

SDFI
third
quarter of
2020:

Cash flow of NOK 45 billion from SDFI as of the 3rd quarter

Gradual easing of global infection control measures in connection with the Covid-19 pandemic, growth in demand and higher prices resulted in improved cash flow from the State's Direct Financial Interest (SDFI) in the 3rd quarter. Net cash flow from oil and gas activities for the quarter amounted to NOK 12 billion, an improvement of 5 billion compared with the previous quarter. The total cash flow as of the 3rd quarter was NOK 45 billion, 42 per cent lower than the same period in 2019.

	As of 3rd quarter		Year-to-date
	2020	2019	2019
NOK million			
Cash flow	45,359	78,147	96,184
Operating revenue	77,034	112,267	153,395
Operating expenses	42,202	42,434	56,445
Operating profit	34,832	69,832	96,950
Financial items	(121)	(925)	(1,304)
Net income	34,712	68,908	95,647
Investments	20,208	18,958	26,727
Average oil price (USD/bbl)	39.5	65.3	65.0
NOK/USD exchange rate	9.36	8.66	8.80
Average oil price (NOK/bbl)	369.5	565.3	572.3
Average gas price (NOK/scm)	1.09	1.94	1.92
Production (thousand boe per day)	980	939	964
Oil, condensate and NGL (thousand boe per day)	374.2	340.1	349.2
Gas (million scm per day)	96.3	95.3	97.7
Sales (thousand boe per day)	1,002	953	978



Troll A. Photo: Øyvind Gravås and Even Kleppa / Equinor

Financial results as of 3rd quarter 2020

Net income after financial items as of the 3rd quarter amounted to NOK 35 billion, 34 billion lower than the same period last year. The reduction was caused by lower oil and gas prices, as well as impairment of fixed assets in the 1st quarter. The reduction was partially offset by increased production from the Johan Sverdrup field.

Total oil and gas production amounted to 980 thousand barrels of oil equivalent per day (kboed), an increase of 41 kboed compared with the same period last year.

Gas production amounted to 96 million standard cubic metres (mill. scm) per day, an increase of 1 per cent compared with the same period last year. The change was mainly caused by increased gas production for price optimisation on Troll, partly offset by lower extraction from Oseberg, Åsgard and Gjøa. The average realised gas price was NOK 1.09, compared with NOK 1.94 per scm in the same period last year. Following two quarters of significant decline due to an oversupplied market and lower demand due to Covid-19, gas prices increased in the 3rd quarter as a result of higher demand, as well as lower LNG imports and lower deliveries from Russia to Europe.

Liquids production amounted to 374 kboed, 34 kboed (10%) higher than the same period last year. The increase was caused by the Johan Sverdrup field starting up in late 2019. Excluding production

from Johan Sverdrup, production declined by 37 kboed (11%), mainly as a result of natural production decline from multiple fields, as well as reductions in oil production from the fields included in the Government's revised production permits. The average realised oil price was USD 39, compared with USD 65 per barrel in the same period last year. However, the price drop in USD was somewhat offset by a weaker NOK, meaning that the achieved oil price measured in NOK was 369, compared with NOK 565 per barrel in the same period last year. The decline in oil price was mainly caused by a loss of demand as a result of global infection control measures initiated to prevent the spread of Covid-19 in the first half of 2020. The oil price increased in the 3rd quarter and appears to have stabilised at just over USD 40 per barrel as a result of increased demand. However, there is significant uncertainty associated with the market balance going forward, which could lead to increased volatility for the oil price in the 4th quarter.

Total operating expenses amounted to NOK 42.2 billion, at the same level as the corresponding period last year.

Investments amounted to NOK 20 billion, just over 1 billion higher than the same period last year. The increase in investments was mainly caused by additional projects with drilling activity. Development investments have declined compared with the previous year due to the completion of Johan Sverdrup phase 1.

Observations and incidents as of the 3rd quarter

- The first three quarters of the year have been marked by global infection control measures to limit the spread of Covid-19, reduced economic activity, and low realised prices. In spite of this, the SDFI portfolio delivered a significant cash flow to the state and production from the portfolio has increased by 4% compared with the same period last year. The primary reason for this is maintained solid and stable operations.
- The partners Petoro, Vår Energi, ConocoPhillips and Equinor (operator), has decided to develop the Breidablikk field in the North Sea. The joint venture submitted a plan for development and operation (PDO) to the Minister of Petroleum and Energy on 28 September. The expected recovery from the field is about 200 million barrels and the investments will amount to about NOK 18.6 billion. The Breidablikk field is one of the largest oil discoveries on the Norwegian shelf that is not yet developed, and will generate significant value for the Norwegian society and the owners. Production is scheduled to start in the first half of 2024. The Breidablikk development is aligned with Petoro's strategy for further development of mature fields utilising existing infrastructure.
- On 28 September, a serious fire broke out in a turbine at the Hammerfest LNG facility on Melkøya. Equinor (operator) is working to establish an overview of the scope of damage, as well as the course of events and causes of the fire. The facility is expected to be shut down for up to 12 months for repairs. There were no personal injuries during the incident. Including the fire on Melkøya, 17 serious incidents were recorded in 2020 on fields and installations in operation where Petoro has an ownership interest. This yields a serious incident frequency of 1.0 over the last 12 months. Falling objects are the most common incidents, but the fire on Melkøya was the most serious.
- Hydrocarbons were discovered in two exploration wells in the 3rd quarter, in PL248C and PL089, respectively. In PL248C (the Swisher prospect), the recoverable resources are estimated at between 2 – 6 million standard cubic metres of oil equivalent, and in PL089 the recoverable resources are estimated at between 0.9-1.5 million standard cubic metres of oil equivalent.
- The labor union organisation Lederne went on strike on 30 September in connection with the breakdown in negotiations for the offshore settlement. Members of Lederne were put on strike on the Johan Sverdrup, GjØa and KvitebjØrn fields. The strike led to a shutdown of GjØa and KvitebjØrn, as well as the connected fields Vega and Valemon. Production was maintained on Johan Sverdrup, which meant that the impact on the SDFI portfolio was limited. The parties reached agreement and the strike ended on 9 October.