

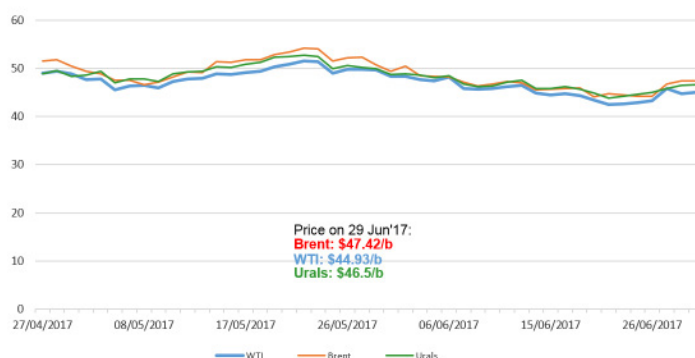


### World news in brief

- OPEC has agreed to extend the oil production cut agreement for nine months to March 31, 2018, Kuwaiti Oil Minister Essam al-Marzouq told journalists. The next OPEC meeting and OPEC/non-OPEC ministerial meeting will be held on November 30, Nigerian Energy Minister Emmanuel Kachikwu said on Twitter.
- Oil and gas companies are showing the first signs of renewed appetite for investment after nearly three years of retrenchment but their top priority remains reducing debt and covering dividends, according to industry leaders. More than two thirds of the respondents to the survey by Wood Mackenzie, the heads of oil and gas companies and energy consultancy, expected spending on exploration to rise based on 2017 results, however, according to most of them the growth rates would not exceed 10%. About 60 per cent of the respondents thought the industry's top priority for this year was protecting dividends or paying down debt, compared with only 39 per cent who felt it was investment in exploration, M&A or developing new projects. "Cautious optimism is the watchword," said Martin Kelly, head of corporate analysis at Wood Mackenzie. "We are beginning to see tentative signs of investment returning but companies are still thinking first and foremost about making sure their balance sheets are in order."
- The International Energy Agency (IEA) lowered its oil demand growth forecast for 2017 by 45 thousand barrels per day (bpd) up to 97.9 mln bpd this follows from IEA monthly survey. IEA lowered the global demand estimate due to weaker demand growth in the first quarter in such countries as Germany, Turkey and India, and lower demand for oil in the US in the second quarter. Thus, IEA lowered the demand for oil in the first quarter of 2017 from 96.6 mln bpd to 96.5 mln bpd; the demand in the second quarter is estimated at 97.3 mln bpd (previously 97.4 mln bpd; in the third quarter - 98.6 mln bpd (98.5 mln bpd). In the fourth quarter, the forecasted demand remained at the level of 99.1 mln bpd.

### Brent, WTI and Urals spot prices

(27 April 2017 - 29 June 2017)



Source: EIA; www.topoilnews.com

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

Brent Crude Oil forecasts			
Year	Consensus Bloomberg	Number of Forecasts	EIU
2013	-	-	108,9
2014	-	-	98,9
2015	-	-	53,4
2016	-	-	60,0
2017	55,0	22	72,7
2018	67,3	17	80,2
2019	69,5	11	77,2
2020	70,1	8	79,9

Source: Consensus Bloomberg, EIU

- Overall global demand for oil is expected to pick up by 1.4 mln bpd to 99.27 mln bpd in 2018, the International Energy Agency (IEA) predicts. These are the record growth rates, IEA states. India and China will continue to be the drivers of growth in demand. Oil consumption in these countries is due to healthy macroeconomic conditions and population growth.

- Shale oil production in the US will increase as a result of the extension of the OPEC + agreement on oil production cut, Suhail Mohamed Al Mazrouei, Minister of Energy of the United Arab Emirates, told the journalists. "Shale oil will make comeback, but we have no fears about it. Shale oil will not be able to satisfy the entire growth in demand. And US shale oil producers will not be able to return to the market with the previous volumes," he said.
- Qatar's dominance in the LNG market is being threatened by newly emerging players, including the US and Australia, and Qatar's decision to lift its moratorium on developing new capacity at the North Dome field has sent a clear signal to its competitors that it is prepared to boost gas output from the acreage and increase exports if needed. Meanwhile, according to Interfax Global Gas Analytics, Qatar is becoming more strategic in marketing its cargoes, which will help it maintain its importance as an LNG player. Consequently, the country has become one of the first LNG suppliers in the Middle East and Africa to offer flexible supply contracts, which cater for the needs of price-sensitive customers. Qatar is also taking stakes in LNG import and export projects to boost its flexibility as a supplier.
- Analysts at UBS lowered the forecast for oil prices for the next two years. According to their estimates, this year Brent will cost on average \$56 per barrel against previously expected \$60 per barrel, WTI will cost \$53 per barrel and not \$57.5 per barrel. The forecast for 2017 was worsened for Brent - from \$65 per barrel to \$60 per barrel and for WTI - from \$63 per barrel to \$57 per barrel, according to the Bank's report. Experts expect that in 2017 oil production in the US will increase by 1.2 mln bpd and next year - by 1 mln bpd. As a result, the country will produce about 11 mln bpd by the end of 2018.
- The number of active oil and gas rigs in the world rose in May for the first time in three months, according to the US oilfield services company Baker Hughes. On average in the last month in the world worked 1935 plants vs 1917 in April. In this case the May level 530 more than in the same month in 2016. In the US the number of units in May, up 40 from the prior month and amounted to 893 – the highest since April 2015. At the same time, in Canada the figure declined by 23 to 85 rigs.
- OPEC crude production jumped in May to the record level of 32,08 mln bpd since the beginning of the year, IES reports. Oil production of OPEC member states increased by 290,000 bpd compared with April 2017. The increase has been due to increased production in Libya and Nigeria. At the same time, oil production of non-cartel states decreased by 65,000 bpd as compared with the same period of 2016.
- Global oil supply rose by 585,000 bpd in May to 96.7 mln bpd as both OPEC and non-OPEC countries produced more, according to the EIA. Total output stood 1.25 mln bpd above a year ago, the highest annual increase since February 2016.
- "Qatargas expects to work more closely with Shell in the years to come. "This deal provides Qatargas with access to Shell's gas sales portfolio in the United Kingdom and continental Europe, as well as the flexibility to manage LNG deliveries to our global client portfolio," Khalid Bin Khalifa Al-Thani, Chief Executive Officer, Qatargas, added. The agreement will come into force from January 2019, LNG will be supplied by Qatar Liquefied Gas Company 4 – JV of Shell (30%) and Qatar Petroleum (70%).
- OPEC has retained the world oil demand forecast for this year at 96.38 mln bpd in 2017, according to the organisation monthly report. Total OECD commercial oil stocks fell in April to stand at 3,005 bln barrels. At this level, OECD commercial oil stocks were 251 bln barrels above the latest five-year average. Crude and products stocks stood at a surplus above the seasonal norm of around 171 bln barrels and 80 bln barrels, respectively. In terms of days of forward cover, OECD commercial stocks stood at 64.1 days, some 4.1 days higher than the latest five-year average.
- President Trump announced that the United States would withdraw from the Paris climate Accord. "(This decision was made – INTERFAX) to begin negotiations to re-enter either the Paris Accord or a really entirely new transaction on terms that are fair to the United States, its businesses, its workers, its people, its taxpayers. So we're getting out. But we will start to negotiate, and we will see if we can make a deal that's fair," stated D. Trump. According to D. Trump "Compliance with the terms of the Paris Accord and the onerous energy restrictions it has placed on the United States could cost America as much as 2.7 mln lost jobs by 2025 according to the National Economic Research Associates."
- US Chevron Corp. faced new problems in implementation of the Australian Gorgon LNG project worth of USD 54 bln. Chevron Corp.'s Gorgon liquefied natural gas plant shut a production train for about a month, at least the eighth outage since operations started 14 months ago. Other two production trains are operating normally. "The issue with Train 1 is because they have had these frequent interruptions it creates some uncertainty for Asia Pacific LNG markets," said Wood Mackenzie Ltd.'s Australia analyst Saul Kavonic. "Particularly if it can be shut off at short notice - that can result in less cargoes on the market, which combined with other factors could have an impact on spot pricing in the short term."





- The International Monetary Fund (IMF) expects Kazakhstan's GDP growth to be 4% in 2018, Deputy Chairman of the National Bank Galimzhan Pirmatov has said. "We make four rounds of forecasts at the National Bank [throughout the year]. This year the first was done in February, now we are completing the second round and we hope that by July we will publish its results. Our forecasts show 2.2% for this year and 4.7% for next year, the IMF has [forecasts] - 2.5% for this year and 4% for next year," Pirmatov said during the IMF presentation "Prospects for the Development of the Regional Economy" in Almaty.
- The Atyrau refinery put into operation a 20 MW power generator for the fluid catalytic cracking unit at its deep conversion complex, the company says in a press release. "Construction of a deep conversion unit is the final stage of the Atyrau refinery modernisation project. After the project is complete, the processing capacity of the refinery will increase to 5.5 mln tonnes of crude oil a year from today's 5 mln tonnes. The output of gasoline will increase to 1.745 mln tonnes year, diesel to 1.640 mln tonnes and aviation kerosene to 244,000 tonnes. The Atyrau refinery will start producing K4 and K5 diesel, which is equivalent to the European standards of Euro-4 and Euro-5, the utilisation rate will reach 85%," the press release says.
- To date, Kashagan has produced over 2 mln tonnes of oil and over 1 bln cubic meters of gas, KazMunayGas CEO Sauat Mynbayev has said. "In the near future, two gas injection compressors are to be launched at the oil field in order to increase the volume of daily oil production. If its current rate is 180,000 bpd, then by the end of the year this figure will increase to 370,000 barrels," Mynbayev said in his article entitled "From optimisation to enhancing efficiency and transparency" published in the newspaper Kazakhstanskaya Pravda.
- The European Bank for Reconstruction and Development (EBRD) expects the economy of Kazakhstan to expand by 3.5% in 2018, the banks says in a press release. EBRD affirmed its previous forecast for Kazakhstan's economy growth in 2017 at 2.4%, according to the press release.
- In January-May 2017, Kazakhstan produced 29.862 mln tonnes of crude oil and 5.595 mln tonnes of gas condensate, up 7.9% and 18.9% respectively compared to the same period last year, the Statistics Committee of the National Economy Ministry said. Kazakhstan produced 9.672 bln cubic meters of natural gas in a gaseous form, up 17.3% year-on-year. Associated petroleum gas output increased 15.1% to 12.239 bcm.
- Aksai-based Condensate JSC, Western Kazakhstan, commissioned a vacuum distillation unit (VDU) and produced first oil tar and vacuum gas oil, company's general director Eduard Dzhunusov told Interfax-Kazakhstan. "The construction of the VDU plus 16 km of pipelines and seven tanks with the total capacity of 4,000 cm lasted about a year," Dzhunusov said. The VDU capacity is 250,000 tonnes of products per year. "The unit has already produced 1,000 tonnes of oil tar and about 2,500 tonnes of vacuum gas oil. We plan gas oil exports to the refineries of Kazakhstan, Russia and other countries. The first export supply of gas oil is on its way to Finland," Dzhunusov said.
- Kazakhstan's Energy Ministry, the Geology and Subsoil Use Committee of Kazakhstan's Ministry for Investment and Development and a group of international companies – interested participants in the international project Eurasia, including KMG-Eurasia LLP, Agip Caspian Sea BV, RN Exploration LLC, CNPC International Ltd., SOCAR, NEOS Geosolutions, signed a memorandum of understanding with the aim of concluding a contract for geological exploration of the Caspian Depression in accordance with the Kazakh legislation, the press office of the Energy Ministry said on 21 June. "Taking into account the fact that part of the Caspian Depression is located on the territory of the Russian Federation, the authorized bodies of Kazakhstan and Russia have expressed their intention to exchange geological and geophysical information and coordinate their activities in terms of unifying the methodology for conducting the Caspian Depression study," the Energy Ministry said.
- Kazakhstan's GDP grew 4.1% in January-May 2017, Minister of National Economy Timur Suleimenov said.



## **TAXATION**

### **Customs Code of the Eurasian Economical Union**

The member-states of the Eurasian Economic Union (hereinafter – the “EEU”) signed an agreement on the new Customs Code of the EEU. The new Customs Code of the EEU will replace the current Customs Code of the Customs Union and international agreements on customs regulation issues concluded earlier. The new Customs Code will come into force after the Eurasian Economic Commission receives notifications on ratification of the agreement from the five member-states, but not earlier than 1 July 2017.

### **Excise Taxes on Diesel Fuel**

A governmental resolution introduced changes to the application periods of the excise tax rates on diesel fuel. Previously, the lowered excise tax rates on diesel fuel applied from November to March. According to the amendments, the reduced excise tax rates on diesel fuel apply from November to May. The rates will stay the same. The amendments came into force on 1 April 2017.

### **Electronic VAT Invoices**

An order of the Minister of Finance approved new rules for circulation of electronic VAT invoices. The main changes include:

- An option to register a VAT invoice issued earlier in paper format in the electronic VAT information system by indicating the date of the paper VAT invoice that is earlier than the date of uploading the invoice to the electronic system;
- An option to issue an electronic VAT invoice by an attorney (operator) on behalf of the principal or on behalf of participants to a joint activity;
- Indication of each participant’s share in a joint activity;
- Introduction of general classifiers for the terms of delivery and departure, country of destination of goods/services;
- An option to indicate that a deal is made “without a contract;”
- A requirement to indicate the goods line number in the customs declaration not only for goods imported from third countries, but also for goods imported from the EEU (goods line number in the Statement on Import).

The new rules will come into effect on 1 October 2017. As the new rules enter into force, the current rules adopted in 2015 will ceased to be valid.

### **In-Kind Fulfilment of Tax Liabilities**

A governmental resolution approved rules for the execution of tax liabilities via payment of taxes in-kind. The rules establish a procedure for the determination of the volume and value of minerals, and procedure for realisation of minerals supplied by subsoil users to execute the tax liabilities related to:

- mineral extraction tax;
- rental tax on exports of crude oil and gas condensate;
- royalty;
- share of the Republic of Kazakhstan under a production sharing agreement.

The resolution came into force on 6 March 2017 and extends to relationships arising from 1 January 2016. The previous rules are recognized as null and void.

## Top 10 Oil Reserves Countries (bln barrel)

Nº	Name of country	2016	2015
1 (1)	Venezuela	309,9	300,9
2 (2)	Saudi Arabia	266,5	266,6
3 (3)	Canada	171,5	172,2
4 (4)	Iran	158,4	157,8
5 (5)	Iraq	153,0	143,1
6 (6)	Russia	109,5	102,4
7 (7)	Kuwait	101,5	101,5
8 (8)	UAE	97,8	97,8
9 (10)	Libya	48,4	48,4
10 (9)	USA	48,0	55,0
12 (12)	Kazakhstan	30,0	30,0
	<b>Total world</b>	<b>1706,7</b>	<b>1697,6</b>

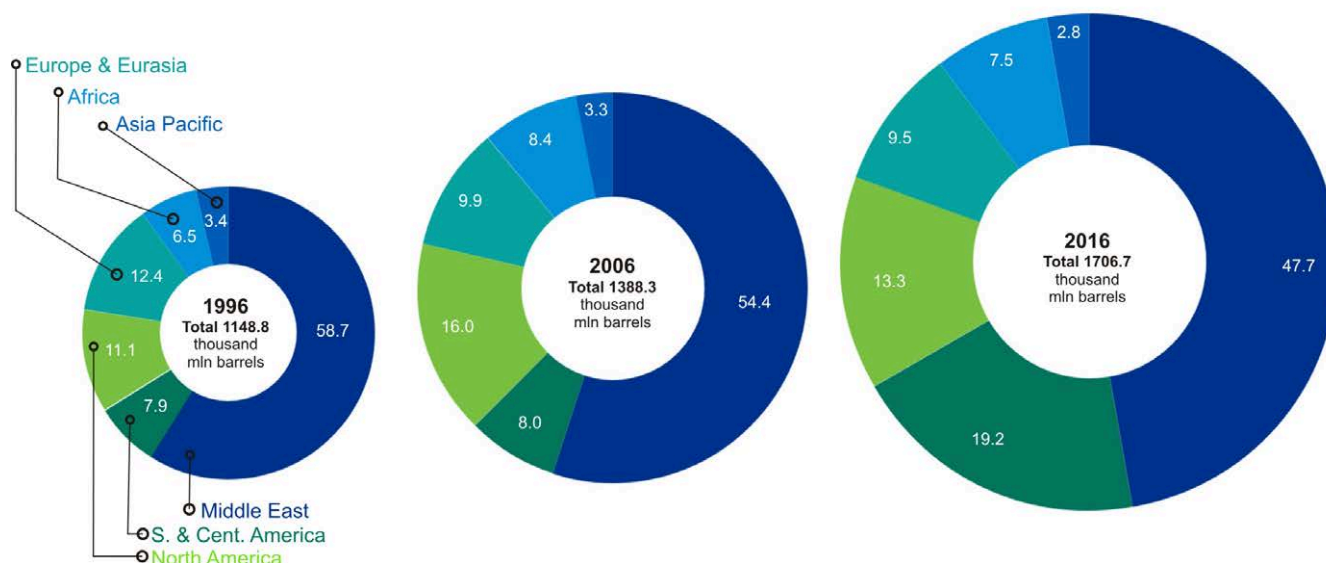
## Top 10 oil producing countries, 2016

Nº	Name of country	mln tonnes
1	Saudi Arabia	585,7
2	Russia	554,3
3	USA	543,0
4	Iraq	218,9
5	Canada	218,2
6	Iran	216,4
7	China	199,7
8	UAE	182,4
9	Kuwait	152,7
10	Brazil	136,7
16	Kazakhstan	79,3
	<b>Total world</b>	<b>4382,4</b>

## Top 10 Oil consuming countries, 2016

Nº	Name of country	mln tonnes
1	USA	863,1
2	China	578,7
3	India	212,7
4	Japan	184,3
5	Saudi Arabia	167,9
6	Russia	148,0
7	Brazil	138,8
8	South Korea	122,1
9	Germany	113,0
10	Canada	100,9
	<b>Total world</b>	<b>4418,2</b>

## Distribution of proved reserves in 1996, 2006 and 2016 (%)



Source: <http://www.bp.com/content/dam/bp/en/corporate/pdf/energy-economics/statistical-review-2017/bp-statistical-review-of-world-energy-2017-full-report.pdf>

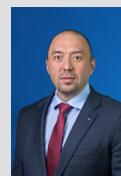
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