

Centrica establishes strategic partnership with Statoil and announces £1bn Norwegian asset acquisition

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- £13 billion 10 year gas supply deal for the UK from 2015 boosting energy security
- £1 billion acquisition of producing and development assets in the Norwegian North Sea
- Strategic agreement for partnership on gas exploration opportunities in Norway and the UK

Centrica plc, the parent company of British Gas, today signed a strategic agreement with Statoil ASA for the supply of 50 billion cubic metres (bcm) of gas to the UK. The 10 year, NBP-linked gas supply contract begins in 2015 and secures sufficient gas to meet around five per cent of total UK annual demand, enough for 3.5 million homes. With Britain currently importing around 50 per cent of its gas requirements, the announcement underlines the strategic importance of the Norwegian relationship to UK energy security.

In a separate transaction, Centrica also announced it has reached agreement with Statoil Petroleum AS to acquire a focused package of producing and development oil and gas assets in the Norwegian sector of the North Sea, for a cash consideration of US\$1,525 million (£965 million). An additional payment of up to US\$100 million (£63 million) is contingent on future production performance of the Kvitebjørn asset. The value of the gross assets will be determined by the final value of the consideration including the closing adjustment. The deal will add 117 million barrels of oil equivalent (mmboe) of 2P reserves, an increase of 29 per cent¹, as well as attractive development potential. It is subject to customary closing conditions.

The transaction increases Centrica's production by 34,000 boe per day (12 mmboe per annum), an increase of around 25 per cent, strengthening the Company's energy hedge and extending its production profile. It will build on Centrica's growing position in Norway, delivering value, substantially increasing scale and improving the sustainability of its upstream business. Centrica also becomes an operator of producing assets in Norway for the first time.

In addition, Centrica and Statoil ASA signed a Memorandum of Understanding (MOU) to consider partnering on gas-focused exploration opportunities in Norway and the UK.

Commenting on the deal, Sam Laidlaw, CEO Centrica, said "Centrica is at the forefront of helping to deliver UK energy security and our strategic relationship with Statoil links us to one of the world's largest gas exporters and a natural partner to the UK. Following the signing of this 10 year deal, the total value of future gas supplies secured by Centrica for the UK now stands at more than £50 billion."

He continued: "As well as being the second largest gas producer in the UK, we also have one of the fastest growing exploration and production businesses on the Norwegian continental shelf. This transaction is an important further step in building the business and deploys capital to deliver value. Much of the gas acquired through this transaction will also come to the UK market, providing further energy security for British Gas customers long into the future."

Prime Minister David Cameron said:

"I warmly welcome this announcement, which underlines the strength and depth of the partnership that the UK & Norway enjoy. Gas plays a central role in powering our economy, and will continue to do so for decades to come. Today's agreement will help to ensure the continued security and competitiveness of gas supplies to Britain, from a trusted and reliable neighbour".

Helge Lund, President and CEO, Statoil said: "Today's announcement is of high strategic importance. Statoil and Centrica, two of the UK's key energy players, are taking on long-term commitments in order to contribute to UK's energy security. The agreement demonstrates that natural gas is set to play an important role in the UK's long term energy mix. Natural gas has all the features needed for the UK to reach its long term energy policy goals of affordability, security of supply and CO2 emissions reduction."

10 year gas supply details:

The gas supply contract is for 50 bcm (19 billion therms) delivered over a 10 year period commencing in October 2015. The price is based on established market indices for gas, linked to the NBP (National Balancing Point) and

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valued at around £13 billion at today's prices. The contract significantly strengthens UK energy security as it is sufficient to meet around five per cent of total annual UK gas demand, enough for 3.5 million UK households. The delivery volumes will be seasonally shaped to help meet higher winter demand.

A previous 10 year contract between Centrica and Statoil was signed in June 2002 and started in 2005, delivering 5 bcm of gas each year. The construction of the Langed pipeline, which now provides up to 20 per cent of the UK's gas requirements, was underpinned by this landmark contract.

Asset acquisition details:

The main producing asset acquired, Kvitebjørn, is located in the Tampen area 170 km northwest of Stavanger, near Centrica's existing interest in the Staffjord field, and ties into the Troll Terminal for onward export to the UK. Kvitebjørn produces around 60 mmboe per annum of gas and oil, with 2P reserves estimated to be 473 mmboe at the end of 2011. (Centrica's share will be 11.4 mmboe per annum of production, 90 mmboe of 2P reserves).

The largest development prospect acquired is Valemon, situated a few kilometres southwest of Kvitebjørn. It is the largest high pressure high temperature (HPHT) gas development in Norway and has total 2P reserves of 162 mmboe. (Centrica's share will be 21 mmboe).

Asset	Status	Equity acquired	Total equity	Operator
Kvitebjørn	Producing (gas)	19%	19%	Statoil Petroleum AS
Valemon	First gas expected Q4 2014	13%	13%	Statoil Petroleum AS
Heimdal	Producing	10%	33.8%	Statoil Petroleum AS
Vale	Producing	28.9%	75.8%	Centrica to operate
Skirne	Producing	10%	30%	Total
East Frigg Gamma/Delta	Discovery	40%	40%	Centrica to operate
Rind	Discovery	37.9%	37.9%	Total
Fulla	Discovery	50%	50%	Centrica to operate

[Map of assets and pipelines](#)

MOU details:

The Memorandum of Understanding establishes a basis for Centrica plc and Statoil ASA to work together on future exploration opportunities in the Norwegian and UK Continental Shelves.

Webcast

[Listen again to the webcast and view the presentation slides.](#)

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Contacts

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Notes:

1. 2010 year end 2P reserves of gas and liquids were 403 mmbœ excluding Rough cushion gas and Centrica's 97 mmbœ reserves in North America.