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Several oil companies looking at the Faroes

On the 26 of June the Faroe government signed an agreement with the Danish oil Company Dong for two new exploration licenses in Faroe waters. The Minister for Hydrocarbon Affairs, Mr Johan Dahl, who must be very pleased with this agreement, believes this will open new doors to the Faroe subsoil and for international oil companies: -This is fantastic, the Minister told the media who came in numbers to attend the press meeting. Oljan.fo interviewed the Faroe Minister, who believes the so-called Open Door policy together with this Dong agreement, will create rings in the water and said there are already other oil companies looking at the Faroes area. Satisfactory development Q : What importance does this have for the Faroes, e.g. that an oil company has applied for these licenses and that you have awarded them? A:-That exploration activity is taking place in our waters is a precondition for the discovery of hydrocarbons. It is very good news that tangible activity will resume in this area. There was originally a huge interest for exactly this area, when exploration emerged in the Faroes. There has been substantial activity in this area and therefore knowledge accumulated on this area is much larger now compared to previously. Q : Will this create a ring effect in the water and entice other oil companies to apply for an Open Door area? A:-This will not come as news for companies harbouring an interest in the area that something like this could occur. The fact is that the Hydrocarbon Legislation Act stipulates that when an exploration application is received without the area in question having been publicly on offer, the receipt of an application must be made public and they will have been aware of this for some months. We hope this have a ring-effect. Oil companies do of course conduct their own surveys and estimations on the various areas on offer round the world, but the fact is that they also very keenly monitor what other oil companies

are doing. Psychology also forms part of the holistic picture and there is no doubt that at least the companies looking at the Faroe area will have noted this latest development. Q : Will this latest development encourage you to market the Open Door policy even more? A:-Personally, I think it was sensible to alter the Hydrocarbon Act in 2010, to make it more flexible, when licenses were to be awarded. A result has now been achieved and I am very pleased with that, as it proves the decision to opt for change was the correct one to make. Yes, certainly the Open Door policy will form part of our future strategy. Q : What concrete effects have been registered after the awarding of these licenses? A:-The licenses have been awarded for a total span of seven years, which has been broken down into shorter periods. For each separate period an agreement has been made regarding what type of geological surveys the license holder will perform. The license holder may, after the elapse of each individual period, decide to return one or both licenses, if he estimates there is no basis to continue further activities. Towards the termination of the total period, a decision must be taken if a drilling is to be undertaken or not. You could interpret this licensing period as an on-going development where work is being done to expand the knowledge and thereby reduce a possible drilling risk. Q : Is it not strange to re-enter an area, which oil companies have formerly abandoned and dropped? A:-No. That is common practice and there may be various reasons to return to an area. One reason may be that knowledge accumulated on the area has changed in a positive direction. Companies also differ on how they interpret the knowledge accumulated. We saw, for example, when the large Johan Sverdrup oilfield was discovered last year. This discovery lay in an area, which had been surveyed over and over again. This proves that knowledge is increasing and the interpretation of this varies from company to company. Dong great importance Q : Are you pleased that it is just this company which has applied and secured these licenses? A:-Dong has been part of the Faroe exploration effort from day one and we have had a very good relationship and communication with this company. This is a company with excellent people and has extensive experience not just in the Faroes but also west of Shetland and elsewhere, so it is capable of delivering a substantial contribution to the exploration effort in our area. Of this I am convinced - so yes, I am very pleased. Q : Does this imply that Faroe exploration is getting a kick in the right direction, e.g. the motor is gaining momentum? A:-This in itself is very good news and together with the future pending drillings, will definitely cast a positive light on the Faroe area. Exploration revenues for the Faroe society Q : How will the Government and Jarðfeingi, market the Faroes after this event? A:-We are jointly in the process of laying the final touches to a plan on how we can increase activity here, as we are convinced there are many possibilities we have not yet exploited. There is no doubt that the oil industry delivers quite a substantial contribution to the society both directly and indirectly so we ought to continue developing this industry and I am working towards this. Q : Do you envision the oil world regarding the Faroe plateau with more favourable eyes, now a large oil company has applied for

and been awarded two Faroe exploration licenses? A:-We know there are several oil companies looking at the Faroes area, but from there to landing a license depends on many things. That Dong has been awarded two licenses will not detract from the Faroes area. Q : Are you contemplating another real bidding round? A:-We are continuously looking at what is the correct action to take. Currently we estimate the Open Door policy is the most suitable to our situation and our thoughts concerning the near future. What lies ahead, only time will tell, but we are regularly monitoring the situation. Exploration strategy ready by autumn Q : As Chinese oil companies are taking an interest in Iceland, the arctic region and are active east of the Faroe border, what does the Faroe Government intend to do will your marketing strategy include Chinese oil companies and how will you follow up on the visit to Gazprom in Moscow? A:-We are working, as mentioned previously, on laying the final touches to a plan, which is intended to create more activity here. Through this work we are of course looking at what options are available to us. Q : When will we see a real Faroe strategy for future oil exploration? A:- By early autumn we should have reached our objectives. Statoil wells Q : Apart from this good news, two well drillings are pending, where Statoil is the operating company. What expectations do you have for these wells? A:-If two wells are drilled next year, this will be a year where drilling activity will be present most of the year. For Faroe industry and for the focus on the Faroe area, I estimate this could become very interesting. We will in any case do our utmost to ensure that Faroe industry becomes involved as much as possible. Faroe supply companies have realised the opportunities this industry presents and have proved their worth by becoming an important sector of the Faroe economy. We need the drillings and the associated activities to strengthen this development. There are huge possibilities. Q : What do you otherwise expect of the Statoil drillings, next year? A:-We have had the oil industry at quite close quarters for some years now and we have gained a much better perception of how this industry is construed. Part of this is that we now know how difficult it is to begin operations in a new area which our area is in this context. On the other hand, it is very exciting when a drilling is underway there is always the possibility of a discovery. The knowledge gained from a drilling operation may present many perspectives for future exploration efforts and a dry well need not just be a negative experience next year. For Faroe industry I sincerely hope it will also be interesting for them, said Mr Dahl, in his concluding comments to the interview.