



NORWEGIAN MINISTRY
OF PETROLEUM AND ENERGY

Norway: Petroleum regime

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Norway: Petroleum policy

Oil and gas activities only
offshore – since 1965

- The right to subsea petroleum deposits is vested in the State (PA Section 1-1)
- The petroleum deposits shall be managed to the benefit of the Norwegian society as a whole (PA Section 1-2)
- International petroleum industry to participate in petroleum activities
- National expertise shall be developed

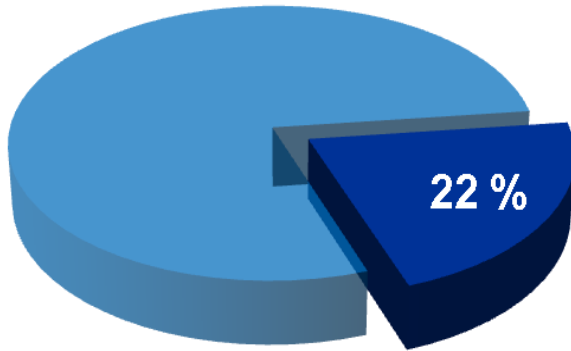


Petroleum policy: Main aims

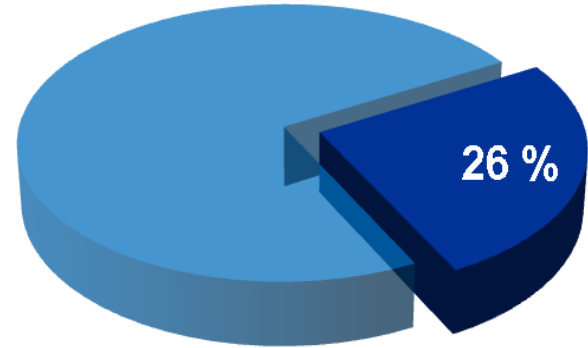
- **Maximize value creation from petroleum activities – prudent *resource management***
- **Norway as a significant petroleum producer to be at the forefront environmentally**
- **Internationalisation of Norwegian petroleum industry**

The Driving Force of the Norwegian Economy

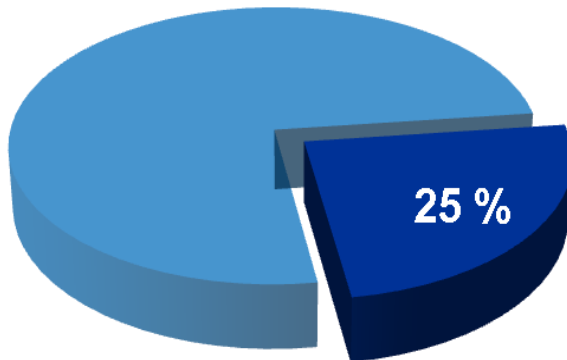
Macroeconomic indicators 2010



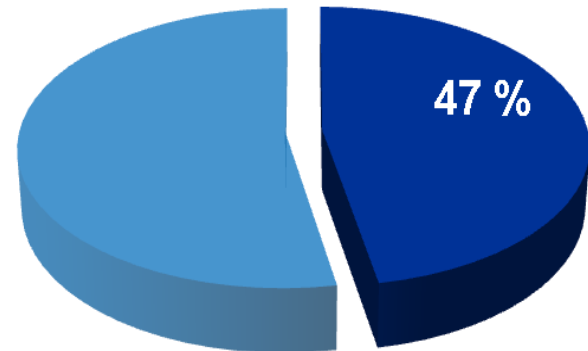
The petroleum sector's share of GDP



The petroleum sector's share of state revenues

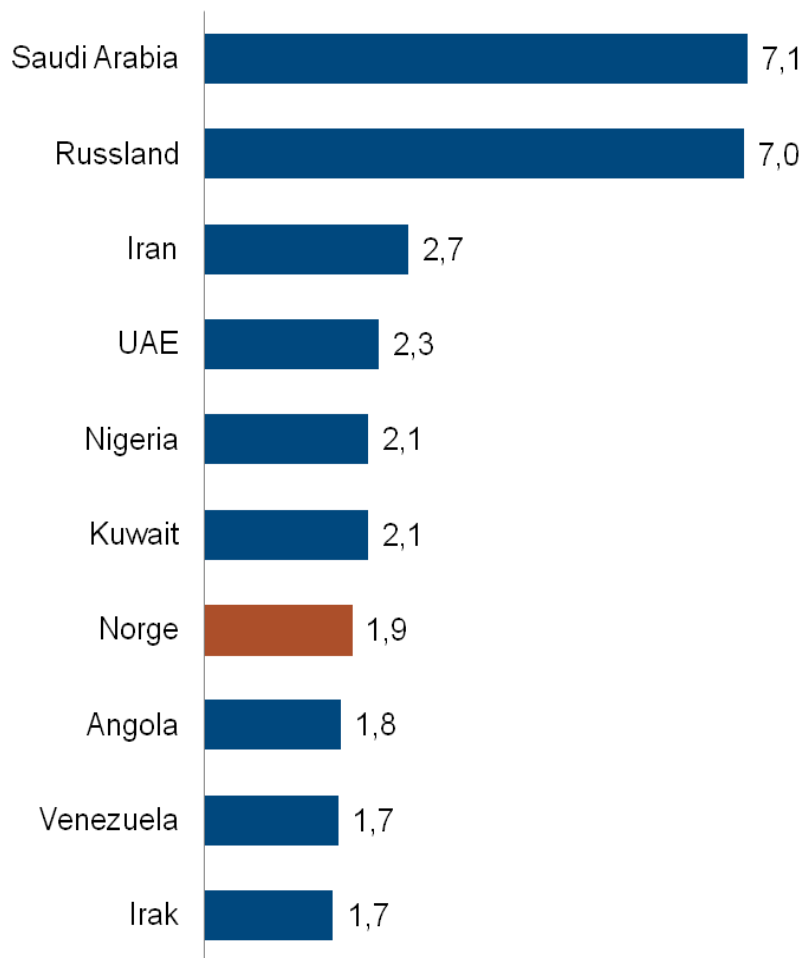


The petroleum sector's share of total investments



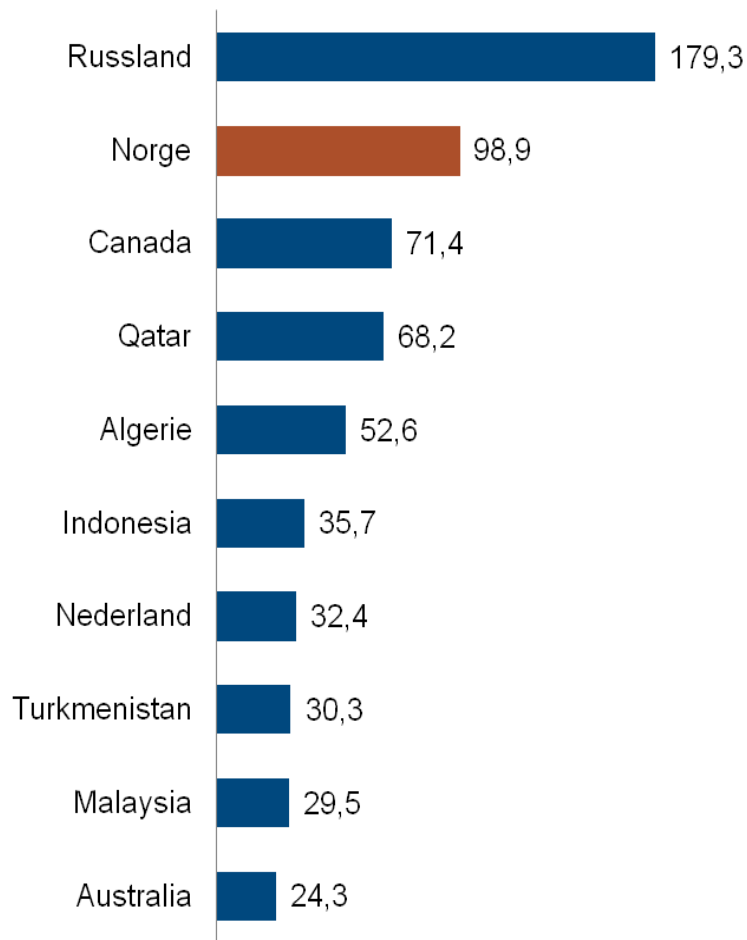
The petroleum sector's share of total exports

World's largest oil exporters (2010)



Mill. fat/dag

World's largest gas exporters (2010)



Mrd. Sm³/år

Kilde: KBC / Cedigaz

Resource management: Norway: National control - international participation

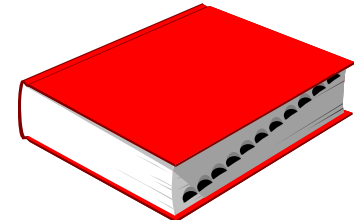
- **International participation:**
 - **Capital, competence, capacity**
- **National control:**
 - **Potential for conflicts between national interests and the interests of the international petroleum industry**
 - Each important activity is subject to Ministry approval (e.g drilling, development, pipeline transportation, disposal)
 - Important: Sufficient competition between oil companies and within the supply industry
 - Fiscal terms: Incentives to make the cake bigger
 - Dialogue authorities/industry
 - Copies of all information from the petroleum activities shall be submitted to competent authorities – free of charge

Implementation of petroleum policy

- **The most important tools in obtaining policy aims:**
 - **Petroleum legislation**
 - **Resource management**
 - **Award system**

Norway: Legal framework for petroleum activities

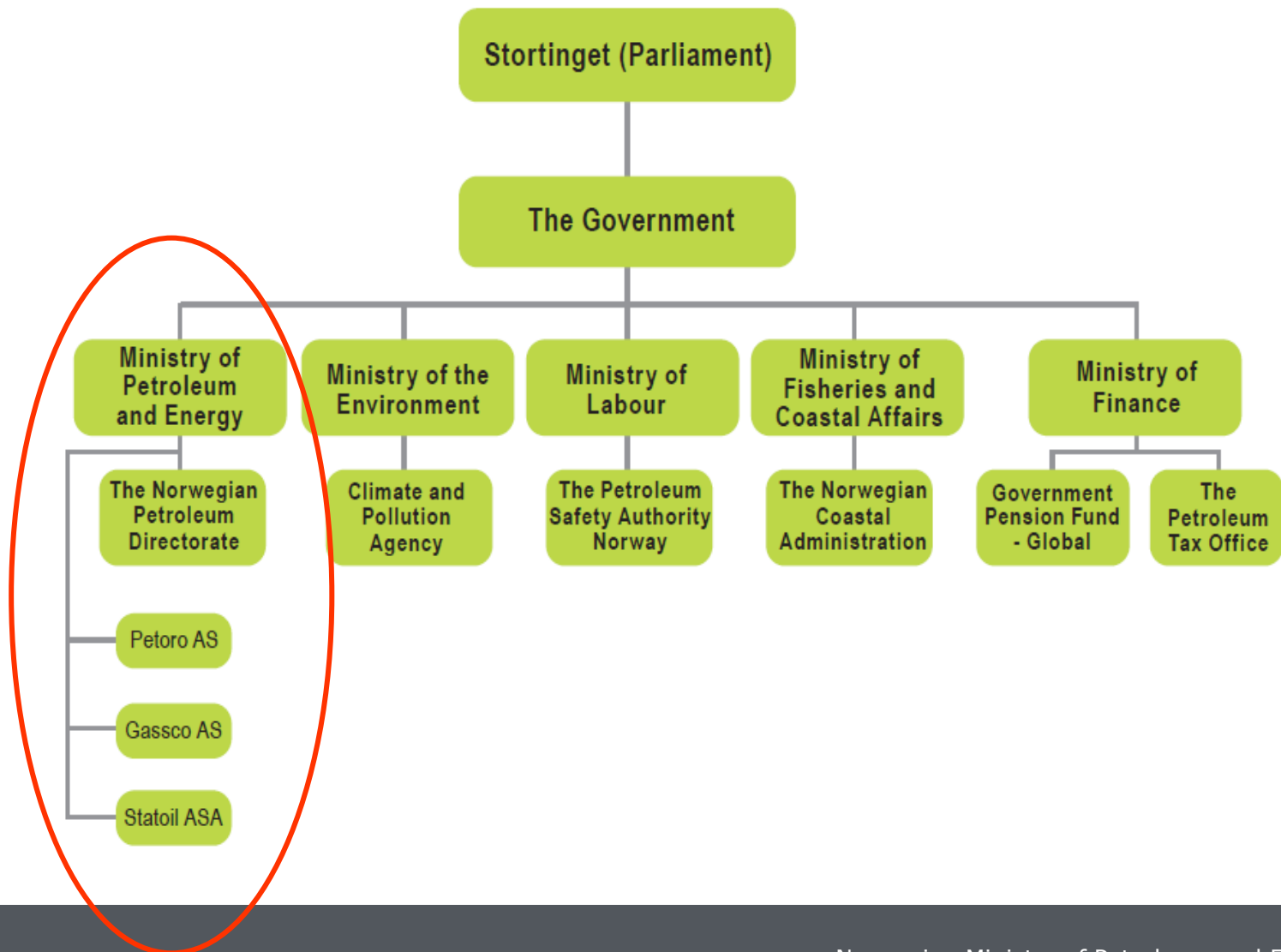
- **Act of 29 November 1996 No. 72 pertaining to petroleum activities (Petroleum Act)**
- **Regulations to the Petroleum Act, laid down by Royal Decree 27 June 1997 (Petroleum Regulations)**
- **Technical regulations**
- **Safety (HSE) regulations**



Petroleum legislation – development

- **Royal Decree 9 April 1965**
- **Royal Decree 8 December 1972**
- **Act of 22 March 1985 pertaining to petroleum activities**
- **Act 29 November 1996 No. 72 pertaining to petroleum activities**
- **27 June 1997: Petroleum Regulations**
- **EU licensing Directive – in effect for Norway from 1 September 1995**
- **1999: Directive 97/11 and 2001/42/EC on impact assessments**
- **2001: New Chapter 11 regarding Petoro**
- **2003: New Chapter 9 in the Petroleum Regulations – EU gas market directive**
- **2005: New Chapter 2a in the Petroleum Regulations – SEA directive**

State organisation of the Norwegian petroleum sector



The Ministry of Petroleum and Energy: Main responsibilities relating to environmental issues

- Opening of new areas on the Norwegian Continental Shelf for petroleum activities – **strategic impact assessment** (directive 2001/42/EC)
- Licensing: Award of production licences
- Development of oil and gas fields: Approve plans for development and operation – **impact assessments** (directives 85/337 and 97/11/EC)
- Pipelines and other facilities: Approve plans for installation and operation of facilities (pipelines) – **impact assessments**
- Decommissioning of fields and facilities: Approve decommissioning plans – **impact assessments**
- Application of petroleum legislation – objective, transparent, timely and non-discriminatory decisions

Characteristics of the Norwegian licensing system

- **Discretionary system – awards of **production licences** in dedicated licensing rounds**
- **Individual applications or group applications**
- **Ministry of Petroleum and Energy announces licensing rounds, considers applications, negotiates with applicants, proposes final award to Government, prepares licensing documents**
- **Production licences normally awarded to groups of companies – ensures plurality of geological and technical ideas, checks and balances**
- **Production licence: Exclusive right to explore for and produce oil and gas. Licensee becomes owner of petroleum produced**
- **Ministry decides composition of licence group, operator, work obligation**
- **Formal award by Government (King in Council) – production licence signed by Minister of Petroleum and Energy**
- **Condition for award: Companies to form a joint venture and enter into model agreement with Annexes A and B**



- **Statoil was established as a 100 % State owned oil company in 1972**
- **Privatised and listed June 18, 2001 in Oslo and New York**
- **Second offering July 2004**
- **Merged with oil and gas part of Norsk Hydro on 1 October 2007**
- **The Government holds a 67 % stake in Statoil**
- **Responsible for marketing and sale of SDFI petroleum in accordance with instructions laid down by the General Meeting. All revenues from the sale go directly from Statoil to the coffers of the Government**
- **Statoil operates on the same terms and conditions as other commercial players on the NCS**

Refineries

- **Norway has two refineries – none of them are carbon neutral**
- **In relation to one of them (Mongstad) the plan is to establish a gas-fired power plant with full scale carbon capture and storage**
- **Investment decision to be taken in 2016**

Public consultations in relation to petroleum activities

- **Before opening of new areas on the Continental Shelf for petroleum activities – impact assessment carried out by the Ministry of Petroleum and Energy – 3 months public consultation**
- **Before announcement of areas for award of new production licences – 6 weeks public consultation**
- **Before approval of plan for development – impact assessment – 3 months public consultation**
- **Before approval of plan for installation and operation of facilities (ex: pipelines) – impact assessment – 3 months public consultation**
- **Before disposal – impact assessment – 6 weeks public consultation**

Other pieces of good advise: Unitisation

- A field extending across the border of two production licences – different licensees/another State
- Agreement to exploit the petroleum deposit as one unit – *unitisation*
- **Purpose: Resource management**
- The deposit to be divided between the relevant licences – geology decides
- Unisation agreement – subject to MPE approval
- No agreement on unitisation – MPE stipulates conditions – including apportionment of the deposit
- No approval of PDO/PIO until a unitisation agreement is signed

Resource management: Tools

Petroleum Act requires:

- **Copies of all data and materials to be submitted to the Government – ensures the State an overall knowledge of its own geology – upper hand in negotiations with industry**
- **Prohibition of flaring of gas**
- **Production of oil – subject to permit from the Ministry – duration normally 6 months/1 year – ensures Government control with production pace**
- **Production of natural gas – subject to permit from the Ministry – longer duration – ensures Government control with pace of production**
- **Assignments - subject to consent by the Ministry – ensure Government control with licensees at all times**

General

- **The petroleum legislation: Implementation of petroleum policy**
 - **Predictable**
 - **Transparent**
 - **No hidden costs or sign-on bonuses**
- **State/companies: Different roles - a common goal: Maximise values of the petroleum resources on the Norwegian Continental Shelf**
- **Close dialogue between the authorities and the industry**
- **Skilled workforce and world class supply industry**
- **Highly competent and approachable public administration**



Thank you for your attention!

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