



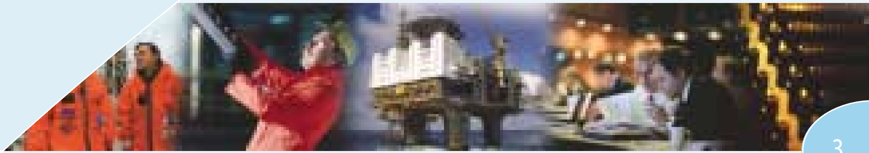


Transparency in the Norwegian Petroleum Sector

EITI

OSLO 2006

Increased transparency in extractive industries



Figures on state revenues from the Norwegian petroleum sector are publicly available. The sector is audited by the Office of the Auditor General of Norway. The Office has an independent status vis-à-vis government administration and reports the results of its auditing and monitoring activities to the Norwegian parliament.

The Norwegian Government is a strong promoter of increased transparency in oil, gas and mining revenues, and has participated in the Extractive Industries Transparency Initiative (EITI) since 2003.

The EITI is an international initiative between states, companies and NGOs to promote transparency in the flow of revenues from companies to host country governments, not least through a set of criteria for transparent reporting on income and other benefits. The purpose of greater transparency is to enable citizens to make informed demands for the fair and sustainable use of income generated through the exploitation of natural resources. Accountable governments and informed populations will contribute to greater political stability, increased energy security and an improved investment climate.

Openness about the tax revenues received from companies operating on the Norwegian continental shelf is a fundamental principle in Norway's management of its petroleum resources and, in accordance with the standards Norway is promoting in the EITI, the Norwegian Government and the petroleum sector are seeking to make this information more accessible.

The member companies of the Norwegian Oil Industry Association (OLF) share the aim of increasing transparency in the extractive industries. The OLF has agreed, on behalf of its member companies, to the publication of an overview of Norway's tax revenues from petroleum companies operating on the Norwegian continental shelf. Other companies have also lent their support to the initiative. This booklet contains an overview of the relevant figures for 2004, which are based on assessed tax liabilities for that year. Corresponding figures for 2005 will be published on the EITI conference website in December 2006.

The EITI criteria recommend reporting not only on direct taxation income, but also on other types of state revenues generated by the extractive industries. In Norway, these include royalties, a CO_2 tax, an area fee from companies operating on the Norwegian continental shelf, dividends from ownership in Statoil and revenues from fields owned partly by the State. This booklet contains figures for these ancillary revenues from the National Accounts for 2004 and 2005.

Hydro and Statoil have both participated in the EITI initiative since 2003. They publish annual information on the payments they make to host country governments in connection with extractive activities (Hydro in its annual report, and Statoil in its annual sustainability report). The 2005 figures have been included in this booklet.

The Ministry of Foreign Affairs would like to thank the Office of the Auditor General for presenting its work.

The information on Norway's resource management and petroleum revenues contained in this booklet has been taken from Facts – The Norwegian Petroleum Sector 2006, which can be downloaded from the Ministry of Petroleum and Energy's webpages at http://www.odin.dep.no/oed/english/bn.html.

The illustrations in this booklet are taken from the Media Gallery of Norsk Hydro ASA at www.hydro.com.

Norwegian resource management

Interest in exploring for oil on the Norwegian continental shelf began in the early 1960s. At that time there were no Norwegian oil companies, and very few Norwegian institutions, official or private, had any knowledge of petroleum-related activities. There was even a question as to whether the Norwegian continental shelf really held significant petroleum resources. From the start, national administration and control over the petroleum activities on the Norwegian continental shelf have been fundamental requirements.
The challenge for Norway in developing its petroleum activities was to establish a system of managing the petroleum resources that maximised the values for the Norwegian people and the Norwegian society.

To begin with, the Norwegian government selected a model in which foreign companies carried out all petroleum activities on the Norwegian continental shelf. Over time, the Norwegian involvement was strengthened by the creation of a wholly owned state oil company, Statoil. Norsk Hydro also took part in the petroleum activities. A private Norwegian company, Saga Petroleum, was also established, but was later acquired by Norsk Hydro. The cooperation and competition between the various companies on the Norwegian continental shelf have been crucial, as they have all possessed different technical, organisational and commercial expertise. This policy has contributed to ensuring that Norway today has its own oil companies and a competitive supplier industry, and that the nation is secured substantial revenues from the sector.

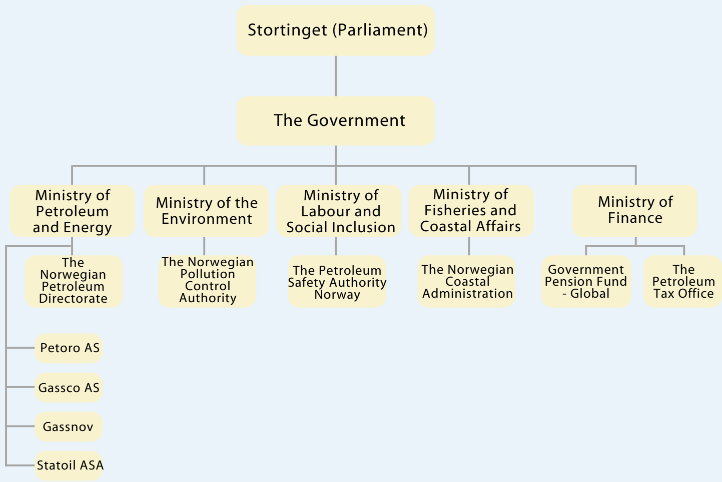


Figure 1. National organisation of the petroleum sector (Source: Ministry of Petroleum and Energy)

The current resource management model

In order for oil companies to make rational investment decisions, the framework conditions must be predictable and transparent. This is the general basis for the incentive system Norway has established on the Norwegian continental shelf. Organisation of the activities and the division of roles and responsibilities shall ensure that important social considerations are safeguarded and that the value created benefits society as a whole. At the same time, consideration for the external environment, health, working environment and safety plays an important role.

Norwegian and international oil companies are responsible for the actual operation of petroleum activities on the Norwegian contintental shelf. Competition between oil companies yields the best result when it comes to maximising the value of the petroleum resources. At the same time, it is important that the authorities can understand and evaluate the decisions made by the companies. Therefore, Norway has established a system where oil companies create ideas and carry out the technical work required to recover the resources, but their activities also require approval by the authorities. The approval of the authorities is required in all stages of the petroleum activity, in connection with exploration drilling, plans for development and decommissioning plans for fields. In this system, the oil companies create the solutions necessary to recover the resources, while the Norwegian authorities ensure that these solutions concur with the goal of maximising the values for the Norwegian society as a whole.

For the oil companies to function as agents for the Norwegian society in maximising the values on the Norwegian continental shelf, a framework must be in place which provides the petroleum industry with incentives to fulfil the state's objectives while also meeting their own goals, which is to maximise their profit. Through the petroleum taxation system and the State's Direct Financial Interest (SDFI), the state receives a substantial portion of the revenues from the petroleum activities. At the same time, however, tax deductions are granted for the costs associated with petroleum activities. In such a tax system, the Norwegian State functions as a passive owner in a production licence on the Norwegian continental shelf. This system implies that, if the oil companies do not make money, the Norwegian State will not collect revenues. In this manner, all players in the Norwegian petroleum sector have a common interest in ensuring that production of the Norwegian petroleum resources creates the greatest possible values.

Cooperation and competition

While competition is desirable, cooperation between the players in the petroleum industry is also beneficial. Therefore, the authorities award production licences to a group of companies instead of to just one company. Production licences are normally awarded on the basis of applications from oil companies in connection with licensing rounds. The most important criteria for award include understanding the geology, technical expertise, financial strength and the experience of the oil company. Based on the applications, the Ministry of Petroleum and Energy establishes a licensee group. In this group, the oil companies exchange ideas and experiences, and share the costs and revenues associated with the production licence. The companies compete, but must also cooperate

to maximise the value in the production licence they have been awarded. In this system, expertise and experience from around the world are gathered together in nearly all of the production licences on the Norwegian continental shelf. The licensee group also functions as an internal control system in the production licence, where each licensee is responsible for monitoring the operator's work.

The petroleum sector is driven by technological innovation. Maximising the values on the Norwegian continental shelf requires that oil companies constantly apply the best available technology, and that they carry out the necessary research. Therefore, the Norwegian authorities have established an environment that promotes technological development. Today there is close collaboration between oil companies, research institutes, the supplier industry and the authorities when it comes to technology and research.

National organisation of the petroleum sector

The Storting

The Storting, the Norwegian parliament, creates the framework for Norwegian petroleum activities. The methods used include passing legislation and adopting propositions, as well as discussing and responding to white papers concerning the petroleum activities. Major development projects or matters of great public importance must be discussed and approved by the Storting. The Storting also supervises the government and the public administration.

The government

The government holds the executive power over petroleum policy and is responsible vis-à-vis the Storting for this policy. In applying the policy, the government is supported by the ministries and subordinate directorates and agencies.
The responsibility for executing the various roles within the petroleum policy is shared as follows:

- The Ministry of Petroleum and Energy
  – responsible for resource management and the sector as a whole
- The Ministry of Labour and Social Inclusion
  – responsible for health, the working environ ment and safety
- The Ministry of Finance
  – responsible for state revenues
- The Ministry of Fisheries and Coastal Affairs
  – responsible for oil spill contingency measures
- The Ministry of the Environment
  – responsible for the external environment

More on the national organisation of the petroleum sector

THE MINISTRY OF PETROLEUM AND ENERGY

The Ministry of Petroleum and Energy holds the overall responsibility for management of petroleum resources on the Norwegian continental shelf. This includes ensuring that the petroleum activities are carried out in accordance with the guidelines drawn up by the Storting and the government. The Norwegian Petroleum Directorate is administratively subordinate to the Ministry of Petroleum and Energy. In addition, the ministry holds a particular responsibility for monitoring the state-owned corporations, Petoro AS, Gassco AS and Gassnova, and the partly state-owned Statoil ASA.

The Norwegian Petroleum Directorate

The Norwegian Petroleum Directorate plays a major role in the management of the petroleum resources, and is an important advisory body for the Ministry of Petroleum and Energy. The Norwegian Petroleum Directorate exercises management authority in connection with exploration for and exploitation of petroleum deposits on the Norwegian continental shelf. This also includes authority to issue regulations and make decisions according to rules and regulations for the petroleum activities.

Petoro AS

Petoro AS is a state-owned corporation which is responsible for the State's Direct Financial Interest (SDFI) on behalf of the state.

Gassco AS

Gassco AS is a state-owned corporation responsible for the transport of natural gas from the Norwegian continental shelf.

Gassnova

Gassnova is an administrative agency with the task of promoting and supporting innovation and development of environmentally friendly gas power technology.

Statoil ASA

Statoil ASA is listed on the Oslo and New York stock exchanges. The state owns a 70.9 percent stake in the company.

THE MINISTRY OF LABOUR AND SOCIAL INCLUSION

The Ministry of Labour and Social Inclusion holds the overall responsibility for the working environment and for safety and contingency measures in relation to the petroleum sector.

The Petroleum Safety Authority Norway

The Petroleum Safety Authority is responsible for safety, contingency measures and the working environment in the petroleum sector.

THE MINISTRY OF FINANCE

The Ministry of Finance holds the overall responsibility for ensuring that the state collects taxes, fees and other revenues from the petroleum sector.

The Petroleum Tax Office

The Petroleum Tax Office is part of the Norwegian Tax Administration, which is subordinate to the Ministry of Finance. The main function of the Petroleum Tax Office is to ensure correct assessment and collection of the taxes and fees that have been determined by the political authorities.

The Government Pension Fund – Global (formerly the Government Petroleum Fund)

The Ministry of Finance is responsible for administrating the Government Pension Fund - Global. Responsibility for operational administration has been delegated to Norges Bank.

THE MINISTRY OF FISHERIES AND COASTAL AFFAIRS

The Ministry of Fisheries and Coastal Affairs is responsible for maintaining adequate contingency measures against acute pollution in Norwegian waters.

The Norwegian Coastal Administration

The Coastal Administration is responsible for national oil spill contingency measures.

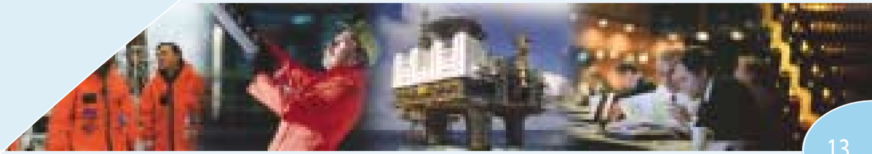
THE MINISTRY OF THE ENVIRONMENT

The Ministry of the Environment holds the overall responsibility for management of the Norwegian external environment.

The Norwegian Pollution Control Authority

The responsibilities of the Norwegian Pollution Control Authority include enforcing the Pollution Control Act. Another key task is to provide the Ministry of the Environment with advice, guidelines and technical documentation.

The office of the Auditor General



THE FRAMEWORK CONDITIONS, OBJECTIVE AND DUTIES OF THE OFFICE OF THE AUDITOR GENERAL

The Office of the Auditor General – the Storting's regulatory body

One of the Storting's duties is to monitor the government and public administration, including the central government accounts. The Office of the Auditor General is the Storting's auditing and regulatory body (cf. Article 75 (k) of the Norwegian Constitution), and, by means of its auditing and monitoring work, it helps to ensure that the use and management of central government funds are economically sound and in compliance with the decisions and intentions of the Storting. The Office of the Auditor General was established in 1816.

The Office of the Auditor General is the control agency of the Storting and has an independent role in respect of the public administration. This means that the Office of the Auditor General is to carry out its duties independently and autonomously and that it alone determines how to organise and perform its auditing and compliance monitoring duties. The Office of the Auditor General reports the results of its auditing and compliance monitoring work to the Storting by means of the Office of the Auditor General's series of documents: Document no. 1, 2 and 3.

The Office of the Auditor General's objectives

The Office of the Auditor General shall ensure, through auditing, monitoring and guidance, that the state's revenues are paid as intended, and that the state's resources and assets are used and administered in a sound financial manner and in keeping with the decisions and intentions of the Storting.

The Office of the Auditor General's duties

The duties of the Office of the Auditor General are defined in Article 75 (k) of the Norwegian Constitution, and in Act no. 21 of 7 May 2004 relating to the Office of the Auditor General (the Auditor General Act) and the Instructions of 11 March 2004 concerning the activities of the Office of the Auditor General.

The duties ascribed to the Office of the Auditor General include:

- Auditing the central government accounts and all accounts rendered by central government agencies and other authorities liable to render accounts to the central government, including government corporations, public administrative bodies that have been granted special powers of authority, government funds and other bodies or enterprises where this is stipulated in separate legislation (financial auditing).

- Performing systematic analyses of the economy, efficiency and effectiveness of the government administration on the basis of the decisions and intentions of the Storting (performance auditing).

- Monitoring the management of the state's proprietary interests in companies, banks etc. (corporate control).

- Through auditing contribute to the prevention and detection of iregularities (such as fraud) and errors.

- Advising the government administration on issues concerning accounting and financial management.

Requirements regarding the performance of audits and supervision

The Office of the Auditor General shall be objective and neutral in the performance of its duties. Audits shall be planned, carried out and reported as prescribed by the relevant legislation, instructions and good auditing practice in the Office of the Auditor General.

All auditing and monitoring tasks shall be based on the following principles:

- The Office of the Auditor General and the auditors must be independent
- The Office of the Auditor General and the auditors must have the required expertise
- The Office of the Auditor General and the auditors must exercise due care and objectivity when conducting audits
- All auditing work must be based on assessments of materiality and risk throughout the entire auditing process

In recent years, the public has had far better access to the work of the Office of the Auditor General. The Office of the Auditor General now publishes all documents submitted to the Storting and all administrative reports and important information concerning the Office of the Auditor General on its website: www.riksrevisjonen.no.

Financial audit

When conducting a financial audit, the Office of the Auditor General checks that the accounts of the organisation in question provide a correct picture of its financial activities. This involves checking that:

- the accounts do not contain material errors or deficiencies;
- the transactions and decisions on allocation that are recorded in the accounts:
  - accord with the decisions and intentions of the Storting and applicable regulations;
  - are acceptable in the light of the norms and standards for the administration of central government finances (a “compliance audit”).

The financial audit of the petroleum sector covers the Ministry of Petroleum and Energy, the Norwegian Petroleum Directorate, the State’s Direct Financial Interest (SDFI), and Petoro AS’s management of the SDFI. The Office of the Auditor General is permitted to use the results of Petoro AS’s internal financial audit when auditing the SDFI.

The Office of the Auditor General also audits the taxation and control systems of the Oil Taxation Office, the State’s tax income from the petroleum sector and the reporting systems for the State’s own accounts.

Performance audit (“value for money audit”)

Performance audits are systematic studies of the financial viability, efficiency and effectiveness of schemes in the light of the decisions and intentions of the Storting. As in other sectors, performance audits in the petroleum sector are initiated where there is a high risk of non-compliance with such decisions and intentions. The audits are based on materiality and risk criteria, and their purpose is to provide the Storting with relevant information on the implementation and effects of Government measures.

Corporate controls

Corporate controls are carried out to ensure that ministers who have responsibility for administering the State’s corporate interests perform their duties in accordance with the decisions and intentions of the Storting. Such controls cover companies wholly-owned by the State, such as Petoro AS, and companies in which the State has part ownership, such as Statoil ASA and Hydro ASA.

More information can be found at www.riksrevisjonen.no.

Government petroleum revenues

The government earns high revenues from the petroleum sector. In 2005, the sector generated 33 percent of government revenues. Figure 2 shows income from the sector, which has been high in recent years, and 2005 was a year with very high payments to the state, see figure 4. The value of the remaining petroleum reserves on the Norwegian continental shelf was estimated at NOK 4 210 billion in the National Budget for 2006.

The government receives a large share of the value created through:

- Taxation of oil and gas activities.
- Charges/Fees.
- Direct ownership in fields on the Norwegian continental shelf (through the State's Direct Financial Interest, SDFI).
- Dividends from ownership in Statoil.

Why does Norway have a special system for government take when it comes to petroleum revenues? The main rationale for the system is the extraordinary returns associated with production of the resources. The fiscal system must be understood in connection with the common ownership of the resources on the Norwegian continental shelf, and that the oil companies are allowed to exploit a valuable, limited resource.

The petroleum tax system

Petroleum taxation is based on the Norwegian rules for ordinary corporation tax. Due to the extraordinary profitability associated with production of the Norwegian petroleum resources, a special tax is also levied on income from these activities. The ordinary tax rate is the same as for land activities, 28 percent, while the special tax rate is 50 percent. When calculating taxable income for both ordinary and special taxes, an investment is subject to depreciation on a linear basis over six years from the date it was made. Companies may deduct all relevant expenses, including exploration, research and development, net financial, operating and decommissioning expenses (see figure 4). Consolidation between fields is permitted. In order to shield a normal return on investment from the special tax, an extra deduction, the uplift, is allowed in the calculation base for special tax. This amounts to 30 percent of the investments (7.5 percent per annum for four years from the year the investment is made).

Companies that are not in tax position may carry forward their losses and the uplift with interest. An application may also be made for refund of the fiscal value of exploration costs in the companies' tax returns.

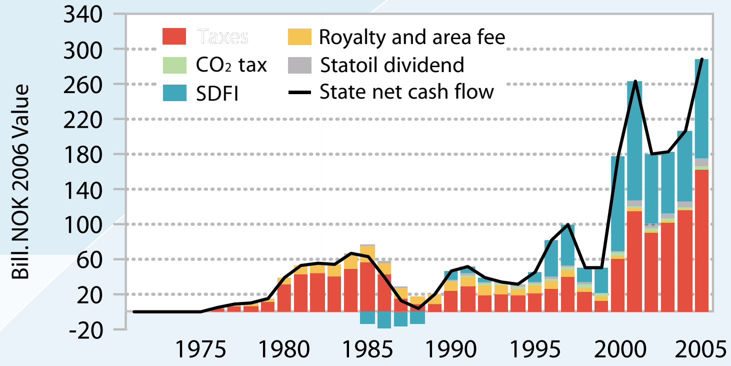


Figure 2. The net government cash flow from petroelum activities. (Source: Central Government Accounts)

	NOK Billion
Direct taxes:	113,6
Royalty, CO2-tax, Area fee:	4,5
SDFI:	80,2
Statoil dividende:	5,2
Total:	**203,4**

Figure 3: The net government cash flow from petroleum activities 2004 (Source: Central Government Accounts)

	NOK Billion
Direct taxes:	164,9
Royalty, CO2-tax, Area fee:	3,9
SDFI:	98,6
Statoil dividende:	8,1
Total:	**275,5**

Figure 4: The net government cash flow from petroleum activities 2005 (Source: Central Government Accounts)

Figure 5: Tax revenues from petroleum companies operating on the Norwegian continental shelf. (Source: Public tax register figures for 2004, Oil Taxation Office)

Company number	Name	Taxable income	Assessed tax liability*
914 807 077	A/S Norske Shell	7 017 401 156	5 321 511 605
987 008 644	Altinex Oil AS	0	0
930 459 321	Amerada Hess Norge AS	1 389 213 910	947 099 349
922 495 858	AS Uglands Rederi	0	0
986 615 806	BG Norge AS	0	0
986 592 288	BG Norge Ltd.	0	0
981 355 210	BP Norge AS	4 436 683 364	3 248 223 983
930 322 784	ChevronTexaco Norge AS	491 910 830	376 030 412
986 597 840	CNR International (Norway) AS	0	0
918 110 127	ConocoPhillips Skandinavia AS	9 722 725 220	7 408 126 746
953 935 996	Det Norske Oljeselskap AS	0	0
931 713 671	DONG Norge AS	484 019 334	361 858 946
985 740 909	E.ON Ruhrgas Norge AS	222 637 506	170 003 446
934 651 758	Endeavour Energy Norge AS	0	0
919 160 675	Eni Norge AS	6 794 593 296	3 903 912 767
929 559 428	Enterprise Oil Norge AS	2 507 546 525	1 780 701 136
914 048 990	ExxonMobil Exploration and Production Norway AS	17 347 238 687	12 822 248 584
924 956 917	ExxonMobil Production Norway Inc.	7 445 420 630	5 617 699 773
983 426 417	Gaz de France Norge AS	0	0
953 133 210	Idemitsu Petroleum Norge AS	2 395 515 714	1 780 994 945
983 430 783	Kerr-McGee Norway AS	0	0
986 209 409	Lundin Norway AS	0	0
986 478 434	Maersk Oil Norway AS	0	0
933 977 978	Marathon Petroleum Company (Norway)	0	0
923 702 962	Marathon Petroleum Norge AS	0	0
928 008 398	Mobil Development Norway AS	0	0
	Noble Energy (Europe) Ltd.	0	0
975 871 932	Norpipe Oil AS	307 739 691	239 447 713
918 352 074	Norsea Gas AS	429 025 414	331 563 272
930 187 240	Norsk Hydro Produksjon AS	30 288 298 466	22 669 957 220
946 680 591	Norske AEDC A/S	0	0
921 473 052	Norske ConocoPhillips AS	6 711 918 019	5 019 651 998
977 026 792	Paladin Resources Norge AS	0	0
982 953 901	Paladin Resources Norway Ltd.	977 845 637	740 190 744
977 095 239	Petro-Canada (Norway) Inc.	0	0
985 224 323	Revus Energy AS	6 194 485	4 968 992
926 620 207	RWE Dea Norge AS	1 369 840 680	1 022 900 096
980 429 636	Shell International Pipelines Inc.	670 520 643	519 749 855
923 609 016	Statoil ASA	55 798 767 768	41 622 451 520
910 229 958	Svenska Petroleum Exploration AS	147 377 777	105 637 086
985 706 050	Talisman Energy Norge A/S	98 014 259	57 183 772
984 131 941	Talisman Production Norge AS	0	0
910 226 010	Texaco Exploration Norway AS	0	0
927 066 440	Total E&P Norge AS	21 232 046 834	15 829 851 486
44 companies		**178 292 495 845**	**131 901 965 446**

Oil companies pay their assessed direct taxes in instalments, which are spread over two calendar years. This means that the amount of the oil companies' assessed taxes for a given year (Figure 5) cannot be directly compared with the amount of direct taxes paid in that year (Figure 3).

The petroleum tax system has been designed for neutrality, so that an investment project that is profitable for an investor before tax, will also be profitable after tax. It is, therefore, possible to harmonise the requirement for significant revenues to the society with the requirement for sufficient post-tax profitability for the companies.

Other taxes

The most important other taxes linked to petroleum activities are the carbon dioxide tax and the area fee.

The CO_2 tax was introduced in 1991 and is an instrument for reducing CO_2 emissions from the petroleum sector. CO_2 tax is levied at a rate per standard cubic metre (scm) of gas burned or directly released and per litre of petroleum burned. The rate for 2006 is NOK 0.79 per litre of petro-leum or scm of gas. The area fee accrues on all production licences after the expiry of an initial period. The fee is intended to encourage relinquisment of acreage that companies do not wish to exploit. Special rules apply for the oldest licences and licences in the Barents Sea.

Operating income (norm price)
- Operating expenses
- Linear depreciation for investments (6 years)
- Exploration expenses
- CO_2-tax and area fee
- Net financial costs (limited by the thin capitalisation rule: 20% equity)
= Corporation tax base (tax rate: 28%)
- Uplift (7,5% of investment for 4 years)
= Special tax base (tax rate: 50%)

Figure 6. Calculation of petroleum tax. (Source: Ministry of Petroleum and Energy)

Norm prices

Most oil companies on the Norwegian continental shelf are parts of corporations with a diversified global business portfolio. Produced petroleum is therefore largely sold to associated companies.

It can often be a very difficult task for the petroleum tax authorities to assess whether prices agreed between two parties is equal to what two independent parties would have agreed upon jointly for each individual sale. In order to avoid this problem, Section 4 of the Petroleum Tax Act states that norm prices may be stipulated and used in the calculation of taxable income. The methods for stipulation and use of norm prices are described in regulations.

The norm price is fixed by the Norm Price Board, and should be equivalent to the price paid for the petroleum had it been traded between independent parties. The norm price is stipulated each month and for each field. The Norm Price Board meets each quarter to stipulate prices for the previous quarter. The prices are based on information from and meetings with the operating companies before the final norm price is stipulated. Decisions may be appealed to the Ministry of Petroleum and Energy within 30 days. When the Norm Price Board does not find it appropriate to stipulate a norm price, the actual sales price will be used as the basis for taxation. This applies to certain crude oils and NGL. The actual sales price is used as a basis for gas.

The State's Direct Financial Interest (SDFI)

The State's Direct Financial Interest (SDFI) is an important source of state revenues in addition to taxes, fees and dividends from its ownership in Statoil. SDFI is an arrangement in which the state owns interests in a number of oil and gas fields, pipelines and onshore facilities. The State's interest is decided when production licences are awarded and the size varies from field to field. As one of several owners, the state pays its share of investments and costs, and receives a corresponding share of the income from the production licence. SDFI was established on 1 January 1985. Prior to this, Statoil alone, at the time a fully state-owned company, was responsible for the state's ownership holdings in production licences. In 1985, Statoil's participation was split into one direct financial share for the state (SDFI) and one for Statoil. When Statoil was privatised and listed on 18 June 2001, the administration of the SDFI portfolio was transferred to the state-created trust company, Petoro.

The arrangement with SDFI interests has a neutral effect, as no risk is transferred from the state to the companies. The SDFI arrangement implies that the state, when awarding acreage, can determine exactly how much of the value creation shall devolve on the state. For production licences for which profitability is expected to be low, the state can decide to take a small, or even no, interest, while a larger share would be appropriate for more profitable fields.

Statoil dividend

As of 1 March 2006, the state owns 70.9 percent of the shares in Statoil. As an owner in Statoil, the state receives dividends, which form part of the state's revenues from the petroleum sector.

Norwegian oil companies payments to foreign host governments in 2005

Statoil

Overview of activities per country

	Investment NOK million	Income (1) NOK million	Income taxes paid (2) NOK million	Indirect taxes paid (3) NOK million	Pay and social benefits (4) NOK million	Employees at 31 Dec 05 (5)	Purchase of goods and services (6) NOK million
Norway	19,023	349,485	51,366	6,550	11,909	13,128	46,113
Algeria	1,407	2,529	454	0	0	2	32
Angola	2,961	8,884	1,546	0	1	7	4
Azerbaijan	4,614	2,357	0	0	6	34	35
Belgium	5	13	0	0	26	50	733
Brazil	6	0	0	0	9	9	27
China	249	750	76	0	14	22	133
Denmark*	392	19,644	193	4,492	886	3,704	1,129
Estonia	20	1,084	0	368	34	550	200
France	0	63	2	0	15	11	197
Georgia	0	0	0	0	0	0	0
Germany	1	705	112	8,905	88	80	3,566
Iran	680	27	0	0	3	22	4
Ireland	456	6,178	3	4,365	242	1,318	422
Kazakhstan	1	(9)	0	0	1	4	1
Latvia	34	1,291	5	527	49	640	208
Lithuania	29	1,508	4	386	46	673	67
Mexico	0	2	0	0	0	0	0
Nigeria	1,089	0	0	0	9	45	23
Poland	213	5,472	4	140	193	3,221	398
Russia	0	0	2	0	7	146	49
Singapore	2	12,398	0	0	21	15	17
Sweden	292	16,086	135	8,422	775	1,698	615
Turkey	0	0	0	0	0	0	34
UK	391	3,031	415	31	206	159	3,222
USA	13,875	35,141	40	0	115	70	692
Venezuela	431	3,211	172	0	20	36	304
Rest of Europe**	0	0	96	0	0	0	3,809
Rest of world ***	23	0	0	0	0	0	810
Elimination****		(77,642)					
Total	**46,194**	**392,208**	**54,625**	**34,186**	**14,675**	**25,644**	**62,844**

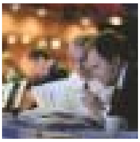
* Includes the Faroes and Greenland ** Income taxes paid applies to the Netherlands *** Investment is linked to Libya
**** Elimination due to sale within the company
(1) Total revenues (excluding Equity in net income of affiliates) by company location. In the sustainability report for 2004, total revenues were presented by customer location, that is, where the goods were sold.
(2) Income taxes paid for fiscal year 2005, but also taxes relating to earlier fiscal years and paid in 2005. In several countries Statoil does not pay income taxes. This is because we do not have production or other activities which give us current income. In the oil and gas industry, the lead time (the period from discovery to production start-up) may be long. This means that the company will invest substantial amounts for a number of years before generating any income and coming in a position where it will have to pay tax. In 2005, Statoil paid income taxes in Algeria for the first time. Taxes paid to Angola have increased considerably compared to 2004.
(3) Carbon tax, area fees and royalty, petrol duty and similar (do not include value-added tax, VAT)
(4) Includes pension and payroll taxes
(5) Based on company location (in which country the company (with employees) is registered)
(6) Based on invoice address. Part of the costs is charged to partners in Statoil-operated activities, including as technical service provider. Does not include purchase of petroleum products.

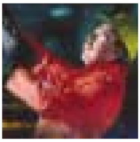
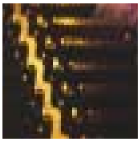
Hydro

Payments to host governments*

NOK million	2005
Oil & Energy	
Norway	27.579
US	21
Canada	184
Brazil	-
Angola	625
Libya	268
Russia	38
Iran	-
Cuba	-
Denmark	-
Mozambique	0,2
Morocco	-
Madagascar	-
Nigeria	-
Aluminium	
Brazil	89
Jamaica	56

* Total payments to host governments connected to exploration and production of oil, gas, bauxite and alumina. The reporting is according to the intentions in Extractive Industries Transparency Initiative (EITI)

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