

# ANNUAL REPORT 2016



PETROLEUM SAFETY AUTHORITY  
NORWAY



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PART I

## PART I. CEO'S REPORT 2016

### Important challenges in 2016

We can look back on 50 years of oil history and the strong progress we have made in efforts to reduce risk through what we call the Norwegian model with function-based regulations, good standards and trust-based multipartite cooperation. In the last two years we have, however, seen a development pointing in the wrong direction, and which is cause for concern. There is a need to take action!

The petroleum industry is actively working to adapt to new conditions in which focus on cost is a part of everyday life. But what happens to safety under such conditions? In 2016, we asked whether safety stands at a crossroads and challenges the ambition of continuous improvement and continued risk reduction. There are nuances in the responses, but it is agreed that there is room for improvement. We cannot sit back and just wait for developments. We have to be proactive and turn this development in the right direction.

Restructuring and increased requirements for efficiency involve increased pressure on the interaction between the parties. It is thus particularly important to stick to the principles that underlie strong multipartite cooperation. Dialogue and collaboration among the parties take place through the established tripartite arenas, such as the Safety Forum and the Regulatory Forum, which we organise and lead. Tripartite cooperation has helped to ensure a high HSE level within the petroleum industry. Moreover, multipartite cooperation in the individual company is a central part of our supervision. Our experience is that companies that

have a good collaborative climate in which employee participation works, achieve better HSE results.

In 2016, there have been several serious well control incidents, gas leaks and personal injuries. As the supervisory authority, we are investigating these incidents to gain clarity as to what happened, and to highlight the learning points to prevent such accidents re-occurring in the future. With regards to the investigative work, we have asked ourselves several questions. What are the underlying causes of the incidents? Are there similarities between them, or are there random variations? Is there a correlation between the incidents and restructuring and streamlining in the industry? In conclusion, we see that the developments in the last two years have been marked by safety challenges and serious situations. Cost cuts appear to be a contributing factor, and this progression must be reversed.

### Follow up from authorities

We have an overriding responsibility to prepare and enhance the regulations and supervise compliance with the HSE regulations in the petroleum activities. Our supervision is risk-based and is prioritised based upon the challenges we see in the industry. In 2016, we have carried out audits of change processes, technical conditions, barrier management, the role of safety representatives, framework conditions, emergency preparedness and maintenance, just to name a few. We have followed up on alerts and we have seen the after-effects of restructuring and streamlining.

With regard to the annual performance targets in the letter of allocation, we have formulated main priorities, which will challenge, give direction and influence both us and the industry to continuously improve the work within HSE. Our main priorities are well-known and are generally considered to have had a positive effect within the industry, while also contributing to both greater awareness and competence development. In 2016 we have had: **Safe Late Life, Management Responsibility, Barriers** and **the North** as our main priorities.

The goal for the **Safe late life** main priority is to help to ensure that fields, facilities and installations in late life are operated responsibly and in accordance with HSE regulations. It has also been important to contribute to increased knowledge about safety in late life, clarify limits for prudent activities and increase the awareness of the participants regarding their responsibilities, and to develop safe and robust operating models for late life. In 2016, we have carried out installation audits in late life, and gathered information about the special challenges within this phase. The work has had effect in the form of new knowledge and understanding both internally and among the participants. A key point is that the need to ensure safety, including in the mature phase, is just as important no matter the framework conditions. We have given priority to interdisciplinary supervision prior to making application for extended life of the facilities. Late life is also included as a central theme in cooperation with other authorities in petroleum activities around the North Sea basin (NSOAF). Norway is contributing to a special audit series with maintenance and late life as the theme in 2017.

Through the **Management responsibility** main priority, we have provided ourselves with information regarding the conditions that affect management's responsibility and what companies are doing to maintain and further develop a high HSE level. The goal has been for HSE risks

during changes and their effects in the short and long term to be identified; for change processes in the companies to contribute to the improvement of safety and the working environment; and for the participants and the parties to work constructively together to solve common challenges. Audits we have carried out have had effects in terms of greater knowledge in these areas, more awareness with regard to the management of change processes and clarifying management responsibilities in relation to the companies' crackdown on major accidents and working environment risks.

The reason for the **Barriers** main priority was that failures and weakening of barriers have been a recurring cause of unintended incidents. The companies must safeguard barriers in a holistic and consistent manner in order to minimise risks. In 2016, we worked on updating the *"Principles of barrier management in the petroleum industry"* (Barrier memorandum) with regards to how companies can identify and follow up on technical, operational and organisational barrier elements. In 2016, we also carried out audits where barriers linked to well integrity, well control, hydrocarbon leaks, structures and marine system integrity have been particularly emphasised. 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 North** main priority has had the goal of ensuring that petroleum activities in the northern territorial waters of the Norwegian continental shelf are carried out responsibly and guarantee the safety of people, the environment and economic assets. It is essential that the industry works towards a holistic and robust approach to these challenges. We contribute through our activities within The North main priority to ensuring that the participants pay close attention to safety in northernmost areas, collaborating with one another on safety-related challenges

and continuing with systematic work to secure petroleum activities in the northern areas.

In the project, **Risk Levels in the Norwegian Petroleum Industry (RNNP)** wherein the authorities, industry associations, trade unions and relevant research environments participate, the development in the petroleum industry is monitored through a number of safety and work environment indicators. RNNP is an objective indication of the level of risk in the industry and measures trends over time. RNNP figures for 2015 show that a number of conditions have developed negatively compared with the last few years. Among other things, the total indicator for major accidents was at a higher level in 2015 compared with the two previous years. The results of the questionnaire survey also show a deterioration in several areas, such as the HSE climate. The changes were not dramatic, but they were systematic, and helped substantiate our concern over this trend.

The figures for 2016 are currently being collected and will be presented in April 2017. RNNP is an important tool for interaction and common understanding between the parties in the petroleum activities. The work is also important for showing trends in the prevention of acute pollution (RNNP-AU). I hope the parties continue to provide input to RNNP in years to come and use the results to identify measures and improvement areas. We use RNNP actively in prioritising risk-based supervision and as a basis for carrying out special studies.

The Ministry of Labour and Social Affairs (ASD) has appointed a multipartite working group to assess and discuss the state of HSE and developments in the industry. This is preparatory work for a possible White Paper in 2018 concerning HSE within petroleum activities, in which we, together with industry participants, other agencies, as well as specialist and research environments, will be a key contributor.



### The effect of our work

Many factors affect the level of safety. This makes it challenging and complex to assess and report on the effect of our efforts. The Petroleum Safety Authority Norway plays an important but limited role in achieving the goals in the work on health, safety and the environment in the petroleum activities. An assessment of the effects of our initiatives must be viewed in the light of key constraints for our follow-up of the activities. We have a function-based regulation in the form of accountable participants, a risk-based supervision in addition to the participants' own follow up and an important multipartite and tripartite cooperation that will contribute towards good solutions.

There is no clear-cut way to measure the overall impact of our efforts, but there is reason to believe that our governance helps to maintain and further develop safety in the activities. Our assessment is that the greatest effect is achieved through systematic efforts over several years, both for the supervisory authorities and the participants themselves.

### Main Theme 2017 - Reversing the Trend

The industry is going through major restructuring with downsizing and organisational changes. These challenges belong to the parties: companies, employees and the authorities. Safety work is a shared responsibility, and we must work systematically if we are to achieve the goal of being a world leader in health, safety and the environment. To contribute towards getting development back on the right track, we have launched our Main Issue 2017: **Reversing the trend - with PSA as the driver and the industry as the performer.**

The main issue will be current in one year. This work will be highly prioritised by us and the industry in 2017. This means that the four main priorities from 2016 will be concluded by the beginning of 2017, but the work within these areas will still continue in the fixed tasks, projects, and through the Main Issue in 2017.

We will conduct a series of audits and projects aimed at the companies' efforts to reverse a worrisome development. We have chosen to prioritise the work with Main Issue 2017 within three defined areas: **multipartite collaboration, robustness and standardization.** These shared issues are all central parts of the Norwegian model, as it is important to protect further development. We will monitor and measure the effect of the efforts both during and afterwards. Some results of our efforts may be quick to achieve, while others will take longer in which to see the effects. But the trend will be reversed, and this requires an effort from everyone involved.

Anne Myhrvold



*Director General, Petroleum Safety  
Authority Norway  
Petroleum Safety Authority Norway,  
15 March 2017*





PART II

## PART II. INTRODUCTION TO THE ORGANISATION AND KEY FIGURES

The Petroleum Safety Authority Norway (PSA) is an independent government supervisory body and is responsible for safety, emergency preparedness and the working environment and safety within petroleum activities. The authority was established through the Crown Prince Regent's Decree of December 19, 2003. The authority reports to the Ministry of Labour and Social Affairs (ASD).

### Supervision and directorate

The supervision includes all follow up activities carried out by the PSA in order to obtain a picture of the safety status of one or more participants in the petroleum industry. The PSA is responsible for technical and operational safety, emergency preparedness, security and the working environment throughout every phase of the business. The PSA has been delegated authority to make individual decisions in the form of consents, orders, coercive fines, the suspension of activities and exceptions. It is our responsibility to make sure that participants conduct their activities in accordance with the requirements of the regulations. In addition, we are a driving force for continuous improvement of the health, environment and safety level in the petroleum business.

The authority's remit encompasses petroleum activities on the Norwegian continental shelf, in addition to petroleum installations

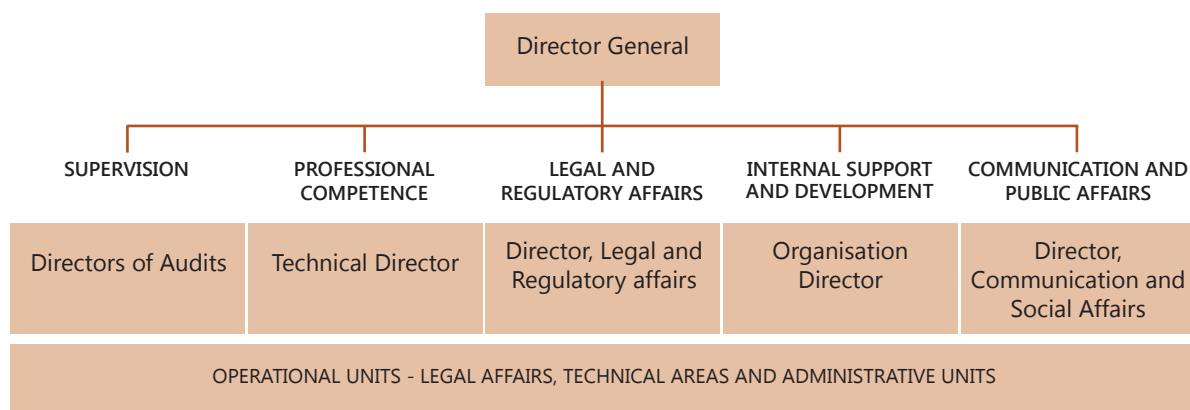
and associated pipeline systems at Melkøya, Tjeldbergodden, Nyhamna, Kollsnes, Mongstad, Sture, Kårstø and Slagentangen. The ministry has also decided that the PSA is to be the supervisory authority for the planned gas power stations at Hammerfest, Skogn and Grenland, and the associated pipelines, as well as the planned reserve gas power station in Nyhamna.

The supervision must be system-oriented and risk-based, and it must be in addition to, rather than a substitute for the companies' monitoring of their own business. There must be a balanced relationship between the supervisory role with regards to high-risk/technological supervision and work-related supervision.

In addition to being a supervisory element, the PSA is also a pivotal administrative body with directorate tasks. The PSA acts as an academic advisor to the ASD and as a competent body with respect to the sector, other authorities and the general public. In recent years, we have seen an increase in the scale of the directorate's tasks. This is especially true for tasks related to the professional advice to the Ministry, our role as a competent body facing the sector through, for example, disclosure of the facts and knowledge, and as an administrator of regulations. We expect the scope of directorate-related tasks to increase in the coming years. Provisions will be made to ensure that this increase does not take place at the expense of performing our supervisory role.



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



Within areas where it is not appropriate for the PSA to possess specific expertise, agreements have been established concerning the provision of assistance by other authorities such as the Directorate for Civil Protection, the Civil Aviation Authority, the Meteorological Institute and the Maritime Authority. Agreements have also been established with the Norwegian Labour Inspection Authority, the Norwegian Coastal Administration (KV), the Norwegian Environment Agency (Mdir), the Norwegian Radiation Protection Agency (NRPA), the Norwegian Health Inspection Authority (Htil), County Governor of Rogaland (FMRO), the Norwegian Petroleum Directorate (OD) the Norwegian Water Resources (NVE) and the Police.

### Organisation

The PSA is organised into the following areas: supervision, professional competence, legal and regulatory affairs, operations and development, as well as communication and public affairs. See the organisational chart above.

### SENIOR MANAGEMENT

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

### SUPERVISION

Six main groups monitor each sector or group of participants within the industry. Each supervisory group is led by a supervision coordinator, who has product responsibility and formal decision-making powers. Contacts have been designated for each group. These people act as fixed points of contact for the various participants.

### PROFESSIONAL COMPETENCE

The PSA's HSE competence is divided into six disciplines, each of which has a discipline leader who is responsible for personnel and competence development. The six professional competencies are:

- Drilling and well technology
- Process integrity
- Structural safety
- Logistics and emergency preparedness
- Working environment
- HSE management

### LEGAL AND REGULATORY AFFAIRS

Our lawyers help to safeguard the legal quality of regulations, supervisory reports and other products in which the formal basis must be clear and unambiguous. The entity has a responsibility for white papers to the Ministry, regulatory development, standardisation work and agreements with other authorities.

### COMMUNICATION AND PUBLIC AFFAIRS

The professional community is responsible for media relations, operating the website and preparing printed and online publications.

### INTERNAL SUPPORT AND DEVELOPMENT

The department is responsible for internal operations and organisational development and consists of key support functions within finance, HR, document centre, internal assurance and ICT, in addition to a designated technical library for staff.

### Staff

At the end of 2016, the PSA had 170 employees, of whom 167 were fulltime, and 1 office appren-

tice. The combined resource base amounts to 163 man-years to fulfil the objectives, which have been established for responsible authority-monitoring of the industry's compliance with applicable regulatory conditions. Of the employees, 46 percent are women and 54 percent are men.

### Main Priorities 2016

In our annual activity planning, we take into account a series of factors, which reflect the reality in which the supervisor exercises its role as a competent authority, and the requirements and expectations that are imposed by the ASD. To ensure the best possible utilisation of our resources, a number of main priorities are established every year, which form the basis for the supervisory activity. These main priorities are strategic tools for giving signals both internally and externally to the industry with regards to what the supervisory authority wishes to focus on during the activity year. In 2016, our main priorities were as follows:

- Safe late life
- Management responsibility
- Barriers
- The North

### From the main priorities to one annual Main issue 2017: Reversing the trend

At the launch of the annual Main theme 2017, the PSA will conclude work with the main priorities from 2016. The work with the issues in the main priorities will continue in fixed tasks and projects in the PSA, and must be continued by the industry.

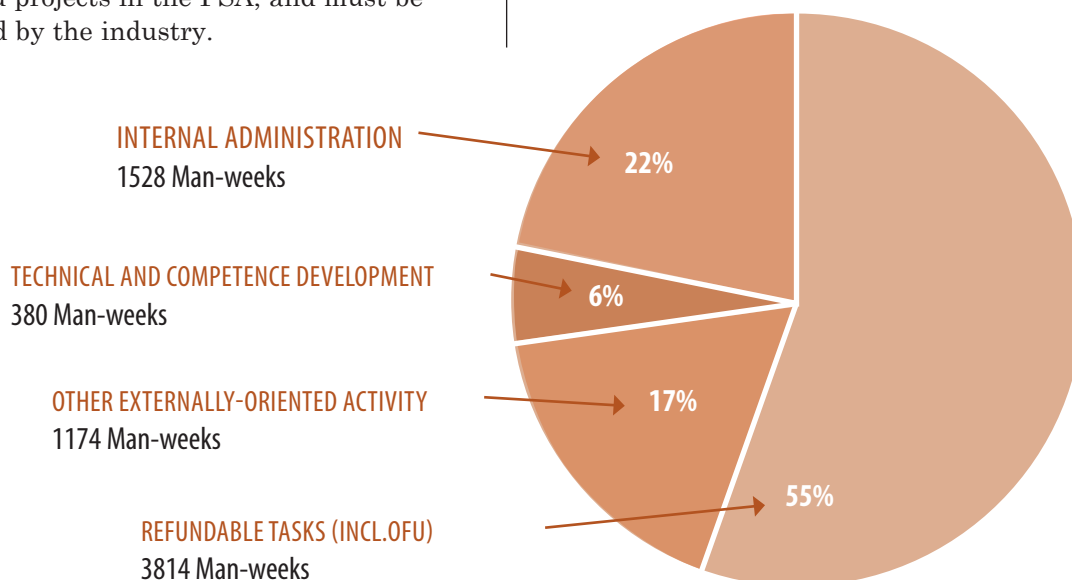
### Resource utilisation in 2016

The PSA has established systems for internal management of resources within the authority. All the 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 flex-time arrangements. This gives us an overview of the total time spent on the various tasks that we perform. Our resource utilisation in 2016 is broken down into the following main areas:

- Refundable tasks: Including supervisory tasks and assistance tasks under the Norwegian Agency for Development Collaboration/Oil for Development (Ofu).
- Other externally-oriented activity: Includes directorate-related tasks, consulting and information dissemination.
- Technical and competence development: Includes project work, professional skills and competence development.
- Internal administration: Includes management, strategic work, non-refundable planning, budgeting, organisational development and case processing linked to contracts and procurements, personnel/finance, ICT operation, building operation, internal safety, document centre and library.

### Resource utilisation per main area

The diagram and table below show the resource utilisation broken down between specified main areas in a time series.



Year	Refundable tasks	Other externally oriented activity	Technical and competence development	Internal administration
2014	55 %	13 %	8 %	24 %
2015*	56 %	15 %	7 %	22 %
2016*	55 %	17 %	6 %	22 %

\*We have included 12.9% (corresponding to the admin. share of the hourly rate) of resource utilisation Internal administration in the Refundable work (including NORAD), this is the share of admin. hours that goes to support our refundable use of time

### Refundable work

This category includes all planning and implementation of the PSA's refundable tasks, which were performed during 2016. Total resource utilisation amounted to 55% for 2016 (3,814 man-weeks). Activities under this category are described in more detail under the reports on the relevant performance targets. In connection with Norwegian aid work, we are contributors to the Norwegian Agency for Development Cooperation's Oil for Development programme.

### Quantitative measurements

The table below presents an overview of relevant activities and products over time, with a number of general remarks linked to the figures and their development:

**Audits/verifications:** In 2016, the number of audits reached the same level as in 2015.

**Order notices/number of orders:** Shows an increase in 2016. The use of means is assessed in each individual case. We therefore consider the increase a random variation. The order was given after investigations and ordinary audits. Two orders were given to Eni in 2016. The order, which was given after the event at COSLInnovator near the end of 2015, was later withdrawn.

**Coercive fines and suspensions:** We have traditionally not used means of coercive fines and suspensions. We have experienced that operators in critical situations take responsibility themselves and stop the activities.

**Police reviews:** A police report is not a means in itself, because a formal review does not make the entity being reviewed undertake any obligations. It is the following, if any, reaction that

QUANTITATIVE MEASUREMENTS	2014	2015	2016
Number of audits/verifications	172	200	196
Number of order notices	3	1	7
Number of orders	3	1	7
Number of coercive fines, police reports and suspensions	0	0	0
Number of investigations	4	10	8
Number of offshore days	389	447	438
Number of consents issued	114	98	78
Number of applications for Acknowledgements of Compliance (AoC)	5	4	4
Number of Plans for Development and Operation (PDO) and Plans for Installation and Operation (PIO)	0	5	4

then will be the means. We do, however, work closely with the police, particularly with regards to serious incidents.

**Investigations:** The number of investigations varies from year to year for different reasons, and in 2016 we saw a slight decrease in comparison with 2015. The severity of an incident is the most important criterion, but other factors may also be decisive with regards to whether we decide to conduct an investigation or whether we follow up the incident in some other way. So far, we have no basis for determining whether the increase in the number of investigations during the last two years reflects an increase in risk, but we will monitor developments closely in 2017.

**Offshore days:** In 2016, there was a slight decrease in the number of offshore days.

**Consents issued:** In 2016, the figures show a significant reduction in the number of consents. This is due partly to the fact that companies in 2015 and in 2016 implemented cost-cutting measures at which point they either deferred activities or decided to cancel planned drilling operations.

**Acknowledgement of Compliance (AoC) applications:** The number of processed AoC applications reflects the number of mobile facilities visiting the Norwegian shelf for the first time. The number of applications was unchanged in 2016 with respect to 2015.

**Plans for Development and Operation/Installation and Operation (PDO and PIO):** In 2016, we saw a slight reduction from 2015, despite a sharp reduction of activity for drilling facilities on the Norwegian continental shelf. There are facilities that have been under construction, which are now ready for delivery. We note that there are still projects that are planned and implemented despite restructuring and efficiency measures in the industry.

**Other externally oriented activity, including directorate tasks and information dissemination:**

Directorate tasks largely consist of tasks linked to regulatory developments and interpretation, participation in standardisation work and the provision of advice to the Ministry, as well as the facilitation of contact with national and international authorities. In 2016, this accounted for 17 percent (1,174 man-weeks) of the total resource utilisation within the PSA. This category also includes proceedings related to police matters, appeals, hearings and access requests:

CASES FOR PROCESSING:	2014	2015	2016
Police cases	6	3	5
Appeals	10	5	16
Hearings	101	97	102
Access Requests	3262	3836	5433

**Police cases:** In 2016, we received 5 police cases for processing.

**Appeals:** In 2016, we processed 16 appeals. The vast majority of appeals we receive for processing apply to transparency requirements. In 2016, we had three appeals on decisions made pursuant to HSE regulations, which applied to night work and the average calculation of work hours.

**Hearings:** In 2016, we received 102 hearings regarding proposed new or modified regulations. We also actively contribute to standardisation work, and participate in committees for updating existing, and the preparation of new, national and international standards.

**Access Requests:** In 2016, we received 971 inquiries with access requests in 5,433 journal records. There were 1,597 more than in 2015.



**Technical and competence development, including project work, technical investigations:**

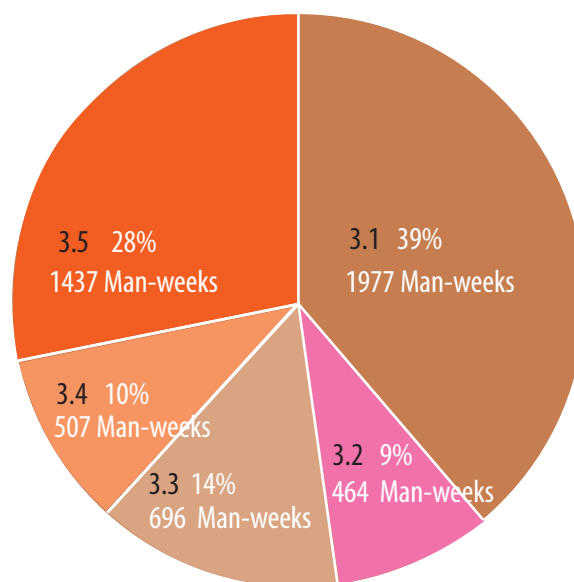
In order to monitor technological and knowledge-related developments within petroleum activities and to have an updated academic basis for the supervision, the supervisory authority must also prioritise its own technical and competence development. Knowledge development at the state level takes place both through the provision of external support from R&D communities and consultants, and through internal technical investigation work. Individual technical development is considered to be important for the organisation's own employees through internal and external training and development. Overall resource utilisation under technical and competence development, (which is not covered by the sector tax scheme), was 6 percent during 2016 (380 man-weeks).

**Internal administration, including: management, strategic work, planning, budgeting and organisational development (OU)**

This category covers governance and management within the PSA, including strategic work, planning, budgeting, management, technical and team meetings, organisational development activities, collaboration with the occupational safety service, internal collaboration and administrative support activities. Internal administration also covers case processing linked to contracts and procurements, human resources, finance, ICT, and library. Overall resource utilisation during 2016 was 22 percent (1,528 man-weeks).

**Resource utilisation per performance target**

The diagram below shows a breakdown of resource utilisation which can be linked to the performance targets in the letter of allocation. Resource utilisation, which cannot be directly linked to at least one performance target, is not a representation. Many of the tasks also contribute to several performance targets. The model below can give an oversimplified picture when it comes to the distribution between the performance targets because the activities often have the element of several performance targets themselves.



- 3.1 The risk of major accidents in the petroleum sector will be reduced
- 3.2 Work life should be serious and safe
- 3.3 There is a need for an advanced level of knowledge concerning health, safety and the environment, together with security in the petroleum activities.
- 3.4 Petroleum regulations will contribute to the achievement of goals for health, safety and the environment
- 3.5 The PSA shall act predictably and uniformly across businesses and shall continuously strive to create trust and confidence in the public forum.



### Resource utilisation per performance target in table form:

The table below gives an overview of resource utilisation broken down between individual performance targets in the letter of allocation. The breakdown is shown as a percentage and in man-weeks for 2016. Compared with previous years, the breakdown is largely coincidental.

Year	PERFORMANCE TARGETS									
	3.1		3.2		3.3		3.4		3.5	
	%	Man-weeks	%	Man-weeks	%	Man-weeks	%	Man-weeks	%	Man-weeks
2015	33	1,710	10	535	20	1,017	9	465	28	1,464
2016	39	1,977	9	464	14	696	10	507	28	1,437

### Key figures from the 2014 - 2016 annual financial statements

A presentation of selected key figures from 2014-2016 is given below with corresponding explanations.

Key figures	2014	2015	2016
The number of man-years	167	168	166
Combined allocation, items 01-99	263,113,500	257,860,500	269,967,979
Utilisation ratio, items 01-29	97.0	94.6	92.1
Operating expenses	284,312,204	274,538,314	279,246,902
Salary expenses as a proportion of operating expenses:	0.66	0.71	0.70
Salary expenses per man-year	1,125,233	1,164,695	1,174,139

**Number of man-years:** In 2016, the number of man-years decreased by 1.26% compared with 2015. The reduction was due to employees terminating employment because of retirement and certain positions have not been refilled.

**Combined allocation, items 01-29:** Total allocation for items 01-29 increased by NOK 12.1 million in terms of the overall allocation in 2015. This is mainly due to the increase in the transfer of funds and appropriations related to increased monitoring of the safety in the petroleum sector, in particular with regards to the evacuation means.

**Utilisation ratio for items 01-29:** The utilisation ratio indicates the percentage of expenses under items 01-29 of the allocation and this has decreased from 94.3 percent to 92.1 percent. This can be seen in the context of the shift in activities

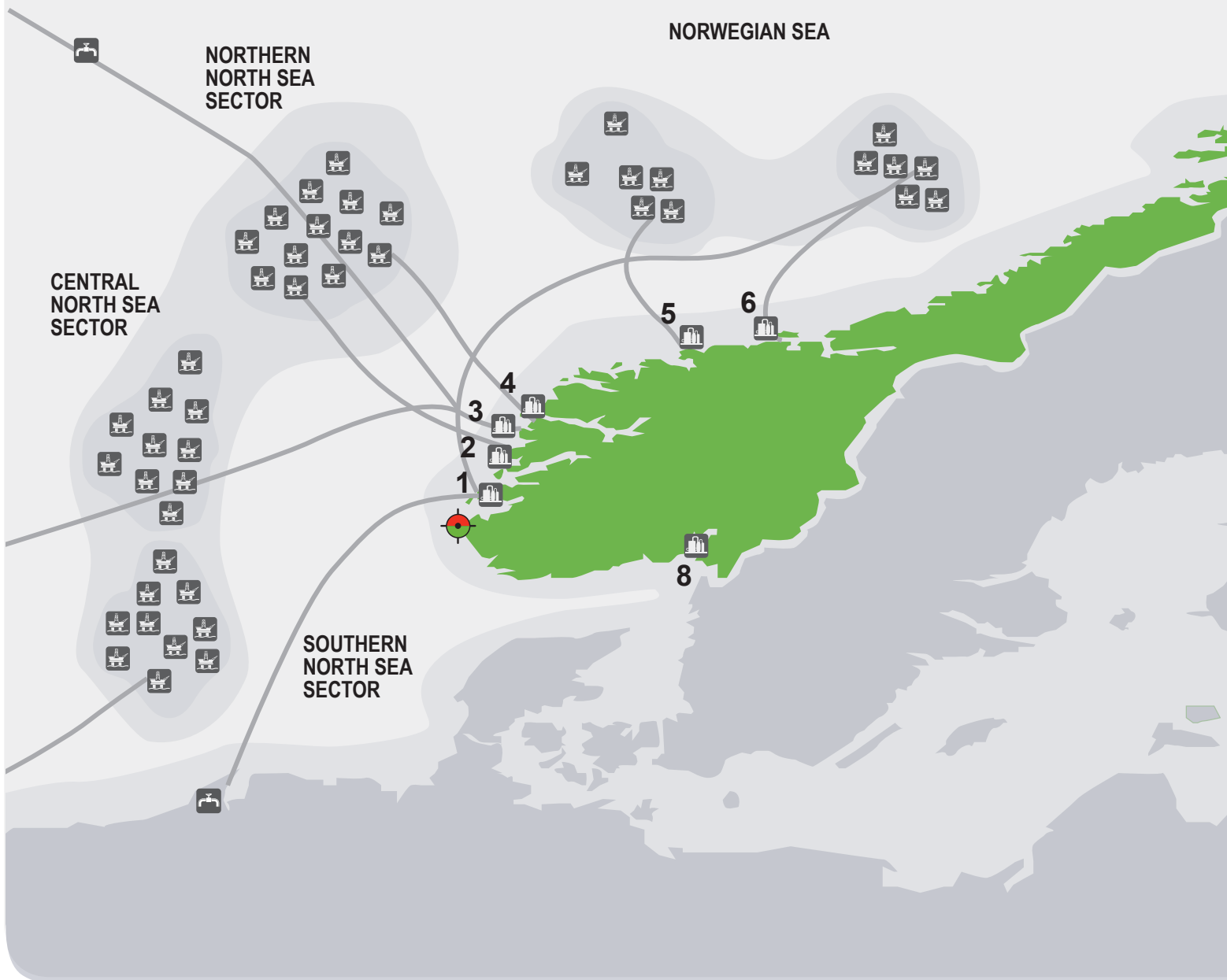
beyond the budget period and lower expenditures in some projects. The need for financial freedom that allows us to account for unforeseen costs throughout the year and time-defined projects, will also give a variation in the utilisation rate from year to year.

**Operating expenses:** Operating costs in 2016 increased by NOK 4.7 million in 2015, mainly due to increased consulting costs with regards to the implementation of activities funded through the sector fee.

**Salary expenses as a proportion of operating expenses:** Salary expenses as a proportion of operating costs reduced by 0.01 percent to 0.70.


**Salary expenses per man-year:** A comparison of salary expenses per man-year for 2015 and 2016 shows an increase of 0.8%.

# OUR AREA OF RESPONSIBILITY








CA **80** Fixed installations/platforms

 **61** Rigs/units with AOC

CA **300** Subsea installations

 **8** Land-based plants

 CA **25 000** People

 **15 400** Km subsea pipelines

Southern North Sea	Central North Sea	Northern North Sea	Norwegian Sea	Barents Sea	Land-based plants
Brynhild	Atla	Brage	Alve	Goliat	1 Kårstø
Blane	Alvheim	Fram	Draugen	Snøhvit	2 Kollsnes
Ekofisk	Balder	Fram H-North	Heidrun		3 Sture
Eldfisk	Bøyla	Gimle	Hyme		4 Mongstad
Embla	Edvard Grieg	Gjøa	Kristin		5 Nyhamna
Gaupe	Enoch	Gullfaks	Marulk		6 Tjeldbergodden
Gyda	Grane	Gullfaks South	Mikkel		7 Melkøya
Hod	Gudrun	Knarr	Morvin		8 Slagentangen
Oselvar	Gungne	Kvitebjørn	Njord		
Tambar	Heimdal	Oseberg	Norne		
Tambar East	Islay	Oseberg South	Ormen Lange		
Trym	Ivar Aasen	Oseberg East	Skarv		
Ula	Rev	Snorre	Skuld		
Valhall	Ringhorne East	Statfjord	Tyrihans		
	Sigyn	Statfjord North	Urd		
	Skirne	Statfjord East	Åsgard		
	Sleipner West	Sygn			
	Sleipner East	Tordis			
	Svalin	Troll			
	Vale	Tune			
	Vilje	Valemon			
	Volund	Vega			
		Veslefrikk			
		Vigdís			
		Visund			
		Visund South			

**80** fields in production at 1.1. 2017

A watercolor illustration of firefighters in red gear working on a structure with rebar. The scene is rendered in a painterly style with visible brushstrokes and splatters. The firefighters are wearing red jackets and helmets, and are positioned around a structure with exposed rebar. One firefighter in the foreground is wearing a yellow helmet. The background is a mix of brown and red tones, suggesting a fire scene or a construction site. The overall composition is dynamic and focused on the workers.

# PART III

## PART III. ACTIVITIES AND RESULTS FOR 2016

### Long-term goals and overall priorities from the allocation letter.

In this section, a qualitative assessment has been conducted of the individual performance targets with their corresponding intermediate targets. Figures have also been included where relevant.

The Government's ambition is for the Norwegian Petroleum business to be the world leader in HSE. The level of safety in the Norwegian petroleum industry is essentially high. However, this high level will not maintain itself. Continuous efforts are needed to prevent the level of safety from declining over time and to ensure continuous improvement. In the project 'Trends in risk level in the Norwegian petroleum industry' (RNNP) in which the authorities, the industry, the parties and relevant research environments participate, the development in the industry is being monitored through a broad range of indicators, which are collated each year in an annual summary.

When new regulatory requirements are introduced or the industry faces comprehensive follow-up action, complete and thorough reviews of the estimated consequences, costs and benefit gains of the measures are required. The Ministry of Petroleum and Energy (MPE) has established a project in collaboration with affected HSE authorities with the purpose of developing the processes and framework for better socio-economic analysis of regulations and measures in the petroleum industry. During 2016, the PSA participated in work on the development of a sector guide for socio-economic analysis.

As the supervisory authority, we will place great

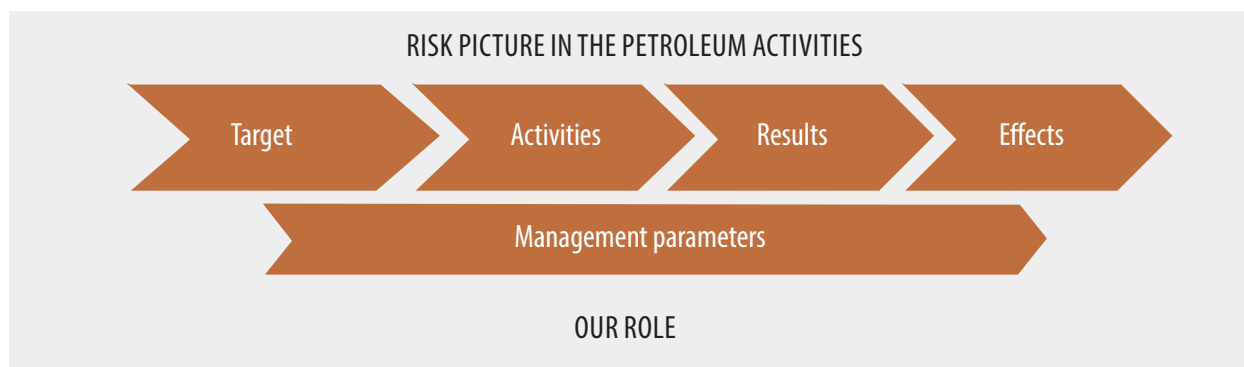
emphasis on imparting knowledge of risks and uncertainties. The supervision must be risk-based in that it focuses on those businesses and relationships where the risk of major accidents, injuries and occupational disease are considered to be the greatest. There is a lot of focus on cost levels in Norwegian Petroleum activities. Many participants in the industry have implemented efficiency measures in the form of cost and staffing reductions. In 2016, the PSA has followed up to ensure that companies in these processes safeguard the requirements of proper business and continuous improvement, and to ensure a high level of health, safety and environment. In 2016, the PSA was further strengthened by NOK 5 million to contribute to the development of knowledge regarding risk conditions in the northernmost regions.

### Development of management parameters

It is essential that the PSA's monitoring activities have an effect. The effect can be described through both qualitative assessments and quantitative indicators. Measurement and assessment of the effects is first and foremost about learning and further development of the supervision. This also provides important management information to the Ministry regarding whether we achieve our goals in an effective way.

In 2016, we began the work by identifying management parameters and reporting requirements that form the basis for reporting. We have developed a results chain that highlights this, see model below:

Based on our role, we establish targets based on the image we have of the risks in petroleum activities. The effects we achieve with our



Model: Result chain

activity will, in most cases, have a direct effect on the companies we supervise, and an indirect effect on the level of risk. It is primarily the companies' own activities that may affect the risk directly. An assessment of the effect of our initiatives must also be viewed in the light of our role and pivotal guidelines, which have been established as a basis for the authority's monitoring of activities. This here refers to function-based regulations, which hold the participants accountable, a risk-based audit in addition to the participants' own monitoring, and effective bipartite and tripartite collaboration.

### 3.1 The risk of major accidents in the petroleum sector will be reduced

Major accidents are the most serious that can occur within the petroleum activities.

Figures from RNNP showed a negative development on several important safety areas in 2015. While the major accident indicator was at its lowest level in 2014 since the RNNP measurements began, we saw an increase in 2015 that has caused concern. Beyond 2016, the turmoil was reinforced through increasing pressure in the industry with high-paced major change processes. We saw several examples of ineffective multipartite cooperation between employers and employees. Cost-cutting and reduction measures also received increasingly greater attention in the companies without the improvement of safety emerging as a clear ambition. Compared with a previous poll, the questionnaire survey highlighted the fact that offshore employees, to a greater extent, believe that companies de-pri-

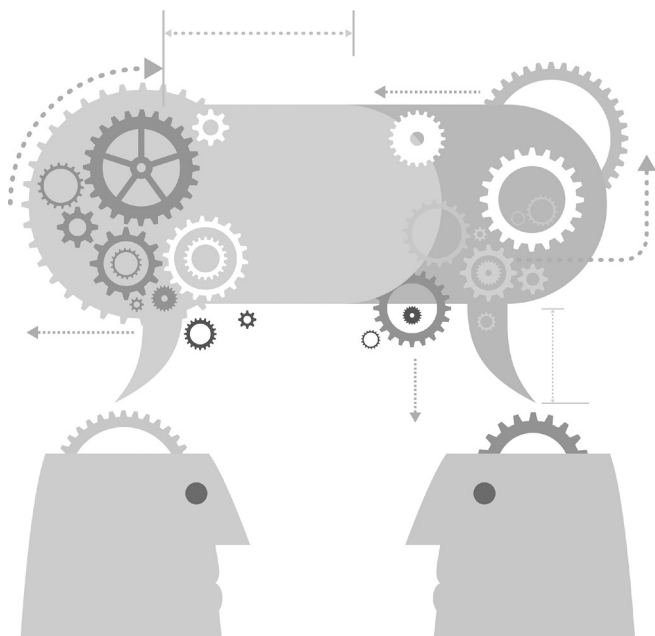
oritise health, the environment and safety. They experience pressure to work in a way that threatens safety, and they are less able to influence the HSE situation themselves. Based on a few key indicators related to potential major accident events, the picture is similarly composed, and it is difficult to draw a clear-cut conclusion based on the numbers from RNNP. The 2016 RNNP will be completed in April 2017.

The number of investigations varies from year to year for different reasons. The severity of the incident is the most important criterion for the initiation of an investigation. Other factors, however, may also be determinant with regards to whether we decide to conduct an investigation or whether we follow up the incident in some other way. An important factor under consideration is the potential for lessons that can be learned from the incident. The primary objective of an investigation is to learn lessons and pass on experience to the industry. Investigations are an important aspect of our supervisory activity. We investigated a total of 8 incidents in 2016:

- HC leak at Kårstø.
- Well control incident at Visund.
- Personal injury (person hit by a steel rope) on Goliat.
- Personal injury (H<sub>2</sub>S exposure) at Sture.
- Well control incident on Songa Endurance (Troll-field).
- Fire in equipment shaft on the Statfjord A.
- Gas leak (H<sub>2</sub>) at Mongstad.
- Fire in the engine room on the Scarabeo 5.

In the event of a serious incident, which could appear to be under development, we will normally man the emergency preparedness centre. This is done not only to monitor the participants' own handling of an incident, but also to share information with the affected company, other authorities and the outside world. In 2016, we manned the emergency preparedness centre as a result of the helicopter accident on Turøy and the fire in the engine room of the facility, Scarabeo 5.

#### Warnings and concern notifications



We work systematically with monitoring warnings and concern notifications. We have seen an increase from 20 registered concern notifications in 2015 to 36 registered concern notifications in 2016. We take all concern notifications seriously, and follow up with an audit should circumstances dictate the necessity. We also supervise the employer's duty to prepare for warnings. We also continuously evaluate how we, as supervisor, handle warnings and concern notifications.

### **Monitoring Statoil**

In 2016, we audited Statoil's improvement activities in which we looked at the company's own monitoring of the change programmes STEP, OE and New UPN. We have reviewed the company's continuous improvement of health, safety and the environment and their use of tools for risk management. Organising employee participation has also been an important part of the monitoring. Maintenance-management has been central in our monitoring of Statoil in 2016. This has been the topic of supervision both in operation and in the project.

Most of the events that we investigated in 2016 were at Statoil's facilities and installations. In this regard, we have had a number of meetings with Statoil, in which they have presented measures both at the corporate level and in individual units, in order to avoid repeat occurrences. In spring 2017, Statoil will present the results of its ongoing review of all serious incidents in recent years.

### **Monitoring Eni**

In 2016, we followed up the Goliat field outside of Hammerfest, in which Eni Norway AS is the operator. Consent to take the Goliat-facility into use was given in 2016. In spite of a longer stay at the shipyard in Norway than planned, there was still a lot of outstanding work when the facility was positioned in the field. There were also collaboration and communication problems internally within the company. As part of our monitoring, we asked Statoil, as a partner in the licence, to assess the facility. Our decision to give consent to use Goliat was based on confidence in Eni and Statoil's affirmative feedback that Goliat was ready to be put into operation, and

that the outstanding work was manageable and not safety critical. Throughout 2016, we closely monitored Goliat through supervision, and we have followed up on concern notifications from Eni employees. We also investigated an incident with serious personal injury on the Goliat, and on two occasions we have given orders to Eni.

### **Monitoring *COSLInnovator***

The incident on the *COSLInnovator* in 2015 was the first fatal accident within our area of responsibility since 2009. In 2016, we conducted an investigation to find out what led to the incident. The goal of the work has been to learn to prevent the re-occurrence of such accidents. In the investigation, we uncovered weaknesses in how the industry has been assessing wave forces. In the aftermath of the investigation and in cooperation with us and NMD, DNV GL began working to clarify the requirements for how these types of calculations should be made. The work resulted in two new guidelines from DNV GL, which we have urged the industry to use.

#### **3.1.1 The level of safety must be maintained and further developed under the restructuring and efficiency processes**

To establish, maintain and further develop a high level of safety and a good health, environment and safety culture within petroleum activities, active and continuous monitoring from management is required. Through our Management Responsibility main priority, we have provided a picture of the state of activities with regards to management responsibility and major accident risks. Management at all levels in petroleum activities has a particular responsibility to help reduce the risk of major accidents. Main issues about which we have been concerned in 2016, are the companies' self-monitoring, implementation of change processes, capacity and expertise, continuous improvement, learning and employee participation.

We also arranged a top management conference in 2016 where top leaders in the industry were invited to discuss the current situation and the serious safety challenges the industry faces.

#### **Restructuring and efficiency processes**

In 2016, we focused on intellectual property holders' and corporate management's role and priorities when making decisions on the implementation of efficiency measures. The intensity and scale in the efficiency process varies depending on the segment, size, maturity and activity portfolio. Restructuring and efficiency processes have resulted in the reduction of activity, job cuts in the form of dismissals, layoffs and employment stop, reduction in welfare benefits, changes in organisation and management systems, LEAN processes and the use of new solutions. Common to all companies is that they assume that in-depth processes of change and risk management are carried out to ensure that changes are implemented in a way that do not reduce health, environment and the level of safety. This is confirmed through our supervision. Several findings also point to missing links to employee participation. Employee participation is addressed as a separate point under performance target 3.2.

### **Framework conditions**

For contractors and suppliers, changes in market conditions have reduced activity levels and cost reductions have led to changes in contracts and job cuts.

The industry has worked to standardise contracts as a cost reduction measure. In 2016, we followed up on how framework conditions, as stated by the contracts, facilitate a safety and environmentally responsible implementation of the mission. The supervisory tasks have provided information about how the framework conditions in the contract may affect the safety and working environment. As an example, we can emphasise the importance of having predictability in the work, together with skills maintenance.

#### **3.1.2 The level of safety must be maintained on the facilities and installations in late life**

Safe late life has been one of our main priorities in 2016. The goal for the main priority is to help to ensure that fields, installations and facilities in late life are operated responsibly and in accordance with applicable HSE regulations.

Facilities and associated infrastructure on the Norwegian shelf are normally designed and constructed with an intended life of around 15 to 25 years. If we use such a time frame as a basis,

around half of the facilities on the Norwegian shelf will be either at or approaching this age. In 2016, we received 4 applications for extended life for installations on the Norwegian continental shelf.

In 2016, we placed particular emphasis on the issues of: planning and management at the field-level, the companies' management of maintenance, drilling and well activities, planning, prioritisation and implementation of modifications. Many incidents in recent years have causes, which can be attributed to poor maintenance and an inadequate understanding of the interaction between old and new equipment and systems. In 2016, we also conducted a study that uses RNNP data to evaluate whether there are measurable correlations between indicators like, for example, HSE and aging or late life. RNNP data does not show clear trends that tie late life to changes in safety levels. There are still indications that some types of barriers, especially valves, have an increased failure rate at installations in late life. In the last five years, the industry has increasingly found more cost effective methods for plugging and permanently abandoning wells (PPA). The industry has a long way to go to develop and use alternative PPA techniques and materials. We are, however, aware that the industry is facing challenges in documenting the adequacy of the new methods within PPA, i.e. substantiating sufficient tightness throughout the life of the well, including the period during which the well is abandoned.

The work of the main priority ensures safe late life is taken in as a main issue for NSOAF (*North Sea Offshore Authority Forum*). This has contributed to the experience exchange between authorities. There is also a supervisory series scheduled for the participating countries' authorities in NSOAF, in which the PSA is committed to management responsibilities.

#### **3.1.3 Critical safety barriers should be robust**

The goal of barrier management is to reduce risk. Barrier management has been a major priority since 2009. Through our monitoring of the industry in 2016, we have seen that there are still relatively large differences between the participants in terms of understanding, and





compliance with the regulation requirements for barrier management. Incident investigations show that failure and weaknesses in the barriers are a recurrent cause factor.

In 2016, we completed an update of the "Barrier memorandum". In the memorandum, the professional basis, with regards to management regulations section 5 regarding the barriers and related regulatory requirements, are clarified. This is done by setting the requirements of the regulations in a clearer context, so that the purpose of the regulatory requirements is more clearly explained. The memorandum does not introduce any new requirements. Through supervision and investigations, we see that companies have done relatively little to identify the contribution of people towards barriers, and only imposed performance requirements for operational and organisational barrier elements. The updated version of the "Barrier memorandum" will be published in the spring of 2017.

We also carried out technical meetings with various companies in 2016 to discuss their solution proposals for the requirements for technical, operational and organisational barrier elements. Interdisciplinary barrier supervision has been conducted both in respect of shipping lines and operator companies to follow up their work ensuring that safety-critical barriers are robust. We have also prepared a special supervisory method for barrier audits where examples of different major accident-scenarios are used for companies during the audits.

In our follow-up of integrated operations (*IO*) in 2016, we have concentrated on solutions in which all, or some features in the control room, are moved to land. The goal has been to verify that the implementation of solutions with the control room on land is justifiable and in accordance with the regulations.

### 3.1.4 Events and conditions that can cause damage to the environment will be prevented

The PSA will contribute towards participants in petroleum activities prioritising preventing incidents that could cause damage to the natural environment. Prevention of acute spills is followed up in supervision, in the tripartite forums and in cooperation with other authorities with background results from RNNP and supervision. In 2016, the results showed that there is still a need for attention to the following areas:

- The barriers' efficiency when it comes to preventing greater acute crude oil spills.
- Acute chemicals spill and barriers that can prevent these types of events.
- Prevention of acute spills in the Barents Sea - clarify any region-specific challenges and any more general challenges.
- Prevention of acute spills from subsea facilities.

We want increased awareness both internally and externally regarding the relationships between safety and working environment, and protection of the natural environment. We therefore facilitated discussion and reflection around the issue in 2016. Ongoing work is under way to improve the RNNP-AU process, with particular emphasis on the utilisation of the available data and information, the dissemination of results, and the monitoring of results in the supervision and accountability of the participants.

### 3.1.5 Petroleum activities must have effective protection and preparedness against deliberate attacks

Through several supervisory activities in 2016, we have learned that the participants in the petroleum activities are concerned with safety as a priority. We have completed our audit of the companies' compliance with the Petroleum Act, section 9-3 "*Preparedness against deliberate attacks*". During the audit, we focused on the entire logistics chain, including supply bases, helicopter transport and offshore installations. In addition, we have carried out audits of the

companies' safety information, including the security of management systems. We have also carried out a number of competence-boosting initiatives both internally and in partnership with the industry, including a professional security day. We also collaborate with national and international authorities about safety through participation in professional forum physical security. In future work, ICT security will be a key focus area.

### 3.1.6 Lifeboats in Norwegian Petroleum activities must be secure

After defects in lifeboats on the Norwegian continental shelf were revealed in 2005, much was done to strengthen the knowledge of the area and improve the condition of the lifeboats. It is the companies who must ensure the lifeboats on the Norwegian continental shelf meet the regulatory requirement that everyone, at any given time, could be evacuated in a safe way.

In 2016, we prepared a strategy for the supervision of evacuation solutions. In the strategy, key elements were identified to strengthen the technical and clarify the legal basis for the supervision of the means of evacuation. The expectation is that the authorities, the industry and the employees actively collaborate to achieve the goal of an improved level of evacuation.

### 3.1.7 Combined results and effects for performance targets 3.1

We get a good indication of trends through the RNNP figures and an overview of personal injuries and other incidents. We believe that the greatest effect will be achieved through a systematic initiative over a number of years and that this is not solely an effect of supervisory efforts. There is reason to believe that our work has played and is continuing to play an important role in the improvements that have been achieved, and in maintaining and further developing safety within the industry.

Overall, we can see that the effect of our work

under performance target 3.1 is that our priorities and monitoring thereof, attract considerable attention within the industry, and provide guidance concerning the priorities of individual participants with regards to major accident risk. The following is a qualitative evaluation of the effects of our priorities and activities under performance targets 3.1:

In working with **investigations, warnings and concern notifications**, we have achieved the following effects:

- The results of our investigations have contributed to the transfer of experience and learning. We receive feedback that the reports are being read and reviewed by the companies.
- Greater internal knowledge, and improved internal systems for handling concern notifications and warnings.
- Affected companies have implemented improvement measures on the basis of our monitoring.

For the **Management Responsibility** main priority, the activities that we have carried out have achieved the following effects:

- Increased awareness by management in the companies regarding their roles and responsibility when it comes to the maintenance and further development of the safety and working environment levels with regards to the efficiency and restructuring processes.
- Greater focus on major accident risks and engagement within the industry.
- During the monitoring of the companies, (for example, Statoil and Eni), we see the effect in terms of greater knowledge of the regulatory requirements, the importance of employee participation and management's attention to key challenges in the activities.
- The top management conference contributed to the foundation of a shared commitment to changing the direction of a negative development.

Within the **restructuring and efficiency processes**, we see the effects in the form of:

- Greater awareness through the supervisory activity in which we have challenged the companies to conduct their own assessments regarding the ability to expose the weaknesses in risk management, their own monitoring and employee participation in correlation with the company's change processes.
- The companies, in which an audit has been carried out where necessary, created multi-partite groups to analyse the positive and negative risks as a result of the changes.
- Greater knowledge and awareness concerning the importance of framework conditions in health, safety and environment work.

Within the area of fields, installations and facilities in **Late Life**, the activities we have carried out have achieved the following effects:

- Greater awareness and attention with regards to challenges relating to late life.
- Acquisition of new knowledge and further development of our understanding of how companies plan and manage in order to meet the challenges that arise during late life.
- Internal competence development in the PSA and external competence development in the business regarding late life challenges.

Regarding the **Barriers** main priority, the activities we have carried out have achieved the following effects:

- Greater attention and more knowledge about the barriers and barrier management internally and within the industry.
- As a follow-up to the barrier memorandum, the industry has taken the initiative to further develop the company's internal documentation in accordance with the requirements in the regulations and clarifications in the barrier memorandum.
- Further development of the regulations based on audit experiences.

Within the area of **External Environment** and the **Northernmost areas**, the activities we have carried out have achieved the following effects:

- Greater awareness and better use of RNNP-AU results.
- Knowledge development concerning the safety and environmental challenges associated with activities in the northernmost areas.

Within the area of **Safety and Emergency Preparedness connected with deliberate attacks and terrorism**, the activities that we have carried out have achieved the following effects:

- Greater awareness regarding work with safety.
- Greater interdisciplinary cooperation with other authorities regarding similar challenges.

Regarding the follow up of **Evacuation Solutions**, we have achieved the following effects:

- Greater attention and awareness of the individual's responsibility in having safe evacuation solutions.
- Greater knowledge in the industry on the state of the lifeboats and further development of same.

### **3.2 Work life should be serious and safe**

We place considerable emphasis on monitoring and ensuring that both individual participants and the industry as a whole promote a serious and safe work life. Collaboration and employee participation also represent key aspects of achieving the objectives set for this work. The companies need to work systematically to prevent work-related diseases, injuries and accidents, and at the same time combat frivolousness and crime in the workplace. We monitor that companies safeguard this goal and that they continue promoting its inclusion.

### 3.2.1 At risk workers should have a completely proper work environment

At risk groups (RUG) were one of our main priorities from 2007 up to and including 2014. The RUG-perspective has contributed towards a greater understanding as to how working environment risk is unevenly distributed between groups of employees in the petroleum industry and how framework conditions can impact this risk. At risk groups (RUG) were also an important issue in the monitoring of work environment management in companies during 2016. Over time, we have seen that the term has become a part of the industry and RUG is referred to in various forums, including outside the tripartite arena. Nonetheless, there remain differences in how at risk employees are monitored by individual companies and in different parts of the industry.

In 2016, we monitored the RUG perspective in multiple areas. We focused on chemical management and benzene in particular. We completed an audit of work environment monitoring in contract companies within sectors such as cranes and hoists, ISO, drilling construction and catering personnel. We have also looked at staff who have a lot activity outdoors on facilities in the Barents Sea, and have assessed the complicity in work environment management in different parts of the operator and contractor chain. We have looked at what framework conditions mean for the risk of individual groups, and have also looked at the environmental management of new participants entering the petroleum industry. Cooperation between the companies with regards to development of tools and best practices in monitoring at risk groups is limited. We therefore still see the need to contribute in various seminars and venues with our experience in working with RUG.

### Employee Participation

In the current situation with downsizing and streamlining, we see increased pressure for multipartite cooperation.

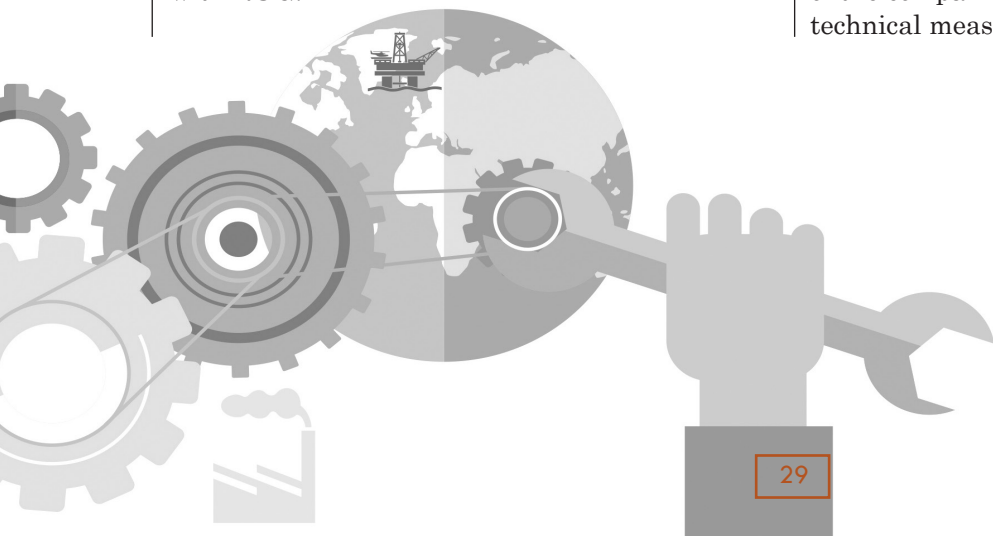
In 2016, we carried out an audit while facilitating employee participation with an emphasis on the safety representatives' and working environment committees' (AMU) work. We have uncovered significant variations in the facilitation of participation within the companies, and the main challenges are:

- Late involvement in the issues that are of importance to HSE
- Too little time for health and safety work
- Too few health and safety representative courses and training
- Incorrect composition of AMU
- AMU works more as an informational body rather than as an active participant in HSE development

Based on supervisory experience, enquiries and other information from the last ten years, we have prepared a combined report regarding facilitating employee participation within petroleum activities. There is still the need to focus on multipartite cooperation. Multipartite cooperation will therefore be included in our Main Issue 2017 «*Reversing the trend*».

### Noise

In 2016, we prioritised supervision relating to the participants' own work to prevent noise damage in line with the long-term strategy for noise monitoring in the industry. We have carried out supervisory activities with an emphasis on preventing noise damage in the early stages of development projects. During the operating phase, we have focused attention on the ability of the companies to identify risks and implement technical measures for noise reduction.



Our experience is that noise is a major problem at the older rather than the newer facilities. Furthermore, in 2016 we took part in the revision of the NORSOK standard S002 that has placed a special emphasis on noise as a basis for good design solutions. In lifetime extension applications, we follow up the companies' plans for improvement of noise conditions.

In our RNNP work in 2016, we conducted a methodical review of working environment indicators relating to noise, ergonomics and chemistry. The process has been rooted in the jointly constituted bodies in RNNP and the companies' specialist environments. These three working environment indicators are to be further developed to ensure that they have the same approach and format, and better correspond with the other RNNP indicators.

#### **Manned underwater operations (Diving)**

Diving is followed up by two collaborating authorities within their respective areas of responsibility. The PSA oversees safety and the working environment while the Board of Health, supervision through the County Governor of Rogaland safeguards the health aspects imposed by health legislation. In 2016, the work associated with Statoil's application for consent for manned underwater operations to a depth of 225 metres has been particularly extensive. During 2016, we held dialogue meetings with the Norwegian Labour Inspection Authority about diving, to contribute our supervisory experience. Work was also initiated to prepare the inclusion of diving personnel in RNNPs biennial survey. The work was completed in 2016 and is expected to be able to be taken into use by the companies during the course of 2017.

#### **3.2.2 The working environment in cold climates should be completely secure**

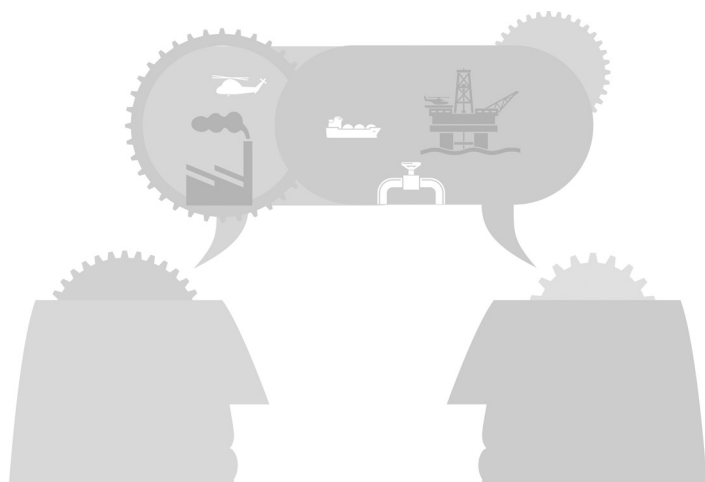
As petroleum activities continue to move northward, the companies need to develop the necessary knowledge to ensure a fully safe working environment in a cold climate. The working environment is being challenged in the High

North in other ways as a result of factors such as climate, polar low pressures, drift ice, snow, long distances, emergency preparedness and emergency evacuation. Through our main priority The High North, we are focussing on the industry's monitoring of the working environment in cold climates. We are also following up on activities operators are undertaking in the North through monitoring of the Goliat project and through our case management of consent applications for drilling operations.

In 2016, we also exercised supervision of permanent facilities in the Barents Sea. Findings from this supervisory work show that there are still large differences in how current challenges in the winter months and operational measures are being conducted on board at different facilities. The groups that are especially vulnerable to cold climate issues tend to vary and will therefore be followed up by way of further supervisory work in 2017. For further information on knowledge development in the High North, refer to performance targets 3.3.

#### **3.2.3 Unprofessionalism and social dumping needs to be combated**

Social dumping has previously been a priority for the PSA and there remain recommendations in the award letter indicating that we should follow this up. The experience gained from our monitoring of pay and working conditions in some onshore facilities in 2015 revealed that it was far from easy to determine the employee groups and work types that generally apply, and how the regulations should be interpreted. Questions of interpretation were referred to the Tariffs Committee and clarified in subsequent general decisions. Most foreign workers under our jurisdiction in onshore facilities are working within the ISO range of subjects. Clarification from the Tariff Board means that this group of foreign workers



are not covered by the regulations on general application for construction sites. We therefore see no basis for regulatory activities related to general application as the situation is now.

During 2016, we followed up the development and use of hired labour as part of the monitoring of groups particularly exposed to risk. In connection with shutdowns and case processing of working hours applications, we observe that there are many personnel at the facilities from various outsourcers and foreign companies. These are groups with whom there are major challenges when it comes to monitoring of working environment risks. During our supervisory activities, it appeared that there are several companies experiencing challenges with respect to the training and monitoring of contract labour. It will therefore be necessary to address this during our supervisory work in 2017.

#### 3.2.4 Combined results and effects for performance target 3.2

The all-embracing HSE regulations and the six common working environment regulations for shelf - land form the basis for our supervision of working environment conditions. The PSA will contribute to the thorough-going monitoring of major accident and working environment risk. The activities carried out within the field of major accidents and working environments often form an integral part of thorough-going monitoring. It may therefore be difficult to differentiate the effects of supervision that specifically relate to working environment monitoring. This section presents a combined review of the results achieved and a qualitative assessment of the effects of our work in 2016 on performance target 3.2.

Our activities with respect to groups particularly exposed to risk, have achieved the following effects:

- Increased attention to and further development of systems linked to groups particularly exposed to risk amongst contractors.
- Knowledge acquisition and experience exchange in the context of supervision linked

to health risks associated with exposure to benzene, noise and chemicals.

- Our efforts to promote the scope and consequences for health of exposure to benzene have helped to motivate companies to expend considerable effort in ensuring better risk management.

Our activities related to employee participation, have achieved the following effect:

- Increased awareness and knowledge, both internally and within the industry, of employee participation, working environment committees, safety representatives and their roles and responsibilities.

Our activities related to the working environment and cold climates, have achieved the following effects:

- Increased understanding and knowledge of potential working environment risks linked to working in a cold climate.
- Improved dialogue between management and employees

Our activities related to unprofessionalism and social dumping, have achieved the following effects:

- Increased awareness of unprofessionalism and social dumping.
- Preparation of the regulatory and supervisory framework for the PSA's supervisory activities in this area.
- Skills development internally by collaborating with the Labour Inspectorate, the police and the Norwegian Labour and Welfare Administration (NAV)

#### 3.3 There is a need for an advanced level of knowledge concerning health, safety and the environment, together with security in the petroleum activities.

In our supervisory capacity, we should be contributing towards the development of the knowledge required for policy development and management of our own areas of responsibility. We shall be contributing to the quality of the knowledge

pertaining to working environment conditions and major accident risks in the sector, and this will include the compilation and organisation of relevant R & D results. This paragraph contains a summary of the featured knowledge-acquisition project within working environment, working conditions and workplace health and safety, which was undertaken in 2016.

### **Work environment risk**

As a contribution to promoting capacity for work and health within the industry, in 2016 we collected, compiled and disseminated knowledge about exposure to work environment factors that may lead to serious health outcomes, including exposure to benzene and noise. In this work we have had contact and carried exchanged information with the National Institute of Occupational Health (STAMI).

In 2016, we have focused on how trends in employment and the petroleum sector related to streamlining, high rates of change, downsizing processes and new work forms can lead to uncertainty and the deterioration of psychosocial conditions and result in negative consequences for HSE. We have had several technical meetings with STAMI's centre of expertise within the psychosocial work environment aimed at illuminating these issues. An independent RNNP study has also been set in motion to investigate the potential links between change processes associated with downsizing and reorganisations and intermediate psychosocial conditions and negative outcomes such as work accidents and health problems. The study is being carried out by STAMI and is due for publication in 2017.

In 2016, we entered a collaborative venture with the Labour Inspectorate related to ergonomics and ergonomic work environment factors to further develop our supervisory work on this theme. IRIS has conducted an analysis of data from an RNNP survey in 2016, the intention of which was to investigate the incidence of Musculoskeletal Ailments for different groups, and their development over time. In collaboration with STAMI and the strain injury research department at the University of Gävle, we held a seminar with the topic: The Management of Risk of Development of Musculoskeletal Ailments.

### **Working hours**

In 2016, we received several notifications of concern in respect of unpredictable working hours and opportunities for rest and recuperation. It was reported that these were due to changes in contracts for various contractor groups, and where fewer needed to do more in less time, or where the work to be done had to be concentrated into more intensive work periods. The staff had been given less advance notice than previously, as to when, where, and for how long they would be expected to work. Against this background, we have strengthened our cooperation with the Labour Inspectorate in respect of our common understanding and processing of applications related to changes to the Working Environment Act. Based on the 2015 RNNP survey questionnaire, in 2016 we prepared overviews of working time arrangements on land and offshore, for various groups of employees, and over time.

### **Major accident risk**

#### **Drilling and wells**

In 2016, we acquired knowledge of new drilling methods. This has improved our ability to evaluate events, applications for consent, organisational issues, presentations by the participants of various technical and operational solutions, and risk assessments for various projects. There is an increase in the use of several different pressure-balanced drilling methods on the Norwegian continental shelf. In 2016, we acquired knowledge from incidents and from companies in Norway, and internationally via professional forums about pressure-balanced drilling methods.

In collaboration with the Norwegian Petroleum Directorate, we began a work in 2015 to improve reporting on the status of wells in order to provide a better overview of temporarily and permanently abandoned wells on the Norwegian continental shelf. In 2016, we received new data in order to obtain an overview of the number of temporarily abandoned wells on the Norwegian continental shelf. The results from the survey showed that there were fewer temporarily abandoned wells in 2016 than there were in 2013. The figures show the biggest decline in subsea wells. The purpose of the work has been



to increase attention in the industry on the plugging and abandoning of wells and to increase understanding of the regulatory requirements.

#### Waves in the deck

In 2016, the theme of waves in the deck was given great attention due to the incident at COSLInnovator in 2015 in which one person died. In 2016, there was seen to be a need to gain knowledge and better understanding of wave loads and their impact on structures. Through this work we have achieved a better understanding internally of the analysis methods applied by the industry. Waves in the deck was also the main theme of the Construction Day we arranged in 2016.

#### Fire and explosion risk

On the basis of lessons learned from our supervisory work, it became apparent that the agencies involved differently defined the worst fire described in the Facilities Regulations, Section 33, "Emergency Shutdown Systems". In consequence of this, in 2016 an independent project was initiated to obtain more information about how this requirement should be adhered to. The project was led by Sintef. The results indicate that there is a need for further clarification as to how the requirement should be understood.

#### New risk concept

In 2016, we launched the new risk concept on our website, and published a paper entitled "*The Concept of Risk in the Petroleum Industry*". This paper elaborates and explains the concept of risk and risk management. The concept of risk term involves two key interrelated aspects: consequences of the activity and uncertainty.

#### The Indicator project

The main goal of the indicator project in 2016 was to contribute to the development of knowledge, both internally and externally, about HSE indicators in order to better understand and assess the processes embracing the creation, application and interpretation of the key indicators used in the industry. We have completed and published the booklet "Indicator blues" which was presented at national and international conferences over the course of the year.

#### The High North

During 2016, we worked with several knowledge projects aimed at challenges facing us in the northern regions. We were awarded funds from the ASD and the Ministry of Foreign Affairs (UD) to contribute towards the knowledge development. We have obtained knowledge of:

- simultaneous operations,
- appropriate drilling devices,
- challenges with respect to ice and snow north of latitude 73° North,
- the working environment and human performance,
- alternate personnel transport and evacuation solutions,
- structural safety and winterisation in the High North.

The three projects; simultaneous operations, alternate personnel transport and evacuation solutions and winterisation were completed during 2016. The reports will be made available to the participants in the petroleum business in 2017.

#### The Documentation Project

We set an independent project on motion during 2015 in which the goal was to take a critical look at the amount of documentation existing in the industry. Resulting from this project, the industry itself has initiated efforts to reduce the amount of documentation through standardisation measures and reviews of company-specific requirements. During 2016, we followed up the initiative from the industry, considered the regulatory requirements for documentation and recommended appropriate change actions. The report was presented to trade associations and trade unions during 2016.

#### Research and development (R & D)

A multidisciplinary R & D group was established internally to assist with efforts to provide an overview of relevant activities, challenges and developments within our area of responsibility. In 2016, we contributed to the preparation of a knowledge base for a continued R & D input to reduce the major accident and working environment risk in the petroleum activity, Petromaks 2-HSE. We were also represented in the competence group in Petromaks 2 and have assisted defining themes where there is a need for R & D

activity. We also provide input to and assistance with project reviews to NFR Petromaks and Petromaks-HSE, and advisory notes to the OG21 strategy (*Norway's technology strategy for the petroleum sector*). In addition, we have had meetings with ASD where we have provided input apropos R & D needs for 2016.

### Safety

During 2016, through participation in relevant conferences and courses, we have obtained knowledge about safety-related challenges, such as methodology, threat and barrier establishment. We arranged a conference day specifically devoted to safety that has contributed to the transfer of such experience to the industry.

#### 3.3.1 Combined results and effects for performance targets 3.3

Our role also entails acting as a resource organisation externally with respect to the sector, other authorities and the general public. We have an important role to play in disseminating experiences and knowledge based on our own supervision and investigations of incidents, experiences from the continental shelves of other countries and general knowledge development within the industry. This section presents a combined review of the results achieved and a qualitative assessment of the effects of our work during 2016.

- Increased knowledge about risk factors and experience transfer between industry and Government on safety-related challenges, e.g. in the northern regions, the documentation project, safety measures, the concept of risk.
- Contributed to the strengthening of cooperation between companies with common issues.
- Created a good platform for further cooperation between the Norwegian Labour Inspection Authority, the PSA and STAMI with respect to the subject areas of noise, exposure to benzene, ergonomics, musculoskeletal ailments and treatment of applications related to working hours.

- Collaborated with other authorities and academia in contributing effectively in terms of increasing knowledge development within the central theme.
- Increased knowledge of major accident risks, such as, waves in the deck, fire and explosion risk.

#### 3.4 Petroleum regulations will contribute to the achievement of goals for health, safety and the environment

The PSA shall further develop a comprehensive set of HSE regulations for the petroleum activities in close dialogue with the parties in the industry and the Ministry. The involvement of parties in the Regulatory Forum (RF) is a basic requirement for compliance and further development of the regulations. During 2016, we have had five meetings of the RF, one more than the previous year, as a result of a special meeting where the parties discussed the future regulation. The goal was to build common expertise concerning the regulatory model, have the parties make their contributions to the future regulation at a strategic level and to strengthen cooperation and relationships in the RF.

Our suggestions for regulatory change come mainly as a result of learning from events and a need for updating in accordance with the development of technologies and methodologies for the implementation of the business. In December 2016, the parties to the Regulatory Forum were invited to provide input regarding the further development of regulations within the respective remits of the Norwegian Environment Agency, the health authorities and the PSA. This input, together with internal contributions, formed the basis for the changes which were distributed for consultation, and, following the implementation of a number of adjustments, adopted by the Environment Agency and the PSA with effect from 1 January 2017. In addition, the Norwegian Radiation Protection Authority (NRPA) is proposed as a new supervisory agency for regulations, and we are awaiting the determination of the changes that reflect this in the Framework Regulations.

During 2016, we prepared a report for the Ministry concerned with the regulations and the scope and use of multipurpose vessels in Norwegian petroleum activities. The report delivers an overview and a basis for further work, if any, and policy decisions in this area.

### Standardisation work

In 2016, we have given priority to following up on relevant national and international standards work. In 2015, we began the work of revising our strategy for standardisation, which we completed in 2016. A presentation of the standardisation strategy was made to the Norwegian Oil and Gas Association, and will form the basis for the Authority's further work and priorities in this field.

### The EU/EEA related activities

During 2016, we followed up the harmonised EEA product control regulations in collaboration with other national authorities and in Europe. In cooperation with the Labour Inspectorate, we have held a campaign concentrating on lifting equipment to obtain an oversight of the state of the market. In addition, we have chaired a working group under ADCO which is producing guidelines concerning market surveillance covering products under EEA product law. We are working with the Norwegian Environmental Agency (NEA), the Labour Inspectorate, the FSA and DSB on documentation and the prevention of chemical intrusions, especially in the implementation of the EU regulatory framework for chemicals, REACH and CLP. We are also participating in SKIM - the cooperative offshore chemicals forum - that consists of representatives of the companies in the industry, the NEA and us. In cooperation with the Labour Inspectorate and STAMI, we are working on the further development of the exposure database EXPO.

#### 3.4.1 Combined results and effects for performance targets 3.4

To ensure that the petroleum industry maintains a high level as regards health, safety and the environment, it is important that holistic regulations are further developed as knowled-

ge within the industry develops, and that the regulations are developed in collaboration with the unions and employers' organisations and partner authorities. In our work on regulatory development, the Authority has continued to place emphasis on the formulation of regulations which are appropriate to the petroleum activities, which support the authorities' monitoring and which give the agencies in the petroleum sector the freedom to choose solutions at a detailed level wherever possible. Emphasis is also placed on clear responsibilities and rights. We believe that the greatest effect will be achieved through systematic initiatives over many years in a constructive collaboration within the Regulatory Forum. This section presents a combined review of the results achieved, along with a qualitative assessment of the effects of our work in 2016 under performance target 3.4.

- The regulatory collaboration between the HSE authorities in the petroleum activities has had effects in the form of more holistic requirements for the management of activities, partial coordination of reporting requirements, coordination of application processes and audits, and highlighting of the interfaces between the areas of health, safety and environment. This holistic follow-up has also had effects on the preventative work of companies and on the Authority's situational awareness, and has resulted in cost-effective solutions for both companies and authorities alike.
- Ongoing attention and work relating to the regulations is also helping to raise the general level of knowledge and awareness concerning the regulations, partly through the work of the Regulatory Forum.
- The authorities increase their knowledge of the circumstances of importance for health, the environment and safety in the business, and can incorporate this information into its supervisory and regulatory activities.



### **3.5 The PSA shall act predictably and uniformly across businesses and shall continuously strive to create trust and confidence in the public forum.**

We are dependent on society, the industry and the parties having confidence in us. It is important that the agencies involved have confidence that we treat information from their businesses in a responsible manner, and that we demonstrate equal treatment and predictability in our proceedings and in our performance of activities within the area of our professional responsibility. This means that we should have systems that ensure consistent behaviour towards the business; that we uphold the requirements of impartiality and integrity; that we have the professional expertise that mirrors the industry's HSE challenges; and that we contribute with information and knowledge dissemination to industry.

#### **Procedures and routines**

We have procedures and routines in our case handling and when carrying out other tasks, including legal quality control and requirements for impartiality. To safeguard the trust of the general public, we ensure that internal circumstances within the organisation do not come into conflict with the Authority's social remit. Another important part of our work is to be clear and correct in our use of means and methods with the businesses we oversee. Our governing document "The Instrument Handbook" clarifies the instruments we have at our disposal, and how these should be used in accordance with the requirements of the Public Administration Act.

#### **Skills development**

Rapid changes and economic fluctuations also present challenges linked to the way in which the authorities should further develop competence in order to monitor technological and complex industrial activity in a state of constant change. For this reason, we have a need for a broad spectrum of expertise within a variety of disciplines, and we are also dependent on employees possessing and developing the necessary authority competence and understanding of roles. To fulfil our responsibility as a public administra-

tion, we have positioned skills development as an internally strategic initiative area. The aim is to develop and build competence in order to face long-term trends and developments within the industry. We also have our own competence resource centre, which is responsible for organising courses and for training activities. During 2016, we ran 24 courses with varying thematic content. We also partner with the University of Stavanger (UiS) and other R & D businesses to further develop competence-oriented activities. In 2016, eight of our staff took part in the experience-driven master "Risk Management and Safety Management" under the auspices of the UiS.

#### **Information and knowledge dissemination**

Our website [ptil.no](http://ptil.no) is used strategically to disseminate information and knowledge to the industry at large. The website map presents an overview of links to regulations, supervision, including all reports from audits and verifications, acknowledgements of compliance, investigations, consents, orders and other similar letters. The website also discusses key topics such as HSE governance and management, major accidents, the working environment, the natural environment and other relevant information concerning the PSA. Our annual major priorities may also be found at [ptil.no](http://ptil.no).

Our publication, "*Safety - Status and Signals*" may be considered to be our annual summary for the industry and other stakeholders. In addition, we publish the report "*Risk level in the Norwegian Petroleum activity*" (RNNP), and publish a supplementary magazine concerned with safety, "*Dialogue*". The purpose of this periodical is to promote debate surrounding a number of topical problems and challenges faced by the industry in relation to safety.

The work of further developing online solutions and the publication of information is an ongoing task which we believe to be vital in order to safeguard the need for transparency and predictability in the Authority's work. New solutions have



also been adapted to meet new needs within the public sector, e.g. through the PSA's presence on Facebook, Twitter and LinkedIn. In 2016, we also established a separate focus group containing people from the industry relevant to further development of the website and to ensure that user needs are taken care of. Public interest in our activity is reflected in the number of requests for access to documents. In 2016, we received 971 inquiries with access requests in 5433 journal records. This is 1,597 more journal records than in 2015.

To promote the exchange of knowledge related to health, safety and the environment and to disseminate information concerning our role as an authority and our activities and priorities, we believe it is important to give lectures and presentations at strategic pivotal arenas. Many of our managers, specialists and other key individuals are also in great demand as lecturers and leaders at courses and conferences both in Norway and abroad.

In 2016, we staged 10 professional conferences/trade days/debate meetings. Some of these were held in cooperation with the Labour Inspectorate, the NEA, the Federation of Norwegian Industries, and other key players in the industry. The purpose has been to facilitate information and experience exchange. The central theme of these conferences has been:

- *Management of the risk of developing musculoskeletal damage.*
- *Permanent plugging of wells - an HSE challenge?*
- *A working seminar on exposure scenarios.*
- *Top executive conference on safety in the petroleum industry.*
- *Working together for a safe workplace.*
- *The Safety Forum's annual conference.*
- *Safety theme day.*
- *HSE-lunch during ONS2016.*
- *Structural safety day.*
- *Debate meeting: Is safety at a crossroads?*

### 3.5.2 Combined results and effects for performance targets 3.5

In order to perform its duties, it is vital that the Authority has employees who possess relevant specialist competence and who know the industry and have experience of it. This helps to improve the quality of what we do and engender trust in the work of the PSA. It is also important that employees who conduct audits on enterprises have no affiliation to the objects that are covered by the audit which could lead to justifiable concerns over their impartiality. We believe that the greatest effect will be achieved through systematic initiatives over many years. As regards the work to engender trust and credibility and to act consistently within the public administration, we can see effects in the form of:

- Increased attention and awareness of the PSA, linked to procedures and guidelines concerning equal treatment, legal capacity, transparency, the use of instruments and quality assurance.
- Visibility and transparency, e.g. through the use of social media and courses, conferences and thematic days, are contributing to trust and credibility.
- Participation in courses and training initiatives is producing results in the form of increased skills development, experience exchange and relationship building.



PART IV



## PART IV. GOVERNANCE AND CONTROL WITHIN THE ORGANISATION

The target and result management is the uppermost management principle in the Government. This section set out to clarify how the PSA follows up these principles in its business.

As part of the Government objective of clear objectives and priorities, the Ministry has, in cooperation with us, launched an initiative to reduce its number of goals and to clarify them. In 2016, we began the work of identifying management parameters and reporting requirements that form the basis for annual reports.

### **Risk management within the Authority**

Each year, we develop a “risk scenario” which is sent to the Ministry and forms the basis, amongst other things, of the letter of allocation. The objective of this annual update is to identify the key risk factors which could prevent us from achieving our planned results, along with associated outlined initiatives. The risk scenario constitutes an important part of decision support for planning, prioritising and assessing what activities we conduct to facilitate the achievement of these goals.

### **Resource and task management**

Performance targets and requirements concerning the achievement of results are set out in the annual letter of allocation. Based on the foregoing, and our knowledge of important developments in the industry, we establish long-term strategies that cover multiple years. The strategic work is adjusted in relation to the guidelines laid down in Government White Papers and by the Ministry. This forms the basis of the activities we plan and undertake. They are then further concretised by way of the annual planning process. This internal planning process results in the combined activity plan. We have a separate planning database that affords us an overview of planned activities with staffing and budgets. The activities and the results are followed up by management and evaluated internally and through management dialogue.

The PSA has established systems for internal monitoring of resource usage. All employees record their time spent on tasks within predetermined categories. Please refer to Part II of the annual report for further elaboration and a summary of resource usage.

### **Internal control**

In accordance with the Regulation on systematic control of health, environment and safety at work in enterprises (the Internal Control

Regulations), enterprises are required to ensure their systematic follow-up of the requirements laid down in applicable HSE regulations.

We have established a system for systematic follow-up and further development of HSE in the Authority. The goal is to pave the way for systematic follow-up and further development of employees, managers and teams in accordance with the Authority’s expressed ambitions for personal and organisational development. We are a member of the Inclusive Working Life scheme and also have many health and well-being schemes in place such as a keep-fit-during-working-hours programme, a mentoring scheme for new employees and initiatives relating to older employees to ensure a high level of HSE internally within the organisation. We have an established working environment committee (AMU) and a safety delegate service that functions well. We will continue to strive for a greater focus on internal efficiency gains, skills development and quality, and we are also aiming to maintain the good working environment that already exists within the Authority.

We have established the governing documents that regulate business processes, planning, prioritisation and implementation of activities. The purpose of these governing documents is to contribute to and facilitate the quality of work processes so that products are delivered according to internal and external expectations.

The governance dialogue and the letter of allocation provide us with the guidelines the Authority needs to fulfil its remit, which is to set the agenda and follow up to ensure that players in the petroleum industry maintain a high level of health, safety and environment and emergency preparedness.

### **ADMINISTRATIVE GUIDELINES - Common Guidance**

#### **User surveys**

As a component of facilitating a simpler daily life for most people, the Government wants to strengthen contact between users and public administration. Of recently conducted user surveys, the following are worthy of brief mention:

- In 2013, a group of experts conducted an evaluation and assessment of the “Regulatory Strategy and HSE regulations in the Norwegian petroleum industry”. This was also known as the Engen Report. There continue to remain certain measures to be completed that were proposed in the report

- In 2015/2016, parties to the Safety Forum and the Regulatory Forum (RF) made their evaluation of how these tripartite arenas work. The purpose was to identify improvement measures and further develop the tripartite cooperation. In the Regulatory Forum, a separate meeting on the "Future Regulation" was held where the parties in the RF were invited to discuss underlying principles to the regulation.
- As a key component of our supervisory activities, we hold annual status meetings with industry participants, which include receiving feedback from them on the work carried out by the PSA.
- During 2016, the PSA has worked on developing a new website, and has conducted an evaluation with input from relevant users about how, in the future, they would like to use ptil.no.

Incidentally, annual internal evaluations have been made of our investigations and overall supervisory activities in "Granskingsdagen" (Investigation Day) and "Revisjonsdagen" (Audit Day). The purpose of these evaluations was to highlight learning points and exchange experience in order to better be able to monitor and implement supervisory activities.

### **Societal security and emergency preparedness**

In 2016, the PSA participated in meetings with the NSM/NorCERT (the National Cyber-Security Centre - Strategic forum) and PST (The Norwegian Police Security Service) to receive an update of the strategic threat scenario, as well as access to highly classified information. We have also participated as a player squad and as liaison during the planning and execution of the Gemini 2016 exercise. Reference is also made to performance target 3.1.5 for more information concerning safety and emergency preparedness linked to deliberate attacks and terrorism.

In 2016, as part of our supervisory work, we took part as an observer during a number of preparedness exercises, covering themes such as security incidents and criminal actions. In 2016, we took responsibility for the practical implementation of the Myndex exercise. The exercise scenario was prepared by the PSA's representatives in the player squad in cooperation with the Norwegian Coastal Administration (NCA). The purpose of the exercise was to provide the basis for any adjustments to the authorities' emergency response organisation, practices or the cooperation agreement between the PSA and the

NCA. The Ministry of Transport, the ASD and the Ministry of Climate and Environment were also involved in the exercise.

In 2016, we participated together with the ASD and the State's Pension Fund (SPK) in the IKT16 exercise. The purpose of this exercise was to enable Norway to handle a major cross-sector ICT attack through the testing of the national digital event handling model and established routines for notification, interaction and reporting in the event of ICT/Cyber-related incidents.

The PSA also participates as a member of two national standardisation committees and an international expert group in ISO that have their focus on societal security. This work will continue during 2017. In addition to its participation in expert groups, the PSA has also been of support to Standard Norway with funding for standardisation work within societal security.

### **Follow-up by the Auditor General**

During 2015-2016, the Auditor General conducted a selected area audit of the PSA's information security and security measures management system. The objective of the audit was to determine whether, as part of the enterprise's internal controls, the PSA has an information security management system that operates in accordance with the Electronic Public Administration Regulations, section 15 and which is based on recognised standards. The audit revealed that we essentially have established information security management systems that are consistent with regulations and recognised standards.

In 2016, the Auditor General also conducted an audit of our financial management and our internal control systems. The "*Regulations for financial management in the Government*" with the attached "Provisions related to financial management in the Government" provide, together with "*Finance instructions for the Petroleum Safety Authority Norway*" and "*Internal Financial Instructions*", the general guidelines for the financial management and governance of the PSA. Based on these guidelines and the Government accounting standards (the SRS) we have prepared detailed process and routine descriptions that form the basis of our financial management and internal control. The PSA's budget allocations and financial statements, including cash accounts and business accounts that are based on the SRS, are audited annually by the Auditor General. The Auditor General has not made any annotations to our accounts and budget allocations in 2016.



PART V

## PART V. ASSESSMENT OF OUTLOOK FOR THE FUTURE

Over the course of the next few years, the petroleum industry will continue to be influenced by the need for efficiency and cost reduction to ensure its sustainable development. Measures that have already been implemented and new future measures in this area represent both opportunities and threats for further positive development of the field of HSE.

The Government's objective is for the Norwegian petroleum industry to be a global leader in health, safety and the environment. To achieve this, it is important to facilitate learning and ensure continuous improvement even in times marked by extensive restructuring intended to streamline and reduce costs. This assumes that the consequences for health, the environment and safety for all the various players involved are an important and integral part of all decisions adopted by the industry. Developments on the HSE plain in the industry need to be monitored and followed up by all the players, so that preventive and corrective action can be taken.

### **Time for a change of pace - "Reversing the Trend"**

2016 has been characterised by reorganisation and increased demands for efficiency. Downsizing has taken place in many organisations and we are seeing inter-party collaboration under pressure. Robust solutions are being challenged and the number and scope of the reports of concerns we receive have increased. Serious incidents and accidents have also characterised 2016 in the Norwegian petroleum industry. The pressure is increasing, and safety development in several areas is moving in the wrong direction. The message for 2017 is: **"Reversing the Trend" – with the PSA as the driving force and the industry as the performer.**

The Authority's ambitious targets for 2017 will

require an extensive voluntary effort from the entire industry. The work going into *"Reversing the Trend"* will primarily concentrate on the three basic aspects of the Norwegian safety regime: **collaboration, standardisation, and robustness.**

This tripartite collaboration is often highlighted as a prerequisite for safety in the Norwegian petroleum industry. Both the Regulatory Forum and the Safety Forum are cited as arenas which make a positive contribution to the exchange of information and the building of trust between the parties. The petroleum industry has achieved a high level of health, safety and environment over many years. This is the result of clear regulatory requirements, the enforcement of requirements and the responsible attitude of the industry.

As regards collaboration at company level, we find that although the formal arrangements are largely in place, the implementation can be inadequate. The challenges are to ensure real interaction, for example, by providing sufficient time for critical safety work by the safety delegates, that they make their decisions in sufficient time, and that they acquire the necessary expertise to assist in complex processes. Interaction is especially challenging where there are many links in performance chains. Feedback from employee organisations concerns, for example, the adverse effect of efficiency measures and staff cutbacks on safety and the working environment within the company. We believe it is important to follow these ongoing developments, and especially through the main theme of 2017.

The focus placed on more cost-effective operations, simpler operating solutions and new technology brings challenges to both the regulations and the scope of the provisions. The regulations

form the very foundations of the petroleum industry. These regulations have been developed over many years through a collaboration between the parties within the industry and are generally well-received, both nationally and internationally. We will be working to further develop the regulations in line with the guidelines that form the basis of this work. We will also work to ensure that the regulations do not contribute to barriers to technological development within a responsible framework. Functional regulation requires the extensive use of standards and industrial norms. We will bring emphasis to bear on contributing in a proper and appropriate manner to forums for standardisation in line with the conditions of functional regulation, and as an important part of the work within the main theme of 2017.

It is also important to follow up on the industry's ensuring adequate robustness in technical facilities, organisational issues and operational solutions. Every company needs to be single-minded about ensuring the necessary changes take place and that its leadership aims for long-term and robust solutions that assist in reversing this disturbing trend.

In 2016, we investigated several incidents to uncover their root causes and to contribute to learning to avoid recurrences of a similar nature. When the RNNP figures from 2016 become available in April 2017, these results, combined with experience gained through audits and investigations, will form the basis for an assessment of developments and the identification of possible counter-measures.

Amongst other things, we oversee major change processes in the industry, and look for the negative consequences of cost-cutting and efficiency. Our supervisory activities otherwise cover an

extremely broad spectrum - from technical conditions and emergency preparedness, to the role of the safety delegate, to contracts and framework conditions. We work systematically with reports of concern and alert notifications, and in 2017 we will continue to prioritise our efforts in this area.

A continuously increasing integration of the petroleum industry internationally and increased competition from other continental shelves have contributed to a further focus on the harmonisation of the framework conditions. The PSA will continue to give priority to cooperation with authorities across national borders. Cooperation is also important for the exchange of experience in supervision of the petroleum business.

During 2017, we intend to work with the ASD, other industry parties, academia and the research environment to contribute to investigatory work around HSE conditions and developments in the industry. This is preliminary work leading to a possible report to the Norwegian Government in 2018 regarding HSE in the petroleum industry.

We will use our resources purposefully during 2017 to contribute to the trend being reversed. We are fully aware that it is very difficult to carry out a great turnaround operation in the course of one year. We expect, however, companies to achieve visible and measurable results in the course of the year within the key safety areas. We also assume that the effort will continue for as long as it is needed. We will closely follow the voluntary work, and will summarise the results in late November 2017. The initiative **"Reversing the Trend"** is a shared responsibility - and the industry has an obvious, common interest in its success.



An aerial photograph of an industrial facility, possibly a refinery or chemical plant, featuring a complex network of pipes, walkways, and storage tanks. The ground is a mix of blue and grey, suggesting a paved or concrete surface. A worker in a bright red safety suit and yellow helmet is visible in the lower-middle section, walking on a narrow path. The overall scene is industrial and somewhat desolate.

# PART VI

## PART VI. ANNUAL FINANCIAL STATEMENTS

### REMARKS FROM THE MANAGEMENT

#### Purpose

The Petroleum Safety Authority Norway (PSA) is responsible for setting the agenda and carrying out monitoring to ensure that players in the petroleum industry maintain a high level of health, safety and environment, in order to reduce the risk of major accidents, incidents and occupational injuries and illnesses. The Authority's responsibility covers the petroleum industry on the Norwegian continental shelf and at certain onshore installations, gas-fired power stations, CO2 capture facilities and transport installations.

Through its own supervisory activities and in collaboration with other authorities, the PSA shall help to ensure that petroleum and other associated activities are monitored in a holistic manner as regards HSE. The PSA shall also place great emphasis on disseminating knowledge concerning risks and carrying out monitoring to ensure that activities are carried out responsibly and in accordance with applicable regulations.

The PSA is based in Stavanger and had 170 employees at the end of 2016 (166 full-time equivalents).

#### Accounting policies

The PSA is a gross funded enterprise and its business financial statements are recognised as accruals in accordance with governmental accounting standards. The PSA also reports to the government's accounts on a cash basis.

#### Comments on accounting and financial reporting

##### Revenues

Total operating revenue increased by 1.7% to NOK 279.2 million in 2016.

The proportion of revenue from appropriations reduced by 4.5%, which was mainly due to deferred revenue recognition of appropriations in connection with prepaid rent, cf. Note 9.

Revenues from fees and sector activity fell by 8.2% to NOK 151.1 million in 2016. The PSA's appropriations in 2016 were strengthened to increase follow-up of safety in the petroleum sector and to strengthen knowledge related to the petroleum industry in the northern regions. Increased monitoring and activities related to the northern regions are carried out with and for groups in the petroleum industry and thus contribute to a higher income level within the sector charge area in 2016, as compared with 2015.

Overall, the level of activity (hours) in 2016 was essentially in accordance with that planned. However, we have a shortfall in respect of fees and sector charges totalling NOK 11.7 million. This is in part due to non-utilised additional appropriations in respect of refundable expenses, and the offset of activities conducted that are not due and payable prior to 2017.

##### Expenses

Total operating expenses in 2016 amounted to NOK 279.2 million, a reduction of 1.7% compared with 2015.

The proportion of cost of goods, i.e. the purchase of goods and services for on-billing to the industry, increased by NOK 8.5 million (an equivalent of 8.2%), compared with the previous year and was primarily related to increased use of consulting services within the sector charge area. This should be seen in the context of the PSA's increased appropriations as funding of improved safety follow-up in the petroleum sector and for the enhancement of knowledge related to the petroleum industry in the northern regions.

The proportion related to other operating costs was reduced by NOK 2.8 million (equivalent to a reduction of 4.9%) in comparison with the previous year. This should be seen in the context of the implementation of measures for more efficient resource usage and an associated reduction in the PSA's annual operating appropriation. Costs within the ICT area were reduced in 2016 and were linked to a reduction in costs as a result of the transition to external operations provider(s) within ICT in 4th quarter of 2014. Measures were also implemented that have provided a reduction in the PSA's travel costs.

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, according to my assessment a comprehensive picture of the PSA's disposable appropriations and of the reported expenses, revenues, assets and liabilities. The PSA has been audited as a public administrative organ by the Office of the Auditor General. The auditors' report is expected to be available during the 2nd quarter of 2017.

*Petroleum Safety Authority Norway,  
15 March 2017  
Anne Myhrvold, Director General,  
Petroleum Safety Authority Norway*

### NOTE REGARDING THE PRINCIPLES FOR APPROPRIATION AND ACCOUNT REPORTING

The PSA's annual financial statements were compiled in accordance with guidelines laid down in the provisions concerning financial management within the Government ("the provisions"). The annual financial statements comply with the requirements in the provisions of article 3.4.1, provisions laid down in the Ministry of Finance's circular R-115 of November 2016 and any additional requirements established by the competent ministry.

The appropriation and account reports were prepared based on the provisions of article 3.4.2 - the fundamental principles for the annual 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 a different chart of accounts. The principles correspond to the requirements in the provisions of article 3.5 as regards how enterprises must submit reports to the 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 in Norges Bank in accordance with the requirements laid down in the provisions of article 3.7.1. The PSA is a gross-budgeted organisation and is thus in receipt of no liquidity during the year, but has an overdraft facility through its 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 stocks with which PSA is listed in the capital account. The appropriation report shows accounting figures which the PSA has reported to the Government account. The 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 commitments 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 State account and shown in the column for accounting.

### The account report

The account report consists of an upper part which shows what has been reported to the Government account in accordance with a standard chart of accounts for Government enterprises and a lower part which shows assets and liabilities included in the outstanding account with the State Treasury. The account reports show accounting figures that the PSA has reported to the Government account in accordance with a standard chart of accounts for Government enterprises. The PSA's corporate account with Norges Bank has an overdraft facility. The appropriations are not recognised as income and are therefore not shown as income in the statement.





<b>Presentation of appropriation report, 31/12/2016</b>							
Expense section	Section name	Item	Item text	Note	Total allocation	Account 2016	Added expenses (-) and reduced expenses
0642	Petroleum Safety Authority Norway (see 3642)	01	Operating expenses	A, B	237 406 000	227 336 658	10 069 342
0642	Petroleum Safety Authority Norway (see 3642)	21	Special operating expenses	A, B	26 438 000	24 245 039	2 192 961
0642	Petroleum Safety Authority Norway	45	Major equipment procurement and maintenance	A, B	2 639 000	670 273	1 968 727
0118	The Foreign Ministry, Charge Authorisation 0118.01	01	Operating expenses	B.		151 500	
0118	The Foreign Ministry, Charge Authorisation 0118.70	70	Operating expenses	B.		3 000 000	
1633	Net scheme, State paid VAT	01	Operating expenses			7 867 326	
<i>Total expensed</i>					266 483 000	263 270 796	-
Income capital	Section name	Item	Item text		Total allocation	Account 2016	Higher revenue and lower revenue (-)
3642	Petroleum Safety Authority Norway (see 0642)	02	Assignment and collaborative activities		5 640 000	6 378 453	738 453
3642	Petroleum Safety Authority Norway (see 0642)	03	Supervision fees		64 540 000	58 975 397	-5 564 603
3642	Petroleum Safety Authority Norway (see 0642)	06	Refunds/misc. revenues		0	837 925	837 925
3642	Petroleum Safety Authority Norway (see 0642)	07	Rental income, company cabin		0	37 100	37 100
5571	Sector charge under the Ministry of Labour and Social Affairs	70	Petroleum Safety Authority Norway - sector charge		90 620 000	84 474 470	-6 145 530
5309	Misc. revenues	29	Miscellaneous			215 576	
5700	The national insurance scheme revenue	72	National Insurance contributions			20 901 218	
<i>Total income recognised</i>					160 800 000	171 820 139	-
<b>Net amount reported to the appropriation account</b>						<b>91 450 657</b>	
<b>Capital accounts</b>							
60087401	Norges Bank Capital account deposits					154 631 843	
60087402	Norges Bank Capital account payments					-245 403 035	
718006	Change in outstanding account with the State Treasury					-679 465	
<i>Total reported</i>						0	
<b>Stocks reported to the capital account (31/12)</b>							
Account	Text				2016	2015	Change
718006	Outstanding account with the State Treasury				-8 155 274	-7 475 810	-679 465

<b>Note A Forklaring av samlet tildeling utgifter</b>			
Kapittel og post	Overført fra i fjor	Årets tildelinger	Samlet tildeling
064201	8 933 000	228 473 000	237 406 000
064221	0	26 438 000	26 438 000
064245	1 099 000	1 540 000	2 639 000

**Note B Explanation of utilised authorisations and calculation of possible amount for carryforward to next year**

Section and item	Keyword	Added expense (-) / reduced expense	Expensed by others in accordance with issued charge authorisations	Added expenses (-) / reduced expenses in accordance with issued charge authorisations	Added income/reduced income (-) in accordance with added income authorisation (adjusted to incl. VAT, if appropriate)	Reallocation from item 01 to 45 or to item 01/21 from next year's appropriation
064201	"may be used under item 21"	10 069 342	0	10 069 342	875 025	0
064221		2 192 961	0	2 192 961	738 453	0
064245	"may be carried forward"	1 968 727	0	1 968 727	0	0
011801				0	Not applicable	Not applicable
011870				0	Not applicable	Not applicable

**EXPLANATION CONCERNING THE UTILISATION OF BUDGET AUTHORISATIONS**

**Charge authorisations received**

The PSA has received a charge authorisation from the Ministry of Foreign Affairs for NOK 484,979 under section/item 0118.01 and has utilised NOK 151,500 of this charge authorisation. The Ministry of Foreign Affairs has also issued the PSA with a charge authorisation of up to NOK 3,000,000 under section/item 0118.70. for the project Planning for Risk in the Northern Areas. The PSA has used the entire charge authorisation's face value.

**The keywords "may be carried forward"**

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

**Authority 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 Refunds/misc. income and 3642.07 Rental income from company cabin. The total added income amounts to NOK 875,025. 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. The total added income amounts to NOK 738,453. The amount is included in the calculation of the possible carryforward amount to next year.

**Possible carryforward amount**

PSA has the authority to transfer up to 5% of the allocation for the entire record, cf. Award Letter 2016 - Budget Authorisations 2016 for Labour and Social Affairs subordinate enterprises Section 5, the provisions of the Appropriation Regulations and the annual circular on transferable appropriations (R-2).

The PSA's unutilised appropriation under section/item 0642.01 amounts to NOK 10,944,367. As this amount is below the threshold, the entire amount may be carried forward to the next budget year.

Adjusted for additional income on chapter/post 3642.02, the PSA's unused appropriation on the chapter/post 0642.21 amounts to NOK 2,931,415. In accordance with the authorisation to transfer up to 5% of this year's allocated funds, the potential amount transferable is NOK 1,321,900.

The amount under section/item 0642.45 can be carried forward in its entirety, as the keywords "can be carried forward" are linked to the section/item.

The possible carryforward amount to next year is an estimate, and the PSA shall receive feedback from the competent ministry concerning the final amount to be carried forward to next year.

Savings (-)	Total basis for transfer	Max. carryforward amount*	Possible carryforward amount calculated by the organisation
0	10 944 367	11 423 650	10 944 367
0	2 931 415	1 321 900	1 321 900
0	1 968 727	2 639 000	1 968 727
Not applicable	Not applicable		
Not applicable	Not applicable		

\*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 unutilised appropriations.



## Presentation of the account report, 31/12/2016

	2016	2015
<b>Operating revenues reported to the appropriation account</b>		
Payments from fees	143 449 867	148 468 389
Income from grants and transfers	0	0
Sales and rental payments received	7 062 556	4 454 397
Other payments received	190 800	684 204
<i>Total payments received from operations</i>	150 703 224	153 606 989
<b>Operating expenses reported to the appropriation account</b>		
Payments to salary	167 057 142	166 903 971
Other payments to operations	87 699 127	77 432 651
<i>Total payments to operations</i>	254 756 268	244 336 622
<b>Net reported operating expenses</b>	<b>104 053 045</b>	<b>90 729 632</b>
<b>Investment and financial income reported to the appropriation account</b>		
Financial income received	122	183
<i>Total investment and financial income</i>	122	183
<b>Investment and financial expenses reported to the appropriation account</b>		
Payments for investments	646 323	1 324 370
Payment for the purchase of shares	0	0
Payment of financial expenses	879	1 335
<i>Total investment and financial expenses</i>	647 202	1 325 705
<b>Net reported investment and financial expenses</b>	<b>647 080</b>	<b>1 325 522</b>
<b>Debt collection and other transfers to the State</b>		
Payment of taxes, charges, fees, etc.	0	0
<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 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)	215 576	218 431
National Insurance contributions account 1986 (ref. section 5700, income)	20 901 218	20 872 515
Net recognition scheme for VAT account 1987 (cf. Chap. 1633, expense)	7 867 326	6 403 017
<i>Total net reported expenses under joint sections</i>	-13 249 467	-14 687 929
<b>Summary of outstanding account with the State Treasury</b>		
<b>Assets and liabilities</b>	<b>2016</b>	<b>2015</b>
Receivables from employees	104 083	264 939
Other current receivables	48 762	88 818
Tax deductions payable	-8 132 515	-7 601 831
Accrued public duties	-66 115	-35 378
Other liabilities	-109 489	-192 357
<b>Total outstanding account with the State Treasury</b>	<b>-8 155 274</b>	<b>-7 475 810</b>

## **POLICIES FOR PREPARATION OF THE ACTIVITY ACCOUNT**

The activity account was prepared in accordance with Government 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 principle of matching was also used at year end in accordance with SRS 10 Income from appropriations.

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 "Government 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 Government 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 Ytelsler 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). For the PSA, which does not pay premiums to SPK (as these are covered by a combined appropriation from the Government to SPK), a standard rate is used to calculate the pension premium. This is based on a best estimate from the PSA. See also Note 2 for a more detailed description of the approach used.

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

Fixed assets are long-term, important assets which have been placed 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 value 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 Oppstillingsplaner for resultatregnskap og balanse (Layout plans for income statements and balance sheets). The section shows the total Government financing of the PSA.

### Settlements

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

### State financing of intangible assets and depreciable assets

The capitalised value of intangible assets and depreciable assets has a counter-entry on the accounting line "Government financing of intangible assets and depreciable assets".

### Cash flow analysis

No cash flow analysis has been prepared. Virtually identical information is presented in the account report as part of the annual financial statements.

### State framework conditions

#### The self-insurer principle

The Government 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's 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 is in receipt of no liquidity during the year. The PSA's corporate account with Norges Bank has an overdraft facility. 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	31/12/2016	31/12/2015
<b>Operating revenues</b>			
Income from appropriations	1	121 456 686	127 122 230
Income from grants and transfers	1	0	0
Income from fees and sector charges	1	151 125 712	139 614 649
Sales and rental income	1	6 474 461	6 319 045
Other operating income	1	190 800	1 483 541
<i>Total operating income</i>		279 247 659	274 539 466
<b>Operating expenses</b>			
Cost of goods	2	27 269 059	18 776 697
Salary expenses	3	194 431 721	195 319 294
Write-offs of tangible and intangible assets	4, 5	3 686 426	3 809 264
Depreciation of tangible and intangible assets	4, 5	0	0
Other operating expenses	6	53 859 696	56 633 059
<i>Total operating expenses</i>		279 246 902	274 538 314
<b>Operating profit</b>		<b>757</b>	<b>1 152</b>
<b>Financial income and financial expenses</b>			
Financial income	7	122	183
Financial expenses	7	879	1 335
<i>Total financial income and financial expenses</i>		-757	-1 152
<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)	8	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		0	0
Settlement with the State Treasury, debt collection		0	0
<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	31/12/2016	31/12/2015
<b>A. Fixed assets</b>			
<b>I Intangible assets</b>			
Software and similar rights	4	609 798	440 998
<i>Total intangible assets</i>		609 798	440 998
<b>II Depreciable assets</b>			
Plots, buildings and other real property	5	655 568	695 091
Machinery and transport	5	0	0
Movables, fixtures and equipment, tools, etc.	5	7 772 993	10 936 622
<i>Total depreciable assets</i>		8 428 561	11 631 713
<b>III Financial fixed assets</b>			
Other receivables	9	41 750 995	34 692 412
<i>Total financial fixed assets</i>		41 750 995	34 692 412
<b>Total fixed assets</b>		<b>50 789 354</b>	<b>46 765 124</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	10	2 438 397	1 160 487
Earned, uninvoiced income	11	36 905 115	31 452 712
Other receivables	12	1 171 703	1 360 249
<i>Total receivables</i>		40 515 214	33 973 447
<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>40 515 214</b>	<b>33 973 447</b>
<b>Total assets</b>		<b>91 304 569</b>	<b>80 738 571</b>



## Balance sheet

	Note	31/12/2016	31/12/2015
<b>STATE CAPITAL AND LIABILITIES</b>			
<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)	8	46 723 147	33 966 866
<i>Total settlements</i>		46 723 147	33 966 866
<b>III State financing of intangible assets and depreciable assets</b>			
State financing of intangible assets and depreciable assets	4, 5	9 038 360	12 072 712
<i>Total State financing of intangible assets and depreciable assets</i>		9 038 360	12 072 712
<b>Total State capital</b>		<b>55 761 507</b>	<b>46 039 577</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		596 692	160 537
Tax deductions payable		8 132 515	7 601 831
Accrued public duties		3 446 047	3 385 457
Provision for holiday pay		16 573 248	16 603 479
Other current liabilities	13	6 794 560	6 947 690
<i>Total current liabilities</i>		35 543 062	34 698 993
<b>Total liabilities</b>		<b>35 543 062</b>	<b>34 698 993</b>
<b>Total State capital and liabilities</b>		<b>91 304 569</b>	<b>80 738 571</b>

**Note 1 Operating income**

	31/12/2016	31/12/2015
<b>Income from appropriations</b>		
Income from appropriation from competent ministry	97 162 732	94 370 296
Income from appropriation from other ministries, charge authorisation	3 152 280	3 446 147
- gross amount utilised for investments in intangible assets and depreciable assets	-652 074	-1 202 590
- unused appropriation for investment purposes (items 30-49)	-1 962 976	-1 099 234
+ deferred income from provision linked to investments (write-offs)	3 686 426	3 809 264
+ deferred income from the provision related to investments (book value of noncurrent assets disposed)	0	645 933
+ income to cover pension expenses	27 128 881	27 850 509
- recognised operating appropriation linked to financial fixed assets	-7 058 583	-698 095
<b>Total income from appropriations</b>	<b>121 456 686</b>	<b>127 122 230</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	61 995 319	60 305 989
Sector charge - refund-entitled	89 130 392	79 308 661
<b>Total income from fees and sector charges</b>	<b>151 125 712</b>	<b>139 614 649</b>
<b>Sales and rental income</b>		
Safety Forum	277 605	282 988
Income from assignment and collaborative activity	5 512 753	5 612 369
Other income	684 103	423 688
<b>Total sales and rental income</b>	<b>6 474 461</b>	<b>6 319 045</b>
<b>Other operating income</b>		
Profit from disposal of fixed assets	0	1 483 541
Other operating income	190 800	0
<b>Total other operating income</b>	<b>190 800</b>	<b>1 483 541</b>
<b>Total operating income</b>	<b>279 247 659</b>	<b>274 539 466</b>

**Basis for recognition of expense appropriation**

Section and item	The cash principle				The Accruals principle
	Expense appropriation (total allocation)	Income appropriation	Reported income	Maximum calculated basis for income recognition	Recognised appropriation
064201	237 406 000			237 406 000	70 054 897
064221	26 438 000			26 438 000	24 468 835
064245	2 639 000			2 639 000	2 639 000
011801	484 979			484 979	152 280
011870	3 000 000			3 000 000	3 000 000
364202		5 640 000	6 378 453	-5 640 000	
364203		64 540 000	58 975 397	-58 975 397	
557170		90 620 000	84 474 470	-84 474 470	
<b>Total</b>				<b>120 878 112</b>	<b>100 315 012</b>

**Note 2 Cost of goods**

	31/12/2016	31/12/2015
Consultancy services	16 048 533	9 111 508
Assistance from State enterprises	1 541 037	1 019 084
Travel expenses	8 237 830	8 529 624
Provision for accrued expenses	0	-491 035
Other operating expenses	1 441 659	607 516
<b>Total cost of goods</b>	<b>27 269 059</b>	<b>18 776 697</b>

**Note 3 Salary expenses**

	31/12/2016	31/12/2015
Salaries	131 386 043	130 994 307
Holiday pay	16 737 357	16 685 808
National Insurance contributions	23 949 056	24 046 393
Pensions expenses*	24 125 095	24 755 032
Sick-pay and other reimbursements (-)	-3 550 506	-2 567 314
Other benefits	1 784 677	1 405 068
<b>Total salary expenses</b>	<b>194 431 721</b>	<b>195 319 294</b>

**Number of full-time equivalents:** **166** **168**

**\* More information concerning pension expenses**

The PSA does not pay pension premiums to the Norwegian Public Service Pension Fund (SPK) and premium expenses are also not covered by PSA's appropriation. The premiums are funded via a combined appropriation from the State to SPK. The financial statements are based on an estimated rate for the calculation of pension expenses. The premium rate for 2016 is estimated by the SPK to be 17.10 percent. The premium rate used for 2015 was 17.55 percent.

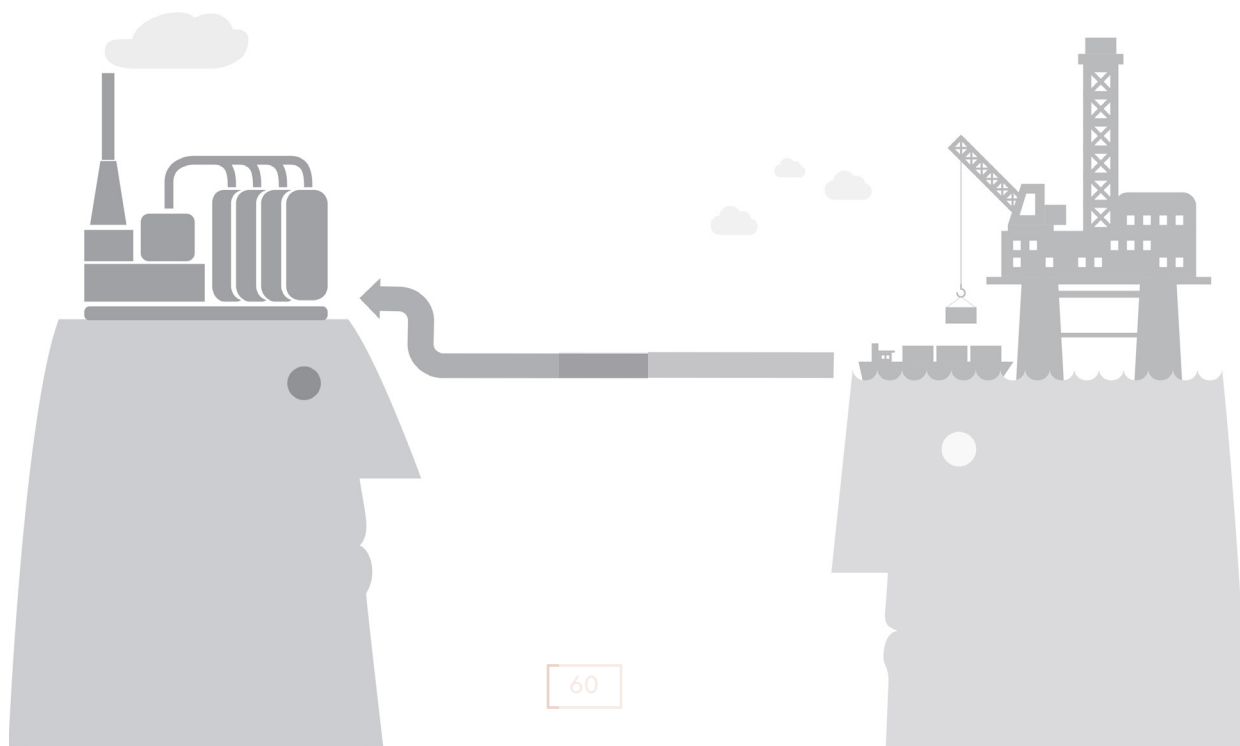
Pensions are expensed based on this rate multiplied by the accrued pension basis. See also Note 1 concerning the recognition of income to cover pension expenses (result-neutral solution).

**Note 4 Intangible assets**

	Software and similar rights	Total
Acquisition cost 01/01/2016	5 810 662	5 810 662
Acquisitions in 2016	286 551	286 551
Disposals at acquisition cost in 2016 (-)	0	0
From construction in progress to another group in 2016	0	0
<i>Total acquisition cost 31/12/2016</i>	<i>6 097 213</i>	<i>6 097 213</i>
Accumulated write-downs 01/01/2016	0	0
Write-downs in 2016	0	0
Accumulated write-offs 01/01/2016	5 369 663	5 369 663
Depreciation and amortization in 2016	117 751	117 751
Accumulated depreciation at year-end 2016 (-)	0	0
<b>Balance sheet value 31/12/2016</b>	<b>609 798</b>	<b>609 798</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.	<b>Total</b>
Acquisition cost 01/01/2016	750 933	93 236	23 317 426	24 161 595
Acquisitions in 2016	0	0	365 523	365 523
Disposals at acquisition cost in 2016 (-)	0	0	0	0
From construction in progress to another group in 2016	0	0	0	0
<i>Total acquisition cost 31/12/2016</i>	<i>750 933</i>	<i>93 236</i>	<i>23 682 948</i>	<i>24 527 117</i>
Accumulated write-downs 01/01/2016	0	0	0	0
Write-downs in 2016	0	0	0	0
Accumulated write-offs 01/01/2016	55 842	93 236	12 380 803	12 529 881
Depreciation and amortization in 2016	39 523	0	3 529 152	3 568 675
Accumulated depreciation at year-end 2016 (-)	0	0	0	0
<b>Balance sheet value 31/12/2016</b>	<b>655 568</b>	<b>0</b>	<b>7 772 993</b>	<b>8 428 561</b>
	10-60 years decomposed linear	3-15 Year linear	3-15 Year linear	
Depreciation rates (life)				
<u>Disposal of depreciable assets in 2016:</u>				
Sale price upon disposal of fixed assets	0	0	0	0
- (Book value of fixed assets disposed of)	0	0	0	0
= Accounting profit/loss	0	0	0	0

### Note 6 Other operating expenses

	31/12/2016	31/12/2015
Rent	23 547 729	22 834 477
Maintenance and alterations to leased premises	0	54 300
Other expenses for operation of property and premises	5 935 033	5 774 941
Hire of machinery, equipment, etc.	2 178 081	2 299 994
Minor equipment purchases	352 062	263 523
Repair and maintenance of machinery, equipment, etc.	532 942	432 588
Purchase of external services	11 107 930	12 891 327
Travel and subsistence	2 698 219	3 998 759
Other operating expenses	7 507 698	8 083 148
<b>Total other operating expenses</b>	<b>53 859 696</b>	<b>56 633 059</b>

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

	<i>Duration between one and five years</i>	<i>Duration &gt; five years</i>	<i>Total</i>
Rental agreements	0	23 548 000	23 548 000
Rental agreements linked to intangible assets	1 561 000	0	1 561 000
Rental agreements linked to depreciable assets	618 000	0	618 000
Other rental agreements	0	0	0
			<b>25 727</b>
<b>Total rental agreements</b>			<b>000</b>

\*Only important rental agreements are specified.

### Note 7 Financial income and financial expenses

	31/12/2016	31/12/2015
<b>Financial income</b>		
Interest income	122	183
Current gains (agio)	0	0
<b>Total financial income</b>	<b>122</b>	<b>183</b>
<b>Financial expenses</b>		
Interest expense	879	1 335
Currency losses (disagio)	0	0
<b>Total financial expenses</b>	<b>879</b>	<b>1 335</b>

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

**A) Settled with the State Treasury**

	31/12/2016	31/12/2015	Change
Intangible assets, depreciable assets and financing thereof			
Intangible assets	609 798	440 998	168 800
Depreciable assets	8 428 561	11 631 713	-3 203 152
State financing of intangible assets and depreciable assets	-9 038 360	-12 072 712	3 034 352
<i>Total</i>	<b>0</b>	<b>0</b>	<b>0</b>
Financial fixed assets			
Other receivables	41 750 995	34 692 412	7 058 583
<i>Total</i>	<b>41 750 995</b>	<b>34 692 412</b>	<b>7 058 583</b>
Current assets			
Trade debtors	2 438 397	1 160 487	1 277 910
Earned, uninvoiced income	36 905 115	31 452 712	5 452 403
Other receivables	1 171 703	1 360 249	-188 546
<i>Total</i>	<b>40 515 214</b>	<b>33 973 447</b>	<b>6 541 767</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	-596 692	-160 537	-436 154
Tax deductions payable	-8 132 515	-7 601 831	-530 684
Accrued public duties	-3 446 047	-3 385 457	-60 590
Provision for holiday pay	-16 573 248	-16 603 479	30 230
Other current liabilities	-6 794 560	-6 947 690	153 130
<i>Total</i>	<b>-35 543 062</b>	<b>-34 698 993</b>	<b>-844 068</b>
<b>Settled with the State Treasury</b>	<b>46 723 147</b>	<b>33 966 866</b>	<b>12 756 281</b>

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

Corporate account, outgoing payments	-245 403 035
Corporate account, incoming payments	154 631 843
<i>Total net deduction from corporate account</i>	-90 771 192
+ Recognised income from appropriation (sub-accounts 1991 and 1992)	98 352 036
- Group life/National Insurance contributions (sub-accounts 1985 and 1986)	-21 116 793
+ Net scheme, State paid VAT (sub-account 1987)	7 854 011
- 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 moving to another State position)	-15 760
Other reconciliation items (specified)	-7 058 583
<i>Total difference between recognised and net deduction from corporate account</i>	-12 756 281
Net income from the period's activities before settlement with State Treasury	0
<b>Change in settled with the State Treasury</b>	<b>-12 756 281</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**

	31/12/2016 Specification of the <u>posted</u> charge with the Treasury	31/12/2016 Specification of the <u>reported</u> balances with Treasury	Difference
Intangible assets, depreciable assets and financing thereof			
Intangible assets	609 798	0	609 798
Depreciable assets	8 428 561	0	8 428 561
State financing of intangible assets and depreciable assets	-9 038 360	0	-9 038 360
<i>Total</i>	<b>0</b>	<b>0</b>	<b>0</b>
Financial fixed assets			
Other receivables	41 750 995	0	41 750 995
<i>Total</i>	<b>41 750 995</b>	<b>0</b>	<b>41 750 995</b>
Current assets			
Trade debtors	2 438 397	0	2 438 397
Earned, uninvoiced income	36 905 115	0	36 905 115
Other receivables	1 171 703	152 845	1 018 858
<i>Total</i>	<b>40 515 214</b>	<b>152 845</b>	<b>40 362 369</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	-596 692	0	-596 692
Tax deductions payable	-8 132 515	-8 132 515	0
Accrued public duties	-3 446 047	-66 115	-3 379 932
Provision for holiday pay	-16 573 248	0	-16 573 248
Other current liabilities	-6 794 560	-109 489	-6 685 071
<i>Total</i>	<b>-35 543 062</b>	<b>-8 308 119</b>	<b>-27 234 942</b>
<b>Total</b>	<b>46 723 147</b>	<b>-8 155 274</b>	<b>54 878 422</b>

**Note 9 Other receivables**

	31/12/2016	31/12/2015
Financial fixed assets	41 750 995	34 692 412
<b>Total financial fixed assets</b>	<b>41 750 995</b>	<b>34 692 412</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 non-current receivables in the form of prepaid rent which is accrued over a period of 20 years, corresponding to the term of the rental agreement. The principle of reverse comparison, ref. SRS 10 pt. 5, is used in conjunction with this record and has a contra item Settlement with Treasury. The provision is dissolved in line with the expensing of prepaid rent at the rate of one twentieth share per year.

The basis for the surcharge is currently being clarified with the lessor. The current basis amounts to NOK 56 million plus interest. As at 31/12/2016, the PSA has paid NOK 48,8 million and the outstanding VAT compensation amounts to NOK 16.4 million.



**Note 10 Trade debtors**

	31/12/2016	31/12/2015
Trade debtors at nominal value	2 438 397	1 160 487
Provision for bad debts (-)	0	0
<b>Total Trade debtors</b>	<b>2 438 397</b>	<b>1 160 487</b>

**Note 11 Earned, uninvoiced income**

**Earned, uninvoiced income (receivable)**

	31/12/2016	31/12/2015
Assignment and collaborative activities	993 669	1 817 838
Supervisory activity - fees	11 869 452	9 883 446
Supervisory activity - sector	24 041 993	19 751 428
<b>Total Earned, uninvoiced income</b>	<b>36 905 115</b>	<b>31 452 712</b>

**Note 12 Other current receivables**

	31/12/2016	31/12/2015
Prepaid salary	0	0
Travel advances	86 999	119 359
Personnel loans	19 050	147 476
Other receivables from employees	0	0
Prepaid salary	0	0
Other pre-paid expenses	483 843	551 378
Other receivables	581 811	542 036
<b>Total Other current receivables</b>	<b>1 171 703</b>	<b>1 360 249</b>

**Note 13 Other non-current liabilities**

	31/12/2016	31/12/2015
Salaries payable	3 812 066	3 607 261
Other debts to employees	2 825 208	2 787 929
Accrued expenses	45 900	358 246
Advance payments received	0	0
Deferred income, Safety Forum	108 889	200 895
Other current liabilities	2 496	-6 642
<b>Total other current liabilities</b>	<b>6 794 560</b>	<b>6 947 690</b>



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