



## State revenue from North Sea oil exceeded DKK 30 billion in 2011

The Danish state generated revenue of about DKK 30.6 billion from North Sea oil and gas production in 2011, an increase of more than 29 per cent compared to 2010. This appears from the DEA's annual report "[Denmark's Oil and Gas Production and Subsoil Use 2011](#)", which has just been published.

Based on an oil price scenario of USD 120 per barrel, the report estimates that the state's total revenue will range from DKK 22 to DKK 30 billion per year from 2012 to 2016. The state derived an approx. 62 per cent share of total profits from Danish oil and gas production in 2011 (calculated by year of payment).

The increased state revenue is attributable to higher oil prices throughout 2011, which have more than offset the fall in oil and gas production from 2010 to 2011. Oil prices increased by about 40 per cent from 2010 to 2011. The average oil price was about USD 111 per barrel in 2011.

Oil production declined by about 10 per cent compared to 2010, totalling 12.8 million m<sup>3</sup> in 2011. Over the same 12-month period, the production of sales gas fell by about 21 per cent to 5.6 billion Nm<sup>3</sup>. On the basis of the updated forecasts in the report, Denmark is expected to maintain its position as a net exporter of oil and natural gas for about ten more years. Danish oil production is expected to exceed estimated consumption through 2020. Similarly, gas production is expected to exceed domestic consumption through 2022. This is a year longer than the estimates made for both oil and gas one year ago.

The two exploration wells drilled in the North Sea in 2011 made two new discoveries, including one in subsoil layers where no oil or gas had previously been found. This underpins the continued potential for making oil and gas discoveries in Denmark and could thus heighten the interest in new licences for oil and gas exploration and production. The DEA is preparing a new licensing round in the western part of the North Sea, with the aim of inviting applications for areas in 2013.

Attention continues to be focused on ensuring high health and safety standards for the almost 3,000 people who have their workplace on offshore installations in the North Sea. In 2011, the DEA carried out 24 inspections of installations in the North Sea: 16 inspections of manned production installations, one inspection of an unmanned production installation and seven inspections of mobile units, i.e. drilling rigs and accommodation units.

The key issues addressed by the report are summarized below. The report "[Denmark's Oil and Gas Production and Subsoil Use 2011](#)" is available at the DEA's website, [www.ens.dk](http://www.ens.dk). The report is available in a Danish and an English version. Unlike previous years, the report will not be available in print.

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**Key issues in "Denmark's Oil and Gas Production and Subsoil Use "**

### ***Exploration for oil and gas***

Exploration activity in Denmark remained high in . Two exploration wells were drilled onshore, and two in the North Sea.

Both wells drilled in the North Sea discovered oil and gas, one of them in subsoil layers where no oil and gas had previously been found. The companies making the two discoveries are now assessing their commerciality.

The wells drilled onshore did not encounter oil or gas.

In , one new licence for oil and gas exploration and production was granted. The DEA is currently considering three applications for new licences for oil and gas exploration and production, one application for an offshore area in the Open Door area, and two applications for onshore areas in Zealand.

The DEA is preparing a new licensing round in the western part of the North Sea, with the aim of inviting applications for areas in .

### ***Other use of the subsoil***

Recovering geothermal heat from the Danish subsoil for district heating purposes holds potential that is gaining increasing interest. In , three new licences to explore for and extract geothermal energy were issued, and several applications are currently under consideration.

### ***Production and development***

In , the DEA approved five plans for the further development of existing oil and gas fields, viz. the Dan, Gorm, Halfdan and Tyra Fields. In addition, the DEA has approved the development of the new Hejre Field. Production from the Hejre Field is expected to start in 2015.

The production of oil totalled 12.8 million m<sup>3</sup> and the production of sales gas totalled 5.6 billion Nm<sup>3</sup> in . This is a decline of 10 per cent for oil and 21 per cent for sales gas relative to 2010. The main reason for the decline is that over the years, the majority of fields have already produced most of the anticipated recoverable quantities.

About DKK 4.3 billion was invested in expanding production facilities in the North Sea. For the next five years, investments in field developments are estimated to total DKK 44 billion.

The DEA's calculations put operating, administration and transportation costs for oil and gas at DKK 6.1 billion for , an increase of 11 per cent compared to the year before.

### ***Resources***

As in previous years, the report contains an assessment of Danish oil and gas reserves.

Danish oil and gas production is generally expected to decline over the years to come. On the basis of the updated forecasts in the report, Denmark is expected to maintain its position as a net exporter of oil and natural gas for about ten more years. Danish oil production is expected to exceed estimated consumption through . Similarly, gas production is expected to exceed domestic consumption through 2022. This is a year longer than the estimates made for both oil and gas one year ago. Danish oil and gas production will continue for many years after Denmark ceases to be a net exporter.

### ***Health and safety***

In , the DEA carried out 24 inspections of installations in the North Sea: 16

inspections of manned production installations, one inspection of an unmanned production installation and seven inspections of mobile units, i.e. drilling rigs and accommodation units.

Three of these inspections were carried out as unannounced inspections, none of which resulted in the identification of any highly safety-critical conditions.

Three inspections were made as immediate inspections to follow up on work-related accidents in the Gorm, Dan and South Arne Fields.

In addition, the DEA made six inspections of the onshore bases of operators and operating companies.

In , the DEA registered a total of 17 reports concerning work-related accidents on offshore installations in the North Sea. The accident frequency calculated for all installations increased from 2.3 in 2010 to 3.5 in 2011. Because of the relatively low number of accidents on offshore installations, merely a few accidents can change the picture from year to year. Generally, the accident frequency has declined over the past ten years.

In response to the accident on the Deepwater Horizon drilling rig in the Gulf of Mexico in April , the European Commission initiated an analysis to assess whether a similar accident could occur in the EU's territorial waters. Against this background, the European Commission presented a proposal to regulate offshore oil and gas activities in the form of a Regulation aimed at preventing major accidents and limiting the impact of oil pollution on the marine environment.

The Regulation was debated in spring , and the talks will continue in the second half of 2012.

The majority of the Member States are against a Regulation that is directly applicable and want a Directive instead, so that existing national legislation can be retained insofar as possible.

The new legislation is expected to be adopted in /2014.

### ***Environment and climate***

The action plan from April to reinforce the measures for reducing energy consumption on the North Sea production installations has proved a success. Thus, the emission of CO<sub>2</sub> from the installations has dropped substantially, declining from 2.1 million tons in 2006 to 1.74 million tons in 2011. On

average, CO<sub>2</sub> emissions were reduced by slightly more than 15 per cent from 2006 to the average during the period from 2009 to 2011, the period covered by the action plan. The largest reduction was achieved on account of less gas being flared, with an average drop in emissions of 43 per cent.

In , the DEA considered two environmental impact assessments (EIAs) for ongoing and planned activities related to North Sea oil and gas production.



### [Denmark's Oil and Gas Production and Subsoil Use 2011](#)

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