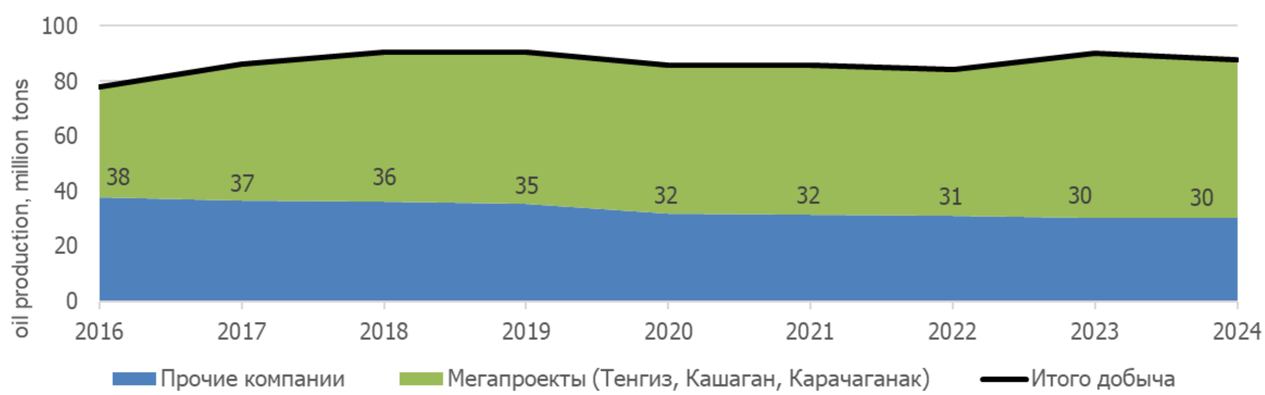
Upstream Tax burden – Order of Merit 2024

Introduction

As was noted in the ENERGY Insights & Analytics article back to 2024 on tax revenues from oil producing companies[1], the majority of the industry operates under the General Tax Regime [GTR]. These companies account for roughly one-third of the country's total oil production and more than 90% of supplies to the domestic market, primarily through mature oilfields whose production volumes are already far from their peak. Over the past several years, output from companies on the GTR has declined by more than 20%, from nearly 38 million tons in 2016 to 30 million tons in 2024. In 2024 we emphasized the critical importance of improving certain aspects of the GTR to stimulate investment in mature oilfields.

Kazakhstan adopted a new Tax Code in July 2025, which will come into force in 2026 (with certain provisions directly related to the oil and gas industry taking effect in 2027). In the new Tax Code, we note several changes that are expected to enhance the investment attractiveness of projects operating under the GTR. This article provides a review of the key changes introduced, results of 2024 in terms of tax revenues and tax burden. Preliminary results for 2025 are also considered along with the factors shaping tax revenues from oil producing companies.



Source: compiled by ENERGY Insights & Analytics

[1] Oil producing companies are exclusively considered in this article. Other companies in the oil and gas industry [transportation, refining, oilfield services, natural gas] are outside of the scope of this analysis.

The GTR and its key amendments

In the 2023's article, we provided a detailed review of the current General Tax Regime [GTR], which can be studied in full here. For the purposes of this updated article, let us briefly recap the main types of taxes applied to subsoil users: the Mineral Extraction Tax [MET], the Export Customs Duty [ECD], the Rent Tax on Exports, the Corporate Income Tax [CIT], and the Excess Profit Tax [EPT].

Below the key changes that will affect oil producing companies in connection with the amendments introduced in the new Tax Code of the Republic of Kazakhstan.

One important change is the expansion of the Alternative Subsoil Use Tax [ASUT], which from 2026 will apply to mature oilfields. In the new Tax Code, the ASUT is presented as a comprehensive mechanism of fiscal incentives aimed not only at supporting the development of complex projects but also at maintaining the potential of mature assets.

ASUT rates are linked to world oil prices, ensuring a fair distribution of the tax burden. For conventional oilfields, rates range from 0% when oil prices are up to $50 per barrel, to 42% when prices exceed $150 per barrel. For complex offshore projects, preferential rates apply, ranging from 0% to 14%, respectively.

A key feature of the ASUT is the mandatory reinvestment of tax savings. Funds saved through the application of the alternative tax regime cannot be distributed as dividends but must be directed toward investments in the oilfield, regional development and infrastructure, training of the local workforce, and scientific research and technological development.

The ASUT replaces several taxes simultaneously: the Mineral Extraction Tax, the Excess Profit Tax, the Rent Tax on crude oil exports, and the reimbursement of the state's historical costs. For companies not applying the alternative tax, the Rent Tax on crude oil exports and the Excess Profit Tax remain in effect under the previous rules.

The new Tax Code provides for a phased replacement of the MET with a royalty system for new subsoil users who obtain licenses after December 31, 2026. The principal difference of royalty is that calculations will be based on global oil prices and production volumes, creating a more flexible taxation system.

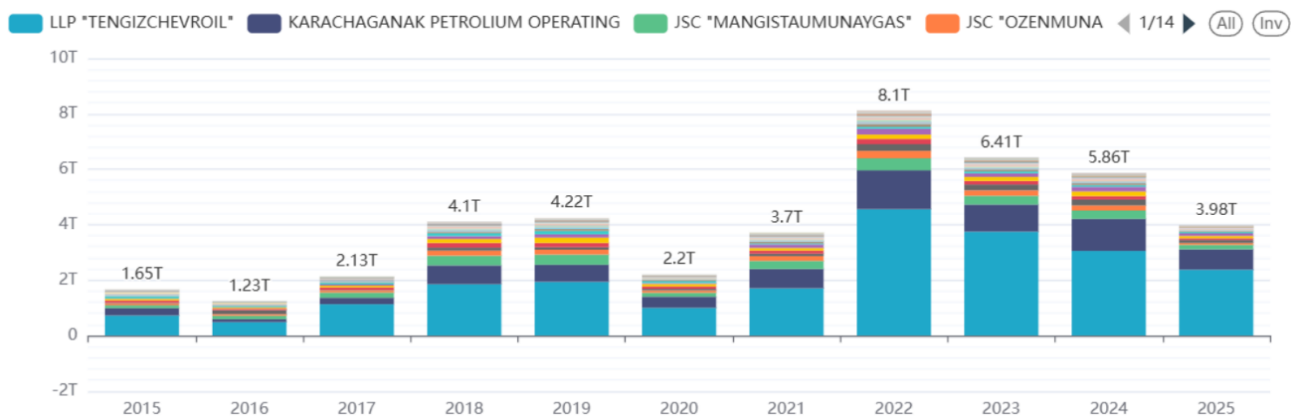
Special attention has been paid to stimulating the development of low-margin oilfields. Companies that began commercial production after December 31, 2022, at oilfields with an internal rate of return not exceeding 15% will be granted the right to a zero MET rate for a period of 60 months. The status of a low-profit oilfield is determined by the Government of the Republic of Kazakhstan.

For complex hydrocarbon exploration and production projects, a special tax regime has been introduced, including corporate income tax benefits with enhanced deductions for geological exploration and accelerated depreciation.

The key amendments in the new Tax Code take effect starting 2027.

Results of 2024

According to the data of the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan [SRC MF RK], budget revenues in 2024 from oil producing companies amounted to 5.86 trillion tenge. Our analysis covers the 50 largest taxpayers among oil producing companies, which in 2024 collectively produced 84.7 million tons of oil[2], representing approximately 97% of Kazakhstan's total oil production during this period. We believe that 97% coverage is a sufficiently representative sample to continue our analysis.



Note: for 2025 revenues for the period from January to August 2025
Source: Analytical Platform EXia, SRC MF RK

The largest oil producing company in our country, Tengizchevroil [TCO], remains the undisputed leader in terms of payments to the budget. TCO is taxed under a stabilized contract, and the company paid 3.1 trillion tenge in 2024 to the budget of the Republic of Kazakhstan, accounting for 52% of all payments from oil producing companies. In second place in absolute terms in 2024 was Karachaganak Petroleum Operating [KPO], which is taxed under a (final) production sharing agreement [PSA], with a share of 20%. Alongside TCO and KPO, the top 10 taxpayers among oil producing companies also include Mangistaumunaigas [MMG] with a 5% share, North Caspian Operating Company [NCOC] with a 4% share, and Ozenmunaigas [OMG] with a 3% share. The combined share of the top 10 taxpayers amounted to 94% of the entire oil producing industry, or 5.5 trillion tenge. For comparison, in 2023 the share of the top 10 taxpayers was one percentage point lower.

[2] Hereafter the term "oil" is used as a shorthand to denote the total volume of liquid hydrocarbons, including crude oil and condensate.

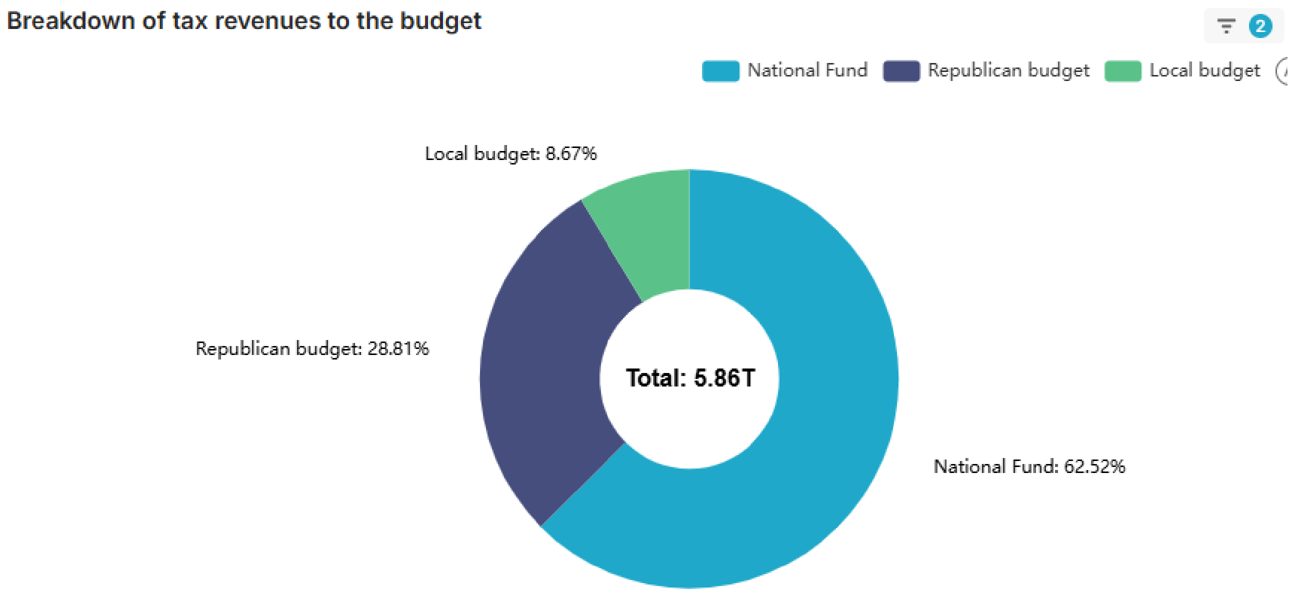
It is noteworthy that companies such as TCO and KPO are not only the largest taxpayers in absolute terms, but also leaders in relative indicators. This is particularly evident when considering taxes paid per ton of oil produced. Among the ten major oil producing companies, TCO ranked first in 2024 with nearly 110 thousand tenge of taxes per ton produced. KPO followed in second place with approximately 94 thousand tenge per ton, while Caspiy Neft was next with 84 thousand tenge per ton.

The differences among the other companies are less significant; however, NCOC stands out with an indicator of 12 thousand tenge per ton, which is due to the reasons outlined in our [detailed article on Kashagan.]

Company	Type of contract	Taxes paid in 2024, billion tenge	Production 2024, million tons	Taxes per ton, thousand tenge/ton
TCO	stabilized contract	3 056	28	110
KPO	PSA	1 150	12	94
MMG	GTR	302	6	49
NCOC	PSA	211	17	12
OMG	GTR	184	5	36
EmbaMunaiGas	GTR	167	3	60
Karazhanbasmunai	GTR	163	2	76
CNPC-Aktobemunaigas	GTR	128	2	51
Caspiy Neft	GTR	70	1	84
Kazgermunai	GTR	64	1	62
Other 40 companies	GTR	357	7	53
TOTAL	-	5 854	85	69
TOTAL PSA/stabilized contract	-	4 417	57	77
TOTAL GTR	-	1 437	27	53

Source: compiled by ENERGY Insights & Analytics

For context, 62% of the total tax revenues from oil producing companies of the Republic of Kazakhstan are directed to the National Fund of the Republic of Kazakhstan, while 29% are allocated to the Republican budget. The remaining 9% are distributed in favor of local budgets.



Source: Analytical Platform EXia

The table below shows the top 10 oil producing companies of the Republic of Kazakhstan by revenue, indicating taxes paid and tax burden for 2024. The average [weighted average] tax burden by the end of 2024 amounted to 28% across all types of tax regimes, while the difference in tax burden values between PSA/stabilized contract regimes [26%] and GTR [33%] was about 6%, the same as in 2023. As can be seen, the average tax burden between companies operating under a PSA/stabilized contract and under the GTR is comparable.

The exception is NCOC, whose tax burden is only 4%. However, this is a temporary occurrence, since the company has not yet reached the indicators (triggers) at which it will move to a higher tax burden. It is expected that upon reaching these triggers, the tax burden for NCOC will be around 29%, which approximately corresponds to the current overall level of tax burden.

Company	Type of contract	Revenue 2024, billion tenge*	Taxes paid in 2024, billion tenge	Tax burden 2024, %
TCO	stabilized contract	8 420	3 056	36%
NCOC	PSA	5 170	211	4%
KPO	PSA	3 230	1 150	36%
MMG	GTR	872	302	35%
OMG	GTR	857	184	22%
Karazhanbasmunai	GTR	452	163	36%
EmbaMunaiGas	GTR	431	167	39%
CNPC-Aktobemunaigas	GTR	422	128	30%
Kazgermunai	GTR	148	64	43%
Caspiy Neft	GTR	115	70	61%
Other 40 companies	GTR	1 120	357	32%
TOTAL	-	21 236	5 854	28%
TOTAL PSA/stabilized contract		16 820	4 417	26%
TOTAL PSA/stabilized Contract without NCOC	-	11 650	4 206	36%
TOTAL GTR		4 416	1 437	33%

* Revenue according to standalone [not consolidated] financial statements of companies; for NCOC and KPO – estimate by ENERGY Insight & Analytics.

Source: compiled by ENERGY Insights & Analytics

Factors affecting tax revenues

The amount of tax revenues is determined by a few key parameters, including the average world price of crude oil (Brent Blend in our case), the tenge-to-US dollar exchange rate, as well as the volumes of oil exports. However, there is no absolute correlation between these indicators and tax revenues, since there is a time lag due to deferred tax payments. Traditionally, tax obligations for the previous quarter are fulfilled in the following quarter, which creates a temporary gap between the accrual and the actual receipt of taxes in the budget.

Year	The amount of taxes, trillion tenge	The average price of Brent, $	Average exchange rate, tenge/$	Oil exports, million tons
2021	3.9	70.86	426.03	65.7
2022	8.2	100.93	460.48	64.3
2023	6.4	82.49	456.31	70.5
2024	5.9	80.53	469.44	68.6

Source: compiled by ENERGY Insights & Analytics

As can be seen from the table above, the dynamics of tax revenues in 2021–2023 were extremely volatile, primarily due to sharp fluctuations in the average price of Brent crude oil, which were linked to the COVID-19 pandemic, changes in OPEC+ policy, as well as geopolitical factors. Each of these factors was analyzed in more detail in our article on this topic in 2024.

In 2024, by contrast, tax revenues showed much lower volatility compared with 2023. The main reason was the less pronounced deviations in all three key variables affecting tax revenues. In 2024, tax revenues decreased by 0.6 trillion tenge, which was driven both by a 2% decline in the average oil price compared to the previous year and a 3% reduction in export volumes. The impact of these unfavorable factors was partially offset by a 3% depreciation of the tenge against the US dollar.

Preliminary results for 2025

Understanding the key factors influencing tax revenues from oil production is critically important for planning the state budget. In addition, given the high volatility of energy prices, it is essential to recognize trend reversals in a timely manner and to reflect budget adjustments in line with changing input data.

This is especially critical for Kazakhstan, considering the dominant role of the oil and gas industry, particularly in terms of tax revenues. According to the Law of the Republic of Kazakhstan dated December 4, 2024 No. 141-VIII LRK "On the Republican Budget for 2025–2027", tax revenues from oil producing companies to the National Fund of Kazakhstan and in the form of ECD are planned at 6.5 trillion tenge for 2025. This means that the share of the industry in the total revenues of the republican budget and the National Fund of Kazakhstan is set at approximately 31% in 2025.

However, there is a high probability that the target of 6.5 trillion tenge from oil production will not be achieved by the end of the year. According to the report on the execution of the republican budget and data on tax receipts and payments to the National Fund as of September 1, 2025, actual revenues from oil production for the first eight months of 2025 amounted to 3.8 trillion tenge, or 58% of the annual plan. This means that to meet the annual plan, tax revenues from oil production would need to accelerate significantly in the remaining four months of 2025.

The impracticality of such a scenario has already been assessed by the Ministry of National Economy of the Republic of Kazakhstan, which was reflected in a downward revision of the forecast for oil revenues from 6.5 to 5.7 trillion tenge in the forecast of the country's social and economic development of the RoK for 2026–2028. In addition to the revised forecast from the Ministry, several notable unfavorable factors also point to the improbability of a scenario with a significant increase in revenues in the remaining months of the current year.

Since the beginning of 2025, the price of Brent has fallen by 10% and now stands significantly below the January highs. Over the past year, oil has traded within a wide range of $58.8 to $82.5 per barrel. This volatility is driven by several factors. The main one is uncertainty stemming from U.S. tariffs, which affect the global economy and the Federal Reserve's monetary policy. Although discussions of a U.S. recession have become less frequent, the labor market is beginning to cool, and analysts at Vanguard forecast a gradual increase in unemployment in the coming months. China, the world's second-largest economy, is also facing difficulties due to its trade war with the United States. In August 2025, several key indicators (including retail sales, industrial production, and investment) declined noticeably compared to average levels in January-July 2025.

In addition, in recent years, countries in the Americas have significantly increased oil production, reducing OPEC's share of the global market and intensifying competition. Previously, when OPEC controlled a larger share of the market, the organization was able to respond to the slowdown of major economies by cutting production. The situation has now changed: in order to maintain its market share, OPEC+ has been forced to increase production, despite uncertainty in oil demand.

The Bottom Line

Compared to 2023, the oil and gas industry's tax "Order of Merit" for 2024 has remained largely unchanged. The largest producers continue to lead in tax contributions, both in absolute terms and per ton of oil produced. Overall tax revenues have declined in absolute terms due to lower oil production volumes, which reduce the taxable base.

The country's oil and gas sector currently has virtually no other drivers of overall production growth aside from megaprojects. This may result in a decrease in tax revenues from the oil and gas sector - the locomotive of Kazakhstan's entire economy. Therefore, it is essential to continue work on creating incentives to attract investment into a sector where Kazakhstan has traditionally been strong, with rich traditions and robust partnerships with global oil and gas conglomerates.

This potential should be kept up, and the new Tax Code is a crucial instrument in this regard. However, it is equally important to ensure that the entire legal ecosystem is made as attractive as possible for investors, since in today's world the competition for investment capital is at an exceptionally high level.

ENERGY Insights & Analytics

Analytical center "ENERGY" LLP (ENERGY Insight & Analytics) is a joint venture between the KAZENERGY Association and IT company AppStream. The company aims to become a priority source of data, analytical information, and recommendations for Kazakhstan's oil, gas, and electric power industries, allowing decision-makers to analyze and predict the most significant industry indicators with details on leading market players. Activities of ENERGY Insight & Analytics incorporate the whole analytics cycle with consequent stages: Descriptive, Diagnostic, Predictive, and Prescriptive analytics.

The key tool and product of ENERGY Insight & Analytics is internally developed software - the Analytical Platform EXia, aimed to identify, localize, format, and present data most efficiently for the specified use cases.

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