

Kazakh Gas Group to Cede Stake to State

By [The Moscow Times](#)

August 15, 2010

The  **Moscow Times**

The four foreign stakeholders in Kazakhstan's Karachaganak gas field have agreed to cut their stakes and relinquish 10 percent of the company to the Kazakh government, sources said Friday.

One source close to the negotiations said the Karachaganak Petroleum Operating Group, or KPO, made up of ENI, BG Group, Chevron and LUKoil, discussed terms of sale July 19 but they were not final.

"The companies said they would transfer 5 percent to the state if it abandons the re-introduced oil export duty or drops its cost overstatement lawsuit of more than \$1 billion," the source said. "Kazakhstan will buy the remaining 5 percent in cash."

Britain's BG Group owns 32.5 percent of KPO, and ENI has a similar stake. U.S. major Chevron has 20 percent, while Russia's LUKoil has 15 percent. It was not immediately clear how much

each would give up to bring the Kazakh state in as a shareholder.

Kazakhstan has accused the ENI- and BG-led group of violating immigration laws and overstating costs by \$1.3 billion as it seeks a stake in the giant oil and gas field in the country's west.

The consortium denies all wrongdoing and says it has acted in accordance with the Kazakh laws and agreements it has with the country's government.

A spokesman for state oil company KazMunaiGaz declined to comment Friday. Spokesmen for all four members of the operating group have also declined comment.

A source within the consortium who is close to the negotiations but declined to be identified said both sides aimed to conclude talks in the fall, and that KazMunaiGaz wanted some control over expenditure on the third stage of Karachaganak.

"It won't all be cash," the source said, referring to the sale.

Another top-level source in KPO said the path to resolution would mirror that taken by foreign partners in the Kashagan oil field project two years ago.

"Nobody, of course, wants to sell, but the only logical solution is the Kashagan model. It will mirror that," he said.

KazMunaiGaz president Kairgeldy Kabyldin said June 3 that the state company had made a proposal to the Karachaganak consortium to acquire a 10 percent stake. Talks between KPO and the government have been ongoing since April, and KazMunaiGaz chairman Timur Kulibayev has said the price would be open to negotiation.

In 2008, partners in the large ENI-led Kashagan oil field project ceded an 8.5 percent stake to allow KazMunaiGaz to double its share after facing accusations of environmental violations, delays and cost overruns.

Now Kazakhstan has filed a cost overstatement claim for \$1.3 billion against KPO in arbitration court and said in June that it would reintroduce energy export duties this year that Karachaganak may have to pay.

Under current rules, most Western energy majors working on production sharing agreements, or PSAs, in Kazakhstan are not liable to changes in the country's tax legislation, and BG CEO Ashley Almanza has said Karachaganak should not have to pay.

Both the Kashagan and Karachaganak PSAs with the Kazakh government were signed in the 1990s when the country was desperate for foreign investment and expertise to develop its energy sector.

But in recent years Kazakhstan, Central Asia's largest energy producer, has made it a top priority to claw back control over its oil and gas operations and raise more money for the budget through taxes and export duties.

In June, Kazakhstan's oil minister, Sauat Mynbaev, said the country's 16 PSAs with foreign oil

firms were under review, as they were initially set "at a loss," but there were no plans to cancel them

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