



THE NORWAY REPORT:

- Why we went
- Who went
- What we learned

NORWAY

with Alaskan cities at corresponding latitudes



Why We Went:

Focus upon Energy Development as Economic Drivers of a Successful Economy and Society:

- Oil and Gas Development for Export
- Internal Consumption of Renewable Energy

Who Went:

45 Alaskans:

- 12 Legislators (Republicans and Democrats)
- Oil and Gas Industry Representatives
- Renewable Energy Practitioners and Advocates
- Local Government Reps: N. Slope to S.E. AK
- Economic Development Interests/Investors
- One Fed

What We Learned:

- Norwegians are not worried about their economic future
- Norway is in control of its oil and gas development to a greater degree than Alaska:
 - Norway successfully attracts private investment
 - Through its tract licensing system and co-investment, Norway's and the private petroleum sector's financial interests are aligned
 - Norway owns much of its pipeline system
- Norwegian society tends to be cooperative

Norway Today

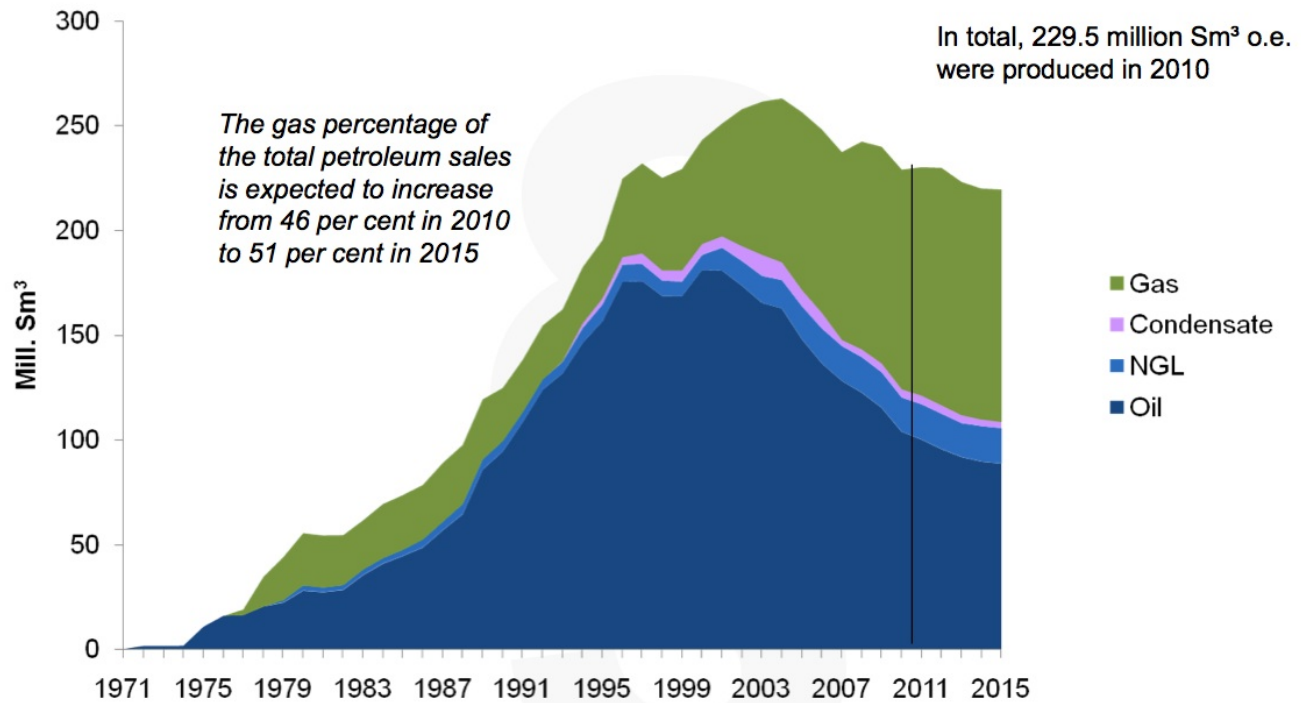


Norway Statistics (2010):

- Population: 4,888,000 (7x that of Alaska)
- Income Per Capita: \$88,400 (vs. \$43,209 AK)
- Income: GDP/PPP: \$59,100 (vs. \$47,700 U.S.)
- % of Government annual expenditure paid by oil and gas revenues: 26% (vs. 80-90% AK)

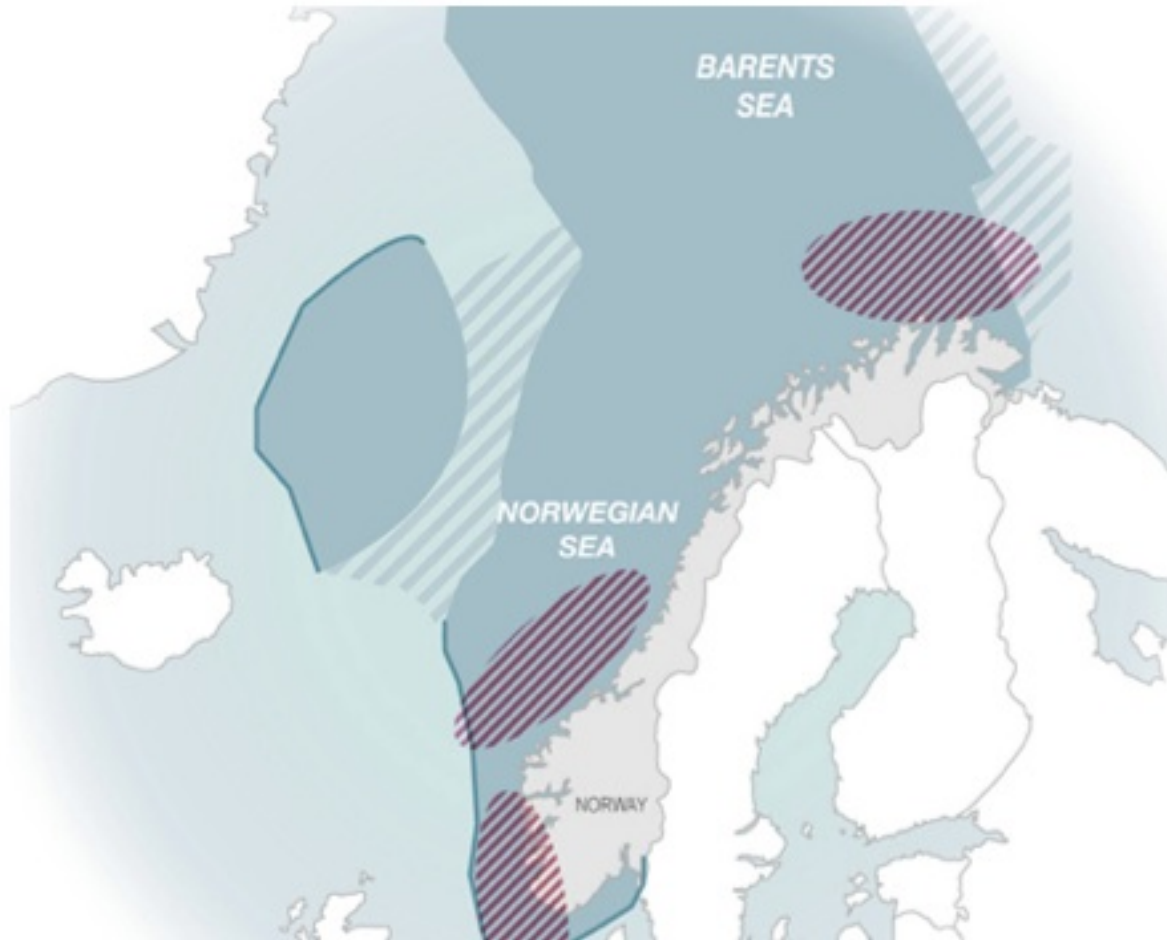
Norway's Oil and Gas Production: Going Strong

Petroleum production



* Inkludert gass og kondensat

Norway's Continental Shelf



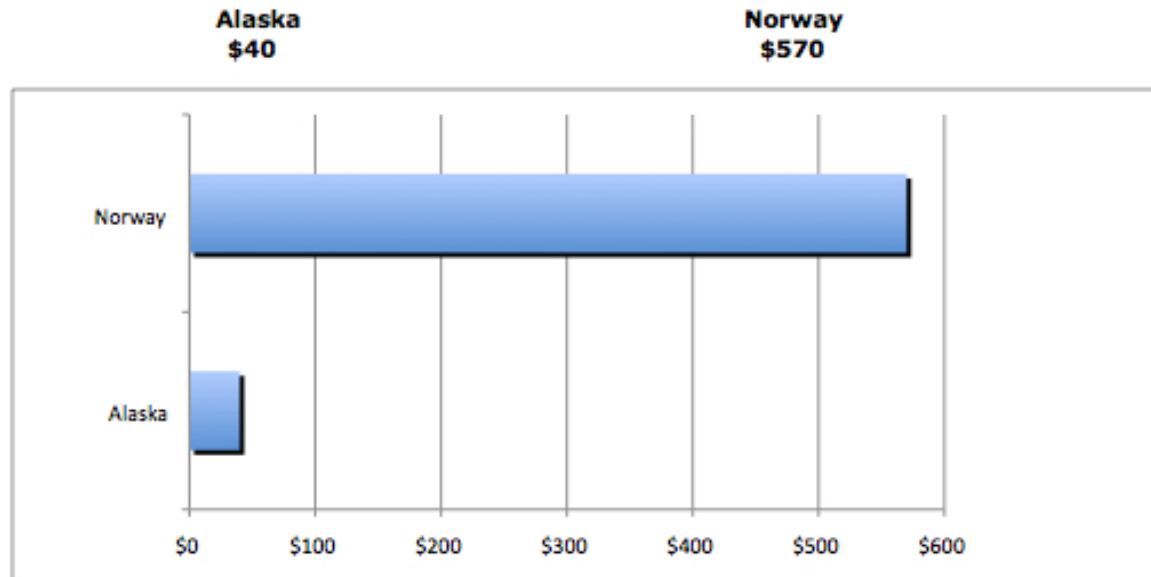
What We Learned:

- Norway is converting its non-renewable resources into a perpetual endowment for future generations.
- They are doing so at an incredible rate.
- Fiscal planning in Norway has a multi-generational horizon.

What We Learned:

Norway's Oil Fund vs. Alaska's Permanent Fund

In Billions of US Dollars September 2011



Norway: First deposit in 1996. 12 billion barrels produced since 1996.
Alaska: First deposit in 1977. 19 billion barrels produced since 1977.

What We Learned:

- **Norway, known as a socialist nation, has embraced the power of capital investment and takes calculated risks with its own money.**

What We Learned:

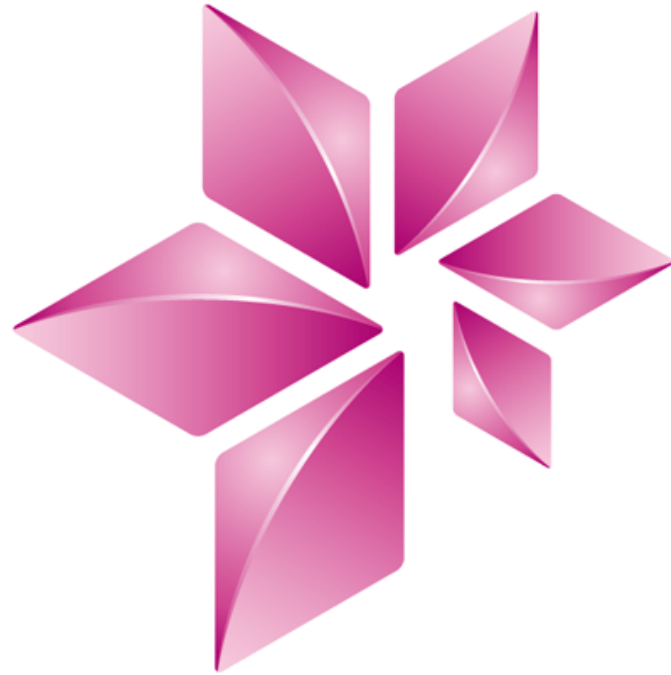
- The #1 investor in Norway's oil and gas development is.....

NORWAY

What We Learned:

- Norway has developed a large Norwegian-based oil and gas industry.

How They Did It:



Statoil



Statoil

- Started by the Norwegian government in the 1970's to learn the oil business and bring jobs to Norwegians, STATOIL is now a publicly traded private oil and gas giant.
- Norway earns dividends of \$3,000,000,000 per year from its ownership of 68% of STATOIL's shares.

What We Learned:

- STATOIL is now operating in 34 countries
- North American Headquarters in Houston
- With 140 Norwegian oil and gas support companies
- Norway's #2 export: Oil and gas support and expertise

What We Learned:

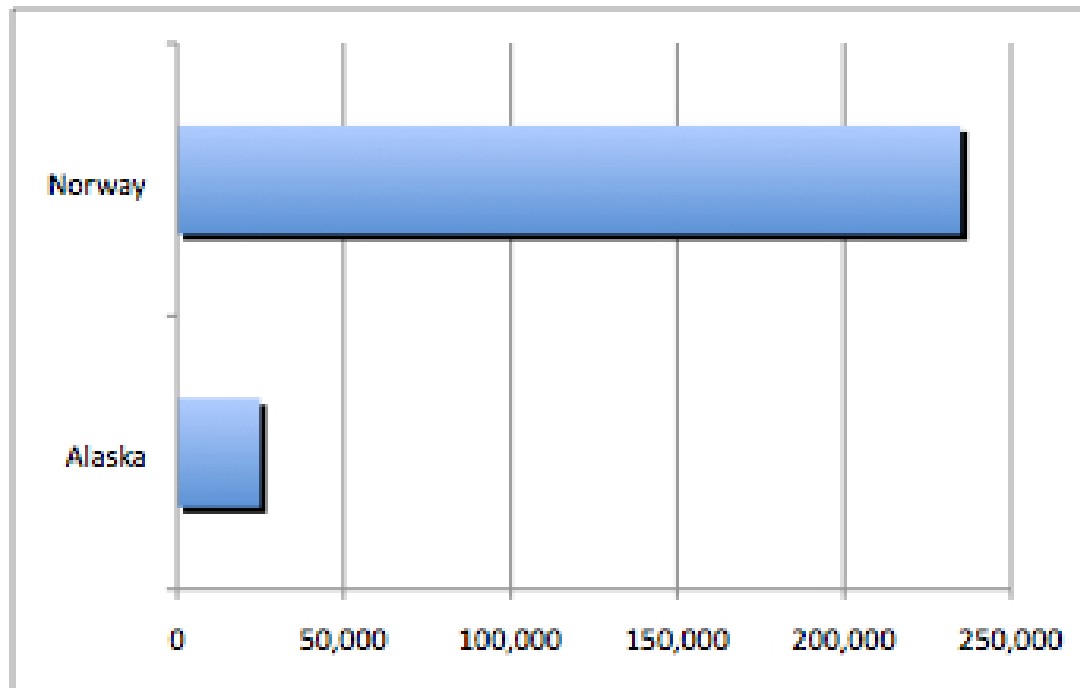
- STATOIL is now in Alaska:
- 16 of its own leases in the Chukchi
- Additional leases shared with ConocoPhillips
- Offices in Anchorage
- Norway's government will likely receive more \$ from production in the OCS off Alaska than the State of Alaska will.

What We Learned:

- **Norway has more jobs in the oil and gas sector than Alaska.**

What We Learned:

Oil and Gas Jobs (Direct and Indirect)



What We Learned:

Norway successfully attracts private investment to develop its oil and gas resources.

60+ Oil and Gas Companies Investing in Norway



Most significant lesson: SDFI

- Alignment of interests between the State and producers resulting from SDFI (State Direct Financial Investment) creates significant benefits
 - As an investor, State gains an understanding of investment dynamics
 - As an investor, State has full access to data and better understands field dynamics and development
 - As an investor, State participates directly and has the ability to help drive development decisions
 - Increases State understanding, reduces State suspicion
- Norway once used bonus and royalty system, but transitioned away from it because they concluded it impaired investment decisions

What Private Companies Like About the Norwegian Model:

- **Reduced Risk** (2D seismic provided by Norway)
- **Reduced Up-Front Costs** (no bids)
- **Shared Risk/Co-investment** (SDFI-Petoro)
- **Alignment** between Norway and industry
- **Predictability:** Tax Stability: 78%. Rapid deductibility of development costs
- **Predictability:** Clearly articulated safety and environmental rules, procedures and sanctions
- **Fast R.O.I:** License to Production Quickly

Predictable, Appropriate Sanctions

Sanctions

The use of sanctions must reflect the nature of the violation

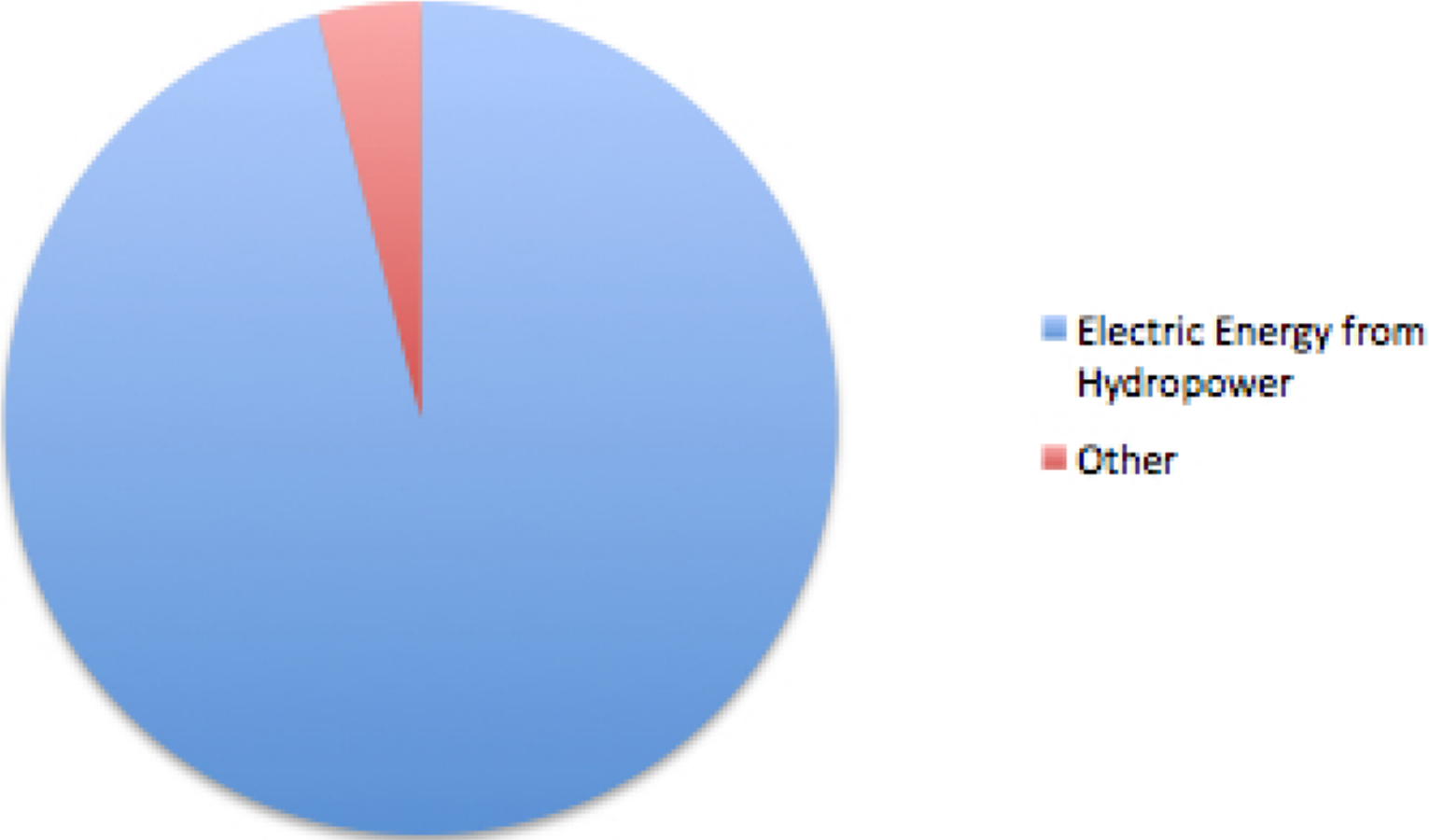


Renewable Energy Leader



Statkraft

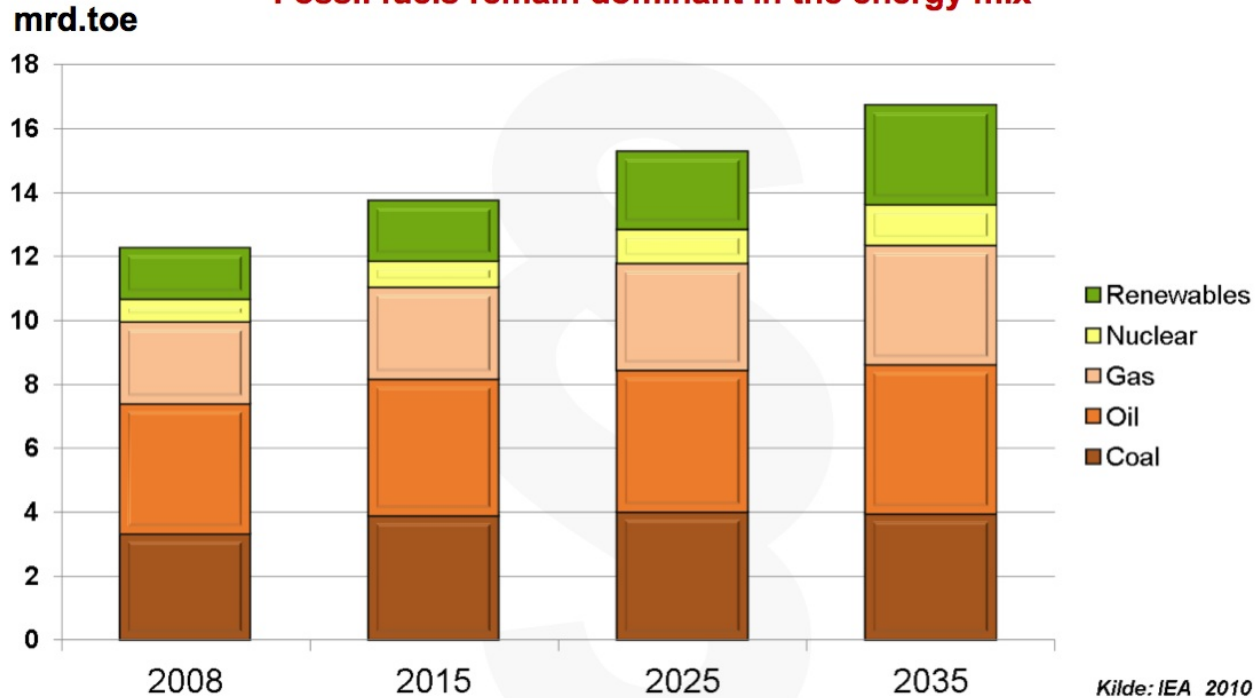
Internal Energy Consumption: Hydroelectric is King



Norway's Global Energy Outlook

The Global need for Energy continues to rise

Fossil fuels remain dominant in the energy mix



Keys To Norway's Success:

- **Alignment** between Government and Private Sector
- **Co-Investment/SDFI**
- **Consultation** with Stakeholders
- **Attitude** of Cooperation and Trust

The Big Question: Can Aspects of the “Norway Model” Can Be Applied Here?

- License tracts to the best work plan instead of awarding leases to the highest bidder
- Co-Investment by the state (SDFI)
- Tax Stability
- Initial Seismic done and provided by the state

The Big Question: Can Aspects of the “Norway Model” Can Be Applied Here?

- Ownership of Key Infrastructure
- Work Force Development through an oil company modeled on today’s STATOIL
- Predictable Safety and Environmental Rules, Procedures and Sanctions

Stay Tuned: More to Come.....

Further Research and Analysis:

- Other States and Countries
- Other aspects of Norway:
 - Education/Work Force Development
 - Healthcare
 - Infrastructure

THANK YOU!



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