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Chevron

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Devin McDermott: Welcome to the first-ever Chevron Exchange Q&A series. My name is Devin McDermott and I lead North American Integrated Energy Research for Morgan Stanley. Today, we'll be having a fireside chat where we discuss some of the top-voted questions from Chevron's retail shareholders using the Say Technologies platform. I'm happy to be joined by Pierre Breber, Chief Financial Officer of Chevron, for today's conversation.

Pierre has been Chevron's CFO since 2019 and has led the company through the COVID-19 pandemic and the current commodity-price environment. Before we get started, I'll turn it over to Pierre for some opening remarks.

Pierre Breber: Thanks Devin, I'm really glad to be here with you, and with all of our investors joining us today. Retail investors are a large and important part of our shareholder base. We value your investment in Chevron, and we intend to reward you with a growing dividend and share price.

At Chevron, our objective is straightforward – to safely deliver higher returns and lower carbon. We aim to do both in our traditional and new energy businesses, leveraging our strengths to deliver lower-carbon energy to a growing world. I'm excited about what we have to offer investors and look forward to answering your questions.

Devin McDermott: Great, thanks so much, Pierre. We have a lot of great questions from shareholders that have come in, and I think it's helpful to bucket it into a few different themes. Typically, starting with macro really helps set the stage, and it's certainly been a dynamic environment for the oil and gas industry over the past few years.

I wanted to start with one of the areas that's getting a lot of investor focus right now, and that's the global natural gas market, where things have tightened up significantly over the past two years post the COVID-19 pandemic.

The first question here comes from Ethgar P., and it's, "How does Chevron plan to invest in the natural gas demand surge that's expected globally?"

Pierre Breber: It's a great question and it's very timely. Chevron has a lot of strengths in the natural gas business, primarily in the U.S., producing in the U.S. and delivering to U.S. customers, and in the Pacific Basin, coming out of our large projects in Australia and serving customers primarily in North Asia.

What's happened with the war in Ukraine is the European Union has made a policy decision to reduce, or get off entirely, Russian natural gas, who have been a very large supplier to the European economies. That has created more opportunity in what we'd call the Atlantic Basin.

We currently serve European customers out of some liquified natural gas projects out of West Africa. We are positioned, currently, to help serve those markets. But now that it

looks like a longer-term change, because this will happen over years, very likely, we've taken several actions to position ourselves to be a bigger player in the Atlantic Basin.

One thing that was done recently is we signed a couple of large export agreements out of the U.S. Gulf Coast. These are liquefaction plants that'll export natural gas, and it'll be supplied by our growing natural gas that we have in the Permian Basin and as we increase activity in the Haynesville, which is in Eastern Texas.

We have a great asset which we acquired through our Noble Energy acquisition in the Eastern Mediterranean. It's currently supplying markets in Israel, Egypt, and Jordan, but it can be expanded either with floating LNG (liquified natural gas) facilities or going to some existing infrastructure in the area. And that would be another way that we could deliver more gas to Europe.

Now, both the U.S. Gulf Coast exports and Eastern Mediterranean, that's going to take a number of years to come together, but we are strengthening our position in the Atlantic Basin.

Devin McDermott: Makes a lot of sense and sounds like some exciting opportunities ahead that also can help address this global supply crunch that we're seeing at the moment.

I wanted to shift from the global story and talk a little bit more about the domestic business here in the U.S. The next question comes from Travis C. on that topic, and it's, "What is Chevron doing to increase domestic energy production?"

Pierre Breber: Another timely question. We are doing our part. Our U.S. oil and gas production was up 7% in the first half of the year versus the first half of last year. Our sales of U.S. refined products – that's gasoline, jet fuel, diesel, and others – is up 10% in the first half of the year versus last year.

If you look at our total investments in the U.S. in the first half of this year and you include our acquisition of Renewable Energy Group, we've more than doubled our investments in energy in the United States.

Some other examples: our Permian production, where we have an advantaged position and a leading position, we expect our Permian production to be up more than 15% in 2022, in this year, compared to last year. It'll grow by about 50% by 2025 [compared to this year]. We're a big investor in the U.S. Gulf of Mexico, so offshore Texas and Louisiana. We expect production to grow by 50% in our operations in the Gulf of Mexico by 2026.

Those three businesses I just referred to – Renewable Energy Group, Permian, Gulf of Mexico – they're all great examples of assets that help us deliver on our objective of higher returns and lower carbon. They're lower carbon energy solutions. In fact, our Gulf of Mexico production has some of the lowest carbon intensity of any barrels in the world. We are doing our part. We're doing a lot to grow energy supplies in the United States.

Devin McDermott: That's great, and a really helpful overview, Pierre. Maybe we shift away from upstream and talk about the downstream environment, which has been another area where things have tightened up over the past few quarters.

I was wondering if you could just give us an overview of what you're seeing in the downstream space, maybe speak a little bit to the current pricing environment and margin environment for your downstream assets.

Pierre Breber: We've seen a strong demand response really coming out of COVID, and it's been across all the products.

If you think of what really happened through COVID, diesel demand was pretty resilient because, again, there's still a lot of commercial industrial activity. Obviously, jet fuel decreased significantly as air travel was significantly reduced. Gasoline had a response initially. We've seen, really all, gradually recover or fully recover or strongly recover except for jet fuel.

So we still see domestic air travel pretty much back to where it was, lots of people getting out and about, international air travel to Europe increasing and recovering as restrictions have been loosened. But we have a West Coast presence, and clearly international air travel to Asia is still a little bit restricted because of the travel requirements. And of course, there are big parts of Asia and big parts of China where there still are restrictions on movement, and that's impacting demand.

We've seen, fundamentally, a very strong and quick demand response as the economy has reopened, and we still have a little more demand still to come.

The other part of the equation has been we've seen reductions in supply. Across the industry, there've been a number of refinery closures or conversions to bio-refineries. When a refinery is converted to a bio[refinery], it gets de-rated, so it means it produces less as a bio-refinery than it does as a conventional refinery, so that tightens up, that reduces supply. And then we've seen China, who's historically a pretty large exporter of refined products, lower their exports.

I think it's really important for me to say that Chevron has not closed any refineries since COVID. In fact, we added a U.S. refinery in Pasadena, Texas, in 2019, right before COVID. We also are not doing any permanent conversions of our refineries. We'll talk about renewable fuels. We are making conversions to certain units in our refineries, but they're conversions that give us the flexibility to go back and forth between conventional use and renewable production depending on economics, demand, and other factors. With a catalyst change, we can go back and forth between conventional and renewable fuel use.

Margins are strong. They're down from the peaks in the second quarter, but they fundamentally reflect a market where there's been a strong demand response with more demand, increases likely to come, and some reductions in supply that have tightened the market. We'll just see where it goes.

Devin McDermott: Great. That's very helpful. It stands out to me that there is still now another leg to this recovery ahead, as you noted, on the demand side.

It's an interesting and differentiated strategy as well on the renewable [fuels] piece, and I do want to come back to that. Before we go into renewable [fuels], I want to talk a little bit about financials and just longer-term strategy for Chevron.

One of the key factors when we think about attractive investment opportunities here at Morgan Stanley is shareholder returns, and in particular a stable dividend. It's a focus for many of your shareholders as well.

I want to ask the next question on that topic, and it comes from Tanner F. The question is, "How much of a priority is it to continue to consistently grow the dividend for Chevron?"

Pierre Breber: It's our number one financial priority. We are really clear about that and we have been for a very long time. In fact, we've grown the annual dividend paid out for 35

consecutive years. We haven't cut the dividend since the Great Depression. We've increased the dividend 20% since COVID while a number of others in our industry have cut their dividend or at best kept their dividend flat. If you go back to 2010, we've doubled the dividend. And clearly our shares, although they've gone up some, they haven't doubled. We now have a dividend yield of [around] 3.5%, that's more than double the dividend yield of the S&P 500, the average dividend yield of the market. In an environment with rising interest rates, our dividend yield is very competitive with other fixed income products.

I think this is a good time to talk about our other financial priorities. We're very clear that the dividend is our number one financial priority, and has been for a long time, and that's reflected in that track record of performance. But we've also been clear and consistent about what the other financial priorities are.

The second financial priority is to reinvest in the business to support that growing dividend. We've talked about some of those businesses and I'm sure we'll talk more about it.

The third financial priority is to maintain a strong balance sheet. We operate in a business that is cyclical. We know commodity prices go up and they go down, and we have to manage that risk for our shareholders. We do that by having a very strong balance sheet. We've reduced debt for five consecutive quarters. Our net debt ratio at the end of the second quarter was 8%, and that compares to what we provide for mid-cycle guidance of 20% to 25%, which is a very strong balance sheet. We're much stronger than even our strong guidance.

The fourth priority, which is when we have cash in excess of the first three priorities, is to repurchase shares. We've bought back shares 15 of the last 19 years. We've done it at about an average price of $90 a share. Our shares are currently trading at around $160. We've done more than $50 billion of shares [repurchases] during that time. Our current repurchase rate is $15 billion a year, which is about 5% of our shares outstanding that we'll buy back every year at current prices.

I think what's important to point out is that we've built our business and our financial framework to work at a $50 Brent oil price, which means that we can cover our dividend and our capital reinvestments and maintain a strong balance sheet all at $50 [Brent]. When prices are higher than that, and they clearly are with Brent oil prices in the $90s, we generate excess cash and that's what enables us to repurchase shares.

We really are in a position where we can do it all, but it's on a foundation of consistent, simple, and clear financial priorities.

Devin McDermott: Great. Very helpful. So resilient in a lower price environment with attractive upside leverage in the current commodity price backdrop. It's a very clear, and I think, well thought out strategy.

Let's talk a little bit about one of the points you made, and that's on investing to expand the business and grow. And you alluded to some points on this before talking about the macro as well, but let's expand on that.

I'm going to use a question here from John T. The question is, "What is the company doing to expand the business into other areas to increase profit longer term?"

Pierre Breber: Devin, you're absolutely right, and John, great question. We can only grow the dividend if we grow cash flow. When we increase the dividend, we do it with the intent that it's in

perpetuity. Again, we haven't cut it since the Great Depression. We need to have a business that's healthy and growing so that we continue to grow that dividend.

We provided guidance at our investor day in March, which at $60 Brent oil price, we would grow our cash from operations [excluding working capital] per share at a compounded annual growth rate of 10% per year. That gives you a good idea of the rate that we can grow cash flow, which can translate into future dividend increases. And of course that's at $60 Brent oil prices, so our growth rate would be even faster at higher prices.

Where does that cash flow growth come from? It comes from several assets we've already talked about: a leading and advantaged position in the Permian where we're going to double production over this decade, but more importantly, generate free cash flow every single year; growth in the Gulf of Mexico which I mentioned; [and] Renewable Energy Group has a big expansion at one of its renewable diesel plants that'll come on over the next couple of years.

We talked about international natural gas in the first question, where there's growth opportunities as Europe weans itself and reduces its dependence on Russian natural gas.

One project we haven't talked about is a major project we have in Kazakhstan. This is a multi-year project. We've invested in it before COVID and through COVID. In fact, we were investing $3 to $4 billion, our share, in this project during the depths of COVID. And at a time when we were pulling back capital on short-cycle production because we didn't think the world needed more short-term supply, we maintained our investment in this project because it's a long-cycle project. The first phase will come on the second half of next year [2023] and then the second phase in the first half of the year following [2024]. By reducing capital to that project as it starts up and then as it expands, we will generate more cash flow.

If you step back, we're a better company than we were just a few years ago. We're more capital efficient. We say we're more than 20% capital efficient than we were just pre-COVID, and you can see it in our guidance. Our current guidance that we just shared in March of this year is to grow traditional oil and gas production at a 3% compounded annual growth rate through 2026. That's the same growth rate that we shared in 2020 right before COVID hit, but we're doing it with 20% less capital.

We're more cost efficient than we were before. We provided guidance in March that we'll reduce our cost per barrel by 10% by 2026.

I think it's important that we had two major acquisitions that were well-timed that are really contributing to our greater capital and cost efficiency. We were the first company in the industry in July of 2020 to announce a major acquisition, [which was] not too far after oil prices famously went negative in late April of 2020. And then we saw others in the industry follow on.

In [late February] of this year, we announced the acquisition of Renewable Energy Group. That was a time where, as interest rates were starting to go up a little bit and growth stocks traded off a little bit, we saw an opportunity there. We are really pleased to welcome Noble Energy employees, who have been here now for almost two years, and employees from Renewable Energy Group, [who] have been here for only a few months and those great assets which we've talked about already.

The combination of a really strong organic portfolio, being more capital and cost efficient, and then really making the most of two major well-timed acquisitions – all of that is what's contributing to a growing cash flow and a growing dividend going forward.

Devin McDermott: Great. I will say Pierre, as someone that follows a wide set of the industry here, the improvement in capital efficiency that you've been able to realize really does stand out versus your peer group over the last few years.

Let's shift even longer term from here and both Nikolas K. and Jose Ricardo S. have questions about the medium- to very long-term future of Chevron.

And I'll start with Nikolas's question first and that's, "Pierre, where do you see this company in 5 to 10 years?"

Pierre Breber: It's a great question, Nikolas, and we have to think forward in next decades. We've been around as a company over 140 years. I've been with the company 33 years and we're working for the next generation of employees and other stakeholders.

If I look forward and we look forward 5 to 10 years, we expect to be aligned with our objective. We expect to be a higher return company with lower carbon energy. We provide a lot of guidance to paint a picture of what it looks like over the next five to ten years.

I've already referred to our upstream production guidance of 3% compounded annual growth rate. Again, exactly what it was pre-COVID, underpinned by great investments in the Permian, Gulf of Mexico, Kazakhstan, Argentina, and other shale and tight assets. We really have a strong profile. We showed, in March, a 10-year outlook that shows us going beyond that and continuing at similar growth rates to where we could be, in that time frame, producing over 4 million barrels per day of oil and gas.

We've also provided guidance on how we'll lower carbon intensity. We have 2028 targets for our traditional oil and gas business that will be 35% lower in carbon intensity by 2028, relative to 2016 which was the year the Paris agreements were signed. We are currently a top-quartile producer, which means that 75% of the oil and gas that's produced in the world has a higher carbon intensity than the average of our portfolio's carbon intensity. We believe by shooting for that target by 2028, we'll maintain being a top-quartile producer.

In 5 to 10 years, I think we'll have a more profitable downstream business with growing renewable fuels. I mentioned earlier that the Geismar facility, which was acquired through REG [Renewable Energy Group], has an expansion that'll come on in the next couple of years. We have a Bunge joint venture, we'll talk more about that, I'm sure, and other activities that will grow in that time frame. And petrochemicals, which is a growing source of demand, [is] another product that held up very well through COVID. In fact, although there were switches maybe from appliances and cars early into health PPE and others, demand for petrochemicals and plastics [was] very resilient through COVID and we're seeing it grow from there.

Our downstream team and our upstream team are continuing to work on self-help. How can we optimize across our value chains? How can we make turnarounds more efficient? How can we become more cost-efficient, more capital-efficient? A lot of self-help.

And, of course, I expect we will have bigger new energy businesses in 5 to 10 years. It was a year ago yesterday that we had our Energy Transition Spotlight. We provided guidance that we expect that these businesses will generate more than a billion dollars in operating cash flow by 2030, and they would earn double digit returns. We gave specific guidance in our three business lines: 100,000 barrels a day of renewable fuels capability by 2030; 150,000 tonnes per year of hydrogen production; and 25 million tonnes per year of carbon capture and offsets, and those are all 2030 guidance.

I think our current investor communications really paint a picture of what the next 5 to 10 years could look like. There will be surprises along the way. There will be uncertainties.

We talk in Chevron about being consistent, prepared, and adaptive. Consistent is having a plan, having a commitment to the dividend which you can count on. Prepared is we know oil prices – they can go up, they can go down. We had a pandemic. We were prepared for that. They'll be other surprises. Then adaptive because we know we can have our best plan, but the world surprises us along the way.

I hope that paints a picture of what Chevron can look like in the next 5 or 10 years.

Devin McDermott: It certainly does and if I sum it up and steal your phrasing in the process, it sounds like the future is higher returns and lower carbon.

Let's go even longer-term here with Jose Ricardo S.'s question and that is, "With the environmental concerns around fossil fuels and Chevron's primary business being an oil and gas company, how well-positioned will Chevron be, say, in 20 years, in the energy sector?" What's that longer-term future look like, Pierre?

Pierre Breber: As we go out further, the uncertainty clearly increases. We are thinking in terms of decades and that's what you would expect us to do. We are a business that makes investments that endure for decades. We've been in a number of our assets for decades, if not a hundred, over a hundred years, including our refineries here in California.

Our strategy is to leverage our strengths to deliver lower carbon energy to a growing world. What do we know about the next 20 years? Well, we pretty much know that population's going to grow. We're about seven and a half billion people on the planet right now and we expect that will grow to nine billion. We hope, certainly, that economic prosperity will continue. That's been what we've shown now for decades as we've seen hundreds of millions, if not billions, of people across the globe get to higher standards of living and we hope that'll continue because there still are billions of people, unfortunately, who don't enjoy the standard of living that so many of us do.

What that means is we expect that energy demand will be higher in 20 years. Those are the things we have pretty good confidence in and know about. What we don't know is how fast will policy, technology, and other factors might change the energy mix. Our strategy is to be a leader in both traditional and new energy markets because we really don't know how fast the energy transition may be because there's just uncertainties in those areas that I talked about.

We're very clear that we need to continue to focus on leveraging our capabilities. What are the things that we have unique talent and a track record of doing that we need to continue to maintain and develop advantage assets? Investors have choices and we need to have assets in our portfolio that we are confident can be better than our competitors.

We need to continue to provide lower carbon solutions to our customers. The airlines are looking for lower carbon fuels like sustainable aviation fuel. Trucking companies that are delivering products to our houses are looking for lower carbon fuels and they're looking to companies like Chevron to deliver.

Our intent and plan over the next 20 years is to do all that: leverage our capabilities, maintain advantaged assets, deliver lower carbon solutions to customers – do that with excellence, do that better than others. I'm confident that we will do that and I'm confident about our future.

Devin McDermott: Great. Very thoughtful and helpful overview, Pierre. Let's talk a little bit more about low carbon and energy transition. Our next question here comes from Pedro M. and the question is, "Are you investing in clean energy and, if you are, where and how?"

And, Pierre, you already alluded to a few areas where you're making investments. I was wondering if you could elaborate further on that here.

Pierre Breber: Pedro, thanks for that question. All these questions got a lot of votes, so thanks, everybody, for asking the questions and then for up-voting them.

It was a year ago yesterday that we had our Energy Transition Spotlight and that was a multi-hour, full event dedicated just to our energy transition strategies with all of our investors.

We had some new information that was provided there, including increasing and more than tripling our total capital going to lower carbon [of $10 billion]. That's guidance that we provided through 2028. It's really going into two main areas.

First, it's to lower the carbon intensity of our traditional business. As I said, we're a top-quartile producer of oil and gas based on carbon intensity. We've set 2028 targets where we believe we'll maintain that top-quartile status. For the upstream, we've set a [scope 1 & 2 emissions] net zero aspiration by 2050. We have a portion of that $10 billion going to projects. We described a number of those projects in our Energy Transition Spotlight that are reducing the carbon intensity of our traditional business. That can be having wind and solar supply our Permian operations as an example. That's eliminating methane emissions from our operations. It's energy efficiency. There's a lot that we can do in our traditional business as we work to make the upstream make 35% more carbon efficient by 2028. And it'll continue after 2028, but that's a portion of it, how do we lower the carbon intensity of our traditional business?

And then the majority of [the $10 billion in capital is] to grow new energy businesses in three business lines: renewable fuels, hydrogen, and carbon capture and offsets. Let's talk about progress and what are we doing really, since that was a year ago.

We made an acquisition of Renewable Energy Group, [for approximately] $3 billion. It makes us, Chevron, now the second largest producer of bio and renewable diesel in the country, third largest in the world. It moves us about halfway towards our guidance of 100,000 barrels a day of renewable fuel capability. And more importantly, it really marries a leading company in the renewable fuels space with great marketing strength that Chevron has, in particular, in the California market where there's a lot of policy support for renewable fuels. We've seen some more policy support recently out of the Inflation Reduction Act. We're very excited by what Renewable Energy Group provides and it will grow in the future.

We announced and formed a joint venture with Bunge. I should have said for Renewable Energy Group, over 70% of its feedstocks, and now our feedstocks, are waste oils. That means it's used cooking oil, distillers corn oil, beef tallow. These are waste products. It's not competing with land use. We really like that part of the REG portfolio.

With Bunge we're working, right now at least, with virgin oils, and we have exposure to the crush margin in the value chain on that. [It] provides more feedstocks that help us get to our 100,000 barrels a day of capability. We're working with Bunge to look at next-gen feedstocks, things like cover crops that you could grow that wouldn't compete with land use, but could grow within crops and then supply feedstocks for renewable fuels.

At our Los Angeles refinery, by the end of the year, we expect to convert a unit there, a diesel unit there, to have renewable fuel capability. This is a unit that depending on economics, policy, demand, other things, it can be in renewable production mode, but it can also flip back to conventional. It'll really depend on what's happening with demand, margins, and other factors. Lots of progress on renewable fuels, halfway towards the 2030 guidance, [with] more to do.

In hydrogen, we're working on developing hubs on the West Coast – we have excess hydrogen at our Richmond Refinery. We're working with original equipment manufacturers because part of developing out the hydrogen infrastructure is having the engines for heavy duty trucks, for marine vessels, for railroads, and we're working with those companies to test hydrogen in their engines. We are increasing the number of hydrogen stations in California with a partner company. Lots of progress there. We're working in the Gulf Coast with a number of partners to advance a project there. And we're working [in] Asia with one of the largest Japanese utilities.

And then carbon capture and storage. A key part of the value chain for carbon capture and storage is having the acreage to store the CO_2, what we call the pore space. In partnership with Talos, we're in a joint venture that has the first offshore block in the United States that's dedicated to carbon capture and storage. It's in Texas state waters. And that's one piece of the puzzle to put together a project, but a very important piece, because as you can imagine you need certain geology and a certain structure to be able to store the CO_2, which you're storing forever. We're very happy to be in partnership on that. We were recently awarded three blocks in Australia in partnership with others. Acreage that we believe will be dedicated to carbon capture and storage, which has the characteristics that we believe will be good for storage.

We're also working with a number of companies both as an investor and in partnership with them to pilot and test technologies in the field on how to capture the CO_2. A key enabler of growing this business is reducing the cost in all parts, but one of them is reducing the cost of the capture. If you think of an emission out of a stack, CO_2 might only be 10% of all the flows because it comes out with water, steam, and nitrogen. You want to separate the CO_2, the 10%, because you don't want to re-inject the 90%, we need to get the cost down of that capture.

We're an investor in companies like Carbon Clean and Svante, and partnering with them, testing their technology, working to see how we can scale up their technology and reduce the cost of capture. We're putting together the pieces of what that business will look like.

I feel like we're making good progress if you think of that our Energy Transition Spotlight was just a year ago yesterday. At the same time, we know there's much more work to do.

Maybe the last point, Devin, is we've also been clear that we don't intend to put our shareholders' capital to work on wind and solar. And that's because there's a lot of companies that are in that space. We don't have strength in that value chain.

At the same time though, we will buy a lot of renewable power from wind and solar providers to lower the carbon intensity of our traditional business and then to supply the new energy businesses. Hydrogen will require wind and solar and other low carbon sources, and carbon capture and storage will benefit from low carbon power also.

I feel like we're making good progress consistent with what we laid out a year ago, but we still have more to do.

Devin McDermott: Yeah, definitely seems like great progress so far and an exciting set of opportunities that you have ahead as well.

Sticking with a similar theme here, but shifting a bit more toward the policy front, we had a similar question from both Angel R. and Joseph L., and the question is about car manufacturers. And you've seen many announce that they plan to take their fleet of vehicles to fully electric over time. And the question is, how do you see this affecting Chevron, and what plans do you have to take advantage of these changes?

Pierre Breber: I think we just start first with global oil demand, and 40% of it doesn't go to transportation. It goes to petrochemicals, we've talked a bit about that. It goes to some industrial applications. It goes to off-road vehicles like tractors, farming equipment, construction equipment, mining trucks, and all that. And then it goes to cooking and heating and other applications. You start with about a hundred million barrels a day of oil and liquids, petroleum liquids, and 40% doesn't go to transportation.

When you look at the transportation piece, less than half of that remaining 60% or so goes to gasoline. I think it's good to think of and look at 2020, which was when COVID hit. It was a year for many of us in most parts of the world where we almost didn't leave our homes for a good portion of the year. For sure essential workers were going to their jobs, healthcare and others, and essential products were moving, but it was a year of really reduced activity. Demand for oil and petroleum liquids in 2020 was down 8%.

More than 90% of demand for our products is necessary just to house us, feed us, and the basic living that many of us had for a good portion of 2020. It just shows how essential our products are to modern life and the economy. As the economy has recovered and opened up, we've seen demand come back basically to that hundred million barrels a day. That last 8% is really going on vacation, is traveling and seeing others. It's some of the discretionary activity that we did not pursue in 2020.

We expect that there'll be hundreds of millions of EVs over the next two decades. That's both from the manufacturers that you've talked about. That's also policies in certain parts of the world. To put that in context, there's about a billion light duty vehicles on the road right now. And of course they last 15 years. If you look at, of the 80 or 90 million light duty vehicles that are sold every year, I think it's less than 10% currently that are EVs. It really is a good example of an energy transition.

If I can just go to sustainable aviation fuel for a moment too. You know, the spec for sustainable aviation fuel for airlines in Europe is 98% conventional, 2% renewable. And then it goes to 95/5 in 2025, and maybe it's 90/10 in 2030. It's an example of a transition happening.

We will see a lot of electric vehicles on the road. I think that's been clear for a number of years and it's certainly been in our long-term planning for a number of years. At the same time there's lots of conventional vehicles and there'll continue to be conventional vehicles, and they last a long time.

When you then look to other sources of demand growth, petrochemicals has been growing, air travel around the globe will grow as more and more people get to a higher standard of living. Then if you look to the other sources of demand like heavy duty transport, where there aren't alternatives, you look to the non-transportation part demand. You can see that there's still, there's a very, very big business and big opportunity in traditional oil and gas.

Chevron is 2% of oil and gas demand based on our production. We're among the strongest, most responsible, the best engineers, the best, strongest balance sheet. All this

strength. There's lots of space, even in a world where demand declines, we can grow within that, either organically because we have advantaged assets or unique capabilities or the best customers and we're delivering those lower carbon solutions. Or we can grow inorganically, like we've have through those well-timed acquisitions that I refer to.

We know EVs are coming. We've known that for a long time, that's in our plans. There is still plenty of opportunity for Chevron in that future.

Devin McDermott: Great. Well, Pierre, I think that's a very helpful way to think about it. The next question, it's one from Steve T. and it is on the policy front.

The question is, "Do you know if the Biden administration is going to make it easier for oil and gas companies to drill and explore in the United States? Can you talk a little bit about the regulatory backdrop there?"

Pierre Breber: Those discussions are happening in D.C. right now. I don't want to speculate about them. You can read about them. It's clearly important.

It's important for both traditional and new energy. For sure we need to have leases and the recent Gulf of Mexico or last year's Gulf of Mexico lease was just awarded, I believe yesterday, so that we have future sources of energy.

It's important for new energy too. We talked a bit about carbon capture and storage. What that's going to look like is capturing CO_2 at a source where it's being emitted, transporting it on a pipeline, and then re-injecting it into some acreage like I talked about, pore space. We're going to require permits for that. We're going to require permits for hydrogen and renewable fuels too. It is really important and it's true not just at the federal level, but also at the local and state levels too.

What societies – and I think we're seeing this, particularly as we look to Europe, but really this has been true for a long, long time – need [is] affordable, reliable, ever-cleaner energy, lower carbon energy. It's essential to modern life, to progress, to better health outcomes, better education outcomes, just a higher standard of living. And we take [this] for granted in this country because we are blessed with a lot of affordable, reliable and lower carbon energy, but there are other parts of the world that are not in that same position. Whether it's in the United States or in other countries around the world, having really sound policy that encourages affordable, reliable, ever-cleaner, lower carbon energy is key.

Now it's not by itself. We need to have continued technology advancements. Chevron is working with a lot of start-ups and other venture firms to figure out how we can reduce the cost of some of these new energies and how we can lower the carbon intensity of our traditional energy business. And then we need large economies of scale. Going from seven and a half billion people to nine billion people – energy's going to grow. These solutions need to be able to scale up and when they scale up, their costs need to go down.

Policy is a critical enabler but there [are] other parts that are also essential. We're going to work with governments at the federal, state, local level in this country and a number of countries around the world and other stakeholders to do our part to deliver lower carbon energy to a growing world.

Devin McDermott: Great, very helpful. We've covered a lot of topics, a lot of great questions here. We're getting close to the end of our time. I wanted to take a moment here Pierre just to thank you for your time and also to our audience for attending and for Chevron shareholders for submitting a great list of questions that we had here today. Before we wrap, Pierre, I'll turn it to you for any closing remarks.

Pierre Breber: Well, I want to first thank you Devin for your time and Morgan Stanley. You're one of the best analysts on the street, so I encourage everybody listening to look to your research. You're thoughtful and forward-thinking, and we value the work that you do, and I know the financial community does also.

I want to thank the investors who asked questions, who upvoted questions, and who listened in. This is something new that we are doing. We're trying to directly interact with our retail investors and we hope you found this valuable. We'll look for some feedback, but we appreciate your time.

If you step back, I hope what you can take away from today's Chevron Exchange – our objective is very clear and very simple, straightforward. Safely deliver higher returns and lower carbon. It's something we're working on. We're making progress. We still have more work to do.

I hope you take comfort in our track record of success. When we talk about our objective going forward and the guidance we provide, look to our track record of delivery, of results. A dividend that's grown 35 years in a row. Two recent, well-timed acquisitions. Again, the first in the industry to do a major acquisition when oil prices were in the low forties and now in the nineties. Advantaged assets like in the Permian or Kazakhstan or in other locations. We have a track record of delivering. You can have confidence in the guidance we provide.

And it is an uncertain future, we don't know. I really appreciate those questions as we look out decades because that's how we have to think here at the company. Hopefully we painted a picture of how we'll sustain higher returns in a lower carbon future. We don't know exactly how the energy system is going to adapt and evolve going forward, but we're positioned in both our traditional and new energy businesses to deliver higher returns in a lower carbon future.

I'll wrap up by saying we really value your investment in Chevron. As I said in the opening, retail investors, individual investors are a large and important part of our shareholder base. We sincerely appreciate the confidence you have in our company and our employees. We take that to heart. We're working really hard to reward all of you and help you achieve your financial goals.

With that, I want to thank Devin McDermott again. This completes our first Chevron Exchange and I look forward to next time.