SDFI second quarter of 2024:

petoro

Cash flow of 114 billion from SDFI in the 1st half of 2024

The State's Direct Financial Interest (SDFI) continues to deliver high production and solid operations through the second quarter. Gas production increased by more than ten per cent, and net cash flow from oil and gas activities in the 1st half of 2024 ended at NOK 114 billion. Nevertheless, cash flow is substantially lower than at the same time last year as a result of lower gas prices.

	As of 2nd quarter		Full year
(NOK million)	2024	2023	2023
Cash flow	**113,608**	**180,079**	**276,905**
Operating revenue	**139,330**	194,213	352,690
Operating expenses	**36,698**	43,309	86,109
Operating profit	**102,632**	150,905	266,581
Financial items	**(680)**	2,532	(409)
Net income	**101,952**	**153,436**	**266,172**
Investments	**14,460**	**14,953**	**30,358**
Average oil price (USD/bbl)	**85**	80	83
NOK/USD exchange rate	**10.60**	10.42	10.55
Average oil price (NOK/bbl)	**904**	833	876
Average gas price (NOK/scm)	**3.84**	6.34	5.76
Production (thousand boe per day)	**1,082**	**1,004**	**994**
Oil, condensate and NGL (thousand boe per day)	352	358	354
Gas (million scm per day)	116	103	102
Sales (thousand boe per day)	**1,086**	**1,060**	**1,030**


Johan Sverdrup. Photo: Arne Reidar Mortensen / ©Equinor

Financial results as of the 2nd quarter of 2024

Net income after financial items as of the 2nd quarter amounted to NOK 102.0 billion, 51.5 billion lower than the same period last year. This reduction was mainly caused by lower income as a result of substantially lower gas prices, as well as lower oil sales. The decline was partly offset by increased gas sales, higher oil prices and reduced costs for purchasing third-party gas.

Total production amounted to 1,082 thousand barrels of oil equivalent per day (kboed), an increase of 78 kboed compared with the same period last year.

Gas production amounted to 116 million standard cubic metres (mill. scm) per day, up 13 per cent compared with the same period last year. This increase was primarily caused by higher gas production from Troll following a capacity increase at Kollsnes, and Dvalin, which restarted production in the second half of 2023. The average realised gas price was NOK 3.84 per scm, compared with NOK 6.34 in the same period last year. The reason for the lower gas prices is complex, but the primary cause was mainly lower demand, combined with high LNG imports and high storage levels in Europe.

Liquids production totalled 352 kboed, a reduction of 6 kboed compared with the same period last year. The decline in liquids production was primarily caused by natural production decline and turnarounds on several mature fields, partly offset by high production from Johan Sverdrup and Breidablikk coming on stream in 2023. The average realised oil price was USD 85, compared with USD 80 per barrel in the same period last year. However, the increase measured in Norwegian kroner was somewhat bolstered by a weakened NOK exchange rate, leading to an achieved oil price of NOK 904, compared with NOK 833 per barrel in the same period last year. The increase in the oil price year-on-year was caused by growth in demand, but the effect was offset by an increase in supply from countries outside OPEC+.

Total operating expenses amounted to NOK 36.7 billion, just under NOK 6.6 billion lower than the same period last year. The reduction was caused by lower transport costs, as well as lower costs related to purchasing third-party gas. The decline was partly offset by increased production expenses.

Transport costs totalled NOK 5.4 billion, NOK 0.8 billion lower than the same period last year. This reduction was caused by lower tariffs. Costs for purchasing third-party gas came to NOK 1.8 billion, NOK 8.0 billion lower than the same period last year. This decline was mainly caused by lower gas prices in combination with reduced volumes. Production expenses totalled NOK 12.3 billion, NOK 0.3 billion higher than the corresponding period last year. The increase was caused by general growth in operating and maintenance expenses on multiple fields, partly offset by reduced costs for electricity and environmental taxes.

Investments totalled about NOK 14.5 billion, NOK 0.5 billion lower than in the same period last year. This reduction was caused by lower production drilling on Troll and lower investment levels on Breidablikk and Dvalin after these fields came on stream. The decline was partly offset by high activity on several projects in the implementation phase, such as Irpa, Johan Castberg, Snøhvit and Tyrving. More production drilling is also under way on fields such as Tyrving, Haltenbanken Vest and Gullfaks.

Observations and incidents in the 2nd quarter

- Five serious incidents have been registered so far this year, compared with eight during the same period last year. This yields a serious incident frequency per million hours worked (SIF) of 0.53 over the last 12 months, which is on par with the same period last year. The frequency of personal injuries per million hours worked (TRIF) was 4.2, compared with 4.0 in the same period last year.

- In May, Petoro and Equinor entered into in an extensive ownership swap agreement on the NCS. This agreement will ensure increased value creation and more effective resource management for the companies' activities on the Halten Bank. Petoro received ownership interests of 22.5 per cent in Tyrihans, 3.7 per cent in Johan Castberg, 9.3 per cent in the Carmen discovery and 10 per cent in the Beta discovery, and simultaneously traded ownership interests of 21.4 per cent in Heidrun and 7.5 per cent in Noatun to Equinor. The agreement is value-neutral, which means that the value of the ownership interests swapped between the companies is considered to balance out. The agreement is subject to authority approvals and is scheduled to enter into force as of 1 January 2025.

- The licensees in the Troll licence have decided to invest just over NOK 12 billion to further develop the gas infrastructure in the Troll Vest Gas Province. This will accelerate production from the reservoir, thus ensuring that current high gas export levels can be maintained leading up to 2030. The Troll Phase 3 stage 2 project includes 8 new wells from two new well templates with subsea controls from existing well templates. A new gas pipeline will be laid as a tie-back to the Troll A platform, and this project will also include modification work on Troll A. First oil for the first wells is scheduled for the end of 2026. The new infrastructure will accelerate production from the reservoir equivalent to about 55 billion standard cubic metres of gas. At its peak, the annual contribution from the new development will amount to around 7 billion standard cubic metres of gas.

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