ExxonMobil Second-Quarter 2026 Earnings Call Transcript

This transcript presents ExxonMobil's second-quarter 2026 earnings call held on July 31, 2026.

Answers given with respect to earnings represent adjusted earnings.

Jim Chapman: Good morning, everyone. Welcome to ExxonMobil's Earnings Call. Today's call is being recorded. We appreciate you joining us. I'm Jim Chapman and I'm joined by Darren Woods, Chairman and Chief Executive Officer, and Neil Hansen, Senior Vice President and Chief Financial Officer. This quarter's presentation and pre-recorded remarks are available on the Investors section of our website. They're meant to accompany this quarter's earnings release, which is posted in the same location.

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

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

Darren Woods: Good morning, and thank you for joining us. Unfortunately, as all of you are aware, the conflict in the Middle East continued through the second quarter, impacting our employees, partners, and operations in the region. I want to begin this morning by recognizing the service of the men and women engaged in the conflict, and the hardships being endured and losses suffered by those in the region. They remain at the forefront of our thoughts, and we continue to pray for a quick resolution.

As a company, we remain committed to mitigating the global impact, by maximizing production and providing the energy and products essential to modern life.

While we didn't anticipate the current situation, we were prepared for it. In our markets, disruption is inevitable. Establishing globally diverse production - at scale, across value chains, built on a foundation of durable advantages - provides a robust platform for creating value through price cycles and market disruptions.

The second quarter demonstrates the strength of our approach.

Despite the temporary loss of approximately 10% of our Upstream production, we delivered exceptional financial results, including industry-leading earnings of $14.5 billion and cash flow from operations of $23.6 billion.

Performance was strong across the company.

In the Upstream, excluding the Middle East, we delivered our highest production volumes in more than two decades.

In Energy Products, our integrated U.S. Gulf Coast refining operations ran reliably as global diesel supply tightened. The business delivered record second-quarter diesel production, helping meet market needs.

In Chemical Products, our North American facilities with advantaged feed and record first-half reliability helped meet the shortfall in supply caused by disruptions in the Middle East, driving a roughly 180% increase in Chemical Products margins versus the first quarter.

In Specialty Products, our integrated approach down the value chain, reformulation capabilities, global footprint, and strong execution helped meet customer needs despite significant supply challenges, delivering best-ever basestock margins and record quarterly and first-half adjusted earnings.

Guyana remains one of the clearest examples of our advantaged growth. In the quarter, Guyana delivered gross production volumes of approximately 900 thousand barrels per day. Errea Wittu – our fifth FPSO – set sail toward Guyana in June and remains on track for startup by the end of the year – the next major step in Guyana's continued development. Longtail is on the path toward final investment decision, and we are evaluating the potential for a ninth FPSO.

The success of this development has set a new standard for the industry, and frankly, has exceeded our own expectations. Delivering on tight schedules, at industry-leading cost – with strong reliability and optimized production – has resulted in recovering our capital and cost nearly two years earlier than anticipated, increasing NPV, and desaturating the cost bank. This is great news, but as a result, our volume entitlements will change as reflected in our 2030 Plan.

As always, our focus remains on value, not volume.

Turning to the Permian, this quarter, we set another production record of more than 1.8 million oil-equivalent barrels per day. More importantly, we continued to improve recovery and lower capital costs through new technologies deployed at scale. Our industry leading acreage position supports extended-reach development, including four-mile laterals that drive superior capital efficiency. In the first half of the year, we drilled more than 80 four-mile wells, supported by our Houston-based Remote Operations Center and real-time data that helps ensure safe, efficient, and effective execution.

During the quarter, we had to work through some complex conditions. Logistics were tight, supply chains were constrained, and customers were short of critical products. Our Global Trading and Supply Chain organization put our new operating model to work, optimizing feedstock and product placement, balancing supply across regions, and responding to localized disruptions. Those actions kept our operations running, and customers supplied, and helped avoid roughly $750 million in annual disruption cost through advanced modelling, fleet reallocations, product reformulations, and alternate supply sources.

At the same time, we continue to make progress on our transformation. On July 1st, we integrated Upstream operations into our Global Operations organization – bringing together approximately

31,000 employees across more than 150 sites in 48 countries. This is an industry-first operating model. The objective is clear: make the most of what we have while raising the standard for safe, reliable, and efficient performance across all our assets. With this new organization, we expect to deliver improved margins and industry-leading operations excellence – improving safety, reliability, maintenance cost, and turnarounds across the portfolio.

We are also advancing our enterprise-wide process and data platform transformation. As I've said before, this is redesigning end-to-end processes and connecting data, transactions, and decision-making across every business, geography, and function.

Early deployments have gone well, building a strong foundation for larger rollouts in 2027. The work is already simplifying processes, improving line of sight, and replacing fragmented reporting with more consistent enterprise data.

As it progresses, it will help us learn, and act faster, better leverage our scale, and accelerate the adoption and value of AI.

The value of this transformation is showing up in our results.

Cumulative structural cost savings have increased to $16.3 billion since 2019, with centralized organizations contributing nearly half of the year-to-date savings. Financially, this was a strong quarter, with more than $14 billion of earnings, more than $17 billion of free cash flow, and a more than $7 billion reduction in net debt.

That strength allows us to keep investing in advantaged opportunities, return surplus cash to shareholders, and maintain one of the strongest balance sheets in industry. Cash capital expenditures were roughly $7 billion, and we returned more than $9 billion to shareholders through dividends and share repurchases.

Finally, in the quarter, shareholders overwhelmingly supported redomiciling ExxonMobil from New Jersey to Texas, which we completed on July 1st. The move aligns our legal home with our headquarters and where we have operated for more than three decades, while providing a stable, predictable, and efficient governance framework that supports sound decision-making, long-term value creation, and shareholder rights. I want to thank our shareholders for their support and the quality dialogue we had across the year's engagements.

Stepping back, the second quarter was shaped by disruption but defined by execution. The market benefit was real, and so was the value created by the choices we have made over many years to strengthen the portfolio, lower our cost structure, and improve how we operate through deeper integration and technology enabled execution.

That is the point of our transformation. We are building a company that can perform through disruption and deliver superior long-term shareholder value across cycles.

Thank you.

Jim Chapman: Thank you, Darren. Before we move to Q&A, two things to note. First, as a reminder, the Investor section of our website provides further data on our results and operations, and we encourage investors to take a look. And second, I want to highlight that we plan to publish our annual Global Outlook in September - a comprehensive report detailing our latest views on global energy demand and supply through 2050, which forms the basis of our long-term business planning. So, with that, we can move to Q&A. As a reminder, we ask each participant to keep it to one question. And, operator, we'll ask you to please open the line for the first question.

Operator: Thank you. The question-and-answer session will be conducted electronically. If you'd like to ask a question, please do so by pressing the star key followed by the digit one on your telephone. The first question comes from Steve Richardson of Evercore.

Steve Richardson: Hey. Good morning. Darren, I was wondering if we could start on Guyana, obviously, what we've all known is a really high-quality project. Can you just talk about this desaturation point, obviously in light of cost performance and higher commodity price and maybe just how the timing compares to maybe what your previous expectations were? Also, curious if you could talk a little bit about exploration. There's a mention in the disclosure about using AI tools and generating prospects. I think people are also curious about what the exploration outlook in Guyana is, particularly as you think about parts of the block that maybe are underexplored, close to the maritime boundary.

Darren Woods: Sure. Good morning, Steve. Thanks for your question. I think, as you point out, it's a real success story, what we've achieved in Guyana, delivering, frankly, the production units faster than we had originally anticipated, at a lower cost, running those assets above the investment basis. And then obviously, the market prices have been higher than our base assumption. So, all that means more cash sooner, which is, good for the project, good for NPV, good for Guyana, and the people of Guyana. Obviously, we recover our costs back faster, and therefore desaturate quicker, which is a good story. And I would say we … that was a moving target, as prices manifested themselves, as we delivered those units and continued to grow production, we kept updating it. And then based on full price forecast, our assessment would happen later this year, early into next year, and that's obviously come forward now with where prices have been. So, I think a really good news story.

With respect to exploration, I think, too, another good news story. We obviously have a large chunk of acreage, which is in force majeure, waiting for the ultimate ruling from the International Court of Justice on the Venezuela dispute. We'll see what happens there. We feel there's an opportunity then to start shooting seismic and understand what that acreage potentially holds. And we've got more work to do in the acreage that we've already shot and the work that we've been doing.

I think Neil Chapman had mentioned at a prior conference this year that we've really put a lot of effort into artificial intelligence and training models, based on what we found already, all the drilling that we've done, the characterization of that subsurface, and unleashed that in the rest of the block and have four new discovery opportunities above and beyond what we thought were opportunities. So, we're optimistic there. Obviously, a lot more work to do to confirm those but I think in our view is we're not done yet in Guyana and we see - continue to see a really bright future there.

Neil Hansen: Maybe, Darren, just to add to the comments on Guyana, I think this reinforces why we are the partner of choice, especially for developments of this scale. And if you look at the desaturation, and Darren mentioned the price impact, but even if you took out that price impact, we saw a two-year acceleration of our investment recovery. And those go back to the things that we mentioned - the ability to execute these projects at industry-leading cost and schedule, running the FPSOs at above 98% reliability; optimizing, you know, being able to produce at 100,000 barrels a day above the investment basis. So even without the price impact, we're seeing accelerated recovery of our investment.

And as Darren mentioned in his opening remarks, this is about value, not volume. And going forward, we're going to see two times the level of free cash-flow in 2030 than we saw in 2025. So again, just speaks to the tremendous success that we're seeing in Guyana.

Steve Richardson: Thanks very much.

Operator: The next question comes from Neil Mehta of Goldman Sachs.

Neil Mehta: Yeah. Thank you so much. Darren, just love your perspective on the business that you spent a lot of time in growing up, on the refining system. It's obviously the bottleneck in the petroleum system right now and margins are exceptionally high. So, two perspectives on that. One is how do you see the situation evolving as you think about the products? And then, Neil Hansen, there's probably a question for you on the quarter itself. It did feel like relative to some of the independents, the refining earnings were a little softer than I would have thought. And so, maybe there was some - it was more of a timing or operational things. But how do you see that progressing as we move into the third quarter?

Darren Woods: Yeah. Good morning, Neil. I'll start and then hand it over to the other Neil. I mean, as I mentioned this morning, we are a very large refinery, much larger than any of the other IOCs. In fact, we're the number two in size in the world, behind China. And outside of China, we are the largest refiner. So, we've got a good footprint. And as you know, we have been - we've spent the last ten years really focused on optimizing that portfolio, divesting refineries that we didn't feel like we could move to the left of the cost of supply curve, and then investing in those refineries that we felt like had long-term strategic value and high-grading the yield on those refineries. So today, we have a portfolio that will be very successful in low-margin environments, and then obviously in higher-margin environments, even more successful. And the organization is now very focused on - in the short term, with these significant constraints in product flow - maximizing production and getting the most needed products to the market and meeting customer demands, where it's such a critical need today that it's not being met.

I see that, frankly, the challenge here is obviously with the Strait closed, we've got about roughly 3 million barrels a day of capacity that's not available to the marketplace. China has stopped exporting, there's another couple million barrels a day of refinery capacity that is not available to the market. And then, of course, Ukraine's been pretty effective at taking Russia refining capacity out. And so, another million barrels a day or so of Russian refining capacity that in the past was providing product to the broader market. So, with all those - that supply out - we're well below available capacity, frankly, that I've ever seen. If you exclude COVID, where there was no demand, I've never seen the available capacity relative to demand as low as it is today.

It's going to take a while for the industry to kind of climb its way out of that hole. And so, from our perspective, we think we're going to continue to see a very robust refining market with very high margins. And of course, our job will be to continue to push as hard as we can to maximize production and try to meet that need. Because we do recognize that these high margins lead to high product prices, which we also know has a significant impact on consumers and people's pocketbooks. So, we're doing our best to put as much product out there as we can, and I think you see that in the results.

I'll just touch on the mix issue and what you're seeing at other refiners versus ExxonMobil. Nobody has the portfolio that we have. Nobody has the mix that we have. Nobody has the geographic footprint. And so, there's a lot more mix and variability that kind of happens around the market than maybe a standalone U.S. refiner or some of these more narrowed refinery companies.

But with that, I'll see if Neil's got anything else to add.

Neil Hansen: Yeah. Let me, maybe before I get to your question on the quarter, talk a little bit about the Energy Products business. And you look at what we've done over time in terms of investments in our refining capacity - improving the complexity and taking advantage of the scale of our footprint; the portfolio high grading that we've done; and then, the day-to-day efforts that we put into place to optimize throughput and capacity. And all those things, combined with a growing capability in trading, really has resulted in a step change in earnings in that business, in Energy Products. In fact, if you look at the contribution from Energy Products to our overall business line earnings, it's gone from about 9% to about 23% in the last five years. So, that increase just speaks to the investments we've made, it speaks to how well we're running and speaks to the trading capability that we've built.

And operationally, we ran really well in the quarter. You look at the U.S. Gulf Coast refineries, their reliability exceeded 95% in the quarter. So again, we feel really good about what we've done to strengthen that business over time and how we operated in the second quarter. I think when you look at the quarter relative to consensus, I think some of that is, as Darren talked about, I mean, there are a lot of moving parts, especially with the volatility and the disruption that we saw. So, I think that had an impact on projecting some of those refining margins, but no underlying concerns with how that business has performed. And we're benefiting from the investments and how well we're operating in Energy Products.

Neil Mehta: Yeah. Very clear. Thanks, Neil. Thanks, Darren.

Neil Hansen: Thank you.

Operator: The next question comes from Arun Jayaram with J.P. Morgan.

Arun Jayaram: Yeah. Good morning, and thanks for taking my question. Darren, I was wondering if you could help us understand what you're seeing on the ground in terms of the Strait of Hormuz. Perhaps you could highlight what you saw in July, just given the disruption impacts? And, I guess, my overall question as well, wanted to see how you're thinking about, with your partner, Exxon's intention to invest in the repair of the two Qatar LNG trains? If you've come up, with your partner, on the plans to repair those facilities.

Darren Woods: Yeah. Sure. Good morning, Arun. Thanks for your question. I don't think I have a lot of additional perspective on the ground with respect to what's happening in the Strait. I think it's fairly well covered in the media. And frankly, any discussions I tend to have with the administration is more focused on our perspective of the market and the implications of the constrained supply and how that will manifest itself.

I will say, as a big supplier in the marketplace, it is ultimately down to the shipping companies and the crews on those ships to make those transits. And, I think the more volatility there is, the more back and forth with respect to disruptions and attacks, you create more uncertainty, more concern, and therefore less willingness to transit. So, I think there's going to be a continued inhibition for movement, which will, even once we get things cleared up, I think it will take some time for folks to gain some confidence there to continue to ramp things back up to a very high level. And frankly, we're prepared for that with respect to what we're trying to do.

With respect to the broader question, our presence there and the work that we're doing with Qatar, I'll just come back to the medium to long-term fundamentals, which the world needs the resources in that region, and it needs to have the Strait open and transiting back at levels it was prior to this conflict. And so, we're convinced that that will come to be at some point in the future. I can't really predict when it will happen or exactly what it will look like, I just know that it's too critical to the overall health of world economy and for peoples - to meet people's standards of living - to have that disrupted for perpetuity. So, it will come back, it will be needed.

We've got a long relationship there. We value the partnerships we have. We're in dialogue with QatarEnergy. I think we have a significant role that we can play to bring our expertise to help expedite the repairs. We're in discussions with QE about that and, frankly, looking for the best approach there, where obviously QatarEnergy and the people of Qatar benefit and ExxonMobil benefits as well. And so, I think the one thing I would say about our long, long-standing relationship with QatarEnergy is they recognize the importance of win-win solutions and certainly very focused on how we figure out the path forward here to get production back on and flowing as soon as we're able to.

Arun Jayaram: Great. Thank you.

Darren Woods: Thank you.

Operator: The next question comes from Devin McDermott of Morgan Stanley.

Devin McDermott: Hey. Good morning. Thanks for taking my question.

Darren Woods: Good morning.

Neil Hansen: Good morning.

Devin McDermott: Darren, you highlighted - morning, really strong non-Middle East Upstream production in the quarter. The highest in over two decades. You talked a little bit before about Guyana. And one of the other drivers of growth is the Permian. You had volumes hit 1.8 million BOE a day in the quarter, in line with your full-year guide. I know that this year marked a big step up in some of the use of advanced proppant and other new technology, and I was wondering if you just give us an update on how that's progressing versus expectations, particularly as it relates to capital efficiency and recoveries that you're seeing there across the basin?

Darren Woods: Yeah. Sure. Thanks for the question, Devin. And you touched on, I think one of the really important variables there, which is all the progress we're making with respect to the technology portfolio. We've been talking for some time now that we've got 40-plus technology developments that we're working and have been going out and trialing in the field. And the value of those technologies, most of them are stackable, so that you keep building on the success and drive more and more recovery, fewer wells, so less capital. And I'd tell you that that portfolio continues to exceed expectations for the technologies that are successful.

So, I put out a challenge back in 2018 for doubling recovery – we have an opportunity set that will do more than that. And when you risk it for all the uncertainties associated with that portfolio, we're getting really close to that objective. And it's just a function of continuing to deploy those technologies and getting it to a critical mass to where it's transparent to the rest of the market as we continue to bring them into new production, new wells. So, feel really good about that. I'm really confident what the team's doing. A lot of energy and motivation by the technology organization and our Permian organization to deploy the technology and to see the benefits of that. So, we're more than on track.

Neil Hansen: Yeah. I think, Darren, maybe just to add to that, I mean, there is a lot of excitement around the technology that's being developed and will be deployed, but I think you can easily look past the expertise and the technology that's already being used in the Permian. You look at things like extended reach laterals. I mean, we're leading the Permian in long lateral development. I think in the opening remarks, we mentioned 83 four-mile wells that we've drilled year to date. But if you look back, and you look at all the Permian producing wells since 2020, anything above three miles or longer, we have 1,200 wells. I think our nearest competitor is around 400. And you would have to go to the next six competitors to get to that same level of 1,200. So, you look at the extended reach laterals, surfactants, AI, machine learning, all of that is contributing to very strong performance even before we start to deploy some of these other technologies.

Devin McDermott: Great. Thank you.

Neil Hansen: Thanks, Devin.

Darren Woods: Thank you.

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

Doug Leggate: Thanks. Good morning, everybody. Darren, I hate to beat on Guyana, but - good morning, I wonder if I could come back to Guyana on a couple of clarification points. Or maybe more than that, perhaps. So, I think there's some confusion between production entitlement and free cash-flow. Maybe it's for Neil. But I wonder if you could just opine on, although your production entitlement goes down, what happens to your free cash-flow? As my first kind of part of that. And I guess I can't help but notice phase nine is now part of the story. What is your latest thinking on gross production sustainability through the end of the decade and maybe a little beyond that? Thank you.

Darren Woods: Yeah. Thank you, Doug. And good morning. I'll let Neil talk a little bit about the free cash-flow portion of the question. I would just say we're going through our plan process currently, which we will finalize as we get to the end of the year and then come out and talk about it as part of our Corporate Plan Update. And as part of that, every year we revisit to what are the opportunities, what progress have we made, how is our thinking developed? And indeed, one of the things that we now see an opportunity for is this ninth FPSO. And really take advantage of what we've done with Longtail to replicate that and get some significant capital advantages to apply. And so, our view is that's looking promising. We haven't finalized that, obviously, but we're progressing and it looks pretty attractive at this stage.

I think longer-term, we've got more work to do. As I mentioned, one of the early - responding to one of the earlier questions, there's a lot of acreage yet to fully take advantage of. And so, we're continuing exploration, continuing to look for opportunities. I mentioned that, with some of the AI tools that we've trained with what we've already found, and the drilling we've done, we've seen some new opportunities to explore that we hadn't previously identified. So, I would tell you this thing - the tape hasn't run out on this play yet and we're going to continue to evaluate that and see what we can get from it. But I mean, you can rest assured the organization is very focused on maximizing the value of that acreage for the benefit, obviously, of ExxonMobil. But more importantly, for Guyana, the government of Guyana, the people of Guyana.

But I'll let Neil talk a little bit about the free cash flow question.

Neil Hansen: Yeah. Let me try to answer your question, Doug. So again, as we mentioned, at this point, we've fully recovered the $55 billion of investment, along with all the operating costs. And the way the contractor agreement works is we can recover that investment up to 75%. After that, the remaining production is shared 50/50 between us and the government of Guyana. And so, if you think about, if you just stop today and there's no additional investment, then more of your production and revenue is going to flow towards cash-flow, again, shared between us and the government of Guyana.

The reality is we have more investment. To the extent we have the investment come in and operating costs, it'll still go into the cost bank. We'll still recover that at that 75% cap. But there's much less investment to recover. And given the level of production that we're at, you're unlikely to see that cost bank obviously be full again. And so, you'll just have more cash flow above your investment and above the operating cost. Now, that obviously is a question of what you think price is going to do going forward, in addition to the investment and cost that we'll be putting into the cost bank. So hopefully that helps, but we would anticipate, and I think we showed that in the slides, that now that we've reached full recovery of that significant investment, more of our revenues will go towards cash flow - free cash flow, versus recovering cost and investment. Hopefully that helps, Doug.

Doug Leggate: So, Neil, just to be clear, so is it fair to characterize this as an inflection in free cash flow then as opposed to a decline in production entitlement? Is that a reasonable way to frame it?

Neil Hansen: It's very much an inflection into free cash flow, absolutely. And this, for us, Doug, and I assume for you as well, this is about value, it's not about volume. Even though there's a there's a slight decline in the entitled volume, the focus we have is on the value that we've created for ourselves and for the government of Guyana. And at this point, there's an inflection to where you're going to see a much larger amount of free cash flow come in. It is a very positive, exciting story.

Doug Leggate: Perfect. Thank you.

Neil Hansen: Thanks, Doug.

Operator: The next question comes from Betty Jiang of Barclays.

Betty Jiang: Hi. Good morning. We're seeing an increasing number of resource-rich governments looking for partners to accelerate the development of their resources. And as Neil said earlier, Exxon's track record just really positioning you guys as a partner of choice. I imagine these are long ... large-scale, long-duration resources, but can also come with different set of risks. How do you evaluate these opportunities for Exxon and their competitiveness relative to what you already have in the portfolio?

Darren Woods: Sure. Good morning, Betty. I'll take that and then see if Neil wants to add anything to it. So, I'd come back to the fundamental investment thesis that we have across all of our businesses is the projects that we pursue and ultimately advanced have to have an advantage versus what others in the industry can do. We have to be able to drive the cost of supply to far left of the cost curve so that the supply cost curve so that we know, irrespective of where the market goes and the ups and downs and prices and margins, that we'll have investments that generate above-industry returns. And that's been the philosophy across every business that we have and all the projects that we evaluate. And the results of that are manifesting themselves today, in all the investments we made over the last ten years. That's not going to change going forward.

And so, I'd say first and foremost, as we look at new opportunities, you got to clear that hurdle. Do we bring an advantage? Do we end up with a project that's advantaged versus the rest of the industry? And is it at a very low cost of supply and therefore generate above-industry returns? And I think that's the criteria that all of our businesses are driving towards.

And then, of course, when it comes to specific areas and the risk, country risk associated with those areas, the market tends to decide that. And so, our view is we will generate projects that realize the risk premium associated with any projects in some of those areas, consistent with the rest of the market, and then we'll add to that with our advantages.

And then the final step is making sure that we manage that risk in the portfolio. One of the advantages of being large and having a very diversified portfolio is we can diversify out of specific risks, so we don't have to bet the farm on any one location or any one place. And we keep a very close eye on the overall exposure of the portfolio and look at how that's developing. And as we make investments, is that portfolio risk changing significantly or not? So that's how we do it. What we've seen to date, you see it today with some of the disruption in the Middle East, you saw it several years back with the Russia disruptions, that the portfolio is robust to some of these unexpected events, and that's how we'll manage it.

Neil Hansen: And, Betty, I think you're absolutely right, I think our track record and a recognition of our capabilities certainly is leading us to being the clear partner of choice. And when we talk about that, you look at being in a capital-intensive business like we are, it's the ability to execute large scale projects, leverage technology, and then operate at a very high standard and a very high level. And if you look at just the ability to execute projects, we're doing about twice the number of mega projects than our nearest IOC and we're doing it up to 20% lower project costs. And our project delivery schedules are 20% faster than industry average. So, I think it's - when you look at resource owners, I think there's an absolute recognition of that capability, that track record of being able to do those three things really well.

And then, as Darren mentioned, I mean, when we look at any opportunity, obviously we look at the terms, but more importantly is can we bring something unique and different? Can we leverage those competitive advantages to provide an outsized return for our shareholders? So that's kind of how we think about it. But we are in, I think, in a nice position with resource owners, given what we've been able to accomplish in places like Guyana.

Betty Jiang: Great. Thank you.

Darren Woods: Thank you.

Operator: The next question comes from Bob Brackett of Bernstein Research.

Bob Brackett: Good morning. I'm struck by the combination of lower base volumes on the Energy Products side amidst record diesel production. That diesel production could be cyclical, you're playing around with set points or whatnot. Or it could be structural, and I suspect it's structural, you all will continue to break that diesel production record over time. And sort of a quick follow-up, how did you decide around scheduled maintenance and choices around deferring scheduled maintenance and maybe grabbing opportunistically some better product prices?

Darren Woods: Yeah. Good morning, Bob. I think one of the things you hit on is this drive we've had across our portfolio to continue to high grade the bottom of the barrel, the low-value molecules into higher-value molecules. And distillate, obviously, is one of the higher-value, in-demand molecules that come out of our refineries. So, if you look at what we've been doing over the last ten years with investments in Antwerp, investments in Rotterdam, the investments that we've made in Singapore to upgrade these low-value molecules and as a result get more distillate out, that is a continuing focus. And in fact, we have a number of projects in development, slated for what we're doing in the Gulf Coast, to continue that trend and to continue to grow distillate, jet, and base stock production. So that is a clear theme, and it makes sure our refineries, frankly, lower cost suppliers and higher margin facilities, which is a clear focus.

If you look at just what we've accomplished here in the last three years, our global throughput is up 11%, and the production of jet and diesel is up by 15%. So, it is reflective of the work that we've been doing. Anything to add to that, Neil?

Neil Hansen: And, Bob, I'm not sure what timeframe you're looking at, but certainly there's an impact from planned maintenance and turnarounds in the quarter. And there's a number of scheduled maintenance activities that we have completed this year, and that's had an impact obviously on volumes. And we've done everything we can certainly to consider the current refining and margin environment, if we can safely defer some of that. That's certainly been part of the consideration, and I think why you're seeing such strong performance on utilization.

I would just say, though, and I think it's back to the benefits of the centralized organization with Global Operations, the turnarounds we have completed this year, what we've seen relative to the last time we did a similar turnaround or in the previous cycle, we've seen a 30% improvement in cost and a 50% improvement in duration. So, harder to see, but that certainly helps us to ensure we're not leaving anything on the table in this type of environment, is when we do execute those turnarounds, we're executing them at leading edge, certainly in the first quartile.

Bob Brackett: Very good. Thanks.

Operator: The next question comes from Biraj Borkhataria with RBC.

Biraj Borkhataria: Hi. Thanks for taking my question. It's on the downstream, and, Darren, you've been vocal about EU policy in the past and some comments today as well. I don't want to get into the debate on that, I think we share the same view. But as of yesterday, one European country approved windfall taxes effectively on the downstream. And given what's happened to oil product prices and refining margins, it seems like this will be a growing theme. You've got 850 thousand barrels a day of refining between UK and Europe. So, I was wondering, I assume you've been in contact with the policymakers, but have you had any discussions on this topic, and how likely do you think that these will be put in place? Thank you.

Darren Woods: Yeah. Thank you, Biraj. I think there's a huge temptation all around the world to deflect attention to the bad policies that governments have been implementing over time and scapegoat the industry. And the reality is we saw a long time ago with the emphasis that Europe has been putting on, frankly, de-industrializing their economy and shutting down refineries, that there would come a point in time when they would be short product. And we see that today. And so, anytime you get into an environment where demand spikes and there's a shortage of supply versus demand, and it's trying to be met, that refinery margins will rise. And those who stayed in the business and tried to improve that business to be successful across the cycle will make money.

Penalizing the businesses who stood by those countries and provided that product going forward is very shortsighted and leads us from the past windfall profit tax to invest even less. So, we cancelled investments that we had planned for Europe based on the last time they passed a windfall profits tax. And in fact, we're suing the EU because we don't think that's a legal taking for the industry.

I think the discussions I've been having with many of the leaders there recognize the problem with that approach and the consequences, the unintended consequences of that approach. So, they're sensitive to it. I'm not sure that's going to keep them from trying to address concerns of their base. But we'll have to see if any of that actually manifests itself in real policy and regulation. If it is, it's just another - a great example of misguided policy that ultimately is going to inflict more - higher cost and lower standards of living on their population. And I hope at some point in time, that the European population wakes up to the very poor policy decisions being made there.

Biraj Borkhataria: Very fair. Understood. Thank you.

Darren Woods: Thank you.

Operator: The next question comes from Jean Ann Salisbury with Bank of America.

Jean Ann Salisbury: Hi. Good morning. There are many gas pipelines coming on in the Permian starting now. A lot of investors, including us, think that it could lead to a shift to materially more gas and NGL growth out of the Permian, as operators are no longer making decisions around constraining their gas to oil ratio. As the largest operator in the Permian, do you anticipate your gas volumes or gas-to-oil ratio in the Permian will inflect as a result of the new pipes?

Darren Woods: Good morning, Jean Ann. And we have a very similar assessment as you do with respect to the balances on the on piping, and that market will now clear, and we won't see the disconnects that we've historically seen. My sense of things is, and I can't speak for the entire industry, but as we're developing wells, we're looking at the economics, and there's a clear incentive to have higher oil production. I think that's been, I'd say, a general trend within the industry. As you look at economically maximizing the value of every well, you want more oil and less gas, given the constraints in the gas market. And I think that's not going to change. My sense would be you get more into – if you've got the takeaway capacity, it just opens up your ability to produce more oil and the gas then comes with it. And so, we may see some additional gas come onto the marketplace associated with that. But the real driver will be unconstrained takeaway capacity and maximizing oil production.

Jean Ann Salisbury: That makes sense. Thank you.

Darren Woods: You bet. Thank you.

Operator: The next question comes from Jason Gabelman of TD Cowen.

Jason Gabelman: Hey. Morning. Thanks for taking my question. I wanted to go back to the Middle East footprint, and specifically on the LNG side. I think you have over two-thirds of your LNG portfolio primarily in Qatar. And as you assess the changing risk profile in that region, are you looking to either accelerate LNG projects in your queue to help diversify away from the Middle East, are you evaluating more closely external opportunities, or do you feel pretty comfortable with your LNG risk exposure? Thanks.

Darren Woods: Yeah. Thank you, Jason. I guess I'd start by just saying we're not extrapolating current events to kind of a long-term change in the stability of the region. As I said earlier in the call, ultimately the world has to resolve the conflict there and get to a stable situation where those critical resources in the region find a way to the market in a reliable way. And so, I think ultimately there's a solution that the world will arrive at. I couldn't tell you exactly when or what it's going to look like, but that - those resources are just too critical to the overall economic health of the world for them to stay offline or for them to be unstable. So, I would say that's generally how we think about it.

If you look at our portfolio of opportunities in LNG, it has, through the opportunity set that we have, diversifying our production away from the Middle East, just based on where the opportunity set is. And so, Mozambique, we hope to FID that project, excuse me, later this year. We've got Papua and Papua New Guinea that we look to FID later this year. We've got Golden Pass coming on. So, I think we continue to see opportunities and very large opportunities that are on the left-hand side of the cost of supply curve coming online. So, that's going to achieve some diversification. But I would also tell you that as we continue to look for future opportunities, given the important role that natural gas is going to play, we won't shy away from the region.

Jason Gabelman: Great. Thanks for the color, Darren.

Darren Woods: You bet. Thank you.

Operator: The next question comes from Manav Gupta of UBS.

Manav Gupta: Good morning. I wanted to go a little bit into Specialty Products. What's the margin environment looking like? Because lubes are extremely tight right now, lubes margins are uniquely high, and you do have a strong basestocks business. And then also wanted to understand how Mobil 1™ is tracking and any further updates you can give us on Proxxima™, how the traction with new clients is going on Proxxima™? Thank you.

Darren Woods: Sure. Thank you, Manav. Well, I'd say the specialty business is no different than any other sector business that we have, which is significant supply disruptions, significant challenges with meeting the base demand and basestock is clearly where it starts. Particularly given the importance of Middle Eastern crude with respect to basestock production. And so, one of the advantages that we've had is with the investments that we've made, both in Singapore and in Rotterdam, the synthetic basestocks that we can make open up the crude slate and give us opportunities to make basestocks with less dependence on Middle East crudes, versus some of the more traditional extraction methods.

So, I think we're more robust to that disruption, but clearly the market is tight. We're leaning in as hard as we can with respect to the basestock production, and we're seeing the benefits of that with the high earnings that we made in Specialty Products. We're also quite advantaged with respect to the value chain that we participate in and being part of basestocks. Obviously, running the refineries, running the basestock productions, running that basestock marketing business, and down to finished lubes, coupled with the technology organization that we have. A lot of work the organization has been doing around reformulating to kind of find ways with the available molecules that are out there to meet customer demand. And we've been very successful with that. So that ability to respond to the constraints and the challenges and find better ways to continue to meet customer demand is paying off as well.

And so, I think we see the business that we've established there and our participation along that entire value chain really paying off this quarter. And our expectation is, as that Strait remains constrained, we'll continue to see a big benefit in our specialty businesses for having that integrated approach to running that business.

With respect to Proxxima™, I would just say we're progressing the investments to expand capacity. Like what we're seeing there, the size of that market is huge. And all the applications that we've been testing and the work we've been doing continues to demonstrate a very high value and use for our customer base. So, we've got the 35,000 KT expansion - 35 KTA expansion that's come online, and then we've FID'd the next large step in our Proxxima™ blending plant earlier this year. And so, we see a big opportunity. It'll take time to kind of realize that opportunity because you're obviously starting a brand-new market - a brand-new product for some very attractive markets. But we see, again, the customer feedback says there's high demand for that. It'll just take time to penetrate. But we see a long-term attractive potential here.

Neil Hansen: And maybe just go back to Specialty Products, I think for the reasons cited, the investments that we've made, including the Resid Upgrade Project in Singapore last year, which allows us to continue to grow high-value products. For that business, Specialty Products, it was a record [adjusted] earnings for the quarter, and it's also a record [adjusted] earnings for the first half of this year. And so, again, that just demonstrates prices certainly were supportive, but it's all about those advantaged investments we're making. The focus on growing high-value products is clearly yielding very strong results for specialty.

Manav Gupta: Thank you so much.

Neil Hansen: Thank you.

Operator: The next question comes from Sam Margolin of Wells Fargo.

Sam Margolin: Good morning. Thanks for the question. This is on the structural cost savings, you know, you've made tremendous progress, but you have been fighting inflation. And it looks like there's some environmental drivers that are potentially adding some more friction. Can you talk a little bit about the way that - the mix shift in your portfolio and the development of major projects in the life cycle that you're at today might influence this cost out progress? It feels like as you enter like these new phases of free cash flow sort of oriented phase in Guyana and you bring on fewer developments at a time simultaneously, there may be some levers to offset the inflation impact. But in any case, would just love your thoughts on that whole trend. Thank you.

Darren Woods: Yeah. Sure. Thanks, Sam. Thanks for the question. And good morning. I would just say, maybe just step back and talk a little bit about the philosophy that we started back in 2018, which was we knew we wanted to grow the business. We wanted to make these investments and recognize that as we did that, that as you start new facilities, bring new projects online, that you incur more operating expense. And as you develop new products to go into new markets, you're spending money on R&D and basically incurring more operating expense. So, we recognized the path to growth meant additional operating expenses.

And the challenge that we gave ourselves in the organization was to... recognizing we needed to do that to grow earnings and cash flow, that we had to find a way to offset that cost. And we weren't going to let our expenses rise. And the only way to do that is to start figuring out structural cost savings and driving structural cost out of the business, to make room for the additional spend that we knew would come for doing high-value accretive projects and product development. And that's exactly what we've been doing.

And so, the cost savings have come, I'd say, primarily through the transformation we've been driving into the business and creating the value chain, giving organizations a clearer line of sight and more direct accountability for end-to-end profitability. That puts a very high focus on operating expenses. The synergies that we're capturing through the consolidations that we're making in the centralized organizations are driving huge value and cost reductions. And I would tell you, we just announced on July 1st the formation – or the completion of – our Global Operations organization, where for the first time in the company's history, we have all of our operations in one organization. Which, again, will open up opportunities to identify efficiencies that have been implemented in some parts of our portfolio but haven't been spread across the whole.

So, we've got a long ways to go on, I think on structural efficiencies. And that's not even bringing into account the ERP system that we're developing, which I think, again, will unlock a lot of opportunities. So, our job is to keep driving down these structural costs to make room for the additional expense that comes from these - from growth. We don't limit, frankly, our growth or the projects that we pursue based on trying to meet an artificial overall cost target. We have a very clear and separate objective on growth and a focus on cost and cost efficiency. And that continues, I think, to play out very well. In fact, I think if you look at our cash cost from last year versus this year and ignore production taxes and energy prices, we're basically holding cash costs flat. So, we're basically offsetting the inflation that's out there. And that's the objective here.

Neil Hansen: Yeah. Maybe just additional point on that, Darren, just to demonstrate the progress that we've made. Darren mentioned the year-over-year comparison, but if you took our cash expenses this year and you just annualized it, our cash OpEx would look even with 2019. And again, that's with all the growth that we've had. You mentioned the inflationary impacts. I think it just demonstrates the hard work and the focus that we have on removing costs across the enterprise. And that's regardless of the market conditions, that's regardless of how much we make in a specific quarter. And it also, as Darren mentioned, demonstrates the power of the model that we have. And again, we're at $16.3 cumulative year-to-date, we plan to get to $20 billion by 2030. So again, really good progress and it's pretty impressive to see how we've been able to offset some of the impacts that you mentioned, Sam.

Sam Margolin: Thank you.

Operator: We have time for one more question. Our final question will be from John Royall of Piper Sandler.

John Royall: Hi. Good morning. Thanks for taking my question. So, we've seen some news flow over the past couple of months about talks of an expansion of the Kashagan project in Kazakhstan. I was hoping maybe for some thoughts on where you are in those discussions and what a project could ultimately look like there?

Darren Woods: Yeah. Good morning, John. Thanks for the question. I would say obviously a huge opportunity, we think, in Kazakhstan to optimize what's been going on there and to help the government achieve its objectives of growing production, growing the benefit of their natural resources for the benefit of the Kazakh government and the people of Kazakhstan. But we're very early in those conversations. I think many of the companies involved in the business there are engaged in discussions. We've got some hurdles to clear, and some short-term issues with the government, and then continuing to look longer-term around the different options available to the industry broadly, and more specifically to ExxonMobil, in terms of what we can bring to bear to help achieve, ultimately, the government's ambition of growing production there and growing their revenues. But I would say it's - we're too early in that process to give you much detail on that.

John Royall: Thank you.

Darren Woods: You bet.

Jim Chapman: Thank you, John. And thanks, everyone for joining this call. Thanks for your questions. We're going to post the transcript of the call to the Investors section of our website by early next week. And have a good weekend.