# Norway elections could be turning point for oil and gas

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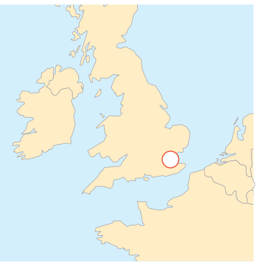

Environmental concerns and fears of low prices are fuelling Norway's debate on the reform of its oil and gas sector.

NORWAY'S UPCOMING GENERAL elections on 11 September may mark the beginning of an about-turn in the country's oil and gas policies even if radical changes are not expected any time soon.

The lack of a significant advantage for either of the two main parties – Labour and the Conservatives, both of which are traditionally positive towards fossil fuels – means that smaller parties will likely be the kingmakers. The Greens have said that a ban on oil and gas exploration in Norway within 15 years would be a non-negotiable request should Labour or any other party want to create a coalition with them, a spokesperson for the Green Party told *Interfax Natural Gas Daily*.

"As the likelihood of a clear-cut win for a 'red bloc' between Labour, the Centre Party and the Socialist Left has shrunk, there has been some speculation that the Greens could join a centre-left coalition," said Michael Barrett, editor of Danish news site *The Local*.

But the majority of Norway's media think the Greens – who are likely to win a total of seven seats in parliament, according to recent polls – will give the red bloc their parliamentary support on a 'supply and confidence' basis only, given their stance on oil and gas. This would give them the ability to influence parliamentary discussions, but not to impose significant changes.

However, environmental pressures are coming from both sides of the political spectrum. "If the Conservatives win, they will have the Liberal Party [inside their coalition], which will try to push for more restricted lines regarding the Barents Sea," said Anders Bjartnes, editor at the Norwegian Climate Foundation.

Analysts and industry figures told *Interfax Natural Gas Daily* they do not see significant changes as imminent, but agreed that both environmental concerns and market prices are fuelling a long-term debate that could result in restrictions on new exploration or on fiscal incentives for the sector.

In an interview with a Norwegian newspaper in late August, Marianne Marthinsen – a Labour MP and member of parliament's Finance Committee – called for an amendment to rules allowing oil and gas companies to claim back tax paid on failed exploration as a measure to emphasise the urgency of climate change. A few days afterwards, Marthinsen clarified that her party does not intend to make changes to the tax regime in the next parliamentary term, but said her remarks were intended to open a debate on the issue.

## Regime change

According to Per Ove Eikeland, senior research fellow at the Fridtjof Nansen Institute, a change in the oil and gas tax regime is not unrealistic.

"There are strong forces that would like to endanger such an important industry," he told *Interfax Natural Gas Daily.* However, Norway has a strong reliance on the oil and gas sector, and the many entrenched interests will make turning away from it hard to achieve.

Karen Sund, founder of Norway's Sund Energy, told *Interfax Natural Gas Daily* that the debate is motivated more by economic than environmental concerns. With an economy and a welfare state reliant on revenues from the oil and gas sector, the government has prioritised a high level of exploration. But now it will need to balance risks and rewards in a potentially low-price future environment with more pressing climate concerns. Hence, the need to review Norway's fiscal incentives.

"I don't think there will be any significant changes to anything for a few years. But whoever wins the election should start looking at how much risk the government is taking. Because of the high tax rate of 78% on profits, the government is the most exposed to changes to oil demand and oil price," Sund said.

"This discussion is starting to come now, but cannot be only on one of the elements of the fiscal regime. A new direction has to be agreed on first," she added.

Norway's oil and gas sector accounts for 12% of its GDP and 13% of state revenues. The state owns 67% of the shares in Statoil. In 2016, the dividend paid to the state was NOK 11 billion ($1.41 billion). The Government Pension Fund Global – to which revenues from petroleum activities are transferred – had holdings with a total value of NOK 7,510 billion at the end of 2016. ■

Norway's Troll A platform in the North Sea. (Øyvind Hagen/Statoil)

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