ExxonMobil Corporate Plan Update Transcript

This transcript presents ExxonMobil’s Corporate Plan Update call held on December 6, 2023.

Jennifer Driscoll: Good morning, everyone. Welcome to the ExxonMobil Corporate Plan update.

I’m Jennifer Driscoll, Vice President – Investor Relations. Joining me today are Darren Woods, Chairman and Chief Executive Officer, and Kathy Mikells, Senior Vice President and Chief Financial Officer.

Our full presentation and prerecorded remarks are available on the Investor Relations section of our website along with the Corporate Plan news release.

In a moment, Darren will provide brief opening remarks and will reference a few slides from this presentation. That will give analysts more time to ask questions before we conclude at around 10:00 a.m. central time this morning.

As a reminder, today’s call is being recorded.

In conjunction with our recent announcements regarding Pioneer Natural Resources, we’ve included additional information on slide 2 related to comments or information included in today’s presentation.

Please be aware that this presentation is not intended to be a solicitation of any vote or approval. During the presentation, we’ll make forward-looking comments. We encourage you to read our cautionary statement on slide 3.
Additional information on the risks and uncertainties that apply to these comments are listed in our most recent Form 10-Ks and 10-Qs. Last, we also provided supplemental information in the appendix of our slides.

And now, I’ll hand it over to Darren.

Darren Woods: Thank you, Jennifer.

Kathy and I are pleased to share the highlights of this year’s corporate plan, recently endorsed by the board. Hopefully it will come as no surprise that this year’s plan is very consistent with last year’s plan, reflecting progress from an additional year of executing the strategy that we presented in 2018.

Our experience throughout 2023 and the results we’ve achieved only serve to reaffirm our strategy, most notably in our new business, Low Carbon Solutions, where customers and governments around the world are recognizing the value we bring in applying our core capabilities to the challenge of reducing emissions.

In fact, the most notable change in this year’s plan versus last year is the growth in potential opportunities in our low carbon business. As a new business, establishing new value chains and markets, our low carbon investments have the most potential for growth, with spend heavily weighted towards the back end of our planning horizon, but remain less certain, as they require more definitive policy and regulation, and customers that commit to reducing emissions. But it is clear, with our capabilities and competitive advantages, there is a huge potential that we are uniquely positioned to capture.
This is a direct result of our strategy, which is where I’ll begin this morning, with our strategy and our work to implement it.

ExxonMobil’s senior leadership is aligned. To win, we must effectively leverage our industry leading competitive advantages to provide innovative solutions that meet society’s evolving needs, advance broader stakeholder objectives, and reward shareholders.

To consistently do this over the long term, we must focus on five key priorities.

First and foremost, we must deliver industry-leading performance in shareholder returns, earnings and cash flow growth, safety, reliability, emissions intensity, and cost and capital efficiency.

We must be an essential partner, creating win-win solutions for our customers, partners and broader stakeholders.

We must build an advantaged portfolio by developing and deploying a portfolio of lower emission assets and products that outperform competition and grow value in an uncertain world, across a range of price environments.

We must drive innovative solutions: new products, approaches and technologies to improve competitiveness and accelerate large scale deployments; like our cube development in the Permian; our new-to-the-world product, ProxximaTM; or our cutting-edge lithium production technology.

And, finally, most importantly, we have to maintain an organization with world class talent by attracting the best people and providing unrivalled opportunities for personal and professional growth. Meaningful development through meaningful work.
This year’s plan reflects additional progress in operations, as well as successfully solving for the “and” equation, creating value for society and a compelling investment thesis for our shareholders.

It starts with our first priority in capital allocation, investing in industry-advantaged, accretive growth opportunities, organically and through acquisitions. We continue to shift our product portfolio to a higher-value mix and further high-grade our asset portfolio through divestments of select, non-core assets.

We’re maintaining our balance sheet strength to provide financial flexibility through the commodity cycles. Our cash balance, cash generation, and debt-to-capital ratio are all robust, giving us a strong buffer against market volatility.

We’re delivering industry-leading returns. Our plan deploys capital to its highest and best use, focuses on excellence in execution, and continues to drive structural cost improvements.

And we're making further progress in leading the industry in a thoughtful energy transition. From carbon capture and storage to hydrogen, biofuels, and lithium, we are thoughtfully growing our low carbon business. We recognize and are effectively managing the significant uncertainty in how the transition and our low carbon business will develop. Success in accelerating emission reductions requires the development of nascent markets. We need technology-neutral policy support, transparent carbon pricing and accounting, and ultimately, customer commitments. We are pacing our investments with developments in each of these areas, minimizing the downside risk while establishing an advantaged position to capture and maximize the upside. At the same time, we’re actively advocating for each of these areas so we can grow a profitable, and ultimately large, low carbon business.
One of the most important takeaways from our plan presentation today, in support of our investment thesis, is that our strategy is working, delivering an unrivalled opportunity for accretive growth.

Let me share a few more takeaways before we move to Q&A.

By any measure, our plans have and will continue to deliver exceptional value.

We expect to grow earnings and cash flow by roughly $14 billion over the next four years, building further on the significant improvements in earnings power already delivered.

Our return on capital employed is expected to reach 16% by 2027 as we continue to invest in advantaged, higher-return projects.

Our commitment to safe and reliable operations, as well as aggressive emission reductions remain, with continuing progress built into our plans, consistent with our ambition to be the most responsible operator in the industry.

We’re continuing to deliver structural cost savings, with roughly $15 billion planned through 2027, a significant driver of our improved earnings power versus 2019.

Our surplus cash potential through 2027 remains impressive at $80 billion, even if Brent falls by more than 20 percent from where it is today.
Our commitment to disciplined investing and growing shareholder returns remains steadfast. Post the merger with Pioneer, assuming reasonable market conditions, we expect to further increase the pace of share repurchases to $20 billion a year through 2025, up from $17.5 billion currently.

For 2024, we expect the amount of share repurchases to be somewhere between those two numbers, depending on the timing of the Pioneer close.

Of course, the main driver of our financial success is continued investment in advantaged assets. Our capex range of $23-to-$25 billion for 2024, and $22-to-$27 billion per year from 2025 through 2027, reflects consistent investment in our traditional businesses and a growing set of high-return opportunities in lithium, hydrogen, biofuels and carbon capture and storage, reflecting our work to help reduce society’s emissions.

In summary, our strategy is delivering industry-leading results. The competitive advantages we possess, the organization we’ve built, the opportunities we’re capturing, the performance we’re delivering, and the shareholder returns we’re generating, adds up to what we believe is the most compelling investment case in the industry.

And with that, I’ll hand it back to Jennifer to start our Q&A session.

Jennifer Driscoll: Thank you, Darren.

Now we’ll begin our Q&A session. This is going to be an interactive session featuring video for our management team as well as the analysts asking the questions. We do ask those on the call to kindly limit themselves to a single question as a courtesy to all the others waiting to pose theirs. However, please remain on the line and keep your camera on in case we need clarifications.
With that, we'll go to our first question. You may indicate you have a question by using the raise your hand feature with Zoom.

With that, Doug Leggate, Bank of America will kick us off. Doug?

Doug Leggate:  Thank you, Jennifer. Hopefully you can all hear me okay if I hit the mute button or unmute button accordingly. But Darren, thanks for your remarks and the update this morning.

I guess my question relates to a couple of the data points in the slide deck. You're about halfway through now, your ‘27 plan. I guess it was originally at ‘25 plan, so we're halfway through the ‘27 post-COVID version. You've increased your capex slightly, but you've also acquired Denbury. So, there are a few moving parts there but, I guess, with the additional cost cutting, the cash flow number for 2027 has not changed the doubling of cash flow and it looks like your breakeven has moved up about $5 based on the slide deck. So, I just wondered if you could reconcile those moving parts to clarify no change in cash flow targets on a higher break even.

What are the moving parts driving that? Thank you.

Kathy Mikells:  Sure. I'm happy to start with that question and then hand it over to you, Darren, if you have anything to add. So just to talk about cash flow and start there, Doug, you know, if you go back to 2019, which is kind of the beginning point, right, looking to double cash flows from 2019, we would have had earnings a bit under $10 billion and we would have had D&A of about $19 billion. So, call it $28-ish billion in total cash flow, excluding working capital change. We've increased earnings through 2023 and, in the slide deck, what we did is we took 2023 and we annualized it to try and give you an actual data point right out in 2023. So that's an increase of earnings of about $10 billion, which flows
right through to cash flow. We’ve then said we see another $14 billion in earnings improvement from 2023 to 2027. Again, that would flow right through to cash flow and then I get a little bit more pick up in cash flow because when I annualize our third quarter D&A, I get a bit more D&A within earnings out in 2027. Part of that would be driven by higher upstream production out in 2027, 4.2 million oil-equivalent barrels and that will drive more depreciation naturally. So that’s how you get to kind of a doubling of the cash flows between 2019 and 2027.

Then I’ll take your second question, which is, hey, can you kind of tell me what’s going on with your breakevens. Kind of rule of thumb... about $1 billion in capex equates to about $2 and breakeven. And what you’re seeing is that we’ve increased capex that’s largely being driven by further investment that we’re anticipating in emission reductions. And within emission reductions, that’s really being driven by third party emission reduction activities. We talk in the deck about the fact that we will pace that investment consistent with how these nascent markets develop, consistent with how technology develops, and in a way that ensures we’re going to earn good returns. So, we’re definitely positioning the organization to be able to deliver upon that. But I’d say it has more uncertainty than the rest of our capex profile has. But that’s what’s driving the increase and breakeven in those outer years, it’s the higher emission reduction capex spending that we’re anticipating.

Darren Woods: Yeah, and maybe, let me just add some more color commentary around the plan that we laid out back in 2018 and the strategy, the pause that we took in COVID, as you mentioned, obviously with the drastic impact that COVID had on the industry and cash flows. But if you look at the capital portfolio, the projects that we talked about in 2018 that we’ve been executing through this year and on into 2027, that portfolio projects remains essentially the same. And I think it speaks to the quality of the projects that we came up with early on and have been effectively executing and as those have come online, typically on or ahead of schedule and on or below budget, they’re demonstrating and providing the value. And so, that foundation continues to build and strengthen and when you couple
that with the significant organizational changes that we've made, which again, is going to drive effectiveness and efficiency, those are compounding as well as we continue to make the changes with the most recent ones being the introduction of the supply chain organization, the global trading organization, our Global Business Solutions organization. So, I would say, the way to think about what we've been doing is, one, delivering improvements as we go, then two, and much more importantly, building a stronger and stronger foundation to support that growth as we get into the back end of this period. And so, my view is that you've seen some early returns, but we haven't finished putting all the pieces of the puzzle together to actually deliver on the ultimate objective and we feel really, really positive about, what we've seen today. But more importantly, what we're seeing with these new organizations we've just formed is the ability to fully leverage the capabilities, the scale of the corporation.

The one other point I would make, which is important, the Low Carbon Solutions business, in 2018 we talked about the need to focus on the molecules side of the equation: biofuels, carbon capture and storage and hydrogen. It wasn't an accepted part of the narrative and therefore the market opportunity to progress those businesses was somewhat limited. I would say the thing that's changed most dramatically and the plans that we've laid out and we're talking about today is the recognition of what we can bring to that space and the potential value opportunity that exists, and hence why we see the potential for capital growth in that space. But, as Kathy says, there's still a lot of uncertainty in that space, a lot of regulations to be put in place, the legislation in the U.S. needs to be translated into regulations. And so, all those things are coming together but until they ultimately land, we know what we've got, and we're convinced that we're going to generate the returns that are required to compete in a portfolio that’s a lot less certain going forward.

Doug Leggate: Thank you very much.

Darren Woods: You bet.

Neil Mehta: Good morning, and thanks as always for doing this. I want to spend some time on Guyana and maybe, Darren, you can step back and talk about how you're tracking on that trajectory. And as you think about getting to 1.2 million barrels a day, is there upside to it and what are the gating items?

And then as it relates to that, can you spend some time talking about above-ground issues or challenges in Guyana, a lot of headlines lately and how we as an investment community should be interpreting these headlines?

Darren Woods: Thanks, Neil, and good morning. What I'd say is, if you look at the progress we've been making in Guyana, we're basically tracking, ahead of the plans that we've established. So, we put together fairly aggressive plans to deliver world-class projects that develop that resource cost competitively, lead industry in emissions intensity and, frankly, we've been doing better than our own plans. And so, I think a real credit to the organization and the projects organization that we put in-place to bring the best of ExxonMobil to bear on one of our most important opportunities and so I feel really good about that.

The plans that we've executed today, including Payara that we recently brought on ahead of schedule, continue to have an aggressive schedule and a lot of confidence that we'll deliver on that. So, feel good about the capacity objective that we've laid out there and, with respect to performance, once those assets come online, as we've talked about, we're actually exceeding the investment basis for each of those projects as they brought them on. The operating team have done a great job of really squeezing out productivity on the kit that we put in place there. And frankly, I have every expectation that, as we
bring on each new project, the organization will deliver the same kind of improvement opportunities that we've seen with the two that have been on for a while and what we expect to get with Payara.

So, I'd say generally speaking, my view is we will deliver above what we had anticipated simply because of the performance of the organization that we've already demonstrated on the first three projects with three more to go and under work.

With respect to the above-ground thing, I presume that you're thinking about the border dispute. And that's something that's been around, as you know, for quite some time, it's being arbitrated in the International Court of Justice. Our expectation is that process will continue and that both nations will respect that process and respect the outcome of the arbitration. I think if you look around the world, certainly the U.S. and Europe, the other Caribbean countries, all very supportive of the process that those two nations have been going through to resolve that dispute. My expectation is that will continue to work its way through that justice system and there will be the result there that, I expect and certainly hope, that both countries will respect the outcome of that arbitration, but that's a couple of years probably into the future.

Jennifer Driscoll: Thanks, Neil. Our next question is going to come from Devin McDermott of Morgan Stanley.

Devin McDermott: Great. Thanks for taking my question and for the helpful update today. So, I wanted to hone in a bit on the cost cutting opportunity, and I was hoping we could spend some time talking in a bit more detail on the drivers of the $6 billion of incremental cost reductions that you're announcing today and just the confidence in achieving these goals. And we've kind of step back – the $15 billion over the duration of the plan of cost cutting is a large number. Just talk about how you balance
streamlining the business further while also ensuring that you retain your peer leading operations and project execution.

Darren Woods: Sure. I'll start with that and then let Kathy kind of build on it. I think if you look at what we've delivered today, I think when we first put our target of $9 billion out there, the plan for $9 billion, there was some skepticism as to whether we could achieve that. And frankly, we delivered it a quarter ahead of what we had anticipated. And it reflects the opportunity set that we're seeing that comes from our ability to leverage for the first time, in the corporation's history, the full scale of our organization. And so, what you've seen us doing and establishing three end-to-end value chains or businesses with Product Solutions business, Low Carbon Solutions, and Upstream. We've taken out a lot of overhead organizational barriers to efficiency and effectiveness and really allow the organization to take advantage of the best thinking and capabilities that we have in the corporation to bring the full weight of the corporation's advantages to bear with respect to conducting our business. And so, I would say there's an efficiency play certainly by getting rid of a lot of the organizational constructs and, frankly, better leveraging our scale and the purchasing power that comes with that, our ability to harmonize and do things in a standard way and eliminate duplication across the organization. So a lot of that efficiency standpoint, but also I would say it's unlocked the ability for us to bring the best thinking that was developed in each of our businesses over the last couple of decades bring them together and really drive collaboration, innovation and take the best thinking across the corporation and applying it to the similar problems or opportunity sets that we have across each of our businesses. That's delivered the $9 billion and there's a number of examples I'm sure Kathy can touch on. But I would say going forward is what we see continuing is, one, building on that framework that we've already established, and I just point to one that stands out in my mind is the work we've been doing around improving maintenance, efficiency and effectiveness. So, one of the challenges, as you referenced, as we cut cost, making sure that we don't sacrifice performance in our ability to execute. And as you've seen, we're managing to do that. Not only are we reducing our cost of maintenance, our cost of our turnarounds,
the time it takes us to do our turnarounds. We're improving our reliability, we're improving our safety, we're improving our environmental performance.

And so, contrary to what many would think, not only are we reducing our cost, we're improving our performance, and then, going forward, to new organizations that we've built, have the same set of opportunities ahead of them. So, we'll continue to deliver on the things we've already established and then we've got a whole new opportunity set with the supply chain organization, the business services Global Business Solutions organization. So, I'm very optimistic that the numbers that we've laid out, based on the success we've already had in the line of sight, we have to the opportunities that we'll deliver on the additional $6 billion going forward.

Anything to add to that, Kathy?

Kathy Mikells: Yeah, I'd say if you look at all the changes that the company has made in the organization, that has been a huge driver of how we're getting incremental efficiencies. So, if you go back to the formation of EMPS, we said we think that that was going to drive about a $0.5 billion of opex efficiencies. They've delivered some of that, some of that is to go. We've put together a Global Business Solutions organization. We expect that to drive a billion of cost efficiencies going forward.

Even more important, I'd say, is it will drive a higher level of effectiveness across the organization. Supply Chain, only recently pulled together as that centralized organization, is going to be a huge driver of savings. We've gotten a lot of benefit out of centralizing maintenance. We have a lot more still to go in this 2024 through 2027 period. And then, we have some ancillary benefits from continuing to get more efficient in what we do with our IT infrastructure and starting to modernize that. That'll come kind of later in the period, but we're certainly counting on benefits there. So those are some of the big drivers of how we get, I'll call it the next $6 billion. And then, this is just a reminder, we have
always said 2023 was kind of an artificial timeframe that we had put out for this first $9 billion, which we've obviously already achieved as of the end of the third quarter. We had always embedded further structural cost savings in the corporate plan. We've just looked to be more transparent about what you can expect over the next four years.

Devin McDermott: Great. Thank you.

Jennifer Driscoll: Thank you. And our next question comes from Bob Brackett of Bernstein. Go ahead, Bob.

Bob Brackett: Good morning. In thinking about the Low Carbon Solutions, the big change has been this raise of capex by $3 billion and the big announcement has been DLE. Is it fair to think about that $3 billion going towards DLE and if I think about a 100,000 ton target, it's about $30,000 a ton of capex which seems appropriate. Where I struggle a little is to think about the planning price you embed when you think about that 15% return. So, can we get some maybe color on those big, simple numbers to help guide us?

Darren Woods: Yeah, sure. Good to see you, Bob. I would tell you that you're right. That's where the opportunity set is. And the way to think about the increase, I would say is you can put it down to two things. One is the lithium, which we announced going into a new business that we had been working on for some time. We recognize the opportunity to handle brine water. We saw it in our own established productions. Frankly, the concentration wasn't high enough to support the economics that we felt like we needed. We've got more, higher concentrated water now in the Smackover, and so that gives us an opportunity set there. So, it's something that we've been working on for some time and now have launched as a full business. Think about that as about half of the kind of what we're adding.
And then, think about Denbury, and the opportunities that that unlocks to more cost effectively capture, transport, and then store CO₂ with the pipeline infrastructure that Denbury brought to ExxonMobil and, importantly the acreage to store, the sequestration space that we're going to have. And so, those two things kind of open up the opportunity for us to continue to grow those businesses. As I said, we've still got the IRA, which for the carbon capture side of the business is still the primary fiscal driver of that and we're assuming that all that happens, over the timeframe of the IRA, that it eventually transitions to market forces. We're advocating fairly strongly for that because our view is the IRA is a good way to stimulate and catalyze the growth of these businesses but long term, we've got to move to market forces. That's what we're planning on. And so, all the decisions that we're making in this space are premised on making sure that we are coming in with a – in the carbon capture side of the equation, the lowest cost of abatement that the industry could bring to bear and that we are competitively advantaged in that space.

And then on the lithium side of the equation, making sure that we are low cost of supply. Lithium is an established market and it's got established price, recognizing it's a fairly volatile one. We've looked at that, our opportunity set there and made sure we were competitive across a wide range of price environments and that we are positioned on the left-hand side of the cost of supply curve so that as we go through this, what we expect to be a highly volatile price market, our investments in that space are advantaged. And that advantage, is being built on the capabilities that we already have and have developed in our core businesses, which is the strategy we have across all of our low carbon solutions business. We are not pursuing opportunities in low carbon that require us to develop brand new capabilities. Instead, we're looking for opportunities where our existing capabilities, our existing competitive advantages, can be leveraged into an advantaged business there. And certainly, with lithium, we see that with our reservoir abilities, our drilling ability, our ability to handle produced water and, of course, our chemical and downstream processing capabilities that we've got in our refining and
chemical plants with the lithium extraction. So, all those things we feel like play to our strengths, play to our technology organizations’ capabilities and give us an advantage in that space.

And then with carbon capture, the ability to piece together this value chain and the advantaged logistics that we have and the technology we bring to bear there also gives us an advantage. So, I think a short recap of that is the advantages that we bring: Whatever the marginal incentive in the market is to incentivize the average player, we have an advantage versus that player and therefore can generate a higher return. That’s where the 15% is coming from.

Bob Bracket: Very clear. Thanks.

Darren Woods: You bet.

Jennifer Driscoll: And our next question will come from John Royall from JP Morgan. John?

John Royall: Good morning. Can you hear me?

Jennifer Driscoll: Yes.

Darren Woods: Yes, we can.

John Royall: Great. So, I just wanted to speak to the growth guide in the Permian. It suggests about an 8% year-over-year pace ex-PXD. If I maintain that pace, I’m not getting to a 1 million until well after your target timing of 2027. So that suggests there’s a ramp beyond next year. Could you walk us through how you expect that growth pacing to evolve in 2025, 2026, 2027 and what drives that growth rate to ramp up from the high single digit pace in 2024?
Darren Woods: Sure, I'll take that. John, good morning. Thanks for the question.

I think we've said for quite some time now that we don't expect the growth in the Permian to be linear. In fact, we do expect it to vary from year-to-year and, of course, you're seeing that with next year's projection. But I would tell you that's on the low end of the growth as we look at the profile going forward. Part of our strategy here is not to focus on volume growth, but to focus on value recovery and making sure that we are balancing production and production growth with efficiency and ultimately the most recovery. And so, the organization is doing what it needs to do to make sure that we can balance those objectives. Part of the thing that we talked about early this year was we want to make sure that we maintain a DUC inventory that allows us to efficiently execute the drilling and production program that the team has put together. We're doing a lot of that this year and going into next year. And then as we get that to the level that we feel like is optimum, more will go into the production. So, my expectation is you'll see variability year-on-year and next year, as I've said, we'll be on the low end of that improvement. On average, as you look across, going back to last year, we said we'd have about a 13% per year compounded annual growth rate, we still anticipate that.

Anything to add on that, Kathy?

Kathy Mikells: No. I think that is pretty clear.


Jennifer Driscoll: All right. And our next question will come from Jason Gabelman from TD Cowen.
Jason Gabelman: Yeah. Hey, good morning. Thanks for taking my question. I wanted to go back to low carbon energy since that seems to be the biggest change to the plan from last year and you've laid out about $10 billion of spend on reducing third-party emissions. I'm wondering what type of earnings and or cash flow you would expect to generate from that, one, in 2027 and then, as you think about the plan beyond 2027 and developing this platform for earnings growth, where do you see this business going into the 2030s? Thanks.

Kathy Mikells: Sure. I'll start with answering that. And so, we don't yet see in 2027, I would say really material earnings coming from this third-party spend because it takes a while to actually ramp up the execution and I've started to look at some of the third-party expectations for this and I think we just have to be realistic about what the time it takes from the moment, if you think about just CCS as an example, that we actually commit with a third-party to when we can get that put in place, understanding that if you're talking about CCS, we're going to have to lay additional pipelines in order to get emissions from that third-party into our network to be sequestered. And just what that takes in terms of the timeframe to execute once we get to FID. So, I'd say as you look out to 2027, yes, we have some customer contracts that will be coming online in CCS. We will start to get a bit of lithium production in 2027, but much more of the earnings and cash flow from the investments that we're making in this plan period actually start to come in the period beyond 2027.

So, I'd say when we get to our corporate planning in this next year, we'll be extending it out and we can create more transparency in what we're assuming. We'll also see over the course of the next year what we actually get in terms of incremental customer contracts in the CCS area that will then help us to be able to lay out a bit more clarity in terms of when those things are will come online in the future. So, that's how I would think about it within this planning period.
Darren Woods: Yeah. And I would, add two things, Jason, to think about. First of all, the work we're doing here is to build this business at scale. We recognize there is a need to reduce emissions and reduce emissions at scale. And so, the work that we're doing is to lay the foundation for a business that's meaningful in the portfolio of ExxonMobil and, frankly, a business of a size that's required by society to start making progress on some of the ambitions. The second thing I would say, because of that need and what I would say is the challenge associated with starting a brand new business from scratch and the capital commitments required and the timeframe it will take to establish. Your need, the world needs companies like ExxonMobil with our size and capabilities to actually make progress in this space, to make meaningful progress. The idea that this transition can happen with a number of small startups, I think doesn't fully comprehend just the size of the challenge here and the complexity associated with starting some of these brand new businesses from scratch. And so, I think plays to our strengths. As I said in some of my prepared remarks, we are very focused on making sure we position ourselves, that minimize the downside. So our capex profile actually ramps up with time as we get more certainty around their regulatory environment and customer contracts and what have you. So it is a growing profile and make sure that we are positioned for the upside but at the same time minimizing the downside. So feel really good about how we position ourselves in that space and hence the wide-ranging capex as you go out into these years. Given that some of that has yet to come, we recognize the timing of that will be less certain. And so we've given ourselves what I'd say is the scope to adjust to whatever the developments in this space are as we move forward.

Jason Gabelman: Thanks.

Darren Woods: You bet.

Jennifer Driscoll: And our next question comes from Biraj Borkhataria from RBC Capital Markets. Good morning Biraj.
Biraj Borkhataria: Hi, good morning everyone. Thanks for taking my question. So I wanted to ask, just sticking with Low Carbon Solutions, a specific question on hydrogen and related to your comments there on technology neutral policy. So yesterday there was some reports that the U.S. tax credits for green hydrogen would require hourly matching on electricity. And this is something that's kind of been pushed forward in Europe as well. But actually it effectively hurts the economics for green hydrogen quite significantly. And you have pushed forward on your blue hydrogen projects, which makes sense given your footprint. But I was wondering how you think about the relative economics between green and blue here and also the growth potential? And also how comfortable you are with the policy on the blue hydrogen front, specifically in the U.S. based on the rule set that you see in front of you today? Thank you.

Darren Woods: Yeah. Sure. Thanks Biraj for the question. I think, frankly, the decision between blue and green is really going to be a function of what I'd say are the natural endowments in the context of the areas where you're looking at implementing that low carbon hydrogen. I think it changes as you move around the world, certainly in the U.S. Gulf Coast. Our belief is that blue hydrogen makes a lot of sense. If you look at the project that we're developing, we're going to capture 98% of the CO₂ associated with making that hydrogen. So it is a very low carbon hydrogen source of production. And, you know, we can't forget, society can't forget, the cost equation. And ultimately everything we're doing in this space across whatever technologies that you want to look at, whatever channel or value channel you want to look at, has to be economic. We've got limited resources as a country. Governments around the world have limited resources. So you have to find opportunities to maximize the reduction of emissions for the lowest cost. And so my view will be that with time and, as our thinking – society's thinking matures in this space, you're going to see a mix of solution sets that are driven by the effectiveness of the technologies to reduce emissions, but also at the cost equation and making sure that for the limited resources that the world has, that we're getting the biggest bang for the buck, so to speak. Blue
hydrogen in the U.S. Gulf Coast, with all the sequestration that we have, and the methane that we have, we think makes a lot of sense economically and environmentally.

With respect to what we're seeing with regulation today, I would say, it's still in the process of being developed. And hence, one of our reasons in the comments we're making around the uncertainty is the IRA, that legislation is still going through the process of rulemaking and into regulation. And so, we haven't seen the final version of that. When that comes out, it'll go through a commentary process and, so, we'll have to see where we get to. We're basically advocating for a technology-agnostic approach. Look, the good thing about the IRA is, at least at the surface, they focused on carbon intensity and thresholds based on carbon intensity. That's the right approach. What we've got to make sure is that the regulation then doesn't – translating that legislation, which is focused on carbon intensity – doesn't try to artificially bias to a color or to a technology set. That would undermine, I think, the opportunity set here for the legislation and its ability to deliver carbon reduction. So we're advocating very strongly for that. Let's stay focused on what the true problem statement is, which is emissions, and then let the market and the companies figure out how to reduce their emissions intensity, their carbon intensity to meet those thresholds. That's going to give us the best answers, society the best answers, and they're going to give it to us at the lowest cost. So that's what we're advocating for. Too early to judge that. We'll see how that goes. If it gets translated in a way that disadvantages the project, then we won't pursue the project. That's how we're thinking about it.

Jennifer Driscoll: Thanks so much Biraj. And our next question comes from Roger Read of Wells Fargo. Morning, Roger.

Roger Read: Hey. Good morning. Thanks. Maybe to come back to the capex and define a little bit cleaner like what's going into the range of $22 to $27 billion like what would push it lower? What would push it higher?
And then, within that $22 to $27, what's the right way to think about, say, the total dollar value that is devoted to lower emissions, and the reason I'm asking for that clarification is you mentioned in the presentation part, the part that was published earlier, that part of this is getting lower emissions, Scope 1 and Scope 2 via third-party, right? So I presume electrification of frac fleets, things like that. So kind of two-part question, what's the range, and then, beyond just the low carbon specific part of capex, what part of capex do you really think of is targeting lower emissions?

Kathy Mikells: Sure. I'm happy to take that question. And so, Darren mentioned earlier, the reason that we have the wider range is basically because there's more uncertainty associated with the lower emissions spending. More of that uncertainty is associated with the third-party emission spending. But, I just want to mention, you gave an example that's actually a reduction of our internal emissions. So, even though something like a frac fleet, you can say a third-party service is operating for the company, we consider that a reduction to our own emissions. So when we talk about Permian operations getting to Net Zero by 2030, right, electrification is obviously a huge part of that, but that's part of our own emission footprint. And so, the third-party emission capex is really what we have seen growing. You know, last year we would have said about $17 billion in lower emission capex. And, at that point in time, we said it was split about 60% towards our own emissions, 40% towards third-party emissions. We're now saying it's about a 50/50 split, right? So that says we have about $10 billion that we're targeting towards reducing our own emissions. Outside of the blue hydrogen project, which Darren already talked about and the fact that we need regulation to be put in place that's supportive of that. You know, we get back to we need customers to sign up to the CCS activity. That's what's driving third party capex spending. And then obviously we've added the lithium project and that is a lot of capex upfront, and then we'll get production over time. So that's how I would think about what sets that range. And it's really going to be that pace of execution that we see over time that's either going to
drive us towards the higher end of that range or drive us a bit lower and we'll give you updates over time so that you understand how that's progressing.

Roger Read: Thank you.


Ryan Todd: Good. Thanks. Maybe a question on the LNG timeline of your developments. You have a couple of details in there in terms of the timeline associated with your queue of projects. As you think of the timeline associated in particular with projects, like PNG and Mozambique on there. What are the key drivers of that are baked into those projects? Are there any lingering above-ground issues that still need to be resolved at that point in PNG and Mozambique? And, could you comment more broadly maybe on how you would characterize the environment for marketing volumes to customers, whether that's getting incrementally harder with more new projects in the queue?

Darren Woods: Sure. I'll take that, Ryan. Thanks for the question. You know, it's interesting, I think since the Russian's invasion of Ukraine, we've seen a much greater recognition around the world of the importance of energy security and, frankly, the role that LNG plays in many countries' energy security. And so, I'd say a very, much stronger desire to lock in long-term LNG commitments and we're using that and the work that we're doing in PNG and Mozambique and Golden Pass and Qatar to basically help address that need. So, still a lot of customers out there who are looking to sign long-term contracts, and we're using that to back up the projects that we're developing there.

If you think about how we're managing the LNG business, we're growing our equity portfolio of LNG. The expectation is that we'll have roughly 80% of that under long-term contracts, and then we want
to maintain a level of a proportion of that roughly 20% on spot to kind of manage and balance the marketplace. And we're finding, with the projects that we're developing, the ability to maintain that kind of balance in our portfolio. So I'd say a very healthy appetite for that. We're not finding -- we're not challenged, we say, in signing up offtake agreements for the LNG that we're looking to bring on with these projects.

With respect to the two countries that you mentioned, I would say Mozambique obviously still in force majeure there and so a critical milestone to get through is the establishment of what I'd say is a security assessment and comfort and security for us to kind of go forward. We're doing that jointly with Total given the joint nature of the development in that space. And so that's kind of ongoing. And once that security issue, we feel comfortable that that's been resolved in a substantially stable way and we've got confidence in that, we'll begin to progress there. And, you know, good news there in Mozambique, as we've used the time associated with the force majeure to continue to develop that project and enhance it and optimize it. So, feel really good about the ability to bring on a very competitive source of LNG and our expectation is we'll get through this force majeure, we'll get the security situation stabilized, and then we'll begin the execution of those projects here as we go into next year. And that's certainly the hope with PNG. I would say that work is just around, I'd say to finishing the development of that project. One of the key challenges here is making sure that we've got a project concept that is very competitive, cost competitive, that's competitive from a cost of supply standpoint, all the partners getting their financing set up. So, I think that's going through what I would characterize is the normal project development process and we don't see anything getting in the way of that timeline. I feel pretty good about that opportunity set as well. So, PNG looks pretty solid in terms of going forward at this stage and, Mozambique, our expectation is we'll see that move next year, early next year.

Jennifer Driscoll:  Thanks, Ryan. And our next question will come from Sam Margolin with Wolfe Research.

Sam?
Sam Margolin: Hi. Good morning. Thanks for taking the question. I appreciate the fact that the numbers today are all pre-Pioneer. But Pioneer does have an impact which materially changes the mix of your capital towards Permian and short cycle. And you mentioned that you already have sort of a higher than normal amount of flex in capex built in from low carbon. Theoretically, more mix towards Permian will also increase the flex. So how do you think about a post Pioneer capex range in terms of widths out to 2027 after the close and then, I mean, how do you think about decision making with flex in the Permian, because, when you flex long-cycle projects, you push out schedule when you flex long cycle projects, you push out schedule, but you might not have an impact on near-term declines. But in lower 48, if you look at activity, you know, you have to deal with declines. So how do you handle all those variables, you know, in a post Pioneer world? Thank you.

Darren Woods: Yeah, sure. I'll take a crack at that and then see if Kathy wants to add anything to it. I think at this stage, we've given what I would say is a very high-level perspective of how to think about capital going forward, with the understanding that Pioneer has got a very capable organization, I think looks at the development of its production profile in a very consistent manner that Exxon Mobil does, which is a focus first on value.

And so, our going in assumption was given their focus on capturing value versus growing volumes, that their plan would be consistent with the plan that we would develop. And that's absent of the work that we plan to do as we bring the two organizations together and figure out what the best of both looks like.

And I would say that is truly our objective set, to bring the best thinking of the Pioneer folks and the techniques and abilities that they have with the best thinking of our folks. Get together and figure out
what is the optimum development program, and we just haven't done that yet, Sam, and won't do that until we get together.

And so it's really hard for me to tell you what we think about going forward. What I would say is that the decision variables are not going to change, which is, it comes back to making sure that we're doing it very efficiently, that we're maintaining our advantage versus the rest of industry and in fact growing that advantage and, in that, what we're doing is creating value and there's no -- we're not destroying value or mitigating value.

And so that's going to be the primary focus is what we're doing, the value proposition and that'll all get thrown into the mix and then we'll come out with a discussion around how we see that playing out. My view is that we do have a lot more flexibility, but we're going to use the flexibility to maximize the value of the combined entity.

Our intent is once we get through the close and we know there's a lot of interest in this space, understandably, that we would come out with a spotlight and update this plan with the thinking that we've done collectively with the Pioneer folks and help the investment community understand exactly how we plan to go forward there. Anything to add to that, Kathy?

Kathy Mikells: The only thing I'd add is when you think about flexibility, this is pretty low-cost supply. And so this is cost of supply, kind of $35 or lower per barrel. And so, yes, it's there to be flex, but you have to get to a pretty soft environment before it necessarily makes a lot of sense to flex down much. So, it does provide us with more flexibility. We've said short cycle as part of the upstream portfolio will go up to about 40% once we close the Pioneer transaction but that flexibility will be there, but we won't necessarily be planning in the base case for that flexibility.
Darren Woods: I think the only thing to add on that, Sam, is, you know, Pioneer pays for itself. So, it doesn't force us to make decisions that we don't feel are the optimum. We've got, in my mind, given the cash and cash flow that comes with Pioneer, we've got the optionality to figure out what is truly optimum and then build a plan based on that optimum and not have it constrained by some factor that dis-optimizes what we ultimately want to do there. So, we feel really good about the platform that we have there. And the question is, what is that? How does that translate into operating plans? Like I say, we'll share that with you once we've got it.

Darren Woods: And then maybe I would add, just because nobody has brought this up so far today, we obviously announced as part of the corporate plan that we intend to increase the pace of our share repurchase program once we close Pioneer.

So, as everybody knows, we've been on a pace of $17.5 billion in share repurchases annually. We will get that done this year. But post-closing Pioneer, we would expect that go forward pace to increase to $20 billion annually.

Jennifer Driscoll: Thank you, Sam. And our next question comes from Paul Cheng with Scotiabank.

Paul Cheng: Thank you. Good morning. Can you guys hear me okay?

Jennifer Driscoll: Yeah. We can.

Paul Cheng: Okay. Thank you. I want to go back into the capex, the raise, the increase by, say, $2 billion a year on average between 2025 to 2027. Looks like half of them may be related to low carbon, because you're increasing it by $3 billion and assume backend loaded. So roughly $1 billion a year. There's another $1 billion left, maybe that Darren or Kathy, can you help us understand where the $1 billion
will go to, you said in the upstream, in the downstream, or that in the chemical or what’s driving that increase? Thank you.

Kathy Mikells: Sure. So, I think you may be slicing the numbers a little bit too finely, Paul. We've increased our guidance, beginning in 2025 out through 2027, and that increase in guidance is really being driven by the lower emissions spending. And one of the things that we mentioned in our prepared remarks was if you went back to our Investor Day back in 2021, at that point in time, we had project sizing about $3 billion in lower emissions spending, and now we're saying it's over $20. So, we've been increasing, pretty consistently, our expectation for lower emission capex spending. We're only now increasing our capex guidance.

And so, I'd say as it relates to the base business, our capex, although it moves year to year, I would say the base business is pretty consistent and what it's drawing in as a proportion of that total capex.

Darren Woods: Yeah. And maybe I'll just add to that, Paul. I think while we tried to frame that period out with that range of $22 to $27, I would tell you that the Low Carbon Solutions spend is more heavily weighted towards the backend, given some of the things that we've talked about and the uncertainty there. And so, I wouldn't uniformly apply that range. It's just recognizing the base business, which frankly that portfolio is pretty consistent with what we've been talking about. So, the base business, the work that we've been doing over the timeframe, the things we talked about last year, none of that's really changed. So, that profile remains pretty consistent and what we'd see changing there is, frankly, shifts in timing. You know, these projects, given their size and complexity, it's not always easy to call the exact year and when that spend is going to show up. And so, we give ourselves some room to shift things forward and back, depending on the pace of the project and what we're seeing as we're developing those projects. But the base business, I'd say, is very consistent with what we've been talking about ex-Pioneer. And then it's really just a question of how that Low Carbon Solutions spend
manifest itself in this time horizon, recognizing some of the things that have yet to be resolved, yet with respect to the regulations and the customer commitments and the fact that these are very early businesses.

The one point I will make on the lithium, which is kind of the new component of low carbon solutions, the nice thing about that development is we can stage that development. These are not large chunks of capital that come on with lots of spare capacity. Much smaller units that allow us to, kind of with time, grow capacity in line with the demand that we're seeing and so the risk exposure on investment in lithium is really mitigated by the ability to put in discrete steps of capital that are consistent with the demand growth that we're seeing in the contracts that we're signing up with customers and so, that's got a lot of optionality and can move that forward or back, depending on how the demand grows and how the customer commitments grow with that. So, we've got flexibility in that as well.

Paul Cheng: Thank you.

Darren Woods: You bet.

Jennifer Driscoll: And our final question comes from Josh Silverstein of UBS.

Josh Silverstein: Hey, thanks. Good morning. Kathy, you went to my question on the buyback there. You said you're stepping it up to $20 billion post the acquisition and in reasonable market conditions. I'm assuming that's kind of a range with where we are right now on crude oil prices but, can you talk about the ability to support the buyback at lower prices? You do have the balance sheet, not only the debt capacity, but the cash on hand to support the buyback at a lower level. Do you use the balance sheet to stay at the $20 billion or does that just lower towards, let's say, $15 or $10 billion as we go down towards $60 or $50? Thanks.
Kathy Mikells: Sure. I'm happy to take that question. We gave you some sensitivities in terms of how we see surplus cash flow shaping up in the future and, I think, that certainly suggests that at lower prices, we gave you a $50 a barrel case, we still throw off a lot of surplus cash flow based on where our balance sheet is today. If we moved up to halfway between the range of 20% to 25% debt-to-cap, that would add another $25 billion and in debt capacity. We have about $28 billion as of the end of the third quarter in excess cash sitting on our balance sheet, you know, above I'll call it a $5 billion minimum. So, I'd say even in a price environment where we see oil prices come down, we still have a fair amount of flexibility. We try to size the share repurchase program in a way that we can maintain more consistency at kind of a mid-cycle price. I think the other thing that I would just mention that that's pretty critical is we're trying to size the program in a way where we're not leaning into our balance sheet today in what is still a pretty robust price environment. That will give us the ability to lean into our balance sheet when the price environment eventually gets softer. So that's how we're thinking about it.

Darren Woods: Yeah, I might just add to that, Josh. What I think often gets lost when we think about this space – the investment community focus is very much on crude price, obviously, because the importance of that portfolio but we have a very large product solutions business, a very large chemical business, a very large refining business. And so, one of the things that I think underpins some stability is as we see some prices move on the upstream side of the equation, we often see benefits in the Product Solutions side of the equation. That provides additional sources of revenue to help us kind of manage through the crude cycles. And so, our belief is that we not only have a very low cost-of-supply and therefore barrels that produce revenue even in lower price environments. We also have a very diversified base of revenues and earnings that allow us to mitigate potential issues associated with any one sector as they develop and we go through these cycles as part of our broader strategy and, frankly, one that we think gives us a lot of stability and maintaining a level of shareholder returns consistently through the cycles.
Jennifer Driscoll: Thanks so much. Appreciate that, Josh. Thanks to everyone for the good questions. Darren, would you like to make any closing comments before we conclude the call?

Darren Woods: Sure. Thanks, Jennifer. Well, let me just say thank you for your questions. It's been a very good discussion. Let me maybe just close by summarizing a few key points.

First, our strategy, established back in 2018, is working. It's delivering industry-leading results. Our focus on excellence in execution is paying off and it gives us confidence in our ability to add another $14 billion to earnings and cash flow by 2027, on top of the $10 billion already delivered since 2019.

Finally, the competitive advantages that we've strengthened, the organization we built, the portfolio of investments we've developed, and the shareholder returns we generate creates the most compelling investment case in the industry, an investment case robust to a very wide range of future scenarios, from the status quo to rapid decarbonization.

So, thanks again for your time today. And with that, let me turn it back to Jennifer to conclude the call.

Jennifer Driscoll: Thanks, Darren. We'll post the transcript of the session on our investor website. To access it, go to exxonmobil.com, click on Investors and then Corporate Plan Update.

On behalf of all of us at ExxonMobil, have a nice holiday season, everyone. And with that will conclude our call.