eni’s upstream model – the key to business development

Claudio Descalzi

13 May 2013

eni.com
exploration & production: a global presence

2005: 30 countries

2007: 34 countries

2012: 43 countries

2012 production 1,701 kboed

- 55% Africa
- 22% Europe
- 14% Asia
- 7% America
- 2% Others
**e&p: we apply our unique model throughout the business**

### Business Activities

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### Being local: unique model for local relationships
- eni model for resource access
- local content and training
- developing power for local communities
- local community investment

### Deployment of in-house competences
- innovative approach to exploration
- in-sourcing project management to better control project delivery
- strong competences on reservoir management and maintenance

### Mitigation of costs and operating risk
- asset selection
  - focus on conventional
  - rigorous screening
- design and development focused on risk prevention
- improving safety, asset integrity and cost efficiency
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access to resources through strategic partnership

- Prepared to invest with a long-term view
- Projects tailor-made to country requirements
- Strong stakeholder engagement

**2012 production**

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<tr>
<th>Company</th>
<th>Production</th>
</tr>
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<tbody>
<tr>
<td>kboed</td>
<td>924</td>
</tr>
<tr>
<td>TOTAL</td>
<td>713</td>
</tr>
<tr>
<td>ExxonMobil</td>
<td>490</td>
</tr>
<tr>
<td>Shell</td>
<td>451</td>
</tr>
<tr>
<td>ConocoPhillips</td>
<td>304</td>
</tr>
<tr>
<td>eni</td>
<td>94</td>
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largest IOC in Africa
developing local staff and businesses

**local employees***

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<tr>
<th>Number</th>
<th>2002</th>
<th>2012</th>
</tr>
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<tbody>
<tr>
<td>2,898</td>
<td>4,613</td>
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59% increase from 2002 to 2012

**local managers***

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<th>Number</th>
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<th>2012</th>
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<tr>
<td>200</td>
<td>1,198</td>
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~500% increase from 2002 to 2012

**local procurement**

<table>
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<th>Continent</th>
<th>2012</th>
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<tr>
<td>Africa</td>
<td>90%</td>
</tr>
<tr>
<td>Asia</td>
<td>98%</td>
</tr>
<tr>
<td>Egypt</td>
<td>73%</td>
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Africa and Asia

- 6,650 suppliers
- €10.5 bn procurement

* Consolidated E&P subsidiaries only

** Analysis based on the Country of Registration of the Legal Entity each contract has been assigned to
First IOC to invest in power generation in Africa using associated gas

- Major power generator: 4 plants in Congo and Nigeria serving up to 13 million people
  - 60% of Congolese electrical production
  - 20% of Nigerian electrical production

- MoUs for new power projects in Angola

- Further potential in Mozambique

access to energy for development
managing assets to reduce environmental impact

Gas flaring

MSm3/d

Flaring intensity

zero flaring by 2017
being local: a driver of eni’s development

- Africa to underpin eni’s long-term production growth
- Production growth ensured by a strong pipeline of projects
- African projects average IRR >20%
- Upside potential from further exploration

building on a strong history and competitive position
**e&p: we apply our unique model throughout the business**

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deployment of in-house competences

**exploration**
- Leverage on geological knowledge of core plays
- Centralized ranking and opportunity selection
- Focus on near field exploration, fast track appraisals
- Retain key knowledge owners
- Investment in specific R&D

**development**
- In-sourcing of core competences
- New project management model
- Stronger construction & commissioning department
- Modularization of major supplies

**asset management**
- Strong central functions for production, maintenance, reservoir management
- Specific performance enhancement programs
- Detailed programs to minimize down-time
- Direct control of maintenance activities

**strong focus on training, development, knowledge management**
deployment of in-house competences: our results

**Exploration**
- **bln boe**
  - 7.5
  - 3.2

**Development**
- **kboed**
  - 2012: 1,701
  - 2016: >2,000
  - >700 from new projects

**Asset Management**
- 4% decline rate
- 43% average recovery on oil fields
- Excellent efficiency in operated assets

- **% operated downtime**
  - 2011: 3.5%
  - 2012: 2.7%

- **% non operated downtime**
  - 2011: 8.8%
  - 2012: 9.5%
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de-risking growth through the selection of conventional assets

- Production will continue to be mainly conventional
  - 85% of production onshore or shallow water in 2016
  - Deepwater exposure 15% in 2016

- Increased operatorship:
  - Competences & know how
  - Enforcement of technical & HSE standards
  - Cost efficiency
  - Organizational unit dedicated to non-operated assets
major drilling incidents - prevention strategy

**Processes**
- critical* wells operated by eni
  - headquarter real time operations monitoring
  - on site eni’s supervisors

**Technology**
- ‘dual barrier’ policy always in place
- portfolio of proprietary and distinctive technologies to enhance safety & performance

**Supply chain**
- ‘vendors feedback process’ captured in the bidding evaluation phase
- HSE performance based contract strategy for well construction

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<th>Volume Reduction: 36%</th>
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**Conventional vs Lean Profile**

* HP/HT, deep – ultra deep water and environmentally sensitive areas
managing assets to mitigate oil-spill risks: new technologies

Cube TM
- eni patented system for capturing a subsea oil spill

Clean Sea
- innovative underwater robotic system for asset integrity, environmental monitoring
solutions for sensitive areas: Goliat in the Barents Sea

**Technology**
- New concept rounded FPSO
- Use of new monitoring technology
- New and improved oil-spill equipment

**Additional safety features**
- Mechanical recovery and dispersion from standby and supply vessels
- New operational concepts for coastline
- Stakeholder role in response plan

**Designed to minimise impact**
- Use of onshore power to minimise CO₂ emissions
- Reinjection of produced water
case study: bunkering in Nigeria

Number of events

online reporting of all spill events by 2014
bunkering in Nigeria: the environmental impact of illegal refineries
eni actions: suspending production

- Bayelsa bunkering losses reached 60% of total production
- unsustainable level both on personal safety and damage to environment
- March 22nd: eni declared force majeure closing the activities in the Swamp Area, in Bayelsa State

[Map showing Swamp area with markers for sabotage and illegal bunkering spills, and operational control.]
oil spill prevention & remediation

**technologies**

- Fibre-optic distributed acoustic sensing
- Satellite imaging
- Chemicals and plugging materials
- Pressure monitoring systems

**asset integrity**

- Increased collaboration with local authorities and communities
- Investments in asset integrity
- Modified Carry Agreement to sustain planned projects

**remediation**

- Upgrading oil spill management system for rapid reaction
- Effective remediation and clean-up certified against international standards
- Pilot test of alternative remediation technology ready to be finalized by 2013
operational results: safety and efficiency

**safety**

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<tr>
<td>company</td>
<td>1.76</td>
<td>0.51</td>
<td>0.32</td>
</tr>
<tr>
<td>contractor</td>
<td>1.84</td>
<td>1.04</td>
<td>0.88</td>
</tr>
<tr>
<td>global</td>
<td>1.82</td>
<td>0.91</td>
<td>0.73</td>
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<th>ZERO blow-outs</th>
<th>2005-09</th>
<th>2010-11</th>
<th>2012</th>
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<td>Blow-out frequency (per thousand)</td>
<td>293</td>
<td>307</td>
<td>320</td>
</tr>
<tr>
<td>avg drilled operated wells per year</td>
<td></td>
<td></td>
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**efficiency**

<table>
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<tr>
<th>$/bbl</th>
<th>08-10</th>
<th>09-11</th>
<th>10-12</th>
<th>13-16E</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>5.8</td>
<td>6.4</td>
<td>6.8</td>
<td>7.9</td>
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Industry-leading low opex

- Focus on conventional assets
- Safety processes part of efficient management systems

* n. of Total Recordable Incidents/Min of worked hours
** XOM, CVX, COP, BP, RDS, TOT, eni. Company data and Wood Mackenzie
conclusions: the benefits of our distinctive approach

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### 2013-2016 strategic plan

- 1bn boe/yr of new discoveries
- Unit exploration cost of $2/boe
- Proved Reserves Replacement Ratio >130%
- Production growth CAGR >4% to 2016 and >3% to 2022
- Internal Rate of Return of new projects around 20%

Strategic plan price deck: 90$bbl 2013-2016 +2%/year afterwards
BACK UP

13 May 2013

eni.com
### eni model: focus on compliance and control

#### Top Level Commitment
- Board of Directors
- Top Executives

#### Legal Support Unit
- Anti-bribery & corruption legal focal point
- Risk assessment approach
- Constant updates of the programme
- Reports to the control bodies

#### Adoption and Implementation
- Management System Guidelines compulsory to all Eni and subsidiaries in Italy and abroad
- Best effort made to apply the model to non operated Joint Ventures
- Due Diligence on partners

#### Anti-Bribery & Corruption Programme
- Management System Guidelines approved by the Board of Directors
- Comprehensive rules and procedures
- Reinforcing “Zero Tolerance”
- Disciplinary measures to employees and suppliers
- Best in class anti-bribery policies and processes
- Extensive compulsory training: e-learning and workshops