

Focus on Eni's Methodology for the assessment of GHG emissions

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CORPORATE PARTICIPANTS

TOMMASO BALDARELLI

RISK MITIGATION & DISCLOSURE

Ladies and gentlemen,

this session is taking place to **give you the key features of the new methodology** developed here in Eni in order to assess the carbon footprint of **our Energy products**.

Before starting, let me say that we've developed this methodology considering advice from **experts in Academia** and verified that it has been applied consistently by a **third party independent assurance provider**.

More details on the methodology are available in a technical document published on our website.

It is well known: emissions coming from **Oil&Gas direct operations** are only a small part of the overall amount, that are mostly generated outside our facilities and relates to the **final use of the energy products**, where currently there are **numerous** approaches for the accounting, and **comparability** could be an issue.

In a context in which a standard is not yet available for our sector, we applied a **transparent and comprehensive approach**, that includes both **direct and indirect emissions contribution**, to effectively tracking our performance through the energy transition.

This approach is comprehensive of **all the businesses of the Company** and accounts for **all the emissions related to each energy product, right across their value chain**.

Here we recall the **three indicators associated with our methodology**:

- The first one is **Net Carbon Footprint**, which represents the overall Scope 1 and Scope 2 emissions associated with Eni's operations, net of carbon sinks;

- The second one is **Net-Absolute GHG Lifecycle Emissions**, which represents the overall Scope 1, Scope 2 and Scope 3 associated with our products and activities along their value chain, net of carbon sinks;
- The third one is **Net Carbon Intensity**, which represents the ratio between the net-Absolute GHG lifecycle emissions and the energy content of products sold.

These consistent **datasets of indicators** allow Eni to **assess company's performance** according to decarbonisation targets and **monitoring the effectiveness of the actions undertaken** in the medium & long term.

In the following sections we will describe the fundamental features of these indicators, with particular emphasis on **the extended boundary that they cover** and on the approach used to **calculate energy sold**.

Our Lifecycle Greenhouse Gas Assessment includes **all energy products managed by Eni** and considers all of their impacts throughout their entire value chains.

We are talking about oil, gas, electricity and also new bio products coming from circular economy businesses.

For each of these products, the methodology accounts for all the material sources of GHG emissions along the value chains, in accordance to a **well-to-wheel approach**.

The scheme adopted **tracks each product**, starting from production and then moving to transport, transformation, distribution and finally to the end use of the energy product by customers.

As already mentioned, we use a distinctive **extended boundary approach** for quantifying Energy Product volumes. So let me show you in the detail how it works.

Let's start with **production**: our upstream products are delivered both to 3^o parties and Eni assets, they pass through transport, transformation and distribution (both within Eni and third parties facilities) until they are delivered to final costumers. **All emissions generated within the highlighted segments are accounted in our methodology**.

But our mid-downstream business also deals with **products supplied by third parties**. So we include also **these** volumes in the accounting, that are produced, transported and sometimes refined by third parties before being sold at the end of the chain by Eni to final customers.

In this way, all emissions generated by energy products managed by Eni are accounted along their value chain.

This is an important point, and is a major difference to other approaches which mostly consider **net volumes accounting, that is focused on the largest factor segment in a given energy chain, or only Upstream production**.

The net lifecycle GHG emissions published today is a **new metric** that we will use to **track our performance**.

In line with this we are enhancing our disclosure to include emissions based on our new comprehensive methodology.

The key differences with our Standard Reporting are:

- For **Scope 1 and 2** we move from an 100% operated approach to an equity accounting, this means including also our share in non-operated assets in the upstream and along the chain, such as our share in ADNOC refining;
- For **Scope 3**, we extended our boundary to include all the emissions associated with our **mid-downstream energy products**, excluding those coming from our own production, to avoid double counting.

Of course, we will continue to publish all the other metrics, aligned with GHG Protocol and international standards, also for monitoring our previous decarbonization targets.

When we refer to the carbon intensity of energy products, the way to define **Energy** is a relevant aspect.

In our approach **all the products are homogenised on an energy basis**, following common rules for the conversions.

Among the other features, it is worth noting that **the reference unit we've chosen for renewable electricity** is the **physical energy content**, as opposed to the Partial Substitution Factor.

This adopted standard is in line with current International Energy Agency method for accounting renewables and it has been also **recommended** by independent experts.

Finally, let me share some highlights on our peer-review process.

This has involved both independent experts from **Imperial College for scientific advice**, and a 3rd party assurance provider, **RINA**, for the verification of results and the consistent application.

The scientific review highlighted that our methodology allows us to achieve **an accurate assessment of lifecycle GHG emissions. While the assurance provider verified the correct application of the methodology for the 2018 baseline.**

Moreover, we will continue to actively collaborate with stakeholders and industry to define a common standard among the sector, in particular working with the **Science Based Target Initiative**.

In the documentation released on our website you can find more details, including the independent scientific opinion.

Thank you for your attention.

"GreenHouse Gases Methodology Conference Call"

"Q&A Workshop 2"

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OPERATOR: Good afternoon ladies and gentlemen and welcome to Eni's GreenHouse Gases Methodology Conference Call, hosted by Ms. Ottavia Stella and her team. You will now have the opportunity to ask questions by pressing "*" and "1" on your touchtone telephone, to remove yourself from the question queue, please press "*" and "2." I am now handing you over to your host to begin today's conference call. Thank you.

OTTAVIA STELLA: Thank you.

OPERATOR: As a reminder please press "*" and "1" on your telephone for questions. The first question is from Mr. Henry Tarr of Berenberg. Please go ahead. Mr Tarr your line is open sir.

HENRY TARR: Can you hear me now?

OPERATOR: Yes sir, we can hear you.

HENRY TARR: I guess, if I understood the video correctly, you are taking responsibility for all emissions including volumes that you trade. What was the rationale for that and are there any limits on that or is it literally any volume of barrel of oil, unit of gas that you buy or sell or trade anywhere in your organization? You take the full lifecycle emissions of those hydrocarbons?

OTTAVIA STELLA: Thank you. I pass the question to Tommaso Baldarelli

TOMMASO BALDARELLI: The main idea that is fundamental in this case to answer your question, is the fact that we are trying to build a very comprehensive approach that includes all the activities of our company. So the idea is not to focus on a single business, the idea is to focus on the overall activities of the company. So this means that we are focusing on what we do in the

upstream business, but also in the mid-downstream business. And, given the fact that the equity volumes are only a part of this picture, we need to focus our methodology on the overall amount of volumes that both are coming from our own production and supplied by third-parties.

OPERATOR: The next question is from Jason Kenney of Santander. Please go ahead.

JASON KENNEY: Hi there thanks. A huge asset here and you mentioned very comprehensive of course. And clearly whether not all barrels are created equal and not all energy sources are created equal either. So I am wondering as an analyst, how I am going to be able to model this or forecast this and you know, the various streams of energy that have been traded or sold or produced, it's a real challenge for you, but it's going to be even more of a challenge for us. If I were to ask for anything, are there any kind of general conversion factors that you would point us to or a list of things we could consider or ways that we could maybe understand how our modeling of volumes and everything can be converted to get to an estimate of where a measure might change over time?

TOMMASO BALDARELLI: Okay, I think that the most important thing is that we are focused on energy products and then we are applying a general conversion factor homogenizing all the products with the same unit. So, we look at the energy. Then of course, our energy, our own energy, today is based on our current portfolio of business. The future of our energy tomorrow will be with a different portfolio, and of course, when we look at the impact along the value chain of the future portfolio, we will look at something that will be driven by our own activities, and in some cases from a scenario perspective. So there are some elements for example, like the electricity that we purchase from third-parties that is going to decrease the carbon intensity by itself, but here the focus is that we are driving this reduction using our own levers, using all the drivers that we have discussed in our strategy.

JASON KENNEY: If I may just follow-up. Are there any organic steps changes that you can envisage for lower carbon emissions specifically thinking of the change to gas, I mean it was highlighted in the main presentation earlier about, you know, [...] for a significant amount of gas post-2025 going to 2035. Can you maybe just talk to the increment of shifts that will do for Greenhouse Gas Emissions, please?

TOMMASO BALDARELLI: I think there are no big changes, no such breakthrough change in our figures, in our reduction driven by something that is not yet disclosed in the presentation.

JASON KENNEY: Okay, thanks.

TOMMASO BALDARELLI: I think the main element here is, I repeat myself, the change of the portfolio. So, what we are looking today for the baseline year 2018, is a portfolio of Eni that will change in the future, and some of these changes are already disclosed, but some other will be flexible and will depend from what will happen tomorrow. I think this.

JASON KENNEY: Thanks.

OPERATOR: The next question is from Irene Himona of Societe Generale. Please go ahead madam.

IRENE HIMONA: Yes, thank you. I had two questions. First of all, as you mentioned, this is a unique methodology to Eni. As you also said there is no common sector methods yet, I mean, is there a chance do you think that eventually this could be adopted as a common scheme to enhance comparability across the sector or are we likely to see each company defining their own different methodology, which ends up with a similar issue of comparability? And

my second question is, given that it's a new methodology, presumably it's still being developed are there some particular elements that you think need to be, let's say, calibrated and improved better. Thank you.

OTTAVIA STELLA: Thank you for the question. I pass the question to Rosanna Fusco in-charge of Climate Changes Strategy and Positioning.

ROSANNA FUSCO: Thanks for your question. About the methodology, of course, we are convinced of the its robustness. And
, we are available to share our methodology with our peers or other stakeholders that are already working on defining a common methodology for the sector. You know, that there is a lack of methodology, and there are several initiatives on which we are working on, and as Eni we are involved within them. So our intention from today is to continue to take part in these initiatives, in this working groups and share and discuss our methodology.

And finally, to arrive to a common understanding of the best methodology to adopt, of course, we have gained experience in these months, in understanding all the features related to this estimation, supported by the comparison, you know, with scientific experts as the Imperial College Consultants experts and this experience can be made available for these groups. We hope that as a sector, we can arrive to a common standard.

OPERATOR: The next question is from Jason Gammel of Jefferies. Please go ahead, sir. Mr. Gammel, your line is open sir.

JASON GAMMEL: Sorry about that. Thanks very much. Clearly, a lot of effort is put into this methodology. And thanks for taking the time to walk through with us. I guess, my question really is the third-party activity, and how you will attempt to account for that? And I'm really thinking along the lines to one of the classic problems with Scope 3 which was, you don't know how the

end-user is actually going to use the product? So, a leader of petrol may have different emissions scope depending on whether it's a hybrid vehicle versus a Hummer, for instance. And then the other aspect of it is, let's say, you are trading electricity off of the grid. How would you actually backtrack to determine what the full carbon emission chain behind that molecule actually was? So just any insight you can share with how you account for the third party will be appreciated?

TOMMASO BALDARELLI: Regarding the first question, the answer is that, first of all, our methodology is based on the energy sold. So this means that independently from the final use of the product, the emissions will be the same. So there are no differences in terms of emissions if the gasoline will be used in a car or somewhere else. So this for us is a very important element, because we need to find a gate in the value chain in which all the products are equal, are confrontable. So this is regarding the first question.

The second question is on electricity. So today the electricity that we sell is made by two components. The first one is produced by our self by our business, by Eni power. And we know perfectly the carbon intensity of this electricity because it comes from our own power plants. For the other one that we buy from the market, we apply a specific emission factor based on the power mix of the country. So in this case is, let me say, is quite easy to apply an emission factor on the electricity that you buy from the market.

JASON GAMMEL: Understood. Thank you.

OPERATOR: The next question comes from Bertrand Hodee of Kepler Cheuvreux. Please go ahead, sir.

BERTRAND HODEE: Yes. Hello, thank you for taking my question. For the full cycle methodology, if I understood well, you are taking the equity approach,

which I think is the best way as opposed to the operational control approach. Are you able to disclose what was on an equity basis, your Scope 1 plus 2 for 2019? And more specifically, I may try again the answer of a question, I attempted to ask this morning about your Greenhouse Gas intensity upstream on an equity basis, you've disclosed the number on an operational control basis this morning, and it was done by 9% in kiloCO₂ per barrel for the equivalent being produced. Can you disclose this number on an equity basis, please? And maybe one last question, which is you've now taken a 20% stake in Ruwais refinery. Can you give us an estimate on how much Scope 1 and 2, on equity basis it will add on your Greenhouse Gas Emission?

TOMMASO BALDARELLI: Let me start saying that you can find even now in the presentation and in the reports that we published in the website, some of this figures, because we have done a verification using a third-party assurance provider, that gave us a statement on the full lifecycle, net Greenhouse Gas Emission along the value chain, and the value in 2018 is 537 million tons of CO₂ equivalent. This is the overall amount of Greenhouse Gas Emission related with the products traded along Eni activities. Then of course, we will go in the coming months with additional disclosure also on other metrics but now you can find this number on the full lifecycle net emissions and the carbon intensity that is 72 gram CO₂ eq/MJ.

BERTRAND HODEE: Can I probably rephrase my question, because the 537 million ton is for Scope 1, 2 and 3. My question was specifically addressing Scope 1 and 2, only on an equity basis. And then, the additional question was on the Greenhouse Gas intensity for upstream Scope 1 equity basis and not operational control basis? Can you share those data or would you publish that in document, which I probably have missed that?

TOMMASO BALDARELLI: We will publish all of this figures in aggregated manner. And as I have already said, if you look at Slide 3 of the presentation when we look at the new indicators for targets that we are using now with this methodology, you will find the three main indicators; two of them are already published within our report and using our assurance statement.

Regarding the net carbon footprint, that if I understand correctly, is what you're mentioning, this is the Scope 1 plus Scope 2 emissions, net of carbon on equity basis. And then, for this indicator, you can have an overall figure of Eni, and also a figure on our upstream business, in line with the 2030 target. We will publish this number in the future for sure but let me say that we are starting now publishing indicator 2 and 3 of slide 3.

BERTRAND HODEE: Okay. And any potential estimate on Ruwais refinery, how much it will add? Scope 1 and 2.

TOMMASO BALDARELLI: It is included in the overall amount of the emissions.

BERTRAND HODEE: Okay. But for 2019 you had only Ruwais for a couple of months, so I guess you are....

OTTAVIA STELLA We do not disclose figures for single businesses.

BERTRAND HODEE: Okay.

OTTAVIA STELLA: So we continue with reporting with greenhouse gas standard reporting, as usual Scope 1, Scope 2, and Scope 3 in line with the requirements of international standards [indiscernible]. And then, we will publish our full lifecycle accounting overall as ENI Group.

BERTRAND HODEE: Thank you.

OPERATOR: The next question is from Alessandro Pozzi of Mediobanca. Please go ahead, sir.

ALESSANDRO POZZI: Hi, there. My question is on the net zero target. I think a big driver is about the...it's from the carbon sink. And I think there's one slide in your presentation where you suggest that up to 30 million tons of CO2 could be...it could be reabsorbed basically. I was wondering what is the cost assumptions that you have behind the carbon sink in your plan.

PETER: Hi, Alessandro, it's Peter here. We were focusing the questions more on the methodology. I can take offline questions regarding specific costs, etc. So if you have something regarding the methodology, that's what we're here to address today.

ALESSANDRO POZZI: All right. No, thanks, take it then. Thank you.

OPERATOR: The next question... hold on one moment for the next question, please. Now, the next question is from Arjun Saini of Credit Suisse. Please go ahead.

ARJUN SAINI: Hi, good afternoon. I'm not sure if this is precisely related to the methodology, but I was just looking at your definitions and how they overlap with the targets you provided. And if I understand this, your target is to reduce your net absolute GHG lifecycle emissions by 80% by 2050. But the net carbon intensity target is for a 55% reduction. So is it correct my understanding, or if you could explain a little bit more, what's happening on the denominator of energy products sold, because it looks like that also is going to be declining in order to be consistent with those 2 targets, and could you just clarify what's going on in the denominator of that definition?

TOMMASO BALDARELLI: As we said, the denominator will change of course during the period. What is inside the denominator right now is the overall amount of energy product that we are managing all around our activities and this will be the same methodology used for the future, but then of course, the portfolio will change as we have already discussed today. During this pathway, we will have a lot of flexibility to change the single share of products along the chain. So, we are not going to disclose now what will be the share of products in 2050. But we are putting a fixed target of reduction and that reduction is made by a portfolio that will be the result of a flexible pathway.

ARJUN SAINI: Okay. Thank you very much.

OPERATOR: At this time, there are no questions registered.

COMPANY REPRESENTATIVE: Thank you very much. We can end the session now.