

Total's LNG in the Middle East

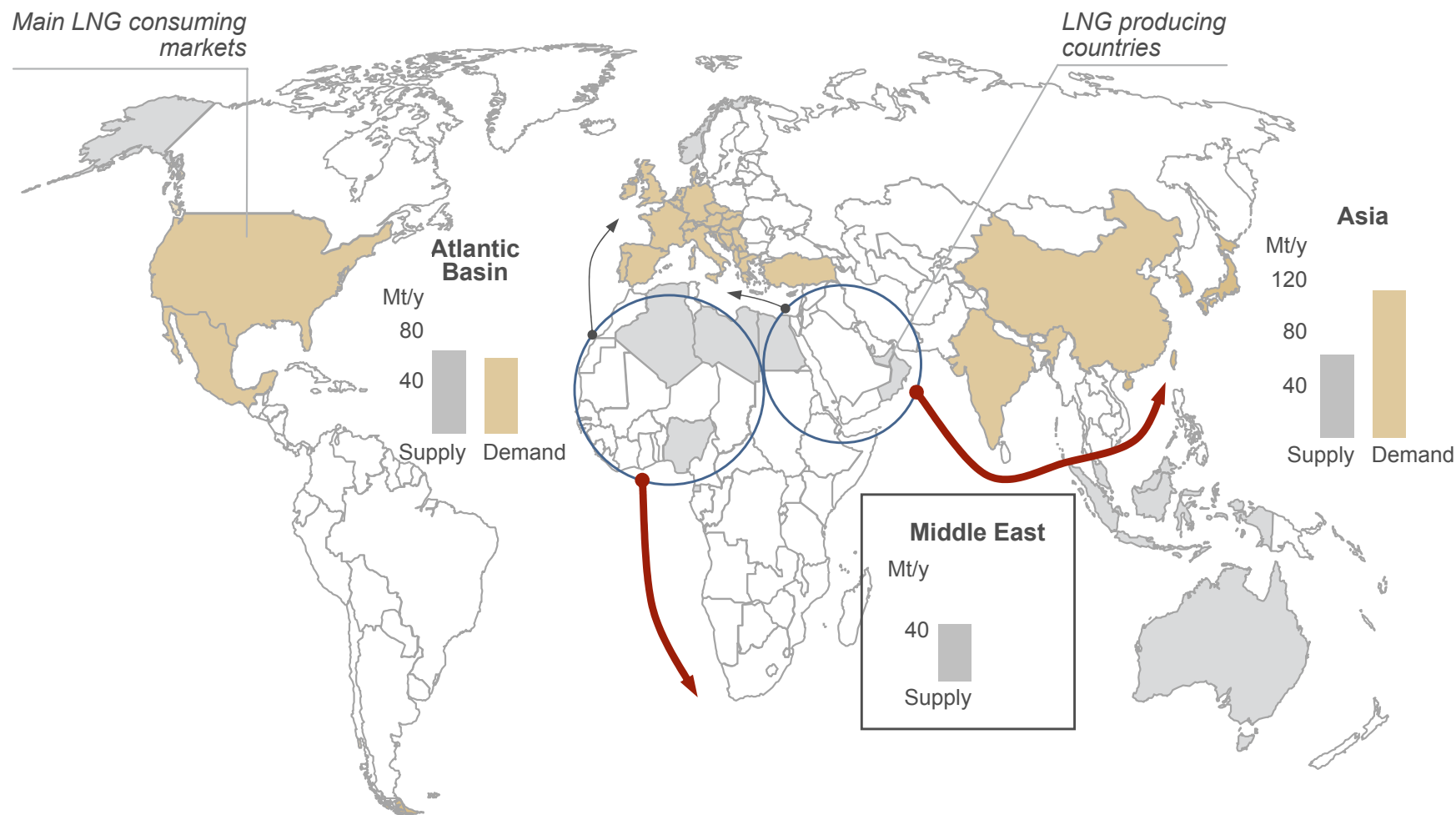
Philippe Boisseau
President, Total Gas & Power



LNG supply and demand trends

Strong Asian demand led to a tight LNG market

2007 LNG supply-demand

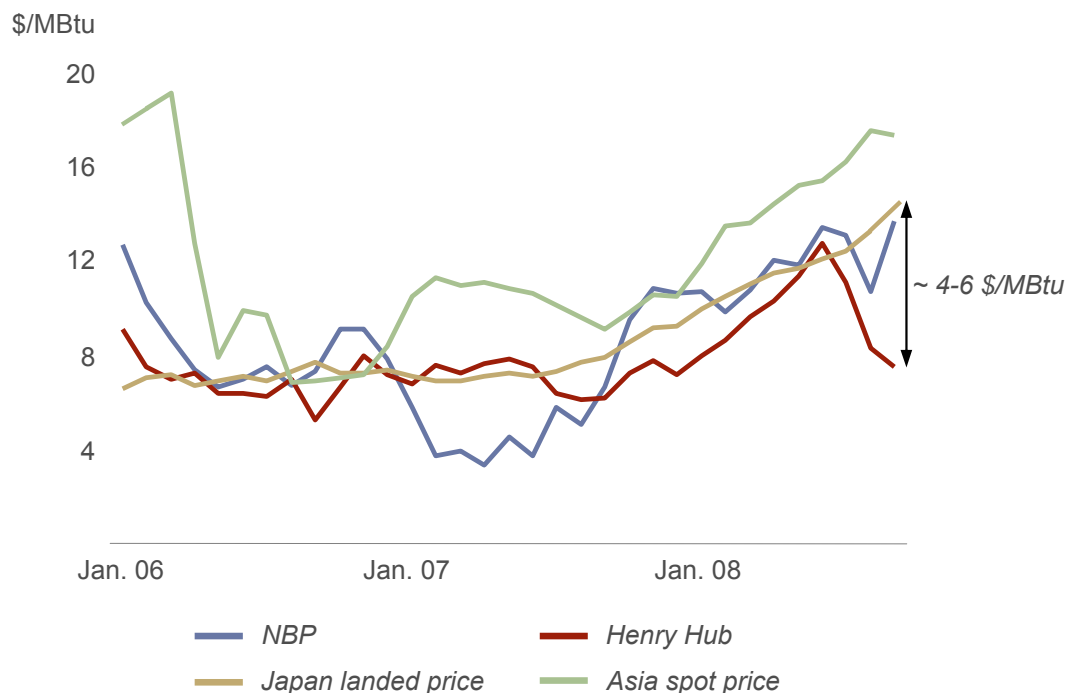


LNG diversion from the Atlantic Basin to Asia

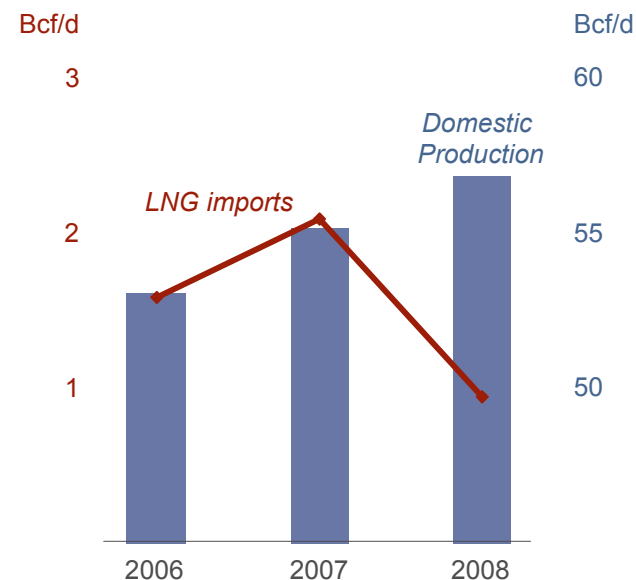
sources : based on 2007 data : public sources

US gas production recently stimulated by higher gas price reducing LNG imports

Atlantic Basin vs Asian gas prices

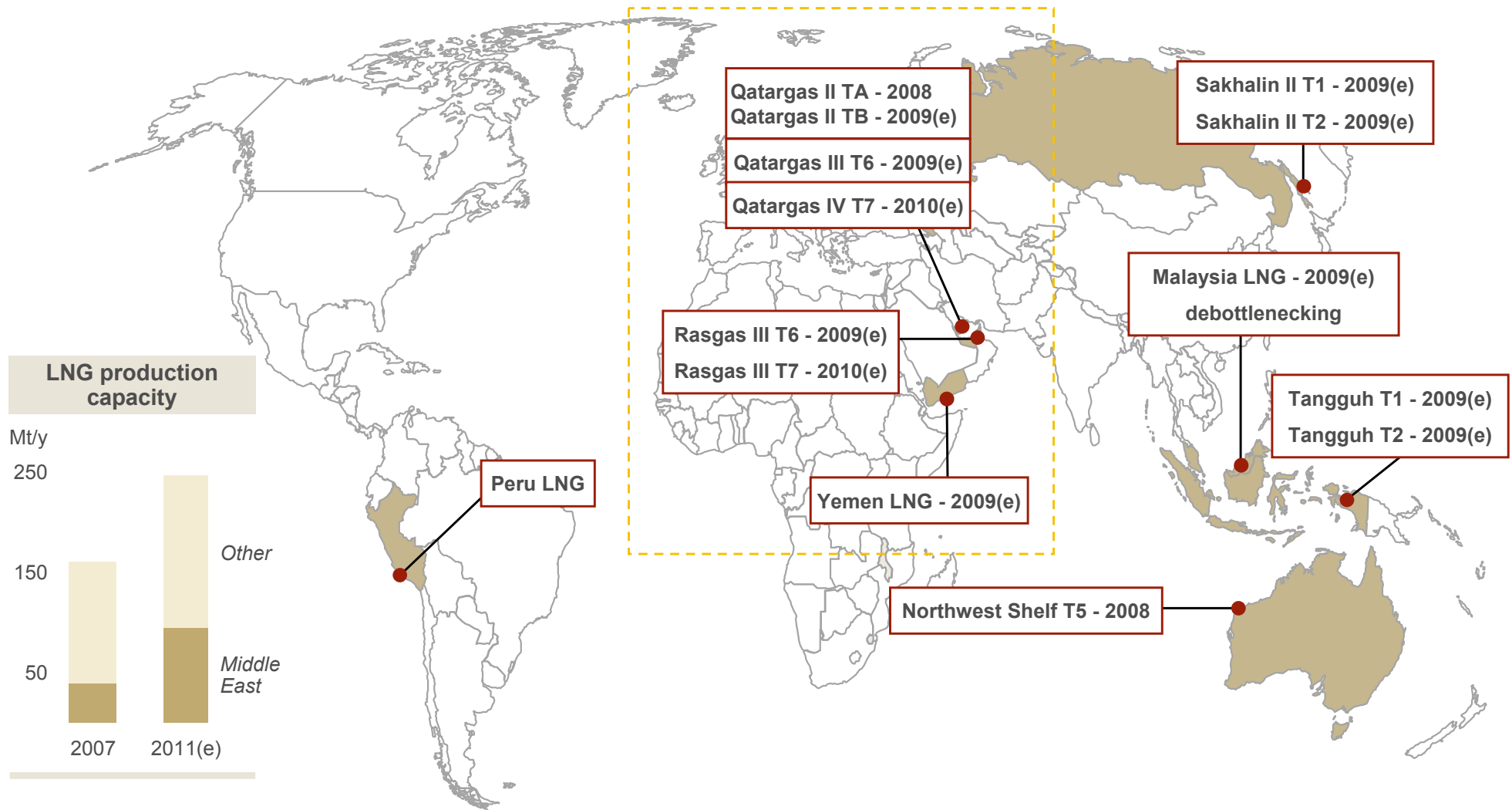


Gas supply in the US



Growing divergence between US spot prices and new Asian long-term gas contracts

LNG supply growth will bring short-term relief to a currently tight market

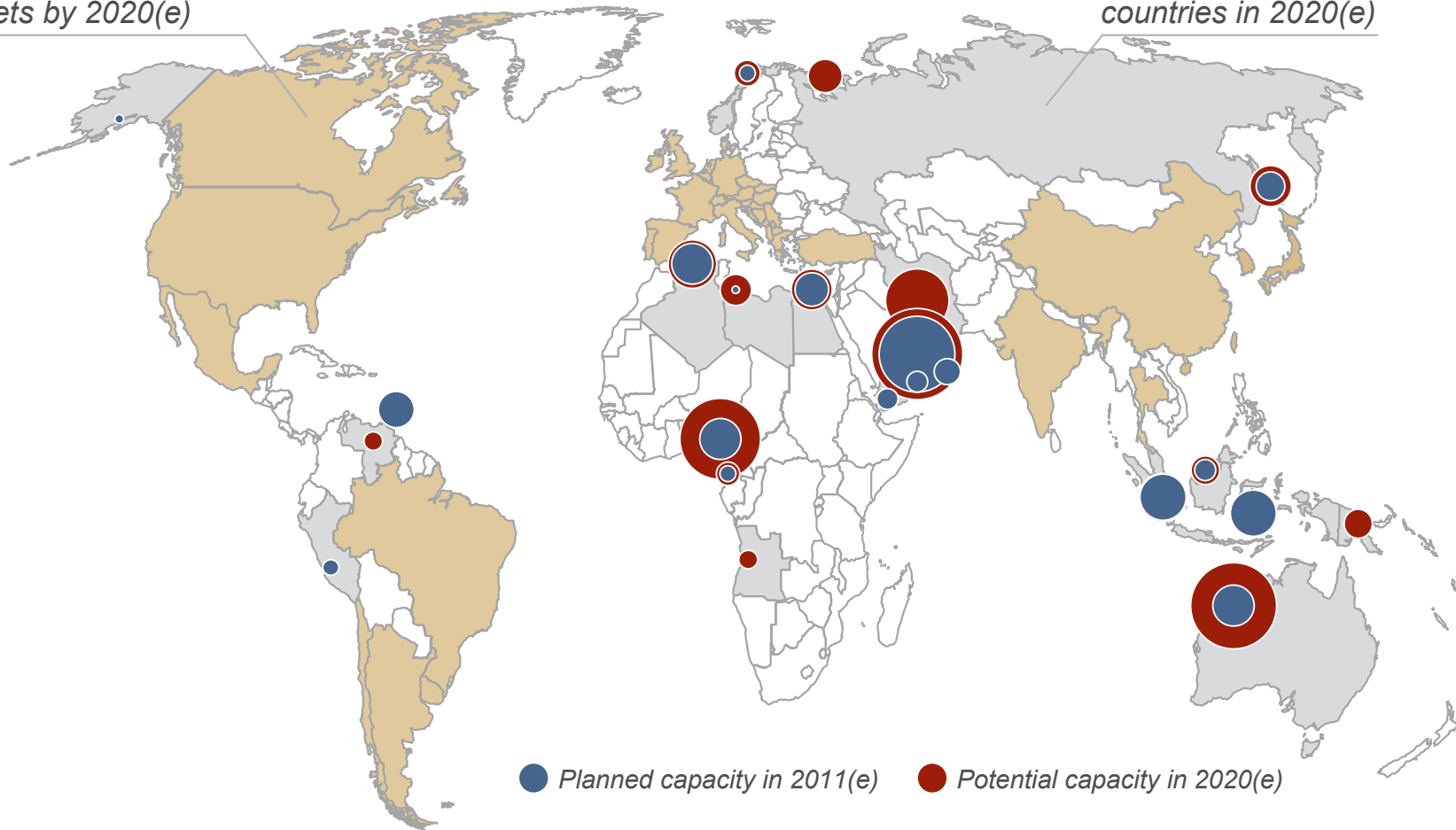


**90 Mt/y of additional capacity planned for 2008-11(e)
50% from Qatar**

LNG supply tight over the medium to long-term

Main LNG consuming markets by 2020(e)

LNG producing countries in 2020(e)

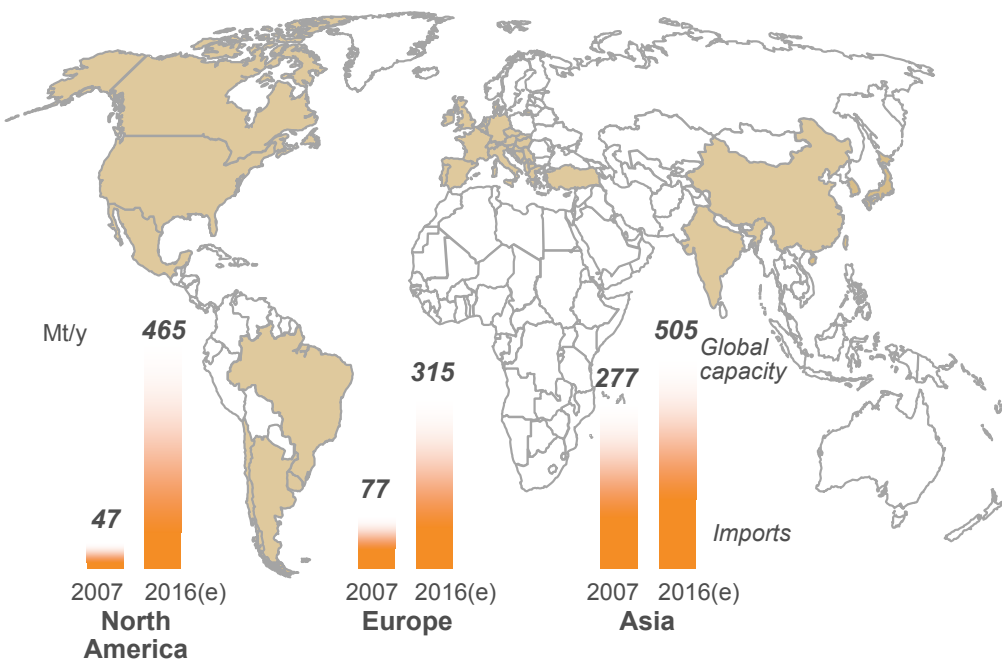


5-15 years necessary to prepare and start up new projects
Geopolitical, environmental and cost constraints to delay project developments
Long-term growth potential mainly concentrated in Nigeria, Australia and Iran



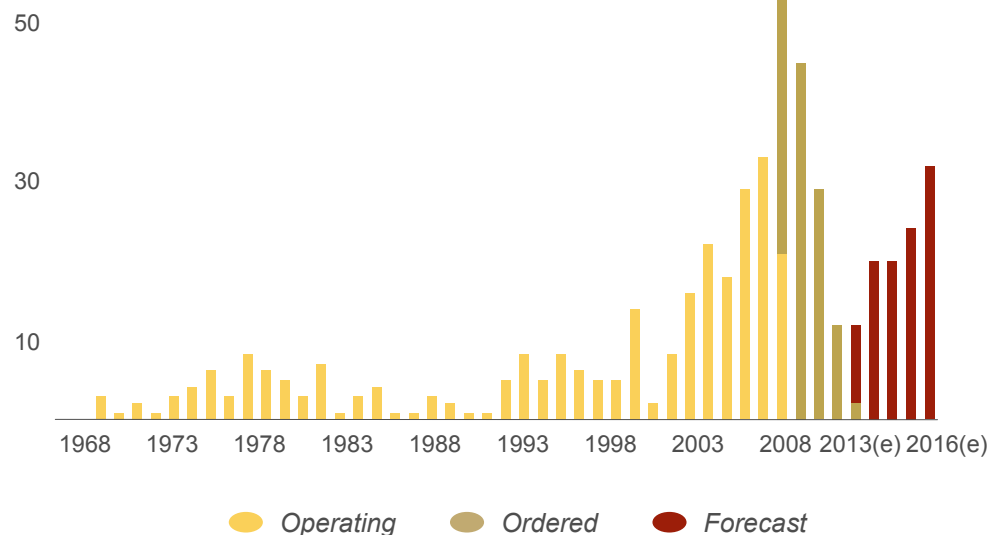
Overcapacity of shipping and regasification to facilitate LNG globalization and arbitrage development

Regasification capacity



LNG shipping

Number of LNG tankers entering into service each year



Regasification and shipping capacity to remain long over the next decade

LNG to grow from 8% to close to 20% of global gas consumption over the long-term



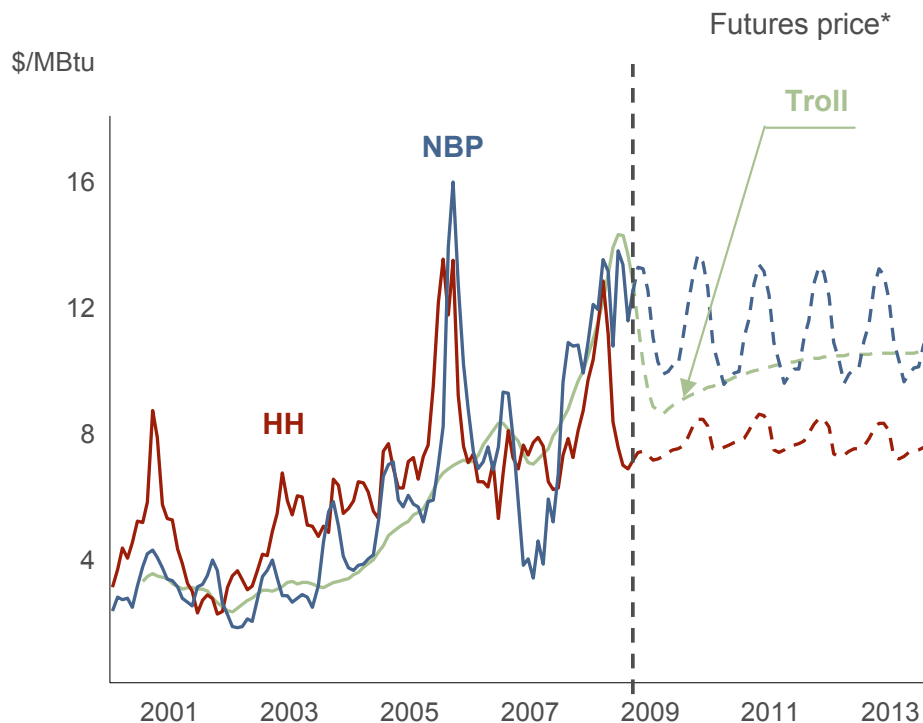
Middle East LNG production : +6% per year on average through 2020(e)
Growing volumes and arbitrage opportunities in the Middle East

source : Total estimates

Asian LNG prices converging toward oil price parity

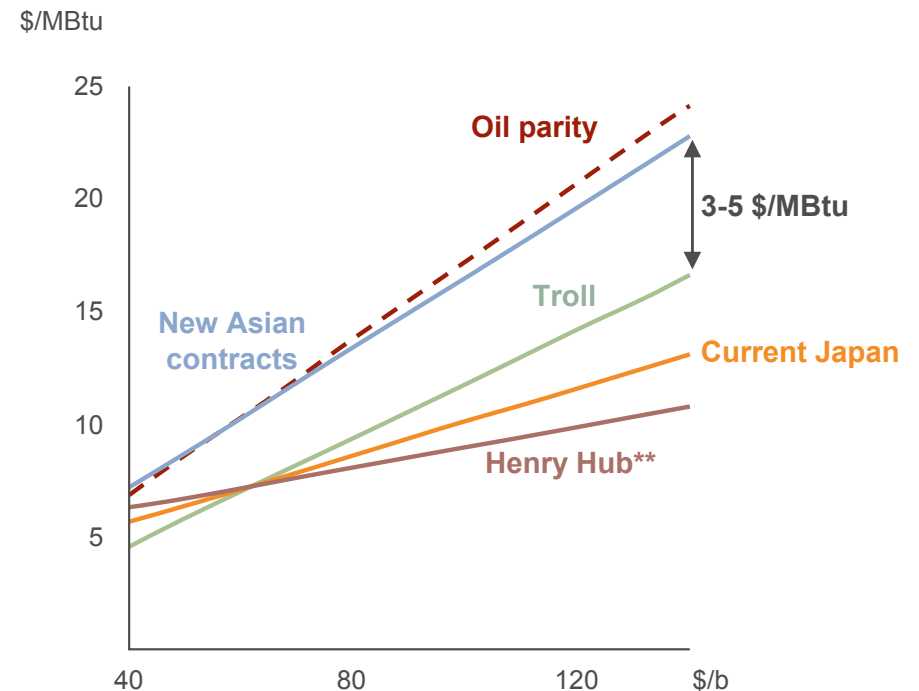
West of Suez

- Troll ~ 70% Brent parity (strong correlation)
- NBP-Troll correlated on yearly average
- HH : at a premium in the past, now at a discount
- Seasonality NBP and HH



East of Suez

- 75% of post-2010 Japanese LNG volume under price negotiation
- Chinese buyers now paying more than 90% of Brent parity



* as of October 17, 2008

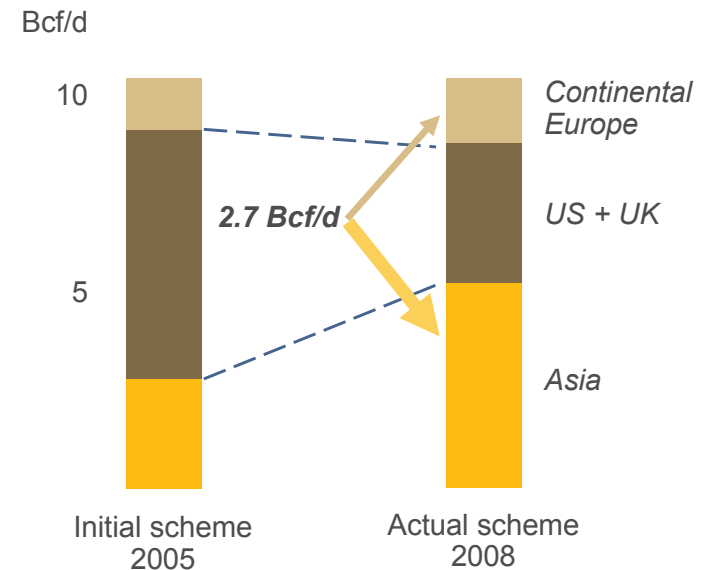
** based on historical correlation with Brent price



Despite more flexible LNG volumes, many buyers still seeking long-term commitments

- Around 25% of Qatari volumes diverted from liquid markets to Asia mainly on a long-term basis
- Recently signed LNG purchase contracts
 - Asian buyers (China, Singapore...)
 - Long-term contracts (around 15 years)
 - Close to oil price parity

Example of Qatar LNG long-term redirection

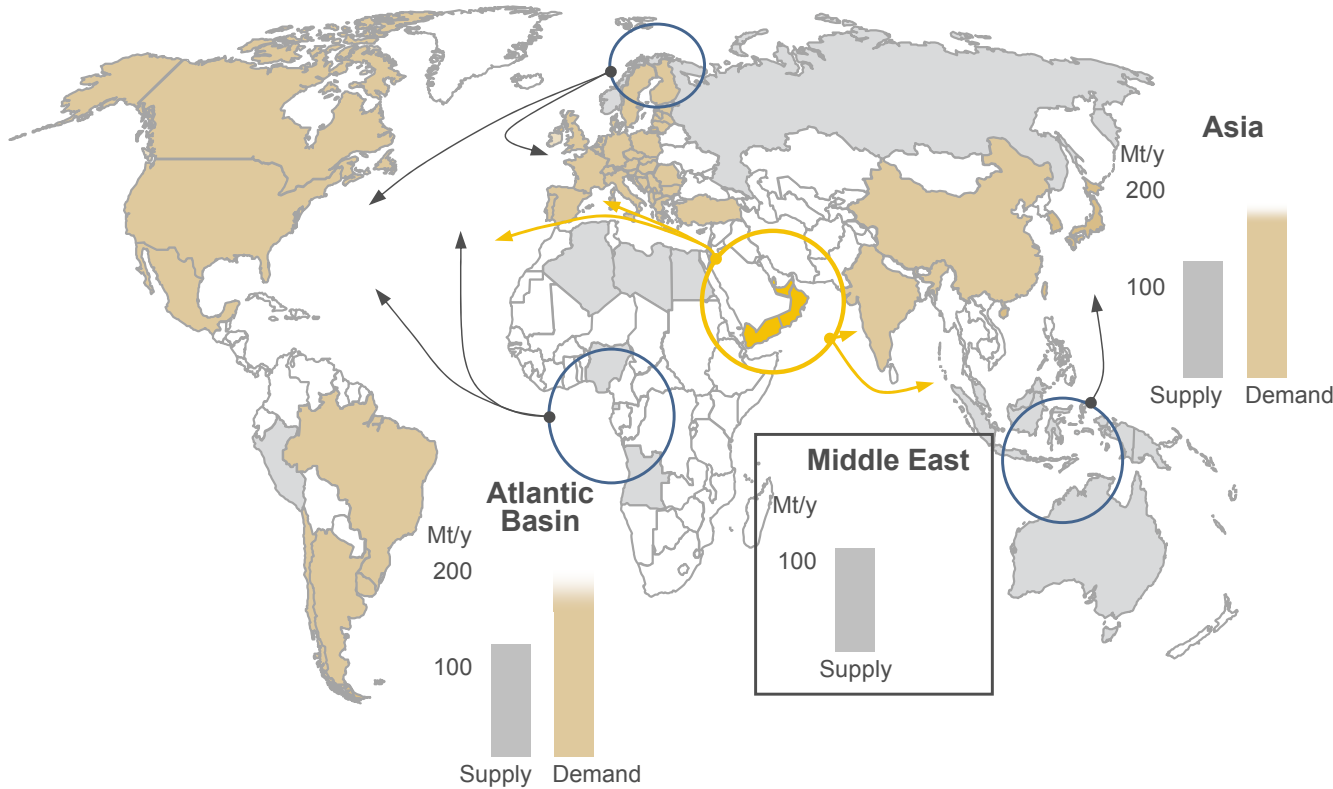


Middle East well positioned to benefit from significant arbitrage opportunities

Growing share of the Middle East in global LNG supply

2015(e) LNG supply-demand

LNG supply



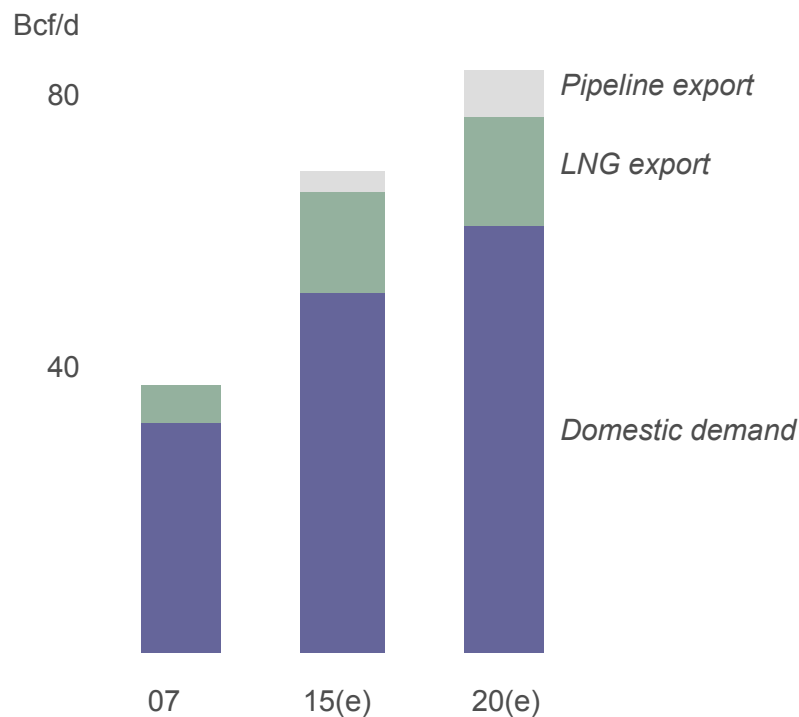
Emergence of the Middle East as the swing producer

source : Total estimates



Middle East LNG exports constrained by reinjection and domestic gas demand

Middle East gas demand



- Domestic demand driven by power generation and industry
- Potential to develop power generation from alternative energies

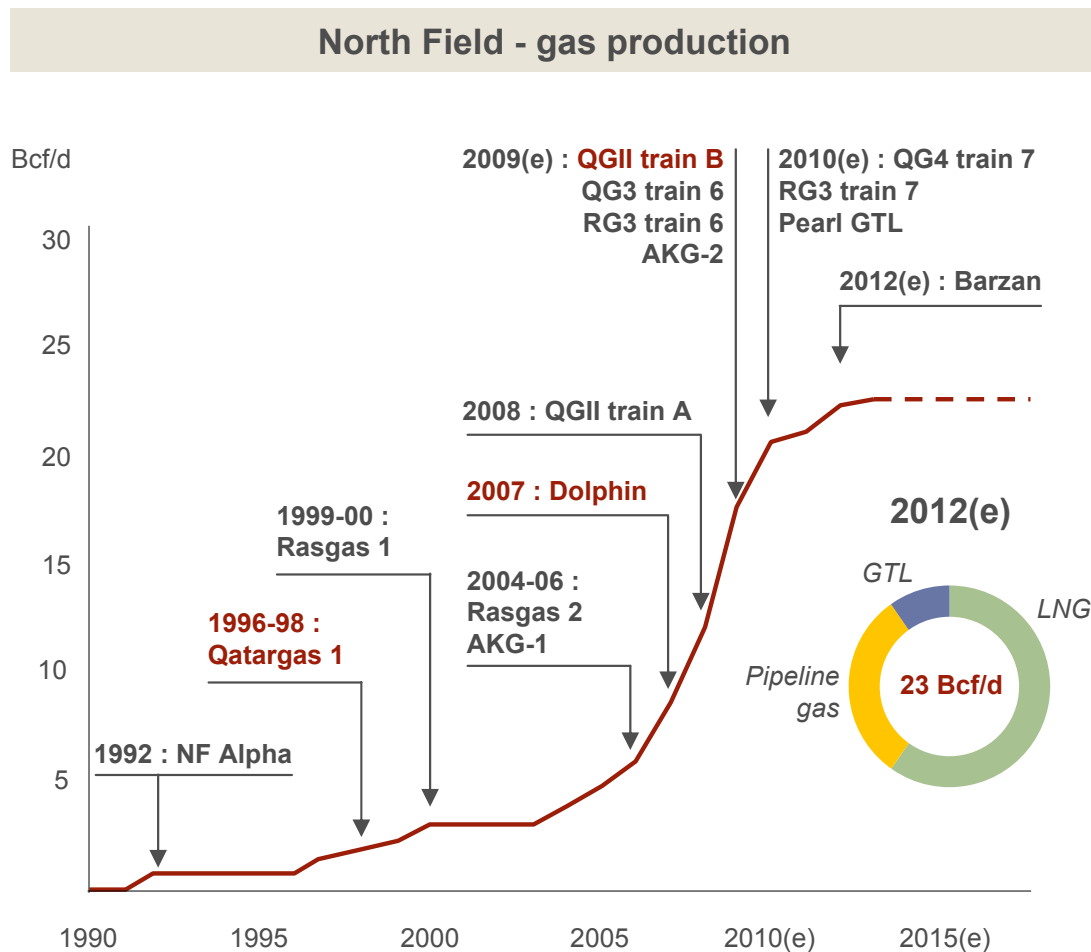
***Limited availability of gas
constraining development
of new oil and LNG projects***

March 2005 : Qatar announces pause in new developments

- > **Primary driver : prudent reservoir management**
 - Need to sustain long-term plateau (timing of compression projects)
 - New evidence of reservoir complexity

- > **Additional driver : need to “take a breath”**
 - Anticipated congestion of Ras Laffan site
 - Deliver existing projects before launching new ones



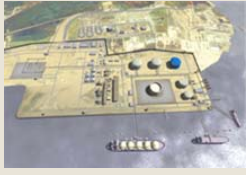

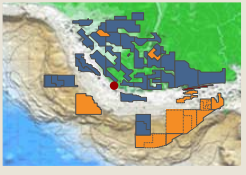

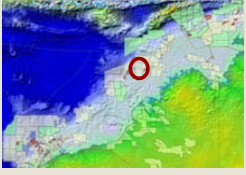
- > **Future priority for domestic demand**



Growing domestic gas demand from 1.5 Bcf/d in 2006 to ~ 4.5 Bcf/d in 2020(e)

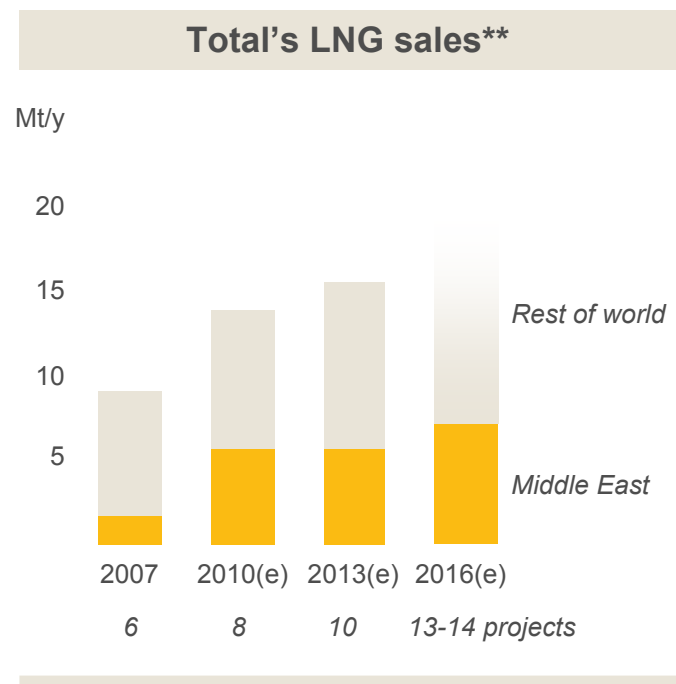
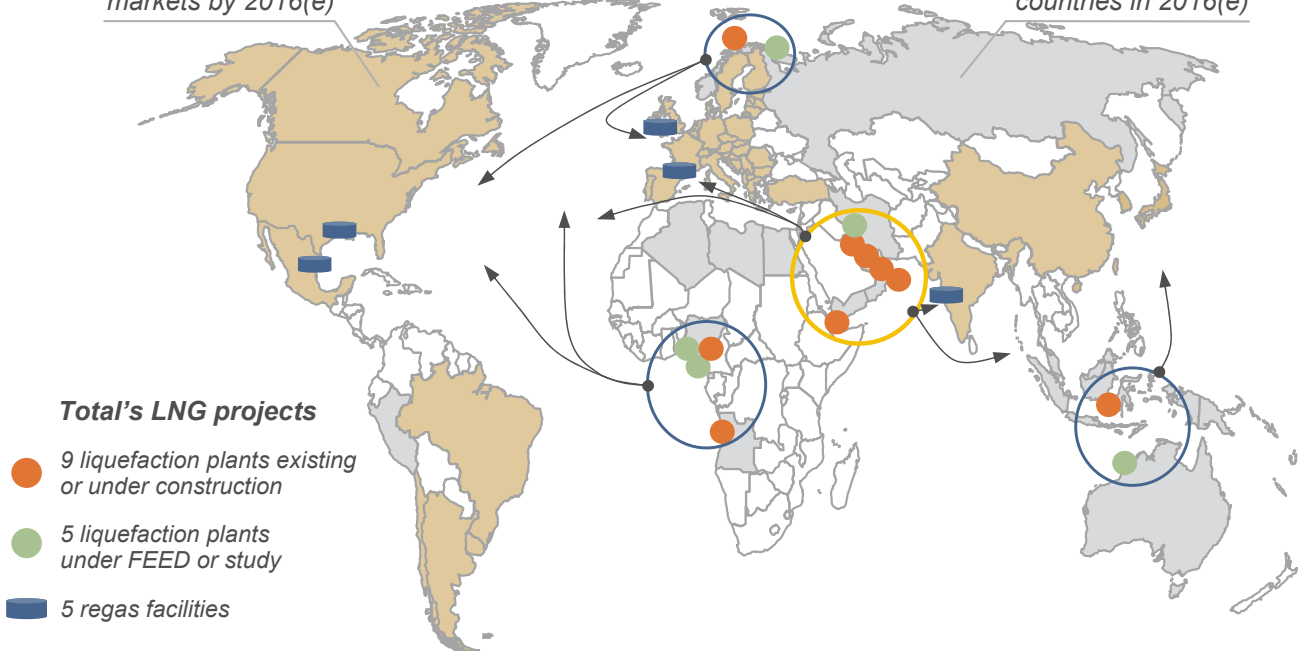
Total's LNG business

Diversified and well-positioned portfolio of LNG assets

Yemen LNG (39.6%)	Qatargas II TrB (16.7%)	Angola LNG (13.6%)	NLNG T7 (15%)	Brass LNG (17%)	Shtokman (25%)	Ichthys LNG (24%)
						
<ul style="list-style-type: none"> > Capacity : 6.7 Mt/y > Start-up 2009(e) > US, Asia* 	<ul style="list-style-type: none"> > Capacity : 7.8 Mt/y > Start-up 2009(e) > Europe, US* 	<ul style="list-style-type: none"> > Capacity : 5.2 Mt/y > Start-up 2012(e) > US* 	<ul style="list-style-type: none"> > Capacity : 8.5 Mt/y > FID 2009(e) > US* 	<ul style="list-style-type: none"> > Capacity : 10 Mt/y > FID 2009(e) > Europe, US* 	<ul style="list-style-type: none"> > Capacity : 7.5 Mt/y > FID 2009(e) > Europe, US 	<ul style="list-style-type: none"> > Capacity : 8.4 Mt/y > FID 2010(e) > Asia

Main LNG consuming markets by 2016(e)

LNG producing countries in 2016(e)

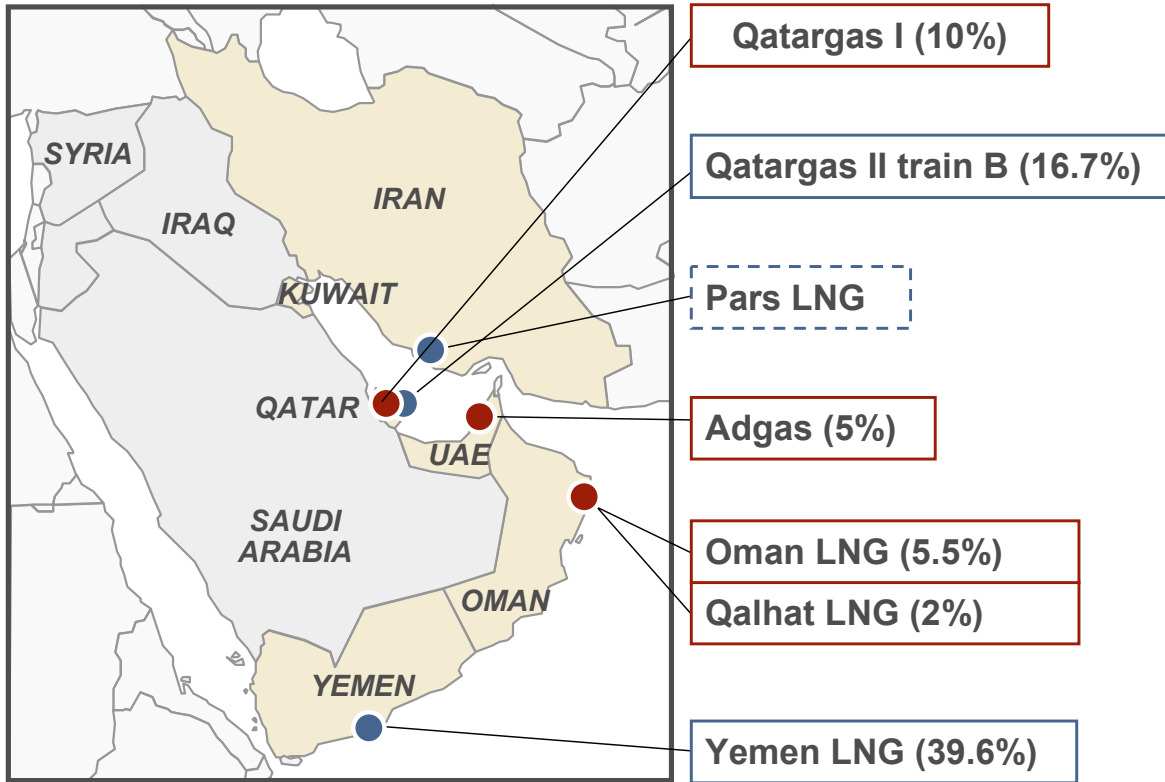


Close to 20% of Total's production by the middle of the next decade

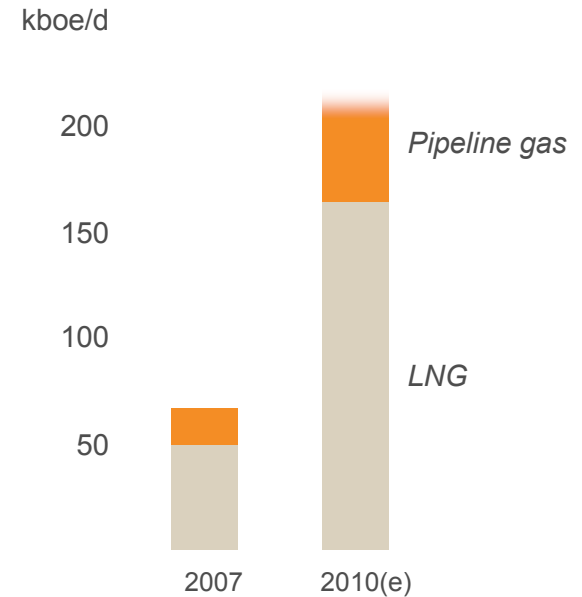
* base case destinations
 ** Group share of LNG sales by affiliates and participations, including FAS69 production equivalent on Bontang sales and excluding trading



Most diversified LNG player in the Middle East



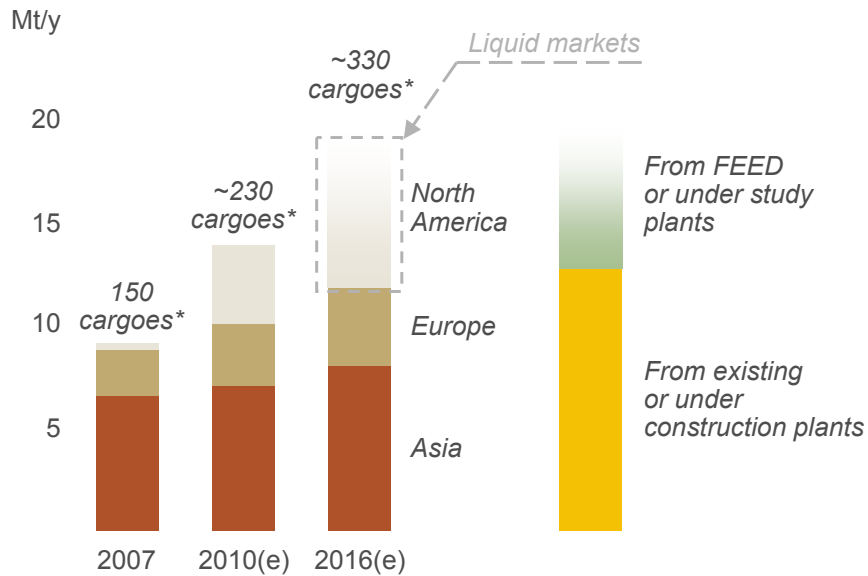
Total's Middle East gas production



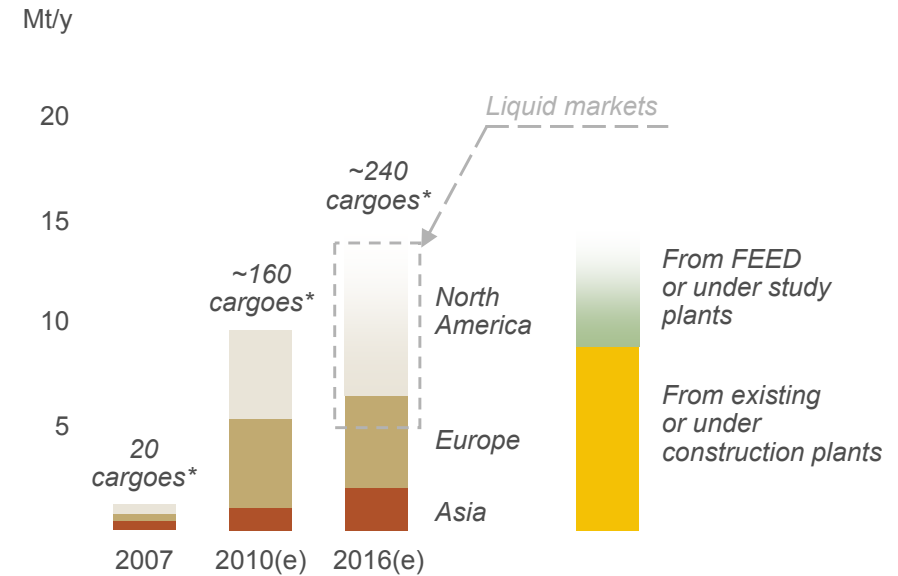
**Gas production to triple by 2010(e) thanks to 3 giant projects
Dolphin, Yemen LNG and Qatargas II**

Increasing value creation through well balanced exposure across the LNG chain

Sales** by destination



Purchases by destination



One of the largest and most established international LNG players in the Asian market
40% of volumes sold on liquid markets by the middle of the next decade
Strong contribution of Yemen LNG and Qatargas II starting in 2009(e)
Significant arbitrage opportunities as a seller and as a long-term purchaser

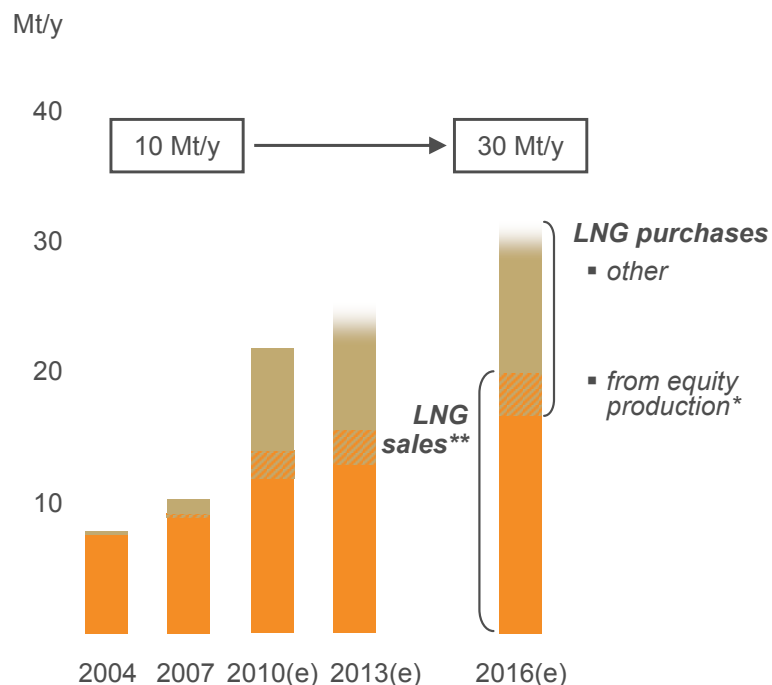
* based on a standard 60 kt cargo

** Group share of LNG sales by affiliates and participations, including FAS69 production equivalent on Bontang sales and excluding trading

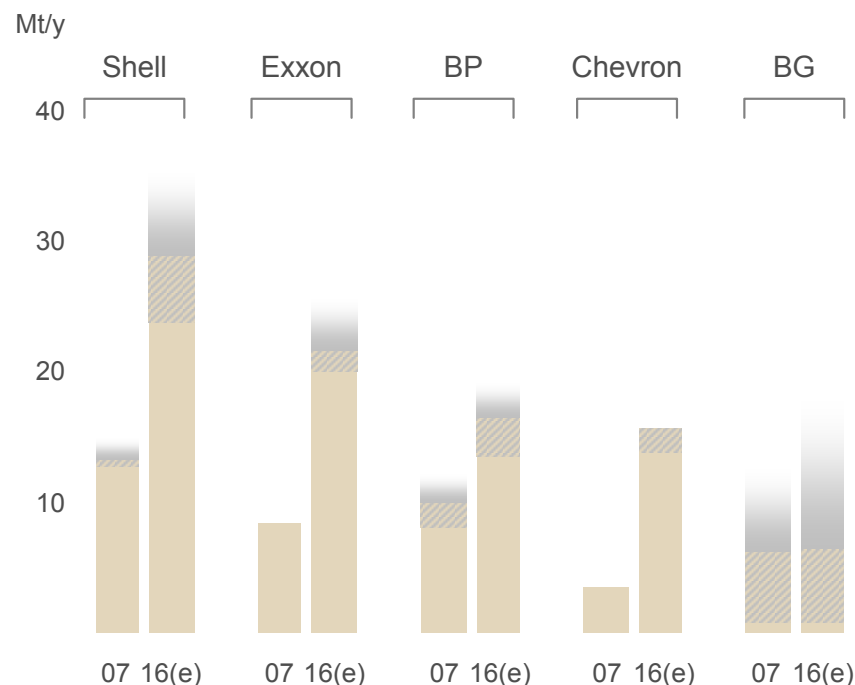


Total's position on the global LNG market to triple by 2016

Total's position on LNG market



Main competitors LNG positions***



**High investment capacity, global positioning
and strong integrated project management track record**

**Sustainability of business model requires reasonable split
of marketing benefits between purchasers and suppliers**

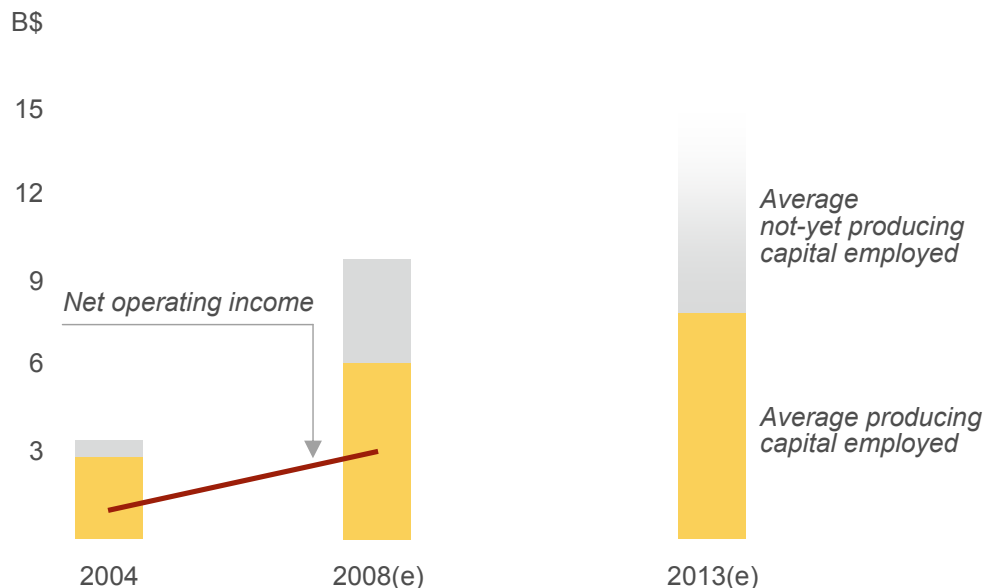
* in proportion to equity share in selling entity

** Group share of LNG sales by affiliates and participations, including FAS69 production equivalent on Bontang sales and excluding trading

*** estimates based on public data

Rapidly growing contribution of LNG to Total's profitability

Profitability of Total's LNG portfolio



- > **9M08 LNG earnings : approx. 2.5 B\$**
 - Approximately 13% of Total's production
 - More than 15% of Upstream net operating income
 - +55% compared to 9M07
- > **Asian LNG average price realization at about 70% of oil parity**
- > **Progressive convergence of Asian LNG price towards oil parity provides upside**
 - Spot diversion from Atlantic Basin
 - Contract reopener clauses

***Long lasting projects offering high returns, strong cash generation and upsides
Among the fastest growing businesses in the Group***

Focus



Qatargas

Qatargas I

- Production started in 1996
- Capacity : 9.9 Mt/y (3 trains) + LPG
- Total : 10% in the plant, 20% in the upstream
- Markets : Japan & Europe



Qatargas II (under construction)

- 2 trains of 7.8 Mt/y each
- 2006 : Total buys 16.7% stake in Train B
- Signs long-term purchase contracts of 5.2 Mt/y for 25 years
- Participation of 8.35% in the South Hook Terminal
- Start-up : 2009(e)



Yemen LNG

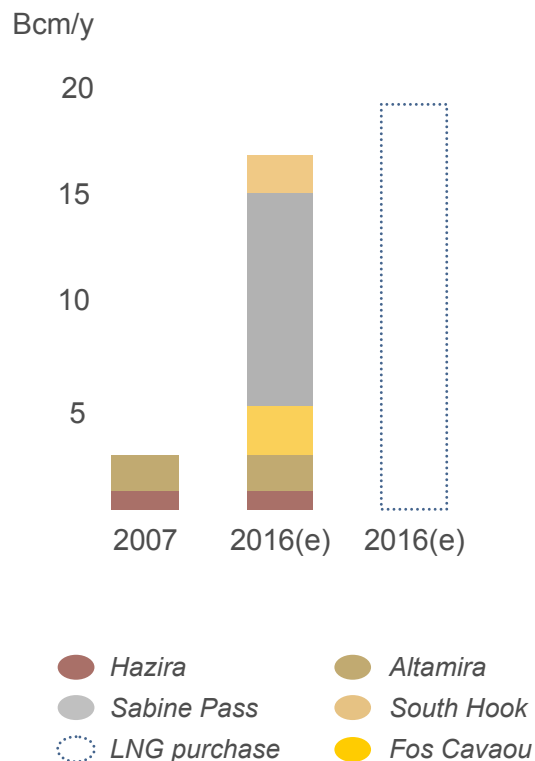
- > Marib gas reserves : > 10 Tcf
- > Plant capacity :
6.7 Mt/y - 2 trains
- > Total : 39.6%
- > LNG storage tanks : 2 x 140,000 m³
- > LNG SPA's signed in 2005 :
 - Asia : Kogas (2.0 Mt/y)
 - Atlantic : Suez (2.5 Mt/y)
Total (2.0 Mt/y)
- > Final Investment Decision (FID) in 2005
- > Start-up : 2009(e)



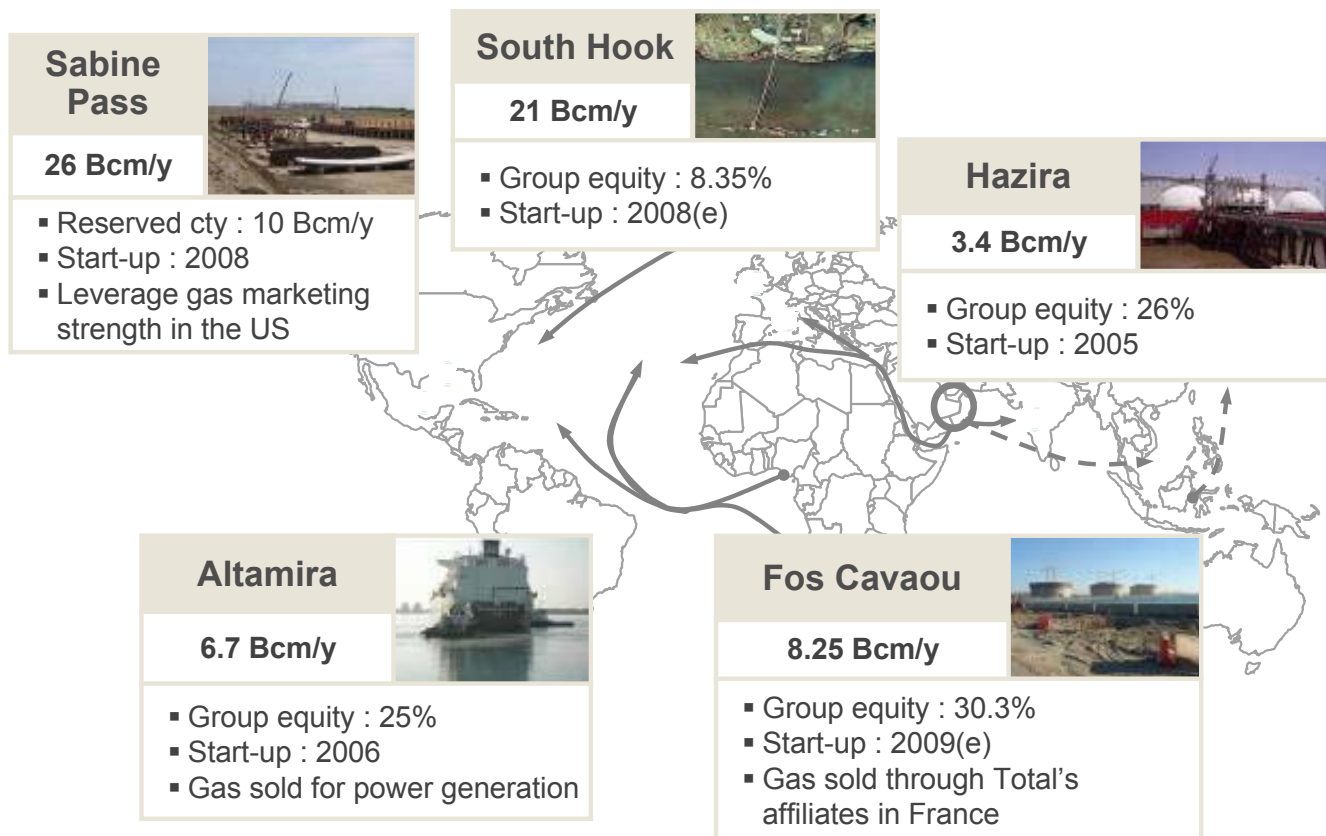
Pipeline area

Total regasification portfolio

Secured access to markets



Five regas terminals in the main consumption areas



Leverage effect from LNG purchases to accelerate production growth

Increased gas marketing activity in the US from 6 Bcm in 2002 to nearly 40 Bcm in 2007

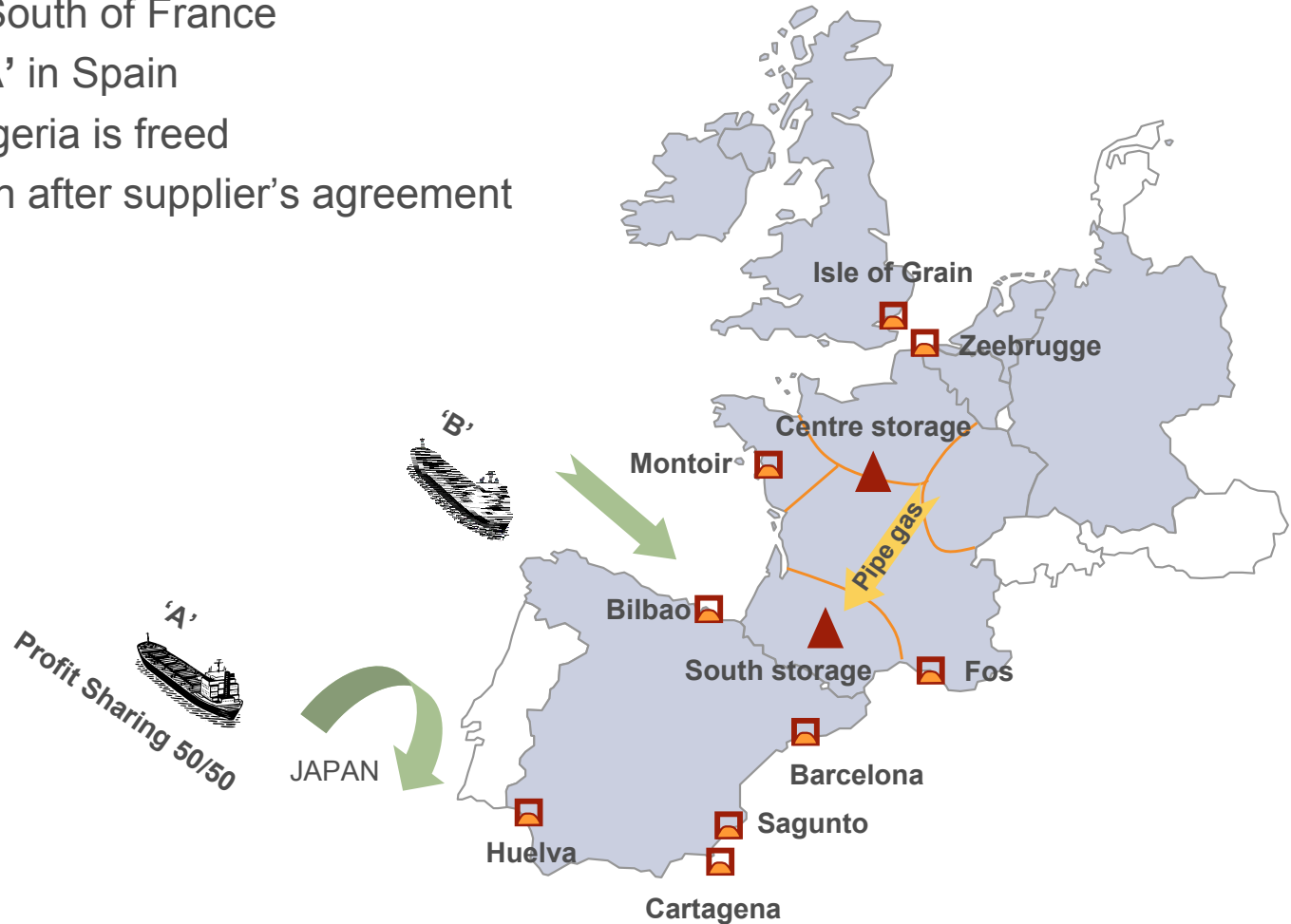
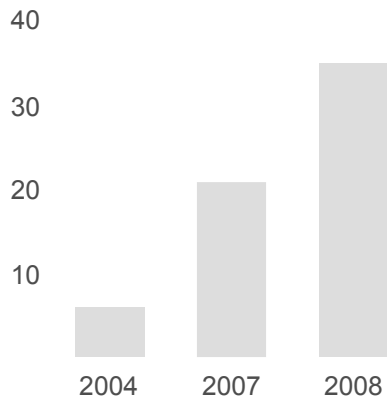
Several new projects under study : Croatia, capacity extension in existing terminals...

Example of European LNG arbitrage

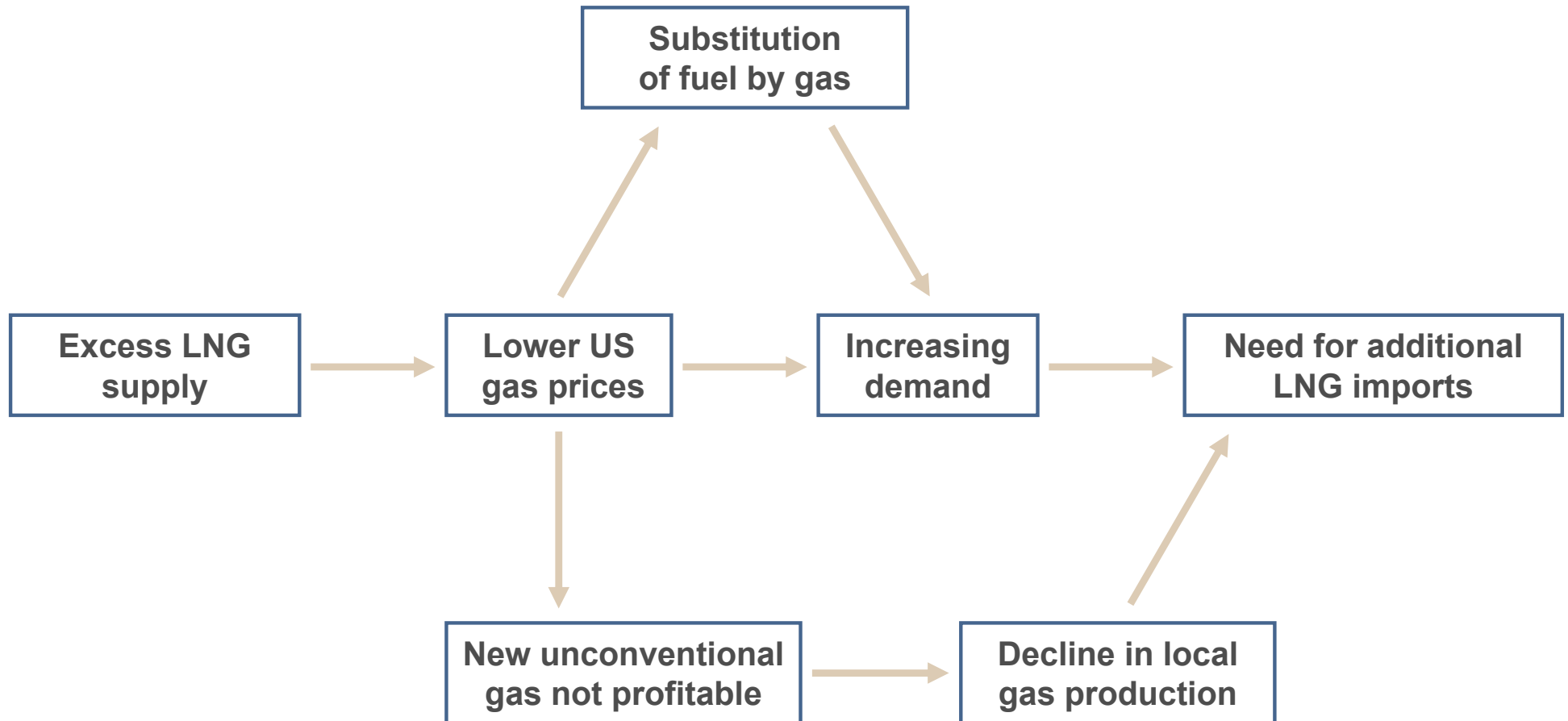
LNG - Pipeline gas scenario

- 'B' supposed to deliver LNG cargo in France
- 'A' sells pipeline gas to 'B' in South of France
- 'B' delivers its LNG cargo to 'A' in Spain
- 'A' LNG cargo coming from Nigeria is freed
- 'A' sells its LNG cargo to Japan after supplier's agreement

Number of LNG cargoes traded by Total



Short term US gas market dynamic



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Business segment information is presented in accordance with the Group internal reporting system used by the Chief operating decision maker to measure performance and allocate resources internally. Due to their particular nature or significance, certain transactions qualified as "special items" are excluded from the business segment figures. In general, special items relate to transactions that are significant, infrequent or unusual. However, in certain instances, certain transactions such as restructuring costs or assets disposals, which are not considered to be representative of normal course of business, may be qualified as special items although they may have occurred within prior years or are likely to recur within following years.

The adjusted results of the Downstream and Chemical segments are also presented according to the replacement cost method. This method is used to assess the segments' performance and ensure the comparability of the segments' results with those of the Group's main competitors, notably from North America.

In the replacement cost method, which approximates the LIFO (Last-In, First-Out) method, the variation of inventory values in the income statement is determined by the average price of the period rather than the historical value. The inventory valuation effect is the difference between the results according to FIFO (First-In, First-Out) and replacement cost.

In this framework, performance measures such as adjusted operating income, adjusted net operating income and adjusted net income are defined as incomes using replacement cost, adjusted for special items and excluding Total's equity share of the amortization of intangibles related to the Sanofi-Aventis merger. They are meant to facilitate the analysis of the financial performance and the comparison of income between periods.

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