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Rebranding of Equinor: transition into a global energy company

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Sammendrag

Masteroppgavens formål har vært å se på rebranding av Equinor og deres overgang fra et olje- og gasselskap til et globalt energiselskap, ved hjelp av fire forskjellige analytiske modeller.

Problemstillingen ble analysert gjennom tre forskjellige forskningsspørsmål. Det første spørsmålet analyserer miljøet innenfor Equinors nye forretningsindustri. Dette spørsmålet er besvart ved hjelp av både Porter's Five Forces og PEST (EL) modellene. Analysen viser et urolig miljø, noe som medfører risiko for Equinors fremtidige lønnsomhet innenfor petroleumsindustrien, men det viser også et lovende landskap innenfor den fornybare energiindustrien.

Det andre spørsmålet ser på hvilke ulike faktorer som kan hjelpe Equinor i deres differensieringsstrategi, men også hvilke hindringer som møter dem. SWOT, VRIO og PEST (EL) modellene ble benyttet for å svare på dette spørsmålet, da de ser på både interne og eksterne faktorer. Studien viser at Equinor trenger å utnytte sin teknologiske kompetanse, global tilstedeværelse og mange års erfaring for å utvide sin portefølje innen fornybar energi. Studien identifiserer også de økonomiske forholdene som den største trusselen mot selskapet, mens statlige og juridiske forhold også kan spille en stor rolle.

Det tredje spørsmålet ser på hva rebranding gjør for Equinor. Dette analyseres også gjennom de fire ulike modellene. Rebranding skaper en ny identitet til selskapet, samt åpner opp for ulike muligheter innen fornybar energi. Det gir også Equinor en bedre sjanse til å forandre energisektoren mot en grønnere og bærekraftig fremtid slik som de ønsker.

Konklusjonen for forskningen identifiserer en rekke faktorer som vil påvirke Equinors overgang, og hvilken effekt de vil få, er usikker på grunn av et stadig skiftende miljø innenfor deres industri. De faktorene som kan ha størst innvirkning er de økonomiske forholdene, mens den mest forholdene man kan være mest sikker på vil ha en innvirkning er de politiske og miljømessige forholdene, men hvor stor effekt de vil ha er usikkert.

Preface and acknowledgments

This thesis has been written as the final part of the master studies Master of Economics, Energy Management. Of the endless possibilities of research topics, I chose this because it is very relevant topic today, Equinor is one of the most companies in Norway and I am born and raised in Stavanger, the oil capital of Norway.

I would like to thank my thesis supervisor Elena Dybtsyna Ph.D. from Nord University, Bodø. Associate Professor Dybtsyna has helped making process of writing the thesis in Shanghai, China, a better experience, as it was met with quite a few challenges. She has helped me by a great number of tips and steering me in the right direction when needed, but still allowed for the paper to be my own work.

Abstract

The goal of this thesis has been to analyze the rebranding of Equinor and their transition into a global energy company, using four different analytical frameworks.

The problem statement was analyzed through three different research questions. The first question is analyzing the environment of Equinor's new business strategy. This question has been answered using both the Porter's Five Forces and the PEST(EL) framework. The analysis shows a volatile environment, imposing risk for Equinor's profitability in the future in the petroleum industry. However, it also shows a promising landscape in the renewable energy industry.

The second question is looking at the different factors that are helping and imposing threats on Equinor in terms of their diversification. The SWOT, VRIO and PEST(EL) frameworks were utilized to answer this question, as it looks at both internal and external factors. The study shows that Equinor needs to utilize their technological expertise, global presence and years of expertise to expand their portfolio within renewable energy. The study also identifies the economic factors as the biggest threat to the company, while governmental and legal factors may also play a huge role.

The third question is looking at what rebranding brings to Equinor. This is also analyzed through the four different frameworks. Rebranding brings a new identity to the company, as well as different opportunities in the renewable energy industry. It also gives Equinor a better chance to change the energy sector towards a greener, sustainable future.

The conclusion for the research identifies a multitude of factors that will have an effect on Equinor's transition, and which effect they will have is uncertain because of an volatile environment. However, the factors that may have the biggest impact is the economic factors, while the most certain factor will be the governmental and environmental factors, but the magnitude of their effect is uncertain.

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1 Introduction

In this chapter you will be introduced to the background of the topic of the thesis, its purpose and selection of the company.

1.1 Motivation and choice of problem statement

The purpose of this thesis is to conduct a strategic analysis of the Norwegian energy company Equinor, take a close look at their rebranding and look at what factors will have an influence in their success in this shift towards a sustainable future. As stated by Equinor themselves "We have positioned ourselves for long-term shareholder value creation and to be competitive in a low-carbon future" (Equinor 2018). Further, they state that their strategy has three main focuses; "We are building a high value and low carbon oil and gas portfolio, we are building a material industrial position in renewable energy and low carbon solutions, and we embed climate risk and performance into our decision-making" (Equinor 2019).

This topic is quite relevant in today's energy situation. Global warming is one of the most discussed topics in the world right now, as taking actions to work against it is more important now than ever. Governments, companies and other organizations are each setting goals, investing and working towards a planet that we are able to live on in the future. There have been globally important political figures trying to diminish the importance of change. However, a study conducted in 2016 on the topic of whether global warming was caused by human activity or not, concluded with a 97% consensus that we are the problem (Cook, Oreskes et al. 2016). With the conclusion that we are the problem, it means that there is also something to be done in order to fix and change it for the better.

One of the reasons why Equinor is such an interesting company to do this kind of research on today is that we are in the aftermath of their name change from Statoil to Equinor. While some people did not quite understand the reason for the name change, Equinor themselves believed it was a strong statement to the world on their change, not just the name but as a company and their business model (Equinor 2018). They are now shifting their focus from being an oil- and gas company towards a company that has a sustainable future as their core value. While their main production is still in the oil- and gas industry, they are also making major strides in off-shore wind, solar energy and also carbon capture and storage (CCS).

1.2 Research gap

While rebranding is a very common term in the business world, and a phenomenon that happens quite frequently, there has still not be done too much academic review on the topic.

However, more and more studies take a closer look at previous cases of rebranding. An article from 2003, looking at 166 cases of rebranding, shows that diversification was the driver in only 8 of them (4.8%) (Muzellec, Doogan et al. 2003). While one could argue that Equinor's rebranding is driven by brand image, which occurs more often in the study (17.5%), it seems that the diversification aspect is Equinor's main driver. A different study conducted in 2013 took a look at 76 different cases of rebranding where they identified the industry they occurred in. In this study, rebranding in the energy industry occurred only in 2.6% of the cases (Miller, Merrilees et al. 2014). It seems like rebranding either rarely occurs in the energy sector, or that the cases have not been properly researched yet.

This leads to this thesis, which tries to dig into the rebranding theme in the energy industry. Furthermore, there seem to be little to no research on a rebranding strategy based on the sustainable future we are trying to achieve in today's society. However, one could draw a connection between this and the rebranding triggers mentioned by Miller, Merrilees et al (2014). While only slightly, for-profit organizations more frequently have a reactive trigger, which occurs in 52% of the studied cases, rather than a proactive trigger like Equinor.

While Equinor has been investing in other areas than just oil and gas for over a decade now, their name-change was the official launch of their rebranding strategy to become more than just Statoil the oil- and gas company. With this rebranding strategy their vision and values have changed to this sustainable view. Based on this, the problem statement for this paper will be:

Rebranding of Equinor for transition into a global energy company.

Furthermore, it will be analyzed through the following research questions:

- **What is the environment for Equinor's new business strategy?**
- **What are the factors of Equinor's diversification?**
- **What does rebranding bring to Equinor as global energy major?**

In order to complete the objectives of this thesis I will collect data from the company's annual report, as well as other reports and data sources, and utilizing different strategic models to analyze how different factors will affect the company and their rebranding strategy. In order to get a good foundation to complete these different analyzes, the thesis will present an overview of the current global energy situation, as well as a brief outlook of how experts are

expecting it to develop over the near future. You will also be briefly introduced to Equinor, their history and where they are today before the analysis is conducted

2. Equinor

The following chapter will introduce Equinor, a brief overview of its history and the development of its operations.

2.1 Equinor's story

The energy company Equinor was founded as a corporation September 18th, 1972. At its foundation it was called "Den norske stats oljeselskap AS" (The Norwegian State oil company). Equinor was listed on the stock exchange, under its old name Statoil, in Oslo, Norway and New York, USA in June 2001. During the early 2000's the business grew tremendously as a consequence of large investments on the Norwegian Continental shelf, as well as internationally. In October 2007, Statoil merged with Hydro's oil- and gas division, and was renamed StatoilHydro. However, the new name was short lived, and was switched back to Staotil again in 2009 and stayed that way until last year, when the newest name was introduced, Equinor. Figure 2.1 below shows their transformation over the years from the original Statoil to today's Equinor.

Figure 2.1 Equinor's change over the last five decades (Equinor 2019)

2.2 Focus on sustainability

While Equinor started out as an oil- and gas company, focusing on offshore exploration, extraction and drilling, the company started diversifying their investments towards a sustainable low-carbon future more than a decade ago. While some projects and ideas are still in the development stage, other projects that the company are invested in have already started producing energy. As of now, their main areas of investments are, as mentioned in the introduction, in offshore wind, CCS and solar energy, but they also have a separate fund dedicated to investments towards renewable energy (Equinor 2019).

Equinor is a great innovator in offshore wind, and one of their more known projects is the Hywind project. What started as an idea in 2001, became reality for Equinor eight years later. The Hywind Demo was installed in 2009, off the shore of Norway, by Karmøy. After eight years of successful operations the Hywind concept was verified, and then expanded into a full

project. This was the birth of Hywind Scotland, which is the first full-scale commercial wind farm built on Hywind Technology (Equinor 2018). While they already have three operating offshore wind projects, excluding the Karmøy demo, they have three more projects in motion today in which on is starting its production this year.

While Equinor is committed to their investments into wind power, their other main source of renewable energy is focused around solar power. While they originally started investing in other projects and companies, Equinor reached an important milestone in the last quarter of 2018. The solar power plant Apodi was brought online and will be able to supply about 170 000 households in Brazil with power from solar energy.

When it comes to CCS, Equinor is a world leader, with more than 20 years of operational experience in the field. According to them, it is the only developed technology that can achieve large reductions in CO_2 emissions from industrial processes. While it is not yet developed enough to have the necessary capacity to reach climate targets, Equinor is still investing more funds and developing the project. While they may not get fully solve the problem, projects like this is a good stride in the right direction. Equinor is also seeing this as an opportunity to develop a hydrogen market, but further development in the CCS technology is needed before this can happen.

3. Theoretical perspectives

In order to do any kind of analysis of any topic, a theoretical perspective dealing with rebranding, and instruments of company's analysis is essential. This chapter will introduce some fundamental theory on different concepts and take a close look at the global energy situation.

3.1 Theoretical concepts

3.1.1 Rebranding

Both in literature and in practice in the business world, the term "rebranding" is referred to in three different actions: a name change, changing of the brand (logo, etc.) and/or repositioning the brand. However, the term "rebranding" is quite extensive, and might be confusing and misleading in how it is used. In an exploratory review on corporate rebranding, the term was defined as "*the practice of building anew a name representative of a differentiated position in the mind frame of stake- holders and a distinctive identity from competitors"* (Muzellec, Doogan et al. 2003). This report touches on some interesting and crucial topics, that will be introduced, and further discussed later on in this thesis.

Rebranding can occur at three different levels for an organization. This is corporate, business unit and product level. As the review reveals (Muzellec, Doogan et al. 2003), and also makes the most sense, it is the corporate level which is the most strategically important. However, it does not mean it will have the largest effect on the business after the rebranding process is finished. For this thesis, I will focus on the corporate level rebranding aspect, as it is most applicable to my research topic.

Three actions mentioned earlier, name change, changing of the brand and repositioning the brand, are all part of what might be referred to as the rebranding mix. This mix includes the following four elements: repositioning, renaming, redesign and relaunch. The repositioning step is the most comprehensive one, where an organization makes changes in order to create a new brand image in the minds of its customers, competitors and stakeholders (Trout and Ries 2001).

Repositioning is the first and most crucial step in the rebranding process, as it the start of the process as well as the core of it. This phase is where the organization is setting their objectives and goals in this transition, from their current to their new markets and/or

industries. Determining in what direction the organization wants to go with this rebranding process is very important, and extensive research is crucial for the success in the future.

The renaming process is also very important, as the name itself communicates a certain message to the stakeholders. Organizations spend years and millions of dollars of investment into building a brand and can be a huge of their identity. Because of this, it is important to keep in mind that the new name will have to communicate the new messages/values of the company. Trends show that companies are moving from what is referred to as "descriptive and person-based" names (names describing the organization, ex. Rent-a-car, and based on a personal name), and are moving towards more abstract names (Muzellec, Doogan et al. 2003). This movement is said to more put forward the values and ideals of the organizations, not just their product.

The redesign stage of the process is referring to the organization's logo, which along with the name, can be a very important element of the brand identity. The process of the redesign is similar to the renaming, in terms of how much brand value can be built around it, and how it may communicate certain messages. As the company logo will be visible wherever the organization is present, like advertisements, reports, products, etc. it is important that the logo conveys the message the organization want it to. It is meant to condense the complex reality of an organization into a simple symbol (Muzellec, Doogan et al. 2003).

The final step of the rebranding process is the relaunch. The official release of the organization's new identity to the world. It is important for the publicity team of an organization to execute this step as perfect as possible, as well all know how important first impressions are. The official relaunch will have an effect on many stakeholders, and therefore it is very helpful that they receive the whole idea in a positive way.

Behind every rebranding, there is something that happens within the organization that cause a change in its strategy or structure that is significant enough that it has to be addressed in a major way. There are many drivers for these changes within the organizations, where some occur quite frequently, and others are rather rare. To simplify, the different drivers can be put into four broader categories shown in Figure 3.1.1 (Appendix 1). These are changes in: ownership structure, corporate strategy, competitive position and the external environment. Some organizations may fall under multiple categories, where some of the drivers are more influential than others, some are voluntarily while others are forced by external factors. When

it comes to Equinor's case, rebranding can help me to explain the importance of the different steps of the process and analyze how Equinor handled the different stages.

3.1.2 Brand equity

One part of the rebranding process, in most cases, is also to generate higher revenue. While some organizations have a higher brand equity than others, this may be a large influence on the drivers of the rebranding operation. The entire process is very costly, however seen as an investment from the organization's viewpoint, and one thing an investor is very interested in is returns. Therefore, calculating brand equity is one factor that should be added into the equation. Despite how useful and insightful brand equity could be, measuring it might be rather difficult. While Aaker (1996) try to at least give some guidelines on where to start with multiple criteria and measures, some people claim to be able to measure it more simply, using the term simply loosely in this case. In an article published in 2003 it was proposed that the revenue premium a brand generates was a simple, objective and managerially useful measure of brand equity (Ailawadi, Lehmann et al. 2003). By using this method, an organization can track their brand equity before, during and after the rebranding process and see how it changes. While it may not be an exact number, it will be a good estimate how the operation was received by the company's stakeholders. So, for my thesis, brand equity can bring more understanding how Equinor can take advantage of their brand in order to generate more revenues.

3.2 Analytical tools

To bring more knowledge on Equinor’s case in rebranding in relation to sustainability agenda and being global energy major, the following analytical tools have been chosen; VRIO for analyzing internal resources and capabilities, Porter's Five Forces for analyzing the environment the organization is operating in, PEST(EL) for analyzing external factors affecting the organization and finally SWOT for an internal and external analysis. This section will explain the different tools, how they are applied and their limitations

3.2.1 VRIO

The VRIO framework is a tool used in a resource-based view to determine a company's competitive advantage in the industry where it operates, based on the resources it has. Jay Barney, the founder of VRIO, introduced a similar framework back in 1991, in his article "Firm Resources and Sustained Competitive Advantage". His article introduced four different

questions regarding resources that needs to be answered in order to determine its continuously competitiveness. The original framework was called VRIN, which is an acronym for Valuable, Rare, Imperfectly imitable and Non-substitutable (Barney 1991). However, Barney made some improved changes to his original idea a few years later. He introduced the VRIO framework that we are most familiar with in 1995, turning the focus instead towards Value, Rarity, Imitability and Organization. The framework is now focusing instead on how the organization itself is utilizing the resource.

The way this framework is applied is by first identifying the resource, or resources, that needs to be analyzed. Thereafter, Barney structured it to "ask the resource the four questions" to determine its competitiveness.

The first question in the model is questioning the value of a resource or capability that the organization possess, and whether it helps a firm to exploit an opportunity to gain competitive advantage and/or neutralize potential threats to them (Hesterly and Barney 2008). Based on the answer to the question, it will determine of the resource is a strength or a weakness to the organization. Resources are only valuable to an organization if they somehow increased their competitive position. It is said that one way to track this is through net revenue and net costs. While the company is trying to exploit the value of a given resource, it will either show on their bottom line. Whether this through an increase in net revenues or a decrease in net costs will depend on the resource. Barney also use value-chain as a useful tool to determine value, using the oil industry as an example. If a company is currently doing everything from exploring for oil to selling refined products to final costumers, they can analyze each step in this chain, and from there see where their strengths and weaknesses lie. When identified, the company can decide to outsource certain weaknesses to optimize the potential of their strengths, or to keep it all for other reasons, one example being security.

Then there is the question of rarity, which is trying to identify how many of your competitors have access to the same resources and/or capabilities that you have (Hesterly and Barney 2008). While the question on value is looking at internal strengths and weaknesses, the question on rarity is analyzing your competitors. Is your valuable resource/capability rare or common in the industry you are operating in? If a specific resource is unique to your organization, or is just available to a few of your competitors, it could be a source to gain competitive advantage. If most/all your competitors can access this resource, it will be classified as a common resource. Hesterly and Barney (2008) states that these common

resources will not help a firm gain any competitive advantage, however it can be a source to competitive parity. It is therefore a helpful to ask how many competitors possess the identified valuable resources. Resources can be highly valuable to an organization without being rare. In some market, common resources are key to survival as they secure competitive parity among all the competitors, thus giving no competitive advantage to any of the competitors.

If a firm is possessing valuable and rare resources/capabilities, they then need to identify imitability of it. Will it be easy for their competitors to obtain, or do they face a cost advantage in order to obtain or develop? Companies possessing valuable and rare resources/capabilities will have an opportunity of gaining a competitive advantage, but the lifespan of the advantage is based on the imitability. Unless their competitors face a cost disadvantage in obtaining or developing these resources or capabilities, they will not provide sustained competitive advantage. Hesterly and Barney (2008) mentions the possible benefit of having the first-mover advantage. This will usually give at least a temporarily competitive advantage, and thereafter the question of whether it will be sustained or not depends on the imitability of the product/resource/capability. Today this is harder than ever, as everything is moving and evolving so rapidly. If someone comes up with a new invention today, there is usually multiple copies or improved versions following relatively soon. This is why the question of imitability is so important, one need to be differentiated in a direction that few or none can follow.

Lastly the company needs to analyze their own operation. They know they have resources and/or capabilities that will help them gaining a competitive advantage in their industry, but the question is whether they are exploiting these opportunities or not. The focus is shifted from the resources and capabilities to the organization, how do they run their business, and how well are they utilizing them. Barney (2008) includes multiple elements that can help analyze the operation in regard to this model. Elements like the formal reporting structure, organizational chart and management control systems are some that are included and are referred to complementary resources and capabilities. While these by themselves may not be able to increase competitive advantage, it is the connection between these elements, and the other valuable, rare and inimitable resources and capabilities that brings forth the optimized sustained competitive advantage. In short, an organization needs to operate in certain ways, with certain strategies, in order to fully optimize the resources and capabilities they possess.

While the VRIO framework is viewed as a very helpful analytical tool, there is also limitations and criticisms to it. The first thing one should point out is, as mentioned above, that the world if evolving and changing rapidly. What is a groundbreaking invention today might end up as yesterday's news shortly after. With these rapid changes, it can be very difficult for organizations to keep utilizing their resources and capabilities to their competitive advantage, as new ideas, inventions strategies are brought forward constantly. Some changes are small, while some have massive effects. Through big changes, resources and capabilities that used to give you a competitive advantage can be changed into weaknesses and burdens unless something is changed within the organization.

This model will be useful to the research topic, as it is identifying possible factors that may help Equinor succeed with this diversification strategy. By identifying these internal factors, we can analyze them and see how they might have an impact in this new business sphere.

From an outside perspective, the VRIO framework might be a difficult tool to utilize in order to analyze an organization. The amount of information that one is able to obtain while doing this research might be limited, depending on the resource. While a resource or capability is becoming more rare, valuable and inimitable to a company, the more they would want and need to protect it, in order to keep its competitive advantage. Other analytic tools might be more beneficial in some cases, where information is easier obtainable from an external unit.

3.2.2 Porter's Five Forces

The Porter's Five Forces framework is something you will not be able to escape taking any strategy class. Michael E. Porter is mostly known for creating and updating this framework, with the original idea published in Harvard Business Review all the way back in 1979. Today it is taught in classrooms as well applied as a tool for businesses all over the world, as it a simple, yet very effective tool to analyze the industry an organization is operating in and what is threatening that current situation. Porter states that by analyzing these five forces you can gain a complete picture of what is influencing profitability in your industry (Porter 2008). Following this, he claims that not only do you see what is influencing profitability at the moment, but it allows you to identify weaknesses and possible future changes, and the possibility to work around this. One can say the purpose of the analysis is to "measure" the attractiveness of an industry.

The five forces that are affecting the attractiveness of a given industry, according to Michael E. Porter are the threat of new entrants, the power of suppliers, the power of buyers, the threat of substitutes and the rivalry among existing competitors.

Whether the threat of entry is high or low is depending on the entry barriers to the industry. If the threat of entry is high, the organizations in this industry need to implement new strategies in order to deter new competitors. Driving down/keeping prices low is one such strategy, minimizing potential profitability for new entrants will make the industry less attractive. The barriers to entry are advantages for the already established organizations, and Porter (2008) mentions seven major sources; supply-side economies of scale, demand-side benefits of scale, customer switching costs, capital requirements, Incumbency advantages independent of size, unequal access to distribution channels and restrictive government policy. Industries with seemingly high profits and low establishing costs will often have a high threat of new entrants.

When analyzing the power of suppliers, Porter is referring to how much power the suppliers have when conducting business with an organization. Suppliers want more power as this will increase their profits as well as decrease their risk. The more power the suppliers have over a given industry, the less attractive it is. Porter (2008) identify several ways a supplier can gain more power. Some of these are:

- Switching cost – if switching between suppliers it will be easier for the supplier to be more in control. Increased prices might be something the organizations will just have to accept, because switching costs exceeds the price increase.
- Differentiated products – suppliers offer either rare or patented products will have more power as their buyers might have nowhere else to acquire their product(s).
- Dependency – if the supplier does not depend heavy on one industry for their revenues their power will increase. Therefore, the more distribution channels a supplier have, the lower their risk will be.

The power of buyers is on the flip side of the power of suppliers and will therefore have the same connection as the buyer and supplier mentioned in "The power of suppliers" section. Vertical integration is one way to get rid of the power of buyers and/or suppliers, as you obtain this operation under your own company's business portfolio.

When analyzing the threat of substitutes on is looking at what other options does the consumer have to replace your product. How much the consumer is willing to pay for your

product will depend on the available substitutes. The consequence of this is that where there is a high threat of substitutes, the industry will suffer through diminished profits.

While some are more obvious like buying gas from different gas stations. Here the threat will be high as you are buying the exact same products, which means that customers will usually be very price sensitive. In order to combat this, a supplier need to lower their prices or differentiate themselves in some way. Other substitutes are harder to combat, like the internet being the substitute to the library. New inventions that becomes substitutes for current product will be hard to compete against, and their success will therefore often be based on the price difference between the current product and the new substitute. Even if the newer product is more expensive, it may be a more attractive option in terms of the benefits received. Like the price of airplane ticket usually is a lot higher than for a train ticket going the same distance, but the time-efficiency of the plane exceeds the price difference for the two products.

Rivalry among existing competitors is the force will usually be the biggest limitation for profits that could possibly be occurred for a business in a given industry. In some industries the competition is so intense that prices are forced down. Sometimes this will lead to extremely low profits, or even negative returns in some cases. Other industries compete less on prices and will use tools like marketing and innovation (Coca Cola and Pepsi is one great example on competition through marketing). High intensity of rivalry in an industry with lower the attractiveness of it, and the intensity of rivalry, according to Porter (2008), is greatest if: competitors are numerous and similar in size, industry growth is slow, rivals are highly committed to the business, firms cannot read each other's signals well and exit barriers are high.

By utilizing the Porter's five forces model in this research paper it will give a good overview of the possible challenges that Equinor might face as a global energy company compared to just an oil- and gas company. It is helpful by analyzing how the environment will affect Equinor in this transition.

One of the downfalls of Porters Five Forces framework, like several other frameworks, is that the analysis needs to be conducted on a regular basis, since the market is changing so rapidly in today's environment. This is not just time consuming, but also costly for the organization to stay on top of. Another weakness of the framework is how static it is. While the business may get a glimpse of the current situation of the industry, it is more helpful in conducting short-term strategies, rather than trying to conduct long-term strategies. This again, as mentioned by

Beattie (2018), ties in the cost-benefit of the having to redo the analysis over and over for the continuous short-term strategies (Beattie 2018).

3.2.3 PEST(EL)

There are many versions of this framework circling the business environment today, where PEST seems to be the most commonly used, and where PESTEL is just an extension of this. PEST is a framework that is used in strategic management to analyze macro environmental factors in order to identify risks and opportunities (Witcher and Chau 2010). The four factors that makes up PEST is political, economic, social and technological, while the extension to PESTEL adds in environmental and legal.

- **Political** – The political aspect of this framework concerns itself with the influence a government have on a business or industry. In today's society where preserving the environment becomes more and more important, we see multiple instances where the government affects businesses in multiple industries. Upcoming elections in a country is one factor that can have a massive impact.
- **Economic** – The economic aspect of the framework is describing how macro-economic factors are affecting the industry in which you are operating in. Witcher and Chau (2010) puts it as "economic factors concern cost-related matters for the organization" (Witcher and Chau 2010). Expected increase in consumer spending power is one such factor.
- **Social** – The social aspect considers changes in society. There are a lot of factors influencing this part of the framework, such as changes in social norms and values. Witcher and Chau (2010) also introduces two major influencers; the way the demographic structures are comprised and growth in tourism.
- **Technological** – The technological aspect is looking how the evolution of technology is affecting the business or industry. While in some industries this evolution is quite slow and not a concern, others need to stay on, if not try to get ahead of, the innovative environment in which they are operating in. Some might prefer having the first mover advantage here, while other prefer being a fast second and improve on original ideas and concepts.
- **Environmental** – The environmental aspect of the framework is focusing on factors such as human impact on the planet, how we are damaging the atmosphere, the oceans and nature itself. Global Warming is often a central focus in this part of the framework, as it is a central part, and should be top focus, of so many debates all around the world.

- **Legal** – The legal aspect of the framework is similar to the political but is focusing on changes in laws and regulations. These two aspects can often be put together under "Political and legal" in a PEST framework instead. One example of is a law that was signed in 2018 in California, banning sit-down restaurants from serving customers plastic straws starting 2019 (Brueck 2018). While this example might not have huge impacts, similar changes or new laws and regulations can have significant effect on businesses and industries.

There are some limitations in the PEST(EL) framework similar to the one from Porter's Five Forces model. One of them being that PEST(EL) is also very cost and time consuming, as the environment is changing rapidly the model needs to be analyzed constantly in order to still be relevant. The technological aspect is the most dynamic aspect of it, where some valuable technology a firm is utilizing today may become almost obsolete within the next year.

The PEST(EL) analysis is helpful similar to Porter's model, as it is looking on external factors that will affect the success of Equinor. However, it is looking less at the industry and more at the external factors in general, not necessarily directly related to the industry they are operating in.

Another limitation for the PEST(EL) model is that it is only looking at external factors. As an analytical tool it is not effective by itself but need to be used in unison with some other models. One example would be to use the PEST model to analyze external factors alongside the VRIO model to look at internal factors. This combination gives a better overall picture of the organization and its business environment, which can bring better for Equinor's case as well.

3.2.4 SWOT

The SWOT analysis is seen a simple, yet powerful tool used in strategic planning and strategic management (Gürel and Tat 2017). The way the model is set up is that it is trying to identify both positive and negative factors, internally and externally. The four categories it identifies, and what the acronym SWOT stands for, are Strengths and Weaknesses internally, Opportunities and Threats externally. The factors an organization can identify as strengths and opportunities will be helpful for the organization to achieve their goals, while the weaknesses and threats are areas where they either need to improve upon, prepare against or try to avoid.

Strengths for an organization are resources and capabilities that a VRIO framework would identify as having high value. These are factors that somehow helps and organization to gain advantage over their competitors. As Gürel and Tat (2017) puts it in their article "An organization can be described as strong, equal or weak compared to their competitors based on five criterias: Relative market situation, relative financial structure, relative production and technical capacity, relative research and development potential, relative human capacity and management effectiveness" (Gürel and Tat 2017).

Gürel and Tat (2017) refers to weaknesses as not having the tools or competency necessary for something, again looking at internal factors like the strengths. In this model it is a weakness compared to their competitors, where they view themselves as inferior, and put themselves in a disadvantageous situation. While weaknesses are negative for your organization it is important to know what they are, as they will not help in any strategy you are trying to implement. Like with strengths, some of an organizations weaknesses can be identified through a VRIO analysis.

Opportunities are identified as, according to this model, external factors in form of certain conditions or situations that present themselves where the organization can take advantage in order to help them gain a competitive advantage or reach other goals. These opportunities are exploited by taking advantage of their different strengths identified earlier in this model. Through a PEST analysis, an organization can become aware or prepare for such opportunities and take advantage when the chance presents itself.

According to Gürel and Tat (2017), threats are "All environmental factors that can impede organizational efficiency and effectiveness". These are factors that are not necessarily impacting the organization in a negative way at the time, but without being careful or adapting to the environment may do so in the future. The PEST analysis will also help to identify possible threats for an organization. Shifts in technology, governments or the economy are just some factors that can have major impact and become huge threats for the competitiveness or even the survival of an organization.

The benefit of the of SWOT analysis for this research paper is that is combined the different models and paint a more complete picture of Equinor's situation. It helps answering both research questions as it is identifying both external and internal factors. in addition to this, it might also identify other factors that the other models do not catch on to.

An issue that is brought up regarding the SWOT model like many other strategical analysis tools. The issue of the cost benefit of utilizing the SWOT analysis to strategic planning. It is argued that process has high costs but fewer benefits (Gürel and Tat 2017). Another issue that has been identified is that the model was developed several decades ago. Back then the environment was more static than it is today. Gürel and Tat (2017) argue that the technique was more valid back then, but today it has become outdated based on change and competition.

Like with the VRIO model, as an outsider it might be difficult to define the strengths and weaknesses for an external unit, as information might be limited. On the flip side of this, for an internal analysis it might be easy to be biased in valuing strengths and weaknesses, as one has a complete overview of the company's internal resources, but limited access to your competitors' resources and capabilities to compare.

3.3 The global energy situation

The global energy situation today is more discussed than ever. While some reject that global warming is man-made and believe we cannot do anything about it, the consensus is, as mentioned previously, 97% in favor of human activity being the issue. Most of the world agree that we need to change in order to save the planet we live on and start to live in a way more sustainable manner. While the UN has set some sustainability goals, some concerning the topic of energy, other make other strides to try to change the path. Some inspired souls like Elon Musk put everything they have into making a change, while companies, governments and other bodies of power try their best to make an effort to change for the better.

From the World Energy Outlook 2018 report from the International Energy Agency, we read that the world is changing its direction by building a different kind of energy system. However, while they point out three pillars of the new system, they also acknowledge the visible cracks in the foundation. The three pillars identified are affordability, reliability and sustainability, but the cracks seem to stem from the same source, the petroleum industry (IEA 2018). While we see positive signs in the renewable, sustainable energy development, there are developments in the petroleum industry that are threats to the sustainable energy future. While costs for renewable energy falls (solar PV and wind) the oil prices are on their way back up, reaching 80$/barrel in 2018. According to the report, energy-related CO_2 emissions also rose in 2017 for the first time in 3 years and were estimated to continue in 2018.

3.3.1 Key figures

According to BP's report "BP Statistical Review of World Energy", the world's energy consumption grow by 2.2% from 2017 to 2018 (BP 2018). While these are numbers accurately describe the current growth situation, the IEA's New Policies Scenario estimates an increase in energy consumption of 25% within 2040. This increase is based on an increase in the world population of 1.7 billion people, where the major increase will be in urban areas in developing economies (IEA 2018). BP's report from 2018, we see that oil consumption declined but still made up more than a third of all energy consumed, with coal following close at 26.7%, also declining and hitting its lowest point since 2004. Gas is following in third accounting for 23.4% of consumption. Renewables reached a record high of 3.6% of total consumption, which is an increase of 16.6% from 2016 (BP 2018).

One can see in Figure 3.3.1.1 (Appendix 1) that there are some positive trends in the total global energy consumption, referring to the share of oil and coal being consumed. However, Figure 3.3.1.2 (Appendix 1) shows that overall amount of oil and coal being consumed, as well as gas, is still increasing.

A fundamental understanding of the different frameworks and theoretical concepts is needed in order to perform the research and analysis required for this kind of study. An overview of the global energy situation and some key figures is helpful in conducting this research, as it points out some recent trends, as well as predictions for the future. This creates a better understanding of the environment Equinor is operating in, and how may affect their rebranding strategy.

4. Methodology

This chapter will explain the methodology used for this research project. It includes research design, data collection, as well as validity and reliability.

4.1 Data

When doing any kind of research, we are collecting data in some form or way. The data being collected are separated into primary data and secondary data. Due to the limitation of resources, time and money, this research project is based solely on secondary data. This means that the data being collected previously by others (Sundbye and Nisted 2017). Some examples of secondary data are books, rapports, research articles and journals. One major benefit of using secondary data is that it is very time efficient, compared to primary data where you have to collect it through time consuming methods like interviews, experiments and surveys. However, this comes at the cost of the validity of the data collected, because when the data was collected by others they might have different objectives in mind (Gripsrud, Olsson et al. 2010). Because of the way that this study was conducted, it relied solely upon publicly available documentation.

The data that was collected has been gathered from a variety of different sources. A lot of the data has been collected from official annual reports of big companies in the energy industry. The obvious main source has been Equinor's official website, and annual reports. Thereafter, some of Equinor's main competitors' reports has been utilized to gather some data, however only small parts have been used. Following this, data has been collected from reports and analysis of separate parties which are related to the industry, such as the International Energy Agency and the US Energy Information Administration. Having these third-party sources gets rid of a potential bias in the companies' own report. Finally, less official sources have been used, like newspapers, in order to give a more complete picture. However, these have been carefully selected and analyzed if what is printed correlates to reality.

The data that has been collected for this research has been presented through different analytical tools, introduced in chapter 3.2. This research paper has used the analytical tools VRIO and PEST(EL) which helps to identify the internal and external factors affecting Equinor's operation, and then Porter's Five Forces in order to examine the environment of the industry. Finally, the SWOT framework has been used in order to combine the different frameworks into one, try to identify some of the more important factors and detecting other factors that are not caught through the first three frameworks.

4.2 Selection of study

For this research project I chose to conduct a qualitative study instead of a quantitative one. As you can conduct both kinds of studies to analyze a company, a qualitative study is more applicable when doing a strategic analysis. This is because qualitative studies are focusing on questions like "How?", "Why?" and "What?", while a quantitative study is more interested in measuring with numbers like "How many?" (Gripsrud, Olsson et al. 2010). The goal of this research project is to go more in depth of the company, analyzing their role in the industry and what factors that will benefit them while transitioning into their new low-carbon strategy, and therefore a qualitative study is most fitting.

First, a theoretical framework was established regarding the rebranding, the energy situation and the different strategic frameworks utilized to analyze Equinor to bring a better understanding about how global energy company deals with the sustainability agenda in the case of rebranding. Thereafter, empirical data was collected from various sources, such as the company's annual reports as well as its competitors, that could be analyzed with the different strategic models. Thereafter, based on the collected data and the researchers understanding of the energy industry, an analysis was conducted with the intent of identifying what internal and external factors would be beneficial for Equinor's new business strategy.

4.3 Quality of the research

The goal of this sub-chapter it to look at the quality of the research being done. In order to judge the quality of it we need to look at the reliability and validity.

4.3.1 Reliability and validity

"Reliability is used as consistency or stability in measurements" (Svartdal 2018). Reliability is all about how trustworthy the data we collected is. Will someone else get the same results by completing the project in the same way? If results are widely different, the reliability of the data might be in question.

Most of the data that is gathered for this project comes from the company's own website. One can trust this information as much as much as one can trust the company itself. While it is possible to believe full transparency from the company's side, there is always the possibility of the information being slightly biased. This might show up in everything from number to statements in the yearly rapport, as the company might try to please different stakeholders. While it becomes more and more difficult to do such things, as almost everything is digitized,

and information is flowing fairly freely, there are instances now and then where companies are far from honest with the public. Based off of this one can assume that the company's website and yearly rapports are reliable sources of data.

"The validity is to what extent one can draw valid conclusions about what one has set out to investigate, based on the result of an experiment or a study" (Dahlum 2018). In other words, how well are we able to measure/analyze what we set out to do based off of the data we collect. Additionally, we are differentiating between internal and external validity. Internal validity is to see if the results are correct. Is there a connection between the result and reality? External validity is referring to how the research and findings can be generalized to other cases.

In terms of internal validity, it is important to be critical to your sources. Internal validity for this study was secured by gathering data from official reports, journals and articles. We can assume that the data gathered from these sources are accurate and is as close to reality as possible. Since the research is conducted solely on secondary data, it is crucial to be critical in selecting sources where data is gathered from. When it comes to external validity for this project it is hard to establish. As this is a case study focus on a single company, it is hard to generalize the results, as it is not the goal of the research.

4.3.2 Study limitations

The analytic tools used, and the results are solely based on secondary data, where a lot was gathered from the company's own website. One of the weaknesses of this is that the study is lacking some primary data, that could possibly give more updated information or go in depth and discover different factors that could have some impact on the analysis. This would also improve the validity and reliability of the study. An interview would be a good way in this case to gather relevant primary data. Additionally, since it is only based on publicly available information, I am not able to see the full picture of Equinor. There might be confidential factors that Equinor have that we are not aware of, that are extremely beneficial to their operation. Therefore, an internal analysis of Equinor might include factors that are not apparent and/or accessible to external analysists.

Another weakness with this kind of study is, as mentioned, that is difficult to generalize the results. One of the reasons behind this is that qualitative studies are looking for individual factors or phenomenon that has an impact on the specific case you are analyzing. People may

have different viewpoint while conducting a strategic analysis and can focus on different aspects of a business or an industry. The consequence of this will be possibly widely different results, while still using the same models. The results are also not transferable to other companies in the industry. However, the skeleton of the study, in terms of the models and methodology, could be transferred and results could be compared.

When basing major parts of the research on companies' individual reports, the potential for biases is definitely there. While primary data, such an interview, could also give some slightly biased answers, there are a lot more to critically analyze through this. One can consider not just the words coming out of the interviewee's mouth, but one can also analyze things like body language, setting and the persons confidence in the answers, and take this into account when evaluating the credibility of it.

5. Empirical data

In this chapter the different analytic frameworks will be utilized in order to look at the internal and external factors affecting Equinor, as well as the industry. The analysis will then be summarized in a final framework to get a complete picture of their operation in the energy industry.

5.1 VRIO

In this sub-chapter I will, as mentioned in chapter 3.2.1, do an internal analysis of the company, looking at different resources and capabilities, and how they help Equinor in gaining a competitive advantage.

5.1.1 Resources and capabilities

For this study, I focus on some of the resources and capabilities Equinor possess, while there are plenty more that can be analyzed in further studies. I have chosen to focus to analyze Equinor's reputation, experience and competence, financials and global presence as these are more relevant when it comes to rebranding

5.1.1.1 Reputation

While Equinor's old name Statoil had a strong reputation in the petroleum industry as innovators and experts in certain areas, like deep water drilling, it is not a guarantee that this will transfer with their new strategy. They state that their transition entails risk related to their reputation. While their reputation as oil- and gas company will most likely remain the same based on their expertise, it is their new strategy that will set question marks on their future reputation. Equinor will have to deliver on the targets set in their strategy, in order to sustain their excellent reputation.

While their reputation is a valuable resource for Equinor, it is not that rare in the industry. Their competitors, such as Total, Exxon Mobile and Royal Dutch Shell also have good reputations in the petroleum industry. However, their new strategy might give them a more positive reputation compared to their competitors, in terms of being so sustainable oriented. This might encourage both other organizations as well as governments or states to cooperate with them, in order to further develop their low-carbon part of their new strategy.

While the reputation might not be as rare as one would desire in the industry, it is hard to obtain as it is based of decades of hard work and operations. In a tough industry such as the petroleum industry accidents might turn into massive disasters and ruin one's reputation. The

Deepwater Horizon oil spill is a good example. While BP incurred massive losses in terms of spilt oil and compensating for the losses of stakeholders, they also lost almost a quarter of their market value shortly after (Pallardy 2019). Similar situations will hurt a company's reputations, and Equinor have been good to avoid them.

In terms of the organization, they are constantly improving and working hard to assure that safety in all stages of the operation is as good as possible. This ensures that accidents like the Deepwater Horizon spill will not bring down their reputation. Additionally, both Equinor and other sources are predicting that their rebranding will have a positive effect on their reputation, in terms of attracting young talent concerned with the environmental issues at hand ((Adomaitris 2018), (Equinor 2018)).

Their reputation as of 2019 is really good in their oil- and gas, wind power and CCS operation. They are currently among the best, if not world leaders, in these areas, and by continuing with this low-carbon energy future strategy they might become one of the key players in the energy industry as a whole.

While Equinor had a good reputation in most of their operation areas, they are not perfect. In terms of their solar power operations they have so far only bought in to project and might lack the experience yet to become a big player in this industry. However, they have other factors supporting them in this area, like continuing investments in innovation and other projects that will slowly increase their reputation as a solar power producer.

5.1.1.2 Experience and competence

Equinor's experience and competence within different disciplines is one of the reasons their reputation has become what it is today. Their competence in areas mentioned earlier, like deep-water operations, offshore wind and CCS, are extremely valuable for the organization. Being the leaders in these areas gives them a multitude of opportunities, in terms of project, partnerships and investments. The Shtokman field project is one example where Equinor, then StatoilHydro, was able to take advantage of their operating experience in the Arctic (Gazprom 2007).

As the company is a world leader in several areas of their operations, one can safely confirm that experience and competence is rare. Equinor's competitors, while being larger producers of oil and gas, does not all have the competence to operate in the locations that Equinor does. Equinor benefits as they will be preferred over competitors for projects, acquire licenses and optimize their own operations, assisting them in gaining a competitive advantage.

It is difficult for competitors to copy Equinor on this aspect. They will need to invest a lot of time and money into research and development in order to catch up to Equinor. At the same time, Equinor is continuously doing the same, increasing their competence for their established operations, as well as trying to be pioneers in this low-carbon energy future we are entering.

While it is hard to identify all the ways the organization is working in order to exploit these capabilities, there are some factors that stands out. The company is ensuring the competence and expertise of their employees by digital training courses (Equinor 2018). Their constant investment towards new energy solutions is also a way to improve their competence where it is not as strong, expecting 15-20% of their investments go towards this within 2030.

Equinor's experience and competence is proven to be an important resource for their success in the past and will be an interesting factor to pay attention to in the future. As they are diversifying they will lack the experience and need to make up for it with good competence in terms of innovations and skilled employees. They are also benefitting from their long experience, by being able to transfer it from previous or current projects to new and upcoming projects.

5.1.1.3 Global presence

Having a global presence for Equinor is both beneficial to the organization, but it also incurs some risks. It is a valuable asset for Equinor to have a global presence as they can exploit this in multiple ways. One example of how it is valuable for them, is when the US is experiencing low gas prices compared to global LNG prices, Equinor is able to deliver their LNG cargoes to other markets where prices are higher, like Europe, South-America and Asia (Equinor 2018). It also allows them to more easily take advantage of opportunities that occurs in world, as they are potentially already established in these countries.

While it is a valuable resource, it is like the reputation in their industry, not rare. Their biggest competitors already have a presence globally, usually in even more countries ((Total 2018), (ExxonMobil 2018), (BP 2018) & (Shell 2018)). While Equinor have the possibility to use their global presence to seize opportunities, it is not something that will gain them any competitive advantage. However, it is used in the industry to establish competitive parity. All the industry leaders are operating all over the world, and no single organization is benefitting more than others.

Similar to reputation, while it is not rare it is not easy for new competitors to obtain. It is very costly to obtain a global presence like Equinor and their current competitors have. While there are benefits from this, there are also risks which are identified in Equinor's annual report, like technical, commercial and country-specific risks. These might be factors that makes other competitors limit their global presence.

It seems like Equnior is actively utilizing their presence and trying to either maintain or improve on this as well. In their report, they state the following under their corporate structure *"GSB (Global Strategy & Business Development) develops the corporate strategy and manages business development and merger and acquisition activities for Equinor. The ambition of the GSB business area is to closely link corporate strategy, business development and merger and acquisition activities to actively drive Equinor's corporate development"* (Equinor 2018). They also state in their report that their "Marketing, Midstream & Processing" business area is focusing on global marketing and trading of crude, petroleum products, natural gas and electricity.

Equinor is taking advantage of their global presence and realize the value of it. However, it is not a resource that gain them any competitive advantage. One might see that their global presence will give them more of a competitive advantage in their new low-carbon energy strategy. The solar energy plant in Brazil or the offshore windmill farm off the coast of the UK is providing clean energy for a specific area.

5.1.1.4 Technology and innovation

Equinor identify four strategic enablers that will allow them to deliver on their strategy, one of them being technology and innovation. The technology and innovation within the petroleum industry is highly important, as it is in the world of renewable energy. As we are moving toward a greener future, one could argue that innovation and development in the renewable energy industry is more important of the two. However, according to the world energy outlook report by IEA, oil and gas will still contribute a major share to world energy demand in 2040 (IEA 2018). This is even in their "Sustainable Development" scenario, which is the greener of their scenarios. Equinor seems to be aware of this slow but steady shift, and their investments towards new energy solutions supports this.

Equinor's technology and innovations is highly valuable for their operations, as it helps support the core of their strategy; always safe, high value and low carbon. Their technological

advancements allow them to operate in areas their competitors are not able to, be pioneers in offshore wind and world leaders in CCS. They have built up this portfolio of technologies that allows them to be highly competitive when they are entering this renewable energy market as well as the CCS industry. While they might not give a competitive advantage in the general petroleum industry, they are at the forefront when it comes to exploration and production in difficult environments. This technological advancement built up on the Norwegian continental shelf is highly valuable, as it allows for Equinor to transfer this technology to other areas in the world as well, such as deep waters off the coast of Brazil, Angola, and Tanzania (Equinor 2019).

The technological resources that Equinor possess is rare in multiple industries. Few of their competitors have the same capabilities in terms of this deep water and harsh climate exploration and operation, they are behind on offshore wind production as well as CCS. This allows Equinor to gain a competitive advantage in these areas, as few other organizations are able to do the same without Equinor's help. This allows them to either access these areas operation themselves or benefit by leasing their technology/equipment/patents and profit this way.

In terms of imitability, it is very difficult for competitors to obtain. The only easy way to obtain it is by borrowing from Equinor, which has high costs for the potential organizations. The reason there are hard to copy is that there is so many years and millions of dollars invested in R&D in these areas. Decades of experience and investment in both the petroleum industry and the CCS development, and their offshore wind interest is closing in on 20 years of development and experience as well. While Equinor is currently benefiting from their first-mover advantage, their competitors have the benefit of being fast seconds. It is cheaper and less time consuming for their competitors to develop similar technology now when it is in place, however it is still difficult.

While reviewing Equinor's annual report from 2018, one comes across initiatives from their organization that points towards them actively exploiting their technology and innovations in order to gain a competitive advantage, but also to try to change the energy industry by itself. By diversifying their investments and R&D, they are improving their strong sides, improving their weaker points as well as developing new business. By doing this they are sustaining their competitive advantage, as well as building supporting operations that can further sustain this advantage.

Equinor's technology and innovation is one major reason why they have succeeded over the past decades, as they point out themselves. As they are moving towards this low-carbon future it will be important for them to build up a portfolio in other areas as well, not just petroleum and offshore wind. They are aware of this, and their diversification into solar energy by acquiring project or partnering with other companies with more experience allows them to close this gap, gain competence as well as experience in the field.

Resource/Capability	Valuable?	Rare?	Imitability?	Organization?	Competitive Implications
Reputation	Yes	No	Difficult to copy	Utilized by management	Secures competitive parity, possible competitive advantage
Experience and competence	Yes	Yes	Difficult to copy	Utilized by management	Sustained Competitive advantage
Global presence	Yes	No	Difficult to copy	Utilized by management	Secures competitive parity, possible competitive advantage
Technology and innovation	Yes	Yes	Difficult to copy	Utilized by management	Sustained competitive advantage

5.2 Porters five forces

In this sub-chapter I am trying to, as mentioned in chapter 3.2.2, to value the attractiveness of an industry. In this scenario we are looking at the energy industry in its entirety, as Equinor are trying to become a global energy company, providing energy from multiple sources.

5.2.1 Threat of entry

By looking at the seven major barriers to entry identified by Porter, we see two of them being relevant in the petroleum industry. Capital requirements and restrictive government policy are two massive entry barriers. These two alone makes the entry barriers in the industry high for new entrants, which is a good advantage for Equinor.

Governments internationally and on the Norwegian continental shelf is in charge of distributing extraction licenses to organizations, which allows them to produce the oil and gas in the different reservoirs. This means that already acquired fields are not at risk of being stripped from an organization and given to a competitor. This gives companies like Equinor a sense of security, as they are guaranteed to profit from their current fields as long as their production is successful.

Furthermore, there is a tendency on an international level where national oil companies (NOC) are preferred over private companies when it comes to extraction licenses. A report published in 2011 states that approximately 90% of the world's oil reserves and 75% of gas reserves were controlled by NOCs (Tordo 2011). This makes it hard for new players to enter, as the NOCs often are somewhat dependent on the experience, competence and technology of the already well-established companies.

The second major entry barrier is the capital requirements. Both on- and offshore production is expensive in all phases of the operation. Exploration-, drilling- and material costs are expensive enough by themselves, but new entrants also have the disadvantage of lacking in competence and experience. To acquire this through hiring the proper personnel can be very costly as well.

While the entry barriers are lower in the renewable energy industry are lower, they still have similarities to the petroleum industry. While companies are not have to acquire an extraction license to operate, they still need to acquire permits to construct and operate their projects (GL 2019). While someone like the Det Norske Veritas (DNV GL) will be helpful, there are other barriers that adds to it as well.

As in the petroleum industry, the construction of wind and solar projects requires competence, technology and experience in order to be constructed and operated successfully. While production costs are steadily decreasing (EIA 2018), operation and maintenance costs are increasing throughout the lifetime of a project.

While cost reductions are being made constantly in both industries, it will have a greater effect on the entry barriers for the renewable energy industry, as the licensing, experience, technology and competence barriers will remain high for the petroleum industry, unless something extraordinary happens. The threat of entry is therefore set to moderate for the renewable energy industry, but low for the petroleum industry.

5.2.2 Power of suppliers

As Equinor is operating in every step of the value chain, from the exploration of oil and gas, developing and production, transportation, refining and processing and then finally marketing and trading. One can see suppliers for the top of this value chain as the different governments handing out licenses or raw material companies providing materials for the construction of the rigs, the technology, etc. and then the further down the industry one goes the more suppliers one will have.

As Equinor is operating at every step of the value chain it is most relevant to analyze the supplier power of the beginning of the chain. By dividing the different suppliers into license suppliers and raw material suppliers, we identify one with high bargaining power and one with low bargaining power.

The governmental have full bargaining power as they have no one to compete with. Oil and gas companies have to come to them in order to gain access to a specific field, unless they enter a joint venture with a company that has acquired the license for the wanted field. Companies will have to compete for the licenses but are as mentioned earlier most often given to NOCs. This plays in favor for Equinor in Norway, as their major shareholder is the Norwegian state. One can see the result of this with them being responsible for approximately 70% of the Norwegian oil- and gas production (Equinor 2019).

In terms of raw material suppliers, we can look at switching costs and dependency. One can assume that the suppliers are not dependent on the petroleum industry, as their product is very versatile in a variety of industries. This gives the suppliers more bargaining power. In terms of switching cost, the power is leaning more towards the companies in the petroleum business. While they are likely to gain cost benefits with having long terms relationships with their suppliers, the switching costs are low. If competitors of your suppliers are offering lower prices, and are reliable suppliers, companies like Equinor are likely to switch as cost reduction

in all stages of production is important in the industry. The power of suppliers is therefore set to moderate.

5.2.3 Power of buyers

When looking at the power of buyers it is most relevant to look at the downstream sector of the value chain, meaning the final consumer in this case. In terms of oil production, the producers are limited in terms of their final products, and the competitors are essentially producing the same final product. With a lack of differentiation in the products, consumers are less likely to have brand loyalty, which means that they will be more price sensitive. This means increased power to the buyer, as switching costs are also low. While the buyer as a collective unit have a high bargaining power, while the individual consumer's power is low.

However, customers that are importing in oil- and gas products in large bulks will experience a higher bargaining power when global demands are down. One example of this is the EU purchasing gas from Norway. Norway is supplying the EU with 25% of their total gas consumption. It is in these cases where EU will have a bargaining power in times of low demand. However, overall bargaining power for the buyer is set to low, in terms of the downstream sector of the industry.

5.2.4 Threat of substitutes

The threat of substitutes for Equinor might be one major factor behind their rebranding. The substitutes for their previous oil- and gas production is alternative energy sources, with renewable energy increasing its share in meeting the global energy demand. The trends are shifting, and renewable energy sources are becoming a bigger contributor to the energy demand. However, according to the IEA, oil and gas will continue to meet a major share in global energy demand in 2040, both in the New Policies- and the Sustainable Development scenario (IEA 2018).

According to Norske Petroleum, 54% of the world's energy demand is covered by oil and gas, 32% and 22% respectively. Coal is covering another 27% (Petroleum 2017). The transportation sector accounts for 55% of the world's oil demand. Predictions from the EIA are claiming there will be changes in energy consumption in the transportation sector, however, electricity will remain a minor energy source in this sector.

New regulations and oil prices are two factors that can have a major impact on the threat of substitutes, as they can both cause major changes in the petroleum industry. As Equinor is subject to both emission taxes and emission allowances, regulations may have a substantial impact on their production, as well as their competitors. However, development in emission reduction and CCS can combat such regulations and give Equinor an advantage. Lower oil prices will also potentially delay the transition towards renewable energy sources, as lower prices cause higher demand and increased competitiveness for oil-based products. The threat of substitutes is set to low/moderate, based on the uncertainty of oil prices and new regulations.

5.2.5 Rivalry among existing competitors

Porter (2008) states that internal rivalry is high if competitors are similar in size and market share. On the Norwegian continental shelf, Equinor is responsible for approximately 70% of oil- and gas production (Equinor 2019). They are therefore a clear market leader in Norway, and the rivalry is low.

On the international market however, the competition is completely different. The international market consist of a few major competitors, equal in size and market share, and are all partly or completely integrated in the value-chain of the petroleum industry (Beyazay 2015). The five majors mentioned in the book are ExxonMobil, Shell, Chevron, Total and BP, while some also includes Eni and ConocoPhillips as part of the oil supermajors. This means that the rivalry is high.

Equinor's annual report identify some key factors affecting competition in the oil and gas industry; oil- and gas supply and demand, exploration and production costs, global production levels, alternative fuels, and environmental and governmental regulations (Equinor 2018). The interesting part of this is that the only factor that really is in the hand of the oil- and gas producer is the exploration and production costs. While multiple major competitors have reduced production costs, Equinor stands out in terms of emission reduction. As they are subject to emissions taxes and emission allowances, reducing their reduction can be very beneficial. Equinor's CO_2 emissions are below 1kg per barrel, which is 90% below the global average (Equinor 2018). This is a competitive advantage for them in this intensely competitive industry, and they believe it will become increasingly important.

Exit barriers is a factor that will be labeled as high in both the petroleum industry and the renewable energy industry. Fixed costs are high in both industries, while variable costs are relatively low. After an oil rig or a windfarm is installed, the variable costs following low. This is one of the factors that acts as an exit barrier for the industry.

Equinor is meeting some of the same competitors in the renewable energy industry as in petroleum. However, in renewables competitors does not have to fight over licenses over a specific oil field, and the possibility of production is therefore higher. Competitors have bigger potential to develop their own projects without being threatened by a competitor stealing the same field. This is a factor that lowers the internal rivalry in the renewable energy sector.

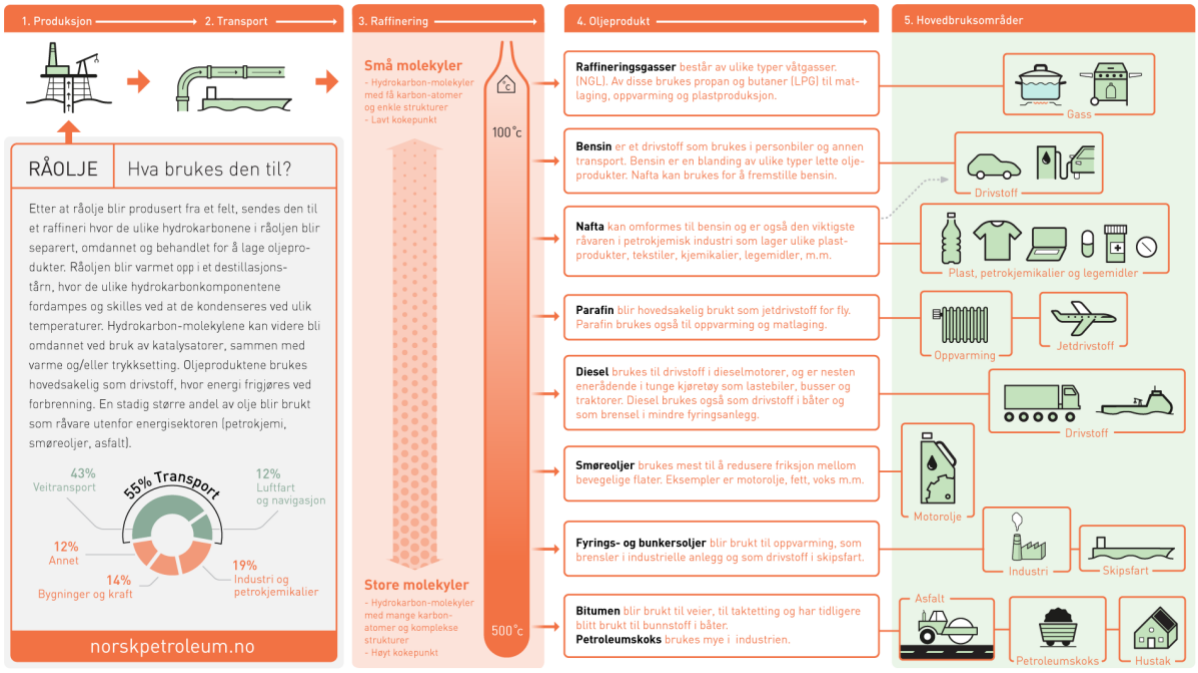

Figure 5.2.5: Value chain of crude oil, and its final products and consumption areas (Petroleum 2017)

Another factor Porter (2008) mentions that can affect the rivalry is the possibility for product differentiation. Both in the petroleum and renewable industry the competitors are limited. While for the renewable they are solely trying to produce energy, the petroleum industry is also limited to the products they can finally produce at the end of their value chains, as shown in Figure 5.2.5 above. This increase the rivalry in both industries. As a result, the rivalry

among competitors in the petroleum industry is high, while for the renewable energy industry is moderate to low.

Forces	How is it affecting the industry?

Threat of entry
Low for petroleum
Moderate for renewables
	- Restrictive governmental policies for petroleum industry
	  - Licenses required to operate
	  - Mostly controlled by NOCs
	- High capital requirements for petroleum and renewable energy industry
	-

Power of supplier **Moderate** for both industries	- Equinor is benefitting from operating throughout the entire value chain for petroleum - Governments issuing licenses can be considered suppliers with full power - Raw material suppliers have low/moderate power
Power of buyers **Low** for both industries	- Customers importing in large bulks will gain bargaining power when global demands are down for oil and gas - Consumers as a large group will have some bargaining power, but individually it is low
Threat of substitutes **Low/Moderate** for petroleum	- The threat of substitutes can be considered moderate in the petroleum industry - In Equinor's case it is lower, as their diversification strategy is producing the substitute for parts of the petroleum industry
Rivalry among existing competitors **High** for petroleum **Moderate** for renewables	- Competitors are similar in size and market share on the global market - Low rivalry for Equinor on NCS - High exit barriers in both industries increases the rivalry factor - Limited possibility for product differentiation is increasing the rivalry in the industry

5.3 PEST(EL)

In this sub-chapter I am looking at how the external factors mentioned in chapter 3.2.3 can or will affect Equinor, as they are moving from an oil- and gas company to a global energy company.

5.3.1 Political and legal conditions

The petroleum industry is controlled internationally by licenses to extract the possible reserves, and this is decided in Norway by "Petroleumsloven" (The Petroleum Act) which was implemented back in 1996. The Petroleum act states the following

"The Petroleum Act sets the principle that the state owns all deposits of subsea petroleum on The Norwegian continental shelf, that the state has exclusive rights to resource management and that the state alone has the authority to grant permission to petroleum activities and determine the conditions for this" (Equinor 2018).

This means that Equinor's petroleum business is dependent on licenses in order to operate on the Norwegian continental shelf. While this might seem frightening for a business to be so dependent on one "supplier", the company's main shareholder is the Norwegian state, owning 67% of the company (Equinor 2018). This means that the state is benefitting if Equinor is doing well. While the state cannot give them 100% of the licenses, it gives Equinor a sense of security, and today they are responsible for 70% of the oil- and gas production in Norway. While it gives a sense of security, The Petroleum act and similar act controls growth in the industry, as organizations are not allowed free growth.

In addition to the petroleum act, there are laws all over the world that affects the organizations in this industry. These laws are including topics such as EHS (Environment, Health and Safety) and taxation. When it comes to production, there are also being implemented regulations on emissions (Weinhold 2012). Laws like these forces the company to change through adaption and innovation. However, this does not bring any financial benefits, and may negatively impact profits.

While previously mentioned laws might have some smaller effects, there are now agreements that might have a larger effect on the industry. With the growing focus on climate change, agreements such as the Paris Agreement are now being established. The Paris Agreement was initially signed by 175 parties (174 countries and the European Union), which is the majority of the countries in the world. This means that it affects petroleum operations in most countries. These agreements are affecting the operations of the petroleum industry, and the consequence will be a negative impact on net profits again.

While we see agreements being signed in order to battle climate change, there has been an estimation that two thirds of the known petroleum resources need to stay in the ground in

order for us to achieve the 2-degree goal the UN has set (Austvik 2016). If the countries that signs agreements like the Paris Agreement will take this very seriously, it might have a major impact on the licenses being distributed in the coming years.

The renewable energy industry is subject to some of the same conditions as the petroleum industry, there are also some differences. With the climate change on top of the agenda, the renewable energy industry grows more rapidly than ever. Like mentioned in chapter 3.3.1, the global renewably energy consumption grew 16.6% from 2016 to 2017. As global warming becomes more critical than ever, the encouragement of producing energy from renewable sources grows with it. However, there are still some political and legal factors affecting this sector in a negative way as well.

For production in Norway, Equinor is more interested in wind power over solar, while their focus on solar energy is developed in other areas of the world. While windmills are a great source of producing renewable energy, they are massive and take up a lot of space. Because of this, building windmill farms is often met with resistance from the local communities, as they are "not attractive to look at". In a democratic country like Norway, this social influence is a part of the political factors that works against organizations trying to develop renewable energy.

Furthermore, at least in Norway the organization needs state approval in order to develop their windmill parks, whether it be on land or at sea. They are a subject to similar regulations like in the petroleum industry, have strict rules regarding safety, health and environment, as well as taxation frameworks (Lovdata 2010). In addition to this, they are subject to fines if their production is affecting nearby fisheries or are hurting the environment in general.

5.3.2 Economic conditions

The most obvious and crucial economic factor that affects the petroleum industry is the price of oil and gas. With the recent oil crisis that started at the exit of 2014, different countries were affected differently. Norway was a country that was experience an enormous negative effect during this time. Over 50 000 people lost their job in the oil- and gas industry over just a few years on the backbone of a low oil price (enerWE 2018). On the flip side, with the recovery of oil price it is estimated to open up 22 000 new jobs between 2018 and 2020 (Andreassen 2016). Looking at Equinor's annual reports, we can see the direct impact the decline of oil price had on their financial performance. The company went from $3.887 billion in profits in 2014 to a $5.169 billion loss in 2015 (Equinor 2016). They recovered

some and decreased their losses they ended up with 2016 as well before the oil price started to recover and a positive net income in 2017 and 2018 (Equinor 2018).

An interesting discovery was that while the oil crises had a huge impact on Norway as a state and Equinor, some very positive changes became a consequence as well. While the oil prices dropped, people looked elsewhere to make an income. This caused innovation to increase, with Norway jumping from 15th to 8th place in terms of innovation (Hopland 2018). This new growth might have impacted Equinor as well, further developing their technology within renewable energy.

5.3.3 Social and environmental conditions

When looking at social factors that affects the industry, the population is an important aspect to analyze. As mentioned in chapter 3.3.1 the world population is expected to grow by 1.7 billion people within 2040, increasing energy consumption by 25%. With this growth, energy- and tech companies are forced to adapt to this change, whether it is through increased production, increased energy efficiency, or some other way.

One could argue that social and environmental conditions are affecting the energy industry as a whole now more than ever, and the attention is not likely to decrease. This focus is increasing awareness of the consumers, which is changing their behavior as well. Increasingly more people are trying to live eco-friendly and are more concerned with their environmental footprint. For Equinor this is important aa a majority of their revenues comes from petroleum. More and more people are buying electric vehicles, but they still only made up 2.2% of the world share in light vehicles in 2018 (not including medium and heavy commercial vehicles like trucks and buses) (Irle 2019). One positive factor affecting this number, for the environmental impact, is that the demand was higher than the supply of certain electric vehicle, and sales numbers could have been higher if production allowed. While China is the major contributor to the sales of electric vehicles, other countries are steadily increasing their numbers as well. In terms of percentage Norway is a clear global leader with 40% of their new car sales being Plug-ins in 2018.

In the petroleum industry there are damaging emissions both in production and the final product consumption. While the people are trying to move from petroleum to electricity or hydrogen fueled cars, they also want the suppliers to improve in the production phase as well. While some rules and regulation are enforced, the organizations can always improve. Now it

becomes a question of CSR and reputation. Equinor's rebranding is a reaction to this sense of responsibility. Their transition towards a sustainable, low-carbon energy company show that they care about their stakeholders, and the environment. In the annual report one can read over and over that they are taking measures in a multitude of ways to improve on their environmental footprint and are succeeding at it. One example mentioned above, with their CO_2 emissions per barrel being 90% below the global average.

The focus on climate change also attracts investments from private and public actors that wants to see a change. Investments that goes towards innovation within the clean energy sphere are increasing each year. The Norwegian Parliament more than doubled their funding towards renewable energy from 2017 to 2019, from 495 million NOK to over one billion NOK in 2019 (Utenriksdepartementet 2018). While this is just one example, investments are made towards a cleaner and sustainable future, including production of renewable energy, energy efficiency, reducing emission and other areas. Global trends are also showing increasing investments towards low-carbon energy sources, and upstream oil and gas are experiencing decreasing investments (IEA 2017).

5.3.4 Technological conditions

The technological evolution has a major impact on both the renewable energy- and petroleum industry. With technological progress we are used to a decrease in labor intensity. IEA states that there was a 30% drop in US oil and gas upstream, while production was marginally decreased (IEA 2017). However, the technological development is said to be affecting the labor force in different ways, depending on the region.

Technological advancement is also lowering costs, whether it be operating-, installment, or production costs, it will have a positive effect on the company's financial performance. Between the Hywind Demo to its official launch, Equinor was able to reduce costs by up to 70% (Haugstad 2017). While the turbines are becoming larger, the costs are decreasing, making it a double positive scenario for Equinor in this case.

Innovation is also an important factor in both industries. Development of brand-new technology can help organizations gain competitive advantages, setting them as industry leaders in certain areas. Patent portfolios can be extremely valuable in many industries and can possibly be deciding a company's role in an industry. Having the newest or up-to date technology is important and will have many benefits. Having the first-mover advantage by

developing new technology can put a company years ahead of its competitors. Equinor is benefiting from this as they have developed important and impressive technology over their decades of experience. As they have stated in their report, they are the world leader in carbon capture, storage and carbon efficiency in oil- and gas production (Equinor 2018).

Two major focuses when it comes to development in the technological aspects in the petroleum industry is increased recovery rate and decreased CO_2 emission. On both front Equinor is doing exceptionally well. While some areas of the world have a recovery as low as 20%, Equinor pride themselves on their high recovery rate, having ambitions of reaching a recovery rate of 70% from Johan Sverdrup. With recovery rates this high they enhance their profits from every single field they are operating on. While they are exceptionally good in terms of recovery rates, they are also world leader in CCS. With high expertise and long experience in the field they can primarily improve their operations in the petroleum industry and be more environmentally friendly. They can also utilize this expertise to help the industry as a whole, either by forcing competitors to improve in similar fashion or to help them lower their emissions. Either way, Equinor will benefit from it both from and a business perspective as well as improving their public image even further.

Conditions	What is their impact on Equinor's rebranding?
Political and legal	- Licenses to operate affecting both petroleum- and renewable energy industry - Regulations on emissions increasing costs for the petroleum industry - The Paris Agreement is affecting the petroleum industry, potential for more, similar agreements in the future - Strict taxation- and safety, health and environmental laws and regulations in place for both industries
Economic	- Oil price being number one condition affecting the petroleum industry - Low oil prices force oil- and gas companies to rethink, and look elsewhere to secure revenue streams
Social and environmental	- Growing population will increase energy consumption by an estimated 25% by 2040 - Environmental awareness makes people more cautious, shown through an increase in electric vehicle purchases - Equinor's CO_2 emissions 90% lower per barrel than global average, CSR and reputation might have played a role - Focus on reducing our environmental footprint also attracts investors towards the renewable energy sector

Technological	- Technology is developing more rapidly than ever - Technological development will affect the labor force, but is dependent on the region - This development is also reducing costs in all areas, which is a key point where the companies in the petroleum industry have a chance on gaining competitive advantages - Equinor's technological advancement is impressive to many competitors, with outstanding recovery rates in comparison

5.4 SWOT

In this chapter I am trying to summarize the three previous analyzes in the format of the SWOT analysis, by pointing out what could be the most influential factors. As the model are looking at positive and negative aspects in the internal and external environment, it is an excellent tool to bring the different frameworks into one simple model.

5.4.1 Strengths

When analyzing Equinor's strengths, there are some major factors to include in this section. Their diversification, technology, experience and competence, and their early mover advantage can all be seen as strength for the company.

As we know, the petroleum industry is not sustainable, and is limited to the oil and gas that are in the reservoirs. In addition, the industry is facing resistance through climate change and the need to improve. With Equinor's rebranding into a global energy major, their diversification is part of their early mover advantage. While trying to improve the climate, they are also creating a more sustainable business model, which one day might not be dependent on the petroleum industry to survive. What has been an extra source of revenue over the past years, might grow into their new major source in the future. However, Equinor is aiming to maintain profitable production at today’s levels until 2030 and beyond (Equinor 2019).

Their technology and innovation as mentioned in chapter 5.1.1.4 is one of Equinor's major strengths and has been throughout their time of operation. They are also using this strength in their diversification. By not only focusing their resources towards the petroleum industry, they are becoming pioneers in other industries as well through their extraordinary technology. Equinor is utilizing their technology in ways to reduce costs, further increase revenues and improve their environmental footprint. This means they are creating a very sustainable

business model, that can also express their core values in terms of their sustainable, low-carbon energy future in their rebranding strategy.

By being in the petroleum industry for close to 50 years they have accumulated experience and competence in the industry that will even impress their competitors. Their experience and competence combined with their incredible technology advancements allow them to operate in areas their competitors cannot. Their offshore wind and CCS competence are mostly unmatched by their competitors. This a strength for Equinor that may help them create opportunities in their rebranding strategy.

5.4.2 Weaknesses

Several of Equinor's weaknesses are cost related. With their long operational record in the petroleum industry, their supply chain and logistics network are fully operational in all areas. With their new strategy, they are entering areas, geographically and in terms of industry, where both supply chain and logistics networks needs to be developed. These are both very costly to develop in terms the physical construction of the different segments, but also the costs of acquiring the adequate personnel to run them are high because of the expertise required.

While their wind energy production has been developed over the past two decades, their knowledge in solar energy is lagging. As they are trying to build up this part of their business, their lack of expertise in the field is a weakness. As of now, they are relying on other companies in order to develop their solar energy portfolio, through investing in other companies or buying into projects.

One can also identify their intensity in the petroleum industry as a weakness, like for any oil- and gas company. Their profitability is so dependent on the oil price. As we saw between 2014 and 2017, the decline in oil prices had huge implications for the company and finished some years with major net losses. While the industry is very profitable with high oil prices, the risk is also great.

5.4.3 Opportunities

Equinor's rebranding strategy opens up for a number of opportunities. By being just an oil- and gas company they are limited in terms of opportunities, while their new strategy opens them up to take advantage of opportunities that are presented in multiple industries. As their

CEO, Eldar Sætre, states in their annual report " We have positioned ourselves for long-term shareholder value creation and to be competitive in a low-carbon future" (Equinor 2018).

Equinor's rebranding to a global energy major instead of an oil- and gas company shows to the world their dedication to fight climate change. Their support of the Paris agreement both verbally and physically by lowering emissions is improving their reputation. This can open up for opportunities in terms of renewable energy projects, where governments or other companies want to collaborate with Equinor instead of less environmentally responsible companies.

Equinor can also leverage their brand recognition to acquire projects. Smaller companies with more competence in certain areas may look towards Equinor as a partner. Their brand recognition may benefit them by bringing more attention to a given project, as well as Equinor is capable of bringing sufficient capital and logistical capabilities to improve the overall success of the project.

Equinor has also identified a major opportunity, that plays on energy demand. As mentioned in chapter 3.3.1, energy consumption is expected to grow by 25% by 2040, and we already see how renewable energy is increasing their share in global energy consumption. Equinor have estimated a 10% market growth per year for renewably energy, which is a huge opportunity for them to exploit with their increasing portfolio within renewable energy.

5.4.4 Threats

As identified in chapter 5.3.2, the oil price is a major threat to Equinor. As long as their revenues are from their oil- and gas business, the oil price will be a major threat. While the market has been volatile over the recent years, their annual report also states that we can expect more volatility in the coming years. They identify geopolitical developments as one of the key influencing factors for this.

Geopolitical developments can impose a series of threats for Equinor. Development in the climate change debate can cause increased costs in terms of emissions and other environmental fees but can also possibly set limitations on production volumes. This will have huge impact on both Equinor and its competitors. In recent years, geopolitical tension has also been volatile and sanction have been identified to have a negative impact on oil prices previously (Saefong 2018). Continuous volatility in geopolitics can have similar effects in the future.

The rapid technological advancement also imposes a threat for Equinor. While they are currently in the possession of various technology that improve their competitive advantage, it may change in the coming years. With an increasing opportunity and focus on the renewable energy sector, competitors might start to adapt as well. If some of the super oil majors shifts their attention, they have a greater financial capital than Equinor. This means they can put more investments towards R&D, as well as benefitting from being a fast-second mover.

This chapter has identified the different internal, external and environmental factors that may impact Equinor's transition. We see that some of them are re-occurring, such as the oil price, climate change, technological aspect both in terms of Equinor's technological portfolio and the technological development in general, as well as Equinor's renown reputation, experience and competence as an energy company.

	Helpful	Harmful
Internal	**Strengths** - Technology and innovation - Experience and competence - Diversification - Early mover advantage	**Weaknesses** - Lack of developed supply chain and logistics network - Lack of expertise and experience in solar energy - Heavily dependent on petroleum industry
External	**Opportunities** - Renewable energy project (wind and solar) globally - Leverage brand recognition to acquire projects, or parts of them - Growing energy demand - Estimated 10% market growth per year in renewably energy	**Threats** - The oil price is a huge threat with their dependency on it - Geopolitical uncertainty and developments - Rapid technological advancement from competitors

6. Analytical chapter

In order to analyze the rebranding of the Equinor it is important to know what their goal of the process is. Is it a part of a merger? Is it to improve brand image? Is it because they are going public? In Equinor's case, their strategy and goals are focused on three areas is as stated in the introduction "We are building a high value and low carbon oil and gas portfolio, we are building a material industrial position in renewable energy and low carbon solutions, and we embed climate risk and performance into our decision-making". They are focusing on generating value through diversification, while trying to limit their environmental footprint in the process. Now knowing their intensions, one can analyze whether their actions are in line with their intensions.

In Equinor's case their repositioning phase started all the way back in 2001, if not even earlier. With the interest and development in their Hywind project they already started their diversification process. They have gradually increased this interest and development over the years and have now become a core part of their company. Whether or not this was intended to start a diversification strategy of this magnitude or not is difficult to say due to the limitations of this research project. However, it started all the way back then, and has become an almost 20 years long rebranding process for the company. Their repositioning phase have brought them from the oil- and gas producing company to an up-and-coming energy major, that are currently invested in oil and gas, but also wind- and solar energy as well as CCS.

In terms of their renaming phase, Equinor's objective was to show that they are not just an oil company anymore. Their new name is now the combination of "equi" and "nor", both having important meaning to the company. As stated in their annual report, "equi" is the starting point of words like equal, equality and equilibrium. They have also stated in their report the following "Equal treatment of all shareholders is a core governance principle in Equinor" (Equinor 2018). By this statement one can see how their name is reflecting the company's values. "Nor" is a reference their Norwegian origins, and they also state how they are proud of this. This is somewhat corresponding to what Muzellec, Doogan et al. (2003) is showing. It shows that in the rebranding process, companies are moving towards associative names, like "equi". Contrary to the report, Equinor decided to keep their geographic origin in their names, which is shown to be very uncommon, occuring in 2 out of 166 cases in the report (Muzellec, Doogan et al. 2003).

The redesigning of Equinor's logo is an interesting case. They decided to change the name, but to keep the same logo and just rotate and changing its color. There can be several reasons why they decided to do this, but one of them might be to try to preserve and bring their reputation and brand value to their new name. As mentioned in chapter 3.1.1, the logo of a company is important as it also communicates a message. By redesigning their logo this way, they might try to communicate that their new values and goals is still backed up by the same competent and experienced people that Statoil was. This may bring a sense of security both old and potentially new partners.

Equinor's relaunching process seems to have been effective. Today most people will associate Equinor's with their sustainability strategy, and how their name change was a statement to underline their focus on this goal. Their official relaunch happened May 16th, 2018, the day after the name change was approved by the general meeting. From the annual report it may seem like it was just a simple name change. As identified, they went through the whole rebranding process with caution, and every step was carefully executed by the organization.

Contrary to the study published by (Muzellec, Doogan et al. 2003), Equinor's rebranding process was very slow. The study states that a company is unlikely to change its name if the organization itself has not changed, and more likely when a major event have impacted the core identity. However, this seems to not be the case for Equinor, as their diversification started as more of an organic growth within the company that was just further developed over time. Their official name change was not a reactive change, but a proactive change, like mentioned in chapter 1.2.

Equinor is planning to transition into this global energy major slowly but steady, which allows for them to aqcuire the knowledge, personnell and expertise needed to operate in the different sectors they see fit for their vision. This is stated by them in the way of their investments, that within 2030 only 15-20% of their investments are going towards new energy solutions. While this is a good strategy in order to secure the quality of their operations and products, there are factors that might affect the timespan of their transition, in positive and negative ways. They also states that their production on the NCS will be sustained until 2030, which expose them to some risk in terms of the petroleum industry.

Emperical findings show, that by keeping the petroleum industry as their main source of revenues they are exposed to the volitale oil prices and geopolitical situation. As mentioned in

the PEST(EL) model, the economic and governmental factors can have major impacts on the industry, with the oil price being the most influencial factor. However, we may see changes in laws and regulations in the coming years as well. While the Paris Agreement was signed by almost eveery nation in the world in 2015, very few are meeting their goals. The Climate Action Tracker (CAT) is an independent scientific analysis produced by three research organizations tracking climate action since 2009 (CAT 2019). According to this study, only seven nations are meeting < 2° goal or better, as shown in Figure 6.1 below. If this is not improving, we might see new changes in laws and regulations, which will have a big impact on the petroleum industry, in the nearest future. Maybe even within the next few years. The oil price is also an important risk factor for Equinor, but also something they cannot influence by themselves.

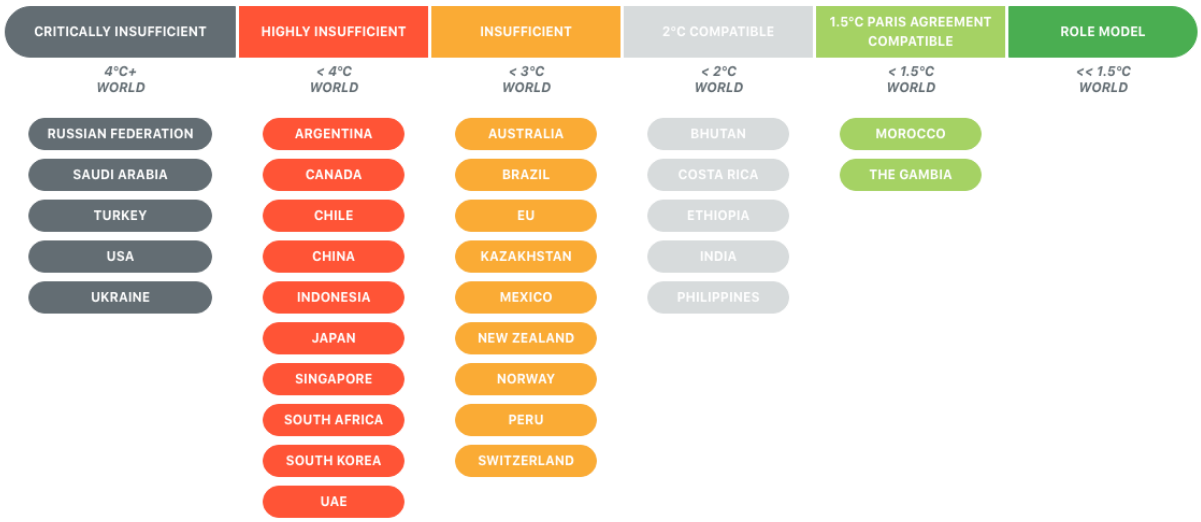

Figure 6.1: Different nation's actions to achieve the global temperature goals (CAT 2019)

While remaining in the petroleum industry as heavily as Equinor is planning to be imposes great risks, I have identified in the Porter's Five Forces model the attractiveness of the industry. It is not an attractive industry to enter, but for established competitors it is great. On the Fortune Global 500 list we find five oil- and gas companies in the top 10 in terms of revenues (Fortune 2019). While Equinor is further down on the list they are still generating great revenues from the industry, and plan to sustain this production in the nearest future.

In order to reduce this risk Equinor need to invest heavily towards innovation in the renewable energy sector. This will help their diversification process, but also gives them a first mover advantage, which can also have huge benefits in terms of costs. The proactive strategy allows them to generate high profits from the petroleum industry while developing

their renewable energy portfolio. By neglecting to adapt one may end up becoming a laggard, which might lead to reduced revenue streams for the organizations operating in the petroleum industry. Following this their operations might end up stalling as they will be forced to generate new strategies for the firm that is adapted to the changed environment. There is still a question whether or not Equinor is investing in, and developing their renewable energy portfolio fast enough, in order to be prepared for another possible downturn in the oil- and gas industry.

While the environmental impact will most likely have a negative effect for Equinor in the petroleum industry, it might open up for more opportunities in the renewable energy sector. We might see a shift where governments will be more eager to start the production of renewable energy projects, and Equinor will be able to meet these needs.

Empirical findings show, that Equinor's weakest operational area as of today is their solar energy, where they are determined to grow and become an important player like in the wind industry. The solar energy is a weak point now, but they are used to learning by doing. They are currently working on improving their weakness this way. They are investing in solar energy companies and acquiring shares in projects, which will help them gain important, insightful information and experience in the industry, in which they can transfer to new projects.

It will be important for Equinor to utilize their resources and capabilities identified in the VRIO model in this new chapter of the company. Even though it has been a slow evolution from within, it is important for them to utilize these key resources and capabilities after their official relaunch in order to take advantage of the opportunities that present themselves in such a situation. Some of these opportunities are identified in the SWOT model, but a wide variety of others might occur as well.

There has been little research done on the topic of rebranding, despite the phrase being used in media quite frequently. Equinor's case is somewhat different from what earlier studies show when referring to the driver for the rebranding strategy. As mentioned earlier mergers/acquisitions, spin offs, and brand image are the main drivers for rebranding, while Equinor's focus is more towards diversification but improved brand image is also a positive consequence for them. As mentioned in chapter 1.2, rebranding in the energy industry only occurred twice in the Miller, Merrilees et al. (2014) study, but it does happen. Comparing

Equinor's rebranding strategy to BP's rebranding case from 2000 can shed some light on the importance of action behind the rebranding strategy.

After a series of acquisitions, British Petroleum changed their name to BP and over time adapted the headline "Beyond Petroleum" (Macalister and Cross 2000). BP's main driver was brand image, as they did not want to only be associated with oil and gas anymore, claiming that they were trying to become a more environmentally friendly company. However, over time critics were proven right that the company was only greenwashing. While the company tried to communicate a greener shift, their actions did support their public statements. The already mentioned Deepwater Horizon accident made matters worse. Following this accident Greenpeace challenged people to come up with a new logo for BP. The results of this, shown in Figure 6.2 (Appendix 1), says something about how BP's new brand image was received, and changed for the worse over time following their rebranding.

While BP's rebranding might have been more rushed compared to Equinor, it shows the importance between words and action. Equinor's efforts in terms of reducing CO_2 emissions and production of renewably energy back up their claims of becoming a company that care about the future of our planet. This is also backed up by an analysis conducted by the Carbon Disclosure Project which tried to assess the world's largest oil- and gas companies' future preparedness. This analysis was conducted in 2016, and Equinor ranked as no. 1, followed by Eni and Total (Emisoft 2016).

The crucial step in the rebranding process will then be performed during the repositioning phase. In order to understand fully the forces that will impact you during this phase both internal and external factors will have to be addressed, as well as the understanding of the environment in the industry one's firm is currently operating in and the potentially new industry. In Equinor's case the empirical data shows how time consuming this prosses might be. However, it might go to show that in an energy as complex as the petroleum industry one cannot rush the process of rebranding. It needs to be developed over several years, and a commitment needs to be made in terms of their investments towards their new brand identity.

Furthermore, the data also shows that while the external factors affecting the company and the industry may have a major impact on the rebranding process, the most crucial elements will be the internal factors. The VRIO framework is shown to be a good tool to utilize in order to identify these factors. As the model states, a company cannot gain a sustained competitive advantage without the organization complementing the resources and capabilities. This seems

to translate to rebranding process as well, as a well-functioning organization, with good communication, is crucial for the new rebranding strategy to be launched and become successful.

This seems to show that rebranding in this industry is more difficult, as people's association with the oil- and gas industry is hard to get rid of, at the same time as building a portfolio in the renewable energy sector is extremely costly and takes a long time. As new laws and regulations emerge from the pressure of global warming we might see more companies in the petroleum industry trying to implement a similar strategy as Equinor, and whether or not they will succeed will depend on development in technology, as well as their timing of trying to implement the changes.

7. Conclusions

Rebranding of Equinor for transition into a global energy company seems to have been launched at a really good time, in terms of the maturity of the petroleum industry as well as the development of society's view on climate change. Their proactive approach to a change that most people expect to come has not only increased their future preparedness, but also allowed them a smooth transition into a new industry.

Their most important factors of their rebranding seem to be their repositioning and renaming. Their repositioning has made a connection between action and communication with stakeholders, where they show how they have changed and in which areas they are working on improving. Renaming the company might not have was a late decision for the company, however, by getting rid of the "oil" part in their name they might have gotten rid of the negative connotation that it brings to their company. As people see their development in the wind- and solar industry is backing up their name change there is a greater chance of people believing them.

For Equinor's future, the economic and governmental/legal factors will have the biggest influence on the petroleum industry, with the social and environmental factors still affecting the governmental/legal factors. For the renewable energy industry, it seems like technological advancement in terms of energy efficiency and cost reductions in various ways will have the most impact. The social factors such a population growth and the energy demand that follows will also have a big impact.

The world seems to be welcoming renewable energy with almost open arms, and the growth for the industry is guaranteed. Equinor's role in it will depend on their technological advancement, as well as how willing people are to make a change into a more sustainable way of living.

7.1 Future research

For future research it would be interesting to implement some primary data in the form of interviews or observations at Equinor directly. Giving an inside perspective to their vision, plans and goals could shed some light on factors that are hard to identify with only secondary data. It will also allow for a more in-depth study of the company. In addition, to have a perspective from investment analysts to the Equinor's case would have been relevant.

It would also be interesting to do a more quantitative study on Equinor's rebranding strategy in the coming years. This research was conducted just one year after their official relaunch, during a time with an overall positive change in the oil price. An internal research study conducted by Equinor internally, or an external unit with more access to data and time could possible evaluate the success of the strategy, and what effect it had on Equinor's revenue.

A qualitative study of the environment globally would also be interesting to perform. Analyze the general public's perception of Equinor's rebranding, whether or not they think that Equinor stands behind their claims of changing the energy sector for the better, or if it is just another oil- and gas company trying to greenwash their name.

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Appendix 1 – Figures

Figure 3.1.1: Drivers of rebranding. (Muzellec, Doogan et al. 2003)

Change in ownership structure	*Change in corporate strategy*
Mergers and acquisitions Spin-offs and demergers Private to public ownership	Diversification and divestment Internationalisation and localisation
Change in competitive position	*Change in the external environment*
Outdated image Erosion of market position Reputation problems	Legal regulation Crises/catastrophes

Figure 3.3.1.1: Shares of global primary energy consumption by fuel. (BP 2018)

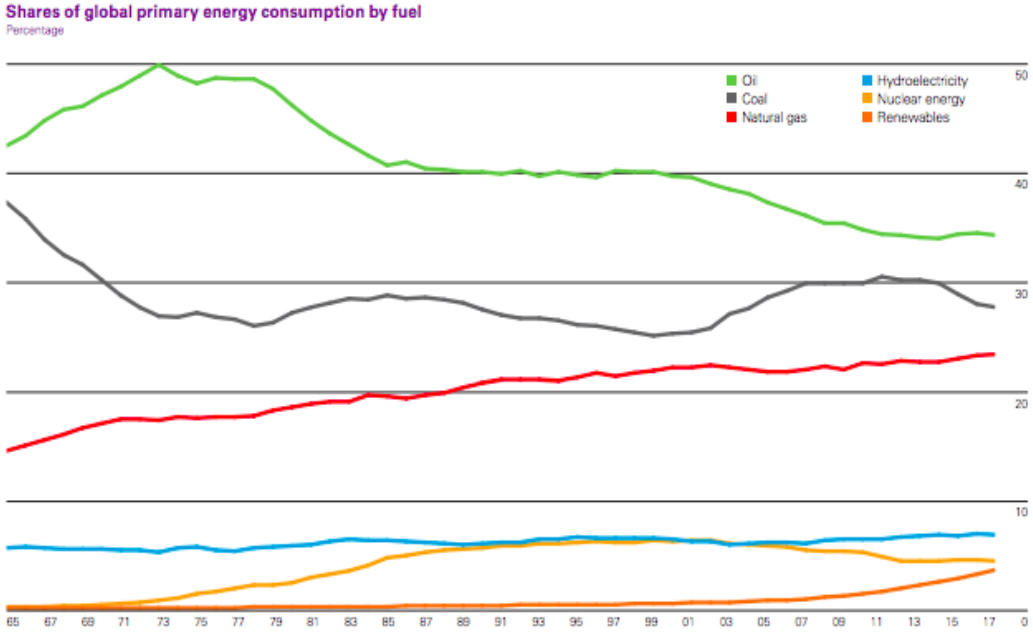

Figure 3.3.1.2: World total energy consumption by fuel. (BP 2018)

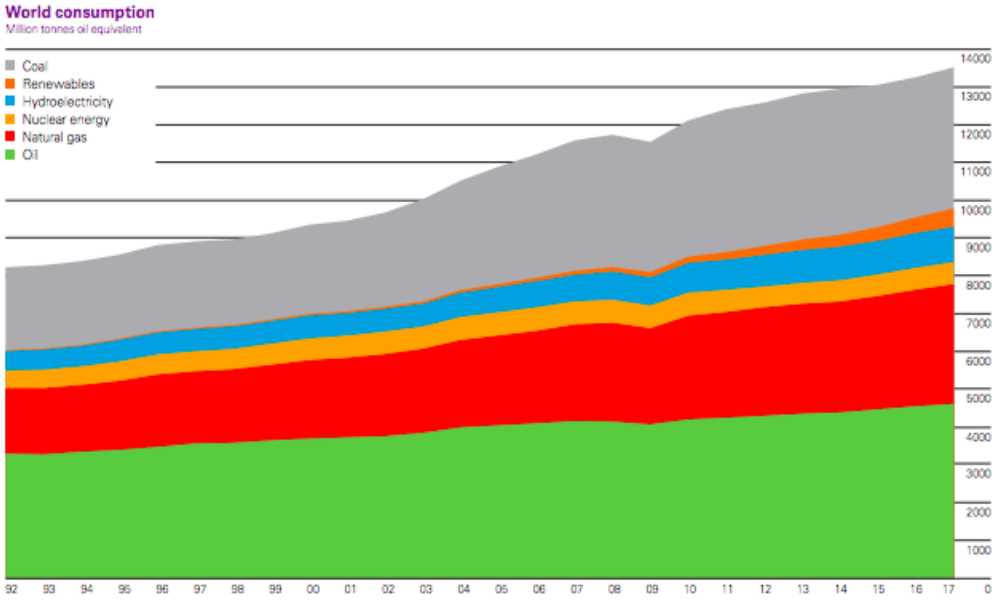

Figure 6.2: Proposals for BP's new logo. (Hardy 2013)