ExxonMobil Second Quarter 2024 Earnings Call Transcript

This transcript presents ExxonMobil's second quarter 2024 earnings call held on August 2, 2024

Jim Chapman: Good morning, everyone. Welcome to ExxonMobil's second-quarter 2024 earnings call. We appreciate your joining us. I'm Jim Chapman, Vice President, Treasurer and Investor Relations. I'm joined by Darren Woods, Chairman and CEO, and Kathy Mikells, Senior Vice President and CFO.

This presentation and prerecorded remarks are available on the Investors section of our website. They are meant to accompany the second-quarter earnings news release, which is posted in the same location.

During today's presentation, we'll make forward-looking comments, including discussions of our long-term plans and integration efforts which are still being developed and which are subject to risks and uncertainties. Please read our cautionary statement on slide 2. You can find more information on the risks and uncertainties that apply to any forward-looking statements in our SEC filings on our website. Note that we also provided supplemental information at the end of our earnings slides, which are also posted on the website.

And now, I'll turn it over to Darren for opening remarks.

Darren Woods: Good morning, and thanks for joining us.

ExxonMobil's performance remains strong. In the second quarter, we delivered earnings of $9.2 billion – our second-best 2nd quarter results in the last 10 years. Just as important, we continue to improve the fundamental earnings power of the company, as Kathy covers in her prepared remarks available on our website.

While overall market conditions were softer in the second quarter, oil prices remained firm. As a reminder, at Brent between $60 and $80 a barrel real, and 10-year average refinery and chemical margins, we expect to generate between $80 and $140 billion in cumulative surplus cash from 2024 to 2027. The Pioneer acquisition increases that even further.

In the quarter, we once again set production records from our advantaged assets in Guyana and the Permian. Including Pioneer, our Permian production surged to 1.2 million barrels per day.

In Product Solutions, our sales of high-return performance products rose 5% sequentially – to a new record.

Our strong performance in the quarter continues to support our capital allocation priorities, including the distribution of $9.5 billion to shareholders, of which $4.3 billion was in dividends.

With the close of the Pioneer transaction, our shareholders now include the former owners of Pioneer stock, who have begun to benefit from the strength of our combined companies. We welcome them to ExxonMobil, just as we do the talented people of Pioneer, who bring a strong entrepreneurial mindset and deep expertise in unconventional resource development.

I also want to recognize the combined transaction team for their excellence in execution. The average time to complete this type of merger over the last several years has been more than 11 months. We closed Pioneer in six, once again demonstrating the strength of our organization in effectively executing large, complicated projects – including large acquisitions.

It is challenging work requiring deep thinking, a highly structured approach, and disciplined action – areas where we excel. Although it's still early days, the integration is exceeding our expectations, and I'm confident we'll deliver even more synergies than we've announced. The team looks forward to sharing these details – and all the other work we're doing to significantly grow value – at our Corporate Plan Update and Upstream Spotlight in December.

As we look ahead, we see opportunities to grow value not only through our corporate plan period but long into the future. Later this month, we'll publish our Global Outlook, which projects global energy demand 15% higher in 2050 than it is today. We see oil demand holding steady at around 100 million barrels per day in 2050, while demand for renewables and natural gas grows considerably.

An energy-abundant future, driven by economic growth and rising levels of prosperity, creates opportunity for ExxonMobil – no matter the speed or direction of the energy transition. Over time, as it becomes more and more obvious that heavy industry and commercial transportation will not be meaningfully powered by renewables, the world will come to rely more on technologies where we have an advantage – including hydrogen, biofuels, and carbon capture and storage.

A serious approach to the transition should focus on moving the world from high-carbon to low-carbon energy, not simply from oil and gas to wind and solar. The data, science, and economics all support this as fundamentally necessary.

Our strategy reflects this reality, and, since it relies on the same corporate capabilities and advantages under any scenario, it is extremely flexible, delivering strong profitability irrespective of the path society takes.

As a technology company that transforms molecules to meet society's needs, we're not defined by our existing product suite. We began as a maker of kerosene for lamps. Today, no one thinks of ExxonMobil as a "kerosene company" serving the lamp industry. In the future, ExxonMobil will be defined by the technologies and products it is producing to meet the world's future needs – as always, by drawing on our unique combination of competitive advantages.

We've shared with you a variety of technologies and products we're developing to more effectively meet existing needs while helping the world achieve a lower-carbon future. Two examples where I see significant new market potential are Proxxima™ and carbon materials.

With Proxxima™, we transform lower-value gasoline molecules into a high-performance, high-value thermoset resin that can be used in coatings, light-weight construction materials, and advanced composites for cars and trucks – including battery boxes for electric vehicles. Materials made with Proxxima™ are lighter, stronger, more durable, and produced with significantly fewer GHG emissions than traditional alternatives. In March, we showcased the automotive uses of Proxxima™ at the world's leading international composites exhibition in Paris.

We're progressing projects in Texas, with startups planned in 2025, that will significantly expand our production of Proxxima™. We see the total addressable market for Proxxima™ at 5 million tons and $30 billion by 2030, with demand growing faster than GDP, and returns above 15%. That's an exciting new business opportunity, with significant profit potential, where we have unique and hard-to-replicate advantages – consistent with our strategy and core capabilities.

We also see a sizable opportunity in carbon materials, transforming the molecular structure of low-value, carbon-rich feeds from our refining processes into high-value products for a range of applications. We're targeting market segments with margins of several thousand dollars per ton and growth rates outpacing GDP. These include carbon fiber, polymer additives, and battery materials.

Our competitive advantages of scale, technology, and integration – combined with our North American manufacturing footprint – provides a foundation for building these compelling, new, high-margin businesses. I've challenged the Product Solutions team to lean into those opportunities and develop plans to accelerate the growth of both of these profitable new businesses.

I hope we can ramp up investments to make them a meaningful part of our overall portfolio, sooner, which will help further diversify earnings and significantly grow shareholder value for decades to come.

ExxonMobil has a long history of successfully establishing new, high-value-in-use products for established and growing markets. Consider Vistamaxx™, which we launched to enhance the performance of everything from auto parts and construction materials to personal care products and packaging. We've grown our Vistamaxx™ performance polymer from five grades to twenty and total annual production capacity to 700,000 metric tons per annum – with highly attractive returns and significantly more growth potential.

Of course, consistent with the track record we've established over the last 7 years, the hurdle for investing will be high. Any investment will have to generate competitive returns, possess clear competitive advantages, and be resilient to the bottom of any commodity cycle. As we've demonstrated, our capital-allocation decisions have generated robust earnings, cash flow, and shareholder returns. I look forward to sharing more about our growth opportunities in December.

In closing, we have a lot to feel good about. Our performance is strong. Our merger with Pioneer is already creating tremendous value, with more to come. And, we continue to develop products and build businesses that will enable us to grow profitably far into the future across a wide range of scenarios, including a rapid energy transition.

With that, we'd be happy to take your questions.

Jim Chapman: Thank you, Darren. Now, let's move to our Q&A session. As a reminder, we ask each participant to keep it to just one question.

And with that, operator, we'll ask you to please open the line for our first question.

Operator: Thank you. The question and answer session will be conducted electronically. If you would like to ask a question, please do so by pressing the star key, followed by the digit 1 on your telephone. The first question comes from Neil Mehta of Goldman Sachs. Your line is open. Please go ahead.

Neil Mehta: Good morning, Darren and team, and thanks for the update. I want to build on your comments on Pioneer, now that it's under your umbrella. Can you build on some of your comments around, one, how is the asset performing from a volume and type curve perspective relative to expectations and, two, you alluded to synergies tracking ahead of expectations. Can you help delineate what those buckets of outperformance are?

Darren Woods: Yeah, good morning, Neil. I'll start with a few comments and then let Kathy kind of add on top of that. I would say early days yet, two months in, but the work of the team prior to the change in control and what we've seen since then is extremely encouraging.

As we've stated, the Pioneer assets basically delivered a record performance in the second quarter and if you think about the context of doing that with all the changes that were going on with respect to the merger, I think a real testament to the quality of the people there and the work that they've been doing.

So I'd say vectors are all pointing up. I think probably better than what we had anticipated, but I would also say it's early in the process. The teams today are working very well together, which has led to frankly identifying a lot more value opportunities than frankly I think either of us could see when we were on opposite sides of the fence. And now that we're together working, we see essentially a lot of opportunities to transfer the best practices of ExxonMobil into Pioneer and likewise, to transfer a number of best practices from Pioneer into the ExxonMobil base, which when you think about our size, has some tremendous leverage associated with it.

And so, that's all being worked through in detail. As you know, when we commit to some of our objectives, they're based on some very detailed plans that sit behind them. The organization today is working those plans, but we already see significant upside potential. Not only in the magnitude but in the pace of which we'll be able to deliver them, so I think a really positive story there.

I'll let Kathy maybe add some additional details. Kathy?

Kathy Mikells: Sure. I think one of the things we've been really pleased by is the number of learnings that we've already had from Pioneer and so not only will we bring our technology and key development to them but they're bringing a bunch of learning to us. So we're already utilizing their remote logistics operation center in our own drilling and completions operations in order to improve supply chain. They've done some things on the procurement side I'd say that we think can help us to kind of leverage up our expertise.

They've been really good over the years of locking up their acreage, so we think that's another thing that ultimately we can benefit from and then as I think everyone knows, they've got a quite large water infrastructure in the Midland Basin and we'll be looking to also leverage that.

So we've been really pleased with what they bring to the table and we're off to a really good start as we look at building an integration development plan with them that fully utilizes the technology that we bring to the table. And so we're going to have a Corporate Plan Update in December, we're going to do a Spotlight on the Upstream, and we'll update where we're at with the synergies and how we're looking forward at that time.

Darren Woods: Yeah, I'd just cap it off, Neil, with what we said at the time we announced the acquisition that we were going to produce more barrels at a lower cost in a more environmentally friendly way. That continues to be the case. That's obviously good for our company, but more importantly, as we said at the time, we'd continue to emphasize, it's good for the US. It's good for the

U.S. economy. It's good for the people living in the U.S. It's good for U.S. businesses, and critically, it's good for U.S. energy security, so I think this is, as I said at the time, going to be a win-win proposition for all.

Neil Mehta: All right. Thank you, Darren. Thanks, Kathy.

Operator: The next question is from Betty Jiang with Barclays.

Betty Jiang: Darren and Kathy, good morning. Since we just talked about Permian, I'll hit on the other region that's also hitting record production, so Guyana volumes continue to exceed expectations and the FPSOs just continue to produce well-above capacity. Would love to just get an understanding of do you think this type of performance is likely to continue and is that translatable for what you will expect for the future projects that's yet to come?

Darren Woods: Sure, I'll take that, Betty. Thank you, and good morning. Good to hear from you again. I would say what you're seeing is the collective effort of our organization focusing on what is a very high-value development and making sure that we are taking advantage of all the opportunities we can find to safely grow production. And as you commented, we're seeing some significant improvements with production rates well above what we had based the investment decision on, and that's continuing across all three of them.

We try to take that into account as we develop the next, and so in theory, you would think we build that into the base and don't continue to see that, but frankly, our experience is telling us otherwise, which is this organization, complemented by the work that we're doing with our technology organization, our Global Operations and Sustainability organization, every element of the organization that we have now created and functionalized is very focused on maximizing value.

And so with these new organizations and that focus, they continue to find additional opportunities. So I would bet that we'll continue to see outperformance versus the basis on which we FID, but I would also tell you that every development is unique unto itself and, obviously, we've got to get it up and running and then let the teams get after it and find the opportunities to safely increase its capacity.

But I would just tell you, I would bet on our people to find that. We've got a long history of doing it and it's clearly demonstrating itself with this unique and valuable opportunity here.

Betty Jiang: Thank you.

Darren Woods: You bet. Thank you, Betty.

Operator: The next question comes from Doug Leggate with Wolfe Research.

Doug Leggate: Hey, good morning. Thanks for taking my questions. Good morning, Darren and Kathy.

Darren Woods: Good morning.

Kathy Mikells: Good morning.

Doug Leggate: Still getting used to the new moniker, Darren, but thanks for having me on. So, I wonder if I could ask a question about portfolio now that you've got Pioneer in the door. You've got a lot of things that are perhaps, you could characterize as maybe noncore. A lot of tails in the portfolio and I'm just curious, we haven't really heard much on the asset disposal front in a while and I'm curious if now that you've got two very significant concentrated assets to a certain extent, the Permian and Guyana, what it means for the portfolio in terms of high grading opportunities going forward.

Darren Woods: Yeah, I'll start with that, and then I'll let Kathy add anything that she wants to. But I would say actually, we've been fairly aggressively going after the tail. Remember I think back in 2019, we had announced that we were going to divest about $15 billion over time. Of course we got into the pandemic and we said we're not going to – this is not a forced march. We're going to basically divest when the market conditions ensure that we can realize the value that we think the assets that we are marketing can be realized.

And frankly, that's what we've been doing. So as you look at where we're at to date, second quarter this year, I think we've basically gotten to the $15 billion in the Upstream and then if you look at what we've been doing in the Downstream, there's another few billion dollars that we've added on top of that, so frankly, from a cleaning up the tail standpoint, we've made significant progress.

Obviously, there's a few more things that we're working on, and we'll continue to assess every one of the assets in the portfolio to make sure that they are competitively advantaged. And frankly, as we look at new investments, we force those investments to compete on an industry-wide basis and make sure that they're advantaged versus the industry and therefore can supply product at low-cost-of-supply.

We also do that with all of our existing assets, and if they're not competitively positioned on an industry supply curve, then the organization has two options. Either we come up with an advantaged investment that makes them more competitive and moves them to the left on the cost-of-supply curve, or we look to divest, and that process has been ongoing across all of our businesses.

And then obviously, the timing of when we then take action is a function of realizing the value that we think those divestments should bring and we're patient. We're not going to rush that process. And I would just say staying after it, being very steady, waiting for the market to be where it needs to be in order for us to move ahead, has paid off significantly and basically we're delivering on what we said we were going to do and we'll continue to look at it.

But I wouldn't, I don't see any big step changes here in the medium term.

Kathy Mikells: And the only other thing I'd note is you can see in our cash flow bridges we're pretty consistently every quarter bringing in more proceeds from the divestments that are occurring. In the first half of the year, that was $1.6 billion.

And then I would just note, we had a lot of activity in Upstream and so that generated some positive earnings for us in the quarter and so if you look at my prepared remarks that we published earlier this morning, I talk about sort of $380 million in the Upstream being kind of these other one-off items and that was a lot of earnings coming in from divestments, only partially offset by the one-off costs associated with Pioneer.

Doug Leggate: Terrific. I appreciate it.

Jim Chapman: Doug, congratulations on the new shop, the new platform.

Doug Leggate: And to you, Jim. Thanks so much.

Operator: The next question is from Devin McDermott with Morgan Stanley.

Devin McDermott: Hey, good morning. Thanks for taking my question. So, Darren, you had a lot of good updates in your prepared remarks on some of the low carbon initiatives and there's been a lot of progress there it seems over the past few months and quarters, which is great to see. I think back to the Corporate Plan you laid out late last year, this is a growing wedge of your overall capital spending in each of the next few years.

So I was wondering for some of the investment opportunities more about what you're focused on and actually more capital to these areas so what's needed to make the final investment decision on both carbon materials or build the scale you talked about in lithium production? Is it more commercialization and offtake? Technology development, regulatory, something else.

Darren Woods: Sure, yeah, you broke up just a little bit on that, Devin, but I think that I got the gist of your question. If I don't hit the mark, then please steer me in a slightly different direction.

Devin McDermott: Sorry about that.

Darren Woods: I think your question around what's required to kind of continue to move along in our investments in Low Carbon Solutions across the portfolio of products that we've been talking about, and I would just say fundamentally, we expect in the low carbon businesses and in fact some of these new products that while they contribute to a lower carbon future, they also bring significant value in use in today's application.

They have to compete in the portfolio. They have to be advantaged versus what's out there today, and they have to basically generate good returns across the commodity cycles. And so the fundamental philosophy that we've been applying in the base business also is required in the new businesses that we're trying to generate. So that's foundational, what each and Dan Ammann in particular, but then the stuff that's coming out of the Product Solutions organization has also got to meet that initial hurdle.

And then as you look across each of them, the hurdles to clear to deliver on that expectation vary a little bit. I would say in Dan's business, with the carbon capture and storage, he and his team are building a brand new business, and so there are very few, I think, examples of where the company's not only developing the technology and the infrastructure and logistics system but also developing the capacity to supply while developing the demand and developing the market in general, and advocating on what I would say are the initial policies needed to get things kickstarted. So there are a lot of moving parts.

I would say the broader industry and business community, frankly, haven't gotten far enough along this to truly appreciate just how complicated it is, but I would say leveraging the capacity and capability that we've built over the decades doing this in other parts of our company, particularly in the Upstream, that we're leveraging those capabilities and making really good progress there.

On the blue hydrogen project, as we've worked through the engineering and got a really good line of sight as to what that project can deliver, obviously a critical element of that is getting the IRA legislation translated into final regulations, and that's a process that's been ongoing. We're optimistic that the regulations will reflect the intent of the legislation, and if it does, I think we'll have a very attractive project that we can then FID once those regulations are finalized.

So, I'm optimistic in that space and as you may have seen, we just added another 500,000 tons of carbon capture and storage into Dan's portfolio and there's a pipeline that the team continues to work. So we see continued opportunity and growth with good returns in the carbon capture side of the equation.

On the lithium, same thing. While lithium is an established market, it's fairly small with respect to what its ultimate potential is and of course we're bringing on a new production method with some new technology. And so again, doing the work to understand what the investments required there are and to establish and ensure that we've got a real advantage versus what else is out there and what else needs to come on to meet the growing demand of lithium. But again, I feel good about that.

We've told the team, we're not looking to rush this through and get something, get money spent. We're looking to make sure that we build a very strong long-term foundation. So none of the work that we're doing in these new businesses is schedule-driven. It's all about establishing successful long-term foundations.

And then maybe just briefly touch on Proxxima and the carbon ventures, which that's a broader effort that we've been on for quite some time which is to say leverage our technical capabilities to transform molecules and apply that to markets that exist with unmet needs, and I think we're making really good progress with Proxxima and we've got some, I think, very high barriers to entry and competitive advantages there. And so I'm anxious to kind of prosecute that business and establish it as quickly as we can, because we see real potential there.

And same with carbon ventures, again leveraging our ability to transform the molecule, shape the molecules and get some structures that improve performance. I think there's a big opportunity there. But that's, I would say carbon ventures is still early in the technology cycle, but I think we've gone far enough along to see some real opportunity there and as I said in my prepared remarks, the challenge I've given the Product Solutions organization is what's a realistic but aggressive business plan look like and what would be the investment required to establish that. And that's good because it grows value today, but it also positions us well as those molecules become less demanded in their traditional applications, it becomes a much lower feedstock to these new applications.

And so there's a lot of opportunity to diversify this and protect the business or diversify the business as we move through the transition. So, long answer, but a lot of variables at play here, but frankly all variables that we feel very comfortable managing and I think the progress we're making there demonstrates our capability to manage those things.

Devin McDermott: Great. Thanks, Darren. Appreciate all the detail.

Darren Woods: You bet. Thank you.

Operator: The next question is from John Royall with JP Morgan.

John Royall: Hi. Good morning, thanks for taking my question. So my question's on the Capex guidance update. We see that you moved the legacy Capex up to the top end of the prior range and then obviously, you layered in Pioneer as well but can you talk about the drivers of the legacy Capex bumping up to $25 billion for the year?

Darren Woods: Yeah, good morning, John. I'll start with that and then let Kathy finish up, but so the way – the reason we put a range out on the Capex – is we build these plans the previous year, starting around this time in the summertime, and then kind of lock and load them in October. And obviously, there's a lot of things that develop and evolve from the middle of the previous year as we go into this year.

That range is not meant to have you guys slice it down the middle and fix on a number. The range is to say we've got optionality here and as things evolve, we may reduce some of the spending or if we find that the opportunities are panning out the way we expect, we may be on the other end so that range is truly where we expect to be somewhere in, depending on how things evolve and what the opportunity set looks like.

The key focus here is to make sure that we're investing in highly-advantaged, highly-profitable projects, and basically, as we worked our way from October of last year into this year, we see a lot of attractive opportunities that we continue to invest in which puts us at the top end of that, consistent with what we understood the opportunity set could look like as we went in to the plan process last year. That's why we're coming in at $25 billion, and of course we're using the Pioneer number to add on top of that.

But Kathy, anything to add to that?

Kathy Mikells: I would just say, obviously, we have a lot of projects coming online in 2025 and the exact pace of all of those and therefore, making sure that we provided sort of enough room I would say in the initial guidance supporting all of those projects that are coming online in 2025. We can't pinpoint predict all of that as we put our plans together for the year, and so just as an example, China 1 is a huge project. It's going to be coming online early next year as an example, so there's always a little bit of give and take, which is why we give the range to start with.

John Royall: Thank you.

Darren Woods: Thanks, John.

Operator: The next question is from Jason Gabelman with TD Cowen.

Jason Gabelman: Hey, good morning. Thanks for taking my questions. I actually wanted to follow-up on the 2025 project start-ups that you just mentioned and thanks for a little bit more detail on the China Chemicals complex, but as I look to the other projects coming online, I think the largest earnings contributors include the Permian Crude pipeline and then in the Upstream, Golden Pass, and then the next Guyana boat, so I was just wondering if you could provide a little more color on those projects in terms of how they're progressing and kind of phasing through the year. Thanks.

Darren Woods: So, I would say, consistent with the plans that we put out, the projects are all, with obviously the exception of Golden Pass, moving consistent with the plan development and the announced dates that we talked about. All of them I think we feel really good about in terms of the work that we're doing and the case for the contributions, the returns, the earnings that we expect to get out of those projects, I think we continue to feel good about.

You know, underpinning all the projects is we never try to take a position on where we're going to be in the market cycle, but instead, make sure that these projects when they come on can compete in any of the areas of the cycle, and we've actually found that if you look at the investments we've made since 2018, we brought online, if you look at the aggregate return of that portfolio, it's exceeding the basis oln which we FID'd those projects. Even as we've been, say, in the Chemical business, the bottom-of-the-cycle conditions.

So I think we continue to demonstrate to ourselves the time we spend to make sure these projects are advantaged in the base case is paying off, and then of course our Global Projects organization is really continuing to drive very effective execution of the portfolio with keeping our costs well within the FID basis and generally delivering it faster and therefore bringing more value sooner.

Kathy, anything to add?

Kathy Mikells: Yeah, and I would just note it's especially a big year for our EMPS business, so I already noted China 1. You noted a couple projects. I mean the Singapore Resid upgrade project is a pretty big upgrade project. We have an upgrade project at Fawley in order to bring on ultra-low-sulfur diesel. We've got the Strathcona project for renewable diesel coming online in 2025, so really big year for the EMPS business in terms of the number of projects we have coming online and then we're going to continue to expand our advanced recycling, so we'll be adding more capacity as well next year.

So we noted again if you look at our IR slides we talk about projects being a big driver of underlying earnings growth in the EMPS business, and you see that supported by everything coming on in 2025.

Jason Gabelman: Thanks.

Operator: The next question is from Biraj Borkhataria with RBC. Your line is open. Please go ahead.

Biraj Borkhataria: Hi there. Thanks for taking my question. Just wanted to follow-up on Jason's question and more specifically, on Golden Pass. So I guess, at this point, are you able to confirm updated scheduled guidance for the start-up?

And then second question is just going to some of your prepared remarks. If I think about your Upstream portfolio, a lot of your growth is liquids, all liquids price linked through LNG. I think you say 80% of your Upstream is now linked to liquids, so I was thinking as you're building out your LNG portfolio and your trading function, is there any desire to diversify that sales mix a bit more, or is this intentional in where you want to be? Thank you.

Darren Woods: Yeah, sure. I'll start with the last part of the question, which is, it is a conscious decision to get weighted on liquid prices and frankly, if you look at the LNG market, and when you're building large

LNG projects, you tend to sell those out and sign contracts in advance of the investments, which the market today is linked to oil and so we continue to have a desire to lock in a significant portion of those developments so that we've got surety on the sales side of the equation as we bring those projects up. So my expectation is we'll continue to be weighted on that and we're very comfortable with that.

In fact, there's been a huge drive since I've been in this job and brought Neil into the Upstream to basically shift the portfolio and get a little heavier weighting in the oil side. As I mentioned this morning on CNBC, if you look at the oil that we're producing today, we're producing more oil than any time since the merger of Exxon and Mobil, so that strategy is beginning to manifest itself.

On your Golden Pass, the project, so we've just gotten through, the venture just reached a settlement with Zachry and so that venture's in the process of kind of restaffing and getting started back up again. Obviously, we're in the very early days of that, so there's still more work to be done and of course the teams are very focused on getting back to work, effectively executing and bringing that project in as quickly as they can, and as close to the original schedule as they can.

Right now, our estimate is we're going to see about a six-month slippage. So we had anticipated kind of first LNG the middle of next year. We now are looking at probably the back end of 2025 for first LNG and that's kind of where the current schedule is, but I would just condition that with the teams are just getting back up and running and they have a clear mandate to try to bring that in as effectively as they can and, again, my expectation is they'll do better than we currently think but we've got work to do.

Biraj Borkhataria: Understood. Thank you very much.

Darren Woods: Thank you, Biraj.

Operator: The next question is from Stephen Richardson with Evercore.

Stephen Richardson: Hi. Thank you. I was wondering if you could circle back. Appreciate all the conversation about projects and projects execution and how you've got a number of really important and interesting projects coming on in the Downstream in short order. Just wondering, you've added seemingly quite a bit of length to your Upstream portfolio over the last number of years and as you think out beyond 2026, 2027, Darren, are the teams continuing to bring you new and interesting projects in EMPS and do you think continuing that kind of pace of integration out in the plan horizon is still interesting? Maybe if you could just talk about that in terms of the investment mix and the opportunities and maybe address EMPS and Chemicals as well.

Darren Woods: Sure, I appreciate the question, Steve, because I think you touched on a really important point. I think one of the advantages of the restructuring that we've done is we no longer identify our business with the products that we're making. So if you go back in time, the functional organizations that we established, we had a refining organization that was producing refining products and we had a fuels marketing organization that was marketing fuels and we had a chemical company that was marketing Chemicals. We've now combined all that into a Product Solutions organization, which is supported by a technology organization, which again is not organized around any of our heritage businesses or heritage products but instead is organized around core capabilities, core technical capabilities to deliver value to the businesses that they support.

So while it may not be intuitively obvious, that change in structure and the way we think about and talk about the business has also opened up a lot of white space in terms of the challenge here, is how do we take our core advantages, core capabilities – some of it includes our existing footprint but a lot of it includes our ability to upsell and to identify value in use applications – and combine that with a technology organization that's very focused on applying core technology capabilities to business challenges and business opportunities, which is starting to unlock applications that frankly in the past wouldn't have been identified because they didn't fit in the context of the organizations that we had in place.

But today, the aperture is much broader and the playing field is much bigger and so we see that with Proxxima™ and carbon ventures. My expectation is as we go forward we'll continue to talk about those markets and we'll talk about the applications that we're developing, and the technology organizations continuing to look at how else can we use our capabilities in manipulating the molecules and particularly hydrogen and carbon molecules to make products that the society needs and at the same time reduce emissions.

So I think that organization has been given a license, a hunting license, to go out and find how we can lean into and create more value out there and grow earnings. So my expectation is, as we go forward, well-beyond the 2027 timeframe, we're going to continue to bring in opportunity sets as we unlock them through the work of both our Product Solutions organization but also our Technology organization.

Then, of course, we can take advantage of our projects organization and then go off and build these things at-scale and do it at a lower cost than anybody else. So I think it's a really powerful combination there.

And our horizon extends well-beyond the 2027, in terms of thinking through the pipeline and making sure that we're positioned to be successful well into the future.

And I would just quickly add then, and that's true for Product Solutions, which has got the chemical portfolio, our specialty portfolio and then what I would say are the energy portfolio but more specifically the molecules that go into energy, that we expect to become feedstocks of the future, like they are today for our carbon ventures and Proxxima™ ventures.

On the Upstream side, we've got a lot of obviously growth potential through the back end of this decade, but this is a depletion business. We recognize that and so that organization continues to look well-beyond the 2027, 2030 time horizon making sure that we have got a good understanding of what it's going to take to keep that pipeline full.

So I feel really good about that. I think the way we've organized the businesses and the central organizations that we've put in place to serve those businesses is going to have huge pay-offs here in this space.

Operator: The next question is from Roger Read with Wells Fargo.

Roger Read: Yeah, thank you. Good morning. Since you all have probably the most geographically diverse set of operations of anyone we cover, I was just curious, the most recent news this morning shows maybe a few cracks in the economy. If you could kind of give us an idea as you look across the products and the chemical side, thinking that's where we really see the demand parts, what you're seeing, kind of let's say China back around to our side of the globe.

Darren Woods: Sure, good morning, Roger. I think the key message I would leave you with across our business is, when you look at kind of pricing and margins, is there's two pieces, two halves to the equation. There's the demand side and there's the supply side.

On the demand side, frankly, let's start with Chemicals. We see the demand basically returning to the kind of growth that we've seen prior to the pandemic, so basically growing at 1% to 2% above GDP and so that's back on track from a growth standpoint. Certainly that's what we're seeing at the first half of this year.

The challenge in that business with the margins has been frankly from the supply side of the equation with a lot of capacity coming on, and a queue of capacity you have to come on. And so that's been more of the story in Chemicals. Less of a demand growth story and more of a supply story and a lot of supply coming on in the short-term. And like the past, the challenge in the Chemical business given the large chunks of capacity that come on in discrete times that you've got to grow through that capacity to get your margins back up again.

One of the reasons why we stay so very focused on low-cost-of-supply, feed advantage, and importantly performance products is to make sure that we've got advantages above and beyond the commodity cycle and you see that playing out now in our Chemical business with earnings that frankly are well-above what would be expected given the challenging market conditions that we see in the margin environment.

China is growing, despite maybe some of the, it's not growing at the rates that we've seen historically, the very high rates, but it's still growing at a healthy clip. And as you come around to the U.S., we're seeing kind of reasonable economic conditions and growth in the U.S. as well. Europe I think is probably the most challenged area of the globe and frankly, with some of the policies we see Europe implementing, my expectation is it's going to be more challenging, quite frankly, and unfortunately particularly unfortunate for the folks living in Europe given the drag that the policy they're putting in place is going to put on their economy. But, I think China's looking reasonable.

India is growing and looks very, very healthy. The U.S. is looking reasonable with good growth. Demand for, on the energy side of the equation with petroleum products, continues to be very high – record levels of demand around the world and, again, I think very good supply coming in to the equation there, which is keeping, has brought margins from those very high levels that we've seen in the first quarter and back into last year. We're now getting back down into more typical ranges, and frankly all of our plans anticipated that. It's always difficult to call the timing of it, but we certainly knew that the elevated margins that we were seeing in the refining business would ultimately come back into normal ranges.

My expectation going forward then is we'll continue to see, what I would say is, historical volatility levels in that. We'll see times when the margins spike and we'll see times when the margins are challenging but again we've built our refining business to be robust to those and if you look at the work we've been doing to high grade that portfolio, we've taken out a lot of the low margin, less advantaged refineries and are now focused on the integrated refineries that have a mix of high-value products that we're producing and are advantaged from a size and scale and cost standpoint.

And then on the gas side of the equation and the oil side of the equation, oil demand continues to be at record levels. Last year was a record. We anticipate this year will be a record, and then next year will be a record, so demand continues to be fairly healthy from an oil standpoint. It's just a question of working through the supply that's coming on, most of that led by what's happening in the Americas.

And then on gas, that's going to continue to grow in demand and it's, again, a function of the capacity that's coming on. So the good news is that we're seeing industry be very responsive to the demand and frankly it's very consistent with the foundation of the strategy we put together which is you've got to be low cost. You've got to be on the left-hand side of the cost-of-supply curve.

Thanks, Roger.

Operator: The next question is from Josh Silverstein with UBS.

Josh Silverstein: Thanks. Good morning, Darren and Kathy. You continue to make good progress on the cost savings front. It looks like there was an uptick of about $600 million sequentially. It looks like you called out around a $200 million turnaround savings in Energy Products. Just wanted to see if you could provide some more examples of what's driving the improvement and how you take the current kind of $10.7 billion to the $15 billion over the next few years. Thanks.

Kathy Mikells: Thanks very much for the question. And so you're right. If we look on an after-tax basis, we had about $600 million overall on a pre-tax basis for the year-to-date where our structural cost savings allowed $1 billion, so making really good progress.

Continuing to optimize maintenance is a big driver of overall savings. We gave a number of $200 million in Energy Products in terms of my prepared remarks and that was just noting that in the half, we had a particularly heavy turnaround slate and if we looked back at that same turnaround slate, the last time we did it, we did it much more quickly and we did it at lower cost, hence the $200 million savings number that you mentioned.

You know, we're also obviously driving savings in terms of supply chain and looking to get more efficient there and all of our centralized organizations, which we've kind of stood up over the last couple of years, are really responsible for driving savings into the business, so whether that's global business solutions, or whether that's supply chain, or our global operating and sustainability group who works on our maintenance activities, we're really starting to see the uptick from the benefit that those organizations can bring by simplifying things and standardizing things and bringing better data analytics that optimize our overall organization.

So that's what you're going to continue to see on a go-forward basis and then I would say longer term, as those centralized organizations start to standardize processes for the company, which are quite disparate as we sit here today, we'll be able to apply more technology to get, I would say, even more automated in the things that we do, which will drive further efficiencies for us long-term.

So whether it's getting more efficient on logistics or getting more efficient because we're standardizing now between ourselves and Pioneer, standardizing all the materials and things that we're buying, those are the types of things that'll continue to drive savings. And I think we have both the largest program by far of anybody in the industry and now a very proven track record that we feel quite good about, typically over-delivering on the initial plans that we developed. So we're feeling good about the progress we're making and that overall target to get to $15 billion in savings between 2019 and 2027.

Darren Woods: Yeah, and I would just, I guess one other way to think about it, Josh, is for the first time in the history of our corporation, we've organized ourselves to take, to focus on every aspect of delivering the business irrespective of what that business is looking at where the synergies exist and are now taking the experience, the collective experience of the corporation and the expertise in each of those areas, and focusing it on an opportunity set.

So the size of our business gives us a huge advantage here, and so a lot of these things you're seeing are accruing by basically taking the best thinking that had occurred around the organization, around the world, and then applying that uniformly everywhere it's relevant, and that's happening time and time and time again.

And so, I think a very unique capability and capacity that frankly others can't match, and the benefits are showing up in these structural cost savings for sure, also showing up on the revenue side of the equation with respect to better marketing, better ability to sell into value, so there's I think huge benefit to the changes we've been making.

Operator: We have time for one more question. Our final question will be from Bob Brackett with Bernstein Research.

Bob Brackett: Good morning. I'd like to paraphrase a comment Darren made that lithium complexity is misunderstood by the industry, and I'm intrigued. Is that a comment around the marketing and the relative use of the Downstream side, or is it a comment around maybe the Upstream and the complexity of processing?

Darren Woods: Good morning, Bob. Yeah, that comment, I meant to imply far more broadly the whole Low Carbon Solutions business set whereas you look at each of those businesses, they've got their unique set of complexities. For lithium in particular you're taking what is essentially a brand new technology, marrying that with some established technologies for sub-surface, some established technologies above surface consistent with our processing experiences and refining and chemicals. And so putting those things together in a new business to make a product, I wouldn't say has complexities that people can't comprehend. I would just say they're new and there haven't been very many people that worked our way through that.

Where some really unique challenges are is in the building brand new value chains and the carbon capture market, as an example, where there's just not an existing market today that pays for carbon removal. That's being incentivized with government policy, government policy is forming while at the same time you're trying to build the infrastructure to support that market, the logistics, the supply, and then at the same time, develop a customer base.

And so the complexity that I see in the low carbon space, that's a particularly challenging one because of all the moving parts and all the work that has to be done to try to piece those things together to come up with frankly a business and business model that one, is sustainable for the long-term and two, that generates returns that are competitive in the portfolio.

But I have to say, we're geared to do that kind of work. Our experience lends itself to that and frankly what Dan and the team is accomplishing, leaning on a lot of the core capabilities of the organization, we're tackling those challenges and making really good progress.

I think on the hydrogen side of the equation, there's not a real vibrant market, or a strongly economic market for low virtually carbon-free hydrogen, so that's being developed. Obviously, the government incentives are supporting that in the short-term but we've got to work our way to market-driven forces so that we are competing in an open market and not relying on government subsidies. So that's I think one of the challenges in that space.

But I think my comment was more generally, that there's a lot of optimism around the low carbon businesses in general, but if you think about where progress has been made to date, most of that's been in the wind and solar and EV areas and all those are playing into well-established markets. The power generation market is very well-established. The automotive industry is very well-established. Now they are bringing in new technologies that have some of their own unique challenges but they're not building brand new markets and in our case, and some of the businesses we're building are brand new markets.

Bob Brackett: That's very clear. Thanks for that.

Darren Woods: You bet, Bob. Good talking to you.

Jim Chapman: Thank you, Bob.

Jim Chapman: And thanks, everybody, for joining the call and for your questions. We're going to post the transcript of this call to the Investors section of our website by early next week, but before we wrap, I want to draw your attention to a couple of topics.

First, a reminder, later this month, we will be issuing our annual Global Outlook which includes our latest views on energy demand and supply through 2050 and which forms the basis for our business planning. And second, please mark your calendars for our Corporate Plan Update, and Upstream Spotlight which is going to be on Wednesday, December 11th, and for more information on that, again, please see the Investors section of our website.

So with that, have a nice weekend, and I'll turn it back to the operator to conclude.

Operator: Thank you. This concludes today's call. We thank everyone again for their participation. You may disconnect at this time.