

## **UPDATE 2-Norway sees gas output jump in 2008, less oil**

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(Recasts, adds carbon capture plans and new exploration)

By Wojciech Moskwa

OSLO, Oct 5 (Reuters) - Norway's gradual shift from oil to gas production will push up natural gas sales by 23 percent next year while oil output drops to levels last seen in the early 1990s, the government's 2008 budget draft showed on Friday.

Oil production, including natural gas liquids, was seen falling to 2.5 million barrels per day in 2008 and 2009 from 2.6 million bpd projected for 2007, according to the budget plan.

Petroleum and Energy Minister Aaslaug Haga called on industry to intensify efforts to arrest the decline in oil output, set to be the lowest since 1994 this year due to dwindling production from many ageing North Sea fields.

"As a considerable oil-producing country with a responsible resource management we have to intensify the effort, especially on existing fields and exploration activities, to slow down this negative trend," Haga said in a statement.

"It will require a considerable effort from the industry as well as from the authorities."

Non-OPEC Norway is the world's fifth largest oil exporter and western Europe's biggest exporter of gas.

A lack of major oil finds on the Norwegian shelf in past years has meant that Norway's two biggest developments, both on stream from last month, were the Ormen Lange gas field and the Snoehvit liquefied natural gas project in the Barents Sea.

"With these two fields in production there will be a considerable increase in the gas production on the Norwegian shelf," the ministry said, predicting gas sales would jump to 108 billion cubic metres in 2008 from 88 billion bcm this year.

### UNCHARTED TERRITORIES?

The budget gives 140 million crowns (\$26 million), twice the 2007 amount, to energy officials for seismic surveys of uncharted areas of the Norwegian Sea and Barents Sea, which could be opened for exploration activity in the next decade.

"These surveys will provide us with valuable information before the revision of the management plan in 2010," Haga said.

A further 1.1 billion crowns will be allocated to develop technology to capture, transport and store carbon dioxide (CO<sub>2</sub>), seen as a way to reduce man-made heat-trapping gasses widely blamed by scientists for changing global climate.

Norway plans to implement carbon capture and storage (CCS) technology on two gas-fired power plants from early next decade.

"The government places great emphasis on developing CCS as an option for mitigating climate change," Haga said, adding that it would require "commitment over several years" to develop.

Total investment on the Norwegian shelf was estimated to rise to 120 billion crowns (\$22.04 billion) next year from some 117 billion in 2007, according to the budget plan, and stay high in subsequent years as companies seek to prolong production.

The 2008 budget draft envisaged the average price of Norwegian crude at 360 crowns per barrel next year, down from an expected 400 crowns in 2007. It added that it saw considerable uncertainty regarding future oil prices.

(For a related story on the budget double-click on [nL05707727]).

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