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Edited Transcript

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Chevron

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Operator: Good morning. My name is Katie and I will be your conference facilitator today. Welcome to Chevron's First Quarter 2022 Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speaker's remarks, there will be a question and answer session and instructions will be given at that time. If anyone requires assistance during the conference call, please press star and then zero on your touch-tone telephone. As a reminder, this conference call is being recorded.

I will now turn the conference call over to the General Manager of Investor Relations of Chevron Corporation, Mr. Roderick Green. Please go ahead.

Roderick Green: Thank you, Katie. Welcome to Chevron's First Quarter 2022 Earnings Conference Call and Webcast. I'm Roderick Green, GM of Investor Relations. Our Chairman and CEO, Mike Wirth, and CFO, Pierre Breber, are on the call with me. We will refer to the slides and prepared remarks that are available on Chevron's website.

Before we begin, please be reminded that this presentation contains estimates, projections, and other forward-looking statements. Please review the cautionary statement on slide two.

Now, I'll turn it over to Mike.

Mike Wirth: All right. Thanks, Roderick.

Before we turn to first quarter results, I'd like to recognize the people of Ukraine. Our hearts go out to those affected by this tragedy and we hope for a prompt and enduring diplomatic resolution.

The last two years have been and volatile and unpredictable, driven by the global pandemic and geopolitical conflict, creating strains on economies and markets around the world.

Through it all, our objectives have been clear and consistent. And in the first quarter we continued to make progress, delivering book returns in the mid-teens, investing to grow both our traditional and new energy businesses, and returning even more cash to shareholders while maintaining an industry-leading balance sheet.

Recent events remind us of the importance of energy. Looking forward, I know that Chevron is doing its part, raising this year's Permian production outlook and advancing two important renewable fuel transactions: our Bunge JV which is expected to close shortly, and the Renewable Energy Group acquisition, which is expected to close around mid-year.

While the future is uncertain, our actions are not. We're on a path to delivering higher returns and lower carbon and rewarding our stakeholders all along the way. With that, I'll turn it over to Pierre, to discuss our financials.

Pierre Breber: Thanks Mike. We reported first quarter earnings of $6.3 billion, or $3.22 per share. Adjusted earnings were $6.5 billion or $3.36 per share.

Included in the current quarter were pension settlement cost totalling $66 million and negative foreign currency effects exceeding $200 million. A reconciliation of non-GAAP measures can be found in the appendix of this presentation.

Adjusted ROCE was over 15% and our net debt ratio is below 11%.

A third consecutive quarter with free cash flow of over $6 billion enabled us to return $4 billion to shareholders and further pay down debt. In addition, during the quarter, we received over $4 billion in cash when about 3,000 current and former employees exercised stock options. This quarter's proceeds from option exercises were over four times historical annual average of around $1 billion per year.

About two thirds of the vested options at year-end 2021 were exercised during the first quarter, lowering the potential future rate of dilution from the outstanding balance. Over time, we expect our share buybacks to more than offset the first quarter dilutive effect.

Adjusted first quarter earnings are up $4.8 billion versus last year. Adjusted Upstream earnings increased mainly on higher realizations, while Adjusted Downstream earnings increased primarily on higher margins, partially offset by negative timing effects.

Compared with last quarter, adjusted earnings are up more than $1.6 billion.

Adjusted Upstream earnings increased primarily on higher realizations and the absence of certain fourth quarter DD&A charges. Liftings were lower, in part due to lower production in the Gulf of Mexico.

Adjusted Downstream earnings decreased primarily on timing effects.

The All Other segment was down primarily on unfavorable tax items and higher corporate charges. The All Other segment results can vary between quarters and our full year guidance is unchanged.

First quarter oil equivalent production decreased 2% year-on-year due to the expiration of Rokan in Indonesia, lower production in Thailand as we approached the end of the concession, and lower entitlements due to higher prices. Permian growth and the absence of Winter Storm Uri impacts partially offset and drove U.S. oil and gas production up over 10%.

Now, looking ahead.

In the second quarter, we expect lower production due to planned turnarounds at Wheatstone and Angola LNG, impacts from CPC pipeline, and the expiration of the Erawan concession in Thailand.

At CPC, two of the three single-point moorings are now back in service and TCO has returned to full operations. Downtime associated with the April repairs is estimated to be less than 15% of our second quarter turnaround and downtime guidance.

We anticipate a return of capital between $250 and $350 million from Angola LNG in the second quarter. This cash is reported through cash from investing and not cash operations. In the first quarter, Angola LNG returned over $500 million of capital.

The differences between affiliate earnings and dividends are not ratable and TCO has not yet declared a dividend in 2022. With higher commodity prices, affiliate dividends are expected to be $1 billion higher than our previous than our previous guidance.

We've utilized our NOLs and other U.S. tax attributes and expect to make estimated U.S. federal and state income tax payments in the second quarter. These payments will flow through working capital accounts just like our first quarter IRS refund did.

In the second quarter, we expect to invest $600 million as we close the Bunge joint venture, and to repurchase shares at the top of our guidance range. With that, I'll turn it back to Roderick.

Roderick Green: That concludes our prepared remarks. We're now ready to take your questions. Please try to limit yourself to one question and one follow-up. We'll do our best to get all of your questions answered. Katie, please open the lines.

Operator: Thank you. If you have a question at this time, please press star one on your touch tone telephone. You may ask one question and a follow-up question. If your question has been answered or you wish to remove yourself from the queue, please press star two. If you are listening on a speaker phone, we ask you please lift your handset before asking your question to provide optimum sound quality. Again, if you have a question, please press star one on your touchstone telephone.

Our first question comes from Phil Gresh with JP Morgan.

Phil Gresh:
(JP Morgan) Hey, good morning, thanks for taking my question. Mike, I want to start with one for you on Tengiz. There have been a number of events here in the quarter from the social unrest earlier in the quarter to the CPC pipeline uncertainty and the moorings issues. So, I recognize production seems to be back up and running to normal now but I'm curious how you think about this in terms of the broader implications of what has been happening on the ground there? And it's a very important asset for Chevron, so what are your latest thoughts?

Mike Wirth: Well, Phil, it's an important asset, not just to our company, but to the Republic of Kazakhstan and, frankly, to world energy markets, Europe in particular. It's a significant supplier at a time when there are concerns about supply security that you're very familiar with.

We're focused on safe and reliable operations, as you would expect, protecting people and the environment and our assets, executing the major project that's underway, and working with all the stakeholders that are involved in this. That includes partners, that includes, obviously, the government of Kazakhstan, and our customers.

So, the risks that I think you're referring to are risks that are present in Kazakhstan and in varying degrees, in other parts of the world as well. And that's part of what we do, is manage those risks on the ground each and every day. There are times when the environment feels a bit more benign, but you can't take your eyes off those risks because they can materialize at any point.

To this point in time, we've been able to make good progress on the project, some impact, really from the weather-related downtime at the loading buoys at Novorossiysk, but two of those are back in service and the third one is slated for repair, which would give us plenty of redundant capacity there.

We continue to stay very focused on every aspect of managing that. Our people on the ground are empowered to do what it takes and to be very responsive in real time, and I''m incredibly proud of the work that they've done in a very challenging environment.

Phil Gresh: Understood, appreciate your thoughts. My second question would be for Pierre, on cash flows or cash balances. The quarter did come in a bit lower than expected on cash flows, and I think you highlighted some timing factors, but you did get a bunch of cash from the stock vesting so cash balances are up quite significantly.

I was wondering, I don't know if there's anything else to highlight on the moving pieces of the cash flow, but even at strip prices with your buybacks, it seems like cash balances will keep going up. So just what are your latest thoughts on managing the cash from here? Thanks.

Pierre Breber: Thanks Phil. First, let me just talk about cash in the quarter. Cash in the quarter was very strong. As I pointed out, our dividends from affiliates are not ratable, in particular from TCO which historically has paid dividends in the fourth quarter. We increased our guidance on expected dividends but they were light in the first quarter. So yes, that's timing.

I also pointed out that Angola LNG returned $500 million of capital. That's essentially operating cash, that's a function of operating an LNG facility and selling it into the European gas markets at TTF prices. However, just to accounting rules, it's flowing through cash from investing and not cash from ops. But for all intents and purposes, it is operating cash flow and at some point in the future, it might revert back to that depending on the retained earnings in that affiliate.

Another item, I did not mention it, but it's a typical item that happens in the first quarter, we pay out our long-term incentive compensation which, a portion of that is in the form of restricted stock and performance shares. That again, happens annually, but with a higher stock price, that was a higher payment than in previous years. That does not flow through working capital, that comes out of a long-term liability account.

And then as I mentioned, we expect to make estimated tax payments next quarter, but that'll flow through working capital. And many of the analysts look at our cash flow ex-working capital. But our IRS refund also went through working capital that we had guided to in the first quarter.

In terms of our cash balances, we're running a little bit high on our cash balance, that's why we refer to net debt. But we have a couple of cash items coming up. We expect to close REG around mid-year, that's $3 billion. And we have an offering out right now to do make-whole calls on about $3 billion of bonds. These are bonds that are economic to call back.

And then on the buybacks, I mean, we just increased our buyback guidance at our investor day back in March to $5 to $10 billion. We were at $5 billion rate here in the first quarter, we're doubling it now to the top of the range of $10 billion. And we'll just see where the environment goes from here.

We are setting the buyback at a rate that we can maintain across the commodity cycle. We could have a higher buyback rate this quarter or next quarter, but the goal is not to maximize the buyback rate in any individual quarter, it's to set it at a level that we can maintain when the cycle turns and therefore we can rebalance our net debt ratio closer to our mid-cycle guidance. Thanks, Phil.

Phil Gresh: Thank you.

Operator: Thank you. We'll take our next question from Devin McDermott with Morgan Stanley.

Devin McDermott: (Morgan Stanley) Hey, good morning. Thanks for taking my questions. So, the first one I wanted to ask is just on the Permian results and guidance increase. I was wondering if you could talk through, in a bit more detail, some of the drivers there. Are you adding activity, is it better performance on the activity you had already had budgeted for, is it non-operated? Just walk through some of the drivers there and how you're thinking about that.

Mike Wirth: Yeah, Devin. We did have a strong first quarter, and a couple of big things to bear in mind there.

As we slowed things down in 2020 when demand contracted due to the pandemic, what happened is we ended up with an inventory of drilled but uncompleted wells [DUCs] that grew beyond what would be kind of a normal run rate for our rig fleet. We've been working through that and we're back down now to what you could think of as a more normal factory model.

We'll always want to have DUCs out in front of the completion crews, but that had grown to a larger than normal rate. So, as we've caught that up, that's pretty efficient. It's the first place you turn as you see the cycle turn, is completing those wells to get that production online. And we'll be moving into a more of a factory model. It'll level out a little bit versus what might feel like a little bit of a surge.

We also get some non-ratable joint venture bookings that show up. And so, both of those contributed to a very strong first quarter.

And of course, by the time you look at how that would roll through in the continued activity for the rest of this year, it's pretty clear that we'll end up higher than the initial guidance that we had put out.

But we haven't stepped up our program, we haven't stepped up number of rigs, we haven't stepped up spending. It's all really a function of getting the machine running again. And then underneath that, there's ongoing efficiency improvements that we continue to see.

Devin McDermott: Got it, that's very helpful. Thanks.

My second question is on your global gas and LNG portfolio. And I was wondering if you just give us an update on how you're looking at some of the medium and longer-term opportunities there given what's going in markets, and specifically I'm thinking about Eastern Med and that gas position. And then also whether or not integration into some type of LNG facility in the U.S. might make sense for some of your production growth there as well?

Mike Wirth: Sure. LNG is on everybody's mind these days, it's important to meeting Europe's needs, it's important to delivering a lower carbon energy system globally. And we see this strong market here in the near term.

Eastern Med is a wonderful asset, I was just over there two weeks ago. I visited the Leviathan platform, spent a lot of time with our people in the business there. They've recently completed a project to increase infrastructure access to regional markets, and we're actually flowing more gas into Egypt as a result of that.

We're looking at a number of other opportunities to further increase production because the resource there is quite prolific. That includes further coal to gas switching in Israel for the regional supply into neighboring countries, potential power generation for power distribution through the region, floating LNG potentially using ullage in other LNG facilities in the region. A number of different commercial options are being evaluated and worked. So more to come as those mature, but it's an area of high priority for us because of the market demand for it.

When you look at the U.S., clearly, we've got a lot of gas production here that largely prices at Henry Hub today. And there are these projects that are in the process for LNG export facilities. We've had discussions with a number of those developers, nothing to say more than we've had discussions at this point.

We've been very focused on the Pacific basin historically and as the Atlantic basin markets now look a little bit different, as we flow gas from our West African assets into the Atlantic basin, it may make sense for us to have some U.S. supply as well. We'll advise you as we advance anything there.

Devin McDermott: Thank you.

Operator: Thank you. We'll take our next question from Neil Mehta with Goldman Sachs.

Neil Mehta:
(Goldman Sachs) Good morning team. Mike, I'd just love your perspective on the oil macro. You always have a good read on it. It strikes us that inventories for product and oil are very tight right now. You've got jet fuel recovering over the summer. We'll see what happens in China. Shale has an inelastic supply response.

So how does this ultimately resolve itself in the near-term? Do you ultimately need to solve for demand destruction through crack or flat price of oil, or is there something that we're missing?

Mike Wirth: Neil, you're putting your finger on all the levers. If you step back from it, supply always responds more slowly than demand does. And in normal times, which we have not been in for the last couple of years, both of them gradually move in relative sympathy with one another. You've got storage out there that can buffer any near-term imbalances.

I'm repeating what you all know, but in 2020, we saw a contraction unlike anything I've seen in my lifetime. And we had to really constrain activity, there was no sense producing more oil when the world needed a lot less. And it wasn't clear at the time how long that might last and how deep it would be. And so, the entire industry, every segment of the industry, responded to that.

And then as we've come out of the pandemic, demand growth has surged and, as you say, we haven't seen it all come back yet. Air travel, while domestic air travel in the U.S. is pretty strong, international air travel still has a ways to go to recover to pre-pandemic levels. And then China and other parts of the world are still in various stages of lockdown at various points in time, and so we haven't seen a full recovery of demand there.

So even with that, demand has now responded more quickly than supply can match it. And then you overlay a host of other issues: the independent E&Ps feeling more of an obligation to return cash to their shareholders, some of the big integrated companies have reprioritized new energy versus traditional energy and have indicated they intend to shrink rather than grow their oil and gas production, and then the NOCs [National Oil

Companies], you can go around the world, everybody's got a little bit of a different situation.

It's a market that is not stable, it's not in equilibrium right now. As you say, inventories are quite low, demand is still strong and economies, to this point, seem to be handling it.

At some point, particularly if prices were to move higher, I do think it starts to be a bigger drag on the economy than what we've seen to this point. There's a lot of tension in this market and the supply response is coming.

We're up 10% in the U.S. year-on-year, we're working on the big project in Kazakhstan, which will start up over the next couple of years, and others around the world have got things that they're doing as well. But it just comes in at a different pace than the demand has moved.

And I think we're in a market that's tight right now, that has a lot of uncertainty, and I think that is not likely to resolve itself in the near term, the uncertainty. Things like the SPR release, in the near term, can do a certain amount to calm those markets. But over time, it's a cyclical business. There is a lot of resource out there that can be produced, the price is lower than we see today.

And one of the lessons is history is, just as the bad times don't last forever, neither do the times when prices are strong. And we can't start to believe they'll always be like this. But I think in the relative short term here, the tensions that you referred to are likely to remain.

Neil Mehta: Yeah, it's a great perspective, Mike. Another big picture question is, if you think about 20 years ago at the beginning of the last super-cycle, you had very similar, very large multiple arbitrages between the super majors and even large independents and some of the majors. And one could look at your multiple on consensus and say you have a trade of premium relative to a lot of the global majors.

Do you think there's value in mega M&A in this space? And do you see yourself as a logical consolidator given that M&A is such a core competency and it worked out incredibly well for you 20 years ago with Texaco?

Mike Wirth: Yeah, we're always looking at these things, Neil. I think history would suggest that deals done in an up-cycle or near the top of the cycle don't necessarily look as well in hindsight as deals that were done in a different part of the cycle.

Twenty years ago, when there was a number of transactions that you refer to, we were coming out of oil prices in the teens or the twenties and so consolidation made sense. There were a lot of synergies to be harvested as you put some of these companies together.

I think the entire industry is more efficient today than it was then, certainly large companies, which you refer to kind of large-scale M&A. And I think the synergy opportunities, well, no doubt there would be some, they may not be the same magnitude that they were twenty years ago. We've all used technology and other things to improve the efficiency of our operations.

I never say never but, I don't know that just because we're trading at relatively strong multiple right now, that it should lead you to believe that it means we're more likely to do something than our track record of discipline would suggest.

Neil Mehta: Thank you, Mike.

Operator: Thank you. We'll take our next question from Jeanine Wai with Barclays.

Jeanine Wai: (Barclays) Hi, good morning, everyone. Thanks for taking our questions.

Roderick Green: Good morning.

Mike Wirth: Morning, Jeanine.

Jeanine Wai: Morning. Our first question, maybe we just hit back on cash returns. The buyback for 2Q[22] annualized, again, is at the top of your range, and, Pierre, I think you reiterated on Phil's question that buybacks are intended to be through the cycle.

Can you just maybe provide a little bit of commentary on how you're viewing the buyback in relation to mid-cycle cash flow?

Pierre Breber: Thanks Jeanine. The buyback rate of $10 billion is a company record. The previous highest buyback rate was back in 2008. And as you say, we want to maintain it across the commodity cycle so we're very in tune with what our mid-cycle cash flow capabilities are.

We showed, at our [2022] investor day, a low case at $50 Brent and showed that we could maintain the buyback for multiple years even though $50 is notionally right around the breakeven for covering both our dividend and our capital. And then of course we showed a high case of $75 where buybacks were in fact higher than the current $10 billion guidance and we could buy back at that point in time, it was more than 25% of the company, so a little bit less based on the current stock price.

So that's exactly how we're thinking about it. To Neil's question and the macro, it was just two years ago today, on this earnings call, that Chevron was the only company to show a two-year stress test at $30 Brent. And that was a real stress.

And we showed that we could maintain the dividend, invest in the business for long-term value. We certainly reduced some short cycle capital. And yes, we would take on some debt, but we'd have a debt ratio that would still be very manageable, and in fact, would be not far from where many of our competitors were entering the COVID crisis.

So as Mike says, we're mindful of the cycles that are in our business, we have to plan and manage for them. Again, we can afford a much bigger buyback program next quarter. You know Jeanine that a net debt ratio under 11% is not what we're targeting. I mean, that's just how the math works. We grew our dividend 6% earlier this year, our dividend is up nearly 20% since COVID while many in the industry cut their dividends during the last couple of years.

Our organic investment is up more than 30% versus last year. When you include our announced acquisitions, total investment is up 50%. So, clearly, we're investing, as Mike has said, to grow both our traditional and new energy businesses.

And we've paid down debt and we've been increasing our buyback as we've seen the strength of this up cycle and the likely duration of it increase. But the cycle will turn and we'll continue to do buybacks. And so, we want to set the buyback at a rate that we can manage it, not only at our mid-cycle cash flow generation capability but even when it goes below that.

Again, there's going to be a time where we're going to be buying back shares and we'll be doing it on the balance sheet because we'll want re-lever back closer to that 20% to 25% net debt ratio range that I've talked about.

Jeanine Wai: Okay, great. Thank you, very helpful. Maybe if we just can move back to the assets on the Permian. Permian for you guys is firing on all cylinders, clearly have a big asset there with huge long-term value.

One of the things that has been talked about a bunch recently is just FT [firm takeaway] on the gas side and how you kind of see that evolving, just wondering how Chevron is looking at that for your long-term plans? Thank you.

Mike Wirth: Yeah Jeanine, I'm glad you talked about long-term plans because we've had a long-term Permian plan and interestingly, notwithstanding one of the most volatile two-year periods we've seen, our production profile doesn't look that different than it did just a couple of years ago in terms of where we're headed.

And of course, that drives everything from contracting for rigs and completion services, to takeaway capacity for oil and [natural] gas liquids and gas. We've got sufficient takeaway capacity for our production through the middle of this decade. And as we look forward, we're working on what it takes beyond that period of time. So, we don't flare in the Permian and so we've got to be sure we've got gas takeaway or we're not going to produce oil.

And it's a high priority for our Midstream team. But we don't see pinch points anytime soon and we continue to be a very attractive shipper for the people that we do business with because we're predictable. We've got a strong track record of continuing to deliver the growth that we have indicated, we got a strong balance sheet, and all those things mean that people like to do business with us. We feel pretty good about that for the next few years.

Jeanine Wai: Great. Thank you.

Mike Wirth: Thank you, Jeanine.

Operator: Thank you. We'll take our next question from Paul Cheng with Scotiabank.

Paul Cheng: (Scotiabank) Good morning. Two questions, please. First on inflation. Pierre, I'm just curious that for your CapEx for the next, say two or three years, do you have a percentage you can share, what percent of your CapEx is pretty much fixed price contract, so don't subject much to inflation and what percent is really quite vulnerable to inflation?

And also, when we are looking at your CapEx for this year, the Bunge JV $600 million [inorganic] investment, is that included in your original budget or that this will be in addition to your original budget? That's the first question.

The second question maybe is for Mike, that with the much sharply higher commodity prices, when you have discussion and negotiation with the NOCs, the host government, is there a change in the attitude or does it become more difficult for you to get better terms? Or that this is happening too quick and so you haven't really seen any change in the way, how you conduct discussion with your counterparts in the National Oil Companies or the host government. Thank you.

Pierre Breber: I'll start.

Mike Wirth: Pierre, do you want to start? Yeah, go ahead.

Pierre Breber: I'll start on the first question. There are several parts to it. So first, yeah, Bunge Joint Venture, anything that is an acquisition, inorganic, is not included in our $15.3 billion budget [for 2022] that we shared back in December. So, I think we cited that in fact, in that press release, that Bunge would be in addition.

And in the other potential inorganic, there was a little bit of inorganic in the first quarter that included an investment in Carbon Clean, a technology company. REG also will not be included. You won't see REG though even in our total capital, our total C&E [Capital and Exploratory Expenditures], because it's a company acquisition.

Let me just talk about cost inflation a little bit. We are seeing more cost pressure in the Permian. It's manageable, but if we go outside the U.S., seeing hardly any or much more modest increases, and none of that is changing our $15.3 billion CapEx budget that we've talked about.

I'll remind everyone that the Permian is 20% of our capital budget so it gets a lot of attention. But again, 80% of it is not. Outside the U.S. is not seeing much cost pressure at all.

In the Permian, as Mike said, we've planned our business, so we have all the equipment and services to execute our plan. And we've seen a little bit more than we had budgeted, but we can offset some of that with efficiencies in the Permian and with reductions elsewhere in the portfolio.

Our focus is turning to 2023 and securing all the equipment and services that we'll need to execute that plan, but we'll share the details as we update our annual budget which we do every December.

In general, Paul, you can think that we contract 30% to 40% of our total supplies each year. So every two to three years on a rotational basis, it can vary, it depends by location. But notionally, we are going to be exposed to some of these higher prices as we move into future years. Again, we've been able to manage this year very well due to how we contracted previously.

Our $15 to $17 billion capital guidance which goes on for five years kind of assumes mid-cycle conditions, so it has the ability to absorb some of these cost increases that are transient. And so, we'll execute within that and we have Tengiz coming off which will open up more room in that capital guidance. And again, we'll share all the details when we release our capital budget in December.

But the bottom line is we're seeing modest increases, we said, overall, our capital budget had just a few low-single digits of COGS inflation for this year. A little bit more than that in the Permian. It's all very manageable and we're working hard to secure contracts for future year's activity.

Mike?

Mike Wirth: Okay. Paul, your second question was on discussions with host governments on concessions and how that may be affected by the price environment. I would tell you that right now we're pretty early into this price up cycle and I'm not sure that I can say we've seen a lot of change as people are really adjusting to the environment we're in.

But on the broader issue of concession extensions, look, we've got to find these opportunities in negotiations that create value for the company and for the host country. And so, you really have to look at it through the lens of both.

We had long histories in both Indonesia and Thailand. We would've liked to extend those concessions that are rolling off last year and this year, but we couldn't find an outcome that satisfied the host governments' expectations and that would compete for capital within our portfolio, which has got a lot of alternatives.

The flip side of that is Angola, where we, last year, extended our Block 0 concession from 2030 out to 2050. And that's a partnership that started more than 60 years ago and there was a lot of common ground there on contributing to reliable and cleaner supply for Angola, reducing greenhouse gas emissions there, and finding a way to do that on terms that will attract capital within our portfolio.

So, we approach each one of things looking for value for our shareholders and to provide a proposition for other stakeholders that they find acceptable. Sometimes we can achieve that, other times we can't. So, more to follow probably in terms of if this turns out to be a long-up cycle, how that may change those dynamics. And I think, the fundamental approach that we take is unlikely to change.

Paul Cheng: Thank you.

Operator: Thank you. We'll take our next question from Roger Read with Wells Fargo.

Roger Reed:
(Wells Fargo) Yeah. Thanks. Good morning.

Roderick Green: Morning.

Mike Wirth: Morning, Roger.

Roger Read: We could maybe talk a little bit about some of the bigger projects, thinking about your answer earlier, Mike, on some of the macro items and underinvestment. I know you have some things in the Gulf of Mexico, you've obviously got an extensive LNG footprint globally, how do you think over the next couple years blending in your kind of known deepwater projects and then the possibility of doing something again on the LNG front?

Mike Wirth: Yeah, so, we've got a nice set of projects under development in the deepwater Gulf of Mexico. Jack / St. Malo has a multiphase pumping project that'll start up this year. Next year, we'll hit the first water flood injection on St. Malo and some additional development drilling there.

Big Foot, which is on production right now, we've got ongoing development drilling, and water injection soon to follow. Mad Dog II is slated for first oil this year. We've got Anchor which is expected to have first oil in 2024. Whale also expecting to have first oil in 2024. We just sanctioned Ballymore which will have first oil in 2025.

So there's a cue of these things that is rolling through. And what's a little bit different than in the past is they're not all are in the same phase of development at the same time. So, I gave you those kind of in order of when they come on in production but we don't have them just sitting on top of each other.

A lot of the lessons of maybe the last up cycle were don't take on more than you or your suppliers and contractors have the capacity to do well in any given period of time. And we're really trying to apply that here. It doesn't get as much attention or interest as we

get from the Permian these days or Kazakhstan but really important part of our portfolio, really nice projects and very low carbon energy for the world.

I mean, this is sort of the lowest carbon intensity in our portfolio. Our portfolio average is about 28 kilograms of CO_2e per BOE. Our Gulf of Mexico averages 6 [kg CO_2e per BOE]. So, it's not only economic, it's low carbon. It's something that I think that our country is blessed with and should continue to advance leasing in deepwater Gulf of Mexico.

On the other question, LNG. I addressed earlier, a little bit of that, we got number of options in the Eastern Mediterranean, we're talking to some people here in the U.S. You may have seen media reports that we have been talking to people in the Middle East about expansion projects there. We're evaluating a number of different opportunities. We'd like to grow our LNG position, the world needs it. But similar to my response to Paul, it's got to compete for capital in our portfolio.

Pierre mentioned we're going to stay disciplined on capital. We've given you a range, we've stuck within that range ever since we started putting that out here. And that would be the intent. So, just because something looks good through the lens of growth and commodity exposure, it's also got to compete for capital in a disciplined budget. And we'll just see which of those ultimately, if any, kind of pass that screen.

Roger Read: That's great. Thank you.

Operator: Thank you. We'll go next to Ryan Todd with Piper Sandler.

Ryan Todd:
(Piper Sandler) Okay, thanks. Maybe a follow-up on LNG, I mean, the last couple of quarters have been impacted by various LNG volumes offline. I know you have Wheatstone and ALNG maintenance in second quarter. Any kind of clarity you can give in terms of how much volume impact that might have? And beyond that, can you give an update as to the other potential volume disruptions across your LNG operations?

Mike Wirth: Yeah. In the first quarter, we had a little bit at Gorgon from some of things that we had talked about earlier. So, some discovery work that was proactive, not related to an incident, but it was asset integrity work across all three trains. Little bit of that came into the first quarter of this year.

Wheatstone has a turnaround underway right now, of one of the two trains and also the offshore platform and some common facilities that requires both trains to come down when you take the offshore and common facilities down. The good news is that part of the turnover is behind us right now and we're in the process of resuming production at one of the two trains there at Wheatstone and should have first LNG any day now. And actually, the second train will be in early May. So, we're nearly through that turnaround.

Then we also have a turnaround in Angola LNG, and so that'll be late in the second quarter. And that's really what we've got planned for this year.

The second quarter takes all the planned turnaround activity essentially, or the majority of it.

Ryan Todd: Okay. And then maybe a second question on refining. Can you talk about some of the, I guess, as you think about some of the headwinds that were maybe felt during the first quarter relative to headline margins, whether it's lag on timing effects or secondary products or things like that, can you talk about how some of those trends may reverse or

shift into the second quarter looking forward, and how you think about the ability to kind of capture some of that back as you look through second quarter and third quarter?

Mike Wirth: Yeah, I'll take a pass at that, Pierre might want to add something. Look, we see this in our downstream business. We're a little bit differently positioned than some of our peers in that we've got pretty heavy U.S. West Coast exposure, heavy Asia exposure, but then we're pretty light in the Middle East or Europe and some of the other basins. So, our portfolio is a little concentrated, more so than others.

And we're subject to the dynamics in those markets. China's been in a lot of kind of ongoing lockdowns. California, frankly, has had a little more aggressive COVID policy, longer than some other parts of the world, and so demand has reflected that to a certain degree.

And then in a rising crude market, we have two effects that tend to roll through our Downstream. One is just the way our inventory is valued, and so in a rising market, we tend to see negative inventory effects due to the LIFO accounting that we use.

And we also tend to see, we're long physical and short paper as we try not to take price exposure. But that paper marks to market until the physical closes. So, in a rising market, your paper's marking negative, the physical obviously is gaining. And you see that paper and then the physical delivers, you close out the paper, and you match those up.

In a rising market, those two effects tend to cause negatives. I think in the second quarter of this year, we'll probably see a lot of that reverse.

Ryan Todd: Great. Thank you.

Mike Wirth: Thanks, Ryan.

Operator: We're going next to Manav Gupta with Credit Suisse.

Manav Gupta: (Credit Suisse) My first question is a quick clarification. You did indicate there was a storm at CPC, I think it came somewhere late March but the impact would probably be felt more in 2Q[22], so help us understand how long the facilities were down and how should we model the impact on production because of this particular storm?

Mike Wirth: Yeah. So, yeah, Pierre, you want to handle that? Go ahead.

Pierre Breber: Yeah, that's in our guidance, Manav, that we provided for second quarter production impacts from planned turnarounds and downtime. And again, the CPC/TCO impact is about 15% or less [of the 160 MBOED in expected 2Q22 turnarounds and downtime].

Manav Gupta: Okay. And the second thing is -

Mike Wirth: And you're right, Manav, it was late March when it came up, so the effect is really in the month of April [2022].

Manav Gupta: Perfect. At your energy transition day, you had provided certain targets for growing your renewable fuel franchise. And REGI gets you a very long way when it comes to renewable diesel, but another area you were generally bullish on was sustainable aviation fuel. You had indicated that long-term, you believe this is a big growth market. Can you help us understand since then and going forward, how does Chevron plan to build on its sustainable aviation fuel business? Thank you.

Mike Wirth: Yeah, Manav, obviously aviation demand is going to grow as we go forward and finding a solution, it's one of the hardest to decarbonize segments of the economy because you need to have high energy density for aviation fuels or planes can't carry much in terms of their cargo. So, it's an area of focus.

In a traditional refinery, the distillate portion of the barrel, you can move molecules from diesel to kerosene or jet fuel. In the renewable diesel investments that we're making, there's a certain flexibility that you have there as well. And we will have the ability to produce, in fact, we've already produced some sustainable aviation fuel at El Segundo, and we'll see more of that coming through some of our renewable diesel facilities.

We have also got negotiations underway with some other companies that have different technologies that wouldn't necessarily be the same as what we would do in the refinery. And we're looking at alternate pathways, feedstock partnerships and pathways. This is all going to take time to come together. Quality control is really important in aviation fuels, reliability of supply is really important. And as we introduce new feedstocks, new technology pathways, you have to be really diligent in ensuring that the fuel that you ultimately produce, and sell is going to perform in the engines that it's going to be consumed into.

The last thing I'll say is that none of this stuff is inexpensive, and sustainable aviation fuel today is not competitive with traditional aviation fuel from a cost standpoint. There has been some talk in Washington about various policy incentives that could be put into place to encourage more sustainability aviation fuel. There's a letter that was published by a whole host of people, airlines, and others, just in the last week or so calling for action. And I think, to see this scale, we got to keep working on technology and feedstocks, but it's likely that some sort of policy incentives will be part of the equation in order to see more capital drawn into sustainable aviation fuel.

Manav Gupta: Thank you.

Operator: We'll take our next question from Doug Leggate with Bank of America.

Doug Leggate:
(Bank of America) Good morning, everyone. Thanks for getting me on, I appreciate the time. Mike, I know you've flogged to death, I guess, questions around CPC, Kazakhstan, and so on, I wonder if I could just ask a slightly different question around what's happening to realizations, insurance rates, whether that could be a durable discount on the value of the barrel coming out of Tengiz and over what timeline? So, I don't know if you can offer any color there, but obviously it's something we noticed going on in the market.

Mike Wirth: Sure. So, pre-invasion, CPC discounts were maybe a dollar or so to dated Brent. Post-invasion, the trading range has kind of been $4 to $10 [below dated Brent] and it prices at a pricing point called Augusta [CIF] and [seller is responsible for] insurance and freight. So yeah, there's been a move - call it $7 or $8 today, probably.

Now, absolute price obviously has moved up a lot more than that but there's a little bit that you could argue as being left on the table. I think a lot of it, Doug, depends on how things are resolved in Ukraine and what the longer-term posture is relative to sanctions, the perceived risk of lifting at Novorossiysk, and how that translates into demand from customers and the expectations from ship owners. And whether it's freight rates, insurance, et cetera, are people willing to send ships back in there the way they historically have or not.

It's a hypothetical, I think that I can't really speculate on how that settles out. But I think it's a function of how this whole situation is resolved and what kind of risks people perceive on the other side of the conflict resolution.

Doug Leggate: I know it's a tough one to ask in the relatively early stages of things, so thanks, Mike, for having a go.

I guess my follow-up, and I think it may have been Neil that mentioned it earlier, but your credentials in M&A are obviously probably the best in the industry now, Mike, and you've led that, and well earned. But your balance sheet is, to a point [inaudible] almost back to 2013, 2014 levels, if you project out a year or so. And there's strategic opportunities as this whole thing evolves particularly perhaps in U.S. gas, LNG, and so on.

So I wonder if I could ask the M&A question a little differently as well, which is, when you look at your business today and how you've invested and how you've transitioned to through Noble and so on, is there anywhere you would identify, for lack of a better expression, a strategic want or a strategic hole that you would like to fill, and what would that look like?

Mike Wirth: Yeah. Doug, I appreciate the comments about our M&A track record and our financial strength. Those are two things that we've worked hard to establish. I'll tell you we like our portfolio. We've provided, again, I think in this year's investor day, a ten-year outlook that says how much resource have we captured and could conceivably flow into production. Not that that's a production forecast but it's really a look at resource depth.

We've talked a little bit today about gas. We're a little oilier than most and so, over time, can we increase some of our gas exposure would be one question.

We like petrochemicals, we like CPChem a lot. We've got a big chemicals business embedded in Korea, in GS Caltex. The growth prospects in the petrochemicals business continue to look attractive.

And then we've been active in New Energies, and so the Renewable Fuels business that we talked about, some other things that we're looking at in that space as well.

And so, look, we're trying to leverage our strengths to deliver lower carbon energy to a growing world. And I think that drives the way we think about our portfolio today and tomorrow. And a number of things I mentioned there are our lower carbon contributions to economic growth and prosperity.

So that'd be how we think about it, but I don't want to leave the impression that we're off to the races to do anything tomorrow because we like our portfolio as it sits today and don't feel like there's a hole that has to be filled in the short term. We really can take a long-term look, we can be patient, we can be selective, if we decide to do anything.

Doug Leggate: Okay. Appreciate your comments. Thank you.

Mike Wirth: You bet. Thank you, Doug.

Operator: We'll take our next question from Jason Gabelman with Cowen.

Jason Gabelman: (Cowen) Hey, thanks for taking my questions. First, I just wanted to clarify on the LNG maintenance. What is the cadence of maintenance across your assets going forward in

future years? You've obviously had a period of very concentrated maintenance events, is it one train a year or how do we think about that on a normalized basis?

And then my follow-up is, just given the changing energy dynamics, I wonder if your discussions with governments both domestically and abroad, if the discussions and the sentiment has changed at all in terms of the ability to invest in places, and if that's in any way starting to reshape the way you look at your investment opportunities?

Mike Wirth: Okay. LNG turnarounds, we're typically on a four year turnaround cycle. So, what that means is that Gorgon with three trains, you'll have three out of the four years, you'll have one turnaround. At Wheatstone with two trains, two out of every four years, you'll see a turnaround. And at Angola LNG, where we've got a single train, one out of every four years, you'll see a turnaround.

On government discussions, it's just early, Jason to say. I don't think anybody's really fully adapted or knows what the environment's likely to look like a year from now, two years from now, five years from now. I think that's one that is a work in progress.

Jason Gabelman: Thanks.

Operator: Thank you. We'll take our next question from Biraj Borkhataria with RBC.

Biraj Borkhataria: (RBC) Hi, thanks for taking my questions. The first one's just thinking about the capital framework, again, and through the various presentations in recent years, the management team's been very consistent in talking about improving book returns. I think Pierre, you've been quite emphatic around stating that the market doesn't reward high capital spending given, I guess, the industry's track record. I understand that the CapEx budget and the range was only put out there a short while ago but obviously a lot has changed in recent months. So, the market clearly wants more energy, you are generating record amounts of cash, the buyback's already at the top end of the range, shares are close to all-time highs.

Do you think the market is sending signals yet that would support a capital budget increase beyond what you're doing in the Permian, maybe through more exploration or otherwise? That's my first question.

And the second question is on TCO and the growth projects there. Has anything that's happened in the last couple of months impacted your thinking around the timeline to deliver those growth projects going forward? Thank you.

Mike Wirth: Yeah, Biraj, I'll take the second one, and then Pierre's been spending a lot of time with investors and we'll let him talk to you about whether the market is signaling we ought to change our capital spend.

On TCO, we just had a pretty extensive update on the project here, week before last. We made good progress through the winter. We're close to having our annual cost and schedule update done, but the high-level message on that is we look pretty good on budget still, we look good on the schedule for the Future Growth Project [FGP] which is slated to start up in the first half of 2024. A little bit of pressure on WPMP which, I believe our last update on that was [mid-2023]. So, cost and schedule, despite the challenges of COVID and the other kind of regional uncertainties, still holding well. The project team there is doing an excellent job.

So, I think Jay will be on the second quarter call and can give you a more complete rundown on things. So, we'll have all these costs and schedule reviews completed. But

nothing there that signals a significant change. Pierre, maybe you can talk about signals from the market on capital.

Pierre Breber: We don't intend to change our capital guidance. The objective is to sustain and grow the enterprise at the lowest capital level. We're much more capital efficient than we were just a few years ago, let alone a decade ago. We showed, and Mike just referred to that, we can sustain and grow our traditional energy business at very reasonable rates. We don't need to grow faster and we don't get paid for that.

There's no time in our history where the market has valued growth. I mean, that's why we emphasize return on capital employed, because we are an income-oriented, dividend-paying, returns type of investment. And then of course we're growing new energies and we have two big transactions expected to close soon and more on the way.

If we're able to sustain and grow this enterprise, traditional energy at rates that are in line with industry growth rates, new energy faster, and we can do that at lower, at less capital, that leaves more cash flow for shareholders. And so, what you're seeing, and back to Jeanine's question and other questions, we generate, at whatever oil price you assume, we generate more free cash flow than we ever have in the past.

And that means we're able to grow the dividend at very competitive rates and have this buyback that we can maintain across the cycle. We are very sensitive to doing our part, and as we said, we're growing energy supply in the U.S. and the Permian and other locations. At the same time, the objective for a capital-intensive commodity business is to do it in the most capital-efficient way. The more capital efficient we are, the more capital gets returned to shareholders.

Roderick Green: Thanks, Biraj.

Biraj Borkhataria: Thank you.

Roderick Green: Thank you. I'd like to thank everyone for your time today. We appreciate your interest in Chevron and everyone's participation on the call. Please stay safe and healthy. Katie, back to you.

Operator: Thank you. This concludes Chevron's First Quarter 2022 Earnings Conference Call. You may now disconnect.