ENI S.p.A

"Strategy Presentation 2021-2024 and 2020 Results"

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CORPORATE PARTICIPANTS
Claudio Descalzi, Chief Operating Officer
Francesco Gattei, Chief Finance Officer

CLAUDIO DESCALZI (CEO)

Good afternoon and welcome to Eni’s 2020 results and Strategy Presentation.

Due to Covid restrictions, we are live streaming from our R&D Headquarter in Milan.

At this time last year, we were presenting our long-term strategy.

Today, we are taking another step forward in boosting our transformation.

Since 2020, we have further improved and accelerated our strategy and we can now announce our commitment to be fully carbon neutral by 2050.

In line with this target, we are also announcing the merger of our retail and renewables businesses. This will allow us to be even more efficient in reaching our scope 3 targets and to extract more value from our unique retail customer base.

We remain committed to becoming a leader in producing clean energy and offering our customers a full set of decarbonized products.

Strong financial discipline remains a key component of our strategy with a material reduction of our cash neutrality. We have built a robust balance sheet with resilient cash generation, to respond to market evolution.

All these actions are aimed at maximizing value creation for all our stakeholders and enhancing our remuneration policy.

Let’s now recap both the actions and results of 2020.

We will never forget this exceptional year which was marked by the most unexpected and disruptive challenge we have ever faced.

The pandemic affected everybody’s lives, every activity and the energy industry with a magnitude that exceeded all previous crises.

In tackling Covid-19, we reacted fast, finding inside our company the energy, resources and flexibility to overcome this crisis.

We immediately worked on 3 priorities:

1. First, we protected our people and the integrity of our assets.

   We safeguarded each of the 60 thousand women and men that work with us - and around us – worldwide. In less than 24 hours, 99% of Eni employees in the main offices and 70% in our operational sites were converted to smart working. At the same time, no operational interruptions - due to COVID - were recorded.

2. Second, we preserved our balance sheet.

   Through 3 budget revisions and leveraging our flexibility, we cut capex by one third and implemented material and structural cost savings.

   Thanks to these actions, we succeeded in minimizing the impact of COVID on our balance sheet and in keeping our net debt flat versus last year.

3. Third, we changed our organizational structure, to better fit the new strategy.

   We set up two business groups to pursue our long-term targets:

   - Natural resources to integrate and decarbonize our upstream and gas marketing operations, and

   - Energy Evolution to transform and sell zero carbon products to an extended clients base.

In Natural Resources, we reached a production of 1.73 Mboed, in line with our post-COVID guidance, and in exploration we discovered 400 Mboe in Egypt, Angola, Mexico, Vietnam and in the United Arab Emirates.

Global Gas & LNG delivered an exceptional performance, driven by the flexibility of our portfolio and by our trading, which was able to capture the value of market volatility.

We are continuing to reduce our carbon footprint with natural sink, through our REDD+ initiatives, and we are progressing with our projects of Carbon Capture and Storage.

In Energy Evolution, we are accelerating our plan.

In renewables, we have 300 MW of installed capacity with new projects' start-up in Italy and Kazakhstan. On top of this, we are developing 700 MW through important JVs in US and in UK, where we entered with a material stake in DoggerBank, our first offshore wind project.

In the near future, Retail G&P, which delivered an outstanding EBIT result last year, will be able to sell green power to its clients, in an expanded geographical presence. In line with this approach, in January 2021 we entered in the Spanish market with the acquisition of a local retailer and the development of three new solar plants.

Even in a year of lockdown, marketing and bio refineries achieved record results, proving their potential combined value.

Our rapid and extraordinary reaction is clearly proven by our financial results.

Eni remained organically free cash flow positive with a net debt kept stable at € 11.6 billion pre IFRS.

And now our strategic plan.

Eni will be a "Zero carbon" energy company by 2050 in scope 1, 2 and 3 and we are all focused on that target, with the ultimate goal of being a world-class investment case.

Our strategy is built on 3 key pillars:

1) First, decarbonizing operations and products. In line with what we presented last year we will deliver our customers an entirely decarbonized mix of products;

2) Second, diversifying and expanding our businesses in retail & renewables, bio-products and circular economy; and
3) Third, increasing the resilience and flexibility of the company to absorb price volatility. Selective growth, increased efficiency and right-sizing, will continue to ensure value and high returns in all our activities.

The 3 pillars of this strategy are based on 2 solid foundations:

1) First, minimizing environmental impact, addressing issues of social inequality and a strong governance model, in order to achieve UN's SDGs and increase value for all our stakeholders;

2) and second, technology and digitalization, to de-risk our present and accelerate our transformation.

Technological innovation is an essential part of Eni's DNA.

For decades, the application of our technologies has been a distinctive factor for us.

Digitalization, thanks to our proprietary algorithms and a top computing capacity, has been and will continue to be a competitive element for us, right along the value chain:

- this starts from our exploration, where we have been delivering outstanding performances,
- through our industrial processes, to preserve the integrity of our assets, while maximizing the efficiency and lowering the time to market, and
- finally, to offering our large customer base enhanced customized services.

Eni's R&D, with more than 7500 patents and 450 projects, will be a catalyst in accelerating energy transition.

Ecofining, the Eni proprietary technology on biofuel, is at the heart of the Gela and Venice plants, while our "waste to fuel" is moving to industrial application.

In chemicals, we are expanding the use of vegetable biomasses to create *"high growth and value chain"* as second generation bio-ethanol, advanced bio-fuels, and bio-monomers for several applications, such as intermediates for bio-plastics, electronics, cosmetics and agro chemicals.

We are already commercializing high quality products from mechanical recycling of post-consumer plastic waste, with a level of recycled content up to 75%.

And we are developing pyrolysis technology to recycle mixed plastic waste.

In carbon sequestration and usage, we are developing 2 additional technologies:

- one related to CO_2 mineralization, in the cement formulation process, where we have a pilot project on-going in Ravenna; and
- the other related to microalgae bio-fixation, where we have a pilot project in Sicily and where we plan to develop an additional project in our Gela's bio-refinery.

We have a strong focus and commitment in developing new technologies and breakthrough solutions, and to this end we are collaborating with more than 70 international research institutes and universities.

Overall during the 4 Year Plan we will spend around € 1 billion on innovation, also feeding our green and bio transition, and we will invest around € 4 billion organically in all our transformation processes.

And now, let's get to the heart of one of the major improvements we are announcing today: Eni will be carbon neutral by 2050.

In last year strategy presentation, we announced our target covering our scope 1, 2 and 3 emissions and based on our fully comprehensive methodology of GHG assessment, considering all our activities and every product we trade, to reach a reduction of our absolute emissions by 80% in 2050.

This year we have improved this target, committing to reach a carbon neutrality.

This is a target, not just an aspiration. We have set this, considering all our activities and combining economic sustainability with the industrial implementation.

Our commitment is further confirmed by the inclusion of our decarbonization targets in our management's remuneration policy.

The full decarbonization of our products and operations is achievable through technologies that already exist and that have already been proven, such as:

- Bio-refineries, whose capacity will increase by 5 times;
- The circular economy, with a larger use of biogas and the recycling of organic and inorganic waste material;
- Efficiency and digital solutions in our operations and in our customer services;

- Renewable capacity fully integrated with our clients; and
- Blue and green hydrogen to lower CO_2 emissions in our bio-refineries and in other hard to abate activities.

Gas, that in the long term will be more than 90% of our upstream production, will support our transition as back-up to intermittent sources in power generation.

On top of this, natural and artificial carbon capture will absorb residual emissions.

Let's look at the 4 Year Plan of our two business groups.

In Natural Resources, essentially we have 2 main goals: reducing our cash break-even and our carbon footprint.

In Upstream, in the 4-year plan we will further lower the price level that will be required to generate free cash flow after capex.

Over the last years, we have materially reinforced our upstream business, reducing its cash needs while continuing to capture new business opportunities.

During the plan, this will result in a drop of our upstream capex coverage by almost $ 10 per barrel to $ 28.

This reduction will be driven by:

- an even more focused exploration, in synergy with our existing facilities,
- short cycle development projects, and
- the structural savings in operating costs and G&A.

In the 4 Year Plan, we will invest on average around € 4.5 billion per year of which:

- about 50% will be required to fight depletion,
- and 50% will be devoted to growth.

And we will retain enough flexibility to absorb price volatility if necessary: in the last two years of the plan more than 55% of our capex is uncommitted, making our upstream even more resilient to lower scenarios.

Upstream resilience starts from Exploration.

For us, this activity has been a strong "cash contributor" in the last decade and will be a distinctive and critical factor of success for winning the energy transition:

- it is the main source of our low breakeven portfolio, the starting point of our value creation with an average unit exploration cost below $ 2.
- it will be a key enabler of our transformation toward a more gas-rich portfolio.
- It is time effective: thanks to a selection of prospects that will be for almost 90% near field and in proven basins.
- Finally, our future successful exploration will create opportunities for potential disposals, fueling our dual exploration model.

In the plan, we expect to discover 2 billion boe of resources, of which a large part will be gas.

Selective growth will support the increase of our free cash flow in the 4 year plan.

Production will grow at an average of around 4% per year vs 2020 at the Eni scenario, while in the same period our CFFO will grow by 20% per year. Assuming $ 50 flat, our CFFO will grow by 8% per year.

For 2021, a transition year before fully recovering from COVID, we confirm a production guidance in the range of 1.7 Mboed, assuming OPEC+ cuts of around 40 kbopd throughout the year.

However, we have the flexibility to restart part of the activities as soon as appropriate market conditions occur.

In the plan, we will bring on-stream 14 major projects, operating over 70% of the new production. In terms of future production mix, we expect an increased share of gas in the coming years. In 2024, around 55% of P1 reserves will be gas, versus 50% today.

Upstream free cash flow in the 4YP will be in excess of € 18 billion at our scenario, and € 14 billion assuming a flat scenario of $50/bbl, covering twice our 4 Year Plan distribution needs.

Global Gas & LNG Portfolio is now incorporated in Natural Resources business to leverage our integrated presence along the gas value chain.

In LNG, we target to contract more than 14 MTPA by 2024, a 45% growth versus 2020 level, mainly from our new projects in Indonesia, Nigeria, Angola, Mozambique and Egypt, where the start-up of Damietta has been completed and the first cargo is being loaded in these days.

In terms of marketing we will target premium markets in the Middle East and Far East, but we will also leverage our legacy presence in Europe to maximize overall value.

LNG growth will be driven by our equity production that in 2024 will account for more than 70% of our LNG portfolio.

Global Gas & LNG will contribute with € 800 million to the Free Cash Flow in the plan period.

The second main goal of Natural Resources is to minimize carbon footprint and to develop initiatives to remove CO_2, such as Forestry preservation and CCS.

Eni is focusing on REDD+ initiatives to maximize the value for our stakeholders, preserve primary and secondary forests and biodiversity, mainly in Africa, South Asia and Latin America. We target to offset more than 6 MTPA of CO_2 by 2024 and more than 20 MTPA by 2030.

Our CCS projects are synergic with Upstream and we aim to create worldwide storage hubs for decarbonizing our industrial activities, such as power plants and refineries, and third parties' plants.

The Ravenna CCS hub, with more than 500 Mt of storage capacity, will benefit from the infrastructure in place and its proximity to industrial sites, with attractive costs and time-to-market. In the UK, our two projects in Liverpool Bay and Teesside, will contribute to decarbonizing third parties' industrial sites.

We have built a distinctive set of competences in managing Carbon Capture and Storage technologies, through our experience in sour gas reinjection in mature and producing fields.

We are at the feasibility phase of a carbon capture project in the UAE in Ghasha sour gas field, and we are also studying a CCS application in Libya for the Bahr Essalam project.

By enhancing our CCS project portfolio, by 2030 we target a total storage of around 7 MTPA, with an overall gross capacity of 15 MTPA.

Turning now to Energy Evolution…

This business group is expected to self-sustain its transformation and growth during the plan.

In Refining & Marketing, we expect to increase results in all our business lines: Bio-refining and marketing, and traditional plants.

At a constant scenario, R&M’s Ebit will almost double in the plan period.

Growth will come from:

- First, the increase in Bio-refining capacity, which will double to 2 Mton by 2024, targeting also the bio-jet fuel market with a share in excess of 10%;
- Second, the gradual recovery of demand after the Covid-19 crisis;
- Third, focus on high margin segments in Marketing, enlarging our network in Europe;
- And Fourth, the contribution of ADNOC Refining at full capacity.

Our bio refineries will continue to contribute positively, becoming palm oil free in 2023 and with a growing contribution of feedstock coming from waste and residues, accounting for around 80% of the total by the end of the plan, versus today’s 20%.
In terms of sites:

- Porto Marghera, in Venice, will increase its capacity to 560 KT per year; while
- The Gela bio-refinery will complete the ramp up to 750 KT per year.
- Moreover, we are planning a new capacity of around 500 KT, whose location, in Italy or abroad, is still under study.

Finally, Marketing will deliver during the plan a steady and material contribution, and will enlarge its e-mobility services.

The combination of bio-refineries and marketing will deliver an EBIT of around € 750 million at the end of the plan, and with traditional oil refineries we will reach € 1.4 billion.

And now, I would like to present another main step of our transformation.

To further maximize value generation along the whole green power chain and foster our decarbonization scope 3 targets, we have decided to merge our renewable business with our gas & power retail business.

On one side, we will leverage a 10 million customer base, expected to increase to over 11 million by 2024, and accelerating our growth to 15 million by 2030, that will be increasingly supplied with equity renewable energy and bio-methane.

This business combination makes Eni one of the main green retail operators in the European market.

On the other side, our renewables are expected to reach 4 GW by 2024 and 15 GW at 2030. Our generation by the end of the plan will be 60% solar and 40% onshore and offshore wind.

We are growing fast to become a major global green power operator in many OECD countries, in most of which we already have a large retail base, and in other areas in which we are present such as North Africa, Australia and the Middle East.

Overall capex for the combined business will be € 4.3 billion in the 4 year plan, mainly related to Renewables.

This new business combination is highly valuable and growing fast.

Overall, our retail and renewable business will almost double its EBITDA from € 600 million in 2021 to around € 1 billion by the end of the plan.

In Retail, we expect EBITDA to grow to € 650 million, also thanks to an increased share of services, such as distributed generation, energy efficiency solutions and services for e-mobility, which will represent more than 20% of EBITDA.

Meanwhile, renewables, which today are at break-even, will deliver a robust EBITDA of € 230 million in 2024.

Our final goal is to maximize the value of this combined group of activities.

And now, before leaving the floor to Francesco Gattei, our CFO, for the financial section, here’s a brief video that sums up the main highlights of this presentation.

FRANCESCO GATTEI (CFO)

Thank you Claudio, and now let's get some detail on our financial plan.

Eni's financial strategy will be a structural component in the execution of our plan.

It will be centered on a diversified set of levers:

- our capex flexibility;
- an active and dynamic portfolio management, including new business combinations; and
- a new set of financial tools, linked to our strategy execution.

While continuing to reinforce our balance sheet and reducing the leverage, we are also committed to a progressive and competitive distribution policy.

On capex, we will be focused on new businesses and we will continue to be extremely selective on returns, and on duration of the cash cycle.

Over 20% of the yearly average Capex will be devoted to:

- boosting renewable capacity and increasing Eni's customer base,
- circular projects to minimize waste and rejuvenate mature industrial sites, and
- building incremental bio-refinery capacity

Net capital employed in these activities will reach 10% of the total amount, doubling the current level.

To maintain a high degree of flexibility we will focus on short cycle initiatives and we will limit inactive capital within the 20% of our total investments.

All our planned projects have to pass a selective screening both in term of profitability and resilience.

The internal rate of return of Upstream projects amounts to 18% and it remains a robust 16% even assuming 20% lower prices.

Our renewable projects are highly valuable, with unlevered IRR in the range 6-9%, and double digit after financing.

On top of this, IRR of bio-refineries is 15%, in line with our upstream initiatives.

Portfolio management will be a core element to boost our transformation, extracting extra value from our assets and disposing of non-core businesses.

In the four-year plan, our disposals will reach an overall gross value of more than € 2 billion. Most of these proceeds will be reinvested in acquisition for portfolio reshaping.

Moreover, we aim to replicate our Norwegian “Var model” in different countries, with potential business combinations which are currently under screening.

Both these opportunities are not captured by the current plan and represent an operating and financial upside.

Assuming the progressive increase of oil price to $ 60/ bbl as per our assumptions, CFFO before working capital is expected to amount to around € 44 billion along the plan period, while it will be € 39 billion, in a flat $ 50 scenario.

This, with a steady amount of capex of around € 7 billion per year, will ensure a generation of Free Cash Flow of € 17 billion at our scenario or € 12 billion at $ 50 Brent.

We will continue to improve our resilience along the plan period: cash neutrality, the level of price necessary to cover our capex needs and the floor dividend, will be progressively reduced below $ 40/bbl.

Finally, while targeting a leverage pre IFRS in the range of 30% in 2021 and declining thereafter, we will look for a full engagement of our lenders to support Eni transformation.

In 2020 we finalized more than € 5 billion of sustainable finance instruments, in particular loans and committed credit lines, and in the coming year we are targeting the issue of our first sustainability-linked bond.

In addition, after the success of last year, we are planning a potential issuance of new hybrid bonds in the near future.

And now I’m glad to announce an improvement of our Shareholders’ Remuneration policy.

Last summer we defined a new distribution policy aimed at giving visibility and certainty in a period of great volatility.

Our policy has been structured on two elements:

- a fixed component of € 0.36 per share anchored at a certain price level that will be revised with the execution of the plan;
- a variable component characterized by:
    - A) a progressive dividend according to the price increase,
    - B) the re-start of buyback above a certain price threshold.

The price reference for the dividend and the buyback will be announced next July, during the traditional half year presentation.

But, our successful reaction in 2020 and the execution of the 4Y plan - that will significantly reduce our cash neutrality - allow us to enhance today our distribution policy.

The new policy approved by Eni Board will be structured as follows:

- the dividend floor will be secured at a Brent price of $ 43 barrel, two dollars lower than the previous level, and then
- The variable component will grow with the same progression that we presented last summer, calculated as a percentage between 30 and 45% of the incremental Free Cash Flow generated by a scenario between $ 43 and $ 65.
- Moreover, we decided to restart our share buyback at a level of Brent price of $ 56 per barrel with a value of € 300 million per year. This amount will rise to € 400 million per year from $ 61 dollar of Brent and to € 800 million per year from $ 66 dollar onward, as originally planned.

For example, if in July we will announce a price reference of $ 50 per barrel our total dividend will be € 0.49 per share, a 9% increase versus the previous formula.

At $ 56 we will pay € 0.63 per share and we will start the buyback of € 300 million, with a distribution yield of 8% at € 9 per share price.

In the back-up you can find a table that summarizes the level of dividend and buyback at different Brent prices.

Before concluding, our total dividend will be split 50/50 between the traditional dual tranches of payment in September and May…

…And, of course, we will continue to pursue further actions to improve this distribution model in the future.

And now I return the floor to Claudio for his conclusion.

CLAUDIO DESCALZI (CEO)

Thank you Francesco.

To conclude, I would like to highlight the major update of today: Eni is committed to be net zero by 2050, across all our scope 1, 2 and 3 GHG emissions of all our production and traded products.

We also set out the specific actions we are taking over the next 4 years. These actions are fundamental steps to becoming even more innovative and resilient, in order to manage the extraordinary volatility of our time and deliver an enhanced remuneration policy.

In this period of exceptional changes, we will leverage our considerable strengths:

- Our large customer base, which will continue to grow in synergy with our renewable business;
- Our bio-refining and marketing, which, combined, will provide a strong contribution in delivering sustainable products for mobility;
- And an integrated upstream model which is able to reduce both its cash neutrality and carbon footprint.

Our plan to be carbon neutral in 2050 is concrete, detailed, economically sustainable and technologically proven. In addition, we have disclosed our targets for 2030 and 2040, two important milestones for our stakeholders to be kept aligned on our progress.

Eni, its people and the Board of Directors, express their strong commitment to continue to play a sustainable and innovative role in supporting social and economic development in all their activities.

Our strong ESG model provides a foundation for our aim, which remains to deliver value to all our stakeholders.

And now, together with our top management, we are ready to answer your questions.

Q&A Session

CORPORATE PARTICIPANTS

Claudio Descalzi, Chief Operating Officer

Francesco Gattei, Chief Finance Officer

Alessandro Puliti, Chief Operating Officer Natural Resources

Giuseppe Ricci, Chief Operating Officer Energy Evolution

ANALYSTS PARTICIPANTS:

Alessandro Pozzi, Mediobanca

Bertrand Hodee, Kepler Cheuvreux

Henry Tarr, Berenberg

Irene Himona, Societe Generale

John Rigby, UBS

Massimo Bonisoli, Equita

Martijn Rats, Morgan Stanley

Mehdi Ennebati, Bank of America

Michele Della Vigna, Goldman Sachs

Oswald Clint, Bernstein

Peter Low, Redburn

Thomas Hadolff, Credit Suisse

OPERATOR: The first question is from Michele Della Vigna, Goldman Sachs. Please go ahead

MICHELE DELLA VIGNA: Thank you very much, Claudio and Francesco. Thank you for the time and the presentation. I had 2 questions, if I may. The first one is on your emissions reduction. So I can see that the absolute emissions are falling about 60% faster than the carbon intensity, both to 2030 and to 2040. And I was wondering where this comes from. Does this effectively mean that you're likely to sell less energy volumes by 2030? You still clearly have a growth plan to 2024. So I was wondering what is the overall volume assumption there.

And then the second thing I wanted to ask you is about your biofuel business. So you are targeting 2 MTPA of biofuel production. I was wondering where do you see the feedstock in the longer term. Clearly, no palm oil. But what do you see as the right mix between waste and biomass that does not compete with agriculture? And do you think you can expand it further in the longer term? And is the main constraint there the feedstock or rather the processing capacity? Thank you.

CLAUDIO DESCALZI: Okay. Thank you, Michele. So for the first question, Francesco is going to answer, then I take over for the second one.

FRANCESCO GATTEI: Thank you, Michele, yes, you are right. You have, let's say, touched the different level of speed of the 2 trends, the one in absolute value, and the one in, let's say, intensity. And what we can say clearly is that we start with different assumptions versus last year. First of all, we have a lower production profile. We will reach 2 million barrel per day at the end of the plan, 2.1 million in 2025, and that will be the level that will plateau with that flexible fluctuation that we described last year. So it is practically 10% lower.

And you are also right that we have, let's say, a more conservative view on LNG growth. So that is the first step, what you could assume in the beginning, in the early part of the transformation phase. Then you start to add additional components. The bio-refinery was speeding up. There was the biogas that was also introduced to enhance our, let's say, bio-products sold to the domestic market. And in the meantime, we are growing the components that are related to the intensity. So once we have a continuous growth in the renewables side, once we have starting up the hydrogen, all these components will reduce that second element of the trend. So I think this is the way to look at the trend of the intensity and the absolute reduction.

CLAUDIO DESCALZI: Thank you, Francesco. Michele, you touched a very critical point and something that we started working 3 years ago when we changed our technology to be able to be palm oil free in 2023. Clearly, there is a mix of the 2 components. What we said during the presentation is, in the plan, we are going to increase the second-generation feedstocks. So what we are now at the 20%, we're going to reach 80%. That is something that we're going to acquire, to buy. And we already plan and modeling the acquisition of this feedstock.

Clearly, in the long term, we want to reduce our cost. And what we're working is on the agriculture because clearly, agriculture in the future for the bio-refineries will be like the fuel for the upstream or the reservoir for the upstream. And so we are working and we are testing, for example, castor oil in Tunisia, and also in Italy, in the last couple of years. And we are testing our technology in Gela related to using a different kind of feedstock instead of the palm oil. So after the plan growing, and with the agreement in Italy and North Africa and in other countries in Africa, we are going to promote agriculture for this kind of feedstocks that is a first generation, but it's not in competition with food. And one example was castor oil, we're going to increase it.

So we are going also to reduce the cost. But absolutely, we are going to have a sure feedstock for the future because what we think is that we are going to have competition on the biofuel. So that is something where we're not just planning but we are working on it. We are already modeling, and we have solution for the future. And what we think that when we are going to increase the first generation, we are going to reduce our cost.

MICHELE DELLA VIGNA: Thank you.

OPERATOR: The next question is from Mehdi Ennebati with Bank of America. Please go ahead.

MEHDI ENNEBATI: Hi, good afternoon, all. And thanks for the presentation. So 2 questions from me, please. First one on the dividend policy that you explained. Let me give you an example. So imagine that in July, you consider that this year, the oil price will be $60 Brent. So you will be paying a 75 cents dividend and adding a share buyback. If next year, the Brent goes back to $50, $55, I wanted to know what you intend to do. Will you follow your dividend policy, meaning that you will lower the dividend? Or will you try to at least keep the dividend at the same level of last year? I am asking because market…the market tends to reward the companies which are able to provide a stable dividend when the oil price or the hydrocarbon prices go down.

And then second question is about Versalis. So during the presentation, you talked about the circular economy, about the bioplastics. But I would like to know if you intend during your 2021-2024 strategy to try to make Versalis profitable because that company has been losing money since 2017, if I am not mistaken. So why is it too difficult…so difficult to convert Versalis into a greener company able to generate profit as you did with your 2 loss-making refineries?

CLAUDIO DESCALZI: Okay. I am going to answer the 2 questions. And first of all, dividend, I understand the questions. Clearly, we build this kind of…and we improve the policy to give a clear path linked to a variable and a fixed floor that is linked to the price. What happens if is $60, and then it's going down? Clearly, every year, in the first 6 months…in first 6 months, we make the assessment of the price. Clearly, we don't change without a reason and we don't change immediately. Also in July, we are going to decide what will be the average price of the year, but clearly, considering all the different situations. We don't jump if there is a peak; we don't go down if there is just a small down in the price. So everything will be on average, and we'll be very careful to make changes that can create a difficult situation for us and for our investors.

So we…what we want to do also with this program is to give stability… because we anticipate our share buyback, and anticipating the share buyback, we are giving stability and we anchor to a lower price. You have to consider that when we talk about the development of our plan, it means that we are…as we said, we are working and we succeeded until now to reduce our cash neutrality. Reducing our cash neutrality, then at the end of the plan would be lower than $40 per barrel. That means that all our policy is going down. So we're going to anchor, if we are succeeding, but clearly we are so focused on that, we anchor the floor to a lower level.

So it's not just…we don't have just to watch the price…the oil price trend, but we have also to watch out what we are doing inside the company to reduce the cash neutrality because reducing the cash neutrality is a big improvement for the dividend. So that is what I can say about the dividend.

And for Versalis chemicals. Through the last years, from 2017 Versalis was always in a difficult situation. The first action we made was really to go through the business line and increase the specialties to be a little bit far from the fluctuation of the feedstock that is very expensive because Versalis is not linked to the downstream. And the downstream in Italy is not linked to the upstream, so we have to import. So for that reason, we tried to increase specialties from some percent to more than 30%, and improve the market and be on the value chain on the specialties.

In the last 2 years, we worked to change and transform our technologies. And what I gave as an example is what we're going to develop in the next couple of years where we want to bring Versalis through a different kind of business combination that are green chemicals, as you said, and recycled products to have a breakeven and also to improve, not just a breakeven, but also to make some profit. So we are focused, and we are finding synergies with all the bio-refinery that we saw…the bio-product from refining that we are producing, in some cases, is going to be and will be, because we already tested, a feedstock for the chemicals. So we are linking on the green side the green bio-products of the refineries and the chemicals and that will be the future. So it's not just a hope, but from a technological point of view, we worked a lot in the last couple of years, that will be the way to transform Versalis and get a positive result.

MEHDI ENNEBATI: Thank you very much.

OPERATOR: The next question is from Alessandro Pozzi with Mediobanca. Please go ahead.

ALESSANDRO POZZI: Good afternoon. Thank you for taking my question. The first one is on production. I think the share of gas production; the new target is over 90% in the long term. I was wondering if you can quantify long-term for us. But also, I was wondering whether this was done by design because increasing oil volumes is no longer consistent with the CO2 emission targets. And the reason I'm asking is because we're probably going to see a meaningful deficit in our oil supply by the middle of a decade. I guess investing in conventional oil development is becoming something too difficult to do for oil companies as we move in the net zero world. So I was wondering if you can maybe give us your view on this.

The second question is on the recovery fund that has been approved in Italy. I was wondering whether there could be some opportunities, whether there are some funds allocated in various projects. And I was wondering, yes, if you can give us maybe a bit more color there. And also, finally, an update on Mozambique and where we are with the investment decision. Thank you.

CLAUDIO DESCALZI: Okay. Thank you, Alessandro. So I'm going to answer the 2 first questions, and then Alessandro Puliti, our Natural Resources MD, is going to answer the last question on Mozambique. So for production, you…clearly, you want to know what is the long-term. Before, the long-term was the last decade, 2040, 2050. Now I didn't want to say exactly the date because I want to have some flexibility. Just to recap the…our policy that we set last year, but it's almost the same, we said that we are going to reach our peak production in 2025. That remains the same. But after COVID, we reduced the amount of production that we will get at 2025 because before we had a value of about 2.3 million barrel per day. Now we have at least 200,000 barrel less, and I recall what Francesco said before also to explain why our level of emission is lower.

So until 2020, we had a ratio that is about 50:50, in 2030 will be 55% gas and 45% oil. But clearly, there is a different kind of shape on this profile because most of the big discovery we made in the last 3, 4 years are giant gas fields. We discovered some oil discoveries, but with a different kind of profile in terms of ramp up and depletion, very short time to market, and also very short life. So oil is going to have a different kind of lifetime. Gas is longer because we are talking about giant discoveries. And I think that the possible switch will be instead of 2040--2050, the big switch between gas and oil will be 2030-2040. For that reason, I talk about long-term.

Recovery fund could be a good opportunity for us, especially for the transition. We have several projects that are linked to CCS and are linked to other development in the retail, in the marketing, the bio-refineries, in the waste to fuel, organic and inorganic waste to fuel. So we have a set of projects. We didn't put any kind of recovery plan fund in this plan. So the recovery plan that I'm sure that will start sometimes this year will be an upside. And that means that we have the same kind of projects and the same set of projects, but we can accelerate the big transition. Especially in Italy, we can increase and accelerate the transition in the bio-refineries, waste to fuel and CCS. That will be the result of the recovery plan. So now Alessandro can answer to the question regarding Mozambique.

ALESSANDRO PULITI: Okay. Regarding Mozambique Rovuma LNG, the FID was originally planned during 2020, and it has been postponed. The operators are currently working and looking for synergies with Area 1 development and also looking for all possibility to reduce cost, analyzing the new market condition after the pandemic. So we will expect to update on the FID date during 2021 when this exercise of cost optimization will be completed.

ALESSANDRO POZZI: Okay. Just to clarify, do you expect the FID by the end of this year? Or is it still a moving part?

ALESSANDRO PULITI: It depends on the results of the cost optimization exercise.

ALESSANDRO POZZI: Thank you very much.

OPERATOR: The next question is from Irene Himona from SG. Please go ahead.

IRENE HIMONA: Thank you very much. Good afternoon. My first question concerns the fact that you appear to be revisiting the dual exploration model after a pause. Is this specifically budgeted for in this plan? In other words, is there a specific target perhaps for monetizing your […] excesses? And then my second question concerns the merging of renewables generation with retail. Clearly, retail, especially for green power, is a very competitive marketplace. Is that the reason you're merging the 2? Can you talk about the synergies? And in a market that is becoming very, very competitive, how can you ensure growing value from that business? Thank you.

CLAUDIO DESCALZI: Thank you. For the first question, Francesco, will answer the first question. Then I will talk about the business the business combination. So Francesco…

FRANCESCO GATTEI: Yes. I mean about the disposals, you saw that we are targeting €2 billion along the 4-year plan. In this €2 billion, there are different kind of assets, there are mature assets, there are logistic assets, there are certain, let's say, stake in projects, larger projects, where there is clearly also the continuing of the dual exploration model. You know that in the recent years, we had very successful results in some areas with high stakes, I remind Mexico, Indonesia. So these are the kind of opportunities that could be, let's say, part of this process of dilution. And clearly, we are continuing to explore and discover. So this is a model that will continue to satisfy our investors and our cash. Thank you.

CLAUDIO DESCALZI: So for renewables, so the business combination of renewables with gas and power with the clients, with the customers. Renewables, clearly, is a very tight market. There is a lot of competitions, and competition for the prices, for the market. And if you have just renewables, it's not really a market penetration. We really think that putting together our renewables with our Eni gas e luce, retail market is going really to be a very important factor to fight the competition. We have other factors, clearly, but that is very important because you remain, you are along the value chain. So you produce the energy and then you can sell the energy with your company, and you can keep all the value inside Eni, inside this new entity.

Then there is another factor, how to increase renewable that…it's clear that we want to put together the 2 activities. So we have Spain, we have France, we have Greece and we have Italy. In Italy, we have another important competitive factor that we have land. We have land as Eni…reclaimed land that now we can use about 3,000 hectares that we have at our disposition. We had just used a very small percentage, less than 10% for this first phase, but we can really increase. And we can feed our company, a retail company with this energy.

And for the future, as I said, our…what is our aim, it's to really to sell to our customers all set of de-carbonized products. So we want to take all the scope 3. That will give a big competitive advantage to our Eni gas e luce because that will be in the future area, strong point to attract more customers and remain on the value chain. And the big spread of customers that we have, which…we have almost 10 million now. So we are going to, in a couple of years, 11 million organically, so with a very low cost. And we increased also revenue. So this kind of combination as a new really company can have a very important multiple in the possible future. So it's really something that is going to extract and to create a big value, that's now inside Eni is a little bit…is diluted. So that is part of a very important phase. For that reason, I said, we have to have net zero to 2050. We have this important point that is a really important induction point that can give a huge value to Eni.

FRANCESCO GATTEI: Thank you very much.

OPERATOR: The next question is from Thomas Adolff with Crédit Suisse. Please go ahead.

THOMAS ADOLFF: Hi, good afternoon. Thanks for taking my question. Just my first question is on your refinery and biofuels plans. Obviously, you're planning to grow it to 2 million tons per annum. Is this driven by refinery conversions? And how should I think about the Italian refinery by 2030? Obviously, you've mentioned in the past that by 2050 or so, there are no oil refineries left in Italy. And then secondly, just going to Slide 19, where you show the earnings growth from bio-refining, marketing and then oil refining. And I just wanted to get a better feel for the significant growth in earnings in bio-refining and marketing. Are you assuming some margin expansions other than volume growth on the back of cheaper feedstock? So any color on that would be great.

Then finally, if I may, on Slide 13, you've talked about your target for installed renewable capacity. How should we think about the power, the total power sold to your customers? Some of your competitors have much higher number than the equity installed capacity. Thank you.

CLAUDIO DESCALZI: Thank you. I'm trying to cover most of the questions, then Pino Ricci, in charge of Energy Evolution, is going to complement, also Francesco if he wants to add something. So the growth, where we are going to grow in our bio-refinery. Clearly, we…really, we reach a good experience in conversion because we converted 2 standard refineries in Venice and in Gela. So all the processes and all the industrial transformation is well known to us. So we have, as I said during the presentation, we have another…a possibility of an additional conversion in Italy, but we have also a discussion to build a new one in the U.S. We can't talk about that because it's a possibility…we have also possibility to do both. So the conversion is likely to happen before 2030 because, as you said, I think, by 2040, we have to transform or shut down the traditional refinery. So that is clear in the plan.

We are thinking what about the third one or possible other 2 that are not included in the plan before the end of this decade. So I think that in the next months, we're going to decide what to do. I think, before July, we will be in the position to say where we're going to build the new one.

Pino, if you want to say something about the possible optimization in terms of returns with the price optimization, cost optimization in the bio-refinery in the future.

GIUSEPPE RICCI: Yes, thank you, Claudio. About the bio-refinery, as you know, the internal rate of return of the bio-refineries is very high; it's close to 15%. So it's very profitable. Our original model to have the brownfield, converting existing refining into bio-refinery, allow us to reduce drastically the CAPEX and increase the profitability. And now the further driving force to improve the profitability of the bio-refinery is to shift the feedstock from the first generation - that will be less profitable - through waste and residue that are more profitable for the bio-refinery. In fact, in our plan, within 2024, we will reach almost 80% of waste and residue that we call the second and third-generation feedstock.

The last point is the diversification of the market. So now we are covering especially the European market, but we are diversifying our marketing through U.S.A. and Northern Europe with specific quality of the product. And last but not least, the product itself. Now we are producing mainly HVO, hydrogenated vegetable oil that is mixed in the diesel. But there is a very good opportunity to speed up the decarbonization of transport using HVO 100% pure because in this way, the decarbonization will increase 4, 5 times versus a mix according to the European law. And last but not least, the bio-jet. The bio-jet will be the future. We'll be opening a tremendous market if we consider that the pre-COVID marketing of aviation fuel was 350 million tons per year. It's enough, 2%, 5% of replacement with bio-jet to increase the market and also the marketing.

CLAUDIO DESCALZI: Francesco…

FRANCESCO GATTEI: This is a combination substantially of 2 elements. One is a growth that is a steady growth in the marketing side that is adding substantially €100 million, €150 million along the plan period. The remaining component will be, let's say, the build up at the end of the 4-year plan once we will have the completion of the project in Venice and the startup of the new plant, the new refining…the new bio-refinery, you will have an additional contribution on the side that is substantially adding another €150 million, €200 million in terms of EBITDA. So that are the 2 factors that explain the growth of the earnings along the plan.

CLAUDIO DESCALZI: Sorry, yes. Everybody was waiting for my answer, and I forgot the question. So what we can say is that by 2030, we will be able to deliver our green electricity at a level of about 35%, 40%. And by 2040, we can deliver to our customers, 100% of our electricity. That's what we have put in our plan.

THOMAS ADOLFF: Thank you very much.

OPERATOR: The next question is from Jon Rigby with UBS. Please go ahead.

JON RIGBY: Thank you. Good afternoon, everyone. The first question is just to talk about CCS. I mean you're moving forward quite quickly on that. I imagine that it will be sort of integrated or integral to your E&P strategy. So 2 questions. When you think about the cost of it, are you including that? Or will you include that within your OPEX expectations? And is that starting to appear by the middle of the decade? And also sort of strategically, when you think about your portfolio, will you be looking to sort of concentrate your activity into areas where you could be both producing and capturing carbon, I guess, simultaneously or sort of in proximity to each other? So will that be a sort of guide to your strategy in the upstream

And then if I can just switch gears to financials. I think Francesco; you did mention something about balance sheet gearing. Unfortunately, we had a bit of a breakdown in the conference call. So can you just go through what your expectations are for the balance sheet? I think you mentioned hybrids. But do you also sort of flex the balance sheet slightly differently going forward with the knowledge that you're going to be carrying, I guess, increased off-balance sheet funding for some of the special vehicles? Thanks.

CLAUDIO DESCALZI: Thanks, Jon, I'll answer the first question, and then the second one is for Francesco. So for our CCS, you said rightly that are linked to upstream because our CCS is linked to the depleted reservoir. And we have a lot of reservoir depleted in Italy, and we have also a lot of hard-to-abate activity or industry or plants in Italy that are closed, fortunately, to our depleted reservoir. When we talk about the 500 million ton increase; that is a subset of the whole potential that we have in the Adriatic and then we have in Mediterranean Sea. So really, we have the huge potential.

So the cost is very low. Now we are working…as you know, we're working in Norway. We are working on 2 big projects in U.K. Then we have Abu Dhabi, Libya. And in many cases, we store and we capture sour gas; we've been doing that for a long time. So the cost is not very high because we have everything, we have the platform, we have the pipes, the flow line, the wells, we have just to complete the well. And the cost is really linked to the connection with the chimney of the power plant or the chemicals plants or refineries. So it's really very competitive

So when we…how we can treat this cost. Clearly, we cannot treat it as an operating cost overall because we are going…it's not just for us, but we are going also to give a chance also to other hard-to-abate activity. And that is…in any case it becomes a revenue. And we have to look at that against the carbon tax or the carbon pricing. Clearly, we have expectation that this tax or carbon price is going to increase as in other North European countries. So what we can say that our cost, in general, because we are working on depleted reservoir, is very, very low and can be comparable in some years, or it would be much better, than the carbon tax. So that is becoming…creating an upside potential that we didn't put clearly in the plan, but that is another possible upside potential

Then we have the development in other area where we have practically the necessity to be able to produce, to capture the CO2 or the sour gas, but in this case, we consider this cost as operating cost, that is within upstream activity, 100%. But that allow us to produce…reducing, and that is one of our target, reducing the carbon footprint of our upstream activity. Thank you.

FRANCESCO GATTEI: About the leverage, we have now leverage in the range of 30%. We are assuming that this leverage in a $50 world, this year in 2021 will remain substantially very close to the existing level, but then it will decline to 20% or lower 20%, if we follow our scenario assumption or it will decline around 22%-23%, if we assume the flat $50. So that is the...let's say, the plan.

Then as you have mentioned, there are opportunities in the business combination, as we did for Vår a way to create financial vehicles that are standalone able to self finance themselves, to collect debt leverage in their balance sheet through different tools, and therefore, to de-consolidate this amount of debt. So that will be a further lever to reduce the leverage that we are assuming in the plan.

JON RIGBY: Okay. Thanks Francesco.

OPERATOR: The next question is from Massimo Bonisoli with Equita. Please go ahead.

MASSIMO BONISOLI: Good afternoon. Thank you very much. 2 questions on M&A. Some color on capacity expansion on renewable. How much may come from M&A in that business? On Slide 24, you presented the IRR range for renewable projects and this seems to reduce the M&A opportunity in the cluster?

The second question on M&A is regarding Australia. If you have any update on the disposal of those assets? And a third question, if I may, an indication of the contribution from Damietta LNG in '21 and '22?

FRANCESCO GATTEI: Okay. On M&A, clearly, once you want to grow with that speed that we presented, mostly not in the 4-year plan because 4-year plan, we have a lot of organic opportunity. We can anticipate some inorganic opportunistic acquisition to speed up. But the growth that we design in our 4-year plan is in our hands. Clearly, what is important that to reach the 15 gigawatt in 2030, probably you should think something related to M&A. What we want to do is clearly to leverage our capability of M&A, trying not to overpay. So we could, for example, acquire opportunity where we have existing activity. For example, we could have some fiscal losses that could offset the cost that we paid for the acquisition or we have additional synergy in the country that could also justify the component of premium. We clearly are not interested to rush together with, let's say, 100 of different competitors for collecting gigawatt. So that is the first question.

About Australia; Australia, the process was completed. The offer we received were not matching our, let's say, selective request. And actually, we decided not to sell our Australian asset, so that we are not forced to collect the cash if this is not matching our expectation.

And then the last one is about...

CLAUDIO DESCALZI: Alessandro is going to answer to Damietta.

ALESSANDRO PULITI: Okay. Damietta plant has restarted during the month of January. It has already produced the LNG in enough quantities to load the first cargo in the very next few days. So our plan is to have it in production throughout the year, especially clearly during the winter period, 2021-2022, and also in the winter 2022-2023. And it will contribute to certainly increase our ability to export LNG and indirectly the production from Zohr, that has already reached a record level during the beginning of February of 3.2 bcf per day, standard cubic feet per day.

MASSIMO BONISOLI: Thank you very much.

OPERATOR: The next question is from Martijn Rats with Morgan Stanley. Please go ahead.

MARTIJN RATS: Yes, hi. Hello, I have 2, if I may. First of all, I noticed that year-over-year, fourth quarter over fourth quarter, your production levels are down about sort of 11%, which is turning out to be precisely the average for all of your other European peers. So in that sense, it's probably not a surprise. But these declines are so large that they almost sort of have macro implications, where the Eni alone lost a little over 100,000 barrels a day of oil production. And I was wondering, if you could give us any sort of insight into how quickly this could come back. If oil demand sort of picks up this year, how easy it is for you to reactivate this production and ramp up as demand comes back? That's one.

The second question may sound a little sort of technical, but I'm very interested in nonetheless. It regards the dividend payout and the split between the interim and the final payments, the May and the September payment. And the previous guidance was that the base...the floor dividend will be split 50:50 between the May and the September dividend, and that the variable component would entirely be paid in September. But Francesco, just listening to you about sort of 15-20 minutes ago, I noticed that you said something along the lines of the entire dividend will now be split 50:50 between the May and the September period. And I just want to ask you, if you could confirm that there is indeed a change in how the dividend is paid out. And I was...I also wanted to ask you sort of why that is and sort of how you came to this decision?

FRANCESCO GATTEI: Okay. Now, first of all, about the production, I think that you have to take into account there were value change. One was, let's say, a change in the trigger of the Libyan PSA that explain part of the variation between that quarter and the last quarter. And clearly, there was all the effect of COVID. So there was the OPEC cut, the demand of gas. There was also the slowdown of activity of infilling. And therefore, our 2 quarters that are completely un-comparable in terms of production. Then I return back to...

CLAUDIO DESCALZI: Just to make some other comments about production. What we have switched off clearly is what Francesco said, it's the infilling and all the near-field activities. And we have the contractual trigger that is a big part of the Libyan production. So what we have switched off, clearly, now we can restart, but not overnight. So what we think that is going to take 6, 7, 8 months if the price is the right one, stop and go is not possible. But we can start getting ready for 2022. So if we restart in 3-4 months, we can reactivate about 60,000 barrels per day on average so...for the year. That is the quantity for 2022, end of 2021 we can reactivate.

FRANCESCO GATTEI: About the dividend split, you're right; this is a variation versus last year. Clearly, we made different variations. So we changed the floor level, the floor reference or price. We anticipated the buyback, and we introduced also this change. And we continue to follow to improve this dividend policy. Clearly, what we decided was to define a policy that is even clearer, also receiving the feedback from our clients. We...this year, we are already paying 2/3rd of the dividend floor that we announced in September. So in May, we will have the 2/3rd while we prefer to have equal split between the 2 components in the next. And clearly, all these have to be read together with the new policy and the new price reference we could eventually work that is clearly much different than the one we were expecting 1 year ago. So I think it is a part of an overall policy that is much more generous towards our investors.

MARTIJN RATS: Okay, wonderful. Thank you.

OPERATOR: The next question is from Bertrand Hodee with Kepler Cheuvreux. Please go ahead.

BERTRAND HODEE: Yes, hello everyone. Thank you for taking my question. 2, if I may. Can you give us some color on your 2021 production in terms of underlying assumption? What is your expectation in Libya? Can you also give us what is a negative impact from OPEC plus quota on an absolute basis? And also, what is the positive impact from Damietta restart, because you mentioned that Zohr is now at full capacity 3.2 bcf, where it was well below that in 2020. So do you expect Zohr to keep our full capacity, 3.2 bcf for 2021?

And then my second question is on LNG, Qatar Petroleum has just sanctioned the massive 33 MTPA expansion. Have you begun discussion with QP on possible participation in the…on one of the 4 mega trains, and what kind of stake would you be considering, 30% of 8.2 million ton, is it the possibility in your view, of course, if the terms are right. But would you take this kind of project?

CLAUDIO DESCALZI: Alessandro is going to talk about production 2021 and impact of the Damietta on production.

ALESSANDRO PULITI: Okay, regarding 2021 production and remark more color on Libya, Libya will account in our production for around 163,000 barrels of oil per day throughout the year. Here we are account the…accounting clearly the full recovery from the force majeure on the land fields like, Abu Attifel that are now back in normal production.

Regarding the OPEC cut. Yes, we accounted for around 36,000 barrels of oil stopped by OPEC cuts around various countries.

And regarding Zohr, Zohr as I said before picked a production record of 3.2 bcf per day. We are not assuming throughout the year, since we expect during summer clearly a reduced gas demand, a lower rate. So we expect to average 2.7 bcf per day average throughout the year for Zohr during the entire 2021. Nevertheless, this is much more than the 2.1 average that was done during 2020 were gas demand especially in Egypt was deeply depressed.

CLAUDIO DESCALZI: Thank you, Alessandro. For Qatar, we have been discussing with QP for at least for the last 3-4 years. So is…clearly we are interested, we think that is a good project and now that they disclose as you know the CAPEX for the investment that are much less than what we forecast at the very beginning. So they really…they have been able to finalize very good contracts. So it depend…it depends on conditions. We are interested, I can't tell you now exactly which kind of percentage, because it's is not really right just on us, but also on QP, and we will see next month…next weeks or next month, what is going to be the tender and we have been, as you know, qualified. So we are just waiting. We show interest and we'll see in the next future what is going to happen.

BERTRAND HODEE: Thank you very much, very clear.

OPERATOR: The next question is from Oswald Clint with Bernstein. Please go ahead.

OSWALD CLINT: Thank you very much everyone. I'd like to just, you know, as we walk through this plan and get to the end of it in 2024, I wonder if you could talk around return on capital employed expectations? You're going to get up over $60 in your plan. And I just wondered you know, compare that back to 2019, where we also had those types of commodity prices and return on capital employed at Eni was around 5.3%. So we've got a lot more green CAPEX coming through here at 20%, but it's organic and you talked about margins; upstream returns look, you know, strong and similar. But as you boil all of it down, can you talk about what ROCE, return on capital you might be expecting to generate in 2024, please?

Secondly, just a bit more broadly talking about low carbon products, and you know, you've talked a lot about those during the presentation. But could you talk about you know, pent-up demand for such products, and I mean you've spoken a lot about retail. But I'm interested who and what will Eni sell to in the industrial segment, in the commercial segment or which airlines, which IT companies that we're seeing some of your peers start to strike big contracts into. Could you give us some examples of those types of deals that may be possible? And then even in your…on the technology foundation, Claudio you spoke about…you mentioned enhanced customized services that part of the business can offer. Could you flesh that out or talk a little bit more about what exactly that is, please? Thank you.

CLAUDIO DESCALZI: Okay. So Francesco, you can answer about the capital…return on capital question.

FRANCESCO GATTEI: Yes, Clint at the end of the plan, it is true that we are comparing a similar price level, but we are comparing a completely different CAPEX structure. Whilst you were referring the 5% return on capital of $60 you were thinking a world where we were investing $8 billion of which $7 billion substantially in upstream per year. Now, what we are going to do is to invest less than $7 billion per year of which less than $5 billion in upstream. So the return on capital will be higher, will be closer to 9%-10%. So that is a completely shift in term of returns. We are investing in short cycle projects. We are investing in less intensive capital projects, and we are, let's say maximizing return of the upstream activity. In the meantime, we are also investing in the higher return bio-refineries and in the renewable side. As we mentioned, we have just 20% of inactive capital along the plan, inactive means that the amount of investment along the plan that will start to deliver cash flow after the plan are just 20%.

CLAUDIO DESCALZI: Okay, about demand on new products. So we have to say, it's very clear about retail. So our customers, we have a large amount of customers. So all de-carbonized products, when I talk about de-carbonized product, we talk about green product, we talk about also blue products, because in the first phase at least for the next 15 years, where we have our power plant, we have…and we have also our refineries. We are going to de-carbonize products, blue products that go through the retails. Then we have a big client for Eni, because our de-carbonized product, I talk about hydrogen, so the blue hydrogen, we are the first producer and the fist consumer of hydrogen and this is an activity with a very high CO2 emission. So we are the client to ourselves for all the blue hydrogen. Then we are also talking with big hard to abate the industrial demand, especially in

Northern Italy where they…we have been required for our services for the carbon capture. Some industry is also interested for the hydrogen, clearly not at the moment the green hydrogen because it is too expensive. But our blue hydrogen is very close to what you say the gray hydrogen that we produce with our gas, because our CCS is very…it's very, we can say cheap. So that are the possible issue of our de-carbonize product.

For the, I mean you have other, yes Pino is going maybe to expand a little bit more this…

GIUSEPPE RICCI: About the bio-product, biofuels, HVO and bio-jet, the demand must increase, because are increasing the target of decarbonization. The Europe target to reduce CO2 emission within 2030 from minus 40% to minus 55% allows us to increase the market, otherwise, there is no possibility to reach this so important target.

In terms of bio-jet, where there are no laws…a clear law, like the biodiesel, this is an improvement…a movement that is increasing...is involving a lot of countries. In particular, there are the international association like CORSIA that is pushing to put rules in for the international airplane travel to push to have at least 2% of biofuel in the jet fuel within 2025. But this percentage could improve as when all the companies put the target of decarbonization itself. And in airplane, there are only 2 ways to reduce the emissions; one is the efficiency of the engine in the aerodynamic and the second is the fuel. And there are no alternative to biofuel in the mid short time.

OSWALD CLINT**:** That’s excellent. Thank you.

CLAUDIO DESCALZI: For the last point concerning digital for our services. So I'm trying to be very brief. What we are working on, we are already creating common database and especially services for our client. It's not...I'm not just talking about the Eni gas e luce retail customers, but I talk also about our marketing…so oil marketing. And we are linking together to creating cross services and increasing the weight of our customers on the 2 branches. And that is made through digital application and digital app. So that is what we...one of the things we...I meant during the presentation. Then we have other kind of services for each kind of activity that is improved by digital, and that is something that to improve servicing and to increase organically the number of customers. This year, that was a very difficult year, organically, we grow about...we increased about 200,000 customers. So I think that…these digital breakthrough experience was very successful.

OSWALD CLINT: That's great. Thank you.

OPERATOR: The next question is from Peter Low with Redburn. Please go ahead.

PETER LOW: Hi, thanks. Just on upstream, you're targeting a 4% production CAGR over the planned period. In the past, you've not always met your production target. Can you give an indication of how much contingency is in the plan, and perhaps where you see the risks to meeting that?

And then secondly, on Slide 19, you're showing a positive contribution in 2021 from refining. To what extent is that dependent on a recovery in margins? The refining business looks like it was significantly loss-making this year, both in Europe and ADNOC. So I'm just trying to understand where the positive delta comes from. Thanks.

CLAUDIO DESCALZI: Alessandro answering for contingency in our production in upstream, and then Pino answer about margin in R&M.

ALESSANDRO PULITI: Okay. Regarding 2021 budget, we carry out around 27,000 barrels per day of contingency. This is accounting also the fact that we have also included contingency for OPEC reduction, as I said before, that this goes on top of 37 barrels that has already been deducted for OPEC cuts.

GIUSEPPE RICCI: Okay. About the expectation on refining margin, we know that the 2020 has been the most tremendous year of the century for the consumption of transport fuels for the refining system. We expect to have a recovery in 2021, and we expect the margin below $4 per barrel this year that could increase a little bit in the following years. But in any case, in this first part of the year, we are still in sufferance because of the winter, because of the continuous COVID pandemic, because of the fall of the consumption. What we expect, because of the vaccine, because of the overall necessity to grow in the economy, that starting from March...from the spring margin consumption and margin could recover. Our reaction will be the same of last year, we are pushing on efficiency, optimization of asset and synergy between refining, trading, supply linked with also our equity crude. We try to optimize the very energy scenario.

PETER LOW: Thank you.

OPERATOR: The last question from Henry Tarr with Berenberg. Please go ahead.

HENRY TARR: Hi, there. And thanks for taking my questions. 2 really, I think just to come back on the bio-refinery side. I think you talked about potentially 80% of the feedstock being waste and residues by 2023. Have you started to secure this waste and residue at this point, I mean, I guess the main sources, use cooking oil and animal fat, the pool of resources for these doesn't seem to be growing quickly in Europe, but demand is increasing quite sharply. So it would be interesting just to know how detailed your plans are there already?

And then secondly, in terms of the renewable build-out, are you looking for PPAs to facilitate and finance the new capacity or are you looking to sort of essentially cover your retail position with the new capacity? And how do you think about balancing the PPA versus merchant exposure? Thanks

CLAUDIO DESCALZI: Okay. So Pino can answer about feedstock, because the answer is, yes. So 2 second because we are very late.

GIUSEPPE RICCI: 2 second. No, our target to meet 80% of waste and residue by 2024 is due to the fact that we have a very robust worldwide trading. And we have recognized that the availability of this product, a large collection of product, UCO, Tallow, POME, and other wastes is worldwide around 35 or more than 35 million ton per year. Our strategy, as Claudio said before, is to add to the trading also the internal development of this collection of these feedstocks, also through vertical integration in order to securitize better the feedstock availability.

FRANCESCO GATTEI: Okay, about the renewable and the way to secure the finance and the growth. First of all, in our renewables activity, we are already 20% exposed to merchant…so to market, and the rest is related to PPA or contract for difference that could be incentivized or could be, let's say, renewed following the recent tenures. So this is the situation today.

In the long term, we want to reduce even further towards the 15% the amount exposed to market, but actually the idea to join together the retail with our renewable is another opportunity to edge and to cover eventual the potential risk in term of market of power prices. So that is the factor. Clearly, in terms of growth, the opportunity of growth by leveraging financing tools that are quite, let's say, keen to support this development. Clearly, we will pursue and the possibility to combine together this entity, so a strong cash generator and a growth component, it will be an opportunity to improve the capability to grow and to use financial lever.

HENRY TARR: Thanks.

OPERATOR: Mr. Descalzi that was the final question. I turn the conference back to you, sir, for any additional comments.

CLAUDIO DESCALZI: Thank you very much. I don't have any additional comment. We talked for 2 hours. So I think that is, okay. Thank you very much. Thank you for listening to us.

FRANCESCO GATTEI: Have a nice day.