Oil and gas industry is one of the major Kazakhstan economic development drivers, but also the main source of negative impact on the environment. Up until very recently in Kazakhstan there was no independent tool that would produce comparable data on oil&gas companies’ environmental responsibility and the extent of their environmental impact. Environmental responsibility ratings are “soft” tools that make it possible to influence corporate policies of business companies efficiently, resulting in both reduction of negative ecological footprint and improvement of public transparency and community interaction.

Following the initiative of World Wildlife Fund (WWF) Russia, CREON Group of Companies, and United Nations Environment Program (UNEP), under the auspices of the Ministry of Energy of the Republic of Kazakhstan, the project for rating environmental responsibility of Kazakhstan oil and gas companies has been implemented for 2017-2018. This initiative is based on the similar rating in Russia that has been continuously organized on the annual basis by WWF together with CREON since 2014 (https://new.wwf.ru/what-we-do/green-economy/ekologicheskiy-reyting-neftegazovykh-kompaniy-rf-sovmestnyy-proekt-wwf-i-kreon). Rating methodology is the proprietary solution of WWF Russia and the involved criteria were developed in close cooperation with interested parties (first and foremost — with representatives of oil and gas industry).

The Rating goal is to improve environmental risks management quality during production, transportation and processing of raw hydrocarbons, as well as to further decrease negative impact on the environment. In addition to direct nature preservation effect, this rating will also become the considerable stimulus for increase of corporate transparency and promotion of interaction with interested parties (CSOs and NGOs, local communities).

We believe that the expansion of our initiative further in Eurasia will significantly promote environmentalization of regional economic development processes, and that this initiative will become a strongly sought-for tool for authorities, business communities, and civic society leaders.

Fares Kilzie
Head of CREON Group

Evgeny Shvarts
Director of Conservation Policy,
WWF Russia, PhD

Natalia Alexeeva
Head of Central Asia Office,
UN Environment
Rating Organizers

Rating Organizers:

CREON GROUP OF COMPANIES

Leading Russian advisory and investment group working in oil & gas, petrochemical and related industries, project management and information analytics.

CREON Group mission is to promote the dynamic development of Russian and the CIS countries petrochemical industry and to assist oil & gas and petrochemical companies in improving the business performance.

WORLD WILDLIFE FUND (WWF) RUSSIA

One of the largest national nature conservation organizations, WWF Russia is a part of international WWF network that unites around 5 million supporters and operates in over than 100 countries of the world.

WWF mission is to prevent the growing degradation of the natural planet environment and to achieve harmony between man and nature. The main goals of the organization are to conserve biodiversity and decrease ecological footprint.

Rating Partners:

NATIONAL RATING AGENCY (NRA)

One of the leading rating agencies in Russia. NRA is involved in socially important projects and provides research analysis in the wide range of economic segments: macroeconomics, banks, insurance, oil & gas, investment potential of Russian regions etc. NRA has a client base of over 400, with over 1000 companies participating in various information projects of the Agency.

The United Nations Environment Programme (UN Environment)

is the leading global environmental authority that sets the global environmental agenda, promotes the coherent implementation of the environmental dimension of sustainable development within the United Nations system, and serves as an authoritative advocate for the global environment.

Our mission is to provide leadership and encourage partnership in caring for the environment by inspiring, informing, and enabling nations and peoples to improve their quality of life without compromising that of future generations.

Award Ceremony Partner:

CREON Capital S.a.r.l.

The managing company and unlimited partner of Direct Investment Fund (total volume over 100 million euro) CREON Energy Fund SICAV-SIF, established in 2016 and focused on investments in projects of chemical sector at the primary stage, growing and developed companies in Russia and CIS countries, as well as in ecological projects of green economy and alternative energy.
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## Rating Results

<table>
<thead>
<tr>
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About the Rating

Rating Objective:
Rating objective is to facilitate rational use of hydrocarbon resources, protect environment and run socially responsible business in Kazakhstan.

Rating Targets:
1. To identify key indicators of environmental activities for oil & gas companies in Kazakhstan. The Rating makes it possible to create an immersive quantified database to be used for calculation of industry average indicators related to discharges, emissions, and wastes.
2. To compare main stakeholders in the oil & gas sector by the following criteria:
   — the company’s level of environmental impact per production unit
   — the extent of transparency and availability of ecologically significant information
   — the quality of environmental management in the company (compliance of activities with corporate and national environmental policies, best standards and practices)
   — the frequency of violating environmental legislation in project execution areas by the company
   — the efficiency of mineral resources consumption.
3. To make record of the year-over-year changes in the above-listed criteria.

Fundamental Principles of the Rating:
- The rating is performed on the basis of the criteria specified, first and foremost, in the Joint Environmental Requirements of the Public Interest Environmental Groups to the Oil and Gas Companies (https://new.wwf.ru/upload/iblock/4ac/oil_demands.pdf).
- The rating is calculated considering all the segments: production, processing and transportation.
- The rating is based on the data related to the companies’ activities in the Republic of Kazakhstan, available in public domain. Availability in public domain is understood as being accessible to public in the form of annual business or socio-ecological reports, including reports on environmental protection measures (including regional ones). Also, for the purpose of this rating, any information is deemed to be publicly available if it is displayed on the official Internet sites of the relevant companies (including subsidiaries) with the necessary inclusion of references to the relevant pages in the site menu, or if it is provided through interviews of the companies’ official representatives for republican or regional media.
- The rating calculation shall be performed by the professional rating agency, which is chosen on the basis of tender.
- The rating is performed on the annual basis. This allows for estimation of the oil & gas companies environmental indicators dynamics.
A total of **16 companies** were selected for participation in the Rating in 2017. Companies’ names and reference production data for 2016 is given in the table below.

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<tr>
<th>Company</th>
<th>Production Volume in 2016, mln tones*</th>
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<tr>
<td>Maersk Oil Kazakhstan Gmbh</td>
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</table>

* Source: JSC IACOG
The Rating consists of three sections:
– Environmental Management
– Environmental Impact
– Information Disclosure

**Section 1: Environmental Management**
assesses the quality of environmental management in the companies. The criteria included in this section are in most cases substantially more rigid compared to the Kazakh legislation on environmental protection. However, these criteria correspond to the best global standards and practices in oil and gas business.

**Section 2: Environmental Impact**
evaluates the scale of impact of oil and gas companies on the environment (air, water and land) during the implementation of projects as well as the environmental performance level of the industrial companies. In most cases the criteria are based on components of state statistical reporting in the field of environmental protection (the data sources are represented by environmental reports (water, air, wastes and land, costs and payments), reflecting the companies environmental impact as a result of the economic activities performed at the respective licensed areas.

**Section 3: Information Disclosure**
evaluates the extent of companies’ readiness to disclose information with respect to environmental impact of their industrial activities. Historically, Kazakh oil and gas business was considered as a rather non-transparent community not least because of the unwillingness to publish environmental data. The recent trend is a growing transparency of the companies.
Rating Calculation

The Rating is calculated as follows.

1 Each company is assigned color flags for each of criteria — Red, Yellow or Green. When a criterion is not relevant for the given company (for example, the company does not produce fuel), no flag is assigned. In such cases, companies are required to present proof of being irrelevant to criteria. When the information related to the criterion is not available in public domain, red flag is assigned.

2 At the next stage, points are assigned for every criterion. Red flag counts as 0 points, Yellow as 1 point, and Green as 2 points. For each section, companies are assigned an arithmetic mean of their points for criteria in the corresponding section. In this calculation, only those criteria that have been assigned color flags are taken into account, i.e. criteria that are not relevant for the given company, are not included in the calculation. As a result, every company is assigned final points for Environmental Management Section, Environmental Impact Section and Transparency Section. Final points vary from 0 to 2. At this stage, the leaders are chosen in each of the following areas: Management, Operations, and Information.

3 The final Rating is then calculated for each company by averaging three values assigned in the previous stages.
## Section 1:
Environmental Management

<table>
<thead>
<tr>
<th>Section 1 Position</th>
<th>Company</th>
<th>Section 1 Rating Point</th>
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<tr>
<td>13-16</td>
<td>JSC Turgai Petroleum</td>
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</tr>
</tbody>
</table>
List of Rated Criteria

1.1 Presence of quantitative efficiency indicators in the environmental management system (EMS) (as per the Standard 14001 and others)

Certification under ISO 14001 is voluntary, but is becoming increasingly popular with oil and gas companies worldwide. Availability of a certified environmental management system indicates that the company is giving priority to systematic approach to handling environmental protection issues.

- **Environmental Management System is in place** in the company’s main production outlets and its quantitative indicators are included in the company’s public documents
- **Environmental Management System is in place** in the company’s main production outlets or its quantitative indicators are included in the company’s public documents
- **Environmental Management System is not in place** in the company’s main production outlets

1.2 Company’s environmental policy (or other formalized corporate documents) includes:

- Requirements to additional risk assessment in environmentally sensitive areas.
- Commitments to reduce landscape fragmentation and disturbed land area.
- Commitments to protect animal migration routes.
- Requirements to Strategic Environmental Assessment (SEA) in major infrastructure projects, if any.
- Prohibited hunting and fishing by personnel, including contractors, in the company areas of operations.
- Requirement to perform a comprehensive assessment of environmental impact beginning from the phase of construction and up to the phase of abandonment and cleanup within the bounds of the project and its related projects.
- Willingness to avoid work in specially protected natural areas (SPNAs), their buffer zones, and World Natural Heritage (WNH) sites.
- Commitments in respect of pipeline integrity.
- Commitments and/or practices of promoting/introducing “green office” principles in the company offices.
- Requirements of enhanced environmental standards of the company’s transport (including transport operated by its contractors).
- Requirements to extend the company’s environmental standards onto its contractors.

*These environmental policy requirements are only voluntary for observance by the oil and gas companies. These requirements are not enshrined in the Kazakh law, but were proposed by the environmental protection community in the “Joint requirements of the public environmentalist organizations for the oil and gas companies” ([https://new.wwf.ru/upload/iblock/4ac/oil_demands.pdf](https://new.wwf.ru/upload/iblock/4ac/oil_demands.pdf)) Compliance with the requirements included in a criterion points to the company’s heightened attention to environmental protection matters.*

**Positive answers:**

- More than 7
- 7-4
- Less than 4

1.3 A Policy, or any other document approved by the company, on relations with local communities

*Important indicator of the company’s social and environmental responsibility is minimization of its impact on the local peoples, preservation of their approaches to nature management, lifestyle and traditions of the local communities.*

- Yes
- No separate document in place, but care for local communities mentioned
- No mentioning

1.4 Energy efficiency program

*The topic of energy efficiency is presently widely discussed on both national and global levels. Company’s efforts directed at reduced energy consumption indicate its commitment to the preservation of the planet’s non-renewable resources and reduction of toxic emissions.*

- **Quantitative indicators** of energy efficiency **show positive dynamics** compared to the previous year figures
- **Quantitative indicators** showing the implementation of an energy efficiency program are available
- **No quantitative indicators are available** to show results of energy efficiency program implementation
1.5 **Presence of the following components in the biodiversity conservation programs in the company’s areas of operation:**
- Fund allocations for biodiversity preservation measures.
- Presence of an approved list of indicative species in the areas of company’s activities.
- Presence of study and/or monitoring programs for indicative species.
- Public availability of research results performed in the area of biodiversity preservation.
- Mechanisms of involvement of interested parties in discussing programs targeted at biodiversity preservation (discussing methods, approaches, results, etc.).

*Conservation of biodiversity of Kazakhstan is our common goal. Companies, which are fully aware of their environmental impact in the areas of presence, are running effective programs aimed at preserving diversity of flora and fauna.*

**Positive answers:** ▶ More than 3 ▶ 2-3 ▶ Less than 2

1.6 **Wildlife rescue section in Oil Spill Contingency Plans (OSCPs) and/or Oil Spill Emergency Response Plan (OSERP)**

*The inclusion of wildlife rescue section in OSCPs is an internationally accepted practice of responsible oil and gas companies, which is only beginning to come to the Kazakh business environment. The importance of this component is that wildlife rescue is not ignored during combating emergency situations.*

▶ Yes ▶ Partially (limited to specific projects or subsidiaries) ▶ Not present at all

1.7 **Voluntary insurance of environmental risks**

*Voluntary insurance against environmental risks guarantees payment of reimbursements to people suffering from adverse effects of the company’s business and contributes to more responsible safety approaches on the part of the oil and gas companies.*

▶ **Presence of a corporate system of voluntary insurance** against environmental risks
▶ **Voluntary insurance** against environmental risks in respect of individual projects or individual subsidiaries
▶ **Absence of voluntary insurance** against environmental risks
## Section 2: Environmental Impact

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<tr>
<td>11-16</td>
<td>Maersk Oil Kazakhstan Gmbh</td>
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</tr>
</tbody>
</table>
List of Rated Criteria

2.1 Emission rates of pollutants into the atmosphere
Emission of pollutants into the atmosphere is one of the main indicators of environmental impact by the oil and gas companies.

2.2 Emission rates of greenhouse gases into the atmosphere
Voluntary monitoring of direct and indirect greenhouse emissions and implementation of programs aimed at their reduction demonstrates company’s conscientious approach to reducing its contribution to anthropogenic influence on the global climate.

2.3 Associated petroleum gas utilization (APG)
Associated petroleum gas (APG) is an extremely valuable feedstock. According to the Kazakh legislation, APG flaring is allowed only following special permission from Ministry of Oil and Gas of Kazakhstan.

2.4 Discharge rate of wastewater into surface water bodies
Wastewater discharge into surface water bodies is extremely detrimental to the environment. It is difficult to overestimate the importance of this issue. Zeroing the amounts of such discharges is a significant factor pointing to the commitment of an oil and gas company to the environmental protection.

2.5 Water consumption for the company’s own needs
Oil and gas production companies need a lot of water for their production needs. The task of socially and environmentally responsible water consumption is on the agenda.

2.6 Ratio of the amount of the utilized and disposed (including by third parties) wastes to the amount of wastes being handled (amount of wastes present as of the beginning of the year + amount of wastes generated during the year + amount of wastes received from other enterprises)
Waste management is an important element of the company’s business. Environmentally responsible companies are seeking to minimize wastes and maximize their utilization.

2.7 Ratio of polluted areas as of the year’s end to the year’s beginning
Zeroing polluted areas is a must for any oil and gas business. In case of an accident, polluted areas must be promptly cleaned up and the degree of pollution must be reduced to allowable levels.

2.8 Rate of pipeline accidents leading to spills of oil, condensate, oil products and oilfield water
Regrettably, oil spills from pipelines is a frequent occurrence in Kazakhstan. Reducing these accidents to zero is the industry’s commitment both to the law and the public.

2.9 Amounts of oil, condensate and oil products spilled as the result of accidents and leaks
This criterion allows appraising oil and gas companies simultaneously in two respects: the efficiency of accident prevention and emergency response.
2.10 **The proportion of excess charges in the total payments for adverse environmental impact** (ratio of charges for excess emissions, discharges, and waste disposal to the total environmental charges for the reporting year)

The amount of excess environmental charges is a measure of the company’s compliance with the applicable environmental laws and regulations.

2.11 **Power generation from renewable energy sources (RES), including for own needs**

In view of the need to reduce environmental impacts (including to prevent climate changes) the issue of power generation from renewable sources is particularly acute. This indicator has been included in the environmental rating in order to stimulate companies to work in this direction.

For all criterias of the Section 2 reflections in the Rating are following:

- Value is **equal or better** than industry average
- Value is **worse** than industry average
- Data is not publicly **available**
## Section 3: Disclosure & Transparency

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<tr>
<td>16</td>
<td>JSC Mangistaumunaigaz</td>
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</table>
3.1 Non-financial reporting is in compliance with the international requirements (such as GRI or IPIECA)

GRI is the most widely used standard of non-financial reporting in which environmental performance indicators are consistently disclosed.

- Yes, GRI application level A (comprehensive)
- Yes, either GRI application level B or C (core) or reporting is in compliance with IPIECA/API/IOGP requirements for oil and gas sector
- Not present at all

3.2 Third party confirmation (verification) of non-financial reporting

Third party confirmation (verification) of the submitted non-financial information as well as the appraisal of the company’s use of the reporting system (including its reporting principles). This is a voluntary procedure, but it helps boost confidence of interested parties in respect of the information disclosed by a company.

- Professional verification (based on professional standards ISAE 3000, AA1000AS) and verification based on the opinion of interested parties (including public opinion)
- Professional verification (based on professional standards ISAE 3000, AA1000AS) or verification based on the opinion of interested parties (including public opinion)
- No third party verification is available or no non-financial reporting is available

3.3 Public access to Environmental Impact Assessment (EIA) via the Internet throughout the project’s lifecycle for active projects

Environmental Impact Assessment is the main document on the preparatory phase of an oil and gas project showing the degree of the project’s potential negative impact on the environment. Accessibility of Environmental Impact Assessment allows public involvement in decision-making aimed to minimize project’s environmental impact.

3.4 Public access to OSCPs and OSERP (in part of environmental impact) including mandatory publication on the Internet

Oil spills have a very negative impact on the environment. Public assess to OSCPs and OSERP makes it possible for broad public to take part in making decisions on emergency prevention and emergency response.

For criterias 3.3-3.4 reflections in the Rating are following:

- Yes, with feedback mechanism
- Yes, without feedback mechanism
- Not present at all

3.5 Informing the public about emergencies/accidents and mitigation measures thereof in respect of accidents having significant environmental impact, causing major damages and arousing loud public discussions, including those caused by contractor activities

Kazakh oil and gas companies are only beginning to understand the importance of informing public of industrial accidents. Public acknowledgement of responsibility for damages caused to people and environment is an indicator of the company’s social and environmental awareness maturity.

3.6 Informing the public of major environment-related contraventions and measures taken to resolve them within the areas of the company’s operation, including its subcontractors

Environment-related contravention is a conflict between an operating company and environment-caring structures, which can be government authorities, media, local population, environment watchdogs, etc. on issues related to environmental safety during project development or business activities. Disclosure of information on such situations indicates the company’s serious intentions for dialog with the public.

For criterias 3.5-3.6 reflections in the Rating are following:

- Reliable data available or no major accidents / environment-related contraventions during the reporting period
- Fragmentary data
- Data missing or unreliable
3.7 Established procedure in place for processing public complaints

Company's transparency, its willingness to cooperate with public on various matters, including environmental protection, is indicative of a civilized approach to business.

- Yes, with feedback mechanism and procedure
- Yes, with either feedback mechanism or a procedure
- Not present at all

3.8 Public availability of information regarding criteria 1-7 of Section 1 for the reporting period at the website or in the publicly accessible information sources

This criterion indicates the level of company’s openness in the field of environmental management (Section 1).

3.9 Public availability of information regarding criteria 1-11 of Section 2 for the reporting period at the website or in the publicly accessible information sources

This criterion indicates the level of company’s openness in the field of environmental impact (Section 2).

For criterias 3.8-3.9 reflections in the Rating are following:
Positive answers: ▶ More than 80% ▶ 50-80% ▶ Less than 50%

Analysis

Environmental Responsibility Rating of Oil and Gas Companies in Kazakhstan 2017

The basic principle of the rating compilation is that exclusively publicly available information is used. Therefore, the data collection focus was primarily on the completeness and quality of environmental information disclosed.

Kazakh oil and gas companies included in the Rating have different level of information transparency when it comes to environmental aspect of their businesses. Two levels of information transparency were singled out for rating purpose:

- **High Level.** The rating participants of this transparency level include National Company «KazMunayGas», PetroKazakhstan Kumkol Resources (production unit of PetroKazakhstan Inc.), and Karachaganak Petroleum Operating B.V. KazMunayGas and Karachaganak Petroleum Operating B.V. publish environmental reports in accordance with international standards and disclose information on ecological management system and environmental impact in mass media and special sections of corporate sites. PetroKazakhstan Kumkol Resources has also published additional information as per the request of rating organizers.

- **Low level.** This level was assigned to enterprises that either do not publish environmental reports, or only provide minimal disclosure with respect to environmental aspects of their operations on corporate sites. The rating participants of this transparency level include Tengizchevroil LLP, JSC Mangistaumunaigaz, JSC Ozenmunaigaz, CNPC-AMG, JV Kazgermunai LLP, JSC Embamunaigaz, JSC Karazhbasmunai, Buzachi Operating Ltd., SOUTH-OIL LLP, JSC Turgai Petroleum, Kazakhoil-Aktobe LLP, Zhaikmunai LLP, Maersk Oil Kazakhstan Gmbh.
While preparing the Environmental Responsibility Rating of oil and gas companies in Kazakhstan the least difficult part was to collect information pertaining to environmental management section. The majority of companies have publicly stated availability of ISO 14001 certificates, and several companies have implemented policies on cooperation with local communities. At the same time, the most difficult part was to establish was to disclose quantitative factors of environmental impact and qualitative factors of public transparency. Thus 6 out of 16 participants had no data on any of the rating quantitative criterions, while only 3 companies public availability level exceeded 50% with respect to all rating sections. All the other companies have, at best, fragmented data (i.e. relating only to a part of indicators). In view of this situation, rating organizers had to introduce corrections in the methodology of rating quantitative indicators calculation. Thus, RES energy production (criterion 2.11) was not calculated for this year, as no relevant data was provided by any rated company. At the same time, precise data for two indicators (Ratio of polluted area — criterion 2.7; and wastes disposal and utilization — criterion 2.6) was provided by only one company, which was awarded corresponding green level.

Graphic representation of results is possible for the criteria where sufficient statistical data was collected. Below please find diagrams showing emission rates of pollutants and APG utilization rates for companies that disclosed related information.

Considering all aspects listed above, we have all reasons to hope that subsequent rating iterations will promote transparency and environmental responsibility of oil and gas companies in Kazakhstan.
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