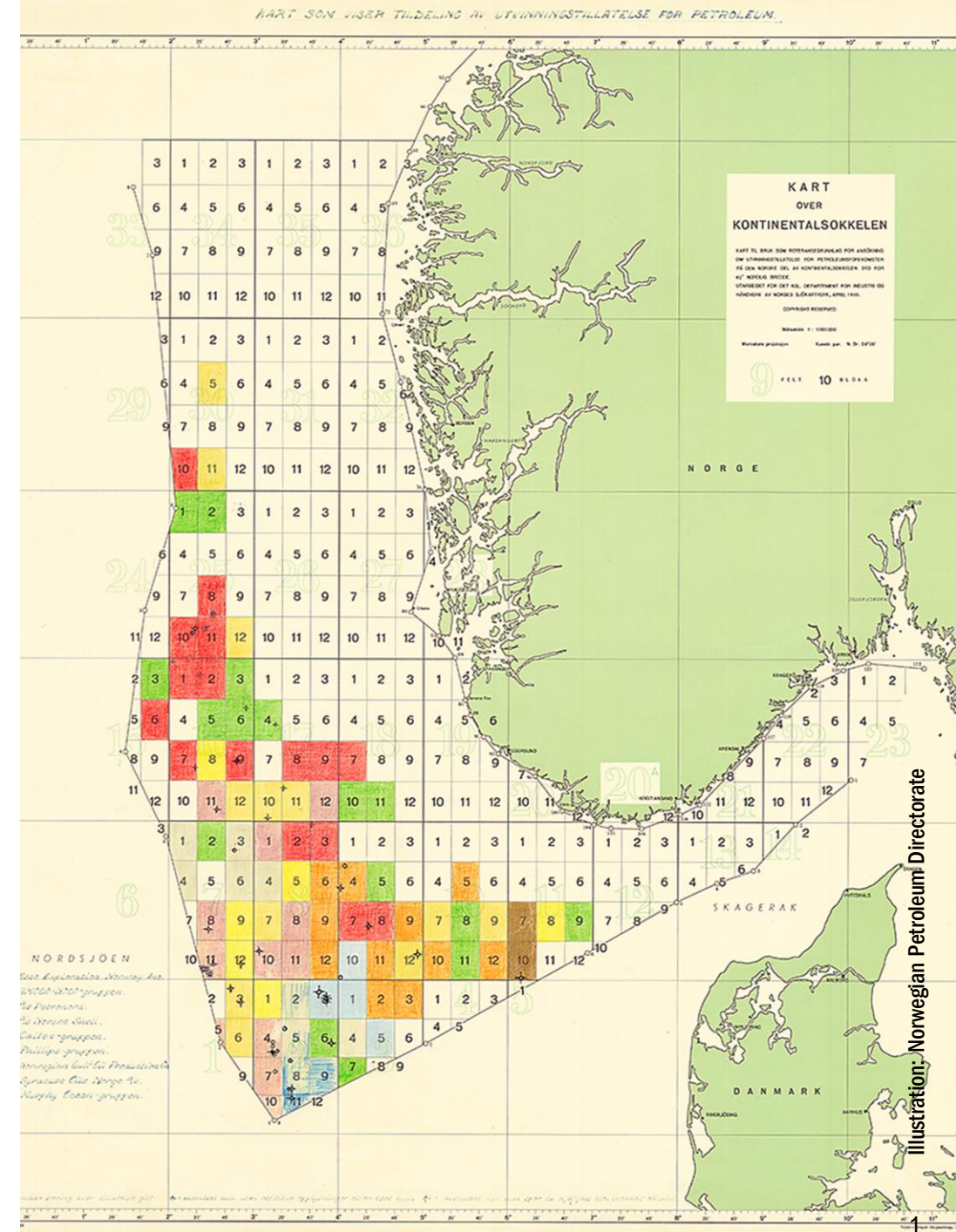


Historical backdrop

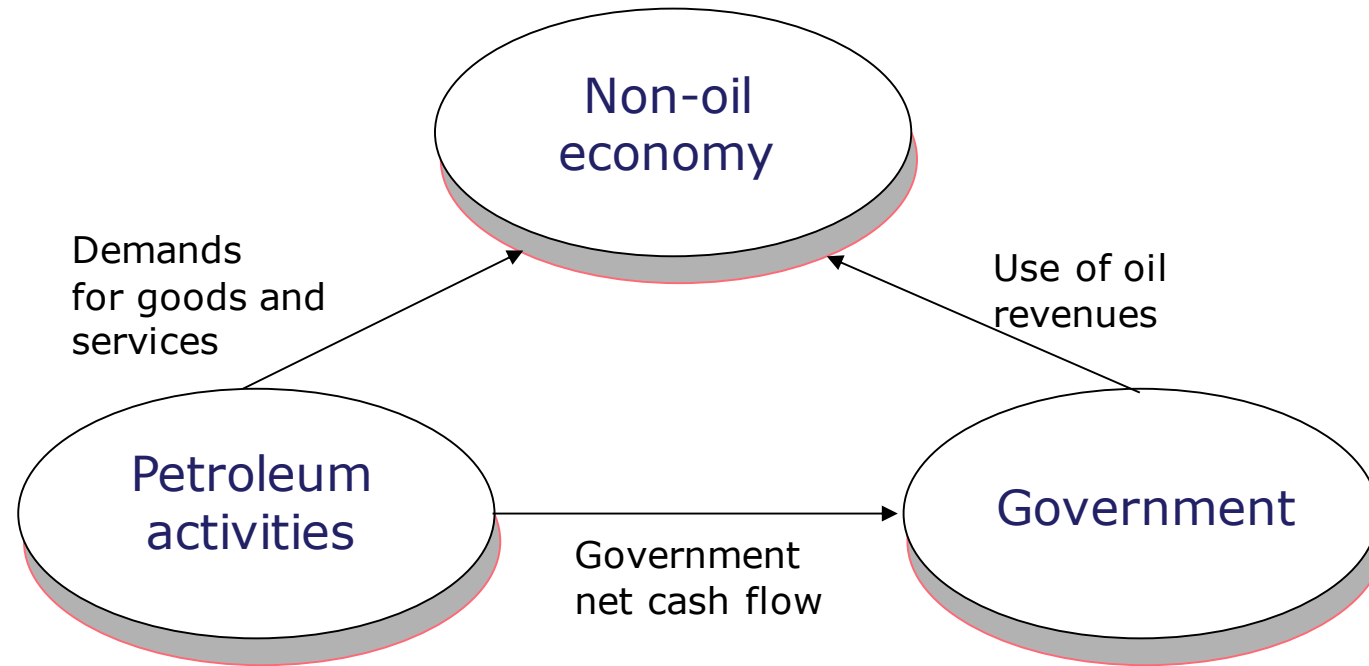
- 1963: Sovereignty over the Norwegian continental shelf proclaimed
- 1966: The search for oil begins
- 1969: Discovery of Ekofisk, one of the largest offshore oil fields ever discovered
- 1971: Production starts
- 1974: White paper on how the petroleum sector would affect the Norwegian economy
- 1975: The Petroleum Taxation Act
- 1983: First proposal of creating a fund (The Tempo Committee)
- 1990: The Petroleum Fund Act
- 1996: First deposit into the Fund



Objectives and pitfalls

- Short and medium term; Improve welfare but avoid Dutch disease
- Long term: Generational balance
- Pitfalls : Budget No. 2 (for purposes not prioritized over the fiscal budget)
 - Special interest groups
 - More lenient fiscal policy and budget

The impacts of petroleum activities on the non-oil economy



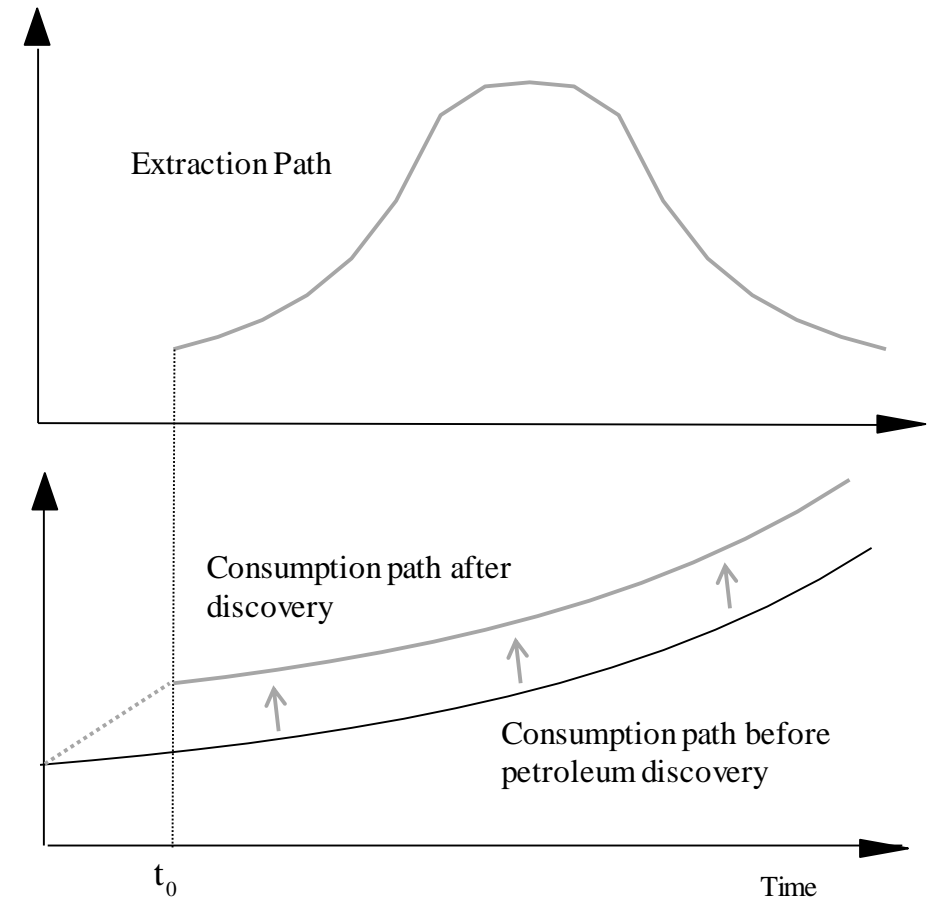
Petroleum revenues are temporary and volatile

Petroleum revenues not income in traditional sense

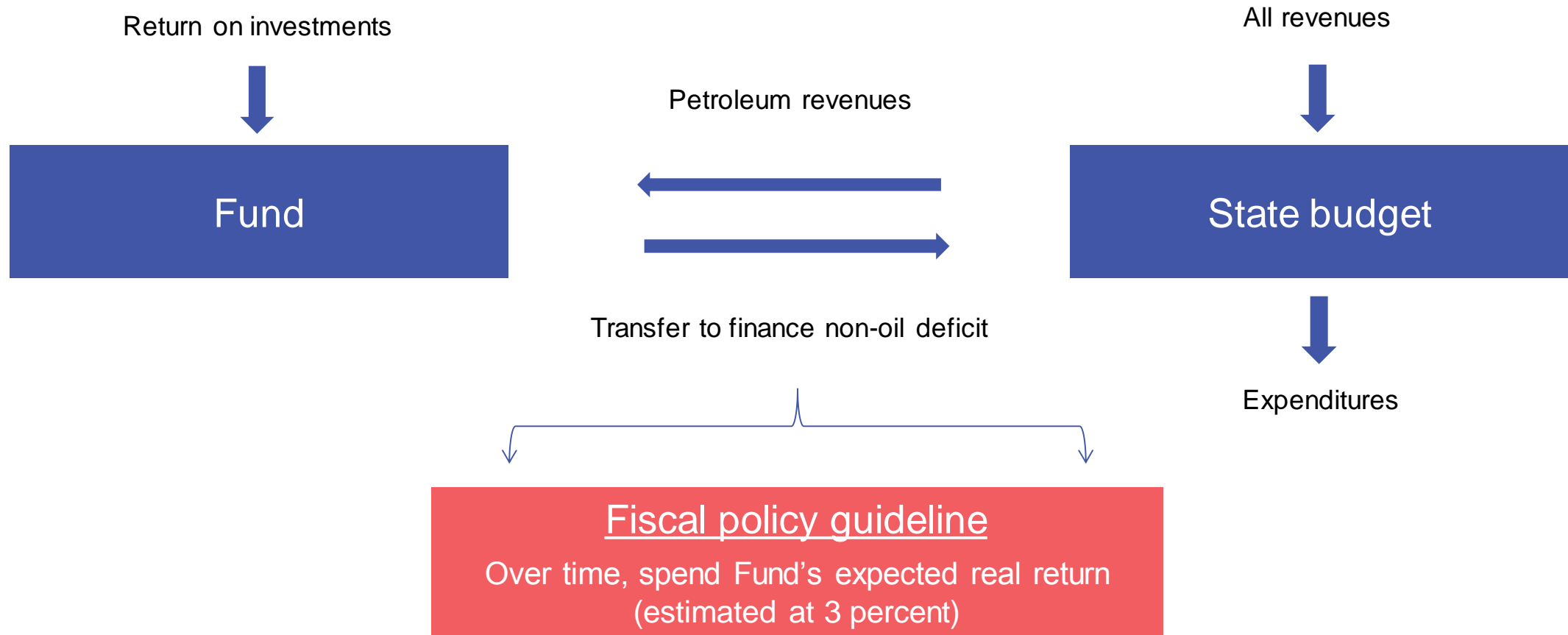
- Income stemming from depletion of non-renewable natural resources
- Transform windfall gain to permanent increase in consumption
- Need for separating current accrual from spending



Necessitates saving a large part of petroleum revenues



The Fund and the fiscal policy framework



Core principles

1. All government petroleum revenues are transferred to the Fund, including the return on the Fund.
2. Transfers from the Fund may only be made to the fiscal budget. Transfers are not earmarked for any specific purpose.
3. The annual transfer is equal to the non-oil deficit in the fiscal budget
4. The Fund is invested abroad only

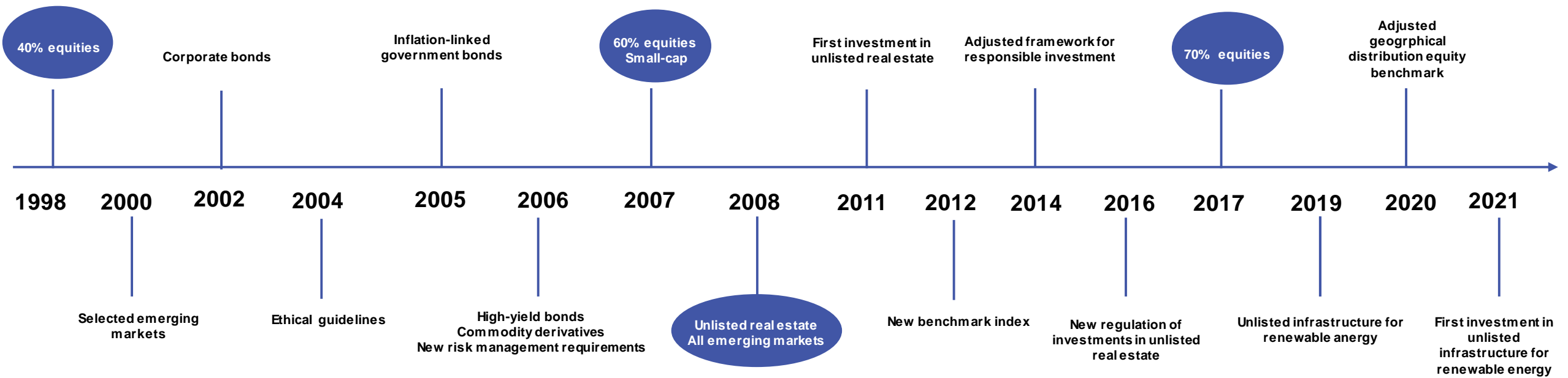
Fiscal rule (introduced in 2001)

- Petroleum revenues should be phased into the economy in line with the development in expected real return of the Fund
- Real return estimated at 4 per cent from the start, but adjusted down to 3 per cent in 2018
- Emphasis also on stabilizing the economy
 - Emphasis on a smooth and sustainable phasing in of petroleum revenues
 - Automatic stabilizers are allowed to operate, focus on non-oil structural deficit
 - Discretionary fiscal policy is not ruled out...
- ...but fiscal policy should have a medium-term orientation

Investment strategy

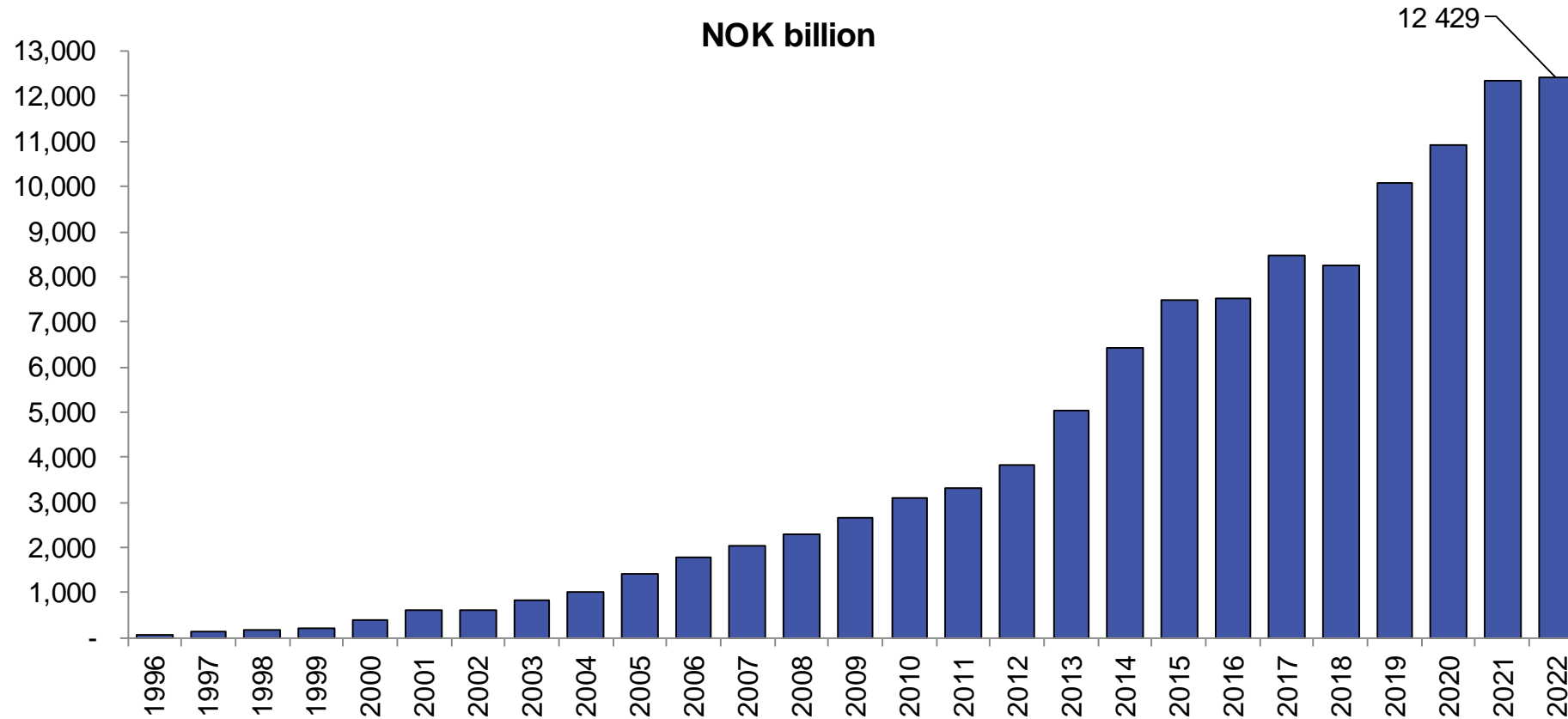
- Premised on Fund objective, investment beliefs and Fund characteristics
- Highest possible long-term financial return within an acceptable level of risk
- The investment strategy is characterised by:
 - Broad diversification
 - Harvesting of risk premia
 - A moderate degree of active management
 - Responsible management
 - Cost efficiency
 - Transparency

Investment strategy



Market value development 1996 – 2022

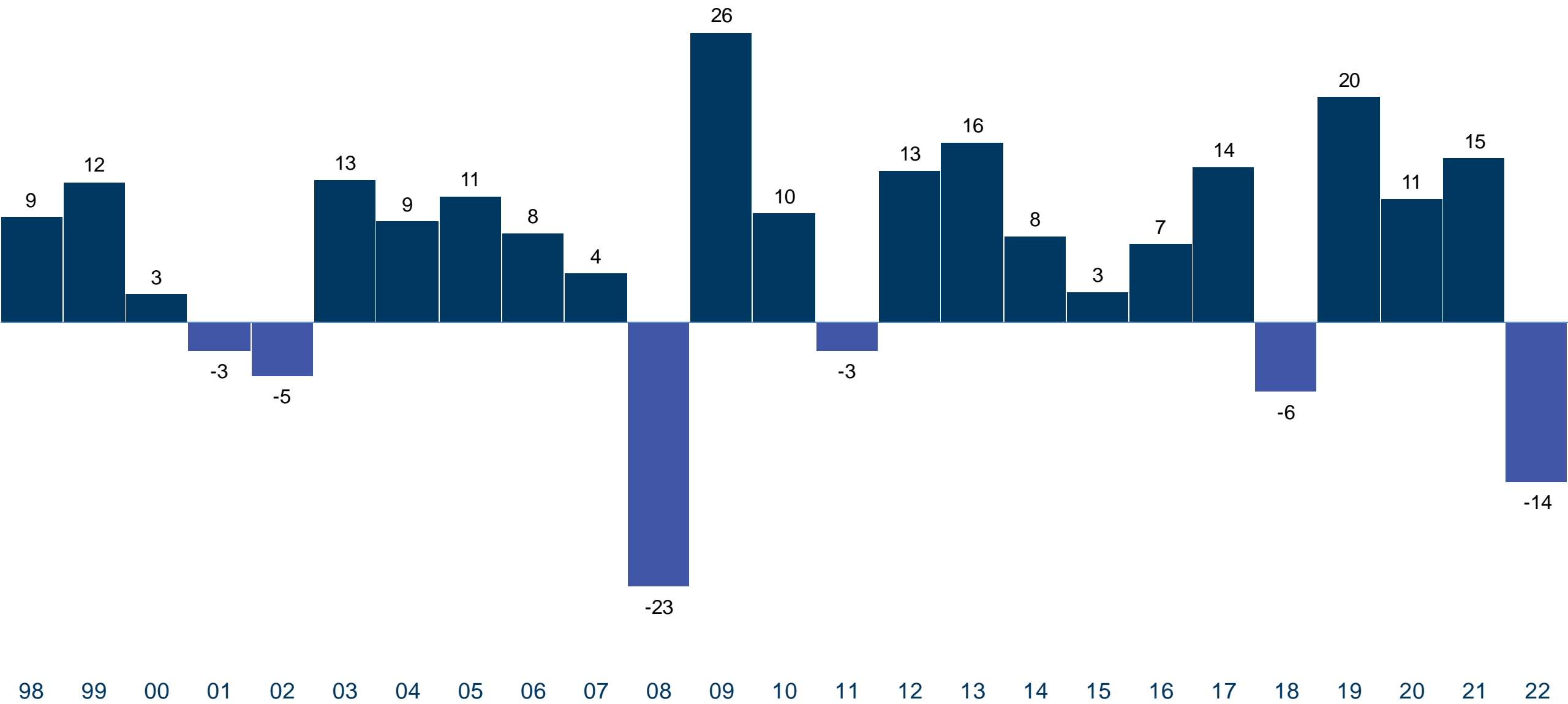
NOK billion



The rate of return fluctuates a lot

Measured in percent.

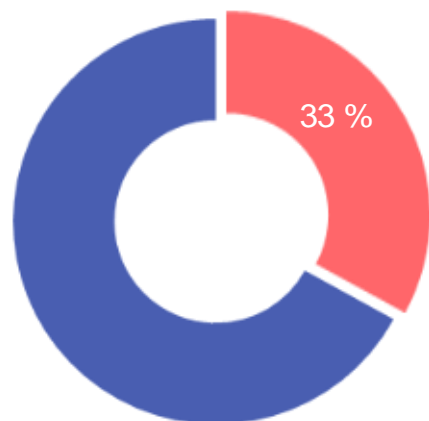
Measured in the fund's
currency basket



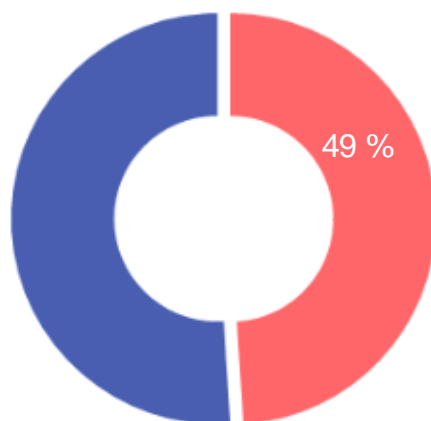
Additional slides

Petroleum sector accounts for a substantial part of the Norwegian economy

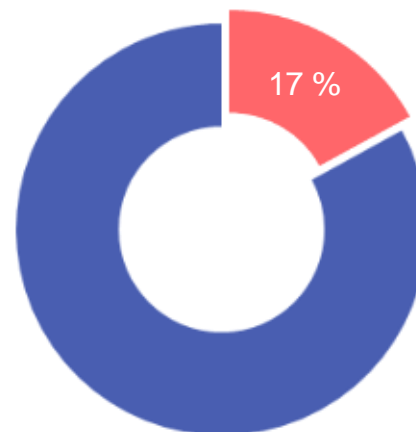
estimated figures 2023



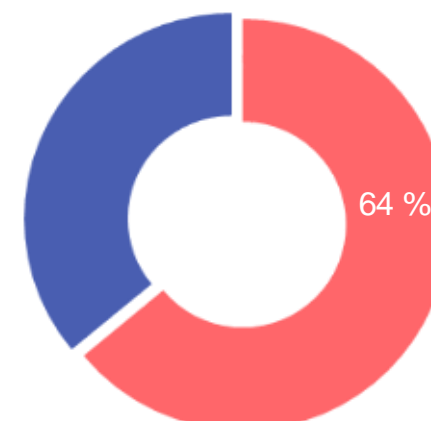
Share of GDP



Share of state revenues

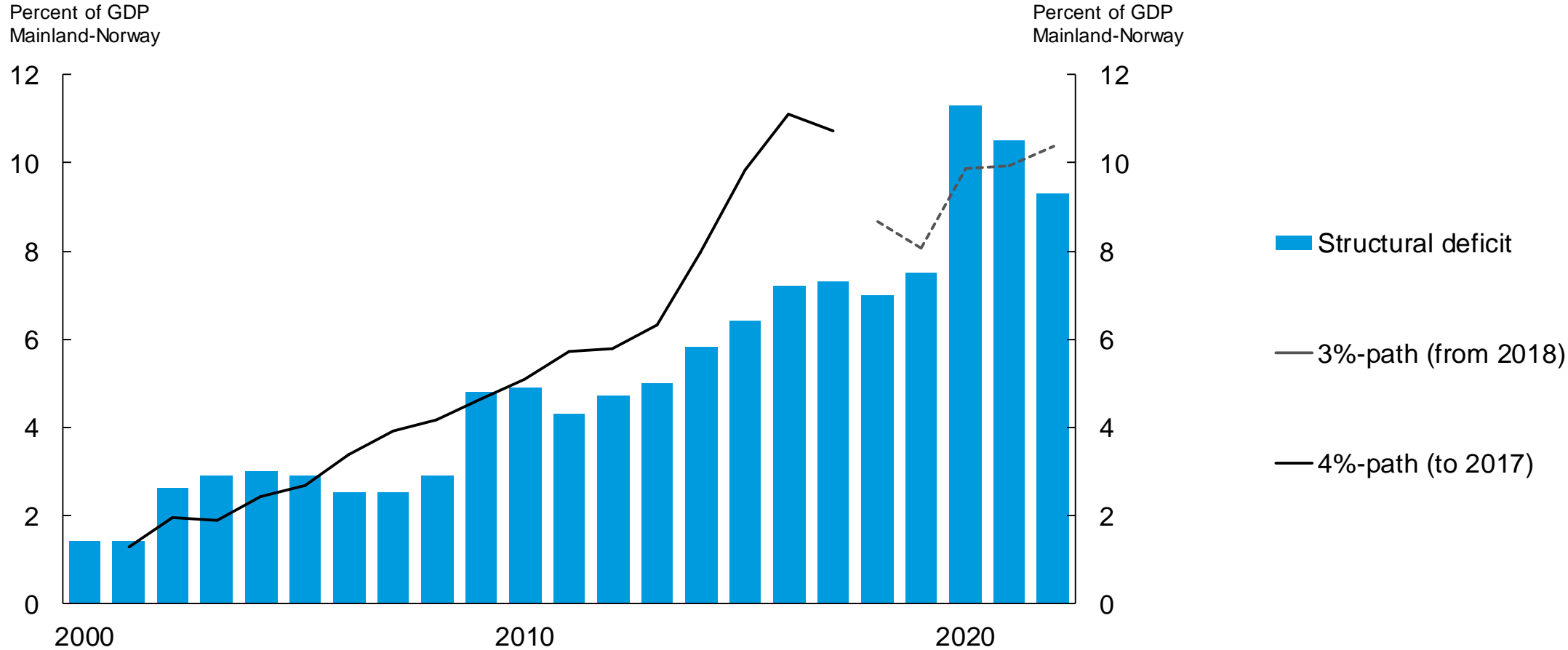


Share of total investments



Share of total exports

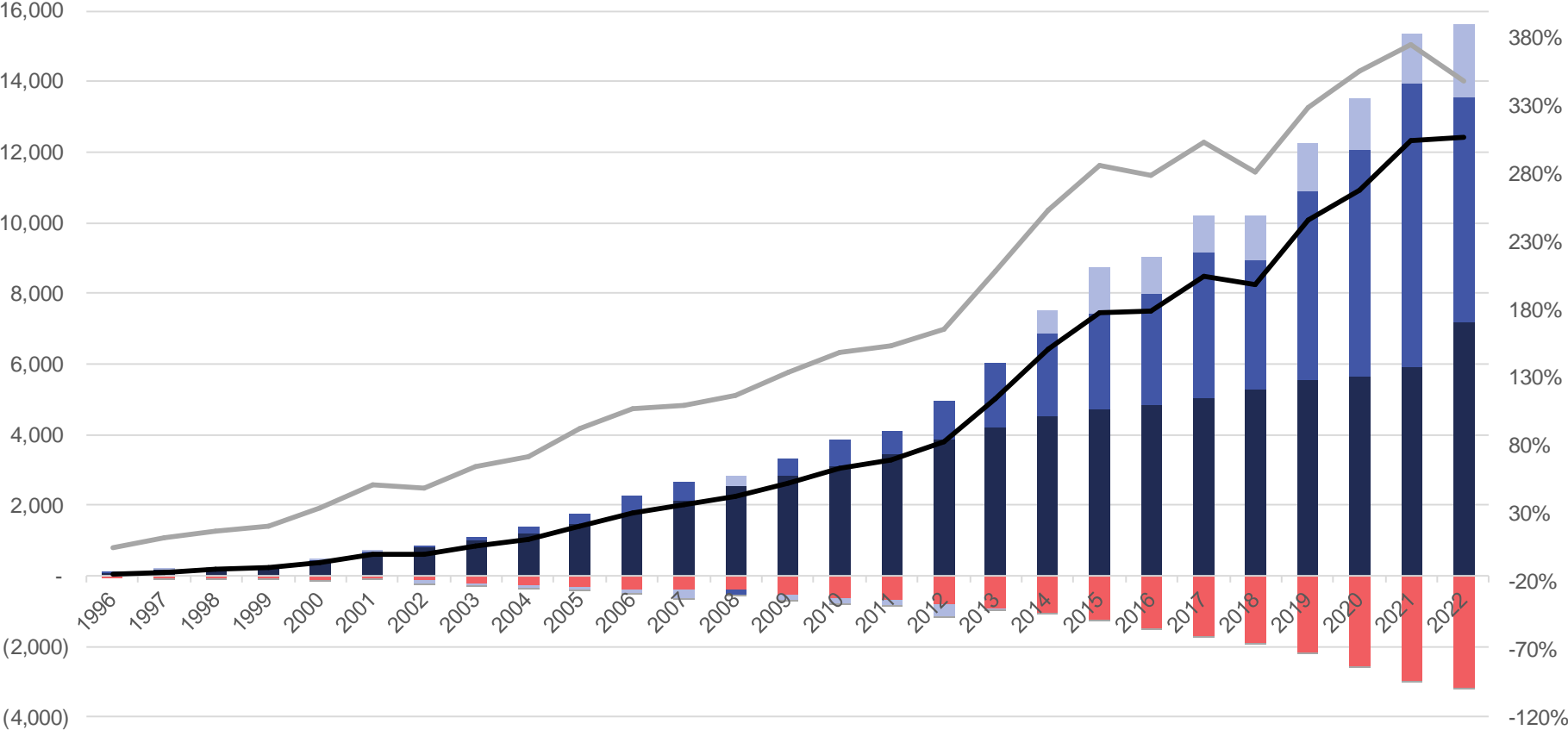
Structural deficit ex petroleum and the fiscal rule



Source: Ministry of Finance, National Budget 2023; Statistics Norway

Contributions to the growth of the Fund

Percent of GDP
Mainland-Norway



- Net cash flow petroleum
- Nominal return from investments
- Management costs
- Fund as a share of GDP Mainland-Norway (left)
- Oil-adjusted deficit
- Exchange rate (NOK)
- Fund value NOK (right)

Bill. NOK

The Ministry of Finance and Norges Bank

The Ministry of Finance – “owner”

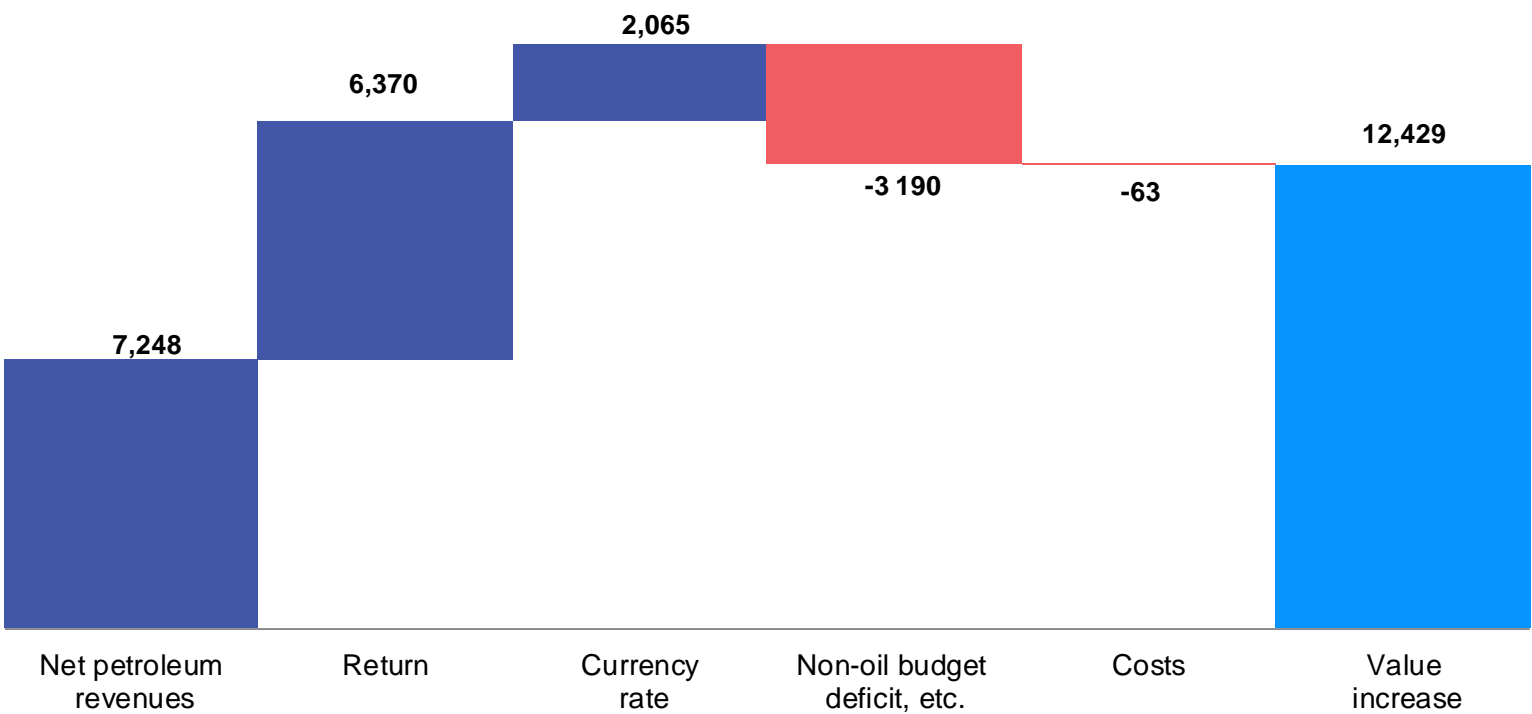
- Sets benchmark, risk limits, requirements for reporting and responsible management etc.
- Sets the Ethical Guidelines for the GPFG
- Follow up on the management and report to Parliament

Norges Bank – “manager”

- Implement the mandate given by the owner
- Independently make actual investments decisions and exercise ownership rights
- Measure, manage and control risk, and report
- Decide on observation and exclusion of companies based on assessments by the Counsel on Ethics

Market value development 1996 - 2022

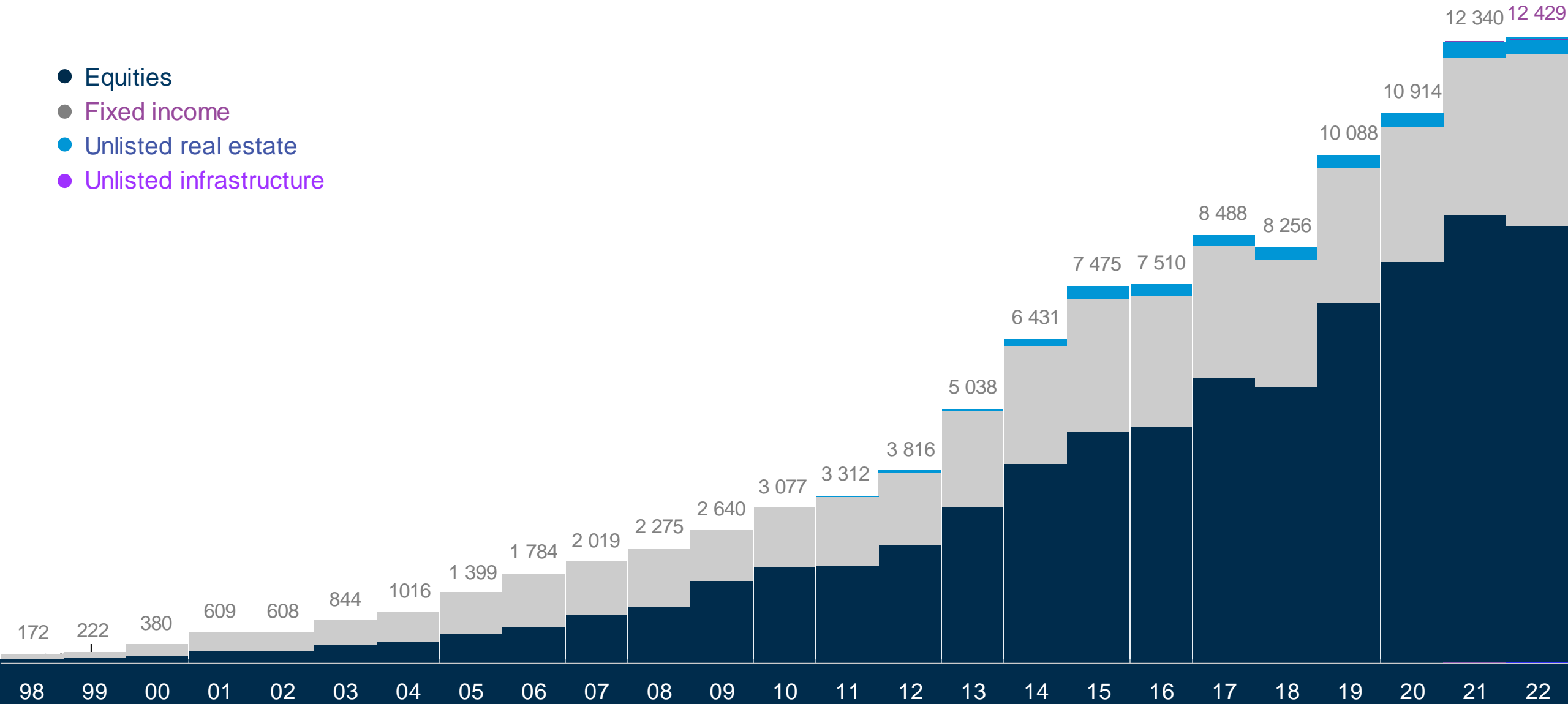
NOK billion



Market value and asset classes

Billion kroner

- Equities
- Fixed income
- Unlisted real estate
- Unlisted infrastructure



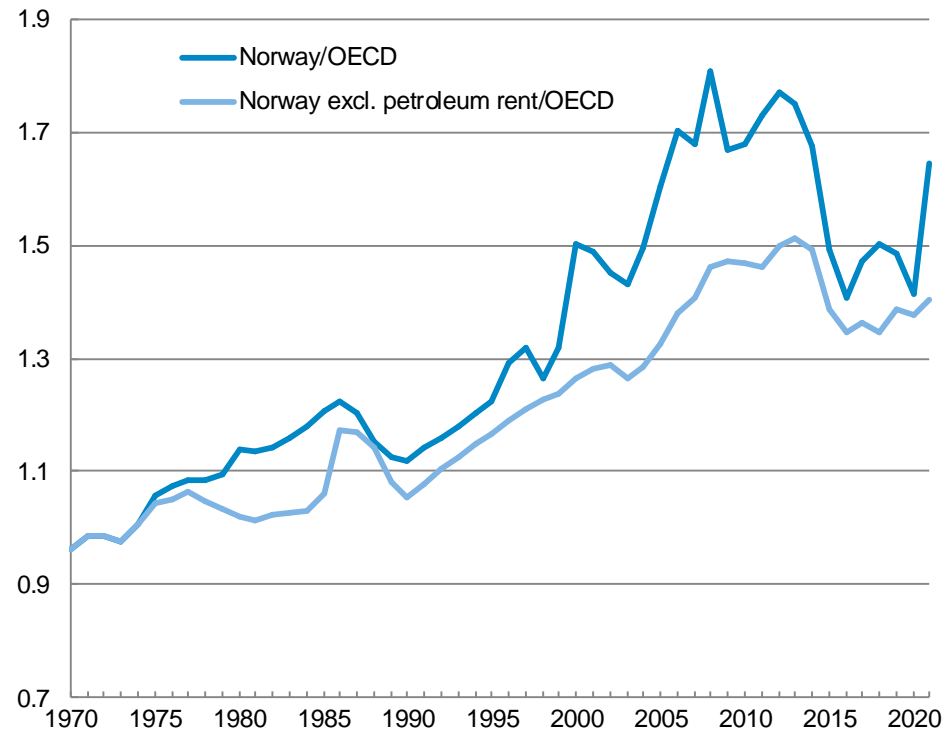
Returns – historical periods

in currency basket, percent

	Fund	Annual Price Inflation	Annual management Costs	Net real return on fund
Since inception*	5.71	2.05	0.08	3.50
Last 15 years	5.50	2.17	0.07	3.19
Last 10 years	6.70	2.25	0.05	4.30
Last 5 years	4.19	3.21	0.05	0.91
2022	-14.10	6.75	0.04	-19.58

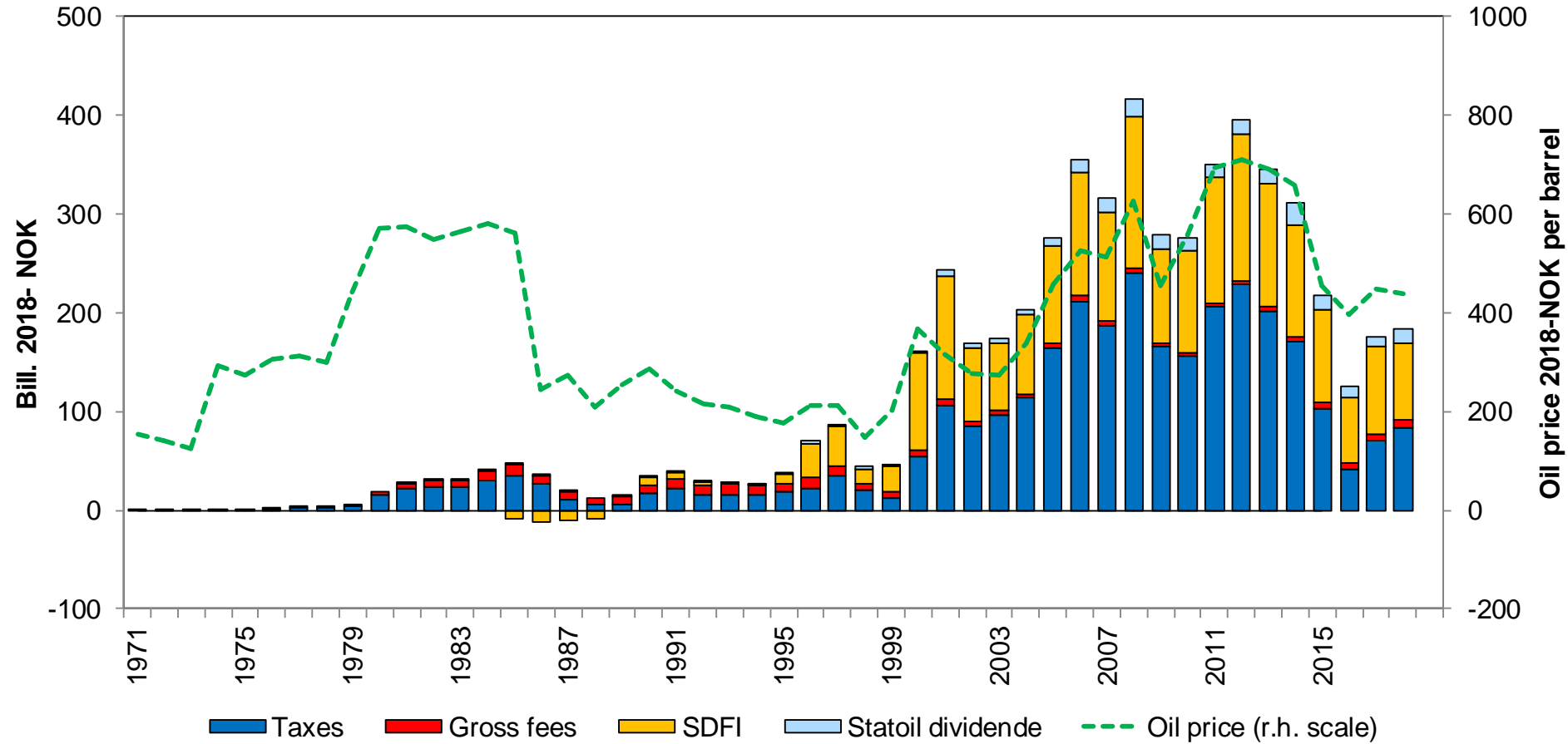
*Fund and Fixed Income inception was in 1998. Equity in 1999, Real Estate in april 2011, and Renewable infrastructure was in june 2020

GDP per capita in Norway compared to the OECD-average 1970-2021 (PPP) (GDP Norway and GDP Norway excl. the petroleum rent)



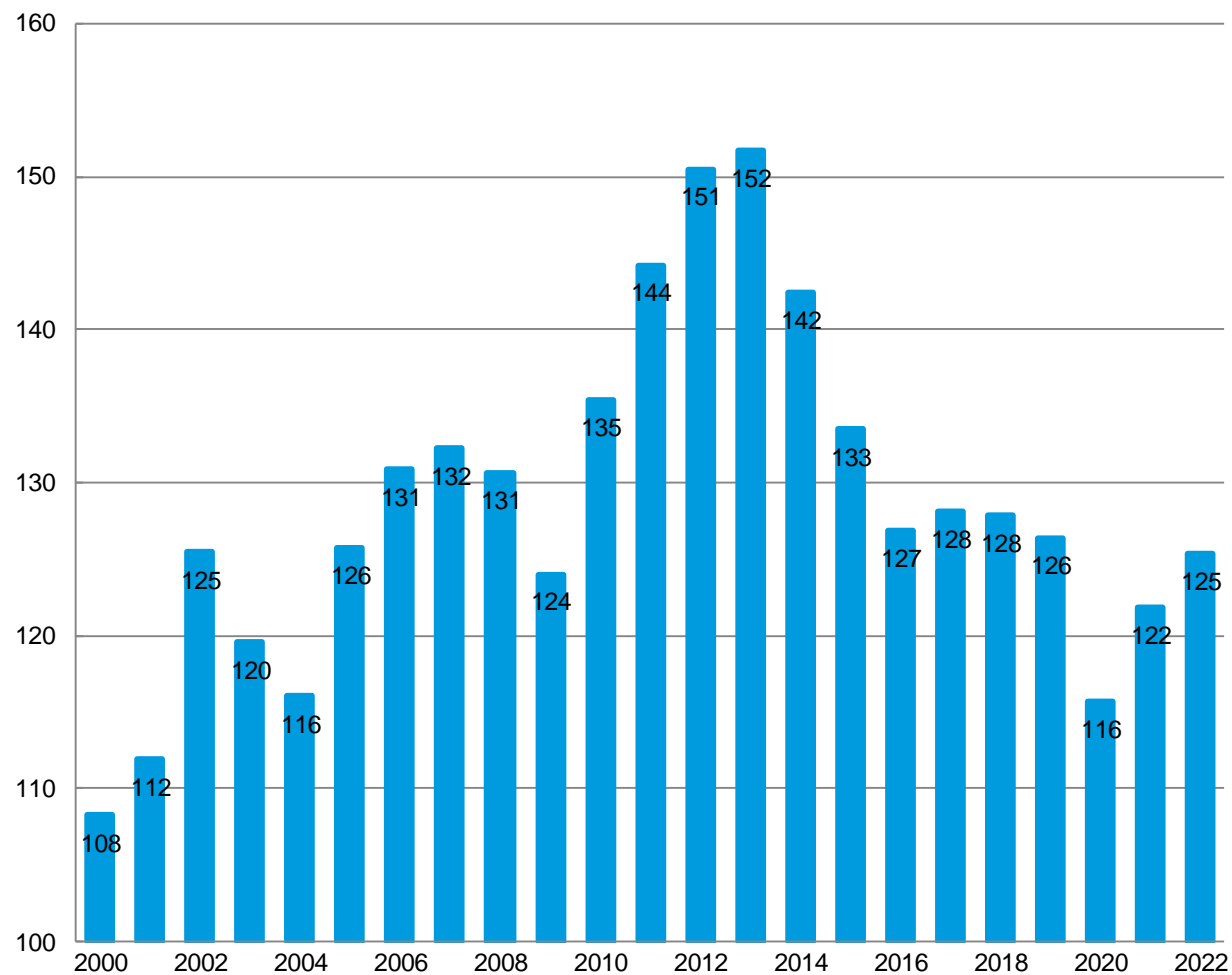
Source: Norwegian Technical Calculation Committee for Wage Settlements

Government take from petroleum



Wages per hour in manufacturing compared to trading partners in EU. Common currency.

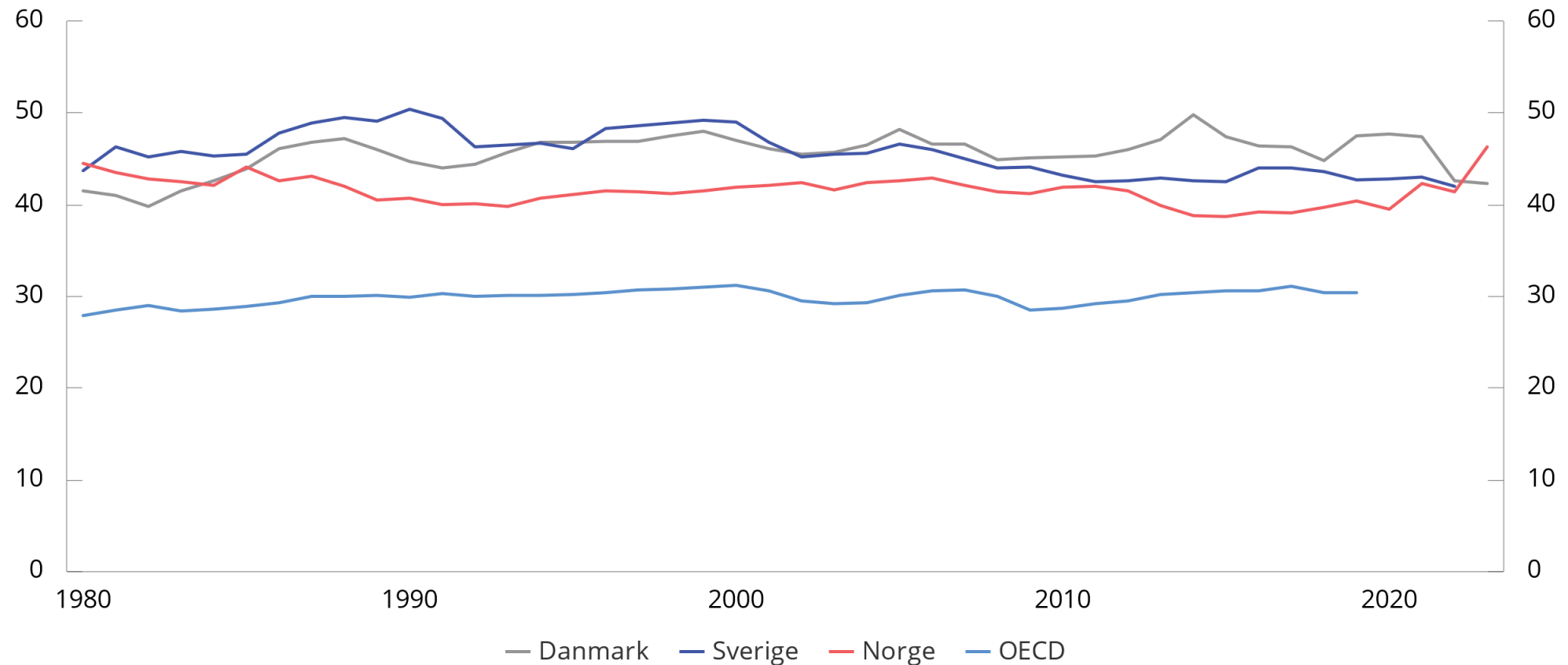
Trading partner countries = 100



Source: Norwegian Technical Calculation Committee for Wage Settlements

Direct and indirect taxes 1980-2023. Per cent of GDP

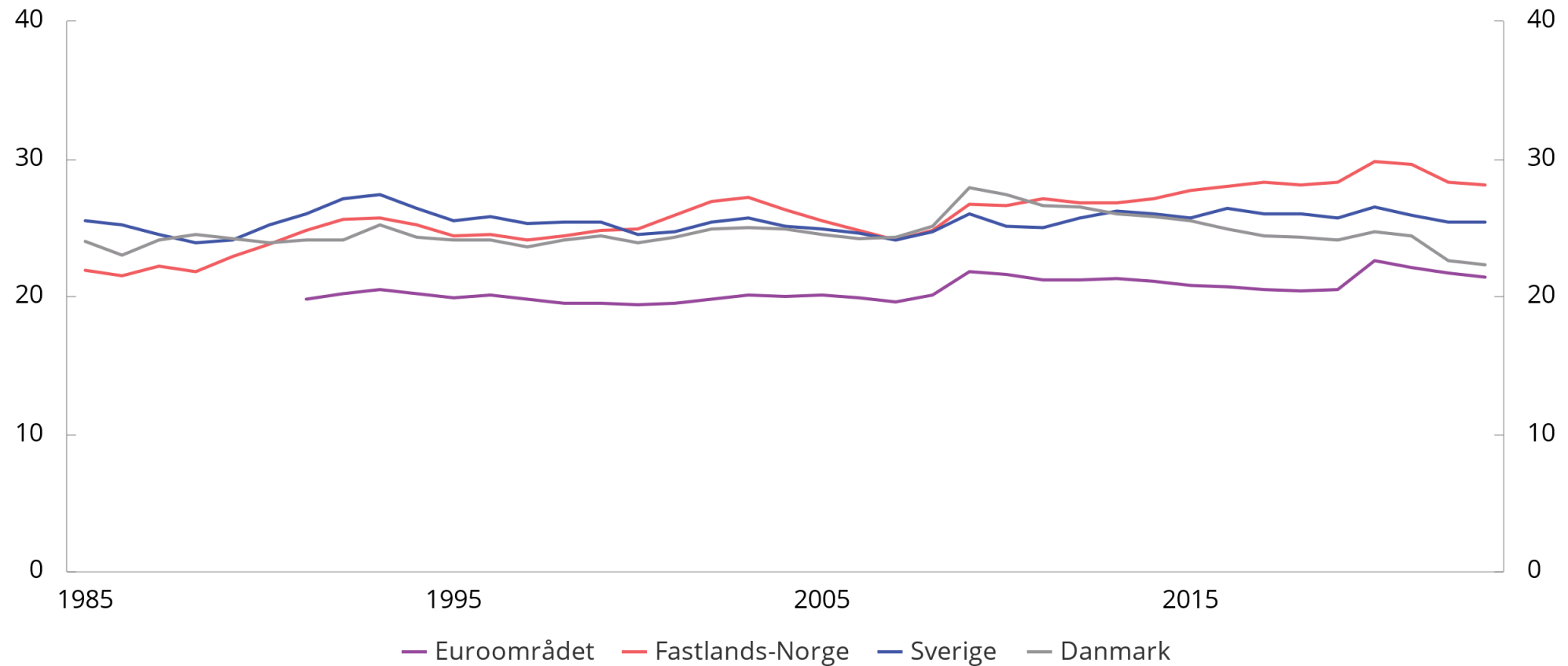
Offentlige skatte- og avgiftsinntekter



Source: Ministry of Finance, National Budget 2023, Fig. 3.14

Public expenditures 1985 – 2023. Per cent of GDP

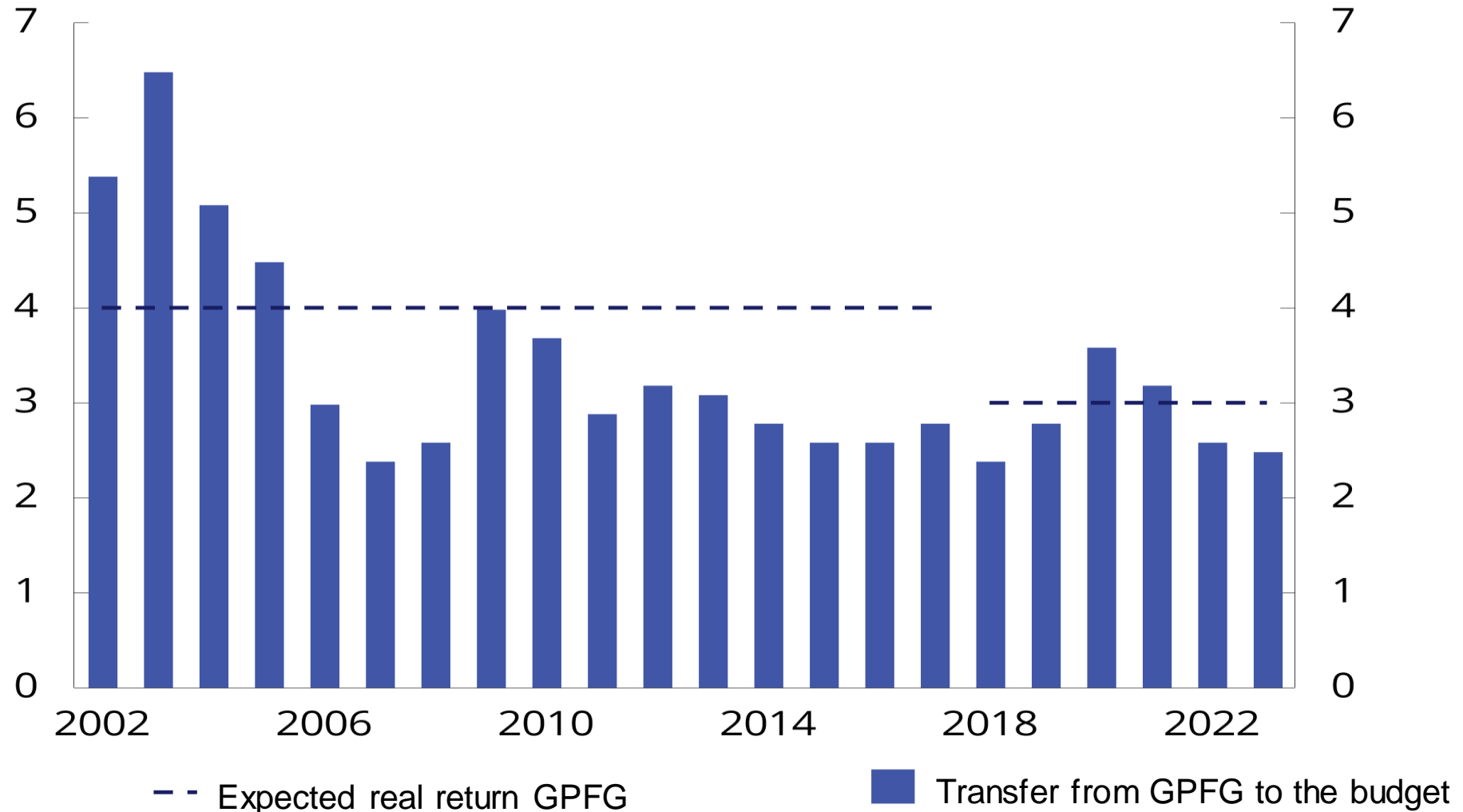
Offentlig konsum



Source: Ministry of Finance, National Budget 2023, Fig. 3.16

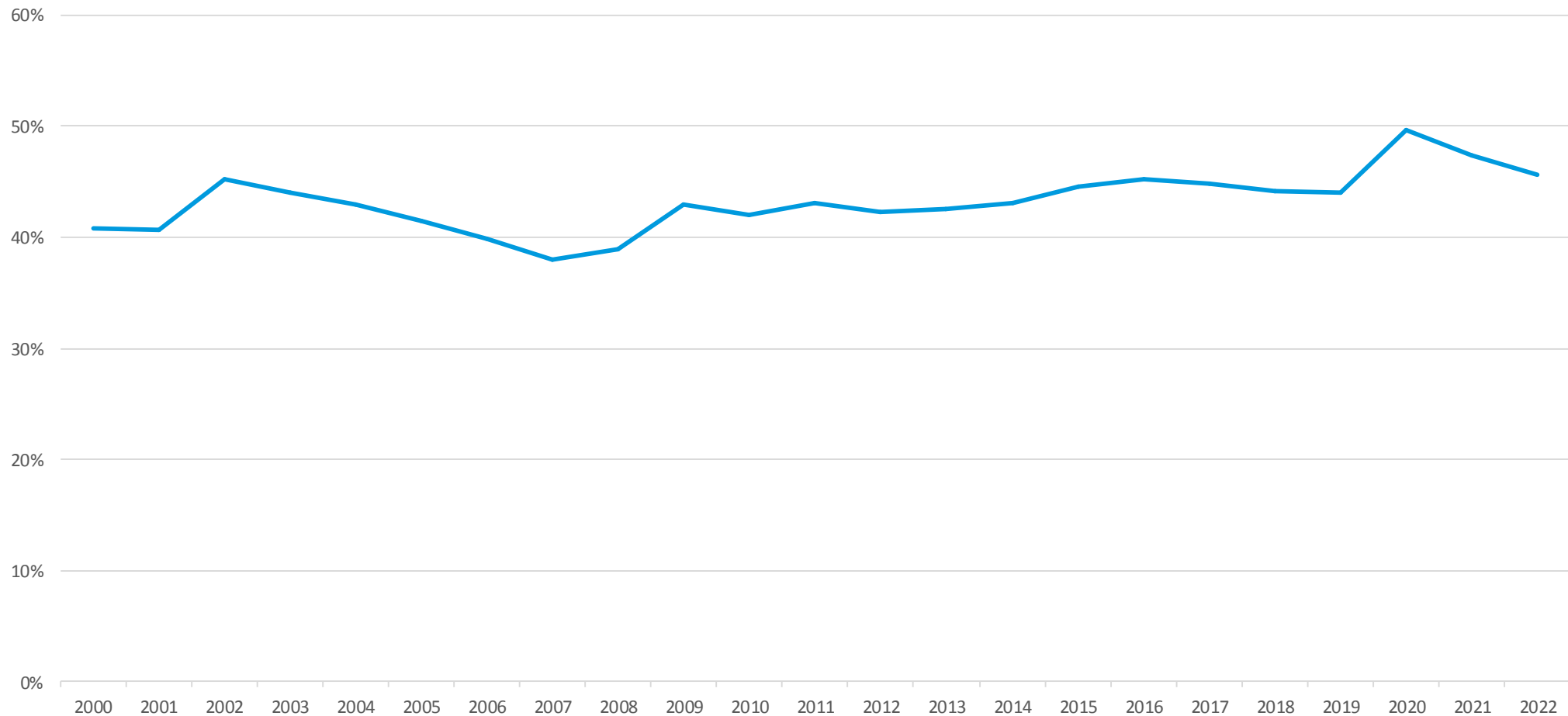
Structural budget deficit ex petroleum

Per cent of the GPFG



Government expenditures ex petroleum

Per cent OF GDP Mainland



Source: Ministry of Finance, National Budget 2023; Statistics Norway