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Lack of political will threatens Kazakhstan's gas sector reforms

Kazakhstan's gas sector has vast potential as recoverable gas reserves in Kazakhstan are approved at the level of 3.9 trillion cubic meters, about 1.7% of the world's gas reserves. A significant part of natural gas resources is concentrated in western regions of Kazakhstan, whereas the biggest and most promising export market for Kazakh natural gas is in the east – China.

Despite all of the aforementioned natural advantages however, so far Kazakhstan's gas industry is in stagnation as it has been in the shadow of Kazakhstan's oil industry for too long. Most of the gas produced in Kazakhstan is associated gas and, therefore, gas production is not a major source of revenue for subsoil users.

That is why the interests of KazMunayGas (KMG) as the state-owned and vertically integrated oil company have so far prevailed over the often conflicting interests of its wholly-owned subsidiary KazTransGas (KTG) as the national gas operator, which puts the brakes on the development of Kazakhstan's gas industry.

So far, it has been important for Kazakhstan, therefore, to maintain the status quo with the current domestic gas market design, because this way the Kazakh government has been able to make investments in domestic gas distribution infrastructure and proceed with cross-subsidization of the local population and industries at the expense of foreign consumers and Kazakh gas producers.

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