



On approval of the Rules for the implementation of the priority right of the Republic of Kazakhstan for acquisition of hydrocarbons

Unofficial translation

Resolution of the Government of the Republic of Kazakhstan dated June 28, 2018 No. 388.

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In accordance with paragraph 13 of article 121 of the Code of the Republic of Kazakhstan “On subsoil and subsoil use” dated December 27, 2017 the Government of the Republic of Kazakhstan **RESOLVES:**

1. To approve the attached Rules for the implementation of the priority right of the Republic of Kazakhstan for acquisition of hydrocarbons.

2. This resolution shall come into effect from the date of its first official publication.

Prime Minister
of the Republic of Kazakhstan

B. Sagintayev

Approved by Resolution
No. 388 of the Government of the
Republic of Kazakhstan
dated June 28, 2018

The Rules for the implementation of the priority right of the Republic of Kazakhstan for acquisition of hydrocarbons

Chapter 1. General provisions

1. These Rules for the implementation of the priority right of the Republic of Kazakhstan for acquisition of hydrocarbons (hereinafter referred to as the Rules) were developed in accordance with paragraph 13 of article 121 of the Code of the Republic of Kazakhstan “On subsoil and subsoil use” dated December 27, 2017 the Government of the Republic of Kazakhstan and determine the procedure for the implementation by the state of the priority right for acquisition hydrocarbons.

2. The acquisition of hydrocarbons in order of priority right of the state is carried out by the competent authority.

The competent authority for the acquisition of hydrocarbons is the Ministry of Energy of the Republic of Kazakhstan.

3. The concepts and definitions used in these Rules are applied in accordance with the legislation of the Republic of Kazakhstan.

Chapter 2. The procedure for the implementation of the priority right of the state for acquisition of hydrocarbons

4. According to the results of monitoring carried out by the competent authority in accordance with the legislation of the Republic of Kazakhstan, in order to meet domestic demand for hydrocarbons, as well as in other emergency cases, the Government of the Republic of Kazakhstan may make a decision for acquisition hydrocarbons in accordance with the procedure of the priority right.

5. The draft decision on acquisition of hydrocarbons in accordance with the procedure of the priority right of the state shall be developed by the competent authority in accordance with the procedure established by law and is subject to mandatory consultation with the competent authority for the implementation of the budget.

6. On the basis of the decision on the acquisition of hydrocarbons in accordance with the procedure of priority right of the state, the competent authority informs the subsoil user of such an intention in writing at least fifteen working days before the contemplated date of acquisition. The written notice to the subsoil user shall contain information about the person to whom it is addressed, the grounds for the notice, the content of the notice, the type of hydrocarbons, their quantity, approximate terms of the acquisition, information about the sender, his signature.

7. The maximum amount of hydrocarbons to be purchased and the type of payment are determined by the subsoil use contract. For previously concluded contracts that do not provide for the maximum amount of hydrocarbons to be purchased, such volume, as well as other conditions of acquisition, shall be determined by the competent authority in consultation with the subsoil user.

8. Within five working days from receipt of the notification, the subsoil user and the competent authority negotiate the price, terms of delivery of the hydrocarbons to be purchased and their payment.

9. The price of hydrocarbons to be purchased shall not exceed the price applied by the subsoil user in transactions with hydrocarbons that were prevailing at the date of the transaction, less transportation costs and expenses for the sale of hydrocarbons.

In the absence of information on the prices of hydrocarbons used by the subsoil user in transactions, prices are applied that do not exceed the prices prevailing on world markets at the date of the state's acquisition of hydrocarbons, less transportation costs and expenses for the sale of hydrocarbons.

10. After agreeing on the conditions for the acquisition of hydrocarbons, the competent authority concludes an agreement on the purchase of hydrocarbons with the subsoil user.

11. The term of payment for purchased hydrocarbons should not exceed thirty calendar days from the date of supply of hydrocarbons.

12. The hydrocarbon purchase agreement shall contain:

- 1) Full name of an individual or name of legal entity - subsoil user;
- 2) details of the subsoil use contract;
- 3) amount of hydrocarbons to be purchased;

- 4) place and terms of the hydrocarbons supply;
- 5) procedure and terms of payment;
- 6) type of transport delivery;
- 7) recipient of hydrocarbon.

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