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Nobuo TANAKA

Let us move to Ladislav, from the international companies' viewpoint.

Ladislav PASZKIEWICZ

What I would like to do is share with you the point of view of an oil and gas company on how we can integrate this climate change issue into the strategy of the company. It is an example, but it can be useful to use that, not necessarily as a reference but at least as an example. To set the scene, I have to say we are an oil and gas company. We sell oil, gas, and electricity. We are part of the problem, no doubt, so we need to be part of the solution, and we take this responsibility very seriously.

The main difficulty for us, if I were to summarise for your benefit, is that on the one hand, we consider that our responsibility is to provide energy to people who need it. It was very clearly stated this morning that energy demand is going to increase. We have to supply more energy, affordable, reliable, clean energy, but more energy. At the same time, we need to reduce the carbon footprint of what we sell to our clients. Joining the two together turns out to be quite challenging. On top of that, we have to do that at a profit because we are in business.

In a nutshell, I would like to tell you that the way we look at it, we could try to achieve this kind of challenge which seems difficult. To do that, we take the two-degree scenario of IEA as a reference. I do not know whether this scenario is going to happen or not, but at least it is a good reference that we use. When you look at that, there are interesting things to note. The first one is that the share of oil is decreasing for the time between 2016 and 2040. Still, oil represents more than 20% of the energy mix, and as you all know, we have to fight against the natural decline of the oilfields. In the end, that is a significant amount of oil that has to be produced and brought to the market by 2040 in this two-degree scenario.

If we assume that the demand for oil is still going to decrease in the long run, we cannot ignore the possibility that the oil price would go down. This is why it seems extremely important for us as a strategy to take that into account. This is in order to anticipate that trend and position ourselves on a low break even for oil. Secondly, gas is increasing in relative terms and in absolute terms also. I share the views that you mentioned, Richard, that probably gas will be an energy that will be needed.

Demand for gas is increasing significantly, so going and developing our activity along the gas chain definitely does make sense. Finally, you may note that what is called renewable low-carbon electricity is developing very fast as well. As an energy company, we look on it as an opportunity to develop our activity. However, while we want at the same time to reduce the carbon footprint, it is clear that there are many different levers that we have to work on.

For us, it is clear that that is not just by following one path that we will manage to improve our situation. It is by combining different levers together. I mentioned five of them and I am going to run you through those ones. The first one is energy efficiency. As an oil and gas company, we consume energy. We are very large consumers, through refining or even the production activities. I can tell you that reducing our own energy needs, improving our energy efficiency is something that I think is extremely effective in terms of reducing carbon emissions in the end. It is something critical.

The second aspect that I want to mention is methane. You know that methane has an impact in terms of CO₂ equivalent. It is an impact which is much higher than CO₂. We need this also, and the OGCI was mentioned, and as part of the OGCI, we are working with a group of companies to calculate and reduce our methane emissions. Thirdly, carbon pricing is absolutely key, because if there is no carbon price, there is no way. You talked about CCUS. It is clear that without any carbon price, it will be extremely difficult to develop a CO₂ barrel. This is because you need to give a price for the negative impact that it can have in order to combine business models with carbon finds.



Energy efficiency is number one. Gas is number two, and it seems extremely important. I am bouncing back on something which has been said already, but we have to keep in mind whether gas would replace coal in electricity generation. This is difficult to imagine right away, and you mentioned no more coal plants, but if gas was to replace coal, we would save about five gigatons of CO₂ emissions, which represents about 10% of what is being emitted worldwide today. The objectives would be achieved right away. That is not going to happen, but that is to give you the order of magnitude of how gas can be effective in particular for power generation, if it was to replace coal.

The third aspect is low-carbon electricity. I am not talking only about electricity but as well about low-carbon electricity, because as was rightly mentioned, it depends on where electricity comes from. However, for a company like ours, what is very important is not just to be on one aspect of electricity, but to develop activities along the chain by producing, trading and selling electricity, and having production coming from either gas, through CCGTs or renewables. We want to develop these in order to integrate this low-carbon electricity business. It is a growing business. There are some challenges in terms of economy, because sometimes it is challenging, and we have to face it. However, by integrating along the whole chain, we think that we can get decent returns along the chain for this low-carbon electricity business.

A fourth aspect that has to be integrated is the biofuels. Here, public policies do help to a certain extent, as there are more obligations which increase the level of incorporation of biofuels in gasoline or diesel. You see from the past that demand for biofuels has increased quite significantly. It is also an area that will develop further and that we should capitalise on. We were the first distributor of biofuels in Europe and we produce biofuels ourselves, so that is an area that we see as an opportunity to develop further.

Finally, this may be over the longer run, but there is this issue of getting to net-zero emissions in the second half of the century. No doubt this cannot be achieved without negative emissions compensation, and we see two of them. One of them is CCUS, and again, we spend quite a lot of money, 10% of our R&D programmes, in CCUS. However, what is absolutely critical is to have a carbon price in order to promote a business model for CCUS. The other one is natural things like forests, where there are some efforts to be made, and we initiated some programmes through our foundation.

However, we do genuinely believe that an oil and gas company like ours can gradually decrease the carbon intensity of the energy products that it sells to its customers by combining all these different levers together. In the end, what counts is to be in a position to provide a service and some products which have a lower carbon intensity for the same amount of energy. We have defined an example that we issued this a month ago.

It is good to have words, but in the end, it is good to have ambitions and to measure what you want to achieve. We have it as an ambition to decrease the carbon intensity of the energy products we sell to our clients by about 15%. It is between the NPS and SDS scenario. That is quite in line with the efforts that have to be made in order to contribute to tackling the climate change challenge. That is the way we intend to do it. This presentation is to provide a practical example of what a major oil and gas company can have as an ambition in order to take into account and integrate climate change into a strategy.

Nobuo TANAKA

Could I ask one question? I think Total should have internal carbon pricing for their future investment decisions. What is the price level now?

Ladislav PASZKIEWICZ

It is about USD 40 per tonne.

Nobuo TANAKA

It is increasing. I talked with Patrick and he said 30, so does it reflect the current IPCC report?

Ladislav PASZKIEWICZ

I am going to be very precise. We have different oil price scenarios, and depending on the oil price scenario, it goes from USD 30 per tonne to USD 40.

Nobuo TANAKA

I will ask one more question if I can, about Iran. Total announced the withdrawal of the big money investment from Iran because of the possible secondary sanctions of the United States. The European Union prepared this special clearing-house mechanism for this investment in Iran. Even with this programme, Total has determined to withdraw and not used this mechanism.

Ladislav PASZKIEWICZ

What I can say is this. It is very clear, and it was mentioned by Mr Trichet today. There is no question, given the retaliation from the US. We are a listed company in the US and more than one-third of our shareholders are American investment firms or pension funds. There is no way that we are just going to ignore that part. That is too important for us. On top of that, I should mention that we had this project in Iran, as you rightly mentioned, but we did not commit that much money. That was money to be spent in case we would have had the clearance, and we did not have it.