Now we will have a presentation from Stéphane Michel, who is our President, Gas, Renewables and Power. I am sure you are all waiting for that presentation on world-class integrated LNG portfolio. So, Stéphane, the floor is yours.

Thank you, Renaud. I hope you had a nice lunch, and you are full of energy for this focus on LNG. It is going to be tough just after lunch, and Patrick having answered everything during the Q&A, to try to still be original.

As Helle mentioned this morning, LNG markets are going through unprecedented times. Europe is looking at nothing less than 100 million tons of LNG, 25% of the market, that obviously does not exist, and that sent the price to a historical high. And we are convinced that this situation is going to last at least until 2027, when the Qatari and US LNG trains will come on stream.
So, in this very specific context, I am going to walk you through this focus on LNG with two questions in mind. One, how are we going to continue to grow, even without the contribution of Russia to our portfolio? And second, how are we going to benefit from that environment to maximize value. That’s for the short term.

For the long term, as you know, even if security of supply and prices have replaced climate change in politicians’ speeches, especially in Europe, the subject of the energy transition and the place of gas in that energy transition has not disappeared and will come back. And some will continue to question the place of gas in that energy transition. We strongly disagree with that, and we strongly believe that gas has all its place at least until 2050 in the mix.

And I will take two or three slides just to show you how our LNG strategy contributes positively to the objective of the UN sustainable development and how our customers are using that LNG to improve their CO2 emissions.

Now, as you know, Total has an integrated portfolio: production, third-party purchase, transport, re-gas, portfolio of sales. So, to answer those three questions, I will go in each of the segments of the value chain, starting by production.

- Slide 3 | Focus LNG -

That is a slide that was shown by Patrick this morning. As you can see, our current production in 2021 was 17 million tons, 12 coming from our portfolio and 5 coming especially from Russia. And, it is clear that we are not going to benefit from the growth that we were expecting from Russia and that we have to replace it.

Thankfully, we had actually in our portfolio, projects that had already been sanctioned or that were about to be sanctioned and we had the discussions ongoing with Qatar, both for North Field East and for North Field South that we have been able to conclude.

The situation is therefore the following: between 2021 and 2027, Nigeria LNG train 7 will come onstream as well as Energia Costa Azul in Mexico, based on US shale gas. We will also benefit from the beginning of the ramp up of North Field East in Qatar and we have restarted as well Snohvit, which means that we should be able to grow our production slightly between 2021 and 2027, even if we don’t take into account anymore Yamal.

After 2027, as you can see on the right part of the slide, we have a certitude: this certitude is 3.5 million tons coming from North Field East and North Field South, which will ramp up to 3.5 before 2030. And Cameron Phase 2, that should come as well onstream as we are planning with Sempra to take the FID next year. That’s for the certitude.
Then we have in the rest of the portfolio PNG (Papua New Guinea) LNG plant on which we are working, targeting to take FID as well next year and Mozambique. Obviously, these are projects that still need to be sanctioned. But if we probabilize them and we take what we know for certain from Qatar and the US, we are very confident that we should reach the 23-24 million tons that you can see on the graph, which is a 40% increase of our LNG production.

So, that’s for the production. Obviously, you could question, yes, but are these the right projects and are they going to be profitable? Just to mention on what is certain, in the case of Cameron, that is going to be a brownfield. In the case of Qatar, that is as well a brownfield based on the largest gas field in the world. So, they are extremely competitive and well placed on the merit curve.

- Slide 4 | Focus LNG -

And if I focus on Qatar, what is interesting is to see that those Qatari plants, based in Ras Laffan, will benefit from existing infrastructure: the port, the tank farm, and they have been sanctioned actually nearly two years ago. Qatar Energy took the decision at that time to order the EPC, order the ships, even at a time where it didn’t have its partners. Hence you see that CAPEX, which includes upstream and LNG, are at $900 per tonne, which is competitive, knowing that roughly one third is for upstream and two thirds for the trains. Which makes it a very competitive project.

As mentioned by Patrick as well this morning, in terms of emissions, they plan to capture the CO2 and sequestrate it in Ras Laffan at a very efficient cost, below $30 per ton of CO2, which means that the impact on the cost of LNG is rather minimal.

When it comes to the commercialization of those volumes, what is interesting as well is that the FID was not taken on the back of existing LNG contracts and what has been agreed with Qatar Energy is that we will offtake part of the volumes and they will offtake part of the rest. And 50% of those volumes are still to be marketed and aimed at Asia, obviously, at a much higher price now than was planned at the time the decision of investment was taken and the fiscal terms were defined. The market, as mentioned this morning, was probably at around 10.5% Brent and is now going toward 11%, 12%, probably 13%. All this makes these projects very profitable. And as mentioned $1 billion cash flow, when they start in 2026-27.

- Slide 5 | Focus LNG -

In our portfolio we are as well buying LNG from third parties, a bit more than 10 million tons per year. And those tons are coming mostly from the US and a bit from Algeria. And in the US, they are the result of historical moves we made, taking volume from Sabine Pass and purchasing the Engie portfolio, and the last one was the Toshiba deal, which led us to be the first US LNG exporter.

Obviously, we did those deals at a time when Henry Hub supply was an expensive one, compared to the level of the European market. So, those deals were done taking that into account. And we are, obviously, taking the full benefit of that 10 million ton portfolio in the current market. Toshiba, for example, we were
paid for that deal and today we are making a lot of money from it, so we are paid and we are making money, that’s a nice situation in which to be.

Obviously, we believe that this supply will remain competitive and profitable given the new situation in Europe, and so, as mentioned by Patrick this morning, we want as well to continue to develop our presence in the US by offtaking more and possibly by investing more in LNG plants as well.

As mentioned, we have today a supply which is Henry Hub-indexed with a liquefaction fee below $3.5. Actually, that’s a face rate, but if you take into account all what we have been paid to get those contracts, we have a cost of supply which is below, well below $3.

- Slide 6 | Focus LNG -

After production and sourcing from third parties, I go down the value chain: another very competitive advantage of the portfolio is that we are the number one importer in Europe with the largest regas capacity: 18 million tons. And there is a lot of value of optionality in that portfolio. You see that in 2021, when the market was impacted by COVID, we used only half of this regas capacity. Obviously, in 2022, we are using more than 90% of that capacity, more than 5 million tons in France, 4 in the UK and 2 between Belgium and the Netherlands.

And, obviously, that regas capacity has a lot of value if you add it to the fact that our supply from the US is a FOB supply and we can decide where to send the cargo. So, having a volume you can move and that regas capacity, you are able to arbitrate many times the difference between Asia and Europe, which is what we have done. So, typically, in 2022, cargoes were supposed to go to Asia and we had planned to go to Asia, but obviously, with the situation in Ukraine, the spread completely inverted and we now bring them back in Europe, capturing the difference.

We are going to add two FSRUs to this regas capacity, that should add 3 million tons or so, with our project in Le Havre and one in Germany, in Lubmin, just on the Nord Stream 1 pipe. Why FSRU? Because it is the only way to be fast and as well, with the idea in mind that perhaps one day, as we discussed this morning, Russian gas will come back, at least for some part. And so, it is wiser to do it through FSRUs than through onshore gas terminals.

- Slide 7 | Focus LNG -

Continuing down the value chain, in our portfolio we have as well 10 to 12 million tons of long-term sales, especially in Asia and in Latin America: roughly 4 million in China, 2 in South Korea, 1 in Thailand, 1 in Japan and so on. Why do we have that? Because that’s the only way to secure part of our production with a long-term oil contract. Because, when you are looking for a long-term oil contract, up to now you had to go for Asian customers. And we had, in the past two years, continued to grow that portfolio, not that fast because we were not that convinced that at 10 or 11% it was the right time to sell. But still, we wanted to diversify that portfolio of customers to go outside of the usual Sinopec, CNPC and so on. And that’s what you see
on this slide, we are now selling LNG to different types of customers: Hanwha in South Korea, for example, alongside with Kogas and Sembcorp in Singapore. And a strong push as well in Latin America, with AES, notably in the Caribbean.

- Slide 8 | Focus LNG -

So, obviously, these sales are done with a mix of indexes and that comes to: how do we balance the portfolio? And so, we’ve got on the left side of the slide where our sources of LNG are coming from and how we are selling them. So, when I look at the sources, basically, you have 11 million tons coming from our equity production. It excludes Russia, that’s why you see the difference if you look previously at our production in 2021, where Yamal was counted. Here, it is not the case. So, that’s 11 million tons of equity production.

Then we have our US portfolio, which is Henry Hub indexed. And finally, we are buying from third parties. Either because we offtake more than our equity production in some of our plants, or because we buy from a third party like Sonatrach in Algeria. We have a contract with Sonatrach for example, which is not linked to an asset. So, that’s overall 30 million tons.

And then, the question is how we sell those volumes. So, as I have shown you, we sell them to clients in Asia, and mostly on oil-indexed long-term contract. We sell them as well either in Europe or in Asia on TTF or JKM depending on what is the best optimization. And we sell partly on an HH basis because Asian customers, as well as in Latin America, are also buying on HH.

There are two interesting points in that graph. One is the fact that, even without Russia we have more supply than we sell volume, which means that you see a 3–4 million tons difference. Those are flexible volumes we can optimize, and we are not going to be caught in a situation where we would have to go on the market to buy expensive LNG to face our long-term sales. So, that’s, I think that was one question this morning and I guess it addresses the question. That’s one.

The second remark is that you see that globally we have a portfolio where we have equity production, which I would qualify at nearly a fixed price in a way, and Henry Hub sourcing and that we are selling that on Brent on one side and gas index on the other side. Fundamentally that’s the way the LNG portfolio is built. And, obviously, that’s a good situation to be in when you look at the right chart, you can see that basically the spread between Henry Hub and Brent on the one side and Henry Hub and TTF/JKM has just gone through the roof, despite the fact that Henry Hub has increased as well.

- Slide 9 | Focus LNG -

Now I move to the long-term question, which is about how do we help our customers to face their own energy transition constraints with LNG? Trying to show that we have a positive contribution by developing LNG. So, the first remark is that we are selling 99% of our LNG volume in countries that have committed to be net zero. Which means that the fact of selling gas in those countries doesn’t contradict their net zero
ambition, on the contrary: these countries acknowledge the fact that they need gas in their own transition to meet their target. That is one aspect.

The second aspect is that we look at what our customers are doing with this LNG. And it is interesting, you have a list of examples. Hanwha in Korea are using LNG to switch from coal, which is clearly a positive impact on CO2. We see the same in India, where they are replacing coal for industrial use, that’s notably ArcelorMittal. We see with the development, together with Adani, of city gas that are switching from kerosene or LPG to city gas, which is as well better. And again, AES, for example, in the Caribbean; switch from heavy fuel to gas power.

So, here you see that when we say that gas is necessary in the transition and shouldn’t be seen negatively but positively, we prove it when we see what our customers are doing with our gas.

- Slide 10 | Focus LNG -

Focus on China on the same aspect, you’ve got on the left side, what China is doing with the gas they are importing, and you see that they are meeting the need of power generation on one side and industry on the other side, which would use coal if they were not using gas. That’s one.

Second, you see that their increase in gas consumption, more than 100 bcm, comes fundamentally from LNG imports. Without LNG imports, this wouldn’t have been possible because Chinese production is pretty much flat. And that growth will continue for sure, and in that growth, we have played our part as our market share basically is around 10% of Chinese imports, and we try to keep it that way.

- Slide 11 | Focus LNG -

I’ve mentioned the subject for Scope 3, but obviously we have to work as well on reducing our Scope 1 and 2. For that, we work on each segment of the chain: gas fields, LNG plants and shipping.

There are two subjects for us, one is fighting against methane emissions. So, here it is a lot of instrumentation, finding where the leaks are and taking care of them. That is one. The second aspect is to capture native CO2 from the fields. So, either at field level or at plant level and to sequestrate that CO2. So, that is what we are going to do with Sempra, with Cameron Train 4, that is what we are doing in Qatar, that is also what we plan to do with Ichthys. So, clearly, capturing CO2, native CO2 from the field, when you have a high rate, and the second aspect is electrification of the plant. We will go for Train 4 of Cameron on electric drive and most of the projects that we want to do should be on electric drive. But electric drive is not enough, we need to be sure that the electricity that is used is green electricity, and here as well, there is an obvious synergy with the renewable portfolio, where we want to use solar in Australia or in Texas to provide the electricity needed for the electrification of the trains.

And the last point is to work on shipping as well, with various initiatives to reduce and improve the fuel efficiency of the fleet.
In a nutshell, today, even without Russia, we are managing 40 million tons of LNG, a strong portfolio of 30 million tons, 10 million tons as well of spot. That’s roughly a 10% market share. That places us behind Qatar Energy and Shell, but clearly as a top-three player in the game and that is not going to change with a position of first exporter from the US, which is a nice position to be in in the current situation. And first importer in Europe, which is to say, extremely well placed. And clearly, we have the portfolio to continue to grow.

So, coming back to Patrick's remarks this morning that we should grow that cash flow by $1 billion from 2021 to 2027, basically that growth is going to come from first, the growth of the production. As I said, Qatar, Cameron, the US and so on. And second, from the improvement of the portfolio by continuing to improve the quality of the source of supply we have and the source of sale. I add to that the fact that the more we grow, the more volume our trading is able to play with, and trading is as well a strong contributor to those results and so the growth.

Thank you, and I will be happy to answer your questions.

Lydia Rose Emma Rainforth Barclays Bank PLC, Research Division - Director & Equity Analyst
A couple of questions if I could. The first one, just talking about long-term contracts that you’re signing and I think things like Sembcorp, you’ve also got partnerships with them on things like EV charging. Are you seeing more of that kind of partnerships, where you are working with them on one particular thing like LNG, you are also working with them on other areas of their own decarbonization journey?
And again, I guess probably the obvious question at the moment, are you seeing, are you likely to see longer term contracts into Europe as well?
And then, one very last one actually, just in terms of that idea of 99% of your volumes being sold into net zero countries, are you also offering net zero cargoes with those nature-based solutions offsetting the Scope 1, 2 or 3 emissions?

Patrick Pouyanné TotalEnergies SE – Chairman & CEO
The last answer is no. No, because it is not stabilized. My traders were very proud to do one and I was. But when we see the criticism, it means it is not stabilized enough, so it is not good marketing this one. So, we wait to see a global framework to certify all these nature-based solutions because we could do it. So, today it is premature. There was a wave two years ago, but we stopped.

Stéphane Michel TotalEnergies SE – President, Gas, Renewables & Power
On the second point, we don’t have any problem to sell long-term in Europe based on oil index. Obviously, it depends on the balance of the portfolio and then it is when LNG is available. Which means post 2027.

Patrick Pouyanné TotalEnergies SE – Chairman & CEO
But today we are more gas index than oil index. Priority is gas index.
Stéphane Michel TotalEnergies SE – President, Gas, Renewables & Power
And for the synergy with the partners, yes, the idea is that with our various partners we try to develop LNG, but as well power. We did it with Sembcorp, we are doing with Adani, for example, it’s an obvious one. On AES as well: we had LNG contracts with them, and because of LNG, we asked to be able to enter in the supply of renewable energy, which they did. So, each time we can leverage on the commercial relation, we try to do so.

Patrick Pouyanné TotalEnergies SE – Chairman & CEO
Most of our customers are themselves on their own journey. Hanwha is a very good example: we partnered in the US on renewables, we partnered in LNG and we had petrochemicals in South Korea. So this is a frame where we can bring our solutions. We have established within TotalEnergies, since January 1, 2022, an organization which is called One B2B, organized in 10 key segments of industries: cement, steel, chemicals,…and where we have specialized people, who go to sell not only one product but several of the solutions that we can bring. So, I thought it would be interesting to share that with you. So, it is a new organization, a new way to approach our B2B customers, but leveraging all the energies we have in the Company. That could be interesting to present you that maybe next time. It’s a real contribution on Scope 3.

Irene Himona Societe Generale Cross Asset Research - Equity Analyst
Some questions on Yemen LNG. You have not impaired that asset, so is there a chance of restarting it? Is it in the plan? Could you re-start it quickly? And would you have the feedstock for it? Thank you.

Patrick Pouyanné TotalEnergies SE – Chairman & CEO
The feedstock, yes, if the north is not separated from the south. There is a lot of gas in the north, you know. And no, it’s not in the plan, because we have absolutely zero visibility, but I would say it is an upside of the portfolio. The plant is preserved, it takes six months to restart it.

Now we wait to see when the civil war ends in Yemen, but it’s quite clear for all the players that this plant and the cash that it could generate for the country is fundamental to the economy of Yemen. This is why it has been preserved by the way. But honestly, today there is absolutely zero visibility on the progress. So, it’s an upside and, by the way, we were offtakers with TotalEnergies, offtakers with Engie, so we have a large position to offtake LNG if it comes back. So, between today and 2030, it could be an addition. My teams were pushing me to put it in the plan, but I am more prudent. It’s an upside.

Amy Wong Crédit Suisse AG, Research Division - Research Analyst
The slide you put on there about what ways to decarbonize LNG looks like a great opportunity to differentiate your product from what it was before. Can you give us some insight and does that enter into some of the pricing discussions with your clients? Or is that really just to us to give you the licence to continue to operate?

Patrick Pouyanné TotalEnergies SE – Chairman & CEO
The second option. We have to do it. It is part of the journey, the technologies are progressing, and I think otherwise it is a question of acceptability of LNG. But, no, we don’t price that.

Unidentified analyst
In your early remarks you said that in order to build out US LNG you wanted to have some upstream additional capacity behind that. Can you elaborate on that a little bit? Do you just don’t think the spread is sustainable? You don’t want to be in the spread business, or do you see something in the US balances that are concerning?

Patrick Pouyanné TotalEnergies SE – Chairman & CEO
No, just a normal remark about integration. Integration works if you control your costs. That’s all. That’s quite easy to understand: that’s the logic of the whole integration, controlling your costs. The more you are upstream integrated the better is your position globally. So, today with a 500 million scf of Barnett, we are only partly integrated. Honestly, it’s not today, don’t dream, we are not in the market at $8 per million BTU. So, no, it’s just to get integration.

Bertrand Hodee Kepler Cheuvreux, Research Division - Head of Oil and Gas Sector Research
I wanted to understand a bit more your LNG trading business. When I remember last year, you suggested that if there were a $10 rise in the spread between Henry Hub and JKM, that could add around $3 billion to your recurring cash flow. When I look at all what you presented today in terms of LNG, I see the upstream gas upside to higher European natural gas price, but I didn’t see any LNG trading upside. Have you removed it or is it still there? And can you explain a bit more your hedging strategy over the medium term? Have you hedged some of those volumes already? Or how should we understand the upside coming from a rising European gas price, or JKM, given especially your 10 million tons LNG offtake in the US?

Patrick Pouyanné TotalEnergies SE – Chairman & CEO
We hedge one year, in advance, not more. And we don’t hedge Russia.

Bertrand Hodee Kepler Cheuvreux, Research Division - Head of Oil and Gas Sector Research
And so why is there no...

Patrick Pouyanné TotalEnergies SE – Chairman & CEO
Because we don’t permanently update everything. We need you to work a little more!

Bertrand Hodee Kepler Cheuvreux, Research Division - Head of Oil and Gas Sector Research
So, but it’s still there?

Patrick Pouyanné TotalEnergies SE – Chairman & CEO
Of course, it’s still there. Yeah, of course. It’s quite easy, as of now you have, Stéphane explained you that you have a large Henry Hub supply. So, clearly the business will depend on the spread between JKM and Henry Hub or TTF and Henry Hub. Okay, we need something to make our business case better. I agree, thank you for the suggestion.
Stéphane Michel TotalEnergies SE – President, Gas, Renewables & Power

And Patrick, if you allow me to complete, just to mention that it’s clear that in the current market, the physical delivery needs to be there when you are hedged.

Patrick Pouyanné TotalEnergies SE – Chairman & CEO

Yeah, of course. You know, when Freeport is going down it costs us money because we have to replace Freeport by something else, so be careful. So, hedging, you cannot hedge everything. When you hedge, if you hedge all your volumes, you take a physical risk, so we have a policy to secure our volumes.

Christyan Fawzi Malek JPMorgan Chase & Co, Research Division - MD and Head of the EMEA Oil & Gas Equity Research

I should have asked this in the previous round, but the $50 assumption, I don’t mean to pick on a macro assumption, but I am just trying to align it with where the world is going in terms of, you talk about a tightening backdrop, so is that quite conservative in the context of your assumptions? And then, to what extent does it feed into how you think about spot versus long-term contracts, given that you’ve been very clever in retaining a lot of spot?

The second question is, and in the spirit of expect the unexpected with political intervention, the US potentially looking at reviewing exports. I know this is going to be a bit of a left-field question, but have you thought about the risk they could actually ban exports?

Patrick Pouyanné TotalEnergies SE – Chairman & CEO

Certainly, it’s a risk, but they could ban food export as well.

Christyan Fawzi Malek JPMorgan Chase & Co, Research Division - MD and Head of the EMEA Oil & Gas Equity Research

Well, given Russia and given the risk with all this, I mean, again, this is more existential, but I don’t know whether that’s a question, or how would you even think about framing that in the context of your portfolio and future investment?

Patrick Pouyanné TotalEnergies SE – Chairman & CEO

It’s a good question. The question is at which level of domestic gas price the US could begin to think that it is becoming a burden for their own citizens? Yeah, I agree. This is a question, then it is back to politics, and I agree, but the world is not a perfect world, we have to take that into account. That’s part of the risk.

Having said that, there might be, and this is what I tried to explain to the European governments, be careful, you need to secure your long-term commitment and not only to have a three-year short-term approval of an export license, because this is the way we run in the US. But you are perfectly right.

$50 there is a difference. You could criticize $8 per million BTU for the next five years easily. This one is quite conservative because I don’t see Europe landing at $8 very quickly. But, again, it was more a long-term assumption. The $50, you know, if you have recession, if you have a financial crisis, you never know,
it could go down, you know. That’s true that the fundamentals in terms of supply and demand is still pushing the price, because we should remember that the increase in oil price was before the war. It was in 2021 in fact, so it was not related to the war. It was related to a problem of supply and demand. It is maybe conservative. But again, we gave you the most important information of that slide is the sensitivity of $3.2 billion dollars per $10. I think it is more important, when I said the $4 billion, I said also $7.5 and it could be at $10. So, you know, that’s more even important I think in this type of environment than just one assumption.

Christyan Fawzi Malek JPMorgan Chase & Co, Research Division - MD and Head of the EMEA Oil & Gas Equity Research
Yeah, but spot versus long term, how does that influence that dynamic?

Patrick Pouyanné TotalEnergies SE – Chairman & CEO
For LNG, the LNG portfolio is 30% spot more or less and 70% long term and long term is generally oil linked. So, you have 70% oil linked and 30% spot index.

Jason Daniel Gabelman Cowen and Company, LLC, Research Division - Director & Analyst
So, you mentioned the contract exposure and you said 70/30, this was going to be my question. But on the chart that shows it, it actually looked like only 50% of your sales in LNG are actually oil linked. So, I don’t know if there’s something in the chart that is kind of, my interpretation is off, or what it was but it looked more like 50/50 versus the 70/30 that you’re talking about.
And then I have a question on Qatar, but I’ll let you answer that one first.

Stéphane Michel TotalEnergies SE – President, Gas, Renewables & Power
If you look back at the chart you should remove HH supply minus what you sell and then you have that part which is in addition. And then, when you look at the sales, you got part of the supply on the top, which is as well on the gas index that you have to remove. So, at the end of the day, if I look at my real exposure you are going to find that it’s 70/30.

Patrick Pouyanné TotalEnergies SE – Chairman & CEO
I think you need the explanation together because I did not understand the answer, but you will have, it’s okay. Stéphane will come to you after that, it’s complex.

Jason Daniel Gabelman Cowen and Company, LLC, Research Division - Director & Analyst
My second one is on Qatar, which, you know, it seemed like the bidding process was pretty competitive but your economics are pretty good on the project. I think, look, it seems like somewhere around a three-year payback. So, can you just talk through exactly how you got such good economics despite the bidding process seemingly being quite competitive? And I don’t know if there’s trading upside in that cash flow that you have, the $900 million, or something else in there? Thanks.

Patrick Pouyanné TotalEnergies SE – Chairman & CEO
No, it’s not three years because the production will come in 2026/27 so the pay-out is longer than that. We have to spend the money from 2023 to 2026 and then to get back the money in three or four years, yes, I agree. But, okay, that’s good. Don’t complain. I am not sure to understand, there is no trick there.

**Paul Cheng** *Scotiabank Global Banking and Markets, Research Division - Analyst*

Two questions. When you are talking about currently between spot and long-term contract 30/70% split, from a risk/reward standpoint given you’re quite positive on the LNG outlook for the next several years, do you want to change that split to be more tilted towards the spot so that you can take advantage of the spot price, or do you think the risk reward doesn’t work? I mean, do you want to remain here or even maybe take the opportunity to firm up more of the long-term contract? That’s the first question.

**Patrick Pouyanné** *TotalEnergies SE – Chairman & CEO*

I am comfortable with 70/30 split. I am comfortable. Because, remember, be careful not to be too short term, because historically, and by the way, it is always a way to secure, I would say, the investment we are doing somewhere. So you know it’s the right balance between securing part of the investments and going to be merchant. So, I am comfortable.

**Paul Cheng** *Scotiabank Global Banking and Markets, Research Division - Analyst*

And the second one is that with the changing in the market dynamic recently, have you seen a change in the customer attitude in negotiating their long term take or pay contract? And do they start to be more in favour of having that and are they still talking about indexing to Henry Hub or would they rather go back towards the historical link to the oil prices? Thank you.

**Patrick Pouyanné** *TotalEnergies SE – Chairman & CEO*

The second option. They come back to long term linked to oil, but, you know, it depends on the screen. So, my advice, and frankly I am really surprised, I think it is difficult to guess, if I were a buyer myself I would do a 50/50 between both. I would try to share my risk between gas and oil. That’s all. Because there is no clue, there is no theory behind that. So, today they are inclined because they are afraid to go to more long-term contracts. Of course, the sellers are trying to increase the percentage of the Brent. This is a game. Two years ago it was impossible to discuss about any long term and everybody wanted to have a short spot gas. So, I think, for buyers, the best I think would be to split the risk between both markets.

**Oswald C. Clint** *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

So, 10% of the Chinese market, the Chinese market should probably double by 2030, if you keep your 10% share that’s 30 – 35 bcm uplift potentially. But China is down 22% this year with LNG imports. There’s obviously a lot of coal being used, Russia is trying to push in as well. So, can you hold that 10% market share and really capture that growth, is the first question? And then secondly, just to Stéphane’s point, $1 billion cash flow growth in the next five years, you said the assets deliver a chunk of that and then there was a margin optimization piece you said, which was interesting. Is that a big chunk of the billion or smaller?

**Stéphane Michel** *TotalEnergies SE – President, Gas, Renewables & Power*
No, most part is coming from the assets. But obviously, we have the producing part, we have as well third-party sales and supply on which we try to make money and this one is likely improving. And then, as volumes are growing, our capacity and the optionality of the portfolio is growing as well. But on the $1 billion, most part is coming from the assets.

After that for China, that’s why we are doing projects and we try to increase the production.

Patrick Pouyanné TotalEnergies SE – Chairman & CEO
The question on China is really what is the price at which the growth in China, the price of LNG, will really be a reality? What you observe here is when you go to these levels which are very high, China is just stopping or is reselling: they are reselling the LNG they receive from Yamal to European customers. So, there is an arbitrage. Fundamentally, if China is serious with its climate trajectory, yes, gas is part of it and even if Russia is building another Power of Siberia 2 by 2030 there is room for more LNG, for sure.

Unidentified analyst
Yeah, the first one is just going back to that indexation chart on long-term contracts, would you expect that split between oil and gas indexation to change significantly over the next five to ten years or do you think that is going to remain relatively stable?

And, second, just on Mozambique, you have it in your after 2027. Before you said that Yemen you have no visibility and you have excluded it. What makes you more comfortable to include Mozambique in your guidance?

Stéphane Michel TotalEnergies SE – President, Gas, Renewables & Power
As mentioned on the first question, we are quite comfortable with the way it is split today, the 70/30, and as we need to sanction projects to grow our production, you take the investment with part which is linked to Brent and part which is linked to gas and that’s a way to mitigate the risk.

Patrick Pouyanné TotalEnergies SE – Chairman & CEO
Ideally the idea would be that the volume which is supplied on Brent and the volume which is sold to Brent should be more or less equal, this is the ideal world. And then the gas is the gas. I would say that’s the match. It is difficult but to try to match your supply in terms of different indexation and your sales.

On Mozambique, it's not a matter of being more optimistic. In fact, is it a matter that this project is there. There is some progress on the ground from a peace point of view. The population is coming back in Cabo Delgado, the refugee camps have been emptied, so all that is positive. But the terrorists have not disappeared - they are not in the area but they are at 200 kilometers, 100 kilometers, it is moving.

So, the meeting point with the government is by the end of the year or the beginning of next year to review the situation and to decide with our partners if yes or no the conditions are met to restart the project. I have nothing to say today. We are monitoring the situation. We have some security teams, which are on the ground. We are working in order to try to develop some local economy to stabilize but all that takes time. So, let’s see if we can restart in acceptable conditions, in sustainable conditions, because the worst would be to restart the project and then to stop again. That would be a problem.
SEPTEMBER 28, 2022 / 8:00PM CEST, TotalEnergies SE Investor Day: LNG Focus

Michele Della Vigna Goldman Sachs Group, Inc., Research Division - Co-Head of European Equity Research & MD

Two questions on gas, although not necessarily LNG. The first one is, going back to the energy production chart from this morning, there is very strong growth in LNG but it looks like there is a bit of a reduction in pipeline gas production from 2027 to 2030 and I was wondering if you could perhaps elaborate a bit on that one?

And my second question is about European gas demand. We’ve seen tremendous improvement in energy efficiency in the last six months, mostly driven by the heavy energy intensive industry like yourselves in refining and chemicals. I am wondering, how much do you think in the next six months we could see a further transition away from gas towards diesel, using for instance back up diesel-power generators? And are you seeing a lot of demand for that and a lot of your customers preparing for that?

Patrick Pouyanné TotalEnergies SE – Chairman & CEO

The second question, it is clear that in fact it is why I am optimistic about the gas security in Europe because I think the shift of demand, destroying demand, has begun. We observe at the European level, minus 15% of European industry gas demand already. So, because the people are acting, they don’t look at their invoice going up, so there is a shift, so it puts pressure on the diesel markets today because you shift from one to the other. Not yet on the LPG market too much, but that’s clear.

I think it will be part of the solution: customers will shift because it is too expensive today. You cannot pay $300 or $250 per barrel in energy, but it’s a reality. I am not sure it is efficiency, it is shifting the demand, the destruction of gas demand, it is not so efficient. But I think, that’s why I think European gas market between the level of storage and the demand will match at the end.

It puts pressure on others. It put pressures on another market, in particular, diesel, where by February 5th we have the dislocation of banning the Russian diesel, which represents 12%, more or less, of the European supply, and we have to replace it, so it creates imbalances in the system. That is why diesel margins are still high. At the end I am optimistic about it.

The domestic gas, there is a decline. I need to check what are the figures but, we have probably a natural decline on European domestic, even if we try to fight with Tyra, with the UK, we try to stabilize it. I don’t have it in mind which are the lower… Argentina is quite stable. I will come back to you what are the pipe gas assumptions which are behind it. But, domestic gas, it depends, if it is going to unregulated markets, to Europe, it is fine. If it is going to a regulated market with a low margin, we have never been big fans. So, I will check, I will come back to you.

Kim Anne-Laure Fustier HSBC, Research Division - Analyst of Oil and Gas

Just two questions, if I may? The first one is on Asian price sensitivity. I guess the price point at which you see Asian customers starting to give up spot cargoes and, does that sit around maybe anecdotally around $40 per Mbtu, and if so, is that a floor for global energy prices, in the near term at least?
My second question is on European delivered LNG prices, which are currently at quite a big discount to TTF. Do you expect this spread to close maybe once Europe has got more regasification capacity, and, if so, when would you expect that spread to close? Thank you.

Stéphane Michel TotalEnergies SE – President, Gas, Renewables & Power

On the first point, you are right to say that when we see the market going very high, the spread, the JKM stopped at $40 and then the spread with Europe increased to $30 – 40. So, it looks like Asian customers were not there anymore at $40. I would say that’s all the paper market.

If you look at the physical market, the truth is that, even below that we start to see demand-destruction or demand switch in China and India before that. We didn’t see it in Korea and Japan, which were still there.

The second question is really due to when France will be able to export gas to Germany? It is starting. You still need to have more volume to go to bridge the gap between PEG and TTF. It will come. So, you have two impacts. One is FSRU in Germany by mid next year. Second, reverse flow through the system. So, that spread will close. It’s a matter of months, a quarter perhaps.