



Spaces of competitive power

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1. Thesis Introduction

Over the past decade the petroleum industry has gained political territory in Norway as well as extensive areas for increased petroleum activities. By the 1990's Norway had fulfilled its first objectives as a petroleum nation, namely control and ownership of the petroleum resources that would be used to fund long-term welfare initiatives for the benefit of the whole population. In fact, the surplus was so great that it had to be put into a fund to avoid 'overheating the economy'. The big buzz of the late nineties, 'globalization,' coincided with a period of lower oil prices and a restructuring of the petroleum industry in Norway. Most prominent was the reduction in the state's own share of state-owned Statoil and a greater share of the state's resources on the Continental Shelf split amongst other companies, including the transnational oil companies (TNCs)¹. In a re-regulative move, a coalition of petroleum industry representatives and related branches of government, which was named KonKraft, was formed with the aim of enhancing the competitive strength of the Norwegian petroleum sector.

In many ways, KonKraft was a typical example of partnerships formed according to a new global governance paradigm in which states need to reorganize and develop strategies to capture a greater share of the global market. KonKraft has been one of the arenas in which the Norwegian companies in the petroleum industry have been able to repeat its present slogan to government, 'The Norwegian oil fairy-tale needs to continue abroad'. Implicit to this reasoning is the assumption that the future of Norwegian wealth, including its ability to fund a comprehensive welfare system, depends on a dual commitment to use new oil resources to ensure a stable flow of money into the state holdings, and de-regulate the industry. The recently announced merger of Statoil with the petroleum division in the other partly state-owned energy company, Hydro, corroborates how the Norwegian actors within the petroleum industry and political leaders have a shared perspective of the strategic changes in the petroleum sector. This thesis will explore what impact a reframed global strategy has on political space in Norway.

¹ Following the dissolvent of SDØE (The State's Direct Economic Involvement).

1.1 Theoretical Framework

Over recent years, there have been increased calls from human geographers to provide more contextually, grounded understandings of the processes of globalization, using qualitative methodologies and focusing on key ‘globalized sites’ (Hart 2002, Dicken 2004, Flusty 2004). This includes looking at the way in which TNCs, which are often presumed to be entirely dominant within a new global marketplace, try to promote themselves within national political dialogue in an era in which neoliberal reforms are driving the emergence of new geographies of investment, production, and trade (Dicken 1994, 2004, Bridge & Wood 2005). Such studies may allow us to see how the ‘global strategic visions’ of TNCs, are in fact constantly reworked as well as resisted ‘on the ground’ as they intersect with different political institutions and ideas (Roberts 2003). They can also provide more nuanced understandings of the ways in which state power is re-organized rather than simply rolled-back by corporate influence (Peck 2001, 2003, Brenner et al. 2003). The standard globalization thesis argues that the balance between political and economic forces has changed in fundamental ways, but to the latter’s great advantage. However, as a discourse it can enable powerful material impacts on global social, economic and political ties, which, in turn, are incorporated into new discourses about these processes (Sparke forthcoming).

The spaces of state power are not simply ‘filled’ as if they were pre-given territorial containers. Instead, state spatiality is actively produced and transformed through socio-political struggles at various geographical scales. The geography of statehood must therefore be viewed as a presupposition, arena and outcome of evolving social relations. (Brenner 2004: 10)

The main theoretical challenge in this thesis is to understand and reflect upon state spaces in Norway. In addition to Peck (2001, 2003), the most important influence here is Brenner et al.’s (2003) geographical perspective, in which the state by definition is multidimensional - “state spatiality must be viewed as a complex expression of ongoing processes and practices,” practices that are produced as well as produces “various scales” (Brenner et al. 2003: 7). In contrast to accounts in which the nation-state is studied as a boundary and the ‘level’ of territory that is neutral or pre-defined, this inquiry will put scale relations into perspective and demonstrate that the state operates within multiple

scales that are produced through historical conditions, practices and events. In the changing priority of the national scale in an era of ‘globalization’, state space can be analyzed through structures, processes and representations (Brenner et al. 2003). State space can be viewed as an expression of ongoing negotiations and inventions, and can be made manifest through territorial as well as non-territorial state practices (Tuathail & Dalby 1998, Dalby et al. 2006). The objective of these emergent research agendas in the field of political geography is to move away from understandings of the state as a “pre-given, static container within which social relations happen to occur” (Brenner et al. 2003: 6).

A weakness of Brenner et al.’s (2003) work, and one that is taken up in this thesis, is that it does not provide concrete examples of analyses where the three dimensions of state space as structures, processes and representations, can be examined ‘together’. Perhaps for the reason that they neglect state power as a unitary and closed off space. A turn to Peck (2001, 2003) however, provides an outline of the key attributes of neoliberal state spaces, where new forms of statecraft can be studied as political interventions to *re-regulate* trade, where the state re-negotiates its strengths and thus becomes *differently* powerful. The challenge then becomes to study neoliberalization as a changing, contingent process, and not as an end process (Peck and Tickell, 2003). The emergence of public-private partnerships is an attribute to these differential and uneven neoliberal spaces (Harvey 2005). These theoretical challenges might enable an understanding of the state as not having its own separated agency, but rather as an expression of how politics and economics are increasingly becoming entwined in an era of increased political and economic interconnectedness.

1.2 Research Question

My objective is to discuss state power in relation to the petroleum industry by analyzing how the emphasis on ‘competitiveness’ influences the political arena. This will be examined through dimensions and dynamics of state space, tracing responsibilities and challenges of the state. It involves discussing the practice and the political context of KonKraft. It also includes an analysis of how the petroleum industry argues for greater access to potential new petroleum resources, and consequently how these arguments

influence Norwegian political space. I address this asking the following question of research:

How does the emphasis on ‘competitiveness’ in the petroleum sector influence state space in Norway?

The examination will be presented by discussing three aspects forwarded in three chapters. The first discussion contextualizes the economic shift towards becoming a major oil producing economy, and changing political attitudes towards current objectives for Norwegian petroleum extraction: serving welfarism, environmentalism and the global market. The second analysis will present the debate over the competitiveness of the Norwegian Shelf, which commonly circles around the relationship between political stability, prospectivity and taxation. Prospectivity is the term the industry uses to describe the potential for new discoveries and investments in physical projects. The third discussion will present the state-industry relations through the public-private partnership KonKraft. KonKraft’s function is to enhance the ‘global’ competitive strength of the Norwegian Continental Shelf where oil and gas extraction takes place, and to strengthen the Norwegian petroleum industry in relation to other petroleum regions.

1.3 Methodology

My data is based on interviews that survey geographical perspectives of the different actors that influence Norwegian petroleum politics. A total of 16 open-ended interviews with politicians and industry representatives were conducted (see appendix 1). The political intentions and strategies were central in conversations with the representatives of the political parties. With the petroleum industry, the objective was to obtain their view on the competitiveness of the Norwegian Shelf, their experience and reflections on KonKraft and, if there was time, evaluations of the political economy in Norway. Finally, I interviewed two environmental foundations and a labor union.

1.4 The Petroleum Sector

In terms of petroleum production and trade, Norway is the third largest exporter of oil and gas, holding large reserves of oil and gas fields yet to come on stream². The Norwegian petroleum tax system is favorable for marginally profitable projects that enable the fields in production to extract more oil and gas than the ‘average’ in other petroleum producing countries. The Norwegian state holds a strong position in the petroleum sector today; by collecting 78% in taxes; by taking away oil companies’ economic risk for investments, as oil companies can write off 78% of their operating investments costs when paying their taxes³, and by controlling 78% of the Norwegian shelf through the state-owned oil companies. Statoil operates 60% of the petroleum fields, whilst Hydro operates 18%, the former 70% state owned and the latter 40%. In the ‘new company’ the state’s share is estimated to be 2/3 as the government has bought additional shares.

By 2006, Norway has developed a petroleum sector that constituted around 25% of the national GDP, 33% of the state’s income, 52% of the exports and 24% of investments (Ministry of Petroleum and Energy 2006). The further surplus of the state income that is not generated through the national GDP is invested in foreign bonds, stocks and equities through the second largest international fund. It is referred to as the ‘pension fund’ due to an expected demographic change in Norwegian workforce. At the beginning of 2007 it accounted for more than 1700 billion NOK, or about 220 billion USD having grown by 30% in 2006⁴. This puts the Norwegian state in a favorable financial situation, and creates a buffer between the changing level of oil prices and the government’s returns. As the figure shows, where investments are revealed in dark blue, and exploration costs in light blue, the investments on the Norwegian Shelf are about to reach a historical high level. In 2006 and 2007, the investments excluding exploration are estimated to be 85 and 82 Billion NOK⁵.

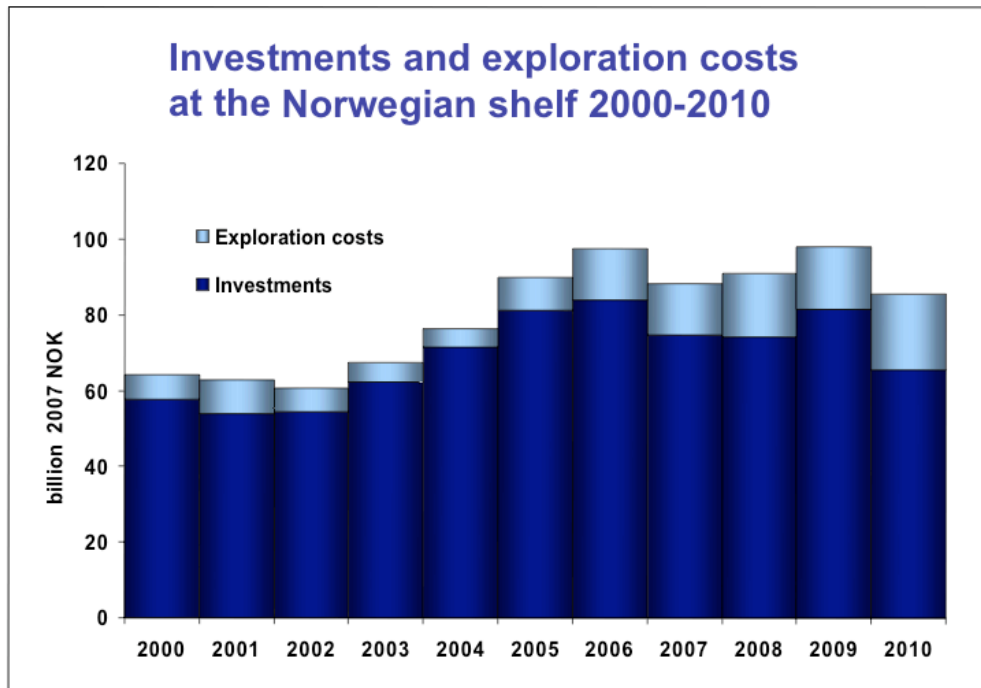
² The Petroleum Directorate estimates that only 1/3 of the total expected petroleum has been extracted

³ In relation to writing off investments, if a company is not in a taxation position, 78% of the costs will be paid the same year.

⁴ www.oed.no Minister speech, ”Sokkelåret 2006”
5/1-07. Downloaded 15/1-07.

⁵ www.npd.no press release 1/2007.

Figure 1 Investments and exploration costs



Source: Ministry of Petroleum and Energy [my translation]⁶.

1.5 KonKraft

KonKraft is an interesting phenomenon when examining the relations between the state and the petroleum industry, with particular focus on the oil companies in particular. KonKraft is described by actors in the petroleum industry and the government as both a ‘process’ and an ‘arena’ to make actors in the Norwegian petroleum sector competitive. As such, it is a political space where industry-related challenges and governmental policy issues, are continually under discussion. It was initiated in 2000 by ‘heavyweight’ actors within the petroleum industry with the clear aim of getting closer to the government at a time when low oil prices were seen as threatening the Norwegian investment levels and

⁶ www.olf.no/konkraft/ The figure was shown by the Minister of Petroleum and Energy at the Toppledorforum-meeting (KonKraft) in December 06. Downloaded 5/1-07.

exports. The Ministry of Petroleum and Energy (henceforth, the MPE), and related authorities in Norway subsequently became ‘partners’ in an attempt to resuscitate oil revenues. The goal was, and still is, to create consensus around conflicting political debates and policy-oriented outcomes for its target, to make Norwegian petroleum *competitive* on a global scale, with a special focus on the Norwegian Shelf. The outcome of the industry’s approach towards government was Konkraft, which, since early 2001, has arranged quarterly meetings under the name of Topplederforum. Topplederforum is an exclusive arena in which the petroleum industry can talk freely as the petroleum industry actors are not identified by names in the reference. In this thesis the petroleum industry as presented includes the oil companies operating in Norway, and the ‘supply industry’ which includes companies that are dependent upon petroleum activities. White Paper # 38 (2001-2002) states that directly and indirectly 220 000 workers are tied to petroleum activities in Norway.

1.6. Structure of Thesis

The next chapter will highlight areas of geographic literature in which I will be engaging, providing an overview of the key ideas within political geography that have influenced my thinking; state theory, neoliberalism and global governance. In chapter three, a discussion of the methodology, outlining why I decided to use particular research tools as well as acknowledging the validity and credibility of the data obtained. Chapter four will present the consensus over petroleum spending and the role of KonKraft, including the political context in which KonKraft came into being. This will provide the introductory context for the following three analysis chapters. In chapter five, state spaces of power will be presented in relation to historical as well as present conditions, including key events in the global petroleum industry that have influenced Norwegian petroleum politics. These changes will be contrasted with how the petroleum sector influences Norwegian politics and might constrain environmental concerns. I will then outline the ‘internal’ debate on how political stability, prospectivity and taxes determine Norway as a ‘competitive’ petroleum province and, in chapter 7, and how this can be utilized as reproduced spaces of state power when discussing KonKraft. KonKraft will be presented as an examination of changing industry-state relations, and the differing views of the function and role of KonKraft will be reviewed. These three chapters will provide the

discussion of how state spaces of governance as well as representations of the state are changing and the increased concern with, and emphasis upon, state representations in state-industry relations. In the conclusion, I will discuss state power and the possibilities and constraints that can follow from the relations between the petroleum industry and the state, who, in the 'end', are working the new spaces of competitive power.

2. Contextual Theory

The term political economy is widely used within human geography and other social sciences to indicate a belief that the political and the economic are irrevocably linked. The first time it was given meaning, in the early eighteenth century, it was simply used to refer to economic policy. Later however, classical economists redefined it to include issues of production, accumulation and distribution of wealth in societies. The emphasis on distribution was seen as politicizing questions about the economy. Marx in particular disputed the claims of neoclassical economists by arguing that capitalism was founded on the dispossession and exploitation of the poor, supported by an elite political order (Marx 1976, Gregory et al. 2000). Today, there are different discussions within different fields linked to the term political economy, reflecting how the debate around politics, economics and public policy are entwined, and always disputed.

Political geographers are broadly concerned with the actors, institutions and global/local networks through which political and material processes operate, as well as the exclusions that the specific modes of organizing the political economy creates. Brenner et al. (2003), and Peck (2001) are concerned with the production and transformation of state space in particular, and how this is mediated in political struggles. Political geographers often focus on questions of political economy, which in turn stresses the importance of the “political organization of economic reproduction in structuring social, economic and political life” (Hubbard et al. 2004: 349). Often associated with the influence of Marxian thinking, political economy perspectives include a variety of approaches that explore the workings of market economics. More recently these have tended to focus on neo-liberalism as an ideology, a policy, and as a technique of rule, or governmentality.

This chapter will promote a dynamic understanding of the spaces in which the state operates and re-creates its own particularity, and how it adopts different strategies in relation to its representational and governmental practices. The objective is to enable an analysis in where space is seen as produced through different representations, and through interventions that respond to issues of security, economy and political interests.

I will begin by emphasizing the role of globalization debates in relation to the production of political spaces where the state re-invents itself. The state also faces centralization in the world economy. Secondly, geopolitics that has a longer history within the social sciences is presented in relation to the strategic choices the state sees itself as operating within. Also, within these spaces, the state seeks to operationalize different strategies that increasingly are attributed to the growing emphasis of the state's performative manners. An emphasis of competitiveness where the state re-invents itself in order to adjust to the 'global market place' whilst designing internal policy-making to correspond to this objective. This is often associated with the 'neoliberal turn' in state policy-making that will be emphasized with the neglect of the Keynesian welfare state's 'logic'. Second, how the state needs to intervene in order to maintain the market rule through re-regulation and third, by discussing how the state has *become differently* powerful in doing so. Finally, the critique of the 'deterritorialized' view of political space will be raised, by drawing on Brenner et al.'s (2003) conceptualization of state space as dynamic and dimensional. The dimensional approach will be presented as the analytical framework in which this research project is conducted.

2.1 Globalization

Over the past decade, the concept of *globalization* emerged as a central theme within human geography and the social sciences (Held et al. 1999). Contemporary research by economic and political geographers is largely critical of orthodox accounts, which tend to portray globalization as a "systemic and inevitable force" (Bridge & Wood 2005: 199), and as causal and explanatory (Dicken 2004). Claes (2002) is critical to the projected weakening role of the state; it might have been overstated, as the state is showing the capability to adapt to new environments and external threats. Also, the perceived contradiction between capitalism and state sovereignty, as "effective state intervention is now assumed to be an integral part of successful capitalist development" (Rueschemeyer & Evans, cited in Claes 2002: 2). Within political geography there is an emergent research agenda where the 'return of the state' has been accompanied by an insistent problematization of scalar relations in globalization debates (Peck 2003). To challenge conventional representations, a number of economic geographers have recently turned

attention to the practices that constitute globalization, and in particular, to the ways in which firms achieve their 'global reach' (Bridge & Wood 2005).

Human geographers are in general occupied with the spatial connections and transformation brought about by increased interconnectedness. Sparke (forthcoming) distinguish between how globalization can be understood as multiple effects of intensifying global interconnections, and that globalization is simultaneously put to work as an influential 'codeword' in political rhetorics which in turn shapes policy-making. Little 'g' globalization refers to processes of economic, political and social integration that creates relations and shapes geographical differentiation, "globalization is the extension, acceleration and intensification of consequential worldwide interconnections" (Sparke forthcoming: 5). These relations are characterized by interdependencies, which means that what happens in one geographical location, has effects on others. And equally, the interconnections 'over there' can work the other way around and have consequences and effects 'here', meaning that the lines of dependency run in both directions.

Sparke explains how the term globalization has developed from being an indication of increased trade, and how it has become politicized and turned into neoliberal doctrine. Firstly appearing in a dictionary in 1961, and increasingly used by British journals and papers such as *The Spectator*, *The Sunday Times* and *The Economist* in 1965, it proved as a sign of a broader development with emphasis on global networks and interconnecting processes. The following debate and dispute over globalization reflects the various ways in which politicians, journalists and other opinion leaders began to load the word with more and more political meaning. To understand and how the process of politicization was determining in the 1980's that includes the political and ideological aspect of globalization, Sparke introduces his second definition of globalization. Marked by a capital 'G', in the context of political leaders increasingly made use of the term to pursue political goals, "Globalization has become an instrumental term put to work in shaping as well as representing the growth of global interdependency" (Sparke forthcoming: 5). The key era for the development of this specific politicized reference to 'capital G' globalization was the 1980's. During this decade, in the context of a globalizing free market economy, influential politicians in the West, most prominently Thatcher and Reagan, made the political argument that a huge

range of trade, labor, finance, welfare and social policies had to be thoroughly reformed to make states more competitive. If nation-states were to stand a chance of surviving the onrush of global competition, a number of deregulating moves had to be carried out, such as privatization, tax cuts and welfare reforms. Sparke explains the effect of this as the rise of a form of global political common sense about the need for economic liberalization. A common sense that is usually referred to as *neoliberalism*. The term neoliberalism refers narrowly to the popularity of the arguments of classical political economists such as Adam Smith, and their arguments of liberal free market economics. However, it is used more generally to describe the various ways in which ideas about liberating the market from government intervention have been put into practice. As such, Sparke argues that a wide range of politicians has come to the same view that Margaret Thatcher articulated in the 1980s: that ‘there is no alternative’ to neoliberal reform.

2.2 The Concept of Geopolitics

Traditional geopolitics is associated with political strategists such as Harold Mackinder who, at the turn of the 20th century, used various maps and spatial metaphors – ‘the Heartland’, ‘the Rim Lands’ – to argue for British military intervention in Asia and Eastern Europe. The term fell out of favor after World War II due to its association with Nazi imperialist expansion. In the Cold War it was resurrected, by Henry Kissinger and other key figures, to enable and legitimize US intervention. During the cold war, the geopolitical vision enabled political leaders to reduce the historical events into a continuous darkness of ‘us’ versus ‘them’ (Tuathail & Dalby 1998: 1). These projections were in turn based on a political doctrine, denying both geographical difference and its own self-constituting politics.

With the end of the cold war, the analysis of how the geographical is bound up in theory and practice and how it is performed by different states in international relations, has taken ‘a critical turn’ in political geography. Drawing inspiration from post-structuralist theory, political geographers have started to analyze geopolitics as a discourse. Tuathail and Dalby (1998) and Dalby et al. (2006) gives theoretical ground to these claims where geopolitics is seen as “the power to discursively construct, through geographical representations and practices, a popular understanding of the context of key political questions” (Dalby 1998: 295). Or as Agnew (in Tuathail and Dalby 1998) puts

it, geopolitics is to engage with the geographical representations and practices that produce particular spaces. From this starting point, we cannot accept geopolitics as the neutral and objective practice that surveys 'global' space. Instead, traditional accounts of geopolitics itself become a form of geography and politics, with its own "contextuality...that it is implicated in the ongoing social reproduction of power and political economy" (Tuathail & Dalby 1998: 3). As such, studying geopolitics involves studying the ways in which global space is labeled. It also involves understanding how metaphors are deployed and visual images are utilized to construct images of world politics (Dalby et al. 2006: 3). Ferguson and Jones (2002) emphasize the problematic tendency towards generating self-validating conclusions. For example, major security issues, are still seen as a struggle between implacable, hostile blocs. As a consequence, policy makers may be convinced that they are making objective responses to 'real' national interests or security threats when they seek to extend the power or influence of their states.

2.3 Neoliberalism and Governance

Like the globalization rhetorics with which they are elided, discourses of neoliberalism have proved to be so compelling because, in representing the world of market rules as a state of nature, their prescriptions have a self-actualizing quality...Discourses of neoliberalism are 'strong discourses' in part by virtue of this self-actualizing nature and in part because of their self-evident alignment with the primary contours of contemporary political-economy power.

(Peck & Tickell 2002: 383)

Although Thatcher was never right to claim that there is not a counter vision to neoliberal reform, two decades later the global domination of this form of political rationality means that the burden of proof has shifted. It is embedded into the commonsense of our times (Peck & Tickell 2002). Governance and neoliberalism, like globalization, is a rapidly expanding field of theoretical, empirical, and political enquiry. Peck and Tickell see these challenges as including the ways neoliberalism is considered and characterized, how it is imposed, reproduced, and also the command centers and its vulnerabilities. Taking certain signals from the globalization debates, a 'processual' conception of neoliberalism can be taken on, where neoliberalization, like globalization, should be understood as a process, and not an end state. Also Peck (2001) and Massey (2005) bring about the theoretical problem of how neoliberalism is thought of as everywhere and nowhere at the

same time. As such, promoting neoliberal reform is organized around similar practices as Globalization, where there is a strong emphasis on the market-based approach to organizing *public policy*. Peck (2001) and Harvey (2005) argue that in an era of neoliberal globalization, in order to be more attractive to investment within the global economy⁷, the state is increasingly disciplined *not* to intervene in the market through public policy. Peck and Tickell (2002) relate this to how de-regulation is slowly giving way to a growing re-regulatory historical ‘moment’, structured predominantly in neoliberal terms.

Harvey (2005) discusses the self-imposing strength discourses of neoliberalism have on state policy-making processes, as there is a major shift behind the structural changes in the “nature of governance” (Harvey 2005: 76). Given what he sees as a neoliberal ‘suspicion of democracy’, strategies are required to integrate state decision-making into the dynamics of capital accumulation. This involves public-private partnerships, whereby businesses and corporations do not only collaborate closely with state actors, they even acquire a strong role in writing legislation, determining public policies and setting regulatory frameworks. Patterns of negotiation arise which increasingly incorporate business and professional interests into governance through close and sometimes secretive consultation. Another characteristic that Harvey suggests is how the state typically produces legislation and regulatory frameworks that benefits corporations. In many instances of public-private partnerships, especially relating to the states internal affairs, the state takes much of the risk while the private sector takes most of the profits.

Broadly, governance literature is concerned with the ways in which a wide range of institutions are involved in decision-making, also emphasizing the nature of the relationship between organizations. In this latter sense, governance refers to a particular form of coordination. In contrast with top-down control in coordination through hierarchy and the individualized relationship in coordination through markets, governance involves coordination through networks and partnerships (Gregory et al. 2000). The political scientists Peters and Pierre (2000) argue that since states are becoming increasingly

⁷ Castells (1996) talks about the global economy as *one* in the sense that it has the capacity to work as a unit in real time on a planetary scale and was enabled through new information and communications technologies in the late twentieth century.

dependent on other societal actors, the main governance challenge for the state is to redefine the relationship between political and administrative branches of the state in order to allow for market based models of administrative reform. As Sparke (forthcoming), they suggest that the Reagan and Thatcher administrations in the 1980s that capitalized on and strengthened the rejection of the state and politics as a “vehicle for change when proclaiming the market and portrayed the government not as the solution to societal problems but rather as the problem itself” (Peters & Pierre 2000: 56). The state then, lacking support, had to redefine its role in society.

2.3.1 Neglecting the Logics of the Keynesian Welfare State

The Keynesian state that was the historic vehicle of *solidarity*, and whose mission was to counter the cycles and damaging effects of the market, to ensure collective ‘well-fare’ and to reduce inequalities, is succeeded by a Darwinian state that makes a fetish of *competition* and celebrates individual responsibility.
(Wacquant 2002: 2)

The theorization of the Keynesian welfare state has been extensive, and provides grounds for what the advanced industrial nations was occupied with doing in the three decades following the Second World War. These states were key sites for regulatory functions, like income maintenance, macro-economic management and social and spatial redistribution (Peck 2003). The scalar organization of the Keynesian welfare states involved a socially constructed correspondence between the national economy holding the role as the primary object of economic management, and the national scale as the primary political scale in which economic management was conducted (Brenner et al. 2003). The emerging internationalization of trade and economic relations, and the growing social problems within the Keynesian welfare state, led to a growing rejection of ‘big government’ and a rejection of the nation states’ abilities to maintain the re-distributive role (Brenner et al. 2003). As a number of Keynesian welfare-state were lacking the re-distributive strength, it was also a demand from the citizens and not just opposing political interests that led to the notion of that something ‘had to be done’.

Over the past two decades, new forms and state functions have replaced the Keynesian forms of statecraft where new institutional and regulatory landscapes have been created (Peck 2003). Different strategies have been carried out by the advanced

industrial states, ranging from passive and redistributive welfare tactic, to governmental techniques of ‘third way’ social democratic pragmatism, and to policy orientation of full employment. Hence, Peck suggests, that the contemporary shifts in state forms are intertwined with the privilege of new state functions. These circumstances also present new theoretical and methodological challenges for analysts of state restructuring. One problem is that the undefined and uneven process of institutional restructuring often blurs and confuses received ideas of where ‘boundaries’ lie between functional policy areas. Privatized and elite governance structures tend to blur governance and accountability mechanisms. The *realities* of state restructuring are therefore inevitably more complex than “stylized readings” of constituted explanations such as ‘deregulation’, ‘privatization’, and ‘neoliberalization’ and ‘hollowing out’ typically suggests (Peck 2003: 223). Not only must the categories themselves be subject to critical scrutiny, but also carefully formulated empirical work is required in order to expose underlying patterns and processes, and to generate critical cases and counter-cases. Consequently, Peck argues, the research agenda involves going beyond the question of what the reorganized state is doing, to explore where it is doing it and by whom.

2.3.2 The State as a re-Regulating Power

The reality of neoliberalism does not exist simply in its abstract ideals, but also in the varied forms that it takes in geohistorical practice. In this vein, the idea of *contradiction* has been a major theme of recent scholarship on neoliberalism, particularly contradiction between what is called deregulation and the active role of political intervention in creating and maintaining deregulation.

(Mansfield, cited in Hughes 2006: 636 [my italics]).

Hughes (2006) uses the quote of Mansfield to give grounds to the growing literature within social sciences where effects of trade liberalization have been scrutinized by the metanarrative of neoliberalism itself, and the ways in which neoliberalism is re-invented through geographical specificities. The core of Mansfield’s argument is that political intervention continues to dominate trade, in spite of the neoliberal logic of deregulation as creating a self-regulating market: De-regulation that by definition should involve governments’ abolishment of regulations that “restricts competition between different market actors” (Peet & Hartwick, cited in Peck 2003: 48). Still, market actors, and states

in particular, continue to shape the rules of trade through new institutional forms and regulatory conventions. These are designed to secure the extension, maintenance and reproduction of the so-called market rule (Peck 2003, Hughes 2006,). In this way, the neoliberal project has been about more than simply ‘liberating’ market forces. The extension of ‘de-regulation’ involves the development of new forms of statecraft and governmental practices, some concerned with extensions of neoliberal market-building in itself, and others concerned with managing the consequences and contradictions of marketization (Peck 2003). This process also involves a re-scaling whereby new spatial scales are continually created and recreated (Swyngedouw 2000). It has also become broadly accepted to view processes of current state restructuring as almost equal with transformation of scalar relations (Peck 2003). What is ‘at stake’ is far more than rescaling for rescalings’s sake, Peck argues, because these forms of scalar restructuring are “both a medium and an outcome of changes in the *means and ends* of state action” (Peck 2003: 222).

In sum, the neoliberal project can be analyzed in terms of the state’s capability or power to carry out re-regulating moves that in turn can enhance the position and strength of ‘market rule’. This involves institutional forms as well as regulatory effects. It also involves a re-scaling of state responsibilities. The effects can be analyzed in terms the ways in which the state relates to its own policy processes. Therefore, a turn to how the production of policy making processes will contextualize these challenges.

2.3.3 The State as Differently Powerful

Peck (2001) asks how analytically, the state can be examined in terms of being *differently* powerful instead of *less* powerful. As such, this should be the starting point for research that emphasizes the deeper political-economic context that influences policy-making processes. There are a number of processes in which the state seeks to reorganize the range of options and strategies. In this picture there is a strong rhetorical emphasis, or turn, that predicts visions of *naturalized* market relations. In this relational perspective, the state is adopting and taking on the role of a market manager. Also, the rhetoric concerning the range of politically options that are legitimate in state policy seems to be narrowing, rather than widening. Tracing it as a rejection of ‘big government’, it can be viewed as part of a wider rejection of state politics in terms its privilege as the primary

organizing scale. For example in macro-economic industry policies, state intervention are effectively deemed out, which means that state should not intervene, but manage these relations. In the discursive space of state intervention, tax policies seem increasingly adjustable in a *regressive* direction. Another implicit characteristic for state policy-making is the concern with effective control of the demand-side economy. Hence the increased concerns over securing economic competitiveness come the concerns with flexibilizing labor markets, developing and rewarding entrepreneurship and the maintenance of a “good business environment” (Peck 2001: 447). In sum, the state is not less interventionist, rather, it means that the neoliberal state organizes and rationalizes its interventions in a different manner.

Framing the state as ‘differently powerful’, also calls into attention the normalization of what Peck calls orthodox globalization narratives. These give license to a set of dominant strategies for state reorganization and reform, “rooted in the image of the hollowed out minimalist state” (Peck 2001: 447). This complex restructuring involves changes in the relations between different levels and scales within government. Such ‘devolution’ is not so much a rescaling of institutions from the national to the local level, but more typically involve a “host of zero-sum changes in regulatory responsibilities, administrative capacities, financial control and so forth, such that the effective *functions*, not to mention the specific *effects*, or policies tend to change along with their relocation. Analytically then, the appropriate question to ask, in instances of ‘neoliberal downloading’, is how the state has reorganized its own functions and become *differently* powerful, rather than *less* powerful (Peck 2001: 447). State restructuring can therefore be understood as a wider process, and even a hegemonic process of neoliberalization. Peck counter poses this position to that of mainstream globalization theorists, who echo much of the ‘Third Way discourse’ by discussing economic changes as if they were the natural, inevitable consequences of ‘the way the world works’. Neoliberal globalism as such, should not simply be seen as an external phenomenon, located somewhere outside the nation state, but also as something *inside* the nation state, part of an explicit political project and a source of multiple dualisms and contradictions.

2.4 Re-Thinking the State

The spatiality and geography of power is not necessarily tied for all time and all places to the territoriality of states.

(Agnew 2002: 51)

In this chapter, I have emphasized the role of representations in relation to how the state *can* respond to challenges posed by g/Globalization, geopolitics, and ‘neoliberal downloading’. Hence, approaching the thesis through the issues implied by this theory, demands analytical framework that is responsive to how the state can produce as well as re-create itself in the face of geoeconomic transformations. As state produce, as well as reinvents itself in relation to geographical boundaries and challenges, state theory should clarify what state space is without reproducing the fixed geographical assumptions articulated. Following Brenner et al. (2003), new analytical tools are needed and evident. State space is not only the product of political economic relations, but also of representations and constructions concerning state responses and responsibilities. In other words, one must seek a dimensional approach to state spaces as analytical tools. A dynamic approach to state spaces can also be seen in terms of the critique of the ‘deterritorialized’ projection of political space.

Traditionally, social scientists have utilized classical definitions of the state. For example Weber defines the modern state as “a human community that (successfully) claims the monopoly of the legitimate use of physical force within a given territory” (cited in Brenner et al., 2003: 1) Brenner et al. suggest that such definitions are lacking a geographical consciousness. Seeing this unconsciousness as dominant in most postwar theory, in international relations and political sociology, they argue that this silences theory construction and empirical research that can explore political space that is emerging under contemporary conditions of ‘globalization’. New modes of governance and scalar construction of the state’s responsibilities are understated in classical understandings of state spatiality. Also, classical definitions imply mutually exclusive and unitary state actors as the basic units in the global political system, which consequently creates a binary opposition between what is ‘domestic’ and ‘foreign’,

between the ‘public’ and ‘private’. Therefore, Brenner et al. argue that the state in ‘traditional’ theory construction is reduced to a timeless, territorial container that encloses economic and political processes.

2.4.1 Dimensions and Dynamics of State Space

Brenner et al. (2003) identify state space as multidimensional. They suggest three particularly important dimensions that critical accounts can be conducted through; distinct, integrated and representational dimensions. Examining the state’s distinctive form of spatiality, the territorialization of political power, refers to state space in the *narrow* dimension. The internal territorial differentiation in this narrow dimension can be recognized as the sub-division of state territories through the establishment of intergovernmental hierarchies and place and region specific institutional forms. The dimension of *integral* space refers to how state institutions are strategically mobilized to regulate and reorganize social and economic relations. It also involves studying how state institutions are strategically mobilized in territorial, place, and scale specific ways, to regulate and reorganize social and economic relations. Finally, it includes the changing geographies of state intervention in social and economic territorial, as well as non-territorial processes. As such, analysis of the integral dimension of state space includes the understanding of states as politico-geographical systems. Finally, the *representational* dimension of state space refers to “competing spatial imaginaries that represent state and political spaces” (Brenner et al. 2003: 6). These spatial imaginaries provide an important basis for the politics of ‘representation’, and can be utilized as a way of studying the relationship between power and knowledge. This includes the ways in which the state’s spatial practices repeatedly shape and reshape subjectivities and spatial horizons in everyday life. It also includes the ways “social alliances are formed and mobilized on a territorial basis leading to a variety of scale- and place-specific political strategies intended to defend and/or promote particular interests grounded within already established, emerging or potential state spaces” (Brenner et al. 2003: 10).

2.4.2 Conducting a Dimensional Research Approach

Working within Brenner et al.'s (2003) framework in the analysis requires a multidimensional approach to how state space is negotiated. Brenner et al. do not give concrete examples of how empirical studies can be conducted through their dimensional approach or how actors move and mobilize (between) the different dimensions. I interpret their approach to state spatiality as a call to study state space as: (1) Structures that are distinct forms of state spatiality (*narrow dimension*); (2) processes that are shaping as well as reshaping the policy-making processes through mobilizing institutional practices (*the integral dimension*), and how these institutional practices can in turn be mobilized to influence the representational dimension; (3) representations that determines the strategies of the state and how knowledge is (selectively) distributed, and finally as political interventions aimed at legitimizing certain strategies with specific political outcomes (*the representational dimension*). I find that utilizing this approach will enable the best tool for an exploration of the transformative strength of how global governance and 'neoliberal downloading' has on state spatiality. For example, which dynamics and transformations of state space are recreated through challenges and concerns, and, are they in turn presented as rational, necessary and even apolitical? Viewed as a multidimensional process, I understand Brenner et al. (2003) understanding of state spatiality that there needs to be offsprings into all dimensions of state space, in order to have a political struggles to be settled, and political objectives fulfilled as complete. In the context of the political geography of Norwegian petroleum extraction, I understand the *narrow* dimension as to corresponding to the state's geographical boundaries. It also includes the rules and regulation within the petroleum sector, including taxation and licensing policies on the Norwegian Shelf. The *integral* dimension correspond to the state governance methods and model, in which tools and institutions can be mobilized for the state to act as a competitive ways, including its re-regulation power, and the state's capacity to act as differently powerful. The tools and methods in which the state determines what material outcomes it seeks to accomplish, is determined by the *representational* dimension of state space. This dimension corresponds to envisioned objectives, challenges and imaginaries of state spatiality in Norway. This in turn includes geopolitics, g/Globalization and the emphasis upon how the Norwegian Shelf is

competitive. As such, I have organized the analysis in the following way. Firstly, by identifying the ideas and metaphors that at present are particularly important in shaping and restructuring the political arena. This includes how the history of policy-making on the Norwegian Shelf is recreated as the fundamental principles for policy-making today. It also includes how globalization debates are dominating the political economy from the petroleum industry's viewpoint, and the geopolitical construct. Finally it includes how environmental debates are structured by the emphasis of becoming dependent of petroleum extraction. In relation to the integral dimension of state spatiality, KonKraft is used as the example of how the Norwegian model of organizing the petroleum sector is strategically mobilized in terms of the representational objective of becoming competitive at the Norwegian Shelf, but also by the means of enhancing the Norwegian petroleum actors' competitiveness abroad. It also includes a discussion of how the state has become differently powerful as it can carry out these strategies. Finally, the narrow dimension of state space is studied in the ways it is attributed to the integral and representational dimension. By examining how rules and regulation are incorporated into the representational dimension of state space, and how it is utilized as dynamic tools for government in relation to how it negotiates its strength in collaboration with the petroleum industry through KonKraft, or 'against' the petroleum industry, respectively. As such, I will utilize Brenner et al.'s (2003) dimensions to study how state spatiality is actively produced, rather than filled, by political struggles over resources.

3. Research Strategy: Interviewing Elites

This chapter will give an overview of the procedures employed and some of the advantages and limitations I found involved in the process of doing fieldwork. I will present the methodological starting point and motivation for a conversational-style interview approach, and reflect on the strengths and weaknesses of the data collected.

3.1 Engaging in the Field

The process of conducting interviews was a very valuable and learning process. From not having much knowledge about petroleum extraction and management or the related policy processes, I learned a great deal by interviewing key persons in the petroleum industry, politicians, governmental ministers, but also opponent environmental foundations and a labor union, all together sixteen interviews (see appendix 1 for list of respondents). These included five oil companies and three present and previous ministers. My first interview was conducted in November 2005, and the last in October 2006. I attended the ‘open’ part of a Forum meeting in March 2006. Unfortunately, I was not allowed to stay for the part of the meeting that is ‘anonymous’. As one of its prominent members told me at the meeting, “We need to have some places to ourselves”. I did a second round of interviews shortly after the Forum meeting where I had made contacts with key persons in KonKraft and oil companies that I was interested in interviewing. When I went to Stavanger to conduct these interviews, I was asked to apply for working for an oil company over the summer, which I did, and spent four months in the Norwegian ‘oil capital’ Stavanger, working for the third largest transnational oil company in the world, BP. This was a positive experience and I learned about being an operator on the Norwegian Shelf, although it was not part of the fieldwork. I also attended the conference in one of the largest oil conventions in the world, Offshore Northern Sea (ONS), and during the conference and the stay in Stavanger I had a number of informal discussions which gave me a greater knowledge base and helped me understand different actors’ perspectives and institutional culture.

3.2 Methodological starting point

I try to equally position myself within the political economy tradition whilst having a deconstructive postmodernist epistemology. The challenge is to use these perspectives as equally important when analyzing the empirical material. Post-structuralism has provided the inspiration for my methodology as discursive approaches explore how meanings are temporarily stabilized or regulated into discourse. Discourse constructs, defines and produces the objects of knowledge in a logical way while excluding other forms of reasoning as incomprehensible. As such, discourses organize what is understandable and possible in society, and what does not 'belong' there (Barker 2003). Discourses are a complex set of representations, practices and performances that determine how meanings are produced, connected into networks and legitimized (Mills 1997). Laclau and Mouffe's (1985) discourse theory is what has inspired me the most when it comes to understanding society and how power is discursively negotiated. Their starting point is to understand the meaning of different social worlds. The meanings that constitute society can never be determined because of the fundamental instability of the languages. From this follows that a discourse will never be a closed 'unity', discourses will constantly transform themselves due to the contact between them. Even though meaning is not consistent, the key is to look for what ideas that seem to be organizing the representations of interconnectedness, or what Laclau and Mouffe calls signifiers, which organizes a discourse (Jørgensen & Phillips 1999).

The objective as such, is a methodological foundation that can focus on how the subjects contextualize their circumstances and analyze their own strategies. Strategies in which representations are brought forward that position themselves in relation to others, and how they present their position 'negotiable', and as such, transformative in contact with other representations. Implicit to this starting point when analysis of the empirical material is conducted, is that both material processes as well as representations influence each other, get mixed up, and as such, are reciprocally important. For that reason, I think it is possible to avoid concluding in terms of 'this is how it looks like to me' (Smith, cited in Said 1994) or just describing status quo as the endpoint (Foucault, cited in Said 1994).

3.3 Influential Representatives and re-Presenting Them

When I conducted the interviews I was not only interested in differing positions relating to the debates over competitiveness and the political economy in Norway, I was also interested in the representations that underpin those reasonings and statements. The objective before I conducted interviews was to contextualize the geographical imaginations and objectives of the different actors that determine the political direction of Norwegian petroleum politics. I therefore chose the respondents on the basis of their background and position, not because of the individual itself. As such, the interviewees in this research project should be viewed by their positions, as they represent different interest groups, singularly and/or together. Positions they are familiar with defending or promoting. They were institutional agents that I wanted to understand in the context of their circumstances, in which the qualitative interview arguably provides an inductive approach to the political economy (Schoenberger 1991). The interviewees were trained in public relations and represent their organization in this research project. As trained spokespersons for their organizations they will filter which information they are willing to share and which information they will protect.

Simultaneously, as a researcher, I am accountable for my own research, and for the interference in people's professional life (England 2002) as well as the thesis' interpretations of the interviewees. The respondents of this research project are central actors in public debate as well as in the formation of Norwegian petroleum politics. As trained spokespersons for their organizations, I have chosen to not anonymize those that are quoted throughout the paper. Yet, as the confidence given to me by respondents, that agreed that this was a responsible approach, and answered accordingly, this presents ethical considerations of how the interviewee is presented. Therefore, reviewing the transcribed interviews, there were several statements that I did not present as part of the integrated analysis. This does not entail that I have left out perspectives that I find to critique the positions the respondents represent, but that where I have found statements that potentially can become harmful to the respondents with respect to their professional positions, I have chosen to not focus upon these. There were also themes that several of the respondents did not feel like they were in a position to comment or discuss. For example, I found that privatization of the Norwegian petroleum industry was a sensitive

issue in comparison to others research themes I was interested in. Still, I have chosen to include these themes into the analysis because I found it to be central to the research question, and as such, themes the interviewees have chosen not to focus upon, has been questioned throughout the analysis. The knowledge obtained on beforehand, helped me understand the contradictions and vagueness in what was said throughout the interview. This opened up new opportunities for identifying the key underlying conditions that determines the different debates, debates that are silenced, and as a consequence, new topics were included in the following interviews.

The respondents were given the opportunity to have a read through and approve the quotation before the thesis was published. The first time a respondent from a company or an interest organization will be presented in the thesis, they are introduced with names and organization. Subsequently, they will be presented with the company identity. The politicians have different titles and several have changed positions, and will therefore be identified with names when quoted.

3.4 An Open-Ended Interview Approach

Schoenberger's (1991) ideal for an interview, is a collaborative dialogue that engages the respondent when working through the research problem. Technically, the qualitative research interview is semi-structured, neither an open conversation nor a highly structured questionnaire. It is conducted according to an interview guide that focuses on certain themes and suggested questions (Kvale 1996). The interview can also be viewed as an expression of a dialogical process constructed by the researcher and the researched where the interview becomes an "evolving co-authored conversation" (England 2002: 218). For me, the greatest advantage with having these objectives for each interview was allowing the interviewee to take initiative in the conversation, where claims or perspectives the interviewee found relevant, could be pursued further. Whilst the first interviews had strong features of a question and answer questionnaire, the later interviews where I had more experience and knowledge about the field, - the respondents were more engaged, as I could address the broader issues relating to the themes the interviewee brought forward. In that way, I was able to have more nuances and compare statements with previous interviews in the interview situation, and as such follow up by for example asking 'how does that affect such and such' or 'to what extent does that reflect the

industry or governmental politics'? I also sometimes brought with me newspaper articles to ask which rules, norms or common practices that were implicated and structuring the actions and representations forwarded in public.

3.4.1 The Interview Situation

Taking the ideal of a collaborative dialogue, involves engaging the respondent when working through the themes where the respondent contributes and shapes the discussion without controlling it in the interview situation (Schoenberger 1991). A great risk that then follows is the fact that my respondents are people accustomed to being in control and using authority over others; "There is a risk that the respondent will impose his or her own agenda on the interview, taking it in directions that are not directly relevant to the research or worth lengthy elaboration" (Schoenberger 1991: 182). This relates to how corporate interviewees sometimes are "keen to demonstrate their relative power and also, knowledge and your relative powerlessness and ignorance" (McDowell, cited in England 2002: 210). In other words, the respondent might take advantage of the privilege she is holding. To some extent, I experienced a lack of control in the interviews and this became especially apparent to me when transcribing the interviews. This foremost relates to my own capability of directing the interviews. Still I experienced in a couple of incidents that my open-ended approach was directed towards simplified ideas where the respondent instead of engaging in conversation, lectured me about petroleum activities and policy-making. I also experienced situations where the respondents would give me 'unofficial' information when the tape recorder was turned off, and in one incident, I saw this information as crucial to the thesis, but was not granted permission to turn the microphone back on. As a consequence, valuable information I could have obtained in those interviews and presented, as an integral part of the analysis, were 'lost'. Still, in these situations, and especially when going through the interview material afterwards, I was able to analyze what was 'excluded' from conversation, and as such analyze the ways in which the respondents would change topics. Nevertheless, most of the interviewees were welcoming and productively engaging in conversation.

3.4.2 My Role and Representations

Before the interviews, I spent a long time writing e-mails, trying to convince the informants that it was important that I got to talk to them, writing the specific questions I would ask. There were several I was not granted permission to interview, although at the course of the interview process, I felt as though the research themes were being gradually covered and that I had a considerable amount of important actors integrated into the research project. Accessing elites in Norway was not as hard as I had prepared for, rather, the interview situation was the most challenging when engaging in the field.

Every interview situation was different, and thus hard to predict, regardless of preparation. This relates to Haraway's (1991) ideas about embodied, partial and situated knowledges. Just as the interviewer has different situated knowledges, so does the researched, with the implication being that they can never fully know or understand each other. It also relates to the researchers reflexivity over the presence and the interviewees' response to the researchers presence, mediating the interview data collected from them (England 2002). Also, in a gender perspective, I found it easier to interview women. As political and corporate elites are by and large men, and that more than three quarters of my respondents were men, maybe the gender perspective can add to the distance between me as an interviewer and to the fact that I was sometimes 'lectured' during the interviews. I do not take a stance as to whether women are 'under-estimated' amongst political and corporate elites, although being a female researcher in a male-dominated sector might pose additional challenges. How the respondents related to my appearance in terms of engaging in conversation, depended considerably upon the knowledge I brought forward in the interview situation. In conversation with corporate and political elites, the more knowledge I had about the economy and political context they operate within, and the problems confronting the petroleum sector, the more valuable information I was able to obtain. When I interviewed representatives from the environmental movement and the labor union, then being knowledgeable in the debates about the dilemmas they find themselves in, would enhance conversation. Depending on the extent that I could reply to their responses with challenging questions, their attention was enhanced and directed towards the objectives of the thesis. In this way, engaging the respondent in qualitative interview arguably, unlike the standardized questionnaire, enabled the conversations to be

steered by her own experience, and as such, irrelevant questions were overlooked. If the respondent on the contrary was to fill out a survey, she would not have been given, or had the chance to be given, the context in which the questions were asked, since my implication and motivation for asking them, might appear differently, when not explained. My approach was therefore to explain and be open about the objectives of the research project and why the views of the respondent were being asked for.

To know the field well, is an important starting point when conducting qualitative research. Simultaneously, it is important to keep a certain distance to the field in which the research takes place to conduct an analysis. Since I was engaging in a field that is filled with political controversy, I was open about my own concerns over environmental issues. I also have a background in the environmental movement, as I from 1999 to 2001 worked on energy related issues, though not petroleum politics, as a member of the central board of the Nature and Youth organization (Natur og Ungdom). I think my 'previous life' influenced the data collection to some extent; in the ways I was asking and proposing different ideas and discussions. This previous engagement with the environmental movement also represents an engagement with a political minority that can be seen in the context of its relation to the majority. Saugestad (1997) talks about this as a weighted relationship where there is asymmetry in communication and knowledge between the minority and the dominating majority; knowledge is distributed selectively, and controlled in terms the existing power relations.

3.5 The Credibility and Validity of the Data Obtained

There are two dominant perspectives of what kind of knowledge the interview data represents. On a positivist note, the researcher is neutral and the respondent passes on her knowledge (Thagaard 2003). On the contrary, I have argued, I place myself with those who argue that the information is obtained in a performative manner, that knowledge and information comes into being as a temporal intervention dependent of the relations between the researcher and the researched. I have also argued that situated knowledge creates a basis of understanding of the political economy. I view the data obtained as credible, to the extent I have been able to follow and pursue the ideals of research methodology. I view my own research, and therefore the data, to have appeared in a

satisfactory accordance to these ideals of qualitative research, and they enabled me to find empirical data that corresponded to my research questions.

The validity of the data rests upon how the data can be confirmed in other studies or forms (Thagaard 2003). The greatest challenge when conducting this research project is the fact that there are few studies that I can build upon. This I found surprising and challenging, and I therefore had to spend a long time preparing for, and conducting extensive fieldwork. As such, with about twenty hours of transcribed interviews, and with most of the material presented in terms of interviews, I had to be conscious of having my main analysis points ‘verified’ and extensively explored. Therefore, when conducting the interviews, I had to discuss the research themes that are presented in the thesis, with several respondents. Still, the analytical interventions are still my own account, just as the reflection of one or several actors, is an expression of the context she understands her surroundings. Gaining knowledge about political processes and especially KonKraft through interviews was challenging. The objectives and working methods of KonKraft varied considerably when presented by different actors. I therefore chose to focus less upon KonKraft in the analysis, and go more into depth on the broader debates, in which I find Konkraft operating. For example I decided to spend a whole analysis chapter mainly presenting the debate over competitiveness, since this was a theme the interviewees to a great extent found interesting to discuss, and it provides the context for one of KonKraft’s objective, but also a debate that has important material outcomes. KonKraft’s was presented by the interviewees as an expression about what the government and the petroleum agrees upon, and this posed a methodological challenge; to avoid presenting the organization as consciously engineering the Norwegian economy and turning institutions into actors such that the KonKraft organization is itself seen as a separate entity with its own agency (Nagar et al. 2002). However, as the respondents were institutional agents with their own agencies, and the information they shared about KonKraft, will be presented. In relation to my research question, I have spent great parts of the thesis presenting the debates in the analysis.

4. Taxation consensus and KonKraft

This chapter will present an important debate over state competitiveness from 2001-2004 and as such introduce one of the themes that determines the competitive strength of the Norwegian Shelf for the petroleum industry. As Norway's petroleum production was depicted to be at a downfall, KonKraft organized a taxation project to find new strategies that would benefit the state and the petroleum industry, in tune with KonKraft's objective. But this chapter will show that although KonKraft was started as a collaborative exercise, it ended with an open confrontation between the government and the petroleum industry and as such serve as a starting point for how the petroleum industry and the state strategize differently and how their challenges and interests sometimes collide. Globalization, disintegration and collaboration between the petroleum industry and the state were dominating features in this period that will be scrutinized in terms of consensus and contradictions. First, by providing the most important features of state structures that enables and contradicts political consensus over taxation. Second, by emphasizing contradictions within the KonKraft organization model, and third, by presenting the context and contradictions of a project carried out by KonKraft.

4.1 Political Consensus and Contrast

Key factors in the political dialogue around petroleum extraction in Norway include the constant speculation about the price, scarcity and environmental cost of oil and gas exploitation, which in turn adds to the debate over state economic incentives and long-term prospective of the petroleum industry. Due to the low political 'risk' attributed to Norway, the country does not get as much attention in international headlines as, for example, Venezuela, which produced about the same amount of oil in 2005. These are important factors to the transnational oil companies as they are facilitated by a consensus between the major political parties that enables a long-term stability over the regulative framework.

Both Labor and Conservative politicians have talked about the importance of 'Consensus Democracy' in the interviews. Based on collaboration between these two main parties, in order to maintain a 'predictable framework', policies and tax rules in relation to both oil extraction and how the petroleum income should be spent are settled.

From 2002-2005 about 220 billion NOK were spent by the government from oil and gas incomes, which is 62,3 billion NOK more than the consensus-based rule mentioned in the introduction, which will from now on be called the ‘rule of practice’ (handlingsregelen). Passed in 2001, it states that only 4% of the interest rate from the petroleum fund can be spent in the national budget, as an additional step to the petroleum fund to avoid ‘overheating the economy’. The rule is supported by the Labor Party (Arbeiderpartiet), the Conservative Party (Høyre), and the three parties that are usually referred to as the political ‘center’ of Norwegian politics (KrF, Senterpartiet, Venstre). They also view the maintenance of a close interaction between government and the petroleum industry as an important part of the Norwegian political culture that should be carried on as part of governmental practice. However, there is a dividing line in the political landscape, which shows that the spending from oil can become a topic of discussion and even a populist battlefield. The Progress party (Fremskrittspartiet), which has grown from being a small right wing party to becoming the second largest political party, and sometimes outweighs the Labor party in political polls, argues that more money from the petroleum revenue should be ploughed into expenditures in Norway, for example into health-care and highway infrastructure. The Progress party is also the only party in Parliament that has been positive towards cutting corporate taxes on the Norwegian Shelf over the past decade. As such, on the one hand they want lower oil companies’ taxes whilst on the other generate more public spending from oil revenues.

4.2 KonKraft

In the introduction the main features of KonKraft was emphasized. In Norwegian, KonKraft is a combination of the two words ‘competition’ and ‘power’ or ‘strength’. Toppledorforum means top/upper-leader-forum, and was presented as the ‘meeting point’ of KonKraft in the interviews conducted and in official descriptions. The MPE translates it into English as the Management Senior Forum, but I will refer to it simply as ‘the Forum’ throughout the thesis. The only (elected) politician in the KonKraft system is the Minister of Petroleum and Energy, who chairs the Forum. As such, a partnership unlike other previous constellations in the petroleum sector came into being as a combination of traditional and elite governance; only the foremost business leaders within the petroleum sector can attend the Forum, and it is based on a long-term practice of close interaction

between those who govern and those who are being governed in the petroleum sector. KonKraft's organizational model is not dissimilar from most private businesses; it has a board, and sets up different working groups that report to the board and present at the Forum, which as such can act as general assembly and re-adjust 'benchmarks' and 'best practices'. As such, it is a *political* arena in which the government invites the petroleum industry to take on a directive role.

4.4.1 KonKraft's Contradictions

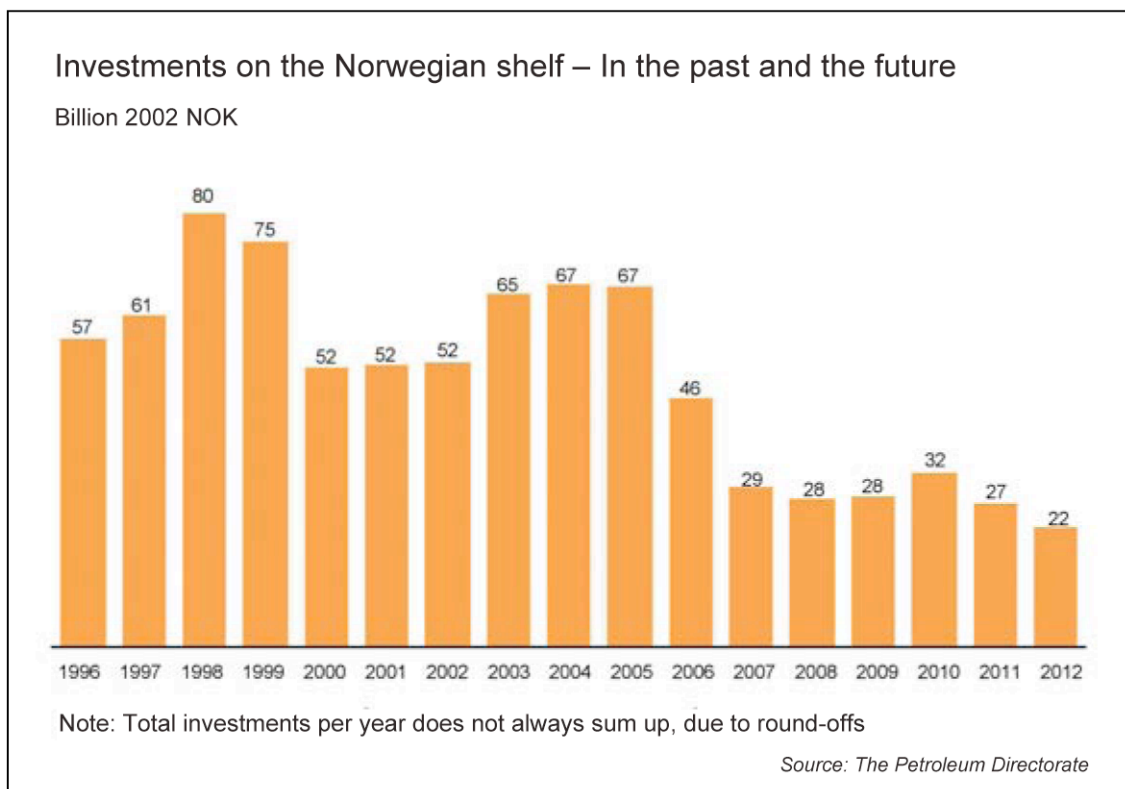
Within the organizational model there are clear underlying contradictions as a partnership suggests a relationship between two or more organizations that are involved in, or share the same activity and work towards the same goals. When KonKraft carry out projects, oil companies hire private consulting firms to supply accounts and reports, and not public institutions like the Petroleum Directorate or Statistics Norway (SSB) that usually provide the government with needed guides and accounts. More recently, KonKraft's focus has been on revamping the public image of the petroleum industry. The main project is to sponsor a five-part documentary for Norwegian Broadcasting Television (NRK), a TV-channel entirely funded by government and an annual TV-certificate fee paid by the viewers. Also, there is only one employee directly tied to KonKraft, who is located at the Norwegian Oil Industry Association (OLF) and serves as the KonKraft secretariat. OLF is the interest organization of the petroleum industry and represents the whole industry in public relations. When KonKraft carries out projects, they also take their message out to the public in an attempt to further influence politicians at all levels in Norway, although political authorities are important actors in KonKraft. KonKraft is not registered in any official registers such as the Brønnøysundregisteret, which is the register authority of information in Norway, nor does it have an 'organization number', and as such it is not traceable in terms of being an official institution or organization.

4.2 Globalization and KonKraft

When the oil price dropped in 1998, oil TNCs had already accessed many previously closed oil provinces with lower production costs than Norway, like Iran, Venezuela and Russia. Those advocating state intervention in Norway argued that investments were projected to decrease and as a consequence it was anticipated that there would be a great

loss in the petroleum work force and exports. There was pressure from the petroleum industry that Norway had to re-invent itself in order to ‘become competitive again’. In the interview, the Minister of Petroleum and Energy at the time recalls, “the impression was that the Norwegian Shelf was not as attractive anymore” (interview Steensnæs). Also, there had been a number of exploration rounds where Norwegian companies were left disappointed and wanted to spread their investments to a number of other countries that were seen as more profitable. In the short term, the fear was that there was a vast amount of oil from so called ‘low-cost-countries’ that would send the low oil price even further down, and weaken the ability of Norway to attract the oil companies’ investments. The estimate for expected investments on the Continental Shelf from the Petroleum Directorate confirms the pessimistic outlook in 2002 for future investments.

Figure 2: Past and projected investment level in Norway, 2002.

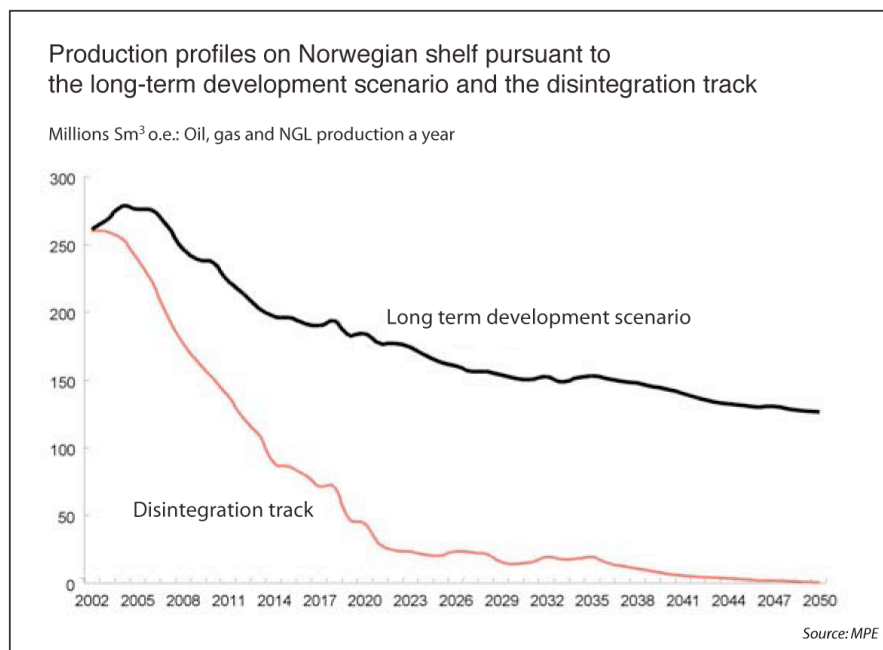


Source: KonKraft taxation summary report: 5 [my translation].

4.3 Long-term Development Scenario

At the yearly Sandefjord petroleum conference in June 2003, the Minister of Petroleum and Energy at the time, Steensnæs, stated that the challenges for the government was to provide an adequate amount of petroleum areas and to increase the competitive ability of the Norwegian Shelf and the supply industry as “the exploration is on a downfall [as] globalization increases competition.” He was especially concerned with the efficiency of the supply industry, “a condition that needs to be fulfilled to reach the long term development scenario”⁸ (Figure 3). His concerns can be seen most vividly through the projection of the Petroleum Directorate. He therefore “put down a project group that will estimate changes in the taxation system on the Norwegian Shelf. The purpose is to identify fiscal incentives that can increase the activity level both for the industry and for the state”. The report he ordered is generally referred to as the KonKraft taxation project and will be further scrutinized in the next section and in chapter six and seven.

Figure 3: Development scenarios on the Norwegian Shelf (White Paper 38, 2001-2002)



Source: KonKraft Taxation Project summary report: 7 [my translation].

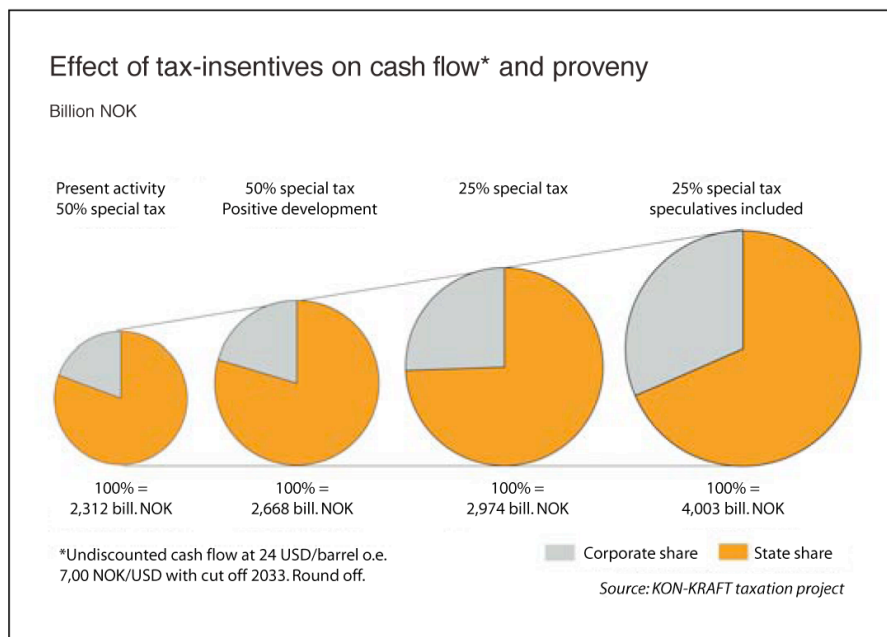
⁸ *Norske petroleumsindustri i endring*, Einar Stensnæs at Sandefjordskonferansen 17/6-03 www.oed.no

The ‘long-term development track’ or ‘scenario’, in reality did not leave more than one option for politicians, argued Guro Hauge in the environmental foundation Bellona in the interview for the thesis. As such, not only the industry, but also the government created a negative picture of the Norwegian Shelf. The claim of governmental duty to enable the ‘long term development track’ is key to understanding how the arguments of the petroleum industry were given leverage, as the Parliament was only given two options, and not a discussion on how the development could take many different turns (Interview Hauge, Bellona). In White Paper # 38 (2001-2002), the MPE came up with two scenarios, the long-term development scenario (‘den langsiktige utviklingsbanen’), with a gradual decrease in production, and the short-term disintegration track (‘forvittringsbanen’), where no initiatives are taken to strengthen the Norwegian Shelf and activity rapidly declines. In Hauge’s view, it is just *one* model for how the development tempo on the Norwegian Shelf could be planned. She thinks that it serves as a “nature of law” and per se it becomes politically impossible to say anything besides supporting the ‘long-term development track’ in Parliament. “You can make many models and graphics, but that is just what they are. Why didn’t they come up with more models?” she asks. The scenarios were proposed in Parliament, where it was quickly decided to aim at reaching the long-term development track. For Hauge, and other environmentalists, this was illustrative of the growing power of the petroleum industry in framing political debates - “[It] reveals a great deal about the oil industry’s power to define and the systems of meaning they impose upon society” (interview). As I will go on to argue, it is not the only time the industry has tried to narrow the scope of political decision-making in Norway, though not always with the same outcome.

4.4 The KonKraft Taxation Project

The Taxation Project followed the long-term scenario ‘line of argument’ for their recommendations and conclusions. With a reduction of 25% in the ‘special tax’ rate, it was KonKraft’s claim that the activity level would be affected in positive direction, as evidenced in this figure, both for the state and for the industry, which was their mandate.

Figure 4. Taxation proposals from KonKraft 2003



Source: KonKraft Taxation Project summary report: 11[my translation].

The special tax is an additional tax for offshore activities, adding 50% to the 28% business tax in Norway. If this tax was lowered, it would serve as an incentive for companies to carry out new projects instead of closing down platforms on the Norwegian Shelf at a much earlier stage than previously announced. The main line of argument was as follows; if future taxes were not cut by a third, Norway would not compete with low cost countries like Venezuela, Iran and Mexico as new markets were opened up. The taxation project might have been the most extensive and expensive lobbying effort carried out in Norway. The paper *Dagens Næringsliv* (12/5-04) estimated the cost of the KonKraft taxation project and campaign that followed to be 250 million NOK. This was not confirmed in interviews, although those involved thought the cost was about 1/10 of the newspaper's projection.

4.4.5 The Rejection of the KonKraft Taxation Project

A year after Steensnæs talk, in May 2004, under headlines such as “Cold Shoulder to the oil industry” and “Einar Steensnæs slaughters the taxation campaign”, the *same* Minister

of Petroleum and Energy says he was in the bathroom and almost dropped his razor when he heard a man in the oil industry say that they had to get hold of increased transfer of profits from the government to the industry. “These kinds of things do not trigger a positive dialogue with government, and the oil companies need to realize that,” he was quoted as saying in the newspaper *Dagens Næringsliv* (12/5-04). The Labor party’s Solberg, the leader of the Committee of Finance, was also deeply annoyed with the long-lasting lobby campaign. The Socialist Party’s taxation spokesperson, Djupedal, went further in his critique, portraying the petroleum industry as selfish and as selectively depicting economic conditions:

I find it strange that so many presumably intelligent people in the lobby group KonKraft and other places think they can get the view of the oil industry through. This is rubbish. The oil industry argues out of an oil price of 14-18 dollars, while it has been close to 30 dollars for the past two years. Hydro just presented a result that was 8,9 billion. There is absolutely no reason to cut the special tax.
(Djupedal, Socialist Party, to *Dagens Næringsliv* 12/5-04)

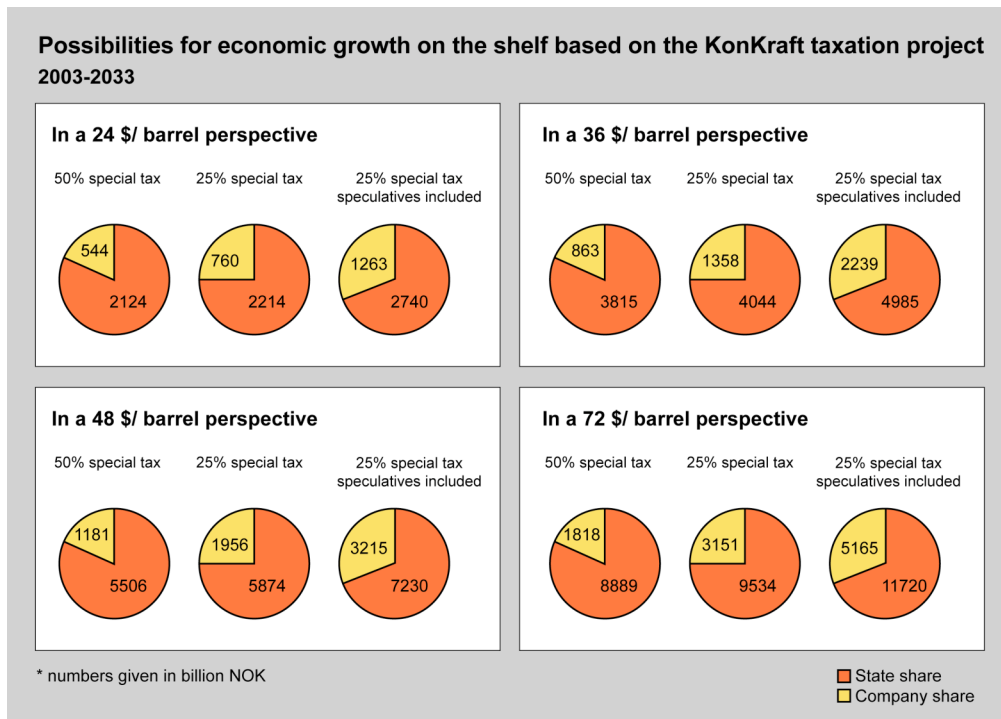
In an interview for this thesis, the Minister of Finance in 2004 recalled that the petroleum industry behind KonKraft should have ‘known better’ as neither politicians nor the public saw the necessity for major tax reform in the oil companies favor. Consequently, they should have taken the level of the oil prices into account and adjusted their analysis because ultimately, they were not even able to convince their ‘own’ Ministry (of Petroleum and Energy), Foss recalled (Interview). The Minister of Petroleum and Energy in 2004 also thought that the failed campaign to lower taxes was an “important lesson for the industry” (interview Steensnæs). Foss would not accept the description of reality or the logical foundation that the report presented. Using the leverage of the globalization thesis on this occasion did not then persuade the government that they needed to adjust their policies in line with global economic trends. A failure to convince politicians of their ‘economic reality,’ and as such, the consensus model between the political parties went against them. It ended with an open confrontation over taxes, through a public-private body that was set up with the intention of avoiding misinterpretation between the ‘two doors’. Per Terje Wold, the leader the Norwegian Oil Industry Association (OLF) was the only one who publicly defended the campaign and upheld the arguments when it

was dismissed, suggesting that the picture of reality between the state and the industry was diametrically opposite (Dagens Næringsliv 12/5-07).

4.5 Possibilities for Economic Growth on the Shelf

In economic terms, this chapter’s projection of future investments, as shown in the Petroleum Directorate’s graphics, stands in stark contrast to the actual investment level presented in the introduction. This has, in turn, influenced Norwegian political space in terms of how the future ‘prospectivity’ of the Norwegian Shelf is projected. This will be a central theme in the interview material presented in the analysis chapters. A calculation in economic terms, can put the potential of future growth on the Norwegian Shelf into a different perspective than the 2002 Petroleum Directorate estimate (figure 2). The following model shows my calculation of the future growth in economic terms, based on the same calculation method as the KonKraft taxation. It estimates what the state and corporate profits can be in the time frame 2003-2033. I extrapolated their calculations into four differing oil price scenarios.

Figure 5: Future possibilities on the Norwegian Shelf



The result is as follows in economic measures: the state and oil companies can make about 5200 billion NOK if the average oil price is 36 USD within this time frame, 10200 NOK with 48 USD as the average oil price, and 1700 billion NOK if the oil price averages 72 USD.

2.6 Conclusion: Towards the Edges of State Space

Analytically, the KonKraft taxation project provides an understanding of *where* the borders and limitations of Norwegian political space are being (re)established. Because political space must also have borders, and in Norwegian petroleum politics and in this thesis, I will try to identify the key components and material outcomes that this particular space produces. The taxation project is as such an example of where the borders of such space are crossed, creating a basis for understanding how consensus over political objectives and outcomes are negotiated within the space of the political economy of Norway.

5. State Challenges: Serving Welfarism, the Global Market and the Environment

This chapter will focus on Norway's economic shift towards becoming a major oil producing (and dependent) economy and, analogous with this, changing political attitudes towards welfarism and environmentalism, in the context of globalization. As such it will reflect on some of the concerns and challenges the interviewees brought up in the interviews. One major issue I wish to address is the way in which Norway's position as a 'stable supplier' to Europe is becoming increasingly politicized, which seems to parallel recent increases in oil prices. Norway's 'geopolitical' position will therefore be related to strategic governmental interventions aimed at supplying global oil markets, which reflects the relationship between the political power Norway 'holds' and the geographical location of the Norwegian Shelf. The historical context of political choices that were made in the 1970's will firstly be revisited. The present opinions on the socio-political effects of increased oil production, in the light of continuing claims that 'what is good for the petroleum industry is good for Norway', will be presented in two sections. The first corresponding to state objectives and dependencies on the petroleum industry, whilst the second will explore the ways in which geographies of environmentalism are changing in response to petroleum exploration. Finally, the challenges presented and the representations and practices forwarded by the respondents will be analyzed through the dimensions and dynamics of state space.

5.1 History Re-visited

The state largely funded, planned and regulated early petroleum development in Norway. Statoil has been the classic example of how the state can regulate and participate in industrial and economic activities. The company was established as an operative and fully state owned company in 1972, and it soon entered into competition with the large international oil companies, the foremost symbol of globalized capitalism (Claes 2002). Hydro, founded in 1905, has also been utilized to enhance the position and objectives of state policies in the petroleum sector. In this way, different strategies of the government

have been carried out on the Norwegian Shelf. The administrative system was shaped in a way that stimulated and increased the knowledge base for the government by demanding individual application for licenses to operate oil fields. This administrative construction was only taking place in Norway and provided the state with valuable information as to how petroleum operations were carried out by the transnational oil companies (TNCs) (Andersen and Austvik 2000). These companies handed in competing analyses for each field, and the government put together different companies into license groups. Statoil gained a predominant share of attractive fields, and therefore became an attractive partner for the oil TNCs at the time. The Norwegian companies can today control and compete for oil resources as a consequence of being allowed to work, under favorable conditions, with foreign oil companies in the 1970s:

When Statoil was established in 1972 everyone was sitting in the back seat, and Exxon and Shell and all the others were sitting up front, driving the car. Today it is almost the other way around. At least the Norwegian companies can drive the car themselves, and can pass the international companies in some races. (Jonassen, Shell)

Yergin (1991) describes the development in the North Sea as one of the greatest investment projects in the world at the time. As a long line of big discoveries coincided with the 1973 OPEC embargo, the development of Norwegian petroleum politics and institutions in the 1970's was marked by a rapid development. Still, it was important to maintain the ambition that was the foundation of these policies since nobody knew which direction the development would take (Andersen and Austvik 2000). State policies were therefore not a response to the oil crisis itself but the nationalization of oil companies around the first 'oil shock' in the Middle East made it internationally possible for Norway to have a strong and active state in the petroleum sector.

Andersen and Austvik (2000), from the power and democracy-working group, discuss the paradox of how Norway was able to exploit international events as a negotiating strength for their political ambitions. Strong state involvement in the Norwegian petroleum sector appeared relatively moderate in the international context of the 1970's, when threats of nationalization were almost everyday occurrences.

Statoil's historian explained when interviewed how Norway developed a radical politics that differed fundamentally from others as it was based on two carrying. Firstly,

there was a long-term emphasis with the main objective being to ensure that petroleum extraction in Norway became an epoch, not an episode. Secondly, it was asserted that the resources belonged to the people and as such should benefit to the whole of Norwegian society – a principle usually referred to as the ‘Norwegian model’ in the ‘petroleum world’. This is an example that other petroleum producing countries are interested in learning when they visit Statoil. However, whilst the history was written in terms of bravery at that point, the politicians are missing the visions today according to Lerøen, as he richly illustrates in the following quote:

...In this light, the welfare model is extremely successful... A number of people come here often. From Venezuela, from China, from Nigeria, Angola, Algeria. Libya, from Brazil, from Russia and from countries in the Middle East. Then you know that you are looking into the eyes of people who represent regimes where it is accepted that the money they make go down into individual pockets. The Norwegian petroleum politics created in the early 1970’s were built on bold and mature and long-term political considerations and decisions. And my summary after all these years is that the generation that wrote the ten oil commandments... Well, there are not many of politicians of that kind today. The boldness, the nerve and long-term perspectives are not there anymore. (Lerøen, Statoil)

The main objectives for Norwegian petroleum activities were further established in Parliament in 1971 through the so-called ‘10 oil commandments’, which have been the framework for subsequent development. I will refer to these important petroleum guidelines as the fundamental principles. According to Andersen and Austvik (2000) they reflect a clear picture of what the government wanted to achieve, as they did not trust the mythical ‘invisible hand’ of the market to bring forth the direction without state interference. Unlike other extractive industries that generated great amounts of foreign capital, Norway also developed their great oil fields without customary reliance upon IMF/World Bank involvement. Andersen and Austvik perspective is that in macro-economic terms, the huge income generated by oil has given Norway a ‘unique position’ amongst Western countries. In spite of this, they argue, there have recently been significant changes in attitudes towards the relationship between state governance and market forces both in Norway and internationally. A reorientation has occurred, at both an ideological and policy level, based around a discourse of ‘efficiency’ and ‘competition’ that has changed what is looked upon as reasonable and legitimate

directions in the shaping of Norwegian politics. Norway and the Norwegian government are in this sense facing up to the same foundational challenges as it did in the early 1970's, Andersen and Austvik argue.

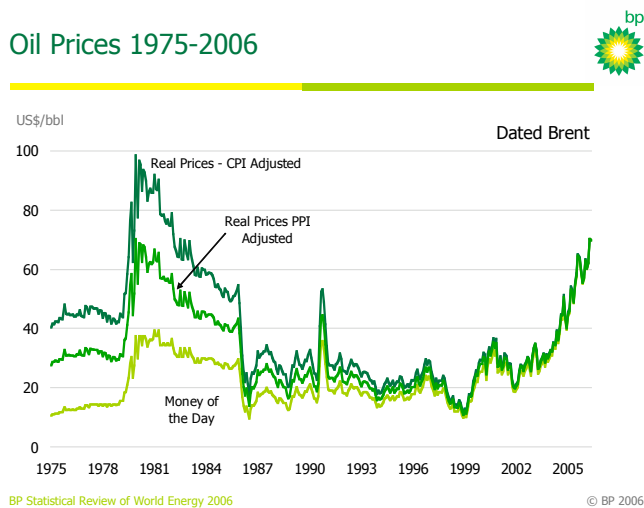
5.2 Geopolitics and the Changing Oil Prices

True global energy security will be a result of cooperation and engagement, not isolationism. When investments and expertise are allowed to flow freely across borders, the engine of innovation is ignited, prosperity is fueled and the energy available to everyone increases. At the same time, balancing the needs of producers and consumers is as crucial as increasing supply and curbing demand. Only then will the world enjoy energy peace-of-mind.

(Advertisement Chevron, in The Economist #3, 2007)

Although the world oil market is often conceived as self-regulating, with prices linked to the natural depletion of oil, no other commodity price in the world gets as much attention, and is as crucial, as oil. It significantly affects almost every country's trade balance, as well as fundamentally shaping the political economy of all petroleum producing countries. Whilst writing this thesis, the price has been at a historical high point but, as this figure shows, it has varied dramatically over the 30 years Norway has been a major commercial producer of petroleum products.

Figure 6: the level of oil prices 1976-2005



Source: BP statistical review 2006⁹

The level of oil prices is fragile to what is generally referred to as ‘political instability’ in the oil producing regions and these fluctuations are often exacerbated by extensive financial speculation on the future price of petroleum products. This is tied to a determining aspect that seems to rise in tune with increasing oil prices - concerns over ‘security of (energy) supply’. As such, making sure that countries have long-term access to enough oil and gas turned into the single most important issue at G8 and OECD meetings in 2006. In other words, all western nations, who are the major consumers of petroleum resources, are trying to find strategies and alliances to constantly maintain their own high oil use. A higher oil price might indicate that there is scarcity in the market, but it might also be a signal of a ‘refinery crisis’ (interview Statoil). Others fear that prices will remain high as we are unavoidably facing ‘peak oil’; that the world has already experienced the peak in oil production as oil companies are lacking future petroleum replacements. The peak oil theory suggests that for any given geographical area, from an individual oil field to the planet as a whole, the rate of petroleum production tends to follow a bell-shaped curved.

5.2.1 Transnational Challenges

Harvey (2003) and Mitchell (2002) argue that the key factor that is overlooked is how the US is fighting for control of the global ‘oil spigot’. The US, through its ‘special relationship’ with Saudi Arabia has always tried, and been largely successfully, to control the supply of oil and therefore its price because it is the key commodity of the global economy. Mitchell (2002) counters those theorists who portray the September 11th attacks as a clash between religious fundamentalists and modern secular states by pointing to the fact that the most secular regimes in the Middle East are the ones that have been those most independent of the United States. This has created a paradox whereby, “The more closely a government is allied with Washington, the more Islamic its politics” (Mitchell 2002:1). However, with the straining of US-Saudi relations due to terrorism issues, which is the clash of geopolitical and geo-economic interests, the US has utilized other strategies to control the ‘oil spigot’, Harvey (2003) argues. This geopolitical strategy includes preventing a rise from a great-power competitor in the Far East and China. As

⁹ www.bp.com/statistical review downloaded 15/6-06

Europe, Japan, as well as East and South-East Asia, are deeply reliant on the Gulf oil and these are regional configurations of political-economic power, they now pose a challenge to US global hegemony through production and finance. Therefore, Harvey also places the war in Iraq as a tool for US supremacy through the proposition; “whoever controls the Middle East controls the global oil spigot and whoever controls the global oil spigot control the global economy, at least for the near future” (Harvey 2003: 19). To gain control over the oil spigot, Harvey argues, includes the overthrow of both Chavez in Venezuela and Saddam in Iraq, and stabilizing of Saudi Arabia politically. Also, if it can move on from Iraq to Iran to consolidate a strategic military presence in the central Asia to control the Caspian Basin oil reserves, then the US has its chance to keep an effective control of the global economy for the next fifty years. “What better way for the United States to ward off the competition and secure its won hegemonic position than to control the price, conditions and distribution of the key economic resource upon which those competitors rely?” (Harvey 2003: 25).

One crucial trend that I found overlooked as I conducted interviews is that the TNCs, as opposed to the state-owned companies, are missing sufficient petroleum reserves. The concern is that in the near future this will become a major source of tension, as Europe will have to compete within the same geopolitical play. As the US cannot dictate oil prices through their dominance in the Middle East as they used to (depending on Iraq’s future), Europe needs to find new strategies in order to maintain their petroleum supply. This has created a political climate where seemingly old lines and borders must be redrawn to avoid potential threats to securing sufficient petroleum supplies to European and the US markets. Within this context, the information director at Shell thinks that European states are increasingly focusing on the Norway’s supply role, due to growing concerns about dependency on ‘unstable regimes’:

...Because you don’t want to end up in a situation where you are totally dependent on Algeria and Russia...That is why Norway becomes exceptionally important in this picture. Norway is then counted as an ally, as a part of Europe. And they would like to access our resources. In that way, from then on, for almost everyday that goes by, Norway’s position in this context becomes more and more important. (Shell)

In this perspective, the arctic areas might also become increasingly politicized. Especially the area between Norway and Russia called the Grey Zone where Norway and Russia have an ongoing border dispute. “The Grey Zone and the areas up against Svalbard”, the Shell representative told me, “that debate is yet to be discussed” (interview). This theme will be further developed in chapter six.

With 90% of the world’s remaining resources located in countries with national oil companies, and 75 percent of them in OPEC, the “big picture” is changing, with new “challenges to old hegemonies that were tied to the transnational oil companies” (interview Statoil). In 2006, the world witnessed the strongest growth in the world economy since the 1960’s with transnational oil companies’ profits experiencing enormous growth. With an expected shared surplus of 850 Billion NOK for the five biggest transnational oil companies ExxonMobil, BP, Shell, Chevron and ConocoPhillips (Dagens Næringsliv 30/7-06), it is evident that the TNC’s are now concerned with getting new exploration areas and petroleum reserves to invest their great profits. “As China and India are experiencing an exponential growth, then accessing hydrocarbons and energy become equally important” the Shell information director said. And what is currently happening in the international oil market is that state oil companies are also making alliances. “Statoil goes to Sonangol to make a deal. Petrochina goes to Angola to make a deal. Indian companies go to Nigeria - more and more connections between those who are sitting on the resources”. As a consequence, vast financial resources do not in themselves enable increased production for the transnational oil companies:

Money means nothing if you know that ‘here you have a defined resource, the cake is just this big’ and we have to get our share of the cake. The fight that is now taking place is happening in that kind of global energy-*political* connection. Then you will have each continent worried about their ‘security of supply’.
(Shell [my italics])

The emergence of new geopolitical disputes related to oil reserves means that transnational oil companies will have to compete to a greater extent for access areas and possible investments. As a consequence, petroleum countries like Norway will, to a lesser extent, have to compete with other regions in the global market for the transnational oil companies’ capital.

5.2.2 Norway's Superpowers

Today I think we see the traces of a new pattern. The national oil companies (NOCs) will get a different position. You had the super majors who largely governed the past century. Today I think we will get the superNOCs. A new superclass of them. (Statoil)

After several travels to the US in relation to the book he was working on, the representative from Statoil noted that those who live on Capitol Hill, working in quite insider circles, are talking about the new role of NOC's, including Statoil. "They talk about Petrobras in Brazil, Petromas in Malaysia and you have SaudiAramco" he says, "but also tied to this 'class' is Statoil" (interview). The company is listed on the stock market but it is still owned 70.9% by the Norwegian state, so Statoil meets the criteria as a NOC, - "At least in an OPEC perspective they fulfill the conditions to be a national oil company" (interview). This again raises the question, "Statoil as the big Norwegian project, who is Statoil's family? Statoil is not in the family with the 'super nationals', even though they somehow have gone into the same arena and, technically seen, solve a lot of the tasks that traditionally have been solved by the 'supermajors'" (interview).

Statoil differs from the other NOCs because the Norwegian government held the Norwegian Shelf open for competition (interview). As such, Statoil is not just given its own identity; it has also enabled a dynamic strategy for the government, and retains a constant negotiating position in relation to the range of actors that can become its partners:

The Norwegian Shelf has in a way developed a Norwegian model that is not static but dynamic. In that way, Statoil has its own identity. And that has a special role where you can seek a close cooperation and be accepted amongst the supermajors, but also with other national oil companies. So I think that if doors are opened in the right way, it can become sort of a super NOC. Which I think is an interesting perspective. (Statoil)

Not only Statoil experiences greater attention due to the current geopolitical context. "Norway is a superpower when it comes to petroleum," the present Minister of Petroleum and Energy stated in the interview when discussing the pressure that is externally put on

the state to serve as a 'stable supplier' of petroleum and energy. "This is a role Norwegians have to become conscious of", he added, "if there is one area in which Norway is a superpower, it is this one" (interview). The Minister went on to describe the central role that oil plays in all Norwegian political activities internationally:

Almost no matter which one of my colleagues who are out traveling, if it is the Minister of Defense...whoever it is, then it is energy and Norway's role as an energy supplier which is the them that is the *most* discussed and which is *most* focused on. And it is really enormous. And in every international get-together I have participated in lately...then there is a great attention on this and there is great weight on Norway's role, Norway's way of doing things, and I think I would say quite simply that we are pretty highly respected in this internationally. And in each and every international forum, then Norway is asked to play a role, either with lectures, debates; yes, we are where it happens in those connections. (Enoksen)

Increasingly, securing the supply-side of global, and especially European, petroleum markets is turning into a key political question in international relations with regard to Norway. The transnational oil companies are, as we have seen, responding to increasing European demands and instability in the Middle East, putting pressure on Norway through geographical representations that are intended to *responsibilize* the state as a petroleum producer. A complex set of discourses, representations and practices are mobilized which seem to politically neutralize Norway's petroleum duties. The image presented by Shell, is an image of a strong sovereign state, which for every day that goes by, enhances its position in relation to the global market. The Minister of Petroleum and Energy sees this as a moment at which the state is autonomous and can re-invent itself in relation as international energy-political structures. Statoil, as a state-owned oil company, also becomes more important as it is an expression of the dynamics of the Norwegian government whilst gaining importance in the most globalized, capitalist industry. Within these geopolitical shifts, Norway can be seen as strengthening its position, as it did in the 1970's, for example in relation to future negotiations over the arctic areas, such as the Grey Zone, when serving as a stable supplier to European demands.

5.3 Globalization and Welfare

Today, Norwegian businesses and political authorities can act quite independently within global economic structures. This relative independence is also based on a reliance on

petroleum profits as evidenced in chapter one and four. The arguments of the politicians but even more strongly the petroleum industry commonly center on issues of generating public funds whilst adjusting to the global market. These lines of argument reflect what has become part of the mainstream political debate, which focuses on how to enhance global position of the Norwegian economy while maintaining and securing a strong welfare state for the future. The *domestic* political power of the Norwegian petroleum industry is thereby premised upon the idea that these tasks cannot be treated as mutually exclusive: that there is no contradiction between its drive for ‘global competitiveness’ on the one hand, and the sustaining of Norwegian social democracy on the other. Put simply, ‘what is good for the petroleum industry, is good for Norway’. To the degree that this has been accepted as fact, the petroleum industry serves as a uniquely influential advocate for reforms or strategic moves to enhance the competitive strength of the Norwegian petroleum sector and industry in Norway. The state has given their ‘own’ oil companies a higher degree of autonomy by partly privatizing Statoil, which, while supposedly limited, has opened the door for calls for more reforms. In the words of the petroleum industry’s youth chapter Oxygen (OLF), this current political debate in Norway will determine how the next chapter of the so-called ‘fairy-tale’ will be settled:

There is now an ongoing political debate about how the next chapter of the oil fairy-tail will be settled. The oil and gas industry has profound knowledge. Few politicians have a satisfactory knowledge base. Environmentalists and journalists set the agenda in the media. Most people know little about what is happening. To slit the neck of the golden goose in the fairy tale is simple, it is just to make the Continental Shelf less attractive for a shorter or longer period. Welfare does not come by itself. (‘Oil Thoughts’ 2005: 2 [my translation])¹⁰

The antagonism Oxygen is drawing between the industry and the state is that politicians might be strangling the welfare system instead of strengthening it. The future depends on politicians allowing the industry to make the right choice of direction for petroleum extraction. On the one hand, the state depends on the petroleum industry to provide economic support for its social democratic politics. Yet this dependence has provided the industry more power than any other in Norway, and emboldened it to call for greater independence from those it is supposed to serve. According to the petroleum

¹⁰ Oljetanker. Downloaded at www.olf.no 15/5-06.

industry then, making Norway competitive at a global scale, depends on the politicians' ability to make the Norwegian Shelf competitive today, as well as letting the Norwegian companies 'loose' in the global petroleum industry, carrying out their *own* strategies.

With a new center-left government in 2005, some in the petroleum industry have expressed concern that the state will again take a more pro-active role in the petroleum economy; Hydro representatives have expressed this concern in public. Global trends towards liberalization, de-regulation and privatization over the last decade, seem to have narrowed the political space for state intervention and, once started, these trends seem hard to reverse. But this reflects the problematic (and often strategic) tendency towards separating the political and economic. Political and economic processes still influence each other, get 'mixed up' and meld together, and no government, however 'laissez-faire' in its approach practices a fully neutral approach to business (Hveem in Dagbladet 18/5 2005)¹¹. The tension between geo-political and geo-economic imperatives ensures that the state remains very active in reorganizing and reterritorializing global trade and resource extraction. Economic globalization may be integrating into the national political economy at different scales but this has not led to a 'smoothing over' of economic space. Sparke (2005) uses this phrase to deconstruct images and representations from various business news media that envisage the global market place as a self-regulating and level playing field for corporate interaction. In other words, although nation-states have become more economically interdependent of each other through the globalization of trade, market mechanisms do not automatically 'even out' the growth experienced by different countries operating within the same market. Certainly, market actors would like to see themselves as competing freely in the global market, unencumbered by place and politics, as evidenced by the vision of the Chairman of Dow Chemical:

I have long dreamed of buying an island owned by no nation and of establishing the world headquarters of the Dow company on the truly neutral ground of such an island, beholden to no nation or society. If we were located on such truly neutral ground we could then really operate in the United States as US citizens, in Japan as Japanese citizens and in Brazil as Brazilians rather than being governed in prime by the laws of the United States... we could even pay any natives handsomely to move elsewhere. (Sparke forthcoming: 34)

¹¹ According to Hveem (2005), over a trillion USD is spent on subsidies worldwide and the OECD – countries represent 2/3 of this figure.

At its most extreme, the idea of the placeless TNC comes down to a vision of “cosmopolitan capitalist business” entirely unattached to particular any national context, whilst it is the same geography that deconstructs the ‘placeless TNCs’ myth (Sparke forthcoming: 34). Because, in reality, TNC’s also often turn to national politicians for support in finding cheaper inputs and higher profits. Therefore, utilizing Sparke’s distinction between the rhetoric and realities of ‘globalization’, as in the theory chapter, clarifies globalization as a myth and as a real process, by capitalizing ‘Globalization’ when referring to the term as a politically loaded discourse, an “instrumental term put to work in shaping as well as reshaping the growth of global interdependency” (Sparke forthcoming:). Whilst Sparke is making an analytical distinction between different meanings of G/globalization the two meanings should not be seen as oppositional. In fact, the discourse of Globalization clearly has a powerful material impact on globalized social, economic and political ties, which, in turn, are incorporated into new discourses about the inevitability of these processes and the need for further reforms. As echoed in a speech by the Tony Blair in 1995:

The new world market, which today is industrially and financially transformed, demands a new economics.... We must recognize that the UK is situated in the middle of an active global market for capital - a market that is less subject to regulation today than for several decades. To that extent the room for maneuver of any government in Britain is already heavily circumscribed.

(Sparke forthcoming: 4)

Has Globalization generated what Wacquant (2002) calls ‘a fetish of competition’ in Norway? The state maintains its welfare duties and upholds a strong position in petroleum activities today but the rhetorics appears to be undergoing what geographers call a ‘rescaling’, where the ‘global’ scale eclipses the ‘national’ in terms of the state strategy. The recently announced merger of the two partly state-owned oil companies, Statoil and Hydro, seems to illustrate this point, as it was backed by a strong belief that it would enhance the ‘competitive strength’ of the Norwegian petroleum industry as a whole on a ‘global’ scale. At the press conference when the merger was presented the Prime Minister said that Norway had to make use of a window of opportunity for a massive internationalization of Norwegian petroleum activities. In a joint statement from

the two companies, Helge Lund, the CEO of Statoil commented: “The time is right for one strong Norwegian-based energy champion. We are creating a stronger and more competitive company... and will significantly improve our competitive position internationally and promote long-term vitality of the Norwegian Continental Shelf”¹² (Helge Lund, 18/12/06 [my translation]).

But in making cultural arguments for de-regulating the oil industry, industry representatives have also provided a language for globalization that goes beyond a particular economy to provide inspiration for other Norwegian businesses hoping to reposition themselves in relation to the welfare state. An example of this re-scaling of politics is the Confederation of Norwegian Enterprise’s (NHO) suggestion in early 2007 that the powerful Ministry of Finance should be replaced by two ministries, one that takes care of the budgeting and a new giant ministry for ‘competition’ so Norway doesn’t ‘fall off the wagon’ in the era of Globalization. In the press release NHO invites government to find strategies that enables Norway to “continue being a global winner”¹³, also suggesting that it should include organizing petroleum activities. This will in turn prevent the diffusion that limits the government today from conducting a comprehensive practice of politics in a globalized context, the press release from NHO states.

These examples show that within the discourse of globalization in Norway there is an emphasis on the state’s competitiveness as an explicit goal. A contradiction with the merge of Hydro and Statoil in order to become ‘competitive’ on a global scale is that the state has moved in the opposite direction on the domestic front as Statoil and Hydro are major operators on the Norwegian Shelf leaving the other companies with only 22% of the resources. As such, taking away the competition between Statoil and Hydro is an immense change within the petroleum sector. This consideration has not yet to be extensively debated since the announcement however, even though it has been a political dogma to have several Norwegian state companies operating in Norwegian territory.

¹² <http://www.rigzone.com> ”Statoil & Hydro to merge oil & gas activities”. 18/12-06.

¹³ www.nho.no press release 2/1-07 ”Norge i verden – fortsatt en global vinner?”

5.4 Private Business for Public Spending?

In the previous sections, relations that structures Norway's position through 'externalities' and how these can or are re-created and reproduced in the Norwegian political setting have been analyzed. In a prolonging of this interest in structures of interdependencies, claims that the interviewees made regarding the increasing importance of petroleum industry will be explored in this section. Those who mainly talked about state responsibilities in relation to the history and dependence on the petroleum industry will be presented in this section. Those mostly concerned with environmental issues will be presented in the last section of this chapter.

To examine this issue, I would usually formulate a question in the following way:

Interviewer: can we make the general claim, both from the politicians, but especially from the oil companies' side, that it is necessary to increase oil extraction to ensure the welfare state? In other words, "what is good for petroleum industry is good for Norway"? What different layers do you see in such a thesis?

The present and previous Ministers of Petroleum and Energy, Enoksen and Stensnæs, instantly responded that it is 'taking it too far' to unconditionally claim that just listening to the petroleum industry will be 'good for Norway' (interview Enoksen). Instead of exploring the relationship between oil policies and welfare costs, a number of the respondents directed conversations towards how Norway is fulfilling its 'fundamental principles' from the early 1970's.

The present Minister of Petroleum and Energy thinks that the objectives and strategies over the past 40 years, has enabled the opposite strategy. "On the contrary, I think that the demands the authorities have placed on the industry, which are stricter than other countries, has brought us to where we are today" (interview Enoksen). Enoksen relates this to environmental, technological, as well as security standards. The fact that Norway sees itself as a leader within these fields is as much connected to the government's "continuous strict demands" as it has to do with the companies "efforts" (Interview). Also, earlier in the interview he made it clear that the present government would play an active role to reach their goals for the petroleum sector. The priorities of government the Minister identified were to ensure that petroleum resources are exploited

as extensively as possible; secondly, to incorporate policies combating climate change and other environmental problems; and thirdly, to do “their part” to ensure the international competitive strength of the Norwegian petroleum industry whilst being in the international forefront of technological development and environmental policies. (interview). In other words, the government is taking on a number of responsibilities in the petroleum sector.

The former Minister of Petroleum and Energy also compares Norway to other countries in order to explain how the Norwegian strategy has been efficient in terms of reaching the fundamental principles. Being cautious has been important for a number of reasons, argued Steensnæs; “If we look to our neighbors in Great Britain...they are net importers now” (interview). Even though Great Britain started petroleum activities at an earlier stage than Norway, the sector experienced a peak quite early compared to Norway. Also, he says that it has become popular to state that ‘we don’t want to be another Kuwait’ to underscore Norway’s strategy of a gradual state-led development. The government’s differing ‘active strategies’ have resolved the many challenges a petroleum country has to deal with. He therefore concludes that whilst oil companies are “pressuring to increase extraction” it would be wrong to claim that, “as such, it is unconditionally the best for Norway. On the contrary, a steady development has enabled it” (interview). Even more important from this perspective, he argues, is that this steady development can make sure that environmental concerns are not overruled as the petroleum industry is increasingly entering demanding areas. “If we went to the Barents Sea with full activity today” he commented, “we would not have been prepared.” Instead, “with a steady development then a parallel development of technology will enable that this will be happen in a cautious and instructive way” (interview). I therefore asked the former Minister if there were any tools, to enable a ‘steady development’ he felt like he was missing when he was in charge. In retrospect, he thought that there was one condition that he considered important was the Ministry’s lack of technical expertise, as it is *only* placed at the Petroleum Directorate today:

All our analysis is built upon the information the Petroleum Directorate *gives*, and the Ministry’s servants are very competent, but they don’t have the technical expertise. They have to take for granted what comes from the Petroleum Directorate...I would then have had people who could as such analyze the

Petroleum Directorate and other institutions suggestions, in relation to the political notions. (Steensnæs)

During his time in Ministry, from 2001 to June 2004, he had an environmental section in the Ministry that could ‘match’ the suggestions from the Environmental Ministry. If the MPE could also have a dialogue with the Petroleum Directorate, technical conclusions on reserves, resources and extracting possibilities could have been analyzed at the Ministry itself, “which, in composition, is a very important premise for licenses and exploration rounds and so on” (interview). A representative from the environmental foundation ZERO also thinks that the authorities were missing required technological staff in relation to the petroleum industry and pollution. “The industry is continually growing, but the inspection authorities are missing and has reduced adequate staff that can manage the growing challenges related to petroleum extraction” Palm in ZERO said.

5.4.1 Structures of Dependency

The respondents in the petroleum industry - with one exception, which will be presented in the next discussion - also argued that the fundamental principles and strategy of the state’s policies enables Norway to take advantage of the potential to sustain petroleum growth. A convergence between the petroleum industry's wish to sustain growth, and the capability of the state to fund large-scale welfare programs. The director of KonKraft was concerned with the possibilities and long-term structures of dependency for the future that Norway, as such, should take advantage of. The information director of Shell agreed, and put emphasis how this growth needed to be maintained, whilst the managing director of BP Norway agreed that it was important to sustain growth, but questioned the government’s ability to re-distribute the petroleum income.

The ‘knowledge economy’ that has been created in the petroleum sector can be viewed as a ‘socioeconomic expression’ with very positive consequences for the political economy in Norway, the KonKraft director argued. Political questions that follow from the dependency can be seen as expressions of possibilities:

What do you use the money for? And how are you going to spend the money?
That is the political discussion; it’s about the ‘rule of practice’ in one end, and the petroleum fund that is now called the pension fund in the other. This gives fairytale-like possibilities, of course it does! (KonKraft)

As such, he thinks that governmental policies should be directed towards increasing the intensity of petroleum extraction: “We are building an industry with high competence and hopefully competitive strength that enables serving markets outside Norway” (interview). These different types of knowledge that have been created at the local scale, enables the Norwegian petroleum industry to move beyond Norwegian territory, and as such continue to be the most important industry for several generations:

The question is; what will we live off when the oil come to an end? One of the answers is the petroleum industry. It is the competence that we have built up. It might sound a bit superficial, but I usually give the opposite answer; what are we going to live off in this country if the oil never comes to an end? That might be just as interesting as a question. In the sense that we will have oil and gas activities for a number of generations. (KonKraft)

Therefore, developing the petroleum sector in Norway is seen as the best business strategy for the future and a number of the interviewees talked about the importance of the industry. Shell also thinks that the export-possibilities are an important dimension when discussing ‘what is good for the petroleum industry is good for Norway’. Norway can continue and extend the exceptional development in petroleum activities by maintaining exploration rates. This will also enable a fulfilling of Int-Sok objective, a coalition between the state and the Norwegian companies in the petroleum sector:

If we over the next twenty years can internationalize the Norwegian industry so that Int-sok’s objective is fulfilled...then the supply industry will succeed in other parts of the world...that is why it is so dangerous to claim that we do not have to explore more, that - ‘we don’t have to explore more because we have enough activities,’ then this business’ foundation disappears. At least the future perspective...that is what has been fantastic about Norway’s history... When Statoil was established in 1972 everyone was sitting in the back seat...

In other words, the history of a strong state that uses its opportunities to enhance its competitive advantages can further be strengthened by a continuance of the practice that has dominated the petroleum sector, and as such be implemented in the strategies when enhancing the Norwegian companies competitive ability abroad. He also thinks that the ‘stakeholder’ attitude of government reflected in the petroleum politics and the history, has shown that one pressure group in society overrules another, is prevented; “none of the

involved have seen their demands fully granted” (interview). Since there are obvious dilemmas regarding an industry that depends upon fossil fuel combustion, I also asked the KonKraft representative if the environmental perspective was incorporated into politics in relation to the petroleum industry. He thought it was important to be realistic about ‘where the world is’ regarding the dependency of petroleum today:

You can have all the assumption you want about burning fossil fuels as something you should do as little as possible of. Because it has something to do with emissions and so on. But that isn’t where the world is...right here and now the world’s energy need is totally dependent of oil and gas. (KonKraft)

As such, Norway is again viewed as having a crucial role when it comes to supplying the world with oil and gas. However, he also thinks that there are other dilemmas that come with this responsibility related to labor strikes in the Norwegian workforce, commenting that, “people who are out in the ocean, if they are not satisfied, they turn the pumps off and then you actually shut off the European energy supply. That becomes quite special. So there are some dilemmas that follow” (Interview)

In relation to the environmental sustainability, KonKraft’s representative claimed that the fact that Norway has the “most environmental friendly petroleum industry in the world” is proved by the fact that there is no other place in the world where there are “higher demands to the activities through high environmental standards” (interview). However, The Managing Director of BP Norway thinks that this claim might be misleading as she has yet to see a verification that underpins the assertion. On the contrary she thinks that the challenge for government is to redistribute the wealth to the rest of the population rather than increase production in order to maintain the duties of the welfare state. As such, the objectives of Norwegian petroleum politics should be a stable development, where the ambition is to maintain the current level of exploration:

I don’t think there is a need to increase the welfare, instead I think the main concern should be to re-distribute in certain areas. I think it is unfortunate to see that in a rich country there are elderly people who do not get the treatment they need. So if we are to increase production, then it should be carried out in a reasonable and controlled manner. (Kielland, BP)

By emphasizing the re-distributive power of petroleum revenue, the state can fund a welfare program that, to a greater extent, benefits the whole society, BP here argues. This

shows that the state has several tasks that it needs to uphold in order to keep not only the industry, but also the ‘fundamental principles’ of re-distribution integral. The discussion with the petroleum industry and the governmental ministers provides an understanding of that it is important to re-create the fundamental principles into mainstream projection.

5.5 Environmentalism concerns in Norway

The debate over environmentalism ‘versus’ the petroleum industry desires is increasingly politicized in Norway today, relating to climate change. *If* and *how* to incorporate new geographical areas for commercial petroleum activity has over the past two years been the most debated. This demonstrates that petroleum policy-making is entering a new phase, both geographically and politically. In the next chapter this will be presented as a debate between the petroleum industry and state representatives.

During the late 1980’s and early 1990’s environmental issues were increasingly influencing Norwegian petroleum policies. Gro Harlem Brundtland, the prime minister of this era, received international attention for her work on the report *Our Common Future* (1987). ‘Sustainable Development’ and ‘think global, act local’ became the watchwords for a new agenda for nation-states. As Brundtland was seen as the ‘World environmental minister’, coupled with a profound mobilization around environmental issues in Norway, it soon became clear that the environmental turn would affect national policies. In Norway there was a general ‘greening’ of party politics, a growth of environmental nongovernmental organizations (ENGOS), and ambitious new objectives for stabilizing petroleum production and controlling oil and gas extraction on environmental terms. For the parliament election in 1993, environmental protection was the number one voting issue. The carbon dioxide (CO₂) emission tax was quickly introduced on the Norwegian Shelf in 1991, where gas power plants account for a third of the total CO₂-emissions in Norway. It was evident that it was the politicians and not the petroleum industry, which strongly opposed such a tax on their emissions, which articulated and enforced the change in petroleum policies at the time (Reitan 1998).

However, the Power and Democracy working group’s final report (2003) claims there is a growing antagonism played out through the ideological struggle appearing in the shade of Norway’s role as both an international promoter of sustainable development, and as a global leader in an industry that contributes heavily to the single most important

environmental problem of our age, climate change (Østerud et al. 2003). In 1998, the CO₂-emission tax was cut from 480 kroner to 300 with a promise of raising it again when oil prices were more favorable for oil companies (Interview Gjøl, Labor Party). Yet, this has not happened. Several studies have suggested that a gradual shift has taken place from Norway being at the international forefront for implementing climate policies to securing our future as an oil nation (Nilsen 2001), and from the late 1990s climate politics have adjusted to petroleum politics and not the opposite (Boasson 2005). Behind the lines of arguments and decisions on how and where to make investments there is always a privileging of particular spaces, locations and scales within a given national territory, and a neglect or exclusion of others. In the next section, those who focused upon the environmental aspect as the most pressing in relation to ‘what is good for the oil industry, is good for Norway, will contextualize how this debate has yet to be settled.

5.5.1 Taming Environmentalism?

Being a major producer and exporter of fossil fuel resources raises a number of dilemmas. Sæther, the former CEO of the Norwegian Shipping Association, reflected “an exclusive, non-renewable strongly polluting resource is established as the premise for the Norwegian welfare state raises an interesting dilemma I would think” (interview). On the one hand, he says, the environment is a “cost” to the industry, and on the other, an “income” for nature. This then raises the question of “what are we willing to pay for a better environment for future generations?” Sæther is not positive when it comes to the petroleum industry, or other industries for that matter. Because, the price in order to resolve it will be too high and that it is not seen as possible to maintain both sufficiently. As a consequence, the most probable outcome is that no action is taken:

The petroleum industry can become more environmental. The price is less turnover for society and for the industry. The problem is that a lot of people think that they can have their cake and eat it too, a better environment and higher profits for society. This easily leads to the consequence that no action is taken.
(Sæther)

Gjøl, from the Labor Party, goes further saying that the broader political debate related to resource management and environmentalism from the 1990’s has been silenced. This includes not only discussions and policy-making related to climate change. It also

includes debates about how fast the fossil resources should be extracted, generally referred to as the 'tempo-debate'. Two key questions have subsequently become de-politicized; should Norway decrease its production in order to fulfill an intra-generational 'sustainable development' agenda? And, secondly, should the total resource management include a greater share of renewable energy? The counterargument at the time was that the petroleum fund would function of the as the re-distributive tool for future generations. Still, Gjøl argues that because of the level of oil prices in the late 1990's compared to today, and the increasing demand on the world oil market, "it would have been wise to reduce the tempo and share out the resources in a better manner than we have done until now" (interview). The oil companies' role in society, she thinks, relates to their concern for generating profit, and not welfare. However, she thinks that Hydro and Statoil, with more leverage, can claim that what they are doing is 'for the best' for Norwegian society:

The oil companies come to Norway to pump up oil and make money out of it. I think Statoil and Hydro to a certain extent has others visions, and with a greater integrity can use that argument. But primarily, it is profit maximization the oil companies are occupied with. The rhetoric is sweet, but I don't buy it! (Gjøl)

Palm from the environmental foundation ZERO places the responsibility of these silences on the petroleum industry and the representations forwarded by the Minister of Petroleum and Energy himself. The petroleum industry structures the debates over what is possible as there is an immense growth of CO₂-emissions whilst the attitudes of the Minister of Petroleum and Energy projects 'limitless' future production growth. As such the Minister is also part of a practice he terms 'greenwashing', in which environmental costs are justified in the name of paving the way for additional petroleum growth. This occurs, even though the Ministry knows that the resources are 'locked' on the Norwegian Shelf, and that they would still have been 'here' if the oil companies were more strictly environmentally regulated. As such, representations of exceptional Norwegian petroleum extraction is constructed:

The Minister of Petroleum and Energy claims that we have the cleanest petroleum production in the world, and as such the world is a better place because *we* are producing it. The environmental standards that have been put on the industry have happened in spite of, and not because of efforts from the industry. (ZERO)

The industry, he claims, has wiped out the ‘clean energy’ efforts that could have been enabled due to the environmental wave in early 1990’s in Norwegian political space. Therefore, he claims that the few changes that have been made, have been pushed through in spite of the petroleum industry’s claims that it is too expensive, and that it is not technologically possible. “In the end it *will* become so expensive to do something because we have waited too long”, he added (interview). The Minister of Petroleum and Energy makes it sound as though there are only two alternatives from now onwards, “either we extract the oil or someone else, who pollutes much more when doing so” (interview). He therefore raises two issues in relation to this perspective, related to both future generations and the idea that only other countries should enforce reductions in CO₂-emissions. “Should not future generations themselves decide *if* or *how* the resources should be exploited?” (interview), and in the inter-generational perspective he characterizes present politics as follows:

We will think about ourselves, and then someone else globally will have to do something. However, single human beings, and oil companies who have to do something compose the global world. And people are not given any options, because they are not singular energy companies. There is an entire world out there that works on environmental issues. Reality is not made of a Norwegian petroleum sector making a lot of environmental sacrifices. (ZERO)

5.6 Conclusion: Responsibilities that Challenges State Space

This chapter has examined and analyzed different representational and material ways in which Norwegian society is structured into dependence of petroleum profits. Seen as challenges and responsibilities, the debates presented include how the relationship between state power and the geography of petroleum production is being re-organized in relation to new objectives, and how ‘old’ objectives are re-created as new. The chapter also provides an understanding of ties and tensions between different geopolitical and geoeconomic objectives where the geopolitical objectives of states are to secure (affordable) oil supplies, and oil TNCs are working to secure new, highly profitable petroleum resources. This is increasing demands for petroleum exploration and production on the Norwegian Shelf.

The state has adapted to global economic structures in which the Norwegian petroleum-related companies can operate, whilst avoiding giving away financial power or constraining the welfare responsibilities. The history is echoed in terms of enabling the growth from petroleum production, through other strategies than the 'market rule'. Norway is in these ways re-presented with an own identity and practice when managing petroleum resources and by a continuous drive to explore and produce on the Norwegian Shelf.

These factors present opportunities to enhance the state's position within geoeconomic and geopolitical contradictions, as the state can enable differing strategies to extensively explore and produce petroleum on the Norwegian Shelf, and as a 'stable' supplier of fossil energy. In these ways, Norway is projected to be a superpower within an international relations setting. The state as such remains powerful as it clearly still has a big role in oil debates, with a shared motivation as within the petroleum industry, to find new resources to exploit.

The welfare perspective is, by and large, structured by representations of the state's history and by the ability to sustain current exploration and production rates. The foundation for politics of petroleum extraction, that was created *before* the political economy became dependent on petroleum extraction, is still evident in the rhetorical structures made today; previous and present ministers of Petroleum and Energy and by the petroleum industry use these references to explain the political foundation today. These representations are mobilized by the narrow and integral dimensions of state space; where the state is a strict regulator that mobilizes its institutions to maintain its welfare responsibilities. This clearly has important implications for environmentalism. Whilst welfare issues are structured into histories of national exceptionalism, environmental responsibilities can be 'incorporated' into petroleum extraction, maintain the representation of a 'cautious' strategy that the Norwegian petroleum history is founded upon. A promotion of 'status quo' in exploration and production rates, structure a number of environmental debates into immobility in relation to the Norwegian Shelf. By those questioning a status quo view state challenges and state practices as oppositional. Or, in terms of state spatiality, the representational dimension overrules mobility in the integral dimension, as environmental concerns are not mobilized in state practices. In this debate

the respondents' view of the responsibilities of the can also be analyzed in terms of how they utilize 'external' factors that is underpinned by Norway's responsibilities on a global scale. Responsibilities that so to say 'handpick' among conflicting perspectives where concerns over a 'supply crisis' and 'climate crisis' are utilized (selectively) to responsabilize the state in narrow and integral ways. An antagonistic feature is also found in a representational inter-generational perspective. Whilst those promoting a status quo in production rates think that petroleum profits will enable future generations possibilities, they are contrasted with those who argue that future generations will be constrained. These conflicting perspectives seem to increasingly structure the debate over the political geography of the Norwegian Shelf.

Discussions over competitiveness are increasingly structuring representations of petroleum politics. The next chapter will explore and scrutinize how the state is seen by determining actors to act as competitive in Norwegian territory.

6. Mapping Predictability and Oil in the North

Today, it is evident that all oil companies have access to new exploration acreage and oil reserves on top of their agenda. And the reality is that you don't have political stability in all parts of the world. It is not nice to send experts to a number of countries, and it is not so pleasant living there. Put simply; where there is oil there is a trouble. Then there are strategic and political interests tied to energy in general, and to oil in particular. Where oil is located and distributed, you also find the world's most demanding resource bases. Norway is in this light an exemption. Because, you can on the one hand say there are high taxes but, on the other hand, it is very predictable and stable. Then there are many different ways of seeing and saying that... (Statoil)

This chapter will deal with the taxation debate, and how the petroleum industry and the state present their arguments on maintaining and enhancing the 'competitiveness' of the Norwegian Shelf. Primarily, how do the actors within the petroleum sector argue to adjust or maintain government policies that will enhance their competitive strength? This is KonKraft's objective, and therefore a political mandate seen as a joint responsibility of the Norwegian petroleum industry and the state. As such, this chapter corresponds to the representations of KonKraft: how to act as a 'competitive container' in Norwegian territory, and secondly Norway's ability to expand and internationalize its own oil explorations, as sovereignty exercised outside the 'container'.

The introductory quote from Statoil corroborates what seems to be the shared view amongst the political authorities and the petroleum industry. Predictability and, increasingly, prospectivity - new promising areas to drill for oil and gas - determine the industry's interpretation of a region's competitive strength with regard to other petroleum provinces. To a great extent, there was consistency between the industry and the governments' representations, especially when it comes to what is termed political stability in the 'petroleum world'. Politicians see political culture and history as the main long-term component that business in Norway can benefit from. This includes geopolitical and geoeconomic imperatives as increasing attention is paid to determining the context of the oil prospect of Iraq as well as the Norwegian and Russian side of the Barents Sea. Also, the mobility of capital and ease of investments in exploration is seen as enhancing the possibilities for new petroleum discoveries. Finally, as we have seen in the previous chapter, the price of oil is certainly a determining factor not only when it

comes to how much the state of Norway directly profits but also how it is ‘ranked’ and portrayed by the industry.

This chapter will provide an overview of the contemporary debate over prospectivity and political objectives in the Norwegian petroleum sector. First, I will present the government’s policy objective. Then taxation will be examined through the petroleum industry’s view of the ‘terror taxation balance’ in Norway, before presenting how government argued that KonKraft’s taxation project was not valid.. However, also different actors criticized government for opening up the Shelf, which was the government’s response after the taxation project. This critique will be presented in terms of how increased competition on the Shelf might be strangling not only the competition between the different companies, but also governmental objectives. Then a key debate between the petroleum industry and the state will be presented: The North of Norway’s ‘prospectivity’ and ‘who is driving the optimism in the North’. Finally, a short summary the debate in the context of Norway’s ‘imagi-nation’ will be presented in a critical geopolitics perspective.

6.1 Taxation Regulation in Transnationalized State Spaces

The practice of ‘consensus democracy’ was emphasized in chapter four. The former Minister of Finance made the point that Norway can never compete with other low cost countries when it comes to taxes in the interview. That however, is not seen as a major disadvantage as Norway has a petroleum economy that constantly reproduces a consensus and as such avoids becoming a political battlefield. He recalls that Norway’s spending of oil revenues has been criticized from the OECD and IMF as not ‘strict enough’, and out of line with the ‘rule of practice’. But the Minister of Finance reminded them was that “this is a regulation based on political consensus, and the important thing tied to it is not that it is strict in socioeconomic terms, but rather its political predictability” (Interview Foss). This line of reasoning seemed sensible to the chief economists in the international agencies he recalls; “They are used to viewing countries as little pieces in a big world, right? And why does it matter if you have a stable government, and then after two years there’s is a revolution again?” (Interview). There must be stability over time, and the Norwegian taxation structure is an example of such, Foss concludes.

Tax rules for exploration and production are based on the ordinary Norwegian corporation tax system with some special features, including the additional special tax. All relevant expenses for the activities on the Norwegian Shelf are tax deductible. This concerns all ‘running’ operating expenditure, but also exploration costs, shutdown and decommissioning costs, and research and development expenditures. Investments are favored by a high reduction rate, and deductions may start immediately after the investment has been made¹⁴. Unlike Norway, many countries have a price cap for company revenues, which means that when the oil price hits a certain level, then the state takes the extra revenues off that barrel. In a number of other producing countries, companies have to pay signature bonuses, to access areas for exploration and production. In other words, other countries’ government intervenes when the ‘market price’ rises above a certain level and takes a surplus. In Norway they don’t do this and, presumably, the industry would resist such interventionist state mechanisms. However, they also want to have their cake and eat it, because when the price drops below a certain ‘market price’ they want the government to intervene and compensate their (temporary) loss of revenue, as evidenced in the KonKraft taxation project.

Foss says that the petroleum industry is steered by extensive new discoveries and in this sense, Norway is not that interesting anymore because it is usually presumed that the great discoveries have already been made in Norway. Still, with increasing demand from newly industrialized countries in Asia and other developing nations, he thinks that Norway will still be important for the oil companies’ portfolio. In a global industry where the political climate changes on a daily basis, the consensus becomes particularly important as a means to resist pressure from the oil companies to lower taxes or cut costs when they are in need of new exploration fields:

It has been common to have a reference group behind you to have a sort of political dogma in the petroleum taxation that we try to support with the broadest political consensus. To resist the pressure from the big oil companies and the lobby bench [in government and parliament]. But also to have stability over the [political] system. Therefore there been an extensive agreement in the three main [taxation] revisions. Which means everyone except the Socialist Party and the Progress Party. (Foss)

¹⁴ www.npd.no "Why Norway". 20/6-07

To provide the context for future objectives and policies, the Minister of Petroleum and Energy was also asked; where will Norway be in twenty years? The context he sketched includes an extensive growth in the consumption of fossil energy whilst renewable energy will be enhancing its position in the world energy market. Also, as we move into a phase where the great reserves are located in fewer countries, Norway's role will become increasingly important. The objective as such will be to maintain a predictable fiscal framework which remains competitive regardless of the level of oil prices:

Norway will play an important role as a stable and secure supplier of energy. These characteristics are already given weight internationally and the interest for the Norwegian Shelf as a petroleum province is increasing, simply in that perspective. We have a politically stable regime. In spite of changing governments there is stability in comparison to many other countries that are suppliers of petroleum products. We have a taxation regime that is long-standing, and no matter if there are high or low oil prices, it is attractive to invest on the Norwegian shelf. (Enoksen)

The continuing 'active' role of the state will enable stability and a positive outlook for the future historically rooted in the successful strategy the history of the Norwegian management model. A stable and responsive progress that includes close interaction between companies and government, steadiness over the political arena and stability over time where new areas have been opened up for exploration and extraction. In this way, the state-owned and transnational oil companies have not at any point had to 'starve' in Norway:

Norway's petroleum politics has been a continuous history of success. Because of the development we have had over time, - where we now have a great multitude of oil companies, where we have taken on international companies, where we have developed the Norwegian supply industry, where we have had a close interaction between government and businesses, - [have been factors that] have contributed to developing the [petroleum] industry in a positive direction. (Enoksen)

What the Minister of Petroleum and Energy says describes necessary features in a 'recipe' for management when the Norwegian companies go abroad, and the many roles the state in Norway holds as a consequence. This quotation illustrates the numerous roles the state has in Norway; it has "taken on" international oil companies, "developed" a

supply industry and enjoyed “close interaction” with businesses. The extensive state involvement when it comes to regulating, profiting and being an actor within the Norwegian petroleum sector poses additional demanding challenges that other petroleum producing countries have not been confronted with, or benefited from. Still, this role is not unproblematic. In fact, both the former Minister of Finance and an environmentalist made the point that at times it has been hard to tell if the state controls Statoil or vice versa. “When have Statoil not been granted with their wishes?” Palm in Zero asked rhetorically in the interview. The former Minister of Finance recalls that Statoil’s lobbying in the 1980’s was so strong that it was hard to enforce the government’s reforms: Statoil was strongly trying to influence politicians. Foss also recalls extensive lobbying of both local politicians and members of Parliament and asks a similar rhetorical question as Palm:

You can discuss to what extent Statoil has been politically governed before [when it was a hundred percent state owned], there are those who say that that Statoil has ruled over the state! (Foss)

Also, the Norwegian government has been criticized for its role in developing countries. The Minister of Petroleum and Energy referred to a *Financial Times* article that criticized the Norwegian state for adopting different roles when promoting their own companies and serving developing countries (Financial Times 12/5-06). The article claims that even if the Norwegian companies are not granted preferential status, they still access data such as seismic information and get hold of important political contacts. Also, the article claims that one of the reasons for Norway’s ‘campaign’ in developing countries is the wish to internationalize its own petroleum industry. As Norwegian fields have aged, the companies have had to look to replace their reserves and increase their production away from home. The Minister of Petroleum and Energy however, does not think that this is, or will become, a problem:

That is not the case at all. And this combination I will make sure that we will avoid. If we are to have legitimacy in our relation to these countries’ governments, we have to keep those roles separate. (Enoksen)

The state as such, seems to operate in a more ‘demanding’ international context as they seek to internationalize the Norwegian petroleum industry while becoming increasingly important to European countries in a ‘security of supply’ perspective. On the Norwegian Shelf, the present and previous ministers expresses that the ‘political stability’ will be maintained and enforced.

6.2 The Taxation ‘Terror Balance’

Norway needs their competence and capital, and this has to be balanced with the companies’ profits and needs in Norway in order to invest there. The Norwegian governments have maintained this balance in a good way. The Norwegian taxation system has great competitive strength as long as the companies stay here. Political insecurity like you see in Venezuela also has a price, which is an advantage for Norway, since it provides predictability for the companies. Unhindered production and distribution are the most important factors. (Sæther)

This is the former leader of the Norwegian Shipping Association (NSA) argument for why there should a ‘terror balance’ between the government and the oil companies when it comes to the taxation. The representatives from KonKraft, and the project leader of the Tax project in KonKraft from Hydro were the most critical of the Norwegian taxation competitive ability. Even when the oil price is rising, the relative competitive strength of the Norwegian Shelf is weakened because the oil price increases all over the world (Interview Jensen), and secondly it should worry the politicians and government that the oil production has decreased over the past five years (Interview KonKraft).

Statoil and BP disagree, as they understand the effect of the oil price as being unconditionally positive for investments and possibilities to make profit on Norwegian territory. The taxation system was not a hindrance for Shell and Dong either. The North Sea is one of the most profitable exploration and production centers for both BP and Shell (Interviews). Indeed, the former leader of the NSA argued that current taxation is not a hinder for investments, but rather the oil companies now fear that the government could tax them more in the future and are therefore keen to ‘lock-in’ their investments according to current taxation levels. He does not see taxation as a problem for the companies, rather the opposite might be the fear of the companies; “Today, they probably fear that such a high oil price can lead to a an increase of taxation, which cannot be counted out if the ‘super profit’ lasts for a long time” (interview).

The Norwegian taxation system is organized in such a way that the contracts you have on the Norwegian Shelf, you can “get a lot out of” when the oil price is high, also in relation to conditions other places the Managing Director of BP explains and exemplifies, - “For example in Russia where we currently get a fourth of our production from, it is organized in such a way that when the [oil] price hits a given level, it doesn’t make a difference” (interview). These conditions in Norway counteract some of the effect of the Norwegian taxation regulation. Stability is more important as a way of showing ‘strength’ with the current level of oil prices. The taxation regulation plays a less meaningful role in this picture as evidenced in the recent tax raise in Great Britain; “When we recently got a ten percent extra tax in the UK there were strong reactions, but especially with the current level of oil prices you will continue to invest anyways” (interview). In relation to the global competition the Norwegian Shelf is facing, she brings forth the ‘maturity’ as the biggest challenge, and that the best way to go forth is related to increase prospective acreage, and not so much taxation, but this is not usually what the petroleum industry says out loud:

But I think investments [level in Norway] will decrease since the shelf is starting to ‘mature’, which makes the situation altogether different than previously...it is rather materiality, possibilities to spend our money... risk and size. If we are to compete with what we have other places in the world, then political stability in Norway is on the plus side, you don’t have that other places in the world, right? But that is almost like swearing in church. It is clear that framework has somewhat to say, but it shouldn’t be exaggerated. (BP)

Shell’s response is somehow similar to BP’s. The information director in Shell thinks that biggest difference today in comparison to a few years back, in a ‘competitive perspective’ is the increased petroleum resources available today. Shell sees political stability as an important factor, and the taxation level does not stop Shell from making Norway an important part of the company’s portfolio. It is primarily the prospectivity that makes Norway compatible with the rest of the world in the Shell group, - “Norway is interesting because of what the Oil Directorate have defined”, where he refers to that a third has been produced, a third is estimated, and a third is not yet explored, - “So there is still potential on the Norwegian shelf. That is why it is important [for Shell] to be here” (interview).

Dong is a Danish 50 percent state-owned oil company that has grown to become a medium size company when it comes to shares and investments on the Norwegian Shelf. At present, the high taxation level is not hindering Dong in Norway, but as the CEO notes, - “with today’s level of oil prices, most things can fly” (Interview Mørland, Dong). He sees the challenges in the near future for Dong; “The greater reference position you are in, the more demanding the taxation level becomes in Norway. It is not synchronized with the rest of the world” (interview).¹⁵ Yet, he sees an important change. “Nowadays we see a [taxation] tightening also other places. Some might say that the gap is then narrowing. But then again, we don’t have this enormous span when it comes to reference positions, so we settle with what we have” (interview).

Statoil’s role has changed. From being a state company where they did not have an outspoken opinion on taxation to becoming a ‘normalized’ actor when it comes to responding to the framework they are being “presented from government” (Interview Statoil). Previously, it has been Statoil’s opinion that taxation should be brought into play to make the Norwegian Shelf attractive for investments. But with the increased level of oil prices, the KonKraft argument of reducing taxes in Norway becomes redundant (interview), - “It is obvious that in a situation where the oil price is 82 dollars, then the KonKraft argument is not very powerful. The high tax percentage works in such a way that in a situation with a low price regime, the state is exposed to an enormous risk” (interview). And even though the state grants permission to every exploration and development plan from the oil companies, they are still subsequently the ones who pay for most of the deficit if a company does not find any petroleum, or if they fail to control their own expenses. Statoil exemplifies this:

“You can drill an exploration well which turns out to be dry, and then the state pays 78 percent [of your expenses]. And if a project ‘cracks’ with ten billion NOK, then the state pays 78 percent [of the expenses/deficit]. If you look at the upside, the state’s 78 percent flow of income seems enormous. [Therefore], you have to look at it from different angles. Today I think it will be hard for OLF, The Forum, OG21 and all these other arenas, to argue for a tax amnesty [in Norway]... (Statoil)

¹⁵ With reference position, he means that the more areas you have in your portfolio, the harder it gets to make money off it.

The oil companies I interviewed seemed to express that they will not pressure, but support policies, as long as they do not have to ‘starve’ on the Norwegian shelf. The factors that they bring forward as constant positive factors in Norway, is the stability, related to the political economy in Norway and possibilities for future growth. Taxation might differ over time, but is not an issue that worries oil companies at present.

Regardless of political stability and taxation, there is a drive to access new areas for exploration and production and there will be constant pressure on government as long as the oil companies sees potential. And at present, the petroleum industry sees the greatest potential in the areas that are at present shut for production, an issue that will be examined after presenting the government’s neglect of the KonKraft taxation project.

6.3 Familiar Strategy, Same Objectives?

This [taxation project] was an initiative that came after an agreement in the Forum, and, or KonKraft, which is the operative body of Topplerforum, that the oil industry, or the cluster KonKraft, had to rethink the need to stimulate the petroleum activities through possibly changing the framework. (Hydro)

The taxation project, which was presented in the second chapter, was one of two greater projects in a series organized by KonKraft called *Norwegian petroleum politics at a crossroad*. Jensen from Hydro led the working group of the project that was asked to look at the fiscal framework, and it was Tore Torvund, also Hydro, who led the main group that reported to the Forum. The “cross-company” working group was carried out by oil companies and based their work mainly on third part assessments, combined with the companies’ own competence¹⁶. The report and third part assessments presented a very negative future scenario. Reduction in the special tax for new projects and opening of new areas for exploration and production would reduce such a negative projection. Also, several actors in the background material called for a reduction in the state’s direct share of petroleum fields. As mentioned in chapter four, the KonKraft taxation project concluded with that the best way of to increase the activity level was to reduce the

¹⁶ The group was made up of OLF, ExxonMobil, Shell, Total, Statoil, ConocoPhillips, and four representatives from Hydro as the secretariat, including Jensen.

‘special tax’ from 50 to 25 percent on new projects¹⁷. The Minister of Finance refused to make changes in the size and by the means the taxation report claimed and spent several pages in the revised 2004 budget rebutting KonKraft’s claims.

The former Minister of Finance recalls that it was a long process and that KonKraft had spent a lot of money in an extensive lobbying campaign. In the interview he analyzed and compared their methods with how Statoil used to attempt to influence politicians in the 1980s:

It was a long process. I don’t have any numbers, but there were uncountable meetings, and they tried to influence members of Parliament one by one, party by party, county by county, dinners and things like that...The strategy they employed was familiar, like classic old Statoil technique from the 1980’s. If it walks like a duck...¹⁸ I knew the technique quite well. (Foss)

Here, he seems to have a quite pragmatic relationship to the lobbying efforts of the petroleum industry. He also gives agency to Hydro, a company usually recognized as the foremost advocate for tax breaks as they do not get as great operating and license shares as Statoil on the Norwegian Shelf. He also emphasizes that the leader of the Progress Party who was then the leader of the Committee of Finance in Parliament had close family ties to the KonKraft project:

Hydro was the sort of promoter in this lobby effort, but it was in KonKraft they formally suggested it. The one who was the operator for this, he was in Hydro, and he was the brother of Siv Jensen here in Parliament. And the sister was the only one he got backing from [in Parliament]. (Foss)

Foss claims that the KonKraft project arguments were conscious strategy to persuade the politicians to give the big companies tax breaks drawing on recent concerns over tail-production on marginal fields. Foss explains in this light how the government makes sure that no companies have to take a great economic risk, since they on the one hand pays for almost 78 percent of their expenses, the state collect a great share of their profits with the other:

¹⁷ The special tax is as already mentioned an extra tax for activities offshore, which the oil companies has to pay in addition to the tax all businesses in Norway has to pay of their income, which is 28 percent.

¹⁸ The expression ”kjenner lusa på gangen” is translated into ”If it walks like a duck and talks like a duck, it’s a duck”.

I guess they used this argument because the committee in Parliament had said that it was important to stimulate tail-production. So they used those words, - and then just utilized them as a cover for a campaign that really involves giving the big corporations less tax for already profitable fields. However, the Norwegian taxation system is based on extensive possibilities for write-offs. In return, - we take the 'super profit'. And it is clear that if you can keep not only the right to write off, - as an operator you come to the Continental Shelf and if can't find anything you can walk out again 'free of charge'... (Foss)

And the government's strategy 'worked'. An increasing amount of newcomers and smaller companies have come to, or has been established in Norway, in order to access license and operator shares. The government made some adjustments, and according to Foss there was one argument he thought was valuable; increased competition in the international petroleum industry when he was presented with by the KonKraft project in Stavanger. Still, Foss thinks that it was increased acreage the oil companies really were after:

...But at the meeting in Stavanger I think we were presented with a more realistic description. What they said was that 'if we are to present this for our headquarters in Houston' or wherever it was, - 'if the alternative is to drill in Angola or Venezuela or Norway, then the Norwegian Continental Shelf doesn't make it in up there in profitability in the competition for the headquarters money'. (Foss)

Interviewer: do you think that was the real argument?

No, we didn't believe it was. But it was the grounds for the argument. And we gave weight to other factors, not just taxes; they also have to consider the political stability...what they really wanted was bigger discoveries, more areas to look for oil in. (Foss)

In other words, Foss thinks that part of the strategy behind the KonKraft taxation project was to increase the prospective acreage of the petroleum industry. He also thinks that the estimates and prognoses were too pessimistic concerning both oil price development and the probability for new discoveries. He had 'unofficial' talks with the MPE, representatives from other parties in Parliament, most prominently the Labor Party, - "so we knew for sure that we had our backs covered" (Interview Foss). Also, the Minister of Petroleum and Energy at the time, Steensnæs, who had conversations with the Minister of Finance, evaluates the recommendations and conclusion that KonKraft came up with, which also was supported by the OLF the Progress Party, as redundant (Interview

Steensnæs). If these changes had been implemented, they would have led to great economic ‘loss’ for the Norwegian state, and an enormous record income for the oil companies due to the level of oil prices, - “which would have been totally unreasonable” and therefore their strategy was unnecessary, - “Everyone should have realized that this would not work” (Interview).

6.3.1 A Meeting in Stavanger

In Stavanger when Foss was presented with the KonKraft conclusions, he realized that the industry was not as united as it seemed and that the smaller companies were satisfied with the new situation on the Norwegian Shelf, in spite of the bigger oil companies claim:

...An interesting phenomenon occurred. At the meeting there was a representative from a smaller oil company. Not Hydro, Statoil, or the big ones. I think he was from Dong...and he said that ‘we are actually quite content, because it is nice to be a new operator, and there are great possibilities for write-offs. Not a problem to be a newcomer and get involved on the Continental Shelf’ and then it was like ‘hush hush’. (Foss)

For the Minister of Finance, this was a confirmation of that the industry was not united behind the demands forwarded to lower the governments’ take of future profits. The CEO of Dong’s recollection from the meeting was that at the time there was a lot of pressure from the industry aimed at the political representatives, - “Against Foss, against the [political] system, against the Minister of Petroleum and Energy, and that the pressure was solely driven by taxation. Everything else that was not directly tied to taxes was taboo” (interview). But as the level of oil prices was increasing, it became more difficult for KonKraft and he therefore continues and contextualizes the development of his company and what Foss had become aware of:

...Therefore to stand on the barricades and discuss tax became increasingly difficult. But what I said in the meeting, which Foss noticed, was that as a newcomer on the Norwegian Shelf, then the access to areas was good enough for us...to establish ourselves and enable growth. (Dong)

However, from the bigger companies perspective, - “who might have been on the Shelf longer”, they might have a greater need to access new areas the CEO of Dong argues. Since the Norwegian companies are holding almost 80 percent of the resources expected

to be developed, then getting started is not the ‘problem’, but rather the future prospect of growth (interview).

Few of the other companies I interviewed criticized the campaign directly, because they did not have any direct ties to it, however, the former leader of the NSA thought the campaign was a catastrophe; “The timing and the message were wrong. The most expensive and wasted campaign I know of” (Interview, Sæther).

6.3.2 Competition Between Companies and Governmental Objectives

...The Ministry and Steensnæs looked at the new companies as if they were to take a lot of new steps...if you are a new company it is nice. I am not complaining. But the new companies, how wonderful they might be, are only supplement to the large and existing ones. If you put all your hope in the newcomers...then you haven’t played your cards right. (Dong)

In the aftermath of the KonKraft taxation report, the government chose instead of lowering the taxes, to lower the threshold for new companies, hoping that increased rivalry would drive up the activity level. The number of companies has more than doubled, and might be the petroleum territory in the world with the highest rate of oil companies (Interview Shell)¹⁹. During the interviews, several voiced concern over this development. The labor union SAFE was concerned because a lot of these companies operate other places where they show little respect for human rights, environmental and security standards that are taken for granted in Norway (interview). Palm from ZERO thinks that the number of companies overshadows the fact that government has not increased the competitiveness by percent, but by companies. Although there are more companies, there is the same amount of acreage available to the companies as the state-owned gains the greatest shares. ZERO, Dong and Shell raises the concern over what the reality of the governments’ strategy, as increased competition between companies has predicted or unpredicted ‘side effects’. The questions are; to what extent can the new companies bare the risks and responsibilities? Do small companies have the ‘backbones’ or the competence to ‘walk up new trails’ or ‘break new ground’? Also, there can be

¹⁹ Since 2000 the number of 60 companies are been pre- and requalified. 41 is still existing companies on the Norway 23 are prequalified as operators, 18 to have licence shares. www.npd.no/prekvalifiseringsoversikt last updated on the 15/1-07.

several companies' strategy to start a new business to make as much money as possible on the governments policy:

Are there too many companies riding the back of others just to become wealthy? Because there are a lot of newly super rich because of this. If you look at what they produce it is quite fascinating...has it then become that easy to create an oil company? You have to be aware of these things, what is happening? Multitude is great, but everyone has to have something to do! (Shell)

The question then becomes how this can ensure the objectives for resource management and for political objectives as such. How can Norwegian society benefit from it, the underlying objective for all Norwegian policy making? Should the state then rethink its own strategy? Shell does not take a position on it, but says that there are a number of implications that should be taken into consideration, especially relating to governmental objectives:

...And then the thesis is: who benefits from this? The government wants the society to benefit from it, - to advance resource management, and to extract more oil and gas. And we don't know that yet. I am not taking a position on this... The international competition has probably been there along the way. But some people will say that this is a response to all the complaints from the international oil companies that the framework is wrong. Then you open up to see what happens. If the Shelf is interesting, that there are a lot of newcomers... (Shell)

These evaluations of state policy show that the new turn of government for keeping the Norwegian Shelf competitive makes it harder for the TNCs to compete over competence and territory. Also, it implies that the state is taking a greater risk when it comes to the competence and the risk-exposure of newcomers, especially if oil prices drop and profits dwindle. On the other hand, it helps the government to 'speed up' exploration activities; the smaller companies are willing to bear the risk of exploration in the Barents Sea in which the greater oil companies are not, which will be emphasized in the next section. In relation to the fundamental principles of Norwegian petroleum management, - to benefit the whole society, the government is simultaneously driving up the cost on the Norwegian Shelf by encouraging extensive exploration activities, adding to an already pressured international market. In this fashion, exploration turns into an expensive exercise also politically regarding the re-distribution of petroleum profits. As the state is exposes itself to the greatest risk in exploration activities, a great amount of the state

profit from taxing petroleum production is channeled from the ‘super profit’ in Foss’ terminology, into the exploration activities on the Norwegian Shelf. If this then can enhance Norwegian resource management, as Shell asks, remains an open question.

6.4 The Battle of the North

In the case of *where* the petroleum industry wants to drill in the near future, the oil companies are unified; it is the controversial ‘Shelf’ of the Lofoten Islands, seemingly because, as one of the companies said, Lofoten is “where your pension lies” (Interview Shell). The debate over ‘prospective acreage’ in the North reached a ‘high pitch’ in the spring of 2006, when the government’s plans for petroleum regulation in the arctic areas were presented.

The director general of the Norwegian Oil Industry Association (OLF), Vold, stated in October 2006 that one of the most constructive steps the government today can take, is to increase prospective acreage. That means increasing exploration drilling, which equals more discoveries, and a milder decrease in production. Vold says to Dow Jones Newswire.²⁰ Because of the government’s oil and exploration Management Plan for Lofoten and the Barents Sea, released in April 2006, the Lofoten area is closed for development until at least 2010, though surveys of two of the three ‘blocks’ have begun. “I am quite sure the political pressure is so high (as) to release the areas,” the Norwegian petroleum industry chief states. Improving the petroleum industry’s reputations with respect to fisheries and the environment will help promote the industry’s ambition in the closed areas. “There’s pressure from industry because it’s an area between the two other rich prospects. And there is some resistance, but I think we will make it,” Vold says whilst also stressing that Norway faces ‘no crises’. High oil prices are encouraging investment in smaller and satellite fields that were previously un-economic, to help fill the investment gap, he said. “The sum of the small and medium-sized fields altogether is significant.”

Going back to April 2006 the tone was not harmonious between the oil companies and government. The political temperature was high in the weeks following the release of the Exploration Management Plan for Lofoten and the Barents Sea, and there was an

²⁰ www.rigzone.com ”Norway oil industry chief fears investment drop,” 27/10-06.

open confrontation in public. Under the headline, *the giants need to make an effort* in Stavanger Aftenblad, the Minister of Petroleum and Energy, Enoksen, makes it clear that the government will make demands for oil companies in return for prospective acreage in the North²¹. He was not satisfied with the low interest from the three ‘giants’, ExxonMobil, Shell and BP. They had not applied for exploration blocks in the latest license round in the Barents Sea. He addressed what he thinks they need to do; “I think the big ones will return. But they should not wait too long. They have to show the will to try out new areas and they will have to bear disappointments. Those who want to play a part in the future, also have to take their turn on the way there,” the Minister said, “they have to think about their investment strategy”. On the question from the journalist as to whether he was warning the ‘big ones’, his answer was an abrupt, ‘yes’. Enoksen continued by giving credit to the previous government’s policies, which, he said, had helped more new actors to enter the Norwegian Shelf²². The Petroleum Directorate had been ‘on tour’ to tempt new oil companies to come to Norway, and a great number of newcomers established themselves on the Norwegian Shelf during the previous years. Here, Enoksen clearly expresses his discontent with the negative future scenario the oil companies have projected for the Barents Sea, along with a threat to reconsider their investment strategy and ‘take their turn’, implying that new exploration areas will not be opened until the Barents Sea has been extensively explored. Whether this implies accessing Lofoten remains an open question. However, it does confirm Foss’ claim that the oil companies are driven by extensive discoveries. In this light, the governments’ strategy can be viewed in terms of having smaller companies explore and obtain data, whilst the greater companies strategize to come in at the best spots in, for example, Lofoten.

The companies certainly reacted to the Minister of Petroleum and Energy’s statement by suggesting that they had to rethink their business strategy in the news article. ExxonMobil stated that they were very positive to the prospectivity of the Norwegian shelf, and that they had spent vast resources analyzing the Barents Sea to find a geological model that could support an application. “But the risk was too high. We have

²¹ www.aftenbladet.no ”Gigantene må satse i nord” 5/4-06.

²² These policy changes were carried out after the KonKraft taxation project.

over the past decade spent two billion NOK on exploration in the Barents Sea,” the information director Hovde stated to the newspaper. BP’s information director, Fjellså, was also concerned, and criticized the sudden change of political direction and tradition of being predictive:

If the minister indicates that we should spend vast amounts of resources on drilling at blocks we don’t believe in, to get a share of the Lofoten area when the time comes, it should be clearly articulated. However, it has previously not been organized in such a way, and we are used to having announcements about those kinds of changes for petroleum politics through governmental White Papers. (Fjellså, BP, in Aftenbladet 5/4-06)

6.4.1 The ‘Golden Mean’

The government claimed that they had found the ‘golden mean’ as neither environmentalists nor the petroleum industry felt like their concerns had been met. The following week after this open confrontation in the media, I interviewed Shell, Dong and BP and followed up the discussion of the government’s plans in the arctic areas. The oil companies had loudly voiced their disappointment over not getting an adequate amount of prospective acreage, and ENGOS were upset because the government would not protect and conserve the richest fishing areas in Norway on a permanent basis. The ENGOS thought the pressure then would become too tough for the politicians to resist in 2010 when the plan will be revised. All the oil companies I talked to the subsequent week, confirmed that it was the closed off areas they were interested in. But as BP already publicly had announced:

We haven’t put ourselves in line since we haven’t applied in the previous two [licensing] rounds. Subsequently, we are realistic in our approach, but if reality comes to that you are not wanted on the Norwegian Shelf because you are not engaged in exploration, then a White Paper has to be emitted, confirming this. (BP)

Shell was also concerned with the prospectivity of the Barents Sea, “It does not help to have areas, if you don’t have prospects,” and in relation to the Barents Sea he confirmed the three ‘giants’ stand was unified:

There is a lot of debate over the Barents Sea. But from a geological standpoint, the prospectivity on the Norwegian side of the Barents Sea is not very high. It

doesn't help how many areas you have. It [therefore] turns into an artificial debate. That is the international oil companies' view, including ExxonMobil, BP and us. (Shell)

6.4.2 From Brundtland to Barlindhaug?

Energy is driving the next chapter in the North.
(Minister of Foreign Affairs, Topplederforum, KonKraft March 06)

At the Forum meeting I attended in March 2006 there was great optimism linked to the petroleum sectoral development in the North of Norway and how Norway could benefit from a closer collaboration with Russia. The next day, I read in the headlines that "Team Norway" was sure that they would gain access to the great gas field Sjtokman on the Russian side of the Barents Sea. "Team Norway" was presented as the Hydro, Statoil and the Norwegian petroleum supply companies. Especially surprising was the fact that Hydro and Statoil were so in tune that it almost seemed like it did not matter to them which company would 'win' license shares at Sjtokman. Still, the headlines after the Forum meeting did not come true. Neither Statoil nor Hydro was welcomed in Russia for license shares in Sjtokman. At the open part of the Forum meeting where the Ministers held presentations, there was great optimism on behalf of how the supply industry could benefit from the industrial development in Russia, and how it could be built up to sustain the growth in the North of Norway. Enoksen, attending his second Forum meeting, saw this as a responsibility, but not for politicians. The companies legitimacy also depended upon fully exploiting the potential in the North and that the positive development had already begun on the Norwegian side of the Barents Sea, was a key point I noted from his presentation. Political objectives as such, revolved around the companies and the government's ability to fully exploit the Barents Sea. The introductory quotation by the Minister of Foreign affairs serves as the materialization of the projected combination of political objectives and industrial importance designed towards building a consensus for a joint strategy in the North of Norway between the petroleum industry and government.

The companies I interviewed saw three main causes for this new optimism toward oil exploration in the North. First, the government's political strategy had placed the North of Norway on the petroleum map. Second, previous estimates on future regional onshore growth were now perceived to have been exaggerated. Finally, the conference in

February at the Confederation of Norwegian Enterprise (NHO) had exhibited great optimism about the future of the North of Norway. In relation to the latter there were two new reports where businesses in Norway were projecting tremendous future growth. NHO ordered a report from the private consulting firm in the field of economic analysis, ECON, on the future scenario in the North of Norway in 2025. The report was called *2025 Rings in the water* and projected that by 2025 the North of Norway would be in the ‘front seat’ of economic development in Norway with 10 000 new employees related to petroleum activity. The arctic areas were envisioned as the ‘Gulf of the Barents’. There was increased commercial interest from companies. And finally, the ‘geopolitical play’ would be a driving ‘motor’ (Econ 2006). The conclusion was that if politicians make the right policy decisions for an active development of the areas in the North, then the region will be the most attractive in Norway for technology and the establishment of new businesses. As such, there was great enthusiasm for the idea that the North of Norway will experience the same as when the oil came in the early 1970’s, and that the industrial weight will move away from the West and East of Norway. As such, in twenty years the Norwegian map can be turned upside down.

Another report from a conference that had both the government and the industry’s stamp on it, was the so-called ‘Barlindhaug report’ or ‘extended positive effects’ which was the mandate initiated by the previous government’s Ministry of Local Government and Regional Development but was jointly financed with the petroleum industry.²³ Barlindhaug is another consulting firm located in the Tromsø, in the north of Norway. The government was criticized for its bias and had to withdraw from the work they had initiated after the newspaper Aftenposten revealed that that it was a ‘one-sided’ report that the industry, in reality, had written²⁴.

I discussed the influence and the ideas expressed in these reports with the oil companies. “It was a bit like, think you wildest dream” the CEO of Dong comments. BP’s response was also more subdued, “I wouldn’t ‘bet all my money’ on the North taking over for Stavanger” their representative told me. Shell, on the other hand tried to shift some of the blame to the media, arguing that the report “has been taken out of

²³ The Ministry had financially the report with 400 000 kroner. The rest was sponsored by the petroleum industry, 500 000 from OLF and a hundred thousand each from Hydro and Statoil.

²⁴ www.aftenposten.no ”Sponser ensidig oljerapport” 24/3-06.

perspective, and turned into something that does not represent reality” (Interviews). But Shell also ties the government measures to this understanding, and that expectations might result in a disappointment:

The present government has put the areas in the North on the agenda, as a sort political objective. Now we are supposedly going to turn the Norwegian map - but it has been exaggerated. And then you can ask if this has added to the expectations? Yes, it obviously has. But then you might say that it was necessary to get some speed into the thinking to get some optimism in the North, so if it doesn't happen, then it will be quite a disappointment. (Shell)

The Minister of Petroleum and Energy says that he tries to influence the debate in a more constructive direction as it has grown out of proportions. Like the oil companies he thinks the NHO-conference really “did their best” to raise the expectations but that they should waited, as there are possibilities but no great results yet from the Barents Sea (Interview). As none of the larger companies participated in the 19th licensing round, added Enoksen, “then it is a signal that they see the chances for discoveries as relatively low” (Interview).

However, at the Forum meeting in December 2006, they debate over the Barents Sea and the development in the North of Norway was revisited. The Minister of Local Government and Regional Development was there, and in the presentation she talked about how petroleum development was becoming the most important industry in the North. The Minister of Petroleum talked about the North in a ‘security of supply’ perspective, and how it could be coupled with environmental awareness. Referring to the oil companies’ claim that there will not be sufficient discoveries from the current exploration activities in 2007, the MPE assured them that extensive growth projection would indeed be ‘opened up’. One representative from the petroleum industry said that ‘The question’ is not how the petroleum industry can contribute to developing the North when government is to strategize with the industry. “When meeting the industry, the Minister himself must ask: what can I do to make you want to do what we want you to?” The Minister of Petroleum and Energy’s response was that in line with the companies’ growth ambition in Norway - there would now be enough possibilities for everyone²⁵.

²⁵ Downloaded at www.olf.no/konkraft, Topplederforum 18/12-06.

6.5 Analysis: The Norwegian Shelf and the 'Imagi-nation'

The debate over prospectivity in Norwegian territory is increasingly directed towards governmental policies for future exploration in the controversial areas in terms of the petroleum industry's strategies. The government wants to make sure that already approachable areas are extensively explored. Still, the concern with Lofoten Shelf and the Barents Sea in the Forum, which is repeatedly debated, confirms that this is an area where the petroleum industry and the government are trying to find a consensus in spite of their differing approaches. Politically, the concerns raised at the Forum meeting in December provides a consideration of how the petroleum industry will claim that increased exploration areas need to be enabled for them to have confidence in future prospects of Norwegian territory. As such, their most important argument is that the Norwegian Shelf can only be competitive through continuous efforts from government to provide 'prospective acreage'.

Consensus between the petroleum industry and the state can already be found in the arguments related to imagined geographies about oil in the North of Norway, corresponding to the Norwegian 'imagi-nation' as a petroleum producing country. As part of the founding and specification of the state as exceptional, a critical geopolitics perspective can be utilized as the state and petroleum industry both re-present this as a 'new Gulf', or predictably 'un-economic space', through series of abstract grids on maps and metaphors, as a means of 'turning Norway upside down'. The spaces of politics are marked by how the North of Norway is part of the 'imagi-nation' and as such raises the question of which material implication these spaces of imagination are intended to develop. The North seems to be re-created also in terms of geopolitical and geoeconomic responsibilities tied to the discussion over Norway's role as a 'stable supplier' corresponding to the analysis in chapter five. Both the former Minister of Finance and Energy, and the present Minister of Petroleum and Energy raised these issues when discussing how the position of the Norwegian Shelf is becoming more important. Whilst the distinction is being made by others depicting Norway as a 'little piece in a big world', and as a grid of 'continuous histories of success', state practices also contradict themselves by an artificial separation of foreign and domestic policy. Whilst Norway is concerned with domestic affairs when acting as a responsible 'container' of sovereign

power, Norway is seemingly also able to exert political influence on other oil producing regions. Although the competitive force of the state and the petroleum industry failed in the attempt when utilized to access Russian territory, which could have helped ‘driving the optimism in the North’, Norway is more successful in terms of its own companies when seeking a ‘global reach’ and through governmental assistance to other countries.

In the spaces of competitive power, it seems as though the petroleum industry and the state has consensus over one of the narrow dimensions of state space, taxation regulation. When the state was faced with the collaborative force *within* the petroleum industry through the KonKraft taxation project, it seemed to have met its own *edges* as the initiator of the project (by chairing the Forum). The state utilized the consensus within its ‘own’ political space and consequently silenced the criticism from the petroleum industry. In turn, this consensus enforced new regulations within the narrow dimension of state space, making the taxation system more favorable for ‘newcomers’ on the Norwegian Shelf. These were in turn mobilized in the integral dimension state space through using institutional staff to attract new companies to Norway. Some in the petroleum industry raised the critique against the government in the interviews based on how these regulations constrains oil companies and the state and represent an ‘un-economic’ imperative, but also for constraining the ‘founding objective’ of re-distribution of wealth. This is the founding objective that corresponds to predictability utilized by the state when it seeks to act as a responsible and competitive ‘container’ in Norwegian territory. These fundamental principles seem to be continually re-created, as discussed in chapter five, and in this chapter the state was criticized by the oil companies in the aftermath of the government’s exploration and production plan for the North of Norway for not fulfilling the state’s ‘predictability’ attribute. Therefore, this chapter provides an understanding of how ‘predictability’ is not only called for by government when arguing for legitimacy when acting as a responsible and competitive ‘container’ in relation to the petroleum industry, or in terms of dynamic strategies for ‘going abroad’. Also the petroleum industry utilizes this representation when mapping out strategies for petroleum exploration in the North.

7 State-Industry Relations through KonKraft

Chapter four provided the context of how the main political parties, from the Conservative Party on the right to and to the Labor Party on the left, have agreed on the main principles of the regulative framework. They view the maintenance of a close interaction between government and the petroleum industry as an important part of the Norwegian political culture that should be carried on as part of this strategy. It also involves what the respondents characterize as exceptional in Norwegian politics, namely the collaborative force represented by the triangle of labor unions, authorities and businesses in regulating the Norwegian petroleum sector. Still, the petroleum industry will continually try to influence government to change the regulative framework to their benefit. These are competing agendas that are resolved differently over time. Chapter four also showed that although Konkraft was started as collaborative exercise, it ‘ended’ with an open confrontation between government and the petroleum industry four years later, in 2004. The Forum is still regarded as an important arena however, and this chapter will focus on its current function and KonKraft’s role with regard to its mandate; which centers on providing sufficient grounds for relational interaction and for finding new ways to enable the state and the industry to enhance Norway’s ‘competitiveness’. I will begin by presenting features of the KonKraft organizational model before exploring the Forum in terms of its major actors. Finally, the critique raised from those who oppose KonKraft’s power will be addressed before presenting a discussion of the critique from politicians. This will provide the basis of analysis of how KonKraft correspond to the dimensions and dynamics of state space.

7.1 Features of KonKraft

If we started talking together in 1998, and the ‘community’ started to establish itself around that time, then we are talking about Konkraft as not really having a specific birth date, these things were a process, but if we say around 2000 Konkraft as an idea took shape. Eventually we had also lots of meetings with the Ministry of Petroleum and Energy. We documented and proposed our picture of what was about to happen and the outlook for the future. (KonKraft)

KonKraft as the quotation explains, does not have a birth date and was initiated by the petroleum industry based on a model in the maritime industry (Interview KonKraft), and a similar project in Great Britain (Interview Steensnæs). KonKraft is the ‘operating body’ of the Forum (Interview Hydro) whose members meet four times a year for a presentation that is open to the press, followed by a discussion that is closed and speakers within the petroleum industry anonymized, and finally, a dinner for its members. It came into being after an initiative from five organizations in the petroleum industry, who ‘knocked’ on the MPE’s door” with a shared view of that “something had to be done” so that the activities in the industry would not vanish and became a “dialogue-based” collaboration room political dialogue (Interview Knutsen, MPE). The organizations that came to the Ministry with the initiative to start KonKraft were the Norwegian Shipping Association (NSA), OLF, the labor union LO, and the Federation of Norwegian Manufacturing Industries (now Norwegian Industry). It was the Minister of Petroleum and Energy from the Labor Party, Akselsen, who launched the Forum in the spring of 2001. KonKraft does not pass any resolutions, and their aim is to agree on which tools and methods that are needed to before presenting the shared recommendations:

Konkraft do not pass any resolutions. But when you have gone through a process where you have talked together and agreed on some positions, and on the basis of these positions you relate to the rest of the world with you errand. But it is not like you have a formal process in the sense that you make any decisions, like you do in formal organs. (KonKraft)

KonKraft as such came into being after a suggestion in the petroleum industry, that the government needed to find re-regulating tools to maintain the industry and the state’s competitiveness. The key feature is that KonKraft does not have formal decision-making power but is an ‘expression’ of the Norwegian collaborative force between the MPE and the petroleum industry.

The activities of the first three years resulted in the already mentioned reports in the series *Norwegian petroleum politics at a crossroad*. Three reports on the cost level, the fiscal framework and the petroleum industry’s reputation were produced by different working groups. When there were “conflicting roles” for government, the MPE did not take part in the processes related to the reports (Interview MPE). After KonKraft had finished their project in 2003, the companies behind the reports spent the following

months presenting the conclusions. After these projects, no other KonKraft activities have materialized. Currently, KonKraft is working on the petroleum industry's image, and as mentioned in chapter four, it is financing a five-part documentary for the Norwegian national broadcasting television (NRK) presenting the importance and the history of the Norwegian petroleum sector. Also, KonKraft is sponsoring a book that has a popular journalistic approach to the petroleum industry's history in close collaboration with the 'think-tank' Civita.

This indicates that the industry and the state are increasingly concerned with its own representations when seeking to enhance its competitiveness in terms of how the Norwegian population views petroleum extraction and the role of the petroleum sector. As such, the KonKraft activities are centered on enhancing knowledge and image of the petroleum sector in Norway today.

7.1.1 The Forum and KonKraft's actors

The industry and government meet and discuss crucial challenges the industry and government is facing in the Forum. The most important companies within the Norwegian petroleum industry, some other prominent leaders of Norwegian business community, and the petroleum related authorities are represented in the Forum. As there are many different actors represented in the Forum, and since it is not a decision-making organ, it is an organ where the industry and authorities meet to exchange opinions, to get a clarity of positions, where everyone has to go out and work for changes in relation to their mandate" (Interview MPE). The starting point for every Forum meeting, according to the MPE, is finding "a mutual platform for understanding and ideally that we would like to see some points of action, which enables every organization to follow up and contribute if there are changes that needs to be made" (interview). However, there are challenges related to that, but on the other hand, the differing organizations get to test their opinions, and have wide discussions internally, the director in the MPE explains who is a member of the KonKraft board (interview). This was also widely confirmed amongst the other interviewees. On the question of the function of both KonKraft and the Forum, the KonKraft director said; "There is a lot of basis for a shared understanding and action if you have the same description of reality. So that is the starting point" (Interview KonKraft).

KonKraft's secretariat is as already mentioned the interest organization of the Petroleum industry, OLF. The MPE estimates that they yearly sponsor KonKraft with 1 million NOK directly, whilst spending about a quarter yearly in work time. Before KonKraft had its 'own' secretariat, the MPE spent more time organizing KonKraft. The other members of the KonKraft board are the NSA which contributed with half a million NOK in 2005, OLF, whose contribution was 3 million in 2005 and the labor union LO, which is exempted from paying. Also, Norwegian Industry contributed with half a million NOK in 2005. OLF is therefore the greatest fiscal contributor to KonKraft and in 2004 OLF spent more than ten millions, funding KonKraft's differing projects and activities directly.

Bellona's claims that KonKraft is an 'integral' body of OLF (interview Hauge). This was not fully rejected by the KonKraft director, as being located at OLF-office implies that he can use their competence. However, he could also bring into play other organizations, depending on what KonKraft is working on. Still, it is clear that that the stakeholders in OLF are not unfamiliar with the agendas raised by KonKraft (interview). There are several stakeholders in KonKraft, and their agenda is necessarily an expression of what the industry as a whole agrees upon. When it comes to participation, it is not only OLF who plays an important role:

OLF is a very important stakeholder. OLF is the organizational community for the oil companies, and for the greater and important companies in the supply industry. But also LO and the Norwegian Shipping Association is very active [in KonKraft]. It is not OLF who owns KonKraft. KonKraft is owned by this community. (KonKraft)

OLF is a key actor within the KonKraft structures as it acts as the daily secretariat thereby contributing to KonKraft indirectly by offering working capital, in addition to being the main financial contributor. As mentioned in the chapter four, OLF is also the organization that defended the KonKraft taxation project when it was criticized by government and politicians, which confirms the KonKraft director's claim: OLF is not unfamiliar with the ideas that KonKraft presents to the public. Which in turn by definition should involve representations that are mutual for government and the petroleum industry, and agreed upon.

7.1.2 Int-Sok: KonKraft's Partner

KonKraft can also be seen in relation to another partnerships and institution that is set up to promote the competitiveness of the Norwegian petroleum sector, to enhance the internationalization of the Norwegian companies:

Next to Konkraft we have had a focus on internationalization and the supply industry. As a sort of the brother in law of Konkraft we established int-sok, at about the same time. One of the goals we made through Int-sok was to try to get started projects and programs that made more Norwegian companies make an effort. And we have had a positive development in that area. (KonKraft)

The MPE, Ministry of Foreign Affairs, Ministry of Trade and Industry, Statoil, Hydro, Norwegian Industry, the NCA and OLF established Int-sok to support the internationalization of the Norwegian petroleum industry in 1997. They supply their partners with market information about the most interesting international markets, arrange seminars with clients in these targeted markets, and assist Norwegian industry to qualify for the international market (The Norwegian Petroleum Directorate, 2006). In relation to the internationalization of the Norwegian petroleum industry the director of KonKraft thinks the industry has gotten 'well started', becoming increasingly important for the Norwegian petroleum industry, and exemplifies:

Also to Norwegian owned companies. For Statoil and Hydro to succeed abroad, and not to be totally dependent of the Norwegian shelf, even though it for sure will be important in many years to come, it is important for those companies to succeed abroad. (KonKraft)

The emphasis of competitiveness is as such especially related to the Norwegian companies, oil companies as well as petroleum supplying companies that the government assists when seeking to internationalize. The objective is to enable the industry to be flexible when it comes to where they invest, dynamic in ways so that they are not dependent of the Norwegian Shelf *only*. The government as such through their ministries and authorities plays an important role assisting its companies to internationalize.

7.2 The Forum as a Selective Tool

When I interviewed the present Minister of Petroleum and Energy in May 2006, he had chaired two Forum meetings. For him, the Forum is a tool to meet and bring the industry

together, but also an important arena in which he can present other political colleagues in the government to the industry. His ambition is to strengthen the relationship between the industry and other ministers so that his colleagues form “a closer and tighter relationships” such that petroleum politics is not his exclusive area alone (interview). And the reactions he had received indicated that ‘direct contact’ between the leaders in the industry and the ministers’ was constructive, since it “creates an arena for dialogue, for development of the industry, and especially for collaboration” (interview). Still he was not certain about the long-term outcomes and acknowledged that some uncertainty existed, adding that, “It might be too early to say which concrete results it will enable” (interview). Even though the oil companies are competitors with each other in Norway, they quite openly discussed the challenges they are facing in the Forum, and proposals based on their needs, and which wishes they have for initiatives from government (interview).

The former Minister of Petroleum and Energy, Steensnæs, also thinks the Forum had a generally positive effect; a closer understanding of the industry’s needs, and for the government through the opportunity of informing the industry of governmental considerations. He did not have much contact with the other bodies of KonKraft during his time in Ministry but he recalled that the Forum was a good environment for him to share his reasoning. Where conflicts of interest arise, for example over tax regulations or labor policies, he added that, “however, there could be additional information, and that’s how KonKraft provides “a construction that enables exchanging information” (interview). The industry was also provided with information on upcoming decisions and actions from the authorities, and exemplified by the following comment; “I experienced increased understanding for the decision making that had to be made, for example in the Barents Sea, in relation to opening vulnerable areas, and to have a stable activity at all parts of the Norwegian Shelf” (interview).

Steensnæs discussed a few problems that he had also encountered. One view was that he “almost gets to sit on the lap of the industry”, where the industry, so to speak gets to “write in important political areas” (interview). His response to this criticism was that whilst being aware of this issue, “information and contact in itself is not a threat to decisions. It is after all, the government and the responsible Minister who makes the final

decisions” (interview). There was another line of criticism from the paper *Dagens Næringsliv* and from the environmental movement, where the message was that “this is a construction as if it was corruptive, that can then lead to distortion,” a critique that was not corresponding with his experience in Ministry (interview). The point the previous Minister is making, is that whilst government is critiqued for a close collaboration with the industry, the authorities are capable of resisting the pressure from the industry.

The present Minister of Petroleum and Energy does not think that the Forum is an arena where the industry pressures government although he acknowledged that they have the opportunity to do so in other settings. Still, the industry retains a professional authority when meeting the government, and that has also been his experience as a Member of Parliament, as richly illustrated in this quote:

There are some closed settings. And it is clear that to the extent we have a need to talk to the companies in closed settings, we have a range of possibilities to do so. So in that way, the Forum is not an example of such. You have [arenas] such as the Sanderstølen conference where you gather the international oil industry and government, and you have lots of conferences like that, and we have possibilities to see the companies in lots of meetings where they present [us] with their views. But pressure? No, this industry is definitely not operating by those means. And I have never in my years as a Member of Parliament experienced that they operate in such a way that you can call it pressure. In the sense that they of course forward with their views, if it is either in relation to lobby or those kind of meetings, then there is professionalism, arguing for a stand. And I have yet to experience such a thing that could be described as exercising any form of pressure upon the authorities. (Enoksen)

In summary then, the Ministers’ shared view is that the Forum can be used to enhance the state’s objectives for finding common ground with the petroleum industry. The Ministers who attend the Forum can obtain information that can enhance the state’s ability to be dynamic in policy making and to provide the industry with important evaluation over the competitive structures enabled by differing information on present or upcoming strategies. In the previous chapter, Foss and Steensnæs evaluated the KonKraft taxation project to be useless for the government, and as such dismissed it, a dismissal they were not afraid of defending to the petroleum industry and to the public. This provides an understanding of the governments’ consideration of what kind of interaction they choose to have with the industry and how the information generated is used and presented.

7.3 The Forum as a ‘Safe’ and ‘Exceptional’ Arena

The oil companies shared viewpoint is that the interaction the Forum provides is beneficial. The information director of Shell had just returned from several years abroad and sees this close interaction as an important part of what he terms the ‘Norwegian model’, a harmonized interplay between the government, industry and labor unions. The CEO of Dong also sees the Forum as valuable for the company. Still, it is up to the Minister to use the Forum as his ‘tool,’ but also to ensure the efficiency, as it depended on how the meetings and discussions were prepared (interview). Also, the Managing Director of BP Norway, who had just participated at her first meeting when I conducted the interview, was under the impression that it is fruitful for her company to participate, seemingly providing a “detailed context of the Norwegian agenda, and the priorities in Norway” (interview). The Forum is only open for Norwegian leaders, and as they previously had a non-Norwegian MD, BP had not previously taken part in the Forum or other projects carried out by KonKraft. However, KonKraft had visited a few weeks earlier and asked if there was something BP Norway could do as KonKraft had been in London and delivered a presentation at the company’s headquarter (interview).

Sæther, who was the NSA’s chairman when KonKraft was established, thinks that the Forum is a unique meeting place that provides ‘safety’ and ‘exclusivity’ for the participants. He affirmed that it was a venue where “ideas and proposals can be tested, killed or taken further and serves as a risk free arena if it is used right” (interview). Consequently, he saw it as an effective and important “premise-machine” for the “authorities, oil companies and the political elite” - a “golden arena” (interview). For the oil companies, it has become particularly important as they can put their united strength to the test whilst also strategizing to make the most of the role of the supply industry:

There is hardly any doubt that this gives the oil companies a unique possibility to plan a long-term race. The supply industry is mostly there for decoration, but is very useful, that is where the jobs are. The oil companies have the major weight, and are the most active. The greatest share of the supply industry is locked in on the Norwegian Shelf and has not been capable of making themselves important in international oil provinces. That is why they are especially politically important to the oil companies on the Norwegian Shelf. I think this is the most important arena. There are of course many bilateral contacts, but this is in many ways a demonstration of strength for the oil industry. (Sæther)

However, Sæther also thinks that under ‘such circumstances’ the authorities are capable of understanding the oil companies’ main reasoning as they are provided with important information that serves as a basis for the reciprocal relationship between the industry and the state.

I think they are mutually dependent on each other. For the authorities it provides very useful information on competitiveness and the industry’s view. Subsequently, the authorities and politicians can use the necessary filter, which I think they have been very good at. (Sæther)

The director of KonKraft ties this reciprocal relationship to the authorities' need for a closer interaction with the petroleum sector. The greatest difference between the Forum and the Maritime Forum, which the KonKraft director had also been a participant of, is the level of government participation; the MPE is as an active partner in the Forum. This participation rests upon the peculiarities of the industry since, ”the interplay between politics on the one hand and industry on the other is much closer in oil activities” (interview). As such, it becomes important to focus on the authorities as the chain of extraction starts at that end:

One way of saying it is that the chain starts in the Ministry of Petroleum and Energy in the sense that an oil company needs permission, a license to bring about the resources. Without permission you have nothing to work with. Therefore, the choice is to focus on adapting oneself as a company to be in a good position, to get permission. Therefore there is a lot of focus on these processes that enables you getting concession and permission. (KonKraft)

In sum, the petroleum industry thinks the Forum provides government with useful information as to whether the state’s policies are seen as competitive whilst the industry gets a detailed context for the government’s strategic moves. Thus, it is an expression of the ‘Norwegian Model’ that enables the state *and* the industry to strengthen their position when seeking out strategies. Within the industry it provides the ‘active’ participants with a strategy where they can verify their unified strength and strategies.

7.4 United Attitudes and Democratic Deficits

In this section, I will first examine criticism against the Forum raised by one of its actors, the labor union SAFE. I will then proceed to the ENGOs that criticize the Forum from the outside as a biased.

SAFE sees the Forum as an expression of a dominant strategy that materialized in the 1990's, which in turn has changed the possibilities of have differing perspectives *within* the petroleum industry. As Statoil gained control and expertise during the first two decades of its existence, opportunities to enter other petroleum regions rested upon the possibility to gain respect in the international petroleum industry. The dominant strategy was then to “go out in the big world like the others” and to be accepted as major competitor within the international petroleum industry (Interview Nustad, Safe). Conversely, Norway was under pressure to open its own Shelf and become less critical towards others extracting in Norway. “This is the important change or transformation we have witnessed in Norwegian petroleum politics,” said the SAFE chairman. . With this narrowing of political possibilities within the petroleum sector, a representational dimension was also attributed, - “it seems as though the oil companies think they own both the projection of reality and the control of information within the industry” (interview). The labor union organizes a third of the workers offshore and had to ‘fight’ its way into the Forum, even though KonKraft presents itself as representing the whole workforce, including labor unions (interview). SAFE was accepted only after the KonKraft projects *Norwegian Petroleum Politics at a Crossroad* were finished, presented and rejected. As SAFE would not have agreed with the conclusions and recommendations in the taxation and cost projects, Nustad argued that the oil companies did not want SAFE's contributions and as a participant in the Forum, is it would have ruptured consensus (interview).

Palm from ZERO thinks that KonKraft and the Forum's only duty is to make sure that the petroleum industry are given “free play and as much money as possible”, what else is the point?” he asks. He argues that critical perspectives are missing in the Forum, as the dominant belief is that, “We are the greatest, we are the paramount industry for Norway, we are the best for the world, and we have to continue being the supreme” (interview). This creates a democratic deficit, in which those who are supposed to

represent the people in public only “greenwash growth” and adopt the petroleum industry’s “propaganda” (interview). As such, the Forum is an arena in which the petroleum industry can persuade the government to follow their strategies, “What else would they sit there pondering for?” he asks. He therefore thinks that KonKraft is the extension of how the petroleum industry influenced the MPE to make a development scenario where questions about how the Norwegian Shelf was moving into a disintegrating track were rushed through in Parliament “without further questioning” (interview). Palm relates this to KonKraft’s claims for tax breaks, saying “if it hadn’t been for the Ministry of Finance, which had heard the rhetorics before, the government had put itself in a situation where they would have had to follow their own recommendations to avoid the disintegration scenario” (interview). In other words, he grants the petroleum industry as increasingly being able to push through their recommendations and policy-oriented moves upon the Ministry of Petroleum and Energy, since the long-term development scenario was created six years ago.

Some of ZERO’s concerns correspond with the criticism made by Bellona who also thinks that the government cannot act with integrity as an active partner for the petroleum industry through KonKraft since it is hard to separate KonKraft and the Forum as agencies, but also because KonKraft is led by OLF. “The oil industry is welcome to have their own interest organizations,” Hauge says, “but the problem here lies with the government chairing it and participating in the different working groups” (interview). As such, she argues that the roles of the state inevitably get blurred and biased, “KonKraft is an interest organization and the responsibilities of the state lies within the Forum which is led by the Minister whereas KonKraft is a part of OLF and the oil companies strategies” (interview).

In summary, these accounts provide an integrated critique against the Forum and KonKraft as arenas representing democratic deficit. Because of the state's activity within the structures that are set up by the petroleum industry to influence government, there is less space for interaction and negotiations within the petroleum industry, or within petroleum-related governmental structures. As a consequence, the Globalization discourse of Norwegian companies needing to internationalize is recreated as the starting point for the petroleum industry in Norway as a whole. They are organized around

visions of ‘supremacy’ and blurred by the state’s participation as an ‘interest organization’ of the petroleum industry. The Forum and the KonKraft structures therefore create accountability gaps for the voters and further institutionalize corporate influence within the governmental structures themselves.

7.5 Time to Rethink KonKraft?

When Konkraft is utilized as a one-sided taxation lobby drive against the government, then I think they might have gone too far. (Foss)

The quote from the former Minister of Finance collaborates that KonKraft’s legitimacy relies on how it can fulfill the governmental objectives and not as being utilized by certain interest groups in the petroleum industry to push through their view as indicated in evaluation of the KonKraft taxation project. In the interviews with politicians who had experienced KonKraft over a longer period of time I asked; *seeing KonKraft retrospectively, what should its role be in relation to government?*

The former Minister of Finance bases his criticism of the industry on claims that government is not taking their worries into governmental consideration. Nordtun, the Labor Party s spokesperson for environmental and energy related issues, is concerned with KonKraft's failure to accept long-term challenges and objectives as defined by both government and Parliament. Similarly, the former Minister of Petroleum and Energy raises the issue of whether KonKraft is an effective and transparent tool for government.

When it comes to the future of KonKraft, they could have at this point said that now we have worked for a few years, so now it is enough. Maybe stop for a while to see if there are other sides we can look at. There will constantly be challenges ahead of us, and there are challenges now. A contact between the organizations in the industry at the differing levels is valuable and should continue. (Nordtun)

Even though it is crucial for the politicians who make the rules in petroleum activities to have a close interaction with the industry, a retrospective analysis of KonKraft shows that it is time to rethink the role and objectives of KonKraft, the Labor Party representative Nordtun argues: There are many other important needs to be fulfilled through close collaboration between those who are governed and those who are affected by

governmental policies. Nordtun thinks that the challenges ahead are of an environmental nature, “they are much greater than others” (interview). From this standpoint, the oil companies have not satisfactorily faced these challenges and addressed public concerns about the immense CO₂-problems. On the contrary, they claim that the cost is so great, which Nordtun sees as a lack of responsibility:

I have publicly in a number of occasions said that I am puzzled by the fact that companies are not more active in discussions and coming up with systems to handle CO₂-emissions. The CO₂-emissions are an immense challenge for all the Western nations, and in this debate the oil companies are silent. If you get an answer, - they say that it is too expensive...however, we can't just buy quotas. The day will come when they have to take responsibility. And when the state says that we want to be onboard, and the companies still say that it is too expensive, then I think we are witnessing a lack of consciousness when it comes to what we are up against. (Nordtun)

The Labor Party representative also thinks that since the industry makes immense amounts of money off CO₂-emissions, they have to show a certain degree of understanding for the environmental demands that authorities put on the industry. An important objective for political authorities is to make sure that the fields are explored as extensively as possible, also in relation to the environment he argues. Therefore, it is important to have the industry ‘aboard’ when it comes to making the right changes that can enable bringing the environmental perspective ‘back’ into the political spaces of petroleum politics. By having the chain of CO₂ in place by 2009 he thinks the present governments’ objectives and initiatives will bring the growth in emissions under control (interview).

The former Minister of Petroleum and Energy also sees environmentalism as a missing aspect of KonKraft that would have “strengthened [its] credibility and the way it worked” (interview). He thinks the separation between the petroleum and energy politics on the one hand, and environmental politics on the other is artificial. Instead, they should be seen as “complementary sizes” standing “against each other” (interview). As an area of politics, it becomes demanding to “weigh the environmental perspective next to the need to produce energy and create jobs” which was an important component that “might have disappeared in the KonKraft-discussions” (interview).

7.5.1 KonKraft with Benefits and Reach into Government

In KonKraft and generally when government engages with the petroleum industry, it is important for the authorities to maintain a professional relationship and pay attention to the industry needs. The former Minister of Finance thinks that this was also the case in the KonKraft taxation project, so when the industry claimed that they had not “reached in” to the government, this was a misleading claim (Interview Foss). The industry had and continue to have an “open door” to the government, whilst holding extensive benefits, especially compared to other industries, - “There is no other industry that has so many benefits, in the sense that no other industry in Norway can have authorities alongside and look at issues together based on the industry’s premises. You can then say that it becomes a strange construction,” the former Minister of Finance says when discussing KonKraft (interview).

Steensnæs raised the questionability of KonKraft's special status as a problematic subject because of the challenges in finding the right tools for governing it. It is important for government to constantly find tools that are more relevant, directed towards results, practical and adequate (interview). At a general level, he thinks that it is important to maintain the tradition of sufficient contact between those who govern and those who are affected by their politics. The petroleum industry has a rather close bond to the political system and there are dangers in relation to blurring the responsibilities of the political and regulative authorities (interview). In KonKraft, this includes all reports and the MPE’s representatives in the partnership’s board. In some instances, even the Ministry’s representative has to step out. He also thinks that the Forum should be transparent and open so that everyone knows ‘what is going on’. This does not necessarily mean a gallery for the public, but should include holding representatives responsible for their statements by referring to the actors’ names afterwards (interview). Steensnæs thus thinks that openness or transparency is an issue that there are reasons to look further into. Also, in relation to the KonKraft taxation process, he added that “you might see this critically” and it might just be that the MPE should not be involved in KonKraft,” because “the Forum is a demanding group and you can easily step across important management and governmental limits, and then create uncertainty with regard to who is responsible for what and who holds the different positions” (interview). He does not want to draw final

conclusions, but he emphasizes that there are obscurities related to ownership of an initiative such as the KonKraft taxation project:

So retrospectively you may see that there should be more caution when getting involved in initiatives that for some had determined purposes. I don't want to make a final conclusion out of this. And it is clear that when reports from McKinsey is the foundation for the proposals that came from OLF, then you have every reason to ask whether the Ministry at all should have any ownership to these kinds of initiatives, which evidently has a purpose of proposing specific things. It is possible to say something about that. But I would be careful with drawing the final conclusion on this. (Steensnæs)

The politicians see different aspects that put both the Taxation Project and the KonKraft constellation into a critical light, demonstrating that there are dilemmas that need to be resolved in relation to the future integrity of KonKraft. If KonKraft is not capable of taking up new governmental objectives as part of resolving environmental challenges, other tools should be taken into consideration, the Labor Party and former Minister of Petroleum and Energy argue. This also relies on the petroleum industry's capacity to let the state maintain its integrity instead of turning it into a battlefield between government and the industry as they hold greater advantages than other industries, the former Minister of Finance reflects, after the pressure KonKraft put on politicians and his Ministry. And finally, it depends on making the Forum more transparent and maintaining a separation between the responsibilities government are holding on the one hand, and the industries priorities on the other.

7.6 Analysis: KonKraft's Power and State Strength

KonKraft is the state's most important organization or arena to present its arguments on why they are adopting certain strategies in the petroleum sector. This relates to how the 'Norwegian model' evolved to creating its own 'competitiveness' in Norway but also abroad, as the state has more leverage for its foreign strategies when supported by the petroleum industry. Those within the petroleum industry that attend the Forum get a chance to tell the state what kind of governing tools and strategies it should mobilize to achieve its objectives, or how to continue being a 'global winner'. In this way, the Forum is a very important arena for the state to obtain information about what it takes to achieve competitive power. This competitiveness is twofold. First, because the state has self-

determination and power in relation to its ability to enhance possibilities for financial and political innovation. On the other hand, it has made the government itself increasingly dependent on the industry's support for its choices. If KonKraft has importance and leverage, it must be specifically because it is an *expression* of the collaborative force between the authorities and the Norwegian petroleum industry, albeit with a special weight on Norwegian owned companies. If KonKraft is an example of this, importance does this then mean that the Norwegian governance model has changed?

7.6.1 KonKraft's Dimensions and Dynamics

I argue that KonKraft can be placed in the integral dimension of state space as an initiated re-regulative move from government. Institutions and organizations are mobilized to find new *entry points* within a state space of representational 'competitiveness'. If Konkraft is a governmental practice, whose foremost goal is to determine the representations of state spatiality, and therefore encourages a stronger emphasis on state representation. Then, given that governmental *practices* have traditionally been more important than representations when materializing state strategy, KonKraft as a re-regulative move might indicate that the Norwegian model of organizing the petroleum sector is changing. Within this integral dimension of state spatiality that KonKraft represents, some of the characteristics to what Harvey (2005) describes as policy-making moves, relating to the major shift behind the structural changes due to the neoliberal 'suspicion of democracy,' can be found. As a public-private partnership it is integrated into processes relating to the state's decision-making processes. Utilized as part of an integral practice of dynamics of the state capital accumulation, hence KonKraft's 'partner' to strengthen the Norwegian petroleum companies abroad. Also, patterns arise within the KonKraft structure, incorporating business and professional interest that in turn advocates extensive restructuring of the narrow and integral dynamics of state spatiality. However, through KonKraft the state has also been shown a neglect of corporate interference as taxation regulation has not proved be adjustable in a regressive direction, as Peck (2003) suggests is part of the 'neoliberal downloading'. Also, the state does not position itself to take most of the risk whilst the private sector takes most of the profits, as Harvey 2005). Rather, it can be seen as an expression of reorganized functions that does not make the state *less* powerful. On the contrary, KonKraft can be viewed in terms of re-producing its

own identity within the integral space of public-private collaborative force. Also, KonKraft corresponds to Peck's (2003) thesis of how the neoliberal state organizes and rationalizes its interventions in a different way, hence KonKraft's objective of representational competitiveness and as a governmental tool designed to create material outcomes that are beneficial for the state. This governmental practice includes the state's strength to carry out re-regulating moves that enhances the position of the envisioned 'market rule' which is in turn is depicted as naturalized (Peck 2003). Although the state in this way adopts the role of a market manager (Peck 2001), and that this is projected to reduce the range of politically legitimate options, the state retains a powerful role by maintaining its differing roles in beneficial ways. One example is how the state came back with market-oriented solutions when the KonKraft taxation project asked for tax breaks.

The critique raised by politicians, environmental foundations, and the labor union, indicates that the scope of politically legitimate options *within* KonKraft is narrow. The critique raised from those who are opposing KonKraft indicate that this is a place where the petroleum industry can advance their strategy of the North of Norway as a petroleum region, labor rights are not important, and environmental issues are 'greenwashed'. Also these organizations, which are critical towards KonKraft, question the political legitimacy of state participation as roles and responsibilities of the petroleum industry are blurred into state practices and representations. This latter critique is also found in the retrospective examination from the former ministers who were in government for the first four years of KonKraft's existence. As roles get blurred, and as professionalism needs to be maintained, this poses additional challenges for the state to argue that KonKraft has a legitimate function for the (democratic) state. Also, the Labor Party and the former Minister of Petroleum and Energy criticized KonKraft for not being reflexive and considerate of environmental issues, as these were challenges which the state needs to resolve in relation to petroleum extraction. In other words, the representational dimension of KonKraft does not correspond to governmental objectives. Hence, there are discrepancies between the goals of the government and the goals of KonKraft.

8. Concluding chapter: The (in)Visible Hand of the State

This final chapter will present a summary of the research material and an integrated analysis of the state's emphasis on competitiveness and its present power(s). Second, I will discuss different power aspects of KonKraft. I will conclude with some reflections of the research project conducted.

8.1 Summary: Empirical Material

The research material is organized around state challenges, the competitiveness of the Norwegian Shelf, and KonKraft. The challenges of the *state* were both by the petroleum industry and state representatives, presented both by the petroleum industry and state representatives, focus on sustaining economic growth, in Norway and abroad. The strategy proposed as an ideal is to continue a steady development on the Norwegian Shelf with a dynamic approach to opening new areas for petroleum activities. Simultaneously, regulatory policy should secure that existing fields are explored as extensively as possible. For politicians, this also includes having areas that are opened up for exploration, to be extensively explored before opening 'new'. A steady development is also an ideal in terms of enabling the Norwegian companies to advance technologies that increase their comparative advantages abroad. The globalized context is increasingly determined by energy-political connections and alliances. Oil companies lacking reserves are also a determining factor in this context. The emphasis of 'security of supply' and the changing level of oil prices makes political stability in Norway and the 'prospectivity' of the Norwegian Shelf increasingly important, and profitable. As a consequence, Norway emerges as a stable and autonomous state that can supply Europe with petroleum products in a 'demanding' international context. The state seeks strategies that ensure continued growth for the petroleum sector in Norway while maintaining environmental and innovative concerns. An important divide between those interviewed concerns *if* and *how* this growth can be achieved without the environmental cost becoming unacceptable. The industry seems to express that it will not pressure, but support policies as long as their claims for increased 'prospective acreage' are maintained. A current dispute between the industry and the state concerns how the exploration and production in the

Barents Sea should take place, and if/when exploration and production at Lofoten Shelf should take place. For Lofoten, the government will propose a new Exploration Plan in 2010. There is a stronger emphasis on creating the North of Norway as a new 'petroleum region'. However, none of those interviewed identifies themselves as actors 'driving the optimism in the North'. The possibilities in the northern regions, including Russian territory, have been extensively debated in the Forum. The oil companies increasingly seem to frame their arguments to increase expectations of the state to open the Lofoten Shelf for exploration. The state's strategy is to meet the demands of the oil companies for increased acreage while strengthening its position in its other roles. A priority is to maintain structures where the state can (re)create new comparative advantages for Norway. The foundation for enhancing competitiveness rests upon management practices and the 'fundamental principles' dating back to Norway's ten oil commandments in 1971. The practice, often depicted as 'political stability', is recognized as Norway's trademark in international relations and criticized by international agencies when utilized as a comparative advantage.

KonKraft is a state intervention that the actors view as an arena for dialogue, collaboration and interdependencies. Politicians' shared view is that the Forum can be used to enhance the state's objectives for finding common ground with the petroleum industry. For the government it provides useful information as to whether the state's policies are seen as competitive, whilst the industry gets a detailed context for the government's strategic moves and is given the chance to influence policy processes. The main critique against the Forum and Konkraft is the creation of an 'accountability gap' where the roles of the state inevitably get blurred and biased. Some see it as an arena where united claims of Norwegian supremacy and public-private consensus are maintained by the industry. Hence, Konkraft can be seen to overrule other interest groups in Norwegian society. The politicians' main critique addressed environmental problems, which were projected as the most important task to overcome. Konkraft had failed to meet this challenge. Second, no other industry in Norway engages in such close collaboration with the state or is as closely tied to the government. Therefore, state professionalism needs to be maintained, and the roles of government and industry need to be kept separate. Previous ministers of government questioned the agency of Konkraft,

since it was utilized by the petroleum industry to advance their strategies. Those who were ‘in opposition’ to KonKraft argued that it narrowed the political scope since it was based on ‘united attitudes’ and hence had democratic deficits. Further, the politicians did not only see the environmental perspective as neglected by KonKraft, but also as a dilemma needing constant attention since petroleum activities always carry immense environmental liabilities. Maintaining the status quo in production rates, environmental issues were to be overcome by cautious exploration and technological innovation. Several critics have noted, however, that growth in petroleum extraction and environmental concerns are not compatible, and as such ‘status quo’ promotion was seen as the problem itself.

8.2 Working the New Spaces of Competitive Power

This thesis has explored to *where* the Norwegian state has moved since the 1970s. In the analysis conducted I mapped the political geography of the Norwegian Shelf where politics is transformed in relation to the challenges and possibilities of global interconnectedness. There are three main conclusions. First, spaces of competitive power are found in state representations through new challenges and responsibilities the state has taken on. Second, spaces of competitive power are found in a specific practice of the state, KonKraft. I have identified KonKraft as a re-regulative move where governmental regulations are not seen as sufficient to maintain state competitiveness and as ‘neoliberal downloading’. I have also emphasized how this specific practice aimed at enhancing state representations and the industry’s influence upon policy-making processes. Third, as KonKraft was set up around the turn of the century, a Forum was established in which the state and the petroleum industry are oppositional competitive powers. I have analyzed KonKraft and the Forum in terms of how they are working the new spaces of competitive power in Norway. In all these three spaces of competitive power, The Norwegian Shelf seems to become an increasingly important asset to the state, and one where it may re-negotiate its strengths. This has been scrutinized in terms of serving the global market, geopolitics and in relation to the domestic affairs through its negotiation with the petroleum industry. The contestation of the Norwegian Shelf is foremost played out in terms of ‘predictability’ and ‘prospectivity’. However, society’s political investments in the 1970’s were founded upon a different political-economic reality.

The conclusion of the thesis must be that although the Norwegian petroleum politics still support a strong welfare state, its politics are founded upon principles that are radically different from those that constituted the Norwegian oil ‘fairy-tale’. The political context has changed since the 1970’s in tune with geopolitical and geoeconomic imperatives, and the environmental concerns over climate change. The state has re-scaled the national responsibilities, interests and challenges in relation to these changes and turned them into objectives.

Simultaneously, the petroleum sector has grown to become an immense economic power. This increased economic power is achieved through the state-owned oil companies, and the ways in which the state operates in global financial markets through the ‘pension-fund’. Also, Norway can influence other petroleum producing countries through the governmental support of transparent and regulative management models that promotes state interventions to secure economic resources for other governments. This also includes the partly state-owned companies negotiating for new areas and discoveries abroad. Norway has also become *more* powerful in international relations and through the increased pressure of supplying the European market. Thus, the state is challenged in arenas that are strategic, not only to the oil companies, but also in relation to other states. These challenges are evident when opportunities for enhanced competitiveness exist outside Norwegian territory and partly state-owned companies negotiate for access to these areas.

Strategies that are carried out over the past decade in the ‘face of globalization’ have not transformed the Norwegian state in terms of becoming *less* powerful. The state has the power to define its own role in relation to petroleum extraction in Norwegian society and in its relations with the petroleum industry. The state is depicted as a skillful organizer of the Norwegian Shelf by the petroleum industry, while simultaneously maintaining its welfare responsibilities to the public, allowing it to adopt these representations when seeking a ‘global reach’. The state defines its strong position as a regulator through long-term strategies that regulate the petroleum industry in economic terms. These strategies might in turn enable additional strategies within the global petroleum market. The state maintains a strong position as a negotiator with the petroleum industry and enacts strategies that further strengthen the state’s capacity to

mobilize its own institutions. Consequently, the state has become *differently* powerful, as it retains its strength. The position of the state is such that it may even employ the rhetoric of Globalization to its own benefit. The resulting apparent paradox is that the state might have become *more* powerful in the ‘face of globalization’.

Over the past few years, the state has granted Norway’s petroleum industry new areas for petroleum extraction while reducing its stake in the industry. I have shown that these changes have been embraced as both a reward for the industry’s contribution to Norway’s welfare state, and as important for both the state and industry in order to stay competitive. Developing state and industry ‘competitiveness’ is a factor of welfare-redistribution, as it maintains the financial re-distributive strength of the state. The state seems to put a greater emphasis on competitiveness as it maintains a ‘status quo’ in exploration and production rates, but also as an explicit goal. Whether competitiveness is an objective in itself or consensual policy equilibrium which simultaneously secures the fiscal demands of the state is unclear, and is often presented as both. Thus, competitiveness may be understood as a means to its own end, both strengthening the objective of the policy and simultaneously the policy itself.

8.2.1 KonKraft Power

Turning to KonKraft, a problematization of the petroleum industry’s power and role might then entail how KonKraft is utilized as a consensus over what composes Norwegian interests, and not singularly state interests which was also problematized in the previous chapter. The strongest industrial actors within the petroleum industry is the corporations that have power over KonKraft, and OLF can be said to be its platform by its serving as the secretariat and the industry’s public relations coordinator. Also, the state is important in terms of networking for these organizations. It can be seen as an expression of *how* the most powerful capital interests utilize the state, where the power center of gravity of KonKraft lies between the MPE and the strongest industrial actors within the petroleum industry.

Konkraft came into being through the projection of a forthcoming crisis in the petroleum sector at the turn of the century. The claim of the petroleum industry was, as mentioned in chapter four, that Norway had to ‘re-invent’ itself by projecting an immense

decrease in petroleum production. As such, the petroleum industry, called for state initiatives, connecting capitalist transformations to the Norwegian (re-invented) identity.

In terms of the Forum, I have emphasized that there is an increased concern with state representations over competitiveness. In terms of state collaboration with the petroleum industry through KonKraft, the most important actors in the petroleum industry are invited to interact with the representations of state spatiality through the Forum and the KonKraft structures. As such, KonKraft is a venue for establishing political practices, mobilizing the most important institutional agencies and the greatest private and state economic interests in Norway. The conflictual perspective of state 'competitiveness', for instance relating to the different strategies and views on the Lofoten Shelf and the Barents Sea, is maintained within a *controllable* space defined by KonKraft. The strongest industrial actors within the petroleum industry, who attends the meetings, sees the state as the most important negotiating power and try to position themselves to get permission, concession, access to Russia through state collaboration and additional petroleum resources on the Shelf. An important objective is how 'status quo' in exploration and production rates can be maintained where developing state and industry 'competitiveness' is negotiated.

KonKraft is an example of how Globalization in differential and uneven ways produces new spaces of neoliberal governance. KonKraft is a governmental tool that enables the state to adjust to global economic transformation. Thus it represents *one* of the paths for economic growth in terms of how Norway can 'succeed at globalization'. As such, KonKraft is presented as a state initiative, an organized expression of global petroleum interests. KonKraft is framed as a means of promoting the logical governmental objectives of 'collaboration', 'predictability' and 'low-risk' attributed to the Shelf. For the petroleum industry, state representations through KonKraft relate to 'predictability' and possibilities related to 'prospectivity'. Whilst de-regulating the industry at the turn of the century by privatizing Statoil and re-organizing the petroleum sector, the state 're-regulated' in terms of establishing KonKraft. Thus, through KonKraft the state has adopted a practice where it is not as 'visible' and transparent, but nevertheless showing its strength by denying both tax relief and access to controversial areas.

8.3 Concluding Remarks

Only time will tell whether the...hypothesis has lasting predictive power *vis-à-vis* the fate of big TNCs. General Motors at least is still going strong. What has changed more is the old axiom that ‘What is good for General Motors is good for America’, an axiom based on the idea that GM profits led to GM jobs and decent GM wages for American citizens. (Sparke forthcoming: 38).

In this thesis, I have started to map the centers and edges of political petroleum spaces. I have examined how the petroleum industry corresponds to political ideas in Norway, and how some of the ways the state has re-organized its own practices and responsibilities. In the research process, I found that the petroleum industry engages in, and supports the ‘Norwegian model’ of organizing and regulating the petroleum sector.

My initial interest for KonKraft was triggered by the KonKraft taxation project. It was led by a Norwegian partly state-owned company, Hydro, and appeared to me as a paradox. This paradox raised questions of what role the industry should play in relation to Norwegian society and which tools the government should utilize to respond to industry pressures. As I conducted interviews, I found that the petroleum industry is generally in tune with governmental strategies. However, I also found themes and nuances that were not immediately obvious when I studied the KonKraft model and arguments in preparation for these interviews. Meeting the petroleum industry gave me a comprehensive understanding of how the debate is carried out. An important task that Konkraft deals with is discussing and defining the contemporary condition of the Norwegian petroleum sector. Through the interviews, I found that the petroleum industry represented other attitudes than those emphasized by Konkraft and the taxation report in public. Konkraft’s representations seemed to project the discourse of ‘what is good for the petroleum industry is good for Norway,’ - the emphasis and promotion of competitiveness as an explicit goal and strategy for Norway. Because underlying this claim is the incorporation of a *particular* or singular interest into a *general*, commonly accepted interest for the Norwegian nation-state. Although Konkraft’s objective has, in this respect, been reached as the Norwegian Shelf and petroleum industry is presented as ‘competitive’, I question the lack of a clear definition of Konkraft current role and I am

critical of the ways KonKraft's existence blurs governmental methods and objectives of 'competitiveness'.

In relation to how the data material corresponds to the theoretical framework, my starting point, as explained in the introduction, is to contextualize the research themes by framing globalization debates in the context of the literature of state spatiality in policy-making processes. Also, I lend support to Hughes (2006) who suggests that establishing an 'inclusive' theoretical approach, includes enabling a dialogue with other actors that seek to reinvent the entry points and spatial strategies. Although I have conducted an analysis based on elite representations, it has been an aspiration that the present text also reflects public debate. I have utilized a theoretical approach to frame the data material in ways that identify the challenges to state spatiality. The state responds to these challenges by re-inventing itself in correspondence to 'external' pressure and ideological shifts. I have come to the conclusion, that the production of political democratic spaces in Norway relating to the future of the Norwegian Shelf and the industry and state's drive towards global competitiveness should include other perspectives. There are a number of challenges that has been emphasized in this thesis that needs to be resolved in order advance strategies, other than the ones defined in the 1970s for Norwegian petroleum policies. I therefore think that an inclusive approach to state strategies must involve larger range of social actors having access to the spaces in where the power to define all three dimensions of the state; the narrow, integral and representational dimensions of state space, reside. Therefore, in the face of global transformations, all three dimensions of the state should be available to political negotiation, debate and contestation. As Norwegian society struggles to even find a language to publicly debate the industry it is the most dependent upon, it might as a consequence fail to think through how changes in the global oil industry could remake Norwegian politics. Society's political investments in the 1970's were founded upon a different political-economic reality. Rather than assuming that Norwegian governmental objectives of welfare distribution and the Norwegian petroleum industry objective of internationalization and further exploration on the Norwegian Shelf are complementary goals, we should ask how the state can act in visible and transparent ways. The consensus, promoted by KonKraft, of increased accessibility on the Norwegian Shelf coupled with increased activity abroad by partly

state-owned companies and other Norwegian companies, is a position that mutually benefits the petroleum industry and the state, but at the expense of public debate.

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Appendix 1

Interviews

Enoksen, Odd-Roger, The Center Party (Senterpartiet). Minister of Petroleum and Energy 2005-, interview conducted 24/5-06

Foss, Per Kristian, The Conservative Party (Høyre), Member of Parliament (MPE). Minister of Finance 2001-2005, interview conducted 30/11-2005.

Gjul, Gunn Karin, Labor Party (Arbeiderpartiet) MPE. Former member of Parliament Committee for Energy and Environment, 1992-2001. Interview conducted 3/4-06.

Hauge, Guro, the environmental foundation Bellona. Interview conducted on the 28/11-05.

Jensen, Tom Einar. Hydro. Leader of the KonKraft taxation project 2003-2004. Interview conducted 1/12-05.

Johnsen, John Egil. Director KonKraft. Interview conducted 28/3-06.

Jonassen, Terje, Information Director in Shell Norway. Interview conducted 5/4-2006.

Kielland, Gro, Managing Director of BP Norway, interview conducted 7/4-06.

Knutsen, Torgeir, Director Ministry of Petroleum and Energy. Representative for the Ministry in the Konkraft-board. Interview conducted on the 25/11-05.

Lerøen, Bjørn Vidar. Senior Advisor Statoil, former journalist in Aftenposten and Stavanger Aftenblad. Interview conducted 22/6 -06 and 6/10-06

Mørland, Anders, CEO of Dong Norway (Danish 50% state-owned oil company). Interview conducted 6/4-06.

Nordtun, Tine, Labor Party (Arbeiderpartiet). Former member of the Finance-committee in Parliament 2001-2005, now Committee for Energy and Environment. Interview conducted on the 29/11-2005.

Nustad, Terje. Leader of Labor Union SAFE. Interview conducted 5/4-2006.

Palm, Thomas. The environmental foundation ZERO. Interview conducted 16/10-06.

Stensnæs, Einar. Minister of Petroleum and Energy 2001-2004. Interview conducted 18/8-06.

Sæther, Rolf, former chairman of the Norwegian Shipping Association. Interview conducted over e-mail 19/5-2006.

Appendix 2

Themes Interview Guide

KonKraft and Topplerforum

1. Evaluations of the KonKraft taxation project
 - The necessity
 - How it was carried out
 - How it was received
 - The cost

2. Evaluations of the Forum
 - Its function before and at present
 - Its function for the organization interviewed
 - Who it is important for and why
 - Its relationship to other arenas/organizations

3. KonKraft as organization
 - Function
 - If KonKraft and the Forum could be separate organizations
 - Present and future activities
 - If KonKraft's objective is fulfilled

The competitive strength of the Norwegian Shelf

4. Comparative advantages (the petroleum industry)
 - The level of oil prices and the Norwegian Shelf
 - Taxation and globalization
 - The predictability or clarity in governmental objectives
 - Geopolitics and prospectivity

5. Governmental objectives (politicians)
 - Former and present political objectives
 - Future objectives
 - Taxation policies and globalization

The political economy in Norway

6. The influence of the petroleum sector
 - How the petroleum sector can become more environmental, which tools and objectives
 - The relationship and ties between the petroleum industry and the authorities
 - can we make the general claim, both from the politicians, but especially from the oil companies' side, that it is necessary to increase oil extraction to ensure the welfare state? In other words, "what is good for petroleum industry is good for Norway"? What different layers do you see in such a thesis?