SDFI second quarter of 2023:

petoro

Cash flow of NOK 180 billion from SDFI as of the 2nd quarter

Net cash flow from the State's Direct Financial Interest (SDFI) came to NOK 180 billion as of the 2nd quarter, about 23 per cent lower than the same period last year. The lower cash flow was primarily caused by reduced oil and gas prices. The increase in oil production following the start-up of Johan Sverdrup phase 2 and resuming production on Snøhvit ensured that production in the first half of 2023 exceeded one million barrels of oil equivalent per day.

	As of 2nd quarter		Full year
(NOK million)	2023	2022	2022
Cash flow	**180,079**	**234,428**	**528,171**
Operating revenue	**194,213**	277,854	640,426
Operating expenses	**43,309**	48,357	102,823
Operating profit	**150,905**	229,498	537,603
Financial items	**2,532**	1,254	1,605
Net income	**153,436**	**230,752**	**539,208**
Investments	**14,953**	**13,426**	**28,773**
Average oil price (USD/bbl)	**80**	111	104
NOK/USD exchange rate	**10.42**	9.03	9.53
Average oil price (NOK/bbl)	**833**	1,005	988
Average gas price (NOK/scm)	**6.34**	9.97	11.95
Production (thousand boe per day)	**1,004**	**1,036**	**1,044**
Oil, condensate and NGL (thousand boe per day)	355	359	359
Gas (million scm per day)	103	108	109
Sales (thousand boe per day)	**1,060**	**1,084**	**1,093**


Johan Sverdrup. Photo: Arne Reidar Mortensen / Equinor

Financial results as of the 2nd quarter of 2023

Net income after financial items as of the 2nd quarter amounted to NOK 153 billion, 77.3 billion lower than the same period last year. This reduction was mainly caused by lower income as a result of substantially lower prices, as well as lower gas sales. The decline was partly offset by increased oil production following the start-up of Johan Sverdrup phase 2, as well as reversal of unrealised losses on derivatives in the first quarter. Lower third-party gas purchases and positive net financial items due to a weaker NOK exchange rate also provided positive contributions.

Total production amounted to 1,004 thousand barrels of oil equivalent per day (kboed), a decline of 32 kboed compared with the same period last year.

Gas production amounted to 103 million standard cubic metres (mill. scm) per day, a reduction of 4 per cent compared with the same period last year. The decline was primarily caused by planned and unplanned shutdowns, partly offset by production from Snøhvit, which was shut down during the same period last year. The average realised gas price was NOK 6.34 per scm, compared with NOK 9.97 in the same period last year. The reason for the lower gas prices is complex, but was mainly caused by historically high LNG imports and filling up storages in Europe, combined with lower demand.

Liquids production totalled 355 kboed, a reduction of about 5 kboed compared with the same period last year. The decline in liquids production was primarily caused by natural production decline on several mature fields, partly offset by increased production from Johan Sverdrup phase 2. The average realised oil price was USD 80, compared with USD 111 per barrel in the same period last year. However, the reduction measured in Norwegian kroner was somewhat offset by a weakened NOK exchange rate, leading to an achieved oil price of NOK 833, compared with NOK 1,005 per barrel in the same period last year. The oil price reduction compared with the previous year was caused by lower demand growth than expected due to rising interest rates, weaker economic growth and a fear of recession in several parts of the world.

Total operating expenses amounted to NOK 43.3 billion, NOK 5.0 billion lower than the same period last year. The reduction was caused by lower costs for purchasing third-party gas, partly offset by increased production and transport costs.

Costs for purchasing third-party gas came to NOK 9.8 billion, NOK 7.4 billion lower than the same period last year. This decline was mainly caused by significantly lower gas prices in combination with lower volumes. Production expenses totalled NOK 12.0 billion, NOK 1.5 billion higher than the corresponding period last year. The increase was mainly caused by increased maintenance activity on several fields and installations, as well as increased CO_2 costs. Transport costs totalled NOK 6.2 billion, NOK 0.7 billion higher than the same period last year. The increase was primarily caused by increased tariffs.

Investments totalled about NOK 15 billion, NOK 1.5 billion higher than in the same period last year. The increase in investments was caused by significant activity on several fields with projects in the implementation phase, partly offset by lower production drilling on Troll.

Observations and incidents in the 2nd quarter

- Eight serious incidents have been registered so far this year, compared with 10 during the same period last year. This yields a serious incident frequency of 0.51 for the last 12 months, which is a reduction from 0.8 in the 2nd quarter of 2022. The personal injury frequency was 4.0 in the 2nd quarter, compared with 3.9 in the same period last year.

- On 28 June, the Ministry of Petroleum and Energy (MPE) approved plans for development and operation (PDOs) or changes to existing PDOs for a total of 19 projects with overall investments exceeding NOK 200 billion. These projects consist of new developments, further development of existing fields and investments in projects for improved recovery on existing fields. Petoro participates as a licensee in the Irpa, Verdande, Dvalin Nord and Maria licences, where overall expected recoverable resources amount to 267 million barrels of oil equivalent.

- On 8 June, the MPE approved the PDO for Tyrving (previously Trell & Trine) in the Alvheim area. Total investments in this project are estimated at approx. NOK 6 billion, and production is scheduled to start in the 1st quarter of 2025. Recoverable resources in Tyrving are estimated at around 25 million barrels of oil equivalent, and the field will produce with very low emissions, estimated at 0.3 kg of CO_2 per barrel.

- During a test of process capacity on the Johan Sverdrup field in May, a new production record was set at 755,000 barrels of oil per day. This is the equivalent of six to seven per cent of Europe's daily need for oil. The ambition of Petoro and the other licensees on the field moving forward is to maintain oil production from the field close to this level.

- On 28 April, the MPE sent a letter to relevant licensees indicating that the State aims to exercise its right of reversion at the end of the licence period, with a view toward full state ownership of the key parts of the Norwegian gas transport system.

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