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PRESENTATION

Operator

Hello, and welcome to the Repsol 1Q '19 Results Conference Call. Today's conference will be conducted by Mr. Josu Jon Imaz, CEO. A brief introduction will be given by Mr. Ramón Álvarez-Pedrosa, Head of Investor Relations.

I would now like to hand the conference call over to Mr. Álvarez-Pedrosa. Sir, you may begin.

Ramón Álvarez-Pedrosa ***Repsol, S.A. - Head of IR***

Thank you, operator. Good afternoon. This is Ramón Álvarez-Pedrosa, Head of Investor Relations. Welcome to Repsol first quarter 2019 results conference call. Today's call will be hosted by Josu Jon Imaz, our Chief Executive Officer with other members of the Executive Team joining us here in Madrid.

Before we start, I advise you to read our disclaimer. During this presentation, we may make forward-looking statements, which are identified by the use of words such as will, expect or similar phrases. Please note that the actual results may differ materially depending on a number of factors, as indicated in the disclaimer.

I will now hand the conference call over to Josu Jon.

Josu Jon Imaz San Miguel ***Repsol, S.A. - CEO & Executive Director***

Thank you, Ramón, and thank you to everyone online for attending this conference call. Today, I would like to cover the following main topics: first, I'll start by reviewing the key messages and main operational highlights of the quarter; next, I'll go through a summary of the financial results; and finally, an update on the outlook for the rest of the year 2019.

Let me start with the key messages. Repsol has delivered in the first quarter of 2019 a strong set of results, despite a weaker macro scenario and a more challenging operating environment. The adjusted net income was 6% higher than in the same period of 2018, despite first lower absent production due to the interruption in Libya, lower oil prices and a tighter refining environment.

The company has continued working around the lines of our strategy committed to increase shareholder remuneration, improving the profitability of our portfolio and developing our long-term options, all under [high stressing] financial position. Our results in the first quarter make us confident of achieving the main operational and financial targets set for 2019.

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Upstream remain focused on the successful delivery of our project pipeline, high-grading its portfolio and contributing with significant cash to the group. Compared to the same period in 2018, the contribution from newer projects had better results in exploration and on a stronger dollar more than compensated the lower contribution in Libya and lower oil price.

Upstream cash flow from operations increased by 25% year-on-year. In Downstream, the efficient management of our industrial sites together with the contribution of our asset-light businesses allow us to navigate a challenging refining environment and the negative effect of a milder winter.

First quarter result demonstrates once again the strength of our integrated model, supported on our first quartile refining system and improved chemicals. In refining, to ensure that we maximize the value capture from the new IMO regulation, we are bringing forward to 2019 maintenance work in our refineries without a material decrease in utilization rates.

In the commercial businesses, the expansion in Mexico already reached a positive result last quarter. At group level, first quarter cash flow from operations more than cover investments, financial costs and shareholder remuneration, including the impact of a significant working capital buildup.

Total cash flow from operations increased by 26% compared to the first quarter of 2018. Net debt stood at EUR 3.7 billion as of the end of the quarter, an increase of EUR 2.0 billion compared to December, driven by EUR 0.5 billion investment in treasury stock. Total financial liabilities arising from leases stood at EUR 3.8 billion. I'll elaborate later on the impact of IFRS 16.

Liquidity at the end of the quarter represented more than 2x our short-term gross debt maturities. A EUR 1 billion bond maturing last February was redeemed, and thanks to our sound balance sheet, we decided not to roll it over. Our improved financial position was recently recognized by rating agencies.

With regards to the scrip option, we had a very high acceptance rate in our last dividend payment with more than 70% of our shareholders opting to receive shares. Lastly, the Board of Directors agreed to propose [a closed] shareholder distribution equivalent to EUR 0.525 per share under our Repsol flexible dividend product. This will increase the annual shareholder remuneration to EUR 0.95 in 2019. And additionally the Board proposed implementation of our share capital reduction to offset the dilution associated with the scrip. Both proposals, of course, are subject to approval at the Annual General Meeting on the 31st of May.

Now let me move on to the operational highlights of the quarter. Starting with the Upstream. First quarter production averaged 700,000 barrels of oil equivalent per day. This was 3% lower than in the previous quarter and 4% lower year-on-year. Compared to the first quarter of 2018, production was negatively impacted by the interruption of Libya, a lower cash demand in Venezuela and the divestment of our position in Mid-Continent complete at the end of 2018. These impacts were partially offset by a higher production in Duvernay, Marcellus and Akacias in Colombia, the contribution of Mikel and Visund in Norway and the start up of Angelin in Trinidad and Tobago.

Production in Libya was interrupted on the 9th of December 2018 due to security issues in the Sharara field and remained shut down till 4th of March, 2019. Average net production in the first quarter was 9,000 barrels of oil per day. This was 20,000 -- 22,000 barrels per day lower than in the previous quarter and 29,000 barrels lower than in the same period of 2018. After restarting operations, the quality of the asset allow for a quick ramp up reaching close to 300,000 barrels of gross production per day by early April. The situation in Libya continues to be complex, Brent have been stable so far in the second quarter.

Net production has averaged around 36,000 barrels per day in April with the field producing at around 280,000 barrels in gross terms as of today. In Venezuela, production increased modestly compared to the previous quarter, linked to fluctuation in the gas demand of the domestic market. Our exposure to this country decreased to $490 million from $522 million as of the end of 2018.

Looking at our development activity in the quarter, high portfolio flexibility has helped Repsol to increase investments in a more positive commodity environment. Upstream exploration on development CapEx increased by 15% compared to the same period in 2018.

In the Marcellus, incorporation of our second rig is allowing us to increase production in our low breakeven asset that has scale synergies

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and low-cost replacement bars. The acquisition of Mikel, effective since February, allow us to grow our scale in Norway and reach a record level of production in this country. Portfolio high-grading continues focus on the drivers set in our strategic plan, merchant, value and scale. The development of Angelin reached first gas at the end of February according to plan. The facilities have our gross production capacity of 600 million cubic feet per day and Repsol, as you know, has a 30% stake. This project adds around 300 million cubic feet of net incremental resources and additionally brownfield Cassia and Matapal projects were recently approved, focus to develop the gas reserves discovered in Savannah.

In CPO-9 block in Colombia, the Phase 1 of Akacias reached 20,000 barrels per day of gross production, of which 45% correspond to Repsol. Exploration had a very good quarter with 4 positive wells out of the 7 that were concluded in the period. As of the end of March, 2 wells remain under evaluation while the remaining well was deemed unsuccessful.

In Indonesia, the Repsol operated Kali Berau Dalam well in the Sakakemang block is the largest discovery in the country in 18 years and the 7th largest discovery worldwide between 2018 and 2019. Initial estimates are for at least 2 TCFs of recovery, more reserves with relevant resource upside. This project will allow for a fast track development in an area of good margins due to high gas realization prices.

In Alaska, we will continue advancing the development after positive results in 2 appraisal wells conducted during the winter window. These results extend the Pikka discovery further south. And in Norway, the Telesto well discovered oil in the same block where the Visund field is located. And finally, after quarter closing, the operator of block 380 in Deepwater U.S. Gulf of Mexico announced a significant discovery at the Black Deep prospect. Also in the Gulf of Mexico, we have just entered into an agreement with LLOG to accelerate the development of Leon and Moccasin discoveries, where proximity between both projects provides the opportunity for synergies and efficiency gains.

Moving now to the Downstream. Starting with refining, the margin indicator averaged $5.30 in the first quarter, impacted by weak gasoline spreads. However, CCS unit margin was around $1.15 higher than indicator as the flexibility and attributes of our system together, of course, with an efficient management of the [growth] slate, allow for a higher yield of mineral distillates. The chemical business delivered average quarter as well, supported by the advantage of feedstock flexibility, higher sales and healthy international margins. Our chemical production system benefit from our ability to use up to 40% of gas feedstock.

Compared to the same period of 2018, sales and results were also helped by an improved operational performance. In the commercial businesses compared to first quarter of 2018, the positive contribution from Mexico was partially offset by a lower result in LPG due to a milder winter.

In Mexico, the number of service stations operating reached 183 out of 260 contracts already signed. We also start producing and distributing lubricants under the Repsol brand with Mexico becoming a distribution hub for lubes in America. We also became the first international company selling its own jet fuel in the Cancun Airport.

In the mobility business, the implementation of new growth levers is allowing us to maintain profitability, despite an increasingly competitive market. We also reached an important milestone with the opening of the first ultrafast charging points for electric vehicles in Spain and the Iberian Peninsula. A low carbon will reach more than 830,000 retail clients at the end of the quarter. Let me underline that today, they are 850,000 clients and we continue with our growth plans supported by our customer-centric energy supplier strategy.

Turning now to the financial results, I will summarize the main figures for the first quarter of the year and how they compare with the same period in 2018. First quarter 2019, CCS adjusted net income rose EUR 818 million, a 6% increase from the first quarter of 2018. Upstream adjusted net income in the first quarter was EUR 323 million, EUR 36 million higher than in the same period of 2018. And the stoppage in Libya, lower gas sales in Venezuela and lower realization prices were more than compensated by lower exploration costs, a stronger dollar, a lower tax due to the lower contribution from Libya.

Upstream adjusted net income increased by 12.5% year-on-year compared to a 5.5% decrease in the Brent price. Downstream adjusted net income in the first quarter was EUR 404 million, 5% lower than in the same period of 2018. A milder winter in North America and in

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Spain was partially offset by the good behavior of the refining, trading and chemical businesses on the appreciation of the dollar against the euro. In Corporate and Others, the adjusted net income of the first quarter was EUR 109 million negative, a EUR 20 million improvement compared to the same period in 2018.

Lower net interest expenses were partially compensated by higher financial cost due to the application of IFRS 16. For further details on Repsol results, of course, I encourage you to refer to the financial statements and our company documents that were released this morning.

At this point, I want to take you briefly through the impact in our financials of the implementation of IFRS 16 effective for the annual periods from the 1st of January 2019 on. In the presentation, you have a detailed summary of the estimated impacts in our P&L and cash flow of 2019. EBITDA and cash flow from operations will increase, but there is no, of course, impacting net cash as this effect is fully offset by higher financial costs.

As of the 1st of January 2019, the total financial liabilities arising from leases under IFRS 16 amounted to EUR 3.8 billion. And if the leases are added, our reported net debt at the end of March will stand at EUR 7.5 billion.

Before moving to the conclusions, let me review the outlook to the end of 2019. However, in our results in the first quarter, we maintained broadly unchanged our targets for the year, despite a lower contribution from Libya during the first 2 months of 2019 after an average production is expected to reach the 720,000 barrels of oil equivalent per day budgeted at the beginning of the year. Development activity in Baskin will continue towards achieving first oil objective in the first quarter. In Akacias in Colombia, the FID for the full development of the field is expected to be taken towards the end of the year, with that target and maximum production of 50,000 barrels per day in the medium term.

In refining, our updated margin indicator assumption for 2019 is lower compared to budget, but we expect to offset this impact partially with a higher premium in the actual CCS margin as we managed to achieve in the first quarter. These together with a somewhat higher oil price expectation make us maintain our target of EUR 8 billion of EBITDA of CCS with an organic CapEx of EUR 8 billion.

In efficiency and utilization, we expect to achieve in 2019 more than 50% of our target to 2020. In Upstream, we target EUR 0.6 billion of recurrent cash flow from operations improvement by 2020 through efficiencies and digital programs, and we are fulfilling our roadmap to deliver those savings.

In Downstream, we are incorporating initiatives to ensure our EUR 200 million of recurrent operating cash flow improvement in 2020, especially through digital initiatives, implementation of crosscutting, management initiatives throughout the business as well as crude loads optimization.

In the Corporation side, we maintained efforts in implementing lean processes and ensuring our commitment to reduce cost by 9% in 2020. I'd like to highlight the achievements in the digital side, in digitalization with more than 130 initiatives and 1,000 professionals involved, allowing us to obtain in 2019 a positive impact in cash flow from operations of more than EUR 150 million through projects already implemented and under implementation.

Furthermore, we are working on additional initiatives that are in preliminary stages that we are confident will generate additional positive impacts in 2019. As discussed before, in 2019, we are accelerating the planned maintenance in our refineries to ensure we are ready to maximize the value capture from IMO.

During the first quarter, we completed the work in the FCC of Bilbao. And this week, we have started the turnaround of the coker in La Coruña. There will be further work in Bilbao in June under turnarounds of Cartagena and Puertollano will start in September and in November, respectively. Eight months ahead of the effective implementation of the IMO 2020, we are fully confident we are now at very high level of compliance and a potential structural long-term change in marine fuel demand. Compliance is guaranteed, because a majority of total fuel consumption is concentrated in only 20% of the vessels, mostly owned by large companies based in OECD countries. Our recent survey on Puerto 3Ds forecast on 85% compliance rate in 2020.

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Our structural change in the bunkering business will make Repsol a clear winner, considering scrubbers limited penetration and the current restrictions for the supply of very low sulfur fuel oil. IMO will be not only a temporary disruption for high sulfur fuel oil, but a structural effect as well.

Finally, our performance so far in 2019 puts us on track to deliver on our targets for the year, working towards achieving our strategic objectives of 2020. We are increasing our shareholder returns subject to approval from our AGM will increase our dividend by 6% and implement a share buyback to fully compensate any dilution associated with the scrip option. We continue taking the steps in our path to grow cash flow generation. Businesses remain focused on the efficient development of our strong pipeline of attractive growth.

In upstream, we have put Angelin onstream, on time and on budget. And the important discovery in Sakakemang in Indonesia provides long-term options in one of our core and more profitable geographical areas.

In Downstream, our expansion in Mexico that combines service stations, aviation and lubricants is already contributing positively. Operational excellence, efficiency and the utilization support project delivery and portfolio improvement. Efficient management of our refining assets allow us to generate a premium to indicator, even in a challenging environment. We are at the same time reducing our carbon footprint in the whole value chain with investment in energy efficiency, while we develop and operate a profitable low carbon business, focus on both low carbon generation and elasticity commercialization. We maintain our growth path by having reached 850,000 customers. And let me highlight that we have accomplished all of this without compromising our financial flexibility.

With that, I now hand the call back to Ramón, who will lead us through our question-and-answer session. Thank you.

Ramón Álvarez-Pedrosa ***Repsol, S.A. - Head of IR***

Thank you very much, Josu Jon. In case you're run into technical problems due to the webcast or conference call, please address any problem to our e-mail address investorrelations@repsol.com, and we will contact you immediately to try to solve it.

Before moving on to the Q&A session, I would like the operator to remind us of the process to ask a question. Please go ahead, operator.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Ramón Álvarez-Pedrosa ***Repsol, S.A. - Head of IR***

Thank you, operator. Let me move to the Q&A session. Our first question comes from Alessandro Pozzi at Mediobanca.

Alessandro Pozzi ***Mediobanca - Banca di credito finanziario S.p.A., Research Division - Research Analyst***

Two questions. The first one is on the Downstream performance, I think, has been very resilient in spite of the weak macro environment with a premium of $1.5 of value you mentioned. I was wondering if you can give us maybe a bit more color what's behind that? And also my second question on, Viesgo, I think, is 6 months since the completion of the acquisition. Can you give us maybe an update on the integration and on your target to gain 5% of the market share in -- by 2025?

Josu Jon Imaz San Miguel ***Repsol, S.A. - CEO & Executive Director***

Thank you, Alessandro. I think that the premium that is $115, so 1-5, $115 per barrel is due to the flexibility of our refining system. I mean you remember Alessandro that we discussed about that when we presented the last quarter results. And the rationale behind, let me say, this exceptional premium is that the IMC is calculated on the basis of some deal of products and some prices for the year. When you have exceptional situation as we have had over the last months of depressed gasoline spreads, we have the flexibility to change not only the yield increasing a bit and maximizing the middle distillates production, but also changing the crude oil feedstock obtaining, let me say, a better view in economic terms of the refinery comparing with the structure we have defined before in the IMC. And that is the main reason -- of course, on top of that, we have to consider that in operational terms, we have had a good quarter, behind, let me say, this

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exceptional premium that is not going to happen forever and you could see things like that in case of [sale,] let me say, not very normal or exceptional spreads in some of the production in the market.

Related to the Low Carbon business, I mean, the integration has been done. I suspected in the plan. As I said before, we started with 750,000 clients at the beginning of November, when we started the journey. And today, we have 850,000 clients in this business. That means that in these first months not only integration has been the target, not only, let me say, put in place all the systems and so on, but also we have been able to increase 100,000 clients -- the clients of our Low Carbon business in electricity and gas. And on top of that, I mean, we maintained, of course, the targeted 2.5 million clients by 2025 that will have the -- before. And we're working on building, the renewable capabilities, the renewable generation capabilities, and we are doing that organically, internally and on top of that, of course, we are -- if we see or we will see any kind of, let me say, as I have underlined a lot of times in organic possibility of building capabilities, I mean, not buying, let me say a huge amount of assets in operation and so on. I mean, we'll do it, but the main driver is going to be this combination of organic acquisition plus inorganic capabilities or either pipeline. Thank you.

Ramón Álvarez-Pedrosa ***Repsol, S.A. - Head of IR***

Thank you, Alessandro. Our next question comes from Oswald Clint at Bernstein.

Oswald C. Clint ***Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst***

I wanted to ask you about your -- the Upstream cash flow. You mentioned it was up strongly, I think, 25% year-over-year. I just want to get a sense of which new fields are really contributing to that? I don't -- probably wasn't very much on Trinidad, so I guess it's really that your shale plays in North America or Colombia perhaps a little bit of the Norwegian oil -- sorry, gas condensate asset. So I just wonder if you could split or somehow that cash flow growth across those couple of key assets, which have been growing? And then secondly, just talking about exploration, which seems to have picked up in the quarter, and you mentioned that was a good quarter. But you got some interesting new discoveries here in the Gulf of Mexico and obviously Indonesia and Norway, so how is that making you thinking about perhaps allocating a bit more capital to the Upstream and perhaps looking at some higher levels of medium term production growth given the costs are so low to develop today, please?

Josu Jon Imaz San Miguel ***Repsol, S.A. - CEO & Executive Director***

Thank you, Oswald. I mean, what is behind this new production is the growth in Norway. I mean, Visund and Mikel are a new production entering in Norway. In Colombia, we have the growth in barrels of the CPO-9 and the JV we have with Ecopetrol in the country. On top of that, we have increased our productions in the Marcellus and the Duvernay in North America. And on top of that, we have also increased [avatar] production in BBTT in Trinidad and Tobago. That is the main reason behind the cash flow and the balance growth in the Upstream, that, of course, has been offset by the disruption in January or February of the production in Libya. I mean, going to the exploration, I mean, we had a real great quarter that this in some way also behind the results of the E&P in this quarter, because we have quite significant discoveries. You mentioned, Indonesia, Sakakemang. I could add Telesto in Norway in the block of Gudrum. Blacktip, as you mentioned in the Gulf of Mexico, on top of that we have had also 2 positive price also in the Pikka B area in Alaska. I mean, that is behind the reduction of cost in exploration in this quarter. And I agree with your point, I mean, that is an opportunity to apply the capital allocation and to find new opportunities. For instance, we are going to try to accelerate the Sakakemang, the next step of this acceleration is going to be. I knew well that is going to be drilled this year in the third, fourth quarter in Sakakemang in this exploration bed we have in this area. And after let me say, this confirmation on appraisal of assets, of resources, I mean, we are going to try to accelerate as quick as possible, Sakakemang development project in Indonesia. On top of that, we are applying this additional capital also trying to accelerate the CPO-9 in Colombia. Remember that 4, 5 weeks ago, we announced that we are anticipating the next development phase in the area. We are preparing the taking process of the FID for the CPO-9 at the end of 2019, the beginning of 2020. What we are going to do this year after the deal, the agreement with LLOG combining the geological capabilities of Repsol and the operational capabilities of LLOG in the Gulf of Mexico with Leon and Moccasin is another way to try to find opportunities to accelerate the capital allocation. So we are going to go on in that direction and of course, exploring also in areas that are important and key areas for Repsol. This year, Guyana is going to be there. On top of that, we are preparing the exploration campaign for the beginning of 2020 in Mexico, where we expect to drill in I think that there are the blocks 10 and 29, I have in mind, but perhaps in Mexico, 3 wells in 2020. So we are trying to apply more capital there. Thank you, Oswald.

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Ramón Álvarez-Pedrosa ***Repsol, S.A. - Head of IR***

Thank you, Oswald. Our next question comes from Thomas Adolff of Crédit Suisse.

Thomas Yoichi Adolff ***Crédit Suisse AG, Research Division - Head of European Oil & Gas Equity Research and Director***

Couple of fairly straightforward questions, please. Just firstly on the 2019 production guidance of 720 KBD. I think it initially assumed 35 KBD from Libya and 50 KBD from Venezuela. And I was wondering what the contingency buffer was to reach that target at the start of the year? And then secondly, just going back to refining, you've now had 2 quarters in a row exceeding a premium of $1 per barrel over the indicator. And I think historically, if you take the annual average, it was around $0.4, $0.5, admittedly that also incorporated a bit more maintenance. So I was wondering, versus the historical average, should we be thinking closer to 1? Or should we be thinking about something in between or going back to the historical average? And then finally just on the Low Carbon business, since you -- I don't think you split it out. I wondered what the quarterly contribution to the net income was?

Josu Jon Imaz San Miguel ***Repsol, S.A. - CEO & Executive Director***

Thank you, Thomas. I mean, first of all, let me say that today in Venezuela, we have produced in the first quarter a bit more than expected, mainly in gas production in our budget and in the fourth quarter of 2018, that's my first approach. The second one is that, I mean, in Libya, we are not going to be in the 35,000 barrels per day that we expect to produce around 29,000, 30,000 barrels per day at the average for the whole year. These reductions could be offset by an increase of production in Colombia. I mean, we are accelerating the CPO-9, and we are going to produce more than expected at the end of the year. In Peru in the Block 57, mainly Sagari and Kinteroni, we are going to increase the production of mainly of gas. In the U.K., we are going to be 2,000, 3,000 barrels per day evolved expectation we have at the beginning of the year. And same thing in Nigeria, where we are going to be a slightly above the expectation we have in our budget and same thing in Bolivia. I mean, that is the main rational to say that, I mean, that even with the risks that are always there because I don't have unfortunately some -- a crystal ball but that the guidance of 720,000 barrels per day is still there. Thank you.

Second one, the premium. I mean, and the increase I've seen, let me say, average spreads for gasolines for diesel and so on, I mean, the logical premium will be to have $0.3, $0.4 per barrel, as I said before in historical terms. What is exceptional? Now, a part of the pie over the last 3, 4, 5 months, I mean, we have seen things that are -- they have been really new in the market, for instance, a serious spread or even negative spreads for gasoline some weeks. So when you have this, let me say, non-usual things, you could react and you change the feedstock you changed your -- the deals the way to open the refinery. Remember that, we have a 5% of our production of our yield that could shift with any kind of investments from middle distillates to gasoline, changing the -- in some way, catalyst, changing the conditions of operations, changing the crude oil and so on. So that is behind, let me say, the exceptional premium. What do we expect for the whole year? That's not easy to answer because that is going to depend on the structure of our spreads. But let me say, I think, that is going to be something, as average of the year closer to 0.8 something like that than to 0.3 that could be that historical. Of course, here you have to take into account also the contribution of the first quarter.

Going to the Low Carbon business, the contribution, I mean, of the -- the guidance for the EBITDA for the year will be more or less EUR 60 million for the current assets. We have the guidance for the EBIT of the year will be at around EUR 30 billion. And this quarter, the EBIT has been EUR 4 million, I mean, on the expectation I mean it's not certainly the first quarter multiplied by 4, because we have to take into account that we are, of course, starting with the business integrating, developing some systems and so on. But I think today with the current assets we have in our hands, EUR 60 million of EBITDA, EUR 30 million of EBIT will be good guidance for the contribution of the Low Carbon business for the whole year. Thank you.

Ramón Álvarez-Pedrosa ***Repsol, S.A. - Head of IR***

Thank you, Thomas. Our next question comes from Flora Trindade at CaixaBank DDA.

Flora Mericia Trindade ***CaixaBank, S.A., Research Division - Analyst***

First one on refining, can you give us the refining margin that you have. witnessed during the month of April? And also related to this, you don't mention clearly the $7.6 per barrel margin you have given in the previous presentation. Just wondering if maintenance could have

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some impact here and likely to become compensated with the spread over the benchmark or if you are maintaining the effective $7.6? And then second question on Venezuela, there was some news flow around the potential cancellation of the cargos from PDVSA. Can you just update us on the situation there?

Josu Jon Imaz San Miguel ***Repsol, S.A. - CEO & Executive Director***

Thank you, Flora. I mean, first of all -- I mean, you are right. The spreads -- sorry, the refining margins in April are weak. I mean, I was checking this morning the full margin we are capturing, and it goes slightly below $5 this April. So that's through and you are right, it's slightly below $5 per barrel. If we take what could happen in the future, of course, here I'm entering on a speculative analysis. We could expect some kind of improving of gasolines in the second quarter as far as the driving season in North America goes on. And on top of that, our expectation is that from the third quarter on and that is going to be clear in the fourth quarter and that is reflected in some way in the future markets. The effect of the IMO is going to be there. That means that the middle distillate spread is going to increase. On the other hand, we are going to have -- at the end of the year a higher discount for fuel oil. And as a consequence of that, we are going to see also a wider spread of heavy lights at the end of the year as a consequence of the influence of the IMO. I mean, I don't know if the $7.6 per barrel of IMC is going to be there for the whole year. But my expectation is that our potential reduction taking into account that we have in April, so what is happening now is going to impact. The average of the year is going to be in a main way offset by a higher premium in real margin terms. And let me say take into account what I'm saying now, take into account what is happening with the oil price and so on, I mean, I'm quite comfortable about the full year EBITDA guidance for 2019 at around EUR 80 billion for the whole Repsol. But it seems to me that this effect on the IMS MC as we have seen in some way in this first quarter is going to be either partially or totally offset by the improvement of the premium. And the maintenance is not going to impact in any rigid way. I mean, first of all, because we have maintained 3 out of our 4 cokers in 2017 and 2018. Secondly, because we have -- 3 have main maintenance turnovers this year. One of them the FCC of Petronor is over. I mean we complete in the first quarter this maintenance turnaround. The second one, the coker of Coruña., that is the smallest of refineries is on track and the third is going to be the Hydro treatment area of in Cartagena in December.

So I mean we are going on with this maintenance period. Some units of Puertollano are going to be stopped in October, but the conversion utilization rate is going to be similar to what was in 2018. So we are not going to see, let me say, a negative impact on the premium due to this maintenance activities in our refineries. Thank you, Flora.

In Venezuela, regarding Venezuela, I mean, let me say, Flora, that we reaffirm our willingness to continue with our businesses in the country as we have done over more than 25 years. And of course, we are going to prioritize the safety of our people and operations. Of course, we operate in the country with full compliance to local and international laws and all the policies in force in the different countries in which we operate. And we continuously monitor potential changes and the effect of these changes in our activities, but let me say that regarding the cargoes from PDVSA, I mean, we're going on with this operations. And since September, related to Petroquiriquire, we are receiving our cargo every month, and we have received since September. I have in mind 4, 5 cargoes-- 5 cargoes, I think, related to the payment of the debt linked to carbon. So of course, we are going to fulfill all the local and international laws and policies in force in the different countries, where we operate that we are maintaining this operations of all cargoes from PDVSA to pay the debt they have with Repsol. Thank you.

Ramón Álvarez-Pedrosa ***Repsol, S.A. - Head of IR***

Thank you, Flora. Our next question comes from Giacomo Romeo at Macquarie.

Giacomo Romeo ***Macquarie Research - Analyst***

I'm going to ask about the headlines that came out today so just the U.S terminated your negotiation with KKR on X-Elio. And I'm wondering if we should read these as a signal that you are struggling to find inorganic renewable opportunities at a price that fits your return thresholds. And since we are on this topic, could you please remind us what sort of inorganic ambitions you have in solar? And what's type of assets and businesses you are able to consider acquiring?

Josu Jon Imaz San Miguel ***Repsol, S.A. - CEO & Executive Director***

Thank you, Giacomo. I mean, first of all, let me say that I don't know if I was in and I don't know if we are out now because we don't disclose any kind of participation in any M&A operation we are or we could be potentially involved. So my only point is and I have

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underlined in this conferences a lot of times these statement. I mean, we are going to invest or -- inorganically only if we see real value, and only if we see returns that fits with what we could expect for non-oil and gas company. I mean -- and to do that in the renewable business, we have to see clear integration with some other businesses of Repsol. We have to see clear capabilities to develop and to take the whole value chain in the renewable side to build the operational maintenance capabilities we need and of course, to take risk selling a main part of this production in a merchant way. So we are going to invest in any organic way. We are going to go on struggling to find opportunities, mainly organic opportunities, and hypothetically inorganic opportunities, but only if we see clear opportunities there. On top of that, our ambition is clear. By 2025, we have the target and the ambition to operate 4.5 gigawatts of energy, power, production to be an actor in the Spanish market having a 5% of the retail market. In the gas market to have a market share about 15% in the Spanish market and that is our ambition, it's our target.

We are on track, and we are going to go on trying to deliver these objectives, but always under our principle, creating value for our shareholders, trying to integrate all that with the different businesses we have today and with the returns, you have to expect and you could expect for an oil and gas company. I mean we are not going to invest everywhere because we have investment targets. We have growth, yes, but mainly profitability targets on track. Thank you.

Ramón Álvarez-Pedrosa ***Repsol, S.A. - Head of IR***

Our next question comes from Lydia Rainforth of Barclays.

Lydia Rose Emma Rainforth ***Barclays Bank PLC, Research Division - Director & Equity Analyst***

Three questions, actually, please. The first one, can you just talk us through the cash tax number that seems to be a little bit lower than I'd have expected for the quarter, just what you'd expect for the full year? The second one was just coming back to the refining side and the premium that you've got, I think it was about a year ago, you signed an agreement with Google to talk about the artificial intelligence deployment and, say, managing the refinery. Are you seeing an impact from that already coming through? And then the third one was, I'm sorry to just come back to the IMO 2020 and the uplift that to get back to margins there. Are you disappointed with how the markets played out so far in this year? And is that what you anticipated ahead of IMO coming in?

Josu Jon Imaz San Miguel ***Repsol, S.A. - CEO & Executive Director***

Thank you, Lydia. I mean, looking to the tax numbers, I mean, the first point is, if we go to the P&L and the tax percentage is lower in the E&P, as you could see. The main driver behind this tax number is the basket of production we have had over the quarter. And as you could imagine, the impact of Libya is very important because the high tax rate that the Libyan operation has. So that is the main rationale behind this number that has been also translated to the cash side of the tax.

On top of that, you have a small calendar effect that I think that is impacting some of our Spanish operations, that is the main cash -- the rationale behind the cash tax number. And the guidance, going to the guidance of 2019, I mean, in cash terms, let me say that the best guidance I could put today on the table is something in between 45%, 49% tax rate for the E&P production, but that is going to depend, of course, of the basket of productions 24%, 25% for the Downstream as in general terms and depending on prices and so on. But you could see something close to the 31%, 32%, 33% for the whole company. 33% of -- sorry, close to 40% for the whole company. That could be the guidance for 2019. The refining side, I mean, the Google project is one of the 139 projects we have on track today in our businesses. And we are working in digital initiatives either in the industrial side, mainly refining, also chemicals, in the E&P, and in the corporate side. And it's true that the refining could be in improvement terms perhaps a 30% more or less of the whole digital targets we have. So that means that we could have [those sensors] of initiatives today working in the refining business. And the refining business has improved over the last 15, 16 months, thanks to the digital initiative. And the most important digital initiative in the refining business has been the optimization using the data pool we have in our refinery are here. I'm including the feedstock, the different kind of crude oils, the consumption in energy terms, I mean in high-level terms of these crude oils; the situation in the market, the deal of every unit, the consumption of energy and hydrogen in every unit and so on. I mean trying to optimize the programming and the planning of the refinery substitute in some ways the programming tools we have in the past with the new tools we are developing, thanks to the digital. And I'm including, for instance, the Siclos initiative that Libya is the way to translate one operator in a direct way that the operation he or she is leading to the real figures and numbers of the profit of the unit. So that means that we are including in this interface between the

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operator and the screen, everything related to market, to operational features and so on. So the impact over the last 15 months of this digital project in the refineries could be at around EUR 26 million, EUR 27 million of improvement over the whole year, thanks to these digital initiatives in the refining side. That could be close to $0.1 per barrel of improvement in 2018. And on top of this initiative, I mean, we have the aspiration of the target to improve these figures in 2019.

Are we disappointed with the impact of the IMO so far? No, Lydia. I mean, if you see -- if you talk about the today's situation in the market, I mean, I have to say, yes, because we have not seen any kind of impact from the IMO today. But as we have had the opportunity to discuss, in the past, we see that the rational of the IMO is going to come mainly in the fourth quarter of this year. And if we see growth the future markets is anticipating for the last quarter of this year and by 2020, I mean, I think that our approach of improving EUR 1.05 per barrel of refining margin, thanks to the IMO, is quite prudent. And all the expectations coming from future markets, from analysts and so on, are above this figure. So we are expecting a clear impact from third, fourth quarter on. Thank you, Lydia.

Ramón Álvarez-Pedrosa ***Repsol, S.A. - Head of IR***

Our next question comes from Chris Kuplent from Bank of America.

Christopher Kuplent ***BofA Merrill Lynch, Research Division - Head of European Energy Equity Research***

Not much left. I just wanted to see whether you can give us a little bit of color on headcounts. Firstly, it looks like it's been a strong contributor to the first quarter. Anything you can tell us about the remainder of the year and how you see that going forward? And secondly, of course, other than low carbon, this is also an area of growth that you've allocated extra budget towards. I'm afraid, I haven't spotted a huge amount of progress in terms of growing that business organically or inorganically, so perhaps, again, if you could update us on the status quo in that regard?

Josu Jon Imaz San Miguel ***Repsol, S.A. - CEO & Executive Director***

Thank you, Chris. I mean, first of all, as you know, the general business sound of the chemical business, this first quarter has been a bit lower than the fourth quarter of the year or the last -- let me say, the first quarter of 2018, due to the increase of naphtha prices. And I mean, the difficulty in the short term to translate these prices to the polyols. But I think that we have had 2 advantages. The first one, in operational terms, this quarter has been a high-performing quarter in operational terms, in our chemical business. Remember that when you compare with the first quarter of last year, we started the quarter having some operational problems in the cracker of Tarragona and at the end of March or at start -- at the beginning of April, we started with some problems in the Sines cracker, and this effect is going to be clear in the second quarter and the third quarter of the year. That is the first point. And the second point is that we have quite flexible capacity of putting the feedstock in our crackers. And we have been able to feed a 40% of the feedstock of our crackers using different gases, say, LPG mainly, and also ethane coming from some streams from our refinery. So thanks to this combination of flexible feedstock plus a quite good performance in operational terms. Over the quarter, we have been able to have a good quarter.

Our best guidance for this year, I mean, I'm going to maintain the guidance we announced at the beginning of this year, at around EUR 350 million, EUR 360 million of EBIT for the whole year 2019 because we have to take into account that in the last quarter we have the turnaround process of the cracker of Tarragona that you know that is the main unit in operational terms of Repsol. The low carbon business, I mean, the capital allocation we have budgeted for the pay of 2018/2020 in our low carbon business has been EUR 2.5 billion. That was announced in our Strategic Update in June 2018.

Up-to-date, we have invested EUR 1 billion more or less, I mean, EUR 150 million coming from Viesgo, a better set. We have on track EUR 1 billion because we have invested EUR 750 billion in the acquisition of Viesgo, EUR 20 million in the acquisition of pipeline of Valdesolar, and we are going to invest from -- in coming months EUR 200 million, EUR 210 million, more or less, to develop the 260, 265, I think, megawatts of Valdesolar, the photovoltaic project in the Southwestern part of Spain.

So the main growth we are going to push is in the retail, in the gas wholesale. On top of that, we are trying to identify a pipeline that we may acquire and recall construct, develop, and operate with our own resources. You have to take into account that we are recruiting people, best class people in the -- in our market to operate our assets. In Spain, we have great things, but one of them is that we have strong operational capabilities in the renewable sector because the history of this country over the last 20 years. So we are recruiting people organically, and we are combining these people with the engineering capabilities we have in the company. Remember again that

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we developed some projects in the North Sea in the past, and we are going to put, of course, a part of the focus in the organic side that is normally the most profitable way to get returns. But on top of that we are fully open to be also be all selective in the organic side, but mainly trying to identify capabilities, developers, pipeline, not exactly assets in operation. And the update -- I mean, we've -- today, we are confident to fulfill the targets we establish and we define in our strategic update. But let me underline, again, more important than fulfilling the targets. We are always to ask the return you could expect in an oil and gas company to be involved in this business.

Ramón Álvarez-Pedrosa *Repsol, S.A. - Head of IR*

Our next question comes from Rob Pulleyn at Morgan Stanley.

Robert John Pulleyn *Morgan Stanley, Research Division - Analyst*

You've covered a lot of ground. So just one question. In terms of the upgrading of the Upstream portfolio that you have talked about in the past. Obviously, lots of exploration successes, great to see, and many of your projects are progressing. I just wanted to ask in terms of the inorganic side of the Upstream portfolio, as you look at what you may want to keep and may want to acquire, do you consider that you would be an acquirer or a disposer first?

Josu Jon Imaz San Miguel *Repsol, S.A. - CEO & Executive Director*

Thank you, Rob. I mean, the idea of (inaudible) were -- I mean, I asked Tomás, the personal-led in the E&P business, to dispose and to invest at the same time, but that is not possible, I mean, in real terms, because you have -- you can't match in real time in those kind of operations. But I mean, I want to underline that we have disposed. Over the last 2 years, we have disposed Tangguh. We have -- in Indonesia. We have disposed Kitan in Australia. We have disposed the old site Trinidad and Tobago. We have disposed Mid-Continent. We have disposed our assets in Romania. We have disposed Gabon. We have disposed Angola. We have invested in Norway in the Gudrum. We have invested in Mikel. We have invested in Visund. I mean, we are active, trying to update and to highlight and upgrade our portfolio. We are going to go on and sometimes perhaps, you will see movements in the market where we are acquiring assets in an organic way and perhaps, you could see later or sooner, who knows, that we are also disposing. I mean, my message is that under the principle of being, let me say, in the whole picture, neutral or slightly positive or negative in investment terms, I mean, don't expect large acquisition of -- in our portfolio, but under this principle, we are going to try to upgrade and to high-grade the portfolio we have now. And sometimes perhaps the opportunities to divest will be more profitable than the opportunities of investing or just the opposite.

Ramón Álvarez-Pedrosa *Repsol, S.A. - Head of IR*

Our next question comes from Matt Lofting of JPMorgan.

Matthew Peter Charles Lofting *JP Morgan Chase & Co, Research Division - VP*

Two, if I could, please. I mean, first, coming back to refining and IMO, you've outlined bullish picture on IMO into 2020. To ask a question in a more forward-looking way, when you look into the second half of the year and beyond, are there any specific industrial data points or events that you'd suggest investors look to as proof-of-concept, the IMO is becoming a reality and within that when do you expect commercial marketing of a new very low sulfur fuel grades to take effect? And then second, CapEx, the run rate on the first quarter looked low versus the full year organic guidance. I know that's often the case seasonally, but what are some of the key activities or projects that you expect to get CapEx higher through the rest of the year to take you to EUR 3.8 billion?

Josu Jon Imaz San Miguel *Repsol, S.A. - CEO & Executive Director*

I mean, the vision or the view we have about the IMO, I have expressed before this view. My point is in some way supported, but what the forward -- the future markets are anticipating today. In my perception, these forward markets could be right because I mean, the enforcement and the compliance is going to be there. And the most profitable or the most logical way. And the only way for some people to new adapt to the newer specifications in the emerging sector is going to be to shift from fuel oil, from high-sulfur fuel oil to gas oil, so the rationale is there. But again, we are flexible to adapt our operation to the different realities. I mean, we are prepared to have a 0, a high-sulfur fuel oil production in our Iberian system at the end of this year. We have the spare capacity in the cokers of Coruña and Bilbao to use either the current fuel oil production in Bilbao or the production in Tarragona that we may transport to Bilbao -- to Coruña, sorry, to feed the Coker we have in that refinery. But at the same time, we are also flexible to produce some small production of low-sulfur fuel oil using a different feedstock of crude oil and blending. In some cases, this fuel oil with gas oil -- I mean, we are prepared for every situation.

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My point is that it seems to me that is going to be more efficient, more profitable and with more margins in the market to produce with a full high conversion system, middle distillates, when you have 4 cokers in 5 refineries that is going to be more profitable and markets are anticipating all that, that produce low-sulfur fuel oil, blending your bottom of the barrel with low-sulfur gas oil. So that is my view that we are prepared for any situation in a flexible way. So going to the CapEx for the rest of the year, I mean, we maintained the guidance for the whole year at around EUR 3.8 billion for the whole year. And I'm not including here, as I said, also 3 months ago, any kind of opportunities in the low carbon business that as you know, we are using, in capital allocation terms, that EUR 2.5 billion coming from the disposal of Gas Nat that I consider before, that my best approach for this year, for the CapEx is 3.7 -- sorry, in euros EUR 3.7 billion for the whole year. You know that sometimes the first quarter and that happens almost every year, the CapEx execution in the first quarter is a bit slower than the rest of the year. And we are, of course, rescheduling the year, but EUR 3.7 billion will be our first -- our best guidance and approach now.

Ramón Álvarez-Pedrosa ***Repsol, S.A. - Head of IR***

Next question comes from Alwyn Thomas at Exane BNP.

Alwyn Thomas ***Exane BNP Paribas, Research Division - Analyst of Oil and Gas***

I just wanted a quick follow-up on the low carbon business. Would you consider investing outside of Spain, specifically because more areas are now starting to open up and seem to be a reasonable amount of opportunities available?

Josu Jon Imaz San Miguel ***Repsol, S.A. - CEO & Executive Director***

Thank you, Alwyn. My answer is yes. I mean, theoretically, yes, but saying that because we are going to prioritize returns. It makes sense to invest firstly in places where you have a better possibility to integrate all businesses. I mean, in Spain, we have a significant base of customers. We have EUR 10 million clients in this country. On top of that, we are the main gas consumer in Spain at 12% of gas production in Spain comes from our industrial sites. We consume 1.5% of Spanish total market power. We are an actor in the power wholesale market in Spain. So it makes sense to start investing in Spain to develop this kind of businesses because we have a solid and strong position in the market. On top of that, I mean, after having the capabilities, you have a good developer. I mean, we are ready to analyze some other developments in some other parts of the world. But I think that didn't make sense starting from Spain.

Alwyn Thomas ***Exane BNP Paribas, Research Division - Analyst of Oil and Gas***

Okay. And can I just follow up with a second question. I appreciate you're very focused on IMO 2020 this year and next, but beyond that and perhaps this -- to 2025, where do you see your sort of investment plan in the Downstream in terms of product output? And how that might change in the slightly longer term?

Josu Jon Imaz San Miguel ***Repsol, S.A. - CEO & Executive Director***

Could you repeat the question, Alwyn?

Alwyn Thomas ***Exane BNP Paribas, Research Division - Analyst of Oil and Gas***

Yes, sorry, I was just asking whether you're able to give a little bit more guidance on what your plans might be for investments in changing your yield output in the Downstream business maybe refining and chemicals beyond IMO 2020 to 2025 sort of period?

Josu Jon Imaz San Miguel ***Repsol, S.A. - CEO & Executive Director***

I mean, we see Repsol, first of all, investing in the -- EUR 1 billion in our Downstream businesses per year. Investing, let me say, EUR 600 million -- EUR 500 million, EUR 600 million to maintain and to have a more efficient system in the Downstream and EUR 300 million, EUR 400 million per year to grow in light assets. I mean, we have the ambition to have, in coming years, as we have today, the most profitable and competitive refining system in Europe. On top of that, in the chemical business, we have the ambition to be leaders in the world in some niches like the rubbers, the polyols and so on. And in the commercial side, I mean, we are building value and opportunities around the client, around the customer and around the service points we have today in our service stations. So we see Repsol investing in the Downstream businesses, including, of course, the refining business in coming years in this direction.

Ramón Álvarez-Pedrosa ***Repsol, S.A. - Head of IR***

Our next question comes from Kim Fustier at HSBC.

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Kim Anne-Laure Fustier ***HSBC, Research Division - Analyst of Oil and Gas***

I just had 2 questions, please. The first one is just on LNG. In the last 6 months or so, I noticed that you've signed a couple of LNG supply deals, one from the U.S. and the other from Russia quite recently. And I was wondering if you could give some color on the rationale and maybe the pricing of these deals. I think you're planning to shift this LNG to Spain to supply your own Gas & Power business, but any color you can share on that would be helpful. And just secondly, just, if you could give a bit more detail on the Leon and Moccasin developments in the U.S., Gulf of Mexico. For example, when do you expect to take FID? And when do you see first oil?

Josu Jon Imaz San Miguel ***Repsol, S.A. - CEO & Executive Director***

Going to the gas contracts, I mean, we closed our contract with ventures, 1 BCM, I remember, in the Gulf of Mexico. In August, that is going to be confirmed in coming months after the confirmation of the development of that project taking that in July this year. And on top of that, we have MOU to analyze the possibility to buy 0.4 BCMs coming from the North part of Russia for MOU. I mean, you have to take into account, Kim, that we have a consumption today in our refineries and chemical plants of around 3.5 BCMs. And on top of that, we have a consumption that is close to 0.8, 0.7 BCMs coming from our CCGTs and our position in the gas market.

So all in all, our consumption level is at around 4.1, 4.2 BCMs as a whole. We are growing in this market. And the current position we have with all the contracts we have in our hands, today, I think that is 3.3 BCMs, 3.4 BCMs coming from the Gulf of Mexico. And we are adding to this basket, let me say, some other position coming from some other places. So that is our rationale of having a diversified basket of feedstock, not feedstock, sorry, of gas for our industrial sites and our market. And we have to take into account that Spain is decoupled from the Europian Continent in logistic gas terms. So the real opportunities we have to feed the Spanish market, they come either from the pipe or connecting Northern Africa and Spain. All the LNG plants where we have a good position as an Atlantic player, very close to the Gulf of Mexico. On top of that, I mean, Leon and Moccasin, first of all, we have to have the confirmation, thanks to the -- as a consequence of the well that is going to be drilled in coming months to appraise the Leon project. And probably, we will take the FID of the whole a combined project in 2020 at around the third quarter, more or less. And the most -- I mean, the closest approach I have today, it will be to see the first oil in the project at around the first -- at the end of 2022 or the first quarter of 2023. The gross production of the area will be at around 35,000 barrels per day oil. And we have a combination of stakes in 50 Leon, 30 Moccasin, so it will take, let me say, 10,000, 11,000 barrels per day, more or less, net production for Repsol. But I mean, I still underline we have to go ahead step-by-step.

Ramón Álvarez-Pedrosa ***Repsol, S.A. - Head of IR***

Next question comes from Jason Kenney of Santander.

Jason S. Kenney ***Grupo Santander, Research Division - Head of European Oil and Gas Equity Research***

I'm looking forward to your field trip next week for analysts as well. Just want to go back to the CapEx theme, what are the chances that your EUR 15 billion over 2018 to 2020, actually comes in closer to EUR 13 billion, EUR 14 billion?

Josu Jon Imaz San Miguel ***Repsol, S.A. - CEO & Executive Director***

I mean, Jason, we have in our strategic update, EUR 11 billion for our Upstream and Downstream either sustained growth or improvement efficiencies targets. And we have EUR 4 billion, EUR 1.5 billion of them for the international expansion of our -- of the Downstream businesses and EUR 2.5 billion for the low carbon business. I mean, I have underlined this message a lot of times. I'm going to prioritize the return over any kind of consideration of fulfillment of any kind of targets. So in case of having projects, enough projects to grow, we will invest with the returns we expect. And in case of having, let me say, an excess of cash at the end of 2020, the next step will be to proceed to an additional buyback of shares in Repsol. Today, my first or my best approach, I mean, I think that we could invest in the best guidance, I may give you today, EUR 10.7 billion, EUR 10.8 billion out of this EUR 11 billion. We have EUR 1.5 billion for the downstream growth, EUR 2.5 billion for the low carbon businesses that we are going to try to find opportunities to invest in these areas with the profitability we are looking for. I mean, that is our best guidance today. We are not going to be far from this EUR 15 billion figure, all in all, but I insist, Jason, in case of not having opportunities to invest with the return we expect, we will proceed to an additional buyback of shares, no doubt about that.

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Ramón Álvarez-Pedrosa ***Repsol, S.A. - Head of IR***

Next question comes from Jon Rigby at UBS.

Jonathon Rigby ***UBS Investment Bank, Research Division - MD, Head of Oil Research and Lead Analyst***

I just wanted to come back on the sort of combination of the outlook that you've described around CapEx production. And then, obviously, the introduction of potentially these LLOG projects in the Gulf of Mexico, potentially, I guess, Blacktip, which I think Shell are very engaged in trying to accelerate in Indonesia. It seems that given that you have a fairly disciplined view about where you want to be on production and a disciplined view on where you want to be on CapEx, does that start to say that some of the other projects in the portfolio, some of the predevelopment projects that you've had there for a while start to look a little stale? I'm thinking particularly about Brazil, where those very large-scale projects don't really seem to stick with your philosophy for the Upstream. And does that start to or does this whole issue start to raise the prospect potentially that you would want to exit either Sagitario or BMC 33, 1 or either of those 2 projects?

Josu Jon Imaz San Miguel ***Repsol, S.A. - CEO & Executive Director***

Thank you, Jon. I mean, I said, no, in general terms. But as I said -- I have said over the last month, I mean, if we see opportunities of additional cash because, I mean, the oil price is above $50 that was the baseline of our strategic update. And we see additional opportunity. I mean, we are ready to increase a bit the CapEx, but always looking for places or assets where we could have clear advantages. And in the case of the Gulf of Mexico, I mean, it's clear, we have synergistic opportunities combining the Moccasin asset and Leon. And in this case, we are combining all that with a very good operator in deepwaters in the Gulf of Mexico, we see synergies there. And on top of that, the core AC/DC's project are still a core in our portfolio. And we are going to -- we have appraised 2 Pikkas, Pikka B in Alaska, we have a third drill -- appraisal drill in Alaska on track, that is Pikka C. It seems to me that we are going to be on track to take the FID of Alaska probably in 2020 at the end of next year. And on top of that, we are also looking for new opportunities in the North Sea, in the South East Asia and so on. So -- but let me say, today, with the CapEx expectation we are applying, we are able to be on track and to go ahead with all the projects we have in our basket. And in case of seeing new opportunities, profitable opportunities, I think that we have enough cash to cope with them that as I said before, always put in the return on profitability, return on some in our decisions.

Ramón Álvarez-Pedrosa ***Repsol, S.A. - Head of IR***

Next question comes from Yuriy Kukhtanych, Deutsche Bank.

Yuriy Kukhtanych ***Deutsche Bank AG, Research Division - Research Associate***

Two questions from me, please. First on Libya, could you please comment on the liftings of crude oil production in Libya. How frequent are the cargoes currently? And have you actually shipped anything in March and in beginning of April from the country? That's the first question. And the second question is, on very low-sulfur fuel oil. You mentioned in the beginning of the call that there are some restrictions on the market currently. Could you please elaborate on these restrictions?

Josu Jon Imaz San Miguel ***Repsol, S.A. - CEO & Executive Director***

We didn't have any lifting in March, and we have a lifting in April. So I mean, that's the situation. The liftings, very generally, has been done in a normal way. But in Libya, we were underlift in March, and we lift the crude, the cargo in April. So that is working in a normal way. When you say that fuel oil restrictions, you are talking -- sorry, could you repeat that.

Yuriy Kukhtanych ***Deutsche Bank AG, Research Division - Research Associate***

Yes, I understood that you mentioned that there are currently some restrictions on the very low-sulfur fuel oil market, and I was just wondering what you mean by that in the beginning of the call.

Josu Jon Imaz San Miguel ***Repsol, S.A. - CEO & Executive Director***

I mean, it seems to me that we are going to see a reduction of demand in the high-sulfur fuel oil market due to the IMO new rules. And it seems to me, also, that is going to be more profitable for our refiner in case of having the units -- the coking units they need to produce middle distillates, to produce low-sulfur gas oil that to try, let me say, to produce for someone that has had low conversion rate in the refinery taking the fuel oil production, use sweet and light oils to produce a low-sulfur fuel oil, blending this fuel oil with gas oil that is going to be an expensive product, due to the widening process of the middle distillates spreads, and this process is going to be possible,

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of course, but margins for someone with a strong coking capacity able to produce 0 fuel oil and to maximize the middle distillates low-sulfur production margins are going to be better in my perception for someone using blending to produce the product to be in the specification. That is my perception taking into account the reality in the market.

Ramón Álvarez-Pedrosa ***Repsol, S.A. - Head of IR***

Next question comes from Peter Low at Redburn.

Peter James Low ***Redburn (Europe) Limited, Research Division - Research Analyst***

Just a quick question on refining and specifically the crude slate. Light heavy differentials have now quite significantly over the past 6 months or so, but your margins have actually remained pretty resilient versus some of your peers. Can you perhaps talk about how your crude slate has changed over this period? I guess, specifically, I'm interested in whether you're now running less heavy crude in your system than you were last year?

Josu Jon Imaz San Miguel ***Repsol, S.A. - CEO & Executive Director***

I mean, the heavy and light oil spread has been explained in a better way in the first quarter that in the fourth quarter of 2018. And let me here explain and underline that it's not exactly the same division for a non-European refiner than for an American refiner. Because you're an American refiner and you are comparing the Maya, for instance, the Mexican heavy oil with the West Texas that could be your option in some cases, I mean, it's clear that your spread is very low. But if you are in this side of the pond and your alternative is the Brent oil, and the discount of this Maya or some other heavy oils related to the Brent is at $10, $11 per barrel. That has been the reality in the first quarter of the year. In that case, I mean, your crude oil spreads and discounts are okay. So the reality is that we have process over this period, heavy oils, something in between 46%, 48% in the feedstock of the basket for our refineries in this period. So that means that this crude oils, they were there, we were able to operate and to feed our refineries with these crude oils. At the same time, we have been able to get a good margin process in these oils. The rest 28%, 29% were medium crude oils, I mean, like type -- like the euro and so on. And light feedstock has been something in between 22%, 24% in the first quarter. So my point is that we are running our refineries using a 44%, 48% of heavy oil. And of course, we have the flexibility to reduce these figures depending on the reality of the market. But today, I mean, the reality of margins and so on allow us to maintain this operation. And it seems to me that as far as the IMO effect could impact in the market because this higher bottom of the barrel coming from the heavy oils, we are going to have opportunities for feeding our refineries with heavy oil in the future.

Ramón Álvarez-Pedrosa ***Repsol, S.A. - Head of IR***

Next question comes from Biraj Borkhataria at Royal Bank of Canada.

Biraj Borkhataria ***RBC Capital Markets, LLC, Research Division - Analyst***

I just had 2 quick ones left. First one is on the Downstream. There was a fairly large negative in the other Downstream segment. I know you said Viesgo was a small positive contributor. Could you just walk through what drove that in Q1? And then the second question is on chemicals. You mentioned you can take up to 40% gas feedstock. Could you just put that in context? It would be helpful just what that number was a few years ago? And whether you can push that number up with some modest investment over the next couple of years?

Ramón Álvarez-Pedrosa ***Repsol, S.A. - Head of IR***

Sorry, Biraj, we didn't catch your last question about the gas feedstock for the petrochemicals. Can you repeat that please?

Biraj Borkhataria ***RBC Capital Markets, LLC, Research Division - Analyst***

Yes, sure. So the 40% figure you mentioned, could you just put that in context and provide what that number was a few years ago and whether you can push that number up higher with some investment going forward?

Josu Jon Imaz San Miguel ***Repsol, S.A. - CEO & Executive Director***

Thank you, Biraj. I mean going to your first question, do you know that sometimes -- I mean, not sometimes, always our refining business, for instance, sells their products to the trading that finally put this product in the market sometimes. So if at the end of the quarter, for instance, a part of these products that has been sold by the refining business, where you have a margin and a result are now transcended out of the group. I mean, the central of the Downstream business has to post a negative result because this sale has not been transcended to the market. It's technically an intra-group sale. Sometimes, I mean, this figure, at the infinite is neutral, is 0, but

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sometimes some quarters it's positive and some quarters it's negative. This quarter, in March, has been a significantly negative. I mean, you could see that we have, I think I remember, EUR 80 million, EUR 85 million as nontranscended sales because the refining margin -- the refining business has sold this product to the market that is still in the hands of our trading business. So it's an intra-group operation technically. So that means that in coming months you are going to see theoretically, all the result that today is included in our P&L as nontranscended, but that is not new, that is always there, sometimes it's positive sometimes it's negative, and it's increasing due the increase of our activity, coming either from the Upstream side and the growth of our trading activity. So that is the reason of having this negative result that is going to be offset in coming weeks, of course. Going to the gas feedstock, I mean, I remember that in 2012, for instance, and I remember quite well because at that time, I was running the chemical business of the company, we could have a maximum of 20% something like that of capacity of gas feedstock. For instance, in Sines, all the feedstock grows naphtha and in Tarragona, we could have 20%, 25% and even reduced capacity in Puertollano, thanks to the change of furnaces, change -- thanks to the change of our logistics and so on, and thank you, also, to the use of streams coming from the refineries, the fuel gas that technically [is the same.] Today, we have the possibility to increase this feedstock. And let me say that we have the best of being in an European market, but at the same time, we have one of the gaseous feedstocks in the crackers in Europe. So decoupling in some way of operation from the risk of being fully exposed to the naphtha.

Ramón Álvarez-Pedrosa ***Repsol, S.A. - Head of IR***

Thank you very much, Biraj. Well, that was our last question. At this point, I will bring our first quarter conference call to a close. And thank you all for your attendance.

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