

1. Introduction

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Section 1–2 of the Norwegian Petroleum Act sets out that petroleum resource management:

shall be carried out in a long-term perspective for the benefit of the Norwegian society as a whole. In this regard the resource management shall provide revenues to the country and shall contribute to ensuring welfare, employment and an improved environment, as well as to the strengthening of Norwegian trade and industry and industrial development, and at the same time take due regard to regional and local policy considerations and other activities.¹

Other states use different wording to describe their aims, but in substance most would agree that the description above captures the overall purpose of petroleum resource management. The greater challenge is how to achieve these aims. Different models are applied from country to country, depending on the societal, political, economic and legal context.

At the same time, the global petroleum industry has paved the way for standardization across jurisdictions. Petroleum states – in particular, those in emerging markets – may wish to adopt international best practice in order to attract investment. But what is international best practice for petroleum resource management? And to what extent can solutions successfully implemented in one country be replicated by another country with other societal conditions?

In this book we intend to contribute to the understanding of these questions by analysing the regulatory models of two mature provinces with longstanding petroleum resource management experience: Norway and the UK. Through this analysis, we seek to explain why and how the Norwegian and British governments decided to develop their natural resources in the manner chosen. The lessons learned during this process are of interest to other countries for several reasons. The management models of both countries are based on nearly 50 years' experience and are considered robust internationally. Moreover, although the two countries manage resources that share the same border, they

¹ Petroleum Act 29 November 1996 No 72, Section 1–2, second paragraph. Translation by the Norwegian Petroleum Directorate, available at www.npd.no.

have chosen distinctly different ways to govern their sectors. Finally, in an era when rapid energy transition is needed to avoid climate change, the extensive experience gained by Norway and the UK in developing petroleum law and policy may also provide valuable lessons for the development of future non-fossil energy resource management regimes.

The book consists of a Norwegian part and a UK part, each divided into three chapters.

The first chapter of each part describes the societal context in which each jurisdiction's petroleum resource management systems were developed. This includes a broad description of the economy and industries, human resources, geography, access to the market, demographics, infrastructure, welfare systems, culture (including anti-corruption and transparency practices), cooperation with the industry, politics and environmental standards. Any resource management regime must take due account of these aspects in order to succeed. Consequently, inspiration and lessons learned drawn from one system must always be considered on the basis of differences in societal contexts. For this reason, we have chosen to include detailed chapters describing the state of development in Norway and the UK at the time their offshore petroleum resources were discovered and later developed.

The second chapter in each part is devoted to the development of petroleum policy and law in Norway and the UK, respectively.

Norwegian petroleum policy and law have been characterized by strong host country control based on a progressively developed licence system and significant state ownership. The second Norwegian chapter analyses this regime, commonly referred to as the 'Norwegian model', showing how it has been implemented and further developed within the societal context described in the first country chapter. The authors argue that the manner in which the model has been implemented and developed over the past decades to fit the specific needs of the sector and broader society has proven to be its strength.

The second UK chapter describes the evolution of British petroleum policy and law, including state governance and government take, as well as public facilitation of investments on the UK Continental Shelf. The authors provide a critical account of how several factors – such as lack of strategic planning and competing political ideologies – have until recently resulted in a system of non-interventionist governance, which has arguably had several negative effects for the development of the UK petroleum sector.

Based on the broader petroleum law and policy perspectives provided in the second chapters, the third and final chapter in each part considers in more detail the legal structure of the national resource management models. These chapters focus on the content of the licence systems and their relationship to joint operating agreements as important resource management tools. The

chapters also provide an overview of the sector regulation of environment and climate commitments.

Finally, in the concluding part of the book, we seek to draw some overall conclusions from the comparison of the Norwegian and UK models.