

Make the most of the opportunity

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Mark Schrimpton

It was a great pleasure to be back in the Faroe Islands recently, and it was very good news to hear, soon after I returned to Newfoundland, of the positive results from the Amerada-Hess well.

It is of course only one well, and there will be a need for further drilling and analysis to delineate the field and see if it is commercial. But this first discovery does help confirm the expectation that Faroes will see oil and/or gas production sooner or later. It is sure to lead to further interest in Faroese waters, and to exploration to discover other fields. Given the confirmation of a commercial field, engineering and other studies will be needed to establish appropriate production and transportation systems, leading to project approval

land has a much smaller economy than Norway. In population terms it is one tenth of the size, and in GDP terms even smaller. Accordingly, a relatively small scale of activity has had a large relative effect on Newfoundland. In the Faroes, with less than one-tenth of the population of Newfoundland (about 47,000, compared with 530,000), the potential relative effects are even larger.

Some may see this as threatening, and there will certainly be a need for great care in ensuring that the local effects - economic, social, cultural, political and environmental - accord with the wishes of the Faroese people. But experience elsewhere, for example here in Newfoundland, shows that the tools are available to minimize or prevent negative effects. If effectively managed, the industry need not result in significant inflation, pollution or social problems, and it may in fact make an important contribution even to the local culture and the tourism industry.

Indeed, while it is critical to minimize any negative effects, it is in my opinion just as important to make the most of the opportunity that petroleum development presents for expanding and diversifying the Faroese economy. This

will initially occur through an expansion of oil activity itself, with more Faroese companies following the lead of Atlantic Petroleum, Atlantic Airways and others. This has seen initial work in Faroese waters, but already such companies are beginning to look for opportunities in the UK sector and beyond. This is certainly the pattern we have seen in Newfoundland; local companies which entered the industry to meet local requirements are now undertaking work for oil industry clients in such places as the Gulf of Mexico, California and Russia. Symptomatic of this, Newfoundland is the home of CHC Helicopters, the world's largest helicopter operating company.

However, while such a broadening of horizons is very valuable, since it makes these companies and their employees less reliant on the success of the petroleum industry in Newfoundland waters, it still leaves them vulnerable to global oil price and other fluctuations. Accordingly, I believe the most important change is that that has seen Newfoundland companies, learning from their petroleum industry experience, becoming more competitive in other industries. Engineering, information technology, environmental, publishing,

corporate relations, human resources and other types of companies, which initially learned to be competitive in the highly demanding offshore petroleum industry, have applied the technical and business capabilities (and, critically, their newly-developed confidence and ambition) that they developed in a wide range of other industries, locally and internationally. As such, they (and the province as a whole) have limited their dependence on the petroleum industry.

Thus we have not just seen the addition of a new, petroleum, industry to the Newfoundland economy. Rather, there has been a transformation of an increasing part of the Newfoundland business sector to global competitiveness. These companies are also serving as role models for, and providing personnel to, companies wholly unrelated to the petroleum industry. This, accompanied by a recognition that the new resource revenues will mean that we will be less fiscally dependent on the federal government in Ottawa, is making Newfoundlanders feel increasingly confident and self-reliant.

In this context, it is interesting to contrast developments in Newfoundland and Shetland. Much has been achieved in the

latter, including the way in which an innovative legislative initiative has resulted in significant government revenues, permitting expenditures on such things as community swimming pools and homes for the elderly. However, these types of initiative can only be sustained in the long term if such social spending is accompanied by the development of a broader and more resilient economic base, such as we are seeing in Newfoundland.

To my mind, this is the main challenge for Faroese politicians, business-people and others: ensuring that social spending and the development of an oil fund is accompanied by the provision of 'real world' business opportunities to Faroese business-people. Fortunately, given the size of the Faroes economy and population, the prospective scale of offshore petroleum activity, the tools available, and the energy and initiative I saw when I visited recently, this should not be too daunting a challenge.

A common goal

According to the Danish oil company DONG, which has been participating in oil exploration in the Faroe Islands for several years, many things have to form a synthesis for a successful outcome to drilling operations on foreign territory.



By Lise Kirkegaard

It takes more than a successful exploratory well for a drilling operation on foreign territory to be a success. It also takes integration into and understanding of the local culture

and local business life. Such synergy and understanding are achieved through knowledge and the exchange of knowledge. That is at any rate the view held by the Danish company DONG, which, as a member of The Faroes Partnership, is participating in the drilling of the third exploratory well on Faroese territory.

»It is easier to work together with others if all the parties involved have the same understanding of things,« says Senior Vice President Terje Edvardsen from DONG.

Together with the other companies in The Faroes Partnership, DONG has therefore had close co-operation and fruitful dialogue for many years with Faroese industry, the Faroese Government and public institutions, and many Faroese islanders, in order to increase common understanding and develop human resources both on the Faroe Islands and at DONG.

»One of the main aims of our activities is to support the development of competence within the oil industry on the Faroe Islands,« says Jan Terje Edvardsen.

Knowledge concerning the Faroese subsoil

DONG has had activities on the Faroe Islands since 1995, when the company, in cooperation with the Faroese authorities, was in charge of the preparation and drilling of an exploratory well on the island of Suderø, financed by a number of international oil companies. The purpose of the well was to provide information about the Faroese subsoil and extend the knowledge already acquired by the Faroese Government itself through a well drilled at the beginning of the 1980s.

In 1995, DONG formed The Faroes Partnership together with Amerada Hess. Later on, British Gas and Atlantic Petroleum joined

the group, which opened an office in Thorshavn in 1998.

Traineeships at DONG

Jan Terje Edvardsen says, »To operate optimally on Faroese territory, we must overcome cultural barriers and achieve a common understanding of each other's needs. We therefore started a training programme a couple of years ago.«

Under this programme, DONG and the other companies in The Faroes Partnership offered some young Faroese islanders short-term employment — so-called traineeships.

»In that way, a number of young Faroese have been able to work for an oil and gas company and share in the expertise and experience that have been built up in a company like DONG. At the same time, traineeships are a good way of developing good personal connections with the Faroe Islands and of gaining local anchorage and knowledge,« says Jan Terje Edvardsen.

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tion with the various wells. The mobilisation costs connected with the drilling rigs have been shared by the companies. In addition, each of the companies has saved money by avoiding having to set up an organisation in Denmark themselves just to drill one or two wells.«

Drilling know-how

One of the areas in which DONG can contribute special know-how is cost-effective drilling of exploratory and production wells.

As something unique, DONG has acted as the drilling operator for the oil companies Clam, Agip, Kerr McGee, Phillips and Amerada Hess, all of which are operators on the Danish Continental Shelf. In the period April 2000 to October 2001, DONG's drilling team has drilled eleven exploratory wells in the North Sea for these companies in the so-called drilling campaign 2000.

»That procedure is unique in the oil industry,« says Jan Terje Edvardsen. »Normally, the oil companies drill their exploratory wells themselves. The drilling campaign has resulted in big savings in connec-

tion with the various wells. The mobilisation costs connected with the drilling rigs have been shared by the companies. In addition, each of the companies has saved money by avoiding having to set up an organisation in Denmark themselves just to drill one or two wells.«

Another reason for the savings is that the drilling team has been able to optimise the drilling work as the programme has proceeded

»When one drills so many wells, one acquires a thorough knowledge of the subsoil in a specific area, so we have been able to use our existing knowledge of the Danish sector and the experience we have gained from well to well to optimise the drilling work.«

Jan Terje Edvardsen believes that the idea can be successfully transferred to the Faroe Islands.

He says, »I believe we would benefit from a similar constellation in connection with the exploratory wells in the Faroese subsoil, and we at DONG would be pleased to contribute all the knowledge we could.«

Det Færøiske mirakel

Stefan Hultberg



Det går vidstnok godt på Færøerne lige i øjeblikket — det er da dejligt. Sådan var det ikke altid — jeg var meget på Færøerne under opstarten af »olieeventyret«, hvor jeg var een ud af et lille antal mennesker der arbejdede i den første »Kulbrinteanlægningsko mission«. I de dage var Færøernes økonomi mildest talt elendig, og det var ikke alle Færinger der mente livet var godt. Det er det så nu — der er penge på Færøerne og Færingerne nyder livet, igen.

Som betragter udifra kan man ikke lade være med at spørge sig selv om Færøerne er udsat for en slags naturlig cyklus eller en slags pendulforandelse, fra rigdom til fattigdom, fra

Dette kan man udifra se på med en vis beundring og måske en gang imellem lidt overbærenhed og et skævt smil. Det vi måske skal huske, dog, er at Færingerne meget ligner det amerikanske folk i sin entrepenør-ånd, sin energi, sin evige søgen efter nyt, smart, stort, og intet er bedre og mere beundringsværdt end at være en »self-made man«. Et folk der består af nyskabere, ildsjæle, og tosser (i positiv mening) — dette må der kunne laves unikke og enestående ting af.

Når det nu går så godt for Færøerne kan man frygte at Færingerne bliver tilfreds og overmodige. Forbruget kører igang, og i værste tilfælde kommer krisen igen om nogle få år (medmindre f.eks. Amerada Hess lykkes

at få hivt nogle milliarder tønder olie op fra undergrunden). Sådan kan det gå, men kun hvis man tillader det. Man kunne jo også gøre noget helt andet — skru ambitionen op og gøre noget helt enestående — man kan bygge Færøerne op til at være en nation der er mere end nogle små vindpinede øer i udkanten af den civiliserede verden. Det er ikke tunneler eller en længere landingsbane der er tale om — heller ikke olierigdomme eller uafhængighed. Alle disse ting er måske med i det jeg foreslår, men i givet fald kun som brikker.

Jeg mener Færøerne skal nedsætte en et strategisk udvalg som til Landsstyret, Lagtinget, og i sidste ende, til det Færøiske folk, foreslår en national strategi —

en strategi som har til formål at fastslå hvor langt Færøerne kan nå, hvad er egentlig mulighederne. Derudover skal udvalget foreslå en plan for de aktive handlinger der kan realisere strategien.

Måske er det muligt at Færøerne kan blive lige så rig en nation som Bahrain eller Kuwait, måske kan Færøerne opnå en status som permanent medlem af FN's sikkerhedsråd, måske kan Færøerne være den nation hvor fremtidens Microsoft opstår, måske kan Færøerne blive en frihandelszone eller et nyt »Silicon Valley«. Husk Japans udvikling (og for den skyld Tysklands) fra slutningen af anden verdenskrig til nu. Husk hvor stort Microsoft var i 60'erne (det eksisterede ikke en gang).

Kunne i forestille jer at det år hvor den første Ford Sierra kom til Færøerne var der bare et tital år før Sovjetunionen ophørte at eksistere og PC'ere ville koste ca. 0,0001 % af hvad de kostede den gang (regnet ud som pris i forhold til computerkraft). Mirakler kan ske — og sker hele tiden.

Jeg håber og tror på »det Færøiske mirakel«.

