

International Comparative Legal Guides

Oil & Gas Regulation 2026

A practical cross-border resource to inform legal minds

21st Edition

Contributing Editors:

Michael Burns & Julia Derrick

Ashurst LLP



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1 Overview of Natural Gas Sector

1.1 A brief outline of your jurisdiction’s natural gas sector, including a general description of: natural gas reserves; natural gas production including the extent to which production is associated or non-associated natural gas; import and export of natural gas, including liquefied natural gas (“LNG”) liquefaction and export facilities, and/or receiving and re-gasification facilities (“LNG facilities”); natural gas pipeline transportation and distribution/transmission network; natural gas storage; and commodity sales and trading.

Kazakhstan has substantial natural gas reserves, estimated at approximately 3.8 trillion cubic metres (tcm). Total gas production amounted to about 62.8 billion cubic metres (bcm) in 2025, with over 80% classified as associated gas produced alongside oil, and non-associated gas production remains limited. Kazakhstan is both an exporter and an importer of natural gas: exports in 2025 totalled approximately 60.5 bcm, primarily to China, while imports of around 4.2 bcm are used to cover regional supply deficits. The country does not operate large-scale LNG liquefaction, export, or regasification facilities. LNG activity is limited to small-scale domestic projects, including a planned Astana LNG plant (~75,000 tons *per annum*). Gas transportation, transmission, and distribution are carried out through an extensive pipeline network operated mainly by QazaqGaz JSC, including key trunklines such as Beineu–Bozoi–Shymkent and transit routes of the Central Asia–Center system, with ongoing capacity expansion projects. Underground gas storage facilities are used for seasonal balancing. Natural gas sales and trading are State regulated, with pricing and allocation dominated by national operators and long-term export contracts.

1.2 To what extent are your jurisdiction’s energy requirements met using natural gas (including LNG)?

In 2025, Kazakhstan’s energy requirements are met primarily through **coal (~47%), natural gas (~33%), oil and petroleum products (~17%), and renewables including hydro (~3%)**. Natural gas is supplied almost entirely via domestic pipelines and is a key source for residential heating, industry, and electricity generation. LNG imports or exports currently play a negligible role in meeting the country’s energy demand.

1.3 To what extent are your jurisdiction’s natural gas requirements met through domestic natural gas production?

In 2025, Kazakhstan’s natural gas requirements are met predominantly through domestic production of 62 bcm. Additional supply comes from pipeline imports of approximately 4.2 bcm, mainly from Russia (~3.6 bcm) and Turkmenistan (~0.6 bcm), used to cover regional supply deficits.

1.4 To what extent is your jurisdiction’s natural gas production exported (pipeline or LNG)?

In 2025, Kazakhstan exports a portion of its natural gas production, primarily via pipeline, totalling approximately 4.1 bcm. The main export destinations are China (~1.4 bcm) and Russia (~2.7 bcm). LNG exports are negligible as Kazakhstan currently does not operate large-scale LNG liquefaction or export facilities. Exports primarily consist of domestically produced pipeline gas from western fields such as Karachaganak, Tengiz, and Kashagan.

2 Overview of Oil Sector

2.1 Please provide a brief outline of your jurisdiction’s oil sector.

Kazakhstan is one of the leading oil producers in Central Asia, with the oil sector forming a cornerstone of its economy through export revenues, budget income, and foreign investment. The main reserves are located in Western Kazakhstan and the Caspian Sea, including the Tengiz, Kashagan, and Karachaganak fields. The sector is regulated by the Ministry of Energy (the Authorised body) and the Ministry of Industry and Construction (Competent body), with KazMunayGas JSC acting as the national operator in the oil field (National Operator). Oil is exported mainly via the Caspian Pipeline Consortium (CPC), the Atyrau–Samara route, and the China–Kazakhstan pipeline. Environmental regulation and energy transition policies are becoming increasingly important.

2.2 To what extent are your jurisdiction’s energy requirements met using oil?

In Kazakhstan, domestic energy requirements are only partially met with oil. In the overall primary energy mix, oil and petroleum products account for around 17–23% of total

energy consumption, with coal and natural gas together comprising a larger share of domestic energy use. Coal is the dominant source in the energy mix, followed by natural gas, while oil plays a smaller role relative to these fuels. In final energy consumption, oil and petroleum products constitute about 30–33%, driven largely by the transport sector and residential heating, but coal and gas remain significant.

2.3 To what extent are your jurisdiction's oil requirements met through domestic oil production?

In Kazakhstan, domestic oil production substantially exceeds internal oil consumption, meaning the country's oil requirements are met almost entirely through its own production. Kazakhstan produces tens of millions of tonnes of crude annually (90.1 million tonnes in 2025) and exports the majority of that output. Domestic consumption of crude and petroleum products is relatively small in comparison to production, so nearly all internal oil demand is supplied by domestic output and the surplus is exported.

However, in refined petroleum products such as gasoline and diesel, Kazakhstan still relies occasionally on imports to fully meet specific product demand due to limited refining capacity.

2.4 To what extent is your jurisdiction's oil production exported?

Kazakhstan exports the vast majority of its crude oil production. In 2025, exports amounted to approximately 73.4 million tonnes, representing over 90% of the total output. The main export route is the CPC to the Black Sea, carrying around 80% of all exports. Other routes include the Atyrau–Samara pipeline, shipments via Aktau and Makhachkala ports, the Baku–Tbilisi–Ceyhan (BTC) pipeline, and the Atasu–Alashankou pipeline to China. The principal destination markets are European Union countries (notably Italy, the Netherlands, and France) and China.

3 Development of Oil and Natural Gas

3.1 Outline broadly the legal/statutory and organisational framework for the exploration and production ("development") of oil and natural gas reserves including: principal legislation; in whom the State's mineral rights to oil and natural gas are vested; Government authority or authorities responsible for the regulation of oil and natural gas development; and current major initiatives or policies of the Government (if any) in relation to oil and natural gas development.

Kazakhstan's oil and gas sector is governed primarily by the Constitution, Subsoil and Subsoil Use Code, the Law on Gas and Gas Supply, the Environmental Code, and the Tax Code. Under the Constitution, all mineral resources, including hydrocarbons, are regulated by the State, which grants subsoil use rights through licences or contracts (Art. 6 of the Constitution). The Authorised body is the main regulatory authority, responsible for licensing, policy and oversight, while environmental matters are handled by the Ministry of Ecology and Natural resources. The State oil company National Operator participates in major projects. Current policy priorities include attracting investment, complying with Organization of the Petroleum Exporting Countries (OPEC+) commitments, strengthening environmental regulation, and promoting local content.

3.2 How are the State's mineral rights to develop oil and natural gas reserves transferred to investors or companies ("participants") (e.g., licence, concession, service contract, contractual rights under Production Sharing Agreement?) and what is the legal status of those rights or interests under domestic law?

In Kazakhstan, the State transfers mineral rights for oil and gas development to investors through subsoil use rights (Art. 17 of the Subsoil Use Code). These rights are awarded mainly via licences (for geological study) or subsoil use contracts with regard to exploration and production. Rights are usually granted following a tender, though direct negotiations are permitted in limited cases. The subsoil user does not acquire ownership because ownership remains with the State. Instead, the investor obtains a contractual and proprietary right to use the subsoil, which is protected under Kazakh law and enforceable against third parties, subject to statutory and regulatory compliance.

3.3 If different authorisations are issued in respect of different stages of development (e.g., exploration appraisal or production arrangements), please specify those authorisations and briefly summarise the most important (standard) terms (such as term/duration, scope of rights, expenditure obligations).

In Kazakhstan, different authorisations apply to each stage of oil and gas development under the Subsoil Use Code.

- A geological study licence (up to three years) allows preliminary surveys without production, subject to work programmes and reporting (Art. 84 of the Subsoil Use Code).
- A subsoil use contract for exploration (usually up to six years) grants exclusive rights to drill and appraise reserves, with minimum expenditure and local content obligations (Art. 116 of the Subsoil Use Code).
- A subsoil use contract for production (typically up to 25 years) permits commercial extraction, subject to an approved development plan and fiscal and environmental compliance (Art. 119 of the Subsoil Use Code).
- For major or strategic projects, a subsoil use contract (up to 40 years) regulates integrated exploration and production with detailed fiscal and work commitments (Art. 119 of the Subsoil Use Code).

3.4 To what extent, if any, does the State have an ownership interest, or seek to participate, in the development of oil and natural gas reserves (whether as a matter of law or policy)?

In Kazakhstan, the State's participation in oil and gas development is based on both law and policy.

As a matter of law, the State may hold a mandatory participation interest (up to 50%) in strategic hydrocarbon projects, primarily through the national oil company National Operator (Art. 121(6) of the Subsoil Use Code). The Code grants the State pre-emptive rights to acquire or increase its interest in subsoil use projects involving strategic fields or transactions affecting national interests (Art. 43 of the Subsoil Use Code).

As a matter of policy, Kazakhstan has consistently promoted strong State involvement in major oil and gas projects since the early 2000s, particularly in large fields such as Tengiz, Kashagan, and Karachaganak. This policy has remained stable across successive governments and has not significantly fluctuated with political changes. The objective is to ensure national

control over strategic resources, revenue security, and technology transfer, while still attracting foreign investment.

3.5 How does the State derive value from oil and natural gas development (e.g., royalty, share of production, taxes)?

In Kazakhstan, the State derives revenue from oil and gas development through a combination of fiscal and contractual mechanisms. Subsoil users pay a signature bonus, reimbursement of historical costs, investments into social infrastructures, an alternative subsoil use tax, royalties, a mineral extraction tax, and a windfall profit tax (Art. 720 of the Tax Code). For strategic fields under PSAs entered into under the previous regulatory regime and valid up to date,¹ the Republic of Kazakhstan also receives a share of production after cost recovery by the investor. Additional income arises from dividends through State participation via the National Operator and may include environmental fees, customs duties, and export duties. The exact value received depends on the type of contract, project conditions, and applicable fiscal incentives.

3.6 Are there any restrictions on the export of production?

In Kazakhstan, the export of oil and gas is generally subject to regulatory controls to ensure domestic supply and compliance with licensing and fiscal obligations. Exports of crude oil are normally permitted, with Kazakhstan regularly exporting via pipelines such as the CPC. However, the export of petroleum products, including to the Eurasian Economic Union (EAEU) countries, is temporarily restricted from 20 November 2025 to 20 May 2026 to maintain domestic supply.

3.7 Are there any currency exchange restrictions, or restrictions on the transfer of funds derived from production out of the jurisdiction?

In Kazakhstan, there are no general prohibitions on transferring funds abroad, including profits from oil and gas production. Currency operations must be conducted through authorised banks and comply with registration and reporting requirements under the currency control framework. Large transfers require registration with the National Bank, but these are procedural. The National Bank assigns registration numbers to foreign exchange contracts for capital movements over \$500,000 (or unspecified amounts), and to export/import contracts over \$50,000 (or unspecified amounts), including settlements through residents' foreign bank accounts.

3.8 What restrictions (if any) apply to the transfer or disposal of oil and natural gas development rights or interests?

In Kazakhstan, the transfer or disposal of oil and gas development rights generally requires State approval. The State may exercise pre-emptive rights, especially for strategic projects. Approval depends on the transferee's technical, financial, and legal capacity and compliance with existing obligations. Transfers to foreign entities may undergo additional review for national security or strategic reasons. Exceptions include transfers within a corporate group if obligations continue. Transfers without consent are invalid, making State approval a mandatory condition under the Subsoil Use Code (Art. 44).

The Code restricts the early transfer of assets linked to subsoil use rights during the first three years of a contract, ensuring State oversight and stability of strategic projects.

Also, the oil and gas rights granted to a national company in the hydrocarbons sector through direct negotiations may not be transferred for a period of two years from the date of contract registration, except in cases where it is transferred to a legal entity in which 50% or more of the voting shares (participatory interests) are directly or indirectly owned by the national company in the hydrocarbons sector.

3.9 Are participants obliged to provide any security or guarantees in relation to oil and natural gas development?

In Kazakhstan, participants in oil and gas development must provide security or guarantees to an Authorised body in order to ensure compliance with contractual, environmental, and fiscal obligations. These include performance guarantees (to secure work programme execution), environmental/reclamation guarantees, and fiscal guarantees (for taxes and fees). Participants' obligations to develop a field, hire local workers, and purchase goods or services from Kazakh sources are considered indirect guarantees of licence or contract compliance. These include executing the approved development plan, using local equipment and materials where required, and meeting local content and employment requirements. Such obligations are set out in subsoil use contracts, and failure to comply can trigger sanctions or enforcement actions (Art. 133 of the Subsoil Use Code).

3.10 Can rights to develop oil and natural gas reserves granted to a participant be pledged for security, or booked for accounting purposes under domestic law?

Under the Subsoil Use Code, a pledge of subsoil use rights (or a share in such rights) is permitted where not prohibited by law. Such a pledge becomes legally effective only after State registration with the competent authority that granted the subsoil right. Registration is carried out under the procedure established by the Authorised body responsible for registering pledges over movable property (Art. 48(3) of the Subsoil Use Code).

3.11 In addition to those rights/authorisations required to explore for and produce oil and natural gas, what other principal Government authorisations are required to develop oil and natural gas reserves (e.g., environmental, occupational health and safety) and from whom are these authorisations to be obtained?

In addition to subsoil use contracts, oil and gas developers in Kazakhstan must obtain several government authorisations. An Environmental Impact Assessment (EIA) and environmental permit are required from the Ministry of Ecology and Natural Resources. Industrial safety and occupational health approvals are issued by the relevant State labour and safety authorities (Art. 52 (3) of the Subsoil Use Code). Land use and construction permits are obtained from local executive bodies (akimats). Operators also require sanitary, fire safety, and technical operation permits from competent regulatory agencies. These approvals ensure compliance with environmental, safety, and infrastructure regulations before and during project development.

3.12 Is there any legislation or framework relating to the abandonment or decommissioning of physical structures used in oil and natural gas development? If so, what are the principal features/requirements of the legislation?

In Kazakhstan, there is no standalone legislation exclusively dedicated to abandonment or decommissioning, but similar obligations are embedded in the Subsoil Use Code and related regulations.

The Code and associated regulations require the closure of wells, dismantling of infrastructure, and land reclamation in accordance with approved plans. Well abandonment procedures are specifically governed by the Rules for Conservation and Liquidation during Hydrocarbon Exploration and Production, approved by the Minister of Energy (Order No. 200 of 22 May 2018, registered with the Ministry of Justice).

The Subsoil Use Code explicitly requires conservation or liquidation of subsoil use fields and objects, such as wells and other facilities, when operations cease.

Additionally, obligations to dismantle and decommission pipelines are set out in the Law on Trunk Pipelines, which imposes environmental restoration and land reclamation duties on operators after pipeline closure.

3.13 Is there any legislation or framework relating to gas storage? If so, what are the principal features/requirements of the legislation?

In Kazakhstan, gas storage is governed primarily by the Law on Gas and Gas Supply and the Subsoil Use Code. Storage of natural gas in underground reservoirs requires a subsoil use contract, as these reservoirs remain State property. Operators of the gas storage are legally obliged to comply with technical, industrial safety, and environmental standards, including regular monitoring, maintenance, and risk mitigation measures.

3.14 Are there any laws or regulations that deal specifically with the exploration and production of unconventional oil and gas resources? If so, what are their key features?

In Kazakhstan, there are no separate laws exclusively governing unconventional oil and gas resources (such as shale oil or tight gas). Exploration and production of these resources are regulated under the general framework for subsoil use.

3.15 What has been the impact, if any, of the “energy transition” on the oil and gas industry in your jurisdiction, and are there any policies or laws/regulations that require the oil and gas industry to decarbonise? Are there any policies or laws/regulations relating to the development of low-carbon hydrogen and its use in conjunction with or in place of natural gas, or the development of carbon capture and storage?

The energy transition has begun influencing the oil and gas sector, though hydrocarbons remain central to the economy. The government has introduced policies encouraging decarbonisation and cleaner energy practices, primarily through the Concept for Transition to a Green Economy (2013) and more recent climate action plans aligned with the Paris Agreement, which include emission reduction targets for industrial sectors, including oil and gas.

The legal framework requires oil and gas companies to monitor and report greenhouse gas emissions, improve energy efficiency, and adopt cleaner technologies. There are no specific mandatory laws yet forcing decarbonisation, but voluntary incentives and regulatory standards for emissions management exist.

Regarding low-carbon hydrogen and carbon capture and storage (CCS), Kazakhstan has published strategic roadmaps and pilot projects under the Low-Carbon Development Strategy (2023). These encourage development of green and blue hydrogen, CCS infrastructure, and integration of hydrogen with natural gas networks, but the regulatory framework is still evolving and largely incentivises investment rather than imposing binding obligations.

In practice, the energy transition is shaping investment priorities, project design, and emissions management in the oil and gas sector, though the sector remains heavily hydrocarbon focused.

4 Import / Export of Natural Gas (including LNG)

4.1 Outline any regulatory requirements, or specific terms, limitations or rules applying in respect of cross-border sales or deliveries of natural gas (including LNG).

The cross-border sales or deliveries of natural gas are strictly regulated under State control. The key restriction is the priority of the domestic market. That is, export is possible only after providing domestic needs. In addition, the export of natural gas, including LNG, may only be carried out by gas producers, owners of LNG produced from their own raw materials, or owners of LNG acquired from subsoil users by means of a PSA or contracts with tax stability.

5 Import / Export of Oil

5.1 Outline any regulatory requirements, or specific terms, limitations or rules applying in respect of cross-border sales or deliveries of oil and oil products.

In Kazakhstan, the ban on exporting petrol, diesel fuel, and certain oil products via road and rail transport is in effect until 20 May 2026. This ban may be extended to avoid fuel shortages. The government strictly controls cross-border sales of oil products through approved supply plans, which must be followed by oil and petroleum product producers. Exports are permitted only within the approved limits.

6 Transportation

6.1 Outline broadly the ownership, organisational and regulatory framework in relation to transportation pipelines and associated infrastructure (such as natural gas processing and storage facilities).

The government strategy is based on the State's priority right, State management of main pipelines, a unified transportation system, regulation of access and tariffs, mandatory safe operation, monitoring, and reporting. Basic regulatory framework in relation to transportation pipelines and infrastructure involves the Law on Gas and Gas Supply, the Law on the State Regulation of Production and Circulation of Certain Types of Petroleum Products.

6.2 What governmental authorisations (including any applicable environmental authorisations) are required to construct and operate oil and natural gas transportation pipelines and associated infrastructure?

A building permit, establishment of protection zones, land location permit, environmental expertise and permit, registration of hazardous production facility, declaration of industrial safety, commissioning, compliance with technical regulations, equipping the means of accounting of oil and gas, and passing State control over the safety, transportation, storage, and monitoring of oil and natural gas are required.

6.3 In general, how does an entity obtain the necessary land (or other) rights to construct oil and natural gas transportation pipelines or associated infrastructure? Do Government authorities have any powers of compulsory acquisition to facilitate land access?

Legal entities may obtain land rights for the construction of pipelines through the lease of State-owned land plots for construction purposes, as well as by the establishment of servitudes. The State is also authorised to expropriate land plots for public needs, including for the placement of strategically important oil and gas infrastructure, subject to compensation for the construction and operation of such facilities.

6.4 How is access to oil and natural gas transportation pipelines and associated infrastructure organised?

Access to oil and gas pipelines in Kazakhstan is granted on the basis of transportation or access agreements concluded between the parties in accordance with the applicable legislation. The operation of pipelines, including tariffs and transportation conditions, is subject to State regulation and supervision by the authorised authorities. Where the parties fail to reach an agreement, they may apply to the competent State body or seek protection of their rights through the courts.

6.5 To what degree are oil and natural gas transportation pipelines integrated or interconnected, and how is co-operation between different transportation systems established and regulated?

Pipelines for the transportation of oil and natural gas in Kazakhstan are not technologically integrated and operate as separate production technological complexes. Coordination between the systems is carried out through the Authorised body, which approves operating rules and transportation schedules, as well as ensures contractual interaction of operators of different systems.

6.6 Outline any third-party access regime/rights in respect of oil and natural gas transportation and associated infrastructure. For example, can the regulator or a new customer wishing to transport oil or natural gas compel or require the operator/owner of an oil or natural gas transportation pipeline or associated infrastructure to grant capacity or

expand its facilities in order to accommodate the new customer? If so, how are the costs (including costs of interconnection, capacity reservation or facility expansions) allocated?

In Kazakhstan, third-party access to oil and gas pipelines is only on a contractual basis. State bodies may require the operator to provide access, but only within existing capacity. There is no legal obligation to expand capacity or build new facilities for a new client. Expansion is an investment decision of the owner, not a legal obligation. Therefore, the costs of facility expansion shall be borne by the owner, unless otherwise specified in the contract.

6.7 Are parties free to agree the terms upon which oil or natural gas is to be transported or are the terms (including costs/tariffs which may be charged) regulated?

These terms are not entirely free to negotiate, as the key terms are regulated by the State. Tariffs, technical requirements, operating modes, and access procedures are established by authorised bodies and applied equally to all users. Parties may agree only on commercial and organisational aspects that do not affect the regulated elements. Thus, contractual freedom exists but within strictly limited limits.

7 Gas Transmission / Distribution

7.1 Outline broadly the ownership, organisational and regulatory framework in relation to the natural gas transmission/distribution network.

The natural gas transmission and distribution network in Kazakhstan includes main gas pipelines managed by a National Operator and regional distribution networks owned by gas distribution organisations. The main infrastructure provides transport and control, while distribution networks deliver gas to end users. Activity is regulated by the Law on Trunk Pipelines as well as by technical requirements, operating regulations, safety, and tariff regulations.

7.2 What governmental authorisations (including any applicable environmental authorisations) are required to operate a distribution network?

A set of permits in the areas of industrial safety, gas supply, and ecology is required. It is necessary to register the facility as hazardous, obtain permission for its operation, and provide staff qualification. EIA and environmental permits, technical acts, compliance with operating rules, fire safety, and approvals of gas supply and dispatching authorities are also required.

7.3 How is access to the natural gas distribution network organised?

Access is organised through a gas distribution organisation that reviews applications, checks technical feasibility, and issues technical specifications. Connection is regulated by State bodies and allowed only if the industrial and fire safety requirements are met.

7.4 Can the regulator require a distributor to grant capacity or expand its system in order to accommodate new customers?

The regulator cannot require the distributor to expand the distribution gas network or increase its capacity. It is entitled to intervene only when the principle of non-discriminatory access is violated and to oblige the distributor to connect a new customer within the existing technical possibilities.

7.5 What fees are charged for accessing the distribution network, and are these fees regulated?

Adjustable fees are charged for access to the distribution network. The main ones are the connection fee, which includes connection work and possible upgrading of the network, and the gas distribution fee. Additional distributor services are also subject to tariff regulation.

7.6 Are there any restrictions or limitations in relation to acquiring an interest in a gas utility, or the transfer of assets forming part of the distribution network (whether directly or indirectly)?

Yes. Acquisition of an interest in a gas utility and the transfer of gas distribution network assets in Kazakhstan require regulatory approvals. Consent from authorised State bodies, including the antimonopoly authority, is generally required, especially if the transaction affects competition or involves strategic infrastructure. Participation by a national company also requires approval from the Authorised body. Transfers must comply with sector-specific legislation on safety, supply continuity, and tariffs. Failure to obtain approvals may render the transaction invalid and lead to legal liability.

8 Natural Gas Trading

8.1 Outline broadly the ownership, organisational and regulatory framework in relation to natural gas trading. Please include details of current major initiatives or policies of the Government or regulator (if any) relating to natural gas trading.

Kazakhstan regulates natural gas (in gaseous state) under the legal categories of “raw gas” and “commodity gas” (distinct from liquefied petroleum gas (LPG)/LNG). The domestic market operates under State-regulated wholesale prices to ensure local affordability, while export prices are market-based. Essentially, domestic wholesale activities are permitted for the National Operator and Upstream Producers (subsoil users). The State holds a pre-emptive right (exercisable through the National Operator) to purchase gas to meet internal demand. Producers generally may export gas only if:

1. the National Operator declines the pre-emptive right; or
2. the project operates under a stable contract (e.g., PSA) explicitly exempt from this statutory right.

Retail is conducted by gas distribution organisations, compressed natural gas station owners, and producers (for industrial consumers connected to main pipelines). The National operator manages the unified supply system.

8.2 What range of natural gas commodities can be traded? For example, can only “bundled” products (i.e., the natural gas commodity and the distribution thereof) be traded?

The Law on Gas and Gas Supply identifies distinct tradable commodities: raw gas; commodity (marketable) gas; LPG; and LNG.

Trading is legally unbundled. Transportation and storage are generally classified as natural monopoly services, distinct from the commodity itself. Gas owners (producers or the National Operator) retain title to the gas while contracting separately for transportation services to access the pipeline network.

However, the market is not liberalised for third-party traders. Wholesale resale of commodity gas is prohibited to prevent speculative intermediation. Consequently, while the commodities and transport are legally separate, “bundled” supply offers from independent traders do not exist, since the National Operator in a gas field centrally manages supply and logistics for the majority of the domestic market.

9 Liquefied Natural Gas

9.1 Outline broadly the ownership, organisational and regulatory framework in relation to LNG facilities.

Kazakh legislation strictly distinguishes between LPG (propane-butane mixture) and LNG (methane). The LPG sector is mature and tightly regulated via statutory supply plans to meet domestic demand. In contrast, the LNG sector is currently emerging. The government-approved Comprehensive Development Plan 2025–2029 (Decree No. 463) prioritises the development of small-scale LNG plants to gasify remote regions. While LPG facilities (filling stations) operate under strict allocation quotas, LNG production is exempt from such rigid distribution schemes to foster investment.

9.2 What governmental authorisations are required to construct and operate LNG facilities?

There is no specific “LNG/LPG licence”; however, LNG/LPG facilities are commonly classified as hazardous industrial objects. Construction and operation require standard permits under the Law on Civil Protection (industrial safety) and the Law on Architectural, Urban Planning, and Construction Activities. EIA are mandatory under the Environmental Code.

9.3 Is there any regulation of the price or terms of service in the LNG sector?

The regulatory approach differs significantly by gas type. LPG is treated as a social commodity; the Authorised body sets strict wholesale price caps, and local authorities fix retail limits. Conversely, LNG pricing is unregulated to incentivise technology adoption. The State does not limit LNG prices unless the gas is regasified and injected into the main pipeline system for sale, at which point it becomes “marketable gas” subject to general wholesale tariffs approved by the Authorised body (Art. 20 Law on Gas and Gas Supply).

9.4 Outline any third-party access regime/rights in respect of LNG facilities.

LPG producers are legally obligated to supply allocated volumes to specific regional distribution networks under the Authorised body’s “Plan of Supply”, effectively creating a mandatory access regime for social needs. For LNG, there is no statutory third-party access regime comparable to the regulated tariffs applicable to natural monopolies (main pipelines). Access to liquefaction or regasification terminals is governed exclusively by private commercial contracts, as the sector is not yet dominated by a monopoly requiring third-party access regulation.

10 Downstream Oil

10.1 Outline broadly the regulatory framework in relation to the downstream oil sector.

The sector is strictly governed by the Law on State Regulation of Production and Turnover of Certain Types of Oil Products. The Authorised body exercises centralised command-and-control via:

- **Production plans:** The body approves mandatory “Oil Processing Plans” for each refinery annually.
- **Price regulation:** The State sets marginal retail prices for socially significant products (Petrol AI-92/80, Diesel) to ensure stability.
- **Market security:** To prevent deficits, the Authorised body frequently imposes temporary bans on the export of light distillates and bitumen.
- **Digitalisation:** All turnover is tracked via “Control Metering Devices” at refineries and electronic “Accompanying Waybills” to eliminate the shadow economy.

10.2 Outline broadly the ownership, organisation and regulatory framework in relation to oil trading.

Downstream trading generally operates on a “tolling model”: refineries act as service providers, processing crude for a fee while the “Supplier of Oil” (typically the subsoil user) retains ownership of the resulting refined products.

- **Restricted access:** Only designated “Suppliers of Oil” (generally, upstream oil producers) have the legal right to deliver crude to refineries, effectively barring independent speculative traders from the processing market.
- **Wholesale trading:** Requires submitting a “Notification of Commencement of Activity” to the Authorised body (Art. 13). Traders must own or lease oil depots and comply with strict reporting on inventory levels.
- **Ownership:** The three major refineries (Atyrau, Pavlodar, Shymkent) are controlled by the National Operator.

11 Competition

11.1 Which governmental authority or authorities are responsible for the regulation of competition aspects, or anti-competitive practices, in the oil and natural gas sector?

The regulator is the Agency for Protection and Development of Competition, which oversees the prevention of monopolistic activities and unfair competition across all sectors. For entities

operating natural monopolies (e.g., oil and gas pipeline transportation), the Committee for Regulation of Natural Monopolies (under the Ministry of National Economy) regulates tariffs and access to infrastructure. Additionally, the Ministry of Energy acts as the competent authority for the oil and gas industry, overseeing compliance with subsoil use contracts, which indirectly influences market structure and competition (Art. 160 of the Entrepreneurial Code; Law on Natural Monopolies).

11.2 To what criteria does the regulator have regard in determining whether conduct is anti-competitive?

The regulator evaluates whether conduct constitutes abuse of a dominant position (e.g., setting monopolistically high prices, unjustified refusal to supply, or applying discriminatory conditions), anti-competitive agreements (cartels), or unfair competition. A key criterion is the entity’s ability to unilaterally influence general market conditions or restrict market access. Generally, a market share exceeding 35% (or 50% in specific contexts) creates a presumption of dominance. The regulator also scrutinises concerted actions where market players coordinate behaviour to restrict competition without a formal agreement (Arts 169, 170, 172 and 174 of the Entrepreneurial Code).

11.3 What power or authority does the regulator have to preclude or take action in relation to anti-competitive practices?

The regulator is empowered to conduct investigations, demand mandatory disclosures, and issue binding prescriptions to cease violations, restore original positions, and terminate unlawful contracts. It imposes administrative fines and may confiscate monopoly income. In cases of systematic abuse of dominance (two or more violations within a year), the regulator may file a lawsuit for the forced division (unbundling) of a market entity, provided that technological and organisational separation is feasible. This serves as the ultimate structural remedy (Arts 218, 226 and 231 of the Entrepreneurial Code).

11.4 Does the regulator (or any other Government authority) have the power to approve/disapprove mergers or other changes in control over businesses in the oil and natural gas sector, or proposed acquisitions of development assets, transportation or associated infrastructure or distribution assets? If so, what criteria and procedures are applied? How long does it typically take to obtain a decision approving or disapproving the transaction?

Economic concentration (e.g., mergers, acquiring >50% voting rights) requires prior consent from the regulator if combined assets or turnover exceed certain thresholds. The standard review period is 30 calendar days, extendable for complex competition analysis. Separately, the Authorised body must grant consent for any transfer of subsoil use rights or shares in a subsoil user (change of control), assessing technical capability and national security. This process typically takes one to three months. Failure to obtain consent renders the transaction void and may lead to licence revocation (Arts 201 and 208 of the Entrepreneurial Code; Art. 46 of the Subsoil Use Code). Transactions involving companies classified as strategic facilities or national oil and gas holdings in which the State holds a stake. In such cases, the exercise of the State’s pre-emptive right is required. After such transactions, changes in ownership must be formally registered either with the Justice

authorities, in the State Register of legal entities, or in the Central Securities Depository if the company is a joint-stock company.

12 Foreign Investment and International Obligations

12.1 Are there any special requirements or limitations on acquisitions of interests in the natural gas sector (whether development, transportation or associated infrastructure, distribution or other) by foreign companies?

Foreign ownership of main (trunk) pipelines is expressly prohibited; these must be owned by the State or citizens/legal entities of Kazakhstan (Art. 12 of the Law “On Main Pipeline”). Regarding upstream, the State possesses a priority right to acquire alienated rights (or shares) in “strategic deposits” and generally any acquisition of control over a subsoil user requires prior consent from the Authorised body, regardless of nationality or country of origin of the acquirer. Exceptions apply to specific intra-group transfers and transactions on organised securities markets. Transactions lacking required consent are void (Arts 46–47 of the Subsoil Use Code; Art. 193-1 of the Civil Code).

12.2 To what extent is regulatory policy in respect of the oil and natural gas sector influenced or affected by international treaties or other multinational arrangements?

Kazakhstan is a party to several key instruments that directly shape regulatory policy:

1. **Energy Charter Treaty (ECT):** Ensures investment protection and freedom of energy transit, underpinning the stabilisation regimes of major PSAs.
2. **EAEU Treaty:** Mandates the creation of a Common Gas Market by 2025/2026. However, current policy is heavily influenced by anti-Russia sanctions, driving a strategic shift toward the Trans-Caspian Route (TITR) to diversify export logistics away from Russian infrastructure.
3. **OPEC+ (Declaration of Cooperation):** Directly regulates national oil production levels through agreed quotas.
4. **Paris Agreement and Global Methane Pledge:** These commitments dictate the decarbonisation agenda in the Environmental Code and Carbon Neutrality Strategy 2060, imposing stricter methane limits and flaring restrictions.

13 Dispute Resolution

13.1 Provide a brief overview of compulsory dispute resolution procedures (statutory or otherwise) applying to the oil and natural gas sector (if any), including procedures applying in the context of disputes between the applicable Government authority/regulator and: participants in relation to oil and natural gas development; transportation pipeline and associated infrastructure owners or users in relation to the transportation, processing or storage of natural gas; downstream oil infrastructure owners or users; and distribution network owners or users in relation to the distribution/transmission of natural gas.

1. **Upstream (State vs. investor):** The Subsoil Use Code (Art. 78) establishes the exclusive jurisdiction of Kazakhstani courts, except for legacy “stabilised” contracts (certain PSAs, and other subsoil use contracts

specifically approved by the government or President) containing specific arbitration clauses. Additionally, investors may invoke arbitration under applicable BITs or the ECT.

2. **Midstream and downstream (infrastructure owners vs. users):** Disputes regarding access, connection, or tariffs (including distribution networks) are commercial disputes resolved in Specialized Inter-district Economic Courts under the Civil Procedure Code or Arbitration procedure under the Arbitration Law. However, unjustified refusal of access to declared natural monopolies (e.g., trunk pipelines) may first trigger administrative proceedings by the regulator.

13.2 Is your jurisdiction a signatory to, and has it duly ratified into domestic legislation: the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards; and/or the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (“ICSID”)?

Yes, Kazakhstan is a party to both.

1. **New York Convention (1958):** Acceded to by Presidential Decree No. 2485 (4 October 1995). Its provisions are implemented via the Law on Arbitration and Chapter 57 of the Civil Procedure Code, which govern the recognition and enforcement of foreign arbitral awards.
2. **ICSID Convention (1965):** Ratified by Law No. 60-II (21 June 2000). Under Art. 4 of the Constitution, ratified international treaties take precedence over domestic laws. Additionally, Kazakhstan has ratified the ECT (1995), further reinforcing arbitration rights for energy investors.

13.3 Is there any special difficulty (whether as a matter of law or practice) in litigating, or seeking to enforce judgments or awards, against Government authorities or State organs (including any immunity)?

Litigation against State authorities (bodies) under public law disputes is procedurally accessible under the Administrative Procedural-Processual Code. In practice, courts frequently exhibit a “pro-State” tendency in high-value disputes (e.g., significant tax assessments or environmental fines, damages, etc.), although outcomes heavily depend on the specific evidence and legal arguments of each case.

Regarding the enforcement, while the State does not claim jurisdictional immunity in commercial or public law disputes, it retains immunity from asset seizure. Monetary judgments are executed exclusively via the Ministry of Finance (Treasury) through a specific budgetary process, often resulting in delays. In contrast, State-owned entities (e.g., national companies) generally have the same legal status as private companies and do not enjoy immunity. Their assets may be seized and sold by private bailiffs, except for assets classified as “strategic objects” (e.g., certain main (trunk) pipelines), which are subject to alienation restrictions.

13.4 Have there been instances in the oil and natural gas sector when foreign corporations have successfully obtained judgments or awards against Government authorities or State organs pursuant to litigation before domestic courts?

Yes. In August 2025, the North Caspian Operating Company (NCOC) successfully overturned a 2.3 trillion KZT (~\$4.2

billion) claim in the Astana Court of Appeals. The court invalidated the penalty imposed by the Ministry of Ecology and Natural Resources, citing procedural violations. Beyond this major dispute, oilfield service companies frequently secure judgments in Specialized Administrative Courts against unlawful value-added tax (VAT) refund denials and in customs disputes concerning tariff classification (HS Codes) and customs valuation of imported equipment.

14 Updates

14.1 Have there been any new regulatory or policy initiatives in your jurisdiction directly in response to the continuing global concerns around higher oil and gas prices and energy security (such as price caps, subsidies or a new focus on local sources of energy)?

To ensure energy security, the Authorised body maintains wholesale price caps on LPG to satisfy domestic demand. Conversely, retail petrol prices are being gradually deregulated to curb illegal cross-border exports and align with regional markets. To stimulate local production, the Law on Gas and Gas Supply was amended to introduce a new pricing formula, allowing the National Operator in gas to purchase gas from new fields at incentive-based rates (Art. 15). Furthermore, July 2024 amendments to the Law on Renewable Energy Support established a legal framework for “small-scale RES” and energy storage systems to promote distributed generation and reduce grid dependency (Art. 9-1; Art. 1 subpara. 12-1 of the Law on RES).

14.2 Please provide, in no more than 300 words, a summary of any new cases, trends and developments in Oil and Gas Regulation Law in your jurisdiction (other than anything already discussed above).

In 2024–2025, the regulatory focus shifted towards incentivising complex exploration while simultaneously tightening environmental enforcement on methane emissions.

- **Improved Model Contracts (IMCs):** To reverse production declines, the government actively deployed the IMC mechanism. By late 2025, major contracts were finalised for complex offshore projects (e.g., Kalamkas-Sea/Khazar), granting fiscal incentives and regulatory stability for deep-water and high-sulphur fields. However, this progress faced significant headwinds in late 2025 following the imposition of US and UK sanctions on Lukoil, a 50% partner in the project operator. This precedent forced the national oil company (KMG) to initiate

legal and corporate restructuring to insulate the asset from extraterritorial sanctions, marking a new trend in “sanctions compliance” due diligence for joint ventures.

- **Methane regulation and litigation:** Following accession to the Global Methane Pledge, regulatory oversight intensified. In September 2025, the Ministry of Energy signed a Memorandum with the Global Methane Hub to implement satellite monitoring of leaks. This policy shift is evidenced by the 2.8 billion KZT fine imposed on Buzachi Neft in late 2024 for a massive methane blowout.
- **Digitalisation:** In December 2025, amendments to the Subsoil Use Code established the “Unified Subsoil Use Platform” (National Geological Service), mandating digital reporting and automating the issuance of exploration rights via electronic auctions to enhance transparency.
- **Petrochemicals:** A new draft Law “On the Oil and Gas Chemical Industry” is under review, proposing specific tax incentives and guaranteed raw material supply to accelerate the transition from crude exports to deep processing.
- **Amendment to the Subsoil Use Code:** Recent amendments to Kazakhstan’s subsoil use legislation focus on the hydrocarbons sector. They introduce “underexplored territories”, defined as areas with limited geological studies. Auctions for these plots are shortened to 10 business days, and the initial exploration period is three years. Production periods require participation of the National Hydrocarbons Company (NHC) with at least a 50% share, which triggers reimbursement of exploration costs. Maximum production periods are 25 years, extended to 45 years for large deposits, and failure to perform the work programme allows early termination of the contract.
- **New Tax Code from 2026:** Recent amendments to Kazakhstan’s Tax Code, effective January 2026, introduce key changes for the oil and gas sector. They unify taxation rules for subsoil users, revise the calculation of mineral extraction tax (including flared gas, now valued at production cost plus 20%), and align export duties on crude oil and petroleum products with domestic tax regimes. VAT and excise provisions have also been updated, with adaptive mechanisms for fuel pricing and a 16% VAT rate applied to large enterprises. Overall, the changes aim to improve predictability, reduce administrative burdens, and support investment in hydrocarbon exploration and production.

Endnote

- 1 Please note that PSAs as a contract model have been abolished in terms of concluding new contracts in 2010, but remain in force with respect to previously concluded agreements.



Yelena Manayenko is a Partner and Head of the M&A Practice at AEQUITAS Law Firm in Kazakhstan. She specialises in corporate law, mergers and acquisitions, subsoil use, construction, antitrust regulation, and financial law, including projects within the Astana International Financial Centre (AIFC). She has extensive experience advising on complex domestic and cross-border transactions, conducting legal due diligence, and working with government authorities. She is recognised by leading international legal rankings, including *The Legal 500* (as a Leading Partner in Commercial, Corporate and M&A), *Chambers and Partners* (Band 4 in Corporate & Finance), *IFLR1000* (Highly Regarded Lawyer in Banking and M&A), and *Lexology Index* (Recommended Lawyer in Energy).

AEQUITAS Law Firm
47 Abai Ave.
Office 2 Almaty 050000
Kazakhstan

Tel: +7 727 3 968 968
Email: y.manayenko@aequitas.kz
LinkedIn: www.linkedin.com/in/yelena-manayenko-11985a77



Shayakhmet Zharkimbayev is a highly experienced Kazakh Lawyer with over 21 years of professional practice, specialising in corporate law, taxation, customs regulation, transfer pricing, subsoil use, environmental compliance, and dispute resolution. He has extensive experience working with major industrial enterprises, including companies in the hydrocarbon and uranium sectors, as well as logistics, mining, and international trade operations. He has held senior roles as Head of Legal Departments in major logistics and industrial companies, providing strategic legal advice, managing teams of lawyers, and implementing internal compliance frameworks.

AEQUITAS Law Firm
47 Abai Ave.
Office 2 Almaty 050000
Kazakhstan

Tel: +7 727 3 968 968
Email: sh.zharkimbayev@aequitas.kz
LinkedIn: www.linkedin.com/in/shayakhmet-zharkimbayev-56b5b3a2



Dianna Ten is an Associate at AEQUITAS Law Firm in Kazakhstan, where she advises local and international clients on a broad range of legal matters, with a particular focus on labour and employment law, energy and natural resources, environmental regulation, corporate law, dispute resolution, and general business law. She joined AEQUITAS in 2023, bringing with her more than 16 years of professional legal experience in both in-house and private practice roles. Ms. Ten has extensive experience in the natural resources sector, including legal support for subsoil use projects, regulatory compliance, and interactions with state authorities. Her work covers the full lifecycle of subsoil use activities, from obtaining licences and permits to advising on exploration, production, and environmental obligations.

AEQUITAS Law Firm
47 Abai Ave.
Office 2 Almaty 050000
Kazakhstan

Tel: +7 727 3 968 968
Email: d.ten@aequitas.kz
URL: www.aequitas.kz/en/about/team/dianna-ten-en



Dinmukhamet Nurakhmet is an Associate at AEQUITAS Law Firm in Kazakhstan. He advises on corporate law, M&A, dispute resolution, and legal matters under the AIFC framework. He joined AEQUITAS in 2025 as a Junior Associate after working as a Paralegal (2024–2025) and a Law Clinic Associate at Bassin Law Clinic (2023–2025). Dinmukhamet has participated in the William C. Vis International Commercial Arbitration Moot (2023–2024) and the sixth AIFC Court & IAC Moot Court Competition (2023), gaining practical experience in international commercial arbitration and AIFC litigation.

AEQUITAS Law Firm
47 Abai Ave.
Office 2 Almaty 050000
Kazakhstan

Tel: +7 727 3 968 968
Email: d.nurakhmet@aequitas.kz
LinkedIn: www.linkedin.com/in/dinmukhamet-nurakhmet-6a7543274

AEQUITAS Law Firm is one of Kazakhstan's leading national full-service law firms, established in 1993 with one of its founders being Professor Yuri G. Bassin, a prominent legal scholar and a key figure in the development of civil law in Kazakhstan. From its early years, the firm played a foundational role in supporting foreign investors entering the Kazakh market as well as emerging domestic businesses, including the legal support for the formation of some of the country's first joint ventures with foreign participation. Over nearly three decades, AEQUITAS has built a reputation for high-quality legal services across a wide range of practice areas relevant to doing business in Kazakhstan and internationally. Its client base spans more than 50 countries and includes major international corporations, global brands, financial institutions, and longstanding local companies. The firm is consistently recognised by leading global legal directories such as *Chambers and Partners*, *The Legal 500*, *Lexology Index*

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