

The background of the slide is a large, stylized flame graphic. It features a vertical gradient from yellow at the bottom to orange and red at the top. The flame is composed of several overlapping, curved shapes that create a sense of movement and heat. The overall color palette is warm and energetic.

DOES KAZAKHSTAN NEED A 4TH REFINERY?

Material for consideration

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CONTENTS

Summary

Introduction

1. Demand for light petroleum products in the Republic of Kazakhstan: current situation and forecast for the future

1.1. Analysis of the dynamics of demand and the factors controlling its formation in 2011–2015

1.2. Forecast of demand for the period to 2030: an inertial scenario

2. Refineries operating in the Republic of Kazakhstan: current state and development prospects

2.1. Oil refining in Kazakhstan in 2015

2.2. Plans for modernising existing refineries and the impact of modernisation on the production of light petroleum products in the Republic of Kazakhstan

3. Light petroleum product supply and demand balances in neighbouring countries

3.1. Net exporters of light petroleum products (by country)

3.1.1 Russia

3.1.2 Turkmenistan

3.1.3 Azerbaijan

3.1.4 Iran

3.1.5 China

3.2. Net importers of light petroleum products 41 (by country)

3.2.1 Kyrgyzstan

3.2.2 Tajikistan

3.2.3 Uzbekistan

3.2.4 Mongolia

3.2.5 Afghanistan

4. Prospects for the sale of the production of a 4th refinery

4.1. Domestic market

4.2. Foreign markets

Literature

SUMMARY

- There are currently shortages in the market for basic light petroleum products in Kazakhstan; local refinery production of gasoline, diesel fuel and jet fuel is insufficient to fully meet the country's requirements. However, if the existing plans to modernise the country's three main refineries are fully implemented, the market picture will be completely different. In 2018 – immediately following the planned completion of the modernisation programme and with the refineries operating at 100% feedstock throughput capacity – **the net import of light petroleum products, which in 2015 totalled 1.9 million tons, will give way to net exports, with volumes estimated to reach 3.8 million tons. In the future, at least until 2030, the immediate market surplus is set to remain,** although its size will decrease as domestic demand for gasoline, diesel fuel and jet fuel increases. **By 2030, the expected total surplus of all light petroleum products will be some 1.6 million tons.**
- **It will be possible to maintain a surplus of light petroleum products in Kazakhstan in the period 2018–2030, due to the sluggish dynamics of domestic demand, which is devoid of any strong macroeconomic drivers.** It is expected that the retrospectively predicted fall in growth of the Kazakh economy will continue until 2016 (a decrease in GDP of 0.2%). The series of programmes intended to overcome the economic crisis in the country by means of structural and institutional reform will ultimately put GDP on a trajectory for growth rates of around 3% per annum. Even this figure looks somewhat modest, however, when compared to the average annual growth rate of 5% achieved in the period 2011–2014. As a result, **the average annual growth in total demand for key light petroleum products – gasoline, diesel fuel and jet fuel – in the period 2016–2030 is expected to be 1.6%, as against an average annual of 3.3% for 2011–2014.**
- Only part of Kazakhstan's expected surplus of light petroleum products can be earmarked for export. **The maximum possible niche for Kazakh companies on foreign markets in the period 2016 to 2030 will only be some 1.5–1.6 million tons,** which may even make it difficult for Kazakhstan's existing oil refineries to sell their products in the period 2018–2029 if they are working at 100% capacity.
- In the context of the adopted scenario for economic development in the Republic of Kazakhstan and more particularly the development of its oil refining industry, **it is not possible to find grounds for the construction of a 4th refinery in the country within the next 15 years – neither for the purposes of supplying domestic consumers with high-quality petroleum products, nor for the purposes of exporting the fuels produced.** If the economy of Kazakhstan were to grow more quickly than is now predicted, then it cannot be discounted that the situation will change. Be that as it may, the carrying out of such a large project at the present time must, at the very least, be regarded as extremely precarious.



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