

Offshore Northern Seas  
Conference and Exhibition  
Stavanger 23 August 1988

Prime Minister  
Gro Harlem Brundtland

#### NORWEGIAN PETROLEUM POLICY

Your Royal Highness,  
Excellencies,  
Distinguished Guests,  
Ladies and Gentlemen,

It is an honour and pleasure for me once again to address the Offshore Northern Seas Conference in Stavanger. When I spoke at the ONS two years ago, we had just experienced the most dramatic fall in oil prices in petroleum history. It was a time of uncertainty and widespread pessimism.

It is a tribute to the ability of the petroleum industry to cope with difficulties that so many distinguished representatives of the many professions involved are gathered at this year's Conference. Again, the ONS Conference and Exhibition can display impressive technological advances and optimistic plans for future activity in the harsh and difficult conditions of the Northern Seas.

This year has, however, also been the year in which a new tragedy struck in the North Sea. The Piper Alpha, as the Alexander Kielland 8 years ago, remind us of how fragile our technological solutions can be. They remind us that persistent efforts are required to make our offshore activities as safe as possible.

Norway's energy policy is based on a multitude of different considerations. We strive to secure maximum economic and social benefits from our energy resources. This requires that specific goals relating to the energy sector be attuned to the overall economic needs of the country, to regional policies and to local as well as global environmental needs.

We must also consider that Norway has established herself as a major supplier of oil and natural gas, and will continue as such in a long-term perspective. Our petroleum reserves are substantial, and they are strategically important in an international context. Indeed, the international aspects of Norwegian petroleum policy have become increasingly evident.

Moreover, as a Western industrialized country and an exporter of petroleum, Norway has a complex range of interests. These interests call for national energy perspectives based on interplay between domestic and foreign policy considerations.

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Energy is crucial to global economic development and the fight against poverty. At the same time, the production and consumption

of energy is the source of our most serious environmental problems. Acidification of lakes and dying forests, heating of the atmosphere and radiation dangers, are threats both to the environment and to human health. These threats do not recognize national boundaries and they can only be met by new dimensions of political will and by international cooperation.

The World Commission on Environment and Development recommends that governments adopt energy policies which duly reflect the importance of energy to the environment and to social and economic progress. Developing countries will need much more energy, while the industrialized countries have a special responsibility for stabilizing and reducing energy consumption. Norway is now aiming at a policy of stabilization in energy consumption by the end of this century.

A new era of economic growth must be less energy intensive than the growth of the past. Energy efficiency must become the cutting edge of national strategies for sustainable development. Large-scale research in the development of renewable resources is called for. Prices must encourage energy pathways that are dependable, safe and environmentally sound.

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Stabilization of oil prices at a higher level is not only in our national interests. In our view, stable and higher oil prices are also in the long-term interests of the global community in that they would promote energy conservation and the development of more sustainable, alternative energy sources. They would also encourage necessary investment in exploration and development, thus reducing the risk of new oil crises and dramatic price fluctuations in the future.

The World Commission on Environment and Development has pointed out how important oil prices are to international energy and environmental policy. The Commission recommends that new mechanisms for promoting dialogue between consumers and producers be explored.

Both through bilateral foreign and energy policy contacts and within the International Energy Agency, Norway is advocating global energy policy interrelations. We need to achieve greater contact and deeper mutual understanding between oil-importing and oil-exporting countries.

The situation today is one in which oil-producing countries within and outside OPEC have a production capacity which exceeds the global demand for oil. International cooperation and measures regulating production are necessary if we are to achieve the desired stabilization of oil prices at a reasonably higher level.

Since the 1986 fall in oil prices members of OPEC have shown considerable willingness to restrict their oil exports in order to support the market. These efforts should be supplemented by parallel measures by other oil-producing countries as well.

Norway is now regulating production at a level which is 7½ per cent below existing and increasing production capacity, in response to OPEC measures and with a view to stimulating further

and continued production restraint in and outside OPEC. This summer, the Government decided to extend our measures to the end of the year.

Let me emphasize that the measures currently being implemented by Norway are unilateral in character, flexible in form and limited in time. We will discontinue these measures on short notice if the OPEC countries fail to implement effective regulatory measures, or if our independent assessment of the market situation, the supply needs of our trading partners and our national interests should so require. Norway would not, however, wish to add to the general uncertainty in the oil market by being the first country to repeal regulations in a situation where there may be doubts about the cohesion within OPEC.

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Due to the fall in oil prices in 1986, our government cash flow from the petroleum sector has fallen sharply by an amount equivalent to 8 per cent of our national income. This took place during a period in which there were already increasingly severe imbalances in the Norwegian economy. Domestic demand increased by some 25 per cent during a three-year period, which put considerable upward pressure on costs and prices, deteriorating the competitiveness of industry and our foreign balance. We therefore set out to reorientate our economic policy. Resources had to be shifted into export and import competing industries to compensate for the loss in oil income. Our objective was to rebalance the economy gradually, while at the same time avoiding widespread unemployment.

We can now see that the policy actions taken since the spring of 1986 have produced results. Domestic demand has been significantly reduced. Cost and price increases are tapering off. The deficit in our current account has been halved from 1986 to 1988, and we foresee further improvements next year. Despite the sharp fall in oil taxes we, unlike most other countries, still have a surplus in the state fiscal budget.

It will take more time to restore a proper balance. We will, however, design our economic policy to ensure that this objective is achieved. Part of this entails reducing our dependency on volatile oil revenues by further strengthening the rest of our industry, increasing the growth potential of our economy and making Norway an attractive area for new investments.

Still the oil industry has an important role to play. Thus changes were made in Norwegian petroleum taxation to improve the conditions for oil companies at a time of difficulty and uncertainty, and to encourage further exploration and development activity on our Continental Shelf. Oil companies have responded to lower oil prices by improving the efficiency of operations and reducing costs. We welcome the continued interest of oil companies in long-term activity on the Norwegian Continental Shelf. Although the fall in oil prices has reduced the cash flow of oil companies, we nevertheless have several fields ready for development.

This year our oil production will average somewhat more than 1 million barrels per day. The next few years will bring a

considerable increase in production capacity to about 1.6 million barrels per day. Production capacity will decline from this level towards the end of the century unless decisions to develop new fields are made.

Last month, new blocks in the North Sea were allocated in the first part of our 12th round of concessions. We were quite pleased to note the considerable interest oil companies showed in their applications. The second part of the 12th round will be announced in the very near future. It will involve, among others, key blocks in the Barents Sea. These blocks are nominated by the Norwegian Petroleum Directorate in close cooperation with the petroleum industry. This is a clear indication of the continued interest of oil companies in activity on the northern part of our Continental Shelf.

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This spring, the Storting gave the go-ahead for the Zeepipe pipeline, which will link the Troll and Sleipner fields to Zeebrugge on the Continent. The Troll/Sleipner agreement is indeed an important and long-term contribution to Europe's energy supply. It strengthens both the economic and the political links between Norway and buyer countries within the European Community.

Our total exports of natural gas, two-thirds of our oil exports and 70 per cent of our total exports go to EC countries, which in turn are also important suppliers to our offshore industry. Our economies are interwoven in growing interdependence.

Integration efforts within the EC have acquired new momentum through the efforts to establish an internal market. It is my Government's policy that Norway shall cooperate actively with the EC to the fullest extent possible within the framework of our present relationship.

Almost half of Western Europe's proven reserves of natural gas are to be found on the Norwegian Continental Shelf. Our proven reserves can sustain our present level of production for 100 years. Our natural gas exports now satisfy 11 per cent of Western European demand.

Norway has the political desire and the resources necessary to increase market shares abroad and continue to provide natural gas to customers on a reliable and long-term basis.

There should be scope for additional deliveries to our present customers. We see market opportunities in Scandinavia and Southern Europe as well. There could be prospects for exporting of liquified natural gas from Norway to the United States. We also have domestic options with regard to introducing natural gas-based electricity generation. It is an exciting perspective that all of Scandinavia may one day constitute an integrated gas market. In fact, we are hopeful that substantial quantities of Norwegian gas will be delivered to Sweden in the 1990s.

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Our state oil company, Statoil, was set up to safeguard the State's commercial interests in petroleum activity and to serve

as an instrument for the State in the implementation of petroleum policy. Four years ago, a new political consensus was established with regard to Statoil's role that could be viable over time. This autumn, my Government will present a Report to the Storting discussing the structure of Statoil and the company's important role. There is broad political agreement to the effect that Statoil should continue to play a leading role in Norwegian petroleum activity.

Direct state economic participation in production licences is based on the 1984 compromise between the then non-Socialist government and the Social Democratic opposition in the Storting. Concern that such direct participation represents too great a risk for society, has recently prompted interest in the potential sale of state shares. The Storting has now authorized the Government to sell state interests in the Snorre field if we receive a reasonable price.

Due to the level of Norwegian petroleum taxation, selling state interests in licenses will not necessarily reduce the risk of the state significantly. It should also be pointed out that the national risk only can be fundamentally reduced by reducing the size of the petroleum industry in relation to the rest of our economy. An important reason for looking into the sale of assets is, however, also the possibility of improving the composition of the state assets. The government is currently studying in depth issues regarding the possible sale of state interests.

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My government recognizes the importance of working for a policy of national consensus in a field of such domestic importance and international consequence as petroleum activity. Through the years there has been little internal political disagreement over the broader lines of Norwegian petroleum policy.

From the very start our depletion policy has had a long-term perspective. An overall political objective is that petroleum activity and revenue shall contribute to a qualitatively better society. A strong, competent national petroleum industry has been built up and will be sustained.

We appreciate the pioneering efforts and cooperation of international companies. Demanding technological challenges have been successfully met on our Continental Shelf. International oil companies can also expect to be awarded interesting tasks in the future, in close cooperation with Norwegian partners and to our mutual benefit. Petroleum activity in Norway is and will continue to be open to foreign competition with regard to goods and services as well.

Indeed, in Norwegian petroleum policy, we shall continue to pursue an open and earnest dialogue not only with national and foreign oil companies, operating on our Shelf, but also with the countries that are affected by our national petroleum policy decisions and that have an interest in Norway as a reliable, long-term producer of petroleum.

Your Royal Highness, Excellencies, Ladies and Gentlemen, let me in conclusion, on behalf of the Norwegian Government, congratulate the ONS on organizing yet another important conference and exhibition for our domestic and the international petroleum industry.