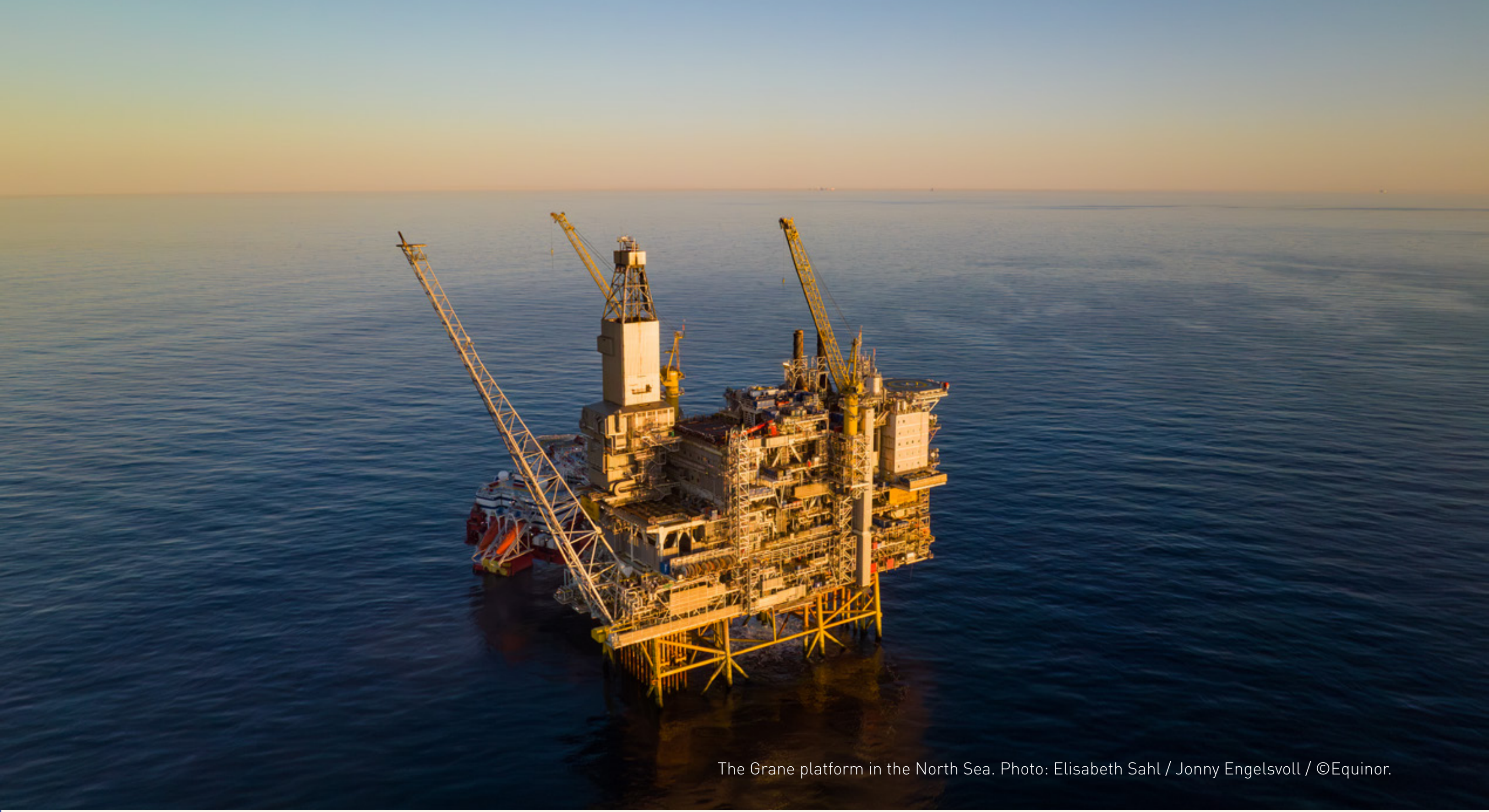
SDFI third quarter of 2023:

petoro

Cash flow of NOK 219 billion from SDFI as of the 3rd quarter

So far this year, the net cash flow from the State's Direct Financial Interest (SDFI) totals NOK 219 billion, about 50 per cent lower than the corresponding period last year. The lower cash flow was primarily caused by reduced gas prices from extraordinarily high levels last year and reduced gas production due to maintenance and temporary shutdowns. Nevertheless, 2023 is set to be the second best year in SDFI's history.

	As of 3rd quarter		Full year
(NOK million)	2023	2022	2022
Cash flow	**219,483**	**401,782**	**528,171**
Operating revenue	**258,860**	484,005	640,426
Operating expenses	**60,545**	74,634	102,823
Operating profit	**198,314**	409,371	537,603
Financial items	**1,635**	1,906	1,605
Net income	**199,949**	**411,277**	**539,208**
Investments	**22,020**	**20,326**	**28,773**
Average oil price (USD/bbl)	**83**	109	104
NOK/USD exchange rate	**10.45**	9.30	9.53
Average oil price (NOK/bbl)	**864**	1,016	988
Average gas price (NOK/scm)	**5.75**	12.08	11.95
Production (thousand boe per day)	**955**	**1,031**	**1,044**
Oil, condensate and NGL (thousand boe per day)	349	358	359
Gas (million scm per day)	96	107	109
Sales (thousand boe per day)	**1,002**	**1,080**	**1,093**



The Grane platform in the North Sea. Photo: Elisabeth Sahl / Jonny Engelsvoll / ©Equinor.

Financial results as of the 3rd quarter of 2023

Net income after financial items as of the 3rd quarter amounted to NOK 200 billion, 211 billion lower than the same period last year. This reduction was mainly caused by lower revenues as a result of substantially lower prices, particularly for gas, as well as lower gas sales. The decline was partly offset by increased production from Johan Sverdrup, as well as reversal of unrealised losses on derivatives from 2022 in the 1st quarter. Lower third-party gas purchases also provided a positive contribution.

Total production amounted to 955 thousand barrels of oil equivalent per day (kboed), a decline of 77 kboed compared with the same period last year.

Gas production amounted to 96 million standard cubic metres (mill. scm) per day, a reduction of ten per cent compared with the same period last year. The decline was mainly caused by maintenance on Troll and Oseberg, 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 last year, as well as the Dvalin field, which recently came on stream. The average realised gas price was NOK 5.75 per scm, compared with NOK 12.08 in the same period last year. The reason for the lower gas prices is complex, but this was mainly caused by historically high LNG imports and filling up inventories in Europe, combined with lower demand.

Liquids production totalled 349 kboed, a reduction of 9 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 increased production from Johan Sverdrup phase 2. The average realised oil price was USD 83, compared with USD 109 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 864, compared with NOK 1016 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. Prices have started to rise again in the third quarter due to increased demand and geopolitical unrest.

Total operating expenses amounted to NOK 61 billion, NOK 14 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 costs.

Costs for purchasing third-party gas came to NOK 12 billion, NOK 14 billion lower than the same period last year. This decline was caused by significantly lower gas prices in combination with lower volumes. Production costs totalled NOK 17 billion, NOK 1 billion higher than the corresponding period last year. The increase was mainly caused by increased maintenance activity on several fields and installations, as well as increased CO_2 costs. Transport costs came to NOK 9 billion, which is on par with the same period last year.

Investments totalled NOK 22 billion, NOK 1.7 billion higher than the same period last year. The increase in investments was caused by high activity on several fields with projects in the implementation phase, partly offset by lower production drilling on Troll.

Observations and incidents in the 3rd quarter

- Twelve serious incidents have been registered so far this year, compared with 11 during the same period last year. This yields a serious incident frequency of 0.55 for the last 12 months, which is a reduction from 0.6 in the 3rd quarter of 2022. The personal injury frequency was 4.1 as of the 3rd quarter, which is on par with the same period last year.

- On 8 August, the Ministry of Petroleum and Energy approved an amended plan for development and operation (PDO) and amended plan for installation and operation (PIO) for the Snøhvit field and Hammerfest LNG (the Snøhvit Future project). This approval will entail onshore compression starting in 2028 and electrification of the facility starting in 2030. Electrification of Hammerfest LNG will replace the current gas turbines with electricity from the power grid, and will reduce CO_2 emissions from the facility by around 850,000 tonnes annually. This is the largest single emission-reducing measure for the decarbonisation of oil and gas production in Norway, and the project is an important contribution toward the energy transition. Overall, the Snøhvit partners are expected to invest NOK 13.2 billion in the Snøhvit Future project. Petoro is a licensee with 30 per cent ownership.

- On 23 August, production started up from the Dvalin field in the Norwegian Sea. This field has been shut down since the end of 2020, following the measurement of high levels of mercury in the wellstream. Since then, technical solutions have been installed to remove mercury in the onshore process plants at Nyhamna and Tjeldbergodden in Central Norway. The recoverable reserves are estimated at 113 million barrels of oil equivalent, most of which will be gas. The Dvalin field, including Dvalin North, which is under development, has an estimated lifetime extending to 2038. Petoro is a licensee with 35 per cent ownership.

- 25 August marked the start of production for the Statfjord Øst project, which is expected to extend the lifetime of Statfjord C to 2040. The project has been carried out with good safety results and is expected to be delivered within the cost estimate, despite increased inflation and a weaker NOK. Production started six months ahead of schedule and the recovery rate for oil from the field is expected to increase from 58 to 63 per cent. Petoro is a licensee with 30 per cent ownership.

- Production from the Breidablikk field in the North Sea started up on 20 October, four months before the originally scheduled start-up, and on budget. This subsea field is tied back to the Grane platform and is expected to produce up to 200 million barrels of oil. Petoro is a licensee with 22.2 per cent ownership.

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