2023 Tax contribution report

Contents

Introduction

About this report

Equinor is committed to conducting our business activities in an open and transparent manner, promoting transparency in our industry, and supporting efforts to improve openness and accountability worldwide. This tax contribution report forms part of a long history of tax transparency initiatives we have undertaken which demonstrates our commitment to these objectives.

This report has been prepared to give more insight to our stakeholders; to allow Equinor to engage constructively, and to enable greater understanding and knowledge about Equinor's contributions to society. As our business has a significant presence in over 30 countries worldwide, we believe that transparency is vital to ensure that the wealth derived from the energy we produce is put to effective and equitable use in the societies where we operate.

This report has been produced in accordance with the GRI 207 tax standard and demonstrates our ongoing progress towards greater levels of transparency. It builds upon our other published materials such as our Payments to governments report and our Integrated annual report, to go beyond the requirements of mandatory initiatives as we work to contribute to the better understanding of our approach to taxation and the way it impacts investment in the transition to a net zero-carbon world.

Key financials 'at a glance' 2022

$45.2 billion
paid in corporate income tax to tax authorities

$4 billion
paid in host government entitlements[1], royalty payments and fees to local and national governments

Always safe, high value, low carbon.

We are Equinor, an international energy company.

$10 billion
in capital expenditure and other investments

$1.3 billion
paid in employment taxes in Norway

[1] A government entitlement refers to revenues from petroleum production which are allocated to the host government under production sharing agreements or contracts.

Message from Torgrim Reitan, CFO

I am pleased to present our annual Tax Contribution report for 2022, a year that demonstrated how important and valuable energy is to society. Strong operational performance in a year with high energy prices led to strong earnings for Equinor, and Equinor group companies made a contribution of $49.2 billion globally through tax, host government entitlements, royalty and fee payments for 2022. Of this total, $44.3 billion was paid in Norway. These tax payments help fund vital welfare and public services as well as support government initiatives designed to tackle climate change and strengthen societies.

The ongoing geopolitical landscape highlights the importance of balancing the energy trilemma of energy security and affordability, while transitioning to low-carbon energy systems. Through the year Equinor became a leading provider of energy to Europe. Russia's invasion of Ukraine and weaponisation of energy brought unprecedented volatility and undermined the secure supply of reliable energies to Europe. Tragically, the war continues to impact lives and livelihoods causing deep uncertainty. As part of an aligned response to the invasion, Equinor decided on 27 February 2022 to exit Russia and this process was fully completed in September 2022.

We remain firm on our strategy in the face of these uncertainties. We aim to be a leading company in the energy transition as we develop towards becoming a net-zero company by 2050. We continue to innovate and take the necessary steps to decarbonise industries and societies by accelerating our investments in energy from renewable sources and in low-carbon solutions, while seeking to produce the oil and gas the energy system still relies on, with as low emissions as possible.

We invested $10.0 billion in operations and projects throughout 2022, and our annual gross capital expenditure in renewables and low-carbon solutions continues to grow – as a percentage of total capital expenditures - up from 11% in 2021 to 14% in 2022. We have an ambition to allocate more than 50% of our gross capital expenditure to renewables and low-carbon solutions by 2030.

Equinor promotes policies supporting the goals of the Paris Agreement and supports a price on carbon emissions as a measure to drive broader emission reductions in society. Our stakeholders rightly expect us to be transparent about tax payments, including those that contribute to the business meeting its sustainability goals. This is why we continue to disclose information on our environmental taxes and quotas profile in this report, for the second year running.

Openness is one of Equinor's values and a vital approach to the way we do business throughout our history. Since we began our transparency journey back in 2001, we have progressively built on our existing disclosures over the years. This year we disclose the contribution made by Equinor through employment taxes in Norway for the first time. Equinor ASA paid a total of $1.3 billion in employment taxes to the Norwegian government in 2022, representing taxes paid on behalf of 87% of our global network of 22,000 highly skilled employees.

Tax transparency is not just about numbers in isolation. It is also about providing an overview of how we conduct our business, our corporate structure and of our presence in different jurisdictions. With this report we aim to provide further insight to all stakeholders about the taxes we pay. We also explain our tax objectives, our policies and approach to tax that helps us meet our objectives.

We welcomed initiatives to strengthen fairness in taxation, revenue transparency, and other related legislation, both in Norway and internationally.

At a global level in the last year, the OECD has continued to build on the BEPS Inclusive Framework. We support the framework and the ongoing efforts by the OECD to introduce the Pillar Two rules concerning the implementation of a global minimum corporate tax. We will continue to seek further clarification on these rules, and the potential impact they may have on our business, as the OECD publishes further guidance.

We see increased transparency as an important element in the fight against climate change, corruption, and financial mismanagement. It is a foundation for good governance allowing businesses to prosper, enhance accountability and foster dialogue with stakeholders to promote progress for society.

This report is a cornerstone of our effort to provide transparency about our tax policies and taxes paid. We hope that it provides greater insights into how transparency underpins our values and our purpose here at Equinor.

We welcome feedback from our stakeholders on this report and its contents.

Torgrim Reitan, CFO

Our business

Transparency timeline

Equinor has a long history of transparency initiatives.

2001
We published our first Annual Sustainability Report. The company stated that it is committed to transparency and recognised the dilemma of limited transparency in many oil rich countries.

2002
Information was given on signature bonuses. We welcomed the international transparency initiative (later called EITI) in cooperation with Transparency International.

2003
Active support for EITI; we attended the first meeting in London.

2004
We voluntarily disclosed our country-by-country overview of taxes paid, with other relevant information.

2006
More detailed information was provided on signature bonuses (including operator's share).

2009
We became an Extractive Industries Transparency Initiative (EITI) Board Member.

2011
Signature bonuses and profit oil in kind were included in the country-by-country overview.

2014
In a separate publication, we reported under Norwegian mandatory rules that require project level reporting. These Norwegian rules go beyond those of the EU. Norway was the first country to bring these rules into effect. Norwegian rules also mandate contextual information, including a listing of economic impact by country and a listing of all the Group's subsidiaries with the number of employees and intercompany interest payments.

2016
We incorporated the Payments-to-Government report in the Annual Reporting package.

2017
We reported under updated Norwegian rules. These were put in place to combat tax planning that lead to tax avoidance and include detailed information on revenue, tax and earnings for all subsidiaries.

2018
We published our global tax strategy on our website.

2021
We published our first tax contribution report.

2022
We published our first integrated annual report.

Overview of taxation and "government share" in the energy Industry

Summary

Energy companies typically share extracted resources with the host governments of the jurisdictions in which they operate. There are generally two types of fiscal regimes:

A. Fiscal regimes for petroleum

Because petroleum is considered a national resource, the design and implementation of a particular jurisdiction's petroleum fiscal system is a critical and sometimes complex matter.

1) A concessionary regime is one where the petroleum company applies or bids for license concessions, takes title to the petroleum it extracts and pays taxes on profits and other levies, either under the ordinary corporate tax regime or under a special petroleum tax regime. For example, in Norway, with effect from 1 January 2022, the Norwegian parliament enacted a cash-flow based system for the special petroleum tax.

After the reform, the standard corporate income tax rate is 22% and the special petroleum tax rate is 71.8%. The corporate tax is deductible in the basis for the special petroleum tax, resulting in a marginal tax rate on petroleum income of 78%. Investment costs in the ordinary tax base (22%) will continue to be depreciated over six years. In the special tax base, investments are written off immediately in line with the cash-flow based tax system.

2) A contract regime, most often a production sharing or risk sharing contract, where the government generally retains legal title to production and enters into a contract with a petroleum company to extract the hydrocarbons in exchange for a share of production, plus, in many cases, ordinary tax and other levies.

In this type of fiscal system, material terms of the government share of project revenues are usually negotiated with governments at the license, field, or development area level. In addition, in many cases, petroleum contractors are obliged to make direct (income) and indirect tax payments to governments in addition to people and environmental taxes and bonuses. Production sharing and royalties generally begin when oil production commences, rather than when project profitability is achieved.

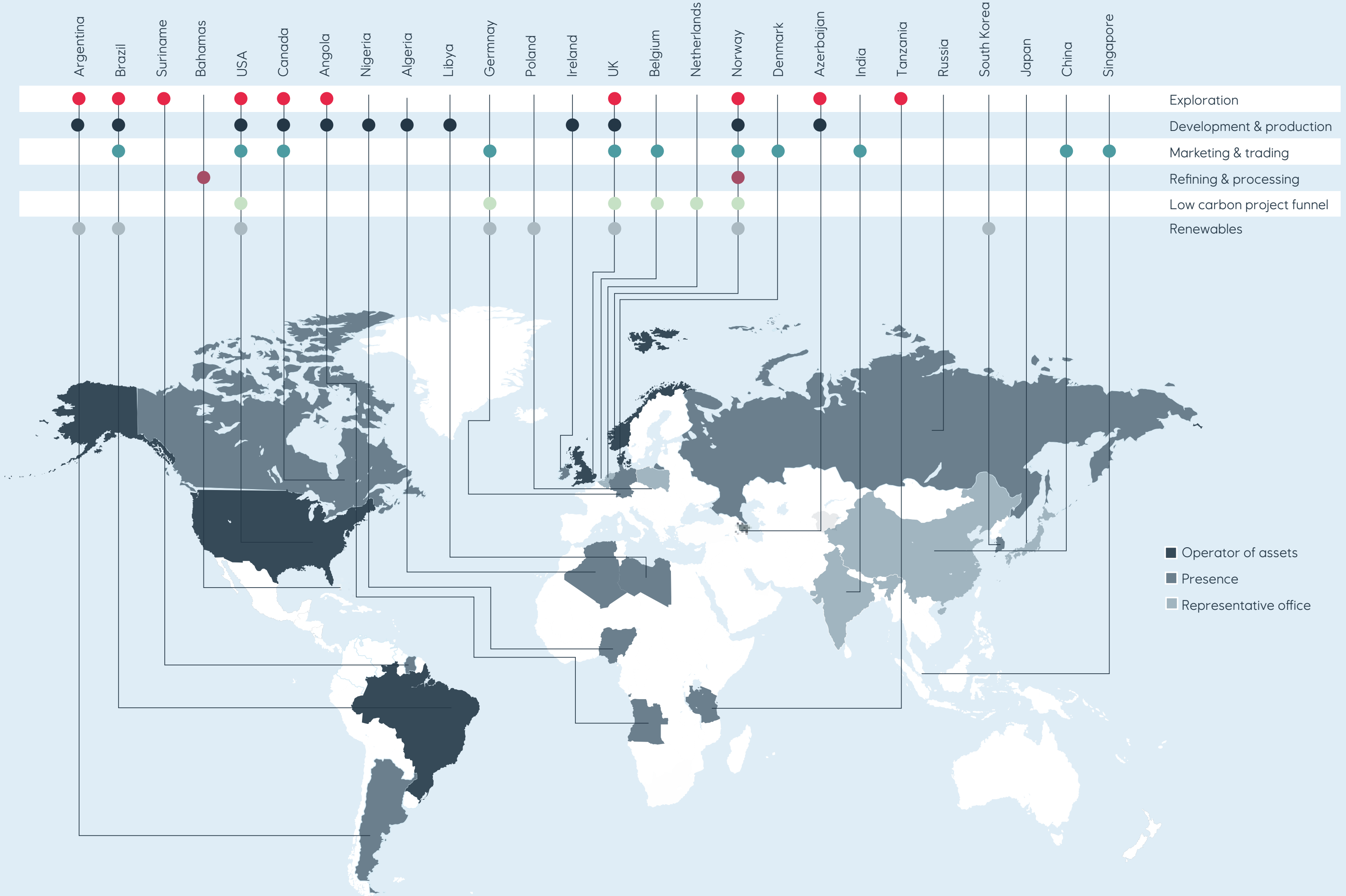
Equinor has made public its position that we support and will advocate for the public disclosure by host countries of their petroleum contracts and licenses.

B. Fiscal regimes for renewable energy

Taxation of renewable projects is roughly similar to concessionary taxation for oil and gas companies. Generally, investors in renewable projects such as wind or solar, are given concessions to establish operations by a local or national authority and are subject to ordinary corporate income tax. The various incentives, if any, available to investors – tax credits, accelerated depreciation, etc. – do not change the fundamental nature of these investors as corporate income taxpayers according to local laws.

Our business model

We have included an overview of our business model to explain how our tax profile interacts with our operations at different points in the business cycle. The chart below shows the different phases of our business model around the world.



Equinor has made public its position that we support and will advocate for the public disclosure by host countries of their petroleum contracts and licenses.

Upstream operations

Exploration phase: This part of our model refers to the acquisition of prospecting contracts and exploration and proof of resource deposits.

During this phase, which generally lasts several years, relatively large capital investments are incurred by petroleum license holders. In spite of the fact that revenues will not be earned, potentially for several years after a commercial discovery, there are significant payments to governments by the license holders and their sub-contractors, including bonus (signature, resource discovery) payments when certain criteria are met, certain lease or rental payments for areas of exploitation, tax payments on behalf of employees, excise duties, various indirect tax (VAT) collections and payments. In addition to financing its share of exploration expenditures, companies like Equinor are often required to finance (at low or no interest) the investment in the field representing the share owned by the state.

Corporate income tax payments are generally not made during this phase of our business. If a discovery is ultimately developed, Equinor is often able to recover expenditure incurred during this phase via various reliefs and incentives. For more information, please see 'Relief for Capital Expenditure' under the section 'Our Key Tax Issues'. However, in cases where a prospective well drilled is not commercial in a jurisdiction where Equinor has no other income generating activity, the costs of drilling are generally not recoverable which increases Equinor's effective tax rate on a company level.

Development: This phase of our business model involves the construction and installation of production facilities and extraction of resources via drilling wells.

Development and construction of facilities for production is capital intensive and requires significant investment including, as noted above, the share owned by the state. During this period, our suppliers are generally subject to tax in the jurisdictions in which development occurs, whereas, in many cases, Equinor's recovery of its investment is deferred until production begins or when accumulated income becomes positive.

Production: When oil or gas is first produced in a well, significant payments are made to governments, including production sharing, bonus payments, royalties and other indirect taxes. In cases where the state owns a share of the field directly, it also starts receiving its returns from production. When accumulated income exceeds expenditure, production sharing rates generally increase, and income tax payments are made.

Revenues are also highly exposed to external market conditions and price fluctuations during this period; this can adversely impact overall profitability and increase the period of time it takes to recover investment during the exploration and development phases.

Decommissioning: This is the final phase of a project lifecycle which involves the removal of infrastructure and site restoration once a resource deposit has been exhausted.

The main payments during this phase relate to site restoration which can be significant. In many jurisdictions, costs for decommissioning are recovered against income from other activities in the same country, can be offset against prior period income or are deductible as accrued or as pre-payments are made. However, there are instances where substantial decommissioning costs are not recoverable for tax purposes, contributing to an increase in Equinor's global tax rate.

Downstream operations

Refining and Processing: This phase of our operations involves the industrial processes required to refine products derived from crude oil and natural gas.

The main tax liabilities for Equinor at this stage are corporate income tax on profits and indirect taxes. These include product taxes such as value-added tax (VAT), sales taxes, and customs duties as liquids, gas and products are transported across the world; people taxes including employer social security payments and wage/payroll taxes which can be significant at manufacturing locations owing to the intensity of our operations during this phase; as well as environmental taxes such as carbon or emissions taxes.

Marketing and Trading: The main function of this phase in our operations is the purchase and sale of crude oil and condensate, natural gas, natural gas liquids, refined products and power, in international markets.

The principal tax paid by Equinor during this phase is corporate income tax on the profits made from trading activities. Other payments to governments include customs duties, VAT or related sales taxes, and fuel duties.

Renewable operations

Renewable sources of energy: This section of our business model refers specifically to the processes required to produce energy from renewable sources.

The main tax payments related to the production of renewable energy are similar to those required under upstream oil and gas operations under a concessionary regime. Corporate income tax on profits is the most common payment we make to governments in this part of our business. However, Equinor can also be required to pay a variety of other taxes at different stages of a project, which can include; product taxes such as VAT and customs duties, and employment-related taxes on people.

In summary

Taxation of oil, gas, and renewable sources of energy is complex and there must be a fair balance of risk and reward between governments and energy companies. As this section shows, the payment of taxes does not arise at every point in the business model.

Sustainability

Our vision is to shape the future of energy. Our strategy - always safe, high value and low carbon - enables us to deliver long-term value in a low-carbon future.

We support the United Nations (UN) sustainable development goals (SDGs), a set of 17 goals developed as a call for action to end poverty and promote sustainable development. Equinor believes that its contributions to society through taxes and other payments to governments – and greater transparency around tax in general – supports the sustainability agenda.

For more information concerning our sustainability strategy and our progress, please see our first Integrated annual report.[2]

Taxation in the renewables energy industry

As opposed to the development of fiscal systems in the petroleum sector, bespoke tax regimes are relatively less developed in the renewables sector. Rather, renewable energy projects are generally taxed through corporate income and indirect taxes and, in some jurisdictions, there are targeted, limited scope tax incentives. To transform the energy systems in order to achieve the global ambitions of mitigating climate change, substantial acceleration of investments in renewable energy is required. The fiscal systems around the world should be developed to foster and support these capital requirements.

Equinor will continue to engage with governments and other stakeholders in ensuring that the fiscal regimes used for renewable energies and carbon capture and storage (CCS) are fit for purpose and support the capital required for the industry to flourish.

Environmental and carbon taxes

The development of environmental taxes in recent years has had an impact on Equinor's international tax profile and has strengthened the incentives for Equinor to reduce emissions.

Environmental taxes refer to a wide range of taxes and levies which differ on a jurisdictional basis, but which mostly relate to taxes on CO2 or other emissions from industrial processes including petroleum extraction.

Carbon taxes and other carbon pricing initiatives make up the largest part of our environmental tax profile. In its most general sense, carbon taxes refer to initiatives or levies that put an explicit monetary value on greenhouse gas emissions measured specifically by reference to the volume of carbon dioxide or an equivalent gas emitted.

In 2022 Equinor paid $1.1 billion in environmental taxes and other fees. Of this total, over 90% were paid in Norway.

[2] 2022 Integrated Annual Report

Country	Environmental Duties ($m)	Carbon Quotas ($m)	Total environmental taxes and fees ($m)
Norway	532	513	1,045
Brazil	53	0	53
United States	5	0	5
United Kingdom	0	22	22
Total	590	535	1,125

Environmental duties refer to taxes paid by Equinor directly to governments and tax administrations as a result of our business operations. Carbon quotas refers to the costs associated with the purchase of emission allowances as part of the EU Emissions Trading System (ETS).

Our approach to tax

Equinor is committed to being a responsible corporate citizen and tax is a core part of this commitment.

Our guiding principles to achieve this mission are safeguarded by professionally executed tax compliance and tax planning which is aligned with our business strategy; ensuring we pay the right amount of taxes in the right places at the right time. Equinor does not engage in artificial transactions which have no connection to our business activities and whose only purpose is to avoid tax.

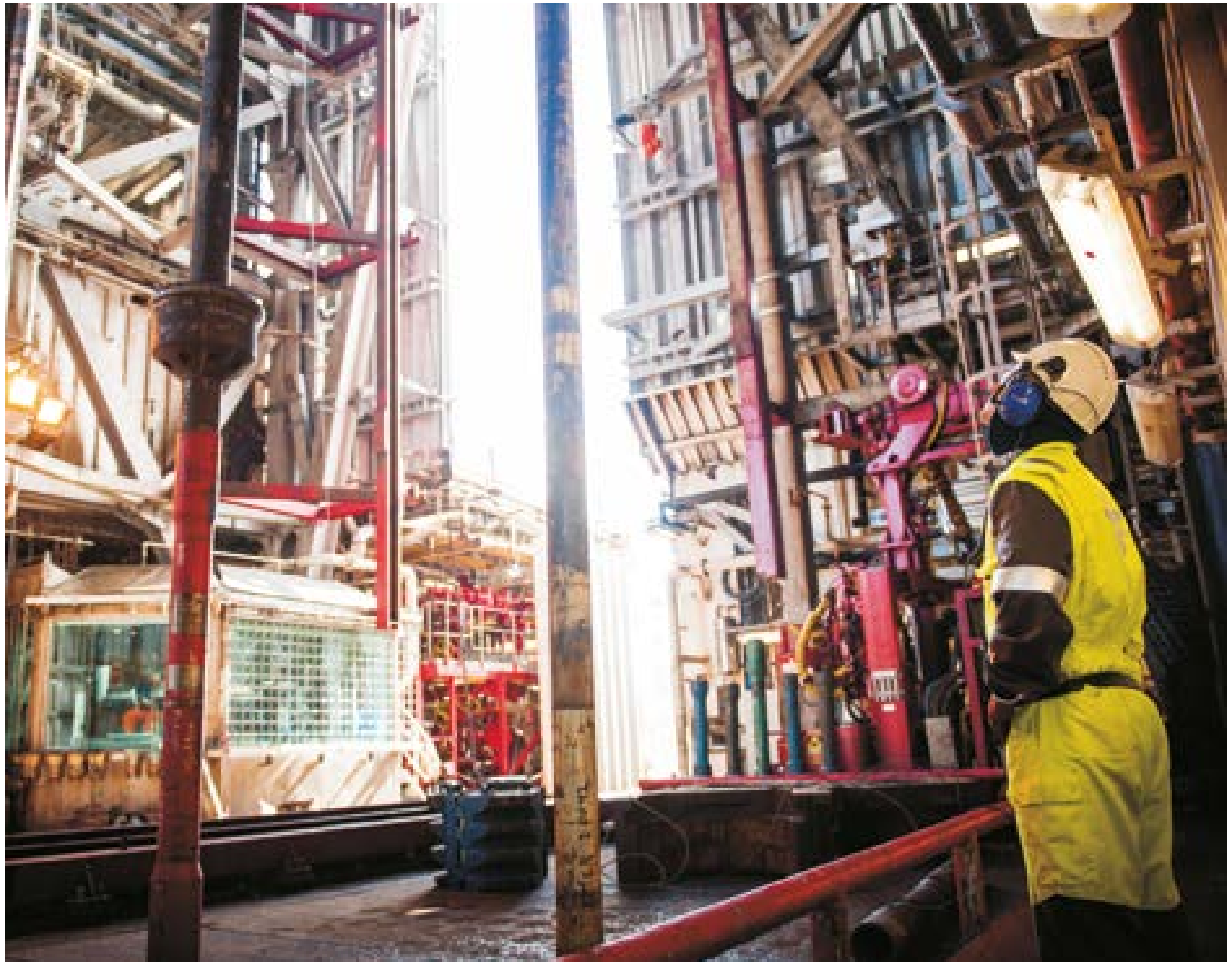
Transparency is a vital principle in our approach to tax as demonstrated by this report. We believe that transparency goes beyond the provision or disclosure of the information to tax authorities which is required legally and extends to proactive consideration of other stakeholders. We believe that greater transparency around our tax strategy, tax compliance, and how we manage tax risks contribute to building trust in the way we do business and strengthen our relationship with key stakeholders.

Our tax strategy

Our tax strategy exists to support our business strategy. We emphasise strict compliance with tax laws in order to preserve and maintain value for our stakeholders. Our tax planning is driven by the objective to match income with expenses so as to obtain a tax deduction for all valid business costs and to avoid double taxation according to the principles of domestic laws and guidelines provided by, *inter alia*, the OECD. Given that resource deposits are dispersed globally without regard to national borders, we often incur costs in a jurisdiction where an intial business or exploration campaign is unsuccessful and where Equinor has no other commercial activity. This results in stranded costs that are not deducted for tax purposes, making our planning objectives challenging to achieve.

Paramount to our tax strategy is to manage tax risk. Our Global Tax Strategy document[3] outlines our main tax objectives and our mission. The strategy is applicable globally.

The Global Tax Strategy is owned, overseen and approved annually at Board level.



[3] Global Tax Strategy

Our tax compliance

Professionally executed tax compliance is a fundamental part of our tax function. This means paying the right amount of taxes where they are due. We are committed to strict compliance with tax laws. We benefit from fiscal incentives and exemptions where these benefits are legally justified and are integral to our underlying commercial circumstances.

Every year our tax and finance staff across the globe file tax returns and initiate tax payments with the relevant local authorities in a timely and accurate manner. Our tax compliance function is underpinned by a culture of openness and transparency. To maintain this culture, we actively develop our people to ensure the highest possible quality of work, review, and professionalism within the tax and accounting function. Errors and omissions are reported and escalated when identified. If necessary, we re-evaluate our methodology and documentation systems carefully, ensuring strict record keeping rules are followed in the process. Where specialist knowledge is required and is not available inhouse, Equinor seeks the appropriate technical expertise from external advisors.

Equinor ensures efficient compliance with tax rules and regulations by engaging openly with tax authorities around the globe concerning uncertainties or tax disputes which may arise. We handle tax correspondence proactively and pursue an open dialogue with tax authorities. Equinor seeks to enter into co-operative arrangements and other advance agreements with tax authorities where we are able to do so. These arrangements reduce the risk of uncertainties and disputes arising with tax authorities alongside demonstrating the robustness of our processes and the controls which safeguard our commitment to professionally executed tax compliance.

We do not tolerate or support the facilitation of illegal tax evasion. We have zero tolerance for corruption and all Equinor personnel must familiarise themselves with and adhere to our Code of Conduct through a confirmation statement. Our Code of Conduct is based on our values and reflects our commitment to high ethical standards. Stakeholders are encouraged to report concerns about unethical behaviour through our Ethics Helpline which allows for anonymous reporting.

Our tax risk control framework

Managing tax risks through a robust control framework is a fundamental part of Equinor's approach to tax and is central to supporting our business strategy. In addition to defining specifically what is an acceptable level of tax risk in a country, Equinor takes a portfolio approach and assess the resulting risk from our operations in multiple tax jurisdictions.

The tax risks associated with our business strategy are monitored with material changes or developments in our risk profile being escalated to senior management as appropriate. Our approach to tax risk management is in line with wider group policies regarding risk management and which assess risks based on their group level impact and likelihood of occurrence.

We monitor tax risk exposures on a quarterly basis as a core element of our tax risk management framework. This framework provides a standardised mechanism for reporting tax risks throughout the corporate group and at all levels of management.

We also keep an updated Tax Governance Manual, which thoroughly sets out, using a "RACI" (Responsibility, Accountability, Consultation, and Information sharing) model, how we manage tax matters at Equinor across the corporate functions and business areas. The manual also documents our risk management procedures for the escalation of material tax risks to the Group Head of Treasury and Tax.

Governance

Our relationships with governments and communities

Equinor has activities in more than 30 countries around the world. Open and honest engagement with our stakeholders, including governments, is critical in maintaining our strong reputation as a good corporate citizen, but also in ensuring we continue to deliver long-term sustainable value.

We recognise that only through collaboration and partnerships with governments and local communities can we achieve success and create lasting value in the places where we work. We aim to build long-term relationships based on trust with governments and local communities.

These relationships are built on four key pillars:

Revenue – We contribute to local economic development through the taxes we pay directly to governments and indirectly through tax on the services and goods we source from suppliers.

Competencies - We contribute to the development of local community investments, largely focussing on building local capacity and supporting science, technology, engineering, and mathematics education.

Infrastructure - We invest in local infrastructure.

Jobs - We aim to recruit locally and provide attractive training opportunities that build local capacity and skills.

Our interactions with tax authorities including disputes and negotiations

Constructive engagement with tax authorities is a fundamental part of our tax strategy and how we manage tax risk. It also forms part of our commitment to professionally executed tax compliance.

Equinor seeks to avoid disputes with tax authorities and to minimise uncertainty by maintaining a good relationship with tax authorities and governments wherever we have operations.

Owing to the size and scope of our operations, the complexity of our business and the tax legislation, uncertainties and disputes can arise where we interpret tax laws and their application in ways that differ from tax authorities. We look to engage pro-actively with tax authorities to resolve uncertainties at the earliest opportunity and find resolution before a dispute arises. This is often achieved upfront via advance pricing agreements and rulings or similar cooperative approaches which aim to minimise the risk of future disputes.

Where appropriate, Equinor works with its peers or within industry associations to establish best practices in interpreting tax laws and to create sustainable frameworks for the resolution of disputes. In some cases, Equinor seeks to amicably settle or, where necessary, to resolve disputes through litigation.

Industry representation and stakeholder engagement

Equinor is open to dialogue with all stakeholders and we welcome the opportunity to work with our peers and those with common interests at an industry level. We believe in the value of collective action to actively promote objectives such as anti-corruption and revenue transparency. We have long-standing relationships with the UN Global Compact, the World Economic Forum's Partnering Against Corruption Initiative (PACI), and Transparency International (TI).

We also seek to engage constructively with tax authorities, governments, and other tax policy makers on the development of effective tax legislation through industry associations and other similar bodies. The development of stable regimes is beneficial for all parties as they reduce uncertainty for governments, companies and other stakeholders.

Through active involvement in these organisations and continuous engagement with our stakeholders more broadly, we seek to promote responsible tax principles through exchange of knowledge and experience. We welcome stakeholder feedback on our approach to tax and encourage greater levels of communication with stakeholders both directly and indirectly through regular dialogue, media analysis and investor meetings. We believe these initiatives demonstrate our continued commitment to good governance and increased transparency.

Our key tax issues

This section of the report seeks to address areas of our tax profile and strategy which may attract particular interest.

Our engagement with stakeholders concerning these issues is a fundamental aspect of our commitment to transparency. We hope that this section of the report prompts constructive dialogue around these topics which will lead to greater trust in how we do business.

Our approach to tax policy

In our dialogue with stakeholders on fiscal and tax reform, given the long-term nature of our business, we use the following principles to define sustainable fiscal policy.

1. **Capture an appropriate share of the return from the exploitation of the resources.** The fiscal regime should ensure that the state receives a sufficient share of the benefit realised from its resources and that the investor is compensated for its investment and risks.
2. **Neutral.** The fiscal regime should not distort investment decisions by being over-burdensome or through subsidisation.
3. **Stable.** Large energy projects take several years in construction and are expected to be in operation for decades. The state and investors should be able to plan ahead and rely on terms being adhered to.
4. **Responsive.** The regime should respond in a progressive manner to changes in underlying economic conditions.
5. **Administratively simple.** Rules should be clear, enforceable and non-discriminatory, with an effective mechanism for dispute resolution.
6. **Competitive.** The regime should be competitive with other jurisdictions, taking account of the attractiveness of the geology and other factors.

Effective tax rate

The Equinor group's reported effective tax rate is mostly driven by the composition of taxable income earned in various jurisdictions (with their differing tax rates) around the world - with the Norwegian standard corporate income tax and the special petroleum tax rate (at a combined marginal tax rate of 78%) having the most significant influence on the average reported rates for the group. Various financial factors can also affect the group's reported effective tax rate such as foreign exchange rate movements and other financial accounting effects.

The effective tax rate is calculated as income taxes divided by income before taxes. Fluctuations in the effective tax rates from year to year are principally the result of non-taxable items (permanent differences) and changes in the relative composition of income between Norwegian oil and gas production, taxed at a marginal rate of 78%, and income from other tax jurisdictions. Other Norwegian income, including the onshore portion of net financial items, is taxed at 22%, and income in other countries is taxed at the applicable income tax rates in the respective countries.

Deferred tax

Our effective tax rate is driven by our income tax expense during the year - this is the amount of corporate income tax we expect to pay on our taxable net income. A key element in determining our tax liabilities is our deferred tax position which refers to the recognition of an obligation to pay (or recover) tax at a future date. This is often the result of temporary or timing differences which arise between the different tax bases of assets and liabilities. It can also arise where we carry forward unused tax losses or credits (see Tax Incentives - Deferred Tax Assets).

Our deferred tax position is primarily driven by accelerated depreciation rates on our capital infrastructure. This reflects the significant level of expenditure required to have the necessary equipment and machinery in place to operate our business successfully at the outset of a project. These accelerated rates of depreciation differ from the financial accounting depreciation rates used to determine our net income position for the year. The differences in depreciation rates support Equinor as we seek to recover our initial investment costs over a shorter payback period (see Tax Incentives - Accelerated Depreciation Rates). However, in turn, these create deferred tax liabilities which reflect the fact that future tax liabilities will be greater as the financial accounting depreciation rate exceeds the tax depreciation rate. In our case these can be very material; at 31 December 2022 our net deferred tax liability on fixed assets was $22.7bn (2021 $26.4bn).

Windfall Taxes

During 2022 and into 2023, some governments introduced additional 'windfall' taxes designed to tax the unusual profits of companies which have benefited from high energy prices. For example, the UK government introduced a 25% Energy Profits Levy (EPL) in May 2022, which was increased to 35% from January 2023. The levy is charged on profits from oil and gas operations in the UK or on the UK Continental Shelf and is in addition to existing profit-based taxes on the sector. The EPL increased the rate of tax on oil and gas company profits to 75% from January 2023.

In addition, the UK government also introduced the Electricity Generator Levy (EGL) which took effect from 1 January 2023. The EGL imposes a tax of 45% on exceptional receipts generated from the production of wholesale electricity which is sold at an average price in excess of £75 per MWh.

Both the EPL and EGL are scheduled to expire on 31 March 2028.

We recognise that volatility in the energy market creates significant challenges for businesses and households. This is why we continue to engage with governments, through industry associations and directly via public consultations, on proposals for the development and application of windfall taxes. Collaboration between industry, government and other stakeholders ensures developments in tax policy are balanced and have clear achievable objectives.

We have been clear in our view that any windfall tax charged on unexpected profits needs to be:

- **Profit-based.** This is because as energy prices increase, so do the costs associated with energy production. A tax on revenue does not take into account the additional costs suffered as a result of higher prices.
- **Progressive**. A windfall tax should only be charged on the profits arising by virtue of higher energy prices.
- **Time-limited.** As windfalls are usually temporary, the tax should only be applicable to the period the unexpected profits arise and not be applied retroactively. Retroactive application can cause uncertainty for investors and damage investment in future projects.
- **Balanced.** It is important that any windfall tax does not impede progress on tackling climate change or compromise energy security. Investment in renewables and low-carbon solutions should be encouraged and supported with tax and other fiscal incentives. This is to ensure government objectives concerning Net Zero and energy security are achieved.
- **Simple.** A windfall tax should be simple to administer and comply with. Requiring additional tax filing obligations creates unnecessary complexities and increases the burden of compliance.

Tax subsidies

We define a tax subsidy as a provision in tax (or other) law which provides conditions where post tax returns exceed pre-tax returns for a given project. Generally, we do not regard use of tax subsidies as sustainable fiscal policy. At the same time, we see that certain tax incentives - such as excess allowances for capital expenditures, limited scope tax exemptions on capital gains and for indirect taxes on imports – can be necessary to attract and accelerate investments in capital intensive industries such as energy.

Tax incentives and relief for capital expenditure

Our business model requires significant capital investments, especially during the initial exploratory and development phases of a project when we generate little or no revenue. This level of investment is required to ensure we have the necessary assets, materials, equipment and people in place to locate resources and construct the infrastructure needed to produce energy over a number of years. Many governments offer tax reliefs and incentives which support us by reducing our payback period and they form an integral part of contract negotiations between energy companies and governments prior to resource exploration or production. As explained above, these reliefs differ depending on the fiscal regime employed by governments and the individual agreements under which Equinor operates in a particular jurisdiction.

Accelerated Depreciation Rates: Given the level of capital investment, the rate at which that expenditure can be deducted for tax purposes is a key element in determining our tax liabilities. Many governments offer accelerated depreciation rates for tax purposes and therefore help Equinor to recover our initial investment costs over a shorter payback period. For more information on how accelerated depreciation rates impact our deferred tax position please see 'Deferred Tax'.

Deferred Tax Assets: Equinor is usually not liable to pay corporate income tax during the exploratory phase of a petroleum project or other new business venture or activity. This is because it is an investment-driven phase of a project and costs are incurred prior to the recognition of revenue or profit. In other words, these costs are generating a tax loss for a particular year in the initial phases of investment. In most jurisdictions, businesses are able to carry forward these losses and set them against future profits. Subject to certain conditions given by International Financial Reporting Standards (IFRS) those losses are recognised in our accounts as a deferred tax asset.

Transfer pricing

As a multinational enterprise in the energy sector we are engaged in operations and have activities in more than 30 countries. The business operates across many countries and includes a number of inter-company crossborder transactions. These internal transactions mostly cover provision of management, technical and financial services, as well as intercompany marketing and trading. The transfer prices applied to inter-company transactions are based on the OECD's arm's length principle.

As an example, our upstream and renewable operations are determined by the location of resources; this commercial reality for our business means we have operations spread across the globe. These specialised operations require standard business support in the form of finance, human resources, information technology, communications, and legal services among many others. In some cases, the skills and experience required to meet these business needs are not available in the locations. As a result, Equinor relies on centralised service hubs which provide the necessary technical services and business support to our global operations efficiently.

We seek to ensure the cost of such support is fairly charged to the group entities. For its oil and gas operations, Equinor operates mainly under an industry-standard 'no gain no loss' principle when charging for intra-group service transactions, whereby the primary service hub at our headquarters in Norway recognises no profit on these intercompany services.

Case study: Delaware

The US state of Delaware is often characterised as a tax haven by commentators due to the relatively low (or no) income tax charged for incorporation in the state and to the possibility of anonymity for shareholders in Delaware legal entities. Equinor regularly incorporates its US operations in Delaware companies based on many factors including a well-developed legal system for corporations.

In addition to federal income tax, all of our US operations are fully subject to state income tax, generally according to an apportionment system which allocates income based on the existence of assets, employees and revenues located in the various states where value is created, and not being taxed simply based on the act of incorporation itself. We are opposed to unnecessary corporate secrecy and are pleased that the US Congress passed legislation at the end of 2020 mandating all states, including Delaware, to publish details of beneficial ownership and thereby prevent the opportunity for certain actors to use shell companies incorporated in Delaware to hide illicit activities.

Controversial tax jurisdictions

Some of the countries in which Equinor is present have significantly lower tax rates than other countries. Although there is no commonly accepted definition for a low tax jurisdiction or a tax haven, Equinor seeks to avoid investments in countries which are widely regarded as attracting investment only by virtue of their exceptionally low tax rate. However, several of these jurisdictions still remain in our corporate structure for the following reasons:

1. There are production, manufacturing or processing activities in those countries.
2. These structures were created several years ago by our joint venture partners in consortium with several other parties- including governments.
3. The companies hold investments in other jurisdictions where the profits are taxed in the country of operation.
4. Where we have acquired an investment, and the seller's corporate structure includes a presence in a low tax jurisdiction.
5. Where companies are inactive but cannot be liquidated owing to the existence of contingent liabilities.

Equinor closely controls investments in these jurisdictions, and actively seeks to liquidate or re-locate investments from these jurisdictions as efficiently as possible.

Other taxes

Equinor pays many other taxes in addition to corporate income tax and profit-based taxes. They often receive little attention and can be easily overlooked by external stakeholders and the wider public. However, they can have a material impact on our overall tax profile and the tax risks we face. We hope that greater transparency around the other taxes Equinor pays will increase awareness among our stakeholders and offer further insights into our international tax profile beyond corporate income tax. Other taxes encompass a wide range of taxes which includes:

Taxes on products and services: Indirect taxes on the production and consumption of goods and services which range from value-added tax (VAT), sales taxes or customs duties. Indirect taxes of this kind can be significant for Equinor during all stages of a project lifecycle as goods, materials, and equipment are transported around the world and economic value is generated through the business cycle.

Indirect taxes can present a significant financial and administrative burden for Equinor in particular jurisdictions when additional complexities are factored in. For example, it is not uncommon for VAT refunds, which are owed to Equinor by tax authorities as a result of overpayments, to be outstanding for long periods of time or be repaid in the form of government bonds which can take many years to mature. Many governments may also challenge the status of VAT refunds, disputing whether Equinor is entitled to receive the refund and in effect rendering the VAT overpayment irrecoverable.

These added uncertainties can impact our tax profile and tax strategy.

Employment taxes: Taxes on employment includes both those taxes that are borne by Equinor as an employer, such as employer social security payments, and those taxes collected on behalf of governments, such as income taxes. Equinor employs over 22,000 people globally meaning that people taxes are a significant portion of our total tax profile. For more information on our contribution through employment taxes for 2022, please see the 'Other contributions' section.

Property taxes: Property taxes refers to taxes on the ownership, sale, transfer or occupation of property. Equinor can also be liable to pay rental or lease payments to governments for the occupation of land or territory during the various phases of a project lifecycle.

Environmental taxes: Taxes and duties are levied on the supply, use or consumption of goods and services that are considered to be harmful to the environment. For more information on environmental taxes, please see the 'Sustainability' section of the report.

Our contribution

Payments to governments

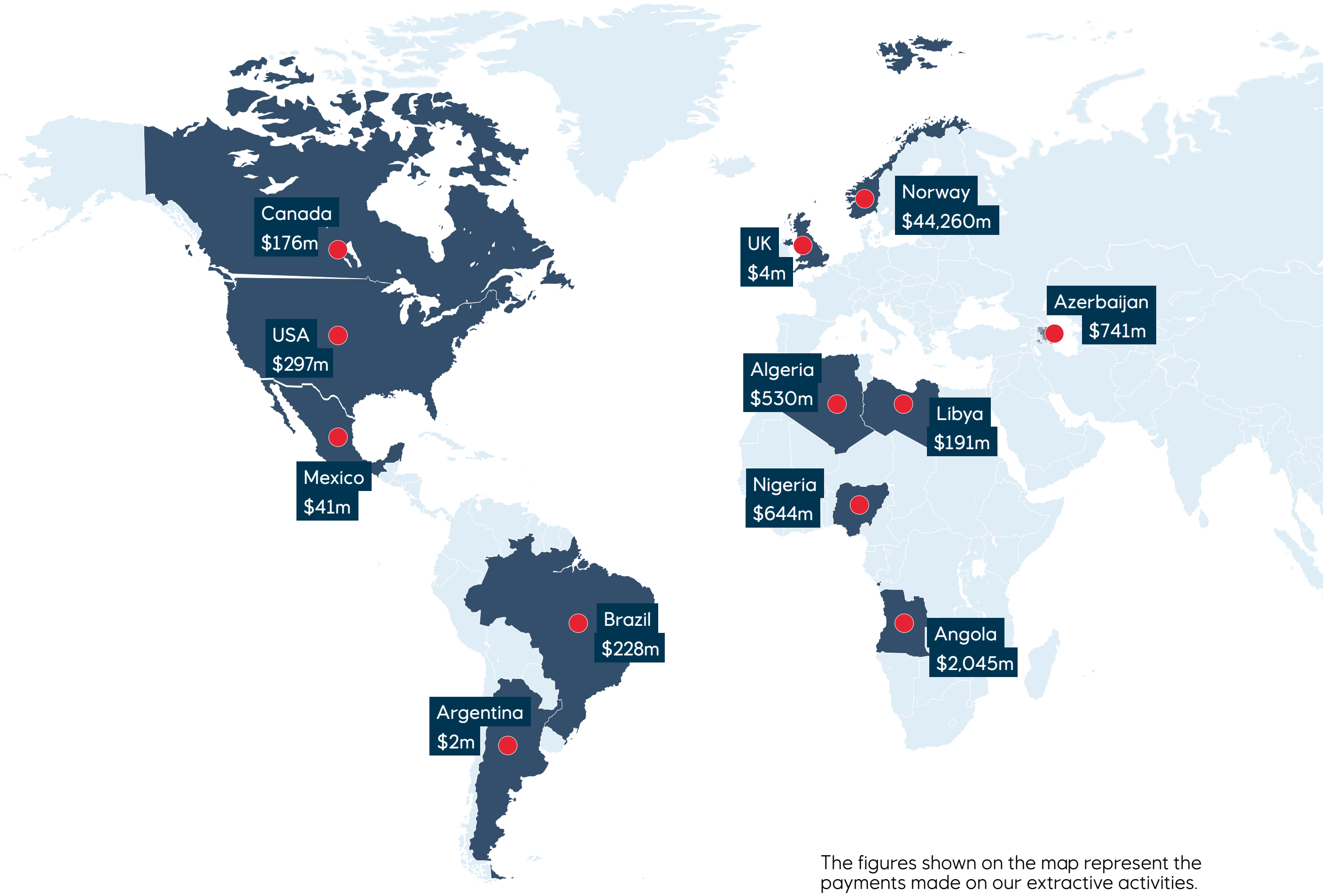
Equinor paid $49.2 billion in taxes, fees, bonuses and other payments to host governments in 2022 in respect of extractive activities.[4] While the largest payment of $44.3 billion was in Norway, over 85% of our contribution through royalties and other payments was in territories classified as lower or upper middle income.[5] Excluding Norway, our global contribution for 2022 totalled $4.9 billion. This map opposite shows payments relating to Equinor's extractive activities and which government received the payment.

Our largest contributions outside Norway were in Angola, Azerbaijan, and Nigeria where we paid $3.4 billion in taxes and other payments. These payments to governments are largely driven by strong results from operations in these countries leading to corporate income tax payments; however, this is not always the case and we contribute to governments and local authorities through many other forms of payment:

Equinor contributed $49,183m in taxes, royalties and fees globally during 2022.

- We paid $506 million in royalty payments; our largest contributions were in Brazil, the United States, Nigeria and Canada.
- We paid $403 million in government fees and bonuses; our largest contributions were in Canada, Brazil and Nigeria.
- We paid $3.1 billion in government entitlements; over 95% of these contributions were paid to governments and local authorities in Angola, Azerbaijan, Algeria and Nigeria.

In accordance with Norwegian regulation, Equinor prepares annually a consolidated report on payments to governments for activities related to exploration, prospecting, discovery, development, and extraction of oil and natural gas ('extractive activities'). Payments reported include taxes levied on the income, production or profits of companies, royalties, bonuses and rental fees for the right to use a geographical area. Taxes levied on consumption, such as value added taxes, personal income taxes, sales taxes, withholding taxes, property taxes and environmental taxes, are excluded.



The figures shown on the map represent the payments made on our extractive activities.

[4] The figures shown on this page have been taken from our latest payments to governments report.
[5] As classified by the World Bank based on the level of gross national income (GNI per capita). Lower and upper middle income are defined as countries with a GNI per capita of $1,086 to $4,255, and 4,256 to $13,205 respectively.

Other contributions

Our payments to governments are an important part of how we contribute to the communities and environments where we operate; however, we also contribute through investment into projects which support local economies by generating employment and local content. We invested $10.0 billion into our operations and projects globally in 2022. A quarter of this investment supports our operations located in territories classified as lower middle to upper middle income. In many countries we also work closely with domestic state-owned energy companies where we engage in knowledge and experience sharing.

We employ 22,000 highly skilled people globally with 87% operating out of Norway. Equinor ASA paid $1.3 billion in employment taxes to the Norwegian government in 2022. This comprised $0.4 billion in taxes borne by Equinor, and $0.9 billion in taxes collected on behalf of our employees.

Country-by-country reporting

Country-by-country reporting is the requirement to disclose data on revenues, profits, tax, number of employees and other financial information to tax authorities for every country in which the group operates. Since 2016, we have provided this information to tax authorities but we recognise that there is a focus on corporate income tax in the tax transparency debate and disclose details of our revenues, profit, income tax charge and income tax paid as well as the number of employees in the countries where we operate. We do this with the recognition that greater transparency over our corporate income tax helps to build trust with our stakeholders. The table includes Equinor's extractive activities (as shown on the map) together with all other parts of the group's business model.

Entity Overview

For an overview of significant subsidiaries in the Equinor group please refer to the table on page 222 of our Integrated annual report. This table presents significant subsidiaries by country of incorporation which is the same location for tax residency purposes.

Summing up

We hope that this report is useful to our various stakeholders. We welcome comments on its content and are committed to ensuring that we are transparent on the taxes we pay and the work that we undertake to ensure that we pay the right amount of tax at the right time and in the right places.

Contextual information at Equinor group level based on country of operation[1]

(in USD millions)	Number of employees[2]	Net intercompany interest income/ (expense)	Third-party revenue	Related-party revenue	Total revenues	Income/(loss) before tax	Income tax (expense)/credit[3]	Income tax (paid)/ refunded[4]	Retained earnings/ (deficit)	Tangible assets	Comments
Algeria	20	4	401	175	577	343	(174)	(193)	231	622	
Angola	17	19	3	2,513	2,516	1,784	(668)	(438)	1,106	886	Uplift on capital expenditures reduces effective tax rate
Argentina	4	2	16	2	18	80	(1)	0	34	89	
Australia	-	0	6	(6)	0	0	0	0	(271)	-	
Azerbaijan	10	2	(3)	393	390	5	(57)	(39)	540	1,300	Effective tax rate increased by non tax-deductible expenditures and unrecognized deferred assets
Bahamas	29	(6)	0	0	0	(24)	-	-	(794)	1	
Belgium	65	0	0	0	0	0	(1)	0	1	4	
Bosnia and Herzegovina	1	-	15	(14)	0	0	0	0	0	0	
Brazil	807	(448)	291	1,161	1,451	(570)	390	4	(3,623)	8,951	Effective tax rate reduced by currency effects
Canada	72	0	23	562	586	137	121	1	(1,832)	762	Effective tax rate reduced by recognition of previously unrecognized deferred tax assets.
China	7	0	0	0	0	0	0	0	(17)	1	
Colombia	-	0	-	0	0	0	0	0	(122)	-	
Denmark	383	(42)	5,760	1,193	6,953	2,510	(552)	(535)	2,040	7	
Germany	15	0	(11)	41	31	22	(6)	4	63	10	
Greenland	-	0	0	0	0	0	0	-	(3)	-	
India	4	0	2	0	2	(2)	(1)	0	(3)	0	
Iran	-	1	0	1	1	(6)	2	-	(1)	-	
Iraq	-	0	-	0	0	0	0	-	(187)	-	
Ireland	-	(1)	305	117	422	243	(31)	-	632	268	
Japan	8	0	1	0	1	0	0	0	0	1	
Kazakhstan	-	0	-	0	0	0	0	-	(1)	-	
Libya	4	1	152	1	153	138	(96)	(91)	59	76	
North Macedonia	1	0	(3)	3	0	0	0	-	0	0	
Mexico	-	(1)	0	0	0	(1)	0	-	(140)	-	
Mozambique	-	0	0	0	0	0	0	0	(1)	-	
Netherlands	16	51	237	51	288	(41)	7	0	531	1	Effective tax rate reduced by tax exempt income and unrecognised deferred tax assets

Contextual information at Equinor group level based on country of operation[1]

(in USD millions)	Number of employees[2]	Net intercompany interest income/ (expense)	Third-party revenue	Related-party revenue	Total revenues	Income/(loss) before tax	Income tax (expense)/credit[3]	Income tax (paid)/ refunded[4]	Retained earnings/(deficit)	Tangible assets	Comments
New Zealand	-	0	0	0	0	0	0	-	(76)	-	
Nicaragua	-	0	0	0	0	(1)	-	-	(65)	-	
Nigeria	11	3	61	364	425	536	(146)	(186)	319	88	
Norway	19,029	663	123,936	32,346	156,282	75,072	(51,317)	(43,028)	64,852	32,096	Uplift on capital expenditures reduces effective tax rates, combined with revenue composition between offshore and onshore regimes.
Poland	11	0	1	0	1	(14)	0	-	(54)	81	
Russia*	13	(8)	48	10	58	(863)	73	(7)	(838)	4	
Singapore	51	1	5	1	6	5	(1)	(1)	22	3	
South Africa	-	0	0	0	0	0	0	0	(93)	-	
South Korea	16	-	2	-	2	(40)	0	0	(54)	0	
Suriname	-	0	-	0	0	(7)	0	0	(69)	-	
Sweden	-	0	0	0	0	1	0	-	5	5	
Tanzania	10	0	0	0	0	(8)	0	-	(259)	1	
Turkey	1	0	6	1	7	6	(1)	(1)	4	0	
UK	734	2	362	1,208	1,570	1,869	(131)	(6)	1,141	2,236	Effective tax rate reduced by uplift for loss carry forwards and uplift on capital expenditures increases the recognised deferred asset.
Uruguay	-	0	-	0	0	0	0	0	(74)	-	
USA	597	(249)	19,156	13,352	32,509	5,246	2,640	(128)	(14,220)	10,285	Effective tax rate reduced by recognition of previously unrecognized deferred tax assets.
Venezuela	-	0	0	0	0	(6)	0	-	(623)	-	
Sum before eliminations	21,936	(5)	150,773	53,479	204,252	86,414	(49,954)	(44,647)	48,164	57,776	
Consolidation eliminations[5]		5	-	-	-	(7,810)	93	11	1,641	-	
Equinor group	21,936	-	150,773	53,479	204,252	78,604	(49,861)	(44,636)	49,805[6]	57,776	

* Equinor decided on 27 February 2022 to exit Russia and this process was fully completed in September 2022
1. The above country-by-country reporting table includes all territories where the Equinor group has active operations
2. Number of employees is reported based on the company's country of operation.
3. Income tax expense as defined in note 11 of the Consolidated financial statements in the 2022 Integrated annual report.
4. Income tax paid includes taxes paid in-kind of USD 441 million.
5. All intercompany balances and transactions arising from Equinor's internal transactions, have been eliminated in full. The relevant amounts are included in the consolidation eliminations line. Revenues column: eliminations of intercompany revenues and netting of some intercompany costs. Income before tax column: eliminations of intercompany dividend distribution and share impairment as well as foreign exchange gain on intergroup loan. Income tax expense column: tax effects of certain elimination entries. Retained earnings column: eliminations are mainly related to foreign currency translation effects in the consolidation process. Translation of results and financial position to presentation currency of USD is significantly affected by the investment in subsidiaries which has NOK as functional currency. In turn, those subsidiaries include the results and financial position of their investments in foreign subsidiaries, which have USD as functional currency.
6. Retained earnings at Equinor group level includes currency translation adjustments and OCI from equity accounted investments as presented in Consolidated statement of changes in equity in the 2022 Integrated annual report.

Cautionary statement

This report contains certain forward-looking statements that involve risks and uncertainties. In some cases, we use words such as "aim", "ambition", "ancipate", "believe", "continue","expect", "objective", "may", "plan", "schedule", "seek", "should", "strategy", "target", "will", "in line with", and similar expressions to identify forward-looking statements.

All statements other than statements of historical fact, including: the ambition to be a leading company in the energy transition; our ambition to reach net zero by 2050; our ambitions regarding allocation of gross capital expenditures to renewables and low carbon solutions; our ambitions to decarbonise and accelerate investments in renewables, energy efficiencies and low-carbon solutions and the balance between oil and renewables production; future levels of, and expected value creation from, oil and gas production; our ambitions regarding value creation for society and to maintain value for stakeholders; scale and composition of the oil and gas portfolio; market outlook and future economic projections and assumptions, expectations and plans regarding capital expenditures; future financial performance; expectations regarding cash flow and returns from our oil and gas portfolio and renewable projects; business strategy and competitive position; sales, trading and market strategies; expectations related to production levels, investment, exploration activities, discoveries and development in connection with our ongoing transactions and projects; our ambitions and plans regarding recruitment and employee training; expectations relating to licences; plans and expectations regarding processes related to corporate structure and organizational policies; expectations regarding role of the board; our goal of safe and efficient operations; effectiveness of our internal policies and plans; our ability to manage our risk exposure; estimated or future liabilities, obligations or expenses; expectations related to regulatory trends; projected impact or timing of administrative or governmental rules, standards, decisions, standards or laws, including taxation laws; are forward-looking statements.

You should not place undue reliance on these forward-looking statements. Our actual results could differ materially from those anticipated in the forward-looking statements for many reasons, including the risks described in section 5.2 (Risk factors) of our Integrated Annual Report for 2022, as referenced into Item 3.D. in our 2022 Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission.

These forward-looking statements reflect current views about future events, are based on our current expectations and assumptions and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including levels of industry product supply, demand and pricing, in particular in light of significant oil price volatility and the uncertainty caused by the European security situation, including Russia's invasion of Ukraine; unfavorable macroeconomic conditions and inflationary pressures; exchange rate and interest rate fluctuations; levels and calculations of reserves and material differences from reserves estimates; regulatory stability and access to resources, including attractive low carbon opportunities; the effects of climate change and changes in stakeholder sentiment and regulatory requirements regarding climate change; changes in market demand and supply for renewables; inability to meet strategic objectives; the development and use of new technology; social and/or political instability; failure to manage digital and cyber threats; operational problems; unsuccessful drilling; availability of adequate infrastructure; the actions of field partners and other third-parties; reputational damage; the actions of competitors; the actions of the Norwegian state as majority shareholder and exercise of ownership by the Norwegian state; changes or uncertainty in or non-compliance with laws and governmental regulations; adverse changes in tax regimes; the political and economic policies of Norway and other oil-producing countries; regulations on low-carbon value chains; liquidity, interest rate, equity and credit risks; risks relating to trading and commercial supply activities; an inability to attract and retain personnel; ineffectiveness of crisis management systems; inadequate insurance coverage; health, safety and environmental risks; physical security risks; failure to meet our ethical and social standards; non-compliance with international trade sanctions; and other factors discussed elsewhere in Equinor's publications which are available at Equinor's website www.equinor.com.

The achievement of Equinor's climate ambitions depends, in part, on broader societal shifts in consumer demands and technological advancements, each of which are beyond Equinor's control. Should society's demands and technological innovation not shift in parallel with Equinor's pursuit of its energy transition plan, Equinor's ability to meet its climate ambitions will be impaired. The reference to any scenario in this report, including any potential net-zero scenarios, does not imply Equinor views any particular scenario as likely to occur.

Equinor does not assume any responsibility for the accuracy and completeness of any forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made. Unless we are required by law, we will not necessarily update any of these statements after the date of this report, either to make them conform to actual results or changes in our expectations.

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