



# The boom is behind us,...

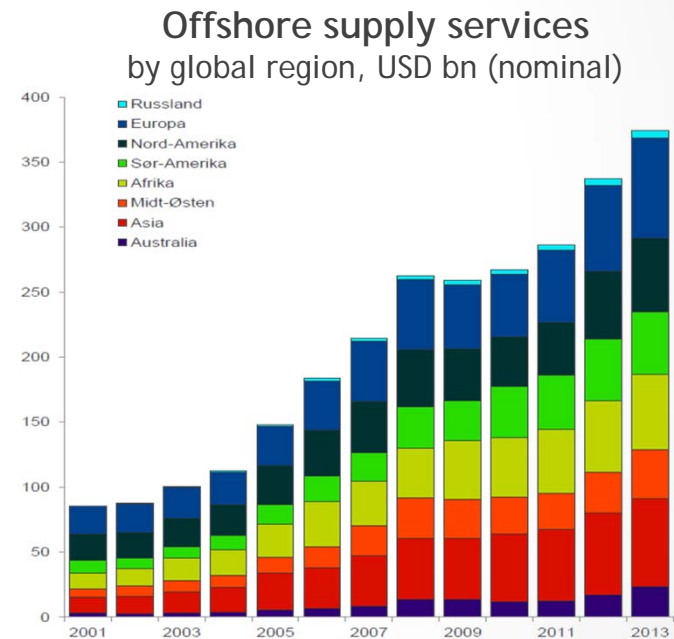
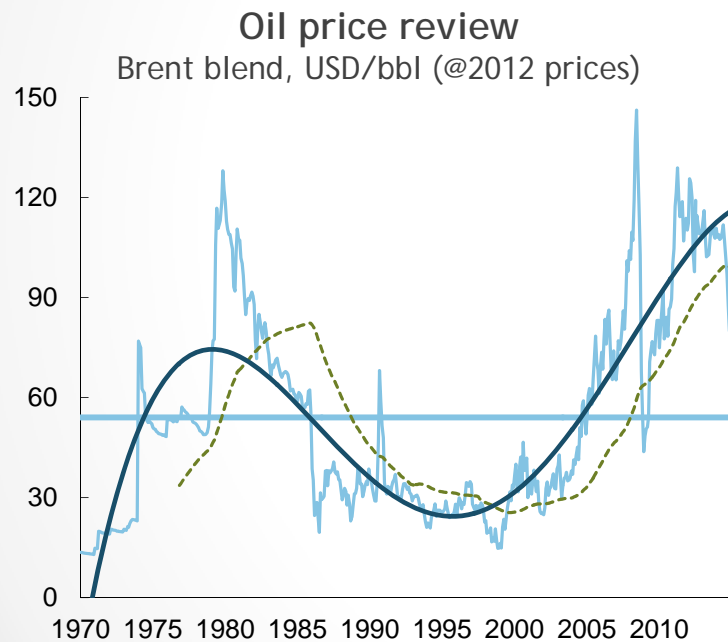
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...but still no bust in sight

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# An extraordinary boom...

... supported by a continuous demand-driven oil price shocks

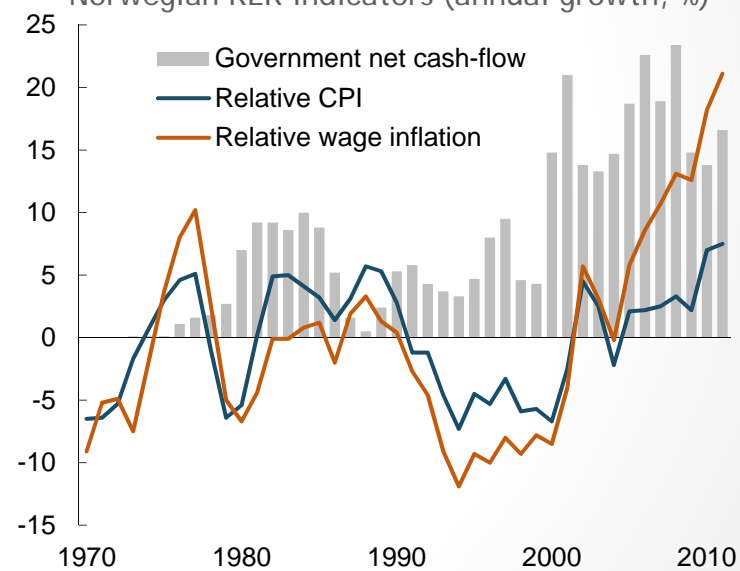


# The party will come to an end...

... and that is good news



The oil price and the RER  
Norwegian RER indicators (annual growth, %)

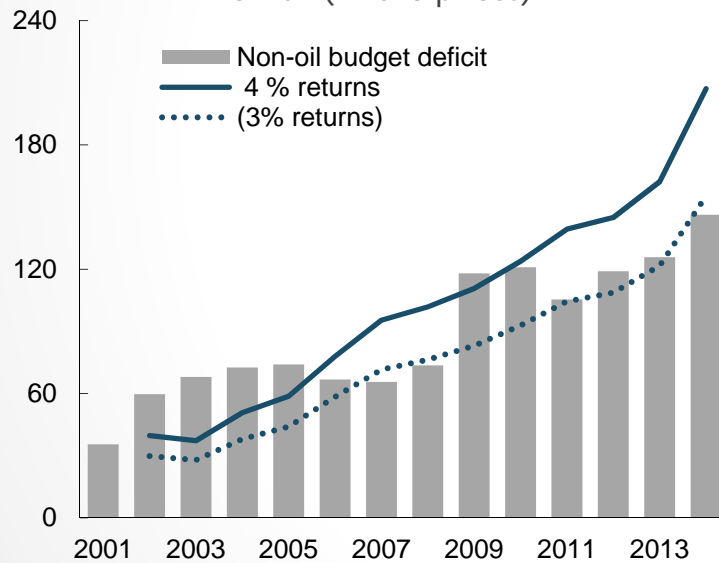


# Spending effects well managed

Budget deficit, policy rule, and investment returns

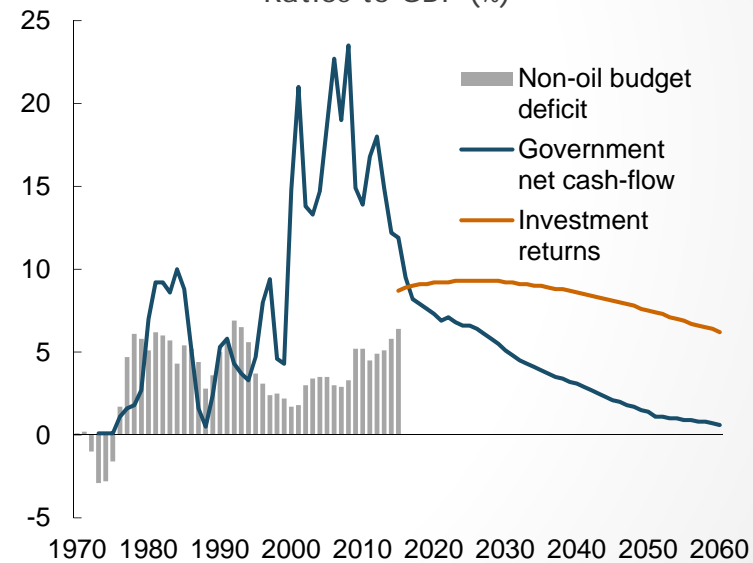
### Budget deficit and fiscal policy rule

NOK bn (@2013 prices)



### Oil revenues and investment returns

Ratios to GDP (%)

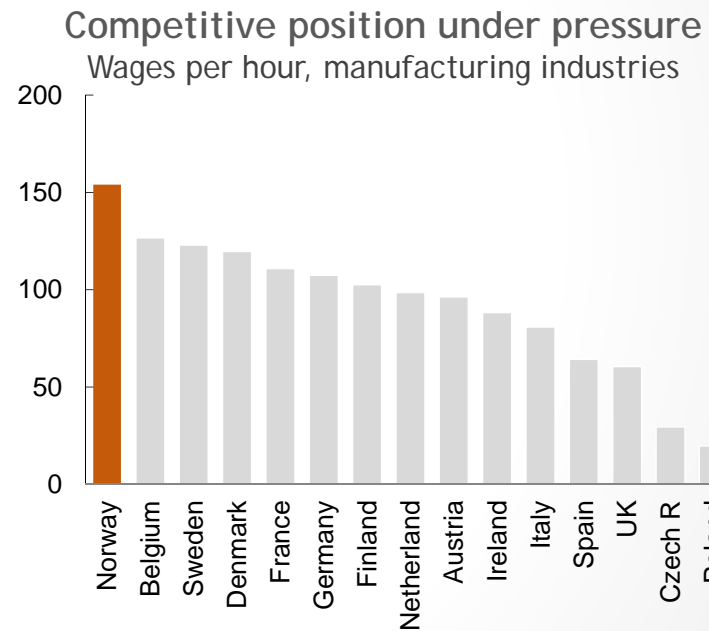
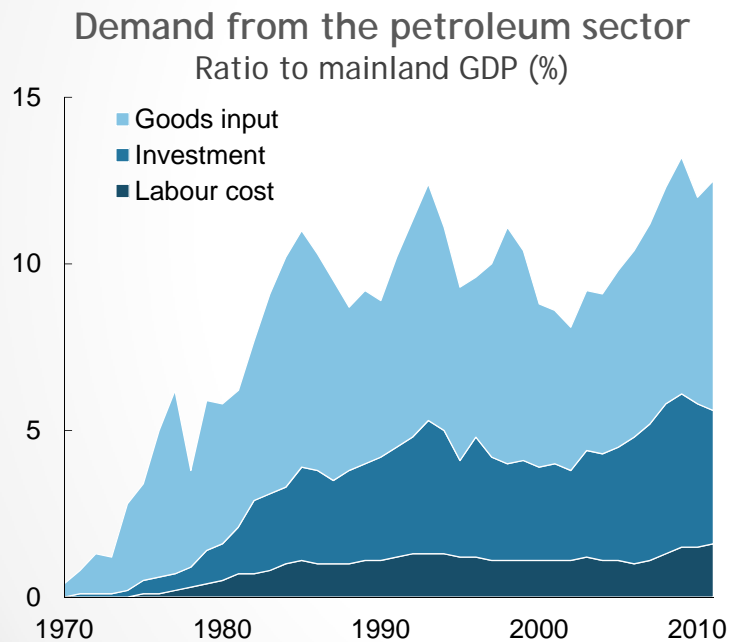


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Source: Norwegian Ministry of Finance.

# Less focus on resource movement effects

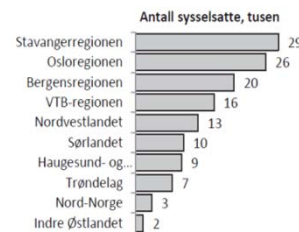
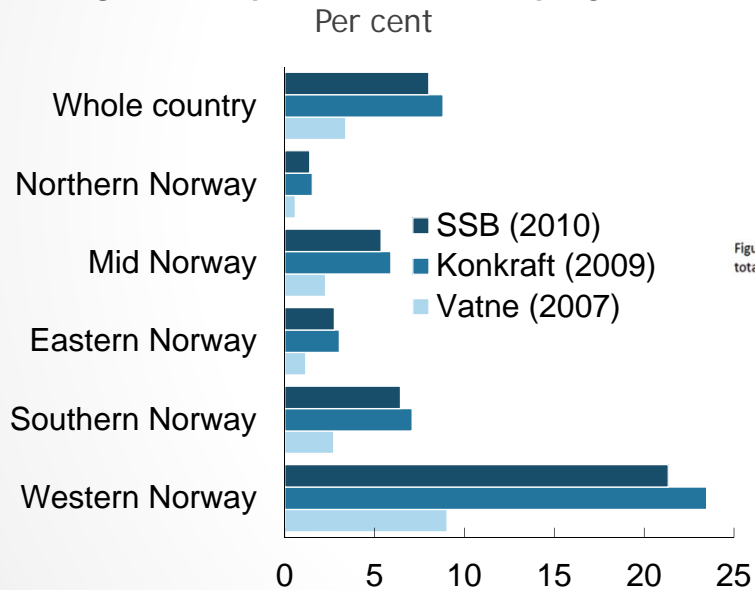
From re-positioning to real appreciation



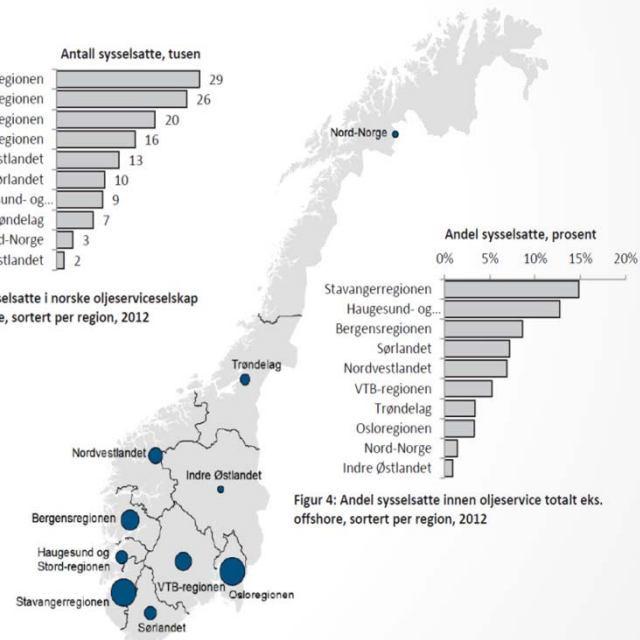
# This region is particularly exposed...

...to oil-related adverse shocks

## Regional exposure to oil employment



Figur 5: Antall sysselsatte i norske oljeserviceselskap totalt eks. offshore, sortert per region, 2012



Figur 4: Andel sysselsatte innen oljeservice totalt eks. offshore, sortert per region, 2012



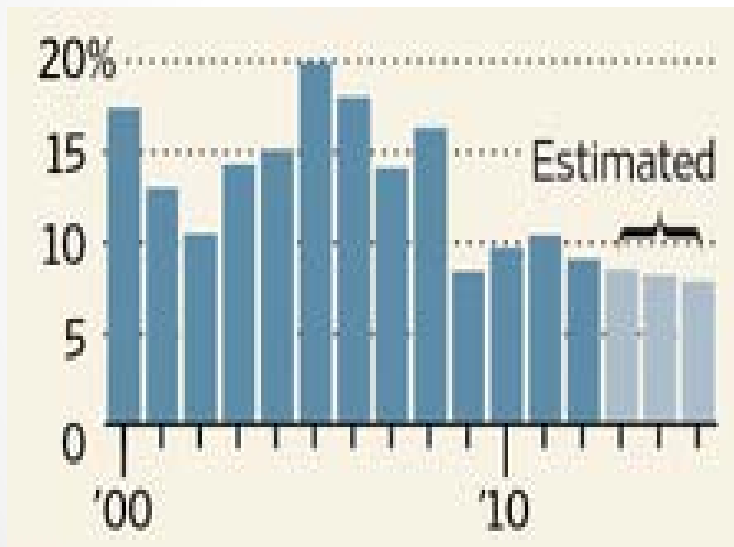
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# Investment choked by financial markets

Increasing focus on cash-flow management and capital discipline

## “Leaking profits”

Return on capital employed for major oil companies



- Shareholder skepticism
  - Production short of targets
  - Sky-rocketing costs
  - Erosion of returns
- Worries over oil price outlook
  - Weak economic growth
  - New floods of supplies
  - Policy uncertainty looms
- Business model under pressure
  - Scarcity and access dilemmas
  - «Carbon bubble» challenge
- “Cash is King!”



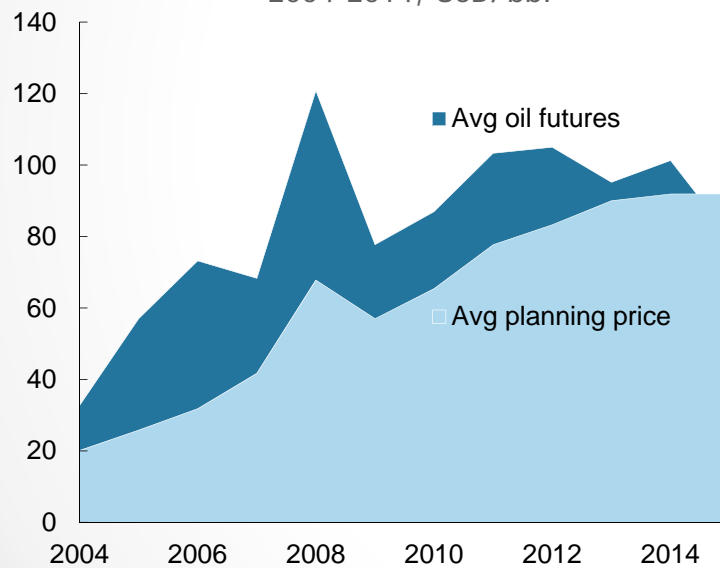
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Source: Citibank (chart).

# No relief from the oil market

Recent movement out of the comfort zone

Planning price and futures price  
2004-2014, USD/bbl



Comfort spread

Planning price minus futures price, USD/bbl



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# Stagnation is the new normal...

... with structural decline still some years ahead

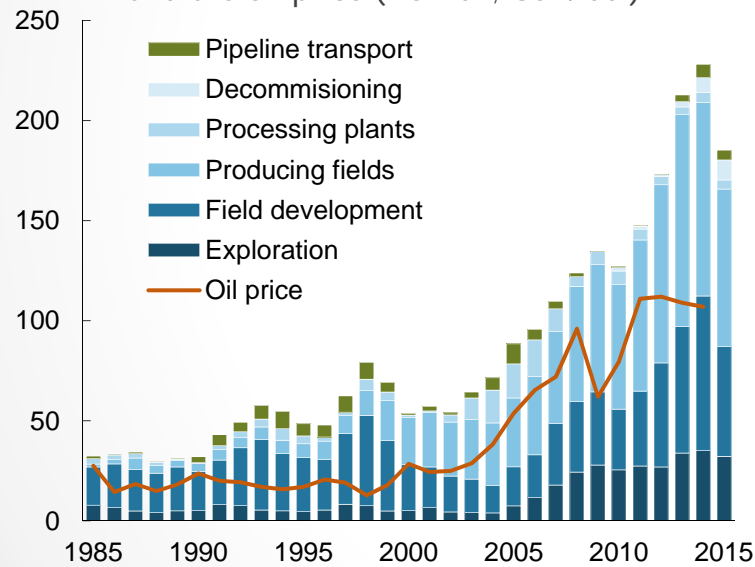
- No growth without profit
  - Oil price increase has paused
  - Costs have gone wild
- Stavanger strongly exposed
  - Adjustment/transformation
- More challenges ahead
  - Project pipeline may dry up
  - Global warming means oil industry cooling
- Brace yourself for change



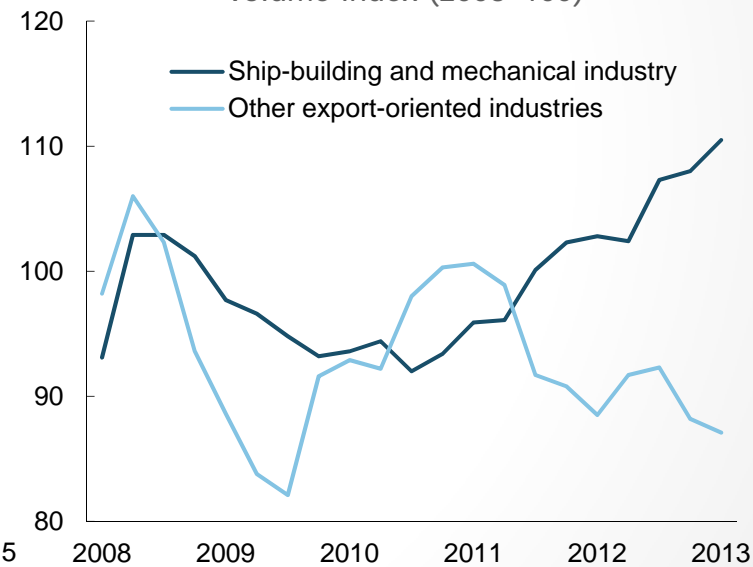
# Less attention on resource movement

Significant macro impulse from oil-related activity

NCS oil and gas investments...  
...and the oil price (NOK bn; USD/bbl)



Value-added in manufacturing  
volume index (2008=100)

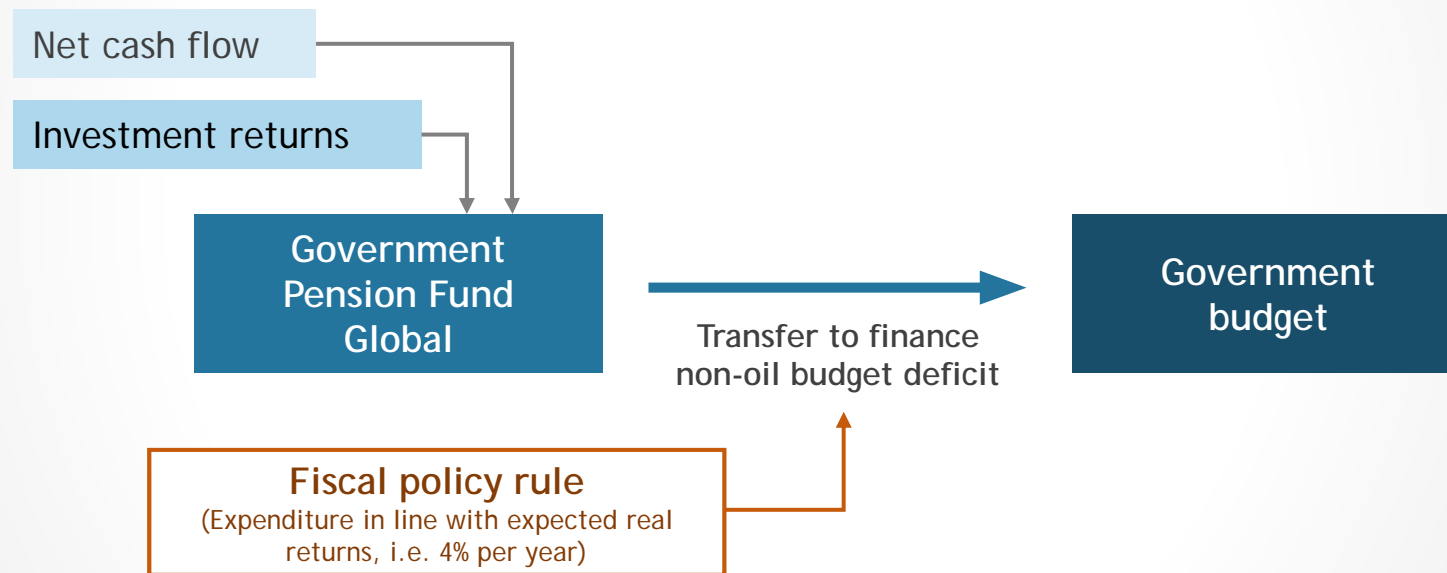


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Source: Norwegian Ministry of Finance, Statistics Norway.

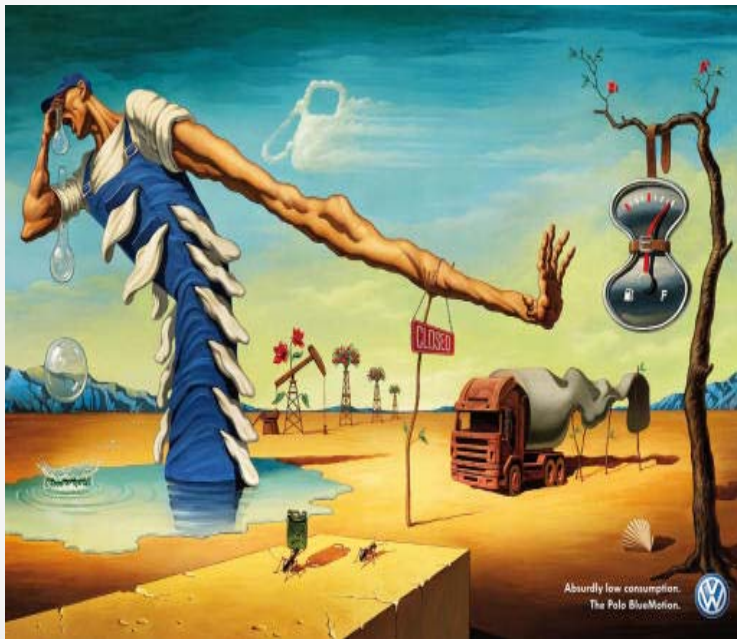
# Spending effects well managed

Fund mechanism and fiscal policy rule



# Longer-term oil industry challenges

Will the world turn its back on fossil fuels?



- Energy and climate policies
- Role of oil in transport
- Eastward bound energy
- Shale gale globalisation
- Emerging technologies
- Access, returns, and risk
- Changes in OPEC behaviour



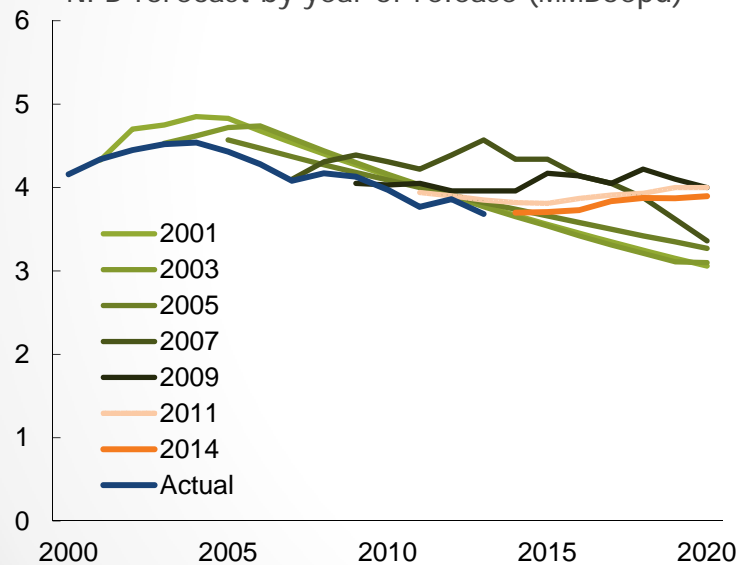
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Source: Mitchell, John, Marcel, Valerie and Beth Mitchell. 2012. «What next for the oil and gas industry?». Chatham House. October 2012.

# An extraordinary boom...

... has lifted the NCS outlook

Outlook for NCS oil and gas production  
NPD forecast by year of release (MMBoepd)



NCS oil and gas production...  
... and the oil price (mmboe/day; USD/bbl)

