REFINITIV STREETEVENTS

EDITED TRANSCRIPT

EQNR.OL - Q1 2025 Equinor ASA Analyst Call-Q&A

EVENT DATE/TIME: APRIL 30, 2025 / 9:30AM GMT

CORPORATE PARTICIPANTS

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

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

CONFERENCE CALL PARTICIPANTS

Teodor Nilsen *Sparebank 1 Markets AS - Analyst*

Biraj Borkhataria *RBC Capital Markets - Analyst*

John Olaisen *ABG Sundal Collier Holding ASA - Analyst*

Peter Low *Redburn Atlantic - Analyst*

Yoann Charenton *Sanford C. Bernstein & Co. - Analyst*

Matthew Lofting *JPMorgan Chase & Co - Analyst*

Christopher Kuplent *BofA Securities - Analyst*

James Carmichael *Joh. Berenberg, Gossler & Co. - Analyst*

Martijn Rats *Morgan Stanley - Analyst*

Jason Gabelman *TD Cowen - Analyst*

Paul Redman *BNP Paribas Exane - Analyst*

PRESENTATION

Operator

Good day, and welcome to the Equinor analyst call first quarter results. (Operator Instructions). And finally, I would like to advise all participants, this call is recorded. Thank you. I'd now like to welcome Bård Glad Pedersen, Senior Vice President and Head of Investor Relations to begin the conference. Bård over to you.

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

Thank you, operator and thank you all for calling in for the presentation of Equinor's first quarter results. I'm here together with our CFO, Torgrim Reitan. As usual, he will give an introduction about our results, and then we'll open for the Q&A. I know it's a busy reporting day, and we will keep the session within one hour. So with that, I hand it to you, Torgrim.

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

Thank you, Bård and good morning everyone, and thank you for joining. I know you are interested in the situation we are facing on Empire Wind. I will address that but let me start by saying that today, we are reporting strong financial results for the quarter.

Gas production was particularly strong in Norway and the US, capturing higher prices. We reported adjusted operating income of $8.6 billion before tax, and an IFRS net income of $2.6. Cash flow from operations after tax came in strong at $7.4 billion. Our adjusted earnings per share was $0.66. Earnings per share based on net income was $0.97, impacted by currency effects and book value gains.

We are in turbulent times. The significant increase in tariffs and risk of trade wars creates uncertainty and volatility in the global economy and global supply chains. The uncertainty, combined with increased production from OPEC+ led to a drop in oil prices. It has recovered somewhat, but uncertainty do prevail.

These circumstances confirm the importance of a strong balance sheet and resilience toward lower commodity prices. We are well prepared for market volatility. We have a strong cash position of around $25 billion and the net debt ratio is below 7%. Strong cost control and capital discipline remain a priority for us.

For the quarter, we delivered capital distribution in line with our CMU guiding. The Board approved an ordinary cash dividend of $0.37 per share and a second tranche of share buyback of up to $1.265 billion, including the State's share. In total, we expect to deliver $9 billion in capital distribution for the year.

Before I get to our financial results, I want to address Empire Wind, and I want to be clear. This situation is extraordinary and unprecedented. Equinor has, over decades, built a material position in the US, a core country to us. Since the early 2000s, we have invested around $60 billion mainly within oil and gas.

In the first quarter, we produced around 425,000 barrels of oil equivalents per day and delivered earnings of more than $500 million. During recent years, we have on the invitation from authorities, also invested to build a renewable business in the US.

In 2017, we signed the federal lease for Empire Wind, after being successful in a bid round hosted by BOEM. Since then, we have worked to mature and realize this 810 megawatt project. The site assessment plan for the project was approved back in 2018. Then, we submitted a construction and operations plan in January of 2020. This plan was approved by the Department of Interior in February of 2024.

It was not a rushed process by any means. It took more than four years from submittal to approval after extensive documentations, consultations and review. So based on this approval and an improved off take contract with New York, we took a final investment decision and started construction in the Spring of 2024.

Project financing is a pre-requisite for Empire Wind, and this was also secured last year. Empire Wind has already passed 30% completion. The project invests more than $1.2 billion in supply chains across the US, and so far, around 1500 local workers have been involved in the development.

On April 16, we received an order from BOEM to halt all ongoing activities related to the Empire Wind on the Outer Continental Shelf. We have complied with this order. However, the order did not include any information about the alleged deficiencies in the approval.

And our position is clear. The stop work order is unlawful. It is disregarding applicable law and the prior reviews and the valid approvals of all agencies, including BOEM and NOAA. So Equinor has invested in good faith, and this is now a question about the sanctity of contracts, the legal protections and rights afforded through lawfully issued permits and the security of investments based on valid approvals granted in the US.

Empire Wind is an important project for Equinor, and we believe it contributes positively to New York and the United States. So we are seeking to engage with the administration to clarify the situation, and we are considering our legal options.

In our first quarter report, the halt order is treated as a subsequent event. The current book value for Empire Wind is $2.5 billion including the South Brooklyn Marine Terminal. The book value reflects our investments to date in the project. Of this around, $1 billion is covered by equity injections. The remaining $1.5 billion is drawn from project finance. Equinor US Holdings has provided guarantees for the equity commitment in the project financing.

If the project is forced to stop due to the US administration's decision, the $1.5 billion will be repaid from the equity commitment to the project finance lenders. In addition, various companies within the Equinor Group have exposures related to the Empire Wind project, including guarantees and termination fees towards suppliers.

This is an aggregated gross exposure on an Equinor Group level of $1.5 billion to $2 billion. This is before taking into account tax and any potential reductions from negotiations, settlements, legal actions and damages and rules of limitation of liabilities.

One thing is clear, our priority is to protect value for Equinor and our investors. And I'm of course, ready to take any questions on this during the Q&A. But now let's go through the results for the first quarter.

Safety. That remains our top priority, and we have a solid safety trend. This quarter, the serious incident frequency was record low at 0.28 and the total recordable injury frequency was 2.2 per million hours worked for the last 12 months. We continue to learn from any incidents and work towards improvements.

In the first quarter, we produced 2.123 million barrels per day. We saw increased gas production and somewhat lower oil production than the same quarter last year, when it was extraordinary high. On the Norwegian continental shelf, we have good operations, and several fields have near historic high regularity, including Johan Sverdrup and Troll.

NCS production was impacted by the shutdown of Hammerfest LNG. This quarter, Castberg and Halten East started production. These fields at full production, will contribute 150,000 barrels net to Equinor. For E&P US, we are seeing the positive effect of our increased non-op position in Marcellus. We have high production, and we are creating value from higher gas prices.

For E&P International, production was lower, as you should expect, due to the divestment of Nigeria and Azerbaijan. We produced 1.4 terawatt hours this quarter and have announced that we will establish a new power business area that will go live from September.

Now to our financial results, liquids prices were lower this quarter, while gas prices were higher in Europe and the US. Storages in Europe ended the gas winter at 34% of total capacity, around 24 percentage points lower than last year. In the short term, we expect balances to be tight, and summer demand will be impacted by the need to fill storages in Europe. Uncertainty around Asian demand and potential supply disruptions may also cause further volatility.

This quarter, adjusted earnings in E&P Norway totaled $7.4 billion before tax, driven by higher gas prices. Our international segments combined, delivered more than $1 billion in adjusted operating income, and around $500 million after tax, supported by higher gas production, capturing higher prices in the US.

Realized US gas price was actually $4.06, and this was stronger than Henry Hub. So it was a 74% increase from the same quarter last year. The E&P International tax rate was higher due to a one-off non-cash effect caused by the extension of the UK EPL period.

MMP came in below the guided range, impacted by lower liquids and LNG trading results and the drilling of two CCS wells. This is a one-off cost, and excluding these, we would have been close to the lower end of the range. The results of our renewables business reflect lower business development and early phase costs.

Across our portfolio, we continue to focus on cost control and capital discipline. The reported adjusted OpEx and SG&A was up 11%. This was impacted by a change in over/ unde lift position in the quarter, increased transportation costs and royalties, and adjusting for that, the increase was 3%.

At our CMU, we said that we are targeting flat cost levels for 2025, realizing improvements to beat inflation. This remains our target, but this quarter group OpEX and SG&A came in around 3% above this ambition, primarily due to increased maintenance and one-off costs, like the CCS wells.

This quarter, our cash flow from operations was $7.4 billion after tax. We paid one NCS tax installment of $3.1 billion. Next quarter, we will pay two equal installments. Those will be the last payments related to the 2024 earnings. Remember, the Norwegian tax system has a dampening effect when it comes to lower prices. If prices are lower, 78% will be offset by reduced taxes and investments are deducted immediately.

As you know, there is a lag in the tax payment. We see through this when we decide our guiding and capital distribution.

In June, we will decide the tax installments for the second half of this year based on our estimated 2025 full year earnings. This quarter, we distributed $2.5 billion to our shareholders. Organic CapEx was $3 billion, and our net cash flow was just above $2 billion.

We have a solid financial position with around $25 billion in cash and cash equivalents, and our net debt to capital employed ratio decreased to 6.9% this quarter. Next quarter, the State's share of the buyback will be booked as a finance debt, impacting the net debt ratio by around 8 percentage points.

The actual payment and cash flow impact will be in the third quarter. Finally, to our guidance. We maintain the guidance that we communicated at our CMU in February. So by that, I'll leave the word to you Bård to take us through the Q&A. So thank you very much.

QUESTIONS AND ANSWERS

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

Thank you, Torgrim and we are then ready to start the Q&A. We have a good list already signed up. (Event Instructions)

Teodor Nilsen, Sparebank 1 Markets.

Teodor Nilsen - *Sparebank 1 Markets AS - Analyst*

(technical difficulty)

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

Teodor, I'm sorry. But you are breaking up, so we are not able to hear your question. I suggest we take another one in the interest of time, and you will be the next on the list and hopefully the line will work better then.

Biraj Borkhataria, RBC.

Biraj Borkhataria - *RBC Capital Markets - Analyst*

Hi, can you hear me?

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

Very well, thank you.

Biraj Borkhataria - *RBC Capital Markets - Analyst*

Thanks for the details on Empire Wind. I guess there's not much you can say, given it's a legal process, but I just wondered if you could talk a little bit about what this event is making you in terms of changes the way you think about the business, because your geographical exposure is a lot more concentrated than your peers.

Obviously, Norway is the backbone of the business and the home ground there, but if I look beyond Norway, the international footprint, it's been a conscious decision to be more concentrated. And obviously the US is the second largest footprint you have, and your peers are much more diversified. So does this in any way make you kind of change that approach, make you think a little bit differently? Maybe think you maybe want a bit of a more broader exposure? Just any comments on that would be helpful.

And then the second question is, on Bacalhau, there's maybe a little bit of confusion around expectations there. Just wanted you to clarify expectations on startup and time to get to plateau. Is there any reason we shouldn't assume a ramp up, go back, allow that in line with other FPSOs we've seen in Brazil, which is typically less than a year to get the full plateau. Thank you.

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

So on your first question, the situation around Empire is both extraordinary and unprecedented. And we see it as sort of an unlawful act by the US State and we will treat it as that. Clearly, US is an important country to us. We have invested many, many years. And it generates $500 million in this quarter as such. So, it remains so.

I think your bigger question is about your concentration of a portfolio, which is very much about our ability to take out scale effects and synergies and getting into critical size, where we do operate and where we are. So we think that makes sense. And clearly, if you look at the political risk in our portfolio compared to many others, we have a significant high share of OECD countries in there.

You know there are risks in all countries, and we need to deal with them the way it should be. And all this is very much boiling down to managing the situation around one asset and one investment. Then on Bacalhau. So startup is planned for 2025 and the ramp up is expected to go as planned.

It is on location. Commissioning is ongoing, and hookup is also on its way. So things are moving according to plan. So there should not be confusion out there. I hope. So we are confident in the development of the assets. So thank you, Biraj.

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

Teodor Sveen Nilsen, SpareBank 1 Markets.

Operator

Teodore, please press *1.

Teodor Nilsen - *Sparebank 1 Markets AS - Analyst*

Is this better?

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

No, I'm sorry, Teodor. It sounds like you're breaking up. Try, and I will interrupt you if it breaks up again.

Teodor Nilsen - *Sparebank 1 Markets AS - Analyst*

(technical difficulty)

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

Sorry, Teodor, but we are not able to hear you, so either you need to find a better line and we will put you on the list, or if not, you are welcome to call me or any other member of the IR team after and we will try to respond to your question.

John Olaisen, ABG Sundal Collier.

John Olaisen - *ABG Sundal Collier Holding ASA - Analyst*

Thanks a lot for taking my question. I wonder a little bit about the sustainability of your dividend and total capital distribution. You don't make any change to the guidance, capital distribution of $9 billion in total for '25 but just wonder, if '25 is safe at $9 billion, regardless of oil and gas prices, or is that at some oil price should we expect the lower capital distribution also for '25?

And also then maybe, is it possible to give some indication for '26. If oil price stays at, yeah, now we're at 62 at current levels. Is dividend sustainable at current oil and gas price levels? Or if yes, what level should we expect dividends to become at risk? If you could just talk a little bit about this, please. Great.

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

Okay, all right, now, thanks. Thanks, John. So it's very important for us to be competitive when it comes to capital distribution. And sort of a little bit of a data points. We have distributed $45 billion over the last three years of capital distribution. And I hope that is read as a strong commitment to distribute capital.

And the $9 billion this year as well. You should see that as very, very firm. I said at the Capital Markets Day that, it is important to run with a solid balance sheet and a lot of liquidity, and that enables us to see through sort of volatility as such, when we make decisions and when we sort of decide on capital distribution.

So you should take the $9 billion as a very, very strong commitment from our side. So on a lower price environment. Just want to remind you of some sensitivities. We have said, our cash flow for operations around $20 billion for 2025. That was based on a $70 oil and a $13 gas in Europe. If you assume a $10 lower oil price, which is 60, and a $2 lower gas, which is 11, that would reduce cash flow from operations of around $2 billion take it from 20 to 18 as such, creating still significant room for capital distribution.

It is very important for us to be competitive. We have the cash dividend that is going to be growing, and we want you to think about that as bankable. Then on top of that, we will use share buyback, and we will see to that we are competitive compared to our peer group through the cycle and all of that.

The last point I would like to make around a low price environment is that the Norwegian tax system, it has a significantly dampening effect, because as oil price and gas prices drop, 78% of the exposure is picked up by the tax bill. There is a lag in tax payments of six months, but clearly we are seeing through that when we put together our guiding and capital distribution as such.

So we do see the Norwegian tax system to be a dampening effect and enabling us to manage very well in a low price environment. And then, of course, I mean, you know our cost base and our return on capital employed. It cost us $2 all in cash to get to Europe with our gas, selling into an $11 market.

So this is a business that works well in a low price environment, and we stay committed to our capital distribution. So thanks, John.

John Olaisen - *ABG Sundal Collier Holding ASA - Analyst*

May I have one quick follow up on that?

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

Yes, please, John.

John Olaisen - *ABG Sundal Collier Holding ASA - Analyst*

When you talk about low price environment, in your view, what is a low-price environment? Because, I mean, you said that you have break even for new projects. Your new projects are break even below $40. Is 62 a low-price environment in your view? And when do we come into a more or medium or high price environment?

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

Yeah, both you and me, John, have lived long enough to know that we should never have a very strong view on what is a low price and what is a high price. My job is to make ourselves as robust as we can to a volatile price, and clearly, we are prepared for significantly lower prices than we see currently, both through sort of flexibility in our spending, a strong balance sheet, significant liquidity, and a tax system that actually helps on the way down as well. So, we'll see to that. You know we are well prepared to manage all of that.

And maybe the last point I would like to make is that navigating through rough waters, it is important to have control of your own spending, and since we are operating most of our investments ourselves, we are sort of the captain of our spending program, makes us able to actually make the decisions necessary to make the adjustments that we have to do in a way. So we are prepared for significantly worse, not believing necessarily in that, but our job is to be prepared.

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

Peter Low, Redburn Atlantic.

Peter Low - *Redburn Atlantic - Analyst*

Hi. Thanks for taking my questions. The first was on Empire Wind and the impact of the pause on the CapEx budget. I thought you had a reasonably significant amount of investment this year going into Empire, given your halting work, would a portion of that not drop out? Can you perhaps just talk about the dynamics there?

And then a second question, actually, on CapEx, you alluded in your previous answer to potentially some flexibility in a lower price environment. Can you talk a bit about kind of where that flexibility could potentially come from and at what price level you might look to revisit your spending plans in the coming years? Thanks.

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

Okay, thanks, Peter. Yeah. So first of all, on Empire, our main focus is to manage that situation, getting clarity as quickly as we can, and taking the actions that is prudent in the current environment, to protect the value of the asset and the value for our shareholders. That is very, very top priority. When we know more, we will revert to guiding implications as such. But it is too early to conclude on that. But it is high priority for us to clarify the situation and take the necessary actions.

When it comes to CapEx. So just want to remind you on what we did on the Capital Markets Day. We actually have reduced our investments over the next three years by $5 billion and also the cost reduction is targeted at $2 billion. So we sort of put that forward at the Capital Markets Day. So for us, it's important to be ahead of the game, to set up a business that works in a low-price environment.

On further flexibility. There are some flexibility in 2025. But you know, most of the investment program is related to ongoing projects. Coming 2026 and 2027, there is significant flexibility opening up as well, and those are discussions we have currently. What are we going to do with the flexible part of the investments and we're being well aware that when we start a project, you sort of lock up your capacity as always. It's always a bad idea to stop ongoing projects.

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

Yoann Charenton, Bernstein.

Yoann Charenton - *Sanford C. Bernstein & Co. - Analyst*

Hi everyone. So we'd like to ask about the MMP business. And if you're able to tell us what was the contribution for cash flow, or contribution to cash flow from MMP in the first quarter and this quarter as well, you had the working capital relief. Is that possible to understand whether at the end of the quarter you have reached what you will consider as a normalized level for working capital.

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

Okay. Thanks, Yoann. So on the MMP results, a few data points. So the result in the quarter, $253 million impacted by two wells, CO_2 wells, into Smeaheia reservoirs. So adjusting for that, the result would have been close to the lower end of the range.

Then, LNG trading is lower than normal. That is due to Melkøya, the LNG facility in the Arctic, has been done for maintenance for part of the quarter. And then in general, within the trading environment, there is a little bit of a risk-off for the time being. So there has been lower than normal result from that.

On working capital, so let me first say that the guiding that we have on cash flow from operations that is excluding working capital movements. So it's a clean number, in a way, not disturbed by working capital movements.

In this quarter, there was a freeing up of working capital of $1.6 billion as such. So I mean, so that actually adds to the cash flow in the quarter. And of course, whether this is normal or not, it was, I would say the end of fourth quarter, it was higher than normal. This is a fair level of working capital, but you should expect that it moves depending on whether there are contango in the market or there are special situations as such.

Volatility in general creates results, but it also takes working capital. So if you see volatility, and if you see changes in the curves, I mean, you'll see working capital movements as such, but it's a fair level, I would say. Alright. Thanks, Yoann.

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

Matt Lofting, JPMorgan.

Matthew Lofting - *JPMorgan Chase & Co - Analyst*

Thanks for taking the questions. Most of mine have been asked. I'll perhaps just ask you two follow-ups. First on Empire Wind. I just wonder if you could share any thoughts on what situation or duration of the hold would be required in order to trigger a write-down of the $2.5 billion book value, as we move through 2025 and in particular sort of then get to year end impairment testing into the second half.

And then second, perhaps just coming back on MMP and some of the comments Torgrim that you just made. I just wonder, the extent to which in the current environment that the industry as a whole is seeing moderated trading conditions in terms of the opportunities and spreads that are there, versus a sort of a more temporary, risk-off approach. Thank you.

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

Thanks, Matt. On Empire Wind and then your question on consequences for our accounts. So as you would understand what is happening now around the project is dramatic. It is extraordinary and unprecedented in a way. So we will do impairment testing related to the second quarter results.

There are so many outstanding topics yet still with the project, so it's too early to say anything about what the consequences might be to it, and hopefully we will be able to create more clarity around the situation by the second quarter. So there is a reason why we are very transparent on the economic exposure to you, but hopefully that will put you in a situation to be prepared and have an opinion about that.

Your second question related to MMP and the moderated trading opportunities. Yes, I think in general, the risk across the various markets are sort of new type of risks. I mean, the whole world is used to deal with macro uncertainty and maybe geopolitical turmoil.

But what we currently see is sort of a different type of risk as such, and that makes everyone more careful in sort of taking risks. So that we see a risk across that.

And it is a difficult environment to trade in. What is actually quite interesting to note is that if we see sort of increased tariffs or trade wars or whatever you call it, it might change the trade flows. And that creates opportunities normally, and we are well positioned with our shipping fleet, various oil qualities and our ability to realize higher prices.

So I mean, traders can make value in situations with uncertainty. I think the fact is that the world needs to get to used to what we are talking about currently, to be fair. So actually, quite this quarter, quite good trading around refineries, actually, and the qualities we have on the liquid side. All right, that was a long answer, but it's a complex topic. Thanks, Matt.

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

Chirs Kuplent, Bank of America.

Christopher Kuplent - *BofA Securities - Analyst*

Hi there. Thank you. Hope you can hear me okay. Just two to tidy up for me. One more on MMP. I was wondering whether you could give us a little bit of your thinking when you issued your trading updates a few weeks ago, and I didn't really read into that trading updates, the weak results that you ended up reporting below the low end of the usual quarterly range.

So maybe you can talk us through the visibility you had at that time and your thinking behind how to use that trading updates in order to guide consensus. And then lastly, just because it's an asset that I enjoy asking you every time, also today, that 260 Krones or so, if it was a good investment at 400, why wouldn't you buy more today?

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

Thanks, Chris. So on your question on MMP. Chris, it's a good question and what we try to do in a trading update is to give you some stare on the direction, and then we'd clearly, recognize that there are a lot of moving parts that are just hard to analyze and hard to model as such. And what this time around, there was a lot of transactions very late in the quarter that we were not able to pick up as part of the trading update as such.

So that's on your question related to the trading update. And the best advice I can give is to have a close and good dialog with our Investor Relation department around these topics.

Then on Ørsted. Yeah, so we hold 10% of the shares. We are an industrial and long-term owner. Clearly, the share price of Ørsted is impacted by the industry realities within offshore wind , so that is clearly reflected in the price.

If we sort of see beyond that and what they have, they have a quality portfolio of producing assets, delivering significant EBITDA and a good return on capital employed. So we see this as a quality company with a quality portfolio, clearly impacted by the reality that surrounds this industry for the time being.

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

Thanks. And Chris, we are happy to take any feedback on the trading update. I just want to remind you that we did say that you should expect an impact from the CCS wells that we now report and we did also say that you should expect relatively weak results from LNG trading that we saw. But happy to discuss this further.

Christopher Kuplent - *BofA Securities - Analyst*

Great, thank you.

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

James Carmichael, Berenberg.

James Carmichael - *Joh. Berenberg, Gossler & Co. - Analyst*

Good morning, guys. Just another one on Empire Wind. Obviously, you're sort of, I guess, following up Ørsted question. You're obviously an interested observer in what's going on with their portfolio in the US. Have you got any sort of indication on why it's only Empire Wind received this halt order at this stage, and I guess you must be concerned that others might follow. I don't know how much you can say on that, but any thoughts would be interesting.

And then just on the power business that you're setting up in September. I think it said. Maybe just a bit of color, I guess, on the assets that are going into that business, and the rationale for setting that up would be helpful. Thank you.

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

Okay, thanks. Thanks, James. Yeah, when it comes to further stop work orders in the US, I'm not in a position to comment on that naturally. And then clearly, there are rumors around these topics all the time. I think the best one to ask is actually the US Federal Government about their ideas around those assets and industries and hopefully they can provide some clear answers to that.

Then, when it comes to your question on the power business, clearly, we have power assets in two business areas, currently, within the renewables and within the MMP business. Clearly, these assets belongs more together to take a more fully approach to the power markets.

Secondly, we do see that going forward, there will be a good and strong link between the gas market and the power market and having gas fired power plant as part of the power business area is important. So the assets that we are talking about is the Triton asset. We have power assets also in the UK, and clearly there is trading opportunities as well.

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

Martijn Rats, Morgan Stanley.

Martijn Rats - *Morgan Stanley - Analyst*

Yeah, good morning. I also have two, including on Empire Wind, I'm afraid. If the project is not permanently halted, but say there is a relatively positive outcome where at one point you could sort of go ahead, there would still be, I would imagine, a risk that you missed this year's weather window. And so I wanted to ask, how much of a delay can you have in the project? I would imagine it's probably not more than a few weeks or a few months before this year's weather window is lost.

And also, if this year's weather window is lost, and the whole thing, like all the cash flows shift a year into the future, what would be the NPV impact of such a delay? That's one thing I wanted to ask.

And then I can be just as perhaps a bit of a technicality. But earlier on, you talked about potential tax losses that this might generate. Are Equinor's sort of holdings in the United States, across both the offshore wind and the upstream, are they structured such a way that if there are any tax losses, say in Empire Wind, that they are available to the E&P business? Or it's a legally so separate that it's hard to kind of move these tax losses around. I was wondering if you could say a few things about that.

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

Okay, thanks, Martin. I love the details of the questions here, so let's get to that. First of all, when it comes to Empire Wind, the project is progressing well. But the way these projects go is, everything hangs together. It's a timeline. There are suppliers, there are commitments and all of that. So when you run projects like this, you are dependent on that, sort of, it runs. And this project is in a critical phase. I mean, we are on time and schedule, and works well, but it is in a critical phase because we are about to start the offshore installation, and the installation window is now, in a way.

So it is a matter of urgency to get clearance on the situation. And the US authorities, they are very well aware of the urgency and the need for clarity, and that we are also considering all optionalities including taking legal steps to protect our situation and the value of our shareholders. So it is too early to talk about NPV impact.

What we have shared is the gross exposure in a stopcase, and I think that is something that is important for us to share. But clearly, very important to urgently get clearance and make decisions on the way forward on this project.

On your second question on the tax losses available to upstream? Yes. So that is in place, and there is a common structure overseeing all the US activities here, where this is consolidated and can be used.

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

Jason Gabelman, TD Cowen.

Jason Gabelman - *TD Cowen - Analyst*

Thanks for taking my questions. I'm afraid I'm going to stay on topic with Empire Wind. I'm wondering, since it's been about two weeks since you've gotten the stop order notice. If you've had any engagement with US authorities, and if your senses, it's really the government that's dictating the timeline of a potential restart, or if there's things you could do proactively to move that along.

And my second question, unrelated to Empire Wind, it looks like your US gas realizations have been quite strong. So I'm wondering, one, what's driving that and two, if there's an appetite to acquire more acreage in the lower 48 with gas exposure. Thanks.

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

Thanks. Jason. So the government in the US, they have not shared with us the reason for the stop workorder. So it is a situation where we don't understand why. What we do know is that what has happened, we see that as unlawful. I mean, we have permits and approvals dating back one year ago, and we have always assumed that United States of America will honor contracts and permits they have issued in a way. So this is an unlawful action by them, and we are going to treat it like that. So I just want to be very clear on that.

We are engaging on all levels that we can, and we use a massive efforts in all channels to get a dialog that is needed to create the necessary clarity. We have been extremely clear with them that this is of urgency. We have little time, and we will consider legal actions as such.

On the US gas realization, it's a little bit of more of a present to the team. We have a realized gas price in North America of $4.06. Henry Hub came in at $3.65. So this is actually quite a significant addition to that. Normally, the North-East trades at a discount to Henry Hub. So this is mainly linked to the way that we market and sell our gas, because we keep the title, even if it's operated by Expand.

We have title to the gas, and we market and trade and sell it ourselves. We are not hedging our gas. So we keep opposition open to volatility in the market. And what we have seen in the Northeast is periods of cold spells and very high natural gas prices. And the way we market and trade, we will be able to capture that. And that is what you have seen in this quarter.

So that goes to a broader theme about what you should expect coming out of our gas machine. We want to keep our gas exposure close in time. In Europe, we sell our gas 70% day ahead and 30% month ahead, meaning that when there is volatility, when there are high prices, we will capture it, and they will go into the earnings and the cash flow of the company, and that's what we have seen in the US this quarter. This doesn't happen every quarter, I just want to say that, but when it happens, we'll be there.

Jason Gabelman - *TD Cowen - Analyst*

Sorry, just on the question on appetite to acquire more US gas.

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

Yeah. We made two acquisitions with EQT last year into that at the time when gas prices were actually quite a bit lower than where they are today. So that has increased our production out of the US with -- is it 80,000 barrels per day as such? So it's very good to see that that is coming in well in the first quarter. Going forward, I can't comment on that but, but clearly we do believe in natural gas in the long term, both in Europe and also elsewhere. So, thanks.

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

Paul Redman, BNP Paribas.

Paul Redman - *BNP Paribas Exane - Analyst*

I might as well follow the trend and stick with Empire Wind. But I just want to ask for some clarity on the urgency. So when is the weather window for offshore installation? And just to be really clear, if you missed that weather window, could we be in a situation where Equinor decides not to progress with the asset because the cost implications are just too high to generate the returns you want from this project?

And secondly, just on the new power business area. Do you think you've got the organic assets that you need to develop the growth of this business, or are you looking inorganically for more power assets at the moment?

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

Thanks, Paul. You know the Empire Wind project is urgent. It is a very extraordinary situation, and there has been created a very significant uncertainty about the way-forward of this project, and the questions we are facing is, of course, what about spending money in a situation with that significant uncertainty? So this need to be clarified very quickly. The whole construction schedule is sensitive to contractor availability, the weather window, and actually commercial requirements as well.

This project is also dependent on project financing to work, and as you would understand, lenders are very uncertain about the way-forward. So this is much more than about a weather window, which is crucial, but it's much more complex as such. So we just want to have clarity as quick as possible, and we are preparing for all outcomes.

Second question on the new power business. Yeah, so, I mean there are currently assets that sits in different business areas that belong together, and the decision made is to combine them because clearly there are synergies there. So there are no sort of plans for an inorganic moves as such. But of course, I mean, that's -- we can't comment on what might come in the future in any part of the business as such, but it's not part of the current plans.

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

Thank you. Thank you, Paul. That completes the list on our end, and we have managed to do it within the hour. I want to thank all of you for calling in and for your questions. And then remind you that the investor relations team is, of course, always available for follow ups later today or during the week. Thank you all for calling in and have a good rest of the day.