



Kazakhstan-EU Weekly Briefing

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Highlights

Middle Corridor

This week developments reinforced the strategic foundations of the Middle Corridor. In Brussels, the EU Council agreed on a partial general approach for the Connecting Europe Facility (CEF) 2028-2034, advancing negotiations on the Union's main funding instrument for cross-border transport infrastructure under the TEN-T network. The framework places strong emphasis on digitalisation and sustainability with third countries, confirming the EU's commitment to strengthen external transport links. At the operational level, the Baku International Sea Port reached a milestone by handling its 100,000th container in a single year showing the growing capacity of the Trans-Caspian route

Implications: These developments point to a convergence between EU strategic planning and on-the-ground expansion. While CEF 2028–2034 sets the policy and funding architecture for cross-border connectivity, rising capacity at key hubs like Baku shows that the Middle Corridor is increasing trade flows in practice. This input strengthens the corridor's credibility as a resilient alternative route and shows its importance for the EU's long-term connectivity and economic security.

Critical Raw Materials

Kazakhstan is reinforcing its position in critical raw materials through rising private investment and accelerated geological exploration. Eurasian Resources Group (ERG) announced that its annual investments in Kazakhstan will reach nearly 1 billion euro in 2025, a sharp increase compared to pre-crisis levels and recent years. This reflects a shift toward strengthening core assets rather than mere geographic expansion. In parallel, the government reported major progress in the mining sector: records now cover 103 types of minerals and around 10.000 deposits, while more than 700 new exploration licenses and 22 mining licenses were issued this year. New deposits have been added to the state balance, with notable increases in reserves of gold, copper, manganese, and phosphorites.

Implications: These developments signal a consolidation of Kazakhstan's role as a stable supplier of critical raw materials. Increased long-term investment by ERG, combined with large-scale licensing and modernization of geological exploration, strengthens resource security and improves transparency for investors. For external partners and the EU, the deepening of the upstream base enhances Kazakhstan's h

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relevance in diversified, resilient supply chains at a time of growing global competition for critical minerals.

Digitalisation

Kazakhstan is accelerating digitalisation across energy and natural resource management, with a strong focus on AI. In 2025, the Ministry of Energy advanced large-scale reforms combining infrastructure expansion with digital tools, including the rollout of an AI-enabled Unified EnergyTech Management System to detect faults in power lines and heat networks and reduce system losses. Rising electricity demand which is driven by data centres and supercomputers has reinforced the push for smarter energy management alongside plans to double generation capacity by 2035. At the same time, digital transformation is progressing in geology, construction, and utilities through a Unified Subsoil Use Platform, which already delivers dozens of services online, issues licenses digitally, and prepares AI-based processing of geological data to improve transparency and investor access.

Implications: These initiatives mark a shift from basic digitalisation to systemic, AI-driven governance of critical infrastructure. Smarter energy and utility management can lower losses, improving reliability and supporting Kazakhstan's growing digital economy. And AI-enabled geological and urban platforms increase transparency for investors. Together, this strengthens Kazakhstan's image as a technologically modernising partner aligned with international standards in energy efficiency, data management, and digital public services.

Trade

The European Commission proposed a major reinforcement of the Carbon Border Adjustment Mechanism (CBAM), which tightens anti-circumvention rules and expands its scope from 2028 to cover steel and aluminium-intensive downstream products. The reforms introduce stronger traceability requirements and include pre-consumer scrap in carbon calculations. This adds flexibility for trusted partners via carbon price equivalence and trade facilitation measures. In parallel, the EU launched a temporary Decarbonisation Fund to shield EU producers from carbon leakage while incentivising cleaner production. At the same time, EU energy trade

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patterns are shifting: petroleum oil imports fell sharply in 2025, while LNG imports surged. In Q3 2025, Kazakhstan accounted for 12,2% of EU petroleum oil imports, ranking among the EU's top three suppliers alongside Norway and the United States.

Implications: A stricter and broader CBAM raises compliance costs for carbon-intensive exporters but also rewards cleaner producers and partners able to demonstrate credible carbon pricing and decarbonisation efforts. For Kazakhstan, its continued role as a key EU oil supplier comes amid declining EU petroleum demand and tighter climate regulation, increasing the importance of transparency, emissions data, and diversification toward lower-carbon value chains to preserve market access and competitiveness in the EU.

EU-Centric Trends: Brussels' Point of View

1. EU–Kazakhstan Strategic Partnership Reviewed at Brussels Round Table

A round table held in Brussels this week brought together EU officials, analysts, and diplomats to review the state of EU–Kazakhstan relations, marking ten years since the entry into force of the Enhanced Partnership and Cooperation Agreement (EPCA). Discussions focused on transport connectivity, critical raw materials, digitalisation, and regulatory cooperation, alongside recent high-level political engagement and ongoing negotiations on visa facilitation and readmission. The Trans-Caspian Transport Corridor featured prominently as an area of shared interest, together with investment conditions and sector-specific cooperation.

Trend Analysis: The discussion reflected a broader EU effort to assess the effectiveness of existing cooperation frameworks rather than launch new initiatives. EU participants focused on implementation challenges under the EPCA, noting uneven progress across sectors and limited translation of political dialogue into project-level outcomes. Connectivity and CRM were framed within established EU instruments, including Global Gateway and the Critical Raw Materials Act, with emphasis placed on regulatory alignment, bankability of projects, and coordination among EU actors rather than strategic ambition.



Credit: EUREporter

Why It Matters: From an EU perspective, the review highlights the need to consolidate existing partnerships amid competing external priorities and budgetary constraints. Kazakhstan continues to be viewed as a relevant partner within EU connectivity and supply chain diversification agendas, but primarily through the lens of implementation capacity and alignment with EU frameworks. How effectively these mechanisms are utilised will shape the practical depth of the partnership.

What to Watch: Further sector-specific dialogues under the EPCA, treatment of Kazakhstan-related initiatives within EU connectivity instruments, and progress in visa facilitation negotiations as a signal of sustained political engagement.

EU-Centric Trends: Brussels' Point of View

2. Connecting Europe Facility 2028–2034 Moves Forward in EU Legislative Process

The Council of the European Union this week adopted a partial negotiating mandate on the Connecting Europe Facility (CEF) for the 2028–2034 period, enabling negotiations with the European Parliament to begin. The mandate covers transport and energy components, with a focus on cross-border connectivity, network resilience, and decarbonisation. Financial provisions remain linked to the broader negotiations on the next Multiannual Financial Framework (MFF).

Trend Analysis: Advancing the CEF file reflects the EU's intention to preserve infrastructure connectivity as a policy priority despite fiscal pressures. The Council's position emphasises strategic transport corridors, energy interconnections, and resilience, including dual-use infrastructure considerations. While CEF remains primarily inward-facing, its priorities increasingly intersect with the EU's external connectivity agenda by shaping how European networks interface with neighbouring regions.

Why It Matters: CEF programming directly affects the EU's capacity to support infrastructure corridors with external relevance, including routes extending toward the Eastern neighbourhood and Central Asia. Alignment between internal infrastructure funding and external connectivity initiatives such as Global Gateway is essential for coherence and credibility. The outcome of CEF negotiations will therefore influence how effectively the EU links internal and external connectivity objectives.

What to Watch: Interinstitutional negotiations with the European Parliament, links between CEF III and the overall MFF envelope, and how resilience and cross-border criteria are operationalised. The relationship between CEF funding priorities and Global Gateway external projects will also be relevant.

Kazakhstan-Centric Trends: Developments on the Ground

Arbitration Ruling on Karachaganak Expected by Year-End

Kazakhstan's Energy Minister stated this week that an international arbitration panel is expected to issue a ruling by the end of the year in the dispute related to the Karachaganak oil and gas condensate field. The case concerns disagreements between the Kazakh government and the Karachaganak Petroleum Operating (KPO) consortium over cost recovery and financial obligations. The consortium includes Eni, Shell, Chevron, Lukoil, and KazMunayGaz. Authorities also confirmed preparations for a separate arbitration case related to the Kashagan field, expected to proceed at a later stage.

Trend Analysis: The Karachaganak arbitration forms part of a series of legal proceedings addressing contractual and financial aspects of major hydrocarbon projects in Kazakhstan. These cases are being handled through established international arbitration mechanisms, reflecting the continued use of formal legal channels to resolve disputes between the state and consortium partners. The timing of the expected ruling brings procedural clarity to one of the longest-running issues affecting a key upstream project.

Why It Matters: Karachaganak is one of Kazakhstan's largest oil and gas projects and a significant contributor to national output. Arbitration outcomes affect the financial framework governing production and investment in the sector. The resolution of the dispute will provide greater certainty regarding cost allocation and contractual interpretation for both the state and participating companies.

What to Watch: The publication of the arbitration ruling and any subsequent legal or contractual steps taken by the parties. Developments related to the planned Kashagan arbitration and their sequencing relative to the Karachaganak case will also be relevant for understanding the broader legal context of Kazakhstan's upstream sector.

News Sources

- 1) Connecting Europe Facility 2028-2034 moves forward ([European Commission](#))
- 2) Middle Corridor strengthens as Baku Port breaks container records ([AZERNEWS](#))
- 3) ERG Increases Investment in Kazakhstan ([Astana Times](#))
- 4) State accounting covers 103 types of mineral resources and approximately 10,000 deposits ([Ministry of Industry and Construction of Kazakhstan](#))
- 5) Over 700 new exploration licenses issued to investors in Kazakhstan ([KazTAG](#))
- 6) Digitalization of industry, geology, and subsoil use: a unified platform, pilot implementation of AI, and Smart Turmys ([Ministry of Industry and Construction of Kazakhstan](#))
- 7) Kazakhstan to Expand Energy Capacity and Accelerate AI Integration in Utilities ([Astana Times](#))
- 8) Commission strengthens the Carbon Border Adjustment Mechanism ([European Commission](#))
- 9) Drop in petroleum imports in 2025 ([European Commission](#))
- 10) Perspectives for strategic partnership between Kazakhstan and EU discussed at round table in Brussels ([EUReporter](#))
- 11) Kazakhstan sees arbitration ruling on Karachaganak before year-end ([Reuters](#))



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