

SDFI

first

quarter of

2020:

Cash flow of NOK 27 billion from SDFI in the 1st quarter

As of the 1st quarter, the Covid-19 pandemic has had a limited impact on cash flow from the State's Direct Financial Interest (SDFI). Net cash flow from oil and gas activities totalled NOK 27 billion as of the 1st quarter but is expected to be considerably weaker for the rest of the year.

	As of 1st quarter		Entire year
	2020	2019	2019
NOK million			
Cash flow	26,625	32,469	96,184
Operating revenue	33,566	45,313	153,395
Operating costs	16,408	15,655	56,445
Operating income	17,158	29,658	96,950
Financial items	1,044	-634	-1,304
Net income	18,202	29,024	95,647
Investments	6,819	6,158	26,727
Average oil price (USD/bbl)	49.5	64.0	65.0
NOK/USD exchange rate	9.09	8.54	8.80
Average oil price (NOK/bbl)	450.3	546.7	572.3
Average gas price (NOK/scm)	1.46	2.22	1.92
Production (thousand boe per day)	1,092	1,097	964
Oil, condensate and NGL (thousand boe per day)	398.1	360.7	349.2
Gas (million scm per day)	110.3	117.0	97.7
Sales (thousand boe per day)	1,104	1,112	978



Johan Sverdrup, Photo: Ole Jørgen Bratland / Equinor

Financial results as of 1st quarter 2020

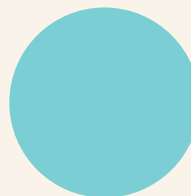
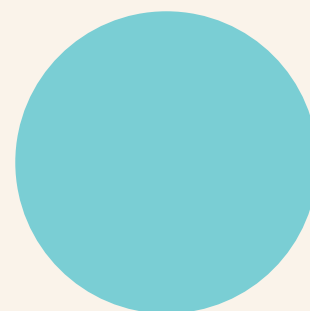
Net income after financial items as of the 1st quarter amounted to NOK 18 billion, 11 billion lower than the same period last year. This reduction was mainly caused by lower prices and impairment of fixed assets.

Total production amounted to 1,092 thousand barrels of oil equivalent per day (kboed), a decline of 5 kboed compared with the same period last year.

Gas production amounted to 110 million standard cubic metres (mill. scm) per day, a decline of 6 per cent compared with the same period last year. The average realised gas price was NOK 1.46, compared with NOK 2.22 per scm in the same period last year. The gas price on the spot market declined considerably in the 1st quarter due to an oversupplied market as a result of increased LNG imports and historically high storage levels.

Liquids production amounted to 398 kboed, 37 kboed (10%) higher than the same period last year. The increase was caused by Johan Sverdrup starting up in October 2019. The average realised oil price was NOK 450, compared with NOK 547 per bbl in the same period last year. The decline in oil price was generally caused by a loss of demand as a result of global measures initiated to prevent the spread of Covid-19 infection.

Total operating expenses amounted to NOK 16.4 billion, NOK 0.8 billion higher than the same period last year. The increase was mainly caused by impairment on Martin Linge and Valemon totalling NOK 1.8 billion in March due to the negative development in short-term prices. The increase was somewhat offset by lower depreciation and lower gas purchases.



Observations and incidents as of the 1st quarter

- The Covid-19 pandemic with subsequent measures to prevent the spread of infection has taken a severe toll on the global economy. The pandemic has also had a strong impact on the oil and gas industry, particularly from the end of the first quarter. Surplus supply, along with a considerable loss of demand, have led to a sharp decline in prices for both oil and gas. Given the current extraordinary measures to limit the spread of Covid-19, we expect the negative effects to be reinforced in the second quarter. However, it is highly uncertain how long the market will remain volatile, but we expect considerably weaker cash flow from the SDFI moving forward, until the potential normalisation of the global economy.
- On 29 April, the Government announced that the authorities will implement cuts in oil production to contribute toward more rapid stabilisation of the oil market. The production restriction of 250,000 barrels per day in June and 134,000 barrels per day for the second half of 2020 will be implemented by the Ministry of Petroleum and Energy issuing revised production permits for the period in question.
- On 30 April, the Government announced proposed measures for the oil and gas industry and supplier industry, suggesting temporary changes to the petroleum tax. The Government will present this proposal in a dedicated proposition to the Storting on 12 May.
- The Johan Sverdrup field in the North Sea, which came on stream in October 2019, expects to reach plateau production for the first phase sooner than expected. Capacity in the facility has been expanded, so plateau production is now expected to increase from the previous 440,000 to 470,000 barrels per day. When the field is at full production, it is expected to produce around 690,000 barrels per day. Expected recoverable reserves total 2.7 billion barrels of oil equivalent and the break-even price for full field development is less than 20 USD per barrel. Petoro is a licensee with a 17.36 per cent interest in the field.
- On 8 April, the Ministry of Petroleum and Energy approved the development plan for the Hywind Tampen offshore wind project in the North Sea, the world's largest and Norway's first floating offshore wind installation. The project involves transitioning the power supply on the Snorre and Gullfaks installations, where about one-third of the gas-fired power used on the platforms will be replaced with renewable wind power from eleven floating wind turbines. The project will provide a significant contribution toward reduced CO₂ emissions from the Norwegian shelf totalling 200,000 tonnes annually from 2020 to 2030. Installation of the wind farm is scheduled for spring 2022, and the first power deliveries are expected by the end of the same year. The operator projects total investments for the project at about NOK 4.8 billion. Petoro is a licensee with a 30 per cent interest in both licences.