LSEG STREETEVENTS

EDITED TRANSCRIPT

EQNR.OL - Q3 2026 Equinor ASA Analyst Call-Q&A

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PRESENTATION

Operator

Good day and thank you for standing by. Welcome to the Equinor third-quarter 2026 earnings conference call. (Operator Instructions) Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your host today, Bård Glad Pedersen, Senior Vice President, Investor Relations. Please go ahead.

Bård Glad Pedersen - *Equinor ASA - Senior Vice President, Head of Investor Relations*

Thank you very much, operator, and thank you all for joining in on the presentation of our third-quarter results. I am here together with our CFO, Torgrim Reitan, who will take us through the results before we start the Q&A. We will complete the entire session within one hour, as we used to do.

So with that, I hand it to you, Torgrim.

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Torgrim Reitan - *Equinor ASA - Executive Vice President and Chief Financial Officer*

Thank you very much, Bård, and good morning, and thank you for joining us. Before I get to our results, you now see the photo of our Mongstad refinery. Mongstad delivered record results this quarter, driven by excellent operational performance, capturing very strong refining margins.

I will share more about MMP's contribution as we now turn to the quarterly results. At our Capital Markets Day, we presented our plans to deliver more energy, growing cash flow, and superior returns. During the third quarter, we progressed in line with our strategy. In the US, we signed an agreement to acquire a stake in the Lackawanna Energy Center. This acquisition strengthens our position in an attractive US power market and complements our strong gas position in the area.

Also, the Bay du Nord project in Canada is moving forward. In October, we brought Shell into the project, and we are very happy to have them as our partner as we move towards a final investment decision early next year.

We also added more exploration opportunities. In Angola, we have recently been involved in two discoveries. We have also been awarded attractive new acreage, both in Angola and Brazil. In addition, we entered Namibia with plans to start drilling already this quarter.

On the Norwegian continental shelf, we entered into a strategic exploration collaboration with Aker BP and Vår Energi. And our ambition is to mature and test up to 25 prospects with standalone potential over the next years.

This quarter, we delivered a production growth of 2%. And year to date, we have delivered a production growth of almost 5%. So based on strong operations, we are now increasing our guiding for the year from 3% to around 4% growth.

With higher production, higher prices, and exceptional refining contribution, we delivered strong financial results. Adjusted operating income was $12.4 billion before tax. Cash flow from operations after tax was $8.1 billion in the quarter, bringing the year-to-date total to $21.8 billion.

Adjusted earnings per share were $1.20. This includes a negative impact from net financial items, mainly driven by foreign exchange movements.

The Board has approved a quarterly cash dividend of $0.39 per share and a fourth tranche of the share buyback program of up to $1.125 billion. This brings total share buybacks for '26 to $3 billion, a number which we increased at our Capital Markets Day.

Before we go deeper into our financial results, let us start with safety, which is our highest priority. We have a long-term trend with strong improvements of our safety results. But, we see an increase in the number of incidents since last year. We are still seeing too many personal injuries, and this remains an important focus for us. We will continue to work systematically so that everyone working for Equinor returns home safely every day.

Equity production increased by 2% compared with the same quarter last year. On the Norwegian continental shelf, production was stable. Natural decline was offset by new fields delivering around 70,000 barrels per day. The planned turnaround program is completed and well executed.

The combined international production increased by 5%. This is driven by Adura and Bacalhau and we are happy to say Bacalhau is now producing at plateau. This more than offset the divestments of Peregrino and Argentina, as well as lower US offshore production due to planned turnaround activity.

Renewable power production increased by 26%, driven by Dogger Bank. Empire Wind is now around 80% complete. Most of the remaining project scope relates to offshore turbine installation, which is expected to start next year. This is a bit later than planned, with first power during first half of 2027. However, there is no change to total CapEx and the recognition of ITC, and the recognition of the ITC will remain as previously communicated with the majority in 2027.

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Now, to our financial results, adjusted operating income for the group was $12.4 billion before tax, almost twice the level from the same quarter last year. While commodity prices are cyclical, it is important to focus on what we can control: stable operations, laser-sharp execution, and cost discipline.

E&P Norway, with stable production, and E&P International, with growing production, each benefited from higher realized prices. International results were also affected by the timing of liftings. In E&P US, higher realized liquids prices were offset by turnaround activity at Caesar Tonga, and $105 million impact related to the Titan asset retirement obligation.

MMP delivered well above guidance, driven by strong refining performance. Strong results from LNG also contributed positively, while the result was negatively impacted by shipping derivatives. Power delivered, as a result, close to zero. Net impairments of $485 million impacted on net operating income. And this includes impairments at Statfjord, partly offset by a reversal at Martin Linge.

Then, a few words about costs, we have momentum behind reducing underlying costs by 10% this year. However, we are somewhat behind due to factors we don't control, such as foreign exchange effects and higher energy consumption costs. Cost discipline remains important, also in periods of higher commodity prices.

Now to cash flow, this quarter, cash flow from operations was $14.7 billion. During the quarter, we paid two tax installments in Norway, totaling $6.2 billion. In the fourth quarter, we expect to pay three tax installments, totaling NOK 93 billion.

In August, we increased our tax payments for the second half of 2026 due to the sustained high price environment, so this will even out tax payments between second-half '26 and first-half '27. However, prices have continued to increase, and we currently expect tax payments in the first half of '27 to be higher than second-half in 2026.

Organic capital expenditure was $3.3 billion in the quarter. We received a cash dividend from Adura of $225 million. The strong financial results have further strengthened our balance sheet. We ended the quarter with cash and cash equivalents of $24 billion. Our net debt ratio decreased to 3.8%.

At current forward prices, we expect our net debt ratio to be around zero at year-end. But, and this is important, this does not include the effect of the six-month tax lag in Norway. If we adjust for this and assume that tax payments in 2026 fully reflect the 2026 earnings, the year-end net debt ratio will be somewhat above 10%.

So finally, to our outlook, for 2026, we continue to expect organic CapEx of around $13 billion. I mentioned that currency effects put some upward pressure on costs. This is also the case for CapEx. On the other side, we see some schedule effects. Including for Empire Wind, as I mentioned, that pushes some CapEx into next year. As I have covered, we are increasing our production guiding to around 4% for the year.

Then, turning to capital distribution, for 2026, we are delivering in line with what we have said. At Capital Markets Day, we also put forward a new framework for capital distribution that will be implemented next year. And I would like to take this opportunity to remind you on how this will work in practice.

So cash dividend remains our first priority. We expect to increase the quarterly cash dividend by more than 5% on an annual basis. We did that last year, we did it this year, and this is what you should expect going forward as well. We also introduced a framework for share buybacks of $2 billion to $4 billion per year when oil prices are between $60 and $80 and European gas prices are between $7 and $11 per MMBtu.

In February, we will announce the first of four tranches for 2027 and not set an annual number as we did in the past. With realized prices within the range in the previous quarter, each tranche will be from $500 million to $1 billion, summing up to a total of $2 billion to $4 billion per year.

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Within the price range, you should expect the buyback level to be fairly linear. So if prices are in the middle of the range, you should expect buybacks also in the middle of the range. However, as it looks now, prices could be outside of the ranges. And if prices are above and, particularly, if they stay above for an extended period of time, we have the opportunity to do more.

But in this scenario, you should not expect a linear relationship. And we want to avoid being too cyclical in our buybacks. We will use high price environments to strengthen the balance sheet and ensure that we can continue investing in profitable projects while honoring our dividend commitments also in a low price environment. And of course, we will come back to you on this topic in February.

So for now, I hand the word back to you, Bård, and I look very much forward to your questions.

QUESTIONS AND ANSWERS

Bård Glad Pedersen - *Equinor ASA - Senior Vice President, Head of Investor Relations*

The first question will be from Chris Kuplent from Bank of America. Chris, please go ahead with your question.

Christopher Kuplent - *Bank of America Merrill Lynch - Analyst*

I have two quick questions that I want to tackle up front. Firstly, maybe you can go into a bit more detail around the source of the increased production guidance for the year and go into a little bit more detail on how the declining Norwegian fields are doing relative to expected startups and ramp-ups internationally.

And then, as a second question, I realize your slide pack doesn't repeat what you've presented before, but I remember a CFFO guidance for the year at close to $30 billion at your higher commodity price deck. And it looks to me like both Brent and TTF, if not Henry Hub, are today significantly above that high commodity price deck that you used at the time to get to $30 billion. So maybe you want to give us a little bit of a rule of thumb or an update on where you stand in terms of your full-year expectations, also reflecting the fact that you've changed your tax cadence, your tax payment cadence. Thank you.

Torgrim Reitan - *Equinor ASA - Executive Vice President and Chief Financial Officer*

Thanks, Chris. Very good questions, I must say. Let me start with production. So the production for the year 2026 has overall been stronger than what we have expected. So this comes from strong operations and very high regularity across the portfolio, and also the decline on Johan Sverdrup is to the very lower end on what we guided at.

We also have now Bacalhau at plateau contributing well towards the end of the year. We are comfortable in updating our production guidance for the full year. This is on the back of good execution and good operations. Then, I just want to use the opportunity to also talk about 2027, because 2026 is a rather extraordinary year, because we have a lot of production being ramping up on the back of the Norwegian tax package and also international startup.

I just want to use the opportunity to talk about 2027 because that is not going to be fully in line with the production in '26. It is going to be higher than '25 and very much building up towards 2030 and the growth towards 2030. The particular things to mention about 2027 is that Bacalhau is now on plateau and will contribute significantly. Rosebank and Jackdaw in the Adura portfolio will be producing, and also Yggdrasil in Norway, so those are the new elements in '27. So '27 is going to be also a very good year operationally and production-wise, but of course, 2026 is an extraordinary year.

Your second question, Chris, was related to cash flow from operations. At the Capital Markets Day, we gave a guidance for '26 at $25 billion, and that was based on a price deck, as far as I remember, of $80 Brent and $15 gas, and prices are above that. We are now looking at

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around $29 billion in cash flow operations based on current forward prices. I just want to remind you, there is a significant tax lag coming out of these high prices, so we will pay quite a bit of the taxes associated with this high revenue in the first half of 2027.

Bård Glad Pedersen - *Equinor ASA - Senior Vice President, Head of Investor Relations*

Thank you, Chris. We are now ready for the next question and that will be Henri Patricot from UBS. Henri, your mic is open. Please go ahead with your question.

Henri Patricot - *UBS - Analyst*

I have two questions for you. The first one, actually, a follow-up on the production outlook question, it seems like for 2026, part of the performance is coming from Johan Sverdrup, with the decline very much at the lower end of your expectations. Was that an extraordinary performance for '26? To what extent should we expect perhaps a faster decline in '27 at Johan Sverdrup?

And then, secondly, thanks for the comments on the shareholder returns. I wanted to follow up on that and understand, as you mentioned, that it shouldn't be linear as we go above $80 a barrel. I take that as a slower increase in the buyback compared to the range between $60 and $80. Is there a point at which you have such a high net cash position that would see higher shareholder returns, or would you like to continue to deleverage and build up that cash position?

Torgrim Reitan - *Equinor ASA - Executive Vice President and Chief Financial Officer*

Okay. Very good, Henri. Thank you very much. On production outlook and decline in general on the NCS is broadly as expected. We have a lot of activity into fighting decline, and that is working very well. Johan Sverdrup has consistently delivered better than expected since we started, both on plateau production and our ability to manage declines. Our people have done a fantastic job in managing water management, and drilling performance, and reaching the very, very high recovery rates in the field.

So year to date, we see an 11% decline in Johan Sverdrup. As you might remember, we said between 10% and 20% in the beginning of the year. So towards the end of the year, we will still be in the lower end of this range. Next year, you should expect a higher decline than that. That is not special in any way. This is the way the reservoir behave, but it will be higher next year than this year.

Then, on the share buyback and what to do when we are outside the framework, so, on our capital allocation framework, there are priorities. This one is the cash dividend, we talked about this. The second one is reinvestment into our portfolio. The third one is having a very strong balance sheet, and the flexible part is the share buyback.

So there are two things I would like to say in this behalf. When it comes to the net cash position of $24 billion, yes, it is a high number. We have been running with a very high cash position for many, many years, actually. And the way we manage this is in an active manner, so the cost of carry is actually very limited to this. So the cost of carrying this cash is very low. We'll continue to run with a significant cash position.

Second point I would like to make and repeat is current net debt ratio is 3.8%, of course, very low. We just need to adjust for the tax lag that disturbed this picture quite a bit in a high price environment. We expect that to be somewhat above 10% by year-end. That is the number I would like you to think about when you think about the strength of our balance sheet.

Last point I would like to make is that we intend to run with a very solid balance sheet. A great company needs to be able to maneuver cycles in a good way, building balance sheets in a high price environment to ensure that we can sail very fast and effectively through lower price environment and create shareholder value also at that point in time. That's the intention that we do have.

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Bård Glad Pedersen - *Equinor ASA - Senior Vice President, Head of Investor Relations*

Thank you. We are moving on to the next question, Alejandro Vigil from Santander. Please, Alejandro, the microphone is open.

Alejandro Vigil - *Grupo Santander - Analyst*

The first question is about your outlook for the European natural gas market into this winter season, if you can elaborate a bit on the moving parts here. And second, in terms of also related to the strong balance sheet and how you see the M&A opportunity, particularly looking at the big gap between European gas prices and the US natural gas prices, if there are additional opportunities there for your M&A strategy. Thank you.

Torgrim Reitan - *Equinor ASA - Executive Vice President and Chief Financial Officer*

Thank you very much, Alejandro. First on the European gas market, so the prices in Europe are high, above $30 per MMBtu and well above $90 per megawatt hour. I think that illustrates a very tight situation at the outset.

I will put a few comments around this. One is that the storage situation is currently at 73% in Europe. That is low. That is the lowest since 2011. And what that leads to is a vulnerable situation with very little flexibility for events and all of that, and you see that is reflected in the price.

The second thing I would like to mention is El Niño, the weather phenomenon, that many believe will lead to warmer winter. That will be helpful for a tight energy market in Europe. But on the other hand, this is a well-known element that is already priced into the market, so it is there.

The third thing I would like to bring forward is Asian demand. We see actually a fairly solid demand for LNG even at the current prices. That's also something to note. And of course, the last one is everything around Hormuz and the LNG. Very, very few cargoes are passing the straits. There are significant different risks related to an LNG ship than a crude tanker. We expect the flow of LNG to be very, very limited until there is a solution to the conflict and safe to travel.

So this leads to a situation where it will be a vulnerable situation. It is a tight market. A cold spell will drive possibly significant volatility into this. But we do believe that Europe will manage, and we will do our utmost to deliver as much gas as we can.

Last point I would like to make on this topic is that we keep our exposure very much to the front. 70% of our gas exposure is on a day-ahead basis and 30% on a month ahead basis. The reason for that is that we want the flexibility that that gives, and we want exposure to the volatility. In a volatile environment here, you can rest assured that the revenue finds its way to the P&L.

Your second question on M&A opportunities, M&A is a very natural part of the way we run our business. It is an integral part of high-grading the portfolio and then, delivering on the strategy. And then, you have seen over the years a very active environment, but pretty balanced, when it comes to acquisition and investments.

Going forward, you should also expect us to be active in this field. A few data points, everything we do will be very much linked into the strategy that we put forward in June. There will be a very close alignment with that. You might take some guidance from what we have done in the past to actually predict the future. And if you look at what we have done over the last period, we have done several transactions on the Norwegian continental shelf, that we will still continue with doing that. We made two acquisitions into Marcellus with EQT over the last few years on good terms.

And thirdly, we made an acquisition in the US, a gas-fired power plant in Lackawanna, it is called, which ties the gas position, the gas market, and the power market closely together. We do believe that those markets are going to be more integrated going forward, and we do think that in that space, we have a role to play. So that is the thinking I would like you to take on when it comes to M&A.

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Alejandro Vigil - *Grupo Santander - Analyst*

Thank you. Bård.

Bård Glad Pedersen - *Equinor ASA - Senior Vice President, Head of Investor Relations*

Thank you, Alejandro, for those questions. Next one on my list is Michele della Vigna from Goldman Sachs. Michele, please go ahead.

Michele della Vigna - *Goldman Sachs - Analyst*

Two questions I wanted to ask, the first one is, what is your current premium in terms of crude realizations in Norway compared to the dated Brent and to the one-month forward Brent? It looks like you are in a period of very strong realizations. Secondly, could you update us on Empire Wind, when you expect the startup and if you still expect to receive the full $2 billion of tax assets through 2027? Thank you very much.

Torgrim Reitan - *Equinor ASA - Executive Vice President and Chief Financial Officer*

Thanks, Michele, great. So, on the NCS, we do see that there's a big demand for our NCS oil in Europe, so, we are selling all our oil into the European market from the Norwegian continental shelf. We are mostly selling it on dated contracts, and less so on the future markets. In general, we receive premium for many qualities. A couple of examples is Johan Sverdrup on average, a $2 premium to Brent and Johan Castberg up in the Barents, which has a very nice quality, $8 premium. Then there will be single cargos where we'll get higher premiums, of course. So in general, good prices, short sailing distances, which is important because shipping is a challenge many places in times like this.

On Empire Wind, despite the stop work orders and all of that, we have been able to progress this and develop this, and it hasn't really slowed us much down. We are now 80% complete on Empire Wind, and we intend to start with installation of the top side of the wind farm, if you like, just over Christmas.

We expect first power during the first half of this year. Point being that when we get first power, we are entitled to the investment tax credit that you ask for, and the main season for and we're going to capitalize some of it based on our own operations, but mostly selling them and capitalizing on them. The season for that is typically in the autumn, where companies are aware of their tax position. The timing is actually very good for capitalizing this.

There are some $2.5 billion in investment tax credits. The pacing of this, we expect $2 billion in '27 and the remaining in '28. So this is exactly what we have guided at earlier as well. So this is on schedule for cash flow-wise and investment-wise.

Bård Glad Pedersen - *Equinor ASA - Senior Vice President, Head of Investor Relations*

Thank you, Michele. Next one on my list is Teodor Sveen-Nilsen from SpareBank Markets. Tedor, please go ahead.

Teodor Sveen Nilsen - *Sparebank1 - Analyst*

Two questions. First, Torgrim, you mentioned the Lackawanna power plant. I am just curious about how is your appetite for increasing your downstream exposure generally, and particularly in Europe? Should we expect you to do anything more on the downstream side in Europe?

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Second question that is a follow-up on previous question on gas market. How do you assess that potential for demand destruction in Europe at the current TTF gas prices?

Torgrim Reitan - *Equinor ASA - Executive Vice President and Chief Financial Officer*

Thanks, Teodor. I struggle a little bit with the first question. Was that related to Lackawanna?

Bård Glad Pedersen - *Equinor ASA - Senior Vice President, Head of Investor Relations*

Teodor, you broke up a little bit. So if you could repeat the first question, please.

Teodor Sveen Nilsen - *Sparebank1 - Analyst*

Sure. Sorry about that. The first question is related to your appetite for increasing downstream exposure.

Torgrim Reitan - *Equinor ASA - Executive Vice President and Chief Financial Officer*

Yeah. Okay. All right. Thanks, Teodor. On the first one, downstream exposure, we will never go into end-user activities and all of that. That has never been part of the strategy, and we have no intention to do that. However, we are clearly interested in opportunities that can create value on a portfolio level in the company across power and natural gas.

You saw the acquisition in the US related to Lackawanna. We have a few other gas-fired power plants in the portfolio, and we do believe that is an important part of the strategy going forward. We will clearly always be very cautious about how quickly we move forward in these areas. But we do believe over time that these two markets are moving closer and closer together.

Then on the second question, which I do think was around the high gas prices in Europe and potentially demand destruction. Clearly something that we monitor closely, and what you mentioned is the long-term negative effect of high prices, both within oil and natural gas. So we need to be prepared for that. There is some of that.

On the other side, what we do see is a significant increased appetite for long-term gas contracts related to Norway. And customers that now clearly see natural gas as a long-term fuel for them. And on a state level, that natural gas is going to be a very important part of the energy security agenda for states. So we see actually an increasing appetite for long-term gas, in addition. That is also an aspect we need to bring with us.

Bård Glad Pedersen - *Equinor ASA - Senior Vice President, Head of Investor Relations*

Thank you, Teodor. Next one is Martijn Rats from Morgan Stanley. Martijn, please go ahead with your question.

Martijn Rats - *Morgan Stanley - Analyst*

I had two remaining. I wanted to ask about MMP, because the overall result of $893 million, this is broadly as expected, it is even a little higher. But the components I thought were really quite confusing. So crude products and liquids were negative, but then there is this big lump of more than $500 million in other. Can you talk a bit about what sits where? What this loss in crude products and liquids, what that is? Is that impacted by trading or shipping derivatives? Also, on MMP, if this guidance of $400 million a quarter, we have been above that now for quite a few quarters, what stock we should still put in that guidance.

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The second thing I wanted to ask, of course, we are all trying to figure out the balance sheet is de-gearing quite a rapid pace. We can see forward prices on the screen and project forward. We are all figuring out where, of course, the incremental, what the use of all the funding will be.

And in that context, I came across some renewed commentary recently about Tanzania LNG, and I was wondering if that is indeed on your radar. Then I was wondering if you could give us an update on your plans there.

Torgrim Reitan - *Equinor ASA - Executive Vice President and Chief Financial Officer*

Okay. Thanks, Martijn. So let me take the MMP first. The Other part, that is actually amongst other refineries. On CPL, you are absolutely right. The CPL, the crude business has actually done very well in the quarter. And the reason why they are showing a negative result is related to shipping derivative.

Let me explain that a little bit. The way we run our shipping fleet is that we have long-term TC contracts on them, which are actually significantly below current markets for shipping. Then we swap some of it to floating, and that is the derivative effects that you book for one quarter. So the underlying situation is that the crude has done very well and we operate with lower shipping rates than many.

Last point on MMP, in the current market situation, there are good opportunities for them to make money in general, but we have no, right?

Then on your second question is on Tanzania. So Tanzania is very significant gas discoveries, many years ago that we together with partners have matured. There are no new news on Tanzania. It is an option. We haven't brought that into our plans or guiding in any way, and we do see that as a long-term optionality for the future.

Bård Glad Pedersen - *Equinor ASA - Senior Vice President, Head of Investor Relations*

Thank you, Martijn. Next one is Fergus Neve from Redburn. Fergus, please go ahead.

Fergus Neve - *Redburn - Analyst*

Two, please, if I might. First, could you talk us through the new acreage in Brazil, Angola, and Namibia that you mentioned at the start of the call and the forthcoming exploration plans in those new acres through 4Q and into 2027? I think you mentioned that you had started looking at an option in Namibia.

Secondly, with Shell joining the Bay du Nord project, you mentioned we're still on track for FID in early 2027. I'm just curious if you could comment on what milestones still remain to get to that FID stage now that you brought the new partner on board.

Torgrim Reitan - *Equinor ASA - Executive Vice President and Chief Financial Officer*

Okay. Very good. Thank you, Fergus. In Brazil, we have over the years built a larger and larger portfolio of exploration opportunities, so that two new exploration licenses this year. It's called Rubi and Rodocrosita, if you are interested. We have 100% ownership in the first one and 70% in the second one, and we operate both of them.

In Namibia, we farmed into an exploration opportunity together with Chevron. The plan is to spud that well during fourth quarter, in the quarter we are in. And clearly, we have to wait to comment more on that.

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On Shell, on Bay du Nord, very happy to have Shell on board as a partner. They are buying into the concept and all of that, and there is nothing that stops us from moving forward as planned, which is a final investment decision, early part of next year. So this is going to be a fairly significant investment, but also a very important contributor in the 2030's cash flow for us.

Bård Glad Pedersen - *Equinor ASA - Senior Vice President, Head of Investor Relations*

Thank you, Fergus. We are moving on with Vidar Lyngvær in Danske Bank. Vidar, please, we are ready for your questions.

Vidar Skogset Lyngvær - *Danske Bank - Analyst*

Two for me, please. First, I would like to ask about Wisting. What kind of breakeven or CapEx range per barrel do you need to see to, at the concept selection to go ahead with FID next year? And is the consortium looking to bring in other partners at this point? How is the appetite in the market for that? Any comment around that would be appreciated. I will pause here for the next one.

Torgrim Reitan - *Equinor ASA - Executive Vice President and Chief Financial Officer*

hank you very much, Vidar. On Wisting, we have not issued any breakevens or CapEx range. We have worked at project significantly, and cost has come down, and it has improved quite a bit. So we have still some work to do.

We plan for a concept select pretty soon, and a final investment decision maybe in a year's time or so like that. Partnership is going well, so there is no intention to do anything with that.

Vidar Skogset Lyngvær - *Danske Bank - Analyst*

Appreciate that. Second question, if I may. On the tight reservoirs collaboration with Aker BP. It's been a long-awaited collaboration. What volumes do you target from these reservoirs over time? I understand it's early days, but anything you could share there would be appreciated. How will costs be shared?

Torgrim Reitan - *Equinor ASA - Executive Vice President and Chief Financial Officer*

Yeah. That's too early to comment on. The regulator, Norwegian regulator, have put out a number there. I think it's 2.8 billion barrels, which is a Johan Sverdrup size type of thing.

The reservoir is, of course, very, very different than Johan Sverdrup. These are tight reservoirs that fracking technology needs typically to be used. So our job is now to qualify technology and see if there is an opportunity to look into this. This is long-term optionality. I just want to leave that with you.

Vidar Skogset Lyngvær - *Danske Bank - Analyst*

That number that they put out, would that be like a hard cap?

Bård Glad Pedersen - *Equinor ASA - Senior Vice President, Head of Investor Relations*

Sorry, Vidar, but I need to move on with my list. You can raise your hand again, and we will take the question if we have time towards the end. The next on the list is Jason Gabelman from TD Cowen. Jason, please go ahead.

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Jason Gabelman - *TD Cowen - Analyst*

I wanted to go back to Canada and Bay du Nord. With the change in the fiscal policy there and the additional tax deductions you could take on the project, does that change the potential scoping of this project? Does it create additional expansion opportunities? And does it change how you view your participation in Northeast Canada more broadly?

Torgrim Reitan - *Equinor ASA - Executive Vice President and Chief Financial Officer*

Yeah. Thanks, Jason. It's quite interesting to see the renewed attention to northeast of Canada. Clearly, we see that both the federal and the provincial governments are very supportive to develop this area, and we also see all the companies showing more and more interest into this.

What we will do here, we will not change the concept in any way. We are on the way to a final investment decision, and we will deliver that. That development is only based on part of the discoveries that we have. We have a series of other discoveries in the licenses around that are nice tie-ins when Bay du Nord ultimately gets off plateau, and there is more prospectivity around this.

So this is maybe a little bit Johan Castberg type of approach, where we take a major investment based on one reservoir, and then clearly there are further optionality around that. Really looking forward to opening up a new area in northeast of Canada.

Jason Gabelman - *TD Cowen - Analyst*

Great. My follow-up is on Rosebank. We saw Jackdaw get the positive government approval to go ahead. Any read-through to Rosebank? Have you heard anything from the government since the Jackdaw decision? And if it does not get government approval, does that change the potential distributions you could get from the Adura joint venture?

Torgrim Reitan - *Equinor ASA - Executive Vice President and Chief Financial Officer*

First of all, we clearly expect that there will be a positive decision on Rosebank. We just have to remind ourselves that this is a project that was discovered almost 20 years ago. We started investing in 2023, and the ship is now out there west of Shetland with people working onboard. This is going to be 4% of UK's gas production when in production, and it is going to be a significant part of the tax revenue, helping the government to fund their budget. So clearly, we expect that to happen.

The field is on schedule to start production next year, first half next year. So that is clearly our expectations.

Bård Glad Pedersen - *Equinor ASA - Senior Vice President, Head of Investor Relations*

Thank you, Jason. I move forward. I still have a good list of questions. Ahmed Ben Salem from ODDO. Please, Ahmed.

Ahmed Ben Salem - *ODDO BHF - Analyst*

I have two, if I may. First, how sustainable do you see the current production growth beyond '26, especially in '27 and '28?

Second, given your strong balance sheet, how are you thinking about the trade-off between organic investment, potential M&A, and further buybacks?

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Torgrim Reitan - *Equinor ASA - Executive Vice President and Chief Financial Officer*

Okay. Thank you very much, Ahmed. So production in '27, we expect it to be not fully in line with the production in 2026. 2026 was an extraordinary year with a lot of ramp-ups and startup. But clearly, '27 is a part of the production growth all the way to 2030. So it will be higher than '25 and building up to the production in 2030. We announced a production growth at the Capital Markets Day all the way to 2030. This is very much in line with that.

Your second question on the balance sheet. When it comes to capital allocation, we can go back to the framework that we talked about at the Capital Markets Day. First priority is cash dividends, more than 5% growth per year. The second one is reinvestment into our business, around $12 billion. And we are a strong believer that we want to be consistent through cycle when we invest, and we think there's most value to have around that. The third one is to run with a very solid balance sheet, and the fourth is share buyback as the flexible tool. So that is the order of priority.

Organic investment is very important. M&A is always an opportunity, and it is a very natural part of the way we run our business and develop our business. You should expect there to be M&A activity also going forward, some divestments and some acquisitions.

Bård Glad Pedersen - *Equinor ASA - Senior Vice President, Head of Investor Relations*

Thank you very much. Next one on my list is Matt Lofting from J.P. Morgan. Matt, please go ahead. Your mic is open.

Matthew Lofting - *J.P. Morgan - Analyst*

A lot of my questions have been covered. I'll perhaps just put one to you following up on capital allocation.

You talked earlier, Torgrim, about not wanting to be too cyclical around buybacks, understandably. You referenced the M&A piece. When you look at organic investment opportunities, the company obviously raised modestly the budget earlier in the year for 2027. Do you see any further opportunities to utilize some of the additional cash flow that's being generated, by further accelerating asset developments, particularly perhaps in Norway, where you've got the opportunity to help secure European energy systems and capture cash flow in doing so?

Torgrim Reitan - *Equinor ASA - Executive Vice President and Chief Financial Officer*

Matt, thank you very much. In Norway, let me focus on Norway. Clearly, we are stepping up our investments, through the program that we call NCS 2035, where we now reduce the time from discovery to production with 50%, and actually also the cost of the developments by 50%.

So actually, underlying investments in Norway, we have increased that a little bit compared to earlier. There are more project coming, more production coming, and all of that. Point being, this is a machine that keeps running, and we cannot adjust that program on fluctuations in the price.

We just need that to run consistently. And that is also good for the whole supplier universe around this, because we don't want to create inflation in certain part of the cycles and then significant too much capacity in other parts of the cycle. So, we do believe steady, predictable delivery all the way to 2035.

Then, of course, if there is a significant discovery, clearly we are going to look for bigger things as well. We will continue that on top of all of this, naturally. But first, we need to make the discoveries, of course.

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Bård Glad Pedersen - *Equinor ASA - Senior Vice President, Head of Investor Relations*

Thank you, Matt. We then move to Alastair Syme from Citi. Alastair, please go ahead.

Alastair Syme - *Citigroup - Analyst*

Torgrim, I just wanted to come back to the Lackawanna Energy Center acquisition and just, I know you said at the Capital Markets Day you gave a bit of a presentation about the North American energy business, but can you just talk us through how that opportunity came about? Why was it prioritized versus other things you could have done?

Torgrim Reitan - *Equinor ASA - Executive Vice President and Chief Financial Officer*

Yeah. Thanks, Alastair. We have, for quite some time, always looked at how we can create even more value out of our US gas position. And clearly, what we currently are doing, we take our gas in kind. We market and trade it ourselves and transport it ourselves. That has benefited clearly from that.

Then we do see that there is more value to be had in the intersection between the gas markets and the power markets. And we know that there are other companies looking for companies like ours to see if there are closer collaboration that can be had. So I think that's where the two companies met, that we saw that we had complementary assets and skills that together can actually create more value for the both of us. So this is Invenergy that operates this plant, a premium operator, and a very solid and reputable operator in the US.

Bård Glad Pedersen - *Equinor ASA - Senior Vice President, Head of Investor Relations*

Thank you. We then move on to Paul Redman from BNP Paribas. Paul, please go ahead.

Paul Redman - *BNP Paribas Exane - Analyst*

Just two questions. The first one was just back to distribution program, and thanks for a little bit more context. You highlighted the fact that the buyback is unlikely to be linear and announced on a quarterly basis going forward if prices are above $80 a barrel and same on the TTF price. But how will we think about that increase? Does it come down to percentage of cash flow for operations? Is there any basis in which that upside to buyback will come through?

Then my second question, I think you mentioned earlier that you expect the cash flow from operations on the forward curve to currently be $29 billion for the year. I just wanted to remind myself of that comment. When I run sensitivities, I think I get a little bit higher. I am taking your high case plus sensitivities on top takes me to over $30 billion, but maybe I am wrong somewhere in my math.

Torgrim Reitan - *Equinor ASA - Executive Vice President and Chief Financial Officer*

Okay. No, thanks, Paul. On the first one, on the distribution. We are not using a percentage of cash flow operations. Instead, we have put forward this framework that gives you a pretty linear approach when prices are within these bands, which are more normal situations.

We are not able to give you more guiding than what I have said on when prices are above. Clearly, it gives us an opportunity to increase the share buyback, but you shouldn't expect a linear approach to that. Clearly, we don't want to be too cyclical here. Instead, we want to see to that we build balance sheet in a high-price environment, enabling us to create value and being consistent in low-price environment. We do intend to run with a very solid balance sheet through all of this.

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Then on the last one, there might be some differences of time when you have picked the forward prices and all of that. So there's lots of uncertainty here, and I am not in a position to know exactly what this is, but maybe you want to have a chat with Investor Relations afterwards.

Bård Glad Pedersen - *Equinor ASA - Senior Vice President, Head of Investor Relations*

Thank you. We are, of course, to follow up on that, Paul. But now we move on to Nash Cui from Barclays. Please go ahead, Nash.

Naisheng Cui - *Barclays - Analyst*

I have two, please. The first one, just to clarify on 2027 distribution program, given what you said on buybacks, should we assume that you literally rule out a special dividend? In another word, all the incremental distribution will come from buybacks.

Then my second question is on safety. Page 3 of the presentation caught my eye. I wonder, could you help us understand the safety data trend this quarter, whether there were any common underlying issues, and how quickly you expect the mitigation measures to be implemented?

Torgrim Reitan - *Equinor ASA - Executive Vice President and Chief Financial Officer*

Okay. Thanks, Nash. On your first question on distribution, share buyback is going to be the flexible part of the capital distribution. So that's what we want to use.

The second question, I struggle a little bit understanding or hearing you, but I think you talked about safety and whether it was some major things there. No. No incidents with major accident potential. So clearly, we watch this space very closely.

I just want to leave with you that there has been, even if there is a negative trend this year, if you look back over the years and take serious incident frequency, that has gone from 6 in 2001 when we IPO'd, to 0.25 at the current point in time. This is a tight ship that we are running, but all the weak signals we can get hold of, we use them to improve our business as much as we can.

Bård Glad Pedersen - *Equinor ASA - Senior Vice President, Head of Investor Relations*

Thank you. We will take one last question, and that will be John Olaisen from ABG Sundal Collier. John, please go ahead.

John A. Schj. Olaisen - *ABG Sundal Collier - Analyst*

I will limit my question to one. This is the question. Over the last few months, several investors have asked me what Equinor's competitive advantages are that make them a better owner of gas-fired power plants onshore or in around Pennsylvania than other players? And to be honest, I struggle to give investors a good answer to that. Could you tell me what I should tell investors? What are Equinor's key competitive advantages of owning gas-fired plants onshore in the US?

Torgrim Reitan - *Equinor ASA - Executive Vice President and Chief Financial Officer*

Well, thanks, Jon. A few points. It starts with the gas position. That is, we are very long when it comes to gas in northeast in the US. Second point, we have a very large trading and marketing operation out of Stamford and know the PJM market very well also from that point of view, from the gas side. We have a very strong balance sheet, and we are a long-term partner for others in this space.

So clearly, if you are really thinking broadly here, this is an area where clearly massive investments are going into data centers and AI, and those companies are typically looking for partners also that can manage the whole energy space. And we are one player into this, and we

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do believe engaging also into an opportunity like Lackawanna makes us more able to take out the margins out of that part of the industry. So that is my two cents on that, Jon. Thanks.

Bård Glad Pedersen - *Equinor ASA - Senior Vice President, Head of Investor Relations*

We are one minute above the hour. So by that, I would like to thank you all for calling in, and thanks to the analyst for your questions.

As usual, the IR team remains available if there are any follow-up. So please don't hesitate to reach out. Have a good rest of the day, everybody.

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