



# Annual report 2019

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# Gassco **secures** energy supplies



FRODE LEVERSUND  
President and CEO

# Norwegian gas in a time of change

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**Gassco secures energy supplies for Europe. We do this together with and on behalf of many important players on the Norwegian continental shelf (NCS). Safe, reliable and efficient operation is always our priority, and safety always comes first.**

It is gratifying to note that virtually all HSE indicators moved in the right direction during 2019. An absence of gas leaks provides an important example of this. We also again achieved good gas deliveries from the NCS, providing some 107 billion standard cubic metres (scm) of natural gas to the UK and continental Europe. That nevertheless represented some reduction from 2018. One reason for this decline is that we implemented an extensive maintenance programme on the transport network during the year. That work safeguards the integrity and safety of our gas deliveries for the future.



Engagement with the climate expanded throughout Europe in 2019 and set the agenda. The world population is growing and ever more energy is needed. At the same time, greenhouse gas (GHG) emissions must be reduced. Cutting CO<sub>2</sub> emissions throughout the value chain is one of our strategic goals. We have pursued this in part through a concentration on energy management in our operations. Transporting natural gas from the Heimdal area provides a good example. We reduced the amount of energy required for this activity by taking a new and less energy-intensive route, and thereby reduced CO<sub>2</sub> emissions by about 17 000 tonnes. We have achieved that in collaboration with other players on the NCS, and it illustrates that many different measures are needed to cut the amount of GHG we release.

Robotisation and digitalisation are key areas for reducing GHG emissions and costs, and for enhancing safety. The "Mike the Bike" robot inspected the condition of large pressure vessels for the first time during the turnarounds at the Kårstø and Nyhamna process plants. Robotisation helps to increase value creation and to make our activities even safer and more forward-looking.

Taking the climate seriously and reducing emissions are part of our corporate social responsibility (CSR). But so is providing reliable gas energy for millions of people every day. We again delivered with a reliability of more than 99 per cent in 2019. Sustainable operation and development are central concerns for us and, to reinforce this, we are now publishing a separate sustainability report which presents our plans.

The first gas infrastructure on the NCS was constructed 43 years ago. A well-functioning and ever more extensive transport system has grown up. This has been crucial for Norway's position as one of the world's largest exporters of natural gas. We are responsible for safe and efficient operation of the transport system, but also serve as the architect to ensure integrated further development of this infrastructure.

An investment decision was taken in 2019 to build Baltic Pipe. Running from the NCS via Denmark to Poland, this pipeline will provide direct access for Norwegian gas to new markets. These supplies will be crucial in Poland's efforts to phase out coal-fired power. The UK had its first week without coal in its energy supply in 2019, and Norwegian gas has also been an important contributor here. This shows that gas from Norway has great significance far beyond the country's borders, and helps to diversify energy supply in Europe.

The world and our surroundings are in constant change. We live in a time of transition, where transforming energy supply and GHG emissions top the agenda. Making wise choices for a common integrated development is more important than ever. We will contribute to this.

# Directors' **report**



**Gassco is a limited company owned by the Norwegian state. It operates the integrated gas transport system from the Norwegian continental shelf (NCS) to European countries. This network comprises pipelines, process facilities, platforms and gas terminals in continental Europe and the UK.**

The company's head office is at Bygnes in Karmøy local authority. It also has branches in Germany, Belgium, France and the UK, which are responsible for day-to-day operation of the receiving terminals.

Operating parameters for Gassco are determined by the Norwegian government. The company's primary roles are defined as the exercise of special and normal operator responsibilities. The special operatorship refers to the exercise as a government authority of duties allocated to Gassco pursuant to the Norwegian Petroleum Act and associated regulations. It covers system operation, capacity management and infrastructure development. The normal operatorship refers to the technical operation of process plants, pipelines, platforms and terminals pursuant to the Norwegian Petroleum Act's provisions on operator responsibility. These duties are further regulated by agreements with the Gassled, Zeepipe Terminal, Dunkerque Terminal DA, Valemon Rich Gas Pipeline, Utsira High Gas Pipe, Knarr Gas Pipeline, Haltenpipe, Nyhamna, Polarled and Vestprosess DA joint ventures.

Gassco has entered into agreements with Equinor, Shell and North Sea Midstream Partners on the purchase of technical operating services for pipelines, gas terminals, platforms and process plants.

Gassco does not make a profit or a loss from its operations. Costs are covered by the joint ventures, the users and third parties. This means that its economic and financial risks are very limited.

### Gassco's strategic goals

The strategic goals are the result of a strategic analysis carried out in 2019. This assessed the operating parameters and external factors which could influence the operation and development of the gas transport system. Scenarios for the future established in that context then formed the basis for a discussion of the company's strategic agenda.

#### Based on this work, Gassco's strategic goals from 1 January 2020 are as follows.

- Safer and more value.
- Create infrastructure for the future.
- Reduce climate impact.

The management system describes the company's corporate governance. Risk assessments are conducted, with the most hazardous activities at any given time identified in order to ensure safe operation of the business. Gassco's management system and associated control routines ensure efficient and prudent operation in accordance with applicable legislation, statutory regulations and specified goals.

### Corporate social responsibility and sustainability

Corporate social responsibility (CSR) and sustainability are an integral part of the company's organisational culture, strategy, operational activities and ethical conduct towards the world at large. Gassco's work on CSR and sustainability is tied to the UN Global Compact and the UN sustainable development goals. Its procedure for exercising CSR and sustainability accords with ISO 26000. On the basis of dialogue with the company's stakeholders, materiality analyses and due diligence assessments are conducted in accordance with the OECD's guidelines for multinational companies and the Oslo Børs guidelines on due diligence. Work on CSR and sustainability is entrenched in and approved by the company's top management. Gassco has publicly available guidelines on ethics and confidentiality. See the company's report on *Sustainable value creation 2019* for further details on this subject.

### Health, safety, the environment and quality (HSE&Q)

Gassco has a philosophy of zero accidents and no harm to people, the environment or material assets. This is based on a conviction that all harm can be prevented by systematic and purposeful HSE&Q work. No incidents in Gassco's operator area resulted in loss of life during 2019.

The working environment in Gassco is good. The company's target for a number of years has been an overall sickness absence below three per cent. Sickness absence during 2019 was four per cent for the whole business. This was primarily because the large process plants, which account for roughly half the hours worked, had a sickness absence of 4.5-5.5 per cent.

The company's management system covers such aspects as reporting, investigating and following up incidents and non-conformities. This work is important for achieving continuous improvement in the HSE&Q area. The company has defined key performance indicators (KPIs)

which show how HSE&Q results are developing over time. This helps to identify trends in order to ensure that improvement initiatives are measurable and as effective as possible.

Gassco worked purposefully in 2019 to identify, follow up and implement measures in the wake of incidents. The frequency of incidents defined as critical rose from 2018 to 2019. Six critical incidents occurred in 2019, compared with five in 2018. All the six in 2019 were critical, in the sense that they could have had serious consequences even though they did not lead to any actual damage. The frequency rose for 2019, in part because of a reduction in the order of 300 000 hours in time worked compared with the year before. All six of the critical incidents have been investigated.

A collaboration was instituted in 2019 across the Norwegian land-based plants aimed at reducing the personal injury frequency. This initiative is being continued in 2020.

**The personal injury frequency for Gassco's operator area in 2019 was 2.76, compared with 4.4 in 2018 – an improvement of almost 40 per cent from the year before. The main reasons for this enhanced performance were purposeful work on HSE and continuous improvement. The board wants to see systematic improvement work in the HSE field in order to reach the goal of zero personal injuries or critical incidents in 2020.**



No gas leaks larger than 0.1 kilograms per second (kg/s) were recorded in 2019. Gassco registered a minor fire at Kårstø during the year. It began in an electrical system rather than the actual process plant. All process plants, gas terminals and platforms were operated within their annual emission/discharge limits in 2019. No unplanned releases of oil or chemicals occurred during the year.

Health and safety results	Results 2019	Results 2018
Deaths	0	0
Personal injuries in total	11	19
Lost-time injuries	3	7
Fires	1	1
Gas leaks	0	0
Critical incidents	6	5
Unlicensed emissions/discharges	0	0
Accidental discharges, oil/chemicals	0	3

The company was awarded 892 807 emission allowances free of charge in 2019, and purchased 367 000. Each allowance corresponds to the emission of one tonne of CO<sub>2</sub>.

Emissions/discharges to the natural environment		Emissions 2019	Emissions 2018
To the air	Nitrogen oxides	778.4 tonnes	926.3 tonnes
	Carbon dioxide	1 237 kilotonnes	1 360 kilotonnes
To water	Safety flaring	16.3 kilotonnes	17.1 kilotonnes
	Oil	154 kilograms	202 kilograms
To soil/water	TOC	3 800 kilograms	10 929 kilograms
	Accidental discharges, oil/chemicals	0 kilograms	13 760 litres

**0**

Fatalities

**11**

Personal injuries

**3**

Lost-time injuries

**1**

Fires

**6**

Critical incidents

**0**

Gas leaks

**0**

Emissions/discharges  
exceeding annual limits

**0**

Accidents discharges  
oil/chemicals

One of Gassco's strategic goals is to reduce its climate impact through sustainable operation and business development. A road map up to 2030 with strategic aids has been drawn up to achieve this goal. Road-map measures implemented in 2019 included studies on reducing CO<sub>2</sub> emissions from the Kårstø process plant, energy management in the value chain and a number of activities in the sustainable development R&D programme. While the company's 2019 target for specific CO<sub>2</sub> emissions (kilograms of CO<sub>2</sub> released per tonne of exported product) was 15 kg/t, the result was 14.11 kg/t.

**This reduction was achieved by implementing emission-reducing measures in addition to good and optimal operation throughout the gas infrastructure. That includes regular operation as well as projects executed at all plants, terminals and platforms.**

Supervision in the form of audits, verifications and management inspections plays an important role in Gassco's follow-up of its business. The company is also subject to control by official regulators and the owners. Substantially more audits of Gassco were conducted by the authorities during 2018 and 2019 than in the preceding years. The audits in 2019 identified 27 nonconformities and 19 learning points.

These nonconformities varied in their level of seriousness, and actions and deadlines have been established for closing them. Learning points provide the basis for further improvements. Following an audit of electrical systems on Draupner in the autumn of 2019, Gassco received orders from the regulator related to electrical expertise and the application of such competence in exercising its "see-to-it" duty. This is an area where the company will continue working in 2020. The board is pleased with the work done, and is concerned to ensure that active efforts are made to implement improvements.

The emergency response organisation is an important component in Gassco. The response organisation at Bygnes held and participated in eight exercises during 2019. These drills demonstrated that Gassco has a robust and well-functioning emergency response organisation. The company's response organisation was mobilised 11 times in 2019.

Gassco will continue its efforts to achieve HSE&Q improvements, in close cooperation with the companies carrying out operating assignments on its behalf. Particular attention is directed at all conditions which have a major accident potential, with special emphasis given to the safety of processes and people.

## Risk management

Risk management plays a key role in Gassco's management processes and is utilised throughout the business in decision processes and projects. The work process for risk management in Gassco builds on the principles in ISO 31000-2018 and reflects updated knowledge in the risk management field. New user-friendly tools and risk pictures have been developed. See the figure. The company's management and board utilise a "radar image" as an important input to decision processes and updating strategy. This radar image primarily presents emerging risks and opportunities.

## Typical examples of elements on the radar are

### Emerging risk

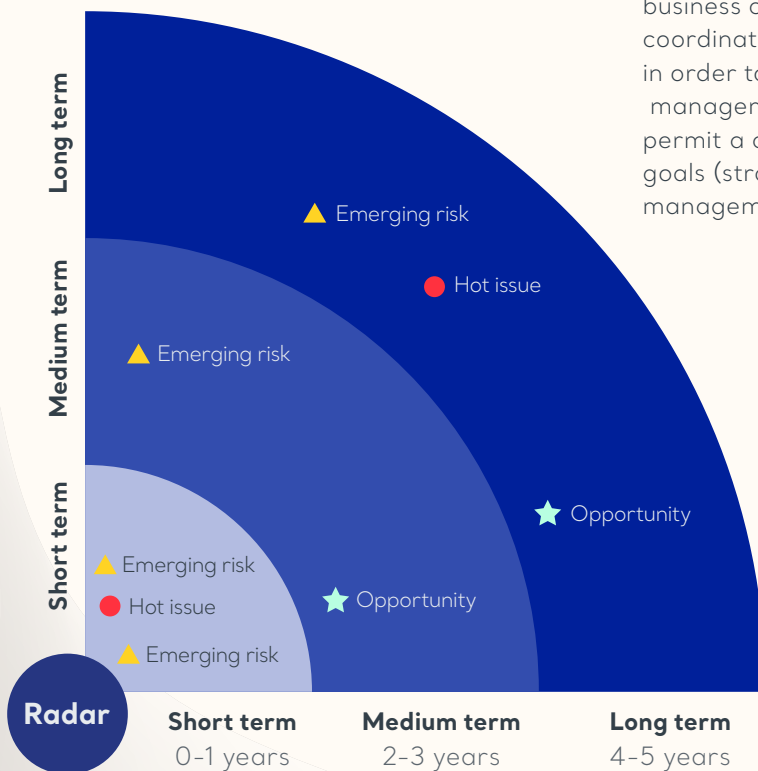
- ageing facilities
- corrosion under insulation
- gas volume projections
- climate challenges

### Opportunity

- digitalisation

Different types of risk are handled in varying ways in the organisation. The radar image reflects strategic, operational and external risk as well as opportunities/ upsides.

Gassco works continuously to improve its risk management process, and experience transfer from the various parts of the business contribute to progress. Work to coordinate risk and goal management in order to achieve even more effective management has been initiated. This will permit a clearer connection between goals (strategy) and necessary risk management.



The radar image which illustrates both threats and opportunities in the time to come.

**Emerging risk:** new risks or known ones which become visible under new or unknown conditions and could affect Gassco's operations. **Opportunity:** possible added value for the organisation. **Hot issue:** not defined as a risk or an opportunity, but nevertheless defined as so important that it demands management attention.

Microsoft Teams was implemented by Gassco in 2019 as its new file storage and collaboration solution.

The company works purposefully on security, with particular attention devoted to securing ICT. Several regulatory audits were conducted in the security area during 2019. Gassco became a partner during November 2019 in the National Cyber Security Centre, which is led by the national security authority.

In its efforts to achieve continuous improvements in Gassco's safety culture, the company has worked to implement purposeful enhancements to risk awareness. The One Gassco work programme was updated and further strengthened in the organisation during 2019.

### Operation of the gas transport system

Natural gas deliveries from the Norwegian gas transport system to Europe came to 106.9 billion scm in 2019, compared with 114.2 billion scm the year before. Total deliverability was 99.37 per cent, as against 99.16 per cent in 2018.

Deliveries to continental Europe and the UK were somewhat lower in 2019 than the year before. However, they increased to Germany – which accounts for almost 45 per cent of total deliveries to Europe. The main reasons for the decline were planned maintenance at process plants, increased gas injection on the NCS and lower production from swing fields. Given the high level of utilisation in the transport system, the board is pleased with the high production availability and regularity achieved by the whole gas transport system in 2019. Successful maintenance shutdowns were implemented at the Kollsnes and Nyhamna process plants as well as the terminals at Easington, Zeebrugge, Dunkerque, Emden and Dornum.

Vessel traffic, which includes shipment of natural gas liquids (NGL) and light oil (Gudrun Blend) from Kårstø, is carefully coordinated with daily gas transport in order to avoid full product stores and field shutdowns. A total of 599 ship calls were recorded at Kårstø during the year without causing any incidents of significance for gas transport.

Gas transport	2019	2018
Deliverability (%)	99.37	99.16
Quality (%)	100	99.97
Gas delivered to terminals in Europe (billion scm)	106.9	114.2
Highest delivery per day (million scm)	376.0	368.3
Average gross calorific value (kWh/scm)	10.9	10.9
Total volume other products delivered from the gas transport system (million tonnes)	9.11	10.3

The gas transport system has a flexibility which makes it possible to compensate for production disruptions on fields, at process plants and on riser platforms. This flexibility can be utilised through the management exercised by Gassco's control room, which operates around the clock. As the transport system has become increasingly complex and more intensively utilised, with more fields tied in and a larger number of gas qualities, delivering with almost 100 per cent availability in the market has become more demanding.

Operating costs, excluding electricity and taxes, for the facilities operated by Gassco have been reduced over the past five years by just over NOK 500 million compared with the corresponding figure in 2014. This will be an annual saving in the future. Operating costs for 2019 totalled NOK 7 603 million, while the target for the year was NOK 7 789 million. Reduced electricity charges are the primary reason why actual costs were lower than the target. Improvements to the expense of operating the gas transport system contribute to cost cuts and value creation on the NCS. Benchmarkings were conducted at Gassco's terminals and process plants in 2018 and 2019. These show that the system is operated in a safe and efficient manner, but areas for improvement have also been identified.

### **Development of the gas infrastructure**

The subsea tie-in of the gas pipeline from the Johan Sverdrup field to the Statpipe rich gas pipeline for gas deliveries to the Kårstø plant was completed in the third quarter of 2018. Gas production from Johan Sverdrup commenced in October 2019.

Gassco implemented preparations in 2019 for the tie-in of a spur from the Europipe II pipeline to Nybro in Denmark. This forms part of the Baltic Pipe infrastructure project, which could transport Norwegian natural gas to both Danish and Polish markets from 2022.

Studies and assessments related to developing new gas infrastructure in and from the Barents Sea have been carried out by Gassco. These analyses show that it could be profitable to build new transport solutions, and that coordinated development in the Barents Sea is important for realising the resource potential of the area. The final report was submitted to the Ministry of Petroleum and Energy in January 2020.

Gassco conducts continuous assessments of the need for future development of Norway's gas infrastructure. Among other conclusions, this work has identified changes to transport and processing needs in the Heimdal area. Based on these altered requirements, a decision was taken in June 2019 to tie together the pipelines in the Heimdal area on the seabed. Studies related to removing the Heimdal riser platform are also under way.

Transport concepts for all gas reserves are assessed by Gassco in order to identify the best integrated solutions for the NCS. This work has included evaluating transport solutions for the gas resources in Duva, Halten East/South (Flyndretind and Mikkel South) and Kristin South (Lavrans and Kristin Q) in connection with the choice of concept by the licensees.

Gassco conducts analyses and prepares annual transport plans, which assess future requirements for developing transport capacity on the basis of user needs. These plans show that the gas infrastructure is expected to be well utilised over coming years.

Norway's gas infrastructure is largely powered by electricity from the grid. The new transmission line between Modalen and Mongstad became operational in late 2019. This is a step forward in securing two robust supply routes to Kollsnes. Timely development of the power grid in line with changed requirements is crucial for Gassco's operations. The company accordingly follows up studies and network plans by relevant grid operators.

## Organisation

**Management development was a priority area in 2019. Achieving results through others is a precondition for success in this work.**

Through meetings involving all managers with responsibility for personnel, Gassco has concentrated attention on their role in the company. These meetings have been organised and implemented in-house, and held at all locations where the company has employees.

Management development is a natural extension of existing work on developing personnel and expertise.

Gassco has earlier adopted a set of values expressed by the acronym TRACK. It also has an overarching objective of lowering barriers between different locations and departments, expressed through the One Gassco culture programme.

The management meetings have concentrated attention on what it means to work with these initiatives. Furthermore, management and personnel development in Gassco have been based on the company's vision, values base and strategy.

The board's follow-up of ongoing competence and management development in the company has been handled through involvement in and reviews by the compensation committee, which reports status and development trends back to the board. This ensures that the board's duties are discharged in compliance with the state's principles for good corporate governance as described by the White Paper on state ownership in force at any given time. Management and personnel development are processes which will be pursued continuously. Expertise and skills are to be regarded as perishable commodities, and must be kept fresh throughout the career of the person possessing them. Gassco carried out an employee survey in 2018, with consequent follow-up at departmental level. Measures based on the results of the survey have been implemented.

The company has established a routine for whistleblowing in the company, which specifies how employees blow the whistle and the rules governing the response when they do.

Gassco had 341 permanent employees at 31 December 2019, including 145 at the gas terminals in continental Europe and the UK. The company currently has two office trainees in Norway, and one abroad.

### **Gassco's vision**

Securing energy supply

### **Gassco's values base**

Gassco - on TRACK



- T** – transparent
- R** – respectful
- A** – accountable
- C** – challenging
- K** – knowledgeable



### Equal opportunities and anti-discrimination

The company's human resources policy is gender-neutral and meets its goals for equality of opportunity, diversity and continuous organisational development. Job advertisements manifest the company's desire for a good gender balance, age spread and diversity in the workforce. Qualified candidates from a minority background will be called for interview. Women account for 27 per cent of Gassco's workforce. Recruiting more women graduates and facilitating female career development in the company are among its priorities. In determining and negotiating pay, Gassco pays special attention to equal treatment of men and women. Women account for 57 per cent of Gassco's executive management team. The company's human resources policy concentrates attention on equal opportunities and further development of talented people at all levels of the organisation.

Gassco has ensured good physical access to its buildings, including for people with disabilities. Workplaces are individually customised for employees with actual or incipient repetitive strain injuries. Collaboration with the company health and safety delegate services is open and solution-oriented.

### Innovation, digitalisation and R&D

Digitalisation is an important instrument for reaching Gassco's strategic goals.

A strategy for the company's digitalisation programme was finalised in early 2019. In addition to underpinning Gassco's strategic goals and describing the direction of travel, this digital strategy concentrates attention on key factors which can enhance the efficient attainment of the company's overall objectives. Combined with such elements as the innovation culture, flexible work processes and user involvement, the beacon of "one data-minded company" occupies a key place in the digital strategy.

The company worked in 2019 to lay a foundation for value creation based on access to data. A key element in this work is the development of a framework to ensure good quality, accessibility and utilisation for Gassco's data as well as to establish the company's cloud-based data platform. This will contribute to secure data access both internally and externally, and to reduced risk and improved insight into Gassco's work processes. Furthermore, the data platform will lay the basis for advanced analyses which equip the company to predict and deal with incidents.

**Research and development provide a key strategic instrument for innovation and digitalisation. The R&D portfolio in 2019 comprised the following strategic programmes, where digitalisation has been a central cross-cutting aspect.**



**Future value creation:** The cost of developing and maintaining future volumes is a critical factor when fields become more marginal. This programme focuses on activities which address opportunities to reduce the cost of a gas export solution for new fields, and to cut gas export costs related to tail production from existing fields.

**Effective operation:** To help ensure safe and efficient operation, attention during 2019 concentrated in part on first-time use of robot solutions for inspecting pressure vessels and equipment at Gassco-operated plants in cooperation with its technical service providers. Another area of interest is the development of technologies for condition detection and monitoring beneath insulation on piping and process equipment.

**Sustainable development:** Attention in this programme is concentrated on sustainable development of the transport system to ensure that it will be relevant in a future energy market which demands near-zero emissions. The main focus during 2019 was on developing expertise with carbon capture, transport and storage (CCS) and future energy systems. A roadmap has been produced to provide guidance on the activities Gassco will pursue in the time to come within these two subjects.

In addition, R&D in 2019 established a "digilab" which provides opportunities to build expertise in such areas as automation, programming and machine learning. This facility also lays the basis for secure testing of services in the cloud-based data platform, so that digital solutions appropriate for Gassco's operatorship can be constructed.

NOK 79.2 million was spent on R&D activities in 2019. Such work is pursued in close collaboration with academia, operators and suppliers.

### Share capital and shareholders

The company's share capital at 31 December 2019 was NOK 10 million, divided between 10 000 shares. All the shares are owned by the Ministry of Petroleum and Energy on behalf of the Norwegian state.

### Net profit and its allocation

Net profit was NOK 0. The company's equity at 31 December 2019 was NOK 15 248 350.

The total balance sheet at 31 December 2019 was NOK 1 520 million, and the company had liquid assets through bank deposits of NOK 345 million at the same date.

Gassco is organised so that the company does not make a profit or a loss from its operations, and has been exempted from capital and income taxes pursuant to section 2-32, paragraph one of the Norwegian Taxation Act. On that basis, market, liquidity and credit risk is considered to be low.

Pursuant to section 3-3a of the Norwegian Accounting Act, the board confirms that the accounts have been prepared on the assumption that the company is a going concern.



### Prospects

Natural gas deliveries from Norway cover about a quarter of Europe's total consumption. Norwegian gas will continue to occupy a key place in the security of European energy supply for a long time to come. While gas consumption in Europe is expected to be high, its impact on the climate is to be reduced. The European energy mix will require natural gas both to meet demand for energy in periods when the contribution from renewable solar and wind power is reduced, and to make it possible to phase out coal. Gassco will

continue its efforts to reduce the climate footprint of Norway's natural gas, and to improve energy utilisation at all stages. Together with the Norwegian Oil and Gas Association, Gassco has contributed to developing a climate roadmap with ambitious goals for 2030 and 2050.

In light of recent developments related to the coronavirus, Gassco will implement measures to maintain safe operation and reliable gas deliveries to Europe both in the immediate future and in the long term.

The Norwegian Petroleum Directorate estimates that two-thirds of Norway's expected gas resources remain to be produced. Forecasts show that the level of deliveries from the NCS will remain high in the long term.

About 80 per cent of the undiscovered gas resources are expected to lie in the Norwegian and Barents Seas. In order to keep gas production from the NCS high over the long term, further development of the gas transport system will be needed. The Aasta Hansteen gas field and the Polarled pipeline have opened up a new area of the NCS and will lead to increased exploration for gas resources in the Norwegian Sea. The existing gas infrastructure in the Barents Sea is expected to be fully utilised for the next 15-20 years, and expectations for gas

resources in this part of the NCS are great. Through work on the Barents Sea report, the companies demonstrated that they had great expectations for the utilisation of these resources.

Delivering Norwegian natural gas to the European market on competitive terms and with high regularity remains important. Gassco's role will be to contribute to sustainable value creation from the NCS by maintaining a safe, reliable and efficient gas infrastructure.

Bygnes, 31 March 2019

Sign.  
**Jan Skogseth**  
Chair

Sign.  
**Johan Einar Hustad**  
Director

Sign.  
**Tor Rasmus Skjærpe**  
Director

Sign.  
**Anne-Lene Midseim**  
Director

Sign.  
**Pascal Myxa**  
Director (alternate)\*

Sign.  
**Brynjar Aardal**  
Director\*

Sign.  
**Kenneth Flotve**  
Director\*

Sign.  
**Frode Leversund**  
President and CEO

\* Elected by the employees



### Jan Skogseth

Chair (born 1955). He has an MSc from the South Dakota School of Mines & Technology and more than 35 years of experience from the oil, gas and renewables industry, working for oil companies and the supplies sector in Norway and internationally. Skogseth was CEO of Aibel from 2008 to 2017, and played an important role in establishing that company on several continents. He has held several board appointments, including many years of service as chair of the oil and gas section of the Federation of Norwegian Industries. Skogseth is currently a director of SR Bank ASA, Scatec Solar ASA and PSW Group AS. He has been a director since 2018 and chair since 2019.



### Tor Rasmus Skjærpe

Director (born 1950). He graduated as a petroleum engineer from the Norwegian University of Science and Technology (NTNU) and is currently a consultant in the oil and gas sector. Skjærpe was with the Proactima consultancy in 2014-16, where he delivered services related to leadership as well as risk and management systems. He has previously held various executive position with Petoro and Norsk Hydro in operations, technology, licence management and strategy. Skjærpe has been a director since 2016.



### Anne-Lene Midseim

Director (born 1968). Midseim has a law degree from the University of Oslo and has worked since 1998 at Hydro, where she is currently executive vice president for compliance and intellectual property, and head of legal affairs. She has held various management roles in Hydro, including working for Norway's Oil for Development programme in East Timor as legal adviser to the minister for natural resources and energy. Before joining Hydro, Midseim was a partner in the Vogt & Co law firm and a civil servant in the Ministry of Petroleum and Energy. She has been a director since 2019.



### Johan Einar Hustad

Director (born 1954). Hustad is a professor and director of NTNU Energy. He has served as pro-rector at the NTNU for eight years with responsibility for innovation. Hustad previously headed the department of energy and process technology at the NTNU, and occupied several management posts at the university and at Sintef. He was also head of the centre for renewable energy (NTNU/Sintef/IFE), Nordic research professor for Nordic energy research, and guest professor at Stanford University in the USA. Hustad has served on a number of national and international committees and technical bodies. He has been a director since 2012.

**Brynjar Aardal**

Worker director (born 1981). He is a principal engineer in Gassco AS and head of the Gassco branch of the Norwegian Society of Graduate Technical and Scientific Professionals (Tekna). Aardal has been a director since 2016.

**Kenneth Flotve**

Worker director (born 1964). He works in the IT department of Gassco AS and heads the Gassco branch of the Norwegian Society of Engineers and Technologists (Nito). Flotve has been a director since 2018.

**Pascal Myxa**

Worker director (alternate) (born 1969). He works on HSE&Q at the Dunkerque terminal. Myxa has been an alternate worker director since 2016.



## Corporate governance



## The board's presentation of corporate governance

**Governing bodies in Gassco are the general meeting, the board of directors, the chief executive and the management group. The roles and responsibilities of the various bodies are defined at the highest level by legislation, statutory regulations, agreements and Gassco's articles of association.**

Corporate governance in Gassco accords with relevant points in the Norwegian code of practice in this area. Since the company is not listed, but is a wholly state-owned limited company which does not have the generation of profits and income for the shareholder as its business purpose, aspects relating to equity and dividend, equal treatment of shareholders and transactions with close associates, free transferability of the company's shares, the general meeting, a nomination committee and takeovers are not relevant and therefore not covered below.

Corporate governance in Gassco covers the overall management and control systems intended to ensure that the interests of the owner, the employees, and the users and owners of the gas transport system are protected. It will also ensure that the company is run in a safe, efficient, sustainable, ethical and socially responsible manner from the perspective of Norwegian society.

Gassco complies with the state's principles for good corporate governance as described by the White Paper on state ownership in force at any given time.

### **Gassco's business**

The company's business purpose, as described in its articles of association, is to operate transport systems for natural gas on and from the NCS, including pipelines, platforms, process facilities and gas terminals, either on its own account or through participation in or together with other companies, and activities related to this. The company operates an extensive gas transport system which has been built up over more than 40 years. Owners and users of the gas transport systems are mainly large global players in the oil and gas industry as well as major investment companies. Gassco has been assigned responsibility for operating the upstream gas pipeline network by the Ministry of Petroleum and Energy (MPE) pursuant to section 4, sub-section 9 of the Petroleum Act.

Gassco's primary roles can be divided into two components – the normal and special operatorships.

The normal operatorship relates to asset management, licence administration and project development. An important part of asset management is to see to it that

activities are conducted in a manner which ensures that health, safety and environmental standards are met. Gassco's normal operatorship relates to operation and maintenance of the gas transport systems Gassled, Zeepipe Terminal, Dunkerque Terminal DA, Haltenpipe, the Valemon Rich Gas Pipeline, the Utsira High Gas Pipe, the Knarr Gas Pipeline, Nyhamna, Polarled and Vestpross DA. The company is subject to the authority of the owners to issue instructions pursuant to the operator agreements. Each partnership has a management committee (MC) which can establish sub-committees, such as the operating committee (OC) and project committee (PC). These can be given mandates as required.

Agreements have been concluded by Gassco covering the purchase of technical services. The technical service providers (TSPs) perform their work in the various sections of the gas transport system on behalf of Gassco. Agreements have been entered into with Equinor, Shell and North Sea Midstream Partners for this type of service.

The special operatorship covers the exercise as a government authority of duties assigned to Gassco pursuant to the Petroleum Act and chapter 9 of the petroleum regulations. The transport system owners have no right to issue instructions in respect of these duties. The special operatorship covers system operation, capacity administration and infrastructure development.

System operation covers planning, monitoring, coordinating, managing and following up product flows from the fields on the NCS, through the integrated transport network, to the gas terminals. Capacity administration involves the de-

termination of committable physical capacity in the pipeline network and the process plants, and the allocation of transport capacity in these facilities. The allocation of transport capacity involves entering into transport contracts on behalf of the owners.

Infrastructure development includes studies and development projects in the Norwegian gas pipeline network. Gassco is required to assess the continued development of the upstream gas pipeline network with a view to achieving integrated transport solutions for the petroleum sector. In that context, the company works partly on the basis of funds paid by the users through the tariffs, pursuant to section 4 (vi) of the tariff regulations, and partly on the basis of financing from investor groups which wish to have an infrastructure project investigated in more detail.

The Infrastructure Advisory Board (IAB), the Operating Forum and the NGL Forum have been established to look after user interests. They consider such matters as work programmes and budgets for the special operatorship. The IAB provides an arena where owners and users can discuss relevant issues concerning operational and strategic topics related to continued development of the infrastructure.

#### **Gassco's vision**

Securing energy supply.

#### **Gassco's strategic goals**

- Safer and more value.
- Create infrastructure for the future.
- Reduce climate impact.

The company's strategic goals are evaluated annually, and strategic action plans and key performance indicators (KPIs) with goals and traffic lights are

established and approved by the board. The KPIs measure how far the company has achieved the sectoral policy goals set by the MPE. By ensuring good HSE results, high regularity of gas deliveries to continental Europe and the UK, and operating costs below the budget ambition, Gassco contributes to maximising value creation from the NCS.

Risk in the company is reviewed at each board meeting and in owner meetings with the MPE. The status of KPIs is reported monthly to the board and biannually to the MPE.



### Corporate social responsibility and sustainability

Corporate social responsibility (CSR) and sustainability are an integrated part of the company's organisational culture, strategy, operational activities and ethical behaviour towards the world at large. Gassco's work on CSR and sustainability is tied to the UN Global Compact and the UN sustainable development goals. Its procedure for exercising CSR and sustainability accords with ISO 26000. On the basis of dialogue with the company's stakeholders, materiality analyses and due diligence assessments are conducted in accordance with the OECD's guidelines for multinational companies and the Oslo Børs guidelines on due diligence. Based on this review, Gassco establishes a list of annual priorities to be pursued, including employee rights, climate and the environment, anti-corruption work and stakeholder analysis.

Work on CSR and sustainability is entrenched in and approved by the company's top management. Gassco has internal guidelines for whistleblowing as well as publicly available guidelines on ethics and confidentiality. Where tendering processes are concerned, clarification is secured that the supplier has established its own CSR policy and guidelines, and that these accord with Gassco's requirements. Possible conditions which might be identified will have consequences for the supplier's participation in tendering processes. Furthermore, work on CSR is entrenched in the Gassco board.

See the company's report on *Sustainable value creation 2019* for further details on this subject.



**Reliable  
operation**

**Sustainable  
development**

**Secure Norwegian  
gas exports**

**Effective  
organisation**

### Transactions with related parties

Equinor ASA and Gassco AS have a common owner in the MPE, and are accordingly related parties. Gassco purchases goods and services from Equinor ASA related to technical plant operation and third-party assignments at cost, pursuant to the technical service provider (TSP) agreement.

### General meeting

The general meeting is the company's highest authority. The minister of petroleum and energy acts as the general meeting, and is thereby responsible for administering the state's ownership of the company. The annual general meeting is held in Oslo or on the island of Karmøy before the end of June each year. It adopts the profit and loss account and the balance sheet, determines the application of net profit or coverage of net loss, and elects the company's auditor as well as determining the auditor's fee. The general meeting also elects the chair and directors on behalf of the shareholder and ensures that, overall, the board has appropriate and adequate expertise, capacity and diversity. Women accounted in 2019 for 40 per cent of directors elected by the general meeting until 1 December. Apart from the owner, the AGM is attended by the directors, the chief executive and the auditor. The oil and gas department of the MPE is responsible for day-to-day supervision of Gassco.

## Board of directors, composition and independence

### Corporate assembly

Pursuant to the Norwegian Act on Limited Liability Companies, a corporate assembly must be elected for companies with more than 200 employees. However, agreement has been reached with the employees that the company should not have such a body. Instead, the employees have elected an additional worker director.

### Board of directors, composition and independence

The Gassco board comprised eight directors until 1 December, including five elected by the general meeting and three elected by and from among the employees. All directors elected by the general meeting are independent of the company's day-to-day management and significant business associates. None of the directors elected by the general meeting has separate assignments for the company in addition to their directorship. No alternates are elected for these directors, nor do they have a pension plan or a pay guarantee agreement. None of the directors owns shares in the company. Directors are elected for up to two years at a time. Continuity on the board is secured by providing new directors with a detailed briefing on the company's history, status and challenges (introduction programme). On accession, new directors must sign declarations of willingness to serve and of confidentiality, and confirm that they have read the articles of association, the ethical guidelines, the procedure for corporate social responsibility (CSR), the instructions for the board, the compensation committee and the chief executive, and the authority matrix for the company.

The chief executive is not a director.

### Work of the board

The board ensures an acceptable organisation of the business. It is responsible for establishing control systems and for ensuring that the business is pursued in accordance with the company's values base and guidelines on ethics and CSR.

It gives weight to avoiding conflicts of interest, and to ensuring that directors and executives possess broad and in-depth expertise relevant to the company's challenges and the business for which it exercises operator responsibility. The board appoints the chief executive, and establishes instructions for its own work, for the compensation committee and for the chief executive.

The board determines strategy, performance indicators, budgets, accounts and other important issues on the basis of proposals from the chief executive, who is responsible for day-to-day management of the company. The board can also put items for decision or information on its agenda at its own initiative.

Four to eight board meetings are usually held every year, plus a strategy meeting. The board is also kept informed about the business through regular reporting between meetings. A special portal has been established to provide directors with information. The chair can call extraordinary meetings as required. Four board meetings and one board seminar were held in 2019, and attendance was 100 per cent.

A decision matrix has been created for the board, which specifies its role in relation to the various issues. The board has an annual plan for its work. This plan incorporates such recurring issues as

strategy, risk, sustainability and HSE. The board devotes great attention to safe and efficient operation, and conducts an annual self-assessment of its work.

A power of attorney on behalf of the company has been awarded to the chief executive and to the heads of the German, Belgian/French and UK terminals.

### Audit committee

Following an assessment, the board has concluded that it does not need to appoint an audit committee. The company is subject to greater independent scrutiny and system audits by impartial parties than is usual for a joint stock company. Reports and feedback from such audits are communicated to the board on a continuous basis. The board conducts a special review with the external auditor in connection with the annual audit.

### Compensation committee

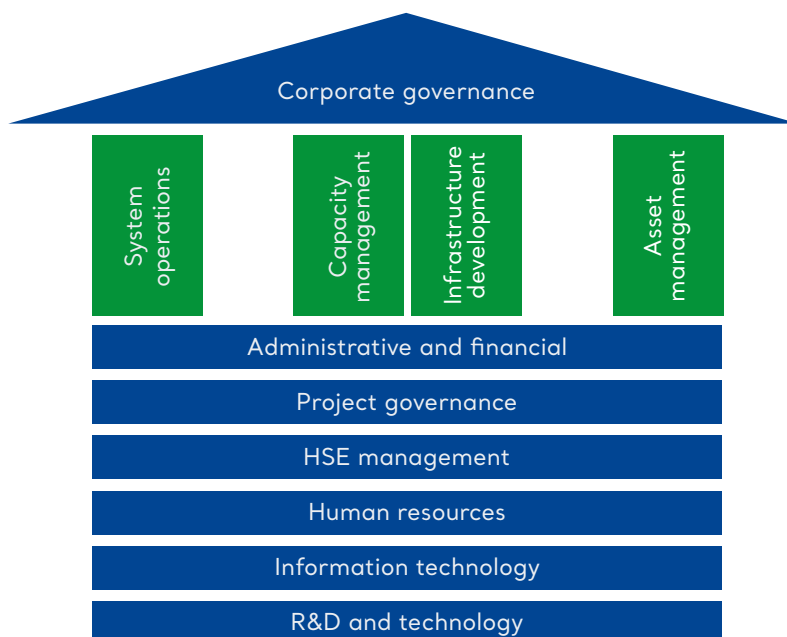
The board has established a compensation committee. Its role is to prepare matters for the board which concern the conditions of employment for the CEO, the frameworks and principles governing such terms for other employees (including bonus plans), and other conditions relating to remuneration, supplementary benefits, incentive models, pension terms, and organisational and competence development in the company. The committee comprises three directors who are appointed by the general meeting. It is chaired by the chair of the board or one of the other committee members appointed by the board. Instructions have been prepared for the appointment and work of the compensation committee, and these have been adopted by the board.

### Risk management and internal control

Management and control are exercised through various processes which involve one or more of the company's governing bodies. The shareholder's management and control of the business are exercised through annual and extraordinary general meetings. The board ensures that the company is run in accordance with its strategy and objectives through board meetings and periodic reporting from the company. Gassco's board works to safeguard the owner's interests, but also has a responsibility towards employees, government authorities, customers/users, infrastructure owners, suppliers and other stakeholders. The established management principles are intended to secure good operation and control of the business. These principles are adjusted on an on-going basis to ensure that the company operates in conformity with statutory provisions. The management system is reviewed annually by the board. In addition, Gassco is subject to management and control by the infrastructure owners in joint ventures for which the company exercises operator functions.

Gassco's management structure builds on established and communicated goals, strategies and values, including ethical rules. Gassco's executive management, which comprises a seven-member management team, regularly checks that the business is being conducted in accordance with its strategy. Relevant government agencies, as well as users and owners of the gas transport system, also conduct regular audits and supervision of Gassco's operatorship as well as associated activities and management systems. The chief executive is responsible for ensuring that the executive management reviews the management system twice a year, and an annual plan has been established to ensure that this is done.

The management system manual, including the subordinate procedures, describes the company's corporate governance. Gassco has developed a management model which brings together and systematises all its processes. The company's duties and roles are derived from the overall goals, principles and frame documents governing Gassco's operations.



Gassco's management model has three levels. The topmost level comprises the corporate governance process group. Next come four groups of processes related to Gassco's duties within the special and normal operatorships. The third level consists of six groups of staff and support processes.

The corporate governance process group first embraces processes concerning control of the company by the owner (in other words, the MPE and the board). Second, it covers processes for management of the company, including the establishment of the management system manual, the transport plan, and the budget and business plan, as well as the determination of strategies and key performance indicators (KPIs), budgeting and decision-making processes, and important processes related to quality assurance. The latter include risk management, control mechanisms such as auditing and self-regulation, consistency checks, customer surveys and managing non-conformity.

An authority matrix has been established, along with a decision matrix which describes the decision-making processes to be observed for important issues, who is responsible for the final decision, and the source of the decision-maker's authority.

Terms of reference for the various joint ventures and their committees have been established and approved by the owners. A special verification process for projects has been established and approved.

The user fora – the Infrastructure Advisory Board (IAB), the Operating Forum, the NGL Forum and the NCS Gas Infrastructure Forum – have been established with participation from relevant companies. Participants in these bodies are licensees on the NCS and qualified shippers. Gassco continuously evaluates whether the

established user fora function as intended. Although formal decisions are taken either by the owners of the gas infrastructure or by participants in specific infrastructure development projects, the work processes ensure that shippers exert genuine influence ahead of these decisions.

Primary responsibility for Gassco's monitoring activity rests with the compliance department, which draws up annual monitoring programmes. This unit conducts internal audits as well as auditing the work of the TSPs. Other types of internal and external monitoring activities are also conducted by Gassco's units and projects. A monitoring pool has been established with responsibility for conducting all activities of this kind. This helps to ensure that operations are conducted as required by legislation, statutory regulations, in-house instructions and the TSPs' own in-house requirements.

The results of these monitoring activities are used to achieve continuous improvements to and further development of Gassco's management system. Overall management and control to ensure that improvements in the management system are being observed and implemented are exercised by the compliance department.

### **Integrated risk management**

Integrated risk management plays a key part in Gassco's management processes, and is used throughout the business. Particular attention is devoted to risks with a major accident potential, which forms the basis for workshops on major accident risk pursuant to the industry standard. A dedicated risk committee has been established to ensure an integrated understanding of risk across the whole company. Gassco's corporate risk management procedure reflects new and updated knowledge in this field. New tools and risk pictures have also been developed and adopted.



**Management tools**

The board and chief executive utilise such activities as strategic planning, budgeting, periodic financial and operational reporting, and dedicated processes in conducting systematic risk management of the business. Follow-up and control are pursued in part through monthly operational and financial reporting on the development and status of the company and all its business areas. Risk management and a balanced scorecard are utilised as tools in the business areas.

**Remuneration of directors**

The general meeting determines directors' fees, which are independent of the results achieved.

**Remuneration of executive personnel**

The board determines the remuneration of the chief executive, including any bonus payments, in accordance with guidelines set by the general meeting. The chief executive determines the remuneration of other members of the company management team in accordance with guidelines set by the board. Remuneration of directors and the chief executive is specified in Note 3 to the accounts. The declaration on senior executive pay is presented to the general meeting as a separate item.

**Performance-related pay**

The board is responsible for overall assessment of the company's development in accordance with specified targets. The company has a general performance contract, which provides all employees with the opportunity to receive an annual bonus of up to 10 per cent of basic pay, depending on the extent to which targets have been met. The board's declaration on pay and other remuneration for senior executives, see note 3 to the accounts, details the remuneration of senior executives and the terms of the company's

remuneration policy, including the bonus plan. The board's declaration is considered by the general meeting.

**Information and communication**

The board of Gassco has established a communication strategy which ensures an open dialogue both in-house and externally, so that the company's employees and other stakeholders are well informed about its business activities.

Press releases and annual reports are posted to the company's website.

User information is made available to the shippers in Gassco's booking system, in Origo and in the user fora.

In addition, License to Share (L2S) is used as a medium of communication with infrastructure owners and shippers, while Authorityweb is used with the authorities.

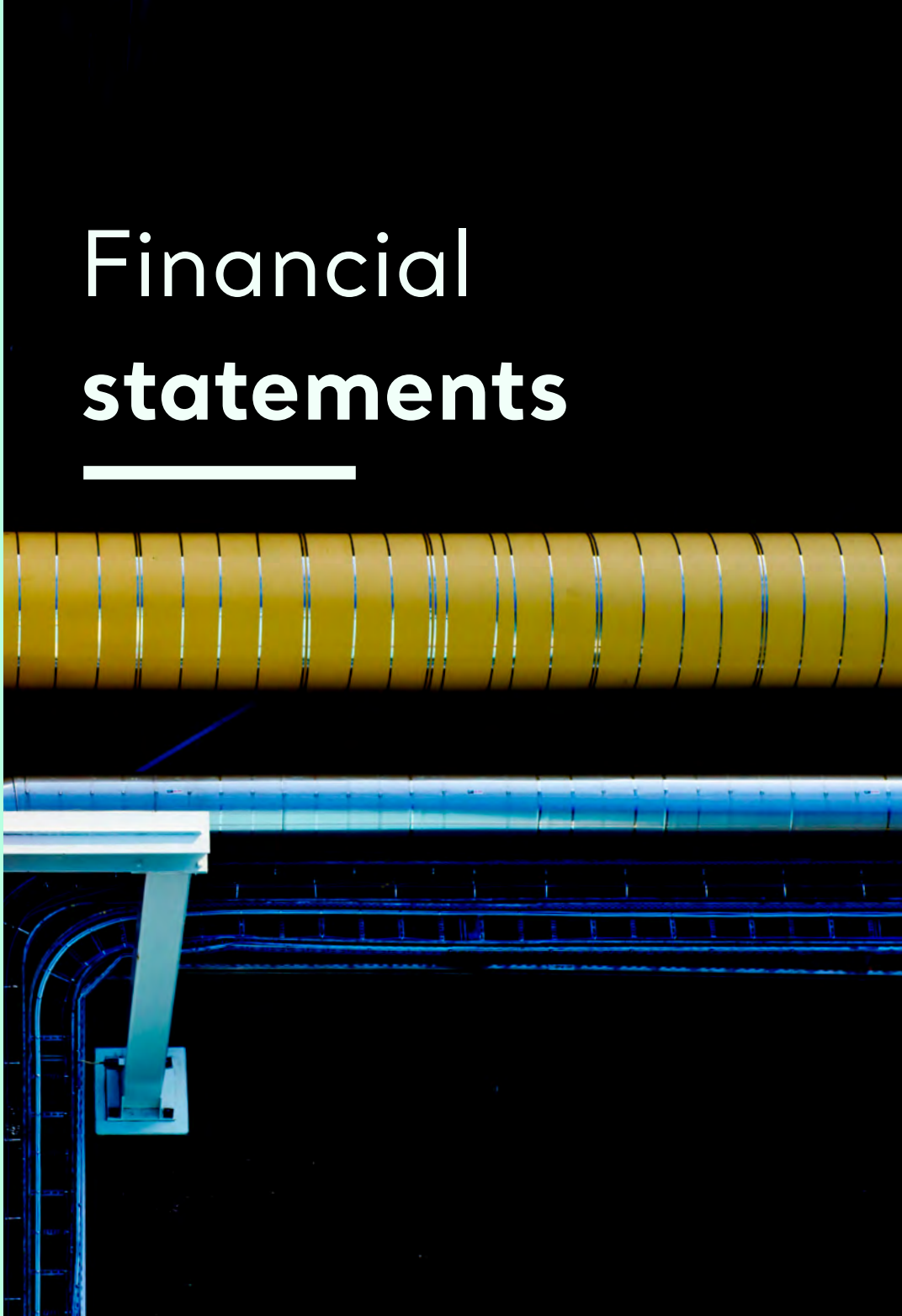
Real-time information and details about planned and unplanned shutdowns are posted on Gassco's website.

**Auditor**

PricewaterhouseCoopers (PwC) is the company's external auditor. The auditor's fee is determined by the general meeting. The auditor attends board meetings where the accounts are considered. In addition, the board has an annual meeting on its own with the auditor. Subjects addressed in this meeting include the company's internal control. The auditor confirms their independence on an annual basis.

# Financial statements

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## Income statement

Amounts in NOK 1 000	Note	2019	2018
<b>Operating income and expenses</b>			
Total operating income	2	0	0
Total operating expenses	2,3,4	0	0
<b>Operating profit</b>		<b>0</b>	<b>0</b>
<b>Financial income and expenses</b>			
Financial income		0	0
Financial expenses		0	0
<b>Net financial items</b>		<b>0</b>	<b>0</b>
<b>Profit before tax</b>			
Tax on ordinary activities	10	0	0
<b>Net profit/(loss)</b>		<b>0</b>	<b>0</b>
<b>Transfers</b>			
Transferred to/(from) other equity		0	0
<b>Total transfers</b>		<b>0</b>	<b>0</b>

## Balance sheet

Amounts in NOK 1 000	Note	2019	2018
<b>Assets</b>			
<b>Tangible assets</b>			
Land, buildings and other property	4	29 557	29 567
Operating equipment and fixtures	4	124 012	123 809
<b>Total tangible assets</b>		<b>153 569</b>	<b>153 376</b>
<b>Other long-term receivables</b>			
Other receivables	3,9	399 108	318 448
<b>Total other long-term receivables</b>		<b>399 108</b>	<b>318 448</b>
<b>Total fixed assets</b>		<b>552 677</b>	<b>471 823</b>
<b>Current assets</b>			
<b>Receivables</b>			
Accounts receivable	6	53 423	53 309
Other receivables	1,5	568 900	216 829
<b>Total current receivables</b>		<b>622 323</b>	<b>270 138</b>
Bank deposits and cash	11	344 610	312 683
<b>Total current assets</b>		<b>966 933</b>	<b>582 821</b>
<b>Total assets</b>		<b>1 519 609</b>	<b>1 054 644</b>

Amounts in NOK 1 000	Note	2019	2018
<b>Equity and liabilities</b>			
<b>Equity</b>			
<b>Paid-in capital</b>			
Share capital	7	10 000	10 000
<b>Total paid-in capital</b>		<b>10 000</b>	<b>10 000</b>
<b>Retained earnings</b>			
Other equity	8	5 248	5 248
<b>Total retained earnings</b>		<b>5 248</b>	<b>5 248</b>
<b>Total equity</b>		<b>15 248</b>	<b>15 248</b>
<b>Liabilities</b>			
<b>Provisions</b>			
Pension commitments	9	584 712	511 770
<b>Total provisions</b>		<b>584 712</b>	<b>511 770</b>
<b>Long-term liabilities</b>			
Other long-term liabilities	5,12	78 009	84 804
<b>Total long-term liabilities</b>		<b>78 009</b>	<b>84 804</b>
<b>Current liabilities</b>			
Accounts payable	1,6	603 134	173 924
Unpaid government charges and special taxes	1,11	93 364	112 833
Other current liabilities	5	145 141	156 065
<b>Total current liabilities</b>		<b>841 640</b>	<b>442 823</b>
<b>Total liabilities</b>		<b>1 504 361</b>	<b>1 039 396</b>
<b>Total equity and liabilities</b>		<b>1 519 609</b>	<b>1 054 644</b>

Bygnes, 31 March 2019

Sign.  
**Jan Skogseth**  
Chair

Sign.  
**Johan Einar Hustad**  
Director

Sign.  
**Tor Rasmus Skjærpe**  
Director

Sign.  
**Anne-Lene Midseim**  
Director

Sign.  
**Pascal Myxa**  
Director (alternate)\*

Sign.  
**Brynjar Aardal**  
Director\*

Sign.  
**Kenneth Flotve**  
Director\*

Sign.  
**Frode Leversund**  
President and CEO

\* Elected by the employees

## Cash flow statement

Amounts in NOK 1 000	Note	2019	2018
<b>Cash from operational activities</b>			
Profit on ordinary activities before tax		0	0
Depreciation	4	43 938	39 924
Change in accounts receivable	6	(114)	11 366
Changes in other current receivables	5	(352 071)	4 238
Changes in long-term receivables		(80 660)	(19 503)
Changes in accounts payable		429 210	20 049
Changes in long-term commitments		72 942	13 986
Changes in other current liabilities	5	(30 393)	(45 558)
Changes in other long-term liabilities	5	(6 794)	(11 904)
<b>Net cash from operational activities</b>		<b>76 059</b>	<b>12 598</b>
<b>Cash applied to investment activities</b>			
Net disbursement for acquisition of fixed assets	4	(44 131)	(30 543)
<b>Net cash applied to investment activities</b>		<b>(44 131)</b>	<b>(30 543)</b>
<b>Cash from financing activities</b>			
Redemption of long-term debt		0	0
<b>Net cash from financing activities</b>		<b>0</b>	<b>0</b>
<b>Net change in cash and cash equivalents</b>		<b>31 927</b>	<b>(17 945)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>312 683</b>	<b>330 628</b>
<b>Cash and cash equivalents at 31 December</b>		<b>344 610</b>	<b>312 683</b>

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YEAR 2019

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## Notes

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## Note 1.

### Accounting principles

#### **The annual accounts have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway.**

##### **Description of the company's business**

Gassco AS was established on 14 May 2001 and is wholly owned by the Norwegian state. The company is responsible for transporting gas from the Norwegian continental shelf to Europe. Its head office is located in Bygnes, and it also has branch offices in Germany, Belgium, France and the UK.

##### **General rules for assessing and classifying assets and liabilities**

Assets intended for permanent ownership or use have been classified as fixed assets. Other assets are classified as current assets. Accounts to be repaid within one year are classified as current assets. The same criteria are used for classification of current and long-term liabilities.

Fixed assets are carried at historical cost with a deduction for planned depreciation. If the real value of the fixed asset is lower than the book value, and this decline is not expected to be temporary, the asset is written down to fair value. Fixed assets with a limited economic life are depreciated on a straight-line basis over their economic life.

Current assets are valued at the lower of historical cost or fair value.

Other long-term and current liabilities are carried at nominal value.

The company has chosen to use gross recording when presenting items related to the normal operatorship in the balance sheet. This means that gross figures are presented for balances with third parties related to the company's operator activities. These almost entirely concern accounts payable and VAT in the joint ventures.

The figures for 2018 have been restated for presentational purposes. Compared with the financial statements presented for 2018, accounts payable have increased by NOK 34.3 million, unpaid government charges and special taxes by NOK 9.4 million and other receivables by NOK 43.7 million.

##### **Assets and liabilities in foreign currency**

Accounts for the branches abroad are compiled in the currency primarily used in their operations (EUR, GBP).

Balance sheets are converted from foreign currencies to Norwegian kroner at the exchange rate prevailing on 31 December, while income statements are converted at average exchange rates.

##### **Accounts receivable**

Accounts receivable are posted at nominal value less provision for expected bad debts. Provision for bad debts is made on the basis of an individual assessment of each account.

**Bank deposits and cash**

Bank deposits and cash include cash, bank deposits and other monetary instruments with a maturity shorter than three months from the date of their acquisition.

**Pensions**

The company has various pension schemes. These are financed through payments to insurance companies, with the exception of the AFP early retirement scheme and a closed plan for pension benefits exceeding 12 times the National Insurance base rate (G). The company has both defined contribution and defined benefit plans.

**Defined contribution plans.** Under defined contributions plans, the company makes contributions to an insurance company. It has no further commitments once the contributions have been paid. The contributions are recorded in the accounts as payroll costs. Possible contributions paid in advance are recorded in the balance sheet as an asset (pension funds) to the extent that the contribution can be refunded or reduce future payments.

**Defined benefit plans.** A defined benefit plan is a pension scheme which is not a defined contribution plan. It typically defines a pension benefit which an employee will receive on retirement. This benefit normally depends on a number of factors, such as age, number of years with the company and level of pay. The capitalised commitment related to defined benefit plans is the present value of the defined benefits on the balance sheet date, less the fair value of the pension funds (amounts paid to an insurance company), adjusted for estimate variations and costs not recorded in the income statement related to pension earnings in earlier periods. The pension commitment is calculated annually by an independent actuary using a linear earnings method.

**Taxes**

In accordance with a decision by the tax authorities, the company is exempt from tax pursuant to section 2-32, paragraph one of the Taxation Act. On the basis of this decision, the company must continuously assess whether "economic activity" is pursued which incurs a liability to tax pursuant to section 2-32, paragraph two of the Taxation Act.

**Cash flow statement**

The cash flow statement is prepared in accordance with the indirect method. Cash and cash equivalents include cash in hand, bank deposits and other short-term liquid investments which can be converted immediately and with insignificant price risk to known cash amounts and which have a remaining term to maturity of less than three months from the date of acquisition.

## Note 2.

### The company's income and expenses

#### **The company's primary roles can be defined as the exercise of special and normal operator responsibilities.**

The special operatorship refers to the performance of duties allocated to Gassco pursuant to the Norwegian Petroleum Act and associated regulations. It relates to system operation, capacity administration and infrastructure development. The normal operatorship refers to the technical operation of facilities and platforms pursuant to the Norwegian Petroleum Act's provisions on operator responsibility.

These duties are also regulated in the operator agreements with the Gassled, Haltenpipe, Zeepipe Terminal, Dunkerque Terminal, Valemon Rich Gas Pipeline, Knarr Gas Pipeline, Utsira High Gas Pipeline, Nyhamna, Polarled Gas Pipeline and Vestprosess, which own the infrastructure for transporting gas from the NCS.

In addition, Gassco carries out a number of study assignments for various government bodies and players on the NCS.

Gassco is not intended to make a loss or profit from its activities. All its expenses are therefore covered by the licensees for work related to the normal operatorship and by the gas shippers for work related to the special operatorship. Other assignments are financed by the client which awards the assignment.

Activities are thereby deemed to be performed on behalf of the clients and at their expense and risk, and costs related to Gassco's various assignments accordingly do not appear in the accounts for Gassco AS. A net presentation of this kind accords with practice at other operators where the expenses of the operatorship are divided between the owners.

However, the net presentation provides very limited information on Gassco's total activities and area of responsibility. Gassco's accounts are accordingly presented below in accordance with the proportionate consolidation method.

## Income statement

Amounts in NOK 1 000	2019	2018
<b>Operating income and expenses</b>		
Normal operatorship	8 170 220	8 670 520
Special operatorship	315 421	273 505
Other assignments	175 466	129 336
<b>Total operating income</b>	<b>8 661 108</b>	<b>9 073 361</b>
Payroll expenses	516 182	495 549
Depreciation of fixed assets, Gassco	43 928	39 924
Other expenses	8 100 998	8 537 889
<b>Total operating expenses</b>	<b>8 661 108</b>	<b>9 073 361</b>
<b>Operating profit</b>	<b>0</b>	<b>0</b>
Financial income	0	0
Financial expenses	0	0
<b>Net financial items</b>	<b>0</b>	<b>0</b>
<b>Profit before tax</b>	<b>0</b>	<b>0</b>
Tax on ordinary activities	0	0
<b>Net profit/(loss)</b>	<b>0</b>	<b>0</b>

Gassco is also responsible for administering capacity available at any given time in the pipeline network and at the treatment plants. On behalf of the transport system's owners, Gassco invoices all shippers on the NCS for their booked capacity in accordance with applicable tariffs. Tariffs paid by the shippers are transferred without delay to the transport system owners.

Amounts in NOK 1 000	2019	2018
<b>Tariff revenues</b>		
<b>Total tariff revenues</b>	<b>34 879 064</b>	<b>31 458 344</b>

**Note 3.**

Payroll expenses, number of employees, remuneration, loans to employees, etc

Amounts in NOK 1 000

<b>Payroll expenses</b>	<b>2019</b>	<b>2018</b>
Pay	366 206	350 918
Payroll tax	63 073	62 354
Pension costs (see note 9)	73 217	66 431
Other benefits	13 685	15 845
<b>Total payroll expenses</b>	<b>516 182</b>	<b>495 549</b>
<b>Work-years performed</b>	<b>341</b>	<b>330</b>

### Remuneration of senior executives in 2019

Amounts in NOK 1 000

<b>Surname, forename</b>		<b>Pay/ remuner- ation 1)</b>	<b>Bonus 2)</b>	<b>Other benefits 3)</b>	<b>Pension costs 4)</b>	<b>Total</b>	<b>Loans</b>
Leversund, Frode	President and CEO	3 310	248	23	215	3 796	-
Alcock, Jonathan Peter	Executive vice president, asset management	1 869	128	37	296	2 330	570
Rossebø, Øystein Høyvik	Executive vice president, business development and projects	1 786	116	27	162	2 091	380
Kaste, Kristin Kinn	Executive vice president, system operation	1 648	111	28	165	1 952	550
Viksund, Randi	Executive vice president, staffs and support	1 603	108	32	168	1 911	454
Lund, Trine	Chief compliance officer	1 539	103	22	340	2 004	-
Aarhus, Britt	Chief innovation officer	1 433	95	28	166	1 722	525

1) Pay/remuneration plus fixed overtime pay in 2019.

2) Bonus paid in 2019 on the basis of results for 2018.

3) Telephone, broadband, insurance, etc.

4) Pension premium and provision for 2019.

Amounts in NOK 1 000

Remuneration of directors in 2019	Amount
Directors	1 889

Amounts in NOK 1 000

Loans and security provided to:	Loans	Security
Employees	71 791	0

### Declaration on pay for Gassco's executive management for the 2019 financial statements

The basis of the principles for remuneration of senior executives is that Gassco should be able to attract and retain personnel with the knowledge and experience required by the company. Gassco's most important context is the upstream oil and gas industry in Norway. It will offer competitive terms in relation to this, but not be a pacesetter on pay.

Remuneration of senior executives will accord with legal provisions and guidelines as well as with good corporate governance. It will be equitable and non-discriminatory, and based on the responsibility and authority of the post as well as individual performance.

In accordance with its guidelines, the board determines the pay and other conditions of the chief executive, while the latter determines the pay and benefits of the rest of the management team. A compensation committee comprising the chair, the deputy chair and one director has been established. The head of human resources serves as the committee's secretariat. This prepares matters for the board and supports the board in its work on the chief executive's conditions of employment as well as the framework and principles for the conditions of employment of other employees, including bonus plans.

Gassco's remuneration system comprises basic pay, bonus, pension and insurance plans, and other benefits. Nobody in Gassco has agreements on pay after termination of their employment or on severance pay.

The bonus scheme can provide a bonus of up to 10 per cent if agreed targets are met. The board approves the performance indicators relating to HSE, finance, operations and development. Different performance indicators are included in the bonus calculation for each year. The targets for the performance indicators have become more demanding in recent years, and clear boundaries have been established for when a target is met, partly met or not met. The bonus scheme is the same for all employees in Gassco.

Pension and insurance plans for the management team are the same as for other Gassco employees.

Employer's liability insurance covers permanent injury, permanent disability and death. A health insurance policy is also in place, along with an all-year travel policy covering both business and private travel.

Other benefits include payments in kind such as free phone, broadband and personal insurance. Gassco also offers all employees interest-free loans of up to NOK 600 000 with a term of 12 years.

Gassco introduced a defined contribution pension scheme at 1 January 2016 with rates of seven and 25.1 per cent. At the same time, the pension plan for rates of pay exceeding 12G was terminated. The former defined benefit plan was retained for employees who will reach the age of 67 within 15 years or less. Gassco's pension arrangements have thereby been converted and adapted to the new National Insurance and AFP early retirement provisions as well as to guidelines from government on pay and other benefits for senior executives in state-owned companies.

#### Auditor

NOK 1 831 604 was charged in 2019 as fees to PricewaterhouseCoopers AS for auditing the company and the licences operated by Gassco AS. Furthermore, PricewaterhouseCoopers AS was paid fees of NOK 176 600 for consultancy work. No fees were paid to Advokatfirmaet PricewaterhouseCoopers AS for legal assistance in 2019.

## Note 4.

### Tangible fixed assets

Amounts in NOK 1 000	<b>Buildings and other real property</b>	<b>Operating equipment, fixtures, tools, etc</b>	<b>TOTAL</b>
<b>2019</b>			
Acquisition cost 1 Jan 2019	46 169	359 152	405 321
Additions	-	44 349	44 349
Disposals/scrapping	-	(24 005)	(24 005)
Conversion difference	-	(46)	(46)
<b>Acquisition cost 31 Dec 2019</b>	<b>46 169</b>	<b>379 450</b>	<b>425 620</b>
Accumulated depreciation 1 Jan 2019	16 603	235 343	251 945
Disposal accumulated depreciation	-	(23 788)	(23 788)
Depreciation for the year	10	43 928	43 938
Conversion difference	-	(45)	(45)
<b>Accumulated depreciation 31 Dec 2019</b>	<b>16 613</b>	<b>255 438</b>	<b>272 050</b>
<b>Book value 31 Dec 2019</b>	<b>29 557</b>	<b>124 012</b>	<b>153 569</b>
Economic lifetime	5, 50 years	3, 5, 7, 8, 10 years	
Depreciation plan	Linear/none	Linear	

**Note 5.**

## Other receivables and liabilities

**Other current receivables**

Amounts in NOK 1 000

	<b>2019</b>	<b>2018</b>
Receivable from licences	558 673	208 488
Other current receivables	10 227	8 341
	<b>568 900</b>	<b>216 829</b>

**Other long-term liabilities**

Amounts in NOK 1 000

	<b>2019</b>	<b>2018</b>
Liabilities to shippers	<b>78 009</b>	<b>84 804</b>

**Other current liabilities**

Amounts in NOK 1 000

	<b>2019</b>	<b>2018</b>
Liabilities to shippers	3 781	18 011
Liabilities to credit institutions	74 556	69 472
Payroll-related liabilities	68 528	68 133
Other current liabilities	(1 723)	449
	<b>145 141</b>	<b>156 065</b>

**Note 6.**

## Related parties

Equinor ASA and Gassco AS have a common owner in the Ministry of Petroleum and Energy, and are thereby related parties. Gassco AS purchased goods/services worth NOK 5 174 million, including VAT, in 2019 (2018: NOK 5 160 million) related to various technical service provider (TSP) and third-party assignments. NOK 18 550 million (2018: NOK 17 698 million) was invoiced net as services sold (including tariffs) to Equinor ASA/ Equinor Energy AS. The net balance with Equinor was NOK 1 472 million at 31 December 2019 (2018: NOK 1 670 million). This figure also includes tariffs invoiced on behalf of the owners of the various joint ventures which are not recorded in the Gassco AS balance sheet.



## Note 7.

### Share capital and shareholder information

The share capital of the company at 31 December 2019 comprised the following:

	Number	Nominal value	Book value
Share capital	10 000	1 000	10 000 000

#### Ownership structure

	Shares
The Norwegian government, represented by the Ministry of Petroleum and Energy	10 000

## Note 8.

### Equity

Amounts in NOK 1 000	Share capital	Other equity	Total equity
Equity at 1 Jan 2019	10 000	5 248	15 248

#### Year's change in equity:

Profit for the year		0	0
<b>Equity at 31 December 2019</b>	<b>10 000</b>	<b>5 248</b>	<b>15 248</b>

## Note 9.

### Pension costs, funds and commitments

#### The company has pension plans which cover all its employees in Norway, Germany, France, Belgium and the UK.

##### Pension arrangements for employees in Norway:

A defined contribution plan is the main pension arrangement in Norway, with premiums paid representing the pension expense for the year. Gassco AS also has closed defined benefit pension schemes for employees who would reach the age of 67 in 15 years or less from 2015. These defined benefit plans depend primarily on the number of years of pensionable service, the level of pay at retirement and the size of state pension benefits. The company has both funded and unfunded plans. The calculated premium for all the plans is expensed annually and refunded by the licensees, and reflects the fact that the pension responsibility vis-à-vis the operator is settled as the obligation arises. For this reason, refunded pension costs from the licensees differ from premium payments and costs pursuant to the Norwegian Accounting Standard.

The company recorded the calculated pension commitment at 31 December 2019 in the balance sheet, with the corresponding receivable from the licensees as a counter item. Changes to the calculated pension commitment will thereby have no effect on profit.

##### The table below presents pension costs plus funds and commitments.

Amounts in NOK 1 000		
For employees in Norway	2019	2018
Present value of pension earning for the year	16 054	16 830
Interest cost of the pension commitment	9 659	9 048
Curtailment/settlement	0	0
Administration costs	117	118
Recorded implementation effect/ curtailment/settlement	0	0
Recorded estimate loss/(gain)	(9 018)	4 850
<b>Net pension expenses/(gain)</b>	<b>16 812</b>	<b>30 846</b>
<b>Defined contribution plans</b>	<b>16 850</b>	<b>15 705</b>

The company also has an agreement on early retirement (AFP). The new AFP scheme, which applies from 1 January 2011, is to be regarded as a defined-benefit multi-company plan, but will be treated in the accounts as a defined-contribution plan until reliable and adequate information is available which allows the group to account for its proportionate share of the pension expense, liability and funds in the scheme. As a result, the company's liability is not recorded as debt in the balance sheet.

As part of the restructuring of the company, early retirement agreements were entered into for some of the company's employees in 2016. The company charged these early retirement costs in 2016. Possible estimate variations in future years will be charged out.

Amounts in NOK 1 000

<b>2019</b>	<b>Funded (collective)</b>	<b>Unfunded (AFP)</b>	<b>Other unfunded</b>	<b>Total</b>
Earned pension commitments	390 530		280 644	671 174
Pension funds (at fair value)	(313 463)			(313 463)
Unrecorded effect of estimate variations	0			
<b>Net pension commitments</b>	<b>77 067</b>		<b>280 644</b>	<b>357 711</b>

Amounts in NOK 1 000

<b>2018</b>	<b>Funded (collective)</b>	<b>Unfunded (AFP)</b>	<b>Other unfunded</b>	<b>Total</b>
Earned pension commitments	397 159		270 956	668 115
Pension funds (at fair value)	(291 000)			(291 000)
Unrecorded effect of estimate variations	0			
<b>Net pension commitments</b>	<b>106 159</b>		<b>270 956</b>	<b>377 115</b>

Amounts in NOK 1 000

<b>Economic assumptions</b>	<b>2019</b>	<b>2018</b>
Discount rate on corporate bonds	2.30%	2.60%
Expected return on pension funds	2.30%	2.60%
Expected pay growth	2.25%	2.75%
Expected adjustment to current pensions	1.5%/2.0%	1.5%/2.5%
Expected change to National Insurance base rate (G)	2.0%/2.25%	2.50%

Actuarial assumptions for demographic factors and natural wastage are based on assumptions normally applied in the insurance industry.

**Pension arrangements for employees in Belgium**

Employees in Belgium have either defined benefit or defined contribution plans. Funds in these plans at 31 December 2019 satisfied local requirements.

Amounts in NOK 1 000, converted at an average exchange rate of 9.8490

<b>For employees in Belgium</b>	<b>2019</b>	<b>2018</b>
Present value of pension earning for the year	4 563	4 281
Interest cost of pension commitment	1 728	1 652
Return on pension funds	(1 261)	(1 312)
<b>Net pension cost</b>	<b>5 030</b>	<b>4 622</b>

Amounts in NOK 1 000

<b>Funded</b>	<b>2019</b>	<b>2018</b>
Earned pension commitments	130 322	111 972
Pension funds (at fair value)	(92 012)	(85 577)
<b>Net pension commitment</b>	<b>38 310</b>	<b>26 395</b>

These arrangements apply to all the company's employees in Belgium.

<b>Economic assumptions</b>	<b>2019</b>	<b>2018</b>
Discount rate	0.1 %/0.8%	1.50%
Inflation	1.78%	1.80%
Expected pay growth	2.00%	2.00%
Expected adjustment to current pensions	1.80%	1.80%

Actuarial assumptions for demographic factors and natural wastage are based on assumptions normally applied in the insurance industry.

**Pension arrangements for employees in France**

Employees in France have defined contribution pension plans which comply with local requirements.

**Pension arrangements for employees in the UK**

Employees in the UK have defined contribution pension plans which comply with local requirements.

**Pension arrangements for employees in Germany**

Employees in Germany have various defined benefit pension plans.

Amounts in NOK 1 000 converted at an average exchange rate of 9.8490

<b>For employees in Germany</b>	<b>2019</b>	<b>2018</b>
Present value of pension earning for the year	14 632	13 802
Interest cost of pension commitment	6 923	6 363
Recorded estimate loss/(gain)	(78 594)	(1 373)
<b>Net pension cost</b>	<b>-57 040</b>	<b>18 792</b>

Amounts in NOK 1 000

<b>Funded</b>	<b>2019</b>	<b>2018</b>
Earned pension commitments	412 481	320 028
Pension funds (at fair value)	(223 790)	(211 769)
Unrecorded effect of estimate variations		
<b>Net pension commitments</b>	<b>188 691</b>	<b>108 259</b>

These arrangements apply to all the company's employees in Germany.

<b>Economic assumptions</b>	<b>2019</b>	<b>2018</b>
Discount rate	1.20%	2.20%
Expected return on pension funds	0.00%	0.00%
Expected pay growth	3.30%	3.30%
Expected adjustment to current pensions	1.80%	1.80%

Actuarial assumptions for demographic factors and natural wastage are based on assumptions normally applied in the insurance industry.

**Note 10.**

## Income taxes

**Taxes for the year are as follows**

Amounts in NOK 1 000

	2019	2018
Tax payable	0	0
Changes in deferred tax	0	0
Tax on ordinary profit	0	0

**Tax payable**

	2019	2018
Tax payable in the balance sheet	0	0

The company received a decision from the tax authorities dated 18 May 2017 which finds the company to be exempt from tax pursuant to section 2-32, paragraph one of the Taxation Act. Tax payments made in 2012-15 were repaid in 2016. The company has reviewed the factual position concerning its activities in 2019 and concluded that the conditions for tax exemption were also fulfilled in that year. No tax payable has therefore been calculated for 2019 nor any temporary differences/deferred tax for either 2019 or 2018.

**Note 11.**

## Tax deducted

Bank deposits and cash include NOK 12 033 509 in tied tax withholdings.

**Note 12.**

## Guarantees

The company has furnished bank guarantees in the amount of EUR 500 000 to the Belgian authorities relating to Belgian VAT and GBP 400 000 to the UK authorities related to Langedel, and a statutory bank guarantee in the amount of EUR 470 000 related to ATZ pensioners in Germany.

## Auditor's report



To the General Meeting of Gassco AS

### *Independent Auditor's Report*

#### *Report on the Audit of the Financial Statements*

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##### *Opinion*

We have audited the financial statements of Gassco AS, which comprise the balance sheet as at 31 December 2019, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

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##### *Basis for Opinion*

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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##### *Other information*

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm



## Independent Auditor's Report - Gassco AS

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*Responsibilities of the Board of Directors and the Managing Director for the Financial Statements*

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

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*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to <https://revisorforeningen.no/revisjonsberetninger>

*Report on Other Legal and Regulatory Requirements*

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*Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

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*Opinion on Registration and Documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.





Independent Auditor's Report - Gassco AS

Stavanger, 31 March 2020  
**PricewaterhouseCoopers AS**

Gunnar Slettebø  
State Authorised Public Accountant

*Note: This translation from Norwegian has been prepared for information purposes only.*

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