The capacity in the primary market will be released and booked through Gassco AS on the internet. Spare capacity will be released for pre-defined time periods at announced points in time and with specific time limits for reservations. If the reservations exceed the spare capacity, the spare capacity will be allocated based on a distribution formula. However, consideration shall in case of spare capacity first be given to the owners'duly substantiated needs for capacity, which is limited to twice the owner's equity interest in the upstream pipeline network in question.

Based upon an authorization given under the new regulation, tariffs for use of capacity in Gassled are determined by the Ministry of Petroleum and Energy. The Ministry's policy for determining the tariffs is to avoid excessive returns being created on the capital invested in the transportation system, allowing the return on the Norwegian petroleum activity to be taken out on the fields instead of in the transportation systems. The tariffs are to be paid for booked capacity and not in respect of the actually transported volume.

HSE Regulation

Petroleum operations in Norway are subject to extensive regulation with regard to health, safety and the environment, or HSE. Under the Petroleum Act, which is in this respect administered by the Ministry of Labor and Government Administration, all petroleum operations must be conducted in compliance with a reasonable standard of care, taking into consideration the safety of employees, the environment and the economic values represented by installations and vessels. The Petroleum Act specifically requires that petroleum operations be carried out in such a manner that a high level of safety is maintained and developed in accordance with technological developments.

Licensees and other persons engaged in petroleum operations are required to maintain at all times a plan to deal with emergency situations. During an emergency, the Ministry of Labor and Government Administration may decide that other parties should provide the necessary resources, or otherwise adopt measures to obtain the necessary resources, to deal with the emergency for the account of the licensees.

The new Petroleum Safety Authority Norway (PSA) was established on January 1, 2004 as a consequence of the Storting process surrounding the Storting White Paper No.17 (2002-2003) on State supervision bodies. The PSA has the regulatory responsibility for safety, emergency preparedness and the working environment for all petroleum-related activities. This responsibility was transferred from the Norwegian Petroleum Directorate (NPD) effective January 1, 2004. With the establishment of the PSA, regulations relating to HSE in petroleum activities continue with the PSA as the responsible authority. In addition, the PSA's sphere of responsibility has been expanded to include supervision of safety, emergency preparedness and the working environment at the petroleum facilities and connected pipeline systems on land such as Kårstø, Kollsnes, Tjeldbergodden, Mongstad, and Melkøya, as well as potential future integrated petroleum facilities.

In our capacity as a holder of licenses under the Petroleum Act, we are subject to strict statutory liability in respect of losses or damages suffered as a result of pollution caused by spills or discharges of petroleum from petroleum facilities covered by any of our licenses. This means that anyone who suffers losses or damages as a result of pollution caused by any of our NCS license areas can claim compensation from us without needing to demonstrate that the damage is due to any fault on our part. If the pollution is caused by a force majeure event, a Norwegian court may reduce the level of damages to the extent it considers reasonable.

Taxation of Statoil

We are subject to ordinary Norwegian corporate income tax as well as to a special petroleum tax relating to our offshore activities. We are also subject to a special carbon dioxide emissions tax. Under our production licenses we are obligated to pay royalties and an area fee to the Norwegian State. Set forth below is a summary of certain key aspects of the Norwegian tax rules that apply to our operations.

Corporate income tax. Our profits, both from offshore oil and natural gas activities and from onshore activities, are subject to Norwegian corporate income tax. The corporate income tax rate is currently 28 per cent. Our profits are computed in accordance with ordinary Norwegian corporate income tax rules, subject to certain modifications that apply to companies engaged in petroleum operations. Gross revenue from oil production and the value of lifted stocks of oil are determined on the basis of norm prices which are decided on a monthly basis by the Petroleum Price Board, a body whose members are appointed by the Ministry of Petroleum and Energy, and published quarterly. The Petroleum Taxation Act provides that the norm prices shall correspond to the prices that could have been obtained in case of a sale of petroleum between independent parties in a free market. When adopting norm prices, the Petroleum Price Board takes into consideration a number of factors, including spot market prices and contract prices within the industry.

The maximum rate for depreciation of development costs related to offshore production installations and pipelines is 16 2/3 per cent per year. The depreciation starts when the expense is incurred. Exploration costs may be deducted in the year in which they are incurred. Most financial items are allocated to onshore and offshore activities in proportion to the remaining tax balances of assets related to onshore and offshore activities, respectively. There is an adjustment factor allowing companies with an equity ratio of more than 0.2 to allocate a higher share of net financial items to the offshore tax regime.

Any NCS losses may be carried forward indefinitely against subsequent income earned. Any onshore losses may be carried forward for 10 years. Fifty per cent of losses relating to activity conducted onshore in Norway may be deducted from NCS income subject to the 28 per cent tax rate. Losses from foreign activities may not be deducted against NCS income. Losses from offshore activities are fully deductible against onshore income.

By use of group contributions between Norwegian companies in which we hold more than 90 per cent of the shares and the votes, tax losses and taxable income can, to a great extent, be offset. Group distributions are not deductible in our offshore income.

From January 1, 2004, dividends received are not subject to tax in Norway. Exemptions exist for dividends from low-tax countries or portfolio investments outside the EEA. Further information on the one off accounting effects as a result of this change can be found in Item 5-Operating and Financial Review and Prospects-Operating Results-Combined Results of Operations-Income taxes.

From March 26, 2004, capital gains on realization of shares will not be taxable and losses will not be deductible. Exemptions exist for shares held in companies domiciled in low-tax countries or portfolio investments outside the EEA. A transitional rule for 2004 exists allowing a deduction for losses incurred in the period March 26 to December 31 against gains obtained in the period January 1 to March 26.

Special petroleum tax. A special petroleum tax is levied on profits derived from petroleum production and pipeline transportation on the NCS. The special petroleum tax is currently levied at a rate of 50 per cent. The special tax is applied to relevant income in addition to the standard 28 per cent income tax, resulting in a 78 per cent marginal tax rate on income subject to petroleum tax. The basis for computing the special petroleum tax is the same as for income subject to ordinary corporate income tax, except that onshore losses are not deductible against the special petroleum tax, and a tax-free allowance, or uplift, is granted at a rate of 5 per cent per year. The uplift is computed on the basis of the original capitalized cost of offshore production installations. The uplift may be deducted from taxable income for a period of six years, starting in the year in which the capital expenditures are incurred. From 2005 the uplift will be 7.5 per cent for 4 years. Unused uplift may be carried forward indefinitely. Special provisions apply to investments made prior to 1992.

Abandonment costs. In June 2003 the taxation treatment of abandonment costs was changed from a system with Government grant to a system with tax deduction. Abandonment costs incurred after June 19, 2003 can be deducted as operating expenditures. Provisions for abandonment costs are not tax deductible.

Carbon dioxide emissions tax. A special CO_2 emissions tax applies to petroleum activities on the NCS. The tax is NOK 0.76 in year 2004 and NOK 0.78 in year 2005 per standard cubic meter of gas burned or directly released, and per liter of oil burned.

Area fee. After the expiration of the initial exploration period, the holders of production licenses are required to pay an area fee. The amount of the area fee is set out in regulations promulgated under the Petroleum Act. In respect of most of the production licenses, the initial annual area fee is currently NOK 7,000 per square kilometer. The annual area fee is increased yearly by NOK 7,000 until it reaches NOK 70,000 per square kilometer.

Royalty. We and other oil companies have an obligation to pay a royalty to the Norwegian State for oil produced on fields for which a plan for development and operation was approved prior to January 1, 1986. The royalty varies from 8 per cent to 16 per cent of the gross production value, and increases with the level of production. The Ministry of Petroleum and Energy may, on six months' notice, require that the royalty be paid in kind by delivery of petroleum. The Ministry of Petroleum and Energy has exercised this right so that we are currently required to pay royalty by delivering oil. Such royalty oil is repurchased by us at a calculated market price. No royalty is charged on natural gas or NGL production.

In a 1999 Government proposal, the Norwegian State announced that the remaining royalty obligations would be gradually abolished. The obligation to pay royalty currently only remains for the Gullfaks and Oseberg fields and will be abolished completely by the end of 2005.

EU Regulation

EU Gas Directive

Fundamental changes are now taking place in the organization and operation of the European gas market, with the objective of opening up national markets to competition and integrating them into a single internal market for natural gas. It is difficult to predict the effect of liberalization measures on the evolution of gas prices, but the main objective of the single gas market is to bring greater choice and reduced prices for customers through increased competition.

The EU Gas Directive was included in the EEA Agreement in June 2002 and was incorporated into Norwegian legislation in 2002.

On June 26, 2003, the EU approved a new Gas Directive, Directive 2003/55/EC. The Directive is not yet incorporated into Norwegian legislation.

The new Directive provides for accelerated requirements for market opening, which imply that both large users and households will now be free to choose their supplier earlier than before. Large users are free to choose their supplier from July 2004, and households from July 2007.

Competition

In the oil and gas industry there is intense competition for customers, production licenses, operatorships, capital and experienced human resources. In recent years, the oil and gas industry has experienced consolidation, as well as increased deregulation and integration in strategic markets. Statoil competes with major integrated oil and gas companies, as well as independent and government-owned companies for the acquisition of assets and licenses for the exploration, development and production of oil and gas, and for the refining, marketing and trading of crude oil, natural gas and related products. Key factors affecting competition in the oil and gas industry are oil and gas prices, demand, the cost of exploration and production, global production levels, alternative fuels and governmental and environmental regulations. Statoil's ability to remain competitive will require, among other things, management's continued focus on reducing unit costs and improving efficiency, maintaining long-term growth in our reserves and production through continued technological innovation and our ability to capture international opportunities in areas where our competitors may also be actively pursuing exploration and development opportunities. The company believes that it is in a position to compete effectively in each of its business segments.

Organizational Structure

The following table sets forth our significant subsidiaries in alphabetical order, equity interest and the subsidiaries'country of incorporation. In all cases our voting interest is equivalent to our equity interest.