

NICOLAS TERRAZ

President of Exploration & Production, member of the Executive Committee of TotalEnergies

Nikolaus Lang, Managing Director and Senior Partner at Boston Consulting Group and Global Leader for Its Global Advantage Practice Area

Let me go in the order of the panel that we have here, with the perspectives that this group has on geopolitics and trade. I would like to invite Nicolas to provide the first statement on how you see it from an extractive industry perspective – and if there is an industry that already has good geopolitical muscle, it is definitely the extractive industry. I think that many other industries can learn from yours.

Over to you.

Nicolas Terraz, President of Exploration & Production, member of the Executive Committee of TotalEnergies

Thank you, Nikolaus. Good afternoon, everyone. First, let me say it is a pleasure to join this panel and to share a few comments on how a company like TotalEnergies is managing geopolitical risks, international risk.

I am going to start with that; and, after, I want to make a few comments on how we see some opportunities in international trade and investment; and finish with a few comments on energy transition in all this.

TotalEnergies is a French company. We were born 100 years ago in a country where there is virtually no oil and gas resources. From the beginning, we had to go abroad, work in different countries and learn how to manage geopolitical risk.

When thinking about how we do that, I came up with five or six key principles.

The first one is about compliance with our values. Our first core value is the security and the safety of our people. We have a safety framework and golden rules and all our affiliates are expected to apply the same safety standards in all countries where we work.

Similarly, one key principle for us to navigate into those risks is to always stick to our compliance and ethics principles, no matter what country, what is the context. Obviously, to comply with international sanctions when they apply to our activities.

That is principle number one – compliance with our values.

Number two is pretty obvious – it is diversification. The company is working in 130 countries. We like to diversify the way we allocate our capital. We have set a principle for ourselves that we do not allocate more than a certain percentage of our total capital employed in one single country.

For our upstream investments, they are scattered between the Americas, the Middle East, Africa, Europe, Asia Pacific. Middle East and North Africa represent a bit less than 30% of our total production, followed by Europe, Africa and Americas that represent about 20% each.

We diversify similarly when doing our transition and investing in integrated power and renewables. We make sure that we also diversify the allocation of the capital and we also diversify investments between deregulated markets and regulated markets.

The third idea is to seek exposure to liquid markets. Of course, the oil market is a liquid market. When you produce oil, it goes on a tanker and can be supplied to any country in the world.

For gas, it is a bit more complicated because gas relies on fixed transportation infrastructure. For gas, we focus a lot of our investment in liquefied natural gas, which offers flexibility and the ability to access a liquid market. For liquefied natural gas, you can redirect the production from one country to another.

The fourth one is about supply chain resilience. In this moving world that is getting more and more fragmented, we are careful to continue working with a wide array of contractors from different locations. Of course, the geographical footprint of the company helps us to do that. We tend also to develop long-term frame agreements with our contractors to provide visibility and to provide security of supply to both sides.

The next one is about cost discipline and financial strength. We are, in our industry, exposed to high volatility of prices – the oil price can go up and down from USD 20 to USD 100. We cannot control this but what we control is our costs. Our motto is to produce low-cost energy, which is a key factor for us of resilience and strength.

The strength of the balance sheet, of course, is also key for a company like TotalEnergies to weather crises.

The last principle is a principle of action – it is crisis anticipation and preparation. We spend time identifying and mapping our risks; making sure we have the right mitigations in place; carrying out crisis management exercises, based on a number of scenarios.

This is what allowed us, in fact, to weather a number of the recent crises. If I take, for example, the Covid-19 pandemic, we never stopped production in any of our operational sites during the entire crisis. This is basically due to preparation, organization and also to the commitment of our people.

The second comment I want to make is that private investment through long-term partnerships contributes to build bridges – between companies; between countries – and those bridges can often, albeit not always, survive geopolitical crises.

What we are doing here, for instance, in the UAE, where we have a partnership that we have been building with ADNOC (Abu Dhabi National Oil Company) for 80 years now, where people know each other; where we shared a lot of experience; where we invested in Abu Dhabi, but also teamed up with ADNOC to invest together abroad. This type of bridge or this type of link is very solid and that is what we try to develop to make sure that our activities are resilient.

We have similar partnerships in many countries across Africa, America, the Middle East, and the Asia Pacific. We also contribute to, or participate, or like to participate in cross-border investments. A good example of that is a project called 'Dolphin', a gas pipeline between



Qatar and the UAE, which started 15 years ago. Gas has continued to flow uninterrupted for 15 years, despite ups and downs.

I would say our resilience, or one way to increase our resilience, is also integration. In oil and gas, we not only produce oil and gas, but we also supply oil and gas to the people. You take the example of Africa, for instance, in almost all African countries, we have a substantial distribution network which, for us, is a factor of robustness because it means we not only produce and export energy, but we also supply energy to the people – and, when you bring something to the people, they generally support your activities in a better manner.

My last comment is that in this changing global trade pattern, one key factor is the energy transition and the need to address climate change.

In TotalEnergies, we believe that our role, our mission, is to provide more energy with less emissions. Why more energy? because there is a growing population needing more energy; but we want to supply this energy in a manner that is safer and that makes energy as affordable as possible. When I was talking about controlling the cost of our activities, it is also a way to make energy supply affordable to people.

Less emissions, I do not need to explain because we need to reduce greenhouse gas emissions – particularly the greenhouse gas emissions related to our own activities, what we call our Scope 1 and 2 emissions.

By doing this, we are working in partnerships with national oil companies in the countries in which we operate. It is the case here with ADNOC, for instance, where we cooperate on the identification and elimination of methane emissions from our operations.

We also seek to develop multi-energy projects. We have a large multi-energy project in Iraq that we launched recently, where we develop the production from an existing oil field, but we also gather and process natural gas for local power generation; we built a largescale one-gigawatt solar power generation plant to supply the local communities in the Basrah area, and we also build a large seawater treatment plant.

Typically for us, this kind of multi-energy project is a way to contribute to the transition in a manner that is positive for the countries in which we operate. It is also a way for us to manage risk and to diversify what we are doing.

I am going to stop there, and just to say that, of course, geopolitical risk and the risk associated with our investment is a key parameter in all the investment decision-making in the company and in the way we endorse or decide to launch projects.

Nikolaus Lang

Yes, thank you, Nicolas. I think it is also interesting to see how you, in this challenging world, are building bridges and investing in local communities. I think it is a very important part of avoiding risk, not only from a corporate point of view but from a societal point of view going forward. Thank you.