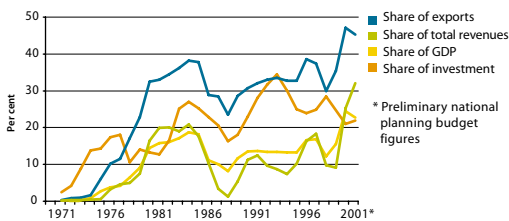




# 1 Summary





**Figure 1.1** Macroeconomic indicators for the petroleum sector. (Source: Statistics Norway)

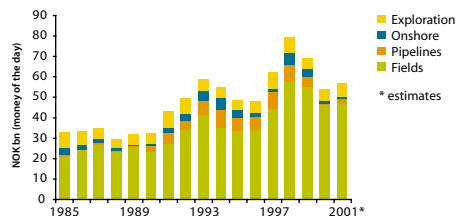
The petroleum sector is highly significant for the Norwegian economy. Figure 1.1 presents various indicators from the national accounts for this sector as a percentage of the total national economy. Its share of gross domestic product, exports and total government revenues has been substantial over the past two decades, reaching a particularly high level in 2000 and 2001.

The principal reason why revenues were so high in these two years is a combination of high oil prices, a strong USD against the NOK and historically high petroleum production. The share of petroleum investment in total capital spending in the Norwegian economy was at its highest in the early 1990s.

Total investment in the petroleum sector has been above NOK 40 bn every year since 1992, and peaked in 1998 at roughly NOK 80 bn. Capital spending declined to around NOK 56.9 bn in 2001. Figure 1.2 shows investment in the petroleum sector by exploration, land-based petroleum operations, pipelines and fields.

Figure 1.3 breaks down the government's net cash flow from petroleum operations into its components. This clearly shows that the government's most important revenue sources in recent years have been cash flow from the state's direct financial interest (SDFI) and from taxes.

Production of crude oil has averaged around three mill barrels per day since 1996. The figure for 2001 was 3.1 mill barrels. Including natural gas liquids (NGL) and condensate raises the 2001



**Figure 1.2** Investment 1985-2001. (Source: Statistics Norway)

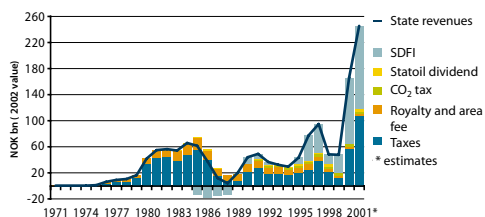
average to 3.4 mill barrels oe per day. At 53 mill scm oe, gas production was also high in 2001. Total petroleum output in mill scm oe is shown in figure 1.4.

Oil production is expected to remain more or less unchanged over the next few years, and then to go into a gradual decline. Gas output, on the other hand, should expand substantially over the coming decade and is expected to be increasingly significant in Norwegian petroleum output in future.

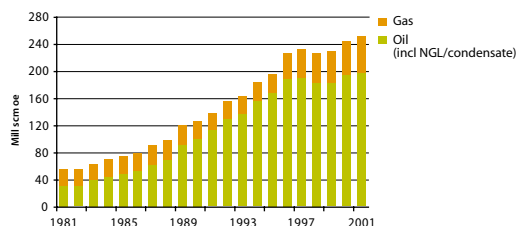
The petroleum sector is also a substantial player internationally. Norway ranks as the world's sixth largest producer and third largest net exporter of oil. It is also the world's third largest exporter of pipeline gas, and Norwegian foreign sales of this commodity accounted for about two per cent of global consumption in 2001. Roughly 10 per cent of west European gas consumption is covered from Norway.

Several changes were made to state participation in the petroleum sector during 2001. The government sold 15 per cent of the state's direct financial interest (SDFI) to Statoil, which was also partially privatised. A further 6.5 per cent of the SDFI portfolio was sold in 2002. In connection with the partial privatisation of Statoil, two new state-owned companies were also established. Petoro will manage the SDFI portfolio, while Gassco is a transport company for natural gas<sup>1</sup>.

<sup>1</sup> See chapter 3, State organisation of petroleum operations.



**Figure 1.3** Net cash flow to the state from petroleum operations. (Source: National accounts and state budget)



**Figure 1.4** Total petroleum production 1981-2001. (Source: NPD)