Operator

Good day, everyone and welcome to Kosmos Energy Fourth Quarter 2019 Conference Call. Just a reminder, today's call is being recorded.

At this time, let me turn the call over to Jamie Buckland, Vice President of Investor Relations at Kosmos Energy.

Jamie Buckland

Thank you, operator, and thanks to you all for joining us today. This morning, we issued our fourth quarter earnings release and a slide presentation to accompany today's call. The materials are available on the investors' page of our website.

Joining me on the call today, to go through that materials are Andy Inglis, Chairman and Chief Executive Officer; and Tom Chambers, Chief Financial Officer.

During today's presentation, we will make forward-looking statements that refer to our estimates, plans and expectations. Actual results and outcomes could differ materially due to factors we note in this presentation and in our UK and SEC filings. Please refer to our annual report, stock exchange announcements and SEC filings for more details. These documents are available on our website.

At this time, I will turn the call over to Andy.

Andrew Inglis

Thanks, Jamie and good morning and afternoon to everyone. Before I turn to the agenda, I would like to acknowledge Tom's retirement, which was announced today. Tom has done an incredible job as CFO for Kosmos over the last five years. He'll be replaced by Neal, a 10-year, Kosmos veteran who many of you know already.

So turning to today's agenda, I'm going to focus on three areas. First, a look back at 2019 operational and financial performance; Second, integrating climate risk into Kosmos' strategy; and third the plan for 2020.

Turning to slide 3, in 2019, Kosmos delivered on all of its key targets for the year. On safety, we reported no lost time or recordable incidents, best-in-class performance. Financially, we delivered approximately $250 million of free cash flow exceeding our forecast. In Mauritania and Senegal, we made excellent progress on the Tortue development with Phase 1 around 25% complete at year-end.

In exploration and appraisal five of the seven wells drilled during the year succeeded. And finally on reserves, we've reported our seventh year in a row, a reserve replacement greater than 100%, demonstrating the quality of our asset base. On the following slides I will focus on these areas in more detail.

Turning to slide 4, safety, the fundamental value of our business underpins our license to operate. As you can see on the slide, 2019 was one of the most active years in company history, with five wells drilled in Equatorial Guinea and the Gulf of Mexico as operator, more than 1.7 million man hours in total. It was a record year for safety with no lost time or recordable incidents demonstrating that zero is possible.

Slide 5 focuses on our financial performance in 2019 and shows we delivered on our key metrics. Kosmos generated around $250 million of free cash, exceeding our target at $200 million, despite the operational challenges we experienced in Ghana. Importantly, this is the third consecutive year of strong organic free cash flow generation, almost $600 million in total over the last three years, demonstrating a key attribute of our business model.

As you can see on the right hand chart, we've used that free cash flow to reduce debt. As a result of strong cash generation and CapEx control, leverage has continued to fall, ending the year at around 1.8 times. We paid out inaugural dividend of $0.18 per share in 2019 and this morning, we announced our first quarter dividend of $4.05 per share consistent with prior quarters.

Turning to slide 6, our exploration appraisal program was successful, with five positive results from the seven wells drilled. Total resources net to Cosmos was around 380 million barrels oil equivalent, or 80% of the 480 million barrels oil equivalent targeted at the beginning of the year. These drilling results came from three different business units, which highlight the depth of opportunities we have across the portfolio.

We had a 100% success rate in Mauritania and Senegal with the GTA 1 well, and Yakaar-2 appraisal wells, and the Orca-1 exploration well, which is the largest deepwater hydrocarbon discovery in 2019. In addition our infrastructure-led exploration or ILX delivered a 50% success rate in 2019, in line with our expectations, with success in the Gulf of Mexico was Gladden Deep and Equatorial Guinea with the S-5 well.

Turning to slide 7, our development projects in Mauritania and Senegal continue to move forward. At Tortue we advanced Phase 1 of the projects to approximately 25% completion at year end with all key work streams on schedule. We remain on track to deliver gas in the first half of 2022.

The signing of the SPA with BP Gas Marketing in February was an important milestone as it finalized the offtake for all Phase 1 gas and enabled Kosmos to book 1P reserves, materially increasing our proved reserve space.

For Phases 2 and 3 we have made significant progress with BP on finalizing the development concept to increase the LNG capacity from 2.5 million tons per annum to approximately 10 million tons per annum. The concept will leverage the Phase 1 infrastructure and the near shore location with a goal to deliver highly cost competitive LNG scheme with one of the lowest carbon intensities in the world.

On Yakaar-Teranga the Yakaar-2 appraisal well proved up the southern extension of the field, confirming the world scale resource in place. We are working with partners to develop the resource. We are applying an initial Phase 1 domestic gas power project supporting Senegal's plan to merge on by replacing higher carbon diesel with natural gas.

At Birallah, the Orca-1 one exploration well discovered 13 [ph] TCF of gas materially increasing the size the Mauritanian resource potential, to around 50 TCF of gas in place. Importantly, this well the risk more than enough resource to underpin a third LNG hub in the region.

Turning to slide eight which look to the evolution of Kosmos' reserve based in recent years. This year, the company announced a 1P and 2P reserve replacement to greater than 100% highlighting the quality of our underlying assets. This is now the seventh consecutive year of greater than 100% 1P reserve replacement.

There are two important takeaways from this slide. First, the diversity in our reserves has increased significantly since 2016 when we had just Ghana. Through exploration success and strategic acquisitions in EG and the Ghana, the Kosmos reserves have grown at over 50% annually, both on a 1P and 2P basis. With over 550 million barrels oil equivalent of 2P reserves, our reserves to production ratio is around 22 years, one of the best in the industry for a mid-cap E&P company. It is driving and increasingly diverse portfolio means Kosmos no longer relies on a single field or geography to drive performance.

Second, with reserve bookings in Mauritania and Senegal, Kosmos now has a much more balanced mix of oil and gas. Through continued progress and the developments in Mauritania and Senegal, the gas components line to increase naturally overtime.

That wraps up the summary for 2019. I'd now like to move on to the next section of today's presentation, our approach to integrating climate risk into our strategy. Kosmos has always recognized the impact of climate change

and the role played by humanity. It's the defining issue of our time and requires urgent action from everyone, governments, civil society and the private sector. We know that investors and stakeholders want to understand the risks that climate change presents to our business, as well as the actions we're taking support the energy transition and deliver to power its goals.

I want to focus on our role in tackling this challenge on the importance of gas in the transition, and how our innovative approach as a company brings wider social, economic, and technological benefit. We don't have all the answers for how a business like ours can fully adapt to tackling climate change as part of the broader ESG agenda. But based on the extensive work we've done so far and our engagement with shareholders and others, we believe a midcap E&P like Kosmos can indeed play an important role and make a difference.

Turning slide 10 with resources and operations mostly in developing countries, especially in Africa, Kosmos faces the jewel challenge. How do you provide the affordable energy needed for economic development and social progress and do it while reducing carbon emissions. This challenge is especially stark in our host countries where demographics will drive increased demand for energy.

Africa is expected to double its current population and grow by more than 1 billion people by 2050, representing more than 50% of the worldwide growth projected during that time. These men and women aspire to a standard of living and that we take for granted, which was built on hydrocarbons. Many African leaders have made this point on behalf of their citizens, who often lack the basic necessities for a decent and secure line. Kosmos can promote that economic development and social progress by providing affordable energy and helping countries accelerate their transition to cleaner sources of energy through oil to gas and renewables.

With our partner BP we're working on this agenda in Mauritania and Senegal through our natural gas development projects. Our goal is to deliver the lowest carbon LNG projects providing affordable gas to the local population and connecting to their considerable future capacity for renewables, especially solar and winds. This leads to our purpose as a company, a purpose that has the creation of social value at its heart. First Kosmos is going to supply the energy needed today. Demand forecasts show the world will need oil for the immediate future and we can provide oil with advantage low cost short cycle and at the lower end of carbon intensity in its production for every barrel that is saved.

Second, Kosmos, is going to find and develop cleaner energy for tomorrow, our portfolio will have a greater focus on gas, while I fully expect the energy

mix to maximize the use of renewables. The world cannot achieve the Paris goals without natural gas playing a major role in the energy transition. Natural gas emits about 50% less carbon dioxide than coal in power generation. It's more reliable than wind or solar.

And finally, Kosmos is going to continue working in the right way as a force for good in our host countries, supporting economic and social progress. By saying true to this purpose, we believe we can generate attractive long-term shareholder returns and advance the societies in which we operate, while working in a sustainable way.

Turning now to slide 11, we take our cue from the UN Sustainable Development Goals, which provide a template for how actions can impact the greater good. Kosmos contributes to all sustainable development goals, but in some areas the impacts are larger. For example, in Mauritania and Senegal, as I mentioned earlier, our natural gas projects are being develops with a potential tie into renewables. They will provide affordable and cleaner energy that both countries can use to develop their economies, reducing poverty and improving infrastructure.

Across our footprint in Africa, we employ 100% local nationals in our offices, providing meaningful work and economic opportunity, while also promoting gender equality. Through the Kosmos Innovation Center, we're fostering innovation in sectors like agriculture, as well as investing in young people, who aspire to be entrepreneurs.

Turning now to Slide 12, our business principles shape how we manage the company. They support strong ESG performance and a reinforced by underlying policy. Some of which are industry leading. For example, Kosmos has been at the forefront of contract transparency for nearly a decade, commanded by key NGO partners, such as the extractive industries transparency initiative. As far as we know, Kosmos is the only oil and gas company that published all its petroleum agreements with host countries.

In addition, we publish our payments to government to the project level. We take these actions, because they're the right thing to do. And because we believe resource revenues are more likely to be managed, in the best interest of citizens, when payments and receipts are made transparently, and when you can promote accountability.

I share these examples, because I want to show you that Kosmos is not afraid to be progressive. We're not afraid to be transparent. We are committed to bringing a similar approach to how we manage climate change risks.

On Slide 13, you can see an overview of our climate policy, which has now been published in full on our website. It represents an integrated approach to managing climate related risks, but follows the recommendations of the Task Force on climate-related financial disclosure, or TCSD. The policy is fully embedded in our business from the board to day-to-day operations to have an impact, you need the right governance structures, clear performance targets, and the plan for eliminating or mitigating emissions, engagement and transparency are essential.

Slide 14 shows our governance model and transparency commitments. The governance structure ensures that climate change gets attention it deserves at every level of the company. As part of the governance, we have set performance targets links to compensation, a way to hold everyone including myself and the rest of my leadership team accountable for delivering on climate related initiatives.

Regarding transparency, we have made several commitments to help shareholders better understand the work we're doing. In addition to submitting data to CDP again this year, we will publish our first climate risk and resilience report that expands upon the information we share today and aligns with TCSD recommendations, and Salisbury guidelines. To provide broader information about our ESG related activities, it also published a comprehensive sustainability report that builds on our historic disclosures in an easily accessible format.

Turning now to slide 15, I want to talk about how we look at our current portfolio through a climate lens first, from a Scope 1 and Scope 2 perspective. Kosmos is well positioned to thrive during the energy transition. The portfolio is built on a foundation of advantaged oil and gas, both low cost and at the lower end of the spectrum in terms of carbon intensity in production. A ready [ph] barrel of oil or cubic foot of gas is the same and are the better than most. The low carbon future advantaged oil and gas will be the first to be purchased and the last to be shut in.

The chart on the left shows how our oil producing assets in the Gulf of Mexico, Ghana and Equatorial Guinea compares to the global average in terms of carbon intensity. In particular, I want to point out the competitiveness of the Deepwater Gulf of Mexico versus the Permian. Based on an expert third party analysis of public data, carbon intensity is twice as high in the Permian basin compared to the Gulf of Mexico. The advantage stems from the natural aquifer drive which requires no gas or water injection, and the abundance of existing and available infrastructure, no routine flaring and no fracking.

The chart on the right shows how the three phase Tortue project compares to other notable LNG developments. The project is expected to be at the lower end of the carbon intensity scale with future phases benefiting from a fleet of renewable power.

Slide 16 describes the work we're doing to measure, reduce and mitigate emissions from our current portfolio. We calculate our scope 1 and scope 2 operated emissions and today we announced our goal to achieve carbon neutrality for these emissions by 2030 or sooner. The maintenance target we will work with our service providers such as drilling and seismic contracts will minimize our carbon footprint. Any emissions that cannot be eliminated will be mitigated through nature-based solutions.

We have more work to do on scope 3 emissions. The first step is to develop a trusted methodology for measuring our scope 3 emissions across the value chain, particularly the end use of our product. This is challenging for a pure upstream company, because we don't always have clear line of sight into where our oil is refined, or how the derivative products are used. Nonetheless, we know scope 3 emissions are ultimately the governing yardstick if we are to help meet Paris goals. I pledge today that we will provide a plan for addressing them once we have completed the work to understand the scale of the issue as it applies to Kosmos.

Turning to slide 17, on mitigation we have joined two establish reforestation projects, one in Ghana on one located along the US Gulf Coast, with carbon credits allocated to these projects through an agreement with Shell. In addition, and in keeping with our role as an offshore operator, we're putting our entrepreneurial spirit and commitment to innovation behind a leading edge blue carbon initiative. Blue carbon is the ability of tidal wetlands and sea grass habitats to capture and store CO2 acting is vast carbon sinks.

We're investing in a Louisiana company Tierra Resources, which is at the forefront of wetlands restoration, and blue carbon markets. Tierra runs a project that redirects treated municipal wastewater on 850 acres of project lands accelerating tree growth and soil carbon sequestration, supporting biodiversity and increasing coastline resilience. Tierra has also developed a novel approach to quantifying the benefits of restoration activity, proving its impact on climate change.

The sequestration capability of blue carbon still needs to be fully recognized. This is precisely the kind of innovative thinking required to tackle climate change. With our strong above ground expertise, owned by the Kosmos Innovation Center and other initiatives we're planning to support the expansion in this groundbreaking work to other areas along the U.S. Gulf Coast, and other countries where we operate.

Slide 18 describes the way we're fully integrating climate risk into our overall business strategy through scenario analysis. There's no universal methodology for climate scenario analysis and approaches continues to evolve. In Kosmos, we've developed a reverse process supported by a leading independent sustainability firm and with guidance from climate experts across industry, the investment community and civil society.

In our climate modeling, we looked at the ways in which different transitions to a low carbon economy could impact the value of our assets. We've selected three external publicly available scenarios outlined in the International Energy Agencies 2018 World Energy Outlook as the basis for our analysis, including a sub two degree scenario aimed at delivering the Paris goals.

The Independent Sustainability Advisor critical resource model how the transitions outlined under each of these scenarios would impact three value drivers, hydrocarbon prices, country risk and fiscal take. These value drivers' changes in hydrocarbon prices have the biggest impact on valuations. However, we recognize that energy transition will have other effects. We therefore incorporated two additional factors country risk and fiscal take in the countries where we operate into our scenario analysis.

Important to note that the purpose of these scenarios is to better understand the relative impacts on our portfolio and these are not company asset forecasts.

Slide 19 shows the potential impacts that the climate scenarios could have on the net present value, or NPV of our assets, thereby testing the resilience of our portfolio to climate risk. So what did we learn? First, our portfolio is resilient, under the sustainable development scenario, at sub two degree world all of our current projects remain strongly NPV positive. This reflects the climate resilient portfolio that can continue to meet global energy demand.

Second, our oil assets which are generally short dated see very limited impact in their NPVs. Our Gulf of Mexico and Ghana assets see almost no value erosion. Both assets are relatively short-dated; the Gulf of Mexico having fast paybacks and Ghana having license expiry in the mid-2030s.

Third, country risk and fiscal take in the different climate scenarios may have some impact. Our Equatorial Guinea asset could face greater potential value erosion in Ghana despite a similar production line given the greater dependency of Equatorial Guinea on oil revenues.

Fourth, our Mauritania Senegal LNG assets provide cleaner sources of energy into the long term. The NPV of our Mauritania Senegal assets is impacted to

some degree under the sustainable development scenario as a result of the asset's longevity. However, the impact is not significant, largely because natural gas is recognized in these scenarios to be a key energy source for meaning global energy demand over the medium term.

Fifth, long-dated oil exploration faces significant value erosion, and experiences the greatest value impact under the scenarios. This exercise has led to strategic decisions regarding our portfolio as noted on slide 20. In the immediate future, we will continue to meet current demand for oil through short cycle infrastructure led exploration in the proven base into the Gulf of Mexico and Equatorial Guinea, because new discoveries in these areas can be tied back to existing assets on accelerated timelines at low cost with lower overall carbon intensity in production.

To remain relevant through the energy transition, we intend to increase the gas weighting in our portfolio with exposure to around 5 million tons per annum of LNG net Kosmos, versus 3 million tons per annum if we sold down to 10% across the Mauritania Senegal basin. To achieve this we plan to partially monetize other Mauritania Senegal assets in order to fund them with a larger interest in the Torture development.

As I said earlier, I believe gas will play a critical role in the energy transition, and therefore retaining a larger interest in Torture is the right thing to do. It has all the characteristics of a successful LNG project, cost competitive, lower carbon intensity is set to begin production at the right time in the market.

In addition, we will not pursue new basin opening oil exploration. We have a strong portfolio of frontier opportunities in Namibia, South Africa, Sao Tome, Equatorial Guinea and Suriname. We will efficiently test these opportunities, but not seek access to new frontier oil basins.

In essence, we'll use our short dated oil production to finance move towards medium to long-term natural gas projects, all while delivering shareholder returns. We believe these portfolio decisions meet both our financial duties to our shareholders, and Kosmos' purpose and responsibilities to all stakeholders.

On slide 21, to summarize this section before moving on. Kosmos has a role to play in the energy transition. And our approach will bring innovation and new technologies to the challenge. We're responding fully to the UN Sustainable Development Goals by providing affordable and cleaner sources of energy and investment to fuel economic growth in less advantaged countries. We have a clear policy on managing climate-related risk with board level oversight and executive accountability.

It's our goal to achieve Scope 1 and Scope 2 carbon neutrality for our operated emissions by 2030 or sooner, including by developing innovative nature-based carbon capture projects. We are committed to measuring and addressing Scope 2 emissions. We will publish later this year, a TCSD aligned climate risk and resilience report that is consistent with our transparent approach to doing business.

We have completed a robust risk analysis resulting in actions to continue to expand our short cycle ILX portfolio, increase natural gas weight in our portfolio and stop seeking access to new frontier oil basins. With that purpose and strategic direction for the company, I'm now allowed to look at our activity set for 2020 and the associated targets.

Turning to slide 23, which is our forecasted production by geography for 2020. Company-wide our production range for the year is 62,000 to 70,000 barrel oil equivalent per day or 66,000 barrels of oil equivalent per day at the midpoint. In Ghana, as you're aware, the operator published initial 2020 guidance last year following a change in senior management. Since then, we've worked with the operator to address the issues outlined in their December press release and we're making good progress.

At Jubilee, the fundamental issue is that oil production is limited by the associated gas rate. The first step, we've taken to increase the oil rate is the gas handling expansion project, which was successfully completed in early February and has enabled higher gas throughput. Daily production levels around 90,000 barrels of oil per day now been achieved. Work is also underway to increase the reliability of gas compressors, which should enable us to continue producing at this rate.

As we increase the gas production capacity, we also need to focus on lowering the gas oil ratio or GOR of the reservoir to further enhance the oil rate. We're tackling this on two fronts and are making good progress. First, improving the reliability of the water injection pumps, which increases the voidage replacement and provide the necessary pressure support needed to lower the field wide GOR. Second, increase the gas off take from the field by working with the government to ensure more Jubilee gas is used for domestic power consumption.

In addition, we have a rig contract the first six months of the year in Ghana, and expect to add one producer and two water injection wells in Jubilee, which should further support field performance. As we highlighted in our recent reserves press release, the underlying reservoir performance of Jubilee has been strong. So resolving the facility issues to drive better performance remains our priority.

On TEN, we're currently drilling a producer well on Ntomme which should increase production when it comes online in April. At Enyenra, we're working with the operator to understand the water injection response to the reservoir to optimize the location of wells post 2020. As a result, we estimate production rates from Ghana in 2020, at 27,000 to 29,000 barrels of oil equivalent per day net to Kosmos. The lower end of our range encompasses the operator's December guidance.

In the Gulf of Mexico production remains strong setting a new record in the fourth quarter with a tie in a Gladden Deep and Nearly Headless Nick. We're currently drilling an info world in Kodiak which we expect to come online in early 3Q. Our forecasts range for the GOM in 2020 is 24,000 to 28,000 barrel of oil equivalent per day.

In Equatorial Guinea we're currently working through the upgrade of the Okume facilities required for Phase 2 of our ESP program, which we anticipate will begin in 4Q. Later this year, we plan to drill our first two in fill wells as part of Yakaar program that will likely continue into 2021. Net production for the year is expected to be 11,000 to 13,000 barrel oil equivalent per day.

Turning to slide 24, I'd now like to focus on our ILX portfolio in the GOM and EG starting with the Gulf of Mexico. As previously communicated, we expect to drill three ILX wells in 2020 and five high graded prospects beginning midyear. Spencer and Tiberius are two prospects in Keathley Canyon within tie back of the Lucious Spar that could potentially be drilled with a single well.

Spencer will test the Pliocene prospects, while Tiberius will test the Deeper Wilcox prospect. We have also high graded the Zora, Honey Ryder and Highland Rim. Zora and Honey Ryder on Miocene amplitudes in the new mini basin adjacent to Odd Job field. Highland Rim is also another Miocene amplitude in tie back range of Devil's Tower. All of these prospects share similar financial characteristics, tie backs to existing infrastructure resulting in high return fast payback projects.

Turning to Slide 25, this looks to the depth of the portfolio we built in the GOM since the acquisition. Through a combination of lease sales and farm-in activity Kosmos now has 23 prospects across 71 blocks or approximately 375 million barrels oil equivalent of net unrisked resource in total. To put that in context, this resource potential compares to around 80 million barrels of met 2P reserves we currently have booked. At Deep Hopper the opportunity amounts to over five years of future drilling inventory, at three to four wells a year. We will continue to pursue attractive opportunities in

future lease rounds, where we continue to experience low levels of competition.

Turning to slide 26, maybe now to Equatorial Guinea. Following the S-5 discovery now named Asam, we are advancing the development concept and integrating well results and the final seismic volumes into our models. Then half year we are focused on optimizing the development concept. Asam was our first ILX target, identified from a fast track portion of the new seismic across all of our blocks in EG. In March, we expect delivery of the final PSDM seismic volumes, and there are several leads that have been identified, as you can see on the map on this slide. Through 2020, we will continue to analyze this data and high grade ILX opportunities ahead of drilling as early as 2021.

Turning to slide 27, post the successful exploration appraisal campaign 2019, Kosmos now has three very distinctive and material assets in Mauritania and Senegal. Tortue is currently under development, is on track to deliver the first gas in the first half of 2022. In 2020, we expect to move the project to around 70% completion by year end.

The Yakaar/Teranga hub is in the appraisal phase and we expect to begin pre-feed work on the Phase 1 domestic gas scheme during the year. Birallah is the newest of the three hubs with around 50 TCF of gas in place now derisked, with the Orca-1 success. BP Kosmos and SMH PM [ph] will begin appraisal activity in 2020.

As I discussed earlier in the presentation, our position in the world class Mauritania and Senegal gas basin, a source of low cost, lower carbon LNG, is core to the strategy of the company. And we've decided to retain a greater interest in the Tortue project. We still have more gas resource than a company of our size can develop and we're focusing on monetizing either a smaller portion of Tortue or a larger portion the remainder of our Mauritania Senegal portfolio, to fund the increased interest in Tortue with a goal to deliver a self-funded long-term source of cash flow to the company.

With the right portfolio management, we believe we can retain close to the 5 million tons per annum while keeping the balance sheet of the company protected. It's worth remembering the fundamental characteristics of an LNG project. Once they are on stream they deliver reliable very good cash flow for many years, which provides a solid foundation for the company. Each additional 1 million ton per annum of LNG post development could deliver free cash flow of $100 million to $150 million dollars per year for 20 plus years.

Buyer interest in the three assets remain strong and we're currently in the process of sharing the data required for the 2019 exploration appraisal activity. Buyer pool includes end users utilities and super majors.

Slide 28 looks at our basin opening exploration portfolio, which includes well defined quality exploration opportunities in promising basins, Sao Tome and Principe, in our Equatorial Guinea, Namibia and Suriname. Our objective is to test these basins with key wells in 2020-2021, ensuring our capital is used efficiently.

In 4Q 2020, we expect to drill the Jaca prospect in Block VI offshore Sao Tome and Principe. Jaca is a four way prospect, which is the ABO support and it's one of several similar prospects in the area. Our partners in the well are Shell following their recent farm in in GOM and the National Oil Company.

We then plan to drill in Namibia and Suriname in 2021. In Namibia we are partnered with Shell and NAMCOR and we have several cretaceous prospects in PEL 39 where Kosmos has a 45% working interest. We're working with our partners to finalize our drilling plans in 2021. In Suriname where we're partnered with Hess and Chevron, we're encouraged by Apache's recent success in the Block to the South. There are several other important wells being drilled in neighboring blocks during 2020, which will provide important data points as we high grade the prospect for drilling in 2021.

The price of this activity remains significant. Kosmos' net unrisked resource potential in these three basins is over 6 billion barrels equivalent. The strategic challenge is to ensure that with success, these resources can be developed in an accelerated timeline with low cost and low carbon.

Turning to slide 29 which looks to the capital plan for the year, as we've done in previous years, this slide sets out the CapEx breakdown by geography and by expenditure time. The capital expenditure budget for the base business i.e., excluding Mauritania and Senegal is $325 million to $375 million and will be primarily focused on maintaining the existing production base, with growth coming from ILX. As a result, we would expect free cash flow pre-dividends of $150 million to $200 million at $60 Brent in 2020.

In Mauritania Senegal, total CapEx during the year after [ph] 30% working interest is expected to be around $250 million, which is second half weighted after we've used up the BP development carry. We expect to fund this CapEx from proceeds from one of the previously discussed farmout transactions.

Turning to slide 30, the guidance for the year, we have split the 2020 guidance into current quarter and full year guidance as we've done in the past. I don't plan on covering everything on the slide but one aspect I would

like to mention is the timing of cargos. We expect 10 Ghana cargos in total 7 from Jubilee and 3 from Sen [ph] and 4.5 from EG.

That concludes today's presentation. So to summarize on slide 31, Kosmos performed well in 2019 with safe operations and strong cash delivery. We're integrating climate risk into our strategy and see the energy transition as a major opportunity for a progressive companies like Kosmos to play a role in achieving the Paris goals and be part of the solution. And finally, we see 2020 as another year of strategic progress for the company underpinned by strong free cash flow delivery.

Thank you and I now like to turn the call over to the operator to open the session for questions.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions] Our first question comes from the line of Charles Meade with Johnson Rice. Please proceed with your question.

Charles Meade

Good morning, Andy to you and your team there.

Andrew Inglis

Good morning, Charles.

Charles Meade

I want to just go clarify something you said in your in your prepared comments and I just want to see if you would elaborate a little bit more on it. So I get that you're not going to sell the full -- the 20% targeted working interested at least in this Tortue LNG but you did identify the possibility that you may would sell some smaller portion and I wonder if you could kind of confirm that's the right interpretation and then help us understand how you're making the decision about how much you're going to sell in this Tortue of LNG.

Andrew Inglis

Yes, thanks Charles. If you look at the assets that we've got in Mauritania and Senegal we have three distinct assets at different stages of their maturation. We got the project going in Tortue, phase one going well first gas targeted for '22, Phase 2 and 3 to follow. We then got an appraisal project in Senegal, Yakaar/Teranga had success with the appraisal of the

Yakaar and we have a concept being worked for early gas to power supporting the government's transition to allow a common future. And ultimately we have Orca, which is the third, which is another world class LNG opportunity.

So three hubs and if you took our to 30% share, 10 million tons, you've got around 10 million tons of potential. Ultimately we believe something about half that size is the right size for Kosmos around 5 million tons. And we're weighting that to the projects that are going to sort of deliver earlier cash flows, which would be a slightly higher weighting in Tortue.

So the sell down process is proceeding well. We've got sort of three distinct assets. They each have different optionality for buyers. And I think it's a combination of a different attributes to the assets has broadened the buyer pool for us and it gives us the optionality as Kosmos to tune the portfolio into one which we believe is ultimately the best for our shareholders.

So that's the process that we're going through. And we feel good about building a future for Kosmos, which has these core LNG assets at its heart.

Charles Meade

Got it, and then if we could talk about the not seeking to enter new oil basins, is this is it right to think about this as a kind of implicitly a call on your part or on the part of the company that the economics ultimately even though LNG is -- spot LNG is weak now, but ultimately economics of LNG developments are going to be important more attractive than oil developments.

Andrew Inglis

Yeah, that's absolutely the point we're making and I think it's written by sort of two drivers. I think we, as you saw in the presentation we have done a lot of work to conform with the CKD requirements to understand climate risk. And we're putting out a full report later in the year. But what it fundamentally sort of centers, if you see a world where you can see peak oil demand, ultimately, you're facing a world where the margin for oil is going to be challenged. I think the world for gas is different. I think you're going to see growing demand.

And I think it's quite interesting that Shell went out with their presentation, I think last week they talked about the doubling for -- doubling of LNG demand in the next 20 years. And if you think about the length of time it takes to get to an LNG project going, I think that's a very simple significant prognosis. So the world of oil is going to be driven by things that are ultimately low cost. They have to be low carbon in that production, but also

short cycle things where you know, you can get your money back. And that's where we're going to focus on our exploration and we've got a really good portfolio.

We believe in a long term demand for gas that is resilient, but actually lots of gas in the world. So, you've got to be low cost and low carbon to compete. And ultimately, the challenge is around in that frontier oil base and if you are sort of entering it, trying to get access today. You shoot a seismic, you ultimately get to something where you have an exploration success, maybe by the middle of this decade. Then you go through the project phase and near the end of the decade, significant infrastructure and clients you have to enumerate and pay back in a world where there is margin pressure.

So this is fundamentally about where we believe we can allocate capital deliver the best returns for our, for our shareholders. And in the broader sense for all stakeholders, it is about playing our role to a transition supporting a lower carbon will, ultimately you will need more renewables and more gas.

Charles Meade

Got it. Thank you. That's the detail I was looking for.

Andrew Inglis

Right. Thanks, Charles.

Operator

Thank you. Our next question comes from the line of Bob Brackett with Bernstein Research. Please proceed with your question.

Bob Brackett

Hi. Good morning. Could you talk a little about the contingency planning? I'm thinking particularly if Brent is in 60 and if the farm out proceeds don't arrive, how do you balance the call on CapEx against cash flow?

Andrew Inglis

Yes, so the first contingency plan is over around hedging off. So, we've got 60% of our 2020 production hedged at $4.59. So --- about 20% of 2021 slightly higher around 60. Yes. So we've actually got a very well hedged position, which allows us, to manage what I think is an uncertain future at the moment in terms of oil price volatility.

Bob Brackett

And then in terms of the farm out proceeds not arriving?

Andrew Inglis

I think it's a question of timing, and it. We're working hard through the process at the moment, we've got a number of options that are out there. So, the contingency it's all about, the pace of the various other various options. So we remain optimistic that we've got enough options there to be able to deliver the outcome that we're forecasting.

Bob Brackett

Okay, I guess my sense of contingency planning is what happens when the optimistic view doesn't occur. So in the case where the call on CapEx is $250 million, but free cash flow is $150 million to $260 million. Do you use the balance sheet, you use debt, how do you square those two?

Andrew Inglis

Yes, ultimately we have to pull back on it. We've done an awful lot to repair the balance sheet over the last couple of years. So, liquidity sits at over $800 million. So we've got the balance sheet strength, we remove your time to get it down to around 1.8. So ultimately, we Got the full box option of the balance sheet if we have to, but ultimately it is about ensuring that we can move through with the sell down processes and move forward on that basis.

Bob Brackett

Okay, great. Thank you for that.

Andrew Inglis

All right. Thanks.

Operator

Thank you. Our next question comes from the line of David Round with BMO Capital Markets. Please proceed with your question.

David Round

Hi, Andy. Thanks for the presentation. Just got a couple on West Africa and the first one at Jubilee. I think you talked about plans to try and maintain production matter around current levels, which would be a pretty good outcome given where guidance has gone through, but I was just interested in the dynamic with the operator. Particularly at the moment, given the

leadership changes there and your ability to actually do a lot of the work you actually want to do and you talked about earlier?

And maybe the second one, just to follow-up on the sell down process, I think, you've said the preferences for Tortue is around access to the near-term cash flows. But have you seen significant different levels of interest for each hub and there's something like there are others hiring place number make it a more attractive and marketable asset?

Andrew Inglis

Yes, good. Thanks, David. I'll take two questions starting off with Tortue. Clearly, there's been a lot of change, changing the senior leadership, they've obviously announced significant downsizing and new people and post actually have many levels within. So I think, overall, we actually see the change in organization and in a positive way. The conversations that we've had over the last couple of months have allowed, I think, real progress to be made on the agenda that we've outlined and on Jubilee it's pretty simple agenda.

It's literally get more water in the ground to lower the GOR. It's about ensuring that you can handle a higher gas capacity and the project to the bottleneck, the tank system was successfully executed earlier this month. And then they sort of work with the government to take more gas out of the system. But overall, I feel as though there's real progress been made. And feel that the approach, the Tortue taken, it's pretty pragmatic and addressing the right issues.

When it comes to Tortue and the broader conversation around the sell-down of the assets, I think, as you rightly said, they're very different. And I think, one of the challenges we had when we had the initial marketing was that we actually haven't had the success with the appraisal of Tortue or the appraisal of Yakaar or the exploration's successive.

So you've got three very distinct assets and I think breaking it out in three packages has allowed us to have very different conversations, or some that the looking at the exploration potential and the sort of long dated nature and the asset and the exploration upside. Now, there was an act of Deeper Act in play and Birallah of the week that's yet to be tested. So though there are options that certain players are looking for. Others are looking for a near-term source of LNG production, which sort of brings you to the Tortue about.

So I think, overall, we would start -- I would say that the sell down process, because of the different attributes and the assets is -- it has been -- has actually been being strengthened, because of the distinct buying requirements, of the different people that are involved.

And I think the other thing I would say has changed massively as we've gone through the process is. from an ESG perspective, the world is actually pretty different a year off from when we started and I think a greater alignment around the role of renewables and gas will play in the future is causing a different conversation as well.

David Round

Okay. Thanks Andy. I appreciate it.

Andrew Inglis

Great. Thanks.

Operator

Thank you. Our next question comes from the line of Richard Tullis with Capital One Securities. Please proceed with your question.

Richard Tullis

Thanks. Good morning, everyone. Congratulations to Tom and Neal. Andy, when you look at the total company production profile until Tortue Phase 1 arrives, do you look at it as kind of a flattish production level similar to 2020?

Andrew Inglis

No, we see growth coming from the ILX, opportunities, and we've seen growth, actually in the Gulf of Mexico. When we took the asset on it was doing slightly less than 25,000 barrels a day, we're forecasting in a range, up to 28,000 barrels a day for this year. So, and that come from the tie back the initial successes that we have in Gladdens and Nearly Headless today. So, these things are relatively fine time to production.

So, in terms of the medium term, the growth is going to come from ILX success. So we've got a three well program in the second half of 2020 in the Gulf of Mexico. We got the work that we're doing on the Asam discovery in Equatorial Guinea, that coming on, and then also in Equatorial Ghana we've got a program eventful wells supported by the ESP.

So I think the growth in the near term is going to come through from those short dated, faster payback, ILX development type opportunities. And then you have the growth coming in from the start of Tortue phase 1.

Richard Tullis

Okay, that's helpful. So, the way to look at his growth in 2021 and kind of flattish in 2020?

Andrew Inglis

I think, not actually in 2020, I think that's the guidance that was given today is for obviously 2020. And then growth thereafter.

Richard Tullis

Okay, and then I'm going back once again to the form down process. What are you looking at for the near term milestones? I mean, when do you think you might be able to announce something definitive there?

Andrew Inglis

All right. I'm not going to box myself and sort of negotiate in a way where I set myself false deadlines that I have to make the next level market. We're clearly focused on the outcome, which is to ensure that we deliver what we need to deliver to deliver the cash outcome for 2020 and that's the goal.

Richard Tullis

Okay, that's fine. Thank you.

Andrew Inglis

Great, thanks.

Operator

Thank you. Our next question comes from the line of Pavel Molchanov with Raymond James. Please proceed with your question.

Pavel Molchanov

Thanks for taking the question. You talked about hoping for gas for the local economy in Senegal. Just to clarify what percentage of the Tortue project output will be going into the domestic market? And do you have a sense of what the pricing on that will be?

Andrew Inglis

Yes, the Tortue 2 is relatively minor it's 35 million tons a cubic feet will go to Mauritania. 35 million tons a cubic feet will go to Senegal, and any other pricing will be driven by the uptake pricing from LNG, but it is a very, very small percentage of the revenue stream very small.

Ultimately what you're looking to do in the future is Mauritania is a relatively small country, population 4 million. If power demands are relatively low and so a 35 million square feet gives them a significant base load of gas power, where they can display the current diesel in the power station [ph], but then actually link that to a solar fee and a wind fee, which provides then a very quick and rapid transition to a cleaner powered economy. But they start from the place of having a very low population base today which means that the physical quantity is quite small.

Pavel Molchanov

But one more question on the ESG strategy to get to that net zero by 2030, do you plan to use carbon capture at any of your operations?

Andrew Inglis

Yes, no, what we're going to use is nature based solutions, which is what we -- what I talked about in the presentation part. So we [indiscernible] and used the Scope 1and scope 2 definition operated activities about 8,000 tons of Co2 equivalent in 2019. That's driven primarily by using other methods of capture. So nature based versions of the ones we are going to focus on, why, because we are actually, they have a broader ESG impact in the countries in which -- we got a reforestation projects in Ghana, there are reforestation projects in Gold Coast.

And they employ people, they provide investments, they improve the local environment. So those are things that we are focused on. And we are also in stages, with the blue carbon approach we're taking to restoration in the Gulf of Mexico is a really -- another really novel of product, which has broader applications. So it's how do we pull those technologies, emerging technology together with our operating footprint and we're confident that we can get to net zero on an operative basis by 2030 or sooner.

Pavel Molchanov

Okay, thank you very much.

Andrew Inglis

Great. Thanks.

Operator

Thank you. Our next question comes from the line of Mark Wilson with Jefferies. Please proceed with your question.

Mark Wilson

Hi, good afternoon. And my question is I'd like to just go back towards where we were last year in the CMD and there was three longer term or medium-term outlooks, put out the 8% to 10% growth in production $1 billion free cash flow at $60 Brent to 2021. And a target leverage at between 1 to 1.5 times. Now there's been a lot of things that have gone very well this year, arguably. Ghana is the only non-operate position that is -- has really been the backward step. So I just like to know where those three, 2021 targets stand and is it only Ghana that has been the change, if indeed there has been a change.

Andrew Inglis

Yes, I think when you look back at that market, a lot of change. I think in terms of -- when we were talking about [indiscernible], we were talking about only holding 10% of our vertical position in Mauritania. So I think we're targeting holding a larger amount. I think the ultimate sort of rate of growth in a production sense, which is dependent on the growth of the portfolio coming in from Mauritania and Senegal is unchanged.

I think probably the front end is slightly flatter, which is ultimately around the pace of the ILX delivery in the Gulf of Mexico. So I think, if you were to look at the list of things that you've raised. I think absolutely Ghana is less than we'd anticipated in that. I think it's -- we're headed in the right direction and we need to demonstrate the delivery from the operator. But I believe it's headed in the right direction. And I think the other delta will just be the individual phasing of the ILX projects.

Mark Wilson

Okay. Thank you. If I could follow-up to ask you about the carbon neutrality target, a very ambitious target by 2030 puts you at the forefront of such targets, I'd say on a timeline. Could we ask about a capital commitment that might be required with investments into these natural solutions? And could you tell us what the actual investment in shared resources is?

Andrew Inglis

Yes, thank you. Look at it overall, yes, Kosmos benefits from having a relatively small operate footprint. So from that Scope 1 to Scope 2 perspective, say about 80,000 tons of CO_2 equivalent in 2019. And it will vary depending on the quantum of drilling this pursuit. But with efficiency drives, plus the investments in the nature-based capture solutions, we've got a very clear plan on how we get to carbon neutrality by 2030 or sooner. And the investment levels are less than $5 million per annum together. That's the level of expansion we would envisage in the nature based solutions.

Mark Wilson

Got it. Okay. And is that the level you've invested to-date?

Andrew Inglis

It is, no, we're ramping up to be fair. We have a -- I'd say that look 2020 will be the first year of actual dollars into a nature based solution.

Mark Wilson

Got it. Okay. Okay. And then lastly, if I may, just one last question on Ghana. I just like to know about the production levels at the moment at 90,000 [ph]. Clearly, that means there's a gas solution getting a lot more sustainable. I'm just wondering how the offtake scenario -- offtake levels of gas, of course, the FPSO work, I've been to look through to 2020 or is it a case that the government has given a greater flexibility to flaring?

Andrew Inglis

Yeah, now there's a lot going in Ghana. As I said, I think we're headed in the right direction. What they -- with the operator successfully done the capacity expansion, which allows you to flow more gas through the system, there are some other operational issues that are going on in the first quarter but not associated direct with our operations that are picking operation of the Western gas pipeline, and then there's also a plant shut down at the gas plant.

So as you go through those operational issues, they do affect the ability of the government to obtain the gas. So the government has given a dispensation for flaring while those issues are going on. And then the other item which the operators, I think taking the right approach is now we recreate the gas capacity, we've got to make sure that we don’t overstressed the rest of the system and so the focus now is on the reliability of the gas compression.

So you you're right to point out that the cost of flaring this concession is high with the gas rates but our objective is to establish -- once all the maintenance and so on is done onshore to -- and system is fully reestablish that the government will actually increase the gas offtake rates.

Mark Wilson

Thank you very much.

Andrew Inglis

Great, thanks.

Operator

Thank you. Our next question comes from the line of Al Stanton with RBC. Please proceed with your question.

Al Stanton

Yes, good afternoon, guys. Can I just try and nail down some numbers in terms of the tortue costs and carrier and make sure that I've understood what you mean by post BP carry. So I'll give you my understanding and then you can correct me. So the way I understand it is that your $500 million carry from BP will be used up by the middle of the year, and then you're going to spend $250 million in the second half. So assuming even spending across 2020, that's your investment 30% on Tortue is $500 million. And then if that's right, how complete will the project be, at the end of this year, given it started at 25%? What will it be and what should we be expecting in terms of spending in 2021.

Andrew Inglis

Yeah, you got the numbers about right. So if you think about it on a post BP carrier runs out about mid-year, and our exposure of full 30% is around $250 million. And at that point, the projects is about 70% complete.

Al Stanton

Okay, fine, so I can do the other math between now and then.

Andrew Inglis

You do the math.

Al Stanton

And then if I can just ask this second question, can you see the three projects in Mauritania and Senegal, competing with each other and would you be happy to have different stakes in competing projects?

Andrew Inglis

Yeah, we will. And I don't think they compete. It's quite interesting. I think in Mauritania, there's work to be done in terms of fully describing the potential of the hub, the exploration that will take place. So that is kind of the focus there, how did you leverage the learnings from Tortue to sort of carry that forward?

Ultimately, in Senegal, you have a project where you will bring forward a domestic gaskey in accordance with the Senegal Sao Tome which is ultimately about how do they tie in a very different population base to Mauritania. So I think they're going to be driven by the individual needs of the country, rather than competing as individual projects. They're all good investments in themselves, and will be driven by an aligned view of how the countries want to take them forward.

So I think at the end of the day, when you look at it from that perspective, having different percentages into different pieces is absolutely feasible. You're not going to be in a situation where one is being held to ransom for the other project to go ahead. It isn't going to work like that. They have very different agendas being driven by ultimately, the different colonies of the countries and how they want to see their road resources develop.

Al Stanton

Cool, thank you.

Andrew Inglis

Great thanks Al.

Operator

[Operator Instructions] One moment please we poll for more questions. Thank you. We have reached the end of our question-and-answer session. I'd like to turn the call back over to Jamie Buckland for any closing remarks.

Jamie Buckland

Thank you, operator, we appreciate all of you joining us on the call today and your interest in Kosmos. If you have any further questions, please don't hesitate to contact me. Thank you very much.