Eni Capital Markets Update &
2022 FY Results
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Presentation

Speaker: Claudio Descalzi (CEO) – Francesco Gattei (CFO)

Good afternoon and welcome to Eni's 2023 capital markets update and 2022 Full Year results. We are delighted to see you all here at our first full in-person event since 2019.

We are hosting this event at the Gazometro in Rome, a piece of our history that we are transforming into an innovation district on new energies.

We meet today in a scenario characterised by high volatility and uncertainty, fragile energy security, and the worst inflationary environment in decades.

We recognise the need to be agile and flexible in responding to these challenges, keeping a sharp focus on our strategy to be effective both on near-term targets and on pursuing our long-term transformation and decarbonization. The last 12 months demonstrate how we successfully face these challenges, striking the right balance between short and long-term priorities.

While the urgency of achieving environmental sustainability and changing the energy mix remains a priority on our path to Net Zero in 2050, it is now even clearer that it has to be pursued side-by-side with energy security and affordability, the other essential pillars of the energy system trilemma. This means building a geographical and technological diversification of energy sources; creating in the medium to long term a different energy mix; and deploying breakthrough technologies.

The continued strong gas demand we are experiencing after the pandemic confirms the crucial role of gas as the "bridge" energy source on the decarbonization path. In Eni, we have continued to explore for and develop new gas resources while also investing in methane emission reduction, diversifying our geographical presence, leveraging our near field exploration and a fast-track development approach to reduce time-to-market, something which is even more relevant in the current scenario.

While geographical diversification is critical for energy security, a neutral and diversified technological approach is also essential for the transition towards a low carbon energy system.

For that reason, our strategy is grounded on a continuous focus on new technologies and their fast track deployment. It is only through Technology that we can develop a diversified energy mix and support the energy security, while continuing to create value.

The necessity to work for energy security and for environmental sustainability implies greater demand on capital and resources. In order to address this cash allocation issue to strike the right balance between investments and returns, we have developed dedicated entities that are capable of independently accessing capital markets to fund their growth and to reveal the real value of each business.

In fact, these businesses can access additional specialised pools of capital, optimising Eni's financial structure while leveraging Eni technologies, know-how and services.

In Upstream, satellites will continue to bring new volumes to the market, while freeing additional capital and delivering dividends. In Energy Evolution dedicated entities will enable us to capture the higher multiples that the market attributes to such businesses.

Focussing on 2022- as we said, the year was a demonstration of how we are tackling the short- and long-term challenges.

Our company mounted a remarkable response in addressing the disruptions in the energy market, recording outstanding financial and operational performance, while continuing to develop along our strategic path.

Our Midstream gas operations delivered against a scenario of severe market turmoil. This outcome showcased the importance of the integration inside Natural Resources of our Upstream and GGP businesses for which we changed our organization 3 years ago. Such integration has contributed to helping us avoid some of the very severe outcomes experienced by the European utility sector.

Upon the outbreak of the war, we reacted decisively and rapidly to mitigate the supply risk, replacing 50% of the gas we would normally import from Russia thanks to our Upstream resources and strong partnerships, mainly in North and West Africa. By winter 23/24 we will be able to replace 80% and 100% by 2025, making our GGP business more valuable and flexible, with a larger equity and LNG supply component.

The capability to replace Russian gas is also underwritten by another strong year in Exploration, finding 750 Mboe of resources, well ahead of our original target. Indeed, we have already succeeded in putting into production some of these discoveries.

In Upstream, we launched important FIDs, progressed our development projects and delivered new start-ups on time and on budget.

I also want to highlight the speed and effectiveness of our Downstream in reacting to the crisis. We reported record results, capturing the financial scenario via excellent operational performance and further upside by materially reducing energy costs.

Moreover, looking at new energies, we expanded our biorefining footprint and developed our vertical integration delivering the first cargoes of vegetable oil produced from our agri-hub in Kenya to our bio-refineries in Italy and producing the first Eni biojet.

In terms of satellite structures, in 2022 we completed the IPO of Var in Norway; we also constituted the new company Azule Energy, merging our assets with bp's to create Angola's largest independent producer. We continued to grow Plenitude, which, with the Sustainable Mobility company, will allow us to tackle Scope 3 emissions.

Indeed, the challenges of the past year have not deflected us from our decarbonization objectives: we have cut our Scope 1 and 2 emissions by 33% vs 2018 in line with our objective of reaching 65% by 2025.

We reiterate that gas is crucial for the transition, but it requires proper management of methane emissions.

Eni has long been committed to reducing methane emissions and keeping Upstream methane intensity well below 0.2%.

In order to further improve the accuracy and transparency of methane emissions reporting, we are progressing with a measurement campaign on our main operated assets with a third party, that will be finalized this year.

On this basis, we will set a new methane emissions target.

Last year, we generated record earnings of €13.3bn and record Return on Capital Employed of 22%. While the scenario played its part, there is a very significant contribution from self-help and performance improvement across the entire organization. Notably both GGP and Downstream materially beat their initial 2022 guidance.

Our strong earnings converted into exemplary cash performance. We generated €20.4bn of underlying CFFO, absorbing €1.3bn in working capital and funding €8.2bn of capital expenditure plus €2.5bn of additional inorganic investments. We rewarded investors with our dividend as well as buying back €2.4bn of shares, reducing the shares in issue by 5.5%. This total return equates to a yield of 12.3% on the average share price of last year. Meanwhile we also used surplus funds to reduce our leverage by over one third to 13%.

And now some more details about our main businesses, turning firstly to the Natural Resources division.

Our Natural Resources division will deliver accretive growth with falling emissions, driven by our leading exploration and integrated, fast-track projects. Our mid-stream gas has proved its resilience and will increasingly benefit from equity gas supply.

We are meeting the emissions reduction targets, also building a new carbon capture business, and integrating with our bio-refining by developing an innovative agri-hub network.

Exploration is consistently high-performing and also highly differentiating for Eni.

2022 was another outstanding year - we discovered resources equivalent to 125% of our production at less than $2/boe, building on a consistent 10-year record. We have added resources across multiple basins, geologies, and geographies, namely from Algeria, Ivory Coast, Cyprus, Egypt, and the UAE.

Following our dual exploration model, we are targeting exploration with high levels of equity participation, in areas with existing activity and infrastructure such as North Africa, West Africa and the UAE – around 90% of our spend.

Our leveraging of a high level of technology and know-how allows us to go back to mature geological basins with different eyes to find new structures, as happened in the recent past in countries like Angola, Congo, Egypt and Ivory Coast where in the 2015-22 period we have discovered more than 4 billion boe in resources with this mature basin strategy.

In the context of the transition, we continue to target near field exploration and 60% of discoveries to be gas, supporting the evolution of our production portfolio towards lower emissions.

With the same purpose and through the same strategy, we will invest €2.1bn over the next 4-years, targeting 2.2bn barrels of oil equivalent – at around $1.5/boe of exploration cost.

Exploration complements our Upstream development strategy.

Optimising time to market of our projects is a focus for us and a differentiating characteristic of Eni in lowering risk. A recent WoodMackenzie report estimated that our time to market is around 3.5 years, twice as fast as the industry average.

Applying this strategy means that we have organically developed an Upstream portfolio that contains high-quality assets and opportunities which we will use to grow, create value and drive down emissions.

The high-quality of our portfolio is well illustrated by the numbers in terms of breakeven - around $20/bbl-, with technical cost and discounted cash flow per barrel that are at the top of industry.

We will be discussing our exploration activity and fast-track development strategies in more detail during the breakout session.

Our focus in Upstream is driven by delivering a double value: economic results and emissions reduction.

We can grow volumes while increasing returns and reducing emissions, thanks to technology, the shift in portfolio mix and energy efficiency measures.

The coming years will see significant activity. 2023 sees the start-up of the first phases of Baleine in Ivory Coast and Congo LNG, start-ups in Egypt, UAE and Norway and the continuing development programme in Algeria. 2024 sees start-ups in Italy, Egypt, Ivory Coast with Baleine Phase 2, Kazakhstan and Norway. These projects together will bring into production around 1bn boe of 2P reserves.

At the same time, we expect to approve a number of high-quality FIDs including the A/E Structures in Libya, Hail & Ghasha and expansions of Lower Zakhum in the UAE plus Ivory Coast, Kazakhstan, Angola and possible new activities in the Eastern Mediterranean.

Put together, this means we expect an average production growth of 3 to 4% over the 4-year plan period. By 2026 we will have added around 800kboed from start-ups and ramp-ups with high returns, short paybacks and leading unitary costs.

As we said, the close attention to our value growth will also deliver a decrease in our Scope 1 & 2 net carbon footprint by 65% by 2025 versus 2018. We confirm Upstream to be Scope 1 & 2 net zero by 2030.

GGP successfully came through a challenging year having managed a material cut from its largest supplier.

Looking forward, we are working on the assumption that we receive no Russian gas volumes. We confirm that we will progressively replace those volumes, reaching more than 20BCM per year of extra supply by 2025. 9BCM will be supplied from pipe, and the balance mainly from LNG integrated with our own portfolio.

Gas is and will be a critical component in the European energy mix. In 2022 the south-north axis –the supply route from the Mediterranean - has demonstrated its new role, potentially becoming an alternative to the north east-west corridor from Russia. Eni is central to this, considering the huge resources and infrastructural connection that we have in North Africa.

A more diversified and flexible portfolio, with a larger equity component alongside growing LNG in Asia implies higher results for our GGP segment.

In fact, we expect to be able to generate around €1.7-2.2 bn EBIT in 2023. Even on the assumption that natural gas prices and volatility fall during the plan period, we still see 4Y EBIT totalling more than €4bn from GGP.

Natural Resources will address emissions both through its operational and portfolio initiatives, and by building new businesses.

In this context, CCS will contribute to cutting our own net emissions and also by providing a solution for other hard to abate emitters beyond the energy sector. We have material projects under development using depleted reservoirs, existing infrastructures and well-defined economics. One of the most advanced, Hynet, based around Liverpool Bay, is on track to start-up in 2025 with an initial 4.5 MTons/yr of CO_2 stored. Ravenna Phase 1 took FID in December 2022 and will start-up in early 2024. We are also advancing a second UK project, using our depleted Hewett field aimed at decarbonising the Bacton and Thames Estuary areas, potentially ready by 2027, as well as pursuing opportunities in North Africa and in the Middle East.

Our Natural Resources division is also supporting our bio-refining activities, by addressing the potential bottleneck of feedstocks availability and cost. Uniquely, we are vertically integrating via agricultural hubs in Africa. Our agri-feedstock supply chain is certified, not in competition with food production and helps to diversify economies and create new employment opportunities in the communities where we operate.

This slide is a brief recap of the key Natural Resources targets that amply demonstrate how we will be able to deliver greater volumes and value whilst lowering our breakeven and respecting emission reduction targets.

Turning to Energy Evolution, the division which includes traditional and green refining and marketing, Versalis and Plenitude. Together these represent a portfolio of solutions to meet decarbonised energy needs and to achieve our Scope 3 emissions targets.

With this aim, in January, we incorporated Eni Sustainable Mobility, in line with our announcement last March. We are combining bio-refining, bio-methane and the sale of mobility products and services.

Our ambitious plan is to evolve this entity into a multiservice, multienergy company, generating and unlocking new value.

As a consequence, we are accelerating our targeted bio-refining capacity that is now expected to reach more than 3Mn tonnes per year by 2025 versus 2Mn tonnes previously; and more than 5Mn tonnes by 2030. In November, we launched a feasibility on a third Italian bio refinery, in Livorno and in December we announced the joint study with Petronas and Euglena for the development of a bio refinery in Malaysia. Just last week we announced our agreement with PBF Energy for a 50:50 joint venture for a bio refinery of about 1.1 million tonnes per year, in Louisiana. In each of these cases, we will be using our Eco-fining technology.

A unique element of our bio refining strategy is the vertical integration, with the production of vegetable oil and waste and residues that is expected to secure 700 thousand tonnes of feedstock per year by 2026.

The new company incorporates a network of over 5000 sales points in Europe to market and distribute a number of new energy carriers, such as electricity, bio-methane and, in perspective, hydrogen.

Our sustainable aviation fuel, Eni Biojet, is already used for commercial and cargo flights from Milan and Rome and is being tested for use in the aerospace, defence and security sectors.

We now expect our Sustainable Mobility operations to generate €1.5bn of EBITDA by 2026, earlier than foreseen last March. This converts into an EBIT contribution of well over €1bn of high quality, lower volatility and growing results. In 2022 we cut energy costs for our refineries by €800m versus a standard 2021 setup. We have optimised our throughputs, focussing on plant reliability and flexibility, and leveraged our trading capabilities to deliver record results in R&M. By retaining these structural improvements traditional refining will continue to generate profits through the transformation process and even as refining margins normalise to lower levels. As a result Refining & Marketing with the contribution from our ADNOC operations, is expected to generate adjusted pro-forma EBIT of around €1.4bn in 2026.

We will continue to transform Versalis into a fully specialized and sustainable chemical company by increasing its presence in end-user markets and building a leadership position in bio-based chemistry.

We will look to grow in target markets with investments in our compounding platform and in new technologies.

We also intend to grow in polymers, but in particular increase the share of specialized products from the current 20% of total company revenues to at least 35%, equivalent to around half of total polymers, by 2026.

Versalis will move into sustainable profitability over the course of our plan, thanks to the transformation to a structurally more competitive business mix.

Plenitude is maturing and executing on its pipeline of Renewable projects and delivered its 2022 target of more than 2GW of installed capacity, more than doubling last year's capacity.

We also delivered our target of >€600m in pro forma EBITDA in 2022 and we expect to triple this figure to €1.8bn by 2026, with a balanced contribution from each of the business lines.

Our earnings growth is underpinned by our operational outlook – we will have installed 3GW by the end of 2023 and over 7GW of capacity by the end of 2026. This growth outlook is sustained by a pipeline of around 11GW of projects and opportunities. We will also more than double our network of EV charging points to over 30,000 by the end of the plan.

It is really important to remember how unique the Plenitude model is. The integration of retail, with over 11Mn customers by 2026, renewables and e-mobility provides diversification and financial resilience.

And here we have a recap of the key Energy Evolution targets: the transformation of legacy businesses that widens Eni's perimeter, unlocks value and growth, and supports our customers in reducing their emissions.

Technology is at the heart of our strategy and transformation. From exploration to the faster time-to-market of our projects, from biorefineries to green chemistry and future breakthroughs. Since 2014, we have greatly accelerated our investments, leading to around 8,000 patents and more than 400 projects.

We have significantly enhanced our collaboration with leading universities and expanded our innovation ecosystem that now includes our venture capital arm Eni Next, focusing on high potential start-ups, and Eniverse, aimed at scaling proprietary technologies for new business opportunities.

To place this into further context, we estimate the value creation of our proprietary technologies at around €9bn since 2014 and the value of Eni Next portfolio to be €1.1bn at end of 2022. Probably the highest profile investment of Eni Next is in CFS, the MIT spin-off aiming at accelerating the development of magnetic confinement fusion.

At CFS, SPARC, an experimental plant designed to generate net energy, is under construction, targeted for 2025 start-up. SPARC will be followed by the first industrial plant, called ARC, expected for the early 2030s.

Now having covered the main business perspectives, I will pass over to Francesco to summarise the financial aspects of our strategy and outlook.

Thank-you Claudio. Our financial strength enables the execution of our business strategy, provides flexibility across the cycle, and deliver returns to our investors.

Under our 2023 scenario we anticipate an EBIT of €13bn for Eni, the second best in 10 years after the record of 2022. That is a further confirmation of the quality of the business we are building. We expect this to translate into CFFO before the effects of working capital of over €17bn.

In a constant 2023 scenario, we calculate underlying growth in CFFO to 2026 of over 25% or around €5bn versus 2023. While E&P remains the largest business, and will grow at 3-4% adding higher value barrels, we see positive contributions from all the sectors and growth from the main Transition businesses of Plenitude and Sustainable Mobility. Our new Plan incorporates raised earnings outlooks for GGP, Refining & Marketing and Plenitude.

To place that into further perspective this means at constant conditions Eni generates over 13% average ROCE over 2023-2026, 7 percentage points higher than in 2010-2019. We are delivering top-line growth <u>and</u> improving our capital productivity.

Updating for a moment on the issue of windfall taxes. In 2022 the Italian extra-profits levy, specifically cost Eni €1bn, and additional windfall taxes in the UK a total of €0.1bn. In 2023 we estimate that the levy in Italy will cost €0.5bn, and this along with other anticipated taxes in the rest of Europe is included in our financial projections.

Our updated capex outlook strikes a considered balance between re-investment for competitive growth and maintaining our capital discipline. We expect to invest €37bn over the next 4-year cycle, a 15% increase in USD terms versus the outlook we provided last year. This rise is largely a positive outcome reflecting some new, high quality, opportunities, and the acceleration or increase in scale of existing projects in the Upstream which also add to production beyond the plan dates. Finally, some of the spending relates to restoring underlying investment reduction forced by the 2020-21 pandemic. By way of comparison, our average Upstream capex over the 4-year period to 2026 is still over 10% down versus the US$ spend in 2019, the year before Covid. We anticipate 2023 capex will be around €9.5bn.

We continue to raise our ambition around low and zero carbon energy. We expect to spend around 25% of capex in this area over the planned period with 30% of the budget in 2026.

Active management of our portfolio will continue to play an important role in delivering our strategy. We expect to high-grade across the portfolio, rationalising the tail of non-core assets and countries, with more focus on the OECD, new energies and gas.

In addition to our 2022 dividend of 88c/share we repurchased 5.5% of shares in issuance for an average price of €12.3. This implies a total payout of 27% of our adjusted CFFO, entirely organically funded.

Our excellent financial and strategic progress provides scope to enhance and simplify our remuneration policy. Going forward we intend to distribute between 25%-30% of annual CFFO by way of a combination of dividend and share buyback. Expected underlying performance improvement and the buyback provides scope for the dividend to continue to rise in the coming years.

For 2023 we are proposing a dividend of €0.94/share a 7% increase on 2022. With our expectation for the scenario and the performance of the business we are also are announcing our intention to repurchase €2.2bn, equivalent to 4.5% of shares in issue at the current share price. Against our previous policy this represents a doubling of the buyback at the same scenario. In conditions that exceed our scenario we expect to apply 35% of incremental cashflow to additional buybacks.

We exited 2022 with the strongest balance sheet in our history. During 2022 we reduced debt including lease liabilities by €2.3bn and by €2bn ex-leases cutting leverage by 700 basis points.

Around 70% of our debt is long-term with an average duration of 5 years; over 85% of our long term debt has fixed interest, and over 75% is denominated in Euro.

We have transformed our financial tools: our new credit lines have been 100% sustainable-linked since 2021 and all our new senior bond issuance is 100% sustainable. In January we completed the highly successful placement of €2bn in 5-year sustainability-linked bonds to Italian retail investors. Our capital structure also contains €5bn of hybrid bonds and at year-end we held close to €20bn in cash, cash equivalents and other financial assets providing significant liquidity.

Crucially, this balance sheet flexibility combines with capex and distribution flexibility and a low breakeven to mean Eni can manage through the type of severe market volatility we experienced over 2020-22. Historically we have discussed target leverage of between 20-30%. In the Plan we anticipate continuing to be below the bottom end of that range at between 10-20% with actual outcomes dependent on investment timing and working capital needs.

To summarise our raised cashflow outlook is driven by contributions from all of the businesses. This funds a capital disciplined investment programme and will see us maintain a balance sheet with low gearing and high liquidity providing resilience and flexibility. Finally, we are significantly enhancing and simplifying our distribution policy.

With that I would like to turn back to Claudio for concluding remarks.

Thank you, Francesco. Now some insights on the key elements of our longer term strategy.

We will continue to grow Eni's value as we evolve the company, through our portfolio that gives us significant optionality. We see our upstream production growing through 2026 and then we expect it to plateau to 2030. We confirm that oil will decline in our mix and gas will continue to rise. Our Upstream Net Zero Scope 1+2 target by 2030 remains firm.

In biorefining, by 2030, we will reach more than 5Mn tonnes of capacity and in Renewables we will exceed 15GW. Plenitude's customer base will reach over 15Mn, while the number of charging points will have close to tripled.

CCS is a critical technology for our transition and we expect to see a strong growth reaching a gross capacity of more than 30Mn tonnes/year by 2030.

Moreover, fusion energy has the potential to be an accelerator in our transformation after 2030. From an emissions perspective we confirm Scope 1, 2 &3 reduction of 35% by 2030 versus 2018, enroute to an 80% reduction by 2040, reaching Net Zero by 2050.

To conclude: Eni remains focussed on tackling each of the challenges of the energy Trilemma – achieving environmental sustainability but also pursuing energy security and affordability.

Integration, diversification, speed, flexibility and technology are at the core of our actions, in terms of value growth and de-risking all our businesses.

To be able to face short and long term challenges, our capital allocation is and will be sustained by cash flow from our operations and by the satellite model, achieving a more appropriate evaluation of our businesses.

So, our excellent operational performance, coupled with financial results and strengthened financial position, allow us to enhance our distribution policy further to reward our shareholders.

With that I conclude my remarks and with Francesco and our top management team I look forward to answering your questions.

Q&A Session

Moderator
Jon Rigby, Head of Investor Relations & Strategic Analysis

Corporate Respondents
Claudio Descalzi, CEO
Francesco Gattei, CFO
Guido Brusco, Chief Operating Officer Natural Resources
Giuseppe Ricci, Chief Operating Officer Energy Evolution
Stefano Goberti, CEO Plenitude

JON RIGBY: All right. Curious to see these people from the other side of the fence. We're going to start with Q&A. As Francesco said, we have the top management team in the front rows. So we should be able to cope with any of the questions you have and feel free. So if we see hands up, maybe we start with Biraj.

BIRAJ BORKHATARIA, RBC CAPITAL MARKETS: Biraj Borkhataria, RBC. 2 questions, please. The first one is, when you look at your cash flow guidance, what are you assuming for windfall taxes within the overall frame for '23 and '24, I guess?
And then the second thing is specifically for 2023 Capex. Does that include the PBF refinery deal in the 9.5 bln or is that on top?

FRANCESCO GATTEI: Claudio?

CLAUDIO DESCALZI: So we talk about the windfall tax and then the rest.

FRANCESCO GATTEI: about the windfall taxes, clearly, we are considering substantially 3 countries where we are exposed to these taxes, Italy, U.K. and Germany. Germany, particularly for the downstream business. So in Italy, as we mentioned, we have €1 billion that was paid in 2022 and €500 million that are assumed in 2023. On Germany, substantially, we are expecting to pay something in the range of €150 million in 2024. This is because it's the way the taxes are calculated there.
In U.K., we have already paid around €100 million in 2022, and we are going to pay around €330 million this year. These are the assumptions. Clearly in the UK, there will be a continuous, let's say, windfall contribution during the 4-year plan. In Italy, we do not consider this during the plan. And clearly, in Germany, there is a rolling in ‘25 because this is calculated too. So that are the assumptions related to the windfall taxes.

About the acquisition of the biorefinery, the costs of the acquisition are included in the M&A net contribution. So, we are seeing that in the plan, we are assuming to have a positive contribution of €1 billion. We think that positive, there are different positive and negative, acquisitions and sales, and the costs related to the Capex are included in that because it is related also to the time of conclusion of the closing of the deal.

JON RIGBY: So I specifically asked before it started to ask you to stand up and say your name and your institution, which I then completely forgot about. So maybe for simplicity, Josh, let me get you.

JOSHUA STONE, BARCLAYS: It's Josh Stone here from Barclays. Thank you for having us in Rome, the warmer climate is much appreciated. Two questions, please.
Firstly, can you just help us understand? So, your Capex has gone up, but your production numbers in 2026 don't seem to be changing very much. So, is there a sort of amount of contingency that you're including in these numbers? Or is it how much of that production is coming beyond 2026 with the increased Capex?
And then second question on distributions. You've given a very helpful simplification of the policy, much appreciated. Can you just help us understand how you're thinking about dividends versus buybacks over the period? Do you have a particular cash dividend in mind? Will cash dividends continue to grow? Or will they stay stable?

CLAUDIO DESCALZI: About Capex increase, that is true. But you have to consider that we are coming from a period where we reduced our Capex in row of 35% in ‘20 and ‘21. So now we are recovering. We have good assets. And as you know that are big projects with a time to market of 3-4 years. So if you start investing now, you can’t expect to have production today. The production will be practically -- is increasing. There is an increase in production of some %, but that is linked to production optimization, is not linked to the investment that we are doing now to have production in 2, 3, 4 years. That is the reason. And we are coming from a period of underinvestment and that is a reaction after our good exploration discoveries.

FRANCESCO GATTEI: About the split between buyback and dividend. Clearly, we have also mentioned during the presentation that the intent is to continue to rise also the dividend policy. You have to consider that Eni has currently almost 7% of dividend yield. It is the highest in the sector. I think that continue to raise dividend without a contribution in terms of buyback that keep the overall, let's say, amount to be paid for the dividend relatively constant, will potentially be a risk for the volatility of the sector, for the volatility of the business.

Actually, we think that this balance between buyback and dividend is the most appropriate. It's an opportunity to buy the shares at a level of pricing that we consider extremely low. So I think that it's a good (for us) opportunity to buy the share at the current prices.
On the other side, we are able to raise the dividend with, I would say, a material step up as you've seen this year. But this will allow us also to keep this dividend, let's say, resilient even for lower scenario.
Just to give you a figure that is useful with this new dividend, the cash neutrality is in the range between $50 to $55 per barrel. So remember, last year, we were in the range of $43-45 per barrel. Now we have a $10 more, but clearly, because we have increased - there is no more base dividend - but substantially there is a double dividend versus that base.

JON RIGBY: Move over on this side. I'll go to Christyan first, if that's okay.

CHRISTYAN MALEK, JPMORGAN CHASE & CO: Christyan Malek from JPMorgan. First of all, I just want to congratulate you on an amazing journey in picking up all that gas across the world and focusing on your core business, something that I think is very unique in this sector.

And on that point, you've clearly shown that you're sticking to your corporate support in terms of investing in hydrocarbons. So my first question is, I'm sort of trying to triangulate your free cash flow outlook with quite a bullish oil price for you versus what you're incrementally spending. And it sorts of feels like it's a little bit light relative to what you could achieve. So with that in mind, with that 60 -- over 60% or 65% reduction in emissions. Is that what's costing you more to explore and produce these volumes? And why are you reducing your emissions by that amount in order to be able to deliver? Surely, you should be incrementally putting more dollars into growing your volumes with emissions coming down. But I'm just worried that the rent on having to sort of transition is eating away from your free cash flow. That's my first question.

The second question is your gas portfolio and the assumptions you're using in your gas price seems quite high for the next few years. And that's not the question. But what I'm trying to understand is, it's quite a diversified portfolio. You have an amazing position in the East Med. Why are you spending all those dollars to get Qatar volumes when you have such a great portfolio as it is? And I guess the actual question is, are you too diversified in your GGP portfolio? Should you not just stick to some core places where you've got great political capital and deliver that?

And the third sort of -- third question, apologies, is your energy transition.

CLAUDIO DESCALZI: Fourth question.

CHRISTYAN MALEK: This is 3 -- yes, 2, 3, 4. The last question is your transition. I just want to understand, are you focussing on your hydrocarbon business as the core to delivering free cash flow? Or are you trying to be everything to everybody with Plenitude? You seem to be in very -- a lot of different places. So I just want to understand what is your core strategy here over the next 5 to 7 years? You're clearly bullish oil. So how are you going to balance that? And what is the actual strategy?

CLAUDIO DESCALZI: So 4 questions that means another strategy presentation because I'm going to talk for 1 hour to answer to you. Well, thank you for the questions, fairly encompassing everything.

First of all, to talk about, okay, the investment in transition versus, against investing in the traditional oil and gas and the free cash flow impact. So the free cash flow impact is for now and you have to look at the overall leveraging because at the end of the day, you have to control your balance sheet, controlling what is the impact on your leverage. And you see that our leverage is going down during the 4-year plan, and we are reaching about 10% at the end. So that is, the 2023 is really something as I explained before, in terms of upstream Capex, then we are going to have a good free cash flow, and we are going down.

I don't think that there is conflict, and we explained during the strategic presentation, there is no conflict between the transition and growing upstream. It depends on how you organize yourself. Our strategy from the beginning, was to transform our company. And we started to transform our company and nobody pushed us to do that with our strategy. And we have remained firm on our strategy in the last 9 years. In our view, the company view, my view was to be able to deliver to all our customers, clean products. So that is the transformation. So we have to transform our refineries, our chemicals, our upstream. But to reach Scope 3, we have the chance to have customers. And the only way to reach the Scope 3 is through customers. We have more than 10 million, we go to 11 million, then 15 million customers. Then we have the supply, all the supply, the mobility.

And doing that, we can produce and create products that are really beneficial for the environment. And we mind about that, it's not just a fashion. We mind about that. Otherwise, we are going to destroy our company if, but we mind and personally and I think that is good for our company. So we diversified our business. 3 years ago, we were not so strong. 3 years ago, we had the upstream. Now we can increase our dividend. We can talk about a resilient, the robust dividend and buyback, so the all the remuneration, because we rely not just on one leg, big leg enormous leg, but just one. So you need really big leg to stand otherwise your center of gravity is outside and you -- you go down. I don't want to go down.

So now we have Gas and Power. Gas and Power is brilliant. It's doing very well because it's diversified and now I explain why it's doing well. And then we have refineries. We have marketing. We have the mobility, and we have the big business that is Plenitude that is not just renewable, Plenitude as I said, is very interesting and valuable mix of customers and renewables, every kind of renewables. So I think keeping in mind that we're transforming our company.

We talk about the gas diversification in your question. But when you diversify your business, you are reducing the risk, because we are diversifying on business that are quite less capital intensive than the upstream. There is no exploration risk. There is no development risk. There is no the production risk. These are risks that we love, it is our DNA. We can handle that, but we need also to rely on diversification. So less internal rate of return, not so less than upstream. The upstream now is 23%, 24%, 25%?

FRANCESCO GATTEI: It's 25% on the new projects.

CLAUDIO DESCALZI: But the other business are -- so the biorefining are ranging between 10% and 15%. And on the renewables we are on the full chain because we are in production, and then we sell and we have customers. We are between 6% and 8%. But are less risky and create diversification.

From a gas point of view, why Qatar? Because Qatar, in this case, I am not buying gas, I'm in the upstream, and I am in the marketing. So what I want, I want to be always along the value chain. You see in the refinery, I want to be in the upstream. I want to produce the vegetable oil because I don't want to be stuck in a situation where I don't find vegetable oils, palm oil is out and the costs are high and the transportation costs are high.

So I want to be in all our businesses in the value chain. That is the must of our company. And for the gas, Qatar is okay, because we are in the full value chain. Clearly, our strategy and if you remember, somebody remembers that 4 years ago, I said that I wantes to rely for our gas business on our upstream gas production because we have a huge amount of this gas discoveries. And that is the upside that the gas and power had last year and is going to have this year and in the future because we are along the value chain, is our gas. We don't rely on full negotiations with a producer [...]. Russia is as an example, maybe can happen again, somebody wants to change your price, change your contract or stop your production or sell to somebody else that is paying more also because there are short-term contracts, more short-term contracts than before. Maybe now it's going to change because we have an energy security program. So that are overall in brief the reasons.

JON RIGBY: We'll stay on here, maybe Oswald first, Amy then.

OSWALD C. CLINT, BERNSTEIN: Oswald Clint, Bernstein. Yes, I'd just like to ask about gas again. Your map is incredible of all the African locations, all the import terminals to Europe plus all of your equity gas. But a lot of those host governments are looking for higher pricing themselves, retain some of that rent back to the host country. Some Spanish or Portuguese companies, I think, have been renegotiating and losing, perhaps being on the losing side of the value that's accruing back to the host governments.

So I just want you to explain given your -- what we see, as very strong relationships, are you on the winning side as you have these deep legacy positions? Europe wants gas, you have gas all around the continent. But in terms of contracts, pricing, are you going in there and extracting a better outcome for shareholders?

And then secondly, on the biofuels, is there something we're missing here? Or maybe you can explain Kenya, Rwanda, I mean, what is it -- what's the cost of this feedstock? Whereas other companies are looking to procure their feedstock, they're looking to buy trading companies to procure this stuff. But are you doing something unique or special here with East Africa that could really give you a margin edge in biofuels relative to some of the competitors?

CLAUDIO DESCALZI: Okay. Thank you for this question because allows me to expand and elaborate on the strategy. As I said, our strategy is to run the car. I don't want to be run or managed by somebody else. And when you talk about gas and I have to go and renegotiate, renegotiate most of the time I have to renegotiate with myself. That is the reason why I want to be in the upstream, that is upside to be a utility from one side, but also an upstreamer from the other side. We didn't have a problem in Europe. We had problems, but we managed, and we created value instead of destroying value when the Russian gas disappeared because we are not just a utility. We are an upstreamer -- we have this gas.

When all the physical gas disappeared, with the hedging, with the margin calls with the banks, what happened to the others? Why did not happen to us that we were the first client of Russia, of Gazprom? Didn’t happen because we have our own gas.

So when I go to Algeria to negotiate, in this case, we can -- it's a good example because we sell to them, they sell to us, but we increased production drastically. We are investing in this country. I'm not a client, I'm a partner. I don't go there and knock to the door and say, like you can do with Qatar with the American LNG over the Russian, I want to buy gas. I don't do that because I'm producing this gas. That is the big difference without talking about Egypt or Libya or Congo or Mozambique, we made investments. We took risk in exploration. We gave value to these countries. It's not a matter of contract. It's a matter of investing before to run the car.

I'm not a passenger. I'm not somebody that goes and asks for something. We are discussing because we invest together, sometimes we invest 100 percent, as you know. So that is the first question.

And that is completely linked to the palm oil, vegetable oil. Here is even simpler because most of these countries are also upstream countries. And you know that upstream is very nice. It can give a lot of royalties, taxes, but it's not labor-intensive. We have the opportunity to combine with the agriculture to really give something that is labor-intensive and give a diversification from a job point of view.

So, we went back for 1 year in 7 countries talking about these projects. Kenya was the first one because the culture of farmers, they have a lot farmers, they know so for that reason, they have been the first to deliver oil. We start saying, okay, we have biorefineries. We want to go away from palm oil. We have selected some special seeds, in this case is castor oil because it's faster and can grow also in marginal field or without water. We went there and said we need land, not our land, we need agriculture -- farmers. In some countries there are farmers, in other countries, in the last couple of years, we trained them. And with Rwanda and with Italy, we trained them and with the university we selected the seed - that happened before with the test in Tunisia. And just to give you an example, the average size is between -- I'm talking about land 150,000-200,000 hectares. That means that you employ about 90,000 families. You can imagine, 90,000 families. And that is in 7 country, and we want to expand.

So there is this reason that is very strong because it gives us more solidity, and we are more robust in the country, more recognized and we are investing and bringing some new stuff. But the other thing is like gas. During COVID, we had problem to feed our biorefineries because palm oil came from very far, disruption, transportation issue, the seeds -- so they couldn't deliver and the price was very high for the few barrels or vegetable oil and the refinery didn't do well. So now with this kind of our strategy, we have, in our hand, all these primary source that is vegetable oil. And there are no conditions, is ours, we are everything in these countries. So we create big advantage for Africa, but big advantage for the solidity and the value of our entire chain.

JON RIGBY: I think it's fair. We'll go into more of that in the breakout session as well. So I'm going to Amy and then Irene, I think, had a hand up as well. Then I'll come back over here.

AMY WONG, CREDIT SUISSE: It's Amy Wong from Credit Suisse. And thanks for the insight into your gas strategy. I'm just going to flip it over to Francesco on the financial side. I've noticed you've reintroduced your sensitivity to the gas price in the upstream division. Could you talk a bit more about how we should read that piece of sensitivity, thinking about the mix in the portfolio and some of the moving parts on the profitability of your upstream portfolio?

FRANCESCO GATTEI: I think that you have seen that we have in the attachment the sensitivity that is €150 million for each 1$/mmbtu. You have to consider that we have 20% of the overall volume that are exposed to the spot pricing. There is a 40% that is related to the oil linked and 40% that is related to the fixed formula or mechanism that are specifically focused on the country, very particularly certain domestic sales that we have in African countries. So that is the mix in terms of our upstream sales.

JON RIGBY: Irene.

IRENE HIMONA, SOCIETE GENERALE: It's Irene Himona with Societe Generale. Congratulations, not just for the numbers, but for also managing the Russian crisis. First question on the Plenitude IPO, if you can perhaps update us as to whether there is a Plan B to sell to an industrial partner or whether you will be revisiting the IPO when the market allows?

And secondly, if I can go back to the new distribution policy, a payout out of CFFO, which is very useful. Is there any way we can link to the previous framework? In other words, how should I think about what happens to the dividend per share at the bottom of the cycle as and when the oil price corrects? Is there any way we can gauge that?

CLAUDIO DESCALZI: I talk about Plenitude you talk about dividend.

FRANCESCO GATTEI: Okay. I reply about the distribution policy. Historically, Eni has paid in the range between 25-30%. We paid this 25-30% of the cash flow from operation with different formulas. So sometimes was stated or declared just the dividend. Sometimes we had the buyback. In other cases, in the recent times, we have linked this to the mechanism that we have seen since 2020. At the bottom of the cycle, substantially the idea of having this CFFO mechanism is just to follow eventually the downturn. So if there is, for example, in the coming year another crisis, there will be the possibility to reduce, confirming the range between 25% to 30%, clearly will depend when this crisis will occur, how long will last. And also, which is the balance sheet at the time it will happen.

But at the end of the day, what is the opportunity, is that you will modulate the company, first of all, to absorb with all the other tools, cost, Capex, balance sheet, slowing down the buyback and eventually in case of crisis moving all the distribution just on the dividend. So substantially, 25-30% is the basis -- is the ground floor for distribution, clearly will depend on the CFFO of that time. In case of downturn, the dividend will be the dominant part of the distribution.

CLAUDIO DESCALZI: So for Plenitude. So we don't have a Plan A, Plan B. We have just a Plan A and Plan A. Why? Because our intention is to get some value from this company. There is no alternative. We can go to IPO. We can sell to a strategic partner, we can do both. So go to a strategic partner and go to IPO. Clearly, the IPO is still a possibility. It depends on the market. Strategic partner also, at the very beginning was a possibility, but we can do both. So it's not the real target, the real target is to extract value from Plenitude.

JON RIGBY: Let me come over this side because I've been ignoring you. So Martin first.

MARTIJN RATS, MORGAN STANLEY: It's Martijn Rats from Morgan Stanley. I have a few. The first one, I just want to clarify, Biraj's question because I didn't quite sort of got the comment on the Capex. The Capex guidance is sort of €9.5 billion a year over the 4-year plan. And this sort of €800/900 million sorry, dollars for the PBF deal. Is that in the sort of 9.5 or is that not in the 9.5? Because you said it was in the M&A line I was a little confused by that.

FRANCESCO GATTEI: It is in the M&A activity. You know that Capex are Capex, then there is a cash flow contribution that is related to M&A. The cash flow contribution could be positive or negative, if you do - summing up all the operations that you do - more sales versus acquisition or vice versa. The acquisition related - all the spending related to the biorefinery in U.S. - is in this line that contributed to the free cash flow, it is not in the Capex. Capex in our share is just in the range of €350 million, that are the Capex that will be paid according with this deal. And this is part of the overall contribution that we are accounting for that acquisition. So instead of having a split between the Capex and the consideration, we put all the consideration, including Capex in the bottom line, contributing to the free cash flow from extraordinary, inorganic operation through the M&A activity.

CLAUDIO DESCALZI: It's not clear? It's clear. Because your face is not happy.

FRANCESCO GATTEI: I tell you one thing that is clear. If the closing will occur after the Capex are suspended, what you will do? You have to make an assumption that the closing will occur before this €300 million are not yet paid. If the closing will occur later, what you will do is that you will pay an higher consideration because you have substantially reimbursed to the seller also the Capex level, also the Capex amount. For this reason is not -- I do not understand what is such issue about the €300 million of capex.

CLAUDIO DESCALZI: I think that -- I don't know, maybe you are saying two different stuff. The question was very easy. The question at the very beginning, your question was complicated. But I understood the first one. No, sorry, I'm joking clearly.

No, the question was, is the Capex for the development of this refinery inside our plan. I'm going to answer to you to understand if I'm correct. This plant is finished. So what they spent, the Capex, are included in the consideration because there is no other additional Capex looking forward, because it's going to start. That is the answer.

MARTIJN RATS: And it's all in M&A.

CLAUDIO DESCALZI: Is this answer clear?

MARTIJN RATS: No, no, I think mostly go there. All right. Wonderful. Well, the other 2 I wanted to ask. In all the presentations from several of your peers, there's quite -- there's often a lot of focus on hydrogen. But in your plan, there seems to be less hydrogen. Now that's not a statement.

CLAUDIO DESCALZI: There is not enough hydrogen you are saying. There is not enough hydrogen inside.

MARTIJN RATS: No, this is not a statement of this is either right or wrong. But I was wondering, you probably have given it an awful lot of thought. And I was wondering if you could speak a bit about.

CLAUDIO DESCALZI: No, I can talk hours about hydrogen. Yes. I can talk a lot about hydrogen, yes. But I decided not to put in this presentation, it was already too long. But if you want, we can talk about that. You understand my feeling about it.

MARTIJN RATS: I think you can say a few words about it.

CLAUDIO DESCALZI: You understand my feeling about it, about hydrogen. Your question is why you didn't put hydrogen -- enough hydrogen in your presentation?

MARTIJN RATS: Yes, there are no grand statements about, we want to be 10% of the market or like that type of stuff. I mean that -- and so.

CLAUDIO DESCALZI: No, I can answer immediate about hydrogen. So we are the first producer and the first consumer of hydrogen in Italy. And because it's clearly now worldwide, we have ammonia 50% and refining 50% that are the big market of hydrogen. We started a few years ago to work on blue - try to sell blue hydrogen, contracting because we are now starting the CCS project. We didn't find customers. In the region of North Italy, we tried to sell blue hydrogen just to create a breakthrough, break ice, and then go to the green hydrogen when the costs are affordable. We didn't find clients. There is no demand. We have demand in ammonia, we have demand in refineries, but the green hydrogen is too expensive.

So we tried to find them what they asked us, yes, we can move to hydrogen if you participate to our investment to transform our industrial processes. To use new materials, to use new valves because it's very - the molecule - is very small. So that was the first approach 2 or 3 years ago. We didn't find demand. So if there is no demand, and there is no incentive, and I'm start investing in hydrogen, you ask me why you are investing in something where there is no demand. That is the first question. I don't want that you ask me that. So I didn't do.

What we are doing on hydrogen are 2 things. First of all, I believe hydrogen is good for electricity. Mobility, we are the only one that opened new station, filling station for hydrogen. We have one done. We are performing a second one. We have just 6 cars of hydrogen in Italy, Toyota, but are just pilot test, so not a lot, out of 50 million, 6 is not a lot. But we are just testing to be ready. And we have 2 projects in the south of Italy, real project of green hydrogen for our refinery of Taranto and our refinery of Gela. One is the biorefinery, the other one is traditional one. The costs at the moment are quite high in terms of euro per kilo, 3, 4, 5x more. We are testing to understand if through technology, we can improve it. And that is the issue.

Second one, for hydrogen, you need a lot of water. You need a lot of water, distilled water. The ratio is 1:10. So for 1 kilo or 1 tonne of hydrogen, you need 9-10 kilos or tonne of distilled water. So you have to understand where you can do that. What is the cost of water that is another very rare source. We are working on it, in this update to our strategy, we prefer to talk about business that today and tomorrow, means '23, '24 can give returns. That are still under study under consideration. There are a lot of talks. You're right.

But from the very beginning, you know us, I'm not following fashion, and not following trend. We have our strategy, we are strict on our strategy. We start with dual exploration, everybody said: what is that? It's stupid. We didn't want to go to Shale oil, Shale gas and everybody was there. We have our strategy, and we want to be very practical on that. We want to make money, respecting the environment. And when we are starting something we don't talk about we study and when we are ready, we can introduce and present to you.

MARTIJN RATS: That is extremely clear and my final question I wanted to ask very briefly if you could give your reflections on the European gas market. I mean the changes in the European gas market have been phenomenal over the last couple of months. Demand has declined a lot, energy imports -- I am surprised. I was wondering where you think the market will go next?

CLAUDIO DESCALZI: So you're talking about the gas market. No, I think that the price is just an effect of the shock of the Russian gas and the possible impact of this missing Russian gas on the energy security for this winter. So everybody was scared that we were not able to fill our storage. Then storage full, storage now is 64%, 65% on average in Italy and Europe is the same. There are -- I think that we are going to finish this winter period with our storages that are the double level over the last year. So good level.

So, all these stuff bring the market to a lower price. And Germany and Holland, they brought inside regasification plant, so they took a strong choice. So they have the infrastructure, before they didn't have that. In terms of South, I think that we are connected, we have pipes. Now we have regasification facilities. But in any case, we have gas. Gas alone is not enough. We need also to be able to receive and use it.

Spain has no problems. We have a new situation where the market thinks that until the next winter, we are in a safe situation. What can happen? We monitor every day and everybody is monitoring what happen in March, April, June, July. If you are in the condition, we have all the infrastructure, and we have all the gas - for the North is coming just from the U.S. mainly - to fill our storage. That is a more critical issue because last year, we had Russian gas, 80% of Russian gas until July. And then drop down drastically. But this -- I think, for us, for Italy is about 17 billion BCM that we don't have this year.

How we are replacing it? We are replacing from our side, from Eni side, for our customers we don't have a problem. We need a regasification facility in Piombino. Absolutely that is mandatory. Otherwise, we are not able to send gas to Italy. But I think that the situation will be volatile, less volatile than 2022, for a couple of years to understand if the infrastructure plus the additional gas are there.

Infrastructure is not a problem. The additional gas could be a problem, because there are no big new projects. So for companies that don't have the upstream, the gas reserves and the possibility to ship gas that would be an issue. So I think that for a couple of years, we have to monitor these things. And after that, if everything is okay, we are in a safe situation, and we can go maybe not to the price of before - because it's not easy because we have investment to recover, we have new investments on gas, new investment in infrastructures, a lot of new investments that we have to recover. That for a while doesn't allow to go back to the price of before. But this price is already very good, 5x less than what we experienced in August.

JON RIGBY: I'm going to Alessandro then Massimo and then I think I might go to the telephone after that just to be fair, and then I'll come back to you guys.

ALESSANDRO POZZI MEDIOBANCA: Alessandro Pozzi from Mediobanca. I have a couple of easier questions. The first, on the production, so this year, I think you've given a 3% to 4% CAGR guidance. I was wondering if you can maybe share us your assumptions around the 4%, what we need to see to get to the 4% of CAGR by 2026? But also, I was curious to know how you think about production going into next decade. We've seen the share of the gas, of course, going up to 40% to 60%. And I was wondering, is this just a function of the overall production coming down? Or are you actually seeing a growing production as well into next decade? I'm asking this because when you give the target of new resources, 2.2 million barrels, I think equates to 1.5 million barrels of oil a day, which is quite a bit below your current guidance. But probably you will find those barrels at some point anyway. So that is the first question.

The second question is on the opportunity of decarbonization. I think CCS is in the short term, medium term is key for decarbonizing. You have taken FID on Ravenna, at the end of last year. We are seeing the cost of CO_2 going up to €100 per ton, and I'm sure that makes sense from an economic point of view. So I was wondering if you can give us an update on the costs associated to Ravenna? And that's the second question A, second question B

CLAUDIO DESCALZI: He is Italian, he is very smart

ALESSANDRO POZZI: The Net Zero development in Baleine can be applied to other oil developments across Africa or elsewhere?

CLAUDIO DESCALZI: So Guido is going to talk about the production and also about the net zero project for the future. I want just to answer about the gas ratio and what I see for the future of the gas role in the next decade.

GUIDO BRUSCO: So the production growth is underpinned by our high-quality projects that you have seen in the presentation, namely the project in Libya in Congo, in Ivory Coast and many others that we can drill down in the breakout session, if you like. And 75% of this new production coming in 2026 it's from project already under execution. And the remaining 25% are projects - on which a decision will be taken this year. That gives you how solid is this growth. We also build in some contingency that could give further growth at 2026 and beyond that. On the net zero, clearly, it's a model that can be replicated elsewhere. And we are already looking at other projects targeting the net zero for Scope 1 and 2 for the upstream. So I can hand over to Claudio.

CLAUDIO DESCALZI: Yes. Thank you. So gas and then CCS. For gas, what I think for gas over the next decade, is clearly the only hydrocarbon that can accompany the transition in a very robust way. And talking about gas and what we experienced in the last 4 or 5 years, we remarked that there is a mismatch between what we think about supply and the demand. If you look at in Europe, in the last 20 years, the gas demand is inelastic, in Italy as well. We are talking always about around 400 billion cubic meter per year (UE 27). But if we - and that from 2000. But if you look at worldwide, in 2000, the worldwide demand was 2,000 BCM per year. And today, 4,200 BCM per year. So it's more than doubled. I think that we have to be realistic. If something that 3, 4, 5 years ago, we said that it was going to disappear. In 2005, 2006, we thought that, demand in Europe should have been about 250 billion, it's 400 billion. So I think that we are in front of something that we have to understand in a better way. So we have to realize that gas is there now it is also in the taxonomy - is marginally in the taxonomy.

Now, the gas is there and the demand is there. And we are in this situation because we thought that the gas, we can avoid to use gas. So gas is there. There is a strong demand for that reason, we continue to invest in gas. We think that we have to be there. Otherwise, it's a question of energy security. From the other side, we have to be able to capture, reduce the emissions, develop project with Scope 1 and 2 net zero. And CCS is for -- is not clearly for the upstream gas production, CCS is for the hard to abate and for the power plant that use gas intensively. And this price is quite interesting, but also €80 per tonne was very high. I've talked about the ETS.

Now if you look at the transportation and storage, our projects - that are very optimized - now are about between €15 and €17 per tonne. That is for the transportation and storage. Then we have the capture. On the capture, it's a matter of R&D. We capture this year. So we capture CO_2 through in our downstream, in our upstream with ammine. But that is very energy consuming.

It depends where, if you capture in a steam reformer, you capture in chimney and the percentage of CO_2, it can be much less. So it can go from €30 to €50 per tonne, the overall can range between €40 to €70 overall, without any optimization in capturing the CO_2. So we are in a good range. And a range now that is in taxonomy is going to be -- we can receive incentives. Because we cannot shut down an ammonia. We cannot shut down a cement, we cannot shut down refineries. We have to continue. So I think that is useful and could be a business. For that reason, we are accelerating, and we are the first now in U.K. to develop. We have 2 there. We have one in Libya, we have in Abu Dhabi. So we are expanding this business. We have from one side, we have gas, and we believe in gas because we have strong evidence. It's not just a dream, and we believe in the need to capture the CO_2.

JON RIGBY: Massimo.

MASSIMO BONISOLI, EQUITA: Massimo Bonisoli from Equita. Another question on gas, sorry. You mentioned before of the 20 BCM, you are substituting from Russia, 9 will come from pipe and 11 from basically liquefaction. So this is happening in a very short period of time, basically 2, 3 years. Do you need the infrastructure bottlenecks in Italy and Europe to be solved to realize the value of the project you have put in place across the Mediterranean and the rest of your gas portfolio to realize the value of those projects basically?

And the second question is on M&A for Francesco. You mentioned the positive contribution from M&A in the Capex plan. Did you include also the divestment of Plenitude of a minority stake of Plenitude and maybe sustainable mobility in that plan?

CLAUDIO DESCALZI: So for gas, the 20 BCM, we have pipes - pipes are there. So there is no problem. We have upside potential upside spare capacity from Libya. The only bottleneck for the 20 BCM is the regasification capacity in Italy. That's all. Clearly, it's not -- so it's a problem for Italy, but if you are not -- I'm talking about our shareholders, clearly, I'm going to do all my best to sell here. But if I'm not able to sell here I will sell this cargo somewhere else, so it's not something that we are going to lose as a value, but we have to push to get - to have this otherwise, Italy is going to have a problem.

For Europe, I think that with the acquisition that Germany, Holland did, the only things to do, if you want to talk about single market is not just policy North - than we need it, but we need also to connect Europe. Europe is not -- there are a lot of pipelines and not connected. So I think that to reduce further the gas price that is a question of volume and availability of gas is not just the regasification capacity, but there's also a connection and pipe in Europe. In Italy, we need to invest in infrastructure, pipes and connection if you want to become real hub, South North supplier. Otherwise, for us, we are in a quite a good situation.

FRANCESCO GATTEI: About the M&A, yes, the answer is yes, we have clearly a plan of reshuffle of the portfolio, taking into account clearly of synergic opportunity on one side to reduce our exposure in certain countries, in certain tail assets and clearly monetize and valorize the business combination, not only the business combinations, but mainly this new entities that we are building on and we would like to unlock in front of the market. So in our plan, there is an assumption of partial dilution that could occur through an IPO, or through strategic partnership, as was mentioned for both of these businesses.

JON RIGBY: I'm going to -- I'm conscious we've had some calls waiting on the line. So maybe if we can take 2 of the telephone lines, if they're still there and waiting?

OPERATOR: The first question is from Karen Kostanian of Bank of America.

KAREN KOSTANIAN, BOFA: I just have one clarifying question on Slide 29 here, you're talking about flexibility designed into the upside to buyback. Does it mean that if oil prices go above $85 per barrel, then 35% of that is going to be - of any CFFO generated - is going to be distributed to shareholders? Does it mean that you're migrating from 25% to 30% of CFFO payout to 35% above $85 per barrel? Am I understanding that correctly? Or am I missing something?

FRANCESCO GATTEI: Yes. The answer is yes. First of all, our distribution policy, it is designed now with €0.94/share and the €2.2 billion of buyback is equivalent to a 30% distribution of CFFO. So we put - we designed this 2023 distribution at the top of the range. If there will be improvement, that could be improvement from operational performance and the scenario point of view, this additional cash flow from operation that will be generated will be distributed at 35%. It means that the overall distribution will grow in excess of the 30%.

JON RIGBY: Could we just take another one.

KAREN KOSTANIAN: And so what should be the threshold, sorry. Can you clarify what should be the threshold for us to think about the oil price or the CFFO as a threshold for the 35% payout.

FRANCESCO GATTEI: The threshold is €3.5 billion that is included in the press release. Substantially, we

have a €2.2 billion that is the starting point. If the upside will be favorable, we can reach up to €3.5 billion. Just to give you a sense of this, which kind of scenario of oil will imply it will be a range, a scenario of Brent in the range of $120.
OPERATOR: The next question is from the call is from Henry Tarr of Berenberg.

HENRY TARR, BERENBERG: 2 quick ones. Just one on inflation. And where are you seeing it come through, particularly across the value chain would be great. And then secondly, on the balance sheet, you obviously have a strong position today, more value to be released from Plenitude, etc. Are there any areas where you might look to add inorganically potentially sort of renewables pipeline? Or would you be open to deals in the oil space?

FRANCESCO GATTEI: About this -- clearly, we are monitoring the market, as we mentioned. So we have already moved the last year. As we've seen a number of acquisitions related to Plenitude, related to the sustainable mobility, as we have seen, also related to upstream. We are now getting closer to the conclusion of the deal that we struck with BP related to Algeria. So we continue to have this opportunistic approach to potential M&A. Clearly, on the other side, we continue also to balance this acquisition mode with disposals. So that you will continue to see, let's say, a balanced approach towards M&A. I think that on inflation we will ..

CLAUDIO DESCALZI: Finish.

STEFANO GOBERTI: You said everything.

CLAUDIO DESCALZI: And you have anything to say?

STEFANO GOBERTI: No, no, I can add something. Clearly, on Plenitude for sure, grazie Claudio. On Plenitude, we are growing organically in terms of clients and in terms of EV charging points. So our targets to 2025 are all organic. Of course, opportunistic occasions will be monitored and eventually captured. Instead on the renewable power plant, we have, of course, included in the plan, small other acquisitions to maintain our target to 2025.

FRANCESCO GATTEI: On the inflation.

STEFANO GOBERTI: Okay. On the inflation side, inflation, of course, is in our number. Inflation has hit on 2022. But today, now, we already see the peak of the inflation. In fact, the recent run of bid exercise for acquisition of panel, solar panel, all shown that these have dramatically reduce. So we have noticed from October to now a very good decrease in prices and also the availability of kits of products is there. In 2021, the solar capacity production plan, the panel was 200 gigawatts. 2022 expected 300 gigawatt of production capacity. So also in this case, inflation should reduce.

OPERATOR: The final question from the conference call is from Michele Della Vigna of Goldman Sachs.

MICHELE DELLA VIGNA, GOLDMAN SACHS: I will be very brief and sorry for not being there for this brilliant event I'm stuck at home with a cold. My question really is on bioenergy. I was wondering if you could isolate the EBITDA that you plan to make in bioenergy in '23 and how that evolves to the end of your plan? And also to highlight whether you see some opportunities in biogas. You're clearly creating a really strong value chain across the liquid side, but I was wondering if biogas also becomes an interesting opportunity for you?

CLAUDIO DESCALZI: The question is for the split between of the 2. So sorry, Michele, we are just checking the figures. So when you are ready, you can answer, Pino. When you get cold, you make very nasty questions.

GIUSEPPE RICCI: No, the contribution to the EBIT of the bio-production grows very, very much 3-4 times in the plan. And this is because we expect to put in operation all the new capacity, reaching 3 million tons per year by 2025 versus 1.2 of today and also because of the increase of the margin. About the biomethane, our plan is to convert all the biogas production plant that we have, 22 plants. One is just in operation to produce more than 50 million cubic meter per year. Plus some new acquisition in order to reach the final target of 200 million cubic meter per year.

JON RIGBY: And Michele, on the EBITDA guidance for bio, we'll come back to you on that. I think you spotted as a 26 guidance, but we can talk you through some of the evolution of that off-line. If Henri can promise me, this is a very short one, then we'll make this the last question. No multipart questions, please, Henri.

HENRI PATRICOT, UBS : First one is a simple clarification for Francesco. Just on the shareholder returns for 2023, specifically to the downside, the €2.2 billion, are you committed to that? Or should we still consider the 25% to 30% in a weaker macro environment?

HENRI PATRICOT : I have another quick one.

FRANCESCO GATTEI: Multiple is forbidden.

HENRI PATRICOT: On biofuels and the deal in the U.S., not Capex, but just more fundamentally in terms of the rationale for you to enter the U.S. market, where I do see some growth potential, but it's also a very competitive market. So why do you feel to enter the U.S. and what does Eni bring the asset?

FRANCESCO GATTEI: About the €2.2 billion of buyback, this plan that, as we mentioned, could be raised according with the upside is a commitment for the execution in a period of time that will be clearly approved once the AGM will approve. So, the start will come in May and it will last for 18 months, so substantially for 1.5 years. Clearly, you have the opportunity to buy back such amount according with that period, fast-tracking eventually the first months, in the first period, if the price is supportive or eventually extending this time if you will need to prolong longer than the 12 months to reach the 18-month that is the maximum time.

CLAUDIO DESCALZI: Okay. So for the U.S., why we entered the market first and there is competition -- first of all there is no big competition on the biofuel, especially on our kind of biofuel and biojets because we are, not without competition, but we are, I think, in terms of quality, the best -- we have the best product. The demand is growing. It's growing a lot and there a lot of states that are asking for biofuel. Sometimes we have to send biofuel there and to north of Europe.

So there is a big market. And there aren't many competitors on these kind of products. So there is a huge space, there is room to grow. And we have also incentives. Now the U.S. market is quite attractive. And so we are investing 50% of our renewable there. And we have a base and we are in Houston, Washington, we are in New York. So we have a structure. We have people, and we know the market very well. So that are all elements that push us to start also these new initiatives in the U.S.

And the last point is that we are using our technology ecofining that make us much more comfortable about the operation. And we are the only one that tested this technology in the last 7 years, and we modified the technology to increase the supply, so the feedstock supply.

JON RIGBY: Thank you. So, I'm going to have to stop it there because we're at a hard deadline. I know there was a few others who had questions. I apologize, we'll try and follow up as best we can. So we're going to stop now. There's a break. Then we have the full breakout sessions, which I think will also deep dive into a number of the questions you've had here around the strategy and the business performance. 2 other things, there's the R&D lab at the back past the small electric cars. You can sit in the electric cars, but you can't drive them away. And there's the Metaverse out in the tents out at the back, which I very much encourage you to go and use. I guarantee it doesn't hurt and you will come out unscathed. But it's well worth it. I think you'll find it a fantastic experience.

CLAUDIO DESCALZI: Before they write.

JON RIGBY: So yes. Claudio says depends on the report that you will write later on. But with that, thank you very much for your interesting questions, and we look forward to engaging you both with you through the breakouts, through the food at the back and then obviously at dinner tonight. Thank you very much.

CLAUDIO DESCALZI: Thank you.