



# Gas Market Update

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Sparebank 1 Markets 1230-1330

# Forward-looking statements

This presentation contains certain forward-looking statements that involve risks and uncertainties. In some cases, we use words such as "ambition", "continue", "could", "estimate", "expect", "believe", "focus", "likely", "may", "outlook", "plan", "strategy", "will", "guidance" and similar expressions to identify forward-looking statements. Forward-looking statements include all statements other than statements of historical fact, including, among others, statements regarding Equinor's plans, intentions, aims and expectations with respect to Equinor's start-up of projects through 2025, including Johan Sverdrup; intention to deliver on Equinor's guidance from the Capital Markets Update; market outlook and future economic projections and assumptions; production growth through 2025 and production guidance for 2019; CAGR for the period 2019-2025; organic capital expenditure for 2019; Equinor's intention to mature its portfolio; estimates regarding exploration activity levels; ambition to keep unit of production cost in the top quartile of its peer group; equity production and expectations for 2019; planned maintenance activity and the effects thereof; expected dividend payments and dividend subscription price; planned and announced acquisitions and divestments, including timing and impact thereof, including the transactions between Equinor and Faroe Petroleum in the Norwegian Sea and North Sea.

You should not place undue reliance on these forward-looking statements. Our actual results could differ materially from those anticipated in the forward-looking statements for many reasons.

These forward-looking statements reflect current views about future events and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including levels of industry product supply, demand and pricing; price and availability of alternative fuels; currency exchange rate and interest rate fluctuations; the political and economic policies of Norway and other oil-producing countries; EU developments; general economic conditions; political and social stability and economic growth in relevant areas of the world;

global political events and actions, including war, political hostilities and terrorism; economic sanctions, security breaches; changes or uncertainty in or non-compliance with laws and governmental regulations; the timing of bringing new fields or wells on stream; an inability to exploit growth or investment opportunities; material differences from reserves estimates; unsuccessful drilling; an inability to find and develop reserves; ineffectiveness of crisis management systems; adverse changes in tax regimes; the development and use of new technology; geological or technical difficulties; operational problems; operator error; inadequate insurance coverage; the lack of necessary transportation infrastructure when a field is in a remote location and other transportation problems; the actions of competitors; the actions of field partners; the actions of governments (including the Norwegian state as majority shareholder); counterparty defaults; natural disasters and adverse weather conditions, climate change, and other changes to business conditions; an inability to attract and retain personnel; relevant governmental approvals; labour relations and industrial actions by workers and other factors discussed elsewhere in this report. Additional information, including information on factors that may affect Equinor's business, is contained in Equinor's Annual Report on Form 20-F for the year ended December 31, 2018, filed with the U.S. Securities and Exchange Commission (and section 2.11 Risk review – Risk factors thereof). Equinor's 2018 Annual Report and Form 20-F is available at Equinor's website [www.equinor.com](http://www.equinor.com).

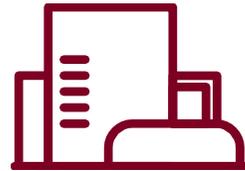
Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot assure you that our future results, level of activity, performance or achievements will meet these expectations. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, we undertake no obligation to update any of these statements after the date of this report, whether to make them either conform to actual results or changes in our expectations or otherwise.

## European fundamentals remain weak ...



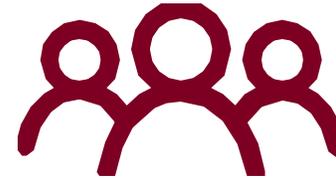
**LNG import**

Significant increase



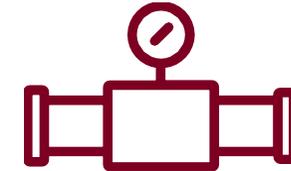
**Storage inventories**

+ 22 bcm > 2018



**Demand**

Reduced in Q1 but more positive in Q2

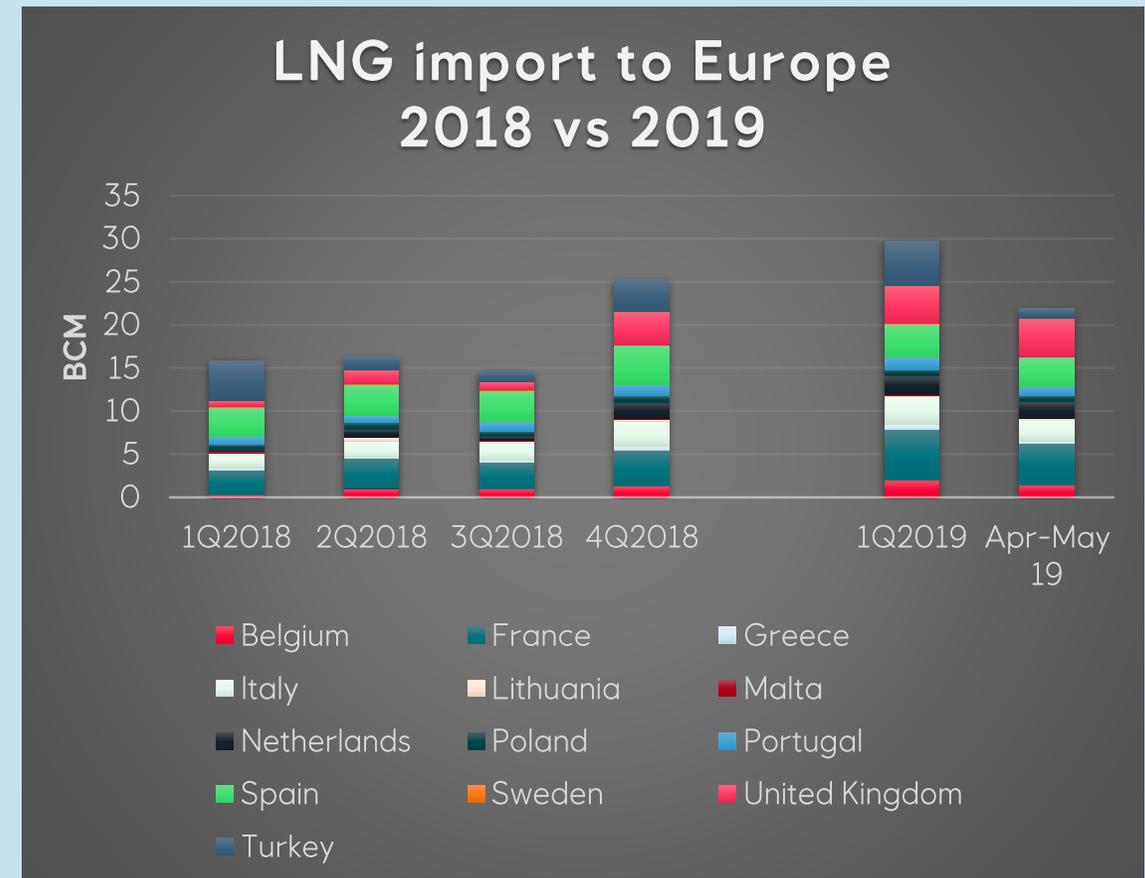
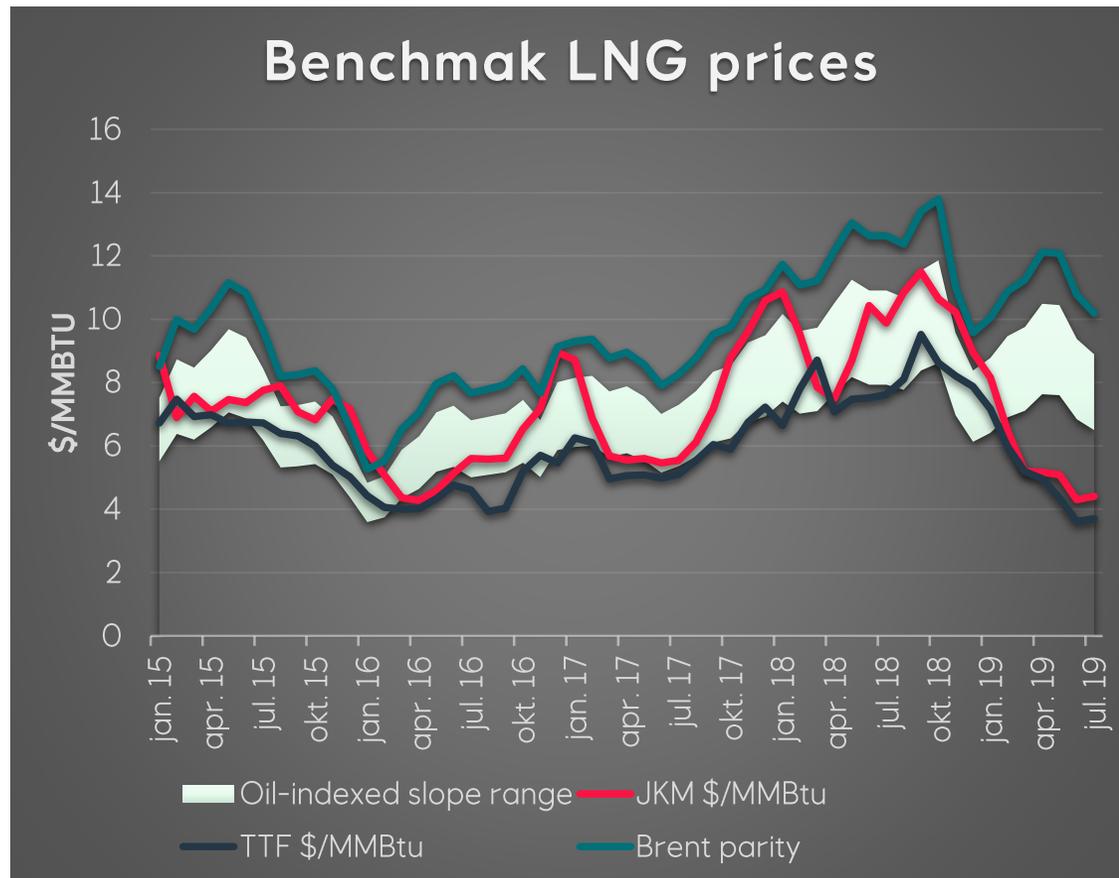


**Pipeline gas import**

Strong

# A soft global LNG market in 2019

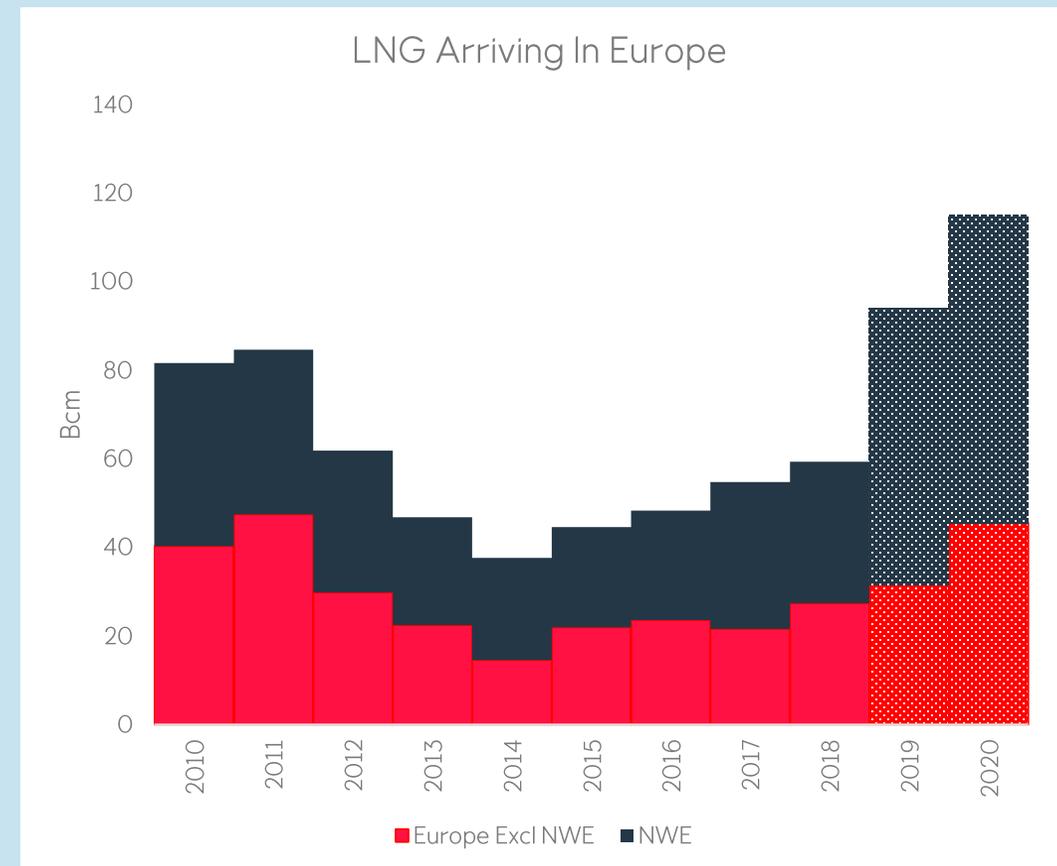
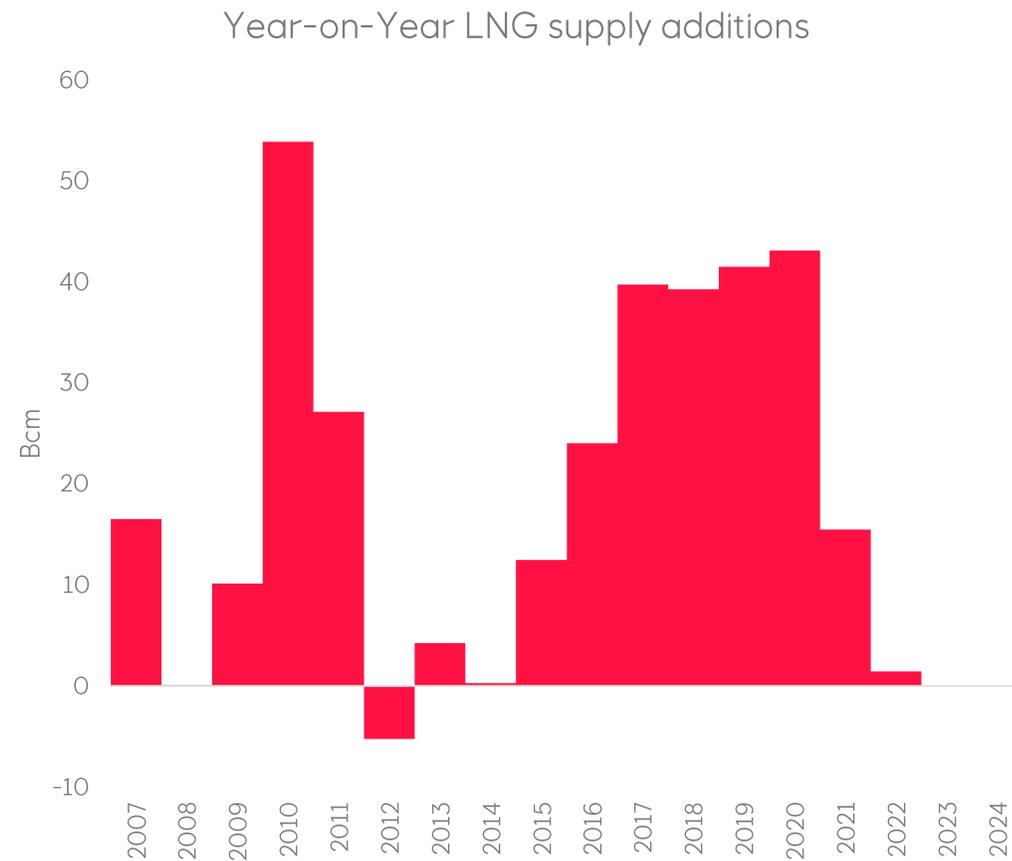
## *New records for European LNG imports*



Sources: Platts, ICE, IHS, Equinor's Analysis

# LNG supply build up

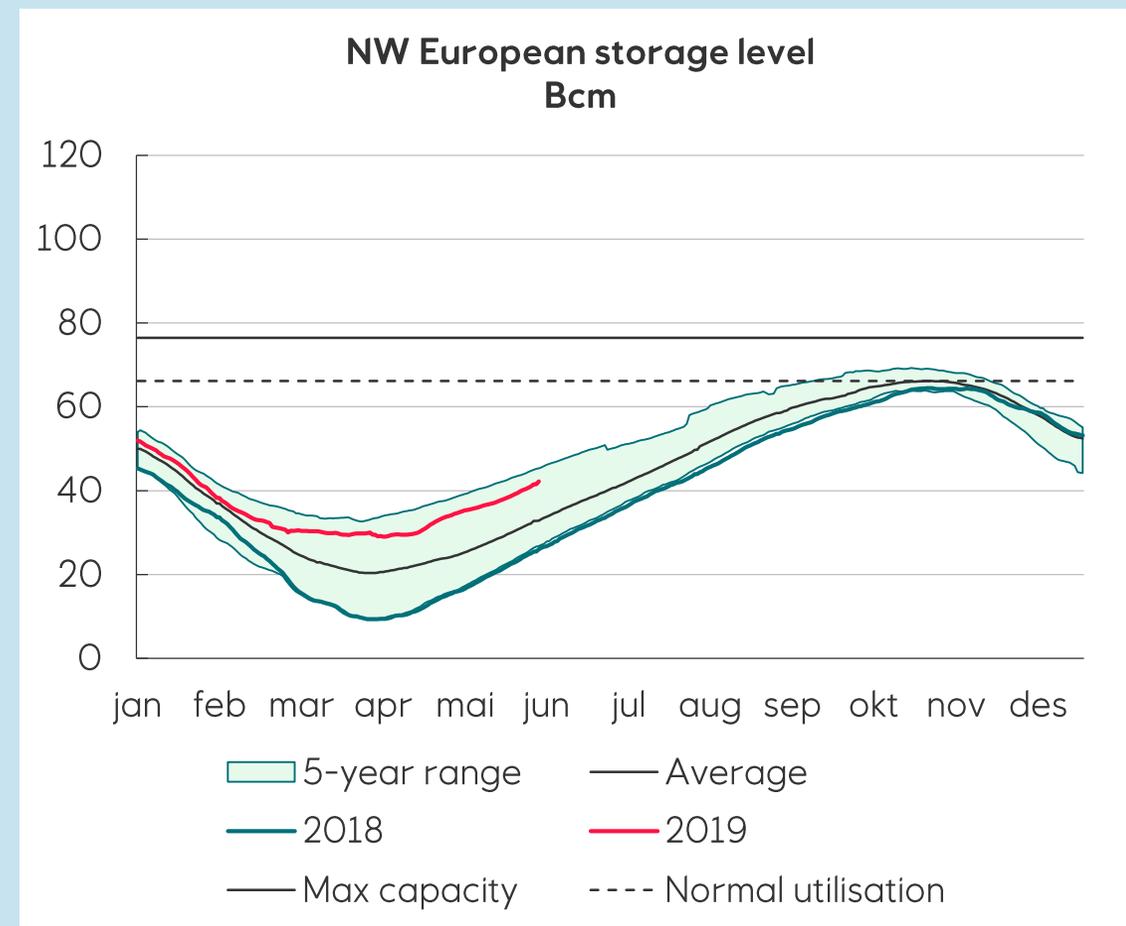
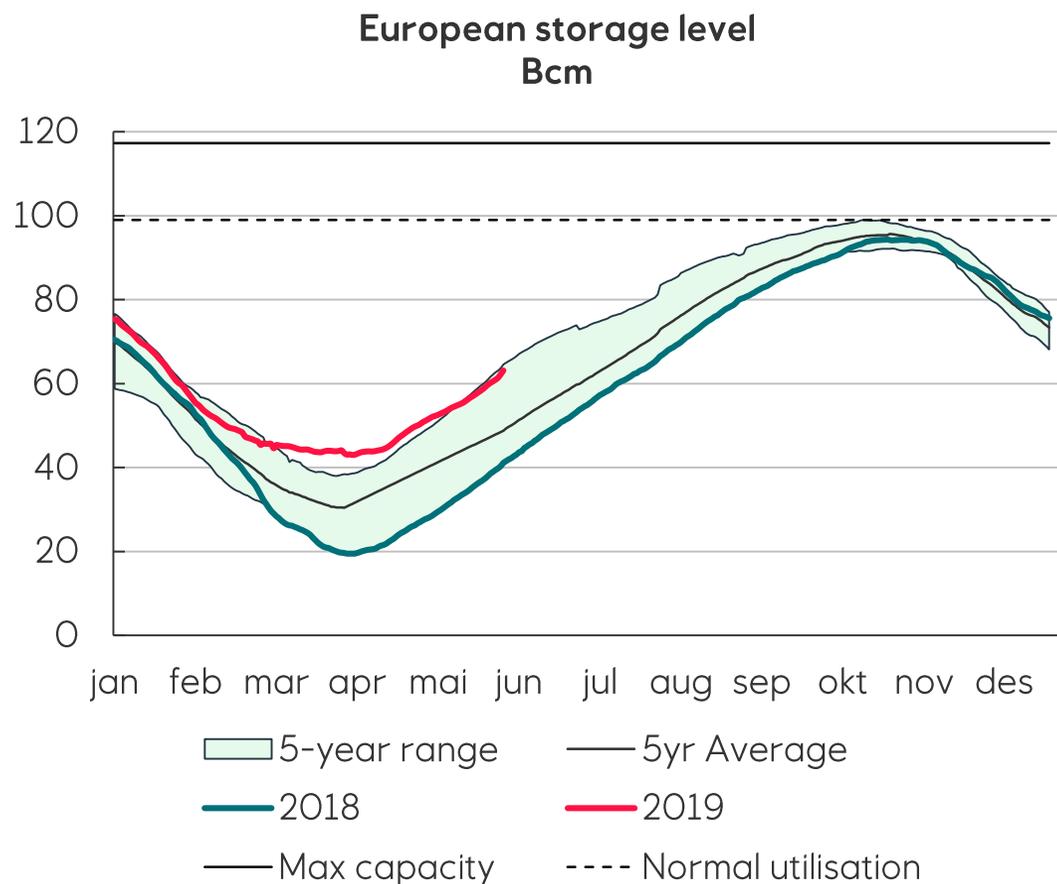
## *Cycles of Supply Build Up and LNG Flow to Europe*



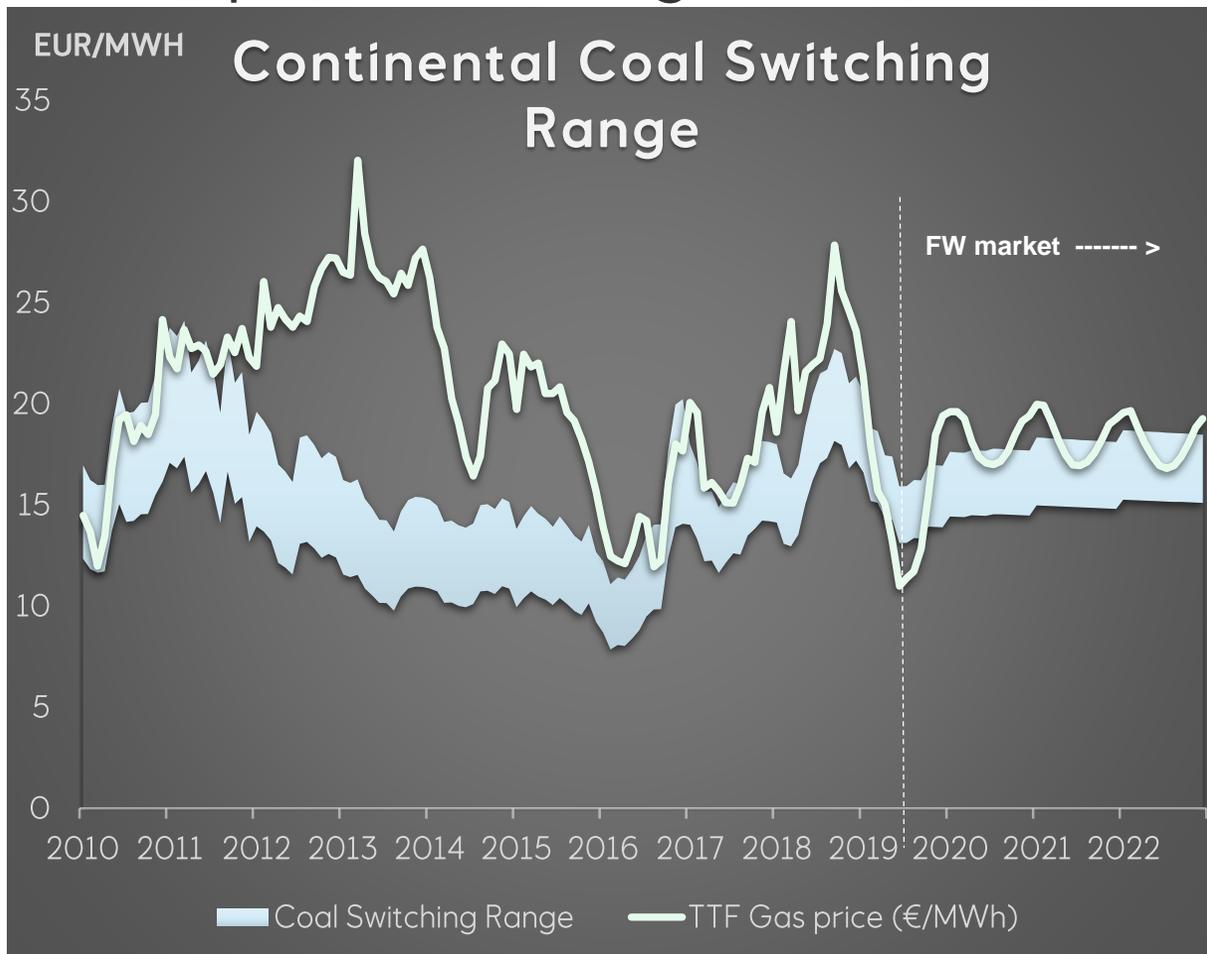
Sources: IHS, Equinor's Analysis

# European gas storage

*Critical balancer in Europe this year so far....*



# Gas to Power demand expected to increase due to the improved competitiveness of gas

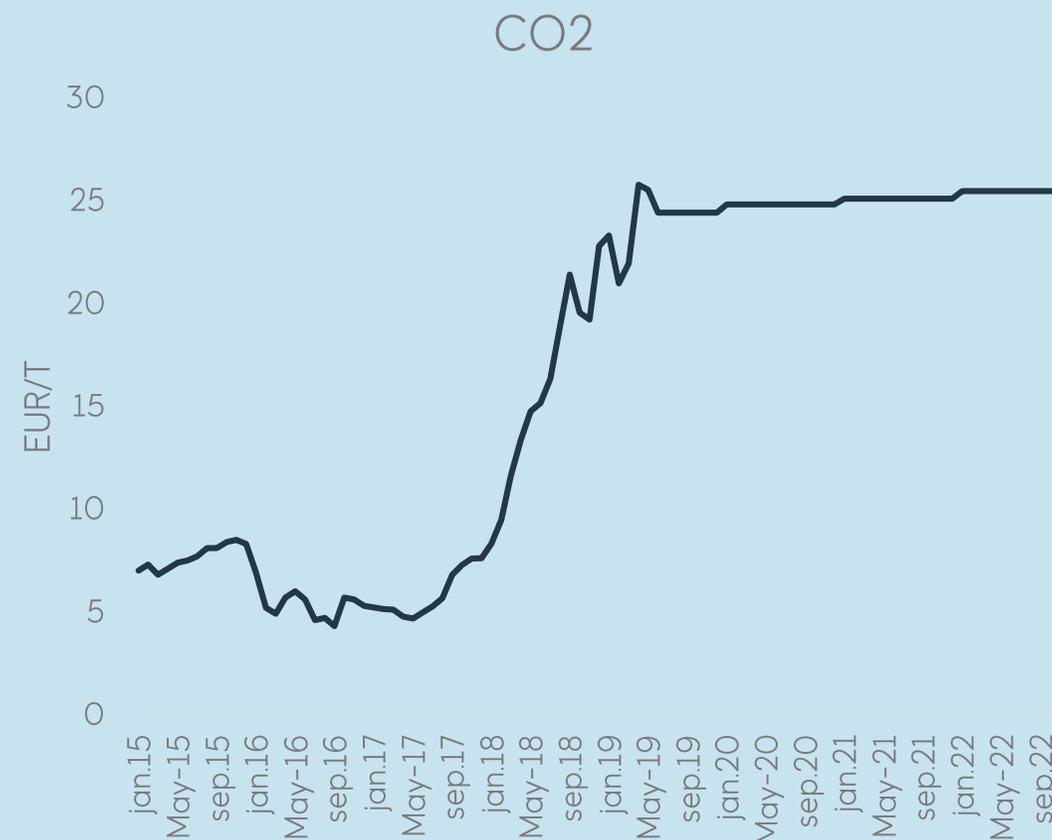
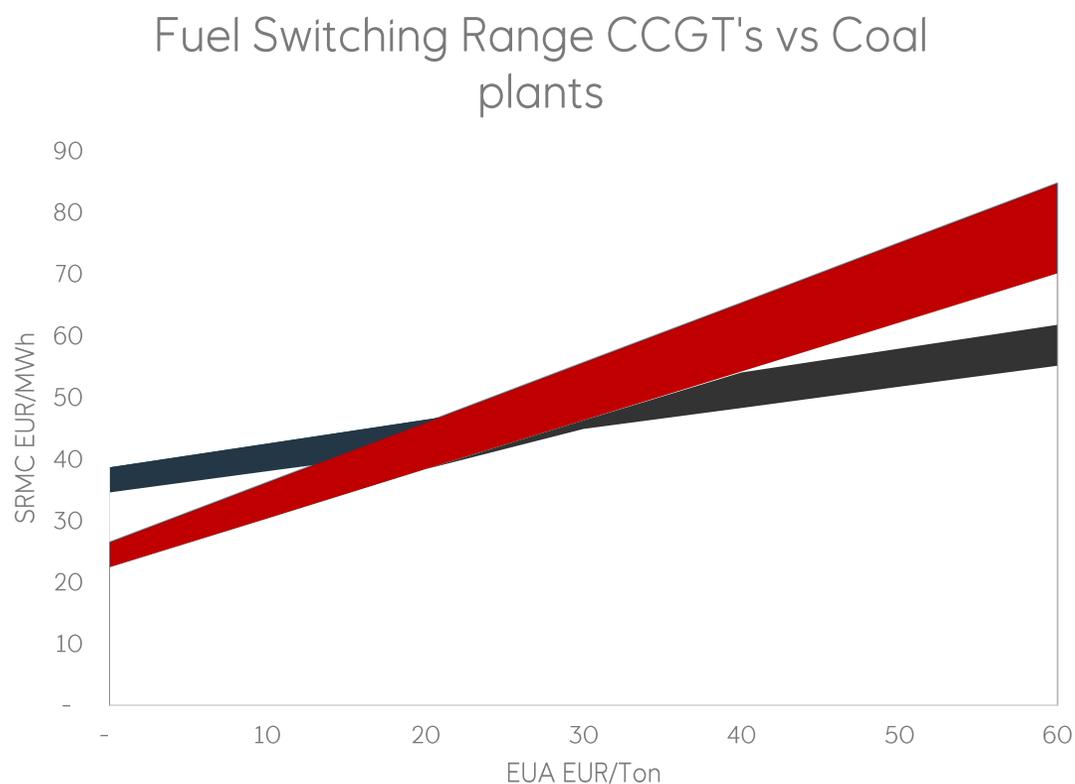


Carbon intensity below 550g/kWh  
Subsidies will be granted

<u>Conversion rates</u>	g/KWh carbon intensity
Coal 38% efficient	~ 900
Diesel fuel and heating oil 35% efficient	~ 700
Natural gas 50% efficient	~ 400

# An increasing EU ETS supports increased gas to power

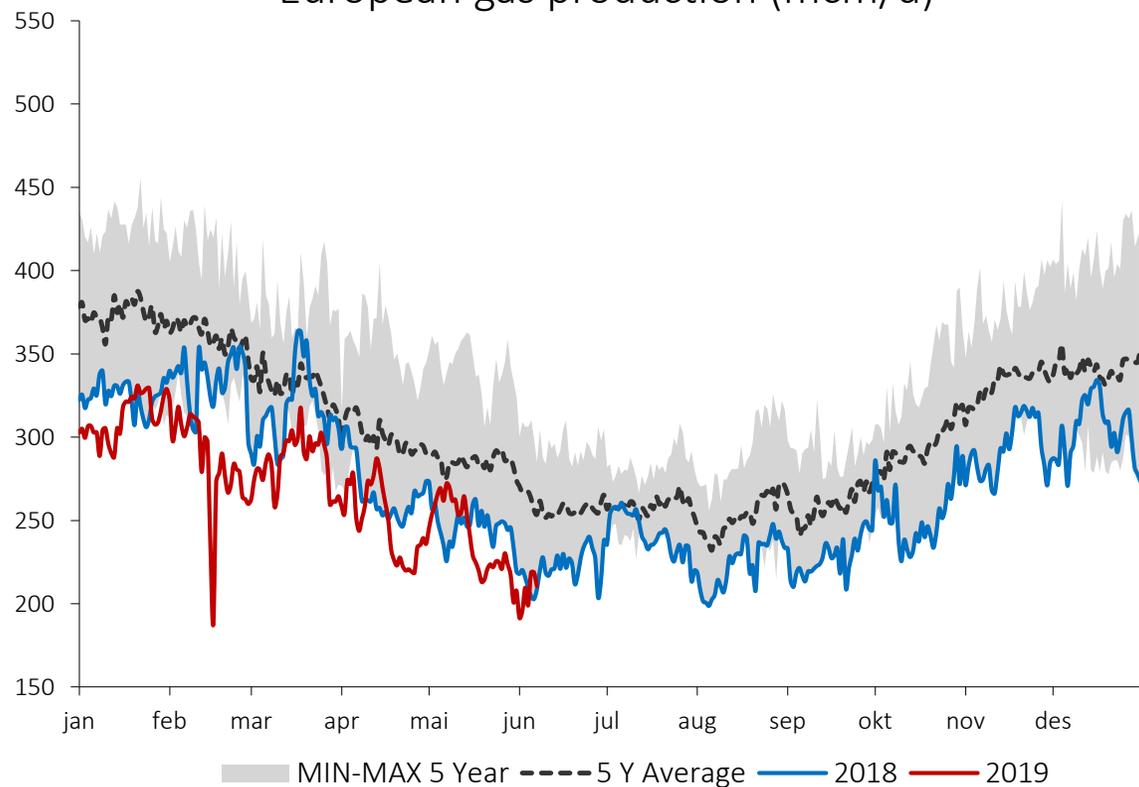
## EU ETS needs to go above 30 €/t before significant gas – coal displacement appears



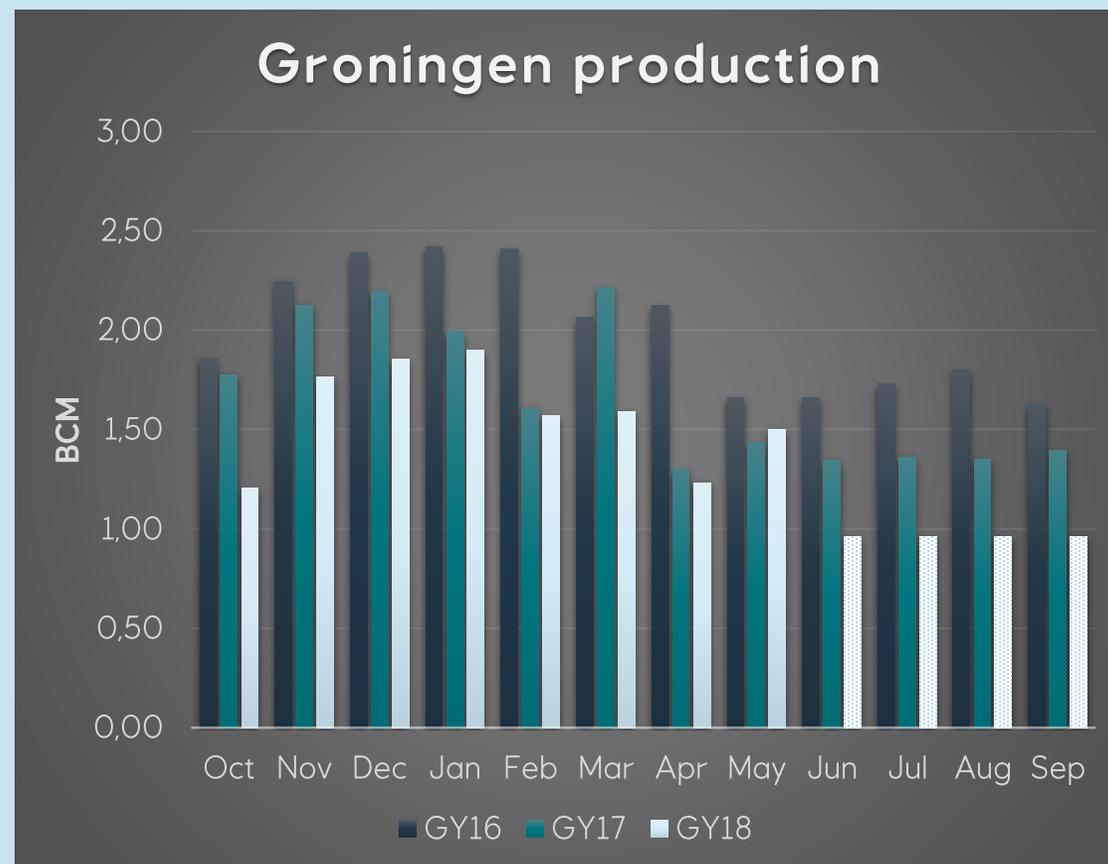
# European indigenous gas production is decreasing

*2018 gas production sets new minimum level, YoY 2019 reduction ~8% vs 2018*

European gas production (mcm/d)



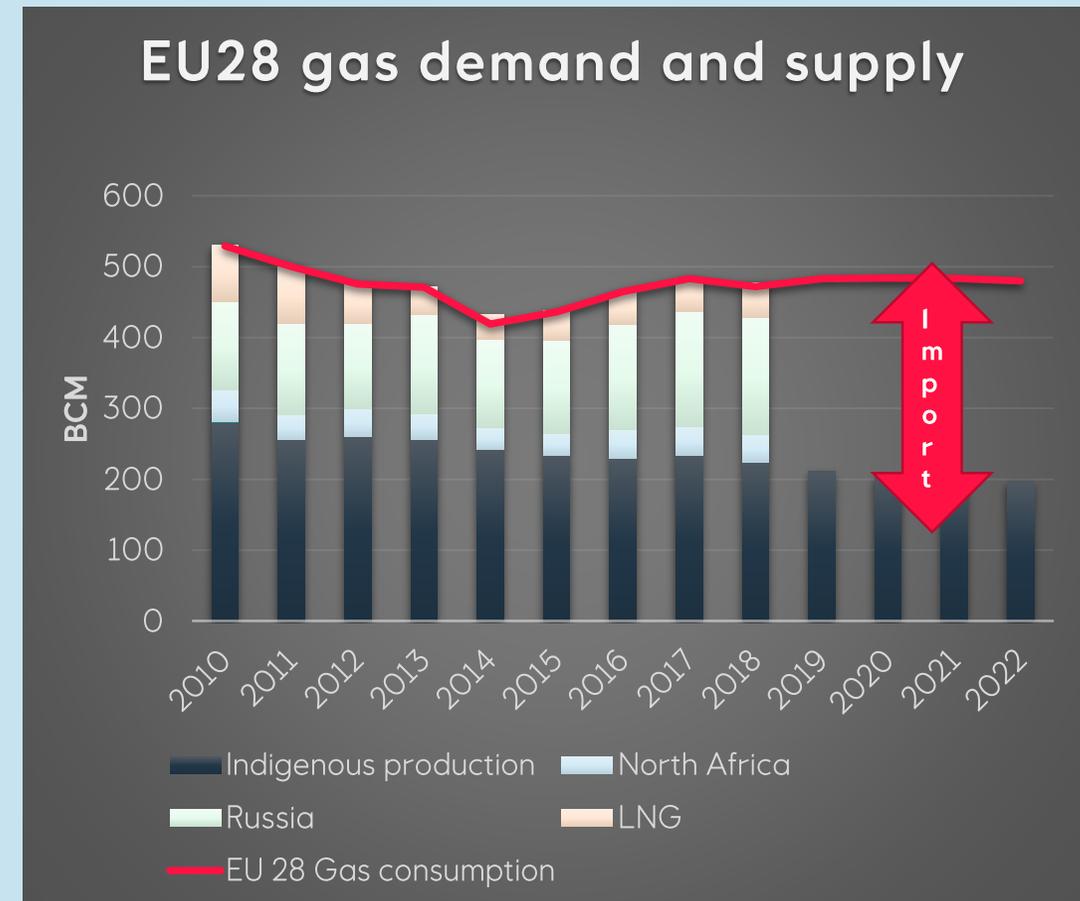
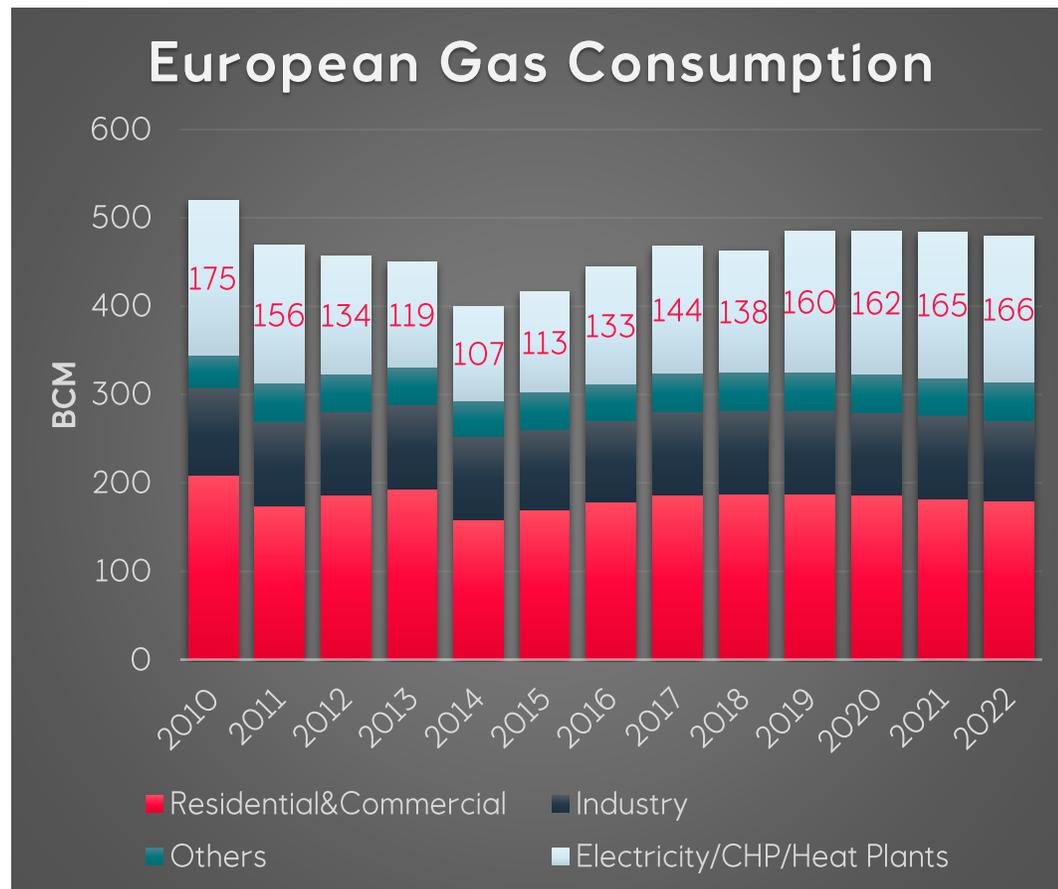
Groningen production



GY -Gas Year starts from October and ends by the end of Sept .

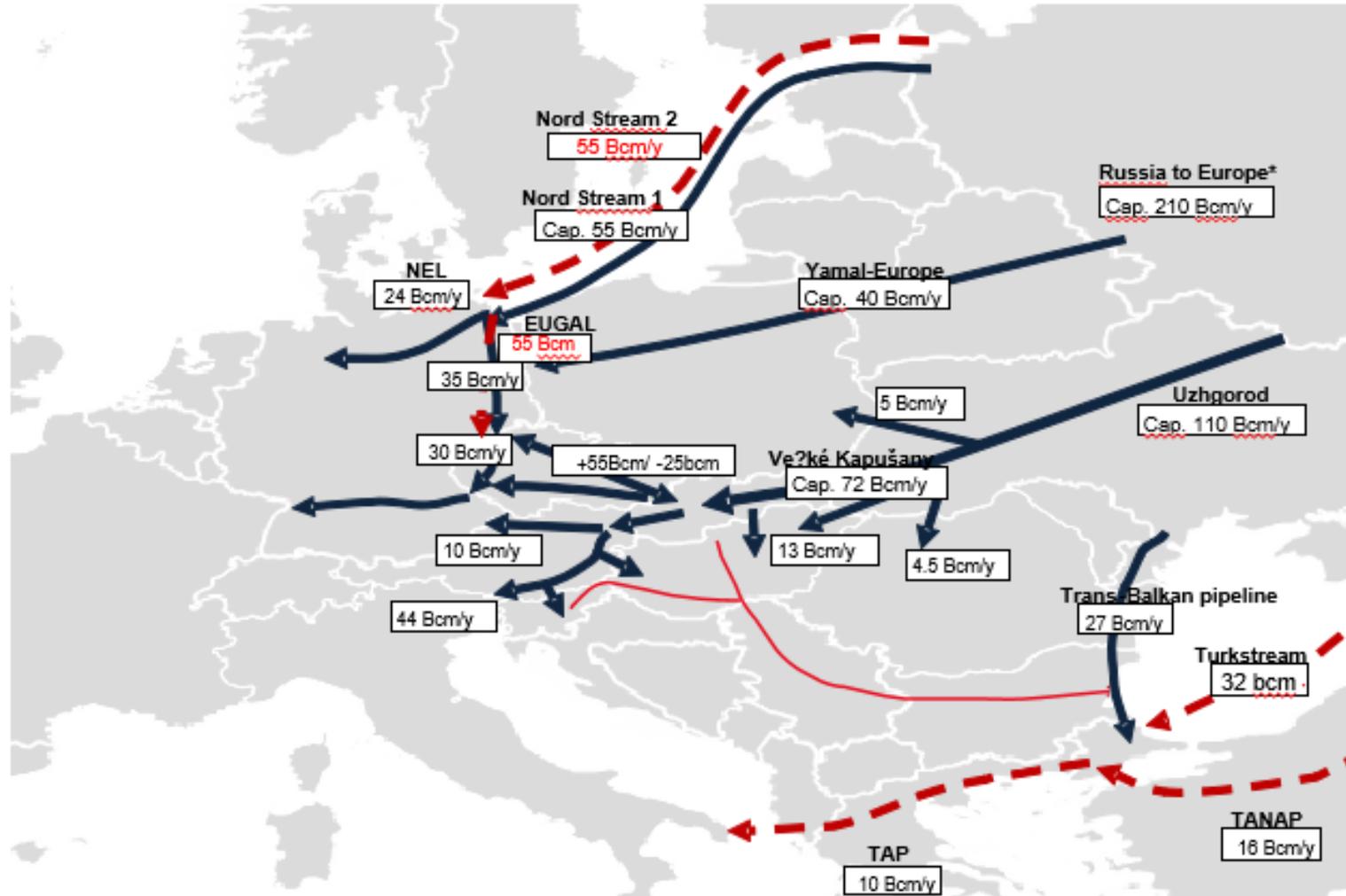
# Growing European supply gap – Russia and LNG is key to fill the gap

*Low gas prices will stimulate demand and trigger coal to gas switching*



# Infrastructure today and after 2020

New capacity will reduce price spikes and add flexibility



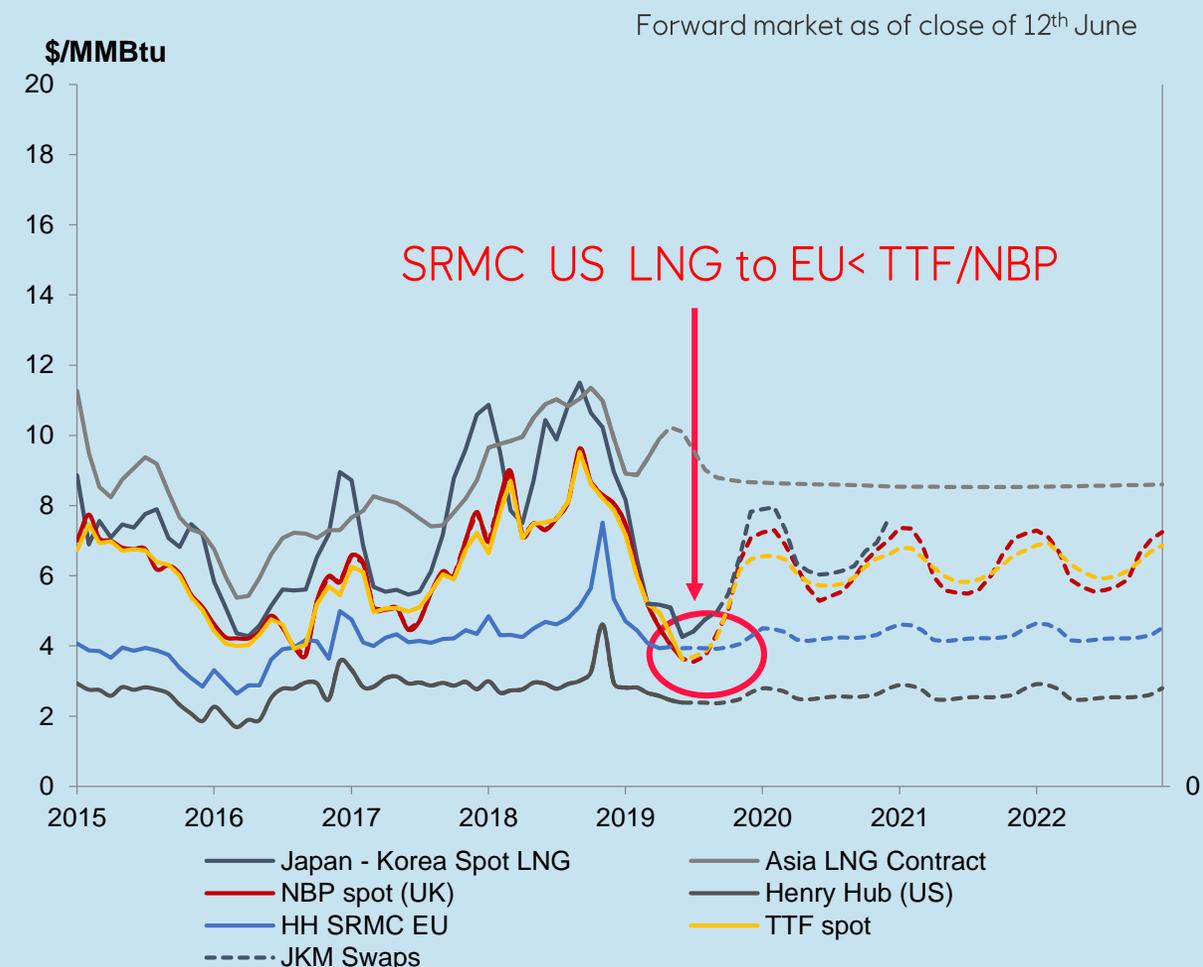
## Nord Stream 2 conclusions and implications

- Nord Stream 2 will most probably not be in operation as of 1 Jan 2020.
- We believe that transit arrangement (via Ukraine) will be negotiated by the end of 2019: most likely - short term- and tariff entry-exit based
- In case of no transit arrangement: it could lead to supply interruptions
- Central and South East European countries will be affected: price increase, additional gas flow from NWE and LNG
- Price effect : PSV will be in premium vs NCG and NCG will be traded with premium vs TTF if Italy and AU start pulling more gas from Western Europe.
- When NS2 in operation: German hubs will become a large transit and offtake hub, less volatile
- High competition from the East and lower prices in Germany
- Ukraine route might be required, but depends on European gas demand

# Weak market conditions in 2019 lead to low gas prices globally

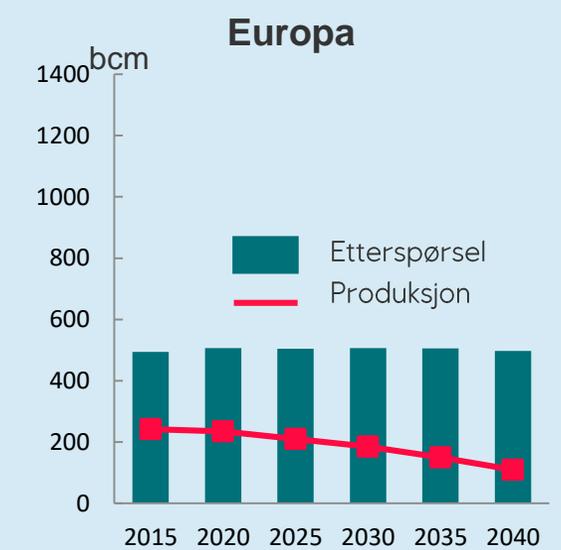
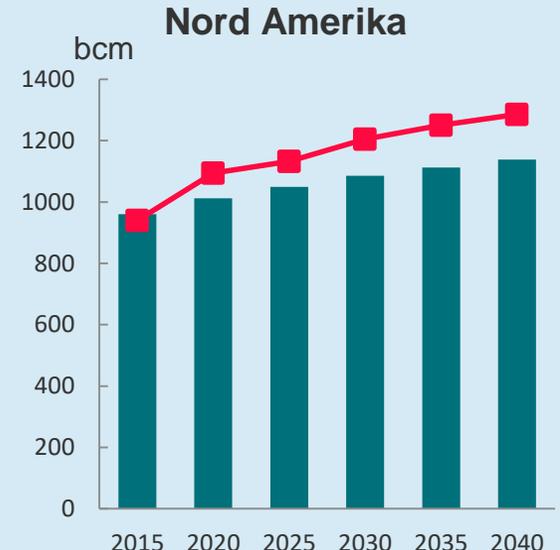
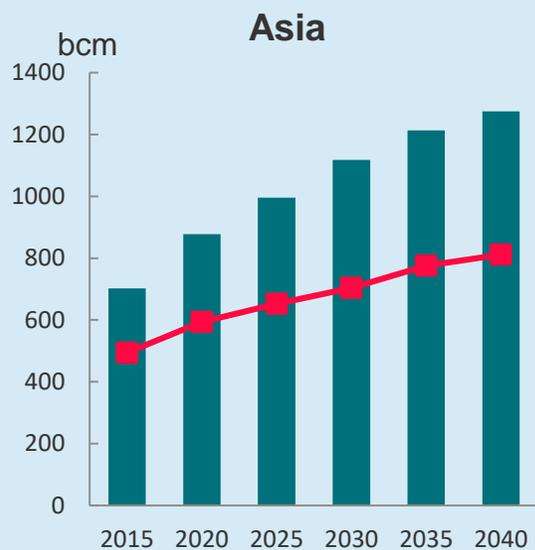
*...anticipated market rebalancing after 2021...*

Key drivers Europe	Impact on price	
	2019	2022 ->
Global LNG supply		
Global LNG demand		
Domestic production		
Pipeline imports		
Storage inventories		
Demand factors		

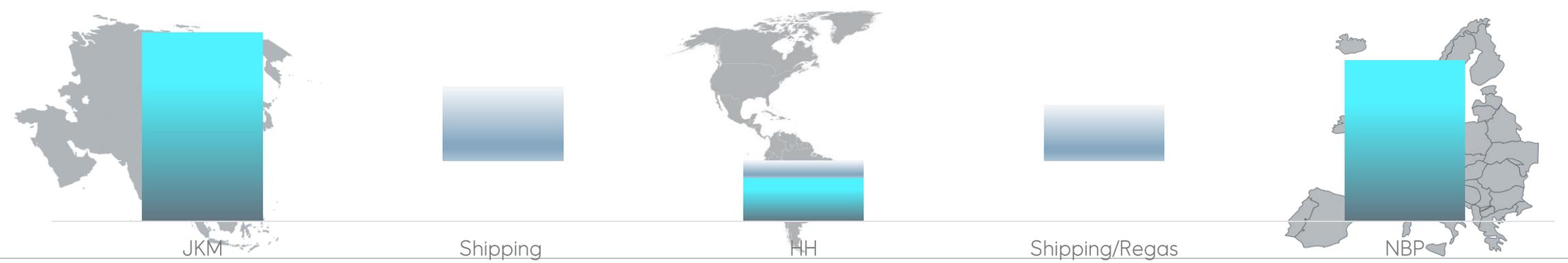


# LNG is key to a global gas market

*Low price stimulates demand => high price stimulates new investment*



## LNG balanserer det globale gassmarkedet basert på prissignal



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