

On approval of the Agreement between the Government of the Republic of Kazakhstan and the Government of the People's Republic of China on cooperation in construction and exploitation of "Sarybulak - Zimunay" gas pipeline

Unofficial translation

Decree of the Government of the Republic of Kazakhstan dated March 27, 2013 No. 277

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In compliance with subparagraph 2) of Article 15 of the Law of the Republic of Kazakhstan dated May 30, 2005 "On International Treaties of the Republic of Kazakhstan", the Government of the Republic of Kazakhstan **HEREBY DECREES AS FOLLOWS:**

1. That the Agreement between the Government of the Republic of Kazakhstan and the Government of the People's Republic of China on cooperation in construction and exploitation of "Sarybulak - Zimunay" gas pipeline, executed on December 8, 2012 in Astana shall be approved.

2. This resolution shall become effective from the date of signing.

Prime Minister

of the Republic of Kazakhstan

S. Akhmetov

Agreement between the Government of the Republic of Kazakhstan and the Government of the People's Republic of China on cooperation in construction and exploitation of "Sarybulak - Zimunay" gas pipeline

The Government of the Republic of Kazakhstan and the Government of the People's Republic of China hereinafter referred to as the Parties:

guided by the Framework Agreement between the Government of the Republic of Kazakhstan and the Government of the People's Republic of China on the development of comprehensive cooperation in the field of oil and gas dated May 17, 2004,

having regard to the organizations referred to in Article 2 of this Agreement carry out oil and gas exploration and production at Zaysan Block in East Kazakhstan Region of the Republic of Kazakhstan and that they reach a mutual agreement to export natural gas from Sarybulak field to the People's Republic of China, based on the principles of equality, mutual benefit and long-term cooperation, as well as in order to develop a comprehensive partnership between the Republic of Kazakhstan and the People's Republic of China,

have agreed as follows:

Article 1

The Parties agreed to support the construction and operation of Sarybulak- Zimunay gas pipeline (hereinafter referred to as the gas pipeline) with a component system connecting Sarybulak gas field in East Kazakhstan Region of the Republic of Kazakhstan to the town of Zimunay – Xinjian – of Uyghur Autonomous District of the People's Republic of China through Maikapchagay border points of the Republic of Kazakhstan - Zimunay of the People's Republic of China. The transfer capability of the gas pipeline is 500 million cubic meters per year.

Article 2

Organizations involved in the design, construction and operation of a gas pipeline (hereinafter referred to as organizations) shall be:

1) from the Kazakhstani side - “Tarbagatay Munay” Limited Liability Partnership , which is responsible for the section of the gas pipeline on the territory of the Republic of Kazakhstan (Kazakhstan organization);

2) from the Chinese side, Xinjiang Guanhei Zimunai LNG Development Limited Liability Company, which is responsible for the gas pipeline section in the territory of the People's Republic of China (Chinese organization).

Change of organizations requires the written consent of the Parties, and information on such change shall be transferred through diplomatic channels.

The basic principles of the construction and operation of the gas pipeline , as well as the conditions for the export of natural gas transported through the pipeline, including the condition for a stable supply period of up to 10 years, shall be reflected in the agreement and contract between organizations in accordance with the terms of the legislation of the Republic of Kazakhstan.

Article 3

The Parties, within the framework of the current legislation of their states, shall assist organizations in obtaining the lands, powers and permits necessary for the construction and operation of the gas pipeline.

Organizations shall take all necessary measures in accordance with the legislation of the Parties to industrial safety and environmental protection to ensure the proper construction and operation of the gas pipeline.

Article 4

In the case of the provision of gas transportation services via the gas pipeline, such services shall be regulated by the national legislation of the Parties in the field of regulation of the activities of natural monopolies, depending on the location of the gas pipeline sections on the territory of the Parties. The financing of the design and construction of the gas pipeline will be fully funded by organizations.

Article 5

Attraction of foreign labour in the Republic of Kazakhstan shall be carried out in accordance with the legislation of the Republic of Kazakhstan.

Article 6

The parties have agreed to build a gas measuring station on the territory of the Republic of Kazakhstan, the readings of metering devices of which shall be used in the customs declaration of the gas transported through the gas pipeline. In order to verify the results of measuring the volume of gas transportation in the territory of the People's Republic of China, a reserve gas measuring station shall be built in the city of Zimunay .

The parties shall assist organizations on cooperation in the areas of border and customs control, metrology and standardization and natural gas during the construction and operation of the gas pipeline within the framework of the current legislation of their states.

The Parties shall provide technical, technological and organizational capabilities to ensure central operational dispatch control of the national operator of the Republic of Kazakhstan in the field of gas and gas supply (hereinafter - the national operator) constructed within the framework of this Agreement on the territory of the Republic of Kazakhstan with the objects of a unified gas supply system in the manner established by the Government of the Republic Kazakhstan.

Article 7

The supply of natural gas through the gas pipeline shall be subject to the following conditions:

priority gas supply to the domestic market of the Republic of Kazakhstan from the Sarybulak field with the supply of volumes of natural gas to East Kazakhstan Region of the Republic of Kazakhstan, possible as part of the infrastructure capacity planned for gas supply to the domestic market of the Republic of Kazakhstan, herewith the price of gas supplied to Kazakhstan consumers shall be regulated by the legislation of the Republic of Kazakhstan and shall not exceed the price of gas supplied to China from this field;

export of gas in excess of the needs of the domestic market of the Republic of Kazakhstan to the People's Republic of China, while the sale of liquefied natural gas produced at a gas processing plant in the city of Zimunay, Xinjiang- Uygur Autonomous District of the People's Republic of China, is provided as a priority on the domestic market of the Republic of Kazakhstan in the amount not less than 50 % of the gas produced at the Sarybulak field minus the volumes of gas used for technological needs and the volumes consumed in East Kazakhstan Region of the Republic of Kazakhstan in the form of natural gas. At the same time, the share of liquefied natural gas required to be delivered to the territory of the Republic of Kazakhstan in the amount of 50% can be provided by the Chinese Party or by its duly authorized representative, as well as by supplying liquefied natural gas in an appropriate amount from other gas processing plants located in the Republic of Kazakhstan, as agreed by the Parties. The volume of liquefied natural gas, mandatory for delivery to the Republic of Kazakhstan, shall be calculated based on the volumes of natural gas, supplied by Sarybulak-

Zimunay pipeline and measured by the data of the gas-measuring station in the Republic of Kazakhstan specified in Article 6 of this Agreement, and shall be confirmed monthly by signing a reconciliation report between the national operator and the Chinese organization;

the organizations shall commit themselves to the construction of leadaway pipes to the border of settlements along the gas pipeline.

Footnote. Article 7 as amended by Decree of the Government of the Republic of Kazakhstan No. 557 dated May 28, 2014 .

Article 8

The Chinese organization shall be committed to designing and constructing at its own expense a modern natural gas liquefaction plant (hereinafter referred to as the LNG plant) in the Republic of Kazakhstan near other gas sources.

In order to provide gas to the LNG plant, the Kazakhstan Party shall assist in the supply of gas for the period of operation of the plant. The sale of liquefied natural gas shall be ensured as a priority on the domestic market of the Republic of Kazakhstan in the amount of at least 50% of the total output.

The selling price of liquefied natural gas shall be established in accordance with the legislation of the Republic of Kazakhstan.

The conditions of operation in the Republic of Kazakhstan of the plant specified in this article, as well as participation in its management shall be regulated by a separate international agreement until the end of 2012.

At the same time, the place of construction of this plant and the source of its natural gas supply shall be determined by the Kazakhstan side.

The Chinese side shall agree to ensure the supply of liquefied gas produced by the new gas processing plant in the city of Zimunay, Xinjian- Uygur Autonomous District of the People's Republic of China, at the domestic prices of China to assure the domestic market of the Republic of Kazakhstan.

Footnote. Article 8 as amended by Decree of the Government of the Republic of Kazakhstan No. 557 dated May 28, 2014 .

Article 9

The parties shall designate the following state competent authorities responsible for coordinating and monitoring the implementation of this Agreement:

- 1) from the Kazakhstani side - the Ministry of Oil and Gas of the Republic of Kazakhstan;
- 2) from the Chinese side - the National Energy Administration of the People's Republic of China.

In case of renaming or changing the state competent authority of one of the Parties, the other Party shall be informed in a timely manner.

Article 10

In the event of circumstances affecting the implementation of this Agreement by any of the Parties, the Parties shall take reasonable measures to remove obstacles in order to implement this Agreement.

Any disagreement regarding the interpretation and (or) application of this Agreement that cannot be resolved in negotiations between the state competent authorities of the Parties shall be resolved through negotiations between the Parties.

Article 11

None of the Parties shall be entitled to transfer to third parties the information received by it within the framework of the implementation of this Agreement, unless the Parties agree otherwise.

Article 12

By mutual agreement of the Parties, this Agreement may be amended and supplemented by separate protocols and shall be integral parts of this Agreement.

Article 13

This Agreement shall enter into force on the date of receipt by diplomatic channels of the last written notice on the completion by the Parties of the domestic procedures necessary for its entry into force and shall be valid for 10 years.

The validity of this Agreement shall be automatically extended by one year, unless either Party submits a written notification to the other Party about its intention to terminate the Agreement six months before its expiration.

This Agreement is executed in Astana on December 8, 2012 in duplicate, each in the Kazakh, Chinese and Russian languages, all texts being equally authentic.

In case of disagreement in interpretation, the Parties shall be guided by the text in Russian

On behalf of the Government of the Republic of Kazakhstan On behalf of the Government of the
People's Republic of China
