

ExxonMobil Third Quarter 2021 Earnings Call Transcript

This transcript presents ExxonMobil's fourth quarter earnings call held on October 29, 2021.

Operator: Good day, everyone, and welcome to this Exxon Mobil Corporation Third Quarter 2021 Earnings Call. Today's call is being recorded. At this time, I'd like to turn the call over to the Vice President of Investor Relations and Secretary, Mr. Stephen Littleton. Please go ahead, sir.

Stephen Littleton: Thank you, and good morning, everyone. Welcome to our third quarter earnings call. We appreciate your participation and continued interest in Exxon Mobil. I am Stephen Littleton, Vice President of Investor Relations. Joining me today are Darren Woods, Chairman and Chief Executive Officer; and Kathy Mikells, our Senior Vice President and Chief Financial Officer.

The full set of presentation slides and prepared remarks were made available on the Investor Relations section of our website earlier this morning along with our press release. During our call this morning, Darren will provide a few additional opening comments and reference a select number of slides from that presentation, leaving more time for your questions. We expect to conclude the call at 9:30 a.m. Central Time. I would also like to draw your attention to the cautionary statement on Slide 2 and to the supplemental information at the end of the presentation slides on the website.

I'll now turn the call over to Darren.

Darren Woods: Thank you, Stephen. Good morning. It's good to be with you today to discuss our strong third quarter results and the progress we are making in growing shareholder value and, of course, to take your questions.

I'd like to start by welcoming Kathy to the call, her first in what I know will be many. I can tell you that Kathy has hit the ground running, seamlessly joined the management team and has been broadly welcomed by the organization. While early in her tenure, we are already benefiting from her diverse experiences and wise counsel.

Since we posted a full set of slides and remarks on the website, I'll keep my comments brief this morning, starting with an overview of the work we are doing to position the company to sustainably grow shareholder value.

Our first priority was to significantly grow the value of our base business to achieve industry-leading earnings and cash flow growth. This is work that has been ongoing for some time and is built on the significant changes we have made to our organization and increased focus on fully leveraging all of our competitive advantages in technology, scale, integration, functional excellence and most importantly, our people. This also allowed us to improve operating performance, drive down costs and develop a portfolio of industry-advantaged high-return investments. Our businesses are driving returns and generating cash to maintain a strong balance sheet and fund future investments. The work we began in 2018 to develop opportunities in carbon capture and later low-emission fuels plays to our competitive strengths, positions us to build a successful low carbon solutions business, and take a leading role in driving to a lower carbon future in hard-to-decarbonize areas. At the same time, we have to ensure our plans are robust to a wide range of future scenarios, including net zero pathways, and the continuing use of hydrocarbons. Our low-carbon solutions business draws on the same core capabilities and competitive strengths used in

our established businesses. This gives us optionality and build resiliency into our plans. As the future takes shape and demands shift across our businesses, we will maintain our advantage.

Now I'll turn to our third quarter performance. The value of the organization's hard work I just highlighted is showing itself as the market recovers. In the third quarter, we delivered excellent operational and financial performance with improved earnings and cash flow. We significantly improved our cash position, reduced total debt, progressed key projects and set a number of best-ever operational milestones.

Earnings for the quarter were \$6.8 billion. Year-to-date, earnings surpassed \$14 billion on the strength of our upstream portfolio and industry-leading chemical and downstream businesses.

Last year during the pandemic, we worked to improve our cost structure by \$3 billion versus 2019. That progress continued in the third quarter. Our structural costs are now \$4.5 billion lower than 2019 on an annual basis, with a clear line of sight to continued improvements.

Strong earnings and sound Capex management resulted in cash flow after Capex and dividends of \$5.2 billion. We paid down approximately \$4 billion of debt during the quarter and increased the dividend, maintaining 39 consecutive years of annual dividend growth.

Good progress in improving the earnings power of our business, coupled with solid operating performance in a rapidly improving market, provides a good foundation for developing our future plans. We will finalize our plans over the course of November, and we will provide additional details in early December. However, I'd like to take the opportunity of this call to provide a brief overview of some key planned priorities and objectives, starting with our operations.

In 2020, we delivered industry-leading performance in safety and reliability. Our go-forward plans intend to sustain that leadership position. We also established objectives to significantly reduce emissions intensity by 2025.

Our focus on this effort more than paid off. We now expect to meet our objectives this year and are working to significantly raise the bar and reset our 2025 objectives.

We are also ahead of schedule in our work to improve our cost structure. We expect to deliver more than \$6 billion in structural savings by 2023.

We continue to find additional synergies and greater efficiency throughout our new organization. We expect to keep our capital spend within the previously communicated range of \$20 billion to \$25 billion. This represents a significant reduction versus our pre-pandemic plans.

With the changes we've made to our businesses, our new project organization and improved use of technology, we expect to deliver the same growth in earnings and cash flow as our pre-pandemic plans, offsetting the pandemic-induced delays. In addition, we can free up funds to grow our low-carbon solutions business and further accelerate efforts to reduce emissions. From 2022 to 2027, our cumulative capital investment in emission reduction projects is expected to be \$15 billion.

This year, we made substantial progress in restoring the strength of our balance sheet. By year-end, we expect to be well within the debt-to-capital range of 20% to 25%.

On Wednesday, we announced an increase in our dividend, adding to what is already a very attractive yield. In addition, given the improvements in our business and market conditions, we are

expanding shareholder distributions by up to \$10 billion over 12 to 24 months through a repurchase program beginning next year.

Our plans are being built from the bottoms up, with strong line ownership and a commitment to deliver. They are flexible and can be adjusted to adverse market conditions. They strike a strong balance across our capital allocation priorities, drive continued efficiencies and significantly grow earnings and cash flow while competitively positioning us for a wide range of future scenarios, including net zero pathways. We look forward to sharing more details with you later this year and into the first quarter of next year.

With that, I'll now turn it back to Stephen.

Stephen Littleton: Thank you, Darren. Operator, please open the phone lines for the first question.

Operator: (Operator Instructions) Your first question will come from the line of Jeanine Wai with Barclays. It looks like she disconnected. We'll take our first question instead from Doug Leggate with Bank of America

Doug Leggate: Welcome, Kathy. I'm looking forward to working with you, over the next several years hopefully.

Darren, I want to kick off just with a comment, and commend your restraint against the ludicrous question you were faced with the yesterday. I'm not sure all of us could have stood up to the same level of patience for that testimony.

And that leads me to my first question, which is your -- you've got a new Board, or at least a refreshed Board. And you've now come out with this updated low carbon, I guess, investment strategy going forward. I'm just curious when the new Board members have got to look under the hood at the relative investment opportunities, you have the carbon intensity of those, the returns that cash, free cash, margin expansion opportunities and so on. I'm just curious how perceptions of the new Board members relative to what external perceptions might be, how those have evolved as you've had the chance to present your strategy to those folks?

Darren Woods: Yes. Thank you, Doug. I think let me just start with maybe a little broader comment on the Board and the discussions we've been having. Which I would tell you, we've got additional diversity of perspective in the Board. It's bringing a very engaged board across the entire group and a lot of good constructive discussions.

And to your point, I think as folks come into the company and look under the hood and get an understanding of how we approach and look at these businesses, the opportunities that we have and how our advantages manifest themselves in those opportunities. I think there's generally I would describe it as sound solid consensus across the board in terms of the recognition of the strength of the portfolio that we have, and a recognition of the industry-leading position that our investment and our projects have.

I would also say and as you know, you mentioned low-carbon investments. We launched that business earlier this year. But if you'll recall from our Investor Day, I talked about that in the context of ventures that we established starting back in 2018, looking at carbon capture opportunities and then a little later on, the low emission fuels opportunities. And what we're focused on there was how do we find these investment opportunities to help drive lower emissions going forward, but do

that in a way that's accretive to the shareholders and one that distinguishes us from the rest of the industry. And so it's really looking for a formula that leverages our existing competitive advantages.

And what we tried to share in the Investor Day last year, and we'll continue to talk about and spend more time talking about in the Investor Day next year, is we think we have found a really good mix of opportunities that are very well aligned with our core capabilities, and therefore as we move forward, can invest in both our established businesses. Given some of the policy that exists around the world, there are opportunities to invest in low-carbon solutions business and still generate a very solid return from that, and then as we move in the growth, manifest itself across that portfolio. Because we're drawing on those same capabilities, we have the ability to shift resources with between those and make sure that we're responding to the developments in the marketplace.

That strategy, that discussion that we've been having with the Board, I think, is recognized as a unique capability that this company has. Our global footprint gives us exposure to a very broad set of markets. And as those markets develop somewhat uniquely with respect to the transition, we can adjust our approach in those markets selectively to make sure that we're on the front end of that and taking advantage of the opportunities as they develop. So I think there's a strong recognition of the advantages that we bring to this space as a whole.

Doug Leggate: Well thanks for that detailed answer, Darren. I don't intend this to be my follow-up. It's just a clarification. So the \$15 billion is about 8% I guess, consistent with I think the other U.S. peers. So we shouldn't expect a big strategic pivot here aka some European models. Is that fair?

Darren Woods: Yes, I think that's right. And you know, Doug, it's -- this is -- I've been pleased with what I would say is a broader and growing recognition of the challenges of addressing this space and the number of solutions that are going to be needed. And in particular a number of areas that we don't

have complete solutions yet, and the need for companies like Exxon Mobil to help develop those. And so we, as you know, resisted what we think are some of the more, let me call it commodity opportunities in this space, and focus on where we don't have good solutions and where we can leverage a unique capability, and therefore generate what we think will be a unique returns.

That portfolio that we're talking about today, we're leveraging some proprietary technologies to boost the returns there. And so our approach here is not going to be what I would call an industry standard. It's going to be advantaged projects, like we've tried to generate in the rest of the portfolio.

I think as you think about that \$15 billion, part of it is around our growth projects and making sure that we are building resiliency into those growth projects, by putting in the necessary investments in technology to lower the greenhouse gases, so those projects become that much more robust. And the returns that we're showing for those projects comprehend that spend to lower the emissions. And then we've got new opportunities that we're pursuing, that take advantage of some of the policy that's out there and generate returns. And then we're building and seeding what I would say the development of a much larger scale projects that are going to require additional policy. And we're doing the work in anticipation of that, recognizing that as that policy front develops, we'll be in a position to take advantage of that with projects that we've developed in anticipation of it.

Doug Leggate: Now my proper follow-up, if I may. I'd like to ask Kathy, a question if that's okay. I also commend Stephen for the prepared remarks. Good up on the slide deck. That's some terrific innovation for your disclosure. Thank you for that.

Kathy, my question for you is as an outsider sort of coming in, what do you see as the appropriate capital structure, dividend policy, dividend metrics like coverage and so on, for a company like Exxon Mobil? How should we expect your stamp to be on that shareholder return, dividend policy and so on going forward? And obviously, the buyback announcement is part of that as well.

Kathy Mikells: Sure. So I'd take a step back and say how do we think about capital allocation for the business, Doug. And I would start with first of all, we've got to invest in the advantaged projects that we have, that earn very strong returns. And that's from Guyana to things like biofuels and the Strathcona project, right?

Obviously, we've been very focused on maintaining a strong dividend. I think the company did a great job, as it went through the pandemic, really protecting that dividend. And that's a priority for us.

And we've got to have a strong balance sheet, and you've seen our focus over the course of this year in strengthening the balance sheet. In this quarter, we reduced debt by about \$4 billion.

After we consider those priorities, if we've got available cash, we will then look to distribute that to shareholders. And you've obviously seen that in the buyback announcement that we had.

I think it's important also to just recognize that the company looks to have a balanced approach and maintain flexibility. You would have seen the company reduce its capital spending pretty significantly, in part to protect the dividend as the pandemic was ensuing. And so we do have flexibility as we think about capital allocation, but those are our priorities. Obviously, share repurchase programs are an efficient way to distribute capital to shareholders, but that's how we think about it.

Doug Leggate: Welcome again, Thanks for taking my question.

Operator: All right, we'll go back to Jeanine Wai with Barclays.

Jeanine Wai: Thanks for getting me back in the queue. So maybe just following up on Doug's question by asking it in a little different way. Can you just talk about how the new Board is weighing evidence that increased oil and gas investment is probably warranted, not just from Exxon but globally, against what's becoming essentially a mandate from investors to allocate capital to the energy transition? And how does that seemingly dual mandate kind of square with the current medium-term Capex range? We know you reiterated it, but we understand that the low-carbon solution and the emission reductions that will now have a larger share. And that kind of Capex spend is extending beyond the medium-term range.

Darren Woods: Yes, I'll start off with that. And then if Kathy's got anything to add, I'll pass it on to her.

But I think you talked about a dual mandate. And that's really the challenge that we face as a company, and I think more broadly as a society, which is clearly a drive to move to a lower emissions energy system and a lower emissions future, but at the same time recognizing that the need for energy today is real and continuing to grow. And I think striking that balance and thoughtfully moving forward and trying to make sure that as you're transitioning from one source to another, that you do it in a way that doesn't penalize populations and compromise people's standards of living.

You see a little maybe evidence of the challenge there when you look at what's happening in Europe and some of the constraints as we've come out of the pandemic, with the depletion

business and the lack of investment that the industry broadly had in 2019 going into -- severely into 2020, and still coming out of that in 2021. And then the growing the growth in demand, you put those 2 together, lack of demand, lower supply, growing lack of -- yes, lower supply and lower investments and then the growth in demand, you get these pinch points.

And so I think the Board and management were very conscientious of that and recognize our challenge is to leverage our perspective, the experience that we have in this space, our understanding of it, and to try to strike the appropriate balance and make sure we're moving forward at a pace. And in fact leading industry as we drive to this lower emissions future, but not leave whole communities behind and penalize them with respect to their standards of living and access to affordable and reliable energy. And the investments that we're making, I think strike that balance.

And I've been very pleased that the work that we started back in 2018 and 2019 and through 2020. Difficult to see during the pandemic with the collapse in the demand, but I think today as we come out of that and you see the market recovery, the benefits of those structural changes that we have made are manifesting themselves. We are able to generate the same kind of value with a lot less capital and a lot less expense. And that's been because of the work we've done with our organization and the emphasis on leveraging our competitive advantages. And foremost among those people and the work that they've done through this time frame and the technology that we brought to bear in some of this work.

If you look at the capital portfolio that we had coming into the pandemic, none of the projects -- we haven't dropped any of the projects. We're still moving those forward. As you know, we paused them. If you look at the spend associated with those projects, we've actually managed to bring that spend down. And I think that's a testament to our new projects organization. So a lot of good work

manifesting itself in the results that you're seeing and in the future that we're laying out, the ability to do what we said we were going to do more efficiently, and then expand into the lower carbon area where we're finding with the work that we've done, opportunities in that space as well.

Jeanine Wai: Okay. Great, thank you. And then I guess my second question, our second question is on the share repurchases. So for the repurchases over the next 12 to 24 months, how did you decide on the up to \$10 billion level in the two-year time frame? And I guess we're just curious about what conditions will determine the pace and the ultimate amount.

Kathy Mikells: Sure. So I mean overall, we decided the amount and the pacing kind of looking out at our future plans and what our expectations were, against the capital allocation priorities that I kind of walked through earlier relative to the free cash flow that we're expecting we're going to generate. Now obviously, market conditions have a lot to do with exactly what that's going to turn out to be, hence, the range that we provided and the range and timing that we provided. But I think you should start off thinking about that as kind of a range over that two-year range that we discussed. And then we'll assess market conditions in terms of adjusting the pace of the program over time.

Jeanine Wai: Great, thank you.

Operator: Your next question will be from Phil Gresh with JPMorgan.

Philip Gresh: Hey, good morning. First, I want to get your thoughts on asset sales first. As the slides highlight, you're making some progress on certain opportunities there. In the past, you've talked about a broader \$15 billion program pre-COVID.

And I'm just wondering how you're thinking about asset sales as part of a portfolio optimization or streamlining over the long term. And does the \$15 billion plan still hold as we look out these next few years?

Darren Woods: Thanks for the question. Yes, I would tell you the work that we did prior and announcing that divestment was really around high-grading the portfolio. And what we laid out was what we thought was the opportunity.

That portfolio set, in terms of the assets that we're looking at has, hasn't changed from the standpoint of anything coming out. In fact, what I would say is as we continue to evaluate where we can better leverage our competitive strengths and high-grade that portfolio. I think you'd see the opportunity set that underpins that divestment portfolio grow. And then of course, our ability to execute those opportunities and high-grade the asset portfolio will be a function of, obviously, finding buyers who put a value on that that's consistent with what we think we need in order to take that out of the portfolio.

So that's work going on. I would tell you we did a lot of work last year, maintaining our push in this space, but not willing to really push anything out to a market where we didn't see the value that we expected to get. I think as the markets now recover, a much more attractive market to sell into. And we're seeing the kind of buyer response and valuations that we think are more consistent with what we're looking for. So my view is we'll see continued progress in that space, and I would expect it to pick up here compared to certainly 2020 when the market was much more challenging.

Philip Gresh: Got it. Okay. And if I could ask just one more question on the buybacks. The strength in chemicals right now, the improving downstream environment, it would seem like you should be able to cover your dividend at about \$50 Brent looking at 2022, even if Capex were higher in that

\$20 billion to \$25 billion range. And then if I were to layer in 5 billion of buybacks, that would be about \$10 in the oil price. So it would seem like the ratable plan could be covered at maybe \$60 Brent. And obviously, prices are higher than that.

So I'm just curious if you think that math is reasonable, and if it is right, that maybe excess cash could still go to either more buybacks or towards balance sheet deleveraging. Just how you think about those priorities?

Darren Woods: Yes. I'll -- again, I'll start off. And then if Kathy's got anything to add, I invite her to chip in there.

I would say your breakeven calculations are significantly higher than what ours are. And of course, one of the issues is we haven't had the opportunity to take you through the plans in development and the reviews that we're having with our Board. So that's I think to come. But the work that we've been doing and what I've referenced here so far on the call with respect to the Opex reductions that we are seeing, and the opportunity frankly that we see going forward, and the capital productivity that we are now demonstrating. And I'd put that really in two buckets.

One is the project organization, which I continually refer back to. But to me, it's been such a huge success to leverage what were very strong organizations across the corporation, centralizing that, bringing it together and making sure that we're putting the best resources on the projects that best fits the need their capabilities is really resulting in some significant capital efficiency improvements.

And the other thing, the other bucket would be technology. We laid out a plan, and I'll just focus on the Permian for now. But we laid out a plan there to pre-invest, to do a lot of delineation to understand what we had there. We were working on bringing in some technology, doing quite a bit

of trialing and testing, which again requires some upfront capital. We put in and if you recall what I call the long ball game, which is leveraging Exxon Mobil's strengths into a Permian, and moved from what was considered a short game in the Permian to a long ball. And that's paying off, and we're seeing that work that we're doing out in the Permian deliver the same value for a lot less spend. And that's a function of that organization and the work that they've been doing to really drive their efficiencies, but also to fully leverage the capability of the broader Exxon Mobil Corporation and our technology portfolio.

So that's how I'd say we're going to be able to do everything we've talked about. And frankly depending on how the market is, as you know, it's really hard to call the market. And we've built some plans with some pretty wide ranges and were robust to some very low price environments going forward, that won't compromise the capital allocation balance that we've talked about. And if we find the market is higher than that low side, we'll have additional cash and resources to work on. And I'll give that challenge to Kathy, but maybe let her talk about that for a minute.

Kathryn Mikells: So just one other thing that I'd address, which you referenced, in that continuing to strengthen our balance sheet. We clearly intend to do that. And so at the end of this quarter, our leverage ratio landed at I think technically 25.3. And we've talked about the fact that as we look at the fourth quarter, we expect to move into a more comfortable zone within that range and further reduce debt in the fourth quarter.

As we look out to next year, we do have debt coming due, which we would expect to retire. And so I would expect to see a bit of a further reduction in that kind of moving towards the lower end of that range over time. So again, we're looking to strike the right balance.

And on the share repurchase side, what the commodity cycle looks like as we enter 2022 is going to have a lot in determine what the rate and pace of the share repurchase program looks like.

Philip Gresh: I appreciate the additional thoughts.

Operator: And next, we'll go to Devin McDermott with Morgan Stanley.

Devin McDermott: So the first one I wanted to ask on is just on some of the cost and efficiency trends.

You've done a really good job executing on some of the structural savings that you talked about previously. I think the latest message is now to exceed the \$6 billion target by 2023. I was wondering if in light of that, you could comment on whether or not you're seeing any kind of inflationary trends across the portfolio, be it through labor inflation, service cost inflation, to the extent you have some of the ability to offset that as we look into 2022 and beyond?

Darren Woods: Sure, Devin. I would tell you, I don't think we're immune to the pressures that are impacting just about every other business out there all around the world. And so we're certainly seeing some aspects of that in our business.

If I start with the big spend area with respect to our capital and projects, I think somewhat maybe counterintuitively, the fact that we were working on those going into the pandemic, when we went into the pandemic, I think we took somewhat of a longsighted approach with respect to we didn't just step out of those projects. Instead, we worked with our partners and contractors to think about how we put these projects on pause, and then bring them back up in a thoughtful way as and when the market would enable that. And so the work that we did last year and working with our partners allowed us to give them some certainty around work and opportunities going forward, and we're able to lock in some of market factors at

that point in time. So in the capital space, I think we've done a pretty good job. And we'll be pretty well positioned to offset a lot of those and not experience a lot of those inflationary pressures.

In the base business, I mean certainly, the higher price of energy is impacting our manufacturing. We're advantaged in that space generally because most of our facilities are more energy efficient than our competitors. And so while that's raising cost across the board with that advantage, we're able to kind of stay below where the rest is. And of course, market prices move in these commodity markets based on the marginal cost of the suppliers for the last barrel of supply. So that's we're able to I think that's being offset with the margins.

And then I'd say more generally, what's left with respect to supply chain and inflationary pressures, with the organizations that we have in place and then up and running now and then in a much richer environment with higher margins and more activity, they're able to take the efficiencies and the synergies that we've captured with the new organization different approaches that we're now taking, and apply that in a more let me call it a target-rich environment. So we're able to find those efficiencies and offset a lot of the inflation.

So think different aspects happening in different parts of the business, but generally that inflationary pressure, we're managing to basically cope with it and still deliver on the earnings growth that we set for ourselves, the target set for ourselves.

Devin McDermott: Great. That's very helpful. And my second question is on the Permian, very strong results in the quarter, pretty sizable increase in the production expectation for this year as well.

I was wondering if you could talk a little bit more about some of the trends you're seeing there from an operational improvement in capital efficiency standpoint? Knowing that you did some of the pre-

investment that you mentioned before that's helping on the efficiency side here. And then also the cadence of kind of spend and activity as we look into 2022.

Darren Woods: Sure. Well as you know, we have this contiguous acreage that we recognized would be advantaged with respect to trying to develop what would be, I'll call it a more manufacturing approach in the Permian. So you'll recall we made some upfront investments around, one, delineating that acreage to make sure we knew what we had. Because I think as Neil has talked in the past about, not all of that acreage is the same. The reservoirs are different as you move around that the area out there. And so making sure that we were thinking -- focusing on the areas where we have productivity, but at the same time, making sure the area that we approach, that we optimize everything in the subsurface and weren't going for just high initial rates but instead looking at maximum recovery.

And that's paid off. We invested in the corridors. We invested in the infrastructure to make sure that we are in a position to ones we focused in on, and identified the areas we wanted to develop, that we could do that in a very cost-efficient way. And that is now paying off. As you look at what we're doing in the Permian, it is much more of a manufacturing mindset and very focused on efficiencies. And you're seeing that in the results and some of the metrics that are out there.

And then the third area is, and it continues to I think yield benefits, is thinking about how we bring our fundamental science and technology capabilities from the broader organization, from our corporate research group, and bring that into play here in the Permian and in the unconventional space. And that is paying off as well. We've gotten I think some very positive results from some of our technologies that we've brought into the field. We're continuing to trial new technology. So my expectation is we'll continue to see that manifest itself in better production and better capital

efficiency. And those would be the 3 pieces of the equation that I think are resulting in the performance that you're seeing.

With respect to the overall activity, what we're trying to do is make sure that we stay within the boundaries of what I just talked about and not -- as we kind of maximize what we can do within that space, making sure we don't get ahead of the technology work that we're doing, making sure we don't get outside those corridors in some of those optimized areas of production. And that's the balance and the debate that we're striking. We may see a couple of more rigs come on here as we go forward and staying within that same philosophy. I wouldn't see us starting to venture out into other areas that are outside that optimized space and plan, until we've done the work to optimize plans around that next tier of opportunities out there.

Devin McDermott: Great. Well, congrats on the great results. Thanks for taking my questions.

Operator: Next one is Sam Margolin with Wolfe Research.

Sam Margolin: Good morning. First question is on -- back to the capital program. And I recognize that we're in front of the Board process and things are still being hammered out. But I think the way that the market is conceptualizing the range is that the spend for the underlying asset base today, including the growth projects, is probably tighter than the range that you've communicated. And the top end of the range is sort of like a rainy day fund for special opportunities that arise, either in the low-carbon sphere or otherwise.

Do you think that's a fair assessment as we kind of think about 2022? And I think it flows into an earlier point about breakeven as well. How do we think about the outflow on Capex within the range, which obviously influences that commodity price breakeven assessment?

Kathy Mikells: Sure. So obviously this year, our capital spending has been purposefully constrained. And we think we're going to come in I'd say at the lower end of that \$16 billion to \$19 billion range we've provided. We are expecting higher Capex in the fourth quarter and a significant increase as we head into 2022.

What underpins that is further investment in Guyana, focused on Payara, Yellowtail appraisal, Bacalhau in Brazil is now moving into the start-up of drilling, and so more significant spending heading into there.

We obviously paused a number of downstream and chemical projects. Those are restarting. And so we'll start to see that spend in the fourth quarter and tick up pretty significantly in 2022. And I'd also mention that as we look to accelerate our reductions in greenhouse gas emissions and intensity specifically, we'll be spending a bit more in that area.

So if you think about how that is going to cause us to kick up, I'd say that clearly will put us in that \$20 billion to \$25 billion range. And then clearly, we would leave ourselves some level of flexibility in that range for things that we can't fully anticipate as we sit here today.

Sam Margolin: Thanks, that's very helpful. And then just a follow-up on carbon capture, the reconciliation bill is in the process now. There have been a few different drafts that have come out, each with what seems like distinct kind of carbon capture language and incentives in them.

As you think about Exxon Mobil's plan and proposition in that asset class, how are the early returns that you've seen in these draft bills? And do you think they're sufficient to drive a real acceleration in activity for you there?

Darren Woods: Well, the way I would look at it, Sam, I think trying to predict what's coming out of that political process is -- I don't know if it's as hard or harder than trying to predict where prices are going to go. So maybe just spend a little bit of time talking about the philosophy that we've taken with respect to developing the low-carbon business.

And again, I would start with foundationally the work that we're doing has to leverage some advantage. We want to make sure that the investments that we're making here, we bring some unique value to and expect that unique value to manifest itself in value for our shareholders. And so that's the foundation.

And I mentioned this carbon capture venture that we started back in 2018 in low emission fuels. And it was how do we take advantage of the portfolio of technologies that we have and the skills and capabilities of our people, to find ways to do this that are different and better than the rest of the industry. So that's the foundation.

Then as a philosophy, making sure that we develop a portfolio that is accretive with existing policy. So not betting on the come, not thinking that something is going to pop here and then developing projects that ultimately disappoint us. And so that -- and given that we've got a really I think broad footprint, we're able to tap into different policies around the world. And there are a number of governments, since we launched low-carbon solutions, that have reached out to us and want to work with us to understand how we and what we can bring to the equation to help advance some of their objectives. And so those discussions are happening, but I would say there's a fundamental layer of investment that is accretive with existing policy. Don't look, don't need more help.

Then there's the other tier where these certainly would not be regret investments, but we would need to see some additional policy to make those -- to kind of give us the returns that we would expect, given the resources we're bringing to bear with for those projects. And those are another -- we need to develop those now. Because if we wait until the policy's in place, we'll be behind the game. And so we're being very thoughtful around developing those projects.

It also informs what we're going to need and so that we can very clearly articulate to policymakers all around the world, what would be required. And it starts us down what I would call that learning curve to better inform policymakers and then position us to respond to the policy as and when it comes. Because I think one thing is very clear: in order for society to achieve this longer-term ambition, we're going to need different policies, additional policies around the world. We want to be help lead the industry and the drive to lower emissions and then to take advantage and influence some of those policies.

Operator: Next we'll go to Roger Read with Wells Fargo.

Roger Read: I just wanted to probably a little bit follow up on sort of the questioning that Phil was doing earlier, as we think about the 2025 goal of roughly \$30 billion in earnings. If we take this quarter and annualize it, -- and I realize that's just playing with math more than trying to push you into a corner. But you'd be at about 27 billion. And yes, prices are higher on the commodity front versus the \$60 real. But what I wanted to understand is we look at cash Opex reduction, that's pretty identifiable when you have the portfolio and growth component.

Where would you say you are on the portfolio and growth component today? And how should we think about that maybe stair stepping in over the next couple of years, again against the sort of \$60 real environment?

Darren Woods: Let me just start in terms of how we think about that and make sure that we're holding ourselves in the organization to a standard that doesn't require market help. So the comment that we're making with respect to doubling the earnings and cash flow potential of the business, we try to normalize for price environment. So we're not going to take any help from the market or assume help from the market, but instead assume constant price basis and make sure that the work that we're doing are structural improvements. And so that if the market is there and consistent, then we'll double it. If it's higher, we'll do even more than that. And if it's lower, we'll still be in a very robust position.

And so that's kind of how we think about it. And this year's -- certainly this quarter's margins are not consistent with the basis that we're using for longer term. We are getting some advantage from the market today. We don't assume that is something that manifests itself through the plan. And so that's I think an important foundation to evaluate the comments that we're making.

We talked about the structural efficiency. That's obviously a huge part. And as I said, when we get through the plan, get that endorsed and when we come out and start speaking and take you through the Investor Day, we'll spend more time explaining where some of those savings are coming from. That will be a really important contributing factor.

And then with respect to the projects and the businesses, I think as you look across each of those, the projects are delivering what we expected, in fact in many cases, delivering more than we had anticipated for the things that we started off. I'll give you just a couple of examples.

If you look at investments that we've already made in the Gulf Coast and our chemical plants, those are running well above the AR basis. Reliability and throughput is much higher than we expected. So that's delivering more value.

If you look at the Rotterdam hydrocracker out in Europe, that was a "new to the world" technology, upgrading very low-value streams into high-value lubricant products. That is performing very, very well and delivering well above the basis.

And so -- and if you look at our chemicals business and the high-performance products, a lot of the growth and value that we see in that business comes from continuing to penetrate the market with these differentiated high-value products. And the chemical organization is doing a great job at continuing to grow that and to demonstrate the value of those technical benefits to our customers that they in turn can realize some benefit from those products.

So those are all working very well. And finally in the downstream, a lot of work to make sure that we are driving efficiencies into that business and then squeezing, upgrading every molecule we can into the higher-value segments. The projects that we've talked about in that space are doing just that, just high-grading the molecules and getting more value. And when you combine that with reduced cost, the refining business is better positioned.

And of course, the lubricants business, again a differentiated high-value technology-driven product. They are really doing very, very well growing their business. And this year we're seeing record earnings in there.

So if you look across one of the advantages of having such a diverse portfolio is it gives us a lot of strength and levers to pull, to grow value. And so you see that in all of them.

And then of course, the final point I would make is, and I've been making throughout this call, is we're able to deliver those a lot of those projects and those benefits at a much lower cost and a lot less capital. And so that's playing into the benefits that we've laid out in the deck.

Roger Read: Okay. Great. And then follow-up question, LNG markets have gone -- they've been really strong, I guess let's say, global gas. We know that over the last couple of years, there seemed to be some hesitancy from consumers' side on signing term contracts. You've got some projects obviously that are potentially ready to go and some others that are in process. And I was just wondering any clarity you can offer in terms of changing customer behavior or willingness to sign term contracts in the LNG market right now?

Darren Woods: Yes. No, I think certainly if anything, what I would suggest is that some of the challenges that they're seeing in the global gas market just reinforces the importance of secure sources of supply and a reliable source of supply. And so I don't -- we haven't seen what I would say is any material shifts in terms of how the market. And the consumers in those markets are looking at the opportunities in this space.

Kathryn Mikells: Yes. And our portfolio is heavily weighted to long-term contracts, about 80%. So we'd expect that to continue to be the case.

Operator: All right, next we'll go to Neil Mehta with Goldman Sachs.

Neil Mehta: Good morning team. Darren, Kathy, you guys have a unique perspective into the state of global oil and liquids demand, given your large downstream footprint. I'd love your perspective of where

you see us real time in the demand recovery? How you see the path forward? And then how that ties into whether we're going to see refining margins back to mid-cycle or above in 2022?

Darren Woods: Thanks, good morning Neil. So what I would say is we are definitely seeing around the world, a recovery with respect to economic activity. Then of course, with that comes the recovery in energy demand. I would say that it is kind of stops and starts, so to speak, as you move around the world, with some of variants that we're seeing with COVID kind of slow things down and then pick back up again. But generally as you look around the world, seeing a recovery.

If you look across what I would say primary transportation fuels, I say, road transport, commercial transport, heavy-duty transport, those are getting back to where they were historically. And so I would say the recovery, you can clearly see that recovery's in place.

The thing that's lagging, which I'm sure we all recognize given our own personal circumstances, is air travel is lagging that recovery. It is improving, continues to improve quarter-on-quarter. We saw an improvement this quarter. And so I think ultimately, when you see that demand balance recover, and when I say demand balance, I mean across a barrel of crude as it moves into the transportation markets, it's going to require air travel get back to where it was.

And then it will just be a function about how strong that economic growth is that drives the activity and in the demand. And that, of course, be balanced with the amount of capacity that's available to meet that demand. So as always supply and demand balance will be the primary factor.

There's been a lot of refinery closures, so -- a lot higher rate than there has been. These high energy prices through gas and LNG is going to put some additional pressure on some of advantaged refineries.

So I think we've got to see how that plays out. But our view is this -- the downstream business, when it has a peak or goes through a tight supply/demand balance, it doesn't last very long. So we're really gearing that business up to be successful in a very low-margin environment. And we're leveraging and focusing our efforts on refineries that are integrated with, our chemicals business integrated with our lubricants business, so that we aren't dependent and reliant upon just the fuels market, but instead have a much more diversified product slate that taps into some of the higher-value products.

Kathy Mikells: And then I'd just comment as we look at industry utilization, it's kind of approaching, I'll call it the lower end of what the 10-year range would look like. So as jet recovers here slowly over time that should give us some further opportunity for improvement.

Neil Mehta: The follow-up is on the clean energy announcement today. So the \$15 billion of capital, how should we think about the returns associated with that? And is there a target that you have in mind? I'd go back to one of your competitors' Inventory Transition Day where they said \$10 billion of capital and maybe \$1 billion of cash flow in the out years. So do you anticipate providing a quantification of cash flow associated with the \$15 billion of investments? And how do you think about the hurdle rates in terms of those investments? And tie into that as you think about biofuels versus hydrogen versus carbon capture, is there anything that really stands out as having outsized economic return at this point?

Kathy Mikells: Sure. So a, I would start with by taking a step back and saying we expect double-digit returns across all of our business, and we don't look at this business really any differently. If I look specifically at the capital that I'd say is targeted towards the low-carbon solutions business, so different from the emissions reductions that we're making across our own portfolio, either our

existing business or the growth projects and looking to offset those incremental emissions that would come with growth projects, what I'd say is we look at that and say we think we can see really strong double-digit returns coming from there. Now we have a lot of biofuel projects that are embedded there which are supported by current policy.

The Strathcona project up in Canada would be a great example of that. Clearly, we are seeding some investments. Darren referenced the Houston hub project where we have to feed those investments today.

Carbon capture does need fuller policy support. We referenced that kind of earlier in the discussion today. But if we don't start to seed the planning for those investments, we'll be behind when the policy support comes. And it's clear if we're going to make more progress towards a lower-carbon future, more policy support does have to come.

So that is how we're thinking about it. And we see great opportunities in the space that we're targeting where we think the company really brings advantage. So carbon capture, hydrogen, biofuels is our current focus. And we think we're going to be able to prosecute those projects and earn good returns.

Darren Woods: Yes. And I would add to that, Neil, if you think -- just take biofuels as Kathy mentioned, the Strathcona project, that's not what I would say is an industry-standard biofuels project. We're leveraging our process technology, our catalyst technology to change the value proposition there. And that's true with what we're looking at in hydrogen. And obviously, we've got some work that we're doing in carbon capture.

So in all those areas, it's just coming back to and the challenge we've given the organization, the standard we're holding ourselves to, is we've got to find a way to do this, meet this demand, this need of a lower-carbon lower emissions future, but doing it in a way that's advantaged and therefore brings value to shareholders. And that, we are not letting go to that. We are making sure that the organization understands we're going to do both, not an and/or equation.

Neil Mehta: Very clear, thank you guys.

Stephen Littleton: So operator, Darren and Kathy, we probably have time for one more question.

Darren Woods: Okay.

Operator: Okay. So we'll take our last question from the line of Paul Cheng with Scotiabank.

Paul Cheng: Two questions, please. Good morning. First is for Kathy. And maybe let me add my welcome to the energy land. You are the first person from outside who joined the company management committee. And also that quite frankly for the past say 30 years, Exxon didn't have an official CFO role.

So after you joined, after you've been there for several months, how do you think about the process in the project FID and M&A as well as the criteria? Do you see there's room for change or adjustment? Or that you think the current process is pretty good, and you don't really have any changes that need to be made? So that's the first question.

For the second question for Darren now. When we're looking at your Capex has always been, for at least that for the past 18 months, at \$20 billion - \$25 billion for the next several years. So you

maintained that, but your spending for the low carbon is going to be increased by call it roughly \$2 billion a year; from previously maybe \$500 million - \$600 million, to say \$2.5 billion now.

So is the incremental spending is all being absorbed, because you're doing better in other business and be able to squeeze all the saving out? Or that some legacy project has been pushed out? If they are, what are those? And what does the low-carbon business that you're targeting I think at 10%-plus return, is it going to be better than the project that you pushed out?

57:54

And what we noted is Mozambique is noticeable missing in your press release when you're talking about the strategic investment. Can you give an update on that?

Kathy Mikells: Well, I will start. And I guess the first thing that I would say is I've been really pleased with how the organization has actually welcomed me. You can imagine coming into a company like Exxon Mobil, I would say I was a little bit anxious about what the receptivity would be. And both at the management committee, I'd say across the senior leadership team and across the company, people have just been really welcoming, which has been terrific.

The other thing I would say is as I look at many of the company's processes, I'm really pleased by how rigorous and thorough they are. ExxonMobil puts a lot of work behind things before it comes out and then makes decisions and talks about those things.

And so you mentioned our FID process, which I think is incredibly rigorous. And the company added sometime back a process that they call red-blue team, which is literally putting really smart people and kind of competing them against each other to say, "Hey, as we're going to FID this project, tell us what a different perspective is on whether the project could be even better than what our base economics are. And tell us what a different perspective might be in terms of what some of the call it

hidden risks might be in the project, and have we evaluated all of that." And that's a process where I'd say we take all of those learnings. And then the base economics, how we're managing the risks of the projects just get improved to an even greater level. So I'd say I've been really pleased just by the thorough work that's done across the company.

And I'd take that even into a different area we haven't talked about it on a call. But obviously net-zero is the topic of the day, and the company is clearly doing a lot of work in terms of its own scenario analysis. We talked a lot about the announcement we made in increasing our investment in the low-carbon emission space. And again, all I would comment on is that the rigor of the work that you see at the company is incredible. The work that we're doing on a site-by-site location-by-location basis and staring at our kind of cost curves and the plans and how we're going to reduce our own carbon footprint, I just think is incredibly thorough in detail. And it's what enables us to really stand strongly behind our plan. So anyway, I've been really pleased, really happy with just how the organization has accepted me as an outsider.

Darren Woods: I'll just add, Paul, I think it doesn't feel like Kathy is an outsider, quite frankly. I mean she's come in and joined the team. And I'm not sure that anybody on the management committee thinks of her any different than the rest of us. So it's been I think a really nice fit. And she brings in a different perspective, which is very valued, and it's added to the discussions and the debates that we've been having and we're going to continue to have.

With respect to the questions that you've asked me, I didn't quite catch the last one. But I'll address your first around the incremental spending and how given we haven't changed the range, but it feels a little bit like the portfolio mix is changing, how do we -- where does that come from? How do we think about that? And so what I would tell you is probably three components of how with our evolving plans and the work that we're doing, in particular the additional spend in low-carbon

solutions, how we're doing that within the same band of the range of capital that we've projected or given all of you. There savings is clearly one of them. And I've mentioned that quite a bit throughout the call, so I won't go back around that again. But that has made a difference to the ability.

If you remember, what we said we wanted to do is double earnings and double cash flow. And that's been the objective. It hasn't been a volumes game. It hasn't been a capital spend game. It's around how do you do that and do it most effectively. And as we found ways to do it more effectively, that's allowed us to take off some of the capital spending. So that's an important component of it.

There are -- there have been some shifting, as there always is in this space, and so if you think about some of the LNG projects, there's been some movement on that. Mozambique and the work that we've been doing there and the collaboration with Total with some of the issues that we've seen in Mozambique, that has slipped some, but we're still committed to that project. We see that as a valuable opportunity, but we're going to have to do that in the time frame available to us with some of the constraints that we see today. So there is movement in some of those projects.

Obviously, we delayed the Downstream and Chemical projects. Those are coming back up again, but that shifted the pattern a little bit. So there's some of that in there.

And then the third bucket I would say is we always left ourselves some, and that headroom is -- continues in there. So we've got flexibility. We never -- I mean there's always -- I think the question out there about where we hit 20 where we hit 25, I'd say we're somewhere around there, and it moves from year to year. We give ourselves a little bit of space, recognizing that things are going to

move around, very difficult to predict some of the scheduling and movement around there. So that's how I would think about it in those three buckets.

And frankly, the way we judge that is ultimately, does that movement inhibit our ability to deliver on the value proposition that we laid out? And that is one of the points that why we really want to emphasize that we are going to deliver on the earnings and cash flow growth. Which is what we have been driving the organization to do, because we believe ultimately, that underpins the growing TSR, total shareholder return. So -- And the last point, Kathy, you have...

Kathryn Mikells: Yes. I think you kind of have already touched a little bit on what I thought was your last question, Paul. And that was about Mozambique. And our Coral project is clearly moving forward. And you touched upon a project that we paused simply because of the security situation on the ground, which we'll continue to look at and revisit over time.

Pavel Molchanov: Do you -- you guys are still committed to that? Because I think there's some market rumors that Exxon may revisit whether you want to be in that project?

Darren Woods: Yes. I wouldn't put a lot of faith in the market rumors that -- as you know, Paul, there's a lot of people talking. Most of them don't have a good understanding of the discussions that we're having.

And now we see that as a very competitive resource. It's large. We've got opportunities with Total that we've been working on. They're committed to the project. We got a working relationship with them as well as our other partners and our existing -- So I think we'll continue to develop that. We think that's going to be very competitive in the long term and something that's going to be needed. So we got work commitment. We continue to be committed to that.

Stephen Littleton: Okay. With that, Darren, Kathy, we want to thank you for joining us and for all on the call.

Thank you for your time and thoughtful questions this morning. We hope you enjoy the rest of your day. Thank you, and please be safe.

Operator: This concludes today's call. We thank everyone again for their participation.