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PRESENTATION

Operator

Thank you for standing by. My name is Angela and I'll be your conference operator today. At this time, I would like to welcome everyone to the Equinor second quarter analyst conference call. (Operator Instructions) I will now like to turn the call over to the presenters. You may begin.

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

Thank you, operator. My name is Bard Glad Pedersen. I'm heading up Investor Relations in Equinor. Welcome all to the analyst call for our second quarter results. As usual, I'm here together with our CFO, Torgrim Reitan, who will take us through the results before we open the Q&A. So with that, I hand it to you, Torgrim.

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

Thank you, Bard. Good morning, and thank you for joining us, and I hope that you are enjoying your summer. So let's dive into the results. So the second quarter demonstrates good progress, and it confirms what we said at our Capital Markets Day. Today, we deliver solid financial results, driven by continued strong operational performance.

In the quarter, we report adjusted operating income of \$7.5 billion before tax and an IFRS net income of \$1.9 billion. Year to date, we have delivered cash flow from operations after tax of \$7.7 billion. The taxes in the second half of 2024 will be lower, and we expect cash flow from operations to be in line with what we have said around \$17.5 billion for the year.

I will revert to this. Adjusted earnings per share were \$0.84. Across the portfolio, we are making strategic progress. On the NCS, we started production from the Kristin South area earlier this month, and the partner operated Hanz field came on stream in April. Together with our partners, we made an investment decision for the Troll field which will accelerate the production and maintain high gas export levels.

This investment is highly valuable with the net present value to Equinor of more than \$500 million. We continue to high grade our oil and gas portfolio. In Norway, we align our ownership interests across licenses through a swap with Petoro. Aligning ownerships will be important for accelerating production, reducing costs, and driving the full potential in key areas.

In the US, we closed the swap transaction in onshore Gas with EQT, creating more longevity and robustness and reducing the breakeven for those assets with more than 30%, [compared to the assets we exited. We are building our CCS business in line with our increased ambitions announced at CMU. In the quarter, we were awarded our first CO2 storage license in Denmark and two new CCS licences in the North Sea, adding potentially 17 million tonnes] (added by company after the call) in injection capacity per year.

Finally, for Empire Wind, we achieved a new higher strike price of \$155 per megawatt hour earlier this year. We continue to move forward with the project and our next external milestone will be the financial close. The competitive capital distribution continues in line with what we have said at our Capital Markets Day. For the quarter, the Board approved an ordinary cash dividend of \$0.35 per share and in addition, \$0.35 in extraordinary dividend.

At CMU, we introduced a two-year share buyback program to increase predictability. The program is \$10-\$12 billion in total with \$6 billion allocated this year. In line with this, we announced a third tranche of up to \$1.6 billion, starting tomorrow. For 2024, we expect to deliver a total capital distribution of \$14 billion. Safety remains our top priority and our long-term safety trend is positive.

Our reported safety performance has never been better. But we do know that this is a race without a finishing line. In June, we presented the internal investigation report of the helicopter accident in February. We will use the report to further strengthen our work.

We delivered around 3% production growth this quarter in line with our expectations. On the NCS, we had strong operational performance and good regularity. Total production was up 5% from the same quarter last year and gas production was up 13%, with strong contribution from Troll and Oseberg.

The ramp up of new fields like Breidablikk and Hanz also contributed. In addition, turnarounds were well executed impacting production less than expected. So, we have reduced the overall turnaround impact for the year to 55,000 barrels per day. For E&P International, production was up 2.5%. The Buzzard field in the UK and new wells contributed positively, partly offset by turnarounds and lower production in Brazil.

For E&P US, production was down in the quarter as expected. US offshore was impacted by the planned turnaround on Caesar Tonga. Within our onshore gas production, we indicated there would be curtailments, and we saw some of that in June.

For the year, we still expect curtailments based on our operators' commercial decisions to create higher value. Our renewables production is significantly higher than last year, mainly driven by onshore power plants in Brazil and Poland. In the UK, offshore wind production increased. At Dogger Bank A, 27 turbines have been installed, but full commercial production is now expected during first half of 2025. And this impacts our production outlook this year.

Now over to our financial results. Liquids prices remain higher than last year. And this quarter, we saw an increase in European gas prices. As expected, storage levels in Europe are healthy, but the market remains fragile and small changes can give large fluctuations. Going forward, prices will depend on the weather, European demand and competition for LNG, as well as uncertainty related to transit through Ukraine and as always supply-side disruptions, should that happen.

Our E&P Norway results were driven by strong production, delivering adjusted operating income of \$6.1 billion and \$1.4 billion after tax. Our international E&P segments delivered \$963 million in adjusted operating income and close to \$700 million after tax.

The Argerich well in Argentina was dry and expensed in the quarter. The overlift in the second quarter contributes to around \$250 million in adjusted operating income for E&P Norway and around \$170 million for E&P International. Our MMP results were driven by European piped gas and strong LNG trading and supported by successful power trading.

These results were also impacted by turnarounds at Mongstad and high activity in low carbon solutions. Our renewables assets in operation contributed with \$41 million this quarter. As we continue to build our renewable business, the adjusted operating income was negative as expected.

We will continue to be disciplined and not overpay for access. And this is key to building a profitable business. Since the second quarter last year, adjusted OpEx and SG&A is up by 11%, driven by higher production, overlift effects, general inflation, and increased activity in renewables and low carbon solutions. We also see an underlying upstream cost increase of around 4%, quite in line with the production growth. We continue to maintain a strong focus on capital discipline and cost control.

Then to our cash flow. This quarter, our cash flow from operations was \$1.9 billion after tax. We paid the final two NCS tax installments based on 2023 results totaling \$7 billion in the quarter. For the second half this year, we will pay three NCS tax installments, one in the third quarter and the remaining two in the fourth quarter.

Each installment will be NOK31.3 billion, which is lower than in the first half of the year. We expect cash flow from operations for this year of around \$17.5 billion after tax, as we said at the CMU. While gas prices currently are below, our CMU price assumptions, oil prices remain somewhat higher. And the impact from the lower gas prices is softened by the Norwegian tax system. Next year, we expect to be back at around \$20 billion in cash flow from operations after tax.

In the quarter, we paid total capital distribution of \$2.5 billion. Organic CapEx was \$2.9 billion and \$5.7 billion year to date. After taxes, capital distribution and investments, our net cash flow came in negative as expected at \$4.2 billion for the quarter. We have a solid financial position with \$32 billion in cash and cash equivalents. And our net debt to capital employed ratio increased to negative 3.4% this quarter.

It is important to note that following our AGM in May, the State's share of buybacks from last year was treated as a financial debt, impacting the net debt ratio for the second quarter. However, the payment of \$4 billion was done in July, which will impact the cash flow in the third quarter. We are planning for a negative net cash flow for the year in line with what we indicated at the CMU, and we expect a positive net debt ratio by the end of the year.

Finally, our guidance for CapEx for oil and gas production remains firm. We have updated our renewables production guidance. We now expect it to grow by around 70% this year, mainly reflecting the progress on Dogger Bank A.

Now I hand it back to you, Bard, and I do look forward to your questions. So thank you.

QUESTIONS AND ANSWERS

Bard Glad Pedersen - Equinor ASA - Senior Vice President Equinor, Head of Investor Relations

Thank you, Torgrim. We are then ready to start the Q&A, and I see that they have a good list of questions already. So that is good. (event instructions)

Martijn Rats, Morgan Stanley.

Martijn Rats - Morgan Stanley & Co. - Analyst

Wondering whether the overlift in this quarter will be mirrored in an underlift maybe next quarter or the quarter thereafter. And also, if then, it's just a volume effect or if there's also a sort of a price/revenue sort of element to it. Can you sort of talk a little bit about that?

And then secondly, last quarter, you mentioned that European industrial gas demand was starting to show a bit of a sign of life. I think you mentioned something like up 5% on a weather adjusted basis. But sort of listening to your comments now and also other comments that you made this morning, maybe that has reversed. I was wondering if you could give us an update on that.

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

All right. Thank you very much, Martijn. So yes, this quarter we had an overlift situation both within the NCS assets and also internationally as such. So just want to remind you that on the NCS we had a similar underlift in the last quarter as we have an overlift in the current quarter. So there's no sort of carry forward or effect of that, it is sort of -- will fluctuate from quarter to quarter.

And the same goes for international E&P. That sort of -- that fluctuates from overlift to underlift across quarters. So, there is no sort of things that is carry forward related to this overlift, more than sort of a natural rhythm of production. In Norway, the overlift came across a large set of assets. And internationally, the overlift was related to Angola and Azerbaijan mainly.

On your question on industrial gas demand in Europe, yes, we see that continuous. It is -- we see approximately a 10% growth or increase in industrial gas demand in Europe. And of course, it is very glad to see that. And the total industrial gas demand in that market, we see that to be around 100 bcm on an annual basis. So it's sort of clearly an addition to the demand. When that is said, there are other drivers that are, I would say argue more important in sort of the price setting in Europe. And that is particularly the demand from Asia.

So clearly, that is something to watch very, very closely. And China, we see this year has an 8% growth in demand. So that is important to follow on. And then sort of that brings me into the concept of weather, because weather clearly means a lot for both storage levels and demand and what have you.

And this summer, we see that it is a warm summer in Asia and China and that actually increases demand for gas to power and air conditioning actually impacting demand of LNG. So weather is actually playing a role also in the summer.

Then, I would like to draw your attention also towards Ukraine and the transit of Russian gas through Ukraine, currently around 13 bcm is coming in that direction. And Ukrainian government has said that they want to end that transit by year end. So we'll see, but also an area to watch when we try to get our hands around sort of demand supply balances in the European gas markets.

Bard Glad Pedersen - Equinor ASA - Senior Vice President Equinor, Head of Investor Relations

Teodor Sveen Nilsen, Sparebank1.

Teodor Sveen Nilsen - Sparebank1 Markets AS - Analyst

Good morning, and thanks for taking my questions. First, on your production guidance for oil and gas. Torgrim, at the first quarter presentation, I think you made some comments around that we should expect lower production and definitely seeing that during second quarter. So how should we think around the total production guidance for the year being flat year over year? Do you still see some downside risk to that? So that's the first question.

Second question, that is on renewable. I know that you have recently made some reorganization in your renewable business and that you may be looking to reduce the project portfolio somewhat. I just wonder how that will impact your long-term target. So 35 to 60 terawatt hours production by 2030. It looks a little bit ambitious now, so any thoughts around that and the reorganization would be useful? Thanks.

Torgim Reitan - Equinor ASA - Chief Financial Officer, Executive Vice President

Thanks, Teodor. So first on production guidance. What we have seen this quarter is a strong operational performance in where we produce and also that maintenance has gone very effectively and then smoothly. So that is one element into it. The other one is that we have finalized, closed the EQT transaction, which actually adds a little bit of volume into the mix.

And then the reason why we said about a little bit of downside last quarter that was linked to curtailment of US gas production, which we expected. We still expect some of that, but we do see a robustness in our production. So we say -- we actually stand firm on the guidance that we have.

I think when we talk about production, I just want to make you aware of sort of the turnaround program this summer, because in the second quarter, we have had a production turnaround of around 55 (thousand) barrels per day. In the third quarter, it will be significantly higher. It will be 125,000 barrels per day as such. So this is a little bit contrary to the way it was last year, where sort of it was the second quarter that had the highest turnaround.

So just for your modeling, so you're aware of that there is a significant turnaround program happening in this quarter. But taking all of that into account, production guidance remains firm. Then on renewables and targets and ambitions and all of that, we will build a renewables and low carbon business on top of our oil and gas business, which will continue to invest \$10 billion a year as you are very well aware of.

It is very important for us that the investments we are doing are creating value, that they are robust and that they are profitable. So capital discipline needs to be the headline on sort of the way we conduct and build our business.

So and Anders (CEO) has said this for a long time that sort of if he has to choose or we have to choose between delivering -- between value creating projects or volume targets, it will be value creating projects. So that is very sure.

More specifically, the projects we have ongoing are moving forward, and they will contribute clearly to growing the renewables production. And we are moving in line with sort of towards the ambitions that we have said. But clearly, we will focus very much on reducing costs where we can and focus our efforts and investments into where we see that the value creation is happening. So yeah, so thanks.

Bard Glad Pedersen - Equinor ASA - Senior Vice President Equinor, Head of Investor Relations

Biraj Borkhataria, RBC.

Biraj Borkhataria - RBC Capital Markets - Analyst

Hi, everyone. Thanks for taking my questions. I've got two. The first one's on the Rosebank sale. You've talked about selling down your interest in the past, but then suspended the sale due to the change in government.

I was wondering if you had so far any clarity on fiscal changes, particularly around whether there could be any retroactive changes in the UK oil and gas taxes, because I suppose that would have quite a significant impact on the economics both for you and also for the potential buyers. So any color around your confidence in the fiscal regime there would be helpful.

And then the second question is just on Empire Wind. Has there been any update on the project financing progress there? Are you still expecting that by year end? Thank you.

Torgim Reitan - Equinor ASA - Chief Financial Officer, Executive Vice President

Okay. Thank you, Biraj. On Rosebank, yeah, we acquired 40% of Rosebank together with other assets in the UK from Suncor last year. So currently, we hold 80% in that asset. So that is higher than we sort of like to be in assets like this. And we said early this year that we plan to farm down part of that.

So that's clearly dialogs that we have with other companies related to that asset. On your specific question on sort of change of government in the UK and tax uncertainty, we are a very significant energy investor in the UK and have a close dialog on all levels with the government.

And they are very much aware of the needs and for our industry. In the manifesto, they put forward after the election, they have some statements that sort of we clearly recognize. One is that they want to create an attractive investment climate for industry. And also, they really would like to focus on growth and energy transition.

In that means that and our expectation is that any changes to the tax system needs to be balanced and business friendly. And in particular, that means capital allowances towards tax as such. And sort of what we read out of the manifesto is that sort of they will work on changes that safeguard a business-friendly environment as such. This is very important, and they are very much aware of that.

So but Rosebank is a great asset, low breakeven. We plan to start it up in 2027 and it's going to be an important part of our cash flow towards the end of this decade. Let's see. That was the first one, Biraj. That was a long answer on that one.

But then we have the second one and that was Empire Wind. Yeah, so Empire Wind, so we said at the Capital Markets Day that this year is the year of de-risking the Empire Wind project. So renegotiating the price contract with the State of New York, getting in place sort of project financing and leveraging, and then thirdly, farming it down.

So a little bit of an update on these topics for you. One is that we got the contract and the price increased from \$118 to \$155 per megawatt hour. The project finance is underway. So the bank group is coming together. And we plan to -- for a sort of a financial close towards the end of this year, and that will be sort of the next sort of official milestone for this project.

And then thirdly, farming down the asset will be important for us. And currently, we hold it 100%. It is 100% consolidated in our accounts.

And that is also reflected in the CapEx guidance that we have put forward. And if I remember right, we said it had in isolation and in CapEx impact of \$1.2 billion this year and \$1.5 billion next year. So if we successfully are able to farm down that asset and have it off balance sheet, reported CapEx will naturally be lower as such. So it is progressing according to plan.

Bard Glad Pedersen - Equinor ASA - Senior Vice President Equinor, Head of Investor Relations

Lydia Rainforth, Barclays.

Lydia Rainforth - Barclays Capital - Analyst

Thank you and good morning. I actually have two questions. And actually just picking up on the low carbon spend and evolution there. So obviously, if you're talking about the idea that we need to be disciplined and risk of being value creating, I mean, at some point, you have to go actually this carbon, the low carbon spend actually is probably too much that we put in there that we just can't spend all of that money.

And then secondly on the cash return side, can I just ask how you're thinking about this? Because we got \$14 billion this year that goes out and obviously it's quite a big part of your market cap. It's a little bit less next year, and then it's lower in kind of 2026. I mean, when we think about '26 in the guidance you've already given, and I know this is way out, but are we thinking about that as a minimum level? Or I'm just trying to get a sense of actually what's the underlying cash return to shareholders at this point. Thanks.

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

Okay. Thanks, Lydia. It was a little bit hard to hear you on your first question. I know it was related to low carbon solution and capital discipline, but maybe you can repeat that.

Lydia Rainforth - Barclays Capital - Analyst

Thanks. I'm sorry. I'll do it a little bit slower as well. I was just thinking at some point, you've talked about it needs to be value-creating earlier in the call. At what point sort of do you go actually, we just can't spend all this money we allocated to low-carbon because the projects that are becoming in more expensive or they're just aren't those value creation opportunities. So effectively, do you struggle to spend the low carbon budget that you've got.

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

Okay. No, great Lydia. Okay. So yeah. I mean, currently, the project that is matured the most is the Northern Lights project. That is well supported by government and sort of has a return that is absolutely or is appropriate. Currently we are working on in the UK on carbon capture and storage projects, which are mature. It is the Net Zero Teesside and the NEP, the Endurance Storage project as well. So those are moving forward. And they are providing our returns that is sort of appropriate as such.

On sort of beyond that, clearly quite a bit of work ongoing on CCS storage side and also CO2 gathering and transportation. And we are in discussion building a CO2 pipeline from the continent to the Norwegian continental shelf. We see that it will still take some governmental support to lift all of this, but we do believe that is going to build a meaningful and constructive return business in a way. I would say within the low-carbon solutions, the hydrogen type of universe is not moving forward as quickly and sort of there are still work to be done before we see clearer roadmap to returns in the longer term there.

On the cash returns or capital distribution, \$14 billion this year, that's right. That should translate into 18% or 19% direct yield. We have said that next year we have sort of the cash returned \$0.35 per share, is growing but \$0.02 per year and then [\$1.2 billion] in sort of a standard share buyback. And then on top of that additional share buyback. So in total, between \$4 billion and \$6 billion next year.

Then your question was, so what about 2026. And this is not a time and place to give you specifics on that, Lydia, but what I can say that we have the cash, the ordinary cash dividend, we have \$1.2 billion in sort of standard share buyback. And then we have said that we intend to use capital distribution to bring our gearing and balance sheet back to sort of -- in better balance as such. So but we will come back on this on the Capital Markets Day in February. And clearly, capital distribution to have that competitive is a key priority for us as leaders.

Lydia Rainforth - Barclays Capital - Analyst

Brilliant. Thank you.

Bard Glad Pedersen - Equinor ASA - Senior Vice President Equinor, Head of Investor Relations

Yoann Charenton, Bernstein.

Yoann Charenton - Bernstein Autonomous LLP - Analyst

Yes, good afternoon, Torgrim. I would like to ask about an update on M&A activities overall. I have three questions related to this. First, can you please tell us how many assets are classified as held for sale as of June.

The second question is in relation to Rosebank. Are you able to say what is the impact of Rosebank on the Group CapEx this year? If I remember correctly, this year's plan farm-down was reflected in the full year CapEx guidance earlier this year?

And then the third question is about basically any color you could provide on the timing for closing deals that have been announced, but that have yet to complete. And what is the overall impact on cash flow, please?

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

Last one was closing on Azerbaijan and Nigeria.

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

Yeah. Okay. Closing, right. Thanks. Thanks, Yoann. And yes, so firstly, it was a very specific question on held for sale and M&A. So currently it is the Azerbaijan asset that is classified as held for sale. In addition to that we did a swap -- a value neutral swap with Petoro this quarter in various licenses. And the one leg of that swap, which we are divesting is classified as held for sale for the time being.

On the Rosebank, so yes, we said in the early of the year. That sort of we were planning to divest Rosebank and the part of Sparta. And -- but we also said this quarter that our CapEx \$13 billion remains firm. And I just want to say that's sort of that guiding, we see that as a robust for progress of planned divestments as such. So we are comfortable delivering on what we have promised.

And then the last question was closing of Azerbaijan right? Yeah, so we have both Nigeria and Azerbaijan, as assets we have actually signed an agreement on and moving towards closing. I won't promise anything. They are progressing. And as we have them, there are still some outstanding topics in sort of discussions with government, but it is progressing and is getting closer to closing of those transactions.

Yoann Charenton - *Bernstein Autonomous LLP - Analyst*

Thank you, Torgrim.

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

Peter Low, Redburn.

Peter Low - *Redburn Atlantic - Analyst*

Thank you. The first one was just on Dogger Bank, can you talk a bit about what the issues have been that have led to the delays that have resulted in you kind of reducing the power output guidance this year. And the second do is just to get an update on some of your upcoming major project startups in oil and gas, for example, Castberg. Is that still on track for first oil this year. Anything on Bacalhau, and its startup next year? Thanks.

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

Thanks, Peter. So on Dogger Bank, the operator of the development is SSE. So they should be the one that actually provides an in-depth explanation to this. Currently, there are 27 turbines fully or partly installed and there are 7 turbines in production for the time being. It is somewhat slower than planned. And one of the reasons behind it is actually it has been a very windy summer. So I mean, proving it's a good location as such. But it's -- that is part of the reason as such. It is progressing and we expect it to be sort of fully in production in the second half of next year.

On major projects, so Johan Castberg first, which currently sits in a fjord. It is sort of left the yard on the West Coast of Norway and sits in sort of the fjord and doing commissioning work, planning to sail away to the Barents Sea in August and on track to sort of come into production by the end of this year or in fourth quarter as such. There still is still significant work but it is progressing well. It is -- the expected production in 2025 is around 80,000 barrels per day. So it's a significant contributor to our production.

You also mentioned Bacalhau -- also progressing well. The vessel currently sits in Singapore in the yard and subsea work in Brazil is ongoing. We expect first oil in 2025 as such. So it is also progressing. And then we have spoken about Rosebank as another sort of large development and then there are two more, a little bit longer out in time, Raia in Brazil planning coming onstream in '28 and also Sparta in Gulf of Mexico in '28. So actually five very large greenfield developments moving forward, and they are moving forward according to plan.

Peter Low - *Redburn Atlantic - Analyst*

Thank you.

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

Kim Fustier, HSBC.

Kim Fustier - *HSBC Bank Plc - Analyst*

Thanks for taking my questions. I've got two, please. First one is I was wondering if there has been any progress on Wisting and on Bay du Nord. Both of these were previously put on hold, but there seems to have been some movement on engineering procurement lately. And maybe just some general comments you can offer on the cost and contracting environment in the offshore.

And secondly, I see that you've acquired a small lithium project in the US, it's a very small amount, but I just wondered how serious you are about lithium. One of your US peers seems to be quite serious about it. So any comments you can offer there would be helpful.

Thank you.

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

Okay. Thanks, Kim. So on Wisting and Bay du Nord, those are two projects sort of where we have said they need to do some more work before they are ready. And sort of we have had good success with that over the years to say -- to push things back to improve them further. So both of them are progressing.

Wisting, we are maturing that towards a final investment decision in 2026. And that work is progressing. On Bay du Nord also progressing well. And we do hope and expect to bring that forward to this -- to sort of a concept select not too far into the future. We have an ongoing drilling program in those waters and that hopefully can prove up even more volumes there.

In the contracting environment it is generally rather tight market and we see clearly inflation. But in sort of the projects which are sanctioned, we have good control. I mean there're non-sanctioned project, I mean, we are not immune. So we see more exposure there. As a large sort of investor and operator, clearly, we were able to steer this on a portfolio level and limit the exposure to inflation as such. So we have what we need, but clearly, we're not immune to inflation.

On lithium, yes, we made an acquisition interest on the lithium earlier this year. We see synergies between what we already do, and this, particularly with the subsurface and sort of activities. And we do see lithium as sort of an interesting commodity for the future as such and taking an early and small position into that line of business.

Bard Glad Pedersen - Equinor ASA - Senior Vice President Equinor, Head of Investor Relations

John Olaisen, ABG.

John Olaisen - ABG Sundal Collier - Analyst

Thanks for taking my question. Two very quick questions. First, could you please elaborate on the dry well, you've had in Argentina in Q2. Was the result so disappointed that you will give up exploration in the area? Or do you plan further exploration wells in the area? That's one first, please.

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

Okay. Thanks, John. Yeah, so the Argerich well was dry. It was a frontier exploration well with naturally lower expectation for discovery. So that's the way it is. The license that Argerich sits in is called CAN 100, which is a very significant and large acreage. But clearly, we have not made up our minds on the way forward. And we will clearly analyze and consider what we will do here. We have covered area with seismic and we have good overview on the area.

John Olaisen - ABG Sundal Collier - Analyst

Okay. No conclusion as of now, whether you're going to drill more or abandon?

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

No, we haven't made a decision. I mean clearly still analyzing, but the well was dry.

John Olaisen - ABG Sundal Collier - Analyst

Thank you. And my second question is related to the renewable business. Given the equity accounting practice, only a small portion of the underlying net debt from that part of the business is reflected in your balance sheet. But is it possible to give an indication of the size of the off-balance sheet [that] it relates to the renewable business, please?

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

Yes, that is \$3.54 billion.

John Olaisen - ABG Sundal Collier - Analyst

So it's 3 point --

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

\$3.54 billion at the end of the quarter.

John Olaisen - ABG Sundal Collier - Analyst

Fine. That's very accurate. Is that number given somewhere in the report.

Torgim Reitan - Equinor ASA - Chief Financial Officer, Executive Vice President

No, it is not sort of written in the report, but we are happy to provide it in calls and discussions on an ongoing basis on the size of it.

John Olaisen - ABG Sundal Collier - Analyst

Right (multiple speakers)--

Bard Glad Pedersen - Equinor ASA - Senior Vice President Equinor, Head of Investor Relations

John, thank you, but I think -- John, thank you have had your two questions and I have a lot on the list so --

John Olaisen - ABG Sundal Collier - Analyst

Thank you.

Bard Glad Pedersen - Equinor ASA - Senior Vice President Equinor, Head of Investor Relations

Henri Patricot, UBS.

Henri Patricot - UBS Limited - Analyst

Well, thank you, everyone. Two questions please from my side, the first one in MMP and the other subsection in MMP, which was a more negative number this quarter. You mentioned developing low carbon projects. So I was wondering if that's something that we should expect to be an increasingly negative drag on earnings in MMP or was that quarter and particularly weak? Just a percent of performance to expect next few quarters in that particular subsection.

And then secondly, a follow-up on Dogger Bank. So you mentioned some delays to Phase A. I was wondering what the implications you see for a phases B and C for the projects and whether we should expect maybe some delays here as well and effectively full capacity of the project a bit later than expected? Thank you.

Bard Glad Pedersen - Equinor ASA - Senior Vice President Equinor, Head of Investor Relations

Okay. No, thanks, Henri. So the MMP result came in at USD521 million, which is sort of within the guided range. And I'm happy to see that MMP have been able to deliver within or above the guided range all since we introduced sort of the increased guiding. So I would argue that they continue to deliver strong results across the business.

This quarter, LNG trading and gas trading in particular is worth mentioning. However, sort of the other areas within MMP delivered fairly around sort of what you should expect this quarter. The asset that has sort of been under maintenance is Mongstad the refinery. So that is sort of very limited results from that part of the business. But when that is in operation, they provide typically a meaningful part into the earnings from MMP. So I would say that MMP is sort of fair.

On your question on the on low carbon spending, clearly we are in a growth phase and clearly there are business development and early phase costs. We have taken that into account into our guiding when we put forward. The cost that we do spend here is specific project related cost. It's not administration or general cost. They are linked to projects, but projects which are in an early phase. So you don't book it as investments. You have to book it as operational cost as well.

Right. The second question was Dogger Bank B and C. So this sort of they are and planned to come sort of following each other. We're sort of one year between them. So it's sort of a long term operational -- we do it one after the other two and all of that. So they are planned to come with one year between them.

So I'm not in a position to say whether what we see now is it impacting them. But what we do see is that Dogger Bank B, we expect the first power in first half of '25 and full power first half of '26. And Dogger Bank C, first power first half '26 and at full power first half in '27, which is one year after what we expect from Dogger Bank A. So that's sort of the latest update I have. This SSE as operator is the one that really need to provide with more details here.

Henri Patricot - *UBS Limited - Analyst*

Thank you.

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

Michele della Vigna, Goldman Sachs.

Michele della Vigna - *Goldman Sachs International - Analyst*

Thank you very much and congratulations on the good delivery. I will be quick. Two questions. First, I was wondering on Johan Sverdrup, if you could provide us a little bit of an update one more quarter of good production. When do you expect the field to start declining if this has been pushed back into next year?

And secondly, we've heard of some disruptions in the offshore wind supply chains, especially in the UK. I was just wondering if you are finding it difficult to get especially the best source or effectively this is just normal course of business? Thank you.

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

Okay. Thanks, Michele. On Johan Sverdrup, progressing according to plan. As you remember, we sort of increased the production plateau level earlier this year to 755,000 barrels per day, and we expect it to come off that sort of increased total level towards the end of this year or next year. So the key here is to drill wells to manage water handling. So all of that is progressing according to plan.

Two new wells this quarter. We planned 10 new wells during the year. And then it will be around 41 wells drilled on Johan Sverdrup. Next year, we will launch a drilling campaign focusing on multilaterals as well. And then we have Johan Sverdrup Phase 3 where we plan for a concept select in the fourth quarter and start it by end '27 on the Phase 3 here.

I just want to say this is what we do. I mean, this is absolutely the core competence of the company. And here we apply all the competence and technology and sort of deep knowledge that we have and managing reservoirs is sort of Equinor at its best, and we apply that at Johan Sverdrup. And it's progressing well and continues to deliver as we expect.

You had one more, offshore wind supply chain? Yeah, I think it takes too much to give a full answer on that. And we are sort of well on the projects that are ongoing, but clearly there are supply chain issues within offshore wind. We do recognize that, but for our own projects, we are good.

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

Paul Redman, BNP Paribas.

Hi, Paul, are you there?

Paul Redman - *Exane BNP Paribas - Analyst*

Yes. Can you hear me sorry?

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

I hear you now. Thank you, Paul.

Paul Redman - *Exane BNP Paribas - Analyst*

Perfect. On turnarounds quickly, you got into 125 mboe/d for 3Q '24. If I look at 3Q '23, what was the planned maintenance? And you also have a number for unplanned maintenance impacted you last quarter? I'm trying to just see whether 125 mboe/d is more or less year on year.

And then second, when we talk about value over volume in the renewable division, just building a little bit on Lydia's question, if there's areas where you think that you could slow down capital, do I see that as CapEx out of the plan or would you see a reallocation into other parts of the business? Thank you very much.

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

Okay. So good. So turnarounds, we expect 125 thousand barrels per day in the third quarter this year. And last year it was 38 mboe/d in the same quarter.

And I'm not sure I really got your question. And that was related to unplanned maintenance. We had some prolonged maintenance related to Troll last year, but I think that impacted the fourth quarter more than the third quarter. But I think maybe you should call Investor Relations afterwards to get the more specifics on that. But my point is, it is sort of a significant program we have in the next quarter, but production guiding remains firm.

On value over volume, well we are planning to invest \$10 billion into our oil and gas activities and that sort of remains firm. It has a high priority in the capital allocation process. And sort of if we should not make any changes, I mean, we have a guiding out there. And there's no sort of -- let me put this differently, I mean, we are not in a position where we want to change anything related to our CapEx guiding for the time being. Things are progressing according to our plan.

And in the value-over-volume considerations, that is typically impacting more the early phase sort of activities than ongoing investment program. So I mean, you have seen that we haven't sort of won in lease rounds recently. That is because we just find them to be too expensive. That is not impacting sort of our short-term investments. It's more sort of the longer-term investment, it will have an impact on. So I have not an update to give you on this for the time being, Paul. But clearly we are not starting new projects unless we see that they are value creative.

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

Chris Kuplent, Bank of America.

Chris Kuplent - *BofA Global Research - Analyst*

Thank you for taking my question, Bård. And I'll turn keep it short one remaining. Torgrim, would you mind updating us what kind of macro debt was prevalent when these new tax installments were set up for the second half? That's it. Thank you.

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

Yeah. No, great, Chris. So that will typically be close to forward prices that we are sort of in earlier this spring. So I don't have the number, Chris, particularly, but I think it will be around -- I think if you have a look at sort of the forward prices early June, I think that is a good estimate for sort of the assumptions we do for those calculations. [And I can't remember what it is], but have a look at that and you'll find the answers.

That's fine. Thank you very much.

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

Jason Gabelman, TD Cowen.

Jason Gabelman - *TD Cowen - Analyst*

Yeah, thanks for taking my question. Just one quick one for me. Next year you have a \$2 billion range for shareholder distributions. Can you just talk about what the factors are? What do you consider the low end or the high end of the range? Is it commodity prices? Is it things like Empire Wind farm down? Is there kind of one or two items that could tilt the balance to the low end or the high end for next year? Thanks.

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

Thanks, Jason. Yeah. So between \$4 billion and \$6 billion in share buyback next year. So it is not linked to any farm-down or Empire Wind or anything like that. We haven't made up our mind yet, and we will communicate that on the Capital Markets Day. But typically parameters to consider is the strength of the balance sheet and sort of the macro outlook at that point in time. Those are the two major parameters that we'll sort of go into that consideration.

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

Matt (inaudible), JP Morgan.

Unidentified Participant

Hi, guys. Thanks for the update. Just one question left, please. I just want to ask you about full year operating cash flow generation. It struck me that the run rate in the first half looked somewhat light at sub-\$8 billion pre working cap relative to \$17.5 billion or so. I think that you had referenced inferred for the full year.

So obviously cash taxes expected to be lower in the second half, but equally, you're signaling a heavier turnaround effect early in 3Q. So how do you sort of see the run rate gap second half versus first half and then an absence of higher gas prices. Where does that additional cash generation come from? Thanks.

Torgim Reitan - Equinor ASA - Chief Financial Officer, Executive Vice President

Okay. No, thanks, Matt. So you're right, \$7.7 billion, first half and then \$17.5 billion for the full year. So it's higher towards the end. We see actually a relatively flat cash flow from operations before tax to the four quarters this year and the tax -- there's a shift in tax payment is actually the major explanations to this. And I will say that sort of should explain absolutely most of it.

So the production is -- we are getting back quite a bit of US production in the second half of the year, and that has a very low tax associated with it. So that clearly helps on sort of the after-tax cash flow if you sort of compare that to sort of the after-tax cash flow of maintenance on NCS, which has a large tax coverage, if you like. So but it is majority -- the major explanation here is actually the tax payment.

Bard Glad Pedersen - Equinor ASA - Senior Vice President Equinor, Head of Investor Relations

Thank you. And thank you, everybody, for calling in and for your questions. We are just above 1 hour. As usual, let me remind you that our IR team remains available if there are any follow-up questions. So thank you and have a good rest of the day.

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