

Current Status and Prospects for Energy Resources and Infrastructure Development in Uzbekistan



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Oil and gas industry of the Republic of Uzbekistan

Uzbekistan's mineral and raw material resource is estimated as exceeding **3,3 trillion USD**.

Uzbekistan share in Central Asia

- ✓ 75% - gas condensate reserves
- ✓ 40% - natural gas reserves
- ✓ 31% - oil reserves
- ✓ 55% - coal reserves

Gas

- ✓ Explored reserves – more than 2 trln m³.
- ✓ Production – about 65 bln m³ per year.
Potential hydrocarbon reserves (01.01.2007) is estimated at about 6 trln m³ of natural gas, 850 million tons of oil, 389 million tons of gas condensate.
- ✓ Uzbekistan gas transportation system – 13 thousand km length.

The major priorities of the national energy policy

- - accelerated large scale geological exploration to ensure early additions to the resource base;
- - raising production;
- - developing the oil refining and gas processing business;
- - developing the gas transportation system;
- - active investment policy.

Uzbekistan territory is a highly promising area (60% of the territory) in terms of potential oil and gas presence.

There are five oil and gas bearing regions: Ustyurt, Bukharo-Khivinsky, Gissar, Surkhandarya, and Fergana.

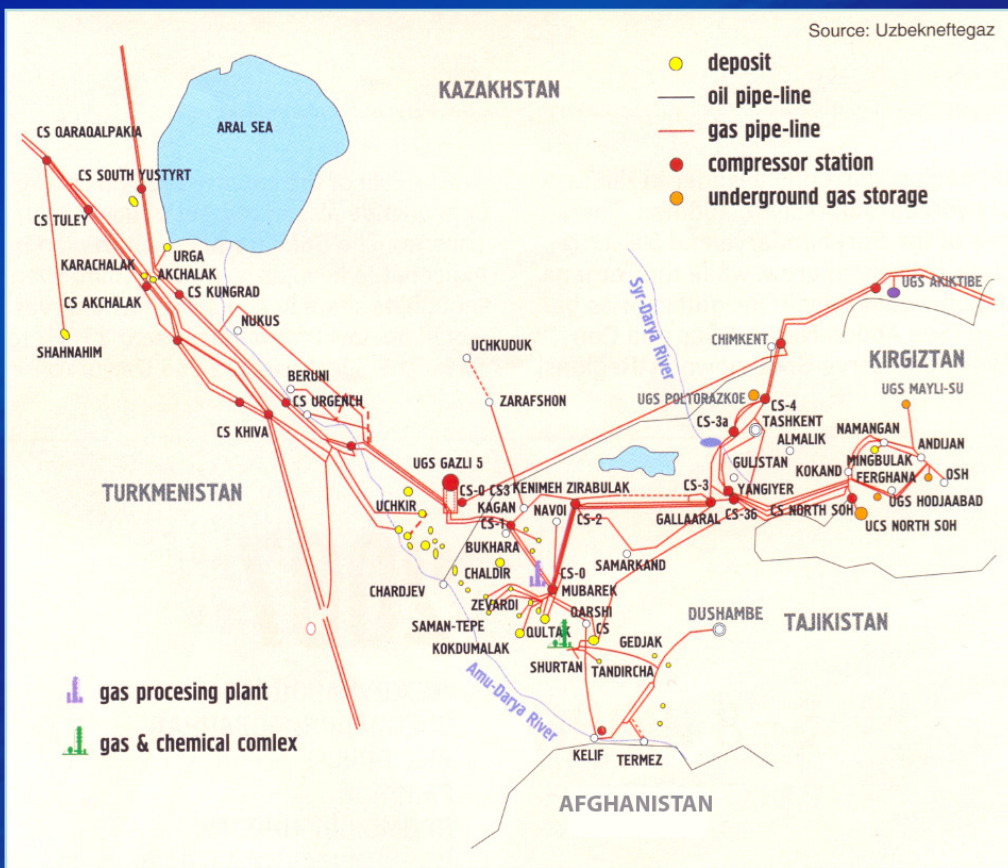
203 hydrocarbon fields were discovered

- 104 gas and condensate fields
- 99 oil/gas/condensate and oil fields



- 48% are in development
- 34% are prepared in development
- 18% are in the exploration phase

Oil and Gas Bearing Regions of Uzbekistan



Added Natural Gas and Condensate Reserve Breakdown by Regions, %

Regions	2005	2010
Bukhara-Khivinsky	47.7	38.1
Ustyurt	41.6	45.2
Surkhandarya	9.6	11.2
Gissar	0.9	5.0
Fergana	0.2	0.5

Source: Institute of Geological Science and Exploration of Oil and Gas Fields under Uzbekneftegaz

Added Oil Reserve Breakdown by Regions, %

Regions	2005	2010
Bukhara-Khivinsky	87.5	51.0
Fergana	12.5	27.3
Surkhandarya	0	10.2
Ustyurt	0	10.0
Gissar	0	1.5

Source: Institute of Geological Science and Exploration of Oil and Gas Fields under Uzbekneftegaz

Uzbekistan government is actively attracting foreign investment in order to accelerate exploration and ensure early additions to the resource base.

A total of 41 investment blocks have been designated for oil and gas exploration:

- Ustyurt region - 17
- Bukharo-Khivinsky – 11
- Surkhandarya region – 5

- Fergana region – 6
- Gissar region -1
- Khoresm oasis - 1

Of that number 13 blocks have been already granted to foreign companies, including **LUKOIL**, **CNPC** (China), **Zeromax** (Switzerland), **Petronas Carigali** (Malaysia), **the Aral Consortium of Investors**.

In the mid – 2006 Uzbekneftegaz offered foreign companies 10 new investment blocks with total potential resources estimated at 1,47 bln tons of conditional fuel.

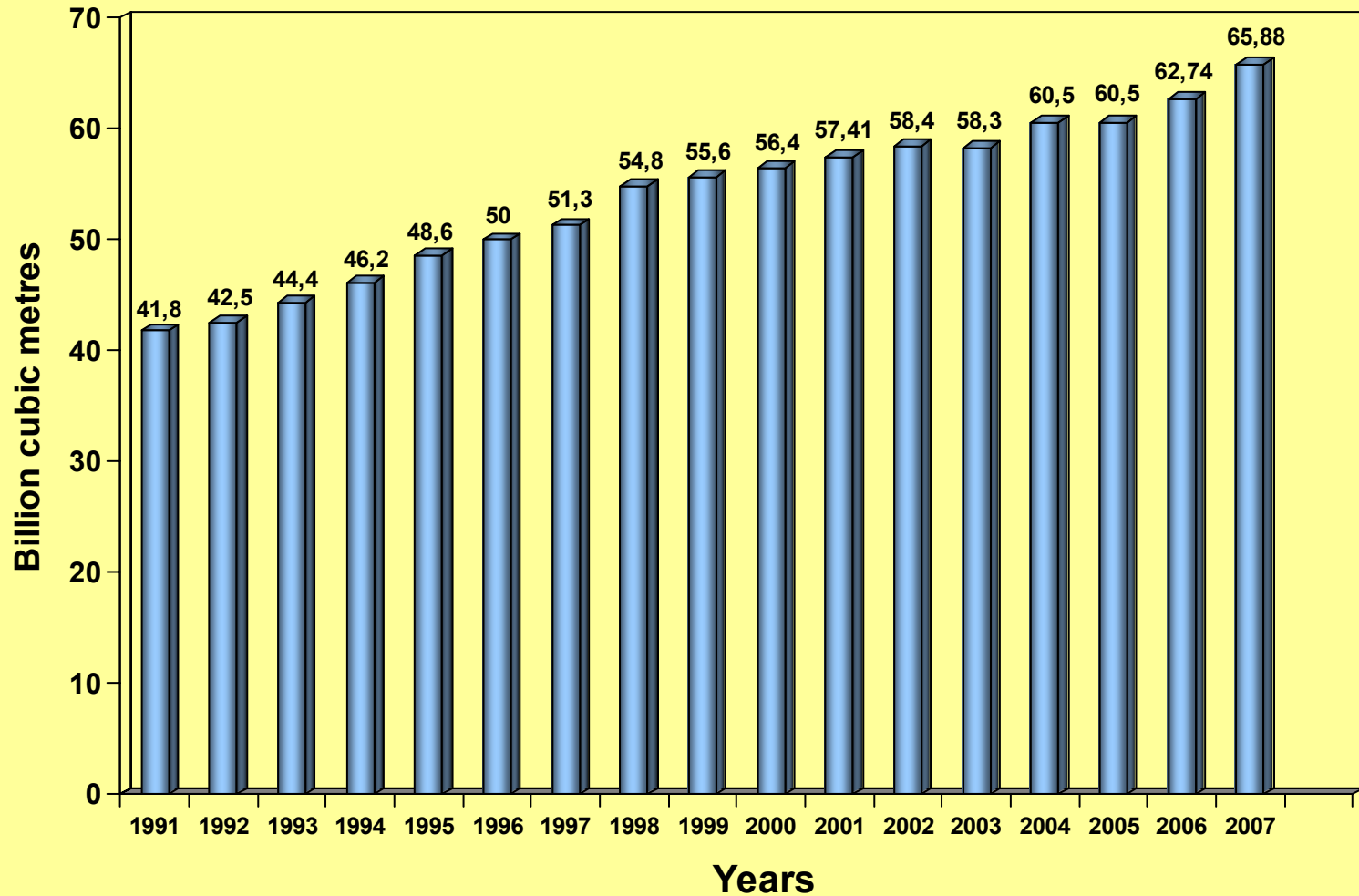
Name	Location	Total acreage, thousand sq. m	Potential geological resources, Million tons of conditional fuel
Ashibulak	Ustyurt Region	5.2	184.1
Chimbai	Ustyurt Region	3.3	116.9
Koshkudyk	Ustyurt Region	2.6	92.0
Shumanai	Ustyurt Region	1.3	69.5
Akdzhar	Bukharo-Khivinsky Region	1.7	45
Yangikazgan	Bukharo-Khivinsky Region	1.2	35.0
Karakyr	Bukharo-Khivinsky Region	1.8	20
Vostochno-Surkhansky	Surhkandarya Region	2	476
Koshtar	Surhkandarya Region	1.11	298
Chinabad	Fergana Region	2.1	200.3

Source: Uzbekneftegaz

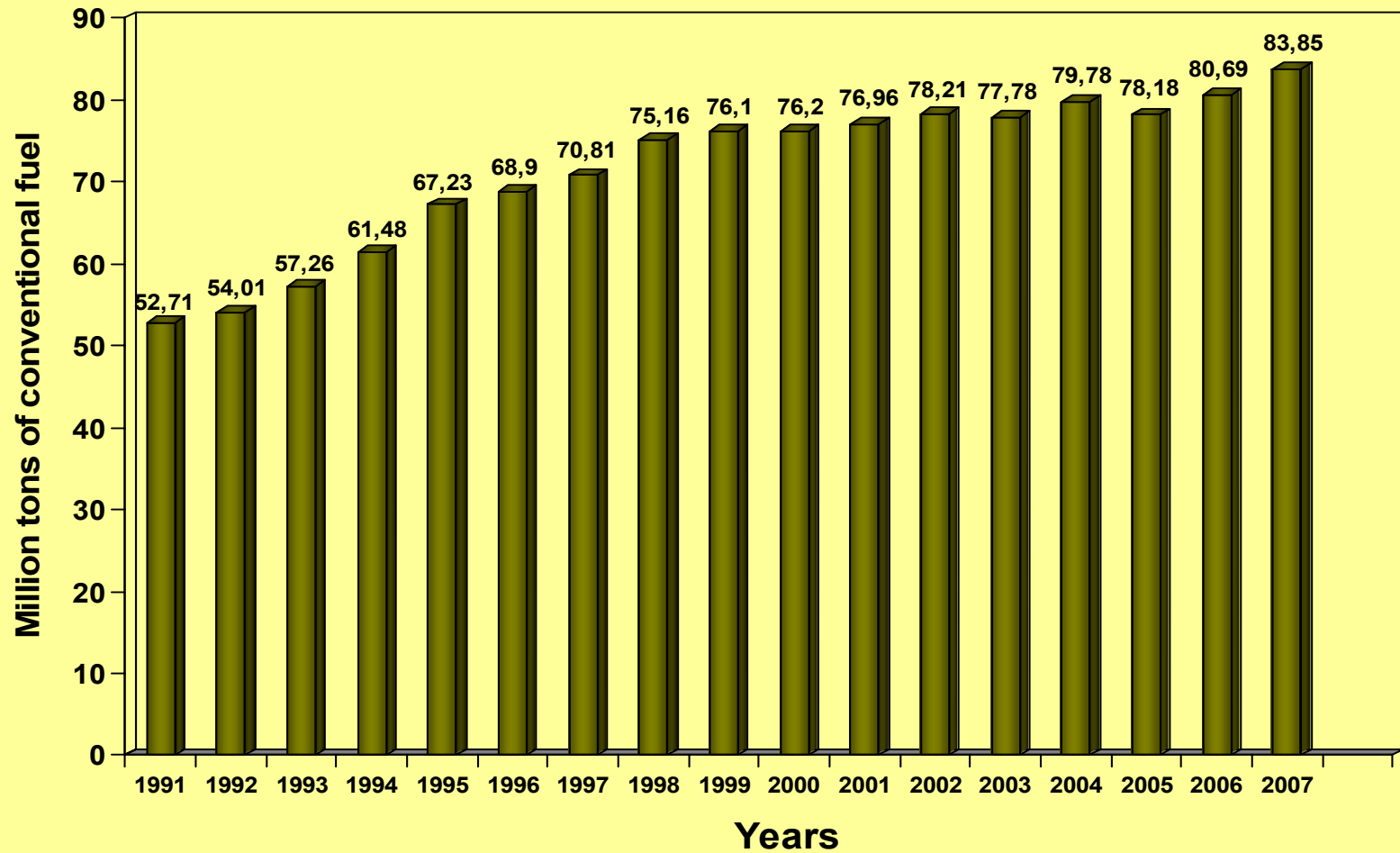
The largest investment projects to accelerate exploration

- a) PSA (production sharing agreement) was signed between LUKOIL (Russia) and Uzbekneftegaz for the development of the Kandym group of fields, Hauzak and Shady, and geological exploration in the Ustyurt region. (Investment – 995 million USD) (Reserves – 240 bcm)
- b) Agreement on basic principles of geological exploration with GAZPROM (Russia) – the licenses issued to seven exploration blocks in the Ustyurt region. (Investment – 400 million USD)
- c) PSA with Consortium of Investors comprising Uzbekneftegaz (Uzbekistan), CNPC International (China), KNOC Aral (Korea), LUKOIL (Russia), Petronas Carigali (Malaysia) for exploration of the Uzbekistan sector of the Aral Sea. (Gas reserves – 1 trln m³)
- d) Memorandum of the Cooperation in the Petroleum with Petronas Carigali (Malaysia) for joint exploration of the Baisun Block in Surkhandarya region. (Investment – 20 million USD)
- e) Exploration Agreement with Chinese National Petroleum Corporation (CNPC) for gas exploration in five investment blocks. (Investment in geological exploration over five years – 208.5 million USD)
- f) Agreements with Korea Gas and Oil Companies for joint geological exploration.

Dynamics of gas production



Dynamics of hydrocarbon production



Uzbekistan achieved fuel independence in 1996.

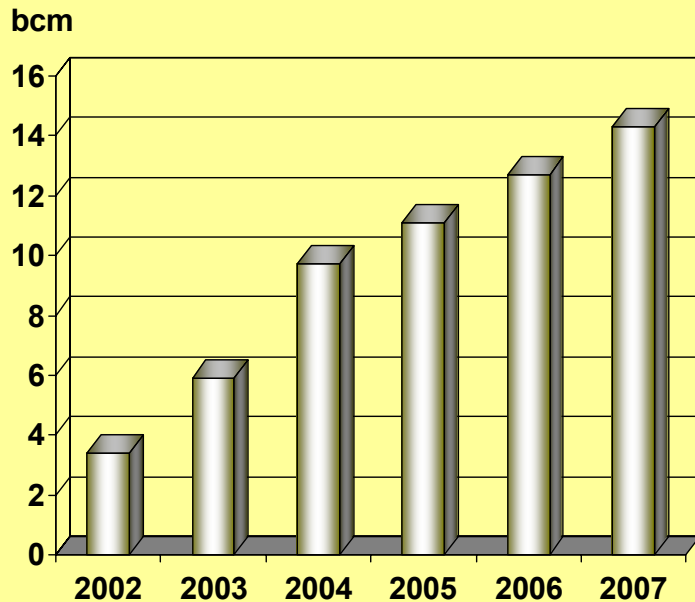
Some statistics:

In 2004 oil and gas condensate production in Uzbekistan exceeded 9.6 million tons of conditional fuel which is 2.2 times more than in 1992.



Natural gas production amounted to 65 bln m³ in 2007, 1.5 times the 1992 level.

Natural Gas Export



In 2006 Uzbekistan's ultimate gas production was about 62 bln m³. Of that amount, 49,3 bln m³ were sold on the domestic market and 12,7 bln m³ were shipped to export markets.

Of the total gas sales volume, 9 bln m³ were sold to Gazprom and 3,7 bln m³ were shipped to Kazakhstan, Kyrgyzstan, and Tadzhikistan.

*In 2007
13 bln m³ – to Gazprom
0,7 bln m³ – to Kyrgyzstan
0,65 bln m³ – to Tadzhikistan*

Plans of foreign investors

LUKOIL
(Russia)

*6,5 bln m³/year to 2010.
8-10 bln m³/year in several years.*

Zeromax
(Swiss)

3 bln m³/year to 2010.

Gazprom
(Russia)

10 bln m³/year in the mid-2010s.

Gas Transportation System

Uztransgaz company operates nearly 13,03 thousand km of gas pipelines and branch gas lines

- *310 gas distribution system*
- *24 compressor stations*

The total power of 248 gas pumping units is 1651 MW. In the frame of Gas Transportation Development Program, a total 808,9 km of main pipelines were commissioned and 119,4 km gas distribution pipelines in Fergana valley put into operation.

Uztransgaz gas transportation capacity is 99,4 bln m³ per year. In 2006, the Turkmen gas transit reached 40,7 bln m³. Natural gas export reached 12,7 bln m³ in 2006.

Gas Processing

Uzbekistan has three gas processing facilities:

1. The Mubarek Gas Processing Plant – 29 bcm/year

2. The Shurtanneftegaz – 12,0 bcm/year

3. The Shurtan Gas Chemical Facility – 4,5 bcm/year
The latter was put into operation in 2001.

Its annual production

- ✓ 125 thousand tons of polyethylene granules
- ✓ 130 thousand tons of liquefied gas and gas condensate
- ✓ 4,2 bcm of commercial gas
- ✓ 4 thousand tons of sulfur
- ✓ 150 types of high-pressure, medium-pressure and low-pressure polyethylene

PLANS

In 2006 Uzbekistan production of liquefied hydrocarbon gases reached 225,9 thousand tons.

Plan – to raise this production to 615 thousand tons by 2010.

LUKOIL – construction of a gas processing facility to process about 8 bcm/year.

KOGAS – construction of a major gas chemical plant in the Ustyurt region.

The facility designed for the output of 150 thousand tons of polyethylene and polypropylene a year (2007-2009). Investment – 960 million USD.

Oil and Condensate Refining

Uzbekistan has three oil and condensate refining facilities

1. Fergana Refinery produces fuel and lubricants.

Its capacity – 5,5 million tons a year.

Fergana Refinery was upgraded in 1997 by the Japanese companies Mitsui and Toyo Engineering.

UzTexaco JV was established on the basis of the Fergana Refinery to produce premium lubricants by technologies provided Texaco.

2. Altyaryk Refinery produces fuel and lubricants.

Its capacity – 3,2 million tons a year.

3. Bukhara Refinery (was put into operation in 1997).

Its capacity – 2,5 million tons of gas condensate a year.

It produces premium gasoline, jet fuel, diesel fuel.

INVESTMENT LEGISLATION

The following laws form the basis of investment environment in Uzbekistan:

➡ **On Foreign Investments,**

➡ **On Investment Activities,**

➡ **On Guarantees and Measures of Protection of Rights of Foreign Investors,**

➡ **On Protection of Rights of Investors on Securities' Market**

➡ **On Production Sharing Agreement**

INVESTMENT ATTRACTION POLICY

Attraction of foreign investment is one of the major priorities for 2008

⇒ “Open doors” policy

⇒ Improvement of investment environment

⇒ Protection of foreign investors’ rights

GUARANTEES & RIGHTS OF FOREIGN INVESTORS

- Stable legislation during 10 years,
- Foreign investments and other foreign assets are not subject to nationalization,
- Free transfer of money resources in a foreign currency into Uzbekistan and from it without any restrictions,

GUARANTEES & RIGHTS OF FOREIGN INVESTORS



Foreign investors' incomes derived in Uzbekistan can be re-invested in the territory of the Republic of Uzbekistan or used in any other way at the discretion of a foreign investor,

GUARANTEES & RIGHTS OF FOREIGN INVESTORS

- Return of foreign investments due to the discontinuance of an investment activity,
- Insurance protection and guarantees against political and other risks.


PRIVILEGES & PREFERENCES IN OIL & GAS INDUSTRY

Foreign companies, which are involved in oil and gas exploring works, are exempted from all types of taxes and payments for a period of exploration works,

They are also exempted from the payments of customs duties on imported equipment, materials and technical resources and services, which are necessary for exploring works.

PRIVILEGES & PREFERENCES IN OIL & GAS INDUSTRY

Oil and gas extracting JVs with the foreign capital, carrying out oil and gas exploring works, are exempted from:



Income tax for 7 years from the date of the first extraction. On the expiry of this period, income tax rate is set at 50% of the rate in force,

PRIVILEGES & PREFERENCES IN OIL & GAS INDUSTRY










Property tax and income tax of foreign shareholders of JVs,



Compulsory sale of a part of foreign currency earnings from sale of production, resulted from oil and gas extraction and processing activity, for the period of replacement of laid-down capital for prospecting works.

WHY TO INVEST IN UZBEKISTAN?

-  Political Stability
-  Fast Growing Economy and Infrastructure
-  Favorable Tax Policy
-  Convenient Geographic Location
-  Rich Source Of Mineral-raw Materials
-  Well Trained Labor Force
-  The Best Place To Live



THANK YOU!