

# **Galp Energia, SGPS, S.A. (GLPEF) Q2 2024 Earnings Call Transcript**

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**Body**

Galp Energia, SGPS, S.A. (GLPEF)

Q2 2024 Earnings Conference Call

July 22, 2024, 6:00 AM ET

Company Participants

Otelo Ruivo - Sustainability and Investor Relations Director

Filipe Silva - Vice Chairman and CEO

Maria Joao - Chief Financial Officer

Ronald Doesburg - Executive Director, Industrial

Georgios Papadimitriou - Executive Director, Renewable, Innovation and New Businesses

Adriano Bastos - Head, Upstream Special Projects

Joao Diogo Silva - Executive Director, Commercial

Daniel Elias - Chief Executive Officer, Petrogal Brasil

Conference Call Participants

Biraj Borkhataria - RBC

Giacomo Romeo - Jefferies

Alessandro Pozzi - Mediobanca

Matt Smith - Bank of America

Irene Himona - Bernstein

Pedro Alves - CaixaBank

Josh Stone - UBS

Alejandro Vigil - Santander

Lydia Rainforth - Barclays

Sasikanth Chilukuru - Morgan Stanley

Kate O'Sullivan - Citi

Peter Low - Redburn Atlantic

Matt Lofting - JPMorgan

Paul Redman - BNP Paribas

Presentation

Operator

Good morning, ladies and gentlemen. Welcome to Galp's Second Quarter 2024 Results Presentation.

I will now pass the floor to Otelo Ruivo, Sustainability and Investor Relations Director. Please go ahead, sir.

Otelo Ruivo

Bom dia. Welcome to the analyst Q&A session where we will delve into Galp's second quarter 2024 results. Earlier today, we distributed all relevant materials pertaining to these results, including a brief video in which our CFO, Maria Joao, highlighted the key points of this quarter. As such, and following the format of recent earnings calls, we will begin with a short introduction from Filipe and then promptly move to Q&A, where our executive team will be available to address your questions.

Please note that during this session, we will make forward-looking statements based on current estimates. Actual results may vary due to factors which are detailed in the cautionary statement included in our materials.

Filipe, the floor is yours.

Filipe Silva

Thank you, Otelo. Good morning. Q2 was another good quarter for Galp. We continue to see solid execution from the teams, and of course, from our assets. Our financial position has been further reinforced by both the solid operating cash generation and our disciplined capital allocation. Now, you know that asset rotation plays a key role in our strategy, as we need to make choices on which exciting projects we have in our portfolio.

So, in this quarter, we completed the Angolan farm-down and we announced the divestment from Area 4 in Mozambique. On Namibia, we have no news to share at this stage, other than we are preparing the first of our four new wells for Q4 this year. And, yes, we are having preliminary discussions with potential partners, but you will understand there is nothing much we can say at this stage on this topic. All-in-all, Galp now has unprecedented financial muscle and the resources to keep delivering long-term growth from high return projects.

Thank you. Happy to take your questions now.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions] We will now go to the first question. One moment, please. And your first question comes from the line of Biraj Borkhataria from RBC. Please go ahead.

Biraj Borkhataria

Hi, everyone. Thanks for taking my questions. The first one is just on your CapEx guidance, the net €1 billion, which you reiterated today. If I add up all the divestment proceeds so far in the period and then I give you the credit for the Mozambique sale and obviously the remainder of the Angola proceeds, I get to around €2 billion of divestment proceeds. Suggest that gross CapEx needs to be around €5 billion over 2023 to hit the target of the guidance. So even if you assume a bigger Namibia campaign than you've outlined and your current ownership level, it seems quite tough to get close to that. And obviously, Bacalhau spend should be rolling off in the second half of 2025 and you've talked about slowing the solar growth. So just wondering if anything I'm missing here. I understand you want to keep some flexibility given you don't know what you're doing with the farm-down, but it seems like there's a lot of buffer in there in the guidance. So just some color on that would be helpful. And then the second question is on Upstream OpEx was lower than we had a model this quarter and now that just includes Brazil, is that a sustainable number going forward? How should we think about that, and particularly, how should we think about that once Bacalhau is incorporated in the second half of next year? Is that a similar OpEx level to the rest of the portfolio? Thank you.

Filipe Silva

Thank you, Biraj, and good morning. I think you have provided the answer in your own questions. Yes, it's going to be tough to get to the CapEx guidance that we have provided. Do bear in mind there is uncertainty for how long we're going to keep Namibia as we want to derisk and carry as much exploration as possible.

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We have not sold Mozambique. We have announced the divestment. So let's see how the next few months pan out. We don't expect any issues, but further guidance on net CapEx numbers for the next few years will be provided over the next few months. Maria?

Maria Joao

Yeah. Thank you, Biraj, for the question. I would just, maybe still on the CapEx topic, maybe just an additional note that some of the payments we're still expecting are contingent. So that plays into the fact that we're very comfortable with the guidance right now and we feel that this is really not the adequate time for us to be revising it. We will be revisiting it in the future, of course.

Now on your Upstream OpEx indicators, if I understood correctly, I mean, overall, we're maintaining guidance of production costs of about $3 per barrel. It's an extremely low-cost portfolio structurally, you know that. But for now, if we exclude Coral South from the numbers, we think that production costs are going to go down. They will go down by approximately $0.5 per barrel. So we should clearly be below the $3 per barrel. So it's a run rate of between $2 to $3. And also touching a bit upon the DD&A per barrel, this is also going to be lighter. So we do expect it to go down by approximately $1 per barrel. That leaves us in the $10 per barrel to $12 per barrel space.

Operator

Thank you. We will now go to the next question. And your next question comes from the line of Giacomo Romeo from Jefferies. Please go ahead.

Giacomo Romeo

Yes. Thank you. First question is on the other bit of guidance that you changed this quarter is OCF and EBITDA guidance. You have a -- we have an improvement and change macro. You're taking out Mozambique. Can you just talk about what's actually going better than expected in there and just sort of the key reasons why? And second question, sorry, just going back to Namibia. Can we -- Filipe, can you give us an idea sort of what are the key -- what you're looking for in order for agreeing on a farm-down during the four wells? What are sort of the key parameters that you have in mind that would allow you to go before the four wells campaign? And I just want to understand sort of how you're looking at this vis-à-vis the timing?

Maria Joao

Thank you, Giacomo. So, indeed, a good quarter in terms of earning cash flow. I think the highlight goes to the strong contribution from Industrial & Midstream. This is going fundamentally to the fact that all units are performing well, including Upstream in Brazil. But in Industrial & Midstream, we were able to capture opportunities for us, not just refining, but also in the multiple areas where we're trading. So, that came up to a good overall performance.

I think it should also, it's worth noting that OCF is also benefiting from the fact that the cash taxes has a phasing effect. I think the first quarter, as you know, is usually heavier. It does not translate into posterior quarters. So, we're maintaining cash tax guidance for the full year around a €1 billion, 1.1 tops [ph]. And a couple of other things may have added to the results, namely on financial results, on Renewables refinancing. But that was fundamentally one-off. So, all in all, we're still expecting a tax rate to be around 46% and that will support our continuous strong cash flow and earnings performance.

Filipe Silva

Giacomo, on the dilution. So, we're derisking Mopane and we have the financial position now to be able not to rush into a transaction. So, we can continue with the current stake for now, as we derisk what we have in our hands. Ultimately, we -- 80% we need to derisk this position. The timing will be a balance between what we really have to do and when we maximize the value of derisking further what we have. And we will, I think I've said this before, we will priorities at that stage a partner that is keen to develop quickly the prospects and that will fund the CapEx. So, this is more than a monetization, this is a real partnership that will support the development of Mopane and Namibia. Thank you.

Operator

Thank you. Your next question comes from the line of Alessandro Pozzi from Mediobanca. Please go ahead.

Alessandro Pozzi

Hi there. Thank you for taking my questions. The first one is on the upcoming exploration and appraisal campaign, which you indicated it will start by year-end. I was wondering, have you already selected a location for the first well to be drilled, whether it is an appraisal or you're looking to derisk additional volumes with the first and also with the following wells, and whether those wells will be tested? And I don't know whether you already have a cost estimate for the appraisal -- the next phase of the appraisal campaign. That's the first question. The second question is on the decarbonization targets. You mentioned you will reassess them, I guess, probably the 2030 targets you will be reassessed. I think you're planning to reduce Scope 1 and 2 emissions by 40%. I was wondering whether you're still planning to keep the net zero by 2050 and also whether maybe the reassessment of these targets will trigger maybe a reassessment of the capital allocation of the strategy, given that the Upstream will be so big compared to the size of your Renewable portfolio, and given that the returns in Renewables are struggling, was wondering if it still makes sense to invest for you in this business at the moment? Thank you.

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Filipe Silva

Thank you, Alessandro. On your first question, yes, we have selected the location and we will not comment any further on your follow-up questions. Clearly, for now, we're sticking to the Mopane complex only. So, we're not yet looking at the northern part of the block. It is only within Mopane.

On the decarbonization targets, clearly, we need to -- on your own follow-up question, so the CapEx allocation is not expected to be significantly different because of Namibia, but the exposure of emissions, well, we plan to retain a very large stake in Namibia, both dilution. So, this affects our targets.

We also monetized Angolan and Mozambique. This releases a bit of ceiling for our own emissions. But the pace at which we have been able to decarbonize through Renewables has been lower than expected. So, it's prudent that we stop and suspend guidance but the long-term target remains unchanged. We, in step with society, expect to be at net zero by 2050. Thank you.

Alessandro Pozzi

Okay. Thank you. Sorry, and on the cost of the appraisal campaign, do you have an estimate, potentially, of what it could be?

Filipe Silva

We would not disclose this at this stage other than to say that today we're facing a more benign environment, certainly in Namibia. So, there is capacity, there is competition by the service providers in Namibia. So, you should not extrapolate the cost of the two wells as the cost of the next four wells. It's going to be significantly cheaper per well. Thank you.

Alessandro Pozzi

Thank you.

Maria Joao

Thank you, Alessandro.

Operator

Thank you. Your next question comes from the line of Matt Smith, Bank of America. Please go ahead.

Matt Smith

Hi there. Good morning. Thanks for taking my questions and a couple, please. The first one was back to Namibia and just the net CapEx guidance, like you say, remains unchanged but now noting that it includes the E&A CapEx for Namibia. I'm just wondering, is that an indication that now it is your base case, your expectation that you're likely to start that campaign before executing the farm-down process? Is that part of the consideration here or am I sort of reading too much into that? And then my second question would be on a different topic and that's refining. It would be interesting how you'll see in the market there at the moment. I don't know if you could speak to your sort of current refining margins post the quarter, but it seems as if the 2Q is very much about declining diesel. I think sort of so far gasoline is now been relatively weak despite demand, looking relatively robust. So, I'm not sure if that speaks to some of the new refining capacity coming online, but I would appreciate your thoughts there, please? Thanks.

Filipe Silva

Hi, Matt. No. As I said before, we have ample cushion now on our guidance for net CapEx and Namibia will not consume anywhere close to what we had as cushion. So, we will revise net CapEx numbers in due course.

The timing of dilution and timing of CapEx depends. We will see. We will manage the two processes separately. For now, we're quite keen to derisk the project as long as we can. Clearly, throughout the exploration phase and well into 2025, we should be fine.

And when we do have a partnership, then we will see how much of past costs will be coming back to us and what is the amount of the carry that we will get from our new partner. Ronald, on refining?

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Ronald Doesburg

Yeah. Thank you. Thanks for your question, Matt. I think if you look at refining any margins, you need to look at supply and demand. So, let me start with demand. I think China is importing less products at the moment. Yeah, the normal uptick of the driving seasons that you see happening normally in these months in the U.S. is also not happening, both on the fact of electrification and on the fact of less travel.

We see debt still growing strong year-on-year, but that's basically not sufficient to uptick the refining margin from a demand point of view. And I think diesel, you mentioned yourself, yeah, the cuts are decreasing there, and although, we believe the bottom has been reached there for the time being, let's see what the market thinks going forward.

On the supply side, yes, additional refinery capacity is coming online. I think the Dangote refinery is the best example with an additional 650,000 barrels a day, which is clearly not helping from that perspective. We do expect going forward slightly above $6 a barrel with all cracks down. As Maria Joao mentioned before, we don't see any large maintenance towards the end of the year, so we expect refineries to run good and steady. Thank you.

Matt Smith

Yeah. Thank you very much.

Operator

Thank you. Your next question comes from the line of Irene Himona from Bernstein. Please go ahead.

Irene Himona

Thank you. Good morning. First, a question on Renewables, please, where clearly your previous premium power price has now fallen to the very low Iberian average. Can we expect that Q2 power price to persist going forward? Is there any reason to change that expectation? And then a second question on biofuels, where clearly the industry is facing near-term oversupply and margin pressure. Can you talk around the economics of your under-construction plant at Sines? What margin assumptions do you need for that project to yield your required returns, please? Thank you.

Georgios Papadimitriou

Good morning, Irene. This is Georgios. On your first question, the quarter -- second quarter traditionally is the weakest quarter and we're expecting a weak quarter. Solar capacity, solar production goes up. Demand is soft because it's spring. We've already seen now third quarter -- the first month of the third quarter, we're already seeing a very substantial recovery of power prices in Iberia, close to, let's say, double the prices that we've seen in Q2, both in base load and solar capture price. So we're expecting prices to recover in Q3 and Q4. Thank you.

Irene Himona

Thank you.

Filipe Silva

Thank you, Irene. Let me talk a bit about the question you asked around the HVO. First of all, I think it's important to realize that this is an add-on on our current Sines complex, to basically boost the profitability overall from Sines. As you hopefully can understand, we don't give guidance on specific margins, but the project is still well above the hurdle rate that we have in mind for long-term investments that we do, which is roughly 12%.

Irene Himona

Thank you.

Operator

Thank you. Your next question comes from the line of Pedro Alves from CaixaBank. Please go ahead.

Pedro Alves

Hello. Thank you for taking my question. The first one on some to my experience, just wanted to have an update on any exploration developments and targets for those blocks. And secondly, in Commercial, contribution from the non-fuel businesses continues to look strong, representing now more than 40% of your EBITDA in the division. Can you give us a bit more color on the drivers and expectations going forward? Thank you.

Adriano Bastos

Good morning. It's me, Adriano Bastos, from Upstream. A quick highlight on the Fontanelle venture [ph]. We have still -- we still have a lot of data to look at before we decide where to drill and when to drill. As a guideline, we are planning to drill by late 2025 and depending on the results, we will thank our future campaign in-country. Thank you.

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Joao Diogo Silva

Thank you, Pedro. It's Joao from the Commercial side. So, it's clearly a resilient quarterly results. On the non-fuel, and on your question specifically, we are having really good fundamentals on the ticket side, on the transaction side. So, basically, at this point, more than 60% of our transactions are already including non-fuel.

Also, on the transformation side, we are keeping up our plan. So, we have more than 25 stores transformed this year into the new concept, and of course, leveraging also on the contribution margin that we are taking from the Caseteria [ph], which is clearly where the main growth is coming. So, we are expecting to keep up with this plan. Also, optimization on our network and really strong fundamentals on the Portuguese side, though on the Spanish side, we are still struggling a little bit.

On the other levels, the levers also let me highlight that on electric mobility, we are doubling the contribution and reaching 5,000 chargers on the second quarter, which is also something very important for us to offset what can be a decline in oil market. Thank you.

Pedro Alves

Thank you.

Operator

Thank you. Your next question comes from the line of Josh Stone from UBS. Please go ahead.

Josh Stone

Yeah. Thanks. Good morning, everyone. Two questions, please. Firstly, going back to Namibia on the farm-down proceeds. Last quarter, you indicated the proceeds would be staying in country to carry Galp's CapEx, but the previous answer sounded like you suggested some cash could be coming back to Galp as well. Is that a fair observation and if that is to happen, how would you think about using that cash? Is that stuff that would be banked or could you consider a special distribution or something along those lines, but maybe just talk about that a little bit? And then a second question for Maria Joao. On the depreciation charge, you talked about the Upstream, but also in the Downstream, in the Industrial & Midstream division, it looks like depreciation is running quite low. I just wanted to understand if there's any one-offs in there or is this the new normal rate for the Downstream? Thanks.

Filipe Silva

Hi, Josh. No. Clearly, the big contribution by our partner will be development CapEx. This is not meant to say that at least part of our past costs will not be part of a negotiation, but we are far away from giving you any firm guidance. This is still a work in progress and may take a few months. Thank you.

Maria Joao

Thank you, Josh, for the follow-up on the DD&A. I think fundamentally what we have in 2024 is a bit of a return to normalcy after 2023, where we did have a number of items that were particularly on impairment higher than what you'd call this new normal state. So apart from the comments I made before on Upstream, everything else is back to normal and we'd expect it to stay within those levels. Thank you.

Josh Stone

Very clear. Thank you.

Operator

Thank you. Your next question comes from the line of Alejandro Vigil from Santander. Please go ahead.

Alejandro Vigil

Yes. Hello and good morning. Thank you for taking my questions. The first one is about the distributions for shareholders. You have announced a 4% increase in dividend per share. What about the buybacks and you have for this year €350 million? Do you plan to maintain this one-third of operating cash flow as guidance for the coming years? And the second question will be about Renewables. You have just 100 megawatts under construction. Does it mean your investment plans in Renewables are going to be significantly lower next year? Thank you.

Maria Joao

Hi, Alejandro. Thank you for your question. On distributions in general and buybacks in particular, yes, we are executing the €350 million buybacks program that we announced. These are for cancellation purposes. They're well underway and we're maintaining them as expected. All other elements of our distribution policy are to remain stable. So the dividend payment with an annual growth and we don't expect to change that. It's still maintaining the one-third overall guidance on distribution. Eventually, once OCF grows with Bacalhau, we will of course adjust and take that benefit back to the shareholders. But for now, it's maintaining the current guidance.

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Filipe Silva

Alejandro, on Renewables, indeed, we have 100 megawatts earmarks to be installed until the end of this year. But we do expect to start the construction in several other plans during the course of this year. There has been a slowdown in the development and the deployment of our portfolio, primarily because of the licensing delays in Iberia, in Spain in particular. But we are expecting to have several projects starting the construction by the end of this year. Thank you.

Alejandro Vigil

Thank you.

Operator

Thank you. Your next question comes from the line of Lydia Rainforth from Barclays. Please go ahead.

Lydia Rainforth

Thank you, and good morning, everyone. I have a couple of questions, actually. Firstly, on the prepared remarks, you talked about the unprecedented financial muscle that you have to deliver growth. Can we just talk about what sort of growth level you're envisaging? Is this production, cash flow, dividends? So just kind of help me put that comment into a little bit more context. And then on Mozambique, and obviously, the way you set up that transaction was that there are contingent payments on development milestones. Can you just talk why you went down that route and are you thinking about something similar with Namibia? And then one final question, I'm sorry, because I think I might have missed it in one of your previous answers. But where are refining margins for you currently? And I know that's three questions, but thank you.

Filipe Silva

Hi, Lydia. Quarter-to-date, margins are at 7%. A bit lower today, as I speak, but it's looking 6%, 7%, looks like a good number for Q3. On our muscles, we -- clearly, we are a company that has more great projects than ability to do everything on our own.

So 80% in Namibia gives us a lot of leeway to play with. Bacalhau coming on stream, what we're doing transformational in the refinery and hydrogen and such. What we're doing with non-fuel?

I mean, we're growing. This is a fast growing company for the next few years. That's what I meant. And clearly, the benefits for the shareholders of that growth comes from capital appreciation and growing dividend yields.

On Mozambique, so this was a negotiation. Part of the proceeds are upfront, parts are subject to the FIDs of the two forthcoming projects that should happen late this year and 2025. So no, this is not the blueprint of what we have in mind for Namibia. Thank you.

Lydia Rainforth

Okay. Thank you.

Operator

Thank you. Your next question comes from the line of Sasikanth Chilukuru from Morgan Stanley. Please go ahead.

Sasikanth Chilukuru

Hi. Thanks for taking my questions. I had two, please, both on Brazil. The first was on the 2P field. I was just wondering if you could talk about your expectations for the decline rates for the field over the next couple of years, especially in the context of the new plan of development. What sort of production uplift and CapEx spend should be expected related to this plan? The second was on Bacalhau. Good to see the project progressing well towards first oil. I was just wondering if you could let us know about your latest views on any subsequent developments in Bacalhau. You mentioned CapEx at Bacalhau to decline substantially once the project is online. Does that indicate that we are unlikely to see any CapEx on any subsequent phase over the next couple of years?

Filipe Silva

Hi, Sasi. I will ask Daniel Elias to take your two questions. Daniel was our Brazil country manager until now, effectively. He is taking over the asset management role for Namibia and he will be replaced or has just been replaced in Brazil by Paula Pereira da Silva. So, Daniel, this is your last shot.

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Daniel Elias

Thank you, Filipe. Thank you, Sasi, for the question. So, as you could see on our production performance this quarter, Brazil continues to perform above guidance and this is based on a pillar that is 2P and is excellent reservoir quality. So, we see the decline rates below 5% and we continue to perform investments on this field as it is. We -- today we have three rigs operating on the field. Going forward, we have submitted for ANP a revision on the POD, looking into further materializing the upside potential of this field.

Regarding Bacalhau, so Bacalhau Phase 1, you are aware we have an FPSO in Singapore finalizing commissioning. The current target is to sell away from Singapore by the end of this year, first of mid-2025, resulting in a significant production improvement of our portfolio with increase of 30% at plateau, contributing with 40,000 barrel of equivalent to our equity.

Of course, we are also doing drilling and completion. We have now back the two rigs operating on the field. The second rig that went to Argentinian back is now in location since 11th of July and we are proceeding with the plan to have the available wells for first oil. And of course, given the scale of this project, we'll continue also to do investments post first oil. So, we -- at this point, we are not changing any guidance in terms of CapEx and we are focusing on phase one. Thank you.

Operator

Thank you. Your next question comes from the line of Kate O'Sullivan from Citi. Please go ahead.

Kate O'Sullivan

Thank you, and good morning, everyone. Firstly, on Namibia, and I understand you're limited by what you can say, you're expecting the next exploration well to be started in 4Q. Hypothetically, if a partner were to enter the block in the meantime, could that change timings and approach of that forward exploration program and do you have flexibility built in with the service players for that? Secondly, a follow up on biofuels. We've seen one of your competitors pull back on a major project recently. My question is more about project execution. The advanced biofuels unit is a key contributor of CapEx this quarter. Could you update on the progress of the construction works and any color you can provide on CapEx spend to-date in 2024 versus anticipated second half of 2025? Thank you.

Filipe Silva

Okay. Well, the well that we're going to spud soon, clearly there's no flexibility. So that runs, that's clearly Galp decision and it's pretty irreversible. The next wells that will fall into the 2025 period, yes, we would have flexibility, and having said that, we're quite keen to derisk as much as possible. So the timing of the partnership may impact, I would say, maybe one or two wells that fall later in 2025. I know very little room, yes, some flexibility, but little room to change. Certainly not the first well and the second well, we also see very little room to change what we have in mind. Thank you.

Georgios Papadimitriou

Thank you on your question for biofuel. So, overall, the project is progressing well. The mobilization of our contractors for ground and several works. We will uptake the amount of contractors to 800,000 in the coming months. We're procuring all the goods to be there on time to start the construction and the engineering is also going as per plan.

Our project is a joint venture with Mitsui, 75% Gulf, 25%, sorry, 75% Gulf, 25% Mitsui and both parties will deliver 50% of the feed and also from that perspective, things are as per plan. So far we are as the expected cost and schedule is, as we said, we're at the end of 2025, mid-2026 and economics I spoke about before. So I can't comment clearly on our competitors, but so far this project, which is anchored to build on top of finish for our Portuguese market is still going strong. Thank you.

Kate O'Sullivan

Thank you very much.

Operator

Thank you. Your next question comes from the line of Peter Low from Redburn Atlantic. Please go ahead.

Peter Low

Hi. Thanks. Just two quick follow-ups. Just on the slowing investment in solar, I just wanted to be clear, is that because the outlook for those solar investments has worsened or is it a relative decision because the return on investment is just so much higher in Namibia? And then secondly, just to go back to Brazil production this year, how do you see that developing in the second half? Is there any reason why it wouldn't be at a similar level to the first half? Any comments on maintenance schedules or anything like that would be helpful. Thanks.

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Filipe Silva

Thanks, Peter. On the first one, as I said before, we have had challenges in permitting that has hindered the deployment of our pipeline. And that not only Galp, but an Iberian problem, it was actually addressed by deadline extensions from the Spanish Government. That also impacted in our CapEx deployment, as I said earlier. So, this is definitely one of the causes. Obviously, and as we've said before, we're looking at disciplined investment criteria and we value over volume. So, that's obviously going to take and it's going to be important in our decisions going forward for further investments. Thank you.

Daniel Elias

Thank you, Peter. On Brazil production, we don't provide guidance on a quarterly basis, but we for sure are aiming to provide the results that we gave for the yearly guidance. Thank you.

Peter Low

Thank you.

Operator

Thank you. Your next question comes from the line of Matt Lofting from JPMorgan. Please go ahead.

Matt Lofting

Hi. Thanks for taking the questions. Congrats on strong performance through the first half of the year. With that in mind, I just wondered in terms of the full year EBITDA guidance and the updates that you provided there, you highlighted improved performance. If you could just identify the key areas within the business that perhaps outperformed your expectations that you set in February and enable you to mitigate the deconsolidation effect of Mozambique in financial terms. And then secondly, on Namibia, I assume that Galp has been further analyzing the data that was achieved from the first drilling campaign through the last few weeks and months since you last communicated with the market. So, I wondered whether you could just add any comments on how you currently see the hydrocarbon mix in terms of oil versus gas within the 10-billion-barrel base case. Thanks.

Maria Joao

Thank you, Matt. On the EBITDA guidance and the improved performance, I think, the highlights there definitely go into Industrial & Midstream. It's an uptick in terms of guidance, but certainly good performance in refinery and even though we're maintaining the macro, we also see opportunities in Mainstream space. We'll add to that the fact that we have very solid performance from up in Brazil, so that gives us the backstage for this improved guidance even though we're carving out Mozambique. Thank you.

Ronald Doesburg

Matt, on Namibia, Ronald Doesburg, as we can -- this is light oil with gas condensate. So, these are fluids with associated gas. And we're not guiding on GOR at this stage. And also, as we said before, the fluids are not the same everywhere where we have drills.

What is important, when you have light oil, low viscosity, we're not expecting associated gas to be an issue for the development of the project. So, reinjection is most likely going to be prioritized during at least the initial few years.

And again, this is a very -- we haven't seen trace of contaminants nor high level of CO2, nor any unexpected conditions that would lead to technical concerns. Again, early days, but looking good so far. Thank you.

Matt Lofting

Great. Thanks very much.

Operator

Thank you. We will now take our final question for today. And the final question comes from Paul Redman from BNP Paribas. Please go ahead.

Paul Redman

Hi, everyone. Thank you very much for your time. I just have two questions. Firstly, on Namibia, I just wanted to ask about negotiations with the government since you've announced the €10 billion fine. How is that ongoing? If you wanted to drill, oh, sorry, if you wanted to produce first oil by 2030, how are agreements in place with the government at the moment? And secondly, on Mozambique, you mentioned that the deal is not yet completed, which is an obvious one, but at the same time, is there anything I should be concerned about, is there any complexities that keep you awake at night about that deal at the moment? Thank you very much.

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Filipe Silva

I assume, Paul, you mean condition, pre-closing conditions in Mozambique?

Paul Redman

Yes.

Filipe Silva

No, no, no concerns. No concerns at all and neither in Namibia. So, we have a JOA, we have very good discussions with the government, very constructive. This is very important to Namibia, of course. It's very important to Galp. Very constructive, very professional discussions with the Government of Namibia and our two partners, Custos and NAMCOR. Thank you.

So, this wraps up our call today. Thank you for your questions and for tuning in. Our IR team is always here to help you with any remaining queries. I wish you all a great result season and a restful summer break. We look forward to speaking with you again soon.

Operator

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

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