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Faroe PM - Oil industry developments conducted satisfactorily

It is now ten years, since the first exploration well was drilled in Faroe waters. Although no commercial discovery has been made yet, the party leader of the Unionist Party and the current PM of the Faroes, Mr Kaj Leo Johannesen, is among those who still has high hopes for the Faroes, one day becoming an oil province. He, together with many other Faroese, is monitoring with great interest the announced large-scale investment in the pending exploration well, next spring. We are still in the start-phase of a very long-term development process, but I understand the coming year will be very important for this development. Those companies willing to use large amounts of money to drill have accumulated important knowledge on our subsoil and must have acquired indications, which suggest opportunities exist. That they intend to drill much deeper, is also a reason for new hope, says an optimistic but cautious PM to the Faroese website, www.oljan.fo written by Jan Müller, Managing Director of FOÍB. Although no commercial discovery has been made, he is very pleased with the spin-off activities already generated and points out that several Faroe companies have managed to get a foothold in this, for the Faroes, new industry. He adds that it will be interesting to see what spin-off activities emerge from this pending well, next spring. He is equally satisfied with the Faroexpo exhibition, currently being held in Rúnavík, as several of the companies involved here, are also looking seriously at the oil industry. Oil could become so very important for us and in the event oil in commercial quantities becomes a reality within, lets say a five-year period, we will hopefully have two major industries capable of co-existing side by side. This however, requires that they respect each others activities. Provide a good framework Personally, Mr Johannesen has no doubts that it was correct of the Faroes to prioritise the

exploration for hydrocarbons, and in this context he welcomes oil companies to the Faroes, to conduct surveys and drilling operations. He also believes it is very important for Faroe politicians to realise how the oil companies think and operate, thereby they can assist in creating the very best framework for them to operate under - -In this respect it is very important that we are able to adjust our systems and frameworks to encompass changing times and demands, this is both natural and necessary. He is of the opinion that we have already proved that we can do this. By this, he is referring to the new Open door policy system, which compared to the old system allows the oil companies much faster access to drilling - -Oil companies operate under a long-term framework and it is these frameworks we must strive to provide to the companies. I am also of the opinion that we must listen to and act upon inputs we get from people, accustomed to working within the oil industry environment, irrespective if they represent the industry or the authorities. Mr Johannesen believes all imaginable environmental reservations must of course be taken, in relation to oil industry well drillings in our waters, as the Faroes are so very attached to all the living resources present in our surrounding waters. However, he has no doubts that we can extract revenues from this industry without compromising our environment. In this respect he points to our legislation, which together with our environmental demands will ensure the Faroes against pollution. Well prepared Evidently, I believe we are well prepared, when it comes to hydrocarbon legislation issues in general. This emerges from what I have been able to see at both other authorities and oil companies. It is also important that we organise matters in such a manner that oil companies are interested to come here and invest. As a former businessman, Mr Johannesen admits the oil companies must make a profit, both in the short- and also in the long-term but this must occur under systemised conditions. The oil companies of course operate under international legislation regarding demands to the environment and safety issues. He therefore sees the oil companies as an important co-partner in our endeavours to find oil - -Therefore I also think we should make the oil companies, who come to our islands to conduct valuable work, both for their companies but also for the Faroes, welcome. We must show that we are a civilised society condoning cooperation with others. We must also show our natural Faroe hospitality and create conditions, which will benefit both the oil companies and the Faroe society, in their endeavours to discover hydrocarbons. The oil companies, prepared to invest here, must also be able to make a profit on their investments and by so doing this will reflect upon our own welfare. Oil extracted here must of course benefit the Faroe society to a reasonable extent, which will encourage and motivate both the oil companies and the Faroe society to cooperate. Mr Johannesen envisions cooperation between all the countries bordering the North Atlantic, in respect to an oil industry related future - -We in the North Atlantic could learn much from each other. When we in the Faroes drafted our preliminary hydrocarbon legislation Act, we visited both Norway, Great Britain and Alaska, just to mention a few. The knowledge we gain from others is not

localised, but international and thereby the countries in the North Atlantic can benefit one another. Revenues and uncertainty There are those who fear that our politicians will not be able to handle revenues from an oil industry. I fully understand people feel insecure. There are however priorities made, also within our national budget, where we utilise various funds, which will benefit both our current and also future generations. In this respect I have in particular our Economic Fund in mind. Part of any oil revenues will of course go towards the running of our country, but it is no less vital that we save money, as this is not a sustainable resource. We ought to look at how others have done, not least Norway. We must not just have rules, which control payments into the fund, but also rules which govern money extraction.

Debate The PM concludes by saying that the Faroes must prepare well, for a possible coming oil industry - -Personally, I think what we have done to date is satisfactory. Something could of course be better, but the people I have spoken to estimate developments to be sensible. I know very well that the issue of a public debate emerges regularly, and is lacked by many. A debate about the future would be most welcomed by me. It is very good the oil companies now have appointed people to inform about oil industry developments and their activities here. This step is very important for us as an authority, as it becomes easier to communicate with one another, cooperate and both speak a language both fully understand. Although it is impossible to plan all developments in advance, prior to a discovery, but there is nothing to prevent a continual debate on this large future challenge. The PM concludes by saying that he welcomes all the oil companies and that they shall be treated second to none.