EXPECT STABILITY FROM OIL-RICH KAZAKHSTAN, FITCH RATINGS SAYS

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Daniel J. Graeber

Kazakhstan is a party to the OPEC-led effort to balance the market with voluntary production cuts.

The outlook for a pipeline company that controls about half of the oil flow in Kazakhstan remains stable and supportive of growth, Fitch Ratings said.

Fitch Ratings affirmed a BBB-rating and stable outlook for KazTransOil, the national pipeline operator in Kazakhstan. The company, which holds a de facto monopoly over pipeline transit, delivered about half of the total volume of oil produced in the country last year.

Two Kazakh joint ventures with Chinese companies operate a Kazakhstan-China oil pipeline and those volumes aren't included in KazTransOil's share, Fitch stated. In general, stable volumes are expected from the Central Asian nation.

"At the same time, the volume of exports has decreased and may continue to decrease slightly due to depletion of a number of deposits in the central part of Kazakhstan and growth in production at the Kashagan field, the largest new field in the country using an alternative route for oil exports," Fitch stated in its ratings rationale. "However, this trend will not weaken the company's business profile."

As a pipeline company, it's not directly impacted by the price of crude oil. The company last year had earnings before interest, taxes, depreciation, and amortization of about $350 million. Russian oil company Rosneft, meanwhile, has a transport agreement with the company that could give it revenue in excess of $30 million.

Oil is Kazakhstan's primary export commodity and the country is party to a multilateral effort led by the Organization of Petroleum Exporting Countries to balance an oversupplied market with managed production declines. Total crude oil production from Kazakhstan is around 1.5 million barrels per day.

The Kashagan oil field in Kazakhstan is one of the country's brighter prospects, though development has been impeded by a series of issues with infrastructure in a complex reservoir environment. The North Caspian Operating Co., the field's operator, said that, as of Jan. 30, it safely produced and exported around 73 million barrels of oil and condensate, an ultra-light form oil, from Kashagan.

Kaynak/Source: