2025 4Q Earnings Conference Call Edited Transcript

Friday, January 30, 2026

Chevron

January 30, 2026
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, everyone, to Chevron's fourth quarter 2025 earnings conference call. At this time, all participants are in a listen-only mode. After the speaker's remarks, there will be a question-and-answer session and instructions will be given at that time. If anyone requires assistance during the conference call, please press star 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 2025 earnings conference call and webcast. I'm Jake Spiering, Head of Investor Relations. Our Chairman and CEO, Mike Wirth, and our 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.

2025 was a year of execution.

We set records, started-up major projects and strengthened our portfolio.

Production reached record levels globally, and in the U.S., supported by key milestones and strategic actions, including:

- Completion of the Future Growth Project at Tengiz, adding 260 thousand barrels of oil per day;
- Start-up of Ballymore and Whale and the ramp-up of Anchor in the Gulf of America, advancing toward our goal of 300 thousand barrels of oil equivalent per day in 2026;
- Achieving one million barrels of oil equivalent per day in the Permian and shifting focus to free cash flow growth; and
- Closing the Hess acquisition, creating a premier upstream portfolio with the highest cash margins in the industry.

Additionally, in the downstream we delivered the highest U.S. refinery throughput in two decades, reflecting recent expansion projects and higher efficiency. This performance drove strong results, including industry-leading free cash flow growth. Excluding asset sales, adjusted free cash flow was up over 35% year over year, even with oil prices down nearly 15%. And, for the fourth consecutive year, we returned record cash to shareholders, delivering on our consistent approach to superior shareholder returns.

Chevron has been in Venezuela for over a century, and we remain committed to leveraging our deep expertise and long-standing partnerships for the benefit of our shareholders and the people of Venezuela.

Since 2022, in full compliance with U.S. laws and regulations, we have worked with our Venezuelan partners to increase production in our ventures there by over 200 thousand barrels of oil per day through a venture-funded model to recover outstanding debt.

We see the potential to further grow production volumes by up to 50% over the next 18 to 24 months.

We're reliably delivering Venezuelan crude to the market, including our own refining system.

There is significant potential in our assets and in the country. We're optimistic the future holds a more competitive and robust pathway to deliver value to Venezuela, the United States and Chevron.

We've been a pivotal part of Venezuela's past, we're committed to the present and we look forward to a continued partnership into the future.

Our advantaged assets in the Eastern Mediterranean continue to grow, and we're advancing multiple high-return projects to bring world-class gas resources to regional markets.

Leviathan recently reached FID to further expand production capacity. Combined with the near-term expansion, gross capacity is anticipated to reach roughly 2.1 billion cubic feet per day at the end of the decade, contributing to a doubling of current earnings and free cash flow.

At Tamar, the optimization project start-up is in progress, increasing gross capacity to approximately 1.6 billion cubic feet per day. And Aphrodite has now entered FEED, working toward developing a competitive investment in Cyprus.

We expect these projects to build on the existing assets' top quartile reliability and unit development costs, further expanding our differentiated position.

Before concluding, I wanted to provide a brief update on TCO. Earlier this month, TCO experienced a temporary issue on the power distribution system. Production was safely put in a recycle mode while the team identified the root cause.

Early production has now resumed, and we expect the majority of the plant capacity to be online within the coming week, and unconstrained production levels within February.

Our full-year 2026 guidance of $6 billion of Chevron-share free cash flow from TCO at $70 Brent is unchanged.

I want to reiterate our message from Investor Day. Chevron is bigger, stronger and more resilient than ever; we're entering 2026 from a position of strength and will continue building on our momentum in the years ahead. Now, over to Eimear to discuss the financials.

Eimear Bonner: Thanks, Mike.

Chevron reported fourth quarter earnings of $2.8 billion, or $1.39 per share. Adjusted earnings were $3.0 billion, or $1.52 per share.

Included in the quarter were pension curtailment costs of $128 million and negative foreign currency effects of $130 million.

Cash flow from operations was $10.8 billion for the quarter and included $1.7 billion from a draw down in working capital. In line with historical trends, we expect a build in working capital in the first quarter of 2026.

Organic capex was $5.1 billion for the quarter and full-year organic capex was in line with guidance. Inorganic capex related mostly to lease acquisitions and new energies investments.

We repurchased shares at the high end of our fourth quarter guidance range at $3 billion. Our balance sheet remains strong, ending the year with a net debt coverage ratio of 1.0x.

Compared to last quarter, adjusted earnings were lower by roughly $600 million.

Adjusted Upstream earnings decreased primarily due to lower liquids prices.

Adjusted Downstream earnings were lower largely due to lower chemicals earnings and refining volumes.

Adjusted free cash flow was $20 billion for the year and included the first loan repayment from TCO and $1.8 billion in asset sales.

Share repurchases combined with the Hess shares acquired at a discount were over $14 billion.

Looking ahead, we expect continued growth in cash flow, driven by low-risk production growth, ongoing cost savings and continued capital discipline.

2025 marked the highest full-year worldwide and U.S. production in Chevron's history.

Excluding impacts of the Hess acquisition, net oil-equivalent production growth was at the top end of our 2025 guidance range of 6% to 8%.

Production at TCO, the Permian and the Gulf of America was in-line with or better than previous guidance due to strong performance and disciplined execution.

We expect volume growth to continue in 2026 as we see the benefits of project ramp-ups, a full year of Hess assets and continued efficiency in our shale portfolio.

A full year of Permian above one million barrels of oil [equivalent] per day and Bakken production underpin the expected growth in shale and tight.

Recent and upcoming project start-ups in Guyana, the Gulf of America and the Eastern Mediterranean are anticipated to increase offshore production by approximately 200 thousand barrels of oil equivalent per day.

We expect TCO to grow 30 thousand barrels of oil equivalent per day, delivering near its original plan as the 2026 maintenance schedule has been optimized.

In total, growth in these high-margin assets is anticipated to contribute to a 7% to 10% increase in production year over year, excluding the impact of asset sales.

Last year, we launched our structural cost-reduction program as part of our continued commitment to cost discipline. Execution has exceeded expectations, with $1.5 billion delivered in 2025 and $2 billion captured in the annual run rate.

These results reflect a broad, organization-wide effort to operate more efficiently; challenging how and where work gets done, streamlining processes, integrating advanced technology and leveraging our scale across the supply chain.

We've restructured our operating model to be leaner and faster, with a more intense focus on benchmarking and prioritization.

And we're not done. We expect this momentum to continue as we aim to deliver on our expanded target of $3 to $4 billion by the end of 2026, with more than 60% of savings coming from durable efficiency gains.

As Mike referenced, we're entering 2026 in a position of strength.

Our diversified portfolio has a dividend and capex breakeven below $50 Brent and a deep opportunity queue with lower execution risk.

Capital discipline remains at the core of our strategy as we focus on only the highest value opportunities.

Our balance sheet is in excellent shape, with significant debt capacity that provides additional resilience and flexibility.

This disciplined approach allows us to manage through cycles, invest for the future and consistently reward shareholders. Over the last four years, we've returned more than $100 billion in dividends and buybacks.

As we showed you at our Investor Day, our track record of growing the dividend is unmatched across decades. Today we announced a 4% increase in the quarterly dividend in line with our top financial priority.

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, as well as the slides and other information posted on Chevron.com. We are now ready to take your questions. We ask that you limit yourself to just one question. We will do our best to get all of your questions answered.

Katie, can you please open the lines?

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 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 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 Arun Jayaram with J.P. Morgan.

Arun Jayaram: (J.P.Morgan) I was wondering if you could elaborate on a few of the moving pieces around TCO volumes in 2026, including the optimized maintenance schedule? And perhaps, Mike, you could just discuss the issue on the power distribution system and where you stand with some of the debottlenecking activities that could potentially result in an increase in your productive capacity at TCO?

Mike Wirth: Let me start with the power issue since that's been the most recent information there. The team proactively suspended production at the facility when an issue was identified in the power system. I'm really proud of the organization for taking that step, being willing to reduce production when they identified a condition that created a risk and focusing on the safety of people, assets and the environment. They acted with urgency to get the facility into a safe posture, immediately began working on root cause identification and very quickly began implementing solutions to get production back online.

Production has been resumed at the Korolev field. A number of the power distribution assets that had been taken out of service have been brought back into service. We've actually got power now to one of the pressure boost facilities and are in the process of beginning to ramp things back up to higher rates through the processing plants as I outlined in my opening comments.

Also in the news, just to close the loop on it, we have two mooring berths back in service at CPC. We've been working for the last 30 plus days, maybe 30 to [60] days, through a single mooring berth. So, back into start-up mode at TCO and as I indicated, full field production capacity is not far away.

When you look at the full year guide, where we said we expect to be near our original production expectations, there are two things I would point to. One is maintenance optimization, which is timing of activity and optimizing downtime. And as we've looked at the schedule for this year, we've got a more optimal plan that will accomplish the maintenance objectives and reduce the amount of planned downtime that goes with those.

And then the second thing gets to your question about debottlenecking. At our Investor Day, we shared some history at TCO that demonstrated, over our years there in multiple projects, we've been able to steadily improve plant capacity beyond nameplate. We're working on that again now with the new project. And in fact, one of the pit stop turnarounds that we took late in 2025 was to re-tray a column, or a portion of a column, and address some issues that had been identified that we believe will allow us to push some more throughput through the plant. We've actually not run [the plant] at full capacity long enough to be able to speak to exactly what the impact of that is because of some of these other constraints that I just mentioned. But as we're back up and running, we'll certainly have a chance to test that. And I would expect that and other steps that we take will lead to a gradual debottlenecking and we'll look to try to creep the capacity further upward. We'll advise you as we've got run time and confidence that we can demonstrate that, we'll let you know what that looks like.

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

Neil Mehta: (Goldman Sachs) If you could unpack Venezuela a little bit more, and specifically, your just thoughts on the conditions of the assets on the ground and how much running room there is in terms of the resource there? You know, how big could this be in the context of Chevron's portfolio? And I think, Mike, you allude to the fact that you might be thinking about this more in a self-funding model type of way. So anything you can unpack there, too, would be great.

Mike Wirth: Neil, maybe I'll put a little bit of context around this because I have had different discussions with people over the years, and I'd like to get everybody kind of level set on it since it's been more front and center recently than it has been historically. First of all, our operations there through the last month [despite] all the things that have happened on the ground have continued uninterrupted. Our people are safe. We continue to work closely with our partners in Venezuela to get crude to the market. We've not been impacted by any shipping issues or anything else that has been in the media. We're in four different joint ventures with PDVSA, three of which are producing assets since 2022, when there were some changes in the licenses out of OFAC [Office of Foreign Assets Control] under the Biden administration. We've grown [gross] production by over 200 thousand barrels a day [of oil]. Gross production now is up [to] around 250 thousand barrels a day [of oil]. And as Mark [Nelson, Vice Chairman] mentioned during the White House meeting, there's the potential for up to an incremental 50% production growth over the next 18 to 24 months as we get some additional authorizations from the U.S. government.

The activity on the ground right now is entirely funded through the cash within those ventures. The current license agreement requires us to pay certain taxes and royalties that we're legally obligated to pay. It enables repayment of debt balances that were owed and we've been steadily working those down. And then the additional cash goes back into the operations from normal operating costs. That has funded things like well workovers, basic maintenance on pumps and pipelines and compressor stations and the like, which have allowed us to improve production as we have and would continue to, as I indicated, up to maybe 50% additional growth. That's the current state of things.

As I think everybody on the call knows, the resource potential in Venezuela is large. It's well established and there's a lot of running room ahead. I can speak to the state of our assets, and we have worked hard to keep them safe and reliable and maintain them during this period of time. I think as you look at the performance of other assets that we're not involved in you can see that that may not be the case across the rest of the industry and the country, as the production has steadily eroded over the last decade or so. I think the opportunity to do some of the things we've done in some of these other operations is probably there.

I think it's a little early to say what our longer-term outlook is, Neil. You should expect us to remain focused on value and capital discipline. It's a large resource that has the opportunity to become a more sizable part of our portfolio in the future. But we also need to see stability in the country. We need to have confidence in the fiscal regime.

There was an [update to the Venezuelan] hydrocarbon law that was passed just yesterday that we're in the process of reviewing to understand how that applies. There'll be a number of signposts that we'll be watching. And as I try to remind people always, like anywhere that we invest, fiscal terms, stability, regulatory predictability are important. And so, it will have to compete in our portfolio versus attractive investments in many other parts of the world. With the right changes, we certainly could see our operations and footprint expand in Venezuela, and we're working with the U.S. government and the Venezuelan government to try to create circumstances that would enable that.

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

Doug Leggate: (Wolfe Research) I wonder if I could just quickly take you back to Tengiz. And it's, it's - I guess, it's really more of a macro question, because I think you're aware that Kazakhstan seemingly has some fairly substantial compensation cuts planned in the summertime. And I don't know how much of that was supposed to be Tengiz. I think it was a previous question from one of the guys asking about maintenance. But now that you've had this unplanned downtime, I'm wondering, does that kind of meet the compensation plan if you had any contribution to that? In other words, we should not expect any further cuts later in the year. I don't know if you can speak to that, both on a macro and a Chevron-specific level, please.

Mike Wirth: Doug, I really can't. That's a matter for the Republic [of Kazakhstan] and obviously OPEC+ as they engage in their discussions, which we're not privy to. I'll point out that historically, because the TCO barrel is a pretty attractive barrel from a fiscal standpoint to the Republic, that what we've seen historically is if there are restrictions on production in the country, those tend to affect the barrels that are less fiscally attractive to the government and TCO doesn't have a history of being impacted to a great degree by that.

And so, I would point to that. I know history is not always a prediction of the future, but that's how things have historically worked. And I just don't know what agreements or understandings there are within the country relative to OPEC.

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

Ryan Todd: (Piper Sandler) Maybe on the Eastern Med, you've made a lot of progress in the Eastern Mediterranean over the last six months. Can you walk through kind of the drivers of the progress in the region, keys to Aphrodite development, getting that to FID and then maybe additional opportunities in the region, including places like Egypt, where we've seen some headlines involving yourselves of late?

Mike Wirth: We continue to be very excited about the resource potential in the Eastern Mediterranean. I used to get some questions back during the last year or so when there was a lot of geopolitical uncertainty in the region, but this is a tremendous resource. All credit to Noble Energy for the way they developed both Tamar and Leviathan. Across our core assets on a gross basis, we've got over 40 TCF [trillion cubic feet] of [natural gas] resource. This is comparable to our assets in Australia, which have been the focus of investors for a long time. But this is similar scale.

In the near term, we're focused on safely bringing online projects at both Tamar and Leviathan. Later this year, Tamar will add about 500 million cubic feet a day of capacity, Leviathan about 200. And then the Leviathan expansion we just took FID [final investment decision] on will take gross production [capacity] there to 2.1 BCF [billion cubic feet per day] by the end of the decade. So steady growth. Combined, those projects should increase [production about 50%] and double earnings and cash flow by 2030.

And then, as you mentioned, Aphrodite just entered FEED [front end engineering and design]. We're working towards a competitive project in Cyprus. This is one that's been on the drawing board for quite some time. And we've reached a good understanding with Cyprus on the development concept. And, so all of these, lead to our confidence in the region.

Last thing is we've got at least one exploration well that is going to [be drilled] offshore Egypt. We've got a large position in a number of blocks offshore Egypt, further to the west, in areas that are relatively underexplored and have been under some military exclusions, historically. There's working petroleum systems onshore, and we've got reasons to believe they could extend offshore, so we're going to be testing that. We've shot seismic and are going to be getting some wells [drilled].

So, an important part of our portfolio. Good things underway now. And I think, the running room on this one continues well into the future.

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

Devin McDermott: (Morgan Stanley) Eimear, you had some helpful comments and details in the slides on the cost reduction progress so far. And if we look at, you know, what's on deck for 2026, what's ahead still, I think some of the remaining improvement is really driven by some of the fairly material organizational changes that Chevron implemented last fall. And now that you're a few months into this new operating model, I was wondering if you could talk about some of the early results that you're seeing so far, both on costs and operations. So any positive surprises or conversely, kind of lessons learned or areas that are still a work in progress?

Eimear Bonner: We've hit the ground running. We went live with the new organization in October, and the new operating model is live and well, and we're seeing that reflected in the early results that we've shown you today in the prepared comments. We've saved $1.5 billion thus far on the cost reduction program. Some of that's coming from divestments, some of that's coming from efficiencies and technology and so you see the early results of the organizational impacts in the results already.

The run rate [was] greater than $2 billion at the end of the year, so we are expecting the organizational efficiencies to add to the results that we're seeing thus far. We're very confident in the target that we've set and delivering that over the course of this year. And, just a reminder, that's $3 to $4 billion [structural cost reductions by the end of 2026].

In terms of the lessons learned, what I'd say is we're seeing results everywhere. Every team, as part of this program, has been benchmarking, has been looking for areas of improvement. We've got a lot of programs that are looking at improving our competitiveness across every metric. Some of the examples that I would call out [include] production chemicals. Now that we have our shale and tight portfolio and assets all together in one business, we've been able to look at that from an operational efficiency perspective, not only to optimize operationally the chemical treatments, but also the cost and the dosing. So that would be an operational lesson learned, where the scale and the design of the new organization make [initiatives like] that easier to do and the results speak for themselves.

Another area in the technology space. We've talked about this for a number of years, but AI is really starting to take off in terms of being used in every part of the business. In the new organization our supply chain team is set up a little bit differently; they've really been using AI in a neat way to glean more intelligence around how to approach certain negotiations, so that would be an example as well.

All in all, we're on track to deliver the $3 to $4 billion. I'm very confident in that and this is overall opex reduction while we significantly grow. We'll keep you updated on the progress. Thanks for the question.

Operator:	Thank you. We'll take our next question from Sam Margolin with Wells Fargo.
Sam Margolin: (Wells Fargo)	Maybe revisiting the Permian. You know, I think it was like the second half of '23 where you called out that well productivity in the Permian on the operated side was inflecting higher. And now, two years later, it seems like we're really seeing it flow through in capital efficiency. And so, the question is like, when you get this kind of momentum in short cycle capital efficiency, what does it do to your decision-making process? Not, you know, I don't want to spin you around on Permian plateau but just given the cost and productivity structure of your operation there, it feels like it's getting incrementally capital efficient to accelerate. So, you know, just in the context of what you're seeing performance-wise, how do you feel about the Permian strategy?
Eimear Bonner:	What we're seeing is exactly what we set out to achieve and that was to hold Permian at a million barrels a day [of oil equivalent production]. We've seen that for three quarters, [while we] optimize cash generation. We're already seeing cash efficiency improve. We're at $3.5 billion of capex [quarterly run rate] already, and that was something that we thought was going to take us some time, but the team has done a terrific job. Every aspect of the factory has seen efficiency and improvement. And now we're taking that further, given that our shale and tight portfolio is together as part of the new organization in one business. We'll see that capital efficiency extend to the Bakken, extend to the DJ and extend to Argentina. One data point I'd give you to illustrate it clearly is drilling rig efficiency. Since 2022, we've more than doubled our drilling efficiency from that point. We're drilling the development areas for much less. In terms of our decision making right now, no change to our decision making; Permian plays a role in our portfolio. We're focused on growing cash flow, not growing production and the capital efficiency enables that. I'll finish by emphasizing all of these actions are improving returns.
Operator:	We'll take our next question from Paul Cheng with Scotiabank.
Paul Cheng: (Scotiabank)	Mike, can you discuss how you see the opportunity set in two of the OPEC countries, Libya and Iraq, where a lot of your competitors seems to believe that the opportunity sets have much improved and making waves? We haven't heard from Chevron. And also that comparing to your peers, your LNG size or portfolio size is much smaller and how that fits into your long term. Do you have a different view compared to your peers on the LNG business? Thank you.
Mike Wirth:	A couple of questions there. First of all, you might have seen we recently signed an MOU [Memorandum of Understanding] in Libya. We're a little bit underweight, relatively speaking in the Middle East versus some other parts of the world and that's been intentional. The types of contracts and the terms that have been on offer in the Middle East, broadly speaking, for the last decade or more, have not been very competitive versus some of our alternatives. You've had a lot of service-type contracts. And in a world of limited human resources and limited capital resources, we need to deploy these to what we believe are the highest return opportunities and it's been tough for a lot of those to compete within our portfolio. So we've not gone into Iraq, it's been a decade or more since we've last really had any kind of a serious look at Libya. Those things are changing. And I think in part, when we saw President Trump make a visit through the region earlier this year, we saw a notable uptick in inbound inquiries and a

desire to engage not just in those two countries, but in any number of other countries that would like to see American companies invest in their economies.

The resource potential in some of these countries is undeniable. Iraq and Libya are two of the largest resource holders in the world and so we're engaged in discussions in both of those countries. They've been reported in the media, to look at everything from existing producing fields and coming into those to operate and grow, and also looking at exploration opportunities as well.

Improvements in fiscal terms have been critical. Pairing discovered resources with exploration opportunities to make things more attractive and so we need to see compelling value opportunities there if we're going to invest. We intend to stay disciplined on capital and seek the highest returns.

My quick response on LNG, Paul. I think I've spoken to this before, we're a global player. We need to be in projects that compete and a lot of things that we've passed on around the world, similarly to my comments about some of these Middle East opportunities, they just don't deliver the returns that that we're looking for.

We've got some U.S. [LNG] offtake where we don't need to put capital to work because we’ve got a large gas position. We've got a strong credit position, and we can get attractive throughput rates and let somebody else deploy the capital into those businesses. We'll have some LNG offtake from the U.S., and we'll continue to look at opportunities. We're not opposed to adding, but it's got to deliver competitive returns.

Operator: We’ll take our next question from Steve Richardson with Evercore ISI.

Steve Richardson: (Evercore ISI) I was wondering if we could maybe just dovetail on those comments, just there on changing fiscal terms internationally and the opportunity. It just feels like you've positioned the company arguably really well to win in a low commodity price environment and with a ton of leverage to the upside, as your sensitivities suggest.

So that said, but the opportunity set just keeps on getting bigger. I mean, we're just talking about Venezuela, talking about some of these opportunities in the Middle East. You've got a revamped exploration program. So can you just follow up on that in terms of how do we think about maintaining that leverage to the upside while developing some of these future opportunities? And how do you instill that that discipline in the organization, if you could?

Mike Wirth: Steve, we've steadily worked to high grade our portfolio. We've looked to add very strong and competitive assets to our business, and we have divested ourselves of positions that are not bad assets, but they fit better for somebody else than they do for us. And in doing so, I think we've strengthened the company, you’ve seen our break-even has come down. You see that we're able to operate at lower cost because we're actually in fewer positions that have more scale. They've got longevity, so we can apply technology to these assets, and I think you can expect us to continue to do so.

We want to grow gradually over time but demand for our products isn't growing at an enormous rate. Demand for oil has grown arguably 1% a year, give or take, gas has grown a little bit more strongly than that. We've got volumetric growth a little bit above that last year [and] this year, because we've got some acquisitions and project start-ups, but over time we've got to grow cash flow. And that's the focus. We've got to drive break-evens down because we're in a commodity business. We can never forget about that. And we've got to apply base business excellence to everything that we do. We've got to drive value out of these assets. We've got to work them better.

Eimear talked earlier about bringing all of our Shale businesses together. As you look now at what we're doing with the Permian, the DJ, the Bakken and Argentina, all as part of one organization, I see people, practices, technology, standards being shared across those businesses, we're steadily driving the kind of improvement that Eimear was addressing in her response to Sam across that entire portfolio. We've consciously positioned the company, as you say, to have the resilience that I talked about. I said we're bigger, better and more resilient than ever. That means we can ride through the cycles in an even better position than we could in the past.

And we've got, a balance sheet that provides ballast, if you get into a long cycle. And we've got this track record of continually raising the dividend, steadily buying shares back through the cycle and being able to reinvest in the business to strengthen it over time. And that's the that's the playbook going forward.

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

Biraj Borkhataria: (RBC) Just a follow up on portfolio. It's been touched on a couple of times, but we've seen a bunch of headlines on you maybe looking to sign deals in various countries. I was just wondering, is this a concerted step up in your efforts, or is this largely initiated by, you know, resource-rich countries and reverse inquiries and perspective there would be helpful. And one of the things just to note on is your portfolio has become more concentrated over time which is good and bad depending on the situation. So I'm just wondering if that's part of your thinking is looking to diversify and how you're thinking about the portfolio there. Thank you.

Mike Wirth: Biraj, business development is part and parcel of what we do every day, week, month and year. There are times you're in a pretty sparse environment in terms of opportunity, and there's times when it's more target rich.

What I would say is, and this tends to work on a long cycle sometimes, what we see today are more attractive opportunities, frankly, than I think we've seen in the past. I spoke to the Middle East, so I won't repeat that, but we do see a lot of interest in that part of the world and it's reflected in these more competitive fiscal terms. I don't think we've necessarily changed our appetite or our level of diligence and activity in the BD [business development] environment, we just see a more attractive suite of opportunities out there. We'll continue to be very selective and pick and choose.

I hear your comment about portfolio, high grading and concentration, if you will. At the core, we run big things big. We like large positions that have lots of running room. We like to apply technology and base business excellence to drive value through those assets. When you're in a position with a lot of smaller assets spread all over the world, you've got a lot more surface area on safety [exposure], environmental issues, compliance issues. You just go down the list and you deploy a lot of your great people to manage those things across assets that can be small and out there in the tail of a portfolio. Having large positions where you can put your best people to work on assets that really matter is something that I believe is important.

I recognize you could get too concentrated. I don't believe that we are. And as I mentioned earlier, we're a little underweight in the Middle East, which is an area we wouldn't mind having some more exposure, if we can find it from a competitive financial standpoint.

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Operator: We'll take our next question from Manav Gupta with UBS.

Manav Gupta: (UBS) You have a very strong refining portfolio, and there are two tailwinds we see to that refining portfolio. One is your competitors closing capacity in California, leaving you with one of the biggest footprints out there at above mid-cycle margins. And second is the possibility of using some of those Venezuelan and heavy sour barrels in your refining systems, in the Gulf Coast and in other places. Can you talk a little bit about those two possible tailwinds to your refining margins? Thank you.

Mike Wirth: Manav, thanks for bringing up something near and dear to my heart, the downstream business, where I spent a lot of my career. First off, on where you ended on Venezuelan crude.

We've been bringing about 50 thousand barrels a day, give or take, into our Pascagoula, Mississippi refinery on the Gulf Coast. We can take another 100 thousand barrels a day into our system, both at Pascagoula and on the West Coast [combined], where we've got coking capacity at El Segundo. So, I think you should expect to see us – assuming it competes against alternatives – to be running more Venezuelan crude in our system over time.

In California, it's an interesting situation. We have a very strong downstream position there. We've got scale, we've got complexity in terms of conversion capacity. We've got flexible crude sourcing, advanced logistics, a very strong retail brand to integrate the business. We're as competitive as anybody and I would argue advantaged versus the rest of the competitors in California.

You're seeing some refineries close, that is going to take capacity out of the system. And already, we've got a market there that is geographically and logistically isolated. It's isolated by specification, as well, and as a result, California pays higher fuel prices than the rest of the country by simple market forces being at work there. We've seen decades of what, in my opinion, has been poor energy policy-making that has made it more difficult to invest.

The irony is we have places in the world, like Venezuela, that are trying to become more attractive to investment, as places like California enact policies to become less attractive to investment. All of that is unfortunate, as someone who's spent a lot of time in that state, but it highlights the need for policy that enables investment and for competitive terms and regulatory environments. We'll see how things play out in California over time.

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

Alastair Syme: (Citi) Reserve replacement this year obviously benefits from Hess, but you're also taking on the new production, and that means reserve life has dropped again, and it's now a lot lower than it was 5 to 6 years ago. The question is, how do you think about the suitability of this metric to your business and really as a guide for investors in your business?

Eimear Bonner: RRR, reserve replacement ratio, in a business that has depletion is an important metric. It's not the only metric that we look at when we think about the depth of our inventory or the quality of the portfolio.

Last year, in addition to the RRR that was associated with the inorganic growth, with closing Hess and bringing Guyana and Bakken into the portfolio, some of that did come from organic adds as well – extensions, discoveries and project sanctions. It's a blend of both.

With RRR, it can be lumpy. Some years you can get a flurry of things happening at one time and so what we look at is the 1-year, but we also look at the longer-term trends as well. We look at the competitive metrics, too, and when we take all of that into consideration, we had a great year in 2025 on RRR, and we lead the peer group in both 5 and 10-year.

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

Jean Ann Salisbury: (Bank of America) You all had said at the Investor Day that you had started to test the chemical surfactants in other basins outside of the Permian. Have you gotten any early results back from the DJ or Bakken? And do you anticipate that it's going to work as well there?

Eimear Bonner: We've been primarily focused on Permian, and in fact, we've increased the treatments from about 40% of the new wells being treated at the first half of 2025, to almost 85% will be treated this year and we're striving to hit 100% in 2027. It has been more of a focus in the Permian.

And I'd just point out we're testing our proprietary chemical technology, but we're also testing the combination of that with other commercially available chemicals, cocktails as such. We're trying out different things depending on the development area.

We showed at Investor Day some of our results. We're now realizing 20% improvement in 10-month cumulative recovery on the new wells. So we have even more information than what we shared at CID [Chevron Investor Day].

We're really excited, and we expect at least a 10% recovery uplift when we think about it over the full life of the well. What we've also learned is we can apply these technologies not only to the new wells, but the existing wells, and what we've seen in almost 300 of the treatments that we've done in existing wells is that we've arrested decline by 5% to 8%. All in all, very encouraging. The programs to scale in other parts [of the portfolio] are underway, though we don't have results that we can share with you today.

We did do some treatments in Bakken in the fourth quarter. We expect to see some [results] soon. We have pilots underway in the DJ and Argentina as well, and we'll share the results. We published the [Permian] results; they're verifiable. We give you the paper references so that you can see for yourself. But we will share [other shale and tight results] in due course. But we're really, really excited.

And what I would also say, this is one technology program amongst a set of programs that are really focused on doubling shale and tight recovery. We've got a stimulation program, it's very deep. We've also got an effort to leverage the unmatched data position we have around our shale and tight wells, using AI to glean insights into how to design wells, develop wells and increase recovery.

So, very comprehensive, and we anticipate we'll have some results for you this year. But right now, we're just focusing on getting the treatments out to those other shale and tight basins.

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

Betty Jiang: (Barclays) This is a good follow up to Jean Ann's question. I want to ask about the Bakken specifically, since you've been there for a couple quarters now, how is it performing relative to your expectations with the cross-learning between the two teams? And how do you think about the Bakken position overall today?

Mike Wirth: Look, we're pleased with the Bakken. We're applying best practices, as Eimear mentioned, from other parts of our portfolio. We're looking at things that Hess had been doing in the Bakken to apply those in the DJ, the Permian and Argentina. We've already optimized our development program to reduce capital spending, better utilize existing infrastructure [and] maximize value.

We've moved from four rigs to three with a similar drilling output. We've optimized the workover fleet, renegotiated some of the key supplier contracts, [and we're] working on advanced chemicals with some optimism. We're implementing long lateral development in 60% of the wells this year, and up to 90% in 2027. So, driving value there.

Hess had a target, and we will hold that to level it out around 200 thousand barrels [of oil equivalent production] a day, plus or minus and really focus on cash flow. Similar to the way you've heard us talk about the DJ and the Permian, we think we can drive a lot of asset productivity, efficiency, technology and free cash flow growth in this asset as well.

Operator: Thank you. We'll take our next question from Geoff Jay with Daniel Energy Partners.

Geoff Jay:
(Daniel Energy Partners) I was just really struck by the margin improvement sequentially in U.S. upstream and I know there's a lot of moving parts, but it looks like realizations were down over $3 on a BOE basis, but, you know, costs, you know, but the margin was actually up. And I guess I'm wondering if there's a way you can help me understand how much of that are those structural cost savings and production optimization efforts you guys are doing and kind of what the pathway for that looks like going forward over the next year or so.

Mike Wirth: Geoff, I'd point to a couple of things. Number one, we've been bringing on new production in the Gulf of America. These are high margin barrels and when you bring that into the mix, you start to see the margin expand.

Number two, as we've moved to plateau in the Permian, and I also mentioned the DJ and the Bakken, that's 1.6 million barrels [of oil equivalent production] a day. As you start to drive efficiency and productivity and technology across that kind of a production base, you can see a real impact of that. The third contributor then [is] some of these structural reductions that we're making in our organization in more efficient support of people to these businesses, consolidating all of our Shale assets into one organization. I'd say there are multiple levers there.

But your broader point is one that I think is important. I mentioned earlier that we're in a relatively low growth [business]. It's a growth business, no doubt about it, but the demand for energy globally grows gradually.

We need to focus not only on growing volumes in order to meet that demand. We've got to continually work on expanding margins, and that's through value chain optimization. It's through all these other things that I just talked about. Margin expansion is something that, in my background in the downstream, we worked hard to expand margins through things we can control. You can do that in the upstream too. We've got people focused on that, and we're seeing the results as you point out.

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

Bob Brackett:
(Bernstein) A follow up around Venezuela. You've mentioned bringing Venezuela heavy into Gulf Coast refineries and having some capacity on the West Coast. Do you have a sense of how much heavy from Venezuela could be absorbed by the U.S. without impacting heavy light diffs or without backing up Canadian heavy?

Mike Wirth: Bob, good analysts do great work on that. Markets are wonderful things and what's going to happen as you bring more of these barrels in, as you say, you're going to back out what's currently feeding the system. [Barrels] are going to redistribute around the world and a new equilibrium will establish and light-heavy [differentials] will reflect that, flows will reflect that.

I don't have a simple rule of thumb I can give you, or a simple way to describe that. I'm pretty sure you can get down into the details and model that better than I'm going to be able to describe it to you. But you're right, it's going to shift these things around.

Operator: Thank you. We'll take our next question from Phillip Jungwirth with BMO.

Phillip Jungwirth: (BMO) On chemicals, you made no secret about wanting to get bigger in this area. Obviously, you need a willing buyer and seller, price that works, plus it's tough to do deals at the bottom of the cycle. But the question is, how do you view the benefits to Chevron of owning more of CPChem? Are there things you could do differently versus the current JV structure, whether it's operational or strategic? And are there other avenues to get larger in petchems beyond this?

Mike Wirth: CPChem is a well-run company, and I want to give them full credit, and it's been a well-run company for a long time. We've been very pleased with our investment in that company. We've been pleased with our relationship with our partner, and it's been a good vehicle for us.

We think the long-term outlook for chemicals is positive. We're in a tough part of the cycle right now, but with the growing middle class and a growing global population, the products that CPChem makes are increasingly going to be in demand around the world.

We've got a couple of projects underway that will be highly competitive when they come on next year. We'll see how this cycle plays out. I think it's still got some time to go. We would like more exposure to the sector. But as you say, you've got to have two people that that want to do a deal.

Are there other ways we could [expand petrochemical sector exposure]? Yes. We can look at opportunities. I'd remind you, we also have a very large aromatics position in North Asia at GS Caltex. It's one of the largest aromatics plants on Earth. We'll look for the right ways to increase our exposure to petrochemicals over time.

Operator: Thank you. We'll take our next question from Paul Sankey with Sankey Research.

Paul Sankey: (Sankey Research) If I could ask you a couple of specifics on Kazakhstan, which you've already referenced, but the power outage, what caused that? Was that just an upset? And secondly, the specifics of the loading, was that owing to military activity, I guess?

Mike Wirth: The investigation is ongoing on the power outage, and I don't want to speculate on it. The team is gathering new information each day. We've got our subject matter experts from in-country and from outside of the country. We've got OEMs [original equipment manufacturers] from all the various vendors that we work with involved in this, and they're making good progress, but I'm not going to comment on it, Paul. I think it's a mechanical issue, I can say that, but beyond that, I don't want to say anything more. It's not sabotage or cybersecurity or anything like that.

On the loading berth, it's been well publicized. There are three offshore single point moorings at the Novorossiysk terminal or offshore at Novorossiysk. One of those was out for maintenance. Two were in service. One of those two was hit by a submarine drone back in December as part of the military activity in the Black Sea. That's what took CPC down to one loading berth. We're back up to two loading berths now, and there's a third one that is slated for some big maintenance work, and will be back later this year.

Historically, the Caspian Pipeline and that terminal have been very, very reliable. If you look at it in the fullness of time, the uptime and the reliability record has been very good. Notwithstanding that, when you're pinched back like that, it's frustrating and a lot of people have been working very hard at TCO, and all the shareholders at CPC to address these issues.

Operator: We will take our final question from Jason Gabelman with TD Cowen.

Jason Gabelman: (TD Cowen) I wanted to ask about the balance sheet as it relates to M&A. In the past, you funded acquisitions primarily through shares, and there are some assets on the market in Kazakhstan that can make sense to acquire, though it seems like maybe that acquisition would need to be funded by cash instead of stock. So with that in mind, and maybe in a broader sense, how do you view using cash to fund acquisitions? You know, not of the Hess size, but of some of a smaller size like REGI and Noble, versus using equity given the current balance sheet. And kind of related to that, I noted that on the front of the earnings release, you put debt to cash flow instead of net debt to cap. It looks like that's maybe a preferred debt metric. Is that so? And if so, why the change?

Mike Wirth: Jason, let me talk about transactions, and I'll let Eimear talk about ratios and metrics. When we do a deal, you're negotiating with a counterparty, and the consideration is part of the negotiation. And there are times when your counterparty prefers cash. There are times when they prefer equity. There are times when they may want a mix. That's a matter of negotiation.

On large scale M&A in our sector where you can have a long time between deal signing and close, i.e. a deal we just closed after a very long cycle, using equity, hedges commodity price risk on both sides of the transaction. If you enter into a deal on one commodity price environment and you close it in another and you've got a lot of cash in the deal, you can find yourself where one party feels like the deal got a lot better for them, and the other feels like it got a lot worse. Equity in transactions like that tends to be preferred by both counterparties because it's a way to hedge out some of the commodity price risk. Smaller deals that close faster and are of a different nature, you can find cash is preferable.

We'll work with whatever consideration makes sense in a negotiation. We're flexible, we've bought things with cash over the last many years, and we've done equity deals. It really depends on the circumstances.

Eimear, do you want to talk about metrics?

Eimear Bonner: There's number of metrics out there to look at the debt. What we've done here is moved towards what our rating agencies look at and what many of you look at in terms of ratios; we're just trying to be consistent. We still look at net debt ratio, but overall, the message is our balance sheet is in really good shape and we're in a position of strength.

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 2025 earnings conference call. You may now disconnect.