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EDITED TRANSCRIPT

STL.OL - Q4 2019 Equinor ASA Earnings and Capital Markets Update 2020 Call

EVENT DATE/TIME: FEBRUARY 06, 2020 / 9:00AM GMT

OVERVIEW:

Co. reported 4Q19 IFRS net operating income of $1.5b and adjusted earnings of $3.6b.

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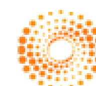

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PRESENTATION

Peter Hutton *- Equinor ASA - SVP of IR*

Ladies and gentlemen, we're very pleased to welcome you to Equinor's Fourth Quarter 2019, and capital markets update. We really appreciate you coming along to join us today. It's always good to engage with our analysts, investors and stakeholders. So very, very welcome here this morning.

We will start with a short introductory video and then go straight into presentations from Eldar Sætre, our Chief Executive Officer; Pål Eitrheim, who is the EVP of the Renewables business; and Lars Christian Bacher, who is the CFO.

We'll then open up for questions both from the floor and also from those who are dialing in this morning.

But safety first. So what I would like to do is just give a very short statement relating to safety. If the building needs to be evacuated, the fire alarm will sound. On hearing the alarm, security and support staff will be on hand to direct you to the nearest emergency exit and assembly point. This assembly point is Copthall Close, which is next to Apex London Wall Hotel just across the street from this venue. I think I'm right in saying that there are no planned emergencies. But if there is one, there will be plenty of staff around to help you to move to the right place.

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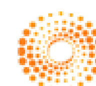

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With that, thanks again, and we will start the video. Thank you.

Eldar Sætre - *Equinor ASA - President & CEO*

So thank you, Peter, and good morning to you all. So we are living in times of change as the short film showed us and the outbreak of the Coronavirus is another strong reminder that as a society, we're facing many, many challenges. But as always, it is a great pleasure to welcome you all to our regular Capital Markets Day here in London.

And I must admit that even more than usual, we have looked forward to this year's addition.

2020 is set to be a very good year, and also the start of a strong decade for Equinor.

Today, we will show you that we are well positioned to grow production, cash flow and returns above and beyond what I believe most companies in this industry can deliver.

In addition, the start of a new decade is an opportunity to take a really long-term perspective. So we will show you how we are underpinning a competitive and resilient business model fit for long-term value creation and in line with The Paris Agreement.

Finally, we do this with a consistent and clear commitment to capital distribution. We have a strong balance sheet. And expected growth in long-term underlying earnings allows us to increase the quarterly cash dividend and announce the second tranche of our share buyback program.

Lars Christian will soon go through our results in more detail. But as CEO, I am privileged to go through a few of the main deliveries in 2019. And the short version is this. We are doing what we said. Delivering on our strategy, always safe, high-value, low carbon. Always safe remains our top priority. Our number of personnel injuries is noticeably down. But when it comes to the serious incident frequency, we were not able to continue the positive development from 2018. We will always strive to improve on safety always. And are, therefore, reinforcing our efforts through consistent leadership and an even more systematic and rigorous approach across the whole company.

In 2019, we delivered high value with $13.5 billion in cash flow from our operations after tax, including accelerated tax payments in Norway of more than $700 million. This has been combined with an increase in total capital distribution of more than 40%, reflecting a 13% step-up in the cash dividend, the conclusion of the scrip program last year as planned, as well as the introduction of our share buyback program.

New projects coming on stream last year represent 1.2 billion equity barrels to Equinor at an average breakeven oil price of around $30 per barrel.

Our deliveries were also strong when it comes to low carbon. Average CO_2 emissions from our production last year were 9.5 kilos per barrel, around half the global industry average.

And our methane emissions was 0.03%, approximately 1/10 of the global industry average.

These achievements are very important to us. Because a core element of The Paris Agreement is that everyone needs to reduce their own emissions.

And finally, last year, we made the investment decision for Hywind Tampen at the Norwegian continental shelf, and we won the opportunities to develop Empire Wind offshore New York and Dogger Bank in the U.K., the world's largest offshore wind project ever.

Renewables projects in development in 2019 will have 2.8 gigawatts of electricity generation capacity to Equinor, underlining that 2019 was truly a game-changing year also for our renewables business.

Over the last few years, we have strengthened our competitiveness and radically improved our project portfolio. And driven by this -- driven by the strong opportunity set of high-quality projects in front of us, we expect to invest on average, USD 10 billion to USD 11 billion in 2020 and 2021 and around $12 billion in each of the 2 following years.

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So we are in a strong position to deliver profitable growth, starting with an around 7% increase in oil and gas production in 2020.

But even more importantly, we're also set to grow cash flow and returns significantly in the years to come. At an assumed oil price of $65 per barrel, we expect to increase our return on average capital employed from 9% last year to around 15% in 2023, 15%. And we expect to deliver organic cash flow at record levels of around $30 billion in total after tax and organic investments from 2020 to 2023, $30 billion.

Johan Sverdrup Phase 1 was sanctioned in 2015. And together with our partners and more than 500 suppliers and sub suppliers, I believe we have raised the bar for execution excellence in this industry. We started production in October last year, ahead of schedule and 30% below the original cost estimate at the time of the FID. And we are now producing more than 350,000 barrels per day from 8 wells, on track to reach plateau of 440,000 barrels per day during summer.

The entire Phase I investments are expected to be paid back even before the end of this year, fewer than 15 months after the first well was put in production.

So ladies and gentlemen, Johan Sverdup has so far been visible in the CapEx numbers. But from now on, you will see it even stronger, impacted -- impacting our production, our revenues and our cash flows.

Johan Sverdrup Phase 1 is now a producing field, but we still have a highly competitive portfolio of new oil and gas projects coming onstream towards 2026. This portfolio can deliver 6 billion barrels to Equinor at least with a 60% liquid share and an average breakeven oil price below $35 per barrel.

It also supports an annual -- expected annual average production growth of around 3% from 2019 to 2026.

Approximately 50% of this portfolio is located outside the Norwegian continental shelf. And as we're increasingly developing as an operator internationally, this gives us even better opportunities to leverage our industrial strength from the Norwegian continental shelf, like operational excellence, world-class recovery and project execution.

So this deep industrial competence is now being incorporated into high-quality projects like Bay du Nord in Canada, Rosebank in the U.K. and BM-C-33 and Bacalhau in Brazil, contributing to a profitable expected annual growth of more than 3% internationally.

And when the last of these new projects, all of these new projects on the Norwegian continental shelf and internationally comes on stream in 2026, the entire portfolio will already have been paid back. That is what I call a truly world-class project portfolio.

Equinor was built on the Norwegian continental shelf. This is our heritage, and also a very important part of our future. In fact, the NCS never seems to stop surprising us positively. Here, we are already delivering impressive recovery factors, second to none. And last year, we even raised the ambition, aiming to add 3 billion barrels to our resources compared to previous plans.

During 2019, we have mapped 550 million of these new barrels of oil equivalents, which is equal to half Johan Sverdrup field Equinor share. And these are highly valuable barrels as well with an average breakeven oil price of around $25 per barrel. We are also working to turn the gradual maturation of the Norwegian continental shelf into an opportunity for more significant further value creation.

New ways of working and also a new dedicated operational unit are enabling us to reduce costs by around 25%, offering a breakeven oil price on field extensions compared to current plans of $25 per barrel. And this gives you an even longer life to old giants like the Statfjord Field.

When I started back in 1980 in Equinor, my first job was actually to do the accounting for the revenue stream from the Statfjord Field. And ladies and gentlemen, we're still counting.

Together with our partners on Statfjord, we now have plans to extend production towards 2040. And to increase the value creation even further.

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And to me, this is really a good reason to love this industry. There are always more values to be created, which also includes exploration from well-proven hydrocarbon systems. Last year, we added 120 million barrels at the Norwegian continental shelf from exploration, creating a net present value of around $500 million.

So we also have an exciting exploration program for 2020, both in Norway and internationally and Lars Christian, and Tim will talk more about this later today.

Let me then turn to the even longer-term perspectives. We know that the world needs to reach net 0 emissions. And at the same time, we must provide enough energy to meet a growing demand.

The Paris Agreement and the UN sustainable development goals set a clear direction. And the single most important question facing any leader in our industry today is this one, how do you remain relevant and competitive? And how do we turn challenges into business opportunities and value creation in a low-carbon future? How do we do that?

Equinor is well positioned for the energy transition. And today, we are taking additional steps by launching what we call a new climate road map. We aim to strengthen our industry-leading position within carbon efficient operations to grow profitably from a strong and competitive position within renewables and to reduce the net carbon intensity from initial production to final consumption of the energy we produce by at least 50% by 2050.

So we are doing this to drive change towards a low carbon future, in line with The Paris Agreement. And we're doing it with a clear commitment to value creation and to strengthen our competitiveness and resilience in the energy transition.

Today, we are setting a new ambition to reach carbon-neutral global operations by 2030. Our main priority would be to reduce greenhouse gas emissions from our own operations in Norway and internationally, but we will also use quota trading systems and high-quality offset mechanisms.

In January, we launched an unprecedented set of ambitions for our operations in Norway, to substantially reduce absolute greenhouse gas emissions, aiming towards near 0 in 2050.

By 2030, we aim to cut 5 million tons annually, reducing our greenhouse gas emissions by 40%. And this can be done in a profitable way, increasing the value of our NCS portfolio.

Framework conditions, climate policies and also the availability of renewable electricity in Norway are supporting emissions reductions in a unique way. But we will work just as hard to cut emissions internationally. And we are now aiming to reduce the average CO_2 emissions from our global operations to below 8 kilos per barrel by 2025, 5 years earlier than the previous ambition.

Based on the new opportunities that we won last year, we're now scaling up our renewables business faster than previously anticipated. Renewables are now likely to reach 15 -- 20% of our CapEx spend in 2 to 3 years. And we will move from now on also guide on production and returns in a more similar way as we do for oil and gas.

In 2026, we expect the production capacity from our renewables portfolio to be 4 to 6 gigawatts Equinor share, mainly based on our current project portfolio. This implies an annual growth rate of more than 30% from current levels.

Towards 2035, we expect to increase our capacity further to a range of 12 to 16 gigawatts depending on the availability of attractive project opportunities.

Scale is important to define competitiveness within renewables. And with a tenfold increase already by 2026, we're quickly turning scale into a competitive advantage.

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So we will continue to utilize our deep oil and gas experience, and based on well-proven project development capabilities, operational excellence as well as a strong trading platform, we expect to achieve unleveraged real project returns of 6% to 10%.

And then through portfolio optimization as well as efficient use of project financing, we can achieve significantly higher returns on our equity investments. Renewables are not replacing or displacing competitive oil and gas projects. But it has opened a new set of opportunities to create value, while also diversifying our portfolio and making it more resilient over time. And soon, you will hear Pål talk more about this in his presentation.

It is a good, sound business strategy for us to ensure competitiveness and resilience in a low-carbon future. Therefore, we are today setting new ambitions for the longer term.

Towards 2050, we aim to reduce the net carbon intensity, including Scope 3, of the energy we produce by at least 50%. By this, we are not taking on the responsibility of others or undermining the emitter pays principle. In fact, we're doing this to strengthen our competitiveness and secure attractive business opportunities.

We have several levers and significant optionality to reduce the net carbon intensity, operational efficiency, the oil and gas split combination and scale, renewables growth as well as CCUS and hydrogen are expected to be the main contributors. But we also have the opportunity to use recognized offsets and natural things to reach the ambition.

And we have tested several scenarios using different levers and price, margin assumptions and see that we are in a strong position to maintain competitive value creation and a strong cash generation capacity consistently during this transition.

We know that in order to reach the goals of the Paris Agreement, there will have to be significant changes in the energy markets, which means that also our portfolio will have to change accordingly to remain competitive. So we will produce less oil in a low-carbon future. But value creation will still be high and oil, and gas production with low greenhouse gas emissions will be an even stronger competitive advantage for us.

In addition, profitable growth in renewables give significant new opportunities to create attractive returns. CCUS, CCS and hydrogen will also be important to reach the climate ambitions globally, and these opportunities are playing directly at our core competence and strength.

Irene and Al will talk more about these topics in one of the breakout sessions, so feel welcome.

We are now looking 30 years into the future. And it is not possible to predict the exact shape and pace of this transition, not for society and not for us. But we are setting a clear ambition to change in line with society and in line with the Paris, the goals from Paris, and we will do this with a clear commitment to profitability and value creation for shareholders.

Our commitment to value creation is also a strong commitment to capital distribution. As stated, in our dividend policy, it is our ambition to grow the annual cash dividend in line with the long-term underlying earnings. And on this basis, the Board proposes a 4% increase in the quarterly cash dividend to $0.27 per share. This comes on top of last year's step up with an increase of 13%, and we're on track to deliver on our $5 billion share buyback program.

Based on an even distribution for the rest of this program, we are announcing now a second tranche of around $675 million, including the Norwegian State's share. The share buyback program is subject to annual reviews and renewals at our AGMs and runs until the end of 2022.

So let me conclude by summing up what I believe is a strong value proposition. First of all, we are growing production, cash flow and returns from a material and world-class project portfolio. Secondly, we are taking actions to shape our portfolio in line with the Paris Agreement, while strengthening our competitiveness and creating significant value for our shareholders.

And finally, we're committed to continue delivering competitive capital distribution.

So with that, I thank you very much for your attention, and leave the floor to Pål. There you are. Thank you.

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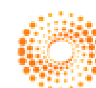

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Pål Eitrheim - *Equinor ASA - EVP of New Energy Solutions*

Thank you, Eldar, and good morning. This is a very special day. It is actually the first time that we present the renewables business at CMU. And of course, it is a great pleasure for me, but even more importantly, I think it is a strong signal about the strategic importance and the potential of this business for Equinor. It's an opportunity for me to provide more detail on the renewables business and also talk about why we see this as an area of competitive advantage.

2019 was very much of a game changer for Equinor's renewable business. We won offtake contracts for Dogger Bank and Empire Wind. We sanctioned Hywind Tampen on the Norwegian continental shelf. We increased our shareholding in Scatec Solar, and we farmed down half of our share in Arkona for EUR 500 million.

We have 50 years of oil and gas experience and a decade in offshore wind. For us, offshore wind is very much an extension, not the step-out from our traditional business. We have world-class technical expertise. We are financially robust, and we are competitive on cost. And we now have the scale and the capabilities necessary to create value.

A few comments on our producing portfolio. Equinor strategy starts with always safe. And safety is our #1 priority.

In renewables, we had no serious incidents last year or so far this year. This, I think, illustrates the underlying quality of our people as well as our operations. Our producing assets in the U.K., in Germany and in Brazil provide stable revenues.

In 2018, our share of net profits from our 3 U.K. assets was around GBP 70 million. Last year, our availability factor was 96%, and our production increased by an impressive 30%.

Our contracts in this space typically start with a period of fixed prices followed by years of market exposure. Since 2009, we have made gross investments of around USD3 billion into our renewable portfolio.

Last year alone, we invested $320 million, including the shares we acquired in Scatec Solar. And I will come back to our ramp-up in investments shortly.

But much more important than the investment level is the internal rate of return. The real IRR of our portfolio -- producing portfolio is above 10%.

If we include the farm-down in Arkona, the IRR increases to above 14%. This return is highly competitive. It's generated from a business with a very different risk profile than the rest of Equinor's portfolio. It deals with proven resources with no risk from exploration reservoir or decline rates. It also has fixed prices and guaranteed revenues for our current portfolio. And Lars Christian will come back to the risk reward profile of the broader Equinor portfolio.

By 2035, we aim to have 12 to 16 gigawatts of renewable capacity installed. That is 30x, 30x what we have today. Our strategic ambition is to become an offshore wind major, and that is why I'll spend most of my time today on that part of our strategy.

Our strategy is very much value-driven and plays to our strengths.

We will leverage our offshore capabilities in markets we know, like Europe and the U.S., both areas geared for significant offshore wind growth. We will build offshore wind clusters to capture synergies and economies of scale, and we will use our unique experience in floating offshore wind to capture opportunities. And for us, it is very much a question of when, not if floating will be developed at scale.

Oil and gas and offshore wind are branches of the same tree. The IEA estimates that some 40% of life cycle costs of an offshore wind project have significant synergies with offshore oil and gas.

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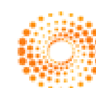

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We are now capturing these synergies in the Dogger Bank project. For the offshore substations, we are using members of the HVDC team from the Johan Sverdrup project.

Our experience from Johan Sverdrup has resulted in solutions that are more cost-efficient than comparable offshore wind substations.

We are, in fact, applying the best of Equinor. Our muscle provides efficient and flexible support across a wide range of technical and commercial disciplines. Renewables require relentless focus on cost, and we will use what we can and adjust what we need in order to stay competitive.

We also have deep and long-standing relationships with the supplier industry, working across both branches, like in engineering, like in turbines and in marine operations.

Onshore renewables is the -- have seen the fastest growth in recent years. And in many markets, they are actually the cheapest source of electricity already.

We will gradually develop profitable onshore positions in select power markets. Onshore currently represents around 5% of our installed renewables capacity, but we also recognize that this is a business that requires distinct capabilities and business models. And that is why we partnered with a very proven solar developer like Scatec and also why we acquired Danske Commodities. And together with Margareth's people, we are exploring more onshore opportunities in Brazil, where we also see potential synergies between the renewables portfolio and the natural gas business.

As Eldar said, we are set to significantly ramp-up our renewables investments over the next 4 years.

In 2020 and '21, we expect annual gross CapEx in the range of USD 0.5 billion to USD 1 billion. In 2022 and 2023, gross CapEx will increase to between $2 billion and $3 billion per year. Most of that CapEx will go into offshore wind projects like Dogger Bank and like Empire Wind.

Our portfolio now very much has the focus and the scale that we think is necessary to create value and stay competitive in this area. It fits with our strategy, it fits with our capability, and it also overlaps well with our existing geographical footprint.

We have a good mix of revenue regimes between certificates, contracts for difference and feed and tariffs. And we have a high-quality project pipeline in different stages of maturity.

Dogger Bank in the U.K. and Empire Wind in the U.S. won off-take contracts last year and are now moving towards a final investment decision.

We expect production from both by the end of 2024. Our share of that combined capacity is 2.6 gigawatts. In addition, we also have the floating Hywind Tampen project in execution already.

We have secured acreage share with a total capacity of around 6 gigawatts, that includes the uncontracted potential of Empire Wind in the U.S., our Massachusetts lease in the U.S. and our 3 Baltic projects in Poland.

Strategically, these projects will work to diversify the Equinor portfolio. It will also make electricity an important revenue stream for the company going forward.

We expect the project returns between 6% and 10%. And these are real returns, not nominal, which would typically add 2 percentage points to the numbers. This return range is competitive in the renewables industry, and we are getting there by pulling both technical and commercial levers.

We see scale as an enabler for value, not as a goal in itself.

In Dogger Bank, the combination of larger turbines, bundled project scopes and volume discounts reduce costs significantly. We take a perfect project approach to improve our business cases. We benchmark our costs with standardized solutions and with design to cost and revenue profiles. And recent auctions have shown that we are competitive on development cost.

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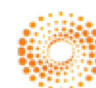

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We're driving operational excellence to increase availability, capture synergies and create value from digital solutions, and organizing in clusters is allowing us to serve multiple assets at a lower cost.

Danske Commodities works closely together with our teams to improve margins and lower balancing costs. We are now established in 39 countries and this deep trading expertise can also be applied in new markets. This is a capability that will be increasingly important with the introduction of more market risk.

Portfolio optimization is an integrated part of our business model, and we have noted significant and great market interest in renewable assets, particularly among financial investors.

The Arkona sale generated cash and financial flexibility. It also demonstrated the value of high-quality offshore wind assets.

Last but not least, project financing, as Eldar referenced, can provide access to capital at favorable terms. It can free up CapEx and increase our equity -- our return on equity. And we saw that with the refinancing of Dudgeon back in 2018, which released a significant payout and increased our equity returns by more than 25 percentage points.

All of our near-term projects have contracts with price guarantees. Reflecting the low risk, they also have returns in the lower end of the range.

But as we look to 2030 and beyond, we see an industry in significant transition. Technology developments will further reduce costs. We expect the gradual development towards more market-based prices. And this is a transition that we are comfortable with. We are financially robust, and we are used to create value from price risk.

For us, this combination of lower cost and higher market exposure presents opportunities to drive returns towards the higher end of the range.

Offshore wind is set to grow significantly over the next 3 decades. And in 2050, analysts forecast the global installed offshore wind capacity of between 600 and 800 gigawatts.

And just for reference, what is installed today? It's around 30, 30 gigawatts. And Europe is very much the global hotspot for this development right now. And we expect both the North Sea and the Baltic Sea regions to develop around 60 gigawatts of offshore wind capacity by 2030, around 1/3 of that in the U.K. alone.

We are prepared for new auctions and lease rounds. And in the U.K., we also work on options to double capacity at our Sheringham Shoal and Dudgeon wind farms.

The new backbone of our North Sea cluster will be Dogger Bank. At 3.6 gigawatts, it's the world's largest offshore wind development out there right now, and we own 50%. We see Dogger Bank as a strategic power hub and the total potential in the broader Dogger Bank area can be multiplied by a factor of 6.

First -- our final investment decision for the first Dogger Bank project is expected later this year. And when it's been fully developed with all 3 projects online in 2026, Dogger Bank will produce enough energy to power around 4.5 million U.K. homes.

Our position in the Baltic sea is an example of early access at scale and at low cost. Together with our partner Polenergia, we hold positions in Baltic 1, 2 and 3, with 100% potential of around 3 gigawatts. And an investment decision for the first project in Poland could come in 2022.

Like Europe, the U.S. East Coast has high ambitions for offshore wind. The states and the regions have announced very ambitious targets and is backed up by a firm auction pipelines for the years to come. And this is another energy market we know very well. We've operated in this region for more than 25 years and recently Danske Commodities moved in with us at our Stanford office in Connecticut.

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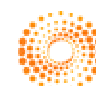

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We have successfully established a strategic foothold in this region, and so far, we have accessed 2 high-quality leases offshore New York and offshore Massachusetts with a combined potential of 4.5 gigawatts.

A beauty with the U.S. system is that it offers high optionality so that our projects can actually compete for offtake in different states.

Empire Wind is our flagship project in the U.S. We're now setting out to develop the first 800 megawatts, which is around 40% of the total lease potential. We're positioning the remaining potential in the Empire Wind lease for future offtake auctions. This is a project that is located in shallow water close to shore and this combination of its location and its excellent wind resource, make it a very attractive piece of offshore real estate.

For Empire, we have secured a competitive offtake contract in New York. And we're now scaling up the project team to mature this project towards an FID.

One area where Equinor very much stand out is on floating offshore wind. We have more than a decade of operating experience from floating offshore wind. And up to 80% of the world's wind resources will likely require floating solutions to be commercialized. These wind resources are stronger and steadier as we have experienced in the Hywind Scotland project.

During its first 2 years of operation, it achieved an average capacity factor of 54%. That compares to an offshore wind average in the U.K. of around 40%. A higher capacity factor means lower intermittency and higher value. And we are uniquely positioned to play in this space.

In 2022, we will have 118 megawatts of floating wind in operation, far more than any competitor. And that we're seeing today, 118 megawatts is around 1/3 of the total global capacity at that point in time.

To us, this is very much proven technology. Our floating lead is a gateway into Asia, and it's also a gateway into segments with potentially higher prices.

Our main priority now, together with Anders and the TPD organization is to continue attacking costs. Between Hywind demo in 2009 and Hywind Scotland in 2017, we took down CapEx per megawatt by 70%. And the ambition for Hywind Tampen is to reduce further by more than 40%. As for bottom-fixed that we have seen, the key to further cost reductions is very much about scaling up.

We are actively pursuing new opportunities in Europe, in the U.S. and in Asia to access larger projects that can make a material impact on cost. And our ambition is to bring floating towards commerciality by 2030.

Take a look at this picture on Dudgeon to the right. I don't know if you have been offshore in the seas like this. I have, and I know that some of you are quite eager to go and see our offshore wind operations offshore. It may not look very rough, but I have some painful personal experience to share with you, and I'll give you the following advice, don't have a big breakfast before you go.

I will leave you with 3 key messages. First, we have a value-driven strategy, leveraging Equinor's capabilities. Second, we are creating value from a strong portfolio in productions with returns above 10%. Third, we will develop profitable growth from scale in regional clusters.

As Eldar said, we are developing into a broad energy company, and we've come a long way in a short time. I am confident that we will deliver high-value renewable business in the years ahead.

Thank you very much for your attention. And please welcome Lars Christian to the stage.

Lars Christian Bacher - *Equinor ASA - Executive VP & CFO*

Thank you, Pål. Ladies and gentlemen, good morning. It's a great pleasure to see you all. And it is a privilege to present the 2019 fourth quarter and year-end results, and Equinor's very strong outlook.

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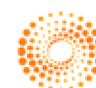

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We delivered adjusted earnings in the quarter of $3.6 billion. This is down mainly due to lower commodity prices. Production in the quarter ended at record high 2.198 million barrels per day.

Compared to the fourth quarter in 2018, production and a liquid share of production increased by 1% and 3%, respectively, due to the startup of Johan Sverdrup, Mariner and Utgard.

Our realized liquids prices were down 4% to $56.5 per barrel. And even though we realized higher gas prices than the NBP prices, our invoice gas price in Europe was down 31% in the quarter. The IFRS net operating income for the quarter ended at $1.5 billion with impairments, mainly as a result of change method for tax uplift in impairment calculations for assets on the Norwegian continental shelf.

Exploration and production Norway delivered $2.7 billion before tax. Lower commodity prices, lower flex gas volumes were partly offset by new fields in production and higher liquid share and our 9% reduction in unit production costs. The result is also impacted by a one-off settlement with COSL of around $60 million.

For Exploration and Production International, the adjusted earnings were $247 million before tax, mainly impacted by a 38% reduction in U.S. gas prices and expense and planned exit from our current turkey asset.

If we exclude increased transportation costs to capture high margins and cost from starting up new fields, fourth quarter underlying cost is at par with the same quarter last year. Cash flow per barrel after tax is $22, which is higher than what we see for the Norwegian continental shelf.

The Midstream and Marketing segment delivered a strong result of $524 million, mainly due to strong trading in crude and natural gas.

In addition, MMP has obtained higher prices relative to the market. For the full year, we reported adjusted earnings of $13.5 billion, down from $18 billion in 2018, mainly reflecting lower commodity prices.

Equinor's net operating income was reduced to $9.3 billion, mainly due to impairments and lower commodity prices.

Our organic CapEx came in at $10 billion, which is at the low end of our updated guidance due to firm capital discipline and overall good product execution.

Total exploration activity ended down $100 million to $1.6 billion, including $248 million in field development costs.

During the year, we completed 42 wells with 18 commercial discoveries, giving us success rate of 42%.

Let's move from exploration wells to production wells. Last year, we drilled 86 production wells with a breakeven of $11 per barrel. This is champions league level for oil and gas producing assets globally. And in 2020, with the new wells having an even lower breakeven, I think we will play in the finals.

So let's have a look at the cash flow. In 2019, our cash flow from operations was $21.8 billion, including a positive $400 million cash effect from using new digital solutions in our operations.

We paid $8.3 billion in tax, and based on actual tax calculations for 2019, we have overpaid by $700 million and our tax installments for the first half of 2020 will be reduced by around the same amount.

Total capital distributions to shareholders increased by 42% compared to the previous year, with $3.3 billion spent on cash dividend and $442 million on share buybacks.

We spent $9.3 billion organically on highly profitable projects, and we report $2.6 billion in proceeds from sales of assets, and $3.2 billion in acquisitions.

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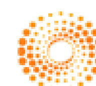

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We increased equity in Johan Sverdrup, Carcara, which is now led Bacalhau and Caesar Tonga, and we monetized half of our Arkona and entire Eagle Ford position and most of our shares in Lundin Petroleum.

After value-enhancing transactions like this, after investing in our very profitable portfolio, in competitive capital distribution, our net cash flow was negative $175 million. Our year-end net cash flow would have been positive $500 million if adjusted for overpaid taxes.

Adjusted net debt ratio ended at 23.8% in the middle of our guided range.

More volumes in transit to capture higher margins and overpaid tax in Norway impacted the net debt ratio by around 2 percentage points.

Our production for the full year ended at 2.074 million barrels per day.

Our organic reserve replacement ratio ended at 83% and our 3-year ratio is 140%. The reserves to production ratio are 8.6.

We brought 6 fields on stream during the year, including Snefrid Nord, Mariner, Utgard and Johan Sverdrup. Johan Sverdrup has during a successful ramp-up phase already delivered a unit production cost below $2 per barrel. And most of the Johan Sverdrup volumes have been sold to Asia to capture higher margins. Margareth, Arne Sigve and Torgrim can give you updates on our fields in the breakout session.

Ladies and gentlemen, before I move on to our outlook, I would like to reflect on learnings from the previous decade. The whole industry suppliers and operators alike needed to adjust to the dramatic drop in the commodity prices.

In Equinor, we started early but we were reminded of the importance of always being cash flow positive, having CapEx flexibility and a strong balance sheet.

Following these principles, allowed us to weather volatility in commodity prices, to act countercyclically to take advantage of opportunities and to deliver attractive returns to shareholders.

It's important to note that these principles will continue to guide us going forward. And recent events, including the effect of the Coronavirus on energy prices, reinforces the importance of this.

The Equinor 2020 is a much stronger company compared to 2014. We have transformed our cost base, our drilling performance and how we develop projects, and we have a very strong balance sheet.

Our portfolio is resilient and robust from both a financial and a climate point of view. And it is from this strong position, that we're able to pursue value -- valuable growth in both low-emission oil and gas projects, in fast-growing renewables and expect competitive returns over the energy transition.

Last year, I said we believe that there is still a significant improvement potential. Today, we increased our improvement ambition by 50% from $2 billion to more than $3 billion in cash flow effect in 2020 to 2025.

We can do this because we see larger improvement effects from digital solutions. Most importantly, from our integrated operation center called IOC and higher potential from automated drilling control.

Our objective is to collaborate the new ways with suppliers, to safeguard achieved efficiencies, strengthen our cost culture and applying lean way of working as well as drive further simplification and standardization.

And remember, initiatives like this also helps us improve on safety. Jannicke and Anders will share more details about you in the breakout session, but I would like to give you one example of scaling up digital solutions.

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We started streaming data live from 3 offshore fields through our onshore integrated operations center in 2018. We scaled up to 20 fields in 2019 and we see that IOC supported fields have higher regularity.

By the end of this year, within 2 years of starting up, we expect all our offshore operated fields globally to be connected.

Our unit production cost continues to be strong at $5.3 per barrel. We maintain a high focus on improving our competitiveness. And we have an ambition to reduce our production -- unit production cost with 5% from 2019 to 2021.

To the right, you see the main projects that they provide high-value growth towards 2026 and secure our long-term production.

We are operator for 80% of the total volumes coming on stream. And operatorships are important to truly capture the value of our proven technical and commercial capabilities.

Our portfolio coming on stream by the end of 2026 delivers an internal rate of return of almost 40% at an oil price of $65. And even in a $50 world, it generates more than 25% annually after tax.

This truly demonstrates profitability and resilience. The breakeven supply curve for the non-sanctioned projects coming on stream by the end of the decade continues to improve.

Over the years, we have improved both when it comes to lowering the breakeven and increasing volumes. We're very pleased to demonstrate that we have been able to more than offset the cost pressure we saw in 2019. And several of these projects are in a very early phase, still being matured and improved.

We already see attractive break evens below $40 per barrel. We see a promising outlook for the decades to come, illustrated by attractive internal rate of return of about $30 in -- at $65.

As Eldar outlined, we see the directional travel for the energy industry. Equinor chooses to invest in renewables for very good reasons. First and foremost, we do this to create value from developing and operating projects.

Second, the renewable business has lower risk and our future corporate portfolio will be more diversified and resilient with a higher level of long-term and stable cash flow.

In addition, there is a potential to realize value from portfolio optimization, as demonstrated by our Arkona transaction.

All value creation starts with showing discipline and only invest in good projects with attractive risk-reward and only to sanction them when they are as good as they can get. And based on strong value creation, leveraging our technical and commercial capabilities, we continue to see good quality opportunities in this high-growth market.

We have an exciting exploration program in 2020 and are targeting high-value opportunities in high-graded prolific basins, such as NCS, Gulf of Mexico and Brazil.

Two of these are currently being drilled, Monument in Gulf of Mexico and Araucaria in the Uirapuru-licence in Brazil. And this year, we expect to drill 10 to 20 exploration wells internationally and 20 to 30 wells on NCS.

In total, we expect to spend around $1.4 billion on exploration, excluding field development costs. This is around the same level as for 2019.

In 2018, we experienced strong gas prices, whereas 2019, we saw downward pressure globally, as Asian and European markets were well supplied with LNG imports.

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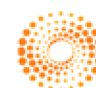

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Our oil-to-gas ratio differs little from peers and having assets at a low on the cost curve ensures competitiveness and provides resilience even in a low-price environment.

Our gas position in Europe is strong, with a total supply cost well below $2 per million BTU, with low emissions and with flexibility, both in production volumes and when it comes to delivery points.

We see this as a very competitive against LNG imports and other imports. We expect a 7% underlying growth in production from 2019 to 2020, and a 3% annual average growth in the period 2019 to 2026 with a growing liquids share.

For the 4 years 2020 to 2023, we expect an organic cash flow of around $30 billion after investments at an oil price of $65 per barrel.

I just told you about the high and improved returns in our future portfolio. Today, we gave an outlook for CapEx of $10 billion to $11 billion for 2020, 2021, growing to around $12 billion for 2022, 2023, to take advantage of this world-class opportunity set. We only need a yearly CapEx level of around $6 billion to deliver a 2019 production on average for the period 2020 to 2026. Additional CapEx on top of the $6 billion will provide profitable growth in oil, gas and renewables.

We have and are prepared to use our CapEx flexibility to ensure a robust cash flow in a low-price environment.

We delivered 9% return on average capital employed in 2019, and we expect it to grow to about 10% in 2020, and around 15% in 2023.

We expect to maintain a strong balance sheet, and we have a credit ratings in the AA category. Even in a $50 world, we expect a net debt ratio to remain well within our guided range. The Board proposes a 4% increase in the quarterly cash dividend to $0.27 per share. This comes on top of last year's step-up with an increase of 13%.

We are on track to deliver our $5 billion share buyback program, with the first tranche completed in the market February 4, 2 days ago.

Based on an even distribution for the rest of the program, we are announcing a second tranche of around $675 million, including Norwegian States' share from the 18th of May to the 28th of October 2020. The share buyback program is subject to annual renewal at our AGMs and runs over a period until the end of 2022.

On this page, we provide a summary of our guidance and outlook. I hope you see from the material presented today, that we are entering a very strong decade for Equinor, as illustrated by a 15% return on average capital employed in 2023 and a $30 billion organic cash flow from 2020 to 2023.

We expect competitive growth in production, cash flow and earnings. We are committed to deliver competitive capital distribution with a 4% increase in the quarter, in the quarterly cash dividend and announcement of our second tranche of our share buyback program.

And by that, I thank you for the attention. Looking forward to your questions and leave the word to you, Peter. Thank you.

QUESTIONS AND ANSWERS

Peter Hutton - *Equinor ASA - SVP of IR*

Thank you. Lars Christian. Now, we'll open up for some questions from the floor. Just as a reminder, there are a lot of people here from the media, so there'll be an opportunity for you to have interviews and questions after we're done with this one. So this is a focus on more of the financial side. We'll take some questions from the floor. We've got some roving mics. And then we'll also take some from the phones. So I'm going to start off with Jon Rigby over here, please?

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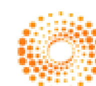

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Jonathon Rigby - *UBS Investment Bank, Research Division - MD, Head of Oil Research and Lead Analyst*

Thank you, Peter. Thank you, guys, for the presentation. That was my phone breaking. Two questions, one on the results and one on the strategy. So if I do the results one first. Obviously, a feature of the fourth quarter was a strong MMP result, which I think you acknowledge was both gas and oil trading. I just wanted to understand how much of that trading is a feature of your activity in the fourth quarter as opposed to sort of legacy positions that had gone on over the last 1 or 2 years.

I'm just trying to understand better how repeatable those kind of results are in the context of the macro that we saw? The second question is, is that looking at your ambition around carbon intensity, it is subject to, obviously, the significant step-up in contribution of energy supplied from your offshore wind operations and also on a reduction of your net by way of CCS. And I guess, both of those, I mean, the wind opportunity is subject to the economics being attractive for you to invest in CCS, I guess, the same is you need the environment to change and some technological breakthroughs, I would think to make CCS work. So my question there is, what gives -- is it -- if the economics are not there, would you still invest in those things because you want to get your carbon profile down? Or would you sacrifice some of that ambition around carbon in order to preserve your returns?

Eldar Sætre - *Equinor ASA - President & CEO*

Okay. Thank you. Thank you, Jon. So I think on the MMP and the downstream part that Irene will -- could answer that and try to reflect on the sustainability of the strong earnings that we had this quarter. So I'll leave that to Irene first, and then we'll come back to the more strategic question. Is that okay?

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

Okay. Thanks for the question. I actually think the earnings that we made in fourth quarter is mainly a result of activity in fourth quarter. And what we have been doing lately on both the crude and the product side is that we're moving more and more volumes to Asia and taking advantage of the arbitrage between the 2 markets.

With the introduction of Johan Sverdup, we have the ability to build large vessels and take the advantage of scale in transportation cost. We also had some benefits from the results from additional infrastructure earnings due to Johan Sverdup. And on the gas side, we told you on the gas seminar last year that we're introducing a slightly new way of managing our risk exposure in gas. And I think we're starting to see the results of that. So I would argue that this is mainly due to activity in the quarter, that we can hopefully repeat going forward.

And it's worth noting that the crude trading business has actually made money in 18 consecutive months even in a backwardated market. It's definitely much easier to make money in the contango market. So quite proud of what we have achieved. Good team.

Eldar Sætre - *Equinor ASA - President & CEO*

Thank you, Irene. So you might -- could I continue to talk about CCS as well. But sit down, please, I'll try to sort of -- you get a chance to talk about that in the breakout session, actually, because that is now within your responsibility, the CCUS and the hydrogen business.

But it's a good question. On the longer term, on the transition and the net carbon intensity, we highlight very much renewables and the structure of oil and gas business and the scale of oil and gas business, but also the CCS, CCUS and hydrogen as a component.

And I indicated that we have tested many scenarios, I can assure you. Also when it comes to CCS and hydrogen, more or less. So it's -- we know quite firmly that to reach the goals stated in Paris, CCS -- CCUS and hydrogen will have to be part of the solutions. I basically have seen no scenarios without it as a major component. It's not the thing, but it's one of the things that actually needs to work. And we also know that we need a commercial model to work for this to happen.

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Now that needs -- actually, as a starting point, is the cost. And you need to finance that cost. So price on carbon is something we're very, very vocal on. We need that globally. We have that in Norway, in Europe but we need it also globally.

I think also you will see demand changing out there. There will be more demand for clean energy and for many -- segments of our society is really hard to decarbonize without using oil and gas or taking it into hydrogen. So this will -- the demand for these kind of commodities will increase and these kind of solutions and technologies.

We see that in the Northern Lights project in Norway. Once people out there in Europe industry sees that this is -- can actually become a reality and will become reality, we see a lot of interest coming in. They only see this type of solution. That's the only way for them to decarbonize. And they have customers at the other end of the equation.

And then costs will come down. Technology -- like on renewables, costs will come down, technology will support it, scale will support it. So these 3 components, demand, technology costs and a regulatory environment that will enforce it, will have to make this commercially viable.

And that's a question how viable. And I don't think this will ever be a sort of a major business in its own right. But I do think it is important from a value creation perspective to look at what it does also with the oil and gas and the attractiveness of oil and gas. So we think we have to look holistically of what CCS does in the energy space and also what it does with the overall profitability of oil and gas. But as a starting point, we would never enter into any projects if they are not kind of standalone as such from a profitability and risk reward perspective.

Peter Hutton - *Equinor ASA - SVP of IR*

A couple of questions coming through this side. So I've got John A. Olaisen and then Thomas.

John Olaisen - *ABG Sundal Collier Holding ASA, Research Division - Co-head of Research & Managing Partner for Norway*

It's John Olaisen from ABG Sundal Collier. A question to the $30 billion in estimated free cash flow over the next 4 years, given a $65 oil price. First, a quick just definition of that. What kind of gas prices are assuming? And secondly, it's after organic investments. And if I'm right, some of the non -- inorganic CapEx would be oil and gas license rounds, wind auction rounds, et cetera. Just as a definition of that? And then I have the main questions afterwards. Please, if you can define that, please?

Oil and gas price and it's license rounds and wind auctions included in that CapEx number.

Lars Christian Bacher - *Equinor ASA - Executive VP & CFO*

Gas price 6 NBP and 3 Henry Hub compared to the $65 oil price. So that's price stack.

Eldar Sætre - *Equinor ASA - President & CEO*

And then the $50 scenario is 5 NBP.

Lars Christian Bacher - *Equinor ASA - Executive VP & CFO*

5 NBP. Okay. And organic to your point, the inorganic is not included because we don't know what level it will be going forward. So this is based on what we have in our portfolio.

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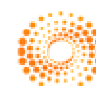

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John Olaisen - *ABG Sundal Collier Holding ASA, Research Division - Co-head of Research & Managing Partner for Norway*

So what you pay in wind auction round and licensing rounds, it's on top of that?

Lars Christian Bacher - *Equinor ASA - Executive VP & CFO*

Yes.

John Olaisen - *ABG Sundal Collier Holding ASA, Research Division - Co-head of Research & Managing Partner for Norway*

And also, historically, you've been a net buyer of assets and of companies. So I would come on top. Could you elaborate a little bit on going forward, where would you be looking to do further acquisitions in the 4 years to come? That would lower the $30 billion available for shareholders?

Lars Christian Bacher - *Equinor ASA - Executive VP & CFO*

Well, first of all, the $30 billion at 65. We last year guided $14 billion at 70. That was over 3 years. Now we guide over 4 years. So to compare the 2 numbers, to get the numbers right, you have to add the dividend, $10 billion to the 14 and divide by 3 and multiply by 4 and then you get to around the same number per year. But at $5 lower oil price.

So there is a much, much stronger, robust sort of cash flow message that we provide you. I think when you look at the portfolio outlook over the next 5, 6 years, that growth, we do that out of a net debt ratio in the middle of our guided range. We have enough on the plate to deliver that growth and not every going to do on buying companies or assets. We can cherry pick and take the time to make it right. That's the beauty about having a strong balance sheet. You don't need to divest to sort of buy stuff. And that's the beauty of having high resources in the bank so that you can take your time to work it. And that's why we've done the deals we did in 2019. And that will guide us going forward to.

Eldar Sætre - *Equinor ASA - President & CEO*

So oil and gas are basically -- you can't produce the resources more than once. So it's about replenishing and building portfolio for the future. So you have to build that. There are 2 ways of doing that, through exploration or through acquisition. And that means we will continuously look for good opportunities, but we have a strong portfolio, as Lars Christian says, for many, many years, and there's no need for us to do anything at all to build a resource base, extend it in a meaningful way, high-value opportunities. We have all the time in the world to get this right and make sure that whatever we do is really value enhancing for -- into our portfolio. And by the way, all organic, that also includes all the things that goes into the planned activities and auctions that we might take part in. And we also include actually reasonable assumptions from exploration, that you will do exploration, and there will be investments coming from that. So part of what we consider to be normal business but not inorganic straightforward inorganic opportunities.

Peter Hutton - *Equinor ASA - SVP of IR*

Thanks, John. If we just come forward through to gentleman at the front. Thomas Adolff, there we go. Good to see.

Thomas Adolff - *Crédit Suisse AG, Research Division - Head of European Oil & Gas Equity Research and Director*

Thomas Adolff from Crédit Suisse. Two questions for me as well, please. If we go back to Slide 14, that's the one on the net carbon intensity, and you showed the 5 buckets how to get there and the second one is the oil and gas split and scale. And I wonder whether you can be a bit more specific on what types of portfolio shaping moves are necessary to really hit this second bucket?

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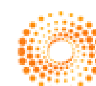

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Will overall production be lower versus today? Or will it be simply a shift towards more gas from oil? And then second question, maybe also linked to the first question. Obviously, the upstream business today pays for your dividend and also for the nice buyback you're doing. And your longer-term targets for the renewable business of 12 to 16 gigawatt and correct me if my math is wrong, probably can offset a $10 decline in the oil price at the operating cash flow level. But of course, renewables are long lived, as you've highlighted, and it's lower capital intensive. So together with the comments on oil and gas, whether it's a lower productive -- production base, how should one think about the capital intensity of the business longer term and the capacity to basically pay the dividend as it stands today?

Eldar Sætre - *Equinor ASA - President & CEO*

So first, on the net carbon intensity and the oil and gas part of that, I indicated in my introduction that there is a lot of optionality. And there's no way of prescribing exactly what this will look like. But I also said that we will -- in a low-carbon future, in this scenario, there will be less oil and gas.

IEA scenario tells us that the world will need approximately half the oil and gas compared to what it does today in a well below 2-degree scenarios. And we will have to sort of be part of that. And this will be reflected in our portfolio.

That's what we expect. But exactly what this will mean is really hard to say. What will have the biggest impact on this KPI, which is an intensity KPI, is basically reflecting the energy that we produce. If we don't produce it, it doesn't go into this intensity factor. So basically, renewables is by far the biggest component into this. But as you say, shifting between oil and gas will have an impact, because there's lower Scope 3 emissions on natural gas.

We do see that our portfolio over time actually will be more gassy than oily, looking at the portfolio that we actually have. Because gas assets typically are longer-lived assets than oil assets.

So that's part of what will happen. And then sort of to what extent that will sort of change compared to our current portfolio, it's hard to say. We know this is possible to do, but it will have that kind of impact. And we also know that scale will have some kind of impact. And we also know that actually the operational efficiency is very much related to what -- we have put targets forward on that. And it's also going to have a big impact when we produce oil and gas.

But I can't be more precise, it's possible for us to be more precise on exactly how this will look like. We know the components. We know how they will work. And we know that renewables are definitely the most important part of this equation to get to this target.

On the composition and the profitability here, we see an impressive portfolio ahead of us when it comes to oil and gas, and we have indicated very competitive returns compared to the risk group, if you look at the risk reward balance within renewables. And we have seen, and we have tested many scenarios and seeing that what kind of cash generation capacity comes out of this gradual transition where we can do more renewables and different scenarios also lower oil and gas. And they all come out with a strong cash generation capacity, but it has to do how you actually combine this portfolio, and what are the speed of this transition going forward. And a 6% to 8%, 10% real return and on top of that the equity component and the nominal component, that is going to give us a quite substantial capacity to deliver continued shareholder distribution and competitive as well. I don't know if you have any comments to this, Lars Christian.

Lars Christian Bacher - *Equinor ASA - Executive VP & CFO*

No, just one because it's so easy to compare the returns on renewable projects with the oil and gas project. But please remember that there are some associated costs in addition to running an oil and gas company that you don't have for the renewables business. So we are very comfortable to your point for the period of time that we are showing here today. And beyond, it's going to be very dependent on the levers and what the composition of the company looks like going forward. But we will keep you posted on it, but very strong outlook towards 2026.

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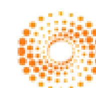

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Peter Hutton - *Equinor ASA - SVP of IR*

Got some questions coming over here. So I'm going to start with Alwyn, who is a gentleman there.

Alwyn Thomas - *Exane BNP Paribas, Research Division - Analyst of Oil and Gas*

Alwyn here from Exane BNP Paribas. I guess, just to start with, can you maybe quantify or discuss some of the risk to cash flow ambitions this year due to the -- what's happening in Asia and obviously low gas prices and some of the impacts you might have around trading as well as other parts of the business? Just some commentary there would be helpful.

And splitting out the -- your CapEx guidance, particularly the step-up towards $12 billion in the long-dated era, is that equity CapEx after project financing? And maybe could you just say a little bit around whether you're stepping up R&D or research spend within that, as we move towards new energies, new technologies. And perhaps beyond that, whether you'll be splitting out the renewables or new energy solutions part of the business in terms of earnings or cash flows?

Eldar Sætre - *Equinor ASA - President & CEO*

You managed a lot of questions in one go there. Okay. So I'll cover some of this. So let's start with the gas prices. We know where we are on gas prices, we are down there. It's been -- it's cyclical. We can see that the gas -- the global gas business is becoming sort of one one. It's not a regional business anymore. It's really a global commodity. Looks more like the oil transition that we saw many years back.

And right now, we -- and also, last year, we were heavily impacted by lot of new LNG capacity. It was predictable, not a surprise. We know sort of time lines. And also, slightly muted demand growth in Asia, in particular.

Right now, really high storage levels all over. And on top of that, temperatures, but that's the sort of similar demand. So the combination of the current situation is really -- keeps a muted and a low -- weak market. Now we expect that to be the situation for a while.

So this year, also deep, at least deep into '21. You can see that basically from -- we could be surprised from temperatures, but you can see that from the new LNG projects being fed into the supply side. Then this will start drying up, and demand will continue to grow. And there are many factors that have come into this, but we do see a more balanced gas market going forward and -- as we are heading deep into '21 and into '22. So that is a pretty robust projection from our side. I don't know if Irene, do you want to add something to the gas perspective here?

You make money on top of it, so...

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

No, I think it's a very good summary. The only thing I would add is that the low prices does create demand. And we've seen additional demand coming in, in Europe. And we've seen additional demand, for instance, in Pakistan and Bangladesh. So there is some good news to this story as well, but it's a pretty dark picture for the next 1.5 years at least.

Eldar Sætre - *Equinor ASA - President & CEO*

Thank you Irene. Then the question on CapEx guidance on equity and project financing. So maybe you comment on that, Lars Christian?

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Lars Christian Bacher - *Equinor ASA - Executive VP & CFO*

Yes, I mean, we do this growth after strength. And we have the capacity, both when you look at the balance sheet to do it. We have the capacity, if we look at the organization to do it. And we have the opportunity set -- our portfolio set of opportunities, we already have in-house to build that pipeline. And back to my comment earlier, $6 billion around that is what we need to just sustain the production level of 2019 towards 2026.

Everything on top of it is to grow in oil, gas and renewables. To your question on whether renewables should be a segment or not -- sort of separated out. It's too early to say that we will report it as a segment, it's not material enough yet. We understand that there is a sort of an urge for giving you more information and insight into that. And that is why you see this year that we provide you with more visibility. This is about the production-based availability, production outlook, capacity outlook, CapEx outlook, portfolio achieved prices, which was around GBP 160 per megawatt hour, returns, both existing portfolio producing and the forward-looking one. So we are going to provide you a bit more and more visibility as this business grows. No plans of separating this out.

Eldar Sætre - *Equinor ASA - President & CEO*

I guess, there could also be an implicit question in that, are we planning to split up the business? And we are not, definitely not. I think Pål highlighted the synergies very much and the strength that gives us actually coming from the oil and gas competence and integrating that and benefiting from that into the renewable space where we focus. That is so strong that we will have -- do the best -- pick the best from what we have, what we -- our legacy, our competence, at the same time, as finding what is unique for this business. So that is not an idea that we are pursuing. R&D, maybe Anders, shall be thinking a little bit about that now. So he can offer some comments on that?

Anders Opedal - *Equinor ASA - EVP of Technology, Projects & Drilling*

Yes, we are going to spend NOK 2.8 billion in 2020 on R&D. But also remember that we are testing new technology in our projects and our wells as well. The -- we are not guiding any R&D beyond 2020. But as we ramp-up production in Brazil and Canada, there will be more obligations. And then we will have R&D in line with that. For 2020, also 25% of our spending R&D would be in low-carbon solutions.

Eldar Sætre - *Equinor ASA - President & CEO*

Pål, any comments from you now?

Pål Eitrheim - *Equinor ASA - EVP of New Energy Solutions*

One of the main points that I made was very much around the benefits of being part of a broad LNG company like Equinor. And if you're very specific, I have access to the full technical capability of Anders, Arne Sigve Nylund and Jannicke on the digital side. I have full access to Irene on the commercial people on the market side and the power trading. And if -- I use a very simple example sometimes. If I need a 20% material engineer, I buy that from Anders, I don't hire one 100% and use him or her every Friday.

Peter Hutton - *Equinor ASA - SVP of IR*

I know we've got some questions on around the same table, but I'll try to take these in the order I saw them. So it's the gentleman on the front row there, and then we'll come back to that table.

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

It's Anders Holte from Kepler Cheuvreux. Thanks for a solid presentation. I guess, the robust is the key word for this (inaudible). Just a few questions, if I may. First of all, I know you've refrained from giving a breakeven oil price required to cover all of your CapEx and also your shareholder distributions

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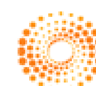

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for 2020. And I'm guessing you're going to try to (inaudible) because there's a lot of moving parts, and I think we realized that. But at least what oil prices does Lars Christian feel the heat a little bit before he starts to tap into the net debt figure. And then the second question is more on Dogger Bank. You mentioned that the returns -- and I think, the returning guidance of 6% to 10%, it's a solid figure. But also you mentioned that you have already locked in quite substantial cost reductions on Dogger Bank, and I'd just like to pick your brain in terms of how much are we actually talking about here in terms of the original investment guidance provided by you previously?

Eldar Sætre - *Equinor ASA - President & CEO*

So to talk about oil prices and where we are now is complex. We know sort of the pressure points. And there's a lot of responses, OPEC response and so on. We know that last year, the Brent plan was almost $64 per barrel, and we saw a lot of volatility throughout the year. And that's also been part of this year. So basically, Our resilience is the recipe for us, robustness, as you said. And we illustrate 50, 65 and 80 to give you sort of the wide range, and that is mainly the mentality where we build our business and build our operational efficiency. So I think that is -- you want to comment more specifically?

Lars Christian Bacher - *Equinor ASA - Executive VP & CFO*

Yes. A couple of years, we have done the numbers and showed you and based on a $70. Now we're taking it down to $65. Average last year was $63.8. So it's kind of where we are over the last year or so at least. When we have done the calculations for 2019, if you exclude the share buyback, we were around $50 when it comes to being cash flow positive, according to then what we guided. So we are very comfortable with the composition.

Eldar Sætre - *Equinor ASA - President & CEO*

Pål, on the second question?

Pål Eitrheim - *Equinor ASA - EVP of New Energy Solutions*

On Dogger Bank, the short answer is there's no updated sort of guiding on cost. The number that is out there should not be treated as a sort of a firm estimate. It's a ballpark number to give people a sense of where we are. And what we are is chasing every value pocket and every cost there is, and we will do that all the way from now to we start production. So there's no updated number for you, sorry.

Peter Hutton - *Equinor ASA - SVP of IR*

Another couple of questions from those, then we're going to take a couple from the from the phones, first Mehdi Enebati from Bank of America ML and then, Josh.

Mehdi Enebati - *Bank of America ML*

Bank of America. So I will ask 2 questions, please, follow-up one on CapEx and one on the share buyback. So regarding the CapEx, you guided on a $10 billion to $11 billion CapEx in 2020, 2021, then growing to $12 billion. So I just wanted to know if the CapEx growth will only come from the renewables, meaning that you intend to keep the upstream CapEx at the same level and still deliver a 3% production growth with the same -- roughly the same absolute CapEx until 2026? And second question, regards with the share buyback, you announced it in September. Since then, the hydrocarbon prices have been moving a lot. So you provided a maximum, let's say, share buyback program of $5 billion, but you never said what would be the minimum. So if the hydrocarbon prices, meaning oil and gas prices remain at the current level for a couple of years, would you still be realizing the share buyback of $5 billion or revising it down?

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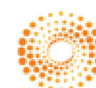

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Eldar Sætre - *Equinor ASA - President & CEO*

Okay. So on the CapEx guiding, this -- we have indicated in Pål's presentation, what will be the CapEx spend over the next few years, $0.5 billion to $1 billion of this year or next year and then $2 billion to $3 billion. Now that is a gross number for '21 and '22 -- or '22, '23. So you will have project financing that goes into that. So into our CapEx number, you will have a lower investment number. But it will definitely -- and taking off 50% to 20% of our CapEx within 2 to 3 years, so it will definitely be a bigger portion of our CapEx spend when we start guiding at $12 billion. So roughly speaking, you're right. You are pretty much in the same range not as precisely, but in the same range on the oil and gas part. And then you have renewables part, but it's not a precise answer, but roughly in that range, given the guidance that we gave on renewables and CapEx spend on renewables.

On the buyback, so we are very confident on the buyback program. Obviously, we stated, if given circumstances, we might sort of change the program, but there's no plans, and we're very comfortable with the price levels that we have seen or see today to continue on the buyback program. But there's a lot of factors that goes into this.

And -- But I'm not opening up any uncertainty at all in the current environment and what we see. And we have showed you resilience, robust, that we can actually do the buyback program, even in a $50 environment, that'll be very comfortable in relation to our debt ratio. So there's no concerns in the current environment and even lower environments on our capacity, willingness to pursue the buyback program. And it's -- to increase the predictability, we simply say now -- instead of sort of just picking a number, we say now, we frontloaded it with numbers you introduced. And then now we say an even distribution, depending on how many trading days there are into each of the franchise, that is sort of the kind of principle that they we -- they're are pursuing now. Lars Christian?

Lars Christian Bacher - *Equinor ASA - Executive VP & CFO*

The way I look at it, you should read the second chance announcement as not only visibility but also confirmation for the remaining period until 2022.

Peter Hutton - *Equinor ASA - SVP of IR*

A question from...

Yoann Charenton - *Societe Generale Cross Asset Research - Equity Analyst*

Yoann Charenton from Societe Generale. To recast some of the questions we ask at this table. On CapEx, it's clear that you have demonstrated that the level of activity across the group is pretty high versus history. But at the same time, if we look at the past few years from a pure financial perspective, you have consistently underspent versus guidance and you save billions. So I would like to better understand how we should think about the CapEx guidance you commented on today? And if we should look at this guidance, with the same sort of lenses we had to look at your prior guidance's. Then on production, just to come back on to very short-term sort of implications of the situation you described with extremely low gas prices across the Northern hemisphere. We can remember that in 2019, you had to defer significant volumes of gas. Gas that was aimed at supplying Europe, how much is built in, in terms of gas volume deferral in your 2020 guidance, please?

Eldar Sætre - *Equinor ASA - President & CEO*

So on the deferral of gas, we are very cautious to give volumes and definitely not guidance because that would be sort of sensitive market information. And basically, when we predict the future, we don't sort of add any assumptions on that is basically deliver what is the base assumptions in the production permits. Production permits gives us some flexibility, but we don't sort of take that into account. But it is something that if there are deviations from this, we will explain that and introduce it as part of decisions that we make continuously. But it's not part of sort of our guidance as such. On the CapEx?

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Lars Christian Bacher - *Equinor ASA - Executive VP & CFO*

Yes. On the CapEx side, I mean, it's been a privilege to report that the -- in many ways, have come under the guiding over the last couple of years, thanks to an excellent project execution.

And hopefully, we will be able to replicate, at least that's what Anders and his team is trying to do. Whether that is in oil and gas, on behalf of Arne Sigve, Margareth, Torgrim or Pål in the renewable space. And not only that, we want to be even better. But this is based on our best estimate, the numbers that we provide you, and that's a 50-50 number. So I can't sit -- stand here and say that it will come under -- below. Because then I should give you a lower number.

Eldar Sætre - *Equinor ASA - President & CEO*

So I guess, I could just invite you to take part in the breakout session, and you will hear talk -- how we talk about both the digital, the savings that we have done, on Johan Sverdrup, for instance, and how we perform on drilling performance compared to the industry, on project developments compared to the industry, and they will show you that it's quite impressive number. So it's this performance that is actually giving us that. And I -- starting point, start of the year, we gave you what's the best estimate I can assure you.

Peter Hutton - *Equinor ASA - SVP of IR*

And we've got one more to come from the floor, but it's first come first serve. I think we're just going to take a short break, take a question from the phones.

Operator

We will take the question from Anne Gjøen from Handelsbanken.

Anne Gjøen - *Handelsbanken Capital Markets AB, Research Division - Head of Equity Research*

I wonder if you will do some term of inorganic investments. Do you still -- if you find it economically attractive, will you still be interested in kind of opportunities when it comes to shale in the U.S. or in Argentina also? Or could we more rule that out because you have so many opportunities elsewhere and because of environmental reasons?

Eldar Sætre - *Equinor ASA - President & CEO*

Okay. So generally speaking, we always look for value creation opportunities. Sometimes, you see that when it comes to acquiring assets, we see we can do better, we can do more. We can create value on top of what we buy. Other times, it's about divestments. We see that others can do better than we can. We divested Eagle Ford, for instance. Perhaps they can do, Repsol think they can do a better job and we let them give that a try. So this is really what this is about. And we pursue this kind of opportunity generally on -- within quite big space. And now I will now ask Al actually, he might not be prepared, but give him a chance at least to comment on how we think about that from his perspective because he's running that part of our business.

Alasdair Cook - *Equinor ASA - EVP of Global Strategy & Business Development*

Thanks. I think the first thing to say is that we look at each acquisition on a case-by-case basis. We screen them primarily on value. And then we also have a separate screening process for climate, for carbon emissions and for safety, and a few other factors as well. I think, in some sense, you can see the direction we've been in. Over 2019, you've seen the acquisitions we've done, strengthening our position in some of our core areas, the

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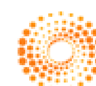

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additional equity in Johan Sverdrup, the growing position that we're building in Argentina, the growing position that we're building in the Gulf of Mexico, and you'll see that those assets demonstrably add value, build in our core areas, but are also in line with the direction we're taking on climate change and on reducing our global carbon intensity.

Eldar Sætre - *Equinor ASA - President & CEO*

Thank you, Al. On shale, more specifically. So we did a transaction, as I mentioned during last year, high-grading our portfolio within the shale and also built shale business activities in Argentina, building a position there.

Run very high-quality, what we are working on. I think it fits nicely into our portfolio. It has the flexibility that is very useful in our portfolio, both from a CapEx spend perspective, but also from a commodity perspective. We can decide when we would like to sort of produce these volumes from a commodity perspective. Torgrim, you might want to add something? What you're doing to address that business?

Torgrim Reitan - *Equinor ASA - EVP of Development & Production International*

Yes. So thanks. So we all know that the history of U.S. onshore has been a bumpy road for Equinor. We have made significant impairments as we acquired assets in a very high-priced environment, and that didn't stand the test when prices collapsed. So we always need to start with that, when I talk about the U.S. onshore activity. When that is said, I mean, that business has been through significant improvements over the years and more recently, high grading the portfolio. So that part of the business is contributing positively to the bottom line and has done that over the last few years.

So, competing fairly well compared to others. But clearly, we have much more to do to improve this business even further. And then -- and clearly, it is something that will -- we aim to -- that business to contribute very positively to the future of Equinor. So particularly, we see in the Northeast, in Appalachia, that, that business still makes money, even if we are facing gas prices around $2 per MMBTU. So -- yes.

Peter Hutton - *Equinor ASA - SVP of IR*

Thanks very much. I'm going to come back into the room. We've got at least a couple of questions, 3, and then we may be calling it a day. Josh.

Joshua Stone - *Barclays Bank PLC, Research Division - Analyst*

It's Josh Stone here from Barclays. Just had one question on your renewables capacity -- or capacity available target in 2026, the 4 to 6 gigawatts. It looks like that's an outcome of your existing projects. And I want to know to what extent you actually see some upside to that number from future license rounds coming up? And are you making any assumptions and therefore continue to sort of farm-down off your projects as you develop them?

Eldar Sætre - *Equinor ASA - President & CEO*

So I hand it directly over to the -- handle that business?

Pål Eitrheim - *Equinor ASA - EVP of New Energy Solutions*

No, you're right. It does, to a large extent, reflect the existing portfolio and the projects that we have accessed already. And then as I said in my introduction, there are -- we are positioning for additional lease rounds and in the core areas because we see a lot of value actually in concentrating that growth to some areas to get the economies of scale in those particular areas.

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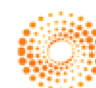

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But it will not prevent us from sort of positioning for new opportunities in different parts of the world. We see Asia coming out in a very significant way, and it's likely to become the new sort of engine of growth in that area. The portfolio management, bit optimizing portfolio, will be a part of our business model. But I won't sort of conclude on if and when and in what assets, et cetera. But it is a key source of value creation for us going forward.

Peter Hutton - *Equinor ASA - SVP of IR*

Valeria and then Kate.

Valeria Piani

Thank you, Valeria Piani from UBS Asset Management. Firstly, big congratulations for your new ambitions on climate change, it's great to see the step-up from the past. I have a question on your ambitions on almost 0 emissions for the Norwegian continental shelf. What is blocking you to do the same for international operations?

Eldar Sætre - *Equinor ASA - President & CEO*

Okay. So I touched upon it briefly in my introduction, basically. In Norway, we have a framework. First of all, you need energy to produce oil and gas, and in Norway, electricity can be picked up from the grid and it's a renewable grid, basically, it's all about renewable energy. And we have actually more renewable than we use in Norway. So we have a surplus that is available for our industry. So -- and we also have a price of carbon. On top of that, we pay EU ETS quotas. So we have a double tax in a way. And generally, also a framework conditions in terms of the tax system that incentivize investments into these type of efforts. So that's why this actually makes sense. The sum of these components makes it profitable. This enhances our -- the value of our portfolio in Norway.

Internationally, basically, depending on where we are, but we don't have that electricity, it's not available. We don't have the same type of costs related to carbon emissions. And in some cases, not the overall framework, financial framework, either.

So it's a different situation depending on where we are in different countries. So basically, when we work internationally is really about addressing how we produce the oil and gas, what to do with the gas, do we inject it, that takes energy, how the economics of that work, the energy efficiency overall into our operation, the turbines, the compressors and so on.

So it's very much done through the configuration and the shaping of project. So it's becoming more important how we actually shape our project. But we will be as vigorous on the international portfolio. And we will take down our footprint. Also internationally, you will hear more about that ambition later today, actually, how we work on that. So -- but the toolbox is slightly different. So we worked just as hard. And the overall combined target for us now is 8 kilos per barrel produced globally in the corporate portfolio, as we are heading towards actually 0 on the Norwegian continental shelf. But that is a journey for where we are now to 0 by 2050, 40% will be taken out by 2030.

Eldar Sætre - *Equinor ASA - President & CEO*

Margareth would like to comment?

Margareth Øvrum - *Equinor ASA - EVP of Development & Production Brazil*

Yes, I'm going to comment on the international part, because we are planning for having carbon intensity at below 10 in 2025 for all the international operations also for the portfolio internationally. And I can say, we do not have the same levers as we have on Norwegian continental shelf. But still, we managed to do some very good CO_2 reduction project. For instance, on Peregrino, we are importing gas instead of using diesel. This is less cost

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and is less emissions. So in this project, we are reducing it with 4 kilos per barrel also. So we are trying to utilize all the competence and the big Equinor also naturally.

Eldar Sætre - *Equinor ASA - President & CEO*

And just my highlight methane emissions. I gave a number, 0.03, that is a very low number globally, and it goes across our whole business. And obviously, you don't want to have methane flowing around on any place where you actually do your business. And by the way, we can sell that in the market or use it for other meaningful purposes. So that's not philosophy, that's very strongly embedded in how we shape our business and do our projects, also in the U.S. onshore part of our business.

Peter Hutton - *Equinor ASA - SVP of IR*

One more question from the floor from Kate in the middle?

Kate O'Sullivan

Kate O'Sullivan from Citi. Thanks for the presentation. So just a quick one, probably very large question. As we ramp-up Johan Sverdrup, you answered it through 2020. How can we think about the tax impact? Have you any more detail on that?

Eldar Sætre - *Equinor ASA - President & CEO*

Tax impact?

Kate O'Sullivan

Yes. So...

Eldar Sætre - *Equinor ASA - President & CEO*

On Johan Sverdrup? Yes, the cash tax or cash contribution after tax for Johan Sverdrup is very, very robust, and we expect it to be around $50 in 2020 for this year per barrel.

Peter Hutton - *Equinor ASA - SVP of IR*

Okay. That's $70. I think we talked about around that one, $70. But we -- the timing of the phases...

Eldar Sætre - *Equinor ASA - President & CEO*

But the cash cost is $2 per barrel on sort of cash costs, less than that.

Peter Hutton - *Equinor ASA - SVP of IR*

Okay. Less than $2. Ladies and gentlemen, we bring this part of the session to a close. Just as a reminder, there'll be an opportunity now for the media to talk with the speakers for the analysts and investors, it's a short break. There's lunch. And then we will reconvene. We'll take you to the various breakout rooms, and we'll kick off. We want those people in place ready for 12:00. Eldar, would you like to

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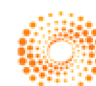

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Eldar Sætre - *Equinor ASA - President & CEO*

I just wanted -- we're probably not coming in after the breakout session. So I just want to say it now, I really appreciate that you are here today, all of you. And I brought the whole team here because we think this is a really important event. So they are available for you on various occasions. We have the breakout session. So hopefully, you'll be able to join them and go through a lot of interesting materials.

So I will not repeat the storyline that we told you today, that is really a strong proposition, just look at it, get into the numbers and see what this actually tells us about our capacity, to generate cash returns going forward and also how we relate to the transition and how committed we are to capital distribution. So make sure you capture what we are telling you today. Thank you very much.

Peter Hutton - *Equinor ASA - SVP of IR*

Thank you.

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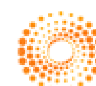

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