

SDFI
first
quarter of
2022:

Cash flow of NOK 113 billion from SDFI in the 1st quarter

High production and solid operational performance, combined with a strong increase in oil and gas prices, resulted in yet another record-high cash flow from the State's Direct Financial Interest (SDFI) in the 1st quarter. Net cash flow from oil and gas activities so far this year amounted to NOK 113 billion, an increase of 87 billion compared with the same period last year.

(NOK million)	1st quarter of 2022		Full year
	2022	2021	2021
Cash flow	113,001	25,786	186,058
Operating revenue	142,860	42,019	286,141
Operating expenses	23,277	15,569	62,711
Operating profit	119,583	26,450	223,430
Financial items	(1,753)	(526)	(1,296)
Net income	117,830	25,924	222,135
Investments	5,938	5,803	25,896
Average oil price (USD/bbl)	104	61	70
NOK/USD exchange rate	8.89	8.55	8.60
Average oil price (NOK/bbl)	925	518	603
Average gas price (NOK/scm)	10.22	2.16	4.78
Production (thousand boe per day)	1,078	1,046	1,026
Oil, condensate and NGL (thousand boe per day)	377	393	388
Gas (million scm per day)	112	104	101
Sales (thousand boe per day)	1,121	1,122	1,085



Johan Castberg tow to Stord. Foto: Jan Arne Wold & Roar Lindefjeld, Equinor

Financial results as of 1st quarter 2022

Net income as of the 1st quarter amounted to NOK 118 billion, an increase of 92 billion from the same period last year. The increase was mainly caused by higher revenues as a result of significantly higher prices for oil and gas, as well as increased sales of gas from Gullfaks, Troll and Martin Linge.

Total production amounted to 1,078 thousand barrels of oil equivalent per day (kboed), an increase of 32 kboed compared with the same period last year.

Gas production amounted to 112 million standard cubic metres (mill. scm) per day, an increase of eight per cent compared with the same period last year. The increase was primarily caused by increased gas extraction on Gullfaks and Troll, as well as production from Martin Linge, which came on stream in the summer of 2021. The increase was partially offset by lower gas extraction on Oseberg and Ormen Lange. The average realised gas price was NOK 10.22 per scm, compared with NOK 2.16 in the same period last year. The reason for the strong increase in gas prices was mainly caused by strong demand, relatively low volumes in storage at the start of the year, and uncertainty related to access to sufficient gas volumes in Europe following Russia's invasion of Ukraine.

Liquids production totalled 377 kboed, a reduction of 17 kboed compared with the same period last year. The reduction in liquids production was primarily caused by natural production decline on several mature fields, and was partly offset by production from Martin Linge, as well as improved recovery from Vigdis. The average realised oil price was USD 104, compared with USD 61

per barrel in the same period last year. However, the increase measured in Norwegian kroner was somewhat bolstered by a weakened NOK exchange rate, leading to a realised oil price of NOK 925, compared with NOK 518 per barrel in the same period last year. The increase in the oil price compared with the previous year was caused by strong growth in demand, which was not matched by equivalent growth in supply. Russia's invasion of Ukraine has also led to additional price pressure in an already strong oil market.

Total operating expenses amounted to NOK 23 billion, NOK 8 billion higher than the same period last year. The increase was caused by increased costs to purchase 3rd party gas and production costs. Increased purchases of 3rd party gas was mainly caused by increased gas prices and continued purchases of replacement gas to cover existing delivery obligations from Snøhvit, which is still shut down due to the fire at Hammerfest LNG in 2020. Production costs ended at NOK 4.8 billion, nearly NOK 1 billion higher than the same period last year. The increase was mainly caused by higher electricity prices and environmental taxes, as well as increased maintenance activities on certain fields.

Investments totalled NOK 6 billion, on par with the same period last year. Operational investments have increased on Troll due to electrification of Troll West, and on Snøhvit in connection with preparations for safe and stable operations following the fire at Hammerfest LNG. The increase was partly offset by reduced development investments following the completion of Martin Linge and lower drilling activity on certain fields.

Observations and incidents during the 1st quarter

- Five serious incidents have been registered so far this year, compared with five during the same period last year. This yields a serious incident frequency of 0.70 for the last 12 months, which is a reduction from 0.72 at year-end. The personal injury frequency was 3.79 as of the 1st quarter, compared with 3.78 at year-end.
- Russia's invasion of Ukraine on 24 February has contributed to significant risks related to security of supply in Europe. As a consequence of this, energy prices have increased substantially, and particularly for gas. Russia has traditionally been the largest supplier of gas to Europe, but as countries are now attempting to shed their reliance on Russian gas, this is likely to change. The Norwegian oil and gas industry and authorities are now taking all possible steps to increase the production of gas to Europe over the short and intermediate term.
- On 16 March, the Ministry of Petroleum and Energy approved applications from operator Equinor and its partners to increase their gas production permits for Oseberg, Troll and Heidrun:
 - For the Oseberg field, this means a more flexible production permit for the current gas year. This will allow the field to maintain maximum production, and Oseberg will be able to increase gas exports leading up to 30 September 2022 by approx. 1 billion cubic metres. This entails an increase of approx. 15–20 per cent for the current gas year, and this year's production could amount to approx. 7 billion cubic metres.
 - For Troll, the production permit has been expanded to 38 billion cubic metres of gas for the current gas year. This is an increase of 1 billion cubic metres, which corresponds to an increase of just under 3 per cent in this gas year, if other fields are subject to production declines.
 - For Heidrun, gas production can be increased by 0.4 billion cubic metres in the current calendar year. This entails an increase of up to approx. 30 per cent.
 - Planned shutdowns on the Oseberg field have also been postponed from May to September 2022. This will result in expedited production of just under 500 million cubic metres of gas.
- The planned start-up of Hammerfest LNG has been postponed from 31 March to 17 May 2022. The reasons for this are related to limitations as a result of Covid-19 and operative restrictions. Extensive repair work has been carried out following the fire in September 2020. A planned shutdown and ordinary maintenance have also been carried out in addition to equipment and compressor repairs. When it starts up in mid-May, the facility will contribute more than 6 billion cubic metres of gas annually from the Barents Sea.
- On 2 February, the Ministry of Petroleum and Energy approved the development plan for the first phase of the Kristin South project on the Halten Bank in the Norwegian Sea. Production is scheduled to start from the project in 2024. The expected production period is 11 years. Expected recoverable reserves amount to 58 million barrels of oil equivalent, and investments associated with the development total approx. NOK 6.5 billion. The SDFI has an ownership interest of 22.52% in the field.
- Production on the Veslefrikk field was permanently shut down on 17 February. Since it came on stream in 1989, the field has produced more than 400 million barrels of oil equivalent and substantial value have been created for both the owners and broader society. The field will now enter a period where the last four remaining wells will be plugged. At the same time, the process plant and pipelines will be cleaned, and the installations prepared for removal.
- In April, the Ministry of Petroleum and Energy extended the production licenses for the fields in the Greater Ekofisk Area from 2028 to 2048. This results in a potential total lifetime of nearly 80 years for Ekofisk. With this lifetime extension, the authorities have recognised the significant remaining potential for resource development and new projects in the Greater Ekofisk Area, in addition to the fact that Ekofisk is an important hub for processing and transporting resources for a number of other fields in the North Sea.