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PRESENTATION

Operator

Hello, and welcome to the Repsol's Fourth Quarter and Full Year 2020 Results Conference Call. Today's conference will be conducted by Mr. Josu Jon Imaz, CEO, and a brief introduction will be given by Mr. Ramón Álvarez-Pedrosa, Head of Investor Relations.

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

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

Thank you, operator. Good afternoon, and welcome to Repsol's Fourth Quarter and Full Year 2020 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 as well.

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 dependent on a number of factors as indicated in this disclaimer.

I will now hand the call over to Josu Jon.

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

Thank you, Ramón, and thank you to everyone joining this conference call. I hope that all of you and your families are keeping healthy and well in this, let me use the term, strange and difficult situation.

Today, I'd like to cover the following main topics. Firstly, a review of our key messages; secondly, a recap of our new strategic plan 2021 to 2025 presented back in November; third, the operating highlights and financial results; and finally, the outlook for 2021. At the end of the presentation, we'll be available to answer, of course, your questions.

And let me start with the key messages. One year ago, just a couple of months after becoming the first oil and gas company to commit to a net-zero emission target by 2050, we approach 2020 confident on improving our performance and continue working with the determination to deliver on our energy transition commitments.

However, the expansion -- the unexpected expansion of the COVID-19 pandemic, put the world in front of a crisis of unprecedented nature and effects, and we have to rapidly adapt to a complex scenario of depressed demand and lower prices.

2020 has been difficult for everybody, and Repsol has not been an exception. The pandemic completely changed the outlook for the year, impacting heavily in our results and in our share price. We have to focus more than ever on guaranteeing the delivery of essential energy products, safeguarding the health, safety and the continuity of our operations. And considering all the challenges, we delivered, what, I think, is a solid performance in 2020.

We quickly reacted to the deteriorating market condition by defining an ambitious resilience plan for 2020, including measures to reinforce our liquidity and financial strength. The resilience plan performed above target, delivering operating costs savings and CapEx reductions that surpass the initial estimates. These results help us to reduce our net debt compared to 2019, despite a more negative macroeconomic scenario that -- than what we assumed when we defined the plan 10, 11 months ago. Repsol has been one of the few companies in its comparison group to reduce its net debt in 2020.

Excluding the net effect of the hybrid bond issue and repurchase, net debt figure was EUR 0.3 billion lower than a year ago. Efficiencies, working capital optimization and a disciplined capital allocation contributed to the EUR 2 billion of free cash flow generated in 2020, of which EUR 0.8 billion was organic.

All the businesses across all 3 segments generated a positive operating cash flow, while the corporate center reduced its costs. Allow me to remark that we have done this without getting distracted from our long-term objectives, fulfilling our shareholder remuneration commitments, releasing a new strategic plan and delivering a solid set of adjusted results in the fourth quarter that were in line with the same period of 2019.

Being in resilience mode for most of 2020 didn't prevent us from continue working on the future of Repsol. Back in November, we released our new 5-year strategic plan that is allowing us to grow into a stronger, more profitable and competitive company. A company that has already put the energy transition on the client at the center of its strategy and that is supported by legacy businesses capable of delivering resilient free cash flow.

We aim to deliver a compelling investment case into the energy transition. And this strategic plan is a crucial step in the transformational journey that we started a few years ago.

We have revisited our path to net-zero emissions by 2050 with more ambitious intermediate decarbonization targets. We have increased our carbon intensity indicator reduction targets to 12% in 2025, 25% in 2030 and 50% in 2050 that compared to 10%, 20% and 40%, respectively, before.

Out of the EUR 18.3 billion of total CapEx reflected in the plan, we expect to spend 30% on low carbon projects, and we will work to set the foundation that will transform Repsol after 2025.

The new strategic plan is built on 4 main pillars that are preserving our financial strength, will allow us to create value and free cash flow growth in a way that is compatible with our net-zero ambition. We'll maximize the free cash flow generation of our legacy businesses, upstream and downstream. We will develop low-carbon business platforms in areas where we can build competitive advantages. Renewables and the customer-centric business will provide the growth to 2025.

We will evolve our operating model to provide better value transparency and support the decarbonization of our portfolio. And finally, we have defined a clear capital allocation framework to ensure a top quartile cash distribution to shareholders. We will maintain shareholder distribution among the most attractive in the industry and the Spanish IBEX 35, combining a cash dividend with share buybacks.

The cash dividend is set initially at EUR 0.6 per share and will rise gradually to EUR 0.75 in 2025, including conditional buybacks, conditional refer to $50 oil price year after year, the remuneration to shareholders may exceed EUR 1 per share in 2025. This strategy will be self-financed at an average $50 Brent and $2.5 Henry Hub, delivering a strong growth in per share metrics and generating enough cash to cover CapEx and dividends.

And at this point, let me review our fourth quarter and full year performance, starting with the macroeconomic environment. Brent crude averaged $44 in the fourth quarter, roughly in line with the previous quarter and 30% below the same period a year ago. Full year average was $42, a 35% decrease compared to 2019.

In the gas market, the fourth quarter benefited from a tighter supply-demand balance and cold temperatures in the Northern Hemisphere. In North America, Henry Hub averaged $2.7 per million BTUs, around 35% higher than in the previous quarter and 8% above the same period of 2019. This brought its average price in 2020 to $2.1, 19% lower year-on-year. And finally, Repsol's refining margin indicator returned to positive territory in the fourth quarter, positively impacted by the strengthening of the middle distillate spreads.

Despite having to adapt our activity to the COVID-19 situation, our businesses work in 2020 under the guidance of our new strategy. The upstream business focused on reducing costs and maximizing cash generation supported by the flexibility of its portfolio. And in the upstream business, production continued to be managed with a value over volume approach, especially in the resilience scenario of 2020.

Full year average production was 648,000 barrels of oil equivalent per day, 9% below year-on-year. Volumes were negatively impacted by the shutdown of Libya from January to October. The temporary ceases of production resulting from lower prices and a lower cash demand caused by COVID-19.

Production in Libya restarted on October 11, after a lifting of the force majeure in El Sharara. Volumes ramped up gradually throughout the fourth quarter averaging close to 300,000 gross barrels per day in December. Free cash flow reached EUR 1.2 billion, 61% higher than in the previous year. This was the third year in a row that the upstream has generated significant free cash, having delivered, on average, more than EUR 1 billion of annual free cash flow since 2018.

OpEx were 18% lower year-on-year. And together with our low capital intensity allowed the upstream business to reduce its organic cash breakeven to around $30 Brent. Considering 100% working interest in Eagle Ford in 2019, total OpEx would have been around 13% lower year-on-year.

In exploration, a highly selective drilling program produced remarkable results in 2020 with 7 positive wells out of the 9 wells complete, mainly located in our core exploration areas. Three of these wells have been ranked among the top 10 commercial discoveries of 2020 according to Wood Mackenzie. A leaner and more focused exploration strategy that aims to shorten the development cycle of our future projects was reflected in the fact that out of those 9 wells, 8 of them were drilled in productive basis with exploration costs 27% lower than in 2019.

On the development side, I want to highlight the geological carbon storage project launched in Sakakemang in Indonesia, that represents a pioneering initiatives in CO_2 capture and storage comparable in size to others worldwide. This project will allow us to capture an estimated 1.5 million to 2 million tons of CO_2 per year, associated with the development of natural gas reserves starting in 2026. In between, we pushed the decarbonization of our existing operated assets, which have delivered in 2020 a reduction of 270,000 tons of CO_2 equivalent, thanks to energy efficiency, methane and flaring initiatives.

Moving now to the downstream. Our resilient integrated position over to maintain activity, jobs and generate cash in a complex environment. All downstream businesses across the industrial, commercial and renewable segments generated a positive operating cash flow in 2020.

In the Industrial division, starting with refining, the margin indicator averaged $2.2 in 2020, a 56% reduction year-on-year, negatively impacted by the market situation. The flexibility of our refining system allow us to generate an average CCS premium of $0.60 per barrel over indicator.

The utilization of the distillation and conversion capacity was 16% and 17% lower, respectively, compared to 2019. The efficiencies implemented in refining contributed to reduce its margin breakeven to minimum levels. We expect the bigger part of these efficiencies to extend into the first period of our new strategic plan.

Consumption of petroleum products in Spain was 19% lower than in 2019. Despite this scenario of low margins and sales, our refining assets remain among the most competitive in Europe with all our 5 Spanish refineries staying under operation through the crisis.

Let me add that in recent months, we are seeing -- we are sensing a small recovery of market conditions supported by an acceleration of capacity adjustment worldwide due to refinery closures and expansion projects delays.

In Chemicals, sales were roughly in line with 2019 as demand was relatively resilient to COVID. And versatile products used in disposable applications partially offset the lower demand from other sectors.

International margins recovered throughout the year to finish 2019 healthy levels, thanks to cheaper feedstocks and the Brazilian part of the demand. The fourth quarter saw margins increased, driven by better demand and some supply constraints validating our differentiation strategy. The transformation of the Industrial business took significant steps to reduce the CO2 content of its operations and develop circular economy opportunities.

In Petronor refinery, Bilbao, 2 major pioneering projects anticipated the refinery of the future. The first one involves one of the world's largest plant to manufacture net zero-emission fields using CO2 and green hydrogen generated with renewable energy as feedstock. And the second one is a plant to generate gas from urban waste, which will replace part of the traditional fuels used in the refinery's production process.

In Cartagena, we took the final investment decision for a new low emissions advanced biofuels plant. It is planned to enter into operation in 2023 and will be the first of its kind in Spain. It will produce advanced biofuels from recycled feedstocks, enabling a reduction of 900,000 tons of CO2 emissions per year.

Repsol has also pioneered the production of aviation biofuel for the first time in Spain, delivering its first batch of biojet in the Puertollano industrial complex. Tarragona some weeks ago also produced its first batch of this product last month in December, as production will be extended to other of our facilities in Spain.

Lastly, our ambition to become a renewable hydrogen leader in the Iberian Peninsula has taken another step forward, with Repsol leading the hydrogen for all projects. This consortium of 15 partners has presented an application for European Green Deal funding to develop Europe's first 100-megawatt alkaline electrolyzer plant, which will be connected to one of our industrial sites.

The performance of the commercial and renewables businesses validated the resilience of its customer-centric approach. Let me highlight that in the fourth quarter, all the businesses in this segment delivered a higher operating results than in the same period in 2019. The result of the mobility business was particularly strong in the fourth quarter, benefiting from the higher relative weight of products with better margins, lower costs and the positive contribution from Mexico.

Sales in our service stations in Spain decreased. However, compared to the third quarter, negatively impacted by seasonality and reinforce mobility restrictions, what has been called as the second and the third wave of this pandemic. Looking at the full year, sales were, on average, 23% lower than in 2019.

The Lubricants, Asphalts and Specialties business improved its results year-on-year, thanks to lower costs. And also, I'd like to underline the contribution of international expansion into Mexico through the JV with Bardahl and Southeast Asia.

Electricity and Gas also improved its operating result compared to 2019, growing its retail client base by up 12% in 2020, despite the challenging environment, the difficulties to develop commercial actions and so on due to the pandemic, with a 50% accumulated growth in the 2 years we have been in this business.

Finally, Renewables continue building its balanced project portfolio across technologies and geographies. In Spain, the -- what we call, the delta project one of the -- of our 2 major wind projects in the region of Aragon in the Northeast part of Spain, was connected to the grid on time and on budget, contributing positively to fourth quarter results. The construction of Kappa in Ciudad Real in the South part of Madrid and Valdesolar photovoltaic projects started in 2020, and both are expected to start operations this year.

Chile became our first international platform in renewables, thanks to our joint venture with Ibereólica, that will manage a portfolio of wind and solar projects of up to 2.6 gigawatts in several stages of development. This JV moved forward quickly, with the start of commercial operation of its first wind farm, Cabo Leones III, with an installed capacity of 189 megawatts. Moreover, in January, we have taken the final investment decision on Atacama, our 180-megawatt wind project with up 50 of 200 -- sorry, 1,700 hours a year. We have already secured a 14 years PPA for this project, guaranteeing this double-digit return.

Let me finalize this section by going through the progress achieved in our carbon emissions reduction goals. We reduced CO_2 emissions across all businesses and more than delivered on the objectives for 2020, achieving a 5% reduction in the carbon intensity indicator that you know we are comparing to 2016.

We have corrected this impact of lower activity due to COVID, and the recurrent reduction is 3.7%, still exceeding the original 3% target. In absolute terms, we achieved an accumulated reduction of 2.4 million tons of CO_2 from 2014, 0.3 million tons above the target for the whole period 2014 to 2020 established back in 2013.

And let me now go through the financial results of the quarter and full year 2020. The group's adjusted net income was EUR 404 million in the fourth quarter, in line with the same quarter in 2019. Full year adjusted net income amounted to EUR 600 million, which compares with the EUR 2 billion obtained in 2019.

At the net income level, fourth quarter result was EUR 711 million negative, impacted by EUR 1 billion impairment of production assets principally located in North America. The net income of 2020 was a loss of EUR 3.3 billion, driven by EUR 2.8 billion impairments and a negative inventory effect of EUR 1 billion. The upstream adjusted net income was EUR 195 million in the quarter and the full year. And these figures compare with EUR 186 million and EUR 1.1 billion, respectively, a year ago.

Industrial adjusted net income was EUR 68 million in the quarter and EUR 297 million in the full year. These results compared with EUR 242 million and EUR 913 million, respectively, in the same periods of 2019.

The adjusted result of commercial and renewables was EUR 153 million in the quarter and EUR 485 million in the full year. These figures compare, respectively, with EUR 123 million in the quarter last year, so we are overcoming that result this quarter, and EUR 541 million in the same period of 2019.

The adjusted net income in Corporate and Others was EUR 11 million negative in the quarter, an improvement of EUR 134 million compared to the same period of 2019 1 year ago.

Full year result was EUR 377 million negative, EUR 85 million higher than in 2019. The group's EBITDA CCS was EUR 1.2 billion in the quarter and EUR 4.1 billion in the full year. These figures were 36% and 43% lower than in 2019, respectively.

Net debt, excluding leases, as of the end of December stood at EUR 3 billion, EUR 1.2 billion lower down at the end of 2019, including a EUR 0.9 billion net effect from subordinated bonds issued and repurchased during 2020.

Finally, Repsol deliver on its shareholder remuneration commitments for 2020, implementing a successful buyback program to purchase the shares issued with the January and July scripts.

The share capital reduction for the corresponding 99 million shares was executed in October. For further detail on Repsol's results, I encourage you to refer to the detailed documents that were released this morning.

Before moving to the conclusions, I want to provide you some insight on the outlook for 2021 and our planning assumptions for the year. When I presented our new strategic plan back in November, I was honest about the difficulties that we are still seeing in the short term. I'm not going to hide it. For that reason, we divided our strategic plan in 2 phases.

In 2021 and 2022, we expect to remain in resilience mode, focus on efficiencies and capital discipline, CapEx reductions and product financial policy committed with our current credit rating. We are working to make a structural part of the savings we had last year, and the pandemic is opening new ways of working and dynamics.

In 2021, we expect to deliver an additional saving of EUR 400 million through procurement efficiencies, working capital optimization, the digital program and a leaner organization. This effort should allow us to recover pre-COVID metrics by the end of 2022, leading the way to the second phase of our strategy from 2023 to 2025. We are ready for a challenging 2021, with a partial recovery to our pre-crisis context, but with ongoing uncertainty and volatility.

Looking to our businesses. Upstream will continue being a free cash flow generator, building optionality with a low but flexible capital intensity.

Industrial keeps transforming with focus on operational efficiency. We are seeing some light, some signs of an activity recovery and a slightly better market environment. But we are still in the midst of this pandemic.

The customer-centric business is expected to remain resilient, evolving on this multi-energy proposition and benefiting from any context improvement as soon as mobility restrictions start to ease.

And the Renewables, we plan to have by year-end, 710 megawatts of additional projects in operation or advanced stage of construction, both in Spain and in Chile. On top of that, we will keep monitoring opportunities to improve our asset portfolio and expand our international footprint.

Our budget for 2021 has been built at $50 Brent and $3 Henry Hub. Upstream production is expected to average around 625,000 barrels of oil equivalent per day. In Refining, we budgeted an average margin indicator of $3.50. And with this basis, we expect to deliver an EBITDA CCS of around EUR 5.3 billion, 30% higher than in 2020.

CapEx is budgeted at around EUR 2.6 billion, of which more than 25% will be deployed in low-carbon platforms. And all that allowing us to maintain net debt in line or slightly below the figure of 2020, excluding hybrid transactions of 2021 and after paying, of course, the committed EUR 0.60 per share dividend.

Let me remind you that we have just launched a share buyback program for 40.5 million shares to repurchase the shares issued with the January script to avoid any dilution to our shareholders. The corresponding share capital reduction will have to be approved by our Annual General Meeting to be held on March 26. And from July on, the dividend will be paid only in cash.

To conclude, we have left 2020 behind, we hope so, having delivered a solid and resilient performance in a difficult scenario. Moving ahead towards our long-term objectives and laying the foundations that will define our next 5 years and beyond. The resilience plan surpass its targets, allowing us to finish in a stronger financial position than what we had at the beginning of the year.

We reduced our net debt, delivered on our shareholder remuneration commitments, and we protected our credit rating, all while honoring our 2020 decarbonization targets. And the first signs of economic recovery translated into a strong set of results in the fourth quarter, in line with 2019, bringing us closer to pre-COVID normalized levels.

The resilience of our legacy portfolio is represented by how all businesses, upstream or downstream, generated a positive operating cash flow. And together with a prudent, flexible capital allocation, allow us to generate EUR 2 billion of free cash flow at group level, EUR 0.8 billion organic.

Our drive for operating efficiency and the resilience measures allow us to reduce our breakevens, preparing ourselves to achieve cash neutrality in a lower, more stress scenario.

The new strategic plan aims to provide a sound investment proposition into the energy transition, generating cash and returns as we deliver on our transformational goals.

Despite all the difficulties last year, we didn't halt our progress towards our strategic objectives. Our robust balance sheet, flexible portfolio and low debt places us in a privileged position to develop the growth platforms that will confirm the core of our portfolio after 2025.

But -- I mean let me underline that we are not starting from scratch as we leverage on the resilience of our legacy business and leading position in Iberia, in Spain and Portugal to generate cash along the way.

Looking into 2020, we expect volatility and uncertainty to remain. However, the recent oil price strength, that has stabilized around $60, may indicate that the market is factoring an earlier adjustment of the supply-demand balance.

Nevertheless, we will maintain a prudent financial policy, battling every expense and pursuing every opportunity. Part of the EUR 2.7 billion of efficiencies delivered in 2020 will be a structural and additional measures will be implemented in 2021.

Finally, I think we have a promising year ahead of us, a year that will help us and our sector to consolidate our journey into the transition. We expect to be as close to the market as possible, and we will update you on our low-carbon transformation progress in an event to be held in coming months, which details will be forthcoming.

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

QUESTIONS AND ANSWERS

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

Thank you very much, Josu Jon. In case you run into technical problems, please contact us through our e-mail address, investor.relations@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, operator, go ahead.

Operator

(Operator Instructions)

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

Thank you, operator. Let me now move to the Q&A session. Our first question comes from Biraj Borkhataria at RBC.

Biraj Borkhataria ***RBC Capital Markets, Research Division - Director, Co-Head of European Energy Research Team & Lead Analyst***

I have 2 questions, please. The first one is on the CapEx guidance for 2021. I think you talked about an average of close to EUR 3.5 billion CapEx over the medium term. And with 25% of the 2021 budget going essentially to low carbon and all growth CapEx, can you talk about how the sustaining CapEx number, particularly in the upstream, has changed and what you think that is going forwards?

And then the second question is on some of the commentary in the press. You talked about spinning out the Renewables business at some point in 2021-'22, but there were also some reports about spinning out a customer portfolio. Could you just walk through whether that's the case? What is included there? And what that would mean for the business going forwards, if that was the case?

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

So thank you. I mean as you said at 25% is going to be applied to low-carbon business. In the upstream business, we are going to expand or to invest, better said, this year a figure slightly above $1.3 billion, almost $1.4 billion. And -- I mean we are sustaining the production of the upstream with this business. With this CapEx level, we are factoring an average of production of 650,000 barrels per day as average in the 5 years of the strategic plan.

And -- I mean, what we are doing in the upstream is, first of all, reducing the exploration effort in the CapEx. Comparing with previous years, we are going to invest this year $225 million in exploration. We are going to devote. We are going to focus $700 million in the 14 key projects that are going to be developed in this period, and $200 million of them are going to be used in the unconventional. So it's true that we are -- in a year, we are in some way being prudent in financial terms. But this effort is going to allow us to sustain the production in an average of 650,000 barrels per day in the whole period of '21-'25.

Going to your second question, let me say, first of all, that the customer-centric is a core business for Repsol. And when we are talking about customer-centric business, as we said in the strategic plan presentation, we are including here all our products focus on our clients and customers. So the power retail and gas retail business are included in this customer-centric business, core business for Repsol.

That -- you know that we have today in the whole business at around EUR 1 billion of EBITDA. And we have a strategy of growth, a multi-energy strategy, focused on the digital, leveraging in the position we have in our main markets, mainly Spain and Portugal, with the aim of increasing EUR 400 million the EBITDA of this business by 2025.

So what we are now thinking about, as I presented in November, in our strategic plan is, of course, developing and building the position we have in the renewable generation business. Geographically, developing the position we have in Spain. Growing in some other countries. Chile has been the first step in this direction with a multi-technology approach, combining wind and solar.

And we are -- and we have a period of, as I announced when we presented the strategic plan, of 18 months to define what is going to be the vehicle most optimizing financial terms, lowering the cost of capital of this business to compete in this business in the best way. So we are exploring different business alternatives, including bringing partners, offering our minority stake in IPO. So each alternative has its own competitive advantage. So far, no decision has been made. But as I said, when I presented the strategic plan, we are going to build this vehicle in coming 1.5 years. So thank you.

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

Our next question comes from Oswald Clint at Bernstein.

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

Just on the mobility piece, please, if I could. Earnings, I mean, even in the quarter or the year, strong, and you talked about the demand weakness, 19%, 20% down, but the business did well due to the mobility piece. So you're talking about margins, lower costs and Mexico in that. I wonder if you could just split out or talk about the contribution of that to the result? How much is margins? How much was lower cost? And just how important is Mexico at this stage with inside this business, please?

And then secondly, perhaps just around Renewables. And obviously, we just had a Spanish round in January, pretty competitive. I think heavily oversubscribed. Don't think Repsol picked up anything and pretty low prices across the board. Does this worry you? And what implications does it have here for your Spanish portfolio? Maybe that's 3.5, 4 gigs and you spoke about having 2.5. Is anything in that that's starting to worry you about executing the Spanish side of your 7.5 gigawatt target?

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

So thank you, Oswald. I mean let me say that everything we have developed in our transforming while performing program over the last year is given its fruit and is delivering in this business. I mean, what is behind this result of this fourth quarter, you are right. Volumes are lower because we are still suffering lockdowns in our main countries, in this case, in Spain and Portugal. But it's also true that we have developed a great effort to reduce costs and to improve efficiencies over the last years in this business and mainly in 2020, and all that is having its effect on this result in this business.

Secondly, I'd like to underline the -- what is a margin that has increased dramatically over the last years that is the non-oil and the convenience side. And over this pandemic, I mean, we have learned about this business. We have developed new products, new services, leveraging in the positions we have had and we have in our service stations. So non-oil, the convenience shop is, in some way, one of the drivers of this change.

The digital and what is behind the digital is also important because we are focusing -- we have a global view of every client, every customer, and we are optimizing margins, products on every customer we have. And I'd like to remind you that we have already 2 million people register and using the Apple -- or sorry the Waylet application or app, and all that is having an effect in the results for this business.

So what is behind when we say that our forecast and our target is to achieve this EUR 1.4 billion of EBITDA in this business by 2025 increasing year after year is because we are seeing that all these kind of measures are having an effect on the result of the business. And even in a time when volumes are low, we are seeing all that in our accounting.

Going to the auction of renewable in Spain. I mean each company has a different strategy. So I like to be very respectful to other companies and other strategies. But we decided to prioritize returns over the possibility to get financed, leveraging on the cash flows that are secured in an auction like that.

For that reason, I mean, we establish this priority of returns. We have better options to develop this business in Spain. We have a merchant market. We don't need, let me use the term, of these auctions to finance these projects. We are supported by the short positions of our own retail business. And on top of that, we have the optionality of PPA market that could be an option in the close future if our long position producing power achieve a larger position than the short position we could have in the retail market.

And I'm saying that, today, the PPA market in Spain has higher prices than those that we have seen in the auction process. So I understand the strategy of companies making the effort to be there because perhaps for some of them, in financial terms, could be an interest option. But we decided to prioritize return over the possibility to get financed in these conditions. Thank you.

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

Our next question comes from Irene Himona at Societe Generale.

Irene Himona ***Societe Generale Cross Asset Research - Equity Analyst***

Congratulations on these numbers. Two questions from me, please. First of all, upstream operating profit in the fourth quarter was exceptionally strong, EUR 247 million. It accounted for about 70% of the annual. Can you talk a little bit about that and particularly what was Libya's -- the return of Libya? What did that contribute to the result in Q4?

And my second question, clearly -- and you referred to a material FX gain in the fourth quarter result, we can see that in the corporate number. I'm interested -- I mean, clearly, FX is a nonrecurring item, why included in your adjusted net income?

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

Thank you, Irene. I mean you are right, the result in the upstream business are really positive this quarter and are better than in previous quarters. I think that there are many reasons behind this one. I'm going to try to develop this idea.

First of all, price. I mean after 2 depressed quarters, even in the first quarter, March was really depressed. We have seen better prices. And not only from the oil side, Irene. I'd like to remind you that gas production is important for Repsol, and we have seen gas prices -- very high gas prices in Europe, in Asia. We have production, like, for instance, the Peruvian production that is fully focused on the Asian market, taking advantage of the [AKM] prices, the Algerian production related to European prices and so on. So gas has been very important.

On top of that, Libya. Libya resumed its operation in October, in October 10, October 11. And the operating result of this Libyan production has been also very positive at around EUR 50 million, EUR 55 million of operating result over the period.

On top of that, let me put my finger on underlining the cost effect. I mean everything we are developing quarter after quarter, year after year from -- in terms of G&A, corporate cost, and all the effort also to reduce the OpEx in dollars per barrel year after year also is having an effect on that.

And finally, we have an additional 1-shot effect this month -- this quarter, sorry, related to taxes. Taxes that in the case of mainly of Norway and some other countries, they have added an additional EUR 70 million, EUR 80 million to the quarter. In 1-short effect that -- I mean, that is not unique. We have a lot of quarters where we are able to optimize the fiscal and tax position we have in countries, combining our production taxes, combining the commissioning projects we have and so on. And thanks to this optimization of our tax position in the country, we have been able also to improve the result of the quarter. So it is a mixture of many facts.

In the case of the Corporate, I like also define or gives you the information that this month, as you know that we have 90 million shares as option that were acquired at an average price of EUR 7.2 per share, as I announced, when I presented the strategic update -- in our strategic plan in November that are going to cover at this price, the share buyback. Eventually in the case of having an oil price above $50 per barrel, we are going to buy back in 2022 and 2023.

So these positions are placed in a market-to-market way. And we have been a positive combined effect of a figure -- I mean, I'm sure that people from IR who will give you a more clarity about that, but at around EUR 80 million coming from this market-to-market position and some results coming from ForEx. I mean let me also say that we manage the exchange rates and the position we have in different currencies. And year after year, over the last 3, 4 years, we have had a positive result in this line that has been included in our results. And in this case, the ForEx included in adjusted net income are there because they are related to commercial business positions. Thank you, Irene.

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

And next question comes from Michele Della Vigna of Goldman Sachs.

Michele Della Vigna ***Goldman Sachs Group, Inc., Research Division - Co-Head of European Equity Research & MD***

Congratulations on a really strong set of results. And I wanted to focus on your resilience mode, which clearly has paid off very well in 2020. But I was wondering, given how quickly the macro environment is improving and how much you have in potential short-cycle activity, especially in your North American business, I was wondering, could it actually end up being a missed opportunity to stay in resilient mode through 2021 and 2022? And perhaps would a realization of value and proceeds from your Renewable business, be it an IPO or be it some form of industrial sale, could that perhaps open up an opportunity to exit that resilience mode earlier?

And then finally, 1 technical question on taxes. I was wondering if you could give us some guidance on where you see P&L or cash taxes in 2021?

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

Thank you, Michele. I mean you are right. We are in resilience mode. And let me say, we are going to go on in resilience mode till having a clarity about the end of the pandemic and not before seeing a different scenario from the macroeconomic point of view.

I mean I like -- you know, Michele, that I'm a very prudent guy. And I mean, we are today in the midst of a lockdown in the countries where we operate here in Spain, in Portugal, in France, in Europe and in part of America. It's true that we have -- let me say, I have a bit more optimistic view that the last time I presented the third quarter results, remember, we were in the last week of October, seeing the hard effects of the second wave of the pandemic. Now we are seeing that the third wave is declining in our countries. Figures are better day after day. We are starting to see the positive effect of the vaccination campaigns and so on. So we could have a different scenario this is spring, but we are still in the midst of this pandemic, and we are going to go on in this resilience mode.

Let me say that we are not losing flexibility in our business. I mean we have a potential short-cycle growth possibility in North America. We have in mind to export this year in the Marcellus and in the Eagle Ford in case of seeing -- of having the opportunity to grow. I mean we are going to be there in some weeks.

We have -- I mean we are going to increase probably, in the framework of our strategic plan, the CapEx level in our upstream business, we are going to invest EUR 1.8 billion per -- as average per year in the framework -- $1.8 billion, sorry, in the framework of our strategic plan. Upstream is going to be a part 42%, 43% of the total CapEx of the company in this period. But we are going to have flexibility. We are going to optimize the positions we have, not losing the opportunity to grow in some areas like North America.

Going to your question about the guidance on tax for 2021. More or less, in the upstream, we will be something in between 44%, 45% to 50%, depending on the mix of countries and the basket of productions in the countries. In the downstream, we will be at around 25% and 33%, 35% for the whole company. Of course, depending always on the basket of businesses, results and so on.

And -- I mean, any proceeds coming from a potential, let me say, a new vehicle for the Renewable business coming either from the -- a potential JV with someone on an IPO, I mean is not going to force any kind of exit from any resilience mode. I mean I think that the resilience mode comes from the situation of pandemic we are experiencing and living today. I think that the rationale of a potential new vehicle for the renewable business comes because we want to have a financially efficient vehicle to grow and to reduce the cost of capital of this business to compete in a better way. Thank you, Michele.

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

Our next question comes from Mehdi Ennebati of Bank of America.

Mehdi Ennebati ***BofA Securities, Research Division - Research Analyst***

First, congratulations for the very impressive results as well. So 2 questions, please, on my side. When I look at the sensitivity that you have to the Brent and to the Henry Hub prices, it looks like in $60, $65 per barrel environment, your cash flow generation should be extremely strong in 2021, if we remain at those levels. So my question is very simple. What would you prioritize if you have a significant excess of cash? I don't expect you to increase your CapEx by EUR 500 million, EUR 600 million, EUR 700 million. So even if you increase slightly your CapEx to take advantage of flexibility, we still have a lot of cash to do some other things.

So don't you think that, for example, starting your share buyback earlier could create value for you and the shareholders, given the current valuation of your company? So please, can you just tell us what would you prioritize if your cash generation is very high?

I have also another question -- in fact, it's a follow-up question regarding your low-carbon business. So during the Capital Markets Day, you said that in 18 months, you will either IPO your low-carbon business or sell stake to a partner. Today, what would you prioritize? Would you prioritize an IPO or a stake sale? And given the current environment, don't you think that's accelerating the stake sell or the IPO could make sense for you, meaning that you should rather do it in 2021 rather than in 2022?

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

Thank you, Mehdi. I mean I take your point. And I know that today, we have a higher Brent price and a higher gas price that is, let me say, relevant, taking into account our exposure to this gas. But let me say that we are still in the 49th day of this strategic plan and this strategic plan is going to be developed over more than 1,800 days. So even having this extra cash proceeds coming from these commodities, I can't forget that we are in the midst of a pandemic. And we are still suffering the effects on the restrictions, the mobility in a part of the world and all that is impacting in a negative way.

It's true that we slightly -- we are seeing, let me say, some kind of different signs, but we are still in the midst of a period where volumes are lower, refining margins are lower. We could have, let me say, some kind of rational concern about the equation, supply-demand for Brent and so on so. I prefer to be prudent to use 2021 to strengthen the balance sheet of the company, mainly taking into account that we are in a period with high uncertainties, high volatility, and we will have time to speak about our capital allocation priorities that, Mehdi, remember, I clearly exposed them in November, when I presented the strategic plan. First of all, the use of these proceeds to go ahead with all the low-carbon platforms we have, either the customer-centric business or the industrial transformation or the renewable generation business, and additionally, any potential improvement of our shareholder distribution.

But going to your point, I mean, our shareholder distribution policy has been defined. I'm going to follow this road map. We are going to pay in cash in July, EUR 0.30 this year. Next year, in 2022, EUR 0.60 in the whole year. EUR 0.65, EUR 0.70, and EUR 0.75 from 2023 in case of having an oil price above $50 per barrel and fulfilling this last condition, $50 per barrel, we will start repurchasing. So buying back 50 million shares per year. But after 2022, 50 million shares in '22, 50 million in '23, 50 million in '24 and 50 million in '25. I mean I have, let me use the term, written on stone this shareholder distribution policy, and I'm going to follow it. Thank you, Mehdi.

Sorry, the last one. I mean both -- each alternative has its own competitive advantage. I mean we are always analyzing, exploring the possibility to bring a partner but that is an option. But at the same time, we are working in a way to prepare a potential IPO. So we will analyze all the opportunities. We will see which one is offering us a better way to grow in this renewable business, competing in the right way, having the right financial vehicle, reducing the cost of capital of our business. And -- I mean, we'll take a decision, but we are prepared for both. Thank you, Mehdi.

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

Our next question comes from Alessandro Pozzi at Mediobanca.

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

I have 3, if I may. On 2021 production volumes look like a little bit below last year. Probably, you've been quite cautious on Libya, but I was wondering if you can maybe split out the Libya contribution versus maybe any potential decline rates in the portfolio?

The second question is on net debt. I think at year-end 2021, we're not going to see a huge amount of deleveraging this year despite the EBITDA going up. And I was wondering whether we have extra maybe cash tax payments in 2021, whether the working capital is going to be negative in the cash flow?

And last question, if I may. I think you guys are building the largest electrolyzer in Spain. Can you give us an update on that project? And how much CO2 you can save with that new plants, please?

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

So thank you, Alessandro. Going to your first question, Libya contribution, I think that is going to be at around 36,000 barrels net Repsol position this year. I mean we are going to be 25,000 barrels per day above 2020. I think that we have the production of 8,000, 9,000 barrels per day as average a year. And this year, we are going to be at 33,000, 34,000 barrels per day, more or less.

On top of that, I mean, last year, we saw the expiration of Piedemonte in Colombia. And on top of that, due to the low prices we have seen in the market, mainly in the unconventional, we have reduced the production in some places. And Marcellus -- in the Marcellus and Canada, in the Eagle Ford and in Trinidad and Tobago, we are going to see a production combining these 4 assets that is going to be a 50,000 barrels per day below the production we had here in 2020. So all in all, we are increasing 25 Libya. We have reducing 50 in these 4 assets and we have some other small effects. But let me again underline, I mean, in the Marcellus and in Eagle Ford, we are going to probably to drill and to grow in coming months our production. And in Canada, seeing the current depressed prices, I mean, we are going to prioritize cash over volume that is behind the strategy we are following, Alessandro.

On top of that, the growth is behind having more or less the same net debt. I mean, first of all, let me underline that, that is coherent because -- coherent with what we announced in our strategic plan in November, where we were seeing a year flat in cash terms -- in debt terms, I mean, after paying our dividend at $50 per barrel. So when I say that we are going to keep going the debt level is in our budget that I repeat again is defined at $50 per barrel for the whole year 2021. On top of that, I mean, we are going to pay, yes, more taxes because probably, I mean, in our guidance, we are going to have a better result. So we are going to gain more money, so a better result. In -- it's true that in 2020, we have developed a great effort reducing in EUR 700 million, the working capital of the company, and it's going to be mostly flat in 2021 because we are also seeing in our budget flat prices.

On top of that, we are increasing our CapEx effort in EUR 400 million, EUR 500 million -- EUR 300 million, EUR 400 million in 2021 comparing with last year. And we have to take into account that we are not including any divestment in the 2021 budget. And in 2020, we have the divestment coming from the settlement we achieved with the Vietnam government. So that is the reason why at $50 per barrel this year we will maintain the debt level of the company. Remember that when we presented the strategic plan, we announced that $50 per barrel over the whole period, we will be neutral in cash after paying the growing distribution pace and hypothetically, at $40, $42 per barrel will be for the whole period the breakeven in case of paying only the EUR 0.60 per share. But -- I mean the first 2 years are, in this sense, years where many efficiency measures we are taking now are not still factor and reflected in our budgets.

Going to your question about the electrolyzer in Spain. I mean you know that we have the target of building 400 megawatts of hydrogen capacity, green hydrogen capacity production by 2025, combining technologies, combining what is called electrolyzers, what is called the hydrogen produced with biomethane, reforming the biomethane obtaining this fully renewable hydrogen, plus the photo-electrocatalyzer we are developing in Puertollano.

Going to your question about the hydrogen for all. Now we are working in the framework of the Green Deal in the memorandum of understanding with 2 relevant international and Spaniard at the same time, engineering companies. And we have talks with some technological companies specialized in electrolysis. This year, we are going to expand in the engineering project, I mean, some million -- I mean, not a material amount in terms of CapEx. And these projects are going to need, and we are working in the framework to make them competitive, yet in the same price we are paying today for the hydrogen coming from the gas natural and our reformers, and we are working on 2 lines. One of them is the European next-generation program that potentially could pay a part of the CapEx; and secondly, guaranteeing a framework -- our regulatory framework to having a defined and competitive electricity costs to make competitive this hydrogen project. Thank you, Alessandro.

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

Next question comes from Thomas Adolff at Crédit Suisse.

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

I've got a few questions, please. Just firstly, going back to the low-carbon business and the potential to IPO to sell it. Just to clarify what you said, did you say that you haven't quite decided what goes into this vehicle? It could be just be low-carbon generation, but it could also be other things that can be included? And is your intention whenever you decided which path to pursue to keep the business still fully consolidated?

The second question is just on the emissions outperformance, even adjusted for the COVID effect you've performed better by 0.7 percentage points. Where did that outperformance come from? And my final question is -- and I know you talked a lot about CapEx, and you want to be prudent for now. But I think you've also mentioned last year that come in the middle of the year and let's mark-to-market for where we are, we can increase spending. And I wondered what sort of flexibility you have in the second half of the year to drive CapEx higher to what level?

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

So thank you, Thomas. I mean going to your first question, I mean, the perimeter, I want to define in a very clear way, the perimeter. What we are looking for to be included in this vehicle is low-carbon renewable generation. So production, renewable production, not more. That's fully defined. No clients. No the retail power position and so on. All that in the approach we have, because we have that -- the lever we have to grow in this business is the position we have today in our 24 million clients in Spain and Portugal. I mean we are building a multi-energy approach around the client in a customer-centric view and very digital. So the perimeter is going to be the renewable production, nothing more -- power production, I mean.

Secondly, I mean what we are seeing is a global consolidation of this activity. I mean so that's -- in terms of answering your question about consolidation, yes, we are forecasting to have a global consolidation of the business.

Going to the reduction emission target, I mean I want to try to explain. If we take the single numbers in terms of taking the Scope 1, 2, 3 in the numerator and the energy joules in the denominator, the reduction will be at 5%. But we have to homogenize this reduction, taking into account the production mix, taking into account also the potential decline and so on. And to have, let me say, homogenated figures. If we take all that, the real figure that could compare in terms of default we have developed to reduce the carbon footprint of the company has been a 3 -- sorry, 3.7% of reduction comparing with the figures of 2016. So that is the first figure that compares with the reference we take from 2016 and which compares also with a target of 12% of reduction we have established and defined by 2025.

So could you repeat your last question, Thomas?

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

Yes. Just -- this was on CapEx, and we've discussed it a lot. But I do remember, I think you mentioned last year, we want to start low to be prudent, but if we are confident about the outlook around the middle of the year, we could be spending more. And I wanted to know the type of flexibility that you have to drive CapEx higher? Is it from 2.6 going to 3? Or it's a lot less depending on the -- how normal the world looks?

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

Okay. Thomas, I mean, we have flexibility in case of seeing better prices or let me say, are quite stable prices in the current levels, mainly for gas to increase our CapEx effort in EUR 200 million, EUR 300 million this year in the unconventional, mainly in the unconventional. And on top of that, I mean, in case of seeing better CO2 prices, we could have even the possibility to increase in -- an additional EUR 200 million, the potential CapEx in the low-carbon platforms, including customers, generation and biofuels and so on.

But again, Thomas, I mean I'm not today in this mode. I mean I'm in the resilience mode, that could be -- I mean, we are prepared for that. We have the flexibility to do that. But I mean nobody is going to start this race in Repsol to increase this CapEx before having a clear strategy that we are exiting the pandemic and we are entering in a new macro scenario. Thank you, Thomas.

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***

Can I just sort of drill down a little bit and speak upon into your upstream at the moment. I think if my calculations are right, you're running CapEx per BOE of between $4 and $6 a barrel if you take 2020 and '21. And that's way below anything that is close to a sustainable level of reinvestment.

And I get that you're in resiliency mode. But ultimately, the E&P business is your free cash flow not only today, but tomorrow, so you need to keep that thing going. And you mentioned a sort of a higher medium-term production figure. So I guess that implies that the investment -- for the bulk of the increased investment you need to make is going to go into short cycle, I wonder whether you can confirm that?

Then that sort of brings me on to a couple of other questions around it. The first is, can you just update on Alaska and where we are on that? I know one of the sort of parallel projects has run into a bit of a problem.

And then also, if the investment program is going to be largely focused on short cycle, which I guess it must be to support the production numbers in the back end of your plan, where does that leave the big projects that you have, particularly sat in Brazil? And wouldn't it be just better to monetize those and sell them to somebody who does want to develop them in the short to medium-term? Those are my sort of operational questions.

I just have 1 other one, if that's all right? I was kind of surprised that you've taken another impairment in the upstream. You took big impairments at 4Q, another one at 2Q and a further one at 4Q as prices are improving and you've developed your plan. So can you just explain to me the background to that impairment charge this time around?

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

So thank you, Jon. I mean you're putting on the table an interesting point. I mean, first of all, let me remind you that Repsol was investing in 2018, 2019. The figures I had in mind from the last years are at around more or less an average of $2,200 million, as average per year. We have to take it in the upstream business, and it was, let me say, fully sustainable at that time, and we were growing, even growing our production.

We have to take into account that we have reduced our exploratory effort in more or less $400 million per year. That means that the figure that we have to compare with that figure is at around $1.7 billion, $1.8 billion. $1.8 billion is the average we have as CapEx in the upstream business for the whole period. So in what is, let me say, the development of projects and sustaining the production and growing the production, we are going to invest more or less the same figure in this period than the figure we had in the previous period. My first point.

Second point is, it's true that this year, we are investing a bit less and also in 2020 because the price situation and the pandemic situation. And we are prioritizing value over volume. That has been, let me say, one of the main drivers of our strategy in the upstream over the last years, prioritizing value over volume, but we have now projects to increase this production for coming years, one of them coming from the unconventional, as I said before, mainly the Marcellus and the Eagle Ford.

And on top of that, we are going to take, at the end of 2021 and in 2022, new FIDs that are going to increase this production. You mentioned Alaska. Alaska, we have the Pikka project. The Pikka project, we are now involved in the feed part, so preparing the project to be able, at the end of 2021 or the beginning of 2022, to take the FID of the Pikka area. On top of that, we are involved in the FID of Sakakemang that is going to be also a growing opportunity for coming years. CPO-9 in Colombia is also there.

Leon-Moccasin is another option. And Brazil is going, Campos 33, the best approach today from the operator is that the first production could be produced in 2025-2026. Taking the FID, I can't -- I have not in mind now the figure, I think that is 2023. Yes, '22. We are going to take -- I mean, a member of my team is telling me that we are going to take this idea of Campos 33 in the second half of 2022. So all that is behind the coming production in the E&P.

Background about the impairments, I mean, a lot of North America, including Trinidad and Tobago, I mean it's North America -- Trinidad and Tobago is there, (inaudible) is there and Canada, I mean, I think that they are the 3 main sources of impairment, but I could check -- you could check the whole list, Jon, with IR team. But Trinidad and Tobago and Canada and (inaudible) are the largest source of impairment. Thank you.

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

Our next question comes from Jason Kenney at Santander.

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

Again, well done on the numbers today. One question on hydrogen, if I may, on the 100-megawatt alkaline electrolyzer. I mean you mentioned it's going to go at one of your plants. I'm not sure if you've got a particular plant in mind. I wondered why not a PEM electrolyzer given the quicker start-up with intermittent renewable power? And why the decision for alkaline, but maybe a bit of a technical question there? Second question, just going right back to the start of the Q&A there was a question about how much impact Mexico was in the commercial business. And I was wondering if you could give us a bit of detail about the growth expected from Mexico retail, if possible.

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

Thank you, Jason. I mean, perhaps, I don't have the full technical background to answer your first question. But I mean, as I said before, we are working in a multi-energy approach. We have developing the biomethane plant from methane coming from wastes, that is going to feed in our -- one of our refineries. A reformer that is going to produce hydrogen, that is going to be coming from biomethane, fully renewable. On top of that, we have a small project of 10 megawatts and -- 10, an electrolyzer in Bilbao that is going to produce the hydrogen that is going to be combined with carbon monoxide coming from the reduction of our CO2 that is going to be captured from an industrial plant. So -- and we are going to produce, let me use the term, green gasolines or synthetic fuels with this project, 50 barrels per day. So it's a scalable project with this dimension.

And on top of that, today, we have 2 projects with a capacity of 100 megawatts, one of them in Bilbao and the other one in Cartagena using electrolyzers. And now we are working and defining the technology with these 2 engineering companies, they are involved there to -- I mean, international Spanish companies with some technological support. So we are in the process of this definition.

And on top of that, we are also developing a small plant that is going to use the photoelectrolysis technology in Puertollano. I mean this plant is producing hydrogen. Now you've seen any single, let me say, electricity of power stream. So the photon is impacting directly on the ionized water molecule, splitting the water molecule, producing the hydrogen with no electricity in the middle. So it's a quite new technology, with the technological risk and so on, but we are going to combine all these technologies. In any case, Jason, of course, our team could be ready to try to put more color on your question with perhaps more background I could have.

Mexico. We are quite prudent about Mexico because, I mean, the pandemic is impacting everywhere. And in 2020, the pandemic and the lockdown situation and so on has also impacted Mexico. So we have, in some way, a slowdown the development of our network of service station in a prudent approach. We are seeing also some delays in administrative terms to open new stations. And the EBITDA in 2020 has been of EUR 6 million in Mexico and is comparing with EUR 4 million in 2019, so -- sorry, minus EUR 4 million in 2019. So we are improving the small dimension that today, the business has, we are improving the economics and all that in a prudent approach due to the market situation we are seeing in the country. Thank you, Jason.

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

Next question comes from Joshua Stone at Barclays.

Joshua Eliot Dweck Stone ***Barclays Bank PLC, Research Division - Analyst***

Just 1 question left me. Are you including anything in your 2021 budget for acquisitions? I'm remembering there were some headlines about talks for a potential deal in the U.S. on the renewable side. Could you maybe make a comment on that? And just generally, your appetite to do deals right now?

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

Thank you, Joshua. I don't know if Thomas would agree my statement, let me joke. But I mean, we are going to be neutral in terms of investment-divestment in the upstream. I mean, the aim is to rotate the portfolio, driving the portfolio we have. Of course, trying, first of all, to dispose, to sell or to have some clarity about these disposals and, I mean, opening the door to invest in new assets improving in the upstream side.

Going to the Renewable business, I mean, we are not forecasting now any inorganic operation. But again, if we do something in an inorganic way, will be not an asset in operation but I mean a potential small platform to grow or something like that, adding capabilities, that is going to be our target in case of seeing something differential. But as a priority, we are going to grow in this business in an organic way. That is what we are doing in Spain, what we are doing in Chile, and I don't discard. I mean, to analyze the possibility to enter in a third country, as I said, when I presented the strategic plan with a partner with a small platform and so on. But we are not thinking, let me say, about big acquisitions and things like that. Thank you.

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

Our next question comes from Matt Lofting at JPMorgan.

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

Two, if I could, please? Firstly, on refining and downstream. You showed in the slide, I think Slide 11, the sort of the trends by month in terms of Spanish fuel demand through 2020. Could you just talk about refining margin and demand trends through the first couple of months of this year? And how those trends and levels sit within or compare to the assumptions that you will have made within the $3.50 per barrel refining margin average for this year?

And then secondly, coming back to upstream and carbon emissions. I think you referenced earlier some of the initiatives required to lower carbon intensity through the coming years, obviously, tying into the CMD when you highlighted your ambitions to high-grade from Tier 1 -- Tier 3 to Tier 1 intensity by mid-decade. When we look at the next 12 to 24 months through the resilience phase of your 5-year plan, what are the key projects or deliverables that we should look to as the sort of the early or earlier indicators of progress towards that Tier 1 status?

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

Thank you, Matt. I mean going to the refining business. I mean, today, we are seeing depressed margins. I mean -- and let me say that I don't see anything different before exiting the lockdowns and the pandemic in European countries. It's true that the margin is slightly improving. The fourth quarter was a bit better than in the third one. But in any case, it was very low.

And today, my first approach, better said, what we could say for the whole first quarter in terms of our margin could be something around $1.5 per barrel. I maintain the view that for the whole year, seeing that volumes are going to grow, demand could grow after the end of the lockdowns and the increase of the mobility in our countries. I maintained the $3.50 per barrel as a guidance for the whole year. Of course, all that is going to depend on the evolution of the exit of the pandemic.

In case, let me say, you have not seen this $3.50 per barrel, Matt, having $1 per barrel below this figure, I mean you know what is the impact in Repsol. It will be close to EUR 200 million in cash, that could fit more or less with having the Brent 4, 5 -- $4 above the $50 per barrel. So we could have, in some way, 2 opposite effects on our budget.

Saying that, I have analyzed, for instance, this week what is happening in Israel and in countries that are achieving a high vaccination campaign and rate. And mobility is growing in a dramatic way. And I don't know what is going to -- I don't know when we are going to exit from this lockdown and from this pandemic, but I'm sure that the increase in the mobility everywhere and in countries -- in our countries is going to be really dramatic after the exiting of the pandemic because we need it. We need to recover, let me say, our friends, our families, our freedom in some way in terms of recovering the capacity of recovering the mobility, and the uncertainty is when all that is going to happen. And the refining margin is going to be fully dependent on this exiting of the pandemic.

Going to the carbon intensity, I mean, I'm going to split. What is the carbon intensity index for the whole company with the Scope 1 and Scope 2 emissions in CO2 and methane terms. If we go to the carbon intensity index, the improvement is there, 3.7% for the whole company this year compared with 2016. We have rough and ambitious targets, 12%, 25%, 40%, 50% for coming periods, all that has been defined. We have a lot of levers to work on this ratio. Of course, the emissions from our operations, Scope 1, Scope 2 working with our portfolio, renewable energy, biofuels and so on, all that is going to add advantages to the reduction of this carbon intensity index.

And on top of that, in the upstream business, we have the target of being a Tier 1 in terms of Scope 1 and Scope 2 emissions in our business by the end of the strategic plan period. And here, let me underline that the main lever is Malaysia and the reduction of emissions in the PM3 and in Kinabalu. We are working hard. And this year, we have reduced in 300,000 tons the emissions in these assets, and we are working in the flare reduction, a membrane separation system. And -- I mean, we are going to invest and to work to offset the problems we have in terms of emission because, I mean, going from the Tier 3 to Tier 1 for the upstream Repsol has a clear name and definition, it's PM3 and is Kinabalu, and we are going to put all our efforts in these assets to reduce our emission level. Thank you.

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

Next question comes from Lucas Herrmann at Exane BNP.

Lucas Oliver Herrmann ***Exane BNP Paribas, Research Division - Head of Oil and Gas Research***

Two quick questions, if I might. The first is simply, what's the capacity within Repsol in Spain to sign PPAs for the organization itself, i.e., to what extent do you feel you can actually back the build-out of total or other renewables via taking electrons into your own organization?

And the second question, if I might, staying with renewables. You -- what determines the time line for sale to an industrial partner or spin outs? Are there any particular constraints? You talked 12 to 18 months, but what are the signpost or what needs to happen? What speed things up? What slows it down?

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

Okay. Thank you, Lucas. I mean, first of all, I mean, the capacity to sign PPAs with our own organization is, of course, depending of 2 factors: the first one is our own growth in the retail business and in the production -- in the consumption we have; and the second one is what is, let me say, the balance we have -- or we want between our merchant position and the PPAs we are signing with our own organization? So because we also want today to be -- or to have a part of our production open in the Spanish merchant market. Saying that today, our retail consumption is at around 4,300 gigawatts hour, if we take a mix of solar and wind, that could fit more or less with 1.7, 1.8 gigawatts of installed capacity, 50-50 solar and wind. And if we take what is today our renewable production and what is going to be at the end of this year, we are going to be at the end of this year, producing 700 -- 740 megawatts of production. That means that today, our retail business could absorb theoretically without any restriction, the PPAs coming from the production we are developing in Spain. Of course, all that is going to depend on -- as I said before, on the balance, we want between merchant position and PPAs signed with our own short position in the market business.

I mean going to the Industrial side. First of all, of course, alliances are always okay because we could learn from others. But today, I mean, we don't need an industrial partner for our Industrial business. Saying that, I'm talking about the whole industrial business. But of course, we have partners today in some part of this business. For instance, we have a 50-50 JV in the rubber business that is leading -- it's one of the leaders worldwide of this business. We have -- we are developing now technological agreements in the propylene oxide technology with Chinese companies. We have partnerships in the lubricants industrial side with a Korean company, SK, and so on. I mean we have partners in parts of our business.

But -- I mean, it's not our aim. We don't need it. And let me say more, Lucas, I think that it's not the best moment today to go to the market finding partners or IPOs and so on for the Industrial business, taking into account what is the market sound today. But in any case, I mean, we don't need it in a whole way. We prefer to develop specific partnerships in areas where we could find a partner that is improving our capabilities. Thank you, Lucas.

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

We have received some questions from (inaudible) Bestinver, which is experiencing trouble accessing the system. So I'll post them. First one is for how long do Brent prices need to remain above $60 to decide to increase shareholder remuneration?

And if that's the case, will that take the form of a larger share buyback, a larger dividend or bringing forward the share buyback to 2021?

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

I mean in some way, I tried to answer this question before. We have to find the shareholder distribution framework for coming 5 years, and I'm going to maintain this framework. And let me say what we are seeing today in Brent and Henry Hub and gas prices is okay. It's impacting in a positive way in our cash, is positive. I can't forget it, but I have to take into account that -- I mean, all that is happening over 50, 60 days.

The year is going to be a long year. Uncertainty and volatility are there. And we are still in resilience mode. I mean we are in the midst of a pandemic with -- in the midst of a lockdown. And before seeing a clear different macro scenario, I mean, I'm not going to enter in this kind of reflection. I understand, of course, your point. But my duty is to say what I'm saying now. Gracias. Thank you.

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

Well, that was our last question. At this point, I will bring our fourth quarter and full year conference call to an end. Thank you very much for your attendance, and stay safe.
