



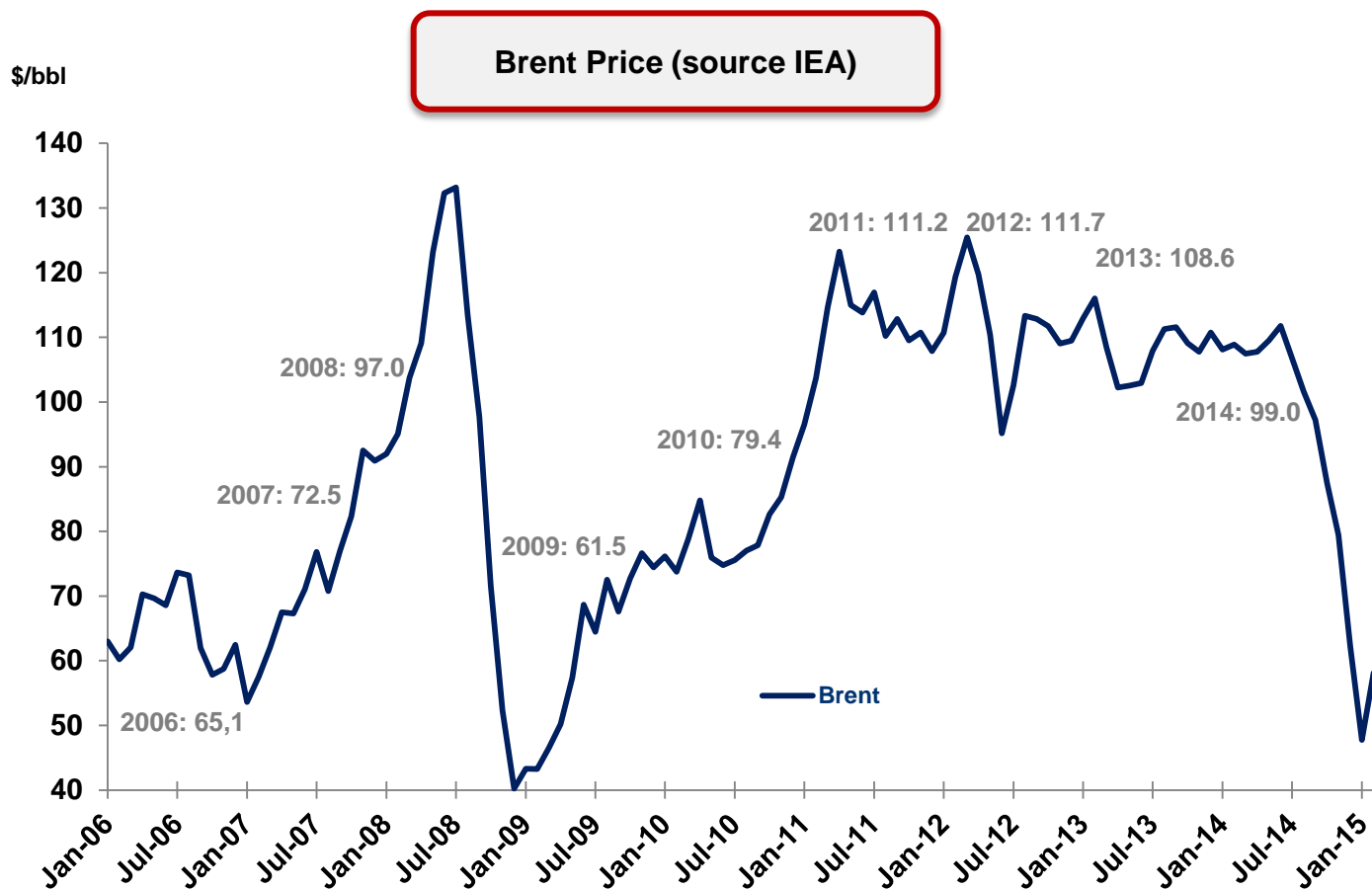
E&P STRATEGY

CRUDE OIL PRICE FALL - CONSEQUENCES FOR AN E&P COMPANY

Hubert des Longchamps

17th April 2015, Paris Energy Club, Paris.

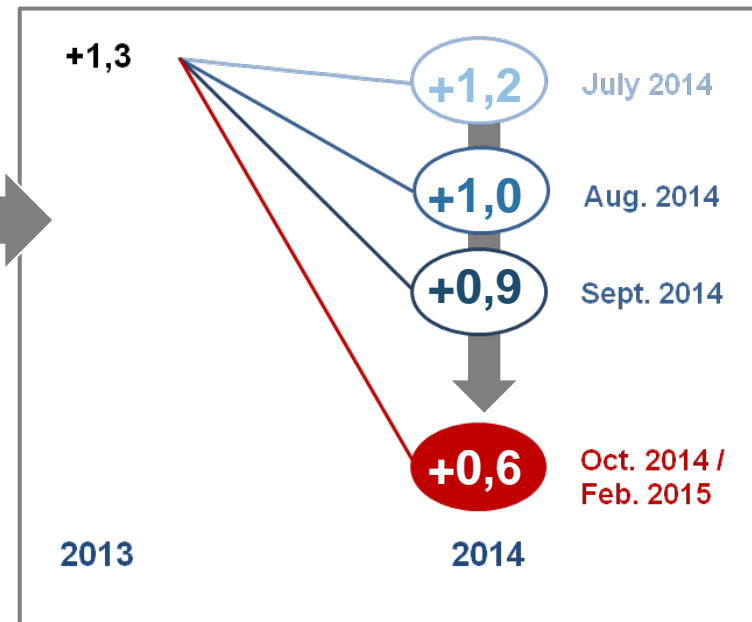
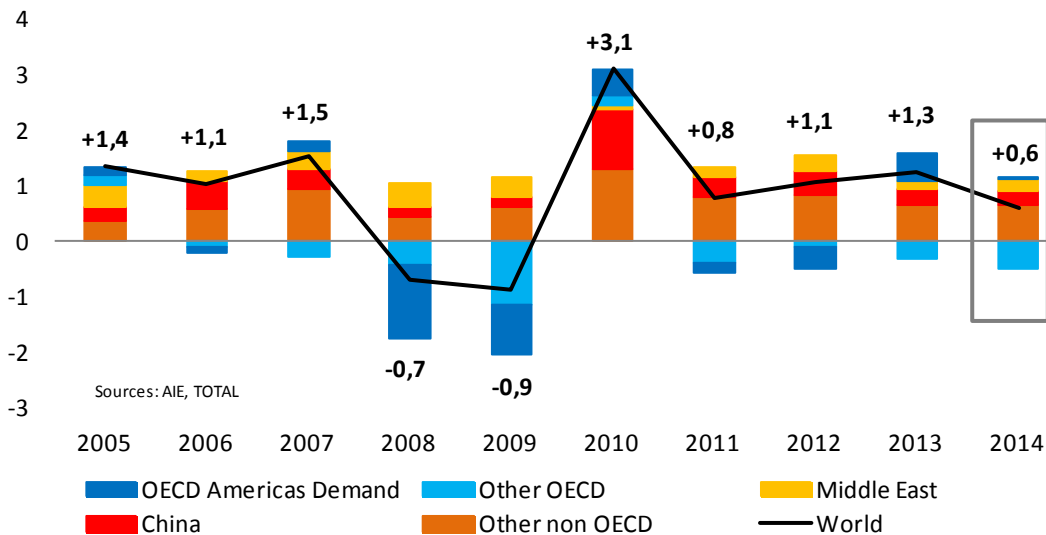
BRENT PRICE EVOLUTION - BACK TO VOLATILITY



DEMAND CONTRIBUTED TO THE PRICE FALL

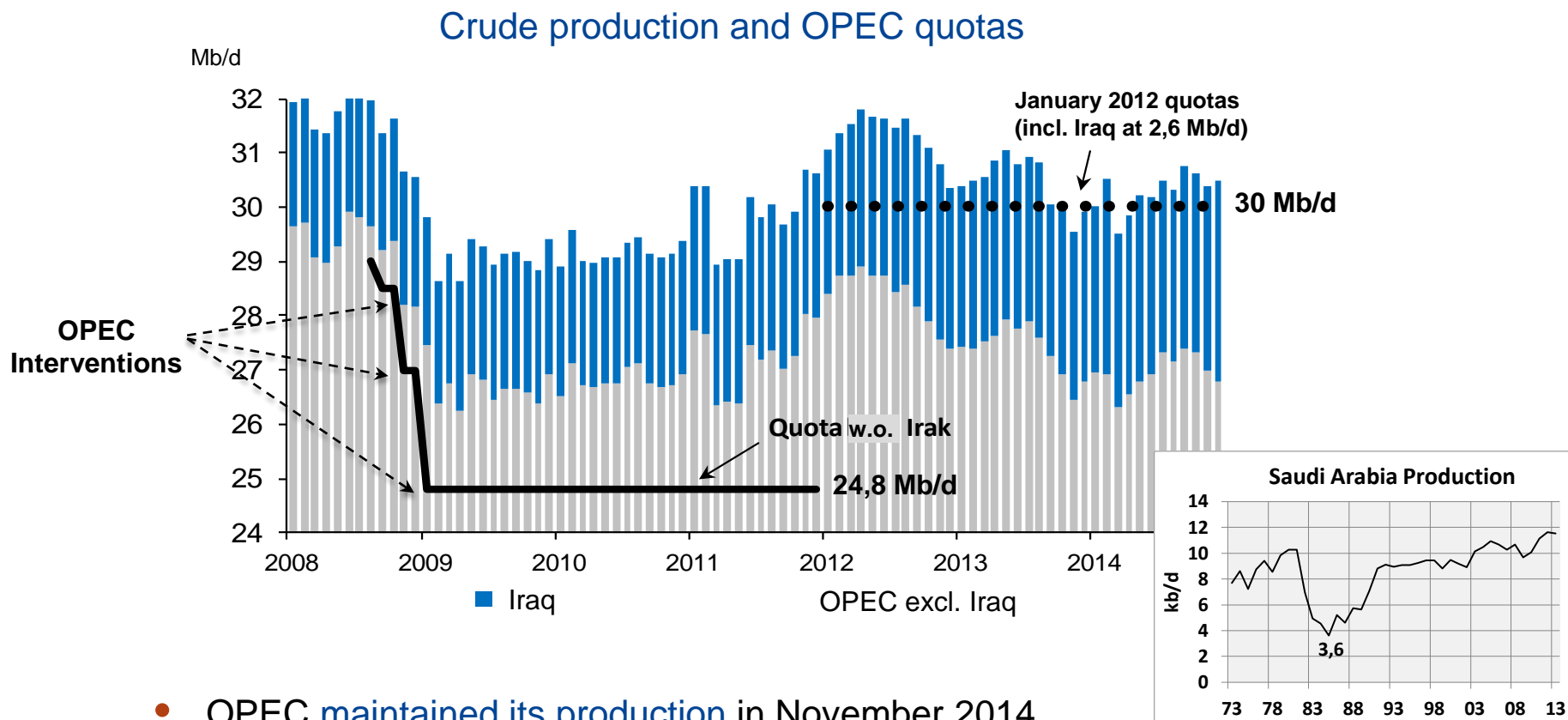
Oil demand annual growth 2005-2014 (Mbd)

Oil demand growth forecasts for 2014 (Mbd)



Strong downside revision of oil demand in 2014

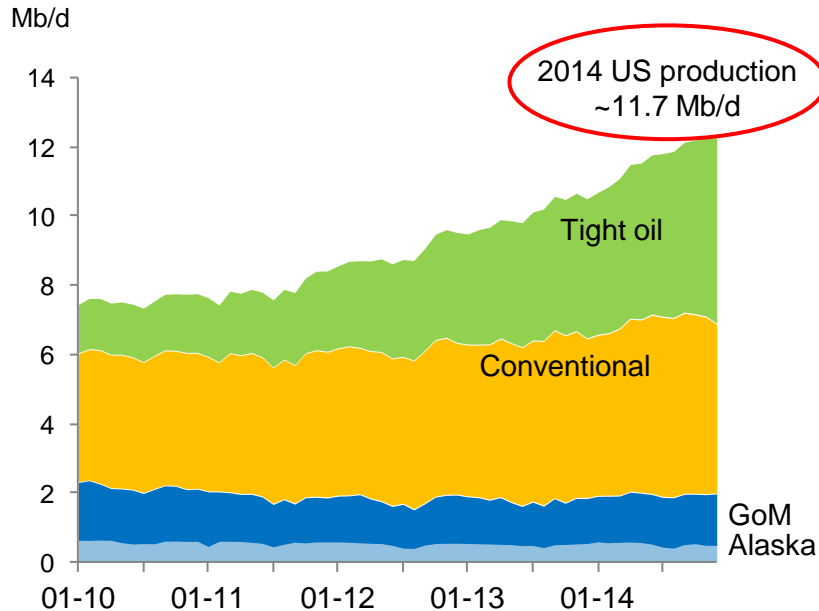
SAUDI ARABIA DECIDED TO DEFEND ITS MARKET SHARE



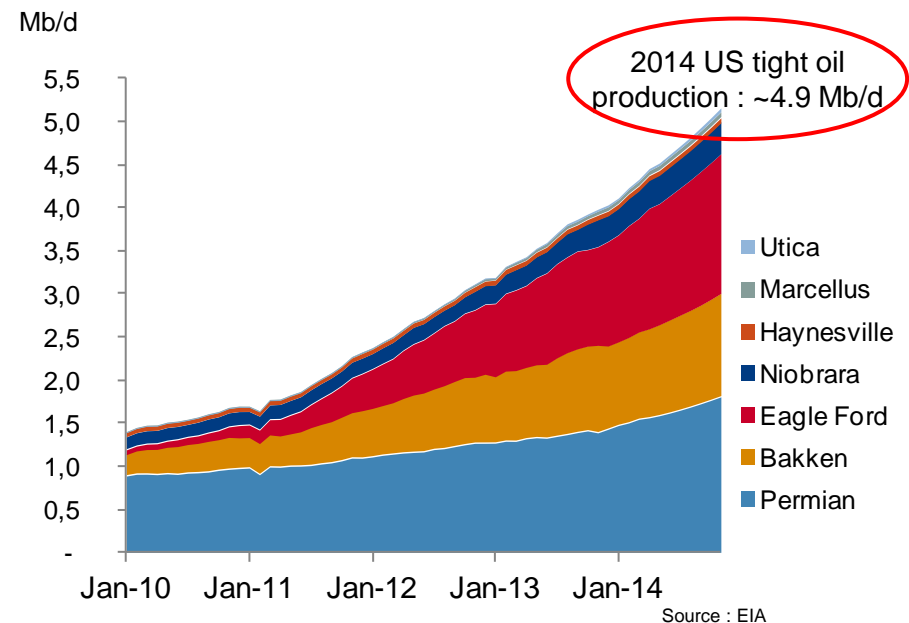
- OPEC maintained its production in November 2014
- Saudi Arabia not willing to lose market share to non OPEC producers especially US tight oil producers and trying to install discipline inside OPEC

TIGHT OIL MAINTAINED ITS GROWTH IN THE US

US oil production (crude+NGLs)
(Mb/d)

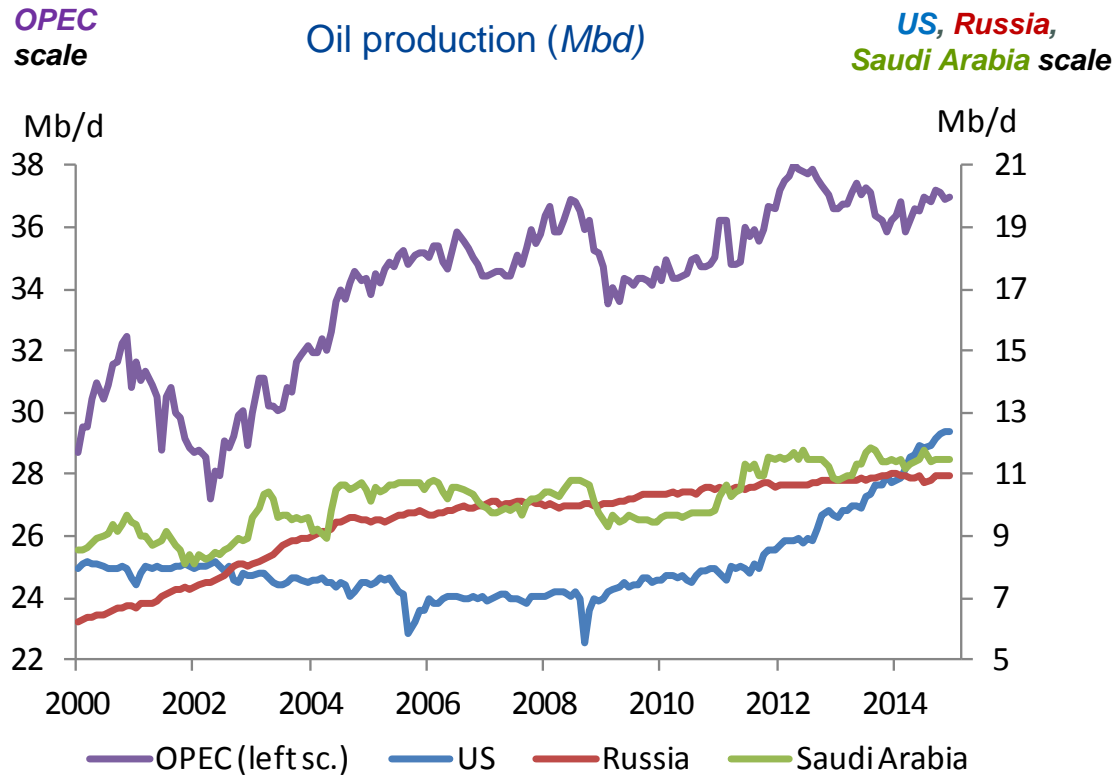


US tight oil production (crude+ NGLs)
(Mb/d)



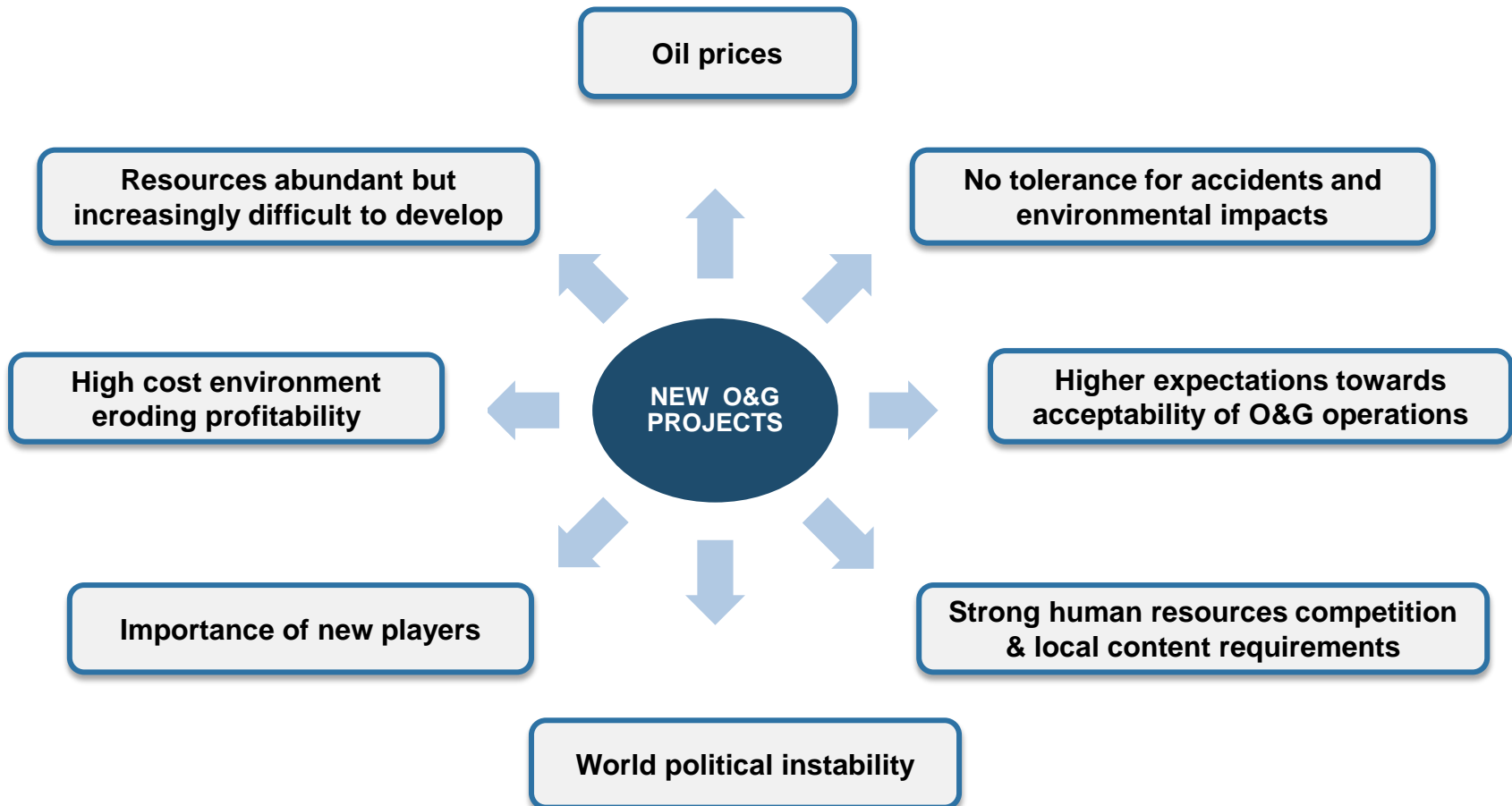
- US production increased by 1 Mb/d en 2012, 1,3 Mb/j in 2013 and 1,6 Mb/j in 2014
- Tight oil growing much faster than conventional oil : not far from 5 Mb/d in 2014
- 60% of US oil demand (19,1 Mb/d) satisfied by domestic production in 2014

WHICH RESULTED IN A NEW ORDER FOR OIL PRODUCTION



US supply growth driven by shale revolution

IN A RAPIDLY CHANGING BUSINESS ENVIRONMENT



CONSEQUENCES ON E&P STRATEGY

E&P KEY INDICATORS IN 2014



+ 13 years

OF PROVED
RESERVES

2,1
Mboe/day
OF PRODUCTION

>85%
OF GROUP'S
ORGANIC
INVESTMENT IN
2014



17269
STAFF*

PRODUCTION
OBJECTIVE
>8%
FOR 2015



ACTIVITIES IN
over 50
COUNTRIES

* Consolidated perimeter

OUR STRATEGY IN 4 KEYWORDS



- **Safety**, cornerstone of our strategy
- **Delivery**
 - Executing projects on time and on budget
 - Growing production with major project start-ups
- **Costs**
 - Increasing Opex savings
 - Enhancing capital discipline
- **Cash**
 - Strong cash flow growth driven by accretive start-ups
 - Dynamic portfolio management

Accountability key to unlocking performance

REACHING THE HIGHEST STANDARDS OF SAFETY



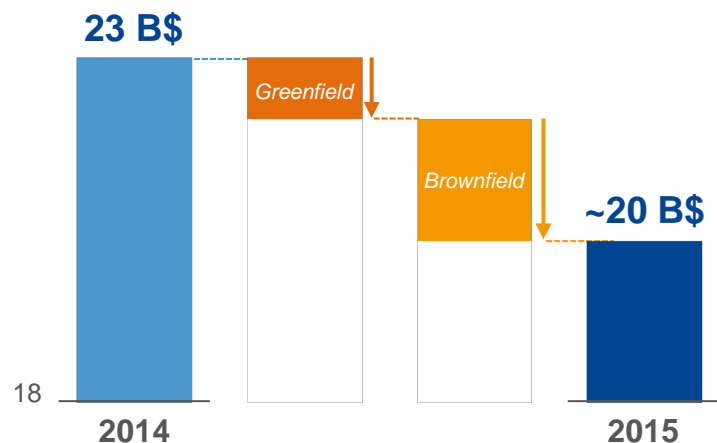
Golden rules

- ❖ **No fatality objective - Strict respect of Golden Rules**
- ❖ **No major incidents – Evaluation and management of industrial risks**
- ❖ **Personal commitment - Strengthening the safety culture**



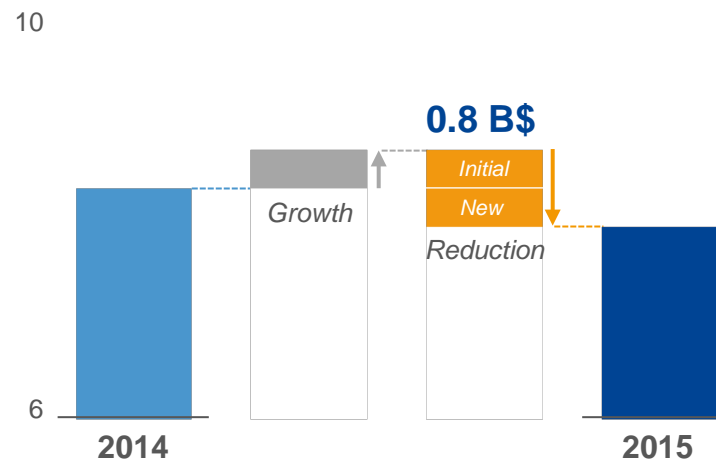
REDUCING OUR 2015 CAPEX AND OPEX

2015 Capex discipline
B\$



- Reducing **greenfield** investment
 - Utica, Zinia 2, Bonga SW...
- Cutting marginal **brownfield** spend
 - Mature West Africa, North Sea...

2015 Opex reduction
B\$



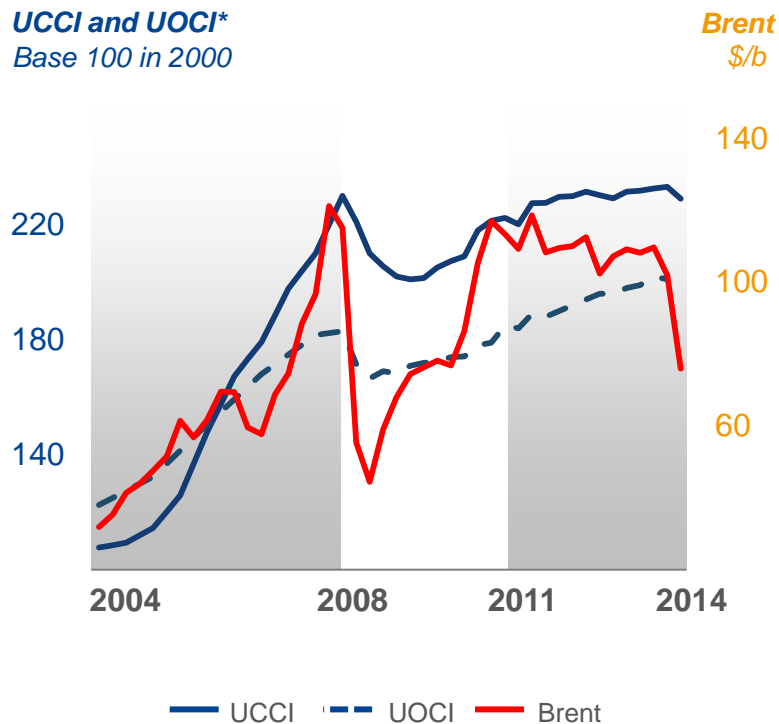
- Doubling 2015 **Opex reduction**
 - Reducing staff to ~15,500 end-2015, logistics...
- Taking advantage of **market conditions**
 - Renegotiating contracts, service costs...

Immediate and significant response to 2015 environment

COST INFLATION UNSUSTAINABLE EVEN BEFORE PRICE FALL

Rising costs

UCCI and UOCI*
Base 100 in 2000



* IHS CERA Upstream Capital Cost Index and Upstream Operating Cost Index

Cost inflation over the past decade has been dramatically impacting O&G companies **profitability**.

Reducing costs is a priority for Total, which has launched a major initiative at Group level.

Objectives are to **control CAPEX**, **decrease OPEX** and maintain among the lowest technical costs in the profession

... while **not compromising on safety**.

These efforts will shape the way future developments are conceived:

- Development **in sequence**
- No gold plated approach / “**good enough**” design
- **Innovation** used as a key driver for lowering costs

Cost had reached unsustainable levels, even at 100\$/b

IMPACT ON NEW E&P DEVELOPMENTS

Capital discipline

- Strict selection criteria for launching new projects
- Competition for capital allocation

Focus on profitability

- Seek improvement in fiscal terms with host countries
- Work with suppliers in order to simplify design , aim at standardization, renegotiate contracts

Portfolio management

- Review of asset portfolio, including assets at development stage
- Pursue opportunities to rationalize



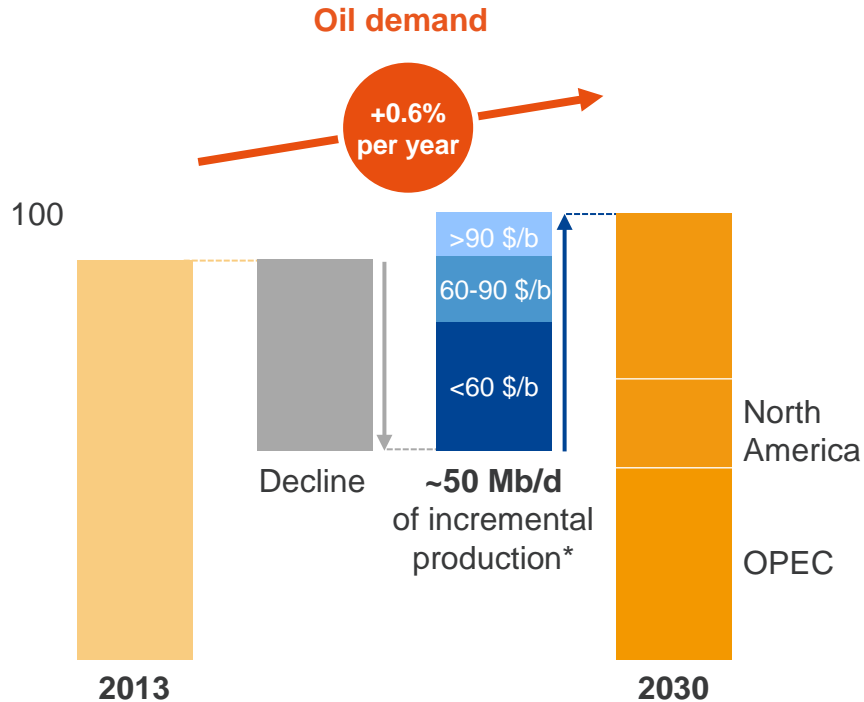
The least profitable projects will be either postponed or cancelled

LONG TERM ENVIRONMENT

LONG TERM OIL DEMAND GROWTH

Oil supply-demand

Mb/d, crude and NGLs



~50 Mb/d new production needed by 2030, driven by decline rate and demand growth

~20% of new volumes require >90 \$/b in 2014 cost environment

Marginal supply requires **high tech**, continuous **innovation** and significant **investment**

Long term prices likely to recover

Source: TOTAL

Substantial additional production required by 2030



TOTAL

COMMITTED TO BETTER ENERGY

