SDFI third quarter of 2021:

petoro

Cash flow of NOK 98 billion from SDFI as of the 3rd quarter

Continued solid and safe operational performance combined with a strong increase in oil and gas prices resulted in significantly increased cash flow from the State's Direct Financial Interest (SDFI) in the 3rd quarter. Net cash flow from oil and gas activities so far this year amounted to NOK 98 billion, an increase of 53 billion compared with the same period last year. Cash flow in the 3rd quarter alone came to NOK 44 billion. This is the highest cash flow ever achieved in a single quarter since Petoro was established.

	As of the 3rd quarter		Full year
(NOK million)	**2021**	**2020**	**2020**
Cash flow	**98,139**	**45,359**	**58,711**
Operating revenue	**153,069**	77,034	108,940
Operating expenses	**46,016**	42,202	60,045
Operating profit	**107,054**	34,832	48,895
Financial items	**(1,245)**	(121)	(1,141)
Net income	**105,809**	**34,712**	**47,754**
Investments	**18,911**	**20,208**	**27,689**
Average oil price (USD/bbl)	**67**	39	40
NOK/USD exchange rate	**8.54**	9.36	9.34
Average oil price (NOK/bbl)	**574**	369	376
Average gas price (NOK/scm)	**2.96**	1.09	1.25
Production (thousand boe per day)	**1,002**	**980**	**988**
Oil, condensate and NGL (thousand boe per day)	385	374	374
Gas (million scm per day)	98	96	98
Sales (thousand boe per day)	**1,060**	**1,002**	**1,013**

Troll A with the new Troll phase 3 module. Photo: Øyvind Gravås and Even Kleppa, Equinor

Financial results as of the 3rd quarter of 2021

Net income as of the 3rd quarter amounted to NOK 106 billion, an increase of 71 billion from the same period last year. The increase is mainly caused by higher income as a result of significantly higher prices for oil and gas.

Total production amounted to 1,002 thousand barrels of oil equivalent per day (kboed), an increase of 22 kboed compared with the same period last year.

Gas production totalled 98 million standard cubic metres (mill. scm) per day, an increase of 2 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 the production shutdown on Snøhvit after the fire on Melkøya and a planned turnaround on Åsgard in the 2nd quarter. The average realised gas price was NOK 2.96 per scm, compared with NOK 1.09 in the same period last year. The strong increase in gas prices was mainly caused by low gas storage levels, strong LNG demand from Asia, as well as much lower LNG imports and renewables production in Europe compared with last year.

Liquids production totalled 385 kboed, an increase of 11 kboed compared with the same period last year. The increase was caused by higher production capacity and accelerated production from Johan Sverdrup, as well as new production from the Snorre Expansion Project. This increase was partially offset by natural production decline on several mature fields. The average realised oil price was USD 67, compared with USD 39 per barrel in the same period last year. However, the price increase in USD was somewhat offset by a bullish NOK, meaning that the achieved oil price measured in NOK was 574, compared with NOK 369 per barrel in the same period last year. The increase in oil price compared with last year was caused by strong growth in demand as a result of vaccination and societies reopening around the world, while at the same time, the increase in supply has not been able to keep pace with this development.

Total operating expenses amounted to NOK 46 billion, NOK 4 billion higher than the same period last year. The increase was due to increased purchases of third-party gas and increased production expenses driven by higher prices for power and carbon credits, as well as increased depreciation due to higher sales volumes. The increase in operating expenses was offset in part by partial reversal of previous impairment on Martin Linge in the 2nd quarter, as well as lower transport costs.

Investments amounted to NOK 19 billion, just over 1.3 billion less than the same period last year. This reduction was mainly caused by lower development investments on Johan Sverdrup, Johan Castberg and Troll, as well as reduced production drilling, partly offset by increased development investments on Breidablikk, as well as operational investments on Snøhvit and Troll.

Observations and incidents during the 3rd quarter

- Twelve serious incidents have been registered so far this year, compared with 21 during the same period last year. This yields a serious incident frequency of 0.58 for the last 12 months, which is a reduction from 0.9 at year-end. The personal injury frequency was 3.6 as of the 3rd quarter, compared with 3.6 at year-end.

- Production started on 27 August from the Troll phase 3 project in the North Sea. The new production wells are tied into Troll A and will extend the platform's lifetime beyond 2050. Phase 3 has a break-even price of less than USD 10 and CO_2 emissions of less than 0.1 kilo per barrel. Recoverable volumes from Troll phase 3, which produces the gas cap in Troll Vest, total as much as 347 billion scm. Converted to oil equivalent, this amounts to 2.2 billion barrels, about the same as the first phase of the Johan Sverdrup field. The investments total about NOK 8 billion. The SDFI has an ownership interest of 56% in the licence.

- On 20 September, the licensees in Ormen Lange submitted the plan for development and operation (PDO) to the Ministry of Petroleum and Energy. The investment decision calls for subsea compression for Norway's second-largest gas field to substantially improve recovery. This project will ensure increased production of 30-50 billion scm of natural gas, which will boost Ormen Lange's overall gas recovery rate from 75 to 85%, currently the highest recovery rate from a gas field on the Norwegian shelf. The CO_2 emissions for the project are estimated at 0.02 kg per barrel. The SDFI has an ownership interest of 36.485% in the licence.

- On 20 September, the licensees in the Oseberg and Troll fields received increased production permits for the gas year starting 1 October. The production permits are increasing by 1 billion scm for each of the fields compared with the current gas year. Oseberg's permit increases from 5 to 6 billion scm and the permit for Troll increases from 36 to 37 billion scm. The SDFI has ownership interests of 33.6% in Oseberg and 56% in Troll.

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