SDFI third quarter of 2022:

petoro

Cash flow of NOK 402 billion from SDFI as of the 3rd third quarter

The State's Direct Financial Interest (SDFI) continue to deliver secure and reliable energy to Europe along with operators and partners. Gas production increased by nine per cent, and net cash flow from oil and gas activities amounted to NOK 402 billion so far this year. This is an increase of 304 billion compared with the same period last year. Net cash flow during the quarter amounted to as much as NOK 167 billion.

	As of 3rd quarter		Full year
(NOK million)	2022	2021	2021
Cash flow	**401,782**	**98,139**	**186,058**
Operating revenue	**484,005**	153,069	286,141
Operating expenses	**74,634**	46,016	62,711
Operating profit	**409,371**	107,054	223,430
Financial items	**1,906**	(1,245)	(1,296)
Net income	**411,277**	**105,809**	**222,135**
Investments	**20,326**	**18,911**	**25,896**
Average oil price (USD/bbl)	**109**	67	70
NOK/USD exchange rate	**9.30**	8.54	8.60
Average oil price (NOK/bbl)	**1,016**	574	603
Average gas price (NOK/scm)	**12.08**	2.96	4.78
Production (thousand boe per day)	**1,030**	**1,002**	**1,026**
Oil, condensate and NGL (thousand boe per day)	357	385	388
Gas (million scm per day)	107	98	101
Sales (thousand boe per day)	**1,080**	**1,060**	**1,085**

Troll A. Photo: Øyvind Gravås and Even Kleppa, Equinor

Financial results as of the third quarter 2022

Net income after financial items as of the third quarter amounted to NOK 411 billion, an increase of 305 billion from the same period last year. The increase was mainly caused by higher revenues as a result of significantly higher prices for oil and gas, as well as increased sales of gas from Troll, Martin Linge and Snøhvit.

Total production amounted to 1,030 thousand barrels of oil equivalent per day (kboed), an increase of 28 kboed compared with the same period last year.

Gas production amounted to 107 million standard cubic metres (mill. scm) per day, up 9 per cent compared with the same period last year. The increase was mainly caused by increased gas extraction on Troll; production from Martin Linge, which started up last year; as well as Snøhvit, which resumed production at the end of the second quarter following the fire at Hammerfest LNG in 2020. Lower gas extraction on Ormen Lange and Oseberg has partly offset the increase. The average realised gas price was 12.08 NOK per scm, compared with 2.96 NOK per scm during the same period last year. The reason for the persistently high gas prices is mainly the loss of Russian gas deliveries to Europe as a result of the war in Ukraine.

Liquids production totalled 357 kboed, a reduction of 28 kboed compared with the same period last year. The reduction in liquids production was primarily caused by natural production decline on several mature fields, as well as planned turnarounds on Grane and Oseberg. Extraction of NGL products from the gas stream has also been reduced to optimise the value of gas in the strong gas market. Production from Martin Linge, as well as improved recovery from Vigdis, have partly offset this reduction. The average realised oil price was USD 109 per bbl, compared with USD 67 per bbl in the same period last year. However, the increase measured in Norwegian kroner was somewhat strengthened by a weakened NOK exchange rate, leading to an achieved oil price of NOK 1,016, compared with NOK 574 per barrel in the same period last year. The increase in the oil price compared with the previous year was caused by strong growth in demand, which was not matched by equivalent growth in supply. This development has subsided over the last quarter due to rising interest rates, lower economic growth and a fear of recession in Europe and the US, and China's economy also showing signs of lower growth.

Total operating expenses amounted to NOK 75 billion, NOK 29 billion higher than the same period last year. The increase was caused by increased costs for purchasing third-party gas, totalling NOK 20 billion, as well as increased production and transportation costs. Increased costs for purchasing third-party gas were mainly caused by higher gas prices in combination with higher volumes. Production costs came to NOK 16 billion, just over NOK 4 billion higher than during the same period last year. The increase is primarily caused by higher electricity costs and increased environmental taxes, as well as increased maintenance activity on certain fields.

Investments totalled just over NOK 20 billion, about NOK 1.5 billion higher than the same period last year. Investments have increased due to a higher activity level on the Ormen Lange phase III, Breidablikk and Hasselmus projects. Increased drilling activity on Heidrun and Valemon has also contributed to the higher investments. This increase was partly offset by reduced development investments following the completion of Martin Linge.

Observations and incidents in the third quarter

- So far this year, the energy markets have been affected by the war in Ukraine, geopolitical unrest and focus on security of supply. Furthermore, the incident in the Baltic Sea on 26 September, where sabotage was carried out on the gas pipelines Nord Stream 1 and 2, as well as a number of observations of unidentified drones near offshore and onshore petroleum installations, has caused the industry, in cooperation with the authorities, to raise the state of alert and implement extra security measures.

- Eleven serious incidents have been registered so far this year, compared with 13 during the corresponding period last year. This yields a serious incident frequency of 0.6 for the last 12 months, which is a reduction from 0.7 at year-end. The personal injury frequency was 4.1 as of the 3rd quarter, compared with 3.8 at year-end.

- The partners Petoro, LOTOS and Aker BP (operator) have decided to develop the Trell & Trine project in the central part of the North Sea. The joint venture submitted a plan for development and operation (PDO) to the Minister of Petroleum and Energy on 10 August. According to this plan, the licensees will invest close to NOK 6 billion, and the development will be tied back to existing infrastructure. The discoveries are planned to be developed with subsea installations that will be connected to the production and storage ship Alvheim FPSO. Production is scheduled to start in the first quarter of 2025. Recoverable resources in Trell & Trine are estimated at around 25 million boe. Trell & Trine will produce with very low emissions, estimated at 0.3 kg of CO_2 per barrel.

- On 23 September, Equinor announced a long-term gas sales agreement with PGNiG in Poland. This is a ten-year agreement for a volume of about 2.4 billion cubic metres of gas per year to be exported through the new Baltic Pipe pipeline. The volumes in the new, long-term agreement reflect European market prices, and are equivalent to about 15 per cent of Poland's annual gas consumption. The agreement will apply from 1 January 2023 to 1 January 2033. SDFI is an indirect participant in this agreement through the marketing and sale instructions.

- On 4 July, the Ministry of Petroleum and Energy decided to amend production permits for several fields on the Norwegian shelf. In connection with this, the licensees on the Troll and Oseberg fields had their production permits changed for the gas year starting on 1 October, specifically by increasing the permits to 38.5 billion scm for Troll and 7 billion scm for Oseberg. The SDFI has an ownership interest of 56 per cent in Troll and 33.6 per cent in Oseberg.

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