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Reformation of the Gas Market in Kazakhstan: Major Problems and Legal Aspects

Abstract

This article examines the key problems domestic gas market in Kazakhstan faces right now and analyses, among other issues, current and future gas market designs as well as third-party access (TPA), unbundling, gas pricing and pipeline tariff setting regulation. In addition, article identifies that liberalization can help national gas market of Kazakhstan to become more openly competitive and get prepared for imminent launch of the common gas market of the Eurasian Economic Union (EAEU) in 2025, however, it seems that government of Kazakhstan still lacks clear understanding on what shall be the new target model for domestic gas market and what reforms are needed for these purposes.

Current gas market design

Kazakhstan gas sector has vast potential as recoverable gas reserves in Kazakhstan are approved at the level of 3.9 trillion cubic meters, which is 1.7% of the world's gas reserves. A significant part of natural gas resources is concentrated in Atyrau region (43%), Mangistau region (29%) and West Kazakhstan region (19%). According to the Statistics Committee of the Republic of Kazakhstan, the volume of natural gas production in 2018 in physical terms amounted to 55.5 billion cubic meters, in 2017 – 52.9 billion cubic meters, in 2016 – 46.7 billion cubic meters. Natural gas production in 2016–2018 increased by 18.8% (by 8.8 billion cubic meters). Natural gas exports from Kazakhstan in January 2019 in physical terms amounted to 3.1 billion cubic meters. The main buyers of natural gas are China, which accounts for 36% (1.1 billion cubic meters), Russia – 16% (888.1 million cubic meters) and Ukraine – 18 % (566.9 million cubic meters).

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