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News Release

**For Immediate Release
Friday, June 16, 2006**

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A Major New Oil Source to the West Opens with Signing of Kazakh-Azeri Treaty

Kazakhstan officially joined the Baku-Tbilisi-Ceyahn (BTC) oil pipeline today when the presidents of Kazakhstan and Azerbaijan, Nursultan Nazarbayev and Ilham Aliyev, signed a treaty in Almaty.

“It is hard to overestimate the significance of the agreement just signed,” a delighted President Nazarbayev said at a news briefing in Almaty standing alongside President Aliyev. “We have now secured the third alternative way for exporting our hydrocarbons.”

Until today, Kazakhstan has been exporting oil via numerous pipelines going west through Russia, including the Caspian Pipeline Consortium’s pipeline to the Black



**President Nursultan Nazarbayev (R)
meets with President Ilham Aliyev in
his Almaty residence on June 16.**

Sea port of Novorossiisk, and a pipeline eastward to China. The new pipeline will provide oil producers in Kazakhstan, including many Western oil firms, an opportunity to ship oil in a southwestern direction, directly reaching the Mediterranean Sea.

The opportunity to ship 7.5 million tons of Kazakh produced oil through the BTC pipeline initially with the eventual expansion to 25 million tons is a welcome sign for booming oil production in Kazakhstan. Estimates put the Kazakh production by 2015 at 3.5 million barrels a day with exports reaching three million barrels daily. The biggest share of expansion of oil production, which currently stands at 1.2 million barrels a day, is expected to

come from the mammoth \$29 billion Kashagan offshore oil field developed by an international consortium in Kazakhstan's sector of the Caspian Sea. Commercial production will begin in 2008.

President Aliyev also praised the agreement saying it will "define the development of our region for many years to come. The importance of the pipeline, now joined by Kazakhstan, is hard to overestimate as it will now become the largest oil artery in the region."



Kazakhstan, on the western shore of the Caspian Sea, will be using tankers to export oil to be pumped into the BTC pipeline at Baku.

The BTC pipeline is 1,767 kilometers long (443 kilometers in Azerbaijan, 248 kilometers in Georgia, and 1,076 kilometers in Turkey). Under the agreement, Kazakh crude will be shipped from Aktau to Baku across the Caspian by tankers, then pumped through the BTC pipeline all the way to Turkey's Mediterranean port of Ceyhan. The pipeline's total annual throughput is 50 million tons, or roughly one million barrels per day. The pipeline, supported by the United States, is a key project aimed at reducing Western dependence on Middle East

oil. Earlier this month, U.S. President George W. Bush sent a letter to President Aliyev expressing Washington's hope to see the agreement signed soon.

The pipeline also bypasses the shipping bottlenecks at the Turkish straits where in winter crude shipments can be held up for weeks.

The official ceremony celebrating the opening of the pipeline is expected to take place on July 13 in the presence of the leaders of the countries involved.

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