Hilde Nafstad: Welcome everyone to Statoil’s Conference Call regarding the announcement of concept selection for Johan Sverdrup. I am Hilde Nafstad, Head of IR for Statoil. With us here today we have Øivind Reinertsen who is Senior Vice President in charge of the Johan Sverdrup project. Mr. Reinertsen will first give us a short introduction and we will then go on with a Q&A session. Welcome Øivind, please go ahead.

Øivind Reinertsen: Thank you Hilde, good afternoon everybody. I must say it has been hard work but first of all fantastic to work with this project. I would say a true once in a lifetime experience. Let me start by saying that we normally don’t issue numbers at this stage of maturity and there are good reasons not to do so. Uncertainty is as I hope you understand large at this stage, but Johan Sverdrup is no ordinary field and we have promised you an update at the time of the concept selection. Uncertainty increases with time and we are therefore focusing on the first phase of the development in our release today. I take it that you have read the release we and partners have issued this morning so I will not repeat all the details. In December last year we did inform you about the expected resource range from 1.8-2.9 billion barrels of oil equivalent and expected start-up time late 2019. We have not changed our view of these elements. Today we are more specific on what the concept will look like, what the costs and how production is envisaged from the field. I would like to stress to all of you that the guiding principle for our work is to make sure that we get as much value out of the field as possible. This has led us to a phased development – no surprises there. There have been good discussions among the partners and we are all aligned behind the concept proposed today. In fact all decisions taken in the licences so far have been unanimous. There vast extent of the field and the thin and variable oil sands have implied some time to appraise the field to make sure that we get the right size and concept.
From the time of decision expected next year by the Norwegian parliament to production there is less than five years. This is in my mind a reasonable time taking into account the size of this development and the need for weather window, for lifting them in place. We also have stated that drilling our production wells will start well in advance so there is no time to waste here.

This is the first time we are presenting the development in any detail and I look forward to your questions. Keep in mind that it’s difficult for us to comment in any detail on what is going to happen beyond the first phase. I’m certain that there will be more opportunities in the future to talk about this field.

Hilde, I'll leave it to you to guide us through the questions.

Hilde Nafstad: Thank you very much Øivind. The operator will explain the procedure for posing questions before we go ahead. I will just inform everybody that the call will close at 14h15 at the latest which is approximately 40 minutes from now. So operator, would you please explain the procedure?

Operator: Thank you. If you’d like to ask a question at this time please press *1 on your telephone keypad. Please ensure that the mute function is turned off on your phone to allow your signal to reach our equipment. If you find your question has already been answered you can remove yourself from the queue by pressing *2. Again to ask a question please press *1 now. We will pause for a moment to allow everyone to signal.

Hilde Nafstad: Thank you very much. The first question we have in line today comes from Haythem Rashed with Morgan Stanley. Please go ahead Haythem.

Haythem Rashed: Thank you Hilde and good afternoon, Haythem Rashed, Morgan Stanley. Two questions please from my side. Firstly perhaps you could give us a sense of the ramp-up of Phase I and how long that is expected to last for when you expect to reach the range of 315-380 from start-up in late 2019? Second question I have is just to get a sense on full field investment
spend and if there’s anything you can share with us on how we should think about the total spend on the field for that Phase I and beyond? That would be very helpful. Thank you.

Øivind Reinertsen: To your first question ramp-up, we do plan to pre-drill wells, both production wells and injectors on this field in order to have a quick ramp-up. As I said we plan to start production in late 2019 and I expect to reach the level that we have indicated in the press release in 2021, whether it is first or second quarter I cannot say but that’s the time which we indicated before we are at the indicated level. When it comes to the second question, the full field, unfortunately we don’t have any figures to release on that today. We know there will be more than one phase, we are actually talking about two, three, maybe even four phases. The timing between the phases are still uncertain even though we have indicated maybe three years between Phase I and Phase II, but the concept is still uncertain and so are the capital or the investment figures so I won’t give any figures on that or even any range on that today.

Haythem Rashed: Ok, thank you. Just on a follow-up on the timing and duration of Phase I, am I right in understanding that that implies that Phase I would last until about late 2022, 2023, early 2023? Is that the right way to think about that?

Øivind Reinertsen: That’s the right way to think about it as we think about it today when I’m saying three years between Phase I and Phase II, yes.

Haythem Rashed: Thank you.

Hilde Nafstad: Thank you. Our next question comes from Medhi Ennebati with Société Générale. Please go ahead Medhi.

Medhi Ennebati: Hi, good afternoon, Medhi, Société Générale. I will ask two questions please. The first one, I would like to come back to your Capital Markets Day presentation where you put an internal return rate average for the 16 projects which will start pre-2020 and this includes Johan Sverdrup and you said that you are expecting 24%. I presume that Johan Sverdrup is above this average but I just wanted to know if you considered only Johan Sverdrup Phase I or
you know the development of the whole Johan Sverdrup field in your internal return rate estimates of 24% on average? The second question relates to Det Norske announcement. Det Norske said that 70% of the Johan Sverdrup field can be produced from Phase I meaning that your capex per barrel regarding the Phase I should be around $12 which seems to be quite low. I just wanted if you had something to say on that.

Øivind Reinertsen: I’m not sure whether I got your first question but it was something referring to the Capital Markets Day where Statoil has indicated something related to the rate of return. We have not given any rate of return from Johan Sverdrup and I don’t know what was given on the Capital Markets but of course with the size of Johan Sverdrup it would play an important role in the figures given by Statoil but I cannot zoom into any specific figures. When it comes to what Det Norske has said with 70% of the resources captured in Phase I, I will not make any comments to that because what is captured by Phase I will also depend on when you are putting Phase II into production. So to me we did not select to out with any figures because it’s so dependent also on the future basis.

Mehdi Ennebati: Alright, understood. Thank you very much.

Hilde Nafstad: Thank you. Our next question comes from John Olaisen at ABG. Please go ahead John.

John Olaisen: Thank you for taking my call. The capex, the indicated capex of NOK 120 billion includes contingencies and provisions for market adjustments. Could you tell us a little bit about what the size of the contingencies and provisions are and maybe a little bit more of what’s in behind the contingencies and provisions?

Øivind Reinertsen: At this stage in a project maturity we have different contingencies on the different elements of the project, but if you use approximately 20% as a contingency as an average you will not be very far off.

John Olaisen: Thank you very much.
Hilde Nafstad: Thank you. Then we have Peter Hutton from RBS. Please go ahead Peter.

Peter Hutton: Hi and thanks again for the call. Just you mentioned moving up to fairly rapid ramp-up because of the 11-17 wells that you will be pre-drilling by the end of 2019 and this is just following on from some of the back of the envelope calculations on that, but there was an indication from Lundin this morning that the ratio of producers and injectors would be around 50/50, so of that 11-17, maybe 6-9 of those we might assume to be producers. To get to 315-380 implies the flow rate on those producers of between 40,000-50,000 barrels a day. Does that very basic mathematics make sense and if so are you getting that kind of flow rate anywhere else in the world?

Øivind Reinertsen: First of all we are talking about pre-drilled wells. Those wells will then be available when we start off the field. Then we will continue to drill wells because we have a fixed drilling platform on the drilling platform, so we will continue to drill wells. We will also continue with a floater to drill water injection wells after production start-up, so we have to add on wells to the figures you have to come up to the plateau production. The plateau production will not be reached only by the pre-drill wells.

Peter Hutton: I think that’s different from what Lundin was saying, so that’s clear, is it?

Øivind Reinertsen: That’s clear.

Peter Hutton: Ok.

Hilde Nafstad: Thank you Peter. Then we have André Benonisen from Danske Bank. Please go ahead André.

André Benonisen: Hi everyone. I think your earlier resource guidance has been based on the mid-point recovery rate of 55%. Is there any reason that we should believe that your latest resource update is based on a recovery rate that is far away from that number?
Øivind Reinertsen: You are asking me if you’re far away and you’re not far away but I’m not saying it’s that figure, but we are in... when we are saying we have an ambition to reach 70% I would say that we really have to close the gap between 9-13%, 14% ratio.

André Benonisnen: Ok, thank you.

Hilde Nafstad: Thank you André. Our next question comes from Alejandro Demichelis from Exane. Please go ahead Alejandro.

Alejandro Demichelis: Yes, good afternoon. Thank you very much for the call. A couple of questions from my side. The first one is in terms of Phase I and the different phases, how much of the infrastructure of Phase I would you be able to use or share with the other phases that you have here and then a follow-up question from there is do you think that there is a need for an extra processing facility in the field or an extra power cable in the subsequent phases?

Øivind Reinertsen: Of course we have invested in a field centre and we have invested in a lot of flexibility that will be utilised in the future phases, not only the future phases but also for enhanced recovery. So of course we have a living quarter that will be utilised for future phases. We have also a riser platform that will obviously be utilised for future phases since we have all the pumping facilities on those platforms and we will also have the possibility to utilise the processing platform as we put in place at Phase I, that could also be utilised for production from future phases if we have available capacity. Then of course we will need more processing capacity on the field in the future phases. Your second question was...

Alejandro Demichelis: Sorry, the second question was whether you needed an extra kind of power cable or another processing unit at subsequent phases?

Øivind Reinertsen: We will need more processing capacity for the future phases and we will need more power. The power solution as we have indicated today is for Phase I. Whether it will be a cable that can give power to the whole area or whether it will be gas turbines for the next phase, I don’t know. That will be a part of the future work.
Alejandro Demichelis: Ok, that’s very clear. Then if I can follow up, when should we anticipate that you can get to the 550 - 650,000 barrels a day of plateau?

Øivind Reinertsen: That will be dependent on the timing between Phase I and Phase II and also the Phase III that could be part of feeding oil and gas into the second processing platform. I don’t have a figure in line with the partners today what sort of interval we will have between the different phases.

Alejandro Demichelis: Ok, that’s very clear. Thank you very much.

Hilde Nafstad: Thank you. Our next question comes from Ovind Haagen with ABG. Please go ahead.

Ovind Haagen: Hi, thank you. At today’s release you said the production level at plateau will reach 550,000-650,000 barrels per day and I also note that you comment that plateau production could last for eight years if you are in the lower end of that range. On my calculations you will then produce around 1.8 billion barrels already before the field starts to hit decline. Then if you’re going to produce until 2050 average production per day in that period will have to be around 50,000 barrels per day if you are not going to exceed 2.35 billion in cumulative production. Could you comment on this?

Øivind Reinertsen: I think if you refer to the plateau level I talked about 4-8 years and since we don’t have a specific capacity on the second phase, it’s difficult to say what sort of...how many years you will be able to also have something to do with this between. Through, it is true that we will have a long pay production on this field, whether it’s 50,000 I cannot give you the figure because I don’t have the production profile in front of me, but we will have a long tail on this field.

Ovind Haagen: If you are at year 8 of plateau production and have produced 1.8 billion barrels and then in the coming 20 years or so you’re going to produce an average of 50,000 barrels per day, depletion has to be extreme and more extreme than any other field that I know of at least. Are
you pencilling in additional volumes when you’re talking about a potential plateau production of
eight years beyond the mid-point of the current resource range?

Øivind Reinertsen: No we are not and I am afraid that the eight years even with 550, I think I said
4-8 years.

Ovind Haagen: Yes, correct, then up to eight years at the lower end if I’m not mistaken.

Øivind Reinertsen: I think I must have been misinterpreted if that is the case.

Ovind Haagen: Ok, so how should we think about it?

Øivind Reinertsen: You should think about that we have a stand in the plateau production as we
said today and the reason is that we are very uncertain what is the second phase going to be
with respect with capacity of the processing units and also timing. If we are getting into the
550-650 we are probably talking about, as I said 4-8 years, but probably closer to four years
plateau before we start going on decline.

Ovind Haagen: Ok, thank you.

Hilde Nafstad: Thank you. Our next question comes from Matt Lofting with Nomura. Please go ahead
Matt.

Matt Lofting: Thanks, just two questions please. Firstly in terms of capex and Phase I costs that you’ve
talked about I wonder if you can elaborate a little bit in terms of how you think about controlling
costs on Johan Sverdrup as you roll forward through the next few years given I guess particularly
the scale of this project in the context of the NCS? Secondly could you just sort of talk a little bit
about the unitisation process going forward across the various blocks that make up Johan
Sverdrup and how you think that sort of plays out in terms of timing? Thank you.
Øivind Reinertsen: Well, when it comes to control the capex it is of course very important and what we have started already is to have a close control on any changes and in principle we have a concept freeze because we have started feed. We also are trying then to implement standardisation as a result of the standardisation programme that we have within the company and also when we’re looking at all the work we are doing with technical requirements within the company. We try to benefit from that into this project. So in the short term standardisation and close control with changes. When it comes to the unitisation process, yes, that would start as agreed between all the partners after we have passed the DG2 which was yesterday. We have one year because it has to be agreed prior to submitting it and that process has started and I think it will definitely be completed before we deliver the PUD because the consequences of not having an agreement is that you cannot deliver the PUD with the consequence that the projects will be delayed and I think the consequences for everybody is so that you will find a solution prior to that date.

Matt Lofting: Ok, very clear. Thank you.

Hilde Nafstad: Thank you. Then we’ll take a question from the Norwegian Financial Daily, Bjørn-Erik Aenas. Please go ahead.

Bjørn-Erik Aenas: Yes, good afternoon. I have a question with regards to the power supply of the Johan Sverdrup Phase I. I understood that you are still open to supply Phase II and maybe Phase III with local power in the form of gas turbines, but let’s concentrate on Phase I. What will be the power backup system? Even though you have power from shore, will you still have gas turbines onboard and if not what do you do when there is a power breakdown from shore?

Øivind Reinertsen: We will as you said have power from Phase I. We will not have any backup power, of course we will have emergency power and essential power according to the Norwegian regulations for which the essential power will be gas turbines but that’s nothing to do with normal production. That’s just if you have any emergencies. On the cable from shore we have of course historical data from what has been experienced with BP and Gaz de France and we also have power cables to the fields. We’ve been through this and with the estimated short
call-out we cannot justify to have any backup power turbine installed on Johan Sverdrup to create for that. So we will go without any and for three years before we have power for the second phase. We will be exposed but we will improve the regularity of this system and try to find out whether we could justify a turbine and the answer is no.

Bjørn-Erik Aenas: Ok. But it’s still open for having gas turbines on Phase II and Phase III, right?

Øivind Reinertsen: As we said we need power for the next phases and we will look into the three alternatives which obviously are there, that is cable from shore only for Johan Sverdrup which will give us a robust system since we have two cables. Secondly we will look at then of course having power to not only Johan Sverdrup but also to the area and we will compare it to the gas turbines, and then of course the decision at that time would be then business driven and also based on what is the political situation at that time.

Bjørn-Erik Aenas: Alright. In the press release you write that the CO₂ emissions will be reduced by 60-70% compared to a scenario with gas turbines. Can you tell us what does this mean in terms of tonnes of CO₂ saved?

Øivind Reinertsen: It will very much depend on what the power demands are based on for the field. I can tell you that if we look at the best estimate, every field has given as a basis to get a high power hub today and we are then taking those figures and adding on what we see that we have experienced, by adding on these figures during a lifetime of a field you get the spend.

Bjørn-Erik Aenas: Ok, but can you tell us how much do you pay per tonne saved CO₂ because that’s an essential number. Is it NOK 2,000 per tonne? Is it NOK 3,000 per tonne? Or is it NOK 1,000 per tonne?

Øivind Reinertsen: What I’m saying is first of all when you are going to give such a figure you have to understand the basis for the figures and the basis for the figure is how much CO₂ you actually expect to remove. I’m saying there are different kinds of profiles. One essentially is that you are removing 16 million tonnes. The other one is that you are removing 24 million tonnes, so of
course the costs of removal will vary then let’s say between NOK 1,300 per tonne up to NOK 2,500 per tonne, so it’s depending on what assumption you’re basing it on, but that is a good range, NOK 1,300-2,500 based depending on what you think will be the power demands of the lifetime of the different fields.

Bjørn-Erik Aenas: I have one more question with regards to the economics here. You mentioned that the electrification of Phase I would cost NOK 12.5 billion. How much less would it cost not to electrify it but just to have gas turbines because the difference multiplied by 0.78, the bill for that is sent to the Norwegian taxpayers. That’s why I’m interested in the figure.

Øivind Reinertsen: As I told you we have not touched at the electrification of Phase I is 12.5. What that is, that is electrification of the whole area, 200 megawatts, that’s NOK 12.5 billion.

Hilde Nafstad: Let’s go on to the next question please.

Bjørn-Erik Aenas: This is essential. If NOK 12.5 billion is for the whole area and you only want to talk about Phase I then I need the Phase I electrification figure for this 80 megawatt cable and all the devices surrounding it. Give me that number please.

Hilde Nafstad: Can I ask you if you need more details to post...

Bjørn-Erik Aenas: This is not a detail, this is an essential number.

Hilde Nafstad: This is an investor call, so could we please have Alejandro Demichelis’ next question please.

Alejandro Demichelis: Yes, thank you very much for taking the call. It’s just as a follow-up, could you please provide us the breakdown of the different costs of Phase I, how much is drilling, how much is the facilities, how much is the power costs?
Øivind Reinertsen: It is about 70% for facilities, it’s a little bit less, 20% for the drilling and the rest for transportation and electricity.

Alejandro Demichelis: Sorry, I couldn’t catch the second figure. 70% for the facilities, how much for the rest?

Øivind Reinertsen: Approximately 70% for the facilities, 20% for the drilling and the rest is for transportation and power.

Alejandro Demichelis: Ok, that’s very clear. Thank you very much.


David Mercer: Hi, thank you Hilde. Can I have a question, this morning you stated that you expected to be able to improve your oil recovery using EOR methods? Could I ask what type of EOR methods that you think you will be able to put into effect in Phase I? Just secondly in terms of whether it be the reservoir or the development, what was your main kind of point of comparison with your main analogy in looking at this field development? Thank you kindly.

Øivind Reinertsen: I said that we have a base for EOR activities on the riser platform which we invest in Phase I. I didn’t say that EOR activities will be part of Phase I. What sort of EOR activities we’re talking about is in-fill drilling, it’s polymers and it’s automating gas injections. That’s a pretty obvious ones and we also are looking at injecting water, so that’s the possibilities we have and that’s why we have this riser platform that can be utilised for this kind of equipment if we decide that there is a business case for doing it as enhanced recovery. What was your last question?

David Mercer: My second question was when we think of the actual development concept itself, what has been your main analogy in either looking across your portfolio or looking across the global
development portfolio? There’s an obvious comparison with Statfjord in terms of the potential size of the resource and the potential peak production rate.

Øivind Reinertsen: If you say it’s related to the surface you’re probably right that we are closer to the quality, even better quality than the Statfjord field. When it comes to the reservoir quality we have a fantastic permeability etc, permeability for oil to flow in the reservoir is fantastic. When it comes to the facility part of it, what you put on top is probably close to the Ekofisk development, a lot of satellite feeding oil into the centre.

David Mercer: Ok. Thank you kindly Øivind.

Hilde Nafstad: Thank you very much. I can’t see that we have any further questions in line. Should there be any further questions please don’t hesitate to contact us in the Investor Relations department. We’ll close today’s conference. Thank you very much for participating and have a good day.

Operator: Thank you. That will conclude today’s conference call. Thank you for your participation ladies and gentlemen, you may now disconnect.