CORPORATE PARTICIPANTS

Patrick Pouyanné *TotalEnergies SE – Chairman and CEO*
Helle Kristoffersen *TotalEnergies SE – President, Strategy and Sustainability*
Namita Shah *TotalEnergies SE – President, OneTech*
Jean-Pierre Sbraire *TotalEnergies SE – CFO*

QUESTIONS AND ANSWERS PARTICIPANTS

Alastair Roderick Syme *Citigroup*
Bertrand Hodee *Kepler Cheuvreux*
Biraj Borkhataria *RBC*
Christopher Kuplent *Bank of America*
Henri Patricot *UBS*
Irene Himona *Societe Generale*
Jason Gabelman *Cowen*
Lucas Oliver Herrmann *BNP Paribas Exane*
Lydia Rose Emma Rainforth *Barclays*
Martijn Rats *Morgan Stanley*
Michele Della Vigna *Goldman Sachs*

PRESENTATION

Operator
Ladies and gentlemen, thank you for standing by and welcome to TotalEnergies' Strategy, Sustainability & Climate Presentation Conference Call. (Operator Instructions) I must advice you that this conference is being recorded today, the 24th of March, 2022.
I will now like to hand the conference over to Mr. Patrick Pouyanne, TotalEnergies' Chairman and Chief Executive Officer. Please go ahead, sir.

Patrick Pouyanné ***TotalEnergies SE – Chairman and CEO***
Good morning, good afternoon, wherever you are today and welcome to this TotalEnergies' Strategy, Sustainability & Climate Investor presentation. Before entering this presentation about Strategy, Sustainability & Climate, I cannot avoid of course to begin by having strong thoughts for our colleagues in Ukraine and addressing the Russia-Ukraine situation.
We're in TotalEnergies: all meetings in the morning begin with a safety moment and all meetings in the afternoons with a sustainability moment. Today, this is my turn for a sustainability moment with this photo of Yevhen and Maxim, two of our Ukrainian employees who have joined the Ukrainian forces since the beginning of the conflict. I want to pay special tribute to them and to all of our friends and colleagues in Ukraine. Yevhen and Maxim are our heroes in the Company. We receive photos of their new life and we follow them as all our employees in Ukraine. Seven are still in Kiev and we assisted them as well as all the other ones. And by the way, a third employee, named Yevhen as well, has enrolled himself yesterday in

the army. These are life-changing events for them and for everyone. So we take this moment to reflect on how our people as well as the company are affected.

TotalEnergies condemns categorically Russia aggression. And I want to reiterate our solidarity with the people of Ukraine, which is a tragedy of humane suffering from Ukraine today, for Russia population tomorrow, a threat to the peace of Europe and to the world. We are mobilized to help, of course, the Ukrainian employees, but beyond to provide assistance to Ukrainian refugees coming to Europe. We provide fuel and other equipment to the Ukrainian authorities and without reservation TotalEnergies supports the scope, the strength of the sanctions put in place by Europe and the US and we will implement this present and future sanctions regardless of the consequences on our activities. We support sanctions because we believe they are the only non-violent means to try to put an end to this tragedy.

We are of course deeply affected on a personal level by the crisis and at the same time, we are responsible for managing the assets of the company. To act responsibly as a European company and in accordance with our values, we have defined some clear principles of conduct for managing our Russian related interests and we published them two days ago.

First, as I said, TotalEnergies has and will continue to act in strict compliance with European sanctions, existing and future ones, regardless of the consequence on our activities and assets. No doubt about this. It's important to point out that we do not operate any oil fields, gas fields or LNG plants in Russia. We own minority interests in non-state companies and in fact the headcount of employees of TotalEnergies which were seconded in these companies was quite limited before the beginning of the conflict: 11 secondees. We have initiated a progressive suspension of our activities in Russia, while ensuring the safety of our staff. And as of today, only 3 expat secondees are remaining in the country. In the same spirit, we have stopped all business development for batteries and lubricant businesses in Russia.

The second principle of conduct and we immediately stated it, is that obviously we will not provide any new capital for projects in Russia, and this applies as well to the Arctic LNG-2 project. Given the uncertainty created by the technological, financial sanctions on the ability to deliver this full project, we have decided to de-book all proved reserves for Arctic LNG 2 project from our accounts at the end of last year.

Third, we have been criticized for not announcing that we are abandoning our assets and withdrawing from Russia. I want again to clarify that abandoning these interests would only enrich Russian investors by more than $10 billion, in contradiction to the very purpose of the sanctions. As we are not operators, abandoning the minority interests held by TotalEnergies would have no impact on these companies' operations and revenues. Furthermore, the current environment of European sanctions and Russian laws controlling foreign investments would prevent us from finding a non-Russian buyer for these interests and we would have to transfer them for zero.

Finally, under the existing contracts, abandoning our interests could open TotalEnergies up to significant potential liabilities. We monitor the situation very carefully with the Board.

Last principle of conduct is of course that TotalEnergies' mission is to supply clean, reliable and affordable energy to as many people as possible. And in this specific case, reliability and security of energy supply for the European continent is of the essence. It's not up to TotalEnergies to decide if we need to bring gas to Europe. It is up to the governments to decide what we should do and then to act accordingly. Of course, as you all know, Europe does not have the same domestic resources as the UK or the US. And gas is in particular a critical issue. European governments, at this stage, consider that Russian gas is necessary for the European population. As you know, most of the experts think that we need two to three years given the realities of the European gas logistics if we want to avoid being severely impacted or having to ration some gas in Europe. But again, it is the job of governments to decides if yes or no we must get rid of gas not of private company like TotalEnergies.

The situation is different for oil and petroleum products because we can access alternative suppliers and ensure security of supply to our European customers. This is why we have decided to halt all our purchases of Russian oil and petroleum products as soon as possible, and at the latest by the end of the year. Since February 25, 2022, we have stopped all trading operations on the spot markets on oil and petroleum products and that has been extended to gas since February 25, 2022. We also have term contracts to purchase Russian oil and petroleum products that end at the latest on December 31, 2022, primarily to cover supplies for the Leuna refinery in Eastern Germany which is served by the Druzhba pipeline from Russia, but also to cover some supply for diesel to our European retail networks and Marketing activities. In close cooperation with the German government, we will terminate our Russian oil supply contract for the Leuna refinery as soon as possible and by the end of 2022 at the latest. We are putting in place and we have already some logistic capacities in place to bring alternative solutions by importing oil via Poland. Considering the diesel supply, let me remind you that around 12% of European diesel was imported from Russia in 2021. And unless we receive any contrary instruction from European governments, we will also terminate our Russian diesel purchase contracts as soon as possible by the end of 2022 at the latest. We will instead import petroleum products and in our specific case, we will dedicate our share of diesel being produced by the SATORP refinery to Europe.

By sharing these principles of conduct in a transparent way, we allow our investors, our stakeholders to verify that we act in a responsible manner. Again, we monitor this critical situation very carefully with the Board and obviously the point of view of our main shareholders is of essence for all of us. Since the beginning of the crisis, our investors relationship team is in close contact with most of them and their advice is very precious.

A second slide on Russia I want to comment is a recap of our exposure to Russia in a transparent way. I would say that, and you know it, that we have a deliberate policy within our company for many years, which is that we do not want one single country to represent more than 10% of our global portfolio. This is a case for Russia. And as you can see, our Capital Employed in Russia was at $13.7 billion by the end of the year, 10% of the Company's Capital Employed. And we knew that we could have some opportunities, but the Board was already, before the crisis, asking itself up to which point can we continue to develop our position. Mr. Putin has answered that question, but again it was this policy which is at the core of the way we manage our political exposure in the Company.

In terms of cash flow, in 2021, our Upstream assets were representing $1.5 billion compared to a base of almost $30 billion. Results were 2.1 B$ to be compared to our global results, so around 11%. So cash flows - 5% - are lower, because as you know, part of the results are linked to our Novatek participation and we receive only dividend from Novatek.

In term of exposure, a word about potential debt service default on the financing guaranties which we have given. This could represent $500 million regarding the financing of Yamal LNG and $800 million on the financing of Arctic LNG-2. The volumes are more important. 17% of the production is coming from Russia, 21% of our reserves. But what is important for shareholders is a value that we can derive from these volumes. The volumes are impressive, but they are linked in fact to the Novatek volumes, in which we are shareholder, which are mainly domestic gas with low margin and cash margin per barrel. That's why you have 20% of volume and 5% of cash flows.

So this is very manageable at the global corporate level and we will go through whatever again the consequences are. You have the list of the assets that we own, minority interests in non-operated assets. We have also the term contracts that we are managing, and I already discussed the oil and petroleum products contracts: we have a maximum duration of one year. End of 2022, we will have no more commitment.

On the LNG side, it's different, because we have 5 million ton per year, which have been long-term contracted with Yamal LNG, and we have only 0.9 million ton, which is under one-year contract and that we would not renew obviously. These contracts, in case of sanctions against Novatek, have force majeure clause, which would be activated by TotalEnergies -- if it is the decision of the European governments.

So now after this introduction on Russia and Ukraine, I will come to what was initially the core of the presentation, but I will say that speaking about strategy and sustainability, Russia and Ukraine are at the core of both. And so it was important to introduce this debate immediately. We will enter into the presentation that we planned some months ago in view of the Annual Shareholder Meeting of end of May. And I would say, we did not know at that time that the invasion of Ukraine would affect us going forward but you must recognize as well that there is another crisis building that also demands our intention, as the IPCC's new report purposefully reminds us of the climate emergency and imperative. And so today our objective is also to explain our ambition and to show how it's being put in place and I think it takes its full meaning, despite this tragedy in Ukraine and Russia.

In 2021, as you know, our shareholders broadly supported this ambition through a vote at the Annual Shareholder Meeting. And today, one year later, as it was a commitment by the Board, we are publishing our first Sustainability and Climate Progress Report with several objectives. One is to show how our ambition is reflected in the deployment of our strategy and in our investment decision. And second to share our 2021 achievements, which demonstrate - as we hope you will be convinced - and illustrate the path of our transformation in order to meet our 2030 objectives, which are clearly commitments and get to net zero by 2050 together as society.

This report also provides an opportunity for us to explain clearly and transparently our climate ambition, our progress, the pertinence of our 2030 objectives and our ability to meet or exceed them. And again, in doing so, we want to show to all our stakeholders that we are already on the right track and the progress we are making in transforming TotalEnergies into a stronger company with a sustainable and profitable future.

I will share this presentation today with Helle Kristoffersen, our President, Strategy and Sustainability and Namita Shah, our President One Tech, which is also supervising the People and Social Engagement activities.

You will also find in this report some new targets that will be detailed along the presentation. You will see some "New" signs in the presentation, because it's a permanent quest for us to become better, to enhance our proposal, to take into account the latest scenarios, technologies and innovations, to listen to society in order for us to find the best roadmap. And I'm confident that with what we will present you, you will be convinced that we drive the transformation of our industrial model, to shape the just energy transition to which our societies aspire.

So, let's go into the strategy part that I will first cover. Then Helle will cover the climate and environment part. Namita will cover the well-being of people part and then I will come back about how we share the prosperity that we are creating with all stakeholders and conclude.

It's true that energy is reinventing itself. And so we have decided to embark into this journey to build a multi-energy company, sustainable and profitable. It's a matter of course of delivering reliable, affordable clean energy. The world needs more energy, but less emissions to develop a more sustainable business model and of course ultimately to increase returns for shareholders because this is also our objectives.

This strategy is underpinned by the evolution of the energy markets we anticipate. There are two fundamental trends that I just mentioned. More energy because population continues to grow and is aiming for higher living standards around the planet. So there is a growing energy demand despite all the energy efficiency gains that we must do as well. And then you have the overall imperative of climate neutrality for the planet. So it has an impact on the evolution of the energy mix and fundamentally today the energy is made of coal. We are not involved, so I will not discuss that energy, but oil and natural gas. Oil, we see and we observe the next generation of innovation to substitute oil use and we consider, we take as an assumption that the oil demand will plateau and then decline beyond 2030 with some impact on long-term prices. Natural gas is a transition fuel and I would say 2021 has demonstrated more than ever that it's a transition fuel between coal and decarbonized energies. And so there is where, I would say, a growth in natural gas, in particular in the engine segments.

But the energy transition will be made possible only if we, on one side, develop new molecules (biofuels, biogas, hydrogen and e-fuels) and I would say that for an oil and gas company, which is a molecule company, this is a natural trend, leveraging our competencies in chemistry, in refining and in all Downstream segments to look for these new molecules. But also, transition is a matter of electricity. We know that to decarbonize energy, the electricity supply should be multiplied by two in the next 20-30 years, if we want to meet the net zero policies. Of course, when I say electricity, it's fundamentally decarbonized renewable electricity.

And then the last point of this evolution of energy markets, the last market, is developing carbon sinks which will be required to achieve Net Zero. So what we have decided within TotalEnergies, and this is the roadmap of our strategy, is to continue to be part of today's energy and maintain oil with no growth, I will come back on it, to grow in natural gas as a transition fuel and to engage the Company in the new pillars of the future energy system: new molecules, electricity and carbon sinks.

I have further questions: why investing in power, which is obviously an activity of business with lower returns than in oil and gas? On this slide, you have the motivations of our commitment to invest in this energy, which is electricity. Fundamentally we think we can develop, and we will develop, a business model with higher risks, creating higher returns - from integration, arbitrage, flexibility - compared to the traditional Utilities' business model, which I would characterize by lower risk and lower returns.

And in fact, the fundamental idea is what we want to approach the electricity market as we are managing today oil and gas markets. These are commodities and we know that a commodity is volatile. We know also the fundamentals to manage this volatility: selecting low-cost assets in order to lower the breakeven and integration to be along the full value chain from generation, storage, trading, aggregation to supply, for the electricity value chain.

You know today, in the oil markets, with the increase of oil price, the Downstream business is suffering, but of course we re-balance profits and revenues from the Upstream part. It was the reverse two years ago during the COVID crisis when our Downstream businesses were more resilient than the Upstream. So, integration and low-cost are the DNA of the Company in oil and gas and this is a model we want to transfer to the electricity market to take more risks than some competitors, but to generate higher returns.

In this slide, you have the argument that there is a premium to early movers. Today, we are willing to secure long-term positions on the land and marine and grid interconnection which are scarce resource. It exactly like oil and gas concessions in the oil and gas business. You have the example of what we have done recently in the last New York Bight Tender where we secured a 50-year lease held by production in the marine domain in front of New York and the New Jersey to produce 3 gigawatts. This asset will be there for long and will deliver future revenues and profits to the Company.

In this growing market, we have also a positive outlook for electricity prices, because of the complexity of electricity market, which is secondary energy. We also think that, again, we know how to manage commodities, like we've done with LNG in the last 20 years. But the way we would approach the electricity market is a combination of long-term contracts for 70% (what we call PPA) and 30% of the production exposed to markets.

Not taking risks, exactly like in the LNG: in the 90s we developed the LNG business by securing for each plant the equivalent volumes as a long-term contract. It was a point-to-point industry, fully secured.

Then, since 2000, we changed the model. We decided that our company will offtake part of the LNG, to put more energy on its own balance sheet and this strategy is delivering more and more results. 2021 again has been a demonstration that, yes, we took higher risks, but it created higher returns. So this is exactly the view we have for electricity markets in order to reach - this is what we do today - >10% return on equity.

And the last point I mention is low-cost assets, to be on the right part of the cost merit curve on a local basis because electricity is a local energy. Last but not least, we can implement such a strategy of higher risks and higher returns because we benefit from a strong balance sheet with a low gearing compared to the Utilities competitors.

A second slide to introduce our strategy, to answer a second question: you say that you have the ambition to be a net zero company in 2050, but what does it mean for TotalEnergies to be a net zero company in 2050? With this slide, we want to give you clarity on a vision, the vision we have today. It will evolve in the future, but I think it's an important addition to the ambition we described last year and to do that, we have read carefully the Net Zero Emission scenario from the IEA and in particular, its landing point in 2050. We do not agree with the trajectory to go there, but we agree of the landing point. So we took that as a reference and the IEA describe the world energy mix with 20% of fossil fuels, 20% of bioenergy, 60% of decarbonized electricity and 7 billion tons of carbon capture and storage.

So for TotalEnergies, if we try to translate this landscape in the vision in 2050, what we want to build years after years is a company which would be 50% involved in the Renewables & Electricity. So we need to take steps in the next decade: 500 TWh per year of net production. We think also to engage in the new molecules for 25% of its mix to produce 50 million tons per year of biofuels, biogas, hydrogen and e-fuels which is a way to recirculate CO_2 ($H_2 + CO_2$ = e-fuel or e-gas).

So 75% of the business would be in the decarbonized energies and 25% will still be in fossil fuel, because as it was mentioned in the IEA scenario, we still need some of it. Fundamentally gas and LNG, 25-30 million tons of LNG compared to our current production of around 20 million tons, so there is still some room for growing in this business. And also some oil, probably 200 million barrels of oil, fundamentally for petrochemicals and polymers on which we will come back. So this is a vision.

And after you translate this production mix into emissions, by 2050, we consider that with technologies we will reduce our Scope 1+2 emissions to around 10 million tons, which will be compensated by 10 million tons per year of natural based solutions, which is very manageable and Helle will come back on that.

This scenario or this mix could represent 100 million tons of Scope 3 emissions by 2050, which would be compensated by a mix of carbon capture and storage that we will offer to customers (service storage to customers) for 50 million to 100 million tons. So we need to engage and to invest in this business. But again, as we said, 7 billion tons at world level, 50-100 million tons for TotalEnergies. This is also, I would say, the right measure without overstretching the Company as it will represent 1-2% of the market, which is more or less our share in oil and gas.

And last but not least, achieving this vision means that the lifecycle net carbon intensity of TotalEnergies would be zero. Reducing our lifecycle net carbon intensity by 100%, to be clear, as we had some questions about what the end target is. So maybe this vision will help you to understand what we want to build. It will take time and we embark you in the next decade for which my management team is fully responsible.

Next slide is not new: you heard it last year. This has not changed. On oil again, we will not produce more by 2030 than what we did in 2019. Quota impacting 2021, small rebound in 2025, but the objective is clear, maintain. On gas, as I said, through LNG, continue to increase to deliver this transition fuel, which is required by many emerging countries to shift from coal to gas. And Renewables & Electricity: the take-off of our production on both renewables and flexible generation in order to deliver firm power to our customers. So, globally, on this decade, we want to produce 30% more energy than by 2020 through LNG and electricity.

On the sales side, this is also, as I said, we want to adapt the company to the future decline in oil product demand that we anticipate beyond 2030. So, we will diminish our oil product sales by more than 30%. And in fact, the objective is to realign by the end of the decade what we will sell on what we will produce: around 1.4 million barrels of oil per day. Gas is following the increase in production, a multiplication by two and electricity same: multiplication by three. So that makes a mix you can see here: there's new molecules which are on the top of the liquid part and of the gas part, which we could put aside, but we see the new category, which will represent around 5% of our mix by 2030.

So if I go through each of these energies: on oil, the objective again is no more growth, maintaining and then we will decline beyond 2030 with demand, when demand will exit the plateau we anticipate. Which means that there is a big effort being done on the Downstream. This decrease, by the way, Helle will explain you with a new objective that we set to ourselves: we will commit to decreasing Scope 3 emissions related to oil by 30% between today and 2030. It's a new commitment. 120 million tons of CO_2 Scope 3 emissions of our customers will disappear.

We will do that, in particular, through a new strategy that we implement in the Marketing & Services business where we want on one side to preserve the net cash flow by arbitraging some low margin sales, but also by increasing some non-fuel sales, benefiting from the retail network we have to increase these revenues. And so, by the way, we implement this strategy as we explained you in February. In 2021, it was +15% net cash flow for Marketing & Services and -20% sales. So this is possible and we'll continue to develop it.

On the Upstream part, in order to maintain the production, we need to invest in some greenfields projects. We restrict ourselves to low cost and low emission oil projects and our Exploration CapEx is limited to $500 million per year for the next few years. And last but not least, we are divesting non-core mature high cost and high emission assets. Last year, we exited Venezuela heavy oil because we do not intend to allocate any future CapEx to some hydrocarbons, which clearly cannot fit with low cost, low emission oil projects.

On gas, you know our strategy. It is not impacted by the Russia case, because we have a very rich portfolio to feed our low-cost LNG growth. Clearly, the growth will not come from Russia: I want to be very clear. There is no more capital which would be allocated by TotalEnergies to Russia. But growth will come from other projects we have in our portfolio: Cameron in the US, ECA in Mexico, Nigeria LNG Train 7 and there is a lot of gas onshore Nigeria to do more, not far from Europe, which is a new LNG market open to us. Mozambique, Papua LNG…Yemen is an option in our portfolio, which can be revived if there is an agreement with Iran and we are studying other US options. The Russian crisis implies no future growth in Russia, but there is a new market, which is the European market, for LNG. This is a market with new opportunities for us to implement our strategy, the one we have defined today. So, no modification on strategy. Projects might be different, but with the same belief that we can leverage our integrated LNG position for all these markets.

Of course, this means that we continue to focus our investment in first/second quartile low-cost, long-term competitive LNG projects. I remind you that our portfolio, LNG portfolio has a leverage to high oil and gas price. We gave you the sensitivity in February, nothing changed. And there is one condition to grow our LNG for which we need to be very serious, more than serious. We need to aim for zero methane emissions and we set also -- Helle will come back on it -- a new target by 2030 to reduce our methane emission by 80% compared to 2020.

A last remark, some people tell us, you know, it's not so true that LNG is going to replace coal. Coal continues to grow. I would say, and I think it's a comfort to us, that today 99% of our LNG sales were sold to net zero countries. So this is a demonstration that, yes, it's a transition fuel for many countries and it will contribute to reach their net zero targets.

Electricity and renewables, I've been long, so I will not comment more these slides. The target did not change for 2030. We are on the way to deliver them. We reached 10 gigawatts last year. We will do 16 gigawatts in 2022 on the way to our target of 100 gigawatts in 2030. I already explained to be net cash positive on this segment before 2030 to fuel future cash flows, net cash flows and returns to shareholders.

A slide on the new molecules, which would be required for the energy transition. We joined recently a group of companies, which have the ambition to double circularity within the next 10 years, which means a circular economy, recycling. In fact, these new molecules are a good way to do it. In biofuels, we give a clear priority to waste and residues, in particular for SAF (Sustainable Aviation Fuels). We have an objective of 5 million ton per year of biofuels in 2030 and we will produce 300,000 tons of SAF from 2024.

In recycled and bio-polymers, priority is given to recycling, then biopolymers with an ambition of 1 million ton per year of high value circular polymers by 2030 through different technologies. In biogas, there is more and more demand for bio-LNG, bio-CNG. Lots of customers, which are engaged in gas want biogas today, like in shipping. There is more demand than supply, to be clear, because the scaling effect is not so easy to grow. But we have a target of more than 5 terawatt hour per year by 2030. We have assets in France and we have just launched a project to produce biogas in Texas.

And last but not least, hydrogen and e-fuels which we put together because the e-fuel is derived from hydrogen. It's linked to electricity if we do green hydrogen, and to gas with CCS if it's blue hydrogen. So we'll manage these technologies. We have engaged Refining to have clean hydrogen in all our European refineries by the end of the decade. We recently made some progress in Normandy, but we are also looking for a way to develop first projects in e-fuels. On green hydrogen, the first project has been selected by the French government in La Mede among the European supported projects which will be developed.

I mention as well that in Abu Dhabi, we recently partnered with Masdar and Siemens Energy to develop a pilot to make Sustainable Aviation Fuel from green hydrogen. So it will represent only 5% of the CapEx during the next few years, but I am convinced this will grow in the future. It's also linked to demand, it's not only a matter of supply. And again on biofuels and biogas clearly for me today, the bottleneck is partly on the feedstock that we need to mobilize. And then it's a matter - I would say on hydrogen/e-fuels - of demand that we need to identify in order to grow further.

So this strategy is supported by a capital investments allocation to build this multi-energy company: 50% of our CapEx, between $13 billion and $16 billion on 2022 to 2025 is dedicated to growth - growth in renewable electricity and growth in the new molecules. 30% are on new energies and 20% on LNG and gas. The other 50% are contributing to the maintenance of our oil system. Among the 50%, I had also some question about it, 20% are in fact dedicated to new greenfields and exploration. So you see, we invest less in new greenfields and exploration than renewable and electricity.

I would say, another way to illustrate our strategy is where do we invest in terms of R&D or how do we plan the future. And I think it's quite an interesting slide to show that the transformation is well advanced. You see that in the last five years we shifted our R&D expenditures: 70% were in hydrocarbons in 2017. Our budget today is 40% only. So it's a clear shift and a clear ambition. All that is led by Namita and his teams in his global organization called OneTech, which is supporting the transition where we put together all our technical and R&D skills in order to implement this strategy. You can see that in 2022, it concerns the new energies, CCUS, batteries and all the other fields of technology.

Two last slides to demonstrate how we select our hydrocarbon projects as it's compatible with our climate ambition to get to Net Zero. We want to ensure the sustainability of the portfolio and its profitability. So, as I said, we select low cost, low emissions projects. You will find the details in the report: these are the eight projects, which have been sanctioned in 2021. All of them have technical cost under $20 per barrel and a breakeven under $30 per barrel. And all of them have emissions, which are lower than the average of the portfolio, which means, by the way, that the average is going lower year-after-year. So this criteria will be more stringent.

New assumption in the way we appreciate the profitability of the projects. We are using from now $100 per ton from 2023 in all the projects. The idea is to give guidance to our teams to select projects to abate CO_2 emission, so we give a new guidance to our teams. If you have projects, with cost of CO_2 abatement below $100 per ton, we are ready to finance and develop it. So I think it's important, because it's part of the Scope 1 and 2 roadmap.

Another piece of information about the sustainability of our portfolio linked to the European taxonomy: some resilience tests that we are doing ourselves. For the first time, we are publishing in this report not only the taxonomy’s 2021 eligible CapEx as per the regulation, but also the 2021 aligned CapEx that we evaluated. It's not mandatory, but we thought it was useful. And you will see that, in proportional view, 23% of our CapEx are said to be aligned as per taxonomy. It was only 9% in 2020. So I think the transition is well underway within TotalEnergies.

We tested the resilience of the portfolio under different scenarios. What is the impact on the value of our portfolio if instead of \$100 per ton, CO_2 would be at \$200 per ton? The impact is -9% on the NPV7. We also tested the resilience of the portfolio to the price scenario of the IEA Net Zero compared to what is our reference scenario, which is today at \$50 per barrel and \$100 per ton of CO_2. The IEA Net Zero scenario is going down to \$25 per barrel quite rapidly. It would have an impact of -17% on the portfolio's NPV7. Some important information for investors to understand our resilience when investing in TotalEnergies.

So, this was strategy and now we go to the second part, which is at core of the resolution voted last year. We integrated sustainability into our strategy, our projects and our operations. And Helle and Namita will go through the climate part, the environment part, the people part and I will come back on the shared prosperity.

So, Helle, the floor is yours.

Helle Kristoffersen *TotalEnergies SE – President, Strategy and Sustainability.*

Good morning and good afternoon, everyone. I'm going to cover our strategy and 2021 progress in the following three areas Patrick just mentioned: less emissions, sustainable energy and caring for the environment.

First on sustainable energy, meaning less emissions. To set the stage, I would like to point out the following external assessment of our Net Zero ambition, together with society. Back in November, Transition Pathway Initiative came out with this statement saying that TotalEnergies is one of the very few oil and gas firms that have said emission reduction targets that are ambitious enough to reach net zero by 2050, and therefore align with TPI's 1.5 degree benchmark. So, that was just what I wanted to share with you on 2050 and let's now talk about the next 10 years.

Here is where we stand with respect to our 2030 targets and how we have performed in 2021. It's in green here on the chart. On our direct and indirect emissions, meaning the emissions related to the use of energy products by our customers. The data for 2020 and 2021 excludes the impact of COVID so as to be comparable with respect to 2030. As Patrick said, we've signed up for several new objectives and they are in the table here. One related to methane emissions from our operated activities: we want to reduce them by 80% by 2030; And another one, on our worldwide Scope 3 oil related emissions, we want to cut them by 30% or more by 2030. I will come back on each of those two objectives in a short while.

If you look at the table and of course you will have the time to do so, you will see that we have improved on most if not all the objectives in 2021 versus 2020. I know that routine flaring seems to be going up, but it's actually a rounding effect, so I just wanted to make that little comment. It's flattish.

I will now cover each of these indicators in more detail and share with you some highlights from our 2021 accomplishments. First on Scope 1 and 2 emissions from our operated facilities. You know it, our goal is to go from 46 million tons of CO2 in 2015 to less than 40 million tons in 2025 and a net reduction including carbon sinks of 40% or more in 2030.

Let me flag just a couple of elements on this chart. First, as shown, these targets cover our new businesses and so in particular, they cover our CCGTs. Secondly, and more importantly, we've tried to assess the relevance of this goal to reduce by 40% or more in 2030 by looking at some external benchmarks and rebasing everything to 2015, since this is a year that we use for our evolution. The results are shown to the right on the chart. In the IEA net zero emissions scenario, worldwide emissions are down by 39% in 2030 versus 2015, so very close to our target of 40% or more. Likewise, the EU Fit for 55 goal, which goes between 1990 and 2030, the 55% reduction, that becomes a minus 37% reduction if you re-base it to 2015. So again close to –40% or more.

Also, following COP26, we asked to recognized climate experts to undertake a study on the greenhouse gas reduction commitments of all those countries that had pledged to be net zero by 2050. The work was done by Carbon 4 in France and by the University of Columbia's Center on Energy policy in the US. As you know, when a country pledges to be Net Zero, it considers its direct national emissions, excluding imported emissions. It is therefore the equivalent of corporate Scope 1 emissions. And the outcomes of the two studies shows that, at best, the net zero 50 countries will reduce their emissions by 40% with respect to 2015. So I would say that our own target looks pretty well calibrated.

The next chart here summarizes how we're going to achieve that target, using best available technologies and following the three steps, avoid, reduce and compensate emissions. We have discussed this before, so I'll go fast. We will stop routine flaring by 2030 with a pretty tough intermediate goal for 2025. We are also reducing non-routine flaring. We are improving the energy efficiency of our sites, lowering the overall energy consumption, and recycling or optimizing lost energy. This has been one of the focus areas of our digital factory in 2021. We are electrifying our operations using green power. You may recall the two large Go Green projects that we announced last year, powering our sites in Europe and in the US with in-house renewable power. Finally, we are working on decarbonizing the hydrogen used in our refineries and we are also developing CCS projects for our own use.

Coming now to methane. We are fully aware, as Patrick said, of the importance of tackling methane emissions. It was highlighted by the IPCC report back in August and of course by the Glasgow COP. We have been acting for years and you can see it here on the chart, we have almost half methane emissions from our operations between 2010 and 2020. So, again, we've introduced two new targets on methane from our operated facilities and they are shown here. The reference for those targets is 2020, aligned with the COP Methane Pledge.

The only reasonable long-term ambition is to aim for zero emissions, full stop. We intend to get to near zero as quickly as possible. And we target to cut back methane emissions by 50% in 2025 and as Patrick said, by 80% in 2030. This target is consistent with the external benchmarks shown to the right, provided by the IEA net zero emission scenario and by the EU gas market framework.

In our full report, you will also see that we have several leading-edge innovation and R&D platforms working on the support of this target. As you may recall, we're investing $100 million per year in nature-based solutions with the ambition to build a portfolio of 100 million tons of carbon credits based only on the highest standards of certification. These credits will be available for our own use from 2030 onwards to offset any residual Scope 1 and 2 emissions. We are talking about more than 5 million tons sequestration capacity per annum from that year onwards. We've closed several deals in the course of 2021 and 2022. Two of them are summarized on the chart here. The rest of course you will find in the report.

By the end of last year, our portfolio amounted to 7 million tons of certified credits. Our committed funds represented 23 million tons of credits by 2030 and 31 million tons by 2050. The message is that we are investing deliberately for the long term. And since the goal is to actively contribute to the preservation of the natural carbon sinks, be it forest or wetlands, as a matter of consistency, we have introduced a new requirement for all new projects on new sites. They must result in zero net deforestation, otherwise we won't invest.

In addition to reducing CO_2 from our operated facilities, we are also taking care of our non-operated emissions. We are showing here a new disclosure on Scope 1 and Scope 1 and 2 emissions in equity share, so including non-operated facilities. The total is 54 million tons equivalent in 2021. The bulk of non-operated equity emissions comes from upstream and refining as you can see on the chart. Last year, we worked with our partners on carbon reduction roadmaps for assets such as Ichthys in Australia, Satorp in Saudi Arabia or HTC in Korea, just to name a few.

Here is another new disclosure. The geographical breakdown of our emissions on a worldwide basis. You will see that there are very few emissions in the Americas. The chart here covers both Scope 1 and 2 emissions that was just discussed and Scope 3 emissions from our customers that I am now going to review in a little more detail.

So let me provide some color on our indirect Scope 3 emissions from energy products used by our customers. In terms of methodology, we are accounting for the highest emissions along our integrated value chain in oil and gas. Meaning, in this case, sales for both oil and gas, as you can see on the chart. Some of these emissions lead 400 million tons in 2021, flat versus 2020, all of course excluding COVID for the reasons I mentioned earlier.

The chart here shows first to the right how we're going to reconcile the 15% growth in energy sales in this decade that Patrick mentioned., and our 2030 target to reduce global Scope 3 emissions below the ceiling of 2015. The answer is the change in the sales mix that you can see here to the right built into our strategy. As Patrick showed, we will align oil sales on all production before the end of the decade, which induces a reduction of 30% or more in oil sales. At the same time LNG sales here in blue are going to grow strongly. To the left then, you see the new commitment that Patrick also referred to and it of course stems from our strategy. Again it's to decrease worldwide oil-related Scope 3 emissions by 30% or more in 2030 versus 2015. It means saving some 120 million tons of CO_2. So it's absolutely huge, and we will report on this new metric from now onwards.

Here is another perspective on our Scope 3 emissions, trying to respond to questions that we get now and so often. As you know, we have committed to reducing Scope 3 emissions in the EU by 30% in support of the Green Deal. And of course we will deliver on that goal. Outside of Europe, which in our case, mostly means in Africa and in Southeast Asia, we expect emissions to go up as we serve the increasing energy needs of poorer countries that simply won't develop and improve living standards without more energy. This is very much in line with the call for transition that was expressed in Glasgow.

Moving on to CCS, CCS is part of our multi-energy customer offering and it will clearly play a role for us to achieve net zero by 2050 together with society as Patrick explained. The chart here summarizes where we stand with respect to three large CCS projects, enabling us to offer CO_2 transport and storage services to our customers from roughly the middle of this decade. I think you're familiar with the project, so I won't elaborate. Just note, however, that they are all centered on the North Sea, which has the attributes to become a world-class competitive carbon storage hub. Overall, we are targeting 10 million tons of CO_2 storage capacity by 2030. And again, Patrick already mentioned this, we are aiming for 50 million to 100 million tons CO_2 storage per year in 2050.

To reduce Scope 3 emissions we must, of course, act on demand. You have heard us say this often and specifically act on mobility demand, which is one of our larger markets. So here you see our roadmap to decarbonize mobility between now and 2025 and some of the key milestones that we achieved last year. I won't comment everything, I will let you read that. To the far left, we've broken down the overall demand into light duty, heavy duty shipping and aviation and then we show the energies that we are promoting as a substitute for oil. We have a lot going on in this space, as you can imagine, and 2021 has truly been a year of acceleration of our various initiatives jointly with our customers to build profitable low carbon transport solutions.

Taking now another angle and focusing on B2B customers. We announced a couple of weeks ago the creation of a new customer-oriented entity within the company, focusing on clients from a dozen of energy intensive industries and they are all listed on the chart here. The task of this new team will be to help these customers decarbonize, thanks to our multi-energy offering.

To the right you see two illustrations of how we engage with B2B customers. In our renewable power business, we've closed a significant number of new corporate PPAs in 2021 with large creditworthy customers in Europe and the US. We have also signed up multiple new customers for our distributed generation offering with great momentum in Southeast Asia, for instance. Second illustration is that we continue to be selective on our oil product sales as Patrick already mentioned.

Moving on to our advocacy efforts, we make sure that they are aligned with our climate ambition. You can see here the six principles that we use in our yearly assessment of trade association memberships. Principles that led us to exit from the API at the beginning of 2021, and again, I'll let you read the chart. This concludes the update on our climate and emission reductions. You will find many more details in the full report.

As you can see, we've been pretty busy. In 2021 we worked hard, and I think it's fair to say that we are definitely delivering on the strategy that we presented a little less than a year ago. I'm coming now with a couple of charts to how we embed caring for the environment into our strategy, our projects and our operations. Actions to preserve our shared planet, its biological diversity and its ecosystems are an essential part of sustainable development. They can take many forms. We at TotalEnergies have chosen to focus on three areas in priority: biodiversity, freshwater resources and circularity.

First on biodiversity. We came out with a new charter in 2020 which we then enhanced last year with a report highlighting some our concrete action plans and providing proof points, if I may say so. With respect to our undertakings. We are summarizing the biodiversity commitments of our company and from the charter to the left of the chart here, and you can see the four large categories of commitments, when it comes to biodiversity.

As I mentioned earlier, we've also taken a new commitment: namely zero net deforestation for any new project on any new site. We are also part of the Task Force on Nature Related Financial Disclosures, which kind of mirrors TCFD for matters that pertain to nature. In 2021 eight biodiversity action plans have been initiated or implemented in connection with new projects. The most visible and publicized action plan is shown to the right of the chart, and it relates to Tilenga project Uganda. As you know it's tailored to generate a net gain for biodiversity.

Second area of focus: preserving scarce freshwater resources. Earlier this year, we joined the UN Compact CEO Water Mandate. That encompasses providing stewardship and improvements in the six core areas listed on the chart here, I will let you read them. We've also defined new environmental performance targets for 2030 having achieved the ones that we have set out for ourselves for the previous decade and

those environmental performance targets include two objectives related to water that are also on the chart here.
And finally, circular resources. Earlier this year again, as Patrick said, we decided to join PACE, the Platform for Accelerating the Circular Economy which is launched by the World Economic Forum and hosted by the WRI. In connection with this new initiative, we've looked at how we can double circularity in our businesses within the next 10 years and we've come out with two new objectives as you can see here.
First, double circularity of feedstock. This is very much related, as Patrick already said, to our biogas and biofuels businesses that do use different forms of waste and residue as intake. Second objective, double the circularity of our top line. You will find more on this in the full report, and you will also be able to read about how we are doing as a founding member of the Alliance to End Plastic Waste and how we've banned single use plastic bags from our retail networks in Africa and Asia in 2021, after having already done so in Europe.
And now I'll hand over to Namita, who will present where we stand with respect to caring for our people and building an inclusive and diverse work environment. Namita

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Namita Shah TotalEnergies SE – *President, OneTech*
Thank you very much, Helle. Good afternoon or good morning, everybody. I'm going to spend a little time talking to you about people well-being, because I think as we all know, if we want to be sustainable, we need to ensure that the people who work for us, that the people who work with us, and the people who are impacted by the projects and the things that we are doing on the ground all need to be looked after in order to ensure that we are creating as we are growing a sustainable environment.

Let me first talk to you about health and safety. Health and safety as you all know is our core value, it is something on which we spend a lot of time. One of our most important contributions or objectives is of course to make sure that we have zero fatalities. Unfortunately, in 2021, we had one fatality in Kazakhstan in Dunga operations which is extremely regrettable and our objective is to ensure that every man and woman who works for us goes home to their family at the end of the day. The last two years have also shown that the health and safety of our employees is extremely important in the context of COVID which we have all managed and made sure that we have kept our employees safe, while ensuring that our operations continue and that our operations continue without any industrial accidents. Despite the challenges that a lot of us have faced over the past year we have been able to maintain safe operations and you can see that we continue to decrease our TRIR rate over the course of time as illustrated in the slide.

Let me talk to you a little bit about enabling a just transition for our employees. As you have heard over the course of 2021 and as Patrick and Helle have explained to you before me we have embarked on a change at TotalEnergies. We have embarked on a change, where we are becoming a multi-energy company. It is extremely important that the 100,000 men and women who work for us are also embarked on that change that we leverage their skills in order to build this multi-energy company and that we ensure that none of them feel that they have been left behind or that they will be left behind during the course of this transformation.

So we have launched a program called Transforming with our people. Clearly, it is extremely important to continue to listen to our people to understand what it is in this change that is making them uncomfortable. What their concerns maybe, what they need maybe in terms of development, in terms of understanding and to ensure that we meet those needs. We need also to make sure that everybody understands the different energies of a multi-energy company, and that is something that we are going to be doing by sharing across the Company, the achievements and the developments in all of the different energies that we are working in today and in which we will be working tomorrow.

And last, but very important is training. We are going to have to make sure that the employees who want to be part of this multi-energy company and who feel that they may not have the skills to be part of the new energies that are coming on tomorrow, will all be able to participate in all of the energies and in all of the businesses that will be growing over the next few years. And it is important that this works i in all of the senses. Every employee old or new must be part of this multi-energy company that we are building and be able to understand all of the energies in which we are going to be working.

In order to achieve our goals, we are going to need a lot of innovation, a lot of new ideas, a lot of collective intelligence and that is of course very much best met by promoting both diversity and inclusion. It is clear that we need to reflect the world in which we live in and we live in a world of over 130 different countries with a 100,000 people who come from all kinds of diverse, talents and backgrounds. In order to ensure that we continue on our path to promoting diversity and inclusion we have ensured that we have clear targets as far as both gender equality and international diversity is concerned, that are well communicated within the organization and on which our senior management going to be judged.

One very, very important aspect as I'm sure you all know, is that setting targets to promote diversity is not enough to ensure that these different talents grow and contribute and feel part of the organization. And therefore, the work that we do in terms of inclusion is extremely important, and I would like just to give you an example of what we are doing with people for disabilities because what we have done is embarked on a program where when we have somebody with disabilities who joins a particular team in our organization we ensure that we accompany not only the person who enters our organization, but also that person's manager and colleagues to help them understand how people need to think about and adapt to disabilities.

I'm also particularly proud that all these policies go beyond what is happening in terms of just being in headquarters or in developed countries again, I think for disabilities you will all agree with me we are lucky enough most of us to live in an environment or in countries which look at issues with disabilities but there are a lot of countries in which we operate today, where people with disabilities, and very often even gender issues are not really addressed by local legislation and our ambition is to make sure that these good practices, and inclusion for all of these people happens across the world, and as of today we have 41 countries who have themselves voluntarily signed up to put in place very specific programs for people with disabilities.

This idea of embedding sustainability in our social policy. The idea that sustainability is not something that is limited to a particular parameter, but something that we need to push across all of the countries in which we live and work, is very, very important to us as an organization. And in order to do so we have pushed forward quite a lot of initiatives which make sure that people living in countries across the world who may not have access to the same level of understanding or rights - when they work for our organization, we make sure that we promote these issues.

As some examples: workplace dialog. So working with unions is perhaps not something that is systematic and required by law in all of the countries where we work, but we believe that it is extremely important that all of our employees are represented and that all of our affiliates put in place programs and organizations and systems where employee representation can have a direct link to discussions with management.

Similarly, when we talk about worldwide equal pay for men and women or about gender neutral parental leave, it is not something that is evident depending on all of the countries that we live and work in, all across from the United States to Papua New Guinea every employee, who works in our organization will have equal pay whether they are men or women and will have access to gender neutral paid parental leave, and that is something that in some of the countries that we are working in a tremendous step forward and very important for us to continue to promote. Let me spend a little bit of time talking to you about human rights and respect of human rights. When I began my presentation, I said that it was important for us to look after the well-being of the people who work for us, and also the well-being of the people who work with us, and the people who are impacted by our projects on the ground.

Our Human Rights program is extremely well organized and well-designed program. We have ensured that we identify our salient human rights issues according to the United Nation guiding principles and we have made sure that we do an analysis of our different businesses and the impact on human rights that they might have in the context of the work that we do. To give you just a few examples. So first of all, we can see that because we are working in so many different countries around the world, and because we do a lot of local content, and we work with contractors across the world, issues regarding child labor or forced labor, discrimination and just unfair working conditions is something that we need to be very vigilant about, and we have been working with our contractors and ensuring that our people in our companies working in these different countries as well as the contractors with whom we work with, understand what our policy is and put in place systems to be in line with our policy.

We follow-up on this by doing regular audits both internally and externally and have done 80 audits of our contractors last year in order to ensure that our human rights policies are looked at when we are working with our contractors.

Another specific example this is the work that we're doing in Uganda, Helle talked about our EACOP pipeline and Tilenga program. Once again we have specifically identified the salient human rights issues that could arise from the work and the construction around this. And we work with baseline studies as well as third-party organizations. We do a transparent reporting of the findings that we have published on our websites, and we make sure that we follow-up on all of the actions programs that we have put in place to achieve the ambition and the goal of looking after the people that are impacted by our program. And last but not least, another example is just the voluntary principles on human rights and security, which can come into play in certain of our countries where we have an overlap of the work that we are doing and military or police personnel who are working in that in the same areas and we have a very strong program where we ensure that the military or the police personnel are well trained and we provide training programs in order to make sure that these human rights principles are followed up on. All of this can only work if we have robust grievance mechanisms, which we have put in place in 100% of our subsidiaries across the world, where we can get feedback and receive complaints from the people who are impacted by our operations. So those are the main areas. If you look at our sustainability report you will have a lot more information.

And now, I hand over to Patrick for the concluding part of this presentation.

Patrick Pouyanné ***TotalEnergies SE – Chairman and CEO***

Thank you, Namita, thank you, Helle, for this information about the way we deploy our sustainable ambition in the company. I think we set ourselves some key objectives and we progress, thanks to all for this report. Because for me, reporting is also a way to benchmark ourselves and to go to good, better practices. And I think this is a way to improve the Company on the global way as being and becoming more sustainable.

So the last part, of course, of our sustainable ambition is to look at shared prosperity with our stakeholders, and I would like to highlight some few elements. Of course, we create quite a lot of shared value. What is important is that it's not only for our employees or shareholders or primary stakeholders, but for others and I would emphasize of course: we have the local communities in which and with whom we work in developing and engaging of the local content. When we have giant projects, it's important that they see some pragmatic, concrete benefits for them and that's also something on which we professionalize our approach with Community Liaison Officers for example in Uganda, but also in other countries. We have a lot of people and actions to support the socio-economic development and in connection with local content.

Another aspect is the suppliers. I think we spend more or less $25 billion per year and we have decided that we need to have a stronger and more sustainable supply chain. It's not only some requirement, it's also about climate. We took some initiatives this year. When we think about Scope 3 in a company like TotalEnergies, we look a lot at Downstream which was described by Helle (400 million tons CO_2). So, it's a broad focus. But I was reading yesterday evening the new SEC guidelines and they were speaking about Scope 3 Upstream. It means, it is in fact fundamentally the supply chain. For TotalEnergies, it is around 10 million tons, so it was not the primary focus when we embarked, to be honest, in the climate ambition. But now we think, because it's not only the 10 million tons for me, that TotalEnergies can be a sort of driving force. We have to lead by example and to be steward to our supply chain to improve. And what they will do for us, they will do for others. We have a multiplication effect on our Upstream Scope 3. And so we have engaged with 1,000 suppliers which represent 80% of the Scope 3 GHG emissions Upstream, in order to engage them with some new initiatives, to have a dialog with them. We wrote them letters to tell them “it's important for us, it should be important for you”. And for the top 40%, 400 of them, we ask them to set themselves targets to reduce emissions by 2030.

We will monitor this new initiative, and again, it's not only the impact for TotalEnergies’ Scope 3, it will have a multiplying effect on all the actions on the supply chain. So I think it's important, and thank you to the people working on procurement which are very strong to make synergies and to deliver the best available equipment at the best price, but also to drive these efforts.

I would also on this slide highlight a new report. You have heard a lot the word transparency. Helle demonstrated that as we progress transparency is of essence: emissions by country, by products, by operated, non-operated, all that has to be put on the table because when you look at it and benchmark, you improve. Tax transparency is a requirement for the society.

So next week, probably beginning of next week, as we worked hard in many parts of the company over the past months, there will be a new tax transparency report, which will be disclosed. We will publish what is called the CBCR data, which normally are delivered by a company like TotalEnergies only to fiscal authorities in an undisclosed way, in a private way. But there is a new European regulation and we have decided not only to anticipate it but to enlarge the regulation and we will publish all the CBCR reports and data for all European countries, of course, for the non-cooperative countries in line with the European legislation, but also for all the countries in which we have some extractive activities. So there is much beyond Europe, it's a very large report. I know that some stakeholders are very keen for that. We were pioneer with the EITI initiative for many years. We have also at our last Board adopted a new, not new, because there was a fiscal policy in the Company, but we have modernized it and included some key principles, in particular all the responsible tax principles promoted by the B Team with whom we worked.

So, stakeholders are important. Of course, when we talk about sharing value, it's a matter of value creation and how we split it. We have here a chart showing the added value which was created by the Company in 2021, almost $50 billion. Where does it go?

It goes first to invest in the Company: last year it was around 30%, and the image which is there is more or less stable.

It goes also to our employees, which are first stakeholders, the Company would be nothing without them: on more than 100,000 employees, 65,000 of them are shareholders. So there is a good connection between shareholders, employees and the Company. We make annual programs dedicated to employee reserved shares. Since I'm CEO, I strongly believe that the best alignment is to have employees being as well shareholders, so they represent 6.8% of the capital. 20% of the value creation is going to them through salaries and social charges, it increased a little last year: +3.4%, it will increase more in 2022 because we have to cope with inflation, so we will have a more generous policy for people in 2022.

We have also our shareholders: dividends and buyback represent around 20% of our allocation of added value.

And, last but not least, this is a share of taxes. I want to comment because there are debates about taxing super profits of energy companies, but in fact, we are already quite highly taxed, not maybe by the consuming countries, but by the producing countries. On $16 billion taxes we paid last year, more than $11 billion were paid to non-OECD countries, so it's a contribution to the development of these emerging economies. It was only $6 billion in 2020 when the price was very low and the COVID was there. Added value jumped by $11 billion, but most of the addition of added value was in fact paid back to producing countries. So our industry is in fact heavily taxed in particular when you have super-profits and the producing countries are taking most of it.

Last element about shareholders: we have, and it's maybe a new information, because we didn't have all the record, 1.3 million individual shareholders. It has increased in the last two years by 150,000 new individual shareholders, which is quite remarkable. Maybe during COVID people were locked down at home, but they were using their savings to invest and they've invested heavily in TotalEnergies which is delivering good dividend. So these guys are quite smart, they represent 13.5% of capital and clearly, our policy is to try to develop that financial capital.

Of course, our Board is really there to support our sustainable ambition. Each decision is judged by the Board, taking into account the environmental and social challenges in each investment file. We spend some time on it and we explain what we will do, how we will cope with sustainability of investments, it's of course very important for the long-term benefit of our shareholders. Our Board is diverse, with a very high level of attendance, more than 99%, so very present. And clearly, we spend a lot of time on strategy and climate. And annual seminar of two days and more sessions each time we need in order to have a same understanding. For example, this year in 2021 we invited Fatih Birol to explain to the Board the net-zero scenario and we had a very interesting debate. So that's a committed Board.

The Board of course is at the core of the strategy, implementing the strategy, and in particular the capital allocation framework, this is, of course, a fundamental element of the Board decision which is to allocate our capital.

So this does not change. You know that slide for several years, we are consistent. Capex: we maintain the discipline, we'll spend $13 billion to $16 billion in next 3-4 years, until 2025. In 2022, we gave you a range in February: $14 billion to $15 billion, no change.

The dividend: we want to have a strong policy of supporting the dividend by underlying long-term cash flow growth. We announced that 2022 quarterly interim dividends will be enhanced by 5%. Russia does not change anything to this commitment, because it's supported by more than only some few Russian projects. So I think we are, as I said resilient and we will manage this crisis from this perspective.

The balance sheet is strong, gearing under 20%, I think Jean-Pierre reported to you 15% by the end of 2022. So we have some margins there to maneuver.

And of course the share buyback, sharing the surplus of cash flows, nothing new to say as well. We are committed to execute $2 billion on the first half and then we'll see for the later with results and different events, what we will decide for the second half of the year, but it seems that prices are even higher than the assumptions we had in mind when we set that first target, so maybe we were right not to announce a program for the full year for the benefit of shareholders.

The Board is also asking us, and I think it's also important to share that with you, regularly to present some benchmarks on our ESG performance. Why benchmarks? Because it's a way to improve. So we present these benchmarks, and we analyze them in detail with the Board, not only with our oil and gas peers, but also with the utility peers, because there are different companies, with not exactly the same challenges, but it's important as we want to go from being an energy company, if not becoming a utility, it's both, taking the best out of both categories. And you can see, where we position ourselves on the different benchmarks that we are sharing with you. It's a little busy slide, but there are lot of benchmarks. Maybe it's an area of improvement for investors to have a more global ESG benchmark, it would help probably.

You can see that we are generally very well positioned compared to our oil and gas peers. We have some few gaps compared to Utilities, sometimes we are better. But again for me, what is important and the reason why I attach an importance, it's a tool to become better. And so we analyze the gaps and when we have a gap, we wonder why other companies are doing better than us. If somebody else can do it, we have no reason why TotalEnergies cannot do it. This is a principle of management which led me in managing the Company.

Of course, the Board also wants to align and it's also important between all strategic objectives and the transformation of the company, the capital allocation, the ESG and to integrate in the way we incentivize the management on this ESG criteria, but also of course on the financial elements. You have on this slide, I will not give you the detail, you'll just see that more or less, the ESG criteria, either the CO_2 emissions or diversity or other elements, represent for me 40% of my own variable pay, for all senior executives 30% and as well it has been integrated since last year in the way we evaluate or we allocate the performance share every three years. Honestly, we think going beyond 30% might be tricky, because also, it's a matter of financial performance, which is important, we know that sometimes some shareholders have some debate about the right criteria. So we think that we are there at the right level amongst the best practice within the industry, so that's also important.

We'll conclude now this presentation. It has been one hour 30 minutes of a lot of information, but I invite you to read the Sustainability and Climate Progress Report. It's published today, it will be on our Internet site, it should be now, in French and English. Thank you to the teams who have worked hard during the last two months. You know when you issue a new report, it is a lot of work at many levels of the Company. But again, it was a commitment of the Board last year, at the AGM, when we submitted the resolution. So, the commitment has been fulfilled, not only by publishing but by the content of the report. And we have taken another decision: in the same way we submit to your vote our financial accounts, we will submit to the vote this progress report, which as you have understood today is not only what we have done, but it's also the opportunity for us to enlarge our ambition. You have seen a lot of small signs “New”. So this report is a way for us to progress and this is I think what our shareholders should expect from us. Because a new scenario came like EIA net zero-emission, new technologies, progress, customers speaking now about e-methanol for shipping, nobody was speaking about that one year ago.

We need to take all that on board, the strategy is not to change but to integrate these elements. And again I hope that what we have done, you will be convinced. But yes, we are building a multi-energy company, which will be sustainable, profitable and which will get to net-zero by 2050.

And the last slide, which is a summary, I will not comment it: during our roadshows we need to have, a demonstration of what is TotalEnergies, why it is a competing investment case. When I described to you, at the beginning of my presentation, why we invest in electricity, why we think electricity will become for us a high return business, in fact, I just repeated all the fundamentals of our business model. Low cost is just fundamental in our commodity business, integration, and to take benefit of the integration, leveraging of balance sheet and also, of course, which I think is really important, to continue to have an attractive and sustainable policy of return to our shareholders and also to our stakeholders with shared prosperity.

So thank you for your attention. I will invite Jean-Pierre, in case you have some financial questions or more to join me, with Helle, for the Q&A session. I hope it's the last time that we do that not in presence, next time if COVID permits, we should meet all of you end of September in New York for the next presentation and we will have, I think, more time with all of you. But today we will now open the Q&A session. And thank you again for your attention.

QUESTIONS AND ANSWERS

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question comes from the line of Michele Della Vigna from Goldman Sachs. Please go ahead.

Michele Della Vigna – Goldman Sachs

Thank you very much, Patrick, Helle and Namita for the new type of presentation. I had two questions if I may.

The first one relates to your 5 Mtpa of long-term LNG contracts from Russia, if the further tightening of sanctions forced you to call force majeure on that supply, how would that change your exposure to spot LNG pricing and the $800 million of cash flow sensitivity to $10 change in NBP?

And secondly, if you had at some point to let go of your Russian business which is about 10% of capital employed and free cash flow, it would take about two to three years of growth from the rest of the business to make up for that loss. In terms of dividend should we assume that over that time period, the dividend would most likely remain flat as the rest of the business growth makes up for that potential loss? Thank you.

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

The first question: I think it is proportionate. Long-term contracts represent 5 million tons. The contract is downstream, the production itself is not 5 million tons for Yamal, it's only 2 million tons, I think. So 2 million tons out of 20, so it's 10%. So you have the math around let's say $100 million, so it's not major in terms of sensitivity.

On the second one, my answer is no. If we abandon Russia, the impact on the cash flow is around I think we said $1.5 billion per year. So it represents according to our plan, 1 year I would say of increase, 1.5 year of increase, we told you that we will increase our cash flow by $1 billion per year during five years. So that would represent 1.5 year. So maybe one of the year would be affected but not the global idea, that we will increase the dividend and again I repeat you what I just said, that the first 5% that we have announced, we will deliver to you for '22. So the answer to you is, it might affect 1.5 year out of five, but not more.

So again for me, the impact of Russia is more about: in this LNG business, we will clearly stop and loss of opportunities. But, if you remember, I was emphasizing one or two years ago, I remember in a presentation, that we have a portfolio of LNG opportunities which is much larger than what we want to deliver, and we will continue, you know clearly after what is happening there. We are working to see if we could have another opportunity in the US, maybe which is not today in the portfolio. So that's the flexibility of what we could have in a large company like us.

Operator

Next question comes from the line of Lydia Rainforth from Barclays.

Lydia Rainforth *Barclays*

Thank you, and good afternoon. And Patrick, thank you for the transparency, and for sharing the story of your Ukrainian colleagues. I actually have three questions if that's okay.

The first one clearly in terms of Russia, as the rest of cash flow being generated from that, is that going into a ring-fence: how do you actually see the cash flow that's coming directly from Russia at this stage as they continue to sell their cargoes coming from Yamal.

The second question was between your scenario and the IEA net zero pathway. Are you seeing challenges whether in terms of finances or from banks or from investors, that think that the strategies aren't exactly aligned, but absolutely the endpoint is the same but when the IEA talks about not needing new oil and gas projects, does that become difficult?

And this final question if I could, for Namita. You talked about the supply chain and working through that, looking at human rights and forced labor and child labor: is there anything that's being uncompetitive, has the cost base increased significantly for Total versus others that are not acting in the way that Total is ? Thank you

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

Thank you. On the first one, I would say this is a moving answer, because in this story sanctions are changing regularly and the Russian legislation are changing as well regularly. So yesterday, we have some statements from Russia, that we should pay in Ruble and by the away it's only for pipe gas. LNG in fact today at this stage, it's offshore accounts with dollars, but then we are analyzing all the elements of sanctions, to see if we can have access or not. So I would be prudent, today, I would tell you that the $1.5 billion mentioned for last year maybe will not be in our cash flow for '22 if I'm prudent

That does not change a lot, because our cash flows, when we will announce our quarterly results with the increase of the oil price and the gas price, I think it's quite little compared to the revenues and the cash flows we generate today. So I'm prudent, I tell you: maybe nothing, and then we will report to you.

But again my instruction to my teams is no way not to obey. Our lawyers have an instruction to be super prudent and not to get anything which could be even an issue. But I think by the way, I'm not alone. All my colleagues which continue in fact to manage contracts with Russia probably face the same issue.

And the second one, you will see in our report, I invite all of you to read a paper, which has been written by Helle and approved by myself, so we are co-responsible. But what we evaluate with this net-zero scenario, because, yes, it's becoming a reference it seems for many people. And again, I was clear: yes, we agree with the landing point, but frankly, the trajectory, which says that the demand, the supply and demand for oil, because it's a normative scenario which is starting from the end and trying to design the beginning, this scenario says that the demand for oil will decrease by 30%, 30 million barrel of oil per day between 2020 and 2030. Frankly, it is not at all what is happening on the planet. Before the Russia war, people were thinking we would reach 100 Mb/d, maybe 99 this year, but frankly, we are not there. So that's the problem of this scenario, we agree with the landing point, but not the trajectory. This is why into our assumptions with Jean-Pierre, we have taken to evaluate the impairments of the assets, we didn't follow that, because this scenario told us that we should be at $40 and are we at $40 today? no. Because the demand is strong, the investments are not enough. That's for me the limit of this scenario, and I would encourage frankly banks and investors to have their own view.

By the way I was yesterday at the IEA ministerial meeting, today I was listening to the speeches, and IEA themselves when it's about short-term targets of oil and demand, you can read that quarter after quarter, they don't speak about a decrease of I would say 3% next year, but an increase. So I think that's the difficulty, honestly, it's not a criticism: it's a very difficult task to translate I would say the landing point in 2050 in a trajectory because by the way, when you read the IPCC report, there is not one trajectory. You have 70 different trajectories.

We need to share with you all the information, the assumption we take and to convince that, yes, we are on the way and I think from this perspective, my best answer to investors is: look at our objectives for 2030: are they compatible with the society. And I think Helle demonstrated you I hope you're convinced, that the minus 40% is aligned with what net-zero countries want to do, we are in line with that. So minus 40% on Scope 1 and 2 in the next decade, we are on the right path. And that's for me like for methane, minus 80% is what the EU wants to do and I think we are there. So if we deliver this next 10 years from this emissions point of view, I consider, we consider that we are on the right pathway.

On the last point let me be clear. There is no, and I don't want you to misunderstand the presentation of Namita. I'm not astonished by the question, I was a little worried. Namita told you, we go through a very professional process to identify all the salient issues, it's very fundamental: not to be blind, we need to look. We know that in the countries where we work, we could have some risks. So, but obviously, I can tell you that child labor or forced labor was, when I became CEO, one of my main motto in the company, there is no way for me to accept it. Of course, it requires a huge effort to ensure it, because we are a large company. We have -- I think one of 150,000 suppliers and supply chain, which are at different levels. But I don't have any case and which has been I would say and it would come to my office for sure. We have no case of these type of issues that I can mention to you.

Operator
Next question comes from the line of Biraj Borkhataria from RBC.

Biraj Borkhataria – *RBC*

I've got two hypothetical questions on your strategy and your emissions profile.

The first one is, you've put out these various targets, I give you the framework on carbon intensity and absolute emissions reductions. I'm just wondering if you were to do a transformational acquisition, let's say in the upstream or in LNG, would you look to re-base your targets to reflect the changing portfolio, or should we assume the targets stay the same and you operate within that current framework over time?

And then the second question is on Slide 27, really interesting analysis and the benchmark even on there. But I guess the question that I have is, society is not mobilizing at the pace that you are mobilizing, particularly if you look from your reference point in 2015: your emissions are down 15% to 20% to 2021 and global emissions are up over that period. The question is, what happens if we get to 2025 and your emissions are down a further 20%, CO_2 emissions are up 5% to 10% globally: your plans are in line with society. How should we think about whether your plans change or not if you're sort of accelerating much faster than the wider society. Thank you.

Patrick Pouyanné ***TotalEnergies SE - Chairman and CEO***
Okay. Thank you for both questions.

On the second one: the target is clear. Don't take it in the reverse way: because we have these questions about “are your objectives are aligned with the Paris agreement”, it's difficult to know because the Paris agreement does not translate in one trajectory. So we wanted to test and we asked two independent third parties, Columbia University Energy Center and Carbone 4 in order to tell us: take the countries which are net-zero - which claim they are net-zero - what is their trajectory for 2030? They told us they gave between minus 29%, minus 39%, it depends exactly which country they sign or they don't sign. So we think the 40% is the right target. And for me, this target will remain, so minus 40% will remain. Maybe again it's not a question of base, it's a question to be able to and we have time to act. So it's not a question to change the target, so minus 40% will remain. If we make a major acquisition, maybe at the end of the day, the Scope 1 and 2 absolute emissions will be higher. Obviously, we’d have more assets, it will be higher, but minus 40% for me are the right base and we will maintain the minus 40% whatever, the company we would acquire would have done before. Because I'm convinced that the recipes we apply today in E&P, in Refining and Chemicals to lower the emissions we can apply to any assets. I’m also convinced, by the way, but most of our industry today is embarking into this type of program.

So we will not change the strategy, because of society. So minus 40% for me is a valid target, it's demonstrated. We'll keep it and we'll see if it's moving, but in the positive way not in the negative way. Yeah, it’s true that we are more ambitious. But I think an oil and gas company, we have a lot of engineers, a lot of capacity we have mobilized all our teams around lowering our emissions: it is becoming as important as profits in the company, because for me, it's the right to operate, you know for the company. And so we are delivering on that.

So again, my answer to you is, no for the objective of decrease of Scope 1 and 2. On Scope 3 is the same, because I'm sure we will not make a major acquisition in the downstream after what I just explained you. But then a comment on the lifecycle carbon intensity targets. The more I'm looking to it, the more I think it's a strange target, because in fact, if I want to lower it, I have to introduce more and more electrons in the targets, which may be is not the best business. So for me, absolute emissions, Scope 1 and 2 or Scope 3 oil emissions are fundamentally, the reduction of the absolute emissions are fundamentally more important. By the way this is what the climate receives, you know, it receives the emissions, not the intensity. So the carbon intensity is more reflecting the evolution of the portfolio, the strategy. You can evaluate it like that.

Operator
Next question comes from the line of Chris Kuplent from Bank of America.

Chris Kuplent - *Bank of America*
Thank you very much and thank you everyone for the work that's gone into this presentation. And I was going to ask two questions, but could I just, first of all, ask for a clarification, Patrick, on your answer regarding those hypothetical transactions: disposal or acquisitions. Of course, whatever you acquire you're trying to reduce the emissions on as well. But are you saying, you're not going to move -- just to clarify, you're not going to move your absolute targets, whatever you do in terms of M&A? So that's just a quick question for clarification.

My other question was going to be on your CapEx program. Of course, these numbers are not new. But can I take it that all your 2030 targets that you have highlighted here, again, some of them updated. You think are broadly achievable within the same capital framework, assuming all the things we know about regarding inflation, et cetera. I don't want you to give us a CapEx budget for the rest of the decade. But is my assumption correct that these numbers are in this presentation, because you think, roughly with this kind of outlay, your 2030 targets are achievable?

And then last question, please, if I may, on the oil indexation of your LNG sales. You mentioned that's about 80%. How confident are you that the oil indexation itself considering that for the first time in many years, Hub prices are significantly above Brent index prices? How confident are you that this oil indexation can actually gradually shift its slope to Brent higher? And ultimately, it give you a higher CFFO sensitivity to oil in medium term. Thank you.

Patrick Pouyanné ***TotalEnergies SE - Chairman and CEO***
I'm not sure, I have understood the last question. I understood the beginning, but not the end of your question, in fact. But I will try to answer. For the first one, no, let me clarify what I just said. The question was about major M&A. A major M&A, I said we will maintain the minus 40%. This was my answer. I didn't tell you that the absolute value at the end will be the same, if it's major.

What I can tell you, if it is a small M&A, it will be absorbed. By the way, we have clarified this year. You know, we have acquired between 2015, where we had no CCGT, because of the new strategy, we have acquired some CCGT for around 5 million tons. We have included them in the same target. So it's absorbed. I consider that the absolute value will remain the same for, I would say, minor moves, including a new strategy like this one. If it's a major one, the absolute part could grow. But of course, the minus 40%, will remain the same.

Yes, on CapEx. There is inflation today. We observe it. But what is true is that, we will not enter into the same cycle that we had in 2008 or '10 or '11. Because of the inflation, when we accept the inflation we spend more and we explode the CapEx and then we have breakeven going back to, I don't know where. So, I will not do that. I will not create a new crisis. So I consider that, by the way, you have probably noticed that the 13-15 B$/y became 13-16 B$/y. So that's the right guidance for the next five years. And I think it's fine for the next 10 years. But again, my commitments is until 2025, but it's not something major, because we must resist to launch projects if they are costly, because they are profitable at 100 $/b. So we will continue to approve projects based on $50 per barrel and $100 per ton of CO2. The only assumption which might change, which will change, we are very transparent with you is the gas price in Europe. I think what is happening is fundamentally changing our assumption for the gas price in Europe.

Before, we are seeing Europe with a lot of low cost Russian gas and so a cap being given by the US LNG: $6-$7. And then suddenly, you forget all that, because the gas in Europe will be LNG. So we are probably more, and this is a difficult answer today, above $10 than at $5, I would say, just to give you some range. So that may change. And we are revisiting positively some few projects that we could have in North Sea, by the way, and I see that some European states are asking us to see if we could produce more domestically, we are revisiting, if we have what I call short cycle projects, which could be profitable at $10 per Mbtu and not at $5. And the teams of Nicolas are working hard. This is a contribution as well, to energy security supply in Europe.

The last one: what I think is that, the buyers will be keen to continue to give contract linked to Brent. Because we see a lot of volatility on JKM or things like that. Henry Hub is more stable. Brent, probably more stable today than the JKM index. I'm not sure to have understood the full question. But I think that, the behavior of the market should not change. And what we can hope for, of course, is that when we market, for example, Papua LNG, we will have more than the 10% or 11% Brent. We are raising the bar. And I think the customers are already more open to that. So the question will be not to go again to 15% or 16%, because this is not sustainable. The 10%, 11% were low. 15%, 16% is too high. Where is the right level? This is the debate, we have today with customers.

Operator
Next question comes from the line of Alastair Syme from Citi.

Alastair Syme - *Citi*
Hi, Patrick. In the slide, you had sort of justifying the capital into power generation, you have the comment there that you expect a positive outlook on power prices, given market complexity – are you prepared to disclose what price assumptions you're using when you look at these projects? I'm sure it depends by country, but any sense of magnitude of higher prices that you're expecting or embedding? Thank you. Just the one question.

Patrick Pouyanné ***TotalEnergies SE - Chairman and CEO***
We will not answer, because it's an element of competition. You know, today, when we bid on some tenders, there is one element which could make a difference, which is what is your assumption in your electricity price. So I will not disclose that. I think it's part of the volatility of the issue.

To reassure you, we are not super optimistic, either, we are quite reasonable, because it's a market we enter, so we are very reasonable on the assumption we use. What we are trying to explain is that, we have a positive view. We are bullish on the fact that this price will go higher in the future. And so investing today, if we are reasonable, like with my $50 per barrel on the Brent, which is a reasonable assumption, if I'm reasonable with EUR 50 per megawatt hour, it's not the assumption, just to give you an example. I think there is some upside to be done. So it's the same approach, I would say. And again, I really think that what we have developed as a way to be profitable on oil and gas could give us better returns on electricity.

By the way, it's more complex, because these are local markets. So it's not one assumption that we need to take. You have a European market, you have a US market, which are the main ones that are, I would say, deregulated where the assumption is key. But you know, the UK is not the same than Continental Europe. So we have different views, and Australian market. And then you have of course all what I told you about keeping, 70% PPA and 30% market is valid for the unregulated markets. When we develop a project, I would say in South Africa or in Angola, obviously, it will be linked to a PPA, because there is no capacity to take much upside, but the PPA are generally higher than in the unregulated markets. Helle wants to add something.

Helle Kristoffersen ***TotalEnergies SE – President, Strategy & Sustainability***

I just wanted to emphasize what Patrick said, which is, I really don't think that we are bidding on sky high prices when we look at our power projects. So don't get the comment wrong, really. We've discussed in the past that we are rather a cautious company when it comes to making assumptions about future price. So I think the $50 Brent reference is a good one.

Think of us using the same cautiousness or discipline as we look at projects in power. But on the other hand, we are very much I think improving our ability to assess the upside that we can get from power projects, again, country by country, by taking a little more wholesale market exposure instead of fixing everything through PPAs or having floors and caps on those PPAs. That's really the message, Alastair.

Operator
Next question comes from the line of Lucas Herrmann from Exane.

Lucas Herrmann - *Exane*
Good afternoon, and thanks very much for the opportunity and thanks for what has been a very clear presentation. Two questions, if I might.

The first one regarding the reduction in carbon emissions of 30%, essentially from the downstream business. Can you break that down in any greater detail? I guess, I'm asking how much of it is going to come from you ceding share or ceding positions organically for one to the better phrase? And how much potentially comes from actually divesting positions in the downstream business?

And secondly, Patrick, just coming back to the CapEx number of 13 to 16 now, do you want to provide any color as to why you've decided to add $1 billion to your CapEx budget? I mean, it's pretty understandable, given the environment and perhaps given everything you just said on short cycle projects, but just some greater color if possible? Thank you.

Patrick Pouyanné *TotalEnergies SE - Chairman and CEO*
Yeah, okay. On the first one, you know, already, we have done minus 14%, it's pure organic. There is almost no divestment in it. Again, it's a question of arbitrage within the low margin sales. When we embarked into this transformation, we dug into what is our Scope 3. And we made an evaluation with the marketing and services teams, to segment the sales between different markets.

And of course, that we discovered that there are good sales, I would say. And there are a bunch of them, in particular, I would say in the form of B2B and the bulk sales, which are, in fact, manipulating a lot of volumes with not much you know. And so it depends where it happens, you know, where we have some niche markets it could be profitable, but not everywhere. We need to arbitrage on it. And so that's part of it. Having said that, this strategy could lead as well, I will be honest, so that there are maybe countries where we consider, that it's not fundamental. So it's always an arbitration. And we have also the EU against rest of the world. Helle wants to add something.

Helle Kristoffersen *TotalEnergies SE – President, Strategy & Sustainability*

Yeah. So this was for Scope 3 and my comment Lucas will be just on 1 and 2. If you look at the table on how we did in '21 versus 2020, that is a combination of, we don't break it all out, but combination of organic in-house carbon footprint reduction projects in line with the chart we presented. Of course, the fact that we did divest the refinery in the UK, and also the fact that we decided to transform our Grandpuits refinery in France into a zero oil platform. And so all that participated to the Scope 1 and 2 reduction in 2021.

Patrick Pouyanné *TotalEnergies SE - Chairman and CEO*
But let me be clear, it's not against the downstream. It's just that we want to anticipate the fact, that in particular in Europe, there will be a declining market. You know, the strategy of the car manufacturers are quite clear: they all announced more and more electrical cars in Europe by 2030, 2035. So it's our duty independently of Scope 3, within our strategy to adapt the downstream footprint of the company and not to be with stranded assets. So we prefer to anticipate.

The 1 billion short cycle CapEx which was introduced, it's not new, you know we have some wells, which have been launched, for example in Angola, which were stuck. I would say we have a portfolio of short cycle wells, and we just recently approved at the ComEx some additional phase on CLOV or projects like this one. But again, I was telling you that we might have new projects coming in North Sea, so adapting to that. So I think that's the best way: not to increase suddenly the base of organic CapEx, and what we call short cycle is a payback of less than two years. So I think it makes a lot of sense, with these higher prices to allocate some additional CapEx. Jean-Pierre, wants to add something.

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

By the way it was the CapEx that was cut in 2020 to face the COVID crisis. So it makes sense to remobilize these assets when the prices are favorable.

Lucas Herrmann - *Exane*

Okay. But that message is in essence, that this is allocation towards short cycle opportunities that look more attractive in the market that we're in today and more likely market long-term given everything that's been happening in the world of gas?

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

No. At this stage, no. Again, it's more short cycle. But again, as I said before, when we spoke about LNG, obviously, there is a new European LNG market. So the view we will have on the US projects might be different and that's why I maintain all our targets on the LNG growth, because Russia will get out of the portfolio for the future, but other opportunities will arise. So it's a question of reallocation of CapEx, when we said to you, no more capital allocated to Russia. This capital will go somewhere.

Operator

Next question comes from the line of Henri Patricot from UBS.

Henri Patricot – ***UBS***

Yes. Hello everyone. Thank you for the presentation and for the additional disclosures. I want to follow up on the question on CapEx, given the greater focus on the energy security. You've talked about gas and LNG to new markets in Europe. I mean, are there other areas where you could see an acceleration, a more favorable environment, which could perhaps raise some of the targets in terms of capacity build up around the new molecules on the renewable side?

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

No. You have probably noticed in the presentation that we have identified the new molecules: before, they were a little hidden between the liquids and the gas. We said no, it's the new molecules, because this is part of the ambition for net zero. By the way, it's an improvement when we analyze the net zero and because for me, one of the news of 2021 was the fact that we've seen some customers in some shipping business, or even though, you know, the change of position in Germany, about maybe EV not by 2030, but later. So the e-fuels or e-gas is becoming something new.

So I think it is an area where we could allocate more capital: by the way, the 5% we mentioned: in 2022, we are not at 5%. But biogas for example, you know, we made a small entry in biogas and where we see the demand for biogas today and we have the conviction, that the supply will be short of the demand if it continues like that. So let's invest. The problem with this type of projects is that one project is not a big amount of CapEx, so we can make a lot. So this is probably, in the new molecules, an area where you could see some acceleration in term of allocation. But one point on this one, we need to have the demand in front of it. It's a topic on which we will probably take initiatives in future months and we'll come back to you and you will see and hear about us.

Yeah, Helle?

Helle Kristoffersen ***TotalEnergies SE – President, Strategy & Sustainability***

Yeah, I just wanted to add. Of course, Henri, I don't know if that was also part of your question, that this new plan that Europe has just come out with, because of the war in Ukraine about repowering Europe and as part of trying to get rid of Russian pipe gas, so there will be huge opportunity for LNG, but Europe is also seeing of course more renewables as quickly as we can and more of these new molecules. So, I think our outlook on where we want to grow for the next 10 years is only reaffirmed and validated by what's going on right now. Unfortunately, you may say.

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

Yeah. Even if I think the new molecules, it's probably better to produce them where electricity is low, then on a continent where electricity is high. So I shared the objective, I'm not sure to share the location of the objective. Because we have to think to the long-term profitability of these assets.

Helle Kristoffersen ***TotalEnergies SE – President, Strategy & Sustainability***

So it's always a trilemma between security, affordability and of course, being green, and we are in the middle of that.

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

Yeah, exactly.

Helle Kristoffersen ***TotalEnergies SE – President, Strategy & Sustainability***

Creating new dependencies, if you import, or have higher prices.

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

Yeah, excellent. One element which I forgot to mention, which maybe was underestimated is the CCS investments CapEx. We just showed you in the presentation, that to be net zero by 2050. We must compensate somewhere, 100 million tonnes of CO_2. We have the e-fuels or e-gas might consume part of it. In particular, if they go to chemicals value chain, but we have also the CCS. So one work we are doing is we put more than 100 M$/y. It's clearly more than 100 M$ that we need to invest in the year.

So probably we will raise the bar. We will come to you by September with a better evaluation of what we need to invest in order to cope with that objective. But again, we speak about maybe going to from 100 to 300 M$, it does not change the global allocation framework we delivered to you.

Operator
Next question comes from the line of Irene Himona from Société Générale.

Irene Himona - Societe Generale
Thank you very much. Good afternoon and thank you for what looks like a very rich sustainability progress report. You announced this very interesting new target for a 30% reduction in Scope 3. I think it's the first time we have seen such a specific Scope 3 target by a major energy company. And I had two related questions. Firstly Scope 3 does not really depend so much on you, more on regulators and policymakers effectively mandating that the usage must decarbonize. So my question is, isn't the risk a bit too high that demand simply lags behind supply on decarbonization due to weak policymaking and then the risk is that you miss that target?

And then secondly, the related question. This is clearly an increasingly litigious society. And Shell was told to do things on the global emissions by a Dutch Regional Court. It used to be a US phenomenon. It's now spreading over here. How do you assess the future risk of litigation against TotalEnergies surrounding,in particular, the delivery or not of this new Scope 3 targets? In other words, is that a risk for you, Patrick? Thank you.

Patrick Pouyanné *TotalEnergies SE - Chairman and CEO*
I think on the second question there is a risk for everybody, I would say, for us, for all the oil and gas company. Honestly, I understand why Shell made an appeal. I think it was announced yesterday. Because I don't know how this Dutch judge has decided that it is so precise, how he's able to say that 'this' is the target. And frankly, I can understand that we are liable on all our Scope 1 and 2 emissions. The Scope 3, as you said, is together with society, our customers. By the way, again, if I was reading yesterday's SEC Regulation, there is an interesting statement in what they propose: that they ask companies to disclose the Scope 3, but then companies will not be taken liable for the Scope 3.

So I think it's an interesting statement by the regulator. The US regulator makes it clear. And I think it's just fundamental to me. And so honestly, I consider that's where the Dutch judge has been too far: it's the Scope 3. Otherwise, we stop selling. In our case, coming back to your question, I think I want to repeat that our strategy is fundamental. TotaEnergies we say that we are an integrated company , but in fact, we have a downstream and, we sell, we refine more than what we produce in terms of oil and condensates, that's a fact.

So we are not so really integrated. And in particular, when we analyze our footprint in these businesses, it's in Europe. I had the chance to manage that: it's a tough business you know. And even this year, when you've had high gas prices, and even if the spreads seem to be good on one side, the results are not so high. So that's a tough business and we have decided to engage. We were proud to be number 2 in refining in Europe. But fortunately, the volume does not make the results. So for me, this is a strategy, which is deliberate to lower our footprint.

I think some of our peers have done the same and will continue to do it. And the idea is to realign the refining footprint and the production, ie to be re-integrated. The marketing is the same story. Of course, the marketing footprint is much larger, but it's also heavily in Europe. I think more or less 60% of the Scope 3 was in Europe, with the marketing.

And you know, having 60% of our volumes in Europe in a continent, where you have a clear indication by the policymakers that by 2030-2035 with the Green Deal they really want to diminish the consumption of oil products, it will make little sense to continue to develop or even to maintain. So we have to prepare and I want to anticipate. But you know, by the way, the addition we announced it's on oil, Scope 3 oil. Yes we can announce and I am confirming that we have minus 30% reduction, and we are ahead of the group of the peers. That's not bad for us you know. Having said that, we also very transparently explain. And this is why Scope 3 is complex, because it's customer story.

But you know that globally, if you take oil and gas, as we have a deliberate strategy to increase our gas sales, because of LNG globally, our target is to be under 400 Mt by 2030. As we know that we cannot deliver the whole, we set ourself a constraint and this constraint is the result of the deliberate strategy to realign upstream refining and marketing, and in particular to accelerate in Europe. Because in Europe, the policymakers have delivered a clear strategy and we need to take that into account, otherwise we don't do our job properly.

Operator
Next question comes from the line of Martijn Rats from Morgan Stanley.

Martijn Rats - *Morgan Stanley*
Hi, hello. Thanks for the opportunity. I just had two somewhat related sort of questions.

I wanted to pick you up on some of the comments that you just referred to earlier, when it comes to the European natural gas markets, I think it's very clear that there is a growing ambition to wind Europe of Russian natural gas. But I was wondering, from the position where you're sitting in your knowledge of the market in the industry, what your observations would be about that plan in terms of the obstacles that exist, how long this would take and the investments that would need to be made. In other words, what are the conditions that are needed to be put in place for this to happen and the role that TotalEnergies could play in this. Could you say a few words about how such a large sort of target could be realized?

And then, in addition to natural gas in Europe, I also wanted to ask you sort of a related question about the middle distillate market. It strikes me that middle distillate inventories are pretty much very low and inventories are pretty much falling very, very fast almost everywhere, including in Europe. And the idea that we could run out of diesel, is not far off. And I was wondering from your perspective, what the impediments are? Well, to let your European refining system simply run harder, produce more diesel. Is that a matter of crude availability, natural gas prices and the availability of hydrogen in the system? And how do you see the sharp shortage of middle distillate is particularly in Europe laying out?

Patrick Pouyanné ***TotalEnergies SE - Chairman and CEO***
The second question, you know, by the way, the refining system in Europe is not really delivering a lot of middle distillates. It's an old system. We spent a lot of money to improve this production, as economic results are not very good. So I hope that the tools we have developed in some refineries will benefit from this tight market. But I think for me, the point is that at the end of the day, sanctions on liquids have little effects except increasing prices. Because liquids can move around. So if there is less, if we don't take Russian middle distillates we will take them from another part of the world. I've mentioned Saudi Arabia for us, but it will move. And then probably, Russia will sell their middle distillates to other countries. Such as emerging countries, which face high prices and which will have a discount. So I'm not sure sanctions are very efficient. But at the end of the day, these type of policies are pushing prices up, and it's not bad for refineries. Should we change our strategy on refining Europe, because of that element? I say, no.

Because fundamentally, again, there is another perspective, which is the decarbonization, green deal and all that. And what they heard from European leaders if they want to accelerate, not decelerate, because they consider that all these renewables, electricity is a way to increase the security of supply.

On the first question you know we have already a strong position and remember, we bought all these regas capacities from Engie. We considered it had a negative value, that it was a liability but today Stéphane Michel and his team are quite happy because these are full.

Should we increase? And I had the discussion, by the way, with a high political person in the continent. He asked me why don’t we have all these regas terminals today. I told him, it's normal. Why do you want private investors to invest in regas terminals when you explain weeks after weeks, months after months, that you don't want natural gas.

I mean, that's a point. You know, this regas terminal in Germany, I think I've heard about it for 15 years. Nobody has taken the risk, because you had a debate. You had policymakers telling gas is not good. And suddenly we wake up. So we told them that we were able to bring back some floating storage units. We have two in our fleet. But we need some help because if you have a procedure of three years or two years to connect a FSRU it is not possible. Maybe I exaggerate but it is certainly 15 months which is too long. But we are ready to contribute. Of course, we have a gas to bring, we have LNG to bring. Because the market is high it’s naturally, that LNG is coming to Europe. So if we have more capacities, we will fill the capacities. I think Stéphane’s teams have looked to all possible capacities in Europe and most of it is full. Then should we invest in onshore gas terminals. It depends and it's back to something else which is missing in Europe, which is long-term contracts. And we need to open a new debate with policymakers. I think a continent, which is in deficit, with a lack of storage, with a lack of regas terminals and with no long-term contracts, will face a crisis regularly. So if it is linked to long-term terminals, why not. You know, we are looking to build a regas terminal in Vietnam if we have beyond the terminals, some long-term contracts. We could apply the same policy to Europe. Of course, now it's a matter of urgent decisions. I think the best for Germany is probably to engage with government and public funds in order to get this regas terminal as quickly as possible and to enact the right regulations, so that the procedures are short term.

It will take probably two year to three years to build them. But again, yes, European as I said before, it's LNG. I'm convinced that this will be a good market for LNG. We have strong position in the US and we were last year the largest exporter from US LNG. It was going last year to Asia and now it is going to Europe. It's a question of arbitrage between the markets.

Operator
Next question comes from the line of Jason Gabelman from Cowen.

Jason Gabelman - *Cowen*
Hey, thanks for the presentation and taking my questions. One, just a clarification on the Russian exposure that you talked about at the top of the call. The Arctic two LNG project, I understand you're not putting more money into that project. But does the project itself at the project level have enough access to financing to be completed, absent any additional contribution from TotalEnergies?

And then the two questions I had, first, on the inflation that we're seeing, particularly on renewable power inputs: are you able to pass that through in terms of the PPAs you're agreeing to moving forward? Or do you expect to see, potentially as a result of the inflation some degradation on future earnings power of those projects?

And the other question was just on the marketing business and appreciate the insight into reducing oil emissions via rationalizing some of the marketing footprint. What do you expect that to do to marketing earnings over the next 5 years to 10 years? I think you previously discussed about $100 million per year of earnings growth. Is that something you could still achieve? And if so, how do you achieve that in light of shrinking the footprint? Thanks.

Patrick Pouyanné ***TotalEnergies SE - Chairman and CEO***
On the last question, marketing is a good business. We managed to deliver this additional $100 million. I think the question is linked for me to the capacity to grow quicker the non-fuel sales. In fact, it's back to those number of cup of coffee that we need to sell, But this is a business in which we can probably improve, We have the target to improve by 1% per year the non-fuel sales, because the margins are better than on fuel by the way. So if the strategical question is what is the best way for us to improve these non-fuel sales and this is something on which the marketing – under the supervision of Thierry Pflimlin – is working hard. So I confirm the target.

On the cost inflation, you know PPAs when you negotiate you hedge your modules, But I think, probably the early movers on the corporate side to sign some fixed price PPAs will be a little more complex, but there are some lessons learned. It's better to go like the LNG. The parallel is good: to have a sort of flow to absorb part of the inflation or part of the upside price of electricity. Of course, there is a competition. But I think this is yet an immature market. Probably some very large corporations were very lucky to sign quickly. There are some lessons learnt about it. Because there is one advantage: when you make a solar plant, it takes maximum one year, two year. It's a short-term project. So you can deliver, you can easily buy. One things we are doing at a corporate level for TotalEnergies on which we work between the renewable teams, the procurement and the One Tech organization is obviously to anticipate on purchasing some modules. Yesterday we approved on a US project to anticipate a large inventory of cells and modules in order to protect from the inflation. So I think this is a strategy that a company like TotalEnergies can deploy in order to manage this cost inflation.

Having said that, another remark, I think there is a lesson there that we must also develop alternative sources of modules and cells than China. By the way, I can share that with you , we are working in India with Adani to see if we could develop another source of supply for solar in order to have alternative. Because it's competition, which is the answer to cost inflation. Otherwise, we will be stuck if we depend only on one country.

Then on the first one, Arctic 2 is important. So to be clear, Arctic 2 what is the status, we will be transparent. You know, we have what we call the gravity based structure, one on each train and we have three trains. So the first GBS which is built in Murmansk, is in fact completed at 98%. Then it has to be towed to the Ob river. But I would say, 90%. There might be some tricky points that all the equipment providers are checking today. And it is a difficult task - because sanctions are moving as well - to understand what could be delivered, nobody wants to take risk. Part of that is provided from China, but part of the equipment is coming from other parts of the world, including Western countries. So I would say, this one, has a high chance to be completed. Then we have the number 2, which is 40% completed, so there is more work to be done. The Chinese part is moving forward. Then you have all the rest of the equipment. And the third GBS did not begin, because in Murmansk you have only two dry docks so it should begin after the first one has left. So this is the status of the project.

In terms of financing, we put 2.5 billion of capital, and a financing was put in place. Most of the financing should come now from China. But there is also some Japanese tranche. The Italian tranche I think will not come. So it's possible that the project will call for capital, then we will answer no. Then you have in the shareholders' agreements some procedures, some cure systems. And so, it would be a matter of discussion between TotalEnergies and the other participants. So I cannot answer you too. This is why we have decided, because there are some uncertainties and because proved reserves means 90% of chance. I have 90% of chance to do GBS 1. Do we have 90% of chance to do GBS 3? I want the accounts of the Company to be on the prudent side from this perspective. So we discussed and with the Board we decided not to book. It does not mean that the project is stopped, and it does not mean by the way that we impair the project because the project can move on. We have clarity weeks after weeks about what can be done really and what is the position we should adopt. For TotalEnergies, I am very clear, we will not put a single dollar from TotalEnergies SE in Paris in any new project in Russia.

Operator

Last question comes from the line of Bertrand Hodee from Kepler Cheuvreux

Bertrand Hodee - *Kepler Cheuvreux*

Yes, good afternoon, and thanks for the presentation and very rich roadmap and detailed roadmap. I think it will take me a while to digest all those new data. Two quick question, a follow-up on Russia. You have 5 million tons LNG offtake from Yamal and one from Novatek portfolio. So I understand that if there are sanctions against Novatek or Russian LNG, you will be able to call for force majeure and stop offloading those volumes, but I was wondering whether you have already pre-sold or hedged some of those LNG volumes going forward and that could generate potentially negative impact, so happy if you can share some color on that?

And the second related question on Russia - and I fully understand your principles of conduct for Russia - but have you considered stepping down from Novatek's Board, I understand there was a Board recently, can you share some of the discussion inside the Board if you can?

And lastly, so nothing to do with Russia, can you disclose the Capex that will be dedicated out to 2030 to your Scope 1 reduction in both upstream and downstream? Thanks.

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

The last question, if somebody has the answer, I don't have it. But honestly, it's not hundreds of millions of dollars. I prefer not to answer to you, we will come back. By the way, it's linked to a certain point to which CCS do we need to have, which is more expensive to capture part of it. So Nicolas and Bernard you can work hard during the next six months to answer to Bertrand - maybe not for 2030, but 2027 because we work on five-year business plan - and we can take it next September. But as you said, you have many data, you want always more, but first digest all of datas and you will know better TotalEnergies.

The second question, again Novatek is not a sanctioned entity. I want to be clear. Novatek is not a sanctioned entity. Gennady Timchenko – one of the shareholders - is a sanctioned EU person and US person. He left the Board first. It is clear that the Board members of Total might be one day becoming silent or sleeping people, that's possible. It is clear as well, that we are not participating at all to any decision linked to any revenues going to shareholders, for example, dividend. So we abstain from that.

Your question is a good one. For me it is linked to the potential evolution of the sanctions. So again Novatek is a different entity than Roseneft or Gazprom: it is not a state-owned company. It is not the Russian State. It is a privately owned company, which has been built by one man, Leonid Mikhelson, starting from nothing. He didn't take any state assets. It's not this type of company. We continue to, of course, to be in contact with Leonid Mikhelson: he is doing an excellent job, so these guys are not responsible for what has been decided by the leadership of Russia.

But having you said that, the Board and myself, our duty is to protect TotalEnergies. And so we'll tell you what we will do, but again it's not a sanctioned entity and it's not a Russian State company, which of course for me makes some difference compared to other situations from our peers. By the way, I have my own policy, which is to never be a Board member from any of the companies in which we have participation just to protect TotalEnergies. For me there is no way for the Chairman and CEO of TotalEnergies to be a Board member of the companies in which I participate, just to protect as well TotalEnergies.

On the 5 Mt, yes, of course, you know our policy. Our policy is that we hedge one year in advance, so the volumes are hedged. And so it would have a financial impact. If we were to stop that the hedge would have to be delivered. It represents on Europe around $2 billion, but again, months after months it is diminishing. But today the I remind you on this long-term contract, the only way for us to exit is the force majeure linked to sanctions. Otherwise, we have to perform the contract.

And for me, it's not only a question of money. It's a question of principle. And in any country or the world, we respect the rule of law. Maybe leader of Russia that does not respect the rule of law for sure, but it should not impact all the behaviors of all the economic players in the world. So let's respect each other. It's a fundamental value of the company and it's a question of credibility for us on other markets because we have customers in many countries. We are not only democracy in this planet. So we also have to behave with some values and honoring contracts is a fundamental value of this company and I think it's a core of your global cooperation.

So having said that, we will assume the consequences which is why we stated clearly that we will apply any sanction whatever the consequences are. And all of that is manageable at the level of a corporation. By the way all the the hedge and margin calls are already somewhere in the working capital out of the treasury of Jean-Pierre. So maybe you will not see the margin calls coming back, but it was in the working capital of 31st of December. So in terms of treasury, it's no more in our hands. But let’s see and again it does not depend on us and we will obey to the policy makers whatever the decisions are. It's clear as well that Stephane and his teams do not have the right to hedge anything at all on the Russian volumes for 2023 so it's limited to 2022 hedging if there is an issue.

Bertrand Hodee - *Kepler Cheuvreux*
So the transparent answer.

Patrick Pouyanné ***TotalEnergies SE - Chairman and CEO***
I'm very transparent because the only way I think for everybody in this crisis is to be transparent. This is a value. And I think rather than letting you trying to guess what is the impact on TotalEnergies. Again my message to you, the main impact for TotalEnergies is that we stop having any future energy growth in Russia, but again we have a large portfolio and we will redeploy our capital on other opportunities looking for more. And I think this is the advantage of a global corporation with a large balance sheet and a large footprint like TotalEnergies, we can face the crisis in the same way that by the way we faced the COVID crisis two years ago. Compared to other players, we maintained the dividends through the crisis. And I think you can observe that we maintain our stance on Russia not taking, I would say, quick decisions, emotional decisions because we think that we need also to be responsible of all the assets we have in our hands for everybody, our shareholders, our customers, our employees and it's not by being too emotional,

that we'll solve the issue.

I think this is the last question from Bertrand so you will have time to digest now. And thank you for your attendance, to all of you. Again I really hope that COVID will not come back and that end of September, we will meet altogether in New York. In the meantime, I'm sure l will have the opportunity with Helle and Jean-Pierre: we will embark into a series of roadshows in the coming weeks to meet you and to answer to many questions about strategy, sustainability and climate, and also about Russia. And I think it is very important, that our shareholders give us some feedbacks - because the Board is also asking me - so we need to understand if what we do is in line with their expectations. The message we received until now is that they consider that we are the assets keeper: it's our role of course. And to protect the company is the other part. Thank you for your attention and see you soon.