

# 2 State organisation of petroleum operations

Ministry of Petroleum and Energy

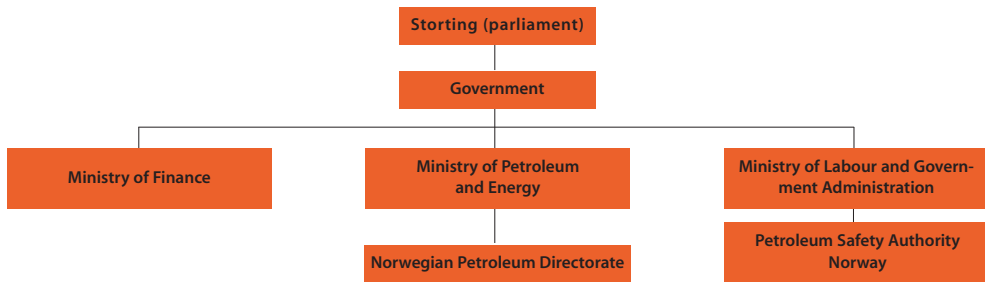
Ministry of Labour and Government Administration

Norwegian Petroleum Directorate

Petroleum Safety Authority Norway

State participation





**Figure 2.1** The state organisation of petroleum operations.

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The Storting (parliament) determines the framework for petroleum operations in Norway. Major development projects or issues of principle must be considered and approved by the Storting. Authority has been delegated to the King in Council to approve development projects with an estimated cost of less than NOK 10 bn.

Overall administrative responsibility for petroleum operations on the NCS rests with the Ministry of Petroleum and Energy (MPE). Its job is to ensure that these operations are pursued in accordance with the guidelines laid down by the Storting.

## Ministry of Petroleum and Energy

The MPE is organised in four departments, covering E&P and market, petroleum, energy and water resources, and administration, budgets and accounting respectively.

Responsibility for petroleum operations rests with the E&P and market and petroleum departments.

### The E&P and market department is organised as follows:

#### Oil section

Covers issues relating to development, operation, production cessation and transport for oil fields as well as marketing of oil and NGL. Responsible for emergency response planning in the petroleum sector, including the stockpiling of oil products for use in crises. Provides the secretariat for the Petroleum Price Board, which deals with tax settlement prices.

#### Gas section

Responsible for issues relating to development and operation of gas fields and gas transport, including exercising the owner's role in relation to Gassco AS, as well as issues relating to the marketing of natural gas. Also responsible for coordinating disposal issues.

#### Exploration section

Coordinates the preparation and implementation of exploration policies, such as the opening of new offshore areas and licence awards, and supervises exploration operations.

### The petroleum department is organised as follows:

#### Environmental affairs section

Responsible for coordinating the department's work on environmental issues, including climate questions. Also in charge of the MPE's work with international agreements on emissions to the air.

#### Industry section

Deals with issues relating to the petroleum supplies industry. The section also handles the MPE's efforts to extend the internationalisation of Norway's oil and gas sector and questions related to research and development.

#### Section for state participation

Responsible for exercising the owner's role in relation to the State's Direct Financial Interest (SDFI), the Government Petroleum Insurance Fund and government shareholdings in Statoil ASA and Petoro AS.

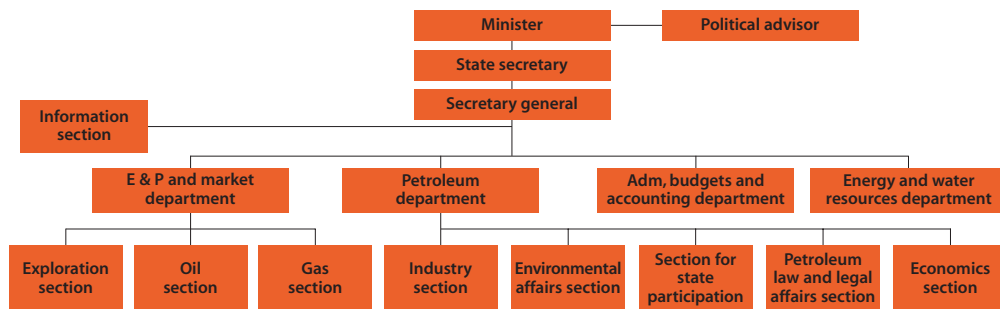


Figure 2.2 The organisation of the MPE.

### Economics section

Carries out economic analyses of the petroleum sector to support the preparation of government policies, including the department's work with the petroleum tax system and the government's total revenues from this sector.

### Petroleum law and legal affairs section

Deals with all legal issues, such as preparing Bills and regulations and other legal frameworks. Also responsible for providing advice in all legal areas relevant to the MPE's work in the petroleum sector.

### Energy and water resources department

This department is responsible for land-based energy generation, administration of watercourses and energy consumption. It covers such matters as legislation governing watercourses, licensing and energy, commercial supervision of Statnett SF, coordination of international energy cooperation, and schemes for enhancing energy saving and efficiency. Issues relating to energy and the environment also come under this department.

### Administration, budgets and accounting department

The MPE's administrative and common functions are handled by this department, including organisation and personnel administration as well as the budget and financial administration of the MPE and its subordinate agencies.

## Ministry of Labour and Government Administration

This ministry has overall responsibility for the working environment in the petroleum sector, as well as for emergency response and safety aspects of the industry.

## Norwegian Petroleum Directorate

The Storting resolved on 2 June 1972 to establish a Norwegian Petroleum Directorate (NPD) in Stavanger. This agency is administratively subordinate to the MPE. On 1 January 2004, the NPD was divided into two independent agencies – the NPD and the Petroleum Safety Authority Norway (PSA). See the section on the PSA below.

Primary functions of the NPD are:

- to exercise administrative and financial control to ensure that exploration for and production of petroleum are carried out in accordance with legislation, regulations, decisions, licensing terms and so forth
- to ensure that exploration for and production of petroleum are pursued at all times in accordance with the guidelines laid down by the MPE
- to advise the MPE on issues relating to exploration for and production of submarine natural resources.

The NPD is headquartered in Stavanger, and has a branch office in the north Norwegian port of Harstad.

## Petroleum Safety Authority Norway

As a consequence of parliamentary consideration of Report no 17 to the Storting (2002-2003) on government regulatory agencies, the PSA was established on 1 January 2004 through a division of the NPD.

It is responsible for safety, emergency response and the working environment in the petroleum sector. It has also taken over responsibility for regulating and supervising land-based facilities relating to the petroleum industry from the Directorate for Civil Protection and Emergency Planning and the Directorate of Labour.

Administratively subordinate to the Ministry of Labour and Government Administration, the PSA shares premises with the NPD in Stavanger.

### State participation

Norway's oil and gas resources belong to the Norwegian community and must be managed for the maximum benefit of present and future generations. An overall objective of government oil and gas policy is accordingly to ensure that the largest possible share of value creation from petroleum operations accrues to the community.

### State's Direct Financial Interest (SDFI)

The SDFI in the petroleum sector was established with effect from 1 January 1985, when most of Statoil's licence interests on the NCS were split into a direct financial component for the government (the SDFI) and a component for the company.

This means that the government, on the same terms as other players on the NCS, pays a share

corresponding to its direct financial interest of all investments and costs in projects. It receives a corresponding share of revenues on the same terms as the other licensees.

This arrangement is a field-specific instrument. SDFI participation reflects the resource potential and anticipated profitability in the respective licensing rounds at the point when the awards were made.

At 1 January 2004, the SDFI held interests in 86 production licences and 13 joint ventures for pipelines and land-based plants.

### Statoil ASA

The Storting resolved to establish a national oil company on 2 June 1972, the date when it also voted to create the NPD. Statoil's objective is, either by itself or through participation in or together with other companies, to carry out exploration, production, transport, refining and marketing of petroleum and petroleum-derived products, as well as other business.

Statoil was partially privatised and listed on the Oslo and New York stock exchanges on 18 June 2001, with 18.2 per cent of the company sold to private shareholders in Norway and abroad. At 1 January 2004, the government owned 81.7 per cent of the company's shares. The Storting has opened for further reductions in the government's shareholding, down to two-thirds of the company's value.

The provisions of Norway's Public Limited Companies Act apply in full to the government's role and decisions as Statoil's majority shareholder, and the special rules governing state-owned limi-

ted companies ceased to apply with Statoil's partial privatisation in 2001. As the majority shareholder, however, the government retains great influence – not least in relation to the company's articles of association and through participation in its general meeting.

The prospectus for Statoil's initial public offering stated that the government had indicated that it – as one of many shareholders – would concentrate on issues relating to the return on capital and dividend, with the emphasis on long-term development of profitable operations and value creation for all the shareholders.

Statoil will continue to be responsible for marketing SDFI petroleum together with its own supplies under a special sales and marketing instruction.

#### **Petoro AS**

Petoro AS manages the SDFI on behalf of the government, which remains the owner of the SDFI portfolio.

The objects of the company, as stated in article 2 of its articles of association, are “on behalf of the state and at the expense and risk of the state, to hold the responsibility for and to attend to the commercial aspects related to the state's direct involvement in petroleum activities on the NCS, and all activities related hereto”.

As the ministry responsible for owner supervision, the MPE has defined three principle duties for Petoro:

1. management of the SDFI assets held by the government in joint ventures at any given time

2. monitoring Statoil's marketing and sale of petroleum produced from the SDFI, in line with the sales and marketing instruction issued to Statoil by the MPE

3. financial management of the SDFI, including the keeping of accounts.

Petoro is financed by appropriations from the government, and receives no revenues of its own from the SDFI's assets. These assets are managed for the government's account. Income and expenditure relating to the SDFI are carried on the central government budget.

#### **Gassco AS**

In connection with the partial privatisation of Statoil, the Storting resolved to create a separate company for transport of natural gas. Gassco AS was established on 14 May 2001.

The government's intention in creating Gassco is that:

- gas transport and treatment facilities will serve all producers and contribute to efficient overall utilisation of resources on the NCS
- the company will act neutrally towards all users of the gas transport systems in operating this infrastructure
- the company will play a key role in further development of the transport systems.

Gassco took over on 1 January 2002 as operator of all the leading pipelines for landing gas and the most important land-based facilities. From 1 January 2003, these pipelines and facilities have been organised as a unified transport system called

Gassled, with Gassco as the operator. Based at Bygnes in Karmøy local authority north of Stavanger, Gassco is wholly state-owned.

More detailed information on the government's involvement in Norwegian petroleum operations can be found on the MPE's web site at <http://www.oed.dep.no/>.