



PRICE SENSITIVE

Long-Term Strategic Plan to 2050

and

Action Plan 2020-2023

San Donato Milanese, 28th February 2020 – Eni announces Long-Term Strategic Plan to 2050 and Action Plan 2020-2023.

The new Eni, creating value thorough the energy transition

Claudio Descalzi, CEO of Eni, said: “The strategy we announce today represents a fundamental step for Eni. We will set out the evolution of our Company in the next 30 years combining the objectives of ongoing development in a fast changing energy market and a significant reduction in our carbon footprint, a combination considered impossible by many. We will be the first in the industry to provide a business strategy to address these issues. Our strategy will rely on the quality of our assets, our technologies and our competencies.

The principles that guide our journey will remain fixed. The promotion of all UN SDGs is a fundamental element of our mission as is a strong financial position.

The Eni of the future will therefore be even more sustainable. It will reinforce its role as a global player in the world of energy with renewables and circular economy activities. These nascent businesses will develop strongly and be highly connected to our existing businesses. The production of oil and gas is expected to reach a plateau in 2025 followed by a flexible decline in the following years mainly for the oil component. The result will be a portfolio that is more balanced and integrated and will be stronger for its adaptability and competitive shareholder remuneration.

We have quantified our carbon footprint reduction targets giving ourselves a comprehensive method of calculating emissions, which includes both direct and

indirect emissions deriving from the end use of our products, whether from our own production or purchased from third parties. Consequently, our targets for reducing our absolute GHG emissions cannot be compared with other methodologies given the wider scope of emissions considered in our method. We have fixed a target of an 80% reduction in net GHG emissions of our energy products by 2050, which exceeds the 70% indicated by the IEA in their SDS scenario which aims to be compatible with the Paris Agreement.

*We have **designed a strategy that combines economic sustainability with environmental sustainability** and we have done so by defining an action plan based on technologies – existing or developed in-house - that we know how to implement. This will allow Eni to be a leader in the market supplying decarbonised energy products and actively contributing to the energy transition process.”*

LONG-TERM STRATEGIC PLAN TO 2050 - PRINCIPAL OBJECTIVES

- **Upstream production growth** at an annual rate of 3.5% up to 2025, subsequent flexible decline mainly for oil. Gas production by 2050 will make up about 85% of total production.
- **Resilient and flexible 3P Reserves:** \$20/bbl average breakeven, 94% of value realised by 2035 assuming a constant Brent price of \$50/bbl. Ability to modulate future investments in exploration and development to respond to the evolution of the market.
- **Sustainable gas production:** forest conservation and CO₂ capture and storage projects for a total of over 40 million tons/year by 2050. Electricity production from gas combined with CO₂ capture and storage projects will complement renewables power supply.
- **Renewables strong growth to over 55 GW by 2050.** Developments mainly in OECD countries to supply energy to our clients, with retail customers expected to grow to over 20 million by 2050
- **Refining:** gradual conversion of Italian sites by focusing on new technologies for the production of decarbonised products from the recycling of waste

materials. Increase in bio-refining capacity to 5 million tonnes per year, palm-oil free from 2023, 7 years ahead of the EU ban.

- **Marketing:** transformation from traditional petrol station to sales service station distributing only new generation sustainable fuels and providing differentiated services.
- **Chemicals:** gradual conversion of existing sites to produce more specialties and utilising more bio and plastic recycling technologies.
- **Carbon footprint:** developed methodology, reviewed and verified by third parties, for the comprehensive measurement of emissions. On this basis, fixed 2050 reduction targets of 80% of absolute emissions (well above the 70% threshold indicated by the IEA in the Sustainable Development Scenario that tracks the reduction of emissions compatible with the Paris Agreement) and of 55% on emission intensity.

LONG-TERM STRATEGIC PLAN TO 2050 – PRINCIPLES, TARGETS AND STRATEGY

After a period of profound transformation, which has allowed the group to grow and diversify its portfolio, whilst strengthening its financial structure, Eni is now ready for a new phase of evolution of its business model, strongly oriented towards creating value over the long-term that combines economic and financial sustainability with environmental sustainability. This evolution will, once again, be achieved by leveraging our know-how, proprietary technologies, innovation and the flexibility and resilience of our assets, which will allow us to seize new opportunities for development and efficiency, as well as further improve workplace safety.

The founding principles that inspire and guide the Plan's activities and actions are to:

- actively contribute to the achievement of all 17 UN SDGs, which are at the heart of Eni's mission;
- maximize the integration of the portfolio along the entire value chain, from production to end-customers;
- ensure rigorous financial discipline in investment policies and a solid capital structure for the group to support cash generation;

- maintain a progressive shareholder remuneration policy.

On the basis of these principles, operational strategies and objectives have been defined for 2035 and 2050, which outline the evolutionary and integrated path of the individual businesses. The speed of evolution and the relative contribution of each business will depend on market trends, technological developments and legislation.

The evolution of the business portfolio enables Eni to reach the objectives of reducing its carbon footprint, which are considered fixed.

In particular, Eni will pursue a strategy that aims to:

- obtain by 2050 an 80% reduction in net scope 1, 2 and 3 emissions, with reference to the entire life-cycle of the energy products sold and a 55% reduction in emission intensity compared to 2018;
- reinforce its role as a global player in the energy market, leveraging an increasingly balanced and integrated portfolio of activities;
- optimise the flexibility of its business portfolio, so as to respond to external market factors and position the company to seize opportunities;
- generate value for its shareholders by maintaining the current progressive remuneration policy.

The following decarbonisation targets confirm and build on previously announced ones:

- *net-zero carbon footprint* by 2030 for scope 1 and 2 emissions from upstream activities;
- *net-zero carbon footprint* for scope 1 and 2 emissions from the Eni group by 2040.

This evolutionary strategy will be reflected, in the coming months, in a new organizational structure, whilst management's long-term incentives have already been modified introducing a new ESG objective with a weight of 35%.

Eni, today, publishes on its website the principles that it uses to define its position on climate change themes. Eni also evaluates its participation in business associations in light of their alignment with these principles.

DIVISIONAL BREAKDOWN – LONG-TERM PLAN TO 2050 & ACTION PLAN 2020-2023

UPSTREAM

The principal strategic guidelines in the **medium/long-term** are to:

- maintain a resilient portfolio of conventional assets that is characterised by: low breakeven, accelerated time to market and limited exposure beyond the medium term.
- Enhance portfolio flexibility with a confirmed 3.5% production CAGR to 2025, at which point production will plateau followed by a flexible decreasing trend mainly in oil production. The gas share of production is expected to reach 60% by 2030 and around 85% in 2050.
- Confirm the previously announced GHG reduction targets.

In line with the medium-long term strategy, **the 2020-2023 action plan** has the following objectives:

- An enhanced exploration portfolio that targets the discovery of 2.5 Bln boe contributing to geographical diversification by leveraging:
 - operatorship and high working interest in exploration permits in order to take advantage of the "dual exploration model" to monetize discoveries quickly;
 - exploration focus on near-field and proven basins;
 - selected initiatives on frontier basins;
- Cash generation growth with a cumulative organic free cash flow in 2020-2023 of over €25 billion. This objective will be achieved with:
 - production growth at an average annual rate of 3.5% in the period 2019-2023 thanks to the contribution of projects already started or that will start up in the four-year plan;

- further development of initiatives integrated with Gas & Power for enhancing the value of equity gas;
- stronger project development model based on phasing and design-to-cost in order to reduce the execution risk and financial exposure;
- efficiency and operational continuity optimization;
- digital transformation to further improve workplace safety and asset integrity.

RENEWABLES

The main **medium/long-term** strategic guidelines have the following objectives:

- progressive expansion of installed global capacity to over 55GW by 2050;
- expansion to new areas based on where we have an existing or targeted customer base in order to maximize value from an integrated model;
- further development in areas where Eni already operates;

In line with the medium/long-term strategies, the **2020-23 Action Plan** provides for:

- installed capacity of 3GW by 2023 and 5GW by 2025;
- investments of €2.6 billion over the plan period.

GAS & POWER

The main **medium/long-term** strategic guidelines are as follows:

- expansion of retail activities to a customer base of over 20 million by 2050;
- business growth in combination with the expansion of renewables and bio-methane;
- complete transition to bio and renewable products by 2050;
- enhanced offer to customers with supply of new generation services;
- Midstream Gas & Power market access role strengthened to include all non-oil commodities;
- Midstream Gas & Power activities focused on marketing of equity products;
- Gas power plants integrated with CO₂ capture and storage capacity.

In line with the medium-long term strategy, **the 2020-2023 Action Plan** has the following objectives:

- expected growth in retail customers to approximately 11 million by 2023, of which over 4 million in power;
- development of new products and focus on non-commodity services;
- continuation of restructuring of gas supply portfolio and reduction of logistics costs, through optimization actions and contract renegotiation;
- growth of LNG portfolio through development of new markets and integration with Upstream to enhance value of equity gas. Portfolio of expected contracted LNG volumes to reach 16 MTPA by 2025.

These actions will generate a cumulative organic free cash flow equal to €2.1 billion in the period 2020-2023.

REFINING & MARKETING

The main **medium/long-term** strategic guidelines are as follows:

- expansion of bio-refining capacity to over 5 million tonnes per year, supplied exclusively with 2nd and 3rd generation "palm-oil free" feedstocks, in target areas such as the Far and Middle East, Europe for biojet fuel production and the United States;
- progressive conversion of traditional Italian refining sites through new plants for production of hydrogen, methanol, biomethane and products from recycling of waste materials;
- in the long-term, the Ruwais refinery in the United Arab Emirates will be the only traditional refinery in operation, capitalising on its optimal location and operational efficiency;
- gradual evolution of product mix sold in retail outlets, reaching 100% decarbonised products by 2050;
- Increase of additional services offer to improve margins and enhance customer loyalty.

In line with the medium-long term strategy, **the 2020-2023 Action Plan** has the following objectives:

- consolidation and integration of traditional refining activities with Ruwais refinery reaching full potential including contribution from trading activities;
- continued diversification through investments in biorefining. Our bioprocessing capacity will be 1 million tonnes by 2023 and palm-oil free;
- development of circular economy initiatives for the production of hydrogen and methanol from the recycling of waste materials and from castor oil, both new feedstocks for biorefining;
- European marketing consolidation favouring high-margin segments and further development of non-oil services in retail;
- increased offer of alternative fuels and development of sustainable mobility.

These actions will make it possible to achieve a cumulative organic free cash flow of €2.6 billion over the period 2020-2023.

CHEMICALS

The main **medium/long-term** strategic guidelines are as follows:

- specialization in the production of high-quality and high-performance polymers;
- development and integration of chemistry from renewables and chemical and mechanical recycling;
- transformation via pyrolysis of non-recyclable plastics into polymers with identical characteristics to those produced by hydrocarbons;
- establishment of integrated platform to maximize synergies with refining in gasification processes involving all types of plasmix.

In line with the medium-long term strategy, **the 2020-2023 Action Plan** has the following objectives:

- rebalance the ethylene-polyethylene chain integrated with mechanical and chemical recycling and the recovery of cracking efficiency;

- gradual shift of polymers portfolio towards products with greater added value and extension of downstream chain towards compounding to reduce margin volatility;
- development of chemicals from renewables through new processes and products;
- progressive reduction of GHG emissions, increasing energy efficiency and feedstock flexibility;
- international growth in synergy with Eni's other businesses.

These actions will allow for a cumulative organic operating cash flow of €0.4 billion.

CARBON FOOTPRINT

Eni's strategy announced today is critical in driving a reduction in the group's carbon footprint.

Eni has developed a rigorous methodology for the comprehensive measurement of GHG emissions. This method considers scope 1, 2 and 3 emissions, both in absolute and relative terms, related to energy products sold, whether derived from our own or purchased production. This distinctive approach is more comprehensive than current emissions standards and provides an integrated view of emissions.

The results of the industrial strategy lead to a reduction of 80% in absolute emissions by 2050 (well above the 70% threshold indicated by the IEA in their SDS scenario compatible with the targets set by the Paris Agreement) and a reduction of 55% in emissions intensity.

The methodology was reviewed, independently, by experts from Imperial College London (via Imperial Consultants) whilst the results of its application were verified by the independent certification company RINA.

The actions underway will contribute to achieving the following results:

- progressive reduction of hydrocarbons production, with rising proportion of gas to oil;

- focus on gas equity marketing combined with projects for the capture and storage of CO₂ and the progressive reduction of non-equity gas sales;
- conversion of European refineries into bioplants, for the production of hydrogen and for the recycling of waste materials;
- primary and secondary forest conservation projects to offset CO₂ emissions exceeding 30 million tons per year by 2050;
- projects to capture CO₂ of over 10 million tons per year by 2050, with a first project under study for the Ravenna hub in Italy, where it will be possible to capture CO₂ from neighbouring industrial sites and gas-powered electricity generation;
- renewables installed capacity exceeding 55 GW by 2050;
- growth of retail clients to over 20 million by 2050.

Eni also confirms its Upstream net carbon neutrality target for scope 1 and 2 emissions by 2030 and announces a new net carbon neutrality for scope 1 and 2 emissions for the entire Eni group by 2040.

KEY FINANCIAL DATA – ACTION PLAN 2020-2023

The four-year investment plan focuses on high-value, short-payback projects and provides for investments of around €32 billion by 2023. It is characterized by a high level of flexibility with around 60% of investments not yet committed in 2022-23. The upstream investment plan, which represents 74% of the total, is highly diversified in terms of geographical footprint, thanks to the developments in the Middle East, Africa, Norway and Mexico.

Eni's investment programme is high-value and resilient even in a challenging scenario. The current portfolio of upstream projects in execution has a breakeven price of \$23 per barrel (vs. \$25/bbl in the previous plan) and an overall IRR of approximately 25%. These projects remain competitive even in a low-carbon scenario. Adopting the IEA SDS scenario, which provides for the global application of a high cost for direct CO₂ emissions, the overall IRR would be reduced by 0.7 percentage points.

In line with these medium and long-term objectives as well as the company's decarbonisation process, Eni plans investments in renewables, energy efficiency, circular economy and offsetting of flaring of €4 billion, an increase of 30% compared to the previous plan. The weight of these investments on the total 2023 capex is 20%.

Overall, cumulative free cash flow over the plan will be €23 billion.

Assuming a constant scenario (Brent at \$60/bbl and gas at the Italian PSV hub at €150/kcm), Eni expects a strong growth in cash generation for the next four years. In particular, by 2023, operating cash flow will grow by more than €3 billion compared to 2019 thanks to the solid contribution of all its businesses.

Eni also expects an improvement in post-dividend cash neutrality to \$45 per barrel in 2023, down by more than \$10 a barrel compared to the current level.

Based on the results achieved in 2019 and the actions envisaged over the current plan, Eni confirms its shareholder remuneration policy, and for 2020 provides:

- a dividend of €0.89 per share, an increase of 3.5%; and
- a buyback of €400 million.

For further information visit: www.eni.com

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