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## Activities and results from the year



Johan Sverdrup  
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# Activities and results in 2023

Reference is made to the “Letter of Assignment to Petoro AS for 2023”, and to the business plan for Petoro AS. The targets set in the letter of assignment and Petoro’s performance in relation to these are presented below.

## Safeguarding the state’s direct participating interests

Petoro shall be an active partner that, through its own efforts, helps maximise the value of the SDFI portfolio through comprehensive assessments. The work shall be focused on areas and tasks where the company, based on the portfolio and in interaction with other players on the Norwegian shelf, can provide a particular contribution toward increased value creation, considering the state’s overall financial interests. In 2023, Petoro will be following up a number of large and challenging projects in the implementation phase, as well as several in the planning phase. Mature fields remain the bedrock in the SDFI portfolio, and many of the projects will contribute to new production from them. Additional wells through increased drilling efficiency is key in this effort. Furthermore, choosing the right concept and reduced uncertainty in the reserve base are significant for realising values for projects in the planning phase.

## Operational targets

**“Petoro will establish operational targets with the aim of maintaining a high level of production in 2023.”**

*Management parameters: Volume figures. Development over time and description of deviations.*

Total production reached 994 thousand barrels of oil equivalent per day (kboed), a reduction of 50 kboed compared with

the previous year.

Gas production amounted to 102 million standard cubic metres (mill. scm) per day, a reduction of seven per cent compared with the previous year. The decline was primarily caused by a turnaround on Troll, as well as the temporary shutdown of fields tied back to the process plant at Nyhamna. The reduction was partly offset by production from Snøhvit, which was shut down during the first half of 2022, and Dvalin, which came on stream in 2023.

Liquids production amounted to 354 kboed, a reduction of 5 kboed compared with the previous year. The decline in liquids production was primarily caused by natural production decline on several mature fields and a turnaround on Troll C, partly offset by increased production from Johan Sverdrup phase 2.

Production from mature fields dominates the SDFI portfolio. The company’s strategy establishes the following three priorities to increase production: (1) Mature fields, where the goal is to create more investment opportunities, (2) Area development, where the goal is to find solutions across the portfolio, (3) People and nature, where the goal is to take care of our surroundings. Through focused follow-up, supported by in-depth professional commitment, Petoro works to reinforce value creation opportunities with emphasis on long-term business development.

## **“Petoro will prepare operational targets as regards efficient operations.”**

*Management parameters: Development in operating expenses with description of deviations.*

Efficiency measures on operating fields have been part of Petoro’s work in 2023 as well. The company has also been a driving force for efficiency and cost reductions, particularly within the area of drilling and wells.

Production costs in 2023 came to NOK 24 billion, which is about on par with previous years. Increased costs for operations and maintenance were offset by reduced costs for purchasing electricity due to lower prices.

Petoro is closely following the development in production expenses, including costs for operation and maintenance of fields and infrastructure. Petoro assesses the cost level of the various items in the licences’ budgets and requests efficiency measures, e.g. based on independent benchmark analyses.

The need for efficiency improvements and cost reductions within the drilling and well service area has been an important issue for Petoro over several years. The company’s improvement efforts in drilling and wells are addressed below in this chapter.

Digitalisation as an instrument to improve and increase competitiveness is still on the strategic agenda of most oil and gas companies, as well as suppliers. Petoro actively uses its role in the joint ventures and on the Norwegian shelf to reinforce the momentum for improvement and contribute to change processes, as well as to facilitate efficient data sharing. Through strategic cooperation with SLB, Petoro has also targeted special efforts on increased quality and efficient work processes in reservoir modelling and well planning.

**“Petoro will prepare operational targets as regards safeguarding safety and environmental concerns.”**

*Management parameters: Serious incidents, CO<sub>2</sub> emissions. Development over time and description of deviations.*

The serious incident frequency, defined as the number of actual and potential serious near-miss incidents per million hours worked, is still too high. There were a total of 18 serious incidents in the SDFI portfolio in 2023, which results in a serious incident frequency of 0.56. This represents a slight worsening from 0.54 in 2022. Falling objects continue to dominate the range of incidents. The personal injury frequency was 4.1, which is on par with the previous year.

Petoro is prioritising efforts to improve safety. This stance is clearly communicated through the company's expectations for HSE management and HSE culture in the licences. Petoro has particular focus on handling major accident risk, and the company is addressing the quality of risk assessments and lessons learned across the portfolio. Over the course of the year, Petoro has carried out management visits at selected fields and onshore facilities with a focus on HSE.

In 2023, Petoro will publish a dedicated sustainability report addressing emissions to air and sea from the SDFI portfolio, as well as developments over time and descriptions of deviations.

**Priority targets and activities in 2023**

**“Petoro shall, through its own in-depth work, studies and verifications, contribute to realising reserve bases and identifying new development projects for further field developments and improved recovery from mature fields in the portfolio.”**

*Management parameters: Initiatives, measures and work initiated by Petoro, achieved results and their effects.*

Petoro has not taken any new investment decisions for larger projects in 2023, as a result of the very high level of sanction activity in 2022. In line with its strategy, the company emphasised work to create a basis for new projects. A significant share of the efforts have been aimed at own reservoir simulation work, and this has resulted in an improved basis for realising additional reserves on the Johan Sverdrup, Åsgard, Visund, Heidrun, Troll, Oseberg, Snorre, Gullfaks and Martin Linge fields. Petoro has also particularly focused on increasing gas extraction from the fields in the portfolio, and the company's own studies have identified opportunities for this on the Troll, Gullfaks, Oseberg and Åsgard fields. Overall, these opportunities are projected at 19 billion scm for the fields collectively in the form of increased and accelerated gas extraction.

**“Petoro shall, through its own in-depth work, studies and verifications, contribute to increased drilling efficiency and effective utilisation of rig and drilling capacity to drill new**

**wells.”**

*Management parameters: Initiatives, measures and work initiated by Petoro, achieved results and their effects.*

In 2023, Petoro focused on contributing to process improvements associated with well maturation and approval of new wells, releasing rig time and better utilisation of digital solutions throughout the entire well construction phase. The first initiative has resulted in a successful pilot on Snorre. Petoro has conducted its own studies and presented proposals to release rig time in select parts of the portfolio. It is also positive that, in 2023, following many years of pressure from Petoro, investment decisions were made for automated drilling control (ADC) solutions on several fields with fixed drilling facilities. Over the course of the year, Petoro has started work on new digital solutions, including the use of artificial intelligence. The company is also working on continuing the roll-out of an improved process for well maturation and well approval in the portfolio.

**“Petoro shall, through its own in-depth work, studies and verifications, contribute to robust and comprehensive concept choice solutions for discoveries and new development projects which allow for future flexibility.”**

*Management parameters: Initiatives, measures and work initiated by Petoro, achieved results and their effects.*

In 2023, the company has been engaged in efforts to develop good concept solutions to realise the largest remaining discoveries in the SDFI portfolio; Wisting, Linnorm and Grosbeak. In these efforts, Petoro has emphasised choosing development solutions with the capacity

and expansion opportunities to realise the fields' full value potential, and that relevant new technology can be utilised to strengthen profitability. Examples of this include an unmanned production facility (Linnorm), multiphase over longer distances (Grosbeak) and advanced seismic monitoring (Wisting). The common denominator for all these projects is that Petoro, as a major licensee on connected infrastructure contributes an area perspective that yields synergies and optimisation gains. This is particularly important for the development of gas solutions.

**“Petoro shall, through its own in-depth work, studies and verifications, contribute to quality in the basis for investment decisions.”**

*Management parameters: Initiatives, measures and work initiated by Petoro, achieved results and their effects.*

Petoro has made no new investment decisions for larger projects in 2023. The company's efforts have largely been aimed at creating new investment opportunities in the portfolio. Petoro has contributed alternative assessments and proposed solutions in a number of early-phase-projects, and has also ensured that these decisions satisfy relevant quality requirements.

**“Petoro shall, through its own in-depth work, studies and verifications, contribute to reduced uncertainty in the reserve base for new projects.”**

*Management parameters: Initiatives, measures and work initiated by Petoro, achieved results and their effects.*

In 2023, Petoro carried out its own reservoir simulation work in an effort to reduce uncertainty in the reserve base for the following major future projects:

- Johan Sverdrup – to support the

development of phase 3

- Heidrun HEP – to create opportunities for further expansions
- Troll phase 3 step 3 – to ensure optimal utilisation of field infrastructure

**“Petoro shall, through its own in-depth work, studies and verifications, contribute to the reduction of greenhouse gas emissions through electrification and other measures.”**

*Management parameters: Initiatives, measures and work initiated by Petoro, achieved results and their effects.*

The most important measure to achieve considerable reductions in CO<sub>2</sub> emissions from production on the Norwegian shelf is electrifying installations. The industry has embarked upon a number of initiatives to identify and mature new projects. Electrification of mature fields is a time-critical measure, both as regards reaching national climate targets, in addition to a reduced income potential in the form of increased gas sales and saved CO<sub>2</sub> costs when the operating period is shorter. Petoro therefore works actively with operators and joint ventures to maintain progress on these projects.

Petoro has seen significant activity associated with maturing electrification measures that will contribute to large reductions in greenhouse gas emissions from the portfolio. In 2023, the company has had four projects in the implementation phase; Partial electrification of Troll B/C and Oseberg, in addition to full electrification of Snøhvit and Draugen. New electrification projects have also been matured on the Halten Bank and in the Tampen area, as well as on Grane and at Kårstø. Overall, these projects have the potential to reduce the portfolio's CO<sub>2</sub> emissions,

thus allowing Petoro to reach its target of 55% reduction by 2030.

## Following up Equinor's marketing and sale of the state's petroleum

Petoro will follow up to ensure that Equinor conducts the marketing and sale of the state's petroleum alongside its own in accordance with the marketing and sale instructions issued to Equinor ASA. This includes contributing to equitable distribution of revenues and costs between the state and Equinor.

**“Petoro will follow up the marketing and sale of the state's petroleum with attention to the market situation, potential conflicting interests, as well as issues of substantial importance as regards value.”**

*Management parameters: Measures initiated by Petoro and achieved results.*

In 2023, Petoro has prioritised issues within the marketing and sale of both oil and gas. The company has particularly focused on measures to increase gas production in order to deliver as much gas as possible to the European market. In addition, the company has paid particular attention to the extent to which the marketing and sale models satisfy the objectives in the Marketing and Sale Instructions regarding Maximum Value Creation and Equitable Distribution between Equinor and SDFI.

Petoro is concerned with ensuring that the products are marketed and sold in such a way that the highest price is achieved, in addition to ensuring that the portfolio's flexibility is used to achieve the highest possible value creation. In this context, optimal further development, regularity, utilisation of capacity and flexibility in production

facilities and infrastructure are of significant importance.

Selected verifications have been conducted to ensure that the SDFI receives its rightful share of sales-related costs and revenues. Multiple important clarifications of principle have been undertaken related to the marketing and sale, and Petoro has been in dialogue with the Ministry of Trade, Industry and Fisheries regarding topics in the Instructions throughout the year. The company has also had an extensive dialogue with Equinor, including follow-up of shared goals for costs and value creation.

## Financial management

### “Petoro shall

- **ensure sound financial management and control of SDFI pursuant to the Regulations on Financial Management in Central Government and instructions for financial management of the SDFI**
- **prepare and follow up budgets and forecasts, conduct accountancy and perform periodic variance analyses and reporting on the SDFI’s financial standing and development.”**

In 2023, Petoro has ensured sound financial management and control of the SDFI in line with the Regulations on Financial Management in Central Government and instructions for financial management of the SDFI.

The company has furthermore prepared and followed up budgets and forecasts, been responsible for accountancy through an external accountant and performed periodic variance analyses and reporting on the SDFI’s financial standing and development in accordance with deadlines specified in

the Allocation Letter.

The company also received a clean bill of health from the Office of the Auditor General for 2022.

## Efficient operations

Petoro will work systematically to utilise its allocated resources in an efficient manner. The company will prepare operational targets and indicators that demonstrate the efficiency of the company’s operations and which can be compared over time.

### “Petoro shall carry out its primary tasks in an efficient manner, which includes utilising opportunities for efficient operations by using digital solutions and digital data sharing”

*Management parameters: Initiatives, measures and work initiated by Petoro and demonstrating their impact.*

Petoro aims to carry out its activities as efficiently as possible. The company has a framework for efficiency measures and improvement. This framework is an integrated part of the company’s governance.

Over the course of the year, the company has implemented 54 different improvement and efficiency measures. The effect of these measures is estimated at between NOK 1.5 and 2.5 million in annual cost savings, as well as 300 saved work hours. The measures have also yielded improved quality and fewer mistakes, increased availability of information and more efficient work processes.

The company has organised its primary tasks such that new ownership interests the company receives for stewardship are handled with a limited increase in the use of resources. Petoro has

organised its activities with low basic staffing. About 40 per cent of the company’s cost consumption is linked to the purchase of external goods and services, and the largest areas are ICT, accounting and auditing services, as well as procurement of project-oriented expertise and studies within the company’s strategic priorities. Petoro is concerned with facilitating a high level of competition in its tender processes, thus allowing the company to achieve the best terms available on the market, as well as close cost monitoring in existing agreements.

In line with the company’s digital strategy plan, Petoro works to seize the opportunity for efficiency measures and improvement by using digital tools. The objective is to improve the quality and accessibility of information, reduce time spent on routine tasks and manual operations, streamline reporting and supervisory tasks, as well as to improve the company’s impact through better insight, analyses and decision documentation.

Petoro also addresses efficiency and improvement measures in the joint ventures by following up costs and efficiency measures, e.g. through its strategic prioritisations within drilling efficiency. The efficiency measures in the joint ventures do not impact Petoro’s accounts, but rather through increased cash flow from the SDFI. In the same vein, there is a considerable potential in the use of digital solutions and increased data sharing within and between the joint ventures to increase value for the SDFI portfolio. Petoro is an active driving force for this effort.