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European Spot Gas Markets – General Methodology Consultation

Statoil welcomes the opportunity to comment on the ICIS European Spot Gas markets methodology.

Statoil acknowledges that the ICIS Heren report provides a recognised and useful pricing index, but we also believe that there is scope for improving the existing methodology.

Statoil would primarily like to see the creation of a pricing index based on a weighted average of physical trades for a full day.

This will help both to eliminate the opportunities for market gaming and produce a reliable and transparent price index.

Statoil also fully supports the move towards a new methodology for a weighted average deals-based closing index, as indicated in Q5.

Please find below our responses to your questions in full.

Yours Sincerely,

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Q1. This methodology seeks to provide a reliable measure of physical market value. How well do you think the ICIS methodology achieves this aim?

Statoil believes that the current methodology should be amended to improve the transparency and reliability of the calculations and the pricing indices. We are concerned that the current methodology allows for the potential use of incorrectly reported trades to be factored into the index calculations, which can result in inaccurate prices being published.

Q2. Are there alternative methodologies you would like ICIS to consider? If so, please describe these methodologies and their strengths and weaknesses as mechanisms for measuring physical market value. Please explain their strengths and weaknesses relative to current methodology.

Statoil would support the use of a daily weighted average of reported physical trades. This will enable the published pricing indices to fully reflect the traded market and would reduce the opportunity for gaming or market manipulation. Using information only from physical trades reported by third parties would also limit an individual player's ability to influence the reported price.

We accept that by using the trades reported for the full day the ability for traders to choose a period to balance their portfolios is more difficult but we believe that the benefits of clear and transparent pricing outweighs any negatives.

Q3. How well do the ICIS prices published in this report serve your business? Are there additional prices you would like to see?

Statoil acknowledge that the currently published ICIS prices serve our business sufficiently well, but we believe that the pricing methodology could be improved, as set out in our answer to questions 1 and 2 above.

In addition to the existing published prices we would like to see Seasonal Pricing Index, reported on a daily basis

Q4. Is there any other information that you believe would be helpful to ICIS in its review of this methodology? If so, please give details

Statoil has no other information in this regard.

Q5. Some industry participants have proposed an alternative closing price methodology for the NBP and TTF Day-ahead contracts. It would generate indices from trades done during a five minute time window. The index would be a volume weighted average of deals done during this time. Please give your views on whether this would provide a reliable measure of physical market value.

Statoil believes that the proposed alternative methodology would represent an improvement of the existing closing price methodology with regard to reliability and robustness, but the use of a volume weighted daily average would be preferable.

Q6. If your response to Q5 is positive, please specify at what point in time you believe the index should capture deals. The current time for the ICIS closing assessment is 16.30 UK time.

Statoil has no preference as to the time of day used to capture deals, so long as the publication of this time is transparent.

Q7. If an index, as described in Q5, were developed by ICIS, would your company be willing to directly or indirectly submit deal information to this index? If so, would you deem any existing data-capture system to be the most appropriate channel for the provision of trade data to ICIS? Please specify your preferred method of data provision.

Statoil would *not* be willing to directly submit deal information to such index. Statoil believes that pricing information should be collected from 3rd party brokers reporting physical trades to ensure that the methodology is as robust as possible.

Q8. If your response to Q5 is positive, do you think the index should replace the current closing assessment methodology, or be published by ICIS as an additional reference point?

Statoil would support the methodology proposed in Q5 replacing the existing methodology. Furthermore, moving away from the assessment-based methodology is a positive change with regard to ensuring compliance with anti-trust laws and the restrictions on information exchange thereunder.

Q9. Do you believe an index, as described above, would provide reliable measure of physical market value for any other European gas contracts?

Statoil believes that a move to an index as described above could provide some improvement of the physical market value also for other European gas contracts.

Q10. If your company believe ICIS should launch a deals-based closing index as described in Q5, within what timeframe would you like to see this change happen?

Statoil would like to see a change to a deals-based closing index happening as soon as practically possible.