

PRIME MINISTER

TRYGVE BRATTELI

Speech by Prime Minister Trygve Bratteli at the
Luncheon given by the Chamber of Commerce and the
Rotary Club, Duluth, October 17th, 1975.

Mr. President,

Ladies and Gentlemen:

Thank you for inviting my wife and myself to this luncheon and for giving us the opportunity to meet so many good representatives of the Duluth community.

Although Duluth is an inland city it is also a big port. As Norway is a shipping nation, having the fourth largest merchant fleet in the world, the relations between us may be more intimate than one would otherwise presume.

Duluth is, of course, also a center of settlement of Norwegian immigrants in the United States. As you may know, my present tour through the upper Midwest is connected with the 150th Anniversary of Norwegian Immigration into America. Being Prime Minister of Norway, I hope I will be excused for stressing in my public talks that Norway has changed very much indeed since the days of large-scale emigration across the

Atlantic, which started in 1825 and lasted for close to 100 years.

Very recently, my country embarked upon a new era of industrial development, namely that of oil production and oil processing. The subject of my talk to you here today will be concentrated on that subject.

Maybe I should first of all try to place this new development in its proper perspective. If there is one thing we want to avoid, it is a Clondyke-like development in oil and gas. Norway has already a very diversified economy. We want to preserve it diversified through the oil age, and even seek to use the new impulses and the extra income from oil and gas to strengthen and further diversify the national economy. Although we at present find ourselves only at the entrance to the oil age, we feel bound to have a perspective in our economic policies going beyond this era, which after all will be short in the history of mankind. We know from experience of our own and from other nations' that no natural resource of raw materials is inexhaustible. A good policy of exploitation therefore, also have to take into account the situation which exists when the resource is no longer productive.

While our off-shore oil and gas may be of considerable importance to the economy of Norway, it will be fairly insignificant on a global scale. When known Norwegian resources of oil and gas are becoming fully productive, they will amount to less than two per cent of world production. This means, among other things, that the world energy situation will not be changed very much

because of Norwegian resources. But in a European context the North Sea oil could be of importance for energy supplies and energy policy in this area of the world.

The search of oil and gas in the North Sea was originally started by discoveries of natural gas off the coast of the Netherlands toward the end of the 1950s. The special geological conditions which extend from the North Sea right into the Netherlands, made it apparent that deposits of petroleum would be found under the seabed in this area.

The first request for permission to search for petroleum was addressed to the Norwegian Government in the fall of 1962. Since then, the Government has granted a number of licences for exploration, drilling and production in specific, demarcated areas in the North Sea, inside so-called "blocks". Drilling operations were commenced in 1966.

Petroleum deposits have been discovered in a number of areas on the Norwegian continental shelf. The best known are the Ekofisk area, the Frigg field and the Statfjord area. Estimated recoverable reserves of deposits so far found are ^{for} oil 720 million tons and, for gas 700 million tons of oil equivalents. On the basis of geological surveys and experience total reserves on the Norwegian continental shelf south of 62° Lat.N. are estimated at 2-4 billion tons of oil equivalents, about evenly divided between oil and gas.

Seismic surveys have been carried out north of 62° Lat.N. In this area no blocks have been allocated

for exploration purposes and there are as yet no ongoing drilling operations. It is the intention of the Norwegian Authorities to start drilling in the North in the summer of 1977 at the earliest. The geological conditions indicate the possibility of petroleum deposits, but as of today nothing definite can be said in this respect.

The basis of our oil policy rests on our sovereignty, under international law, over the continental shelf outside Norwegian territory. South of 62° Lat.N the limits of the Norwegian continental shelf have been determined in accordance with the median line principle by agreements with Sweden, Denmark and the United Kingdom. North of this line the limits have not been precisely determined. One of the main tasks for the United Nations Conference on the Law of the Sea will be to establish more precise and firm criteria for the delimitation between national continental shelf areas and the international seabed area.

In accordance with an Act of 1963, it is the Norwegian State which has the right of ownership to the submarine natural resources on the Norwegian continental shelf. It is the State which also decides matters relating to the exploration for and exploitation of these resources. The Government can grant Norwegian and foreign companies licences to explore and exploit petroleum reserves. The Storting (Parliament) is kept currently informed about the Government's activities in this field. Questions of principal importance are submitted to the Storting prior to any decision.

Since this type of activity was new to Norway, the Norwegian authorities had to build up an oil

administration. The Norwegian Petroleum Directorate in Stavanger was established. It has the main responsibility for ensuring that the activities on the continental shelf are carried out in accordance with Norwegian regulations and concessions. A unanimous Storting on June 14th 1972 decided to establish the State Oil Corporation - Statoil. Under its terms of reference it shall engage in exploration for and production, transport, refining and marketing of petroleum either alone or by participation with other companies.

Statoil is an important instrument for implementing the oil policy laid down by the Norwegian authorities. It will take over the State's agreements with other oil companies. It will act on behalf of the Government vis-a-vis private interests and play an important role in the coordination of Norwegian industrial interests in petroleum operations.

The exploitation of petroleum resources shall benefit the Norwegian community as a whole. Wealth and opportunities shall not fall solely in the hands of economic interests directly involved in the operations. The resources shall provide the basis for the establishment of a new petrochemical and plastics industry, particularly in regions at present with a limited economic base. The Government's income from the production of oil and gas will provide new opportunities, for achieving a more equitable distribution of incomes, for improving living conditions and for creating a better society in qualitative terms. With these general objectives in view, the authorities have the control over production

and exports and the uses to which petroleum products are put. They have decided on a moderate exploitation tempo to economize with the resources and gradually to integrate petroleum operations into the Norwegian economy. On these considerations it is assumed that total production of oil and gas in the beginning of the 1980's could amount to about 90 million tons of oil equivalents. This corresponds to about 8 to 10 per cent of total energy consumption in Western Europe prior to the oil crisis.

From the outset it was necessary for Norway to utilize the technological know-how and capital of the international oil companies. This has been done in accordance with agreements concluded with the Government. The companies are subject to Norwegian jurisdiction. In due course Norway's own petroleum and industrial interests will become more actively engaged in all phases in the petroleum operation.

Thus, the production of petroleum products will far exceed Norway's domestic consumption which at present amounts to about 9 million tons of oil annually. By far the major proportion of oil, gas and processed products must be sold outside Norway. With the Storting's consent the Government has granted the Philips group, operating in the Ekofisk area, permission to land oil at Teesside in England and gas at Emden in Germany, by means of a pipeline system. Studies are being carried out concerning the possibilities of laying pipelines to Norway.

The exploitation of the Norwegian petroleum resources must be seen in the global context. Due regard shall also be paid to the interests of future generations in these non-renewable resources. Norway advocates a rational and prudent exploitation of the world's resources in oil. Together with other nations Norway is engaged in the task of developing a world wide and a long term energy policy which takes into consideration the interests of both the producers and consumers of oil. This work goes on both in the United Nation and in regional organizations, like the Organization for Economic Cooperation and Development to which the Western industrial nations are members. Through this organization one seeks to find a common ground for cooperation in these matters also with the big oil exporters.