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⇒ **Power demand expected to rise 9% this year**
Newly-released figure highlights the need for significant new generation capacity to meet rapid industrial and commercial demand growth

⇒ **Russian firm to start meter production this quarter**
Gazdevice set to start manufacturing advanced gas meters from its facility in the Navoi SEZ, with an annual target of 750,000 devices

⇒ **Fourth well commissioned at Tumaris**
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ENERGY NUMBER OF THE WEEK

71TWh

The government's forecast on total power consumption in 2020, released this week.

It envisages a 10% rise in industrial demand and an 8.5% increase from residential consumers.

Based on the most recent available data, power generation rose only about 1% y-o-y in January-November 2019

⇒ **This week's company and project updates**
Highlights of the company and project profiles updated on the Uzbekistan Energy Monitor database over the past week

Upcoming Events

- ⇒ Green Energy Future Central Asia (27-28 April)
- ⇒ Uzbekistan Energy Forum / Oil and Gas Uzbekistan (13-15 May)

Power

Power demand expected to rise 9% this year

The government expects electricity consumption to reach 71TWh in 2020, 9% more than last year, with a further 1,297MW of new generation capacity scheduled to come online.

The figures appeared in an official press release following a meeting held by President Mirziyoyev on 13 January, in the context of broader talks on a 2020 action plan for the power sector.

Discussions also covered a sector road map that the government developed together with the World Bank and the Asian Development Bank (ADB).

Consumption of 71TWh would be substantially higher than domestic generation in 2019, suggesting new capacity and ongoing power imports will be required to meet demand.

Based on the most recently available official figures, analysed by the *Uzbekistan Energy Monitor*, Uzbekistan generated some 55.5TWh between January and November 2019 against 55.1TWh in the same period in 2018.

This represents an increase of less than 1% y-o-y.

While 2019 data on electricity consumption do not seem to be available, the data given in Uza's announcement suggest that it was around 65TWh last year.

The difference of about 10TWh includes December production, on which data are not yet available, and net imports.

Precise data on the latter are also not available, but *Uzbekistan Energy Monitor* understands them to be relatively small.

Installed capacity is roughly 14-15GW at present, though Uzbekenergo has not released any updated figures recently.

According to the 13 January release, demand from the industrial sector is expected to jump 10% this year, with residential demand set to rise 8.5%.

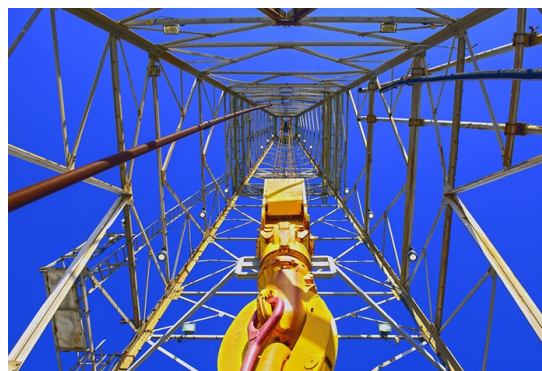
It added that the government plans to commission a further 1,177MW in new thermal capacity and 120MW in hydro capacity by the end of 2020.

With power consumption expected to double by 2030, the Ministry of Energy was instructed to commission 7,900MW of additional thermal capacity over the next 10 years.

According to the release, the meeting also discussed building a total of 8,000MW of solar and wind capacity, with the support of investors, increasing hydro capacity to 1,935MW, and engaging the private sector in building small hydropower plants.

FDI was said to be expected to help finance new combined-cycle gas plants with a capacity of 3,500MW, wind farms of 400MW, and solar plants of 400MW.

It is not clear whether the timeline for the solar, wind, and hydro capacity, and the FDI projects, is also 2030.



Participants also discussed measures to boost profitability in the industry, including reducing the value of unpaid bills.

They noted that the introduction of an automated system for monitoring and accounting for electricity consumption had achieved "satisfactory results", and instructed Regional Power Grid to install another 4.5 million advanced meters by the end of the year.

Looking to the next stage of industry reforms, the release cited the importance of establishing a competitive wholesale electricity market, attracting private investment in power generation through public-private partnerships, and gradually scaling back state involvement.

The meeting also recapped highlights of 2019, which included establishing the Ministry of Energy, restructuring Uzbekenergo, and implementing six large projects to commission a total of 1,076MW of new generating capacity.

It is worth noting that the targets for new capacity that were discussed in the meeting differ from earlier figures, such as those in August's Presidential Decree 4422 and the draft 2020-2024 hydropower development strategy.

It is not clear how the figures relate to each other, or how they were calculated.

Forecasts on power supply and demand often vary in Uzbekistan, depending on the source, but significant growth in consumption is expected in the coming years, particularly in the industrial field.

Downstream

Russian firm to start meter production this quarter

Gazdevice, a Moscow-based company specialising in meter manufacturing, will produce 750,000 advanced gas meters every year from a factory in the Navoi special economic zone (SEZ), according to a draft Presidential Resolution issued this week.

The initiative is being led by the Urbanisation Agency under the Ministry of Economy and Industry.

Gazdevice is set to start output this quarter, the draft resolution said, and has already tested its meters successfully in Tashkent's Bektemir district.

The meters have been certified by the national standards agency, Uzstandard.

The document said the project would involve \$20m in foreign direct investment and the transfer of the company's designs and technical documentation, creating 200 jobs and involving a local production component of 37%.

Gazdevice, along with the state-owned gas distributor, Khududgaztaminot, will receive various tax exemptions, including from paying:

- Value-added tax and customs duties, except customs clearance fees, for smart gas meters, gearboxes, wall cabinets, and other products supplied by Gazdevice for domestic customers
- Value-added tax to organisations selling gas meters, organisations that provide services for software development, meter installation, and design, reconstruction, and capital works
- Excise tax on mobile services, as well as IMEI registration fees for modules connected to the advanced metering infrastructure (AMI).

The decree said that these exemptions were being granted to "optimise costs and prevent an unjustified increase in tariffs for gas supplies to end-consumers", given that the project has social objectives.

Gazdevice will also benefit from proposals in the draft resolution, originally made by the Urbanisation Agency, to install only locally-produced meters in new housing projects.

It will give Kishlok Qurilish Invest and Shahar Qurilish Invest – both state-owned enterprises responsible for designing, managing, and providing technical support for the construction of social, engineering, and industrial infrastructure such as residential buildings – as well as other contracting organisations, the right to purchase meters from Gazdevice without conducting tenders.

The resolution also said that Khududgaztaminot may purchase meters and other related technical equipment it requires from Gazdevice without conducting tenders.

It is not clear how Gazdevice, which has already signed contracts with the government, was chosen for its role as a major supplier of gas meters in Uzbekistan with, in some cases, the right to supply meters without having to participate in tenders.

However, the resolution said that the Ministry of Economy and Industry will carry out a comprehensive examination of the contracts, including of the cost of meters and related equipment and services.

As part of this, the ministry plans to consider the company's reputation and experience in implementing similar projects, the proposed organisation of local production, the level of import substitution, and the export component involved.

Khududgaztaminot and the Compulsory Enforcement Bureau under the General Prosecutor's Office will, within one month, approve the installation schedule, taking into account government programmes to modernise gas pipelines, existing gas supply infrastructure, and the focus on cities and regional centres.

The resolution also envisaged establishing regional specialised centres to install and carry out maintenance on the meters and to link Gazdevice's software with the AMI.

Khududgaztaminot, the Bureau, and Uzstandard will play key roles in the roll-out, according to the resolution. In particular:

- The Bureau will help distribute Gazdevice's meters to current Khududgaztaminot customers
- Khududgaztaminot and the Bureau will organise the calibration of all meters installed under the project
- Uzstandard will certify the meters as part of installation and then calibrate them every 10 years
- Authorised employees of Khududgaztaminot and the Bureau will seal the meters as they are installed
- Khududgaztaminot, along with the Ministry for Development of Information Technologies and Communications, will ensure Gazdevice's software and the public utilities' unified billing system are compatible.

The government has yet to determine the sources of financing for the meters and other services under the project.

It says it will consider Khududgaztaminot's own funds, funds from international, foreign, and local financial institutions, extrabudgetary funds and other sources.

Energy minister Alisher Sultanov and Nigmatilla Yuldashev, the Prosecutor General, will supervise the implementation of the resolution.

According to the schedule given in the draft resolution, over 3.6m new gas meters are to be installed throughout the country by the end of next year. This includes about 1.5m in Tashkent and Samarkand in 2020 and about 2.1m in other regions in 2021.

Some 17,750 meters will be installed in new housing in rural areas and cities across Uzbekistan in 2020, with a further 12,256 in apartments owned by Kishlok Qurilish Invest and Uzshahar Qurilish Invest.

As Gazdevice's Navoi factory will only have the capacity to produce 750,000 meters per year, it seems that over 2 million meters will need to be produced elsewhere in the country, or imported.

The Government issued a draft resolution on 24 December setting out some of its other plans for mobilising production of advanced gas meters.

Resolution 3981 of October 2018 sets out the government's target to give all gas consumers AMI by end-2021.

This week's resolution, along with the 24 December one, are intended to help meet this target, although it is not clear how exactly the different resolutions fit together.

Gazdevice, established in 1997, specialises in the production of gas meters for domestic and municipal use, producing one million meters per year.

While the company operates primarily in Russia, its website says its products, which comply with various European, international, and CIS standards, are distributed in Uzbekistan through Tashkent-based Neotech Group and are also available in Kyrgyzstan and Kazakhstan.

Exploration and production

Fourth well commissioned at Tumaris

Uzbekneftegaz (UNG) has commissioned Well 4 at the Tumaris gas and condensate field with an estimated commercial flow of 110,000 cubic metres per day (cmd).

In its 12 January press release, UNG reported that together the field's four wells are now producing a total of 720,000 cmd.

Gas from the field will be processed and then supplied to end users through the country's main pipeline.

Tumaris is one of 16 oil and gas fields discovered across Uzbekistan since 2017 and one of the 10 in the Bukhara-Khiva region.

When the 13 sq km field was discovered, it was estimated to have 5.2 bcm of gas and 131,000 tonnes of condensate in reserves.

A first well was completed in August 2018 with a commercial gas flow of 300-400,000 cmd, suggesting the subsequent three wells have roughly doubled output since then.

It is not clear if the reserve figures are still accurate or have been updated.



Other fields in the Bukhara-Khiva region include Topichaksoy, Pearl, Shortak, Chordarbaza, Andakli, South Kulbeshkar, Yormok, Dultatepa, and Shorkum.

Yormok, located in the Kaskhadarya Region's Guzar district, was reported to have achieved a commercial gas flow of 250,000-300,000 cmd, according to an energy ministry press release in October.

Progress and output levels at the other fields are not clear.

The significant exploration work taking place in Uzbekistan is part of the government's strategy, adopted in March 2017, to boost oil and gas production.

This year the government plans to drill 82 new gas wells at a total cost of \$239.6m.

Renewables

Next Scaling Solar tenders expected this quarter

Tenders for two PV plants, a 200MW one in the Samarkand region and a 200MW facility in the Jizzakh region, are expected to be launched in Q1 2020 under the second phase of the World Bank Group's Scaling Solar programme.

According to a 9 January press release by the Ministry of Energy, the tenders were discussed at meetings on 7 and 8 January between government officials and the International Finance Corporation (IFC).

It did not give any other details about the forthcoming tenders.

However the release said that Principal Investment Officer Bernard Atlan represented the IFC at the meetings, while specialists from the ministries of energy, finance, investment and foreign trade, as well as from the Agency for the Development of Public Private Partnerships, led the Uzbek side.

The IFC is part of the World Bank Group and has been supporting the Scaling Solar programme since its inception after President Mirziyoyev's May 2018 visit to the US.

The winner of the first Scaling Solar tender, for a 100MW plant in the Navoi region, was announced in October 2019.

Some 23 companies from 11 countries – China, France, India, Japan, Norway, Russia, Saudi Arabia, Spain, South Africa, South Korea, and the UAE – participated in the tender, 11 of which pre-qualified.

Five ultimately submitted bids: Saudi Arabia's ACWA Power, a consortium of Jinko Power and Aljoimaih Energy & Water from China and Saudi Arabia, the UAE's Masdar, China's TBEA Xinjianing Sunoasis, and France's Total Eren.

Masdar won the tender with a tariff of 2.7 cents per kWh and a 12-month construction period.

In November the Ministry of Investment and Foreign Trade reported that it and Masdar had signed an investment agreement for the project.

The Ministry said that Masdar would design, finance, build, and operate the Navoi PV plant over a 25-year period, spending around \$100m.

It is not clear whether construction will still start in Q1, with commissioning in Q1 2021, as was announced at the time.

The government expects the Scaling Solar tenders to attract a total of about \$1bn of foreign direct investment in up to 1GW of new PV capacity.

In addition to the imminent tenders for a total of 400MW, a tender for 500MW is expected later this year, delivering on the mandate the IFC signed with the government in October to implement additional tenders for a total of 900MW.

The Uzbek government has an overall target to build up to 5GW of solar capacity by 2030, to meet growing demand and diversify the country's energy balance.



Government and legislation

Gov't sets new fees for upstream development

The government has amended the Subsoils Law to introduce two fees for the development of natural resources.

It has also published a draft law amending the country's Administrative Code to introduce liability for breaking nuclear energy rules.

The amendment to the Subsoils Law, brought about by the newly adopted Tax Code, says licensed companies will now have to pay a signature bonus and a commercial discovery bonus.

The former, defined as a one-off fee to be paid within 30 days of receiving the licence, is set at 5,000 times the monthly minimum wage for companies developing hydrocarbons.

Based on the current national minimum wage of UZS634,880 (\$66.70) per month, the signature bonus would be about \$333,500. However, the minimum wage is due to rise on 1 February to UZS679,330 (\$71.50), after which time companies will have to pay about \$357,000.

The commercial discovery bonus applies every time that a licensed company discovers natural resources, including during supplemental exploration.

It will equal 0.1% of the value of the newly-discovered resources, as defined by the State Registry of Major Business for companies listed in the registry and by the international market price for all other companies.

It was not entirely clear how exactly either of these prices would be determined.

Fees must be paid within 90 days of receiving the licence to develop the resources. Payment in instalments over up to three years is allowed if the discovery bonus is larger than the company's subsoils use tax.

Government authorities, but not state-owned enterprises, are exempt from both bonuses.

The commercial discovery bonus also does not apply to companies that do not plan to develop fields where resources have already been found.

Planned changes to the Administrative Code include new clauses on who is liable for breaching the rules of nuclear energy use and what the penalties are. All cases brought under the new article will be reviewed by the State Committee for Industrial Safety.

As currently written, the Code does not discuss liability for inappropriate use of nuclear energy.

However, the country's Criminal Code does allow the State to prosecute those who have failed to follow the nuclear safety rules in cases where someone has suffered significant injuries.

Previous amendments to oil and gas legislation over the past two months include increases in prices for hydrocarbons and their by-products under the 2020 budget, as well as the introduction of customs duties exemptions for companies importing aviation fuel.

Also, in November last year, a presidential resolution ordered UNG to transfer its responsibilities for oil and gas exploration to the State Committee for Geology and Mineral Resources, Goskomgeology.

Government and legislation

[Antimonopoly committee: gas meter proposal breaches law](#)

The Antimonopoly Committee has said that a \$644m plan by the energy ministry and Khududgaztaminot to set up local production of smart meters for gas will, if implemented, breach several laws.

After reviewing the draft resolution on the proposed project, the committee recommended scrapping the entire plan and instead issuing a tender for a company to supply the meters.

It also:

- Suggested that the agencies clarify what kinds of funds the project expects to mobilise and from where, hinting that the clause on the sources of financing was vague
- Highlighted that concluding agreements in foreign currencies, as envisaged in the draft resolution, is unlawful, advising that Uzbek soums should be used instead.

The committee's detailed review was prompted by media controversy around several aspects of the draft resolution, which was drawn up by the Ministry of Energy and dated 24 December 2019.

The draft resolution notes that a feasibility study has already been prepared and that government officials have already held talks with:

- Khudugaztaminot, which the draft resolution names as the client
- Texnopark (Uzbekistan), which would manufacture and supply gas meters, regulators, casings, and software
- Softmax Telemetry Systems (Belarus), which would develop the AMI and the billing system, as well as supply additional equipment
- Pietro Fiorentini (Italy), the role of which is not specified.

The document gives Khudugaztaminot and Softmax until 1 March to design the AMI data centre and sets a 1 July 2021 deadline for Khudugaztaminot to buy all meters produced at Texnopark.

It gives an overall project deadline of 1 January 2023. It is not clear, however, how this deadline fits into the schedule given in an October 2018 Presidential Resolution that aims to have a fully operational advanced metering infrastructure (AMI) covering 100% of consumers in the gas sector by end-2021.

The draft resolution suggests that Khudugzaminot should mobilise its own funds, as well as apply to IFIs, foreign government-owned organisations, national funds, and commercial banks for loans.

It asks for two exceptions to Uzbek legislation, the first being to allow Texnopark and Khudugzaminot to receive a loan from the National Bank of Uzbekistan for Foreign Economy Activity and Uzpromstroybank *before* an expert evaluation is completed.

The second would permit Khudugzaminot to sign purchase agreements with Texnopark, both of which are Uzbek companies, in foreign currency.

These companies would be exempted from customs duties, VAT, and International Mobile Equipment Identity (IMEI) device registration fees until the project's estimated completion date of January 2023.

Finally, the draft law suggested introducing "investment mark-ups" of UZS15 per kWh for electricity and UZS17 per cubic metre of gas, "exclusively to repay the loans."

A local meter supplier, Schetchik.uz, which obtained and republished the draft resolution, alleges that the document violates a series of competition rules.

The company, among other things, claims that those who drafted the law failed to select suppliers competitively, selected a supplier whose products have not been tested in Uzbekistan, and agreed on a price of \$80-115 per meter which, it claims, is much higher than the \$20-60 charged by other companies.

Schetchik.uz raised the following questions:

- Why are the three local manufacturers, Sarf, Sensus and Avangard, not part of the project?
- Why do these three companies have to pay VAT, while the project contractor has been exempted?

- Why did the government choose a contractor that does not have relevant experience and whose products have not yet been piloted?
- Why does the project include an investment mark-up, which Schetchik.uz expects will fall on the end-user?

In response to the controversy, the Antimonopoly Committee reviewed the draft resolution and concluded that it indeed violates several competition rules.

It is not clear whether the committee has reviewed the similar draft resolution released on 11 January that gives Russian company Gazdevice various tax exemptions to produce advanced gas meters in Uzbekistan and supply them, without the need to win a tender, to Khudugzaminot and other state-owned enterprises.

Khudugzaminot is a government company responsible for gas distribution across the regions.

Since it was created in July 2019 as part of the restructuring of the energy sector, it has already been shrouded in controversy, including allegedly being responsible for gas poisonings and for having charged clients for more gas than was actually supplied.

Texnopark is an industrial park housing plants that produce a wide range of household and industrial products, including gas meters.

Resolution 3981 of October 2018 sets out the government's target to give all gas consumers AMI by end-2021. The resolution of 24 December, along with the 11 January one on Gazdevice, are intended to help meet this target, although it is not clear how exactly the different resolutions fit together.

Government and legislation**New decree outlines Japan-Uzbekistan energy cooperation**

A new presidential decree has been issued on Uzbekistan's cooperation plans with Japan, which in the energy sector include measures in five areas and 13 specific projects.

The decree, which comes after President Mirziyoyev's state visit to Japan in December, spans short- and medium-term initiatives aiming to boost bilateral trade, exchange experience, and organise inter-ministerial cooperation.

Key points include:

- Support Japan's initiative to set up an economic cooperation and development organisation for non-renewable energy - while the original deadline was December 2019, the status of this initiative is not clear
- Establish cooperation with Japan's Nuclear Risk Research Centre in H1 2020, to run safety tests at nuclear facilities
- Exchange data with Mitsubishi on projects in the renewables sectors, in Q1 2020
- Analyse opportunities for joint oil and gas field development with JOGMEC, with an exploration contract expected in May, exploration work slated for June-July, and a final decision expected in August
- Organise joint research on solar and energy efficiency technologies by the end of this year.

The administration will also prepare for Prime Minister Shinzo Abe's visit to Uzbekistan, which is expected to cover cooperation in the energy sector as well as other sectors.

The decree listed 13 specific projects worth around \$4.6bn — excluding costs for the SCADA project, which are as yet unspecified.

Several of these projects are not new but were announced previously or are already underway.

Energy sector development through infrastructure modernization (Phase II)	JICA, \$340m	Tenders for consultants and main contractor expected in July 2020 and April 2021 Equipment to be supplied during 2021-2026
Roll-out of automated process control systems at UNG and Uzkimyosanoat	Yokogawa, \$30m	Equipment supply to start in September 2020
Financial and governance capacity building in energy	JICA, \$950,000	JICA's recommendations expected in Q1 2020, to be approved in Q2 2020 and implemented as per further agreements
Feasibility study for the roll-out of complex combined-cycle coal gasification technologies	Mitsubishi Corp, Mitsubishi Hitachi Power Systems, \$400,000	Feasibility study to be prepared by January 2021
Roll-out of cogeneration plants in Bukhara, Nukus, Urgench, Fergana, and Kuvasay	JICA, \$784m	Loan agreement expected between September and November 2020, with project scheduled to start in Q1 2021

Piloting of smart control systems connecting heat and electricity supply	NEDO, \$20m	Consultants to be hired in April 2020, MoU expected in September 2020, and project start scheduled for December 2020
MoU to launch AdBlue production	Hanwa, \$25m	Supply contract to be signed in April 2020, with production launched in November 2020
Uranium exploration in the Navoi region	JOGMEC, \$5m	Phase I of geological surveying to take place in May-November 2020 and Phase II in 2021-2022
Uranium exports (2 separate projects)	Marubeni, Itochu, \$1.4bn	Supplies expected to run from 2023 to 2030
3rd 650MW SGT at Navoi TPP	JICA, \$1.1bn	Installation to be completed in Q4 2024
4th 650MW SGT at Navoi TPP	JICA, \$925m	Feasibility study and loan agreement expected in May 2021
Gas transportation system upgrade with SCADA (Phase II)	Marubeni, Unspecified	Feasibility study to be prepared by end-2020

It is worth noting that the \$636.4m contract for the sale of uranium has already been signed, according to a press release from Itochu. The trading company, however, specified neither the value nor the volume of uranium to be traded, qualifying the contract only as 'long-term, large-scale.'

Several of the above companies have been involved in other projects in Uzbekistan's energy sector. JICA, Japan's foreign assistance arm, has helped finance gas turbines at:

- Navoi TPP (2nd 450MW CCGT) – completed
- Talimarjan TPP (two 450MW CCGTs) – ongoing
- Turakurgan TPP (two 450MW CCGTs) – ongoing
- Tashkent TPP (two 27MW gas turbine units) – ongoing.

Mitsubishi, too, has been involved in the sector's development, as the lead contractor for the Turakurgan TPP and Navoi TPP expansions. Apart from its planned involvement in the Navoi TPP project, the company is also considering supplying its steam gas turbines to the Syrdarya TPP.

Marubeni has been working in Uzbekistan since 1994, having modernised the Bukhara oil refinery and supplying two gas turbine cogeneration units to the Fergana TPP.

JOGMEC has been mining for Uzbek uranium in the Navoi region, alongside Goskomgeology and the Navoi Mining and Metallurgical Company, since 2012.

Yokogawa, which has been working in Uzbekistan through its branch in Russia, signed with Uzeltechsanoat in July 2019 a protocol to open an office in the country.

Progress on the initiative is as yet unclear.

Downstream

Ukrainian firm ships Mubarek GPP equipment

Ukrainian firm Sumy NPO has sent the first shipment of equipment for the booster compressor train it is making for the Mubarek gas processing plant.

In a 23 December press release, the company said it had sent out 13 rail freight wagons containing:

- Starter fuel and buffer gas treatment unit
- Air filter
- Muffler
- Pipe and crossover equipment
- Tanks
- Flow meters
- Ball valves.

Sumy's director for chemical production, Alexander Turenko, was quoted saying that the GPA-C-8 gas compressor units were nearly finished.

He added that 10 more wagons, along with 8 vehicles, would be dispatched "later" with more equipment, but did not specify when this shipment would be or if the GPA-C-8 units would be part of it.

The Mubarek plant processes gas from nearby fields to produce petrochemicals, mainly LPG.

Originally commissioned in 1971, it has seen several upgrades. These include the ongoing \$15m expansion that will allow the plant to increase its annual output to 282,000 tonnes of LPG and 91,000 tonnes of condensate, up from 260,000 tonnes and 83,000 tonnes respectively.

The feasibility study for that project was commissioned in 2018. Although no starting date for the actual construction was given, the new production facilities were expected to be commissioned in September 2019.

Sumy, a Ukraine-based company producing machinery and equipment for the oil, gas, power, and chemical industries, has been involved in expansion projects at the Mubarek plant since 2011.

It manufactured and installed equipment for the propane-butane mix plant, as well as its gas booster station and gas dehydration unit.

The company's other contributions to Uzbekistan's oil and gas sector include building compressor stations for the Gazli, Ahangaran, Zevardy, Pamuk, Shurtan, Kokdumalak, Shakhpakhty fields, KC-0 Mubarek, and the Navoi TPP.

It has also supplied heat exchangers to the North Nishan and South Kemachi fields.

In spring 2019, Sumy was reported to be on the brink of bankruptcy, after its management had run into debt and manufacturing had all but stopped.

Following a corporate shake-up and the appointment of its current director, Vladimir Lukyanenko, Sumy re-signed all contracts with its clients, including several Uzbek companies, and committed to on-time schedules.

Government and legislation

Media outlet queries Epsilon's licences

Online media outlet, Anhor.uz, claims that it has requested and been denied an explanation as to how Epsilon got a licence to develop oil and gas fields in Uzbekistan.

In a short article of 7 January, the publisher said it had filed a request with Uzbekneftegaz (UNG) on 27 November, asking it to cite the law that allowed Epsilon to work in the country.

Noting that the Cabinet of Ministers Resolution of 11 January 2019 - under which, according to its website, Epsilon claims to have obtained the relevant investment licences - could not be found in the national legal database, the outlet asked exactly which fields Epsilon had been licensed to develop.

On 8 January the Ministry of Energy published a response on UNG's behalf, saying that the national oil and gas holding is not affiliated with Epsilon, an independent operator.

UNG suggested contacting Epsilon directly in relation to all matters concerning its business in Uzbekistan.

Epsilon, a subsidiary of US-based Epsilon Development Company, has been exploring, developing, and transporting oil and gas in Uzbekistan since January last year.

According to the company's website, Epsilon holds licences to explore five investment blocks, to develop fields, to produce and sell hydrocarbons, and to design and build oil and gas facilities.

It has been working at the Kultak-Kamashin, Mubarek, Surkhan, Western-Fergana, and Ustyurt (Ashibulak and Koskudyk) investment blocks.

The company's investment partners for projects in Uzbekistan include Germany's Thyssen Krupp and Hong Kong-based Epsilon Asia Limited.

Exploration and production Epsilon updates, 9-15 January

Epsilon has provided the following updates on its activities over the past week:

The company has released its latest production figures, most of them relating to the Doya Khatun field, which it operates alongside Uzbekneftegaz (UNG).

Increases in commercial gas flows achieved this week at Doya Khatun include:

- On 9 January: an increase to 280,000 cmd from three wells
- On 10 January: an increase from 75,000 cmd to 120,000 cmd from Well 65
- On 11 January: an increase from 38,000 cmd to 85,000 cmd from Well 79.

On 13 January, the commercial gas flow from Well 37 at the Kulbishkek field rose to 70,000 cmd.

Epsilon also reports that it is working "around the clock" to build the Chigil-Mubarek GPP pipeline.

As of 14 January the company had completed the following work on the pipeline:

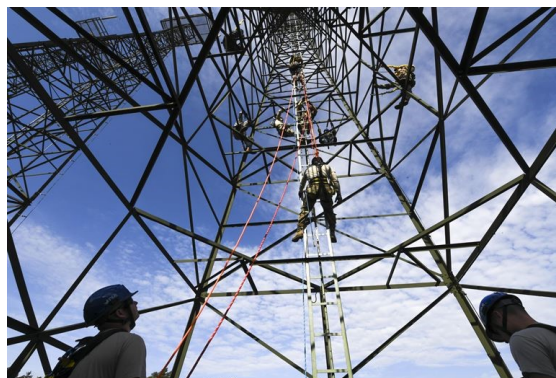
- Unloaded 91,000 tonnes of pipes
- Shipped another 69,300 tonnes of pipes
- Welded together over 177km of pipes
- Laid a further 120km of pipes
- Dug nearly 132km of trenches.

Epsilon Development Company (Uzbekistan) is a subsidiary of US-incorporated Epsilon Development Company. In addition to E&P activities, it is also involved in the industrial sector.

The company has exploration licences for five investment blocks, a licence for field development, two licences for the design and construction of oil and gas facilities, and a licence for the sale of hydrocarbons.

Its E&P activities are carried out through a partnership with Uzbekneftegaz and span the Kultak-Kamashi, Mubarek, Surkhan, Ustyurt (Ashibulak and Koskudyk), and West Fergana investment blocks.

Chigil-Mubarek is a proposed pipeline between the Chigil field, which Epsilon has been developing since April 2019, and the Mubarek gas processing plant producing mainly LPG.



Exploration and production

Bulgarian drilling company explores investment opportunities

GEOPS Exploration Drilling Services, from Bulgaria, is exploring the opportunities for investment in or collaboration on geological exploration, mining, and engineering projects in Uzbekistan.

The company's President, Vasil Andreev, attended a meeting at the Foreign Investment Promotion Agency on 7 January, according to a press release by the agency.

The agency claimed that this was the first visit of a Bulgarian company to Uzbekistan.

Officials from the agency outlined Uzbekistan's economic and investment potential and the different types of investment opportunity, including start-ups, public-private partnerships (PPPs), initial public offerings (IPOs), and secondary public offerings (SPOs).

The parties also discussed incentives for foreign investors, Uzbekistan's free economic zones, and the economic and geographic advantages of each region.

The press release noted that, while Andreev said the main focus of GEOPS is geological exploration and mining, the company is also willing to consider investing in other areas, including engineering.

Andreev requested a list of companies that are for sale, as well as information on the privatisation of land for foreign companies to use for investment projects.

The agency pointed to the list of projects by industry and region that is available on Uzbekistan's official investment portal, as well as the electronic system used for the sale and purchase of state assets, e-auksion.uz.

At the end of the meeting, the parties agreed to follow up through separate discussions with officials in relevant departments.

About GEOPS

GEOPS Exploration Drilling Services, based near Plovdiv, provides drilling services (including exploration drilling, technical drilling for roads, buildings and other purposes, and well drilling) to the mineral exploration industry in central and eastern Europe.

Since its establishment in Bulgaria in 2006, the company has expanded to have subsidiaries in Macedonia, Poland, Serbia, and Tunisia.

Government and legislation

Draft resolution aims to streamline power metering

The Cabinet of Ministers published a draft resolution on 6 December making it easier for businesses to connect to the grid, amending meter calibration rules, and ordering new billing and Enterprise Resource Planning (ERP) systems.

Control over meter calibration tests would now be transferred to Regional Power Grid (RPG), which would bear all the costs associated with the process.

Responsibility for the tests themselves would be shifted to regional power distributors, which will have to track when meters must be submitted for tests, using their own databases.

In addition, the Ministry of Energy is required to work with the Ministry of Justice to reduce meter installation time to a maximum of 15 days.

The resolution sets out that all meters to be installed at businesses are subject to mandatory state registration and must undergo routine calibration tests every ten years.

RPG would also take charge of the directorate for Advanced Metering Infrastructure (AMI), which was owned by Uzbekenergo and is now reorganised as an LLC.

A tender for a new billing and automated ERP system is to be issued by July 2020 by the energy and ICT ministries, together with RPG.

If approved, the resolution will be the latest in a series of policy reforms aimed at upgrading the country's ageing power industry.

Since 2015, the government has been working with Korea's KT Corporation to roll out AMI across the country. Pilot networks are already in place in the Samarkand and Bukhara regions.

In January 2019, KT Corporation also signed a supplemental agreement forming the legal basis for a new national AMI data-processing centre.

Power

Progress report on T&D infrastructure improvements in 2019

The Ministry of Energy has issued a series of updates in the last week on improvements to transmission and distribution infrastructure made in 2019.

Lines and substations

The distribution companies under Regional Electric Networks reconstructed and modernised a total of 6,400km of power lines and 2,600 transformers last year, according to the Ministry, improving power supply to 920,000 houses in 545 mahallas.

The companies also overhauled and carried out maintenance on 20,300km of lines and on 6,800 transformers.

These figures include:

- Over 2,400km of lines and 800 transformers reconstructed, and 2,900km of lines and 1,600 transformers repaired, under the Kishlok Rim programme
- 234km of lines and 94 transformers reconstructed, and 188km of lines and 272 transformers repaired, under the Mahalla Rim programme
- 16 high-voltage substations reconstructed and modernised
- 115km of 0.4kV, 10kV, 35kV and 110kV lines installed

- 368km of new lines and 344 transformers installed for apartment complexes being constructed
- 160km of new lines and 98 transformers built to connect 720 enterprises, operating in 126 free economic and small industrial zones, to the grid.

To facilitate work to install new power lines, four new factories were commissioned to produce reinforced concrete supports, with another eight expected to be put into operation. The expected timing for these was not given.

The companies also purchased 100 units of special equipment in 2019 and this year plan to buy 14 truck cranes and 34 vehicles for testing equipment.

The Navoi region's distribution company provided a separate update this week highlighting the following achievements in 2019:

(Please note that the figures below are based on *Uzbekistan Energy Monitor's* interpretation of the press release, as some of the numbers and units were ambiguous)

- 9km of low-voltage lines modernised
- 1,128 km of lines overhauled
- 75 substations of 35/110kV benefited from major repairs
- 70 transformers built and modernised, as planned, at a cost of over UZS14bn
- 207km of lines reconstructed and upgraded, and 50 transformers upgraded under the Kishlok Rim, Mahalla Rim, and Markaz Rim programmes, at a cost of almost UZS7bn
- 27 transformers in the Karmanin, Navbahor, Nuratin, Khatyrchi, and Kyzyltepa districts, previously operating at full load, replaced with higher-capacity transformers
- 2,500kVA and 4,000kVA transformers replaced with 6,300kVA ones at the Gazgan substation

- 4MW of reserve capacity created for the implementation of investment projects in the city of Gazgan.

The company also reported creating an oil reserve, buying about 20 new cars and special vehicles to help service remote communities, and buying 30 reserve transformers of various capacities to help avoid emergency shutdowns in regional and city enterprises.

Advanced meters

A Ministry of Energy press release reported that more than 2.5 million customers were connected to advanced meters in 2019.

According to a separate press release, this included more than 73,000 modern electricity meters installed across the Kashkadarya region in conjunction with equipment supplier, Elektron Khisoblagich. The local electricity distribution company intends for all its customers – which currently number 644,000 – to have new meters by the end of the year.

In the Navoi region, new meters were provided to customers in five districts, including Zarafshan, Tamdyn and Uchkuduk districts, according to the company's press release.

The company expects all customers in the region to have automated meters by the end of the year.

Meanwhile, another Ministry press release said that smart meters with the KAIFA brand were being installed in the Samarkand, Jizzakh and Bukhara regions, but did not indicate the number of meters.

An October 2019 Presidential resolution set a target for 7 million consumers to have automated systems for monitoring and accounting for electricity – effectively, advanced meters – with all customers across the country having them by the end of 2021.

Advanced meters are being installed nationwide, at Regional Electric Networks' expense.

Regional Electric Networks was created in March 2019 with Uzbekenergo's restructuring.

Its 16 enterprises include 14 regional distribution companies that are responsible for building, maintaining and operating 0.4, 6, 10, 35, and 110kV lines and other electricity distribution infrastructure in their respective regions.

Exploration and production

Yuggazstroy, Andijanneft to hold shareholder meetings

Yuggazstroy and Andijanneft have both scheduled extraordinary general meetings (EGM) on 31 January at which they plan, among other things, to re-elect their audit commissions.

Yuggazstroy's EGM was called by its majority shareholder, Uzbekistan's Assets Management Agency, which has a stake of around 51.2% in the company.

The announcement said that the two items on the agenda are re-electing the company's supervisory board and its audit commission.

Yugazzstroy is an Uzbekneftegaz (UNG) subsidiary that lays oil, gas, and petroleum pipelines, builds roads, and makes compressors and pumps. It also offers repair, marketing, audit, leasing, consulting, and other associated services.

The Assets Management Agency is a government department responsible for the state's assets policy, corporate governance reforms, and privatisation efforts.

It holds majority stakes, either directly or through its subsidiaries, in all state-owned enterprises, including UNG.

Andijanneft's EGM, meanwhile, will focus on approving the company's new bylaws and re-electing its audit commission.

Also a UNG subsidiary, Andijanneft is an E&P company operating at 20 oil and two gas fields in the Fergana Valley.

Its fields are mostly considered depleted and at a mature stage of development.

Production has been declining and is expected to continue doing so - although the company has recently announced collaborations with international E&P companies to increase production from existing fields.

In December, Andijanneft transferred operatorship over three former oil fields – Khartoum, East Khartoum and South Allamushuk – to Andijanpetro, a JV set up by UNG and Russia's Zarubezhneft.

In October it was reported that the Andijan Regional Prosecutor's Office was investigating the company for embezzling 15,287 tonnes of resources worth about \$1.4m.

Other

Weekly energy round-up, 9-15 January

This section provides brief summaries of other miscellaneous energy and power news from the past week.

UNG holds anticorruption seminars

Uzbekneftegaz (UNG) sent its legal team to the Jizzakh and Gulistan oil terminals to join local law enforcement officers in campaigning against corrupt practices.

Officials spoke about existing laws, the interdepartmental anticorruption commission, and past bribery cases, before holding the "first anonymous surveys into employee suggestions."

Kyrgyzstan official laments duty-free crude exports to Uzbekistan

A Kyrgyz government official, Kayrat Osmonaliev, has criticised the duty-free export crude oil to Uzbekistan and Tajikistan, which he alleges costs the nation about KGZ1bn (\$14m) per year.

He claimed that the duty-free oil export policy introduced by a regional free-trade agreement in 2011 has left Kyrgyzstan vulnerable to abuse from foreign EPC companies and the country's eight refineries standing mostly idle.

For reference, Uzbekistan's own refineries have, for several years, been producing well below capacity because of a shortage of feedstock. Total output was less than a third of capacity in 2018.

More incidents of gas theft

Government authorities have identified two more cases of gas theft.

The Yik Ota fuel station in the Tashkent region was found to have stolen over UZS604m (\$63,000) worth of gas over three weeks by tampering with its meter.

In a separate incident, the Compulsory Enforcement Bureau (MIB) accused Khududgaztaminot, the state agency responsible for gas distribution, of charging consumers for more gas than it actually supplied, gaining an extra UZS363bn (\$38m). The agency refuted these allegations.

Turkmen power imports disrupted, restored

On 10 January, electricity imports from Turkmenistan stopped temporarily after a "minor technical failure" knocked out two generating units at the Mary gas-fired power plant.

Power supply to the Fergana Valley dropped to about 600MW, but was restored to full capacity 90 minutes later after the plant was repaired.



PM against withholding utility payments from salaries

Prime Minister Abdulla Aripov has announced that he disapproves of withholding utility payments from employee salaries, warning at the same time that state agencies should avoid accruing receivables.

He also railed against local companies stealing natural gas and, while listing all brick, lime, and vegetable oil companies found to have stolen gas, threatened to cut gas supply to brick and lime producers.

Energy ministry dissociates itself from private services

Energy ministry spokesperson Elmira Bekmuradova has made a public announcement, distancing the department from private companies offering to provide repair services such as wiring in residential and commercial properties for a yearly subscription fee.

She noted that, while these organisations have the legal right to offer their services, the services are not mandatory, and reminded the public that state-owned distributor Regional Power Grid installs, calibrates, and maintains meters at its own expense.

Company and Project Profiles

The *Uzbekistan Energy Monitor* database includes company profiles and a project tracker across upstream and downstream energy, plus conventional and renewable power. It features information on project status, contractors and consultants, recent news, value, completion date, operators, and more.

The database is continually updated with new information.

The following are links to the Company and Project profiles that have been updated on the Uzbekistan Energy Monitor this week :

Company Updates

[Ministry of Energy](#)

[Khududgaztaminot](#)

[Uzbekneftegaz](#)

[International Finance Corporation \(IFC\)](#)

[PPP Development Agency](#)

[Japan International Cooperation Agency \(JICA\)](#)

[Epsilon](#)

[Regional Power Grid](#)

[Yuggazstroy](#)

[Andijanneft](#)

Project Updates

[Scaling Solar Phase 2: Samarkand 200MW](#)

[Scaling Solar Phase 2: Jizzakh 200MW](#)

[Masdar 100MW](#)

[Tumaris](#)

[Navoi TPP](#)

[Mubarek Gas Processing Plant](#)

[Complex combined-cycle coal gasification](#)

[Oltin Yo'l](#)

[Kandym Gas Processing Complex](#)

[Chappasuy](#)

Please note that access to our Company and Project profiles are restricted to Premium Subscribers only.

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CALENDAR

**Green Energy Future Central Asia 2020**

27-28 April, Tashkent

<https://www.centralasia.greenenergy-future.com/>**Uzbekistan Energy Forum / Oil and Gas Uzbekistan**

13-15 May 2020

<https://iteca.uz/oilgas/rus/index.php>

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The *Uzbekistan Energy Brief* is produced weekly and included in all subscriptions to the **Uzbekistan Energy Monitor** service.

The **Uzbekistan Energy Monitor** features a full range of industry information, including a database of company profiles, a project tracker with power plant profiles, upstream oil and gas projects, refineries, plus data, tenders and more.

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