Cairn Energy PLC

2020 Half-Year results

29 September 2020

Transcript

Simon Thomson: Good Morning, everybody, and welcome to Cairn's Half-Year results presentation. I'm Simon Thomson, Chief Executive. With me, I have James Smith, CFO, Paul Mayland, COO, and Eric Hathon, Exploration Director. So as in the usual way, we've got a presentation to run through with you this morning, and then I'll hand back to the operator, who will handle the questions.

Before starting, I just wanted to say that this year has obviously been a very difficult and challenging time for us all, and it goes without saying that in delivering our strategy and delivering what we're talking about today, our number one priority remains the safety of our people and the people that we work with.

Against that challenging backdrop, and notwithstanding significant market and commodity price volatility, 2020 has witnessed another year of strong strategic execution for the company. And our financial flexibility sits at the core of that strategic execution, with an on-going focus on retaining balance sheet strength, liquidity, and control over our own destiny. That financial flexibility affords us a differentiated freedom to both actively manage the portfolio and to pursue accretive growth opportunities at what we believe is an attractive point in the cycle. Freedom to do the right things at the right time.

In terms of active portfolio management, the first half of the year saw completion of our exit from Norway, continued high grading of the exploration portfolio with exits from lower-ranked opportunities, and most recently the sale of our interests in Senegal. In terms of value growth, we can access attractive opportunities to grow and diversify the production base, reinforcing our sustainable business offering. New opportunities must enhance, not threaten, our financial flexibility, must satisfy our strict investment criteria, and must remain robust and attractive in the face of on-going commodity price volatility, and James will talk more on that subject. And as Eric will highlight, the portfolio also continues to offer transformational potential from opportunities with limited near-term capital commitments. And our financial flexibility also affords us the potential to make further shareholder returns as we balance capital discipline, sustainability and growth opportunities.

A few words now on the sale of our interests in Senegal, which demonstrate in practice the application of those four elements of strategic execution. So, the transaction's delivery of strategy: we always said that we would farm down Sangomar at or around FID. It eliminates what would otherwise have been a significant capital allocation to a multi-year deep water project with an initial spend a $1.5 billion net to Cairn for a 2023 first oil date. It strengthens our strategic and financial flexibility and it significantly reduces our risk profile. It allows a significant capital return to shareholders, and that's consistent obviously with our long-term strategy, and it provides sufficient financial flexibility to consider potential additions to the portfolio as we seek to diversify and grow our production base. And I think overall, the transaction represents a consistent approach to asset monetisation that we will seek to replicate with future opportunities.

Looking now at ESG in the context of our strategic execution, Cairn is obviously first and foremost, an E&P company, and as such, our role is to responsibly produce hydrocarbons in support of UN sustainable goals. Performing that role, we're focused on driving down emissions intensity of production activities and committed to the following three core goals. First is dedicating human and financial resources to achievable routes to reduce emissions. The second, identifying specific emissions reductions opportunities that are compatible with our business model. And thirdly, as Paul will outline in some more detail in his section, looking at proof-of-concept early-stage industrial carbon capture projects, which can capture emissions and mitigate expected increasing costs of offsetting. In doing all of this, we're committed to working with key external standards such as the UN Sustainable Development Goals, United Nations Global Compact, and the Task Force for Climate-related Financial Disclosures. So, in summary, we believe the company is well positioned for growth with a responsible, financially flexible and differentiated business offering. James.

James Smith: Many thanks Simon, and Good Morning everyone. So, on the next few slides, I'll take you through the financial performance and cash flows from the first half of the year, and then we'll look at how that translates into our full year guidance. And finally, I'll set out our financial position to deliver the strategy as we approach the end of this year and look forward to 2021. So, on financial performance, production in the first half at 22,400 barrels of oil a day was at the upper end of guidance, and consequently we're narrowing our full-range guidance to 21 to 23,000 barrels of oil a day. Average realised prices on that production in the first half were $40.21 a barrel before hedging gains, and that delivered revenues of $172 million. Hedging gains were $34 million or $7.91 a barrel in addition to that.

And on the subject of hedging, looking at the second half of the year, we've hedged approximately one third of our expected production with an average floor price of $60.60 a barrel. Reported opex on that production in the first half was $16.30 a barrel, although that included about $2 a barrel of FPSO credits in Kraken brought forth from prior periods. So, expect the overall full-year output opex or production cost on that across both fields to be approximately $18 a barrel. As a result of that, cash flow from oil and gas production was $132 million in the first half.

Moving on to reconciliation of cash flows during the first half on the next slide, the opening cash position was $147 million. Cash flows, as I mentioned, from oil and gas operations were $132 million, and we also received in the period proceeds from the completion of the sale of our Norwegian business of $105 million. Total cash capex during the first half was $271 million, being principally on the Sangomar development in Senegal and on our exploration activities. The majority of that exploration spend at the first half was incurred on the committed Mexico drilling programme, and of that $104 million number on the chart, approximately $25 million was outflows in the period relating to activity undertaken in 2019. So, if we take that together with the new ventures costs, admin and other expenditures, that took us to a cash position of $84 million at 30th of June.

Looking now at the full year capex guidance, across the producing assets, $40 million of capex was related to the drilling of additional wells in the Catcher and Kraken production areas. And that activity is now concluded, and those new producers are on stream. $95 million across exploration, in line with our prior guidance, was predominantly across Mexico and West Africa, and as I said, that activity is now largely concluded. The development spend was entirely in Senegal, and obviously that $300 million, or the amount of it that's incurred prior to completion, will be refunded on completion of the sale of that asset to Woodside.

I think it's important to stress that this has been a year where we have managed the capital programme extremely proactively. Back in March, we announced immediate steps to reduce the original programme of $615 million for 2020 down to around $435 by cutting costs and deferring activity. And with the sale of Senegal, the expected capital programme for the year now stands at around $135 million.

Moving on to the next slide and looking at the funding position at the mid-year and looking forwards, as I mentioned, we ended the first half with cash of $84 million and no drawn debt, and this resulted from strong operating cashflow supported by hedging in the first half, together with the proceeds of our Norwegian sale. Looking forward to the fourth quarter, we anticipate the completion of our Senegal sale. That's now received shareholder approval and now just awaits final government consent. And that'll bring in upfront consideration of $300 million plus reimbursement to the development costs incurred since the 1st of January. And that obviously significantly enhances our cash position, and it's that that's enabled us to support a $250 million special dividend.

Looking beyond that, we see a sustained net cash position for the business with very limited capital commitments from our existing portfolio. And that sees us well positioned to fund growth and expansion of the business, and I'll come onto the strategic priorities for delivering that growth on the next slide. Before I do that, of course, it's important to reiterate that all of this is before we take into account the result of the Indian arbitration, which we expect fairly shortly, and we remain highly confident in the merits of our $1.4 billion claim. And obviously we announce any developments on that case as they emerge.

: So, looking next at the strategic priorities for our capital allocation, from that position of strength and flexibility that we've delivered from the portfolio. The first point is really, as Simon mentioned, around portfolio management. We've always sought to be proactive portfolio managers in order to optimise our capital allocation and to retain the appropriate flexibility in our portfolio. Over the last year, we've monetised $165 million from our Norwegian business, up to $400 million of proceeds from the Senegal sale, and across those transactions we've avoided nearly $1.8 billion in capital commitments.

This active portfolio management enables us to do two things. Firstly, it enables the return of cash to shareholders, and we see this as a key differentiator of the Cairn investor story. We'll continue to ensure that every major capital allocation decision we make is a competition between reinvesting in the business and returning cash to shareholders.

The second thing it enables us to do is to invest in the sustainability of our cashflow-generating asset base, and that will be a key near-term strategic focus for us. There are follow-on opportunities in the Kraken and Catcher areas that can sustain production and extend field life, but we also expect to be looking elsewhere to diversify and bolster our production base. And ultimately, it's succeeding in doing that that'll put us in the best position to support future returns of cash to shareholder. However, we're always going to be doing that and building the portfolio in a way that maintains balance sheet flexibility. We have historically and will continue to maintain a capital structure that's resilient to price shocks. And we always aim to ensure that we can control the capital programme so that we're focused on delivering value for the equity side of the balance sheet.

And finally, it's important to stress that exploration will remain a part of Cairn's DNA, both to support future cashflow base through organic reserves replacement and also, albeit selectively, to create the potential for future transformational events of shareholder value creation. But our allocation of capital to exploration will absolutely be with a focus on energy transition relevance. We need to ensure that the resources we're targeting through exploration can have a competitive role in a future where global oil demand is projected to be lower than it is today.

And that's a principle that drives all the strategic goals on this page. It drives shorter investment cycles and a greater focus on portfolio management. It drives us to ensure low break-even costs across our producing asset base. It's the reason we maintain a balance sheet that's resilient to price shocks and volatility. It defines our exploration strategy of targeting resources that can be competitive and relevant through the energy mix transition. And ultimately, it's what drives us to differentiate ourselves by returning capital to shareholders. So, in conclusion, we're positioning ourselves well for growth and expansion, but we're absolutely committed to doing that in a disciplined way, in a way that is sustainable and relevant, against the backdrop of a changing energy mix over time. And on that note, I'll hand over to Paul.

Paul Mayland: Thank you James, and Good Morning everyone. I aim to update you on our production and development activities, and also add some further colour on our approach to ESG. But firstly, I'll start on our production assets. Last year, we were pleased to hit the top end of production guidance, driven primarily by the outstanding production efficiency and the excellent production capacity of the Catcher area fields. This year, it's Kraken's turn, which has helped to keep group net production in the upper half of the original 2020 guidance, and consequently, for the full year, we're revising our range to 21 to 23, as already mentioned by James.

On Kraken, we have drilled two new wells in 2020 in the Worcester area on the western flank, increasing the overall well stock in the field to 26. We have around 42,000 barrels of oil per day of oil production potential and have operated during the year with a production efficiency of over 85% ahead of the recent planned shut-down in September. We are confident that we'll outturn with average annual production close to or above 35,000 barrels a day before declines set in during 2021. We're now jointly marketing our equity crude with the Operator and we continue to realise good pricing, in particular in relation to the very low sulphur fuel oil market. We're continuing to look for energy efficiency savings and gas import to displace diesel for power generation is under consideration to help improve the already good emissions profile of the FPSO.

Moving on to Catcher. It really has been an outstanding field to date. We've continued to produce at a plateau rate over 20% higher than the original Field Development Plan. We've now maintained that plateau for longer than expected with fewer wales. We've therefore already hit the 50-million-barrel production milestone ahead of schedule this month. It's also one of the lowest emission fields in the UK CS, and we've just brought the 19th development well VP1 online. That compares with the original 22 envisaged in the field development plan.

2020 outturn production is expected to be slightly lower than 2019, mainly due to the planned and unplanned shutdowns during the year as already reported by the operator. Whilst we expect decline at Catcher next year from 2021, there are measures that we can take to arrest this predicted decline. Firstly, reservoir monitoring continues and there is significant upside through improved sweep efficiency, either by water or as we have been trialling possibly by gas. In 2021, we hope to acquire 4D seismic across the field to help refine infill opportunities to add to the existing inventory of satellite targets, including the two wales we deferred from this year's programme.

And finally, further de-bottlenecking and facility testing may be required as although we have confirmed the oil capacity, we have not yet been able to fully assess the full liquid capacity of the FPSO as a water cut has been lower than expected to this point. Consequently, we are hopeful of further reserves upgrades on Catcher. Although as James has already alluded, we will carefully review the capital requirements to deliver these incremental volumes, particularly in a sub $50 a barrel world.

So, our North Sea assets are performing well, and we'll move on to Senegal. The project has remained resilient to the unfortunate situation thrown up by the global pandemic. We have been able to successfully defend our project capex, but maintain schedule, which will remain important to us going forward in terms of the transaction structure as part of our planned divestment.

First, oil is targeted by the middle of 2023, around 40 to 42 months from project sanction, which is eminently achievable in comparison to both the FPSO projects I've just described and West African analogues. And so, whilst we're exiting the project for the reasons outlined by Simon, we will wish the government of Senegal, the operator and the joint venture partners, and in particular, the people of Senegal, our best wishes and every success for the project.

From discovery in 2014, through appraisal and early development planning, we have successfully operated 11 deep water wells and gathered the appropriate 3D seismic met-ocean and geo technical data to provide the platform for project sanction of the first offshore oil and gas project in Senegal. We believe we have played a significant role over the eight years. Six of those as operator helping to establish the country as a future petroleum province and this journey will serve as well in our future ventures.

So, I'll finish on ESG. I believe as a company, we have always had a strong ESG focus dating way back to our period in South Asia, which we've continued to enhance and we've taken a number of additional initiatives in 2020, specifically on the E front. Firstly, we've adopted an approach to assessing greenhouse gas emissions, full life cycle in all of our business ventures, so the portfolio remains resilient through the energy transition. Secondly, we've joined the World Bank global gas flaring reduction partnership, joining other governments, oil companies and multilateral organizations to strive to end routine flaring by 2030 across the globe.

We have zero routine flaring today in our portfolio. And as the portfolio evolves, we will look for economic opportunities to reduce or eliminate routine flaring wherever possible in newly acquired assets. And thirdly, we are strong advocates of carbon capture and storage in terms of the role it could play in achieving net zero, not just for oil and gas companies, but also for industrial and power players. And we are assessing the landscape to better understand and identify opportunities for application and Cairn's role particularly in transportation and storage.

We commend the Department of Business, Energy and Industrial Strategy in the UK and support their findings regarding CCUS application in the UK and beyond, specifically that CCUS has a significant role to play in the power sector as an important technology to decarbonise industry, particularly those hard to beat sectors: cement, chemicals, steel, and refineries. That's one of the reasons why we've joined NECCUS, the consortium to help assess solutions for carbon emissions in central Scotland, where we are headquartered.

NECCUS is an alliance of industry, government and experts committed to drive the changes and support the programmes needed to reduce carbon emissions from industrial sources in Scotland and beyond. The Acorn CCUS project is obviously the first and there needs to be other CCUS projects to emerge, which we will consider in due course. Finally, we will continue to report annually to the CDP forum. That's the Carbon Disclosure Project, the international organisation for transparency and climate governance, and receive an independent rating from them.

: In 2019, we were rated B category, which in terms of benchmarking is as good as, or better than many of our upstream peers. And on that positive note, I'll hand over to Eric.

Eric Hathon: Thank you, Paul. Good Morning, everyone. Listen, before I jump into Cairn's exploration programme, I'm going to expand a bit on what Paul said about our supporting the energy transition. Cairn has a long history working with Heriot-Watt University and in collaboration with them, we will over the next four years, be supporting up to 15 Master's and doctoral students in clean energy research with Cairn Energy scholarships and through support of a new clean energy focused doctoral programme called geo net zero. We are developing talent and guiding research and clean energy from a subsurface and geo-science perspective, which are key areas of expertise for us at Cairn. The research focus includes carbon capture and storage, geothermal and other clean energy initiatives. Look, the energy transition needs expertise and detailed knowledge of the subsurface and we're very proud to be helping support the new generation of scientists who will lead us to a cleaner future.

So now let's turn to exploration. Our focus in 2020 and beyond is a clear path to commerciality and therefore value realisation, particularly through optimised development cycle time. As James said, we also have an increased diligence regarding the overall carbon footprint of any potential exploration venture. We have exited some high reward, but high-risk exploration plays such as the porcupine base in Ireland to focus primarily on those plays with the best chance of a relatively rapid return on investment and increasing the resilience of our portfolio.

In a constrained world of modest commodity prices, we are fortunate that our licences provide flexibility in our choice and timing of capital expenditures. And as both Simon and James said, we will remain exposed to very select frontier opportunities. Those which have the greatest potential to drive significant shareholder value while remaining focused on fiscal discipline and the path to commerciality.

I will now highlight activity in three of our busiest areas, Mexico, the UK and Suriname. In Mexico, we have completed our current drilling campaign in the first quarter of this year, having drilled four wells, including the Saasken discovery in block 10. We also satisfied our drilling commitment in block nine with the next drill decision not due until late 2022. We have the potential to extend that period into 2023. Now with the Saasken results in hand, we and ENI are now recalibrating the remaining exploration targets across both blocks 9 and 10. We're maturing several low risk amplitudes supported prospects on both blocks, as you can see by the prospect polygons drawn on the map. We plan to appraise Saasken and drill our second exploration while on block 10 in 2021.

Now let's turn to the North Sea where we have crossed assigned interests with Shell in two exploration licences around the Shell operated Nelson platform. The targets are Jurassic fulmar sandstones, which can be highly productive in this area. We anticipate the Shell operated Jaws well in 2021 and the Cairn operated Diadem well in 2022. Now this collaborative effort with Shell is really a good example of our pursuit of high value barrels with a clear path to commerciality and an improved carbon footprint. The success case NPV per barrel here is the highest in our exploration portfolio. And as you can see on the map, we have multiple follow on opportunities with success.

Look, drilling in the vicinity of the Nelson facility, which has available haulage and being partnered with the Operator clearly has the potential to optimise cycle time. Tying back to an existing facility utilises capacity, which already exists, therefore minimising the need for additional infrastructure and thereby improving the overall carbon footprint.

Now let's look at Suriname where we hold the largest offshore block with a 100% working interest. We completed an ambitious 2D seismic programme and have identified multiple leads as you can see, all of which are in less than 800 meters of water, and many of them in less than 400 metres water depth. Now at the same time, world-class discoveries continue to be made in the basin, moving eastward toward our block. First, they were made in the Staybridge block in Guyana, and most recently in block 58 offshore Suriname.

Now we have identified potentially similar Cretaceous sand opportunities in the West of block 61 as shown on the map and we understand the Petronas and ExxonMobil plan to drill a well in block 52 next year, just to the west of our block. We've started the farm down process. The data room is open, and we have had significant interest from potential partners to join us in the next phase of this journey, which will be 3D seismic acquisition all ahead of a drill decision.

So, I will leave you with this. We have a flexible exploration portfolio with a balance of near infrastructure, short cycle time opportunities with high value while remaining exposed to large, more frontier opportunities. We have choice in the timing and extent of our capital spend and are evaluating other interesting opportunities which may be a fit to our exploration model. In exploration we're in a good place going forward. Now back to you Simon.

Simon Thomson: Thank you, Eric. So, in summary, our on-going fiscal discipline and financial flexibility leave us well-positioned for two things. First of all, active portfolio management and capital allocation, as we seek to both grow and diversify our production base. Secondly, a retained focus on generating further shareholder returns from future monetisation opportunities. Our capital programme has been adjusted to current market conditions, leaving limited near-term capital commitments. And as Paul has outlined as an E&P company, first and foremost, our role in the transition remains to responsibly produce hydrocarbons in support of the UN sustainable development goals. We look forward to reporting further strategic delivery from a well-positioned company. Thank you. With that, I'd now like to hand back to the operator for questions.

Nathan Piper: Morning everyone. Nathan Piper from Investec here. You're signalling pretty obviously about a deal and you've talked deals before. I think price difference has been the problem in the past where although things might have met your criteria, you haven't been able to do compete with PE or private acquirers. What's the difference this time around? Are you going to take on more political or technical risks in order to get access to opportunities? I mean, I guess what you seem to described as operating onshore in short cycle. Can you maybe put a bit more colour into what your approach is this plan versus previously where you've not always been successful? Thanks.

Simon Thomson: Thanks, Nathan. And look, let me emphasise first of all, that our approach in terms of not overpaying and for any opportunity and ensuring that it does meet all of our criteria has most definitely not changed. If we don't think something is worth it and somebody thinks it's worth more, than that's fine, where we're happy to lose something on that basis.

I think what we're at emphasising today is there's an opportunity today for a company that has what we believe is a differentiator financial flexibility. There are multiple opportunities currently around the world, and there's more coming onto the table every day, as you know, as majors in particular divest of asset portfolios. I think it gives us as we have the capacity and the flexibility, the opportunity to properly assess and screen, and if we think it's the right thing to do at the right price, transact from a position of relative strength, but that does not mean that we will do a deal for the sake of it. We've remained very, very focused on it's got to be the right thing. And obviously the ultimate aim is just to ensure the continued sustainability and flexibility of the company.

Nathan Piper: I guess just one follow up on that. Your existing assets are performing very well but are medium-size asset. So, in the back of your mind, what is the timeline then to add more production assets into the portfolio?

Simon Thomson: Again, I mean, I think you're right. You're obviously, and as James and Paul have highlighted, there are a number of opportunities in both Kraken and Catcher in terms of well stock and performance to arrest decline. But at the end of the day, yes. I mean, we're looking for diversity and we're looking for growth in terms of the production base, because it's the right time to do that.

Simon Thomson: I wouldn't like to put a particular timeframe on it because again, it will depend upon the opportunity set. I think what I would say is trust us to do the right thing in terms of ensuring that we have continued sustainability. And by the way, Nathan, it's also important for me to highlight, if we don't think there is something that is suitable, if we don't think that it fits our standards and our tests, then a better use of that money is to be putting it back into shareholders' hands.

Mark Wilson: Hi, good morning, gentlemen.

I'd like to ask regarding the Senegal's process from here, just to exactly what the timeline is from here in terms of approvals you need to make. And also, what is the tax treatment on what appears to be $600 million that should come in? And second point regarding further transaction, Nathan just said in his question, he said, you've indicated operating on short and short cycle. I didn't actually hear that. Could I just get a geographical idea of where you may be looking? Is more UK offshore to compliment the current production something you're focused on? Thank you.

Simon Thomson: Mark, I'll get James to answer on Senegal. I think on your question on potential opportunities is you're right, we haven't been specific in terms of guidance as to where we might go. Obviously, we're going where we believe the best value is. There are some synergies as you rightly say, in the North Sea. That may add to opportunities there, but at the end of the day, it will be a hunt for value rather than a hunt for a particular geography, other than we did not want to be too diversified as a relatively small company in terms of overreaching. But James, do you want to answer it, Senegal?

James Smith: Yeah. Hi, Mark, it's James. On the process, there were three key conditions to the original SPA. One was partner consent, the second was our shareholder approval for class one transaction, and the third was the government's approval. Obviously, we're through the first two of those now. The result of the partner process was that Woodside pre-empted, and that's all cleared now. Shareholders voted overwhelmingly in favour of the transaction. And so, when it's now just down to government consent, which is delivered by the energy minister or coordinated by the energy minister. We've had a very good engagement with the government of Senegal, and we don't anticipate any undue delay. With regarding towards Q4, I think it would be premature to be more specific than that right now, but the process for government approval appears to be going well.

James Smith: You asked about taxation. You talked about $600 million. I mean, it's $300 million of upfront consideration, $100 million of potential deferred consideration related to first oil and ore price. In addition to that though, it's a 1, January 2020 effective date. So, capex incurred during this year will be refunded, but that's a working capital adjustment really, so the consideration is $300 to $400 million over time. And we don't expect any tax to be charged on that. The PSC taxation treatment of it is very clear.

Mark Wilson: All right. Thank you very much. Just two housekeeping points, just check. Senegal is a complete exit, just to check, not new licence. For Eric, just a point, a well, we haven't heard about it in a while and I imagine misfit. But are you still in the licence of Agar-Plantain in the UK? And is there any further work to be done around that, what was the discovery? Thank you.

James Smith: I'll just clarify the first point, Mark. It's James. Yes, it's a complete exit of Senegal, the development area and the rest of the licence area that's being retained.

Eric Hathon: With regards to Agar-Plantain, we are still in the licence. We are still operator and we're working with the partners, looking at options.

David Round: Morning, guys. Can I start with another one M&A? There were quite a few comments on the slides on the ESG. So, I'm just wondering, how does that commitment play out with the new assets you're looking at? Would those potential new assets have to enhance your ESG score, potentially on day one? On the expiration, are you able to give us a sense of the expected run rate for spend going forward, and also specifically which commitments you still have? Thank you.

Paul Mayland: On the ESG point, I think it's probably important that... We obviously take that into consideration when we look at new opportunities. But I don't think on day one, it necessarily has to enhance our position, but we've got to be confident that we can make improvements on that front, in this specific asset base. Eric, next question.

Eric Hathon: Going forward as far as commitments, obviously we have a well in block 10 in Mexico, which I mentioned. We have an outstanding well in block 7, but that's somewhat down the road. As I've said, we're very fortunate in our resilience and flexibility in our licences and timing of capital spend. And then we will be drilling a well with Shell next year in the North Sea. Those are our only significant capital commitments. And of course, we haven't finalised our 2021 capex programme, but it will likely be no more and likely less than what you saw in 2020.

David Round: Can I just have a quick follow-up to Paul, that the improvements you mentioned, if I'm thinking about it just on carbon intensity, would you expect those improvements to move that intensity inline or better than the existing portfolio?

Paul Mayland: Possibly, but I mean, I guess we've got to recognise that just as explained to some sectors are difficult to abate, there will be some fields that will have progress, but it may well be difficult to abate. To be honest, that's why we, I guess not only support BEIS in the UK, but also the international energy agency have come to a conclusion that if we're going to at all drive towards net zero CCUS, carbon capture utilisation and storage, has got to play a role, and it will probably in the future play a role in our own portfolio.

Rachel Fletcher: Morning. Thanks for taking my question. I wanted to talk about your ESG strategy as well. You mentioned that first and foremost, you're an E&P company. So, I assume that when you're talking about driving down emissions, you're predominantly talking about scope one and two emissions. You also mentioned the executive remuneration is linked to greenhouse gas emissions targets. I might've missed it, but could you give some information on what these targets are? And also coming back to the point made in the previous question, what's kind of the timeline on them reaching these targets, please?

Paul Mayland: I think in terms of the targets, I mean, just now we're obviously focused on our operated activity, which is mainly in the exploration and appraisal stage. And so, we've got a mechanism by which we we'll look in particular to energy efficiency and emissions associated with those operations, whether it be acquiring seismic or drilling expiration or appraisal wells. Obviously, we'll need to take that further if we move into the domain of operated production. And at this stage, yes, we're focused exclusively on the scope one and scope two, which obviously there are sort of directly under our control, particularly where we are the operator. Hopefully that gives you some guidance on what we're striving to achieve in the near term.

Michael Alsford: Thanks. I've just got a couple of occurred, just to finish off. On production, you mentioned sort of a natural declines from the non-operated portfolio. I just wonder if you could help quantify what those types of declines are expecting into 2021. And then on specifically on capture, again, if you could give some senses to I guess, the resource potential that it could be brought through into reserves, just to get a rough estimate as to the potential upside that you're expecting or potentially expecting from that area. Thanks.

Paul Mayland: Yes. So, Michael, we can give you some guidance on the declines, but not at this point in the cycle. So basically, we're as the operators have already mentioned, we're in the cycle of joint venture budgets and forecasts, and those discussions are on-going. So, I think we'll revert, as the operators will later in the year, on what we see the declines on both of those fields. And to some degree it's obviously linked to whether there's going to be further capital invested in them in 2021, and indeed, beyond that period.

Then the second question related to...resources. Again, I think particularly Premier have talked a little bit about your small increments on Catcher, and I think that's probably a fair assessment, sort of probably maximum 10% uplift. On Kraken, I think there's potential again. I think EnQuest have alluded to another 70 to 100 million barrels of oil in place in the Western flank, that we'd probably need another drill centre, but we'll need to review that. But there's obviously potential probably of a similar magnitude also there, Michael. So, I hope that gives you some colour.

Michael: Thanks for that. It does. And if I don't mind, just a quick follow-up, I have to ask. I know you obviously talk about the merits of your case around and in tax arbitration, but I just wondered if you could comment to say whether you feel more or less confident after the Vodafone ruling. Thanks.

Simon Thomson: We feel as confident as we've ever been. So, I think it hasn't changed. We have a high level of confidence in our position and we await the award.

Chris Wheaton: Brilliant. Thank you very much indeed. Can I ask about the special dividend? That is still planned to be distributed beginning of next year, hopefully by that time we will have a result from India one way or another.

Chris Wheaton: What's the feedback loop, please, between the amount you're paying out as special dividend and the Indian arbitration award, because you've made it quite clear in the statement today, you said the special dividend of 250 million. Not 250 million subject to other factors like India, for example.

Simon Thomson: So, there is no interlink. As I say, we await the Indian award and we look forward to receiving it. But in the meantime, we deal with the hand that is in front of us and that's the transaction that we've enacted on Senegal and therefore we're firm with the 250 million. And let's see on timing how quickly we get Government consent.

But as James says, we're looking for a Q4 completion of that in return. So, there's no sort of linkage between the two. India we will do deal with as and when we have it.

Chris Wheaton: Great, thank you. Can I then pick up on the points you've made on CCUS and potential investment in that part of the industry value chain. That to me is really interesting. Could you talk potentially about the scale of investment? Are we talking millions of dollars, tens of millions?

I guess what's interesting to me is the amount you're willing to allocate to that, which is going to be long-term, but potentially quite high return against the other things you could be doing with that money. As you've said, to quote James's words from earlier in the conference call, pre-cash flow it's got to be a fight between what you can do with it, or if you can't do something useful with it, return to investors.

Now, CCUS sounds like a really interesting long-term bet, but it is going to cost money in the short term. What's your thoughts on capital allocation to that kind of CCUS projects you might see in say the next three years?

Paul Mayland: It's a good question. So, at the current point in time we would describe it as being in the evaluation phase, so the level of investment is relatively small at this point in the cycle and will probably be that way for the next couple of years.

It's really a process of better understanding the technical, commercial and financial merits of CCUS and then identifying the appropriate project or projects where we believe we can deploy our skills and add value. And that's as I say, why we describe it as the evaluation phase. So, it will probably be a journey of several years and that hopefully will come forward with a suitable project.

Mark Wilson: It's just to check up on the Indian arbitration timeline. In July, the panel indicated at the end of summer. I'm just wondering if there's been contact subsequent, I know it's only two months ago, but whether there's been any contact subsequent for them to reconfirm that timing. Just to check that, thanks.

James Smith: Mark, the phrase they used was actually, "After the end of the summer." So, they had previously guided us that they expected to issue the award, make their ruling in the summer of 2020. They were asked for an update on their progress and we announced the response in July, which is that they have been somewhat affected, but not materially so by COVID related delays and logistical delays but they basically remained on track. They're well advanced and they therefore expected to issue the award after the end of the summer.

We haven't had more guidance than that and there's been no real interaction with the tribunal other than on purely administrative matters. So that guidance remains current and the most recent we have.

Al Stanton: Yes. Good Morning, thanks. I've got a range of questions. So, if I can just spray those around and then see where the answers come from.

I'm not sure I've ever seen a carbon intensity number for Cairn. So, I was wondering what that was for your current equity production?

If you're looking to have a more sustainable business, would you go back to Norway, having just exited?

You talk about CCUS, but in the UK that's probably an infrastructure story. So, would you be looking to do a deal that takes you into pipelines and various parts of infrastructure?

And then for completeness, James, if I may, with respect to, if the Sangomar sale completes at the end of December, let's say. Do you have the financial flexibility under the RBL to draw down on that to make up for any shortfall, given that you're also continuing to spend on Sangomar and pay a small bit of FAR's expenditure, as well?

Simon Thomson: As you say, there's a few questions, Al. So, James can maybe answer the first one. Then Paul on carbon intensity and CCUS. And I'll touch on Norway at the end.

James Smith: Yeah, so I'll take the last question first then, on the funding position to see us through to completion of Sangomar.

Yes, we have arranged sufficient capacity to draw on existing debt facilities to fund Sangomar cash calls, even if that completion is delayed beyond where we currently see it happening.

Paul Mayland: On carbon intensity, I guess what we've been encouraging is, and I know the OGA do this, is plot both carbon emissions and carbon intensity, because both are actually important metrics. And I think Premier have already reported on Catcher.

So, Catcher is top quartile I think, in terms of it's less than 10 kilograms per CO2 per BOE, and Kraken is not that far behind actually, because it's a pretty new and efficient FPSO. So that probably benchmarks pretty close to the IOGP average, which is about 20. So hopefully that gives you a snapshot of where we are today, and obviously where we can, we're continuing to try to improve that.

And then just on, I think there was a question about the infrastructure and CCUS. I guess we will look at opportunities and we'll obviously bear infrastructure in the past that we may have viewed as potentially decommissioning, we will at least look at what that value could offer in terms of CCUS. But as I've said earlier, to prior question, is it's very much in the evaluation phase for us and obviously we need to work through that over the next couple of years. And I'm sure there'll be opportunities that arise that we may consider.

Simon Thomson: And on Norway, look, you never say never to, as I said in answer to an earlier question, that it depends on value. But I think if you look back at Norway for us, we didn't see the expiration upside that we'd hoped for as part of building a business there.

So, we would have to be convinced in whatever the opportunity was that there was sufficient upside and potential that led to an attractive investment opportunity that could be monetised at some point thereafter. So, I think it would entirely depend on the circumstances.

James Thompson: Thank you. Morning gentlemen. Just one question from me, actually. Simon, you mentioned obviously about the number of assets on the market, clearly, you're in a relatively advantageous position, particularly post Senegal and perhaps even more so post India in terms of acquiring assets.

I was just wondering if you could really characterise the sort of assets that you're seeing coming onto the market at the moment. Are you actually seeing a flood of opportunities now, or are you expecting it, given the announcements have been made?

: And are there any earlier stage opportunities? You're producing assets that are moving into decline, do you see any assets out there that are much early mature that can maybe sustain that production output for longer? So just if you could sort of characterise what you're seeing and how that might be different from maybe a year ago.

Simon Thomson: I think we are seeing a larger number of assets on the market in general. We're seeing more in the way of packages on the market, in terms of majors divestment programmes. So, we're seeing real opportunities and perhaps less limited than they have been in the past. So, I think that's helpful.

And obviously just from where we are in the cycle and where we are in a fairly volatile market, perhaps right now there are fewer people with the capacity to look at asset packages. So that may or may not play to advantage.

And then, I think generally in terms of the specific type of asset, again, it comes back to value. But what we're trying to achieve is what we've talked about earlier in this presentation, which is the sustainability of cashflow generation, but at the same time, in a way that ensures continued financial flexibility.

So, I think that tends to point away from anything that is short life or at the very tail end of its existence. So, I hope that helps.

Okay. Well, thanks everybody for listening. We're obviously happy to take any follow up questions. As I said, in summary, we believe we're well positioned for growth. That we've got a responsible, financially flexible and differentiated business offering. We look forward to coming back to you with further progress. Thanks very much for listening.

The END.