

SDØE

second

quarter of

2021:

Cash flow of NOK 54 billion from SDFI in the 1st half of 2021

The combination of strong growth in demand, continuing production cuts from OPEC+, as well as solid operations resulted in a significant cash flow from the State's Direct Financial Interest (SDFI) in the first half of 2021. The net cash flow from oil and gas activities of NOK 54 billion is the highest since the 1st half of 2019.

	First six months		Full year
(NOK million)	2021	2020	2020
Cash flow	54,075	33,766	58,711
Operating revenue	85,612	52,465	108,940
Operating expenses	29,361	30,116	60,045
Operating profit	56,251	22,348	48,895
Financial items	(742)	336	(1,141)
Net income	55,509	22,685	47,754
Investments	12,323	13,867	27,689
Average oil price (USD/bbl)	64	38	40
NOK/USD exchange rate	8.45	9.41	9.34
Average oil price (NOK/bbl)	542	356	376
Average gas price (NOK/scm)	2.27	1.17	1.25
Production (thousand boe per day)	996	979	988
Oil, condensate and NGL (thousand boe per day)	378	379	374
Gas (million scm per day)	98	95	98
Sales (thousand boe per day)	1,061	1,004	1,013



Martin Linge. Photo: Jan Arne Wold and Øyvind Gravas / Equinor

Financial results as of 1st half of 2021

Net income after financial items as of the 1st half of 2021 amounted to NOK 56 billion, 33 billion higher than the same period last year. The increase is mainly caused by higher income as a result of increased prices for oil and gas.

Total production amounted to 996 thousand barrels of oil equivalent per day (kboed), an increase of 17 kboed compared with the same period last year.

Gas production totalled 98 million standard cubic metres (mill. scm) per day, an increase of 3 per cent compared with the same period last year. This increase was mainly caused by increased gas extraction on Troll and Oseberg, partially offset by production shutdown on Snøhvit after the fire on Melkøya and a planned turnaround on Åsgard. The average realised gas price was NOK 2.27 per scm, compared with NOK 1.17 in the same period last year. Strong demand was the primary reason for the increased gas prices, in addition to significantly lower LNG deliveries to Europe compared with the previous year.

Liquids production amounted to 378 thousand barrels per day (kboed), on par with the same period last year. Natural production decline on multiple fields was offset by increased production

capacity and accelerated production from Johan Sverdrup, as well as production from the Snorre Expansion Project, which came on stream in December 2020. The average realised oil price was USD 64, compared with USD 38 per bbl in the same period last year. However, the price increase in USD was somewhat offset by a stronger NOK, meaning that the achieved oil price measured in NOK was 541, compared with NOK 356 per barrel in the same period last year. The increase in the oil price compared with the previous year was due to continuing production cuts from OPEC+, as well as demand growth, particularly in Europe, the US and the Middle East.

Total operating expenses amounted to NOK 29 billion, NOK 0.8 billion lower than the same period last year. The reduction was caused by partial reversal of previous impairments in the 2nd quarter due to increased expectations for short-term prices, partially offset by increased purchases of third-party gas.

Investments amounted to NOK 12 billion, just over 1 billion less than the same period last year. This reduction was mainly caused by the decline in development investments on Johan Sverdrup, Johan Castberg and Troll, but was partially offset by increased charges on Breidablikk.

Observations and incidents during the 2nd quarter

- Three serious incidents were registered so far this year, compared with 12 during the same period last year. This yields a serious incident frequency of 0.61 for the last 12 months, which is a reduction from 0.9 at year-end. The personal injury frequency was 3.5 as of the 1st half of 2021, compared with 3.6 at year-end.
- As of 1 July 2021, the Ministry of Trade and Fisheries took over constitutional responsibility for exercising ownership of Equinor ASA, Petoro AS and the SDFI. This responsibility was previously assigned to the Ministry of Petroleum and Energy. The transfer is in line with the Government's general principles for state ownership and clear distribution of roles, as described in the report to the Storting on state ownership.
- Production from the Martin Linge field in the North Sea started on 30 June. The expected recoverable resources are about 260 million barrels of oil equivalent, and at plateau, the field will produce about 115 thousand barrels of oil equivalent per day. The field is operated with power from shore, which yields low CO₂ emissions. The development of Martin Linge cost NOK 63 billion. The SDFI has an ownership interest of 30% in the licence.
- The Ministry of Petroleum and Energy approved the plan for development and operation (PDO) for Breidablikk on 29 June. The field will now be developed in accordance with the licensees' planned development solution and the field is expected to come on stream in the first half of 2024. Expected recoverable reserves amount to about 200 million barrels, and investments associated with the development are estimated at NOK 18.6 billion. The SDFI has an ownership interest of 22.2% in the Breidablikk Unit.
- The licensees in Kristin South submitted a PDO to the Ministry of Petroleum and Energy on 30 June. The development plan shows a phased development of multiple discoveries in the area. Phase 1 consists of developing the Kristin Q segment and the Lavrans discovery. The plan is to tie both into the Kristin platform. Overall investments for this phase are estimated at about NOK 6.5 billion and production is expected to start in 2024. The SDFI has an ownership interest of 22.52% in the Halten Bank West Unit.
- In May, operator Wintershall Dea made substantial oil and gas discoveries in the Dvalin North prospect (PL211) on the Halten Bank in the Norwegian Sea. Overall, the discoveries in PL211 total between 71 million and 157 million barrels of oil equivalent, which is the largest discovery on the Norwegian shelf so far this year. The SDFI has an ownership interest of 35% in the licence.
- In the 25th licensing round, announced on 23 June, the Ministry of Petroleum and Energy offered seven companies ownership interests in four production licences; one in the Norwegian Sea and three in the Barents Sea. The State chose to retain ownership interests in PL1133 and PL1134 in the Barents Sea with Petoro as licensee with a 20% ownership interest.
- On 11 June, the Government presented the white paper "Putting Energy to Work" (Meld. St. 36 (2020-2021)) on long-term value creation from Norwegian energy resources. This white paper explains how Norway's position as an energy nation will be further developed through focused efforts for new industries, such as hydrogen and offshore wind, strengthening the power grid and a future-oriented oil and gas industry with low emissions.