



Kristin Fejerskov Kragseth. Photo: Anne Lise Norheim

# More exploration and drilling needed!

For us in Petoro, 2024 has been a year characterised by significant activity and crucial milestones reached. As CEO, I'm proud to be able to present the highlights from our activities, and share our visions for the future that will ensure that we continue to generate the greatest possible value and highest possible revenue for the broader society from the state's ownership interest on the Norwegian continental shelf (NCS), as well as secure energy deliveries to Europe.

Last year, we delivered a net cash flow of NOK 220 billion from the State's Direct Financial Interest (SDFI), about

30 per cent of the state's total annual revenue from petroleum activities. The overall profit from Petoro's stewardship in the last three years has been more than NOK 1000 billion.

## Sound operations and high production

Lower gas prices and higher investments reduced the total cash flow by NOK 57 billion compared with the previous year. The reason for the lower gas prices is complex, but the primary cause was lower demand, increasingly high LNG imports and high storage levels in Europe. In spite of the

significant reduction compared with 2023, the cash flow is still the third-highest in Petoro's history.

In other news, I'm pleased to report that we're closing the books on a year of sound operations and high production on the fields where we have ownership interests.

Nevertheless, high cash flow is not something we can ever take for granted. Behind all the numbers and robust value creation, we find a bedrock of hard and systematic work on the part of operators, suppliers, authorities and, not least, the thousands of people who

make a difference every single day, both onshore and offshore. Safe and secure operations are fundamental to our existence, and this premise must never change.

## Need for industrial improvement

The positive results from operations in 2024 stand in contrast to increasing cost challenges and lack of industrial improvement in a few of our core processes, such as the drilling area. Multiple factors indicate that, once again, we are heading into a period where stronger measures will be necessary, as continuous improvement alone will not be sufficient. As opposed to the situation in 2014 with low product prices, we now need to create a recognition of the need for change.

One important factor is acknowledging the weak reserve replacement rate we've been struggling with on the NCS for many years. Of course we're hoping for new, major discoveries, but until then, we need to make sure that we're doing everything we can with the resources we have. Along with operators and our other partners, Petoro will be a constructive partner in creating industrial improvements.

## A driving force on the NCS

Petoro is a driving force on the NCS and prioritises its efforts toward selected areas where the company sees a potential for both increasing and securing the value of the portfolio. As regards mature fields, the goal is to create more investment opportunities by mapping and developing new resources, drilling new wells and optimising recovery. Within area development, we're looking for solutions that yield greater value across the portfolio, where the Troll area, the Halten Bank and the Barents Sea are the core areas. We're also concerned with minimising the negative consequences of our activities.

In 2024, Petoro and Equinor entered into an agreement for extensive ownership swaps on the NCS. This agreement facilitates increased value creation and allows both companies to more effectively exercise their ownership in the Heidrun and Kristin/Tyrihans areas on the Halten Bank.

## We need to explore more

Europe needs our secure and stable gas deliveries. We take this responsibility very seriously. Following the suspension of large parts of Russian gas supplies to Europe, Norwegian gas has accounted for about 30 per cent of Europe's gas consumption over the last three years, which is the equivalent of about 10 per cent of all energy consumed in mainland Europe.

We need to explore for and find more gas in order to ensure stable and reliable deliveries to Europe over the long term. This will require access to acreage and predictable framework conditions, which have historically been hallmarks of Norwegian petroleum policy - and this must continue.

In its most recent study, the Norwegian Offshore Directorate showed that the undiscovered resources on the NCS make up about one-half of the overall remaining resources. About 60 per cent of these resources are in opened areas. All of this means that we'll need a substantial focus on exploration activity in order to maintain the production level and meet future demand.

## Electrification is the most important measure

When we sanction new projects, we want them to be robust in the face of low product prices, and to result in minimal emissions. New projects do not contribute to reduction, but our job is to limit the increase. We're exploring electrification options for the fields with

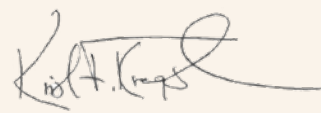
an operational perspective beyond 2040 and considerable CO<sub>2</sub> emissions.

Petoro has set an ambitious climate target to reduce emissions from the SDFI portfolio by 55 per cent by 2030, measured against the 2005 level. We also have a goal of reaching near-zero emissions by 2050 in order to ensure that Norway remains competitive. Electrification with power from shore is the most important measure to achieve this target.

In 2024, the state purchased ownership interests in key gas infrastructure on the NCS, which entails full state ownership in Gassled, and substantial state ownership in Nyhamna and Polarled. Just before Christmas, Petoro was given a separate mandate to manage the ownership in the key gas infrastructure as part of the SDFI. This also involved establishing a new business unit in the company before the end of the year.

Finally, I'd like to thank all my colleagues for their top-notch efforts and considerable engagement. Their dedication and high levels of competence are crucial for our success. We will continue creating more value from the NCS along with our partners. The global outlook is challenging right now, but we need to believe that what we set out to accomplish every day when we go to work is the right thing to do, and that it makes a difference. Petoro will do its part through cooperation, perseverance and trust.

Best regards,



Kristin Fejerskov Kragseth  
President and CEO, Petoro AS