Chevron Exchange March 2023 Q&A Edited Transcript

Thursday, March 23, 2023

CAUTIONARY STATEMENTS RELEVANT TO FORWARD-LOOKING INFORMATION FOR THE PURPOSE OF "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This presentation contains forward-looking statements relating to Chevron's operations and energy transition plans that are based on management's current expectations, estimates and projections about the petroleum, chemicals and other energy-related industries. Words or phrases such as "anticipates," "expects," "intends," "plans," "targets," "advances," "commits," "drives," "aims," "forecasts," "projects," "believes," "approaches," "seeks," "schedules," "estimates," "positions," "pursues," "may," "can," "could," "should," "will," "budgets," "outlook," "trends," "guidance," "focus," "on track," "goals," "objectives," "strategies," "opportunities," "poised," "potential," "ambitions," "aspires" and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, many of which are beyond the company's control and are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. The reader should not place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. Unless legally required, Chevron undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Among the important factors that could cause actual results to differ materially from those in the forward-looking statements are: changing crude oil and natural gas prices and demand for the company's products, and production curtailments due to market conditions; crude oil production quotas or other actions that might be imposed by the Organization of Petroleum Exporting Countries and other producing countries; technological advancements; changes to government policies in the countries in which the company operates; public health crises, such as pandemics (including coronavirus (COVID-19)) and epidemics, and any related government policies and actions; disruptions in the company's global supply chain, including supply chain constraints and escalation of the cost of goods and services; changing economic, regulatory and political environments in the various countries in which the company operates; general domestic and international economic, market and political conditions, including the military conflict between Russia and Ukraine and the global response to such conflict; changing refining, marketing and chemicals margins; actions of competitors or regulators; timing of exploration expenses; timing of crude oil liftings; the competitiveness of alternate-energy sources or product substitutes; development of large carbon capture and offset markets; the results of operations and financial condition of the company's suppliers, vendors, partners and equity affiliates, particularly during the COVID-19 pandemic; the inability or failure of the company's joint-venture partners to fund their share of operations and development activities; the potential failure to achieve expected net production from existing and future crude oil and natural gas development projects; potential delays in the development, construction or start-up of planned projects; the potential disruption or interruption of the company's operations due to war, accidents, political events, civil unrest, severe weather, cyber threats, terrorist acts, or other natural or human causes beyond the company's control; the potential liability for remedial actions or assessments under existing or future environmental regulations and litigation; significant operational, investment or product changes undertaken or required by existing or future environmental statutes and regulations, including international agreements and national or regional legislation and regulatory measures to limit or reduce greenhouse gas emissions; the potential liability resulting from pending or future litigation; the company's future acquisitions or dispositions of assets or shares or the delay or failure of such transactions to close based on required closing conditions; the potential for gains and losses from asset dispositions or impairments; government mandated sales, divestitures, recapitalizations, taxes and tax audits, tariffs, sanctions, changes in fiscal terms or restrictions on scope of company operations; foreign currency movements compared with the U.S. dollar; higher inflation and related impacts; material reductions in corporate liquidity and access to debt markets; the receipt of required Board authorizations to implement capital allocation strategies, including future stock repurchase programs and dividend payments; the effects of changed accounting rules under generally accepted accounting principles promulgated by rule-setting bodies; the company's ability to identify and mitigate the risks and hazards inherent in operating in the global energy industry; and the factors set forth under the heading "Risk Factors" on pages 20 through 26 of the company's 2022 Annual Report on Form 10-K and in subsequent filings with the U.S. Securities and Exchange Commission. Other unpredictable or unknown factors not discussed in this presentation could also have material adverse effects on forward-looking statements.

As used in this presentation, the term "Chevron" and such terms as "the company," "the corporation," "our," "we," "us" and "its" may refer to Chevron Corporation, one or more of its consolidated subsidiaries, or to all of them taken as a whole. All of these terms are used for convenience only and are not intended as a precise description of any of the separate companies, each of which manages its own affairs.

Terms such as "resources" may be used in this presentation to describe certain aspects of Chevron's portfolio and oil and gas properties beyond the proved reserves. For definitions of, and further information regarding, this and other terms, see the "Glossary of Energy and Financial Terms" on pages 27 through 28 of Chevron's 2022 Supplement to the Annual Report available at chevron.com.

This presentation is meant to be read in conjunction with the Chevron Exchange March 2023 Q&A Transcript. All materials are posted on chevron.com under the headings "Investors," "Events & Presentations.

Chevron

March 23, 2023
11:00 AM ET

This transcript has been edited by Chevron Corporation. It is generally consistent with the original event transcript. For a replay of the Chevron Exchange March 2023 Q&A event, please access the webcast posted on chevron.com under the headings "Investors," "Events & Presentations."

Jeanine Wai: Good morning, everyone, and welcome to the Chevron Exchange Q&A series. My name is Jeanine Wai, and I am the Senior U.S. Integrated Oil and E&P Research Analyst for Barclays. I'm very happy to be joined by Mark Nelson, Vice Chairman, for today's conversation.

In addition to his corporate responsibilities, Mark leads Chevron Strategy & Sustainability, Corporate Affairs, and Corporate Business Development. With more than 35 years of experience, Mark has served in a number of leadership positions with increasing responsibilities within the company, such as in retail, marketing, operations and business planning.

During this event, we will discuss some of the top-voted questions from Chevron's retail shareholders, focused on Chevron's strategy, business, and financial performance. Now, before we get started, I'll turn it over to Mark for some opening remarks.

Mark Nelson: Thanks, Jeanine. Jeff Gustavson was originally going to join this session, but he wasn't able to be with us today for personal reasons, but he looks forward to hosting a future session with you all. I'm happy to hear from our retail investors today and learn what's on the top of each of your minds. We value your investment in Chevron.

At Chevron, we believe we have unique capabilities, well-positioned assets, and long-standing customer relationships to safely deliver higher returns and lower carbon. With our differentiated value proposition, it's an exciting time to be a Chevron shareholder. And I look forward to answering your questions.

Jeanine Wai: Thanks, Mark. This is going to be fun and informative, and I'm personally very excited to hear your thoughts on these important questions. Let's jump right in.

Let's set the stage by talking about Chevron's role in the context of what's going on globally. On one hand, we have the energy transition and moving towards a lower carbon-intensity future. Now, this will rely on a host of new energy sources, and the process will take some time.

Then on the other hand, we also have the current energy needs of the world, which rely pretty heavily on traditional oil and gas, and the war in Ukraine really highlights just how tight supply and demand is. Where does Chevron fit it?

Patrick P. asks: "Does Chevron see itself as an energy company or as an oil company?"

Mark Nelson: Patrick, thank you for the question. We view ourselves as an energy company. Across the globe, we produce crude oil and natural gas, we manufacture transportation fuels, lubricants, petrochemicals and additives, and we develop technologies that enhance our business and the industry. Our strategy is to leverage our strengths to deliver lower-carbon energy to a growing world. Our objective is to deliver higher returns, lower carbon, and superior shareholder value, in any business environment.

This means we focus on the areas where we have a competitive advantage, to make disciplined investments in high-quality assets. We're growing our traditional oil and gas business, we're lowering the carbon intensity of our operations, and we're growing new, lower-carbon businesses in renewable fuels, hydrogen, carbon capture, offsets, and other emerging technologies.

As an energy company, we believe it should be affordable, reliable, and ever-cleaner. We're meeting the energy demands of today while building the lower-carbon energy system of tomorrow.

Jeanine Wai: Okay, great. Let's talk about building the energy system for tomorrow. Now, moving to the regulatory front right here in the U.S., how are we as a country going to navigate this transition process? There's a lot of moving pieces to that. For example, the Inflation Reduction Act, that comes to mind. It includes things like subsidies and tax credits for renewables and things like carbon capture. However, there's also been some proposals – but none passed – for things such as windfall taxes on the oil and gas industry and phasing out gasoline and diesel engines.

Oil and gas has, at times, really felt like it's been in the crosshairs with the current administration. Mark B. asks: "President Biden has repeatedly denounced the oil industry. What is your future outlook with respect to the government's plans to terminate your product?"

Mark Nelson: Thank you Mark for the question. I think you're asking a question about politics and forecasting all together there. With that in mind, we've attempted to remain very pragmatic and consistent. We believe that conversations about the energy system must balance economic prosperity, energy security, and environmental protection. Affordable energy is vital for economies to flourish. Reliable energy is essential for national security and we all have a stake in a lower-carbon future. When decision-makers over-index on any one of these, there's a significant risk for unintended consequences. Chevron has remained consistent. We believe that energy should be affordable, reliable, and ever-cleaner.

The reality is that demand for our products is going to be needed for decades and decades to come. Our products are essential for modern life. The energy system of today is roughly 80% fossil fuels. It took 40 years for oil to grow from 1% to 10% of the world's energy mix. I think that puts in perspective that sometimes we forget the energy system is very, very large. It would take over 110 billion industrial solar panels to power the world for 1 year. I think that would cover all of the United States, east of the Mississippi, and include Texas and California. A very, very big energy system.

We're focused on growing a lower-carbon intensity traditional oil and gas business to meet the demand today and well into the future.

Jeanine Wai: Mark, let's keep it on the same high level before getting into some Chevron-specific questions, and let's hit a few macro topics.

Given the calls for decarbonization, there's naturally a lot of questions around the future of oil and gas supply and demand. Chevron is involved with both traditional and new energy businesses, so what do you think? Ahmed M. and John C. ask: Is there going to be an increase in production of oil and gas in the future?

Mark Nelson: Ahmed and John, thank you for the question. For us, production growth is actually an outcome. It's an outcome of driving returns from capital-efficient investments in what we believe is a very advantaged portfolio. Said another way, it's value over volume. That said, over the last 5 years we have been the most capital-efficient company amongst our peers.

That means we get more for every dollar we invest. We had record U.S. production last year [in 2022], and we plan to grow overall production at a 3% compound annual growth rate by 2027. We are growing. And we've got multiple assets from which we can grow.

Let's start with the Permian. We expect the Permian to add over 450,000 barrels of oil equivalent per day over the next 5 years. In 2025, we expect to hit a million barrels of oil equivalent per day, and then plateau at greater than 1.2 million [barrels of oil equivalent per day] later this decade. We have decades and decades of inventory in the Permian.

Another growth asset would be Tengiz, a project we have in Kazakhstan. We've been in Kazakhstan for 3 decades and we've been investing in a large project there for the past 6 years. We expect an additional 130,000 barrels of oil equivalent production mid-decade, to put us upwards of a million barrels of oil equivalent per day in 2025.

We also have the Gulf of Mexico, an excellent portfolio of projects. We have a sequence of projects. Sometimes, you might laugh at the names we come up with for these projects, but we have a project called Mad Dog 2 that will come online this year. And then we have a project called Anchor, and a project called Whale that will come on next year. And then a project called Ballymore in 2025. That's three years of multiple projects coming online. And we therefore expect to grow our production there [to] 300,000 barrels a day of oil equivalent in 2026.

And finally, the Permian is not our only shale and tight asset. We have Other Shale & Tight [assets] in our portfolio. We expect around 200,000 barrels a day of oil equivalent growth by 2027 from those assets. That growth is primarily driven by assets in Argentina and Colorado, in an area we call the DJ Basin. We've added a rig in Haynesville in East Texas, and then we're holding steady in Kaybob-Duvernay in Canada.

In addition to those growth assets, it's important to note that we have a very shallow decline in our base portfolio, largely because those assets are facility-limited, not field or geology-limited.

We have a lot of growth ahead of us, but it's always value over volume for us.

Jeanine Wai: Clearly a lot going on there. Maybe we could start by focusing on oil production only, and what's going on here in the U.S. The Permian Basin in Texas and New Mexico is the growth engine of the country. However, as with all oil, there's only a finite amount of rock and resources. And some may argue that given the maturation of U.S. shale, that we're in the later innings of oil growth in the Permian.

Chevron has the most attractive position, we should probably say, out of all the energy companies, and clearly you have very deep expertise there. Mark, can you weigh in on where the industry is going with the Permian?

Leroy S. asks: "Can we expect Permian peak oil? Are there any technological improvements for enhanced oil recovery?"

Mark Nelson: Thank you, Leroy. We love this question, because it's what we do every day. In fact, at our [Chevron] Investor Day we announced that we'll exceed our 3% compound annual growth rate by 2027. We have significant confidence in our growth activity, and a large portion of that growth is driven by the Permian, where, as I mentioned earlier, we'll grow over 450,000 barrels of oil equivalent per day.

In the Permian, we remain returns and value focused, and production is an outcome of those decisions. Given the growth I described, that means we have a very, very strong

portfolio. From the Permian, just to reinforce, we expect a million barrels a day [of oil equivalent] by 2025, and over 1.2 million barrels a day of oil equivalent plateauing later in the decade. Although I mentioned plateau, I do want to remind everybody that we are the largest resource holder in the Permian and have roughly 100 – I'm going to say that again – 100 years' worth of 2022-level production resources. That's large acreage, big inventory, flexibility, and opportunities to continue to learn and improve.

This is more than just the Permian. We've also done over 100 pilots across the Permian, Colorado, and Canadian shale and tight businesses that show promise. These are technology solutions and innovations that are critical to growing returns in this particular production area.

It's important to remember that production recovery rates, especially in the shale and tight assets, are in the high single digits today. That means we're leaving 90% of the molecules behind. We're using things like fiber optics and new fluids to increase that recovery. I do believe there's even more potential in the Permian. It is an exciting future.

Jeanine Wai: We're going to stay tuned to that, Mark. If we could, let's switch from the macro to the micro, and dig into some Chevron-specific questions about financials and performance.

Starting with the financial side, we know that Chevron has four financial priorities, and the dividend is certainly at the top of the list. We think the dividend is a really important part of Chevron's investment thesis, and a lot of people rely on it. I mean, who doesn't like getting those dividend checks in the mail? Stepping back here, Chevron does have multiple options for what to do with your free cash flow. Can you help us understand your capital allocation process?

Patrick M. asks: "Dividends are great and all, but why not use that money and reinvest in the company and make our shares jump up higher?"

Mark Nelson: Thank you, Patrick. Quite frankly, Chevron's doing it all. Chevron has, as Jeanine mentioned, a long-standing set of financial priorities that guide our actions and in order...

First, it is to maintain and grow the dividend. We've been very clear that the dividend is our number one financial priority. When we increase the dividend, which we've done each year for the past 36 years, we view it as an obligation in perpetuity. Our investors rely on us to deliver a dividend for income. We've had 6% annual dividend growth over the last 15 years, and our 5-year dividend growth is double our closest peer.

What gives us confidence in that dividend, as well as in delivering on our other financial priorities, is that in our plan we see greater than 10% per year free cash flow growth that supports this plan going forward.

Our second financial priority is to fund our capital program, which I think is what you were asking about. We need to reinvest in the business to support the growing dividend. We can't grow the dividend in perpetuity on the back of a shrinking business. Our 2023 organic capex is up over 30% versus 2022. And remember, that's on top of our leading capital efficiency.

Our third financial priority, is to maintain a strong balance sheet. As you all know, we operate in a business that is cyclical. Commodity prices can go up, and they can go down. Our net debt ratio was just over 3% at the end of 2022and we had the lowest net debt ratio of any of our peers. During COVID, we were the only company to show a 2-year stress test at $30 Brent – $30 per barrel – where we could fund the dividend and capex, even at a very low commodity price.

And finally, our fourth financial priority: return surplus cash through share buybacks. Our current guidance is $10 to $20 billion per year in share buybacks, and we'll start buying back shares at a $17.5 billion run-rate in the second quarter [of this year]. We'll buy back shares across the cycle, and we have a track record to prove just that. Over the past nearly two decades, we've bought back over $65 billion in shares below the market average price over that same time period.

We're doing it all. We're delivering on all four of these financial priorities and growing energy supplies.

Jeanine Wai: That certainly is a pretty impressive track record there. In terms of protecting the excess free cash flow that can be used for those dividends or for reinvestment into the business, we know all too well that the oil and gas business, it's cyclical. CEO Mike Wirth, has frequently commented that Chevron isn't pro-cyclical, it isn't counter-cyclical, but instead wants to operate across the cycle so that shareholders see that consistency and know they can count on that. The oil industry and Chevron, you all had a record year in 2022, and now we're seeing some weakness in oil and gas pricing that's related to a couple of things, including recession concerns.

Rene K. asks a question that I think is on a lot of people's minds, which is, "Last year, with the reopening of the world, it led to higher earnings. As shareholders, who are seeing price decreases now after a large run-up, what is Chevron really doing to hedge against future price drops?"

Mark Nelson: This is on the top of a lot of people's minds, and you may have heard us in the past talk about building and running a business that can win in all environments. That's because we are accustomed to volatility. The volatility you referenced isn't impacting our plans today at all, because we developed our plan with many scenarios in mind. Our objective is the same, to deliver higher returns and lower carbon.

We develop our plans based on a view of long-term fundamentals rather than short-term price fluctuations. It's looking way out the front window of the car rather than what we're going by today out the side window.

We tested our 5-year plan against oil prices with a downside of $60 Brent average [for 2023-2027] and an upside of $85 Brent average [for 2023-2027]. We're trying to make sure we're positioned for any environment. There are a lot of macro uncertainties, as you mentioned, right now, especially on the demand side. The question of, from an economics standpoint are things slowing down or is it going to be a mild recession? How severe is the banking issue and how does it impact consumption of our products?

There's also the China impact post-COVID, or post COVID restrictions, will demand just accelerate upward, or will it be a bit more up and down and jagged?

Supply is a little more certain. Energy companies continue to display capital discipline, and oilfield service companies are at, or close to, capacity. We're also seeing strong OPEC cohesion today, so they're holding to their production targets. And we're all monitoring the Ukraine conflict, which of course is very unfortunate.

From our perspective, we've attempted to remain straightforward and pragmatic in our strategy that remains consistent through these cycles. It's our view that this consistency drives value.

Jeanine Wai: Let's keep looking in that forward mirror there, sticking to what lies ahead for Chevron. We know Chevron is hyper-return-focused, which is great. Mark, you instituted a meaningful cost reduction plan a few years ago. You're also about to flip from investment mode into harvest mode in your large-scale project in Kazakhstan, which you mentioned earlier. I think we can all agree that given your strong free cash flow, the oil and gas business, it's firing on all cylinders - pun intended. However, as we mentioned in a previous question by Rene K., there is potential for weaker oil and gas prices. While returns in the oil and gas business are perhaps better understood, the returns from lower-carbon investments, are a little less clear, at least right now. This matters to a lot of people, because Chevron is committed to spending $10 billion on lower carbon over the next couple of years [by 2028].

Mary M. would like you to kind of put it all together and provide a peek into Chevron's future, and she asks: "What do you feel is the expected profit margin within the next 3 to 5 years?"

Mark Nelson: Thank you, Mary. At our [Chevron] Investor Day, which was last month, we showed that we expect Upstream earnings per barrel to increase over 50% at flat $60 Brent, and an additional $5 billion in Downstream earnings at mid-cycle margins after some of our growth projects come online. While I won't give you a specific margin number, because that would be competitive information, margin expansion for us is mostly driven by lower cost per barrel. Opex per barrel across our plan is expected to drop 10% [by 2026 from 2021 levels]. And because I mentioned earlier that we lead in capital efficiency, depreciation cost per barrel is also expected to come down almost 20%.

Examples of this management of cost is the Permian development. Our Permian development largely leverages existing infrastructure, so we're using things that are already there. Similarly at Ballymore, one of the Gulf of Mexico deepwater projects that I mentioned, it's tying into existing facilities. The project we mentioned in Kazakhstan, and our large projects in Australia, that are already operating, we're keeping those facilities full. So those are all very margin-efficient type actions.

Our portfolio has rebalanced over the years. The quality of our assets is much better and we've added higher-margin barrels into our portfolio.

Jeanine Wai: That's what we like to hear, better assets and higher margins. We do have one last question if we may, before we move to the energy transition. It's on inflation. Inflation is clearly very topical in our everyday lives, and yesterday the Fed raised interest rates by another 25 basis points. Nobody is immune.

John C. asks: "What's the company's goal to keep up with inflation?"

Mark Nelson: Thanks, John. Like most businesses, there was cost inflation in 2022. Permian inflation was higher than other parts of the world for our business. We've been able to mitigate some of those inflationary pressures through how we procure, how we partner, and how we continue to get more efficient.

An example: Last year, our cost to develop for ultimate recovery in the Permian was $8 per barrel [of oil equivalent]. Same as 2021.

We also have examples, one that I recently saw, where people are leveraging drones to accelerate on-site work to save time and money. These are just a few examples.

Our capital plan for 2023 assumes 5 to 7% inflation for the entire portfolio, and low double-digit inflation in the Permian, where activity is much higher. In the Permian, actual inflation this year could be higher or lower. because several of our contracts are indexed, meaning

they will be re-priced throughout the year. However, we've secured rigs and well services' contracts to deliver not just the 2023 plan, but well into 2024.

As you know, per your question, costs always matter, and you can expect us to stay on top of this because it continues to be important.

Jeanine Wai: That's good to hear. Let's see, with the remaining time we have left, let's shift gears more specifically to the energy transition.

Mark, in our opinion, the world is moving in one direction, and it's toward a lower-carbon intensity future. At Chevron, you're clearly a major player in this. To be fair though, there's a lot of uncertainty as to how the energy transition will ultimately unfold. For example, how quickly different technologies will advance, what will the regulatory environment ultimately look like, how much investment is going to be required, and how much of that cost are the consumers willing to bear?

Our last three questions focus on what Chevron's plans are for the energy transition and how do shareholders really get comfortable with those plans?

In a nutshell, Jordan W. asks: "How will Chevron continue to uphold shareholders' interests with the incoming shift in energy production?"

Mark Nelson: Thank you, Jordan. Let's start with the big picture. We're very early into building a new and future energy system. As we mentioned earlier, energy systems that we have today are about 80% fossil fuels. The same as it was a few decades ago. I mentioned earlier that it took oil 40 years to go from just 1% of the world's energy mix to 10% of that energy mix. In fact, $4½ trillion has been invested in wind and solar over the last decade – not so much by Chevron but by others – and it has moved from 1% of global energy supply to 3% of global energy supply for wind and solar. At a high level, we believe that the global energy mix will look a lot like [it does] today with modest changes in the next 10 to 15 years.

The future of energy is lower carbon. And we believe that all energy sources will be required to meet the energy needs of a growing world. Most project that global energy demand will increase another 10 to 15% over the next one to two decades as the population grows and economies expand.

The energy transition will look different and occur at different paces across different regions, because people have different starting points, and quite frankly, different needs.

Consumption of oil is expected to shift in the coming decades, with growth increasingly concentrated in diesel, jet, and petrochemical feedstocks, where the alternatives are less clear.

We anticipate lower-carbon energy sources will account for a larger share of energy supply in Europe and maybe the U.S. in coming decades, with a broader set of energy sources required in Asia and emerging markets.

We've been consistent. Our strategy is to leverage our strengths to supply lower-carbon energy to a growing world. We're growing our traditional oil and gas business and reducing its carbon-intensity. We're growing lower-carbon solutions for our customers. We're doing the things that we do well: renewable fuels, carbon capture and sequestration, hydrogen, offsets, and even geothermal.

We use the same metrics to measure the economics for these investments that we use for any investments we make across the company. We need to be able to generate attractive

returns to make these businesses sustainable. No pun intended. This is what we've been repeating for many, many years. Higher returns, lower carbon.

Jeanine Wai: Great, that was really helpful. Continuing to get into the details here, several investors have asked, "What type of green shift is Chevron taking? Is it towards solar, LNG, hydrogen, lithium, geothermal, nuclear, or is there something else?" Mark, can you help us and tell us more?

Mark Nelson: Wow, there's a lot there, I might drone on with this answer. Thank you for the question. Let me start by reinforcing that we're building on our capabilities, our assets, and our customer relationships to lead in lower-carbon intensity oil products and natural gas, and to advance new products and new solutions that reduce the carbon emissions of major industries. Maybe said another way, we're doing our part and staying in our lane.

As mentioned, we aim to grow our traditional oil and gas business while lowering the carbon intensity of those operations. And grow new, lower-carbon businesses in areas where we have strengths, like renewable fuels, hydrogen, carbon capture, offsets, and other emerging technologies. You can tell that we're targeting harder-to-abate segments that can't be easily electrified.

Let's run through some of those examples that you mentioned in your question. Let's start with wind and solar. Chevron is not planning large-scale investment in mature, onshore wind or solar, as this is a crowded space with low barriers to entry, and quite frankly, low returns. We don't have a competitive advantage in that space, nor the full electricity value chain. We'll buy wind and solar power in support of our operations, but we don't see producing it ourselves as something that will add significant value.

One of the other areas you mentioned was liquefied natural gas, or LNG. LNG has been a part of our portfolio for quite some time, and we are growing it. We have a large LNG position in Australia. And last year we delivered a record number of cargos, 10% higher than our previous record. We also have LNG in West Africa, Angola, and Equatorial Guinea, primarily serving customers in Europe. At about the middle of this decade, we'll also start exporting LNG from the U.S. Gulf Coast to customers in both Europe and Asia. And lastly, we have a large gas resource position in the Eastern Mediterranean in Israel that's currently producing, and we're evaluating options to further monetize that gas beyond serving just local markets.

Another area you mentioned was renewable fuels. Today, Chevron is the second-largest bio-based diesel fuel producer in the United States and we're participating across the entire value chain. Feedstocks, like crops and waste, manufacturing, and sales. Last year, we acquired the Renewable Energy Group. That included a Geismar asset where we have a large renewable diesel expansion project underway. In fact, we're more than halfway to our 2030 production capacity target. In addition to the acquisition of the Renewable Energy Group, we also have a very strong joint venture with Bunge, which focuses on soybean crushing and oil seed technology, things that allow us to get better and better at this feedstock opportunity going forward. We're also a leader in capturing fugitive methane, from dairy farms, and turning it into renewable natural gas and compressed natural gas.

I think another area you touched on was carbon capture and offsets. Today we're a part of two very large carbon capture sites, we operate one in Canada and one in Australia. But if you step back, our approach to what we call CCS [carbon capture and storage] or CCUS [carbon capture, utilization, and storage] is securing pore space in strategic areas, in the areas where we already do lots of business, creating regional hubs by engaging emitters and partners and coalitions, and then advancing the capture technology so that this can become more economic over time.

I think you also mentioned hydrogen. We're a large producer of hydrogen today, we use it in our refineries. Looking at lower-carbon hydrogen in the future, we're advancing the concept of production hubs. This means leveraging what might look like the natural gas value chains that exist today. We're trying to enable technology, and we're working to support, with partners, future demand.

You also hinted at geothermal. We have operated very large geothermal sites in our past. Novel technologies like enhanced geothermal systems and advanced closed-loop technology have potential and even broader applications. In this area, we're taking more of a pilot project approach as we get clearer on the future they might have.

And then finally you mentioned nuclear. We've made some small investments through our technology venture company, in a company called Zap Energy, but it's not a focus for us. We're watching to learn, but it's likely not an area of high investment. We'll continue to monitor all nascent and potentially disruptive technologies for the future. You can see that we're trying to pay attention and we're leaning in in the areas where we have strengths.

Jeanine Wai: That was a lot, thank you. I know I learned a lot, so thank you for that. And we have our last question.

Our last question comes from Mary M. and Abhilash K., who ask: "Is Chevron going to make big investments in EV electric car batteries, since the government is encouraging companies to do so? How will this affect Chevron in future?"

Mark Nelson: Thank you, Mary and Abhilash. Today, Chevron is not investing heavily in electric car batteries, because it's not our core competency. We're staying in our lane and doing the things that we believe we can do with a competitive advantage. We do supply petrochemicals that make the plastics required for electric vehicles, and we're working on renewable Havoline e-drive fluid for EVs as well.

On the issue of electric vehicle charging, generally customers want to charge their EVs where they sleep, or where they're going. We do have charging stations at some of our retail facilities around the world. We've worked with companies like EVgo and ChargePoint to make that happen.

Stepping back, the majority of global oil demand goes towards things like petrochemicals, industrial applications, off-road vehicles, equipment, mining trucks, planes, trains, and even heating. Only 25% is really pointed towards gasoline.

Electric vehicles have been a part of our long-term planning for years. We model a significant penetration of EVs by 2040. Today, electric vehicles in the United States make up about 1.2% of the light-duty vehicle fleet. All of the products that we offer today remain in high demand. Our job is to safely and efficiently deliver those products to customers in a way that also delivers higher returns, lower carbon, and shareholder returns for you.

Jeanine Wai: Well Mark, time flies when you're having fun. That concludes our time on today's Chevron Exchange Q&A session. We appreciate your discussion.

Mark Nelson: Thank you very much. I just want to thank you for being here in person. It's nice to be with you here in our San Ramon office. I want to thank everybody for joining. Chevron takes all of its investors seriously and we appreciate you participating today. Very, very thoughtful questions and, as you would expect, we appreciate your interest in Chevron. Thank you very much.