



The IMF's Assessment of the Norwegian Economy

The International Monetary Fund (IMF) carries out an assessment of the Norwegian economy at regular intervals. In the period 15 - 26 March, a delegation from the IMF visited Norway to gather information about the economic and financial situation and to discuss economic policy.

The delegation has had meetings with the Ministry of Finance, other ministries, the Storting Standing Committee on Finance, Norges Bank, other public institutions, the social partners, academia and representatives from private financial institutions. The delegation presented its assessment of the Norwegian economy. The IMF will prepare a more comprehensive report which will probably be discussed by the IMF's Executive Board in May/June.

Excerpt from the preliminary conclusions of the mission

The Norwegian economy is entering its fourth consecutive year of above-trend growth, while wage and price inflation have been remarkably subdued. This enviable performance has been underpinned by the two strong macroeconomic policy pillars of inflation targeting and the fiscal guidelines, both adopted in 2001. A combination of several factors have boosted demand and eased supply constraints: supportive monetary conditions following the 2002-03 slowdown; an expansionary fiscal stance; high world prices for petroleum products and other Norwegian exports and much weaker prices for imported goods; labor inflows, especially from the new EU member countries; and increased competition and productivity in some domestic sectors. *Preliminary report at [Department of Finance](#)*

NASA Selects Telenor Satellite and Verso Technologies for Communications Modernization

Telenor Satellite Services, a subsidiary of Telenor of Norway and Verso Technologies have been selected by the US National Aeronautics and Space Administration (NASA) to provide digital voice and data satellite communications equipment and service to all of its Trans Atlantic Landing Sites. The



Trans Atlantic Landing Sites are used as emergency landing locations for the Space Shuttle during launch.

Telenor Satellite Services is partnering with Verso Technologies to provide mission critical voice communications between all ground stations during the launch process using Verso's NetPerformer SDM-9230 products.

The selection of Telenor Satellite Services and Verso is part of NASA's program to upgrade the emergency satellite communications capabilities at its Trans Atlantic Landing Sites for communicating via satellite during

Shuttle launches. Under terms of the two-year agreement, Telenor will supply Global Area Network satellite communications equipment for the Kennedy Space Center in Florida and all the remote sites, as well as installation assistance, system configuration, and operator training sessions. Verso will provide hardware, software and support services to Telenor in support of NASA.

"Telenor Satellite Services has a proven track record of reliability and dependability with NASA and we are delighted that they have again selected Telenor to participate in the modernization of satellite communications said Morten Tengs, chief executive officer of Telenor Satellite Services.

[Telenor USA](#) [Verso](#)

Wallenius Wilhelmsen Leads Flotilla in Sydney Harbor



When the huge orange cargo ship *MV Texas* lead the flotilla of historic water craft under the Sydney Harbor Bridge at 9.20am on Sunday, March 18 it was repeating history.

The 66,532 tonne roll-on-roll-off ship is operated by Wallenius Wilhelmsen Logistics. It was a Wilh. Wilhelmsen cargo ship that was among the first to sail under the Bridge during the official opening in 1932.

“Just as the type of transport over the Bridge has changed since the early cars and steam locomotives, the vessels that now sail under the Bridge are quite different,” Chairman of Wallenius Wilhelmsen Logistics Oceania, Peter Dexter, notes.

“When our ship *MV Temeraire* sailed in the 1932 procession under the

Bridge, we mainly carried wool and metals out of Australia for Europe. *MV Texas* carries cars, mining and agricultural machinery into Australia from Europe, North America and South Africa. “This event symbolizes the continuous relationship the company has had with Sydney and Australia over 112 years. An interesting anecdote: our former Managing Director, Thor Thorvaldson sailed on *MV Temeraire*.”

Wilh. Wilhelmsen ships have been part of Australia’s trading with the world – and part of Sydney as a working port – since 1895. Today the *MV Texas* and 59 other Wallenius Wilhelmsen Logistics vessels call at Australian ports regularly, moving some 475,459 tonnes of cargo each year, including 148,619 cars.

The *MV Texas* released clouds of orange smoke from generators on its stanchions, and sound blasts from percussion tubes on deck as it headed the parade under the Bridge. Two vessels abreast, representing each decade from the 1930s to today, followed *MV Texas* in the parade, sounding whistles and horns. [Wallenius Wilhelmsen Logistics](#)

Höegh Seeks Approval for Florida LNG Port

Port Dolphin Energy, a wholly owned US subsidiary of Norwegian-based Höegh LNG, has submitted an application to the US Coast Guard for approval to build and operate a deep water port for the import of natural gas to Florida’s west coast.

The company says the proposed project will consist of two submerged turret unloading and mooring buoys (STL type) to receive an average of up to 800 million cubic feet per day of natural gas from LNG Shuttle and Regasification Vessels (SRVs), which are purpose-built oceangoing LNG vessels designed to regasify the LNG onboard and deliver natural gas to a subsea pipeline; and a 42 mile offshore pipeline to bring the natural gas from the offshore terminal to Port Manatee in Tampa Bay.

“This is an important milestone in Höegh LNG’s clearly defined efforts to continue the development of our SRV strategy, where we provide transport, regasification and market access for our customers”, says Sveinung Støhle, President and CEO of Höegh LNG AS. We have several other projects of the same kind in process, and we look forward to develop this important project with local stakeholders, authorities and our customers.” [Maritime Global Net](#)

Blank Rome Partners LeRoy Lambert and John Kimball Author Voyage Charters (3rd Edition)

Voyage charters present one of the most complex areas of maritime law, with disputes frequently arising over the interpretation of charters. It is essential for the parties to these contracts and their legal advisors to have a clear and authoritative reference guide.

The third edition of this best-selling book continues to provide the only comprehensive guide to voyage charters. It analyses on a clause-by-clause basis the two major charterparty forms, the Gencon and Asbatankvoy, and makes reference to numerous other forms. It also reviews the Hague and Hague-Visby Rules.

- The only textbook to deal specifically with voyage charters, providing comprehensive coverage of this key area of maritime law
- Written by an impressive team of English and American experts, who are highly regarded authorities in the maritime field
- Totally revised and updated
- Contains a wealth of key English and American case law and arbitrations
- Practical user-friendly guide, which is accessible not only to lawyers but also to shipping professionals. [Mainbrace](#)

Cross Country Skiing: Bjørndalen wins again

Ole Einar Bjørndalen won this year’s “Skarverennet”, an annual 38 km ski-touring race in the mountains from Finse to Ustaoset. Therese Johaug won the women’s class. Bjørndalen outsprinted Svein Tore Sinnes, and won by just one second. Frode Estil in third place was 18 seconds behind. On the womens side, Johaug won four minutes ahead of Marit Bjoergen in second place. Astrid Jacobsen placed third. More than 12,000 skiers participated in the event, which took place in beautiful weather on Saturday 21 April. (NRK) [Norway Post](#)

High Level Visit to Hydro Platform

A three-day long official state visit from Austria in mid-April was rounded off with visits to Hydro in Bergen and to the Oseberg Field Centre in the North Sea, where the Norwegian royal couple and the Austrian President and his wife gained an insight into Norwegian offshore activities and technology.

Norway's King Harald and the Austrian Federal President, Dr. Heinz Fischer, flew out to Oseberg Field Centre by helicopter in the morning, while Norway's Queen Sonja and the Austrian President's wife, Margit Fischer, were given a tour of Hydro's Research Centre at Sandsli in Bergen.

In his speech during the gala banquet at the Palace in Oslo two days earlier, King Harald did not hide his expectations of the visit to Hydro: "Clearly, Norway is following with interest the large investments made by Austrian energy companies further east in Europe. Austria is also an oil-producing country, of course, and we are both dependent on advanced horizontal drilling techniques for our oil production. This means that I envisage that we will have an extremely interesting and useful program in Bergen on Thursday, with a visit to an oil platform in the North Sea and to Hydro's Research Centre at Sandsli," King Harald commented.

After putting on the survival suits that were used for the helicopter trip, platform manager Torkjell Stangeland ran through safety procedures; Hydro's President and CEO, Eivind Reiten, presented Hydro, and particularly emphasized Norway's role as a large and reliable gas supplier to Europe. Reiten also talked of Hydro's increasing gas



AT OSEBERG: From left, Hydro's President and CEO Eivind Reiten, Austria's President Dr. Heinz Fischer and Norway's King Harald. (Photo: Helge Hansen)

production, and pointed out that a portion of this gas goes to Austria.

Sending gas to Austria

Hydro's Senior Vice President for Oseberg, Jan Arve Haugan, gave a presentation of the Oseberg area, among other things showing how gas production from this field will increase during the years ahead.

Gas exports from Oseberg will peak between the years 2013-2018, at a level of around nine billion cubic meters annually. The Austrian President was able to see how the gas production benefits Austrian consumers thanks to the subsea pipelines to Germany, followed by transportation across Germany by land to Austria.

Hydro has a gas deliveries contract with the Austrian company OMV, which is the leading oil and gas group in Central Europe. The duration of this contract is from 1986 to 2026. Austria imports almost 1.5 billion cubic meters of gas annually from Norway, of which 10 percent comes from Hydro. Norwegian gas constitutes around 10 percent of total gas imports to Austria.

Read more at [Hydro](#)

Schat-Harding Starts Shanghai Service Station

Leading lifeboat and davit manufacturer Schat-Harding has established a new After Sales and Service headquarters in Shanghai. The new service base will provide annual and five yearly SOLAS inspections and tests, refurbishment, repairs and genuine OEM spares for lifeboats, davits, hooks and winches on ships calling at Chinese, Hong Kong and Taiwanese ports.

Andrew Lemmis, after sales and service manager for China says, "We now have nine fully trained engineers and in the next few months that will rise to thirteen. They are backed by a co-ordination and spares team which together will ensure that ship and offshore unit operators will get rapid, fully authorised service and support for all Schat-Harding brands."

The Shanghai engineers are backed by a further team of fully trained and authorised technicians at Schat-Harding's Qingdao plant. "This year we also expect to open up smaller service offices in both North and South China, to improve speed of response in those areas, and we expect to have over 30 China-based engineers by the end of the year, rising to 50 by 2010," says Lemmis. "We are also establishing a training school for service engineers in Qingdao, to supplement our school in Norway. Shipowners can now book services with confidence that they will meet all the requirements of IMO MSC1206, and will have genuine spare parts correctly installed.

Global service and supply network

Schat-Harding is the world's leading supplier of lifeboat and evacuation systems for the cruise, offshore and shipping industries. With factories and offices in Norway, the UK, the Netherlands, Germany, Singapore, Spain, Canada, the Czech Republic, USA and China, and agents in thirty other countries, Schat-Harding provides a global service and supply network.

Schat-Harding is part of the Umoe Group, a Norwegian investment company founded in 1984 by Jens Ulltveit-Moe. [Marine Norway](#)

NACC 2007 Annual Meeting of Members

The annual meeting was held in the offices of the Norwegian Consulate General New York on March 22, 2007.

Four new directors were elected to the board:

- ◆ Martin Lunder - Nordea
- ◆ Bernt Reitan - Alcoa
- ◆ John Sullivan, Norseland, Inc.
- ◆ Per Tetzlaff, Odin Marine

The following directors were re-elected to serve until 2010:

- ◆ Terje Aasen - Innovative Business Solutions (Florida)
- ◆ Abel Abrahamsen
- ◆ Gerd Bjorgan - Kon Tiki Travel
- ◆ Per Heidenreich - Heidmar
- ◆ Truls Nergaard, DnB NOR
- ◆ Sveneric Persson, SAS
- ◆ Alex Eriksen - Stolt-Nielsen Transportation Group Inc.
- ◆ Erik Ostbye - Chianti Asset Management LLC
- ◆ Lawrence Rutkowski - Seward & Kissel LLP
- ◆ Karin ShamPoo - Consultant for UNICEF
- ◆ Luann Smith - Statoil Marketing & Trading (US) Inc.
- ◆ Dagfinn Gunnarshaug - President, Southern California (Los Angeles) Chapter
- ◆ Magne Ostby - President, Southwest (Houston) Chapter

Election of Officers

At the meeting of the new board, the following officers were elected:

- ◆ Larry Rutkowski - President
- ◆ Blaine Collins - Executive Vice President
- ◆ Charles Anderson - Treasurer (re-elected)
- ◆ Oliver Edwards - Secretary (re-elected)

Executive Committee

The executive committee will now comprise the following directors:

- ◆ Terje Aasen - Innovative Business Solutions
- ◆ W. Cameron Beard - Blank Rome LLP
- ◆ Even Berntsen - NorOdin Investment Management LP
- ◆ Per Heidenreich - Heidmar
- ◆ Oivind Lorentzen III - Northern Navigation Group



Newly elected NACC president, Lawrence Rutkowski, expresses the thanks of the board to Per Heidenreich, who has completed his three-year term as president. Mr. Heidenreich was presented with an engraved crystal polar bear in warm appreciation of his leadership.



Pictured in the conference room of the Royal Norwegian Consulate General New York, (l to r) Per Heidenreich - immediate past president, Larry Rutkowski, H.E. Liv Mørch Finborud - Consul General, Abel Abrahamsen - past president and James L. Howard - past president.

- ◆ Truls Nergaard - DnB NOR
- ◆ Steven Peri - Tandberg
- ◆ Karin Sham Poo - UNICEF
- ◆ Luann Smith - Statoil Marketing & Trading (US) Inc.

Thanks to Per Heidenreich

The board and general manager of the chamber, Inger M. Tallaksen, expressed their sincere thanks to Per Heidenreich for his strong and effective leadership and for the

energy and creativity he has contributed to the chamber -- not only during his tenure as president -- but throughout his years on the board. Mr. Heidenreich, in turn, warmly congratulated Larry Rutkowski on his election as president, and committed his continuing service on the executive committee.

For a complete list of the NACC board of directors, please go to our website [NACC Board of Directors](#)

Norway's Minister of Petroleum visits Houston

Norway's Minister of Petroleum and Energy, Odd Roger Enoksen, paid an official visit to Houston on March 26, 27. Mr. Enoksen opened the 9th INTSOK-conference "US-Norway Technology Partnership in Oil and Gas."



Odd Roger Enoksen flanked by Consul General Svein Holst Andreassen (left) and ConocoPhillips Chairman CEO Jim Mulva. (Photo Trude Borg Iversen)

In his speech, Mr. Enoksen said that the US Gulf of Mexico's domination of a growing offshore market makes it important for the Norwegian oil and gas industry to be present. There are now one hundred Norwegian companies in Houston.

"The Norwegian continental shelf is also a vibrant offshore market, surpassed only by the US Gulf," Mr Enoksen said. "In 2007, investments on the Norwegian continental shelf, excluding exploration, are expected to amount to 13 billion dollars. An estimated 3.7 billion dollars will be invested in exploration."

Mr. Enoksen said Norwegian production of natural gas will continue to increase, with exports to the EU countries now covering approximately 16 per cent of total EU consumption.

Today 60 per cent of the Norwegian continental shelf is opened for exploration. In the high north the Norwegian Barents Sea -- still largely a frontier area -- is an area in which Norway would like to see participation by the American oil and gas industry. Mr. Enoksen also paid credit to US companies for their exploration, development and production on the Norwegian continental shelf in the last 40 years.

Links to speeches and photos from [News of Norway](#)



Trade Minister Dag Terje Andersen

DNV Establishes Scholarship at Shanghai Jiao Tong University

Det Norske Veritas and Shanghai Jiao Tong University (SJTU) have entered into an agreement that DNV will provide scholarship to SJTU for a five years period.

The agreement was signed on March 28th by Bjorn K. Haugland, DNV Vice President and Regional Manager for Greater China and Chen Gang, Vice President of SJTU.

Norwegian Trade Minister Dag Terje Andersen attended the signing ceremony at SJTU. "This initiative is a good way of supporting the build-up of maritime technical competence, and at the same time enhancing Sino-Norwegian relations."

In addition, the Minister of Trade opened a China-Norwegian workshop on utilization of natural gas. Mr. Andersen was also present at a Maritime Lunch Seminar co-organized by the Norwegian Consul General and DNV.

The DNV scholarship at SJTU will provide financial support to excellent undergraduate and postgraduate students majoring in naval architecture and marine engineering. DNV also funds a scholarship at Herbin Engineering University.

DNV has cooperation agreements with leading universities such as MIT, Stanford, IIT and NTNU (Norwegian University of Science and Technology) etc. DNV has so far established four maritime academies respectively in the Chinese cities Dalian, Shanghai, Guangzhou and HongKong. [DNV](#)

Superstar brokerage gears up

A group of high-profile brokers who finally confirmed the launch of their new investment firm in mid-April plan to be in business by August.

The new Arctic Securities will be led by Mads Syversen, who has long been top dealmaker for Norwegian tycoon Kjell Inge Røkke. Syversen is quitting his long-time job as managing director of SEB Enskilda to strike off on his own.

He'll be joined by some of the biggest names in the securities business in Norway, including Jon Gunnar Pedersen, who's been a powerful player representing the state in the stocklistings of Telenor and Statoil. Pedersen, 44, also represented the state in Statoil's recent purchase of Norsk Hydro's oil and gas division, and has a long list of political credentials. He'll be in charge of strategy and business development for Arctic Securities.

Gaute Eie, who was named Norway's best broker two years running by magazine *Kapital*, will head share trading for Arctic.

Eie most recently has worked for Carnegie in Oslo, but also has been with DnB Investor and Enskilda in London, where he worked with Syversen and Petter Bakken. The latter is a childhood friend of Syversen's who also has spent around 20 years in the SEB Enskilda system.

Syvsen will hold 48.8 percent of Arctic Partners AS, with Bakken holding 24.4 percent, and Eie holding 16.3 percent. The remaining 10.6 percent will be owned by Anders Eide, 43, who has spent the past 15 years working for JP Morgan in London and is a specialist in the bond market. Arctic Partners will in turn own Arctic Securities.

[Aftenposten English Web Desk](#)



U.S. Navy Unveils New Kongsberg Bridge Simulator

During a grand opening in Hawaii; the U.S. Navy unveiled their new full mission Polaris ship's bridge simulator. This simulator installation -- located in Pearl Harbor -- is number three in a row of seven large KONGSBERG bridge simulator complexes on delivery to the U.S. Navy.

Training objectives

The Navy will use these to train their seamen in ship handling and navigation. The new simulator allows sailors to improve their Navy skills without leaving port. They can

practice their communication skills between other vessels, practice docking and un-docking, using tugs and other operations that may be difficult to do in the real world.

USS Koa Kai

The event in Pearl Harbor was covered by no less than three large news stations and was blessed as the USS Koa Kai, or "Sea Warrior." All stations provide full web coverage with articles and video clips from the opening ceremony. Read more about Sea Warrior at [Kongsberg](#)

Scenic Temptations in the Forests Around Oslo

Active and eager hikers now have 50 new posts to find in the vast forests that surround Oslo. In a program akin to orienteering, the local ski association has published a booklet full of tempting destinations waiting to be found.

The *Kjentmannsmerket* booklet is full of 50 special spots to visit in the forests, chosen because they're especially scenic or have great views, historical or geographic significance. Being *kjent* means being familiar, and Skiforeningen's goal is to make Oslo's forests even more user-friendly and familiar.

The user is offered a description of the site and where it's located on an excerpt from one of the detailed maps of the forests (available in many sporting goods or bookstores, or from the Norwegian Trekking Association DNT). GPS coordinates are also generally offered. Then it's up to the hiker/skier to plot a route and find the post so he or she can clip the booklet.

All the forests (Kjekstadmarka, Vestmarka, Nordmarka and Østmarka among them) are a paradise for hiking, biking and paddling in the summer and skiing and skating in the winter. It's just to get out there and enjoy them.



Fifteen posts found will earn the hiker/skier a bronze pin, 25 a silver pin and 40 or more a gold pin ... rather like merit badges in scouting. Some posts are relatively easy to reach; others are downright difficult.

The booklets are available only in Norwegian, by the way, but the names of posts and their accompanying maps are self-explanatory. The booklets are available through [Skiforeningen](#), which has offices under the Holmenkollen ski jump.

[Aftenposten English Web Desk](#)

Which Are the World's Cleanest Cities?

Oslo, Stockholm and Zurich tie for 6th place; Calgary is no. 1

The cleanest cities are largely located in countries noted for their democracy and their industrialization. The U.S. has five of the top 25; Canada, a strong five, with the top spot its city of Calgary; Europe has 11 of the top 25; and Japan has three.

Clean may also mean well-off

The 25 cleanest cities are located in 13 countries. It may not be accidental that these countries are among the highest in purchasing power parity according to the World Development Indicator database of the World Bank; twelve are in the top 20. So clean may also mean well-off. The figures for the

cleanest cities are derived from studies by the Mercer Human Resources Consulting that cull from 300 cities, identifying overall quality of living as well as special reports on regions.

It is interesting to note that size does not appear to be a factor either in terms of size of population or physical size of the city. The most common trait to each is a focus on high tech, education and headquartering of national and international companies along with an extensive public transit system.

Read more about the background of the study and view the 25 cleanest cities in pictures at [Forbes.com](#)

Statoil Investing Green Billions at Mongstad



New technology will ensure more environmentally effective operations at the Mongstad refinery. (Photo: Kjetil Alsvik)

For the next three years, Statoil will invest NOK 1 billion in environmental technology at the Mongstad refinery north of Bergen. The investment forms part of the refinery's strategy to comply with more stringent emissions limits and requirements for better and more timely use of environmental facilities there.

"We are pleased that the environmental investment can be carried out at the same time as other major construction activities at Mongstad," says Bjørn Kåre Viken, vice president for Statoil Mongstad. "This means we are well equipped to meet future environmental regulatory requirements. It also lays the groundwork for later investments we will make at Mongstad."

The Statoil Mongstad environmental investment project will involve building a new and more effective sulphur recycling facility, to replace the older of the two existing ones. A new sour water stripper tower will also be constructed. Furthermore, the amine facilities will be rebuilt into more contained and environmentally safe systems.

Bernt Vagstad who heads production control and business development at Mongstad says the measures will generate big operational benefits as well as increased environmental ones. "Refinery operations will not be as vulnerable as they are at present," he says. "In the event of problems in critical common facilities, we will be able to avoid shutting down the entire refinery. Instead, we can isolate and improve the relevant area while unaffected processes can continue as normal. We can't do this with the current solution."

Detail engineering has commenced at Aker Kvaerner's yard in the Netherlands, says Leif Solberg, project manager from the Technology & Projects (T&P) business area. "At the same time we're dealing with enquiries concerning concreting work and mechanical installations contracts to will be finalized this autumn."

The most hectic period in project work with the environmental systems will be from late 2008 and in 2009. Around 250 people will then be working on the project at the refinery. [Statoil](#)

New President of Aker Kvaerner Verdal



Nina Udnes Tronstad (48) will join Aker Kvaerner as President for the offshore yard at Verdal, starting September 1st.

Ms. Udnes will report to Bjørnar Skjevik who will return to his position as head of Aker Kvaerner's fabrication yards.

Ms. Tronstad comes from a position as Executive Vice President in Statoil, where she has been a member of the corporate executive committee since April 2005. She is a chemistry graduate from the Norwegian University of Science and Technology in Trondheim.

Aker Kvaerner Verdal specializes in engineering and building large steel constructions and substructures for the offshore oil industry. Currently, the yard is building the hull for the semi-submersible platform Blind Faith which will operate in the Gulf of Mexico. [Aker Kvaerner](#)

International Reserves and Foreign Currency Liquidity

Increase in international reserves

Norges Bank's international reserves amounted to NOK 347.5 billion at the end of March 2007. Compared to the previous month, this is an increase of NOK 0.6 billion.

INTERNATIONAL RESERVE ASSETS March 2007 - NOK Million	
Official reserves assets	347,463
Foreign exchange reserves	349,918
Foreign currency reserves	252,459
Other reserve assets	91,459
IMF reserves position	1,060
Special drawing rights	2,485
Published 23 April 2007 Statistics Norway	

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Minister of Finance
Kristin Halvorsen

Another Good Year for the Government Pension Fund:

Laying the foundation for good and sustainable returns

In the first dedicated white paper report to the Parliament (Stortinget) on the management of the Government Pension Fund, Minister of Finance Kristin Halvorsen noted that 2006 had been another good year for the Fund. High petroleum revenues and good financial returns helped the Government Pension Fund grow to NOK 1 891 billion.

The Government Pension Fund - Global, which is managed by Norges Bank (the Central Bank), registered a 7.9 percent return (measured in local currency) in 2006 and stood at NOK 1 784 billion at the end of the year. Since 1997, the average annual nominal return has totaled 6.5 percent. Of this, the manager's excess return last year relative to the benchmark amounted to 0.15 percent, while the average the past 10 years is a respectable 0.48 percent.

The Pension Fund - Norway, managed by Folketrygdfondet (the National Insurance Scheme Fund), enjoyed a 11.7 percent return last year (measured in NOK), while the average return since 1997 is 7.1 percent. The manager's excess return in 2006 was 1.13 percent; the 10-year average is close to the benchmark.

Review of investment strategy leads to increased equity allocation

The Government intends to increase the equity portion of the Government Pension Fund - Global from the current 40 percent to 60 percent.

- We now believe this represents an appropriate trade-off between expected risk and return. Since the first equity investments were made in

1998, we have gained experience and shown that we can handle volatility in returns without it undermining the Fund's investment strategy or fiscal policy. The fact that we also have in place ethical guidelines for the Fund, speaks in favor of reviewing the equity allocation, says Minister of Finance Kristin Halvorsen. The change in the Fund's asset allocation will take place over several years in order to minimize transaction costs.

Small-cap equities to be included in equity benchmark

The review of Fund's investment strategy has also resulted in an intention to increase the number of companies in the Pension Fund - Global by including the segment comprising small listed companies in the benchmark portfolio. Including small-cap equities in the benchmark will provide some diversification benefits and also give the Fund a broader exposure to the equity universe. The White Paper also includes a discussion of the status of the Ministry's effort to evaluate the possible inclusion of real estate and infrastructure as a new asset class under the Pension Fund - Global.

Investment universe expanded

The Ministry of Finance has decided to move away from a detailed listing of which currencies and equity markets the Pension Fund - Global can be invested in. Instead, this decision will be delegated to Norges Bank. It is a precondition that there is in place satisfactory valuation, risk measurement and control procedures of the assets in question before such investments can take place.

New mechanism for excluding government bond investments

A mechanism will be established whereby the Ministry of Finance can exclude from the investment universe of the Pension Fund - Global government bonds issued by certain countries. This will provide clear lines of responsibility between the Ministry and Norges Bank. The bank can assess the economic and financial

aspects of investing, while the Ministry has the possibility of excluding government bonds from certain countries.

To avoid uncertainty associated with the purpose of the Fund's investments, a decision to exclude a country's sovereign bonds from the investment universe must reflect a broad political consensus. This will primarily concern countries subject to UN sanctions or other international initiatives that Norway is supporting.

On the basis of the measures taken against Burma by the EU and other countries, the Ministry will issue guidelines to the effect that the Fund's capital cannot be invested in any government bonds issued by Burma. This exclusion mechanism will complement the procedure by which the Ministry upon advice from the Council on Ethics can exclude equities and bonds issued by companies.

Ethical guidelines

The report addresses ethics and corporate governance, and contains, inter alia, a more detailed discussion of the corporate governance policies pursued by Norges Bank and Folketrygdfondet.

The exercise of ownership rights aimed at ensuring respect for fundamental ethical norms forms part of a range of policy instruments, wherein which the exclusion of a company is the last resort. The report explains that in future the Government will be applying any decisions to exclude Nordic companies from the portfolio of the Government Pension Fund - Global to the Government Pension Fund - Norway as well.

A new act on Folketrygdfondet

The Ministry is also submitting, in connection with the present Report, a proposal to the effect that Folketrygdfondet be organized as a separate legal entity pursuant to a designated special act, cf. Proposition No. 49 (2006-2007) to Odelstinget.

[White paper to the Parliament](#)