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Norway

Energy - Oil & Gas

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This country-specific Q&A provides an overview of energy - oil & gas laws and regulations applicable in Norway.

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Norway: Energy - Oil & Gas

1. Does your jurisdiction have an established upstream oil and gas industry? What are the current production levels and what are the oil and gas reserve levels?

Norway has since the 1965 first licencing round had offshore upstream petroleum exploration and production activities. Commercial production started in the early 1970s. For several years, Norway has been a substantial producer of oil & gas. A total of 8.5 billion standard cubic meter oil equivalents (Sm³ o.e.) has been produced from the Norwegian continental shelf (NCS). Oil production peaked in 2001 with 3,4 million barrels of oil per day (mboed). The total annual NCS production peaked in 2004 at 264,2 mSm³ o.e.

Natural gas production may not yet have peaked but has not made up for the decline in liquids production. Gas production reached a record-high in 2024. A total of 124 billion standard cubic metres (bm³) was sold. In comparison, 122.8 bm³ of gas was sold in 2022. Overall production reached about 240 million Scm o.e. and is expected to remain high and stable, but likely to slowly decline in the coming years. Remaining resources still to be produced are per 31 December 2023 estimated by the Norwegian Offshore Directorate (NOD) to be approx. 8,2 bm³ of oil and approx. 6,6 billion Sm³ of gas, a total of approx. 15,6 million Sm³ of oil o.e.

Norway is still a significant exporter of liquids. Preliminary production figures for December 2024 show an average daily production of 2,017mboed of oil, NGL, and condensate. A modest LNG production plant is located on the mainland north of the Arctic Circle. Very small volumes of mostly imported hydrocarbon products primarily for the transportation sector are consumed. Only two small refineries operate. Domestic market use of natural gas represents only about 1.5% of annual natural gas production.

2. How are rights to explore and exploit oil and gas resources granted? Please provide a brief overview of the structure of the regulatory regime for upstream oil and gas. Is the regime the same for both onshore and offshore?

Norway exercises jurisdiction over significant petroleum

resources located in the seabed of the Norwegian continental shelf (NCS). Exploration and production activities related to these resources are governed by the 1996 Petroleum Act, supplemented by regulations (Royal Decrees, Ministry or Directorate decisions outlining generally applicable rules) and a dedicated gradually developed concessionary regime that has been in place since 1965. The standardised production licence is the core petroleum rights documents awarded pursuant to public administrative law and is not a contract. The conditions for award and the procedure implemented for competitive bidding prior to an award of production licences are consistent with Norway's EEA obligations and compliant with EU internal market rules including the 1994 EU Hydrocarbons Licencing Directive. The production licence requires licensees to enter into mandatory standardised joint operating agreement and accounting agreement establishing an unincorporated joint venture for each production licence.

Petroleum resources in the subsoil of on mainland Norway and any associated activities are regulated by the 1973 Land Petroleum Act. As most of the Norwegian mainland is without sedimentary rocks no activities have to date been conducted on the Norwegian mainland. Any activities related to petroleum within the territory of Spitsbergen is regulated by Norwegian law and jurisdiction expressed primarily through a 1925 Royal Decree – Bergverksordningen, established pursuant to the 1920 Svalbard treaty (entry into force in 1925). Very strict environmental regulations apply for most economic activity due to the sensitive Arctic environment. Only limited exploration activities have been undertaken at Svalbard and no commercial production.

3. What are the key features of the licence/production sharing contract/concession/other pursuant to which oil and gas companies undertake oil and gas exploration, development and production?

The production licences extend exclusive right to licenses to perform exploration drilling and subject to approval of a development plan the production of petroleum. The production licences are therefore by far the most important of the licences awarded by the authorities. Production licences are either awarded for predefined areas (APA-Rounds) on an annual basis or by numbered

licencing rounds, lately appearing regularly and bi-annually. The numbered bid rounds include acreage covering unexplored acreage or acreage limited previous activity.

The production licence contains standardised terms and conditions of which normally only the identification of licensees with their respective participating interest and the appointed operator vary. They have been rather uniform since their introduction in 1965, with a fundamental shift in 1972 when Norway introduced state participation. Their content is not negotiated and the production licence itself usually do not extend beyond 5-7 pages. Production licences are awarded initially for up to 10 years, normally for around 8 years and may be extended for commercial discoveries for up to 50 years, normally up to 30 years. At Government's discretion, direct state participation managed by Petoro AS (a wholly State-owned licence portfolio manager) may be included in production licences.

Each production licence may also vary with regard to acreage specific limitation to activities due to environmental considerations and for APA licences an accelerated decision-making procedure for licensees to retain acreage. Enclosed and forming an integral part of the production licence is the petroleum agreement.

A facilities licence may be awarded subject to application for the construction, placement use and operation of offshore facilities for the production of exploitation of offshore petroleum resources when such facilities are not comprised by a development plan for a commercial petroleum deposit. Facilities licences are normally used for large projects servicing several production licences such the large diameter natural gas and liquids submarine landing pipelines. A facilities licence may include state participation.

The 3-year non-exclusive exploration licence is awarded for allowing collection of data. The exploration licence entails shallow drilling for calibration purposes. An exploration licence does not give any preferential position or privileges in resolution to the award of a production licence. Exploration licences do not have state participation. If the authorities wish to collect data beyond what is received from licensees, they do so independently pursuant to the material provisions of the law. For data collection by the authorities no exploration licence is issued, but any contract, entered into will be on standard terms comparable with exploration licence operative terms. The authorities do not make use of commercial companies to promote acreage or sell data collected.

Data collected under any petroleum licence must be shared with the Norwegian authorities for their internal use and publication of statistics at no cost to the authorities. After the expiry data confidentially pursuant to law, the authorities may share such data with the public or include such data in data packages.

4. Are there any unconventional hydrocarbon resources (such as shale gas) being developed and produced and is there a separate regulatory regime for those unconventional resources?

To date there has not been awarded any licences related to unconventional oil or gas resources on the NCS or on the Norwegian mainland. The 1996 Petroleum Act and the 1973 Land Petroleum Act do not specifically address conventional resources. Some activities related to coal seam methane has been explored as Svalbard under the special Svalbard regime.

5. Who are the key regulators for the upstream oil and gas industry?

The Ministry of Energy (formerly named Ministry of Petroleum and Energy (MPE) until 1 January 2024) headed by a cabinet minister is the central upstream operations regulator in charge of petroleum resource management and upstream facilities operations. Its responsibility comprises resources, facilities and operations on the Norwegian Continental Shelf (NCS) and on the Norwegian mainland. It also includes activities outside the NCS when consistent with public international law, such as in relation transboundary fields subject to treaties and the gas and liquids trunk export pipelines to the UK and the European continent. The Ministry of Energy is not in charge of Svalbard activities. The Ministry of Energy is the appeal body for any appeals lodged against decisions taken by the Norm Price Board stipulation of Norm Prices applied to the specific petroleum fiscal regime.

The Norwegian Offshore Directorate (NOD) (the Norwegian Petroleum Directorate (NPD) changed its name effective 1 January 2024) is the sector's technical adviser and reports to the Ministry of Energy. The NOD conducts NCS-relevant petroleum sector analysis and data management. In co-operation with other authorities, the NOD ensures comprehensive follow-up of offshore and onshore petroleum operations and, subject to delegated power, develops secondary regulations and non-binding guidelines. The NOD is the registrar of the Petroleum Registry, in which exclusive petroleum rights (licences) must be registered, as well as any Ministry of

Energy-approved mortgage or other security on petroleum facilities. NOD has also been delegated supervisory authority over the CCS activities, predominantly transportation and storage, as well as future seabed mining activities and certain aspects of offshore wind related activities on the NCS.

Effective from 1st July 2023, transferred from the Ministry of Labour and Social Inclusion (AID), the Ministry of Energy oversees working environment and petroleum operations safety (while coordinating security with the Ministry of Justice and Public Security and the Ministry of Defence). This regulatory responsibility comprises safety supervision, emergency preparedness (onshore and offshore facilities) and the working environment in both offshore and onshore petroleum operations, also beyond the Norwegian continental shelf subject to Norwegian law and jurisdiction.

The Norwegian Ocean Industry Authority (NOIA) (Havindustriilsynet, the Petroleum Safety Authority (PSA) changing its name effective 1 January 2024) is a directorate reporting to the Ministry of Energy. The NOIA monitors the health, safety and working environment aspects of the petroleum sector. It is authorised to issue regulations covering safety and working environment within its sector responsibility. It takes administrative decisions in the form of approvals, consents, makes orders (prohibitions and exemptions) and may issue administrative fines. The NOIA may suspend or shut down petroleum operations. Its supervisory responsibility comprises all upstream oil and gas activities on the NCS (fixed, mobile, or floating) installations and vessels, all pipeline systems, including intermediary terminals and export pipelines for liquids and natural gas export to the EU and the UK, as well as associated onshore facilities. The NOIA coordinates their activities with other Norwegian sector authorities with responsibilities for HSE regulation, like the Labour Inspection Authority, The Civil Protection Authority, the Norwegian Environment Agency.

The Norwegian Environment Authority reports to the Norwegian Ministry of Climate and Environment. It is responsible for issuing pollution control permits pursuant to the Pollution Control Act.

The Ministry of Transport (MT) is in charge of the government's emergency response to acute pollution from petroleum operations and shipping. The National Coastal Administration (NCA) is the MT advisory and executive body. The NCA Department of Emergency Response is responsible for governmental emergency response measures against acute pollution. The Norwegian Maritime Authority (NMA) is the administrative and supervisory authority to MT in matters

related to health and safety, material security and the environment on Norwegian flagged vessels and foreign ships in Norwegian waters. The NMA is responsible for ensuring the legal protection of Norwegian-registered ships and registered rights in those ships. The NMA is subordinate to the Ministry of Trade, Industry and Fisheries (MTIF) and the Ministry of Climate and Environment.

6. Is the government directly involved in the upstream oil and gas industry? Is there a government-owned oil and gas company?

The Ministry of Trade, Industry and Fisheries (MTIF) is in charge of managing the 67% shareholding in Equinor ASA a previously state wholly owned national oil company which remain the major upstream operator on the NCS as well as the shareholding in non-operating wholly owned Petoro AS the manager of the Norwegian State's Direct Financial Interest (SDFI) as licensee in production- and facilities licences According to law Petoro AS cannot be appointed as an operator. Gassco AS is the gas export pipeline system-operator.

The Minister of Energy represents the state as the sole owner of the gas pipeline system operator Gassco AS. Ownership control is exercised as shareholder through general meeting, the company's ultimate body. For description of Gassco AS, see question 15 below. Gassco AS operates nearly all of the natural gas gathering and export pipelines on behalf of licensees. Previously most pipelines were owned solely by production licensee. The Government has for some time allowed non-production licensees to hold participating interests in Gassled. For description of the Gassled system see question 15 below.

Pursuant to an agreement with licensees and effective from January 2024 the State through SDFI managed by Petoro AS has taken over 100% of the participating interest in Gassled and a majority participating interest in the onshore terminal owned by Nyhamna JV (81%) and the pipeline owned by Polarled JV (90%). Most of the pipeline licences for the Gassled system were due to expire in 2028, at which time offshore pipeline facilities would return pursuant to licence terms to Government at no cost. Nyhamna and Polarled licensees expire in 2041 but are of importance for the coordinated operation of the integrated gas export system reaching from the Norwegian Sea all the way to onshore terminals on the Continent and in the UK. The earlier takeover triggered an agreed compensation of 18,1 billion NOK paid by Government. The change of ownership will not result in changes of operator, operations or the terms and conditions for shipping natural gas including the tariff

regime.

The state also through SDFI also holds participating interests in other pipelines systems. SDFI licence interests are managed by Petoro AS. No change of ownership has been implemented in these systems.

7. Are there any special requirements for, or restrictions on, participation in the upstream oil and gas industry by foreign oil and gas companies?

Objective prequalification criteria apply for those entities wishing to become production licensees or operators for a production licence. A pre-qualification procedure has been established. Facilities licences and operators may be individually assessed dependent on the application for the facilities licence. Only Gassco AS may be the Operator of Gassled the export landing natural gas submarine pipeline system. Other pipelines operating under a facilities licence, including all liquids pipelines, will normally have one of the operators of a production licence making use of the pipeline, appointed as pipeline operator when such an individual pipeline or other facility is not part of Gassled.

Norway implements sanctions and embargoes imposed by the UN. Norway has to date also implemented most EU sanctions against Russian regime related interests following the the Russian invasion of Ukraine (2014 and 2022) related to investments (outward and inward) imposed against Russia, the operations of Russian owned or controlled entities and sectioned persons.

The amendment of the National Security Act (NSA) and the Government's subsequent decision to declare Equinor ASA, Gassco AS and the natural gas gathering and export system being entities and infrastructure "of vital importance to fundamental national functions" in the new geopolitical world with increased focus on energy security of supply, in particular the natural gas supply to the EU and the UK. Amendments to chapter 10 of the NSA tightening control over transfer of control in Norwegian companies, including those involved in the upstream petroleum sector has been adopted, but has not yet entered into force. These rules may further restrict investments in the upstream sector by companies being controlled by or under the jurisdiction of governments, entities or persons to which Norwegian authorities have security concerns.

8. What are the key features of the environmental

and health and safety regime that applies to upstream oil and gas activities?

The 1996 Petroleum Act and 1997 Petroleum Regulations regulate facilities and petroleum activities related to offshore petroleum resources and comprise a suite of special rules governing liability for pollution damage and compensation to Norwegian fishermen. The Petroleum Act (Chapter 9) include principles and rules specific to safety.

Five HSE specific regulations are adopted pursuant to the 1996 Petroleum Act, the Working Environment Act, as well as the Pollution Control act (among others). These regulations are not prescriptive in nature, but stipulate risk- and performance-based requirements. Requirements are not listed with regard to a certain activity, method or equipment, but rather as a description of required performance of results with reference to established standards to attain requirements stipulated by law. There are non-binding guidelines issued by the safety authority assisting industry in ways or approaches among alternative methods, tools, procedures or solutions to comply with regulatory requirements. The rules also demand systematic monitoring and follow-up by industry ensuring documented systematic improvements in performance. This regulatory approach compels and enables industry to take advantage of experience gained and technical development, applying the best available technology (BAT) at any given time. The regulatory approach assists the system in self-improvement and reducing the risk of industry having to comply with out-dated methods or solutions.

The regulations address important aspects of HSE in an integrated manner. HSE requirements apply to petroleum activities and facilities subject to Norwegian law and jurisdiction. That jurisdiction extends to the Norwegian Continental Shelf (NCS) and to several onshore terminals and processing facilities located onshore in Norway and abroad. Jurisdiction over terminals abroad is established as concurrent jurisdiction through bilateral treaties.

In addition to health, safety and working environment aspects, regulations also address requirements for the protection of the natural environment, including biodiversity. Regulation requires systematic monitoring of environmental parameters, in the water column and on the seabed, comprise limitations on discharges to sea and emissions to air, as well as waste handling.

The Pollution Control Act applies to all upstream petroleum activities (on- and offshore). The act requires licensees to obtain specific discharge permits prior to commencement of exploration drilling, commencement of

production (extraction from reservoirs) or processing (on land terminals) etc. A discharge permit will inter alia include discharge limits for specific components (and overall), waste handling procedures, etc.

These Regulations are enforced by the Norwegian Ocean Industry Authority, the Environment Agency, the Norwegian Directorate of Health, and the Norwegian Offshore Directorate. There are also several general HSE regulations pursuant to the Working Environment Act and the Fire and Explosion Protection Act that are made applicable to the offshore petroleum activities.

Prior to submission of development plans, plans for installation and operation of facilities (facility license application) and decommissioning plans the 1996 Petroleum Act requires that licensee(s) conduct comprehensive impact assessments, undertake an assessment and mitigation measure presented in a report, which must be publicly circulated for comments prior to submission for approval of the development- or decommissioning plan. The EIA covering environmental aspects, societal and communal matters including the impact on other commercial activities in the area such as fishing and consequences for existing infrastructure. This comes on top of a comprehensive strategic environmental impact assessment (SEIA) conducted by the state prior to submitting to Stortinget a proposal to open new areas for petroleum activities. SEIA requirements and the procedure for opening new areas for petroleum activities are stipulated in petroleum legislation.

In addition to the general ban on flaring, venting (save for during commissioning of facilities or for reasons of emergency) and discharge of effluents to sea and soil, fiscal disincentives are applied. These disincentives aim at penalising and thus reduce those discharges and emissions permitted. The fiscal disincentives are predominantly in the form of charges and taxes on greenhouse gas emissions e.g., the CO₂ and NO_x, as well as limitation on emissions to air of volatile components.

9. How does the government derive value from oil and gas resources (royalties/production sharing/taxes)? Are there any special tax deductions or incentives offered?

No economic terms are negotiated for the award of petroleum licences. There is no signature or other cash bonuses.

The largest portion of Government revenue from upstream petroleum activities is derived from its direct

investment called State Direct Financial Interest (SDFI) in non-carried participating interest is production licences and facilities licences. SDFI is not a legal entity separate from the state, but the SDFI petroleum licence interest and associated petroleum activities is managed by Petoro AS a State wholly owned company acting as licensee on behalf of the State. The SDFI participating interest is determined on a discretionary basis by the government in each round of production licence awards or when granting individual facilities licences.

A company that is resident for tax purposes in Norway is subject to corporate income tax and capital gains tax under the General Taxation Act (GTA) on its worldwide income, including income derived from upstream petroleum activities subject to Norwegian tax jurisdiction. The GTA also applies to tax resident companies. Non-resident companies are not subject to tax pursuant to the GTA for petroleum activities on the NCS. The GTA corporate income tax rate and the capital gains tax rate is 22%.

Licensees may be incorporated and headquartered within the EEA but will still have to be tax resident to be awarded a petroleum production licence or a facilities licence. All licensees are subject to requirements of a certain representation in Norway to remain directly accountable under applicable law for the management of its interests and follow up its HSE and other obligations in upstream petroleum activities. These requirements apply regardless of place of incorporation or principal place of business of the licensee or the ultimate beneficial owner of interests in exclusive petroleum rights. Suppliers of goods and services do not necessarily have to be tax resident.

The 1975 Petroleum Taxation Act (PTA) is applicable to those having a participating interest in production or exploitation of petroleum resources subject to Norwegian jurisdiction. The geographical scope of the PTA include income generated by these companies on the NCS (and in certain cases beyond pursuant to public international law and treaties) associated with or arising out of petroleum production and certain exploitation related activities. The PTA applies to extraction, processing and pipeline transportation (such as inter-field and landing- or export submarine pipelines), in addition to certain onshore terminals. The PTA contains special rules relating to cost allocations, deductions, depreciations, etc. The PTA also establishes the statutory basis for collection of resource rent associated with production of petroleum (petroleum special tax). The petroleum special tax rate is 56% and is added on top of the 22% ordinary income tax rate under the GTA. The marginal tax rate applicable to entities holding exclusive petroleum rights is thus 78%.

Petroleum operations costs, including exploration costs, are tax deductible when incurred. A system was implemented in 2005 whereby a licensee may claim a cash refund of the tax value of NCS-related explorations direct and indirect costs (financial costs excluded). The system was abolished after a major shift in the fiscal regime made by Stortinget on 17 June 2022. The amendment is effective for the 2022 tax year, but only applies the petroleum special tax regime. The new special tax regime is a cash flow-based tax system, allowing immediate deductions against income subject to petroleum special tax for investments when incurred. (See description of the permanent and the interim amendments in the PTA below, under questions 18 and 19).

A proposal for rather comprehensive amendments to the PTA has been circulated by government for public consultation. (See a brief description of the proposal in question 18 below).

For fiscal purposes, a norm price system is stipulated on crude oil-related transactions that are not conducted between independent parties in an open and transparent market.

Royalty on gas was abolished in the 1990s and on crude oil (all liquids at atmospheric conditions) finally early 2000s.

There is an area fee for acreage held in production licences, but this has no revenue generation purpose or economic result. The fee is instituted to penalise companies holding on to acreage that is not actively explored or comprised by a production project.

Applications fees are imposed for certain comprehensive applications such as the award of a production licence. Entities may be charged also for costs associated with HSE monitoring and control. These charges have no revenue generating purpose or effect. Rates are limited and imposed to abate the cost for the authorities to process such substantial documents.

10. Are there any restrictions on export, local content obligations or domestic supply obligations?

Through Norway's membership in the European Economic Area (EEA) EU internal market rules, including the four freedoms, the prohibition of quantitative export restrictions and competition law applies to petroleum marketing and sales. Licensees are in free to export all petroleum produced. Domestic supply obligations are

unlikely to be imposed due to Norwegian production and the domestic consumption level, combined with State Direct Financial Interest (SDFI) entitlement to volumes produced pursuant to its participating interest managed by Petoro AS on its behalf. Supply of petroleum in cases of emergency to cover national requirements regulated by the 1996 Petroleum Act may apply but are non-discriminatory and volumes shall be taken at market prices. Restrictions apply under UN embargo terms and the EU sanctions implemented by Norway imposed on Russia due to the Russian occupation of Krim since 2014 and renewed full-scale and ongoing attacks on all Ukraine since 2022.

11. Does the regulatory regime include any specific decommissioning obligations?

Cessation of petroleum activities, decommissioning and potential disposal of facilities are regulated by provisions in the 1996 Petroleum Act and the 1997 Petroleum Regulations. Norwegian decommissioning legislation is compliant with requirements of public international law including UNCLOS, the London Anti-dumping Convention and the OSPAR Convention, all ratified by Norway.

A description of plans for future decommissioning is required included in plans for development and operations (PDO) of production projects and plans for the installation and operation of facilities (PIO) for facilities not comprised by an approved PDO. The licensee or the owner of a facility is obliged to submit a decommissioning plan no earlier than five years and no later than two years prior to planned cessation of petroleum activities or use of a facility. A decommissioning plan may comprise one of more facilities in one or more licences, fields or areas.

If licensees or owner(s) fail to submit a decommissioning plan or implement an approved decommissioning plan, the authorities may cause a third party to undertake the preparation of the plan or implement an approved plan at the risk, liability and cost of the licensee or owner.

12. What is the regulatory regime that applies to the construction and operation of offshore and onshore oil and gas pipelines?

Facilities licences for offshore oil (all liquids) or gas pipelines are awarded as a result of the government approving a plan for the installation and operation of facilities (PIO), regulated by the 1996 Petroleum Act. Licensees to a facilities licence form an unincorporated joint venture. Facility licences typically comprise

installations or pipelines serving several production projects under different production licences.

The right of third-party access, tariffs and other terms and conditions for use of transportation facilities are regulated by the 1996 Petroleum Act and separate regulations for third party access to facilities (for i.a. oil pipelines) and the tariff regulations for certain gas transportation facilities. For description of the specific gas transmission pipeline regulatory regime, see question 15.

Investment in downstream activities or infrastructure, except for natural gas transmission and distribution pipelines and natural gas storage, is guided by the same regulatory regime generally applicable to large-scale industrial projects and activities that regularly involve the construction, operation or use of infrastructure. Investment in construction, ownership, operation and use of downstream, natural gas transmission and distribution pipelines, certain small-scale LNG- and regasification and storage facilities is subject to the 2002 Natural Gas Act and the Natural Gas Regulations. These rules are consistent with the EU third internal market natural gas regulatory package, implemented in Norwegian law as part of Norway's EEA obligation.

13. What is the regulatory regime that applies to LNG liquefaction plants and LNG import terminals? Are there any such liquefaction plants or import terminals in your jurisdiction?

LNG facilities that form an integral part of the upstream production are subject to approval by the authorities of a Plan for development and operation of the facilities pursuant to the 1996 Petroleum Act and applicable upstream regulations. Other permits for construction, operation and decommissioning of onshore industrial activities and facilities are also required based on other laws.

The only upstream LNG production facility in Norway is the Snøhvit LNG project. Snøhvit was constructed to exploit the resources of three gas fields in the Barents Sea: Snøhvit, Albatross and Askeladd. There are a few small-scale LNG production and utilisation facilities in the south of Norway serving the local market. A modest volume of LNG is used in coastal transport and as fuel for some of the vessels in the offshore upstream supply fleet. These facilities are not regulated by the upstream regime, but rather the Natural Gas Act (NGA). Due to their size, the facilities do not require an NGA facilities licence, but other onshore legislation regulating industrial activities, facilities' safety, working environment and environmental

protection apply.

14. What is the regulatory regime that applies to gas storage (not LNG)? Are there any gas storage facilities in your jurisdiction?

Storage of natural gas is regulated by the Act on common rules for the internal market in natural gas of 2002 (Natural Gas Act 2002 – NGA 2002). All storage facilities in Norway are subject to law compliant with the rules of the EU's third energy package. However, if the storage facilities are part of an upstream development, the Petroleum Act of 1996 will apply also for the storage.

Except for some minor onshore LNG gas storage facilities, there are no large-scale onshore natural gas storage facilities. There are no regasification facilities in Norway. The use of natural gas is mainly for export or reinjected in reservoirs for pressure maintenance or as temporary storage. Such reinjection forms a core component of the Norwegian resource management philosophy and enables improved or enhanced oil recovery.

15. Is there a gas transmission and distribution system in your jurisdiction? How is gas distribution and transmission infrastructure owned and regulated? Is there a third party access regime?

There is a gas transmission system on the Norwegian Continental Shelf through pipelines from the various production fields to onshore facilities. "Wet gas" and NGL's are conveyed by pipelines to onshore intermediate or final receiving terminals. Dry gas is exported to markets in UK and continental Europe, mostly by direct landing submarine pipelines.

Gassco AS (Gassco) is the system operator of Gassled, the gas landing and export pipeline system. Gassco is wholly owned by the State. Gassco's operator and system functions are regulated by law, including conditions for access to the system, reservation of capacity, booking of volumes and tariffs. Gassco's tasks also include developing new infrastructure, managing the gas transport system's capacity coordinating and managing the gas volumes through the pipeline network and to markets.

Gassled is a regulated unincorporated joint venture that owns the majority of the gas export facilities on the Norwegian Continental Shelf such as submarine pipelines, onshore intermediate processing facilities and

ultimate receiving terminals in the UK and on the European Continent. Anyone with a need to transport Norwegian gas may use the infrastructure. Gassled has no employees and is organised through various joint venture committees.

The Gassled system is a natural monopoly subject to detailed regulations consistent with EU internal energy market rules. To promote sound resource management, the transportation tariffs are set to permit utility rate of return on investments in the transportation system, but such that any excess returns from oil and gas production are derived from the fields. The gas owners or shippers have access to capacity in the system based on the need for gas transport. Capacity rights can be transferred between shippers.

The Government announced in April 2023 its intention to exercise its right to take over Gassled and certain other natural gas export facilities pursuant to the Petroleum Act Section 5-6. Negotiations with licensees ensued. On the 12th of November, the Government announced that it had agreed with seven licensees, all but two of whom are licensees in Gassled, to take over effective from 1 January 2024. Save for Nyhmna JV and Polarled JV most Facilities Licences in question expire in 2028 at which time offshore facilities pursuant to the Petroleum Act and licence terms would revert to the state at no cost. The state was taking over the systems prior to licence expiry as well as some onshore facilities that do not revert to the state at no cost in exchange for compensation of NOK 18,2 billion. The agreement comprises the entire Gassled system comprising all trunk pipelines from the NCS to the UK and Continental Europe and includes related onshore intermediate and ultimate landing terminals. The Government also takes over a larger portion of the participating interest in Nyhamna JV now at 81,3%, and in Polarled JV, now at 95%. Polarled JV owns a Norwegian Sea feeder system to Gassled. Equinor has retained 5% in both JVs. Petoro AS will manage the SDFI participating interest as licensee in Facilities Licences the state has acquired an increased participating interest like Petoro does for SDFI Production Licence participating interests. Gassco AS will remain System Operator. Tariff and access regime will be maintained.

16. Is there a competitive and privatised downstream gas market or is gas supplied to end-customers by one or more incumbent/government-owned suppliers? Can customers choose their supplier?

Natural gas does not constitute a significant share of the

energy mix in Norway. Subject to material and procedural rules pursuant to law for obtaining and operating downstream transmission, distribution, regasification or storage facilities, there are no limitations on who may engage in the downstream natural gas market. Some natural gas wholly owned by regional authorities are vertically integrated. To all undertakings, vertical unbundling principles are enforced towards gas suppliers that operate in the market as transmission system operators providing natural gas to end customers.

17. How is the downstream gas market regulated?

The downstream gas market is regulated by the Act on common rules for the internal market in natural gas of 2002 commonly referred to as the Natural Gas Act (NGA 2002). The NGA 2002 is applicable for all activities related to natural gas unless the Petroleum Act of 1996 applies. Faculties below a certain capacity threshold established by EU law as implemented in Norway, do not require a licence pursuant to the NGA for the construction and operation of pipelines and appurtenant infrastructure, but will require several other permits, approvals or consents pursuant to other legislation applicable generally to onshore industrial or energy activities. For the downstream gas market, the NGA 2002 will serve as the regulatory framework also after the implementation of EU's third internal energy market package, effective from November 1, 2019.

The regulatory regime under the NGA 2002 is based on a system where the Ministry of Energy appoints transmission, distribution, storage and LNF operators based on an individual decision. Each undertaking that owns a transmission system shall act as a system operator under the NGA 2002. The Ministry of Energy may issue regulations regarding access for natural gas enterprises and customers to such systems on objective and non-discriminating terms.

An enterprise that operates or have direct or indirect control over a unit that produce or supply natural gas to the market, may not own or run a transmission system or have any control over or have any rights in an entity that owns a transmission system.

18. Have there been any significant recent changes in government policy and regulation in relation to the oil and gas industry?

Interim changes to the Petroleum Taxation Act (PTA) as part of the COVID-19 "compensation package" was

made. The government has also developed comprehensive "policies" relating to emission of greenhouse gases from upstream oil and gas production. See answers to questions 19 and 20 below.

A major shift in the Norwegian fiscal regime applicable to the petroleum special tax was adopted by Stortinget on the 17 June 2022. The new tax regime under the PTA was made effective immediately. The new petroleum special tax regime is a cash flow-based tax system, allowing immediate deductions for investments as and when incurred against income subject to petroleum special tax. The uplift, accelerated linear depreciation, loss carry forward with interest, annual tax value cash back of exploration costs and refund of deficit at exit from Norwegian upstream petroleum activities have been abolished.

As described under question 15 above, the upstream gas pipeline network, Gassled, plays a key role in the Norwegian state's objective to facilitate for long term profitable petroleum production. On May 2, 2023, the Ministry of Energy announced its intention to take over large parts of the infrastructure currently owned by Gassled. The Norwegian state has the right of reversion at the end of license periods. License periods for substantial parts of the Gassled infrastructure expire in 2028. Other parts of the gas transport system have longer license periods or no explicit license period.

The Ministry of Energy explained in its press release part of its rationale for the planned reversion, referring to one of its long serving resource management principles:

"...the resource rent shall be realised in exploration and production and not the transportation system. The tariffs for use of the transport system shall reflect the socio-economic cost of transport and treatment of gas in the system".

The Ministry of Energy has started discussions with relevant licensees on the reversion process and any required compensation.

The main features of the Gassled regulation are expected to continue after 2028, meaning that Gassco will continue as system operator, cooperating with technical service providers. Investments in new gas infrastructure is still expected to be driven by the commercial players partaking in the NCS petroleum activities and their need for gas transport.

Although the aim of a predictable petroleum industry policy and framework remains, the political climate is changing rapidly, with repetitive and intense debate on

the future of the oil and gas industry in Norway. Parties on the left and environmental parties have for several years demanded that award of new licences to explore for petroleum is drastically reduced or abolished altogether. Cut off dates for the entire industry has been proposed, although rejected by the majority of the political parties. The current minority Labour and Centre Party coalition government has indicated some changes to petroleum policy, while award for exploration and production rights should continue.

Effective from 1 January 2023 the Government removed the tax on mineral oil products to alleviate the negative effect of higher fuel prices on consumers and businesses. The CO2 tax was further increased. The CO2 tax increase did not remove the positive effect of the mineral oil tax cut but aimed at incentivising consumers and business to continue emission reduction efforts. The exemption of 25% of VAT on a purchase price for electric cars was carried forward but capped at NOK 500.000 resulting in a less aggressive rate of vehicle substitution than seen in previous years. However, 94% of all new private cars purchased in Norway in 2023 were fully electric or hybrids. Electric (and hybrid) cars now represent approx. ¼ of all private cars registered in Norway. Electric cars (including plug-in hybrids) used in Norway have positive emission effects both locally and globally because the Norwegian electricity supply is almost entirely hydroelectric and Norway until now is still a net exporter of electricity generated from renewable sources. The base tax on electricity was also adjusted and the subsidies to consumers for high electricity prices carried forward.

In April the Government announced its intention to take over it's the ownership of Gassled, and on the 12th of November it had agreed with seven licensees, all but two of whom are licensees in Gassled, to take over the systems, see question 15. Such an ownership strategy in Gassled supports the authorities' overarching strategy to facilitate the best possible resource utilization on the continental shelf, which the authorities believe can best be achieved by the authorities owning and operating the transportation systems rather than the licensees.

19. What key challenges have been identified by the government and/or industry in relation to your jurisdiction's oil and gas industry? In this context, for example, has the Russia/Ukraine war had an impact on the oil and gas industry and if so, how has the government and/or industry responded to it?

The government continues to emphasise that the primary policy objective for the oil and gas industry is to maintain a predictable policy and for the industry to cater for long-term profitable production of oil and gas.

New technology, including extensive digitalization initiatives and increase in remote monitoring shall improve general industry efficiency and safety. The government expects that the industry focus on maintenance, competence building and recruitment through process changes and innovations remain important tools.

The trend of recent years of oil majors, US- and UK-based independents and affiliates of European downstream companies exiting the NCS continues. There is still significant interest in the licensing regular numbered and annual rounds in predefined areas (APA rounds). APA rounds include acreage in more "mature" areas and regularly located close to existing facilities. For several years, these areas have proven on a regular basis commercially viable discoveries. Frontier areas and the Arctic still appear to be attractive, but interest has abated somewhat, not least due to lack of recent significant discoveries combined with a potential higher cost of development and production, particularly of natural gas.

In June 2020, Stortinget (the Norwegian national assembly) enacted temporary changes in the petroleum tax act to mitigate negative economic effects of the COVID-19 pandemic, low oil prices, and stimulate investments in the upstream oil and gas industry. The amendments temporary changed rules for depreciation and uplift as well as the treatment of tax losses. With regard to the tax regime in place, see comments in questions 9 and 18.

Several upstream projects were sanctioned, pushed forward, submitted for approval and approved by the Ministry of Energy as an immediate effect of the tax "compensation package". Thus, investments in the upstream petroleum sector have increased significantly in 2023 and is forecasted to stay at a high level for several years.

Due to the military aggression by Russia against Ukraine and the increased demand for non-Russian gas, the Norwegian Government for the first time adjusted production permits for a small number of projects during the spring of 2022. The amended permits allowing an increase in natural gas production, but with the result that this would deliberately leave liquids in the ground. This is the first time since the introduction of the resource management principles in 1971 that government has deviated from what has colloquially been referred to as

"the 10 oil commandments", banning flaring, not allowing waste of petroleum or reservoir pressure depletion preventing optimal recovery of all petroleum in the ground.

Norway implements international sanctions and embargoes imposed by the UN and EU (see question 7 above).

Russia's war against Ukraine has led to increased focus on the security threat to the petroleum sector, energy security in Europe and the importance of secure operation on the NCS. Because of the energy supply and security situation due to the Russian -Ukrainian war, the Nord-Stream pipelines attack and the observation of several unidentified drones close to onshore and offshore petroleum facilities, there is an increased focus on security in the petroleum activities. The government has initiated measures to strengthen critical infrastructure emergency preparedness. Ministers and the Norwegian Ocean Industry Authority has urged increased vigilance by all operators and vessel owners on the NCS.

The increased security focus led to a decision by the Government back in 2022 that Norwegian upstream petroleum production and natural gas transportation to Europe and the UK constitute activities "of vital importance to fundamental national functions", a criterion determining that the Act relating to national security commonly referred to as the National Security Act (NSA) should apply to these commercial activities and undertakings. Simultaneously, Equinor and Gassco were categorised as undertakings subject to Security Act regulation. Currently, no other petroleum sector undertakings have been declared as being of such "vital importance". Recent events in the Baltic Sea involving pipeline ruptures, gas leaks and cable have led to significantly increased vigilance, attention and focus on monitoring and control with the integrity and security the infrastructure including offshore installations, onshore terminals, pipelines, umbilicals and power- and communication cable networks, as well as air and navigational safety on the continental shelf.

20. Are there any policies or regulatory requirements relating to the oil and gas industry which reflect/implement the global trend towards the low-carbon energy transition? In particular, are there any (i) requirements for the oil and gas industry to reduce their carbon impact; and/or (ii) strategies or proposals relating to (a) the production of hydrogen; or (b) the development

of carbon capture, utilisation and storage facilities?

Regulations relating quotas and trade in quota for emission of greenhouse gas together with CO₂-tax remains the main regulatory instruments to enforce strict environmental requirements. The CO₂-tax rate as well as NO_x tax rate continue to rise. Additionally, the functional HSE and natural environment regulatory requirements impose obligation on licensees systematically to improve performance by use of best available technology. Recent development within carbon capture and storage is identified by the industry as technically possible and achievable contribution to reduced emission of climate gas.

In relation to parliamentary debate in June 2020 on the enactment of amendments of the Petroleum Tax Act related to the COVID-19 industry "compensation" package, the Stortinget (Norwegian Parliament) instructed government to propose further plans for the reduction of NCS activities related emissions. The targeted reduction was set at 50 % by 2030 (from 2005 levels) incl. "electrification" of existing and new fields. "Electrification" in this context means substitution of greenhouse gas emitting turbines on production facilities with electricity generated by onshore hydropower projects supplied through subsea cables, or potentially from other "green" offshore power sources such as wind power (e.g. the Hywind Tampen floating offshore wind farm project). Increasing CO₂ prices in the EU carbon quotas trading system and a steadily rising Norwegian CO₂ tax means that the cost of emissions is shifting the balance in favour of electrification. At the beginning of 2024 the combined levels of ETS and CO₂ tax will be about NOK 1900 (Approximately 170 Euros) per tonne. In 2020, the government predicted or aimed at a 2030 levels of NOK 2,000 (175 Euros) per ton.

Several NCS production projects receive power from the Norwegian power grid generated by hydropower and more have been decided or are in the pipeline. The latest projects approved by the Ministry of Energy late 2023 was electrification of the Draugen and Njord fields in the Norwegian Sea. More than 45% of NCS production is already supplied by renewable energy in 2023, cutting almost 5 million tonnes of CO₂ emissions. The recent surges in Norwegian electricity prices caused a vigorous political and public debate on whether hydropower from shore used for the electrification of offshore petroleum facilities has significant environmental effects and is the best way of utilising limited onshore renewable energy sources needed to underpin Norway's continued energy transition. In this context is important to take note that

for decades the Norwegian energy supply system is for close to 90% supplied by regulated hydropower. Fossil fuels are only a major contributor to the energy supply (and emissions) in the transportation sectors (air, sea and land) and for offshore petroleum production and export. The Minister of Energy recently indicated that it will be more difficult for licensees to decide on and get authority approval of projects with power from shore in the future – partly because they may have undesirable consequences for the onshore power system.

However, the source of power does not necessarily have to come from mainland Norway. Wind power has in recent years been considered for the electrification of several facilities on- and offshore Norway, including the Troll Wind project and the Ekofisk Wind project. Mainly cost hikes have seen these two projects postponed or abolished. Power production from the first NCS floating wind farm Hywind Tampen for electricity supply to offshore petroleum production started in November 2022 and was fully operating on all eleven turbines and officially opened in August 2023. The construction, operation and use of wind turbines connected to petroleum facilities is regulated by the petroleum regime, not the offshore renewable energy act.

Answering Stortinget's request for an emission reduction plan, the government in June 2021 released the White Paper, "Putting Energy to Work". The report describes a policy for long-term value creation from Norwegian energy resources. It sets out how Norway may use its energy resources to create continued economic growth and new jobs. The report elaborates on how the sector with its knowledge, competence and technology, is an instrument and should be an important contributor, not only of future oil and gas activities, but also the emergence of new technologies and industries. The report emphasises three emerging industries; Offshore Wind, Carbon Capture and Storage (CCS) and Hydrogen.

The NCS has seen a major upturn in "green" projects. Oil companies and oil service companies are significant contributors to planned projects, regularly in consortia formed with other energy industry participants, such as onshore electricity producers (wind) or with power grid infrastructure owners. The principal legal framework for offshore wind for supply to the national grid has been in place for some time. The HSE framework is not yet in place, but proposals from the Norwegian Offshore Industry Authority are currently circulated for public consultation and final adoption of these regulations expected before summer 2024. Two areas have been opened and announced for offshore wind licensing. Seven consortia and companies applied for pre-qualification for the first phase of Sørlige Nordsjø II auction resulted in an

award to the Belgian company Ventyr SN II (Ventyr) the lead company in a consortium on 20 March 2024. Ventyr is owned by PARKwind is owned by Jera Nex and Ingka Investments. Ventyr was awarded a time-limited exclusive right to the project area and to submit a notification for a proposal for the project-specific impact assessment program and subsequently be able to apply for an offshore wind facilities license. A "contract for difference" between the Government and Ventyr guaranteeing a certain minimum offtake price for electricity produced was signed in April 2024. The Utsira Nord area first application process has been put on hold by the Ministry of Energy and updated application deadlines will be announced.

Public funding through "contracts for difference" is included in the framework applicable to the offshore wind concession to be awarded for the Sørilige Nordsjø II area. This way, the state shares in or takes price risk of a project and guarantees a stabilised investor income over time. However, there is still debate about whether these offshore wind projects will be economically viable.

In connection with the adoption of the interim "petroleum tax package", Parliament also requested the government to expedite investment decisions on CCS projects as a measure to enhance investments during the COVID-19 pandemic. Projects identified included projects where pilots had already been ongoing for some time. One of these projects, the Longship project, was adopted by the government and Stortinget in October 2020. The "Longship" project, when full-scale, combines carbon capture at Norcem's cement factory in Brevik with Hafslund Oslo Celsio's project at the Klemetsrud waste incineration facility in Oslo. As a result of cost estimate hike, construction of the latter carbon capture facility has been put on hold. "Longship" is one of the first industrial CCS projects to develop an open access infrastructure with the intent and capacity to store significant volumes of CO₂ from across the European continent.

CCS in Norway is regulated by two separate (but similar) legal frameworks. Any CCS activities (capture, transport

and storage of CO₂) conducted in association with petroleum production are regulated by the upstream petroleum regulatory regime, principally the 1997 Petroleum Activities Regulations pursuant to the 1996 Petroleum Act. Non-petroleum activity related CCS operations (surveying and exploration for subsea reservoirs, as well as exploitation, transportation and storage of CO₂), are regulated by the separate CCS regulations pursuant to the 1963 Act on scientific research and exploration for and exploitation of subsea natural resources other than petroleum and mineral resources.

CO₂ from petroleum production at the Sleipner and Snøhvit fields have been re-injected into petroleum reservoirs for many years. These projects are integrated into and part of petroleum production. Emerging CCS projects other than "Longship" are also otherwise connected to oil and gas investments in a number of ways. Significantly, acreage relinquished by the upstream industry containing depleted petroleum deposits suitable for a CCS project may be utilised for storage of CO₂ captured from non-petroleum related industrial activities. Oil and gas companies are looking to invest in CCS projects, either as stand-alone CCS projects or as part of other industry activities associated with their petroleum activities. So far, the government has awarded seven CCS licences (one exploitation licence to Northern Lights and an increasing number of exploration licenses in the North Sea and in the Barents Sea).

The government describes in their 2021 "Putting Energy to Work" White Paper a "roadmap" for hydrogen, outlining milestones and preparing for the realisation of hydrogen production projects and infrastructure in the future. Several NCS oil and gas companies, such as Equinor, Eni and Norske Shell are or have been involved in different hydrogen development projects. Nevertheless, it is noticeable that the development of such projects is associated with significant uncertainty. For hydrogen, the uncertainty is largely related to production costs, availability of low-cost green energy and an uncertain market for hydrogen.

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