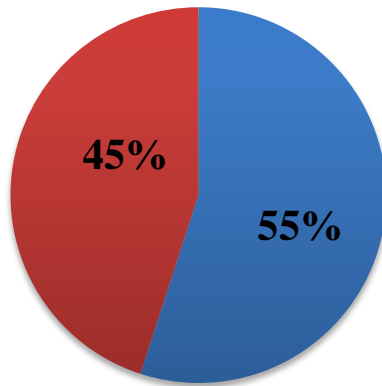


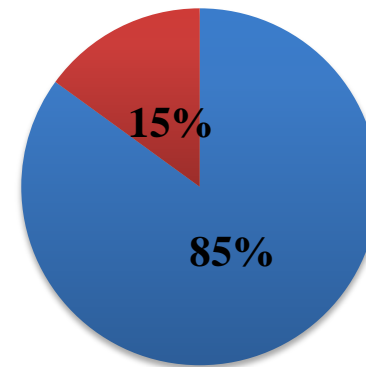
STATE-OWNERSHIP AND
NATIONALISATION IN ENERGY
SECTOR:
THE CASE OF KAZAKHSTAN'S OIL
INDUSTRY

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Global oil production: NOCs and IOCs (2011-2017)



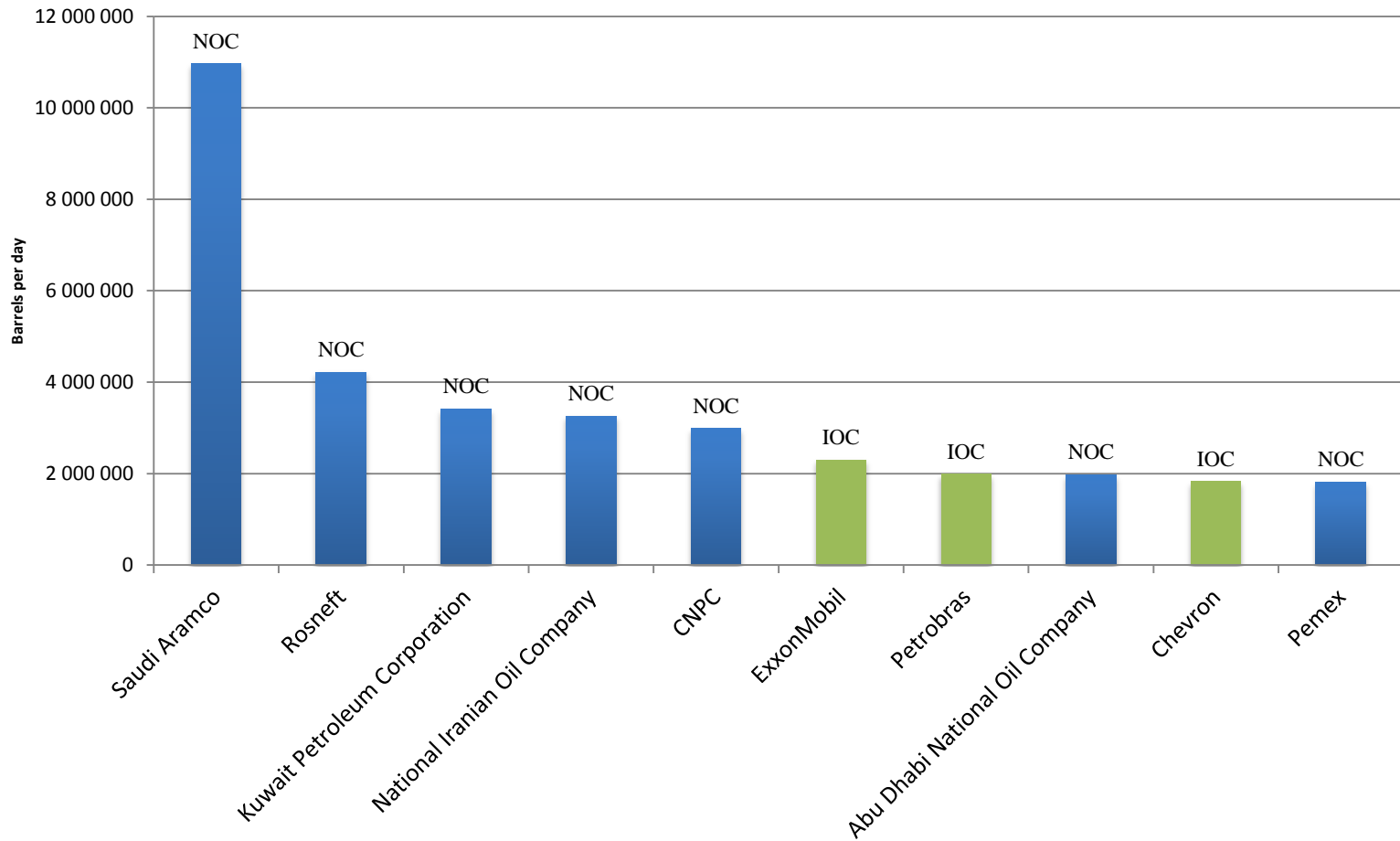
Global oil reserves: NOCs and IOCs (2018)



- National Oil Companies
- International Oil Companies

Sources: KPMG, NOC database

Top ten global oil companies by oil production (2018)



Source: Offshore_Technology 2019

Kazakhstan's oil and gas sector

- 12th largest oil producer in the world and top 10 country by oil reserves. Top 20 country by natural gas reserves (BP).
- Impressive economic growth during 2000s however, ...
- Oil price fluctuations have a significant impact on the macroeconomic situation of the country and also on the stability of the financial system

Participation of Kazmunaigas NOC in the major domestic energy projects

Project	Original contract (%)	1996 (%)	1998 (%)	2000 (%)	2005 (%)	2008 (%)	2011 (%)
Tengiz (TCO)	50	25	25	20	20	20	20
Karachaganak (KPO)	0	0	0	0	0	0	10
Kashagan (NCOC)	14.28	14.28	0	0	8.33	16.81	16.81

Source: based on data from the Ministry of Energy (www.energo.gov.kz).

NOC specificity

- The 'National Mission' problem
- Strategic nature of industry
- Distributional considerations (e.g., job creation in backward areas)
- Guaranteeing universal access to essential services (e.g., gas)

Challenges for NOCs in the petroleum industry

- Technology
- Access to capital and financial independence
- Human capital

Policy recommendations

- Competition improves performance of SOEs
- SOEs often serve multiple **objectives** that are
 - not clearly specified
 - too many
 - The hierarchy among these often conflicting objectives not clear
- Thus we need to clarify the objectives, reduce their numbers, and establish a clear hierarchy among them
- **Information**
 - In some countries, the government does not even have the basic information concerning the activities of public enterprises.
 - Therefore, there is a need to establish basic systems of corporate accounting and information collection.

Policy recommendations

- **Motivation**
- Often public sector pays are not related to performance
 - Need to link the manager and worker remuneration to performance
 - However, the issue of motivation needs to be more broadly defined than monetary compensation (e.g, organisational loyalty, cooperative attitudes among the employees)
- **Institutions**
- Often the government ministries do not have enough time and staff to properly supervise the SOEs
- On the other extreme, ‘multiple principals’ problem creates inefficiency

Political Reform

- Often public enterprises are used as a means to redistribute income to politically favoured groups.
 - political appointment of party loyalists
 - creating employment in certain regions (e.g. Italy)
 - creating employment for certain ethnic groups
- Getting rid of such political patronage may be the most important, albeit the most difficult, remedy for SOE inefficiency in some countries.