Opinion **Business Insight**

Is Norway really a war profiteer?

Country is facing pressure from its neighbours to share increased energy earnings to support Ukraine

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Norway has earned about $140bn more in 2022 and 2023 from petroleum following Russia's full-scale invasion of Ukraine than it did in 2021 © Carina Johansen/NTB Scanpix/AP

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Is Norway really a war profiteer? Certainly, Donald Trump thinks it has reaped a windfall from the Iran conflict.

Not for the first time, the US president put his finger on an inconvenient truth when he derided the UK for not exploiting its oil and gas reserves enough, adding: “Norway sells its North Sea oil to the UK at double the price. They are making a fortune.”

He is not the only one to note the outsize revenues for Norway and its oil companies, as well as the big inflows into its giant sovereign wealth fund, the world’s largest with assets of $2.2tn.

“Norway is nothing less than a war profiteer. Given how much extra it has earned because of the suffering in Ukraine, it should be much more generous in support to Ukraine,” says a minister from a nearby EU country.

The country has earned about $140bn more in 2022 and 2023 from petroleum following Russia’s full-scale invasion of Ukraine than it did in 2021. Now, Nordea credit investment director Robert Næss has forecast Norway has earned at least an additional $8bn from the conflict in Iran, which shows no immediate signs of ending.

Peter Wolodarski, editor-in-chief of Swedish liberal newspaper Dagens Nyheter, adds: “It is a moral paradox to grow a sovereign wealth fund on the back of a tragedy that Ukraine is paying for in blood.”

The issue is a reputational one for western Europe’s largest petroleum producer. Norway’s brand has long relied on its embrace of democracy and humanitarianism. But its huge oil wealth is sparking not just envy among neighbours, but anger that it is not being put to better use. And the US-Israeli conflict with Iran is only intensifying those calls.

Norway was something of a regional laggard in terms of support to Kyiv in the early days of the Ukraine conflict, behind the Baltic states and on some metrics neighbouring Sweden and Denmark relative to the sizes of their economies. It has since somewhat caught up but its support as a percentage of GDP is still behind Estonia and Lithuania, according to the Kiel Institut’s Ukraine Support Tracker.

“Countries with bigger financial muscles should be more creative. In the end, this is about leadership,” says Swedish MEP Karin Karlsbro who singles out Norway by name.

The disruption to oil flows in the Strait of Hormuz, and the resulting rise in oil prices, is once again filling Norway’s coffers and increasing the pressure on it even inside Oslo.

“I don’t think anybody is comfortable with the fact that the oil fund increases in size whenever there seems to be a conflict,” says one official in Oslo.

For the Norwegian government itself, its defence of recent windfall revenues relies on a broader argument of how it and the thousands of companies that it owns through its oil fund — which owns an average of 1.5 per cent of every listed stock in the world — depend both on stability and the country's rare status as a petroleum supplier that is a democracy.

Jens Stoltenberg, Norway's finance minister and the former head of Nato, says: "When the oil price increases, our petroleum revenues grow, but when stock markets decline, the value of the [oil] fund falls. The [oil] fund is five times larger than the government's remaining value of all oil and gas resources on the Norwegian continental shelf."

He argues that if global instability hits the companies that the oil fund owns, the decline in the value of its assets will be greater than any increase in petroleum revenues.

But that argument receives relatively short shrift from those worried about Ukraine's precarious financial position, with a change of government in Hungary yet to unblock much-needed EU support. "If you have increased your revenues in such a dramatic way as a result particularly of Russia's war aggression, it's fair to take a leading position in the support for Ukraine . . . Norway has a responsibility," Karlsbro says.

It is a discussion that is likely to put Oslo in an uncomfortable position, not least every time there is a conflict involving energy resources. But it is also another reminder of the increasing geopolitical challenges of having such a large and visible sovereign wealth fund.

Norway's decision to divest holdings in companies including the American Caterpillar on concerns over activities in Israel put it on a collision course with Washington. Now, it faces more subtle but perhaps longer-lasting pressure from its neighbours to share its largesse to protect Europe's security.

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