Building a competent NOC
StatoilHydro's case study

Setting up a National Oil Company in Timor-Leste
Workshop, 28-29 May 2009, Dili
Zita Marko Daatland, StatoilHydro

StatoilHydro

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

Statoil

After 1 November 2009

StatoilHydro

StatoilHydro is seeking positions in Asia-Pacific gas

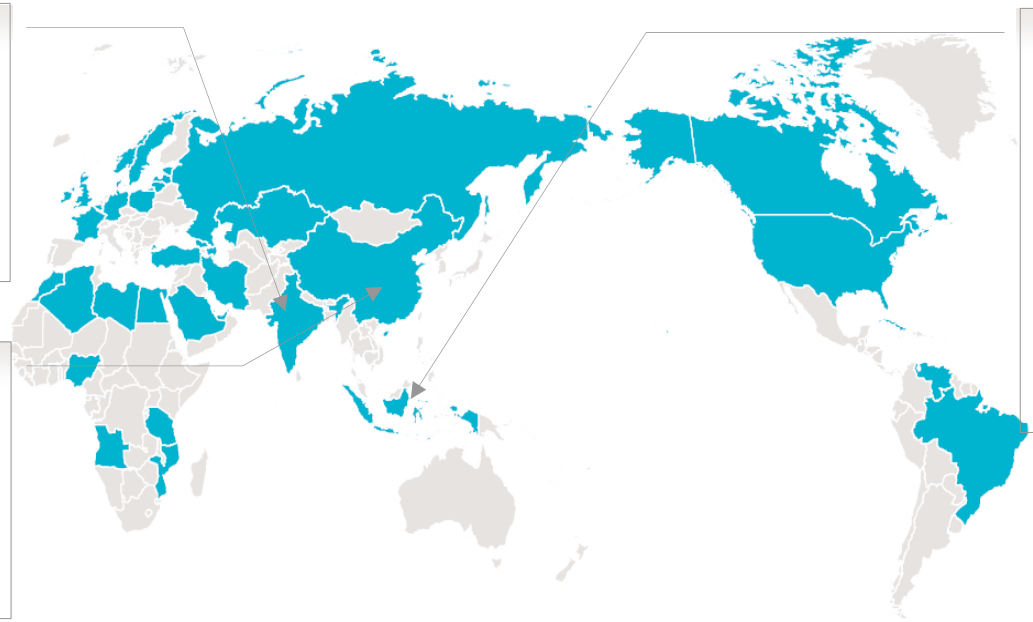
Ambition to grow the gas position in Asia Pacific

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 Bejing 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

The road to a fully integrated oil company

National Capacity Building

NOC Capability and Capacity Building

Project Execution capabilities

High performing company

Growth and Internationalising

1969 1972 1980 1985 1987 1990 2001 2007

Statoil

Global, Competitive & Value based Company

1969 Ekofisk, first commercial Norwegian discovery, Hydro partner

1972 Statoil was established as a National Oil Company. 50% in all Licenses

1980 First major operatorship

Statoil: Gullfaks

Hydro: Oseberg

1985 Statoil takeover of Statfjord operatorship from Mobil

1987 Separation of assets between Statoil and State Direct Financing Interests (SDFI).

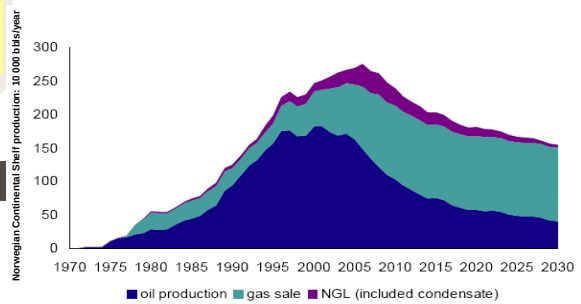
1990 International Statoil – BP Alliance from 1990 - 1998

2001 Formation of Petoro, a non operating, 100% state owned, manage SDFI

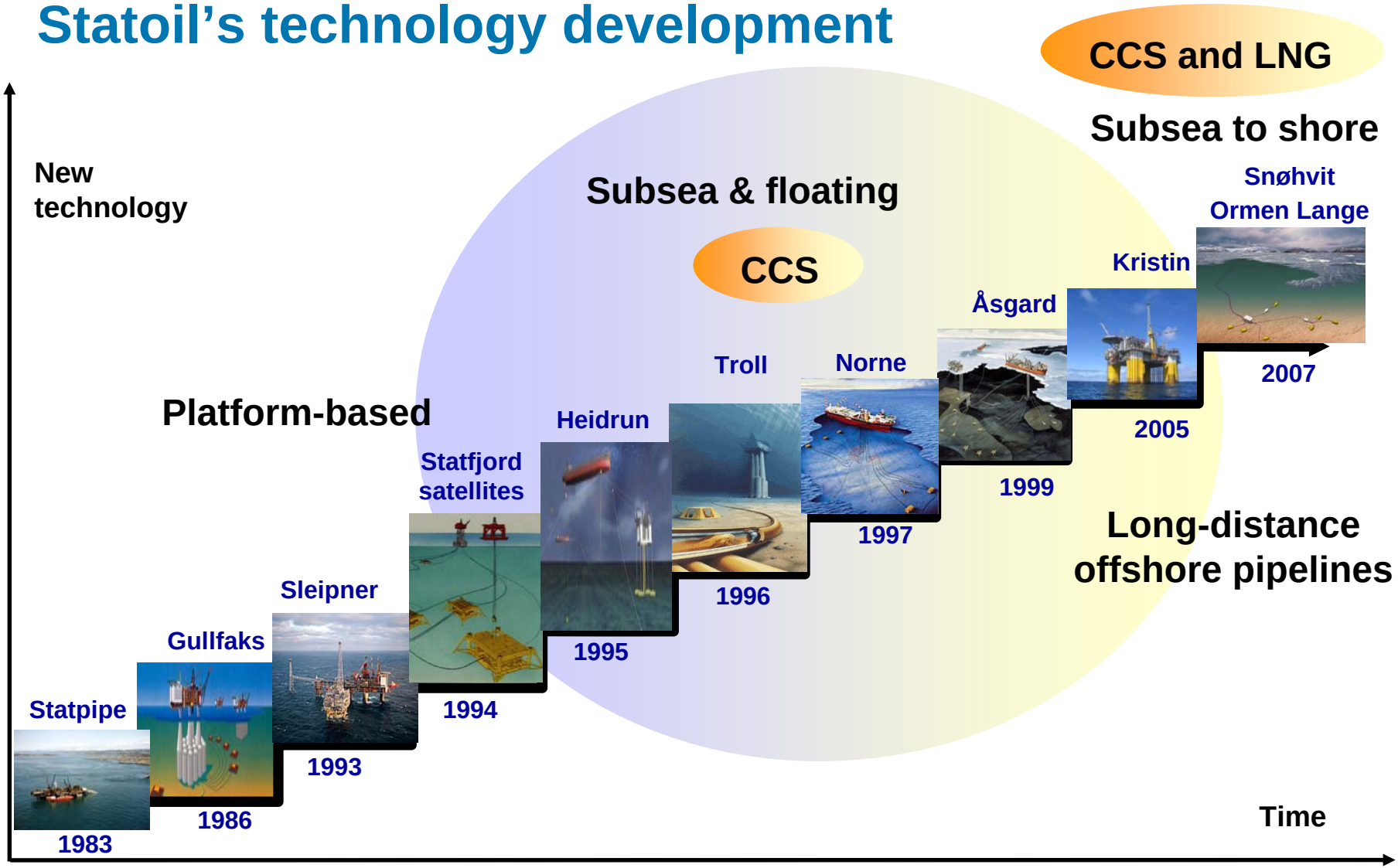
Statoil was partly privatized.

State ownership 70-80%

2007 Statoil & Hydro merged, 60-70% state share

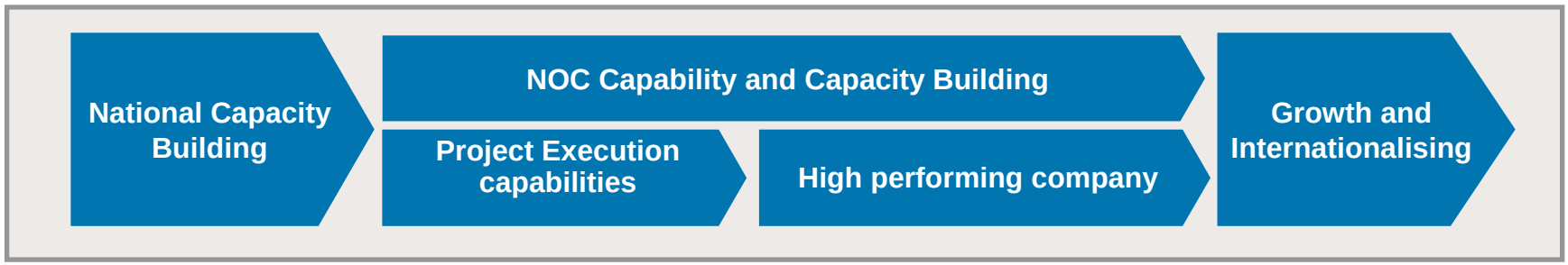


Statoil's technology development



StatoilHydro

The road to a fully integrated oil company



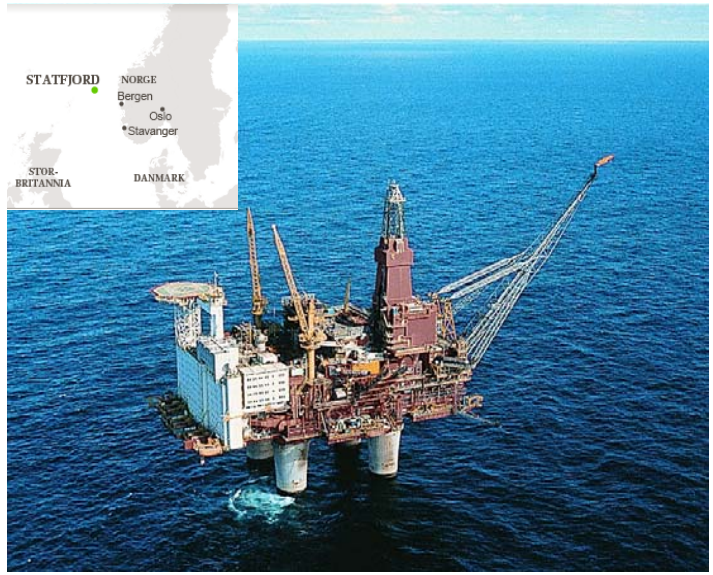
Hiring employees from competent existing businesses - from Norway and aboard Learning from prudent foreign companies through project and assistance agreements Focus on technology transfer and infrastructure	Developing competences through own operated projects Modernization - governance and organization R&D to handle existing and future challenges	International alliances and cooperation Cooperation with NOCs International operatorships International organization

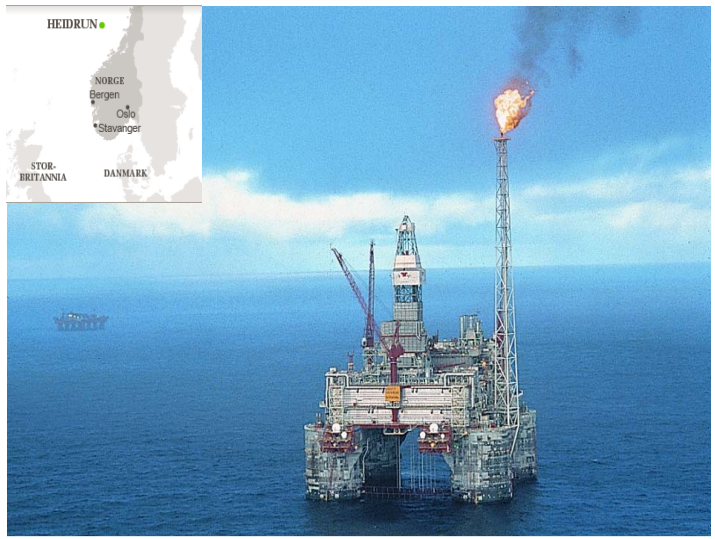
The beginning

- 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

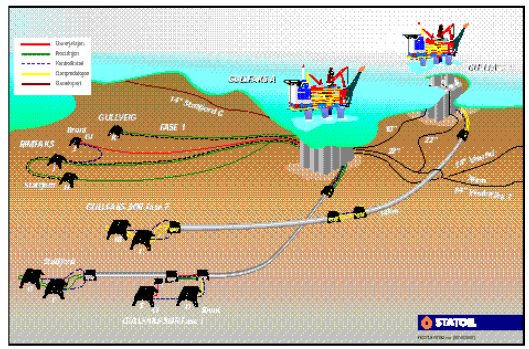




StatoilHydro

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 ion 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



StatoilHydro

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

Shah Deniz: midstream operator

BP

Angola: E&P success

PDVSA

SONANGOL

BR

TP

ADNOC

سوناطراك

sonatrach

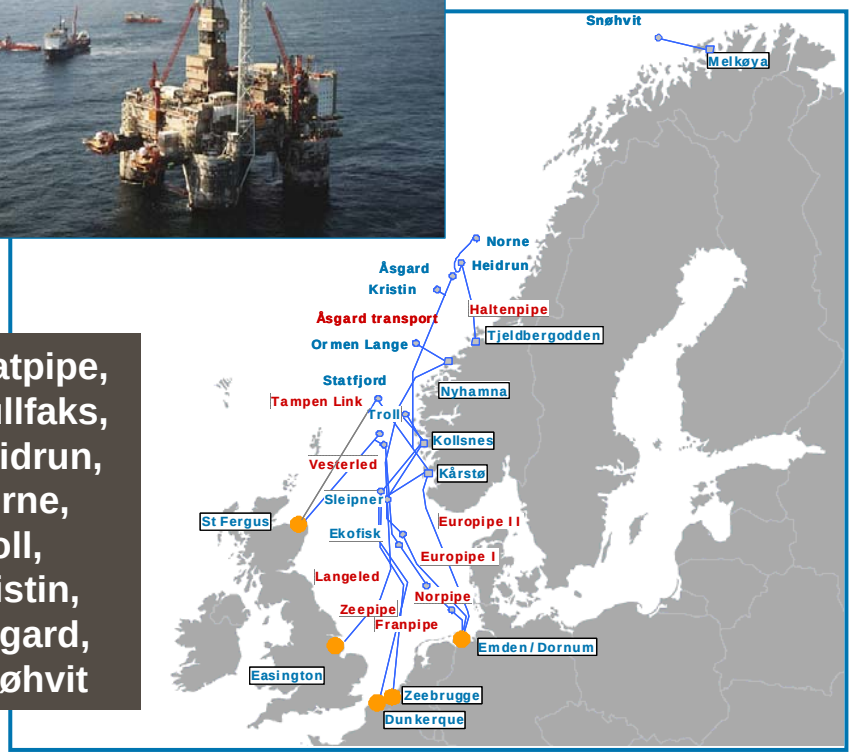
SOCAR

ارامكو السعودية
Saudi Aramco

PEMEX
REFINACION

StatoilHydro

Large fields and demanding infrastructure – key to success in competence building

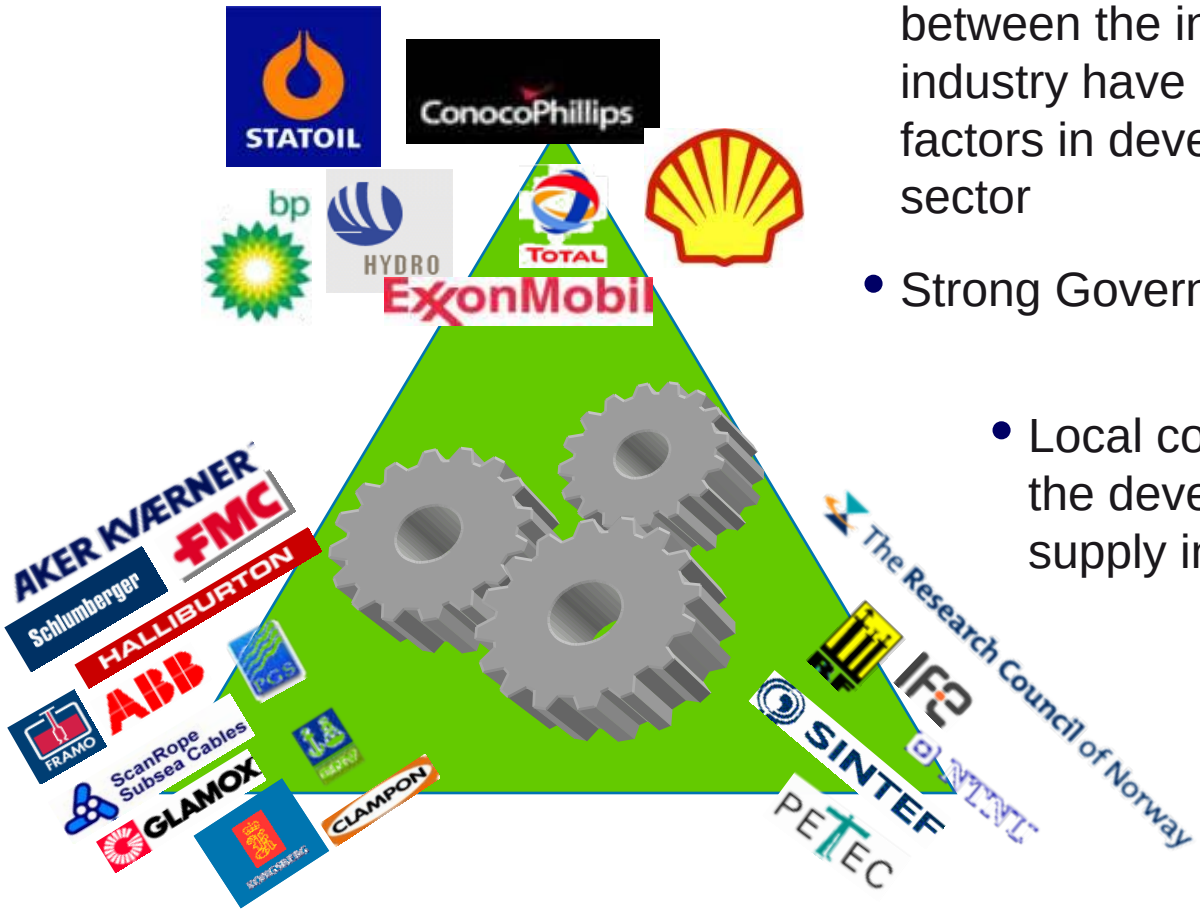


Statpipe, Gullfaks, Heidrun, Norne, Troll, Kristin, Åsgard, Snøhvit

- 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

StatoilHydro

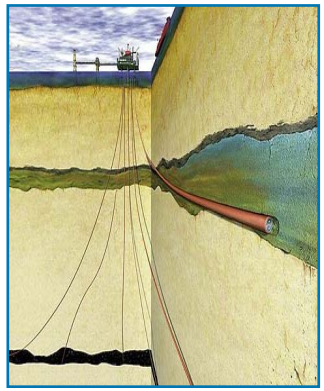
Close co-operation – another success factor in competence building



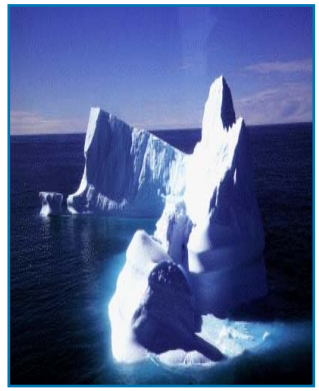
- Close co-operation - and competition - between the international and national oil industry have been one of the key factors in developing the Norwegian oil sector
- Strong Government stimulation
- Local content provisions to ensure the development of a competitive supply industry
- Determination to develop Norwegian R&D environment

StatoilHydro

Building on our history of technology development

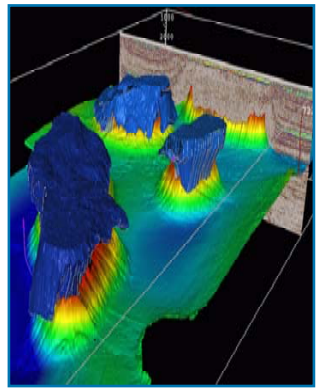


CCS

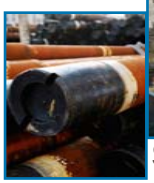


Arctic

Ultra deep water



Sub/pre- salt



Statpipe
1985

Sleipner
1993

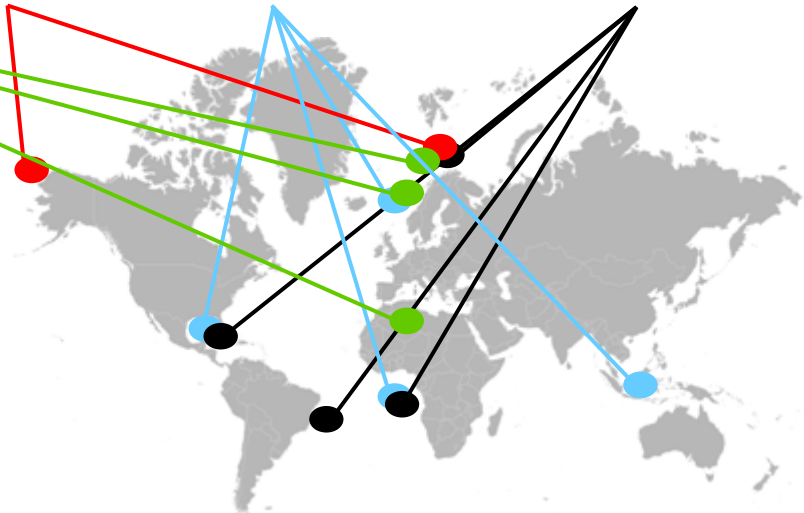
Heidrun
1995

Troll
1996

Åsgard
1999

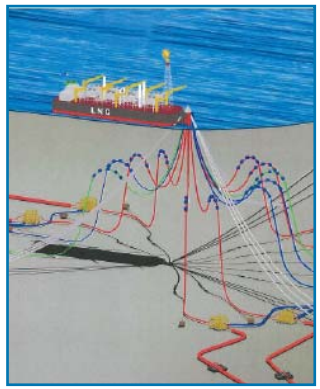
Kristin
2005

Snøhvit / Ormen Lange
2007



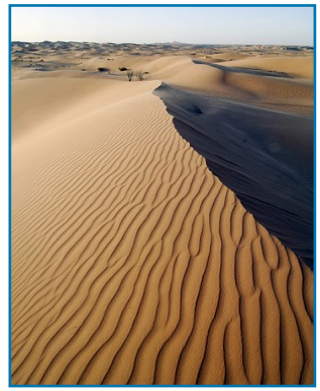
StatoilHydro

Stretching our technology into new areas



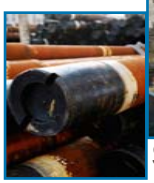
Floating LNG

Oil sand



Tight / shale gas

Ultra high CO_2



Statpipe
1985

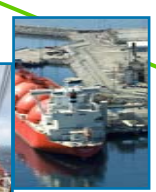
Sleipner
1993

Heidrun
1995

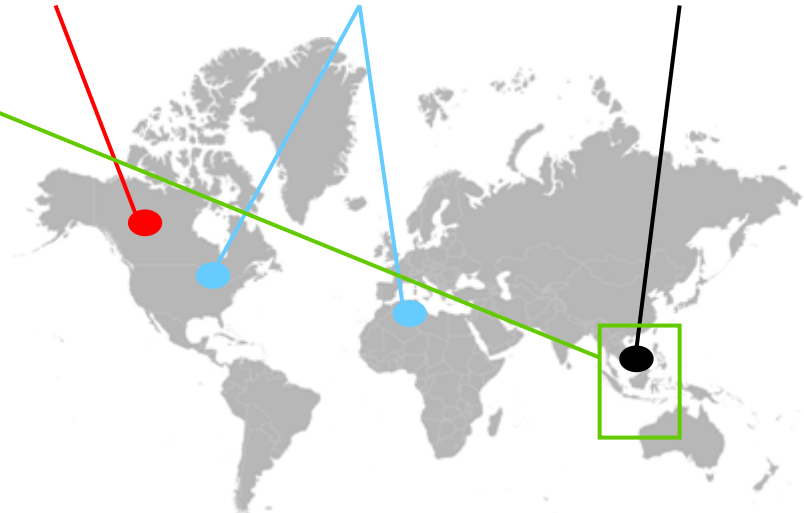
Troll
1996

Åsgard
1999

Kristin
2005



Snøhvit / Ormen Lange
2007



StatoilHydro

StatoilHydro's key learnings in competence building