

CEO Eldar Sætre - CERAWeek keynote 2015

Thank you Dan, for your kind introduction!

This year you're welcoming us to
the 34th executive conference.
I have had the pleasure of participate
a number of times during these years.
But today I feel really excited
for the first time to address
this distinguished audience as CEO.

In my remarks, I want to touch on two,
interlinked and fundamental
challenges to our industry:

How we improve our competitiveness,
and how we manage the transition
to a low carbon world.

Low cost and low carbon.
Each one of them represents a formidable challenge.
And in combination a frightening cocktail to
our industry's future.
If not managed properly.

Let me start with costs.

Some say that the secret to happiness is nothing more than good health and a bad memory.
I guess there's some truth in that also for us in the oil industry.

Having got used to a 100 dollar world,
last year's turning point hit us hard,
and with surprise, once again.

And with every downturn, comes the familiar measures.
Like cutting back on capex and exploration,
cutting costs and reducing staff,
while also tightening dividends and buy backs.

Those are the discussions in most boardrooms these days.

But this time – as an industry –
we must do more than just hit the brakes.

Fundamental change,
embedded into a more sustainable
performance culture.

That's what's needed to create lasting impacts.

Standardization, simplification and industrialization.
Not yet words that are immediately associated with our industry.

But the potential is large, in many areas.

Let me give you just a couple of examples:

Over the last ten years, the cost of subsea developments
have increased by 250%.

The rule has been that every operator,
- and almost every project -
has tailor made their own solutions,
to their seemingly unique challenges.

Increased standardization could become a game changer.

We think of it as putting LEGO blocks on the sea-bed,
and we are working together with our suppliers to achieve this mission.

Another example can be found onshore,
right here in Texas.

When we entered Eagle Ford in 2010,
the average well took 52 days to drill.
Last year, that was down to 15 days.

But we're not satisfied yet.
We just need to continue to find new solutions,
together with our partners and suppliers.

Complexity is something we have built over decades.
Resources, regulations and specifications have
all become more complex.
And we have countered complexity with even more complexity.

Getting to simplicity is harder.
It means getting to the core of what's needed.

Cutting costs in the simple manner is rather easy.
Cutting the right costs is much more difficult.

And if we get it right, we will go from a
culture characterized by
"Not invented here",
to a culture of
"Proudly found elsewhere".

Moving then to my second challenge:
Climate and low carbon.

The science, as summarized by the
United Nation`s IPCC – is clear.

And I quote:

*“More cyclones and urban flooding will
damage infrastructure and put lives at risk.
Supply chains, ecosystems and
societies face major disruptions.”*

This is how the risks are described
for North America.
And other regions face even bigger impacts.

The hard truth is that
despite all our technical sophistication,
the highest HSE standards,
and priding ourselves on managing risk...

...Our industry is still perceived mostly as
part of the problem,
and not seen as wanting to be
part of the solution.

Statoil acknowledges the scientific
consensus on human-induced climate change.

We embrace the need to meet the 2 degree scenario.
And we support the efforts of
the United Nations to agree on necessary action.

COP 21 is scheduled for Paris in December.
This means that now is the time to engage;

- with policy makers to enable the right kind of regulation,
- and with civil society to create trust in our contributions.

If we don't, we risk becoming an industry that neither gets access nor acceptance.

So what can we as an industry do?

First of all

We can continue to replace coal with natural gas.
It's an immediate and highly effective way
of cutting emissions.
And both Asia and Europe should
follow the US on this journey.

Statoil believes in a price on carbon that effectively stimulates the shift that is needed. In Norway we have had a high CO2 tax for more than 20 years, currently it's at about 65 USD pr ton. That has helped reduce emissions to less than half the global average. And it has not reduced NCS as an attractive basin financially.

Secondly

We can put our powers of innovation to work, and invest in new solutions. In Statoil, we recently launched a technology cooperation with GE, aimed at accelerating low carbon solutions.

Working together we can go further and faster than alone.

As an illustration, in the Bakken we are already capturing flared gas, through our CNG in a box solution, using it to fuel our drilling rigs, saving diesel and reducing emissions.

And thirdly

We can have an even bigger impact by supporting global industry initiatives.

Like the "End routine flaring" initiative we launched together with the World Bank, UN and some industry partners in Washington last Friday.

The target, zero flaring by 2030, is one of the most important contributions our industry could make, and by achieving it 300 million tons of carbon emissions could be cut.

In general there is a lot of naivety when it comes to what it will actually take to transform the global energy systems and transition to a low carbon society.

I see a strong role for oil and gas in the world's future energy mix.

Delivering all the oil and gas that a growing population needs, is a major challenge.

Delivering it with low costs and low carbon, will require even more.

I believe these two challenges – achieving low cost and low carbon – have something else in common. They are bigger than what any company can solve alone. Which means we must engage more as an industry.

In Statoil our approach to this engagement is

built on three pillars;

- Transparency - which is about openness on our performance.
- Dialogue – which is about engaging our stakeholders, also those working against us, and
- Responsibility - setting the standards ourselves to effectively influence our operating environment.

When I look at the people and
companies in this room today,
I also see the world's most impressive
execution machine.

Let's put our competence and capacity to work.

Thank you for your attention.