Hello everyone, unfortunately Helge is not able to be here this morning in spite of him very much wanting to meet you and deliver the opening messages, in what is an extraordinary and unprecedented situation in the European gas market. Other people on the line can join in the Q&A as well.

Good to have you back, 7 months after our last seminar:

- For those that joined us at our last gas seminar (beginning of this year) you may remember that we did not anticipate 2021 to be a fantastic year for the gas price.
- We certainly did not anticipate that gas would be priced well above oil in energy terms, and that yesterday it was priced higher than oil price’s all time high through February next year...
- Forward prices at that time were around 5USD/MMbtu and on balance... we were quite worried about the downside.

But then... things changed...:

- March, April and even May ended up with setting several records in terms of cold weather in Europe – As an example UK had the coldest April since 1922
- LNG demand kept increasing, in particular in Asia, and has grown with 13% so far this year
- Carbon pricing almost doubled (and as long as coal remains in the energy mix gas is good for the climate) – so that also helps lifting the gas prices
- Gazprom chose to not book more volumes through Ukraine

So what were the Consequences:

- We took some protective measures end of last year and decided to forward sell some gas for this summer...which in hindsight we wish we had not.
- But including that we can still say that the rapid increase in gas prices did happen at the best historical time possible! for Equinor
- In all the time since we first exported gas from the NCS we have never been as exposed to spot prices for gas as we are right now!!
- In 2019 we decided to change our gas strategy to shift our portfolio to be more directly exposed to the short-term market
- We concluded that this would be more appropriate for a future with the spikes and the occasional high price periods that we will experience as renewables more and more will enter the mix.
- ....and although we lost some value on that strategy during the midst of COVID...
- ...we have gained that back in the order of several bns of dollars when considering the European spot and forward prices we see today.
- At the same time we are doing everything we can to supply Europe with the gas it clearly needs, with Troll ramping up and Troll Phase 3 prolonging the Troll plateau. In addition, we utilize the flexibility we have on Troll and Oseberg and other gas fields. We are practically finetuning and turning every valve at all our installations onshore and offshore to ensure as high production as possible.
• You will see the spot prices directly into our bottom line in the segment results of Exploration and Production Norway (EPN) and the realized price for upstream.

• Due to internal transfer pricing, the MMP segment will in general not benefit from the increase in prices...but rather the effect of the derivatives we have taken on, which are valued mark to market by end of the quarters. This includes the forward gas sales. As the forward sales have been pricing in over the summer there is not much exposure left from that from today onwards, but there will still be other large derivative effects from MMP when we have such abrupt market changes.

• This is due to derivatives/hedges that are put on to neutralize some exposure we have to longer-term indices through our bilateral long-term contracts.

• These hedges will show an accounting gain when the market increases, without corresponding loss on the physical volumes, but the physical volumes will have a corresponding accounting loss when the volumes are finally delivered. And vice versa in a falling market.

• Normally these timing effects will not be that significant, but when we have such large market movements as we have been seeing lately it will give large effects from quarter to quarter in MMP.

• And I would like to remind you that we did say that the results from MMP would be more volatile going forward under the new gas sales strategy – this is of course even more true with the recent unprecedented gas price changes we have experienced.

To the future:

• Before I leave it to Tom to talk more about where we see the short- and medium-term gas markets develop, I will go through some of the general macro environment, with a long-term outlook on energy transition and gas demand, where we believe gas will have a very large role to play.

• COVID: Global recession in 2020, with significant impact on oil (and to some extent gas) demand

• Global economy on its way out of recession – because 15% of population controls 2/3 of purchasing power

• COVID could claim more lives in 2021 than in 2022, a stark reminder of how difficult it is to handle global challenges in a just manner

• These drivers will affect economic growth and key markets over the next few years:
  o Vaccine roll-out, their impact, and the continued development of the virus, and possible other viruses that we are less prepared for now (normal flu?)
  o Rebuilding of supply chains, balancing supply and demand in different markets
  o Scale-back of fiscal policy stimulus, and tightening policies
  o Level and duration of higher inflation rates

• On inflation:

• Inflation picked up, surprisingly, early in the recovery
- Impacted by supply chains becoming bottlenecks as demand picked up – car and computer industries, solar panels, are visible examples
- Signs of normalization in the latest US data?
- This is most likely transitory – agree with FED
- Fundamentally, there is a lot of spare capacity in different economies – in labor markets and elsewhere
- The energy transition will need a lot of capital investments throughout the value chain, from a massive increase in the supply of minerals and metals refining capacity, via infrastructure investments to durable consumer goods
- Important to ensure effective supply chains and avoid bottlenecks, as the current market situation for gas and electricity in Europe reminds us...

- Turning over to global gas demand, our three long-term scenarios (Reform, Rebalance, Rivalry) indicate continued growth in global demand until 2035
- Note: Rebalance is consistent with Paris, but not a 1.5D scenario – more like 1.7-1.8D
- Gas demand is driven by economic and population growth, growing demand for energy services, electrification, replacement of coal (and to some extent nuclear), energy and climate policies and other factors
- In a sustainable scenario (Rebalance), with massive energy transition, gas demand declines after 2035 as renewables dominate the power sector together with nuclear and hydro, and electrification starts to bite into heating/cooling and manufacturing.
- European demand for gas declines in all scenarios, but
- Still needs imports throughout the time period, even in Rebalance
- Blue hydrogen can to some extent increase gas demand until hydrogen also replaces natural gas in end use sectors
- There is a massive need for investments to satisfy demand, even in Rebalance – 60 Tcm is more gas than the combined supply from North America, Russia and the Middle East over the last 30 years.
- In addition, incumbents in the global energy sector will take responsibility for a large part of all the other investments in the energy transition, where we have a role to play – Some examples are CCS, offshore wind, hydrogen, bioenergy, minerals extraction.

- I now turn to my good colleague Tom James, who heads up our analytical and regulatory unit for gas, power and low carbon solutions, to update you in more detail on the short- and medium-term developments in the gas markets. The floor is yours, Tom!

**Tom James**

**Slide 1**

- We are seeing record gas prices in Europe for this time of year
- However the bullish run on the gas market is not in isolation
- Different commodities are pushing and pulling each other up - for example last week saw a renewed rally in EU ETS carbon, breaking above €62/t for the first time
- In terms of the fundamentals - Europe has lost significant LNG due to competition from the Asian market – LNG imports in Europe have dropped 20% YtD while Asian LNG import have grown 13% YtD
- This has left European Storage tight - Year to date European storages are 64% full
- It’s expected that European storages will be filled to 75% full by Oct 31 - 10% below 5-year average levels.
- In North West Europe the storage situation is tighter, year to date, gas storages are only 58% full – that’s 14.2 bcm below 5-year average levels.

**Slide 2**

- Year to date European gas demand is up 9% versus 2020
- However these main gains happened from Jan to May. In June demand fell to a 5-7 average level and in July&Aug below 5-year average levels
- Demand drops happened in Power and industrial sectors
- The overall Gas demand in 2021 is forecasted to grow 3-4% vs 2020.
- Higher prices, higher nuclear availability and more renewable capacity availability this year vs 2020 impacts gas to power demand.
- Gas demand for 2022 is forecasted to go down 1% vs 2021.

**Slide 3**

- Pipeline import grew by 11% YtD, mainly driven by growth in import from Algeria
- The Russian supply to Europe excl. Turkey is marginally up (around 2 bcm) vs 2020 but below 5-years average level.
- Indigenous production is reduced by 15% YtD.
- This year the supply reduction came from UKCS due to a faster decline at older fields than expected. In addition we have seen heavier maintenance this year as it was postponed from last year due to Covid
- Production form the Groningen field also declined this year as well
- Regarding LNG, we have been through a prolonged period of maintenance
- In addition the global LNG market has seen a number of outages
- Key supply outages remain a risk in the market
- New LNG supply for the 2h 2021+2022 is expected to be around 30 bcm, US capacity additions represent around 67%.

**Slide 4:**

- High gas prices are expected to continue in Winter 21-22, driven by strong global LNG demand and low European stock levels.
- Forward market indicates a bullish sentiment for Summer 22 based on low storages ahead of Summer-22 and a consequential need for strong storage injections.
- Factors to watch are European storage levels, strength of winter weather, Asian demand, European pipeline supply such as NS2 flows and when the new LNG supply comes on line and the destinations of the additional cargoes