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PRESENTATION

Peter Hutton - Equinor ASA - SVP of IR

I'm very pleased to welcome you to the Capital Markets Day for 2021.

I'm delighted to introduce Anders Opedal and all the corporate executive team who are on the call today, mainly together in Oslo but also here in London. So we're doing this live from two venues. Anders will set the scene and present our strategy and some key targets. Then the business area EVPs will provide more color and details and with a short break partway through. And then Svein Skeie will take you through the numbers and our financial model.

We will have a Q&A session of about an hour, and the operator will take you through that process for polling for questions, again, at the start of the Q&A, and we aim to complete the call around 14:45 Norwegian time, 13:45 U.K. time.

So let us begin, and I'm delighted to pass the word to Anders in Oslo. Many thanks.

Anders Opedal - Equinor ASA - President & CEO

Thank you very much, Peter, and good morning, everyone. I hope you are well. It's really a pleasure to welcome you all to our Capital Markets Day. I would, of course, love now to look at the room full of investors and analysts, but hopefully, we can do that next time. Also, I do have the whole executive team with me here today, and we look forward to really show you our plans and directions for the future.

This is a plan to accelerate our transition while growing cash flow and returns. Today is about the future, a future that will be very different from the past and where the change from past will be faster than ever. But our legacy is our starting point. And ever since Equinor was founded in 1972, we have been pioneering the field of energy.

Our history is about competent people with a drive to make a difference, about setting ambitions backed by actions, about innovation and technology development. Again and again, we have worked with our partners and suppliers and done what was said to be impossible. Together, we have developed technology, unlocking new resources and achieving world-leading recovery factors and record-low emissions. We have developed from partner and apprentice to operate and a leader, from a Norwegian oil company to a global offshore energy major. This is the basis when we, today, present our strategy, focusing on opportunities where we can utilize our technology and offshore competence.

In times of change, the early mover has the advantage. 25 years ago, we developed our first CCS project at Sleipner, safely storing CO₂ under the seabed. The same pioneering approach was behind our entry into renewables. The value creation we have demonstrated through our recent farm-downs in offshore wind is based on more than 10 years' experience as an offshore wind operator.

On my first day in office, we announced our net zero ambition. Today, we go further, and we demonstrate how this ambition is backed by actions. I'm confident the energy transition will offer unique opportunities for Equinor, opportunities to grow the company, opportunities to generate additional sources of revenue, opportunities to make the company relevant for the future. Our success will depend on our great people and our ability to continue creating industrial solutions for the challenges of our time.

Turning to our strategy. Always safe is the starting point and the foundation, securing that all who work for us can return safely home from work every day. We know we need to improve. We are not yet where we want to be. We will learn from all incidents, big and small, to avoid the future incidents, and we will make sure use progress as inspirations to improve further. And over time, we have improved the key safety indicators and the numbers of serious oil and gas leakages. This remains our first priority.

We are in the biggest transition our energy system have ever seen. Renewables are growing rapidly, and over time, oil and gas will play a smaller role. The plan we present today is a strategy to take advantage of the opportunities in the transition. This is not a new direction, but we are accelerating our transition, bringing forward our ambitions while growing cash flow and returns.

In oil and gas, we can capitalize on our strong portfolio. This portfolio is robust also towards lower prices and a strong cash engine that supports our transition. Gross CapEx to renewables and low-carbon solutions is set to grow from below 5% in 2020 to about 50% in 2030. This is based on our strong pipeline of attractive projects and opportunities, and this is significant. With the plans we are outlining today, we expect to invest well above \$50 billion gross in renewables and low-carbon solutions towards 2030. We are on our way towards net zero and aim to reduce Scope 1, 2 and 3 net carbon intensity by 40% by 2035.

At the same time, during this transition, we maintain our commitment to attractive returns and capital distribution. At an oil price of \$60 per barrel, we expect to deliver around 12% on average capital employed from 2021 to 2030.

To deliver on our strategy and realize \$4 billion in cash flow improvements, we are establishing a technology powerhouse, combining our efforts within technology development, R&D, innovation and digitalization. Carri will tell you more about this later, and Svein will elaborate on our financial framework and performance.

In the energy transition, the winners of oil and gas will be the competitive barrels with low break-evens, low emissions and with short pay-back time [for the --] on the investments. I believe Equinor has probably the most competitive oil and gas portfolio in the industry. At an average oil price of \$60, our portfolio can deliver a free cash flow after tax and investments of more than \$45 billion from 2021 to 2026. This strong cash flow enables us to deliver attractive capital distribution while investing in the transition.

The NCS remains our home turf, and Kjetil will tell you more about how we are turning it into an energy province to continue to create value for years and decades to come. I won't steal all your thunder, Kjetil, but that I have to highlight Johan Sverdrup, the gift that keeps on giving. Today, we announce that the breakeven for the full field has been reduced even further from \$20 to \$15 per barrel. Well, that is not bad for a field, where we aim to produce more than 750,000 barrels per day at plateau.

Internationally, we are focusing our efforts. You have seen the pattern, divesting Bakken, developing Bacalhau, exiting operated unconventional and focusing more on offshore operations, our core competence. Al will tell you more about how we are growing cash flow from our international portfolio. We are making it more robust towards lower prices while capturing a significant upside in periods with higher prices.

Our marketing, midstream and processing activity will continue to add value throughout the energy transition, capturing value on top of oil and gas but also into new segments such as power, hydrogen and offset certificates.

Looking at our total portfolio, we are delivering near-term production growth. But from around 2030, we expect to produce less oil and gas, and we have the flexibility to manage this. We are focusing our exploration efforts on areas with existing fields and infrastructure. New projects would have to be robust to be competitive in the energy transition. Our projects coming on stream by 2030 have an average breakeven below \$35 per barrel and payback time below 2.5 years from production startup. We will continue to improve our oil and gas portfolio to make it even more competitive in the energy transition. We aim to reduce emission intensity to around 6 kilo per barrel by 2030, around 1/3 of the global industry average.

Let me then turn to how we are accelerating profitable growth within renewables. This is an area where our early-mover advantage already is paying off. So far, we have realized capital gains of \$1.7 billion from farm-downs. In a fast-growing industry, we see opportunities for competitive, low-risk returns. We intend to take a disciplined approach, focusing on the projects where our ability to add value is the greatest. Offshore wind is where we have demonstrated our competitive advantage, and it will remain our main growth area.

Based on recent success in securing low-cost access at scale in Poland and in South Korea, we are expecting now to reach installed capacity of 12 to 16 gigawatts already in 2030, five years earlier. To realize these opportunities, we expect gross investments of \$23 billion from 2021 to 2026. Reflecting the current level in the industry, we are adjusting our base return range to 4% to 8% real. But we remain committed to delivering significantly higher equity returns, capturing value through project optimization, farm-downs and project financing.

Our development projects both in the U.K. and U.S. demonstrate the strength of this approach, showing nominal equity returns in the range of 12% to 16%. We have demonstrated that we can create value from renewables as an integrated part of Equinor. Access to project execution capabilities, our unique offshore experience, strong balance sheet and trading activity help us to do more, faster and better. Pål will talk more about our future plans and strong pipeline of competitive projects.

Without CCS and hydrogen, there is no viable path to net zero and realizing the goals from Paris. This needs to be a part of the solution at scale. There will be business opportunities within CCS and hydrogen, and I believe that Equinor is uniquely well positioned. We have industrial experience, having already stored more than 25 million tonnes of CO₂. We know the NCS like the back of our hand. And here, we can create value and remove emissions by storing CO₂ from other industries in the very same reservoirs that have delivered so much energy and prosperity. And here, we can develop emission-free hydrogen from natural gas to support decarbonization globally and create value at the same time.

Now it is time to set an ambition. We aim to develop the capacity to store 15 million to 30 million tonnes CO₂ per year by 2035, Equinor share. And working with partners and customers, our ambition is to provide hydrogen and climate solutions from three to five industrial clusters by 2035. We are already involved in several projects in the U.K., and together with partners and authorities, we are developing Northern Lights in Norway, the world's first offshore storage of CO₂ for third-party industrial sources. This project has the potential to give capacity to store 5 million tonnes CO₂

per year, 10% of the total emissions in Norway. And Irene will talk more about how we can open new markets and opportunities based on an already strong pipeline to create value within low-carbon solutions.

Equinor's ambition to become a net zero company by 2050, including emissions from production and final consumptions, sets a clear strategic direction. For us, this is about value creation. It's a sound business strategy to ensure long-term competitiveness during a period of profound changes in the energy systems as society moves towards net zero. We have a strong starting point, having already reduced our emissions significantly, producing with record-low emissions. The strategy we are outlining today shows how we will deliver cash flow growth and competitive returns while progressing on the net zero ambition.

Towards 2030, we are expecting to reduce the net carbon intensity by 20%. And from then, the pace of progress will increase as we are growing within renewables and low-carbon solutions. By 2035, we aim to realize a 40% reduction from a strong starting point, with 68 grams per megajoule down to 40, on our way to net zero by 2050.

We have several levers to achieve this. Scale, product mix, operational efficiency and electrification within oil and gas will be important. Growth within renewables and hydrogen will increase energy production without emissions. Storage of CO₂ and high-quality carbon sinks will contribute to further reductions in net carbon intensity. All this provides flexibility in how to achieve the ambition while creating value.

Climate change is a shared challenge. The combined efforts of governments, industries, investors and consumers are crucial to reach net zero emissions for Equinor and for society. Pace of change in society will be important also for us. The interim ambitions we are outlining today will significantly change our company, making it better and stronger. And if we can help society move faster, we can achieve even more.

Last year, we reduced our dividend from \$0.27 per share in fourth quarter 2019 to \$0.09 per share for the first quarter 2020. And we suspended our \$5 billion share buyback program as a part of our forceful response to protect our financial resilience during the pandemic. But our commitment to capital distribution remained strong. And over the last year, we have balanced capital discipline with investing in a profitable portfolio and a gradual increase of the quarterly cash dividend.

Today, we are outlining our strategy to accelerate our transition while growing cash flow and returns, enabling us to increase capital distribution further. With an increase of the cash dividend and the introduction of our new share buyback program, we are providing predictability in capital distribution. The Board has decided on a dividend for second quarter of \$0.18 per share, an increase of \$0.03 from first quarter. This is 33% below the pre-COVID level of \$0.27. And in accordance with our dividend policy, it's still our ambition to grow the annual cash dividend in line with long-term underlying earnings. Typically, this has been an annual increase of 1 cent in the quarterly dividend announced together with our fourth quarter results.

The Board had also decided to introduce a new share buyback program. Under this program, we expect a yearly buyback of shares for around \$1.2 billion from 2022. This is a level which can be expected going forward, assuming an oil price in or above a range of \$50 to \$60 per barrel and an expected net debt ratio below 30% and commodity prices. In periods with sustained higher price levels and low net debt ratio, share buybacks can be used more extensively.

During second half of 2021, we also expect to buy back shares for around \$600 million in total in two equal tranches, around \$200 million will be in the market and around \$400 million from the Norwegian state, who will participate on a proportionate basis to maintain its current ownership share. With a lower number of shares, we are strengthening our position to maintain a competitive dividend per share also in a future, where renewables will be a larger part of our company.

With a cash dividend of \$0.18 and a new share buyback program, we are providing visibility and predictability but also establishing a capital distribution structure with more flexibility and a lower base than before the pandemic. This is a balanced approach, enabling quality investment to accelerate Equinor's transition while delivering attractive returns to shareholders.

So let me conclude with our main messages. First, we are accelerating our transition. By 2030, 50% of our gross investments will be towards renewables and low-carbon solutions. And we are doing this while growing cash flow and returns, delivering competitive capital distribution to our shareholders.

Thank you all for the attention. And I now really look forward to letting the team on the stage, and they will present how we are implementing our strategy. And then we are ready to take your questions afterwards. So thank you very much for your attention. And Kjetil, the floors is yours.

Kjetil Hove - *Equinor ASA - EVP of Exploration & Production Norway*

Thank you for the introduction, Anders. I'm really looking forward to share insight on our operations and on our plans for the Norwegian continental shelf and how we're going to transform the Norwegian continental shelf to deliver value for decades in a net zero future. We will create significantly free cash flow from high-value barrels and low-carbon barrels, and we will develop new low-carbon solutions.

This is a picture of the P2 platform for the Johan Sverdrup field, and I would like to speak a bit about the field. Johan Sverdrup has gone from being a world-class discovery to a world-class project and now into world-class operations. Since the field came onstream in October 2019, we have seen strong operational performance. The production efficiency since we started up has been above 96% and 99% the last 6 months. Last month, the production capacity was increased to 535,000 barrels compared to an initial design capacity of 440,000 barrels through debottlenecking and testing of the facilities. One barrel of oil produced at Johan Sverdrup emits 0.17 kilos of CO₂, around 1% of the global average.

We have applied digital technologies to boost earnings with more than NOK 2 billion the first year. The payback time for Phase 1 investment was only 16 months. Phase 2 project is on track. The new processing platform is coming on stream at the end of 2022 and will lift the production even more. Ongoing studies indicate that the production capacity will be increased to 755,000 barrels per day. The breakeven for the full field has been reduced from \$20 per barrel to less than \$15 per barrel, and this makes me confident in stating that we're having world-class operations on Sverdrup. Clearly, Johan Sverdrup will contribute significantly going forward.

In addition, we have a large and very competitive portfolio on the NCS. The portfolio will create significant free cash flow the next decade. We expect to maintain a high production level throughout the decade. Until 2026, we will have a 2% annual production growth. We plan to add more than 700,000 barrels in new production from projects and increased recovery efforts the next 5 years. Martin Linge, Johan Castberg, Johan Sverdrup Phase 2, Troll Phase 2 and Breidablikk are all important contributors together with the increased recovery initiatives.

Towards 2030, we aim to maintain an average unit production cost below \$5 per barrel. At the \$60 per barrel, this will give us an average annual cash flow from operations of around USD 10 billion over the coming decade. In the same period, we plan to annually invest between USD 4.5 billion and USD 5 billion, and this means that we are generating \$2 for -- while investing \$1.

Annually, average free cash flow will be around USD 4.5 billion when the oil prices is at \$60 per barrel. Even in an oil price of \$50 per barrel, we will generate significantly free cash flow, and we see upside potential or should the price rise even higher. The annual free cash flow will vary from year-to-year depending on the CapEx profile, the timing of new production and the tax payments. In 2021, we expect a higher free cash flow due to lower earnings in 2020 and the temporary change in the petroleum tax regime in Norway, subsequently, a somewhat lower free cash flow in 2022 due to the tax payments for '21 and the temporary tax regime.

The temporary changes in the tax regime introduced last summer was an important measure for the industry. It has stimulated investments, maintained activity so that planned projects has been realized in a period with large uncertainty. We will continue to work on our improvement agenda to maintain cost control and to safeguard value creation.

The competitiveness of the Norwegian portfolio is, to a large degree, driven by our infrastructure developed during the last 40 years. This infrastructure is already paid for and will be the basis for the future value creations on the Norwegian continental shelves, in new discoveries and developments. With the planned electrification, the highly prolific NCS will therefore continue to generate valuable barrels with low emissions. We are in a unique position to capture future value through three main sources: increased recovery from our fields, tieback of discoveries towards our infrastructure and an exploration around our infrastructure.

On increased recovery, we are on track to deliver on our 3 billion barrels ambition. So far, 1.5 billion barrels has been identified from existing fields. The portfolio is robust, with a breakeven less than \$25 per barrel and with a payback time less than 1 year.

In 2020, we have focused on Åsgard and Visund. We have identified more than 300 million equity barrels recoverable resources. And the increased recovery projects that extend the filed lifetime and thereby reduces the abatement costs for electrification. The portfolio of more than 40 projects is very competitive, with an average breakeven below \$30 per barrel and with around 1.5-year payback time after first production.

Going forward, the portfolio will be dominated by subsea tieback project, maximizing the value creations from the existing infrastructure. We still see a significant exploration potential, especially around our infrastructure. Our plan is to annually drill between 20 and 30 exploration wells, where more than 40% will be drilled in access -- to access high-value barrels around our infrastructure. The strong exploration results so far in 2021 clearly demonstrate the value potential. We have made several new discoveries, especially in the Troll and Fram area. These volumes will be tied back to Troll B and Troll C and generate high-value and low-carbon barrels.

The last year's new resources from exploration creates a value around 4x the exploration expenditure. And the main enablers for the exploration success is our leading subsurface competence, use of digital tools and big data, and Carri will talk more about this later today.

We are reducing our own CO2 emission to provide for continued value creation. Simultaneously, we will develop a new industry future on the Norwegian continental shelf through new low-carbon value chain throughout -- towards our net zero ambition in 2050. We are on track to deliver 40% CO2 reduction from our operations in 2030. This will secure world-leading carbon intensity at less than 5 kilos CO2 per barrel produced. The abatement cost will then be less than NOK 2,000 per tonne, in line with the indicated total CO2 tax in Norway in 2030.

Our 70% reduction ambition in 2040 will take the CO2 emissions to a less than 3 kilos CO2 per barrel produced. And the main driver is power from shore, consolidation and energy efficiency.

Equinor's unique infrastructure provides a solid basis to develop new low-carbon value chains as basis towards net zero ambition in 2050. Based on our subsurface competence, our acreage knowledge, we expect that a substantial part of our CCS ambitions in 2035 will be in Norway. We're also planning several projects for blue hydrogen, using CCS to decarbonize the natural gas from the NCS.

In addition, the power demand from electrification of the offshore installation can drive industrialization of floating offshore wind. There is a potential to deliver 10-terawatt hours of electricity from offshore floating wind by 2035.

Last week, the government presented an important white paper, long-term value creation from Norwegian energy resources. We welcome this policy, as it addresses the future energy opportunities on the Norwegian continental shelf in a holistic way. Developing these opportunities will require collaboration between the government and the industry, which we have a very long experience on -- tradition for in Norway. Pål and Irene will later come back to our ambitions within renewables and low-carbon solutions.

To summarize, we will generate significant cash flow from the NCS for decades by utilizing our competence base and our unique infrastructure. This decade, we expect a free cash flow of USD 45 billion at \$60 per barrel. We can deliver by adding low-cost barrels to our infrastructure by continuous effort of increased recovery, high -- the project portfolio and exploration in mature areas. Low-carbon emission from our operations, together with developing low carbon new -- low-carbon value chains will set a pathway for net zero on the NCS.

By utilizing our competence base, our unique infrastructure, together with our financial strength, we will be able to transform the NCS from an oil and gas province to a broad energy province, securing value creations for decades.

AI will now take you through our international oil and gas business. Unfortunately, due to the travel restriction, AI is not able to be here at Fornebu. And therefore, I will give the word to you, AI, in our London office. So please, AI, the word is yours.

Al Cook - Equinor ASA - Executive VP of Exploration & Production International (EPI)

Thank you, Kjetil. I'm here to tell you about our plans for international oil and gas, what we call EPI. I'm going to build on what you've heard from Anders and Kjetil, and I'm going to emphasize how EPI is going to create value through a focus on quality. What does that mean? It means that in everything we do, we're going to focus Equinor's resources on the operations, the projects and the exploration where we can create the highest value for the least carbon.

The theme of focusing is going to run through this presentation, and it starts with a focus on cash flow. As we've seen over the past 12 months, the oil and gas markets can go down as well as up. For our international business, the sharp decline last year in prices exposed the vulnerabilities of our portfolio. We've always had a portfolio that's valuable at higher prices, but we're bringing a new focus to resilience at lower prices. We have great opportunities to invest in, as I'll show you in a moment, but we want to make sure that we consistently return positive cash flows at oil prices of \$50 per barrel or above.

We plan to improve this breakeven further going forward, as you can see from the graphs out to 2030. We're going to aim to grow free cash flow through the 2020s as a new generation of projects come on stream, and I'll tell you a bit more about them in a moment. This cash generation will underpin corporate returns for shareholders and also investments in the energy transition. Our capital plans are to remain steady and consistent. But as we progress through the decade, we get more and more flexibility on how much we spend. You can see that from 2023 onwards, a growing share of our planned capital is currently uncommitted.

I'm now going to talk to you about how we're bringing our focus to operations, projects and then exploration. So first, our current operations. This map shows how much Equinor's changed over just 4 years. Back in 2017, we were in 30 countries. Today, we can announce plans to reduce to just half that number, 15. Of the 15, we will be operating or jointly operating in only 7, shown in dark blue on the map. These 7 countries are the places where we believe we have the most to contribute through our engineering skills, our offshore experience, our trusted relationships. The remaining countries, shown in light blue, are either non-operated or at an earlier stage in their development.

To achieve this focus, I can announce today that Equinor will exit 3 countries: Nicaragua, Mexico and Australia. These are shown by red dots on the map. Beyond this, we plan to exit 4 assets: Terra Nova in Canada, our operated Austin Chalk in the United States, and Aguila Mora Noreste and Bajo del Toro Este in Argentina. I just about said those right. On our fifth asset, the Utica in the U.S., we plan to relinquish operatorship. Now some of these asset exits are smaller than others, but together, they represent a big change. Going forward, we will only operate assets offshore.

Since we first ventured out internationally some 40 years ago, we've built an outstanding team around the world. We will now prioritize their efforts where we have true industry-leading experience. That's offshore. We will no longer operate onshore unconventional. Instead, we will partner onshore with the best local companies, like Chesapeake and Southwestern in the United States, YPF in Argentina. That way, we can enjoy regional expertise and economies of scale in a way that we never could as an onshore operator. We will support these operators wherever we can, wherever we can add value and reduce carbon, particularly in the subsurface. The Gulf of Mexico is a great example of how we're putting our strategy into action, high-value and lower carbon. We have 13 assets now, including last year's Monument and Blacktip discoveries. We've got a portfolio that's robust to low prices with a cash flow breakeven of only \$30 per barrel. And we have a portfolio that can grow free cash flow around 90% by 2025 at a \$60 oil price.

When it comes to our projects, we will focus on those that high-grade the quality of our portfolio. This slide shows 15 key projects focused in just 6 countries. Their quality can be seen in their numbers. High value, more than \$10 billion. Lower carbon, our operated projects are expected to produce less than 8 kilograms of carbon dioxide for every barrel. That's less than half the global average and high quality. From the final investment decision forward, we expect internal rates of return of over 20%.

Now here's another important thing. In a world where we expect oil demand to decrease in the 2030s, these projects deliver value during the 2020s. So these projects high-grade our business on value, and they high-grade our business on carbon. A great example of putting this strategy into action is in Brazil. Since our last Capital Markets Day, I'm sure you'll agree that the world has changed a lot, a pandemic, an oil price roller coaster and even greater concern on climate. Brazil was one of the countries most affected by the pandemic. And we in Equinor, of course, were not immune from this impact. We stopped producing at our Peregrino field following a riser failure during a leak test, and the recovery operations have been hit hard by COVID, as was our Peregrino Phase 2 project.

We put health and safety first. We reduced our manning offshore. We stopped higher-risk activities completely. And as I speak, today, we're only producing from the Roncador field. These steps have protected our people and our communities, but we now need to build back value.

Let me take you through the key steps that we're taking with Arne Sigve's project teams to do this. We're ramping up manning on Peregrino as we speak. We now expect both Phase 1 and Phase 2 to start up in the first half of next year. On Roncador, we've started drilling the first batch of improved oil recovery, IOR, wells. We've completed 2 wells so far at a cost 40% below plan. So that's going really well. We've taken a final investment decision on the back of our Phase 1 project. I'm sure you've noticed that, and I'll come back to that one in a moment, and we're progressing our BM-C-33 project towards FID. Finally, we see potential from longer-term options such as Bacalhau Phase 2 and additional IOR.

Now of all these value additions, you won't be surprised that I'd like to take a moment to talk specifically about Bacalhau. The FID on the 1st of June was a really special moment for all of us who've worked through a pandemic to make this possible. There is no better example of a quality project than our flagship international development. The numbers speak for themselves. The breakeven is well under \$35 a barrel, under half today's oil price. The emissions are also half of today's global average. The payback is short. The scale is large. The FPSO has capacity of 220,000 barrels per day. And this is just Phase 1.

I'm talking a lot about focusing today, but nowhere is our focus more evident than in exploration. We have reduced the number of countries we're exploring in by 2/3 in 4 years. We're moving from the frontier to the familiar. We're moving from exploration for reserves to exploration for profit. The map on the left highlights some of the plans for 2022 that we're most excited about. We start with the appraisal of the Monument discovery in the Gulf of Mexico with plenty of follow-on prospectivity if we're successful there; then across the Atlantic to Angola, where we're partner in infrastructure-led exploration in Blocks 15 and 70, with exceptionally fast payback time; then up north to Siberia, where we're drilling onshore exploration wells for less than \$10 million each, benefiting from the acquisition we made just over six months ago.

The final area I want to highlight is the East Coast of Canada, where we're exploring around Bay du Nord. We often talk about Bay du Nord as a single project. But actually, its robustness and its scale come from the fact that it's 6 fields combined into one hub. We're still some way from FID, but already, we've drilled 13 wells in this area, giving us real confidence in the subsurface and in the reserves. And we see the potential for even more upside with 2 new wells in 2022 on the Sitka and Cambriol central prospects. Successful exploration here can add to a high-value development, which already has peak production of 200,000 barrels per day and a breakeven of less than \$35 per barrel. Bay du Nord has the potential to become bigger than Bacalhau. So as one flagship sets sail in Brazil, the next is in the Canadian shipyard.

You're aware of our strategy: always safe, high value and low carbon. And I wanted to end by addressing carbon explicitly. What we're doing is taking half a century of emissions reduction technologies from the NCS and deploying them internationally, benefiting our operations, our host countries and the global fight against climate change. In a world that cares more and more about carbon, we see this as a competitive advantage. In every country we're an operator, we are already and actively targeting emissions reductions. In every country where we invest as a partner, we proactively provide low-carbon know-how.

I'd like to show you a few practical examples. In Brazil, we brought combined cycle power generation, the technology you normally find in an onshore power station. We brought that offshore to our Bacalhau FPSO to cut emissions by 23%. Nearby, on Peregrino, we're cutting emissions by 21% through new gas power generation. On the Azeri-Chirag-Gunashli fields in Azerbaijan, we've worked closely with our operator, BP, to address gas usage and gas losses to reduce emissions by 18%. And in Russia, where under the umbrella of an environmental MOU with Rosneft, we're redesigning drainage and process systems on North Komsomolskoye to reduce emissions by around about a fifth.

Finally, I wanted to highlight where we're going beyond Scope 1 and Scope 2 emissions to bring our carbon capture know-how to our international Scope 3 emissions. I'm sure you've already heard of our CCS and hydrogen projects in the Northeast of England. Irene is going to talk to you more about those in just a moment. Today, I'm pleased to tell you that we're moving from the Northeast of England to the Northeast of the U.S. to develop a CCS and hydrogen concept for our Appalachian gas.

So to sum up our EPI strategy. We will focus our business, and we will focus on quality. We will continuously strive to improve the performance of our assets, but we will also optimize our portfolio through divestments, farm-downs and selective acquisitions. The announcements today represent a milestone, not a destination. We will operate where we are world-class. That's offshore. Onshore, we will partner with the very best local operators.

We have got a great major project portfolio which can increase value and carbon efficiency. In exploration, we will continue the focus that has taken us down from 30 countries to 10, a focus on shorter payback and lower breakeven. And finally, very importantly, we will act to reduce carbon intensity everywhere we invest. Thank you.

Pål Eitrheim - Equinor ASA - EVP of Renewables (REN)

Thank you, Al, and good afternoon. Since the last Capital Markets Day, we've been extremely busy. We have won 4 gigawatts of power offtake in the U.S. and Poland. We have realized \$1.4 billion, \$1.4 billion, in capital gains from two large asset transactions. We've completed the biggest-ever financial close in offshore wind for Dogger Bank. We've started construction of the largest floating offshore wind farm in Norway, and we have added attractive acreage in South Korea. We are certainly well underway of delivering profitable growth in renewables.

We have a very solid platform to deliver on our value-driven strategy. We have a proven ability to realize value from our assets. We have a strong balance sheet and flexibility on financing, and we have a strong track record of accessing markets early and at low cost. We are, as Anders said, an offshore energy company, and we are very much playing to our strengths. We will leverage our offshore execution capability and our leading position in floating offshore wind. We will continue improving base returns through transactions and project financing, and we will stay disciplined and avoid overbidding for acreage and offtake.

You should expect us to continue being focused in our approach. We are now building offshore wind clusters in 4 to 5 regions, and we will access and de-risk markets, the best markets, and we will do it early, and we'll do it at scale. We are selective and value-driven in onshore renewables. We target transition markets like Brazil and Poland, both markets with a long Equinor history and a strong growth outlook. We are pursuing scale because we see it as a key enabler for value creation. We are consciously avoiding overly aggressive volume targets, and therefore, we are keeping our ambition levels but accelerating delivery by 5 years. We now plan to install 12 to 16 gigawatts net to Equinor by 2030, two-thirds of that capacity in offshore wind. This acceleration is due to the quality of our pipeline and our opportunity set.

Going forward, we expect project-based returns between 4% and 8%. And please note that these are unlevered real-life cycle returns, excluding farm-downs. Add 2% for inflation and you get to the expected nominal return range. Mature markets will typically be at the lower end of the range, and emerging markets typically at the higher end of the range. Farm-downs would typically add 1 to 2 percentage points to the unlevered project IRRs.

We expect significantly higher nominal equity returns when we are using project finance. If you look at our projects in the U.S. and the U.K. that are secured offtake, they have nominal equity returns between 12% and 16%. These returns reflect a business with a very different risk profile than our legacy oil and gas business: no exploration risk, no oil price volatility exposure nor production decline rates, stable revenues. And on average, if you look at the contracts we have with secured offtake, the average price protection for those projects is around 19 years. This is also a business that is very much geared for net zero and for decades of unprecedented growth.

We plan gross investments of USD 23 billion in renewables between 2021 and 2026. From 2025, renewable share of gross corporate investments will be around 30%. Our equity injection into projects will be around half of that. And Svein will come back to how this is backloaded in the period.

Through COVID, I'm pleased to say that we have operated without incidents and at very high availability factors. Since 2018, we have reduced our OpEx by 22% of our assets, and they are indeed performing very, very well. In fact, in 2020, our Hywind Scotland and Dudgeon assets were the two assets in the U.K. that had the highest capacity factor of any offshore wind farm in the U.K.

Renewables have created significant value, and I'm proud to say that I think we have earned our right to grow. To date, we have invested around \$4 billion in our renewables' platform, and we have recovered more than 50%, more than 50%, of that through sales proceeds of USD 2.3 billion. Our producing offshore wind portfolio has real unlevered returns around 10%, excluding farm-downs. Including gains from sales and project financing, it has nominal equity returns around 15%. This illustrates a business model that we aim to replicate also in new markets: access, attractive acreage, early and at scale, leverage our expertise to de-risk projects, create value and offload CapEx by farming down at premium prices.

We plan to develop 12 to 16 gigawatts of net capacity by 2030, and this is how we're going to do it. We will install the 1 gigawatt we have under construction. So Dogger Bank A and B in the U.K. is set for commercial operations in 2024 and 2025, respectively. Hywind Tampen, the world's largest floating offshore wind project, goes online next year. We are also maturing the 3 gigawatts in our pipeline that has secured offtake. Dogger Bank C in the U.K. will be project financed and plans FID later this year. Commercial operations for Dogger Bank C are planned in 2026.

We are finalizing the OREC purchase and sales agreement for Empire 2 and Beacon Wind in the U.S., and New York energy authorities will announce terms and conditions when they have been concluded. Baltyk 2 and 3, they were recently awarded offtake contracts by the Polish government, and that means that we can now move these assets towards concept select. Combined, I think these assets, they constitute a very strong platform from which we can indeed accelerate renewables.

We have an early mover advantage to deepen our offshore wind position in Europe and the U.S. We are ready to compete for new leases and for new offtake in both of these markets. The U.K. extensions project for Sheringham Shoal and Dudgeon is a very good example. Our agreement for lease with the U.K. Crown Estate doubles our capacity to 1,400 megawatts without a Round Four type of auction.

We are also looking to broaden our offshore wind pipeline in Asian growth markets. We are well positioned across the region in several markets to secure new opportunities.

We are taking a selective approach in onshore renewables, and I will come back to more about the detail on how we plan to develop this business. But if we look at our 2030 installed capacity, it is heavily weighted towards offshore wind. 90% of the CapEx and two-thirds of the installed capacity will be in offshore wind. The onshore capacity will predominantly be in solar. And we expect both offshore and onshore projects to deliver base returns in the guided range.

I'll spend the next few minutes to give an update on some of our clusters, and I will start with the U.S. We were among the first movers into the offshore wind space in the U.S. And I think it's great to see the ambitions and how they have been stepped up recently. 30 gigawatts by 2030, 5 gigawatt of that expected to be floating particularly outside of California. The U.S. partnership with BP, it creates value, it improves returns, and it loads off CapEx. And it certainly also strengthens our capacity and our ability to compete effectively in what will be a very, very competitive U.S. market.

New York has awarded Equinor and BP 3.3 gigawatts of offshore wind power offtake. It consists of 0.8 gigawatt in Empire 1 and 2.5 gigawatts split between Empire 2 and Beacon 1. And in fact, the sum of that represents around 1/3 of New York's total offshore wind ambition. We are also maturing an additional 1.2 gigawatts of capacity in Beacon Wind that can compete in future offtake auctions.

In the U.S., we now have the scale that we need to optimize value across the portfolio. And beyond farm-downs, we do think that uplift will come from project financing on competitive terms.

Poland is the perfect example of early access at scale and low cost. This is a country we know well since the early 1990s, and we were among the first ones to move into this market in offshore wind in 2018. Since then, we have accessed half, over 3 gigawatts pipeline, and we've done it for a cost of \$41 million. Poland is growing renewables to phase out coal. And this, of course, creates significant potential for renewables as well as for low carbon that would help to decarbonize the Polish energy system. And Poland now aims to install 6 gigawatts of offshore wind by 2030 and 11 gigawatts by 2040.

Our three Baltyk projects are very well placed to help Poland deliver on its ambition. Baltyk 2 and 3 have secured offtake for its full capacity of 1,440 megawatts. We are also positioning the additional 1,560 megawatts in Baltyk 1 for future offtake.

Poland's contracts for difference are the longest in Europe. And at 25 years, they are key to de-risking our investments. It's also interesting to note that, in Poland, we will be a broad and diversified energy player. We will be a leading offshore developer and a competitive onshore player through Wento. We will also be positioned as a strong natural gas supplier helping to decarbonize the Polish energy system.

Here is our perspective on the emerging opportunities space in offshore wind. A net zero world needs offshore wind to grow fast and to do it at scale. And offshore wind is probably as close as you're going to come in terms of renewables providing baseload power. Close to 80% of this offshore wind growth, we believe, will have to require floating solutions. And these days, there is a lot of talk about floating offshore wind in the news. I can hardly click on a link to an energy web page without reading somebody talking about floating.

Equinor began walking the talk already back in 2009. We tested it with Hywind Demo. We proved it with Hywind Scotland, and we are scaling it with Hywind Tampen. We are regularly approached by government asking us about the potential that is in floating. And we tell them what I think no other company can: to us, this is proven technology. We are not reliant on more pilots. The path to commercialized floating goes through upscaling. And I think it's great to see that new floating opportunities are now underway in Europe, in the U.S. as well as in Asia. Accelerating renewables will require continued access at scale. Therefore, we aim to add 10 gigawatts to our accessed offshore wind pipeline over the next 3 years. We will prioritize low-cost access in emerging markets. We will be selective when it comes to bundled auctions where access often triggers significant spend and schedules and commitments.

South Korea is a very good illustration of the approach that we are taking. The country's energy system relies heavily on fossil fuels and on imports, and it wants to grow renewables to 60 gigawatts by 2034, 12 gigawatts of that in offshore wind by 2030. Water depths will require floating solutions for a lot of this capacity and will be key for South Korea to meet its national ambitions. This is also a place where we know the supply chain very well from decades of construction at Korean yards.

South Korea's support regime stimulates renewable growth and investments. It offers a unique mix of low-cost access and strong incentives. Leases are in fact granted without expensive auctions, which is giving us line of sight to what we believe can be a high-value business in this market. We are maturing a 3-gigawatt pipeline in South Korea with a mix of floating and bottom fixed opportunities. With KNOC, we are working -- we are on track to develop Donghae, the first floating offshore wind project in Korea and twice the size of Hywind Tampen in Norway. We are also maturing Firefly, an 800-megawatt floating project outside of Ulsan. In addition, we have also accessed 2 gigawatt of capacity offshore in the South, split between bottom fixed and floating opportunities. On top of that, we are maturing different options for business development in Asia, but most of this is very early phase, and it's premature to provide more detail at this stage. But I can assure you, if we are making progress, I will get back to you as soon as we have that at hand.

Moving to onshore renewables, where we aim to be a market-driven power producer. We have a stepwise strategy which allows us to move -- allowing us to develop and test business models. Onshore renewables clearly has fewer operational synergies with our legacy business than offshore wind. But synergies in trading and on the commercial side are key to value creation. Therefore, we have tailored a team and an operating model to manage the value drivers and risks of the onshore business. That's also why we have made inorganic bolt-on moves to build our business and our capabilities. We have partnered with Scatec. We have integrated Danske Commodities, and we have acquired Wento as our onshore platform in Poland.

Onshore brings less capital-intensive projects lower on the cost curve. We have the capabilities to capture upside value through the value chain. And unlike pure developers, we can realize value from our capacity to warehouse merchant risk. With Scatec, we are now maturing a substantial renewables and solar pipeline in Brazil. As you know, this has been a core market for us since 2001. And as AI alluded to, it's one of the key areas for us also going forward on the oil and gas side as well as on the renewables side. A joint team from Equinor and from Danske Commodities is on the ground to secure projects and offtake contracts. Our 13% stake in Scatec gives us additional exposure to emerging markets and technologies, and Scatec aims to realize 15 gigawatts by the end of 2025. The Wento acquisition in Poland added 1.6 gigawatts onshore pipeline in a very interesting growth market. Wento has a very experienced team and a strong track record from Polish renewables.

Let me close with three key messages about the renewables business in the years ahead. The first one, we have a competitive and a high-quality project pipeline. We have a proven business model, and we'll continue to improve base returns through farm-downs and project financing. Two, we are well positioned to continue creating value. We will move early and at scale in offshore wind markets, and we will be selective and value-driven in onshore renewables. Three, we will continue to be performance- and value-driven. We have a strong balance sheet and flexibility on financing, and we will leverage our offshore capabilities as well as our leading position in floating offshore wind.

So with that, thank you very much for your attention, and please welcome Irene to the stage.

Peter Hutton - *Equinor ASA - SVP of IR*

We did promise a short break, and Irene will be coming up in around 5 minutes. So we stick to the program. The agenda will be that Irene starts at 12:50 Norwegian time, so a very short break of just under 5 minutes, as promised, just to give people a little bit of a chance before we start for round two. Thanks very much.

(Break)

Peter Hutton - *Equinor ASA - SVP of IR*

Ladies and gentlemen, welcome back. I hope you had a chance to grab a coffee or make a call or whatever you needed to do. And with that, I restart the program and welcome Irene on the screen -- on the stage in Oslo. Thanks very much.

Irene Rummelhoff - *Equinor ASA - EVP of Marketing, Midstream & Processing*

Thank you so much, Peter, and good afternoon to all of you who are hanging in there for the second half of our Capital Markets Day today. As quite a few of you know, I'm heading up our MMP business. But today, I will focus in on rather small but certainly growing part of my portfolio. But should you have any questions around the broader MMP portfolio, I'm more than happy to answer those in the Q&A session.

In my presentation today, I will explain to you why I think Equinor has a competitive advantage when it comes to CCS and hydrogen. I will share with you our ambition and our strategic approach before I deep-dive into parts of our portfolio. So let's start with the competitive edges. First and foremost, I believe our experience is second to none. For more than 40 years, we have developed and operated gas pipelines and gas processing plants. About 30 years ago, we basically kickstarted the European gas market as we know it today with a long-term toll contract. For more than 25 years, we have stored CO₂ at our Snøhvit and Sleipner fields. And since the inception in 2012, we have led the work at our carbon capture technology center at Mongstad. But maybe even more importantly, we have matured the Northern Lights project, the first open-source CO₂ storage in the world.

Second point is that I think we have a unique geographical location and infrastructure. The North Sea Basin that we know in and out is widely known to offer very attractive CO₂ storage potential. And it is also in the country surrounding this basin that we find the governments with the highest willingness to support hydrogen and CCS.

My third point is our customer base. It is actually from this customer base we see the highest demand for CCS services and hydrogen these days. Over the last few years, we have built an attractive pipeline of projects within all the four sectors of energy: in power, in transportation, in heat and in industry. This gives us a unique opportunity should -- and optionality should one of the segments accelerate faster than the others. Our value proposition is clear. We offer a combination of carbon management solutions and clean energy into industrial clusters, building on our infrastructure and customer base. With confidence in our current project portfolio and with the strengths I just highlighted, we are today introducing a CO₂ transport and storage ambition. By 2035, we aim to store somewhere between 15 million and 30 million tonnes per annum on our CO₂ equity volumes. Based on our current assessment, this is somewhere around 25% of the European market share.

When it comes to hydrogen, it is a bit more complicated, I guess, to anticipate supply and demand. So we've chosen not to have a volume ambition but rather say that, by 2035, we will deliver hydrogen into 3 to 5 major industrial clusters, in line with the value proposition and aiming for around a 10% market share of the clean energy in Europe.

In the run-up to COP26 in Glasgow, we've seen a significant increase in net zero commitments. A recent report by Energy & Climate Intelligence Unit highlights that more than 60% the countries in the world, notably also China, have net zero commitments, more than 13% of the larger cities and more than 20% of the top 2,000 largest companies in the world. These commitments naturally vary in quality, but the direction is undoubtedly clear. Right now, there is a unanimous agreement that CCS needs to be part of the solution for the world to reach net zero.

For example, this analysis by Wood MacKenzie shows that, to reach their 1.5-degree scenario, the world needs to store 3.6 gigatonne of CO₂ by 2030 and 7.5 gigatonne in 2050. Think about those numbers for a second because that means that the world's need to install almost 5 Northern Lights projects every week from now on until 2030 starting tomorrow.

The most common objection with respect to CCS is that they will never be commercial. That perception is rapidly changing. We've seen the EU ETS price accelerate significantly, and most people expect that to be above the EUR 100 per tonne mark in 2030. And several European countries are actually aiming at the EUR 200 per tonne mark in the same time frame.

Meanwhile, technology development and economies of scale are driving down the cost of CO₂ capture, storage and transportation to well below EUR 100 per tonne. And we believe, and many with us, that carbon-neutral industries will increase a premium on their products, increasing their willingness to pay beyond the CO₂ taxes.

Until such crossover between CO₂ cost and CO₂ price, we do expect to see moderate returns on our projects given that they will depend on governmental support. But we expect to see similar value-add through farm downs when the projects are firmed up as we have seen in the offshore wind space.

This photo shows the Northern Lights construction site in the end of May when our Prime Minister and Anders Opedal paid us a visit. In 2024, Northern Lights storage will start receiving CO₂ from industrial sources on the East Coast of Norway. And by 2026, we expect to expand the capacity from 1.5 million to 5 million tonnes per annum. Since the FID on this project, we've been out chasing customers. And I think the response have more than confirmed the potential. Right now, we're in active dialogue with more than 50 customers. And if you add up their emissions, it totals more than 50 million tonnes per annum. That's equivalent to 10 times the capacity of the Phase 1 and Phase 2.

To meet that demand, we expect to access additional CO₂ storage capacity on the NCS through dedicated CO₂ licensing brands. To reach net zero, the world also needs large amount of clean hydrogen. Today, blue hydrogen has a clear cost advantage over green hydrogen. And it is also much more scalable, and it offers predictable production flow which is very important for our customers. Most commentators, however, do expect the cost of green hydrogen to come down much more rapidly than green. But as this analysis by Wood Mackenzie highlights, as the green hydrogen matures, it will be added on top of the blue rather than replacing it also in a 2050 perspective. The fact that we at Equinor are involved in both blue and green hydrogen projects, allows us unique insight into the relative technology and cost development. And it gives us an optionality to position accordingly.

I'd now like to use our U.K. portfolio to illustrate the industrial cluster value proposition that I introduced earlier. The U.K. is a front-runner today when it comes to developing a framework for hydrogen and CCS. And while we also have projects in Scotland, I will zoom in on the Humber/Teesside area. And we're not in the Humber/Teesside area by accident. This is by far the largest industrial cluster in the U.K., responsible for more than 50% of industrial emissions in the U.K. But this is also where the majority of our Norwegian gas lands. It's where the power cables from Dogger Bank will hit shore, and it is home to a large existing customer base. The key feature in our Humber, Teesside side value proposition is the Northern Endurance Partnership. It's a CO₂ transportation and storage, connecting Humber and Teesside to a very attractive storage with the total capacity of 27 million tonnes per annum. This basically sets up H2H Saltend project. A 600-megawatt of blue hydrogen facility that is setting up U.K.'s oldest chemical park, the Saltend park for fuel switching.

Further, in this area, together with our long-standing partner and customer, SSE, we will add another 1.2 gigawatt of hydrogen production facility, and we aim to build three low carbon CCGTs. Keadby 2, that will run on a mix of hydrogen and natural gas, Keadby 3 that will be equipped with the carbon capture, and Keadby 4 that will run 100% on hydrogen, most likely the first in the world to do that. We're also looking into converting our jointly owned Aldbrough gas storage into a hydrogen storage. And once the infrastructure is developed. We see the potential for Dogger Bank to provide electricity for green hydrogen deployment in the same area.

Also on the map, you see our net zero Teesside project, the post combustion CCGT that will benefit from the Endurance storage. And the last one I'd like to highlight is our H21 project. The plan is to build up to 12-gigawatt of blue hydrogen production facility, convert the existing gas distribution system, potentially allowing more than 400,000 businesses and 3.7 million households to burn clean hydrogen.

This project will also secure long-term gas offtake, and it will give Equinor access to flexible equity power that allow us to build further out our power marketing skill set. We're developing similar value propositions in Northwest Europe, and as AI referred to, also in the U.S. In Norway, the Norwegian government on the back of its support for CCS has cited high ambitions for hydrogen development. And we're working on a plan to build a clean energy system based on offshore wind floating, most likely, and blue hydrogen, in combination with CCS. This will certainly support existing industrial players in Norway, but we also see the potential to attract industrial players to come to Norway with such a great setup. This system can, over time, be further developed to allow for export of the same services to Continental Europe.

This last slide shows the range of our current project portfolio. We've been quite busy over the last few years. And I sense that we're becoming sort of a preferred partner these days because we have a lot of incoming calls from people who want to share ideas and projects with us. While I do not promise that all of these projects will come to fruition, it certainly serves us with a lot of optionality, should some market segments develop faster than others. This portfolio puts us ahead on the learning curve and it position ourselves as an early mover in a similar manner to where -- how we position ourselves for offshore wind, 5 to 10 years ago. This project portfolio gives us the confidence to set the ambitions that I shared with you, 25% market share of CO2 storage by 2035 and 10% of the clean energy market in Europe in the same time frame. But most importantly, it gives us an opportunity to build a new business leg in the energy transition.

So thank you so much for your attention. And then I'd like to welcome my good colleague, Carri, to the stage.

Carri Lockhart - Equinor ASA - EVP of Technology, Digital & Innovation (TDI)

Good afternoon. As my first time on this stage, it's really great to be here with you. Irene and team, thank you for sharing the strategy and the ambitions. These updated ambitions and the project portfolio that my colleagues discussed are truly inspiring. And here, I'm going to now address one of the key enablers for achieving the updated strategy and ambitions, technology.

As Anders has commented, technology has been at the core of Equinor for nearly 50 years. We have a proven track record of developing technology and implementing it, enabling complex projects and creating significant value. Our core capabilities, for example, offshore development and reservoir characterization and management are leading industry. Over recent years, we've built our digital capabilities to push projects forward in oil and gas. And these very capabilities are transferable to give us a compelling advantage in renewables and low-carbon solutions.

The challenges and opportunities of today will demand even more from us from a technology perspective. And as a response, we are bringing together the totality of technology into new one business area in Equinor. Technology, digital and innovation. So IT, digital, innovation, research and technology, ventures and future business, all come together into one technology powerhouse. And from this powerhouse, we will develop solutions faster, we will deliver even more value from our existing value chains and we will industrialize the new value chains.

So let me give you an example of ways we are doing this. We have achieved a lot. On our improvements, we have delivered a total of USD 1 billion, in 2019 and 2020, cash flow impact on those two years. The main cash flow at 2020 of USD 600 million came from deliveries on the Norwegian continental shelf. And for instance, the integrated operations center, where improvements have been 50% better than targets. And Johan Sverdrup were further significant improvements from automated production optimization, advanced subsurface analytics, digital twin and the digital field worker which enables us to get access to information and data instantaneously well in the field to improve our time on tool.

And this year, we've scaled up even further, increasing implementation in assets by 40%. And importantly, the technology is proven, many of them at Johan Sverdrup, are now being integrated into our Dogger Bank wind farm. So we're bridging to the future. In automated drilling control, we are further progressing in this to take it to the next level of technology. Including machine learning and digital twin to advance the automated response, the subsurface conditions. So think of this as adaptive cruise control and collision avoidance, in your car. This has really taken the drilling industry to the next level in terms of efficiency and safety for our people. And Equinor is leading this.

Referencing back to Kjetil's discussion. On the NCS, we'll be drilling between 100 and 150 wells per year. So this automated drilling control technology can really add significant value. Now we are confident in our deliveries and technology advances. And therefore, increase our improvement ambition from USD 3 billion to USD 4 billion from a time frame of 2020 to 2025. This is and will be driven by broad scaling in oil and gas, and transferring solutions to the renewables and the low carbon arenas. And we will further accelerate by use of big data.

And so a lot of people ask about big data. It's really how it is used, that is a competitive advantage. So let's look at one example from the oil and gas and how that can be used for carbon capturing storage at an industrial scale. Our big data is actually massive. And we have data on 100,000 wells globally. And for the NCS, we have 50 petabytes of seismic data alone. That is equivalent to all the words written by mankind to date. 85% of our data is cloud based. And to give you an idea of the importance, using cloud computing power, with the subsurface analytics and the machine learning on the 100,000 wells I just mentioned, data analysis takes two and a half days. That would previously take a specialist, 250 years. This creates new scale of insights and a reservoir characterization gives us high value opportunities. And the proof is really in the numbers. We're targeting hydrocarbon recoveries on the NCS of over 70%, greater than 70%. That is world leading.

On our recent discoveries in the mature Fram and Troll, Kjetil had talked about, we have proven over 300 million barrels of oil equivalents. And again, this is in a mature area. We have improved the rates of de-risking our drilling program by 300%. And then over 3 years, we've created approximately 4x the value of our exploration spend. And now we see even more potential by using deep learning for our seismic interpretation. And we're working on radical changes on how we create a similar experience as if you had a Google map for the subsurface using algorithms that detect the anomalies and patterns to indicate oil and gas. And we believe that these can be directly applied to large scale, carbon capture and storage.

Both Kjetil and Irene have highlighted Equinor's advantage to succeed with CCS. Our deep understanding of the North Sea Basin, which expands over 2,300 kilometers and more than 25 years of operation of Snøhvit and Sleipner make us leading when it comes to CCS. Northern Lights is just a start. The future of CO2 storage potential at the North Sea is huge, estimated to be 200 gigatons. And just to put that in perspective, it would be sufficient to store the annual CO2 emissions from the entire EU for over 50 years. And to unlock this potential, we're using our big data capabilities and other technologies to screen and mature, the new CO2 sites on the NCS. The potential is in our backyard and we are the basin master. And this is a true competitive advantage.

As outlined, we are integrating our technology and commercial muscle into 1 advantage powerhouse to provide the business opportunities. Today, I'm pleased to announce an acceleration of our research and technology funds that will be directly allocated to renewables and low-carbon solutions. We've had previously announced the 25% of our funds would be earmarked to low-carbon and renewables. But the progress we're making and the edge that we have has increased their opportunities. And so by 2025, we aim to have 40% of our funds towards renewables, mainly offshore floating wind, and low-carbon solutions, including hydrogen and CCS.

Pål has shown Equinor is a front-runner in floating winds. And we believe we can add further value through additional technologies. 80% of the world's offshore wind resource is in water depths greater than 60 meters. Floating wind is best placed to capture the best wind resources without conflicts of other ocean users, opening a whole new world of opportunities and markets. With floating wind, scale is going to be the key to reduce the levelized cost of energy. So we need to industrialize the supply chain with simpler designs and fast fabrication. And although we are integrating our technology from oil and gas into the renewables were aiming for even more disruptive ways to approach the design, the fabrication, the installation and the overall operations.

But technology development is about also leveraging the broader ecosystems through strategic partnerships and our ventures.

Our ventures fund performs a top tier. Equally important is the insight that we get -- Now we can support technology development for the new value chains on this insight. We allocate a large part of our investment towards the future value chains, demonstrating that we are a leader in the energy transition. One concrete example of this is our Corvus investment, where 15 hybrid offshore vessels are now using Corvus batteries. And we're progressing the next step to integrate fuel cell for a marine time hydrogen application. And these types of technologies will be key in achieving global climate ambitions, particularly in the hard-to-abate sectors.

So to close. For decades, Equinor has been a pioneer in technology development. It's through our data. It's through our capabilities and our people. We've consistently demonstrated our ability to create real value from technology implementation. And now we're building on this history and taking even bolder steps. The technology, digital and innovation powerhouse is a differentiator. And how we leverage the totality of technology is an enabler for Equinor and achieving ambitions of leading in the energy transition.

Thank you. I now will welcome Svein to the stage. Thank you.

Svein Skeie - Equinor ASA - Acting Executive VP & CFO

Thank you, Carri. There is something to be said about saving the best until the last. And let me start with the key takeaways. As you have been hearing, Equinor is accelerating our transition from a strong position. We are generating strong cash flow and returns resilient towards lower prices. This supports investments in our oil and gas portfolio of high-value and low-carbon production as well as value-driven growth in the renewables and low-carbon solutions.

With a healthy balance sheet, we have the financial framework to grow as well as giving a competitive return to shareholders. And speaking of shareholders, this week, it is 20 years since the listing on the Oslo and New York Stock exchange. We have developed as a company, but remain committed to competitive capital distribution. Since 2001, we have a total shareholder return of 650%.

Our strong cash flow generation capacity is the foundation for our ability to invest in the energy transition and support a competitive capital distribution. For illustration, we use scenarios of a \$50, \$60 and \$70 Brent price in today's presentation with \$60 as the main scenario and a corresponding European gas price of \$6 per million BTU.

As you see in the graph, in the middle, our portfolio provides a very strong cash flow in a \$60 scenario. And at \$50, the annual cash flow from operations after tax is expected to be almost \$15 billion. And this speaks to our resilience. We expect organic investments of around \$9 billion to \$10 billion annually in 2021 and '22. This increases to around \$12 billion annually in '23 and '24, but is the same as the medium-term guidance at our last CMU.

Our strong cash flow underpins our ability to increase investments over time, while maintaining stable levels of free cash flow. As seen in the presentations today, the level of optionality in our portfolio is very high across oil and gas, renewables and low-carbon solutions. This gives us a number of levers to reduce CapEx, if needed, to maintain financial resilience. We continue to invest in our high-value oil and gas portfolio and increase our investments in renewables and low-carbon solutions. The ambition to accelerate our transition is backed up by our investments plan.

By 2030, we expect above 50% of our gross investments to be within renewables and low-carbon solutions. The main part of the investments in low-carbon solutions, as Irene presented, will come from the middle of the decade and beyond. After investments, our free cash flow before capital distribution is expected to be around \$35 billion for the years 2021 to 2026 at the \$60 Brent price, \$35 billion. Our cash flow after investments is already strong. And at our fourth quarter presentation, we expected it to be around \$6 billion in '21 with a Brent price of \$50. We have seen a recovery in the prices, and especially in the European gas price. This supports an increase in our expected free cash flow before capital distribution to about \$10 billion for the year, assuming a Brent at \$60. And this includes tax payments in Norway of around \$4 billion in the second half of the year.

We continue to focus on value over volume. Over the next years, our oil and gas production will grow before expected to return to around same level as for 2020 in 2030. Over the same years, our renewable capacity is expected to grow significantly, as Pål described in his presentation. And we expect to achieve 12 to 16 gigawatt by 2030, 5 years earlier than the stated ambition at our last Capital Markets Update.

Then go to the oil and gas portfolio. As Kjetil and Al described, we continue to focus our oil and gas portfolio to high-value areas and low-carbon operation. The accumulated free cash flow from our oil and gas portfolio after investment is expected to be above \$45 billion from 2021 to '26.

We keep optimizing production and improving on efficiency and costs. As a result, our oil and gas portfolio is cash flow positive at prices around \$30 per barrel after investments. We achieved our 2021 target for the unit production cost all already last year with a unit production cost below \$5. By sustained cost control and capital discipline, we aim to maintain this level going forward.

Especially within European gas, we continue to be highly competitive. With optionality from flexible gas production and a cost to market of below \$2 per million BTU. This makes us very robust for low price barrels and provides a significant upside in strong markets. Going forward, we will prioritize even tougher with clear focus on value over volume. In exploration, we focus around existing infrastructure and areas where geology is better understood, allowing for shorter lead time as well as production with low-cost and low emission.

So far this year, we have commercial discoveries of around 100 million barrels of oil equivalent net to Equinor near existing infrastructure at NCS. We have an advantaged oil and gas portfolio coming on stream towards 2030, totaling around 7 billion barrels net to Equinor with an internal rate of return of 30%. The robustness in our portfolio is strengthened since the last Capital Market Update.

Projects, drilling and procurement, led by Arne Sigve and his team, have done an excellent job improving the project portfolio. The average breakeven is now at below \$35 after strong improvements of the projects, but also impacted by the Norwegian tax regime in Norway. Including the improved oil and gas recovery projects, the average payback time for the portfolio is around 2.5 years from production start, 2.5 years. And the portfolio has a CO2 intensity of 6-kilo per barrel produced.

There are a lot of good projects here. But from a CFO point of view, let me highlight Troll phase III with a breakeven below \$10 per barrel or as it is gas to Europe, well below \$1 per million BTU, and around 700 million of oil equivalent net to Equinor, this is one of our most profitable projects to date.

Let me then move to the renewables. We will accelerate our transition and grow our investments in renewables, driven by value creation and focused on profitability. Early access, development at scale and solid competence on large offshore projects remain important value drivers. Starting with a real base return of 4% to 8%. And remember, this is equivalent to 6% to 10% nominal base return. We increased project returns through farm downs and optimization. We have proved our ability to use these levers to increase returns. And demonstrated that we only invest when we see good returns and profitability.

Towards 2026, we plan gross investments of around \$23 billion in renewables. on a net basis, we estimate around \$12 billion of investments. This is based on the current outlook for project finance and potential for farm-downs, but as I've stressed before, we may choose to do more or less depending on market condition.

For Equinor, project finance is an option as we have the competitive advantage of the ability to carry the projects on our balance sheet. When considering both project finance and farm-downs, we will solve for value creation and cash flow. as well as commercial options.

Last year, we launched a \$3 billion action plan when we saw the market turmoil unfold and delivered significantly more with a total cash flow improvement of \$3.7 billion. This was under extraordinary condition. Still, it proved our ability to implement ambitious improvements. We see significant cash flow impact from our improvement projects.

Last year, we increased our improvement ambition with \$1 billion. Now, we increase it further from \$3 billion to \$4 billion in cash flow impact from 2020 to '25. Together with partners and suppliers, we continue to develop new technology and new ways of working and bringing it to scale. Carri presented some of the initiatives, but let me highlight the integrated operation centers, significantly reducing the unplanned losses from production. We expect this alone to deliver more than \$2 billion in increased cash flow by 2025.

Let me now go through the financial framework. With a strong cash flow from our operating assets as well as the profitability from our projects. We are in a position for maintaining solid returns on capital employed while accelerating our transition. At \$60, we expect an average return on capital employed at around 12% in the period up to 2025 as well as to 2030. We accelerate our transition, starting from a solid financial position. Equinor has credit ratings in the AA categories, and we aim to keep credit ratings at least in the A category on a stand-alone basis. With the expected cash flow from operation, the investment level I presented and capital distribution, we see the net debt level improving significantly in the \$60 scenario.

In the long term, we aim to have a net debt ratio between 15% and 13% -- 30%. The Board has decided on a dividend for second quarter of \$0.18 per share, reflecting our strong cash flow position. And in accordance with our dividend policy, it is our ambition to grow the cash dividend in line with long-term underlying earnings. The Board has also decided to introduce a new share buyback program. We expect a yearly buyback of shares for around \$1.2 billion from 2022 when the Brent oil price is in or above the range of \$50 to \$60. And our net debt ratio stays within the communicated ambition and supported by commodity prices. In periods with sustained higher price levels, and a low net debt ratio, share buybacks can be used more extensively.

The Board has also decided on a program for 2021, starting after the announcement of our second quarter results. And we expect to execute 2 tranches, buying back shares for around \$600 million, whereof around \$200 million will be in the market and around \$400 million from the Norwegian state who will participate on a proportionate basis. The share buyback program will reduce the number of shares and strengthen our position to maintain a competitive dividend per share also in the future.

Overall, our financial framework is balanced and strong. It provides the ability to achieve progress in areas, which some see us competing, but we believe are complementary. We maintain high-value oil and gas production. We increased investments to accelerate in renewables and low-carbon solutions, and we offer competitive capital distribution to shareholders, all while maintaining a strong balance sheet.

Let me finish off with our guidance. Our organic investments are expected at between \$9 billion to \$10 billion annually in 2021 and '22, increasing to around \$12 billion annually in 2023 and '24.

We expect an oil and gas production growth of around 2% in 2021. We are accelerating our transition by growing cash flow and returns. We are increasing our investments in renewables and low-carbon solutions to more than 50% by 2030. This enable us to reach a capacity of 12 to 16 gigawatt of renewable energy by the same year. We are increasing our cash flow and returns by focusing on oil and gas production on high value, low-emission and short payback time. We expect to deliver a total free cash flow after investments of \$35 billion towards 2026, and an average return on capital employed of around 12% in the period towards 2030. We increased the cash dividend to \$0.18 and introduced a new share buyback program, providing visibility for capital distribution.

I sometimes get the question, how will Equinor choose between investing in oil and gas with higher returns and investing in the energy transition and offering competitive shareholder returns. In today's presentation, we have shared how we balance the three, and at the same time remain a strong company.

With that, I welcome Anders back on stage for the Q&A and leave the word over to you, Peter.

Peter Hutton - Equinor ASA - SVP of IR

Over to the operator, and they can remind people of the process for that, and that will take a couple of minutes. And then we'll go into the first question. Meanwhile, in Oslo, we will have everybody set up and AI over here. So that we can take your questions across the whole breadth of the business. So if I pass over now to the operator. Thank you very much.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

The first question comes from the line of Biraj Borkhataria with Royal Bank of Canada.

Biraj Borkhataria - RBC Capital Markets, Research Division - Director, Co-Head of European Energy Research Team & Lead Analyst

I have 2, please. The first one is on the international business. AI, you talked about exiting three countries, refocusing exploration efforts. I was wondering why you didn't choose to take this a little bit further. If I look at Equinor's portfolio, you operate in a longer list of countries where you have not necessarily the largest footprint and maybe not the same running room, and they also don't really feature in the presentation today. So I was wondering, as you're thinking about the number of countries Equinor is involved in, why you didn't want to scale the divestment ambition up?

And then the second question is, on some of the initial remarks, Anders, you talked about learning from all incidents. You're referring to safety, but I wanted to ask you about some of the learnings on your foray into shale and how you can apply those learnings to growing in renewables? Could you talk about being disciplined there? But maybe you can just touch on some of the learnings from the mistakes made then and what's changed in your approach to -- as you're trying to ramp up the renewables business now? Thank you.

Anders Opedal - Equinor ASA - President & CEO

AI?

AI Cook - Equinor ASA - Executive VP of Exploration & Production International (EPI)

I'll take that first question.

Anders Opedal - Equinor ASA - President & CEO

Yes, please, AI.

AI Cook - Equinor ASA - Executive VP of Exploration & Production International (EPI)

Thank you. So I think the first place I'd start is with one of my concluding remarks, which is today's presentation is a milestone, not a destination. I think we've announced today a package of divestments, exits and handovers of operatorship that set a clear direction for the international portfolio going forward. But at the same time, we've got some great international positions where we've got 20, 30 years of experience that we want to build on and not throw away. So it's that careful balance that we're taking forward.

I think one other piece that's really important is that if we do divest from a country, we get high-value for that. We were very pleased with the price we got from the Bakken, for example, but that was a transaction that was months, if not years in the making. So that was a good example of why pacing this in the right way is key. But we've got a lot of places where we've got experience and the capability to build on. So this is a matter of narrowing certainly, but also deepening in some key areas.

Anders Opedal - Equinor ASA - President & CEO

Thank you, AI. I'll follow up on the second question here, and that's a great question. And I mentioned specifically learning from safety incident. But as you know, after the investment in U.S.A., the Board asked PwC to do a report on the learnings. We have taken all these learnings. It's particularly about how you focus on value over volume. I think you have seen the strategy we are providing today has really taken that learning into account. We're focusing both in oil and gas renewables and low-carbon solution to really see how we can make a very profitable business.

Another learning from this report that we actually also have shared on our website, so you can read it there. It's about how we -- when we move into new areas, build the right competence and scale up according -- at the same level as we're building the competence and the capability. And Pål is working with that every day now. And when we did the Wento acquisition in Poland, we made sure that we -- both acquiring a very capable company, but we also have the capacity to follow-up that investment in a good way and putting the right leadership to run this business.

Operator

The next question comes from the line of Oswald Clint with Bernstein.

Oswald C. Clint - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

First one, just on the topic of balancing here, these businesses. The returns target 12%. It's great to get that out to 2030, obviously, much healthier than the last decade, but it's 12% to 16% renewables, 30% the in upstream. We have the cost reduction, we have the buyback potentially running through these calculations you're doing. So it feels like renewables are still suppressing quite markedly the return on capital employed through this plan. So I just wanted to see if you could talk around when does new energy look like it might turn net income positive or free cash flow positive? Is it something we should expect beyond 2030, please?

And then secondly, sorry, linked to renewables low carbon again. Pål talked a lot around project financing and farm-outs to enhance returns. But I just want to see if you could talk more around the Equinor enhancement from things like Danske Commodities, the optimization, your ability to do, let's say, O&M in-house, for example, relative to external providers? And maybe on the flip side, what are you assuming in terms of cost inflation risks for the renewable CapEx plan please?

Anders Opedal - *Equinor ASA - President & CEO*

Yes. Thank you, Oswald. I'll start a little bit and then Svein can elaborate, and we then will leave it to Pål for the specific question there. I think we have demonstrated over several years that we've been able to make attractive returns within renewables and combining project financing and also selective farm-downs. Of course, over the next 10 years, we would be in a build-up phase. And in the beginning of this decade, it's mostly the oil and gas as it contributed to return, particularly of the oil and gas projects that we are developing at the moment. But as we move towards 2030, we will see more and more of the renewables go into ROCE.

And Svein, please elaborate a little bit more on this.

Svein Skeie - *Equinor ASA - Acting Executive VP & CFO*

Yes. Thank you, Anders. As you said, Oswald, we have then providing the outlook now, then both for 2025 and up to 2030, with a return on capital employed of around 12% in a \$60 environment. How is then built up is that we see that the oil and gas, we get more and more of that capital into work to put it that way. So generating then strong returns. Also, as we are moving along, as Anders said, we are starting then also to -- when we passed the middle of this decade to start to generate more income also from the renewable part of it. And as also focused on here today, when we look at totality of the equity returns, which goes into the capital employed and the return there for Equinor is also the potential for giving good returns from that part of it. So it's a combination of the oil and gas portfolio as well as the buildup in renewables.

Pål Eitrheim - *Equinor ASA - EVP of Renewables (REN)*

So thanks, Oswald. If I can just elaborate on a couple of the points you're raising. So you're raising on the Equinor capabilities. And -- in my presentation, I gave a number, and that was the 22% cost reduction on OpEx in our producing asset portfolio. That reduction has actually come after we decided to in-source our operations. And I think it shows the importance of making sure that we have incentives that are aligned across the portfolio over time. And I also think it applies to -- it shows the effect we can have by applying some of the best practices in Equinor from different parts of the company in operations into our U.K. offshore winds operations.

In terms of how we are working and applying the capabilities we have to projects, for example, we are taking very much of the same approach as we have been on the oil and gas side and on the drilling and well side by applying perfect project methodology to our assets. So when we are defining and shaping these projects, we do have a clear sense of how to drive that LCE down over time. And I think that experience we have of that way of working is actually making quite a bit of difference.

And then finally, when it comes to inflation, I -- right now, there are kind of two things on the horizon as this industry is evolving. And it remains to be seen how fast this offshore wind, in particular, will be developed. But we are seeing signs of cost inflation in parts of the supply chain. But this is also an industry where we're doing much more extensive hedging than what we traditionally have done on the oil and gas side. But clearly,

over time, as this industry is ramping up, cost inflation and supply chain bottlenecks are certainly factors to be mindful of as part of our risk planning going forward.

Operator

Next question comes from the line of Alastair Syme with Citigroup.

Alastair Roderick Syme - *Citigroup Inc. Exchange Research - Research Analyst*

Anders, you've come into this role with a mandate to accelerate the company's transformation and the energy transition. But one of the first things I noticed you've done in this presentation, there's quite a material degradation in renewables returns. You've gone from 6% to 10% to 8% to -- 4% to 8% real, which is effectively a 20% to 30% degradation. Can you talk about what is behind that revision? Is it upfront competition? Is it changed assessment of long-term power prices? And more importantly, can you sort of square away how you balance the mandate you've been given and where the company is now accelerating its capital against this, what looks rapid economic deterioration?

Anders Opedal - *Equinor ASA - President & CEO*

Yes. Thank you. I just want also to remind you that we have had very good returns on the renewables. And what we have also shown today that we, through project financing, through selective sell-downs and also that we, as Pål alluded to, working with the project improvements, we are able to take the returns from 4% to 8% on the real basis up to nominal 12% to 16%. And then also, we are targeting new emerging markets where we see that we can be in the upper range of this -- of this range that we are saying today. We have the capability to move into areas like South Korea, like we are very early mover into the U.S., and we were early into Poland. And this will be a part of the way we work going forward to ensure that we maintain also attractive return on the renewables.

So we are balancing the investments, both in the oil and gas to ensure we have high return from our oil and gas portfolio, ensuring that we are able to deliver oil and gas portfolio with as low breakeven as possible and with short payback time. And then balancing this with the best projects we can find within renewables. We will be selective and -- which projects we are executing, we are not participating in all auctions to ensure that we can deliver the best possible return also in this area. And by balancing this, we -- as Svein said earlier today, we are able to invest both in oil and gas, renewables and have attractive capital distribution.

Alastair Roderick Syme - *Citigroup Inc. Exchange Research - Research Analyst*

Can you -- as a follow-up, can you just comment on the sort of the root cause, the degradation? Is it -- do you think it's competition? Or is it changed view on long-term power prices? Any sort of color you could give.

Anders Opedal - *Equinor ASA - President & CEO*

Well, it is mostly also because we're seeing this is reflecting what we see in the market, particularly in the mature market. But as I said, we are also then targeting some of the emerging market to be in the higher end of this range.

Operator

The next question comes from the line of Teodor Nilsen with SB1 Markets.

Teodor Sveen-Nilsen - Sparebank 1 Markets AS, Research Division - Research Analyst

Two questions here from me, if I may. First, on the 12 to 16 gigawatt target, you now announced by 2030. I just wonder what kind of earnings contribution should we expect from that capacity by 2030? And what kind of capital employed will be associated to that capacity?

And my second question is on your upstream business. You have previously talked about a long-term ambition of 300,000 to 500,000 barrels per day in Brazil. Just want to get an update for that? Is that reduced substantially? Or is that still a long term ambition?

Anders Opedal - Equinor ASA - President & CEO

Yes. Thank you for the question. So maybe if you, Svein, could prepare on the 12 to 16 gigawatts and return towards 2030, and AI, maybe you start on the ambition in Brazil.

AI Cook - Equinor ASA - Executive VP of Exploration & Production International (EPI)

Sure. Thanks, Anders. And I think the first thing to say is Brazil is just as much of a core area for Equinor as it has been throughout previous presentations like this is absolutely fundamental. And the FID on Bacalhau Phase I was a real -- a step of real intent. Previously, we've put forward volume targets for our business in Brazil. We are actively deciding not to put forward volume targets going forward. We are now much more focused on value targets and the value blocks that you saw when I talked about those.

If we look at the series of developments and projects and IOR projects there, I think we could very well see a scenario where we get into that 300,000 to 500,000 barrel a day range that you talked about, but that is an output, not an input of our valuation -- of our value creation process.

Svein Skeie - Equinor ASA - Acting Executive VP & CFO

On the 12 to 16 gigawatt target, as you referred to, Teodor. As a starting point, if you look at what say around the CapEx from '21 to '26 for renewable, we say \$23 billion gross and then \$12 billion net to us. And of course, the net is what is then going to go into the capital employed. Going outside this range then towards 2030, we have the possibility to take on the projects on our balance sheet, but we also might then consider to optimize it as we are going forward. That means that on the overall, up to 2026, around 50% of the investments be then project finance. And outside that one, we will also then look at optionality, what do we have? Where is it? Where do we take it on the balance sheet? And where do we project finance it? So we need then to come back towards 2030, how it exactly would look like. But it starts to then get the returns, and of course, if it's project finance, it will also then be equity return on it.

Teodor Sveen-Nilsen - Sparebank 1 Markets AS, Research Division - Research Analyst

Okay. So the way to think about this is then 23x your guided return on capital for renewable? Is that just too simple?

Svein Skeie - Equinor ASA - Acting Executive VP & CFO

I think if we look at it, the capital employed going up to \$26 billion, then we add around \$12 billion, net, to the capital employed coming in there. And then, we have the equity returns on those ones coming in, as we have also illustrated earlier for the ones being project finance and the real return for the ones on our balance sheet.

Operator

The next question comes from the line of Lydia Rainforth with Barclays.

Lydia Rose Emma Rainforth - Barclays Bank PLC, Research Division - Director & Equity Analyst

Two questions, if I could. One, just a follow-up on the CapEx side. So the \$23 billion of CapEx renewable over the period is a gross number and then the \$12 billion being equity. Is that on a 100% basis so pre any of the farm downs that you might look at doing?

And then the second question, it just comes back to the bigger picture around sort of Equinor getting towards net zero. How much -- and I can't work it out from the numbers you've given this morning as to how much of a role do nature-based solutions play? And is that part of your carbon management strategy as well that Irene talked about?

Anders Opedal - Equinor ASA - President & CEO

Well, first, when we talk about \$23 billion for renewable gross and the \$12 billion, net, that is for our equity share in the different renewable business before any kind of sell-down for this. So in some places, we have 100% already in some places we have 50%. And the CapEx there is reflecting that one.

When it comes to nature-based -- natural sinks, this is something that we might use. We are not using it now. But we are looking more actively in it.

For us, the most important thing when we're reducing our carbon intensity is first to start with how we can reduce our emission in our own operation. That is the starting point. And we also then pay ETS and carbon taxes in Norway for our operations. And we are then able to go to carbon neutrality in 2030 by also adding some high-quality natural sinks that we will look into.

When we're talking about the total carbon intensity, including Scope 3, we are focusing to reducing that by growing the renewables and also over time, grow the clean energy from hydrogen.

And the natural sinks might be a part of that as well, but not what we are prioritizing first. First, it's about providing more clean energy and reducing our own emissions for our own operations.

Anything you would like to add to this Irene?

Irene Rummelhoff - Equinor ASA - EVP of Marketing, Midstream & Processing

No, I think this was a good summary. So prefer to do it ourselves, but it might depend -- as quite a few of our peers also have said -- on some of these offsets.

And we in MMP, are setting ourselves up to be a very qualified buyer of such offsets and potentially also be an active trader, as we do expect this market to grow substantially going forward.

Operator

The next question comes from the line of Christyan Malek with JPMorgan.

Christyan Fawzi Malek - JPMorgan Chase & Co, Research Division - MD and Head of the EMEA Oil & Gas Equity Research

Congratulations on what appear to be an historic event for you. Two questions, if I may. First of all, just around the scale-up of the clean energies business and whether you would consider spinning that off? I rarely get questions about -- I rarely get investors asking me to buy an oil major for renewables exposure. And so, without risk of sounding presumptuous, how do you foresee extracting value through this business from a selecting

multiple, particularly sort of following Oswald's question around cash flow. Is it on the horizon? Would you consider it? And what's the framework would you apply if that's part of the thought process over the medium term?

The second question is regarding cash return, and I appreciate the new numbers today, but I wonder whether you are willing to sort of frame upside in the higher oil price environment. If we do go to 80, 90 or whatever, is there a sliding scale? And can you quantify that? Or is it there any extra upside through free cash flow goes back to investing in renewables?

Anders Opedal - Equinor ASA - President & CEO

Okay. Sorry, it was a little bit bad line. So I hope I captured your question in a good way but let me know if I'm missing some of your points.

Your first point was about spinning out the business for the renewables. As I said in my speech also today, I think we have demonstrated over time that we've been able to actually use a lot of the synergies and the parenting synergies from the main company when we have developed the renewable business. We continue to do that, particularly in project execution, in trading our offshore competence and also kind of utilizing our strong balance sheet to be able to take some more risk in emerging regions to increase the returns from this business.

I'm a little bit -- sorry, there was a second part of that question that I didn't really pick up. I don't know if you heard it's fine.

Svein Skeie - Equinor ASA - Acting Executive VP & CFO

I guess, it was related then to upsides if prices then are above \$70. And as we have shown, yes, there are upsides to the prices and we are sure the \$50, and \$60, and \$70, then there are also then further upsides, if prices are even higher than that one, that we will then realize then with higher cash flow coming in then to Equinor in such scenarios.

Operator

The next question comes from the line of Michele Della Vigna with Goldman Sachs.

Michele Della Vigna - Goldman Sachs Group, Inc., Research Division - Co-Head of European Equity Research & MD

And congratulations on the strategic vision in the energy transition. I had two questions, if I may. The first one is on your cash return to shareholders. You lay out a very clear framework on dividends and buybacks at about, I think, a \$60 oil price. I was wondering, as we look at perhaps higher, perhaps lower oil and gas prices, I think if I were to calculate it at the current oil price of \$70, your total cash payout is about 21%. Most of your competitors have something in the 30% to 35% range. I was wondering if there is a cash payout that you would consider to be fair over time on different oil price assumptions?

And then secondly, I wanted to ask you on the Norwegian tax bill. You made the comment that 2022 will see a higher tax versus 2021, which is quite normal given the delay in the oil price used to calculate. I was wondering if perhaps you could quantify the tax bill of next year versus this year if the oil price stays around this level?

Anders Opedal - Equinor ASA - President & CEO

Yes. So you can prepare for the tax bills. You normally sign those, Svein. So -- but then thank you for asking about the capital distribution.

So I think the capital distribution has been a very important part of the value proposition that we have outlined here today. I'm committed to ensure that we have an attractive and a competitive capital distribution that is both predictable, but also resilient through the commodity cycles and the energy transition.

So what you have heard, we are saying today is that it's two things actually. And the first one is that we are increasing our dividend from \$0.15 to \$0.18, which is an increase of 20%. And then we will grow this cash dividend in line with our dividend policy with long-term underlying earnings. And typically, we have done that in the past with \$0.01 or more cents per year, typically then from 5% and above.

In addition to this, we have today announced our annual share buyback program of \$ 1.2 billion. And in totality between the cash dividend and the share buyback, we have the flexibility to also increase the cash total capital distribution to our shareholders. But we are -- what we are announcing today is this capital framework, in addition to the \$600 million that we will start after the second quarter.

Svein Skeie - Equinor ASA - Acting Executive VP & CFO

Yes. On the cash taxes from Norwegian continental shelf. The taxes payable for 2020, that was NOK 4 billion, which we paid NOK 2 billion last year and NOK 2 billion for the first half of this year.

For the second half of this year in an environment, around \$60, we have estimated the cash tax payable to be around NOK 35 billion for the second half. And then the payment then in the first half of next year will be a similar amount because it's split them in two. At higher prices, then it will go a bit further up.

Also, what needs to be taken into account for 2022 is that since the temporary tax system is then valid for 2020 and '21 for all projects and only for new projects from '22 and onwards, then we also then expect \$1 billion approximately higher tax payments in '22 compared to what we had in 2021. So those are other components there.

And then with higher prices, of course, then generating more cash flow in, which will then come this year, but then also then there needs to be some offsets for next year.

Operator

At this time, there are 8 questions left. The next question comes from the line of John Olaisen with ABG.

John A. Schj. Olaisen - ABG Sundal Collier Holding ASA, Research Division - Joint Global Head of Research

It's probably my English. But I just did not understand your answer to your previous question regarding the expected -- lower expected return for renewable investments. Could you please explain it simply, why do you now see lower return for renewable investments?

Anders Opedal - Equinor ASA - President & CEO

We guided -- we are now guiding on 4 to 8 on real, which is reflecting the current market situation we see, particularly in mature markets. But we're also targeting the more emerging markets where we are seeing that we are in more on the higher end of this range.

John A. Schj. Olaisen - ABG Sundal Collier Holding ASA, Research Division - Joint Global Head of Research

All right. So is it simply increased competition?

Anders Opedal - Equinor ASA - President & CEO

Well, we see an increased competition, particularly in mature markets, and that is also reflected in the expected returns.

John A. Schj. Olaisen - *ABG Sundal Collier Holding ASA, Research Division - Joint Global Head of Research*

Okay. And then, I come to my main question. You have showed in your slides that the profitability of your oil and gas business is going up. You have lower breakeven, shorter paybacks, et cetera. At the same time, profitability in renewables is going down. And it's a bit of a funny paradox that you now choose to trust in oil and gas and increase in renewables. But that was my main question.

And what my main question was really like, if we continue to see a returns on renewable investments going down, when will that start impacting your CapEx in renewables? Have you -- and the lower return on renewable investments that you now elaborate on? It's quite a big drop in expected return by 2 percentage points. I just wonder how has that drop in profitability in the renewables impacting your strategy, if any at all?

Anders Opedal - *Equinor ASA - President & CEO*

Well, we see now we are in energy transition. So what we are preparing for is, in long-term, a world where we also see that the demand for oil and gas will go down. We have a lot of attractive oil and gas portfolio to invest in, and we are investing in all parts of our portfolio. And we are not taking out good investments in our oil and gas portfolio. But it's also reflecting that it's also more difficult in the future to get also new oil and gas reserves into the portfolio.

We see that there will be a higher demand for renewables. We think we have a competitive advantage. We can be an early mover into emerging markets and enjoying a higher return than some of our competitors. And that's what we're targeting.

And Pål, as he alluded to today, has a very strong focus on targeting selectively those projects, can give us the highest return. And over time, we will see that we will continue investing both in oil and gas and attractive renewable business.

John A. Schj. Olaisen - *ABG Sundal Collier Holding ASA, Research Division - Joint Global Head of Research*

Yes, you do seem to be indicating higher return than Ørsted, for instance— Ørsted guidance on renewables. I just wonder if return continues to fall, will you continue to invest in renewables regardless just because the world is in the transition phase?

Anders Opedal - *Equinor ASA - President & CEO*

We are not having a volume target in renewables. We are selecting value, meaning that we will selectively choose those projects where we think we can give the highest return. And as we have shown earlier today, we are -- for projects under execution today, we are providing returns -- nominal equity returns in the range of 12% to 16%.

Operator

The next question comes from the line of Jon Rigby with UBS.

Jonathon Rigby - *UBS Investment Bank, Research Division - MD, Head of Oil Research and Lead Analyst*

Can I just ask a question? We -- can you just focusing on NCS upstream, but it sort of applies to the portfolio and then a follow-on on to distribution.

So can you just talk a little bit about the sort of 2025 to 2030 investment program. How much of that is identified? How much of that is sort of ILX and expected new opportunities that will come into the portfolio? And I guess to that point is, do you have an exploration budget that you can share with us?

And the sort of second question, which relates to that is, I guess, come the 2025 to '30, you're sort of juggling a little bit on what you want to invest in, depending upon the pace of the transition, which is, I guess, why you've got that sort of wedge of expected production. So when you do longer-term projections beyond this period, which I guess you do, does a portfolio that increasingly has a majority of renewables, cash flow, support the existing dividend and the projected outlook for that dividend?

Or is it important that you use some of the sort of liquidation of the E&P portfolio to bring the share count down in order to sort of maintain a steady distribution, which I guess ultimately will evolve back to being a dividend if that makes sense?

Anders Opedal - *Equinor ASA - President & CEO*

Yes. So maybe you Kjetil, start with the Norwegian continental shelf?

Kjetil Hove - *Equinor ASA - EVP of Exploration & Production Norway*

Yes. I can try to answer that question. First of all, if you saw it on my slides, you could see that in the period of 2021 to 2030, around one third of the CapEx was sanctioned, that meaning that two thirds is not sanctioned. So that's how much is sanctioned and non-sanctioned.

If you look at the last part of this decade, a large part of that portfolio is also identified. I would say, without having the exact number that, at least, two thirds of what we're going to invest in, in the last 5 years is identified projects that we have in our pipeline. But of course, there will also be discoveries during the next years that will be added on that one as we saw on the Fram and Troll area this year.

So I think without having exactly the number, I would guess, around two thirds is project that we have in the portfolio.

Anders Opedal - *Equinor ASA - President & CEO*

Yes. And for your second question, you have -- seen -- sorry?

Jonathon Rigby - *UBS Investment Bank, Research Division - MD, Head of Oil Research and Lead Analyst*

Yes. No, carry on.

Anders Opedal - *Equinor ASA - President & CEO*

Okay. So you've seen, here we have announced today our capital distribution, which consists of our fixed cash dividend, including also a share buyback program. And this is also to ensure that we are able to provide growth in the earnings per share and the dividend per share in the future, also with kind of a growing part of the portfolio coming also from renewables and low-carbon solution in addition to the oil and gas. Anything you would like to add there, Svein?

Svein Skeie - *Equinor ASA - Acting Executive VP & CFO*

And also, as we start for the 2030's, we will also then be in a position where the oil product -- oil and gas production is at approximately similar level as we said today. So that will also be an important contributor going then forward of course. And it will depend on quite a bit, including how much is invested in those.

But as Anders said, that in the longer run, I expect a lower oil and gas production based on the demand there, but that will also will then impact the need for CapEx in the portfolio as well.

Jonathon Rigby - UBS Investment Bank, Research Division - MD, Head of Oil Research and Lead Analyst

Right. Sure. And sorry, it's a cheeky third one. Do you have a guide for exploration spend going forward this year?

Anders Opedal - Equinor ASA - President & CEO

Well, we guided that on the first quarter, and that is USD 900 million or \$0.9 billion. That is the same. For our exploration spend in 2022 will be slightly higher. But we have actually now kind of included the exploration expenditure into our CapEx guiding. So because both AI and Kjetil, they now have exploration as a part of the CapEx -- total CapEx and OpEx.

Operator

The next question comes from the line of Yoann Charenton with Societe Generale.

Yoann Charenton - Societe Generale Cross Asset Research - Equity Analyst

I would like to ask two questions, please, on the free cash flow guidance items. So if I'm just trying to look at this \$35 billion guidance for group free cash flow, and this \$45 billion guidance for the oil and gas free cash flow, I realize that this is both organic and inorganic free cash flow. And during this presentation, I think you have presented the potential for oil and gas divestments for future asset farm-downs, both in renewables and low-carbon solutions. So I'm just trying to understand if you are in a position to provide some color basically on the share of inorganic free cash flow, which is part of this headline free cash flow guidance items? So that's my first question.

The second question, again, keeping in mind this \$45 billion versus \$35 billion free cash flow guidances. This suggests basically that given \$45 billion is what is supposed to be generated by the oil and gas portfolio, and \$35 billion for the group, this suggests basically that non-oil and gas activities will consume something like \$10 billion of free cash flow over 2021-2026. And this is less than one-fourth basically of oil and gas free cash flow.

At the same time, during these presentations, you have provided as well free cash flow outlook for E&P operations globally that suggests that you would generate \$7.5 billion per annum until the end of the decade.

And you have also brought forward this longer-dated renewables install capacity target to 2030. So my question on that one is, please, can you explain us basically, how much of the oil and gas free cash flow will be allocated to non-oil and gas activities in the second half of the decade? And if you can't say much about this, do you just expect this share to be above basically what we are seeing over 2021-2026 or below?

Svein Skeie - Equinor ASA - Acting Executive VP & CFO

A lot of good questions here. \$35 billion, as we said, for the group before capital distribution. That is the totality coming then both from the oil and gas part of it; it's coming down from the renewable, low carbon, but also then the totality on the corporates and corporate overheads, which is then also included here, including R&D and those things as well. So that is the totality there.

On the inorganic part of it, it's then related to the known things that we have in our portfolio. For example, the -- in Bacalhau where we had a contingent payment coming in. So that's one of the examples. So it's mainly then based on the organic part of it.

If you then look at the totality and in my first slide, we have given some overview of the cash flow that is coming in for the different year, but also then explaining a bit how much CapEx we are then spending for the different segments. So that is the total overview being given. And then, also, then we have illustrated how it is then coming from the oil and gas in the period all the way up to 2030.

So we have not broken it down, what's the cash flow from the -- from renewable and low carbon and corporate part of it, but it's then included in the totality here.

Operator

The next question comes from the line of James Hubbard with Deutsche Bank.

James Richard Hubbard - Deutsche Bank AG, Research Division - Research Analyst

I just have one question. It's a big one. And it is this 2050 net zero target, which you and your peers have -- most peers, including Scope 3. So on -- and the question is basically how do we get there, but I'll flesh that out a little bit with -- you're talking about 30 million tonnes CCS by 2035. That equates to somewhere between 200,000 and 250,000 barrels a day of gas -- oil or gas, ignoring any energy losses in the process, I think.

And you also mentioned earlier on, you expect to have group production go up a bit and then down a bit and be more or less flat by 2030, so 1.9 million barrels a day. Hydrogen will help a little bit, but no one's going to bet the farm on hydrogen today, right? We don't know how it's going to evolve.

So I guess, how do you think about the 2050 number, and if you had to say, if you had to take a guess at what shape Equinor will have by 2050. Will it be, we see oil and gas production plummet by 80% the way that some forecasts -- some credible forecasts suggest needs to happen? Or will it be, no, you'll see CCS, coupled with hydrogen, go up by 10x your 2035 target?

Or is it a, and other, which is yet to be decided, and that's the reason no one fleshes out 2050 from the oil companies because it's simply not -- they've got no idea how it's going to pan out? So that's it. If you can take a stab at that, I'd appreciate it.

Anders Opedal - Equinor ASA - President & CEO

Yes. You're absolutely right. That is a big question, and it's also a little bit into the future. But we -- I think we will never reach net zero in society unless we actually do have a 10x in hydrogen and CCS. And we are focusing on that, particularly on the blue hydrogen.

The reason for that is because we have a lot of capabilities, particularly in CCS. And as Irene showed you earlier today, the Norwegian continental shelf both from the U.K. side and the Norwegian side have huge capacity to store CCS and the government on both sides of the North Sea are very favorable into this type of technology.

So we think eventually, there will be a recognition of this technology, and combined with increased carbon pricing and increased pressure on some of the industry that is hard to decarbonize from electricity, we would see a substantial demand for this type of technology. And that is one of the bigger levers that we do have approaching to net zero.

So we take kind of a forward-leaning approach here where we see that this creates an opportunity for us then of and starting on kind of how much do we need to reduce our oil and gas production.

We know that in 2050, we will produce substantially less than we are today. How much? It's too early to say. It will depend on how much oil we can put into kind of nonenergy projects, is about how we are decarbonizing the gas in terms of blue hydrogen. But we have all of this flexibility, in addition also that we are reducing the emission from our own production. On the Norwegian continental shelf, this will be near zero in 2050. And also, as we have discussed earlier today, increase our renewable business. That also will be in high demand.

So with all of these different levers, we will -- we are now building up optionality. And as Irene said, we don't know exactly which one will be the kind of the technology and the winners, but we are in the most important technologies, I think the world needs to go to net zero. And that will take us also down on the carbon intensity for the company.

So a big question, a little bit long answer and still more to discuss and say about this in the future. But I think we are on track to be a substantial player for the energies and the technologies that is needed for society to come to net zero.

Operator

The next question comes from the line of Anders Holte with Kepler Cheuvreux.

Anders Torgrim Holte - *Kepler Cheuvreux, Research Division - Equity Research Analyst*

Now I have two questions, if I may. First one is related to your dividend and your share buybacks. The previous CFO was very outspoken in his desire to restore dividends to pre-COVID-19 levels.

And on top of that also adds share buybacks in time. Now although your dividend increase is solid announced today, you're not still quite there in terms of pre-COVID-19 levels. So is that something that you are now thinking it's not going to happen in the midterm? Or is that still a target for you on your overall capital allocation basis?

And my second question goes to surprisingly, Pål, on the renewable side of the business. Now I appreciate, and I think we all see that you have delivered outstanding returns so far. Clearly, the field is becoming a bit more crowded on -- especially on offshore wind, but how do you reconcile your return targets with the fact that you are sitting on an implied higher cost of capital compared to the pure play large companies out there? And how does that play into the competition that you're now facing? Any thoughts on that and around your return targets would be good.

Anders Opedal - *Equinor ASA - President & CEO*

Yes. Thank you. I'll start before Pål will answer the question regarding renewables. So we said you could view \$0.27 as a benchmark. And what we have announced today is two parts. First, is cash dividend of \$0.18 that we will grow annually as I mentioned. And then, also, the share annual share buyback program of USD 1.2 billion. And you should see this as a totality. This is a predictable capital distribution framework as long as we are within the guided range that we gave you. It's also flexible, and it gives us the possibility if we have commodity prices over time above this range to do even more and to distribute excess cash to shareholder is our priority.

Pål Eitrheim - *Equinor ASA - EVP of Renewables (REN)*

On your second question, I'll leave the specifics of that to Svein. But from my perspective, that is clearly not the only factor that is influencing competitiveness. And there was a bridging to a previous question around why have we adjusted the returns? And clearly, what Anders was alluding to, the competitive landscape has changed a lot. And it's not only the number of players, but it's also the willingness to compete and the willingness to pay.

And then, you've also seen from my presentation, the flip side of that, that is also a strong willingness to pay for assets and entry into assets even in the early phase. And that is a model that we will continue to try to replicate as we go forward.

There is an additional factor to the competition side, and that is -- it's often easy to forget that when it comes to offshore wind, it is still a fairly small global industry. If you look at the installed capacity today, it's around 32 gigawatts and the pressure on the returns has predominantly happened in the most mature areas, but we still think there are pockets for us in terms of accessing early and at scale where we can go in, apply our capabilities, de-risk projects and bring in partners who are -- who have a financial motivation or an industrial motivation to build this capability in-house. And that is a model that we think we can replicate.

And I actually think access to enough profitable acreage and opportunities is probably a more constraining factor than the WACC itself.

But Svein, maybe you want to supplement on the WACC.

Svein Skeie - Equinor ASA - Acting Executive VP & CFO

Yes, I can supplement a bit. And as we are doing it is that when we see that the cash flow is -- has a different risk profile from what we typically have in the energy markets that we've been in traditionally, we are -- when there's fixed contracts, as we have seen on the contracts are different. We're also then using a lower hurdle rate for these things. So we are reducing -- taking down the WACC there and then to the relevant risk profile as we are seeing it, combined with our financing costs on the totality, which is also pretty good, so we do that way.

And from that perspective, we are then using then the hurdle rates on that one, which is then significantly lower than what we traditionally see in oil and gas projects due to the fact that it's much, much lower risk.

Operator

The next question comes from line of Anders Rosenlund with SEB.

Anders Rosenlund - SEB Securities - Research Analyst

I got a bit confused here. The dividend of \$0.18. I understood that as a Q2 decision. But are you suggesting that this \$0.18 level has impact of bearings on the quarters beyond? Or will the Board make an independent decision when they approach Q3 on what the dividend in Q3 will be? That's my first question.

My second question is, you will presumably be doing more market price exposed renewables going forward. Are you assuming real electricity price increases going forward in your planning and also implicitly in your target/guidance?

Anders Opedal - Equinor ASA - President & CEO

I'll take the first question and then you look into the electricity market, Svein. Also with some maybe Irene can allude to that one. We have said today regarding the dividend that we'll increase the dividend from \$0.15 to \$0.18. That's an increase of 20%. And then, this will be announced coming from the second quarter.

And then, we will grow from \$0.18 annually. Typically, this is announced at the fourth quarter results. And we will grow in line with long-term underlying earnings. And typically, we have added \$0.01 or more to the base cash dividend. But this should also be seen together with the annual share buyback program of USD 1.2 billion, which is if you calculate it around \$0.09 per share per quarter.

Svein Skeie - Equinor ASA - Acting Executive VP & CFO

On the electricity price in the market and then in comparison with an oil and gas market where at least for the oil, where you have a global market, there are much, much more local markets for the electricity. And how we assess it is that often quite long fixed contracts in the projects that we're entering, and that is then given for a certain period. And then we are then making the assessment for the different markets out in time.

Of course, that is something that will come far down the road, still uncertainties on electricity prices there. But it's then looked into market for market as -- and trying to estimate the best prices for the relevant projects that we are accessing. Irene, might want to add a bit more?

Irene Rummelhoff - Equinor ASA - EVP of Marketing, Midstream & Processing

No, I think you're right. We will be more and more exposed to market risk in -- particularly in onshore space, and we made the acquisition of Danske commodity a couple of years ago to actually kick start our core market trading capacity and also understanding of the regional markets that Svein alluded to because that is extremely important that these markets are regional.

And Pål alluded to the fact that we are now working together in Poland and looking to see if we can get corporate PPAs instead of subsidized PPAs with the government.

And I also think going forward, we will be a large purchaser of power for electrification project in the Norwegian continental shelf, and we could see an integrated solution within renewable sourcing basically the electrification projects onshore.

So very exciting opportunity space, I would say. But the power markets are hard to judge, and we need to develop deep knowledge to really excel.

Operator

At this time, there are 2 questions left. The next question comes from the line of Jason Kenney with Santander.

Jason S. Kenney - Banco Santander, S.A., Research Division - Head of European Oil and Gas Equity Research

And sorry, I've got a bit of a technical question on kind of future technologies. I kind of get blue hydrogen and the need for carbon capture. But are you looking beyond that, say, in situ hydrogen production, which would reuse your upstream resource and skill set and the infrastructure and avoid the need to capture and reinject carbon and still give you a clean hydrogen volume going into the 2030, 2040 decades?

And then maybe staying on hydrogen. I mean, 10% market share of European hydrogen is a significant volume. So I'm wondering if you're looking at ramping up your mobility value change and maybe even reinstating your downstream fuel marketing operations, and that can provide a commercial cash flow in time. Is that something that's being relooked at, at all?

Anders Opedal - Equinor ASA - President & CEO

Yes. So if you Irene start with that question and you also Kjetil could say a little bit what we're actually doing with hydrogen potentially also, it's part of using it in our offshore business to actually produce it. I think it's a little bit early to discuss that one. But Irene, please?

Irene Rummelhoff - Equinor ASA - EVP of Marketing, Midstream & Processing

Yes. Maybe on your in situ technology question, this is something that we -- our R&D team are looking into. But by now, we certainly believe that producing blue hydrogen through HRs or SMRs with carbon capture and storage is a much more cost-efficient way of producing it. But I will not disregard anything, but we're not actively pursuing projects in that respect.

You mentioned, I guess, the 10% market share, and that's a big volume, yes. But this is clean hydrogen worth noting. And currently, we have about 20% of the gas market share in Europe, but that also includes the petrol volumes. So I think this is a reasonable assumption and realistic target for us going forward.

And hydrogen into the transport sector, yes, more and more so. I just saw an announcement by Airbus the other day saying that their biggest, I guess, into net zero is liquid hydrogen also into the airline industry. And shipping is clearly asking for hydrogen or ammonia as their main source of getting to net zero.

Kjetil Hove - Equinor ASA - EVP of Exploration & Production Norway

Yes. And there are two areas that we're looking into to utilize hydrogen. One is to utilize within the marine industry, and we're looking into how to utilize hydrogen into our supply vessels and so on for transportation at sea. So that's an area that we are looking into.

And another area we're looking into is to replace gas for power generation out on our installation with hydrogen. Early days still, but it looks quite interesting. So those are the two main areas that we're looking into for the time being.

Operator

The next question comes from the line of Jon Masdal with DNB Markets.

Jon Masdal - DNB Markets, Research Division - Senior Analyst

Yes. I have one on the NCS production side. You're guiding or indicating in the presentation, 2026 production, less north of 1.5 billion barrels per day, of which 700,000 is coming from new production. So that would imply very high decline rate on existing production, probably the north of 10% annually here. What is the driver behind that? Is that something we should extrapolate? And are you seeing a similar type of development on the international portfolio?

My second question is back to returns on renewables on the emerging market side. Is this more a reflection of the risk profile? Or why should sort of emerging markets be a sustainable competitive edge?

And final one on the returns. Pål, you talked about hedging the cost inflation side. And I understand the typical FX interest rate and low side, but what are you specifically doing on hedging the CapEx side. Are you looking into lock in capacity for the majority of this decade currently? Or what are you actually doing there?

Anders Opedal - Equinor ASA - President & CEO

Kjetil, Norwegian continental shelf and decline rates?

Kjetil Hove - Equinor ASA - EVP of Exploration & Production Norway

Yes. We have been guiding for some time now, a 5% net decline on our fields, and we still keep that as a guiding. And that's the net. That means that we are drilling -- infill drilling wells and increased recovery wells on our fields.

So after doing that, we have a net of 5%. So in the 700,000, a big chunk of that is from increased recovery projects and then ending out with a 5% decline, which we have guided on previously, and we're keeping that one.

Anders Opedal - Equinor ASA - President & CEO

Yes. Pål, emerging markets and returns?

Pål Eitrheim - Equinor ASA - EVP of Renewables (REN)

Yes. So maybe take the first question first. And I don't want to be too specific in terms of everything we are considering hedging. But typically, in this type of environment, there are examples in our portfolio now where we are hedging steel and metals as an example of what we are doing. But this is much more -- there are a couple of fundamental differences to our legacy oil and gas business.

Much more of the contracts with suppliers are lump sum contracts, which means that we can operate with lower contingencies than what we would do in an oil and gas project. And hedging, whether it's currency or inflation or metals is also part of our toolbox to a larger extent in renewables than in our legacy oil and gas business.

When it comes to emerging markets, and this is -- it's a bit of a dangerous answer because, obviously, not every market is the same. So emerging markets is a pretty broad category. But in general, what we see is that countries that are in transition and countries that have high aspirations for developing their renewable sector and needs to attract the investments, they also have support regimes that are more generous in the early phase than what they are as these industries evolve.

And typically, a couple of things happen. First of all, technology evolves taking costs down. And secondly, the supply chain is maturing being more efficient, also reducing the LCOE. So again, we are very much facing this on the belief that going in early, getting the best acreage from a wind resource point of view and also tapping into some of the best initial support regimes is a model that is going to create values at the higher end of the range that we've indicated.

Peter Hutton - *Equinor ASA - SVP of IR*

And that brings us to the end of the questions, and I see almost exactly on time. So I'd like to thank everybody who is calling with questions and participating today.

With that one, I will round off from London and pass the word back to Anders in Oslo. Thank you very much.

Anders Opedal - *Equinor ASA - President & CEO*

Yes. Thank you very much, Peter. And first of all, I would like to thank all of you for joining us today. We have -- appreciate all your questions and try to answer them to our best ability. So I hope you feel that you have got good insight into our plans.

But before we conclude, there is one more thing I would like to do. As you know, from tomorrow, we will welcome Ulrica Fearn as Equinor's new CFO. But that also means that this is the last day as Svein for -- as an acting CFO.

I don't think my wife is on the call today. So I dare to say that Svein, over the last 6 months, has been the first person I see in the morning and the last person I talk to in the evening, and it's been very instrumental in putting together this strategy together with me and the rest of the team. So we are very thankful for Svein's contribution. And he will also continue as Head of Performance Management and Risk, which means that all you, investors and analysts, will meet also Svein in the future on analyst calls and in investor meetings and road show.

So Svein, today, we have seen a lot of numbers, but your contribution to Equinor's are truly invaluable. So with that, I would like you just to hand over some flowers for you that you can bring to your wife and say you bought to her.

Svein Skeie - *Equinor ASA - Acting Executive VP & CFO*

Thanks a lot, Anders. Really appreciate it.

Anders Opedal - *Equinor ASA - President & CEO*

Yes. Thank you. And with that, thank you very much, all of you for joining us today.

Operator

Ladies and gentlemen, the conference has now concluded, and you may disconnect your telephone. Thank you for joining and have a pleasant day. Goodbye.

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