

Statoil CEO Helge Lund speech at CeraWeek 2012

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Helge Lund
Chief executive officer, Statoil

Ladies and gentlemen – good evening.

More than 150 years ago, the modern oil and gas industry was born in Pennsylvania.

The industry now finds itself firmly established; creating value across the United States – and the world. With the shale gas revolution, with significant new oil discoveries, with the growing activity level we see in the Gulf of Mexico and offshore Alaska, there is every reason to be optimistic about America's energy future. Over 40 years ago, Norway's first major oil discovery was made with the help of pioneers from the U.S.

Today you might have seen that we are making some discoveries on our own. But equally important, Norwegians and Statoil are proud to be part of new efforts to unlock America's energy potential. We are indeed gathered here as competitors. We compete for resources, projects, access, people and capital. Over the years, competition has changed and increased.

And our operating environment has become more complex:

Offshore it's deeper, harsher and in more sensitive areas.

Increased onshore activity means interacting with communities in new ways.

The shale-revolution introduces a new set of regulatory aspects, challenging both industry and regulators.

The supply chain is full of bottlenecks.

Geopolitics seems to be more unpredictable.

Some even say this is the "age of the unthinkable". I tend to agree. But we also meet here as partners.

We align to secure access; to improve operational standards and to influence policies.

We collaborate on technology development, for safety and operational efficiency.

And we partner in licenses across the world.

Together we develop products absolutely vital for prosperity and economic development.

The ongoing changes in our operating environment calls for a stronger type of partnership. Not just within the industry, but between industry and society.

People care about what we do - because what we do matters.

Our products matters.

How they impact society matters.

So people should care.

We need access, but we certainly also need acceptance. From policymakers, from regulators – and from the general public. We are part of an industry where we together have to secure our “license to operate”. To do that we must demonstrate ability to deliver safe and efficient operations. And we must interact effectively with society. This is not something we can do on our own. We have all experienced how our own poor performance can affect business. Sometimes even beyond our own company.

For 2011, Time Magazine named The Protester person of the year. It illustrated what we saw throughout the year: The new power of the public. Social media created new opportunities to connect and mobilize; across borders and between interest groups. With more speed and increased strength. The Arab spring brought revolutions and change of power to a number of countries. We can just imagine what can happen to a company not being able to respond forcefully – and with speed.

Trust is fundamental for any legitimate government. In these election times, especially on a Super-Tuesday, it’s in the foreground. But my point is that our industry is not very different. When we say “license to operate” we mean securing the trust needed for governments to entrust us with the responsibility to extract natural resources - to the benefit of society at large. Some regard this as “soft” values. I don’t agree. Trust is fundamental for creating and protecting shareholder value.

Earning trust from our stakeholders is the foundation on which our business is built. In many ways, trust is like good manners, if you have to tell people you have it, you clearly don’t. Trust is not something we can claim. Trust must be earned. And we must win it over and over again. Over the decades I think we have responded to the trust we have been granted. But today, we cannot ignore that parts of the public don’t trust our industry and our ability to operate safely.

This is a fundamental issue affecting us all. It cannot be handled only on a company by company basis. The situation calls for better and broader industry cooperation.

When society expects more from us we need to be – and to be seen - ahead of the pack rather than lagging unwillingly behind. We must assume that role with confidence and clarity. We have to adopt the mantle of responsibility with the same certitude that we apply to resource extraction and HSE.

We represent some of the technically most advanced companies in the world. But are we seen as the most sophisticated companies when it comes to responsibility for the society around us?

The term is bandied around so much it can become a cliché.

We say we take responsibility when we comply with labor laws.

When we abide by environmental regulation.

And when we act transparently.

And yes, these are key elements of responsibility.

In a more basic sense, responsibility means quite simply the ability to respond. Both parts of the word are crucial. Today, for example, we don’t just have to respond to the changes in climate that we see coming. We have to respond to what most climate scientists say is going to get worse. Because of human activity. We may reply that this is the work of regulators and politicians, not of the industry.

But we have the technology. We make many of the long-term plans. In many ways we define the area of what is possible. We must be ready to respond, in a way that both contributes to develop our industry and responds to the call of the future.

The other part of responsibility – the ability – is no less important.

What are the particular abilities that we, as energy companies, have in addressing issues of sustainability, transparency and human rights? I believe we have more abilities than we think. Many of them are associated with something we pride ourselves

in. We have the best minds and the greatest know-how. I'm not just thinking of technology and business skills, but I am also thinking of the philosophical dimension.

As we venture into the future, we must provide and demonstrate thoughtful and guiding leadership, both socially and ethically.

One way of showing responsibility is to develop new technologies that will answer tomorrow's problems.

Politicians today struggle to work out policies that will not only preserve the vitality of the society, but also meet the needs of future generations. And if we miss clear policies, what contributions are we as an industry making?

Are we seen as lobbyists for our own, short-term focused interests?

Or are we seen as one of those who others should turn to?

I believe our response to the new challenges we face should be built around three key elements;

Transparency – being the new currency for trust.

Dialogue – confronting ourselves and engaging our stakeholders. And then – yes; that word again;

Responsibility – setting the standards to effectively influence our own operating environment.

Let me use two examples to explain what I mean:

In his recent State of the Union speech, President Obama spoke positively of the US natural gas industry. At the same time, he called for greater transparency when it comes to chemicals used for fracking. Through the “frackfocus” initiative, the industry has started to report on it. But, we know perception is reality. When the President singled out this issue in his speech, we have to admit that we probably did not move quickly enough.

I take the view that the industry should continue to be proactive and transparent.

That's the only way we can earn the trust we need to develop these valuable resources. In the ongoing debate on how to regulate this part of the industry; our voice should of course count. And to not only make ourselves heard, but to make influence. How we are perceived is of great importance.

Here's my second example.

Currently intense discussions are taking place in the US, in the EU and in individual countries around new legislation to increase transparency in the financial system.

The suggestion is to introduce at a minimum country by country revenue disclosure.

In the US it's predominantly known as the Dodd Frank Reform Act. In the EU as the Transparency Directive. It's hard not to agree on the motives behind the different bills; to avoid corruption and ensure the value of the activities benefits society at large. But it's equally hard to accept the potential consequences we might see from the drafts on the table. For several years, Statoil has voluntarily, and in line with the EITI and UN Global Compact principles, disclosed revenues on a country by country basis in our annual reports.

Has it harmed us? No.

Is it a source of competitive disadvantage? No.

Has it put us in a position to effectively dialogue with NGOs and legislators? Yes.

Do I think a broader industry approach along these lines would have benefitted us all? That goes without saying.

I don't think competition would have been altered by country by country disclosure requirements. But, I do think that the cost of project or even asset based disclosure regulations – now being discussed – will outweigh their benefits.

I think we need to ask ourselves; could we have done things differently? We have a responsibility to show leadership and take action beyond what is formally required of us.

Over the past decades, safety has come even higher on the agenda. For the industry it is a moral obligation to protect our people and run safe operations. I believe our obligations go beyond that.

Also to include our impact on society.

Our impact on the local communities in which we operate.

And indeed our impact on our planet.

So how do we address these expectations, clearly and in a forward-looking, responsible way?

The more near-sighted we are seen to be; the less seriously will people believe that we have a vision for a sustainable future. In our industry stringent requirements are set to our operations, to safety, to ethics and to our integrity. As we enter into new types of resources. As we operate in deeper waters, in more sensitive areas and in tougher climates, new requirements will be set. To influence and impact let us be inspired by others.

I believe we can be more proactive in sharing experience and expertise. By that we are building confidence that we are able to operate safe also under these new conditions.

Rather than await new governing regulations on our operations, we can take our own initiatives, and exceed the expectations we meet.

I believe there is a huge upside working to ensure we have the right regulations, rather than being perceived as the industry that fights regulations.

Society at large must feel confident that we are operating in an efficient and justifiable manner. Then we get to have more seats around the table when regulations are made. For decades, our industry has had to come to terms with new and ever greater complexity.

Through technological development, often involving collaboration across the industry, there is hardly a limit to what we have been able to do and to what we have accomplished.

Moving forward we need to be better in meeting the increased complexity we see in dealing with society, all the different stakeholders and ultimately the public. We in the industry need to demonstrate leadership; develop standards and build trust through more dialogue, increased transparency and by that demonstrating exactly what is needed — responsibility. I strongly believe the road to create win-win situations for our industry and society, is through more collaboration, not less.

Thank you!