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Summary
The petroleum sector has been highly significant for the Norwegian economy in recent years. Figure 1.1 presents various indicators from the national accounts for this sector as a percentage of the total national economy. Its share of gross domestic product, exports and total government revenues has been substantial over the past decade, peaking in 2000. The principal reason why revenues were so high in 2000 is the combination of high oil prices, a strong USD against the NOK and historically high petroleum production.

Investment in the petroleum sector, on the other hand, is declining in relation to total capital spending in the Norwegian economy. This reflects a fall in petroleum investment since 1998 and an increase in capital spending for the rest of the economy.

Total investment in the petroleum sector has been above NOK 40 bn every year since 1991, and peaked in 1998 at roughly NOK 80 bn. Partly because oil prices were low in 1998 and part of 1999, capital spending declined to just over NOK 50 billion in 2000. Figure 1.2 shows investment in the petroleum sector by exploration, land-based petroleum operations, pipelines and fields.
Figure 1.3 breaks down the government's net cash flow from petroleum operations into its components. This clearly shows that the largest revenue sources in recent years have been cash flow from the state's direct financial interest (SDFI) and from taxes. These two components accounted for more than 90 per cent of total government cash flow from the petroleum sector in 2000.

Production of crude oil has averaged around three million barrels per day since 1996, with a peak in 2000 of 3.1 million barrels. Including NGL and condensate raises the 2000 average to 3.3 million barrels per day. Gas production also set a record in 2000, at 49.9 million scm. Total petroleum output in million scm is shown in Figure 1.4.

Oil production is expected to remain more or less unchanged until 2004, and then to go into a gradual decline. Gas production, on the other hand, should expand substantially to about 70 million scm within five years. Total petroleum production is expected to peak at roughly 280 million scm in 2002-2006.

The petroleum sector is also a substantial player internationally. Norway ranks as the world’s sixth largest producer and third largest net exporter of oil. Norwegian gas exports accounted for about two per cent of global consumption in 2000, putting the country among the world’s 10 largest gas exporters. Roughly 10 per cent of west European gas consumption is covered from Norway.
Figure 1.3 Net cash flow to the state from petroleum operations.  
(Source: National accounts and state budget) 
*estimates

Figure 1.4 Total petroleum production.  
(Source: Norwegian Petroleum Directorate) 
*estimates