equinor

2022
Energy transition plan

22 March 2022

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FOREWORD

Dear shareholder,

The world's energy systems will need to undergo a transformation in the coming years to decarbonise. Companies, customers, governments and society at large will all have to collaborate, innovate and adapt in new ways to ensure a sustainable future. The journey towards a net-zero energy system will create dilemmas and trade-offs. It will require the development of new technologies, new value chains, and new ways of working, as well as firm leadership from policy makers. It will also require continuity and the provision of stable, reliable and affordable energy that the global economy depends on. For energy companies and their shareholders, the transition presents many challenges. It also provides unprecedented opportunities – and Equinor is acting to seize them.

Equinor's purpose is turning natural resources into energy for people and progress for society. We aim to be a leading company in the energy transition and have set a clear ambition to reach net zero by 2050. The journey has started. We have already pivoted to transform our upstream portfolio into one of the most resilient and carbon efficient in the industry. We have built a robust offshore wind portfolio and have the potential to be a world leader in floating wind. We are shaping the low carbon industry, leveraging our advantaged industrial starting point on the Norwegian continental shelf and proximity to the European market.

Our new, strengthened ambition to reduce net group-wide operated emissions by 50% by 2030, shows that we are focused on medium-term actions consistent with the goals of the Paris Agreement and a 1.5 degree pathway. Rapidly reducing our own emissions is necessary but not sufficient. To be an effective agent of change in the energy transition, we must help society decarbonise by providing our customers and end-users with energy that has lower – and eventually net-zero – emissions. To achieve this, we have a clear plan to apply our experience and competence from oil and gas to new sectors of the energy system. We will generate strong cashflow from a highly focused, carbon efficient oil and gas business to fund our transformation. We will continue to scale up our investments in renewables to create value from our existing portfolio and a high-quality project pipeline. We are developing and deploying the industrial value chains of the future in hydrogen and carbon capture and storage (CCS) to enable other industries to decarbonise their activities. In parallel, we will continue to work with our suppliers and customers, host governments, and civil society to develop the business models, policies and frameworks to enable the world to achieve net zero by 2050.

Last year, we committed to set out an Energy Transition Plan to provide our shareholders with an overview of how we are delivering on our net-zero ambition. We are pleased to present this plan here. It integrates key elements of our decarbonisation strategy with relevant actions and ambitions. It includes information on capital allocation, policy engagement, risk and performance frameworks, and other enablers to deliver on our ambitions. The plan builds on our 50 years' experience, our strategy and strong track-record. It is informed by science, stakeholder engagement, and an acknowledgement of the changing set of expectations of companies in a carbon constrained world. It draws on scenarios from the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC) as well as investor-group frameworks, including the Climate Action 100+ Net Zero Company Benchmark.

We believe this plan demonstrates that Equinor has the right strategy, ambition level, capabilities and track record to be a leading company in the energy transition while ensuring long-term shareholder value creation and competitiveness. We respectfully ask our shareholders to endorse the plan at our 2022 Annual General Meeting.

Jon Erik Reinhardsen
Chair of the Board of Directors

Anders Opedal
CEO and President

EXECUTIVE SUMMARY

Equinor is committed to long-term value creation in support of the goals of the Paris Agreement. Our strategy consists of three pillars and combines focussed, carbon-efficient oil and gas production with accelerated, value-driven expansion in renewables and leadership in building out new low carbon technologies and value chains. Each of these three pillars will contribute individually and collectively as Equinor's transitions into a broad energy company and towards our ambition of net zero in 2050, including emissions from the use of sold products. To realise our transition strategy, we have developed a detailed set of medium-term ambitions:

- **Halving our operated greenhouse gas emissions by 2030 relative to 2015 levels with 90% of the cuts coming from absolute reductions,** demonstrating our commitment to reduce emissions under our control in line with a Paris-aligned trajectory.
- **Further improving the industry-leading carbon and methane efficiency of our profitable upstream portfolio,** enabling us to be the resilient and responsible producer of the oil and gas that the world continues to demand.
- **Allocating more than half of our annual gross capital expenditure to renewables and low carbon solutions by 2030,** demonstrating our commitment to invest in the energy system of the future.
- **Deploying profitable renewables capacity and CCS and hydrogen solutions according to specified milestones,** providing a clear guide to how we plan to continue to create long-term value by delivering energy with progressively lower emissions.
- **Reducing our net carbon intensity, including emissions from the use of sold products, by 20% by 2030 and 40% by 2035,** addressing the systemic challenge of delivering energy that has lower – and eventually net-zero – emissions to end-users.

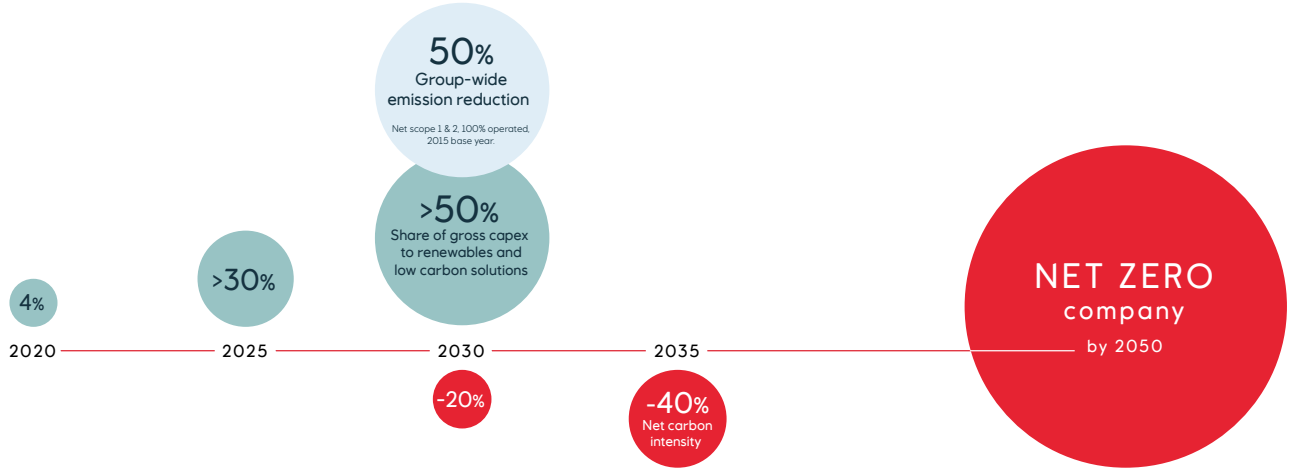
Looking ahead, each of our medium-term ambitions is underpinned by a detailed set of projects and plans. This enables us to demonstrate tangible and measurable progress.

A transition plan based on actions

Delivering on our strategy will require commitment and collaboration. Governments will play a key role as an enabler of the energy transition. Equinor's ability to execute on our current project pipeline – and to develop new opportunities – will depend on policy and regulatory support across the portfolio. Equinor is committed to being a proactive and constructive partner with governments supporting policies that advance the goals of the Paris Agreement.

We recognise that a successful energy transition must take account of its impact on people and nature. For us, this means ensuring that our operations are carried out with respect for human rights and in a way that protects biodiversity and nature. It means contributing to the communities and societies where we operate through investments in the skills and training needed for the new energy reality, the creation of new high-value industries, and support for community initiatives. While the energy transition is inevitable, its trajectory is still uncertain. To ensure resilience in our strategy, Equinor has put in place robust risk assessment, governance, disclosure and performance frameworks.

Equinor's energy transition plan is aligned with our purpose, underpinned by our strategy, shaped by our ambitions and driven by our actions.



Read more about our capex allocation on page 21
Read more about our group-wide emission reduction on page 13
Read more about our net carbon intensity ambition on page 12

	OIL AND GAS	RENEWABLES	LOW CARBON SOLUTIONS
STATUS 2021	▪ Production: 2,079 mboe/day ▪ S1+2 emissions: 12.1 million tonnes ▪ Upstream CO_2 intensity: 7.0 kg CO_2/boe ▪ Methane intensity: 0.02% ▪ Emission reduction measures: 0.3 million tonnes ▪ ~2% production growth 2021-2022	▪ Installed capacity: 0.7 GW [1] ▪ Energy production: 1,562 GWh ▪ 10% farmdown in Dogger Bank C ▪ Acquired Polish renewable company Wento	▪ CO_2 storage: 0.3 million tonnes ▪ 4 potential Northern Lights customers selected for pre-funding ▪ The East Coast Cluster in the UK chosen by UK government as track 1 cluster ▪ Barents Blue project received government funding
SHORT-TERM ACTIONS	**NORWAY** **Sanctioned project start-ups 2022-2025:** ▪ Johan Sverdrup Ph2, Njord Future, Johan Castberg, Breidablikk, Ormen Lange Ph3 **Decarbonisation measures:** ▪ Sleipner, Gina Krog, Oseberg GCU, Troll West: power from shore ▪ Njord, Kårstø: electrification ▪ Snøhvit: CO_2 reduction ▪ Hywind Tampen: floating wind **INTERNATIONAL** **Sanctioned project start-ups 2022-2025:** ▪ Peregrino Ph2, Vito, Azeri Central East, Bacalhau Ph1 **Decarbonisation measures:** ▪ Peregrino: gas import project; vent gas project; electrical submersible pumps digitalisation ▪ Mariner: modifications to flare system ▪ Bacalhau, BMC-33, Bay du Nord: CCGT installation, closed flare design	**UNDER CONSTRUCTION** ~1.6 GW ▪ Hywind Tampen, Norway ▪ Dogger Bank A, B, C, UK ▪ Braniewo and Zagorzyca, Poland **OFFTAKE SECURED** ~2.6 GW ▪ Empire Wind 1 & 2, US ▪ Beacon Wind 1, US ▪ MFW Bałtyk II & III, Poland ▪ Various solar projects **PIPELINE** ~5.5 GW ▪ Beacon Wind 2, US ▪ MFW Bałtyk I, Poland ▪ Sheringham Shoal and Dudgeon Extension, UK ▪ Firefly and Donghae 1, South Korea ▪ Onshore renewables, Brazil & Poland	**NORWAY** ▪ Northern Lights Ph1 & Ph2 ▪ Barents Blue: Blue ammonia **UK** ▪ Net Zero Teesside ▪ Northern Endurance Partnership ▪ H2H Saltend **NORTHWEST EUROPE** ▪ H2BE, Belgium ▪ H2M Eemshaven, the Netherlands **US** ▪ Decarbonised regional energy cluster, Ohio, Pennsylvania and West Virginia
MEDIUM-TERM AMBITIONS	▪ Increased production from optimised, CO_2-efficient portfolio towards 2026 ▪ New project portfolio: ~2.5 years pay-back time and IRR of ~30% (65USD/barrel) ▪ >40bn USD in free cash flow 2022-2026 ▪ Net 50% group-wide scope 1&2 GHG emissions reduction by 2030 [2] ▪ Upstream CO_2 intensity: <8kg CO_2/boe by 2025 and ~6kg CO_2/boe by 2030	▪ 4-8% real base project returns ▪ 23bn USD gross capex 2021-2026 ▪ 12-16 GW installed capacity by 2030 [1] ▪ >30% annual gross capex, >40% R&D expenditure (incl. energy efficiency), >50% venture capex towards renewables and low carbon solutions by 2025 ▪ >50% annual gross capex to renewables and low carbon solutions by 2030	▪ 5-10 mpta CO_2 transport and storage capacity by 2030 ▪ 15-30 mpta CO_2 transport and storage capacity equal to around 25% market share in Europe by 2035 ▪ Reduce maritime emissions by 50% in Norway by 2030 ▪ Supply hydrogen to 3-5 major industrial clusters by 2035, aiming at 10% of the European market share
	Net carbon intensity (Scope 1,2,3) **20% REDUCTION BY 2030 - 40% REDUCTION BY 2035**		

1. Installed capacity, including capacity from financial investments.
2. 90% of these reductions to be met by absolute reductions.

GETTING TO NET ZERO

Above all, success will require collaboration, courage, trust, and a commitment to get there together.

THE CLIMATE AND ENERGY CHALLENGE

The landmark 2015 Paris Agreement calls for emission reductions in accordance with the best available science to achieve a balance between manmade emissions and sinks of greenhouse gases in the second half of this century. Since the signing of the Agreement, the scientific and physical evidence of climate change have become ever more apparent.

As outlined in the COP26 Glasgow Climate Pact, achieving the most ambitious goals of the Paris Agreement now requires rapid, deep and sustained reductions in global greenhouse gas emissions. This includes reducing global carbon dioxide emissions by 45% by 2030 relative to 2010 levels, and to net zero around mid-century, as well as deep reductions in other greenhouse gasses, such as methane. The Pact also highlights the need for an accelerated scale-up and deployment of clean power-generation and energy-efficiency measures, as well as the importance of protecting, conserving and restoring nature and ecosystems.

While the imperative to act on climate is undeniable, so is the dependence of the world's economy on reliable and affordable energy. Fast-growing developing economies are navigating an historically energy- and emissions-intensive period of urbanisation and industrialisation. As the experience of late 2021 and early 2022 has shown, developed economies are also vulnerable to disruptions and dislocations when energy markets are out of balance, leading to human, political and economic consequences. As governments, companies, investors and citizens tackle the urgent challenge of getting to net zero, they will have to achieve a delicate and difficult balance between securing rapid emission reductions and ensuring the continued provision of reliable and affordable energy.

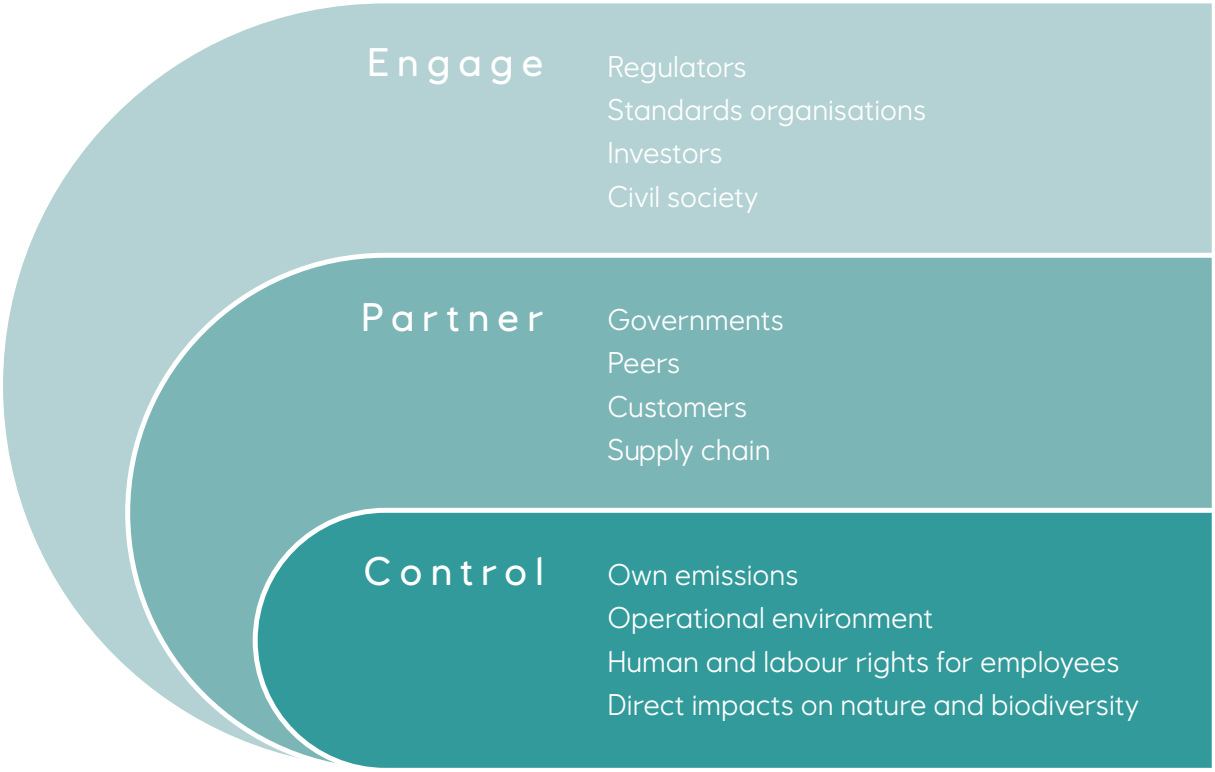
While acting to mitigate the risks from climate change, we must also manage the risks of a disorderly transition. To succeed, the energy transition will require governments to make bold policy decisions and to be honest about trade-offs. It will require companies to take new risks, and investors to give them the support to do so. It will require consumers and voters to change some behaviour. Above all, success will require collaboration, courage, trust, and a commitment to get there together.

We don't have all the answers or all the necessary tools. The transition is a massive, shared, global challenge that will require coordinated action.

EQUINOR'S RESPONSE

Over the past 50 years, we have developed a reputation for being a reliable, responsible and value-driven energy provider. From our origins as a state-owned non-operating partner on the Norwegian continental shelf, we have enabled Norway to become one of the world's leading exporters of energy while building a high-value global portfolio.

Today, we are the leading operator in Norway and have a unique role on behalf of the Norwegian state including responsibility for sales and marketing of its direct financial interest in third-party production. As we look forward, we are confident we have the people, the capabilities, and the capital to be a proactive contributor to the transformation of the energy system in the coming decades. For us this means near-term action on our own operations and the emissions within our control, partnership with the public and private sector to build out the energy supply system of the future, and engagement with customers, suppliers, and society to move the world closer to a net-zero trajectory.



We do not have all the answers or all the necessary tools. The transition is a massive, shared, global challenge that will require coordinated action.

Delivering on each pillar of our transition strategy will require the necessary frame conditions and the support of policy makers. Rapid reductions in operated emissions from oil and gas in Norway depend on the availability of, and access to, low carbon electricity supplies. Our ambitions to continue to expand our global renewables and CCS portfolios will be contingent on governments putting in place the necessary permitting and fiscal regimes and making acreage available for both offshore wind and carbon storage. Our plans to scale up low carbon solutions will only be realised if we have the support from national and local governments and the participation of other companies along the value chain.

We also rely on governments to accelerate the development and integration of new technologies, both directly through research and development (R&D) and through implementation of carbon pricing regimes to reward lower emissions solutions. This plan is therefore also an invitation to our partners, customers, suppliers, and host governments to work together on the necessary actions to accelerate the energy transition.

OUR TRANSITION STRATEGY

NET ZERO ACROSS SCOPE 1, 2 AND 3

Equinor has set a clear ambition to become a net-zero company by 2050, including emissions from production and final consumption.

Our strategy is organised around three pillars:

- Optimised oil and gas production: capitalising on an advantaged portfolio as a strong cash engine to fund decarbonisation and transition activities
- High value growth in renewables: accelerated deployment to establish a strong industrial position for value-driven growth
- New market opportunities in low carbon solutions: becoming a leader in carbon management and hydrogen

High value growth in renewables

- 4-8% real base project returns
- 23bn USD gross capex 2021-2026
- 12-16 GW installed capacity by 2030

New market opportunities in low carbon solutions

- 5-10 million tonnes CO_2 transport and storage capacity by 2030
- 15-30 million tonnes CO_2 transport and storage capacity by 2035
- Supply hydrogen to 3-5 major industrial clusters by 2035

Optimised oil and gas portfolio

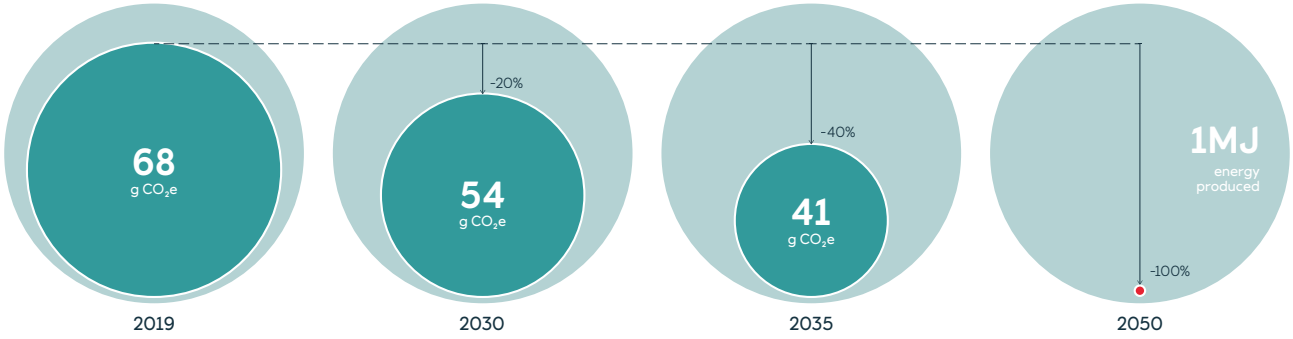
- Net 50% reduction in operated emissions by 2030
- Upstream CO_2 intensity <8 kg CO_2 /boe by 2025
- Upstream CO_2 intensity ~6 kg CO_2 /boe by 2030

To meet the climate challenge while also addressing the need for energy, Equinor has developed a methodology that shows how we are progressing towards our own net-zero ambition while simultaneously investing in the transformation of the energy system that will be necessary to realise the goals of the Paris Agreement.

The Net Carbon Intensity (NCI) metric tracks our net emissions, including scope 3 emissions from the use of our products, in relation to our total energy production from oil, gas, electricity, and hydrogen. Using a combination of all of the options available to us as a broad energy company, our NCI metric shows how we will deliver energy with lower emissions over time, helping our customers in their efforts to deliver emission reductions.

Our ambition is to reduce our NCI of 68g CO_2e/MJ in 2019 by 20% by 2030 and by 40% by 2035. By 2050, we aim to bring the NCI down by 100% - to net zero. Our NCI methodology is available on equinor.com.

Equinor net carbon intensity ambitions



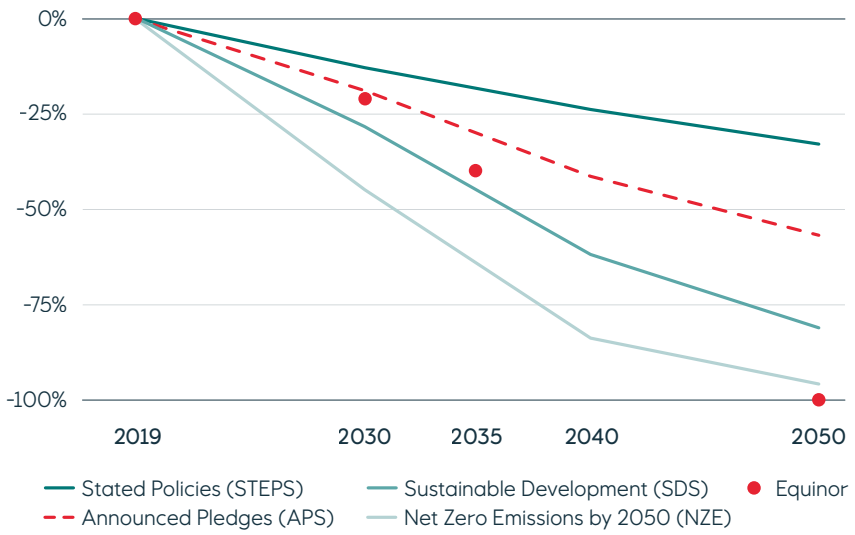
Realising these ambitions will require significant efforts and investments on our part, and also require significant efforts on the part of society to accelerate the energy transition.

Equinor's NCI ambitions show reductions by 2030 and 2035 greater than those implied by the IEA's Announced Pledges Scenario (APS), which assumes that all climate commitments made by governments around the world, including Nationally Determined Contributions (NDCs) and longer-term net-zero targets, will be met in full and on time.

By setting scope 3-related ambitions that are ahead of current nation states' plans and pledges, we are demonstrating our leading role – but also our reliance on governments and society – in the effort to reach net zero by 2050.

Equinor NCI (incl. scope 3) ambitions compared to IEA scenarios

% (g CO_2e/MJ) - Partial substitution method applied



IEA scenario pathways derived from 2021 World Economic Outlook.
See endnote [i] on p. 26 for details on assumptions and methodology.

SHORT, MEDIUM AND LONG-TERM ACTIONS AND AMBITIONS

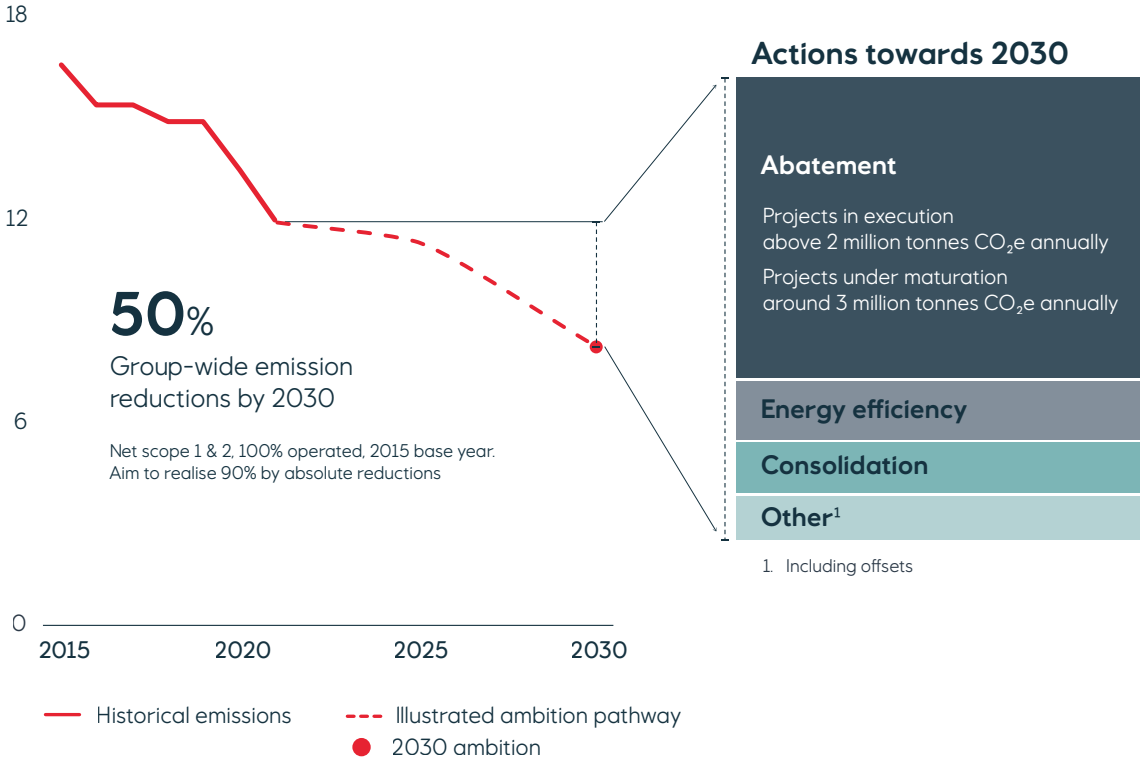
Reducing emissions from our production of oil and gas

Cutting scope 1 and 2 emissions by net 50% on group level by 2030

To respond to the need for the rapid and substantial near-term emissions reductions, Equinor's ambition is to reduce operated scope 1 and 2 GHG emissions by net 50% by 2030 relative to 2015. We aim for 90% of these reductions to be met by absolute reductions. By setting a baseline year that corresponds to the year of the Paris Agreement, we can chart our emissions reduction progress according to a Paris-defined pathway. Such a baseline also enables us to show our early action on emissions reduction and to build on our leadership position throughout this decade. Equinor's 2030 ambition for group-wide operated emissions is aligned with the goals of the Paris Agreement and what IPCC scenarios show as being consistent with a 1.5 degree pathway. It is also aligned with the Norwegian state's ambition for emission reductions from the oil and gas industry with a 2005 baseline.

Equinor operated GHG emissions

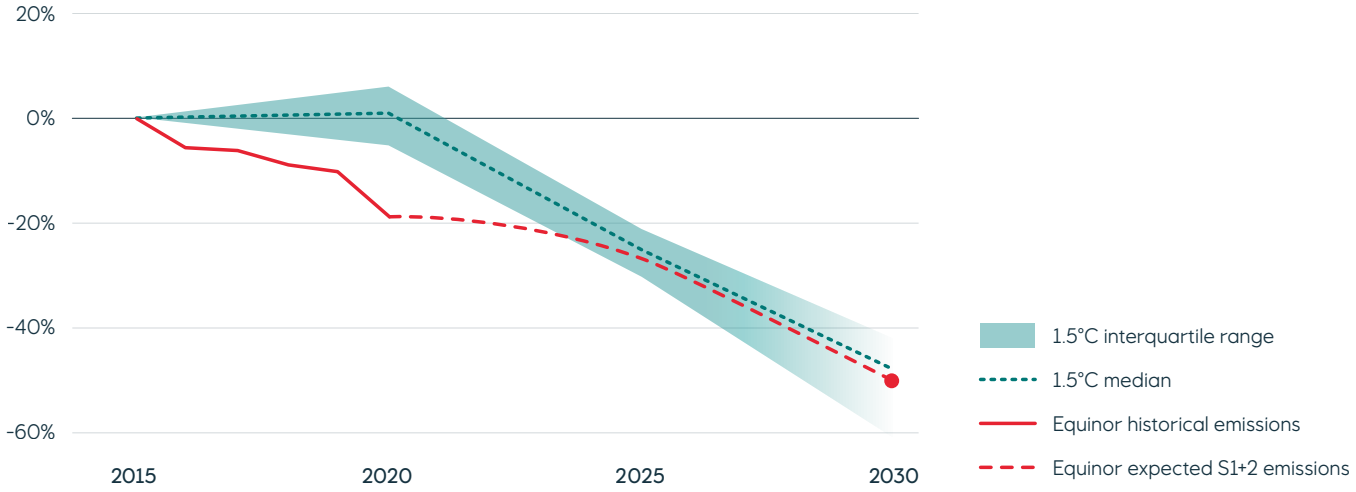
Million tonnes CO_2e



We have already made significant reductions – nearly half of the reductions needed – through a combination of portfolio optimisation and energy efficiency measures. Reaching the 2030 ambition will require a focussed and coordinated effort across the company on executing and maturing abatement projects, improving energy efficiency of offshore and onshore assets and strengthening resilience in the portfolio, including through consolidation. The abatement projects primarily include electrification of offshore assets in Norway, mainly by power from shore. Offsets will play a minimal role in achieving this ambition. However, in the longer term, we see negative emissions solutions and offsets as making an important contribution to address the climate challenge. We plan to use only credits verified according to high standards and to disclose information about the type of offsets employed. To ensure quality in our credits, we have established a set of corporate criteria and principles based on the Oxford Principles for Net Zero Aligned Carbon Offsetting.

Equinor emission reductions vs IPCC 1.5°C pathway

Scope 1+2 GHG emissions, 100% operated basis



1.5°C median and interquartile range derived from IPCC Special Report on Global Warming of 1.5°C (SR15). See endnote [ii] on p. 26 for details on assumptions and methodology.

Continued leadership on carbon efficient oil and gas production

Equinor has a proud history as a safe and reliable producer of oil and gas. These energy sources will be needed to power the global economy for many years to come, including in every independent scenario of what would be needed for a Paris-aligned trajectory. In addition to being primary sources of energy, oil and gas will also be needed as input to low carbon fuels for hard-to-abate sectors such as blue hydrogen and as feedstocks for non-energy applications such as chemicals. To meet the needs of society, Equinor will continue to produce oil and gas for the foreseeable future. We aim to excel in operational emissions management, maximising the efficiency of our infrastructure on the Norwegian Continental Shelf (NCS) and optimising our high-quality international portfolio.

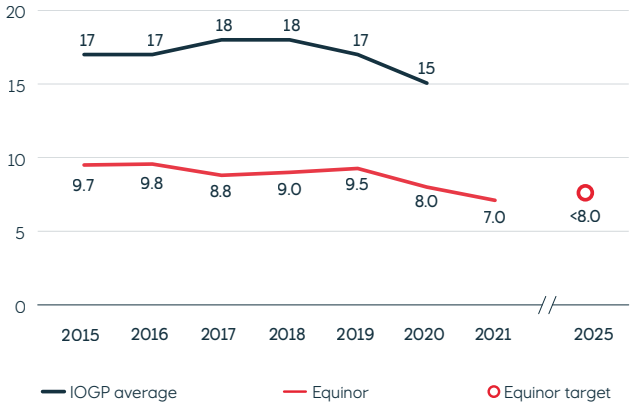
To earn the right to supply the oil and gas the world demands, we are continuing to improve the industry-leading carbon efficiency of our production. Since 2015, we have reduced our upstream carbon intensity by around 30%, bringing it below half of the current industry average[1]. We have set a target to keep our upstream carbon intensity under 8 kg CO_2/boe towards 2025 and around 6 kg CO_2/boe by 2030.

Reducing methane from oil and gas operations

In 2021, Equinor's corporate methane emissions intensity was 0.02% which is around one tenth the average of Oil and Gas Climate Initiative (OGCI) member companies. We will continue to develop and implement technologies and procedures to detect and reduce methane emissions, support industry efforts to reduce methane emissions across the oil and gas value chain, increase the quality and transparency of reported data, and support the development of sound methane policies and regulations.

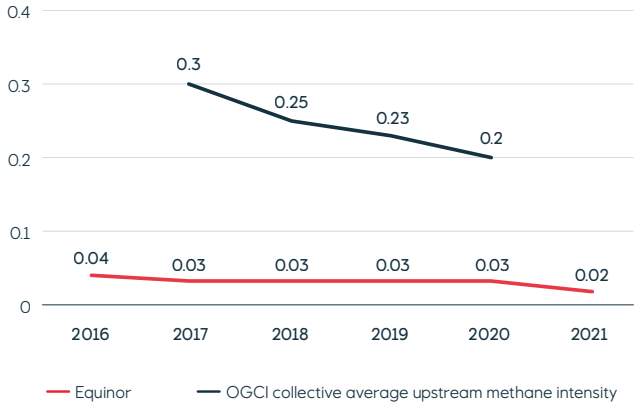
Upstream CO_2 intensity

kg CO_2 per boe, 100% operated basis



Methane intensity

% (m³ CH4 emitted per m³ marketed gas)



1. Compared to average upstream CO_2 intensity of members of the International Association of Oil and Gas Producers (IOGP)

Accelerating investments in renewables

Equinor is applying its competitive advantage to create value in new areas of the energy system. A central element in this effort is our goal to become a leading global player in offshore wind. We will accelerate growth in renewables to strengthen our competitive position and achieve the economies of scale necessary to improve returns.

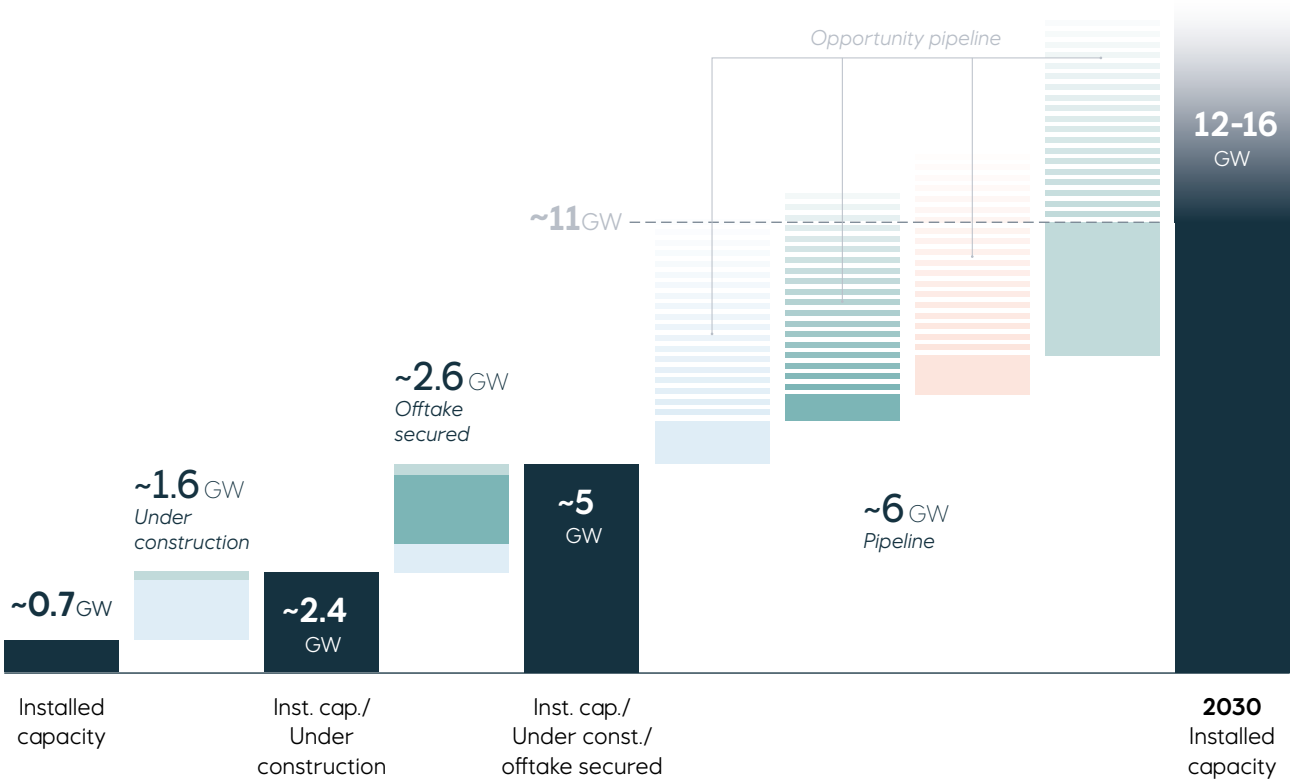
To build a competitive wind portfolio, we are applying our experience in technology, innovation and project delivery and building new competence and capacity to support the transition. We have an ambition to have a total of 12-16 GW of installed net renewable capacity[1] by 2030 – five years earlier than previously announced. To put that in perspective, this would equal more than twice the total global offshore wind capacity installed in 2020.

We have already accessed around two thirds of our growth ambition through a competitive and high-quality pipeline anchored by our Dogger Bank and Empire and Beacon Wind projects in the UK and US. As we execute on these world-class projects, we are well positioned to grow our presence in markets where we look to continue to create value and optionality. As we expand our global wind portfolio, we are also moving into regions, such as Eastern Europe and East Asia, where there is potential for our renewables projects to displace coal from the electricity mix.

Throughout our expansion into renewables, we will continue to be guided by a focus on capital discipline, value creation and delivery. Based on our outlook, we plan to allocate around 23 billion USD gross capex to renewables between 2021 and 2026 and expect a real base project return of 4-8%. In addition to our investments in offshore wind, we are expanding into other areas of the renewable energy. Our significant equity ownership stakes in Scatec, a leading renewable power producer, and Noriker Power, a UK-based battery storage developer focussed on utility scale storage, are some examples.

Equinor Ventures, our corporate venture arm dedicated to investing in ambitious early phase and growth companies, has a mandate of 750 million USD, with more than 50% of the fund's capital being deployed towards renewables and low carbon activities by 2025. The current portfolio comprises more than 40 investments, with an almost even split between oil and gas, and renewables and low carbon solutions.

Renewable portfolio and pipeline to 2030[2]



Onshore renewables
Offshore wind - Asia
Offshore wind - US/Americas
Offshore wind - Europe

1. Equinor share
2. Net equity capacity to Equinor, including ownership share in Scatec and Wento

Building out low carbon solutions

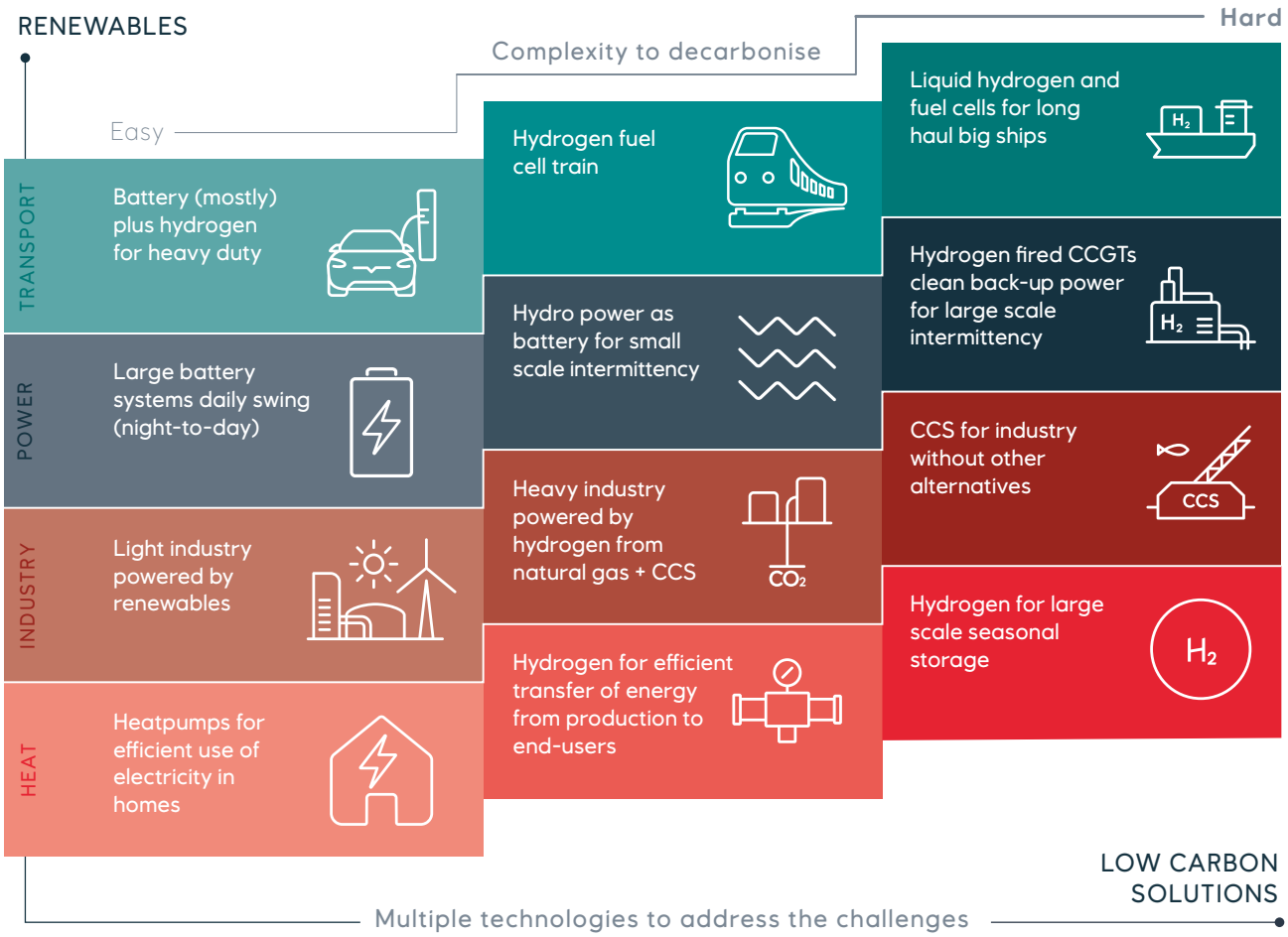
To complete our development as a broad energy company, we are building a platform for growth in low carbon solutions with a focus on hydrogen and CCS. This is a natural next step for Equinor: a way for us to decarbonise our supplies of energy and to help industrial end-users realise their climate ambitions. Building on our strong position in industrial value chains in Europe, we are applying our technical and engineering competence to bring low carbon products and services to the market. We are developing a broad funnel of options to be at the forefront of maturing these decarbonisation markets over the next ten years. We have established early positioning in CCS licenses and high impact hydrogen projects in Northwest Europe, working with commercial partners and governments to create new value chains.

Carbon capture and storage: an essential technology for net zero

We are applying our decades of CCS experience to reach our ambition of developing a CO_2 transport and storage capacity of 5-10 million tonnes by 2030 and 15-30 million tonnes[1] by 2035. Since 1996, we have safely stored nearly 20 million tonnes of CO_2 at our Sleipner field. In addition to our technical experience, we are capitalising on the competitive advantage of our established geographic footprint. Our North Sea infrastructure lies close to potential carbon and hydrogen markets. The Northern Lights project, which we are developing with our partners Shell and TotalEnergies, is an essential step. Northern Lights is part of the full-scale Norwegian Longship CCS project, the first ever cross-border, open-source CO_2 transport and storage infrastructure network. It will offer companies across Europe the opportunity to capture and store their CO_2 safely and permanently underground.

Beyond the NCS, we are pursuing CCS projects in other regions that have the necessary frame conditions for low carbon solutions. In the UK, we are part of the Northern Endurance Partnership, which aims to put in place the offshore infrastructure to transport and store CO_2 from projects in the UK's pioneering East Coast Cluster (ECC). The ECC, which was selected in 2021 by the UK government as one of its first two carbon capture and storage projects, has the potential to transport and securely store nearly 50% of all UK industrial cluster CO_2 emissions, equaling up to 27 million tonnes of CO_2 emissions a year by 2030.

Decarbonising energy systems



1. Equity share

Hydrogen and ammonia: versatile enablers of the transition

Hydrogen offers a low and zero-carbon solution to sectors that are technically difficult to decarbonise, such as heavy industries including steel and cement; and transport sectors such as heavy duty trucking, shipping and aviation. Because of its versatility, most credible low carbon scenarios include significant deployment of hydrogen. Pursuing a technology-neutral approach to hydrogen development will enable the fastest and most cost-efficient decarbonisation across sectors and regions. To this end, we aim to supply hydrogen to 3-5 major industrial clusters by 2035, aiming at a 10% market share of clean hydrogen in Europe. We plan to realise these ambitions through a portfolio of hydrogen projects, centred in industrial clusters in Norway, Northwest continental Europe, the UK and the US. We have made considerable progress on some of our key projects and added several new ones, including the H2BE project for low carbon hydrogen production in Belgium and an initiative to develop a low carbon and hydrogen industrial region in the tri-state area in the US. As we execute on our strategy of providing hydrogen and CO_2 management services to large industrial clusters, we retain significant optionality across decarbonisation segments and geographies.

Developing replacement fuels in the maritime sector

Equinor has extensive maritime activity around the world, including around 175 vessels on contract at any time. We have an ambition of halving our maritime emissions in Norway by 2030[1] and halving our global maritime emissions by 2050[2]. To achieve this, we are working to reduce our own consumption and the carbon intensity of fossil-based maritime fuels we consume; and to stimulate systemic change through development of low-emission solutions.

As a supplier of fuel to the maritime sector, Equinor's ambition is to escalate our production and the use of lower-carbon fuels and increase production and the use of zero-emission fuels. As a pioneer in using liquefied natural gas as a maritime fuel, we introduced large-scale use of liquefied petroleum gas as a maritime fuel in 2021. We have also introduced hybrid battery systems for 19 supply vessels, and the next generation of dual-fuel vessels is being introduced in the fleet on the NCS. In collaboration with partners across the maritime industry, we have also started developing the world's first supply vessel to run on zero-emissions ammonia.

Low carbon solutions project funnel

Project name	Project type	Country	Decarbonisation segments			
			HEAT	INDUSTRY	POWER	TRANSPORT
Northern Lights (NL)	CO_2 Infrastructure	NO		●		
East Coast Cluster (NEP)	CO_2 Infrastructure	UK	●	●	●	●
H2H Saltend	Blue hydrogen	UK	●	●	●	●
Aldborough hydrogen storage	Hydrogen storage	UK	●	●	●	●
Net Zero Teesside (NZT)	Power+CCS	UK			●	
Keadby 3	Power+CCS	UK			●	
Peterhead	Power+CCS	UK			●	
Keadby Hydrogen Power Station	Hydrogen to power	UK			●	
H21	Hydrogen fuel switch	UK	●	●		
H2M Magnum	Blue hydrogen	NL			●	
H2morrow Steel	Blue hydrogen	DE		●		
H2BE	Blue hydrogen	BE		●		
NortH2	Green hydrogen	NL, BE, DE		●		●
Clean Hydrogen to Europe	Blue hydrogen	NO	●	●	●	●
Barents Blue	Blue ammonia	NO		●		●
US Tristate	CCS+Power+H_2	US		●	●	●

1. Relative to 2005 baseline
2. Relative to 2008 baseline

DELIVERING ON OUR STRATEGY

Since we announced our updated strategy and updated short and medium-term ambitions in June 2021, we have made significant progress accelerating our transition.

May

June

- Equinor takes final investment decision on Bacalhau phase 1 development in Brazil, with production capacity of 220,000 barrels per day and expected upstream emissions intensity less that half the global average.
- Equinor signs memorandums of understanding (MoU) with US Steel, one of the largest steel manufacturers in the US, to examine the potential for hydrogen and CCS development in the tri-state region of Ohio, Pennsylvania and West Virginia.

July

- The 117 MW solar power plant in Argentina which Equinor operates together with Scatec starts commercial operation. The plant is providing electricity to 80,000 households.
- Equinor divests its share in Venezuelan Petrocedeño onshore heavy oil project.

August

- Launch of Norway Energy Hub, an integrated concept to reduce emissions on the Norwegian continental shelf, industrialise and commercialise floating offshore wind, commercialise carbon capture and storage, and scale up hydrogen.
- Start-up of production at the Troll phase 3 in the North Sea with CO_2 emissions of less than 0.1 kg per barrel oil equivalent.

September

- Equinor and partners Horisont Energi and Vår Energi enter into a cooperation agreement for the development of Barents Blue, Europe's first large-scale production facility for ammonia production with carbon capture and storage.
- Equinor divests from Terra Nova field, offshore Newfoundland and Labrador, Canada.

October

- The East Coast Cluster, formed by Equinor and partners, is named as one of the UK's first two carbon capture, usage, and storage clusters.

Equinor and ENGIE launch the H2BE project to kick-start low carbon hydrogen market in Belgium.

Achieves final investment decision, financial close and extends partnership with Eni through farm-down of 10% interest in Dogger Bank C.

Equinor Ventures increases its investment in Commonwealth Fusion Systems as part of the Series B funding round raising more than 1.8 billion USD to commercialise fusion energy.

Equinor signs MoU with YPF in Argentina to cooperate on emissions reductions from oil and gas, cutting fugitive methane, and cooperation on clean energy.

Equinor forms an alliance with EQT, GE, Shell, Mitsubishi, and Marathon to support a low-carbon and hydrogen industrial hub in the Northern US Appalachian Region.

Equinor and partner Polenergia selects turbine supplier for Bałtyk II & III projects in Poland.

2021 | 2022

November | December | January | February | March | April

Equinor announces the award of Pre-FEED (Front End Engineering and Design) study contracts to develop the 600 MW H2H Saltend hydrogen production plant, one of the world's first at-scale facilities to produce hydrogen from natural gas in combination with carbon capture and storage.

Equinor signs a MoU with Korean East-West Power (EWP) to cooperate on 3 GW of offshore wind projects in South Korea.

Equinor awarded 26 new production licences by Norway's Ministry of Petroleum and Energy in Predefined Areas, 12 licences as operator and 14 licences as partner.

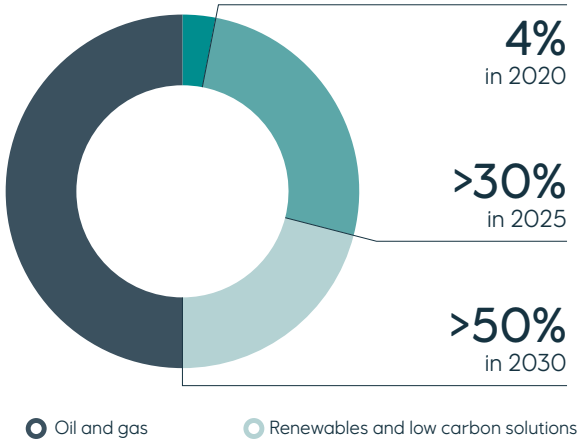
Equinor signs agreement with Australia-based rare earth exploration and development company, Pensana to develop a low-energy method to recycle end-of-life magnets from wind turbine components at the Saltend Chemical Park in the UK.

A RESILIENT PORTFOLIO

CAPITAL ALLOCATION AND RISK ASSESSMENT

Equinor has a clear investment plan for delivering value through the energy transition and allocating capital to realise our strategy. Estimated organic capital expenditures of 10 billion USD for 2022-2023 and 12 billion USD for 2023-2024 will result an increasing share of renewable investments, which are expected to total 23 billion USD in the period 2021-2026. Our capital allocation to renewables and low carbon solutions will accelerate towards 2030. From a share of 4% of annual gross capex in 2020, renewables and low carbon investments is expected to grow to above 30% of annual gross capex by 2025 and to over 50% of annual gross capex by 2030.

Share of Equinor's gross capex



In 2021, we started a separate reporting segment for our renewables unit to recognise its strategic importance and materiality. In 2021, capital gains from renewables was 1.4 billion USD, a more than seven-fold increase from 2020, resulting primarily from profitable asset farm-downs. As we ramp up our investments in renewables and low carbon solutions, these businesses will provide an increasing share of revenue over time.

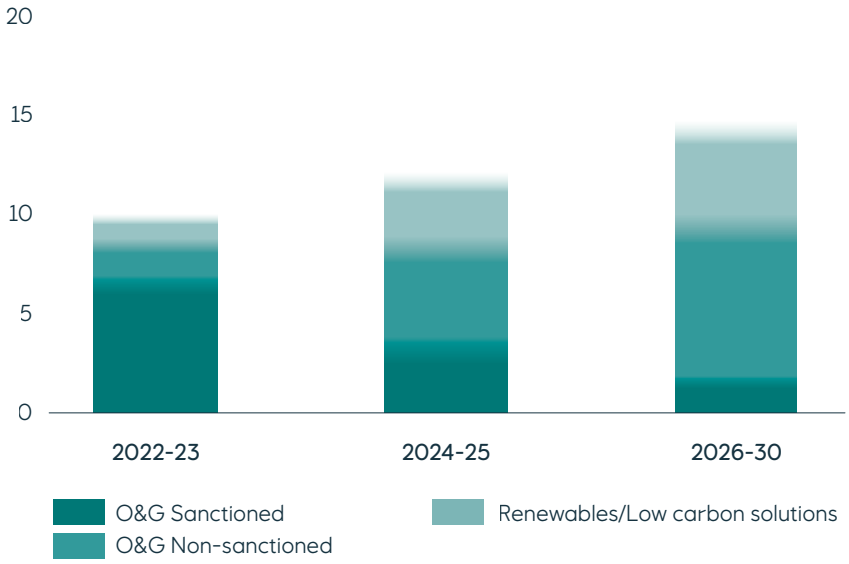
Organic capital expenditure in oil and gas in 2022-2023 will total around 8 billion USD and is expected to remain at the same level towards the middle of the decade. This investment will result in the production of oil and gas for both traditional end-use applications and as inputs into decarbonised energy sources via hydrogen and ammonia and power generation and industrial processes with CCS.

To ensure we continue to retain competitive advantage in low carbon technologies and business models, 40% of our R&D budget will be allocated to these areas by 2025.

To fund the transition of the company toward net zero and to ensure strong capital distribution through the journey, the optimised oil and gas portfolio will continue to be invested in to deliver cash-flow and value. Oil and gas projects coming on stream by 2030 will have a volume-weighted average breakeven under 35 USD per barrel.

Capex allocation

Bn USD average per year (Organic capex net to Equinor after project finance)



Commodity price assumptions and scenario analysis

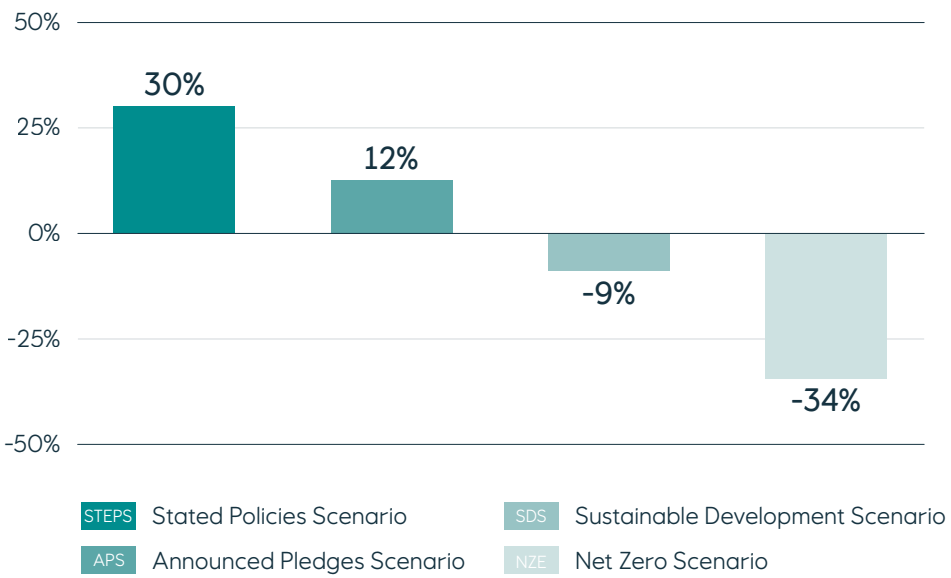
Equinor performs a thorough analysis of the expected development in drivers for commodity markets and exchange rates. The management's analysis of the expected development in drivers for the different commodity markets and exchange rates resulted in changes in the long-term price assumptions as from the third quarter of 2021. Details of our long-term commodity price assumptions are available in our 2021 Annual Report.

We expect and are preparing for regulatory changes and policy measures targeted at reducing GHG emissions. Stricter climate regulations and policies could impact Equinor's financial outlook, including the carrying value of our assets, whether directly through changes in taxation or other costs to operations and projects, or indirectly through changes in consumer behaviour or technology developments. We updated our global CO_2 price used for investment decisions in the third quarter in 2021. A full description of how we integrate climate considerations into our investment and valuation criteria, and details of our CO_2 price forecasts is published in our 2021 Sustainability Report.

To assess and manage climate-related risks we also use scenario and sensitivity analysis, including net present value (NPV) stress tests against all relevant scenarios published by the IEA. Details of our stress testing and scenario analysis are published in our 2021 Sustainability Report.

Portfolio stress test vs IEA scenarios

% change in 2021 NPV (IEA energy scenarios)



NPV calculated from 2022 using Equinor's Economic Planning Assumptions. Assumes linear interpolation between the IEA price points and that 2050 prices remain constant in real terms thereafter. More details on assumptions are availbale in Equinor's 2021 Sustainability Report.

In addition to stress testing our portfolio, we engage with third party organisations including the Science-Based Target Initiative (SBTi) that develop frameworks to assess corporate emissions reduction plans and performance. To be effective and equitable, we believe such frameworks should recognise the historical performance of companies that have made the efforts necessary to demonstrate sector leadership over many years. They should reward companies that are transforming their business models and investments to contribute to systemic change. They should also recognise solutions that help other companies and sectors decarbonise such as CCS for emissions inside and outside company boundaries. We have provided input to previous SBTi consultations and look forward to evaluating the oil and gas sector guidance against the criteria above when it is published.

TCFD alignment and disclosure

Equinor aligns its climate-related disclosures with the recommendations of the Task Force on Climate Related Disclosures (TCFD) and we include explicit reference to TCFD risk categories in our Annual Sustainability Report through a dedicated index. In 2021, Equinor received an "A-" assessment from CDP for climate change-related disclosure, equating to a "leadership level". The assessment puts us in the highest category within our peer group.

Disclosure on field-based emissions is available on our ESG Reporting center. Additional definitions and performance data can be found in our 2021 Sustainability Report and on equinor.com.

GOVERNANCE AND PERFORMANCE FRAMEWORK

To deliver on our transition strategy we have put in place a robust framework that combines key performance indicators (KPIs), monitoring indicators and strategic milestones.

Corporate climate-related KPIs, on which we report progress annually, include upstream CO_2 intensity and the share of overall capital allocation to renewables and low carbon solutions. Monitoring indicators, which help to track key drivers behind the corporate KPIs, include: defined target break-even of the oil and gas project portfolio and defined target value-creation and production availability of the renewables portfolio. Strategic milestones include tangible ambitions for renewable capacity deployment, CCS volumes and hydrogen projects.

Governance

Management of safety, security and sustainability risk is embedded in our enterprise risk management process as described in our Annual Sustainability Report. Our enterprise risk and the efficacy of related risk adjusting actions are updated and reviewed on a bi-annual basis by the Corporate Executive Committee and the Board of Directors (BoD). The BoD conducts an annual evaluation of its work and competence. In 2021, the evaluation focussed on the BoD's competence to assess the company's ability to deliver its net-zero ambition, its effectiveness in overseeing the development of a resilient strategy for Equinor, its oversight of implementation with regard to Equinor's net-zero ambition and its understanding of Equinor's climate-related financial risks and opportunities.

Executive remuneration

Equinor's remuneration framework contributes to the business strategy, long-term interests and sustainability of the company. In order to better reflect Equinor's strategy and the energy transition, the instructions for the BoD Compensation and Executive Development Committee were updated in 2020 to include climate and energy transition-related goals as part of the remuneration policies. The CEO, his direct reports and Equinor's broader leadership are assessed based on results within a broad range of topics, including safety, security and sustainability. Executive leaders' ability to be role models and drive the energy transition forward forms part of the holistic evaluation.

TRANSITIONING WITH SOCIETY

For us to succeed in the energy transition, we will need to do so in collaboration with workers and communities, with respect to nature and the environment and in cooperation with governments.

PEOPLE:

ENSURING A JUST TRANSITION

The energy transition will require and result in large economic and social transformation. Equinor supports a transition that is just and inclusive, enabling long-term social, economic and human rights benefits for workforces and communities. For us, contributing to a just transition means identifying and realising opportunities and benefits for people and society while preventing or minimising potential negative impacts related to our strategy.

Equinor's just transition approach will build on our heritage, purpose and values and include clear priorities and measurable actions towards the three stakeholder groups mostly affected by our transition: our workforce, our suppliers and their workforce, and our host communities. It will consider how we use local content in our projects; how we can help host communities build resilience to climate change impacts; and how Equinor can be a driver for regional decarbonisation strategies.

We are actively developing a Just Transition plan, to be released in 2022, which will be informed by: our human rights commitment and framework; our anti-corruption, revenues transparency and responsible taxation principles; our current efforts to develop and reskill our workforce; our activities to build capabilities in our host communities; and our tradition for dialogue and collaboration with trade unions and civil society. Our plan will be designed with regard to key external frameworks, including the Paris Agreement, the International Labour Organisation's Just Transition Guidelines and the UN Guiding Principles on Business and Human Rights.

PLANET:

BEYOND THE "DO-NO-HARM" PRINCIPLE

In parallel to the climate challenge, the world currently faces an unprecedented loss of nature and biodiversity. We support the global ambition of reversing nature loss by 2030. For decades, our "no harm to the environment" ambition has guided our work on our own operations and stimulated innovation. We are now going beyond "do-no-harm" principle and evaluating how we can implement additional measures aiming for a net positive impact on biodiversity for new projects in areas of high biodiversity value. We are also establishing voluntary exclusion zones for our activities and will share more of our comprehensive biodiversity data to encourage further scientific research.

Building on decades of experience of safety and environmental management, we are strengthening our efforts to address biodiversity as an integrated part of our approach to sustainability. To successfully meet our plans to develop as a broad energy company, we need to collaborate with authorities and other key stakeholders in managing the pressures on biodiversity. As an example, Equinor is a member of the Taskforce on Nature-related Financial Disclosures Forum.

A detailed overview of our biodiversity position and our presence inside or near protected areas and areas of high biodiversity value is available on equinor.com.

POLICY:

A PROACTIVE PARTNER WITH GOVERNMENT

Equinor is committed to being a proactive and constructive partner with governments as they put in place the necessary policy frameworks for a move to a lower carbon energy system. We support policies that advance the goals of the Paris Agreement and actions to accelerate the energy transition. We conduct an annual review to ensure alignment between our policy and advocacy positions and those of the industry associations of which we are a member. The findings, including areas of misalignment and any resultant actions, are available on equinor.com.

In addition to increased national climate ambitions and meaningful carbon pricing, Equinor supports policies that:

- target the most significant greenhouse gas sources,
- are predictable, transparent and internationally aligned, to trigger investments and innovation,
- phase out subsidies on fossil fuels that exacerbate climate change and undermine the effects of climate-related policy measures,
- promote research and development through public measures that stimulate investments in low carbon solutions.

Endnotes

[i] Equinor NCI (incl. scope 3) ambitions compared to IEA scenarios

Equinor's net carbon intensity and net-zero ambitions visualised in relation to the decline in global carbon intensity for energy (ratio of fossil energy CO_2 to total energy supply) under four IEA scenarios. Scenario pathways derived from IEA data in the World Energy Outlook 2021. Consistent with Equinor's net carbon intensity methodology, a substitution factor has been applied to renewable electricity production. Substitution factor of 2.63 (1/0.38) applied to global solar, wind and hydropower represented in the IEA scenarios. IEA scenario trajectories and Equinor net carbon intensity ambitions rebased to compare percentage change over time.

[ii] Equinor emissions reductions vs IPCC 1.5°C pathway

Equinor's operated scope 1+2 emissions reduction ambition visualised in relation to the decline in global, total CO_2e emissions from carbon dioxide and methane from all sources. Methane converted to CO_2e using a global warming potential of 25. Pathway for decline range based on the 53 1.5°C scenarios with either no or low overshoot from the Intergovernmental Panel on Climate Change's 2018 special report: Global Warming of 1.5°C (SR15). Median and interquartile ranges defined using data from the IAMC 1.5°C Scenario Explorer and Data hosted by the International Institute for Applied Systems Analysis, release 1.1. (Huppmann, D. et al., 2018)

CAUTIONARY STATEMENT

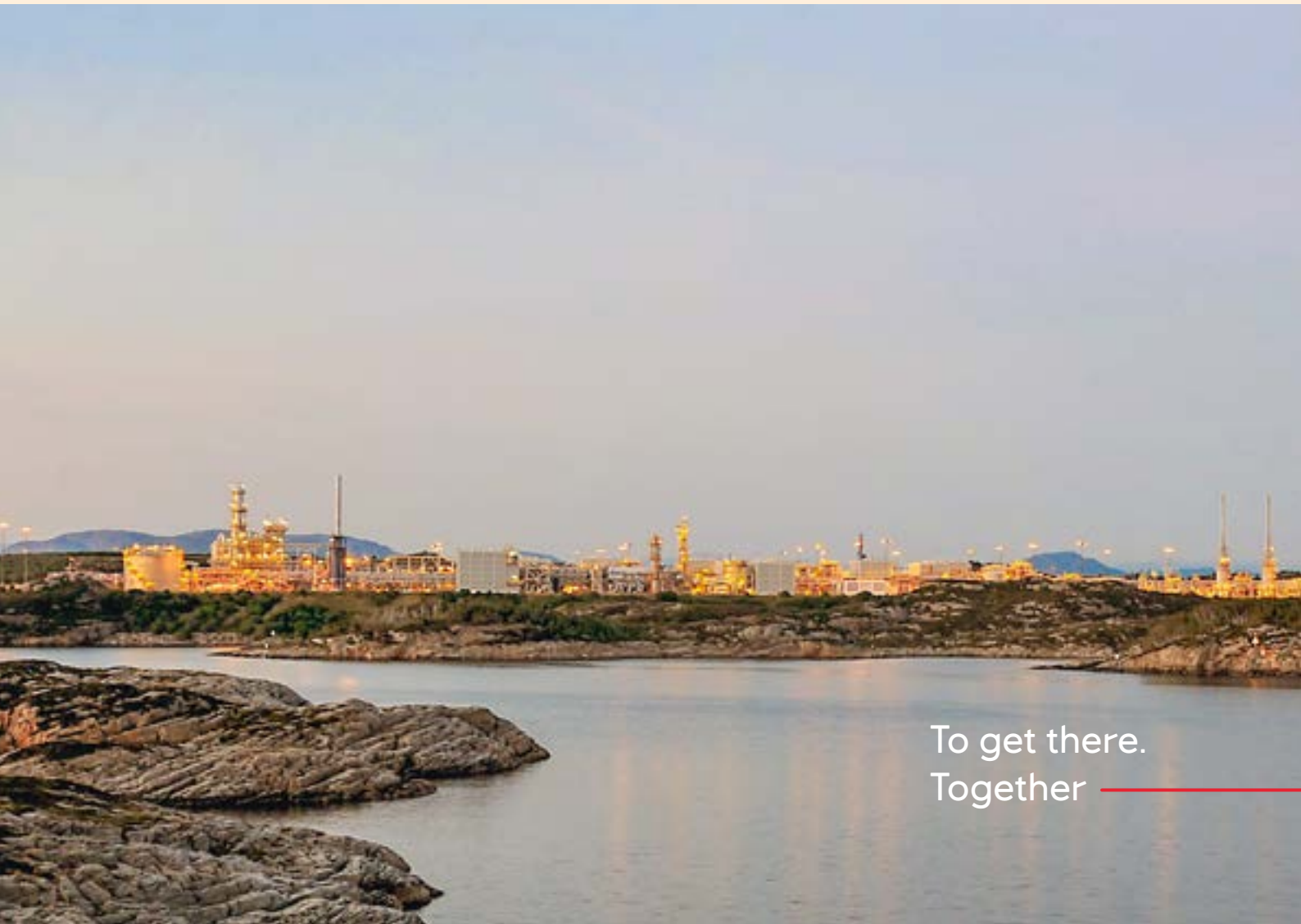
This report contains certain forward-looking statements that involve risks and uncertainties. In some cases, we use words such as "accelerate", "aim", "aligned", "ambition", "believe", "commit", "could", "consistent", "continue", "expect", "focus", "guidance", "leading", "likely", may", "outlook", "strategy", "target", "will", and similar expressions to identify forward-looking statements. Forward-looking statements include all statements other than statements of historical fact, including, among others, statements regarding Equinor's ambitions, plans, intentions, aims and expectations with respect to Equinor's climate ambitions and energy transition, including but not limited to: its ambition to reduce net group-wide operated greenhouse gas emissions by 50% by 2030, its net zero and net carbon intensity ambitions, carbon efficiency, growth in renewable energy capacity, internal carbon price on investment decisions, break-even considerations and targets, financial metrics for investment decisions, future competitiveness, future levels of, and expected value creation from, oil and gas production, scale and composition of the oil and gas portfolio, capex allocation, development of CCUS, hydrogen and ammonia businesses, net positive impact, and use of compensation and offset mechanisms and natural sinks and support of TCFD recommendations.

These forward-looking statements reflect current views about future events and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that will occur in the future and are beyond Equinor's control and are difficult to predict. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including societal shifts in consumer demand and technological advancements, levels of industry product supply, demand and pricing in particular in light of recent significant oil price volatility triggered other things, by the changing dynamic among OPEC+ members and the uncertainty regarding demand created by the Covid-19 pandemic; the impact of Covid-19 or other pandemic outbreaks; health, safety and environmental risks; price and availability of alternative fuels; the political and economic policies of Norway and other jurisdictions where we have assets; general economic conditions; an inability to meet strategic objectives or exploit growth or investment opportunities; adverse changes in tax regimes; currency exchange rate and interest rate fluctuations, the development and use of new technology; geological or technical difficulties; operational problems; the difficulties involving transportation infrastructure; the actions of competitors; the actions of counterparties; the actions of governments (including the Norwegian state as majority shareholder); the availability of and access to low-carbon electricity supplies from shore; political and social stability and economic growth in relevant areas of the world; global political events and actions; including war, changes in, or non-compliance with, laws and governmental regulations; the timing of bringing new projects on stream; an inability to meet strategic objectives or exploit growth or investment opportunities; adverse changes in tax regimes; the development and use of new technology; geological or technical difficulties; operational problems; the difficulties involving transportation infrastructure; the actions of competitors; the actions of counterparties and competitors; natural disasters, adverse weather conditions; climate change and other changes to business conditions; the effects of climate change; an inability to attract and retain skilled personnel; relevant governmental approvals; labour relations and industrial actions by workers and other factors discussed elsewhere in Equinor's publications, any of which could impair Equinor's ability to meet its climate ambitions and energy transition.

Although we believe that the expectations reflected in such forward-looking statements are reasonable, we cannot assure you that future results will meet these expectations. Additional information, including information on factors that may affect Equinor's business, is contained in Equinor's latest Annual Report and Form 20-F, filed with the U.S. Securities and Exchange Commission (and section Risk review – Risk factors thereof), which is available at Equinor's website (www.equinor.com).

You should not place undue reliance on these forward-looking statements. Actual results could differ materially from those anticipated in these forward-looking statements for many reasons. Equinor does not assume any responsibility for the accuracy and completeness of any forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made. Unless required by law, we will not necessarily update any of these statements.

The achievement of Equinor's net carbon intensity ambition depends, in part, on broader societal shifts in consumer demands and technological advancements, each of which are beyond Equinor's control. Should society's demands and technological innovation not shift in parallel with Equinor's pursuit of significant greenhouse gas emission reductions, Equinor's ability to meet its climate ambitions will be impaired. Equinor is including an estimate of emissions from the use of sold products (GHG protocol category 11) in the calculation of its net zero ambition and net carbon intensity ambition as a means to more accurately evaluate the emission lifecycle of what we produce to respond to the energy transition and potential business opportunities arising from shifting consumer demands. Including these emissions in the calculations should in no way be construed as an acceptance by Equinor of responsibility for the emissions caused by such use.


To get there.
Together