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PRESENTATION

Patrick Pouyanné *TotalEnergies SE - Chairman & CEO*
Good morning, good afternoon, everybody, wherever you are, Patrick Pouyanné speaking. Before Jean-Pierre goes through the details of what we could characterize as a solid set of numbers, I would like to come back as an introduction on the major investments that we have announced in this last quarter, which are a good illustration of our oil and gas and electricity strategy. Our strategy is based on these 2 fundamental growth pillars: on one side, growing our hydrocarbon base, mainly driven by LNG, and oil, of course, which is our cash engine of today; and secondly, developing a profitable and Integrated Power business, which is key for the future cash engine of the company.

Our results: I would characterize them as good cash flows, good ROACE and strong distribution through buybacks. So continuity, strong and solid set of numbers, but Jean-Pierre will come back on it.

On the first pillar, I would like to highlight some few important projects. The first one, of course, is our project in Iraq, called GGIP. You know that the company was born in Iraq 100 years ago, but it's not a matter of emotion, it's a matter of creating value, let's be clear. The GGIP is providing us with access to exactly the type of hydrocarbons we are looking for: low-cost, low-emission oil and gas as the project is targeting both. Flared gas being, of course, a source of gas for gas-fired power plants and oil from the Ratawi field. We will increase production from the Ratawi field as a second objective, through breakthrough innovative contractual conditions compared to previous service contracts which were signed by others in the past. This contract offers an attractive reward and is balancing well, of course, the Iraqi risks. We are fully aware of that.

Second, of course, a very major example of the strategy in motion is our new LNG project in the U.S., the Rio Grande LNG project, which we have announced in June and which now is FID. You know that we are very committed to LNG. We think that there is a growing demand, and that, of course, the U.S. position is very important because you have a very low-cost source of gas there. And this is a project which is attractive because it's one of the most competitive LNG plants with $850 per ton. Rio Grande LNG project benefits from a very good location outside of the Louisiana crowded area and more importantly, access to skilled workforce with no competition, limited site preparation. So again, it's a Capex competitive project, and now it's a matter to deliver it.

More importantly, of course, for us, we have decided to integrate that project by different angles. And why do we integrate it by different angles, becoming shareholder of NextDecade, the promoter of the project, but also direct investor in the project with 16.7%, and also, of course, as offtaker?

We've done that because, in fact, we are leveraging this integration in order to have access to the most competitive pricing for U.S. LNG, which will give us a clear competitive advantage on the market. So it's not only a matter of offtaking, the integration gives us the capacity to negotiate better price than others. And that, of course, it's a source of value. We might also enhance the value of the project by further integrating the upstream in order to protect our gas feedstock costs in the future. Other upsides will come also from expanding the plant from 3 to 5 trains.

So that's why we consider that not being only an offtaker, but more importantly, also to contribute directly to the investments is a way to leverage and to create different sources of value from this project.

Last project, of course, emblematic from oil and gas is the final award of the contract for the Amiral project in Saudi Arabia in petrochemicals. In fact, it's really leveraging the SATORP integrated platform, a world-class petrochemical facility, well supported by the Kingdom of Saudi Arabia in order to get advantaged feedstock and a very competitive project.

Then we have also, during the quarter, continued to deploy the second growth pillar of the company, which is building a profitable integrated model in electricity, so Integrated Power. So it's oil and gas on one side, Integrated Power on the other side on which we focus our transition strategy.

Two events, deals or projects, happened during this past quarter, very recently. One is the full acquisition of Total Eren, which has been announced for quite a long time. You've seen through the figures that it's $400 million EBITDA. It's additional cash flow next year for TotalEnergies. The multiple is quite attractive, it was negotiated 5 years ago. It's 3.5 gigawatts. And mainly, by the way, 2/3 of them being in what I call the unregulated countries, so feeding our Integrated Power business model.

It's also lots of competencies which will join the company in order to be more efficient. With this integration, now the next step, and I think we'll come back to you on that in September: we have all these assets around the world, now it's a matter of industrializing the way we operate them in order to deliver more value for the Integrated Power business.

We also won some maritime leases in Germany, 3 GW offshore. Some people think it's too expensive. It's not because I think it's exactly what we are looking for in Integrated Power. It's fitting. It's a perfect illustration of our business model. Why? Because first it’s the German market, which will offer the best price for electricity in the future. Germany has decided not to go to nuclear. So you know, in the end, price of electricity in Germany will be supported.

Secondly, it's like an oil and gas concession. Amounts are important, but in fact, it's an upfront payment, like when we pay a bonus for an oil and gas concession plus a royalty. We fixed exactly what we pay upfront, 10%, for all these 3 gigawatts, it's something around EUR 500 million. And then we will pay a royalty for around 20 years. And the royalty by the way avoids us to pay any connection fee to the grid. So when you look at the math, I can tell you, I'm very happy that we have managed to get access to the 3 gigawatts of offshore wind because it's exactly the model we want to put in place.

Price is not controlled, up to us to decide which part we will sell to PPAs, to German manufacturing industries and which part we’ll keep merchant in order to trade around and to asset integration. So my answer to the ones who have criticized us is that, in fact, we are exactly in the model, not an infrastructure model, but an Integrated Power merchant model, exactly what we do in oil and gas.

You will see us continuing to deploy this strategy. And by the way, I am happy, it's easy for me to explain that because Jean-Pierre will explain you, that these results in Integrated Power are surprising you quarter after quarter, and they will continue to surprise you in a positive way. So that's what we want to build. Back to my introduction, my last comment: the Board is very comfortable with the cash generation of the company. So yesterday, it reiterated its trust in the future by increasing the interim dividend by 7.25% year-on-year and maintaining the $2 billion buyback program for the third quarter. It is the fifth quarter in a row that we stay at $2 billion despite the softening environment.

The payout for the first half is more than 42%, in line with the commitment of the Company to distribute more than 40% for 2023. And so I can only reiterate that commitment. And all the transactions and projects, of course, will be the highlights of our presentation to you on September 27 in New York. And then I will leave the floor to Jean-Pierre for getting into the results.

Jean-Pierre Sbraire ***TotalEnergies SE - CFO***
Thank you, Patrick. So let's move to the financials. The commodity environment softened in the second quarter, but still at high levels. Quarter-over-quarter, Brent was down 4% to 78 $/b and European gas dropped by around 35% to 10.5 $/Mbtu. In this context, TotalEnergies reported second quarter 2023

adjusted net income of $5 billion, a decrease of only 24% quarter-over-quarter and was able to generate a strong $8.5 billion of cash flow. Over the first half 2023, adjusted net income was $11.5 million, and cash flow was $18 billion. We continue to deliver excellent profitability, reporting a 22% ROACE for the 12 months ended June 2023, and we continue to share our success with our shareholders, as explained by Patrick. During the second quarter, we paid $1.8 billion in ordinary interim dividends and executed $2 billion buybacks, which is consistent with the first quarter distribution despite the softening commodity environment as described. As a result, payout to shareholders, as mentioned by Patrick, was more than 42% over the first half 2023. Our balance sheet remains strong with gearing at 11.1% in the second quarter.

Moving on now to the segment results. Operationally, our oil and gas production was 2.47 Mboe/d, up 2% year-on-year, thanks to new project start-ups. Johan Sverdrup Phase 2 in Norway, Ikike in Nigeria, Mero 1 in Brazil and Block 10 in Oman. The production also benefited from the integration of SARB and Umm Lulu in the United Arab Emirates. Note that our oil production was up 12% year-on-year, reaching above 1.4 Mb/d. Production for the third quarter is expected at around 2.5 Mboe/d, notably supported by the start-up of the Absheron field in Azerbaijan. Exploration & Production reported adjusted net operating income of $2.3 billion, down 11% quarter-over-quarter, primarily due to the lower oil and gas prices. Similarly, cash flow of $4.4 billion was also down 11% quarter-on-quarter.

These are a quite resilient set of results compared to the lower environment. I already mentioned the minus 4% for Brent and around 35% drop for European gas prices. As previously announced, we are now reporting Integrated LNG and Integrated Power as independent segments. So let's move on to Integrated LNG.

In the second quarter 2023, LNG sales were stable quarter-on-quarter at 11 Mt, benefiting from the restart of Freeport LNG but decreased year-over-year due to lower demand in Europe because of mild weather and high inventories. Integrated LNG generated adjusted net operating income of $1.3 billion, down 36% quarter-on-quarter, reflecting lower LNG price, averaging $10 per Mbtu in the second quarter and softer trading results compared to the exceptional ones we benefited from in the first quarter, in less volatile markets. However, operating cash flow was down only 13% quarter-on-quarter, also due to lower LNG prices, but partially offset by higher margin secured in 2022 on LNG cargoes to be delivered in 2023.

Given the evolution of oil and gas prices in recent months and the lag effect on price formulas, TotalEnergies anticipates that its average LNG selling price should be between $9 and $10/Mbtu in the third quarter 2023.

For Integrated Power, in the second quarter, we met our target of double-digit returns, building a track record as an integrated and profitable player in the electricity business. For the 12 months ended June 2023, we achieved a ROACE at 10.1%.

The proof is in the results. Our integrated approach to the business is working, which combines renewable projects, flexible power generation, energy storage, asset optimization, trading, and B2B/B2C supply. Integrated Power second quarter adjusted net operating income is $450 million, and cash flow is $491 million, up 22% and 12% respectively quarter-on-quarter due to the good performance of our integrated electricity portfolio.

Integrated Power generated $930 million of cash flow in the first half 2023 versus only $340 million in the first half of 2022. The different segments have performed well and contributed this robust first half 2023 results: gas-fired power plants, renewables, trading and supply, demonstrating the strength of our Integrated Power strategy.

Net power generation was 8.2 TWh in the second quarter of 2023, up 8% year-on-year, as growing electricity generation from renewables was partly offset by lower generation from flexible capacity in the context of lower European demand. Gross installed renewable power generation capacity is now at 19 GW at the end of the second quarter, up by more than 1 GW quarter-on-quarter, including 0.5 GW installed in the U.S. and the connection of 0.3 GW from our Seagreen Offshore Wind Project in the U.K. Let's move to Downstream.

Downstream contributed $1.5 billion of adjusted net operating income, down 23% quarter-on-quarter, reflecting clearly lower refining margins, particularly in Europe, partially compensated by higher Marketing & Services results quarter-over-quarter due to the seasonality of this business. The refining margins were impacted at the start of the period by Chinese exports and the quicker-than-anticipated reorganization of Russian flows following the European embargo. They were although supported at the end of the quarter by higher gasoline exports to the U.S. and lower diesel imports in Europe from China. Our refinery utilization rates on processed crudes improved to 82% in the second quarter, which is a good performance, compared to 78% in the first quarter. We expect same operational performance, above 80% in Q3. Since the beginning of July, the average refining margin is higher, above 70 $/ton.

On Company working capital requirements, last quarter we had an exceptionally high build of $4.5 billion, mainly related to higher crude and petroleum product inventories on water and to the seasonality of our power and gas marketing business. I said last quarter that we were expecting $1.4 billion could reverse. And indeed, we have a $1.5 billion working capital release, mainly due to the effect of lower inventory, seasonality of payments on the gas and power marketing business. Of course, we continue to monitor closely and take actions to minimize the working capital requirements. We're expecting in the next quarter some working capital release coming from exploration and production tax payment schedules.

On net investment, second quarter amounted to $4.6 billion, and our guidance for 2023 net investments is unchanged in the range $16 billion to $18 billion. The Board of Director, as mentioned by Patrick, confirmed for 2023 a shareholder distribution of more than 40% of cash flow, supported by our Canadian divestment as expressed end of April. The Board decided the distribution of the second interim dividend for the 2023 financial year in the amount of EUR 0.74 per share, up 7.25% year-on-year, and authorized the Company to buy back shares for an additional $2 billion in the third quarter 2023.

And with that, let's move to the Q&A.

QUESTIONS AND ANSWERS

Christyan Fawzi Malek ***JPMorgan Chase & Co, Research Division - MD and Head of the EMEA Oil & Gas Equity Research***
I want to ask you about the 2 pillars, which you've simplified very well. I know have framed a compelling case for wind and renewables through optimizing across the value chain. What I'm trying to rationalize is how you generate a return competitive with the oil and gas pillar when you're looking at overall return for the portfolio. And if you're essentially trying to maximize every dollar you place into your Joules generation, if you will, it just doesn't make sense to me why you don't double down on the oil reserves, while oil is getting firmer over the next few years. So my question is basically, can we expect a higher growth oil target from you over the coming years? And if so, will that take CapEx higher?

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
Thank you, Christyan. We will come back on this question, of course: it's at the core of our presentation in September to all of you and to our investors. It's true that we have quite a large portfolio of oil and gas projects, oil and LNG projects, and we'll come back on it. On oil you know we have Uganda, Angola, we have Iraq. We should have probably a Suriname project come in: we are just testing the last wells.

To be clear, the guidance we gave you of $16-$18 billion in an environment like today, will be maintained. And if we have more oil, we'll have to arbitrate between projects, we have room to maneuver in our portfolio. So don't expect a CapEx increase. But again, we will not arbitrate against oil and gas profitable projects. It's a question of balance.

We have 2, or 3, pillars in our strategy. One is oil, and if we are more oil I’m happy to deliver oil. Then we have gas: we have a global hydrocarbons (oil and gas) growth: you can make the math, some of you have done it, and find 2% to 3%/yr I think, and that's good: we are happy you did that. We are also a company in transition, with our Integrated Power pillar.

As you said, we simplify and we are looking to the various new energies and we are strong and we consider that our commitment to build this Integrated Power business, with the results we are delivering, is the core of our transition strategy. And we might simplify the rest of the molecules, for which, by the way, we see a demand later than 2030. So we will come back on this topic, of course, in the strategy presentation in September. You should describe TotalEnergies as oil and gas and electricity. That's the core of our strategy, more than a sort of multi-energy supermarket. So let's simplify and then deliver the value.

Oswald C. Clint ***Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst***
Just on LNG and specifically United States, TotalEnergies I think, is the largest off-taker of U.S. LNG. You got bigger now with Rio Grande and that. But I wanted to ask about that exposure to U.S. gas feedstock. I

think you touched on potentially integrating further upstream. Is there a number here, a percentage, something we should think about in terms of feedstock coverage for these terminals, for these offtakes that you would think about looking forward is the first question, please.

And then secondly, I noticed it looks like you may be planning to drill a well in the South African portion of the Orange Basin perhaps next year. So just curious if you've completed any further analysis over the last quarter around the Venus discovery that gives you the confidence to really extend the exploration campaign further south?

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
On the second one, I think we will focus on Namibia. My priority is Namibia. We have drilled an appraisal well of Venus, which is very positive. Of course, we still are expecting the dynamic data. The first test will start beginning of August, and I'm sure when we'll meet in September, we'll have the results of the first test, which is important because productivity per well, of course, if it's 15,000 barrels per day, it's fine, if it's five, it's not fine.

I can tell you the oil column is very big. Our focus will be Namibia first: we have a lot of oil in place. Of course, we have some licenses in South Africa, and our geologists are working on it. But our priority will be to give value to Namibia if it's confirmed. And then we'll see what can be the expansion in the Orange Basin on the other side.

US LNG exposure. It's true, we have 10 million tons, we'll move to 15 million tons. It's quite a big exposure. You have noticed since I am CEO that for each project we try not only to offtake, but to integrate the project: Cameron LNG, ECA in Mexico, Rio Grande. Why? Because when you contribute to the investment, you have a leverage on the pricing.

More upstream yes, because I believe integration. You know we already have a net production more or less of 500 million scf per day in the U.S. on the Barnett shale that we maintain. And we can extend and double that exposure.

No hurry though. It takes time. We'll have opportunities one day. I think controlling the cost of the feedstock is a smart way to control the full integration value. It's part of our strategic agenda and integration in the U.S.

Irene Himona ***Société Générale Cross Asset Research - Equity Analyst***
Congratulations on a very busy quarter in terms of the 4 new projects that you launched in different areas. You referred to the competitive advantage of low cost in all of those. Can you perhaps help us with how we should think about the return on capital in these very different projects, please?

And then secondly, you preannounced the third quarter buyback. Obviously, you are generating very strong cash flow. Why would you not preannounce the fourth quarter buyback at this point?

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
It was decided by the Board. You know we have this investor meeting in September, the Board is meeting in September: it havs decided to review the full distribution policy for the end of the year. But as I told you, we had a fifth quarter in a row at $2 billion so you shouldn't be very surprised. And we'll give perspective to you in New York about all these elements.

So we maintained the $2 billion per quarter. And the environment is softening, so we want to keep that flexibility. The main commitment the Board has taken to our investors is more than 40% of distribution this year. We are at 42%, it will not be 40.1%, it will be more than 42%. With that you can make the math, I think.

Again, the Board is working, and remember that this commitment was also linked to the closing of the Canadian assets sales. We are moving forward on these elements positively. ConocoPhillips has preempted and the SPA with ConocoPhillips has been executed, so I think we'll close by the end of the third quarter and the discussions with Suncor are also progressing. The Board wants to have a complete view in order to make the right decision for our investors in terms of distribution.

On the projects themselves, I cannot disclose all the figures. You know there are contracts, in particular I explained you that on the Iraqi project it's true that we have created a new category of contract, clearly fitting with our standard way to work, to be honest. I commented that the reward was commensurate to the risk, so you can imagine that it's a good return.

Low cost: you know producing oil onshore Iraq is probably the best way to maintain our record in terms of CapEx + Opex. There, it is like $7 per barrel CapEx + OpEx: it gives you a good base to make competitive returns, rather than in other areas of the world.

Rio Grande: again, we have good leverage. And I'm looking at that in an integrated way because not only do we invest in the project, but thanks to that investment, we negotiated very good offtake contracts. The price is very competitive. We make more money than somebody who does not invest in the project, thanks to our downstream exposure, the offtake contracts: in fact, we want to capture the infrastructure margin somewhere, leveraging it through the offtake contract. Globally speaking the integrated IRR is more than 15% on this LNG project. Next to 20%, in fact, so just to give you an idea. So it's a strong project for us.

Germany: let's be clear, on the Germany projects, I've seen some figures, we are perfectly in line with our double-digit objective. And even more because I'm absolutely convinced that the German electricity project price will be meeting when we'll come and we'll have flexibility to deliver the double-digit project return.

Christopher Kuplent ***BofA Securities, Research Division - Head of European Energy Equity Research***
Just two quick ones, hopefully. Patrick, I wonder, as you are highlighting the more than 40% of CFFO payout ambition, whether you've learned anything from last year's special dividend. Is it a fair

assumption to assume that the continuation of the $2 billion buyback run rate into Q3 is by now your preferred way of redistributing these, let's call them, extra proceeds from your expected oil sands closing? So just wanted to see whether you have a view on what the market prefers, buybacks over a special dividend.

And my second question is going back to the LNG portfolio, which is growing nicely. And I wonder whether, if you consider all your options that are still pre-FID, and I would count Mozambique into that, too. Whether you think, by the end of this decade, all these options will actually be in development and will be operating? Or whether, to your point on CapEx, whether you're answering, actually, it might be a good thing to have more portfolio options because then you can be tougher on the returns you can squeeze out of them from a project-on-project competition.

Talking about PNG, Mozambique, of course, Arctic 2 is no longer in your consolidated numbers. And you're very busy in the U.S., too. And I'm not even mentioning some of the smaller assets. So sorry, it's a long-winded question, but hopefully, a relatively short answer.

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***

Don’t worry Chris, it's a very relevant question. I'm thinking exactly like you. I'm taking the second one first. On LNG it's clear that today, with this portfolio, we are in a position to arbitrate if costs are too expensive. To be clear, I think we'll make an arbitration in the U.S.: because 850 $/t of Rio Grande is better than the cost we are seeing today for the additional train on Cameron. So I have the option, and clearly I'm very comfortable: if the CapEx on Cameron do not decrease compared to the first feedback we got from contractors, it will be easy for us to postpone it, and then it'll come later. The option is there, it’s an obvious one. We can keep it in the portfolio.

We are delivering ECA Phase 1 shortly in Mexico. We have also the possibility to expand but there again, it’s a matter of arbitration: we like the Pacific position but we can arbitrate it. The key for me is really what is the position of the project in terms of quartile CapEx per ton: it’s very important to keep that discipline because at the end, for long-term projects, that's the key.

On PNG, we’ll see what the costs will be, and on Mozambique, we have a public debate with some contractors. We are keen on delivering these projects and that's part of the plan. But again, as you said, we have leverage, we have a large portfolio, and we work on all of them. And at the end of the day, if the CapEx are not meeting our expectations because the market is heating up, we’ll arbitrate. I’m interested in the North American projects because it’s where we see many projects coming together. I think on the international area, we’ll find a way to make these projects go through. And again, we are in that, I would say, comfortable position to select the ones on which we consider we have better returns.

On the cash flow, we are not exactly in the same position as last year. Last year, remember, the special dividend came from super revenue we generated last year, $45 billion of cash flow. This year, we are more, and it’s not bad !, at $18 billion for half the year and so $35-$36 billion on the year: again, it's not $45 billion. The Board is making a difference between $45 billion and $36 billion. Even if we receive $4 billion from Canada, it will make $40 billion and not $45-$46 billion.

So we keep the option, the debate there. We also know that today, the market is keen on buybacks because we consider that the share of TotalEnergies is undervalued compared to some of our peers. There is a certain logic I think from the Board, to show the trust in the share, for the share to be revaluated. So that's the argument. But with all these elements, I think you can make the conclusion yourself: we'll see. But let’s be clear, we’ll clarify that on the 27th of September to our investors and to the market.

Lydia Rose Emma Rainforth Barclays Bank PLC, Research Division - MD and Equity Analyst
Two questions, if I could. On the renewables business, clearly, the capacity and development has gone up again this quarter to the 50 gigawatts. Can you talk about what you're seeing in terms of costs? And I think this was related a little bit to the German wind farm as well, asactually people are worried about costs going up. And I think sometimes the idea of the grid connection costs and the integration with the rest of the business is missed. But just are you worried about the cost base in renewables at this point on the CapEx side?

And then secondly, Patrick, probably, we've seen oil prices rally in recent weeks, and we've seen refining margins rally more. Can you just talk through what you're seeing in the markets in terms of demand at this point?

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
Okay. The first part, to be clear, in the end it’s like LNG answer. We will invest in projects only if we get the returns. And that's why, by the way, the German auctions were interesting because, in fact, we have committed the bonus to get the option in our portfolio paying 10% of the global bid. For me, I'm putting my option.

It is like when I'm buying an exploration license in Brazil, I could pay you bonus of $300 million and I don’t know if there is oil. Whereas on this one I’m sure there is wind. But the cost has to be there. So honestly, I'm not surprised that in the end oil major companies are coming into that business because it's clearly exactly the type of projects that we are able to manage, project management.

We can leverage the skills of the company, relations with its contractors. It's exactly what we do in any offshore oil and gas project. So for me, there's a right way to look at it. So I'm not worried. I don't like Capex increase neither in LNG nor in oil offshore nor in offshore wind. But it is up to us to leverage our purchasing power. And I think this is where we TotalEnergies can have an advantage in this business.

I think scale has a value and the purchasing power of TotalEnergies, the capacity to commit: recently, we have approved a very large solar module contract to cover part of our future need, leveraging our purchasing power. So that’s where we need to work in order to be more efficient than others. And I think that is what the states, our stakeholders are expecting from us, to be efficient.

And again, the other point for us is that we consider that European electricity price - because of all what happened in Europe: no Russian gas, more renewables, the nuclear actually coming more expensive. So price will go in the right direction. That's what we think fundamentally. And we believe that there will be volatility, of course, but also price going up. So we understand the concern that people have, and it's up to us. Exactly same answer than on oil and gas: we have to manage the CapEx side.

On refining margin. where do we see the refining margin. First, on the margins today, Jean-Pierre mentioned $70 per ton, which is the average for the month. They are supported as well on gasoline by the driving season: we have more consumption in Europe and in the U.S. on both sides.

So in the U.S., the inventories are quite low, which means that today we export gasoline from Europe to the U.S., which is good for my European refineries. And – touching wood - they have a good performance and availability today, more than 80%. So that's what we think on the gasoline: we are positive on the gasoline.

On the diesel side, the demand is more linked to the global macroeconomic environment. But we can benefit from it also as well as there is an effect in Europe: when the Rhine water level is low then you have some problems to supply Germany and you create some upside in our downstream business. So it's another part of it.

So I would say that we are more positive on the refining margin for the third quarter, I would be surprised to go down to $40 per ton, which was the average on the second quarter, I think the third quarter will be higher. That's my view on these markets.

By the way, when it’s hot, you know refineries do not like hot weather. So running a refinery is not so good in particular in the US when the weather is too hot. And it's good for margins as well.

Alastair Roderick Syme ***Citigroup Inc., Research Division - MD & Global Head of Oil and Gas Research***
On Iraq, I understand it's confidential. But are you able to say maybe what your maximum capital employed exposure would be in the country? We all see this $27 billion headline. So I just want to get some context.

And then I'm just interested and fascinated in your comments about Germany having the highest power prices in the future. And that's quite a statement about one of the industrial powerhouses in Europe. How do you think about the issue of industrial competitiveness and affordability for consumers?

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
Iraq, maximum capital employed is $3 billion. We have 45% of Capex, which are around $10-$11 billion, but we have also oil production coming on stream immediately. And the beauty of the contract is that the Ratawi field is producing and we will stabilize very quickly the production to 50,000 - 60,000 barrels

per day. Our teams will work before the year end. Then we have a phase of improvement of the oil production up to 90,000 - 120,000 barrels per day and then going to 210. So we have some cash coming in. It's a way to lower our exposure as part of the scheme we have in Iraq. So keep that in mind. And $3 billion for me, is totally acceptable with the terms we have. So that's the clear answer to you.

Germany industrial competitiveness: it's a more global question. The question will be more for the states: what the support of the states to energy-intensive industries will be, which is in fact, the question. But I think in Europe, thinking that the price of electricity might be around 70 – 80 €/MWh, it's not a bad bet, in fact. So that might work. But then it's a matter of course, of going to some industries and having long-term commitments. The only thing I am answering to governments, to manufacturers and to customers is if you are ready to take some long-term commitments we can lower the price. If you want to stay spot the company's business will be done. And I don't recommend anybody to invest in Europe based on spot prices, because then you could be in trouble.

So this is what we saw last year, I would say. And I think the answer for me is, yes, there is room for industrial competitiveness in Europe and Germany if we are able to put together some long-term contracts. And part of our intent with this offshore wind development will be to commit some of the capacities to this type of long-term contracts and to keep part of it as merchant. So we have the famous 70%/30%. But we know that this is the type of price we can obtain today in Europe and Central Europe, and people are ready to commit on this level of price.

Alastair Roderick Syme ***Citigroup Inc., Research Division - MD & Global Head of Oil and Gas Research***
Patrick, can I ask when you speak to politicians, are they surprised with that 70 to 80 euros per megawatt hour sort of number? I mean, that's twice what it used to be, right?

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
Yes, but the truth is the world has changed. The world has changed. I mean, we have to be clear on the fact that energy transition has an impact on energy prices. And there is no way to make a transition in Europe without having a higher price. And I think they understand. The new nuclear is not under the prices I just gave you. And so you can ask to the U.K. investors or to the French government and they will tell you. So I think it's part of the transition. And we have to adapt to this system.

Including in the end the customer who will have to accept to pay somewhere the cost of energy, the cost of the transition. But you know, I observed as well that in the U.S. today, even the solar contracts in Texas began to increase a little, to recover. So we have to keep that in mind.

The energy transition will happen if we accept some cost increase. And we have a super efficient system – which is the oil and gas system. And we want to move to a system which is not as efficient in terms of energy efficiency. That has a cost, that has a price. And the real question for all of us is at which pace we make that transition for the customers to accept it. It's what we call the just transition.

We have to manage the transition. It's just a jungle, it will be rejected. So I'm not sure they are so afraid.

It is just a matter of accepting the reality. And we have to be consistent. This is a question for European manufacturers to be competitive and probably we will need to take actions, like the U.S. take actions. As we are accepting this price of CO2 somewhere we have to protect these industries. Otherwise if Europe is integrating price of CO2 in products and not the other countries, we'll have an issue for sure.

Biraj Borkhataria ***RBC Capital Markets, Research Division - Director, Co-Head of European Energy Research Team & Lead Analyst***
First one is on your LNG business again. In the past, I think you used project financing to deliver some projects. But obviously, your balance sheet is extremely healthy at this point, and you probably have some capacity to take on some more Capex. Could you just talk about your plans on Rio Grande, Mozambique or otherwise and your intentions on financing? And how you're thinking about that split between balance sheet and off-balance sheet?

And then second question is just following up on Alastair's point on competitiveness. Obviously, you have a refinery in Germany and chemicals operations. With your view on higher power prices, obviously, that feed into gas prices, and then you've said you won't take Russian crude. How do you think about what more you can do in your operations to remain competitive in a global context?

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
On LNG project financing is part of it. You know Rio Grande has been announced with a project financing. Globally speaking it is a $15 billion CAPEX and I think it has been announced as a 70%/30% project financing with a package of blending project financing which has been announced as well.

And by the way we helped them, we contributed to that. GIP has strongly contributed to that, by becoming a shareholder. So I think it's easy to finance. It's competitive in terms of interest rate. Because we have been working hard on it between GIP and TotalEnergies in order to get good commercial terms and this is the case.

And in Mozambique the package was already there and has been preserved I would say, because if you remember, when we stopped the project we maintained all the project finance.

Jean-Pierre Sbraire ***TotalEnergies SE - CFO***
We froze the project financing but we are discussing with the lenders of course for when the project will restart to unfreeze the project financing.

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***

So the conditions are good. As soon as conditions for project financing are okay and competitive to our equity, I think we'll maintain that stance.

PNG, I don't know, we are not there yet I think, today on this project, but we are working. Japanese banks are very adamant to finance PNG and you could have good conditions with Japanese banks, in that part of the world.

So for us, we are fine with that, and it's a way to globally have the returns I mentioned to you on Rio Grande, for example, 15% to 20% are taking that into account.

And the view on our refining, it is true what you say, it is perfectly true. Yes, I can tell you when we look at our refining breakeven in Europe today, 2023 compared to 2021, no more Russian gas, plus CO2 pricing, less quotas, at the end, there is an impact. And I think the breakeven went probably up from $25 per tonne to $30- $35 per tonne.

So in the end, the question is we have to work in order to find the efficient way to compensate it. And this is why - by the way, you know my position on refining in Europe - it's a good way to transform into biorefineries. And so it's a question of the pace of it.

So we are managing that already. We have transformed 2 refineries. The next one will come, as I told you before, because we understand that question of competitiveness and we take it into account in our industrial decisions. That's obvious. So I cannot hide it.

And I think, and it’s probably more concrete for refineries in Europe because they are fossil fuels and we don't like that too much, it's a question of security of supply for the governments. And this is the debate we will have to face. If we want to maintain this activity in Europe because you still need a gasoline and diesel and you don't give us conditions in order to have an attractive return, we might take decisions, which might be detrimental.

But again, there are also positive ways to look at it. We are working today to see how we can leverage the RED3 directive in order to get green hydrogen and it could create additional revenues, in fact, when you look carefully to the new scheme, which has been published by Europe. So you can see CO2 as a cost, but CO2 might be a source of revenue as well when you combine green hydrogen with CO2 products. And we are working on two projects, one in France, one in Germany, which will bring additional revenues, which might compensate part of the lack of competitive advantage.

But I think there are two ways to look to the energy transition. You can look at it as a cost or an opportunity. It's a price framework that is put in place. It needs to be the case for hydrogen, for green hydrogen, there is a strong push. Then that might become a new source of competitiveness for refineries in Europe. And we are working on it. And I think in September, we'll be able to come back to you and to give you 2 good examples where we created value from, I would say, these energy transition frameworks.

And so there is a negative and a positive way to think about that. By the way, I'm convinced that the transition will work only if we create opportunities and not just include costs and prices.

Kim Anne-Laure Fustier ***HSBC, Research Division - Head of European Oil & Gas Research***
Firstly, just on your existing targets on renewable capacity. I was just wondering what the acquisition of

the 71% stake in Total Eren and then other deals that you've announced do to your targets, particularly the 2025 target of 35 gigawatts? If I recall, you'd already reached a pipeline of over 35 gigawatts more than a year ago. So does that mean there's upside to that 35 gigawatt target or do you have the opportunity now to take and choose the best projects as you already talked about with respect to LNG and high-grade your project portfolio?

My second question is around reports a few months ago that TotalEnergies was looking at a major gas development in Saudi Arabia, together with Saudi Aramco. I just wondered what the angle is here. Is this about the domestic market and more about exports in the form of either LNG or blue hydrogen or ammonia?

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
You don't have the good information on your second question, because as far as I know, Saudi Arabia has a monopoly on upstream gas. I don't think you should believe all what press agencies are writing in the newspapers.

On your first question, to make it clear, it was very clear in our mind that the acquisition of Total Eren will be part of our roadmap. When we set the 35 gigawatts, the acquisition of Total Eren was already there, therefore, be careful, it is not an additional element. We knew that Total Eren was working well. We knew what were our conditions to activate our option. With the figure I gave you, EUR 400 million CFFO, and the EV you can understand that it is an attractive multiple, therefore we used it…

There is nothing additional here. By the way now, you know, we are also working more on value rather than on volumes that is what matters for me. Of course, there are some targets such as the 35 gigawatts and we are working towards it while creating some optionality. And by the way, do not consider the offshore wind in Germany will be part of the 35 gigawatts since there's no way to build a 3 gigawatts offshore wind in 3 years and it will therefore be part of the 2030 target.

The more options we have, the more we can arbitrate even between projects because we have in our portfolio more opportunities to reach a target and it does not mean that we will be moving the target up and developing all the potential volumes. It is not volume over value, it is value over volume. I'm happy that the teams are able to generate opportunities. And then we select the ones which are the best for us for us.

The more important aspect now by the way for us, at the end, is how much terawatt-hours we will produce like for oil and gas. In oil and gas, you love my 2.5 million barrels of oil per day. You will have to learn that we will speak more in terawatt-hours per year rather than in gigawatts. Indeed terawatt-hours are what creates the revenues, the results and the profit and the cash flow.

I think we should move in that field as well because it's improving. We will quickly reach 50 terawatt-hours per year: I was looking, that’s the fifteenth largest utility. It's not small. Therefore, let’s think in terawatt-hours year rather than just in capacity. At the end, what is important is delivering revenues, cash and results.

Lucas Oliver Herrmann ***BNP Paribas Exane, Research Division - Head of Oil and Gas Research***
First, Patrick do you have any interest remaining in Arctic LNG 2 project? I'm just conscious of the Novatek's comments around start-up and so on and so forth and the original position is obviously that you have not been funding anything?

And the second question was just around going back to balance sheet. And how do you think about gearing debt levels in absolute terms at this time? Is the range still 10% to 20%, something you're comfortable with? Just a reiteration really.

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
It is not a reiteration, we told you before that less than 15%, we are currently at 11% and I told you already that if we have a net positive treasury I will be happy. I think the best way to protect an oil and gas company is to have the strongest possible balance sheet.

Then it is a question of arbitration and the reminder of the overall scheme we gave you is clear: dividends, CAPEX and then strong balance sheet, even targeting potentially a AA rating if we can, and then buybacks. The Board is looking at all of that.

Recently, by the way, Jean-Pierre has bought back EUR 1 billion of hybrid debt. We have decided to lower the hybrid debt because we thought it was a good way to maneuver. Of course, the balance sheet is important: not 10%-20%, it is less than 15% and as low as possible. That's my thinking on this and Jean-Pierre will agree I am sure.

Jean-Pierre Sbraire ***TotalEnergies SE – CFO***
Yes I agree.

Patrick Pouyanné ***TotalEnergies SE – Chairman & CEO***
Regarding Arctic LNG 2, as we have said in March '22, we don't bring any capital from TotalEnergies SE into this project. You know, the project when we left, the equity was already injected and it was more project financing, in fact. The project is moving on. We didn't put a single more equity from TotalEnergies SE, from Paris.

We are still around but honestly I have zero information because, as you know our governance, we decided to leave all the Russian assets. So I cannot tell you what is really happening there. I'm reading the newspaper like you. There was no TotalEnergies representative at this last ceremony.

Lucas Oliver Herrmann ***BNP Paribas Exane, Research Division - Head of Oil and Gas Research***
Remind me, did you have any legal liability to offtake volume? I remember you had a 2 million tons offtake agreement?

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
If the plant produces, we have some offtake volumes. I don't remember exactly how much it is, but the contract is like Yamal LNG, we have a long-term 25 year-contract, it's a take-or-pay as we have on Yamal. Today, we only offtake the long-term contract from Yamal. Absolutely nothing else than the long-term contract, no spot, no additional volume.

We have reduced our Russian activity to the long-term contract only. And that's the reality of what we do. And if Arctic LNG 2 came onstream, we have a commitment, I don't remember exactly the committed volume. To be honest, I did not spend much time on Arctic LNG 2 for during the last year but my team will be able to tell you exactly what the volume is. We have a lower share in Arctic LNG 2 at 10% and not 20% like on Yamal, so I think it was proportionate. We can come back to you.

That being said, the same policy will apply. We have a contract, we have to execute the contract as long as the sanctions do not prevent to do it, it will be the same policy. But we can come back to you on exactly what is the offtake volume with the 10%. Independently of our shareholding and what happens with our equity, the offtake contract is there.

Jason Daniel Gabelman ***TD Cowen, Research Division - Director & Analyst***
First, just on the Novatek dividend. I believe historically, you guys got it in 2Q and 4Q. So wondering if you received the Novatek dividend this quarter? And if not, what the certainty is you will see them moving forward?

And my second question is on gas. There's a lot of concerns around European gas storage actually filling over the coming months ahead of winter draw season. And given your unique position in operating European gas assets, just wondering what your outlook is for the European gas market in the fall? And kind of an extension of that, how these tighter gas oil spreads have impacted your outlook for trading given last year integrated LNG trading was particularly strong in part because of the wide gas oil spreads?

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
No, we did not receive any dividend this quarter. That's the first answer.

Second one related to EU gas storage, it's clear that the storage could be full by October. So today, this is why you have a softer gas price at $10 per million BTU. We don't anticipate difficulties because we exited last winter with high inventory levels, so it's easy to replenish it and it will be done.

But as I have always explained if the winter is cold or if the gas from Russia going through Ukraine is stopped, the situation will quickly be in tension. If on the top of it, activity in China is recovering and is buying more LNG, which seems to be the case today, we have another additional factor of tension.

The situation in Europe will be complicated. We are relying on the meteorological condition plus external elements, including the ones I mentioned about the transit through Ukraine. So that's the reality. That's the reason why, by the way, the forward price of European gas is at $15 per million BTU. The price for next week, next January, next first quarter, for the first half '24 is higher because the market sees more risk and more I would say bullish factors than bearish ones, I think that's the reality.

We'll see what will happen but there are some elements of tension. And by the way, it's also why, today, you don't see manufacturing industries in Europe shifting from fuel to gas. Last year we have seen, because the prices were very high in '22, the manufacturing industries shifted from gas to fuel. We could have expected that they would shift back to gas, at about $10 per million BTU i.e. a price lower than fuel price today in Europe, but they stick to fuel because they're afraid about what could happen next winter. It's an interesting behavior.

That's why people say the demand for gas in Europe is lower and stays low because in fact, they should make that shift on the short-term price but they do not do it, because they are still afraid. There is no stability, I would say, in the gas price in Europe, there’s volatility. And that's why, by the way, traders at TotalEnergies they love volatility, they make more money. This quarter was less volatile, so lower results but we could expect that during wintertime generally the volatility is higher. That's what I can tell you.

Jason Daniel Gabelman ***TD Cowen, Research Division - Director & Analyst***
Sorry, just to clarify on the first one on the Novatek dividend. Should we assume that you stop receiving it moving forward?

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
I don't know. It depends on others. I think I just answered you already. The Board and the Chairman and CEO of TotalEnergies have decided that Russia are not in the accounts anymore, it's not there.

We do not plan any distribution or any shareholder returns linked to any cash flow coming from Russia to be honest, that is the way we think about Russia. The figures I am showing to the Board are without Russia. That's all. Because anything could happen. I prefer to show the case, if something is coming it’s coming but we are not chasing it. It's more the way we think in TotalEnergies. The deconsolidation was a very clear decision by the Board in December '22, and this is the way we manage the Company.

Henry Michael Tarr ***Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst***
One, just coming back on the hybrid debt. Why did you choose to buy back some of the debt? And would you think about buying back more in the future? And then kind of what did you have to pay for it?

And then the second question is on the downstream. You're talking about changing refineries into biofuels and biofuels platforms. How do you see profitability for the biofuels platforms in Europe? And how are you getting on sort of securing feedstock for those platforms? And are you seeing increasing government support for sustainable aviation fuel and renewable diesel and other biofuels within Europe at the moment?

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

Yes. First question regarding hybrids. At the present time, our hybrid portfolio is at very low cost below 3%, it's 2.4%, if I remember well. So we have the flexibility offered by S&P to diminish the global level of hybrids, minus 10% on a yearly basis. In May, we had a tranche maturing, and so we decided to use the flexibility.
Otherwise, in the market, at present time, there is a risk of increase compared to the 2.4% I mentioned to you. It's around 5%. So given the cash we are able to generate at present time, so we pass it to the Board, we do not need to renew this hybrid tranche, and that's the main driver behind the decision, not to renew this tranche. And so we decided to get rid of the EUR 1 billion. At present time, the cost of the hybrid in euro is more than 5%. So it makes no sense to.

Patrick Pouyanné *TotalEnergies SE - Chairman & CEO*
So that means that the decision this year could be renewed the next year just because we don't want to repurchase with the rate change. It's just the management of the cash and the balance sheet of the company. So I think it's an obvious decision, it makes sense.

On the downstream, we have changed some refineries to biofuels. We changed La Mède, we are changing Grandpuits I told you that there will be others. In fact, there is a clear framework in Europe, that’s why I'm comfortable in Europe because you have some mandates in Europe, in particular, the sustainable aviation fuel in Europe is a mandate. It's not just a target, it's a mandate.

They immediately create a market and a pricing which will integrate the CO2 cost. So I'm comfortable to invest because I think t Europe is very serious about it -- we have a 6% mandate by 2030, which is increasing to a 15% mandate in 2035. So it creates a positive market. Then the big question is on how do you produce it. So we like old refineries because we have a CapEx per ton which is lower than if you make a greenfield. So you will not see TotalEnergies investing in greenfield refineries to make SAF, to be clear. I prefer to convert the old refineries.

By the way, it’s part of the transition: the demand for gasoline and diesel will diminish in Europe. We’ll have more EVs in 2025. So you need to prepare the transition and we can reuse some units to make a biorefinery. The CapEx per ton is around $500-$600 per ton. A greenfield one is around $1,000 per tonne. Let’s convert rather than creating new greenfield refineries.. That's fundamentally our view. But we need to find the feedstock, yes, you're right. And the feedstock in Europe is an issue because they don't want 1G. There is no 1G vegetable oil in SAF. So we need to secure it.

We don't want to import used cooking oil from far away and being trapped into -- I don't know which story about waste imports. I think it's not good approach. But there are ways. We have secured feedstock on Grandpuits by a JV with a German company which produces animal fats. So we are looking to that segment. And we are also beginning to look to another technology, which is alcohol to jet, which might be the next one because when you look to, in fact, to the balance of the European market where in 2035 to reach a 15% mandate, it will be difficult to do that only with on lipid feedstocks. I mean used cooking oil or animal fats.

So it opens the door to the next technology. So we try to select the ones which won't be the most expensive. We don't need e-fuels, but we might have technologies in between providing the SAF, I would say, a little more expensive, but not the most expensive one. So this is the way we approach this issue.

But again, for us, the focus will be in Europe again because we have the assets, we know we have to make the transition. It's an opportunity, which is, in fact, given to us by this transition or this famous European green deal framework. So let's seize the opportunity. It's like I said, green hydrogen is the other way to compensate the cost of CO2 and the cost of energy in a positive way to create new markets and to decarbonize the airlines. So that's the way we look at it. So we work, and we have already 2 projects. We are working on the third one.

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

First one, I wanted to come back to Integrated power and the strong performance in the second quarter with the earnings up sequentially. If you can give us some details on the driver of the sequential improvement because net power production, it's down quarter-on-quarter. So I'm interested to hear what is driving the improvement here sequentially?

And then secondly, on Mozambique LNG, if you have an update to provide on the timeline, the next milestone to -- for the project before we can restart?

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***

Mozambique LNG, we are working on both parts. One is with the contractors, and I expect that to be done in the second half of this year. So we'll have the answers I hope it will be positive from them. And then we are working like Jean-Pierre said on the relaunching, unfreezing the financing. So I think the objective for us is to come to you before year-end, and we should have a clarity on the way forward. But again, no hurry, costs before and then let’s do it step by step properly, it’s the objective we have but if we need to wait some more, we’ll wait.

On Integrated Power, I think Jean-Pierre in his speech gave you some indications. It's coming from everywhere. I can give you, but you know why.

In the supply business, the winter is always more tough in terms of results because we have an average cost of supply and more demand. So you have a sort of seasonal effect. If you are following some utilities, you can see the seasonal effect. So the second and third quarter are more positive, but we have also good performance coming from our flexible generation capacities because of the spread between gas and electricity. We have some good results from trading as well, and we have positive results from renewables. So everything is increasing, I would say.

So it's not just one and by the way, it's why the more we look at it, the more we think our approach with Integrated Power, and this is why we report to you these results in this way, like we report the results of Refining and Chemicals in an integrated way. So nothing special, everything was positive, which is a good source of, I would say, confidence for the future on this one.

Paul Cheng ***Scotiabank Global Banking and Markets, Research Division - Analyst***
Two questions, please. Patrick, any update you can provide on Suriname? And I know that you guys may not be ready yet, but any kind of preliminary capacity for the first FPSO assuming that's going to go forward? And also the time line that you will expect for the first oil? Secondly, I just want to see if you can share over the past several months, what's your investor feedback given the changing market conditions about your pace of investment in the low carbon investment from the wind and solar. The investors think that the pace is right or that do they think that the pace should be accelerated or decelerated?

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
I captured the first question. Sorry, the line is not very good there in Paris on this one. I captured the first question, I think it's about Suriname, I'm sure. And the second is that investor feedback on more integrated on our Integrated Power business, if I understood carefully. Is it right? Did I catch the 2 questions?

Paul Cheng ***Scotiabank Global Banking and Markets, Research Division – Analyst***
Yes.

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
Okay, good. So Suriname, again, I told you that we are just finalizing the test of the last appraisal well. So I will give you a meeting point in September because my teams are working. I gave you a positive indication, that it seems that we are moving forward with development, but I want the teams to take all these results together, to put that together, to have a case.

I think we'll have a case of development for sure. Exactly what will be the size, I'm not sure: I told my teams to take some holidays and then you come back to me end of August, September. So we'll answer to you with a clear idea by September 27. So if you come to New York, we'll have the answer to your question, if not before.

But obviously, we work on it. I can tell you, we have an integrated group of development. So if it's positive, sanction might be targeted by end of '24, I would say, and then it's a question of execution. But that's more or less what I have in mind, but there are still some debate about what could be the size exactly. The news that I read is that the test appears to be quite good. So that's on Suriname. So just a little patience. It will come.

Our investors, you know they are just investors: they want to have the cash, to have dividends and cash flow. So if we demonstrate that this business is contributing… so that's the question mark for us. And that's why we decided to publish these results, to demonstrate that it's profitable, that we can generate cash flow.

And the question for us will be when does it become net cash flow positive. Again, we are working hard on that because our objective is that this should be a cash-positive generator. So we invest in this Integrated Power business more or less $4 billion per year. So when do we have the threshold for $4 billion. And that, again, we'll come back to you in September on that because it's also part of the question. So the question we have from investors is: we understand you are in transition. I think the main thing is, okay, if you focus on one thing, let's focus on it, so that’s my message, let’s simplify.

And again, what we clarified in the last year, which is, we want to apply to our Integrated Power business the same way we think in oil and gas with capturing volatility and integration. I think it's the right answer to our investors. That’s where we are today. We think about our strategy, to be clear. We might simplify it on some molecules part but we are clear on this part.

Giacomo Romeo ***Jefferies LLC, Research Division - Equity Analyst***
Yes. I have one last. Just there is some cash flow this quarter and obviously it’s showing the impact of your hedging position in Integrated LNG. Just wanted to check if you can remind us sort of -- what's sort of the hedging level for the remaining quarters of the year, and whether you're still continuing into your rolling hedging program and given where current gas prices are looking for next year?

Patrick Pouyanné ***TotalEnergies SE - Chairman & CEO***
You know, it's a clear policy. We are hedging more or less 80% of the portfolio. So what has been done in '22 for '23 is done, and we do the same in '23 for '24, in '24 for '25, and that's it. We have a merchant exposure on our balance sheet in LNG, and we assume it, but we try to, I would say, to cover a part of it and to keep some of the margin by the way.

You know that we have decided that all the Russian LNG should not be hedged because I'm not sure that all that will continue. So it's part of the answer. So it's continuing. And so that's why so you should expect the next quarter in terms of cash should remain more or less positive because if I remember well, forward for Q3 and Q4 '23, were higher than the ones for Q2. The war began in March. And you remember, the peak of the prices was in Q3, Q4, not in Q2. So we should have good cash flows otherwise there is something I did not understand in our business, but I think we understand. No, I'm clear. I'm joking. No, no, it's clear. So the core of the hedges will come on the second half of '23, more than the first half.

So thanks to all of you for your questions and your participation. And I know that you have a busy day because 3 companies are delivering results the same day. I will not be longer. Just again, the key, I think, on the results of the second quarter, we demonstrated that we are profitable, 22% ROACE. We have a strong cash flow, including from LNG. We have $8.5 billion, much stronger than, I would say, the decrease of the environment. And further, of course, we are committed to the distribution to shareholders by maintaining the buyback at $2 billion for a sixth quarter in a row despite a softening development.

So with this message, have a good vacation, have a good summer. And I hope we'll meet all of you on September 27 in New York for our update on strategy. Just to remind you, we took your lessons that you don't want to listen too much to us. So it will be only the 27th morning, and then we'll have lunch with you and answering questions. Thank you for your attention and have again a good rest during the summertime. Like we will have. Thank you.