



Kazakhstan: Power Generation and Distribution Industry

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Summary

- The forecast for 2013 and 2014 power generation outputs are 93.76 and 97.91 billion kilowatts per hour (kWh), respectively.
- In 2012, electric power production rose by 4.6%. Kazakhstan produced 88.1 billion kilowatt hour (kWh) in 2011 and 90.5 billion kWh in 2012.
- Kazakhstan's power generation sector is projected to boost total capacity to 124.5 billion kWh by 2015, With an average annual growth rate projected to be 4.4%.
- Kazakhstan plans to attract approximately \$21 billion of investment in electric power development by 2015.
- 75% of power is consumed by industry, 11% by households, and 2% by transportation.
- Kazakhstan is looking for ways to use renewable energy sources. Wind power and hydropower are the most promising options. Currently, only 0.5% of power is generated from renewable energy sources in Kazakhstan. The Electric Power Industry Development Program requires that 1% or 1 billion kWh of power per year are generated from clean energy sources by 2016.

Industry Overview

Kazakhstan's power generation industry has undergone a challenging and painful post-Soviet transformation. The production and consumption of electricity in Kazakhstan fell significantly following independence in 1991. An aggressive privatization program followed this, with state involvement in a few generation companies. Robust economic growth during the early 2000's helped boost generation, but the financial and economic crisis caused a decrease in electricity generation as well as consumption due to production stagnation in metallurgical plants and the construction industry. In 2010, power generation and consumption began to rise again and in 2011, power generation increased by 5.2% while consumption also jumped. In 2012, electric power rose by 4.6%. Kazakhstan produced 88.1 billion kilowatt hour (kWh) in 2011 and 90.5 billion kWh in 2012, a 4.5% increase from 2011, which should, in theory, have been sufficient to satisfy the country's annual consumption of 90 billion kilowatt hours (kWh) of electricity.

According to the Ministry of Industry and New Technologies, Kazakhstan hopes to produce 150 billion kWh of electricity by 2030. It is estimated that Kazakhstan will produce approximately 98 billion kWh by 2014, but consume 96.8 billion kWh.

The majority of Kazakhstan's generating capacity, however, is in the northeast of the country while the southeast is the main power consumer. While north-south connections for the transfer of power exist, they are insufficient to supply southern demand. Kazakhstan also lacks sufficient generating capacity in the west and relies on Russian imports to overcome deficits there. Furthermore, Kazakhstan's electricity sector is unable to regulate its generating frequency — i.e. to manipulate its generating capacity to meet increases in demand during peak loads or supply disruptions. Therefore, the country needs to import electricity not only to offset supply gaps, but also to regulate frequency. Energy trade is not a one-way proposition, however, as Kazakhstan is also a significant exporter of energy to Russia, Kyrgyzstan and Uzbekistan. The bi-directional nature of electrical power trade reflects both variations in seasonal energy supply/demand as well as the legacy of a Soviet-era grid that was built without respect to modern-day national boundaries. Soviet power planners, for example, established the northern Kazakhstan city of Pavlodar as the primary energy-producing hub for a region that straddles the current Kazakhstan-Russia border.

Kazakhstan power generation and consumption in billion kWh

	2007	2008	2009	2010	2011	2012	2013 (est.)
Kazakhstan power generation	78.9	80	78.4	82.3	88.1	90.53	93
Kazakhstan power consumption	76.9	80	77.9	83.8	88.1	88.6	89

Source: Kazakhstan Statistic Agency

The electric power industry remains a key factor in Kazakhstan's industrial development and economic growth as electric power generation accounts for about one-tenth of all industrial output. The government of Kazakhstan has developed an action plan for electric power development up to 2030, which includes a list of proposed power plants for modernization or reconstruction as well as the construction of new facilities. The country's power generation sector is projected to boost total capacity to 98 billion kWh by 2014. However, equipment in existing electric power plants will only allow an increase in energy production to 93 billion kWh. Therefore, the country plans to modernize existing facilities and construct new power plants in order to meet consumer demand and increase its export potential and reserve capacity.

Financing for new generation facilities remains questionable. In July 2012, amendments to the Law on Electricity came into effect, which permitted changes to wholesale tariff structure. These amendments to the law require generators to have an investment agreement with the Ministry of Industry and New Technologies and to reinvest 100% of profits into either new infrastructure development or upgrades.

At the same time, the construction of new power plants and the expansion of power distribution networks are being discussed and will likely be implemented in the medium term. Some observers project steady growth in the market for a wide range of power generation and distribution equipment.

The slow pace of development of Kazakhstan's electricity generation and distribution network is of increasing concern, given the rapid growth in the economy and the subsequent increase in energy demand. Electricity generation is expanding by approximately 5% annually, with consumption growing at a slightly faster rate, but the country's generating stations are working at only 65% capacity, due to a lack of investment. The development of nuclear energy, which would make use of Kazakhstan's uranium resources, is one proposal favored by the government. Both Russia and Japan have expressed interest in working with Kazakhstan to construct a nuclear power station, possibly in Aktau on the Caspian coast. In the meantime, Kazakhstan is likely to become increasingly reliant on imports of electricity from its neighbors, the Kyrgyz Republic in particular, where Kazakh companies are seeking to invest in the construction of new hydropower plants.

In May 2013, Deputy Minister of Industry and New Technologies Kanysh Teleushin announced that the government is developing a new state energy program, called 'Energy Efficiency 2020', which aims to reduce energy consumption in the country. The plan incorporates nine areas, including energy-efficient enterprises, energy-efficient construction and transport, an energy-efficient society, as well as the innovative energy sector. The plan proposes legislation to introduce a norm for the mandatory reduction of energy consumption in industrial facilities by three percent annually, in order to reduce annual energy consumption by 10% by 2020.

There is considerable potential in renewable power generation, and the government expects the total share of renewable power generation to rise to 11% by 2030. In November 2012, French-based Fonroche Energie SAS signed an agreement with Kazakh ZhambylGidroEnergo to build a 2,000MW solar plant in the country, with construction set to begin in 2013. The government plans to create 1,040MW of renewable energy capacity by 2020. Also, Kazakhstan's government is aiming to provide attractive conditions for a transition to the 'green economy', and are developing new laws aimed at supporting investments in the renewable energy development sector.

Currently, the electric power sector has three levels of transmission networks including interregional, regional, and local networks. Interregional networks include high voltage

lines (1150, 500 and 220 kW) transmitting energy from producers to the largest regional networks and users. Regional level networks include 220 kW lines transmitting energy from interregional substations to smaller end-users and redistribution (wholesaler) enterprises. Local networks have lines supplying energy to individual end-users and households.

Kazakhstan has 68 power plants including five hydroelectric power stations; giving the country an overall installed generating capacity of 19.8 gigawatts (GW). Almost 80% of the country's power generation comes from coal-fired plants located in the northern coal producing regions. Kazakhstan's hydroelectric facilities are located primarily along the Irtysh River, which flows from China across northeast Kazakhstan.

Major power plants

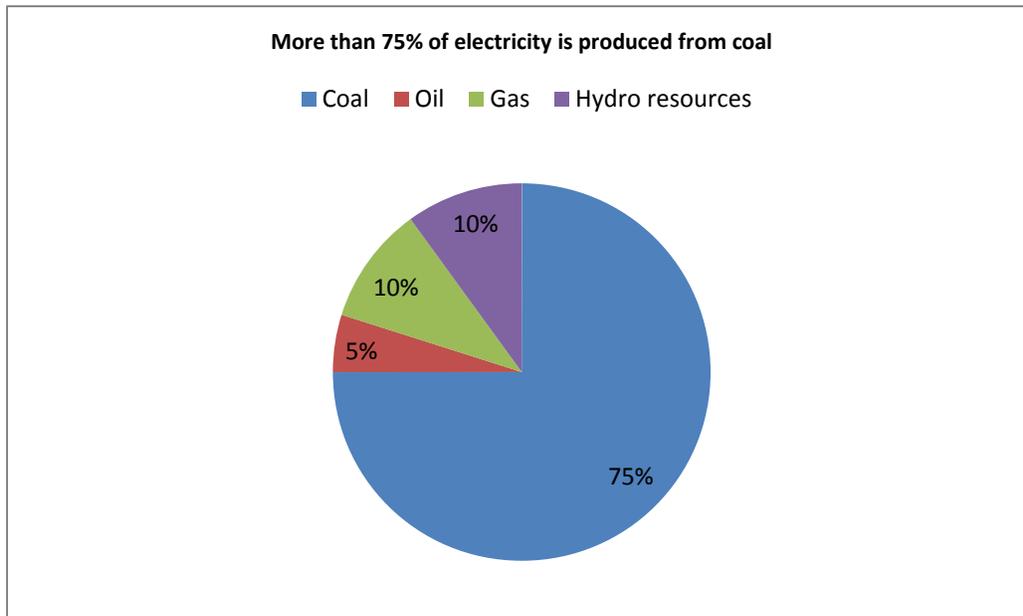
Power Station	Owner	Production in GWh	% of total production
Aksu Power Plant	ENRC	13,478	17.18
Ekibastuz PP-1	Kazakhmys-Samruk-Kazyna	10,319	13.16
Karaganda PP-2	Kazakhmys-Samruk-Kazyna	4,479	5.71
Ekibastuz PP-2	Samruk Energo	4,474	5.70
MAEK TPP 2-3	KazAtomProm	4,019	5.12
Almaty Power	KazTransGas	3,457	4.41
Temirtau TPP	Arcelor Mittal	3,000	3.82
Petropavl TPP-2	AccessEnergo	2,377	3.03
Astana TPP1-2	Astana-Energy	2,349	2.99
Karaganda PP1-3	Karaganda Energo Center	2,252	2.87
Bukhtyrma HPP	Kazcink	2,170	2.77
Shulby HPP	AES	1,486	1.89
Oskemen HPP	AES	1,350	1.72
Jambyl PP	Samruk Energo	1,348	1.72
Shymkent TPP1-3	Energoortalyk	884	1.13
Aktobe Ferroalloy Station	Kazchrome	806	1.03
Shardary HPP	Samruk Energo	530	0.68
Other stations	-	19,656	25.06
Total	-	78,434	100.00

Source: Korem, ATFBank Research



Kazakhstan's electric power is predominantly generated from coal the huge coal deposits of northern and central Kazakhstan where the largest power plants are located. These regions satisfy their own power needs and have the potential for surplus electricity that can be offered to the internal and external power markets.

Sources of electric power generation, %



Source: ARKS, ATFBank reserach

The decade-long decline in Kazakh electricity consumption has come primarily at the expense of thermal power, while consumption of hydroelectric power has remained constant. As a result, hydropower now accounts for almost 10% of Kazakhstan's electricity consumption, more than twice its percentage in 1992. This makes the Irtysh River, which starts upstream in China's Altai Mountains, increasingly important as a source of hydropower. Kazakhstan and China have held joint negotiations on management of the Irtysh River since 1999 when there was a dispute over water rights and management.

Overall, 94% of Kazakhstan's gas turbines, 57% of its steam turbines, and 33% of its steam boilers have been in use for more than twenty years. Electricity transmission networks are inefficient with losses during transmission and distribution estimated at approximately 15% of energy produced, although the actual number may be higher.

Kazakhstan's power generation system may be divided into three large regions as follows:

Northern and Central Region

This region includes the Akmola, East-Kazakhstan, Karagandy, Kostanay and Pavlodar areas. The power industry of these areas is incorporated in a uniform network and is closely connected with the power supply system of the Russian Federation. The largest energy-supplying facilities of Kazakhstan - Ekibastuz SDPS–1 and SDPS–2, Aksu SDPS, Karaganda Heat-Electric Generating Station (HEGS)–3, Ust-Kemenogorsk HEGS, and Shulbinsk Hydroelectric Power Station (HPS) - are located in the Northern and Central region. The majority of electric power generation falls on the Ekibastuz Power Station (up to 4000 megawatts). In connection with significant coal deposits, the coal electric power industry prevails in this region. The Northern and Central region produces more than enough electric power and also has the potential for exporting.

Ekibastuz power plant, jointly owned by the copper mining company Kazakhmys and the state investment fund Samruk Kazyna, is expected to spend \$1 billion on capacity upgrades. Production capacity will increase to 4 GWh by 2017 from the current 2.4 GWh. Kazakhmys already announced plans to spend more than \$160 million on the refurbishment of the power plant and capacity increase to 3GWh by 2013. From 2007 to April 2012, approximately \$498 million was invested into the refurbishment of Ekibastuz GRES-1, and an additional \$14.72 million will be invested through 2015.

Southern Region

This region includes Almaty, Zhambul, Kzyl Orda and South-Kazakhstan areas and is closely connected with Kyrgyzstan's and Uzbekistan's power systems. As there are no native fuel sources here, yet large power stations, the region depends on electric power imported from neighboring countries. In 1998, in order to settle this problem, construction was finished on the Ekibastuz-Nura-Agadyrj-SKSRES-Almaty transit electric line with a 500-kilovolt (kV) capacity. This line connects the Southern region with Northern and Central Kazakhstan. It allowed these regions to become independent of energy imports from Central Asian countries. At the end of 2004, the construction of the "North-South", a second main line, was announced. The amount of the project was estimated at \$295.6 million. In September 2009, the new 500 kV transmission line for North-South Kazakhstan Transit was completed. This breakthrough project for construction of 1,117 km lines was completed by KEGOC ahead of schedule and became a major milestone for implementation of the Kazakhstan energy independence policy. The doubled capacity of the new lines (from 630 to 1,350 MW) significantly increased power availability to consumers of Kazakhstan's National Power Grid in the south zone in the subsequent winter period and prevented a sharp increase of electricity tariffs in Almaty Oblast. The new line will not only cover the energy needs of southern Kazakhstan, but also will be a transit line.

Western Region

This region includes the Aktobe, Atyrau, West-Kazakhstan and Mangystau areas. It is closely connected with the Russian power system. Except for the Aktyubinsk area,

whose electric industry works separately, all the areas are joined by a common electric network. Despite significant stocks of hydrocarbon raw materials, the region does import some electric energy from Russia. There are plans to establish new energy-producing stations in the region in order to cover their own needs and to export energy abroad. In 2009, the new 500 kV Zhitikara-Ulke transmission line L-5740 was put into operation by the Kazakhstan Electricity Grid Operating Company (KEGOC).

This interregional 500 km line was constructed based on the private-public partnership under the 30 Corporate Leaders State Program. Owing to the successful implementation of this breakthrough project, the consumers of Aktobe Oblast gained access to cheap electricity from domestic power sources and became independent from cross-border supplies.

Nuclear Power

While Kazakhstan's huge oil producing potential often grabs headlines, many are unaware that the country possesses 25% of the world's uranium reserves. These reserves are so vast that experts have said they could power the entire world's nuclear energy needs for the next 50 years. Kazakhstan became the world's biggest uranium producer in 2009, with full-year production of 13,900 metric tons of uranium in 2010, according to the national nuclear power company, Kazatomprom. Kazakhstan has the second largest reserves of uranium, trailing Australia.

Kazakhstan's sole nuclear power plant, the 90-MW Mangyshlak Nuclear Power Plant at Aktau, was shut down in April 1999 and sold in April 2003 by the government to Kazatomprom, the national nuclear power company. Kazatomprom, which has exclusive rights to the production and sale of Kazakhstani plutonium, plans to maintain and run the plant's thermal generators and water distribution facilities for regional consumption. According to press reports, the Kazakhstani government is still considering the construction of a new nuclear plant by 2020. Currently, Aktau Nuclear Power Plants (NPP) is conducting the feasibility study for the VBER-300 reactor. The type of the reactor has been selected; it is a pressurized water reactor of 300 Mw. According to the project, NPP is designed to have two blocks and the launch of the first one is slated for 2016. A pilot HTGCR (High Temperature Gas Cooled Reactor) will be built in 2018 under the agreement signed with Japanese experts in Kurchatov city.

In 2011, Kazakhstan's Ministry of Industry and New Technologies adopted a new law "On the Use of Atomic Energy". This law defines the legal foundation and principles for regulating public relations in the field of the use of atomic energy and is aimed at protecting people's health and lives, protecting the environment, and ensuring the non-proliferation of nuclear weapons and radiation safety in using atomic energy. Also, the Ministry developed a program on "Kazakhstan Nuclear Industry Development for 2010-2014 and Further Development Prospects until 2020," which targets the following four areas: nuclear power, nuclear industry, the fundamental and applied nuclear sciences, and health and environmental protection.

Serik Akhmetov, Prime Minister of Kazakhstan, made a promise in the presentation about the development in Kazakhstan that by 2030, 4.5% of Kazakhstan's total power generation will come from nuclear power plants. Asset Isekeshev, Minister of Industry and New Technologies, confirmed the plan, but has emphasized the fact that these are long-term goals and that much thought and planning will have to go into them before any solid decisions are made about the reactors. Nonetheless, there is speculation that Lake Balkhash in eastern Kazakhstan is a likely location for a plant based on advanced boiling water reactor technology. Safety, however, remains one of the most significant considerations in the project.

According to the Green Economy Concept, nuclear energy will account for 7%-8% of Kazakhstan's total electricity generation in 2030-2050. Minister of Environment Nurlan Kapparov, at a briefing in Astana in June 2013, presented the 2050-concept of "green economy." It is expected that the total installed capacity of Kazakhstan's nuclear power plants will reach 1.5 GW in 2030 and 2 GW by 2050.

Transmission and Distribution

Kazakhstan's electricity transmission and distribution system is divided into three networks. The two in the north are connected to Russia, and the one in the south is connected to the Unified Energy System of Central Asia. One of the problems in Kazakhstan's power sector is a high amount of transmission and distribution losses. It is estimated that at least 15% of all energy produced is lost due to technical factors. The electricity grid is receiving assistance from the World Bank and the European Bank for Reconstruction and Development (EBRD). State Kazakhstan Electricity Operating Company (KEGOC) completed implementation of the major components for the Kazakhstan Electricity Transmission Rehabilitation Project Phase I, and launched Phase II.

In 2013 KEGOC approved a long-term investment strategy, under which \$3.5 billion will be invested by 2025. KEGOC has embarked upon several projects, including the rehabilitation of substations, transmission lines and other equipment, as well as building a substation near Almaty and power lines to the Moinak power plant. KEGOC is considering building a 500 kilovolt north-south power line and transmission lines in order to connect the west Kazakh regions of Uralsk, Atyrau and Mangystau to the national grid.

Key Power Projects in Kazakhstan

Table: Major Projects - Power						
Project Name	Value (US\$m)	Capacity/Length	Companies	Timeframe	Status	
Hydro Power Plant	728	254MW	China Gezhouba Group Co	2010-2013	Contract signed (December 2010)	
New generator - Kazakhstan aEUs Ekibastuz GRES-2	385	500MW	Eurasian Development Bank (EBD)	2010-	Loan agreed	
Kurchatov experimental nuclear plant	500	50 MW	na	2010-2018	At planning stage	
Karasu biogas plant; 4800 kilowatts/day	2	na	Karasu Trade and Industrial	na	Project announced	
Gres - I power plant renovation	na	4000MW	NTPC Ltd.	na	NTPC doing due diligence	
Balkhash thermal power plant (BTTP)	2100	1,320MW	Samsung Engineering (EPC contract); Samruk Energy, Korea Electric Power Corp., Samsung C&T Corp.	2012 - 2018	Contracts signed	
Upgrade Moinak transmission lines	na	220kV	na	na	Bids sought	
North-South Power Line aEU" Stages 2 and 3	347	500kV	Kazakhstan Electricity Grid Operating Company JSC (KEGOC)	na	Inaugurated	
Nuclear power plant, Aktau	na	300MW	na	2010-2020	Feasibility study underway	
Modernisation of Astana aEUs transmission networks	31.2	na	AstanaEnergoservice	2010-	Loan secured from EBRD	
Hydropower plants (various)	1320	5MW-60MW	Pure Nature Energy i	2011-2021	Plans announced	
Power transmission lines (327km)	46	220kV	Korea Electric Power Corp., Hyundai Corporation and Hyundai Engineering	Construction is due for completion in October 2011	Under construction	
Solar panel manufacturing plant in Astana	226-233	na	Kazatomprom	2011-	Planning Stage	
Wind farm	na	na	Chevron	na	Project announced	
Kandyagash gas power plant	200	na	Kandyagash GTPP	na	Under construction	
Kambarata-1 hydropower plant	1700	2000MW	na	Q2 2013-2021	Feasibility study to be completed in Feb 2013	
Astana wind power plant	153	na	na	2013-2020	At planning stage	

Source: BMI Key Projects Database. na=not available.

Kazakhstan has many renewal and development projects planned ahead as well as completed. One large successful construction is the 300 MW Mainakskaya GES that has been working since late December of 2011. The restoration of the power block No.8 in Ekibastuz GRES-1 was completed on July 3rd, 2012. Regarding the construction of a third power block at Ekibastuz GRES-2, 6.9% of the cost of the project has been financed in 2012. On December 29th, 2012 the Kordai district commissioned the first industrial solar power plant in Kazakhstan. The funding came from private investments, but the plant is connected to the state electric lines and can generate power into the whole system of the country. The first part of the construction of the solar energy plant "Otar" was near \$1.33 million. In addition, Kazakhstan plans the construction of a new nuclear power station near Lake Balkhash with three units of 640 MW costing \$2 billion each. The nuclear plant will supply Almaty with energy and export electric power to China and Central Asian countries.

Kazakhstan is considering building a 560-mile (900 kilometer) transmission line to export power from Ekibastuz to Urumqi (China) in order to increase its electricity exports. The attractiveness of exporting power for Kazakhstan is that the wholesale electricity price in China is 5-10 times higher than Kazakhstan's current production cost, with future costs expected to drop upon the completion of its planned generating facilities. The government has recently completed the construction of Moinak HPS (capacity 300 Megawatt) and is continuing work on Kerbulak HPS (capacity 50 Megawatt), one on the Aksu River (capacity 235 Megawatt), and one on the Tejtek River (capacity 390 Megawatt) in the Almaty region.

The basic purpose of these projects is to decrease the Southern region's dependence on electric energy imports from Kyrgyzstan and Uzbekistan. Only by attracting private capital will construction and modernization projects of hydropower stations be realized. In particular, financing of some large projects will be carried out due to a special financial tool - design bonds. Bonds will be issued under the guarantee of the Government of Kazakhstan and the Bank of Development of Kazakhstan "KazKuat", a specially established state company, will act as the operator of HPS construction. "KazKuat" will govern questions of HPS construction and attract investments under Government guarantees.

Kazakhstan has significant resources of hydrocarbons with deposits concentrated in the west. However, at the same time, this region still imports electric energy from neighboring Russia. In relation to this, local authorities and oil companies are undertaking measures to create their own power supplies. Primary focus is on the construction of a gas-turbine power station (GTPS) which will utilize local gas. Thus, two purposes can be achieved at once: on the one hand, solving the problem of passing gas recycling, and on the other, an additional energy supply. The most significant projects in this area will include: construction of gas-turbine installations (GTI) with 48 Megawatt capacity at the Aktobemunaygas industrial complex; start of the Tengizchevroil Ltd gas-turbine power station with 144 Megawatt capacity, completely covering the needs of the

Tengiz oil-and-gas complex; and construction of GTI at the Kumkol (Kzyl Orda area) developed by Petro Kazakhstan Inc. and with a capacity up to 200 Megawatts.

Investments in the industry

In order to support annual GDP growth and electricity consumption at the level of 6-7% and 4-5% respectively, Kazakhstan must annually construct 600 Megawatts worth of new plants and modernize 500 Megawatts worth of existing plants. Currently, approximately 70% of all equipment in power plants is deteriorated. 65% of power equipment has aged more than 20 years, 31% - more than 30 years. Villages suffer the most from deteriorated energy networks. In general, over the next five years there are more than 320 investment projects planned, of which there will be an addition of 142 new business investments worth more than \$5 million this year. Annual investments in the first 5 years should equal \$2 billion, and then \$1.3 billion in subsequent years.

In order to achieve long-term economic development in Kazakhstan, in October 2012 the government outlined its plans to invest up to \$63 billion to boost power generation capacity over the next 20 years. Although it will seek to divert its energy mix away from its current reliance on coal, coal will remain the dominant source of energy in the country. Samruk Energo, the power generation arm of state holding company Samruk Kazyna, proposed a master plan for development of the energy industry which plans to increase power generation capacity by 62% by 2030. Investment projects will be executed by Ministry of Industry and New Technologies, Samruk Kazyna, and KEGOC.

Statistical Data

Electric Power Equipment Demand in millions of US dollars

	2007	2008	2009	2010	2011	2012	2013 (est.)
Total Market Size	930	1010	920	760	775	796	845
Total Local Production	170	150	120	90	90	96	95
Total Exports	11	6	10	6	6	5	5
Total Imports	760	860	800	670	685	700	750
Imports from the U.S.	58	70	80	60	80	85	85

Figures are unofficial estimates, partially sourced from the Statistics Agency of the Republic of Kazakhstan.

Best Prospects

Overall, 94% of Kazakhstan's gas turbines, 57% of its steam turbines, and 33% of its steam boilers have been in use for more than twenty years. Electricity transmission networks are inefficient with losses during transmission and distribution estimated at approximately 15% of energy produced, although the actual number may be higher. At the same time, construction of new power plants and the expansion of power distribution networks is being discussed and is likely to be implemented in the medium term. Some observers project steady growth of the market for a wide range of power generation and distribution equipment. Major electrical power equipment end-users can be classified by types of companies: power generation, electricity distribution and transmission companies.

Major categories of goods imported by the electric power generation sector include fuel elements (non-irradiated), liquid dielectric transformers, inverters, parts for transformers and inverters, and vapor-generating boilers and parts. Considering the overall remodeling of KEGOC's systems and development of the new power generation plants, it is likely that demand for IT support, management, and communications systems will grow.

U.S. companies will need to be prepared for competition from Russian, German, Chinese, Japanese and Korean companies that have acquired strong positions in the market and sometimes are entitled to tax breaks and other preferential treatment (particularly when they qualify as investors and not only as importers). Attempts to sell equipment for the power generation sector are more likely to be successful if based on a strategic approach to the market and accompanied by appropriate training, servicing, and consulting programs. The ability of U.S. suppliers to secure project financing is also key factor.

Market Entry

The best way to enter the Kazakhstani market is to establish a local presence, which is a crucial component of doing business in Kazakhstan for contacts and after-sales service. At a minimum, companies should establish a representative office in country. Representatives in the energy sector emphasize that it is not enough to work through a local distributor. Finding a reliable, credit-worthy partner in Kazakhstan requires due diligence, caution, and attention to a potential partner's achievements and reputation. U.S. firms are advised to verify trade references offered by potential partners, check banking records and correspondent account capability with Western banks, and verify the personal *bona fides* of key company officers. Local companies in Kazakhstan are sensitive to pricing and contract financing terms. That is why when entering the market it is necessary to balance sales opportunities with the risk of non-payment. It is advisable to start transactions on a full prepayment basis. Generally, payment terms for construction equipment and materials are between 30-60 days. A trading relationship

should be developed over time. Project financing opportunities offered by a U.S. company will increase the likelihood and potential amount of transactions.

U.S. companies in Kazakhstan use a combination of marketing methods including distributing or direct sales, working through a countrywide distributor or agent, working through more than one local-area distributor or agent, and/or distributing or selling products directly from a warehouse. Distribution channels still require extensive training/service support, and project financing such as leasing schemes for equipment.

Market Issues & Obstacles

Kazakhstan is a land locked country; therefore transportation costs are considerably high. Neighboring China is also an issue because local companies are price sensitive and prefer to purchase construction materials and equipment made in China. Also, licensing can be an obstacle to investment and trade in Kazakhstan. In compliance with the Law on Licensing, many economic activities are subject to licensing and there is an extensive list of goods that are subject to this requirement in cases of import or transit through the territory of Kazakhstan. Licensing procedures are often slow and non-transparent representing an added cost to doing business in Kazakhstan. As of January 1, 2010 Kazakhstan became a member of the Customs Union with Russia and Belarus, which impacts custom tariffs for all equipment imported from other countries.

Trade Events

Power & Lighting Astana 2014

9-11 April 2014

Venue: Korme Exhibition Center

Astana, Kazakhstan

Organizer: ITECA

<http://www.biztradeshows.com/trade-events/power-lighting-astana.html>

KazAtomExpo 2014

4th Kazakhstan International Nuclear Power & Nuclear Industry Exhibition and Conference

8-10 April 2014

Venue: Korme Exhibition Center

Astana, Kazakhstan

Organizer: ITECA

<http://expokz.all.biz/en/kazatomexpo-expo10460#>

KAZENERGY Eurasian Forum 2014

9th KAZENERGY Eurasian Forum

7 -8 October 2014

Palace of Independence
Astana, Kazakhstan
Organizer: KazEnergy, ITECA
<http://kazenergyforum.com/>

Kazakhstan International Oil & Gas Exhibition and Conference (KIOGE) 2014

30 September-3 October, 2014
Venue: Atakent Exhibition Centre and Intercontinental Hotel
Almaty, Kazakhstan
Organizer: ITECA
<http://www.kioge.com>

Resources & Key Contacts

- Samruk Energo: <http://www.samruk-energy.kz/>
- Alatau Zharyk Company: www.azhk.kz
- Kazakhstan Electricity Association: <http://www.kea.kz/eng/>
- Kazakhstan Electricity Grid Operating Company: <http://www.kegoc.kz/>
- Kazakhstan Operator of Electricity Market: <http://www.korem.kz/>
- KazTransGas: <http://www.kaztransgas.kz/>
- KazAtomProm: <http://www.kazatomprom.kz/>
- Ministry of Oil and Gas of Kazakhstan: <http://mgm.gov.kz/>
- Moynak hydroelectric power station: <http://www.moynak.kz/>
- Balkhash combined heat and power station: <http://www.btes.kz/>
- Ministry of Industry and New Technologies of Kazakhstan:
<http://www.mint.gov.kz/start.html>
- BMI Kazakhstan Power Report: www.businessmonitor.com
- Energy Efficiency and Renewable Energy Consulting:
http://www.energypartner.kz/index.php?option=com_content&view=article&id=23&Itemid=32&lang=en
- U.S. Energy Information Administration:
<http://www.eia.gov/countries/cab.cfm?fips=KZ>

For More Information

The U.S. Commercial Service in Almaty, Kazakhstan can be contacted via e-mail at: Azhar.Kadrzhanova@trade.gov; Phone: +7 (727) 250-76-12, Fax: +7 (727) 250-07-77 or visit our website: www.export.gov/kazakhstan

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