

ENI S.p.A
Q2 2021 Results
30 July 2021

Presentation

Speaker: Claudio Descalzi – CEO

Good afternoon and welcome to Eni's First Half Conference Call.

In the first part of the year we witnessed a strong recovery in the energy markets. The rebound in global GDP, the growth in oil consumption and the OPEC+ agreement translated into a steady increase in crude prices.

The gas market is similarly recovering with summer prices at decade highs. While a highly volatile environment persists, oil and gas fundamentals remain positive.

Today we will focus on three elements which define our investment case.

First, the 2021 shareholder distribution, with the dividend raised to pre-covid level, confirming our commitment to share part of our excess cash generation with shareholders.

Second, the progress achieved on our Retail and Renewables businesses ahead of a market transaction in 2022. During the quarter, we completed the merger between the two entities and we have been able to accelerate our renewable targets.

Finally, our first half results, which are among the strongest in recent years, with solid performance and strong cash flow generation.

Let's start with 2021 Shareholders' Remuneration for which we set a Brent price of 65 \$/bbl. In order to define our price deck we took into account the actual price to date, the expected trend, market fundamentals and potential risks such as the emergence of new variant of COVID that could impact market recovery.

We will distribute a dividend of 0.86 €/share, more than doubling the size of our 2020 dividend.

In line with our policy, half of the dividend will be paid in September, and the remaining in May 2022. Moreover, we will start in Q3 a buy-back of 400 Million € that we are executing over 6 months.

A key element of our investment case is to maximize the value of our Retail and Renewables businesses.

During this quarter we completed the set-up of the new entity, incorporating our Renewable business into Eni Gas e Luce. The internal process for evaluating the best option to maximize the value for this entity is ongoing and in the coming months we will be able to update the market on this respect.

This combination represents a material step in reducing Scope 3 emissions, providing decarbonized products to our customers. This new entity has a unique value proposition.

It represents an integrated and synergic platform across the green energy value chain, from generation to supply. It benefits from a global presence and well-established businesses, both in terms of size and portfolio diversification. Its solid growth profile is supported by a reliable customer base and a strong organic pipeline of renewables projects which are already complemented by a selective asset acquisition strategy. Its cash flow is robust and visible, made stronger by the natural hedge between generation and retail sales.

It will be financially independent, with its own investment grade rating, drawing full benefit from lower interest rates and higher leverage flexibility. Digital solutions will be a further lever to enhance our green offer to our large customer base.

Going into more detail on our Renewables, we are announcing an increase of our short and medium terms targets. In the period 2023-2025, we are enhancing our installed capacity targets by 1GW accelerating our plan.

Since the beginning of this year we have defined, expanded and de-risked our pipeline of renewables projects. This now stands at 9 GW, of which 2 GW of installed and in construction capacity, an additional pipeline of about 7 GW related to assets at different stages of maturity, of which more than 3 GW are secured. Almost 80% of our pipeline is in Italy, Spain and France, integrated with our Retail presence.

The acceleration of our growth in the coming years is the first step toward our goal of more than 15 GW of installed equity capacity in 2030.

Thanks to the acceleration of our renewable growth, 2024's EBITDA will now be over 1 Billion €, a 10% increase versus the previous guidance and almost double 2021 levels. Our Renewables business will benefit from a large captive customer base, a stabilizing factor for results as well as contract optionality. The Renewable business will be at breakeven already this year and will deliver more than 300 Million € EBITDA in 2024.

Let's move now to our first half results, one of the best in the last 10 years. EBIT of 3.4 Billion € is more than three times the same period in 2020, driven by the Upstream, Retail & Renewables and Chemicals, which scored a record performance.

In Upstream, production at 1.65 Mboed is in line with guidance. Exploration discovered more than 300 Mboe, almost two thirds of our yearly target. Main successes were in Norway, Angola, Indonesia and Ghana; and we are progressing the Business Combination in Angola with BP. This new company will represent a fully autonomous operating and financial vehicle. It will allow further growth in the country while capturing synergies between two of the largest local operators. We are aiming to replicate the VAR success in a country where we foresee major exploration and development potential.

With regards to Energy Evolution, Versalis, our chemical company, fully captured the positive market upside, Retail and Renewables is delivering a steady growth. In the oil downstream, marketing results were robust, driven by the gradual recovery in demand, while refining was impacted by negative margins.

Our Net profit at around 1.2 Billion €, has recovered to pre-covid levels, driven by the 0.9 Billion € of the second quarter and a tax rate of 55% in the semester.

Free cash flow generation in first half was strong, with Cash flow from operation before working capital at almost 4.8 Billion € +41% vs first half 2020 and Capex at € 2.9 Billion with no change versus last year.

At the end of the semester our balance sheet is stronger and the leverage pre IFRS has decreased to 25%.

Turning to Natural Resources.

Upstream EBIT in the first half was at over 3.2 Billion €, an increase of 3 Billion € compared to 2020, thanks to lower costs and an improved scenario despite the lower production. Also cash flow from operations was robust at 4.6 Billion €, almost double versus 2020. We expect production to recover in the second half of the year confirming our 2021 guidance of around 1.7 Mboed. In the third quarter it is expected at 1.68 Mboed.

In Second Half production increase will be sustained by: recovery from planned turnarounds, ramp up in Indonesia and the Emirate of Sharjah, contribution from fast time to market exploration. In this respect, we confirm that Cuica field in Angola discovered in March, close to our existing FPSO in Block 15/06, will be connected to the production in these days just four months after the discovery.

Let me spend some words also on Egypt, which is improving the success of our integrated gas model. In the first half of the year, Damietta plant successfully loaded 17 LNG cargoes which contributed to our asset gas production in Egypt reaching a record level of nearly 4 Bcfd. Nearly 30 additional cargoes are expected in the second half of the year.

Finally, GGP, our Global Gas and LNG Portfolio business, was at EBIT breakeven in the First Half and for the full year we confirm an EBIT at breakeven while Free Cash Flow will be positive at 0.2 Billion €.

Moving on to Energy Evolution in the first half, Eni Gas and Luce & Renewables EBITDA was at around 350 Million €. Retail EBITDA contribution in the period was 40% higher than last year thanks to: high value services that contributed for 15% of the EBITDA, and a 3% growth in the customer base compared to the end of 2020 resulting from organic development and the closing of Aldro Energía acquisition in Spain.

Retail and Renewable is expected to reach an EBITDA of more than 600 Million € in 2021, better than our original guidance. In R&M, in line with the improving trend on a quarterly basis, we expect a positive Second Half result, driven by recovery in demand, bio refining margins improvement and optimization initiatives.

Versalis performance was mainly driven by a recovery in demand coupled with shortages in supply. Margins for polyethylene and styrenics rose to record levels. We were able to capture the positive scenario thanks to the high availability of our plants. In the Second Half we expect a rebalancing across the industry supply-demand that will drive a downtick in prices; however, we expect margins to remain higher than the corresponding period of last year.

In 2021, the overall Ebit Adj Proforma for Downstream is confirmed in the range of 400 Million €, mainly related to Chemicals.

Turning now to our cash generation, free cash flow in the first half was strong at 1.9 Billion €. For the full year, assuming a Brent price of 65\$/bbl and a slightly negative refining margin, free cash flow generation is expected at 4 Billion €, growing to 5 Billion at 70 \$/bbl thanks to production growth and capital discipline. Our capex is confirmed at 6 Billion €.

Our 2021 performance combined will allow us to maintain the leverage below 30%.

In conclusion, today we remarked: our commitment to prioritize our shareholders with an increased distribution, our progress in maximizing value in energy transition, our First Half result and full year guidance for a strong 2021.

And now with Eni top management, we are ready to answer your questions.

Q&A Session

Corporate Respondents:

Claudio Descalzi, CEO

Francesco Gattei, CFO

Alessandro Puliti, Chief Operating Officer Natural Resources

Giuseppe Ricci, Chief Operating Officer Energy Evolution

Adriano Alfani, CEO Versalis (Energy Evolution)

Alberto Chiarini, CEO Eni Gas e Luce (Energy Evolution)

Cristian Signoretto, Director Global Gas & LNG Portfolio (Natural Resources)

OPERATOR: The first question is from Mehdi Ennebati of Bank of America.

MEHDI ENNEBATI, BOFA: Congratulations for these very strong results. I will ask 2 questions, please. First one, on your upstream tax rate, which came at a relatively low level, even if I compare with the previous year. So has it been temporarily impacted by some one-offs, which led to a particularly low tax rate this quarter? Or should we consider that with the development of some projects that you started recently and in a \$70 Brent environment, new upstream tax rate, sorry, in the future should stay below 50%, let's say, between 40% and 50%?

Second question is on your realized gas price, which slightly improved quarter-on-quarter, but remains below \$5 per mscf. So I understand that for some of your gas production, your selling price is linked to the oil price with a delay. So should we then expect that your realized gas price will strongly increase in the coming quarter, thanks not only to the increase in the spot gas price, but also thanks to the increase in the oil price that we have seen those last month, which is going to impact your gas price during the second half of this year.

And if I may, last small one question. Your refining margin indicator, so it remained negative in the second quarter. Can you tell us about the current level, please? Are you benefiting from the increase in margin that some of your peers have been highlighting since beginning of July?

CLAUDIO DESCALZI: Okay. Thank you. So now Francesco, our CFO, will answer the first 2 questions and Pino Ricci will answer the third one about refining margin, but it's combined with E&P and other margins. So, I think Francesco and Pino together will answer.

FRANCESCO GATTEI: Yes. Thank you. About the tax rate, clearly, what we have seen this year is a more normalized tax rate. Actually, once you compare with previous year, you were comparing a mix of contribution of our portfolio that were, let's say, relatively, let's say, not reasonable in terms of performance. What we are today seeing that all the component of our portfolio, upstream and downstream, are more balanced. And in the upstream, the countries that have a lower tax rate, for example, certain OECD countries, UK, US, Italy, could benefit of certain results that will reduce the average tax rate. So the answer is substantially that we are expecting that in a \$65 world, we'll be in the range of this 55% that is actually what we have so far achieved and is in line with the 60% guidance that we gave at the beginning of the year in a \$60 world.

Once the price of oil is growing up, there is, let's say, this rebalance between the various components. In terms of additional information, you can see that the upstream tax rate is in the range of 45% due to the explanation that I gave, so the different contribution of country.

In terms of gas, it is important that what you mentioned, it is true that there are part of our volumes that are related to oil-linked. Generally, our oil-linked formula has a delay or an average related to 9 months, so 3 quarters of results. And therefore, the gas price will follow the trend with a certain, let's say, delay. The spot clearly is weighting 20%, and the oil-linked instead is weighting 25%. The remaining 55% are volumes sold to fixed price or contractual price that are less relevant. And now I leave to Ricci the answer for the last question.

GIUSEPPE RICCI: Thank you, Francesco. About the refining margin, we are seeing in July a little improvement in the margin, but they still remain very, very weak. What we expect is a further improvement in the second half. But, depending to the evolution also of the COVID, because the different increase in the COVID measures and so could affect the increase of the market. What we could see is that our sensitivity, that we have done in case of margin that continues to be negative in the second half, in the overall Energy Evolution, we are able to maintain the result of the budget.

OPERATOR: The next question is from Irene Himona of Societe Generale.

IRENE HIMONA, SOCIETE GENERALE: My first question concerns the EUR 934 million special item in the second quarter. It appears to be Refining & Chemicals. I wonder if you can say what it relates to?

And then secondly, Claudio, as you mentioned, you're expanding the renewables portfolio and upgrading the target. You recently added capacity in Spain and France. Can you give us some indication, please, either of the multiples you paid to enter those projects or indeed some sense of the economics you would anticipate such as equity IRR, for example?

CLAUDIO DESCALZI: Thank you. So Francesco will answer the first question, and then I talk about the second one. Thank you.

FRANCESCO GATTEI: Yes. Irene, yes, you have seen, it's correct that we have this write-off. Actually, the write-offs are completely related to the Refining segment. We have updated our evaluation on the basis of new scenario and lowered the margin and very weak margin this year, in the coming years. And therefore, we have substantially written off entirely our downstream, our refining -- refineries. This EUR 900 million are related to that.

CLAUDIO DESCALZI: So about the expansion in renewables. So we accelerate our renewable acquisition and also the organic growth, but that mainly in the last 4 months, we talked about inorganic growth. So we participate to tender and we won or we acquired directly. They -- we can say that we -- in 4-5 months, we achieved what we promised to achieve in 4 years. We accelerate drastically, also in the view of the consolidation of the new companies, the new business combination between renewables and retail. So that's the reason we wanted to progress faster. And then when the company will be there, will be capable to have a debt and so to invest in renewables to grow further without impacting our balance sheet and our leverage.

Talking about what we paid, so it's a mix of capacity in production, under construction and future pipeline. As you know, we have about 9 gigawatts now that -- so an additional 4 or 3 giga with respect to what we said, if I'm not wrong, what we said in February. We have 2 giga this year. So, instead of 1 giga by the end of 2021, we have 2 gigawatt in production and in construction as well. And then we have additional 3 giga that are secure, that means they are in development. And the rest are, we can say, like in exploration in P3 or reserves. That means that it's in our own, we have acreages. So it's very easy to get permits because at least 2 of them are organic, so the land that are in Italy. And so it's quite secure, but we put in the medium term.

So the multiple for what we acquired this new quantity of renewables are in the range between 9 and 10. So more 9 than 10, so it's very good. I can say that to acquire about -- I talk about what is in production. We acquired 600 megawatts in production for about EUR 660 million. Is it correct Francesco? Correct.

Yes. The 9-10 is a multiple of EBITDA, yes, clear. So that is more or less what we invested. And now we continue working on the new company to, in the future, growing more faster and be more efficient and give more value to all our company.

OPERATOR: The next question is from Biraj Borkhataria of RBC.

BIRAJ BORKHATARIA, RBC CAPITAL MARKETS: The first one is on the gas business. You mentioned that contract renegotiations were a contributor to your results in the second quarter. So can you quantify that? And also let us know if you're expecting any further renegotiations to be agreed later this year?

And then the second question is just on your Capex program in the upstream. You typically had a higher weighting than some of your peers towards short-cycle, tieback-led projects. And these, obviously, earn a quite high return, and they're pretty quick to come online. And I think you mentioned one earlier. Given where commodity prices are, are you looking to mobilize any additional upstream Capex in the second half of this year or in 2022? I'm just wondering how much incremental Capex you could put to work on these types of projects.

CLAUDIO DESCALZI: Thank you. So the first answer about gas will be given by Cristian Signoretto and the second one by Alessandro Puliti.

CRISTIAN SIGNORETTO: So as we said 3 months ago, we have started a round of renegotiations linked to the fact that the spread between PSV and TTF in Italy has deteriorated substantially. And what we achieved in the second quarter was actually a first, let's say, round of renegotiations of some of the contract. There are still some ongoing, which we expect, let's say, to settle in the course of this year in order, basically, to allow us to rebalance our level of portfolio towards the new reality of the Italian market.

ALESSANDRO PULITI: Okay. Regarding Capex upstream, we do not foresee any Capex increase. We will continue with our policy to sustain production through production optimization activity and near-field exploration tieback, as you mentioned. And this is -- this will not require any extra Capex for what we have already stated.

OPERATOR: The next question is from Martijn Rats of Morgan Stanley.

MARTIJN RATS, MORGAN STANLEY: I have 2, if I may. First of all, I wanted to ask about the reference oil price of \$65 a barrel that you set. Because on your website, there is a schedule that goes to \$66. And if you set it at the top end of the range, it would simply be the top end of the range, but it's \$1 lower. And this may sound like a bit of a nitpicky question, and I don't want to sort of be it like that. But the dividend is very important for the Eni share price. So we spent a lot of time trying to forecast the dividend. Given the schedule that you said, that seemed to become a matter of mostly forecasting oil prices and then the dividend would flow out. But now it looks like you're building in margins of safety, relative to, let's say, consensus forecasts are for the oil price or what the forward curve says for the oil price.

And at the moment, that discount between, say, the forward curve or consensus forecast for oil prices and the \$65 you said is a rather large margin of safety. So I know this is all a new schedule and we're trying to sort of find our way sort of through this. But of course, the situation would change a little bit, if going forward relative to sort of oil prices -- oil price expectations that prevail in the market, you'd start to set rather large margins of safety, large discounts to that when effectively setting your dividend policy. And I

was wondering if you could talk a bit about why you set \$65 rather than simply the top end of the schedule and also why -- what levels of margins of safety you would like in this reference oil price sort of going forward. That would be one thing.

And the second thing I would ask you -- I wanted to ask you is about refining and the EU's sort of Fit for 55 sort of package. Look, in the Fit for 55 package, refining is still sort of treated relatively benignly. But the way things are going, it could well be that either there could be decarbonization targets for refining and the scope 1 or 2 level. And before you know it, you start to sort of think about, well, that will require quite a bit of Capex and refining margins are already quite low, incurring more Capex is not easy for the European refining system to kind of absorb. And when you start to put those things together, you wonder sort of what the sort of true long-term sort of viability of this business is and it's already been sort of challenging for some time. So in the context of Fit for 55 decarbonization, potentially more Capex, what do you think the long-term prospects are for the refineries that you still own?

CLAUDIO DESCALZI: Okay. Okay. Thank you, Martijn. I'll try to answer to both questions then my colleagues can intervene if there are some additional points. First of all, your point about \$65 per barrel clearly has been discussed among us, was a very critical point because on that, we base our dividend and also the buyback. So why \$65? \$65 is not safe for us, it's no margin for us. It's not really -- we made a calculation, as I said during the presentation, based on what is the price now, what is our view clearly, we talk about the forward curves, but our view about where we are, our countries and our business.

And then also the uncertainties that we are still living. We are not clearly in a clear situation. We still have some uncertainty. We don't know exactly what is going to happen in September or October, what is going to happen for the fourth wave of the variants of COVID. So clearly, we have some uncertainty. So the \$65 really is in the upside of what was our evaluation, and we find an agreement because we want really to recognize to our shareholders after the 2020, a clear focus, a clear priority.

We also said that the buyback of EUR 400 million will happen in 6 months, not in 12 or 18 months. So we accelerate, and we start immediately the EUR 400 million. So we anticipate and we say clearly. So that is a quite interesting point because we don't spread over a long period of time, but we put all together. So that are the reasons. Then clearly, we'll see in February-March when we present our strategy and maybe we can say something additional on our policy as we did in the first quarter when we changed, we reduced the floor to increase the share of the free cash flow for our shareholders.

For refining, clearly, refining in Europe is under pressure, is not now. COVID clearly created additional pressure and additional fragility emerged and the negative margin that we have in the last 3-4 quarters are clearly the result, not just demand, but also refineries that sometimes are not -- I'm talking generally, but clearly, it's true also for us and not close-linked to upstream and not close-linked to chemicals. So we have additional cost with respect to other geographies.

And in Europe, we have another stuff, that is the cost for the taxation for CO2. So the ETS, we have a carbon pricing that before was very low, now is more than double in the last 6 months. We are close to

50 € per tonne. And forecast is to increase. So is in a very fragile situation. For that reason, we started already. We closed 2 refineries, we transformed these refineries in biorefineries. And our plan that we already started is to have rightsizing of at least 3 of our refineries, clearly, to reduce the capacity, to reduce the cost, and that is the first step. Thank you, Martijn. I don't know if there is other point for remark, from colleagues? I don't think so. Okay. Thank you.

OPERATOR: The next question is from Massimo Bonisoli of Equita.

MASSIMO BONISOLI, EQUITA SIM: Three questions. One on retail and renewables. Your guidance of EUR 350 million EBIT implies only 40 million in second half 2021 versus almost 200 million in second half last year. If you can shed some light on the second half in retail and renewables.

The second is on chemical. The average plant utilization rate was only 65% in second quarter. Considering the very good margin, why the utilization was so low? And should we expect some operating leverage maybe in second half? And also an indication for margins in petrochemical in July would be helpful.

Third question on the shareholder remuneration. Given your current share price, would you consider maybe next year a different mix in shareholder remuneration. So I mean more buyback than dividend.

CLAUDIO DESCALZI: Okay. Thank you for the question. So Alberto Chiarini will answer the first question about EBITDA.

ALBERTO CHIARINI: Okay. For the retail, as you currently mentioned, in the first semester, we had a very strong semester with almost EUR 80 million more than last year, and we are now in 262 million EBIT. If we look at the forecast, we still are better than last year, but we are reducing the gap, and we are forecasting EUR 382 million. Part of this is the seasonality. So we have anticipated some of the margins that we were expecting during the year, we have anticipated in the first half. And part of that is also the strong contribution of extra commodity that we experienced in the first half because of the Superbonus and the incentives that we have taken into consideration in the second half with a bit of contingency because of the uncertainty of the legislation. But overall, the forecast in 2021 is still 20 million better than last year.

CLAUDIO DESCALZI: Chemicals, Adriano, if you can answer about Versalis, please?

ADRIANO ALFANI: Sure. Thanks for the question. Let me explain. I mean, in the second quarter, we have been facing some plant turnaround and particularly in Brindisi, where we have the biggest cracking and the polyethylene business that were supposed to go in a turnaround between end of Q1 and beginning of Q2. And in order to capture the highest margin that we have seen at the end of Q1 and April, we have postponed, but we have not been able to postpone later than May. So the asset utilization is a result of the turnaround in Brindisi. And turnaround in Brindisi was in cracking, aromatics and polyethylene. In addition to that, we have been -- we had also planned turnaround in Mantova for styrene business. It's a big site. And so the 65%, takes in consideration these 2 big turnaround.

If you go to the second question about the margin, definitely in the first half of the year, we have seen incredible margin related to the shortage of products. And especially on the polyethylene that we have seen record elastomer that have seen very high margin and styrenics as well. In June, we have seen margins start to declining, mainly as a consequence of increased raw material costs, but also stabilization of supply and particularly increase of the import again from region like North America. In July -- I mean going to the specific question, in July, we've seen a further reduction in margin. We expect that this margin will stabilize in the third quarter. But overall, the margin will remain in the second half higher than in the same period of last year.

CLAUDIO DESCALZI: So for the last question, as you know, we have already a policy, a dividend policy, that's considering a floor and a variable part that is a portion of the free cash flow, and the buyback. So clearly, we are already in the situation where we pay the dividend and the buyback following a price. So it's not the time now to talk about a new policy. Clearly, I think that if there is any update, we will communicate any update in February-March when we perform the strategy presentation. But at the moment, that is the policy and that is already considered in the policy. Thank you.

OPERATOR: The next question is from Alastair Syme of Citi.

ALASTAIR SYME, CITIGROUP: Two questions. Firstly, I was intrigued by your comment about Eni gas e luce will have its own independent credit rating. One of the problems with your own credit rating is that the rating agencies have insisted on keeping it pretty close to the Italian sovereign. So I wondered how you avoid that problem with Gas e Luce given that you're only going to list 10% of the business?

And secondly, I wonder if you could update on plans how you've had or you've previously talked about to replicate the Var Energi model in other regions of the world, such as Angola and the Far East?

CLAUDIO DESCALZI: Okay. So yes, Francesco will answer the first question.

FRANCESCO GATTEI: Clearly, about the new entity, Eni Gas e Luce and Renewables, we will start clearly the valuation from agency. And clearly, it will benefit of the combination of the stable and growing cash flow coming from retail and from the potential, from the growth, the high-growth potential of renewables. What you mentioned about the difference in spread, the maximum notch that are required by the credit agency cannot be avoided. Clearly, there are reference, but what will be important that I would expect the company will be investment-grade. So I don't think this will be a problem for raising a quite material amount of capital.

CLAUDIO DESCALZI: The second question is for Alessandro.

ALESSANDRO PULITI: Okay. About creating other business opportunity like the Var Energi model that we created in Norway, we can confirm that we are progressing in Angola with BP. So that's, let's say, ongoing activity. And we are also actively looking for other kind of these opportunities around the world since we

believe that they could bring both operational and capital allocation synergies. So they are very beneficial to the upstream business, owing the current general situation.

OPERATOR: The next question is from Roberto Ranieri of Intesa Sanpaolo.

ROBERTO RANIERI, INTESA SANPAOLO: Just going back to the renewable business. I have a specific question on regulation in Spain. You mentioned that Spain and France that are the areas, 2 of the areas important for your renewable capacity development. My question is, if you can give us an update on the regulatory risks related to the CO2 extra margin cap and the discussion from the Spanish government at the moment. And basically, if you have any news on that.

Also on renewable business, after the acquisition you had in the offshore wind, my question is specific and also, I would say, strategic. The question is, if you are still committed to invest in the offshore wind. So basically, if you think that this kind of a business is economically viable. I'm seeing that the business, some of the traditional offshore wind operators are exiting from the offshore wind.

My third question is on Chemicals. If you -- very specific on figures. If you can give us a split of the EUR 0.4 billion EBIT guidance between refining and biochemical, and oil-based chemicals. And my last question is still on the Chemicals, it's about a long-term view. My question is, do you see any room -- still room for oil-based chemicals in the long term? We talked about the margins on aromatics and olefins right before, which are -- which were pretty good. I'm wondering if you want to invest downstream on this value chain of the traditional and oil-based chemicals or all investment would be devoted to the biochemicals and green chemicals?

CLAUDIO DESCALZI: So I give the floor to Alberto. And also, Alessandro Della Zoppa for the first 2 questions.

ALBERTO CHIARINI: Okay. In terms of the legislation, the regulatory risk in Spain, of course, I will not enter into the details. It's under discussion. But for what I understood, it's probably more hitting retail than renewables. And currently, the whole environment in Spain is very incentivizing, in an incentivizing mood for renewables. So we see a very dynamic market for renewables in Spain. In terms of the offshore wind, of course, we will continue to invest. Dogger Bank for us was kind of entry point in this technology, and we will build up on the experience of Dogger Bank, and we will participate also to -- we are participating now in Scotland to some auctions. And we believe that we need a mix of photovoltaic, onshore wind and offshore wind in the future.

CLAUDIO DESCALZI: Okay. Adriano, can you take the floor to answer all the chemicals questions, please.

ADRIANO ALFANI: Sure. As Claudio mentioned at the beginning the EUR 400 million that we expect for the 2021 are mainly driven by the chemical sector. So I would say, roughly 75%-25% between chemical and downstream oil. In terms of guidance or in terms of what we expect for the other stream of business

in addition to polyethylene and aromatics, we clearly have a big participation also in the styrenics market and in elastomer, although these are smaller than the polyethylene business where we play today.

We see margin in elastomer and styrenics stable for the remaining part of 2021. And we expect that also for the next 12 months, the margin will remain pretty much at this level, mainly driven by a recovery in demand in the construction and durables, so mainly for styrenics and in automotive, especially in special application for automotive industry for elastomer. So we had some special product for new tire performance, a new compounding performance of elastomer business for automotive sector. Also because the driver, as you know, in the automotive sector are completely changing from -- can you hear me?

OPERATOR: Yes, sir. Your line is open.

ADRIANO ALFANI: --and especially because the driver for automotive sector are completely changing and the type of product that -- and the specialization for automotive products are changing, and we are trying to go in this direction.

And what about downstream. This exactly is the third part of your question. Definitely something that we are looking very, very carefully. And as you know, we already made an acquisition to go downstream in compounding and in molding, more related to the polyethylene business, although it opened opportunity also for elastomer that is 40% of acquisition of the Fin-project. And today, if you want to capture higher margin in chemistry, in the chemical sector, you need to specialize. And the specialization is coming either from product or going down in the value chain to offering solutions to customers. And these are the 2 directions that we are moving at Versalis, so specialization of the portfolio in terms of products and moving downstream in the value chain.

OPERATOR: The next question is from Giacomo Romeo of Jefferies.

GIACOMO ROMEO, JEFFERIES: The first one is about your retail and renewable business. And I'm looking at the incremental details you provided and particularly regarding the customer growth expected from 10 million to 15 million. And obviously, at the moment, you are making a very good margin on this business. And I would like to understand what's your thinking behind the potential effects on margins driven by a liberalization of the market in Italy and whether this could bring a margin erosion?

The second question is really getting some -- your thoughts on the Fit for 55 legislation around biofuels. Whether -- what you thought about the biofuels targets, particularly regarding sustainable aviation. And some of your peers have expressed concern about the cap on animal fat feedstock and so whether -- it would be good to hear your view on that as well.

CLAUDIO DESCALZI: Alberto, please take the floor.

ALBERTO CHIARINI: Yes. On the margins, of course, you are right. Liberalization is an ongoing process. So far, a bit slow in Italy, I have to say, but certainly, the result will drive the margins to become smaller than they are now. However, we have this very clear. We have incorporated that in our 4-year plan. And the reason why we will still grow in terms of results is because we will be growing in all the high-value services.

So we are already providing around 20% of our EBIT with extra commodity services. And we believe that in the future, this will be very -- more and more important. So we are somehow replacing the reduced margin per customer with extra services that we can provide to our customers.

CLAUDIO DESCALZI: Thank you. And now Pino Ricci will take the floor to answer for Fit for 55 versus biofuel, bio jet and the European legislation and regulation? Pino, please?

GIUSEPPE RICCI: Thank you, Claudio. Thanks for the question. Fit for 55 increased the ambition of Europe in terms of transition, accelerating the target. And this is a very good opportunity for biofuels because it's impossible to reach this target only with electrification. That it means that all the target will increase in biofuel for transportation, road transportation, but also aviation and marine transport. That it means that who has advantages in technology and the plant for production of good biofuels, both biomethane and biodiesel or bio jet has an advantage, a competitive advantage.

About the bio jet, we are seeing a very good acceleration. We know that all the airplane companies, all airport companies are thinking in which way they could anticipate the regulations. And also considering what is expected in European ambition, that it means 2% of biofuel in bio jet within 2025 and at least 6%-8% within 2030, that it means a lot of million tonnes of biofuels. For this reason, we have planned to convert part of Gela biorefinery to produce 150 kilo tonnes per year of bio jet before 2024, but probably we will try to anticipate something.

About the animal fat, we have no particular concern about animal fat because our strategy is to diversify the feedstock and increase the number and the typology of feedstocks that we have in supply in the market. Our strategy is to enlarge the supply by trading and commercialization, but also to develop internally feedstock. For this reason, we are growing in the production of feedstocks, both from low ILUC agriculture, especially in marginal and rotation field in different countries in the world, and a collection of cooked oil and other -- looking for other different feedstocks. And we are pursuing also the vertical integration in order to have -- to be empowered in all the supply chain.

CLAUDIO DESCALZI: Just to add something because it's better to remember that, first of all, we can diversify our feedstock because we build, we construct the technology. So it's our own technology coming from our R&D. So we expanded the feedstock. Now we can treat more than 150 different kind of feedstocks. And that allow us to have a different pattern.

And secondly, that everybody knows, but it's better to remember that by 2023, we'll stop using palm oil. We continue with the primary but different kind of, as Pino said, kind of feedstock. There is no competition with food and then can give more breath and more also positively impact agriculture in Italy and in the

country where we are. That is very important because the diversification with respect to the oil and gas. So it's one of the UN SDGs that's part of our philosophy and our approach. So we have the biorefineries, we have in Europe -- our -- but we have also the country where we work.

OPERATOR: Next question is from Jon Rigby of UBS.

JONATHON RIGBY, UBS: So 2 questions. Firstly, we have spoken about tax, I thought I'd come back to that. Can you just explain or maybe to shed a light on whether there's any value or opportunity, now that you're beginning to identify earning streams around biorefining, the renewables and circular bits of the chemicals, obviously chemical [...]

CLAUDIO DESCALZI: We lost. We can't hear anymore. Hello? Hello?

OPERATOR: Next question is from Bertrand Hodee of Kepler Cheuvreux.

BERTRAND HODEE, KEPLER CHEUVREUX: I have 2. The first one is on renewables and especially in Italy. Do you see progress on the permitting process, which is -- which was very, very slow due to administrative constraints. Is the Italian government has come up with, I would say, with a simplified procedure to accelerate renewable permitting? That is the first question.

And then I have a bit of a housekeeping question on Q2 upstream performance. In the press release, it is noted that clean EBIT benefited from retroactive contractual revision. Can you quantify the positive impact on Q2 upstream EBIT from those retroactive contractual revision and give some color on that?

CLAUDIO DESCALZI: I think Alberto, you answer on the renewable. And Francesco on the...

ALBERTO CHIARINI: Yes. Yes. There is clearly a strong commitment of the government to simplify the procedures for authorization of renewable projects. This is the so-called Simplification Decree, Decreto Semplificazioni. At the moment, it's a bit too early to evaluate the impact. It will be positive, but it's difficult to say how positive will be because it requires to put in place some committees at government level to manage this authorization. The idea is to bring this authorization from the regions, the communes and to try to centralize a bit. But of course, we don't know how quick will the process be, even though centralized. That we'll see.

FRANCESCO GATTEI: Okay. About the one-off effect on E&P in the quarter, it's just above EUR 100 million, and it is mainly related to certain renegotiation in countries in Africa that were covering previous quarters, so that this is a cumulated effect, and additional variation or improvement related to infrastructure cost and funds. So that is the reason of the one-off.

OPERATOR: (Operator Instructions) Mr. Descalzi, there are no more questions registered at this time.

CLAUDIO DESCALZI: Okay. So thank you very much. Thank you for listening us. And in any case, as you know, for any other question in the future, we are available every time to answer your question. Thank you. Have a good day.

FRANCESCO GATTEI: Thank you. Bye-bye.