

ADDRESS TO THE OFFSHORE NORTHERN SEAS 1982

NORWEGIAN PETROLEUM POLICY

Your Majesty, Excellencies, Ministers, distinguished guests,

It is indeed a great pleasure as well as a privilege for me to address this audience. I am very glad to see so many distinguished people gathered here - at a conference that has been and - I feel sure - will remain an important meeting place for the petroleum industry.

This is an exciting era for this industry. Great challenges lie before us as we, again and again, have to harness untried technology to reap the wealth that has been found offshore in recent years.

This is also an eventful time as regards the Government's role in relation to the industry. A need for policy adjustments has emerged from, among other recent developments, the rapidly improving national competence in the industry, the increased importance of petroleum revenues, and changes in international affairs.

Our petroleum policies are founded on the principle, which may be considered self-evident, that petroleum resources on the continental shelf belong to the nation. These resources must be administered and exploited to provide the maximum benefit to our society as a whole,

but of course also with due regard to the international obligations of every member of the free world family of nations.

Due to the great impact of petroleum activities on Norwegian society, a broad political consensus for national control of petroleum activities has evolved. Controversy has in reality arisen only as regards the means of effecting such control.

Effective control presupposes insight into the activities on the continental shelf. Knowledge of these activities has been obtained through developing the necessary institutions for direct control, but also through participation at all levels of operations. This was the reason for giving Statoil its central role in all petroleum activities, and is part of the reason for our active interest in the growth of other Norwegian oil companies as well. Government participation is also a means to ensure considerable revenues for the benefit of the Norwegian society.

Through 16 years of exploration drilling and 11 years of production we have gained valuable experience which we must now use to assess policies. In addition, it seems that the actual basis for Norwegian petroleum policy has changed: Norwegian oil and gas reserves are much larger than at first estimated, and they will last longer - perhaps for more than 100 years. Simultaneously, they have become far more valuable.

Against this background, we are finding it necessary to introduce some adjustments in Norwegian petroleum policy, although continuity will remain an important characteristic of it.

---o---

First of all the Government will review alternative development strategies in order to arrive at the best operational guidelines for planning. Due to the considerable effects that petroleum activities will have on Norwegian society, and even beyond our own direct interests, it appears inappropriate to use such a simple guideline, to determine the extent of the activities, as a "ceiling" in the form of production of a given number of tons.

Flexibility will be a key element in our policy. Up to now, each commercially viable field has been transferred from an exploration phase to a development phase without any interruption. In the future, the situation in Norwegian waters may be that we shall have a reserve of fields ready for development. This will allow us to choose between various development strategies and adapt the activity to the Norwegian economy.

We have appointed an expert commission, with the highly esteemed economic expert Hermod Skånland as chairman, to discuss factors relevant in determining the future level of petroleum activities.

A second expert commission will deal with the questions concerning state participation in petroleum activities. An important aspect of these questions is how to avoid centralization and concentration of power. In the Government's view, a system of competing Norwegian oil companies of equal competence, and a capable staff in the Ministries and their agencies, will provide the best foundation for democratic management of petroleum activities.

Statoil's role as an important government instrument must thus be somewhat redefined. We must of course secure the greatest possible benefit for the whole nation of the great expertise developed within this national company. The expression "To clip the wings of Statoil", has never been used by any spokesman of the government or the party behind it. But certain risks arise from the fact that Statoil is given the special role of collecting large revenues which are in reality the property of the whole nation. For Statoil influence over these revenues may open a potential for expansion which may go beyond what is desirable for the society as a whole. We intend to separate the mixed functions of the company so that public revenues will in principle be collected directly by the State itself, rather than through Statoil, while Statoil will have a freer commercial role.

As I have already intimated, we do recognize our international responsibilities concerning world energy supplies. Yet, despite our promising reserve potential,

our reserves will be rather insignificant when compared with the world's energy needs. However, with respect to the western European gas market, Norway's role is somewhat more important. Our gas reserves may have a substantial impact on this market. We must also bear in mind that future Norwegian discoveries are likely to be made in more difficult environments in the northern regions or in deep waters. New technology will be necessary and to develop it will take time. It is not technically feasible to supply Europe with new Norwegian gas from Sleipner, Troll or Tromsøflaket in the 1980s. The first of these fields, Sleipner, could - however - come onstream in the early nineties. I would like to underline that within these obvious limitations, we are both willing and able to deliver substantial amounts of gas, on commercial terms, to our European friends. This should also be welcome in their efforts to reduce their dependence on external sources of energy.

---O---

In our licensing policy, we will maintain a stable allocation rate both in the North Sea and north of Stad (62°N). In order to secure an effective mapping of resources and, we hope, to identify commercial reserves, the exploration activity north of Stad will be concentrated on Haltenbanken, Tromsøflaket and Trænabanken. As we learn more about these reserves, we will probably soon propose to extend these areas.

As you know, Statoil, Norsk Hydro and Saga Petroleum have been given preference in recent rounds of licensing. A better balance between competing Norwegian oil companies will generate a greater variety in the Norwegian oil milieu, and will give the authorities more alternatives and a better basis for making real choices and setting priorities. The Government will also then be able to choose operators from among competing Norwegian companies for developing larger projects. This policy of diversification implies the development of a number of mutually independent and competing groups of national experts, in competing companies. That will again secure a far higher probability that concepts and proposals will be challenged by expert criticism, and irrational solutions thus be avoided. This is necessary to secure the most efficient utilization of petroleum reserves. But this policy of more competition will not prevent Statoil from continuing to play a central role on the continental shelf or from developing into a major oil company.

For some time there have been efforts to bring other Norwegian companies onto the Norwegian continental shelf as well. I believe that if we are to have more than three such companies, one more should suffice. This fourth Norwegian company must be prepared for a relatively modest start and gradual development into a strong and fully competent company. This calls for the completion of the co-ordination process which is going on between the smaller Norwegian companies not yet permitted on the Norwegian shelf.

I fully appreciate that foreign companies have made an important contribution to developing the resources on our continental shelf and that they have transferred valuable technological and managerial capabilities to the Norwegian petroleum industry. These companies have an important role to play in Norway also in the future. We need foreign oil companies in Norway and the terms of participation for foreign companies should be framed so as to give them the best incentives to assign their most capable employees to these tasks. But the terms should not exceed this aim.

When selecting foreign companies to participate in operations on the continental shelf, one has, in addition to experience and professional competence, attached importance to the extent to which the companies have generated onshore research and industrial development projects. It is, however - difficult to compare the value of oil concessions with the value of such on-shore projects. The Government is, therefore, considering to what extent and in what manner this arrangement should continue. I would however, like to stress that sound and promising industrial cooperation will still be welcome and appreciated.

The petroleum activities have already had important effects on Norwegian manufacturing industries. We intend to secure for Norwegian firms a fair chance of competing for orders from the petroleum industry on an equal footing with contractors from other countries. So far, we feel that we have succeeded reasonably well in doing

so. Quite a few Norwegian companies have taken advantage of these new opportunities.

We must establish a framework that allows Norwegian industry to be more extensively involved in the development of technical innovations. This is crucial, as Norwegian industry has to compete on the basis of high technological competence and innovation. In time, Norway can be among the leading countries in offshore technology, which in turn can stimulate new production and exports of new goods and services.

Healthy competition should prevail throughout the petroleum industry in order to increase efficiency. Norwegian goods and services should be utilized to the extent that they are competitive in quality, delivery and price. But it is in the national interest to avoid a policy of such privileges that can open the way for increases in the cost levels of the Norwegian companies, and thus in the long run undermine their competitiveness.

I will also take the opportunity here in Stavanger to stress the importance of close and constructive relations between employers and employees in the petroleum sector, and of moderate, reasonable and coordinated wage levels. Large wage increases in the oil industry will, through their effects on claims in other industries, adversely affect both the national inflation rate and the competitiveness of Norwegian industry.

I have now, I think, touched on some of the most important elements in our petroleum policy. We are at the same time facing both new challenges and new problems. These call for certain adjustments of the Norwegian petroleum policies, with the unadjustable aim that petroleum activities may benefit as much as possible the economy and our society as a whole.

Thank you.