



ASIA

KAZAKHSTAN

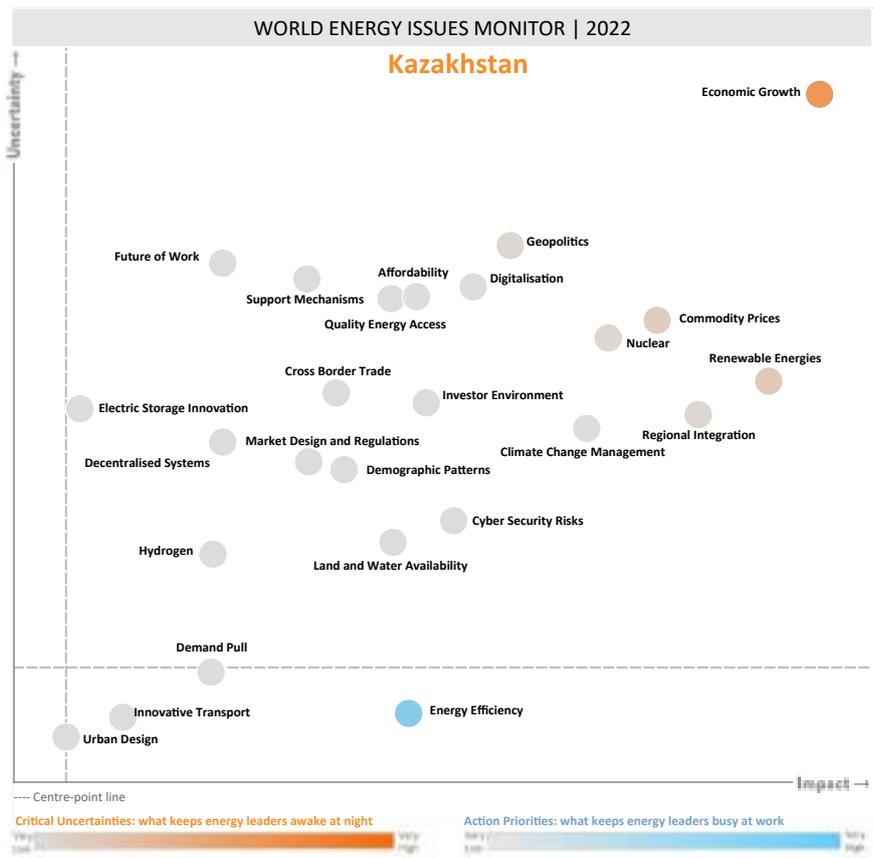
The coronavirus pandemic and the related restrictions caused tremendous damage to the entire world economy, including Kazakhstan's economy. In 2020, Kazakhstan faced its deepest recession in two decades, although the decline was less severe than originally expected. The country's GDP contracted by 2.6% in 2020 as a result of lower oil prices and subdued external demand for Kazakhstan's exports in general due to the pandemic, as well as the negative impact of lockdowns on domestic economic activity. However, with the recovery of global demand in 2021, Kazakhstan's economy started to grow again, resulting in an economic growth of 4%. The strong dependence of Kazakhstan's economy on the energy sector means that global trends - such as falling commodity prices - will continue to have a large-scale impact on the situation in Kazakhstan, affecting performance not only in the fuel and energy complex itself, but also in other energy-related areas.

At the same time, as a consequence of the ongoing recovery of global supply chains, geopolitical uncertainty and rising commodity prices, Kazakhstan, as well as the world's largest economies, experienced record levels of inflation in 2021, so it is not surprising that they are reflected in this year's Issues Monitor. Against the background of worsening inflation, which peaked in autumn 2021, the Government of Kazakhstan adopted a set of anti-inflationary measures for a three-year period, with regulation of prices and introduction of state control measures. It is expected that the adopted reforms towards a market economy and the recovery of the international economy will continue to stimulate foreign investments, especially in the key energy sector.

In this context, the climate agenda becomes one of the most important challenges for the energy industry. In December 2020, at the Summit on Climate Change Ambitions, President Kassym-Zhomart Tokayev announced that Kazakhstan remains committed to the path to decarbonise the economy and achieve zero emissions by 2060. As such, Kazakhstan became the first state in Central Asia to create an institutional framework for transition to green growth through the adoption of several legislative documents, including the Environmental Code (2007), the Law on Supporting the Use of Renewable Energy Sources (2009), and the Concept of Transition to a Green Economy (2013). In the development strategy towards NetZero, the government of Kazakhstan identified the main objectives of the energy sector, such as improving energy efficiency, increasing the share of renewable sources in the energy mix, reducing greenhouse gas emissions, and attracting foreign investment. In particular, a number of interim goals have been formulated, including increasing the share of renewable sources in total electricity consumption in Kazakhstan from 3% in 2020 to 15% by 2030, as well as increasing the share of electricity generation from natural gas in the same period from 20% to 25%. An even greater increase in the share of renewables in the fuel mix of the power sector in 2030 is envisaged by a new decarbonisation program, which is currently under consideration. According to this program, RES will cover 24% of Kazakhstan's electricity demand by 2030, with the final official target for 2030 possibly even higher.

In 2021, electricity generation in the power sector was 113.7 billion kWh. At the same time, the growth of consumption compared to

2020 was about 6%. Thus, according to the forecast balance of development of Kazakhstan's electricity sector until 2035, despite a roughly zero balance, the abnormal rate of electricity consumption has brought Kazakhstan closer to the energy deficit, which was not expected before 2025. This growth is primarily due to the increase in the share of consumers engaged in digital mining. In this regard, it is planned to increase the volume of generation through renewable energy sources, gas and hydro power plants. At the same time, based on the green agenda, and global leadership in uranium production, the most effective solution will be the construction of a nuclear power plant.



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