

On PETROSUN's contribution to ensuring stability of the domestic oil products market

The unprecedented lack of demand for diesel fuel in the country's domestic market and the impossibility of alternative sales of surpluses in late 2023 and in the winter-spring period of 2024 resulted in a critical situation with the placement of this type of product on the market and, accordingly, to problems with moving out diesel fuel produced at the three major refineries of the Republic of Kazakhstan.

According to the Situational-Analytical Center of the Fuel and Energy Complex of the Republic of Kazakhstan, the total commercial diesel fuel inventory at the country's refineries and oil bases as of the end of December 2023 amounted to 483 thousand tons, and as of the end of March 2024, their significant increase was noted - up to 618 thousand tons, which exceeded more than two-month consumption of the entire market of Kazakhstan.

In the conditions of high load of the refineries with crude oil, stabilization of the balance between production and consumption of diesel fuel by reducing the oil refining volumes was impossible due to the need to produce liquefied petroleum gas and fuel oil that are in demand by the domestic market. These measures were taken to ensure stable heat supply to social and industrial facilities and institutions of the country during the heating period against the background of emergency situations at thermal power plants in a number of the country's regions and to prevent possible social tension in the regions of Kazakhstan, where liquefied gas is also used as the main filling fuel.

In the situation of a critical surplus of diesel fuel, PETROSUN LLP whose total volume as a crude supplier for refining accounts for a larger share of processing at the three major refineries in the country and an enterprise whose principles of operation are based, among other things, on social responsibility, had to take measures unpopular, in terms of financial costs, for a business entity and its shareholders.

Thus, the management of PETROSUN LLP, together with JSC NC KazMunayGas, which is one of the shareholders of the company and three major refineries, made a knowingly uneconomic and, given the market conditions, unprofitable decision – to move out unclaimed commercial products from the refineries to regional oil bases and remote storage facilities of third-party organizations.

In the shortest possible time, PETROSUN LLP concluded lease agreements with 40 oil bases stationed in 15 regions of Kazakhstan, including with fuel storage facilities of KTZ's Trading House Fuel and Energy Complex-KAZAKHSTAN LLP. Thus, the additionally leased tank farm of PETROSUN LLP increased by 80% of the storage capacities that are constantly used by the company.

To avoid overstocking of the three major refineries with diesel fuel and violation of the consistent technological process of refining, from the end of December 2023 to May 2024, the total volume of re-stored oil products amounted to more than 204 thousand tons, while PETROSUN LLP incurred considerable expenses for tank rental services, services for oil products acceptance, storage and release, as well as expenses for logistics.

It should be noted that in order to reduce costs, to empty the leased oil bases, as well as taking into account the requirement of the new owner of TEK-KAZAKHSTAN LLP's fuel storage facilities in the person of KTZ-Freight Transportation LLP for the urgent emptying of their tank farm, PETROSUN LLP took measures to sell diesel fuel at prices that do not correspond to the market conditions. Taking into account that PETROSUN LLP has assumed a number of obligations to shareholders regarding the proper conduct of business without risks and minimizing financial losses, we note that the forced measures taken had an extremely negative impact on the financial and economic performance indicators of the company.

Today, the level of expenses for oil products storage at leased oil bases partially remains due to the geographical remoteness of some of them from regional centers with increased consumption, respectively, with high purchasing power.

Considering the seasonal increase in consumption, the free, unlimited sale of PETROSUN LLP's resources from leased oil bases of the re-stored volume of diesel fuel has also created favorable conditions for the activities of entities of the oil products market throughout Kazakhstan.

It is obvious that all the measures taken by PETROSUN LLP have made and continue to make their primary and significant contribution to stabilizing the fuel and energy security of the Republic of Kazakhstan.