

## CORPORATE PARTICIPANTS

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## CONFERENCE CALL PARTICIPANTS

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**Martijn Rats** *Morgan Stanley, Research Division - MD and Head of Oil Research*

**Michele Della Vigna** *Goldman Sachs Group, Inc., Research Division - Co-Head of European Equity Research & MD*

**Oswald C. Clint** *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

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## PRESENTATION

### Operator

Ladies and gentlemen, welcome to the Third Quarter 2022 Results Conference Call. (Operator Instructions). I now hand over to Jean-Pierre Sbraire, CFO, who will lead you through this call. Sir, please go ahead.

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### Jean-Pierre Sbraire *TotalEnergies SE - CFO*

Thank you. Hello, everyone. Jean-Pierre speaking. We reported solid third quarter results that continue to demonstrate TotalEnergies' ability to successfully leverage the very strong and volatile environment. This success allows us to further strengthen the balance sheet and to share the benefits with our employees and with our shareholders.

The third quarter environment was marked by volatility at a very high level. Brent remained strong, averaging more than \$100 per barrel in the third quarter and reversed the decline late in the quarter after OPEC+ announced a 2 million barrel quota reduction in early October, which demonstrates that OPEC wants to remain in control despite the risk of lower world economic growth.

European gas prices were pushed to the roof by increasing geopolitical tensions and the risk of not enough

supply during winter period, even if this risk is limited, as gas storage in Europe are full. As a consequence, NBP nearly doubled in the third quarter to more than \$42 per million BTU. A strong driver for the results is our average LNG price, of course. It was lifted by the spike in natural gas prices and reached a record \$21.5 per million BTU in the third quarter, an increase of more than 50% quarter-to-quarter. We captured the full benefits of this LNG price, thanks to our integrated strategy.

European refining margins, [MCV], despite an increase in energy costs, reached \$100 per ton in the third quarter, still among the highest we have ever seen but down from their record-setting second quarter levels of close to \$150 per ton.

In this context, the company generated third quarter adjusted net income of \$9.9 billion or \$3.83 per share in the third quarter, in line with the previous quarter.

These strong results were achieved despite the increase in taxes, I will tell you more on the U.K. tax in a minute, and the decrease in production and oil prices but mitigated by higher integrated LNG results. Debt adjusted cash flow came in at \$12 billion for the third quarter, down 12% from the second quarter mainly due to a lag effect in the dividends received by equity affiliates. Year-to-date, the DACF is \$38 billion, an increase of 80% compared to last year.

Cash flow generation of this order of magnitude marks the start of a new era for the company, an era that would be marked in the quarter held by a 0 net debt balance sheet, an accelerated transition to the multi-energy future and an upgraded through-cycle cash flow payout for shareholders of 35% to 40% from 2022. These were the main messages from the strategy and outlook presentation last month and the third quarter results confirm these messages.

As part of the environment, the effective tax rate of the company increased to 44% in the third quarter from 39% in the second quarter. This is largely due to a higher tax rate for E&P activities as a result of the U.K. Energy Profits Levy, \$0.6 billion impact on the quarter for 4 months of taxation. Despite increased taxes, \$26 billion paid in aggregate by end of September, mostly in producing countries, our cash flow generation is, in any case, far stronger than we had projected a year ago, thanks to the favorable price environment. We estimate the impact of the EU solidarity tax at around EUR 1 billion.

Operationally, the company's hydrocarbon production was 2.7 million barrels of oil equivalent per day, a 2.5% decrease from the previous quarter, mainly due to planned maintenance, notably at Ichthys, and unplanned downtime at Kashagan, partially offset by the entry into production of Sepia and Atapu and the ramp-up of Mero 1, all these fields being in Brazil.

Year-to-date, OpEx are trending up to \$5.6 per barrel on average. This includes a higher cost of energy, representing \$0.25 per barrel. Except these higher energy costs, we do not observe any cost inflation at OpEx level. Cost discipline is a constant priority. We are in the commodity business and maintaining a low breakeven is essential to weathering the cycle.

Looking at the results segment-by-segment now. Integrated Gas, Renewables & Power, iGRP, posted record adjusted net operating income of \$3.6 billion this quarter, up \$1.1 billion from the second quarter, and cash flow of \$2.7 billion, driven by higher LNG prices and strong trading activities, in line with previous quarter. The favorable environment allowed us to overcome the quarter-to-quarter 10% decrease in LNG sales that resulted mainly from the Freeport LNG outage and planned maintenance at Ichthys LNG.

We expect fourth quarter LNG prices to be above \$17 per million BTU, still at high level. I remind you that 70% is linked to Brent formula and 30% to gas spot index. The company continued to execute on its LNG growth strategy by acquiring a stake in North Field South LNG project in Qatar after the North Field East LNG last June.

In the electricity business, gross renewable power generation capacity reached 16 gigawatts at the end of the third quarter, up 4.4 gigawatts over the quarter, including 3.8 gigawatts from the Clearway acquisition and the start-up of the Seagreen offshore wind farm in Scotland. We indeed closed the acquisition of 50% of Clearway Energy in the U.S. and announced another key acquisition in renewables in Brazil yesterday.

Net electricity production was 8.8 TWh in the third quarter, up 10% from the second quarter, thanks to the high CCGT utilization rates and growth in renewable power generation. EBITDA from the Electricity & Renewables business was \$460 million in the third quarter, stable, compared to the previous quarter. Operating cash flow for iGRP was \$4.4 billion in the third quarter, including the positive impact on working capital due to the reduced margin growth and seasonality in the gas and power supply business.

The E&P segment generated adjusted net operating income of \$4.2 billion and cash flow of \$6.4 billion in the third quarter, down about \$0.5 billion and \$1 billion, respectively, throughout the second quarter because of lower production. Quarter-to-quarter, our average realized liquid price fell by almost \$10 per barrel, but our average realized gas price increased by around \$6 per million BTU. We are ramping up activities in E&P, notably the start-up of production at the Ikike field in Nigeria, the launch of the Begonia project in Angola and the Fenix project in Argentina and a significant gas discovery in Cyprus.

The combined Downstream segment generated \$2.4 billion of adjusted net income and \$2.9 billion of cash flow in the third quarter, an outstanding performance even if decreased compared to the record-setting second quarter, thanks to strong distillate margins and a good trading performance comparable to previous quarter. To put this into perspective, over the first 9 months, the Downstream generated \$8.4 billion of cash flow, twice the level of the same period last year, and more than enough to cover the entire regular dividend for the year. Our expectation is that refining margins should remain strong, particularly for distillates, given the ban on imports of Russian petroleum products into Europe, effective February '23.

At the company level, over the first 9 months of '22, we generated operating cash flows before working cap changes of around \$37 billion, an increase of 85% over the same period last year. Year-to-date net investments of \$12.5 billion are in line with our guidance of \$16 billion for the year, including \$4 billion in decarbonized energies. We bought back \$5 billion of our shares over the first 9 months and plan to buy back another \$2 billion in the fourth quarter. Our gearing ratio is down to 4% at the end of the third

quarter.

Given our solid financial position and the strong cash flow generation, the company is executing a balanced value-sharing policy that includes an exceptional bonus of 1-month salary to all our worldwide employees and a new shareholder return policy announced in September that targets 35% to 40% cash flow payout. In addition to the regular third interim dividend of EUR 0.69 per share, which represents a 5% increase from a year ago, the Board decided to set the ex-dividend and payment dates for the interim special dividends of EUR 1 per share in December'22.

That concludes my comments, my remarks. And now we can go to the Q&A.

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## QUESTIONS AND ANSWERS

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### **Irene Himona *Societe Generale Cross Asset Research - Equity Analyst***

I had two questions, please. Firstly, you had quite a substantial \$7 billion working capital release in the third quarter. I wonder if you can talk about the main components. And then what could we -- if we could anticipate something for Q4, any guidance would be very useful. And secondly, on the Russian impairments you took this quarter, can you please remind us what remains as the net book value after these impairments? And since the strategy you presented last month has left out everything to do with Russia, will you, over time, just write off whatever remains on the balance sheet, please?

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### **Jean-Pierre Sbraire *TotalEnergies SE - CFO***

Thank you, Irene. Yes, so the first question regarding working cap. We reported \$6.7 billion working cap release in the third quarter. And there are three main factors behind this performance. The first one, for obvious reasons, was working capital release in relation with the price effect on stocks of around \$3 billion, more or less. We have a \$2.4 billion working cap release as well linked to variation margins release for our gas and electricity business, thanks to several optimizations and exposure reduction actions. We had as well a \$2.1 billion working cap release in relation with our E&P tax payables. It's the case in North Sea countries, Norway and U.K. mainly.

And on the other side, we have a minus \$0.8 billion of various effects on payables and receivables balance. That was the main driver behind this performance. For the fourth quarter, it will be highly dependent on the evolution of the prices for the valuation of stocks and for the gas and electricity variation margins. But I have in mind that most of the tax will not be paid in 2022. It will be paid rather during the first quarter of 2023. So, I do not anticipate a strong cash-out or reversal of this performance in the fourth quarter, according to the current environment.

On impairment. Yes, we have recorded in our accounts an additional write-off on the value of our Novatek shares for \$3.1 billion in the third quarter. Because, we had to review the cash flow long-term scenarios

to include, in fact, greater uncertainties on cash transfer from Russia. That was the main driver behind these impairments. We are very transparent.

We published in the registration document specific information on Russia. At that time, we gave the capital employed in Russia, close to \$14 billion end of last year. I remind you that we recorded a \$4.1 billion impairment in the first quarter, mainly on Arctic 2, a \$3.5 billion impairment in the second quarter, mainly on Novatek's value, and this quarter an additional \$3.1 billion. So, all in all, it represents more or less an impairment of \$11 billion. Now to answer your question, in our accounts, we have a capital employed in Russia of around \$6 billion after all these impairments.

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**Michele Della Vigna *Goldman Sachs Group, Inc., Research Division - Co-Head of European Equity Research & MD***

Thank you much, Jean-Pierre, for all of the presentation and the strong set of results. Two key questions from me. The first one, on the LNG side, there were exceptional results this quarter despite the fact that there were quite a few shutdowns. And I was wondering if perhaps you could give us some visibility of when you expect some of this production to come back, especially Freeport, Nigeria LNG and Ichthys returning back from scheduled maintenance.

And then my second question is on your GHG emissions, always very helpful to have it on a quarterly basis and ongoing strong delivery, especially in the reduction of Scope 3. But there was a 10% increase in Scope 1 and 2 emissions. My understanding is most of it comes from Europe and the ramp-up of CCGTs and the Downstream refinery. But I was wondering if you could give a bit more visibility on that.

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**Jean-Pierre Sbraire *TotalEnergies SE - CFO***

I will start with the second question. I'll be very clear, the increase regarding Scope 1 and 2 in Europe is 100% linked to the CCGTs. I remind you that in 2015, we did not have any CCGT in our portfolio. Now we have different CCGTs, in France, in Spain, in Belgium. By the way, we have started a new CCGT in France in Brittany in Landivisiau beginning of this year, and given that, for obvious reasons, the CCGTs performed particularly well during the third quarter, that's the driver behind this increase regarding Scope 1 and 2 in Europe.

And your second question regarding our LNG strong results, despite shutdowns, for me, it's the demonstration of the success of our integrated strategy on LNG. Because we were able to replicate very good and very high performance on this segment, on this LNG business, despite shutdowns, despite the loss of Freeport cargoes in particular in the third quarter. According to the information I have, Freeport is supposed to restart in November of this year. Nigeria, it will be probably next year. And Ichthys, the shutdown has been completed, and it is supposed to come back to normal production in the fourth quarter.

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**Martijn Rats *Morgan Stanley, Research Division - MD and Head of Oil Research***

I've got two questions, if I may. First of all, I wanted to ask if you could say a few words about the impact of the refinery strikes in France during the quarter and say a few words on how that might impact fourth

quarter results. And then also, I heard you comment on distillate yields -- sorry, distillate cracks and that they may continue to be supported as a result of the EU import embargo on Russian oil. This remains a very hard-to-navigate issue. And I was wondering if you could set out more broadly what you think the impact will be of the EU embargo on Russian oil, both for crude and for products, over the next couple of months.

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**Jean-Pierre Sbraire *TotalEnergies SE - CFO***

The impact on the refinery strike in France. It would be a very theoretical calculation because, of course, on one side, we lost production in France coming from these refineries, but we benefited from increased margin in our refineries in Belgium, in particular, or in Germany. I will not give you a very precise figure but the impact of the strikes in France over October is very, very limited.

Distillate cracks, yes, they are strong. We think that the ban on Russian petroleum products that will be effective in February '23 will contribute to maintaining these distillate cracks at a very high level. It will not be so easy for Europe to compensate the loss of these volumes. That's why we think that margins could remain high.

For crude, it's probably a bit easier to compensate the loss due to the ban on Russian crude that will be effective in December. Because you can, of course, reroute crude from other countries. But we are very clear that all these bans will contribute to support prices. Russian crude will need to find alternative customers, so it will go to India, perhaps to China or more globally in Asia. These countries could therefore benefit from discounted crude. But on the opposite, the European refiners will have to pay a premium to attract new crudes. So that's the paradox of this ban, I think, implemented at the level of the EU.

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**Christopher Kuplent *BofA Securities, Research Division - Head of European Energy Equity Research***

Most of my questions have been answered already. So maybe just a quick one, Jean-Pierre, if you wouldn't mind giving us a bit more detail about what you're seeing in terms of demand destruction in your chemicals business and perhaps in your overall sales figures and how you're looking into next year, considering the recession that's coming at us.

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**Jean-Pierre Sbraire *TotalEnergies SE - CFO***

Honestly, it's too premature or too early, I think, to give a figure. In chemicals, we start seeing but marginally, the impact of the possible recession that could happen next year.

On our sales at present time, honestly, given the discounts we have in our retail stations, we do not see any drop in volume. Outlook for next year: recession should have an impact on this. On chemicals, it should have an impact on gas demand as well. But too early, I think, to give precise figures.

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**Oswald C. Clint *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst***

Just back on the LNG side, please, I wonder if you could help us just understand a little bit more about how you're doing so well. I mean, obviously, some huge gas price differentials in the quarter, especially around quarter end, which need to be marked to market. But you're also buying -- I think you're active buying spot

LNG cargoes in the quarter. So was it -- is it a case that you are having some losses on hedged deliveries but offsetting it with new spot cargoes and have been able to offset that through the profit on those? Is that something that's going on?

And then secondly, I mean, I understand the confidentiality around assets in Qatar. But is there anything you can say around what we might expect, perhaps proportional EBITDA uplift from starting up what is, I think, one of the largest solar plants in the world that you started up this month? So as we look into next year, is this going to be something material?

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**Jean-Pierre Sbraire *TotalEnergies SE - CFO***

Our performance regarding LNG: I think 2021 definitely marked the start of a new era of performance for this LNG and Electricity trading. And this business segment, quarter-after-quarter, replicates very strong performance. Of course, we do not give full details, absolute value, for our trading business. But I can tell you is that the LNG, gas and power trading replicated the excellent performance of Q2 2022 as well as Q4 2021. And perhaps you remember that in Q1 2022, we announced that we had a very, very high trading performance and so, we're qualifying this quarter performance as an overperformance of more than \$500 million.

So having said that, that's true that we had to record in the Q3 results the impact of the Freeport outage: the loss of cargoes and the fact that, of course, we had to offset hedging losses. But being able to replicate quarter-after-quarter a very strong performance demonstrates that we are able, given the global portfolio we have, to offset these hedging losses. We have a worldwide presence, we have LNG production in almost all of the main hubs - in the U.S., in Qatar, in Australia, just to mention - and of course, we have LNG coming from Russia as well. Given this portfolio and given the outlets we have, we can manage between sources and outlets. And that's the way our trading can deliver, once again, quarter-after-quarter very, very good performance.

Qatar: the solar farm was inaugurated last week. It's globally one of the most sizable solar farms worldwide, representing 800 megawatts. I do not have, to be honest, the EBITDA. But I will ask my team, and so we can come back to you with the figures.

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**Lydia Rose Emma Rainforth *Barclays Bank PLC, Research Division - Director & Equity Analyst***

Two questions, if I could. The first one, with the strategy presentation, I think the guidance was for the gearing to year-end to be at 5%. And essentially, you're already there at the end of this quarter, so -- and I appreciate that the release of working capital and the write-downs. But is there an update as to where you think you'll be at year-end in terms of the gearing number?

And then secondly, just bigger-picture question in terms of renewables and the low-carbon side, we also are seeing higher interest rates, more difficulty accessing finance, greater desire for energy security. Do you think that starts to change the structure of some of the renewables businesses and gives an advantage to companies such TotalEnergies?

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**Jean-Pierre Sbraire *TotalEnergies SE - CFO***

Yes. That's true that our gearing is already below 5% with the net debt at \$5 billion. You know that we do not have any magic figure in terms of gearing target. As the CFO, I will be more than happy to continue strengthening my balance sheet and decreasing the gearing. Having said that, in the fourth quarter, assuming that we will continue to generate more or less the same level of cash flow from operations, given the CapEx target of \$16 billion for the full year, taking into account that we will continue our buyback program at \$2 billion, that we will pay the special dividend - representing more or less \$2.5 billion, we should remain more or less in the same ballpark, around 4% or below 5%.

Of course, it will also depend on the working capital. But, as I already mentioned, I do not anticipate a very strong variation for the working cap. So, I would say, more or less the same level as at end of September.

For renewables, it's not necessarily the same as in the upstream sector. Indeed, we face inflation and higher interest rates. But, these additional costs, both inflation and higher interest rates, will be passed to the final customer when we negotiate the PPA, the contract to sell the electrons. Because as you know, we target for this type of project a double-digit profitability.

When we sanction the projects, we have a clear view on the CapEx and so we lock them at that time, not to be exposed to future inflation. We have then clear visibility on the leverage, on the cost of financing and we adjust the level of PPA we are ready to sign to deliver the targeted double-digit profitability. There is no miracle: with these interest rates increase or inflation, we don't change our threshold or the method we use to sanction projects.

On the opposite, it will have a positive effect for TotalEnergies because it will clear competition with less companies able to enter or to continue development in that field. With our strong balance sheet and less competition, it should be positive and profitable for us.

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**Bertrand Hodee *Kepler Cheuvreux, Research Division - Head of Oil and Gas Sector Research***

Yes, I have just one question left. Coming back on your LNG trading performance, Jean-Pierre, you often refer to your integrated model. What in your view is making the difference? Is it because you have currently a very large access to regas capacities that you have secured that you are able, in fact, to maximize your LNG spot selling price? Or is there other reason for that outstanding performance?

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**Jean-Pierre Sbraire *TotalEnergies SE - CFO***

For sure, having acquired ENGIE LNG portfolio, 3 or 4 years ago, it gave us access to 18 million tons of regas capacity in Europe. It means that we have more than 15% of the global regas capacity in Europe. It's a huge advantage for our traders, who can arbitrage between the U.S. and Europe. So, for sure, it's key in this LNG trading performance.

Once again, we have production contracts on the main hubs. I remind you that we are #1 LNG exporter from the U.S., we have a strong presence in the U.S. with access to more than 10 million tons of LNG. So, this adds capacity for our ships to deliver this LNG to our European customers, thanks to our regas capacity.



And of course, we have, on top of that, other sources of LNG in Asia, in the Middle East and customers in Asia.

All in all, it allows our traders to arbitrage between the different markets. And now given the price of LNG, each cargo represents something like \$80 million, even \$100 million. So, when we are able reroute or to arbitrage between the different markets, of course, it's a very efficient way to maximize the value coming from that business.

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**Alastair Roderick Syme Citigroup Inc., Research Division - MD & Global Head of Oil and Gas Research**

Jean-Pierre, for the EU solidarity tax, you mentioned the EUR 1 billion figure, but is this still an estimate, and what clarity do you have? I mean you're clearly having some negotiations with different governments. So, I just wanted to understand where those negotiations stood? And then secondly, in the last few weeks, we've seen a bit of a collapse in spot gas prices in Europe. I know forward markets haven't changed as much. But did you have any perspective on why you think the spot gas prices have collapsed?

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**Jean-Pierre Sbraire TotalEnergies SE - CFO**

EU solidarity tax. As you know, we'll be impacted by this EU solidarity tax in 6 countries in Europe. It will be France, Germany, Belgium and the Netherlands for our refining activities, plus Denmark, Italy and the Netherlands for our E&P activities. At present time, there are a lot of uncertainties regarding the implementation of this tax because, as you know, the EU gave a framework for this solidarity tax, and each country is supposed to adjust or to adapt this frame locally to their own request.

There are still uncertainties regarding the rate that will be used, since the EU just gave a minimum tax rate, regarding the use of loss carryforward or regarding the basis - 2022 or 2023 – since in the text you have “2022 and/or 2023”. Having said that, we are engineers as you know, so we made a lot of different calculations with different scenarios. And all in all, the conclusion is that this EU solidarity tax should represent something like EUR 1 billion for the full year 2022.

On the EU gas price falling. Yes, at present time, we see NBP around \$20 per million BTU. It was above \$50 per million BTU at the end of August. It's a huge drop but \$20 per MBtu is not ridiculous when you compared to the level we had before the crisis. The main reasons or the main factors explaining this drop, that you know better than I do, it's lower demand in Europe due to the weather and high temperatures we have at present time. And so, the lower heating needs in relation with this situation.

Then, gas stocks that are almost full, they have been replenished over the past months and they are full in France. The strong competition between EU and Chinese companies to attract energy cargoes to Europe created the previous conditions. On top of that, you had the U.K. situation with little storage capacity in the country and difficulties to evacuate the gas coming from U.K. to other European countries. Having said that price will be highly dependent on temperature and final consumption in Europe.

Stocks are full so we anticipate that winter 2022 should not be a big concern in the EU. But you will have to refill the stocks for winter 2023. And given the lack, once again, of regas capacity in Europe to completely

compensate a possible fall in Russian gas coming through pipelines, it should be highly supportive to gas prices in Europe at that time.

So, short term, I do not know as it's a matter of volatility, temperature, and consumption. But mid-term, it's the message we conveyed in New York when we presented our outlook: we are very supportive, particularly for LNG in Europe, for this intrinsic reasons - the need for Europe to attract LNG cargoes to compensate for the loss of Russian pipe gas.

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**Alastair Roderick Syme Citigroup Inc., Research Division - MD & Global Head of Oil and Gas Research**

Can I just clarify on the solidarity tax? The EUR 1 billion estimate, does that include the tax loss carryforwards? Or is that a gross number before you had also...

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**Jean-Pierre Sbraire TotalEnergies SE - CFO**

It depends, we made some calculations based on our anticipation of what the law could be, country by country. It does not have necessarily a big impact. It depends on country and on the situation.

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**Lucas Oliver Herrmann BNP Paribas Exane, Research Division - Head of Oil and Gas Research**

A couple as well, if I might, and maybe some points of clarification on windfall taxes as well. I just wanted to go back to LNG and get some better sense of what the hedging policy is now, and the extent to which the length in the portfolio is exposed. Because one of the things I think Patrick made quite clear in New York was that there is uncertainty as to the longevity of the contracts with -- or whether there's sanctioning of the Russian contracts, which for you is an uptake, I think, 5 million tons per annum. And that as a consequence, there seems to be a reluctance to actually hedge those volumes.

So can you give us some idea as to the extent to which the length in your portfolio, the uncovered portion of the LNG trading portfolio has increased over the course of the last few months, or will increase going into the fourth quarter? And therefore, you are more exposed to volatility in spot pricing. That was the first question.

The second, just staying with that, can you give us any indication of the cash flows that you derive from trading Russian LNG? Or is that just seen as being too difficult to predict, as you said previously, and therefore, won't be disclosed as part of your disclosure of cash flow from Russia? But you've clearly taken those cash flows out when you present your strategic view going forward for 5 years, but they very clearly remain in when you present data today.

And then sorry, just going back to Alastair. I'm sorry for the long list. Just to be clear, the windfall tax that you're referring to or the estimate of EUR 1 billion, is that prorated when those taxes become applicable? I asked because it's considerably more modest than the number that you indicated again at the Strategy Day, when including the U.K. component, you talked to something near \$2.5 billion.

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**Jean-Pierre Sbraire TotalEnergies SE - CFO**

I will clarify this subject first. There are 2 different subjects: first, the U.K. windfall profits tax which is

already implemented. The tax was voted in July but retroactive to end of May. And we mentioned in New York that assuming \$35 per MBtu NBP over the fourth quarter, it should represent for 2022 - from end of May to end of December - more or less \$1 billion or EUR 1 billion. So it was for the windfall tax in the U.K. and it's implemented. There is no doubt with the exception of the NBP level and the production on which this tax will be applicable. However, end of September, given that we recorded over the third quarter more than 4 months of windfall tax in the U.K., the impact is something like \$640 million.

The second subject is the EU solidarity tax. At present time, we have nothing in our accounts because, once again, there are a lot of uncertainties regarding the way this tax will be implemented. And the figure I mentioned is for this solidarity tax: EUR 1 billion. We gave exactly the same figure in New York. I remember well because I gave that figure. There are still some discussions or uncertainty regarding when the tax will be payable or the methodology, but it's supposed to be a one-off. That's the main difference with the U.K. windfall tax, that is supposed to be applicable until 2025.

Regarding LNG hedging policy. Our policy is to hedge the following 12 months. That's what we already mentioned many times, but with some exceptions. And what has been mentioned regarding our Russian assets is that we no longer hedge Russian volumes since February 2022, to take into account the uncertainty you mentioned regarding access to those volumes. So that's our policy, a global policy, but with an exception on Russia.

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**Lucas Oliver Herrmann *BNP Paribas Exane, Research Division - Head of Oil and Gas Research***

Okay. And just to be clear on those volumes, I mean 5 million is the contractual element. There was a further 1 million tons that you said you'd committed to take in 2022. So we might to take it that 6 million tons of LNG coming from Yamal at the present time is unhedged?

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**Jean-Pierre Sbraire *TotalEnergies SE - CFO***

Yes, more or less because we hedged only the first 2 months of 2022. So the calculation is correct. And in 2023, it will be something like 5 million tons of sales coming from Russia.

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**Lucas Oliver Herrmann *BNP Paribas Exane, Research Division - Head of Oil and Gas Research***

Okay, which will stay unhedged. And but can you give us any indication - please, sorry to ask - in terms of the contribution.

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**Jean-Pierre Sbraire *TotalEnergies SE - CFO***

No. What we gave very transparently, since the publication of our universal registration document, is the cash that our Russian upstream activities are able to generate. And so, you will see that in the Q2 and Q3, it represents more or less \$350 million. And it represents the dividends we are able to repatriate in our accounts. In Q2, it was Novatek dividends. In Q3, it was the Yamal dividends.

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**Biraj Borkhataria *RBC Capital Markets, Research Division - Director, Co-Head of European Energy Research Team & Lead Analyst***

Actually, I'm going to push a bit further on Lucas' question. So for the Yamal offtake, can you just confirm

whether there's any restrictions on the difference between earnings and cash flow received from that side of the Russian portfolio? I get that within the equity interest of Yamal at the project level, there might be some issues on getting the cash out. But for the offtake side, should we assume the earnings flow straight to the group cash flow?

And then the second question is just on the LNG portfolio overall. Are you able to disclose what the level of spot sales is -- or spot sales was in Q3, and what you would expect to have in Q4 as a proportion of the portfolio?

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**Jean-Pierre Sbraire *TotalEnergies SE - CFO***

Yamal offtake. I'm not sure to have fully understood your question. We gave the cash we received from Russia on our assets. So it's cash received from Novatek or cash received from Yamal. And once again, you have the figure for the Q2, you have the figure for the Q3, I gave the indication that Q2, this represent Novatek dividends. And for Q3 is the Yamal dividend. \$350 million for Q2, and more or less the same figure for Q3.

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**Biraj Borkhataria *RBC Capital Markets, Research Division - Director, Co-Head of European Energy Research Team & Lead Analyst***

Jean-Pierre, I was thinking more of the offtake side. So you, as a Total trading business are buying oil-linked volumes and selling unhedged LNG. Is it fair to assume that, that cash flow that you generate from that part of the business is -- there's no restriction on where the cash resides in terms of going straight to the group cash flow statement?

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**Jean-Pierre Sbraire *TotalEnergies SE - CFO***

No. There is no sanction, our duty is to execute the contract we have, to sell part of the Yamal LNG volumes to Europe or to Asia. And by way, it's what the European authorities are expecting from us. So no, there are no restrictions. It's part of our global portfolio, the global optimization, I already mentioned to you.

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**Biraj Borkhataria *RBC Capital Markets, Research Division - Director, Co-Head of European Energy Research Team & Lead Analyst***

Tat's very clear. And then the spot LNG sales?

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**Jean-Pierre Sbraire *TotalEnergies SE - CFO***

Honestly, I do not have the figure for the Q3. My colleagues will come back to you. It should represent something like 2 or 3 million tons, but they will come back to you with the precise figure.

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**Paul Cheng *Scotiabank Global Banking and Markets, Research Division - Analyst***

Two questions. One, can you talk about the refinery strike, I think that they just restarted on Monday for 2 of your refineries in France. Can you confirm that those 2 refineries are now shut down or that they'd still be able to run? That's the first question.

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**Jean-Pierre Sbraire *TotalEnergies SE - CFO***

I'm sorry Paul, but the line is very bad, and I was unable to understand your question. Sorry, could you repeat?

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**Paul Cheng Scotiabank Global Banking and Markets, Research Division - Analyst**

I'm referring to the recent refinery strike in France. I think the labor union restarted the strike on Monday. Can you confirm whether the facilities are currently running or that has been totally shut down on those 2 refineries?

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**Jean-Pierre Sbraire TotalEnergies SE - CFO**

What I can tell you is that we have the refinery in Normandy that was shut down almost all of October. And we have a second refinery, in Feyzin, South of Lyon, that was impacted as well by the strike. So more or less for October, it's 2 refineries in France that were impacted by the strikes.

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**Paul Cheng Scotiabank Global Banking and Markets, Research Division - Analyst**

Okay. And can you also tell us whether there's any upstream production contract, any meaningful expiry in 2023 or in 2024?

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**Jean-Pierre Sbraire TotalEnergies SE - CFO**

Honestly, I have nothing in mind because we had the non-renewal of the Qatargas 1 contract, it was end of last year. We have the same on Bongkot in Thailand. We withdrew from Myanmar, just to remind you the main contracts that were ended very recently. But on top of that, I have nothing sizable in mind, no. And by the way, the production is supposed to grow over the next couple of years.

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**Amy Wong Crédit Suisse AG, Research Division - Research Analyst**

Jean-Pierre, a couple of questions from me, please. The first one is on your Casa dos Ventos acquisition in Brazil announced yesterday. What kind of debt levels sit in CDV at the moment? And what kind of CapEx per megawatt should we be expecting for that development pipeline? And then my second question relates to just your capital return policy. I think at the Capital Markets Day, Patrick said that the 35% to 40% cash flow to shareholders had a soft ceiling, what kind of conditions would we have to see you guys go beyond that ceiling?

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**Jean-Pierre Sbraire TotalEnergies SE - CFO**

On capital return policy, we're very clear in the guidance given by the Board, that was given to the market end of September. You're right that Patrick Pouyanné mentioned that 40% is not the limit. 35%-40% is the guidance, but there is no limit. In fact, the 40% is not a ceiling. What would convince us to go beyond that? Of course, if the environment is at a very, very high level: so if you have, at the same time, oil, gas prices, refining margins, petrochem, all our businesses, LNG trading, performing particularly well.

On the Brazil acquisition we announced yesterday. We will create a joint-venture with Casa dos Ventos. It's the largest renewable energy developer in Brazil. We will have a stake of 34% in that JV, but having an option to acquire an additional 15% to be more or less 50-50 in the coming years in that JV. The CapEx per megawatt, I think, is not very relevant given the fact that we acquired 50% of the portfolio already in

production or at early stage, but also 50% of the portfolio that will be developed in the coming years. All in all, we pay an upfront cash payment of \$550 million. I think it's perfectly in line with our objective to have assets able to deliver return on equity above 10%. But once again, the comparison with the other portfolios, I think in that case, it's not very relevant.

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**Amy Wong *Crédit Suisse AG, Research Division - Research Analyst***

Can I squeeze in a quick one? It's nice to see that you guys are putting in a 1-month salary bonus for all employees. Could you just give me an idea of the total amount that has been accrued in your 3Q numbers?

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**Jean-Pierre Sbraire *TotalEnergies SE - CFO***

It represents more or less 7% of the global salary cost, but it will be capped. There will be a minimum, but it will be capped as well to a EUR 6,000 per employee. So more or less 7% of the salary costs, worldwide. It's not in the Q3 numbers. It will be in the Q4 numbers, of course.

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**Henri Jerome Dieudonne Marie Patricot *UBS Investment Bank, Research Division - Associate Director and Equity Research Analyst***

Just one quick question left, around the lag effect on dividends from equity affiliates that you mentioned. Is that something that is meaningful and we should expect a catch-up in the fourth quarter, maybe beginning of next year? Any details on that would be helpful.

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**Jean-Pierre Sbraire *TotalEnergies SE - CFO***

It's obvious that the performance in Q3 is particularly linked to the performance in the LNG sector. The LNG business is mainly accounted on an equity basis. So that means that you have in your net operating income, the immediate effects of the performance. But in cash flow generated from operations you have to wait for the dividends. There are some rules depending on the country, depending on the partnerships. And so you do not have an immediate effect on your cash flow, CFFO.

So yes, there is a time lag effect between the impact on the net operating income, and the impact you will have on the cash flow from ops. It depends on the geography, it depends on the business. So it's a time lag of around 6 months. In some geographies you are able to put in place interim dividends to accelerate the cash out from the businesses. In others, you have to wait because they is just one dividend per year. So it's a mix between the different situations.

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**Operator**

The last question is from Kim Fustier with HSBC.

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**Kim Anne-Laure Fustier *HSBC, Research Division - Analyst of Oil and Gas***

I had 2 questions, please. The first one is that I was intrigued by your comments that you're not seeing cost inflation in upstream other than that coming from higher energy costs. We're hearing from other companies that rates were going up, labor costs, supply chains. So I was wondering if you could offer any more color on upstream costs and the broader operating and sanctioning environment in the upstream. My second question is on refining. And specifically, if you could give an update on the Leuna refinery in

Germany that used to be supplied exclusively by Russian pipeline crude. Now that we're a little more than a month away from the start of the EU embargo in December, is the Leuna refinery now able to fully run on non-Russian seaborne crude?

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**Jean-Pierre Sbraire TotalEnergies SE - CFO**

No cost inflation: I confirm my comment that at present time, given that we are not very present in the U.S. shale, we do not really see inflation in our costs. Of course, steel was a difficulty: I have in mind a project that was presented, I think it was 6 months ago, it was just after the beginning of the war between Ukraine and Russia. And at that time, the team came to the Executive Committee asking us to sanction the project, with a 40% increase in steel price. At that time, we said, no: we are not in a hurry to sanction projects.

It's the way we mitigate this cost inflation, if in some projects, we have to face this situation: we are not in a hurry, so we have to be patient. We have time to sanction projects it's not volume over value. But obviously, at present time, given, globally, the under investment that has been done by all the oil and gas companies since 2015 or 2016, globally, we do not see a strong inflation, so we do not anticipate strong inflation in our books in the coming months.

Leuna was designed to run on Ural, Russian crude. As you know, we were very clear in March when we published our rules of conduct regarding Russia, that we no longer buy any spot Russian crude to supply our refineries, it was particularly the case for Leuna.

Before the crisis, almost 100% of the crude run in Leuna was Russian crude, I think the right figure is 95%. We had to find alternatives. Crude will come from a pipe coming from Poland, in fact. And we had to import seaborne crude to compensate the loss of Russian crude. I will not tell you that it's easy. We have discussion with German authorities to make them aware of these difficulties. At present time, it is feasible to have more or less 800 kiloton per month from this pipe coming from Poland. We'll see in the near future if we continue with this alternative source to supply the Leuna refinery.

I think it was the last question, thank you very much for your time. And I will give you a *rendez-vous*, in February for the 2022 results.