REFINITIV STREETEVENTS

EDITED TRANSCRIPT

EQNR.OL - Q1 2023 Equinor ASA Analyst Conference

EVENT DATE/TIME: MAY 04, 2023 / 9:30AM GMT

CORPORATE PARTICIPANTS

Bård Glad Pedersen *Equinor ASA - SVP of IR*

Torgrim Reitan *Equinor ASA - Executive VP & CFO*

CONFERENCE CALL PARTICIPANTS

Amy Wong *Credit Suisse AG, Research Division - Research Analyst*

Biraj Borkhataria *RBC Capital Markets, Research Division - Director, Co-Head of European Energy Research Team & Lead Analyst*

Christyan Fawzi Malek *JPMorgan Chase & Co, Research Division - MD and Head of the EMEA Oil & Gas Equity Research*

Henri Jerome Dieudonne Marie Patricot *UBS Investment Bank, Research Division - Associate Director and Equity Research Analyst*

John A. Schj. Olaisen *ABG Sundal Collier Holding ASA, Research Division - Co-Head of Research*

Kim Anne-Laure Fustier *HSBC, Research Division - Head of European Oil & Gas Research*

Lydia Rose Emma Rainforth *Barclays Bank PLC, Research Division - Director & Equity Analyst*

Martijn Rats *Morgan Stanley, Research Division - MD and Head of Oil Research*

Oswald C. Clint *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Steffen Evjen *DNB Markets, Research Division - Analyst*

Teodor Sveen-Nilsen *Sparebank 1 Markets AS, Research Division - Research Analyst*

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

PRESENTATION

Operator

Welcome to the Equinor Analyst Call First Quarter 2023 Results. (Operator Instructions) And finally, I would like to advise all participants that this call is being recorded. Thank you.

I'd now like to welcome Bård Glad Pedersen to begin the conference. Bård, over to you.

Bård Glad Pedersen - *Equinor ASA - SVP of IR*

Thank you, Gavin, and good morning, ladies and gentlemen. It's a pleasure to welcome you all to Equinor's analyst call for our first quarter results for 2023.

As it was said, my name is Bård Glad Pedersen, and I am Head of Investor Relations. As usual, our CFO, Torgrim Reitan, will present the results before we open for questions. And we know it's a busy day, so we will aim to keep this session within an hour.

Also on the call today, we have Fride Seljevold Methi, our SVP for Performance Management. And we have May-Kirsti Enger, our SVP for accounting.

So with that, I hand it over to you, Torgrim, to present our results.

Torgrim Reitan - *Equinor ASA - Executive VP & CFO*

Okay. Thank you very much, Bård, and good morning, everyone and thank you for joining us today. So this quarter, we are delivering strong results across the business, but with lower prices than the historic highs we saw last year.

A mild winter in Europe has helped bring energy prices down, and this is good for Europe. And we continue to be a reliable supplier. But the gas market is still vulnerable. And looking ahead to next winter, storage levels will again depend on weather, demand across Europe and China and LNG capacity. So these factors can easily put pressure on prices in a tight market, and small changes can lead to significant fluctuations.

We continue to be a stable supplier of energy to Europe and the world. Therefore, I'm happy to see solid operational performance, and we are on track to deliver 3% production growth in 2023. We are still in uncertain times. And we need to ensure that we steer safely through volatility.

And our strategy remains firm, and we aim to be a leading company in the energy transition, while offering energy security and delivering strong cash flow, creating value for our shareholders as we change.

Our balance sheet is very strong. And our cash flow expectations continue to be high, positioning us well to transition in an investor-friendly way. So let me take you through the results.

For the first quarter, we have strong earnings and cash flow across the business with very high value creation from our marketing and midstream segment. We have seen solid operational performance with production growth driven by ramp-up of new fields and resumed operations. We continue to have high gas production from the Norwegian Continental Shelf to Europe with no deferral of gas volumes this quarter.

We experienced cost pressure, as any industry or consumer, and therefore, we are carefully prioritizing our activities and driving cost control. At our Capital Markets Update in February, we announced a step-up in capital distribution based on strong outlook and results. And we are committed to deliver a competitive capital distribution. And it is our clear intention to deliver in total $17 billion in 2023, which results in an industry-leading yield of around 20%.

For the first quarter, the Board has approved a regular cash dividend of $0.30 per share, which was a 50% step up last quarter. And in addition, an extraordinary cash dividend of $0.60 per share, making the total cash dividend $0.90.

We continue to execute a $6 billion share buyback program for this year. Subject to approval of our Annual General Meeting next week, we will start a second tranche of $1.67 billion, which we will start on the 11th of May. So this reflects our clear intention to continue with this level for 2023. And also going forward beyond 2023, we will continue to use capital distribution as one of our tools to achieve a more efficient capital structure.

Safety. The trend for our safety performance is positive in several areas. The 12 months serious incident frequency is 0.4. But we see an increase in the 12-month average when it comes to total recordable injury frequency, which is 2.7 per million hours worked. We investigate every single injury to learn and prevent it from happening again.

So production. We are on track to deliver 3% production growth for 2023. In this quarter, we delivered high production of oil and gas with 2,130,000 barrels per day, which is 1% up from a strong first quarter last year. And that quarter was the last quarter we had production in Russia. And since then, we have also divested our share in Ekofisk and reduced our interest in Martin Linge. So these all contributed to a high production in the same quarter last year.

This quarter, production growth is driven by Johan Sverdrup Phase 2 and Peregrino coming on stream, and Snøhvit and Caesar Tonga coming back in operations. In the U.S. Gulf of Mexico, the Shell-operated Vito field was put on stream and will contribute to future production growth. We saw high deliveries of natural gas to Europe, with gas up almost 2% from last quarter. And Kårstø and Kollsnes, our processing plants, delivering 99% production efficiency.

We had some short-term operational issues on Johan Sverdrup in the beginning of the year. These were quickly resolved, but they impacted production growth in the quarter. Expected turnarounds for next quarter will impact production by 80,000 barrels per day. With this, we maintain our guidance for maintenance impact on production of 45,000 barrels per day for the year.

We made 3 commercial discoveries in the quarter with 2 of them in the Troll/Fram area. We have also increased our ownership share in 5 discoveries in this area, strengthening our positions in one of our core areas on the Norwegian continental shelf.

Power production for the quarter was 1.2 terawatt hours. 0.5 of this production is from our renewable assets, slightly higher than last year due to good wind and regularity and Hywind Tampen in production. We also had strong gas to power contribution from the Triton Power plant in the U.K.

So turning to our financial results. We have a net income of $5 billion and net operating income of $12.5 billion. Adjusted earnings came in at $12 billion and $3.5 billion after tax. These results are driven by solid operations across the business while impacted by reduced prices.

Costs increased compared to first quarter last year due to inflation, increased transportation costs and higher CO2 cost, in addition to high activity levels. For our operations in Norway, reported costs are impacted by the further weakening of Norwegian kroner. This quarter, our unit production cost was $6 per barrel, which is in line with our expectations and what we discussed at our Capital Market Update. We continue to work strategically with our suppliers and across our business units to manage costs. The tax rate on adjusted earnings was 70.6%.

Then moving to the segments. Within our upstream segments, we see strong earnings and good cash flow, driven by increased production and solid operational performance. Within our international business, we acquired Suncor Energy U.K. with ownership shares in Rosebank and the Buzzard field, in line with our strategy to optimize our oil and gas portfolio and building on a long-standing position as a broad energy partner to the U.K.

For the U.S. upstream business, the tax rate on adjusted earnings was 23.4% in the quarter within the new guided range. But remember, this will be credited against the tax assets we recognized in fourth quarter last year. So the cash flow effect is lower at around $27 million, including the federal Alternative Minimum Tax and state taxes.

The Midstream and Marketing segment delivered very strong results with $1.3 billion in adjusted earnings. So this is well above the new and increased guiding range for the segment. This is driven by strong results from trading of crude oil and refined products, while results from pipeline gas and power trading are down this quarter from an extraordinary level last year.

From this quarter, we have made some changes to our MMP reporting methodology. We have removed the mark-to-market timing effects of price hedging mechanisms to defer these to the time of physical delivery. The fact is that adjusted earnings are more than $800 million lower in the quarter than it would have been with the methodology we used before.

In the report, we have included restatements of previous quarters to enable you to compare results over time. When it comes to mark-to-market effects on derivatives related to geographical optimization, we have concluded to continue to report this within the adjusted earnings. We believe that after the totality of changes made, adjusted earnings will better reflect MMP's underlying performance.

Our renewable business delivered $29 million from assets in operation. And as we continue to build this business and the high level of project activity and business development will result in negative adjusted earnings. And we expect results at this level also for the next quarters before it will improve following the start-up of the Dogger Bank projects.

So over to cash flow. At our Capital Markets Updates, we presented an ambition to deliver average annual cash flow from operations of $20 billion after tax through this decade. This quarter, we delivered cash flow from operations of $9.7 billion after tax. So this is strong, and it is a good start.

But remember that this cash flow is impacted by only 1 tax installment in Norway of $5.4 billion. Next quarter, we will pay 2 similar tax installments. In the quarter, we paid $3.3 billion in cash dividends and share buybacks, a smaller cash flow impact than we will see in the next quarter.

In June, we will pay the state's share of buybacks covering the last 4 tranches from the second tranche last year up to and including the first tranche this year, a total of around $3.7 billion. So with 2 tax installments in Norway, total cash dividends of $0.90 per share payment, payment of state share of buybacks and startup of the second tranche of the share buyback in the market, we expect a total cash flow impact related to tax and capital distribution to be around $17 billion in the next quarter.

So our solid balance sheet is the basis for good risk management and our strong cash flow makes us resilient. Our net debt is further reduced to negative 52%, driven by the strong cash flow shown on this slide, and in addition, lower working capital, which has been reduced by around $5 billion, and also lower collaterals due to lower gas prices.

So when the net debt is in the negative territory at this level, this ratio is very sensitive to even small changes. And therefore, we see larger than normal fluctuations in the net debt ratio.

With current forward prices and tax and capital distribution payouts coming, we expect negative net cash flow in the second quarter and our net debt ratio to increase.

At our Capital Markets Day in February, we presented our balanced approach to the energy transition, highlighting our ambitions and portfolio. Our direction remains firm, and we maintain our guidance for production growth and organic CapEx.

So thank you very much for your attention, and I look forward to your questions and comments. So thanks.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And your first question comes from the line of Oswald Clint of Bernstein.

Oswald C. Clint - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

Two questions. And the first one. In the context of being a reliable supplier, the very strong gas output once again around about 810,000 barrels of oil equivalent in Norway. I think that's the second time it's reaching that very high level. So I just wanted to ask around sustainability of that volume really through the next -- the year and obviously, the years ahead. And just how the reservoirs and facilities are kind of responding to that level of output? I know you mentioned 1 facility doing 99%, which is pretty high and unlikely to be sustainable over the long term. That's the first question.

Secondly, and kind of linked to gas. But within MMP, you called out the trading of liquids this time. But there were some comments around LNG diversions, which is just not something I've seen Equinor doing an awful lot of over time. So if you could speak about the Snøhvit cargoes and what exactly you're up to there with LNG cargo diversions, that will be interesting.

Torgrim Reitan - *Equinor ASA - Executive VP & CFO*

Okay. Thank you very much, Oswald. So first, on gas production going forward. So high gas production in the quarter. We had no commercial holdback. So we produced at sort of as much as we could during the quarter and that gas has been needed in Europe.

Going forward, we have increased production permits from the Norwegian states. So we will produce more as long as we have those in place, and we do expect that to continue for quite a while. Also, we see that the facilities and the transportation system is working very well, and we are able to maintain a good and stable production.

For the next few quarters, I mean, when it comes to profiling of the gas, that will typically be steered by the forward curves. If there are big changes in the outlook for gas, it gives an incentive for us to optimize the production profile. As you have seen, the forward curve is rather flat. So there is fairly limited signals now to make commercial holdback over the next few months.

In the longer term, our gas production, we expect that to remain strong, and that is to perform very well. I think it's fair to say that we expect turnarounds coming, which will impact both gas and oil production for the next -- for the year. I mean we have on Troll, we have on Aasta Hansteen and Ormen Lange maintenance, which are all large gas producers.

Then on your second question, when it comes to LNG diversions. We have quite a bit of flexibility related towards Snøhvit cargoes. And clearly, we steer them to the best paying markets. And the MMP margin is this quarter -- is related to that, we divert cargoes to Europe compared to sort of their original landing point. So there are sort of LNG premium also in the MMP results.

So when we see large geographical differences between Asia, Europe and U.S., that typically generates trading opportunities within MMP related to LNG.

Operator

Your next question comes from the line of Biraj Borkhataria of Royal Bank of Canada.

Biraj Borkhataria - *RBC Capital Markets, Research Division - Director, Co-Head of European Energy Research Team & Lead Analyst*

Just a couple of points. So since last year, you were reinjecting less gas in order to obviously supply more gas to Europe, and that was much needed. But obviously, the market looks much better in terms of supply demand relative to what we expected maybe a few months ago and prices have come down quite a bit.

So I'm just trying to understand, are we close to the point where you look to switch back and start reinjecting more gas to support liquids production? And related to that, is that something you need to consult with -- consult the government with? Or is that purely a commercial decision?

And then the second question is on working capital. Quite a big benefit this quarter, except working capital is around $9 billion. If I'm looking at your accounts over the long term, it looks like something like $5 billion to $7 billion is the long-term average, but maybe that prior average is not relevant. So I'm just trying to get a sense of what is the kind of normal structural amount of working capital you carry for your business and whether we should see some of that reverse outover time?

Torgrim Reitan - *Equinor ASA - Executive VP & CFO*

So on your first question related to injection of gas, we have no plan to switch back to injection. So this is something that is relevant for Gina Krog in particular, but also a series of other fields on the NCS. We have flexibility that we will use.

I think it's important to keep in mind that even if the sort of gas prices in Europe has dropped significantly, we are still at a very high level of gas prices. And we do expect, of course, a rather tight market in Europe during the year and actually quite small changes can actually make significant impact in the prices. As we know, we are coming into -- out of the winter and then sort of the spring and summer seasons. So we clearly need to follow that situation closely.

So we are prepared for a lot of volatility also on the gas side. These are decisions that can be done on license level mostly.

Then on your second question related to working capital. You're right. So the working capital level end of first quarter was $9 billion. It is down by 5, compared to last quarter, which is, of course, a significant reduction in working capital. That is driven by lower prices. It is driven by reduced use of storages. We're freeing up storages, and also changes in third-party trading.

So clearly, a significant shift. I think it's important to point out that sort of when we discuss our cash flow from operations and the $20 billion and all of that, that is without any movement in working capital. That is pre-working capital movements. So we just need to keep that in mind.

On your point on sort of what is a normal level, we don't guide on that. But I think it's fair to note that our ability to use our balance sheets to trade and make commercial decisions has a significant value. And you saw that last year with sort of the significant results from our trading and marketing business. That was driven by that we could use our balance sheet, collaterals and working capital to actually extract that value. And then clearly, we aim to continue to do that given that the market structures are in place.

So I would say that the working capital will be a function of volatility and absolute price levels and then sort of -- if there is a contango or backwardation in the markets where we want to use storage as such. So it's very hard to guide, but we'll keep you updated as we go on how working capital are developing.

Operator

Your next question comes from the line of Lydia Rainforth from Barclays.

Lydia Rose Emma Rainforth - *Barclays Bank PLC, Research Division - Director & Equity Analyst*

Two questions, if I could. And the first one, just coming back to the idea of the cash outflow in the second quarter. You talked about it being $17 billion. I think that would still leave you with net cash position. So -- and clearly, we've got a lot of activity in prices, and you touched on that at the beginning.

But just in terms of how long you think it might take to get back to that 15% to 30% range? And is that actually still why you're comfortable with it? And then secondly, it was just on the cost base and really sort of OpEx in dollars, I think north went up 10%. I think you referred to that as slight environmental costs and the higher rates and things like that. But are you seeing productivity improvements as well with some of that? So is it kind of good cost as well as inflation?

Torgrim Reitan - *Equinor ASA - Executive VP & CFO*

So first, on the $17 billion in cash outflow. I think it's important for me to lay out that is the cash flow -- cash outflow only related to tax and capital distribution in the quarter.

So on top of that, of course, we will pay investments and what have you. So we expect a negative cash flow for the next quarter. And you are absolutely right. If we take the year as a whole, we said at the Capital Markets Update that we planned for a negative cash flow for the full year. At that point in time, we said cash flow from operations, $20 billion. We said investments $10 billion, and we said capital distribution of $17 billion, meaning minus $7 billion to $8 billion as expectation for the year based on, of course, on the assumptions that we laid out on prices and all of that. So that remains firm. And what you have seen this quarter is in line with what we sort of have expected.

But your point is that, that will not sort of bring us back to a sufficiently efficient capital structure. And I think it's very important for me to say that the balance sheet, as it sits today, is not an optimal capital structure. And clearly, we have a clear intention to bring it back to a more efficient way.

And capital distribution is a key tool or an important tool for us to use to bring that back. So we have said $17 billion in capital distribution this year. We are very committed to that. And we are also saying that beyond 2023, capital distribution will be a tool that will be used to bring capital structure back to a more efficient level. Yes. That was the first one.

Let me see the second one. Cost, yes. Let me speak a little bit to that. You have probably seen that our operational cost and SG&A is up 16% quarter-on-quarter or $400 million. There are a lot of sort of special things happen. So if we strip out currency impact and then if we strip out some one-offs here and there, the underlying change in OpEx is 18% [underlying upstream costs] (added by company after the call) and give me -- let me give you a little bit of color to that.

Half of that increase is related to increased transportation costs, which is related to shipping, increased shipping rates, fuel costs and also increased volumes that we transport. Around 40% of that increase is related to operating and maintenance costs, which is increased activity and inflation. And the last 10% is related to increased activities within renewables and low-carbon solutions.

So as you understand, there is a lot of commodity cost in there in addition to increased activity and some inflation. So, we clearly steer this pretty hard, and we are prioritizing activities to really have good control on the cost side.

We increased our unit production cost guiding at the Capital Markets Update from $5 to $6 per barrel. And what we see now this quarter is in line with the development we had expected at that point in time. So, this is happening, but it's not surprising.

Operator

Your next question comes from the line of Teodor Sveen-Nilsen of SB Markets.

Teodor Sveen-Nilsen - *Sparebank 1 Markets AS, Research Division - Research Analyst*

First, I believe is a follow-up on the working capital question asked earlier. Do you expect that to reverse in second quarter? Or will that be distributed during second quarter, third quarter and fourth quarter?

And then a quick question on dividend and buybacks. In the long term, what's your preference between dividends and buybacks? I expect both to, of course, stay at a higher level given your strong balance sheet. And final question is on the European gas market. In the long term, what do you believe will be the marginal cost for gas in Europe? Will that be Asian LNG? Will it be U.S. LNG? Or will there be any other sources that set the price of gas in Europe?

Torgrim Reitan - *Equinor ASA - Executive VP & CFO*

Okay. Thanks, Teodor. Thank you very much. Three very, very important questions. So, first on working capital. So it's -- I'm not in a position where I can give you some steer on the direction, but I can give you some sort of key points to look for in that regard. One is the absolute price levels. I mean, high price levels typically take more working capital to manage.

The second one is volatility in the market, that typically trigger use of working capital to manage. And the third one is the structure of the market, whether it's a contango or backwardation because that gives strong price signals to whether putting volumes at storage or taking out volume from storages or ships or value chains as such.

So, as I guess, if you look for those 3 things, you will get some sort of direction on where the working capital is moving. But again, everything we have said on guiding and targets and cash flow is not impacted by working capital movements.

Then on buyback, yes. So we have a split between share buybacks and dividend payment. Currently $6 billion in share buyback. And the $12 billion -- $11 billion, excuse me, $11 billion in dividend. There is a limit for us to hold large share buyback can be due to limitations in how we can -- how much we can [trade] (corrected by company after the call). We have a mandate from the Annual General Meeting on a number of shares that we can use for share buyback. And in addition, there are trading restrictions on how big part of the traded volume you can actually purchase during a share buyback program. So that puts limitations to how much we can do as the free float of the company is sort of not taking -- is not including the state's level. So I mean, the split that we have currently is probably a fair split taking everything into account.

Yes. And then on the European gas markets. The way we see it is clearly in the shorter term, it is very much driven by Russian gas that is sort of not there that needs to be replaced and is very much driven by weather and is very much driven by tightness as such.

So, we need to be prepared for a lot of volatility. In the longer term, which is actually your question, we see that the marginal price for gas in Europe will be much closer linked to international trading of LNG cargoes, whether that be sort of Asian or European prices for that LNG. So the market dynamic is changing from being that Russian gas is the marginal price setter for gas to actually international energy being that. So clearly, price signals from Asia will be very important in sort of the prices for gas in Europe for the future.

Operator

Your next question comes from the line of Christyan Malek from JPMorgan.

Christyan Fawzi Malek - *JPMorgan Chase & Co, Research Division - MD and Head of the EMEA Oil & Gas Equity Research*

I've got 2 questions, and I know you've addressed the sort of the outlook on the gas market. But say we -- I just want to talk a few blind spots, first of all, in the context of a peace deal between Russia and Ukraine. Let's say that that played out over the next 12 months. I'd be interested to know what will be your reaction function? What would you do particularly given you have ramped up in order to deliver into Europe? And how would that change the dynamic on gas markets from Equinor's perspective?

The second question, I'm sorry to sort of come back on blind spots. But assuming we do see a sort of a deteriorating outlook on demand and it sort of stays relatively bearish, how would you think about your special dividend on a medium-term view? Because I sort of think about pre the financial crisis, where you had the special dividend that sort of became sort of a rod on your back. And then ultimately, it wasn't sustainable. So I just want to understand if you think it's sustainable, why don't you convert it into sort of real dividend? I know that's an unfair question, but particularly given the backdrop, I'm just trying to square out the sustainability of very, very high yield.

Torgrim Reitan - *Equinor ASA - Executive VP & CFO*

Thanks, Christyan. So first, on the gas market. I mean, we are in a position where the Norwegian gas is the most efficient gas available. I mean, it's short distance to market. It's a very, very low marginal cost of supply. So, we will always be a competitive supplier into the market.

Clearly, I'm not in a position to speculate on any outcome of the terrible war on Ukraine. But what I do know is that Europe is not ready to rely on the Russian gas import as far as I can see into the future. And clearly, we recognize that in sort of a very, very strong interest in speaking to Norway and ourselves around future delivery of gas. So we see a long-term strong demand for Norwegian gas to Europe. And we take that responsibility very, very seriously.

Then second one on the special dividend. Important to me to say that the extraordinary dividend is based on money already made. So, it is not dependent on future earnings or blind spot or drops in gas prices. It is based on a very, very strong balance sheet. And I just want to repeat that, clearly, the $17 billion that we said at the Capital Markets Updates in February remains very firm.

And beyond 2023, we will use capital distribution to -- as a tool to bring capital structure to a more efficient place as such. And that is as far as I can go on this call on that topic.

Operator

Your next question comes from the line of Amy Wong of Credit Suisse.

Amy Wong - *Credit Suisse AG, Research Division - Research Analyst*

A couple of questions from me, please. Just to go back to the European gas market again. I know a lot of the questions have been asked here. But I just wanted to circle back on some of the initiatives that the European Commission floated last year such as clubbed buying for storage or potentially longer-term contract with Norway. Where are you? Can you shed some light on the progress on those types of initiatives?

And then my second question is just a bit of clarity on your upstream CO2 intensity figures that you provided. I mean, the 6.6 kilograms in this quarter. Am I reading it correct that you have a target, that to have it below 8 kilograms? So does that mean you're already at your 2025 target of being below 8 kilograms of CO2 per BOE? And also that 6.6 kilograms, is that an operated number? Or is that your entire equity ownership?

Torgrim Reitan - *Equinor ASA - Executive VP & CFO*

Okay. Thanks, Amy. So on your first question on the European gas market. Yes, there's a lot of discussions and initiatives being discussed. So there is the joint purchasing and the hub that is sort of being put in place in Europe is happening, and we are open to participate in that.

We do believe that it will be supply and demand that ultimately sets the price for the market. And we do think that, that will be the case also here and important also to help out ensuring that storages are being filled. This will happen on commercial terms. It will happen on commercial terms. I think that's very important.

Longer-term contracts, yes, I mean, there is discussions and request for that. And we are also open for those discussions. But also clearly, they need to happen on commercial terms, and they are typically linked to a traded market. And then pricing of those contracts are typically pegged to 2 hubs and noted market prices.

Let me see here. The second one is on CO2 intensity, yes. So 6.6 kilo per barrel, which is less than half of industry average. I think it's pretty close to 1/3 almost of industry average. So that intensity has decreased. And we are happy to see that. And we're happy to see that all the efforts we are doing to making our CO2 footprint as low as possible is working.

We have set a target that we are going to reduce the absolute emissions on the Norwegian shelf by 50% by 2030 compared to 2015. And I'm happy to share with you that we are halfway there already, and that is good to see. So this has a very important part of our strategy, and electrification of assets on the NCS will be a key measure to get to a target like that. So thanks, Amy.

Amy Wong - *Credit Suisse AG, Research Division - Research Analyst*

Just to follow up, the 6.6 kilograms, is that your operated field only?

Torgrim Reitan - *Equinor ASA - Executive VP & CFO*

Yes, yes. Yes, exactly, you're right. That -- you also asked about that. That is the operated assets, yes.

Operator

Your next question comes from the line of John Olaisen of ABG.

John A. Schj. Olaisen - *ABG Sundal Collier Holding ASA, Research Division - Co-Head of Research*

Two questions, sorry, just reading some of the notes here. First, you said that you experienced some short-term issues on Johan Sverdrup in Q1. Could you tell us a little bit about those issues? What kind of issues they were, given being such an important field for both you and Equinor, it'd be interesting to hear.

My second question is really regarding -- is related to the renewable segment. The CapEx was $1 million in Q1, which was by far the highest quarterly CapEx since you started reporting this number for this segment. So I wonder what the CapEx was related to and the increase is related to? And what we should expect for the coming quarters, please? Two questions, please.

Torgrim Reitan - *Equinor ASA - Executive VP & CFO*

Thank you very much, John. Two very important questions. So first on Johan Sverdrup. So Phase 2 of Johan Sverdrup has been started up. And we are also in the process of testing out the capacity on the total production. So the operational issues we had in first quarter was related to gas cooling equipment and manifolds and also some vibration issues related to it. It was in the earlier part of the first quarter. And that were fixed, and it has sort of worked well in the latter part of the first quarter.

We are in a process of qualifying an increased total capacity for the field. I think it's 755,000 barrels per day, that is what we aim for. Current capacity is 720,000. So we are in the midst of testing that, and that will progress. And we will clearly let you know when we have concluded those tests.

We all know that Johan Sverdrup is very important for both the cash flow and production and everything when it comes to our company. Then when it comes to renewables, CapEx, yes, you're right. It is a significant step-up.

A couple of explanations. First, when it comes to the Dogger Bank projects, they have been -- the CapEx have been -- I mean, it has been through project financing. It has been the debt that has been used for investments to a large degree now. Now, it's sort of equity that is being injected as such. And those assets are booked by the equity method from an accounting perspective. So you'll see a significant shift [2023 full year effect] (added by company after the call) there now because we are actually injecting equity instead of using debt. So that is one explanation.

The other one is the BeGreen acquisition in the quarter, the Danish solar developer. And we also see increasing investments into U.S. projects and the Polish projects in the Baltyk projects. So all-in-all, this is in line with what we are expecting and what we have planned for. And we aim to spend 30% of our investments towards renewables and low-carbon solutions by 2025, which is just a couple of years ahead and actually 50% in -- by 2030.

So this is in line with what we have seen, but you will see growing investments into this area. Back to maybe the first part of it, I mean, off-balance sheet financing. I mean, is on Dogger Bank, for instance, we have that, and we have it other places as well. So all-in-all, we had $2.5 billion now off-balance sheet finance related to the renewable business.

John A. Schj. Olaisen - *ABG Sundal Collier Holding ASA, Research Division - Co-Head of Research*

Just a very quick follow-up on Johan Sverdrup. The potential increase in capacity. Does that -- would that require more drilling? Or is it more of the infrastructure which is in place or the processing capacity or something else?

Torgrim Reitan - *Equinor ASA - Executive VP & CFO*

No, it is not related to subsurface, this is facilities and then fine-tuning it.

Operator

Your next question comes from the line of Henri Patricot from UBS.

Henri Jerome Dieudonne Marie Patricot - *UBS Investment Bank, Research Division - Associate Director and Equity Research Analyst*

I have 2 questions, please. The first one, coming back to MMP and the very strong performance this quarter. It's not that long ago that you raised the guidance and you already were above that this quarter. So was it a totally exceptional quarter? Or should we perhaps have in mind a slightly different range in the near term, we're close to the upper end of the guidance range given current volatility, et cetera? Or if it's really first quarter, that was exceptional?

And then secondly, on gas. And your gas sales with the rest of the year, you talked about volumes earlier. And I wanted to ask about pricing and to the extent that you can comment whether if you expect any changes in terms of the split between that month ahead and different markets with the rest of the year?

Torgrim Reitan - *Equinor ASA - Executive VP & CFO*

All right. Thank you, Henri. So very quickly, the guidance on MMP remains firm between $400 million and $800 million on a quarterly basis. We will see fluctuations. And first quarter, I mean, clearly, we over shot that.

I think it's also important to notice that there are different lengths in that business and they deliver differently under different market sentiments. So last quarter, it was very much natural gas. And this quarter, it was very much oil and gas as such. So it's a diversified portfolio that will move and that is there.

On sort of the gas prices and the gas volumes, I spoke to volumes a little bit earlier when it comes to prices. We -- you should use 70% day ahead and 30% month ahead. That's sort of a good benchmark for what you should expect on the prices.

Operator

Your next question comes from the line of Martijn Rats of Morgan Stanley.

Martijn Rats - *Morgan Stanley, Research Division - MD and Head of Oil Research*

I know much has been asked about the European gas market already. But there's perhaps 1 sort of wildcard scenario that I sort of wanted to run by you. It's not entirely out of the question. Given how high European gas inventories already are, that at some point over the summer, we will hit 100% inventory fill before the winter starts. LNG imports into Northwest Europe was an all-time high in April. Pipeline imports in April outside of Russia was an all-time high. That sort of -- it could happen.

Now you can say, well, maybe that reflects how quickly supply patterns have changed. But you can also say what maybe your storage capacity is just really very small. And there's something to be said for that. But if we rely on the sort of very lengthy LNG supply chains, with LNG coming from all over the world rather than a pipe from Russia, sort of Europe needs more storage. And I can see how that it could be in Equinor's interest.

Now -- therefore, I thought I wanted to ask you if there's any interest or consideration at Equinor to perhaps expand European gas storage capacity, either new facilities or perhaps via a way of filling existing storage capacity under a higher pressure, which I also understand could at least at the margin, give us some more gas storage capacity. That was my main question.

The other one I wanted to ask you is that earlier this month, there was an article saying that the Norwegian government is looking to nationalize key parts of the Norwegian gas pipeline network from 2028 onwards. I know it's several years into the future. And I expect that the answer is no. But I wanted to ask you if this is in any way -- could this in any way impact Equinor?

Torgrim Reitan - *Equinor ASA - Executive VP & CFO*

Okay. Thanks, Martijn. Two very good questions. The -- your first question is that we are very well placed with oil and gas compared to Europe. So -- and we have a lot of flexibility. So you might actually look at the Norwegian continental shelf as a very, very important flexible gas tool to serve Europe.

As an example, the Oseberg asset, which is a large one, you can produce the production permit over 200 days of the year as such. So that is effectively an important storage of flexibility producer as such. overall, in general, I mean, clearly, storage in Europe is important. So -- but we have no sort of particular ambition in that regard.

Secondly, on the gas infrastructure in Norway. Yes, what is important for us is reliable and flexible gas transportation systems, which we have today. And as long as we have that, I think the structure around it can be in many different ways. Clearly, we are working closely with the Norwegian government, and we'll clearly give our input in that regard. So we don't see this to disturb or distort the competitiveness of the Norwegian continental shelf in the long run.

Operator

Next is the line of Steffen Evjen from DNB Markets.

Steffen Evjen - *DNB Markets, Research Division - Analyst*

One question for me on your projects that are non-sanctioned. The Rosebank, you just acquired. Another portion there from Suncor, and we also have Bay du Nord and BM-C-33 in Brazil. Could you just briefly touch upon the progress here and if we should expect any PDOs or sanctioning of these, this year or over the next 12 months?

Torgrim Reitan - *Equinor ASA - Executive VP & CFO*

Okay. Thanks. So I mean, 3 great projects, all in the international portfolio with significant value creation potential. So on the Rosebank and BM-C-33, I mean we are planning to sanction them not too far into the future. On Rosebank, it is -- we clearly know after the Suncor acquisition, we hold 80% in that asset, which is significant. This is a very important project for the U.K., for energy security in the U.K. and also for jobs and tax revenues in the U.K. over the period.

So clearly, we see that we have an important role in providing reliable energy for many decades towards the U.K. On BM-C-33, so that is probably going to be sanctioned not too far into the future. Also a very profitable and good project and a significant development in Brazil, working closely with Petrobras naturally. On Bay du Nord, moving forward with that as well. So we will -- it is a candidate, but we need to progress it more. And next year, we'll see this is not sort of as imminent as the 2 others.

Steffen Evjen - *DNB Markets, Research Division - Analyst*

Just a follow-up on Rosebank. So 80%, obviously quite high interest in what is a quite complex project. Do I understand you correctly if you are more comfortable reducing this with time? Or could you expect that in order to still continue owning that high share in this project in the future?

Torgrim Reitan - *Equinor ASA - Executive VP & CFO*

I think as you understand, I can't comment on any specifics in this regard. But clearly, we have an active view on the totality of our portfolio. So I mean -- so yeah, thanks.

Operator

Your next question comes from the line of Kim Fustier of HSBC.

Kim Anne-Laure Fustier - *HSBC, Research Division - Head of European Oil & Gas Research*

I had two questions, please. The first one is just to follow up on the acquisition of Rosebank from Suncor. I guess just given the backdrop of the U.K. energy profit level, it just might seem a little bit surprising, certainly kind of a vote of confidence in the U.K. North Sea, it looks like it. I'm just wondering whether the deal is predicated on a view from your part that there might be a change later this year in the U.K. EPL terms. Or does the project work under current fiscal terms as it stands?

And just my second question is on offshore wind. I saw that Norway is looking towards significant new acreage with floating offshore wind. So maybe just if you could share your latest thoughts on the opportunity for floating wind in Norway and perhaps elsewhere as well?

Torgrim Reitan - *Equinor ASA - Executive VP & CFO*

Okay. Thanks, Kim. So let's see here first on the Rosebank. And clearly, what is important for us is predictable tax environment and tax environment. So that is important for us. I'm not in a position to give any direction on political discussions in the U.K. on this topic. I think what is important is that Rosebank investment has enabled us to credit that against other taxes in the U.K. So it is a very tax-efficient investment as such.

But it will, over time, pay significant taxes back to the U.K. through its life. I think it's actually GBP 30 billion in taxes and investments to the U.K. So it is important for U.K. oil and gas industry and for the country.

Then on the second question on offshore wind in Norway. We have been active within offshore wind for 15 years. So we are very glad to see that Norway is now opening up. So we are clearly preparing for that. But I think it is important for us to state that we have been disciplined in sort of bids when it comes to lease rounds, as you have seen over the last years, and we will apply the same discipline when it comes to lease rounds and bids in Norway. But we are very glad to see that opportunities are now opening up in Norway as well.

Operator

Your next question comes from the line of Yoann Charenton from Societe Generale.

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

Just a quick question on looking at the balance sheet and looking at the financial investments, which are now equivalent to more than 1/3 of market cap. You have reported decreases in cash collaterals and margin requirements in recent quarters. But at the same time, this line, so financial investment has been rising. Is that linked to higher interest rates? Can you please provide some more color on this, please?

Torgrim Reitan - *Equinor ASA - Executive VP & CFO*

Yes. So we combine cash, cash equivalent and short-term investments as what we call -- all right. Okay. No, I probably misunderstood your question. Your question, was that related to the financial items on -- in the P&L?

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

No, just on the balance sheet, please.

Torgrim Reitan - *Equinor ASA - Executive VP & CFO*

Okay. All right. So we hold around $52 billion in cash, cash equivalents and short-term investments, which is, of course, a very significant number. And given what will happen now in the second quarter, we expect that number to be lower as there are $17 billion that will be paid in taxes and capital distribution in the quarter.

And then I think I'll just need to repeat. We don't see the current structure of the balance sheet to be efficient or optimal, and we will continue to use capital distribution as one tool to get to a more efficient balance sheet over time.

Operator

And unfortunately, that's all the time we have -- questions we have time for now. I'd like to hand back to Bard for closing comments.

Bård Glad Pedersen - *Equinor ASA - SVP of IR*

Thank you very much, Gavin. And I would like to thank all of you who have called in and asked questions. If you have any follow-up, as usual and as always, please reach out to the Investor Relations team, and we will help you as good as we can.

So with that, we can conclude the call and say goodbye to everybody.

Operator

That does conclude our conference for today. Thank you for participating. You may now all disconnect.