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Jean-Pierre Sbraire - TotalEnergies SE - CFO

CONFERENCE CALL PARTICIPANTS

Lydia Rainforth - Barclays
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Irene Himona - Bernstein
Biraj Borkhataria - RBC
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Michele Della Vigna - Goldman Sachs
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Christopher Kuplent – Bank of America
Matthew Lofting - JPMorgan Chase & Co
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PRESENTATION

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

Good morning, good afternoon, everyone. Patrick Pouyanné here, together with Jean-Pierre. Nice to be with you again after seeing many of you in person at our Investor Day in New York earlier this month. I just spent the last three weeks in road shows, I would like just to share with you that we got a constructive feedback from the investors on balanced strategy.

The level of understanding of our growth profile on both pillars, Oil & Gas with the quality and depth of our upstream portfolio on one side, but also on the other side, the Integrated Power is now, I would say, better understood on both sides of the Atlantic. As discussed at the Investor Day, the clarity, consistency of our strategy must remain our priority. Discipline on costs, keeping a low breakeven portfolio and a strong balance sheet supporting attractive shareholder returns are our fundamental principles, which allow the company to be resilient through the cycles especially when we are entering into an increasingly volatile and uncertain environment like what we have seen during this third quarter. I will not be longer, and I will hand over to Jean-Pierre to discuss the details of the third quarter financials which I think are proving also the resiliency of our integrated model in a challenging environment for both oil and refining margins.

And then we'll be happy to answer your questions during the Q&A.

Jean-Pierre Sbraire - TotalEnergies SE - CFO

Thank you, Patrick, and good morning, good afternoon, everyone. This quarter, we faced a more challenging environment with refining margins sharply deteriorating with the European refining margin marker, down by 66% quarter to quarter, lower than our breakeven at $25 per ton. Regarding the upstream environment, Brent decreased by 5% quarter to quarter to average $80 per barrel, while the company average LNG price increased by 6%. In this context, the company reported adjusted net income of $4.1 billion in the quarter and $13.9 billion over the first nine months of the year. Profitability remained robust with return on average capital employed for the 12 months ending end of September at 14.6%.

Moving now to the business segment, starting with the first pillar of our balanced strategy, the hydrocarbons. First, regarding oil and gas production. During the third quarter, production was 2.41 million barrels of oil equivalent per day within the guidance range of 2.4 - 2.45 million barrels of oil equivalent per day. We continue to see good performance from projects ramp-ups, mainly Mero-2 in Brazil, which partially offset unplanned shutdowns in Ichthys LNG and security-related disruptions in Libya.

In addition, during the third quarter, we achieved first oil at the high-margin Anchor project in the Gulf of Mexico in the US and first gas at the Fenix field offshore in Argentina. We expect production for the fourth quarter of '24 to be between 2.4 - 2.45 million barrels of oil equivalent per day, benefiting from the end of security-related disruptions in Libya and yesterday's start-up of the Mero-3 project in Brazil that compensates for several planned shutdowns during the fourth quarter '24. Exploration and production performance continues to be strong. We reported adjusted net operating income of $2.5 billion, stable cash flow of $4.3 billion and an attractive return on capital employed of 15.6%.

On the project side, earlier this month, the company and its partners sanctioned GrandMorgu project, a large 220,000 barrels per day FPSO located offshore Suriname with estimated recoverable oil reserves of more than 750 million barrels. This low-cost, low-emissions development was sanctioned one year only after the end of appraisal and is designed to accommodate future tie-in opportunities to extend the production plateau. GrandMorgu is the Company sixth major Oil & Gas FID of '24, all of which de-risk our medium-term production growth objective of 3% per year through 2030 which ultimately translates into growing shareholder distributions. Exploration and Production ASC 932 Opex per barrel equivalent remains best in class at $4.9 per barrel for the first nine months '24 compared to our objective to be below $5 per barrel.

Moving to Integrated LNG. First, on the results. Hydrocarbon production for LNG decreased 7% quarter to quarter, primarily linked to unplanned maintenance at Ichthys LNG. On the other hand, LNG sales increased by 8% quarter to quarter in the context of seasonal inventory replenishments. Integrated LNG adjusted net operating income was $1.1 billion in the third quarter, result primarily reflects lower LNG production, and in addition, gas trading did not fully benefit from markets characterized by low volatility. Cash flow was $0.9 billion due to the timing effects in dividend payments from some equity affiliates of around $200 million. Looking forward, given the evolution of oil and gas prices in the recent months and the lag effect on price formulas, TotalEnergies anticipates that its average LNG selling price should be around $10 per mmbtu in the fourth quarter '24, slightly higher than the $9.9 per mmbtu in the third quarter. During the third quarter, TotalEnergies' strengthened future cash flows by signing several medium-term sales contracts in Asia, bringing total Asian LNG contracts signed year to year to 4 million ton. In addition, we enhanced integration along the gas value chain by acquiring low cost, upstream dry gas supply in the Eagle Ford in Texas .

Moving now to Integrated Power. On the results the Company continues to deliver on its targets. For the third quarter, adjusted net operating income remains close to $0.5 billion and cash flow above $0.6 billion. Year-to-date, adjusted net operating income totalled $1.6 billion, up 21% year on year and cash flow totalled $1.95 billion, up 35% and in line with annual guidance of more than $2.5 billion, contributing to the resiliency of the company. In addition, we have extended our track record of returns with return on average capital employed for the 12 months ending end of September close to 10%.

TotalEnergies achieved several milestones during the third quarter. First one being the start-up of two giant solar farms in the US with battery storage in the fast-growing ERCOT market in Texas, where we already have all the necessary building blocks that define our differentiated integrated model. We closed on the strategic CCGT acquisition located in the deregulated UK market that complements our existing intermittent renewable assets. And lastly, we strengthened our partnership in both India with Adani and in Germany and in the Netherlands with RWE in offshore wind.

In Downstream, third quarter adjusted net operating income totalled $0.6 billion, and cash flow totalled $1.2 billion, with marketing and trading activities partially compensating for the very sharp decrease in global refining margins in Europe, down 66% sequentially and in the Rest of the World. In Refining and Chemicals, the Company's European refining marker fell to $15 per ton in Q3 due to normalization of trade flows after the Russian ban and ample supply related to recent capacity increases. Currently, it is close to $25 per ton. This indicator, at $15 per ton, is lower than our breakeven at $25 per ton and we suffered as well with some incidents in some of our refineries. For the fourth quarter ‘24, the Company anticipates refining utilization rate will remain above 85% with a turnaround plan at Leuna refinery in October. Marketing & Services results remain strong for the third quarter with adjusted net operating income of $0.2 billion and cash flow of $0.6 billion.

At the Company level and to wrap up, in the third quarter, we reported $1.1 billion negative adjustment to net income related to impairments. These impairments being linked to two events: the first one, the chapter 11 bankruptcy filing of SunPower in the US and the exit on Block 11B/12B and 5/ 6/7 in South Africa.

After the build reported in the first quarter, a first working capital release was reported during the second quarter and a new release of $0.4 billion was reported this quarter. And we anticipate that working capital will continue to reverse in the fourth quarter, a new release of $2 billion is anticipated for the fourth quarter of '24. As I was saying in the introduction, profitability remained robust with return on average capital employed at 14.6%.

Capital discipline is strong. We confirmed '24 net investment guidance of $17 billion to $18 billion. Lastly, we continue our track record of strong shareholder distribution. Buybacks are consistent with the Company set to execute yet another $2 billion in the fourth quarter, in line with the objective of $8 billion for the full year '24. Dividend growth is healthy with the third interim dividend, up nearly 7% compared to '23 and up 20% compared to pre-COVID levels.

We stop here and with that, Patrick and I are available to answer your questions.

QUESTIONS AND ANSWERS

Lydia Rainforth - Barclays

Two questions, if I could. The first one on cash flow. If I look at the cash flow in the quarter, it's just under $7 billion ex working capital. And at no price of what was effectively $80, that's not actually enough to cover Capex, dividends and buybacks. So, is that just a specific quarterly feature? Or is cash flow actually starting to lag behind your expectations?

And then secondly, a very different topic, but we have started to see some transactions in the Vaca Muerta in Argentina. Can you talk through what your plans are for Argentina and what you think the opportunity there might be?

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

On the cash flow, I think Jean-Pierre mentioned in his speech that there was…

Jean-Pierre Sbraire - TotalEnergies SE - CFO

… the lag effect.

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

A lag effect on some SMEs between the results and the cash dividends mainly LNG SMEs. It's why it's affecting the Integrated LNG cash flow in Nigeria, in Qatar, but I think this is something which should be reversed. In fact, there is no fundamental reason to have that such a difference. It's just a quarterly effect. So that I would say, no specific point behind this one, I would say.

On the second question, yes, I learned that. And we have quite a lot, as you know, of acreage in Argentina. We know that we manage that quite cautiously, we just recirculated the Capex cash flow. We mainly produce gas. We have some acreage exactly like Exxon in the oil window, which until now we did not develop. In fact, it's a question of Capex.

There is a question mark, by the way, in our Company to know if we move from allocating Capex more on the oil window and less on the gas, but that would require some investments. We are evaluating all options. Having said that, we do not intend as long as, I would say, Argentina is a specific country where you cannot repatriate dividend freely. So as long as it remains the same, as I explained to the Argentinian President when I met him last month, we want our money back. We will not invest more as long as we don't see a freedom to repatriate dividends. So again, we have a large portfolio. We are evaluating our options in that country, but that is what I can tell you. And we will, of course, analyse the different options we have in that view.

Michele Della Vigna – Goldman Sachs

I had two quick questions. The first one, I was wondering if you could update us with progress with your Uganda project, one of the giant start-ups we've got in the relatively near term. And also in Mozambique, we've had the elections. Does this effectively bring you one step forward to restarting that project. And then secondly, I was wondering with COP 29 coming up in Baku next month, if you had any expectation of what you think could be some of the low-hanging fruits or some of the wins in terms of changes to the global policy there.

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

Okay. Thank you, Michele. Uganda is progressing as per plan. We intend to start the production by mid-'26. The drilling is positive, I would say. I mean, the news from the reservoir point of view are globally positive. I would say it's progressing and the pipeline itself is being started to be built and laid. I would say we are on the way to deliver this important project, as you said, not only in terms of production but also in terms of cash flow for the Company. It's a sizable investment.

So that's where we are on Uganda. On Mozambique, I would say we need to - I mean, again, as you know, there are different aspects in Mozambique. One of them was the security - on the security side, I would say it has progressed. Of course, the fact that there will be a stable political power in Mozambique is important for us. So we are following the different news from there, and we intend to visit the country when it will be ready. But I think it's, of course, positive. The more you have stability in the country will come, the better it is for all of us. Having said that, we are more focused on our side on Cabo Delgado. The good news from the election process is that it was quiet. There was no event during that period. I would say, from this perspective, for me, it's positive.

That is the assessment there on the security side, fundamentally that we could restart those projects. With the contractors we worked hard, everybody is there. But as I told you, I think last time, the last point on which we are working, and I hope we'll have good news is that we are working on the financing of the project. There was a big project financing package, which was signed, in fact, executed in 2020 and 2021. We began by the way, to execute it in '21 before the force majeure. All the credit export agencies have done their due diligence on the projects.

And technically, it's okay. No, we are waiting for the different green lights, in particular, from I would say, some G7 credit agencies, and we are working for them. From my perspective, I would say we are on the right track. But of course, this is fundamental to have all the financing in place before we restart the project. So that's the last point on which we work.

On COP29, honestly, I don't see a lot -- I mean, I will myself be there because, as you know, I am one of the three champions of the Oil and Gas Decarbonization Charter together with Sultan Al-Jaber and Amin Nasser. We have an event there. I would say, by the way, it's an interesting collective move for the industry. We have engaged with 52 companies, a lot of national oil companies, and it's an interesting I would say, moving forward to put in place with these national oil companies, the same type of reporting framework as the one we have and so I would say to progress and to share also a lot of experience in terms of basing methane emissions, which is one of the objectives. I think that is positive.

On the COP 29, I'm not partly - I mean, we are not, I would say, part of the discussions. According to the news I got, we don't expect much new things. One of the key chapters on which we'd like to see progress is on the caution of the carbon credit, the famous Article 6. Can we - because it's important in order to invest in this type of credits to have a sort of strong framework, which will be validated by the UN and the global international community would be good, I think, in order to make stronger investments in that field. So that's, I would say, the main expectations on our side.

Matthew Lofting – JPMorgan Chase & Co

Two, if I could, please. First, just coming back to your earlier comments on cash flow generation in the quarter. I mean, obviously, CFFO can fluctuate and there can be phasing effects quarter-on-quarter. I just wonder if you look at year-to-date sort of the nine-month performance, can you talk about an underlying cash generation over the course of 2024 and perhaps how it compares to your beginning of year expectations on an underlying basis? And then secondly, the capital frame was made very, very clear in at the beginning of October with the Investor Day, given though short-term macro volatility to the downside as well as the upside. Could you talk about where the threshold sits in terms of when TotalEnergies would we look to activate some or all of the $2 billion Capex that you talked about?

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

Okay. First, on the cash generation, I would say on the cash flow after nine months, we are at $23 billion, next to $23 billion. So, it means we are today at the third quarter was around $7 billion. It's around $30 billion, we could land at the end of the year which is, in fact, we are more in line. We were at $31 billion, $32 billion.

We had higher expectations on one side with the refining margins. For me, we are in the ballpark. And I would say, from this global perspective, it does not change all the guidance we gave you on the last CMD in New York, including on the share buybacks I would say I'm comfortable - we are comfortable with - we are on the track that we were anticipating. I see no impact from this perspective. Let's consider we are there at around $30 billion.

The Capex for me, $2 billion, it's not at $70 that we will change our strategy, our policy. When we speak about short cycle Capex, this is our Capex, which at $70 will give us a payback, which is quite quick, in fact. And for me, the change, it's only if we are going to $50, $60 per barrel that we could consider activating part of this flexibility and arbitrating some of these short-cycle Capex because the payback from these additional wells will be longer. So, I see no difference from between $70 and $90. The market today seems to be down to $70.

But again, from this perspective, the guidance we gave you the last CMD, you can consider them good. By the way, I remind you just to correct slightly Jean-Pierre, it's $17 billion - $18 billion, not $16 billion - $18 billion for the year. $17 billion - $18 billion for the year '24. And for next year, we told you it will be in the range of $16 billion, $18 billion and you have the $18 billion of organic Capex.

Irene Himona - Bernstein

My first question on refining. Obviously, a very weak quarter. Patrick, you have said before that you are not positive on the business. But do you see grounds for optimism that as OPEC+ starts returning 2.2 million barrels a day to the market, margins could strengthen meaningfully from the current $25, which I believe is your breakeven level?

And then my second question on LNG. Recently, TotalEnergies was quoted in the press as expecting the next wave of capacity to be delayed by two years, which is obviously very material. You're a key participant to that global increase through your strategic focus on LNG. Can you share with us where you see the delays, which big projects are driving this view? And in that delay scenario, where would you expect TTF next year, please?

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

Okay. First refining. Refining the average margin, you can take different metrics. It's around $35 per ton on 2013-23. And by the way, this is the planning assumption we use internally on the long term is $35 per ton, which is higher than the $25 today. And that's why we are working hard to have this breakeven going down to $25 per ton. But I'm moderately optimistic about this event. I think we benefited from two years where during COVID and in 2021, there was a huge acceleration of some shutdowns of refinery in the Atlantic basin. On both sides, by the way, in particular, on the Americas side in Caribbean Islands, in the US, a lot of conversions to biorefineries. Then we had the dislocation of the market because of Russian flows, which has added, I would say, some dislocation and some pushing the margins up.

I think since, of course, like always, when margins are good, people stop continuing to restructure, in particular in Europe. We've even seen some few small refineries, which were supposed to be shut down, which were maintained. And then on top of it, you had some new refineries, which have started, in particular, in China, which have added an additional capacity. The Chinese were supposed in their policy to shut down some of what they call the “teapots”, the old small refineries, but the “teapots” are still cooking, I would say. And that means that you have quite a lot of supply at the same time.

And today, in fact, we are also facing in Europe, the fact that some products are coming from the US, because the Russian products go to South America, then US products come to Europe. And Europe, last point, last but not least. As you know, industry demand in Europe is not very strong today. So that means that we are back, I would say, to the traditional cycle. We are high, we stopped - I mean we, not TotalEnergies, the industry stopped I would say, restructuring to capture the good margins. And I think the hard times are just there to come back fundamentally, what was true before is still true today. You have too many small refineries in Europe, and everybody has to do his job, I would say. One way, as you know, is to transform these refineries in biorefineries because at the same time, in Europe, we benefit from regulations, which push biofuels for having a better demand for biofuels through regulation. I would say that in terms of optimism, I am moderately optimistic.

I will be more optimistic if I see more, announcements about shutting down refineries, but it takes time. So let's see, the $35 per ton are for me, a good long term plan. And then it's volatile, so I hope we will capture more in the future. But like for oil price, it's difficult to guess about it.

LNG: I don't know who has said two years. No, I think we were very clear I was very clear in New York CMD. I told you that we were thinking that the wave will begin, not 2026, but 2027 I think nobody never spoke about 2025, I think we don't see a bigger additional supply in 2025, it was never mentioned. It was a debate between 2026 and 2027. We are just reading the news and you have some projects in the US, which have been delayed for different reasons.

I would say, in my view, there is no additional comments to the ones we have done. The wave of additional capacity, 10% per year during three years will for us begin maybe second half 2026 but 2027, 2028, 2029. So, for 2025, I would say we are expecting TTF, it's seasonal. It's the average on the year. The average today on TTF is around, I think, $10 - $12 per mmbtu. Today, we are more in $12, $13. I have the NBP of $12.4 per mmbtu. TTF has been more or less at the same level as NBP. So, we anticipate for 2025 something in the same range. I think, I would say, around an average of around $12 per mmbtu, because again we don't see in 2025, any additional capacity, which would suddenly change the fundamentals of I would say, a market which still under tension. And then we'll see by 2026. And of course, we will follow carefully all the news of start-up or delays along the year 2025. So again, I'm not sure to one year, 2027, yes, two years no, and 2025 should remain, in our view, the same type of environment that we have benefited from in 2024. So positive for TotalEnergies as a big LNG player.

Christopher Kuplent – Bank of America

Just two questions on renewables, please, from me. I want to double check. Patrick, if you could give us a little more detail on how you feel the current market sits. I think since we saw you in New York, you have farmed into an RWE project. Is it easier to farm in these days? How much more difficult is it to find partners for farm downs that you are looking for in parallel on other projects? And maybe, related to that, please let us know what you think of making a corporate acquisition as Equinor did becoming a 10% shareholder of Orsted and whether you would contemplate anything similar for TotalEnergies.

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

The first one is quite easy. We had an option which was negotiated with RWE because, as you have noticed, we made a farm-in in their Dutch offshore wind in connections with our will to decarbonize our Zeeland refinery through green hydrogen. So that was part. We negotiated an option. RWE was efficient, I would say, and successful to get access to two offshore wind licenses with a low cost of entry. So it would be strange from us not to exercise our option because, obviously, they work well. We benefited from it, and it is good for us. We are trying more to be willing to scale these offshore wind licenses. By the way, working closely with RWE is also a good option for us and for them to go globally because we are two main players. So I think driving down the cost will be by, I would say, scaling up these developments together, that's something we contemplate. And for us, I would say, we have more options in offshore wind Germany and we will see in which order we must develop the different packages. But again, it was a good opportunity and the answer from this perspective was obvious to us.

I do not like to comment the move of my competitors. Everybody has its own strategy. Our Norwegian friends are very focused on offshore wind. So, they have probably good answers. What is clear is that, in my view, just to make a comment and now we have been consistent: to become a minority shareholder of a competitor without on our side an industrial strategy, we have never done it. And so, when we went with Adani, yes, we became a minority shareholder of Adani Green but also, we develop the same sites, some JVs, to have access to some industrial assets. So that's the way I see this type of leverage. It is probably, I don't know, I did not study carefully the case of Orsted and Equinor, but I respect their decision. Again, on our side, we think that we can develop organically some efficient offshore wind assets and that is why we have done it. I would not have considered such acquisition, but again, I respect their decision.

Martijn Rats - Morgan Stanley

I wanted to get back to the question that Irene also asked about, which is refining margin, specifically in Europe, because there are quite a lot of sorts of indications that there are some economic run cuts in the European refining system. But looking at the data that you reported today and also the guidance for utilization in the fourth quarter, seemingly not in the Total portfolio, I just want to sort of confirm that margins have declined quite a bit, but they are not low enough for you to consider any economic run cuts, right? That was the first question I wanted to ask.

And the second one is about the balance sheet. Last quarter, you presented a gearing of 10% during the earnings call. You talked about the sort of underlying level of about 7% to 8% if you cleaned up for a few noisy items. We are now at 12%. What explains the difference between the sort of 7% to 8% that was mentioned last quarter and now? And how do you expect that to develop over the next one or two quarters, please?

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

On refining margin, honestly, I am not sure we are big enough to consider self-cutting our runs just to please our competitors. That is a type of strategy, there is not an OPEC of European refiners. I mean, we are today at the breakeven. When you have quite high fixed costs, the question is more do we cover our variable costs?

Breakeven is calculated in terms of fixed plus variable costs. As long as we have the margin better than the variable cost, it is better to run the refineries in order to cover part of our fixed costs. So we are largely covering our variable costs. So that's simple economic theory but no, we are not there. The question will be more structurally for us.

And as you know, we have already transformed some refineries in biorefineries in 2015, in 2020. As we have been always clear that we are working on the follow-up of this one, just on one side to capture the opportunity of the European biofuel markets, on the other side because except the last two years, generally, it is economically marginal. So this is more an important question for me. Our instruction to our teams is: make the best use of your assets and as long as you cover your variable costs, obviously, you have to run your asset, in order to cover part of the fixed cost.

Second question. Let be clear, the 7-8% was last year.

You know, we have explained to you, in the gearing you have different aspects. It is a little high today. I think we should be back in the range that you mentioned, 10% to 12% by the end of the year for different reasons. For the next quarter, as you have seen, and I think Jean-Pierre was clear in his speech, we anticipate a working capital release of $2 billion, which is in line with the guidance we have given since the beginning of the year.

We had a big working capital cash-out at the beginning of the year, more than $4 billion, if I correctly remember. $2 billion were perfectly linked to exceptional events of last year of taxation events on 2023. And over $2 billion should be coming back in the balance sheet before year-end. I know that all the businesses are working on it. So I would say this is part of it. Then the other part of it is that, as some of you have probably noticed, Capex were high because this quarter we have more acquisitions than divestments. The inorganic was high, but it will be rebalanced. It is a question of, again, phasing the divestments. And, as you know, we are expecting some renewable divestments because it is part of the model, which should be concluded and in this type of business of M&A, there is a lot of things rushing last minute, during the last quarter. And we don't push them necessarily just to close the deal before September 30, or December 31. But this is not only TotalEnergies, it is a common practice. So I would say my view is that we should come back to something like around 11%-12% by the end of the year.

This is what we can anticipate if, of course, we remain in the type of price environment of today. That is what I can tell you but again, I know you Martin, this type of gearing was anticipated at the board level when we discussed about shareholder returns, and we gave you the guidance for next year, about $2 billion per quarter for share buybacks and dividend increasing at least by the buybacks of 2023, which is at least by 5%. It was anticipated this type of gearing level.

Doug Leggate - Wolfe Research

Patrick, I know you've been asked extensively about refining this morning, but I want to ask the same question a little differently. Some of your peers have started to consider shutting refineries when they have a major capital event like a turnaround -- and as we appear to be coming into an extended downturn, let's assume for refining for the time being, how do you see the portfolio today? I understand the breakeven is $25, but are there any assets you would consider rationalizing at this point if this continues?

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

Again, we've done it, and we've done it with La Mède in 2015. We've done it with Grandpuits in 2020. And it's quite clear that when we do it, we try to look to the agenda of the shutdowns to avoid spending a lot of money on the refinery and to shut down one year after. You know, turnaround of refineries, it happens every four, five years - some of them, by the way, in our case, are making turnarounds every two years, some of them have more longer cycle four, five years. So that is taken into consideration.

But it's not because of the turnaround, which again we will avoid since we will make a decision before to spend it for sure. But I would say, again, more the way we have selected La Mède and that we are selecting Grandpuits is more, in fact, the structural, I would say, weakness or interest to transform them because of allocation because of their markets, et cetera. Today six refineries remain in Europe. We know each of these assets, we know their strengths, we know their weaknesses. And as you know, we have been consistent - my view is that we need to transform them one after one and at each of this event is quite a big event in terms of not only reinvestment on the platform to transform but also in terms of social impact.

It's better to face them rather than to wait 2035 and the decrease of the gasoline and diesel market in Europe, which will happen because of the decisions of the EU about the EVs and all that. So yes, we will continue to plan it. And of course, we will avoid waiting to spend the money on the platform to just after announce that we will shut down. But again, for me, this strategic thinking is not linked to the low cycle of today. We have prepared it since we have launched Grandpuits, we are preparing the next one. The question is then: what are the different opportunities and how the markets are moving from this perspective, including this biofuel market in Europe that is moving. Today, it's facing some oversupply. So this type of thinking could affect us in our calendar, so we are working on it. But again, this is also important, in my view. Normally, in a market economy, you have, what I would say, the cost merit curve of different assets. And when the margins are low, the first ones to shut down are the ones with higher breakeven, I would say. So, as we have good assets with low breakeven, I'm expecting others to move to shut down before us normally is the way it works. We will see. And having said that, again, you know our ambition, I would say, more on the opportunity side, the positive side. You know that we consider that this biofuel market, the SAF market in Europe with a mandate of 6% is giving good opportunities for brownfield projects rather than for greenfield ones. We exclude greenfield ones. And we have the ambition to continue to benefit from this market.

Doug Leggate - Wolfe Research

My follow-up is a quick one on Suriname. Sadly, I was unable to be in person in New York when you presented the strategy update, but you did talk about Suriname sanctioned on a four-year plateau. But with tieback opportunities, since then, your partner has been suggesting the plateau could be extended as much as to eight years. I wonder if I could ask you to offer your perspective on that.

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

We are the operator of the project.

Doug Leggate - Wolfe Research

So what's your view on the long-term plateau?

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

I stick to what we told you. We are the operator of the project. We said that this plateau is designed for four years. We also explained that we have selected quite high plateau level because we consider that GranMorgu could be the hub of more tie-backs. I'm unable to quantify it because most of these tiebacks have not yet been drilled. So, let's drill them before to speak about the duration.

Biraj Borkhataria – RBC

I just had one related to the CFFO, again, at the start of this year, you gave CFFO guidance, which looks like it's something close to $34 billion. And the macro environment that you showed then versus what we've seen is not that different. Obviously, refining has been weaker. Is it possible to help me bridge the gap between the $34-ish billion that you maybe originally envisaged and the $30 billion or so that you mentioned today. Any moving parts there would be helpful.

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

I don't remember $34 billion, I had $32 billion in mind. But I would say clearly along the year, the gas price was lower than expected during the first half of the year. I think we have been clear. We went down under $10 per mmbtu during the first half. The European inventories are very completely replenished.

It has a seasonal effect. We are back since this summer to $12 - $13 per mmbtu, more in line with our assumptions. So I would say there is $1 billion somewhere for me, which is linked to gas. The market has been less volatile, and it's true that in a less volatile market our trading business has been less performant compared to the period 2022-2023 which was very good, more than super good, excellent, benefiting from big volatility. When the market is quite stable, it's more difficult. So, I would say there is $1 billion, $1.5 billion out of this gas trading and low gas pricing.

The other part will come from the refining business. I think we're losing, I would say, I don't know, $500 million more or less. We will reconcile all that by the end of the year because the year is not yet finished in any case. So, I would say that's the main, I would say, the main elements I have in mind.

But what I suggest, Biraj, is that, the best is that my teams will give you a call to tell you. I don't have all the maths here between the $34 billion and the $30 billion. Okay. So, gas and refining.

Lucas Herrmann – BNP Paribas Exane

Yes. A couple as well, if I might. I wanted to focus on Nigeria for a moment, if I might. Firstly, Patrick, can you just remind me where we are around the sale of the onshore assets to Chappal. Is that expected to complete, where are things with the authorities just any commentary. Also, could you make any comment on Nigeria 7 and progress in terms of development and timing, and just generally on gas flows into Nigeria LNG and how those have been progressing through this year and may have a play to your offtake. And then secondly, just if JP perhaps could comment at all on the write-offs that you've taken this quarter of $1 billion or so of asset write-down, which looks very much as though it’s with SunPower, but just explain to me. That's it.

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

Okay. On the Chappal asset sale, I think we have progressed. We received some approval from NNPC. I think recently, the regulator said that we should have a green light. So we are working on it.

And just we are not in the same position that some of our peers because we are not operators and we are in a non-operating position. So I think it's easier for the authorities to evaluate the quality of the buyer because we are a non-operator. So we transfer, and we have a limited share. We have 10%. So, the 10% is limited share, a non-operated position.

So of course, in terms of evaluation by the regulators, it's easier probably to approve. And our buyer, by the way, has been already approved recently in a deal on an offshore asset, a non-operated offshore asset. So it's a buyer well-known by authorities. So I do not anticipate difficulties on it. And so we receive. There is a process to follow, and we are following that carefully. So that's the point.

On train 7, as you know, we have been working hard for the last year in order to obtain the right terms to be able to develop some new gas projects in order to fill the train 7 because as you know, we have already some difficulties to supply all the gas through the first six trains. So I've been quite clear myself, but I think our colleagues as well our peers as well with the Nigerian authorities that it's time to accelerate the sanctioning of gas projects in order to fill these trains.

We have got some improvements, in particular on the transfer gas price between the upstream and the downstream. Ourselves, we have sanctioned the first project, Ubeta, which has been sanctioned this year, which is dedicated to fill this train 7. So TotalEnergies will be in line with its commitments in terms of supplying the first seven trains. We are working on another one, which is called IMA, which is a quite low-cost gas field very next to Bonny Island. So we are working on it, trying to sanction that in ‘25.

So it's a good opportunity to monetize gas reserves. The authorities have enhanced, I would say, the global package to valorize fiscally the gas reserves. So things should be aligned. Again, Nigeria is not an easy one, an easy country. But at the end, we managed to make good projects and profitable projects. So I would say I'm positive on that.

The write-off, I think Jean-Pierre has been clear, there are two parts. One was linked to SunPower, the company went to Chapter 11, so we had to write off what was remaining because of the capital employed. And another part was linked to the decision that South African assets, where we made some discoveries, but the monetization of these gas discoveries was too difficult. In fact, there is no gas markets and gas infrastructure is very limited. The possibility to go from gas to power is also very complex because you can read in the newspapers the situation of Eskom in South Africa.

At the end, we decided that it was the effort, and we had some contractual commitments. So either we were moving on the development or we were stopping and losing the assets. So I would say that was also a question of time line, which led us to take that decision. And it's true, by the way, just to remind you, a long story on South Africa, when we took these licenses, it was not to discover gas. That was because we are looking for oil, like today, we are looking for oil in the licenses we have in South Africa next to Namibia.

So it's clear that oil is easier to monetize in South Africa than gas. So in particular, when gas is not located next to customers and most of the industries in South Africa are not on the coast line south of the country, but they are more in the northwest of the country, so a little far away. So it has never been easy, the gas market there, and that's the conclusion. So that’s the two reasons why we make these two write-offs this quarter.

Lucas Herrmann – BNP Paribas Exane

Can I just push you a bit more on Nigeria, if I think about startup of train 7. What's your latest commentary on when you might expect that to happen? And secondly, I mean, gas prices used to be nominal, or very low in Nigeria. Just some sense of what you're actually able to, or what price, so I say what price do you need in order to justify an adequate return on the investment you're making?

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

So Train 7 is expected to start up by '26, probably end of '26. That's part of the ones which are not, to come back to a question that I had before, that's one of the trains, which probably will not be in advance, to be clear. Okay. So you can push it more to '26 to '27 rather than ‘26, to be clear. And by the way, as we are also developing the gas, we don't need to have the train ready. And so we try to, I would say, spend the Capex according to also the feed gas. Okay?

Lucas Herrmann – BNP Paribas Exane

Yes. And price on gas that you're managing to get from the Nigerians to agree or to NLNG to agree?

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

No, it's done. We have an agreement with them. We have increased and all the partners of NLNG have agreed, that the gas transfer price from the upstream to the plant will be higher, which is no more because initially, historically, when it started in 1997 or 1998, there was a big alignment between the supplier and the shareholder, the foreign shareholder. And the shareholder, in fact, you have 60% in NNPC. And then you have the three major players, Shell, TotalEnergies and ENI, which were on both sides.

So in fact, the transfer price was an issue for the only JV which was not participating to NLNG, which was, in fact, by that time, the Conoco JV. But along the years, as you noticed, and that was why it was so critical to solve it, we had different views, the different partners of NLNG had different views on their commitments to develop upstream gas. So there was a point where as soon as you don't have an alignment, we don't see why TotalEnergies should develop more gas than its share for the benefit of other partners in an NLNG. That was not very fair.

So that was the discussions, and we solved it collectively in the interest to develop more gas upstream. And of course, that means that the part of the margin is transferred from the downstream to the upstream in order to finance the development, that's quite clear. As we are on both sides, we are somewhere neutral, but it's not the case for everybody.

Kim Fustier - HSBC

I've got two, please. First on the outage at Ichthys LNG, you've talked to some time about preventive maintenance to try and minimize any unplanned outages. Is there a way that this issue on the heat exchanger could have been avoided in any way? I also understand that Ichthys is expected to restart fully by mid-November. So should we expect a similar financial impact in Q4 as in Q3, so around $100 million. And then secondly, on net financial expenses. I've seen them tick up over the past few quarters. Could you talk about how your cost of debt is evolving as you refinance debt at presumably higher interest rates?

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

Kim, I'm sorry, but I'm not in charge of all the heat exchangers of the company. And by the way, we are not operating Ichthys, so something happened there. It has been solved. That's the point. And I think the people in charge of operations are drawing the lessons about to avoid these types of issues.

It's a big machine, it can happen. And I'm sure that our operator and my teams who are in Australia are working their best, doing their best to avoid this type of unplanned events. That's life, I would say. Financial impact on Q4, I think it has been solved. I think Ichthys has restarted, if according to my information, so the impact should be, it's not $200 million.

I don't know why you mentioned $200 million or $300 million. I'm not sure it was so big as an individual because there were different impacts on the cash. It's not only Ichthys, Ichthys is part of it. I don't know you have an idea, Jean-Pierre?

Jean-Pierre Sbraire - TotalEnergies SE - CFO

No, I don't have any idea.

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

Debt and interest rates. I will let Jean-Pierre, he is the expert of this debt management.

Jean-Pierre Sbraire - TotalEnergies SE - CFO

Yes, for the time, I have a very good portfolio in terms of costs below 4% globally. So I do not see the reason why I should refinance. What we did, we made two issuances in the US market one in April and one in September, very successful because it was largely oversubscribed and with very long maturities. So the strategy we continue to implement is to try to have longer maturity, 30, 40 years at an attractive price. But once again, it's a very competitive bond portfolio.

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

Okay. Just before we take the next question, I would like to answer to Biraj a little clearer. So if Biraj is still online, he will be happy. You are right, the 34 we were expecting. We are more today at $30, $31 billion expecting by the end of the year. So on the gas, the fact that the gas price was lower, it's $1 billion.

The lower gas, trading gas and LNG gas is $1 billion so compared to the year before. So it's $2 billion on the, I would say, gas and LNG as a rule. And it's $1 billion on the refining margins. So the last $500 million, I'm not sure to have the figures.

But just I'm correcting, I can easily go from 34 to 31, let's say, and then there is something which are different elements, but we'll come back to you next February with all the details just to be sure that the elements are shared with everybody.

Henri Patricot - UBS

Two questions, please. The first one, actually, just a quick follow-up on the comments around the CFFO generation in the year. I was wondering if the Chemicals segment is also an area where you've seen lower cash flow than expected versus what you had at the start of the year through a combination of the macro and maybe slower ramp-up of Baystar underlying performance or elsewhere in the business? And then secondly, on the Integrated Power ROACE dipped below 10% this quarter. How quickly should we expect that ROACE to go back above the 10% level?

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

Okay. Second one is quite easy. It's linked to the calendar of the farm downs. In fact, as I told you before, it's the farm downs. When you make them on the renewables, have quite an impact because, of course, in terms of capital employed, you will not only eliminate the share of the equity but also the share of the debt. So it has a double effect.

And so as the farm downs are planned by the renewable business unit in the fourth quarter, you can see some, I would say, a linear impact on the nonlinear impacts along the year -- but we should reach the expectations again, 9.5, 9.6, 9.8, not a big difference. But that's for me the main explanation, it is more on the capital employed linked to the agenda of the farm downs. On the chemicals, you follow probably some chemical companies. We are only on petrochemicals and polymers. The margins in Europe are low for quite a number of quarters.

The global margins are not very big because again, we face in exactly like in refining, more Chinese capacity, I would say, on one side. And as we had quite a number of petrochemical projects in the US, in particular, there was a wave ethane crackers, which was built from 2020 to 2023, and we are part of it. So quite more supply linked to a low, cheap ethane cost, which is there. But most of these capacities in the US were, in fact, invested to export.

And at the same time, we've seen that the Chinese have been very active, in fact, to, again, be more self-sufficient. And so of course for me, margins are correct, globally, but not very high. And so we are not in the high cycle, I would say, in the middle, low cycle for chemicals products today. It's less critical than the refining dip. We are making some positive results, but it's not a beautiful market.

But it's more, I would say, you know chemicals, we are more downstream and you have more of the global economic macro that will affect them. So you can see the IMF expectation for the year decreased quarter-after-quarter, but that impacts this type of businesses, I would say, in terms of demand. And if demand is lower, of course, the margins are following.

Paul Cheng - Scotiabank

Patrick, just curious that for the Integrated Power, can you give us some maybe better understanding of the contribution in your earnings or CFFO between the gas fired power portfolio and renewable power portfolio?

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

Yes. And you forget the customer portfolio because there are three segments of revenues or contribution. One is a renewable part, the gas plant and the customer plants knowing that as again, I'm repeating it's an integrated business. I will not make the money on the customers since I don't have the assets, but I'm making also additional revenue on the customer because I'm able to make this commercial business. I would say it's roughly three thirds between the three parts: one third around renewables, one third about the gas plants and one third about the customers. So just to give you a rule of thumb in the way the CFFO is split today.

Paul Cheng - Scotiabank

Great. And Patrick, can you give us an update on where we are on the Papua New Guinea LNG projects?

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

Well, LNG, we have been very transparent and the market, we said that we interrupted the whole tender process because the Capex was too high. We stopped. And we have, together with our partners, we have taken some review. We have reviewed some, I would say, of the basis of design in order to streamline the projects. And we have also bid to a larger pool of contractors, in particular, some Asian contractors.

And according to my information, the retendering has begun. That means we have launched now the process to all these different contractors on the new scheme, which, again, most of the scheme has been maintained, but we have some optimizations together with the partner in order to simplify and to make cheaper costs, cheaper concepts. And we expect all that will be a process, which is a little long. So, I'm expecting, I think the offers by next summer 2025. I think it's because it's a big process.

And again, we have reengaged -- but the good news I can tell you is that there was quite a lot of appetite from contractors from the Asian world. So maybe the western contractors were not so keen. But on that side of the continent and either in India or in China, we can find some contractors. We had an appetite and they were quite happy to be invited to contribute. And we have, of course, made all the qualification processes and the teams are working very closely with them in order to have some good and competitive offers. So it's on its way.

Paul Cheng - Scotiabank

And Patrick, if you go according to plan when the first gas is going to be?

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

I think it was written in our CMD booklet. I don't have that in mind. It's 2028. No, I'm not sure. It was written in the slide on the booklet. I don't know everything by heart. Yes, 2028.

Henry Tarr - Berenberg

I just have one left really. And that's just on the bio business, which I think you've referred to a couple of times. Europe is clearly incentivizing biofuel use. But there has been a lot of capacity that's been added. And if we see a lot more sort of brownfield conversions as well. Are you confident that there's going to be sufficient demand in Europe and the US to sort of soak up the available supply over the next two to three years. Clearly, we're in a little bit of a period of weak margins currently?

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

This is exactly why I was answering to one of your colleagues previously that when we speak about this type of transformation, we need to appreciate also the demand and supply. This market in Europe is completely regulated. It's coming from regulation. So why do we have today lower margins?

It's because two countries in the North of Europe, Sweden and Finland, were planning to have a mandate for biodiesel, which was above the minimum of Europe. It was announced. It was planned quite above, it was 30% instead of 10%. Some competitors have built some plants for producing HVO renewable diesel. And unfortunately, new governments came in and they modified the mandate to come back to the standard level of European mandate around 10%.

So that created an oversupply, and then the HVO margins have decreased. So that's the difficulty in that field-- that's why I was ensuring, of course, we are following that carefully because it's a niche, but the niche could be full quickly. I love the game of the airline companies who are pushing us up to produce more. In fact, they want us to have another supply for the price to go down. It's quite easy.

They are complaining there is not enough SAF. And today, maybe we are in tension, but we might be on the other side. We are evaluating all that because, of course, it makes little sense to invest and then to enter into an oversupplied market. We are evaluating that. And we are obliged now and I think the lesson we have drawn is let's be cautious.

All these guys are announcing higher mandates, voluntary mandates. I'm only trusting the minimum legal standard mandates. These ones are strong because I don't think they will modify them. But all these voluntary mandates are more questionable because again, it's a question of competitiveness for our customers. This is exactly the process we are in, to evaluate properly the supply and demand in Europe, like you have to do it in the US.

In the US, it's not exactly the same market because all the buyers from the US cannot move to Europe because, the content and the regulations, of what we call the biofuel SAF in Europe, but in the US is not exactly the same. So that's more protection from this perspective. But that's part of the work on which we need to be serious before to invest. There is also, as we told you in New York another thing to take into consideration is that there is some new aviation regulation, which allows to you make some coprocessing in some existing refineries.

So obviously, we have to evaluate. It's an opportunity for us first, for refiners to drive better value from our existing assets. but we need to evaluate properly how much of this co-processing would be used by the global industry in Europe because it will be a competitor to any greenfield or brownfield projects. – That is also part of the equation we have to take into account.

Jason Gabelman - TD Cowen

It's Jason Gabelman from TD Cowen. I have two questions. The first on Russia. And if we're in a situation where the Russia-Ukraine conflict ends, I'm wondering how much cash is out there that you haven't been able to recover between Yamal and Novatek dividends, that you'll be able to recoup.

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

I mean, first, I hope you are right in your assumption. The war will end not only for TotalEnergies, but more for the peace in our continent. And by the way, I think it will be important for the global economic mood in the continent, if the war was ending. We have no power on it. No, it's quite easy.

The dividends of Novatek were representing around $600 million per year. So, most of them are stuck on the Novatek accounts, not on the C accounts because Novatek has kept this dividend on account for us, in fact. So, this represents around $1 billion more or less. And then you have part of the Yamal dividends as well, which we managed to get at the beginning, and we are transparent as we were publishing it.

Today, there is no publication because there is little or nothing, no dividends. So that means that you have probably another $500 million, so I don't know when it will end. So probably by the end of the year will be $1.5 billion to $2 billion of cash dividends, which are somewhere on other accounts, just to give you a magnitude of it.

Jason Gabelman - TD Cowen

Yes. That's helpful. And then just going back or turning to Capex. And it looks like if you continue the pace of organic spending from 3Q that you'll breach the high end of guidance for the full year. And I know there's some inorganic acquisitions out there, SapuraOMV that hasn't closed yet.

So just wondering as we are a month into the fourth quarter, how comfortable you are with the current Capex guidance? And if some of these acquisitions closed on this side of the calendar year, if you'll potentially breach the high end of the range?

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

No, we will not breach. We told you we confirm $17 billion, $18 billion, so we confirm it. In fact, just to be transparent with you, the organic Capex by the end of September were around $12.5 billion. If I'm adding another $3 billion to $4 billion, you will go to $16.5 billion There might be more M&A, more acquisitions than divestments. I'm fine.

I think, again, we are today in terms of global net Capex at $14 billion by the end of this September. That means we confirm the guidance of $17 billion, $18 billion. You make the difference between $17 billion, $18 billion and $14 billion it makes $3 billion to $4 billion of Capex, which is quite consistent with what we just said, and it includes -- to be clear, I included that the possibility that we closed this OMV acquisition in Malaysia, we'll see. I mean it's a process which is not fully under our control, but this is where we are. I think $12.5 billion organic, you can calculate, we are not at the high end of this $18 billion we mentioned for this year We are far from it from this year in terms of organic, will be probably around $16 billion.

Operator

This was the last question. Back to you for any closing remarks you may have.

Patrick Pouyanné - TotalEnergies SE - Chairman & CEO

Okay. Yes, we'll have some comments. Thank you for your attendance. .

Again, I think the quarter, of course, is lower than the previous one. It's clear because we have been hit by these refining margins. That's part of the integrated value chain. At the end, we are comfortable with the fact that we are on the right track to deliver, the global year will be in line with our expectations. We have confirmed with the Board the return to shareholders and a strong return to shareholders' guidance.

Keep in mind that the year 2025 will also be positive. We told you in New York that we'll enter into a growth cycle, including on the hydrocarbon production, more than 3%. And I can confirm you. We had a very good news yesterday afternoon, Mero-3 has started up and the ramp-up will begin.

We had Mero-2, which is going to its maximum. And I can confirm to you that for 2025, we will have a production growth more than 3%. That also will help, of course, the resilience of the model .Thank you again for your support and for having listened to us, and I hope we will have to meet you again in the coming weeks.

Operator

Ladies and gentlemen, this concludes the conference call. Thank you all for your participation. You may now disconnect.