

**DOCUMENT OF THE EUROPEAN BANK  
FOR RECONSTRUCTION AND DEVELOPMENT**

Approved by the Board of Directors on 10 June 2020<sup>1</sup>

**KAZAKHSTAN**

**KAZTRANS GAS – LIQUIDITY SUPPORT**

*[Redacted in line with the EBRD's Access to Information Policy]*

*[Information considered confidential has been removed from this document in accordance with the EBRD's Access to Information Policy (AIP). Such removed information is considered confidential because it falls under one of the provisions of Section III, paragraph 2 of the AIP]*

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<sup>1</sup> As per section 1.4.8 of EBRD's Directive on Access to Information (2019), the Bank shall disclose Board reports for State Sector Projects within 30 calendar days of approval of the relevant Project by the Board of Directors. Confidential information has been removed from the Board report.

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**ABBREVIATIONS / CURRENCY CONVERSIONS**

AGRS	Automated Gas Pressure Reduction Stations
CAGR	Compound Annual Growth Rate
Capex	Capital Expenditures
CAC	Central Asia – Centre pipeline
CRM	Concept Review Memorandum
EBIDTA	Earnings before Interest, Tax, Depreciation and Amortisation
EBIT	Earnings before interest and taxes
EH&S	Environmental Health and Safety
ERU	Emissions Reduction Units
ESAP	Environmental & Social Action Plans
ESDD	Environmental and Social Due Diligence
FRM	Final Review Memo
FX	Foreign Exchange
FY	Financial Year
GDP	Gross Domestic Product
GHG	Greenhouse Gas
ICA	Intergas Central Asia
IFRS	International Financial Reporting Standards
KTG	KazTransGas
KTGA	KazTransGas Aimak
KZT	Kazakh tenge
LIBOR	London Inter-bank Offered Rate
LCY	Local currency
NBK	National Bank of Kazakhstan
OCCO	Office of the Chief Compliance Officer
OGC	Office of the General Council Counsel
OHS	Operational Health & Safety
PPR	Public Procurement Rules
UGS	Underground Gas Storage Facility
USD	US Dollar
VAT	Value Added Tax
YE	Year End

**CURRENCY EQUIVALENTS**

Current EUR 1.00	=	KZT 465.43
Current EUR 1.00	=	1.15 USD

**MEASURES**

Bcf	Billion Cubic Feet
Bcm	Billion Cubic Meters
Bcma	Billion Cubic Meters per Annum
BN	Billion
Kcm	Thousand Cubic Meters
Mcm	Million Cubic Meters
MM	Million
tCO <sub>2</sub> e	Tons of CO <sub>2</sub> equivalent

## PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of Intergas Central Asia JSC (“ICA”) and KazTransGas Aimak (“KTGA”) (together the “Borrowers”), both incorporated in Kazakhstan and [REDACTED] owned by KazTransGas JSC (“KTG”), a corporation incorporated in Kazakhstan, is submitted for consideration by the Board of Directors.

The proposal is for the loans to ICA in the amount of up to KZT 53.9 billion (EUR 115.8 million) restructuring tranche and EUR 100 million working capital tranche in the Kazakh tenge equivalent; and to KTGA in the amount of up to KZT 12.9 billion (EUR 27.7 million equivalent) restructuring tranche. The loans will be guaranteed by KazTransGas JSC. The loans will help the Borrowers and KTG, operators of the gas transportation and distribution infrastructure of Kazakhstan, to withstand adverse impacts of the COVID-19 crisis through liquidity support and enable them to continue with investments which facilitate switch from coal to gas under the country’s decarbonisation agenda. The operation will enable the Borrowers to develop and implement the Fugitive Methane Emissions and Carbon Intensity Reduction Programme supporting Kazakhstan’s Green Economy Strategy and contributing to the Nationally Determined Contributions goals for the GHG emissions reductions under the Paris Agreement.

The expected transition impact of the Project will result from protecting resilience of Kazakhstan’s gas infrastructure during the crisis, while strengthening privatisation prospects of KTGA [REDACTED] in the state dominated gas distribution sector of Kazakhstan (*Resilient*). The Project will also support development and implementation of the Corporate Governance Action Plan (the “CGAP”) for KTGA. The CGAP, in line with best practices, shall facilitate privatisation of KTGA, making the gas distribution sector more efficient and better governed (*Well-Governed*).

The Technical Cooperation (“TC”) support will be provided to the Borrowers to develop and implement the Fugitive Methane Emissions and Carbon Intensity Reduction Programme and the CGAP. TC support is proposed to be funded by the EBRD Shareholder Special Fund (the “SSF”).

I am satisfied that the operation is consistent with the Bank’s Strategy for Kazakhstan, the Energy Sector Strategy, the Green Economy Transition Approach and with the Agreement Establishing the Bank.

I recommend that the Board approve the proposed loans and the SSF TC grant substantially on the terms of the attached Report.

**Suma Chakrabarti**

## BOARD DECISION SHEET

## Kazakhstan – KazTransGas Liquidity Support - DTM 51854

<b>Transaction / Board Decision</b>	Board approval <sup>2</sup> is sought for a senior loan of up to KZT 53.9 billion (EUR 115.8 million) restructuring tranche and EUR 100 million in the Kazakh tenge equivalent working capital tranche in favour of Intergas Central Asia (the “ICA”), a joint stock company and a senior loan of up to KZT 12.9 billion (EUR 27.7 million) restructuring tranche in favour of KazTransGas Aimak (the “KTGA”), a joint stock company. [REDACTED] Board approval is also sought for the use of funds under the Shareholder Special Fund Work Plan 2019-20 in the amount of EUR 900,000 for technical cooperation in favour of KazTransGas: EUR 800,000 for development and implementation of the Fugitive Methane Emission and Carbon Intensity Reduction Programme (the “Emissions Reduction Programme”) and EUR 100,000 for the development and implementation of the CGAP.
<b>Client</b>	Intergas Central Asia JSC (BBB-/Baa3/BB-) is an existing client of the Bank, subsidiary of KTG operating all trunk gas pipelines in Kazakhstan. KazTransGas Aimak JSC (BBB-/--/) is an existing client of the Bank, subsidiary of KTG operating gas distribution pipelines in all 10 gasified regions of Kazakhstan. KazTransGas JSC (BBB-/Baa3/BB-) is a national gas operator of Kazakhstan and existing client of the Bank as a guarantor on the loans to ICA and KTGA.
<b>Main Elements of the Proposal</b>	<u>Business purpose:</u> Supporting the Bank’s existing clients during the COVID-19 crisis [REDACTED] <u>Transition impact:</u> <i>Primary Quality – Resilient</i> [REDACTED] <i>Secondary Quality – Well-Governed:</i> KTGA will implement the CGAP in line with best practice helping to prepare for its privatisation. In addition, the project will include implementation of the Emissions Reduction Programme. <u>Additionality:</u> [REDACTED] <i>Higher standards:</i> the Borrowers will benefit from the Bank’s support for privatisation of KTGA, CGAP, the Emissions Reduction Programme and corresponding covenanted conditionalities. <u>Sound banking</u> – The Borrowers are established companies operating in a regulated environment (except for export and transit) with a good financial track record. [REDACTED]
<b>Key Risks</b>	<b>COVID-19 outbreak and falling gas prices</b> [REDACTED] <b>Risk of non-payment or delayed payment by counterparts.</b> [REDACTED]
<b>Strategic Fit Summary</b>	The Project is supporting the Bank’s key counterpart in decarbonisation of the Kazakh economy and provides a response to the COVID-19 and economic downturn in Kazakhstan affecting the Borrowers and KTG. [REDACTED]

<sup>2</sup> Article 27 of the AEB provides the basis for this decision.

**ADDITIONAL SUMMARY TERMS FACTSHEET**

<b>EBRD Transaction</b>	Two senior loans totaling up to EUR 243.5 million in local currency equivalent with a 6-year tenor (the “Loans”) to the state-owned companies Intergas Central Asia JSC (KZT 53.9BN and EUR 100MM in Kazakh tenge equivalent) (“ICA”) and Kaz TransGas Aimak JSC (KZT 12.9BN) (“KTGA”), the Bank’s existing clients and fully owned subsidiaries of KazTransGas JSC (the “Sponsor”, “KTG”), the national gas operator of Kazakhstan. The Loans will consist of (i) restructuring of the existing loans to ICA and KTGA in total amount of KZT 66.8BN (EUR 143.5MM) and (ii) a new working capital tranche of up to EUR 100MM equivalent [REDACTED]. The loans to ICA and KTGA will be fully guaranteed by KTG (BBB-/Baa3/BB).
<b>Existing Exposure</b>	Bozoi Gas Storage facility (48356): KZT 57.1BN or EUR 123MM (including KZT 2.8BN or EUR 5.7MM of available commitment). [REDACTED] Gas Network modernisation (48047): KZT 13.4BN or EUR 29MM. [REDACTED]
<b>Maturity / Exit / Repayment</b>	6 years [REDACTED]
<b>Potential AMI eligible financing</b>	A possibility of Unfunded Risk Participation will be explored with reinsurance companies post-signing.
<b>Use of Proceeds</b>	The proceeds of the loans will be used as follows: a) The loan to ICA: (i) Restructuring of the existing facility in the amount of KZT 53.9BN (including KZT 2.8BN of available commitment); (ii) Finance working capital [REDACTED] of ICA, KTGA or KTG in the amount of EUR 100MM in the Kazakh tenge equivalent. b) The loan to KTGA will be used to finance restructuring of the existing facility in the amount of KZT 12.9BN [REDACTED]
<b>Investment Plan</b>	[REDACTED]
<b>Financing Plan</b>	[REDACTED]
<b>Key Parties Involved</b>	Intergas Central Asia JSC – the Borrower, ICA KazTransGas Aimak JSC – the Borrower, KTGA KazTransGas JSC – the Shareholder and the Guarantor, KTG
<b>Conditions to subscription / disbursement</b>	Standard for this type of financing, including, without limitation, duly executed originals of Financing Agreements, obtaining all the requisite approvals and authorisations, receipt of satisfactory legal opinions from the Lender’s external counsel.
<b>Key Covenants</b>	[REDACTED]
<b>Security / Guarantees</b>	Full corporate guarantee from KTG
<b>Other material agreements</b>	None

<b>Associated Donor Funded TC and co-investment grants/concessional finance</b>	Post-signing: TC 1: Development and Implementation of the Fugitive Methane Emissions and Carbon Intensity Reduction Programme. [REDACTED] TC 2: Support KTGA to Implement a Corporate Governance Action Plan (“CGAP”). [REDACTED]
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[REDACTED]

## INVESTMENT PROPOSAL SUMMARY

### 1. STRATEGIC FIT AND KEY ISSUES

#### 1.1 STRATEGIC CONTEXT

##### *I. Kazakhstan decarbonisation context*

Under the national Green Economy strategy adopted in 2013, Kazakhstan's program of gasification and switching the predominantly coal-fired power sector to gas, has made progress in the last five years including through the Bank's support of KazTransGas (the Bozoi gas storage facility (OPID 48356) and Gas Network Modernisation project (48047)). [REDACTED] Strengthening of the gas infrastructure domestically along the existing trunk pipelines is needed to facilitate fuel switch from coal to natural gas, including for heating and power generation, to reduce carbon emissions and local pollutants in major Kazakh cities. [REDACTED]

Given the importance of methane losses reduction, the Bank will be supporting development of a comprehensive Programme on Fugitive Methane Emissions and Carbon Intensity Reduction (the "Emissions Reduction Programme"). [REDACTED] Implementation of the Methane Reduction Programme is expected to have substantial environmental benefits over time once implemented. [REDACTED]

Through the Project, the Bank has an opportunity to support further decarbonisation in a strategic partnership with the national gas operator of Kazakhstan, promoting switch from the carbon intensive energy sources (primarily coal) to natural gas indirectly supporting gasification along existing trunk gas pipelines and enhancing security of gas supply; implementation of the Emissions Reduction Programme addressing the need to modernise the [REDACTED] gas infrastructure reducing emissions and gas leakages, ie fugitive losses, improving the overall energy efficiency supporting the transition to low carbon economy. [REDACTED]

##### *II. Sector Reform – Pre-Privatisation support for the key gas infrastructure player*

The gas distribution sector in Kazakhstan is dominated by the state owned KTGA, operating in all 10 gasified regions of Kazakhstan. Private sector is represented by small companies operating in some areas in the south and south-east regions. Balancing the roles of the state and the private sector and underlying privatisation is one of the key strategic directions of the Bank's Strategy for Kazakhstan. KTGA's privatization, approved by the Samruk Kazyna Sovereign Wealth Fund, would systemically change the landscape of the currently state dominated gas distribution sector in the country making it more efficient and better governed. As part of the facility, the Bank will work with KTGA and key stakeholders to improve corporate governance in preparation for eventual privatisation and covenant in the legal documentation the Corporate Governance Action Plan.

##### *III. Impact of COVID-19 on the Borrowers and the Sponsor*

Kazakhstan is in a state of emergency declared on 15 March 2020 followed by the lockdown for individuals and businesses from 22 March 2020 in Nur-Sultan, Almaty and subsequently in all other regions following the COVID-19 detection. The impact of COVID-19 on the Kazakh economy has a double effect of dropping revenues from export of natural resources due to the reduced demand and closure of the border with China, and a substantial oil price reduction from USD60+/bbl to below USD30/bbl level. [REDACTED].



KTG and its subsidiaries are navigating through a period of macroeconomic challenges stemming from the slowing economic growth worldwide and gas price following the oil price's declining trend further exacerbated by the COVID-19 outbreak. [REDACTED]

Facility provided by the Bank will help to a) finance working capital improving resilience of the Borrowers who deliver energy to c. 30% of Kazakhstan's population and thousands of SMEs and enterprises while supporting the country's decarbonization pathway; b) provide the pre-privatisation support to the largest state owned gas distribution company of the country, and c) allow development and implementation of the Emissions Reduction Programme. [REDACTED].

#### ***IV. Application of the lessons learned and coordination with other MDBs***

[REDACTED]

### **1.2 TRANSITION IMPACT**

The tables below set out the TI Objectives and details of the project. The loans are presented as a package preserving the original TI and going beyond, by expanding support to the pre-privatisation of KTGA.

#### **Primary Quality: Resilient**

[REDACTED]

#### **Secondary Quality: Well-Governed**

<b>№</b>	<b>Objective</b>	<b>Details</b>
2.1	<i>The CGAP will have a very likely and significant impact on the sector because of the client's large size or because of the high visibility of the project.</i>	KTGA's majority owner Samruk Kazyna supports privatisation of KTGA and has included the entity in the fund's approved privatisation strategy.
2.2	<i>The project entails a policy dialogue initiative that has been assessed as Strong Good by the sector economist.</i>	In addition to pre-privatisation of KTGA the project will include the development, adoption and implementation of a Fugitive Methane Emissions and Carbon Intensity Reduction Programme, introducing robust practices for reporting, measurement and abatement of methane emissions in gas infrastructure, as well as broader energy efficiency improvements in the sector.
2.3	<i>The company will improve its CG from a base level that on par with the average in the country and sector.</i>	The project will deliver pre-privatisation support to KTGA in the form of a Corporate Governance Review and the development and implementation of a Corporate Governance Action Plan ("CGAP"). The CGAP aims to align the governance of the company with best practices, which will increase the attractiveness of the company for strategic investors
2.4	<i>All CGAP actions are covenanted.</i>	All actions will be part of the loan documentations as covenants.
2.5	<i>The CGAP addresses all CG issues identified in the company.</i>	The CGAP is expected to include: <ul style="list-style-type: none"> <li>- Decision of KTG, as 100 per cent shareholder on privatisation of KTGA and approval of the action plan/privatisation strategy for KTGA.</li> <li>- In line with the privatisation strategy improve the corporate governance of the company focusing on strengthening the role of the Board of Directors at KTGA and protection of minority shareholders rights.</li> <li>- Improve transparency of KTGA and access to information.</li> </ul>

No	Objective	Details
		- Transfer of the high pressure gas pipelines from KTGA to ICA.

#### Delivery Risks:

Primary risks to delivery are related to the successful implementation of corporate governance improvements of KTGA and the Emission Reduction Programme. [REDACTED]

### 1.3 ADDITIONALITY

Identified Triggers	Description
A significant share of the project is to finance working capital	The Project provides financing to ICA which will be used to cover working capital liquidity [REDACTED] of any of ICA, KTGA, KTG [REDACTED]
A significant share of the project is for refinancing purposes	The Loan will be partially used to restructure the Bank's current loans extending maturity of the largest tranche by 3 years and aiming to release additional liquidity to the Borrowers
A subsequent/consecutive transaction with the same client/group either with the same use of proceeds or in the same country (repeat transaction).	This is a new loan provided to the Borrowers as a part of the COVID-19 response action plan. The proposed Loan is enabling to covenant major sector reforms aiming pre-privatisation support to KTGA, implementation of the Emissions Reduction Programme and CGAP.

#### Additionality sources and evidence given triggers

Financing structure	<ul style="list-style-type: none"> <li>- The proposed financing is a crisis response due to economic downturn and COVID-19 outbreak.</li> <li>- The proposed restructuring via tenor extension of the Bank's existing loan will provide additional liquidity [REDACTED] in 2020, the amended covenants package would allow the Borrowers to concentrate on crisis response. [REDACTED]</li> </ul>
Sector reform / Risk mitigation	<ul style="list-style-type: none"> <li>- EBRD's long-term relationship with the Borrowers provides comfort to the Sponsor to be willing to cooperate on the CGAP as pre-privatisation support to KTGA and develop the Emissions Reduction Programme targeting reduction of GHG emissions and supporting achievement of the country's NDC.</li> <li>- EBRD helps the client to mitigate environmental, social and governance (ESG) risks through implementation of the ESAP to manage these risks.</li> </ul>
Standard-setting	<ul style="list-style-type: none"> <li>- KTGA seeks use of EBRD expertise on corporate governance improvements in line with best international and sector standards. The Borrowers will be using EBRD expertise on higher environmental standards, energy and resource efficiency and climate resilience via development of the Emissions Reduction Programme and CGAP.</li> </ul>

### 1.4 SOUND BANKING - KEY RISKS

Risks	Probability / Effect	Comments
<b>Project specific risks</b>		
Collection/payment risk	High/Low (Medium in short-, medium term for KTGA)	[REDACTED]
Gas supply/demand risk	High/Low	[REDACTED] [B]y legislation KTG is named as a national gas operator which has a priority right to buy all domestically produced gas at regulated price; b) Kazakhstan has two major gas export routes to Russia (CAC pipeline) and China (Central Asia – China pipeline); c)

		actively expanding local distribution network with the Sary-Arka gas pipeline connecting central and northern regions commissioned in Dec 2019 represents another source of sustainable demand.
Trading risk	High/Low	Price risk. Mitigating factors: a) domestic gas prices are approved on “cost plus” basis, which remains relatively cheap; b) KTG as a national gas operator by law has a right to procure domestically produced gas at a regulated price;
Operational risk	Medium/Low	Companies have required expertise to manage operations ensuring sustainable and secure gas transportation.
Repayment / Credit Risk	High/Low	The Borrowers and the Guarantor have sustainable cash flows from both domestic and foreign sources. [REDACTED] The Borrowers are strategic assets of the government with sufficient cash flows and liquidity as also confirmed by current credit ratings from international agencies (Moody’s/Fitch/S&P).
<b>External risks</b>		
COVID-19 risk	High/Medium (short term)	Due to COVID-19 outbreak and subsequently falling gas prices KTG will have a reduction of gas export/ transportation volumes and gas price. Mitigants: Export volume is expected to be restored in the short to medium -term as the industry in China is starting operations[REDACTED]
Regulatory risk	Medium/Medium (short-term)	[REDACTED]
Macroeconomic/ FX risk	Medium/Medium	[REDACTED]

## 2. MEASURING / MONITORING SUCCESS

### Primary Quality: Resilient

No.	Monitoring indicator	Details	Baseline	Target	Duration
1.1	Financial restructuring completed as targeted	KTG, ICA and KTGA to maintain a maximum Net Debt/EBITDA [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
		Achievement of pre-crisis average levels of accounts receivable turnover[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
		Restoration of gas transportation volumes [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

### Secondary Quality: Well-Governed

No.	Monitoring indicator	Details	Baseline	Target	Duration
2.1	Corporate governance improved: Pre-privatization	Decision of KTG, as 100 per cent shareholder on privatisation of KTGA and approval of the action plan/privatisation strategy for KTGA	[REDACTED]	[REDACTED]	[REDACTED]

No.	Monitoring indicator	Details	Baseline	Target	Duration
2.2	Corporate governance improved: Pre-privatization	In line with the privatisation strategy, improve the corporate governance of the company focusing on strengthening the role of the Board of Directors and protection of minority shareholders rights.	[REDACTED]	[REDACTED]	[REDACTED]
2.3	Corporate governance improved: Pre-privatization	Improve transparency of KTGA and access to information in line with the CGAP.	[REDACTED]	[REDACTED]	[REDACTED]
2.4	Corporate governance improved: Pre-privatization	Transfer of high pressure gas pipelines from KTGA to ICA.	[REDACTED]	[REDACTED]	[REDACTED]
2.5	Corporate governance improved: the Emissions Reduction Programme	Adoption of the Fugitive Methane Emissions and Carbon Intensity Reduction Program in line with a consultant and EBRD recommendations.	[REDACTED]	[REDACTED]	[REDACTED]

### 3. KEY PARTIES

#### 3.1 BORROWER

##### *Intergas Central Asia*

[REDACTED] ICA is the designated operator of Kazakhstan's natural gas transmission system, including the Russia-bound Central Asia–Centre pipeline (CAC). The CAC pipeline, operated by ICA, is the only route to deliver Central Asian gas (i.e. gas originating from Turkmenistan and Uzbekistan) to the western markets. ICA's main activities are covering: Central Asian gas transit to the western markets, Russian gas transit, transportation of Kazakh gas for export, domestic gas transportation, gas storage and maintenance services. [REDACTED] In 2019, the Company's financial standing and liquidity positions was rather good with EBRD loan accounting for 100% of ICA's debt portfolio.

##### *KazTransGas Aimak*

KTGA is a natural gas distribution company that supplies gas in all but one region of Kazakhstan connected to the pipeline gas system. It serves approximately 1 million of households (or c.30% of the population) and 20,000 industrial enterprises throughout the country via regional branches. Aimak's core assets comprise a 30,000 km-long network of gas pipelines, pressure regulating stations (AGRS and GRPs), and other equipment as well as a few regional main lines such as Uzen-Aktau and Tengiz-Aktau links. Aimak procures substantially all of its gas from the parent KTG, the designated national operator of the gas transportation system. [REDACTED]

#### 3.2 SPONSOR

KTG is the national gas transportation holding ultimately owned by the Government through Samruk Kazyna Sovereign Wealth Fund (90%) and National Bank of Kazakhstan (10%). As a group, KTG is engaged in production, transportation, sale and distribution of natural gas within Kazakhstan and gas exports. Overall, KTG operates over 15,000 km of trunk gas lines, 30,000 km of distribution lines, 56 compressor stations, 3 underground gas storage facilities. The Group employs over 14,000 staff in Kazakhstan. KTG derives its revenues from the following key sources: (i) domestic distribution and sale of natural gas (KTGA), (ii) transit fees for shipping gas from Central Asia to Russia/Europe (ICA) and (iii) gas exports. [REDACTED]

### 4. MARKET CONTEXT

[REDACTED] Kazakhstan operates over 15,000 km of main and 30,000 km of distribution gas pipelines, with capacity to transport 173 bcm of transit gas. The gas infrastructure was initially designed with a view to transport large volumes of Turkmen and Uzbek gas across the country to Russia and further to Europe. [REDACTED] [I]n the last five years Kazakhstan's gasification program has taken steps forward, with the completion of several projects that have reinforced the pipeline network, extended it to new areas and boosted exports of the locally produced gas to China. A major achievement was commissioning in December 2019 of the Sary Arka gas pipeline connecting central Kazakhstan regions and Nur-Sultan city to the pipeline system.

#### **Gas regulatory framework**

Domestic gas transportation, storage and distribution are regulated by the Ministry of Energy and the Committee of Natural Monopolies Regulation ("KREM") under the Ministry of Economy. KREM sets

end-user consumer prices for natural gas, domestic gas storage tariffs, and domestic gas transport tariffs. The most important factors regarding the setting of gas tariffs and prices for end-users include acquisition cost of natural gas, geographic distance between consumer and domestic gas sources, import dependence and the state of gas distribution within an oblast. As a result, prices vary significantly by region. International gas transit via the territory of Kazakhstan and gas exports are not regulated activities. [REDACTED]

## **5. FINANCIAL / ECONOMIC ANALYSIS**

### **5.1 FINANCIAL PROJECTIONS**

[REDACTED]

### **5.2 SENSITIVITY ANALYSIS**

[REDACTED]

### **5.3 PROJECTED PROFITABILITY FOR THE BANK**

[REDACTED]

## **6. OTHER KEY CONSIDERATIONS**

### **6.1 ENVIRONMENT**

Categorised B (2019 ESP). Project appraisal has been carried out by ESD staff in line with ESD's Covid 19 Response procedure. ESDD included review of the ESDD Questionnaires completed by the respective borrowers (ICA and KTGA) as well as the most recent AESR provided for each project. This review indicated that the borrowers' environmental and social performance in relation to the existing projects are satisfactory and that the companies have environmental and social risk management procedures in place to continue to ensure that the new project complies with national environmental and social law and EBRD PRs. [REDACTED] The existing ESAPs for ICA and KTGA are applicable for the project. Further, the client is required to continue to ensure that the project complies with PRs and implement the ESAPs as well as submit an annual environmental & social report. The borrowers have a Covid 19 response plan on employment, health & safety in place.

ESDD confirmed that the borrowers have comprehensive environmental and social risk management system covering environment, health and safety in accordance with ISO14001, ISO9001 and OHSAS18001, and their HR management procedures are in line with PR2. [REDACTED]

In relation to the preceding projects, ESD conducted a site visit to review company operations and risk management capabilities. The results of this visit indicated that the company has a systematic approach for identifying and managing risks in operations, including the independent group involved in the oversight and monitoring of all construction work and monitoring environmental and health and safety conditions for all operations in accordance with an annual monitoring plan developed as part of their overall management systems. This monitoring includes the collection and analysis of environmental

samples as well as physical sampling of assets, such as the monitoring of welds and pipeline wall thickness as well as monitoring fugitive emissions from pipeline systems (including compressor stations). [REDACTED] The existing ESAPs address comprehensive environmental, health and safety issues ensuring that the corporate management systems cover all aspects of this project, contractor management and some additions to the existing transportation management. The Bank continues to monitor the project's environmental & social performance by reviewing an annual environmental report as well as a site visit.

## **6.2 INTEGRITY**

In conjunction with OCCO, updated internal integrity due diligence was undertaken on all relevant counterparties [REDACTED]. The review concluded that this project does not pose an unacceptable reputational risk to the Bank.

All actions required by applicable EBRD procedures relevant to the prevention of money laundering, terrorist financing and other integrity issues have been taken with respect to the project, and the project files contain the integrity checklists and other required documentation which have been properly and accurately completed to proceed with the project.

## ANNEXES TO OPERATION REPORT

ANNEX 1	Historical Financials of KTG
ANNEX 2	Historical Financials of ICA
ANNEX 3	Historical Financials of KTGA
ANNEX 4	Financial projections of ICA
ANNEX 5	Financial projections of KTGA
ANNEX 6	Corporate Governance Review
ANNEX 7	[REDACTED]
ANNEX 8	[REDACTED]
ANNEX 9	Transition Impact Scoring Chart
ANNEX 10	TIMS
ANNEX 11	[REDACTED]
ANNEX 12	SSF TC Fiche



**ANNEX 1: HISTORICAL FINANCIALS OF KTG**

[REDACTED]

**ANNEX 2: HISTORICAL FINANCIALS OF ICA**

[REDACTED]

**ANNEX 3: HISTORICAL FINANCIALS OF KTGA**

[REDACTED]

**ANNEX 4: FINANCIAL PROJECTIONS OF ICA**

[REDACTED]

**ANNEX 5: FINANCIAL PROJECTIONS OF KTGA**

[REDACTED]

**ANNEX 6: CORPORATE GOVERNANCE REVIEW**

The team has undertaken a corporate governance review on KTGA practices pursuant to the EBRD Operational Guideline on Corporate Governance Review. The Company completed the corporate governance questionnaire in April 2020, as well as shared a set of internal documents (including the KTGA Charter, KTGA Board of Directors Regulation, KTGA Internal Control Policy, KTGA Risk Management Policy, 2018 Annual Report). [REDACTED]

**ANNEX 7: [REDACTED]**

[REDACTED]

**ANNEX 8: [REDACTED]**

[REDACTED]

**ANNEX 9: TRANSITION IMPACT SCORING CHART**

[REDACTED]

**ANNEX 10: TIMS**

[REDACTED]

**ANNEX 11: [REDACTED]**

[REDACTED]

**ANNEX 12: SSF TC FICHE**

[REDACTED]