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Gas market liberalization in Kazakhstan – what to expect?

The Kazakh gas market continues to be organized on the basis of central command and control, and quasi-monopolistic principles, with KazMunayGas (KMG) as the state owned and vertically integrated oil and gas company dominating gas production, supply and transportation through its direct and indirect subsidiaries.

Gas transportation services in Kazakhstan are provided by a wholly owned subsidiary of KMG, azTransGas (KTG), which is a vertically integrated transmission system operator/ distribution system operator holding company.

KTG acts as the so-called ‘national operator’, whereas Intergas Central Asia (a subsidiary of KTG) acts as the so-called ‘national operator of the main gas pipeline’. KazTransGas Aimak (another subsidiary of KTG) is the distribution system operator.

KTG as a national operator executes the state’s statutory preemptive right to purchase raw gas and commercial gas from oil companies in Kazakhstan (ie most of the gas produced in Kazakhstan is associated gas and therefore, gas production is not a major source of revenue for them) at a less-than-fair value price.

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