



Norwegian Ministry  
of Finance

# The Norwegian Government Pension Fund Global

Siv Jensen, Minister of Finance

OECD, Paris 10 June 2016



# Discovery of oil in 1969 – the Ekofisk oil field

- High government take
- Petroleum important for the economy



Photo: Kjetil Alsvik/Conoco Phillips

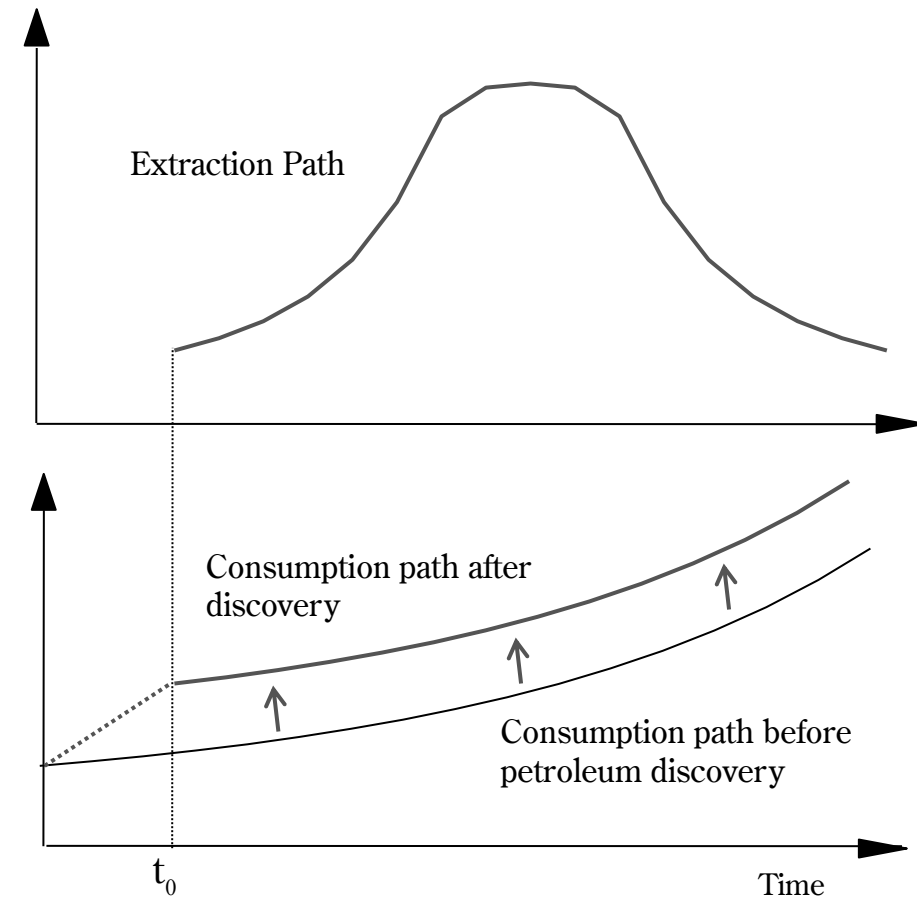
# Petroleum revenues are temporary and volatile

## Petroleum revenues not income in traditional sense

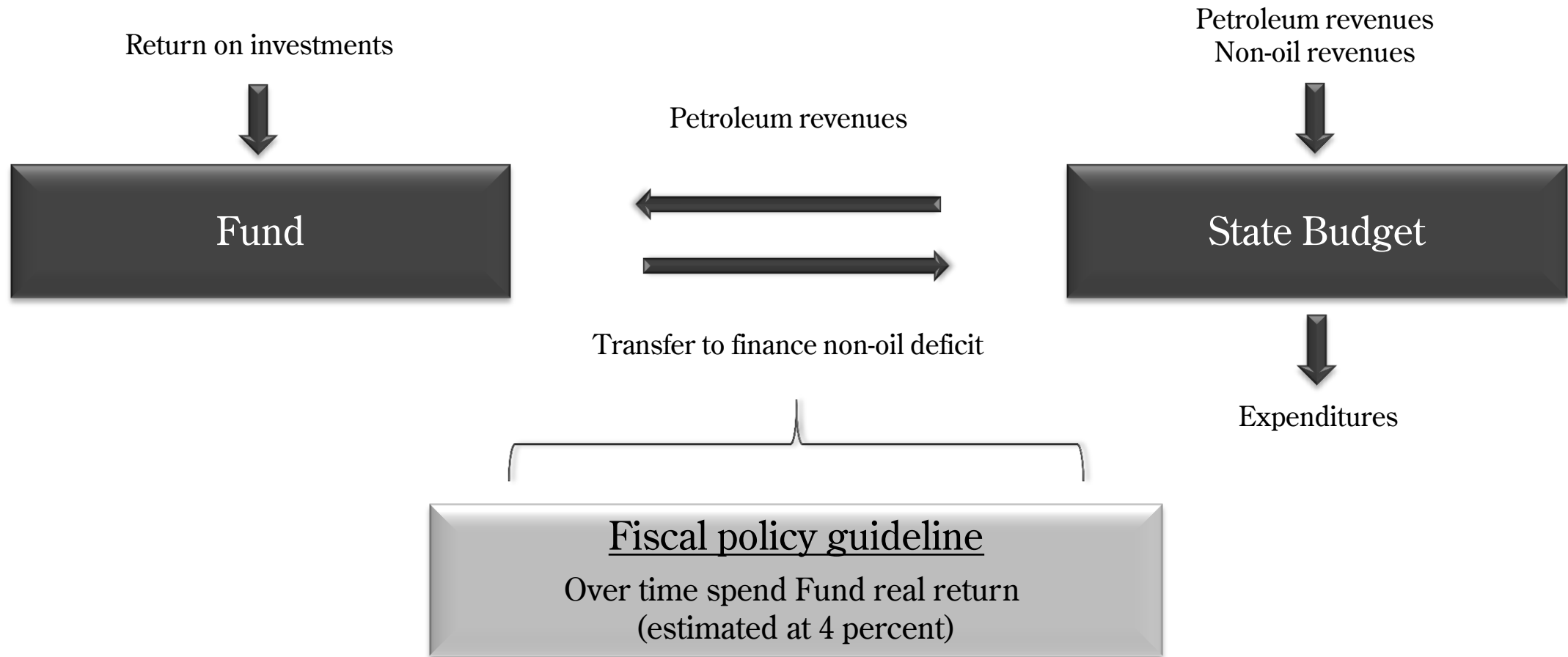
- Income stemming from depletion of non-renewable natural resources
- Transform windfall gain to permanent increase in consumption
- Need for separating current accrual from spending



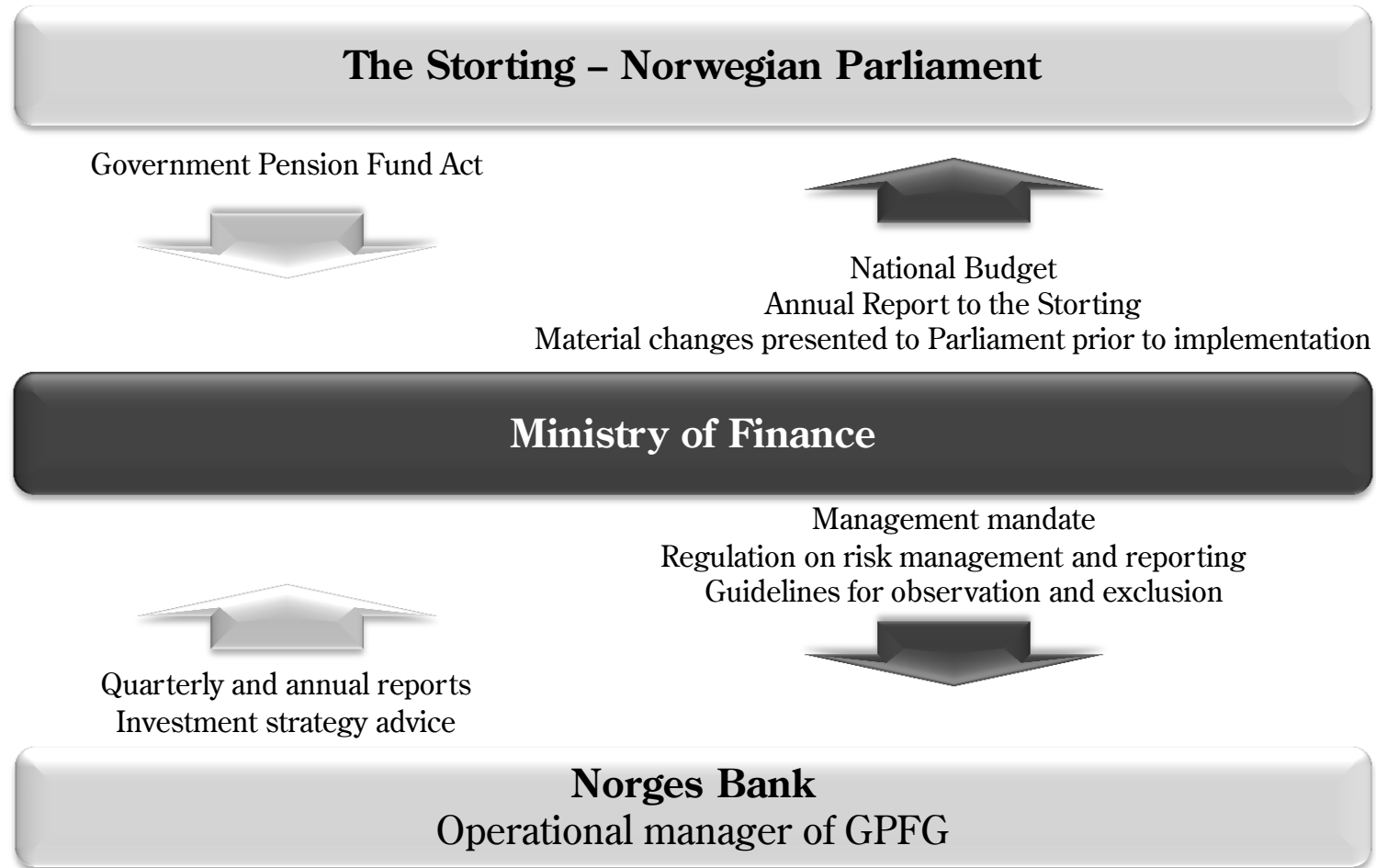
Necessitates saving a large part of petroleum revenues



# GPFG is fully integrated with fiscal policy



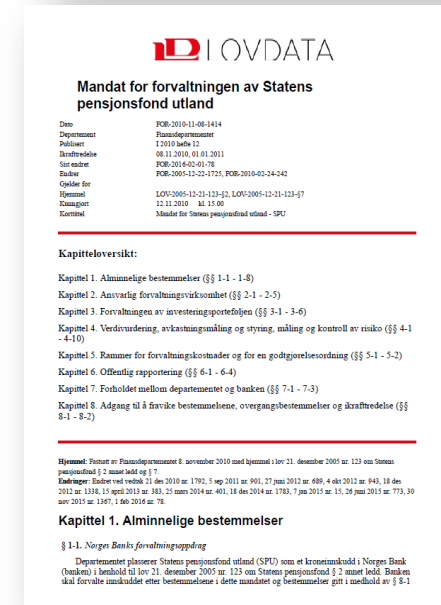
# Governance structure marked by clear lines of responsibilities





# High degree of transparency in Fund management

- Prerequisite to ensure broad support for and confidence in the management of Fund
- Management mandate states; ...*greatest possible degree of transparency within the limits defined by a sound execution of the management assignment*
  - Reporting
  - Holding lists
  - Voting records
- Contributes to a robust investment strategy
  - Anchoring of risk profile with stakeholders



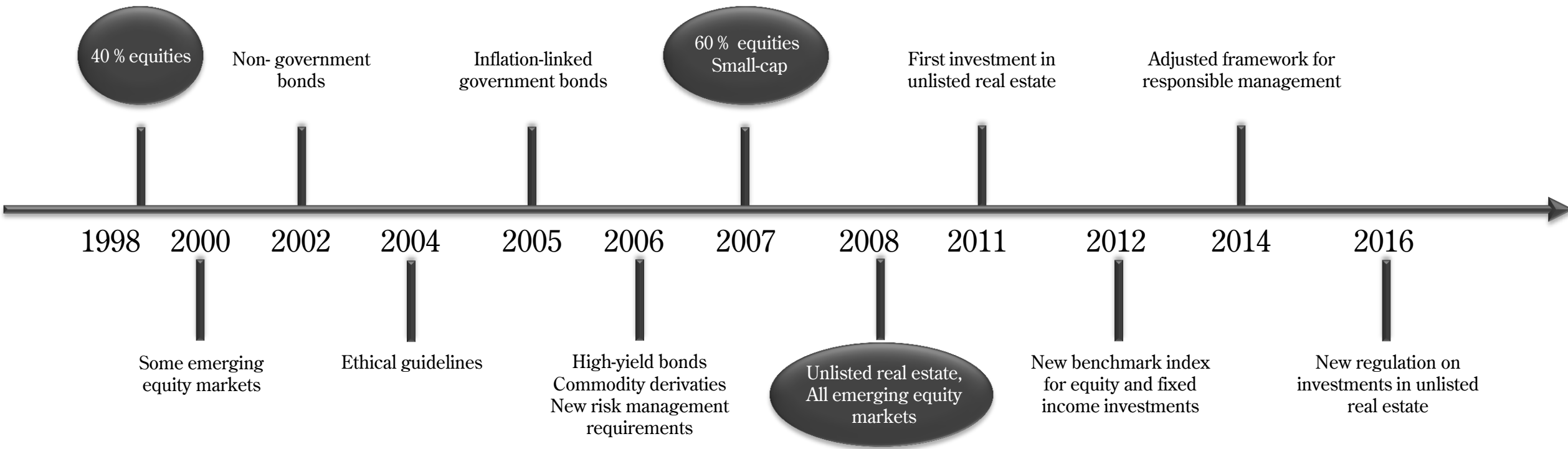
# Investment strategy premised on Fund objective, investment beliefs and Fund characteristics

**Highest possible long-term financial return within a moderate level of risk**

The investment strategy is in particular characterized by:

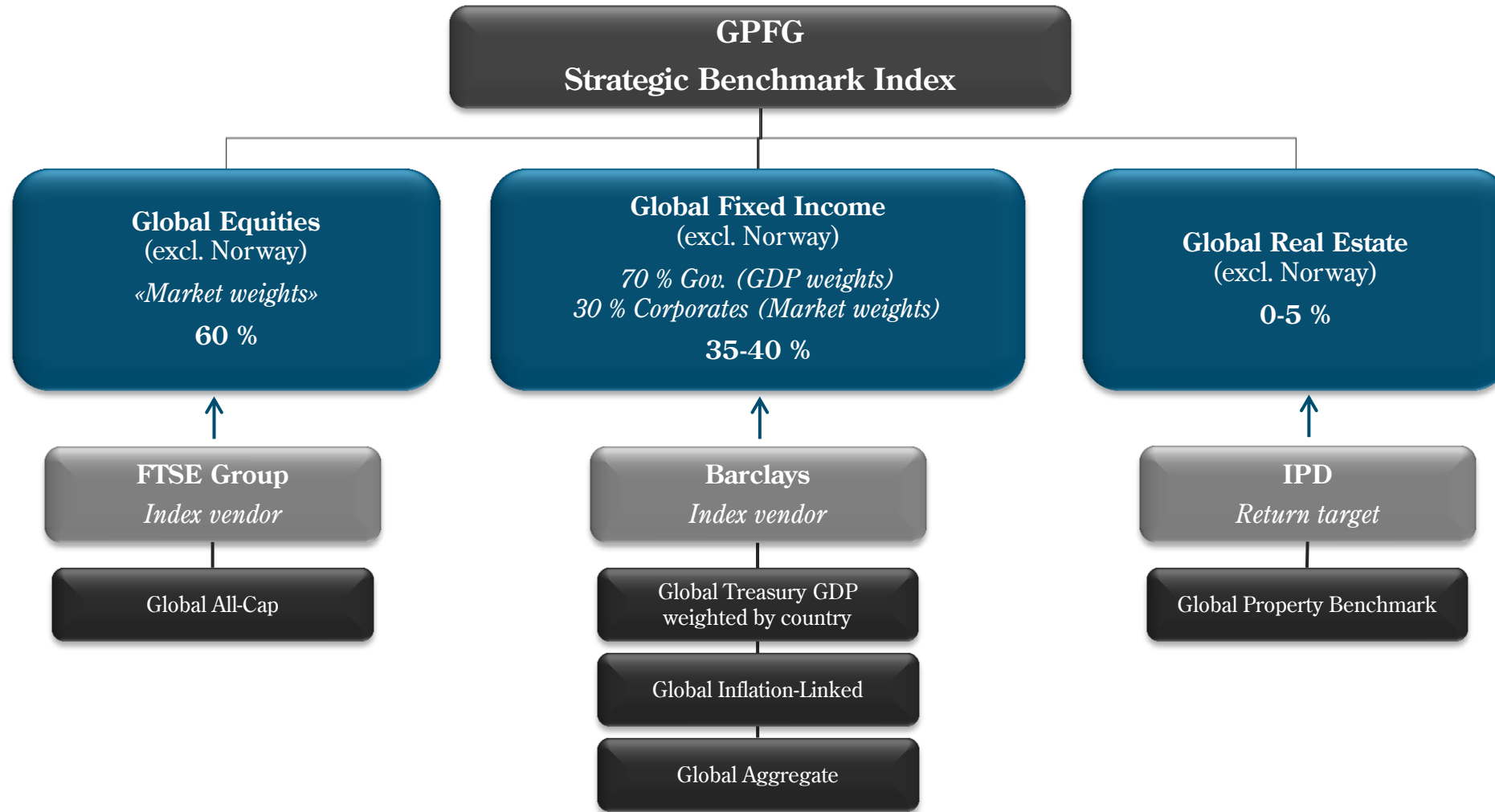
- Broad diversification
- Harvesting of risk premia
- A moderate degree of active management
- Responsible management
- Cost efficiency
- A clear governance structure

# The investment strategy of the Fund has evolved over time. Important decisions are anchored in Parliament

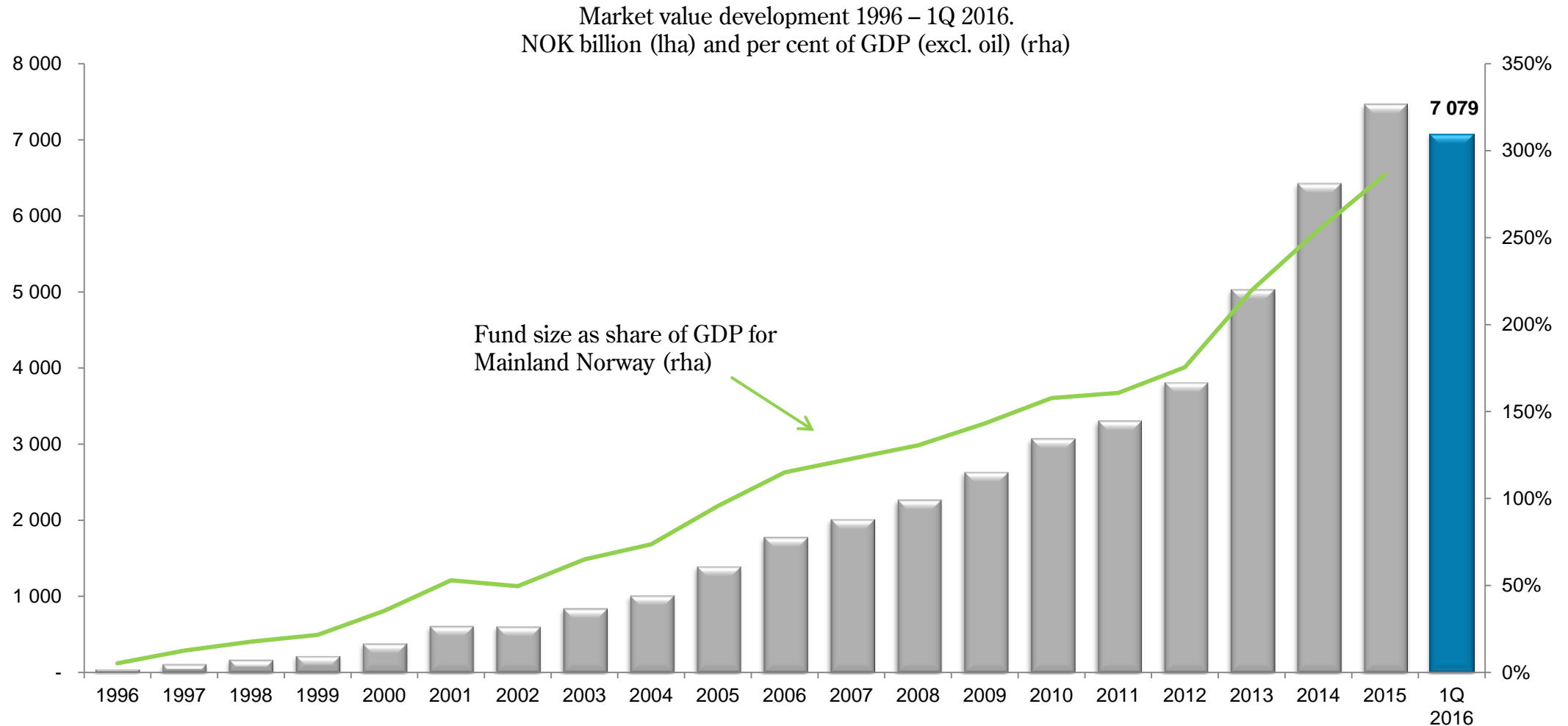




# The investment strategy



# GPFG is among the largest funds in the world

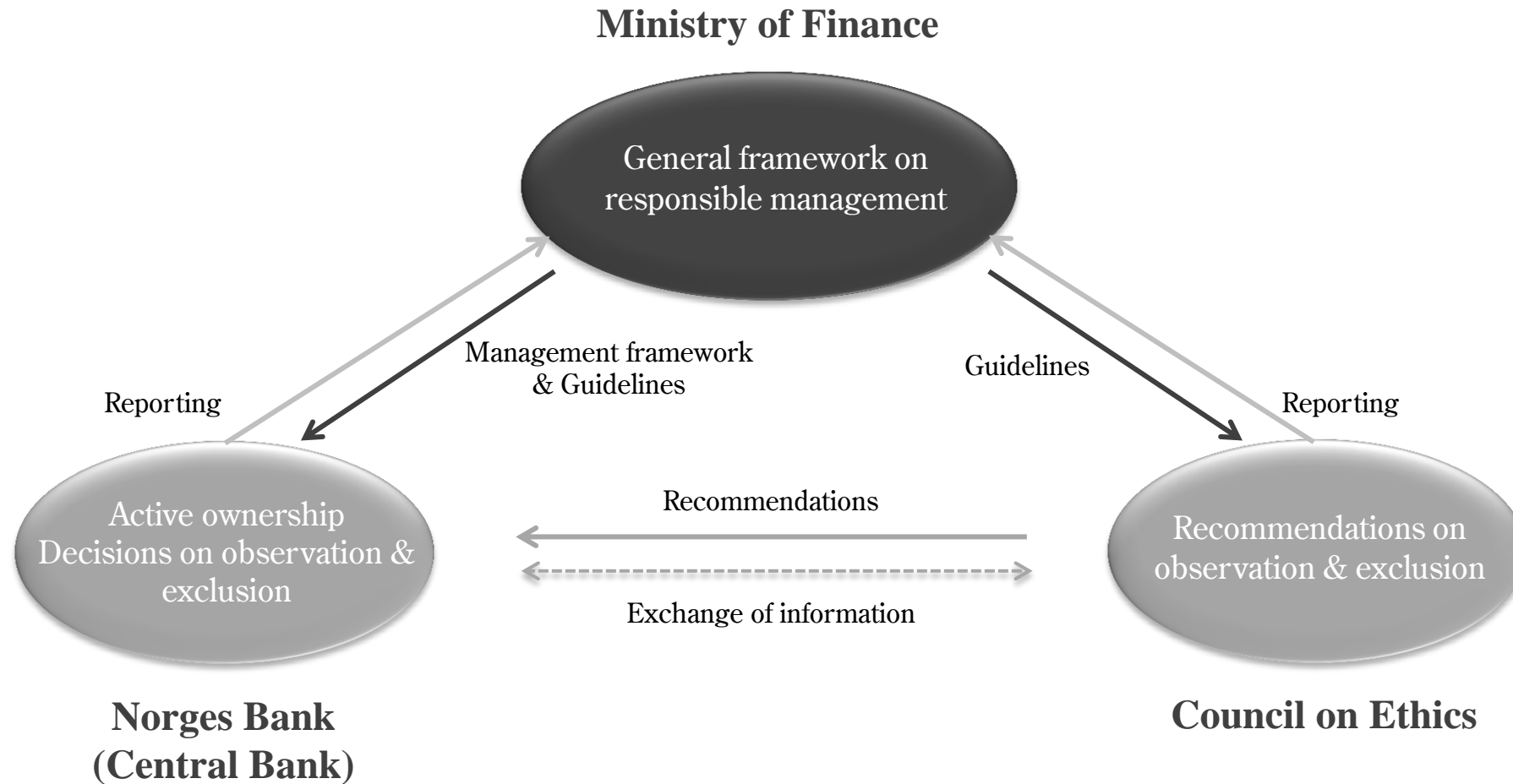


Sources: Norges Bank and Ministry of Finance



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# Framework for responsible management



# Tools employed in responsible management of the GPFG

- **Measures in day-to-day business:**
  - Active ownership
  - Environment-related investments
  - International collaboration and contribution to the development of best practice
  - Research and investigation
  
- **Measures of last resort:**
  - Observation
  - Exclusion of companies



# Summary

- Norway has established a robust and long-term fiscal framework
  - Separate income and spending of oil revenues
  - A well-designed fund mechanism serves as a tool to support wise and long-term budget decisions
- Sound principles for long run investing
  - a sound governance framework
  - a strategy developed “step by step” based on comprehensive professional assessments
  - a clear objective
  - an investment strategy with widespread support
  - high degree of transparency



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