

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

EQNR.OL - Q4 2021 Equinor ASA Earnings Call and Capital Markets Update

EVENT DATE/TIME: FEBRUARY 09, 2022 / 11:00AM GMT

CORPORATE PARTICIPANTS

Alasdair Cook *Equinor ASA - Executive VP of Exploration & Production International (EPI)*

Anders Opedal *Equinor ASA - President & CEO*

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

Kjetil Hove *Equinor ASA - EVP of Exploration & Production Norway (EPN)*

Pål Eitrheim *Equinor ASA - EVP of Renewables (REN)*

Peter Hutton *Equinor ASA - SVP of IR*

Ulrica Fearn *Equinor ASA - Executive VP & CFO*

CONFERENCE CALL PARTICIPANTS

Anders Kirkhorn Rosenlund *SEB, Research Division - Analyst*

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

Jason S. Kenney *Banco Santander, S.A., Research Division - Head of European Oil and Gas Equity Research*

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

Mehdi Ennebati *BofA Securities, Research Division - Director & Research Analyst*

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

Peter James Low *Redburn (Europe) Limited, Research Division - Research Analyst*

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

PRESENTATION

Peter Hutton - *Equinor ASA - SVP of IR*

Ladies and gentlemen, I'm really pleased to welcome you to the presentation of our fourth quarter and full year results and our capital markets update. We would have preferred, of course, to have done this in person, but that's not been possible this time. So we'll try to make it as real as we can live with you from here in Oslo.

We will have presentations from Anders Opedal, our Chief Executive Officer; and Ulrica Fearn, our Chief Financial Officer, of around 20 to 25 minutes each. Then we'll have a question-and-answer session of around 45 minutes with Anders and Ulrica, but also all of the EVPs who are here with us in the room today and also some of those who will be leading the breakout sessions afterwards for those of you who have signed up. We expect to close the call around 1:45 Norwegian time.

We've got a lot to get through. So let me please pass over through to Anders Opedal. Thank you, Anders.

Anders Opedal - Equinor ASA - President & CEO

Thank you very much, Peter, and good morning, everyone, and welcome. I really look forward to presenting our strong results and Capital Markets Update together with my team today. I will focus on 3 main topics. First and foremost, we report earnings at record level due to our strong operational performance and the high prices. This is also the basis for our increased capital distribution. I will come back to that.

Second, we continue to progress on our 3 strategic priorities. We turn ambitions into actions for optimized oil and gas, high-value growth in renewables and developing new market opportunities in low-carbon solutions.

Third and finally, we announced a step-up in our climate ambitions. By 2030, we aim to reduce our group-wide net emissions by 50% while maintaining high value creation and growing returns.

Let me start with our strong results for 2021. Last year, we saw continued impact from the pandemic and unstable and increasing energy prices. We focused on protecting our people, safe and reliable operations and cost and capital discipline. I am incredibly proud of our people and partners delivering very strong results, both operational and financial during a pandemic that has impacted our lives.

Safety is my most important responsibility. The serious incident frequency has a positive trend, and we have achieved our best result to date. We will continue the collaboration with our employees and safety delegates, partners and suppliers to improve our shared safety results. Our goal, always safely home from work every day.

Our strong operational performance laid the foundation for our financial results in 2021, both for earnings after tax and cash flow are very strong. We reduced the unplanned losses on our producing assets by almost 30% compared to the 5-year average.

In 8 months last year, Johan Sverdrup achieved nearly 100% production efficiency and delivered 230,000 barrels per day to Equinor. Strong operations, new wells and fields onstream and optimized gas production increased our production by more than 3%, above the 2% expected for the year. We achieved adjusted earnings of \$10 billion after tax. Our free cash flow for the year ended at \$25 billion after tax and capital distribution. The cash flow is improved from the temporary tax regime and the phasing of tax payments on the Norwegian Continental Shelf.

Return on capital employed was 23%, 23% in 2021, well above the range we gave in June. Optimizing our oil and gas portfolio is about creating value while improving and reducing emissions. For 2021, we achieved an upstream intensity of 7 kilo CO2 per barrel of oil equivalent. It was improved by lower emissions, portfolio changes and high production, including volumes from the electrified fields, Johan Sverdrup and Martin Linge.

Our Renewable business booked substantial capital gains of \$1.4 billion in 2021. We delivered solid operations, securing high availability from our wind farms. The last 2 years have demonstrated the large price movements our sector is exposed to. And this winter, the energy realities in Europe have demonstrated the importance of stable and reliable deliveries of gas from Norway. Currently, we see low inventories, low spare capacity and too low energy investments over time. In the breakout session later, Irene will share some details on what impact we expect.

This complexity in the energy markets adds to the challenge of transforming the energy system while providing enough energy. The energy transition is necessary, but must also be balanced to ensure energy security and affordability. Achieving the net zero targets of society and industry will depend on growth in renewables and low-carbon solutions. We are positioned to create value as these markets develop. With our technology, capabilities and customers, we can shape value chains and grow profitability, all while remaining competitive with low cost and low emissions from production of oil and gas.

As European gas demand surged last autumn, we turned every valve to increase volumes. New measures were taken. And for 2021, we increased our production of gas to Europe by more than 5%. We delivered operational excellence when European households and industry needed it most. And for fourth quarter, we delivered 16.5% more gas to Europe than the same quarter in 2020. This was enabled by operational performance of almost 100% production efficiency on our onshore gas facilities. The strong competence and efforts of our people and suppliers made this possible.

Looking ahead, the global supply chain disruptions and growing inflation are a shared concern for all industries. We will remain focused on cost and improvements and working on mitigating the inflation pressure. We know from experience that we must work closely with suppliers, mature and improve the projects, use design-to-cost methodology and ensure strict capital discipline, only sanction projects when they are good enough.

Since the Capital Markets Day last summer, our ambitions are being put into action. We optimize our oil and gas portfolio. Martin Linge and Troll Phase 3 were put on stream, both ramping up successfully. Troll Phase 3 is already paid back. And Martin Linge is expected to be paid back during 2022. And on that note, Aasta Hansteen, which started production in late 2018, is already paid back as well. Kjetil will elaborate on our progress on the Norwegian Continental Shelf.

We focus our international portfolio on high-value assets and have exited 6 countries and 7 assets. Al will share more on the progress internationally, but let me mention Bacalhau. Phase 1 was sanctioned last summer and is 50% complete towards first oil in 2024. Last year, we made 8 commercial discoveries with 125 million barrels of oil equivalent net to Equinor. We focus our exploration strategy on value creation with prospects near infrastructure with short payback time and low emissions.

Our oil and gas portfolio is expected to create significant free cash flow with an outlook of more than \$40 billion in the period 2022 to 2026. And remember, this is in a \$65 Brent scenario. In Renewables, we continue our progress pursuing high-value growth. In Korea, we have entered into collaboration to develop 3 gigawatt of offshore wind projects. We have secured additional capacity and have a competitive renewables portfolio.

Our flagship projects are progressing with Dogger Bank A and B well on track towards first power in 2024. Dogger Bank C has secured financing, and final investment decision has been made.

The floating wind farm, Hywind Tampen, is on track for start-up later this year and will support decarbonization of Gullfaks and Snorre.

The competition in the renewable industry has increased over the last years. We remain value driven and maintain our expectation of real base project returns of 4% to 8%. In Low Carbon Solutions, our technology and competence position us well. We are receiving increased interest from our customers in the development of hydrogen value chains and carbon transport and storage. In U.K., our low carbon portfolio is progressing. We reached a milestone when East Coast Cluster was selected as one of U.K.'s first carbon transport and storage projects. With the price development we have seen for CO₂ in Europe, the market for transport and storage is emerging.

Northern Lights is well on track to start up in 2024, and 4 potential customers have been granted EU funding for carbon capture. Our ambition is to have a capacity to transport and store 15 million to 30 million tonnes of CO₂ per year by 2035.

We have the actions in place to create high value while transitioning to deliver energy in a low-carbon future and achieve our net zero ambition. In a \$65 scenario, we expect to generate a free cash flow of around \$25 billion towards 2026. This means our return on capital above 14% towards 2030 and speaks to the profitability of our portfolio. We expect more than 30% of our gross investment to be in renewables and low carbon solutions by 2025 and more than 50% by 2030. Over a year ago, we stated our ambition to become a net zero company by 2050. Since then, the pathway to get there has been part of every major discussion and decision. By cutting emissions and increasing our capacity in renewables and low-carbon solutions, our ambition is to reduce the net carbon intensity by 20% by 2030 and 40% by 2035.

The world needs deep and rapid emission cuts already this decade to get net zero by 2050. Our efforts are twofold. First, we take action on our own emissions. Second, by developing renewables and low-carbon solutions, we will make new business by helping our customers to decarbonize.

Today, we launched a step-up of our climate ambitions, focusing on reducing emissions under our own control. I'm pleased to present our new group-wide ambition, a net 50% reduction of emissions from our operations Scope 1 and 2 by 2030 compared to 2015. We aim for 90% of this to be delivered as absolute reductions. The new ambition is aligned with the Paris Agreement of a 1.5-degree pathway.

We are not starting from scratch. Since 2015, we have cut emissions from operations significantly. Our solid pipeline of abatement measures will help us cut emissions while maintaining high-value production from oil and gas. On the Norwegian Continental Shelf, power from shore will be an important contribution. We have several electrification projects in execution and under development.

In our international projects, we are taking advantage of offshore combined cycle technology, reducing emissions. Our ability to grow cash flow and returns comes from being a solid company. We focus on continuous improvement, cost control and capital discipline. Carri will share more on how we use technology and digitalization in our improvements efforts. By [2025] (corrected by company after the call), we aim to improve cash flow by \$4 billion in total. We will continue to invest in our attractive portfolio. We are working proactively to reduce effects of cost pressure and inflation and further improve profitability in the projects. Ulrica and Arne Sigve will elaborate on this.

We will maintain stable investments in our profitable oil and gas portfolio while investing in high-value growth in renewables and low-carbon solutions. Overall, we maintain our guided CapEx level from June for 2022 to 2024. Our balance sheet is solid, with net debt below 0, providing for strong credit ratings. This gives us access to capital at competitive terms. We maintain our ambition for our net debt ratio between 15% to 30%.

Our balance sheet is also a competitive advantage. For us, project financing is a commercial option, not our requirement. Our capital distribution remains competitive. And we have been firm in executing our policy and grow annual cash dividend, in line with long-term underlying earnings. The share buyback program launched last summer has been executed efficiently, including the share buyback program launched in 2019, we have bought back 130 million shares, including the government share.

At our Capital Markets Day in June, we presented our capital distribution framework. Our dividend policy remains firm. We aim to grow the annual cash dividend in line with long-term underlying earnings. Typically, this has been an annual increase of \$0.01 to \$0.02 per share in the quarterly dividend, announced together with our fourth quarter results. We increased our quarterly dividend to \$0.18 per share at the Capital Markets Day. The Board will propose to the Annual General Meeting to further increase in the cash dividend to \$0.20 per share per quarter for fourth quarter 2021.

Also, at the Capital Markets Day, we announced a share buyback program at a level of \$1.2 billion annually from 2022, with the option to use -- to be used more extensively to optimize capital structure. The USD 1.2 billion annual level can be expected, assuming an oil price in or above a range of \$50 to \$60 per barrel and expected net debt ratio within the 15% to 30% ambition and pending commodity prices.

Already in third quarter, we demonstrated our willingness to use share buyback more extensively. We increased the second tranche last year from \$300 million to \$1 billion. The Board proposes an increase up to \$5 billion, including the government share for 2022. This is subject to the normal renewal of the Board authorisation of the Annual General Meeting in 2022.

The first tranche of \$1 billion, including the government share, will start in the market tomorrow. This is lower than the annualized rate of \$5 billion due to the narrower trading window this quarter. This level will be assessed quarterly, and we expect the level to remain at \$5 billion in 2022 when commodity price outlook is strong and the development in the balance sheet is supportive.

In addition, the Board proposes an extraordinary quarterly cash dividend for \$0.20 per share for 4 quarters, starting from the fourth quarter 2021, subject to approval of the Annual General Meeting. The extraordinary quarterly cash dividend is backed by high commodity prices in the second half of 2021 and strong earnings outlook -- second half of 2021 strong earnings and outlook.

The total proposed distribution is cash dividend of \$0.20, extraordinary cash dividend of \$0.20, share buyback of up to \$5 billion during the year, which potentially represent another \$0.40 per quarter in 2022. The proposals and required authorisations will be presented to the Annual General Meetings in May 2022. This equates to a total capital distribution for 2022 of up to \$10 billion in total, of which around half is expected to be in cash dividends and half in share buybacks. This demonstrates our commitment to offer attractive shareholder returns.

So, let me sum up our main messages. We are on track to deliver on our focused strategy and accelerate the transition. We are progressing our portfolio in renewables and low carbon solutions, and have set a new group-wide ambition of net 50% emission reductions by 2030. In 2021, we delivered strong operational performance, adjusted earnings after tax of \$10 billion and net cash flow of \$25 billion. This enables us to deliver competitive shareholder returns while investing in the energy transition.

Thank you all for the attention, and I really look forward to your questions later. I also have the full and my great team with me that will join for the Q&A. So now Ulrica, the floor is yours.

Ulrica Fearn - Equinor ASA - Executive VP & CFO

Thank you, Anders, and thank you all for joining us today on the call today. It's always good to be able to present to our stakeholders even if it is still via video, and I hope that will change soon.

I started at Equinor just after the Capital Markets Day in June. And I have, after that, spent time rapidly learning and bringing to execution the strategy that was presented then. And today, it's an opportunity to show how we are delivering on this strategy and our ambitions as we clearly demonstrated then, and we've demonstrated it again by our fourth quarter and our full year results.

So, let me first focus on these results, but also in the context of the strategy, provide you some further details on our portfolio and our financial framework. What we will show today is that we're able to capture high prices and thereby, report record adjusted earnings after tax for the quarter. Oil prices are high. And in the second half of 2021, we saw record gas prices in Europe with an average realized price of \$28.8 per MMBtu compared to \$5 a year ago. We have actively responded to the tight market and increased our gas production in Norway by 16.5% in the fourth quarter and by 5% for the full year to provide much-needed additional supply to industries and consumers in Europe. And the record gas prices, combined with our focus on optimizing gas volume, paid dividends quite literally.

Meanwhile, underlying upstream unit production costs was stable. And we delivered organic CapEx in line with our reduced guidance at \$8 billion in 2021. And these factors all contributed to record cash flow from operations in the quarter of \$11.3 billion after tax. And to put this into context, this cash flow more than covers our full year organic CapEx in just this one quarter.

At our Capital Markets Day in June, we introduced a more flexible capital distribution framework. We have actively used this flexibility by increasing our second tranche of share buybacks to \$1 billion in the last quarter, and that tranche was completed last week. I'll come on to this framework and how it fits into our long-term financials later on in this presentation.

But starting with production. We talk about value over volume as a strategy. And in these market conditions, volume is also value. We have delivered high efficiency and flexed production towards the most valuable opportunities. And during the fourth quarter, production in Norway was up 12% year-on-year. Our oil and gas production was up 5.6% or actually near 9% if you adjust for the sale of Bakken. So, these production results reflect new fields coming on-stream but also high production efficiency on the NCS.

Meanwhile, in renewables, power generation increased 10%, from 480 to 526 gigawatt hours. And we had continued high availability in offshore wind assets and added production from the solar plant in Argentina. Clearly, these results reflect the stronger commodity prices. And as you can see in our realized prices which increased to an average of over \$100 per barrel oil equivalent.

Production performance and stable upstream cost per unit also contributed. Reported net operating income of \$13.6 billion is over \$10 billion higher than a year ago. It includes some \$1.8 billion of impairments, mainly related to the Mariner field as per our announcement earlier this year. Adjusted earnings in the quarter were \$15 billion pretax and \$4.4 billion after tax at an effective tax rate of 71%. The tax rate is reflective of higher earnings in E&P Norway partly offset by losses in our MMP segment.

The quarter saw record levels of earnings after tax and record cash flow for E&P Norway and E&P USA. E&P Norway achieved the highest quarterly production volume in nearly a decade. And gas production as a percentage of the total increased to 55% as we optimized our gas volumes. Adjusted OpEx and SG&A per barrel increased 14% in U.S. dollars and increased by around 11% in underlying Norwegian kroner. Half of this increase is attributable to increased environmental taxes and CO2 costs. And the other half was driven by Gassled removal costs. Underlying costs per barrel in Norwegian kroner were stable. DD&A per barrel increased by 29%, and this is driven by new fields and mainly due to Martin Linge, which started production in June and is expected to pay back within 2022 at present prices. Currency translation also contributed to the increase.

In E&P International, production was roughly flat with declines on some more mature fields. And this was partly offset by the 12,000 barrels per day of additional volumes from the Angara JV in Russia that we acquired last year. OpEx and SG&A, excluding royalty, increased by just under \$50 million, all of which is explained by additional charges on one asset and one-offs in the fourth quarter of 2020, leaving underlying costs stable.

In the U.S., production volumes were down 40,000 barrels per day, impacted by the sale of Bakken. Correcting for that, onshore production was flat, while offshore production was up 20,000 barrels per day. The increased volumes are generating strong cash flow due to our U.S. tax position. And underlying unit costs were down 4%. So altogether, these factors contributed to record earnings of \$587 million or \$574 million after tax.

In MMP, as advised, earnings last quarter of \$2.2 billion included of around \$2 billion of an unrealized gain on gas derivatives. This quarter shows a loss of around \$1 billion, including the loss of around \$1.4 billion on physical delivery of gas volumes, partly matching the gain on the derivatives in the last quarter. At year-end prices, an amount similar to that loss will be booked in total over the next 2 to 3 quarters.

And as a reminder, although these gas positions introduced volatility in the results of the MMP segment, they do allow us to capture the current high gas prices by converting forward gas contract prices to 70% day-ahead and 30% month-ahead prices. And you can see this effect in our invoice gas prices, which, consequently, tracks these short-term indices. This quarter, underlying results in MMP were within the normal guided range of \$250 million to \$500 million per quarter. And this included strong performance by Danske Commodities.

In our Renewables business, results showed improved earnings from operated assets of \$52 million, up from \$36 million a year ago. We are focusing on efficiencies and continue to make good progress on the development portfolio. For example, we announced the purchase and sales agreement with the state of New York earlier this month. And also, we completed the financial close of Dogger Bank C, contributing \$180 million to cash flow. So this high level of activity increases business development costs and resulted in adjusted earnings of minus \$38 million in the quarter.

Our cash results also reflect our ability to capture market prices through solid operating performance and strict capital discipline. We posted record high cash flow of \$25 billion after tax for the full year 2021 and this was around \$9 billion for the fourth quarter. Our organic CapEx for full year 2021 was around \$8 billion, in line with our guidance in the third quarter. The significant generation of cash flow in the fourth quarter has continued to strengthen our balance sheet, and we now have a net debt ratio below zero and this is down from 13.2% in the previous quarter and down with over 30 percentage points from the end of 2020. Note that Equinor's NCS tax installments in the fourth quarter 2021 was NOK 55.5 billion. And based on actual earnings for 2021, the taxes payable are NOK 177 billion. In the second half of 2021, we paid NOK 67 billion, leaving NOK 110 billion to be paid during the first half of 2022.

So now let's look at these results and put them into the context of the strategy that Anders already outlined. Execution of our strategy is well underway along all our main priorities with flexibility to address evolving markets as we progress. Our financial position, as mentioned, is very strong. And we capitalise on enhanced value in our oil and gas portfolio while transitioning to new growth areas. Central to our strategy is our ambition of becoming a net-zero company by 2050. And today, as Anders mentioned, we take a further step with an ambition of a 50% cut in net carbon emissions by 2030, demonstrating our commitment to make real progress in the energy transition.

In addition to this, we will simultaneously deliver strong cash flow and attractive returns as well as providing competitive capital distribution to our shareholders. We think this will be a distinguishing feature for Equinor leading in the Equinor -- in the energy transition. It's easier to do this simultaneously if commodity prices are high. But we believe we have the discipline, the capability and the financial strength to do so through the cycles, creating a long-term, sustainable, resilient and profitable business.

Before taking you through some of the key highlights and measures across our business, I will point out that our strategic priorities are connected. We see synergies between our different businesses across operations, capabilities and technology, but also financial. The strong cash flow from our profitable oil and gas portfolio funds not only reinvestments to further high-grade our oil and gas portfolio, but also disciplined investment in our attractive renewables and low-carbon solution portfolios.

So, let me start with our advantaged portfolio in oil and gas and our key measures. Our oil and gas production outlook reflects Equinor's commitment to supply energy for society towards 2030 and simultaneously aim to reduce our emissions by 50% over that period. In 2021, the CO2 intensity was 7 kilos per BOE, which continues to be well below half of the industry average. Our oil and gas portfolio is cash flow positive at prices around \$30 per barrel after investments, and this ensures resilience through the cycles. This portfolio is expected to generate over \$40 billion of free cash flow over the next 5 years.

I also want to highlight Equinor's commitment to securing gas supplies to the -- from the NCS to Europe, and we expect to produce more than 40 bcm annually towards 2026. With flexibility in production and our low cost of supply below \$2 per MMBtu, we are positioned to create significant value.

Our strong pipeline of development projects coming on-stream by 2030 provides a solid outlook to deliver around 6.5 billion barrels of oil equivalent net to Equinor, with low breakevens at below \$35 per barrel, high returns of around 30% internal rate of return, fast paybacks of 2.5 years on average. And this portfolio gives us the flexibility to deliver and further high-grade. So Johan Sverdrup Phase 2 reflects this strong position very well. It's on track to start up later this year, adding 220,000 barrels a day at an operating cost below \$2 per barrel and a CO2 intensity below 1 kilo of CO2 per barrel oil equivalent.

In order to be a leader in the energy transition, we are leveraging being an integrated energy company and are scaling our renewable and low-carbon solutions businesses. Both are built on our capabilities and operational competitive advantages funded by the oil and gas. You see here a strong pipeline of projects from the high-value growth in renewables. We presented our guidance around growth in renewables at the Capital Markets Day in June, so these numbers will be familiar. We're on track to deliver.

The list of projects reflects the pace of development and mix of opportunities towards these ambitions. And Pål will go into more in this in on detail later. We're also financially positioned to ensure long-term returns. Applying strong capital discipline and leveraging our financial position enables us to utilize the most attractive financial structures and effectively manage risks such as merchant, inflation, interest rate and foreign exchange.

We have talked consistently about the importance of flexibility and focus on costs. We have several examples on how we optimized our gas portfolio to capture valuable opportunities, and such an example is Aasta Hansteen. On Aasta Hansteen, we saw high production regularity of around 99% in the fourth quarter. We also increased capacity and production efficiency by utilizing the integrated operations centers, the IOC. With these combined elements, we capitalised on strong markets, and investments were paid back both before and after tax in the fourth quarter.

Even with today's strong results and high commodity prices, discipline remains critical. It's a mindset we keep and we've been driving across the business. The focus on cost can be seen as critical in the downturn, but it's just as important to capture these benefits in the upturn as we enter into more uncertain capital and supplier markets. And today, we reiterate our improvement ambition of \$4 billion by 2025, as announced in June, and we're on track to deliver.

In 2021, we have realized more than \$1.8 billion in improvements. We are delivering on our ambition for low unit production cost of around \$5 per barrel oil -- of oil equivalent. And Arne Sigve will talk a little bit more about this and our clear actions that we're taking later on in his section.

So turning to our financial framework. Here, we help quantify and show the robustness of our cash flow from operations using the price scenarios of \$50, \$65 and \$80 for Brent and reflecting gas prices of \$22 per MMBtu in 2022 to \$7 in 2024 in the \$65 case. The bars in the graph highlight the robustness we have through the scenarios, carrying our CapEx at \$50 in all periods. In the low \$50 sensitivity scenario, we could, of course, also flex our CapEx, noting the high level of non-sanctioned CapEx in the '24, '25 and even more so from 2026 onwards.

With this strong financial position and the cash generated in mind, I will take you through the way we look at capital allocation. Firstly, our capital expenditure reflects a full program delivering the advantaged portfolio I have just outlined across both oil and gas, renewables and low-carbon solutions, balancing and delivering on our high-value, low-carbon ambition whilst maintaining capital discipline and flexibility through the cycles. We have a high activity level and are able to move forward at pace and with efficiency. So we continue to look for opportunities to invest to high-grade and optimize this portfolio. And our guidance and ambitions, though, are based on organic opportunities. We do not see any strategic gaps in the portfolio and have demonstrated an opportunistic approach to M&A. And we will only screen for value and for where we can bring synergies and competitive advantage at an attractive price. And this might mean we could be net sellers.

Secondly, we have strengthened our financial positions and reduced the net debt ratio from about 30% at the end of 2020 to below zero at the end of 2021. And our ambition remains 15% to 30%. We're comfortable being outside this range for periods of time, but see this as a long-term resilient and effective range, demonstrating financial efficiency and discipline.

Finally, we're committed to deliver competitive shareholder distribution. Our cash dividend is expected to grow in line with our underlying earnings. And we have built in flexibility in our capital distribution framework via our share buyback program.

So, let me run through the third point in a little bit more detail with a reminder of the proposed increase in capital distribution we announced this morning. As Anders took you through, the total proposed distribution for the for fourth quarter is cash dividends of \$0.20, extraordinary cash dividend of \$0.20 and a share buyback of up to \$5 billion during the year, which potentially represents another \$0.40 per quarter in 2022. We also provide you with the drivers and visibility supporting each of these elements, each consistent with the distribution policy and the additional flexibility provided at the Capital Markets Day.

And today, we show you we deliver on what we say by using that flexibility in practice. This demonstrates our commitment to offer attractive shareholder returns. And now I will conclude with our guiding before opening for questions. Looking ahead, our CapEx guidance of 2022, '23 is around \$10 billion and around \$12 billion for '24, '25. For this year, we expect production growth to be around 2%.

And with that, I hand it over to you, Peter, and look forward to your questions.

Peter Hutton - Equinor ASA - SVP of IR

Thanks, Ulrica. So I pass over through to the operator here, who'll just remind you how to poll for a question. We have some on screen already.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Peter Hutton - Equinor ASA - SVP of IR

Great. Thanks. So we've got a number of questions coming in. So the first one is from Biraj Borkhataria at RBC.

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

The first one's on shareholder distribution. This year's free cash flow is obviously very high, given where oil and gas prices are and then you have the lagged tax effect. I'm just trying to understand that, given where the balance sheet is also and that you're likely to deleverage further in the short term, going forward, should we assume that shareholder distribution should be sort of equal to free cash flow or even potentially greater than free cash flow? I'm just trying to see how you balance that kind of framework. And with your gearing target of 15% to 30%, and you'll be way below that even with the buyback and the special dividend.

And then the second question is on low carbon. Your CapEx framework still points to a rising CapEx profile in that space. I was probably a little bit surprised not to see your name in the ScotWind wins. So maybe you could give a bit more color on the competitive dynamics in that space. You did touch on it, but whether anything's changing your view there, both in terms of the opportunity set and also the intensity of the competition.

Anders Opedal - Equinor ASA - President & CEO

Yes. Thank you very much for the question. And I know that also for the final question regarding ScotWind, Pål also would like to chip in a little bit. But let me start first with the capital distribution. The way we think around this is that we, as I alluded to earlier, we grow the cash dividend in line

with long-term underlying earnings. And with the capital framework we provided to you during the Capital Markets Day, we said there is flexibility to grow this further for the share buyback with the criteria given.

I think you have seen that we have demonstrated now in the third quarter and now also for fourth quarter that we're using that flexibility based on the earnings and the outlook. So we will continue to look at the outlook, the underlying earnings and come back to the different announcement at different quarters. You want to allude a little more to the cash?

Ulrica Fearn - *Equinor ASA - Executive VP & CFO*

I can add a little bit to the comment around the delayed tax payments. And that's absolutely correct. The earnings this year will have -- will trigger large tax payments next year. Of course, we're taking the long-term view into consideration when we look at this -- the capital distribution. So that's what our capital framework allows us to do is to step back, look at it a bit more longer term and say, here's what the holistic environment looks like, both the commodity prices and the macroeconomic environment and our outlook, taking into account the cash flows that we're expecting and then we make the decision from that. But yes, absolutely, next year, we will see the impact from those larger tax payments, and that's been taken into account.

Anders Opedal - *Equinor ASA - President & CEO*

And for the competition in the renewables, yes, there is higher competition. But also, I want to remind you of the very, very good portfolio we already do have in execution. And we're focusing very much on delivering that portfolio now. We're focusing on also bringing some of these projects that are -- we have taken concept selection on, like Empire Wind and bring that up to final investment decision. But we will also looking into access more acreage, and this is a competitive area. And Pål, please add.

Pål Eitrheim - *Equinor ASA - EVP of Renewables (REN)*

Yes. So to your question, I think the competition was confirming something that we've already seen in quite a few auctions recently. And I think more than 70 companies were actually competing for ScotWind. So yes, obviously, I was -- I don't like losing, so I was a bit disappointed that we didn't follow through. I think our people delivered a really good bid. But it doesn't really change the pathway that we're on. We are saying today that we have accessed around 2/3 of the pipeline that we need to deliver on the ambition. And I think we can actually -- we have a pipeline now that I think gives us the privilege of being quite disciplined and that we can actually afford to be disciplined.

But we are going to compete fiercely going forward. We haven't got a formal debrief from the Scottish authorities yet. And we would like to see that to understand why we didn't -- why we were not successful in that round and then use that with the aim to improve.

Anders Opedal - *Equinor ASA - President & CEO*

Thank you, Pål. And also for the visibility for the extraordinary dividend, this is now declared for the -- fourth quarter 2021 next three quarters(subject to AGM approval)

Peter Hutton - *Equinor ASA - SVP of IR*

Thanks, Biraj. Next question is from Oswald Clint at Bernstein.

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

Yes. Yes, perhaps just a simple one on -- again on distributions. Could you just talk about why you selected the extraordinary dividend this time? You've given us a full suite of distribution options, so why the special dividend? And obviously, it could have been funded through the buyback and the balance sheet. Anyway, so that's the first one.

And then secondly, it's a good strong message, Anders, about customers, which I hear from you today. and also talking around your carbon capture, your transport, your hydrogen. Your -- the 15 million to 30 million tonnes per annum by 2035 is still the same as last summer. So is that just giving you confidence in rolling out that type of business? Could we start to see more developments or even more CapEx going into that particular direction?

And perhaps in your response, just remind us, I guess, of the revenue model, some of the assumptions you're taking here to make the economics work around this transport carbon business. I see your comment here about customers receiving subsidy. So that would be great, to hear your thoughts.

Anders Opedal - Equinor ASA - President & CEO

Yes. Thank you very much for your question there. We want to -- we are investing our cash in a very profitable portfolio, but we also want to then distribute competitive dividend to our shareholders. And we -- to have optimizing our capital structure, we have found a balance between both cash dividend and share buybacks. And we -- there are different choice and options from the different investors and kind of preferences. So we have looked into both the long-term underlying earnings and grow that annually as we always do and announced in the fourth quarter. We have increased our share buyback. But we also saw that there are room for more capital distribution this year for optimizing our capital structure. And we decided to propose for the next four quarter a \$0.20 extraordinary dividend.

You're right, the customers are more and more interested to talk to us about carbon capture or the transport and storage that we are mostly in. And this is, of course, because of the increasing ETS and the CO2 tax that we have seen lately. I would like Irene to allude a little bit more on the options that we have built since the last time we discussed this at the Capital Markets Day. But the higher CO2 taxes, the customers moving into more and more finding solutions for reducing their CO2 they are emitting, make me more and more confident about the target and the ambition we set on the Capital Market Day. So Irene, if you allude a little bit more on the projects and how this is developing.

Irene Rummelhoff - Equinor ASA - EVP of Marketing, Midstream & Processing (MMP)

Well, happy to do that. As Anders said, there is a significant increase in interest from customers. Two types of customers, particularly, I think. Industrial customers like steel companies, ammonia, fertilizer and all of that, they all commit to net zero in 2050. They don't really have alternatives other than carbon capture and storage as of today. The other customers we're seeing are power plants.

I think the whole energy crunch we've seen in Europe these days means that we need more dispatchable power. And CCGTs with carbon capture and storage is coming up as the savior in this picture. And we have a lot of incoming calls. And as Anders alluded to, CO2 prices, we offer a way for these customers to basically hedge their CO2 price by paying us a tariff for storing and transporting it. So, it's exciting right now, a lot of call from.

And you also asked about the economic assumptions. And I think we said at the Capital Markets Day that come 2030, we should be able to capture, transport and store CO2 below EUR 100 per tonne. And we also said then that we expect the EU ETS price to be in that range, but we're seeing hitting those kind of marks already today, so.

Peter Hutton - Equinor ASA - SVP of IR

Thanks, Irene. And thanks, Oswald. Next question is from Anders Holte of Kepler.

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

Congrats for a decent quarter, we have to say. My other simple one that's directed to Pål in terms of -- it's related to offshore wind. You touched upon the increased competition in ScotWind. It was quite fierce. I think we all saw that. But I guess just on a broader sense, like how do you view the outlook for offshore wind projects that you haven't sanctioned in light of the cost increase we're seeing in, more or less, all parts of the supply chain? One thing is projects where you have a signed contract for turbines and foundations. But in terms of projects that are yet -- not yet FIDs, like, where do you expect the returns to end up? And what's the impact on the cost increases on the overall project returns?

Pål Eitrheim - *Equinor ASA - EVP of Renewables (REN)*

So as you said, it's a difference between the projects we have sanctioned and where we have kind of inflation behind us, and we have locked in that risk. So that's not sort of a major concern. And Dogger Bank A and B, for example, is in that category. When it comes to inflation, so as Anders said in his speech today, clearly, it is a concern and we're monitoring it very, very carefully. And especially in the renewable area that have slimmer margins than other parts of our business, that is a key point.

On the other hand, we could also see the effects more widely in this industry in terms of potentially taking -- tempering some of the heat on the competitiveness that we are seeing in the market. And that's a market where I think the strong balance sheet of Equinor is actually a big competitive advantage.

When it comes to the pre-FID projects, it's a bit early to say the impact of inflation. So clearly, we are monitoring that. And we're seeing prices in some segments coming up. We are trying to very carefully manage this through our procurement strategies and the timing for when we set contracts and also managing this together with the suppliers that we are taking. But we are not seeing a fundamental change to the business cases because of the inflation yet. And obviously, we don't know how sticky this is going to be. And in quite a few of these projects, we have still a lot of the procurement ahead of us. So it's a bit of a long answer and not being specific. But I -- it is an uncertainty that we need to manage going forward, and we need to do it on a portfolio level.

Anders Opedal - *Equinor ASA - President & CEO*

And then what we also focus on here is, as Pål said, really, how we work with the projects and using the toolbox that we developed in the step project, simplifying and optimizing the projects. And this is exactly what Pål is doing together with Arne Sigve in renewable projects, and we do that in all other oil and gas projects as well.

Peter Hutton - *Equinor ASA - SVP of IR*

And the next question is from Lydia Rainforth at Barclays.

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

So 2 questions, if I could. Just in terms of the Renewables business and the idea of wind versus hydrogen and CCS, how do you think about the pace of both of those, so in terms of you end up splitting it equally between them?

And then secondly, just on the reserve side. And I know it's unusual now to ask questions on the reserve side. But could I just ask why the -- so you saw reserve replacement numbers, but the resource number actually came down, I think. So I was just wondering why that was.

Anders Opedal - Equinor ASA - President & CEO

Are you talking about the RRR coming down? Is that your question?

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

Yes. So in terms of, if I look at the slides, I think the RRR was actually 113%, I think, for the year. But then the resource number seems to have fallen relative to last year. So I was just wondering why that was.

Anders Opedal - Equinor ASA - President & CEO

Well, from last year, we have increased this number. So this is a strong number, 113%. And also the ROP has also increased during this year. When it comes to the pace of renewables and low-carbon solutions, we have guided that on the -- in 2025, we will see that the gross CapEx will be above 30%, and then it moved to 50% of the totality in 2030. But we will see the renewables CapEx ahead of the low-carbon solution CapEx.

Irene is now developing a very long and interesting project portfolio. Not all of them will probably progress to a final FID. But many of them are very interesting and that they'll probably start coming more in FID in '24, '25, we'll see, maybe before, some of them. And -- but the majority of hydrogen and CCS will come a little bit later than the renewable business.

Peter Hutton - Equinor ASA - SVP of IR

Thanks, Lydia. Next question from Teodor Sveen-Nilsen at Sparebank Global Markets.

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

Also congrats on very strong results. Two questions from me, if I may. First, on the gas strategy. Have you been tempted to sell more gas as spot to the forward compared to your stated strategy of selling 70% spot?

Second question is on tax payments. Ulrica, you said that you expect cash tax payments to come up this year, of course. Are you in a position to guide specifically on the cash tax payments over the next few quarters? That would be useful.

Anders Opedal - Equinor ASA - President & CEO

Okay. Thank you, Teodor. So maybe Irene, you can elaborate a little bit on the gas strategy and how we think of that. But I also have to underline the operational excellence in the gas that enable us to capture, really, the prices. And then also the gas strategy is an important part of how we capture prices.

Irene Rummelhoff - Equinor ASA - EVP of Marketing, Midstream & Processing (MMP)

You might recall that pre-2019, we actually sold our gas on a mix of short-term and long-term indices. But we highlighted that we expect more volatility going forward and change that strategy to 70% day-ahead and 30% months ahead.

So I guess your question is, should we go 100% day-ahead? I think 100% is probably not possible logistically. And also the month ahead prices capture more of the spikes than, of course, season-ahead prices as well. So I think if you compare our realized prices to the day-ahead NBP, we're pretty close, but not perfectly there. So I think we're quite happy where we ended up. And if you look at the last 2 years, I think we've actually made several billion dollars by introducing this new strategy compared to where we would have been with the pre-2019 strategy.

Peter Hutton - *Equinor ASA - SVP of IR*

Thank you, Irene. Ulrica?

Ulrica Fearn - *Equinor ASA - Executive VP & CFO*

Yes. Very short answer to that. Referring to 2021, just to remind us that we've got that full year Norwegian kroner tax, NOK 177 million of which we've got, which is what I referred to before, which we've got about NOK 110 million left to pay in the first half of next year. And of course, when it comes to 2022, we won't go into those taxes now.

Peter Hutton - *Equinor ASA - SVP of IR*

Hopefully more.

Ulrica Fearn - *Equinor ASA - Executive VP & CFO*

Exactly. It's a good thing. It's a good thing, this problem. It's the delay, it's the lag that make it a little bit more difficult to calculate. But it's pretty straightforward, 6 months delay on big earnings, and that's what we're paying for in this half we're in now.

Peter Hutton - *Equinor ASA - SVP of IR*

Yes. And just a reminder on that one, we'll pay 1/3 of that NOK 110 in the first quarter and 2/3 of that NOK 110 billion in the second quarter.

Next question. And thanks, Teodor. Next question is from Mehdi Ennebati at Bank of America.

Mehdi Ennebati - *BofA Securities, Research Division - Director & Research Analyst*

First, I would like to congratulate you for these extremely strong results. Two questions, please, on my side. First one regarding your balance sheet. So now that you have a very strong -- what prevents you from clearly accelerating your energy transition? So you highlighted that you don't want to overpay. I understand this. But what prevents you as well from acquiring a renewable energy company? Is it just a matter of valuation? If those renewable energy company valuation keeps falling, you might be looking at it? Or do you think that you would rather prefer to develop your own project even though this will take much more time realizing an acquisition?

And the other question is about your free cash flow estimates, the one that you provide for 2022 and 2023. So there is a slide where you show what will be that free cash flow generation at \$80 Brent. And on another other slide, I can see for 2022, you expect European gas to be 30 Mcf. Am I right there? Because during the presentation, I also heard \$22 MMBtu which could be the average for '22 and 2023. So are you expecting \$30 MMBtu in '22, meaning even above the forward curve and? What makes you so, let's say, optimistic on gas price for '22?

Anders Opedal - *Equinor ASA - President & CEO*

So Ulrica, if you will answer the second question. And yes, we have a very strong balance sheet. And -- but we also have a very strong project portfolio, both in oil and gas and renewables. We have accelerated the investment in renewables already organically. We do not have any strategic gap in our portfolio. We'll, of course, be opportunistic in any kind of M&A activity. But at the same time, we will focus on -- same as we focus on value in our organic portfolio, we will also do that for any inorganic moves as well. So we are quite comfortable with the portfolio we have today, and also the kind of how strong this portfolio already is.

Ulrica Fearn - *Equinor ASA - Executive VP & CFO*

And I'm not sure 100% understood the question. If it was what our gas assumptions were in the \$80 case, then in 2022 was \$30 as you said, '23, \$18 and thereafter \$12. But did I understand that question?

Peter Hutton - *Equinor ASA - SVP of IR*

I think that's right. And in the \$65, which is the central case, it's \$22 and going down to, I think...

Ulrica Fearn - *Equinor ASA - Executive VP & CFO*

\$12 and then \$7.

Mehdi Ennebati - *BofA Securities, Research Division - Director & Research Analyst*

So my question is...

Peter Hutton - *Equinor ASA - SVP of IR*

Those are scenarios. They're not necessarily forecasts.

Peter Hutton - *Equinor ASA - SVP of IR*

Thanks, Mehdi. Next question is from John Olaisen at ABG.

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

Yes. A question on 2022 production guidance. May I ask what are your assumptions for Norwegian gas production? I just wonder, if prices remain high, are you in a position to produce more gas in the summer of '22 than you did in the summer of '21?

Anders Opedal - *Equinor ASA - President & CEO*

At the moment, we are producing for everything we can of gas. The production in the summer is something that will be based on the prices we will see. We have a strong outlook for the prices for the summer. But we have -- what we guide on is a 2% production increase of the total portfolio for 2022.

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

Yes. But again, I was just wondering if possible to give us some more information or indication of what kind of gas production this summer that 2% assumes.

Anders Opedal - *Equinor ASA - President & CEO*

Well, we are not guiding on a summer gas production as such. We will, of course, ensure that we are producing, such we are capturing the market and the prices we see in the market.

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

But is it wrong to say that there could be a big, big swing factor? The production this year, I guess, could have a big swing factor due to gas production in summer Q2 and Q3?

Anders Opedal - *Equinor ASA - President & CEO*

Now I don't think you should assume anything like that. What I said, what we are guiding on is a 2% production increase in 2022.

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

Okay. And a very quick question at the end. I just wondering for how long can you continue to focus on near-field exploration? I guess at some point, the potential for near-field exploration is slowly slowing down?

Anders Opedal - *Equinor ASA - President & CEO*

Yes. We see that we are not only focusing on near-field production, but most of our exploration wells so far is focused on this, on the Norwegian Continental Shelf. But we do have also exploration well outside or not that close to existing infrastructure.

And internationally, particularly, we have a very excited well in a new basin in Argentina as well. So but most of it will be near field and -- but also some outside the near field. So there will be a combination of those two. You see the prospectivity around our existing field. So we have quite a longevity there. And Kjetil, might you also say a few words of the prospectivity for us in on the Norwegian Continental Shelf. And if you, AI, could add a little bit on the exploration for international?

Kjetil Hove - *Equinor ASA - EVP of Exploration & Production Norway (EPN)*

I could do so, Anders. And as you said, in 2021, we clearly saw the attractiveness of the near field exploration, 8 discoveries in '21. So what you have said that during this decade, our plan is to drill between 20 and 30 wells on an annual basis. We have also said that around 80% of that will be near-field exploration and 20% will be more step-out. And I think that's what we are trying to do in this decade. And as we saw last year, this strategy has been quite attractive up to now, and that's what we are sticking to.

Anders Opedal - *Equinor ASA - President & CEO*

AI, if you want the international exploration?

Alasdair Cook - *Equinor ASA - Executive VP of Exploration & Production International (EPI)*

Sure. So I think it's a very good point on the volume of near field and infrastructure-led exploration that we can expect to be successful in finding. Actually, we're growing more optimistic that -- with the increases in technology that we're seeing that we can actually maintain a lot of the production that we've seen from the fields by doing this kind of thing.

I could draw your attention to a couple of areas where we're particularly interested going forward. The first is around our Brazilian portfolio and particularly around the Roncador field where we drilled an appraisal well last year into a carbonate reservoir. That showed some really interesting results, 1.5 billion barrels of oil in place there. So we'll be looking for more opportunities in that Roncador oil field, for example.

A second example is in Canada around our Bay du Nord project where we're going to be drilling a couple of wells this year which, if they're successful, will be tie backs to the broader Bay du Nord project. So we do see the opportunities that you talk about. And as we bring more focus on those, we expect that can offset production decline.

Peter Hutton - *Equinor ASA - SVP of IR*

Thanks, Al. Thanks, John. Next question is from Christyan Malek at JPMorgan.

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

Can you hear me well?

Peter Hutton - *Equinor ASA - SVP of IR*

We can.

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

Congratulations, first of all, on a very strong result. Two questions, first of all, just back to the capital frame and more to the philosophy around it. I want to understand in terms of decision-making process why you decided not to go back to your sort of pre-COVID dividends, \$0.27 a share just based on the fact that it was a record cash flow.

And just to understand your vision around what the progressive underlying dividend of the business, the particular context of the macro-volatility. And I could sympathize with that volatility. I just wanted to understand, in terms of just the decision-making process of a progressive versus special, whether we should be thinking about this as much more of a desirable framework going forward, or is this potentially sort of a warm up to raising the base dividend higher.

And the second question just comes to the top of the frame in the context of your balance sheet. And what we're seeing is the potentially quite aggressive inflation in the renewables business, very commoditized environment with more competition. And so to that end, particularly with your net cash position, I just want to understand both the industrial and financial logic of buy versus build in the Renewables business given your lead in it.

Peter Hutton - *Equinor ASA - SVP of IR*

Christyan, although we said we could hear you very clearly, I think I lied a little bit on that one at the start. So I think I understood it. So I'll just try and translate the questions.

Anders Opedal - *Equinor ASA - President & CEO*

That would be great.

Peter Hutton - *Equinor ASA - SVP of IR*

And if I get it wrong, Christyan, then step up, so I don't try and slip in an easy one on purpose.

So I think the question was looking at the dividend, what about the potential to step-up the ordinary dividend towards what we said in terms of the \$0.27 that we used to have and how that compares against the share buybacks and the extraordinary dividend?

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

Yes, exactly.

Anders Opedal - Equinor ASA - President & CEO

Yes. So as you remember, for the Capital Markets Day, we provided then our capital distribution framework where we started from \$0.18 and said we will grow this annually by \$0.01 to \$0.02 based on the long-term underlying earnings. And we also said that we will grow from \$0.18 at that point, but also adding an annual share buyback program on top of this, given the requirements that we set forth.

We felt this was a better way to have a transparent and very clear and predictable capital distribution framework that are resilient through the cycles and the commodity cycles, but also through the energy transition. So we will continue to grow the cash dividend from 20 annually, based on the -- our view on the long-term underlying earnings.

And as we have demonstrated in the quarters, both the third quarter and the fourth quarter, we have -- we're using the flexibility in the share buyback based on the commodity prices, based on the outlook, based on the strength of the balance sheet to also increase this based on our view of this strength. And to ensure that we have a competitive capital distribution, based on the very strong earnings in 2021 and the good outlook, we decided to have an extraordinary dividend for 4 quarters of \$0.20.

By this, you see that we are using the flexibility based on the earnings and the outlooks of the commodity prices. And I'm not sure if I heard the second question.

Peter Hutton - Equinor ASA - SVP of IR

Christyan, just in case I didn't ask the question properly. So let me just sort of go through. Just as a reminder here is what Christyan, so you're talking around the \$0.27. At the Capital Markets Day, we said we talked about the return to that one. That was from the \$0.18 in the cash dividend. That \$0.18 has gone to \$0.20. It was around \$0.09 per share equivalent on the share buyback. That has gone to \$0.40 with the announcements today. And also noting on that point on the extraordinary dividend that is \$0.20. You add those up, it's not \$0.27. It's \$0.80 per share. And the second question is around...

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

Sure. Just trying to -- sorry, I was just trying to refer to the basis or the financial cases to why not raise the underlying dividend versus the special. And it's not -- it's more just in terms of just what the -- and then clearly, you're saying that the macro is clearly volatile, and therefore, you'd rather take a measured approach through a special versus an underlying base increase? Is that just, to be clear, how to see it?

Anders Opedal - Equinor ASA - President & CEO

This is -- as I said, this is a way to have a predictable framework, but also a framework that is flexible in terms of changes in the commodity prices. But as Peter said, when announced the \$0.18 cash dividend, we added \$1.2 billion in the share buyback, which is -- adds up to the \$0.09 back to the \$0.27.

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

Sure. That's fair. And the second question. I wanted to just ask around the industrial logic or -- around build versus buy in the renewable space. And I think down the road, we could see major inflation, cost overruns. And obviously, with a very commoditized price environment given \$2 trillion is trying to find a home in this space.

So with that sort of backdrop, assuming maybe I'm wrong, but fast forward 2, 3 years, I mean, you're in a net cash position, by then -- I know this was asked already, but would just want to understand what is the industrial logic to build versus buy if that scenario were to play out. Would you consider revising how you think about your pipeline? I know you talked about value, but equally, we could see a very different picture in terms of returns if we see -- like, ultimately it becomes diluted.

Anders Opedal - Equinor ASA - President & CEO

Okay. Yes. Hopefully, I heard your question right. Just also a reminder, we were very early out in the renewable space, being able to capture a lot of space early at very favorable prices and these projects are now in execution.

Of course, we have seen, as Pål alluded to earlier in that question, that there is much more competition now. We see much higher prices. And of course, we have noted the change in valuation for equities in this space as well. But as I said, we have a very strong portfolio. We don't have any strategic gap.

We are focusing on delivering our projects organically in this space now. And we will always focus on value, both on the inorganic and the organic development of the renewable portfolio. But as you saw some time ago, we bought Wento in Poland, a solar company that is now developing very well under Pål's leadership.

Peter Hutton - Equinor ASA - SVP of IR

Next question from Peter Low at Redburn.

Peter James Low - Redburn (Europe) Limited, Research Division - Research Analyst

The first one is another one on the European gas market. I was interested in how you do see it evolving this year. I think you mentioned in the presentation, you do expect greater volatility going forward. What could Equinor do to benefit more from that? And then just kind of linked to that, on the higher gas production you achieved in 4Q, how long can you sustain output at that higher level in theory? Now I appreciate in practice, it will depend on price, but are there any technical constraints on maintaining it at that level?

Anders Opedal - Equinor ASA - President & CEO

Yes. When in -- Irene will also present, in the breakout session, a little bit the outlook on the European gas, but maybe you can also do that here now as well. But before that, we are producing at very high level of gas. We are producing at max capacity. It's now about making sure that we have high production efficiency, keeping the production up. And we have developed the Troll Phase 3, which gives us a lot of flexibility to ensure that we can keep the production stable for a long time. So -- but Irene first and then Kjetil, a little bit also on your gas production capabilities.

Irene Rummelhoff - Equinor ASA - EVP of Marketing, Midstream & Processing (MMP)

I know I can answer that, too.

Anders Opedal - Equinor ASA - President & CEO

I know you're eager, so -- all of you to answer but...

Irene Rummelhoff - Equinor ASA - EVP of Marketing, Midstream & Processing (MMP)

So I'll limit myself to the gas market. Frankly, quite bullish near term. It's basically all about Russia these days. They're not sending the volumes we expected. And there's lots of nervousness in the market around Nord Stream 2 and to Ukraine crisis, et cetera.

We've seen some LNG being freed up from Asia as result of demand disruption, and that softened the prices a little bit. But notably, nothing of that LNG that came in here went into storage. So when you look at the storage today, there are 34-ish percent of normal levels, which means that we need to inject 80 Bcm approximately in the summer. That's twice our production actually. So it's a big number. So that will keep up prices over the summer and well into the winter and probably also into 2023.

You also asked how can we capitalize on this. I think we've had record high gas trading results this year. We have that flexibility in our pipeline infrastructure. So we use that to trade around, and it's generated significant value. We also see the volatility in the power market, which is also reflected in the gas market than Danske Commodities, as Ulrica alluded to, have a record high result than -- actually, the result this year is half the value of the original, more than half the value of the original acquisition price. So I think our trading capability is worth pointing to in this setting.

Kjetil Hove - Equinor ASA - EVP of Exploration & Production Norway (EPN)

Yes. And I think as Anders alluded to, we are producing now more or less at max capacity of the facilities that we have. Of course, there are always small optimization that we are looking into. But I think that's where we are. And that's also the plans within this year.

However, during the summer months, there will be turnarounds. Oseberg will have a turnaround. So during the turnarounds, it will be less, but our plan is to produce to the capacity that we're currently doing, and then we have the turnarounds.

Peter Hutton - Equinor ASA - SVP of IR

Okay. Thank you, we've -- we're getting close to the 45 minutes. We have another couple of questions. But I think, one of which has just dropped off. So I'll pass to the operator to call on the -- on whoever is next, or not. Do we have a call?

Operator

My apologies. Our next question is from Anders Rosenlund of SEB.

Anders Kirkhorn Rosenlund - SEB, Research Division - Analyst

I do have 2 questions. My first question is on the group-wide emission target, down 50%, that's different from the way you communicated these targets previously. And I presume it's more ambitious than the previous 6 kilos a barrel as indicated in the CMU last summer. Could you help us quantify or clarify how much more ambitious this target is? And then I have a follow-up afterwards.

Anders Opedal - Equinor ASA - President & CEO

Yes. Thank you. As you said, there are two different targets and the 6 kilo per barrel you referred to, that was new projects coming on-stream up to 2030. Our current carbon intensity is 7 kilo per barrel. But the new group-wide net 50% reduction of Scope 1 and 2 is more ambitious. This is where we aim to have 90% of this as absolutely reduction. So basically, we have taken our emissions that we had in 2015, and we say until 2030,

the net reduction should be 50%. This will put us in line with the Paris Agreement and also in line with the target of limiting the global warming to 1.5 degrees.

We can do this because we have a lot of projects on the Norwegian continental shelf where we are able to use power from shore, like Oseberg, like Troll, where we electrify those fields with power from shore, taking down the absolute emissions from these fields. And we will continue with other fields as well. In addition, on -- in our international business, for instance, in Bacalhau, we're able to use CCTGs that normally used onshore to put that offshore, meaning that we are able to really have lower emission from our also new production as well. And this enable us to take our 50% net reduction of our emissions, the Scope 1 and 2 emissions.

Of course, in addition to the power from shore, there will be some consolidation or removal of assets up to 2030. And we're also working on energy efficiency. We're working on new technology that can take down this emissions that we have. So it's an ambitious target, but we have started a long time ago. We have very good projects, a project organization that are really good executing on this type of projects. And we have a culture in the offshore and onshore organization, both internationally and in Norway to really find ways to reduce the use of energy producing oil and gas.

Anders Kirkhorn Rosenlund - *SEB, Research Division - Analyst*

Excellent. My second question, EPN natural gas was 40% of your production volumes in Q4. What share of adjusted operating income in Q4 was from EPN natural gas roughly?

Anders Opedal - *Equinor ASA - President & CEO*

And I look to you, Ulrica.

Ulrica Fearn - *Equinor ASA - Executive VP & CFO*

We don't split that in the revenue. You've got the volumes, and we can apply it to that.

Anders Kirkhorn Rosenlund - *SEB, Research Division - Analyst*

Okay. So if I suggest 70%, that will be -- that wouldn't be too off -- too far off?

Ulrica Fearn - *Equinor ASA - Executive VP & CFO*

If you look at your assessed volumes, you'll get a good number from that.

Peter Hutton - *Equinor ASA - SVP of IR*

Okay. Next question is from Martijn Rats at Morgan Stanley.

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

Only one question for me. I was wondering if you could split out the production guidance of 2% growth. As I can imagine, that could be quite different for oil versus gas given the ramp-up of gas production recently. Have -- is it 2% for both oil and for gas? Or does that differ in offloads? That's basically my question.

Anders Opedal - Equinor ASA - President & CEO

This 2% increase is for barrels of oil equivalent. So it includes both the oil and gas.

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

Yes. No, I get that. But I would imagine, I don't know, it might be oil up 5% and gas down 4%. I'm sort of trying to figure out what the underlying components are.

Anders Opedal - Equinor ASA - President & CEO

We are not splitting that and guiding on the split.

Peter Hutton - Equinor ASA - SVP of IR

Sorry, about that, Martijn. Next question and final question is from Jason Kenney at Santander.

Jason S. Kenney - Banco Santander, S.A., Research Division - Head of European Oil and Gas Equity Research

Couple of quick ones, actually. Just looking for guidance on tax for upstream U.S.A. in 2022 and perhaps medium term. And then also tax on the international ex-U.S.A., which has bounced around quite a lot actually over the last few quarters. Any guidance on tax would be great.

Ulrica Fearn - Equinor ASA - Executive VP & CFO

Any guidance on tax is good, yes. If I got -- I mean we do guide on international tax between 30% and 45%. And we're -- we don't see anything assessed that we shouldn't be within that range now as well. And in the U.S., as you will be aware, we have a special situation where we're also basically zero on tax or close to. So those are the guidance that we got there, and we're remaining with them.

Jason S. Kenney - Banco Santander, S.A., Research Division - Head of European Oil and Gas Equity Research

Okay. Is there an expectation when you might pay tax in the U.S.A.?

Ulrica Fearn - Equinor ASA - Executive VP & CFO

We have some years to go.

Peter Hutton - Equinor ASA - SVP of IR

Okay. Thanks, everybody. That completes the questions. That completes the Q&A session. Thanks for all of you joining, and thank you for the team here today. Now I pass over to you to Anders to close.

Anders Opedal - Equinor ASA - President & CEO

Yes. Thank you very much for all of you that joined this call, really appreciate it. And as you have heard, we're accelerating the transition. We're growing cash flow and returns, and we also provided you with a competitive capital distribution. Thank you very much, and goodbye.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2022, Refinitiv. All Rights Reserved.