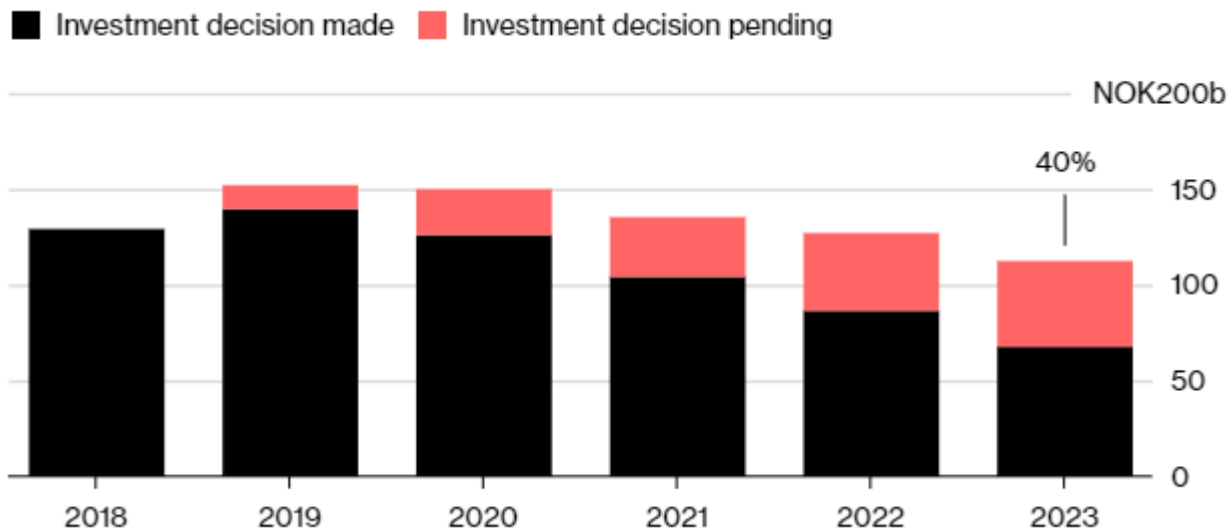


Top Oil Lobbyist Warns of Rising Political Risk in Norway



Norway's oil industry is in full recovery mode, but the country's top petroleum lobbyist is worried about growing opposition ahead.

At the same time as it gave a big boost to investment forecasts for the next five years, the Norwegian Oil and Gas Association sounded one of its starkest warnings yet on the political risk facing the nation's biggest industry. Explorers and producers are finding themselves in the midst of an increasingly heated debate in Norway on the future of fossil fuels, with calls for cuts to incentives, more drilling restrictions and higher taxes.

While Norway's oil industry is tightly regulated, one of its main selling points has always been a stable framework with support across the political spectrum. That means that investment forecasts could be hit "dramatically" if that is looking shaky, Karl Eirik Schjott-Pedersen, the association's chief executive, said on Monday.

"I'm raising a flag to say that these investments are

vulnerable if such a situation arises,” Schjott-Pedersen, who represents companies including Equinor ASA and Royal Dutch Shell Plc, said in an interview. “It’s important for us to stress that this debate and these proposals for change aren’t cost-free.”

With the share of locked-in spending falling to 60 percent in 2023 from 92 percent in 2019, investment could drop sharply and make this year’s recovery brief, Schjott-Pedersen said.

Political risk is even a bigger concern than the market, where crude prices have tumbled by about 30 percent over the past three months, he said. After the industry cut costs drastically during the downturn from 2014 to 2017, projects are less vulnerable to Brent crude in the \$50s than to tax hikes, Schjott-Pedersen said.

The warnings from the former Finance Minister comes as two centrist parties involved in negotiations to broaden Norway’s Conservative-led government have signaled they will seek tougher restrictions on the oil industry. While Prime Minister Erna Solberg appears unwilling to offer concessions on oil policy, those efforts are only the latest in a long list of challenges for the oil industry, including:

- The prospect of smaller groups like the Green Party gaining more influence
 - Legal challenges seeking to restrict license awards or exploration incentives
 - Signs that Norway’s biggest party, Labor, currently in opposition, is growing increasingly skeptical of opening the Lofoten area to exploration, raising the possibility it could compromise on other aspects of oil policy
- Compounding these challenges is another, worrying prospect for Norway’s oil industry in the early 2020s: it sorely needs new, big discoveries to fill a dwindling project pipeline.

That challenge isn't new. While the oil association raised forecasts for all years through 2022 compared to its previous prognosis from December 2017, the new outlook still reflects a drop in investments after this year and 2020 due to a lack of large projects.

"If we don't make new, large discoveries, the activity level on the Norwegian shelf will drop a few years down the line," Schjott-Pedersen said. "Future earnings depends on oil companies being able to explore in interesting areas."