

Project Development

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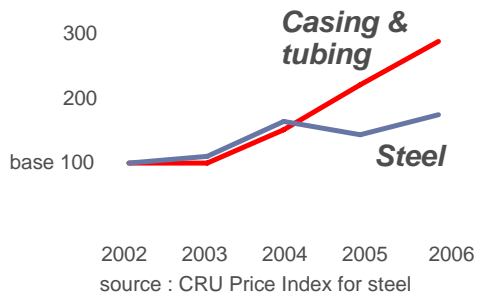


Project Development

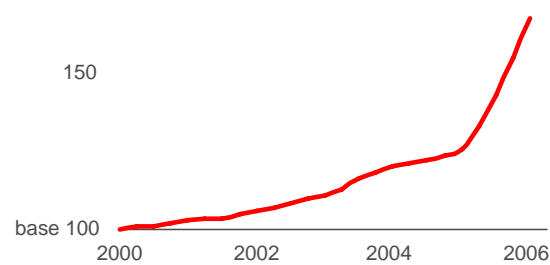
- ▶ **Managing projects in a booming market**
- ▶ Adding value through project definition
- ▶ Delivering projects
- ▶ Total as operator : growing competitive advantages

Project management skills mitigate impact of market conditions

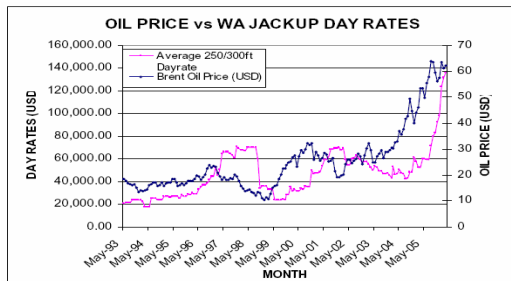
**Steel : + 100% and
Casing & tubing : + 150%**



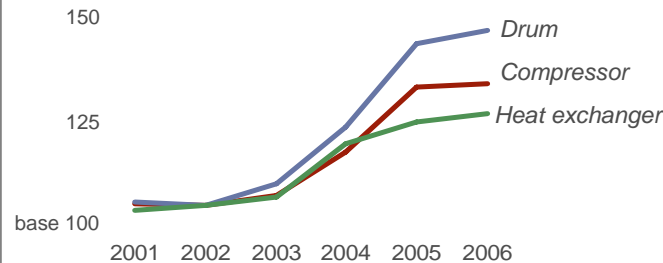
**Offshore projects : + 50-70%
IHS-CERA Capex index**



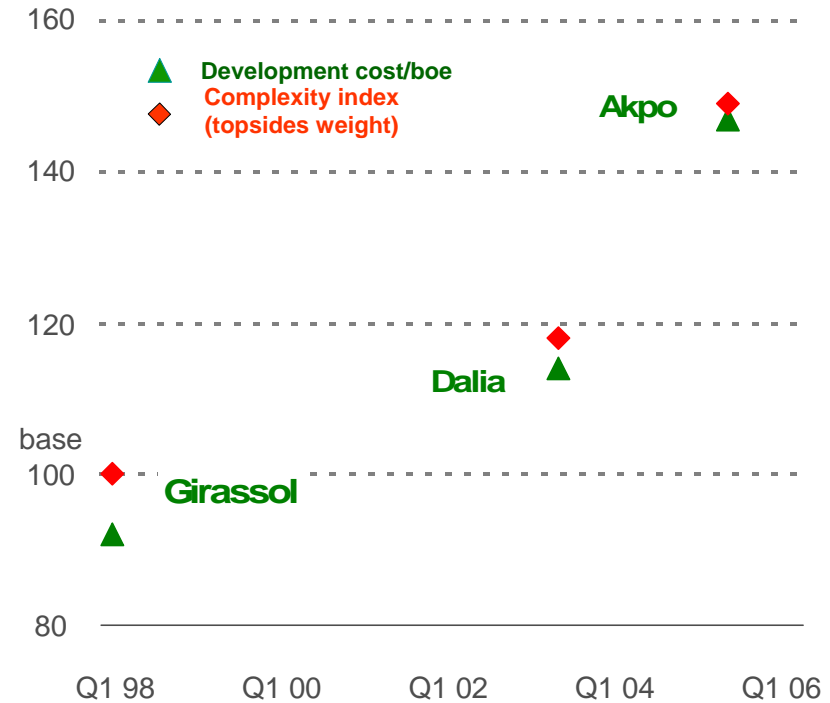
Drilling rigs : + 100-300%



Main equipment : + 30-40%



E&P projects



Fabrication & construction : + 20-40%

Oil services : + 40%

Total estimates



Deep-water rig market tight until end-2008

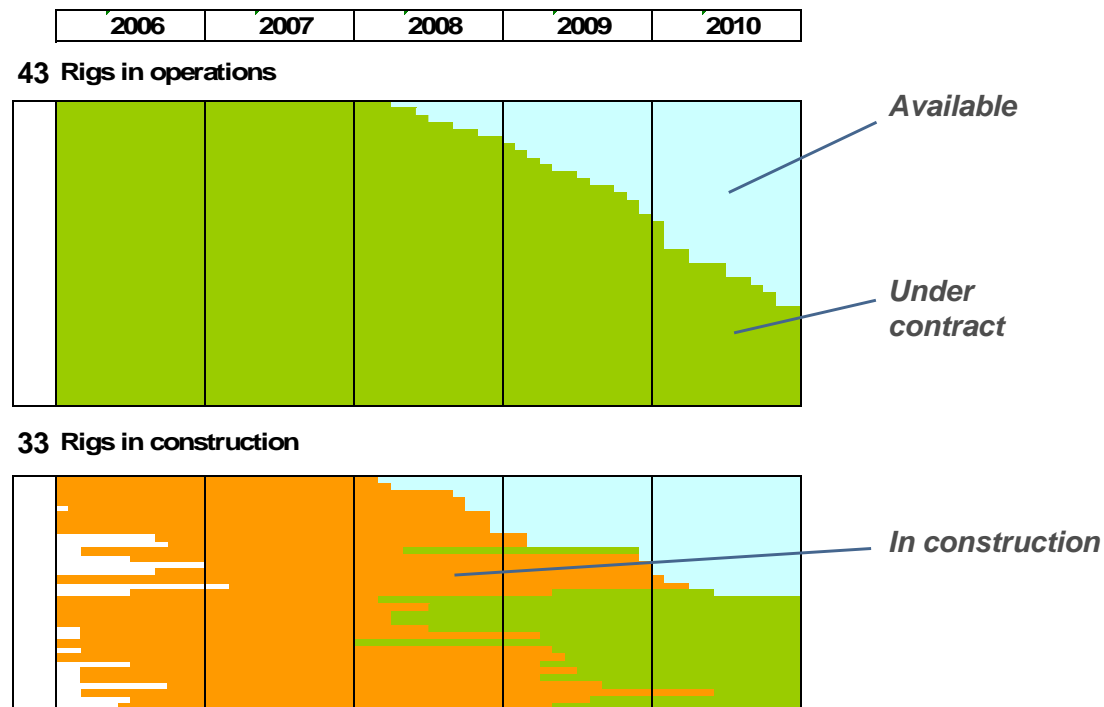
Dynamic positioning deep and ultra-deep water rigs*

■ Congested short term

- Most of the deep-offshore rigs booked until end-2008
- Sellers' market
- Human resource issues
- Loss of flexibility and responsiveness

■ Progressive adaptation of the industry

- Better visibility for medium-term rig demand
- New construction efforts
- Risk on delivery time
- Emergence of new players



* limited to rigs capable of being used by Total (Total estimates), as of early October 2006

Contracting policy : the mitigating effect of a large portfolio

Centralized dedicated structure

- Market survey (prices, availability)
- Standard contract conditions
- Contract : long-term vs. price efficiency
- Communication with contractors & operators

Securing rig contracts

- Sanctioned projects and anticipated exploration programs covered with the appropriate rigs
- Executive Committee approval required for long-term commitments

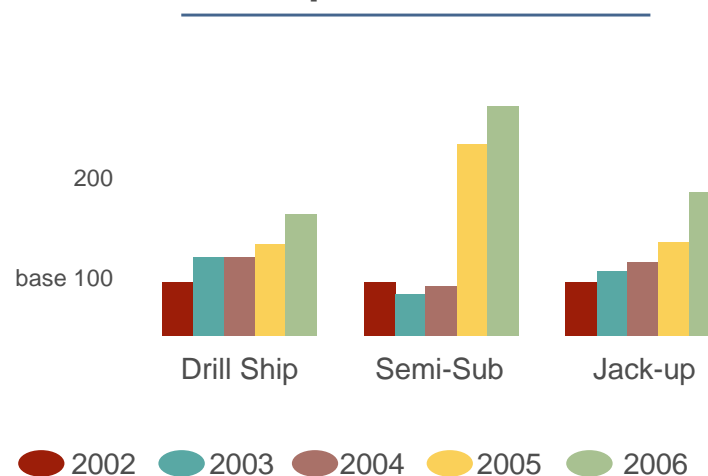
Optimization of availability and costs

- Use local, regional or global synergies by sharing contracts between affiliates
- Business positioning : swaps, rig clubs, farm-in/out

High activity creates a moderating effect

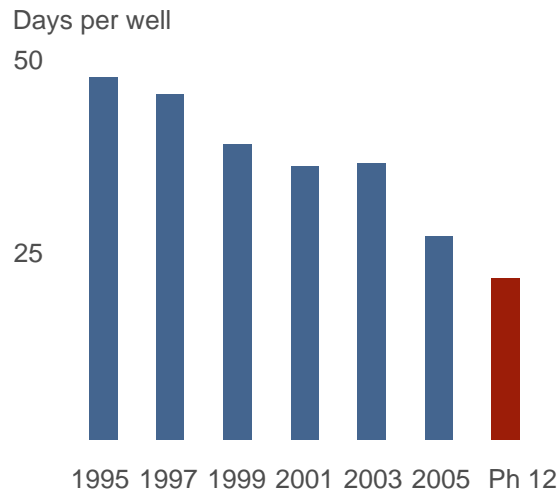


Daily rates of offshore rigs in Total-operated activities

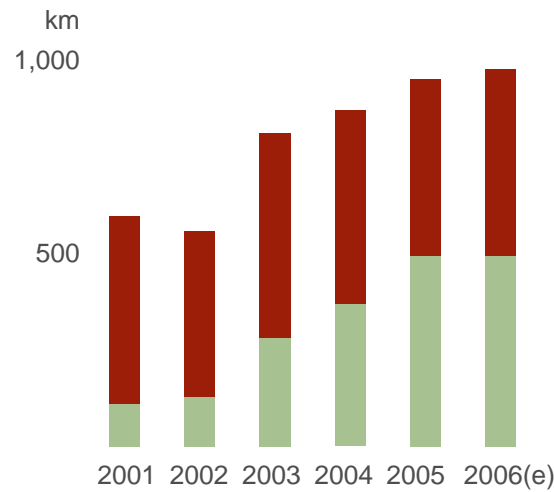


Implementing learning curve and scale effect : example of Indonesia

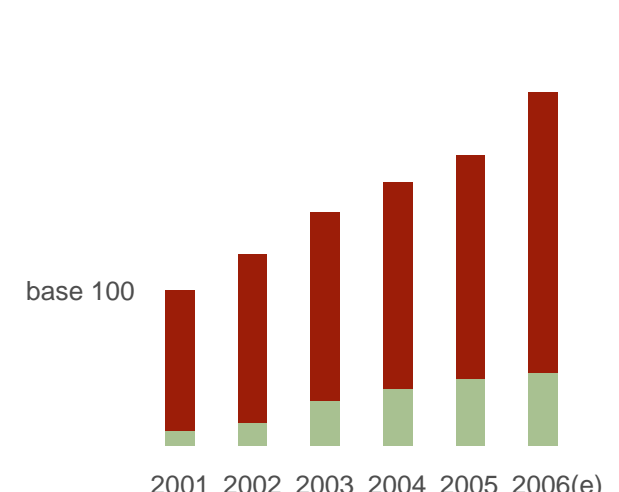
Tunu wells duration : continuous improvement



Indonesia : 50% of meters drilled by Total



Indonesia : 15-20% of Total's drilling costs

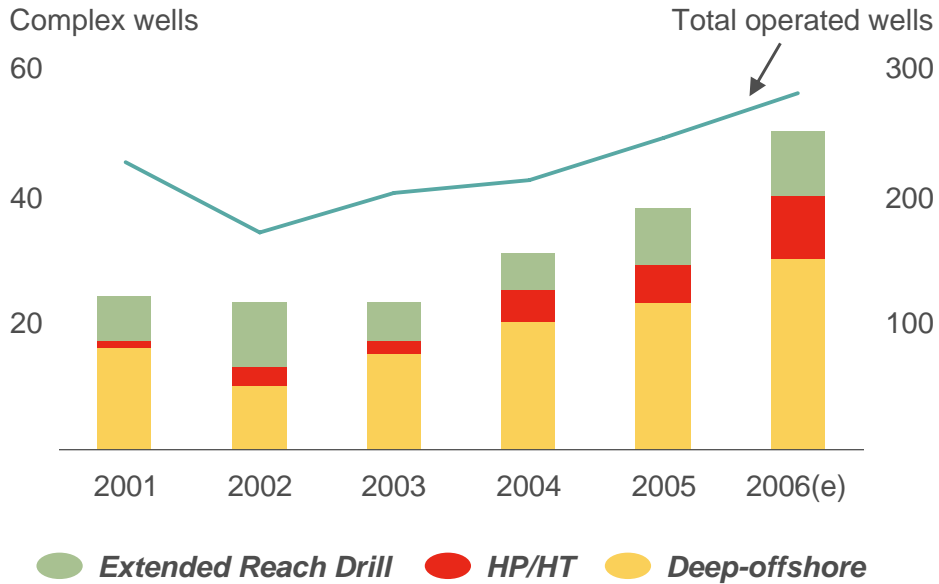


● *Indonesia* ● *Other countries*

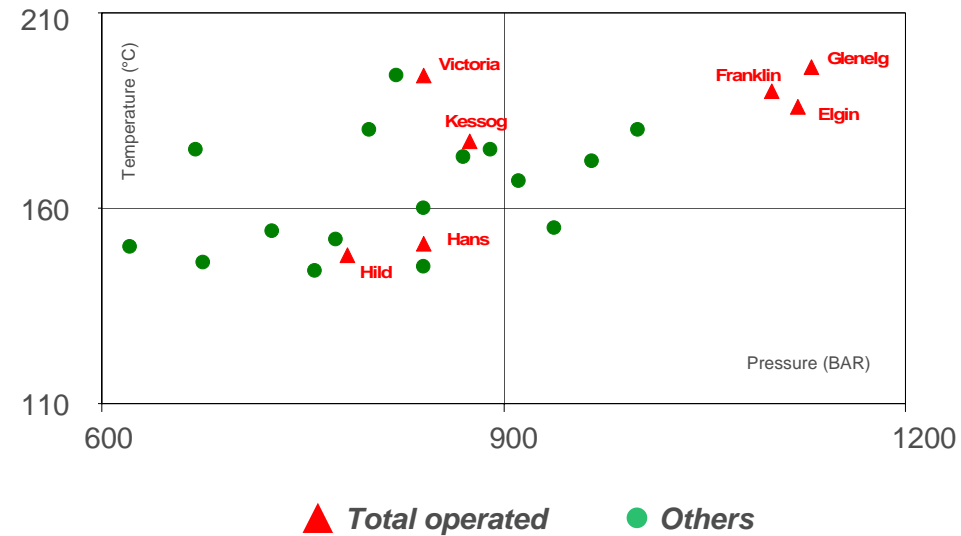
- ▶ Improved risk assessment and monitoring over time
- ▶ Progressive standardization and optimization
- ▶ Industrialization mitigates inflation effects and improves planning

At the leading edge of technology...

Wells drilled by Total



HP/HT fields in UK & Norway



Increased technological content

- Driven by increasing reservoir complexity



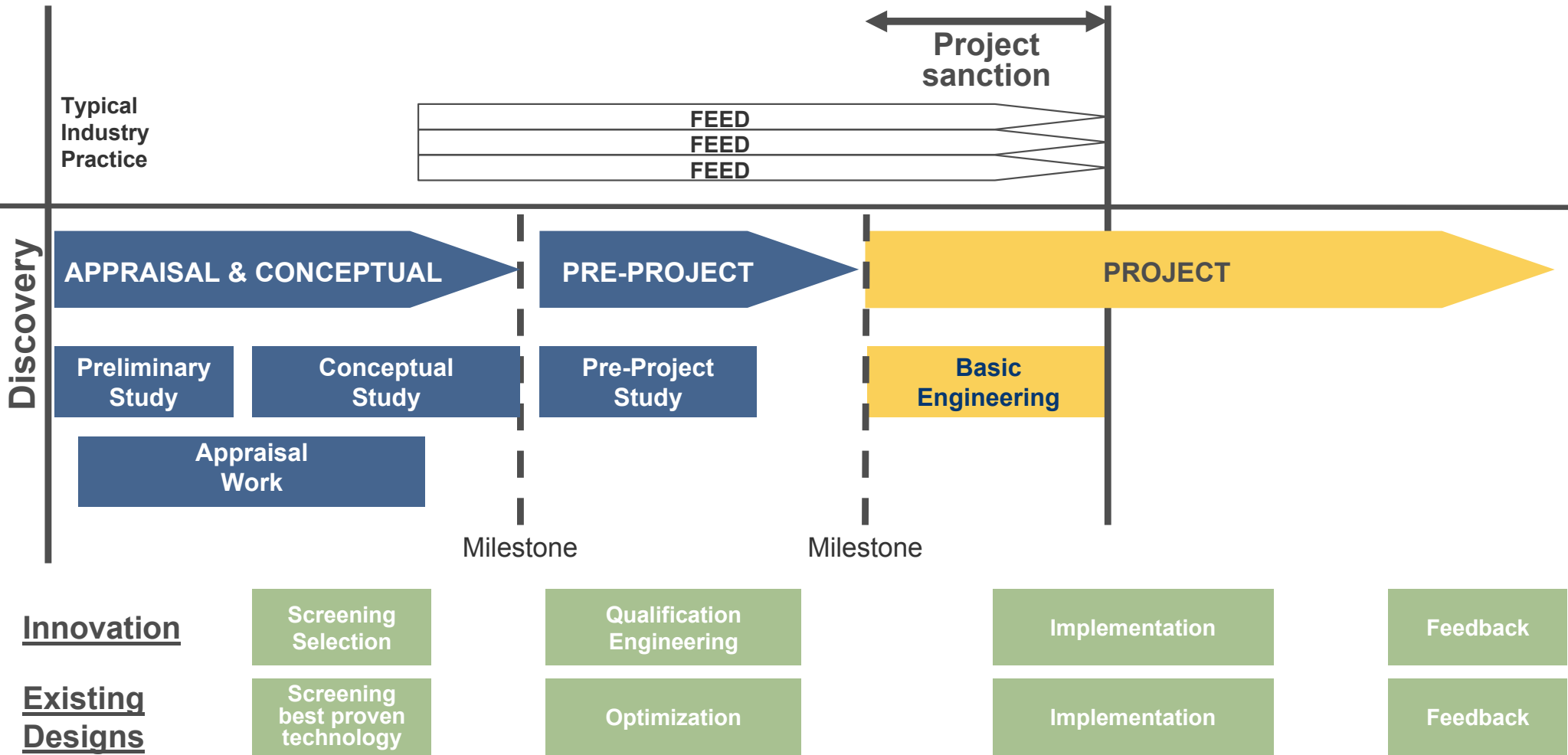
Significant scope for improved efficiency

- Deep-offshore drilling already in the phase of industrialization
- Total's accumulated experience and expertise should enable progressive industrialization of HP/HT drilling
- Improving reliability and predictability in execution

Project Development

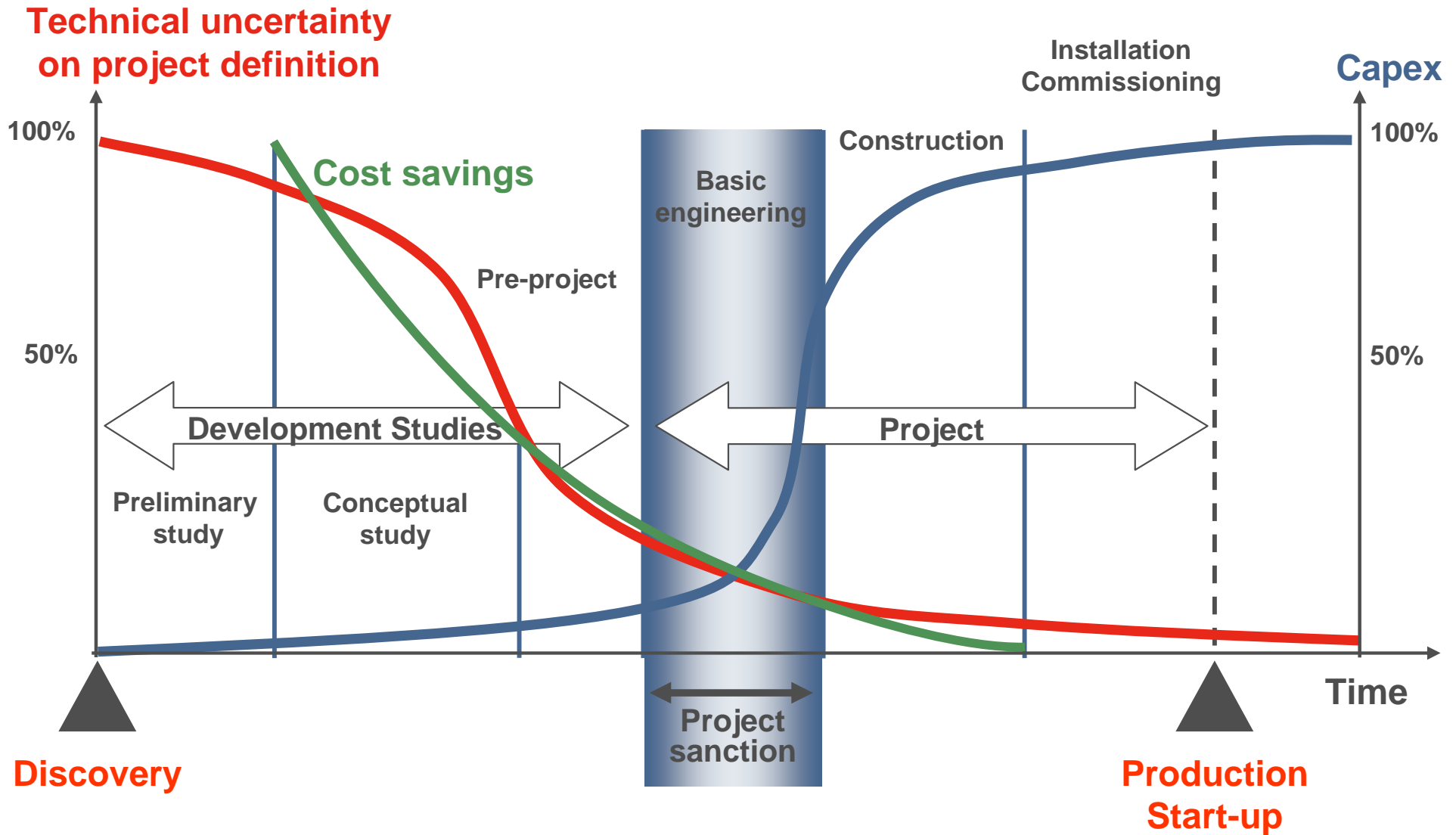
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- ▶ Total operator : growing competitive advantages

Preparing projects at Total : streamlined approach with milestones



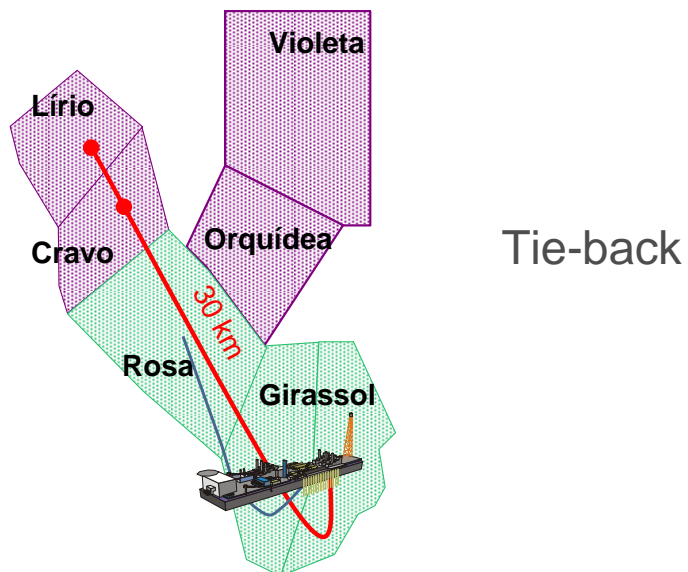
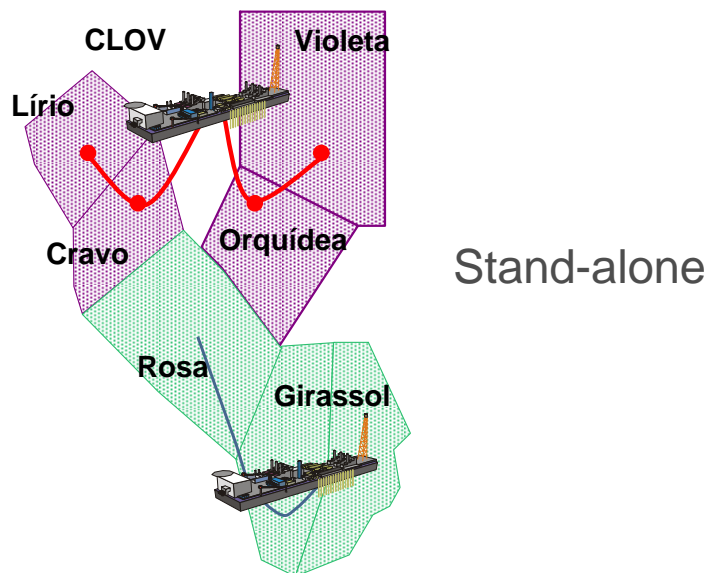
- ▶ Optimization of project development process
- ▶ Selection of one concept further detailed in pre-project
- ▶ At end of pre-project, fix scope and qualified innovations before project phase

Key ideas & innovations, generating most of the cost savings, introduced in the conceptual stage



CLOV (4th Pole, Block 17) development : conceptual stage benefits

CLOV development schemes



Tie-back	Stand-alone	Pre-project
Advantages		
<ul style="list-style-type: none"> ▶ Lower cost ▶ Minimum project 	<ul style="list-style-type: none"> ▶ Reserves : 4 connected fields ▶ Flexibility for further satellites ▶ Earlier start-up 	<ul style="list-style-type: none"> ▶ Compact and simplified process
Disadvantages		
<ul style="list-style-type: none"> ▶ Later start-up (FPSO Girassol full) ▶ Only 2 fields connected ▶ No flexibility for further satellite 	<ul style="list-style-type: none"> ▶ Higher cost and larger project 	<ul style="list-style-type: none"> ▶ Existing hull design (Usan, Pazflor) ▶ Synergy with Block 32 design 1, build 2
Stand-alone pre-selected		
Pre-selected stand-alone case due to successful appraisal on OV and good performance of Girassol		

Project Development

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- ▶ **Delivering projects**
- ▶ Total operator : growing competitive advantages

Project execution : efficient organization aimed at reducing risks



D. Picard

Dalia Project Dir
*MD Total Qatar
Dunbar Project Mgr*

G. Mouillerat

**Dalia FPSO
Project Mgr**
*Cost estimate Mgr
Bongkot Project
Mgr*



F. Raffin

Akpo Asset Mgr
*MD Total Russia
Operation Mgr Myanmar*

A. Laine

Akpo Project Mgr
*Construction Mgr
South Pars 2&3
Project Mgr
OKGD*



J. Fort

YLNG MD
*VP Technology
Elgin-Franklin Project
Director*

J-L. Boisset

YLNG Project Dir.
*Moho Bilondo PM
VP Projects Div
Indonesia*

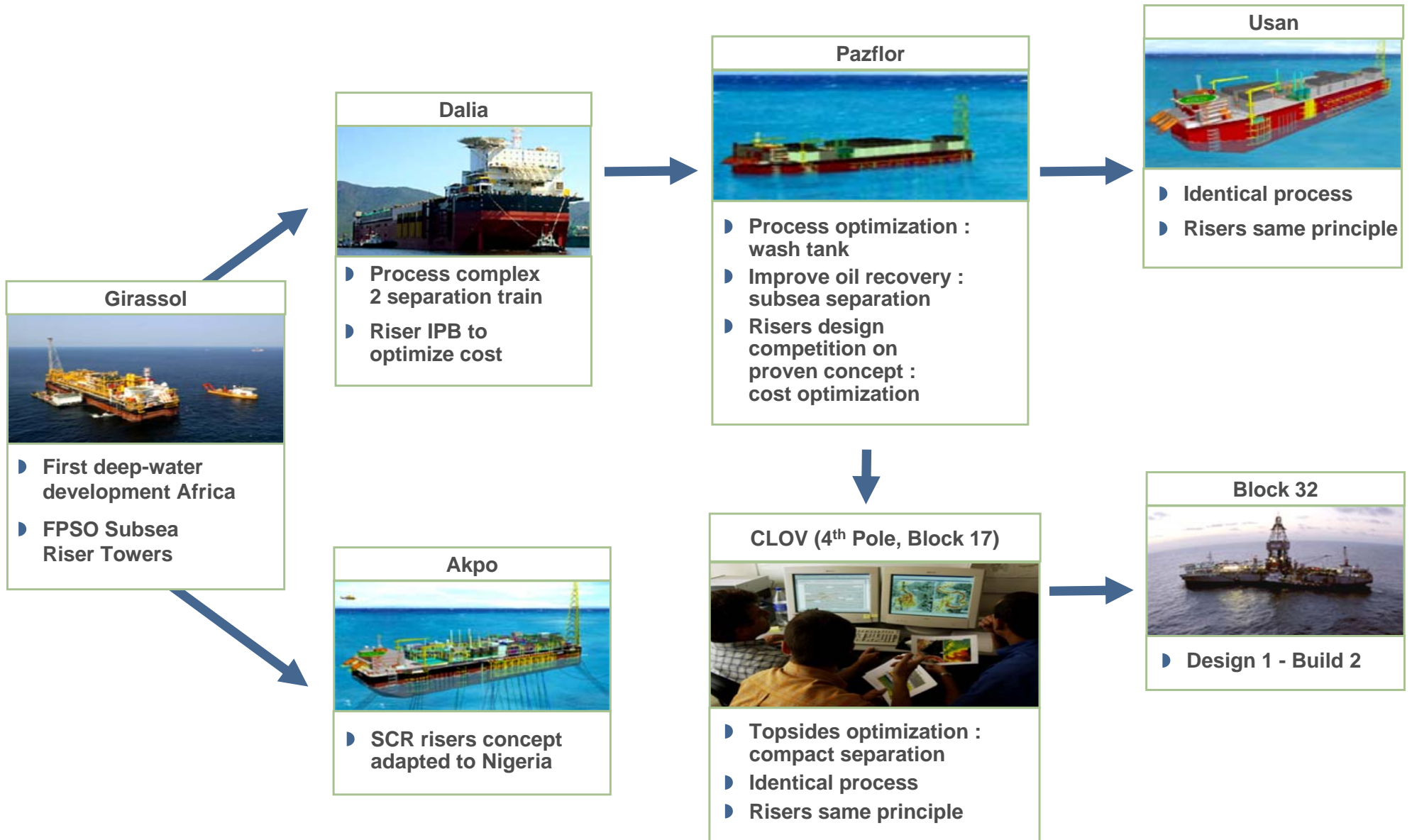
► Dedicated organization

- **At the project level**
 - Experienced and accountable Project Manager
 - Management of large projects overlooking “from reservoir to field operations “
- **At the headquarter level**
 - Monitoring market and maintaining strong relationship with contractors
 - Centralizing and spreading technological know-how
 - Defining contractual strategies by optimizing contractual packaging according to market conditions and local content constraints
 - Controlling projects (quality, progress, HSE) through formal regular reviews, committees and audits

► Adapting the EPC contractual tool to prevailing conditions

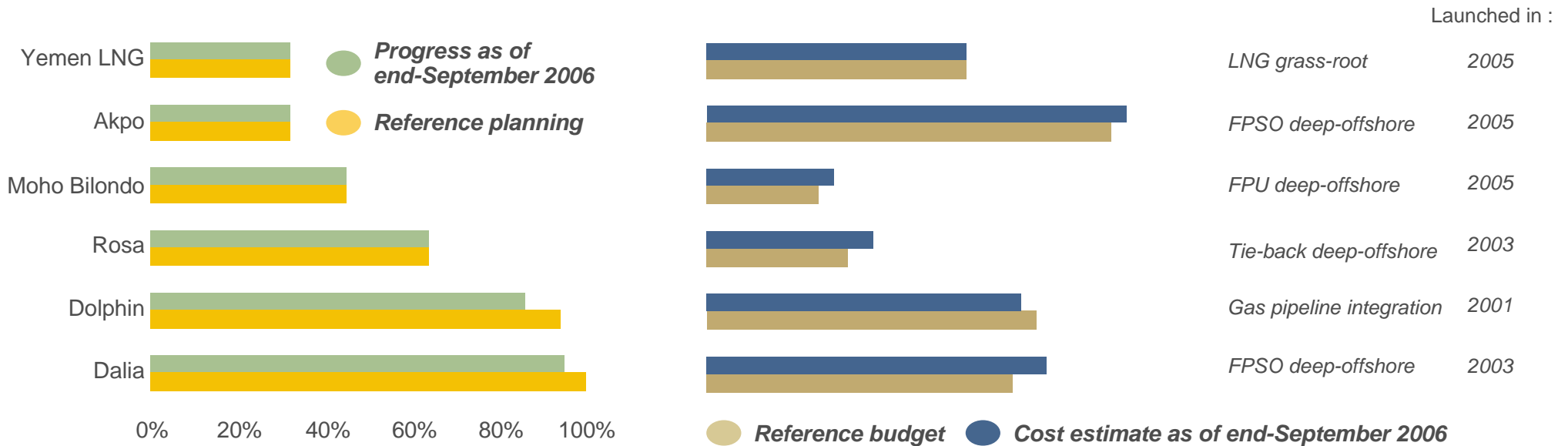
- **A single accountable contractor with an appropriate risk sharing**
- **Interface reductions**
- **Contracts sized appropriately to have access to reliable contractors**

Deep-offshore : industrialization through concept duplication



Leveraging deep-offshore leadership in West Africa

Main operated developments on track



New industry challenges

- Rig availability
- Service sector overheating
- Human resource scarcity
- Delays in decision-making process



Total's ability to deliver

- Core skills maintained and developed in-house
- Culture of accountability
- Projects developed under EPC contracts
- Rigs contracted in advance for developments and firm exploration
- Growing importance of long-term global partnerships with host countries and NOCs
- Leveraging technology and successful experience (8 FPSO projects in development or under study)

Project Development

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- ▶ **Total operator : growing competitive advantages**

Total operator : growing competitive advantages

Developing larger and more complex projects

- More technical content and challenges : heavy oil, deep-offshore, HP/HT...
- More capital intensive

Addressing globalization challenges

- Dealing with new emerging players
- Taking into account increasing share of local content
- Building a win-win relationship with communities

Managing mature fields

- Integrity handling
- IOR / EOR projects
- Re-engineering

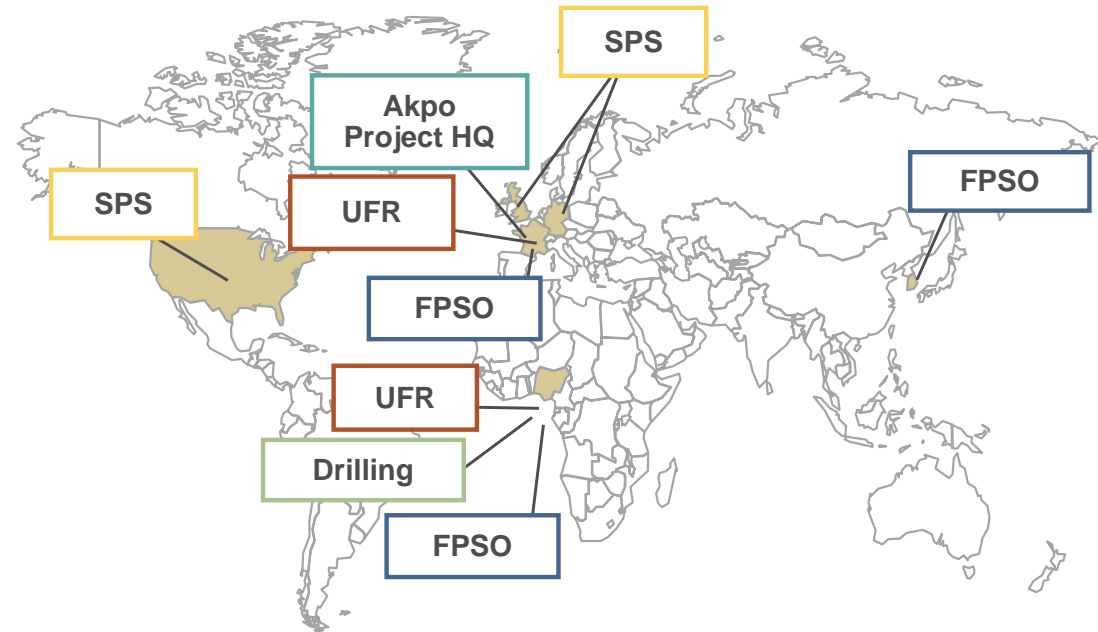
Attracting human resource talent

- Managing scarcity through internationalization
- Focusing on integration and training
 - ➔ Turnover : less than 1%
 - ➔ More than 400 engineers recruited for operations worldwide in 2006

Managing operating trends

- More involvement of NOCs
- Cooperation = new mix of company cultures
- Need for new type of leadership and quality of secondees

Akpo : managing an international project



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In accordance with IAS 2, the Group values inventories of crude oil and petroleum products in the financial statements in accordance with the FIFO (First in, First out) method and other inventories using the weighted-average cost method. However, in the note setting forth information by business segment, the Group continues to present the results for the Downstream segment according to the replacement cost method and those of the Chemicals segment according to the LIFO (Last in, First out) method in order to ensure the comparability of the Group's results with those of its main competitors, notably from North America. The inventory valuation effect is the difference between the results according to the FIFO method and the results according to the replacement cost or LIFO method.

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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