



Can **Alaska Learn from **NORWAY's** Oil and Gas Success?**

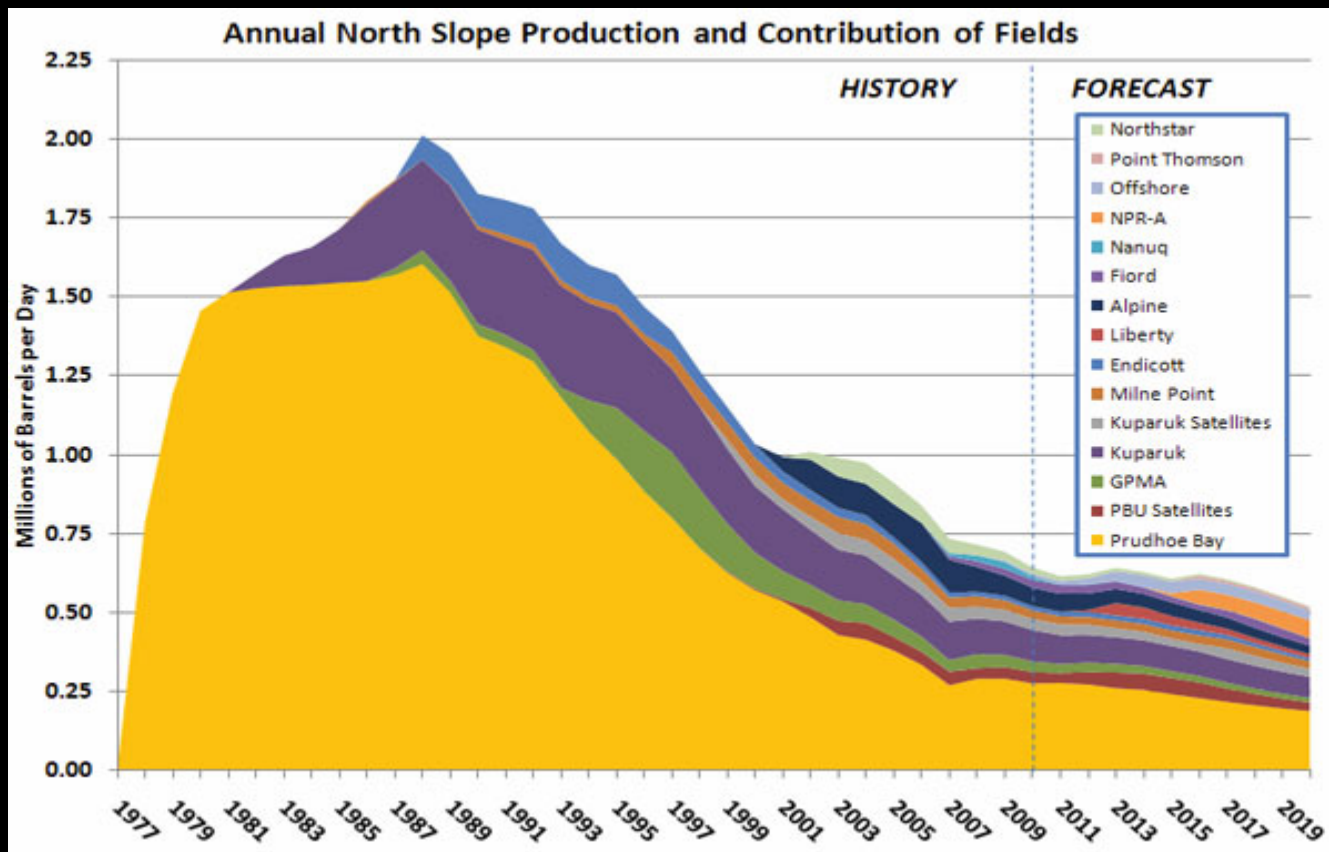
Alaska World Affairs Council – January 13, 2012

The NORTH



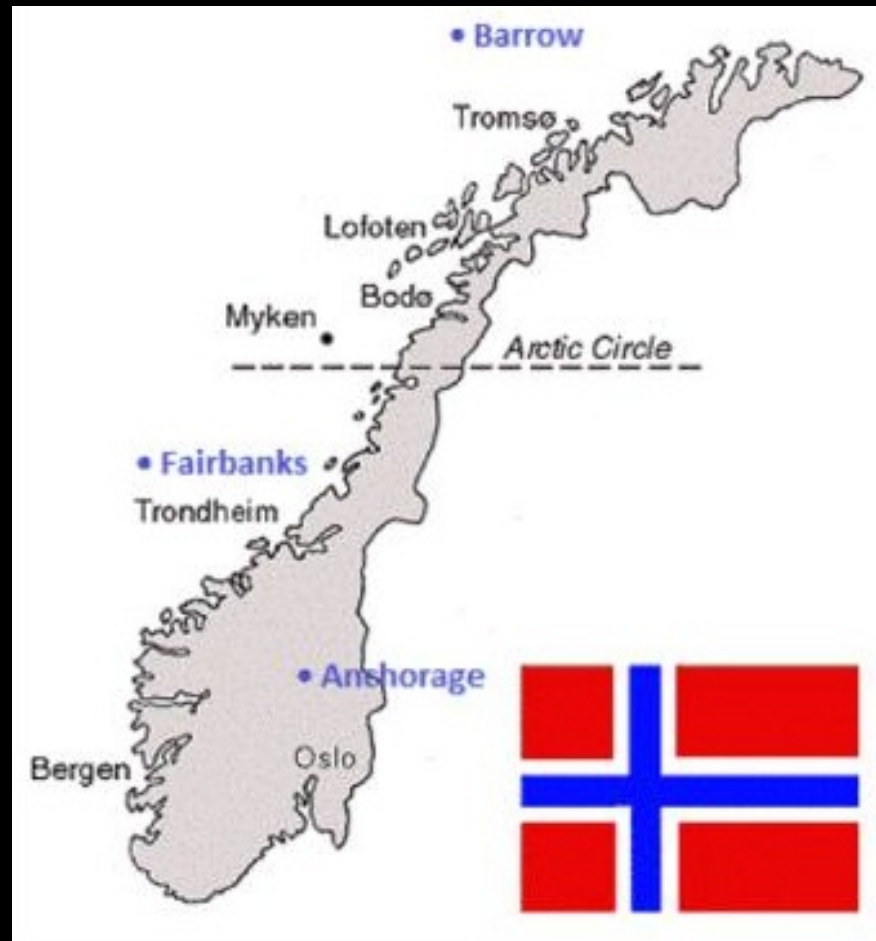
Why We Went: Oil Production in Decline

Alaska's Economic Future is Uncertain



NORWAY

with Alaskan cities at corresponding latitudes



July 22, 2012



“Norway Is Not Alone”



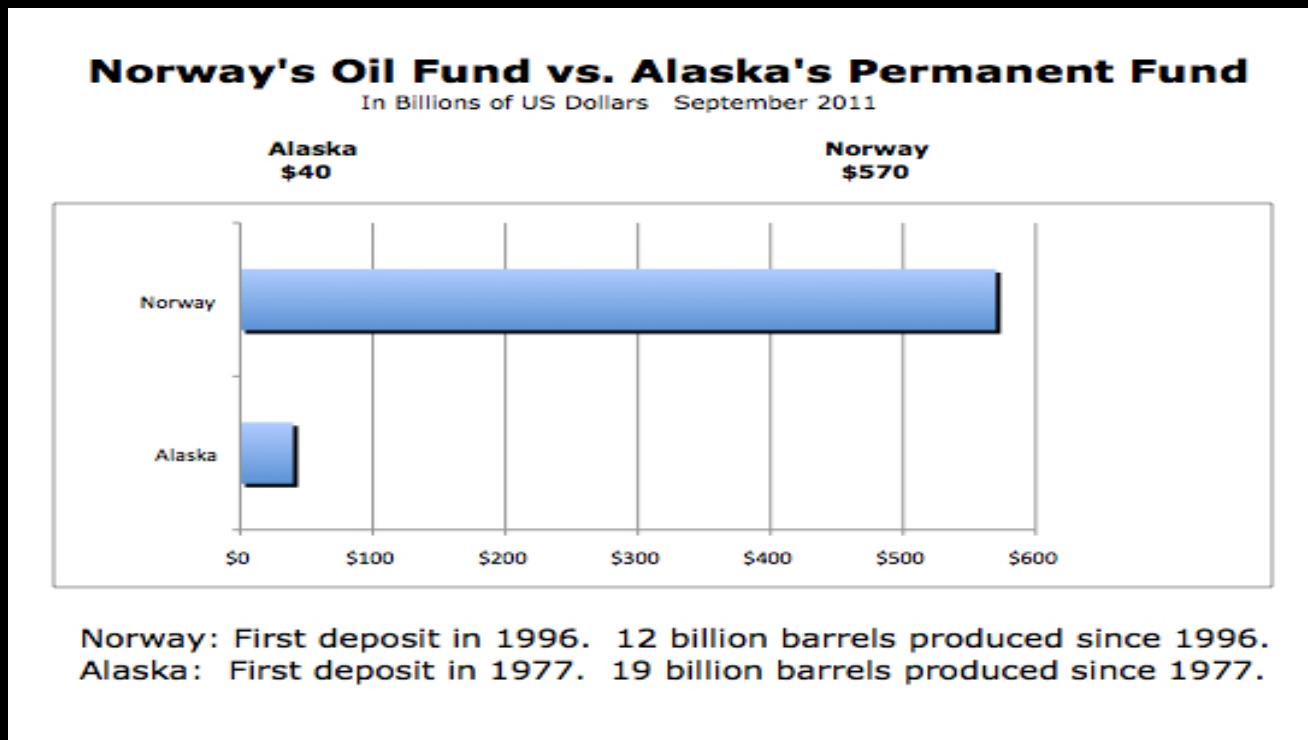
Norway Today



Snapshot of Norway (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.)
- Unemployment Rate: 3%
- % of Government annual expenditure paid by oil and gas revenues: 10 - 26% (vs. 80-90% AK)
- Democratically elected unicameral Parliament.
Plus ceremonial monarch.

Norway's version of a Permanent Fund is much bigger than ours.



\$3 Trillion before oil & gas run out.

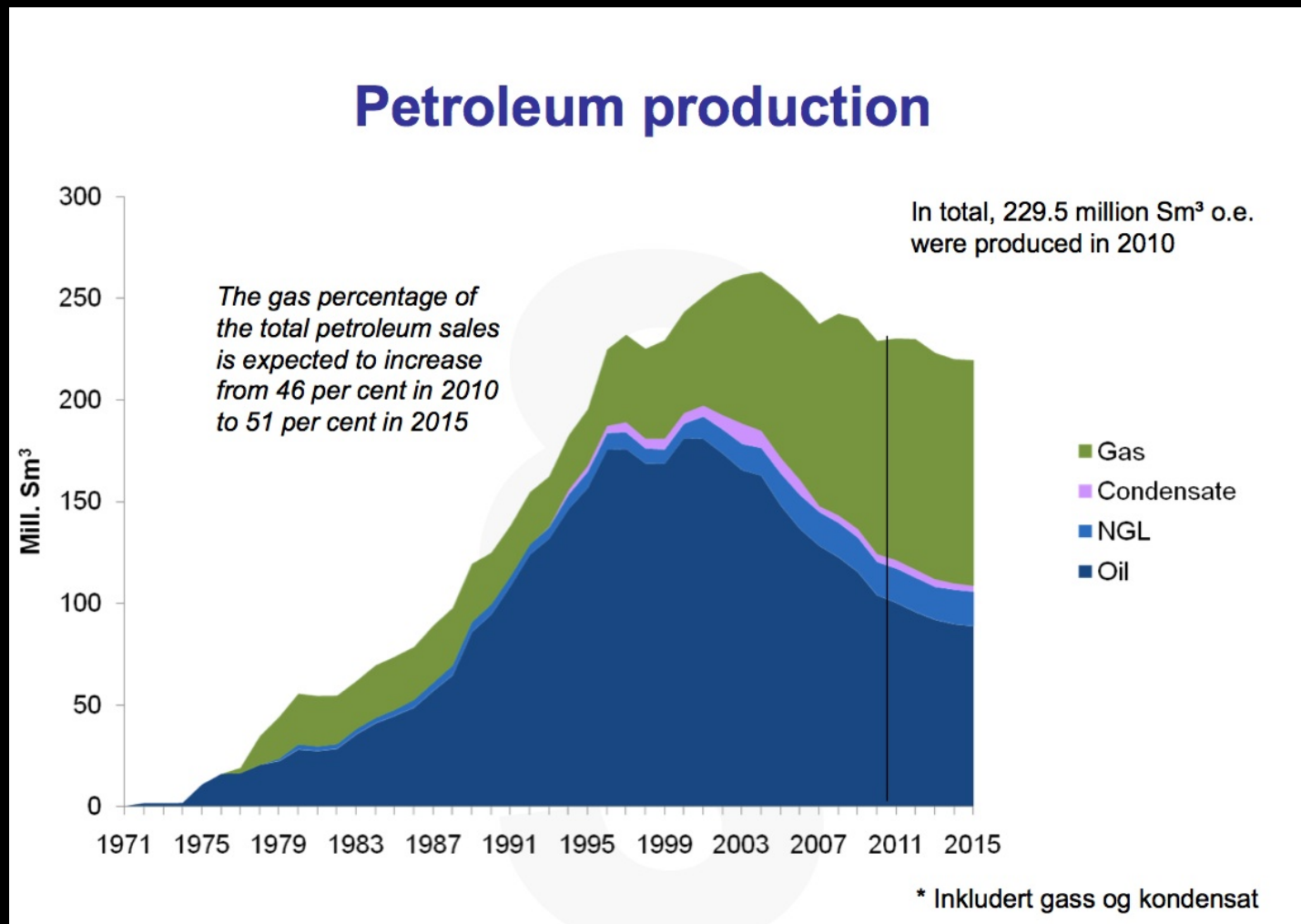
Norway's Continental Shelf

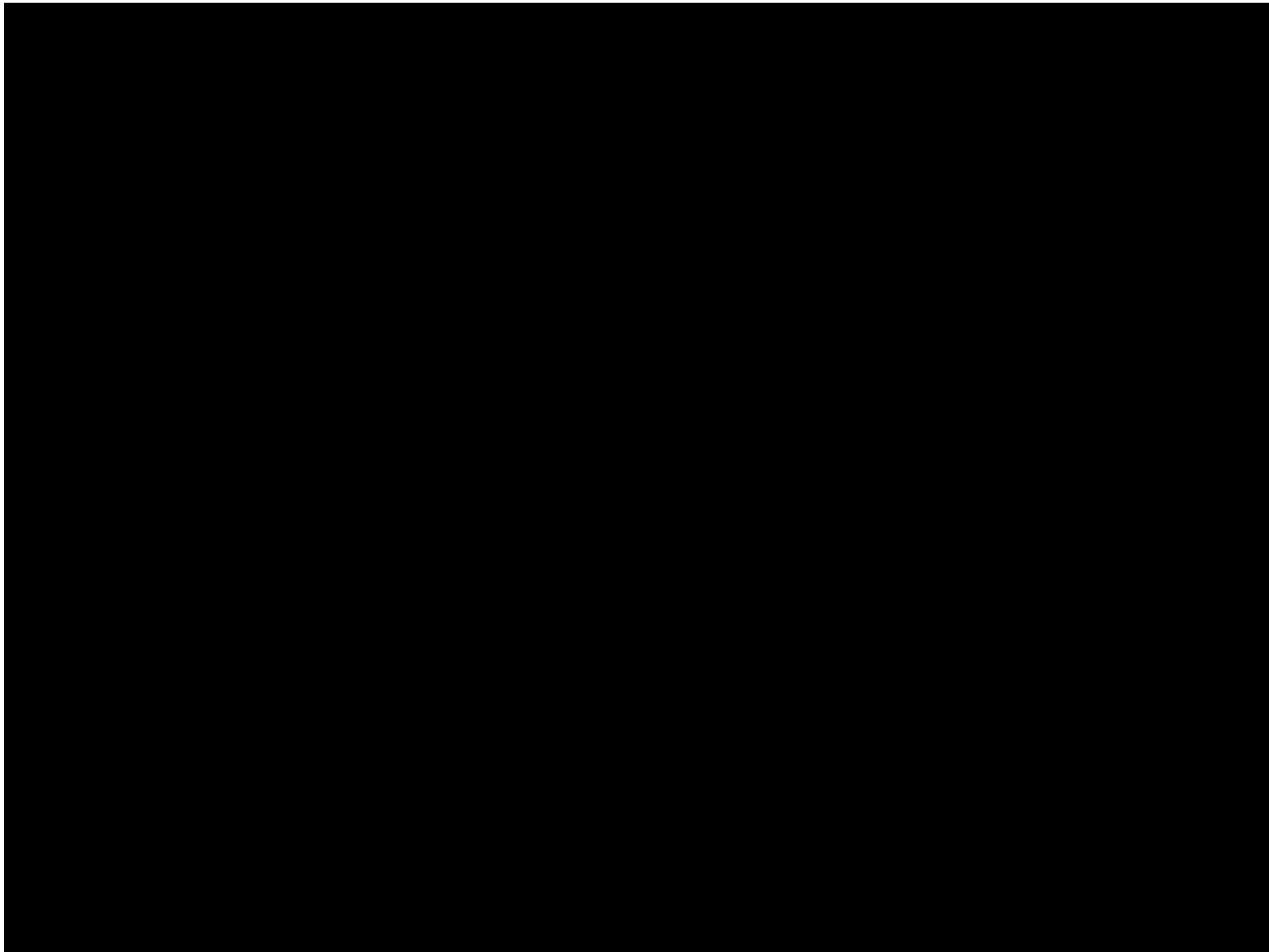
100% of Oil and Gas is Offshore/State-owned



Norway's Oil and Gas Production:

Production Decline Delayed for 10 – 20 years





Statoil – Norway's Oil Company

Ella Ede, Stakeholder Engagement Manager



Statoil



Origin of Statoil



- Started by the Norwegian government in 1972 to learn the oil business and bring jobs to Norwegians, Statoil is now a publicly traded private oil and gas giant.
- The government of Norway earns dividends of \$3,000,000,000 per year from its 67% ownership of Statoil's shares.



Statoil Overview

- Operating in 36 countries
- 40 years of oil and gas experience
- Third largest seller of crude oil
- World's largest offshore operator
- Excellent health, safety, & environmental record
- With 140 Norwegian oil and gas support companies
- Norway's #2 export: Oil and gas support and expertise



Canada - oil sands



Norwegian shelf



Arctic



Shale gas



Gulf of Mexico

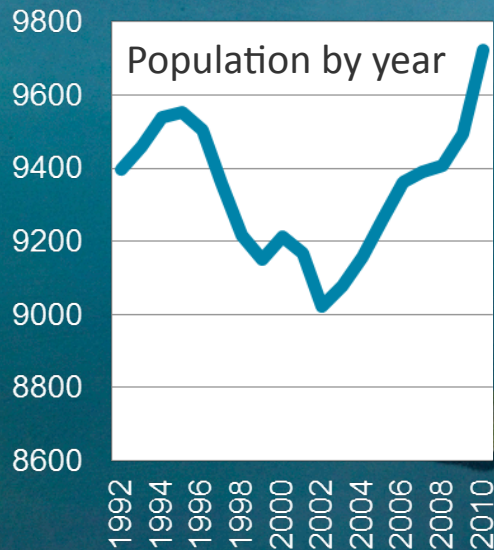


Brazil





Project onshore facilities Snøhvit LNG Facility at 70° North

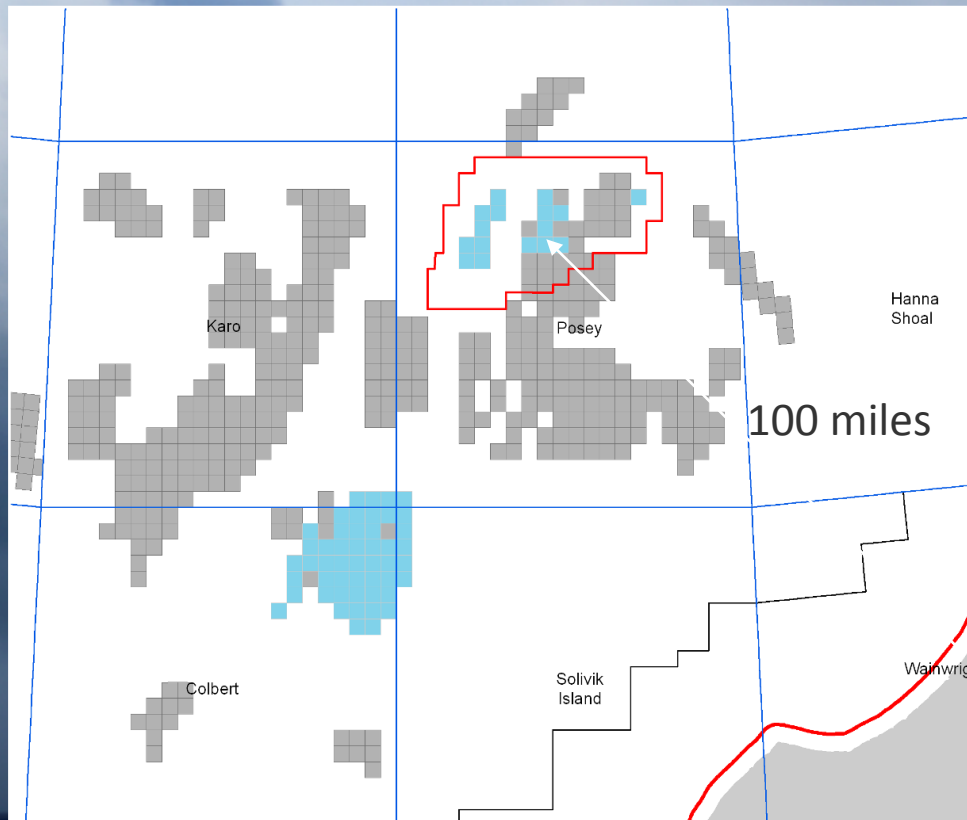


The deputy Mayor of Hammerfest:
- *We have no other explanation than Snøhvit*

Statoil in Alaska

Work completed and
forward plan

- 16 operated leases
- 50 non operated
- Lease sale 193, 2008
- 3D seismic, 2010
- Anchorage office, 2011
- Shallow hazard, 2011
- Geotechnical coring, 2011
- Make decisions about drilling, 2012
- Permitting, 2012-2014
- Drilling plans for 2014, Open Water Season





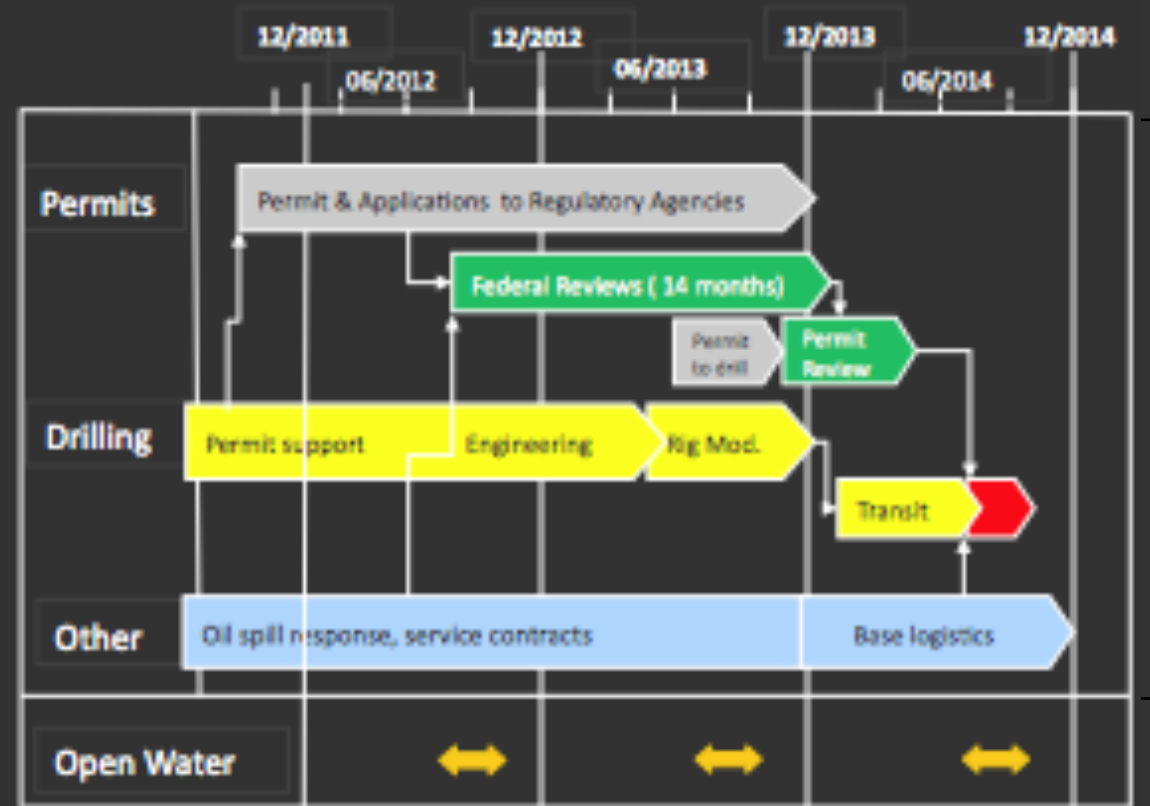
2014 Exploration Well Timeline






Critical path; permitting and agency review:

Alaska 32 months

GoM 14 months

Norway 8 months (in sensitive areas, Barents Sea)



Agency review  Drill planning  Drilling execution 
 Statoil permitting  Statoil ,other 

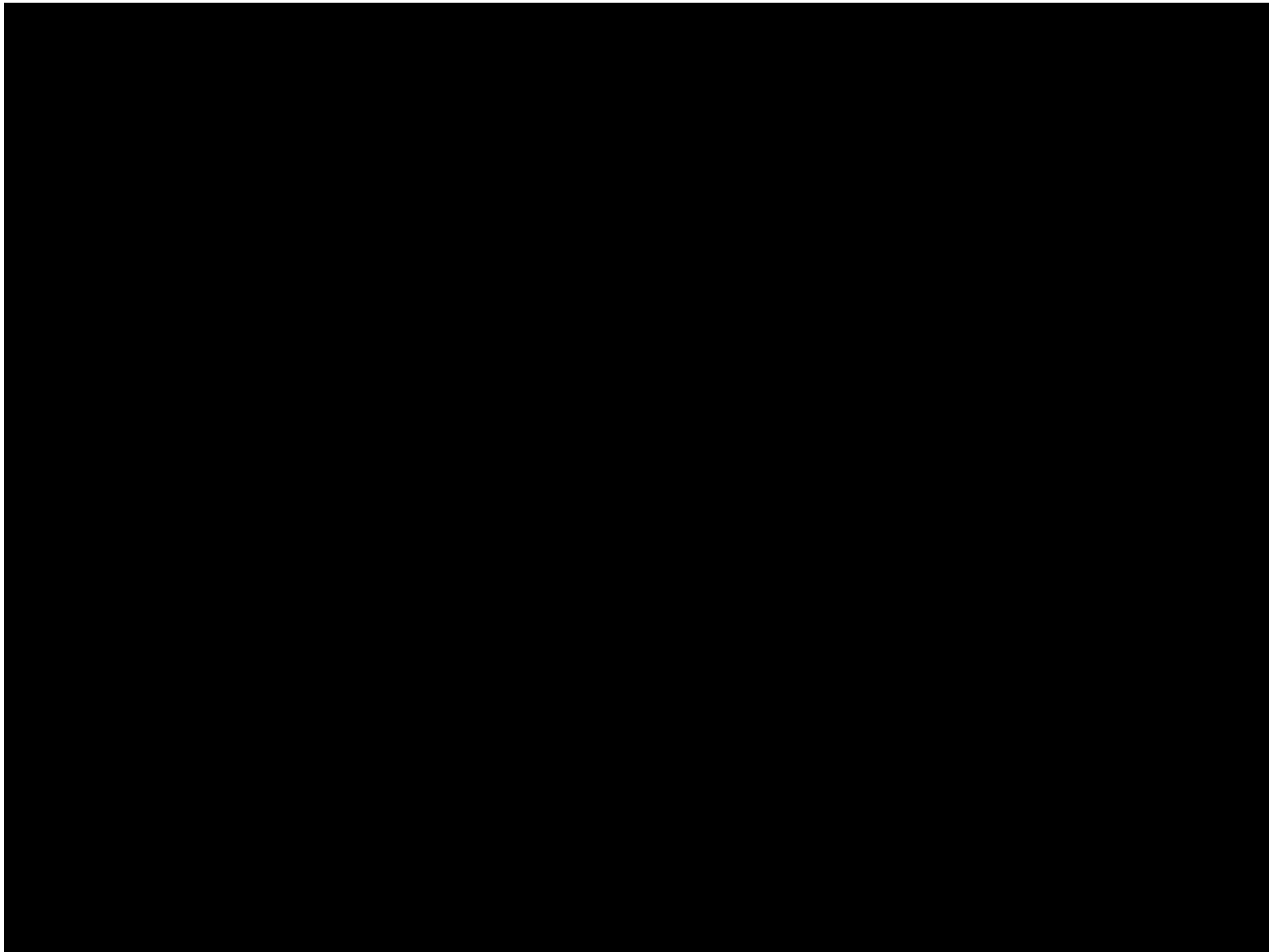


Operating in
harsh
environments

Thank You

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Oil & Gas Investment

- The biggest investor in Norway's oil & gas development is ... **NORWAY**
 - The government (through Petoro) owns an average 20% working interest in all oil and gas fields
- Result:
 - Aligns the state's economic interest with industry and makes state part of the decision-making process
 - Brings a unified focus to expanding the "pie" rather than fighting over shares
 - Avoids distorting producer decisions by requiring investment of "dead" capital
 - State shares in oil revenue wealth without undermining industry investment

Oil & Gas Leasing & Development

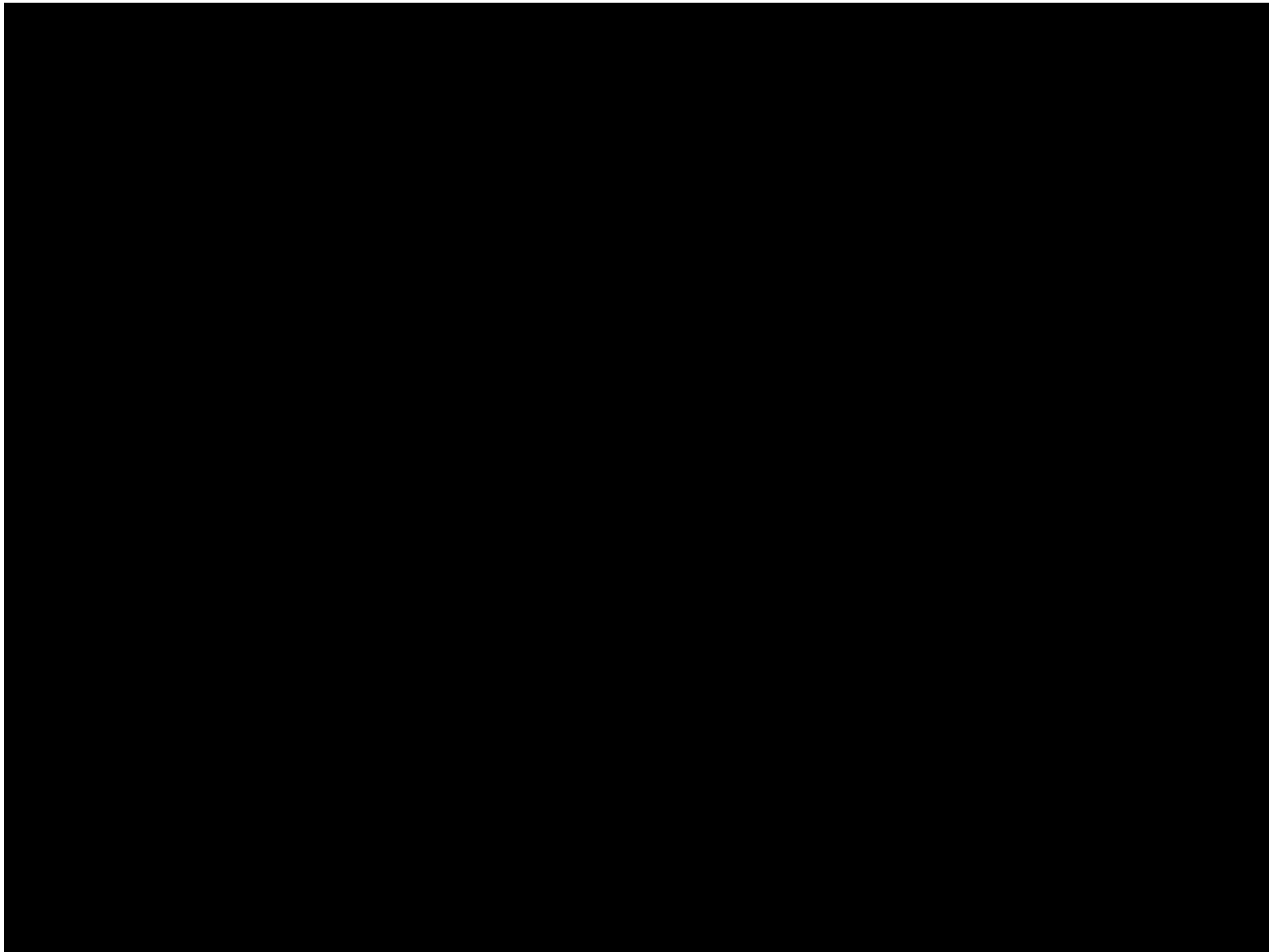
- Norway awards leases/licenses based on work plan, not cash
 - Focuses on work plan, not upfront bonus and royalty
- Result:
 - Lessees/licensees bid upfront on work
 - Award is based on early investment (including by Petoro) and performance of work
 - Lease/license returned if producer not prepared to go to development after initial work completed

Norway's Licensing System:

1. Norway selects tracts to license (6 year initial term) after consultation with stakeholders
2. Norway conducts initial seismic (2D); results are made public
3. Industry submits applications consisting of a work plan, financial strength, safety record (no bonus bid, no royalty)
4. Licenses are awarded based upon work plan and qualifications; 6 years = "Drill or Drop"

Norway's Licensing System (cont.)

5. Environmental and other approvals are included in license
6. License may include several partners and specifies state (Petro) share as part of terms
7. Going forward, all partners are part of decision process, share investment, expenses and information



“We can learn from each other”



THANK YOU!

INSTITUTE OF THE
NORTH

WALTER J. HICKEL, FOUNDER