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PRESENTATION

Operator
Ladies and gentlemen, welcome to the TotalEnergies Third Quarter 2023 Results Conference Call.

I will now hand over to Patrick Pouyanné, Chief Executive Officer; and Jean-Pierre Sbraire, CFO, who will lead you through this call. Please go ahead, gentlemen.

Patrick Pouyanné *TotalEnergies SE - Chairman & CEO*
Hello everyone. Good afternoon, or good morning if you are in the U.S. Today, we will present with Jean-Pierre our third quarter results, which once again demonstrate the relevance of our strategy. Indeed, our transition strategy is anchored on both pillars, as we explained to you last September. Oil & Gas on one side, Integrated Power on the other side. And it allows us to fully leverage upside in supportive energy environments like the one we are experiencing today.

As explained in our TotalEnergies Strategy and Outlook presentation end of September, we have stayed the course, and this quarter illustrates how this strategy is in motion in all our business segments. Oil & Gas first, as you know, we have developed organically a deep portfolio of projects that are low cost and low emissions, which will offer a growth production of 2% to 3% per year for the next 5 years. Thanks to this strategy, this quarter, we delivered a 5% increase of production compared to 3Q22, as several new projects have been put into production like Mero 1 in Brazil, Absheron in Azerbaijan, Block 10 in Oman and Ratawi in Iraq. And they are more than offsetting our natural decline of 3% per year. The downstream is also contributing to this Oil and Gas business, in particular thanks to our capacity to combine an excellent utilization rate of our refineries with very robust refining margins.

On the LNG side, the recent price volatility in European gas markets, spiking as much as 28% in a single day during the quarter, is the most obvious example of real-time market in tension. We capture value along the entire value chain and maximize the margins on both our dominant U.S. and European positions. We are the largest U.S. LNG exporter, and we have reinforced this position this quarter with the sanction of Rio Grande LNG in Texas. And we are also the largest European regas capacity holder. And there again, we are reinforcing this position this quarter with the commissioning of our second FSRU in France after the one in Germany earlier this year.

The same integrated strategy extends, as you understood, to our Integrated Power business since the electricity market in Europe follows the gas market as natural gas plus CO_2 sets the marginal power price for many years to come. This market is again one characterized by growing demand and constrained supply, which creates opportunities in the market.

As Jean-Pierre will explain you, Integrated Power achieved a new milestone this quarter with both adjusted net income and cash flow exceeding $500 million. We are well on our way to achieving our $2 billion cash flow target for the year in this business. We have announced this morning an interesting acquisition on the German market, which illustrates our Integrated Power strategy. Quadra Energy is the second largest aggregator of renewable energy in Germany with 9 GW of virtual onshore wind farms and offers a very interesting platform to get value out of the power market dominated by renewables without capital employed in the asset and so to contribute to our profitability in this attractive market.

I will wrap up my introduction by just saying again that the relevance of a balanced transition strategy between Oil & Gas on one side and Integrated Power on the other side has never been clearer, more energy, less emission, more cash flows, and this quarter illustrates this relevance with adjusted net income increase to $6.5 billion and CFFO increase to $9.3 billion. Total generated $4.2 billion of free cash flow after net investments. Based on the strength of these results and the trust in the Company's outlook, our Board approved the third interim dividend up 7.25% year-on-year at € 0.74 per share.

Having said that, I'll turn it to Jean-Pierre, who will give you more details through these solid third quarter financial results.

Jean-Pierre Sbraire *TotalEnergies SE - CFO*

Thank you, Patrick. So now we're moving on to the detailed financial results, starting with our first pillar: Oil and Gas, which is the cash engine of today. Third quarter hydrocarbon production was nearly 2.5 million barrels of oil equivalent per day, which is notably up 5% year-on-year, as already mentioned by Patrick, thanks to the startup of several oil and gas projects.

On oil, production benefited from new production from the first FPSO on Mero in Brazil, Ikike in Nigeria and our entry in the Ratawi oil field in mid-August in Iraq. Speaking of projects, Mero 2 should be online by the end of the year. Production also benefited for our entry in January into the SARB & Umm Lulu concessions in Abu Dhabi. On the gas side, production benefited from the start-up of Block 10 in Oman and in Azerbaijan of the Absheron field.

Although production was flat quarter-to-quarter, Exploration & Production posted strong quarterly results with adjusted net income of $3.1 million and CFFO of $5.2 billion. The 34% increase in adjusted net operating income quarter-to-quarter was primarily driven by higher oil price and a lower effective tax rate, which is a result of two effects. First, it results from the lower taxation rates on new barrels (Brazil, Azerbaijan, Iraq) compared to declining historic barrels and it also results as a lower weight of North Sea barrels in the segment results for this quarter. Operating costs decreased to $5.5 per barrel this quarter.

For the Integrated LNG segment, we continue to demonstrate our leadership as a top global LNG player. Integrated LNG production is up 18% year-on-year and stable quarter-to-quarter. LNG sales were down by 5% quarter-to-quarter due to decrease in spot traded volumes in a less volatile environment, and LNG price sales was down 3% quarter-to-quarter linked to a softened environment. However, after our results have landed last quarter from the historic high exceptional results experienced in 2022, Integrated LNG maintained this quarter robust results with adjusted net operating income flat quarter-to-quarter at $1.3 billion and CFFO at $1.6 billion, down 8% compared to previous quarter, in line with sales down by 5% and prices by 3%.

Despite entering the winter period with high natural gas inventories in Europe, in a tense market, gas prices remain at good levels and very reactive to production disruption as we have seen over the last several months. Given the evolution of oil and gas prices in recent months and the lag effect on price formulas, we anticipate that our average LNG selling price should be above $10 per million BTU in the fourth quarter 2023.

For the combined Downstream adjusted net operative income and CFFO increased sequentially to $1.8 billion and $2.2 billion, respectively. Despite lower petrochemical results due to the European environment, our results reflect higher refining margins in Europe and a higher utilization rate during the third quarter, which was supported by greater availability of our French refineries, to be noticed for once. The utilization rate on processed crudes increase quarter-to-quarter to 84% despite having an unplanned shutdown at the Port Arthur refinery in the U.S. For the fourth quarter, the utilization rate should be above 80% and includes the restart of Port Arthur in mid-November.

Moving now to the second pillar. We continue to develop a profitable and differentiated Integrated Power model. Building a world-class cost-competitive portfolio that combines renewable assets, solar, offshore wind, onshore wind and flexible assets such as CCGTs and storage to deliver clean firm power. As mentioned by Patrick, this quarter we achieved a milestone in Integrated Power business segments with adjusted net income and cash flow both exceeding $500 million, and we are well on our way to achieving our target of generating $2 billion cash flow in 2023, having already generated close to $1.5 billion through the first three quarters.

All the value chain contributed this quarter to this $500 million result: renewables, flexible assets and trading; supply to customers as well. During the third quarter, we also acquired 100% of Total Eren, which contributed to the growth of our electricity production and results. Early October, we signed a corporate PPA with Saint-Gobain in the U.S. to supply clean power from our Danish Fields solar farm in Texas. The agreement is a good illustration of our strategy in Integrated Power, and it includes an upside sharing mechanism under which both companies share potential upside arising from spot market prices over the contract term. We recently achieved another milestone: earlier this month, our Seagreen offshore wind farm in Scotland became fully operational and is running at the design capacity of more than 1 GW. This project was delivered within budget, only 5% cost overrun, and is TotalEnergies' biggest offshore wind farm globally.

I'll wrap up with Capex and shareholder returns. Year-to-date net investments as of the end of the third quarter totaled $16.1 billion. As a reminder, we expect to receive cash proceeds from the sales of our Canadian assets and from the deal with Alimentation Couche-Tard in the fourth quarter. Therefore, we reiterate full year guidance of $16 billion to $17 billion of Capex this year. Our balance sheet is strong. Our gearing slightly increased from 11.1% at the end of the second quarter to 12.3% at the end of the third quarter, that is mainly due to the consolidation in our accounts of Total Eren debt. Proceeds from disposals should bring gearing back below 8% by end of the year.

Over the last 12 months, ROACE was 20.1% and return on equity was more than 22%. In September, we raised our annual payout guidance from 35% - 40% of cash flow to more than 40%. We're on track for 2023, having paid out a cumulative 43% through the third quarter. Our payout is a combination of ordinary dividends and buybacks as we believe our stock despite having reached historical high this quarter is still undervalued by the market. We bought back $6.1 billion of stock through the third quarter. And so we are well underway in executing our $9 billion buyback program for full year 2023 as the Board decided to allocate $1.5 billion of Canadian sale proceeds to this buyback program in 2023.

This concludes my comments, and now we can move to the Q&A.

QUESTIONS AND ANSWERS

Oswald C. Clint ***Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst***
Two questions. The first one on the U.S. offshore wind please, Attentive Energy. It was a good press release this week, lots of information that's not normally presented for these types of deals, and it helps us kind of get to the returns, I think. With the 40% tax credit we were getting to something like 13.5% on an equity basis. And I just wondered if that was anywhere close to your own expectation for a project like that. And perhaps at this point, you could say how much of your $20 billion of capital employed in Integrated Power is currently in production? That's the first one.

And secondly, I wanted to ask about geopolitical risk. You always have your finger on the pulse and obviously, I wanted to get a sense of how you're thinking about the portfolio risk at the moment, especially Middle Eastern exposure. And were there any strategic changes or indeed, M&A moves may be needed or may be considered if things were to worsen?
Two questions.

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
Thank you, Oswald. Thank you for the comments. Yes, as you know, the offshore wind industry sometimes is questioned. So in fact in our portfolio, we had 2 good news, in fact, for me, these last weeks, and so we wanted to share: first Seagreen in Scotland, we managed to make that project within 5% only of overrun costs, $4 billion, and we have a good CFD on Seagreen so will make money now from this project. So it demonstrates that you can execute an offshore wind project when you have a good project team, within the budget, and not much delay, which, of course, are linked.

Second comment on New York. Yes, that's true and I think that NYSERDA, even if we're not allowed to disclose what is the level of our price, they mentioned an average price of around $145/MWh nominal. And so you change the range compared to previous ones. And I think it is a lesson I explained you last time that in offshore wind, you need to be pragmatic about what would be the cost and then you enter into a discussion in the U.S. in particular, this type of price plus the 40% credit from the IRA are giving us a good support. And honestly, you are quite good in your math. I would say I would have answered to you 12% to 15%. So you are quite good in your math. Congratulations.

So we can indeed develop a profitable offshore wind project based on equity. By the way as people might be surprised by the level of price announced by the State of New York, which is much higher than before, one of the key has been, as we announced, that we have introduced into the partnership, Corio which is our worldwide partner but also LS Power, a U.S. company, very well established in New York. And again, for me, there's a strong lesson: when you have a local partner, well embedded, it helps a lot in these discussions with local authorities.

Had we been alone as TotalEnergies in front of New York State, I'm not sure we would have achieved the same results. So that comforts my strong belief: renewables require to identify local partner. And by the way, LS Power is a very interesting partner for us in the future, including to develop maybe more business in the PJM area.

The second question, capital employed. Out of $20 billion, in offshore wind I think it's less than $2 billion: 10% of the capital employed are in offshore wind today out of the $20 billion of the Integrated Power business, just to give you an idea. And more or less, in our prospective to 2030, 10% is more or less what we expect from offshore wind, more or less.

On the geopolitical risk. Our exposure, when you look to our portfolio, we have many countries, but there are 2 countries fundamentally, which are contributing to the cash flow. 2 countries for us which are key, Abu Dhabi and Qatar, in reality where the cash flow is coming from today. You also have Libya, which is out of the area. And to be honest, in Abu Dhabi, the geopolitical risk is limited there. It's well controlled and Qatar also, I would say. So when I think of that situation, which is a dramatic situation, I don't see too many consequence of that. Of course, we need to manage the situation, to be fair, in Iraq, of course, in Lebanon, but it was only exploration, and in Egypt, I would say, our exposure is very limited. So I'm not considering that it's an issue for TotalEnergies, maybe for others.

So that's I would say where I'm there. M&A... if things are worsening, the price of oil will go up and then we'll have to see what we'll do, but there's no M&A move linked to that situation for me in that period.

Operator
The next question is from Christyan Malek of JPMorgan.

Christyan Fawzi Malek ***JPMorgan Chase & Co, Research Division - MD and Head of the EMEA Oil & Gas Equity Research***
The only question I would like to ask is just around your views around consolidation, Jean-Pierre, in terms of what we're seeing in the U.S. How would you read 2 parts, one, their sort of opportunistic chasing of growth in terms of volumes through their balance sheet as opposed to building organically? And then two, where does that position to TotalEnergies in the upstream medium-term particularly if based on what they're doing, it suggests that they are looking for oil as well as backing the back end of the curve, so to speak. So do you feel like you have a little bit of FOMO? Or are you very comfortable with your upstream

growth? And I guess the question I'm asking is, why don't you feel the need to do consolidation, particularly given you're building these 2 pillars and building it through scale?

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
To be honest, as you know we do not have a big position in the U.S. I understand there might be consolidation in the U.S., it is quite a spread industry, the shale industry: I have no comment, but it's not our case. Historically, you make consolidations when you have low price of the barrel to gain synergies. That's the history of our industry. You are driven by a low price of barrel, you try to synergize, and scale obviously generates synergies. That's the history of our industry. We are not at all in that situation today. Price is buoyant. We are even for most of us at the top of our historical values, I would say that's not what I would look for, honestly, and for TotalEnergies, we will neither have synergies in terms of operations nor in terms of cost. So I think that's not for us, or the type of things we are looking.

By the way, we have a deep portfolio of projects in oil and gas that we presented to you end of September. So I don't feel a necessity to add more on this one. Again, we mentioned that we might have to look to more shale gas in the U.S. for feeding integration to the LNG, which we mentioned in September. That's all I mentioned. So I observe these moves: it means that my colleagues are thinking that the price of oil will remain high for a moment, so I'm happy. That's what I can comment to you. But for us, I think we have a clear strategy. We execute the strategy and let's be consistent.

Operator
The next question is from Lydia Rainforth of Barclays.

Lydia Rose Emma Rainforth ***Barclays Bank PLC, Research Division - MD and Equity Analyst***
Two questions, if I could. One, just building up on the virtual power plant acquisition from this morning. Can you just walk us through why that idea works in terms of virtual power plants? And just any indication on price on that?

And then secondly, we're clearly seeing a lot of volatility on the gas market. Could you just walk through what you think might happen over the winter period for us?

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
A virtual power plant: what is it? You can build assets, but you can also aggregate some assets. And I think the idea that this Quadra Energy company has established is very strong. They are #2 in the German market. They have been able to connect with 4,000 wind renewable developer in Germany, quite a large base, aggregating 9 gigawatts, which is a big volume, of course. With that, you can trade it, you can even if you are pricing it and you make EUR 2 per megawatt hour of margin out of it. You don't have any capital employed, almost nothing. It's an acquisition of people with a know-how and a knowledge. There is no assets. So I can mention to you about the price that we acquired is around EUR 200 million to EUR 250 million.

So it's not very expensive, but you have a lot of skills. It's a complement to our model. We have some assets, and we try to complement them with, again, this low capital employed base in order to develop the business. As we explained, in integration, it's important to have sources of supply, and then you have customers, you make the intermediation, if it gives more flexibility for our trading platform in Germany.

Germany, again, for us, it's an interesting market, I repeat it. This is for us one of the key targets because the mix will be renewable and gas plus ETS, so that means quite a good price. A lot of potential. So we are building step-by-step our position in Germany. And this one is interesting because we enter in a big way, again, it's the #2 of this market and with a large base, 9 gigawatts, some PPAs, some more short term. So I think it's an interesting way to progress in the Integrated Power strategy on this important market.

On the second one, volatility of the gas market for the winter. I don't know if it will be cold. Today, it's a little cold in Paris, to be honest, since the beginning of the week. Even if I hope it will not be too cold for the final of the Rugby World Cup the day after tomorrow. More seriously, it's very volatile. It's clear that the market is in tension. There is no margin in this market. So each time you have a hiccup: the strikes in Australia, the stoppage of the Tamar field in Israel, which was going to Egypt and back to LNG to Europe. Then you had, of course, this Baltic pipeline. And so each time you have a hiccup, poof, the market is taking almost 30%, 40% in the day. So that's true that it's in super tension.

For this winter, by the way, the forwards are around $16 per million BTU, so they still remain high. Yes, the storage are full, but we don't have enough storage in Europe to go through the winter if the winter is cold. It's not only me, it's been repeated by the IEA recently. So any event, in these conditions, is pushing the price up. And you noticed as well that the Asian buyers are back in the LNG business: today, the JKM is at TTF plus $2 to $3, which means that they are ready to buy. And today, most of the cargoes are going to Asia because the spot market is in favor of Asia. So you might have in this type of market, more call for LNG coming from Asia, so it puts an additional tension on this LNG market.

So let's see: the weather will be important again. And if like 1 or 2 years ago, there is any event like in Freeport on 1 plant, this will be obviously immediately reflected in the gas market. Generally, we are wrong on the future, but I'm sure there is a gas market in clear tension today.

Operator

Next question is from Michele Della Vigna of Goldman Sachs.

Michele Della Vigna ***Goldman Sachs Group, Inc., Research Division - Head of Natural Resources Research & MD***

I wanted to ask two questions, if possible. The first one is back to M&A, but thinking of it more countercyclically, energy prices are quite high, a lot of companies are consolidating. I was wondering if this could actually be a good time to dispose of some of the E&P assets that may be more marginal to your portfolio? And maybe again, going countercyclical in some of the energy transition assets that have substantially derated over the last year.

And then remaining on the theme of clean tech and renewables. Congratulations on the very consistent delivery of earnings, of cash flow. I was wondering if you could perhaps unpick a little bit for us the $0.5 billion you make in integrated power per quarter between renewables, CCGTs and trading, definitely highlighting the integrated nature of that business, but also perhaps helping us to understand a bit more the scale of those different moving parts?

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
Yes. On the second question, I think Jean-Pierre mentioned, it was coming from 3 segments: renewables, flexible assets CCGTs and trading, and also marketing business, by the way. So the supply business to customers. So consider that it's coming from all of them. Everything is contributing to this integrated power and in a positive way. So that's what I can just explain to you.

On the first question, as you know I'm a strong believer that in M&A, it's better to be counter-cyclical than to be procyclical. That's very clear. But for me, in this business, a commodity business, where you have cycles, you take a risk when you make acquisitions at the top. So yes, you are right on E&P. But by the way, we've just done it. I remind you, Michele, but we just divested our Canadian oil sands assets at the top of the market, and we will receive $4.4 billion plus an extra earnout next year of $400 million. So I'm happy. It's a good value for these assets. And so we've done it. We've just done it.

We have cleaned a lot of the portfolio in the last -- since 2015, we rotated a lot. We have cleaned a lot. We might have some high exposures in some countries, for example in Nigeria, and where we want to continue to invest. So we might be willing to use that environment to reshape the Nigeria portfolio. The oil onshore in Nigeria for me… there's many issues about this type of assets, and it's a good environment to monetize them if we find some buyers, of course.

That's part of the things we could do. But we have cleaned the portfolio: most of the portfolio today fits the definition of low-cost, low-emission -- the work has been done. It's more optimizing things in some countries. And I would prefer, for example, to be at higher stake when we are operator and lower stake where non-operated. So if we have a non-operated position, to divest it, and to reinforce when we are operator in control of our future, I like to be more in control of our destiny rather than just being a a non-operated company, even if it's operated by a large peer.

And then the other question, of course, that you mentioned is about the transition assets. Today, our priority, and I think what we've done this morning with Quadra illustrates it: it is more as I explained to you in September, to complement in some key markets through some targeted acquisitions. I mentioned either flexible assets in Texas, gas-fired power plants, will come one of these days, or what we've done in Germany with this Quadra, rather than making a big acquisition. Because even if it's derated, it's still high.

I think it could go even lower and lower. Honestly, when you think, for example, about offshore wind, I mean, I'm very happy to build ourselves our portfolio with exactly the one in New York, where we control what we do. Part of it will be covered by CFD, part of it will be merchant. So that's better for us because, again, our strategy is not to acquire a portfolio of fully secured renewable assets with no upside. It's not what we described to you. So I think it's better to continue and to deliver our strategy in the way we explained to you end of September.

Operator
The next question is from Irene Himona of Societe Generale.

Irene Himona ***Societe Generale Cross Asset Research - Equity Analyst***
Two questions, please. You formed a new joint venture with Adani Green in India during the quarter. Earlier this year, when there was the financial crisis with the Adani Group, I think you had said that you would likely slow down that Indian expansion and wait for the outcome. Can we presume that you're satisfied with that group's financial situation and therefore, back to normal in terms of Total continuing to invest in Indian renewables?

And then the second question is on Chemicals where, obviously, it's a weak industry. Your 9-month volumes are down. When you look at the balance of new capacity versus this weak demand picture, what is your expectation for that business over the next year?

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
Okay. On India, I think, again, what we said in the beginning of the year is that we wanted to have clarity on the situation. We have engaged with Adani Group. We are a shareholder of Adani Green, not of Adani Group. Adani Green is a strong company with a large base of assets. The question for us is how do we continue to contribute to the development of Adani Green? What we have elected is to do it through a JV between Adani Green and ourselves. So let's be clear, this is a venture where we have direct access to the assets, which is fundamental. So we didn't put more money in Adani Green as a shareholder, but we help and we contribute to the development of Adani Green having direct access to the asset.

So for me Adani Green has a portfolio, and we share part of this portfolio, the equivalent of 1.4 GW together, 50% of it being owned by TotalEnergies. So TotalEnergies is protected, and I think it helps of course to consolidate Adani Green and to continue its growth, which a shareholder of Adani Green is our interest. That's the first point. And the conditions in which we have discussed that deal are attractive in terms of metrics for TotalEnergies as a company.

On the chemicals in Europe: we know that chemicals in Europe are clearly quite linked to GDP. The GDP in Europe is softening, so you have less demand in Europe. It was very good 2 years ago, today, it's the opposite. So that's part of the value chain, our exposure to Europe in chemicals is not so strong. Let’s be clear, for us the polymers part is marginal compared to the other parts. We make more money on refining and on naphtha, we make less money on the petrochemicals in Europe. Our strategy, by the way, is not to develop any new capacity in Europe, to be clear.

Since I was in charge of Refining & Chemicals, 12 years ago, I don't think we’ve announced a single extra capacity in the chemicals of TotalEnergies in Europe. I think you have even more listened to us either closing or selling some of them. So I don't think it's the best place to invest, to be clear. All the strategy in chemicals for TotalEnergies has been more either based on cheap feedstock, either in the U.S. or in Saudi

Arabia with Amiral, but Amiral is targeting markets in China, India, on the East. That's where the demand is. So, for TotalEnergies, it's more about managing the historical portfolio in the best possible way. And again, when I'm looking today to our position, in refining, petrochemicals and polymers in Europe, all that is quite positive today and contributes to a good return on capital employed. So that's what I could comment. For next year, I don't expect much more.

Operator
The next question is from Biraj Borkhataria of RBC.

Biraj Borkhataria ***RBC Capital Markets, Research Division - Director, Co-Head of European Energy Research Team & Lead Analyst***
Hi, thank you for taking my questions. Two quick ones, please. The first one is on your debt profile. Could you just confirm what proportion of your gross debt is on long-term fixed interest rates?

And then the second question is on the recent U.S. wind bid. There's a provision in the PPA that suggests it goes up with industry-specific inflation. I was wondering what you assumed inflation was for that kind of project from here to FID?

Jean-Pierre Sbraire ***TotalEnergies SE - CFO***
Yes, perhaps I will take the first question. More than 80% of our debt has been fixed a couple of years ago. So that means we benefited on that portion from very low coupon around 3%. And so the remaining is flexible.

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
Clear answer. Second answer is quite clear. We have between today and the FID, we have probably 3 years to work. So you will have inflation over the next 3 years. So it might be around 5% to 10%, probably in the 3 years, we'll see. There is a provision which protects us until the FID and then, of course, we will take the risk of execution. But I think it's a fair protection, which is offered by the New York State to the investors. It's one of the elements of the bid and of the negotiation we managed to obtain. So we are satisfied. Again, we'll see if it's higher than that, but we don't expect much more than that.

Operator
Next question comes from Martijn Rats of Morgan Stanley.

Martijn Rats ***Morgan Stanley, Research Division - MD and Head of Oil Research***
I just want to follow up on the question that Biraj actually just asked about the debt. Because interest rates continue to rise and rise and TotalEnergies bonds are not escaping that. Some of the longer-term debt that you hold is now sort of yielding 6%. And I was wondering, in addition to the mechanical impact that this may have on the interest expense every quarter, how this affects possibly sort of any investment decision making, particularly in the new energy areas?

I mean the question has been put to me, can we have an energy transition when the 10-year US treasuries yields are 5% and it's kind of sort of an intriguing one. Therefore, can I ask you how are these rising interest rates impacting your investment decision-making? And also, what are you seeing in other, particularly in sort of CapEx intensive areas like renewables? What is the impact that you're seeing?

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
The answer is quite clear, you transfer the interest rate to the customer. So the question is, does it affect the pace of the transition? It might. But it's clear that it's against the idea that in this segment, prices will keep going down and down. But it has already an impact, in fact: take the U.S. as a good example. You have the IRA on one side, but we also have the obligation to make projects with solar modules being manufactured in the U.S. It has an impact on the cost of the project. So this cost of the project today, when we discuss and renegotiate PPAs with our customers, it has an impact on the high side.

So today, the last PPA we signed recently with Saint-Gobain in the U.S. is reflecting a higher cost of manufacturing in the U.S. and a higher interest rate. Because when we bid, we don't use the 3% of TotalEnergies when we price a project in renewables, we are pricing a higher interest rate, which makes us more profitable. We have competitors, which have a higher cost of debt. So we use their cost of debt, and maybe we benefit from that to win the deals, but we keep the difference for us, as a company. So yes, you're right, it might affect the pace. But I think, we are back in a normal world. It's much better for the world economics to have a 5% interest rate world rather than 0%. In particular, for our companies, oil and gas companies, with a strong balance sheet and cash delivery. I think it was for me an anomaly to have during 5, 10 years, this 0% interest rate world after the 2008 crisis. It was a way to absorb the crisis and then the COVID, but for me, it was more the anomaly than the contrary.

So I think for me, it's a new normal. We have to integrate it. It will have an impact, probably, of course, on the competitors, which have more leverage than us. And from this perspective, the strength of the balance sheet of TotalEnergies is an asset. And I think that's why part of the cash flow will continue to strengthen the balance sheet.

Operator
The next question is from Lucas Herrmann of BNP Paribas.

Lucas Oliver Herrmann ***BNP Paribas Exane, Research Division - Head of Oil and Gas Research***
A couple of straightforward ones, I think. Firstly, just on your reporting for the last quarter. As long as I can remember, actually, Patrick, in 20-odd years divisions may have changed, but your reporting method has always been consistent on a quarterly basis. And yet today, you've elected to alter it. And I just wondered whether there was any particular reason that you're disclosing more around cash or other items with the other things that you're trying to emphasize to us?

And the second question, just staying with that, some of the adjustment items in Integrated Power, I notice that there's a EUR 400 million, EUR 420 million asset impairment provision charge taken this quarter. Just if you could provide some further detail on what that impairment concerns? That's it.

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
On the second one, it's written. We have impaired some of the goodwill when we made some acquisition linked to customers. Because when we made the acquisition of some of these small companies, part of the goodwill was allocated to the customer portfolio, but the customer portfolio has a churn which is quite high. So at a certain point when we reviewed the situation – what we do regularly with our auditors – we decided that it would be better to impair that goodwill. So that's what we've done.

Jean-Pierre Sbraire ***TotalEnergies SE – CFO***
It's a normal review that we have to do. And so we've done that.

Patrick Pouyanné ***TotalEnergies SE – Chairman & CEO***
Okay. Then it's again for the CFO, but I think I'll be clear and transparent with you. We had some exchange like other companies with the SEC. As you know, we are using non-GAAP KPIs, indicators. We had to reconcile the GAAP and the non-GAAP. So it was quite a formal exchange during the last month and Jean-Pierre has spent some time on it. But honestly, nothing fundamental. At the end of the day, we concluded with them that they wanted to have a clear reconciliation between the GAAP and the non-GAAP. And so some of the tables had just to be complemented.

Jean-Pierre Sbraire ***TotalEnergies SE - CFO***
Some had to be removed and some had to be complemented.

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
That's why you had that change. Honestly, we reviewed it with the Audit Committee and the Board, and there was nothing major. It's more formal. But I think they are right. We have a gap, and we need to give clarity between the IFRS referential and what we use. So that's the reason why you have seen some moves. But thank you, Lucas, because it demonstrates that you are very precise in reading all our reports including all the pages and all the tables. So I recognize your long-standing position following TotalEnergies. But I know you for almost 20 years, so that's why you are right to highlight it. But again, it's modernization in line with good practice and we support it.

Lucas Oliver Herrmann ***BNP Paribas Exane, Research Division - Head of Oil and Gas Research***
Yes, it's sadly modernization of the old model as well, Patrick. So that's a lot of work, but there we go.

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
Thank you, Lucas.

Operator
The next question is from Kim Fustier of HSBC.

Kim Anne-Laure Fustier ***HSBC, Research Division - Head of European Oil & Gas Research***
Firstly, I wondered if you could talk about the 3.5 Mt SPA with QatarEnergy on LNG volumes? Some

people have noticed the 27-year duration, it seems like other offtakers have signed shorter-term contracts. And it also takes you well beyond 2050. So I just wondered whether this was a requirement from QatarEnergy? And also the LNG will be delivered in France, I believe. Can you say whether there was a destination clause or whether you can redirect the volumes?

Secondly, I wanted to ask a broader question on climate. I wondered if you could share your expectations of what TotalEnergies and the broader oil industry could potentially announce at COP28 next month? You've already got a target of reducing methane emissions by 80% by the end of this decade, and that's Paris aligned. So could the ambition be to share your best practices on leasing monitoring and emission reductions and encourage other oil companies to do the same?

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
Good questions. Thank you, Kim. On the first one, no, we are not alone. The 27-year duration is for all the LNG offtakers. All the partners of North Field East and North Field South, which were the last new ventures, were asked to take their share of offtake on 27 years. So we are not the only one, all my colleagues, you will see, they issued other press releases - for two other European companies. Only the German companies, which are not part of the ventures of the developments, have decided to elect for 15 or 20 years. So that's clear.

2026 plus 27, it makes 2053, not so far beyond 2050. In our portfolio, and in the net zero company that we described in our last Sustainability and Climate report, you still see in the mix of our portfolio in 2050, there can be some LNG, even quite a large share of LNG. Gas is there, in the transition. So we have no problem. Will it go at the end to France or to Europe? I think, yes. I don't see how you could manage again a complex power electricity market in Europe with a lot of renewables without having flexible assets.

So on that, I'm quite clear. By the way, it's not France that committed, it’s TotalEnergies. So we are comfortable. And if we need to redirect part of these LNG to another country, I think the Qatari and ourselves, if it's in our interests, we will do it. In fact, these 27 years are aligned on the duration of the concessions in which we enter on NFE and NFS. It's just a pure alignment : we take 3 years to invest, and then we have 27 years remaining. It covers the full concession, which is a 30-year concession. And I can tell you, we are very happy with the conditions in which we have joined this NFE and NFS ventures in Qatar.

Can we redirect? Yes, if it is the interest of both parties, we can redirect with Qatar agreement and it might be the case.

Climate, methane. Yes, we have strong targets. We are leading recently. I can confirm to you that we do our job, what Sultan al-Jaber would like to do in COP 28 is to have more national companies joining the IOCs. Because TotalEnergies and the others, all the OGCI companies, we are at the forefront of this fight. We have already set the target. On methane, my motto is near zero methane by 2030, which means stop flaring, stop venting and in particular, using technologies to detect fugitive emissions with drones, which we do in all our assets.

And we are just on the way to share these technologies with some national companies, and we are signing some agreements which will be disclosed before COP. We have signed 1 or 2 already, but we have to respect the will of the countries to announce them. It will be done. We are at TotalEnergies committed in order to propose these technologies: measuring with, again, not with an excel file, but directly measuring emissions to cover assets not only from TotalEnergies but also larger assets from national companies.

So we promote this technology. We do our job, and we'll be able I'm sure to announce in some countries where we are operating and we have good relationship with national companies. We will offer them and deploy this strategy. So we are doing our job on this perspective. And I think it's very important for the whole oil and gas industry to engage more national companies in these efforts.

Operator
The next question comes from Alastair Syme of Citi.

Alastair Roderick Syme ***Citigroup Inc., Research Division - MD & Global Head of Oil and Gas Research***
Any updates on Namibia you want to share? I know you updated at the recent Capital Markets Day, but you were right in the middle of your assessment, how is the production test of Venus-1A looking?

And then secondly, can you just remind us on the hybrids? I mean they are perpetual. But I think as they start to be callable, the coupons change. So can you just talk a little bit about that mechanic, please?

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
Okay. Jean-Pierre will come back on this hybrid to explain you, give you all the details. What I know is that the cost of the hybrid is quite interesting. Jean-Pierre will give you some details in this world of higher interest rates. On Namibia, no, we don't have any update and I can tell you that we started the Mangetti exploration well. Drilling has started seventh of October, I think, beginning of the month. So it's on its way. Nothing to report today. It takes 2, 3 months to drill.

And the test on the second well on Venus will start this week. So sorry, but our drilling operations did not follow our quarterly calls. So you will have to wait for more news. But again, as I said recently, let's be clear, we will develop the Venus discovery. There is a development. So it's a matter for us now to try to assess the full size of it and then to find the right scheme of development considering that there is quite a good, high CGR. But again, it's optimizing the development that we are looking for the oil development again on business. So we'll come back to you, I think, probably in February, when we will have the annual results, we'll be able to disclose more information about it.

We will have the results on both these wells and more clarity on Venus expansion. We plan to do a third well after in the North, but we'll have a lot of data there.

Jean-Pierre Sbraire ***TotalEnergies SE - CFO***
Hybrids. We benefit from a very competitive hybrid bond portfolio because on average, the coupon is 2.3%. So very low, very cheap equity. The problem now is that as mentioned by Patrick, the refinancing has become more expensive, 6% more or less for a maturity of 7 years. So we used the flexibility offered by S&P to be able to reduce by 10% the global portfolio without losing the equity treatment. We used this flexibility because in the second quarter, we had one tranche maturing and we decided not to refinance this tranche. So now, we have to see in the future how we can continue to lower the hybrid portfolio without losing the equity treatment. It is on my agenda for the coming months.

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
Fundamentally, we will use the 10% flexibility year after year in order to respect, of course, the rules. We'll do it year after year.

Alastair Roderick Syme ***Citigroup Inc., Research Division - MD & Global Head of Oil and Gas Research***
So just to be clear, the bit that's callable, does the coupon change on that element? Or does it stay the same?

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
No, it is stable.

Operator
The next question is from Henri Patricot of UBS.

Henri Jerome Dieudonne Marie Patricot ***UBS Investment Bank, Research Division - Associate Director and Equity Research Analyst***
Two questions from my side. The first one, on the outlook for oil demand and refining margins because we've seen quite a sharp drop in refining margins in the past months, obviously from a very high level. Just wondering if you're getting a bit more concerned about the outlook for oil demand and refining margins at the moment.

And secondly, I wanted to ask you about wind and the European wind industry. We've seen the commission this week setting up more actions to support the European industry. I wonder if you have your initial assessments of these actions and what will you see potentially better dynamics for European wind acceleration in wind over here?

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
2 general questions, complex ones. Oil demand, the oil demand in 2023 is strong, an increase of almost 2 million barrels per day, mainly coming from China, more than 2/3, 70% more, from petrochemicals on one side and as well from kerosene, jet fuel : the airline activity is back almost to normal, not fully. So you still have in 2024, some demand from the airlines in the world to come back. We are not yet fully at a level pre-covid on the jet fuel demand. So I don't see why it would stop, to be honest, because there is a call for move in this planet.

And secondly, I think the IEA has announced an additional 1 million-barrel of oil per day increase for next year. So I take this point. I think our traders agree with it. So it's not two, but it's one. So continuing to see demand increase. And again, what struck me despite the doubts that some have on the Chinese economy, this year we have plus two and again, 70% of it is coming from China. So when China will come back… I read yesterday that the Chinese government is thinking to make a macroeconomic incentive package raising more debt in order to give impulse to their economy.

By the way we complain about the growth in China, but it is 5%, and it's not 1% or 2%. So I'm still a believer that Chinese growth will drive again, growth on oil demand. I will give you a clue. It's not very complex. You take the last 20 years, you look to the increase of the population of the world, plus 1.2%. You look to the increase of the oil demand until 2019 because you have a gap, it was exactly plus 1.2%. In fact, the oil demand is not related to GDP, is related to the growing population. It is a fundamental factor, and it's why transition will be complex. A growing population, because this 1.2% or 1% is still announced for the next 20 years, this +1%/y requires more energy, increasing their life standard, and that's more energy.

So it's very aligned. You can see that. We will make a presentation soon on our TotalEnergies' outlook on November 13, and we will explain that again. So that's the demand.

Refining margins. Refining margin is different. It depends on the market: supply and demand. We've seen them going to the roof during 1 or 2 months. During summer time, everything was under constraint. I think you still have in this downstream business, an impact of the ban of Russian products because all that has put Russian crude oil on one side. So the quality of the crude oil is different in the refining system, and also on the products. You have disorganized transportation. Transportation costs are more expensive. And so today, what we face is that you see the gasoline spread is down, quite low. Because, again, the gasoline demand in Europe is, I think, impacted by the high prices.

You have an elasticity of the demand to the price. So when in the third quarter, you've seen $90 per barrel, $95 per barrel plus a strong margin of refining. The customers, when price is high, they save energy. They reduce their consumption. So this is what we have observed. And so today, the gasoline demand is softening. So the spread crack is softening. But the diesel crack is still very high, $30, because you have an impact of the fact that we have less heavy crude. So it's more expensive to produce diesel. And so you had some warning, which I think are exaggerated from IEA, that we might have a lack of diesel, we will not have a lack of diesel for sure. You know why? Just because refiners are smart people. When you have a strong crack on diesel and a low crack on gasoline, you will adapt your refinery and you make more diesel and less gasoline. So it's quite easy business. And we have flexibility.

So today, our machines are running to make diesel. And so no fear, but a good benefit. So yes, it has suffered, but I would expect a margin around $70, $80 per ton for the next months. It's a good bet. I would be surprised to see them coming back very low because, again, you have some inefficiencies in the system because of the Russian ban, not only on oil, but also on products, and that increases costs.

On the wind, European Commission. It's more the European wind manufacturing industry which is complaining, if I'm reading carefully, rather than the European wind development industry. The developers are still willing to develop with the lowest cost. That's a good question to the commission, like on solar, do they want to protect the consumers by continuing to have access to the lowest possible cost of renewables or do we want to protect the manufacturing industries? That's a question.

Until now, in the last 10 years, the EU has favored the consumers, in fact. And I've seen a call from the solar developers calling for not protecting them. So we'll see. For us, at the end of the day, in the U.S., when we are asked by the IRA to use the U.S. goods, we are using U.S. goods. You know in the offshore wind project in New York, we have made a deal with GE. We secured the price and the cost of the turbines with GE, which will build a new manufacturing plant in New York, creating local jobs. All that has a cost, but it has been integrated In the CFD, which has been accepted, agreed and negotiated.

So I think we will adapt: ourselves, we are flexible. That's why, we should not anticipate too early this type of CFDs as an insurance. Because if you take the insurance too early, when the environment is moving, you could be a trapped in something which becomes less profitable. It's because offshore wind is taking more time.

Having said that, at the end of the day, I can confirm to you that I see more and more Goldwind Chinese wind farms being built in Europe and in the world.

Operator
The next question is from Bertrand Hodee of Kepler Chevreux.

Bertrand Hodee ***Kepler Cheuvreux, Research Division - Head of Oil and Gas Sector Research***
Two very quick ones, if I may. The first one on Namibia, you disclosed that the first DST test on Venus was in line with expectations. Can you share a bit more color on that? You've hinted that – if it was 5,000 barrel per equivalent per day, it was not good. It was 15,000, it was okay. So can you give us a bit of color and whether it was above 15,000 or below 15,000? That is essentially my question. And then in US offshore wind in New York, can you disclose in dollar per megawatt what is your current CapEx estimate before any inflation provision***?***

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
I cannot fill your full Excel file, Bertrand, sorry to tell you that. I didn't know that 15,000 was a threshold. Honestly I think we told you the truth, it's in line with our expectations, that means that it's in line with the assumptions we have taken to plan the development. So if it's in line that means that we are happy, we got the data, they confirmed the productivity and the production per well and we know that with this level of production per well we can make a profitable development. So I don't want to comment more one test, because we'll have plenty of tests coming. And so let's continue the job. And you will have to rely on what we say. But as we are a listed company, generally we say the truth.

And then on the second one, I think it's something that I don't remember to be honest. The dollar per megawatt hour before any CapEx provision, no, We don't work like that. So we have a CapEx including contingencies. This is the way we work. We work in offshore wind the same way but in in oil and gas on our side. We have an experience of offshore projects. And we know that when you make an offshore project, you don't stick with only the EPC contract, but you are taking some contingencies. And when we communicate in oil and gas on the CapEx, we communicate always including contingencies. Because we perfectly know that in oil and gas when you make a project, things will not be exactly the sum of all the EPC contracts.

And this is one of the mistakes which is done in this industry by some of the competitors which believe that you make the EPC and it will execute rightly the EPC. And it's why today you have some EPC contractors which are facing difficulties, because then they have huge pressure on them and they are obliged to announce losses. No, it's not the way. The sustainability of this business model, like we've done in the oil and gas industry is to understand that you make a project because your EPC contractors are also surviving and just not surviving, making profits. And that's why when we execute a project in oil and gas, we know that we have contingencies.

I remember the first time our offshore wind developers came to the executive committee, they mentioned it was 2% of provision. We were laughing. We told them, no, no, offshore, it's at least 10%. And we know that by experience. And I will tell you that in our experience in Seagreen, installing 100 wind turbines offshore, it's much more complex than installing one big offshore oil platform. So it's including provision, and we make all our projections and negotiations with the right provision within our CapEx. Thank you.

Operator
The next question is from Paul Cheng of Scotiabank.

Paul Cheng ***Scotiabank Global Banking and Markets, Research Division - Analyst***
Two questions. One is really short, maybe it's for Jean-Pierre. Third quarter E&P effective tax rate, call it, round number, 45%, seems a bit low, even taking into consideration of the lower contribution from North Sea. Is there any one-off benefit in tax in the quarter? And also more importantly, that based on the current market condition, what is your expectation for the division effective tax rate in the fourth quarter?

Second question, I think this for Patrick. We have seen a pretty substantial reduction in the renewable diesel margin over the past several weeks and that the RIN price in the US has been dropping. And we have also seen the LCFS price remains relatively low. Does the market condition, in any shape or form impact your thinking of the investment in the alternative fuel by renewable diesel and SAF?

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
In fact, as Jean-Pierre told you the first question, it's not only the mix, lower North Sea, is the fact and it's

more important, and we'll come back to you, I think in February, but the new barrels that we are producing like in Brazil, like in Iraq, like I think there was another example, in Europe, in Azerbaijan, have a lower fiscal burden than the declining barrels from the North Sea. So it's interesting for you because that means that there is a trend in our portfolio with new barrels and higher margins through lower tax. To give you the real figure for Q4, I mean, it's premature. I cannot guess on that. As you know, we are making quarterly results and generally, the last quarter, you have some alignment.

Jean-Pierre Sbraire ***TotalEnergies SE - CFO***
I gave you the two main factors in my speech. So once again, the weighted average high tax barrel versus low-cost barrels. And the fact that we have now more attractive barrels in our portfolio.

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
On the second one, the US refining market and LCFS. Honestly, as you probably noticed, Port Arthur was not really running in the Q3. We had an issue. So we have worked more on restarting Port Arthur for the long haul, and it will restart by mid-November, than taking care of the margins in the US because, unfortunately, when the refinery is not working, there is no margin to capture. I still see every day quite a high margin in the US, even if it's lower, again, like in Europe. We went to the roof, which was not far from $200 per ton, which we've never seen since I am in this company during one quarter, it's softening today, but it's softening remaining around $120, $150, so it's still very high.

Does it affect the renewable diesel and SAF? No. Because in fact, all these businesses today, they are regulated. In Europe, in particular, at the end, the SAF price is more guided by the penalty that somebody will pay if it does not fill the mandate rather than the demand and supply. Because today, in fact, on the SAF, the supply is short of the demand somewhere. So you're still running behind. So it's a regulated business somewhere. And as the penalty are quite high, it does not impact this directly as a business. In the US, we don't make SAF today, so I am not able to come back to you on this one. We plan to produce SAF in the future in Port Arthur, but we don't do it today. So I cannot help you to understand this market in the US today specifically.

Operator
The next question is from Jean-Luc Romain of CIC Market Solutions.

Jean-Luc Romain ***CIC Market Solutions, Inc. - Research Analyst***
It relates to your acquisition in Germany. I was wondering with the electricity that you will purchase on medium-term contracts will be accounted for in your kind of power capacity or in your power sales, how will that work or will it be only an intermediary margin?

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
It will be a sale, but not a capacity. We don't own the capacity. We manage the capacity. As you know, we are honest people. So we don't invest in the capacity, but we have access to some capacities, which is a good thing. And then we'll have it in the sales because we are selling it for sure. We're selling it to customers and we might have even in the portfolio 2 gigawatts out of 9 which are under medium, long-

term PPAs, so that's sales, which will be reported as sales, but not as capacities, because we don't own the capacities. So that's the way it will work.

Like in LNG, you have some reporting in the sales, it's like a long-term PPA/SPA that we have with the US LNG, Cheniere, we don't account for the capacity in our production, because we don't produce it, but we account in the sales, same mechanics, the parallel is the right one, by the way.

Operator
The next question is from Jason Gabelman of TD Cohen.

Jason Daniel Gabelman ***TD Cowen, Research Division - Director & Analyst***
Just one follow-up on CapEx. I think you mentioned both the oil sands divestment and the sale to Couche-Tard will close in 4Q, which implies about $6 billion of divestment proceeds coming in. And in light of that, it seems like reiterating the $16 billion to $17 billion CapEx range for 2023 would be a bit high. So, I was hoping you just could square those two. Thanks.

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
No, it's not high. No because it's not so high because we spend $5 billion, $6 billion per quarter. We are today at the end of the quarter $16 billion. We spent $5 billion to $6 billion per quarter. We'll divest, but we have one or two acquisition that I mentioned, which are coming in the quarter as well. So, $16 billion, $17 billion seems to be to us the right range. But we will explain to you that with the annual results. I think we have a good view on where we should land.

Operator
The next question comes from Alessandro Pozzi of Mediobanca.

Alessandro Pozzi ***Mediobanca - Banca di credito finanziario S.p.A., Research Division - Equity Analyst***
Just one question on the macro side and I guess in a way it's linked to the recent offtake agreement in Qatar. This week the IEA has published the World Energy Outlook and they downgraded again the gas demand for 2050. I think if you look at the APS, it’s down 40% gas demand versus 2022. Is this a concern for you, blocking such long-term contracts or do you think the IEA remains far too bearish on gas demand?

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
I will tell you, I don't know who is right, who is wrong, it's not a matter of IEA, it's a matter of positioning of your projects. In fact, for me all that is driven by the position – in the cost-benefit curve of investment in Qatar. In Qatar you are first quartile, so I can tell you producing LNG in Qatar even by 2050 will be more efficient than in many places around the planet. So even if there is a reduction of 40%, you still have 60% and in the 60% Qatar will be perfectly positioned.

So in fact, let's be clear, this is the whole strategy of the company. Because you need to make long-term investments in energy and in particular LNG. The philosophy of our portfolio is guided by low-cost, first-quartile assets because then whatever will happen on the demand, even if the demand diminishes as planned by IEA, we are protected, you as investors are protected.

There is no problem. So my answer to you is: yes, there are uncertainties on the demand of oil and the demand of gas and the demand of electricity. The key driver of the whole strategy is driven by the cost-merit curve and having first-quartile projects, and I can demonstrate the Qatari projects are among the best of the world, if not the best. And everybody knows that because it’s a huge gas field produced, 50 meter water depth conventional, with quite a high content of condensate as you all know.

So at the end, it makes this project very resilient. And even in 2050, they will produce and even beyond. Because the IEA does not tell you there is no gas. There is still maybe 60%, maybe 70%, maybe 50%, we'll see. But so that's our answer. There is no stranded asset in the portfolio of TotalEnergies.

Alessandro Pozzi ***Mediobanca - Banca di credito finanziario S.p.A., Research Division - Equity Analyst***
So you're happy for such a long-term agreement on Qatar just because you are seeing the cost curve but maybe not on some of the other projects, you’d prefer a shorter duration??

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
No, but, systematically, we invest in oil projects or LNG projects only if they are low cost: less than $20 per barrel CapEx plus OpEx for oil and for LNG, they must be first or second quartile. So that's the protection otherwise we don't do it. We don't do it. We have a large portfolio of LNG projects, and we select them if they are on the right side of the cost-benefit curve because this uncertainty of the demand, we admit it. So the answer we give you is low cost.

Operator
There are no further questions registered. Back to you, gentlemen, for conclusion.

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
Thank you very much for your attendance. Next meeting point with you will be on February 7. We'll make the annual presentation in London in presence because we would like to meet you again. COVID is behind us. So it will be probably 7th of February in the morning. Renaud will give you all the details. Thank you for your attendance. And as always, you are not surprised by TotalEnergies even if, in fact, you are surprised always positively. So we'll continue. Thank you.
