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# An unusual year - but still solid revenues from SDFI

2020 has been a historically challenging year. Virtually the entire global community has been affected by the Covid-19 pandemic, which is something we've never experienced before in a globalised world. This has crippled entirely essential social structures that we take for granted in a modern society, particularly as regards everything surrounding human mobility. Despite different countries taking different approaches to handling the pandemic, the international community was able to stake out a course through infection and shutdowns, and thereby managed to maintain critical functions. Good emergency preparedness has also helped maintain key infrastructure, not least within energy supply.

The prices of petroleum products declined dramatically in the first half of 2020, which was primarily caused by a powerful demand shock as a result of the pandemic. We experienced something as dramatic as negative prices for oil, which shook our industry to the core. In an effort to stabilise the global market, OPEC introduced production cuts for their member states. In Norway, the Government followed up OPEC's initiative by introducing production restrictions for a number of fields on the Norwegian shelf. Overall, this helped prices stabilise in the autumn at a somewhat higher level, and revenues therefore increased toward the end of the year. Gas prices in Europe also rose significantly at the end of

the year, which contributes to a good start to 2021. However, the substantial changes in demand will most likely continue to loom large in the upcoming years, and the International Energy Agency (IEA) projects that demand will not return to pre-Covid-19 levels until 2023 at the earliest.

From Petoro's perspective, it's encouraging to see that, even in an economic downturn, the SDFI portfolio can contribute considerable revenues for Norway. Revenue from the SDFI in 2020 is estimated at as much as 50 per cent of the state's overall revenues from the petroleum industry, and the results show that the portfolio is resilient in the face of low prices in the oil and gas markets. Compared with a normal year, this emphasises the significance of revenue from the state's ownership interests for the Norwegian economy, and the competitiveness compared with other oil and gas-producing provinces.

Last April, the Government presented an extensive stimulus package in order to maintain activity in the oil and gas industry, not least by securing access to assignments for a supplier industry under considerable pressure. This goal-oriented measure has provided considerable incentives to realise additional projects on the Norwegian shelf, many of which in the SDFI portfolio. In sum, this helps maintain a high level of production for many years to come, with the substantial

significance this will have for the Norwegian economy. The investment level on the Norwegian shelf has been maintained, which shows that the stimulus package works. Petoro's mission is to contribute to maximising the value creation from these projects, while simultaneously implementing them in a safe and prudent manner.

With several new, major projects in development, it's easy to forget that existing fields in the portfolio represent substantial values, considerably greater than the new projects. Further development efforts are under way on the vast majority of these so-called mature fields in our portfolio, of which Snorre is one of the fields that started up new production in 2020. A subsea development is now on stream on this field, representing the largest improved recovery project on the Norwegian shelf, and providing additional reserves of the magnitude of the Goliat field. According to the original plans, the Snorre field would have already been shut down, but following a significant effort over a number of years, with major contributions from Petoro, Snorre's lifetime has been extended by 25 years. Several fields in the SDFI portfolio have good potential for further development.

2020 was the first full production year for the giant Johan Sverdrup field, whose production has far exceeded expectations from day one with impressively stable production. At the

same time, innovative digital solutions are contributing to safer operations and greater profitability. Production capacity is expected to increase from 500,000 to 600,000 barrels per day, which is 100,000 barrels more than what was presumed at start-up. Since we can also demonstrate that Johan Sverdrup is one of our fields with very low greenhouse gas emissions, this illustrates our ability to be both improvement-oriented and future-oriented.

Petoro's vision is to be a driving force on the Norwegian shelf, where an important part of our work is aimed at contributing to industrial improvements that benefit the entire portfolio. This is reflected in our strategy, which is derived from the task of contributing to a high level of safety, sustainable solutions and the highest possible value creation. Results in 2020 have shown that the potential for improvements in the portfolio is still considerable, be it the unacceptable development in the number of serious safety incidents, the scope of greenhouse gas emissions from our activities and productivity in our core processes, such as drilling and reservoir analyses.

As the second-largest licensee on the Norwegian shelf, Petoro is uniquely suited to influence developments in all of these areas. One common denominator for improvement is utilising digital solutions, and Petoro has been a vocal advocate for this over several years. We've particularly focused on creating a momentum for improvement, building the understanding that work processes do not change by themselves, and also prioritising the sharing of more data. We've also targeted our efforts toward developing next-generation work processes within reservoir management.

### 5,000 wells in 50 years

Last year's drilling activity reached a high level with 180 drilled wells, including well number 5,000 on the Norwegian shelf, drilled by

ConocoPhillips on Eldfisk. In order to realise the expected reserves in existing fields, more than 1,000 new wells will have to be drilled in the SDFI portfolio alone. Drilling efficiency is important in a situation where we're working against the clock.

### HSE

Petoro has an important task in ensuring that the operators handle safety in the portfolio in a sound manner, the so-called supervisory duty. Once again, the serious safety incidents in 2020 are prescient reminders that we're part of an industry with safety risks which it must continuously strive to reduce to a minimum. We're not where we need to be, and Petoro will remain an active partner in the licenses to contribute what we can to follow up the expectation of zero harm to people, materials and the environment, and to support the direction set by both the Petroleum Safety Authority and the operators.

### Climate


In 2020, the Norwegian oil and gas industry presented a roadmap to reduce greenhouse gas emissions by 40% by 2030. The pricing of CO<sub>2</sub> emissions has proven to be a good policy instrument and has contributed to relatively low emissions on the Norwegian shelf compared with other regions. Efforts to mature a number of measures to reduce emissions have been taking place over the last few years. The Government's recently presented Climate White Paper, which proposes an incremental increase of the overall CO<sub>2</sub> price, will further contribute to achieving these targets, but will also lead to expectations for further reductions. Such an approach, which provides predictability for the companies, will help simplify decision-making processes concerning climate measures.

Since its founding in 2001, one of Petoro's stated goals has been to contribute to sustainable development.

We work continuously in the licences to secure good, climate-efficient projects. Electrification of the installations is unquestionably the largest and most important contribution to cutting emissions from production, and thereby cut greenhouse gas emissions in Norway. At the same time, we're exploring possibilities to develop entirely emission-free value chains. This will be decisive in order to deliver zero-emission gas from the production segment which, over time, will make it possible to convert natural gas to other low-carbon products. This presumes access to carbon capture and storage, which is now a major focus area, e.g. through the Longship project. Low-carbon products such as hydrogen and ammonia, as well as technology development within carbon capture and storage will be important tools in decarbonising heavy industrial sectors such as transport, aviation and shipping.

Petoro has invested about NOK 20 billion annually in projects in recent years. When we make an investment decision, it is crucial to ensure that climate risk is handled appropriately. We do this by ensuring that greenhouse gas emissions and associated costs and expectations regarding the future demand for oil and gas are included in the decision-making basis for the investments.

Our energy resources play an important role for the security of energy supplies to Europe, particularly within industry and transport. Realisation of our energy resources is contingent on profitability. This requires a sustained focus on technology development and research to ensure that we remain a crucial piece of the puzzle in developing the low-carbon society.



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