

Eight years since the first exploration licenses – still much activity

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As we speak, it is eight years since the first oil exploration licenses were awarded. This happened on the 17th of August 2000. By so doing, a new facet was added to the varied Faroese economy. For many no doubt, the hope was that this would soon deliver large revenues to the Faroe society. Others were probably aware of the fact that it could take some time before we could reckon ourselves among the oil-producing nations.

Several may also have harboured some fear, regarding how these multinational companies, which now were to invade our country, would conduct themselves. As time has passed, and the companies to a greater or lesser degree have been active and have established representation here, we must acknowledge and confirm that they are good cooperation partners.

We can still not call ourselves an oil-producing nation, but an important aspect has been confirmed, which is worth reciting once again. It has been confirmed, that an active hydrocarbon producing system is present in the Faroe subsoil. Although this is an important confirmation, oil exploration is a far more complex issue and therefore much work has to be done before we can arrive at our chosen destination.

Over these eight years, there has been much activity – and there still is. Eleven licenses are still active and hopefully some more will be awarded towards the end of the year, when the result of a third round becomes clear. Six wells have been drilled and much seismic data has been accumulated and interpreted. For many it may seem that there is not much activity, but we must not forget that a drilling is just the end result of an exhaustive preliminary work project. The license holders are doing a huge amount of work. Our own geologists at Jarðfeingi are also doing a large amount of work to develop new ideas, which may

move us closer to our goal. There are also others involved in this large task, but we do not see them or their activity in our everyday life.

Knowledge on the area is of course much better today compared to when we begun. A considerably larger part of the region has been mapped. The basalt, which was estimated as a massive problem, is little by little becoming more “manageable”, as the technology to “see” through and under the basalt layering is advancing. Drilling through the basalt has proved not to be the problem as first was anticipated.

Of other aspects pointing in the right direction and worth mentioning, is that more and more oilfields are being developed on the Atlantic Margin area. This could be important for us, as it may be expected that the infrastructure for transporting hydrocarbons will be developed in these new areas.

Although much has happened, the challenges are still huge. There are many pieces, which have to fall into place. How do we progress?

As mentioned, there are several active exploration licenses, and hopefully there will be a basis for awarding more after the conclusion of the third round. Many areas remain to be investigated/surveyed and some have to be investigated in more detail than they have been.

All the exploration licenses contain terms and conditions, which dictate which tasks the license holders must undertake and a time schedule when these undertakings have to be concluded. The objective is always to ensure that the companies have enough time to complete the work that has to be done. A suitable time frame is negotiated between the license holders and the Faroe Petroleum authorities. In addition, the annual acreage payment, which is a fee the license holders have to pay for the licensed area, increases as the years pass. This is also an incentive for the companies not to drag their feet with this work.

It is also very important that our administration be on par with



the workload, so it can ensure the work is conducted in a sensible manner – both from a public viewpoint and from the viewpoint of the license holders. We must continually remind ourselves that the Faroe society and the oil industry share many common interests and that we need one another. Our Petroleum administration is an important part of this communication.

We have now had eight years of oil exploration in Faroe territory, and nobody knows how long it will take before a commercial hydrocarbon

discovery will be made. When that day arrives, we could be in a completely different situation than the one we are in today. However, we must not lie idle and wait. We must use the intermittent time well. Faroe industry has already acknowledged this, and has succeeded in becoming part of the international oil industry. As this oil exhibition gets off the ground in Stavanger, Faroe industry is a part of the exhibition and are offering their services.

From the authority's point of

view, we have decided to be part of the Faroe stand at the exhibition/conference in Stavanger.

It is my sincere hope that we continually manage to organise the surrounding framework in such a manner that these will be of interest and benefit for both the Faroe society and the oil industry.

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