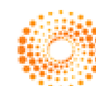
THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

CVX - Chevron at Barclays Capital 2012 CEO Energy/Power Conference

EVENT DATE/TIME: SEPTEMBER 05, 2012 / 1:45PM GMT

©2012 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

CORPORATE PARTICIPANTS

Michael Wirth *Chevron Corporation - EVP, Downstream & Chemicals*

CONFERENCE CALL PARTICIPANTS

Paul Cheng *Barclays Capital - Analyst*

PRESENTATION

Paul Cheng - *Barclays Capital - Analyst*

Our next presentation is Chevron. We are extremely happy to have Michael Wirth, the downstream head for the Company and also a member of the executive committee with us. Mike is going to go through his presentation on the Company. So without further delay, let me welcome Mike to share with us his insight.

Michael Wirth - *Chevron Corporation - EVP, Downstream & Chemicals*

Thanks, Paul. Well, thanks, Paul and good morning. It is a pleasure to be here with everybody and have a chance to talk about Chevron's downstream and chemical business today.

Before we get started, please be reminded that this presentation contains estimates, projections and other forward-looking statements and I ask that you review the easy-to-read cautionary statement on slide 2.

So let me start where we always do and that is with safety. We have a strong safety culture with world-class injury rates that lead our competitive peer group. And we have a culture of continuous improvement to learn from our incidents and those of others.

I would like to first address the recent incident in our refinery in California. We had a fire in the crude unit at our Richmond refinery on August 6. Thankfully, there were only minor first-aid injuries related to that event. The fire was contained that day and the crude unit remains shut down. The source of the fire is under investigation and we are working with both federal and state investigators to identify the cause so we can learn from this and prevent such an incident from happening again.

It is premature to speculate on the cause of the fire or on the schedule for return of service given the state of our assessment of the damage at this point in time. Other parts of the refinery continue to operate safely. We have the highest expectations for our performance and it is unacceptable when we fall short. I promise you we will learn from this incident and take measures to improve our performance in the future.

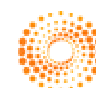
So with that, I will focus my comments today really around two themes. First, I will review our industry outlook on the fundamentals and then I will cover our competitiveness and highlight some key assets and projects.

Looking at the outlook for fuels, it is really a tale of two different worlds and a different future than what we have seen in the past. The emerging economies of the non-OECD, especially Asia, are expected to see the majority of demand growth over the next decade while the mature economies are expected to lag behind. Our footprint is well-positioned to serve this growth.

It also becomes a tale of two fuels. Distillates are expected to see the lion's share of the growth while gasoline lags. Our system is more oriented to hydrocracking than our competitors, which can produce more distillates and will be a competitive advantage as we move forward.

The demand outlook for the higher return segments of both petrochemicals and lubricants is stronger than for fuels. Over this decade, petrochemical demand is expected to grow by more than 40% primarily in Asia and the Middle East. We have been involved in multiple new petrochemical plants in the Middle East over the last several years.

©2012 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

In lubricants, we expect demand for premium base oils to grow more than 80% over the next decade with Asia and the Americas leading the way. We will use our new base oil plant at Pascagoula to better balance supply to the Americas and free up West Coast Richmond barrels for Asia.

So with that as context, I would like to discuss our competitiveness starting with strategy and performance and then I will spotlight some key business operations and projects. We remain focused on improving returns and growing earnings. The foundation is a relentless commitment to operational excellence, operating safely and reliably each and every day.

We have also created a more focused refining and marketing portfolio in geographies with more attractive underlying fundamentals with the asset scale, flexibility and conversion complexity to ensure cost competitiveness and maximum margin capture. And we are targeting growth in the business segments that offer the best combination of opportunity and returns.

Earlier, I mentioned that our geographic footprint is well-suited to serve the fuels demand growth in emerging economies. Equivalent distillation capacity is an industry measure that reflects both the throughput capacity and the conversion capability of a refinery and it is a good measure of the economic capability of a refining system.

You can see on this map that almost three-quarters of our total equivalent distillation capacity sits in the Pacific Rim. On the right side of the chart with the bars, you can see the data on a competitive basis. We are well-positioned in the Pacific Rim growth markets and have much less exposure to the rest of the world than our major competitors.

Safe and reliable operations are the top priority. At the end of last year, we received the most recent Solomon benchmarking study covering full-year 2010 performance for refiners around the world. Chevron ranked number one in refinery utilization for the third consecutive Solomon survey period covering a span of the last six years. We are continuing to separate ourselves from the competition. Top-tier reliability remains the bedrock of our operations and we intend to sustain world-class performance. This year, we have launched specific initiatives on turnaround planning and execution to further improve reliability performance.

Now I would like to highlight the assets and businesses that make Chevron a strong competitor starting on the Gulf Coast. Pascagoula is our largest US refinery. It is an efficient, flexible and complex facility with a coker, hydrocracker, FCC, continuous catalytic reformer and an aromatics plant. It is capable of processing a wide variety of crudes, including a significant slate of equity crudes from the Gulf of Mexico and Latin America where that creates upstream value.

Pascagoula produces a broad range of clean fuels, petrochemicals and other products and serves both domestic and export markets. Beginning next year, we will add premium base oils to the mix, which was expected to move Pascagoula into first quartile refining complexity for the Gulf region.

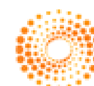
The Pascagoula base oil plant will contribute margin improvement by diversifying our high-value product slate. As I mentioned earlier, premium base oil demand is expected to be very strong globally. Chevron was the first company to produce premium base oils and remains a leader due to our proprietary ISODEWAXING technology.

After project startup, we will be the world's largest supplier of these superior lubricant base stocks. Construction remains on schedule and activity has accelerated in recent months. As the main columns and vessels have all been lifted into place, more than a dozen new tanks have been built and transportation infrastructure nears completion. We remain on track for a 2013 startup.

Let's move out West now. The US West Coast is somewhat isolated from other markets due to the relative lack of connecting infrastructure and California's unique fuel specifications. Here, we have a strong integrated position from crude to manufacturing and on through to the street with a complex refinery system, proprietary pipelines, competitive crude sourcing and a number one gasoline marketshare in the five Western states.

In terms of production, El Segundo and Richmond are two of the three largest refineries on the West Coast. Richmond is the largest producer of base oils. Both have hydrocrackers and are well-positioned for distillate growth. Both have consistently ranked first quartile in energy efficiency

©2012 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

and net cash margin. Combined, these assets form the backbone of a very competitive network performing well under a variety of market conditions. This includes exports to Asia and Latin America when such opportunities arise.

I would like to say a little more about our marketing network. We have more than 3000 retail outlets in the West, the majority owned and operated by independent businesspeople. For years, third-party surveys have shown our brand ranked by consumers as the one they prefer most. This shows up in strong retail margins, station throughputs, premium grade mix and credit card loyalty.

Our proprietary fuels additive, Techron, helps keep vital engine parts cleaner than competitors' lower quality gasolines and for years has been the preferred fuel used by the major automakers in their EPA certification testing. California remains the largest gasoline-consuming state in the country and even as demand has softened, our brand strength has allowed us to grow sales.

Now I will move across the Pacific. We are well-positioned to supply the fast-growing markets of the Asia-Pacific region, encompassing more than 4 billion people and some of the highest GDP growth rates in the world. The Caltex brand, which has served customers in Asia and Africa for more than 75 years, is managed from Singapore, the regional headquarters for our operations. We have got world-class manufacturing assets, long-standing partnerships in Korea, Singapore, Thailand and Australia and the optimization capability to effectively maximize margin capture across this system. We continue to work on this portfolio to improve efficiency, flexibility, product diversity and competitiveness.

To illustrate this, let's look at one key facility. Yeosu is a world-class refining and petrochemical complex combining the world's fourth-largest refinery and third-largest aromatics plant on one site resulting in strong integration of fuels, petrochemicals and base oils. For comparison, this facility has nearly as much feed capacity as Richmond, El Segundo and Pascagoula combined. It can process over 865,000 barrels a day of feedstocks. Yeosu is consistently first quartile in solvent utilization and has the scale and performance to take full advantage of Asia demand growth.

In the lower right-hand chart, you can see the impact of our recent and ongoing investments as equivalent distillation capacity continues to grow. Last year, GS Caltex broke ground on a vacuum gas oil cracker, which, when completed in 2013, will make Yeosu the largest processor of heavy oil in Korea with more than 260,000 barrels per day of capacity.

Turning to petrochemicals, we have a strong position through Chevron Phillips Chemical with 38 plants worldwide. CP Chem has delivered top quartile return on assets among their peers for the last three years. With the new ethylene cracker in Saudi Arabia now starting up, CP Chem will become the largest producer of high density polyethylene in the world with the leading proprietary technology and the startup will make CP Chem the largest IOC petrochemical producer in the Middle East.

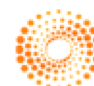
Low-cost feedstock is essential for competitive success in chemicals. The chart on the right shows ethylene cash cost in various geographies and includes both ethane and naphtha feedstock for North America. CP Chem has 100% of its ethylene capacity in the Middle East and the US, a tremendous advantage in this business. CP Chem is building the world's largest on-purpose 1-Hexene plant at their Cedar Bayou complex. This project supports a growth strategy to become a leader in the production of normal alpha olefins and is slated to start up in 2014.

CP Chem is in FEED for a worldscale ethylene cracker also at Cedar Bayou, which is expected to be the first new facility to take advantage of the feedstock associated with the rapid growth of liquids from shale gas production.

And associated with this project, two new polyethylene facilities are also in FEED to be built at CP Chem's Sweeny complex. Both of these projects are targeted for startup in 2017.

Now let's transition to specialty chemicals. Chevron Oronite makes additives for fuels and lubricants and is a top performer in this segment. In fact, Chevron is the only IOC with a wholly-owned additives business. You may recall that Berkshire Hathaway purchased Lubrizol, a key competitor of Oronite's in this segment, last year. We have a strong global supply chain, worldscale manufacturing plants and technology centers in all key demand regions.

©2012 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

Oronite is well-positioned to capture growth in this high return segment of our business, particularly in Asia-Pacific where we are expanding capacity to meet the demand. Our Singapore plant is already the largest additives facility in Asia. Earlier this year, we took final investment decision on a multiyear expansion, which, when completed, will double the initial capacity of this facility.

I will move onto lubricants now where earnings are up fourfold over the last five years and returns have consistently outpaced fuels. We have a portfolio unique among our competitors with the largest premium base oil capacity at the completion of our Pascagoula project, the only wholly-owned additives position, a strong position in Asia and leadership in the heavy-duty engine oil markets through our Delo brand. We are well-positioned for the future.

Engine oils contain approximately 85% base oil and the balance is additives. I have shown how we are a leader in both of these components individually. We can also leverage this collectively through relationships with original equipment manufacturers, research and technology development, supply chain efficiencies and market insights to continue to profitably grow both businesses.

Now I will step back and talk a little bit about how our portfolio is changing. For several years, we have been optimizing our footprint from a geographic perspective as we have narrowed our range of operations. Let me describe what this looks like from a business segment point of view.

These two bars show the relative capital employed of our business segments in 2011 and how that will change in the coming years. You can see the shift to a more balanced portfolio with relative weighting shifting from refining and marketing to the other higher return segments. And while the shift is modest at first, it will continue over time.

So through our portfolio activities, both investment and divestment, we are building a more geographically focused and more segment balanced earnings portfolio. And all this work has translated to the bottom line. For the first half of 2012, our adjusted R&M earnings per barrel were $3.64, the best among our peers again after leading on this metric in both 2010 and 2011. And we delivered a 21.4% adjusted return on capital employed for all of downstream and chemicals, ranking number one among our competitors for the first half of this year. I am pleased with the strong competitive financial performance we have delivered and intend to continue to improve on it.

So to close, I would like to summarize with three points. First, our strategy remains sound. We have expected a challenging market environment and we have prepared for it. We are improving returns through executing the fundamentals, building a smart and more balanced portfolio with assets that have the scale, flexibility and complexity to be competitive.

Second, our performance is strong. Safety and reliability are at industry-leading levels, earnings and returns are top tier and we have met or exceeded all our performance commitments.

And finally, we are investing in carefully targeted growth projects in the right markets and segments that will strengthen and diversify our earnings to sustainably deliver competitive results. We have demonstrated we can deliver top operating and financial performance and I am confident we will deliver further improvements in the future.

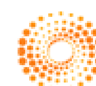
So that concludes my prepared remarks and Paul, now we can go to questions.

QUESTIONS AND ANSWERS

Paul Cheng - *Barclays Capital - Analyst*

Thank you, Mike. If you do have a question, please raise your hand and wait until you get the microphone. Mike, if I could, maybe I will start out. If we are looking at your Richmond refinery, that runs relatively light oil, can you share with us what is the opportunity to bring some of the shale oil such as Bakken all the way into Richmond through the rail? What are costs and what are hurdles that you may face?

©2012 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

Michael Wirth - *Chevron Corporation - EVP, Downstream & Chemicals*

Yes, so Richmond is a coastal refinery that has been set up historically to receive its primary feedstocks by marine freight and also to run California crudes that can be received by pipeline. We do have rail receiving facilities and have received crude in there by rail. Although it wasn't designed to take large quantities of rail-based crudes and certainly the costs, without quoting a specific number, to get Bakken crude for instance all the way to Richmond are non-trivial.

We really look at the opportunities we have with our long-term contracts with other crude suppliers and significant logistics advantages through our West Coast lightering operations to bring in VLCCs and engage in very efficient feedstock supply from our traditional sources and we play that off against the opportunities that are emerging in some of the new play types, Paul.

So we can and have brought lighter crudes in via rail to Richmond. We are not set up to do that at large scale today. But in the normal course of business, we look at Richmond, as well as our other refineries, for infrastructure investments to enable additional competitive crude supplies in and that is part of the program at each of our refineries.

Paul Cheng - *Barclays Capital - Analyst*

Mike, actually can you talk, if you do decide to raise your railing capacity in Richmond, what kind of investment will we be talking about?

Michael Wirth - *Chevron Corporation - EVP, Downstream & Chemicals*

I am not prepared to comment on an investment like that today.

Paul Cheng - *Barclays Capital - Analyst*

I guess that -- maybe I have the podium that I cannot ask additional questions. Mike, I think that there is a lot of discussion about what is the best way to take opportunity with the seemingly changing dynamic in the crude oil market in North America. Obviously that your existing refining portfolio does not necessarily fit the best in terms of taking that advantage. The Company as a whole when you are looking at that, what is the view for the Company whether the recent phenomenon is here to stay or at least that in the meantime has come compared to the historical parts for an extended period of time. If it does, is there any other opportunity maybe on the logistics side or the other that you may be able to participate and take advantage of that?

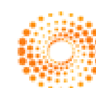
Michael Wirth - *Chevron Corporation - EVP, Downstream & Chemicals*

Yes, so our large refineries are coastal refineries at Richmond, El Segundo and Pascagoula. We do have a smaller refinery in Salt Lake City and one in British Columbia, which are well-connected to inland crudes and have seen some of the advantages from the discounted crude. So we do see it in our system, but certainly not at the scale that refiners with the larger Mid-Continent position would see. It is part of the changing dynamic that you always face as heavy oil production increases or decreases and you look to optimize the logistics and the feedstocks into your facilities.

Our upstream production of crudes that are linked to WTI pricing and our downstream refinery runs are roughly balanced and so we are somewhat neutral at this point. As you look at the discount that you might suffer on your upstream production, we tend to recapture that in our refineries.

Longer term, we certainly see the prospectivity for additional light oil production in this country. As you have seen rigs move from dry gas to wet plays into oil, the growth continues and looks as if it will for some time. And as we get the infrastructure debottlenecked, I think we will see new pricing relationships emerge as WTI trades at a transportation differential to the Gulf Coast.

©2012 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

And then ultimately I think the question that a lot of people are asking is what is the outlook for crude production out of the Gulf, LLS priced crudes, over time. That is a little bit -- I think a little bit more speculative at this point than a new stable trading range for WTI. But there certainly will be incentives for refiners to run those domestic crudes if they are priced at a level that will displace medium and heavier imports.

So we look at each of our business segments independently, our upstream segment, our downstream segment, the midstream and evaluate opportunities to create value within our portfolio. If there are synergies or additional benefits that come across the value chain, those are certainly things we look to capture as well.

Paul Cheng - *Barclays Capital - Analyst*

Thank you. I am wondering that with the NGL prices quite depressed, is there additional opportunity for refineries in your system or for the industry do you think to be able to brand or to use more of the NGLs as a feedstock or the industry is already maxed out on that?

Michael Wirth - *Chevron Corporation - EVP, Downstream & Chemicals*

Well, we actually produce propanes and butanes in the refining process as a part of that. But as you look at conversion units that may use some of those components as feedstocks, we look to optimize all the feedstocks that we can bring into our refinery. So to the extent that gas liquids are approximate to a refinery and can fill out a conversion unit on an economic basis, those are certainly the kinds of either ongoing supply chain optimization decisions that would be made in the normal course or potentially in addition to an ethylene cracker. For instance, you could envision investments to capitalize on that to convert those gas liquids into transportation fuels.

Paul Cheng - *Barclays Capital - Analyst*

And as a final question from me, on California, can you talk about the export opportunity? I mean we have seen over the last several years that countries are to the point that we actually see product being exported in California. Is that something that Chevron also has that kind of capabilities to do or whether you have some (inaudible)?

Michael Wirth - *Chevron Corporation - EVP, Downstream & Chemicals*

We do have the capability to export off the West Coast and we evaluate those opportunities on an ongoing basis. We have exported product off the West Coast when the economics of that are attractive. California tends to historically have been a market that has been relatively balanced to a little bit on the tight side at times and so you haven't seen a lot of industry exports out of California.

As the economy has slowed and as demand for fuels has both slowed due to that and for the increased blending of biofuels, I think you have seen us and others move that length to other markets when we have got attractive options to do so. So we have the infrastructure to do it. We have the commercial relationships to place product in other markets outside of California and we do that from time to time when that is the most economic disposition for the product.

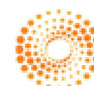
Paul Cheng - *Barclays Capital - Analyst*

Has the Company made any investment to boost your export capability both from Pascagoula, as well as from the two California refineries?

Michael Wirth - *Chevron Corporation - EVP, Downstream & Chemicals*

Not so much in California because we are pretty well set up to handle the exports that we have seen to date. At Pascagoula, we have been making some investments, primarily increased crude optionality. So we have reactivated a pipeline into the Pascagoula refinery from Louisiana that can

©2012 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS

bring Gulf crudes in. We are working on some other logistics to bring crudes in via other infrastructure, which decongests the wharf. We are making some investments at the wharf right now for the base oil project because some of that base oil will be exported to other markets. And we have seen increasing product exports out of Pascagoula for a number of years. So we are managing the wharf traffic there through both some improvements at the wharf and then finding ways to bring crude in not only across the dock, but via other logistics channels.

Paul Cheng - *Barclays Capital - Analyst*

Okay. With that, any additional questions from the floor? If not, thank you very much and we will move to the breakout session and the breakout session is for Liberty 1 and 2. Thank you.

Michael Wirth - *Chevron Corporation - EVP, Downstream & Chemicals*

All right.

DISCLAIMER

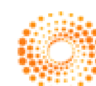
Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2012, Thomson Reuters. All Rights Reserved.

©2012 Thomson Reuters. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. 'Thomson Reuters' and the Thomson Reuters logo are registered trademarks of Thomson Reuters and its affiliated companies.



THOMSON REUTERS