



Statoil

Lessons from a Study of Political Entrepreneurship

-

Dubai

12 March 2007

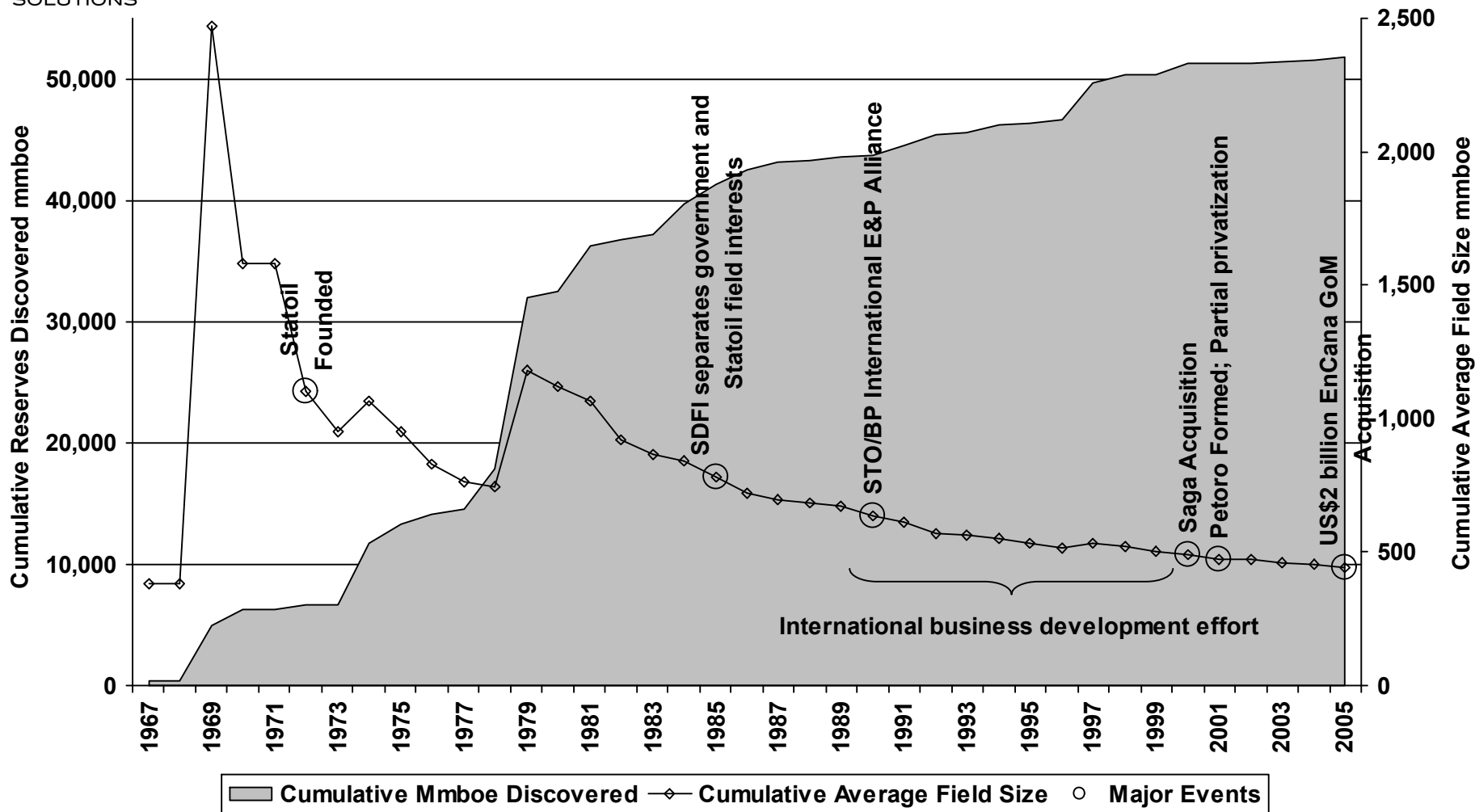
Five Phases of Statoil's Development

- Norwegian oil before Statoil
- Startup & evolution, 1972-81
- Post Adolescence, Emergence as a Functional Competitor, 1981-2001
- Privatization, 2001-06
- Statoil after the Hydro Merger, Drive to become a Global Competitor, 2007+
- Statoil's evolution to this point has largely been a function of the evolution of the underlying domestic resource base



Evolution of the Oil & Gas Sector

GORDON ENERGY SOLUTIONS

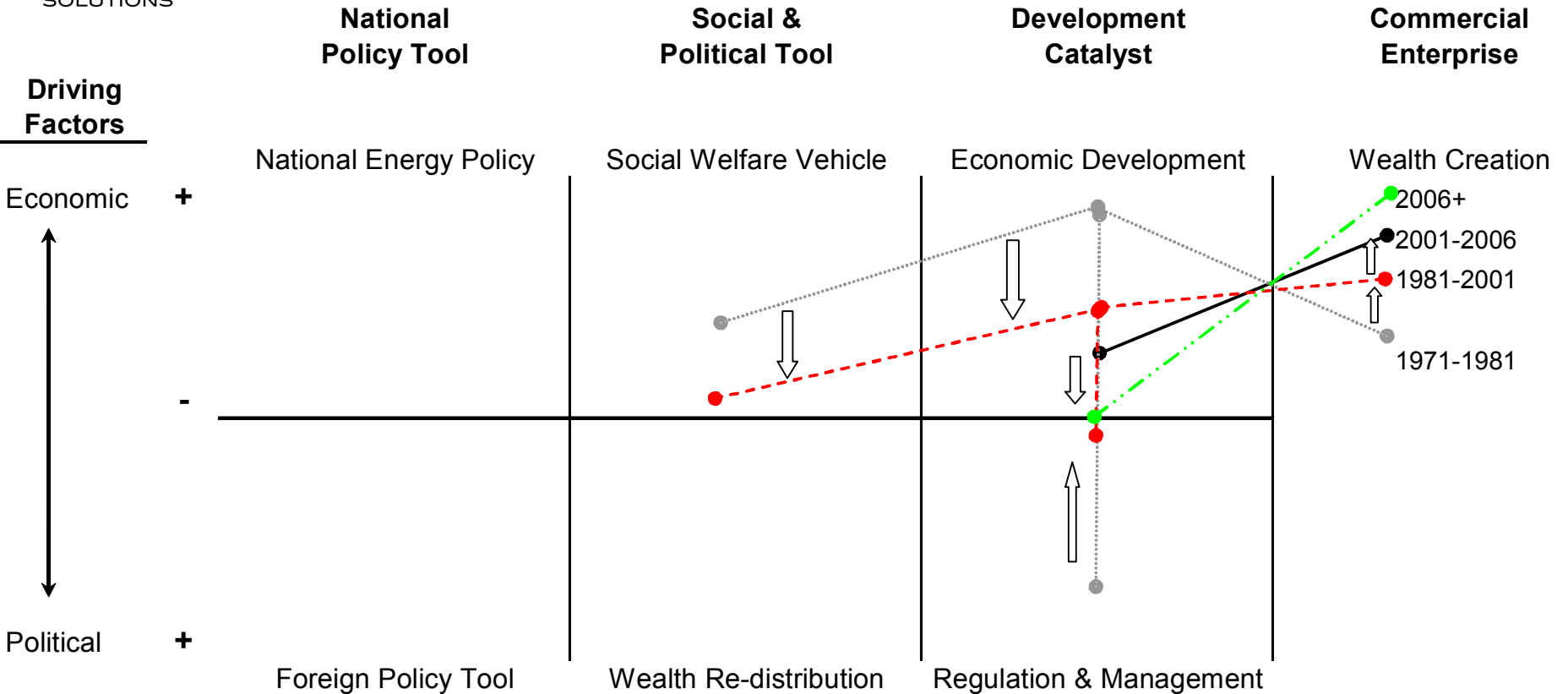


- The oil & gas sector evolves
- The result is a changing mix of challenges and opportunities over time.
- The NOC and national energy policy must evolve to meet these challenges & opportunities





Evolution of Functional Roles



- Efficiency: A public policy commitment to efficiency in the sense of commercial performance brings clarity to the NOC's role in both a strategic and a tactical sense and provides objective goals and performance standards that can bridge the gap between IOC and NOC
- Competition: Continuous competition is a powerful tool to encourage NOC efficiency and to stimulate the NOC to evolve over time
- Limited non-commercial functions of the NOC reduces irreconcilable conflicts in goals



Lessons Learned

- Norwegian culture as it affects the oil & gas sector is an unusual blend of pragmatic social democracy and entrepreneurial spirit

Re-creating this blend is a necessary ingredient in establishing a successful NOC

Hence: Political Entrepreneurship

- If Statoil's success was purely a cultural result, there would be little for other energy producing countries to gain from this experience
- However, this study finds that multiple policy choices by the Norwegian government contributed to this success.
- Moreover, these policy choices can, with suitable adaptation, be applied by a cross-section of energy producing countries

Lessons Learned

- The tactical lessons from Statoil's experience are five-fold:
 - ❑ There are critical benefits to be gained from an explicit and generally consistent policy focus on long-term wealth management: clarity of purpose and of public policy makers' assessment of performance
 - ❑ Limited non-commercial policy interference in the NOC operations is essential
 - ❑ Competition is a value-adding force in oil and gas policy
 - ❑ The NOC is only one part of a multi-dimensional package of tools that can and must be applied: an institutional separation of powers, of checks and balances, to avoid
 - ❑ The NOC and government energy policy must be seen as an evolutionary (or adaptive) organism. The maturation of the oil & gas sector poses a changing mix of challenges and opportunities over time. Change is often forced on the NOC and the government.



Looking Forward

- How will the merger be able to successfully capture the best of two organizations?
 - Statoil's risk taking vs. Hydro's project management
- Will the problems of project management be solved?
- Will Statoil add value as it builds internationally?
- What will Statoil become: NOC or IOC?
- Will other NOCs follow the Statoil lead?



HESS ENERGY TRADING COMPANY LLC

CONTACTS

HESS ENERGY TRADING COMPANY, LLC

Edward L. Morse +1 212.536.8665 elmorse@hetco.com	Peter Jacobs +1 212.536.8907 pjacobs@hetco.com	Jason Lemme +1 212.536.8018 jlemme@hetco.com	Thomas Stenvoll +212.536.8573 tstenvoll@hetco.com	Jeff Porter <i>(Weather Derivatives)</i> +1 212.536.8982 jporter@hetco.com
--	---	---	--	--

HESS ENERGY COMPANY (UK) LIMITED

Kristofer Tremaine +44 20.7201.7184 ktremaine@hetco.com	Jon O'Neill +44 7201.7120 joneill@hetco.com	Steven Hewlett +44 20.7201.7102 shewlett@hetco.com	Frank Amend +44 20.7201.7581 famend@hetco.com
--	--	---	--

HESS ENERGY TRADING COMPANY (SINGAPORE) PTE. LTD.

Ahmed Al-Awa +65 6722.9190 aalawa@hetco.com	Toshiyuki Koharazawa +65 6722.9192 tkoharazawa@hetco.com
--	---

**HESS ENERGY TRADING COMPANY
(SINGAPORE) PTE. LTD.**
501 Orchard Road
Singapore, 238880

HESS ENERGY TRADING COMPANY, LLC
1185 Avenue of the Americas
New York, NY 10036

HESS ENERGY COMPANY (UK) LIMITED
33 Grosvenor Place
London SW1X 7HY
Regulated by the Financial Services Authority in the UK

The information and analysis in this communication has been obtained from sources believed to be reliable. Hess Energy Trading Company, LLC ("HETCO LLC"), Amerada Hess Corporation and any of their affiliates do not guarantee its accuracy, completeness or fairness and will not assume any responsibility therefore. The views expressed herein are those of the author (s) and do not represent a corporate view of HETCO LLC, Amerada Hess Corporation or any of their affiliates or employees. The communication and its contents do not constitute an invitation or inducement to engage in any investment activity, investment advice or a recommendation to enter into any transaction. Recipients should consider whether the contents of this communication is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice, before acting further. HETCO LLC, Amerada Hess Corporation and any of their affiliates expressly prohibit any direct or indirect citation of this communication in any public media. Further, any disclosure, copying or distribution outside the normal internal channels of communication of the recipient, or any action taken or omitted to be taken in reliance on this communication is expressly prohibited and might be unlawful. HETCO LLC, Amerada Hess Corporation and any of their affiliates reserve all associated rights.





GORDON ENERGY
SOLUTIONS

GORDON ENERGY SOLUTIONS

CONTACTS

Richard Gordon

+1 913-451-9539

rgordon@gordonenergysolutions.com

Steven Gordon

+1 913-451-9539

sgordon@gordonenergysolutions.com