

Report on implementation of the approved tariff estimates and investment program of Kazakhstan-China Pipeline LLP to provide regulated services to consumers and other interested parties for 2020

In accordance with the Law of the Republic of Kazakhstan "On Natural Monopolies" No. 204-VI dated 27.12.2018 , Kazakhstan-China Pipeline LLP carries out a report on the implementation of the approved tariff estimates and investment programs for provision of regulated services to consumers and other interested parties in the form of public hearing (hereinafter - the Hearing).
The purposes of this hearing are: ensuring transparency, awareness, balancing the interests of consumers and natural monopolies, ensuring transparency of the activities of natural monopolies to consumers and other interested parties.The report contains the following information:

1. General information about the entity of natural monopoly

Kazakhstan-China Pipeline LLP was established on July 6, 2004.
The Partnership was established in accordance with the Law of the Republic of Kazakhstan "On limited and additional liability partnerships" within the Framework Agreement on development of comprehensive cooperation in the field of oil and gas dated May 17, 2004, concluded between Government of the Republic of Kazakhstan and Government of the People's Republic of China, the Agreement on the basic principles of construction of Atasu-Alashankou pipeline dated May 17, 2004, concluded between National Company KazMunaiGas JSC and China National Petroleum Corporation (CNPC).
The Partnership was established for designing, construction and operation of the pipelines.
The shareholders of the Partnership are KazTransOil JSC 50% and China National Oil and Gas Exploration and Development Corporation (CNODC) 50%.The charter capital of the Partnership is 13 milliard tenge.

2. Information on execution of the approved investment program * based on the results of 2020 of Kazakhstan-China Pipeline LLP

Attachment 1 Form 21
to the Rules for establishing tariffs
approved by order of the Ministry of
National Economy of the Republic of
Kazakhstan dated November 19, 2019 No.
90

No	Information on the planned and actual volumes of regulated services						Report about incomes and material losses*	Amount of the investment program(thous. tenge)			
	Regulated services and serviced territory	Activity	Measuring unit	Quantity in natural values		The period of services providing under the investment program		Plan	Fact	Deviation	Reasons of deviation
				plan	fact						
1	2	3	4	5	6	7	8	9	10	11	12
1	Oil pumping through the pipeline system. (Kenkiyak-Kumkol pipeline)	Construction of the facilities crossings of Kenkiyak-Kumkol pipeline	thous.tons	5 760	5 335	365 calendar days	Report about incomes and material losses in the form approved by order of the Minister of Finance of the Republic of Kazakhstan dated June 28, 2017 No. 404	4 850	4 850	0	
2	Oil pumping through the pipeline system. (Kenkiyak-Kumkol pipeline)	Repair of buildings and structures of Aralsk IERC of the facilities of Kenkiyak-Kumkol pipeline						14 306	14 306	0	
3	Oil pumping through the pipeline system. (Kenkiyak-Kumkol pipeline)	Reconstruction of OQMS at Kenkiyak IPS and Kumkol IPS of Kenkiyak-Kumkol pipeline						419 114	438 368	19 254	
4	Oil pumping through the pipeline system. (Kenkiyak-Kumkol pipeline)	Inspection of underwater crossings of Kenkiyak-Kumkol pipeline						15 572	15 572	0	
5	Oil pumping through the pipeline system. (Kenkiyak-Kumkol pipeline)	Purchase of fixed assets						42 596	42 663	67	
	Total:										

[illegible]

3. Report on implementation of the tariff estimate for the regulated service for oil pumping through Kenkiyak-Kumkol pipeline of Kazakhstan-China Pipeline LLP to the domestic market for 2020

Attachment 1 Form 5
To Rules of establishing tariffs, approved by
the order of the Minister of National Economy of the Republic of Kazakhstan
No 90 dated November 19, 2019

No	Indicators	Measuring unit	Provided in the approved tariff estimate	actually prevailing indicators of tariff estimates	Deviation percent	Reasons of deviation
1	2	3	4	5	6	7
I	The costs for producing goods and providing services	thous.tenge	10 207 614	10 291 866	0,8%	
	including					
1	Material costs, total	-//-	56 022	59 256	5,8%	
	including:					
1.1	raw materials	-//-	17 588	17 958	2,1%	
1.2	power	-//-	38 434	41 298	7,5%	
2	Labor costs, total	-//-	104 827	105 214	0,4%	
	including:	-//-				
2.1	Salary of the production personnel	-//-	95 733	96 086	0,4%	
2.2	social tax	-//-	9 095	9 128	0,4%	
3	Depreciation	-//-	4 799 769	4 835 282	0,7%	
4	Repair, total	-//-	228 052	227 915	-0,1%	
5	Other costs, total	-//-	5 018 943	5 064 200	0,9%	
	including:					
5.1	private and fire protection	-//-	445 467	446 899	0,3%	
5.2	OTM services	-//-	3 004 223	3 002 416	-0,1%	
5.3	metrology	-//-	1 126	1 125	-0,1%	
5.4	maintenance of equipment and metering devices	-//-	40 794	50 433	23,6%	
5.5	maintenance of the information and analytical Pipeline Integrity Management System (PIMS)	-//-	23 329	37 112	59,1%	
5.6	Communication system service	-//-	141 680	146 395	3,3%	
5.7	tax payments and fees	-//-	1 157 854	1 166 289	0,7%	
5.8	environmental monitoring and protection	-//-	9 044	13 416	48,3%	
5.9	maintenance of hazardous production facilities of the oil and gas industry		17 227	17 217	-0,1%	
5.10	maintenance costs for fire alarm systems	-//-	17 470	17 460	-0,1%	
5.11	TM, TR of the pipeline protection system and TM, TR of video surveillance systems and the perimeter protection system of the main pipeline	-//-	41 561	42 598	2,5%	
5.12	transportation services with office vehicles (current repair and maintenance of vehicles	-//-	43 302	43 276	-0,1%	
5.13	TM and TR of office equipment, software and climate control systems	-//-	23 136	23 121	-0,1%	
5.14	current repair and maintenance of oil metering station	-//-	12 313	12 305	-0,1%	
5.15	communication service	-//-	23 950	23 994	0,2%	
5.16	accommodation and meals for shift employees	-//-	14 864	18 500	24,5%	
5.17	insurance	-//-	1 601	1 643	2,6%	
II	Expenses of the period, total	-//-	5 433 540	5 469 876	0,7%	
	including:					
6	General and administrative costs:	-//-	463 126	482 247	4,1%	
	including:	-//-				

6.1	salary for administrative staff	-//-	194 331	196 203	1,0%	
6.2	social tax	-//-	18 461	18 639	1,0%	
6.3	bank services	-//-	1 055	1 052	-0,3%	
6.4	depreciation	-//-	27 953	28 273	1,1%	
6.5	third party services, total	-//-	221 326	238 080	7,6%	
	including:					
6.5.1	raw materials:	-//-	2 115	4 418	108,9%	
6.5.2	transport services with office vehicles (transport services)	-//-	90 390	95 351	5,5%	
6.5.3	advertisement in mass media	-//-	569	735	29,2%	
6.5.4	business trip services	-//-	11 127	19 316	73,6%	
6.5.5	comunication services	-//-	2 359	2 289	-3,0%	
6.5.6	taxes	-//-	8 221	8 275	0,7%	
6.6	other expenses, total	-//-	106 545	107 695	1,1%	
7	costs for interests payment	-//-	4 970 414	4 987 629	0,3%	
III	Total costs for services	-//-	15 641 154	15 761 742	0,8%	
IV	Income	-//-	15 123 390	12 800 597	-15,4%	
VI	total of income	-//-	30 764 544	28 562 339	-7,2%	
VII	Volume of services provided	thous.ton	5 760	5 335	-7,4%	
VIII	Regulatory Technical Losses	thous.ton	4	4	-6,6%	
IX	Cargo turnover	million tkm	4 298	4 015	-6,6%	
X	Specific tariff (without VAT)	tenge for 1 ton for 1000km.	7 158	7 158	0,0%	

4. On the main financial and economic performance indicators of the Partnership for 2020

No	Name	Actual indicators for 2020 (thous. tenge)
1	Returns	77 827 963
2	Cost of services	-31 820 884
3	Gross return	46 007 079
4	Administrative expenses	-3 339 254
5	Other income from side activities	1 891 602
6	Total operating income	44 559 428
7	Finance costs	-8 426 942
8	Other expenses from side activities	-13 490 046
9	Income /(loss) before tax	22 642 440
10	Income tax expense	5 658 603
11	Net income (loss)	16 983 837

5. On volumes of regulated services provided for the reporting period

No	indicators of tariff estimates	Measuuring unit	provided for 2020 *	fact for 2020	deviation in%
1	Oil pumping volume	thous. ton	5 760	5 335	-7,4%
2	Cargo turnover	mln tkm	4 298	4 015	-6,6%

* Indicators of the tariff estimate for the regulated service of Kazakhstan-China Pipeline LLP on oil pumping through the pipeline system with corrections for 2020 , approved by the order of Department of the Committee for Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan in Almaty No. 131-ОД dated November 20, 2020

6.On ongoing work with consumers of regulated services

For the reporting period, 22 contracts with consumers were concluded on Kenkiyak-Kumkol pipeline to the domestic market. At the same time, the volume of oil cargo turnover to the domestic market through Kenkiyak-Kumkol pipeline amounted to 4 015 million tons / km with the approved rates of 4298 million tons / km in the tariff estimate, which is 93,4%. Every day oil balance is maintained , pumping data is processed, on the basis of which the accounting of oil commercial operations is controlled, and the interaction of the issuing and receiving parties is coordinated. The quality and quantity of oil is controlled by the Partnership together with KazTransOil JSC.

7. About the prospects of activity (development plans)

- 1) Increasing the economic efficiency of the Partnership by reducing the financial loading ;
- 2) Ensuring uninterrupted oil transportation, reliable and safe operation of oil trunk pipeline facilities.