

Thank you Minister Lien, Dr. Birol and Dr. Steer for excellent contributions this morning. Allow me to add some viewpoints from a business perspective.

25 years ago former Prime Minister of Norway; Gro Harlem Brundtland presented the UN commissioned report "Our Common Future".

It was a report that established a clear and unbreakable link between energy and development.

The Brundtland Report is still recognized for having defined the meaning of the term "Sustainable Development"; *"Development which meets the needs of the current generations without compromising the ability of the future generations to meet their own needs."*

At the time of release, this was viewed as quite thought provoking. More than 25 years after the report was developed, the definition and the premise of the challenges put forward from the Brundtland commission are even more pressing..

..and it can hardly be said to be thought provoking any more.

The thinking behind the definition still represents a forward looking concept.

The world still struggles to respond adequately to the report and to the challenges it presented. But, does that mean we should join the critics of the report and concept? As I see it, not at all.

Rather than give up we should ask ourselves how we can reinforce our focus toward uniting the strong forces of politics, industry and civil society to provide a better and more efficient response.

This is part of the reason behind why Statoil and myself are participating in the UN initiative "Sustainable energy for all", where we recognize the philosophy of the report from 25 years back.

While I believe the Brundtland-concept of sustainability still holds, the challenges we face have developed – and they cover a broad range of topics.

For many, the world is a better place than it was in 1987. Hundreds and millions of people have worked their way out of poverty. General standards of living have improved and global conflict has declined. New sources of energy have been discovered, developed and brought to the market.

But this is not the full story.

During the same 25 years, we have seen increasing regional instability and growing international terrorism. After In Amenas, Statoil and our industry are part of that picture. Poverty and hunger are still affecting large populations. The need to focus use of natural resources goes far beyond hydrocarbons. The IEA has just reminded us that 1.3 billion lack electricity.

And; the scientific evidence that man-made CO2 is contributing to climate change has become indisputable.

To rank these challenges is a meaningless exercise.

For someone starving, few things are more important than access to food. For someone dreaming of a brighter future, access to energy can be their ticket. And for those living off the land, clean water is their bread and butter. Almost literally.

And in many ways, your position defines your priorities.

The Brundtland report reminded us of the importance of taking the “generation perspective” when addressing sustainability. Our generation and the next have equal rights. We cannot fulfill the needs of one – at the expense of the other. It goes both ways.

But; to conclude that we’re acting according to the definition of sustainable development, we must discuss the impact of our consumption of non-renewable sources of energy.

And we cannot do that without addressing the big dilemma: How to balance the need to protect against climate change and the world’s need for more energy.

The oil and gas industry’s contribution to this dilemma is widely discussed. It is a debate where beliefs meet and arguments collide.

Some take the view that extraction of finite resources almost by definition is unsustainable. That they create more harm than good.

But building on Brundtland’s definition, I beg to differ.

Let me use two examples to illustrate:

The oil and gas industry’s impact on the development of Norwegian society is almost unquestionable. I assume we all agree that the historical significance has been material. Our welfare system and the size of the pension fund are two signs hard to ignore.

We have solved extremely complex challenges offshore Norway. Through that our industry has contributed to a higher level of competence and knowledge, our capacity to solve complex problems has increased and we have contributed to higher standards of HSE, for example. For four decades, the oil and gas resources have fueled the economy, but more important also our joint ability to innovate and develop. The impact goes way beyond this industry. Putting us – ie the Norwegian society - in a better position to meet the challenges of the future.

Then to Tanzania, where we have recently made some big gas discoveries. A country dependent on foreign aid for decades - will the coming years attract massive foreign investments. The situation can turn 180 degrees. In addition to providing much needed energy to a country where a minority has access to modern energy; competence will be built, taxes will be paid, and jobs will be created. This generation and the next will have new and hopefully better opportunities.

I am not saying that our industry is not issues-free. There are benefits as well as burdens. We need therefore to continue to increase the first and minimize the latter.

How we respond to the climate issue is at the centre of that debate.

We all know that climate change is happening. The newly released IPCC report confirms the long-term consequences will be severe. And our ability to put in place measures to combat it is seriously lacking.

The meeting in Warsaw has confirmed the path towards Paris 2015 which was the ambition level for this years COP. However its obvious that much more work needs to be done between nations the next two years to move the negotiations where they need to go.

For business the alternative is clearly unfortunate; both in the form of increasing the risk for detrimental global warming, but also the risk of very fragmented and very inefficient national political actions on climate change.

This development is reinforced by two major factors: economy and energy.

First and foremost, sustainable and balanced growth for a growing population needs to be supported by the right economic policies. However, the prospects for economic growth are uncertain. And population growth will act as a mega force in this equation.

To fight poverty and contribute to rising standards of living, we need higher incomes, brighter future prospects and increased welfare for a growing global population.

But currently, both OECD and now also non-OECD economies are struggling to deliver, to reform their economies, and to ensure long-term sustainable economic development after the financial crisis.

Secondly, a growing population, and especially the poor, needs access to affordable energy to satisfy demand and welfare aspirations. But delivering energy is becoming more challenging and costly. Conventional sources of oil and gas are difficult to find, extract and also to deliver.

New renewable sources of energy must be combined with other sources, leading to double system requirements. Combining renewable energy with carbon-free fossil fuels will imply a significantly larger energy infrastructure, for the same amount of energy. All these factors drive costs and will over time challenge competitiveness.

Responsibility is about our ability to respond. Our lack of ability so far to respond adequately to sustainability challenges can not stop us from making new efforts – we must rather redouble them. Demonstrating responsibility is first and foremost about taking actions. But demonstrating responsibility is also about being realistic about what the future might bring and what solutions we can develop.

Today we have heard the IEA present the world's need for more energy and the continued importance of oil and gas for decades to come was underlined.

Let's assume the world comes together in a response to meet the 2 degree scenario. Even then, to deal with the decline of production from existing field only, we must replace some 4 times Saudi Arabia's production of oil. We also need to add 10 times the gas volumes from the NCS to meet the demand of such a low-carbon future. We all know that is not an easy task.

So those who argue – and we find some of them in the Norwegian debate – we should stop exploring, harvest existing fields and block new opportunities are, at best - in my opinion, preparing for a future that doesn't exist or which will be sustainable for very few. At worst, it is a way forward that will prevent a better and brighter future for millions of people.

The key challenge affecting our industry right now is a combination of too much CO2 and too little politics. The latter is maybe a surprise to hear from an oil and gas company, but I think it's needed both to create a level playing field and to address the climate issue.

This dilemma has fueled the public debate around the so called "carbon bubble", i.e. that oil and gas companies continue to invest in resources that under a stricter climate regime will not be profitable.

Some months back, a number of institutional investors sent a letter to a number of oil and gas companies, including Statoil. The topic was related to climate change risks on two dimensions, first related to present and future policies and secondly resilience to extreme weather.

Being investors with long term investment strategies, I recognize their need to understand how Statoil assesses and responds to different types of risks. These are valid questions. I believe we have good answers.

The concept that the world has a carbon budget has had some traction. It has already been mentioned both by Fatih Birol and Andrew Steer. For a company like Statoil, any investment is based on expected risk-weighted returns; where costs, prices and relevant elements are taken into consideration. Technical and non-technical risks are both important parts of our discussions.

For many years the issue of climate change and possible policy regulations are increasingly incorporated into our decisions.

Carbon intensity is an integrated part of all business cases. We assume tighter energy and climate policies, with increasing costs of CO2 emissions. We factor into our investment decisions that the world will be able to agree on a significantly higher price of carbon from 2020.

We work systematically to improve our "carbon efficiency" in order to keep our own GHG emissions at a minimum. Our CO2 emissions reduction indicator measures tons of CO2 reduction achieved through targeted projects implemented for Statoil-operated assets.

We are committed to driving continuous improvement. Under the Norwegian Konkraft initiative, we have pledged to achieve 800,000 tonnes of reduced CO2 emissions from 2007-2020. We are well underway.

In our international portfolio we of course have the same focus, including our investments in oil sands where the technological improvements we're making today will pay even better off in such a scenario.

This is all part of building a more resilient portfolio. In a stricter policy environment, low CO2 intensity will be a competitive advantage and I believe we are quite a few steps better than our peers.

Today, the IEA repeated that we have to live with fossil fuels as the dominant part of the energy mix for decades. The big question is therefore how to make production cleaner than today and make consumption more efficient.

The scale of the encounter requires both collaboration and innovation.

This is not simply a task for politicians and world leaders, although they play a major role. Industry and the private sector need to be committed and also to contribute.

Private companies are rational players. They will invest where there is a reasonable return. They will take risk, if there is an upside. Framework conditions that better incentivise consumers and the energy industry to make the right decisions are therefore timely.

More than anything we need a global price on carbon reflecting the real impact of emissions. A price on carbon will stimulate technologies that can deliver energy with minimum carbon footprint.

The global approach has not made much progress and a global, predictable climate framework is not going to happen anytime soon. What is left?

The EU ETS gives very little comfort for the time being. Currently seriously struggling to deliver on its intention. The cap and trade scheme suffers from massive over-capacity due to reduced economic activity. CO₂ prices have dropped to an insignificant level of €4,5 per tonne, and politicians have failed to respond effectively. A reform is much needed.

We can like it or not, but without politics and regulations, affordability beats climate concerns in the market place. In the US today, generating power from gas is the most affordable option, contributing to reduced CO₂ emissions. In parts of Europe on the other side, coal to power is currently the most competitive option, squeezing out gas, increasing CO₂ intensity, despite heavy investment in renewable production.

A higher price on carbon would make a difference. But as long as everyone seems to agree without that being transferred into action, we must focus on what can be done while waiting.

As industry players, we also carry a responsibility to meet our common challenge. Look for solutions, implement and improve our CO₂ footprint.

We do not pretend to have all the answers. There is not a single solution. Our efforts cover a range of areas on which our progress still varies.

We focus now on four areas.

Our biggest contribution is natural gas. This topic is probably one of the most popular at this conference the last few years. I have discussed the benefits of gas from this speaker's platform before. My arguments have not changed: it is cheap, it is clean and it is available.

It might hold the truth that there is no silver bullet solution to the energy and climate dilemma, but more gas at the expense of coal in the energy mix still stand out as a golden opportunity to reduce emissions – also in the short term.

Secondly, we work to reduce Methane emission. The oil and gas industry is responsible for 20% of global methane emissions through leakages and flaring. Our industry clearly needs to take responsibility for these emissions as well as for Co2.

Hilary Clinton launched the Climate and Clean Air Coalition on short lived climate forces, including methane back in 2012.

We partner with the Norwegian government as an associate member of the global methane initiative. We are participating in a collaborative study to measure emissions from the onshore production of natural gas, led by the University of Texas in the United States. This will give a better understanding of potential leakage points and help implement meaningful policy solutions.

This kind of collaborative effort is essential to meet what is an industry-wide challenge.

The third effort is to reduce natural gas flaring; a problem for the climate, but it is also a waste of energy and value. Each year 140bn cubic meter of gas is flared globally. This is the equivalent to 5% of world gas production, and more than Norway's annual production alone. Statoil is a founding member of the Global Gas Flaring Reduction partnership which has a target of reducing flaring by 30% globally by 2017. Equivalent to removing 60 million cars from the road. Our partnership encourages countries to capture gas currently flared by promoting effective regulatory frameworks and tackling constraints.

In Statoil we share our experience of reducing flaring on the NCS, and we contribute to the global effort by addressing local infrastructure challenges to reduce flaring in our US Onshore operations. Collaboration between producers, service providers, transporters and regulators is a critical success factor.

And finally, carbon capture and storage. We strongly believe CCS is one of the most important technologies in the efforts being made to reduce carbon emissions. In our outlook we believe CCS technology will be developed and implemented, and gradually start to affect CO2 emissions in the power and industry sectors from 2030 and onwards.

The experience gained at Mongstad indicates that it is necessary to intensify the work being done to develop the technology to reduce the cost. We will prioritise the demonstration and deployment of CCS by: Continuing our effort to mature a storage site in the southern NCS that could cover a broader European market. We will enter discussions about joining an international CCS value chain project. We will continue R&D to reduce cost and further develop and improve capture technologies. And last we will continue to work towards commercial frame conditions for CCS.

None of these efforts are easy. They require strong leadership and strong willpower to deliver on the technical and commercial challenges.

I heard what the minister said on behalf of the government this morning and I do believe collaboration also within Norway is the right way forward.

In 1987 at the UN, Brundtland challenged us to work towards sustainable development and “Our Common Future”. Today we continue to work towards that goal.

But to respond effectively, we must react collectively to a larger extent collectively.

I think what we have achieved in Norway illustrates the strengths of the concept. We have seen what a combination of visionary state leaders and a responsible industry can achieve. We have seen how the use of economic incentives can change attitude and move investments in the right direction. The result is an industry that has developed competitive advantage in meeting the needs of future generations across the world.

The results should motivate our industry, also on a global basis, to find new ways of responding.

No company, no industry nor country can solve this on its own – it’s indeed a joint effort that is needed.

Thank you!