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ANALYSIS OF THE PRICE-MECHANISM ON THE OIL MARKET OF KAZAKHSTAN

Abstract. The oil industry of Kazakhstan is not only the most important industry, it is one of the main components of the economic security of the country, its independence. Tax revenues from the development of oil fields and the sale of oil allow for the implementation of social programs and strengthen domestic political stability. Oil export from Kazakhstan is the most important factor in expanding world economic relations, including the country in globalization processes, and implementing not only economic interests, but also political goals. The choice of the route for export oil pipelines will largely determine Kazakhstan's foreign policy and foreign economic strategy.

Keywords: oil, pricing, market, mechanism, investment, globalization.

INTRODUCTION

In international cooperation to strengthen its position in world oil markets, Kazakhstan focuses on strengthening ties with industrialized countries, as well as with Russia and China. Efforts are being made to expand cooperation within the framework of the Commonwealth of Independent States. However, the possibilities of such cooperation are realized only to a small extent. The development of the oil industry in Kazakhstan is hampered by the lack of necessary own investments for the exploration, production, refining and transportation of oil, as well as the lack of the latest equipment, technologies, know-how, and modern management experience. Foreign companies express a high degree of interest in investing in the oil industry, giving it priority over other industries. At the same time, despite the signing of a large number of contracts in the field of geological exploration and oil production, until recently this did not lead to the inflow of the required amount of foreign capital and the opening of industrial reserves, and there was no expected increase in oil production and refining.

MAIN PART

One of the important factors holding back the inflow of foreign capital and the development of the oil industry in Kazakhstan is the lack of capacity for exporting oil from the country. Kazakhstan is not yet provided with sufficient transport routes. This slows down the process of final selection by potential foreign investors in favor of Kazakhstani projects. In the future, it is planned to optimize and diversify export routes in relation to the situation on world hydrocarbon markets. The implementation of decisions on the construction of pipelines can significantly change the balance of power in the global oil market. The general approach to the formation of export routes is the multivariance of oil transportation to world markets, based on the geopolitical position of the country and the interests of its socio-economic development.

Kazakhstan uses Transneft pipelines and Russian sea terminals to export part of its oil. In this regard, one of the main issues is how much oil Kazakhstan will export and what proportion of export volumes will be transported through the Russian system.

As Kazakhstan grows economically, its own investment opportunities increase. Domestic investors, in accordance with national interests and without prejudice to the interests of foreign partners, are ready to channel their capital into the oil business.

The current state of the oil refining industry does not yet satisfy the needs of the domestic market for oil products. The performance of Kazakhstani refineries is significantly behind that of advanced oil refineries.

One of the main problems in the development of the oil product market in Kazakhstan
- low level of competitiveness of oil refineries.

The republic's refineries, built back in Soviet times, do not meet modern standards. The lack of high-tech production of petrochemical products after deep purification of hydrocarbon raw materials does not allow to establish the release of sufficient volumes of high-quality high-value-added products. Kazakhstan is significantly behind the developed countries in terms of oil refining depth. According to experts, the level of oil refining at the republican refineries is about 45-50%. For comparison: in the USA, Canada and Great Britain this indicator approaches 86-92%. At Kazakhstani refineries is very high.

The development of the oil complex and the increase in the export of liquid fuel is fraught with the threat of deepening the raw material orientation of the economy of Kazakhstan. It can turn into a raw materials appendage of industrialized countries with all the negative consequences of this state. To prevent the development of events in this scenario, it is necessary to diversify the country's economy and its exports. It is necessary to find growth points not only in the oil complex, but also in other sectors of the economy.

High dependence on hydrocarbon exports makes Kazakhstan's economy vulnerable. Effective protection of its national interests requires the development of a development strategy for the oil complex. First of all, it should be aimed at ensuring the economic security of the country and help strengthen its position in the world market.

The Government of the Republic of Kazakhstan, in order to resolve the problems associated with insufficient revenues to the state budget, as well as taking into account some structural and market aspects of supply and demand for domestic crude oil and petroleum products, a number of political decisions and regulatory acts were adopted. According to the decisions taken, restrictions on oil exports (which have already been lifted) and requirements on mandatory supplies of crude oil to Kazakhstani refineries were simultaneously established. Without sufficiently compelling reasons, tariffs for the transportation of crude oil through pipelines and rail were increased. A requirement was also established for investors to use Kazakhstani goods and services. However, such actions of the Government aimed at solving the above problems can lead to the opposite effect, leading to a decline in investment and a reduction in oil revenues to the state budget.

The problems of the oil industry under consideration are very complex and do not have a definite solution. Their presence is due to the imperfection of the legislative and regulatory framework currently undergoing reform, the existing tax system, and the presence of complex budgetary problems (including ongoing calls for subsidizing the agricultural sector and financing the activities of regional administrations, servicing external debt, reconstruction of infrastructure, and other social and sectoral obligations). In the absence of full transparency, any attempt on the part of the Government of Kazakhstan to address certain problems of the oil sector not in a complex, but in isolation, can lead to additional complications of the situation.

The very nature of the oil business is determined by the desire of oil companies for long-term investments in stable operations. First of all, their implementation takes into account the total cost of the project, the assessment of potential risks and the profitability of investments, in comparison with other investment opportunities. As a rule, coordinated, consistent and transparent government policies attract more investment. As a result, unemployment is reduced directly or indirectly, infrastructure is improving, tax revenues to the budget and other social benefits are growing. It should be recognized that the level of long-term investments largely depends on potential risks and state guarantees of stability, as well as on the existence of a regulatory regime that recognizes the inviolability of the contracts in accordance with which investments are made. In turn, oil companies must recognize that they are partners of the Government of Kazakhstan both under the contract and in their commercial relations, and must respect the political, economic, and social challenges that they face, especially in a difficult period for the country to transition to a market economy.

Therefore, oil companies need to be flexible and willing to cooperate in difficult situations that may require their immediate assistance and resources. Companies should also recognize their role as “corporate citizens”, with appropriate social responsibility, and invest (naturally, within reasonable limits) in profitable long-term projects and activities that enhance the welfare of the country and its population.

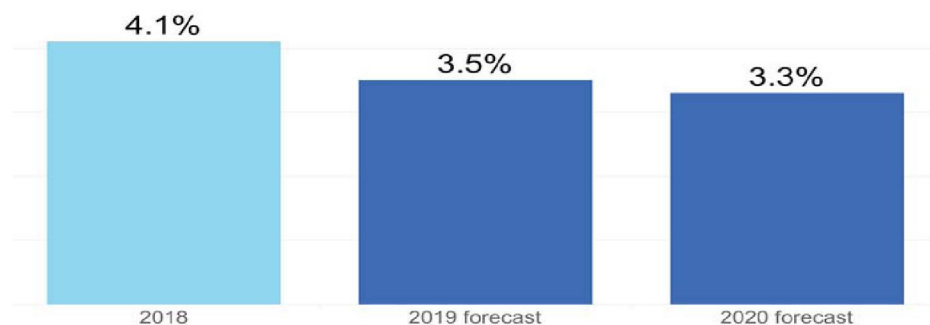


Figure 1 - Forecast of rising oil prices in Kazakhstan

As you can see, experts predict a decline in oil prices until 2020, which will negatively affect the country's economy.

This study provides a comparative analysis of operations, from oil production at the field to retail sales of oil products in Kazakhstan and other regions. The aim of the study is to find opportunities to improve the balance of the oil industry in the domestic market. The analysis process traces how fluctuations in world crude oil prices affect the mechanisms and individual segments of the oil sector in Kazakhstan.

Recommendations and alternative solutions of a structural and organizational nature:

- Establishment by an Edict of the President of the Republic of Kazakhstan of an Advisory Council on Oil and Gas, in which representatives of the Government and the industry participate, to consider structural, organizational, political and market initiatives.
- Creation of a comprehensive state monitoring system for tracking data on oil, gas and oil products, as well as revenues to the state budget from the oil and gas sector.
- A clear delineation of functions and the strengthening of government bodies responsible for implementing policies, regulation and commercial activities in the oil and gas sector.
- Strengthening the role of the Ministry of Energy, Industry and Trade in the implementation of public policy.
- Creation of an “independent” Regulatory Agency for Oil and Gas, within the exclusive competence of which is regulation of the industry.
- Limitation of liability of the National Oil and Gas Company KazakhOil and its branches solely by representing the commercial interests of the Government of Kazakhstan in carrying out oil and gas operations.
- Limitation of liability of the National Pipeline Oil Company KazTransOil and its branches engaged in the transportation of oil, exclusively representing the commercial interests of the Government of Kazakhstan in the transportation of oil through pipelines.
- Establishment of tariffs for oil transportation in accordance with the methodology based on reimbursement of reasonable costs and ensuring a fair rate of profit, and their approval using the public hearing procedure.

The government recognises FDI is essential to promote economic diversification and the modernisation is key industries, such as oil and gas, and there is, therefore, a well-developed investment promotion strategy and an associated incentive programme in place to encourage FDI. The government organisation 'KAZNEX Invest', operating under the Ministry of Investment and Development, offers support, advice and information to foreign investors through its online portal, Invest in Kazakhstan. The website also details the country's investment incentive programme. Investors in any industry may receive exemption from customs duties on raw materials and production equipment, as well as grants of up to 30% of the value of fixed assets.

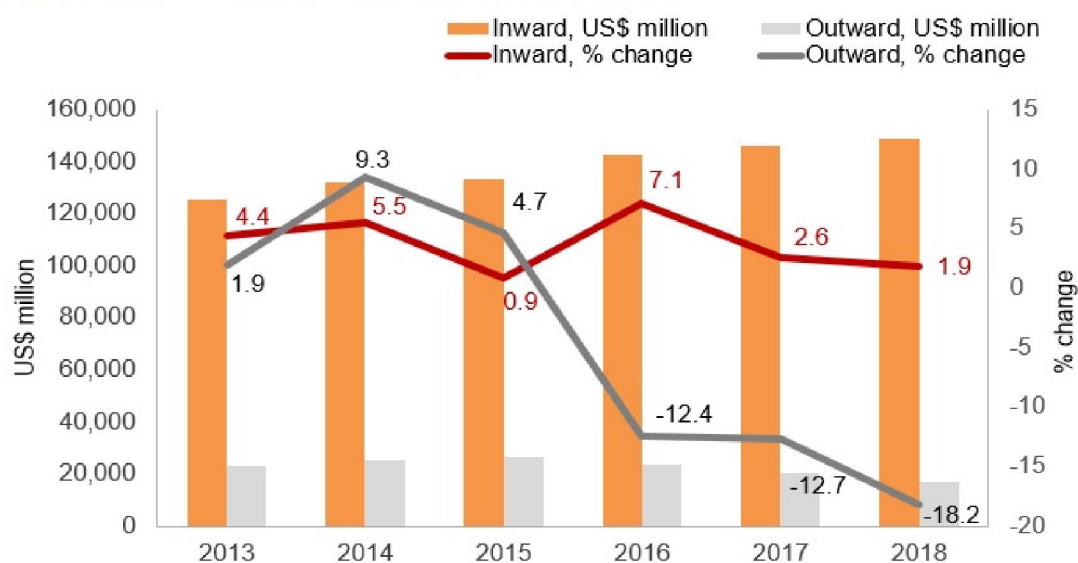


Figure 2 - Foreign direct investment in the oil sector of Kazakhstan

Одной из целей этого исследования была попытка «определить осно obvious reasons for chronic imbalances in the supply of crude oil and petroleum products to the domestic market. ” The study was conducted on the following, the most important problems and imbalances that continue to restrain the development of the oil sector in Kazakhstan.

- Regional geoeconomics and geopolitics in the oil sector in terms of excess refining capacities and production of petroleum products. Oil refineries in Central Asia, Azerbaijan, Western Siberia and Western China operate at approximately 50% of their design capacity, which is why they are able to satisfy and even exceed market demand in the region. Neighboring countries, due to differences in laws and regulations, in economic conditions, in subsidy regimes and taxation policies, are able to sell petroleum products imported to Kazakhstan at reduced prices.

- The presence of complex problems affecting the management and operation of Kazakhstani refineries. There are certain political and economic factors that create problems for the operations of Kazakhstani refineries. These factors include government subsidization policies, problems of general non-payments, the presence of excess production capacities in the region, the import of cheap or smuggled oil products, constant changes in the ownership and management of oil refineries, the inability of oil refineries to pay competitive market prices for crude oil, problems of monopolistic practices, and a number of others problems.

- Obtaining clear advantages for Russia in bilateral intergovernmental agreements on crude oil. This is likely due to the allocation by Russia of pipeline quotas to Kazakhstan. Bilateral intergovernmental agreements on crude oil provide for a 7.3% gain by Russia when replacing West Kazakhstan crude with West Siberian crude oil, delivered to the Pavlodar refinery. Another factor explaining such an unbalanced interchange mechanism is the opinion that Kazakhstani crude oil is of lower quality. The Kazakhstani oil companies that are participating in this interchange mechanism are concerned about the loss of revenue due to these bilateral intergovernmental agreements.

- The influx of contraband oil products to Kazakhstan, as well as the supply of oil products at low prices. According to some unofficial estimates, the volume of imports of gasoline and diesel fuel to Kazakhstan in the smuggled manner and at clearly lower prices is 50% of the total sales volume of products on the wholesale market. The Government of Kazakhstan responded to the situation by adopting Decree No. 339 “On the Program for Strengthening State Regulation of the Turnover of Petroleum Products in the Republic of Kazakhstan”. Such a program, if properly implemented, could solve many problems of the refining, marketing, and marketing of petroleum products in the domestic market.

Taking into account the comparative analysis, problems and imbalances affecting the domestic oil sector, this study concludes that it is necessary to create a more rational state organizational structure with a clear delineation of the functions of conducting policy, regulating and conducting commercial activities in the oil and gas sector. This would serve the interests of both the industry and the state as a whole.

In addition, the study concluded that it was necessary to revise the issues of oil supply and demand economies on a national scale in order to gain a better understanding of the production and financial needs of the industry. In particular, this concerns issues of the interdependence of exploration, development and operation of fields and operations on the processing, sale and marketing of oil and petroleum products, which will ensure their mutual effectiveness for the long term. This is crucial for overcoming the practice of the Government of the Republic of Kazakhstan taking short-term or temporary measures aimed at solving specific problems, instead of making comprehensive long-term decisions.

CONCLUSION

When considering issues related to the oil industry, it is important to recognize that there are unequal conditions for private companies, founded, as a rule, through foreign investment, and state-owned companies that are supported by the Government and are not subject to commercial risks. Despite the fact that there may be a need for different approaches to the activities of private and state-owned companies, nevertheless, the principles of balance, objectivity and justice should be respected in relation to all economic entities of the oil industry, regardless of ownership. In addition, it is necessary to develop a unified system for collecting data on prices for crude oil and petroleum products and budget revenues, as well as to improve the system for tracking and monitoring such prices and revenues. The availability of more consistent and reliable data would improve the quality of economic planning and political impact for a more focused solution to the problem of revenue to the state budget. The logical conclusion to the above is the conclusion about the need for closer cooperation between the Government of Kazakhstan and oil companies in the development and implementation of a policy for the development of the oil sector.

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ҚАЗАҚСТАННЫҢ МҰНАЙ НАРЫҒЫНДАҒЫ БАҒА-МЕХАНИЗМ ТАЛДАУ

Аннотация. Қазақстанның мұнай өнеркәсібі - бұл ең маңызды сала ғана емес, ол елдің экономикалық қауіпсіздігінің, тәуелсіздігінің маңызды құрамдас бөліктерінің бірі. Мұнай кен орындарын игеруден және мұнай сатудан түскен салық түсімдері әлеуметтік бағдарламаларды жүзеге асыруға және ішкі саяси тұрақтылықты нығайтуға мүмкіндік береді. Қазақстаннан мұнай экспорты жаһандану процестерінде және экономикалық мүдделерді ғана емес, сонымен бірге саяси мақсаттарды іске асырумен қатар, әлемдік экономикалық қатынастарды кеңейтудің маңызды факторы болып табылады. Экспорттық мұнай құбырлары бағытын таңдау көбінесе Қазақстанның сыртқы саясаты мен сыртқы экономикалық стратегиясын анықтайды.

Түйін сөздер: мұнай, баға, нарық, механизм, инвестиция, жаһандану

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АНАЛИЗ МЕХАНИЗМА ЦЕНООБРАЗОВАНИЯ НА РЫНКЕ НЕФТИ КАЗАХСТАНА

Аннотация. Нефтяная промышленность Казахстана не только важнейшая отрасль промышленности, она является одной из главных составляющих экономической безопасности страны, её независимости.

Налоговые поступления от разработки нефтяных месторождений и продажи нефти позволяют осуществлять социальные программы, укреплять внутривластическую стабильность. Экспорт нефти из Казахстана - важнейший фактор расширения мирохозяйственных связей, включения страны в глобализационные процессы, реализации не только экономических интересов, но и достижения политических целей. Выбор пути экспортных нефтепроводов во многом будет определять внешнеполитическую и внешнеэкономическую стратегию Казахстана.

Ключевые слова: нефть, ценообразование, рынок, механизм, инвестиции, глобализация.

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