



Grethe K. Moen - Photo: Emile Ashley

STRATEGIC FORCE AND STRONG PROFESSIONAL CONTRIBUTION

Petoro serves as the licensee for the state's direct interests in a total of 190 licences on the NCS, including 34 producing fields. My three years in the company – most recently as chief executive – have shown me that we have the opportunity to engage with many issues and business matters. But I have also seen that detailed and purposeful professional work is the way we influence decisions in the partnerships – and thereby value creation in our oil and gas portfolio.

A key to success for a small but highly competent organisation is accordingly to set priorities within a clear strategy. Our board adopted a new three-part strategy in September 2013, with existing priorities reinforced and some new ones added.

MATURE FIELDS: INVESTING FOR IMPROVED RECOVERY

The significance of maximising the value of the state's substantial interests in large mature fields is as least as great today as when we placed this subject on our strategic map in 2010. Work on the Snorre 2040 project has demonstrated with all possible clarity that the more technical detailing we have done, the greater the potential for improved recovery we have identified and the greater the need becomes to drill new production wells. It is therefore very positive that the partnership resolved in the autumn of 2013 to continue with Snorre 2040 on the basis of our original proposal – a new platform to drill many additional wells.

But it is also a matter of concern when we find that far too much of the extensive detailed work being done on mature fields is pursued for short-term objectives rather than to clarify the overall potential. We also see that the number of wells drilled last year from fixed installations in selected time-critical parts of our portfolio was lower than before. Work on mature fields shows that priority must be given to thorough work on reservoirs and geology in order to secure maximum recovery.

FIELD DEVELOPMENT: SAFEGUARDING FUTURE OPPORTUNITIES

Experience from work on mature fields is precisely what has shown us that we must take future commercial opportunities for improved recovery into account as early as in the selection of concept for new field developments offshore. That has become an even more important subject for us this year, particularly with an eye to the development of Johan Sverdrup. This field is so large that it will account on its own for a very large proportion of production and value creation both for the SDFI/Petoro and for the NCS as a whole.

A field of this size presents not only big opportunities but also challenges for the choice of development solution. Our ambition is to secure a concept which provides the robustness and flexibility to ensure maximum value creation over the field's producing life. We have learnt that elements such as adequate topside space, opportunities to drill many wells, sufficient pressure support and facilitating the adoption of enhanced oil recovery (EOR) methods from an early stage are critical building blocks from the start. Precisely from the perspective of safeguarding future opportunities, we are well satisfied with the choice of concept made for Johan Sverdrup in February.

FAR NORTH: PROMOTING INTEGRATED DEVELOPMENT

The Barents Sea is characterised today by a high level of activity and great diversity, with 17 operators, but in addition by varying exploration results. As a participant in no less than 27 licences, we are concerned not only with value creation from individual projects but also with area synergies – where establishing oil and gas infrastructure occupies a key place.

Work has been pursued by the partners in the Johan Castberg licence to make the concept more robust and thereby improve its profitability. This is an important job not only for the actual field development, but also for contributing to a wider area solution in the Barents Sea through an oil landfall. The latter, with an associated terminal, could be the first building block in achieving commercial development of discoveries in new areas such as Hoop.

NEED FOR CHANGE

Reflecting on 2013 cannot avoid a clear recognition that cost trends for the industry in general and on the NCS in particular have been so strong that they now not only present an obstacle to recovering the last drops from mature or marginal fields, but also actually pose a threat to the development of new discoveries which we had previously regarded as solidly commercial. Oil companies, suppliers and the government need to accept

responsibility here for turning every stone to pursue simplifications, efficiency improvements and cheaper solutions without increasing risk.

Our industry has made a substantial contribution itself to the cost increases. I believe more extensive processes and requirements have crept up on us, almost imperceptibly. New elements are introduced without been assessed for their impact on costs. We end up with a kind of "compound interest" effect, which results overall in large cost increases. The industry must accept responsibility for reversing this trend.

It will not be easy, because we are talking here about challenging our own modes of action, which have been allowed to develop over a long time. We need to simplify formal procedures as well as practical ways of doing things. And we need to make a bigger effort to standardise where we currently use tailor-made solutions.

Many of the challenges facing the industry must be met with good change management and a solid portion of stamina. Above all, I believe that players on the NCS must collaborate. That is done best, in my view, by starting with ourselves and then participating in a respectful and open manner in the interaction needed to find good solutions.



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