As the industry comes out of the bottom of the cycle, the challenge is to maintain efficiency gains and the focus on profitability. But it’s critical to keep sight on the longer term strategic goals.

There are wide ranging views of what the future looks like for hydrocarbons. Issues include how the energy transition will unfold and over what time frame. The other uncertainty is unconventional oil and gas. The question there is, how long production will continue to grow – and at what cost of supply? Unconventionals in the US have generated a surprising surge in supply, resulting in price disruptions felt globally. Going forward, cost of supply will determine how long production can grow.

Even so, the challenge for industry in a recovery will be to organically spend "smart" in the face of cost reduction and competition. Those companies unable to replace production over time will become, in essence, "managed declines", candidates for absorption at some point.

The upstream poses capital allocation challenges throughout the cycle. Financial discipline is less prevalent during the top of cycle. In a cycle bottom (e.g. 2015 to present), there is restraint on capital spending. Lower prices don't support as much investment. It's easier to be disciplined – culling projects, assets and staff. Going forward, producers have become more capital disciplined, doing more with less, ge tting clever at taking cost out of the system.

About Eni:

- Eni is completing its **transformation started in 2014** in order to enhance long-term growth while meeting short-term financial constraints by reducing costs, restructuring the Mid-downstream businesses, and supporting valuable growth. The reduction in capital expenditure makes leverage on the flexibility of its portfolio which was further enhanced by recent discoveries, pursuing a strict and constant revision of the supply chain through contract renegotiations, leveraging cost deflation, carrying on optimization of the engineering process through phased developments, and leveraging synergies with existing facilities.

- Eni new projects portfolio has a breakeven less than 30$ per barrels. We found that unconventional is not competitive within our inventory.

- In recent years, Eni achieved unmatched exploration success, driving the value generation in the Company. Our Exploration strategy has been pretty distinctive in the industry. It was simple and we can summarize it as follows:

We stayed conventional.

- Also targeting near field plays, to exploit the synergies with existing facilities. In 2017 we added 1 billion boe of new resources to our portfolio, at a unitary cost of around 1$ barrel. Since 2014, we have discovered more than 4 billion boe, replacing nearly twice the cumulative production over the same period.

- Our model involves working in the exploration phase with **high equity stakes and simple JVs**. This allows us to make quick decisions with high operational efficiency.

- We worked hard during the downturn at **continuous portfolio renewal with a balanced approach**, avoiding overexposure to deep-water and ultra-deep-water exploration.

- We put special focus on resource conversion after the discoveries, through the implementation of **fast and efficient appraisal campaigns** to compress the Time-to-Market of our projects.

- Finally, we adopted what we call our "**Dual Exploration Model**". We operate our exploration portfolio with a high working interest. Drilling success not only fuels our long-term value creation through low-cost reserves and production growth, but also creates opportunities for the early monetization of its results and reduce our exposure to the development capex. Eni's exploration successes, the best in the industry in the last 10 years, is its **organic ability to successfully explore and develop conventional hydrocarbons**.

- Between **2015-17** our **required rate of return all sources was 120%**

- A crucial aspect of Eni’s operating model is the **outstanding result in terms of safety and environment**, which remain among the company’s top priorities.

- The key challenge for the energy sector is to achieve a balance between maximizing the access to energy and fighting climate change. Eni’s model is built on financial robustness as well as social and environmental sustainability, through competences and innovation, risk management and compliance, and leveraging: 1) A unique cooperation and development model in countries where we operate; 2) An operating model that minimizes risk and social and environmental impact; 3) A clear and defined path to decarbonisation.

- Eni’s long-term integrated strategy for decarbonization is based on: 1- Lowering CO_2 emissions and enhancing efficiency in all of Eni’s operations. The company aims for targets zero routine flaring by 2025 and an overall 43% reduction of emissions per barrel produced. 2- Aiming to preserve a low-carbon portfolio and to promote the use of natural gas as a bridge fuel for electricity generation and for transport. 3- Spreading the development of renewables to the countries in which it operates, whilst stimulating technological research. **Combining gas and renewables is the ideal bridge to a low carbon future** and it is the best solution towards the elimination of coal from power generation.