


**GIUSEPPE PASI:**
*I consider it an honour to live and work in Kazakhstan*


A correspondent of "Karachaganak News" met with Giuseppe Pasi, KPO General Director, and asked him a few questions regarding the current priorities for Karachaganak and outlook for the future.

**- Mr. Pasi, first of all, please, accept our sincere congratulations on the occasion of the New Year. Our readers will be delighted to learn more about you. We know that you have worked for the Italian company Eni for over two decades; can you please expand on your previous career?**

Thank you for your congratulations with the New Year. I also would like to use this opportunity and congratulate the editorial staff and the readers of "Karachaganak News" with the Year 2010.

As for my new assignment as the General Director of KPO, first of all, I would like to say that I consider it to be a great honour and a special privilege to live and work in Kazakhstan. I am very thankful for the very warm welcome I have received here in Aksai. From the very first day of my arrival in Aksai, I have noticed that people who live here are very friendly and hospitable. I, along with the other KPO directors, have a privileged position, having inherited the Karachaganak project, which is not only one of Kazakhstan's flagship oil and gas projects, but also an example of a world class operation. Therefore, it is my intention to emphasize continuity with the previous achievements of the company to further improve the performance of the Karachaganak venture.

As you are aware, I have recently taken on the role of KPO General Director. Prior to my move to KPO, I was Chief Operating Officer and Deputy General Manager of

Eni's Egyptian subsidiary, International Egyptian Oil Company (IEOC), a position which I held since 2007. During this period, I was also Director of the two IEOC Boards, which are the company's key decision making authorities. I have been with Eni for some 24 years and I have held a number of senior management positions within Eni's Exploration and Production Division in Milan, including Vice President, Egypt and Vice President for North Africa. I have worked and lived in numerous countries including Italy, Egypt, Norway, the United Kingdom and now Kazakhstan.

**- What is your initial impression of Karachaganak?**

There is little doubt that over the past three years Karachaganak has gone from strength to strength. This exceptional performance is a result of the leadership demonstrated by previous management teams and the efforts of KPO's employees. Across all facets of the operation, there have been outstanding results - record production levels, dramatic improvements in safety and environmental performance, and in the areas of both workforce nationalisation and local content we have managed to exceed our targets.

Today, Karachaganak is producing at record levels and is the largest gas producing field in Kazakhstan, accounting for some 45 per cent of the country's total gas production and around 16 per cent of total liquids production.

Despite this success, there continue to be challenges in our key performance areas and arguably the task of maintaining and building on this base is more challenging now than ever before. However, this is essential if we are to secure Karachaganak's future as a leading oil and gas producer in Central Asia.

We have enjoyed the support of the Republic of Kazakhstan and our shareholders for many years. Our partnership with the Republic and national company KazMunayGas has enabled us to align our business with the Government's objectives and ensure that the development of the Republic's resources provides sustainable advantages for the country as a whole.

**- What are the key current priorities in the Karachaganak field development?**

Our priorities remain unchanged and include the delivery of industry-leading growth and creation of sustainable long-term value for the Republic of Kazakhstan and our shareholders. We will continue to build on operational achievements including those in production, safety, environmental protection and asset integrity. We will also aim to enhance the Kazakh content and move further ahead with our nationalisation programme. We recognise that improving on our base performance, growing our business and securing a prosperous future will not be

possible without a qualified, competent and professional workforce.

KPO is currently implementing a number of infrastructure development projects including the fourth stabilisation train at Karachaganak Processing Complex and the Karachaganak - Uralsk Gas Pipeline Project so our key priority is to ensure that these projects are delivered on time and within budget.

In addition to these projects, we are also progressing the Phase III expansion. Developing any large scale infrastructure project in the current climate is challenging. We are in a difficult economic situation with volatile commodity prices and a capital cost environment which is still adjusting. Despite this, there has already been a tremendous amount of work completed on the next phase of development and we are putting all our efforts so that the environment is set for sanction in 2010.

**- KPO has recently put on stream a new Eco-Centre. What is this facility and how it will help to protect the environment?**

As part of our commitment to environmental protection and efficient use of natural resources, we have implemented a robust waste management treatment and recycling process for our drilling wastes through which we can further improve our environmental performance and increase our operating efficiency.

This new facility will ensure proper recycling, treatment of drilling fluids and safe disposal of drilling wastes in a cost-efficient and environmentally friendly way.



KPO has utilised Best Available Techniques with regards to safe handling and disposal of drilling waste, placing our company among the industry leaders in this field in Kazakhstan, but also worldwide. It is a major achievement for KPO, which will complement the other significant improvements we have seen in environmental performance over the last five years.

With the Eco Centre on stream, KPO

is now also able to recover and reuse the expensive base oil, which composes 65% of the oil based mud, ultimately delivering a greater value for the Republic of Kazakhstan and the Partners in the Karachaganak Venture.

**- The RoK Government places a very big emphasis on maximising the level of RoK vendors and contractors in investment projects. What is your position on this?**

KPO fully supports the RoK Government initiative to maximize the involvement of Kazakh companies in big investment projects. Since beginning of the Karachaganak FPSA in 1997, the local content level in all contracts assigned exceeded \$3.5 billion. Karachaganak was one of the first ventures in Kazakhstan to implement a vendor development initiative. Thanks to our efforts, some 2,700 Kazakh vendors are currently registered on KPO's supplier database.

We aim to fully develop the potential of our Kazakh colleagues, partners and contractors. The KPO local content development programme is aimed at encouraging supplier competitiveness among Kazakh businesses. This approach allows us to improve logistics, secure quality goods and services, and reduce costs. It also has important socio-economic dimensions because the benefits of a diversified and competitive supplier base extend well beyond the reach of our project and deliver long term benefits to the local and regional economies thus ensuring that the potential of Karachaganak is fully tapped for the benefit of Kazakhstan and its people.

**- Mr. Pasi, thank you very much for your time and the interview. The "Karachaganak News" team again wishes you and your family all the very best in this holiday season and a Happy New Year.**

-Thank you. We will be very much pleased to work together with renewed efforts towards informing you on news taking place in the Karachaganak field and KPO.

## Kazakh parliamentarians visit Karachaganak



Field overview from Paul Meech

In late November, KPO hosted a visit from Kazakhstan parliament deputies (lower house). The visiting group which was accompanied by officials of Burlin district administration met with Paolo Repetti, KPO Services Director, Nurzhan Kamalov, Government relation director, and Kairat Kapashov, VNDQ Manager.

According to the deputies of Kazakh parliament, the major purpose of their visit to Karachaganak was to see first hand what KPO does to maximise the level of local content set out in the Local Content Development Programme and to support the development of Kazakh companies involved with the Karachaganak

Project.

During the stay at Karachaganak the deputies were provided with a detailed field overview. The guests were briefed on Karachaganak

field development activities, KPO performance and the company's contribution to the social and economic development of the region.



Parliamentarians at KPC



## The first leg of Karachaganak-Uralsk gas pipeline launched

On 19 December the Prime Minister of Kazakhstan, Karim Masimov, WKO Akim, Baktykozha Izmukhambetov, and top management of Karachaganak Petroleum Operating B.V. officially launched the first leg of the Karachaganak-Uralsk gas pipeline being built by KPO in the Western Kazakhstan Oblast.

During the official ceremony, Mr Masimov said: "The task set by the head of the state has been implemented and a new gas pipeline that provides gas to eleven settlements has been built. The pipeline goes through the territory of five districts and it potentially allows for gasification of 146 settlements within Western Kazakhstan Oblast. One hundred thousand our citizens will now be able to heat their houses thanks to this gas pipeline. This is a great



During the opening ceremony

achievement".

In his turn, KPO General Director, Giuseppe Pasi, said: "The development of Karachaganak has brought significant benefits

to the region's economy and to the communities within the West Kazakhstan Oblast and the successful completion of the first leg of the Karachaganak-Uralsk

pipeline is another excellent example of this."

"Today's event is significant both from economical and social perspectives since not only it represents the tangible result from the co-operation between the Republic of Kazakhstan and the Karachaganak Partners, but is also a powerful incentive for the continued development of Western Kazakhstan Oblast."

"This important social project will support the development of Kazakhstan's domestic gas market, as well as encourage further industrial growth by delivering much needed energy to more than eight thousand households within the Western Kazakhstan Oblast", added Giuseppe Pasi.

The second leg of the Karachaganak-Uralsk pipeline is planned for completion in the

second half of 2010. A Kazakh company KazStroyService (KSS) was contracted by KPO to build the pipeline.

Once fully complete, the Karachaganak-Uralsk pipeline will supply natural gas to the villages situated on the left bank of the Ural River along the way between Karachaganak field and Uralsk City. In addition to stable supply of natural gas, this project is also bringing employment opportunities, enhanced local capacity, skills transfer and associated infrastructure upgrades.

In addition, during his working visit to Western Kazakhstan Oblast, Prime Minister Karim Masimov also took part in the opening ceremony of 'Bolashak' kindergarten in Uralsk for 280 children, which was built as part of KPO social programme.



## Kazakh PM met with Eni, BG, Chevron, LUKOIL senior representatives

On 4 December the Prime Minister of RoK Karim Masimov and Eni S.p.A. representatives have discussed projects on the development of the Kashagan and Karachaganak fields in Astana.

During the meeting, Karim Masimov and Chief Operating Officer of Exploration & Production Division and General Manager of Exploration & Production Division Claudio Descalzi discussed the implementation of the memorandum of mutual understanding between the Eni and Kazakhstan concluded following the results of Kazakh President Nursultan Nazarbayev's visit to Rome in November, 2009.

"This memorandum

touches upon our participation in development of the local infrastructure, power station construction and projects

implementation in the field of petrochemistry and other directions of industrial activity", Claudio Descalzi said.

On the same day, Karim Masimov met with BG Chief Executive Frank Chapman. Head of the Kazakh Government noted that BG Group had been playing a significant role in developing the Kazakh oil & gas sector.

In his turn, Frank Chapman informed the Kazakh Prime Minister on the current development of Karachaganak field. He also outlined the company's plans to further develop Karachaganak field and expressed hope for further enhancement of fruitful interaction.

Karim Masimov also met Vagit Alekperov, Lukoil President, to discuss results and prospects of the company's operations in

Kazakhstan. The sides exchanged views on a wide range of issues such as new Lukoil's projects in Kazakhstan, forthcoming increase of investments to boost oil production output, further exploratory works in the Kazakhstan's sector of the Caspian Sea.

In the afternoon Karim Masimov met a group of Chevron representatives headed by Executive Vice President George Kirkland.

In the course of the meeting the two sides discussed the corporation's plans with regard to oil production, and participation of Chevron in various infrastructural projects in Kazakhstan.



## KPO receives Paryz Award for its achievements in social partnership

Karachaganak Petroleum Operating B.V. (KPO) received the prestigious Bronze 'Paryz' Award in 'The Best Collective Agreement' category at the official ceremony held at the Astana Congress Hall on 2 December.

Commenting on receiving the award KPO General Director, Giuseppe Pasi, said: "Karachaganak is committed to be a responsible corporate citizen of the Republic of Kazakhstan, by making its contribution into the implementation of the sustainable development tasks set by the country. In particular, we want to be an employer of choice for the talented people, by offering fair treatment, professional development and attention to their needs as individuals. This award is also the result of a solid relationship with the trade unions, which I would like to acknowledge and thank today for their work across the year."

"We are also particularly proud of seeing our work recognised and awarded by the Minister of Labour Protection, confirming our partnership with the Government in ensuring that the development of Karachaganak's resources provides sustainable socio-economic advantages for the country as a whole".



From left to right Giuseppe Pasi, KPO General Director, Birzhan Nurymbetov, Vice-Minister of Labour and Social protection, Sergio Zanolletto, HR Controller.

The Paryz Award is assigned annually to the companies demonstrating commitment to their social responsibility. In particular, the Best Collective Agreement category awards collective agreements that are significantly improving and strengthening labour and social rights of the employees in accordance with the RoK legislation. The jury of the Contest has taken into account the main provisions of the KPO Collective Agreement including a 30-days paid work leave, paid leave to distance learning students, vouchers for sanatorium treatment for KPO employees and members of their families, free transport from home to work place and back, free meal at work, medical insurance and treatment to KPO employees and members of their families, bonuses and other benefits.



## KPO employee graduated from the University of Sheffield with honours

KPO's investment in Karachaganak is not just limited to the development of the field. KPO is also investing in the future of both Kazakhstan and its people. National employees of KPO are given tremendous opportunities to gain professional qualifications in various spheres such as Finance, Human Resources Management, Business Administration, Safety and Environment, Management and many others.

To effectively operate the field, highly qualified employees are required, and Karachaganak offers a wide range of opportunities of experts of all levels to apply their knowledge, skills and abilities.

The employees of KPO are recruited on the basis of their experience, qualifications, potential and professional achievements. KPO requires responsible employees with a high level of motivation.

Yelena Bulatova, KPO's Field Safety Manager, has been attended part time study at the University of Sheffield, where she completed the Master of Science degree in Process Safety & Loss Prevention with honours. Yelena studied the key HSE disciplines which are vital for KPO activities. The University of Sheffield is an international leader in teaching and research. Recent surveys put the University of Sheffield in the top ten of universities in the UK and the top 20 in Europe.

Yelena's decision to enroll to Master of Science qualification in Process Safety and Loss Prevention was driven by changing HSE management strategy within Oil and Gas industry world wide.

"I commenced study in September 2007 and graduated at the end of this year. It was very challenging but at the same time I enjoyed it very much. We had a multicultural team representing different countries of the world. Because this is postgraduate qualification, most of our students have an extensive experience in the process safety area, so it was very valuable from the point of sharing knowledge and experience in the area of safety management in different chemical and Oil & Gas companies from different parts of the world", said Yelena.

"I would like to express my gratitude to KPO management for providing me an opportunity to obtain International Master of Science Degree in Process Safety. Especially I would like to thank our colleague Peter Joyce for support and provision of wide range of technical sources of information and literature which assisted me in preparing more detailed analysis and research", added Yelena.

The newspaper "Karachaganak News" also congratulates Yelena with her achievements and wishes her all the best in the year 2010.

