

CARBON  
TRANSITION

# Carbon Transition

## Capital markets day

21 June 2022





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# Today's schedule

## Capital markets update

- |                                 |               |
|---------------------------------|---------------|
| • Registration and coffee break | 10:00 – 10:15 |
| • Carbon Transition             | 10:15 – 10:40 |
| • CO2 capture market dynamics   | 10:40 – 11:00 |
| • CO2 Capsol                    | 11:00 – 11:20 |
| • Britishvolt                   | 11:20 – 11:50 |
| • Q&A                           | 11:50 – 12:00 |





# Carbon Transition

## Business overview

### Legacy business

- Highly profitable oil and gas related seismic assets
- Targeting optimization of existing oil and gas infrastructure
- Important part of maximizing output from producing fields

### Energy transition investments

- Redeploying capital from legacy operations to impact energy transition
- Investments in companies and technologies which reduce the global carbon footprint
- High threshold for new investments; will consider dividends





# Attractive legacy business to drive cash flow

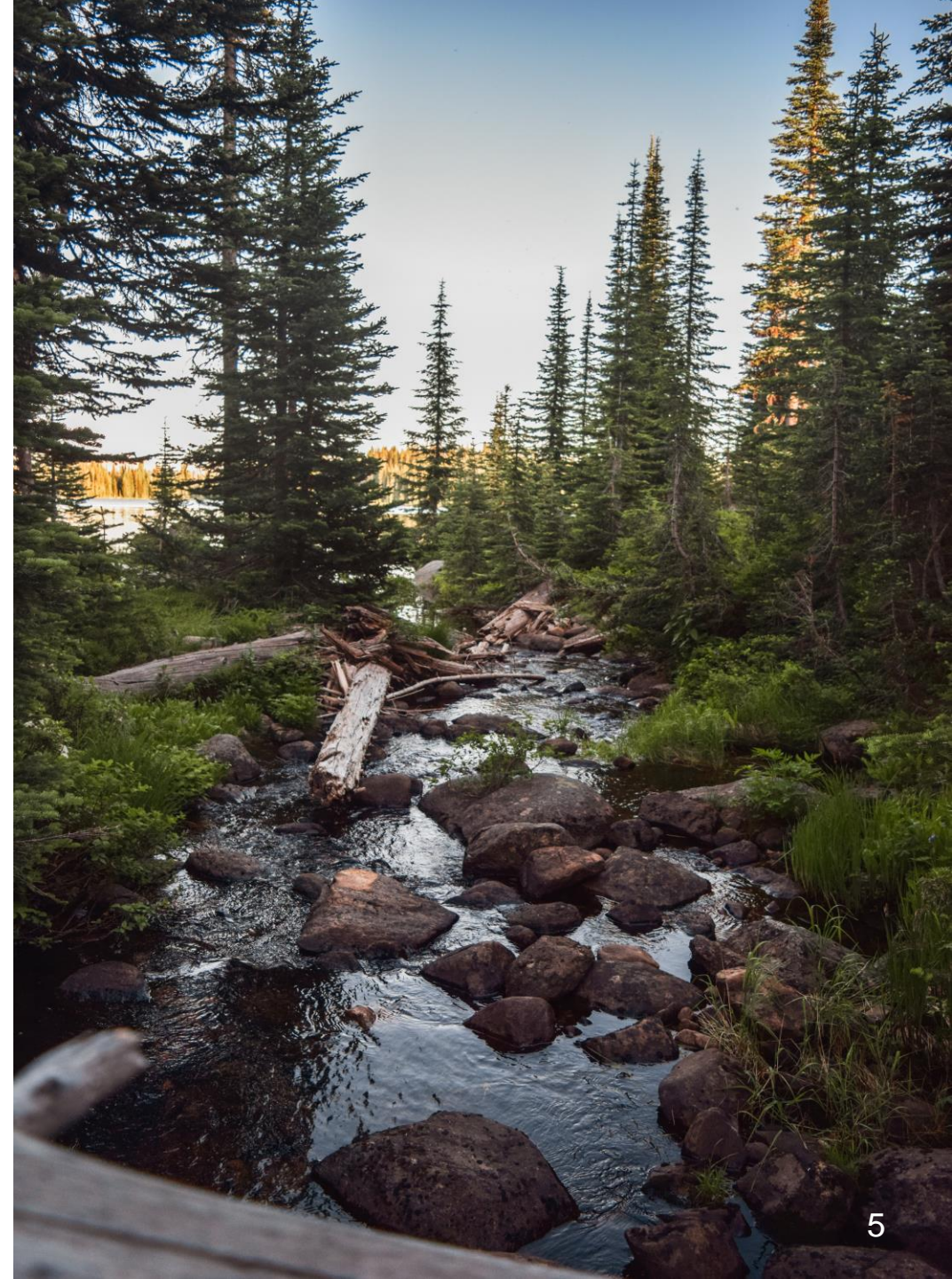
Long-term cash generation without additional costs

## Multi-client library

- Sale of data licenses for management of oil fields and well drilling decisions
- Near-field surveys backed by AkerBP, Equinor and Neptune Energy
- Several important producing fields covered by survey areas
- Surveys co-owned with Schlumberger and TGS

## Seismic node business

- Economic interest in seismic node deployment asset operated by Magseis Fairfield



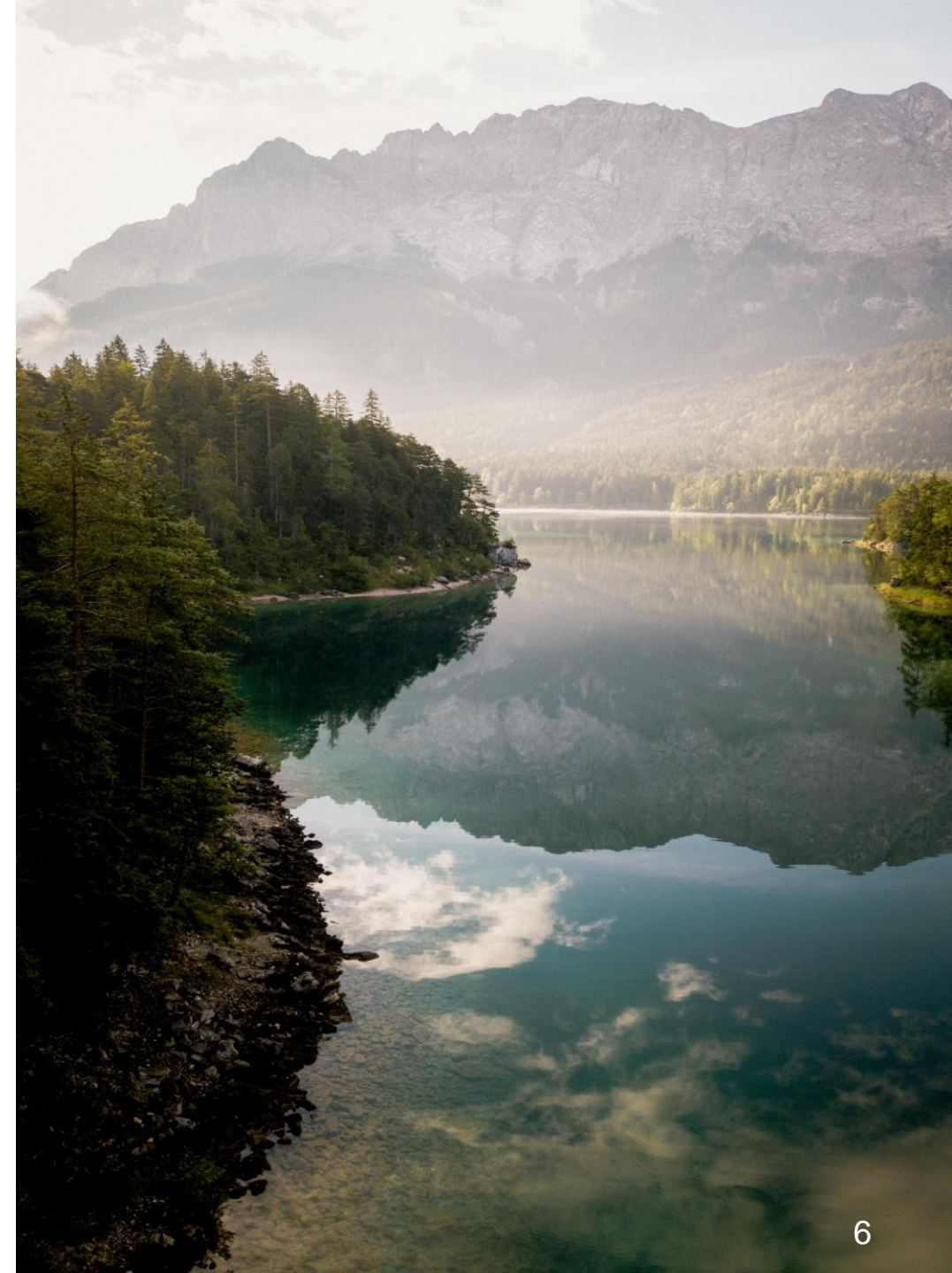




# Investment strategy

Investing in companies and technologies which contribute to significant reduction of carbon emissions

- Multiple sectors facing large and lasting changes, creating opportunities to invest in long-term winners (there will be several)
- Opportunistic approach but typically some common denominators:
  - Unique and proven technology
  - Scalable business model
  - High barriers to entry
  - Global potential
- Unlock value through investing in companies which are:
  - Through seed and venture phase
  - Currently looking for growth capital in pre-IPO phase
  - Targeting an IPO in the short to medium term

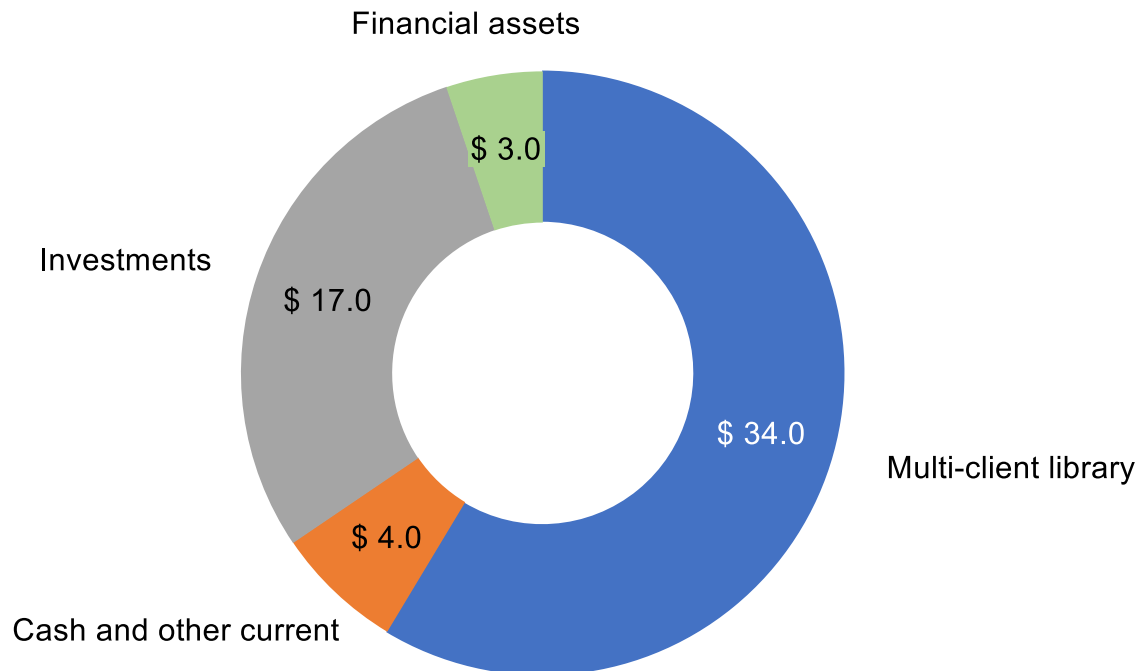




# Financial position

## Q1 2022 balance sheet

**USD 58.0 million total assets**



### Observations

- Multi-client library includes Utsira USD 23.4 million; Gulf of Suez USD 10.6 million
  - Utsira written down USD 53.1 million 2019/2020
  - Impairment reversal USD 5.6 million Q1 2022
- Seismic node operations divested Q1 2022
  - NPV earnout - financial assets of USD 3.0 million
  - Earnout cap USD 12 million over three years
  - Year-three floor payment of USD 1.5 million, subject to certain milestones
- Energy transition investments USD 17.0 million
- Financial indebtedness fully repaid

### Ratio analysis

- Equity ratio 88.2%
- Net asset value per share NOK 1.86



# Oil & gas industry consistently underinvested

Reserve replacement ratio below one for the past several years

Global reserve replacement ratio



Source: Rystad Energy research and analysis

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## Observations

- The oil and gas sector has underinvested in exploration over the past several years
  - Relatively steady production but modest reserve replacement
  - Increasing shale production significantly impacted oil prices starting in 2014
- The COVID pandemic combined with substantial internal restructurings exacerbated the situation

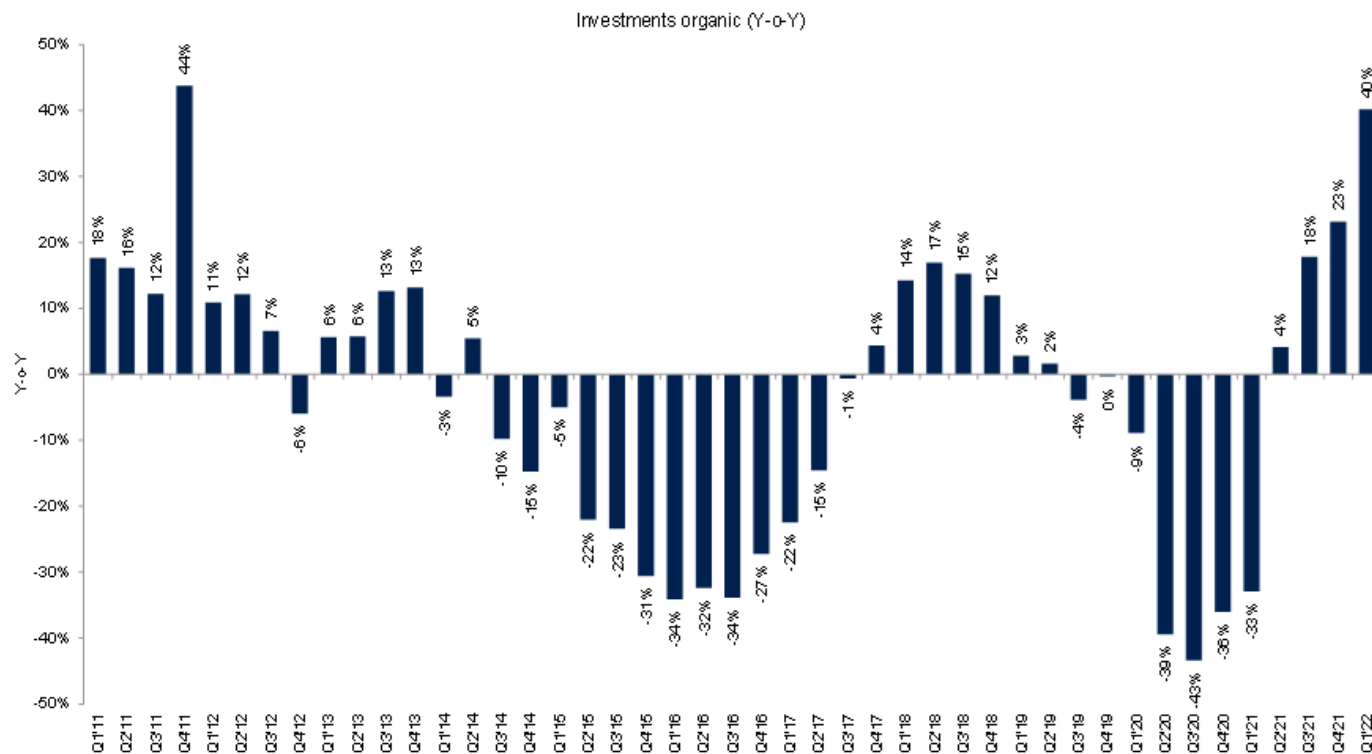




# Oil and gas capex is on the rise again

High oil prices and declining reserves fuel catch-up spending

## YoY change in large oil companies' capex spending



Source: ABG Sundal Collier

## Observations

- High oil and gas prices are causing a positive shift in investment focus
- Oil company capital expenditures are increasing significantly
- Clear and present geopolitical threat raises the focus on energy security
  - The war in Ukraine has had a major impact on oil and gas prices, but has equally importantly highlighted the geopolitical risks around energy access
  - The West is actively looking to reduce dependence on high-risk countries



# Focus will be on maximizing output from existing infrastructure

Our multi-client surveys are well positioned to capitalize on this trend

## Norwegian North Sea – Utsira

- Approximately 2,000 square kilometers of highly prospective acreage
- Survey acquired during 2018 and 2019 with support from AkerBP, Equinor and TGS
- The Utsira area holds several important fields, including Edvard Grieg, Ivar Aasen, Balder, Gina Krog, Gudrun and Johan Sverdrup, along with a number of undeveloped discoveries and prospects
- The data has extremely high sampling density which helps clients obtain new information and make new discoveries and development of oil and gas deposits previously unavailable with legacy broad band streamer data

## Egypt – Gulf of Suez

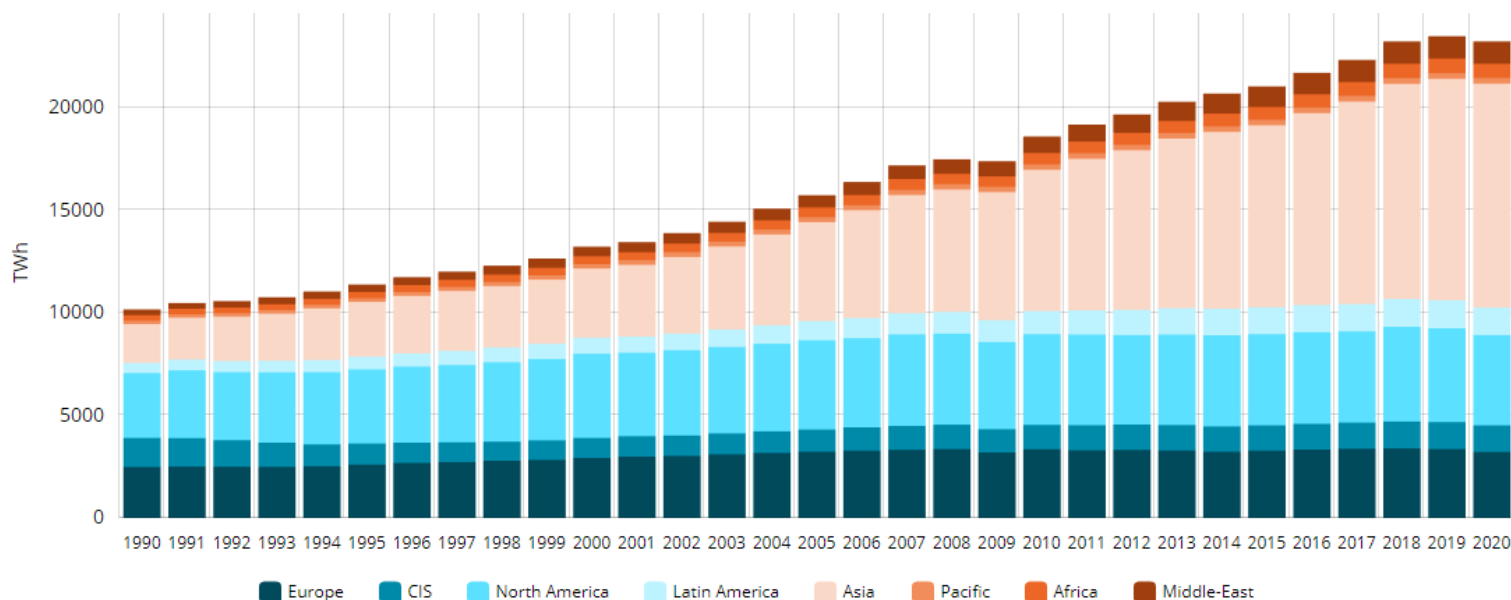
- Complex geology and presence of salt bodies have historically complicated seismic imaging
- Data acquired 2020 with Schlumberger and Neptune Energy; covers approximately 300 square kilometers
- Hybrid survey configuration, combining high density ocean bottom nodes with 3D streamers for near-surface imaging
- Near the Ramadan oil fields; several drilling campaigns planned during the coming years
- Recent highlight from Gulf of Suez area:
  - 200 MBOE discovery in the Abu Rudeis Sidri development lease by ENI in 2019
  - 100 MBOE discovery in North Ramadan area operated by Dragon Oil in 2022



# Electricity consumption continues to grow

Significantly reliant on fossil fuels

Worldwide electricity demand



Source: Enerdata Yearbook 2021

## Observations

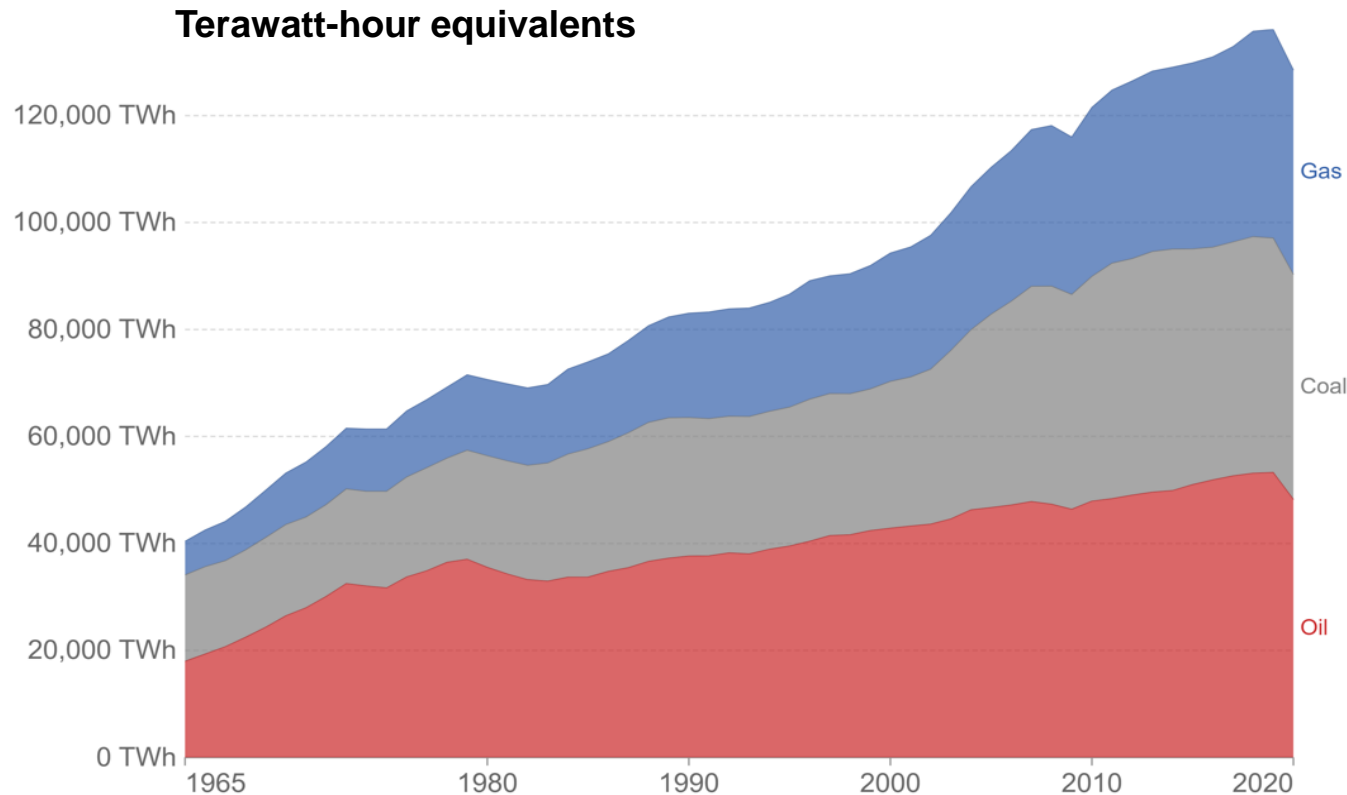
- Global electric demand grew by 6% in 2021 (over 1,500 TWh) to almost 25,000 TWh
  - China accounted for almost 50% of growth; domestic demand increased 10%
- Projected 50,000 TWh by 2050 to reach Net Zero
- Almost 2/3 of global electricity from fossil fuels; 84% of world's primary energy derived from fossil fuels
- Coal-fired electricity reached all-time peak in 2021, growing by 9%
- CO2 emissions from electricity rose by close to 7% in 2021, reaching a record high
- “Power sector emissions remain around the same level from 2021 to 2024, whereas they need to start declining sharply to meet the IEA’s Net Zero Emissions by 2050 Scenario “ – IAE, January 2022

Source: IEA Electricity Market Report 2022; EMBER; Our World in Data



# Global fossil fuel consumption

Energy consumption from fossil sources close to 130,000 TWh annually



## Observations

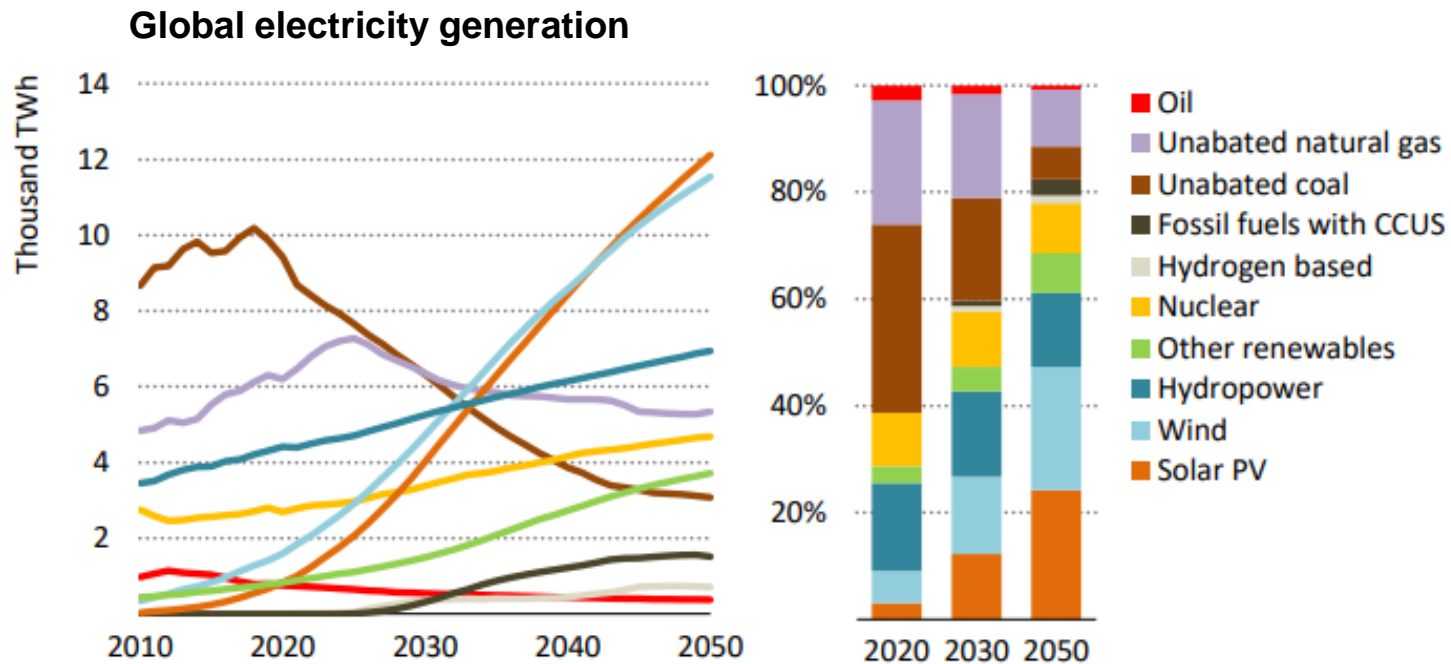
- Fossil fuels are significantly broader than electricity generation
  - Global energy consumption from fossil fuels is approximately five times global electricity demand
- In addition to oil and gas, coal represents a substantial portion of energy consumption
  - China is the largest consumer, representing over half the market
  - Asia in total represents around 75%
  - Demand declining in the West; Asia still expanding
  - Reducing coal dependence in Europe and North America will have a declining impact on overall consumption





# Renewables have a long way to go

New technologies will be critical to achieve this



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## Observations

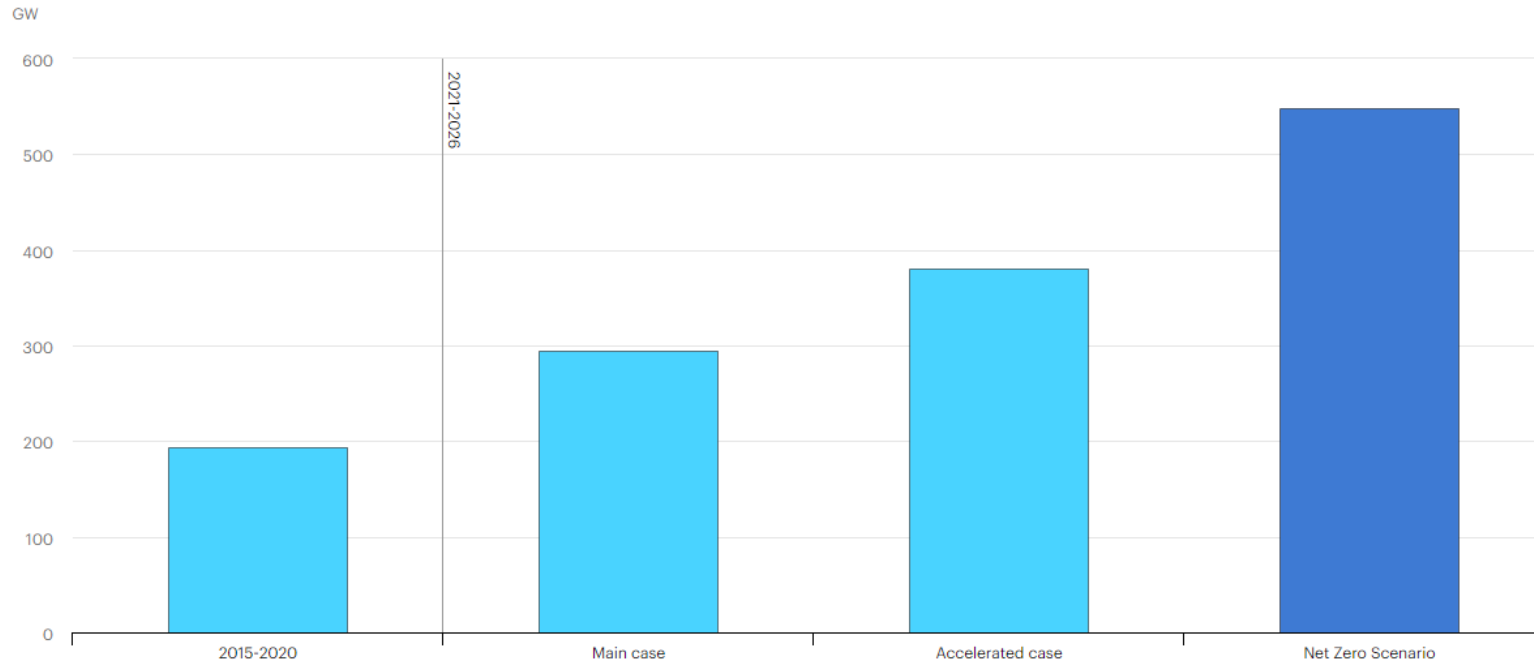
- Low-carbon sources currently accounts for some 1/3 of total electricity production
  - Nuclear approximately 10%
  - Hydro power approximately 15%
  - Wind and solar approximately 10%
- Wind and solar to reach approximately 24,000 TWh by 2050
  - Representing the equivalent of total global electricity production today
  - Approximately 50% of total estimated demand in 2050
- Nuclear grows with the market and remains at approximately 10% of total



# Renewable capacity installation

Targets are aggressive and we are already behind

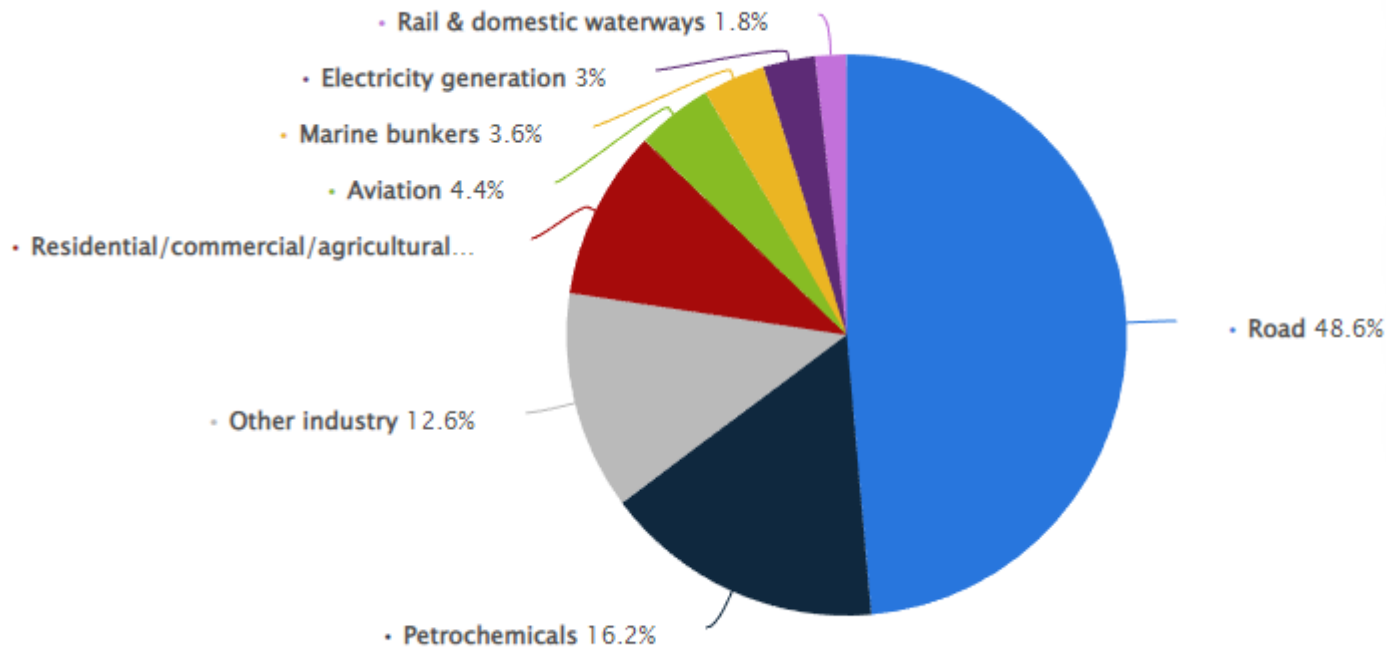
**Average annual renewable capacity additions**





# Replacing oil has a number of challenges

2020 oil demand in OECD by sector



Source: Statista 2022

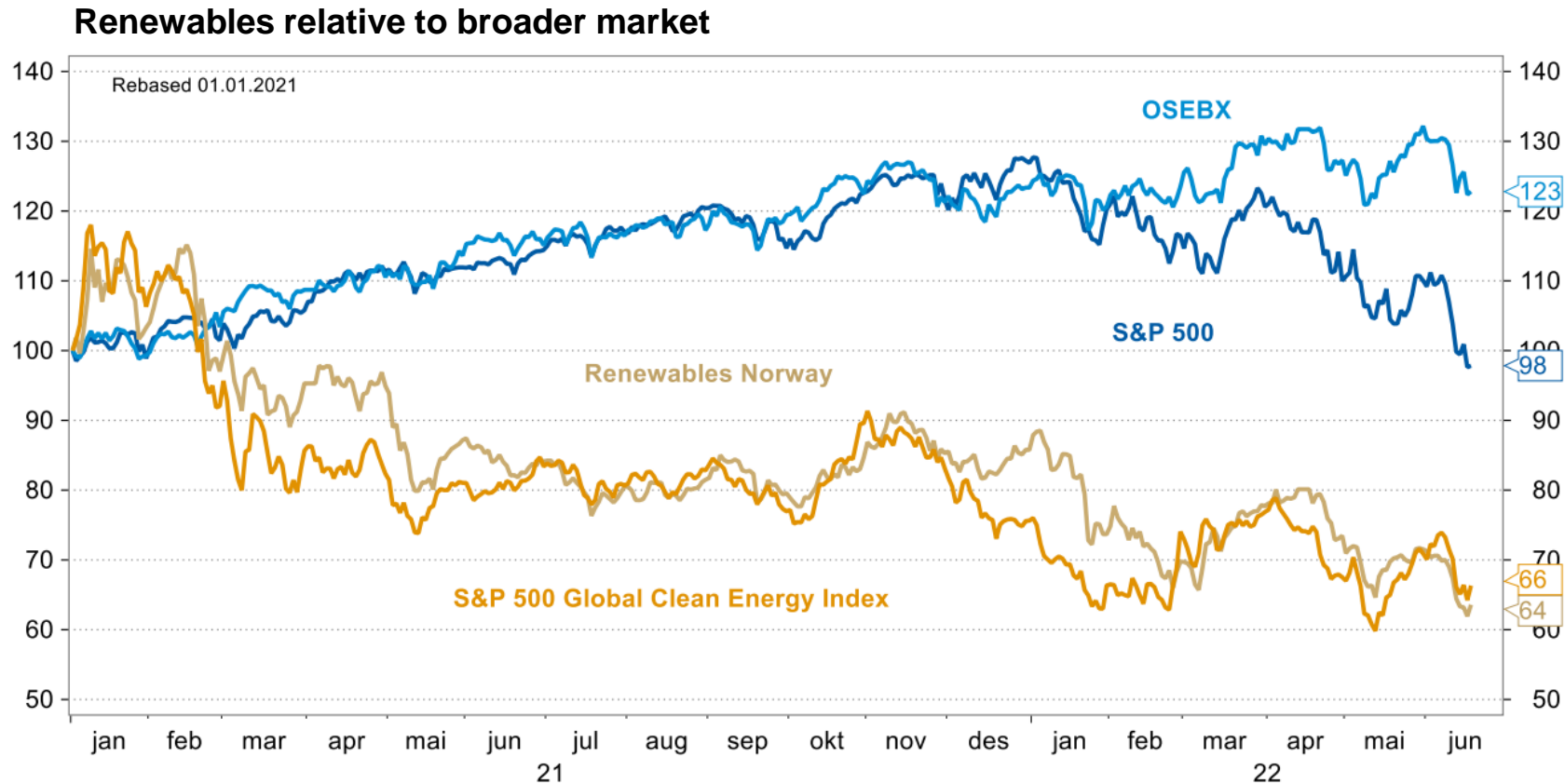
## Observations

- 3% of oil demand is used for electricity generation
- Use of fossil sources is unavoidable
  - Carbon capture and storage is a necessity in the IEA-plan to reach Net Zero targets
  - The CO2 volumes to be removed are substantial
- Other energy demand primarily reduced via electrification
- The new energy mix, favoring electric, is raising major issues to be resolved
  - Energy storage
  - Transmission and distribution



# Renewables have underperformed...

From the highs of 2021, renewables are down some 35%

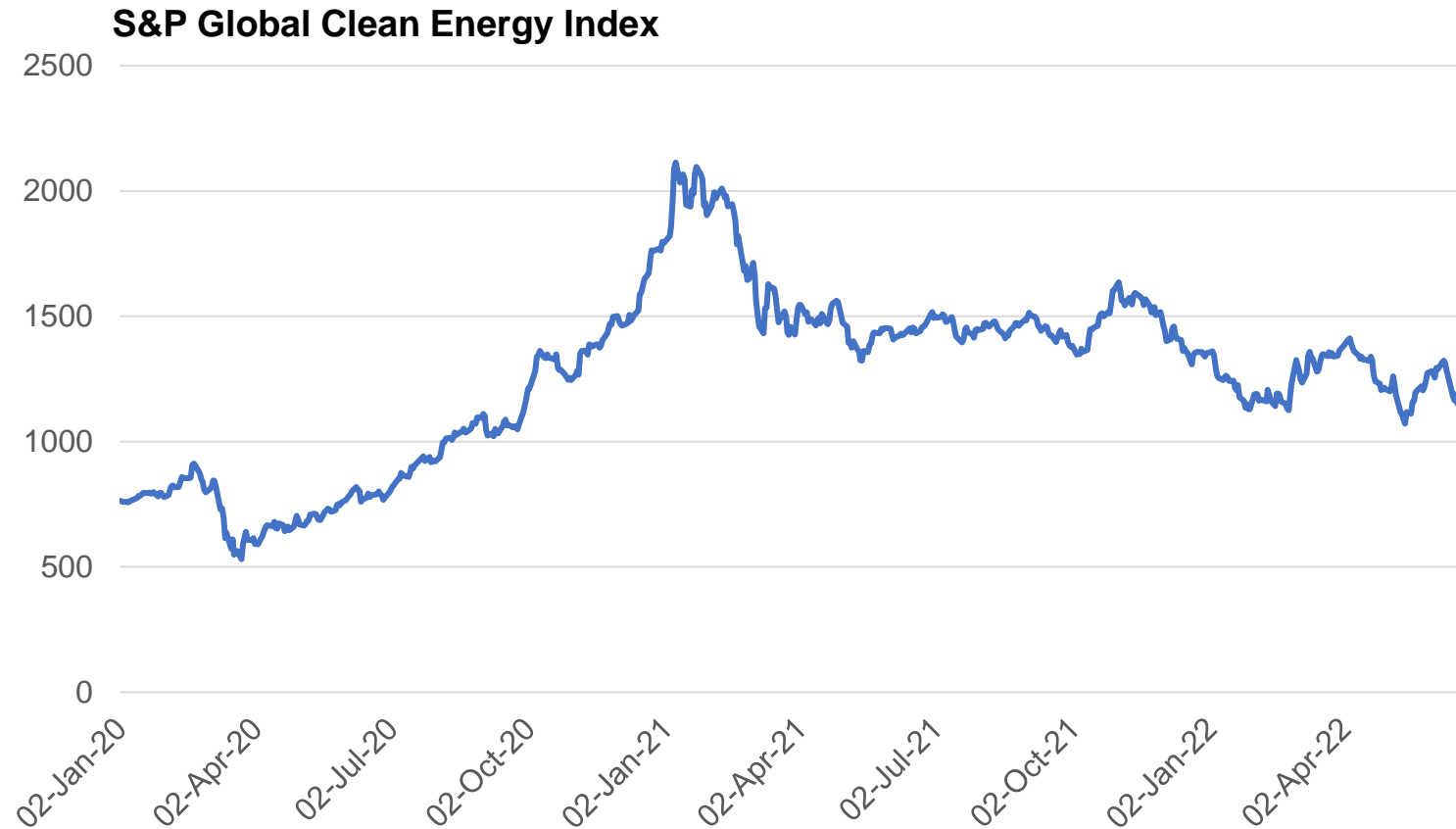






# ...but let's put this in perspective

The global clean energy index is up 56% from the beginning of 2020



Source: S&P Dow Jones Indices

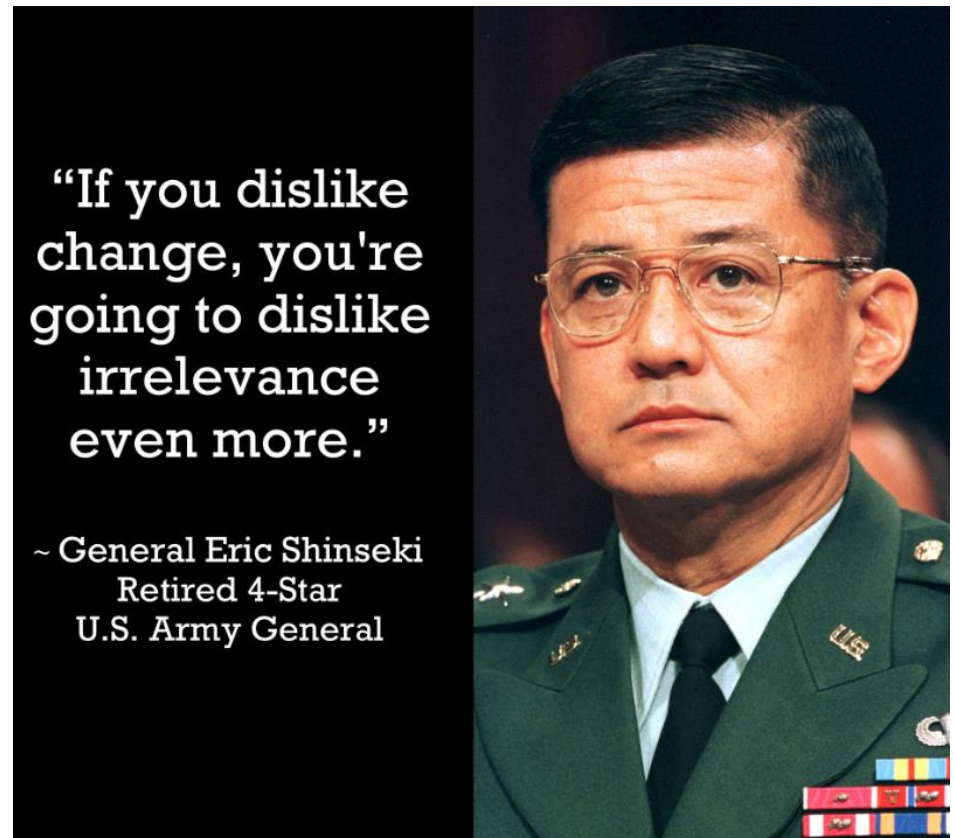
## Observations

- Clean energy valuations up almost 300% from January 2020 to the peak in January 2021
- Unlikely that the increase from 2020 to peak valuation was warranted
- At the same time, still unclear that all companies have bottomed at today's trading valuations
- There will be winners which may be attractively valued following the recent sell-off...but there will also be losers



# The energy transition thesis is more relevant than ever

- We are far behind and substantial steps will be taken
- Broad international commitment will force change and result in the development of new technologies
  - The train has left the station
  - We may not reach the 2050 targets, but the energy transition trend is not stoppable at this point
- The IEA estimating USD 4 trillion per year in global clean energy investment required to reach net zero by 2050
- There will be failures; critical to pick the right strategies and technologies
- *"I think that the world economy's decarbonization will present the biggest investment opportunity of our generation." BlackRock CEO Larry Fink*





# Two portfolio companies are with us today



Unique & proven technology



Scalable business model



High barriers to entry

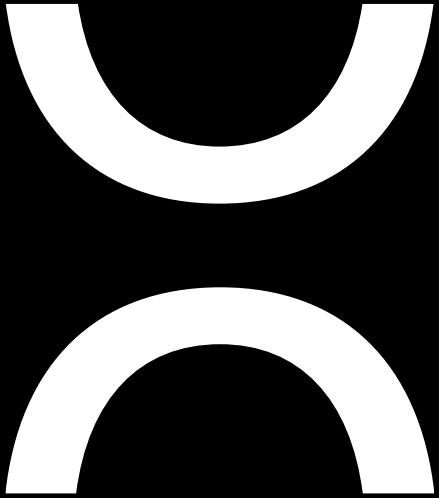


Global potential



Pre-IPO funding round





Investing in a  
sustainable future.

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