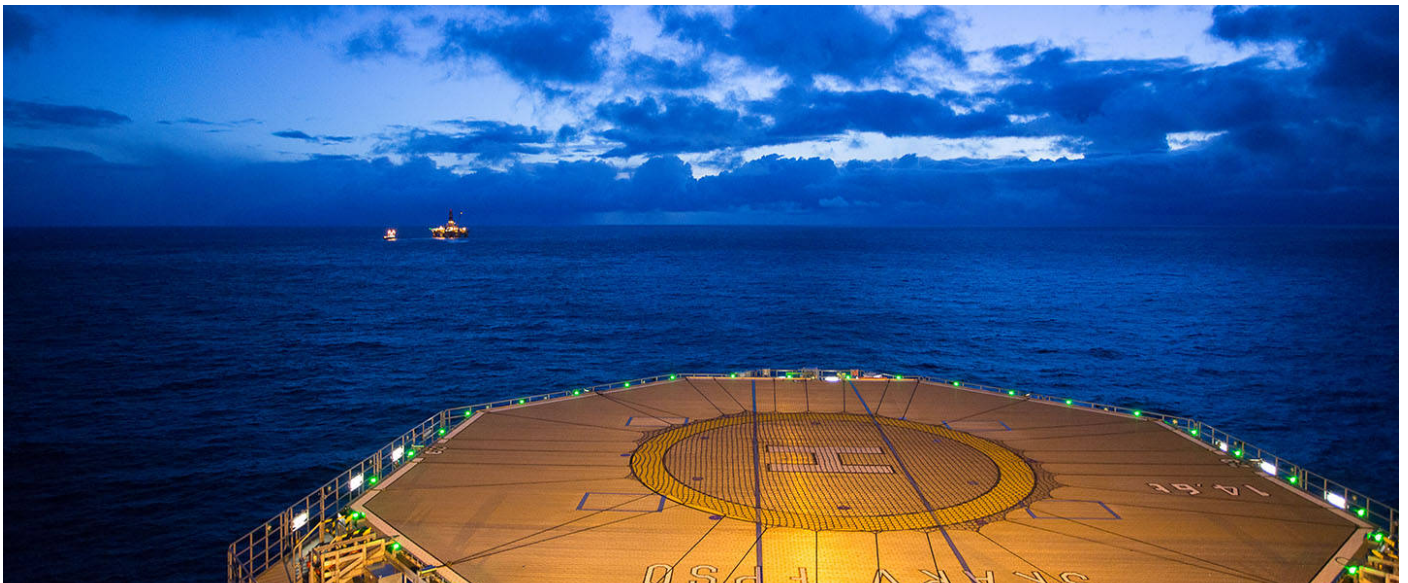


NORWEGIAN PETROLEUM

STATE ORGANISATION OF PETROLEUM ACTIVITIES

To ensure that the petroleum industry takes important public interests into account and that resources are utilised as effectively as possible, the petroleum industry must be well organised, with clearly defined areas of responsibility.



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RESPONSIBILITIES

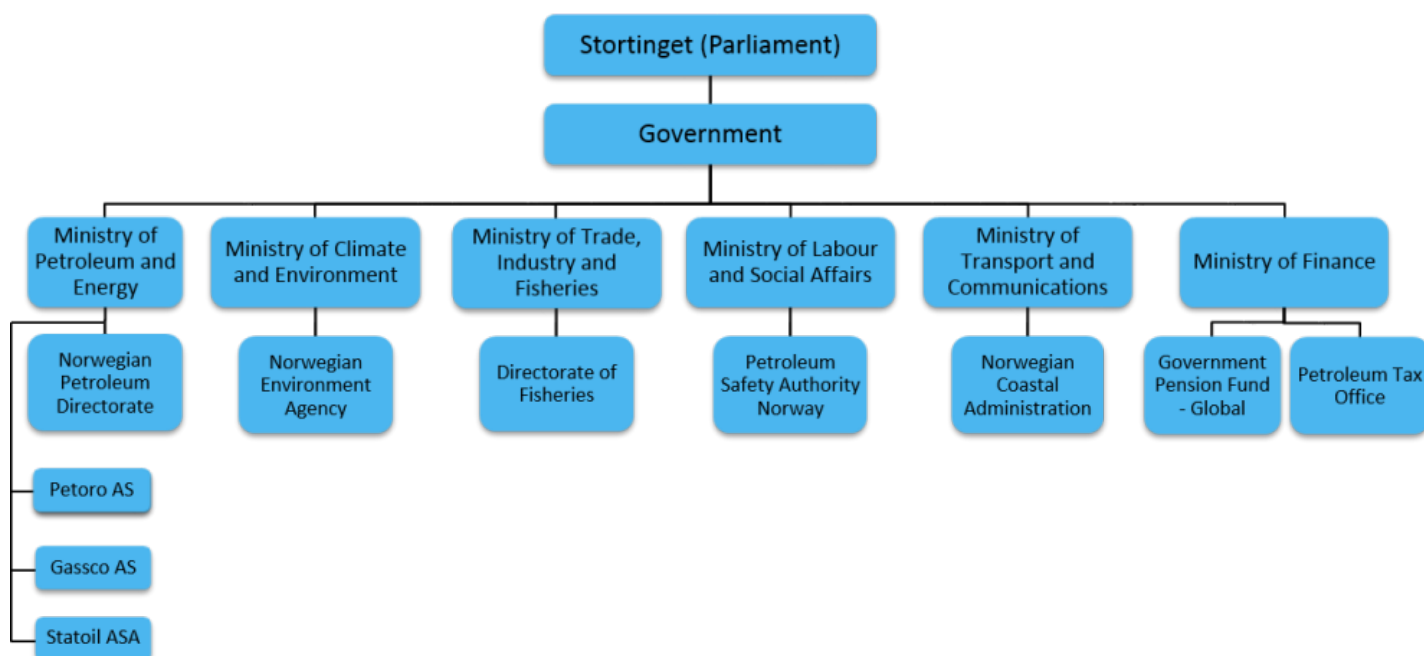
The Storting

The Storting (Norwegian parliament) sets the framework for petroleum activities in Norway, partly through its legislative powers. All matters of principle, including major development projects, must be debated by the Storting. The Storting also supervises the government and the public administration.

Even though the composition of the Storting varies over time, the overall framework for Norwegian petroleum policy has remained stable. For many years, there has been broad political agreement on the main lines of petroleum policy, which has provided the industry with a predictable and stable framework for its operations. This is particularly important for the petroleum industry, which has a long time horizon for its operations and is highly capital intensive.

STATE ORGANISATION OF PETROLEUM ACTIVITIES

Source: The Ministry of Petroleum and Energy



Government, ministries and subordinate agencies

Executive powers rest with the Government, which is responsible for carrying out petroleum policy and is accountable to the Storting. The Government is assisted in this role by the ministries and subordinate agencies. Responsibility for implementing petroleum policy is divided as follows:

Ministry of Petroleum and Energy and Norwegian Petroleum Directorate

The Ministry of Petroleum and Energy is responsible for resource management and the petroleum sector as a whole. It is also responsible for managing the state's ownership interests in Statoil ASA, Gassco AS and Petoro AS, and also for the State's Direct Financial Interest (SDFI) in the petroleum industry.

The Norwegian Petroleum Directorate is a subordinate agency of the Ministry of Petroleum and Energy. It plays a key role in petroleum management and is an important advisory body for the Ministry. The Directorate exercises administrative authority over petroleum exploration and production on the Norwegian continental shelf, and has powers to adopt regulations and make decisions under the petroleum legislation.



*Good cooperation
within the public
administration
(Photo: OED, Olav
Hegge)*

Ministry of Labour and Social Affairs

The Ministry of Labour and Social Affairs has the overall responsibility for the working environment and for safety and emergency preparedness in the petroleum sector.

The Petroleum Safety Authority Norway is a subordinate agency of the Ministry of Labour and Social Affairs and is responsible for technical and operational safety, emergency preparedness to deal with both accidents and wilful acts such as sabotage, and the working environment throughout the petroleum industry.

Ministry of Finance

The Ministry of Finance has the overall responsibility for the taxation system for the petroleum sector. 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 laid down by the political authorities.

The Directorate of Customs and Excise is responsible for correct assessment and payment of the NOx tax.

The Ministry of Finance is also responsible for management of the Government Pension Fund Global. Operative responsibility has been delegated to Norges Bank (the Norwegian central bank).

Ministry of Transport and Communications

The Ministry of Transport and Communications is responsible for preparedness and response to acute pollution in Norwegian waters. The Norwegian Coastal Administration is one of its subordinate agencies and is responsible for governmental oil spill preparedness and response.

Ministry of Trade, Industry and Fisheries

The Ministry of Trade, Industry and Fisheries is consulted as part of the procedures for awarding licences, to facilitate coexistence between the petroleum and fisheries industries.

Ministry of Climate and Environment

The Ministry of Climate and Environment has overall responsibility for environmental policy and environmental protection in Norway. The Norwegian Environment Agency is a subordinate agency of the Ministry, and has inspection and enforcement responsibilities under the Pollution Control Act.

STATE OWNERSHIP

Petoro AS

Petoro is a wholly state-owned company that manages the commercial aspects of the State's Direct Financial Interest (SDFI). Through the SDFI, the Norwegian State participates directly in petroleum activities on the Norwegian continental shelf. Petoro is the licensee for the state's share of production licences and ownership in fields and pipelines on the Norwegian shelf and associated onshore facilities.

Petoro's main objective in managing the SDFI is to maximise state revenues from the portfolio. Petoro was established in 2001 and has almost 70 employees. The Ministry of Petroleum and Energy is responsible for managing the state's ownership of Petoro.

Statoil ASA

Statoil is an international energy company with about 22 000 employees in 37 countries. Its main activities are oil and gas production, and the company is operator for about 70 % of all oil and gas production on the Norwegian shelf. The company was established in 1972 and is listed on the Oslo and New York stock exchanges.

Statoil's board is responsible for commercial development of the company. The Norwegian state owns 67 % of the shares in Statoil, and the Ministry of Petroleum and Energy is responsible for managing the state's ownership interest.

The objective of state ownership of Statoil is to maintain a knowledge-based, high-technology company that has its main base in Norway. Statoil is run on a commercial basis.

Gassco AS

Gassco was established in 2001 and is a wholly-owned state company. Gassco does not make a profit or a loss from its own operations. Gassco is the neutral and independent operator of the gas transport system, and is responsible for operating the infrastructure on behalf of the owners. The Ministry of Petroleum and Energy manages the state's ownership interest in Gassco.

ORGANISATION OF THE PIPELINE TRANSPORT SYSTEM

One of the main objectives for the authorities is to achieve the greatest possible value creation from the extraction of Norwegian petroleum resources. Efficient systems for transporting oil and gas from the fields are an important element of efforts to achieve this.

Gas transport infrastructure is under much tighter state control than the oil and gas fields, where the companies are responsible for operations. This is because the infrastructure is a natural monopoly and plays such a key role in operations. One important consideration for the authorities is therefore to ensure that transport capacity is available for all those who need to transport gas. In addition, tariffs for access must be low enough to avoid unnecessary costs for producers. Another important responsibility for the authorities is to ensure cost-effective, integrated development of the gas transport system.

The oil transport system is not as closely regulated as the gas transport infrastructure, mainly because transport is a less important part of the value chain for oil.

One of the main objectives for the authorities is to achieve the greatest possible value creation from the extraction of Norwegian petroleum resources

GAS PIPELINES

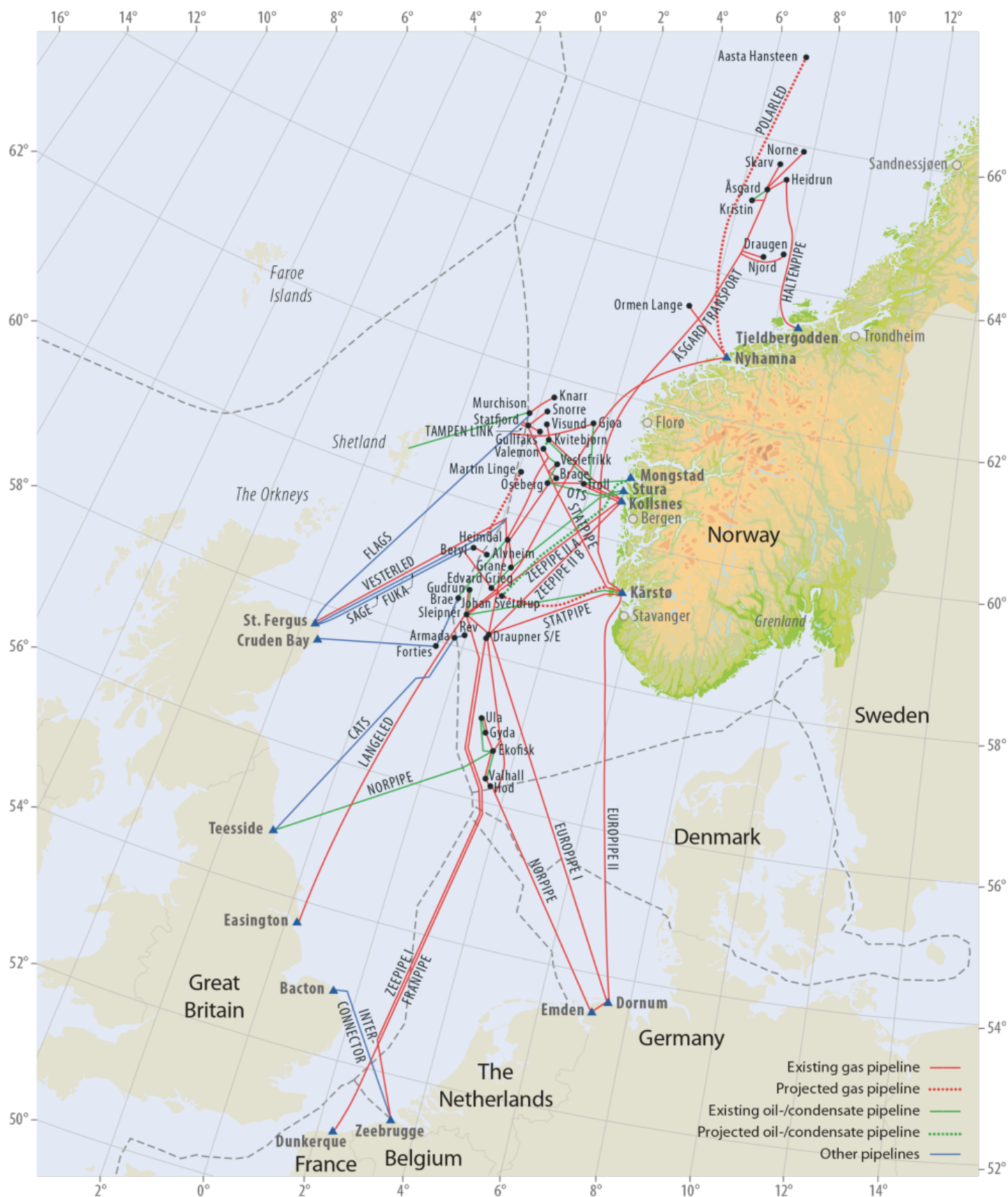
The authorities play an important role in ensuring that processing and transport capacity is developed to meet future needs. It is also essential to ensure that the Norwegian gas transport system operates efficiently. The operator Gassco, the joint venture Gassled and regulated access to the transport system are important elements of the framework. The gas transport system is governed by Chapter 9 of the Petroleum Act and Chapter 9 of the Petroleum Regulations.

The Norwegian gas transport infrastructure includes several receiving terminals in other countries. Norway and the countries where gas from the Norwegian shelf is landed have concluded agreements regulating their rights and obligations in this connection.

OIL, CONDENSATE AND GAS PIPELINES ON THE CONTINENTAL SHELF

Updated: 04.02.2016

Source: The Norwegian Petroleum Directorate



Gassco

Gassco was established in 2001, and is 100 % state-owned. Gassco is the neutral, independent operator of the gas transport system, and plays two different roles, often called 'special operatorship' and 'normal operatorship'. Special operatorship means the responsibilities Gassco is directly assigned under the Petroleum Act and associated regulations. These include its role in developing new infrastructure, administering system capacity and coordinating and managing gas streams through the pipeline network to markets. Normal operatorship means running the infrastructure in accordance with the requirements of the Petroleum Act and the health, safety and environment legislation.

Gassco's neutrality and independence as operator are intended to ensure that all users of the gas transport system are treated equally, and are also important when Gassco plans new infrastructure and gives advice to the authorities. As the system operator and the actor with the best overview of the system, Gassco has the task of further developing integrated Norwegian gas infrastructure. This means for example that when major development projects are being evaluated, other gas fields than those that have a clearly defined need for gas transport must also be taken into consideration. Interactions between new and existing infrastructure must also be part of the assessment.

Gassled

Gassled is a joint venture that owns most of the gas infrastructure on and serving the Norwegian continental shelf: pipelines, platforms, onshore processing plants and receiving terminals abroad. Organisation as a joint venture means that it is possible to avoid conflicts of interest, for example when deciding which pipeline should be used to transport gas from a particular source. This ensures that gas is transported as efficiently as possible, thus helping to maximise value creation.

Gassled's activities are regulated by the Petroleum Regulations, and tariffs for individual services are determined by the Ministry of Petroleum and Energy. Gassled has no employees, but a system of committees with specific tasks. The figure below shows Gassled's ownership at the end of 2015.

OWNERSHIP IN GASSLED AS OF 31 DECEMBER 2015

Updated: 23.02.2016

Source: Gassco

Company	Share
CapeOmega	2.7
Dea Norge AS	0.1
GDF SUEZ E&P Norge AS	0.3
Infragas Norge AS	5.0
Njord Gas Infrastructure AS	8.0
Norsea Gas AS	2.3
Petoro AS	45.8
Silex Gas Norway AS	6.1
Solveig Gas Norway AS	24.8
Statoil Petroleum AS	5.0

Regulation of access to the pipeline system

The gas transport system is a natural monopoly, requiring substantial infrastructure investments in the development phase. Access to the system and tariffs for its use are therefore regulated by the authorities through chapter 9 in the "Regulations to Act relating to petroleum activities" and the "Regulations relating to the stipulation of tariffs etc. for certain facilities".

To promote sound resource management, the tariffs are set such that returns from oil and gas production are mainly derived from the producing fields, while at the same time providing a reasonable return on investment for the infrastructure owners. This avoids a situation where development projects for fields and discoveries that are profitable for society are not commercially viable because the cost of using the transport system is too high. The petroleum companies are given access to capacity in the system on the basis of their needs. To provide flexibility, the users are allowed to exchange transport rights if their needs change.

OIL PIPELINES

The oil transport system is not as closely regulated as the gas transport infrastructure, mainly because transport is a less important part of the value chain for oil. The cost of transport is lower in relation to the product price, and buoy-loading directly on to tankers on the oil fields is an alternative to using pipelines and terminals. There is no single integrated system of oil pipelines and terminals: the infrastructure is divided into four different systems connected to the terminals at Sture, Mongstad and Kårstø in Norway and Teesside in the UK.

The owners and users negotiate agreements on access to oil transport infrastructure between themselves. Like negotiations on the use of infrastructure on the fields, these negotiations are governed by the Regulations relating to the use of facilities by others.

More information about the pipeline transport system [here](#).

Updated: 23.02.2016