

Eldar Sætre, Equinor autumn conference 26 November 2019

Minister, dear friends.

A few weeks ago we started production from the Johan Sverdrup field, 50 years after the first oil discovery at the Norwegian Continental Shelf.

The ramp-up of Johan Sverdrup is unlike anything we have ever seen, and we are already producing well above 300.000 barrels per day.

The field is truly world class and holds expected recoverable resources of 2.7 billion barrels.

Two thirds will be produced already by 2030, and the field is expected to generate around 900 billion kroner in income for the Norwegian state.

Johan Sverdrup is also setting a new standard for CO₂-efficiency.

Powered from shore, the field has record low emissions, well below 1 kilo per barrel, compared to a global average of 18 kilos.

It is truly amazing, and an inspiration to do more. And then, at the same time as we are celebrating the start-up of Johan Sverdrup, school children across the world are striking for climate.

They demand change and more forceful action - now.

I fully understand that climate strikers are not my supporters. And I accept that.

But still, I would like to say, that I am their supporter. Not because I agree to all their demands. I don't. But because I do agree that much more urgent and forceful action is needed.

And they say quite clearly; "We may be only 25% of the population today, but we are 100% of the future."

You can't argue with that. And their message is effective.

Because they are impacting my thinking and our actions, and I am sure they are also impacting other industry leaders and politicians across the world.

We are in the midst of the biggest transition our modern-day energy systems have ever seen. And the need to understand the change, is bigger than ever.

Today we have already heard from minister Kjell-Børge Freiberg and Fatih Birol. And in a few minutes Martin Skancke and Carolyn Woo will take the stage. I would like to thank you all for sharing your reflections.

The single most important question facing any leader in our industry is this:

How do we remain relevant and competitive, and how do we turn challenges into opportunities, in the energy transition and in a low carbon future?

The answer to this question will define our future. The starting point is climate science, which is clear. Emissions needs to be cut, significantly and fast.

And the longer we wait, the harder it will be. And then we must recognize, that the challenge is big, simply too big for any company or any country to tackle alone. We must do it together.

We need agreements and cooperation on actions and solutions that will create real change.

In fact, the significant political progress we have achieved has always been the result of dialogue and compromise, like;

- The Paris agreement.
- The European climate targets
- The European Emission Trading Scheme.
- And; “Klimaforliket” in Norway.

Brave politicians, knowing that they would be criticised, refused to let the extremes – on either side, stop real progress and real action. I believe we need more of that – much more.

We are in this together, and we must solve it together.

The Sustainable Development Scenario, shows that to reach the well below 2-degree target we need to halve oil consumption by 2050.

But due to natural production decline, there will still be a need for new oil and gas.

How much, and for how long, largely depends on us. And in this context, people also tend to forget that oil is not only for energy purposes.

A growing share is for the development of products – where it is not burned - with low emissions from the use.

This includes everything from mobile phones and electric cars, to clothes, medicine and so much more – much more than we are aware – products we all depend upon.

We also know that natural gas, in combinations with more renewable energy, can give an immediate effect by replacing coal.

Nobody has proved this better than the UK. But global coal demand has increased for two years in a row, and is, in the IEA's Stated Policies Scenario, expected to stay at these levels for a long time, representing around 40% of the CO2 emissions from energy.

This is not sustainable. Action to phase out coal is urgent, it needs much more attention than it gets, and natural gas can really boost that transition.

To succeed in cutting emissions we must use the whole toolbox.

We need to increase energy efficiency, both in production and consumption. We need to scale up carbon capture, usage and storage, as well as hydrogen. We need a massive growth in renewables. And we need natural sinks. All of this is possible, but it's a huge challenge, both in terms of scale and complexity.

And by the way, recognizing complexity does not make you a climate denier or a climate delayer.

On the contrary, we are less likely to make the right decisions and achieve what is necessary if we underestimate the challenge.

Earlier this year we, together with our Scottish partner SSE, won the opportunity to develop the worlds largest offshore wind project, Dogger Bank in the UK.

We have worked with the project for more than a decade, and now it can finally be realised, delivering renewable energy to 4.5 million British homes from 2023.

Equinor's strategic direction is very clear. We are developing as a broad energy company, and we are in the process of becoming a global industry leader in offshore wind.

For us, it is not about oil & gas or renewables. It is about both, and it is connected.

It is capital, technology and competence generated from oil and gas that enables us to excel in offshore wind. Without Johan Sverdrup, there would be no Dogger Bank.

And we see exactly the same among our suppliers. Kværner has won contracts at Hywind Tampen, and Aibel will help us develop Dogger Bank.

We are changing, and so are our suppliers. Climate change is both a global and a local challenge. We need international cooperation and global solutions. But global cuts in emissions starts with national cuts.

From that perspective, I understand the question: When we know that oil consumption must be halved by 2050, what will be the implication for Norway?

Johan Sverdrup, in combination with other fields and projects, enables us to create substantial value and sustain NCS production at current levels towards 2030.

And it seems that most people agree that in this time frame, the world will need Norwegian oil and gas, produced with low emissions. Longer term, however, there is more debate.

Some say we should stop exploring today. Some say we should stop production in 2035 or 2040.

But to understand the effects of policy, we need to know the facts of geology. In Equinor, we know the NCS quite well.

And based on current knowledge, our best estimate is this:

- If we develop all the projects in front of us,
- If we continue exploring for more, and make new discoveries,
- And if we fight decline in the most effective way,

If we do all of this; Our best estimate is that production in 2050 will be less than half of what it is today.

We will create significant value from the NCS for decades, but the question is not if we should keep on or reduce production.

Because, towards 2050, production at the NCS will go down, driven by nature, and faster than the shrinking oil demand, also in the well below 2 degrees Sustainable Development Scenario from the IEA.

So, the only possible question is this: Should we introduce new policies to make this decline even steeper – even faster.

But before answering that question,

we should ask ourselves some other questions as well:

- Will enforced measures and even steeper decline reduce global demand for oil and gas?
- Will it make it easier to replace coal in Europe?
- Will it help us finance investments in renewable energy?
- Will it be good for Norway?
- And most importantly; will it be good for climate?

To me, the obvious answer to all of this is NO.

In fact, the discussions we have inside Equinor about the NCS are quite different than some of the public debates we observe.

We are discussing the new opportunities we see, both within oil and gas with ever lower emissions, within offshore wind, as well as within carbon capture and storage - and hydrogen.

Just imagine if we can create value and contribute to negative emissions by storing CO₂ from other industries, with no other options to decarbonise, in the same reservoirs that have delivered so much energy and prosperity.

And just imagine if we can develop large scale floating offshore wind projects, and develop emissions free hydrogen from natural gas, to

support decarbonisation globally, and industrial activity in Norway - and create value at the same time.

I believe in a bright future for the NCS, but it is going to be different from the past, and it will have to be an important part of the climate solution.

We are already producing at the NCS with some of the lowest emissions in the world. But we can and should do more.

The CO₂-emissions from our fields and plants in Norway are around 13 million tonnes per year. This cannot continue in the future.

We are convinced that increased energy efficiency, electrification and new technologies, can help us achieve substantial cuts in absolute emissions.

And if we join forces within and across industries, collaborate with the government, and ensure capacity in electricity production and the grid; We can reduce emissions in a substantial way towards 2030 and beyond.

This will have real impact, also for the total emissions in Norway.

One of the big questions facing the energy industry, in Norway and globally, is what we call scope 3 emissions - the emissions from the consumption of our products.

Who are responsible for the emissions? The passenger that chooses to travel? The airliner, the shipowner or the car manufacturer? Or the oil company that produces the fuel?

A core element of the Paris agreement, is the *emitter pays* principle.

If we undermine that principle, we make it impossible to reach the global climate targets.

Oil companies therefore cannot take over the responsibility of its customers. We can never take responsibility for what we cannot control.

But we can contribute to the decarbonisation of society.

In Equinor, we want to be competitive now, in the transition and in a net zero future.

Therefore, we aim to do more, to deliver energy with a lower total net carbon footprint and enhance the much-needed decarbonisation of society.

Ladies and gentlemen, A few weeks ago a journalist asked me about *shame* and *pride*. I have worked in Equinor my entire adult life. And I am incredibly proud of it.

Proud of all parts of our business, Of what we have achieved,
of our people - and all our people should be equally proud.

But pride does not mean that I believe we can or should continue as before. *We never have.*

On the contrary, our ability to change is perhaps what I am most proud of. As an example; the job I got when I started almost 40 years ago

does not even exist anymore. I have used my speech today to make a case for change. And let me conclude by saying that this should also be our message to young people today.

We stand before massive change. We know this, we take on this challenge. If you want to come and work for us, you can help create the change the world needs, and help us grasp the great opportunities we see.

Thank you for your attention.