

Total Energies stays while others flee - Company says there are no energy sanctions on Russia

LONDON: France's TotalEnergies SE (TTE) cuts a lonely figure hanging onto its Russian investments during a mass exodus of western oil majors from the country after its invasion of Ukraine, even though no sanctions have forced such divestments.

"For existing assets, the company says it will respect European sanctions whatever the consequences. But for the moment, there are no sanctions on energy," said a source familiar with the thinking inside TotalEnergies.

TotalEnergies has a future-oriented position in Russia, heavily weighted towards liquefied natural gas (LNG), with stakes in the yet-to-be built US\$21bil (RM87.67bil) Arctic LNG 2 project as well as in the producing Yamal LNG operation.

With the world trying to slash carbon emissions, oil majors are betting on LNG to replace more-polluting coal and oil.

TotalEnergies first bought a stake in Russian gas producer Novatek in 2011 for US\$4bil (RM16.7bil) and gradually increased its stake to just under 20% by 2018.

"The company cannot divest assets from one day to the next unless sanctions force it to do so. One must take time to reflect," said the source.

The French government has declined to comment on specific companies and Russia.

French President Emmanuel Macron, who convened members of a Franco-Russian forum on Tuesday, did not urge TotalEnergies or French companies to leave Russia, two participants told *Reuters*.

Among those present was TotalEnergies chief executive Patrick Pouyanne.

In contrast, Britain's government immediately applauded Shell's and BP's decision to exit Russia.

Chief executive officer Bernard Looney told employees BP "couldn't reasonably carry on in Russia given the conflict in Ukraine," according to a company source.

Billions of dollars of impending write-downs are piling up for the companies that have said they would exit their Russian assets: BP, Shell, Equinor and Exxon Mobil.

For now, there are few potential buyers for the stakes and operations they are leaving in Russia.

Share prices of the companies that have exited Russia have outperformed TotalEnergies in recent days.

"We see a potential exit by TTE being much more complicated than it is for peers," said RBC equity analyst Biraj Borkhataria on Wednesday.

"We see Russia as strategically important for TTE, particularly for its LNG business."

TotalEnergies aims to satisfy 10% of global

LNG markets by 2025 with 50 million tonnes a year.

Russia accounts for six million tonnes from Yamal and four million tonnes more from Arctic LNG 2 once operational, according to RBC.

Reuters could not verify total returns on investments in Russia by the oil majors, which do not regularly publish asset and country-specific financials.

Still, it was clear that BP, for example, has already made good on its investments.

When former US President Donald Trump hit Iran with sanctions, TotalEnergies also stuck with its investment in a big gas field, dropping it only after failing to obtain a sanctions waiver from Washington in 2018.

At the time, media reported that Pouyanne told Trump that continued investment could help democratic progress in Iran.

In 2021, TotalEnergies' cashflow from Russia amounted to US\$1.5bil (RM6.26bil).

It declined to give further details on its Russian investments and previous years' cashflows.

Meanwhile, BP faces a write-down of up to US\$25bil (RM104.37bil) for dropping Russia and losing out on annual dividends from Rosneft which have fluctuated between around US\$300mil (RM1.25bil) and US\$780mil (RM3.25bil), according to its quarterly results.

But the cashflow it has received from Russia over the years might soothe some of that pain.

In 2003, BP and Russian investors created TNK-BP in which BP invested US\$8bil (RM33.4bil). In the 10 years that followed, BP received around US\$19bil in dividends.

In 2013, Rosneft bought BP's stake in TNK-BP for around US\$12bil (RM50.10bil) in cash and Rosneft shares that have yielded dividends for BP of over US\$4bil (RM16.7bil).

Shell, which was an early partner in Russia's first LNG plant, Sakhalin II, sold half of its 55% stake to Gazprom in 2007 for US\$4.1bil (RM17.11bil), two years before the project came online. — Reuters



It's complicated: A TotalEnergies petrol station in Toulouse, France. Russia is strategically important for TTE, particularly for its LNG business, according to an analyst. — Bloomberg