

the competitive environment

Industrial challenges

A changing market

The growth prospects in the global energy demand have been increasingly depending on the development of the emerging economies. OECD Countries against the backdrop of macroeconomic uncertainties especially in Europe have been boosting renewable energy sources and higher energy and environmental efficiency. On the supply side we look at the strengthening of unconventional resources of hydrocarbons, the growing role of renewable sources and higher awareness of alternative mobility solutions. In this scenario Eni's strategic plan is focused on upstream growth and turnaround actions in the mid-downstream businesses, at the same time adopting a strict capital discipline evaluating selective and sustainable growth opportunities in Extra European markets.

Access to new exploration plays, reserve replacement and risk diversification

The Energy revolution following the development of unconventional resources in the USA has fuelled a resurgence of the industry commitment towards mature areas. This is particularly interesting at a time in which the big oil companies are seeking ways to reduce their exposure to politically instable areas of the world. In the meanwhile exploration activities have spotted new material plays offshore Ghana, East Africa and the Eastern Mediterranean Sea.

Dynamism of emerging economies and their NOCs and partnerships with National Oil Companies of producing Countries

Growth prospects of emerging economies are expected to remain positive, driving any increase in the global demand for energy. This is reflected in the leading role played by national oil companies of big consuming Countries, which have reshaped the energy landscape through M&A and strategic partnerships with producing companies and Countries. This development is pressuring the big oil companies to search for new forms of relationships and cooperation with producing countries. The increasing contractual power of producing Countries is forcing oil players at all levels to rethink the business model and to redesign the relationships with local authorities with a long-term view.

The European downturn

Weak macroeconomic prospects in the Euro-zone, efficiency programmes and new consumption patterns will translate into nil growth in energy demand against the backdrop of overcapacity and increasing competition, also considering gas wholesalers exposure to long-term supply contracts.

Complexity and sustainable stewardship of operations

Oil & Gas players are required to maintain strong commitment in ensuring safety to the Company's employees, to minimize the use of natural resources and reduce the environmental footprint. At the same time, the industry is facing hurdles in the production of resources, particularly as it operates in harsh and environmentally-sensitive locations, such as the Arctic Sea, or in contexts that require complex and sophisticated technologies (unconventional and deepwater production).

Eni's actions

- New exploration initiatives also in order to boost geographical diversification, to balance the risk profile of the portfolio and to attain a right mix between giant fields and near field incremental success;
- Robust pipeline of long-plateau/long-term cash flow projects;
- Monetization of recent discoveries;
- New initiatives in unconventional basins;
- Better risk control on complex project execution leveraging on continuous improvement in technologies and better control on construction and commissioning activities.

- Strengthening upstream activities leveraging on partnerships with NOCs in high potential areas (e.g. China);
- Solid governance structure and commitment to integrity;
- Eni's model of contribution to local development of producing Countries;
- Focus on social projects and local content;
- In the downstream segment, selective growth in emerging markets and enhanced partnerships with Asian NOCs.

- Turning around Eni's midstream business model and focusing on premium segments;
- Restructuring the gas supply contracts portfolio and logistic costs;
- Streamlining Eni's presence in non core areas/activities;
- Reducing refining capacity: rationalizations, conversions to bio-refinery, increased flexibility in throughputs;
- Overseeing of opportunities in emerging businesses in alternative sources for the automotive sector (CNG/LNG/bio-fuels) and development of smart mobility initiatives;
- Progression on turnaround actions and internalization plan in the Chemical sector, focusing on Green Chemistry.

- Developing technologies to minimize the environmental footprint and to grant a responsible use of resources;
- Commitment on increasing safety for people and operation integrity;
- Attention to the social impact and economic development of the Countries in which Eni operates;
- Integrated risk management also through the deployment of a more effective control system.

Performance of the year	2017 target
Discovered resources	
1.8 bboe of discovered resources	0.8 bboe/y
Monetization of discoveries	
over €4 billion (28.57% Area 4 in Mozambique and other assets)	€9 billion (including Artic Russia)
Production start-ups	
8 production start-ups adding 140 kboe/d to 2013 production	26 major projects contributing 500 kboe/d additional production at 2017
Cash flow from operating activities	
€11 billion	+55% vs. 2013
Congo: Hinda Integrated Project	
55% completion	100% completion and eventual collateral activities
Sustainability management system of E&P subsidiaries	
MSG Issuance "Sustainability Stakeholder engagement&Community Relations"	Minimum 4 certified subsidiaries compliant to International standards
Renegotiation of gas supply portfolio	
Renegotiated supply terms of 85% of long-term gas contracts	100% supply costs aligned to market conditions
Supply cost reduction	
€1.4 billion	≈ €2 billion per year expected in 2014-2016
Reduction of Eni's refining capacity	
-13%	-22%
Re-injected water	
55%	70%
Energy savings in refining and chemical segments	
-229 ktoe/year vs. 2010	-400 ktoe/year vs. 2010
Gas flared	
-65% vs. 2007	-83% vs. 2007

defining strategies to seize the opportunities in the energy sector

