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PRESENTATION

Operator

Hello, and welcome to the Repsol Third Quarter 2023 Results Conference Call. Today's conference will be conducted by Mr. Josu Jon Imaz, CEO. And a brief introduction will be given by Mr. Ramon Alvarez-Pedrosa, Head of Investor Relations.

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

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

Thank you, operator. Good afternoon, and welcome to Repsol third quarter 2023 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, 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 call over to Josu Jon.

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

Thank you very much, Ramon. Good afternoon to everyone, and thank you for joining us today. As usual, I'll start with a review of the key messages of the quarter, before moving to the business performance and results. At the end, I'll update our outlook to the end of the year. After the presentation, of course, we will be available to answer your questions.

Starting with the main messages, last quarter, Repsol continued to deliver solid results and strategic progress through the current commodity cycle. 2023 has been so far a year of great transformation for Repsol. The strong cash contribution of our businesses from the cashing of asset disposals have been used to increase our organic CapEx, to capture inorganic growth opportunities and to progress towards our strategic objectives.

We are in a very strong financial position, and this flexibility is being used to invest in our future. And we are doing that within the clear, disciplined capital allocation framework defined in our strategy. At the macro level, there is still uncertainty in the market, and the recent sad geopolitical events will probably increase volatility going forward.

The third quarter was characterized by higher oil and gas commodity prices, together with a stronger refining environment. In our previous call, we were optimistic on the outlook for the refining business and last quarter confirmed this view. Moreover, we announced 2 significant transactions in upstream and renewables that evidence our continued focus on transforming the business portfolio.

Firstly, in Canada, we divested our remaining oil and gas assets there, as part of the ongoing reorganization of our operations to concentrate E&P activity in core regions. Secondly, in the United States, the agreement reached for the acquisition of developer ConnectGen, reinforces our renewable portfolio, incorporating an important onshore wind platform in the country, and underpinning our ambition to deliver 20 gigawatts in 2030.

Looking at the results, third quarter adjusted income was EUR 1.1 billion, a 33% increase over the second quarter, mostly driven by the higher oil and gas realization of tighter market for middle distillates. Cash flow from operations reached EUR 1.3 billion, 23% lower than in the previous quarter. As anticipated, the operating cash generation was negatively impacted by the settlement of the Maxus litigation, and the payment of the second tranche of the Spanish windfall tax corresponding to 2022 activity.

Additionally, the higher prices during the quarter and inventory buildup resulted in a working capital outflow of EUR 0.9 billion. Net debt closed at EUR 1.9 billion, roughly EUR 1.1 billion higher compared to June, mainly due to elevated investment levels, the payment of July dividend and the purchase of treasury shares.

During the quarter, we acquired 20.5 -- 24.6, almost 25 million own shares through the buyback program in place since the end of July. In addition, we secured another 10 million shares through the settlement of derivatives. With that, we are more than halfway towards our commitment to cancel a further 60 million shares before year end for a total 110 million shares canceled in 2023. Adding to the EUR 0.70 dividend already paid in 2023, this means that we are on track to distribute the committed EUR 2.4 billion to our shareholders above the higher end of the cash distribution range defined at the beginning of the year.

Moreover, adjusting the -- for the operating cash flow corresponding to our minority partners in upstream and low carbon generation, shareholder distribution will be in the higher end of our peer group. Finally, looking into 2024, the supportive scenario ahead of us and the solid financial position built this year has allowed us to increase the dividend to be paid next January, so the interim dividend to EUR 0.4 per share as announced earlier this morning.

Let me now briefly review the evolution of the main macroeconomic indicators in the quarter. Brent crude averaged $87 per barrel a $9 increase quarter-on-quarter, and $14 below the same period a year ago. The Henry Hub averaged $2.5 per million Btu, 19% higher than in the previous quarter and 70% lower than a year ago. The refining margin indicator averaged $13.6 per barrel around $7 higher than in the second quarter, and $0.9 higher year-over-year, fundamentally due to the increase in the spreads of middle distillates. Lastly, the euro remain stable, exchanging for an average of $1.09 during the quarter.

Moving on now to the performance of our four verticals, starting with the upstream the solid operational performance of previous months continue through September. Aligned with our strategy, our business keeps emphasizing profitability and sustainability with a focus on the efficient delivery of growth projects and portfolio transformation.

The adjusted income was EUR 341 million, 17% lower quarter-over-quarter, mostly due to a normalization of the effective tax rate that in the second quarter included tax regularization in several countries. Year-over-year, the result was 55% lower than in the same period of 2022. As the contribution of higher volumes and lower exploration cost was more than offset by lower oil and gas prices, comparing with the same quarter of the last year.

Quarterly production averaged 596,000 net barrels of oil equivalent per day, in line with the second quarter, and 9% higher than a year ago. The accumulated production into September averaged 600,000 barrels a day, in line with our full year guidance. A year-over-year third quarter volumes benefit from the startup of new wells in Eagle Ford and Marcellus and a higher gas demand in Venezuela. These effects more than compensated the disposals of the Canadian assets executed in 2022. I mean, I'm talking about Duvernay, Chauvin, Montney and so and natural decline.

In Canada having disposed our oil production assets in 2022 in September we divested our remaining E&P position for $468 million. This transaction helps us continue with the streamlining of our portfolio, focusing growth on core regions, such as the United States and Brazil. Production in Canada has averaged around 23,000 net barrel equivalents a day in 2023, mostly gas, and the transaction has been complete by mid October.

In Venezuela, we welcome the latest developments with regard to the easing of the U.S. sanctions affecting the oil sector. This is, let me say, good news for us for Repsol, as it will translate into future development opportunities, increase the availability of heavy crude oil for our refineries, and also is improving the effectivity of that collection. We reiterated again our commitment to Venezuela, and we reiterated that we are going to work looking for any progress as an opportunity to create value in the country.

In the Gulf of Mexico, the Shenzi North project started up production in September ahead of its targeted first oil in 2024. The project is a 2 well subsea tieback that takes advantage of existing infrastructure in the area. The Shenzi field currently produces around 12,000 net barrels a day to Repsol, and the new development is going to add or will contribute with 4,000 net additional barrels per day.

In Brazil, the execution phase of Campos 33 is progressing according to expectation. After having taken the FID in May Last quarter, the consortium submitted the declaration of commerciality and plans of development for 2 of the areas in the concession. And the pending approval by the A&P, the regulator organization. The proposed name Raia Mantae for (inaudible) and Raia Pintada for (inaudible). The project is expected to start production in 2028.

In exploration and appraisal well of the Blacktip deepwater discovered in the Gulf of Mexico was declared positive. This result further proves the existence of a prolific Wilcox play that is in some way in geological terms, I'm not an expert on that, that is similar to Baskin or Leon-Castile in this prospect, supporting our growth plans in the area.

Let me wrap up by saying that since the release of our strategic plan back in 2020, we have made significant progress towards the strategic priorities that were defined for our upstream business. And this has allowed us to make our portfolio more resilient and predictable in any potential scenario. In addition to crystallizing value through the incorporation of a strategic partner, we have concentrated our geographical scope of span in 14 countries, and our focus on the development of 12 new projects with FIDs already, all of them taken. These projects contribute with low breakeven barrels that support future volumes and offset decline.

In parallel, we are evolving our business to develop geological low carbon solutions in CCS, geothermal energy and hydrogen storage. Continuing now with the industrial division, the adjusted income was EUR 550 million, around 60% higher than in the second quarter and 17% lower than in the same period a year ago.

Year-over-year the lower results in refining chemicals and trading more than offset the better results in wholesale and gas trading. In refining, third quarter margins benefit from a strong demand, low levels of inventories, the ban on Russian exports and expansion projects delays. The margin indicator more than doubled to $6.4 achieved in the second quarter and was above this $12.7 of a year ago. Up to September, the indicator has averaged close to $12 in the first 9 months of the year.

Compared to the previous quarter, margins reflected the higher middle distillate spreads as a result of Russian sanctions, lower availability of several crudes and delays. In the year-over-year comparison, the improvement was mostly driven by higher gasolines and naphtha spreads, partially offset by lower middle distillate differentials.

Let me underline that despite the favorable margin environment of the third quarter, the results of the refining business were partially held back by negative pricing lag effect in kerosene sales. This compares with an analog positive effect for this reason in third quarter of 2022. But again, I mean, that is a temporary effect. The premium generated in the CCS margin reached $2.9 over the indicator, positively impacted by a higher availability of heavy crudes, the contribution of biofuels and higher utilization rates.

The average utilization of distillation and conversion units was 87% and 102%, respectively. Plant availability was maximized during the quarter after having complete all planned refinery maintenance during the first half of the year. Finally, last quarter, our refineries continued to process Venezuelan crude, which accounted to around 4% of the total crude inputs. During the quarter, we received four new cargoes for a total 3 million barrels of oil.

In Chemicals, our margin indicator was 43% lower than in the previous quarter and 14% lower than in the same period a year ago, reflecting an ongoing weak demand situation for petrochemical products. The adverse economic situation for this business remain mostly unchanged as inflation and higher interest rates continue to restrain consumer spending. Low demand is affecting nearly all chemical sectors in Europe and the market expects roughly this situation to extend into the end of 2023.

With regards to the transformation of our industrial sites, the construction of the C43 biofuel projects in Cartagena is reaching its final stages with the startup of operations planned in the next few weeks, months. This new unit has an annual production capacity of up to 250,000 tons of HVO, 195,000 tons of sustainable aviation fuel, SAF, depending on market conditions.

Combined with the 240,000 tons a year capacity coming from the retrofitting of Puertollano, I mean, we talked about this project in our last conference in July, we expect to generate around EUR 350 to EUR 650 of EBITDA per ton of fixed stock processed from these two projects, I mean, a figure that could be close to EUR 250 million of annual EBITDA.

In sustainable aviation fuels, we keep working on strategic supply agreements with key airlines. Last quarter, our growth plans received a further regulatory support with the approval of the ReFuel Europe Aviation initiative by the European Union.

In renewable hydrogen, production began in the 2.5 megawatts pilot electrolyzer in Bilbao, a relevant milestone in our decarbonization route, where green hydrogen will play probably a pivotal role. The hydrogen produced through the pilot will be used in the industrial processes of the Petronor refinery in Bilbao.

Finally, as discussed, in our recent ESG day, we have increased our target for biomethane projects in the Galicia region through the northwest part of Spain, where we have Colonia's refinery in several plants that will use agricultural and livestock waste as feedstock.

In the customer vertical, the stability and resilience of this division keeps us on track to deliver records levels of EBITDA in 2023. The adjusted income reached EUR 190 million, 28% higher than in the previous quarter and 74% higher than in the same period a year ago. Quarter-over-quarter, the mobility business was the main driver of the improvement, partially offset by a lower result in LPG due to temperature and seasonality.

Third quarter performance reflected the shift from generic broad market discounts to customer-specific. The new multi-energy strategy launched in April, built around Waylet, is helping us capture new clients, retain the previous customer base and generate cross-selling opportunities through personalized discounts. Let me -- I mean, I'm proud of saying that the Waylet app reached another milestone this month, surpassing 7 million users, helping us to progress towards achieving 8 million digital clients in 2025.

Moving now to low carbon generation. The power generated by Repsol reached 2.7 terawatts hour, 43% higher than in the previous quarter. The adjusted income was EUR 13 million, 8% higher than the previous quarter and 78% lower than a year ago. Year-over-year, the higher production in wind and solar could then compensate for the lower pool price and lower production in combined cycles.

The development of our pipeline continued with the startup of the first 100 megawatts of Frye solar in Texas. The phase development of this project, which was acquire from Hecate Pipeline, I mean, in 2022, it's expected to reach 600 megawatts in 2024. The agreement reached last quarter to purchase renewable developer ConnectGen for $768 million, reinforces the United States as a core region for Repsol. The transaction, which is expected to be complete this quarter, allows us to incorporate a 20-gigawatts pipeline of wind, solar and energy storage projects.

In particular, we are adding an onshore wind platform in the US, that complements the solar and storage development capabilities acquired through our stake in Hecate. Repsol currently has 2.3 gigawatts of renewable capacity in operation including Spain, the U.S., Chile and Italy. We have a further 1.1 gigawatts under construction and remain confident on surpassing the 2.7 gigawatts of installed capacity targeted to the end of this year.

If the acquisition of Asterion closed at the beginning of the year, allow us to basically ensure the delivery of the 6 gigawatts targeted by 2025, the purchase of ConnectGen closes the gap to guarantee the delivery of the 20 gigawatts targeted to the end of 2030. Our team remains focused on the efficient delivery of our pipeline and generated the appropriate returns in this business.

Looking ahead, our deep project portfolio across different countries, technologies and stages of development will allow us to deliver the capacity targets defined in our strategy, while preserving profitability objectives.

Moving now briefly to the financial results. In this slide, you may have a summary of the figures that we have discussed when reviewing the performance of our businesses. For further details, I encourage you to refer to the complete documents that were released this morning.

Let me now review our updated outlook to the end of the year. Starting with refining. The consolidation of the margin recovery experienced since April is allowing us to revise our full year margin indicator assumption. The new figure is $11 per barrel, short and medium term, we remained positive on the outlook for this business as the resilience of demand can cope with the uncertainties coming from the supply side.

In the Upstream, the full year production guidance remains unchanged at around 600,000 barrels per day on an annual basis. This figure already factors since November for the disposal of our position in Canada. The expected cash flow from operations in 2023 remains above EUR 7 billion. In broad terms, the positive contribution of higher refining margins is expected to be partially offset by the negative evolution of gas prices, lower results in chemicals, and a weaker dollar. The estimated organic CapEx for the year is around EUR 5 billion. I mean, the guidance we had in July.

With regards to shareholder remuneration, we confirm our commitment to distribute this year EUR 2.4 billion to our shareholders, surpassing the higher end of our initial cash flow distribution guidance. This figure will be equivalent to 35% of the cash flow from operations of 2023. And as discussed earlier, if we adjusted for the minority stakes in upstream and low carbon generation, we will be in the higher end of our sector.

In addition, the performance of our businesses and expected cash flow generation has allowed us to increase the first dividend, so the interim dividend in technical terms to be paid in 2024. In this sense, this morning, we announced an increase of the dividend planned to be paid in January to EUR 0.4 per share. This is equivalent to a 14% increase compared to the dividend paid in January 2023.

Before moving to the conclusions, let me share some thoughts about the agreement announced last Tuesday between 2 of the political parties negotiating to form the future Spanish government to extend and reinforce the extraordinary tax currently imposed on banks and energy companies. First of all, let me say that this agreement is just part of the negotiation between 2 parties that intend to form a coalition government after the inconclusive elections held in July.

The announcement is not in any way based on any kind of law or draft to follow. The extraordinary tax currently enforced in Spain, I mean, that is unfair, it's illegal, it's unconstitutional, and is discriminatory, is impacting and punishing in a negative term energy companies that invest in industrial assets and that create industrial jobs in the country. Its extension will penalize this company even further with a clear repercussion on their investors and in their capacity to invest in the energy transition. Let me explain that in a crystal clear way. Today, businesses like our chemicals unit in Spain are paying this windfall tax based on its turnover figure when at the net level, they are incurring in losses and they are having difficulties to compete in the international market.

Looking ahead, Repsol plans large investment in our Spanish industrial complexes, focus on reducing the carbon footprint. But again, I will be crystal clear about that. The lack of stability in the regulatory and fiscal framework could condition future investments in our industrial projects in the country. So, before taking a new FID for any investment in Spain, we will analyze if the required conditions are stable and are attractive enough to guarantee the returns of those projects.

To conclude, our third quarter performance demonstrated once again the soundness of Repsol business model. We keep managing our legacy businesses in the most reliable and safer manner, ensuring that we capture the current favorable macro to accelerate the transformation of our portfolio and improve the remuneration to our shareholders. Our decarbonization pathway remains in place as we aim for a balanced approach to the energy transition. The solid financial position built in previous quarter allow us to tackle the future with great flexibility, allocating capital according to our priorities without major constraints.

In 2023, we have made significant advances towards building the multi-energy portfolio that is going to help us decarbonize our operations and support future cash generation. Capital discipline will remain at the center of our decision-making. We see volatility and uncertainty to persist in the current situation, increasing the importance of sanctioning new projects that can be profitable in any potential future scenario.

We keep committed to growing the distributions to our shareholders through a combination of dividend increases and additional share capital reductions. This year, despite somewhat weaker commodity price scenario comparing to last year and our initial expectations, we expect to surpass our targeted distribution range.

Finally, looking back to the 5-year strategic plan release in November 2020, with most of our strategic objectives already delivered. We expect to host you on -- I mean, next time, next conference call probably the 22nd of February to provide an strategic update along with our full-year results.

With this, I hand now the call over to Ramon. Thank you.

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

Thank you very much, Josu john. Before moving on to the Q&A session, I'd like the operator to remind us of the process to ask a question. Please go ahead.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

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

Thank you, operator. Our first question comes from Oswald Clint at Bernstein. Oswald?

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

Can you hear me?

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

Yes.

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

I wanted to ask about the acquisition of the ConnectGen Wind portfolio in the U.S. I see the logic of matching that up against the Hecate solar portfolio. You said, it's now a core portfolio targeting, obviously, double-digit returns. But perhaps you could just walk through some of the assumptions in order to maybe provide a bit more clarity on securing that double-digit level of returns, how important tax credits are, or do they really bolster your view that you can reach that level comfortably? And, I mean, should we expect you to deepen in the U.S. now with the low carbon CapEx, given what you just said about the Spanish tax environment? That's the first question.

Secondly, I wanted to ask about the customer business and those discounts, which have doubled and they seem to be extended into 2024 the $0.40 per liter and the free electric vehicle charging, it seems quite generous. So I just wanted to make sure, I mean, overall, you still make money on these customers through the gas and power contract side of the equation. Could you just talk about that, please?

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

Thank you, Oswald. I mean, first of all, I always talk about double-digit. I see that and -- I know that some investors, they don't -- I mean, they have some concerns and some doubts about that. Let me say, I'm going to be very clear. Now we are in the midst of the process of the disposal the asset rotation of the 49% of the Ebro project, the Ebro project, we are talking about 600 megawatts in Spain, 400 megawatts of them more or less are green, 200 megawatts solar, and we are going to see in 2, 3 weeks the conclusion, the closing of this process.

Again, we are going to demonstrate through this portfolio rotation process that the double-digit return is there even in this financial environment. I know that there was -- let me say in the market a reasonable concern about we would be able to go on in this asset rotation process in this context. Okay, we are going ahead and we are going to see in 2, 3 weeks that the results are there.

We are taking, as you know, the whole risk of the project from the early pipeline. And on top of that, we are also taking all the construction, the operation, the maintenance of the asset. And after securing a significant part of this production for coming years, we are looking for an investor that could in some way have some appetite to take up the risk of project and is ready, of course, to pay a different multiple. That is happening even in this scenario.

Going to your question, let me say that today we have the advantage of being or entering at the right moment in the States, because we have the pipeline to accelerate these projects in the country. Of course, as you mentioned, these projects are eligible in terms of the tax energy investment, that could be at around 30% -- more or less 30% plus. In many cases, these projects are eligible because the geographical situation they have, in communities that they have suffered, let me say in the past, some decline coming from, I don't know, coal mines or projects linked to some other forms of energy and they have an eligible support of additional 10% of the local community.

So, in most of cases, we are talking about a total tax support coming from the IRA, something in between the 40% and the 50% of the total CapEx of the project. Of course, we have good placement for these projects in good regions. It's a good pipeline. We have the right team to push forward these projects, and we are, let me say, some -- with a clear expectation and some comfortable about the way to reproduce in the States to replicate, better set the same model of portfolio rotation we have developed in Spain. And that is going to allow us to get this double-digit return target we have. And again, in 2, 3 weeks we are going to see the results and we are comfortable about the project we are involved in.

Going to your second question about the customer business. First of all, it's clear that we are making money this year, I have to check the figure. But in the electricity and power business, we have in these 9 months a positive EBITDA of EUR 70 million. But I have to say that we are investing hard in an organic way, mainly organic, I mean, with some small inorganic transactions to increase the number of customers.

At the end of September, we have already 2.15 million customers in Spain. And this October, we have overcome the figure of 2.2 million customers. Remember that we have the target of 2 million customers by 2025 in our strategic plan, that means that we are already the fourth operator in the power business in Spain, and we are approaching the third one. And we are building this position, as I mentioned, with the figures I show in a profitable way. On top of that, you could see the result of our customer business, where year-after-year the EBITDA is growing. That means that this multi-energy approach, focus on clients is working. Because it's true, last year we had discounts and so on, but we were in some way we had a general framework.

Now we are very focused on our customers, adding value to every customer of Repsol. And with more focus. Let me say, that the total figure of the discount is also less -- is lower than it was last year in terms of P&L but this focus on the customers of Repsol, we are interested in. So that's important, we are leveraging this position, the non-oil is also growing. It's also an important part of this business. And the proof of what I'm saying is that year-after-year, the EBITDA in the customer business in Repsol is growing. So, Oswald, going to your question. Yes, we are making money in this new business.

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

Thank you, Oswald. Our next question comes from Biraj Borkhataria at RBC. Biraj?

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

The first one is just a follow-up on the windfall taxes. I hear you and it quite strange to be paying windfall taxes on a loss making business. But I wanted to think, looking forward, as you are thinking about 2024 CapEx and plans. Could you just talk a little bit about the projects that may or may not be at risk and how you're thinking about the sort of uncertain portion of your CapEx, if this was to be enacted?

And then the second question is on the dividend. You've said multiple times that you want to be the most boring CEO in the industry and you're going to host the strategic update in early '24. I suppose we'll get a more formal update on the distribution framework then. So I am just wondering why you felt the need to increase the dividend at this point.

And then finally, just on the corporate cost line, you're cash and now that's obviously starting to earn interest, and that seems to be making quite a material impact on that line. I was just wondering, on the debt side, could you comment on what proportion of your gross debt is on fixed rates and termed out?

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

Thank you. Biraj. I mean, first of all, why are we increasing the dividend at this point, because the good performance of our businesses. I mean, we have seen a good performance and cash generation in our businesses and we are comfortable with this figure that is the interim one. I'm not going to commit today, the complementary one that is going to be paid in July 2024. But let me say that never the complementary has been lower than the interim in our history. So, we will put more color on that in February because we are going to present our strategic plan. But -- I mean, you could expect complementary in July that is not going to be in any case lower than the interim dividend we are anticipating this January 2024 related to the interim dividend from the result from 2023.

So, we are today very comfortable with the cash generation, with the figures we have seen in terms of preparing the strategic plan, with the financial situation of the company to be comfortable with this dividend we are committing today, [waiting] for taxes. But again, I will be clear this year 45% of our CapEx has been invested in Spain. Spain is the main geography where we are investing and to go on developing this huge investment effort in our industrial assets, where we have to take sometimes even technological risk because we are entering new technologies to decarbonize our assets, we need to have a clear predictable and stable regulatory and fiscal framework.

Otherwise, I mean, we have other alternatives. Of course, we have industrial sites. Portugal, we could have international activity in our industrial business. But again, we are going to analyze carefully what is the regulatory and fiscal framework before taking new FIDs in the Spanish geography. Because we have to protect, first of all, our shareholders, our employees, but at the same time, we have to define the concept of industrial job. I mean, this unfair, this illegal and this discriminatory tax is [pulverizing] importers, people that is coming to Spanish market, not creating a single industrial job in Spain, and is punishing companies that we are investing in Spain. We are creating industry in Spain, we are developing and increasing our jobs in Spain. And that is unfair. So, we have to analyze in a very carefully way, what is going to be the regulatory and tax framework. And in case of not seeing a clear, stable, unfair framework, we are going to take different decisions in the close future.

So, I think that, Biraj, I'm answering in a very crystal clear way to your question. When you say the net debt, good proportion of the debt is fixed. more or less -- I mean, first of all, let me say that our debt level is very low. If you reduce the impact of leases, today we have a negative debt. So that means that we have a positive cash position of the company in net terms saying that an 80% of the gross debt, we have 86% exactly, I'm checking the figure, sorry. I had in mind the figure of 80%, but now I'm checking the figure, this is actually the 86% of the debt has a fixed interest rate. More or less the average of this debt is something in between 2%, 2.5%. That is the range of these gross debt we have. But again, we have a strong liquidity position, but -- because I know that probably some of you are surprised because we have a positive corporate result this quarter.

A part of that comes from what is the market exposure to the shares we have and the evolution of the stock price. But a part come from the positive financial result for Repsol because we have a net liquidity position and the interest rate of this liquidity is above the 4%. So that is curious, but this -- let me say, financial environment today, this macro environment is pulverizing Repsol in terms of being a company with a net cash exposure company. So we have in real terms, a positive financial result. Thank you, Biraj.

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

Thank you very much.

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

And the dividend, why we are increasing now the dividend? Yes. I think that I mentioned that because we are seeing a cash flow from operation that is supporting that and we have to approve this dividend, the interim by next January. Thank you.

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

Thank you, Biraj. Next question comes from Michele Della Vigna at Goldman Sachs. Michele?

Michele Della Vigna - *Goldman Sachs Group, Inc., Research Division - Head of Natural Resources Research & MD*

Congratulations on the dividend increase. I wanted to ask two questions. First, I wanted to come back to the comment you made on Venezuela. And just wondered, if you could give us perhaps a little bit more color on the opportunities you could see for Repsol if the sanctions are lifted, both in terms of further recovery of your receivables, but also in terms of future profitable growth opportunities?

And secondly, I wanted to come back to a more strategic issue, which is the opportunity to potentially list the E&P business in the U.S. Over the coming years, you're clearly recharging your project pipeline there. You're cleaning up the portfolio. I was wondering, what do you think still needs to be done or still can be done on the E&P business to really prepare it to be a very successful potential IPO?

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

Glad to you, Michele. So, going to Venezuela, you know that we have maintained in difficult times our position in the country. So we are a good operator in Venezuela. We are producing in a good way and with possibilities of increasing our production, gas that could be -- of course, could go on fulfilling the needs of the country, could be in the close future, even be exported. On top of that we have oil production, I mean, the total the gross production of Petroquiriquire and Petrocarabobo where we are -- could be at around 22,000, 23,000 barrels a day last year.

And now, we are entering in a time of opportunity. Let me say that this time started for Repsol last May in 2022 when we were allowed by the American administration to start lifting again oil cargoes to pay the gas bills. An example of that is that this quarter we have received 3 million barrels of oil from Venezuela in our refineries. So that's approved that that is happening.

But now, we have -- I think that always under the principle of financial currency and so on, but we have the opportunity to create value there, to improve our operation, to start reversing the oil production in our assets, improving the operations, I mean -- and trying to operate them in a better way. We have also room to increase the speed of the debt payment from the past. And in general term, from a commitment with the country, a commitment with the operations there and respecting always, of course, the legal framework. I think that we have an opportunity to create value for Repsol in the country.

Going to the IPO. You know that when we close in our agreement some months ago with EIG, we expressed and we stated a common aim. We have the ambition and we are going to prepare the E&P JV to be prepared by the end of 2025 to go -- to be a listed company in an Anglo-Saxon market, probably the U.S. That is the target we have to be prepared. The decision will depend on the market situation at that time and so on, but we are going to prepare the company.

And that means that we have -- and let me say, Michele, for me is, as important the journey as the result of the product we are going to prepare. Because in the journey, we have to build a more [understandable] E&P for our investors. We have to go on having more material positions in the countries and place where we operate. We have to increase the efficiency of this business. We have to improve in ESG terms the CO2 emissions we have as a Scope 1 and 2. We have to reduce and go on, and we are improving in a dramatic way or methane emissions, but we have to go on in this way.

On top of that, we have to consolidate the growing projects we have now because we took in the recent period a strong FID decisions, Leon-Castile, Alaska, Campos 33, Shenzi North, Lapa South, so all that is on track. We have to deliver and we have to demonstrate that we have a cash generator business with a clear free cash flow, maintaining the production above the 600,000 barrels a day, this figure having the scale required. And I think that if we are going to do that, we will be prepared to list the company at the end of 2025. But what is more important, we are going to have a more, let me say, valuable business for our investors and for our analysts for the market. Glad to you, Michele.

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

Thank you, Michele. Our next question comes from Alastair Syme at Citi. Alastair?

Alastair Roderick Syme - *Citigroup Inc., Research Division - MD & Global Head of Oil and Gas Research*

I wonder if you can just talk about -- in the comments on windfall tax, you talked about being illegal and unconstitutional. So I just wanted to understand what you mean by that and whether that means you'll look to challenge in the Spanish or the European courts?

And then secondly, I wonder if I can just come back to ConnectGen, which I think you talked about in the first question. Can you just talk about sort of the due diligence or how you go about trying to price an asset like this? I kind of understand how you price an oil and gas asset, but I guess in this case it's a pipeline and you've got to take a view on different asset quality. Can you just talk about the process that sits behind that decision?

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

Thank you, Alastair. Going to your first question, I mean, let me first of all say, that there is a quite important difference between the European temporary decision and the Spanish one, and that is very important. The first one, the European Council defined this tax, first of all, as temporary and only responding to the -- at that time, the special conditions of the market. Secondly, this European decision was related to the concept of benefit. We could discuss and we are going to discuss and we are going to challenge in legal terms, European one.

But what we are talking is Spain is not something linked to the benefit of the profit concept is based on sales, and that is a huge and important difference because as I said before, you could see companies that are losing money and they are paying this theoretical, let me say, unfair temporary tax because theoretically they are having windfall benefits. So, it's a nonsense.

And you said, and you are right, if it's unfair, it's illegal, it's discriminatory, and it's unconstitutional, as we firmly think, what are we doing? What we are doing is, first of all, we filed a contentious administrative appeal against the ministerial order. I think that it was in February more or less that approve this temporary tax before the Spanish National Court is now in the Spanish National Court.

Secondly, we also went to the European Court because we think that is unfair also in European level, because it's in some way punishing people like Repsol or some others that we are investing in European refining and is pulverizing people that is exporting from some other geographies not creating a single job, industrial job in Europe is exporting diesel or gasoline to the European market.

For that reason, Repsol has launched an application to intervene in support of an appeal that before the European, what is called in the Spanish that (inaudible) Luxembourg, the General Court of the European Union was presented by ExxonMobil requesting the annulment of the temporary solidarity contribution that was approved last year in Europe. So, we are in both jurisdictions. We are legally working to work in this direction. And of course, in case of, let me say, finishing the procedure in what is called in Spanish, what is -- the Audiencia Nacional, that could be something like the National Court. Of course, we will go to the constitutional Spanish Court, because we think that is unconstitutional and is also breaking the European competition market.

So we are going to fulfill always and I am convinced that we are going to gain at the end of the road because something that is unfair, illegal, discriminatory, and this impacting in negative terms that can be in any case be approved or be fulfilled. And we have to try to solve the problem, of course, in legal terms. And we rely on our judicial system and we also rely on the constitutional framework.

Saying that, I mean, the ConnectGen, of course, we have, let me say a team with a strong experience in this business. I mean, the people that in Repsol has developed 2.3 gigawatts that are today operating and that is constructing 1.2 gigawatts and is securing 3.1 gigawatts is our people with experience in some other companies for years. And some of them they have worked in the United States renewable arena for years people that today are leading this business in Repsol.

So, what we have analyzed in adequate is of course the land, all the permitting linked to the land of these 20 gigawatts of pipeline, all the environmental areas permits and the potential evolution of all the environmental permits. I mean, with the granularity for every project on place. The availability of offtake agreements in the area, of course, the estimation of CapEx, it depends of course not only on the turbines market and so on, also geographical place, the difficulty of access to the area and so on. All that has been in a granular way analyzed for the 20 gigawatts of pipeline that we are acquired, the financial costs, and of course, we are analyzed in a very careful way, as I answer. I think that it was to Oswald or to Biraj, the IRA eligibility of these projects. And not only that, we also analyzed in this due diligence process, project by project, the potential eligibility of these projects for this energy community addition that could add a 10% of subsidy or tax support, better said, from local communities to this project. So that has been part of the due diligence we launched. Thank you, Alastair.

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

Thank you, Alastair. Next question comes from Sasikanth Chilukuru at Morgan Stanley.

Sasikanth Chilukuru - *Morgan Stanley, Research Division - Equity Analyst*

I had 2, please. The first was related to the refining business. The premium of $2.9 per barrel over the indicator margin was good to see this quarter. I was just wondering if you could talk about whether this is a sustainable level, if the current market conditions persist. Also slightly related to this. I was just wondering if you could quantify the negative effect in [EUR 1 million] from the price lag effect that you have seen in certain oil products such as kerosene this quarter?

The second question was more on the asset rotation within the renewable segment as well. Remember, last quarter you mentioned the potential launch of an asset rotation program in Chile by the year end. I was just wondering if this is still the case.

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

Excuse me, Sasi, I have some difficulties to listen to you. Could you repeat your last question about Chile, please?

Sasikanth Chilukuru - *Morgan Stanley, Research Division - Equity Analyst*

You had mentioned that possible launch of an asset rotation program in Chile by the end...

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

Sorry, I'm going to start by the asset rotation we launched some weeks ago or some months ago and we are going to close the process in 2 weeks, 3 weeks. And we also have binding offers and so on. In Spain, 600 megawatts, 400 megawatts of them are wind projects, many of them in what we call delta area. So the region of Aragon, some of them in Castile, what we call the Project P and 200 megawatts more or less roughly speaking of solar projects. So that is going to be closed in 2 weeks, 3 weeks.

Going to Chile, and we expect that to launch the asset rotation process next year in 2024. That is today the assumption and the target we have, because I mean, we always try and sometimes it's true that in the Spanish case this year probably we anticipated a bit our view, depending on market conditions and so on. But we try, first of all, to secure the projects to have a PPA and to have, let me say, more attractive for a financial investor. So, when we have all the package, we launch the asset rotation. And let me say that also investors, they like big packages of assets. So, as you could say, in Spain, we launched 600 megawatts. So, we are in some way trying to have a material position in Chile to launch this process next year.

Going to the refining, first of all, let me -- because I know that has been very controversial effect of price lag effect. The price lag effect conceptually is zero when prices are stable or when prices have ups and downs going to the infinite. Let me use this expression. That means that, of course, if you are in the last days of a month, you are seeing a high price or price are increasing, you are going to have because the way you are pricing some of your products mainly kerosene, that is -- I remember that I think that we have 45 days something like that of lag in the kerosene -- 2 weeks, sorry, 15 days in the kerosene -- in the kerosene pricing. So the impact in this case is negative, when prices are going down, you have the opposite effect. If you translate at the scenario with, let me say, flat prices to infinite, there is no any kind of impact in the long term from the price lag effect. So, that's a -- let me say that there is no in some way impacting the refining business premium where we are taking consideration linked to the market, the operation, the use of refineries and so on.

Going to the premium. Seems to me that today the guidance we have for the whole year is going to be slightly above $2 a barrel. Up 40% of this premium is going to come mainly from the optimization related to advance to biofuels, renewable fuels, and advanced biofuels and so on. Probably a 30%, 35% comes from an additional optimization of the slate of oil. And in this case, I think that having more heavy oil coming from Venezuela is good news, not only for the E&P business, in terms of being paid by the bills produced in Venezuela. It's also good news for the refining system of Repsol in terms of optimizing the slate of goods we use. And of course, all the operational surpluses or problems they impact on the refining business premium. So, $2 a barrel, slightly above $2 a barrel will be our best guidance for the whole year 2023. Thank you, Sasi.

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

Thank you very much, Sasi. Our next question comes from Lydia Rainforth at Barclays. Lydia?

Lydia Rose Emma Rainforth - *Barclays Bank PLC, Research Division - MD and Equity Analyst*

Two questions if I could and actually just on, if I can go back to the tax issue, at what point do you actually expect the decision to come through? Because I'm thinking you do have hydrogen projects, you do have a lot of investments go through. At what point do you need to make the decision whether you go ahead with those or not?

And then the second one, if I could come back to the net debt side, when you're thinking about where you want the balance sheet to be. Can you just walk me through kind of where you would ideally like the debt position to be?

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

Okay. So Lydia, the first decision related to the National Court could come in -- I mean, it's not easy to have a clear clue about that, that something in between 1 or 2 years. And of course, we expect to win this case. But otherwise, we will go either to the European Court, where we are directly there but because we are appealing against the European rule. But we will have the opportunity to go ahead in the Spanish internal jurisdiction, going after a potential decision of the National Court to the European Court. And of course, we are not going to forget the constitutional Spanish Court. So we have, let me say, a journey that is not going to be short at all. But we rely on the fairness of the position we have and we rely on the result at the end of the road.

Net debt you are talking about what is -- I mean, I think that in December '23 is going to be in line with what we have in the third semester. Of course, we have probably to add, in case of closing in the coming weeks, the Sinopec settlement deal where we are acquiring also the U.K. 49% of Repsol Sinopec U.K. joint venture. In this case, we'll have to add the potential payment to Sinopec. But I mean, decoupling this effect, the net debt will be at the end of the year at the same level of we have at the end of the third quarter. Thank you, Lydia.

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

Thank you, Lydia. Our next question comes from Alessandro Pozzi at Mediobanca. Alessandro?

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

Yes. I have 2. When you look at 2024, of course, there are a lot of moving parts, but it feels like the economic outlook is somewhat deteriorating. And if you look at the result season, not just in oils, but across different sectors, there's a lot of downgrades in guidance. So I was wondering, what is your view as we go into 2024 for commodities? Are you concerned? And do you think that the total shareholder distributions of 30% of the cash flow can still withstand a potentially lower commodity environment? And I appreciate we're going to have a bigger update in February.

The second question on refining margins, you upgraded the guidance, but just more recently, refining margins have fallen into single-digit, I believe, in October. I was wondering what is your maybe outlook there in the short term and do you expect a rebound or this level into year end?

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

Gracias, Alessandro. I mean, we see a healthy price context for 2024. [Area] for oil were supported by demand by the restriction of supply we are seeing. And in the gas case, if we analyze the future market for Henry Hub and so on, is clearly above the figures we have had on 2023. So the market could be something close to $3.3 million, $3.4 million BTU by 2024.

So, first point, we have seen a healthy price context. Secondly, we have seen a pretty sound refining margin. The refining margin this year in 2024, we think that it's going to be in some way supported by demand. And we don't see, let me say, a relevant addition of supply capacity in 2024. So, of course, you have ups and downs. We have a bit lower figure this October margin is something between $8, $9 above in October because after the recession of the first week of October of Russia to start again exporting diesel. And so on so, we are going to see ups and downs coming from the Russian situation, coming from the perception about the Chinese economic growth. I think that winter is always a good time to support high cracks for middle distillates in general terms, it's going to be very important temperature because, I mean, in case of having, let me say, a cold winter in Europe, the gas prices could spike or could go up.

What we have seen those days with the MBt and the TTF close to $15 million, $16 million Btu is a picture fully different from the picture we had, for instance, in August or September. All that could influence the diesel market, because remember, last winter when high gas prices shift fuel from gas to diesel in many power production, in many heating facilities, even in some cases gas to LPG that that could have also in some other part of the business an impact.

So, I'm pretty positive about the refining margin for coming months and for 2024. Of course, I'm not going to give you an exact answer about the distribution proposal because that is going to be part of -- I mean, part of my presentation in 2024, in February. But let me say that roughly speaking, I think that your indication about 25%, 30% of cash flow from operation, I mean, it's not going to be conceptually very far probably from the final approach we are going to have in our strategic approach. But again, we have to wait till February to have an exact approach to this distribution to our shareholder percentage of the cash flow of operation. Thank you, Alessandro.

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

Thank you, Alessandro. Next question comes from Matt Lofting at JPMorgan. Matt?

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

Two quick follow-ups if I could. First, just to come back on the earlier comments around Venezuela. Could you just talk specifically about what you'd need to see in order to consider meaningful additional investment into Venezuela? And how you risk assess perhaps appropriate capital employed exposure in a region like that within the portal portfolio?

And then secondly, on the upstream business factoring in the Canada disposals, et cetera, that are coming through in the second half of the year, perhaps where you see the production range for 2024?

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

So, thank you very much, Matt. Going to Venezuela, I mean, we are talking to PDVSA, that is our partner in the old assets and is our client in our gas facilities. I mean, we are working in the direction to have satisfactory agreements for both parts. And it seems to me that if we are able to do that, I'm probably will be, because I think that there is a value creation framework for both parts. We could go on working in some directions that in up current financial way we could in some way create value there. Of course, to try to debottleneck the gas production facilities in the country could be away.

And on top of that, it seems to me that with a prudent CapEx exposure, there is room to start reversing the oil production in the country. We are working in this direction. Let me say that we need now some strong technical work to develop the best options to start doing that and it's going to be key. This kind of framework we have to -- we are working in with our partner and our client, that is PDVSA.

I prefer to be prudent about feature production curves and so on, because it seems to me the quality of the asset is very good. I mean, Venezuela has a strong and positive quality of assets and it seems to me that we could have positive surprises. But I prefer to be prudent in terms of anticipating new productions and so on.

Going to the production. The production range by 2024 is -- the guidance is 600,000 barrels a day, because we are going to see more or less at the same time, with some weeks of difference, the reduction of the production of gas in Canada after the disposals of the greater [dead zone]. But we are going to take at the same time 49% of our U.K. assets.

All in all, and taking into account a higher nomination of gas in Peru, higher production in Marcellus and so on, I think that we are going to be slightly above the 600,000 barrels a day this year 2023. And that is the figure more or less we have in mind for 2024. And we will put more color in the strategic update presentation in February. Thank you, Matt.

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

Thank you, Matt. Our next question comes from Alejandro Vigil at Santander. Alejandro?

Alejandro Vigil - *Banco Santander, S.A., Research Division - European Equity Analyst*

Yes. Hello? Can you hear me?

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

Yes, Alejandro. Go ahead.

Alejandro Vigil - *Banco Santander, S.A., Research Division - European Equity Analyst*

I have just one question about the low carbon generation business. And the capital employed now is almost EUR 3.5 billion, which is material in the context of the company's total. And my question is, which is the potential contribution of this capital employed in terms of EBITDA, for example, for the next 12 months, when we are going to start this contribution?

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

Gracias, Alejandro. Yes, you are right. The figure EUR 3.5 billion of capital employed is right. But we have to -- I have to check the figure, but we have to take into account that more or less EUR 2.5 billion could be in operation today and EUR 1 billion could be on track in construction or development. That means that growth we have in production could be at around EUR 2.5 billion. If we analyze the EBITDA, roughly speaking of this business this year is going to be at around EUR 200 million this year 2023, and EUR 300 million in 2024. I mean, when you take the multiple capital employed EBITDA using, of course, the capital employed that is in operation, I think that, that is a proof of the good multiple comparing with this sector that this business has the -- Thank you. Thank you, Alejandro.

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

Thank you, Alejandro. Our next question comes from Irene Himona of Societe Generale. Irene?

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

Going back to the windfall tax, I mean, the current tax is applicable to 2 years, '23, '24. Obviously, profit this year will be lower, so the tax will be lower. But can you say approximately what you're budgeting or what you expect to pay for this year's windfall tax next year, please?

And then my second question on the timing of the $1.1 billion litigation agreement with Sinopec, when do you think that will actually happen?

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

Thank you, Irene. I mean, first clue, you know that the tax based on sales in 2023 is going to be paid in 2024. I can't give you a figure, but it's going to be clearly lower than in 2022, I mean, the figure paid in 2023. And the main reason is because prices are lower. So in an environment of lower prices, if you have something that is related to the turnover, the figure is going to be lower. I mean, something in between EUR 300 million, EUR 350 million probably next year in 2024, that -- it will be the tax based on 2023. So the second year and the end, because there is no any legal base to go on with this tax.

What I mentioned is an agreement of 2 parties that they are trying to build a [coalition to govern] the Spain. That is not happening today. And of course, any new, let me say, tax would need a new bill, a new discussion in the parliament, and eventually a new approval. It's true that these 2 parties, they don't have the majority to do that.

But again, when you have to take decisions about the future of the company and decisions about the future investment in the Spanish industrial assets, you have to be prudent. And we are going to great and after seeing what is the regulatory and the tax framework that is going to stay for coming years, we will take eventually our investment decisions. Otherwise, we were not going protecting the interest of our shareholders and the interest of our employees. Thank you very much, Irene.

Sinopec, it seems to me that we are going to close more or less next week, in 10 days, and the cash out will come in 2024. Of course, it's going to appear as a debt at the end of 2023. For that reason, I mentioned that roughly speaking, EUR 1 billion is going to appear added to the debt net at the end of the year, but the cash out is going to come in 2024. Thank you, Irene.

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

Thank you, Irene. Our next question comes from Paul Redman at BNP Paribas. Paul?

Paul Redman - *BNP Paribas Exane, Research Division - Research Analyst*

I've got 2 quickly. Firstly, it's on renewables and acquisitions. You look like you're well on track with a portfolio to get to 20 gigawatts by 2030. Does that mean we should assume that most of your inorganic spend on renewables is complete at this point? And then if that's the case with a healthy balance sheet, how should we think about future acquisitions? You just mentioned when you think about IPO growing in the countries you're already in, in the upstream, should we think that you're looking for assets in the upstream at the moment? Just trying to get some confirmation about inorganic spend.

And then secondly, you give quite a big range on EBITDA per ton for your biofuels positions. I just wanted to ask about sustainable aviation fuel and is it that portion that pushes you up towards the EUR 650 million guidance? And currently, how are you pricing EBITDA in your negotiations?

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

Thank you very much. I mean, first of all, to know that I like to repeat that I like to be the most boring CEO in the world in terms of stability, predictability, strength of the balance sheet and so on. So, we don't have, let me say, any large inorganic acquisition on track. I think that we have a strong bet in terms of transforming the company, building the multi-energy business. And we are going to require a strong balance sheet and cash generation to do all that because at the same time, we are fully focused on distributing the right dividend to our shareholders.

So, I'm comfortable with a solid balance sheet I have. I mean, the money is not burning in our hands. And as I mentioned before, we even have a pretty positive financial return. Saying that it seems to me that renewable acquisition ConnectGen is giving us the floor we needed to, in some way to guarantee that we are going to deliver this 20 gigawatts by 2030. So we are not going to need any large inorganic acquisition. I mean, we could have, let me say small opportunistic platforms, probably in a country or something like that, but nothing large.

I'm going to the upstream, I think that is not time from my point of view, it is a personal view for upstream acquisition in this price environment. We want to maintain the materiality of the business the scale, this 600,000 barrels a day. All that is compatible with what we are doing in terms of portfolio improvement. And remember that we acquired a small position in Marcellus 1.5 year ago. Last year we disposed a part of Eagle Ford, we acquired another part of Eagle Ford. I mean, we are going to go on doing things like that.

But if you are thinking about large upstream acquisitions in Repsol, I mean, with my -- we have to forget it. That is not going to happen. So, it's true that we are in the industrial transformational business. We are going to go on building these bios, lipid positions and so on. And when we are talking about SAF, we have to think that, for instance, the Cartagena plant the C43 that is going to start, is going to start in operation in some weeks, is a plant that is going to produce 250,000 tons a year. And the number I have in mind is that depending on the operational requirement and the feedstock, we could operate till 180,000 tons, 190,000 tons a year in most SAF production and eventually, changing the operation, we could produce 250,000 tons of HVO.

When we take the EBITDA estimate for these new projects, the project of Cartagena and the retrofitting decision, the FID we took in Puertollano, and that is going to be operational in 2025. All in all, I mean, an [average] that is going to depend on the market prices and so on. But combining both projects we are going to produce a figure close to 500,000 tons a year and the average margin could be something in between EUR 450 and EUR 500 a ton of advanced biofuel. So all in all, we could be talking about on EBITDA combining both of EUR 220 million, EUR 250 million, combining both projects in annual basis, of course. Thank you.

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

Thank you, Paul. Next question comes from Ignacio Domenech at JB Capital. Ignacio?

Ignacio Doménech - *JB Capital Markets, Sociedad de Valores, S.A., Research Division - Associate*

Just one from my side, which is related with the unfulfilled cargoes from Venture Global LNG. So I believe you have been looking to start an arbitration, so I was wondering if you could walk us a bit to the process and quantify any compensation you could receive from, at least, the LNG cargoes? And if you expect any volumes coming through 2024 or 2025?

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

Gracias, Ignacio. So, I mean, you know that we request to the Federal Energy Regulatory Commission and to the Department of Energy to intervene in these ventures or (inaudible) pass authorization proceedings, and because we were not granted in terms of the access to these docks, and we launched an arbitration process that is ongoing.

I'm sorry, Ignacio, because I tried to answer to your questions, but due to the sensitivity of the matter and due to the legal restrictions we have to deliver information about this arbitration process, I can't share any update at this point. But it seems to me that we are not going to have cargoes in 2024 coming from Ventures. But I'm sorry, Ignacio, but I'm not going to deliver any kind of additional information, because the legal restrictions I have to do that.

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

Thank you, Ignacio. Next question comes from Henry Tarr at Berenberg. Henry?

Henry Michael Tarr - *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*

Two really. One just back on Venezuela, forgive me, if you've already answered it. But is there a sort of a total figure that I know a lot of the debt, et cetera, has probably been written off. But is there a total number of -- total amount of receivables from Venezuela that you could potentially get access to if things open up there? And then just on that again, has the Venezuelan crude helped materially on the refining margin premium coming through? I guess, there's transfer pricing on that crude coming in, but I just would like to confirm that.

And then secondly, on the renewables business, you're clearly sort of focusing on the U.S. currently through the acquisitions rather than in Europe. Do you see returns, et cetera, being better in the U.S. versus Europe or for a particular technology, solar versus wind?

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

So, thank you. I mean, first of all, going to Venezuela, I mean, some -- I don't want to create confusion, but I'm going to put some numbers on the table. First of all, the total equity and financial exposure we have to the country in our books is at around EUR 280 million, EUR 285 million. On top of that, if we take the debt, including the financial debt from the financing Petroquiriquire project plus the commercial bills, we could have a total debt close to $4 billion. But let me say that this figure is in a main part provision in our books.

Going to the benefit of the premium. I mean, the Venezuela, first of all, as I mentioned before, we have a total premium in our refining system that could be at around $2 a barrel over the whole year, this year. I mentioned that more or less a 40% could come from the optimization of bios and so on. A 30% could come from operational improvements, in some cases losses. Another 30% could come from the optimization of the slate of crude oil. Let me say that the Venezuela crude oil is one of the heavy oils that is contributing to this optimization, that could be behind the 30% of this margin improvement. But is not only Venezuela, I mean, it's also any kind of optimization that we try today, day after day, is also behind this premium.

Going to the renewable business. And we see today, let me say, if you have a clear focus in good areas to produce energy, where you have either restrictions on markets, first of all, you are going to guarantee the access to PPA markets. And what we are seeing now, because it's true that I mean, the IRA is there and probably in 5 years, 6 years, a lot of people is going to be in the states after building positions in the country. But we have a very clear and advanced pipeline that is going to allow us to build these projects in a short and medium term.

So in this period, we see a very strong PPA market. And on top of that, we are seeing a clear visibility for the long-term support coming from the IRA. So saying that, let me say that all in all, we see the possibility to have good returns in the U.S. But on top of that, we are also, of course, to take advantage of any opportunity we could have in Europe. Thank you.

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

Thank you, Henry. Our next question comes from Matt Smith at Bank of America. Matt?

Matthew Smith - *BofA Securities, Research Division - Research Analyst*

I think that just leaves me with one fairly straight forward question, I think and that's on the latest CFFO...

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

Sorry, Matt. We, don't hear you very loudly. Can you speak loudly, please?

Matthew Smith - *BofA Securities, Research Division - Research Analyst*

Sure. Hopefully, that's better. So I could say just one question from me to clarify now on the EUR 7 billion or more than EUR 7 billion sorry, [CFFO] guidance for the full-year. I just wanted to ask if you were able to call out the working capital assumptions embedded there. I think previously you pointed to over EUR 600 million inflows for the second half. Of course, that was under stable commodity price conditions. So, I just wonder what the latest is there, please?

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

Thank you, Matt. I mean, the assumption behind this figure that could be above EUR 7 billion, or $80 a barrel, Brent $2.7 million BTU, Henry Hub $11 a barrel for the whole year, the average for the refining margin. And we are considering that we are recovering more or less a half figure in terms of working capital that could be a half more or less of what we increase in the third quarter. So, all in all, we will have a working capital close to the figure we had at the end of December 2022. And with under these assumptions, we will be above EUR 7 billion of cash flow from operations in terms of the whole year 2023. Thank you, Matt.

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

Thank you, Matt. That was our last question. At this point, I'll bring our third-quarter conference call to an end. Thank you very much for your attendance.