

Energy Security as a Political Problem of the Republic of Kazakhstan

¹R. Nurtazina, ¹A. Abildayev, ²A. Nurtaza and ¹L. Aubakirova
¹L.N. Gumilyov Eurasian National University, Astana, Kazakhstan
²Department of International Management of Oil and Gas Industry,
LLP Kaz Munai Gas Onimderi, Kazakhstan

Abstract: Now a days energy security of a state has become essential for sustainable economic development and political stability. Rapid growth of energy consumption, high sharply fluctuating prices of crude oil and petroleum products in the market, growing dependence of energy-consuming regions on energy imports are at the focus of attention of all countries in the world. In today's globalized world a simple increase of oil production cannot meet the increasing demand for energy. High-capacity refinery has become one of the most important conditions of the global energy security. This study analyzes the causes of the growing interest to energy security as a political issue in the context of globalization. It reviews some aspects of the influence of the oil and gas industry of the Republic of Kazakhstan on the country's energy security.

Key words: Energy policy, energy resources, energy security, political stability, oil and gas sector, energy investment, oil refining industry, oil market, government regulation

INTRODUCTION

Energy security is one of the most important components of the national economic security. It is an immunity of a state to the threats of energy deficit of all kinds. Energy shortages may occur due to exposure to negative natural, technological, managerial, social and economic, domestic and foreign factors.

One of the threats to energy security is the imbalance of energy resources negative consequences of which can affect all economic sectors. Energy security is associated with the energy independence of a state. This problem is the most important for countries dependent on energy imports, most of which are the developed countries. Political sustainability and economic stability of the energy producing countries is critical for ensuring energy security.

In recent years, there are significant changes in the global energy markets. The reason is in the first place, the growing needs of society in energy due to economic and technological development. Leading countries are beginning to fight for the right to develop energy fields. Tightening of environmental and economic legal regulation becomes an impulse to move to a more efficient and clean (green) energy sources (Nurtaza, 2014a, b).

Threat to national security is reduction and deficit of energy resources including the lack of oil. The deficit of petroleum products (gasoline, diesel fuel and aviation

kerosene) may result in their prices increase. The main element of all sectors of the economy is petroleum products which play a crucial role in transportation and logistics.

Increase in high-capacity production becomes one of the most important conditions of the national energy security. Effective government policy and special measures are required to achieve the adequate level of energy security. Energy security is a political problem of the state.

Political interests of states are directly related to the economic ones. Kazakhstan with its large reserves of hydrocarbon resources must develop both market and political mechanisms to strengthen its position in the global energy market. This requires flexibility and an integrated approach to the analysis of dynamic processes in the global energy market.

The researchers of this study used the analysis of the political problems of strategic documents in the field of energy security: the laws of the Republic of Kazakhstan, the agreement of the Eurasian Economic Union, the statistics of international organizations.

Energy security is one of the basic conditions of the stability of the entire system of economic, social and environmental criteria that allows determining the level of living of the population and shows government effectiveness.

The most important investment factor is energy resources that are widely used in all sectors of the economy-household, business, industry and logistics.

Over the past 10 years production of oil is growing faster than the ability to refine it. For example, according to British Petroleum Statistics (BPS, 2013) the proved oil reserves in Kazakhstan are 30 billion barrels with an annual production volume of 81 million tons. Despite this fact, the lack of ready-quality petroleum products gets more noticeable in the Republic of Kazakhstan.

MATERIALS AND METHODS

Thus, today a simple increase in oil production cannot meet the increasing demand for energy. Although, Kazakhstan has a vertically integrated oil and gas industry with all elements (upstream and downstream) and is one of the major players in the oil and gas market, the country faces the problems of seasonal shortage of petroleum products and the constant rise in their prices (Nurtaza, 2014a, b).

Kazakhstan is an export-oriented state. Over 50% of the country's budget consists of oil export revenue. As the President of the National Petrochemical Company "National Company KazMunaiGas" S. Mynbayev noted, the reason of export of the most part of oil is high profits from the sale of crude oil in the international market and high income from taxes on such deals. He noted that if the government cuts oil exports by seven million tons in favor of domestic consumption, the state's annual income will be 1.8 billion dollars less which is significant for the economy of Kazakhstan. In 2012, income from oil exports amounted to 56 billion dollars and this number is increasing.

The external cause of these problems is dependence of the country on imports of both finished petroleum products and raw materials from Russia which is 40% of the total need.

Kazakhstan has three oil refineries which were designed and built in the XX century and were focused to satisfy the needs of the central regions of the USSR. Thus, the Pavlodar petrochemical refinery depends by 100% and the Shymkent refinery by 30% of crude oil imports from Russia. Moreover, all three refineries do not work at full capacity and produce low-quality petroleum products that do not meet international standards due to technological degradation.

At Kazakhstan entering the WTO and the Customs Union this factor negatively affects competitiveness of the country and its further economic development. It also affects the energy security of the country.

Internal problem of this aspect is ineffective state regulation of the oil refining industry and the petroleum products market in Kazakhstan. There is the

anti-competitive policy of the state which promotes the growth of the deficit. Thus, the state strictly controls the market of retail sale of petroleum products but does not regulate the wholesale sale. Under these conditions the marginal income of entrepreneurs is very low which makes the business unattractive.

The next factor is the high competitiveness of Russia which has a highly developed market of petroleum products, infrastructure and >20 refineries which products meet the high standards of the Euro-5. Based on the stated above it can be noted that the existing problems in the oil industry in Kazakhstan attract a large number of competitors from Russia which may push away the domestic producers. These facts point to vulnerability of the oil and gas industry of Kazakhstan which could become a threat to energy security.

States integrate their efforts into development of a common energy policy to solve the problem of energy security. Thus, the energy policy of the countries of the Customs Union is a joint activity on rational use of their energy, the development of transit potential, creation of enabling environment.

Moreover, Kazakhstan is investing in modernization of the oil refining industry, addresses the issue of building the fourth plant. This decision should provide the domestic market with quality petroleum products and solve the problem of scarcity. The state improves the legal base of the oil and gas industry to ensure its effective control.

Kazakhstan has been a member of the convention, since 1995 and ratified the Kyoto Protocol in 2009. In this regard, the country carries out the energy policies in line with the modern trends, adopts corresponding legal acts including the law of the Republic of Kazakhstan "On the Support of Renewable Energy" of July 4, 2009.

RESULTS AND DISCUSSION

Energy policy of Kazakhstan is contained in several documents of the Strategies and Concepts. One of the strategic documents is the "Strategy "Kazakhstan-2050" where it is noted that the fifth challenge of the country is global energy security". All developed countries increase their investments in alternative and "green" energy technologies. Already by 2050 up to 50% of all consumed energy will be generated by renewable energy resources. Obviously that the era of the hydrocarbon economy is gradually coming to an end. A new era in which human livelihoods will be based not only and not so much on oil and gas but on the renewable energy is approaching. Kazakhstan is one of the key elements of the global

energy security. Our country, having large oil and gas reserves of the world will not retreat from its policy of reliable strategic partnership and mutually beneficial international cooperation in the energy sector” (Nazarbayev, 2012).

Another important document is the “Strategy of the Development of Kazakhstan till 2030” which marked energy as one of the most important industries and determined the need of “Rapid growth in production and export of oil and gas to generate income for sustainable economic growth and improved life standards of the population”. “Strategy 2030” was developed for two periods: till 2015 and till 2030. The document is a strategy of the development of the fuel and energy sector and contains sections on energy efficiency and energy conservation.

The problem of attracting large-scale state investments in energy to provide the necessary production and transportation of energy should be noted. International energy agency has estimated that by 2030 the energy sector will require 17 trillion dollars in investments. Today, however, political and economic conditions in many oil-and gas-producing countries restrain the implementation of investment projects. In this regard, Kazakhstan's energy market is transparent and open for participation of foreign players, a favorable investment climate has been created in the country.

Effective policy of the state is required to achieve the adequate level of energy security. Energy security is a political problem where economic and legal aspects play the main role:

- Stimulation of free trade, opening and liberalization of energy markets and energy security strategy
- The majority of trade agreements regulate the market economy but they can not solve the security problem
- Legal possibilities in creating energy security are severely limited by the political will of the parties
- Contracts can serve as political instruments in the field of energy security but they do not define the purpose and scope of this policy

Energy resources and access to export routes is an important issue of domestic and foreign policy, one of the most important components of the national security of the country. In this context, energy resources are one of the long-term priorities of the development of Kazakhstan. The strategic challenge is to use them effectively in order to obtain income that will contribute to the sustainable economic growth and will improve standards of living of

the people. Kazakhstan's energy policy has defined such guidelines as energy security, energy efficiency and environmentally safe energy. Therefore, long-term state energy policy is based on:

- The successive actions of the Government of Kazakhstan to implement the energy policy
- The interest in creating stable ready for a constructive dialogue companies
- An open investment policies to ensure effective cooperation between the government and private companies, aimed at joint development of energy infrastructure and exports

CONCLUSION

Oil and gas sector in particular, oil production has become one of the fastest growing sectors of strategic importance. However for complex energy security states need to consider a balanced policy in the use of conventional and unconventional energy resources with less environmental damage. The trend of the modern economy is “green” economy. First of all “green” economy is targeted on scarce consumption of the limited resources (natural resources: gas, oil) and rational use of unlimited resources. The basis of the “green” economy establishes “green” technology. Kazakhstan implements the principles of a green economy and promotes new technologies in stimulating the development of alternative environmental energy. This policy was the main idea of the future exhibition in Kazakhstan “EXPO 2017”. We hope many states to join this progressive energy policy direction.

REFERENCES

- BPS, 2013. Statistical Review of World Energy, June 2013. http://www.bp.com/content/dam/bp/pdf/statistical_review/statistical_review_of_world_energy_2013.pdf.
- Nurtaza, A., 2014a. National Security of the Republic of Kazakhstan. Textbook. Almaty Publishing House “Bastau”, pp: 164.
- Nurtaza, A., 2014b. Assessment of the Need for a New Oil Refinery in Kazakhstan. CEPMLP, University Dundee.
- Nazarbayev, 2012. Message from the President of the Republic of Kazakhstan the Leader of the Nation Nursultan to the People of Kazakhstan. “Strategy “Kazakhstan-2050”: A New Policy of the Established State” (14.12.2012).