



Why the Norwegian Continental Shelf?

ONS,
Stavanger 26th August 2004

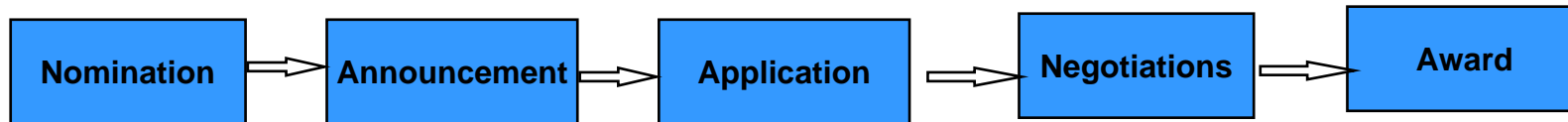
Gunnar Gjerde
Director General
Ministry of Petroleum and Energy

Myths about the Norwegian Continental Shelf

- “Past its prime” as a petroleum province
- Lack of interesting opportunities and reserve base
- A system of government take that is strangling every project
- Unnecessary, costly environmental and safety demands
- Closed club for specially invited players and friends
- Authorities with a 1970`s mindset, totally out of touch with today's globalized marked conditions

Licensing policy

- Frontier areas:
 - Awards every second year



- Mature areas:
 - Annual awards in fixed pre-defined exploration areas covering all mature acreage on the NCS
 - Announcement of acreage: January
 - Deadline for applications: 1st October
 - Awards of Production Licences: December

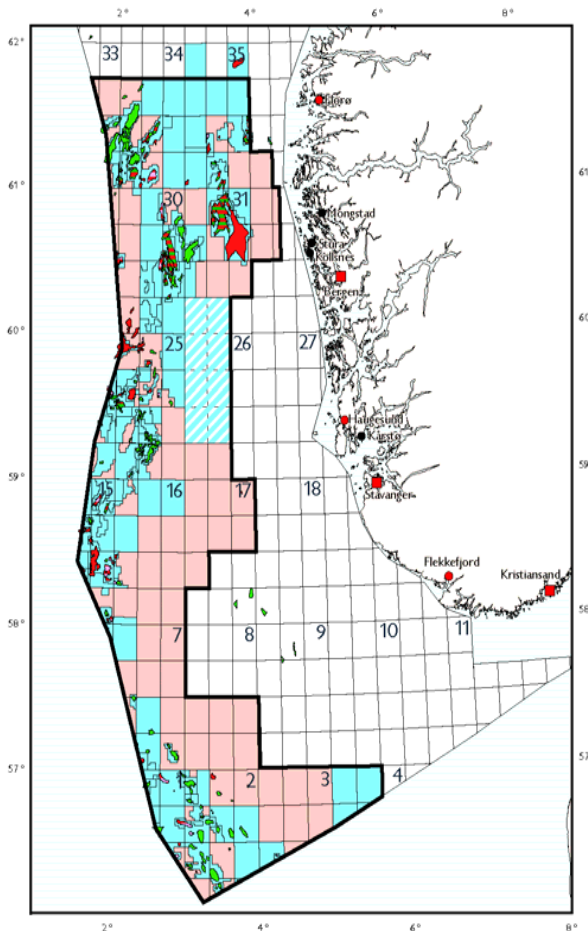
 - Production Licenses on the NCS is awarded based on announced and non-discriminating criteria.

Awards in Predefined areas

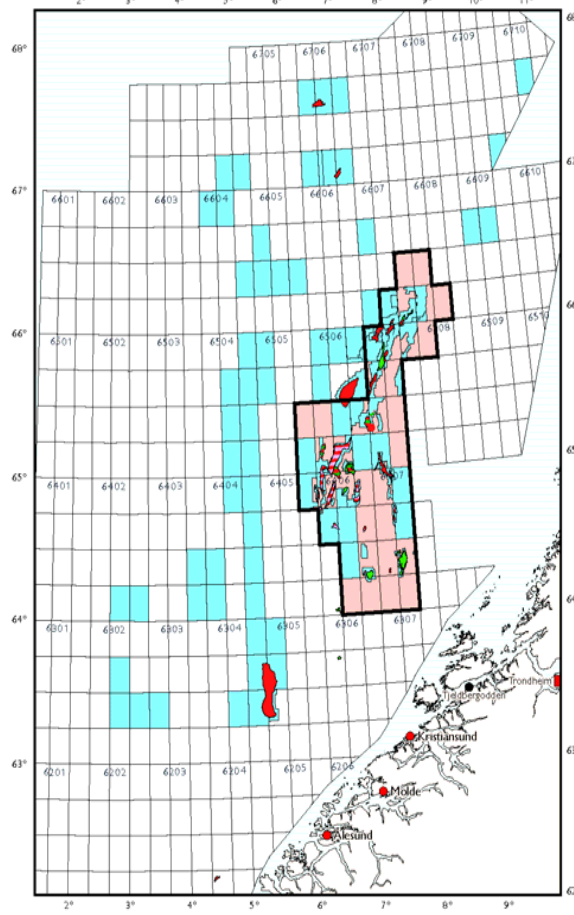
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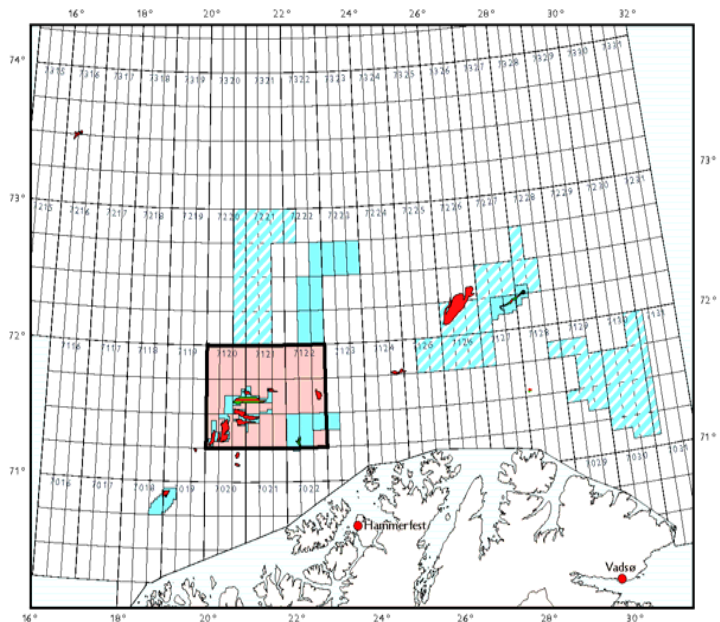
North Sea



Norwegian Sea



Barents Sea



- Licenced acreage
- Announced blocks
- Seismic area
- Predefined area

The maps show licenced acreage and announced blocks as of the 29th of January. These areas can change through the application period. The NPD's interactive Factmaps (NPD's homepages) contain daily updated information showing the current area available for application.

Characteristics of the Norwegian Petroleum Tax System

Today's system - A short description:

- 28% corporation tax, 50% special petroleum tax
- Full consolidation of income and expenses
- No signature bonuses
- All expenses are tax deductible
- Investments are depreciated at a high rate (6 years)
- Uplift allowance against special tax. May deduct 30% more than the investment
- Financial costs may be deducted against both the corporation tax and the special tax

Effects of the system

- Projects with a nominal return of around 12-15 % are sheltered from the special tax
- The system performs well regarding, net present value per dollar invested, break-even prices and required probability of discovery
- The Norwegian system: Low risk, Few distortions to pre-tax economics.

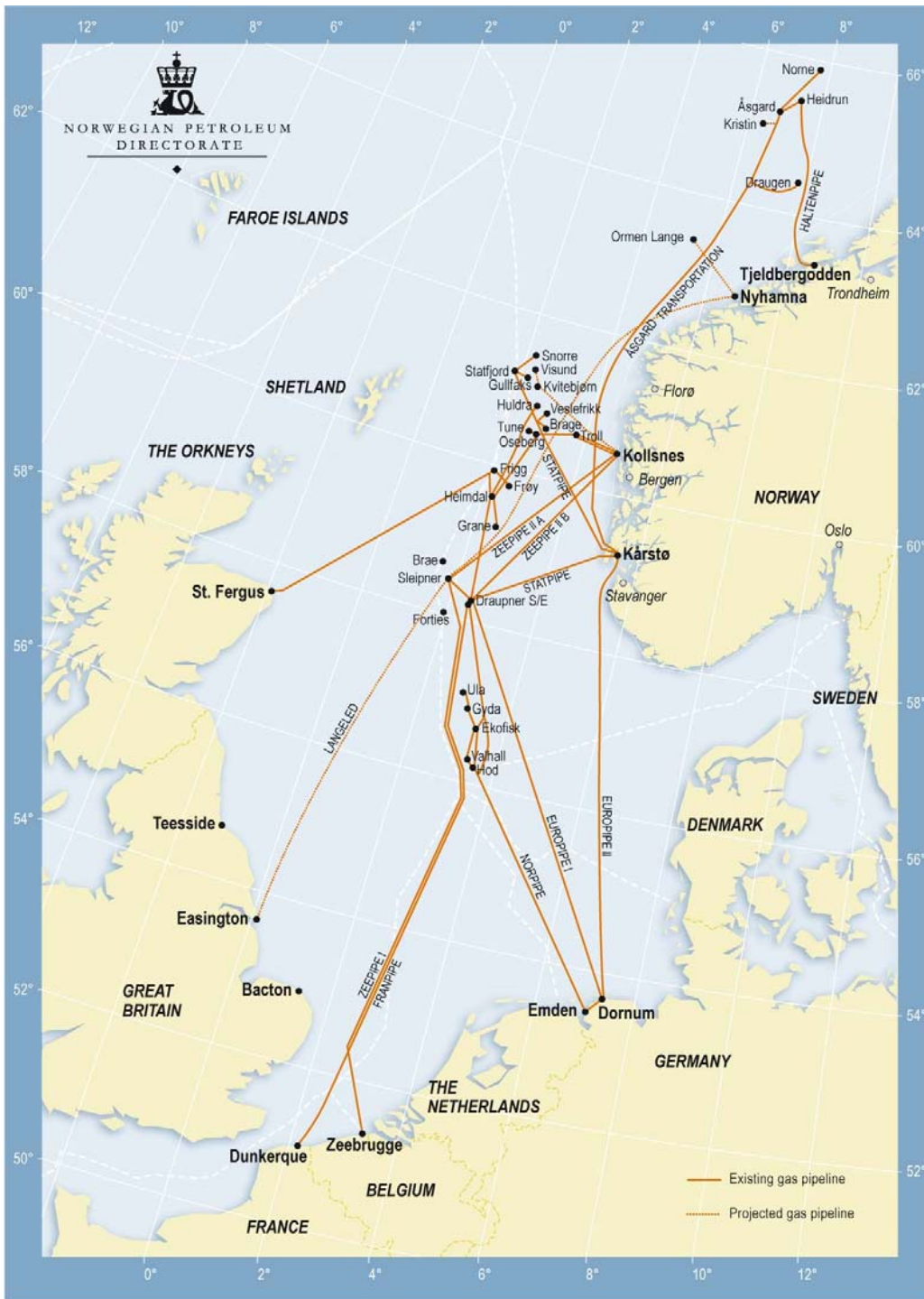
Proposed amendments to the petroleum tax act

Three main amendments:

- The tax value of uncovered losses derived from exploration activities will be reimbursed
- Disbursement of the tax value of losses carried forward when the company ceases its activities
- 30% uplift against special tax over four years instead of six years for new investments

The proposed amendments will:

- Increase fiscal certainty for new companies
- Improve the profitability of investments in i.e. tail-end production and improved oil recovery
- Simplify trading in licenses



Third Party Access

Production Installations

- Negotiated third party access (TPA)
 - Recommended industry guidelines
 - Government approval

- The ministry is looking into possible improvements in the framework

Gas Transportation

- Independent operator - Gassco
- Uniform ownership – Gassled
- Regulated access
 - Objective and non-discriminatory
 - Transparent and simple (online)
 - Flexible

New Companies on the NCS

- The system of pre-qualification was introduced in the Storting proposition (Bill) number 39 (1999 – 2000).
- Since then, 18 new companies have been pre-qualified as operator or non-operator licensee.
- Awards in predefined areas 2003: 15 companies were awarded production licenses, 3 of these companies were relatively new; Revus, Talisman and BG Group

Pre-qualified/ new companies since 2000

Sumitomo	OER	BG Group
Paladin	Talisman	Mærsk
Aker Energy *	Ruhrgas	Anadarko
Dong	Kerr McGee	Lundin
Pelican *	Pertra	Lasmo*
GdF	Revus	Petoro
Lundin		

* Companies that no longer exists as individual companies

Under assessment:

Oranje Nassau
Endeavour
Noble Energy
Centrica
Marubeni
Altinex
Vienco

Why the NCS?

- Good resource base
- Predictable regulatory framework
- Close dialogue between the Authorities and the industry
- Award of Production licenses based on the applicant's qualifications in petroleum related areas
- Proximity to gas markets