



Annual report

2020

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Gassco – securing energy supply



FRODE LEVERSUND
President and CEO

The special year

The world needs ever more energy. Our job is to ensure that millions of people in Europe get access to energy while also reducing our greenhouse gas (GHG) emissions. In a year without a shooting script, we delivered energy, sustainability, knowledge, trust and innovation every single day.

We had little idea that "coronavirus" would be named the new word of the year for 2020 by the Norwegian Language Council. We knew little about the scope of the pandemic and how it would impact on all of us in different ways. Society has changed, countries have shut down, and the whole world has been affected. Norway has so far coped well with the pandemic, thanks to a welfare pot which has enough funds to meet everyone's needs. That pot reflects wise decisions taken over the years to conserve the value created from petroleum resources on the Norwegian continental shelf (NCS) with the aid of Norway's sovereign model for managing these assets.



Stable energy supplies are important for millions of people in Europe who depend on Norwegian gas to heat their homes and cook their food. Our most important job in the pandemic year of 2020 was therefore to maintain safe, reliable and efficient operation under conditions we had never experienced before. In that way, we again contributed to substantial revenues for Norway in 2020.

Gas deliveries to Europe were stably high throughout the year. Not a cubic metre of natural gas was lost as a result of Covid-19. Many factors help to explain why we succeeded so well, but the most important of them all was the ability and willingness of our employees to adapt to this special year.

The action package for the petroleum industry was presented by the government early in the coronavirus crisis. Its purpose was to maintain activity in this sector and the supplier industry during the pandemic. As a result of the package, the number of inquiries from companies on the NCS has increased substantially. They want to identify infrastructure solutions for getting new gas volumes from field to market. As the gas architect, we will find the best integrated answers with the highest possible sustainable value creation. This job is important not only for the individual company, but also for safeguarding competitiveness in

developing the gas transport system. We will continue to work on meeting the industry's climate targets while also creating value and new jobs. We will be part of the solution for creating value today as well as in tomorrow's new landscape. Our future gas infrastructure (FGI) project will work on how that will look, and provide answers to several key questions. The most significant of these are how the infrastructure can be further developed for a sustainable energy future, and how energy deliveries with lower CO₂ emissions can be made possible. We and the industry have delivered in a difficult time, but this period is far from over. We will continue to do what we can to limit infection, protect our able employees and ensure that millions of people in Europe receive stable energy supplies every single day. This is very much our most important contribution to the seventh UN sustainable development goal (SDG) of affordable and clean energy for all.



Gassco is a limited company wholly owned by the Norwegian state. Established in 2001, it is the operator for the integrated gas transport system from the Norwegian continental shelf (NCS) to European countries. This network comprises pipelines, process plants, 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.

Companies owned by the Norwegian state are categorised in accordance with the government's goals as owner. Gassco is in category 3, which embraces companies where the government seeks the most efficient possible achievement of sectoral policy goals. The state owns Gassco in order to ensure that Norway has a neutral and independent operator for its integrated gas transport system, and to facilitate efficient utilisation of resources on the NCS. The government's objectives as owner are efficient operation and integrated development of the gas transport system on the NCS.

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 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's management system describes the company's corporate governance, and ensures efficient and prudent operation in accordance with applicable legislation, statutory regulations and specified goals.

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. Risk assessments are conducted, with the most hazardous activities at any given time identified in order to ensure safe operation of the business.

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

Key figures

As noted above, the state's objectives as owner are efficient operation and integrated development of the gas transport system on the NCS. The key figures below reflect the attainment of these targets. See page 13 for a comparison of results within the strategic goals.



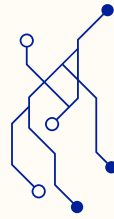
The company's vision, strategic goals and values

Gassco's strategy

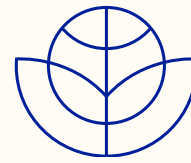
Gassco — securing energy supply through sustainable operation and development.



**Safer and more
value**



**Create infrastructure
for the future**



**Reduce climate
impact**

Gassco's vision is

"Gassco — securing energy supply".

Through sustainable operation and development, the company's strategic goals are:

- safer and more value
- create infrastructure for the future
- reduce climate impact.

People and organisation are a precondition for reaching Gassco's vision and strategic goals.

**This encompasses Gassco's
TRACK values base:**

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

Strategy and results

Work on Gassco's strategy in 2020

Gassco's vision is securing energy supply. Its job is to bring natural gas from the NCS to customers on behalf of the natural gas producers and the transport system users.

During 2020, Gassco updated its 2019 strategic analysis with risk management as an integrated part of the work. The "radar image" shown in the figure below reflects elements taken into account in 2020.

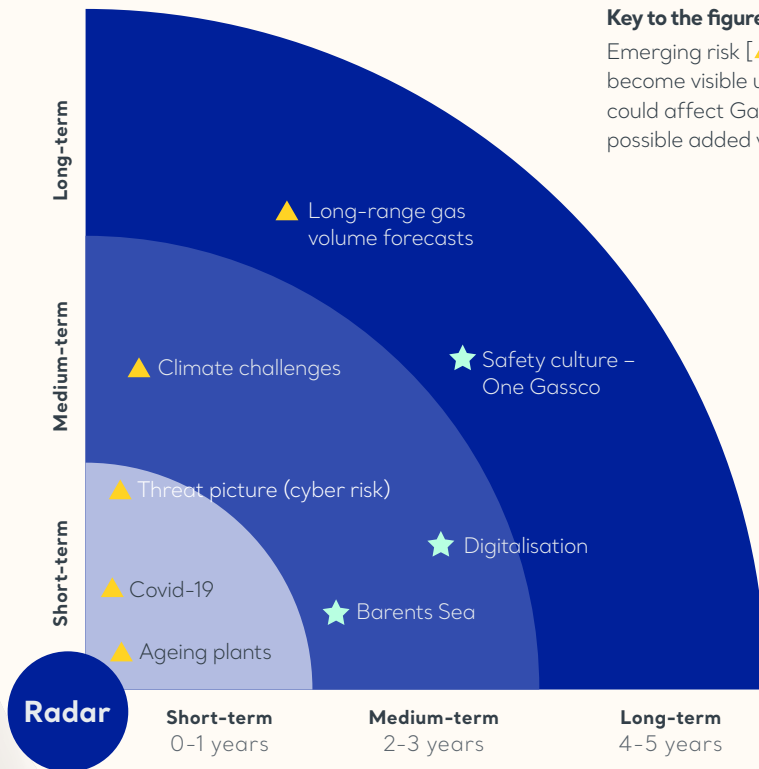


Figure 1 The radar image.

This work laid the foundation for the direction to be taken by the company, and is reflected in Gassco's strategic action plan for 2021.

Sustainability occupies a central place in the dialogue with Gassco's stakeholders. The company uses the UN's sustainable development goals (SDGs) as the starting point for its work on sustainability and a responsible business. As a state-owned company, Gassco is expected to have an overarching plan for sustainable value creation, and to develop clear objectives and strategies which it reports on. As the operator of large process plants and infrastructure for natural gas, the company faces an inherent risk of causing harm and major accidents – a risk which is taken into account in everything it does. Gassco's strategic goal of "safer and more value" means that its attention is always concentrated on safe and reliable operation. Reliable operation and contributing to sustainable development are preconditions for good value creation – and in line with the eighth UN SDG on decent work and economic growth and the 12th on responsible consumption and

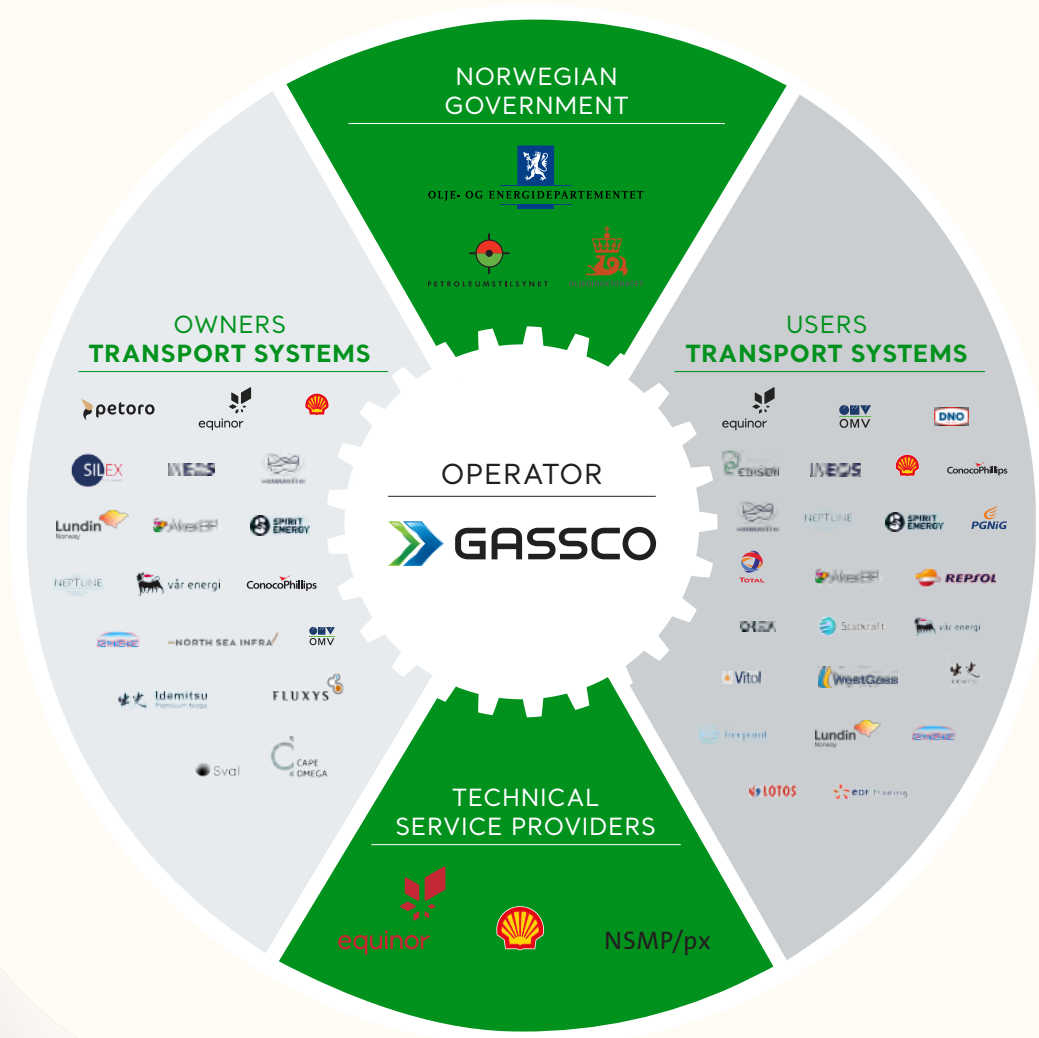
production. Ageing installations as well as both IT and physical security are priority areas. Close follow-up of plant operation and good collaboration with the gas transporters and infrastructure owners occupy centre stage, with digitalisation as an important instrument.

The UN has defined 2020-30 as a decade of action, and it is a matter of urgency to initiate measures – against climate change, poverty and inequality – which can contribute to reaching the sustainability goals by 2030. One of Gassco's three strategic goals – reduce climate impact – reflects the attention it devotes to this issue. Another goal – create infrastructure for the future – recognises that further progress is needed here in order to meet tomorrow's energy needs. Ambitious measures have also been defined under these goals to limit greenhouse gas (GHG) emissions.



Materiality analyses

Gassco will ensure energy supplies through sustainable operation and development. Sustainability is an integral part of its organisational culture, strategy, operational activities and ethical behaviour towards the world at large. The company's work on CSR and sustainability is tied to the UN's Global Compact and SDGs. On the basis of dialogue with its stakeholders, it conducts materiality analyses and due diligence assessments in accordance with the OECD's guidelines on due diligence and the Oslo Børs guidelines on reporting CSR. The figure below presents Gassco's main stakeholders.



Materiality analysis for sustainability

The figure below illustrates the outcome of the materiality analysis carried out with a broad selection of Gassco's stakeholders.

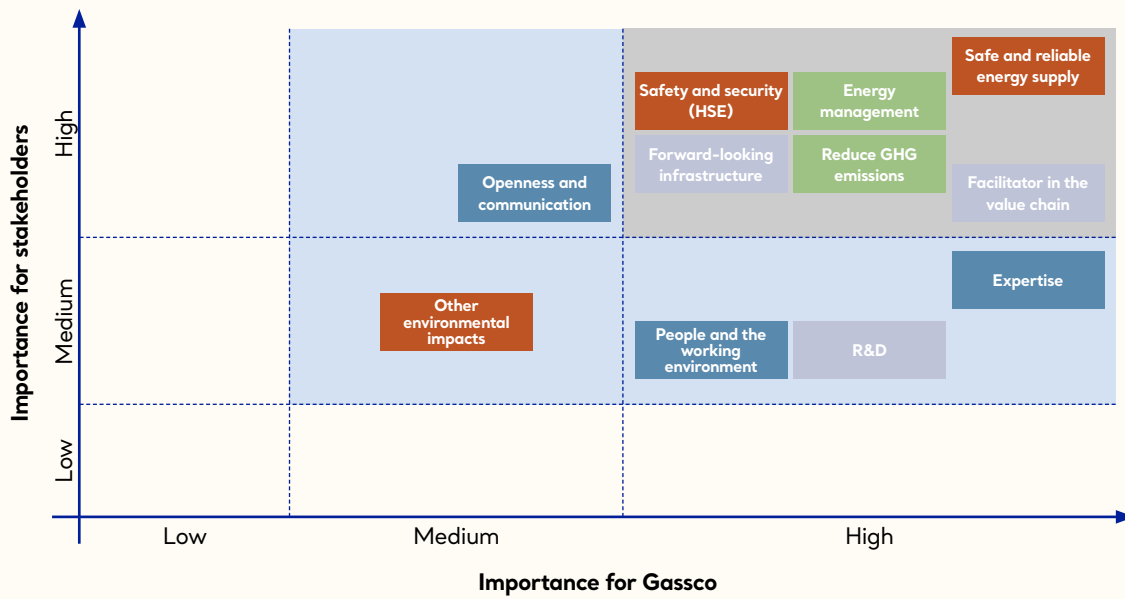



















Figure 2 Materiality matrix.

The most significant sustainability areas related to Gassco's business are taken into account through its strategic goals and priority areas. The connections between these sustainability areas and Gassco's strategic goals are presented on page 13.

Summary of results for the strategic goals

SDGs	Strategic goals	Indicator	Result	Goal
      	Safer and more value	Fatalities	0	0
		Personal injury frequency	2.4	0
		Lost-time injuries	3	0
		Fires	2	0
		Gas leaks	3	0
		Critical incidents (frequency)	1.3	0
		Unintentional discharges, oil/chemicals (number)	1	0
		NO _x emissions (tonnes)	728.3	
		IT security, user awareness and enhancing system robustness in relation to plans	0	0
		Planned but not executed maintenance of critical safety equipment	0	0
		Closing nonconformities from PSA audits in relation to plans	0	0
		Gassco's ability to deliver at the end point (%)	99.64	99.24
		Product quality, dry gas (%)	99.99	99.96
		Capacity administration, number of invalid decisions	0	0
Extra capacity sales (million scm)	172	275		
Total operating costs, excluding electricity and taxes (NOK million)	4 822	5 056		
  	Create infrastructure for the future	Strategic projects in relation to plans (%)	97	100
   	Reduce climate impact	CO ₂ intensity (kg/t)	12.95	14.70
		Scope 1 emissions (direct CO ₂ and methane emissions) ktonnes	1 165	
		Scope 2 emissions (emissions from purchased electricity) ktonnes	78	
		R&D costs related to the goal of "reduce climate impact" (%)	25	25
  	People and organisation	Sickness absence (%)	3.3	3
		Proportion of women in management team (%)	57	40
		Digitalisation of selected processes/ assignments (%)	95	100
		Employee development (%)	95	100
		Trainees (number)	1	1

Strategic goal of "safer and more value"

Gassco will operate and further develop Norway's gas infrastructure in a safe, reliable and efficient manner. Outstanding results for health, safety and the environment (HSE), a strong ability to deliver and a high level of efficiency are crucial for ensuring the competitiveness of Norwegian gas and for maximising value on the NCS.

This strategic goal is in line with the eighth UN SDG on promoting a safe and secure working environment for all workers and the 12th on ensuring effective and sustainable resource utilisation. 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 work, and also embraces a requirement to prevent all discharges/emissions and to protect nature. That accords with the 14th and 15th UN SDGs on life below water and life on land respectively.

The following topics were pursued under this goal in 2020:

- safety culture
- asset integrity
- efficient operation which creates value.

Safety culture

This is about how people in Gassco do their jobs, including what they do to ensure safety in their daily work.

Gassco has a philosophy of causing no harm to people, the environment or material assets. Human behaviour is considered to be an important barrier for avoiding undesirable incidents. Continuous further development of a strong safety culture is therefore crucial for achieving good results. The One Gassco initiative is

about building a common safety culture throughout the organisation. Three core areas have been defined for this work – risk understanding, compliance and learning. Together with Gassco's TRACK values base, these provide the foundations for work on the safety culture in the company.

Important initiatives in 2020 have involved strengthening risk understanding through training and expertise development, sharing, and learning across plants, organisations and company.

Asset integrity

As mentioned above, Gassco has a zero philosophy for HSE. Structured, planned and sound management of asset integrity through daily operation and maintenance is therefore ensured throughout an asset's service life. The company has good work processes, systems, tools, expertise and resources, and works continuously on improvements. Ageing increases integrity risk, and Gassco therefore takes a long-term approach in this area.

Physical and IT security were also key initiatives in Gassco's integrity management during 2020.

Efficient operation which creates value

Competitiveness and maximising value creation on the NCS are achieved through low costs combined with safe and innovative solutions and services. Important instruments here are benchmarking, digitalisation, and research and development (R&D). See page 32 for details about the results and outlook for digitalisation in Gassco.

Digitalisation was an important initiative in 2020, not least for reducing manual work through automation or by making data available.

Results for the goal of "safer and more value"

See the summary table on page 13.

Safe and reliable operation of the gas transport system was the priority in 2020. A number of the company's activities during the year were affected by Covid-19. All changes deriving from the pandemic have been risk-assessed. Safety and operation-critical activities in any event receive priority. Gassco has also developed new ways of working as a result of the Covid-19 restrictions. Both management inspections and audits are conducted virtually, for example.

Gassco's management system covers such aspects as reporting, investigating and following up incidents and nonconformities. This work is important for achieving continuous improvement in the HSE and quality (HSE&Q) area. The company has established key performance indicators (KPIs) which show how HSE&Q results are developing over time. This helps to make improvement initiatives measurable and as effective as possible.

Purposeful efforts were made by Gassco in 2020 to identify, follow up and implement measures in the wake of incidents.

The frequency of incidents defined as critical declined from 1.5 in 2019 to 1.3 in 2020. Five critical incidents occurred in 2020, compared with six the year before. Four of the ones in 2020 were critical in the sense that they could have had serious consequences even though they did not lead to any actual harm. One of these was the loss of signals from the emergency shutdown system on Draupner. The Petroleum Safety Authority Norway (PSA) issued an order to Gassco on the basis of the investigation report on this event. This order was followed up and closed in accordance with the company's procedures. The fifth incident, an arc flash at Kårstø, was classified as critical because it caused a serious personal injury. All five critical incidents were investigated. The arc-flash incident was also investigated by the PSA. Immediate measures in the wake of the internal investigation have been implemented, and will be further reviewed in connection with the PSA's report. Gassco takes a serious view of these incidents and will implement both proactive and reactive measures in the time to come to avoid future critical events. As the responsible operator, the company will cooperate closely with the technical service providers (TSPs) to discharge its see-to-it role and improve safety at the plants.



Critical incidents (frequency)

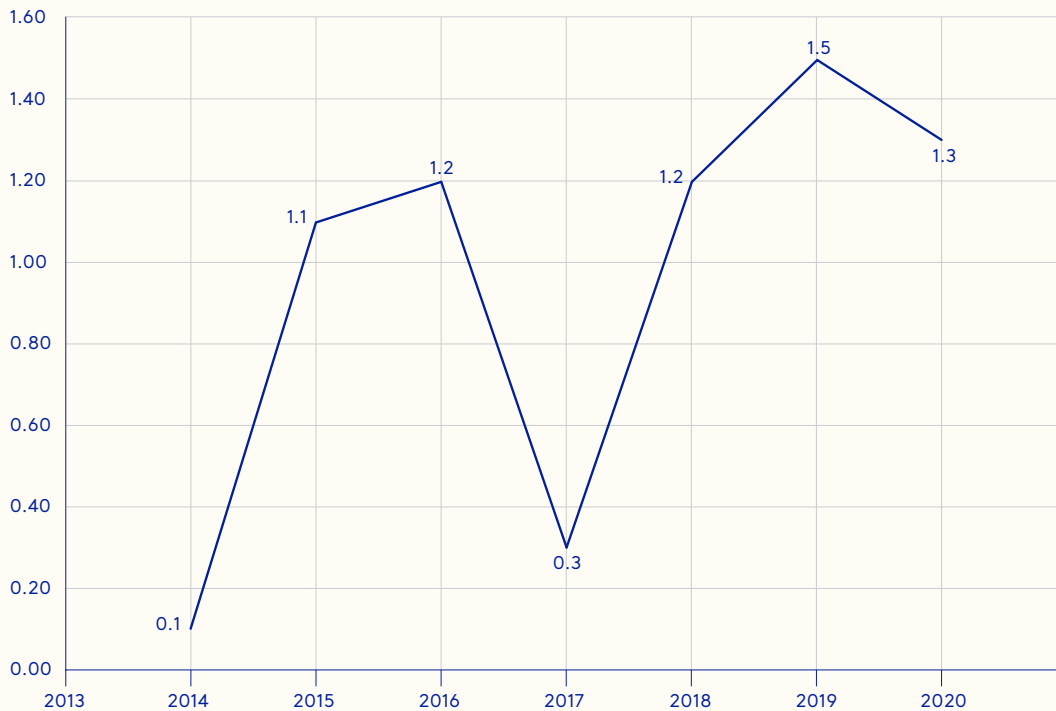


Figure 3 Critical incidents

Monitoring asset integrity and good barrier management are crucial for preventing critical incidents. Gassco works systematically to ensure good control of integrity status through the right indicators. The company devoted efforts during 2020 to improving work processes, systems, data and tools related particularly to safety-critical equipment.

The personal injury frequency for the company's operator area, measured as injuries per million working hours, declined from 2.8 in 2019 to 2.4 in 2020.

Purposeful work on HSE and improvements is important. The board wants to see systematic improvement work in the HSE field in order to reach the goal of zero critical incidents or personal injuries.

Three gas leaks larger than 0.1 kilograms per second (kg/s) were recorded in 2020 at Kollsnes, Nyhamna and Kårstø. All the leaks were investigated, and the one at Kollsnes has been defined as critical red level 2. The gas leak at Kårstø is still being investigated. At Nyhamna, the investigation revealed that the leak itself was not a critical incident but that the potential for injury to a person exposed to gas was serious.

Gassco registered two minor fires in its operator area in 2020. One was the arc-flash incident at the Kårstø plant. The other was a minor grass fire ignited in connection with grinding work at the Zeebrugge terminal in Belgium.

Gassco's goal is to keep emissions/ discharges as low as possible through good and close follow-up. The company complies with ISO 14001 for environmental management and ISO 50001 for energy management. Gassco's most significant environmental aspect is the emission of CO₂ and NO_x as well as energy consumption, but all components in emissions to the air and discharges to water are closely monitored. Environmental risk analyses and environmental impact assessments (EIAs) are conducted for all projects, where internal requirements are set for documentation of environmental impacts and of assessments related to the best available technology (BAT). Pursuant to the Norwegian Pollution Control Act and legislation in the UK and continental Europe, Gassco is required to hold permits for all its operations and all planned activities.

All process plants, gas terminals and platforms were operated within their annual emission/dischARGE limits in 2020.

One unplanned discharge occurred during the year. This involved the release of 120 litres of foam in connection with testing the fire-fighting system at the Kollsnes plant.

The company emitted 728.3 tonnes of NO_x in 2020. Gassco pays NO_x tax on its emissions from Norwegian sources. The company reports all its emissions annually to the authorities in each of the countries where it operates. These reports are in the public domain. Emissions of GHGs and energy consumption are detailed on pages 25-26.

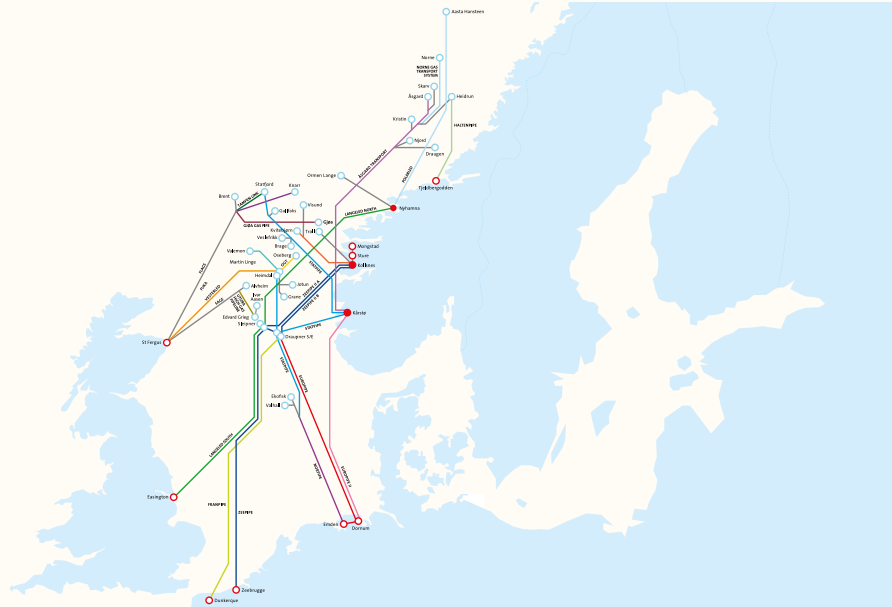
Gassco monitors the impact of its emissions to the air and discharges to the sea through permanent environmental monitoring programmes, such as vegetation sampling and seabed surveys. Results from this work show that

emissions/discharges from the plants have had no demonstrable negative effects on the natural environment. In connection with new activities, such as expanding or changing operations at the facilities, detailed environmental analyses are conducted in order to limit the risk of negative impacts on the natural environment and diversity.

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. Rather fewer audits of Gassco were conducted by the authorities in 2020 than in 2018 and 2019, but more than in preceding years. Audits in 2020 identified 10 nonconformities and 11 learning points, which provide the basis for further improvements. 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. Its response organisation at Bygnes held and participated in eight exercises during 2020. More full-scale drills were planned in 2020, but not implemented because of Covid-19. The eight exercises carried out demonstrated that Gassco has a robust and well-functioning emergency response organisation. The company's response organisation was mobilised eight times in 2020.

Gassco delivered 107 billion standard cubic metres (scm) of natural gas in 2020, corresponding in energy terms to 1 178 TWh, to four countries. This energy is utilised almost entirely in such segments as electricity generation, manufacturing and households. Gas deliveries from the Norwegian gas transport system to Europe in 2020 were approximately as high as the



year before. Total deliverability was 99.64 per cent, as against 99.37 per cent in 2019, despite Covid-19 effects and low prices for oil and gas. Certain maintenance activities have been transferred from 2020 to 2021 because of conditions related to Covid-19. 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 2020.

Vessel traffic, which includes shipment of natural gas liquids (NGL) and light oil (Gudrun Blend) from Kårstø and condensate from Nyhamna, is carefully coordinated with daily gas transport in order to avoid full product stores and field shutdowns. A total of 597 ship calls were recorded at Kårstø and nine at Nyhamna during the year.

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.

Benchmarking at Gassco's terminals and process plants shows that the system is operated in a safe, reliable and efficient manner, but areas for improvement have also been identified. The ambition is for all the plants to lie in the top quartile compared with the other facilities included in the analysis.

Operating costs for 2020 totalled NOK 5 835 million, while the target for the year was NOK 7 416 million. Reduced electricity charges are the primary reason why actual costs were below the target.

Gassco started work in 2020 on implementing a process-based management system. Pilots have been established for three processes, and the system supplier chosen. This solution will also incorporate handling of nonconformities.

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.

Outlook for the goal "safer and more value"

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.

The company's HSE results for 2020 show that an improvement potential still exists. It will maintain its commitment to achieving improvements in the HSE area, in close collaboration with companies which perform operational assignments on its behalf. This work will take account of official expectations, such as the PSA's 2021 main issue of side by side with the suppliers. Particular attention is being devoted to all conditions with a major accident potential, and special emphasis is being given to process and personal safety.

On the basis of the investigations into the five critical incidents in 2020, measures have been implemented and will continue to be pursued to ensure learning and to prevent recurrence.

Topics and initiatives from 2020 will largely be extended in 2021. Where safety culture is concerned, Gassco will reinforce risk understanding and compliance capability as well as giving attention to collaboration and lasting learning. It will do this by strengthening barrier management within asset integrity. Gassco is also developing

process architecture and establishing flow diagrams for work processes in order to enhance understanding and compliance capability. A separate module in this system for handling nonconformities will be implemented in 2021. In order to enhance efficiency and value creation, consideration is being given to new services in the transport system and to optimising work processes for asset management.

Strategic goal of "create infrastructure for the future"

Efficient organisation of the NCS is a matter of ensuring non-discriminatory and transparent operation and development of the gas infrastructure. In other words, all players must have equal opportunities to utilise the system. Gassco's role in the special operatorship requires it to work on behalf of the government as an independent non-commercial player in a neutral system-operator role. The latter is enshrined in section 4-9 of the Norwegian Petroleum Act and chapter 9 of the petroleum regulations, and gives Gassco an extensive mandate to coordinate the further development and operation of the transport system with the aim of achieving integrated solutions. This role supports the ninth UN SDG of promoting inclusive and sustainable industrialisation. Furthermore, the system operator role contributes to developing reliable, sustainable and solid infrastructure of high quality, which is both regional and transnational.

Examples of assignments under the special operatorship include system operation, independent capacity administration and the system architect role, where Gassco contributes to optimal management of natural resources through infrastructure studies for both existing fields and new discoveries. Future use and development of existing infrastructure could have both a positive socioeconomic effect and environmental benefits. Transport solutions for new discoveries could realise unutilised resources and promote more efficient technological concepts with greater efficiency and a smaller climate impact. In line with the eighth UN SDG of decent work and economic growth, this work is pursued on behalf of the Norwegian government.

The availability of gas resources from the NCS for transport and sale to Europe has been rising over many years, thereby ensuring a high level of utilisation for the Norwegian gas infrastructure. This position is expected to persist for many years to come, but calls for resource availability to be maintained through exploration and new gas discoveries.

Natural gas deliveries from Norway cover about a quarter of Europe's total consumption, and Norwegian gas will hold a key place in the security of European energy supply for a long time to come. With a focus on future energy requirements, Gassco will adapt the gas infrastructure on the NCS through efficient and timely developments and through well-functioning work and decision processes. Tomorrow's infrastructure will maximise resource value in a sustainable manner and strengthen competitiveness on the NCS.

The following topics were pursued under this goal in 2020

- Efficient and timely development of the gas infrastructure
- a competitive model for the NCS.

Efficient and timely development of the gas infrastructure

The main objective of the Norwegian petroleum industry is to maximise the value of the oil and gas resources on the NCS, and substantial investments have been made since the 1970s in the processing and transport infrastructure for gas from the NCS to the European market. Long-term forecasts indicate a stably high level of production up to the end of the 2020s. Beyond then, the delivery picture depends on the number and size of new discoveries.

Important initiatives in 2020 included establishing and utilising a process for tomorrow's gas infrastructure, and the efforts to commence technical feasibility studies for gas transport solutions from the Barents Sea.

Competitive model for the NCS

Gassco works continuously to maintain efficient work and decision processes which support its special operatorship role. A number of revisions have been made to these processes over the years, partly in order to increase the attention paid to user involvement after financial owners became involved in the gas infrastructure. The processes have been reviewed to take account of modifications to and a possible scaling-back of capacity. This is intended to ensure that Gassco's role as system architect, and the associated work and decision processes, contributes to maintaining efficient decision processes aimed at further long-term and competitive development – including expansions, conversions and possible capacity adjustments in line with tomorrow's requirements.



Results for the goal "create infrastructure for the future"

Transport concepts for all gas reserves are assessed by Gassco in order to identify the best integrated solutions for the NCS. Field operators planning a tie-in to the gas transport system are required to present the options they have considered to Gassco before making a choice of concept. The company undertakes an independent evaluation and reports to the Ministry of Petroleum and Energy (MPE). It assessed, for example, whether transport/tie-in solutions for individual fields should be field-dedicated or should be incorporated in an integrated development with several fields.

Gassco's assessments in 2020 included transport solutions for the gas resources in Tommeliten Alpha in relation to the choice of concept by the licensees. The government's package of measures for the petroleum industry in connection with the Covid-19 crisis had a positive effect on developing NCS resources. A number

of projects and studies were initiated or accelerated by the players. Where Gassco was concerned, this meant an increase in its evaluations of gas transport solutions in late 2020.

The company draws in part on results from its work on the annual transport plan to ensure that the gas transport solutions chosen provide integrated and sustainable solutions for the relevant area. This planning process assesses and identifies future requirements for developing transport capacity on the basis of user requirements. The 2020 analysis showed that the gas infrastructure is expected to be well utilised in coming years.

As mentioned above, keeping infrastructure utilisation high depends on maintaining the resource base. According to the Norwegian Petroleum Directorate, about half the resources on the NCS remain to be recovered and a large part of these expected quantities lies in the Barents Sea.

Gassco carried out studies and assessments during 2019 related to developing new gas infrastructure in and from the Barents Sea. 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 MPE in January 2020. On the basis of this report and with backing from a sponsor group of 10 companies comprising licensees, operators and infrastructure investors, Gassco initiated feasibility studies and assessments related to developing new gas infrastructure in and from the Barents Sea. These are due to be completed in early 2021 and will form the basis for decisions on further studies.

Gassco's preparations for the tie-in of a spur from the Europipe II pipeline to Nybro in Denmark represent an important contribution to the work of creating tomorrow's gas infrastructure. This spur forms part of the Baltic Pipe infrastructure project, which could transport Norwegian natural gas to both Danish and Polish markets from 2022. The company also made preparations in 2020 for subsea connections to link the gas export pipelines on the Heimdal platforms. This operation is planned for 2022 at the earliest. Both these projects contribute to a competitive development of the gas infrastructure.

Norway's gas infrastructure is largely powered by electricity from the grid. Timely development of the power grid in line with changed requirements is crucial for Gassco's operations. The company accordingly follows up studies and development plans by relevant grid operators.

In close dialogue with government, users and owners, Gassco conducts continuous assessments of the long-term development of Norway's gas infrastructure. A process was initiated in 2020 which will concentrate on the way capacity in the infrastructure can be tailored to needs and whether possible new functionality must be built to meet new requirements. It will also assess alternative uses for existing facilities. The purpose is to continue developing a competitive and sustainable gas infrastructure by constructing a foundation for good and timely decisions which contribute to maximising value creation on the NCS.

Outlook for the goal "create infrastructure for the future"

Delivering Norwegian natural gas to the European market on competitive terms and with high regularity will remain important for a long time to come. Maintaining competitive gas exports from Norway and high utilisation of the existing gas infrastructure calls for a high level of exploration activity on the NCS in order to identify undiscovered resources as well as cost-effective development solutions for marginal discoveries. The R&D programme on future value creation is exploring opportunities to cut costs for gas export solutions from new discoveries and to reduce them for gas exports from tail production on existing fields.

Declining production will challenge transport costs. Keeping these down and ensuring efficient resource management calls for a transport infrastructure tailored to requirements. An integrated and efficient infrastructure, research, technology development and timely decisions are needed to sustain competitiveness and maximise the value of NCS resources.

Strategic goal of "reduce climate impact"

Gassco accepts the assessments made by the UN intergovernmental panel on climate change (IPCC) on the challenges facing the planet in this area. The company's job is to secure an energy supply with the smallest possible climate footprint, in line with the seventh and 13th UN SDGs on clean energy for all and on climate action respectively. In good and close dialogue with its stakeholders, the climate challenge is a subject Gassco discusses and has an active relationship to. The company does not own the infrastructure or the natural gas exported through the system it is responsible for operating. Its job is to operate the system with the lowest possible climate impact, and to present proposals to and mature emission-reducing measures for its decision-makers.

One of Gassco's strategic objectives is to reduce its climate impact. In connection with this goal and in close dialogue with its stakeholders, the company has developed a climate roadmap up to 2030. This provides a strategic tool for the work of defining the areas and assignments Gassco will be working with.

Through its involvement with KonKraft's climate strategy, Gassco participates in and contributes to meeting the Norwegian petroleum industry's goal of reducing GHG emissions in Norway by 40 per cent from the 2005 level up to 2030 and to near zero in 2050. This is in line with the 17th UN SDG of partnership for sustainable development.

Climate impact is defined here as energy consumption and emissions of CO₂ and methane (CH₄).

The following topics were pursued under this goal in 2020:

- energy management
- reduce emissions.

Energy management

Energy management involves identifying energy optimisation at each plant and a concentration on energy-efficient system operation. Integrated energy management seeks to find solutions which offer the best total outcome for the whole value chain and which provide optimal resource utilisation. Energy management is incorporated in Gassco's governing documents for implementing modifications and infrastructure development.

Energy-efficient operation is one of Gassco's most important operating parameters. All its plants are followed up in relation to specified climate and energy KPIs. Work on the climate roadmap has shown that, as the system operator, Gassco is particularly suited to serving as the coordinator for integrated energy management of the value chain on the NCS. Effective integrated energy management promotes optimal resource and energy utilisation throughout the value chain.

Gassco made provision during 2020 for further development of its energy management from a value-chain perspective involving all upstream and downstream players. Collaboration plays a key role in building expertise and culture for energy management on the NCS. More emphasis has been given to energy assessments in the decision basis for modifications and projects.

Reduce emissions

Cutting actual GHG emissions is crucial to the work of reducing the climate impact. CO₂ from combustion processes is the most significant GHG released by Gassco. It also emits smaller quantities of methane from incomplete combustion and fugitive sources.

The climate roadmap has defined areas and assignments which the company will work with. This involves further identification of emission-reducing measures for all the plants as well as continued development of methods for measuring methane.

Gassco has a climate KPI at company level which is expressed as specific CO₂ emissions in kilograms of CO₂, split between exported quantities of gas and liquid products delivered from its terminals.

The amount of CO₂ released can be influenced primarily through operating parameters such as using fuel gas and diesel oil for process operation as well as safety flaring.

In collaboration with government, users, owners and other relevant players, Gassco will assess technology and expertise, challenge existing solutions and present innovative approaches for reducing the climate impact in the value chain for natural gas.

Initiatives related to cutting emissions in 2020 involved identifying emission-reducing measures in Gassco's operator-ship. The company also conducted feasibility studies on reducing emissions from the Kårstø gas processing plant through a continued increase in the use of electricity.



Results for the goal "reduce climate impact"

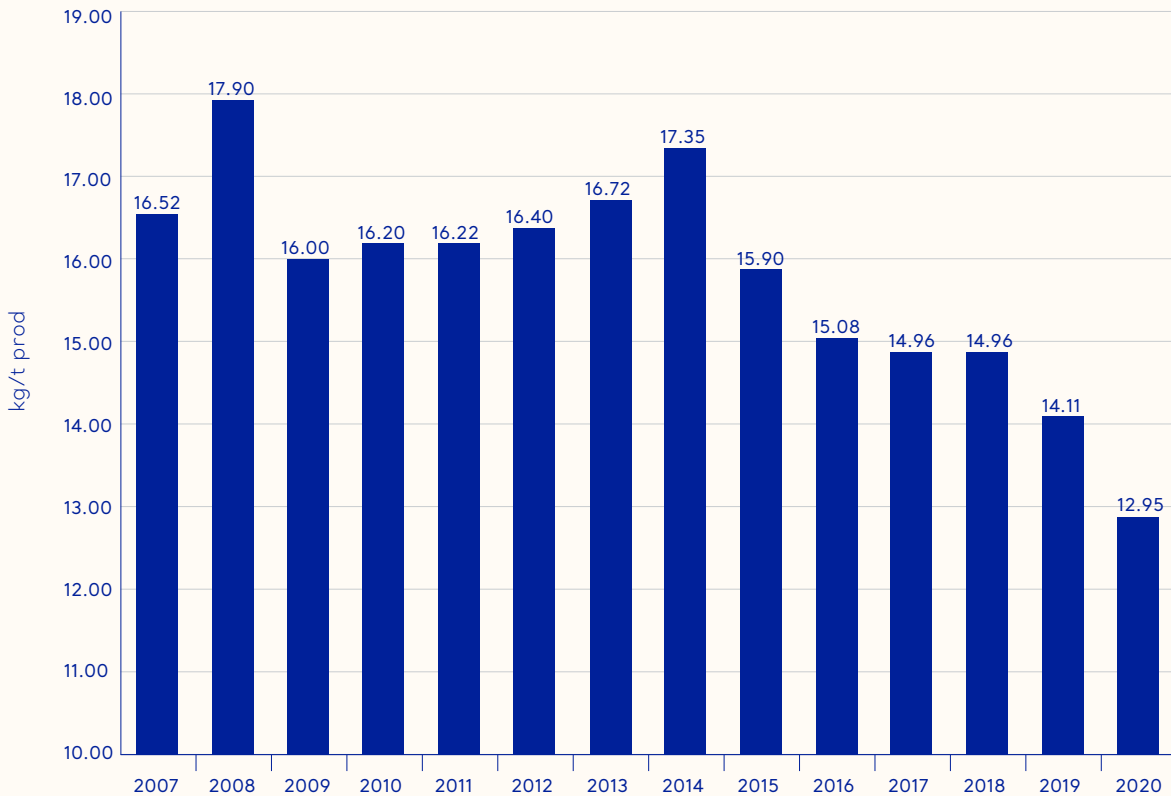


Figure 4 Specific CO₂ emissions from Gassco's product exports.

Results for CO₂ emissions in 2020 were influenced by effects related to Covid-19. Gas deliveries were stably high throughout the year, and increased by 0.8 per cent from 2019. Since producing liquid products is more energy-intensive than gas processing, this has a higher emission intensity. The volume of liquid products shipped from Kårstø declined by seven per cent from 2019, which reduced consumption of fuel gas for processing. Certain maintenance activities were also transferred from 2020 to 2021 because of conditions related to Covid-19, which meant lower emissions than expected in 2020. All plants operated stably and great attention was devoted to their energy efficiency. Taken together, this has resulted in substantially smaller specific CO₂ emissions from products exported by Gassco in 2020.

A total of 1 137 000 tonnes of CO₂ were released in 2020, down by eight per cent from 2019.

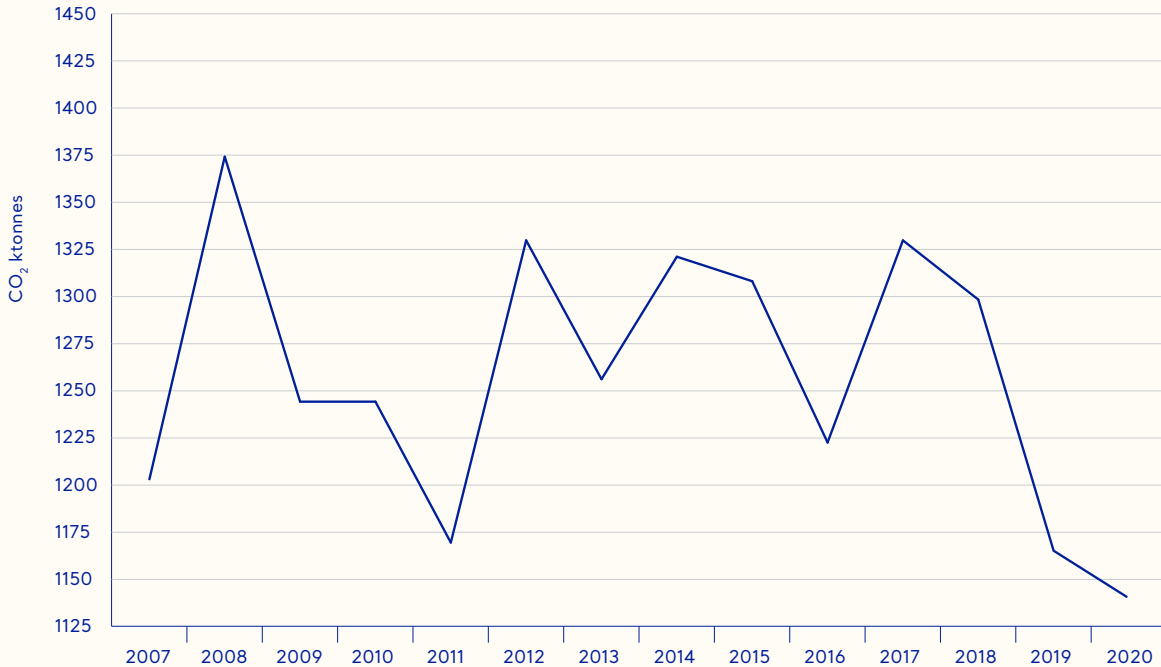


Figure 5 Annual CO₂ emissions.

Gassco's business is subject to the EU emission trading system (EU ETS). This means the company must submit verified reports annually on emissions covered by the system to national environmental authorities for approval, and must supplement free EU emission allowances (EUAs) with purchases through the ETS.

The company was allocated 866 093 EUAs free of charge in 2020, and purchased 370 000 more at an average price of EUR 24.85 per tonne. Unused allowances were carried forward to 2021. Each EUA corresponds to one tonne of CO₂ emitted. Emissions of CO₂ from the petroleum facilities on Draupner are also subject to the ETS, and the land-based plants pay a special tax for using fuel gas. Pursuant to the transport agreements and tariff regulations, costs for EUAs, fuel gas tax and so forth are borne by the transport system users.

Gassco's climate accounting utilises the GHG protocol as the framework for reporting such emissions.

Scope 1 emissions include CO₂ released from direct combustion, plus methane released from the company's own plants. When calculating CO₂ equivalent, a factor of 25 is applied for determining the climate effect of methane. Scope 2 emissions also include the CO₂ equivalent of purchased power. This is reported in accordance with the location-based method in the revised GHG protocol scope 2 guidance.

CO₂ factors are taken from the Emission Factors 2020 report produced by the statistics data service of the International Energy Agency (IEA). The CO₂ factor from the Norwegian Water Resources and Energy Directorate (NVE) for climate declarations of physically delivered electricity in 2019 is used for the Norwegian plants.

2020	Scope 1 emissions CO ₂ e [tonnes] (direct emissions of CO ₂ and methane)	Scope 2 emissions CO ₂ e [tonnes] (indirect emissions through purchased energy)	Scope 1 and 2 emissions CO ₂ e [tonnes]
Gassco	1 164 751	77 877	1 242 628

e = equivalent.

Gassco is operator for the Nyhamna and Kollsnes process plants, which both run primarily on electricity from the grid. Several new electrification projects were matured in 2020 which, if they are approved and implemented, will yield substantial emission reductions in the portfolio over time. An example is increased use of electricity at the Kårstø gas processing plant, where Enova has allocated funds for further project maturation. Feasibility studies for this project were completed in the autumn of 2020, and the decision was taken in December to move to a concept maturation phase. Norway's Business Fund for Nitrogen Oxides has approved grants which will be made available if the project goes ahead.

The company collaborated closely during 2020 with the producers on the NCS to assess possible energy-saving measures in the value chain. That contributed to substantial improvements over the year.

Examples of results from energy-saving measures implemented in 2020 include the following.

- Through an agreement on reduced temperature and margin in relation to downstream customers, Gassco cut energy requirements and CO₂ emissions in Zeebrugge. The reduction was more than 40 per cent when comparing fuel gas consumption in February/March 2020 with the corresponding period of 2019.

- Reduced operating pressure in the Norpipe pipeline lowered gas consumption by 100 000 scm/d and cut CO₂ emissions by up to 85 000 tonnes per annum on fields.
- The Polarled inlet facilities at Nyhamna were originally operated at a minimum pressure of 120 barg. Optimised modelling and monitoring has allowed Gassco gradually and step-by-step to reduce the pressure in this pipeline to 110 barg. That yields annual savings on fields of NOK 10-20 million and a daily CO₂ emission reduction of about three tonnes per bar.

Experience so far shows that working on GHG-reducing measures and value creation goes hand-in-hand. A number of the companies have ambitions of reducing their climate impact, and collaboration is a strength.

Collaboration is also a key element in Gassco's R&D efforts, where the company will work to ensure that a broad range of climate-efficient solutions and new technology are assessed throughout the value chain. Gassco has R&D partnerships within the industry as well as with the supplier sector. About 25 per cent of its R&D budget was devoted to the sustainable development programme. Activities in the latter during 2020 related to carbon capture, transport and storage (CCS), hydrogen in the gas infrastructure and studies for measuring methane. The company also participates in a number of joint industry projects related to the climate and to technology development.



Outlook for the goal "reduce climate impact"

A number of studies addressing measures to reduce climate impact were initiated in 2020 and will continue in 2021. The energy and climate technology project, which deals with increased use of electricity at Kårstø, could provide significant emission reductions. Depending on the decision on choice of concept due to be taken in June 2021, this project could be completed in 2026. A preliminary project was carried out in 2020 on making provision for land-generated electricity at the port of Kårstø in order to reduce emissions from berthed ships. This work was supported by Enova. Furthermore, modifying the volatile organic compounds (VOC) plant for product loading at the Kårstø process plant will cut emissions of methane and other VOCs. Plans call for this project to be completed in 2021. Gassco will also continue studies of emission-reducing measures at the terminals. Energy management in the value chain will be another priority area for the company in coming years. Gassco participates in an R&D collaboration on improving the quality of detection methods for methane, and a joint R&D project is planned at the Kollsnes process plant in 2021. Gassco's R&D portfolio includes various technology programmes for low-emission solutions which will be followed up over several years.

People and organisation

People are society's most important resource. As an employer, Gassco has a big influence on the professional and personal development of its personnel as well as on their equality of opportunity and status. The company had 343 permanent employees at 31 December 2020, including 146 at the gas terminals in Europe and the UK.

In line with the eighth UN SDG on decent work and economic growth, Gassco contributes to society in various ways through employment, sustainable value creation, development of technology and expertise, sponsorships and various initiatives.

Gassco is an expertise company where employees overcome complex and varied challenges, and receive good and close follow-up. Motivated employees and innovative technology provide its competitive advantage. The company has a fundamental faith that the commitment of its employees creates a good working environment where knowledge and collaboration are the keys to delivering complex energy solutions, and contribute to secure and efficient value creation for the future.

The company's procedure for ethics and confidentiality applies to all its employees

and contract personnel. It includes anti-corruption provisions. These guidelines are available on the company's website. Gassco also has ethical guidelines for its suppliers. The company expects its partners and suppliers to apply the same ethical standards it sets for its own commercial operations. During tendering processes for substantial purchases, clarification is sought that the supplier has its own guidelines for CSR which accord with Gassco's requirements. Checks are made to establish whether incidents have occurred at a supplier related to corruption, child labour, and breaches of human and labour rights. That accords with UN SDG sub-goal 12.7 on promoting sustainable public procurement practices.

Gassco employees undertake to observe its ethical guidelines, which are intended to clarify the guiding principles for the company's commercial operations and for the behaviour of its employees. The latter are required to review the guidelines regularly. One of these requirements is that each employee must contribute to an inclusive workplace. All of them share a responsibility for creating a good working environment where health and safety are protected. The guidelines also address such aspects as the duty of confidentiality, possible conflicts of interest and questions related to accepting gifts and services. Gassco has established security requirements for information and ITC in its business.

Whistleblowing procedures are in place. The board encourages employees to raise ethical issues and to report what they perceive to be breaches of the rules. The right to notify irregularities in the business also extends to consultants working for Gassco.

Creating and further developing a good working environment is a priority for Gassco's human resources policy. A regular employee survey is conducted to measure indicators of significance for the company's performance, results and working environment. Generally speaking, Gassco scores very highly. The most recent survey was in 2019, and showed that a high level of expertise and good collaboration are sources of motivation, efficiency and goal attainment for the company.

Gassco's TRACK values occupy a key place in the company as an integrated element in employee performance assessments as well as in departmental and management meetings, where behaviour and work processes are reviewed in relation to the TRACK goals. 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. A career development path is established through close follow-up of employee performance assessments.

Through meetings involving all managers with responsibility for personnel, Gassco has concentrated attention on their role in the company. It also implemented a tendering process for management development during 2020, and an external partner was chosen.

This must be viewed in relation to the work being done on a daily basis to develop personnel and expertise. Management and employee development in Gassco is based on the company's vision, values base and strategy.

Gassco's human resources policy is gender-neutral and accords with its goals for equality of opportunity, diversity and continuous organisational development. Job advertisements express the company's desire for a good gender balance, age spread and diversity in the workforce. Recruitment is pursued systematically by publicising vacant posts through job advertisements and in relevant media. Gassco has always contributed to recruiting talented young people for the oil and gas sector, with a commitment to being an attractive employer regardless of gender. All provisions on pay and working conditions have been developed to apply to everyone, and do not exclude any group of employees. Women account for 38 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. It does not discriminate on the basis of gender, religion, national or ethnic affiliation, social group or political views. Emphasis is given to equal opportunities between genders for professional and personal development, pay and promotion. The human resources department has an overview of and follows up demographic data in the organisation.

The graph below presents annual pay of women and men in Gassco by the importance of their position, and shows that only small differences exist between the genders.

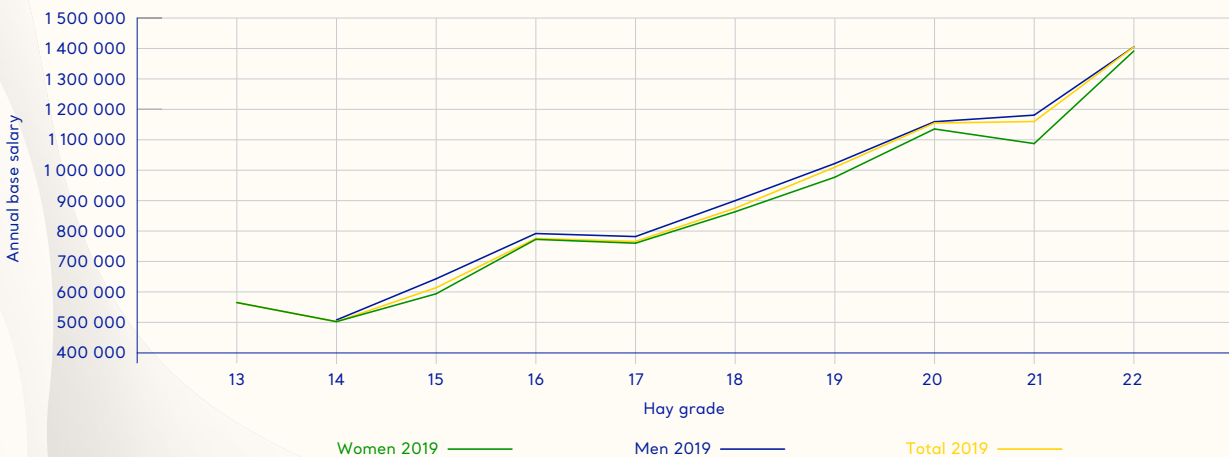


Figure 6 Pay levels for women and men in Gassco.

Gassco has personnel with different cultural and ethnic backgrounds. Working conditions are customised so that people with disabilities can work for the company. 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.

The company has a goal of maintaining a good mental and physical working environment for all its employees. The company's working environment is good. Its target for a number of years has been an overall sickness absence below three per cent. Overall sickness absence for the whole business during 2020 was 3.3 per cent, which was an improvement from four per cent in 2019.

Gassco makes provision for flexible adjustments to working hours. Out-of-school programmes were organised at the Bygnes office for children of employees in connection with the regional planning day in January 2020.

Planning and organising social, cultural and sporting activities was a special and difficult challenge in 2020. The company opted to be innovative, and held a virtual Christmas party for Bygnes employees and their families in November. Local business players contributed to staging this event, including catering companies, cultural bodies, advertising agencies and production companies. Everyone attended the party, which attracted national media attention.

Gassco's sponsorship strategy is entrenched in its work on CSR. The company supports cultural and sporting teams, organisations and events, and believes in a positive interaction between local communities and companies which creates a meaningful daily life for those around it. Support was maintained for sports clubs, teams and organisations in 2020, despite cancelled events and activities.

Close collaboration is pursued with educational institutions in order to increase interest in and knowledge of science and technology subjects. Gassco is also a partner in the Junior Achievement organisation in Rogaland. It had one office trainee in 2020.



Digitalisation

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

The company's digital strategy devoted great attention during 2020 to laying the foundations for value creation based on secure access to and analysis of data. Gassco's cloud-based data platform, including secure external integration, provides opportunities for data sharing internally and externally. The company put several internal dashboards into place in 2020, and these have helped to enhance the effectiveness of various work processes.

A new platform to handle the EU's regulation on wholesale energy market integrity and transparency (Remit) also became operational in December 2020.

In addition, Gassco has developed intelligent solutions through and together with its TSPs. Attention has concentrated on further development of the toolbox for inspections by utilising robot solutions. Work in this context included internal tank inspections and tests with automatic detection of potential dropped objects using drones at the Kårstø processing plant. The Nyhamna processing plant has established a digital twin to save time and improve quality in everyday work processes as the basis for further condition monitoring and process optimisation.

The company will continue developing digital solutions in 2021. That will include devoting attention to new concepts for predictive maintenance and robotised systems. Emphasis will also be given to facilitating secure data-sharing externally, and to continuing to enhance the efficiency of work processes.

Share capital

The company's share capital at 31 December 2020 was NOK 10 million, divided between 10 000 shares. All the shares are owned by the MPE on behalf of the Norwegian state.

Net profit and its allocation

Net profit was NOK 0. The company's equity at 31 December 2020 was NOK 15 248 350. The total balance sheet at 31 December 2020 was NOK 1 676 million, and the company had liquid assets through bank deposits of NOK 288 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.

Bygnes, 22 March 2021

Sign
Jan Skogseth
Chair

Sign
Johan Einar Hustad
Director

Sign
Tor Rasmus Skjærpe
Director

Sign
Anne-Lene Midseim
Director

Sign
Brita Holstad
Director

Sign
Brynjar Aardal
Director*

Sign
Toralf Bredahl
Director*

Sign
Lisbet Kallevik
Director*

Sign.
Frode Leversund
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 supplier 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.



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 legal and compliance. 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 the energy commitment at the Norwegian University of Science and Technology (NTNU). 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.

**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.

**Brita Holstad**

Director (born 1966). She has an MSc in petroleum geology from the Norwegian University of Science and Technology (NTNU) and 30 years of experience from various oil companies in Norway and internationally. Holstad was CEO of Hess Norge in 2010-13, regional vice president at Cairn Energy with responsibility for the UK and Norway, and CEO of Capricorn Norge in 2013-20. She is a director of Source Energy and Sognekraft. Holstad has been a director since 2020.

**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.

**Toralf Bredahl**

Worker director (born 1962). He works in the IT department at Gassco AS and chairs the Gassco branch of the Norwegian Society of Engineers and Technologists (Nito). Bredahl has been a director since 2020.

**Lisbet Kallevik**

Worker director (born 1973). She is the communications manager for Gassco and chair of the Gassco branch of the Norwegian Union of Industry and Energy Workers (Industry Energy). Kallevik has been a director since 2020.

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.

In Gassco, corporate governance 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, vision and strategy are described in the directors' report.

Gassco'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 (CSR) and sustainability are an integrated part of the company's organisational culture, strategy, operational activities and ethical behaviour towards the world at large.

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 account for 40 per cent of directors elected by the general meeting. 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

The Gassco board comprises eight directors, 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, guidelines on ethics and CSR, and the UN's SDGs.

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. Five board meetings and one board seminar were held in 2020, and attendance was 98 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

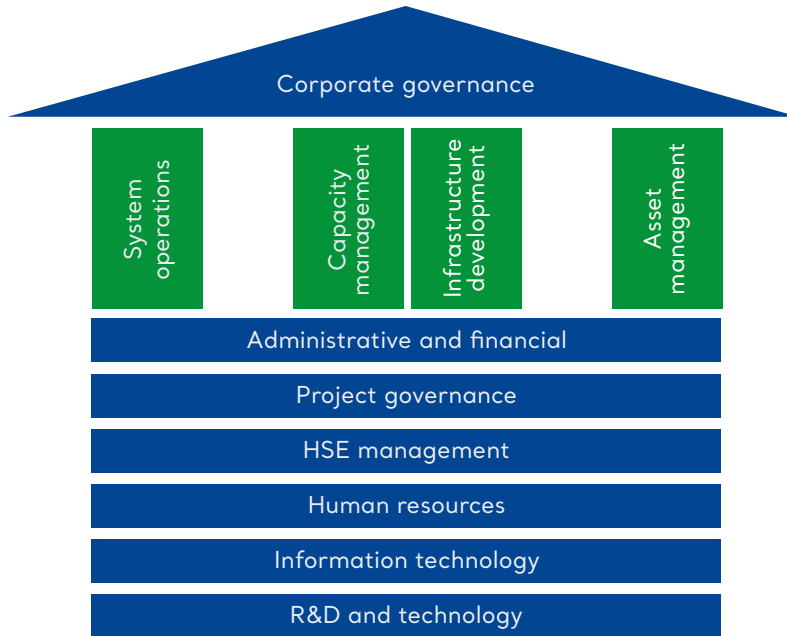
The government specifies requirements for management, follow-up, control and risk management in state-owned enterprises. Gassco's management system describes its corporate governance. Risk assessments are conducted, with the most hazardous activities at any given time identified in order to ensure safe 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.

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 embraces processes concerning both control of the company by the owner (in other words, the MPE and the board) and relating to 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 – including sustainability goals and KPIs – budgeting and decision-making processes, and important processes related to quality assurance.

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 which authorities the decision-makers hold.

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 pool has been established with responsibility for conducting all monitoring activities. This helps to ensure that operations are conducted as required by legislation, statutory regulations, in-house instructions and suppliers' 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, in decision processes and in projects. The work process for risk management in Gassco builds on the principles in ISO 31000-2018. 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. The company's management and board utilise a "radar image" as an important input to decision processes and for updating strategy. This

radar image primarily presents emerging risks and opportunities. It reflects strategic, operational and external risk as well as opportunities. Various types of risk are dealt with differently in the organisation. Gassco works continuously to improve its risk management process, and experience transfer from the various parts of the business contribute to progress.

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.





**Reliable
operation**

**Sustainable
development**

**Secure Norwegian
gas exports**

**Effective
organisation**

45

YEAR 2020

DIRECTORS'
REPORT

CORPORATE
GOVERNANCE

**FINANCIAL
STATEMENTS**

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Financial statements



Income statement

Amounts in NOK 1 000	Note	2020	2019
Operating income and expenses			
Total operating income	2	0	0
Total operating expenses	2,3,4	0	0
Operating profit		0	0
Financial income and expenses			
Financial income		0	0
Financial expenses		0	0
Net financial items		0	0
Profit before tax			
Tax on ordinary activities	10	0	0
Net profit/(loss)		0	0
Transfers			
Transferred to/(from) other equity		0	0
Total transfers		0	0

Balance sheet

Amounts in NOK 1 000	Note	2020	2019
Assets			
Tangible assets			
Land, buildings and other property	4	29 547	29 557
Operating equipment and fixtures	4	136 300	124 012
Total tangible assets		165 847	153 569
Other long-term receivables			
Other receivables	3,9	432 444	399 108
Total other long-term receivables		432 444	399 108
Total fixed assets		598 291	552 677
Current assets			
Receivables			
Accounts receivable	6	92 351	53 423
Other receivables	1,5	697 350	568 900
Total current receivables		789 701	622 323
Bank deposits and cash	11	287 976	344 610
Total current assets		1 077 677	966 933
Total assets		1 675 968	1 519 609

Amounts in NOK 1 000	Note	2020	2019
Equity and liabilities			
Equity			
Paid-in capital			
Share capital	7	10 000	10 000
Total paid-in capital		10 000	10 000
Retained earnings			
Other equity	8	5 248	5 248
Total retained earnings		5 248	5 248
Total equity		15 248	15 248
Liabilities			
Provisions			
Pension commitments	9	627 440	584 712
Total provisions		627 440	584 712
Long-term liabilities			
Other long-term liabilities	5,12	73 250	78 009
Total long-term liabilities		73 250	78 009
Current liabilities			
Accounts payable	1,6	673 977	603 134
Unpaid government charges and special taxes	1,11	96 562	93 364
Other current liabilities	5	189 491	145 141
Total current liabilities		960 029	841 640
Total liabilities		1 660 720	1 504 361
Total equity and liabilities		1 675 968	1 519 609

Bygnes, 22 March 2021

Sign
Jan Skogseth
Chair

Sign
Johan Einar Hustad
Director

Sign
Tor Rasmus Skjærpe
Director

Sign
Anne-Lene Midseim
Director

Sign
Brita Holstad
Director

Sign
Brynjar Aardal
Director*

Sign
Toralf Bredahl
Director*

Sign
Lisbet Kallevik
Director*

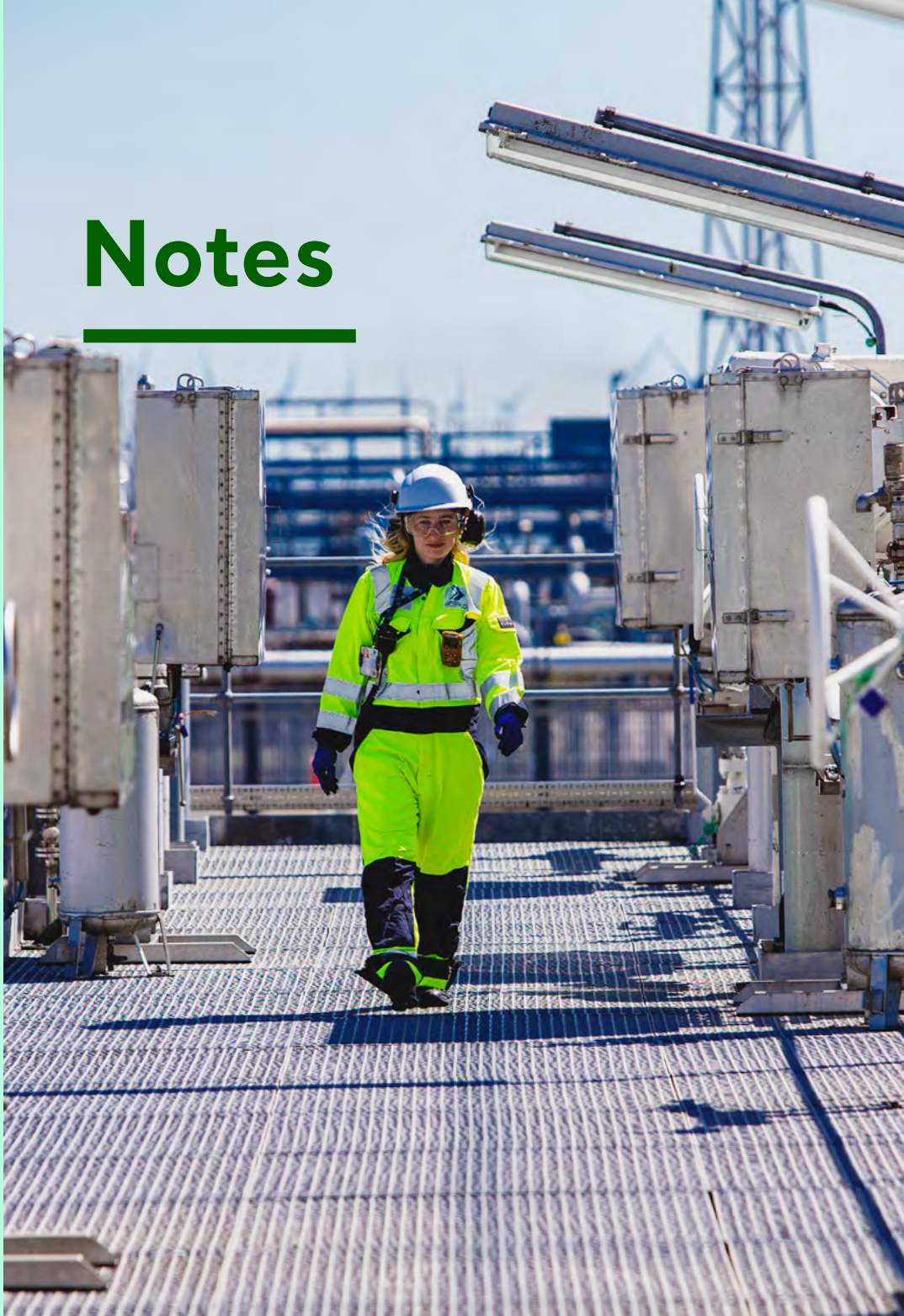
Sign
Frode Leversund
President and CEO

* Elected by the employees

Cash flow statement

Amounts in NOK 1 000	Note	2020	2019
Cash from operational activities			
Profit on ordinary activities before tax		0	0
Depreciation	4	47 937	43 938
Change in accounts receivable	6	(38 929)	(114)
Changes in other current receivables	5	(128 450)	(352 071)
Changes in long-term receivables		(33 336)	(80 660)
Changes in accounts payable		70 842	429 210
Changes in long-term commitments		42 729	72 942
Changes in other current liabilities	5	47 547	(30 393)
Changes in other long-term liabilities	5	(4 759)	(6 794)
Net cash from operational activities		3 581	76 059
Cash applied to investment activities			
Net disbursement for acquisition of fixed assets	4	(60 215)	(44 131)
Net cash applied to investment activities		(60 215)	(44 131)
Cash from financing activities			
Redemption of long-term debt		0	0
Net cash from financing activities		0	0
Net change in cash and cash equivalents		(56 634)	31 927
Cash and cash equivalents at 1 January		344 610	312 683
Cash and cash equivalents at 31 December		287 976	344 610

Notes



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.

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 joint ventures, 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	2020	2019
Operating income and expenses		
Normal operatorship	7 255 450	8 170 220
Special operatorship	284 084	315 421
Other assignments	215 401	175 466
Total operating income	7 754 936	8 661 108
Payroll expenses	558 159	516 182
Depreciation of fixed assets, Gassco	47 937	43 928
Other expenses	7 148 839	8 100 998
Total operating expenses	7 754 936	8 661 108
Operating profit	0	0
Financial income	0	0
Financial expenses	0	0
Net financial items	0	0
Profit before tax	0	0
Tax on ordinary activities	0	0
Net profit/(loss)	0	0

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	2020	2019
Tariff revenues		
Total tariff revenues	33 767 259	34 879 064

Note 3.

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

Amounts in NOK 1 000

Payroll expenses	2020	2019
Pay	394 850	366 206
Payroll tax	67 286	63 073
Pension costs (see note 9)	78 784	73 217
Other benefits	17 238	13 685
Total payroll expenses	558 159	516 182
Work-years performed	343	341

Remuneration of senior executives in 2020

Amounts in NOK 1 000

Surname, forename		Pay/ remuneration¹	Bonus²	Other benefits³	Pension costs⁴	Total	Loans
Lever sund, Frode	President and CEO	3377	281	33	225	3916	-
Hansen, Alfred Skår	Executive vice president, system operation	1688	128	30	178	2024	190
Rossebø, Øystein Høyvik	Executive vice president, business development and projects	1858	117	32	177	2184	545
Kaste, Kristin Kinn	Executive vice president, asset management	1838	136	32	181	2187	475
Viksund, Randi	Executive vice president, staffs and support	1648	123	36	186	1993	371
Lund, Trine	Chief compliance officer	1573	118	16	291	1998	-
Aarhus, Britt	Chief innovation officer	1468	109	31	183	1791	475

¹ Pay/remuneration plus fixed overtime pay in 2020.

² Bonus paid in 2020 on the basis of results for 2019.

³ Telephone, broadband, insurance, etc.

⁴ Pension premium and provision for 2020.

Amounts in NOK 1 000

Remuneration of directors in 2020

Amount

Directors	1 715
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Amounts in NOK 1 000

Loans and security provided to:

Loans

Security

Employees	69 989	0
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Declaration on pay for Gassco's executive management for the 2020 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 1 562 639 was paid in 2020 as fees to PricewaterhouseCoopers AS for auditing the company and the licences operated by Gassco AS. Furthermore, PricewaterhouseCoopers AS was paid fees of NOK 541 777 for consultancy work. No fees were paid to Advokatfirmaet PricewaterhouseCoopers AS for legal assistance in 2020.

Note 4.

Tangible fixed assets

Amounts in NOK 1 000	Buildings and other real property	Operating equipment, fixtures, tools, etc	Total
2020			
Acquisition cost 1 Jan 2020	46 169	379 450	425 620
Additions	-	60 222	60 222
Disposals/scrapping	-	(20 943)	(20 943)
Conversion difference	-	332	332
Acquisition cost 31 Dec 2020	46 169	419 061	465 230
Accumulated depreciation 1 Jan 2020	16 613	255 438	272 050
Disposal accumulated depreciation	-	(20 933)	(20 933)
Depreciation for the year	10	47 927	47 937
Conversion difference	-	328	328
Accumulated depreciation 31 Dec 2020	16 623	282 761	299 383
Book value 31 Dec 2020	29 547	136 300	165 847
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

	2020	2019
Receivable from licences	678 427	558 673
Other current receivables	18 923	10 227
	697 350	568 900

Other long-term liabilities

Amounts in NOK 1 000

	2020	2019
Liabilities to shippers	73 250	78 009

Other current liabilities

Amounts in NOK 1 000

	2020	2019
Liabilities to shippers	29 435	3 781
Liabilities to credit institutions	71 300	74 556
Payroll-related liabilities	72 268	68 528
Other current liabilities	16 487	(1 723)
	189 491	145 141

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 4 681 million, including VAT, in 2020 (2019: NOK 5 174 million) related to various technical service provider (TSP) and third-party assignments. NOK 17 744 million (2019: NOK 18 550 million) was invoiced net as services sold (including tariffs) to Equinor ASA/ Equinor Energy AS. The net balance with Equinor was NOK 1 214 million at 31 December 2020 (2019: NOK 1 472 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 2020
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 2020	10 000	5 248	15 248

Year's change in equity:

Profit for the year		0	0
Equity at 31 December 2020	10 000	5 248	15 248

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 2020 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	2020	2019
Present value of pension earning for the year	13 185	16 054
Interest cost of the pension commitment	8 113	9 659
Curtailment/settlement	0	0
Administration costs	115	117
Recorded implementation effect/ curtailment/settlement	0	0
Recorded estimate loss/(gain)	32 499	(9 018)
Net pension expenses/(gain)	53 911	16 812
Defined contribution plans	17 849	16 850

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.

Beløp i 1000 NOK

2020	Funded (collective)	Unfunded (AFP)	Other unfunded	Total
Earned pension commitments	441 594		284 698	726 292
Pension funds (at fair value)	(346 413)			(346 413)
Unrecorded effect of estimate variations	0			
Net pension commitments	95 181		284 698	379 879

Amounts in NOK 1 000

2019	Funded (collective)	Unfunded (AFP)	Other unfunded	Total
Earned pension commitments	390 530		280 644	671 174
Pension funds (at fair value)	(313 463)			(313 436)
Unrecorded effect of estimate variations	0			
Net pension commitments	77 067		280 644	357 711

Amounts in NOK 1 000

Economic assumptions	2020	2019
Discount rate on corporate bonds	1.70%	2.30%
Expected return on pension funds	1.70%	2.30%
Expected pay growth	2.25%	2.25%
Expected adjustment to current pensions	1.5%/2.0%	1.5%/2.0%
Expected change to National Insurance base rate (G)	2.0%/2.25%	2.0%/2.25%

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 2020 satisfied local requirements.

Amounts in NOK 1 000, converted at an average exchange rate of 10,7207

For employees in Belgium	2020	2019
Present value of pension earning for the year	5 661	4 563
Interest cost of pension commitment	199	1 728
Return on pension funds	(148)	(1 261)
Effect of curtailment	(540)	0
Recorded past service cost	9 537	0
Net pension cost	14 708	5 030

Amounts in NOK 1 000, converted at the closing exchange rate of 10,4703

Funded	2020	2019
Earned pension commitments	142 446	130 322
Pension funds (at fair value)	(93 206)	(92 012)
Net pension commitment	49 240	38 310

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

Economic assumptions	2020	2019
Discount rate	0.1%/0.8%	0.1%/0.8%
Inflation	1.78%	1.78%
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 10,7207

For employees in Germany	2020	2019
Present value of pension earning for the year	20 512	14 632
Interest cost of pension commitment	5 346	6 923
Recorded estimate loss/(gain)	2 461	(78 594)
Net pension cost	28 320	(57 040)

Amounts in NOK 1 000 converted at the closing exchange rate 10,4703

Funded	2020	2019
Earned pension commitments	454 870	412 481
Pension funds (at fair value)	(256 549)	(223 790)
Unrecorded effect of estimate variations		
Net pension commitments	198 321	188 691

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

Economic assumptions	2020	2019
Discount rate	1.20%	1.20%
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

	2020	2019
Tax payable	0	0
Changes in deferred tax	0	0
Tax on ordinary profit	0	0

Tax payable

	2020	2019
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 2020 and concluded that the conditions for tax exemption were also fulfilled in that year. No tax payable has therefore been calculated for 2020 nor any temporary differences/deferred tax for either 2020 or 2019.

Note 11.

Tax deducted

Bank deposits and cash include NOK 13 021 190 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

Opinion

We have audited the financial statements of Gassco AS, which comprise the balance sheet as at 31 December 2020, 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 2020, 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.

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.

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.

*PricewaterhouseCoopers AS, Kanalsletta 8, Postboks 8017, NO-4068 Stavanger
T: 02316, org. no.: 987 009 713 VAT, www.pwc.no
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and
authorised accounting firm*

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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 a true and fair view 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.

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

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 and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

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.

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Stavanger, 22 March 2021
PricewaterhouseCoopers AS

Gunnar Slettebø
State Authorised Public Accountant

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

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