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REP.MC - Q3 2024 Repsol SA Earnings Call

EVENT DATE/TIME: OCTOBER 31, 2024 / 9:30AM GMT

CORPORATE PARTICIPANTS

Pablo Bannatyne *Repsol SA - Head of Investor Relations*

Josu Jon Imaz *Repsol SA - Chief Executive Officer*

CONFERENCE CALL PARTICIPANTS

Alessandro Pozzi *Mediobanca - Analyst*

Biraj Borkhataria *RBC Capital Markets - Analyst*

Michele Della Vigna *Goldman Sachs Group, Inc. - Analyst*

Alejandro Vigil *Santander Group - Analyst*

Pedro Alves *CaxiaBank - Analyst*

Henri Patricot *UBS - Analyst*

Giacomo Romeo *Jefferies LLC - Analyst*

Lydia Rainforth *Barclays Corporate & Investment Bank - Analyst*

Sasikanth Chilukuru *Morgan Stanley & Co. LLC. - Equity Analyst*

Matt Lofting *JPMorgan Chase & Co. - Analyst*

Matt Smith *Bank of America - Analyst*

PRESENTATION

Operator

Hello, and welcome to the Repsol's third quarter 2024 results conference call. Today's conference will be conducted by Mr. Josu Jon Imaz, CEO, and a brief introduction will be given by Mr. Pablo Bannatyne, Head of Investor Relations. I would now like to hand the conference over to Mr. Bannatyne. Sir, you may begin.

Pablo Bannatyne - *Repsol SA - Head of Investor Relations*

Thank you, Operator, Good morning, and welcome to Repsol's third quarter results presentation. Today's conference call will be hosted by Josu Jon Imaz, our Chief Executive Officer, with other members of the executive team joining us as well.

Before we start, let me draw your attention to our disclaimer. During this presentation, we may make forward-looking statements based on estimates. Actual results may differ materially, depending on a number of factors, as indicated in the disclaimer.

I will now hand the conference call over to Josu.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer*

Thank you, Pablo. Good morning, everybody. And, I mean, first of all, today, on behalf of everyone at Repsol, let me first express our concern with the consequences of the divesting flash floods that are affecting the southeastern part of Spain. We take advantage to send our condolences and support to those who have lost relatives or friends.

I want to add that Repsol has put all its resources at the disposal of authorities in an effort to alleviate the situation and in trying to help establish key services in the impacted areas as soon as possible.

Now going on with the conference, let me start with the main messages before taking you through the performance and results of our businesses. Finally, at the end of this conference, I will provide you with our updated outlook to year. As usual, of course, following the presentation, we will be available to answer your questions.

Starting with the key messages. During the first nine months of 2024, the main drivers of our industry have gradually returned to more normalized levels, coming down from the unprecedented situation of the previous two years that notably affected gas prices and refining margins.

The third quarter, in particular, was characterized by a demanding market environment, underlined by a weaker refining, volatile oil prices, and increased geopolitical stability. In addition, our performance was negatively impacted by the interruption of production in Libya for almost two months.

The adjusted income reached EUR558 million, a 49% decrease year over year, as a result of the very strong refining scenario in the third quarter of 2023. Cash flow from operations amounted to EUR1.5 billion, a 16% improvement over the third quarter last year. Excluding the settlement with Sinopec, the accumulated operating cash flow to September amounted to EUR4.7 billion, in line with the first nine months of 2023.

Net CapEx stood at EUR1.3 billion, totaling EUR4.9 billion year-to-date. Net debt closed the quarter at EUR5.5 billion, a EUR0.9 billion-increase compared to June, mostly related to the payment of July's dividend, the purchase of treasury shares and the second and final payment associated with the windfall tax.

Regarding distributions, in July, we completed the cash dividend payment for 2024 for a total EUR0.9 per share, approximately a 30% increase versus 2023, and 40 million shares were canceled after carrying out the first share buyback of the year.

The additional 20 million share buyback announced with our second-quarter results was launched in August. As of today, a total of 16 million shares have been purchased. And the corresponding capital reduction will be executed in the next few weeks.

Looking forward, Repsol enters this part of the economic cycle having delivered significant strategic progress in the previous scenario. Repsol is now a more resilient company with a firm focus on value generation for its shareholders, focus on efficiency, and also on capital discipline.

Our business model incorporates the necessary CapEx flexibility to modulate the speed of development of the portfolio. Our strong balance sheet that remains a strategic pillar, provide us with a solid financial framework to keep investing in our transformation, committed to deliver on the ambitious targets defined in our strategy.

Looking now briefly at the macro scenario of the third quarter. The oil price reflected the uncertainty about demand, mainly in China, and questions on the OPEC plan to unwind its production cuts. Brent averaged $80 in the quarter, down by a 6% quarter over quarter and 7% below the same period last year. In gas, US prices were tightened by the supply disruptions caused by the hurricanes affecting the Gulf of Mexico.

The Henry Hub averaged $2.2 per million BTU, 16% higher than the previous quarter, but still 12% below a year ago. In Europe, the TTF and NBP price references improved significantly over the previous quarter, impacted by geopolitical tensions and lower gas flows from Norway.

Repsol's refining margin indicator averaged $4 per barrel, 37% below the previous quarter and 71% below a year ago, negatively impacted by the reduction of middle distillate and gasoline spreads. Finally, the dollar lost some ground against the Euro due to the expectation of a more flexible monetary policy by the Federal Reserve.

Moving on now to the performance of our businesses. In the upstream division, third quarter adjusted income was EUR280 million, 33% lower than the second quarter and 16% below the same period in 2023. In both cases, negatively affected by lower volumes and oil price realizations.

Production averaged 553,000 barrels of oil equivalent per day, 6% below the second quarter and 7% below -- lower year over year. The accumulated production to September averaged 577,000 barrels equivalent per day, 4% below the first nine months of 2023.

If we compare with the same period of 2023, third-quarter volumes were negatively affected by the force majeure declared in Libya and the divestment of Canadian assets in October 2023, partially offset by a higher production in the UK and in Peru.

The upstream division keeps working on the efficient delivery of its project pipeline, aiming to add material new production of high-margin and lower-emission barrels. Selective portfolio management is being employed to strengthen the business.

And in Libya, production in El Sharara field was interrupted on August 3, and the ensuing force majeure declaration was lifted until in the beginning of October. The quality of the reservoir allowed for a quick recovery after restarting operations, reaching plateau by mid-October.

The current four-week development campaign in El Sharara was not impacted by the force majeure. Out of 15 were expected to be drilled this year, 11 wells have been connected by the end of September. The goal of the campaign is to offset decline, maintaining plateau close to 40,000 net barrels per day to Repsol.

In unconventional, activity was limited last quarter to only one rig in Eagle Ford as we keep modulating our development activity to protect value and cash in the current gas price scenario. Our strategy for North American gas is to hedge approximately 50% of our volumes in the next two years. Our hedging structure has allowed us to secure a floor of $3 per million BTU that guarantees the continuity of our development plans, preserving, of course, the option to capture the upside if prices improve.

In Brazil, the operator of Campos 33 awarded the contract of the upcoming drilling campaign, expected to begin in the first half of 2026. This is one of the main growth projects in our strategy and expected to contribute [44,000] barrels per day of production in 2029.

In Alaska, the development of the first phase of Pikka is 67% complete, with a startup respected as early as end 2025. The contribution to production is expected at around [32,000] net barrels per day to Repsol in 2027.

Finally, in Mexico, we reached an agreement to increase our ownership in Block 29 from 30% to close to 47%. This block contains the Polok and Chinwol discoveries. And together with Block 9, which holds the Yoopat 1 discovery, communicated in July by Eni, supports our growth plans in the region.

Continuing now with Industrial, the adjusted income reached EUR185 million, 36% below the second quarter and 67% below the same period a year ago. Year-over-year, the higher results in chemicals, trading and wholesale and gas trading were more than offset by the lower contribution of refining and -- I mean the refining coming from the business in Peru.

In refining, the margin indicator averaged $4 per barrel, which compares to $6.3 in the second quarter, negatively impacted by narrower gasoline and Middle East differentials mostly due to a weaker demand.

Year-over-year, the indicator declined from the $13.6 achieved in the third quarter of 2023, which benefit from a strong demand, low levels of inventories and the ban on Russian exports.

Up to September, the average margin indicator was $7.3, 39% below the same period in 2023. The premium captured last quarter in the actual CCS margin was [$0.40] indicator, negatively impacted by higher exports. Buyers didn't contribute to the premium last quarter, reflecting short-term pressure on SAF and HVO differentials.

The average utilization of distillation capacity was 88%, in line with previous quarter and year over year. The run rate of the conversion units reached 102% of nameplate capacity, 6 percentage points above second quarter and a similar level compared to the third quarter of 2023. The increased supply of Venezuela and heavy crudes to our system continued. In the third quarter, our refineries processed a total of seven cargoes amounting to [6.5 million] barrels of oil.

In trading, our wholesale and gas trading, the operating result was [EUR59 million] higher year-over-year, thanks mainly to a higher contribution from both businesses. The accumulated EBITDA generation to September surpassed EUR700 million, combining, I mean, these two businesses, trading and gas trading.

Finally, in chemicals, challenging situation persists, although the margin indicator increased by 31% compared to the third quarter last year. The EBITDA contribution was still negative, with margins negatively impacted by a weak domestic demand and lower product prices, all within a fragile economic outlook in Europe.

Continuing now with customers. In the current environment, distribution maintains its differential value proposition granted on the stability of the business and its history of cash flow growth. The adjusted income was EUR180 million, up 14% higher quarter over quarter and 5% below the same period last year. Year-over-year, the higher contribution of mobility, aviation, and lubricants more than compensated by the lower results in retail power and gas and LPG business.

In mobility, sales service -- or sales, sorry, sales in services stations and wholesales were still affected by the alleged fraud practices of some operators. And we are confident that with the fraud control measures already taken by the Spanish authorities and those still under analysis, market conditions should normalize in 2025.

In retail power and gas, the client base in Spain and Portugal surpassed 2.4 million customers in September, an 11% increase compared to the end of last year. Repsol has maintained a steady growth since entering this business in 2018, tripling its customer base and becoming the company that has captured more clients in Spain.

The contribution to results remain solid in the third quarter, having generated an EBITDA of EUR120 million in the first nine months of 2024, equivalent to 1.7 times its contribution in the same period of last year.

The success of our Waylet app continues to drive the expansion of our multi-energy offering, having reached almost 9 million digital clients by the end of September. Waylet contributes to this growth, adding more than 3,000 new users per day, having reached 230,000 daily transactions. And what is most important for us, the fuel consumption of Waylet users at our service stations doubles that of traditional clients.

Finally, in the low carbon generation division, the adjusted income was EUR7 million negative, which compares to EUR1 million profit last quarter and a positive result of EUR13 million a year ago. Year-over-year, the third quarter was negatively impacted, mainly by the results of equity affiliates. And adding to this factor, you have a decline in power prices in Spain during the quarter comparing with last year and a lower contribution of combined cycles.

The average pool price in Spain was EUR 79 per megawatt hour, 19% below year over year with high intraday volatility, pressured by the high rate of renewables in the generation mix.

In Chile, we reached an agreement to divest the solar portfolio held through our JV with Ibereolica. We maintain our wind portfolio, and we have the aim to optimize our position in that country, increasing this wind part of the business.

Our installed global renewable capacity reached 3.2 gigawatts as of the end of September. We expect it to reach 4 gigawatts under operation by year end, following the startup of Outpost Solar farm in the US and additional phases of Delta 2 and Pi projects in Spain.

In the US, we continue developing our pipeline with a focus on the portfolio acquired through ConnectGen. We expect to take the FIDs of several solar and wind projects in fourth quarter 2024 and in 2025, totaling more than 1 gigawatt of generation capacity.

Moving now briefly to the financial results. In this slide, you may find a summary of the figures that we have discussed when reviewing the performance of our businesses. And of course, as always, for further details, I encourage you to refer to the complete set of documents that were released this morning.

Moving now to our updated outlook. Average production in 2024 is expected to be in the lower end of our 570,000 to 600,000 barrels of oil equivalent per day, estimate. And this figure was negatively affected compared to our previous guidance by the interruptions in Libya.

In refining, a weaker global demand and the addition of new capacity have deteriorated gasoline, diesel, and jet cracks in the second half of the year. In October, we are seeing a recovery of diesel margins, mostly driven by the seasonal demand of heating oil. And we currently expect it to reach an average margin indicator of around $7 in the full year as seasonal effects amongst rent cuts and the increased OPEC supply support product spreads in the last portion of the year.

The updated cash flow from operations estimate for 2024 excluding the settlement with Sinopec has been revised down to EUR6 billion. This is below the lower end of our previous guidance due to weaker refining margins this last third quarter than expected, including a lower contribution from bios, the impact of Libya shutdowns, and a worse exchange rate.

Net CapEx after disposals and asset rotation has been slightly revised upward to a total of EUR5.5 billion this year due to a lag effect between the investment plan and the closing of the M&A transactions that we are working on. We remain committed to a net CapEx of EUR16 billion to EUR19 billion from 2024 to 2027 and to our financial flexibility that preserves our strong balance sheet, aligned with our current credit rating.

With regard to shareholder distribution, due to the weaker macro scenario, we don't expect to implement additional share buybacks before year end.

Considering, of course, we maintain the target we have in terms of dividend plus the total distribution for our shareholders in the range from 25% to 35% over the whole period of the strategic plan, comparing with the cash flow from operations and considering the 60 million shares to be redeemed this year, equivalent to 5% of the outstanding shares at the beginning of the year, total shareholder remuneration in 2024 will be within our 30% to 35% cash flow from operations distribution range.

For 2025, we will increase the funds dedicated to cash dividends by a 3% to a total of EUR1,128 million, as committed in our strategic plan. And the EUR0.475 per share January dividend announced this morning will be complemented later in the year to reach a minimum total cash dividend of EUR0.975 per share in 2025.

To conclude, after the changes triggered in the energy landscape in 2022 and '23, this year, we are seeing some kind of normalization of the prices and returns in our industry. Repsol is now a more resilient company, having made the best of that favorable scenario to accelerate its transformation and create the foundations of our strategy for years to come.

The main strategic lines defined in our February update remain intact. Repsol has a robust company model, with a strong financial position that offers the required flexibility to face the current scenario from a much improved baseline.

Our strategic priorities will continue guiding our performance. First, a clear, transparent, and competitive distribution policy with the committed growing cash dividend that is written in stone; second, maintaining our current solid credit rating; and third, a disciplined and transformational investment.

We have flexibility to manage our net CapEx between EUR16 billion and EUR19 billion in the strategic period, depending on the macro and business conditions, and of course, selecting the most profitable and transformational projects in our portfolio.

With this, I will turn it over to Pablo as we move on to the Q&A session. Thank you very much.

QUESTIONS AND ANSWERS

Pablo Bannatyne - *Repsol SA - Head of Investor Relations*

Thank you, Josu Jon. Now as usual, before moving on to the Q&A, I just would like the operator to remind us of the process to ask a question. Please, operator, go ahead.

Operator

(Operator Instructions)

Pablo Bannatyne - *Repsol SA - Head of Investor Relations*

(Event Instructions) Alessandro Pozzi, Mediobanca.

Alessandro Pozzi - *Mediobanca - Analyst*

Hi, there. Thank you very much for taking my question. I have two. So when I look at the -- your share price performance, clearly, it has been impacted by the lower refining margins. And I think we're going to a point where there's a big valuation disconnect between you and some of your peers. I mean, this is not a tech sector, but single time -- single-digit PE, I think, it seems a bit low.

And I think probably that is the right time to maybe accelerate on disposal or further streamline the upstream portfolio and maybe deaccelerate on the IPO of the US assets as well. And you mentioned flexibility of CapEx. And given the lower cash flow from operations, I think it will be, I think, helpful to have maybe a lower CapEx guidance as well maybe for 2025, and you did mention the flexibility.

So the second question would be on 2025, how maybe should we think about CapEx? And whether we could see CapEx towards maybe the EUR4 billion net CapEx or the implied guidance? Thank you.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer*

So I mean, we have a clear commitment, as you expressed, to prepare the liquidity event of the E&P business by the first quarter of 2026. And as you mentioned, we have to go on in streamlining the upstream portfolio.

Now in this sense, I think that is important what we are doing in terms of improving the quality of the portfolio. We are going to have new projects in the US that are going to be in operation by the summer of 2025, for instance, the Leon-Castile project. We are going on in the Alaska project.

Of course, we are working also in the disposals that are going to join this investment process in terms of reducing -- improving, better said, the quality of the portfolio, increasing the cash flow from operation per barrel in the E&P business. So the targets we have in terms of net CapEx in the E&P are going to be there. We are going to fulfill these commitments.

And on top of that, we are going to have, over 2025, E&P business that is going to go on in this effort to be and a strong cash flow generator. We have flexibility, first of all, through disposals, and we are engaged in some processes that, of course, I'm not going to -- let me say that I'm not going to enter in making them public.

Secondly, due to the Henry Hub situation, we are also making an effort to reduce the CapEx in unconventional in the US. For instance, today, we only have one rig in operation in the Eagle Ford. That is going to be operational till March, April, more or less. We are not going to have any rig in operation in Marcellus, probably in this price scenario before April. So we are containing our CapEx in the unconventional.

So we are going to be there in this target defining the strategic plan. And if we take the first two years of the strategic plan, 2024 and 2025, I could anticipate that in the whole company, the net CapEx figure is going to be at around EUR10 billion in the first two years of the plan.

If we take, I mean, how this figure compares with the EUR16 billion to EUR19 billion of the whole period, '24, '27, 'I mean, today, I'm fully committed and engaged to maintain this EUR16 billion, EUR19 billion of net CapEx over the whole period. And I'm going to say more.

Probably, we are going to be in the lower range of this EUR16 billion, EUR19 billion of range of net CapEx over the whole period. What is the reason for that? I mean, the reason is that some projects are going to lag probably at the end of the period, I'm talking, for instance, everything related to the transformation in the industrial business with investment in the countries like US.

I mean, what we have experienced over the last year in terms of delay in some projects in Spain is going to have, and in fact, not in terms of CapEx, but in terms of some deferrals that are going probably to be outside the strategic period of '24, '27. And in this sense, you know that this investment of -- in the US, they require a previous derisking process, guaranteeing that these kind of installations are working in the right way in Spain. So it seems to me that they are going to be probably delayed to the period of '28, '29.

So today, we are comfortable with the EUR16 billion, EUR19 billion of net CapEx figure. Again, as I said before, we are going to be probably closer to the low range, not to the high one. The unconventional is going to be one of the elements to have this flexibility in CapEx. We are going to fulfill the program of disposals in the E&P business to improve the quality of the borrowers and to be, let me say, in the framework we defined for the liquidity event by 2026.

And going to the low carbon business, of course, there is a lag between the investment process and the asset rotation. And in some way, I have to realize that in some way, we have delayed this process of asset rotation, mainly trying to optimize the window in financial terms, taking into account the evolution of interest rates, mainly in the US.

But the program we have now in our hands is that we are going to rotate the assets in operation today in the US. I'm talking about the Jicarillas projects and Frye, more or less 800 megawatts in operation. In some point at the end of this year or in the first quarter of 2025, probably outpost with 600 megawatts in operation is going to be also rotating in the first half of 2025. And all in all, regarding the situation in Spain, we are going to rotate 450 megawatts also around the end of the year or the beginning of 2025.

And over 2025, we are going to rotate probably 400, 500 megawatts more in Spain. So all in all, we are talking about material figures, combining both processes we are going to be close to a figure of rotation that could be at a round of total CapEx close to EUR2.4 billion, EUR2.5 billion.

And let me say that, that is material, the processes are on track. We have a positive expectation about that. We think that these rotations are going to fit with probably a better financial window that what we have three or six months ago. So I'm comfortable about this guidance in CapEx terms. Thank you, Alessandro.

Alessandro Pozzi - *Mediobanca - Analyst*

Thank you. Very detailed and clear.

Pablo Bannatyne - *Repsol SA - Head of Investor Relations*

Biraj Borkhataria, RBC

Biraj Borkhataria - *RBC Capital Markets - Analyst*

Hi, good morning. A couple of follow-ups. Just on the CapEx front, you mentioned the net CapEx for this year. Could you confirm the gross CapEx is expected at EUR6.5 billion for 2024? And really, how are you thinking about the gross CapEx number for 2025? I know you mentioned that EUR4.5 billion net figure, I'm just thinking about the gross number as well.

And then second question is just on the shareholder returns front. How are you thinking about where you land in your payout ratio range for 2025, just noting that obviously, the asset rotation seems to be back-end rated, debt is rising this year? So how are you thinking about where you land in the 25% to 35% range?

Josu Jon Imaz - *Repsol SA - Chief Executive Officer*

I mean going to the CapEx, the gross CapEx in 2024 is going to be close to EUR6.5 billion. You have to take into account that in this figure, we are including the inorganic acquisition, EUR750 million more or less at the beginning of the year of ConnectGen that is going to be, roughly speaking, the gross CapEx number over the whole year.

And the net CapEx, depending of some of this asset rotation, could enter at the end of the year or probably a main part of them, they could be in the first quarter of 2025, it's going to be something between EUR5 billion to EUR5.5 billion. The net CapEx of the company is going to be in this range.

When we go to the distribution by 2025, again, I mean, we are going -- we are fully committed to what we expressed in the strategic plan. That means that we are going to have a cash dividend that it's going to have a minimum, minimum, I say because, I mean, it's, of course, related to the decision of the Board in coming months, but the minimum is going to be EUR0.975 per share with two payments. The first one in January, EUR0.475 per share and a minimum of EUR0.50 in July.

On top of that, we are committed to the share buyback program over the whole year that to manage the volatility of this business, as we define in the strategic plan, is going to be related to the total shareholder distribution to the cash flow from operation over the whole year. Of course, that is going to be depending on this cash from operations, but the range is going to be something between 25%, 35% of this range.

And I could say that last year and this year, we are paying, let me say, in the range 30%, 35% of this cash flow from operations. I mean I'm giving you some kind of indication about where we are going to be probably in 2025. In any case, from 25% to 35% range in terms of cash flow from operations. And probably, we will be confirmed with what we are doing this year being in the range above the 30%. Thank you, Biraj.

Biraj Borkhataria - *RBC Capital Markets - Analyst*

So is there anything you could say about gross CapEx for 2025 at this stage?

Josu Jon Imaz - *Repsol SA - Chief Executive Officer*

What is written in stone is that the net CapEx over the two years is going to be below EUR10 billion, 2024, 2025, combining both years. I'm preparing and working in the budget of the company with all the businesses to present it to my Board under this framework.

In any case, net CapEx is going to be for these two years where we are concentrating the main part on the investment cycle and where -- because it's the first part of the cycle, I mean, there is always a lag in terms of disposals and asset rotation. In any case, EUR10 billion is going to be the limit in terms of net CapEx for both years.

For that reason, I'm quite confident when I put into consideration the new production entering from the E&P, the disposal, asset rotation and so on, I'm seeing this lagging natural process of some projects that are in portfolio in our funnel and that we are, in some way, committed to them.

For that reason, I'm quite confident that we are going to be in the lower range of this 16, 19 range we defined in the strategic plan in terms of net CapEx.

Pablo Bannatyne - *Repsol SA - Head of Investor Relations*

Michele Della Vigna, Goldman Sachs.

Michele Della Vigna - *Goldman Sachs Group, Inc. - Analyst*

Hi. Two quick questions I wanted to ask. The first one is on refining, we've finally seen a little bit of a recovery from the trough in Q3. Then Dangote refinery is now ramping up. I'm just wondering how do you think this will impact the margins in the coming months? Is there a risk that this recovery could effectively revert back if the Dangote volume start to overflood the Atlantic?

And then the second question I wanted to ask is I saw you had some comments about contracting on SAF. And I was just wondering how the pricing there is starting to materialize. And if you're still satisfied about the investments you've made there and the returns on that. Thank you.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer*

I mean, going to your first question, I share your point, and I take your point. We have seen a recovery in refining margins. And the recovery, the rational is -- I mean, first of all, there is -- we are entering the winter in Europe. So demand related to heating oil and so on is going to be there.

Second, there is an effect that is probably hidden. But if you analyze the LNG prices, either in Europe and in Asia, prices are hiking. And you know that in many geographies all around the world, when LNG spikes, there is an effect in terms of using of diesel and so on to produce power and to heat. So I think that we are going to see a second effect related to diesel spread increase related to the evolution of gas prices over this winter.

There is a third effect. I mean, when we analyze the public figures, we see that now probably these weeks and coming weeks, we could have 3 million barrels a day of shutdowns higher than the what we had in -- I mean, turnaround processes and so on, comparing with the figure we had in August.

It's true. I mean, Dangote is there, but let me say that it's not changing the game. It's increasing production. We are also seeing, either in Europe and in the States, a small reduction of capacity. So all in all, I think that there is no clearly an oversupply coming from new productions. And when we analyze what could happen in 2025, we don't see an effect coming from over production.

And we are very comfortable with the indication we provide in our strategic plan of our refining margin at around $6 a barrel more or less. When we go to the premium of Repsol, and I'm going to, in some way, to enter in your last question, this premium has been impacted by some effects. One of them with a material impact over the last quarter with $0.40 a barrel comes from the increase of exports.

As I mentioned before in the previous speech, what we are seeing is that the fraud in Spain that has been really high over the first eight, nine months of the year, has had an impact in the need we have had to export some products. I mean this CIF-FOB spread has impact in a negative way on the premium of our refining system. On top of that, we had some operational problems fully solved with an impact of $0.20 a barrel more or less.

So the fraud is changing dramatically in October. If you follow Spanish press, you could see that there is a clear focus of judiciary and polocial focus and action on the fraud. But what is more important, because that is not going to solve the problem all in all, yesterday in the legislative process in the Spanish parliament, entered a proposal that it seems to me because it has a large support, is going to be approved that is going to solve in structural terms the problem.

It's the obligation for operators to guarantee the VAT before buying or taking the product. That is the crucial measure that is going to solve this problem in structural terms.

Yesterday, it was presented in the Spanish parliament with a large support. No doubt, I think that, that is going to approve -- be approved before the end of the year. And in parallel, the full commitment of the Spanish judiciary system and the Spanish police, very effective, focusing on the root of the problem has had a clear effect this October, changing the playing field. So I think that, that is going to be seen also in coming months in terms of premium in our refining margins.

And going to your question, I don't see, let me say, a clear recovery of SAF price in coming months. I think that today could be at around $800 more or less per ton, the differential SAF minus UCO.

What we have seen, clearly speaking, is a clear trend of recovery for the HVO from 2025 on. And the reason for that is going to be, first of all, the new mandates that are going to enter as obligation in 2025. On top of that, we are seeing also in Europe, let me say, a trend of limiting imports, mainly coming from China and so on, with no guarantees about the origin of the feedstock and of the product.

So we are confident, and we have a clear bet in favor of investing in these renewable fuels. It's true that this year, 2024 is not going to be good in terms of margins. But we are preparing the investment for Puertollano. You know the investment, EUR180 million more or less, that is going to be operational at the beginning of 2026, adding 200,000 new tons to our system.

And we are working, let me say, preparing the next investment cycle. Of course, we are going to follow cautiously and closely what is happening in the market, but we see a structural trend to do that in our markets.

I mean, if I could compare that could be more or less as the time when we were investing 14 years ago in the Cartagena refinery. It was not at that moment the best cycle in terms of refining margins, but this refinery was fully paid many years ago.

So I think that we are betting in favor of the future of our business. And we are not probably, as you perfectly know, in the best part of the cycle.

Pablo Bannatyne - *Repsol SA - Head of Investor Relations*

Alejandro Vigil, Santander.

Alejandro Vigil - *Santander Group - Analyst*

(multiple speakers) Yes, hello. Thank you for taking my questions. I have two questions. One is in the guidance. You provide about the cash flow of EUR6 billion, I mind you're including the special tax, not the negative impact of the special tax in Spain. So I wanted to know your view if this is going to stay next year or could finally disappear. That will be the first question.

And the second question is about the divestment plan. And if you can elaborate on why we are seeing these delays? It's a question of the volatility in commodities? It's the question of some complexity in the deals? You can elaborate on that and with some big numbers about which is the breakdown between divestments in the renewables and in the upstream business.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer*

So thank you, Alejandro. I mean going to your question, windfall tax is, of course, included in the cash flow from operations of 2024 in the figures we delivered and the guidance I mentioned. But let me be clear about that. There are clear positive news regarding the so-called windfall tax of this special tax. Yesterday, the proposal to make this tax permanent was officially withdrawn.

So with this discussion now fortunately behind us, let me say that the problem is over. And it's time for us now to focus on the future and the opportunities that lie ahead. And this positive decision, we saw yesterday allow us to move forward with industrial investments we have planned in Spain, and we are going to be fully focused in the preparations of this investment to ensure that they are going to be executed successfully in the close future.

But I think that we have positive news. And yesterday, this proposal was officially withdrawn and the tax and the possibility to have a permanent windfall tax related to the energy sector is fortunately over.

Going to the divestment plan. I mean, volatility of commodities is not -- I mean, it's not a problem now, fortunately, in this potential investment plan. I think that today, the M&A framework is open. And the only transaction we had in our hands some months ago, and we canceled that was in Norway, was mainly related to the plans we have to take, let me say, an additional lever, Norway to have a more, let me say, integral holistic comprehensive solution for the whole North Sea, including the UK. So there is no anything related to commodities in this game.

And we are working, I mean, on that, trying to optimize opportunities. We have a clear commitment of dispose. I'm not talking about this at the disposed figure. What we said in our strategic plan is that a figure close to EUR3 billion or something between EUR3 billion and EUR4 billion. The upstream business is going to be related either to disposals of the reduction of CapEx coming from this potential disposals that we are going to execute over this period.

If we go to the renewables business. I mean now we have on track 800 megawatts in the US, the projects I mentioned, Frye and two Jicarillas, 450 in Spain. All in all, combining both projects, we are talking about an impact in net debt of a figure close to around EUR700 million.

And going to 2025, we are going to have an additional 600 megawatts US, that is going to be outpost with an impact figure close to $450 million, $500 million of impact in net debt reduction for the company plus 400, 500 additional megawatts in Spain over the whole year 2025.

So all in all, we could be talking about, as I mentioned before, a figure that will be, with a combined effect, something between EUR1.2 billion, EUR1.4 billion of impact. In the case of the renewables business, the rotations that are already on track and some of them related to the second part of 2025, I'm talking about, in this case, the 400, 500 megawatts of Spain in this second phase that are going to be prepared for next year. So we are on track of doing that.

Pablo Bannatyne - *Repsol SA - Head of Investor Relations*

Pedro Alves, CaixaBank.

Pedro Alves - *CaxiaBank - Analyst*

So I have one on upstream and your capital allocation. So as a follow-up to the commitment that you have with your partner, EIG, to prepare the upstream vehicle for the potential listing. We know that your business plan did not entail a need to have those proceeds. But the question is, if conditions are not there, and we are not that far away from the deadline, do you have like a plan B? I mean, not from a balance sheet or cash in perspective, but from a value crystallization perspective in the context of the re-rating of the valuation of Repsol. Thank you.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer*

I mean, we have a plan A, that means that we are fully committed to preparing the vehicle by the first quarter of 2026. And to have, let me say, a more liquid vehicle, we are working hard in trying to have better borrowers, better free cash flow, less carbonized power production. So we are preparing the vehicle in this sense by 2026.

As you mentioned, things could be, in terms of seeing that there is a window of opportunity at that time, perhaps depending on the conditions. And today, we don't have a clue to say that, that is going to happen. We could, in some way, think alternatives for delay. But again, we don't need these proceeds. As you clearly mentioned, Pedro, we are not considering any kind of proceeds coming from this transaction.

That means that we have the plan A and, in any case, going on working to have a better vehicle, better barrels, and better E&P business, more attractive for the market in any case. And of course, we are going to work hard to prepare these conditions, this -- for a potential window that we could have in the first quarter of 2026. Thank you, Pedro.

Operator

Henri Patricot, UBS.

Henri Patricot - *UBS - Analyst*

Yes, thank you for the update. I have two questions, please. The first one, staying on the upstream. I see you're getting to the lower end of the range for the year now because of Libya. Can you give us a sense of where production has bounced back to in the fourth quarter? And where do you see that going into 2025?

And then just a follow-up on the CapEx and the outlook for the next few years comparing to the February update. Do you have a sense of -- there's a bit of a shift in -- or you would allocate CapEx between upstream, renewables, anything that would have changed the balance between the two over the last few months taking, for instance, about the news around the Spanish windfall tax going away from this year, effectively. Anything that would have changed or flagging?

Josu Jon Imaz - *Repsol SA - Chief Executive Officer*

The production figure for the whole year 2024 will be -- and the average for the fourth quarter is going to be in this range 400,000 -- 570,000, 575,000 barrels that is going to be the guidance for the fourth quarter. And for that reason, I expressed before that we will be in the low range of the 570,000, 600,000 barrels a day we gave as a guidance for the whole year 2024.

In 2025 -- going to 2025, the figure of production, now we are seeing this figure close to the production we are going to have average in 2024. Of course, I'm excluding from this figure any potential inorganic disposals that could happen. And there is no -- we don't have, let me say, any change in our CapEx plan because we are not factoring any kind of windfall tax -- permanent windfall tax in Spain.

What we are factoring in terms of net CapEx is this EUR10 billion for the period '24, '25 I mentioned before, that could be a figure close to the 60%, 65% of the total figure or 60%, 70%, depending on the total figure of the period -- 70%, 75%, sorry, my math failed, of the total period of '24 to '27.

And as I mentioned before, what we could see is some lag or some deferral or some delay in a part of the investment that we were considering mainly in the US in terms of producing either hydrogen or some renewable fuels in the country. And due to the derisking process that in the logic we are following is going to happen before in Spain, we could see some delay in this foreign investment at the end of the period.

So all in all, comfortable with EUR10 billion of CapEx -- in net CapEx in 2024, 2025, the EUR16 billion, EUR19 billion for the whole period of '24 to '27, probably close to the low range of this figure. And we are not, let me say, changing or switching our CapEx because in this figure of EUR16 billion, EUR17 billion, we were considering all the investment we had a factor for Spain, I mean, I'm talking about the hydrogen plants.

I mean, probably the first FIDs we are going to take over 2025 are going to be the Cartagena plant, Bilbao plant. And of course, the project what we call the Ecoplanta that probably is going to be the largest one in Tarragona.

It's very interesting because we are going to use the waste -- urban wastes from the Barcelona metropolitan area, organic, plastic, paper, and so on, and gasifying these products. We are going to produce green methanol that is going to be very interesting in terms of either for our own refineries, I mean, to produce the renewable part of our gasolines.

On top of that, for the maritime sector that is starting to decarbonize and is going to have mandates in this direction in coming years. And on top of that, as feedstock also for the Petrochemical Tarragona site that you know that is the largest chemical site of Southern Europe, very important, and in this sense, Repsol in this, let me say, new environment of regulatory stability after the decision we saw yesterday is fully committed with the investments we have programmed in our strategic plan for Spanish geographies and for our industrial sites. Thank you, Henri.

Pablo Bannatyne - *Repsol SA - Head of Investor Relations*

Giacomo Romeo, Jefferies.

Giacomo Romeo - *Jefferies LLC - Analyst*

Two questions for me. One, thank you for the incremental color on the phasing on net CapEx. I'm just trying to understand if I look at your organic free cash flow generation, it has been negative this quarter and year-to-date. It's probably going to stay negative next year based on the current macro environment. Just wondering how comfortable are you to continue to see leverage increasing to effectively deliver your shareholder distribution policy. And at what level do you think that could become uncomfortable?

Second question is on Alaska. The operator has flagged that costs for the projects are going up. Just wondering if you can provide some details there and whether that -- where that puts the next phases of the project?

Josu Jon Imaz - *Repsol SA - Chief Executive Officer*

Yeah. Thank you, Giacomo. So we are comfortable. I mean, we have to take into account that net CapEx figure next year is going to be slightly below the figure of this year, probably closer or around something between EUR4.5 billion -- EUR4 billion, EUR4.5 billion, that is going to be the net CapEx figure. So we are not going to have, let me say, the negative effect in terms of free cash flow that we have had this year impacted by a net CapEx that is going to be higher in 2024 than in 2025.

Saying that, I mean, we are going to maintain in any case our credit rating. You know that when we launched our strategic plan, we said that we have some kind of caution in terms of our debt. We are comfortable below 20% of leverage. Today, we are in a figure at around 16%. That means that we have some cash in. But in any case, I think that we are going to be able to commit, of course, our shareholder distribution, maintaining the current debt level.

And on top of that, I mean, we have some kind of additional debt possibility. But saying that we are, as I mentioned, when we presented the strategic plan, we have three priorities in terms of capital allocation. The first one that is fully written on a stone is the distribution for our shareholders is what we are going to preserve in any case, the restriction is the credit rating. So we want to protect the balance sheet of the company.

And any adjustment is going to come in terms of capital allocation from the CapEx. That means stopping the gross CapEx and we have the flexibility to do that in some businesses and accelerating, and there is market for that, either the rotation of disposals of our current assets. So priority in any case, written on a stone is going to be the shareholder distribution by 2025 and for the whole period of the plan.

Going to Alaska. I mean, I think that the main comments coming from Santos were that there is a CapEx deviation. It's true. I mean they are the operators and, of course, they inform us in the right way, in the close collaboration we have with them. The good news is that the 70%, 75% of the total CapEx increase has already been done.

That means that it's already in the CapEx figures we have. And the positive thing -- probably the most positive thing coming from the operator is that the first oil is going to be in 2025 before the end of the year, that this target is clear. And in terms of performance, we rely on the project and the oil production comparing with growth we have as information when we took the FID in 2022.

So good news, first oil, a clear target by the end of 2025. Secondly, it's true, there is a CapEx deviation but already the 70%, 75% is already factored in our accounts. So we are not going to have, let me say, problems in the future coming from this effect. And we are fully focused now in the project, I mean, led by the operator, Santos, either in building the facilities of the area and the drilling of the wells that are going to be productive in the framework of the project.

Pablo Bannatyne - *Repsol SA - Head of Investor Relations*

Alastair Syme, Citi.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer*

Alastair, good morning. Alastair? So probably, we have some problems in the call. We could follow with the next one and we could recover back Alastair later.

Pablo Bannatyne - *Repsol SA - Head of Investor Relations*

Lydia Rainforth, Barclays.

Lydia Rainforth - *Barclays Corporate & Investment Bank - Analyst*

It's Lydia from Barclays. And I have two questions, if I could, and thanks for your patience on this. On the cash flow side and the cash flow guidance, if I look at what you've done so far this year and then what the guidance is for the full year, that does annualize, I think, about EUR4.8 billion, EUR5 billion in terms of what that fourth quarter number is implied. And just given where you talk about gross CapEx, and I do take your point that the dividend is absolutely -- you're happy with that.

But just it does mean that your debt number does get pushed back or does get pushed up again. So just come back to that a bit. How comfortable are you that you can still maintain the buybacks or some form of buybacks even in the context of a weak refining margin environment?

And then secondly, and apologies to come back to this. But just on the chemicals market, can you just talk us through what you're seeing there? And sorry, I know they're two very different questions, but I appreciate that.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer*

Thank you, Lydia. I mean, first of all, the cash flow guidance for the whole year 2024, if we decouple the effect of the Sinopec deal is going to be EUR6 billion. As I mentioned before, refining, chemical business, the shutdown in Libya, the HVO effect plus the exchange rate effect, and the Henry Hub are the main drivers behind this change in the guidance of the cash flow from operations. The debt number by 2024 for the whole year, I mean, we are going to be in the number we have today, EUR5.5 billion.

We are, let me say, fully comfortable maintaining the share buyback in any circumstance. First of all, I mean going to 2024, as I mentioned before, the last program was launched in July. As of today, we have EUR16 million of shares in our hands.

We are going to complete the [EUR20 million] shares program. This figure, the total [60 million] shares could be more or less a 32% of the total cash flow from operations. We expect for the whole year, if we have, of course, to this figure, the dividend. We are paying in cash. So we are fulfilling and delivering what we set in our strategic plan.

We are going to do exactly the same in 2025. It's true that, I mean, the total shares we are going to buy back and redeem is going to depend on the cash flow from operations because, I mean, if we are, let me say, 30% of the cash flow from operation as a total distribution for 2025, we are going to have, let me say, some flexibility to buy more or less shares depending on the total cash flow from operations. But in any case, we are going to maintain the program. And I think that even in an acid scenario, there is room for shareholders buyback.

Let me remind you that even in the midst of the pandemic that is probably the worst of the more acid scenario I could imagine for the company, we were able, the figure I have in mind is that even the year we have a cash flow from operations of around EUR 4.5 billion -- at around EUR 4 billion in the company. So even in this scenario, we will have room to pay the whole dividend in cash and to have slight room for the share buyback.

The sentiment going to the chemical business, I mean what we are seeing is a slight recovery in margins in this third quarter comparing with the second one, but we are not seeing a clear recovery in the European market. And what is more important, the effect of the slowdown in the Chinese market is, let me say, putting products coming from Middle East in Europe.

What we are doing is, I mean, of course, not only hoping what is going to have -- waiting what is going to have from the market. But we are going -- we are working hard, first of all, preparing the differential projects we are investing in Sines.

Sines is going to be operational at the beginning of 2026, it's mainly focused, not in increasing capacity, but in having more value-added products. Sines in a normal cycle could add EUR135 million of EBITDA to the EBITDA of the Chemical business. If we take, for instance, the average of the 2023 year, very negative, Sines could add EUR80 million of the EBITDA of the business.

And on top of that, we are working improving the logistics, improving the feedstock, reducing energy costs, electrifying the crackers with a focus on improving in any circumstance, the competitiveness of the Chemical business. Thank you, Lydia.

Pablo Bannatyne - *Repsol SA - Head of Investor Relations*

Sasikanth Chilukuru, Morgan Stanley.

Sasikanth Chilukuru - *Morgan Stanley & Co. LLC. - Equity Analyst*

Hi. Thanks for taking my questions. I had two related to upstream CapEx, please. And the first one is related to the cost inflation seen at Alaska. You've highlighted 70% of that is included in this year's guidance already. Just wondering what -- where CapEx was coming down to accommodate this increase in CapEx at Pikka.

The second one was also kind of related to that, given you have other projects that are currently under development. I was wondering if you could comment on what you're seeing in terms of cost inflation in those other development projects, I wanted to understand if there was any potential risk of gross CapEx going higher than expected there?

Josu Jon Imaz - *Repsol SA - Chief Executive Officer*

So Sasi, you are right. This 70% of the total cost inflation coming from Alaska is included in this year's budget and this year's guidance, the figure could be close to $160 million, and that is included. The coming down of the CapEx to accommodate this increase comes from the unconventional.

I mean we have reduced because the gas price in the US is in a worst place comparing with the expectation we had one year ago. So we have reduced strongly the CapEx in the unconventional in the US. And the accommodation comes mainly from this business.

Going to the cost inflation, I mean we are very cautious about any project we have on track. Let me say that the most closer in terms of geographical and business environment could be on Leon-Castile. The Leon-Castile is going to be producing in eight months in July 2025 that means that -- I mean, we have seen almost every potential impact in a project that is going to be productive in coming months in the US.

And of course, we are following in the right way growth has happened over the last two years. We have to take into account that we have experienced in this period, probably one of the highest inflation waves we have suffered over the last year.

So all that has impacted the Alaska project. We are, of course, conscious about the future in some other projects, but we are not seeing today any red flag related to our potential increase in the projects we have on track. Thank you, Sasi.

Pablo Bannatyne - *Repsol SA - Head of Investor Relations*

Matt Lofting, JPMorgan.

Matt Lofting - *JPMorgan Chase & Co. - Analyst*

It sort of strikes me that in the context of your earlier comments on CapEx and capital allocation that the loading across the four-year plan has become increasingly front-end loaded in terms of net CapEx and/or back-end loaded in terms of disposals and divestments, whichever way you look at it as we've sort of gone through the last three, six months.

So could you just talk about what was sort of the loading of the EUR10 billion for the first two years versus the low end of EUR16 billion to EUR19 billion for the four years, what you expected internally when you did your strategic plan in February? Or has that evolved as you've gone through this year in the context of how various moving parts, including the timing of disposals has played out?

And then secondly, how should investors expect Repsol to use its 25% to 35% distribution range in 2025 in the context of current macro conditions and the progressive increases that we've seen in balance sheet leverage as we've gone through this year.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer*

Thank you, Matt. I mean the plan was front-end loaded in CapEx terms from the very beginning. I mean I remember when I presented in February, the strategic plan. I said we have projects on track. We have investment opportunities and we are going to take advantage of the balance sheet of the company to accelerate this CapEx in the first part of the strategic plan.

So I mean, we are doing and we are developing what we said in February. Of course, there is a second effect that I also mentioned when I presented the strategic plan, I mean, before rotating an asset, you have to invest in. That means that in the Renewables business, we are launching a huge growth.

I mean, we have 3.2, 3.4 gigawatts now in operation, we are going to be producing EUR6 billion at the end of -- 6 gigawatts, sorry, at the end of next year. And that means that we are going to rotate, of course, and we are going to reduce the capital allocated to this business, but I mean we are taking and disposing after investing. So there is a natural lag in this cycle.

Again, when we presented the strategic plan, we said that the total capital that is going to be allocated over the four years to this business is going to be in the range EUR3 billion to EUR4 billion, and we are going to fulfill in any case, this commitment.

You know that -- I mean, we are not going to do that because we are comfortable rotating the assets and with the business model. I mean we are growing in the right way, but stopping the investment in this business is very -- is more complex in some other businesses. But in this business, the capacity you have to take quick decisions is bearish. We are not, of course, needed to do that because the rotation process is going on in the right direction, but we could do it.

For that reason, as you mentioned, we are going to have a figure that could be close to EUR10 billion, probably could be EUR9.5 billion. As I mentioned before, the range in 2025 is going to be something between EUR4 billion, EUR4.5 billion in terms of net CapEx. And this figure compares with a EUR16 billion, EUR19 billion range we have for the same -- for the whole period. So we are comfortable with these figures. That goes anticipated when we presented the strategic plan.

And I want to mention that this year 2024 and 2025, we are investing probably in the three largest organic projects in the history of the upstream of Repsol that are Alaska, Campos 33, and Leon-Castile. That is important to mention because we are, let me say, in the midst of the investment cycle that is going to slow down in a quick way from 2025 on because Leon-Castile is going to be in operation next summer and the clear target we have for Alaska is to have the asset in production at the end of 2025.

Your question -- let me change your question related to the 25%, 35% expectation in 2025. As you mentioned, I fully agree. I mean, we are not going to change our dividend policy because of the macro context. But the real dividend is going to be impacted by the macro context. Why?

Because the total distribution is going to be a figure in between the 25%, 35% of the cash flow from operations and the cash flow from operations, of course, is impacted by the macro context. Saying that, again, written in a stone, our cash dividend that is going to grow in the total amount in a 3% over the whole period from 2024 to 2027.

On top of that, because we are reducing the base of total shares of the company, there is another additional delta to make -- grow this dividend in cash. For that reason, we are going to have this growth close to around 8%, 8.5% for coming year for 2025, achieving the figure of EUR0.975 per share, and we are going to commit this range of 25%, 35% of the total cash flow from operation in 2025.

And of course, this cash flow from operation is going to be impacted by the macro context. And again, if you analyze what we did over the last 2 years, our figure is closer to the range 30%, 35%, so the high range of the cycle.

Pablo Bannatyne - *Repsol SA - Head of Investor Relations*

Matt Smith, Bank of America.

Matt Smith - *Bank of America - Analyst*

Hi, there. Good mroning. Thank you very much for taking my question. Perfect, two please. The first one, I mean, sorry to come back to the payout ratio question because I think you have given some quite robust answers already. But I guess I just wanted to ask another way.

Why was the payout ratio sort of set for '25, it's already been indicated, say, between a 25% to 35% range, whereas '24 was always indicated 30% to 35%? So I think the implication or the assumption that people have made that's because the step down in commodity assumptions that you had in your base business plan year-over-year. And as you've gone towards the 30%, the lower end in '24, it would seem logical to see you go towards the lower end, again, in '25, which happens to be the 25%.

It seems to be that you're slightly pushing back on that and pointing towards that 30% level. So I just wanted to understand that thinking when you set out the business plan, why the payout ratio seemed to step down into '25 versus '24 and perhaps that will help us to understand how you're thinking about this going forward? That would be my first one, please.

And then the second one, could I come back to refining? So I appreciate the sort of spot margins have probably come off the bottom. But when I look at the sort of average, say, diesel cracks for October, it seems very similar or if not a little bit below where the 3Q average was on the data I can see.

So I just wanted to check if you'd be willing to comment on where your refining margins in totality have gone across October versus that $4 average for 3Q, please?

Josu Jon Imaz - *Repsol SA - Chief Executive Officer*

Thank you, Matt. So I take your point about your question. I take your point about your questions. Going to the payout. Payout, I mean, defined as a percentage of the cash flow from operation. I mean, you are right. The indication of the strategic plan was 25%, 35%.

Every year, in 2024, the indication was 30%, 35%. And let me say, if the macro scenario is in the range we see by 2025, we are going to be in the range of 30%, 35%. But again, I prefer to be prudent respecting the range of the strategic plan in case of seeing a very worse macro scenario, and I will be more comfortable defining the exact range in the call of February, seeing what is happening at the beginning of the year.

But again, in the performance we are seeing today, I go to your second question on the refining margin. Today, this morning, the refining margin of Repsol was $5.5 per barrel. So we are comfortable in this range we are seeing, and we saw in the strategic plan of $6 a barrel for 2025. In this range of, let me say, Brent oil in the range, $70, $75 a barrel, we are comfortable.

I mean if that is the macro scenario, we will be probably in the range, 30%, 35% of the cash flow from operation by 2025. But again, because I don't have a crystal ball and the macro scenario could worsen in coming months. I don't know if that is going to happen. It's not our central scenario, but I prefer to be prudent and to define the 25%, 35% that is the definition we put as commitment in the strategic plan.

Thank you. I think that I was -- I already answered your question about refining. With the current situation we are seeing today, so in this sense, we are seeing in our system an improvement. But our system is not only sensitive, of course, the impact of diesel crack is very important because it's, let me say, middle distillates at 55% more or less of our total production is very sensitive to the heavy oil discount.

If we take, for instance, in the third quarter, 40% of the total feedstock comes from heavy oil, 50% more or less the medium API oil and 30% more or less light oils. Gasolines and naphthas, they have an impact, but the combined is lower in a figure close to 27%, 28% more or less combined.

So all in all, our margin this morning was $5.5 a barrel.

Pablo Bannatyne - *Repsol SA - Head of Investor Relations*

Kim Fustier, HSBC.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer*

Yes, Kim? Good morning, Kim. Kim, sorry, I think that we could have some problems with the line. Kim, are you there? Could you hear me? No.

Next question, please, Pablo.

Pablo Bannatyne - *Repsol SA - Head of Investor Relations*

That was our last question.

Josu Jon Imaz - *Repsol SA - Chief Executive Officer*

I'm sorry, Kim. We have problems with the connection. So that goes the last question. Thank you for your attention, and have a nice day.

Alastair, are you there?

No. No. Bye. Have a nice day.

Operator

This concludes today's conference call. Thank you all for participating. You may now disconnect your lines. Thank you.