

A woman wearing a yellow hard hat and an orange safety suit with reflective white stripes is working inside a large, dark industrial pipe. She is looking towards the camera. The scene is dimly lit, with a warm, yellowish light source illuminating the interior of the pipe.

# ANNUAL REPORT

PETROLEUM SAFETY AUTHORITY NORWAY

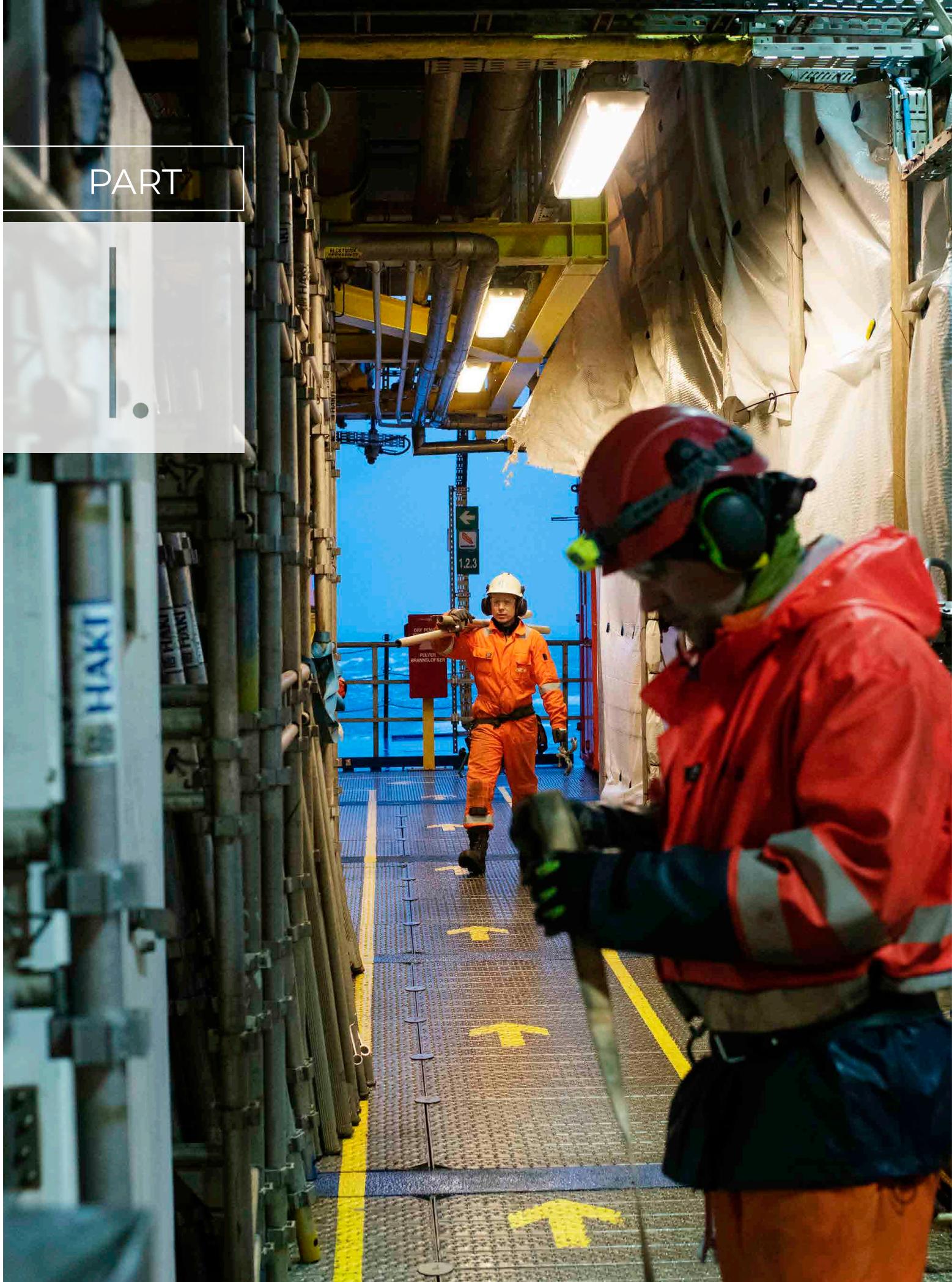
# 2018



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PART



## PART I. The Director General's Report

### **High levels within health, safety and the environment**

The petroleum activities are highly ambitious in terms of health, safety and the environment. The ambitions are expressed by both the authorities and the industry.

In April 2018, **White Paper no. 12 (2017-2018)** on health, safety and the environment was published. The main message is that the Norwegian model works well and should be maintained. It also underlines the ambition for the Norwegian petroleum activities to be world-leading. This can only be achieved if the companies themselves recognise their responsibility for continuously improving the safety of their operations. The White Paper also emphasises the importance of having strong and clear supervision, which is something we in the PSA take very seriously. The companies will note that we are following up rectification of non-conformities more extensively and using the sanctions available to us more widely and more predictably. We have also initiated a number of processes to ensure that we meet the White Paper's expectations.

In 2018, the Office of the Auditor General of Norway undertook a performance audit of the PSA. The Office of the Auditor General emphasised improvement potential within many of the same areas as emerged from White Paper no. 12 (2017-2018) on health, safety and the environment. We initiated improvement measures in 2018 that largely concern becoming stronger and clearer in our audits and other externally oriented activity – these measures will be continued in 2019.

Over time, the **risk level** in the Norwegian petroleum activities has shown a positive (beneficial) trend. Long-term efforts by all parties have helped create a high HSE level in the industry. As in previous years, in 2018, the industry's stakeholders showed themselves willing to implement new **collaboration projects** to work on common challenges, such as collaboration between the social partners and competence requirements.

The prerequisites for petroleum activities are in constant change. Through our follow-up of serious incidents and findings, and through expressions of concern from the safety services and employee representatives in the companies, we have seen that, in 2018, as previously, the industry has faced operational challenges that require substantial input in the form of safety-promoting activity. In this context, we find it important to be able to collate the variety of experiences and share them with the participants as an aid to addressing the challenges properly.



*Anne Myhrvold, Director General, Petroleum Safety Authority Norway*

### **Optimism**

More so than in the preceding three years, 2018 was marked by increased optimism. After a number of years of large falls in the oil price, extensive restructuring and down-sizing, in 2018 the activity level rose again. More drilling facilities were in operation and there was increasing project activity. Even so, the cost reductions have had different outcomes for the different participants in terms of both activities and earnings.

Clear changes occurred in the player landscape in 2018. Major international operators sold off some of their NCS interests, while small and medium-sized enterprises expanded their roles. We are also seeing new companies coming onto the scene, and participants using new organisational structures. The PSA has tracked this development carefully and stresses that the companies must familiarise themselves fully with the regulations and comply with them.

### **Safety is a value choice**

In 2018 we launched the main theme **Safety is a value choice**. Through this, we invited wide debate about how the concept of safety should be understood and how safety should be emphasised when important decisions are taken in the companies. Discussing dilemmas between safety and other concerns has proven particularly important at a time of keen focus on costs and streamlining. We believe that a high level of safety also brings financial benefits – and it has been confirmed that the companies share this view. Our main theme has been actively adopted by many companies, both internally and in collaboration with other parties. The companies say that it has raised awareness among managers and employees concerning decisions and choices that affect safety.

### **Priority areas – How does the PSA contribute?**

In 2018, we conducted more than 360 audits, in addition to taking care of regulatory development and other directorate tasks. The underlying causes of accidents and incidents are often complex – the audits accordingly address a wide spectrum of topics whose purpose is to encourage the companies to take responsibility and improve their management of major accident and working environment risk. Our audit portfolio addresses management and compliance, both at managerial level and operationally.

Across the sector, in 2018 our particular priority was that the companies choose **robust technical and organisational solutions in** all phases of their activities and that they work with a **systematically preventive** approach within the working environment. In 2018, 287 non-conformities were detected.

Our experiences and feedback from the participants indicate that our audits achieve the greatest effect when we address relevant topics over time on a broad scale with the companies, and influence them to initiate improvement processes. We have shown, for example through our work on hydrocarbon leaks, at-risk groups, barrier management and the management of major accident risk, that we are capable of instigating long-term safety improvements in the industry over time.

As a consequence of the downturn in the petroleum industry since 2014, it is important for the companies to understand how the extensive changes have affected risk and yielded positive or negative HSE effects. Through our audits, we have observed that the companies have been committed to establishing robust processes for **handling cost reductions and restructuring**. We have not registered any significant increase in incidents or more serious findings in our audits in the period. That said, it is important to stress that we must continue to focus on how the companies follow-up potential negative long-term effects and prioritise safety in new projects and activities.

The petroleum activities have always been characterised by **innovation and technological progress**. In recent years, **digitalisation** has been on the agenda in the industry. Initiatives such as increased automation, use of artificial intelligence and utilisation of real-time data are expected to offer good opportunities for also improving safety. At the same time, it is important to address increased uncertainty over potential negative HSE consequences. In 2018, the PSA made efforts to acquire an overview of knowledge concerning HSE opportunities and challenges linked to digitalisation and how they can be managed. Digitalisation and ICT security are also high on the agenda in the Safety Forum, with a view to improving competence around the development and implementation of digital technology in the industry.

New operating and installation concepts have been developed, for example simple facilities with an associated vessel, new seabed solutions and more interest in the use of vessels in general. This has raised the profile of problems and interfaces between the petroleum activities and other industrial activities offshore.

Norway faces an increasing risk of deliberate attack. The development and use of new advanced ICT solutions also makes us more vulnerable to such attacks. To meet these challenges, the PSA has prioritised increasing our resources within **security** to combat deliberate attacks and the follow-up of **cyber security** in order to prevent mistakes and to safeguard the robustness of the systems. In 2018, we carried out a number of

audits, seminars and knowledge projects in order to raise awareness of security and the use of advanced ICT solutions.

**Employee participation and collaboration are** a key prerequisite for the HSE regime in the petroleum activities. In the recent downturn, collaboration between the parties has faced many challenges relating to change and downsizing. In some companies, we have observed a widening between management's and employees' in perception of risk in the industry, and a more difficult cooperative climate in change processes. There are also clear differences in the level of involvement and participation among the different players. In 2018, we focused attention on competence in the companies for improving collaboration and participation.

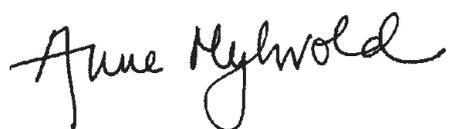
2018 was a busy year for the tripartite forums: the Safety Forum and the Regulatory Forum. A number of joint projects were initiated in 2018.

### **Safe, Strong and Clear**

We have chosen the key theme of Safe, Strong and Clear for 2019. This concerns the individual responsibility that each participant has for working proactively and continuously to improve safety in the industry. There is a precondition that every participant understands its role and is clear about the execution thereof.

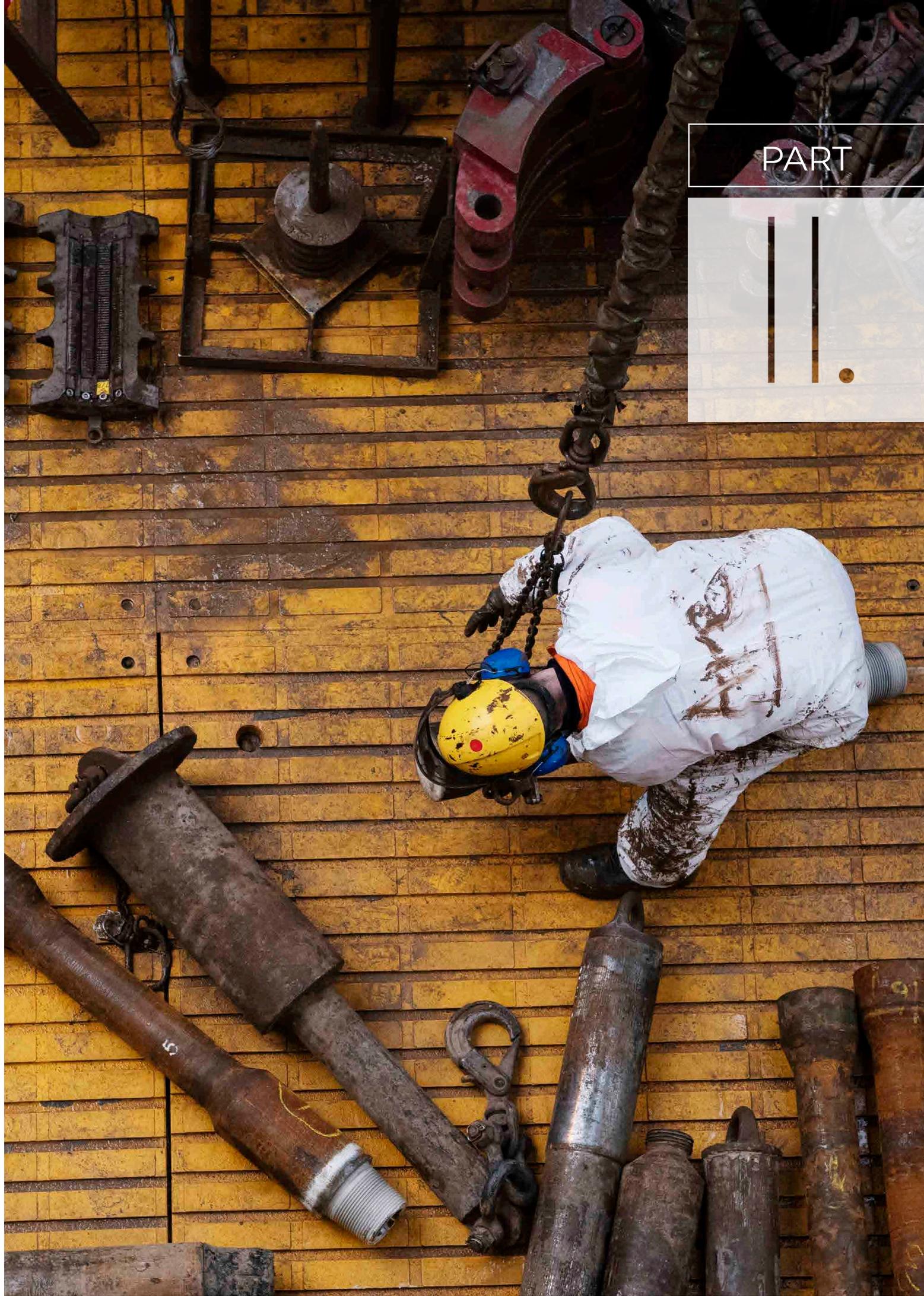
Safe, Strong and Clear also applies to us in the PSA. We shall be a strong and clear supervisory authority and help deliver a better and stronger regime. The PSA expects the companies to use the main theme to foster discussion and commitment, as a means to helping each participant take responsibility for their role in upholding the ambition of the Norwegian petroleum activities to be a world leader in health, safety and the environment.

*Anne Myhrvold*

A handwritten signature in black ink, reading "Anne Myhrvold". The signature is written in a cursive, flowing style.

*Director General, Petroleum Safety Authority Norway*

PART



## PART II. introduction to the organisation and key figures

### The enterprise, its social remit and objectives

#### The enterprise

The Petroleum Safety Authority Norway is a supervisory and administrative body under the auspices of the Ministry of Labour and Social Affairs. The Authority was established through the Crown Prince Regent's Decree of 19 December 2003.

The Authority is responsible for safety, the working environment, emergency preparedness and security within the petroleum industry on the Norwegian Continental Shelf and at eight onshore installations. The area of responsibility includes all phases of activities, such as planning, design engineering, fabrication, operation and, when the time comes, decommissioning.

The PSA also conducts audits of the participants' management systems and preventive measures against deliberate attack, as well as incidents and conditions that could cause acute pollution. Undesirable incidents are prevented in the same way, regardless of whether they could harm people, cause acute pollution or lead to economic losses. Safety work and accident prevention accordingly protect multiple values.

Audits cover all activities that give the PSA grounds for assessing whether the companies are operating their activities in compliance with the regulatory requirements, and for monitoring such compliance. The most visible aspect of the audit is when the PSA is present on the facilities, at the onshore installations or where the construction is taking place. Audits cover more than this however, including follow-up of the industry in all phases of activities, the processing of applications and consents, the collection of data on accidents and incidents, investigations and processing of individual cases, as well as follow-up and potential application of administrative sanctions.

The PSA also annually performs a series of activities aimed at common challenges in the industry. The purpose of such activities is primarily to generate a sound knowledge base and an updated risk picture of the safety and working environment issues, disseminate new knowledge and prepare audits.

The PSA's directorate functions also include developing, managing and sharing knowledge and expertise about our specialism and the regulations that we administer. They involve, too, being a resource organisation on which the sector, the Ministry, other authorities and the general public may call. This requires development work in-house and active participation in extensive tripartite collaboration on regulatory development, standardisation and other specialist activities. Through these activities, we define and build the basis for achieving our objectives. There is a co-dependency between our directorate and supervisory functions and they need to work well together towards achieving our objectives. The directorate functions can also make a contribution on their own, and be the most effective, and preferred, instrument for achieving our objectives. In recent years, we have seen an increase in the scope of our directorate tasks. This applies in particular to specialist advice to the Ministry, our role as competent body for the sector through, for example, the dissemination of facts and knowledge, and as an administrator of regulations. We anticipate that the scope of administrative tasks will increase in the years ahead.

The PSA is the coordinating agency for regulatory development and supervision of HSE in the Norwegian petroleum activities. The purpose of coordination and collaboration between authorities is to promote the most effective and consolidated HSE follow-up of the petroleum activities offshore and on land. The offshore coordination scheme covers us, the Norwegian Environment Agency, the Norwegian Board of Health Supervision and the Norwegian Radiation Protection Authority. The coordination scheme for onshore installations also comprises the Norwegian Communications Authority, the Coastal Administration and the Norwegian Industrial Safety Organisation.

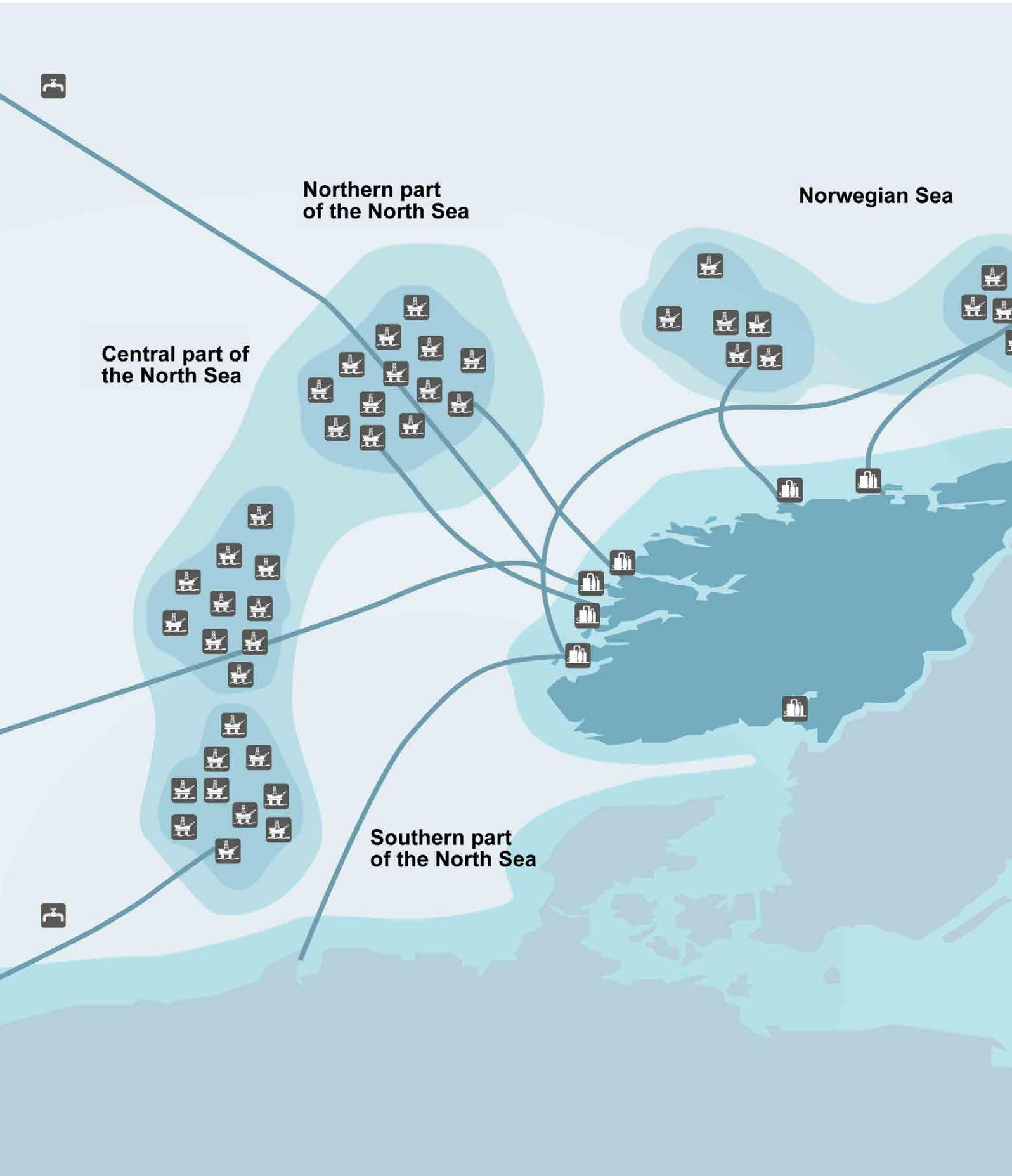
In the planning and execution of its supervisory activities, the PSA is able to make use of expert assistance from other public bodies that possess special competence in relevant areas. The scheme is based on agreements between us and the following bodies:

- The Norwegian Labour Inspection Authority,
- The Norwegian Directorate for Civil Protection (DSB),
- The Civil Aviation Authority Norway,
- The Norwegian Meteorological Institute,
- The Norwegian Radiation Protection Authority (DSA),
- The Norwegian Communications Authority,
- The Labour and Welfare Service (NAV),
- The Norwegian Maritime Authority (Sdir)
- The National Institute of Occupational Health (STAMI)
- The Norwegian Board of Health Supervision.

The PSA also has cooperation agreements with the Norwegian Petroleum Directorate and the police and prosecuting authorities for the investigation of accidents in the petroleum activities.



*Petroleum Safety Authority Norway, Professor Olav Hanssens vei 10*



Barents Sea

# Our area of responsibility



**60** rigs/facilities with AoC



**300** subsea facilities



**8** land installations



**25 000** people in work



**15 400** km of subsea pipelines



**83** fields in production at 1/1/2019

### **Social remit**

The PSA's remit is to set the agenda for, and monitor, a high level of health, safety, environmental protection and security among participants in the petroleum activities. On a professional and independent basis, the PSA shall verify that the participants meet their responsibilities under the petroleum and working environment regulations and other relevant legislation subject to the PSA's authority.

Our social remit is detailed in Proposition to the Storting 1 S (2017-2018), in the 2018 allocation letter, in our overarching performance goals and in our strategies for 2018.

### **Objective**

Pursuant to Proposition to the Storting 1 S (2017-2018), the PSA shall contribute to:

- A professional, safe and flexible working life
- Low risk of major accidents in the petroleum sector
- Development and communication of new knowledge on the working environment, working conditions, occupational health and safety

In the letter of allocation for 2018, the objectives are set out in the form of the five following performance targets for 2018:

- 3.1 The risk of major accidents in the petroleum sector shall be reduced
- 3.2 Working conditions in the petroleum industry shall be safe and dependable
- 3.3 There shall be an advanced level of knowledge concerning health, safety and the environment, together with security in the petroleum activities
- 3.4 The petroleum regulations shall contribute to the achievement of HSE goals
- 3.5 The PSA shall create public trust and credibility

Under performance target 3.1, we shall pay particular attention to the following areas:

- Robust technical and organisational solutions
- The risk of hydrocarbon leaks and well control incidents
- Robustness against threats and deliberate attacks
- The risk of harm to the external environment, especially in the High North

Under performance target 3.2, we shall pay particular attention to the following areas:

- Systematic preventive action on working environment risk
- Handling of the consequences of change processes
- Facilitation of genuine employee participation
- Legal pay and working conditions for foreign workers

## Organisation and management

The PSA is organised as follows:



### Executive management

Anne Myhrvold is the Director General of the PSA. In addition to the Director General, the senior management consists of six area directors.

### Supervisory activities

Six supervisory teams each monitor a group of participants in the industry. Each supervisory team is headed by a supervisory manager, who has product responsibility and formal decision-making powers. Contacts have been designated for each team. These people act as fixed points of contact for the various participants.

### Professional competence

The PSA's professional competence within HSE is divided into six specialist areas, each with a head of section responsible for personnel and for technical and competence development. The specialist disciplines are:

- drilling and well technology
- process integrity
- structural safety
- logistics and emergency preparedness
- working environment
- HMS management

### Legal and regulatory affairs

This unit helps to safeguard the legal quality of regulations, audit reports and other products where the formal basis must be clear and unambiguous. The unit also has responsibility for governance dialogue with the Ministry, reports, regulatory development, standardisation work and agreements with other authorities.

### Communication and public affairs

This unit is responsible for media relations, operating the website and preparing printed and online publications.

### Internal support and development

This unit is responsible for internal operations and development and consists of key support functions within finance, personnel management, information management, internal security and system development.

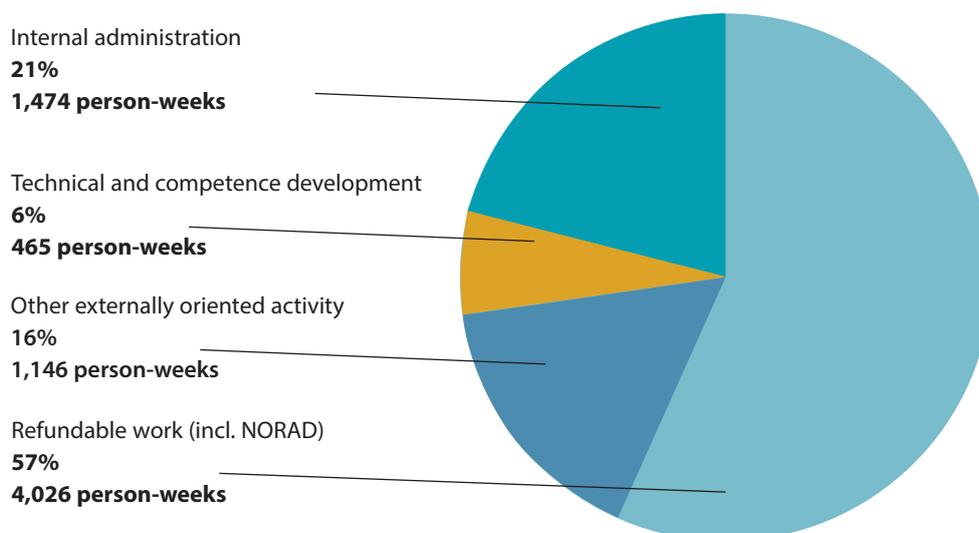
### Resource utilisation per main area

At the end of 2018, the PSA had 176 employees (170 full-time equivalents), of whom 173 were permanent, 2 temporary and 1 office apprentice. Of the employees, 47 percent are women and 54 percent are men. The number of full-time equivalents rose from 2016 to 2017 (from 166 to 170) and was at the same level in 2018. In this period, the PSA recruited within the target area of cyber security. The PSA assesses recruitment regularly so as to have a personnel level appropriate for its remits and financial resources.

The PSA has established systems for internal resource management within the authority. All employees record their resource use for fixed categories of tasks on an hourly basis. The system is adapted to the authority's collective portfolio of tasks and government schemes for time off and flexitime. In this way, we obtain an overview of the total hours spent on different tasks, which provides us with valuable management information.

In 2018, our resource use breaks down into the main areas of refundable tasks, other externally oriented activity, technical and competence development, and internal administration:

The pie chart below shows resource use by main areas in a time series as percentages and person-weeks. Resource use per performance target is described in more detail in part III activities and results in 2018.



Year	Refundable work	Other extern. oriented act	Technical & competence development	Internal administration
2015	56%	15%	7%	22%
2016	55%	17%	6%	22%
2017	56%	17%	6%	21%
2018	57%	16%	6%	21%

### **Refundable work**

This category includes the planning and execution of the PSA's refundable tasks carried out in 2018 pursuant to the Regulations of 27 June 1997 relating to refunding of expenses in connection with regulatory supervision of safety, working environment and resource management in the petroleum activities. Total resource use is 57% (4,026 person-weeks), which is a slight increase from 2015. This can be explained through natural variation from year to year in our internal system for resource management.

### **Other externally oriented activity**

This category includes directorate tasks and information dissemination. Directorate-related tasks largely consist of tasks linked to regulatory development and interpretation, participation in standardisation work and the provision of advice to the Ministry, as well as collaboration with national and international authorities. This category also includes the case management of police matters, appeals, consultations and requests for document access (see table for selected key figures). In 2018, this comprised 16% (1,146 person-weeks) of the PSA's total resource use, which is a slight decline from 2016. This also reflects natural variation in our internal system for resource management, and is not deliberate prioritisation of the resource input. We do however expect that resource use in this category may increase as a consequence of more extensive directorate tasks. In order to accommodate these, we are evaluating reprioritisation of resources and recruitment within budget frameworks.

### **Technical and competence development**

This category includes individual technical development and participation in research and development (R&D) projects. Total resource use for technical and competence development was 6% in 2018 (465 person-weeks). Compared with resource use in 2016 and 2017, resource use within this category is stable. In order to keep up with technological and knowledge development in the petroleum activities, we have to prioritise technical and competence development.

### **Internal administration**

This category includes administration and management (not comprised by the refunding regulations) including strategy work, planning, meetings of management, experts and teams, organisational development, collaboration with the safety service, internal bipartite collaboration and administrative support activities. Internal administration also includes case management linked to contracts and procurements, staff, finances and information management. Overall resource use in 2018 was 21% (1,474 person-weeks). Resource use on this area has remained stable over time.

### Presentation of selected key figures

The table below shows the number of audits and verifications performed in the period 2016-2018. Variations in the number of audits and verifications performed from year to year are primarily due to differences in the scope and complexity of individual supervisory activities. The table also shows an overview of statutory instruments deployed in the period 2016-2018, as well as investigations, offshore days, acknowledgements of compliance, plans for development and operation, police cases, appeals, consultations and document access requests over time, followed by some general comments about the numbers and their trends.

Selected key figures	2016	2017	2018
Number of audits/verifications	196	189	198
Number of order notifications	5	11	15
Number of orders	6	9	14
Number of coercive fines, police reports and suspensions	0	1	0
Number of investigations	8	5	5
Number of offshore days	438	484	663
Number of consents issued	78	84	107
Number of applications for Acknowledgement of Compliance (AoC)	4	4	0
No. of Plans for Development and Operation/ Installation and Operation (PDO and PIO) processed	4	4	10
Police cases	5	10	3
Appeal cases	16	19	10
Consultations	102	82	98
Requests for document access	5,433	7,217	2,307

**Audits/verifications:** The number of audits has been at a steady level for the last three years.

**Order notifications and orders:** In 2018, 15 order notifications and 14 orders were issued. The increase of 36% in the number of orders in 2018 is in part a consequence of us having increased the number of offshore audits of mobile facilities due to more facilities coming into operation from lay-up and/or abroad. White Paper no. 12 (2017-2018) on health, safety and the environment gave the PSA clear signals that it must present itself as strong and clear, not least through the transparent use of the statutory instruments and sanctions at its disposal. In 2018, the PSA placed even more emphasis on developing thorough and transparent decision support for the use of sanctions in individual cases. This may also be a reason for more orders having been made in 2018 than in 2017 and 2016. The difference in the number of orders notified

and issued may be due to a change of year or to the addressee having acted on the planned administrative decision/order on receipt of a notification of order.

**Coercive fines/police reports and suspensions:** We did not use the sanctions of coercive fines/police reports/suspensions in 2018. We have however been in close contact with the police, notably concerning serious incidents.

**Investigations:** In 2018, we investigated five incidents, the same number as in 2017. The severity of an incident is the most important criterion, but other factors may also be determinative for whether we decide to carry out an investigation or follow up the incident in another way.

**Offshore days:** In 2018 there was an increase in the number of offshore days, due in part to the prioritisation of offshore audits of mobile facilities, as well as our prioritisation of being visible offshore on the facilities and installations.

**Consents issued:** The figures for 2018 show an increase of 27% due to the increase in activity level, mostly within exploration drilling.

**Acknowledgement of Compliance (AoC) applications:** The number of applications processed reflects the number of mobile facilities arriving on the NCS for the first time. We received six applications in 2018 that will be processed in 2019.

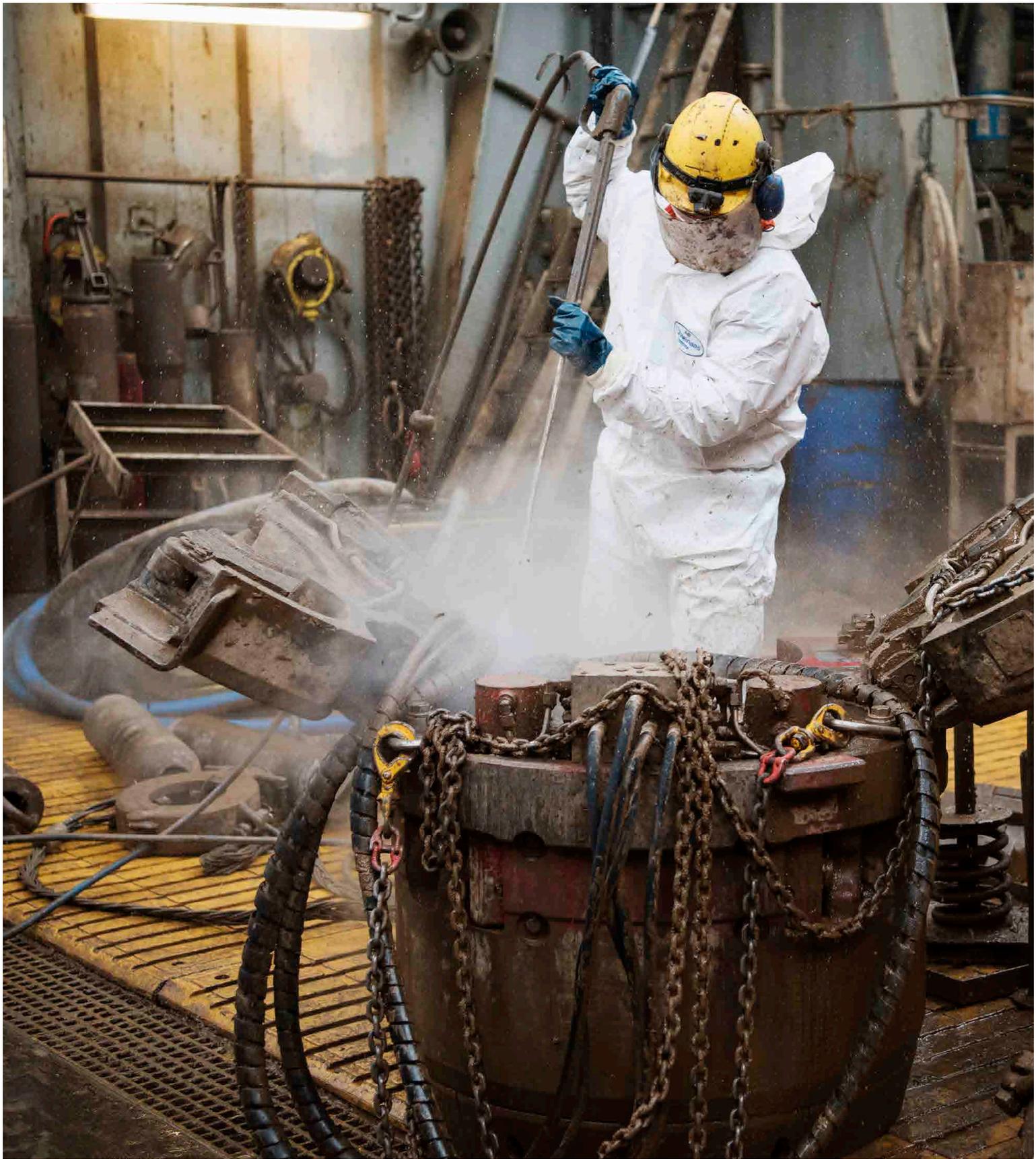
**Plans for Development and Operation/Installation and Operation (PDO and PIO):** In 2018 we processed 10 PIOs, a marked increase over 2017, which may be an indication of optimism and increased activity in the industry.

**Police cases:** Three police cases were received for processing in 2018. This is a marked decline. Two of these cases (the machine room fire on Scarabeo 5 and the gas leak at Mongstad) were also investigated by the PSA.

**Appeals:** In 2018, we handled 10 appeals. This is a pronounced fall from 2017. Nearly all the appeals we receive for processing relate to requests for document access.

**Requests for document access:** In 2018, we had 637 requests for document access in 2,307 registry entries. This is a considerable fall relative to 2017.

**Consultations:** In 2018, we took on 98 consultative cases, which is somewhat higher than in 2017.



## Key figures from the 2016-2018 annual financial statements

A presentation of selected key figures during the period 2016-2018 is given below with associated explanations.

KEY FIGURES	2016	2017	2018
Number of full-time equivalents	166	170	170
Combined allocation, items 01-99	269,967,979	310,855,725	320,182,000
Utilisation ratio for items 01-29	92.1%	92.9%	95.1%
Operating expenses	279,246,902	291,810,984	301,295,508
Salary expenses as a proportion of operating expenses	69.6%	68.9%	68.0%
Salary expenses per FTE	1,174,139	1,179,643	1,206,094

**Number of full-time equivalents:** There is no change in the number of FTEs from 2017 to 2018.

**Combined allocation, items 01-99:** The combined allocation to items 01-99 rose by NOK 9.3 million relative to 2017. Besides general adjustments to pay and prices, the increase also includes enhanced follow-up of cyber security in the petroleum industry.

**Utilisation ratio for items 01-29:** The utilisation ratio indicates the percentage of expenses under items 01-29 of the allocation. This has risen from 92.9% to 95.1%.

**Operating expenses:** Operating expenses for 2018 were NOK 9.5 million (3.25%) higher than in 2017, due primarily to higher salary expenses and extra costs relating to the performance of activities financed through sector fees; see the increased allocation under items 01-29.

**Salary expenses per FTE:** A comparison of salary expenses per FTE for 2017 and 2018 shows an increase of 2.2%, corresponding to NOK 26,400.

PART



## PART III. Activities and results in 2018

### **Overall assessment of objectives achieved**

In this section, we report of how, and to what extent, our efforts have helped us achieve our objectives. The achievement of objectives is assessed on the basis of the extent to which the companies have gained knowledge and motivation and work in a better and more systematically preventive manner.

We utilise various instruments for achieving our objectives. Among the most important of these are audits, including reviews, meeting series, status meetings, investigations, user surveys, guidelines, and knowledge-sharing. For example, the PSA uses meeting series as an instrument, especially to gather information and obtain a more comprehensive picture of the state of knowledge, which is then shared with the industry. Using the information we obtain through the different instruments, we can be effective in prioritising activities and resource use.

In 2018, we carried out more than 360 audit activities of selected companies that addressed topics within major accident and working environment risk. The audits were focused on activities and factors where the risk of major accidents and to the working environment was considered to be greatest. In 2018, we detected 287 regulatory non-conformities. The work on White Paper no. 12 (2017-2018) on health, safety and the environment and the Office of the Auditor General's performance audit in 2018, along with our follow-up thereof, helped raise awareness of our assessments of the choice of statutory instruments and sanctions in cases where we detected regulatory breaches. As a result, in 2018, we gave greater priority than we had done in the past to monitoring that the companies correct detected non-conformities. We will also prioritise following this up in 2019.

Through our audits in 2018, we observed that the companies have been committed to establishing robust processes for handling cost reductions and restructuring. We have not detected a significant increase in incidents or more serious findings in our audits in this period, but it is important to emphasise that, moving forward, we will continue to pay close attention to how the companies follow up potential negative long-term effects of cost reductions and restructuring, and how they prioritise safety in new projects and activities.

There are no simple correlations between our efforts and changes in working environment and safety conditions in the industry. This makes it complicated to assess probable effects of our efforts in the short and long terms at both user and societal levels. There may be a long delay between when our activities take place and when they achieve effects that have an outcome for our objectives. Experiences from our audits and feedback from the participants indicate that we have the greatest effect when we address relevant topics over time, and aimed at several companies and sectors. This influences the companies in initiating improvement processes. We have demonstrated, for example through the work on hydrocarbon leaks, at-risk groups, barrier management and major accident risk, our clear contribution to safety improvements in the industry over time. We are working to develop metrics to provide a better foundation for explaining the effects achieved.

In 2018, we performed a user survey that has provided us with relevant information and better insights into how our audits are perceived by the industry, what impact they have, and potential improvement points. The survey was sent to 43 companies which had been audited in the period 1 June to 15 October 2018. The response rate for the survey was 79%. The survey concludes that the companies believe on the whole that we conduct our audits in a proper and professional manner. At the same time, certain areas were indicated as having potential for improvement. We consider such

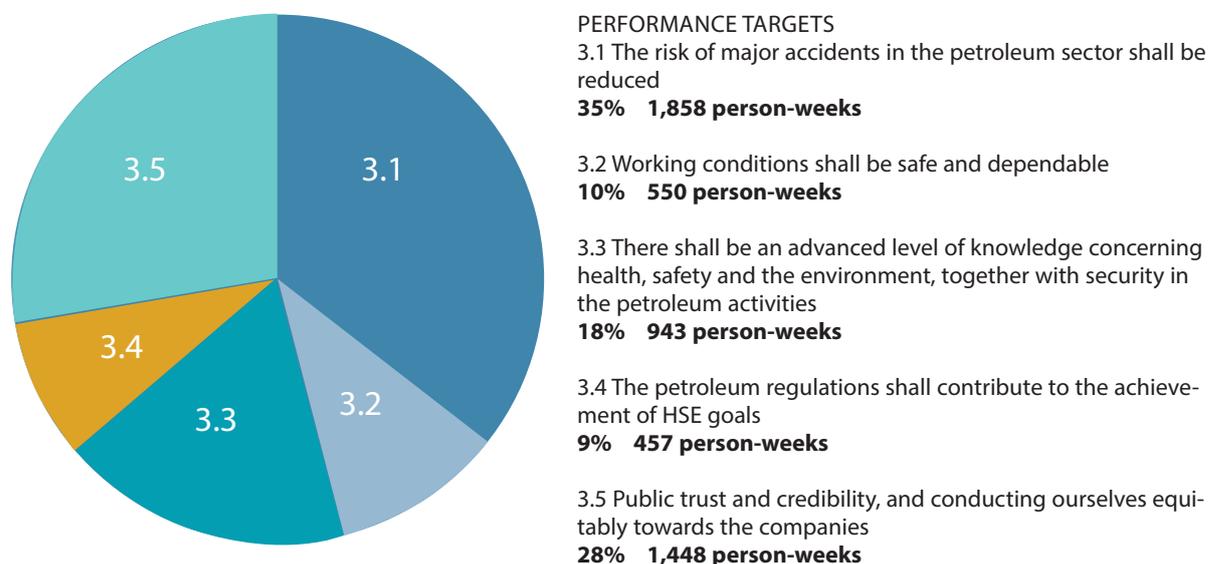
feedback to be important and constructive and to assist in our continuous improvement work. A similar survey is to be performed in the wake of the 2019 audits.

### Resource utilisation – input per performance target

The audit must make the best possible use of available resources and we must prioritise resources to optimise achieving our objectives. The figure below shows the breakdown of resource utilisation per performance target for the 2018 letter of allocation by percentage and person-weeks over a three-year period. It can be seen that the PSA uses 35% of its resources on following up major accident risk, 10% on working environment follow-up, 18% on knowledge development, 9% on regulations and standards work and 28% on performance target 3.5 concerning public trust and credibility. Combined resource utilisation on the follow-up of working environment risk is in reality greater than 10%, since working environment risk is also covered by major accident risk and is also included as part of this and the other performance targets. Performance target 3.5 includes a number of important activities concerning equal treatment, advice to the Ministry, quality assurance and cross-cutting experience transfer, as well as activities within communication and public affairs.

Between 2017 and 2018, resource utilisation on performance target 3.1 was relatively the same. There is an increase in resource utilisation of 3% on performance target 3.2, and a reduction of 4% on performance target 3.5. The figure does not provide a fully comprehensive presentation of resource utilisation per performance target since the activities often include elements of several performance targets.

*\* The figure shows a breakdown per performance target in person-weeks and percentage for a three-year time series.*



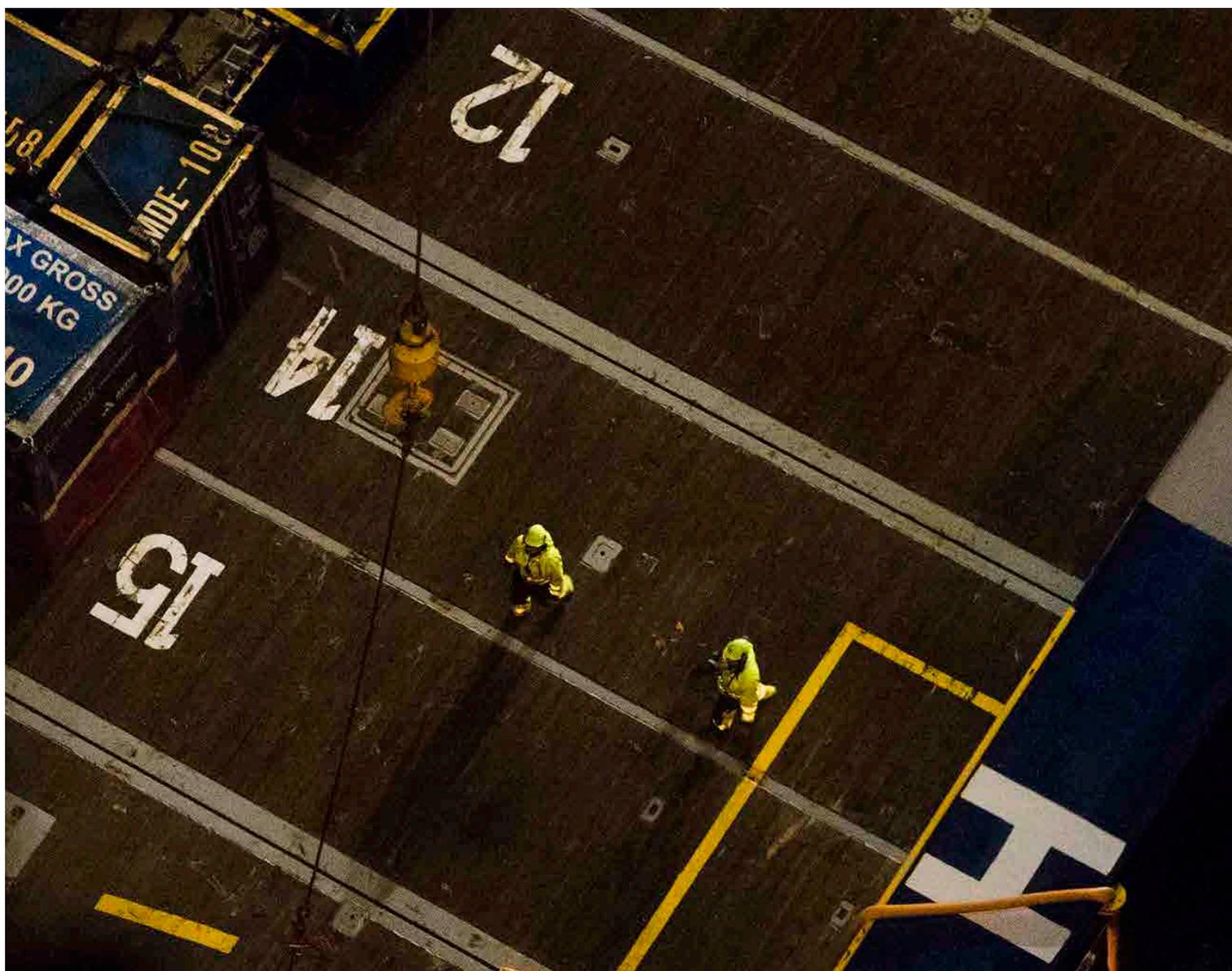
### PERFORMANCE TARGET IN ALLOCATION LETTER

Year	3.1		3.2		3.3		3.4		3.5	
	%	Person-weeks								
2016	39	1,977	9	464	14	696	10	507	28	1,437
2017	34	1,799	7	394	18	950	9	459	32	1,687
2018	35	1,858	10	550	18	943	9	457	28	1,448

Performance target 3.2 concerning working environment risk is the performance target with the largest increase in 2018, from 7% to 10%. The explanation for this is that we have stepped up efforts to follow up key areas such as whistleblowing reports, change processes, collaboration and employee participation. These were areas that were also assessed in White Paper no. 12. (2017-2018) on health, safety and the environment in the petroleum activities.

Resource utilisation within knowledge and regulations (performance targets 3.3 and 3.4) is stable relative to the preceding year, but we see a reduction in resource utilisation for 2018 within performance target 3.5. The explanation for this is that in 2017 we recorded many hours on access, media relations, preparations and work on White Paper no. 12. (2017-2018) on health, safety and the environment in the petroleum activities.

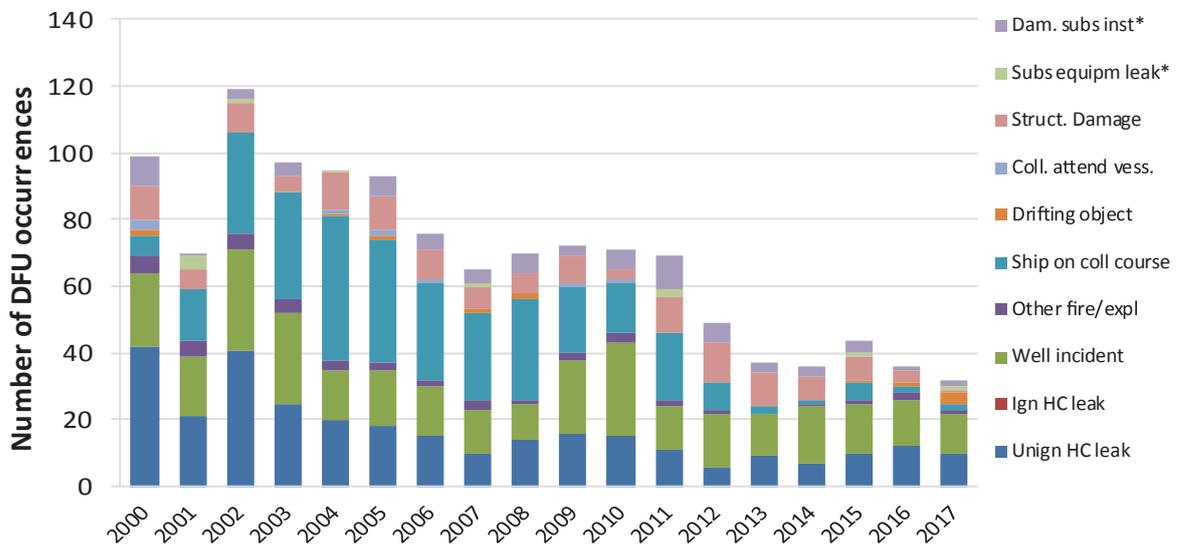
Knowledge and presentation of resource utilisation by performance target provides valuable management information. In 2018, we initiated work to provide more precise presentation of resource utilisation linked to activities that sort under the performance targets. This work is in development, and in 2019 we will be able to provide a more nuanced presentation.



### Performance target 3.1 The risk of major accidents in the petroleum sector shall be reduced

A major accident is the most serious thing that can occur in the petroleum activities. When the PSA evaluates the risk level and performs risk assessments as a basis for prioritising areas, activities and resource use, we look at the overall picture and trends over time and base the assessments on a number of sources. The key sources are RNNP and data and experiences from supervisory activity, including investigation performed by the PSA. RNNP monitors trends in the petroleum industry by means of a series of safety and working environment indicators. The RNNP figures from 2018 were published in the RNNP report on 10 April 2019.

Since 2000, there has in the main been a stable and positive trend for most of the major accident indicators. This indicates that the industry has become better at managing factors that affect risk. In recent years, the industry has been in a challenging period involving extensive changes and restructuring. The major accident indicator reflects both the number of serious incidents and the potential of incidents in terms of loss of life. In 2017, the major accident indicator is at the same level as in 2013 and 2014. The figure below shows an overview of the trend in incidents with major accident potential between 2000 and 2017. (Source: RNNP 2017) As the figure shows, following a peak in 2002, there has been a gradual fall in the number of incidents.



Nationally and internationally, investigations show that major accidents often have a complex chain of events and organisational factors may contribute significantly to the accidents. Over time, the HSE level in the petroleum activities has had a positive trend, and the authorities and social partners agree that the safety level in the industry in Norway is a high one. The primary objective of investigations is to learn lessons and transfer experience to the industry. Investigations are an important part of our supervisory activity, and our investigation reports are published at [www.ptil.no](http://www.ptil.no). In 2018, we investigated five incidents:

- Lifting incident at Jotun B
- LNG leak at Hammerfest LNG
- Incident involving a motion-compensated walkway at Tambar
- Fire at West Phoenix
- Falling object on Maersk Invincible

On the basis of the data, trends over time and our risk assessments, a priority is made of areas to which the PSA is to pay particular attention to ensure our efforts contribute to achieving the objective of reducing major accident risk. In 2018, our priority targets under performance targets 3.1 were:

- Robust technical and organisational solutions
- The risk of hydrocarbon leaks and well control incidents
- Robustness against threats and deliberate attacks
- The risk of harm to the external environment, especially in the High North

For each area, we choose topics and prioritise activities, including on the basis of risk assessments, in order to achieve the desired results for our objectives.

The remainder of this section presents activities, methods, results, findings, reactions and impact assessments within these main areas and other topics that the PSA has judged to be important for the achievement of objectives in 2018.

### **Robust technical and organisational solutions**

Technical and organisational solutions can be highly significant for major accident risk in the petroleum industry. Adequate robustness provides a foundation for handling changing conditions and incipient incidents. It is important for industry participants, including in periods of restructuring, to utilise reliable technical and organisational solutions to reduce the risk of error or accident situations arising. In 2018, we were focused on ensuring that robust solutions are adopted in the planning stage and maintained through all phases of the activity by means of maintenance and barrier management. Based on our risk assessments, we have prioritised particular topics within this area, such as leaks from subsea facilities, the integrity of ageing structures, risk and barrier management, maintenance management and technical condition. There are a large number of subsea facilities on the NCS, and with the projects in development and discoveries made, a further increase is expected going forward. Equ-

ipment on the seabed is required to be of robust design to prevent spills. A number of audits of leaks from subsea facilities were carried out in 2018. On commission from the PSA, DNV GL has carried out a study to shed light on experiences of risk assessments and performance requirements in the choice of leak detection. We have also participated in various seminars and presented work on spills from subsea facilities, as well as organising a special technical seminar on this topic.

The PSA has been following up the ageing of facilities and structures over a long period. The objective has been to verify that operators and owners are prepared for the expected increase in incidents due to increasing age. In 2018, for example, through our audits we looked in detail at how the industry is safeguarding structures and maritime systems.

Effective risk and barrier management is important for reducing the likelihood of incidents and limiting their consequences. Monitoring of the companies' barrier management is a key RNNP indicator and is followed up in audits. Barrier management involves systematically and continuously ensuring that the necessary barriers are in place to offer protection in failure, hazard and accident situations. This applies to technical, operational and organisational barriers alike. Experiences from audits over a number of years show that there has been a positive trend in systems and methodologies for barrier management, especially as concerns the technical barriers.

In recent years, we have carried out audits with a particular emphasis on barriers linked to well integrity, well control, hydrocarbon leaks, structures and marine system integrity. A number of activities have been initiated, which have collectively contributed to new and improved knowledge concerning the role and function of barriers in preventing major accidents. The industry has taken the initiative to develop corporate documents to meet regulatory requirements and the clarifications in the barrier memorandum, and the regulations have been enhanced on the basis of outcomes from our audits. Moving forward, and even under changed framework conditions, it is important that industry participants continue to employ sound technical and organisational solutions that reduce the risk of failure and accident situations arising, choose robust solutions and establish and maintain barrier management through all phases of activities.

In 2018, within barrier management, we carried out a number of audits of companies in order to ensure compliance with their own and the authorities' requirements concerning major accident risk. The audits were mainly conducted as system reviews, accompanied by verification on the facilities or at the onshore installations. In addition, in the RNNP project, we monitor indicators linked to the reliability of technical barrier elements and the status of maintenance.

In 2018, we conducted audits with risk management as a topic. Based on experiences from audits, investigations and RNNP, we also published a memorandum on risk management that discusses key themes concerning how risk management is addressed in decision-making processes.

In 2018, we conducted a number of audits and specialist studies on the topic of maintenance management and technical condition. We also followed-up information from

RNNP, shared experiences from the safety authorities of other countries and participated in national and international standardisation work.

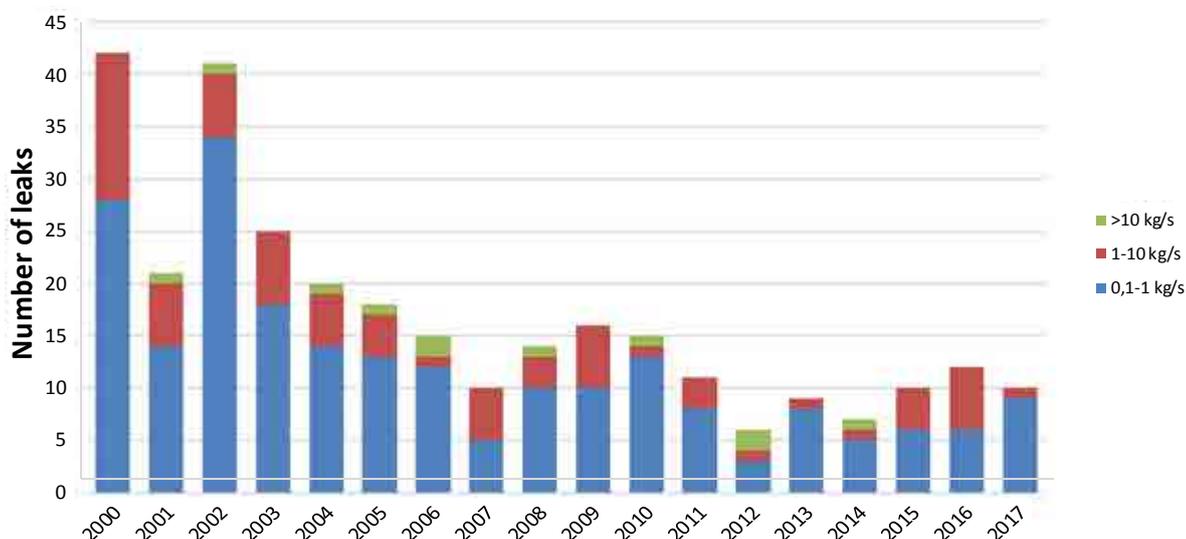
These various activities have provided us with learning benefits within maintenance management and technical condition and within methods for avoiding and detecting leaks from subsea facilities. The activities have also resulted in instructional material on selected topics that we have communicated to the industry. We note that the companies have improved systems and methods for risk and barrier management, and that they are developing their in-house documentation in compliance with regulatory requirements and in accordance with the barrier memorandum. In this way, the activities have contributed to cross-cutting learning. We have, however, also detected inadequacies concerning the establishment of performance requirements for the evacuation barrier. Order notifications and order have been issued as a result. This issue will be followed up through audits and knowledge gathering and dissemination in 2019. We will also be following up the closure of non-conformity cases.

Audits of companies within the topic of robust organisational and technical solutions have helped yield more knowledge and better and more systematic prevention. The PSA's experience is that the sharing of information and knowledge is beneficial in terms of promoting the effect of preventive work in the industry by elucidating and clarifying the regulatory intentions. In 2018, we see the outcome of the memorandum we issued in 2017 on risk management. The risk management memorandum helped increased focus on major accident risk, more systematic transfer of experience, and increased awareness of the management-defined framework conditions that are important for risk management.

## The risk of hydrocarbon leaks and well control incidents

### Hydrocarbon leaks

In the period 2000-2017, there was a clear fall in the number of hydrocarbon leaks; see the figure below. Since 2003, a number of projects and studies have been performed, both by the industry and in the context of RNNP, with the aim of reducing the causes and numbers of hydrocarbon leaks. Due to the hazard potential of such leaks, this is an area which the PSA has been particularly focused on in recent years. In periods where hydrocarbon leaks have increased, the PSA has established targeted projects and activities to reduce their number. In addition to measures for preventing hydrocarbon



leaks occurring, a lot of resources have been devoted to prevent them turning into major fires or explosions. Effective barrier functions are required, to detect leaks, prevent ignition or explosion and limit the consequences if a fire or explosion does occur. A special emphasis is placed on controlling potential ignition sources. None of the leaks greater than 0.1 kg/s reported in RNNP in the period 1996 to 2017 ignited.

In 2018, we undertook various activities based on risk assessments linked to the companies' efforts to reduce hydrocarbon leaks. Notably, we conducted a series of meetings with selected companies at which they were asked to review how they follow up gas leaks, including how they maintain an overview, what is reported, measures implemented, work on pressurised systems and use of new technology.

The PSA is also an observer in the ongoing hydrocarbon leak project headed by the Norwegian Oil and Gas Association. The project aims to help continually reduce the number of hydrocarbon leaks with major accident potential, with a vision of zero such leaks. The companies' efforts to reduce hydrogen leaks are also a key theme in our audits of risk and barrier management.

In 2018, we investigated one such incident relating to an unignited hydrocarbon leak (LNG) at one of the onshore installations. We also followed up incidents concerning hydrocarbon leaks of less severity, and which did not qualify for investigation.

Meeting series with the companies have made us aware that the companies have good overviews of large, small and diffuse hydrocarbon leaks alike. We have also found that there are different routines for what is reported to the authorities. The audits have also revealed to us that the industry has adopted new technology for preventing leaks, such as drones, smart pigs in smaller sizes, searching for interior corrosion in pipes, robot solutions for interior inspection of pressure tanks, equipment for vibration metering and screening and infrared cameras for detecting gas leaks. This will be important information for our future follow-up. Another outcome from the audits is that the companies have implemented various measures to reduce leaks, such as area scanning, investigation of leaks of a certain size, replacement of equipment, competence requirements and follow-up, and improvement to processes and procedures. The reports from our audits are published on our website with the aim of knowledge-sharing and learning.

Our observer role in the hydrocarbon leak project is helping us to gain relevant information and knowledge about the companies' efforts to reduce hydrocarbon leaks, while also allowing us to share our experiences and signal what we believe is important for the project.

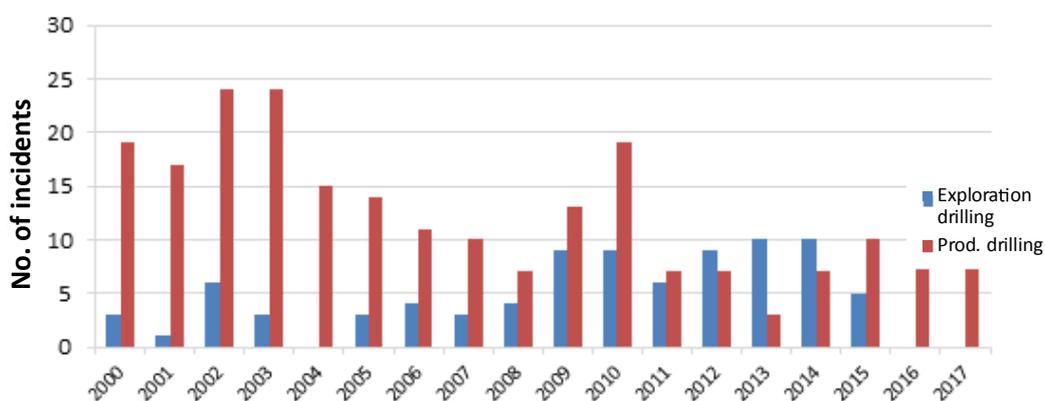
Our investigation in 2018 of the LNG leak at Hammerfest provided important learning about the chain of events, actual and potential consequences and identified proximate and underlying causes. The investigation report is also published on our website for information and knowledge-sharing purposes.

Audits of the companies within the area of hydrocarbon leaks are contributing to improved and systematic prevention for the individual companies. The audits are also helping improve our knowledge of the causes of the leaks, and producing concrete initiatives to reduce the risk of leaks. It is considered that overall this is helping to prevent hydrocarbon leaks more generally. The series of meetings with the companies have produced outcomes in the form of extensive information and knowledge-sharing. In terms of resources, such meetings can be an efficient tool, preferably in combination with an industrial project in this area.

Experiences from incident follow-up and investigations have shown that vibration is a contributory factor in gas leaks. In 2019, we will prioritise this work through a project looking at the causes and consequences of vibrations in processing facilities and how these are followed up operationally. We will continue to monitor hydrocarbon leaks through our audits in 2019.

### Well control incidents

Loss of well control represents a major accident risk for any drilling and well activity, including exploration drilling, production drilling, well maintenance, and when plugging and abandoning wells. A reduction in well control incidents and increased focus on well integrity are important for reducing major accident risk. Trends in well control incidents and well integrity are monitored closely by the industry and the PSA. In total, there was a fall in the number of well control incidents in 2017 compared with the preceding three years. In general, the number of well control incidents per drilled well has been higher for exploration drilling than for production drilling; the last two years (2016-2017) therefore stood out, with zero incidents within exploration drilling; see the figure below.



Since 2001, there have been four high-severity incidents. The last of these was the well incident involving the Songa Endurance drilling rig on the Troll field in 2016. This was a gas blowout that could have led to ignition and fatalities under marginally different circumstances.

In 2018, we undertook a variety of activities based on risk assessments in order to reduce the risk of well control incidents and prevent acute pollution. In particular, we have gathered knowledge through audits and by other means of safety issues within well control, well control equipment and well control competence. We prioritise this because it is important for us to be aware of the knowledge and competence level in the industry. We have also conducted audit campaigns on well control and examined the use of alternative drilling methods, barrier management and well control management for these methods. We have also carried out audits of digitalisation, automation and robotics within drilling and well operations. Furthermore, we participated in relevant national and international work and committee meetings and conferences for experience sharing and competence boosting. We also prioritised competence-boosting initiatives for our employees in order to keep up with new well control equipment and accompanying new requirements.

As a result of our audit activity in 2018, we acquired knowledge of new drilling and well control methods, by means of both technical information and experiential data from operations. This will be important information for our future follow-up. The audit reports are published on our website for the purposes of knowledge sharing and learning. This facilitates the sharing of information in the wake of well control incidents. Participation in relevant national and international working groups and committee meetings and conferences has resulted in beneficial professional exchange with the authorities of other countries concerning common challenges. Internal competence boosting in this field has contributed to broader assessments of risk and prioritisation of activities.

One important foundation for this year's efforts is the considerable significance that well control incidents have for major accident risk, and how crucial it is that supervisory activity is focused on this topic. The well incident involving Songa Endurance in 2016 shows the importance of preventive activity regarding this topic. Auditing the companies promotes better and more systematic prevention in the individual companies, more knowledge about the causes of well control incidents and concrete measures for reducing such incidents. It can be safely assumed that these measures have a strong preventive effect.

#### **Examples of activities that have contributed to achievement of objectives in this area**

##### **Robust planning and execution of drilling and well operations**

In 2018, we carried out audits of how operators and their drilling contractors catered for the requirements for robust planning and execution of drilling and well operations. In respect of one operator, we detected a non-conformity relating to inadequate documentation of the defined drilling restrictions where the distance to adjacent wells is less than the set minimum. As a result of this audit, the operator changed its drilling strategy regarding when they allowed drilling within the uncertainty ellipses.

**Achievement of objectives:** our audit influenced the operator to prepare better, more comprehensive risk-based decision support for robust planning and execution of drilling and well operations. The change is anchored at management level and we have helped raise awareness of information concerning adjacent wells and the use of risk concepts and uncertainty in planning wells/drilling operations.

##### **Audits of first-time drillers**

For more than 10 years, the PSA has carried out audits of operators who are going to drill their first well on the NCS. The purpose of these audits is to verify the company's robustness in terms of HSE management in the planning and preparation for drilling an exploration well, and meeting the requirements for planning and execution of the drilling operations.

**Achievement of objectives:** These audits give new operators a better understanding of what needs to be in place in the organisation before an operation may be started up. It is also emphasised that dialogue prior to audits and applications for consent is valuable, and gives the company a good indication of the supervisory authorities' expectations for these types of operations.

It is our perception that the choice of procedure and the overall use of statutory instruments within this area have been effective and appropriate in 2018.

### **Robustness against threats and deliberate attacks**

According to the security agencies, Norway faces increasing risk of being affected by security threats. This is due to persistent, new and a rapidly increasing number of vulnerabilities, especially within the digital domain. At the same time, a negative trend is apparent in the threat picture. The companies are responsible for securing their own activities, including personnel, data and infrastructure, against threats and deliberate attacks. This requires the companies to have good systems and robust preparedness for adapting their security measures and ensuring they are relevant for the threats faced.

In 2018, we carried out audits of the companies' preparedness in the face of deliberate attacks. The audits covered physical and personal security, since these are important areas to safeguard in order to be adequately prepared. ICT security was integral to the audits, since these topics are closely related. A major knowledge project on cyber security was also carried out in order to improve understanding of the participants' individual and sectoral follow-up of cyber security in industrial control and safety systems. Within personnel security, we initiated a separate project to increase our and the industry's knowledge base, including an understanding of phenomena and best practice in respect of a systematic approach to handling insider threats.

During the year, we also carried out audits on this subject of supply bases, helicopter terminals, offshore facilities and onshore installations. The objective was to verify that the responsible parties have established security management systems with the aim of preventing deliberate attacks, and that at all times they have emergency response plans in place; we also wanted to obtain an overview and verify the status of the security level within the Norwegian petroleum activities. The PSA has also been an active member of the working group to prepare regulations and guidelines for a new act on national security. One important driver for this year's efforts within robustness in the face of threats and deliberate attacks was to gain an overview of the security level in the Norwegian petroleum activities. Our activities within this area have yielded such an overview, but this information cannot be detailed since the findings are exempt from public disclosure.

We require the companies to have up-to-date asset, threat and vulnerability perception, and the most accurate picture possible of security risks. In our follow-up, we can see that a large majority of the companies have achieved this. Among other things, we note that, as a result of our actions, the companies have achieved greater awareness and managerial involvement in their work on security, including cyber security. As a result of the actions we have taken, we also observe that audits have increased focus on the companies' identification of their own assets, vulnerabilities and potential threat actors. We have acquired knowledge and expertise that will be important for conducting targeted risk-based follow-up in the future. Cross-cutting knowledge-sharing is important to secure, and we have found that it takes time to establish an adequate level of security. We will continue following up this topic in order to improve knowledge, motivation, and better and more systematic prevention.

### **The risk of harm to the external environment, especially in the High North**

The PSA aims to assist petroleum industry participants in prioritising the prevention of incidents that may harm the external environment. Prevention of acute pollution is followed up in audits, in tripartite forums, and in collaboration with other authorities

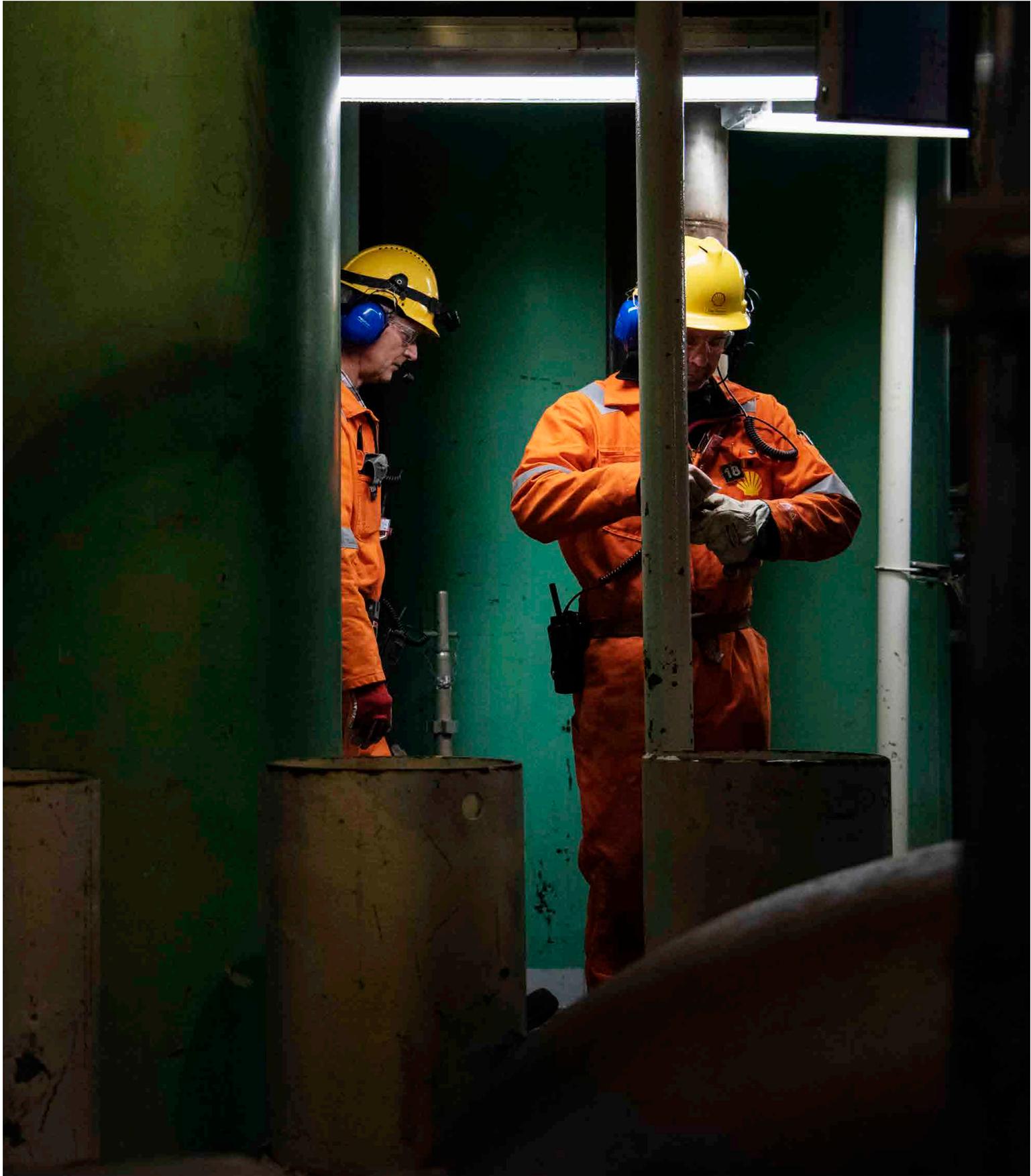
based on results from RNNP. In order to ensure prudent petroleum activities in the High North, and prevent harm to the external environment, it is essential for the participants to understand and respond to the risk picture they are faced with there. It is important therefore that we monitor that the participants possess relevant knowledge about the risks of activities in the High North. The climatic and geographical conditions in this area present particular challenges. The participants and the authorities involved in the industry have devoted considerable resources to surveying and elaborating knowledge of relevant HSE uncertainties and risk factors that accompany activities in the High North. Figures from RNNP acute spills (AU) show a beneficial trend in acute oil spills between 2001 and 2017. This is due primarily to a fall in minor spills of crude oil.

In 2018, we carried out and participated in knowledge and collaboration projects. We work with the authorities of the other Arctic countries through the Arctic Offshore Regulators Forum (AORF) and through bilateral agreements with these countries. The PSA is also a member of working groups under the auspices of the Arctic Council. The knowledge gathered is made publicly available, not least to foreign agencies and industry participants. A number of study projects have also been undertaken, covering topics that relate to HSE challenges in the High North. During the year, we also provided input to the Barents Sea management plan. In addition, we worked on the prevention of well control incidents, the safety of subsea facilities, and incidents that may cause acute chemical spills. In 2018, we organised the third Arctic Safety Conference, which presented relevant topics to authorities with interests in the Arctic region. A special seminar was also held to present to the industry the results of the RNNP acute spills project.

In addition to this, we carried out a number of audits that addressed various topics concerning petroleum activities in the High North. These audits and collaborative activities have resulted in knowledge-sharing nationally and internationally with both governmental agencies and the industry. The audits utilise this knowledge and this experience transfer for the follow-up of the operators' planning and execution of their operations in the Barents Sea.

The study projects have yielded an improved knowledge base of topics of relevance for HSE challenges in the High North, and experiences from audits so far indicate that activities here are being conducted prudently, with technical adaptations to operational measures, such as restrictions on time offshore, especially developed clothing etc., in order to manage the risk of hypothermia and frostbite.

An important driver for this year's efforts is the significance of our monitoring that the participants are in possession of relevant knowledge about the risks of harm to the external environment, especially in the High North. Audits on this topic have contributed to improved knowledge and better and more systematic prevention within the individual companies of the causes of harm to the external environment and measures to counteract this, especially in the High North. This work provides useful and necessary knowledge about the risk and uncertainty factors that must be accounted for in order to ensure sustainably prudent petroleum activities on the northern reaches of the NCS. Our work in preventing and halting acute pollution has improved the companies compliance and overall assessments of safety work. Experience shows that there is still a need to act on safety from inhibitory perspectives and to improve the efficiency of accident prevention work through both supervisory and knowledge acquisition activities. We will be following this up going forward.



### Performance target 3.2 Working conditions in the petroleum industry shall be safe and dependable

We attach great importance to monitoring and ensuring that the industry as a whole and the individual participants promote a dependable and secure working life. This is ensured through supervision and joint competence-boosting events with the active involvement of both the parties and the industry. Collaboration and employee participation are key aspects of the achievement of objectives in this work. The companies must work systematically to prevent occupational illness, injuries and accidents, and combat unprofessionalism and criminality at work.

The working environment standard in the petroleum activities has generally shown a positive trend, but the industry still faces a number of working environment challenges. The questionnaire-based surveys conducted for RNNP 2015 and 2017 show that there are issues in the psychosocial working environment, the safety climate and the reporting culture, and there was an increase in serious personal injuries in 2017.

Experiences from audits indicate pressure on collaboration in the companies. Working conditions and the organisation of work have a significant effect on safety, the working environment and health. Systematic action to reduce the extent of occupational health injuries is important for ensuring a continued long-term positive trend in the petroleum industry's working environment.

There have been an increasing number of warning and whistleblowing reports about censurable conditions at work in recent years. In the period 2011 to 2017, we received a total of 150 whistleblowing reports. Between 2011 and 2014, around half of these came from the safety services or trade unions. For 2016 and 2017, more whistleblowing reports came from individuals. Comparing the period from 2015 to 2017 with the period from 2011 to 2014, there appears to be a trend towards more whistleblowing reports on incongruities between tasks and available resources, poor/absent employee participation, pressure on working time arrangements, deficient reporting cultures, and problems within training/competence. One common trait is that most whistleblowing reports are linked to restructuring and streamlining processes.

Working conditions and the organisation of work have a significant effect on safety, the working environment and the incidence and course of various health complaints and illnesses. It is well-documented that there are causal connections between working environment exposure and impaired health and commitment among employees. The technical working environment standard in terms of design and construction has mainly exhibited a long-term positive trend.

Occupational accidents that cause serious personal injury or death are an important indicator of risk level in the industry. In the period 2006 to 2013, there was in general a positive trend in respect of serious personal injuries. In the last ten-year period, there were four fatal accidents in the petroleum activities: in 2007, 2009, 2015 and 2017. In 2017, 204 reportable personal injuries were recorded on the NCS. 27 of these were classified as serious.

Based on the data collected, trends over time and our risk assessments, a priority is made of areas that the PSA must pay particular attention to in order for our efforts to contribute to the objective of ensuring that working conditions in the petroleum activities are safe and dependable. In 2018, our priority areas under performance target 3.2 were:

- Systematic preventive action on working environment risk
- Handling of the consequences of change processes
- Facilitation of genuine employee participation
- Legal pay and working conditions for foreign workers

For each area, we choose topics and we prioritise activities on the basis of risk assessments in order to achieve desired results that will contribute to the objectives. This section is a presentation of activities, methods, results, findings, reactions and impact assessments within these areas and other topics that we have judged to be important for the objectives in 2018.

### **Systematic preventive action on working environment risk**

The companies must work systematically to prevent occupational illness, injuries and accidents, and combat unprofessionalism and criminality at work. Systematic HSE work is also important for reducing the risk of operational errors and preventing major accidents. Based on our risk assessments, we have selected specific topics within this area that cover working environment factors with serious health outcomes, the management of psychosocial and organisational risk, and framework conditions of significance for major accident and working environment risk.

In 2018, we carried out audits of the companies' management of topics that may entail a high risk to health, such as noise, mud processing, benzene, and ergonomic risk. We audited operators, contractors and owners to examine the companies' own management of these topics. We have organised a number of seminars concerning benzene and have participated in a conference about the chemical working environment under the auspices of the Norwegian Oil and Gas Association. Measures have also been taken to improve and enhance our internal competence on these risk themes, and we have taken part in external forums such as SKIM, the cooperative offshore chemicals forum.

We had an objective in 2018 of improving oversight of how and to what extent the psychosocial and organisational working environment is followed up in the companies through auditing. We gathered knowledge and experiences internationally in order to improve our own methods for monitoring the enterprises.

We have also followed up framework conditions with the objective of investigating how they are perceived and addressed by the different participants systemically, and how they coordinate in developing framework conditions to produce a higher level of HSE. The objective was also to assess how, through their formulation of framework conditions and follow-up of contractors, the operators contribute to a high HSE level, and also whether cost savings have unintended negative HSE consequences. We also conducted audits within the SIP (Scaffolding, Insulation and Painting) sector, where we focused on how operators have monitored potential negative HSE consequences of contractual framework conditions.

Our activities have given us a better overview of how and to what extent the psychosocial and organisational working environment is followed up in the companies through knowledge about surveying, assessing and following up, during periods of change

and in normal operation. Through our audits, we have detected non-conformities and improvement points concerning how the companies assess and monitor potential HSE consequences of contractual framework conditions and of contract follow-up. We also detected inadequate decision support for determining manning levels for the use of competence and participation in change processes. One result is also that we discovered that SIP personnel experience pressure on progress, which they felt came at the cost of HSE and the reporting culture. As a result of our findings and follow-up of the enterprises, the issue of working environment monitoring of SIP personnel has also been investigated.

One important driver for this year's efforts is the significance that working conditions and the organisation of work have for safety, the working environment, and the incidence and course of various health complaints and illnesses.

Through these activities, we have increased knowledge and awareness of working environment factors with serious health outcomes. We have increased awareness of the management of psychosocial and organisational risk.

In 2019, we will follow-up with audits within these areas and ensure that these topics are integrated into audits of change management and working environment management in order to provide a more comprehensive approach to major-accident, injury and environmental harm prevention and protection of the psychosocial working environment.

### **Example of an activity that has contributed to achievement of objectives**

#### **Follow-up of benzene exposure**

Benzene exposure has been a key strategic follow-up area in the wake of the sectoral chemicals project from 2007-2011. There is benzene in all oil and gas streams, both on the offshore facilities and at the onshore installations. Benzene is carcinogenic and is a critical component for the companies to monitor. In recent years, the health risks associated with benzene exposure have been given increased attention in the industry. New research shows that benzene is more carcinogenic in lower concentrations than previously assumed. We carried out extensive supervisory activity in 2016-2018 with a total of some 35 activities concerning benzene exposure.

**Achievement of objectives:** In 2018, a clear effect of this focus was visible. Benzene exposure is addressed on the facilities and at the onshore installations through HSE plans, training activities, technical measures, etc. A new expert seminar and a wider-ranging industrial seminar on benzene exposure in the autumn of 2018 also helped reinforce the companies' work.

### **Handling of the consequences of change processes**

Most companies have established change and improvement programmes to increase productivity and adapt to a lower income and cost level. Such change and improvement programmes are not new to the petroleum industry. In recent years, however, there has been a more rapid movement towards increased use of operational and maintenance models that combine standardisation with simplification, and a more flexible use of personnel.

It can be challenging to understand the significance for HSE of complex change processes. The potential challenges depend on how the work is organised and executed. It is therefore important to have good change and risk management, and well-functioning collaboration between the social partners. Adequate employee instruction and training must be provided, and the operator must ensure predictability for contractors by means of good planning. The PSA monitors how the companies

both manage and risk-assess downsizing and change processes. Challenges linked to restructuring processes and streamlining are also followed up in the Safety Forum.

In 2018, we conducted audits of, among other things, procurement and corporate integration processes, contract framework conditions, and capacity and competence. We have also mapped the employees' perception of HSE impacts in restructuring processes and facilitated knowledge development in respect of the psychosocial working environment. In our follow-up, we have paid particular attention to monitoring that the companies identify and analyse how extensive change affects risk and produces possible or negative HSE outcomes, and how this risk is managed. We have also emphasised the importance of utilising the opportunity within change processes of improving safety, for example through technology improvements, simplification, better planning and smarter working.

Through our activities, we have observed that the companies generally work to establish robust processes for managing cost reductions and restructuring. Nevertheless, it is important to stress that we must continue to focus on how the companies follow-up potential negative long-term effects and prioritise safety in new projects and activities.

Change processes have been a priority area in our follow-up over time through our audits of the companies. By following up different activities at all levels in the companies, we have helped raise awareness of how the companies conduct risk management linked to HSE impacts and involve the employee side in order to ensure that their participation is provided for in such processes.

### **Example of an activity that has contributed to achievement of objectives**

#### **Audits of change processes**

We have carried out a series of audits of integration processes in recent years. In these, we have given particular weight to the companies' processes for identifying and managing HSE risk, as well as employee participation.

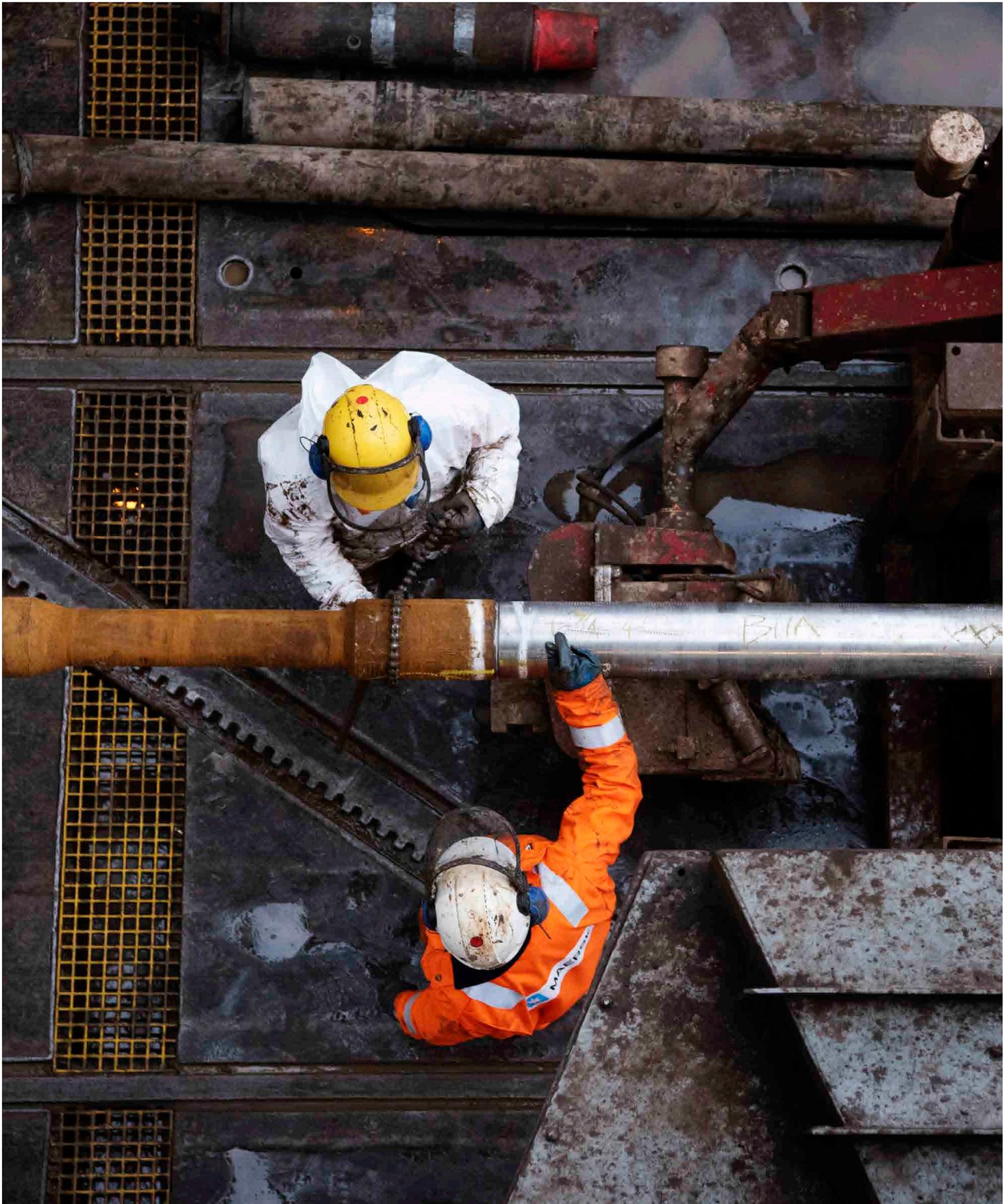
Feedback from the companies indicates that this has achieved **outcomes** in the form of:

- improved risk management early in the process
- increased employee participation early in the process
- experience transfer in the industry concerning the undertaking of major changes through discussion in published reports

### **Facilitation of genuine employee participation**

Properly functioning employee participation schemes and good employee involvement are an important cornerstone of a sound work climate and of the Norwegian HSE regime. We place emphasis on the companies' using and facilitating participation schemes in preventive HSE activities and during restructuring processes. Under the Working Environment Act, employees have both the right and the obligation to contribute to a proper working environment, and employers are obliged to facilitate such contribution.

Many companies have good schemes for employee participation but we also see much variation in the arrangements for participation. At issue are a relative lack of specific follow-up of employee participation from the companies' side, and a lack of discussion of the preconditions for good collaboration in working environment committees or between the partners. We observe that inadequate time is set aside for the work of the safety representatives, competence development measures are not implemented and, in a number of instances, the safety service is involved too late in cases of HSE significance.



In 2018, employee participation was followed up through various audit and collaboration activities, including status meetings with corporate management, in the Safety Forum, in meetings with trade unions, and the forum for coordinating senior safety delegates. Our activities in 2018 focused on genuine employee participation and the requisite preconditions for making participation a genuine activity. With respect to the companies, we looked at how safety delegate and working environment committee activities are arranged, the training that safety delegates and committee members are given to solve relevant tasks, the time set aside for this work, and when they were involved in decisions that affect HSE.

One important driver for this year's activities is the challenges linked to the companies' arrangements for genuine employee participation, and the risk of this having a negative impact on working conditions in the industry. Audits on this topic have yielded increased knowledge, improved and more systematic prevention in the individual companies and a better understanding of the reasons for and measures to promote improved, more genuine employee participation directed towards safe and dependable working conditions in the petroleum industry. Our assessment is that audits and collaboration have contributed to achieving our objectives and we will continue to prioritise and perform audits within employee participation.

#### **Activities relating to whistleblower protection**

In 2018, we continued our work on whistleblowing reports and warnings. We participated in the Norwegian Labour Inspection Authority's project for coordinating the authorities' handling of external warnings of censurable conditions in the activities. We have improved our internal routines and our training regarding the registration of whistleblowers. Audits were made of whistleblowing routines, which detected non-conformities with the regulatory requirements. We also note that certain companies have not prepared their routines such that hired workers have the same whistleblowing rights as the company's own employees. In order for hired workers to have the same opportunity for blowing the whistle as the company's own employees, they need to have access to the company's whistleblowing system.

In our audits, we gained the impression that the companies have become more aware of their own role in following up whistleblowers. Internally, we have learnt that we ourselves could improve in respect of arrangements for anonymous whistleblowing and that we could be better at documenting the processing and conclusion of cases. A survey performed by the Norwegian Labour Inspection Authority in autumn 2018 showed that the PSA topped the agencies surveyed in terms of employees' awareness of guidelines for handling external whistleblowing and knowledge of their own role as recipients of warnings.

#### **Legal pay and working conditions for foreign workers**

The companies must work systematically to combat unprofessionalism and criminality in working life. Among other things, illegal pay and working conditions for foreign workers must be combatted. It is within the SIP sector that we find most hired and most foreign workers. In 2018, we conducted audits of the HSE management of hired workers within the scaffolding, insulation and painting trades. There were no findings within our area of authority that warranted further follow-up of pay and working conditions. This is however a general problem in Norwegian employment, and we will therefore continue monitoring this area in the petroleum activities.

### **Performance target 3.3** There shall be an advanced level of knowledge concerning health, safety and the environment, together with security in the petroleum activities

Up-to-date and shared knowledge of risk factors is essential in order for the enterprises to meet their responsibilities for safety and the working environment in the petroleum sector. This knowledge is also crucial in order for the authorities to following up their responsibilities and remits in this area. In 2018, the PSA prioritised resources to coordinate data and documentation in a number of relevant areas, and we worked to obtain a good oversight of statuses and condition descriptions as a knowledge base for the companies' safety and working environment activities. In 2018, we undertook and contributed to a number of research and knowledge projects within the working environment, labour conditions and occupational health and safety. We describe some of the most important activities below.

#### **Trends in risk level in the Norwegian petroleum activity (RNNP)**

One overarching conclusion of White Paper no. 12 (2017-2018) on health, safety and the environment in the petroleum activities is that RNNP is the most important foundation for common understanding and communication of the risk level in the petroleum industry. Work in the multipartite working group, media reports, whistleblowing reports and parliamentary discussions in 2018 demonstrate a need to supplement the present RNNP project with a timely risk picture.

In 2018, we worked on how to enhance RNNP and arrange a more timely risk picture. Among other things, we launched a new information tool for use in preventive work. The tool is still under development, and in the first instance will cover essentially results from the questionnaire-based survey. In addition, some information has been added concerning indicators for near misses with major accident potential. The aim is to allow the visualisation of results from other data types included in RNNP.

#### **Safety Forum**

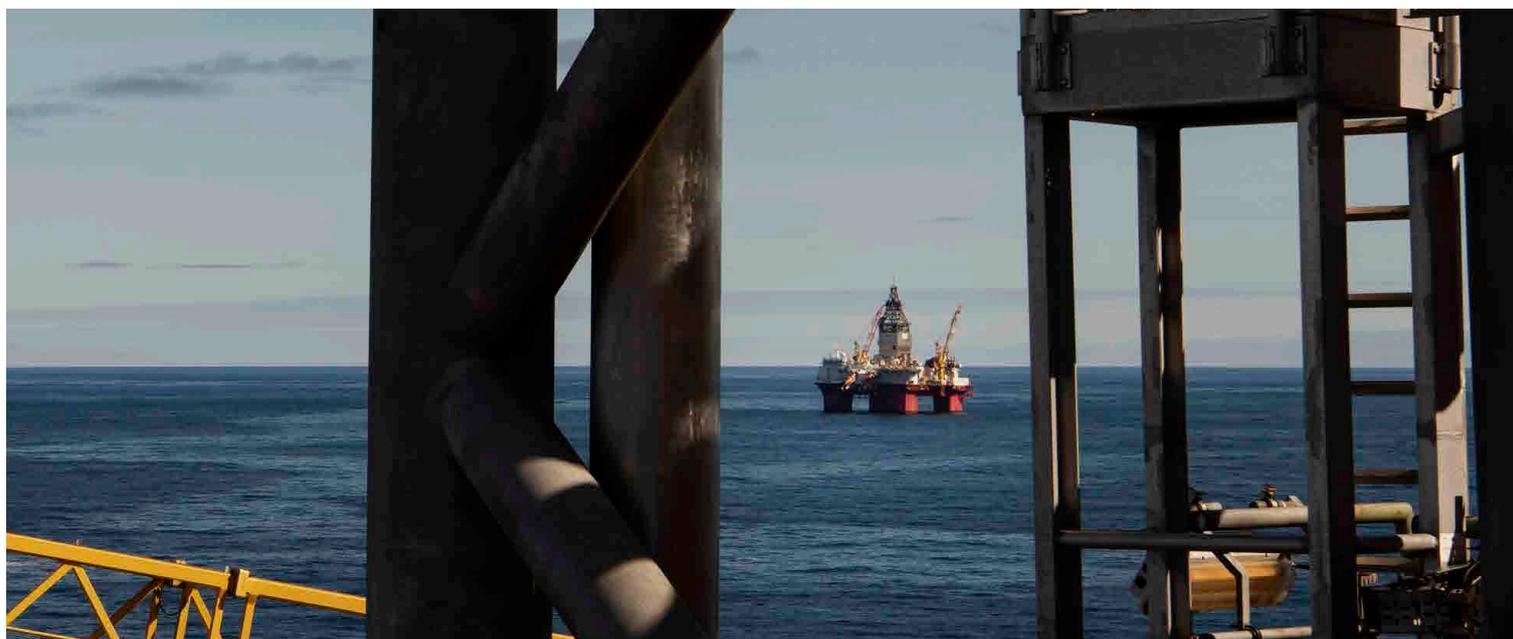
The Safety Forum is the central coordinating arena between the parties in the industry and the authorities for health, safety and the environment in the petroleum activities on the Norwegian Continental Shelf and onshore. The Safety Forum was set up in 2001 to initiate, discuss and monitor relevant safety, emergency response and working environment issues in the petroleum industry offshore and onshore from a tripartite perspective. The Safety Forum has a strategic agenda, central to which are major accident and working environment risk and collaboration between the parties. In 2018, five meetings were held, addressing various themes.



In 2018, multipartite working groups were established to follow up initiatives ensuing from the working group's preliminary report on HSE in the petroleum activities and from the White Paper. Among other topics, the Safety Forum discussed the following:

- Working environment: with the aim of contributing to further improvement of the working environment through better knowledge and documentation of working environment risk, primarily linked to noise, vibration and chemical exposure.
- Learning from incidents: with the aim of contributing to better experience transfer and learning from incidents so that knowledge assists change and continuous improvement of HSE in the petroleum activities from a long-term perspective.
- Collaboration: with the aim of identifying what is important for the functioning of the collaboration, and proposing improvement and protection measures based on recent years' experiences.
- R&D/New technology: with the aim of identifying examples of how, and to what extent, knowledge and technology of significance for the working environment and major accident risk have been employed in the petroleum industry.
- Digitalisation: with the aim of facilitating competence development among the members of the Safety Forum within digitalisation and cyber security, in order to better assess the consequences of increased digitalisation for HSE.

The follow-up groups have produced status reports with proposals for improvement measures within their areas. The work will conclude during 2019.



### Awareness of opportunities and risks associated with cyber security and digitalisation

In 2018, the PSA strengthened its resources for auditing cyber security and improved its knowledge of this area. We find that training and practice within cyber security is necessary for any organisation in order to counter tomorrow's ICT risks and threats. We have also participated in a number of seminars nationally and internationally, where we have established cross-cutting networks of contacts with a view to gaining knowledge about ICT threats and risks in order to promote learning across the oil and energy sector.

In 2018, the PSA made efforts to acquire an overview of knowledge concerning HSE opportunities and challenges linked to digitalisation and how they can be managed. A further objective of this work was gain a better overview of the industry participants' own follow-up of digitalisation and to facilitate constructive collaboration between the parties.

### Research and development (R&D)

In 2018, the PSA continued the important work of promoting an advanced level of knowledge concerning working environment conditions and major accident risk in the sector. In 2018, we maintained our technical cooperation with the National Institute of Occupational Health (STAMI) within different areas, such as chemical working environments, working hours and night work, diving, noise, ergonomics/the mechanical working environment, work in cold climates and enhancement of the RNNP questionnaire-based survey.

STAMI was a key strategic partner in the sectoral Chemicals Project (2007-2012). This project helped put benzene exposure and cancer risk on the agenda. In recent years, the PSA has directed considerable resources to following this up. 2016 saw the introduction of a strategic collaboration with STAMI to develop better knowledge of the effects on health and safety of working in cold climates. In time, this will enhance STAMI's expertise in working in cold climates, which we and the industry will need when developing regulations and planning and undertaking activities in the High North. In addition, representatives from the PSA participate in STAMI and NOA's advisory board, and STAMI has representatives on the HSE specialist group in RNNP. In 2018, we received technical assistance from STAMI when needed.

Industry participants and the PSA have devoted considerable resources to surveying and developing knowledge about uncertainties and risk factors in order to reduce the risk of major accidents in the Barents Sea. In 2018, we continued work on projects to gather knowledge about: snow and ice, human performance, operational challenges for processing facilities in the extreme cold, risks of acute spills in the High North, winterisation, structural safety, loads, design and operation of floaters for petroleum production in the High North, regulation and standardisation. The Norwegian Oil and Gas Association continued its "HSE in the North" project in the Barents Sea Exploration Collaboration (BaSEC) in order to gain a better understanding and insight into participants' experiences, a more comprehensive understanding of the High North and performance requirements for preparedness for activities in the North.

In 2018, we undertook many knowledge-acquisition activities that contributed to obtaining an advanced level of knowledge about health, safety and the environment, as well as security in the petroleum industry. Many of these knowledge-acquisition activities are also discussed under performance targets 3.1 and 3.2. Knowledge development is an area that requires constant inputs, and the Authority will consequently continue to prioritise its efforts in this area in 2019.

### Performance target 3.4 The petroleum regulations shall contribute to the achievement of HSE goals

The comprehensive and risk-based HSE regulations for the petroleum activities make an important contribution to the achievement of HSE goals. In 2018, we worked in a variety of arenas to develop the regulations in close dialogue with the social partners and the Ministry. We give an account below of some of the most significant arenas and activities.

#### Regulatory Forum

In the Regulatory Forum, compliance and the further development of the regulations is discussed in a way which provides us with important information concerning applicable framework conditions among the industry participants. Five meetings of the forum were held in 2018. In addition to following up the report from the multipartite group, discussions concerning regulatory changes to facilitate the use of Walk to Work (W2W) vessels, information about work on regulations for the new safety legislation and the regulation of carbon capture and storage, which are expanded on below, the following issues were discussed in the meetings: minutes from working group meetings in the Ministry's multipartite "vessels group", presentation of a memorandum on risk management, information about new sector guidelines for socio-economic analyses in the petroleum industry, and information about the Norwegian Environment Agency's work and the PSA's collaboration with the Norwegian Labour Inspection Authority.

#### Follow-up of the report from the multipartite working group

The report from the multipartite working group points out measures capable of strengthening the status of the regulatory regime and which it is agreed that the Regulatory Forum should follow up. The four areas put to the Regulatory Forum have been addressed as follows:

- **Night work:** The regulation of night work must ensure that the work is limited to what is necessary and prudent, and proper risk assessments are made in respect of the planning and performance of night work. A working group has been set up, consisting of representatives from the employers, employees and the PSA, which in 2018 held two large workshops on experiences of enforcement of and compliance with the Framework Regulations Section 43 concerning night work, and the companies' processes for assessing and organising the performance of night work. The aim is to elucidate challenges and discuss solutions, whether in regulatory work or in practice. The project shall make its final recommendation to the Regulatory Forum in the spring of 2019.
- **Enhancement of the training programme:** Industry trends in recent years, with a generational change, manning reductions, new participants and so forth, indicate a need for better knowledge of the function-based regulatory framework. As a result, a multipartite group has been established, under the PSA's leadership, to work under an approved mandate from the Regulatory Forum to develop a day seminar as a supplement to the RVK petroleum industry regulatory competence training programme about the regime and the Norwegian model. The objective of the work will be to enhance the training programme and increase expertise in the regulatory regime in the industry.
- **Handling of competence requirements:** The working group also recommends that, under the auspices of the Regulatory Forum, the parties discuss and come up with an appropriate way of organising and regulating competence requirements for petroleum industry personnel. In a workshop in November 2018, the parties concluded that competence requirements for petroleum industry personnel are highly relevant in respect of safety and must be clearly expressed in the requirements structure at a level that ensures employee involvement. The disagreements revealed between the participants in this area are limited and can be addressed with the framework of existing practice in the development of regulations and standards.

- The balance between function and specification requirements as used in the regulations: The parties have disparate views on the balance between the use in the regulations of function and specification requirements (clearer minimum requirements). The balance between such requirements can vary over time and should therefore be the object of continuous assessments. Such assessments must still be anchored in ongoing dialogue between the parties in the Regulatory Forum.

#### Annual updates

One major issue in 2018 was the need to define regulations for vessels that are catering for the carriage and accommodation of personnel who are working on a simpler facility. Such a change will, once implemented, allow for new and existing development solutions using simple facilities to deploy vessels in this manner. This will permit the appropriate development of operating concepts, while simultaneously offering suitable protection of safety and the working environment. In addition to this, changes have been proposed to cater for the need of the administrative authorities to make annual updates to the regulations.

#### Contribution to regulatory work ensuing from new security legislation

In 2018, we devoted considerable resources to participation in the project under the Norwegian National Security Authority (NSM) to prepare regulations and guidelines for the new security law, and through our work we helped make the regulations significantly better adapted to private enterprises comprised by the legislation. The extent to which this has a direct effect on parts of the petroleum activities will be clarified in 2019. We will use our experiences and the result of our work going forward to assess appropriate regulation of security and civil protection in the petroleum activities.

#### Development of regulations for the safety of carbon capture and storage

We have initiated work to regulate safety requirements for carbon capture and storage. The work is based on the Ministry of Petroleum and Energy's regulations concerning safety in the transport and injection of CO<sub>2</sub> and the systems approach of petroleum regulation. The draft regulation, which is expected to be sent out for consultation in spring 2019, is based on clarifications between the Norwegian Directorate for Civil Protection (DSB) and the Ministry of Petroleum concerning the interfaces with other legislation.

#### Development of offshore wind regulations

In 2018, we began work to formulate HSE regulations for offshore wind adapted to the risk conditions in all phases of offshore wind development. The regulations shall be founded on the Petroleum Act, but formulated so as to also allow derivation from the Offshore Energy Act, in order to cover potential future energy production from offshore wind turbines, whether internal or external to the petroleum activities. The work is based on the present HSE regulations for the petroleum industry and is expected to be completed during 2019.

#### Standardisation work

The PSA participates in a number of national, regional and international standardisation projects of importance for the Authority's framework-defining and technical activities. Our focus on standardisation is concerned with influencing and contributing to the defining of new standards for the industry, the updating of existing ones and the companies' use of recognised standards. Through our audits, talks, meetings with industry, presentations and as a member of Standards Norway, together with the members of the Petroleum Board, we have helped substantially reduce the backlog in updating standards, and we are registering a clear increase in the use of recognised standards in preference to company-specific requirements. In 2018, we increased our participation in and support for national and international standardisation projects within security and civil protection.

### EU/EEA-related activities

In 2018, we have followed up the harmonised EEA product regulations in close collaboration with other national and international authorities in Europe, both bilaterally and in network groups. We have started using guidance on market monitoring that covers products under EEA product law, and we acquired experience on using the guidance through both reactive and proactive supervision. Market monitoring supervision was also a topic in discussions with the other countries in the NSOAF.

We also collaborated with the Norwegian Environment Agency, the Norwegian Labour Inspection Authority, the Norwegian Food Safety Authority and the Norwegian Directorate for Civil Protection on the documentation and prevention of chemical health hazards through the EU's chemicals regulations. We were involved in several consultations in 2018 concerning amendments to the regulatory framework for chemicals as well as the Product Regulations and the Biocides Regulations. We also participate in SKIM, the cooperative offshore chemicals forum, that consists of representatives of the companies in the industry, the Norwegian Environment Agency and the PSA. In collaboration with the Norwegian Labour Inspection Authority and STAMI, we are working to expand the national exposure database of chemical hazards, EXPO, which was launched in 2017.

### EU Offshore Authorities Group (EUOAG)

The PSA participates in EUOAG as an observer. In 2018, the primary focus was on a revision of the Offshore Safety Directive and we helped communicate knowledge of the Norwegian regulatory and supervisory model.

### North Sea Offshore Authorities Forum (NSOAF)

The PSA participates in the NSOAF Legal Group in order to contribute to experience and information exchange about regulatory developments between the countries surrounding the North Sea basin. The Group meets annually to review relevant regulatory topics. This year's meeting was held in Stavanger. Among the items on the agenda were: market monitoring, the EU's offshore security directive, removal, W2W, barrier and risk management, regulation of carbon capture and storage and offshore wind. The Group reports to NSOAF Plenary.

### International Regulators Forum (IRF)

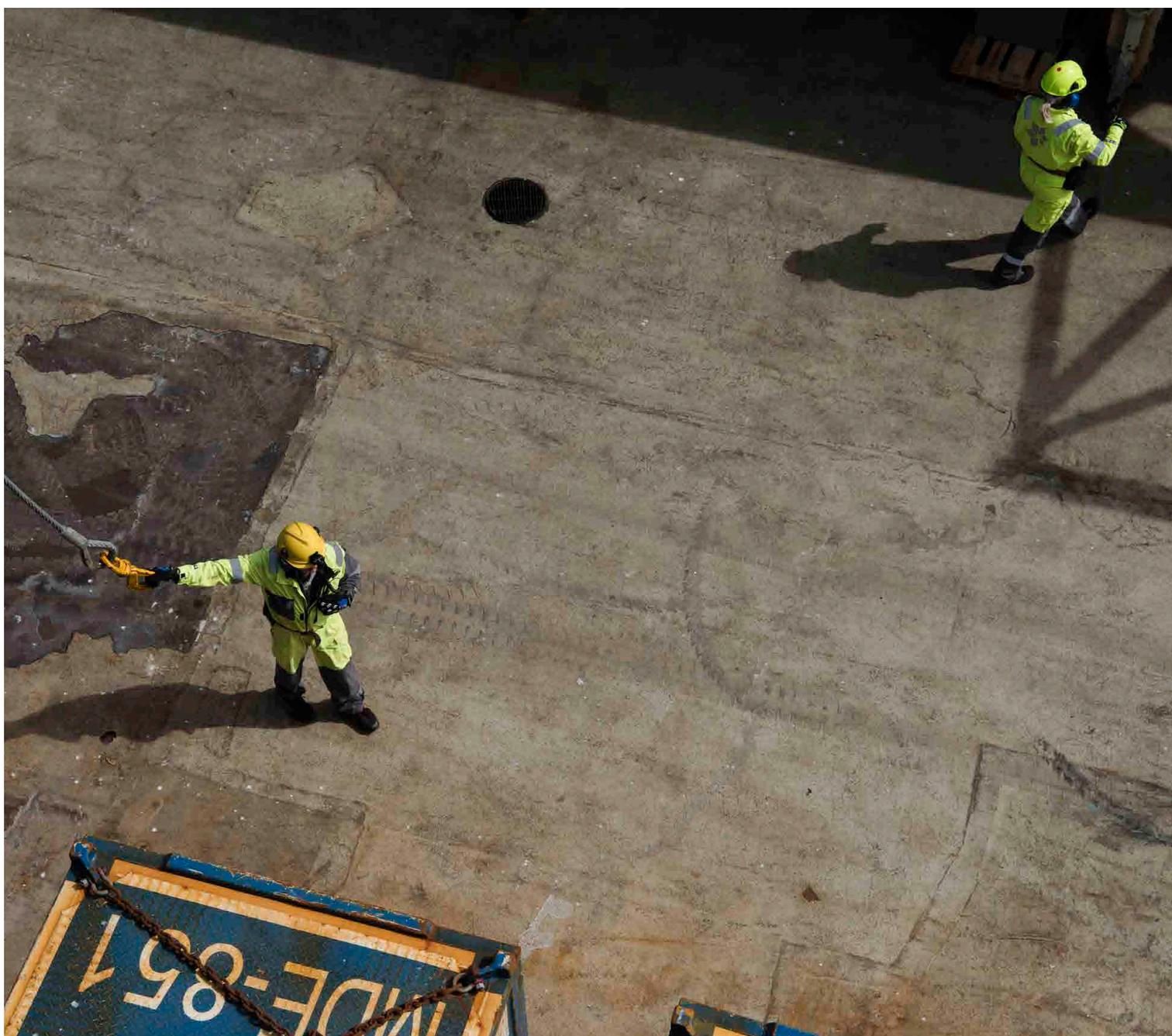
The PSA participates in the IRF, which meets annually. The IRF member states are the USA, Canada, Australia, Netherlands, Brazil, the UK, Denmark, Mexico, Norway and New Zealand. The IRF organises a joint conference every other year. Relevant collaboration projects in 2018 were key performance indicators (KPIs), asset integrity, standardisation and safety culture. The members have shared their experiences of incidents, risk-based supervision, employee participation and decommissioning and removal.

### Arctic Offshore Regulators Forum (AORF)

The PSA has played an active role in the establishment of cooperation between the authorities that regulate the safety of petroleum activities in the Arctic. The member countries of AORF are Iceland, Greenland, Russia, Canada, the USA, Finland, Sweden and Norway. The Arctic Offshore Regulators Forum was founded in 2015 and meets annually or more often to review petroleum activities in the Arctic, relevant topics, regulatory development and standardisation. This year's meeting was organised by the Bureau of Safety and Environmental Enforcement (BSEE), USA, in Anchorage. The

topics under discussion included digitalisation, regulatory development, and capping and containment. The authorities' relationships with third parties were given special attention. The cooperation is resulting in a broader understanding of the transnational challenges Norway faces as the petroleum activities move further northwards, to the extremities of Norwegian territorial waters, and is contributing to a greater consensus on what constitutes prudent operations in the High North.

In 2018, we were in close dialogue with the social partners, and the Ministry contributed to regulatory developments within key areas. In combination, these activities contributed to the achievement of HSE goals. It is important for the regulations to be kept up-to-date, in parallel with developments in the industry. Regulatory development is an area that requires continuous input. The Authority will consequently continue to prioritise resources in this area in 2019.



### Performance target 3.5 The PSA shall create public trust and credibility

We depend on society, the industry and the social partners having trust in us. It is important that the participants have confidence that we process information from activities responsibly and demonstrate equal treatment and predictability in our case management and in undertaking activities within our area of responsibility. This entails us having systems for ensuring consistent behaviour towards the companies and providing for requirements for legal capacity and integrity, expertise that reflects the industry's HSE challenges, and contributing information and knowledge to the industry.

The main message in White Paper no. 12 (2017-2018) on health, safety and the environment of April 2018 was that the Norwegian model works well and should be continued. It should be noted that the regime is predicated on mutual trust and respect for each other's roles and responsibilities, through the companies following up on their obligation to safeguard and enhance the safety level, the PSA being a strong and clear supervisory body and bipartite and tripartite collaboration being strengthened and improved. Having these in place creates sound preconditions for a system and risk-based supervisory model with a trust-based approach.

The purpose of our supervisory instruments, including sanctions, is to make the participants accountable and ensure compliance with the regulations. This means that in each case the PSA will evaluate the use of statutory instruments and sanctions in relation to the desired outcome and effect. This is an aspect of the continuous assessments made in planning and executing our remit.

We have governing documents such as work processes and procedures that apply to our case management and performance of other tasks, including legislative quality control and requirements for legal capacity. In order to ensure the confidence of the general public, we are conscious that internal conditions within the organisation must not conflict with the Authority's social remit. Another important aspect of our work is to be clear and precise in the use of statutory instruments and sanctions with respect to the companies we audit. We have governing documents that account for the sanctions available to us and how they must be used pursuant to requirements in the Public Administration Act.

The PSA must maintain its overview and knowledge of development trends in the industry, and the challenges these may pose from an HSE perspective. In order to ensure our legitimacy and authority in exercising our supervisory role, we need the competence and capacity to assess future trends, their implications for our audits, use of sanctions and potential need for regulatory change. Rapid changes and economic fluctuations present particular challenges and impose requirements for competence development in order to follow up a complex, technical industrial activity. Accordingly, we need competence within a variety of disciplines, and we depend on our employees' developing and possessing the requisite supervisory competence and understanding of roles.

We also have a separate unit responsible for courses and training activities. In 2018, we held 30 courses on a variety of subjects. We also cooperate with the University of Stavanger (UiS) and other R&D centres to develop competence-focused initiatives. Our employees also have the opportunity of participating in the experience-based Masters degree in risk and safety management at UiS.

Our website at [ptil.no](http://ptil.no) is used strategically to communicate information and knowledge to the industry. The website provides a list of links to regulations supervisory activity, including all reports from audits and verifications, AoCs, investigations, consents, orders, and circulars. The website also discusses key topics such as HSE governance and management, major accidents, the working environment, the external environment, and other relevant information about the PSA.

In 2018, we also issued a publication “Safety – status and signals”, which is an annual summary for the industry and other interested parties. We also publish the RNNP report, and a periodical about safety entitled “Dialog”. The purpose of this periodical is to promote debate about some of the current issues and challenges faced by the industry in the area of safety.

The development of online solutions and the publishing of information is an ongoing task that we view as highly important for meeting the need for openness and predictability in the Authority’s exercise of its remit. To reach a broad audience and meet the public’s new expectations, the PSA is also on Facebook, Twitter and LinkedIn. Public interest in our activities is reflected in the traffic on our website and in media reports.

To promote knowledge dissemination in HSE and provide information about our supervisory roles, activities and priorities, it is important for us to give talks and presentations in strategically key forums. Many of our managers, specialists and other key employees are in demand as trainers and presenters at course and conferences in Norway and abroad.

In 2018, we organised various technical seminars and conferences:

- Dialogue meeting – status and signals
- Arctic Safety: risk management and prudent petroleum activities in the North
- Technical seminar on security
- Presentation of RNNP results
- Seminar on corrosion under insulation
- Safety Forum annual conference
- ONS Security lunch
- Construction seminar
- Seminar on major accident prevention
- Expert seminar on benzene exposure
- Senior executive conference
- Innovation seminar

Specialist seminars of this type yield great synergies and contribute to relationship building, interaction and experience exchange, and have a beneficial effect in terms of competence building in key aspects of HSE and security.

## Administrative guidelines

### Common guidelines

As purchasers of goods and services, public sector agencies have a special responsibility for combating work-related crime. There is an expectation that public sector enterprises lead the way in promoting professionalism at work. In awarding and following up contracts, the PSA shall ensure that its suppliers adhere to laws and rules. We will report on the outcome of our follow-up of contracts and how our procurements are made to take account of this objective.

### Safeguarding pay and working conditions in public procurements

The PSA has established routines to ensure that the undertaking of procurements helps suppliers adhere to laws and rules in respect of their assignments. When entering into contracts, the Authority uses the national standard agreement prepared by the Agency for Public Management and eGovernment (Difi) for terms and conditions. These define requirements for suppliers that comply with the regulations on pay and working conditions on public sector contracts and are appended to the tender notice. A signed declaration concerning working conditions is obtained from the supplier on tender submission, and appended to the final contract.

### Information and supervisory duties and the right to information

The PSA's applicable practice for contracts subject to activities regulated by legislation on the general applications of wage agreements etc. is set out in our routine for meeting obligations pursuant to the regulations on information and supervisory duties and the right to information. This covers both the main contractor and subcontractors, and the PSA follows this up by inspecting relevant documentation. In 2018, no findings contrary to the above were made.

### Requirements concerning apprentices in public enterprises

The Government has established a goal of public sector enterprises having at least one apprentice. In the period 2016-2018, the PSA had one apprentice within the office and administration section.

### Equal treatment

The PSA works actively and in a targeted manner on equality of treatment. This is evidenced in our personnel policy and in the adjustment agreement to the Basic Agreement. We have not detected any particular challenges related to equal treatment, whether in terms of job assignment or pay. We recruit qualified personnel so as to achieve balanced composition of gender and age for case processing and management positions.

### Civil protection and emergency preparedness

In 2018, the PSA took part in meetings with the National Security Authority (Forum for Physical Security), the Norwegian Police Security Service (Contact Group for Terror Prevention), the Norwegian Armed Forces and the Norwegian Directorate for Civil Protection (DSB) (Central Total Defence Forum) in order to be updated on the strategic threat picture and to gain access to classified information from the security services. We also participated in a player squad and as liaison for PM during the planning and execution of the Gemini exercise (G18).

We also took part in Trident Juncture 2018, in which the PSA, the Ministry and the Labour and Welfare Service established a planning group and player squad. We have signed a cooperation agreement with the operational HQ of the Armed Forces concerning sending liaison officers to the Armed Forces for major exercises, national crises and armed conflicts. This helped the PSA gain a better understanding of the Armed Forces' operations, and closer cooperation with other agencies. Participation in Trident

Juncture also gave the PSA individual and organisational learning about the Total Defence concept and our own role in it. For more information about security and emergency preparedness for deliberate attacks, please refer to performance target 3.1.

The PSA is also a member of two national standardisation committees and an international expert group in the ISO which is working on security and civil protection. In addition to participation in the expert groups, in 2018, we supported Standards Norway in the financing of standards work in security and civil protection.

We took part in a project on the use of cyber weapons in international politics and sabotage aimed at the Norwegian petroleum sector. The project is headed up by NUPI, the Norwegian Institute of International Affairs, and aims to put on the agenda issues concerning cyberattacks on the Norwegian petroleum sector. NUPI has shed light on how this threat is related to the international security policy scenario and in 2018 organised a seminar to discuss the use of cyber weapons in potential terror attacks against the Norwegian petroleum activities.

### **Follow-up of requirements in the digitalisation memorandum**

As concerns digitalisation, priority is given to projects that can contribute to simplification for the industry and general public, while also providing benefits in internal case management. The following projects were initiated in 2018:

- E-distribution for sending and receiving mail digitally to and from our case filing via Altinn. This has now been enabled in our new case filing system that is scheduled to come onstream in 2019. This will facilitate automation and streamlining of the process, both for us and those whom we are mailing.
- Enhancement of the PSA's website (ptil.no) to offer solutions that help facilitate better access to information, improved search options for users and better information disclosure.
- Establishment of solutions to streamline and digitalise required reporting from the petroleum industry.

### **Supplementary letter of allocation – reporting on inclusivity action plan**

In 2018, the PSA initiated a range of measures to work systematically to realise the government's inclusivity action plan. Because fewer than 5 new appointments were made in the period, the percentage of hires with disabilities and/or incomplete CVs will not be reported. The PSA has paid particular attention to training and instructing managers, guidelines, procedures and routines.

The following measures were initiated in 2018:

- Proactive and systematic actions on inclusive working life (IA). The PSA's IA action plan has been revised, with an initiative being included to facilitate employees with special needs and reduced capacity for work being given meaningful employment.
- Guidelines for recruitment have been changed in terms of specifying and evaluating how to assess candidates with incomplete CVs.
- Thematic meetings on the inclusivity action plan have been held with HR managers to raise awareness of inclusivity and diversity.
- A dialogue has been established with the Labour and Welfare Service employment consultancy on the opportunities within the PSA in terms of inclusivity.

In its future work on this, the PSA will concentrate on developing routines and working methods in its HR activities with a view to achieving the inclusivity action plan's target of greater inclusivity and diversity.

PART

IV.



## PART IV. Governance and control within the PSA

In this section we provide a general account of our corporate governance. We also assess whether our established systems satisfactorily fulfil our and the Ministry's governance requirements.

### Corporate governance

Our corporate governance must take account of the government finance rules, not least in respect of ensuring efficient governance and achievement of objectives. The requirements in the finance rules are expanded on in standing instructions for the PSA on corporate and financial governance, and annually through the letter of allocation. We use the result chain of the Norwegian Government Agency for Financial Management (DFØ) as a model for our corporate governance and meeting requirements defined for us in the governing documents.

### Strategy work

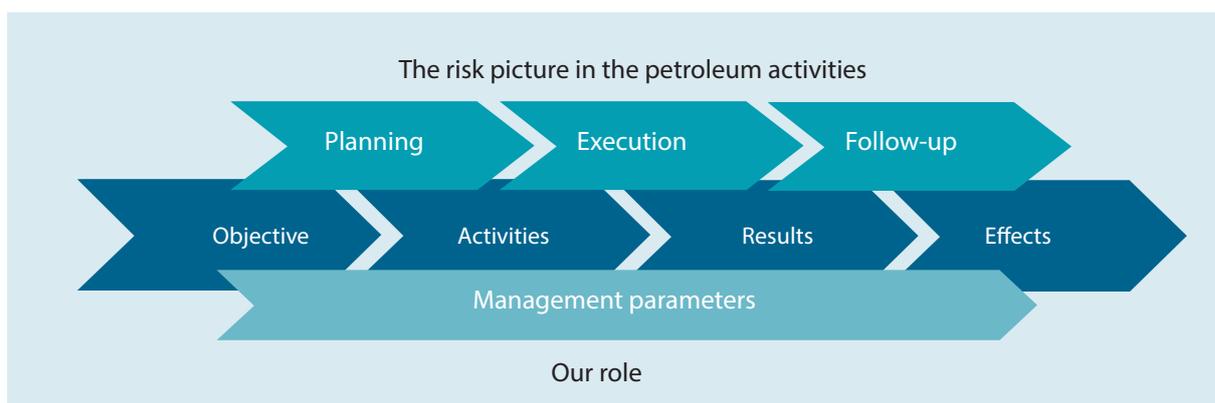
Our strategy work shall set a clear direction for corporate governance and provide a sound basis for prioritising, evaluating and reporting. Our strategies are both short-term and long-term and shall secure continuity and coherence in our corporate governance. We have a number of overarching strategic documents that are broken down into concrete strategies for different areas. One example is our audit strategy 2018 which set guidelines for the design and execution of our audits. The strategies are adjusted in response to changes or new guidelines from the Ministry issued in white papers, for example, or through reviews of the Office of the Auditor General.

**Notably in 2018** we:

- established a work procedure for developing the PSA's strategic planning documents,
- set out the digitalisation strategy for the PSA 2018-2022,
- set out an audit strategy for 2018,
- carried out a scenario analysis in collaboration with a consultant in order to supplement traditional strategy development methods. The different scenarios provide different backdrops for our work to ensure that the Norwegian petroleum activities continue to lead the world in HSE in the time ahead.
- defined a main theme for 2019 and
- implemented policies from the White Paper no. 12 (2017-2018).

### Resource and activity management

In order to ensure that our social remit is fulfilled to best advantage, we plan and execute activities that are relevant for the performance targets and our priorities. We assess the effect of our work on the basis of observations, measurements and other information sources, including RNNP and the user survey. The objectives of our work are both supervision of the enterprises and to contribute of improvement. In order to show the relationship between targets, resources, results and effects, we use DFØ's result chain as a basis. We are to perform our activities in a manner that makes efficient use of resources and provides the greatest return on the input. Activities will be prioritised further based on the anticipated impact, viewed in the context of expected resource use.



The figure above shows our customised target and result chain and impact assessments. Our activities are planned on the basis of policies and targets, and even by this phase we must determine what we wish to achieve, what impact the activities shall have, and how they shall contribute to our objectives. This provides the groundwork for the choice of methods and resource use, as well as follow-up in the execution phase. The activities generate results in the shape of findings that are presented to the companies, and it is the impact this produces through further follow-up and improvement processes in the companies that is of interest in evaluating impacts and achievements. Our performance targets are linked to societal impacts, such as a reduction in major accident risk, and safe and dependable working conditions in the petroleum industry. Evaluations of the impact of our efforts must therefore also be viewed in the light of our role that defines the way in which we are able to contribute to these objectives. Such assessments must be made throughout the entire results and effect chain, as described in the figure above.

In the annual internal planning process, the activities are made tangible in a combined activity plan. We have established a custom planning database that provides an overview of all planned activities for the coming year, with resource use, manning and budgeting. Each individual activity is linked to at least one performance target. In the planning, execution and follow-up phase, a description is given of the results and effects the activities are expected to produce. The activities and results are evaluated internally and followed up quarterly by the management and with the Ministry through the governance dialogue. We have also established systems for internal follow-up of resource use. The annual planning process provides the management with important information about resource use.

It is essential to have good information on the extent to which supervision contributes to the achievement of objectives, and in 2018 we worked in a targeted manner to improve our assessments of the effects of our activities both individually and in combination. We will continue to work on this in 2019.

#### **Risk management and internal control**

The PSA strives to perform clear risk-based prioritisation. In defining objectives, we make efforts to ensure that we have up-to-date knowledge of risk factors and developments in the petroleum industry, as a basis for exercising our supervisory authority and communicating knowledge and guidance. Our follow-up of the industry is knowledge and risk-ba-

sed, in that efforts are adapted to and directed at activities and conditions where the risk of major accidents, harm and occupational illness are judged to be greatest.

In Part III, we described how we work to map and assess risk based on a variety of sources such as RNNP, audits, investigations, whistleblowing, research results and special reports, which in combination help to describe and assess the HSE situation and risk trends in the petroleum activities. In 2018, we also undertook extensive work to map and identify risk in the petroleum activities in connection with the preparations for and work on White Paper no. 12 (2017-2018).

The PSA has a comprehensive system for risk management and internal control that gives us a reasonable degree of certainty that targets and results set out in the letter of allocation are followed up, that resource use is effective, that reporting is reliable and that activities are conducted in accordance with laws and regulations.

Among other things, in 2018 we:

- performed risk assessments as input to the letter of allocation for 2019
- continued the work on risk assessments and risk management.

The aim of this work is to facilitate the use of risk assessments by the organisation at several levels, in both the planning and the execution of activities. We will be working further on this in 2019, and also looking at other agencies' work on risk management.

The totality of our risk assessments gives us appropriate decision support for our activities and forms a basis for our priorities in 2018. We have many years of experience of surveying risk in the petroleum activities. In connection with the multipartite activities prior to the white paper in 2017, we engaged in a wide discussion and obtained a comprehensive assessment of the HSE status, regulations and supervisory model in the petroleum activities.

Based on the Ministry of Finance's circular on internal auditing of state enterprises, a process was initiated to evaluate the use of internal audits in the PSA. An assessment will also be made on whether to implement alternative quality assurance processes and measures. This work is expected to be completed in the autumn of 2019.

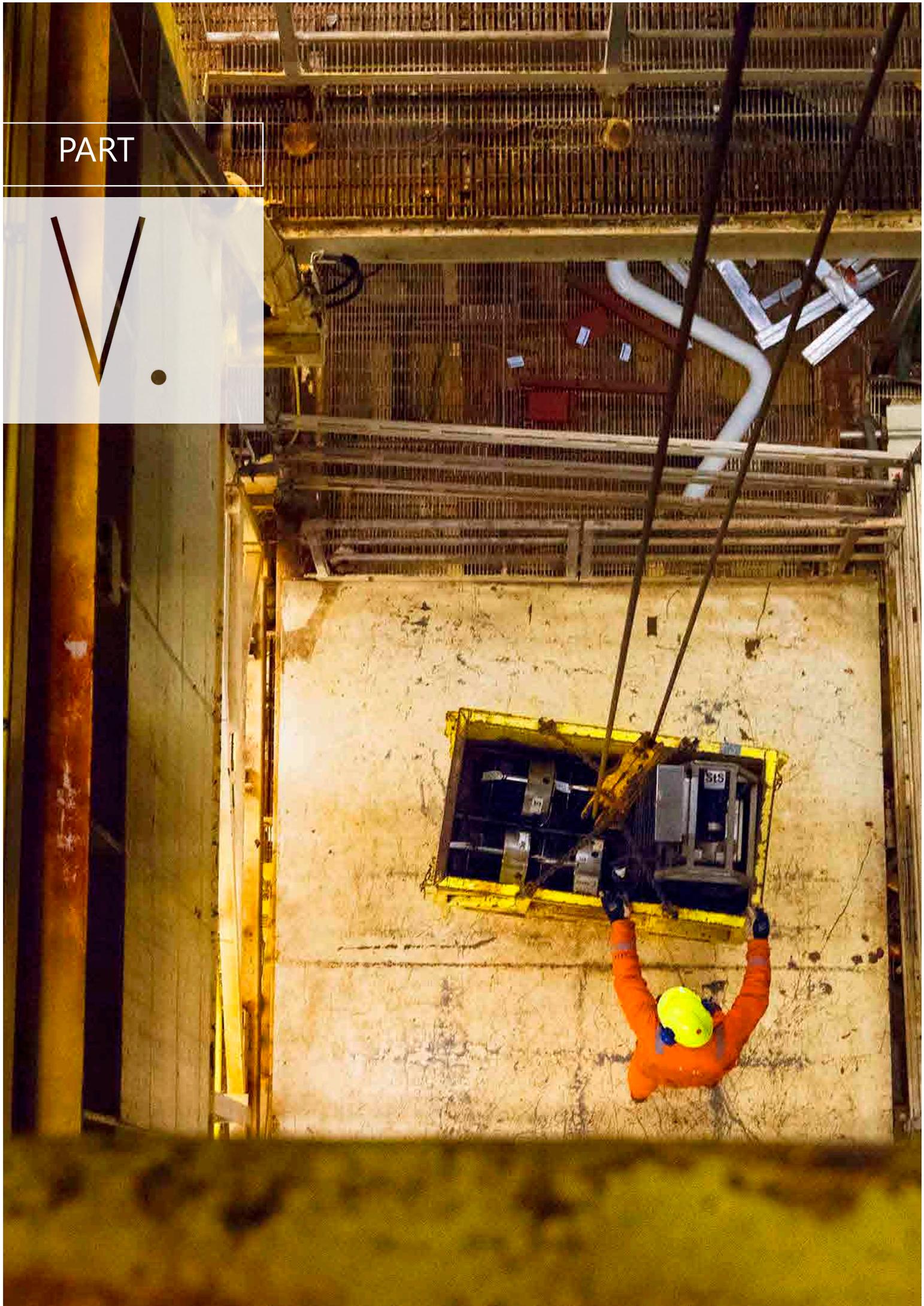
### **Administrative control**

In May 2018, the Ministry issued new instructions on corporate and financial governance for the PSA, clarifying the distribution of authority and responsibility between the Ministry and the PSA and defining requirements for us in respect of corporate and financial governance. The instructions also specified the Ministry's requirements for systems, routines and management processes linked to our tasks and activities. The instructions also set a framework for the governance dialogue. We have worked on ensuring that the instructions are incorporated into and disseminated within the organisation.

### **Sectoral guidelines for socioeconomic impact analyses**

Sectoral guidelines for socioeconomic impact analyses were adopted in the summer of 2018. The guidelines are based on the governmental instructions and shall contribute to ensuring better decision support for decisions by authorities. In 2018, we prepared for adopting the guidelines, notably through internal knowledge dissemination, internal anchoring and identification of key processes where it is natural to employ socioeconomic analyses.

PART



## PART V. Outlook

In White Paper no. 12. (2017-2018) on health, safety and the environment in the petroleum activities, it is set out that the activities must have a long-term perspective, with a focus on a high HSE level, resource management and value creation. Nearly half of the remaining resources on the NCS are estimated to be in the North Sea, but for the predicted undiscovered resources the situation is very different. Regardless of where future petroleum activities occur, it is important to recognise that petroleum activities in climatically and environmentally sensitive areas must be sustainable. Reorganisation of fossil energy production in order to operate it in a way that is prudent for the climate, the environment and safety, while ensuring the integrity of infrastructure and operations will therefore be an important precondition for the Norwegian petroleum industry in the years ahead. The industry must also work actively to protect recruitment and competence and ensure that changes are based on climate goals and environmental needs.

In 2018, the PSA performed a scenario analysis for which the perspective was petroleum activities and the HSE situation in 2035. In analysing scenarios, known and unknown driving forces will always emerge whereby the known are reckoned to be probable but the unknown will be subject to much greater uncertainty and may yield unexpected outcomes in one direction or another. In the scenario analysis, it was concluded that the following known driving forces will affect the period up to 2035:

- The oil price will vary
- Streamlining and cost-cutting will continue to characterise the sector
- The environment and sustainability will gain in importance
- Technological progress and digitalisation will continue
- Work organisation and interaction will change
- Floating units/vessels will be used more often
- Late life, tail production and decommissioning will acquire greater significance and put their stamp on the industry

One of the consequences of the oil price drop in 2014 was that the rate of change in activities increased and that multiple change processes were and are still taking place simultaneously. This often adds complexity to the change processes and it can be more challenging for the individual to make rounded assessments of the potential HSE consequences of changes. From experience, we know that, during times of low oil prices, it is particularly important to be aware of the consequences of changes and the uncertainty that accompanies them.

The main message of the white paper is that the Norwegian model works well and should be maintained. It also underlines the importance of having a strong, transparent supervisory authority that monitors the industry through a visible presence and uses sanctions in a predictable and transparent way.

Sustainability is a watchword for securing the future of Norwegian petroleum activities. This can only be achieved by means of the industry working systematically to reduce costs and streamline operations, while maintaining and enhancing a high HSE level by continuously improving safety in all operations. This is also one of the main reasons why White Paper no. 12 on health, safety and the environment in the petroleum activities reiterates and emphasises the ambition for Norwegian petroleum activities to be world-leading.

In its report, the Office of the Auditor General raises issues that, to a large degree, overlap what emerged from the White Paper. Improvement measures which relate to being more visible, stronger and clearer in our supervision and other externally-oriented activity are accordingly measures that will have a high priority going forward. We have also initiated improvement work to enhance our methods for assessing the effect of our efforts. This work will be an important element in creating an even more effective and influential agency.

There are nonetheless already a range of different operating concepts on the NCS, and new solutions are in development. New technology entails an increasing level of digitalisation. It is important to emphasise that different changes will affect work organisation and interaction to different degrees and accordingly greatly influence assessments of how the industry organises itself and needs to be monitored. The PSA will attach great importance to monitoring how the industry actively assesses the consequences of new solutions and work practices, and how the associated uncertainties are evaluated and addressed in order to ensure that activities are carried out prudently.

There is presently a multiplicity of participants on the NCS. This is the outcome of a long-term and deliberate policy of promoting competition and efficiency. In 2018, however, we have seen clear alterations in the player landscape, with major international operators reducing their holdings on the NCS, while small and mid-sized companies take on larger roles. New companies have also come onto the scene, while participants are also using new organisational structures. This is introducing new types of cooperation, notably through increased ownership through private equity firms, new types of contract and a number of mergers and acquisitions along the entire value chain. The PSA has tracked this development carefully and stresses that the companies must prioritise and maintain knowledge and understanding of the Norwegian HSE regime. Under the regulations, the participants must identify and handle risk both operationally and in respect of restructuring and change processes.

The PSA will continue to attach due importance to monitoring the industry through its visible presence as a strong and transparent supervisory agency.

PART



## PART VI. Financial statements

### The CEO's remarks

#### Purpose

The Petroleum Safety Authority Norway (PSA) is responsible for setting the agenda and carrying out monitoring to ensure that the petroleum industry participants maintain high HSE levels, in order to reduce the risk of major accidents, undesirable incidents and occupational injuries and illnesses. The authority's remit encompasses petroleum activities on the Norwegian Continental Shelf and at certain onshore installations, gas-fired power stations, CO<sub>2</sub> capture facilities and transport installations. Through its own supervisory activities and in collaboration with other authorities in the HSE domain, the PSA shall help to ensure that petroleum and associated activities are monitored in a holistic way. PSA shall also place great emphasis on disseminating knowledge about risks and monitoring to ensure that activities are conducted prudently and in accordance with applicable regulations.

The PSA is based in Stavanger and had 176 employees at the end of 2018 (170 full-time equivalents<sup>1</sup>).

#### Accounting policies

The PSA is funded gross under the Norwegian national financing regime and its operating accounts are maintained under the accrued accounting method in compliance with governmental accounting standards. PSA also reports to the central government accounts in accordance with the cash accounting principle.

### Comments on the accounts and appropriation reporting

#### Appropriation reporting

The total allocation to the PSA was NOK 318.2 million. In addition, the PSA received a charge authorisation from the Ministry of Foreign Affairs of NOK 1.0 million for the project *Risk planning in the High North* and from the Ministry of Labour and Social Affairs of NOK 1.0 million for the R&D project on field developments on the NCS. Together with refunds from NAV and excess revenue authorities, the framework available to the PSA was NOK 322.8 million.

The expense appropriation for item 01 *Operating expenses* increased in 2018 by NOK 5.0 million for strengthened cyber security in the petroleum activities.

The PSA had a reduced expense on items 01 *Operating expenses* and 21 *Special operating expenses* of a total of NOK 10.4 million. The reduced expense is due in part to comprehensive and time-consuming processes relating to project planning and reallocation of projects and the performance of tendering processes having displaced the start-up and execution dates. This resulted in certain projects not being executed to schedule, and which will now be completed in 2019.

Item 45 *Major equipment purchases and maintenance* is to cover, among other things, expenses relating to ICT equipment. The reduced expense of NOK 2.6 million is primarily due to existing PCs having a longer life than anticipated and planned new

<sup>1</sup> A full-time equivalent in this context is defined as one person in a full-time position for one year. The number of FTEs in part VI of the annual report may diverge from the number of FTEs stated earlier in the report, since the latter is based on FTEs as at 31 December 2018.

procurements having been consequently deferred. Revenues associated with the performance of audits shows that the PSA has reduced income on item 03 *Supervision fees*<sup>2</sup> of NOK 1.9 million and reduced income of NOK 0.5 million on item 70 *Petroleum Safety Authority Norway – Sector charge*<sup>3</sup> compared with appropriations granted for 2018. This must however be viewed in context with associated reduced expenses on items 01 and 21 linked to the performance of refundable projects.

## Operating accounts per SRS

### Operating revenues

Total operating revenues came to NOK 301.3 million, representing an increase of 3.3% from 2017.

The share of *Income from appropriations* rose relative to 2017 and is due primarily to an increase in the operating appropriation linked to enhanced follow-up of cyber security in the petroleum industry.

The increase in *Income from fees* is due to a higher level of activity directed towards participants/enterprises in the petroleum industry, preferably through more audit hours being spent on the participants.

### Operating expenses

Total operating expenses in 2018 came to NOK 301.3 million, an increase of 3.3% over 2017. *Other operating expenses* rose by 9.9% but this must be viewed against increased appropriations for measures aimed at the petroleum sector for which there was an increased need for external services. Pay and social costs rose by 2.0%.

### Debt collection and other transfers to the State

In 2018, the PSA received an increased appropriation related to the execution of projects aimed at groups in the petroleum industry. This contributed to a revenue increase in the sector charge area; see item *Charges and fees directly to the State Treasury* in the income statement.

### Confirmation

The annual financial statements were prepared in accordance with the provisions concerning financial management within the public sector, the circular from the Ministry of Finance and instructions from the competent ministry. The financial statements give, in my assessment, a comprehensive picture of the PSA's disposable appropriations and of the reported expenses, revenues, assets and liabilities. The PSA is audited as a public administration body by the Office of the Auditor General. The audit report is expected to be available during the second quarter of 2019.

The Petroleum Safety Authority Norway, 2019



Anne Myhrvold  
Director General  
Petroleum Safety Authority Norway

<sup>2</sup> Fees are charged to enterprises in the petroleum industry when the audit is aimed at the individual participant or enterprise.

<sup>3</sup> Sector charges are charged for activities aimed at groups within the industry.

## Note regarding the principles for appropriation and account reporting

The annual financial statements for the PSA have been prepared and laid in accordance with specific guidelines set out in the provisions concerning financial management within the public sector ("the provisions"). The financial statements meet the requirements of item 3.4.1 of the provisions, General considerations about the financial statements, detailed provisions in the Ministry of Finance's circular R-115 of November 2016 and any supplementary requirements defined by the competent ministry.

The appropriation report and the account report have been compiled on the basis of item 3.4.2 of the provisions, *Fundamental principles for the financial statements*:

- a) The financial statements follow the calendar year.
- b) The financial statements contain all reported expenditure and revenues for the financial year.
- c) Expenses and revenues are recognised in the financial statements as gross amounts.
- d) The financial statements were prepared in accordance with the cash principle.

The appropriation and account reports were prepared in accordance with the same principles, but grouped according to different charts of accounts. The principles correspond to the requirements in item 3.5 of the provisions concerning how the activities are to be reported to the central government accounts. The total lines "Net amount reported to the appropriation account" are identical in both reports.

The PSA is affiliated to the government's corporate account scheme with Norges Bank in accordance with the requirements in item 3.7.1 of the provisions concerning this scheme. The PSA is a gross-budgeted undertaking and is not assigned liquidity throughout the year, but has drawing rights on its own corporate account. The balance in the settlement account is reset at the year-end.

### **The appropriation report**

The appropriation report consists of an upper part which contains the appropriation report, and a lower part which shows holdings listed for the PSA in the capital account.

The appropriation report shows accounting figures which the PSA has reported to the central government accounts and its entries are listed in accordance with the sections and items in the appropriation account that the PSA has at its disposal. The column entitled "Total allocation" shows what the PSA has been allocated in the letter of allocation for each government account (section/item). The report also presents all financial assets and obligations that the PSA is listed with in the government capital account.

Authorisations to charge another organisation's section/item (charge authorisations) that have been received are not shown in the total allocation column, but are explained in Note B to the appropriation statement. Expenses attributable to charge authorisations that have been received are posted and reported to the central government accounts and shown in the column for accounting in appropriations reporting.

## The account report

The layout of the account report consists of an upper section showing what is reported to the central government accounts in accordance with the standard chart of accounts for government undertakings, and a lower section showing assets and liabilities included in the balance accounts with the Treasury. The PSA has drawing rights on a group account with Norges Bank. The appropriations are not recognised as income and are therefore not shown as income in the statement.

### Presentation of appropriation report, 31.12.2018

Expense section	Section name	Item	Item text	Note	Total allocation	Account 2018	Added expenses (-) and reduced expenses
0642	Petroleum Safety Authority Norway (see section 3642)	01	Operating expenses	A, B	284 022 000	276 602 480	7 419 520
0642	Petroleum Safety Authority Norway (see section 3642)	21	Special operating expenses	A, B	30 173 000	27 224 603	2 948 397
0642	Petroleum Safety Authority Norway (see section 3642)	45	Major equipment purchases and maintenance	A, B	3 987 000	1 387 094	2 599 906
0118	Ministry of Foreign Affairs - Charge authorisation 0118.70	70	Operating expenses	B		1 000 000	
0601	Ministry of Labour and Social Affairs - Charge authorisation 0601.21 R&D on field developments on the Norwegian continental shelf	21	Special operating expenses	B		1 000 000	
1633	Net scheme, State paid value added tax	01	Operating expenses			11 167 783	
<i>Total expensed</i>					318 182 000	318 381 960	

Income section	Section name	Item	Item text	Total allocation	Account 2018	Added income and reduced income (-)	
3642	Petroleum Safety Authority Norway (see section 0642)	02	Assignment and collaborative activities	7 315 000	6 937 902	-377 098	
3642	Petroleum Safety Authority Norway (see section 0642)	03	Supervision fees	70 489 000	68 531 384	-1 957 616	
3642	Petroleum Safety Authority Norway (see section 0642)	06	Other payments received	0	462 612	462 612	
3642	Petroleum Safety Authority Norway (see section 0642)	07	Rental income, company cabin	0	39 600	39 600	
5571	Sector charge under the Ministry of Labour and Social Affairs	70	Petroleum Safety Authority Norway - sector charge	101 565 000	101 019 979	-545 021	
5309	Misc. revenues	29	Misc.		223 402		
5700	National Insurance scheme revenues	72	National Insurance contributions		25 243 803		
<i>Total income recognised</i>					179 369 000	202 458 682	

#### Net amount reported to the appropriation account

115 923 279

#### Capital accounts

60087401	Norges Bank Capital account deposits				180 480 184	
60087402	Norges Bank Capital account payments				-295 605 206	
718006	State Treasury				-798 257	
<b>Total reported</b>						<b>0</b>

#### Stocks reported to the capital account (31.12)

Account	Text	2018	2017	Change
718006	Outstanding account with the State Treasury	-8 818 950	-8 020 693	-798 257

## Note A Explanation of total allocation expenses

Section and item	Transferred from last year	Allocations for the year	Total allocation
064201	12 999 000	271 023 000	284 022 000
064221	1 429 000	28 744 000	30 173 000
064245	2 387 000	1 600 000	3 987 000

## Note B

### Explanation of spent authorisations and calculation of possible amount for carryforward to next year

Section and item	064201	064221	064245	011870	060121
Keyword	"can be utilised under item 21"	"can be carried forward"			
Added expense (-)/reduced expense	7 419 520	2 948 397	2 599 906		
Expensed by others in accordance with issued charge authorisations (-)	0	0	0		
Added expenses(-)/reduced expense in accordance with issued charge authorisations	7 419 520	2 948 397	2 599 906	0	0
Added income/reduced income (-) in accordance with added income authorisation (adjusted for any value added tax)	502 212	-377 098	0	Not relevant	Not relevant
Reallocation from item 01 to 45 or to item 01/21 from next year's appropriation	0	0	0	Not relevant	Not relevant
Savings (-)	0	0	0	Not relevant	Not relevant
Total basis for transfer	7 921 732	2 571 299	2 599 906	Not relevant	Not relevant
Max. carryforward amount *	13 551 150	1 437 200	3 200 000		
Possible carryforward amount calculated by the organisation	7 921 732	1 437 200	2 599 906		

\*The maximum amount that can be carried forward is 5% of the year's appropriation under operating items 01-29, with the exception of item 24 or the sum of the previous two years' appropriations for items with the keywords "can be carried forward". See annual circular R-2 for more detailed information concerning the carryforward of unspent appropriations.

#### Explanation concerning the utilisation of budget authorisations

##### Charge authorisations received

Petroleum Safety Authority Norway (PSA) has received a charge authorisation from the Ministry of Labour and Social Affairs of NOK 1,000,000 for section/item 0601.21 to carry out the R&D project on field developments on the Norwegian continental shelf and has spent NOK 1,000,000 of this charge authorisation. The Ministry of Foreign Affairs has also issued PSA with a charge authorisation of up to NOK 1,000,000 under section/item 0118.70. for the project entitled *Risk planning in the High North*. PSA has spent NOK 1,000,000 of this charge authorisation.

##### The keywords "can be utilised under"

PSA's appropriation under section/item 0642.01 was granted with the keywords "can be utilised under item 21". This authorises PSA to exceed section/post 0642.21 in return for corresponding savings under section/item 0642.01.

##### The keywords "can be carried forward"

PSA's appropriation under section/item 0642.45 was issued with the keywords "can be carried forward". PSA allows the amount to be included as part of the possible carryforward amount.

##### Authorisation to exceed operating appropriations in return for corresponding added income

PSA has authority to exceed the operating appropriation under section/item 0642.01. Operating expenses in return for corresponding added income under section/item 3642.06. Other payments received and 3642.07. Rental income from company cabin. The total added income amounts to NOK 502,212. The amount is included in the calculation of the possible carryforward amount to next year.

PSA has authority to exceed the operating appropriation under section/item 0642.21. Special operating expenses in return for corresponding added income under section/item 3642.02. Assignment and collaborative activity. PSA has reduced income under item 02 of NOK 377,098. The amount is included in the calculation of the possible carryforward amount to next year.

##### Possible carryforward amount

PSA has authority to carry forward up to 5% of the appropriation granted under items 0642.01 and 0642.21; see Letter of Allocation 2018 - Budget authorisations for the Ministry of Labour and Social Affairs' underlying activities during 2018, provisions of the Appropriation Regulations, Section 5 third paragraph (1) and the annual circular on the carryforward of unspent appropriations (R-2).

PSA's unspent appropriation under section/item 0642.01 amounts to NOK 7,921,732. In the authorisations that have been granted, the maximum carryforward amount is NOK 13,551,150. As the unspent appropriation is below the threshold for carryforward amount, the full amount will be considered possible carryforward to the next budget year.

Adjusted for reduced income under section/item 3642.02. PSA's unspent appropriation under section/item 0642.21 amounts to NOK 2,571,299. Under the authorisation to carry forward up to 5 percent of the allocation for the year, the possible carryforward amount amounts to NOK 1,437,200.

Appropriations under section/item 0642.45 include the keywords "can be carried forward" and authorisation is then given to carry forward unspent appropriations to the next two budget years. Under the authorisation that has been granted, the maximum carryforward amount is NOK 3,200,000. As the unspent appropriation is below the threshold for carryforward amount, the full amount will be considered possible carryforward to the next budget year.

## Presentation of the account report 31.12.2018

	2018	2017
<b>Operating revenues reported to the appropriation account</b>		
Payments from fees	68 531 384	67 742 769
Sales and rental payments received	6 977 502	8 157 476
Other payments received	467 363	188 123
<i>Total payments received from operations</i>	75 976 249	76 088 368
<b>Operating expenses reported to the appropriation account</b>		
Payments to salary	204 973 909	199 929 956
Other payments to operations	99 979 135	90 991 265
<i>Total payments to operations</i>	304 953 044	290 921 221
<b>Net reported operating expenses</b>	<b>228 976 795</b>	<b>214 832 853</b>
<b>Investment and financial income reported to the appropriation account</b>		
Financial income received	249	910
<i>Total investment and financial income</i>	249	910
<b>Investment and financial expenses reported to the appropriation account</b>		
Payments for investments	2 264 190	1 282 487
Payment of financial expenses	1 943	3 096
<i>Total investment and financial expenses</i>	2 266 133	1 285 583
<b>Net reported investment and financial expenses</b>	<b>2 265 884</b>	<b>1 284 673</b>
<b>Debt collection and other transfers to the State</b>		
Payment of taxes, charges, fees, etc.	101 019 979	93 997 634
<i>Total debt collection and other transfers to the State</i>	101 019 979	93 997 634
<b>Grant administration and other transfers from the State</b>		
Payment of grants and benefits	0	0
<i>Total grant administration and other transfers from the State</i>	0	0
<b>Revenues and expenses reported under joint sections</b>		
Group life insurance account 1985 (ref. section 5309, income)	223 402	217 924
National Insurance contributions account 1986 (ref. section 5700, income)	25 243 803	24 606 135
Net recognition scheme for value added tax account 1987 (ref. section 1633, expense)	11 167 783	8 582 032
<i>Total net reported expenses under joint sections</i>	-14 299 421	-16 242 027
<b>Net amount reported to the appropriation account</b>	<b>115 923 279</b>	<b>105 877 865</b>

## Summary of outstanding account with the State Treasury

	2018	2017
<b>Assets and liabilities</b>		
Receivables on employees	66 116	122 742
Other current receivables	30 575	30 292
Tax deductions payable	-8 912 054	-8 089 931
Accrued public duties	-16 423	-74 201
Other liabilities	12 835	-9 596
<b>Total outstanding account with the State Treasury</b>	<b>-8 818 950</b>	<b>-8 020 693</b>

## Policies for preparation of the operating account

The operating accounts are set up in accordance with the governmental accounting standards (SRS).

### **Transaction-based income**

Income is recognised in the income statement as it accrues. Transactions are recognised at the value of the fee at the time of the transaction. Sales of services are recognised as income as the services are provided.

### **Income from appropriations**

Income from appropriations is recognised in the income statement as the activities which the incomes are expected to finance are carried out, i.e. during the period when the costs are accruing (matching).

The share of income from appropriations, etc. that is used to purchase intangible assets and depreciable assets recognised in the balance sheet is not recognised at the time of purchase, but set aside in the balance sheet on the accounting line "State financing of intangible assets and depreciable assets".

As the depreciation of intangible assets and depreciable assets is expensed, a corresponding amount from the provision for State financing of intangible assets and depreciable assets is recognised as income. The income recognised during the period from the provision is recognised in the income statement as income from appropriations. This means that expensed depreciation is included in the organisation's operating expenses without having any impact on the result.

### **Expenses**

Expenses concerning transaction-based income are expensed during the same period as the associated income.

Expenses financed through income from appropriations are expensed as the activities are carried out.

### **Pensions**

SRS 25 Ytelser til ansatte (Benefits to employees) is based on a simplified accounting approach to pensions. No calculation or provision has therefore been made for any surplus/deficit in the pension scheme which corresponds to NRS 6. The year's pension expense therefore corresponds to the annual premium to the Norwegian Public Service Pension Fund (SPK). See also note 3 for further information on the scheme.

### **Classification and valuation of fixed assets**

Fixed assets are long-term, important assets which are at the PSA's disposal. 'Long-term' means a useful life of three years or more. 'Important' means individual procurements (purchases) with a purchase cost of NOK 30,000 or more. Fixed assets are recognised in the balance sheet at their acquisition cost minus depreciation.

Office and IT equipment (PCs, servers, etc.) with a useful life of three years or more are recognised in the balance sheet as separate groups.

### **Classification and valuation of current assets and current liabilities**

Current assets and current liabilities include items which fall due for payment within one year after the acquisition date. Other items are classified as fixed assets/non-current liabilities.

Current assets are valued at acquisition cost or fair value, whichever is lower. Current liabilities are recognised in the balance sheet at nominal amount at the time of take-up.

### **Receivables**

Trade debtors and other receivables are recognised in the balance sheet at nominal value after the deduction of a provision for bad debts. A provision is set aside for losses based on individual assessments of receivables.

### **State capital**

State capital consists of contributed capital, settlements and government financing of intangible assets and depreciable assets in accordance with the updated SRS 1 Layout plans for income statements and balance sheets. This section shows the total governmental financing of the PSA.

### **Settlements**

For the PSA, which is a gross-budgeted organisation, the net amount of all balance sheet items, with the exception of intangible assets and depreciable assets, are funded by the settlement with the Treasury. The PSA does not report the corporate accounts with Norges Bank as bank deposits. These corporate accounts are included in the settlement with the Treasury.

### **State financing of intangible assets and depreciable assets**

The provision for State financing of intangible assets and depreciable assets shows income from appropriations and the like which are used to procure intangible assets and depreciable assets.

### **State framework conditions**

#### **The self-insurer principle**

The State operates as a self-insurer. No items have therefore been included in the balance sheet or income statement which attempt to reflect alternative net insurance costs or commitments.

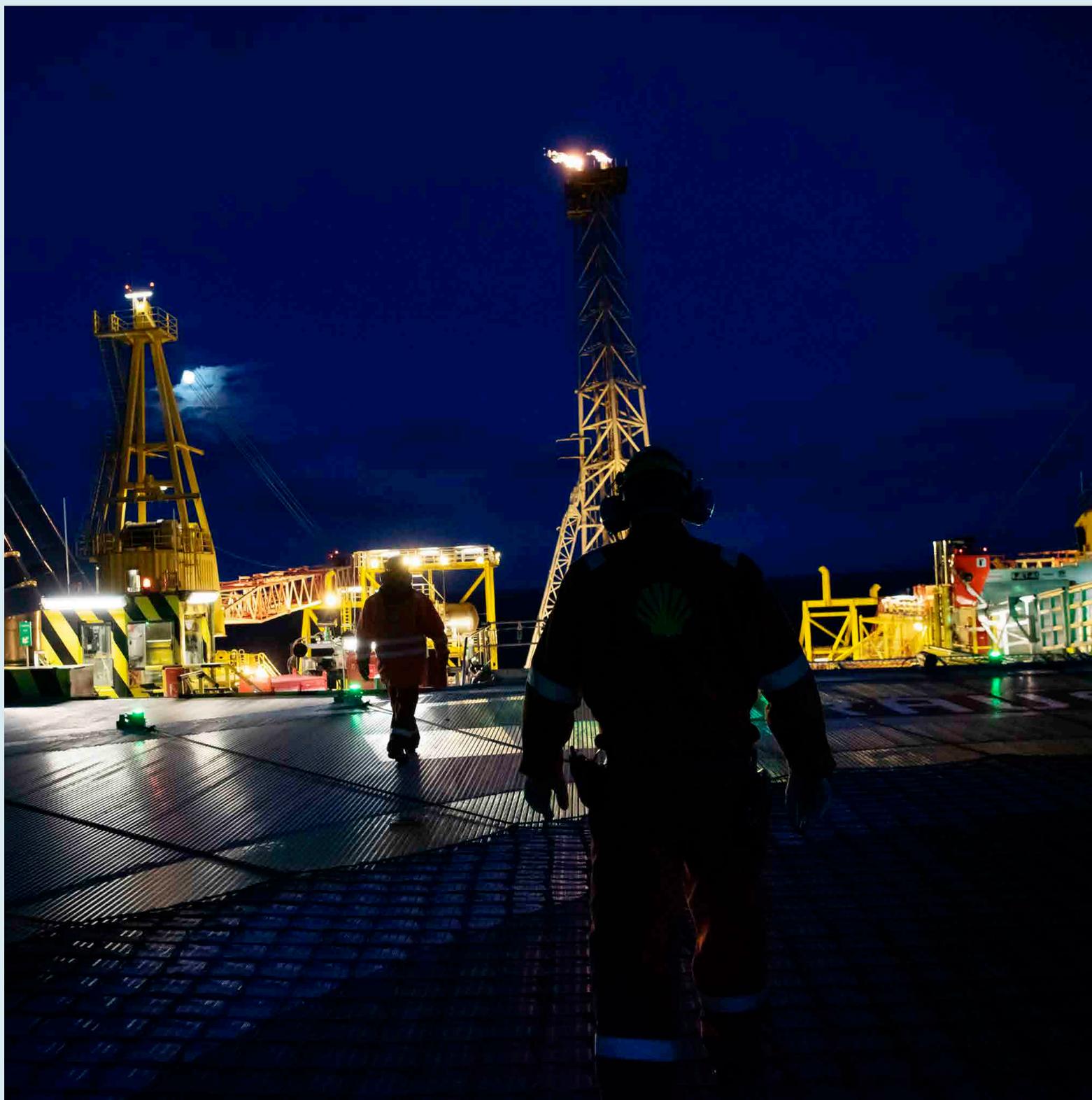
#### **State corporate account scheme**

The PSA is covered by the government corporate account scheme. Under this scheme, all incoming and outgoing payments are settled against the PSA's settlement accounts with Norges Bank on a daily basis.

As a gross-budgeted organisation, the PSA receives no liquidity during the year. The PSA has drawing rights on its own group account. For gross-budgeted organisations, the balance in the individual settlement account held with Norges Bank is reset upon transition to the new financial year.

## Income statement

	Note	31.12.2018	31.12.2017
<b>Operating revenues</b>			
Income from appropriations	1	222 525 545	216 304 057
Income from grants and transfers	1	0	0
Income from fees	1	69 492 816	66 406 492
Sales and rental income	1	8 811 477	8 914 497
Other operating income	1	467 363	188 123
<i>Total operating income</i>		301 297 202	291 813 170
<b>Operating expenses</b>			
Cost of goods	2	9 214 011	9 971 225
Salary expenses	3	205 021 436	200 952 501
Depreciation on depreciable assets and intangible assets	4, 5	1 961 818	3 448 710
Amortisation of depreciable assets and intangible assets	4, 5	0	0
Other operating expenses	6	85 098 242	77 438 548
<i>Total operating expenses</i>		301 295 508	291 810 984
<b>Operating profit</b>		<b>1 694</b>	<b>2 186</b>
<b>Financial income and financial expenses</b>			
Financial income	7	249	910
Financial expenses	7	1 943	3 096
<i>Total financial income and financial expenses</i>		-1 694	-2 186
<b>Net income from the period's activities</b>		<b>0</b>	<b>0</b>
<b>Settlements and appropriations</b>			
Settlement with the State Treasury (gross-budgeted)	8A, 8B	0	0
<i>Total settlements and appropriations</i>		0	0
<b>Debt collection and other transfers to the State</b>			
Charges and fees directly to the State Treasury	9	-101 019 979	-93 997 634
Settlement with the State Treasury, debt collection		101 019 979	93 997 634
<i>Total debt collection and other transfers to the State</i>		0	0
<b>Grant administration and other transfers from the State</b>			
Payment of grants to others		0	0
Settlement with the State Treasury, grant administration		0	0
<i>Total grant administration and other transfers from the State</i>		0	0



## Balance sheet - Assets

	Note	31.12.2018	31.12.2017
<b>A. Fixed assets</b>			
<b>I Intangible assets</b>			
Software and similar rights	4	1 211 170	633 472
<i>Total intangible assets</i>		1 211 170	633 472
<b>II Depreciable assets</b>			
Plots, buildings and other real property	5	623 126	665 363
Machinery and transport	5	0	0
Movables, fixtures and equipment, tools, etc.	5	5 334 463	5 567 551
<i>Total depreciable assets</i>		5 957 588	6 232 914
<b>III Financial fixed assets</b>			
Other receivables	10	44 574 664	45 130 189
<i>Total financial fixed assets</i>		44 574 664	45 130 189
<b>Total fixed assets</b>		<b>51 743 422</b>	<b>51 996 575</b>
<b>B. Current assets</b>			
<b>I Stocks of goods and operating equipment</b>			
Stocks of goods and operating equipment		0	0
<i>Total stocks of goods and operating equipment</i>		0	0
<b>II Receivables</b>			
Trade debtors	11	1 295 849	852 967
Earned, un invoiced income	12	15 183 661	13 022 522
Other receivables	13	8 287 186	1 274 651
<i>Total receivables</i>		24 766 695	15 150 140
<b>III Bank deposits, cash, etc.</b>			
Bank deposits		0	0
<i>Total bank deposits, cash, etc.</i>		0	0
<b>Total current assets</b>		<b>24 766 695</b>	<b>15 150 140</b>
<b>Total assets</b>		<b>76 510 117</b>	<b>67 146 716</b>

## Balance sheet - State capital and liabilities

	Note	31.12.2018	31.12.2017
<b>C. State capital</b>			
<b>I Contributed capital</b>			
<i>Total contributed capital</i>		0	0
<b>II Settlements</b>			
Settled with the State Treasury (gross-budgeted)	8A, 8B	31 832 734	24 242 423
<i>Total settlements</i>		31 832 734	24 242 423
<b>III State financing of intangible assets and depreciable assets</b>			
State financing of intangible assets and depreciable assets	4, 5	7 168 758	6 866 386
<i>Total State financing of intangible assets and depreciable assets</i>		7 168 758	6 866 386
<b>Total State capital</b>		<b>39 001 492</b>	<b>31 108 809</b>
<b>D. Liabilities</b>			
<b>I Provision for non-current commitments</b>			
Provisions for non-current commitments		0	0
<i>Total provision for non-current commitments</i>		0	0
<b>II Other non-current liabilities</b>			
Other non-current liabilities		0	0
<i>Total other non-current liabilities</i>		0	0
<b>III Current liabilities</b>			
Trade creditors		385 259	262 864
Tax deductions payable		8 909 944	8 089 931
Accrued public duties		3 531 549	3 579 529
Provision for holiday pay		17 757 813	17 262 141
Other current liabilities	14	6 924 060	6 843 441
<i>Total current liabilities</i>		37 508 624	36 037 906
<b>Total liabilities</b>		<b>37 508 624</b>	<b>36 037 906</b>
<b>Total State capital and liabilities</b>		<b>76 510 117</b>	<b>67 146 716</b>

## Note 1 Operating income

	31.12.2018	31.12.2017
<b>Income from appropriations</b>		
Income from appropriation from competent ministry	222 872 297	216 495 724
Income from appropriation from other ministries, charge authorisation	2 000 000	3 408 615
- gross amount utilised for investments in intangible assets and depreciable assets	-2 264 190	-1 276 736
- unspent appropriations for investment purposes (items 30-49)	-2 599 906	-2 393 062
+ deferred income from provision linked to investments (depreciation)	1 961 818	3 448 710
+ deferred income from provision linked to investments (book value of fixed assets disposed of)	0	0
+ income to cover pension expenses	0	0
- recognised operating appropriation linked to financial fixed assets	555 525	-3 379 194
<b>Total income from appropriations</b>	<b>222 525 545</b>	<b>216 304 057</b>
<b>Income from grants and transfers</b>		
Grants/transfers	0	0
<b>Total income from grants and transfers</b>	<b>0</b>	<b>0</b>
<b>Income from fees</b>		
Fees, etc. - refund-entitled	69 492 816	66 406 492
<b>Total income from fees</b>	<b>69 492 816</b>	<b>66 406 492</b>
<b>Sales and rental income</b>		
Safety Forum	191 670	281 883
Income from assignment and collaborative activity	8 580 207	8 592 714
Other income	39 600	39 900
<b>Total sales and rental income</b>	<b>8 811 477</b>	<b>8 914 497</b>
<b>Other operating income</b>		
Gain from disposal of fixed assets	5 000	0
Other operating Income	462 363	188 123
<b>Total other operating income</b>	<b>467 363</b>	<b>188 123</b>
<b>Total operating income</b>	<b>301 297 202</b>	<b>291 813 170</b>

## Basis for recognition of expense appropriation

Section and item	The cash principle			The accrual principle
	Expense appropriation (total allocation)	Revenue appropriation	Reported income	Maximum calculated basis for income recognition
064201	284 022 000			284 022 000
064221	30 173 000			30 173 000
064245	3 987 000			3 987 000
011870	1 000 000			1 000 000
060121	1 000 000			1 000 000
364202		7 315 000	6 937 902	-6 937 902
364203		70 489 000	68 531 384	-68 531 384
<b>Total</b>				<b>244 712 714</b>
				<b>224 872 297</b>

## Note 2 Cost of goods

	<b>31.12.2018</b>	<b>31.12.2017</b>
Consultancy services	2 749 775	3 130 537
Assistance from State enterprises	392 818	391 824
Travel expenses	5 991 577	6 443 347
Provision for accrued expenses	0	0
Other operating expenses	79 841	5 518
<b>Total cost of goods</b>	<b>9 214 011</b>	<b>9 971 225</b>

## Note 3 Salary expenses

	<b>31.12.2018</b>	<b>31.12.2017</b>
Salary expenses	144 573 562	141 648 345
Holiday pay	18 044 632	17 657 718
National Insurance contributions	25 249 534	24 731 775
Pension expenses*	18 229 747	17 823 665
Sick-pay and other reimbursements (-)	-2 460 472	-2 632 459
Other benefits	1 384 432	1 723 457
<b>Total salary expenses</b>	<b>205 021 436</b>	<b>200 952 501</b>

**Number of full-time equivalents:** 170 170

### \* More information concerning pension expenses

Since 1 January 2017, PSA has been paying pension premiums to the Norwegian Public Service Pension Fund (SPK). For 2018, the employer's share of the pension premiums is 12 percent. The premium rate for 2017 was estimated by SPK to be 12.0 percent.

PSA is covered by circular R-118 - Budgeting and accounting of pension premiums for State enterprises from 2017.

## Note 4 Intangible assets

	<b>Software and similar rights</b>	<b>Total</b>
Aquisition cost as at 01.01.2018	6 336 163	6 336 163
Acquisitions during 2018	819 928	819 928
Disposals at acquisition cost during 2018 (-)	0	0
From installations under construction to another group during 2018	0	0
<i>Total acquisition cost as at 31.12.2018</i>	7 156 091	7 156 091
Accumulated amortisation as at 01.01.2018	0	0
Amortisation during 2018	0	0
Accumulated depreciation as at 01.01.2018	5 702 690	5 702 690
Ordinary depreciation during 2018	242 231	242 231
Accumulated depreciation, disposals during 2018 (-)	0	0
<b>Balance sheet value as at 31.12.2018</b>	<b>1 211 170</b>	<b>1 211 170</b>

Depreciation rates (life) 5 years/linear

## Note 5 Depreciable assets

	Plots	Buildings and other real property	Machinery and transport	Movables, fixtures and equipment, tools, etc.	Total
Acquisition cost as at 01.01.2018	0	802 513	93 236	24 288 157	25 183 906
Acquisitions during 2018	0	0	0	1 444 262	1 444 262
Disposals at acquisition cost during 2018 (-)	0	0	-93 236	0	-93 236
From installations under construction to another group during 2018	0	0	0	0	0
<b>Total acquisition cost as at 31.12.2018</b>	<b>0</b>	<b>802 513</b>	<b>0</b>	<b>25 732 419</b>	<b>26 534 932</b>
Accumulated amortisation as at 01.01.2018	0	0	0	0	0
Amortisation during 2018	0	0	0	0	0
Accumulated depreciation as at 01.01.2018	0	137 150	93 236	18 720 606	18 950 992
Ordinary depreciation during 2018	0	42 237	0	1 677 350	1 719 587
Accumulated depreciation, disposals during 2018 (-)	0	0	-93 236	0	-93 236
<b>Balance sheet value as at 31.12.2018</b>	<b>0</b>	<b>623 126</b>	<b>0</b>	<b>5 334 463</b>	<b>5 957 588</b>

Depreciation rates (life)	No depreciation	10-60 years decomposed linear	3-15 years linear	3-15 years linear	
Disposal of depreciable assets in 2018:					
Sale price upon disposal of fixed assets	0	0	5 000	0	5 000
- Book value of fixed assets disposed of	0	0	0	0	0
<b>= Accounting profit/loss</b>	<b>0</b>	<b>0</b>	<b>5 000</b>	<b>0</b>	<b>5 000</b>

## Note 6 Other operating expenses

	31.12.2018	31.12.2017
Rent	25 446 895	24 985 986
Other expenses for operation of property and premises	7 206 202	6 898 821
Hire of machinery, equipment, etc.	2 651 618	2 489 924
Minor equipment purchases	616 198	396 611
Repair and maintenance of machinery, equipment, etc.	119 137	356 732
Purchase of external services	35 980 048	30 006 860
Travel and subsistence	4 861 300	5 059 848
Other operating expenses	8 216 845	7 243 767
<b>Total other operating expenses</b>	<b>85 098 242</b>	<b>77 438 548</b>

### Summary of annual rental amounts according to rental agreements\*

	Duration between one and five years	Duration over five years	Total
Rental agreements	0	25 446 000	25 446 000
Rental agreements linked to intangible assets	2 122 000	0	2 122 000
Rental agreements linked to depreciable assets	530 000	0	530 000
Other rental agreements	0	0	0
<b>Total rental agreements</b>			<b>28 098 000</b>

\*Only important rental agreements are specified.

## Note 7 Financial income and financial expenses

	31.12.2018	31.12.2017
<b>Financial income</b>		
Interest income	249	182
Currency gains (agio)	0	728
<b>Total financial income</b>	<b>249</b>	<b>910</b>
<b>Financial expenses</b>		
Interest expense	1 885	3 096
Currency losses (disagio)	58	0
<b>Total financial expenses</b>	<b>1 943</b>	<b>3 096</b>

## Note 8 Relationship between settled with the State Treasury and outstanding account with the State Treasury

### A) Settled with the State Treasury

	31.12.2018	31.12.2017	Change
Intangible assets, depreciable assets and financing thereof			
Intangible assets	1 211 170	633 472	577 697
Depreciable assets	5 957 588	6 232 914	-275 325
State financing of intangible assets and depreciable assets	-7 168 758	-6 866 386	-302 372
<i>Total</i>	<b>0</b>	<b>0</b>	<b>0</b>
Financial fixed assets			
Other receivables	44 574 664	45 130 189	-555 526
<i>Total</i>	<b>44 574 664</b>	<b>45 130 189</b>	<b>-555 526</b>
Current assets			
Trade debtors	1 295 849	852 967	442 882
Earned, uninvoiced income	15 183 661	13 022 522	2 161 139
Other receivables	8 287 186	1 274 651	7 012 534
<i>Total</i>	<b>24 766 695</b>	<b>15 150 140</b>	<b>9 616 555</b>
Non-current commitments and liabilities			
Other non-current liabilities	0	0	0
<i>Total</i>	<b>0</b>	<b>0</b>	<b>0</b>
Current liabilities			
Trade creditors	-385 259	-262 864	-122 395
Tax deductions payable	-8 909 944	-8 089 931	-820 013
Accrued public duties	-3 531 549	-3 579 529	47 980
Provision for holiday pay	-17 757 813	-17 262 141	-495 672
Other current liabilities	-6 924 060	-6 843 441	-80 619
<i>Total</i>	<b>-37 508 624</b>	<b>-36 037 906</b>	<b>-1 470 718</b>
<b>Settled with the State Treasury</b>	<b>31 832 734</b>	<b>24 242 423</b>	<b>7 590 311</b>

### Reconciliation of change in settled with the State Treasury (congruence non-conformity)

Corporate account, outgoing payments	-295 605 206
Corporate account, incoming payments	180 480 184
<i>Total net deduction from corporate account</i>	-115 125 022
+ Recognised income from appropriation (sub-accounts 1991 and 1992)	222 272 392
- Group life/National Insurance contributions (sub-accounts 1985 and 1986)	-25 467 205
+ Net scheme, State paid value added tax (sub-account 1987)	11 195 855
- Reversed deferred income upon disposal of fixed assets, where the provision is not recognised in the income statement (sub-account 1996)	0
Correction of provision for holiday pay (employees who move to another State position)	-1 877
Debt collection, sector charges	-101 019 979
Other reconciliation items (specified)	555 525
<i>Difference between recognised and net deduction from corporate account</i>	-7 590 311
Net income from the period's activities before settlement with State Treasury	0
<b>Change in settled with the State Treasury</b>	<b>-7 590 311</b>



## Note 8 Relationship between settled with the State Treasury and outstanding account with the State Treasury

### B) Difference between settled with State Treasury and outstanding account with State Treasury

	<u>31.12.2018</u>	<u>31.12.2018</u>	
	Specification of <u>posted</u> settlement with the State Treasury	Specification of <u>reported</u> outstanding account with the State Treasury	Difference
Intangible assets, depreciable assets and financing thereof			
Intangible assets	1 211 170	0	1 211 170
Depreciable assets	5 957 588	0	5 957 588
State financing of intangible assets and depreciable assets	-7 168 758	0	-7 168 758
<i>Total</i>	<b>0</b>	<b>0</b>	<b>0</b>
Financial fixed assets			
Other receivables	44 574 664	0	44 574 664
<i>Total</i>	<b>44 574 664</b>	<b>0</b>	<b>44 574 664</b>
Current assets			
Trade debtors	1 295 849	0	1 295 849
Earned, uninvoiced income	15 183 661	0	15 183 661
Other receivables	8 287 186	96 692	8 190 494
<i>Total</i>	<b>24 766 695</b>	<b>96 692</b>	<b>24 670 003</b>
Non-current commitments and liabilities			
Other non-current liabilities	0	0	0
<i>Total</i>	<b>0</b>	<b>0</b>	<b>0</b>
Current liabilities			
Trade creditors	-385 259	0	-385 259
Tax deductions payable	-8 909 944	-8 912 054	2 110
Accrued public duties	-3 531 549	-16 423	-3 515 126
Provision for holiday pay	-17 757 813	0	-17 757 813
Other current liabilities	-6 924 060	12 835	-6 936 895
<i>Total</i>	<b>-37 508 624</b>	<b>-8 915 642</b>	<b>-28 592 983</b>
<b>Total</b>	<b>31 832 734</b>	<b>-8 818 950</b>	<b>40 651 684</b>

## Note 9 Debt collection and other transfers to the State

	<u>31.12.2018</u>	<u>31.12.2017</u>
Sector charge, hours	-71 684 707	-70 649 629
Reimbursed expenses, consultants, sector charge	-24 064 223	-18 956 655
Reimbursed expenses, assistance from State enterprises, sector charge	-400 000	-600 000
Reimbursed expenses, other operating expenses, sector charge	-1 924 707	-1 528 486
Reimbursed expenses for travel, sector charge	-2 077 282	-2 601 930
Clearing account, provisions, sector charge	3 617 916	25 606 201
Clearing account, receivables, sector charge	-869 061	339 066
Earned, uninvoiced income, sector charge	-3 617 916	-25 606 201
<b>Charges and fees directly to the State Treasury</b>	<b>-101 019 979</b>	<b>-93 997 634</b>

Sector charge revenue is classified as debt collection. Sector charge collection is not included in operating revenues, but is presented as a result-neutral throughput item recognised according to the cash principle in the income statement.

## Note 10 Other receivables

	<u>31.12.2018</u>	<u>31.12.2017</u>
Paid value added tax surcharge, accumulated as at 01.01	54 900 633	48 800 633
Paid value added tax surcharge	2 600 000	6 100 000
<i>Total paid value added tax surcharge as at 31.12.</i>	57 500 633	54 900 633
Expensed prepaid rent, accumulated as at 01.01	9 770 444	7 049 638
Expensed prepaid rent	3 155 526	2 720 806
<i>Total expensed prepaid rent</i>	12 925 969	9 770 444
<b>Total financial fixed assets</b>	<b>44 574 664</b>	<b>45 130 189</b>

Under the agreement concerning the leasing of premises applicable from 1 January 2013, PSA is required to pay a value added tax surcharge ('the surcharge') to compensate the lessor for the reduction in its right to deduct value added tax for construction costs. The surcharge is also intended to cover interest from the date on which the deduction for value added tax could have been obtained through until the date on which the surcharge is paid. The surcharge is considered to form part of the rent paid by PSA and is financed via an appropriation during the years in which the surcharge is paid.

In PSA's balance sheet, deposited amounts are classified as a non-current receivable in the form of prepaid rent which is accrued over a period of 20 years, corresponding to the term of the rental agreement. The matching principle (see SRS 10 point 5) is used in connection with this item and has a counter-entry on the accounting line "Settlement with State Treasury". The provision is dissolved in line with the expensing of prepaid rent at the rate of one twentieth share per year.

As at 31.12.2018, PSA has paid NOK 57.5 million, and NOK 7.6 million in value added tax compensation remains to be paid.

## Note 11 Trade debtors

	<u>31.12.2018</u>	<u>31.12.2017</u>
Trade debtors at nominal value	1 295 849	852 967
Provision for bad debts (-)	0	0
<b>Total trade debtors</b>	<b>1 295 849</b>	<b>852 967</b>

## Note 12 Earned, uninvoyed income

### Earned, uninvoyed income (receivable)

	<u>31.12.2018</u>	<u>31.12.2017</u>
Assignment and collaborative activities	2 714 806	1 468 807
Supervisory activity - fees	12 468 855	11 553 715
<b>Total earned, uninvoyed income</b>	<b>15 183 661</b>	<b>13 022 522</b>

### Note 13 Other current receivables

	<b>31.12.2018</b>	<b>31.12.2017</b>
Prepaid salary	0	0
Travel advances	68 012	124 638
Personnel loans	0	0
Other receivables on employees	0	0
Prepaid rent	7 259 402	0
Other prepaid costs	377 961	568 203
Other receivables	581 811	581 811
<b>Total other current receivables</b>	<b>8 287 186</b>	<b>1 274 651</b>

### Note 14 Other non-current liabilities

	<b>31.12.2018</b>	<b>31.12.2017</b>
Salaries payable	3 455 090	3 642 706
Other debts to employees	2 926 427	3 195 483
Accrued expenses	553 482	0
Advance payments received	0	0
Deferred income, Safety Forum	-12 835	3 356
Provision for pension premiums to SPK, employer's share	0	0
Other current liabilities	1 896	1 896
<b>Total other current liabilities</b>	<b>6 924 060</b>	<b>6 843 441</b>



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