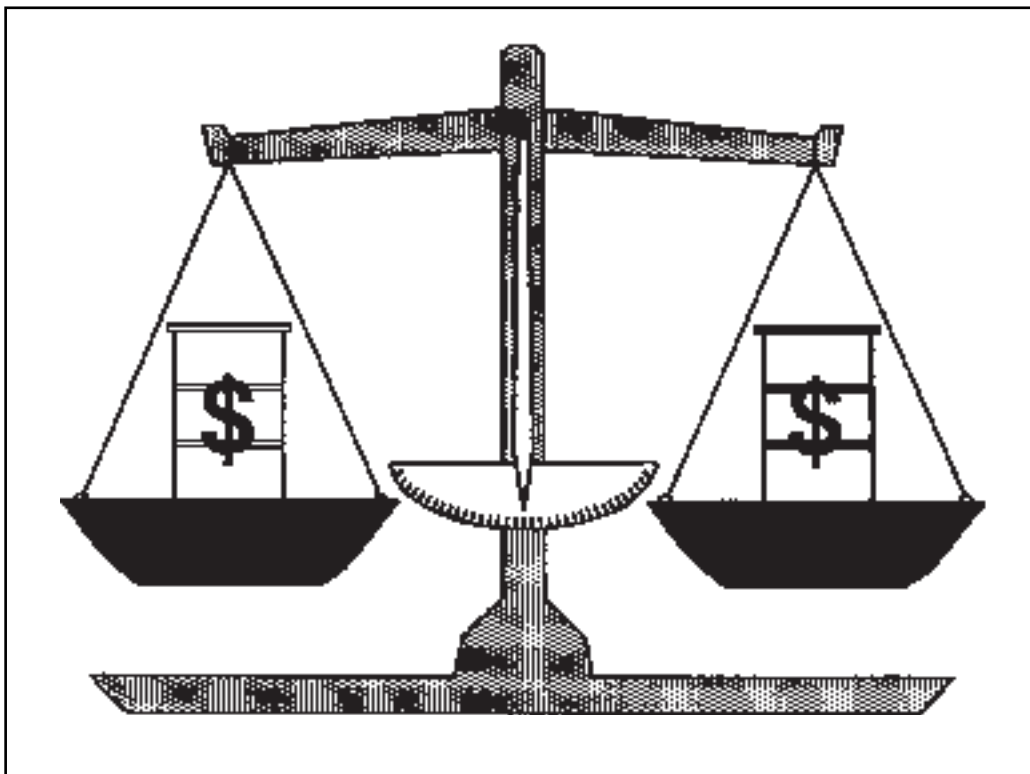


# General information on the Norwegian regulatory regime pertaining to fiscal measurement of oil and gas from the Norwegian continental shelf

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# **GENERAL INFORMATION ON THE NORWEGIAN REGULATORY REGIME PERTAINING TO FISCAL MEASUREMENT OF OIL AND GAS FROM THE NORWEGIAN CONTINENTAL SHELF**

## **The purpose and the objective of statutory supervision**

The purpose of the Norwegian statutory supervision carried out by the Norwegian Petroleum Directorate (NPD) is, as far as oil and gas measurement is concerned, to supervise the operator's adherence to Norwegian law relating to fiscal measurement activities.

The objective of the supervisory activity is to verify the accuracy of the measurement equipment and to verify the status of related procedures which are being used by the licensee's to quantity/ quality determination of fiscal hydrocarbon streams.

Oil and gas measurements serve as a basis for royalty tax stipulations and for determining the licensee's income.

## **Regulatory overview**

### a) Legal framework:

- Act relating to petroleum activities (29 November 1996, last amended 24.6.2011)
- Act 21 December 1990 no 72 relating to tax on discharge of CO<sub>2</sub> in the petroleum activities on the continental shelf (Last amended 27.6.2008)
- Regulations to Act relating to petroleum activities (Royal Decree 27 June 1997, last amended 2.7.2012)
- Regulations relating to measurement of petroleum for fiscal purposes and for calculation of CO<sub>2</sub> tax ( NPD 1 November 2001) (Last amended 8.3.2012)

### b) Major regulatory issues:

- Management system requirements
- Requirements concerning the organisation, planning and implementation of the activities
- Technical requirements for the design and operation of the metering equipment
- Metering equipment and measurement methods required to provide adequate accuracy and reliability at all times

## **Basic features of the Norwegian regulatory system**

The Norwegian regulatory system is based on the principle that anyone who conducts or participates in petroleum activities, shall comply with legal provisions, including regulatory decisions which are made pursuant to the Petroleum Act. More specifically, this duty requires such parties to actively seek to bring identified discrepancies into compliance.

### **Areas of responsibility**

Statutory responsibility for the fiscal measurement issues rests with the Ministry of Industry and Energy.

The Norwegian Petroleum Directorate (NPD) is delegated supervisory authority. This includes the responsibility of issuing relevant measurement regulations.

In accordance with established Memorandums of Understanding, the NPD shall co-ordinate supervisory activities which involve the Norwegian agency Justervesenet (Norwegian Metrology Service) or similar agencies in foreign countries as Germany, UK, Belgium, France and Denmark. This work is important to ensure that no governmental agency enforces legal provisions in a manner that has adverse effects on other agencies' area of responsibility.

### **Supervisory activities**

The NPD does not issue certificates or similar documents, since such documents tend to effectively shift the responsibility for the quality of the operations from the licensee to the statutory authorities, and thus deprive the licensee of a stimulus to seek and ensure compliance. Petroleum activities may not, however, enter the operations phase, unless the NPD explicitly has granted the licence to do so. When such licence is granted, it is based on, among other things, that the operating companies confirm and demonstrate compliance with the regulations.

The Licensee and others participating in the petroleum activities shall establish, follow up and assure the development of a management control system which shall include organisation, processes, procedures and resources necessary to ensure compliance with the requirements of the valid regulations.

## **Supervision of measurement systems**

The following licences apply to the planning/design/fabrication/operation of a fiscal measurement system:

- Licence to PDO (Plan for development and operation)
- Licence to start operation

Various supervisory activities are employed to assess proper operation of measurement systems, such as:

- Technical Audits/Verifications
- Auditing the Quality Management Systems
- Verification of adherence to rules and regulations
- Technical meetings, such as annual meetings and ad hoc meetings on technical matters
- Review of the operator's programme for preventive maintenance

## **Planning of supervisory activities**

A plan describing the various supervisory activities relating to fiscal measurement of oil and gas is developed annually by the NPD.

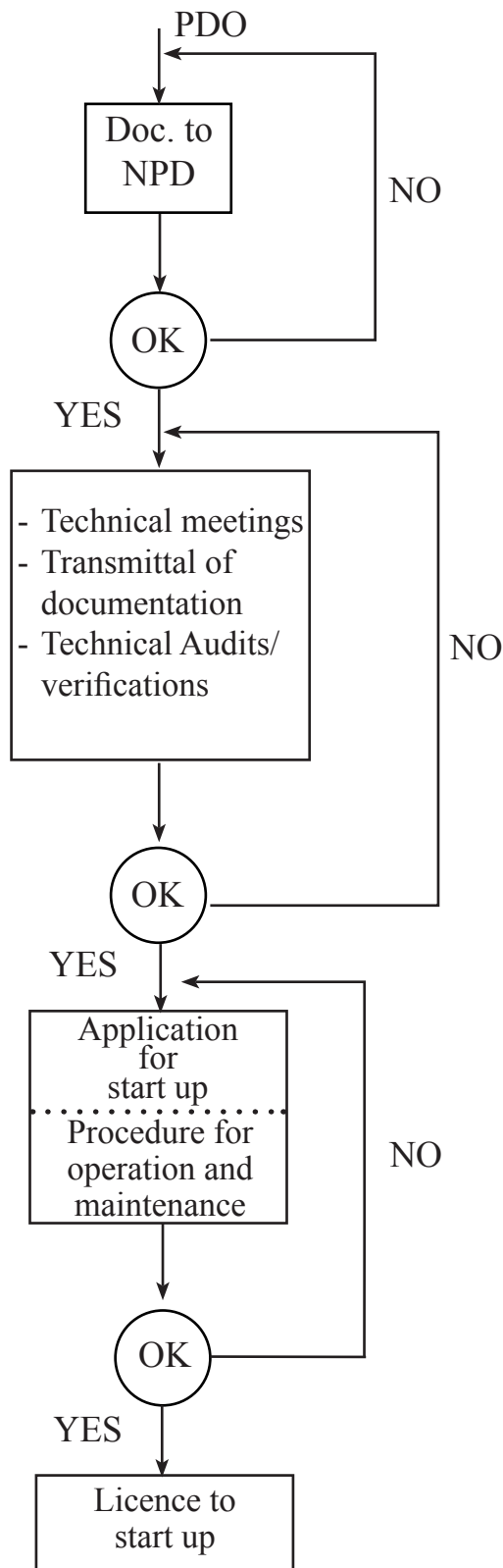
The supervisory activities plan is developed with due regard to: experience from earlier supervisory activities, the economic impact of the measurements concerned, anticipated critical activities of the measurement activity etc.

# Flow sheet indicating project progress for a fiscal measurement station from PDO until licence to start up is given

Guidelines to plan for development and operation of Petroleum deposits § 3.4.4

Regulations relating to measurement of petroleum for fiscal purposes and for calculation of CO<sub>2</sub> tax §§ 8,13,14,15,16,17

Chapter V § 18,19,20,21,22  
Chapter II § 5





Existing and projected pipelines  
 (Source: Norwegian Petroleum Directorate)