

Oil politics and economy The Norwegian perspective

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Introduction



State organisation

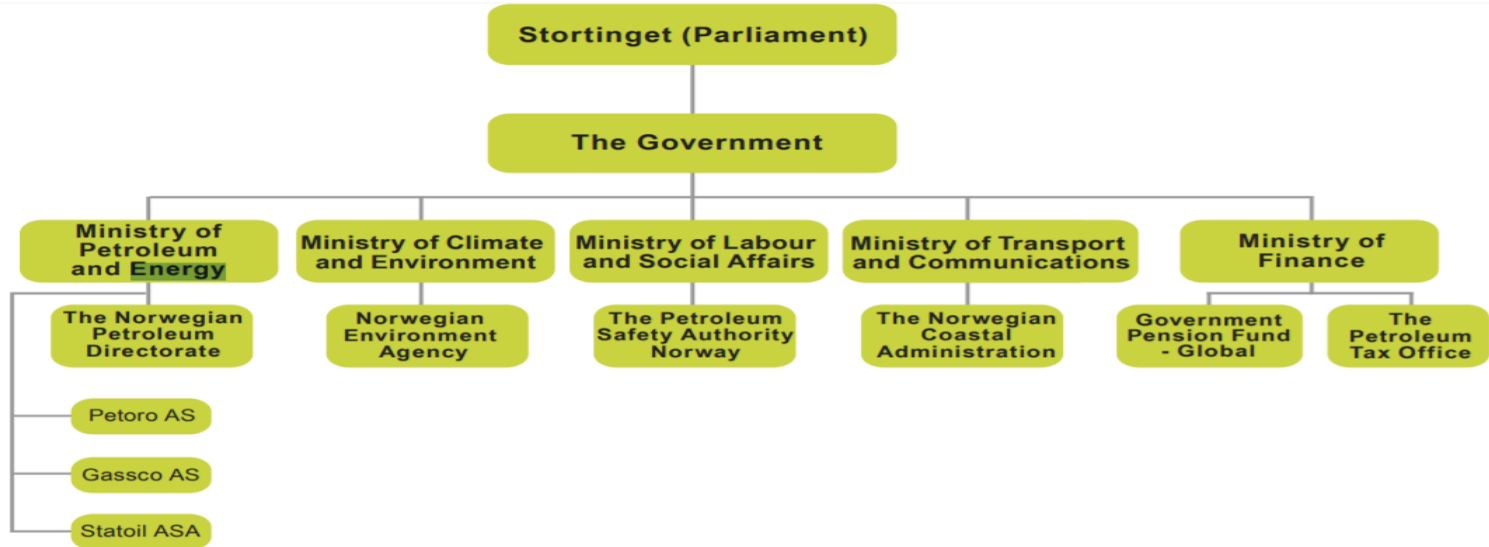


Figure 3.2 State organisation of the petroleum activities (Source: *The National Budget*)

Is it only the state who gets the oil?

Petroleum Act (1996)

The act provides the general legal basis for the licensing system that governs Norwegian petroleum activities.

The Licences

The license grants companies exclusive rights to surveys, exploration drilling and production of petroleum within the geographical area covered by the licence.

Other examples of organisation: free market

Canada, in contrast to Norway, has a free-market approach. That means that the government is discouraged from long-term public planning, in favour of allowing the market to determine the pace and scope of the development.

The oil fund (1991)

- The creation of an oil fund ensures a stability in the government revenues and spending.
- A 96% abroad investment of the GPFG
- A 4% annual maximum withdrawal of oil in Norway.
- 295 billion NOK (2000) – 5000 billion NOK (2014)

Economy

- Why is oil more expensive in Norway?
- What affects the price of oil?

Quick look:

1975 - 3% of GDP

1980 - 14% of GDP

2000 - 23% of GDP

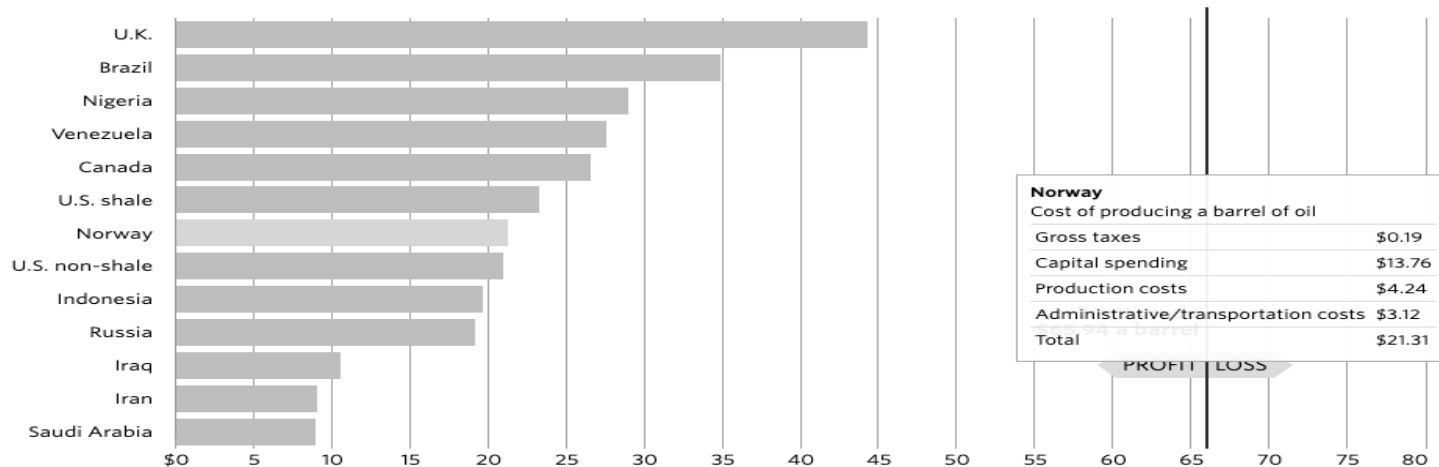
Currently around 22% and
67% of Norwegian exports



Why is oil more expensive in Norway?

Cost of producing a barrel of oil and gas

Average cash cost to produce a barrel of oil or gas equivalent in 2016, based on data from March 2016.



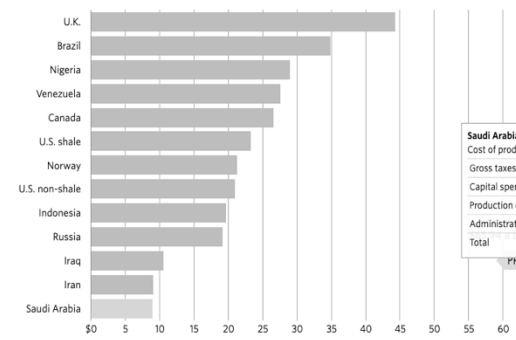
Note: Brent crude price as of March 6, 2019 at 8:57 p.m. BST.

Source: Rystad Energy UCube

What about other countries?

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Average cash cost to produce a barrel of oil or gas equivalent in 2016, based on data from March 2016.

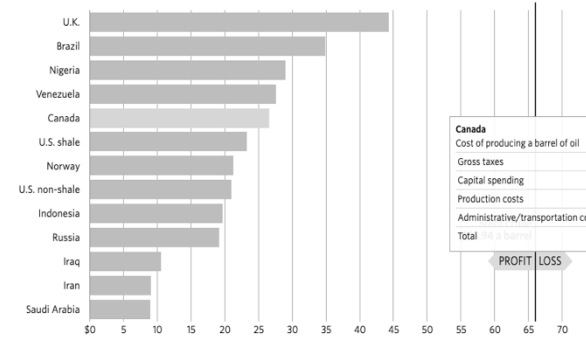


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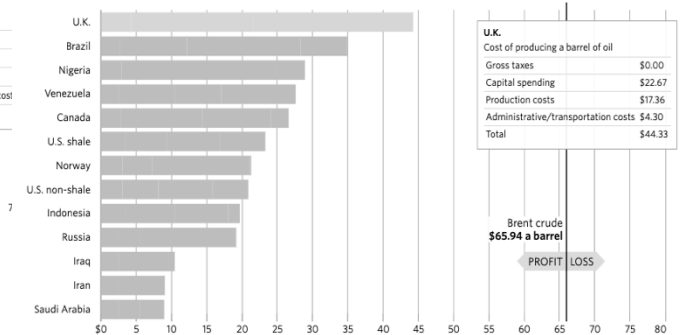


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What affects the price of oil?



Historic incidents that influenced price:

1950 Korean war

1956 Suez crisis

1967 Six-day war doubled the price of oil

1973 Yom Kippur war quadrupled the price of oil

1979 Iranian Revolution

1991 Gulf war

1998 Economic crisis in Asia leads to a major fall in the price of oil

2007-08 The financial crisis and unstable oil production first boosted prices and then prompted a big drop

2011 Arab Spring political unrest in Egypt, Libya, Yemen, Bahrain and other countries pushed up oil prices

The 10 oil commandments (1971)

- **1st commandment**

National supervision and control must be ensured for all operations on the NCS.

- **2nd commandment**

Petroleum discoveries must be exploited in a way which makes Norway as independent as possible of others for its supplies of crude oil.

- **3rd commandment**

New industry will be developed on the basis of petroleum.

- **4th commandment**

The development of an oil industry must take necessary account of existing industrial activities and the protection of nature and the environment.

- **5th commandment**

Flaring of exploitable gas on the NCS must not be accepted except during brief periods of testing.

- **6th commandment**

Petroleum from the NCS must as a general rule be landed in Norway, except in those cases where socio-political considerations dictate a different solution.

- **7th commandment**

The state must become involved at all appropriate levels and contribute to a coordination of Norwegian interests in Norway's petroleum industry as well as the creation of an integrated oil community which sets its sights both nationally and internationally.

- **8th commandment**

A state oil company will be established which can look after the government's commercial interests and pursue appropriate collaboration with domestic and foreign oil interests

- **9th commandment**

A pattern of activities must be selected north of the 62nd parallel which reflects the special socio-political conditions prevailing in that part of the country.

- **10th commandment**

Large Norwegian petroleum discoveries could present new tasks for Norway's foreign policy.