

Developing Compressed Natural Gas as an Alternative Fuel for Vehicles in Kazakhstan A BG Supported Initiative

BG KAZAKHSTAN



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Background

Jan-2008

At the request of President Nazarbaev, BG Group developed a “Natural Gas Study” which identified CNG development in Kazakhstan as one of the significant opportunities

Oct-2008

BG Group and KMG signed agreement to work on proposals recommended in “Natural Gas Study”

Aug-2009

BG Group and KTG executed agreement for the development of NGV market in Kazakhstan

Oct-2009

BG Group, KTG and the Akimat of Almaty signed a memorandum to develop CNG in Almaty

Jul-2010

The first CNG station in Almaty commissioned

Dec-2010

First consignment of NGV Buses arrives in Almaty



BG Group – A long history of Transmission & Distribution

- Supplies gas to around three million customers
- Focuses on the high growth markets of Brazil and India
- Successfully developed NGV market in Gujarat and Mumbai in India

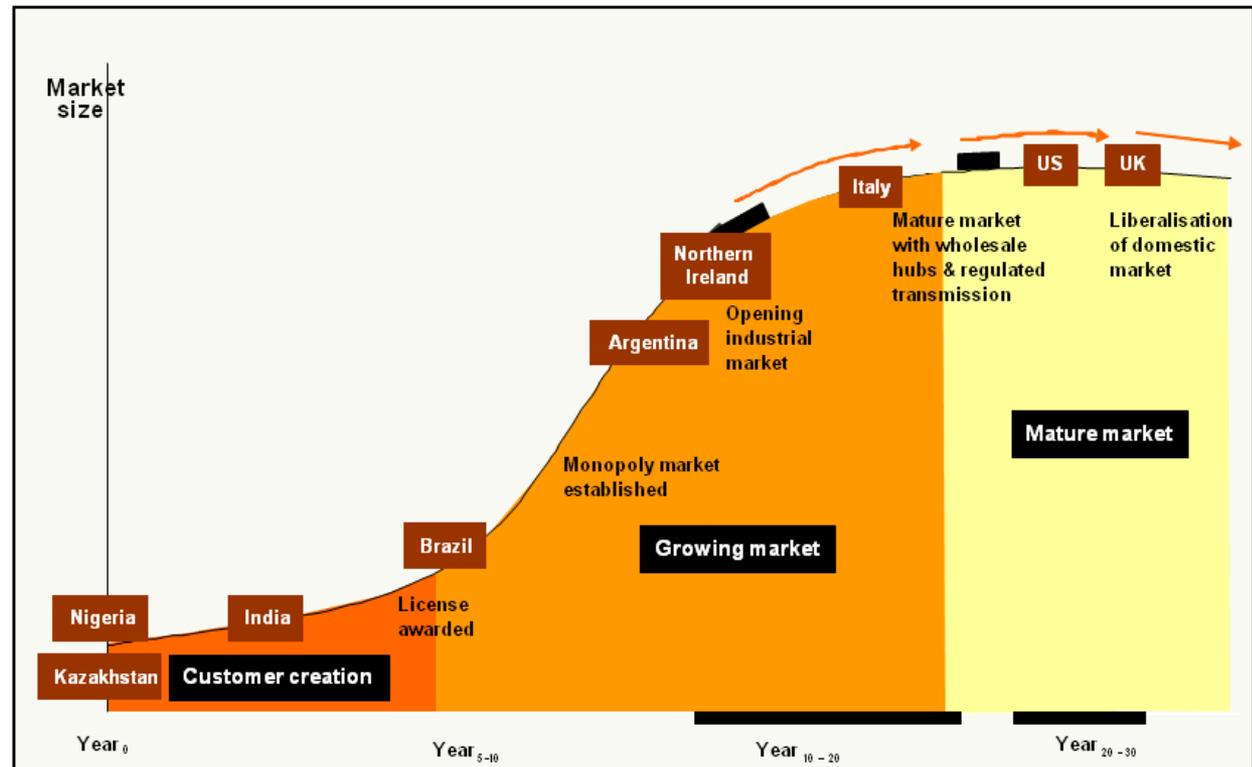


Natural gas is our business

Gas markets' evolutionary curve

Three stages of market development :

1. Government intervention needed at early stage to sustain significant investment
2. As market develops, system moves from artificial conditions to free market principles
3. Market matures to sustainable economically driven development



At later stages, regulation introduced to prevent natural monopolies acting against customers' interests

Government support at an early stage is critical for sustainable growth

Examples of Government NGV policies

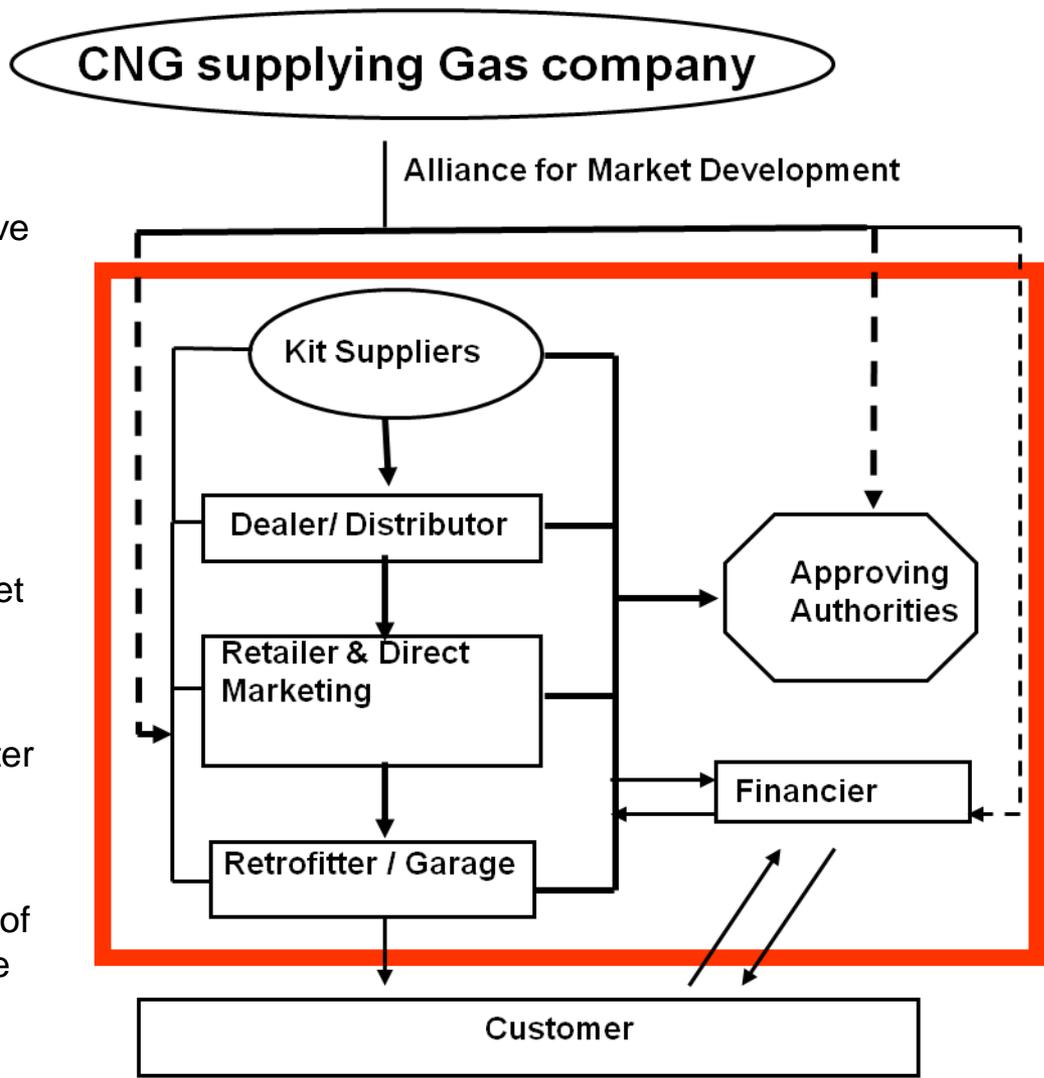


Country / City	Incentives: Tax / Grants	Mandates	Impact / Targets
USA	Tax deductions: \$ 2 000/converted car, \$ 50 000/converted truck, \$ 50 000 station		
Germany / Berlin	Tax: VAT reduced by 61% until 2020. Grants: First 1000 NGV Euro 4 taxis: up to \$4 825 cash + \$2 412 CNG vouchers		
Cairo	Tax: 5 year tax holiday to CNG company. Grants: Free conversion for taxi drivers, "Gas Card" system, CNG price control	All taxis must use gas	100 000 NGVs
Korea / Seoul	Tax: VAT and sales tax exemption: \$10,000/bus, Environment improvement charge exemption: \$1 660/bus, Corporate tax exemption for installing CNG refueling stations: \$15 000/station. Customs duty exemption for importing parts. Grants: \$22 500/city buses, \$60 000/garbage truck	All buses must use gas	Target for 2010: 22 000 buses, 1000 garbage trucks, 440 filling stations
Pakistan	Tax: 0% import duties, 0% sales tax for CNG buses and equipment. Grants: No additional costs for NGV	Diesel vehicles are not allowed in cities.	Impact: 1 700 000 NGVs, 300 000 diesels targeted
Iran	Grants: all conversions and OEMs added costs 90% subsidised, \$12 000 subsidised for new NGV buses. All new cars produced must be NGV. Government invests in research and development.	Mandates leading to dominant gas market share	Impact: 750 000 NGVs
Russia, Ukraine, Uzbekistan	CNG price is 1/3 of other fuels		CIS Target for 2020: Stations: 1000 NGVs:1 000 000
India	Formation of a group under the chairmanship of a senior Government official to direct and monitor CNG development in the country, Judiciary intervention in polluted cities to transform public transport to CNG, Sales tax exemption on Gas, Allocation of land on priority by Government for setting up CNG station,		
Japan	Grants: cover up to 100% conversion costs	Older diesel vehicles not allowed in some cities	Target: reduce diesel vehicles
China	Tax: NGV pay 30% less road tax. Stations granted 5 year tax breaks and cheap electricity price. Grants: bus and taxi conversions. CNG price is 1/2 of other fuels.		Target for 2010: 1 000 000 NGVs

Favourable Government policies have helped creating NGV success stories

CNG Market development model used by a BG company in India

- CNG supplying gas company - co-ordinating market development activities with business associates to offer attractive bundled options to customers
- Gas company created pull in the market with CNG awareness campaign
- Gas company supported associates by:
 - Imparting marketing support and information and database on market dynamics.
 - Supporting or liaison with local approving authorities to set up faster conversion infrastructure
 - Providing relevant and impartial information about various options of NGVs and conversion kits available to customers.



CNG supplying company can play an important role in Market Development

CNG development in Kazakhstan –The first step

- The first CNG station commissioned in Almaty in July-2010
- CNG station having state of the art technology with latest safety features
- 200 CNG city buses being procured by Akimat of Almaty





CNG Development in Kazakhstan – Recommended next steps

- Announce Government incentives and mandates for use of CNG to provide initial thrust
- Implement stringent environmental protection norms for transport sector
- Ensure attractive economics of CNG compared with conventional fuel
- Create infrastructure of CNG station ahead of demand
- Establish standards and approving agencies for safe usage of CNG
- Form a committee at national level having representation from ministry and other stake holders for steering the progress of NGV development
- Create strong public awareness and visibility of CNG supported by environmentalists, judiciary, NGO's and Government

Creating visibility of CNG

India



In Kazakhstan?



Thank you!