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PRESENTATION

Pablo Bannatyne - *Repsol SA - Head - Investor Relations*

Good morning to all. Welcome to Repsol's second-quarter 2025 results presentation. Today's conference call will be hosted by Josu Jon Imaz, our Chief Executive Officer; with other members of the executive team joining us as well. At the end of the presentation, we will be available for the Q&A session.

Before we start, let me draw your attention to our disclaimer during this presentation. We may make forward-looking statements based on estimates. Actual results may differ materially depending on a number of factors as indicated in the disclaimer. I will now hand the conference call over Jose John.

Josu Jon Imaz San Miguel - *Repsol SA - Chief Executive Officer, Executive Director*

Thank you, Pablo. Good morning to everyone and thank you for joining us today. During the second quarter of 2025, our industry operated in a complex environment shaped by geopolitical uncertainty, tariff announcements, and the OPEC plus decision to return production at a faster rate. Average oil and gas prices declined compared to the first quarter along with a weaker dollar.

In refining, despite initial fears of potential demand destruction due to tariffs, the margin environment remains solid, consolidating the recovery trend initiated in the second half of 2024. In Iberia, activity in our key industrial facilities was negatively impacted by the power outage that affected the entire Peninsula in April, reducing utilization rates and preventing us from capturing the positive refining momentum.

Against this broader context, Repsol delivered a solid set of results, driven by the recovery of upstream volumes and the continued robustness of its commercial businesses, highlighting once again the resilience of our business model. Second-quarter adjusted income was EUR702 million, 8% above the first quarter of the year. Cash flow from operations amounted to EUR1.7 billion, a 50% improvement compared to the first quarter, benefiting by a EUR0.6 billion working capital inflow, mostly related to inventories and optimization measures.

The accumulated operating cash flow until June was EUR2.9 billion, 25% higher than in the same period a year ago. That includes the settlement with Sinopec with a neutral contribution from working capital movements in the first half of the year. CapEx amounted to EUR1.3 billion in the quarter and EUR2.7 billion in the first six months.

Regarding our divestment target, out of the EUR2 billion objective for 2025, we have announced disposals and asset rotation for a total of EUR1.2 billion, of which EUR0.5 billion were cash in the first semester. Net CapEx stood at EUR1.2 billion in the quarter and EUR2.2 billion accumulated until June.

If we had cash in all the divestments announced this year, net CapEx until June will stand at EUR1.5 billion. Net debt closed at EUR5.7 billion, a 2% reduction compared to March. Gearing, including leases, was 17.9% by quarter end.

Looking ahead, we remain on track to deliver on our main strategic objectives for 2025 according to the priorities defined at the beginning of the year. Back in April, we discussed the possibility of an exit scenario for the rest of the year, the evolution of the main indicators has brought us back to our base case.

Regarding our shareholder remuneration objectives, we will distribute 30% to 35% of the cash flow from operations generated in 2025 through a combination of cash dividends and share buybacks. We have increased the funds dedicated to dividends by 3% as committed in our strategic plan. In July, we paid the second dividend of the year for a total EPS of EUR0.975, equivalent to an 8.3% increase compared to 2024 after factoring for the lower number of shares after the capital reductions executed last year.

For 2026, our AGM held in May approved to distribute a first dividend of EUR0.5 to be paid next January. 2025 dividend in cash will be complemented by share buybacks for the equivalent of EUR700 million to reduce capital.

Yesterday, we announced our first capital reduction through the redemption of 29 million shares acquired by an equivalent amount of EUR350 million. A second capital reduction of shares to be acquired for the equivalent of another EUR350 million will be executed before year-end. For this purpose, EUR300 million will be acquired through a new share buyback program to be launched in coming days, weeks and the remainder EUR50 million through the settlement of existing derivatives.

Looking at the evolution of the main macroeconomic indicators over the last quarter. Brent averaged \$88 -- sorry, \$68 per barrel, 10% lower compared to the first quarter and 20% below the same quarter last year. The oil price experienced significant volatility, fluctuating within a \$20 range over the course of the period. The Henry Hub averaged \$3.4 per million BTU, 8% lower quarter over quarter, but significantly, I mean, 79% above the same period in 2024, with market consensus pointing to a rise of US gas price, I mean, towards the end of the year.

In refining, Repsol's margin indicator averaged \$5.9, 11% higher than in the previous quarter, primarily driven by stronger gasoline spreads. After declining to around \$4 in April, the indicator recovered in May and June, supported by solid demand, low inventories, capacity closures, and delays in some of the new projects coming on stream.

Finally, the dollar weakened significantly against the euro to an average of \$1.13 in the quarter, and this trend has continued in July with the euro-dollar trading in the \$1.16, \$1.17 range.

Turning to the highlights of the Upstream division. Our focus remains firmly on value generation and portfolio optimization, supported by the upcoming start-up of new strategic projects. Second-quarter adjusted income was EUR439 million, 4% below the previous quarter and 3% higher than in the same period last year. Year over year, the higher gas realization prices, lower production costs and lower taxes were partially compensated by lower oil prices, lower volumes and the depreciation of the dollar.

Production averaged 557,000 barrels per day, a 3% increase over the first quarter, thanks to the higher contribution in UK, Trinidad and Tobago, Eagle Ford and Libya that compensated the impact of divestments and natural decline. Uuai's production has stayed at second quarter levels, putting year-to-date average at around 550,000 barrels per day at the higher end of our full-year guidance.

In Indonesia, as part of our objective to concentrate operations in countries where we have possibilities to grow competitive advantages, we reached an agreement to divest our 24% stake in Corridor for \$425 million. This non-operated position contributed around 17,000 barrels per day to our production in the first half of 2025. In Trinidad and Tobago, the Cypre and Minto projects reached first gas in April and May, respectively, expecting an average 28,000 barrels per day -- barrels equivalent, I mean, contribution over the 2026, 2028 period.

In the UK, the closing of the agreement with NEO Energy is expected in coming days before probably the end of this month after receiving the approval from the NSTA. The resulting joint venture will become one of the largest independent producers in the UK Continental shelf with a projected production of 130,000 barrels per day in 2025, of which 68% is oil.

Post closing, Repsol UK production, so from the end of this month on, will increase to around 59,000 barrels equivalent per day, which compares to a production of around 30,000 barrels a day in the first half of 2025 in this legacy position.

In unconventional, we resumed drilling activity in the Marcellus with one operated rig from April to June. In response to the better gas price outlook, we are preparing the campaign for 2026, expecting to have one rig in Marcellus and one rig in Eagle Ford and around 55% of our 2025 and 2026 North American gas volumes are covered through a zero cost collar between \$3 and \$5.5 to \$6 per million BTU.

In the Gulf, the development of Leon-Castille is reaching its final stages with the start of production planned for this third quarter. In Alaska, the development of the first phase of Pikka progresses towards an early start-up between December 2025 and January 2026. We expect full ramp-up of production during 2026, reaching a gross capacity of 80,000 barrels per day within the year.

Finally, in Venezuela on May 27, the United States Administration revoked the oil license of several international companies, including Repsol. Carbon 4 continues producing gas and the management of Petrobroqui Chile operation has been returned to PDVSA. In Industrial, second quarter adjusted income was EUR99 million, EUR189 million below the same quarter in 2024, mainly due to the lower results in refining, chemicals and trading, partially compensated by a higher contribution of Peru and wholesale and gas trading.

Let me underline this point. The quarter was defined by the consequences of the power blackout that affected the Iberian Peninsula on April 28 due to a network instability, a blackout disconnected all generation facilities in Spain and Portugal from the grid. This led to the shutdown of all our refineries and petrochemical plants, which had to be restarted progressively. Our teams acted swiftly to restore operations and ensure continuity in supply.

In refining, this blackout, the outage, along with the electricity supply disruptions in Cartagena and Puertollano had an estimated impact of around EUR130 million at EBIT level. All these challenges coincide with planned maintenance across several sites, and as a result, utilization of distillation capacity declined to 74%, while conversion units reached 86% of nameplate capacity.

The current refining margin or the actual refining margin over the period was better said, \$0.3 below the indicator, reflecting a negative premium due to the issues that affected our operations. Excluding the impact of the blackout and subsequent incidents, the margin premium would have reached \$2.1 positive in the quarter.

Activity in our refining complexes has normalized in the third quarter. The margin indicator has averaged \$9.6 in this quarter, so in July, for an average of \$6.1 year-to-date, benefiting from very healthy product spreads, in particular diesel cracks. The utilization of distillation has reached 93%, 94% this month and conversion units have run in July at 102%. In addition, margins for renewable diesel have reached levels above \$900 per ton as supportive policy developments have stimulated demand and domestic production.

Going to the chemical business, Repsol's margin indicator increased by 76% over the first quarter, driven by cheaper naphtha and LPG feedstocks. However, this better margin -- again, this better margin environment couldn't be captured due to the lower utilizations and soft demand. The

blackout had a negative impact of around EUR45 million in the operating result. We have to take into account that we are talking about three petrochemical complexes, Tarragona, Puertollano and Sines in Portugal. Without the impact of the outage, the business would have reached breakeven in EBIT terms.

The total estimated impact of the incidents that occurred in our industrial business in the Iberian Peninsula during the second quarter amounts to approximately EUR175 million, and the company is currently assessing legal actions and awaiting the official determination of responsibilities related to the power outage to the blackout.

Finally, in wholesale and gas trading, we have received five LNG cargoes from Calcasieu Pass after the plant started commercial operations in April ahead of date assumed in our budget. And this factor increases the total number of gas cargoes to be lifted by Repsol in 2025 from 7 to 11, contributing an additional EUR100 million to the operating result over the whole year.

Moving to Customer. This division continues to demonstrate a sustained track record of solid quarterly results built around a competitive multi-energy offering recently enhanced by a new identity and brand evolution. Second-quarter adjusted income was EUR198 million, a 25% increase over the same period in 2024, thanks to a higher contribution in all the business segments.

The accumulated EBITDA until June was EUR0.7 billion, putting us on track to meet the EUR1.4 billion. Remember that that was the target originally set for 2027 and is going to be captured as early as in 2025, so this year, anticipating two years the target we had in our strategic plan.

In Mobility, sales of road transportation, fuels grew by 16% year-over-year, mostly due to the anti-fraud measures and control mechanisms adopted in Spain. The solid evolution of sales now in pre-pandemic levels challenges projections that anticipated a significant destruction of demand. The number of service stations offering 100% renewable fuels reached more than 11 -- sorry, 1,200 as of the end of June, and we expect to reach 1,500 by the end of the year.

In Spain, 53% of our network already offers multi-energy solutions. The number of digital clients, including wallet users, reached 10.1 million, a 17% increase over the same period in 2024.

Finally, in power and gas retail, last quarter, we added 142,000 new net customers, reaching 2.8 million clients by the end of June, consolidating Repsol as the fourth largest operator in the Spanish electricity market.

In low carbon generation, the adjusted income was EUR7 million, EUR6 million higher than a year ago, thanks to the higher result in combined cycles and in renewable generation. The average pool price in Spain was EUR39 per megawatt hour, EUR5 higher than in the same quarter last year due to a lower share of renewables in the generation mix.

The power generated by Repsol reached 2.8 terawatts hour, 58% higher year over year. The execution last quarter of our first asset rotation in the US confirmed the strength and appeal of our portfolio for leading investors. We agreed to divest a 56% stake in a 777-megawatt portfolio for \$340 million, including the Frye solar project in Texas and the Jicarilla solar and storage complex in New Mexico. The portfolio was valued at \$795 million, including \$60 million in tax equity proceeds.

Finally, we reached an agreement to settle the litigation process with Heecati. Under the terms of the settlement, Repsol will divest its 40% stake in the company, resulting in a negative impact of around EUR100 million registered against second quarter results under special items. Looking ahead, our growth in the US will be driven by the platform acquired through ConnectGen, mainly focused on onshore wind.

Now regarding our updated outlook to the end of 2025, the guidance for the year remains broadly unchanged. Under a \$70 Brent, \$4 Henry Hub, \$6 refining margin indicator scenario, we expect to generate around EUR6 billion of cash flow from operations after factoring the impact of the Iberian blackout. Investment will remain concentrated on the efficient development of our growth projects in the Upstream, the transformation of our Industrial assets, and let me say, optimization of them, growing our power and gas retail business, enhancing the multi-energy offering to our clients and expanding our low carbon generation portfolio.

In renewable fuels, the construction in Puertollano of our second advanced biofuels plant in Spain progresses towards starting up in the first quarter of 2026. Net CapEx is estimated for the year 2025 at around EUR3.5 billion, subject to the timing of the divestment processes under execution, but that is the target and the guidance we have now with the better or the best information we have in our hands.

In renewables, we are currently working on two new asset rotation expected to be closed before year-end. One is in Spain for a 700-megawatt wind and solar portfolio and the other involves the Outpost project in Texas.

As discussed before, we maintain our shareholder remuneration commitment for the year. The dividends paid in cash, together with share buybacks for the equivalent of EUR700 million will put total distributions of 30% to 35% of the cash flow from operations at the higher end of our strategic range.

To conclude, despite the material impact of the blackout affecting the Iberian Peninsula, Repsol delivered a resilient performance in the first half of 2025, supported by the recovery of our Upstream volumes in the second quarter and the continued strength of the commercial business. We remain confident on delivering our strategic objectives for 2025, growing value for our shareholders in a sustainable way, firmly committed to a profitable transformation and the achievement of our decarbonization goals.

The strength of our business model built on a sound financial position and a disciplined capital allocation approach positions us well to manage the uncertainties of the current volatile environment. In Industrial, following the normalization of operations in July, we expect to capture in coming quarters, the ongoing positive momentum of the refining business.

In the Upstream, the completion of Leon-Castille and Alaska will enhance future cash flow generation and enable us to normalize CapEx levels from 2026 onwards after the significant investments made in 2024 and the first half of 2025. In addition, our exposure to North America could benefit from the relative strength of the Henry Hub, driven by new LNG infrastructure, increasing demand and the potential deregulation of the US energy sector.

With this, I will turn it over to Pablo as we move on to the Q&A session. Thank you very much.

Pablo Bannatyne - Repsol SA - Head - Investor Relations

Thank you, Jose Jon. Before opening the Q&A, I'd like to ask the participants to limit yourselves to a maximum of two questions. If time permits we will try to cover more in a second round. Of course, the IR team will be happy to assist for any follow-ups afterwards.

As usual, 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)

Pablo Bannatyne - Repsol SA - Head - Investor Relations

Michele Della Vigna, Goldman Sachs.

Michele Della Vigna - *Goldman Sachs - Analyst*

Congratulations on the strong results. Two questions, if I may. The first one is on US gas, the outlook for 2026 looks really good, possibly the best in a decade. I'm just wondering what would lead you to put more capital there and maybe take on one or two more rigs and increase production into the 2026 timeframe?

And then secondly, I was wondering on your US renewables portfolio with the changes to the IRA, it looks like there is a big benefit in starting construction early and still getting the full incentives there. Does that mean that effectively CapEx there needs to be brought forward, especially towards '26 and '27?

Josu Jon Imaz San Miguel - *Repsol SA - Chief Executive Officer, Executive Director*

Michele, going to your first question, you are right. For this reason, I mean, you know our point of view, we try to maximize cash. And knowing the experience of the sector in the US, you know that sometimes when prices are okay, some additional CapEx effort, they could have also some impact in the unconventional in the local level in terms of inflation and so on.

So we have to combine both views. And because we have this prudent view, I mean, we are increasing our investment approach, our investment effort in the unconventional, mainly for gas production. For that reason, we are going to have one rig in the Marcellus and another one that is going to put in operation at the end of the year in the Eagle Ford.

And at the same time, as I mentioned before, we are covering -- at the moment, we have covered through this color 55% of our production for coming two years, 2026, 2027. And that is positive in terms of guaranteeing, let me say, some breakeven for this operation. But again, we are following in a very close and accurate way, what is happening in the market.

We are covering positions. We are increasing our effort, but always under the principle of maximizing the cash of the operational free cash flow, let me say, is the key and has to be the key in the unconventional. And I think that, unfortunately, and let me say, I'm not blaming some others because sometimes, I mean over the last years, we've made mistakes on that, probably maximizing the concept of net price value on and investing hard in these unconventional assets. And sometimes not maximizing the cash concept now, I mean, I think that we are quite close to have a right balance in this effort.

Going to your second question, I think that one of the large advantage we have is that the IRA changes in the American Congress at the end of the road were quite reasonable. I mean, it was, I think, that are quite right balance in terms of the decision that the America legislators, they took or they did. And in this sense, I mean, we have 5 gigawatts of our pipeline that are, let me say, secure to benefit from the tax framework that is supported either through ITCs or PTCs in the framework of the IRA.

So we were quite comfortable and let me say quite happy seeing the result of the American Congress that is supporting the growth we have for coming years in the American renewables arena. And that is important because what we are seeing in the market is the appetite for this renewable power is growing. Demand is growing in the US.

The appetite for PPAs is also growing. Prices of PPAs are growing. Everything related to AI and data center on top of more industrial activity in some places like Texas, also the increase of operations in the area is increasing the energy needs.

And today, I mean in practical terms, the only source able to cover this demand growth in American economy, it's renewable energy because the bottleneck, the crunch that they have in terms of providing some other facilities like CCGTs and so on because the difficulty that providers of these capital goods they have to increase their production and to put in operation on these facilities in coming two, three, four years.

So I think that there is a good momentum in the American market for that. There is a clear policy from the administration in the US, very supportive about producing all kind of energies for covering the American demand that is positive, and we are there in the US offering all kind of energies,

oil, gas and power. And we think that under the regulation that was approved by the American Congress that we see in a positive way, we have the supportive framework to maintain our bet to go on investing in the US.

Pablo Bannatyne - Repsol SA - Head - Investor Relations

Alastair Syme, Citi.

Alastair Syme - Citi - Analyst

Just one question, actually. Just on, you look to have made huge progress in the transformation of the Upstream business. So congratulations on that. What more do you think you have to do to prepare the business for the 2026 liquidity event? And has there been any evolution in your thinking of what that liquidity event now might look like?

Josu Jon Imaz San Miguel - Repsol SA - Chief Executive Officer, Executive Director

So Alastair, you know because we have asking to your questions, we have talked sometimes about that. I believe in the end of the road, so in the liquidity event, so we are preparing the company to be fully prepared by the end of the first half of 2026 to be prepared for that. But I also am a believer in the journey.

As you mentioned, in some, let me say, implicit way in your question because what we are doing in the way is improving the quality of power, disposing and divesting from areas where the capacity we would have to create value is more limited, investing hard as we are doing in areas where cash flow from operations per barrel and growth in projects is more evident and at the same time, increasing the quality in terms of cash flow of the barrels we produce.

I think that -- I mean when you are in a journey like that, you are investing hard their fruits, they arrive later, but now we are in a moment where things are starting to be more balanced. I mean, this summer, we will start producing the Leon-Castile asset from the end of this month on. We will have a new picture in the UK with more borrowers, more cash flow from operations. I mean, from the UK, better quality of power.

Alaska is going to be happen, in the way we announced in the framework of a strategic plan. So we are closer in terms of having, let me say, a good approach of the liquidity event, not only because we are, let me say, preparing all the control mechanism of the company adapted through the American market, not only because we are advancing in terms of preparing the reporting and so on. We are preparing the company for all that, but also because we have an action business that could be better understood by an American investor.

On top of that, of course, we are analyzing alternatives. I mean, you know that when we are taking about liquidity event, that is a very broad concept, it could be a direct IPO that probably is not our favorite option that is there. We could talk about the possibility to have a reverse takeover ourselves with an American listed company or it could be, let me say, a private investor entering in our business to go on in this transformation pathway. I mean we are there. We are not in a hurry to do that.

In the meantime in the midst, we are improving the business. So that means that things could be issued, if we go on improving this business. We are fully aligned in this approach with our partner, EIG and that is the way to prepare the company. Thank you, Alastair.

Pablo Bannatyne - Repsol SA - Head - Investor Relations

Biraj Borkhataria, RBC.

Biraj Borkhataria - RBC - Analyst

I have two, please. The first one is just on Pikka. There were some contradicting comments on the start-up timing, and I think it was related to a better window or a view on the weather window. Could you just confirm when you expect that to start up? And any thoughts on the ramp up, whether it's late '25 or mid-'26?

And then the second question is just on the gross CapEx. As we're thinking about this year and into next year, you've got a number of projects in the upstream that are rolling off, some kind of M&A activity as well. And then, I guess, any comments on. I'm just trying to get a sense of what we should expect for gross CapEx in 2026.

Josu Jon Imaz San Miguel - Repsol SA - Chief Executive Officer, Executive Director

Thank you, Biraj. I mean going to Pikka. First, we have a full alignment in terms of the operational approach in terms of dialogue with our Santos partner that is the operator. So in case of that, I mean, I underline that Santos has always the last word on the approach because, I mean, they are good operators in the area. I had the opportunity, even in physical terms last month to visit our offices and Santos team operating the asset in Alaska.

It was at the beginning of June. At that time, we still have -- and they had some kind of concerns related to the level of the Mackenzie River that you know that it was needed to transport all or some parts of the modules from the area of Alberta towards the Northwest by the river.

I mean in case of not having the liquid levels, the alternative was more complex through the Canadian Western coast delay in three months of the project. So I think today, I mean that is not, let me say, rocket science, but I think that we are in the mainstream scenario and the mainstream scenario could be, I mean, to start up something in between the end of December and the end of January.

I mean in those weeks, I mean, of course, there are in a project that is complex like that, you could always have some days, let me say, of delays and so on. But I mean, for me, the mainstream scenario is that in the call of the full year results in February. I mean, we will probably be talking that Alaska is producing oil.

So that's going to the ramp-up, it's the best approach in a direct way. I mean, in terms of connecting, we will start producing in gross terms, 25,000, 27,000 barrels a day and probably towards in summer '26, we will be close to the 80,000 barrels a day of production.

And there is a plan to go on connecting wells to sustain, to maintain this production and what is more important, probably it's too early to talk about that. But I mean there are plenty of resources in the area to be developed and there is a Pikka 2, I mean, of course, we are not going to enter in developing the full engineering, thinking about FIDs of Pikka 2 before, no inaccurate way how the wells are performing in Pikka 1 and so on.

There are more areas and the perception I have is that Alaska is going to push hard in positive terms in the process of transforming the E&P of Repsol.

Going to the gross CapEx, the better figures we could have today is that in 2026, the E&P business is going to reduce in our figure equivalent to EUR500 million a year. The CapEx effort because -- I mean, due to the projects coming on stream in 2025, La Paloma and Leon-Castile and taking into account that probably because this ramp up because these new connections of wells and so on, Pikka is going to require some CapEx effort in 2026. But I feel that the best approach we will have today is a reduction of EUR500 million of the gross CapEx in this business in the CapEx or in this business in 2026.

Going to the net CapEx of the company, remember, when we presented the strategic plan in February last year in 2024, the range for net CapEx grow something between EUR16 billion to EUR19 billion. I mean, today, my best estimation is that we are going to be in the strategic plan period in the range EUR16 billion to EUR17 billion. That is going to be the range we are going to be there. If you take into account that combining the figures of last, PAUSE with the figures of this year in net CapEx terms with indication of EUR3.5 billion, I mentioned before.

We will be at around EUR9.2 billion, EUR9.3 billion of net CapEx combining 2024, 2025. I mean, you could approach the figure of EUR7 billion of net CapEx base for the period of 2026. So all in all, the today estimation is a net CapEx of EUR16 billion to EUR17 billion for the period.

What is behind this figure, I mean, mainly there is, as I mentioned in the last call, some confirmation that we are going to delay a bit and reduce the intensity of investment in terms of hydrogen megawatts in our refineries to a figure that is going to be important, but it's going to be close to 600, 700 megawatts by 2030, combining electrolyzers and EUR200 to EUR250 coming from biogas that is going to be transforming the performance of our refineries.

On top of that, you know that we also reduced the default in the renewable fuel side, outside the Iberian Peninsula concentrated our efforts in Spain and Portugal. And you know that we also, I mean, the most accurate figure in terms of gigawatts in operation by 2027 was also reduced. That is behind this reduction of net CapEx and the best estimation we have EUR16 billion to EUR17 billion for the period of 24-27. Thank you, Biraj.

Pablo Bannatyne - Repsol SA - Head - Investor Relations

Alejandro Vigil, Banco Santander.

Alejandro Vigil - Banco Santander - Analyst

The first question is about the very strong performance of the customers' business. If you can give us an indication of what should we expect in the future after almost delivering the '27 target this year and the underlying drivers of this very, very strong performance?

And the second reason is about the European diesel market. What do you think about what's driving this may be a strong momentum? And if you think could continue during the coming months?

Josu Jon Imaz San Miguel - Repsol SA - Chief Executive Officer, Executive Director

I mean, let me start, I mean, I thought I had those days. You know the Spanish flight space operator published last year, a figure showing that in 2024 in Spain was a record year for the aviation sector. I mean they control or manage 2.35 million flight operations in Spain in 2024.

When you analyze the figures of this organization and I did, at the end of June, we are overcoming in 5.9%, the record of 2024. That means that -- I mean, we are experiencing in this part of Europe, in Spain and Portugal, I mean, an extraordinary growth of services, tourism and so on. Spain is going to receive EUR100 million through this year. Only overcome by France in global terms in terms of number of visitors and by the US, I mean, as a second country, Spain, in terms of revenues.

So that means that for instance, they get middle distillates, consumption is growing, that is supporting our operation. When you analyze and you see our growth, the activity related to services, tourism, economy, the changes in economy after the pandemic with more online sales. That means more trucks, more banks. I mean, all that is explaining, let me say, in the fundamentals, what is happening in Spain and in Portugal, and in the fuel business.

So on top of that, if you analyze our sales comparing with 2024, the growth has been at around 16% year -- comparing year-to-year in terms of volumes. I mean, that is not only economic activity, it is also related to the anti-fraud measures.

I mean the figures over the last two, three years were highly contaminated by this illegal activity. And let me say that, of course, that is not fully over, but the Spanish authorities are fully committed to cope with this problem, and they are taking real measures to combat, to attack this fraud.

On top of that, you have -- I mean, gasoline market in Europe is booming. It's okay. Margins are okay.

Diesel because a middle is because the mentioned the reasons I mentioned before, Alejandro, they are also okay. On top of that, we are supported by this 24 million customers we have in the Iberian we are entering in a successful way in new businesses.

For instance, the power and gas retail business, we are approaching the figure of 3 million customers. This year, we are going to achieve 3 million customers in this business, that is, let me say, a material figure and with a positive high EBITDA, positive free cash flow. So we are growing, making cash for the company.

The non-oil business and you are a Spanish person, you could visit our service station. You can see that more and more this premium approach in terms of position in the market of Repsol has improved a lot over these years. So all that is explaining in fundamental terms the results.

Of course, we could see as always in business, ups and downs in coming quarters. But there are fundamental reasons for that. So no doubt that taking into account that we will increase the targets of our customer business for coming years because we have to go on growing and improving.

Remember that -- I mean, the figure I have in mind probably I'm wrong, but in 2016, this business had an EBITDA at around EUR750 million a year, roughly speaking, on the perception of the market was that this business was declining. So this year, we are going to have EUR1.4 billion in terms of EBITDA and growing.

So let me say that it's a hidden business because we always talk about all Brent, Henry Hub refining margin, and it's okay because they are drivers of our business. But we have some kind of a hidden beauty here in Repsol that is growing and has already an EBITDA of EUR4 billion. Yes.

And let me say, going to the yes, what is happening also in Europe, excuse me, because I was fully excited, let me joke talking about what is happening in the Spanish market. I mean, first, as I mentioned before, there is a fundamental in terms of consumption in the market.

On top of that, you have low inventories in Europe. You have the new maritime regulation coming from IMO, from the ECA zones impacting in the Mediterranean as a shift in volume from fuel oil to diesel. So it's increasing demand. And on top of that, you also have the momentum in the market in terms of fleet costs and so on, that is giving a more competitive position to European producers for the European market, reducing the competitiveness of some other areas of the world and India, Middle East and so on.

And my perception, Alejandro, is also that all these sound around sanctions on Russia is also starting to be discounted to impact European diesel market and probably is going to have a higher effect in coming months.

Thank you.

Pablo Bannatyne - Repsol SA - Head - Investor Relations

Irene Himona, Bernstein.

Irene Himona - Bernstein - Analyst

Congratulations on the quarter. My first question is on trading within the Industrial division. It remains very strong. It certainly increased sequentially. It's the second largest contributor to divisional EBITDA.

Some of your peers have mentioned reducing trading positions due to unpredictable geopolitical volatility. I wanted to ask if you can talk a little bit around your trading strategies in this period of, let's say, enhanced uncertainty?

And then the second question, on your 2026 planned E&P listing, can you please give us a sense of the percent interest which you expect Repsol will retain in the listed entity, please?

Josu Jon Imaz San Miguel - Repsol SA - Chief Executive Officer, Executive Director

Thank you, Irene. I mean, in structural terms, our trading is growing. Why is it growing? Because you know because you are following and you have followed all over these last years. And you know that at the very beginning, our trading was the supplier of our refining business, not more.

And more and more, these businesses start to work taking some other positions, start working with the biofuels and these new fuels enter and providing, let me say, service to the E&P business of Repsol, taking volumes, taking global positions in Singapore, Houston, and Europe and so on. So there is a natural growth in this trading.

And let me also include, in some way, the cash trading in this equation because you know that because the long positions we have mainly in the Gulf of North America, in terms of LNG, Calcasa, Sabine Pass, Cameroon and so on. We are increasing our exposure. We have strong short positions in the Iberian Peninsula. And this business is also growing.

All in all, our is going to be close to -- I mean, last year in the year around the figure I have in mind around EUR1 billion, close to EUR1 billion. I mean, saying that, we have a very risk limited appetite in our liquids trading business. That means that if, I mean we try to avoid volatility. If we -- let me say, two positions in a part of the world, and we have to supply a different quality in other parts of the world, we try to be -- or to reduce to zero our exposure to main figures like Brent like general markers of this product and we try to go to the delta in terms of qualities of products in terms of geographies, in terms of playing with the time that could be, in some way, opening an arbitrage opportunity for our trading business.

So we have a very risk-limited trading activity. And because this approach we have, I think that this uncertain period is not closing any opportunity to the trading activities we have in our hands. So for that reason, we could expect are trading -- trading activity that could be, in some way, similar to some other periods. And I said before, with that asset base that is growing.

Going to the plans for the Upstream listing, I mean today, a clear approach we have is that we want to retain a minimum of 51% in this upstream business and maintaining the control of the company that are today the framework that is better said, the framework we have in this liquidity event approach we have.

Thank you, Irene.

Pablo Bannatyne - Repsol SA - Head - Investor Relations

Pedro Alves, CaixaBank.

Pedro Alves - CaixaBank - Analyst

The first one on the asset rotation plan for the remaining of the year. I think you have assets to be sold in Spain and US, as you explained. So perhaps if you can give us some outlook on how do you see the asset rotation market, not only from the projects you have already launched to be sold, but also, looking ahead for the remaining years because we have seen some more cautious comments from some of the utility names, but also other players where they try to sell assets and particularly in the US?

So can you give us some comfort here or at least what's your confidence in keeping this asset rotation plans in renewables for the remaining years to keep your total net CapEx, as you said, in the EUR16 billion to EUR17 billion over the plan, and therefore, keep sustaining your distributions to shareholders?

And the second question is on the refining margins, if you can give us an update on the latest levels that you are seeing, particularly in this month of July and given the current balances in Europe, what's your outlook for the remainder of the driving season?

Josu Jon Imaz San Miguel - *Repsol SA - Chief Executive Officer, Executive Director*

I mean, going to your first question, well, first, going to the cash in. Yesterday, we had the cash in coming from Frye and Jicarilla. But as I mentioned before, that was announced in the second quarter, but the cash in arrived yesterday, so that it's going to be in the third quarter.

Going to the projects that are now on track. I'm going to start surgically by the most difficult part of the equation that is the US because you perfectly know, Pedro, the interest rates in the US that are making things more difficult than they were two, three years ago. So good news is that we are in the process of disposing the Outpost project, the talks are quite advanced for that.

As I mentioned in the last call, the transaction of what we call Pecos, that was the addition of Frye and Jicarilla was not an easy game. The advantage of outpost is that the PPA is better than the PPA we have in Outpost -- sorry, in Frye.

And in Frye was lower because it was our first project, was developed after the pandemic in a period where the PPAs were lower and Outpost has a PPA higher than Frye and Pennington that is the next one is going to have a PPA significantly higher than Outpost so things are improving in the American market for that reason and because we are also in talks, we have the perception that things are going to go in the right direction in terms of the asset rotation of Outpost.

On top of that, because the fiscal framework of this project, we are going to have a cash in, in this in the year with the asset rotation of Outpost. That is going to be at around \$200 million as equivalent of ITC or, let me say, the tax direct impact supporting the investment.

So we expect to have the cash coming from the rotation of Output, plus \$200 million coming from the fiscal support through this project. And things, I mean, are not ever easy, but I think that it's going to be better than the expectation we have for Frye that was closed on April 28, I mean, we closed that transaction, the blackout day.

Going to Spain, I think that, again, the market is not easy, but is significantly better than the position the American market has. We have had our last experience Gallo happen at the beginning of this year, 2025, was okay in terms of the multiples paid by the investor.

You know that, I mean, the solar projects, they could have a bit more difficulties in Spain. The large advantage, the great advantage of this new basket of assets, 700 megawatts is that a figure close to 500 are win. So you know that new wind projects in Spain are quite scarce resource. The great advantage of wind is that the production and the capacity to capture prices is more extended to more flat, not slightly flat, but I mean with better distribution over the whole day.

So taking into account the structure of the Spanish pool price and wholesale market, the capacity you have returns is clear in this kind of project. So I mean, we'll have to work in this direction. But today, we are quite comfortable about the possibility to go on with these two rotations.

Going to the refining margins, I mean, as you know, let me say that it's not important only to have high margins, but it's also important to be producing because in the second quarter, the problem we have, unfortunately, because this outage, this blackout, is that our capacity to produce was reduced. I mean going to the most important thing, what is happening in operational terms.

First, the program turnarounds of the refineries, most of them were done in the first half of the year. We still have to maintain for some days the Isomax unit in Tarragona this second half of the year. And we also have a turnaround in Cartagena that is going to impact one of the three distillation towers, some hydro reflation units, and probably some days the hydrocracker because the supply, because the spread could be a bit reduced because the maintenance are impacting in these units. But I mean taking into account our whole system, the best new is that, I mean, the system is going to be working at high level of distillation over the year.

If we go to the current figures, each quarter, as I mentioned before, we have a utilization rate of 93% over the whole month and 102% the conversion units. So we are capturing these margins and going to what is happening in this third quarter, the average as of today in our system is the \$96 a barrel.

So the forecast for the next months is initially for healthy refining margins. I mentioned some reasons for that, talking about demand, jet, gasoline, diesel, the potential impact of Russian sanctions and so on. Let me say that on the supply side, new refining projects in Atlantic Basin continue to face delays in Dangote, in Nigeria, or Meka in Mexico.

And on top of that, I mean, closures in Europe this year are taking place, especially in Germany, Granchmouth in the UK, going to US, Houston. And I mean, additionally, there are some concerns in the market affecting the Lindsey refinery in the UK. So geopolitical tensions are also there that some way from time to time, they could impact the middle distillate market. So for that reason, I mean, markets are good, and we have a good perception of markets for coming months.

Thank you, Pedro.

Pablo Bannatyne - Repsol SA - Head - Investor Relations

Henri Patricot, UBS.

Henri Patricot - UBS - Analyst

Two questions, please. The first one, team industrial, but on the chemical side where grows quite a nice improvement in the indicator in the second quarter, but you can't catch that. So I wanted to check whether you continue to see this improvement in the third quarter and whether we could expect to see chemicals EBITDA back into your positive tertiary in the second half?

Then secondly, on the upstream side, there was a nice increase in production in the second quarter, Europe, Africa. And you mentioned Libya new wells there. Can you give us an update on what you see in terms of production potential in Libya? You previously talked about maybe some growth. So I just want to get an update on the developments in that country.

Josu Jon Imaz San Miguel - Repsol SA - Chief Executive Officer, Executive Director

Going to your first question, I mean, I'm going to be clear about that. I mean the crisis in the chemical business is not over. I mean that is my first, let me say, a highlight. It's true that things are improving in the right direction. And as you said and as I mentioned before, without the outage effect, we will be close to the breakeven in EBIT terms this quarter.

But there are still some fundamental concerns in this chemical business, I mean, flat demand is there, high energy costs in Europe. And what we are doing is, I mean, and the results of this quarter are a good example of that is now focusing on reducing cost, pushing breakevens down, and increasing the margin through a higher differentiation for products.

We are implementing technical upgrades that are improving the competitiveness in our operations. We are taking a lot of measures that I could explain, but I don't want to bore you in terms of reducing the breakeven and these measures are going to have by the end of the year, combining the all effect over the year, an impact of EUR68 million in terms of costs, yearly speaking.

And what is important is that new margins are going to come next year. And new margins are going to come from Sines. Sines in the second quarter of '22026 is going to add in a scenario low EBITDA in up, let me say, average scenario a figure of EUR130 million, EUR135 million of EBITDA. That is positive.

On top of that, we are going to have next year also a high molecular weight polyethylene plant in Puertollano, focused on producing polyethylene for very specialized applications, defense and so on, included that is going to add new margins to the business.

So we are not, let me say, waiting for a margin improvement. It's true that margins are improving a bit, but that is not going to change dramatically from -- suddenly. And in the midst, we are reducing costs, and we are improving margins. And I'm sure that quarter after quarter, this effect is going to be seen.

If we go to Libya, I mean, since -- again, I think that the country is improving in social, political, security terms, the position of the country year after year that is important. I think that -- I mean, we have to underline the efforts that the country is doing, the effort that -- I mean, for instance, in terms of security, we have seen over the last years that the army of Libya led by Mr. Hector has had a crucial role in combating terrorism in the country, in increasing the security in the country, improving the position and the stability of the country. So all that has a clear reflect on the ground.

And going to the production, again, production in this quarter reached a maximum of 307 thousand barrels a day. When we took the Repsol stake of this production, we have been in 43 thousand barrels a day net. That is the fruit of what happened last year in terms of increasing production with new wells during this drilling campaign in progress in 2025, 12 wells -- new wells were reported in the first quarter and in the second quarter, and we are going to see new wells connected in coming months.

So all in all, the production is going to be increasing cross terms in 12,000 barrels a day that probably could increase the Repsol production at 1,500, 2,000 barrels a day. But we are going more things in Libya. I mean the exploration campaign in Libya start in December, we had the that was a dry well.

But now we are fully focused in a second well that it has been in June. And on top of that, we are increasing our bet in this country and a second rig has been contracted to fulfill the remaining exploration commitments, including potential early development in the Waha area.

So we rely on the country, we rely in the increase of our security in the country, we are increasing our production there, and we are betting for future projects in Libya.

Pablo Bannatyne - Repsol SA - Head - Investor Relations

Lydia Rainforth, Barclays.

Lydia Rainforth - Barclays - Analyst

Two questions, if I could. The first one, just on refining margins in the guidance, just given everything you said about the refining margins where they are at the moment, can you just ask why not take the guidance higher for those refining margins and just the impact on cash flow from operations?

And I think probably a little bit linked to that. If we could talk about the buyback, your share price has been incredibly strong this year on the best performing European stocks. Does that play into how you start to think about the buyback going forward as well?

Josu Jon Imaz San Miguel - Repsol SA - Chief Executive Officer, Executive Director

Thank you, Lydia. I understand your point. But let me say that my -- part of my duty is to be always prudent. And I prefer to stay there because I mean, you perfectly know that three months ago, we were in this -- I mean, you were in your analyst in the micro, and I was in this room with my team.

And we were talking about an scenario, the possibility to have \$4 a barrel in terms of refining margin, abrupt in the Brent prices and a scenario in terms of -- and we are taking -- I mean, taking advantage of that opportunity, we are increasing the efficiency of many of our businesses and so on because, I mean, these kind of levers are positive to do this kind of cleaning in some way of more efficiency in our operations.

So -- but it can't change in a dramatic way 180 degrees in three months. So I think that volatility is still there. The clouds in the world economy are not over. It's true that we have a better expectation related to refining margins. The average as of today is \$6.10 a barrel over the whole year.

So we are already above this guidance we have for the whole year, probably taking into account what is happening now in the market we are going to be in a higher refining margin than expected over the whole year.

But I mean the dollar-euro exchange rate is there, potential change in the global economy are there. So let me say, I have and that is a clear a more positive approach that I had in April. I'm quite confident about the EUR6 billion of guidance for the cash flow from operation of the year. I don't know if we are going to have potential upside there. But taking into account all the volatility we are seeing in the market, I prefer to be (inaudible).

And I'm sure that in case of that what you are saying is true and probably could be, I mean, I'm not -- let me say, challenge your point. I take your point. Probably you are right, but I prefer to wait a bit, and I'm sure that we'll have the opportunity to talk about that in coming calls. Thank you, Lydia.

Operator

Peter Low, Redburn Atlantic.

Peter Low - Redburn Atlantic - Analyst

Just one question. You said in the presentation you expected to take your first hydrogen FIDs in the second half of the year. I was wondering if you could give us some color as to what sort of returns you expect on those projects? And then perhaps more importantly, what's the mechanism through which you make that return? Is there some form of direct government subsidy? Or how does it work? Any color on that would be helpful.

Josu Jon Imaz San Miguel - Repsol SA - Chief Executive Officer, Executive Director

Thank you Peter. So going to have probably in the third or fourth quarter, two FIDs, one of them related to 100 megawatts of electrolyzer in Cartagena -- 100% -- sorry, not of installed capacity of electrolyzer in Petronor Bilbao.

And in the first half of 2026, the third one in Tarragona, probably 100, 150 megawatts of electrolyzer. So with these three electrolyzers plus the biogas produced using, I mean, biomethane, I mean, this biogas reform in our refineries and producing hydrogen, we will be in this figure of 600 megawatts, roughly speaking I mentioned before.

So what is this green hydrogen producing an electrolyzer competing in price with hydrogen we produce today using gas -- mineral gas in our refineries, not at all. I mean that is going to be more expensive. So the competitiveness of this hydrogen is not based in this competition with the green hydrogen. It's based on regulation.

And regulations set today that the 1% of the sales we have in the Spanish market, in European market, but in this case, in the Spanish market, by 2030, they have to contain renewable fields with no biological origin. And the most competitive way, today, existing in clinical terms to produce this renewal fuel with non-biological fuel is this hydrogen.

So based on this, let me say, market, not appetite, market needs to fulfill this regulatory mandate, we are seeing the economics, the returns of these electrolyzers evolve the 10% of return. So not double digit. And that is, let me say, the pillar, the fundamentals of this economic returns.

You also have to take into account, I mean that is -- I mean additional more and more, yet for these three electrolyzers, we are going to have a strong support coming from European innovation funds. In the case of Tarragona or by the subsidy approved to accelerate new technologies in terms of the carbonization but the Spanish ecologic transition ministry.

So these three electrolyzers, they have the support that in CapEx terms could be roughly speaking, EUR1.3 million, EUR1.4 million per megawatt of electrolyzer. I mean, all in all, that is going to support the economics of these projects.

I mean, it's not only subsidies because let me say even -- I mean, subsidies are helping, of course. But the main driver is not subsidy because when you take -- I mean I'm not going to enter too much time on that, that when we -- you take this hydrogen and the cost structure, 75% of the cost is OpEx in terms of energy, I mean, power, 20% is CapEx, and 5% are additional OpEx.

I mean, with many subsidies over the 20%, you can't have a competitive installation if you don't have something additional. And the main driver is the regulatory mandate that is supporting this return. Thank you, Peter.

Pablo Bannatyne - Repsol SA - Head - Investor Relations

Ignacio Doménech, JB Capital.

Ignacio Doménech - JB Capital - Analyst

The first one is on the evolution of net debt. I wanted to get your view on, particularly after the closing in the third quarter of the transaction in the UK. What are the moving parts there? What their best guess we should end up '25, in terms of net debt?

And my second question is related to -- or a follow-up on hydrogen. We are seeing the other peers here in Spain that are also gain with FID in hydrogen. So I want to get the view on the deployment of this technology in Spain and in the medium or long term. If you think you could actually be exporting the molecule? That's my question.

Josu Jon Imaz San Miguel - Repsol SA - Chief Executive Officer, Executive Director

Thank you, Ignacio. So going to your question about net debt. What we are seeing in general terms is a stable net debt over the year. But as you mentioned, there is a pretty much of change. And this parameter change is going to come because the integration of the UK.

There is no change in terms of commitments in our balance sheet, but due to the specificity of this transaction, what we are going to see is that a part of the commitment that is already reflected in our balance sheet related to the commitments for the future is going to be from now on a financial commitment instead of other commissioning commitment. So the commitment is there, but being a financial commitment is going to be part of the net debt.

This figure today, the best approach we have, is that it's going to be close to EUR1.2 billion, roughly speaking, EUR1.25 billion roughly speaking. So -- and that is going to be a consequence of the change of the perimeter.

So there is no any additional, let me say, a financial commitment is there, let me say, in some way. We are changing in the balance sheet, the commissioning commitment by our financial commitment. On top of that, we also have to say that because this transaction, we are going to have a delta, an increase of EBITDA of \$700 million, roughly speaking, coming from the UK.

We are going to have an increase in terms of free cash flow also coming from the -- in annual terms. I mean because you know that the is going to be done next week. So I'm talking in annual terms, we are going to have \$740 million of EBITDA, and we are going to have \$320 million new of free cash flow.

So that is going to be, let me say, the consequence in terms of perimeter of the financial commitments on one side, not increasing the debt, but changing the figure in the balance sheet. And on top of that, we are going to have a new EBITDA that is going to be higher than \$700 million, and this free cash flow that probably is going to be higher than \$320 million in yearly terms.

Going to your second question, Ignacio, I mean that's is a very -- let me say, a subjective discussion and almost an academic discussion. I have my personal point of view on that. But I'm not saying that I'm right, but when you have -- I mean, today in Spain, we have, roughly speaking, 600,000 tons a year of hydrogen consumption in the whole Spanish economy, mainly in the refining business plus fertilizers and a tiny part.

And Repsol is consuming 360,000 tons a year of hydrogen today. So with this 600 megawatts ready speaking, I mean we will be able to produce from our 360,000 tons a year, perhaps 80,000, 85,000 tons a year. So one-fourth of the total consumption that Repsol has.

I mean it seems to me, but that is common sense, that when you have a potential consumer in your own industrial plants in your own country, I mean, probably the most efficient way to treat this hydrogen. Now I'm not talking about the future, of course, probably things are going to evolve.

But today, is not going to be from [offsite], perhaps some others, they have some other strategies, and it could be nice. But in our case, exporting molecules is not probably our best business. I mean because you could understand if we have a consumption there, it will be easier and cheaper decarbonizing what we have in industrial terms in Spain, than exporting molecules, I don't know, to Germany, for instance, that will happen in the future, of course. But our effort is going to be fully focused on that.

Pablo Bannatyne - Repsol SA - Head - Investor Relations

Matt Lofting, JPMorgan.

Matthew Lofting - JPMorgan - Analyst

Thanks all for the update. Appreciate it. Two quick if I could, some of my questions have been asked already. I wanted to just firstly, if you could share how you see the business implications from here of the situation with Venezuela upstream, also the materiality of impact on the refining margin premium through light heavy spreads, et cetera, as you look forward? I noticed Repsol referred to having taken credit risk provision with the Q2 results.

And then second, I just wanted to come back to the full year cash flow guidance. I noticed that your mark-to-market not refining, but oil and Henry Hub, but we look like the changes that are somewhat offset there. So could you just expand on the factors that caused you to move to the low end of the sort of the prior range in terms of the EUR6 billion, how much of that perhaps related to the Iberian blackout during the second quarter and also maybe euro-dollar remarks versus underlying factors?

Josu Jon Imaz San Miguel - Repsol SA - Chief Executive Officer, Executive Director

So thank you, Matt. Going to your first question, I mean, Repsol always complies all and will comply with all laws and regulations, national and international, applicable to our operations in Venezuela. You know that we had the winding down process in May of our license. But we maintain our presence in Venezuela.

At the same time, we are maintaining a very constructive and transparent dialogue with the US administration in a very open way to ensure some kind of a stable framework for our activities. And that includes a viable mechanism for monetizing the production we maintain in Venezuela because we are producing cash there in Cardon.

And we have, of course, the stake that is now, as I mentioned before, operators by of the JV in. So -- and at the same time, of course, we maintain a very transparent dialogue also in the country because we are supplying gas for the domestic market.

All in all, taking into account that now we are not monetizing this production, but we have an open way and open hope to find some kind of framework in this open dialogue we have with the American administration to monetize this production.

We prefer, in accounting terms, to be prudent. And for that reason, we have reduced the total exposure of Venezuela to \$360 million, \$370 million probably speaking in our books. About the refining margin premium impact negligible, I mean, because the situation we are seeing in the market now is that the supply of heavy oil is quite guaranteeing the Atlantic Basin.

And because of that reason, I mean we have been able, as I mentioned before, with any cargo coming from Venezuela in the second quarter and decoupling effect of the outage in Spain, will have a remuneration of \$2.1 a barrel in our refining system.

So that is the best proof that there is no visible impact on our refining system. There is, of course, an impact in the Astron business. And the impact in the business is that -- I mean, the cash flow from operations coming from Venezuela that we have last year is not going to be this year in -- from that asset from June on in our accounts. But I mentioned this EUR6 billion of guidance, of course, I'm taking into account this figure. And for that reason, we have this credit risk provision in the second quarter of the year.

Going to the cash flow full year guidance. I mean remember that in April, we had a different situation, in April, March, April, we have a negative impact in terms of in terms of our guidance of refining margin, crude oil and so on that were lower than expected.

So the whole year is reflecting also this experience we have in March and April. On top of that, we have the power outage effect close to EUR0.2 billion. That, of course, is going to be and is included in the guidance for the whole year.

We have this working capital increase, the effect of Venezuela you mentioned in your first question is also included in this EUR6 billion target for the whole year. There are, of course, potential upside, yes. I mean I mentioned Lydia was pointing out before and I support in some way higher approach, we could have an upside coming from the refining margin from the Henry Hub. And for that reason, I mean, all in all, we are quite comfortable with this EUR6 billion of cash flow from operations for the whole year. Thank you, Matt.

Pablo Bannatyne - Repsol SA - Head - Investor Relations

Fernando Abril-Martorell, Alantra.

Fernando Abril-Martorell - Alantra - Analyst

Only one question. On renewables, a simple prices have gone up double-digit your electricity generation also jumped, I don't know, 50% plus. Did EBITDA in the low carbon segment didn't grow in the quarter? I don't know if you could please elaborate on the drivers behind this? And more broadly, what EBITDA contribution should we expect from this business in the near term?

I recall you previously had a target in mind? I don't know if you have any target also for the next few years.

Josu Jon Imaz San Miguel - Repsol SA - Chief Executive Officer, Executive Director

So thank you, gracias, Fernando. I mean, we are growing, and we are scaling up in our renewable power business. And I think let me say, probably the best good news coming from this business this year is going to be from the financial side.

Probably the year, I'm targeting -- I'm not committing this quarter. I'm going to say now, but I'm targeting this objective. And I think that we are going to be close to this target. This year, this business is going to be close to cash neutrality 2025, that is important. That means that this business is going and it's growing and it's going to be close to cash neutrality in 2025, combining cash flow from operations plus investments plus rotation.

So I know that this figure is going to be probably by the lag effect of some rotations coming from 2024 investments. I know that. So what I'm saying is some way tricky. Let me use the term. But that is very clear, and that is a clear trend.

And probably this business with some strong growth is going to be self-financed in two, three years in a recurring way. So that is the first good financial news coming from the low carbon business. Going -- saying that, I mean, in 2025, we are going to have an EBITDA close to EUR200 million in 2025. We have to take into account that by 2027, we are going to have an EBITDA above EUR400 million in this business and probably what you (inaudible).

And you are right, Fernando, is that in the second quarter, there are probably an effect that it could be something lower due to the Frye consolidation in the accounting of the company. So that could be, I'm not sure about that. I'm going to check it. But probably, that could be the effect. In any case, EUR200 million in 2025 and we expect EUR400 million in 2027.

Pablo Bannatyne - Repsol SA - Head - Investor Relations

Matt Smith, Bank of America.

Matthew Smith - Bank of America - Analyst

The first one was back to NEO next, but thanks for all the detail that you ran through during the questions there. So my question on the Neo was simply a clarification whether you've included the impact of that deal close, which is imminent within your full year guidance, such as the upgraded production outlook.

So that was the first and then the second also sort of production related, but bigger picture, thinking about 2026, very strong production in the first half, contribution of additional barrels from the NEO NEXT start-ups of several projects. How much higher could production run in 2026 versus 2025, please?

Josu Jon Imaz San Miguel - Repsol SA - Chief Executive Officer, Executive Director

Thank you, Matt. I mean your -- I mean, your first question on the answer is yes. I mean, we are including UK in the full year guidance, of course, from now on or from August on. Going to your second question, I mean, we are going to be something between 575,000, 590,000 barrels a day in 2026.

That means that we are going to increase something between 25,000 to 40,000 barrels a day of production next year. We will be able probably in the guidance for the year, at the end of the year to give you a more accurate figure. But the best approach I have today is roughly speaking is there.

Pablo Bannatyne - Repsol SA - Head - Investor Relations

Paul Redman, BNP Paribas.

Paul Redman - BNP Paribas - Analyst

Just two questions, please. The first one is just a confirmation on your guidance for net CapEx in '26 and '27. How much divestment are you including in that guidance? And the second one is just on the distribution, you're guiding to 30% to 35%, and you're paying a buyback of EUR700 million, is the moving part on that guidance? The macro environment, essentially, you guided EUR6 billion of cash flow from operations, whether that's high or low, tell you where you're at the top or the bottom of that range? Or is there any other movement that might happen on distributions from here?

Josu Jon Imaz San Miguel - Repsol SA - Chief Executive Officer, Executive Director

Thank you, Paul. I mean, as I said before, roughly speaking, EUR7 billion net CapEx 2026, 2027, you can't expect, let me say, a positive effect in divestment terms coming from the E&P, I mean because -- I mean we are not seeing, let me say, a disposal divestment process in the E&P in those years.

We are not factoring in any case, anything that could come from the liquidity event. We are not looking for money in this event. We are looking for the future growth and the future consolidation of our E&P profitable business.

So we are not taking into account any money coming from there. So the only difference between net CapEx and gross CapEx is going to come from the concept of rotations in the low carbon business. We will be more precise about that in the guidance for 2026 at the end of this year.

Going to the remuneration, I mean, again, I prefer to be prudent on that. EUR6 billion is today the best approach we have in terms of remuneration and we are comfortable with the percentage of distribution for our shareholders, I mentioned before. So the cash dividend plan EUR700 million of buybacks we announced. So if things are different, if things are different, we will call about that in coming quarters.

But today, I mean, in this volatile environment, I'm confident and comfortable about what I'm seeing and what I'm announcing as guidance for coming months, but I prefer to be prudent before talking about upsides, growing and so on because, I mean, you know, Paul, and I know the volatile world and environment we are experiencing now and prudence is a good ally in these complex times.

Pablo Bannatyne - Repsol SA - Head - Investor Relations

Anish Kapadia, Palissy Advisors.

Anish Kapadia - Palissy Advisors - Analyst

Just a couple of questions, please. I just wanted to get your view on, I suppose, the medium to longer term global gas markets. It seems like there's a lot of LNG capacity that's being built over the next few years, which should narrow the spread between Henry Hub and bring global LNG prices, gas prices down.

So just wondering how you're looking to navigate that market over the coming years? And then just going back to hydrogen.

I was just wondering in terms of the various different ways of producing hydrogen, how you're looking at that market. So obviously, you've got the existing green hydrogen, but just wondering how you're thinking about the blue hydrogen market and also the kind of natural or white hydrogen market where you could drill for the hydrogen at potentially lower cost?

Josu Jon Imaz San Miguel - Repsol SA - Chief Executive Officer, Executive Director

Thank you, Anish. So I note I'm an expert on gas markets but good get me to say because -- I mean, it's part of our business, but it's not the core of our business is to try to be a bit balanced in the positions we have. You know that we are the main Iberian consumer of gas. So we have strong short positions in Iberia. And at the same time, we have long positions, some of them in the Gulf, in America and I mean, some others in Europe, but mainly in America.

So in the long term, we are going to try to be -- because you have to take into account that we are also growing in our gas retail market in Spain. So if today, we could have, let me say, an excess in terms of comparing the long and short position close to 1 bcm taking into account that we are going to grow in our retail gas market in Spain.

Let me say that we are quite comfortable seeing that's probably, and I say probably because I don't have a crystal clear in three, four, five years, the LNG production in the world is going to grow and probably is going to cover in a quite is way the current demand.

So in this scenario, we prefer to avoid to have long positions in LNG and weak trend in this evolution because the consumption in -- I could elaborate a bit more because we are going to reduce the gas consumption in our refineries because we are more efficient and so on, but we are growing at the same time in the retail market.

So all in all, we tend to be balanced in the long term. And in the midst, we are going to take advantage of this position because, I mean, the value today of this 1 bcm of excess capacity in Europe coming from -- in America is going to have a revenue for Repsol this year that could be at around \$200 million, roughly speaking. So that is the view we have.

Going to your point, I couldn't agree more about the approach of loving the blue hydrogen, I love it in terms of -- I mean, combining the carbon capture with hydrogen production, but unfortunately, this blue hydrogen is not part of the European directive of the hydrogen that could be used to fulfill this mandate, this commitment because the definition is done in terms of renewable field with no biological origin and because it's related to this carbon capture to an organic production.

So it's not a known biological origin. So it's not competent, let me say, with the green hydrogen to be able to cover these regulatory obligation that PAUSE every operator in the -- in our case, of course, in the Iberian market. But in general terms, the European market has to fulfill in coming years. So I take your point, I agree, Anish, but I can't use this blue hydrogen to fulfill this regulatory obligation.

Pablo Bannatyne - Repsol SA - Head - Investor Relations

That was our last question today. With this, we will bring our second quarter conference call to an end. Thank you very much for your attendance.

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