

Close to DKK 35.9 billion state revenue from oil and gas activities in 2008

The production of oil and natural gas, coupled with record oil prices in 2008, meant that the Danish state generated close to DKK 35.9 billion in taxes and fees from the activities in the North Sea last year.

/PDF/Oil%20and%20Gas%20Production%20in%20DK%2008_compressed.p df" target="_blank">"Denmark's Oil and Gas Production and Subsoil Use 2008", which the DEA is publishing today. Danish natural gas reserves increased by 2 per cent compared to the year before. This upward adjustment is due mainly to the further potential believed to exist in the Tyra and Valdemar Fields.

Gas production in 2008 remained at the 2007 level, while gas sales from the North Sea fields rose by 11 per cent. This is because less gas was purchased in 2007 than 2008, for which reason considerably higher amounts were reinjected compared to 2008.

Denmark continues to be self-sufficient in and a net exporter of energy. The forecasts in the report foresee our being self-sufficient in oil through the year 2018 and self-sufficient in natural gas through the year 2020.

Further exploration may lead to new discoveries that can be developed together with existing ones. This would extend the period of Denmark's self-sufficiency in oil and natural gas. The Svane discovery from 2001-2002 described in the report is an example of a discovery that may change the reserves assessment. Further evaluations of the discovery are quite likely to show that the Svane discovery can be developed into Denmark's largest gas field.

Oil companies continue to show interest in finding new on- and offshore oil and gas fields in Denmark, and one new exploration licence was granted in 2008. In addition, two new applications for licences in an onshore area of mid-Jutland were submitted, and an application for a neighbouring block in the North Sea was submitted at the beginning of 2009.

Two exploration wells and five appraisal wells were drilled in 2008, an increase of three appraisal wells compared to 2007.

The average quotation for a barrel of Brent crude oil was USD 97.2 in 2008. The oil price has declined since it peaked in 2008. At the end of May 2009 the quotation for a barrel of Brent crude oil was just under USD 65. The Ministry of Taxation has made forecasts of state revenue for the period 2009-2013 based on three oil price scenarios of USD 30, 60 and 120 per barrel. The Ministry of Taxation estimates that the state's annual revenue from the North Sea will be in the DKK 13-22 billion range from 2009 to 2013, based on the USD 60 oil price scenario. The IEA expects the oil price to increase from the current level to about USD 120 per barrel in 2030.

The report also addresses energy efficiency and the action plan to reduce offshore energy consumption. If the initiatives proposed by the action plan are implemented, total energy consumption is expected to fall by 3 per cent during the period 2006-2011, compared with the previously expected increase of 1.5 per cent. These initiatives will result in total savings of around 4.5 per cent, about one quarter of which will come from a reduction in flaring as a result of operational changes.

In 2008, the volume of gas flared had already declined substantially in most fields, totalling 132 million Nm3, the lowest volume since 1998.

The accident frequency for 2008 declined slightly compared to 2007. However, the relatively low number of accidents means that the accident frequency may fluctuate widely from one year to the next. For this reason, it is more relevant to consider the long-term trend, which has declined since 2002.

The DEA's supervision, including unannounced inspections, must help ensure that the health and safety level in the Danish offshore sector remains among the highest in the North Sea countries. The Danish Parliament has recently passed an amendment to the Offshore Safety Act that heightens safety offshore.

In 2008, the DEA carried out 24 inspections, five of which were unannounced. As in previous years, supervision focused on work-related accidents, nearmiss occurrences, hydrocarbon re-leases, the maintenance of safety-critical equipment and the companies' management systems. The DEA carried out

three immediate inspections, one in connection with a fire in a turbine and two to follow up on work-related accidents.

A new feature of the report is a chapter describing the use of the subsoil for purposes other than oil and gas production. The chapter includes information about geothermal heat produc-tion, Carbon Capture and Storage (CCS) initiatives, natural gas storage and salt extraction in Denmark.

The report <u>"Denmark's Oil and Gas Production and Subsoil Use 2008"</u> is available at the DEA's website <u>www.ens.dk</u>. An English version will be placed on our web-site before the end of June. The website also contains supplementary articles dealing with oil and gas in Denmark.

Spotlight on Denmark's oil and gas production 2008

Denmark's Oil and Gas Production and Subsoil Use 2008 (pdf)

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