

Kazakhstan's New Capital Is Growing Up Quick

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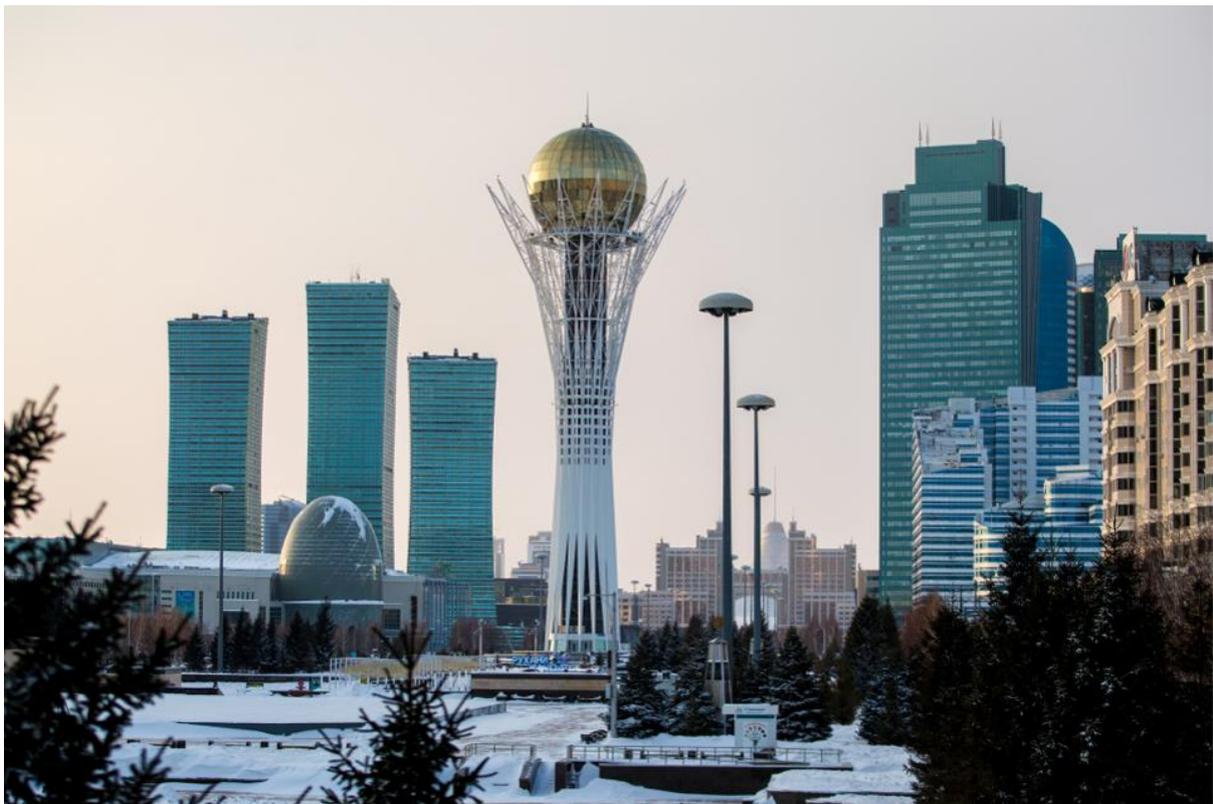
Kazakhstan is [celebrating 20 years](#) since the launch of its futuristic capital city, Astana. Energy revenue is front and center in this story of rapid economic development and urban planning success. As I spoke at a conference there, dedicated to the capital's anniversary, I reflected on the role of oil and gas in Astana's fast rise.

Each time I visit Astana it greets me with a new architectural gem. Not surprising, given that the world's foremost urban architects were recruited for the city's planning. Despite tripling its population in two decades, and also typically having both harsh winters and hot summers, the city runs smoothly. Making development sustainable in the heart of the Eurasian steppe will be the greatest challenge for Astana's mayor for the next two decades and beyond. Making it a global player goes beyond City Hall.

Astana's is a story of grand vision meeting revenue. The vision was that of Kazakhstan's veteran president Nursultan Nazarbayev, in power since 1989. The revenues come from oil, gas and other natural resources.

While many praise Norway for the handling of its trillion dollar sovereign fund derived from hydrocarbons, which mainly invests in U.S. equities, fixed income, and global real estate, Kazakhstan has poured some of its oil revenue into building the new capital; beefing up the nation's infrastructure, including roads, railroads, and airports; and boosting human potential. It took Washington, D.C., Brasilia, and other "designer" capitals decades and centuries to become organic, living and livable cities. Astana seems to be accomplishing it much faster.

Human capital is the key. Since Kazakhstan emerged on the world scene after the collapse of the Soviet Union in 1991, over 12,000 students have been sent to study abroad in order to serve the new nation. The Bolashak educational program sends the country's best and brightest to top colleges in Europe and America. They then become the country's future ministers, public servants and entrepreneurs in Astana and elsewhere, propelling Kazakhstan toward its goal of taking a place among the top 30 world economies by 2050.



Only 20 years after its establishment, Astana boasts world class, futuristic architecture by the likes of Lord Norman Foster and Kisho Kurokawa, creating a skyline that rivals Dubai. The city is also developing ambitious educational and cultural institutions, including several universities,

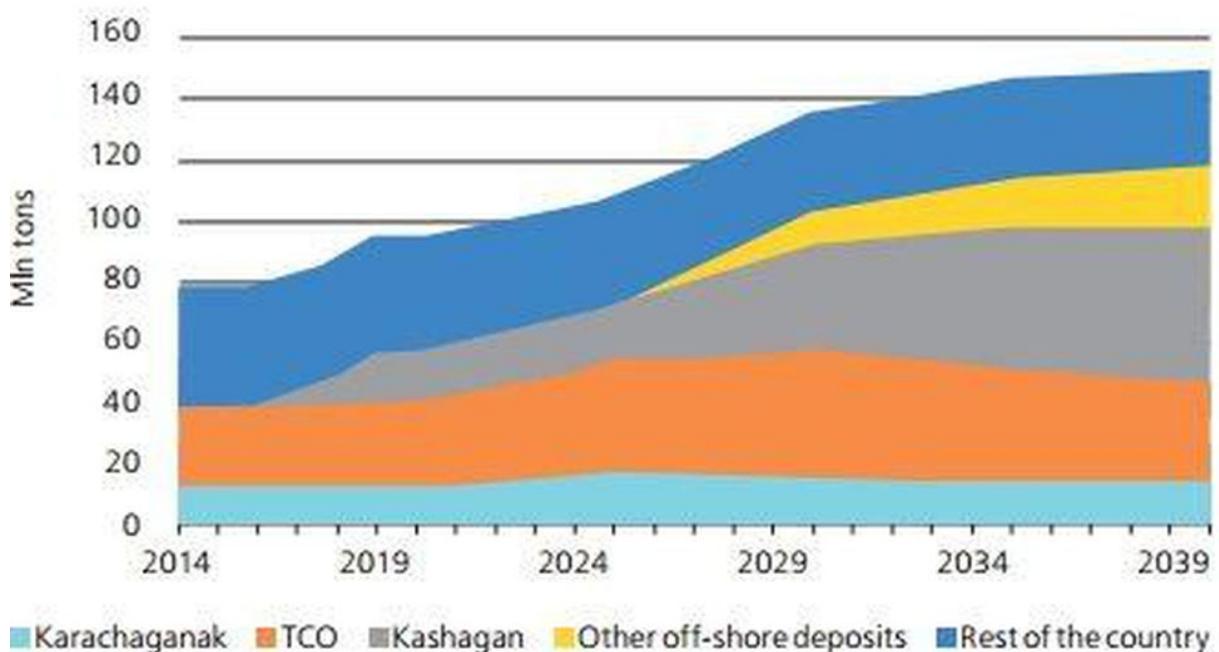
an opera, a symphony orchestra, museums, and world-class shopping malls. Oil and gas people from around the world know it well.

Formerly called by its Russian name, Tselinograd, echoing the Soviet crash agricultural development of the “*tselina*” – “the virgin lands”, aka the prairie - the town was also referred to as Ak-Mola (“the white grave”), or in its Russian form, Akmolinsk when it was established near the ancient settlement of Bozok as the Russian military fort in 1832.

The modern Astana couldn’t have developed this fast without a massive cash inflow. Kazakhstan does not forget its core competency: oil and gas. With oil prices going beyond \$70/bl, the giant Caspian Sea oil field Kashagan is currently pumping 350,000barrels per day (b/d) and [planning to reach 500,000 b/d](#) over the next two years. The enormous gas condensate field Karachaganak is also operational and growing – maintaining a strong 230,000 barrels of liquids production per day.

Kazakhstan is pushing hard on local content contributions to its oil and gas mega-projects. Karachaganak overcame the 50 percent mark, with over \$6.7 billion in equipment produced domestically. Meanwhile, the country is planning to overtake some of its oil and gas rivals, boosting oil output from 1.7 million barrels a day (mbd) in 2017to 3 million barrels a day (mbd). “Kazakhstan is planning to become one of the ten best exporters of crude oil by 2030,” says Baljeet Kaur Grewal, Managing Director for Strategic Development of the Sovereign Wealth Fund, SamrukKazina.

**Crude oil and natural-gas condensate production in Kazakhstan:
IHS Energy forecast (baseline scenario)**



“Talking about the Atirau [refining] platform, the state is implementing the first step of infrastructure construction for 1 billion US dollars. One of the most promising projects we would like to introduce is production of methanol and its derivatives. We have the raw materials, production site, state preferences and a chemical company as a potential partner.

Today, Astana is also leading Kazakhstan’s transition beyond oil and gas, investing in an International Center for Green Technologies and Investment Projects, the Astana International Financial Center – complete with its English law courts and arbitration tribunals – and a new, high tech Astana Business Campus incubator. These are all on display in a futuristic site of last year’s [Expo 2017](#) on the outskirts of the city. Some 115 countries, 22 international organizations, and 3.6 million visitors attended the “Future Energy”- themed exposition last year.

Today, the Chinese company Jiangsu Zhefa Holdings Group is investing in a \$154 million project to build wind and solar plants, adding 80 megawatts/hr capacity in Kazakhstan’s sun-and-wind swept south.

Kazakhstan is also an important geopolitical player. It translated its hydrocarbon resources and 3,000 km long landmass (stretching from the Chinese border to Europe) into becoming the “buckle” on Beijing-led Belt-and-Road Initiative (BRI). In 2017, Chinese rail carried eight million tons of cargo through Kazakhstan. That figure is expected to reach 30 million tons upon full completion of the [Khorgos Gateway](#), a bilateral project that will yield the largest dry-port the world has ever seen. The southern route of the 21st century Silk Road leads from the Chinese border to the Caspian Sea and further via Azerbaijan, Georgia, and Turkey into Europe, while the northern route leads to Europe through Russia and Belarus.

Finally, building on its neutrality and “multi-vector” diplomacy hinging on good relations with Moscow, Beijing, Washington, and Brussels, Astana has become an important diplomatic platform. It hosted a dialogue between the Syrian opposition and the Assad regime, and may become the location for future Afghanistan peace talks. It was where the Russia-led Eurasian Economic Union Treaty was signed, and where the 2017 Shanghai Cooperation Organization summit took place. Kazakhstan has also chaired the Organization for Security and Cooperation in Europe and is a non-permanent member of the UN Security Council. Not bad for a twenty-year-old capital and a 26-year-old nation.

Energy geopolitics is not always a story of dread and conflict. Dreaming big, investing wisely, and diversifying the economy is the name of the game in Astana. And so far, it’s succeeding.