors	37	41	39	37
Breach of State obligations	38	38	38	37
INDICATORS	2018	2019	2020	2021
Foresight of policy and regulatory change	53	53	53	56
Management of decision-making processes	74	72	78	81
Regulatory environment and investment conditions	54	44	44	44
Rule of law	63	63	63	63

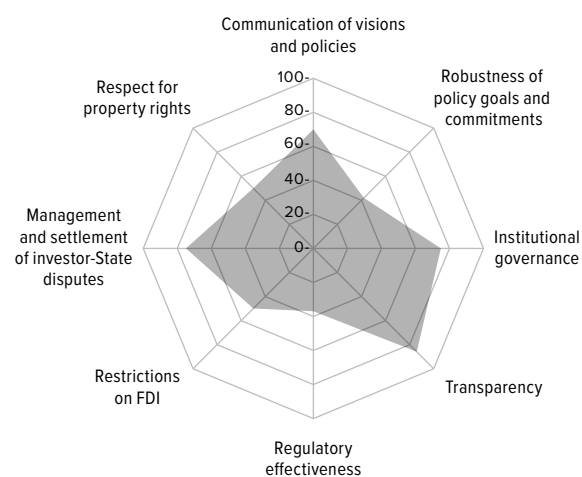
## RISK LEVEL



## INDICATOR PERFORMANCE



## SUB-INDICATOR PERFORMANCE



## Foresight of policy and regulatory change

### QUICK FACTS

On 28 June 2020, the Government adopted the new edition of the Concept for the Development of the Fuel and Energy Complex of the Republic of Kazakhstan until 2030 (Energy Concept).

On 29 July 2020, the Government adopted a new action plan for 2021-2031 to implement the Concept for the Transition of the Republic of Kazakhstan to a Green Economy (Green Economy Concept Action Plan).

### STRENGTHS

The Energy Concept aims to ensure balanced and sustainable power generation and transmission development and reduce electricity production costs. It introduces measures to promote energy-efficient technologies, enhance demand-side management, and support smart grids and energy storage facilities. In line with these objectives, the Government recently adopted the State Programme of Industrial-Innovative Development of the Republic of Kazakhstan 2020-2025 to facilitate competitiveness and innovation in all economic sectors, including energy. The Government also intends to develop a new roadmap for 2022-2026 on energy savings and energy efficiency. Kazakhstan remains committed to increasing renewable power generation. It has already met its national target for 2020 to produce 3% of electricity from renewable sources. It has 119 renewable energy facilities operational, including five biofuels, 29 wind, 46 solar stations, and 39 small HPPs, with a total capacity of nearly 1.8 GW, ten times higher than in 2014. On 16 March 2021, the Ministry of Industry and Infrastructure Development announced that for the first time in Kazakhstan, up to 50 new charging stations for electric vehicles will be installed in Nur-Sultan and Almaty by the end of 2021.

On 16 March 2021, the Government laid before the Parliament legislative amendments empowering JSC Electric Power and Energy Saving Development Institute to monitor State agencies' energy consumption. The new Ecological Code no. 400-VI LRK/2020, which entered into force on 1 July 2021, establishes the legal framework to monitor the country's GHG emissions. According to the new Code, the monitoring process will be based upon the data collected and recorded by the State Cadastre of GHG emissions.

### AREAS FOR IMPROVEMENT

The Government should intensify its discussions with stakeholders on the draft Concept on Low-Carbon Development. An action plan with quantifiable targets and timelines should support the Concept's implementation. A well-designed strategy will help the Government meet its ambition of producing 30% of total electricity from renewable energy sources by 2030 and 50% by 2050, respectively.

## Management of decision-making processes

### QUICK FACTS

The Ministry of Energy leads policy-making in the energy sector.

In 2020, a new Agency for Strategic Planning and Reforms was established.

### STRENGTHS

Kazakhstan is committed to undertaking political reforms and improving the public administration system. In 2020, the President of Kazakhstan established the Supreme Council for Reforms to review and approve reform proposals suggested by the new Agency for Strategic Planning and Reforms and monitor the Strategic Development Plan until 2025. One of the Council's six working groups is dedicated to enhancing public administration and improving the efficiency of public services. Moreover, the Government recently launched the "Digital Kazakhstan" platform, which aims to support the country's transition to a digital economy. According to the State Programme Digital Kazakhstan 2018-2022, the share of authorities providing digital services is expected to reach 80% by 2022. The amended rules for the Astana International Financial Centre (AIFC) and the Astana International Exchange, effective from 1 July and 20 July 2020, ease some financial disclosure requirements and improve corporate governance. For instance, the amended rules state that if an issuer complies with the Equivalent Regulated Exchange's market disclosure requirements, it does not need to make the additional market disclosures of the Astana Financial Services Authority.

Kazakhstan continues to take steps towards improving the transparency and efficiency of its public administration. A Governmental portal (egov.kz) operates electronic public services and gives open access to legal acts, budgetary documents and reports, and the financial and performance evaluations of State agencies. Law no. 365-VI LRK/2020 "On amendments and additions to some legislative acts of the Republic of Kazakhstan in the area of countering corruption" introduced additional anti-corruption rules for State officials. The amendments expand the list of State officials to whom the anti-corruption limitations are applied according to Law no. 410-V LRK/2015 "On combating corruption". State officials and their family members are prohibited from taking gifts, and the Government can now impose penalties for violating rules and requirements on reporting corruption cases.

### AREAS FOR IMPROVEMENT

The Government ensures stakeholder participation in developing draft regulatory and legal acts, per the Law no. 416-V LRK/2015 "On state services" and Law no. 401-V LRK/2015 "On access to information". It may consider further institutionalising stakeholder engagement to facilitate the involvement of different interested groups in public consultations, such as civil society and business associations.

## Regulatory environment and investment conditions

### QUICK FACTS

The Ministry of Energy is responsible for regulating energy activities.

In 2020, the new Agency for Protection and Development of Competition was established.

### STRENGTHS

The Government is making efforts to create a more competitive energy market. The new Agency for Protection and Development of Competition is responsible for implementing policies to promote competition and restrict monopolistic activities. On 7 December 2020, the Government approved amendments to the legal framework on renewable energy. Per the amendments, the duration of Power Purchase Agreements for renewable auctions starting January 2021 shall be 20 years. HPPs are now required to sell electricity generated from flood control areas to the Financial Settlement Center for Renewable Energy Sources (RFC) on a centralised basis. The amendments also promote the construction of manoeuvrable capacities through the auction selection mechanism. The amendments also introduce a “pass-through” tariff rate to support renewable energy that will lower the insolvency risk of contingent consumers who are obliged to buy renewable electricity.

In 2020, Kazakhstan held the first online auction to explore and extract hydrocarbon reserves. It granted rights to seven fields for a cumulative amount that is 230 times higher than the initial prices. Due to the auction schemes, renewable energy prices have fallen considerably, in some projects up to 64%. The Government has also approved 19 new renewable energy projects, with a total cost of USD 1.1 billion. For the December 2020 renewable energy auctions, the power market operator, JSC KOREM, selected 16 projects with a total installed capacity of 147.95 MW, comprising 64.95 MW from wind power, 60 MW from solar power, and 23 MW from small hydro. Twenty-seven companies from Kazakhstan, Russia, the Netherlands and Germany placed bids for these projects. In the solar auctions of 8 December 2020, the Russian Hevel Group was awarded projects for 20 MW. The Hevel Group built two solar power plants of 3 MW and 4.95 MW in the Almaty region in 2020. It also completed the construction of a solar power plant with a capacity of 10 MW in the Zhanakorgan district in 2021. The RFC foresees that in 2021, the financing of renewable energy resources will exceed 130 billion Kazakhstani tenge.

### AREAS FOR IMPROVEMENT

Kazakhstan should gradually introduce cost-reflective electricity and heating tariffs and phase out the cross-subsidisation practice. This adjustment would generate the necessary income to rehabilitate the energy and heating systems. Moreover, rolling out the gas market liberalisation process will promote transparency in transmission tariffs and gas trade and exchange. It will also enable competition in gas exports and non-discriminatory third-party access.

## Rule of law

### QUICK FACTS

Kazakhstan is a contracting party to the ECT since 1998.

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

The Government is working to improve judicial processes. On 29 June 2020, the President of Kazakhstan signed the new Administrative Procedures Code no. 350-VI LRK/2020, which entered into force on 1 July 2021. The new Code intends to facilitate negotiations between business entities and the State before and during the court hearings. Moreover, in 2021, the Government plans to establish 21 new administrative courts, of which 17 will be in the regional centres. These courts will hear appeals against actions and omissions of public authorities. Meanwhile, the AIFC is taking steps to become a key regional institution for administering national and international commercial disputes. As of 31 March 2021, the AIFC International Arbitration Centre processed around 400 arbitration and mediation cases.

The Land Code of the Republic of Kazakhstan states that immovable property may be expropriated for public needs only in exceptional cases and with the owner's consent or based on a domestic court's decision. The Entrepreneurial Code states that if the Government nationalises an investor's private property, it must pay the investor a fair compensation. Kazakhstan is a member of WTO since 2015, and it is a contracting party of the World Intellectual Property Organization since 1991. In 2021, Kazakhstan adopted Law no. 407-VI LRK/2021 “On amendments and additions to certain legislative acts of the Republic of Kazakhstan on customs regulation and entrepreneurship” to simplify the procedure for including IP rights in the Customs Intellectual Property Register. Following this legislative amendment, IP owners are not required to furnish a document confirming the infringement of IP rights in the movement of goods across the customs border of the EAEU. Kazakhstan has signed BITs with 47 countries, of which 42 are in force and eleven treaties with investment protection provision, of which ten are in effect.

### AREAS FOR IMPROVEMENT

The Government should update national legislation to include well-defined grounds for the expropriation of private property, with a detailed description of the process for determining the compensation amount.

# IMPLEMENTATION STATUS



## Kazakhstan

PROPOSED IN	EIRA AREAS FOR IMPROVEMENT	IMPLEMENTATION STATUS AS OF 1 APRIL 2021
<b>Indicator 1</b>		
	Improve coherence and alignment in the objectives identified under the different strategy documents, and revise the national energy policies and plans in a timely manner.	<b>Work ongoing.</b> The draft Concept on Low-carbon Development has been circulated by the Government for stakeholder consultations. On 29 July 2020, the Government adopted a new Action Plan (2021-2031) to Implement the Concept for the Transition of the Republic of Kazakhstan to Green Economy.
2018	Enhance the independence of policy monitoring and evaluation bodies.	<b>Pending</b>
	Establish tracking mechanisms and incentive schemes, and conduct environmental impact assessments, to implement the country's NDC successfully.	<b>Work ongoing.</b> The new Ecological Code introduced mechanisms to conduct environmental impact assessments for large infrastructure projects. The Code streamlines procedures on setting and imposing environmental fines, and regulates market mechanisms to manage and reduce GHG emissions.
2021	Intensify discussions with stakeholders on the draft Concept on Low-carbon Development. Develop an action plan with quantifiable targets and timelines to support the Concept's implementation.	<b>Improvement suggested in 2021.</b> Status will be updated in 2022.
<b>Indicator 2</b>		
	Streamline the division of responsibilities among different State entities.	<b>Work ongoing.</b> The responsibility of implementing investment policies and attracting investments falls on the Ministry of Foreign Affairs. The newly established Agency for Protection and Development of Competition is responsible for implementing public policies on competition protection and restriction of monopolistic activities and monitoring the enforcement of the relevant legislation.
2018	Promote public consultation in decision-making.	<b>Work ongoing.</b> A Governmental website ( <a href="http://egov.kz">http://egov.kz</a> ) operates electronic public services and gives the public open access to legal acts, budgetary documents and reports, and the financial and performance evaluations of State agencies.
<b>Indicator 3</b>		
	Phase out local content requirements in the energy sector.	<b>Work ongoing.</b> In 2019, the new Subsoil and Subsoil Use Code was amended to state that the minimum level of local content cannot exceed 50%.
2018	Reduce State control in different energy activities.	<b>Pending</b>
2021	Gradually introduce cost-reflective electricity and heating tariffs and phase out cross-subsidies.	<b>Improvement suggested in 2021.</b> Status will be updated in 2022.
<b>Indicator 4</b>		
	Adopt alternative dispute resolution mechanisms such as mediation and a foreign investment ombudsperson.	<b>Work ongoing.</b> On 7 August 2019, Kazakhstan became a party of the United Nations Convention on International Settlement Agreements Resulting from Mediation.
2018	Update the national legislation to include well defined grounds for the expropriation of property, with a detailed description of the process for determining the compensation amount.	<b>Pending</b>