



2024 4Q Earnings Conference Call Edited Transcript

Friday, January 31, 2025



Chevron

January 31, 2025

11:00 AM ET

This transcript has been edited by Chevron Corporation. It is generally consistent with the original conference call transcript. For a replay of the Investor Conference Call, please listen to the webcast presentation posted on chevron.com under the headings “Investors,” “Events & Presentations.”

Operator: Good morning. My name is Katie, and I will be your conference facilitator today.

Welcome to Chevron’s fourth quarter 2024 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 should require assistance during the conference call, please press star and then zero on your touchtone telephone. As a reminder, this conference call is being recorded. I will now turn the conference call over to the Head of Investor Relations of Chevron Corporation, Mr. Jake Spiering. Please go ahead.

Jake Spiering: Thank you, Katie.

Welcome to Chevron’s fourth quarter 2024 earnings conference call and webcast. I’m Jake Spiering, Head of Investor Relations. Our Chairman and CEO, Mike Wirth, and CFO, Eimear Bonner, are on the call with me today.

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. A reconciliation of non-GAAP measures can be found in the appendix to this presentation. Please review the cautionary statement and additional information presented on Slide 2 [that can be found with today’s presentation materials on Chevron’s website].

Now, I will turn it over to Mike.

Mike Wirth: Thanks Jake and thank you everyone for joining us today.

Chevron delivered another year of strong results in 2024.

We achieved record production – both globally and in the United States – and reached key milestones that are expected to underpin years of future cash flow. This includes:

- Outstanding performance in the Permian, exceeding expectations with production growth of nearly 18% from last year;
- Delivering key project start-ups in the Gulf of America;
- Fully integrating PDC Energy expanding our position in the DJ Basin;
- Optimizing our portfolio through asset sales and swaps that maximize long-term value; and
- Completing WPMP and achieving first oil at the Future Growth Project at TCO last week.

We also returned a record \$27 billion in cash to shareholders through dividends and buybacks. Over the past two years, we’ve repurchased \$30 billion and reduced our outstanding share count by 10%.



We continued to build our new energies business and complete projects to lower the carbon intensity of our operations. In 2024, we sold over 20 million barrels of bio-based diesel and advanced foundational projects in CCUS and hydrogen. We also completed projects designed to abate over 700 thousand tons of CO2 emissions annually.

Now, I'll turn it over to Eimear to go over the financials.

Eimear Bonner:

Thanks, Mike.

Chevron reported fourth quarter earnings of \$3.2 billion, or \$1.84 per share. Adjusted earnings were \$3.6 billion, or \$2.06 per share. Included in the quarter were special items totalling \$1.1 billion related to restructuring and impairment charges. Foreign currency gains were \$720 million.

Full-year organic capex was aligned with our announced \$16 billion budget. Inorganic capex of \$530 million related mostly to lease acquisitions and new energies investments.

We maintained double digit returns with adjusted ROCE of 10.5% for the year.

Compared with last quarter, adjusted earnings were \$900 million lower.

Adjusted Upstream earnings were impacted by revisions to asset retirement obligations and timing effects, including year-end inventory valuation.

Adjusted Downstream earnings were lower due to softer refining and chemicals margins and timing effects.

Chevron's cash generation continued to position the company for long-term success while rewarding shareholders.

In 2024, we:

- Invested capital efficiently, growing production by 7%;
- Generated nearly \$8 billion in proceeds from asset sales;
- Sustained our long track record of dividend increases and repurchased 5% of shares outstanding; and
- Maintained a strong balance sheet, ending the year with a net debt ratio of 10%.

Chevron's long-standing financial priorities have created value for shareholders. They have guided our actions through multiple commodity and investment cycles and will continue to govern how we allocate capital.

Over the past five years we have grown our dividend faster than the S&P 500 and nearly double the rate of our closest peer. Today, we announced a 5% increase in the dividend, marking the 38th consecutive year with an annual increase to dividend payment per share.

We're committed to capital discipline. Only the most competitive projects in our portfolio will get funded. Where assets don't compete for capital, we have a history of generating value commercially.

The balance sheet is in excellent health, with net debt below our historical levels. We've repurchased shares 17 of the last 21 years and intend to maintain a buyback range of \$10 to \$20 billion per year depending on market conditions.

Compared to our peers, we're delivering growth with less capital and returning more cash to shareholders. In the past three years, we've returned \$75 billion in cash to shareholders via dividends and share buybacks.



Now, I'll hand it back over to Mike to cover our near-term outlook.

Mike Wirth:

Thanks, Eimear.

Chevron is in a strong position today, with near-term catalysts that are expected to drive the company to even better performance in 2025 and 2026.

Our objective is unchanged: to safely deliver higher returns and lower carbon.

In the next two years, we plan to:

- Achieve industry leading free cash flow growth;
- Further strengthen our portfolio, including the expected completion of the Hess transaction in the third quarter;
- Advance opportunities in renewable fuels, hydrogen, CCUS and power; while
- Maintaining cost and capital discipline.

It's important to note that the guidance provided today excludes Hess. We continue to be very confident in Hess' position in the arbitration. We plan to host our next Investor Day with a longer-term outlook after we close the transaction later this year.

Chevron is poised for industry-leading free cash flow growth. We expect to add \$10 billion of annual free cash flow over the next two years, led by growth in advantaged Upstream assets.

With additional production from FGP and a further reduction in affiliate capex, we expect a sustained increase in distributions from TCO going forward.

In the Gulf of America, where we produce some of the highest margin barrels in our portfolio, we'll have additional growth as Anchor and Whale continue to ramp-up and we bring Ballymore online.

And in the Permian, we're focused on operational efficiency and free cash flow, positioning the asset as a core cash generator for the company.

We're also executing plans to deliver stronger results across the entire portfolio, including cash savings from our targeted \$2 to \$3 billion reduction in structural costs and improved returns in our Downstream and Chemicals businesses.

At TCO, we achieved first oil at FGP last week. This important milestone is the result of consistent, disciplined execution by the project and operations teams. Our focus remains on a safe and reliable ramp-up of the plant.

FGP adds 260 thousand barrels of oil production capacity to the existing plants. We expect to achieve full production rates – one million barrels of oil equivalent per day – within the next three months.

At \$70 Brent, expected free cash flow to Chevron is \$5 billion in 2025 and \$6 billion in 2026. This includes fixed loan repayments and quarterly dividends.

We are proud to bring this large, complex project online for the benefit of our shareholders and the Republic of Kazakhstan and look forward to future collaboration to maximize the long-term value of the Tengiz reservoir.

In 2024, execution efficiencies led to strong well and base business performance, helping us achieve another record for Permian production.



Over the last five years, we've delivered compound annual growth of 16% while continuing to capture efficiencies. Through optimized pad and drilling designs, and completions improvements like triple frac, we're able to achieve these production levels with 40% fewer company-operated rigs than our plans included just a few years ago.

We expect production to reach one million barrels of oil equivalent per day in 2025, and plan to moderate growth and capex to drive predictable and durable free cash flow generation.

Our Permian portfolio delivers superior returns due to royalty advantaged acreage across all of the sub-basins, which add to both the top and bottom-line.

We're continuing to develop and deploy technologies to enhance efficiencies and recoveries. We're leveraging our strengths in advanced chemicals and stimulation and scaling them across our shale and tight portfolio.

Our world-class Upstream assets provide further growth opportunities that are poised to deliver value for decades.

In the Gulf of America, where we expect to grow production to 300 thousand barrels of oil equivalent a day, we achieved first oil at the Anchor and Whale projects, and Ballymore is expected to come online around the middle of the year.

In Western Australia, our discovered resource has the ability to keep our LNG plants full for decades. Last month, we announced an asset swap that will increase our equity in Wheatstone, which enables long-term asset development and monetization.

In West Africa, we have a queue of low-cost developments that are expected to sustain production for many years. We recently extended leases in Nigeria and had a shelf discovery that will tie back to existing infrastructure. In Angola, we achieved first gas at the Sanha Lean Gas Connection project, and we plan to bring online our South N'dola development later this year.

In the Eastern Mediterranean, we have a significant resource position we're continuing to unlock. Expansion projects at Leviathan and Tamar are expected to come online through the end of the decade.

Turning to our Downstream and Chemicals businesses, we're focused on operating reliably and efficiently while executing competitive projects that extend our value chains and capture market synergies.

The recently completed expansion at our Pasadena refinery enhances our integrated value chain by running more Permian crude, supplying more products to our regional marketing business and expanding synergies with the Pascagoula refinery.

Our petrochemical growth projects in the U.S. and Qatar are more than 50% complete and are expected to contribute to further cash flow growth beyond 2026. Both projects are feedstock advantaged, have competitive cost structures and are well-positioned to serve growing demand.

We have several projects in our New Energies business that are expected to achieve key milestones in the next two years.

In renewable fuels, we're in final commissioning of the Geismar renewable diesel expansion and at our Bunge joint venture, construction continues at the new oilseed



processing plant in Louisiana, increasing our exposure across the renewable fuels value chain.

We're working towards start-up of the ACES green hydrogen project in Utah later this year, which will produce hydrogen from water and excess renewable power and store it underground for dispatchable lower carbon power generation. The project is one of the world's largest hydrogen storage projects and will have over 200 megawatts of electrolyzer capacity.

In carbon capture and storage, Bayou Bend is working towards a FEED decision for the offshore project, and we're also developing plans to capture and store CO₂ from our Pascagoula refinery.

Earlier this week we announced plans to jointly develop scalable, reliable power solutions to support growing energy demand from U.S. data centers.

Chevron is positioned to participate in this growth and generate competitive returns through:

- Integration with our U.S. natural gas business;
- Experience in building and operating nearly five gigawatts of reliable, behind-the-meter power; and
- Expertise in technologies that can help provide a pathway to reduce greenhouse gas emissions.

We've secured slot reservations to purchase seven natural gas fired turbines from GE Vernova with deliveries beginning late 2026, and we're advancing site selection and engineering work while engaging customers. We look forward to sharing more as our plans develop.

I'll hand it back to Eimear to close out our guidance for 2025 and 2026.

Eimear Bonner:

Thanks, Mike.

In a cyclical commodity business, capital and cost discipline always matter. Chevron's capex and affiliate capex budgets reflect our commitment to capital efficiency while funding a balanced portfolio of short and long-cycle investments.

Organic capex is expected to remain within our \$14-16 billion guidance range. As spend in the Permian and Gulf of America comes down, capital will flow elsewhere within the portfolio to support continued growth. Affiliate capex is expected to trend down further as investments at TCO and CPChem come online.

We're targeting \$2 to \$3 billion in structural cost reductions by the end of 2026. Work is underway to deliver these savings through:

- Asset sales;
- Scaling technology solutions, such as expanding the use of robotics; and
- Changing how we work to improve efficiencies.

We're executing our plans to lower absolute costs while delivering growth.

Last year, worldwide oil equivalent production was the highest in our history, benefitting from a larger position in the DJ Basin following our acquisition of PDC Energy and nearly 18% growth in the Permian.

Excluding asset sales, we expect production to grow around 6% annually through 2026.



In 2025, we expect growth to be weighted towards the second half of the year as key projects in Tengiz and the Gulf of America come online and ramp throughout the year.

We're excited about the year ahead. We're focused on:

- Delivering growth across advantaged assets and value chains while reducing absolute costs;
- Starting up profitable New Energies projects and advancing new behind-the-meter power solutions; and
- Continuing to reward our shareholders with higher returns and a differentiated value proposition.

I'll now hand it off to Jake.

Jake Spiering:

That concludes our prepared remarks. Additional guidance can be found in the appendix to this presentation and the slides and other information posted on Chevron.com.

We're now ready to take your questions. We ask that you limit yourself to one question. We will do our best to get all of your questions answered.

Katie, please open the line.

Operator:

Thank you. If you have a question at this time, please press star one on your touchtone telephone. To allow for questions from more participants, we ask that you limit yourself to one 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 speakerphone, we ask you to 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 touchtone telephone.

We'll take our first question from Biraj Borkhataria from RBC.

Biraj Borkhataria:
(RBC)

Hi. Thanks for taking my question.

Firstly, congrats on getting FGP online, I know it's a big project. I wanted to ask about underlying cash flow, excluding working capital. This quarter, at least versus our model, the \$5.3 billion was quite a bit away off what we expected. Could you just walk me through how I should think about any one-offs in there? And help me understand what the underlying basis should be as we think about 2025?

Eimear Bonner:

Hi Biraj, thanks for the question.

You're right. Cash flow, excluding working capital, was impacted by some nonrecurring and accounting items this past quarter. Let me step you through the big ones.

The first is we recognized some tax charges in earnings related to our recently completed Canadian asset sale, and that was around \$1.5 billion. It's important to note that these tax charges are offset in working capital, but if you exclude the working capital when you're looking at cash flow, you're still going to see that tax charge. That's the main [item].

The second is we also recorded some charges in the quarter [impacting] earnings. We had identified those as special items – we disclosed them back in December in our capital release – however, we don't make the same adjustments for these items in cash flow. You're seeing some of [those charges] flow through to the bottom line, and that's about a \$500 million headwind.



Beyond those two items, we did have some other impacts: the combination of affiliate distributions, some unique commercial activity, and that's another \$500 million [headwind]. When you add up the three elements, that's about \$2.5 billion to take into consideration for the cash flow this quarter.

If you've got any additional questions on those pieces, acknowledging they're a bit unusual this quarter, Jake can follow up with you after the call and show you how everything flows through. Thanks.

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

Paul Cheng:
(Scotiabank) Thank you.

Mike, when we're looking at your next two years, I think you have a really good outlay and I think investors are comfortable. I think the question has always been talking about longer term, say, by the turn of the decade, I mean, what are you going to do if we put Hess asset aside and in here that can you talk about your opportunity set you already have in West Africa, for example? I believe there's a lot of discovery you guys have made in Nigeria, in Angola. But where are we in terms of bringing that to fruition and having the project coming on stream? What [do] we need in order for that to become a reality? And how big are those opportunity sets?

Thank you.

Mike Wirth: Paul, thank you.

You're right. What we laid out today is a more detailed look ahead for the next two years and as you rightly note, there's a lot of significant growth. We wanted to provide you more confidence and visibility on that free cash flow growth [of an additional \$10 billion by 2026] and frankly, it continues to be derisked every day. During the month of January with the Whale startup and the FGP start-up, [those are] two significant events that really de-risk that [free cash flow growth outlook]. That was the primary objective [of the additional material] to provide transparency and confidence in that.

I will set Hess aside, but I'll acknowledge that we look forward to closing Hess, which will make a strong hand even stronger.

If you look out beyond the end of 2026, there are a number of things that are going to contribute to continued free cash flow growth. We've got two big chemicals projects that are under construction that will come online late 2026, early 2027-time window. We've got projects in the Eastern Mediterranean in the near term for both Tamar and Leviathan that will come on towards the end of this year and be ramping into 2026 and beyond. Then we've got further work underway, particularly at Leviathan, for yet another expansion in the Eastern Mediterranean.

I would expect Argentina over the back half of this decade to begin to grow at a rate that's stronger than what we've seen thus far, contingent upon continued progress in policy, government stability and macro environment stability there, but the signs have been encouraging and positive.

You mentioned West Africa. There's a number of opportunities. I talked about a discovery on the Nigeria shelf, Sanha Lean Gas, South N'dola. We have a number of other very attractive prospects there. We haven't really gone below 10,000 feet to produce yet in that region. We picked up additional acreage offshore Angola, [two] new blocks that are undergoing seismic work right now. We haven't talked a lot about West Africa in recent



years given some of the other things within our portfolio, but that has a lot of running room left ahead of us.

Venezuela and Partition Zone [where we have] huge resource positions. We've been moving thoughtfully for particular reasons in each of those locations, but those present long-term opportunities that are captured and can become very attractive. We've got a really nice exploration portfolio in West Africa, South America, the U.S. Gulf, the Eastern Mediterranean that we expect to provide further resource opportunities.

We've got technology that can unlock things and a large, low decline base that we can sustain with very competitive capital investment and good underlying growth rates. We've seen outsized growth here in recent times – last year's growth [was] 7%, we're guiding to a 6% CAGR for the next couple of years. That's probably not a growth rate that anyone would expect to continue, but there are plenty of opportunities out there in the 2027 and beyond queue. We'll sort through and fund the best of those within a tight, disciplined capital budget.

Thanks, Paul.

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

Neil Mehta:
(Goldman Sachs) Good morning, Mike, Eimear and team.

Just wanted to better understand the power business and the announcement from earlier this week with GE Vernova. Mike, you've talked a lot about power being a tricky business, and Chevron seen that firsthand over the last 30 years at different points. But in wanting to ensure that you're staying true to your core competency, how do you think about playing in this ecosystem and ensuring that you derisk it so that you can preserve the upside?

Mike Wirth: Neil, you should think of this as being aligned with what we've said we were looking to do, which is leverage our strengths to advance lower carbon energy solutions to meet demand growth in the world. We operate nearly five gigawatts of reliable and at-scale power today at Gorgon, TCO and refineries. We know how to build and operate large-scale power generation and integrate it to a core customer. We know how to operate these assets very, very well. We've got technical capabilities that are required to do this.

In the U.S., we've got a very large natural gas position and we've been diversifying some of our gas markets with some LNG offtake. This allows us to backstop power investments for premium customers. We have said we didn't envision ourselves as a merchant power player, and we still don't. Building power to sell into the grid and generate merchant power is probably not going to deliver returns competitive with our portfolio, but a high-reliability, at-scale offering that's delivered rapidly is something that's in high demand from customers right now.

You can see PPAs [power purchase agreements] that have been done for things like recommissioning nuclear facilities that give you some sense of the value that these [power solutions] have for customers. We've been engaged in discussions with the hyperscalers for a year or more to understand what they're looking for and understand whether or not that's something we can deliver on. We think that it really does make good sense for us.

We've got seven of GE Vernova's largest turbines with reservation slots for delivery beginning in late 2026 and into 2027 and would expect to be on the front-end of what will be a real surge in power demand in this country.

Importantly, the last thing I'll say, I think most of the people on the call are familiar with the challenges that the grid in this country faces right now and ensuring we keep supply of



electricity reliable into the economy as it stands today. Doing this off-the-grid and behind-the-meter doesn't further tax an already taxed distribution infrastructure, and it doesn't put this investment cost into the rate base and drive up costs for consumers.

We think this is something that's good for America. American energy abundance can help ensure AI leadership. It's good for the public. It will create jobs, it will help to keep rates from rising and it's good for the big customers. They're looking for reliable and fast solutions to deliver this power and eventually lower carbon options to reduce carbon intensity.

Thanks, Neil.

Operator:

We'll take our next question from Doug Leggate with Wolfe Research.

Doug Leggate:
(Wolfe Research):

Thanks. Good morning, guys. Thanks for the opportunity to ask, Mike.

I did warn Jake I may have a Part A and a Part B, so it's technically one question, I'll assume he blessed it. The incremental disclosure on the bridge to 2027 is really, really helpful. It's never enough, obviously, but I wonder if you could just benchmark against what you gave us in February 2023 under similar conditions. So what is the incremental \$10 [billion], including the debt payback? What does that look like in 2027 versus what you gave us before?

And the Part B is obviously, Tengiz is the big story here. But a couple of days ago, I think the Kazakh government on the wire is actually talking about contract extensions, which is great news for you potentially, but on better terms. I was just wondering if there was any color you could offer on that?

Mike Wirth:

Eimear, why don't you talk about free cash flow for 2027 and then I'll take the concession.

Eimear Bonner:

Thanks, Doug.

The short answer is it's aligned with the previous guidance [from Chevron Investor Day 2023], so we're really reaffirming that guidance. Since then, there's been some puts and takes. On the portfolio side, we've added PDC [Energy] since our last guidance. We've divested some assets as well, primarily [in] Canada.

There's been some price assumptions changed [\$70 Brent, \$2.50 Henry Hub and \$11 international LNG in 4Q24 guidance versus \$60 Brent, \$4.50 Henry Hub and \$13.50 international LNG at Chevron Investor Day 2023]. We have [free cash flow] growth laid out today out to 2026, and we see growth beyond that. We've got the CPCChem projects that will be online around that time. We'll have some Eastern Med brownfield projects in Tamar and Leviathan that will come after 2026.

Mike talked earlier about the Argentina potential and the power potential. In addition to that, we've got the \$2 to \$3 billion of structural cost reductions that are underway. The short answer is [the free cash flow growth guidance is] aligned, but many of the projects that we talked about a few years ago have also been de-risked. We'd expect to provide the 2027 outlook later in the year.

Mike Wirth:

On the concession, Doug, we're still focused on ramping up safely and reliably. This is a really important milestone, and it signals moving to the next phase in the life of that field. We're absolutely laser-focused on getting that right. Early performance has been very stable and very encouraging.



As we get through the ramp-up to see the plant and reservoir performance, we'll then be able to really turn our focus to the future. This is a world-class asset. We've got a long proud history in Kazakhstan and with the TCO partnership. We certainly would like to extend the concession, but it has to work for everyone. It has to work for the Republic, it has to work for our company and our shareholders and has to be competitive. These things take time. These are complex contracts, complex negotiations. We'll keep you posted as that evolves over time.

Operator: We'll go next to Devin McDermott with Morgan Stanley.

Devin McDermott:
(Morgan Stanley) Hey good morning thanks for taking my question and for the detailed update today.

Mike, I wanted to ask you about policy. There's been in the U.S. now a series of energy-related executive orders over the past week. I was wondering if you could talk through how this might impact some of your oil and gas operations, especially given the large presence you have in the Gulf and then new energies opportunities? And as we think through the flurry of news flow over the last year, there's also been some headlines on your Venezuela license, if you could address that as part of the response, I'd appreciate it. I know a lot to unpack there, but I would love your thoughts. Thanks.

Mike Wirth: Let me start at the at the highest level.

For years now, I've been calling for a more balanced discussion about energy. We're finally beginning to see it. We're seeing economic prosperity, energy security and environmental protection all being brought together. In the past, the dialogue skewed toward environmental protection and much less toward the others, and it's a welcome change to see this reflected. It's a conversation that now recognizes oil and gas are a vital part of the energy mix in this country and in the world, which is a reality that we all need to acknowledge. It's good to see an administration that is intent on leveraging and encouraging American energy abundance for the benefit of our economy, for the benefit of our security, for the benefit of our allies and intends to do that in a way that also provides environmental protection.

I think it's a more balanced approach. I think it's a welcomed approach. The specifics still remain to play out. Many of these executive orders direct agencies to review things, to look at actions that can be taken. Actual actions, for the most part, still remain ahead of us, but I would expect them to encourage more access, for instance, more regular lease sales.

There is building bipartisan support for permit reform, which is very necessary, not just for our industry but for many other industries where it's become so difficult to build things here in the United States. I think it's a welcome reset and one that our country will benefit from.

I can't say much more about anything [on Venezuela]. Venezuela is an issue that has been around for quite some time during the first Trump administration, during the Biden administration and now again in the second Trump term. Sanctions exist on Venezuela – we're the only U.S. company on the ground there. We're focused on keeping our people safe, ensuring that assets operate in a way that protects the environment and complying with all the laws. We don't set policy. We comply with laws and we engage with the government to help inform them of the potential impacts of policy choices and we'll continue to do so.

Thanks for the question, Devin.

Operator: We'll take our next question from Stephen Richardson with Evercore ISI.



Stephen Richardson:
(Evercore ISI)

Hi. Good morning. Mike, I was wondering if you could talk about the position of the Permian in the portfolio. You've got this one million-barrel a day target out there that looks like you're going to hit, if you haven't already hit it pretty soon. And I know there was a previous target in the last Analyst Day that was a little higher than that.

Can you maybe just talk about the right amount of unconventional in the portfolio? And do we think about the Permian and the DJ? Do we think about it relative to the total? Is it production? Is it decline curve? How do you think about the right amount of unconventional for the size of the corporation over the next couple of years?

Mike Wirth:

Let me start with I'm really pleased with our team in the Permian and the performance again in the fourth quarter. We delivered 992 thousand barrels [of oil-equivalent production] a day in the fourth quarter. We were over one million barrels a day in December. For the full year, we saw a growth of 18% and really, really strong performance across all aspects of the Permian. We expect to continue to grow even as we've now passed our peak [capex] investment, and we've started to bring capital investment down.

We still expect to see 9% or 10% production growth in 2025, something a little bit less than that in 2026. We're headed towards a lower rate of growth. At some point, you can't grow a position like this infinitely. That was the criticism of the industry last decade, companies only focused on growing, and they never focused on generating free cash flow and returning [cash] to shareholders. That's always been our plan to do just that.

We'll have an asset that will produce something over one million barrels a day for many years into the future. As we can maintain that with a lower rate of capital investment than we've required to get to where we are, that really opens up the free cash flow off of that asset. We are very pleased with that.

We've got 400 thousand barrels a day, give or take, now in the DJ Basin, which is in that plateau phase where we can draw free cash flow off of that. We close [the] Hess [acquisition and] there's another couple hundred thousand barrels a day in the Bakken. You bring Argentina in, and now you're talking 1.7 million barrels a day or so [of unconventional production]. This year, we produced 3.3 [million barrels a day worldwide], so [unconventional production is] 50% of the portfolio. The nice thing about that is that at very modest capex, you can hold that production flat for quite some time and use that as a big cash generator, and that is the intent.

There's always the prospect that we see technology breakthroughs. We're working on improved recoveries that if economic could open a new phase of growth. I don't want to predict that, but I certainly wouldn't want to rule that out. As we continue to get better and better at this and develop technologies to improve recoveries, we can extend the plateau, we could raise plateaus, but this [Permian position] is a highly economic asset that is a core position that will generate production and cash long into the future.

Of course, in the Permian, the royalty advantage that we have is icing on top of that cake. That's how we think about it. I can't give you a magic formula, a percentage, but [unconventional production is] approaching 50% of our overall production, which is a significant piece.

Thanks, Steve.

Operator:

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

Jason Gabelman:
(TD Cowen)

Hey. Thanks for taking my questions.



I wanted to ask about the TCO distribution, and I appreciate the detail between first half and second half of this year. The \$5 billion and \$6 billion for 2025 and 2026, is that similar to the \$4 billion and \$5 billion, respectively, that you guided to previously, just at a higher price deck?

And further to the distribution, it looks like based on TCO's own filings that their operating expenses from 2022 to 2023 have gone up about \$5 a barrel. I'm not sure if that's related to the Russian war or something else, but I wonder if that increase in opex is contemplated in your free cash flow guidance for TCO, or if that's something you expect to come back down?

Eimear Bonner:

Jason, thanks, I can talk to that.

The free cash flow inflection that's coming is actually upon us now that the asset has started up. We shared in slide [10], \$5 billion for 2025 and \$6 billion for 2026 [Chevron's share of expected TCO free cash flow].

What's contributing there is obviously the production but also the affiliate capex coming down. With the project completing, the affiliate capex is reducing significantly, so that's resulted in the free cash flow [growth].

We also anticipate that as the plant gets shook out and the safe and reliable start-up completes, they'll be focused on operational opex and optimizing that [opex spend], given the new base business of one million barrels a day that they will have. That can move around a little bit during the year, but generally, we have opex coming down there, too. Those are two things that are contributing to the free cash flow [growth] in addition to the production.

Operator:

We'll take our next question from Alastair Syme with Citi.

Alastair Syme:
(Citi)

Thanks Mike, Eimear.

I just wanted to ask about Namibia. If you've got a good sense of why that first exploration well failed and whether you've seen enough to make you want to go again in a different location? Thank you.

Mike Wirth:

Alastair, the first well was the first well. In exploration, you learn that oftentimes, particularly in a relatively new basin, you need a lot of information. [With] each well, while you're targeting hydrocarbons, the real objective is to learn and failure to learn would be a failure of the well. Failure to find oil and gas happens more often than not.

We have a very large position on two different blocks in the Orange and the Walvis basins. As people are well aware, others have found some encouraging [prospects] on their blocks, so there's a working petroleum system that exists there. We're very pleased with the information that we learned and it does inform future activity. It helps us understand the geologic history of that part of the basin, which is fundamental to understanding how the depositional structures and geology evolved, and we'll use that to inform future activity.

It's not enough, if I heard your question correctly, it's not enough to say we're not interested. It's enough to say we continue to be interested.

The other thing I'll tell you is that the well [reached total depth] very fast. The cost was much lower than some of the other wells we've seen in that area. The other encouraging thing that we learned is that the drilling environment there is one that we can execute very well in and [execute] future exploration wells in a very cost-effective manner. We'll talk



to you more as we evaluate the next steps in both of those basins and continue to evolve our program.

Operator: We'll take our next question from Betty Jiang with Barclays.

Betty Jiang:
(Barclays) Good morning. Thanks for taking my question.

I want to go back to the Power venture. I want to ask about how do you think about the capital commitment for Chevron related to that venture? It is really impressive that you were able to secure these high-demand turbine spots. So, have all the deposits for them been made and just how much equity capital would you be willing to put into it? Thanks.

Mike Wirth: Thank you, Betty.

It's still early days, and we're not providing public details on some of the specifics of the joint developments as we move into the next phase of site selection, engineering and the like. We have secured the slot reservations with payments and those are terms that are confidential. We won't have 100% of this [capital commitment], it will be funded through partners and other investors and we'll provide more detail at a time that's appropriate.

The one thing that I do want to call out is we haven't changed our capex guidance, so this will be done within the capex guidance that we've issued. We intend to develop opportunities that are competitive with other things in our portfolio. Here, you've got the benefit of scale. We've got an early position in the queue. Gas turbine generators are seeing upward price pressure, so it's better to be early in the queue than later in the queue. We'll be focused on capital efficiency here and developing a project that delivers value for customers and delivers value for shareholders. Stay tuned for more details as things evolve later this year.

Operator: We'll take our next question from Ryan Todd with Piper Sandler.

Ryan Todd:
(Piper Sandler) Hey. Thanks.

Maybe if I could ask one on the Gulf of Mexico, or Gulf of America. You've now got two of the three projects online for the 2025 and 2026 time period with Ballymore coming soon. What have you seen in terms of reservoir performance so far? What have you learned in from these developments, both on the subsurface and on the facility side? And how does it inform future potential for you in the basin?

Mike Wirth: Thanks, Ryan.

The short story is the [Anchor] wells are performing very well. We've got two wells online at Anchor, we've got a third well that we expect to come online in the second quarter. On the fourth and fifth wells, we've got the top hole section drilled, and we have remaining drilling and completion work ahead of us. A fifth well [is expected online] in early 2026. We are able to drill and complete in this pressure and temperature regime, which is a new one for the industry. Reservoir performance is at or above expectations, so we're quite encouraged.

On Whale, I would refer you to the operator for specifics and let them update you on that.

Ballymore, as I mentioned, [is expected to be] online midyear, and we'll update you as we see performance out of that, but it's very encouraging. We're calling it Gulf of America, that's the position of the U.S. government now. There's a lot of running room out there [in Gulf of America]. We're a large lease holder, there's a lot of acreage that is prospective for tiebacks, there's also acreage that is prospective for greenfield developments. We've



brought costs down significantly, we've advanced technology to operate in different pressure regimes. I think this will be an important producing basin for our country for many, many years to come.

Thanks, Ryan.

Operator: We'll take our next question from John Royall with J.P. Morgan.

John Royall:
(J.P. Morgan) Hi. Good morning. Thanks for taking my question.

I was wondering if you can just talk about your operations in the Eastern Med today and just an update there. We've obviously seen a significant improvement in the political situation in that part of the world, and there are no guarantees that's forever. But as Mike mentioned, you do have some project growth that you're working through there. So maybe just an operational update on how you're feeling about your position there and the risk as you see it today?

Mike Wirth: First of all, we're really pleased to see tensions diminishing in the region and hopefully a lasting peace for the people there. The headline is there's no real change to our plans, John. We expect projects that are in execution at both Tamar and Leviathan to come online by the end of the year or into early 2026. There was a pipelay vessel that was demobilized during the height of the conflict. That vessel will be remobilized during the first half of this year to complete the work that it had underway.

The next leg of growth after those two projects would be a Leviathan expansion. We're currently in [front-end engineering and design] for that; it would be a significant growth in production for Leviathan. Still work to be done, but that's a project that would come online towards the end of this decade and continue to step-up the production on that asset significantly. Despite all the activity we've seen in that region, we'll see production up by 25% over the next 2 years and something closer to [up] 50% by 2030.

Operator: We'll take our next question from Jean Ann Salisbury with Bank of America.

Jean Ann Salisbury:
(Bank of America) The ramp is basically tracking to your expectations or even exceeding them and when you might have any more to share about potential debottlenecking potential?

Mike Wirth: Jean Ann, you came off mute partly into your question, and I caught the part about ramp and debottlenecking. Were you asking about FGP?

Jean Ann Salisbury:
(Bank of America) Yes, yeah.

Mike Wirth: We're a little bit more than a week into this [since FGP first oil], so it's very early days, but I will tell you the operations have been very stable. This is a big, complex process operation with crude stabilization, some fractionation, high-pressure sour gas injection and temperatures and pressures that are significant. Seeing stable operations is very encouraging. We have seen production step up, the well deliverability has been very strong, and we completed all that work last year, but the field performance has met or exceeded expectations. We feel good about what we see to this point in terms of stable and reliable operations.

We'll step things up gradually to be sure that we maintain that stability and reliability. We still have very significant exclusion zones in place, for instance, to minimize the number of people that are in a plant that is just beginning to operate with the H₂S concentrations that we see there. We'll be methodical and very deliberate in raising the production levels up to full capacity.



Early indications are all positive and any things we've encountered are well within the range of what would be normal start-up things that you see in a plant like this, so more to follow.

Debottlenecking is probably a question for the future, we're really focused on getting the most we can out of this plant right now. We'll update you on that. Certainly on the next quarter call, we'll have a lot to say about performance at FGP.

Operator: We'll take our next question from Lucas Herrmann with BNP Paribas.

Lucas Herrmann:
(BNP Paribas) Thanks, Mike, Eimear. Thanks for the opportunity.

Really just a point of clarification, Mike. You talked about the transaction with Wheatstone, or around Wheatstone with Woodside. You talked about better positioned to monetize. When you talk monetize, do you mean monetize the resource that you have? Or do you also imply monetize the facility i.e. look to take capital out of it in some way with a potential insurance pension fund?

And if I might just ask one other question. In essence, when you talk about returns on the power business, do you think about returns volatility adjusted or naked, for want of a better phrase?

Thanks very much.

Mike Wirth: Thanks, Lucas. On Wheatstone, we're really talking about monetizing resource over time. We're going to acquire not only Woodside's interest in the Wheatstone project, but also in Julimar-Brunello [field], and we'll hand over to them our interest in North West Shelf and some other smaller related things.

We've got high expectations for the Carnarvon Basin for many decades to come. We've had a strong exploration track record out there. We've got a tremendous amount of resource and optimizing that resource through both Wheatstone and Gorgon in a way that's economic, that keeps the plants full, that's good for Australia, good for customers, is important, and this gives us more control over that and a bigger stake in that. That's really the primary driver, we're not contemplating bringing in a pension fund or anything like that to sell-down our position there.

The second question or the second part of your question was about returns in power. We have volatility in our oil and gas business, we have a volatile refining and marketing business. We would look to have put in place PPAs that work for customers and work for us. As a large natural gas producer, we obviously have natural gas supply. We've got natural gas commercial capability across the value chain, and we can use that to help manage exposure and volatility for our investment [and] potentially for customers if that's what they're looking for. It's very similar to how we encounter volatility in other aspects of our business, and we'll look at it in a way that is consistent with how we look at other things that have associated volatility.

Thanks, Lucas.

Operator: We'll go next to Josh Silverstein with UBS.

Josh Silverstein:
(UBS) Hey, good morning, guys

Maybe shifting to the refining and chemicals business. We're clearly in a weak price environment and margin environment right now. Other than maybe improving the product



slate and doing some cost reductions, are there things that you guys can do counter-cyclically to, you know, improve your leverage to the recovery? Maybe bring forward some projects or turnarounds, acquire some other assets that might be financially challenged or anything like that.

Thanks.

Mike Wirth:

Having spent a good part of my career in that business, margin pressure is a familiar friend, I would say. It does spark innovation and there's nothing like feeling the sharp end of the stick to make people continue to find ways to find a little more flexibility in your feedstocks, improve your operating reliability, your cost structure. Make sure you've got all the right handles for product optimization into the market via different products via different channels to go to market and customer relationships and the like.

We'll be looking to do all of those things, but we should be looking to do all those things when margins are good, and we certainly are looking to do those when margins are difficult.

I would point to the fact that we're now [operating with] increased capacity to run light oil at our Pasadena refinery. This is a good example of [product and value chain optimization]. We can integrate some of our upstream production that we may get a better netback on it versus exports, for instance. We'll produce products that can move out into our marketing channels where we might otherwise be reliant on others to supply some of our market needs, we can integrate intermediates with the Pascagoula refinery, [and] we can optimize during turnarounds, storms and other market conditions by thinking of those two [refineries] as a system.

We'll continue to look for opportunities like that, which are capital efficient ways to increase [our] flexibility and ability to control [our] own margin outcomes in the downstream.

Operator:

We'll take our next question from Paul Sankey with Sankey Research.

Paul Sankey:
(Sankey Research)

Hi Mike, thanks everyone.

Mike Wirth:

Nice to hear you back on the call, Paul.

Paul Sankey:
(Sankey Research)

It's a pleasure to be back, Mike.

I had a very quick one just about potential corporate actions. But the big idea was I was looking at your capex and that \$14 to \$16 range. I was just wondering what the chances are of you getting towards the lower end of that range because it strikes me that you could differentiate yourselves with lowering capex and falling capex over the coming years. And further to that, I was wondering, do you think there is potential, for example, for you to cut upstream capex once Hess is completed, how would that work out?

Secondly, the volatility of your results. I was wondering, are you underinvested in refining? Do you think that's been an issue? And then the wildcard was the potential for mega deals, the exact opposite under Trump and whether or not it might be an idea to go really big as opposed to continuing to sort of try and shrink?

And then the final element of the capex question was if you're doing this AI gas-wide power, did you cut back? What are the areas that you're cutting back capex that presumably are now less attractive under the Trump guidance such as it is?



Mike Wirth: Let me tick through those quickly. \$14 to \$16 [billion] is the [longer-term organic consolidated capex] range. Last year, we were at the top end of the range; this year, we're at the middle end of the range. Could we be at the low end of the range? We could and we'll make that call based on the opportunity set, the competitiveness of those [projects], our view on the market outlook.

The real message here is you can depend on us to remain very disciplined, and we're getting more for every dollar we're spending. I mentioned earlier, the Permian is growing with 40% fewer rigs than our plans contained just a few years ago. We [grew total production] at a 7% rate last year, 6% [compound annual growth rate] over the next couple of years. The infamous porcupine charts show that [in previous times] we were spending a lot more capital and weren't delivering that kind of growth, so we became more capital efficient and we have continued to look for ways to deliver energy at lower and lower capital investments.

Are we underweight in refining? We've always been more skewed to the upstream. If the right opportunity were to come along in downstream or in chemicals, you'd always look at it. In those segments, one of the ways you de-risk your position is by not overpaying. We're always attuned to opportunities out there. It would have to fit our criteria, which are assets that have scale, flexibility, can operate very efficiently [and] would integrate into good market positions, so there's a set of criteria that we would apply to that.

I'm not going to speculate on mega deals. The power [solutions business] for AI is going to fit into the portfolio like other things. The capex on that is manageable, it's spread out over time, it's not 100% equity on our part and it'll have to deliver competitive returns. Will it displace something, will it cause something else to maybe be pushed out in time? How we prioritize those things is a part of running our business each and every day. We've got a queue of investments that we're constantly working on. We should not fund all of them, we should only fund the best of them. This will go into that same process and be optimized within the overall set of investments that we're advancing.

Operator: We'll take our next question from Nitin Kumar with Mizuho.

Nitin Kumar: Good morning, everyone. Thanks, Mike, for taking my question.
(Mizuho)

Congrats on starting up TCO. I just want to touch on the structural cost reductions you've talked about. Could you break that \$2 to \$3 billion between your upstream and downstream a little bit? You were talking earlier about the margin pressure in downstream.

And then as I look at Slide 10 and the trajectory of those savings, it seems like you're a little bit weighted towards 2025. So, are they more related to asset sales? Or are there other things kind of in the remaining businesses that are helping?

Eimear Bonner: Nitin, I'll take this one.

The \$2 to \$3 billion structural cost reductions, you'll see them across all segments. Let me break down the focus areas for you a little bit.

The first focus area is around asset sales. You're right, we'd expect to see some reductions this year given the asset sales last year in Canada, for example, so we will see some of those portfolio impacts in 2025.

The second focus area that we have looks at changing how we work. We're looking at standardizing work that we do and then thinking differently about where we do that work. That will impact the downstream segment, that will impact the upstream segment, so we're looking across all the businesses.



An example would be how we design wells for certain asset classes. Is there a way to do that in a more standardized fashion and a more centralized fashion? That's the second focus area and work is underway on that, so you should expect to see savings come through [in] 2025 and 2026.

The last one, the one that I'm very excited about is the technology focus area. This is where we're looking at using technology to do work completely differently. We mentioned in the presentation, the robotics example, but there's a long list of examples that we're deploying today, whether that's drones to inspect our facilities, digital twins to plan our turnarounds, AI to look at reducing cycle times for exploration subsurface work. The technology focus area will also deliver savings.

In terms of the profile, 2025 [is expected to deliver] between \$1.5 to \$2 billion [of structural cost reductions] and then in 2026, you should see the [expected] \$2 to \$3 billion come off [by] then. In total, \$2 to \$3 billion structural cost [reductions] off the 2024 base.

Thanks.

Operator: We'll take our next question from Bob Brackett with Bernstein Research.

Bob Brackett:
(Bernstein) Hey good morning, guys.

Question about the Permian. Clearly, you've laid out a disciplined model there to release cash flow, but you're uniquely positioned in that you have JV partners plus the royalty interest. You probably have the best view of the landscape. What are you seeing there in terms of discipline from the other operators? And is it a trend that's going to continue?

Mike Wirth: Bob, it's interesting because of our large mineral rights position, we not only get the financial advantage that accrues through that, but we also get the information advantage. We have a position in one out of every five wells in the Permian and so we see a lot from our NOJV partners, and most of that activity is through five good companies, companies that you all know and cover. You've got visibility into what they're doing via what they say, we [have visibility] from seeing AFEs [authorization for expenditures] for funding and the like.

I would say people are sticking with their plans. I think everybody has seen the kinds of things we are, which is productivity and efficiency gains and continuing to look for innovation in lateral length and completion techniques, proppant loading, proppant to water ratios and all the rest of it.

I don't see anybody that is heading back to what the industry was doing a decade ago, which is throwing all the cash right back into growth and stepping away from what they've now established, which is a more balanced return-oriented strategy. I can't speak for others, you'll have to ask that question specifically to other companies, but at least what I see would be a continuation of what we have been seeing is the way I would describe it.

Operator: We'll take our next question from Neal Dingmann with Truist.

Neal Dingmann:
(Truist) Morning, thanks for squeezing me in.

My question really, Mike, is just on the downstream segment. It's a little bit weak last quarter sequentially and year-over-year. And I'm just wondering, was that more driven by, I know you had more turnarounds that you talked about having about 25% less of those this year? Or is it just continuing to see more, I'd call it, macro pressures there?



Mike Wirth: It was a weak fourth quarter, there's no doubt about it. [Chemicals and refining] margins were off, there [were] some turnaround effects. We also had some significant inventory [timing] effects that rolled through the downstream segment and some of the impairments that we took charges for [as special items] hit downstream on a [dis]proportional basis – you see the [financial impact] much more than you would see anything in the upstream. I'm not going to call it the perfect storm, but it was a quarter where there were a lot of things that all went in one direction, and it was a negative direction.

[We] can't affect margins. We can certainly affect turnarounds; you've already seen that next year is a lighter turnaround schedule. The impairments are one-off charges and the inventory [timing] is a function of prices and inventory levels [that] is a complex equation. I wouldn't assume there's anything structurally in that business that says it's deteriorating, but you have these quarters every now and again in that business.

Operator: We will take our last question from Geoff Jay with Daniel Energy Partners.

Geoff Jay:
(Daniel Energy Partners)

Hi all.

Mike, I was just kind of curious about Argentina. I mean, clearly, with Milei in office, it seems like a much friendlier place to do business. You mentioned it earlier. How do you see the politics and the opportunity set changing down there?

Mike Wirth: Thanks for asking. It's an area that I am encouraged by. We've got a very strong position in the Vaca Muerta, both in Loma Campana in the South and El Trapial in the North. The geology works very well. We're very pleased with what we've seen, and we've had a moderate pace of activity. More history down in the South at Loma Campana but encouraging [results] over the last couple of years at El Trapial in the North.

I'm also really pleased to see the situation of the country improving. We've seen inflation come down significantly, the banking system has stabilized, there's progress towards reducing and removing capital controls. President Milei is a reformer, and he's got a serious agenda that would make the country more investable for foreign investors. We're very encouraged by what he says, and we're encouraged by what he's done thus far.

I think there's more to come and certainly, he's made great progress thus far. We are hopeful that he'll continue to do so, and that we will see an environment that increases our confidence in putting more capital to work there. We're engaged on the ground and right now, we're taking a look at a midstream opportunity on a pipeline that could help us with exports to a good deepwater export terminal.

We'll continue to update you on developments there, but you're right. We've seen encouraging signs in Argentina in years gone by, and then things moved the other direction. We'll be watching to see if this seems to be a more durable set of reforms and that would certainly be an important signpost for us.

Thanks for the question, Geoff.

Jake Spiering: I would like to thank everyone for your time today. We appreciate your interest in Chevron and your participation on today's call. Please stay safe and healthy.

Katie, back to you.

Operator: Thank you. This concludes Chevron's fourth quarter 2024 earnings conference call. You may now disconnect.