10 commanding achievements

15.12.2010 The standing committee on industry in the Storting (parliament) produced what has since been known as the “10 oil commandments” in 1971. These principles have subsequently been significant for the direction and shape of Norwegian petroleum policy. Veteran industry observer Bjørn Vidar Leroen checks out their impact.

The committee framed its commandments in keeping with a government desire to develop an oil policy which ensured that the natural resources on the NCS benefited the whole community.

First commandment
National supervision and control must be ensured for all operations on the NCS.
Comment
This principle can be regarded as fulfilled. The government wanted to manage and control the business. When creating Statoil and the NPD in 1972, the Storting established a tripartite model comprising central management, administrative and commercial functions.

These three instruments of this model were the Ministry of Industry – replaced by the Ministry of Petroleum and Energy in 1978 – the NPD and Statoil respectively.

In 1984, the Storting resolved to split Statoil’s cash flow through the creation of the state’s direct financial interest (SDFI) in the petroleum industry. The company kept the job of managing the state’s licence holdings and selling its oil and gas.

Two new state-owned companies were founded when Statoil was listed in 2001 – Petoro to manage the SDFI portfolio and Gassco to operate the gas transport network from fields on the NCS. Statoil is the main technical service provider to the latter.

Changes have also happened to the NPD, with the Storting voting in 2004 to separate off the safety department as the Petroleum Safety Authority Norway (PSA).

The audits conducted by this agency take full care of the desire for national management and control of all operations on the NCS.

Second commandment
Petroleum discoveries must be exploited in a way which makes Norway as independent as possible of others for its supplies of crude oil.

Comment
When Ekofisk was discovered in late 1969, most Norwegians thought it would make them selfsufficient in oil for 15-20 years. But it soon became apparent that resources on the NCS far exceeded Norway’s own needs.

The country accordingly became a major exporter of crude oil, and is now in the process of becoming an even bigger source of gas exports. Norway will be independent of oil imports for the foreseeable future.

Third commandment
New industry will be developed on the basis of petroleum.

Comment
Offshore operations on the NCS have led to the development of a large and strong Norwegian petroleum industry, which currently employs some 200 000 people.

Norway has secured a position among the world leaders in important technologies such as drilling, major offshore projects, subsea solutions and multiphase flow in pipelines.

Norwegian oil and gas technology has also become a substantial export commodity.

Fourth commandment
The development of an oil industry must take necessary account of existing industrial activities and the protection of nature and the environment.

Comment
Oil and gas have made Norway one of the world’s richest countries. This wealth has been counterbalanced by a high level of domestic costs. Through 40 years as an oil nation, its industrial structure has also undergone profound changes.

Petroleum revenues have allowed Norway at times to pursue a counter-cyclical economic policy which has made the country unique in relation to comparable nations.
Reserves of more than NOK 3 000 billion have been accumulated in the government pension fund – global, and Norway has also been able to respond to the recent world financial crisis with measures which have ensured low unemployment and reasonable income growth.

During Norway’s years as a petroleum producer, climate and the environment have come to attract much greater attention. Being a major oil and gas nation while also seeking to lead work on improving climate and the environment has often proved a demanding combination.

On the other hand, Norwegian petroleum production can be described as among the cleanest in a global context.

Fifth commandment
Flaring of exploitable gas on the NCS must not be accepted except during brief periods of testing.

Comment
This principle has been indicative for resource management, and complying with it has meant that environmental concerns are met while creating substantial value.

Sixth commandment
Petroleum from the NCS must as a general rule be landed in Norway, except in those cases where socio-political considerations dictate a different solution.

Comment
This proved a difficult commandment to fulfil. The oil and gas pipelines for first two developments on the NCS, Ekofisk and Frigg, had to go to Germany and the UK, with landfalls at Emden, Teesside and St Fergus.

This was because the deepwater Norwegian Trench lies between the fields and mainland Norway. So crossing this feature in 360 metres of water with the Statpipe gas line during the early 1980s marked a major breakthrough.

That installation went to Kårstø north of Stavanger. Later gas pipelines have come ashore at Kollsnes, Nyhamna, Tjeldbergodden and Melkøya, while oil lines run to Sture and Mongstad.

A network more than 7 000 kilometres long gives Norway the world’s largest underwater gas transport system.

Seventh commandment
The state must become involved at all appropriate levels and contribute to a coordination of Norwegian interests in Norway’s petroleum industry as well as the creation of an integrated oil community which sets its sights both nationally and internationally.

Comment
This principle is perhaps the one which has been most fully implemented, as confirmed by Norway’s role as a leading oil and gas nation. (See under the first commandment above.)

Eighth commandment
A state oil company will be established which can look after the government’s commercial interests and pursue appropriate collaboration with domestic and foreign oil interests.
Comment
This commandment was complied with immediately through the creation of Statoil, which became an important element in the Norwegian model of oil industry governance. However, major revisions have occurred along the way (see under the first commandment above).

Unlike a number of other oil nations, Norway was never tempted to pure nationalisation. Competition on the NCS ensured the participation of the world’s leading technology specialists.

Ninth commandment
A pattern of activities must be selected north of the 62nd parallel which reflects the special socio-political conditions prevailing in that part of the country.

Comment
“Special socio-political conditions” were interpreted as both domestic and foreign policy concerns. From the start, Norwegian politicians appreciated that petroleum operations in the far north could be sensitive, primarily in relation to Russia.

A number of commentators argued that the far northern NCS should be reserved for Norwegian oil companies.

After four decades of negotiation, the biggest issue – the boundary between Norway and Russia in the Barents Sea – is now heading for a resolution.

The domestic policy dimension related to the desire that northern Norway should share in the value creation provided by its own resources. Development of the Snøhvit gas field with a pipeline to Melkøya outside Hammerfest represents a paradigm shift for the region.

Debate on opening areas of the Norwegian Sea off Lofoten and Vesterålen to oil activity has exposed something of the vulnerability of these northern waters to pollution threats.

The environmental movement has warned of a tougher fight against petroleum operations in these areas than they pursued earlier over the activities further south on the NCS.

Tenth commandment
Large Norwegian petroleum discoveries could present new tasks for Norway’s foreign policy.

Comment
Former foreign minister Thorvald Stoltenberg – father of current premier Jens Stoltenberg – once formulated the challenge as follows: “We must ensure that oil policy is given a foreign policy dimension, and [vice versa].”

That might sound like something which goes without saying, but nevertheless represented an important acknowledgement of the position.
CONTENTS

Paper wells >>
Doing well >>
The interview: Bookkeeper for the master plan >>
10 commanding achievements
Tough line pays off >>
Netting the benefits >>
Free flow of facts >>
Combating the short-term approach >>
Government instruments >>
Questions of image >>
NPD profile: Popular on paper >>
Powering ahead on the NCS >>
Off to a good start >>
Closing the circle >>
An oil model >>
Rock shots >>
<< Main page

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