SDFI first quarter of 2023:

petoro

Strong cash flow from the SDFI also in the 1st quarter

The State's Direct Financial Interest (SDFI) continues to deliver high and stable energy production for Europe alongside other operators and partners. Gas production increased by four per cent and net cash flow from oil and gas activities came to NOK 117 billion in the 1st quarter of 2023. This is four billion more than the same period last year and 91 billion more than the 1st quarter of 2021.

	1st quarter of 2023		Year-to-date
(NOK million)	2023	2022	2022
Cash flow	**117,200**	**113,001**	**528,171**
Operating revenue	**120,750**	142,860	640,426
Operating expenses	**21,885**	23,277	102,823
Operating profit	**98,865**	119,583	537,603
Financial items	**2,522**	(1,753)	1,605
Net income	**101,387**	**117,830**	**539,208**
Investments	**6,193**	**5,938**	**28,773**
Average oil price (USD/bbl)	**82**	104	104
NOK/USD exchange rate	**10.07**	8.89	9.53
Average oil price (NOK/bbl)	**828**	925	988
Average gas price (NOK/scm)	**7.61**	10.22	11.95
Production (thousand boe per day)	**1,090**	**1,074**	**1,044**
Oil, condensate and NGL (thousand boe per day)	364	377	359
Gas (million scm per day)	115	111	109
Sales (thousand boe per day)	**1,137**	**1,121**	**1,093**

Johan Sverdrup phase 2. Photo: Equinor

Financial results as of the 1st quarter of 2023

Net income after financial items as of the 1st quarter amounted to NOK 101 billion, 16.4 billion lower than the same period last year. This reduction was mainly caused by lower income as a result of significantly lower prices on gas in particular, partly offset by production from Johan Sverdrup phase 2, as well as the reversal of unrealised losses on derivatives from the previous quarter.

Total production amounted to 1,090 thousand barrels of oil equivalent per day (kboed), an increase of 16 kboed compared with the same period last year.

Gas production amounted to 115 million standard cubic metres (mill. scm) per day, up four per cent compared with the same period last year. The increase was mainly caused by increased gas extraction from Troll, as well as Snøhvit, which was still shut down during the same period last year. The average realised gas price was NOK 7.61 per scm, compared with NOK 10.22 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 inventories in Europe, combined with lower demand.

Liquids production totalled 364 kboed, a reduction of 12 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 new production from Johan Sverdrup phase 2. The average realised oil price was USD 82, compared with USD 104 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 828, compared with NOK 925 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, lower economic growth and a fear of recession in several parts of the world.

Total operating expenses amounted to just under NOK 22 billion, NOK 1.4 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 5.1 billion, just over NOK 3 billion lower than the same period last year. This decline was mainly caused by significantly lower gas prices in combination with lower volumes. Production costs amounted to NOK 5.4 billion, just over NOK 0.6 billion higher than during the same period last year. The increase was mainly caused by increased maintenance activity on several fields and installations. Transport costs totalled NOK 3.4 billion, NOK 1 billion higher than the same period last year. The increase was primarily caused by increased tariffs.

Investments totalled around NOK 6.2 billion, NOK 0.3 billion higher than the same period last year. Investments are increasing due to greater activity in the development of Breidablikk and in connection with preparations to start up Dvalin. Dvalin is expected to come on stream in the second quarter.

Observations and incidents in the 1st quarter

- The energy markets are still affected by geopolitical unrest and a focus on security of supply. Nevertheless, the energy markets appear to have rebalanced somewhat, which has led to lower oil and gas prices during the quarter. A record-warm winter, high LNG imports in Europe and reduced demand for gas has led to lower-than-expected use of volumes in storage. Increased uncertainty in financial markets has also put pressure on oil prices. However, there is still significant uncertainty linked to both supply and demand moving forward, and prices are expected to remain high, yet volatile over the short to medium term.

- Four serious incidents have been recorded so far this year, compared with three during the corresponding period last year. This yields a serious incident frequency of 0.57 for the last 12 months, which is a reduction from 0.7 in the 1st quarter of 2022. The personal injury frequency was 3.9 as of the 1st quarter, compared with 3.8 in the same period last year.

- Petoro is publishing its sustainability report alongside the results for the 1st quarter, and the company has set ambitious climate targets for the SDFI portfolio. The goal is to reduce our share of emissions from the portfolio by 55% by 2030, and the long-term goal is to achieve near zero emissions by 2050. Fields and installations will need to be electrified in order to reach these goals. In 2022, Petoro was part of the decision to electrify the Snøhvit and Draugen fields. Along with previous and upcoming decisions, this means that, over the next few years, Petoro is planning to invest over NOK 25 billion in electrification measures.

- In January, 25 companies were offered ownership interests in a total of 47 production licences on the Norwegian shelf in pre-defined areas (APA) 2022. Of these 47 production licences, 29 are in the North Sea, 16 in the Norwegian Sea and 2 in the Barents Sea. 20 of the production licences are additional acreage for existing production licences. Petoro was awarded 9 licences to manage, 3 of which in the North Sea, 5 in the Norwegian Sea and 1 in the Barents Sea.

- Two potentially viable discoveries were made in the 1st quarter in prospects Obelix Upflank (PL1128) and Røver Sør (PL923). The preliminary calculation of the size of the discoveries indicates between 2 and 11 million standard cubic metres (scm) of recoverable oil equivalent for Obelix and between 2.7 and 7.4 million scm of recoverable oil equivalent for Røver Sør.

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