

Kazakhstan as a Critical Link in the
Middle Corridor:
New Projects in Logistics, Energy
and Trade

11th October 2022



- Rich in natural and hydrocarbon **resources**
- **Bridge** between Europe and Asia
- **Multi-vectoral** geo-political position
- Experienced in **geo-political diplomacy**
- Strong **economic potential** & skilled workforce
- **Largest economy in CEA**: 60% of region's GDP
- **Transformation** process and reforms
- **New** political, economical **role** in course of war



- Close political, economical and cultural **tights to Russia**
- Still **authoritarian political systems**, resulted in protests movement peaked in 2022
- Strategically challenging geographical position **between China and Russia**
- **No clear political course** in the population
- Recently **intensified economic relations** with China and Turkey



There is nothing more important now than to **return to the foundational principles** that lie at the root of UN organization



Kazakhstan stands ready to cooperate with all relevant actors in a spirit of **inclusiveness, multilateralism and goodwill**

BIO

Ambition to become a **Net Zero economy by 2060**, commitment to international standards



Kazakh foreign policy struggling for a **world free of nuclear arsenals**



Kazakhstan will continue to act as a **reliable supplier of grain and other food-staples**



Justice in Kazakhstan must prevail. **Law and order** will become pillars of society



The current geopolitical situation also highlights the importance of a **reliable and diversified global transit and transport infrastructure**

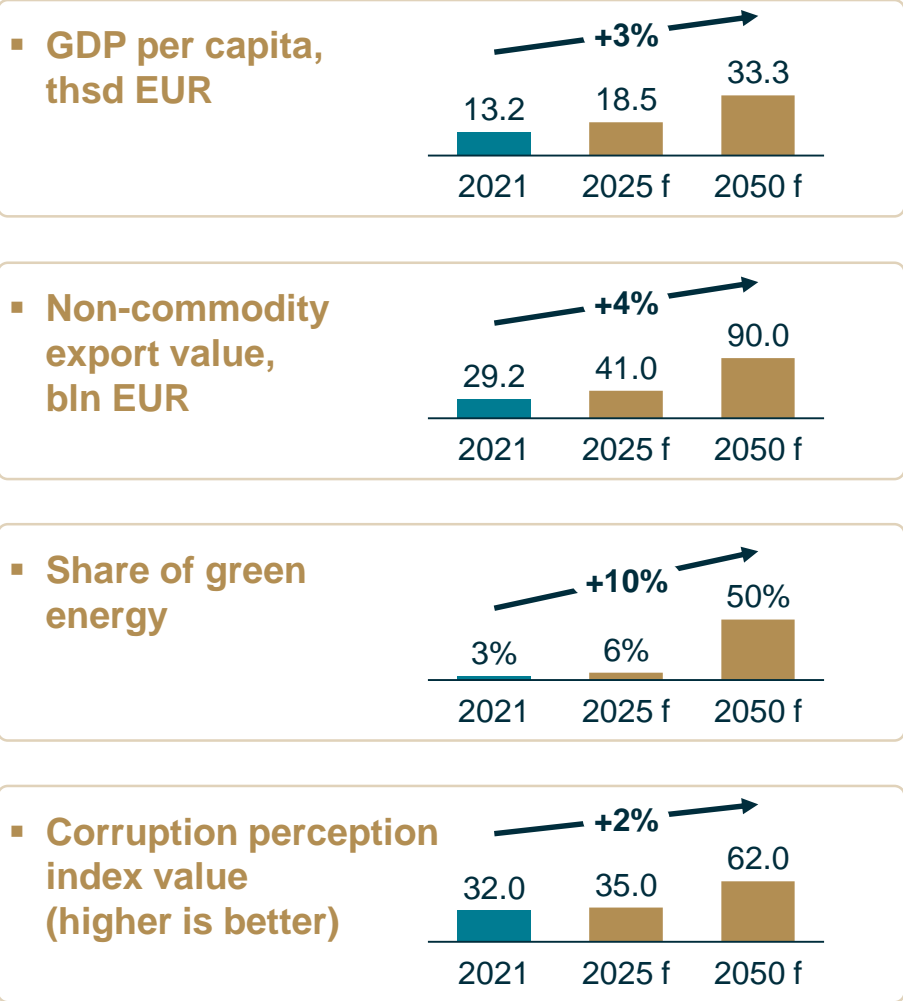


Political initiatives: presidential mandate has been limited to one seven-year term, **mandatory 30 % quota for women and young people** in electoral party legislative lists

7 Reforms Plan

- **New Human Capital**
 - Global integration of education
 - Attraction of qualified personnel from abroad
- **Technological Renewal and Digitalization**
 - Set up of digital economy, technology transfer
 - Development of the scientific research system
- **Competition and Competitive Business**
 - Simplification of PPP procedures
 - Private business growth stimulation
- **Rule of Law without Corruption**
 - Ensuring justice and independence of judiciary
- **Strong Regions and Urbanization**
 - Economic independency of regions
- **Modernization of public consciousness**
 - Promoting a healthy lifestyle
- **Public sector as leader of change**
 - Increasing focus on results and citizens' interest

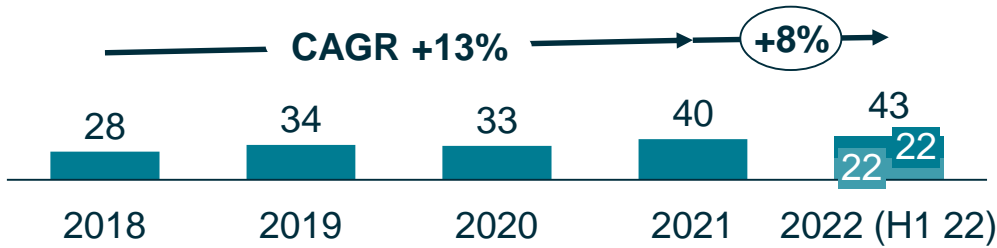
Key Strategic Goals



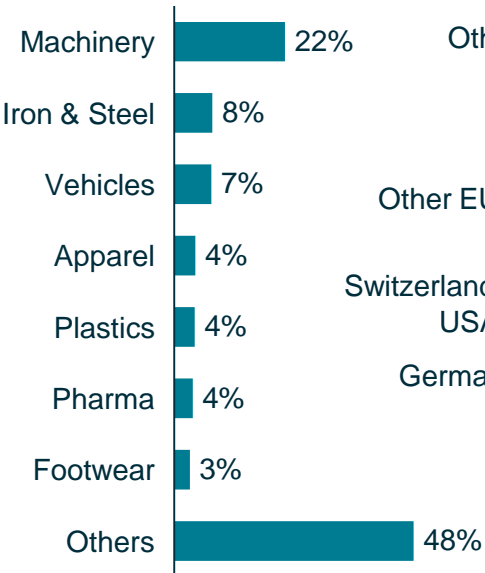
Source: Strategic development plan of Kazakhstan 2025

KAZAKHSTAN - TRADE BALANCE

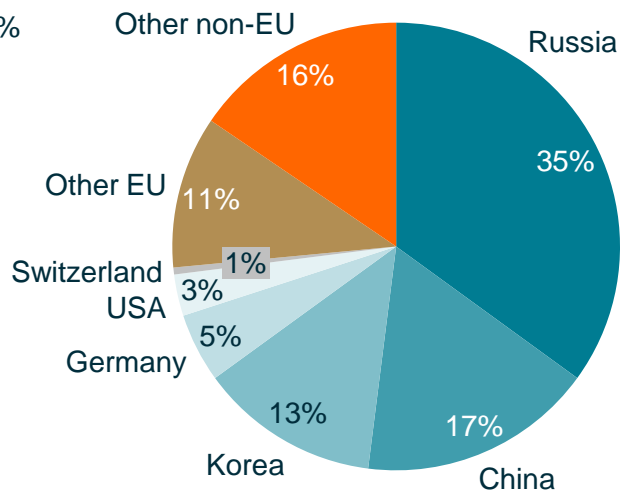
Import to Kazakhstan 2018-2021, mio EUR



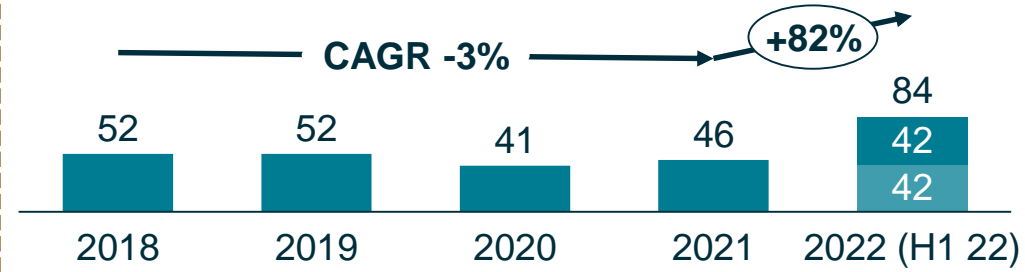
Import split by product 2021, mio EUR



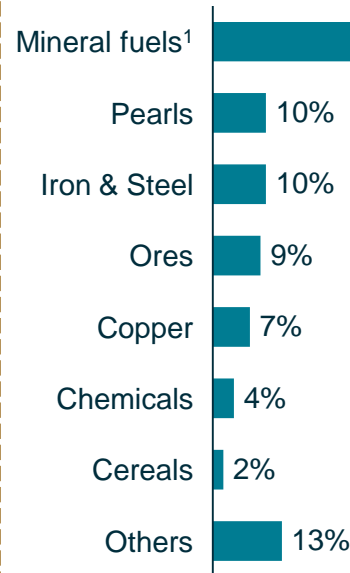
Import split by country 2021, mio EUR



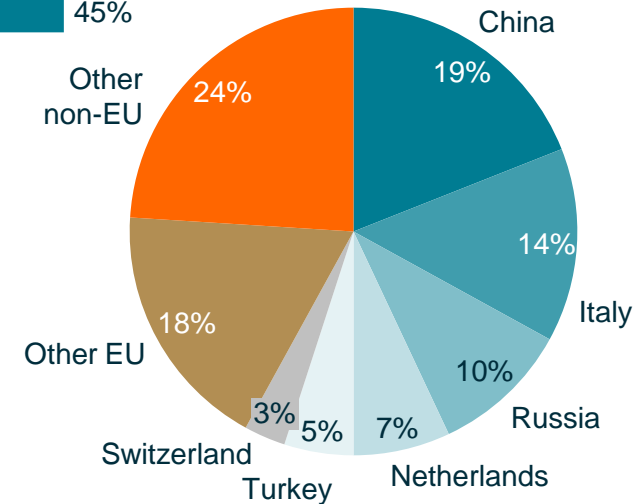
Export from Kazakhstan 2018-2021, mio EUR



Export split by product 2021, mio EUR



Export split by country 2021, mio EUR



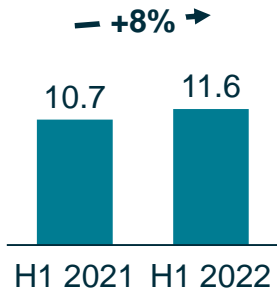
- 40% of export to China dedicated to copper and ore
- 99% of export to Italy dedicated to mineral fuels

IMPACT OF WAR ON COOPERATION...

...with Russia



Trade turnover, bln EUR



- Trade turnover growth 2019 ~10% p.a.
- Share of Russia in trade turnover **decreased from 24% to 18% 2022**
- Import** to Kazakhstan: 8,3 bln EUR; **export – 3,4 bln EUR**
- Kazakhstan exported primarily **iron ore** and **radioactive chemicals**

Further cooperation

- During industrial exhibition in Moscow in July 2022, PM of Kazakhstan announced signing a program of joint actions, which envisions **cooperation on 23 projects in seven industries with over 3 bln EUR value**

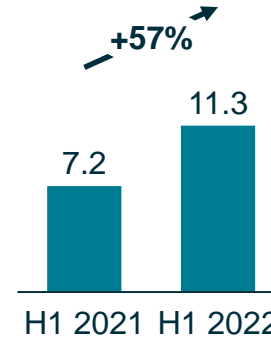
Sanctions

- Kazakhstan announced that **doesn't renounce allied obligations to Russia** and **will continue** economical, political, cultural cooperation, but will not violate current sanctions regime, incl. parallel import

...with China



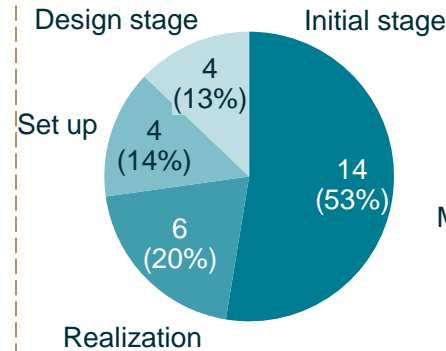
Trade turnover, bln EUR



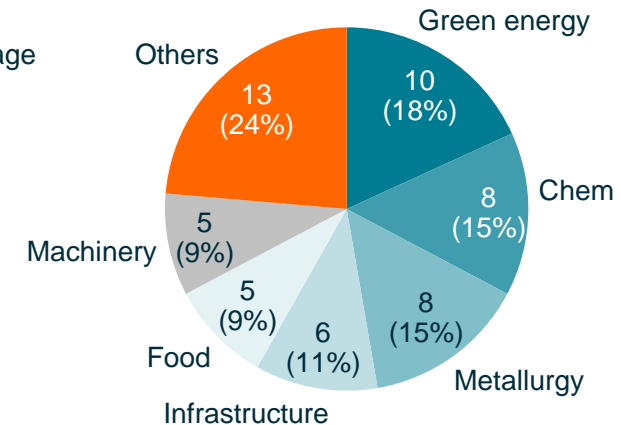
- Turnover in H1 2022 was record high both for **export (6,6 bln EUR)** and **import (4,6 bln EUR)** to Kazakhstan
- Growth of export is justified by **oil** increase supply by 3,8 times to 1,6 bln EUR
- Record volume of import is explained by supply of **high-tech equipment**

Projects cooperation

Total: 28 bln EUR

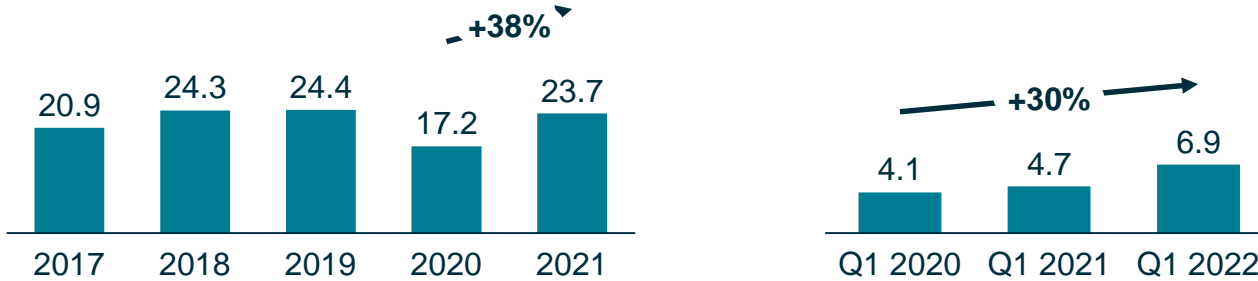


Total: 55 projects

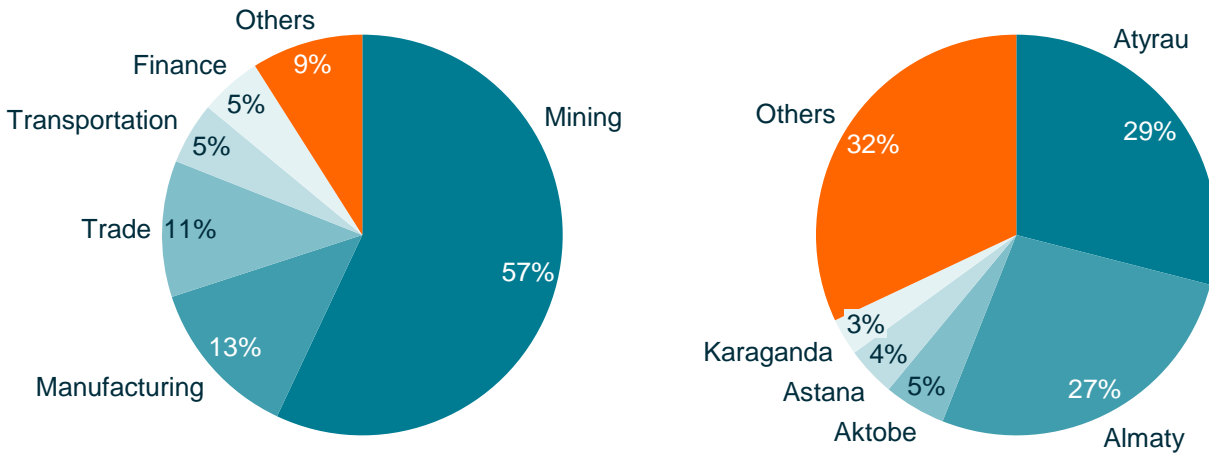


KAZAKHSTAN – INVESTMENT FLOW

Gross FDI to Kazakhstan 2018-2021, bln EUR

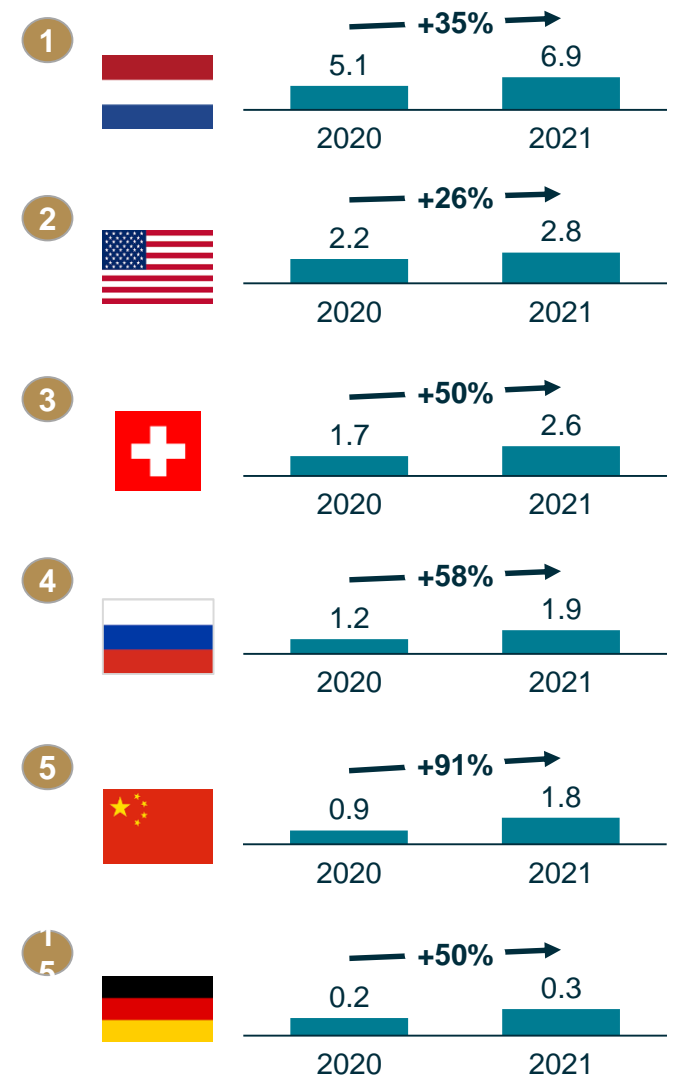


Investments in Kazakhstan by sector and region, 2021



- Kazakhstan accounts for **70% of the FDI inflow to Central Asia**
- During the last 5 years, **60% of investments has been attracted into the non-extractive sectors** such as trade, transportation, manufacturing

Top-5 investors, bln EUR



* Trade development with Switzerland: increase in imports from Switzerland (medical, pharma) and strong decrease in exports from Kazakhstan



1

ENERGY - Shift towards **high value-added production** gaining advanced position and carbon process value-chain (interest from US, Turkish and Chinese investors)

2

RENEWABLES - Significant territories not applicable for agriculture can be used for mainly solar and wind (special interest from UAE and USA investors)



3

PHARMA - Target to increase **localization level in pharma industry** from 17% to 50% by 2025

4

AGRICULTURE - Huge untapped potential – key bottlenecks are **lack of big agro players** and **prohibition to transfer land in private ownership**



5

LOGISTICS - Kazakhstan with potential to become a link between Europe and Asia through **Middle Corridor**

6

IT - Development of **IT hub** (laboratories, accelerators) in Kazakhstan to boost non-mining sectors of economy



2%

Proven oil reserves in Kazakhstan account for **86 mio tons** – 13th place among all companies and equal to 2% of global reserves

1%

With **32 bln cub m of gas**, Kazakhstan has less than 1% of global reserves and is on the same level as neighboring Azerbaijan

44%

Share of oil revenues in budget of Kazakhstan; approx. **75% came from delivery through pipeline to Russia (CPC)**

80%

Share of Kazakh's oil delivered to **customers in EU and Switzerland**

3%

Share of renewable energy sources – target is to increase share to **80% by 2026**

14%

In 2021 Kazakhstan increased export of uranium to 400 mio EUR and reached **14% of global share** (4th place after Netherlands, Germany and France)

OIL TRANSPORT ROUTES FROM KAZAKHSTAN

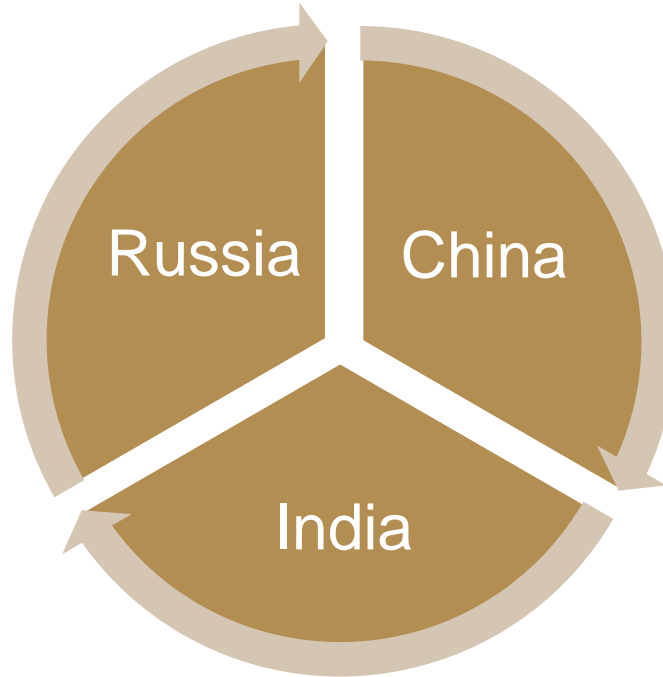


Kazakh oil transportation routes, 2022
Total: ~90 mio barrels



- After start of Russia-Ukraine war, Russia has paused delivery through its pipes 3 times for reconstruction, thus **Kazakhstan has to search for alternative routes**
- On September 2022 Kazakhstan started delivery of 1,5 mio barrels p.a. through Kazakhstan – Azerbaijan – Turkey pipeline
- Additionally, following routes are considered:
 - **Iran** – key bottleneck is existing sanctions
 - **China** – extension of existing volumes
- Capacity of pipe to Russia accounts for **1,3 mio bbl/day**, while route through Azerbaijan can transport only **30 thsd bbl/day – 43 times less**

- Almost **98% of Kazakh oil** is exported through Russia
- Since July 2022, Russia has repeatedly influenced the suspension of Kazakh oil exports through **shutdowns of the CPC and its oil terminal in Novorossiysk**
- Situation is forcing Kazakhstan to consider **alternative supply routes**, where the priority is given to the **Trans-Caspian route**, directed to EU
- **Potential risks:** dissatisfaction with Moscow, Azerbaijan's desire to increase own export to EU and ongoing conflict between Baku and Yerevan



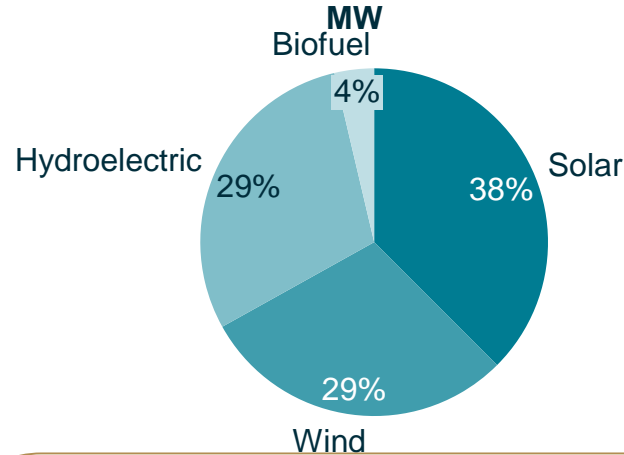
- Another option for Kazakhstan is to **increase supplies to China through expansion of capacities** through the two main oil pipelines:
 - Kenkiyak-Kumkol (from 10 mio to 20 mio t p.a.)
 - Atasu-Alashankou (up to 20 mio t p.a.)
- This initiative also has certain problematic points associated with an **expensive tariff** (44 USD per ton versus 38 USD per ton for Russian pipe), increased costs due to **transportation by rail**

- Direction towards South Asia, and especially India, is **considered promising**, due to:
 - high demand due to the dense population
 - rapid economic development
 - access to the oceans, which opens up wide prospects for further transportation
- India could supply Kazakhstan with pharma products, spare parts for cars and other equipment, tea and spices, and Kazakhstan, in turn, could offer India **alternative channels for the supply of energy resources**



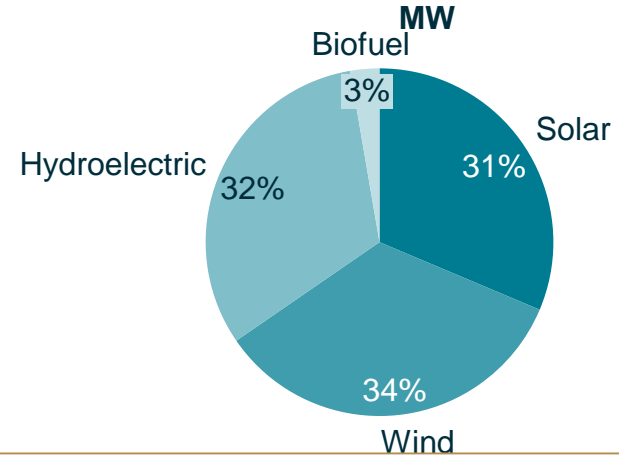
2022

136 power plants, generating 2,1 thsd



2025

185 power plants, generating 3,8 thsd



- As for 2022, **3%** of energy in Kazakhstan generated by renewable sourced – **by 2030 - 15%**
- About **50% of Kazakhstan's territory** has average wind speeds suitable for energy generation (4–6 m/s) with the strongest potential in the Caspian Sea, central and northern regions
- The **main barriers** to investment in renewable energy are relatively **high financing costs** and an absence of uniform feed-in tariffs for electricity from renewable sources
- By 2025 Kazakhstan is planning to implement **53 new projects** with key focus on wind farms and hydroelectric stations
- Overall, **large scaled wind power plants** are planned to be constructed on ten sites selected by the Ministry of Industry and New Technologies
- **EBRD** is launching the Kazakhstan Renewable Energy Financing Facility, aiming to provide development support and debt finance to renewable energy projects
- **Chinese companies are actively investing in green energy projects**: thus, over the last 3 years 4 projects were implemented with investment support of private and public investors from China

Kazakhstan is a landlocked country, which **suffers from high transport and transit costs**

Disruptions in major supply chains as a result of War in Ukraine...

Government plans to make Kazakhstan the largest transit and logistics hub in Central Asia, **acting as a bridge between Europe and Asia**

Kazakhstan is facing infrastructural and time-consuming bottlenecks, especially at **border crossings**



Country possesses **important geostrategic significance**, huge natural resources, high transit and transport potential

Reinforced Kazakhstan's efforts to **increase capacity on new trade routes west**

One of the key objectives is the creation of **efficient transport and logistics infrastructure**

They can be successfully tackled through harmonized processes, rules and services based on tried-and-tested UN instruments, such as the **TIR system**

With its ambitious goal to revamp transit corridors by 2030, Kazakhstan to serve as a link between Asia and Europe, as all container transportation passes through its territory

- **Baku is emerging as a key port for Asia-EU supply**

Potential political difficulties: **Azerbaijan** has close relations with Turkey as its more powerful neighbor, yet **EU-Turkish ambitions** do not always match

- **Old infrastructure**

Vessels used in Caspian need to be upgraded. Key issue to consider is **sea depth - 27 m below normal sea level**. The largest available shipyards able to repair and build Caspian Sea vessels are at the Lotos Shipbuilding Plant in Russia, which is **under sanctions from USA**

- **Difference between the gauge**

Kazakhstan (1520 mm) and EU and China (1435 mm), the use of railway routes requires either double rearrangement of containers on other wheelsets, or special technologies for changing their sizes

- In the H1 2022, more than **6 thsd freight trains** were operated in China-Europe route – 3% up compared with H1 2021

- Due to growing demand, **3rd railway line to border with China** will be built in Kazakhstan by 2025



Railway projects

- Government of Kazakhstan plans to invest **1,7 bln USD in railway modernization** projects between 2022 and 2025, and about 4 bln USD on depot and railcar renovation, overhaul of rails and locomotives between 2022 and 2026
- **By 2025 Kazakhstan plans to develop 3 infrastructural projects:**
 - Construction of second line **from border with China**
 - **Construction of new line** on south to border with Uzbekistan
 - Construction of **new line around Almaty**. This will unload station by 30%
- EBRD is planning to invest **100 mio EUR** in state-owned rail operator Kazakhstan Railways to **upgrade rail freight routes**



Port construction projects



- **2 projects for port infrastructure development are planned by 2025:**
 - **Construction of multifunctional terminal in port of Aktau** which will lead to doubling of container shipment from 50 thsd to 100 thsd TEU
 - **Modernization and infrastructure development in Kuryk port** – underground access roads and 2 new berths will increase capacity from 4 mio to 14 mio t
- Kazakhstan's three Caspian Sea ports provide opportunities for development of **intermodal transportation and forwarding services**
- In March 2022, Turkey, Kazakhstan, Georgia and Azerbaijan signed a declaration on the "Middle Corridor". The document emphasizes importance of cooperation between parties for integration of corridor into international transport system

Logistics projects

- In order to develop and strengthen its role, Kazakhstan will participate in creation of multimodal operator, who will provide **consolidation of end-to-end single tariff** for all types of transport and will **simplify the passage cargo and customs clearance**
- In addition to creating large international logistics hubs in Kazakhstan, great attention is paid to the **development of internal transport and logistics networks** - hubs to be created for storing, processing and consolidating goods in regional centers
- Apart from territory of Kazakhstan, there are plans to create **industrial transportation logistics facilities** outside it through joint ventures and the world hubs in key transit points
- Kazakhstan is gaining more importance not only for neighboring countries, but also for **remote EU destinations**: Lithuania is actively seeking to attract more cargoes, offering logistics services and transit options by rail and through the seaport of Klaipeda



Global logistics providers offer their delivery services through Corridor



Nurminen Logistics ▶▶▶

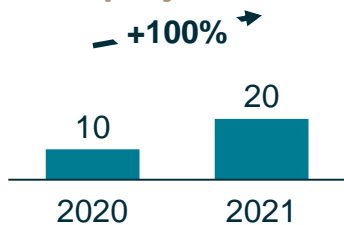


MAERSK

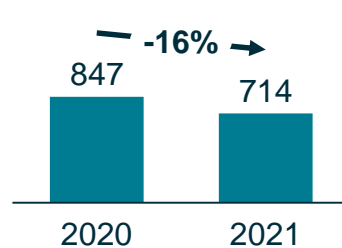
OVERVIEW GREENFIELD PROJECTS - EXAMPLES

- Since declaring independence, Kazakhstan has passed a series of **reforms to liberalize** its economy and attract foreign investment
- The country remains the **2nd largest recipient of FDI in the region, behind Russia**
- Kazakhstan's main challenge remains **attracting investment in sectors and activities other than oil extraction and natural resources**, which account for more than 70% of the total FDI stock
- With a favorable investment climate, the country ranked **25th in the World Bank's Ease of Doing Business** ranking 2021
- Located at the crossroads of Europe and Asia, the country has benefited from the huge **investments made by China** through its China's Belt and Road Initiative program to improve its transport infrastructure

Greenfield projects



Value of projects, mio EUR



- Country:** Germany 
- SOP:** 2021
- Location:** Qyzyljar FEZ
- Investment:** 6,5 mio EUR
- Employees:** 100
- Activity:** production of combines, seeding complexes, tractors
- Capacity:** 300 p.a.

- Country:** 
- SOP:** 2020
- Location:** Sozak district
- Investment:** 40 mio EUR
- Employees:** 15
- Activity:** construction of a 50 MW solar power plant

- Country:** Turkey 
- SOP:** 2019
- Location:** Turkestan region
- Investment:** 200 mio EUR
- Employees:** 150
- Activity:** construction and operation of International airport

G4 CITY 2050 - KAZAKHSTAN AND SINGAPORE

new economic hub for Central Asia to increase the growth of foreign investment in the economy of Kazakhstan



GATE – Business & Financial Hub



GOLDEN – Knowledge & Medical Hub



GROWING – Industrial & Logistics Hub



GREEN – Tourism & Entertainment

4
CATALYTIC
DEVELOPMENTS

Development of 4 Smart Cities alongside the Silk Road

- By end of 2021 Kazakhstan and Singapore¹ agreed to develop the **G4 City project in the Almaty region**
- It is expected that **2,2 mio people** will live in the city by 2050 and more than **1 mio jobs** will be created
- G4 will receive the status of **Special Economic Zone**, giving favorable conditions for investors
- The construction of the **international airport with direct flights to Singapore** is also expected

¹ Through Singaporean government-owned consultancy company, which will work on infrastructure and urban development

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