



Statoil



# Shaping the future of energy

Corporate presentation

# Who?



**Name:** Jon Erik Bjore

**Age:** 49

**Status:** Married, 3 children

**Living:** Nesodden, Norway

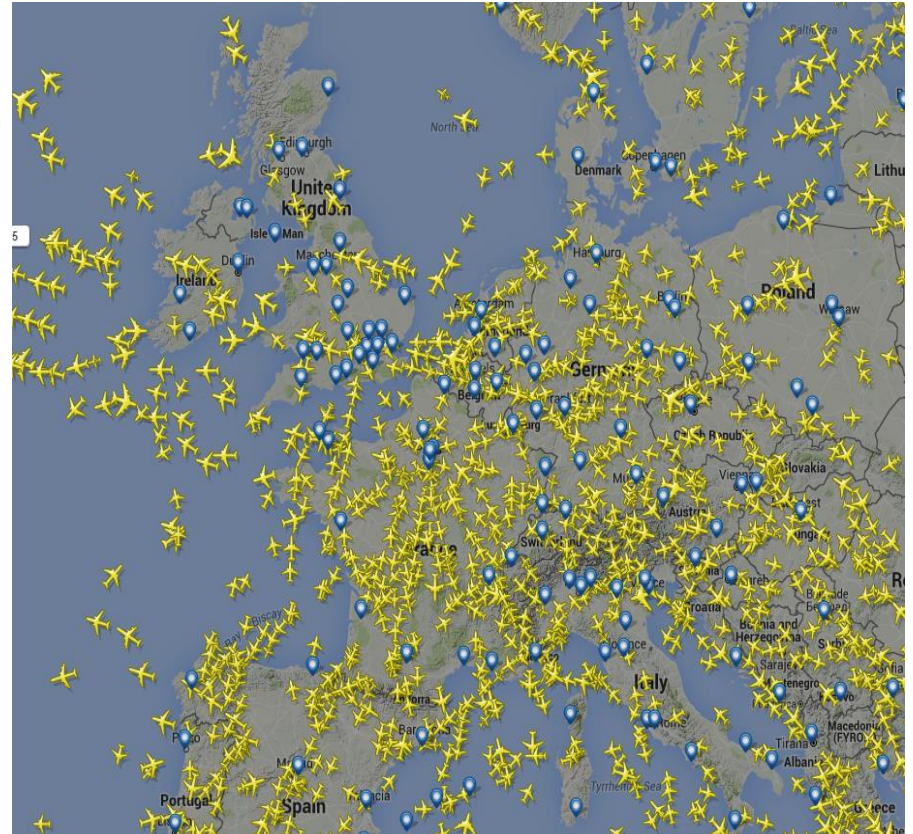
**Current Position:** Global IT Manager, Statoil Exploration

# Today's oil marked

Some facts

# 5 FACTS ABOUT TODAY'S OIL MARKET

- At any given time, there's around **400 times** more seaborne cargo in the ocean than planes in the air. Approximately 40% of that cargo is oil. *Sources: Xeneta and FlightRadar24*
- Pipelines are also used to transport crude oil, refined products and natural gas. In the U.S. alone, the length of all the pipelines laid out in a line is enough to stretch from the **Earth to the moon and back** between 3 and 4 times. *Source: EIA*



# 5 FACTS ABOUT TODAY'S OIL MARKET

- Petrol/gas prices are front and center right now, but gasoline makes up less than half the products made from an oil barrel:
  1. Gasoline – 46%
  2. Heating oil/Diesel Fuel – 20%
  3. Jet Fuel (Kerosene) – 8%
  4. Propane/Propylene – 7%
  5. Natural Gas Liquids & Liquid Refinery Gases – 6%
  6. Still Gas – 4%
  7. Petrochemical Feedstock – 2%
  8. Petroleum Coke – 2%
  9. Residual/Heavy Fuel Oil – 2%
  10. Asphalt and road Oil – 2%
  11. Other – 1%

Source: IEA

# 5 FACTS ABOUT TODAY'S OIL MARKET

- Oil is the primary energy source for about 1/3 of the world's population, but it only accounts for around 2.5% of the world's GDP. *Source: Forbes*
- An estimated 34 billion barrels of oil will be produced in 2015 (about 93 million barrels per day). To put this into perspective, the amount of oil produced in a single day is enough to fuel 55.8 million round-trip flights between New York and London on a Boeing-747. *Source: IEA*

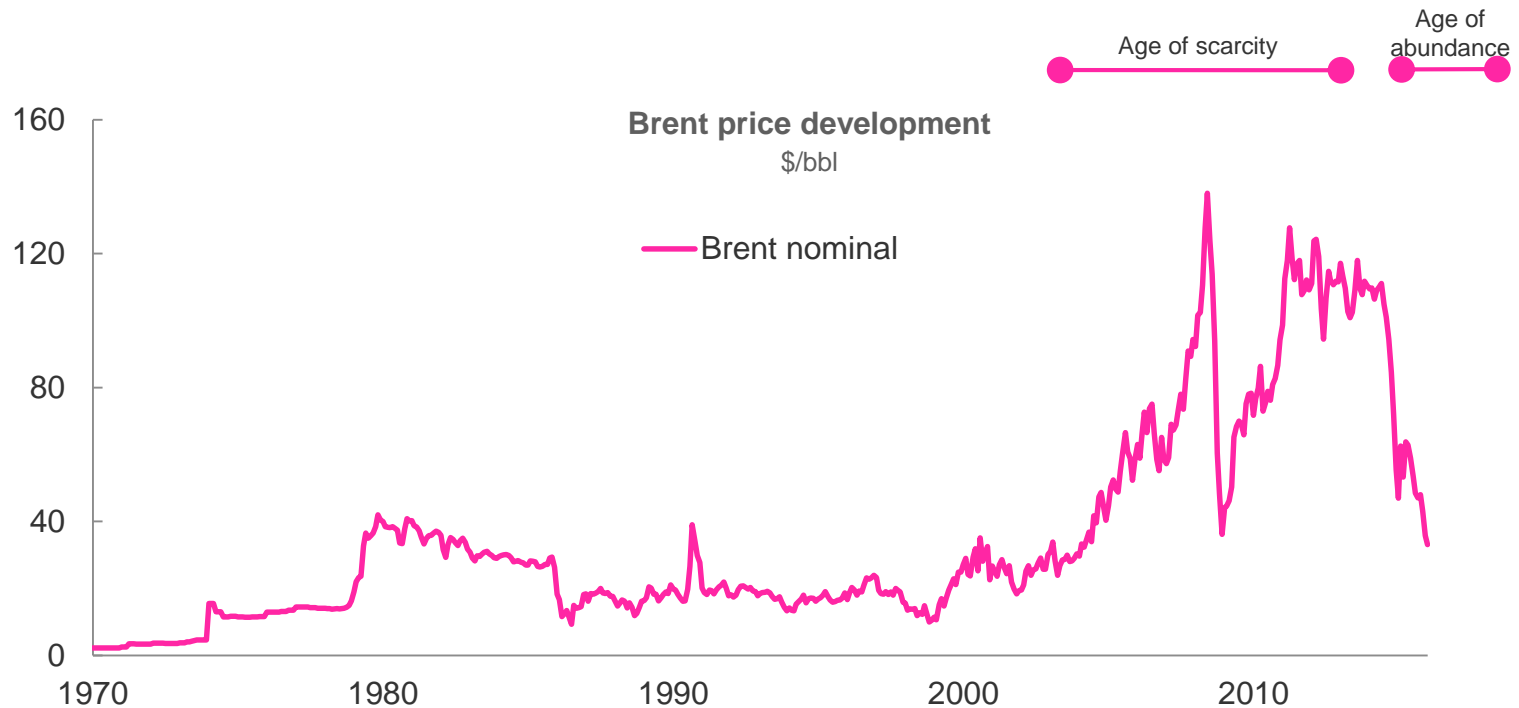


# Oil market outlook

March 2016

# A reminder of the fundamentals of our industry

Volatility is the name of the game – predictions are uncertain

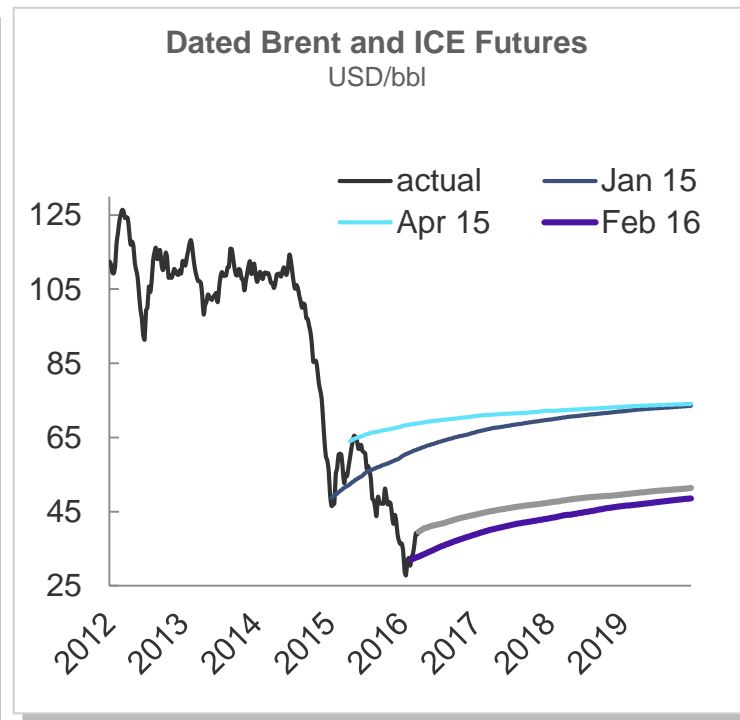
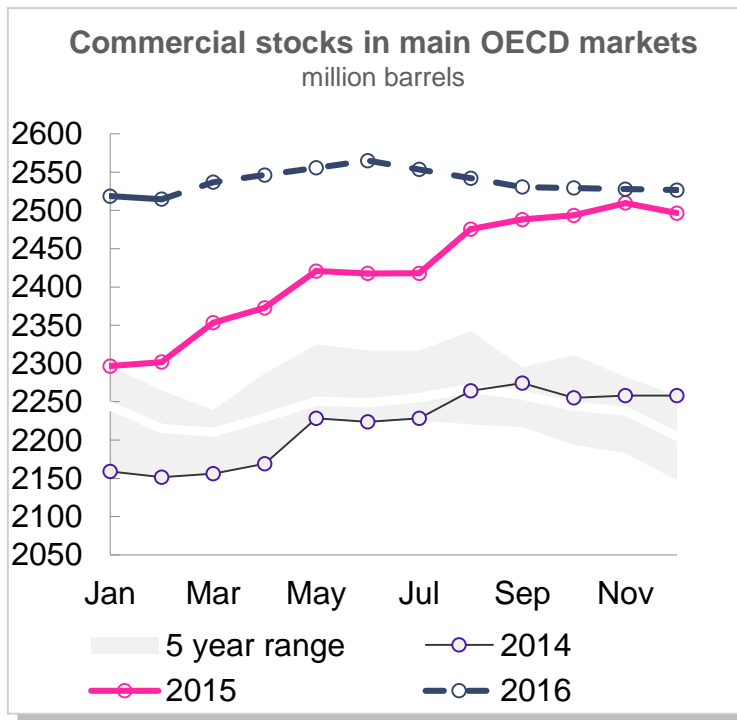


Source: Thomson Reuters Datastream



# The short-term situation is challenging

Resilient production and Middle East pouring out new volumes

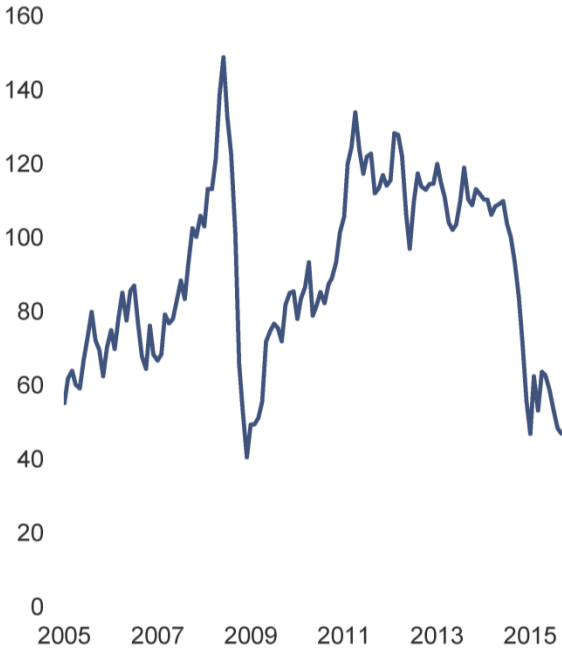


Sources: IEA, PIRA, Statoil

# Industry responding to market forces

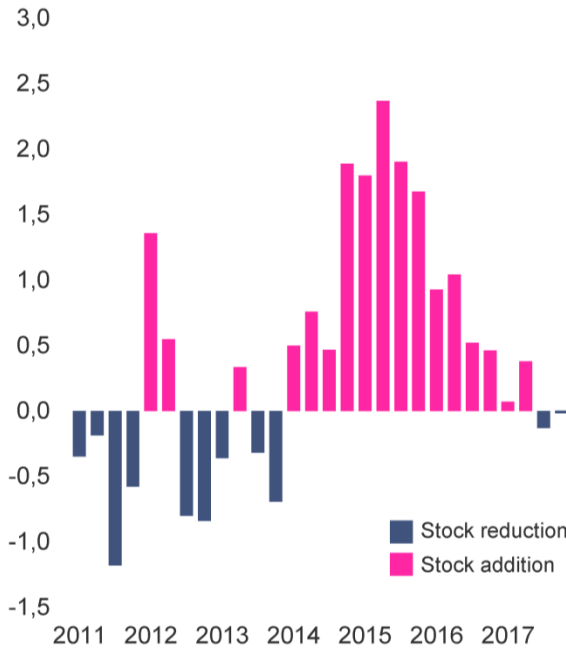
## The cyclical nature of oil

Brent, USD per barrel



## Rebalancing of markets

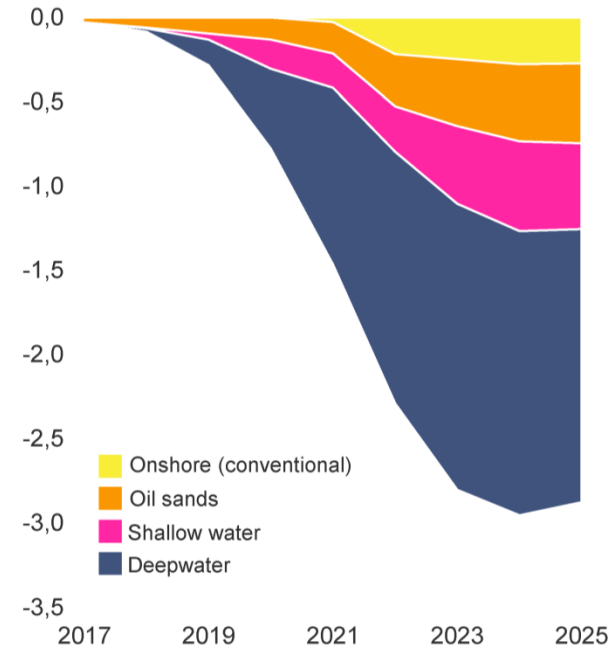
Million barrels per day



Source: EIA, Short-Term Energy Outlook, January 2016

## Production postponed

Pre-FID, million barrels per day



Source: Wood Mackenzie, Upstream Data Tool

# We are Statoil



A global energy company

Built on competence, technology and collaboration

Showing engagement for society



# The Statoil organisation



Eldar Sætre

Chief executive officer



Randi Grung-Olsen

Corporate audit



Hans Jakob Hegge

CFO organisation



Hans Henrik Klouman

Legal



Reidar Gjørsum

Corporate communication



Anders Opedal

Chief operating officer



Magne Hovden

Corporate people and leadership



Arne Sigve Nylund

Development and Production Norway



Lars Christian Bacher

Development and Production International



Torgrim Reitan

Development and Production USA



Jens Økland

Marketing, Midstream & Processing



Margareth Øvrum

Technology, Projects and Drilling



Tim Dodson

Exploration



John Knight

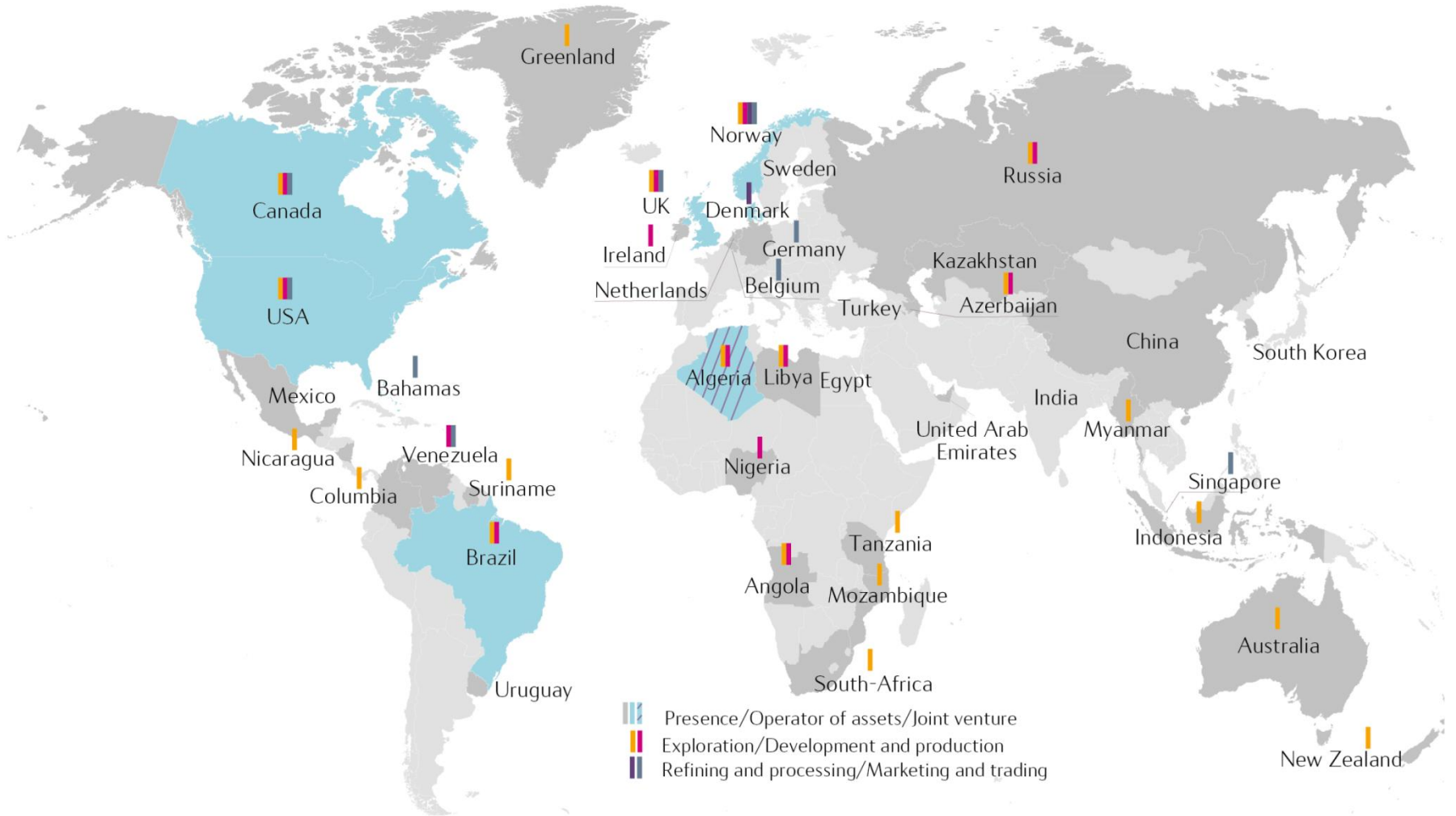
Global Strategy and Business Development



Irene Rummelhoff

New Energy Solutions

# Where we are





# Key figures



EQUITY PRODUCTION

1.971 million

BARRELS OF OIL EQUIVALENT  
PER DAY IN 2015



RESOURCES

21 billion

BARRELS OF OIL EQUIVALENT  
IN RESOURCES



ADJUSTED EARNINGS\*

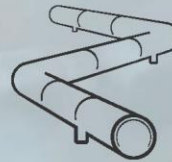
77 bn NOK

\* AS AT  
Q4 2015



37%

OF OIL AND GAS EQUITY  
PRODUCTION TOOK PLACE  
OUTSIDE NORWAY IN 2015



# 2

SECOND BIGGEST  
GAS SUPPLIER TO  
EUROPE

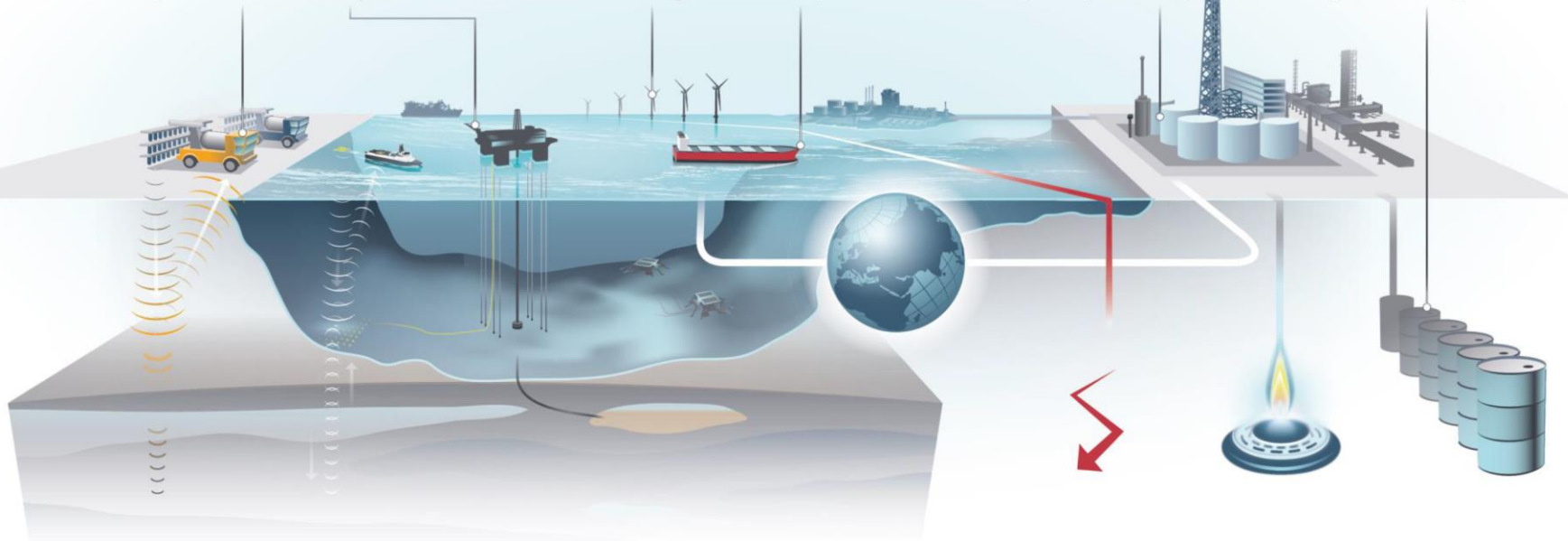


>600,000

GROWING OFFSHORE WIND  
BUSINESS SUPPLYING  
>600,000 UK HOMES

# Oil and gas value chain

Exploration    Development and production    Low carbon technologies    Transportation    Refining and processing    Marketing and trading





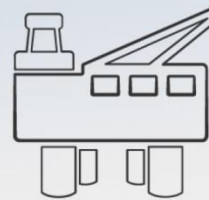
# New realities, new opportunities



Geopolitics  
New global  
dynamics



Energy  
Growing demand,  
new markets



Oil and Gas  
Pressure on  
margins



Climate  
Transition to  
low carbon

Our vision:

# Shaping the future of energy

Competitive  
at all times

Transforming the  
oil and gas industry

Providing energy for  
a low carbon future



# Our strategy

## SHORT TERM



Faster and deeper cost reductions

- Strict financial discipline
- Capturing the upturn in oil and gas prices

## MEDIUM TERM



Build the next generation portfolio

- Maximizing value and seek opportunities
- Build renewables portfolio consistently towards a material scale

## LONG TERM



Provide energy for a low-carbon future

- A resilient upstream portfolio
- A material renewable energy portfolio



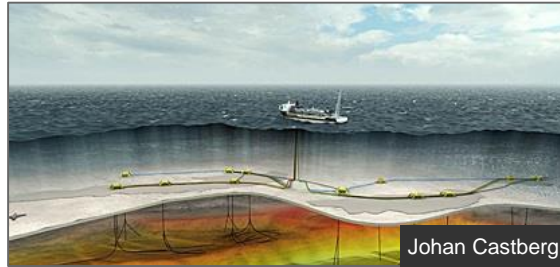
# Firm strategy to capture value in the upturn

## Faster and deeper cost reductions



- Efficiency improvements and market effects
- Strict financial discipline

## Preparing to invest in next-generation portfolio



- Radically improved break-evens
- Maintaining dividend, introducing scrip option

## Capturing the upturn in oil and gas prices



- Sustained efficiency gains
- Significant new volumes 2018-2022

# Delivering on promises

## Efficiency

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### Promised

“ step up efficiency programme to **USD 1.7 billion in 2016**

### Delivered

Delivered **USD 1.9 billion** in 2015

## Capex

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“ our investment programme for 2015 is reduced by **USD 2 billion**

Reduced by more than **USD 5 billion**

## Production

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“ increase production by around **2% annually from 2014 to 2016**

Organic production growth of **6%** in 2015

## Distribution

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“ commitment to **competitive capital distribution**

Dividend maintained in 2015

# Portfolio strategy

Deepen and  
prolong the  
NCS  
position

Grow material  
and profitable  
international  
positions

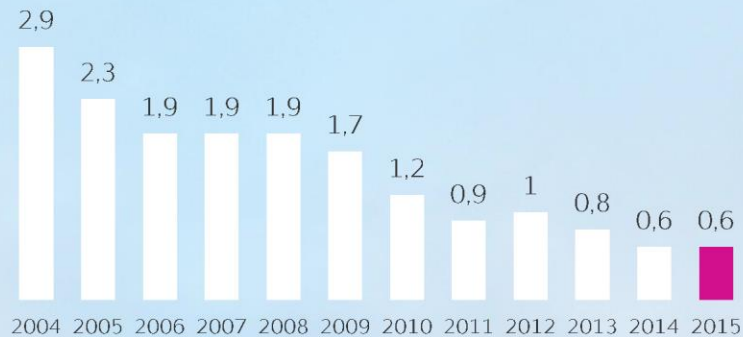
Provide  
energy for a  
low carbon  
future

Focused and  
value-adding  
mid- and  
downstream

# Safety, security and sustainability

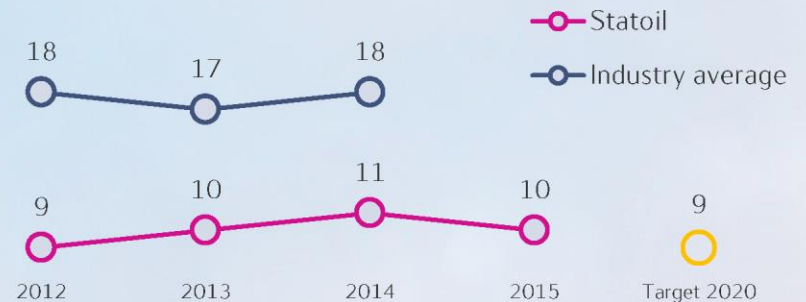
## SERIOUS INCIDENT FREQUENCY (SIF)

Number of serious incidents in Statoil per million hours worked



## CARBON-EFFICIENT OIL AND GAS PRODUCER

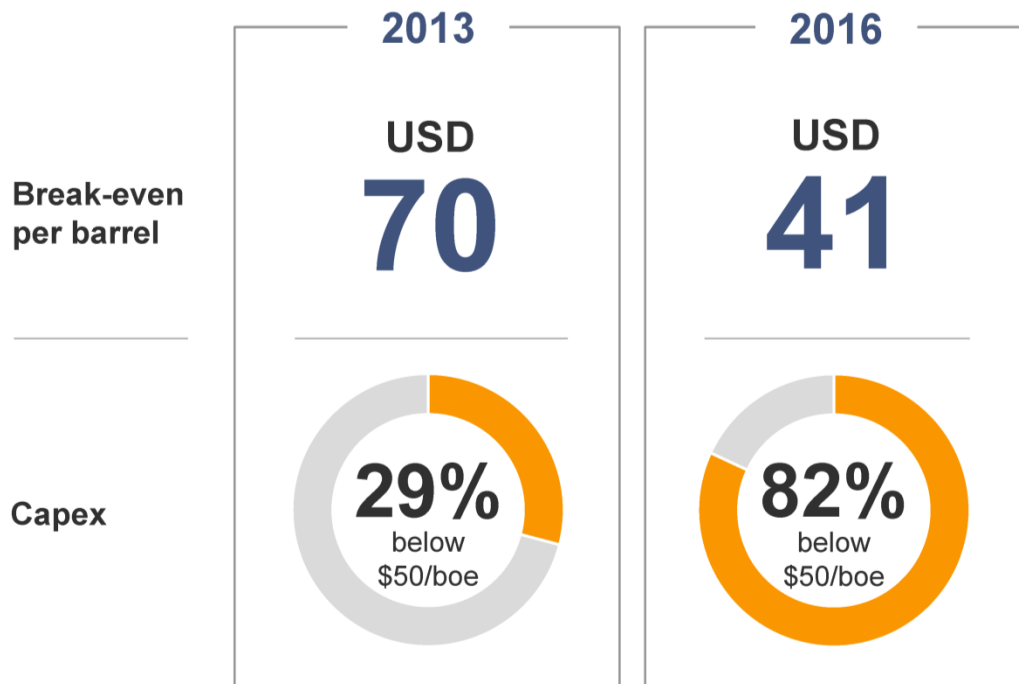
CO<sub>2</sub> intensity (kg CO<sub>2</sub>/boe)



# Capturing value from next-generation portfolio

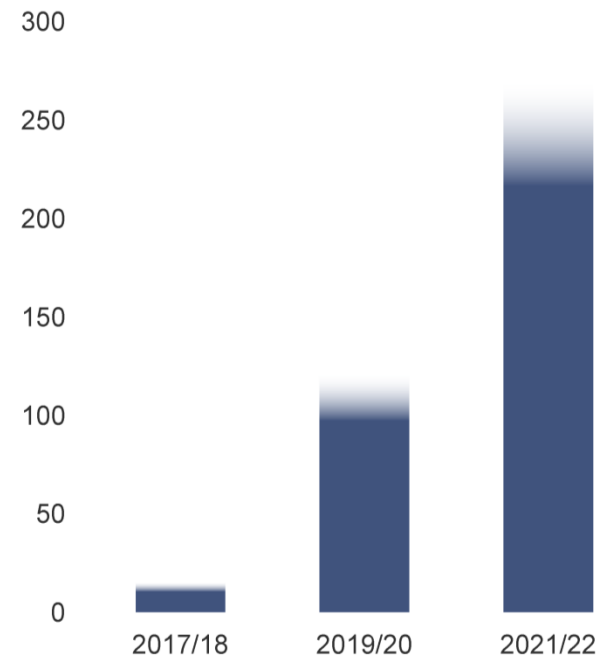
## Optimised portfolio

Operated non-sanctioned projects starting up by 2022, weighted by volume



## Production potential to 2022

Production from non-sanctioned<sup>1)</sup> projects<sup>2)</sup>, mboe/d





# Commitment to shareholders

**4Q dividend maintained at USD 0.2201 per share <sup>1)</sup>**

**Scrip dividend to be proposed to the AGM**

- Two-year window from 4Q 2015
- Discount of 5% for 4Q 2015
- Norwegian government support for the scrip dividend <sup>2)</sup>
- State ownership remains at 67%

**Option to invest in a company with a high-quality portfolio**

**Strengthening flexibility to invest in high-value projects**

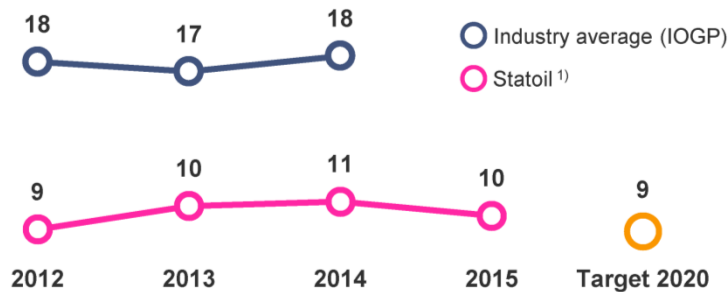


Johan Sverdrup field centre

# Providing energy for a low-carbon future

## Carbon-efficient oil and gas producer

CO<sub>2</sub> intensity (kg CO<sub>2</sub>/boe)



## Gradually building a new energy business

- Leveraging core competence
- Key focus on offshore wind – industrial approach
- Exploring other energy sources
- Established New Energy Solutions (NES)



# Resetting costs – capturing opportunities

- 1 Faster and deeper cost reductions
- 2 Preparing to invest in next-generation portfolio
- 3 Capturing the upturn in oil and gas prices





# Ethics

## The Statoil Book



We believe that ethical conduct is a necessary condition for sustainable business.

# Portfolio strategy



# Deepen and prolong the NCS position

- Safe, efficient, sustainable operations
- Realise value of legacy assets
- Develop new growth areas and options beyond 2030





# Grow material and profitable international positions

- Safe, secure, efficient, sustainable operations
- Deepen core positions
- Pursue potential for scale

# Focused and value-adding mid-and downstream

- Flow assurance
- Capital-lean asset structure
- Asset backed trading



# Provide energy for a low carbon future

- Most carbon-efficient oil and gas producer
- Develop new leg for profitable growth
- Build a robust and competitive renewable portfolio



As a global energy provider we develop oil, gas and energy solutions for today and tomorrow. We have more than 40 years of experience developing oil and gas on the Norwegian Continental shelf and now operate in more than 30 countries.

Our purpose is to bring energy to a growing population to create value for our shareholders and the communities where we operate.

We will build on our legacy of safe, secure and efficient operations, technical capabilities and innovation to solve the challenges of tomorrow.

We are headquartered in Stavanger Norway and listed on the New York and Oslo stock exchanges. We employ approximately 22,000 people worldwide.



turbine generator control



Heidrun FSU



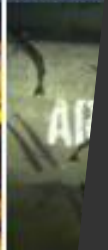
Edvard Grieg oil pipeline



Smørbukk South Extension



Polarled



B drilling upgrade



Valemon



Troll B subsea line modification



Gullfaks south increased oil recovery



Troll A 3&4 c



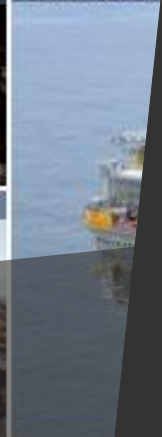
Asgard subsea compression



Utsira high gas pipe



Troll A 3&4 c



wet gas compression



Leismer wellpad 6



# Technology, Projects & Drilling

Stepping up the Improvement agenda

# Stepping up the improvement agenda

**Increased efficiency targets**

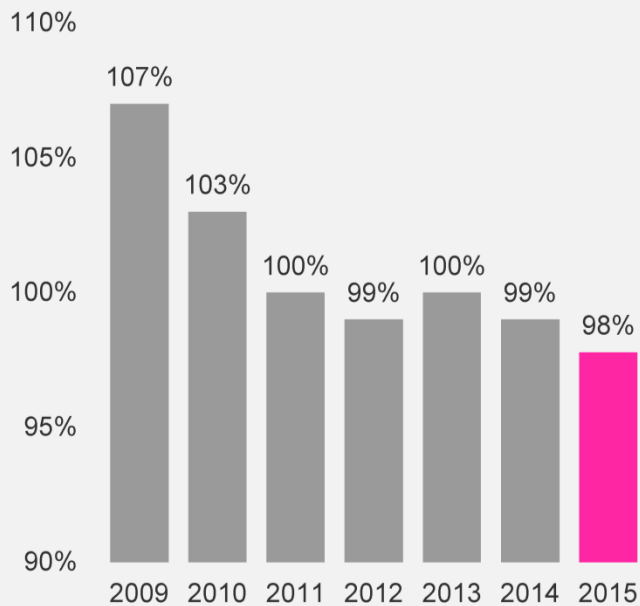
**Continue to improve** project execution

Hunt for further **cost reductions**



# Competitive project execution

## Delivering projects on cost <sup>1)</sup>



## 20 projects delivered in 2015



Troll 3 & 4 compressor



Valemon



Smørbukk South Extension



Polarled pipeline

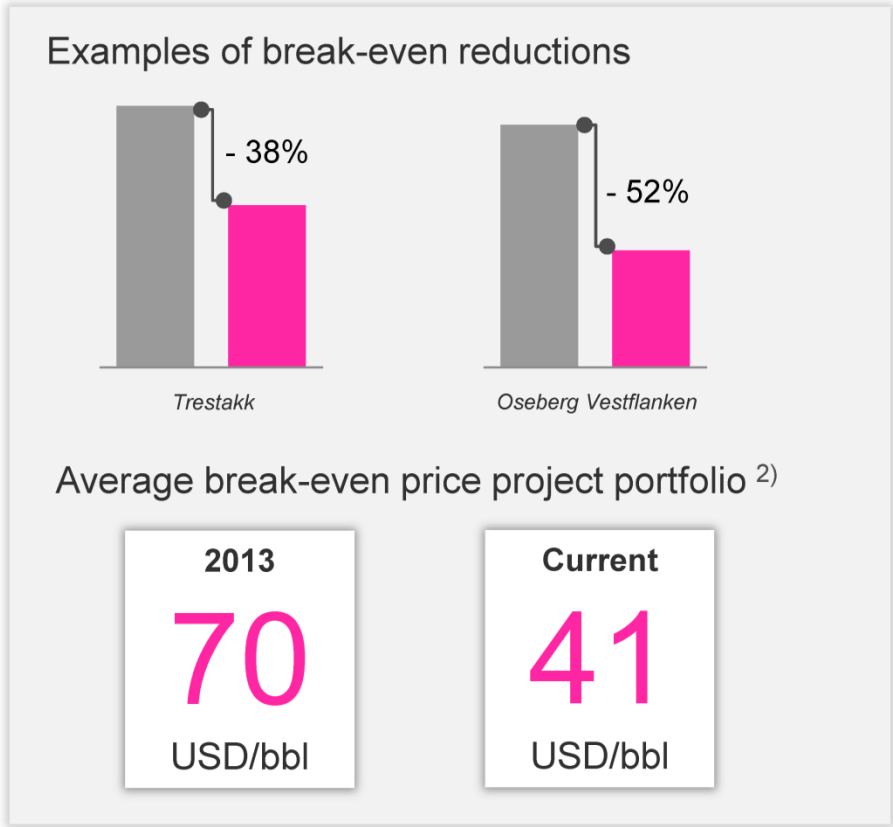
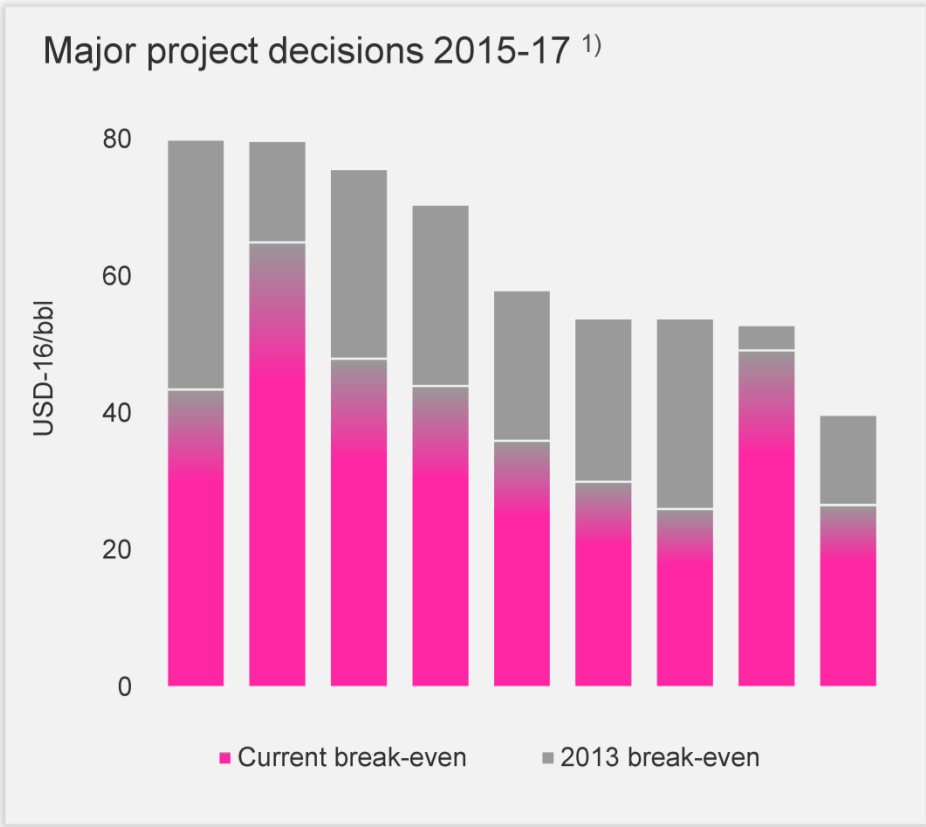


Heidrun FSU



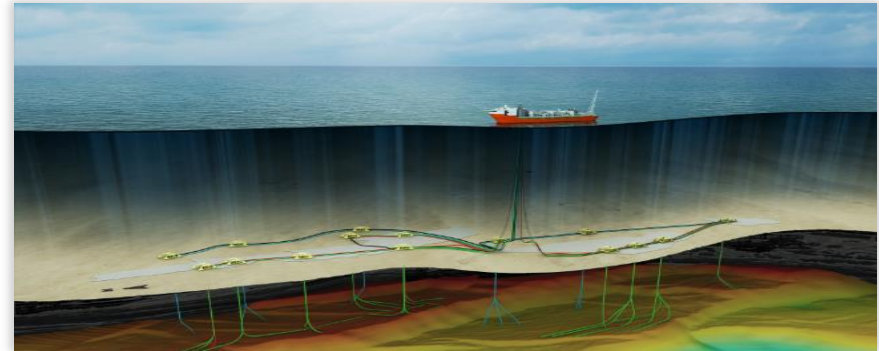
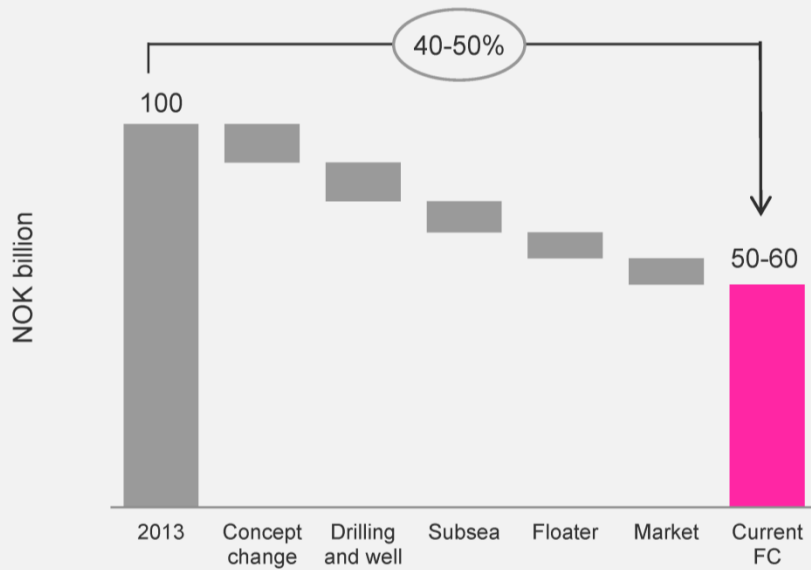
Åsgard Subsea Compression

# Development break-even USD/bbl



# Johan Castberg

Capex reductions <sup>1)</sup>



Changes in break-even price

2013  
above

80

USD/bbl

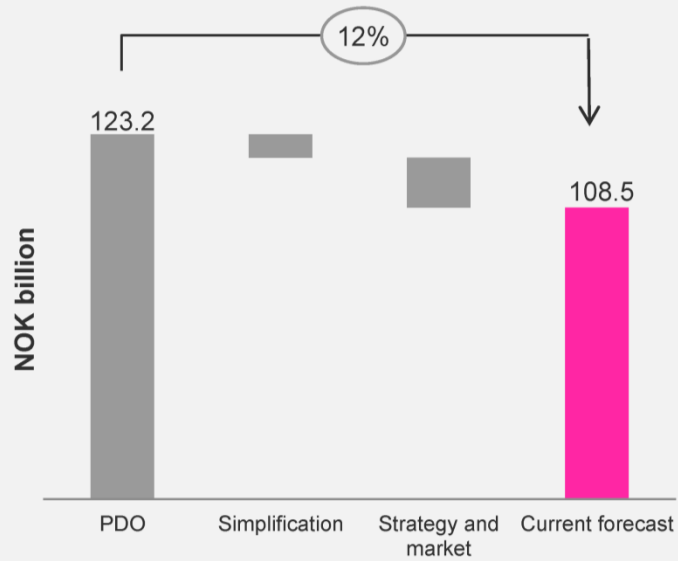
Current  
below

45

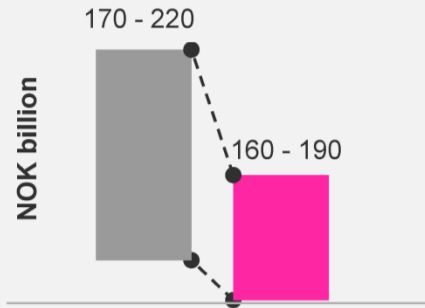
USD/bbl

# Johan Sverdrup

Phase 1 capex reductions<sup>1)</sup>

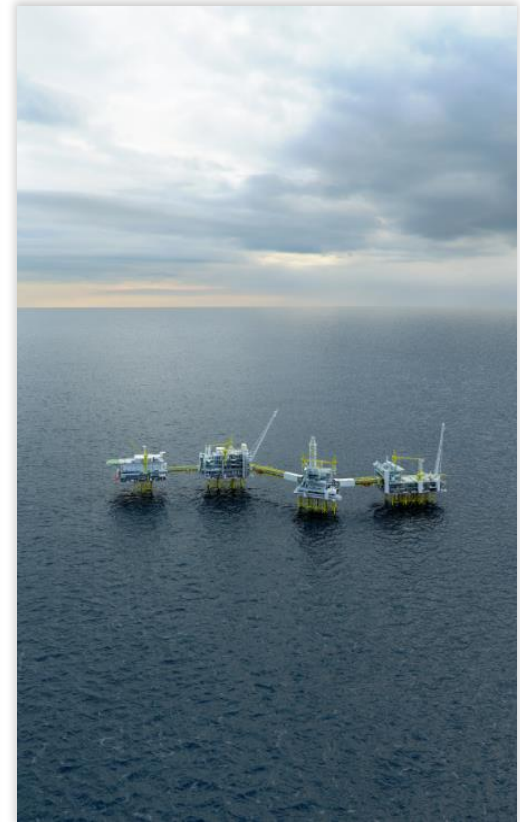


Full field development cost<sup>2)</sup>



Phase 1 break-even price

Current  
below  
**30**  
USD/bbl





# World-class drilling performance

## Improvements production drilling

Metres per day

↑ **50**  
%

Days per well

↓ **30**  
%

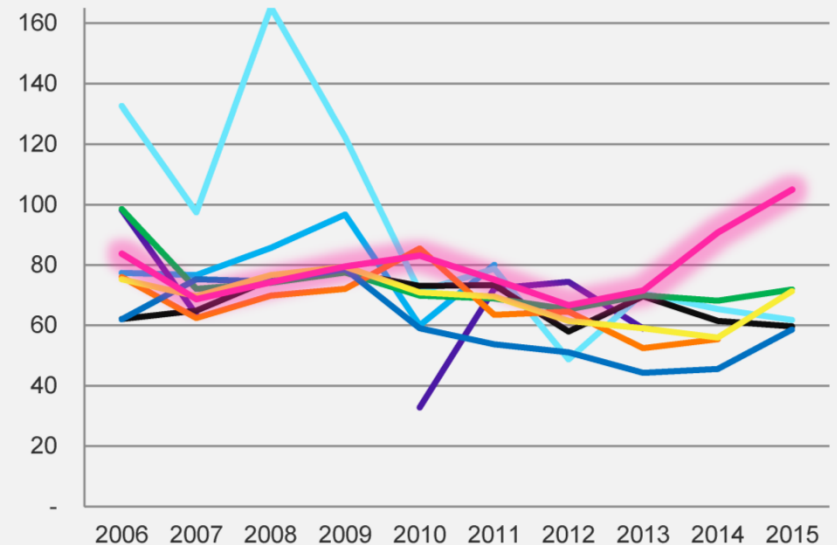
Spend per well<sup>1)</sup>

↓ **20**  
%

*"More for less"*

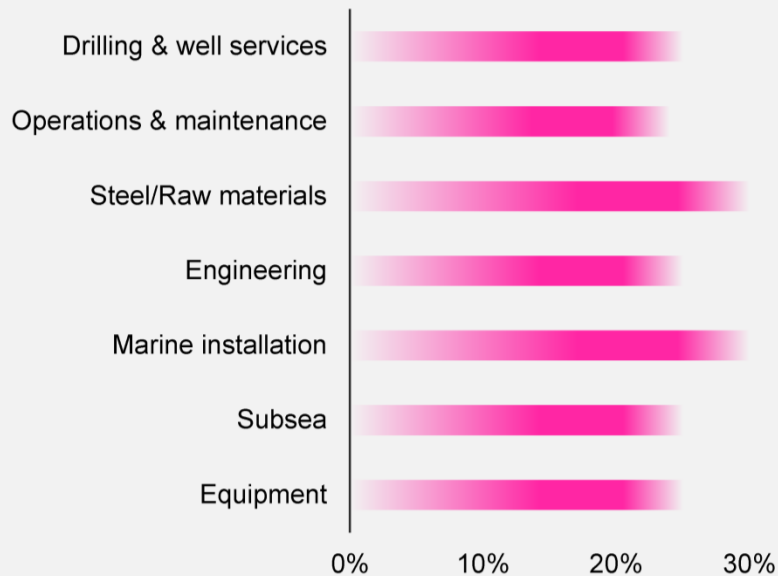
**95 wells planned**  
**117 wells delivered**

## Rushmore benchmark: metres per day 2006-2015 (2Q)

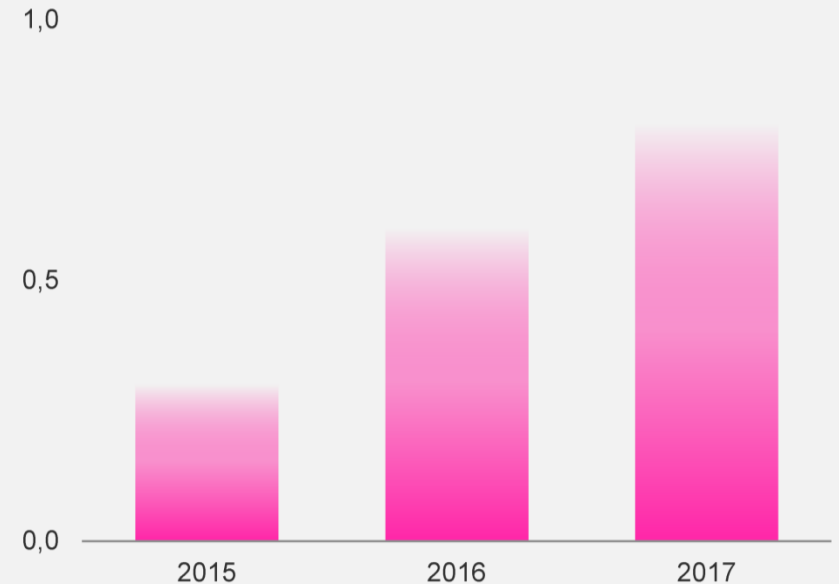


# Capitalising on market opportunities

Examples of achieved rate reductions in contracts <sup>1)</sup>



Expected reduction in capex and opex due to market effects <sup>2)</sup> (USD billion)

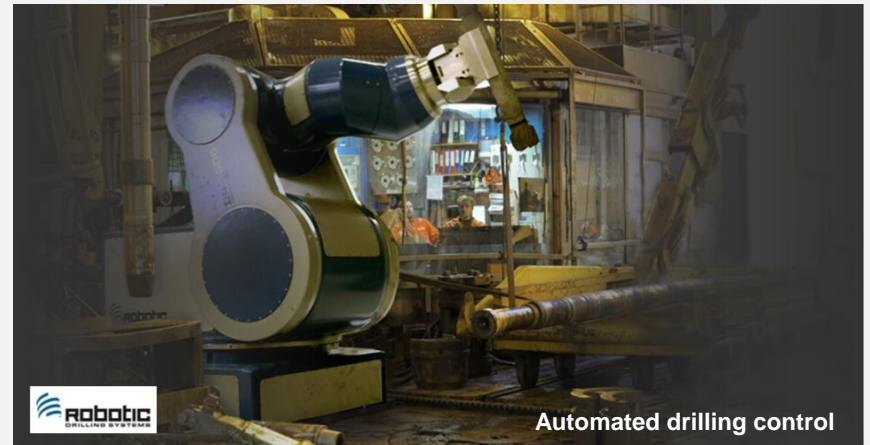


# Targeted technology for future competitiveness

## Radical & innovative solutions



## Next level digitalisation





Exploration

# A portfolio fit for the future

**Committed to exploration**

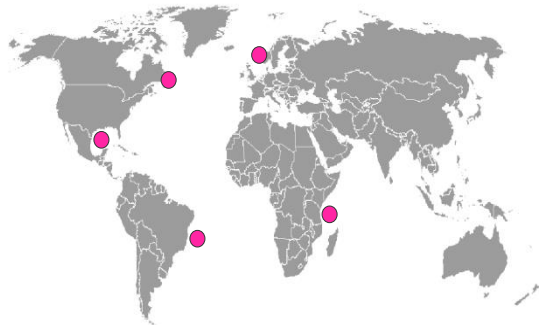
**Capture high-quality opportunities**

**Competitive at all times**



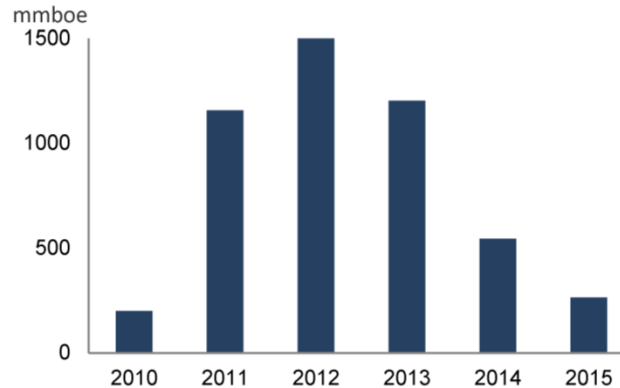
# Our exploration strategy stands firm

## Exploit prolific basins



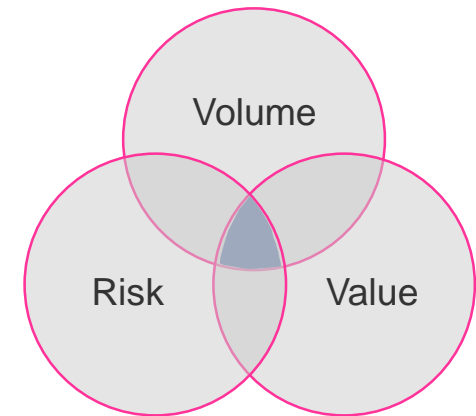
- Deepen in core areas

## Drill impact opportunities



- Test new plays

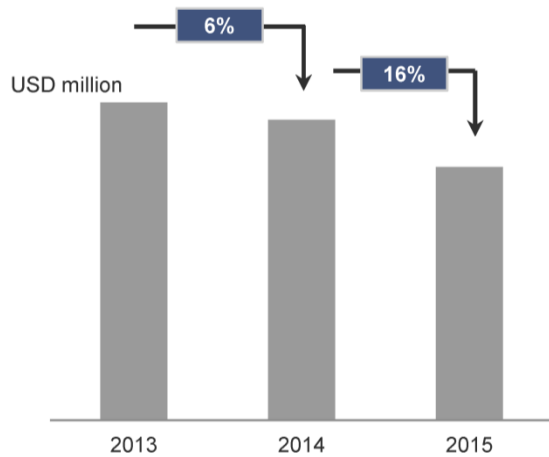
## Access at scale



- Position for transformational upside

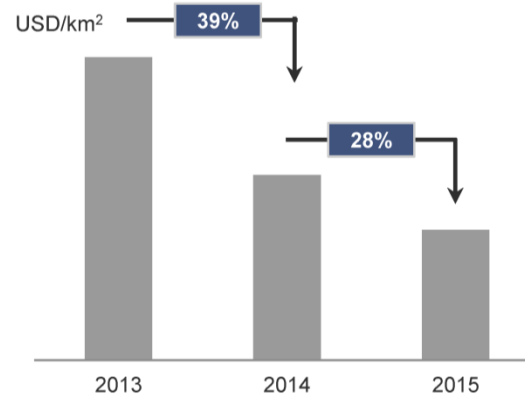
# Improved exploration efficiency

## Cost base



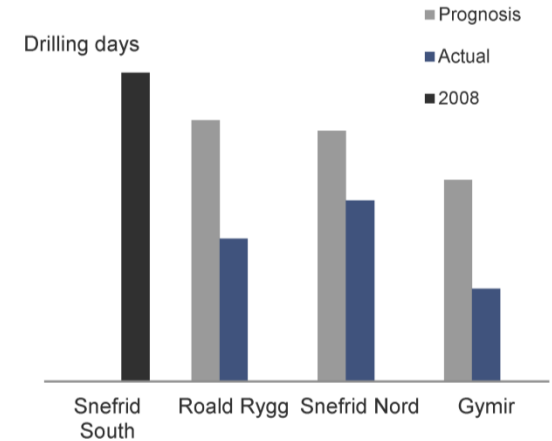
- Improved organisational efficiency

## Seismic unit cost



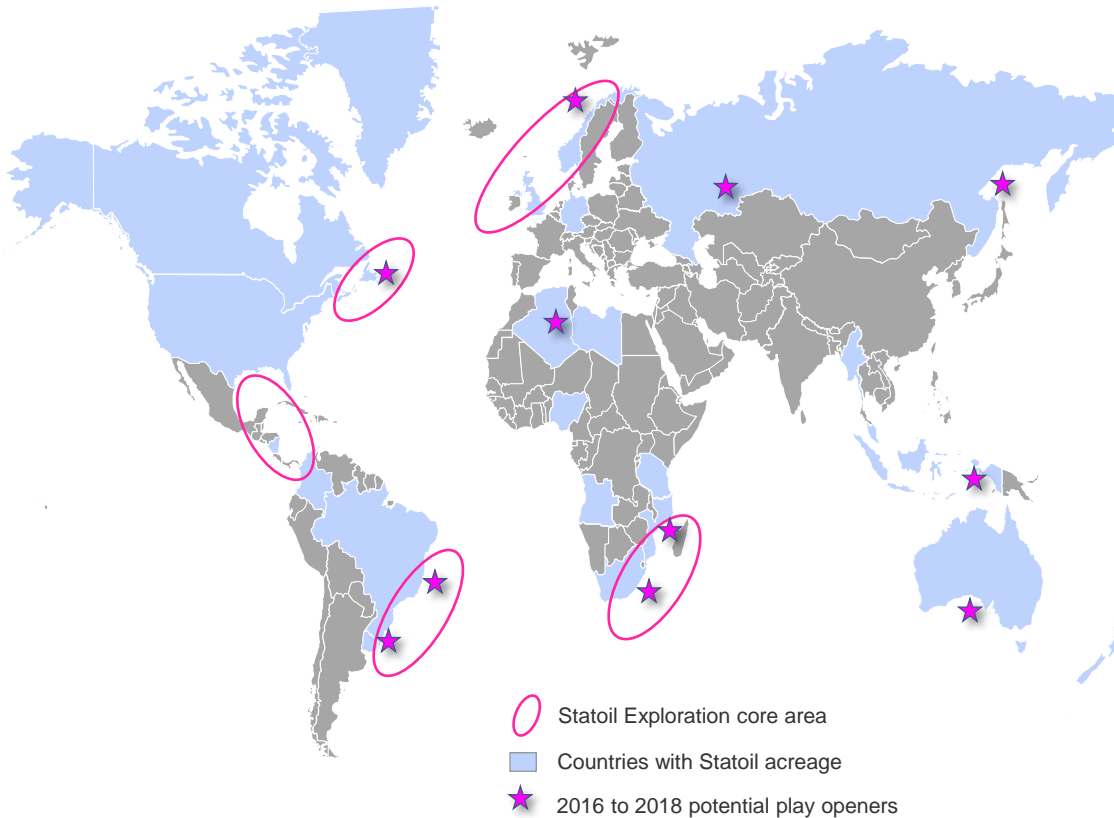
- Commercial and operational improvements

## Well duration



- Well efficiency improved by ~30%

# Disciplined execution of exploration strategy



## 2016

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- ~ USD 2 billion spend, 30% down from 2015
- Deepen in core areas
- Test five new plays
- Continue countercyclical access
- Mature discoveries towards development

## 2017-2018

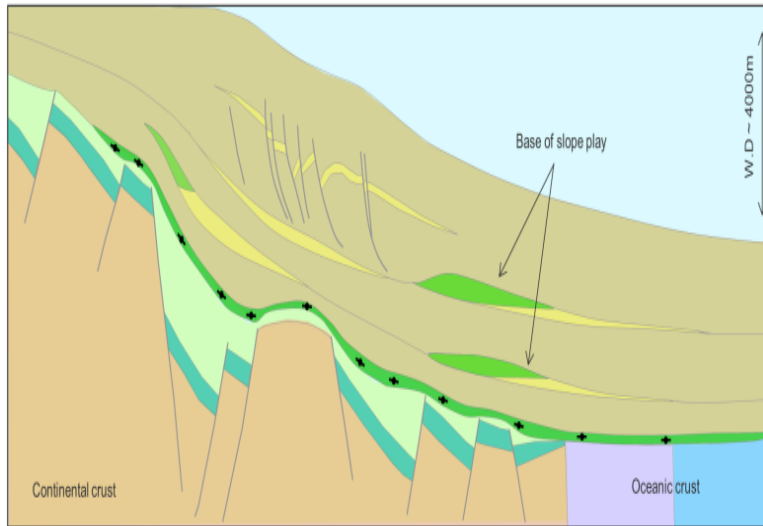
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- Test new acreage in core areas
- Test new plays



# Testing new plays

Southern Atlantic Margin



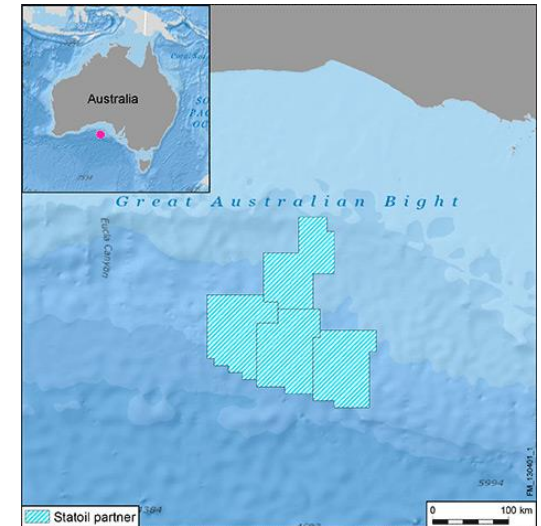
- Pursuing new geological concept

Timissit, Algeria



- Diversifying portfolio onshore

Ceduna, Australia



- Testing an underexplored basin

Thank you

