Building a competent NOC
StatoilHydro’s case study

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This is StatoilHydro

- Established on 1 October 2007 following the merger between Statoil and Norsk Hydro’s oil and energy business

- An international integrated energy company based in Norway

- The world’s largest deepwater operator, the world’s third largest net seller of crude oil and Europe’s second largest natural gas supplier

- Equity production of 1.925 million barrels of oil equivalent per day and more than 6 billion boe in proven reserves

- About 29,500 employees in 40 countries
StatoilHydro is seeking positions in Asia-Pacific gas

Ambition to grow the gas position in Asia Pacific

India
- Block KG-DWN-98/2 exploration licence, share 10%
- Technical support to Vasai East project, west of India
- Strategic MOU with ONGC

China
- Lufeng 22-1 field, operator, share 75%
- Strategic MOU with China National Petroleum Company
- Office in Beijing and Shekou

Indonesia
- Kuma exploration block, share 40%
- Karama exploration block, operator, share 51%
- Shortlisted for Phase 2 of the Natuna D-Alpha partner selection process
- Strategic MOU with Pertamina
- Office in Jakarta
Statoil was established as a National Oil Company. 50% in all Licenses.

First major operatorship: Statoil: Gullfaks, Hydro: Oseberg

Statoil takeover of Statfjord operatorship from Mobil


Formation of Petoro, a non operating, 100% state owned, manage SDFI

Statoil was partly privatized. State ownership 70-80%

Statoil & Hydro merged, 60-70% state share

Ekofisk, first commercial Norwegian discovery, Hydro partner

Statoil takeover of Statfjord operatorship from Mobil

Separation of assets between Statoil and State Direct Financing Interests (SDFI).

The road to a fully integrated oil company

NOC Capability and Capacity Building

Project Execution capabilities

High performing company

Growth and Internationalising

Global, Competitive & Value based Company

Ekofisk, first commercial Norwegian discovery, Hydro partner

Statoil takeover of Statfjord operatorship from Mobil

Separation of assets between Statoil and State Direct Financing Interests (SDFI).

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Statoil’s technology development

New technology

Platform-based

Subsea & floating

CCS

Subsea to shore

CCS and LNG

Long-distance offshore pipelines

Time

1983 Statpipe
1986 Gullfaks
1993 Sleipner
1994 Statfjord satellites
1995 Heidrun
1996 Statpipe
1996 Troll
1997 Norne
1999 Asgard
2005 Kristin
2007 Snøhvit Ormen Lange
The road to a fully integrated oil company

Hiring employees from competent existing businesses - from Norway and aboard
Learning from prudent foreign companies through project and assistance agreements
Focus on technology transfer and infrastructure

Developing competences through own operated projects
Modernization - governance and organization
R&D to handle existing and future challenges

International alliances and cooperation
Cooperation with NOCs
International operatorships
International organization
The beginning

• Norwegian Continental Shelf in the 1970's
  – Petroleum operations new and alien to Norwegians
  – Operated by international oil companies
  – Norwegian ambition to be in control

• Statoil’s goals when established in 1972
  – To be the caretaker of the Norwegian State’s commercial interests
  – To become a fully integrated, commercial operating oil company
  – To develop a strong national support industry

• How?
  – Statoil guaranteed 50% participation in all licences
  – Statoil given the right to increase its share in case of discovery
  – Carried interest arrangement
In the back-seat

• Building competence
  – Recruitment
  – IOC-s commit to train and contribute to the development of Statoil as an operator
    • On-the-job training in projects and operations
    • Secondment arrangements
    • Technology transfer and R&D programs carried out in Norway
  – Partnership with IOC-s in large scale projects
  – “Operatorship transfer” clause in joint operating agreements

• Statfjord
  – Oil field straddling the border between the Norwegian and British sectors, discovered 1974, developed 1979-1985
  – 3.5 billion bbl oil - 2.8 Tcf gas and 28.8 million ton NGL
  – Operator responsibility transferred from Mobil to Statoil in 1987

• Heidrun
  – Gas field with thin oil zone, discovered 1985 by Conoco, developed with a floating concrete tension leg platform
  – Gas utilised for methanol production in Norway
  – Operator responsibility transferred from Conoco to Statoil in 1995 when Heidrun came on stream
In the driving seat

• Preconditions to take the driving seat
  – Being able to explore and discover petroleum in the short term
    • Tommeliten Statoil’s first discovery in 1976
  – Being able to build and operate in the long term
    • Policy decision to ensure operatorship for Statoil
    • Statpipe became Statoil’s first operatorship
    • Gullfaks became Statoil’s first independent upstream assignment with excellent basis: size and oil discovery

• Statpipe
  – Statoil’s first operatorship – meant control over infrastructure
  – 880 km rich and dry gas pipeline and gas processing plant
  – In operation in 1985

• Gullfaks
  – Large oil field with 2.1 billion bbl recoverable oil and 24 BCM gas
  – Discovered in 1978, production start in 1986
  – Operator: Statoil, initial ownership share 85%
  – Challenges: major oil price fall between PoD approval and start-up, dry production well at Gullfaks C
Internationalisation

- Statoil by 1990 has become the Norwegian champion
  - But how to ensure competitiveness
- Change in mindset required
  - Strong technical and commercial skill base
    - But no international project management experience
  - Partnerships and alliances needed to compensate for small size on global basis
  - Need for partial privatisation of Statoil to expand internationally
- 1985-1990: Preparation for internationalisation
- 1990-2000: BP alliance
  - Statoil given access to international portfolio
  - BP in need for a partner with cash and NOC background
- Following years: various NOC alliances
  - Leveraging on Statoil’s distinctive character
Large fields and demanding infrastructure – key to success in competence building

- The large fields have been the key to the Norwegian success
  - Providing unique challenges in a harsh environment
- Landing infrastructure in Norway has been top priority since the beginning of Statoil’s history
  - Becoming the infrastructure champion enabled Statoil to develop position and skills
  - Statoil could utilize existing Norwegian competence
- The projects have been used for technology developments – and building of competence
Close co-operation – another success factor in competence building

• Close co-operation - and competition - between the international and national oil industry have been one of the key factors in developing the Norwegian oil sector

• Strong Government stimulation

• Local content provisions to ensure the development of a competitive supply industry

• Determination to develop Norwegian R&D environment
Building on our history of technology development

- Statpipe 1985
- Sleipner 1993
- Heidrun 1995
- Troll 1996
- Åsgard 1999
- Kristin 2005
- Snøhvit / Ormen Lange 2007
- CCS
- Arctic
- Ultra deep water
- Sub/pre-salt
Stretching our technology into new areas

- Floating LNG
- Oil sand
- Tight / shale gas
- Ultra high CO₂

Projects:
- Statpipe 1985
- Sleipner 1993
- Heidrun 1995
- Troll 1996
- Åsgard 1999
- Kristin 2005
- Snøhvit / Ormen Lange 2007

Tight / shale gas
Ultra high CO₂
Oil sand
StatoilHydro’s key learnings in competence building

- Predictable governance
- Industry participation
- Learning through integrated teams
- Operatorship
- Education

Efficiency and competitiveness

Internationalisation