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PRESENTATION

Neil A. Hansen *- Exxon Mobil Corporation - VP of IR & Secretary*

Good morning, and welcome to ExxonMobil's 2020 Investor Day. We very much appreciate you joining us this morning, and we look forward to an engaging discussion today. For those of you that I have not met yet, my name is Neil Hansen. I am the Vice President of Investor Relations and the Secretary.

I want to begin by reminding you of the safety procedures here at the New York Stock Exchange. There are 2 exits from this room, one to the left of the stage and one in the back of the room. Both of these will take you to a stairwell down to the street level. In case of an emergency, there will be an audible message that will give instructions and Stock Exchange personnel to provide directions. Also, I would ask that everyone please silence any electronic devices, including cellphones and tablets, so we're not disturbed during the presentation.

This month marks the 100th year of ExxonMobil's listing on the New York Stock Exchange. And in recognition of this impressive milestone, we have provided you with a gift at your seat to commemorate this special occasion.

Next, I would like to draw your attention to our cautionary statement found in the front of the presentation material and our supplemental information. As you know, these statements contain information that is relevant to today's discussion, and I encourage you to read them. You may also access our website at exxonmobil.com for additional information on factors that may affect future results as well as supplemental information that provides definitions for some of the terms that we will use today.

Let me start by reviewing the agenda. Darren Woods, Chairman and Chief Executive Officer, will lead the presentation today with members of the management committee. Darren will begin with an overview of the business fundamentals supporting our investments and our plans for growing shareholder value. Neil Chapman will then provide an update on the Upstream business. Jack Williams will provide updates on the Downstream and Chemical businesses and give some perspective on our new global projects organization. Andy Swiger will close our discussion with some insights into the technology that we are developing and deploying and then review our investment and financial plans. And then we'll have an opportunity after prepared remarks to take questions. At the conclusion of the morning session, we will host a lunch on the seventh floor of the Stock Exchange.

Before we get started, I'd like to take a few minutes to walk through an update to the price and margin basis that we will use today throughout the presentation. These changes are being made in response to the feedback that we received from many of you during the past year. I'll start with the fundamentals. We operate a capital-intensive business. It's a commodity business, as you know, that is subject to price and margin cycles. The business results we deliver are obviously substantially impacted by the price and margin environment in which we operate. Recognizing that the business moves in cycles, it is important to establish a constant price and margin basis to evaluate the structural business improvements that we are making as well as provide a framework by which we can communicate the changes and the capacity of the business to grow earnings and cash flow over the long term.

Now it's important to know that the basis we have provided is in no way a prediction of the future market environment. And further, it's not used as a justification of our investments. As we have said many times, our investments are tested to ensure they are robust across a range of prices and market scenarios. When we first communicated the growth potential of our business back in 2018, the intent was to demonstrate the structural improvements underway that would increase the earnings and cash generation capacity of the business relative to the price and margin environment in 2017. Now with the passage of time, and as prices and margins have moved through the cycles, using that specific point in time as a reference for future growth has become less relevant.

So we are updating how we communicate the potential of our business in 2 important ways. First, we are updating the price and margin basis to reflect 5-year historical averages, which we believe are more indicative of the commodity cycles that we typically experience. And second, we are providing ranges of potential for each of our businesses using the high and low points over the past 5 years. And then we've also indicated what we would expect results to be if 2019 market conditions persist. Now the key takeaway from all of this is there is no change in the underlying business improvements that we communicated to you 2 years ago.

The next 2 pages show how the previous price and margin basis compare to the 5-year averages, again, as well as the high and low points that we've used to illustrate the ranges of potential. We've included additional information in the supplement for your reference.

And with that, it's now my pleasure to introduce Mr. Darren Woods, Chairman and CEO of ExxonMobil.

Darren W. Woods - *Exxon Mobil Corporation - Chairman & CEO*

Thank you, Neil. Good morning, everyone. Good morning, everyone. Come on now, a little bit of energy here. It's really good to be back to share some plans with you today. And I appreciate all of you joining us here. And for those viewing remotely, as Neil said, today is -- event coincides with our 100 years of ExxonMobil's listing on the New York Stock Exchange. That, I think, is a noteworthy accomplishment and really a great backdrop for the discussion we're going to have today. I think also, though, it's important context for viewing the current challenges that we see in today's market. You all know, today, oversupply is driven by industry investments and some of these growth markets have exceeded demand, and we've got a very challenging short-term margin environment, which is now being compounded by the growing economic impact to the coronavirus that we're seeing around the world. And that is creating a lot of uncertainty, particularly in the near term, and I would say, particularly here in Wall Street. However, the longer-term horizon is clear. And today, our focus is on that horizon and the future. And I'm providing all of you an update on the progress we've made on our long-term plans to structurally grow our earnings and cash flow while improving returns.

We're going to spend some time this morning highlighting the advantages we expect to gain from really leaning into this market when others have pulled back, and while saying that, remain very mindful of the challenges of the current market environment. And we'll show how we're leveraging the flexibility of our plans to adjust the pace of development. Also, I'm going to highlight how our plans are built around supporting

societies' dual challenge, meeting the increasing demand for energy, while lowering carbon emissions to address the risk of climate change. And the full management committee is going to share our perspective. Neil and Jack are going to provide updates on the progress we're making across each of our businesses. And Andy will show how all that translates into our financial results across a wide range of price scenarios.

We're also going to devote some time to describing how 2 of our key competitive advantages, project execution and technology, are driving value today and ensuring that we remain well positioned for success in the future. And then, as Neil said, after that, we will take some time to address your questions.

So what's our discussion going to focus on? A few key themes. I'll cover the fundamentals, how growing global populations and increasing prosperity are driving a corresponding increase in energy demand, which supports our investments and the industry's investments in oil, natural gas and chemicals. We'll also discuss how consumer demand is evolving towards cleaner and higher-value products and how those changes are driving our investments in refining and technology.

Two years ago, we laid out a plan to expand our earnings and cash flow potential of our businesses. And today, we are reaffirming those plans. They're supported by our advantaged investments, projects, a very robust portfolio of investments, a favorable cost environment and the opportunities created by the industry underinvesting. As Neil covered in his opening remarks, the nature of our capital-intensive commodity businesses result in price and margin cycles, which really underscore the importance of investment flexibility and the advantages we have to successfully manage through that flexibility. Today, we'll cover some of the adjustments that we've made while preserving the advantages and the value of our projects. We'll provide an overview of some very important R&D work that further strengthens our advantage, of our investments in our business and, importantly, our working hand to develop solutions to address the risk of climate change.

Today, we will demonstrate that we are delivering on the structural business improvements and the growth potential that we shared in 2018. And we're doing that despite the significant swings in the commodity price and margin cycles, which I want to spend just a little bit of time now talking about, because we all know this commodity businesses generally rise and fall with the overall market. Capital-intensive commodity businesses have the price margin cycles. When demand is exceeding supply, prices rise, revenue increases, that sparks investments. Highly competitive markets with lots of independent players start investing and tend to then overinvest. Supply then exceeds demand, prices drop, revenues drop, investments pull back and then eventually, growth catches up to that, and we see prices rise. A very classic commodity cycle. This is very well understood. But if you're focused on the here and now, the short term, current conditions -- and let the current conditions define the industry, which is a lot of what I'm hearing today, you would take a very different view on the future. For us to successfully run this business, we've got to take a much broader perspective in a much longer time horizon. And the chart that you see here on the left is for polyethylene, which is our proxy for our Chemical business.

You can clearly see the cycles. And some will question, will we recover from this low as we have in the past? And the answer lies on the right-hand side of the chart which shows solid demand growth for our product that enables modern life and supports higher standards of living. And Jack is going to spend some time in his section, taking you through more detail on that.

You see a very similar story in the Downstream, using refining margins as a proxy. We see cyclical margins with slightly shorter cycle times. We also see demand growth on the right, pretty steady, a little slower, but consistent as economies around the world continue to expand. And likewise, we see similar ups and downs with the natural gas prices in the Upstream. And again, on the right, a steady growth in demand. If you lay all those on top of one another, we see reasonably good growth businesses where capacity investments have overwhelmed the growth in demand leading to the down cycle and waiting for demand to catch up. These are typical cycles. Unfortunately, they're hitting multiple businesses at once, creating a short-term issue. That, unfortunately, is impacting short-term industry earnings.

Now I look at the chart and a question I ask myself, and I would ask all of you is, when is the best time to invest in these types of businesses? We expect these down markets to discourage industry investment, setting a stage for a significant upswing. And we believe the best time to invest in these businesses is during a low, which will lead to greater value capture in the coming upswing. You can do that if you have the opportunities and the financial capacity, which we do. This is a key competitive advantage of ours. The red line on this chart shows the debt-to-capital ratio for our corporation over the last several years. The range for our competitors are shown by the blue band. We have been, as you can see and continue to be, at the bottom of the range with a very strong financial position, one we've had for decades. However, to realize the value of this, it has to be

deployed, which is an integral part of the strategy that we laid out. The red shaded range here shows a projection of our debt-to-capital ratio based on our current investment plans assuming cycle average margins for the Downstream and Chemical businesses and crude between $50 and $70 a barrel.

Now as you can see here, with crude at $50 a barrel for this entire time frame, our debt-to-capital ratio remains below 25% and at the low end of the industry.

Let's take another scenario, a more aggressive one where we have sustained the low margins for the Downstream and Chemical businesses, similar to what we see today over this entire time frame, and we have crude at $50 a barrel over this entire time frame. Our current investment plan would result in a debt-to-capital ratio shown by the top of that hashed area. Under that scenario, our debt-to-capital would rise to 30%, still within the range of peers. But I want to be really clear on this chart. We're not predicting this nor do we expect it. Being at the low end of all of our businesses for the 5-year period. We haven't ever seen that in the past, but we wanted to stress test it. I would also tell you, if we found ourselves in this unprecedented environment for 5 years, we would change our plans. But the point of this scenario is that we wouldn't have to. We would still remain within the historical range of our peers.

Using our balance sheet to invest through the cycle is a key element of our strategy and how we take advantage of that key competitive advantage, enabling us to invest in advantaged projects, capture value in an attractive cost environment, take advantage of low-cost debt and strengthen our position for that eventual upswing while improving our market position. Having said all this, we want to be judicious, preserving capacity and optionality to ensure that we maintain balance across our long-standing capital allocation priorities.

We remain committed to a reliable and growing dividend, which we've demonstrated through 37 years of consecutive growth. We're also committed to building a strong foundation through advantaged investments that underpin our long-term success and grow earnings and cash flow. The progress that we've made over the last year has only reaffirmed the advantages and the value of our existing investment portfolio, including the advances we've made in the Permian, additional exploration discoveries in Guyana, and the success of our recent Downstream and Chemical projects, which have been accretive to earnings and cash flow even in this very low-margin environment. However, with these challenging conditions, we have stepped back to evaluate the pace of our business improvements. And we've tested options to defer investments without compromising their advantages or their value.

To-date, we've slowed some spending, which we will have a minor impact on short-term volumes, but no material impact on the structural business improvements that we've committed to. Over the course of the presentations today, we'll cover these changes and their impact.

We're also increasing the organization's focus on expense management, ensuring every dollar spent is necessary and generates additional value. This year, we'll reduce our operating cost on our base assets by over $1 billion, and will be even better in 2021. And as we move forward in this year, we'll obviously keep a very close eye on market developments to make further adjustments if necessary. But given the advantages of our projects, the industry decline rates and the growth in demand that I showed, we're being very, very thoughtful in our deferrals. We want to ensure that we're well positioned for the inevitable upswing as growth in demand outstrips current supply. And we certainly don't want to compromise our ability to meet society's growing needs, which I want to turn to next.

The fundamentals that drive demand for our products. I've talked about this before. It begins with people. People trying to improve their standards of living, access to food, water and housing, light, heat and air conditioning, access to medical treatment, transportation, higher levels of education and income, all that leading to improved living conditions and longer and healthier lives. The United Nations characterizes people's well-being with the Human Development Index. It measures achievement in 3 key dimensions: gross national income per capita, which is a proxy for standards of living; longevity, which is a proxy for health; and years of education. This chart links the index for our country, shown on the y-axis, with energy consumption, shown on the x-axis, and the size of that bubble represents the population size. And as you can see, there is a clear correlation, as living standards rise, so does the consumption of energy. This makes sense if you think about all the modern conveniences of life.

For those of us here in the United States, in much of the developed world, which you can see in the upper right of the chart, it's difficult to imagine that half of the world's population, roughly 4 billion people, have a life expectancy that is 10 years less than ours and receive 1/3 less education. 900 million people still don't have access to electricity. This has enormous implications for the future of energy demand. As billions of people strive

for better living conditions, the world's demand for energy and products that support modern life will grow. And this relationship is very important and critical to our strategies and our investment plans. In fact, it underpins them all. Between now and 2030, the global population is expected to grow by approximately 1 billion people. The middle class will expand to more than 5 billion people. That growth drives demand for energy, which is expected to increase by 20% between now and 2030. And unfortunately, it also drives an increase in emissions. The lack of widely available and affordable energy alternatives will lead to emissions growth of 9%, driven primarily by the expansion of the middle class in developing areas of the world.

Now some people question this, particularly since the signing of the Paris Agreement. This chart provides a little perspective on that. Since signing the Paris Agreement, global emissions have risen by 4%, with a corresponding 6% growth in energy demand. This is society's challenge. This is the dual challenge that I talk about, meeting the growth and demand for energy while reducing emissions.

So let's focus on the sources of this challenge. I'm going to start with some context using the most recent data in 2017. The energy system accounts for about 65% of the world's total GHG emissions. Of that, nearly 2/3 come from non-OECD countries. In fact, going forward, all the growth in global emissions is expected to come from non-OECD countries. This is important. Is the size going to find solutions to significantly reduce the world's GHG emissions? The solutions have to work in non-OECD countries, which means they have to be affordable, and they have to address these 3 sectors: commercial transportation, power generation and industrial, which account for more than 80% of energy-related emissions. Today, hydrocarbons meet more than 85% of the energy needs from these 3 sectors. Why is it? They are the fuel of choice. They're energy dense. They work at scale. They're easily transportable, therefore, globally available. And most importantly, they are affordable. To reduce energy-related emission, the world needs alternatives in these 3 sectors that consistently provide those same benefits across all economies and geographies. And unfortunately, today, they don't exist. That's where ExxonMobil thinks they can make a difference, by leveraging our long history and strong capabilities and researching new technologies, developing them, and then deploying them at scale. We hope to expand the solution set and help fill the gaps in today's existing set of alternatives.

Let's look at the challenges and start in the commercial transportation sector. The doughnut on the left represents the share of total energy demand from commercial transportation, 11%. The doughnut on the right shows the share of total energy-related emissions from commercial transportation, about 15%. Barriers to affordable scalable solutions include lack of energy density, which is absolutely critical for long haul transportation; battery range and storage limitations and the potential need for new infrastructure.

What are we doing? We're looking at advancing potential solutions to address these barriers by working to develop advanced biofuels from algae and cellulosic biomass. In addition to providing the net necessary energy density, they can leverage existing infrastructure, which encourages broad adoption and accelerated penetration. And at the same time, the reducing emissions significantly compared to today's fuels.

Turning to power generation, which represents 40% of energy emissions. Advantages of today's alternatives vary by geography. As we've seen here in the U.S., there's tremendous potential for natural gas to replace coal and significantly reduce emissions. However, coal remains widely available and can be lower in cost in some areas, particularly developing countries, which becomes a significant barrier to switching. Wind and solar, while growing rapidly, are challenged in some areas, availability of sunshine and wind, density, solar and wind are diffuse sources so require large installations. And then intermittency, requiring redundant power sources or significant advances in storage and transmission capacity.

What is ExxonMobil doing? Instead of trying to replace the world's existing power generation system, we are collaborating with others in researching more effective technologies to capture the carbon they emit, using existing infrastructure significantly lowers the cost of transition and could accelerate decarbonization of the power generation sector, particularly when you couple that with natural gas.

Our developments in this area are leveraging decades of experience in capturing carbon dioxide. ExxonMobil has cumulatively captured more CO_2 than any other company, accounting for more than 40% of all CO_2 captured in the world. We're working on fuel cells that concentrate CO_2 while generating power and new materials to separate carbon dioxide from air, increasing the potential for direct air capture. In this space, we agree with independent experts, carbon capture is absolutely necessary if society is going to achieve its aspiration of eliminating CO_2 emissions.

The industrial sector, which manufactures the basic building blocks of modern life, including cement, steel and plastic. It's the third emission intensive sector, accounting for 30% of emissions from energy use. And given the energy intensity required for this sector, today, there are no real

alternatives with the exception of carbon capture. We're progressing novel technologies in support of energy-efficient manufacturing. We're looking at advanced membranes, state-of-the-art catalysts and new equipment designs. We're also looking at fundamentally redesigning our existing processes to require less heat and energy.

We're also looking at technologies that could potentially replace energy-intensive materials like steel and concrete. Imagine, if city buildings were made of novel materials with a much lower GHG impact. That's a game-changing concept and one that we're working on. And you'll hear more about this in Andy's section on technology.

Now as excited as we are about the potential of technology, we recognize that discovery, development and deployment will take time, particularly when you consider the scale and complexity and all the existing infrastructure of a global energy system. This chart provides a perspective of the time required for a transition using history and a projection from the IEA's stated policy scenario. It took roughly 100 years for oil to replace coal as the world's dominant form of energy. And while coal has been recognized for decades as a carbon-intensive, particulate-laden energy source, it's use continue to grow through 2013. Traditional biomass, such as wood, crops, dung and garbage still are widely used as a source of energy in many societies today despite its many deficiencies and the impact on health. Its use illustrates a fundamental reality. Society's choice of energy is often driven by availability and affordability. Alternatives will have to meet these requirements before they become widely adopted. And even then, it will take time.

Oil and natural gas will continue to be needed, with the IEA estimating their share of total energy in 2040 to be more than 50%. Even in a hypothetical, less than 2-degree world, as shown in the IEA sustainable development scenario, oil and gas still represent nearly half of the world's total energy mix. This is an important point, a really important point which is worth pausing for, particularly given the rhetoric that's out there today. Knowledgeable, independent third parties confirm the importance of oil and gas well into the future. Transitioning a large, complex, capital-intensive global system that, by the way, plays an incredibly important role in people's lives, is going to take time.

When depletion is factored in, substantial industry investment will be needed for the foreseeable future, which you can see in this slide. Oil demand is expected to grow at 0.6% per year and natural gas demand to grow by 1.3% per year. When you factor in depletion rates, new oil production needs to increase by nearly 8% per year and natural gas by 6%. You can see this when we overlay our demand charts with the depletion charts. The green and red areas on the chart show existing supplies that decline over time. The lines show the demand and the gap between the 2 is the additional supply required to meet that demand.

Under a range of scenarios, including third-party, 2-degree scenarios, which are shown by the red diamond, significant investments in oil and natural gas are required. In fact, the IEA estimates that approximately $20 trillion of additional investments are needed by 2040. This is a compelling investment case for ExxonMobil and the industry.

If you look at our investment plans, they roughly maintain our share of the world's oil and gas market, at less than 3%. The rest of industry appears to be falling behind. The chart on the left is from the International Energy Agency as well and shows annual levels of conventional resources approved for development. Relative to 2011, investment levels are significantly down and well short of what the IEA believes the world needs. And you can see this in the 2 bars on the far right of that graph. These show 2 different IEA scenarios, including the Paris-compliant sustainable development scenario. In 5 of the last 6 years, industry has failed to sanction enough developments to meet the requirements of either scenario.

The chart on the right demonstrates the challenge the industry will have going forward. It shows global resource discoveries and exploration spend. And you can see, in 2019, exploration spend was down more than 60% relative to the highs. Over the last 7 years, industry has failed to discover the resources needed for either one of those scenarios. In 2019, only 16 billion barrels of resource was discovered. This represents just 2/3 of the annual resources needed under the Paris-compliant sustainable development scenario.

I look at this through another lens. This chart shows the average reinvestment rate for the leading IOCs. Over the last 10 years, the IOCs' average investments exceeded 75% of their operating cash flow. Based on their announcements, investments as a percent of cash flow would drop 25%, well below the investment levels the IEA believes is needed. Interestingly, their relative levels of investment are now consistent with our historical rate of spend and in line with our go forward plans, albeit with a much weaker set of opportunities.

Our investment portfolio leads industry and is the best we've had since the merger. Each project is robust to a range of price environments. And leverages some combination of our competitive advantages, yielding an average portfolio return of 20%. We continue to see upside potential in many of them and remain very committed to their development. As such, our CapEx guidance over this planned horizon remains consistent, between $30 billion and $35 billion per year. In 2020, we expect to be in the bottom half of that range, a decrease from what we said last year when we projected that we would be in the top half. Of course, our actual investment levels will depend on the developments in the industry environment. For both product prices, which move around quite a bit and change what comes into the corporation; and development costs, which up to now have been very favorable.

As industry has pulled back from investing, the oversupply and services has led to a very attractive cost environment. You can see that in both of these charts. Lower onshore and offshore construction costs, so think of steel, materials and construction labor, have created a favorable environment. And drilling rates, shown on the right, are down considerably from recent levels, providing additional advantage as we've scaled up our developments in the Permian and in Guyana. You can also see that seismic rates are down, providing significant support for exploration activities. And this is an area we watch very carefully. And to make any adjustments that we think are necessary to maximize the value of our investments. And what I would say is while low-cost environment helps and adds to our existing advantages, it certainly doesn't define them. Our criteria for an industry-leading returns are met by the unique capabilities of our organization. Which I've spoken about on many occasions, technology, scale, integration, functional excellence, and most importantly, people. Each of these advantages is significant in its own rights. When you take them together, they provide a competitive position, unmatched in our industry.

As Neil, Jack and Andy take you through their presentations, you'll see how these strengths are manifesting themselves in our work and future results. It's going to allow us to deliver on the structural improvements that we laid out 2 years ago. In each of our businesses, we're delivering on the commitments we made in 2018, to invest in projects that generate industry-leading returns and improve our competitive position. And as we move through the presentation, you'll see the progress that we're making in each area.

But I'm going to summarize it very succinctly. The work that we've done over the last 2 years has only improved the benefits and grown our confidence in these projects. By 2025, we will approximately double the corporation's earnings and cash flow capacity from when we first introduced the plan. Of course, today's current price and margin environment is very different from when we first discussed this plan. And no doubt, it will be different in 2025. Our plans and investments are not dependent on a specific market environment. Each of our investments are robust to a wide range of price scenarios. And in fact, we demonstrated that last year with the Downstream and Chemical projects that we recently started up. Even in that decade-low price environment, these projects contributed positive earnings and cash. We don't control prices and margins, but we do control the quality of the projects and their inherent advantages, which you can see in this chart on a 2019 constant price environment. So last year's price environment, taking to our plans going forward, you can see that earnings still almost double in that environment from 2017.

Of course, we also control the pace of execution. And to-date, that pace has served us well, allowing us to capture a lot of cost savings. As the price environment evolves, we'll continue to evaluate that pace and adjust where appropriate, ensuring that we're still realizing the advantages of our projects.

So before I hand things over to Neil, let me quickly recap. Energy is essential to human development, and demand will grow as the global population increases and more people move into the middle class. This fact, coupled with the evolving consumer demand including the desire for lower emissions, underpins our technology efforts and our investments. Our portfolio of investments look even better today and remain robust to a wide range of price environments. We have the capacity to weather the short-term impacts of the price cycles but can make adjustments to preserve optionality without compromising the value of our projects. And finally, we are delivering on the plans we laid out in 2018 to structurally improve our business.

So with that, let me turn the floor over to Neil so he can discuss how all that translates into his business. Neil?

Neil A. Chapman - *Exxon Mobil Corporation - SVP*

Good morning, everybody. As Darren said, in the next 45 minutes or so, we'll look at the Upstream part of the corporation. And the intent is to provide further transparency, not just on our performance, but on the progress we're making towards our value growth plan.

So like Darren, let me start with some overarching messages on our Upstream business. These 4 messages here will serve as the flow from my part of this morning's presentation. The majority of the Upstream organization are focused on driving performance from our current assets. Actually, I'm not going to talk a lot about that this morning, but that doesn't reflect on the very high level of importance that we place on driving value from our current facilities. I said before, the key to winning in this Upstream business is developing the most competitive value growth portfolio in the industry. And there are 3 key drivers to achieving that objective. And they're captured in the next 3 bullets on this chart.

First, high-grade your portfolio by divesting less strategic assets. We're on schedule with the targets and plans that I laid out here last year. Second, we need to high-grade our portfolio by investing in the most competitive developments in our industry. Our developments are unmatched. They're the strongest set of developments this corporation has had since the merger of Exxon and Mobil. We have 5 key developments, all generate high returns, all generate high returns at low prices. And the portfolio contains flexibility in the pace of execution, and I will reference that as we go through these slides coming up. As Darren commented, we are adjusting our execution pace and our CapEx spend based on the current business environment. Third, we must maintain a strong pipeline of new opportunities. At its core, this is an extraction/depletion business. So critical to our long-term success is finding competitive opportunities to offset depletion. We have had unmatched, unmatched exploration success in recent years. And I'll discuss this success at the end of my presentation.

So let me turn briefly to getting the most out of our current facilities. The chart on the left sets our high-level expectations of our existing, our current assets through 2025. Of course, depletion and volume decline will happen. The objective is to offset that decline where economically practical. Typically, that's well work or infield drilling, and these are often among them at lowest cost and the highest return barrels. But we are constantly assessing where capital is spent on our existing assets. So for example, the current low Henry Hub prices in North America and with the amount of associated gas that's being produced with liquids production in North America, we are reducing our capital expenditure this year on North American dry gas. I've said before, not all volumes are equal. And with the price of Henry Hub at that low price, of course, it makes sense for us to pull that capital in that segment of our business.

Our main focus on these assets continues to be on cost control and reliability. Each asset that we have in our Upstream portfolio is charged to maintain or reduce unit operating expenses despite falling volumes. And we're now leveraging new industry benchmarking data to further stretch our organization.

Operationally, 2019 was a very strong year for the Upstream. We have plenty of production records at many of our assets, and they included assets such as Sakhalin, Hebron, Kearl and Kashagan, amongst others.

This slide summarizes our divestment activities. We're on plan. As I discussed last year, we've identified divestment candidates based on the combination of the strategic fit, the materiality and the growth potential to our portfolio. The program will streamline and simplify our portfolio. It will allow us to deploy resources on higher-value opportunities. And of course, and really importantly, to me, this streamlining provides the platform to further reduce costs across our Upstream business. Through the end of last year, we've captured 1/3 of our risked 3-year target. The largest, of course, was the Norway OBO sale. Importantly, that was 1 year ahead of what I said last year. I had anticipated we would complete that Norway OBO sale at the end of 2020. The opportunity was there. We've moved on that sale at the end of last year. The $15 billion target, as I said last year, it's a risked number. We don't expect success on every asset that we put in the market. If the value is there or not there, we're not going to transact. It's a continuous process of looking at if and when we need to put further assets in the market. So let me move next to our progress on our value growth plan.

I'll focus on the 5 key assets that I discussed in 2018 and I discussed last year, and they're in unconventional, deepwater and liquefied natural gas. It's a diverse mix of resource types. It includes short and longer cycle investments, which, therefore, provides optionality in investment timing and pace. All these are very competitive, all are attractive at low prices.

When I walked into the room half an hour ago, a couple of the guys here asked me, "What should we take away, Neil, from the Upstream part of the story this morning?" And I would tell you, the success in the Permian and the success in the Guyana will be top of my list. And I'm going to reflect on those in the following slides.

I'll begin, in fact, with the Permian, and I'm going to start by saying, I'm extremely proud of our organization who is working in the Permian, and there are a lot of people working on the Permian. We're making terrific progress. I'm excited by the improvements that we're seeing every month. And most importantly, we're delivering or exceeding on what we would say -- what we said we would deliver on. So let's go to a little bit of detail on Permian.

The map here plots our acreage across the whole of the Permian. It contains the combined recoverable resource of about 10 billion oil equivalent barrels. We hold a large acreage position. Importantly, we hold a large position with large blocks of contiguous acreage. You can see them on the chart there -- on the map there. But there are important differences between the basins. The Midland is more mature. It has largely established infrastructure. We have drilled wells and we've installed facilities sufficient to produce 20% of our resource in the Midland Basin. That is not 20% of the resource has already been produced. It means that 20% of the resource is currently in production. It's an important distinction. Our acreage in the Delaware is 3x the size of the resource we have in the Midland. But of course, the infrastructure is much less developed. This means that we have been and we continue to expand the surface infrastructure ahead of our significant production ramp-up. However, despite that, in the Delaware, we still produced about 100,000 barrels in 2019, despite having just 3% of the resource in production. So 100,000 koebd, 3% of the resource in production. Our resource inventory is large. And I would tell you, it is significantly underestimated by many observers.

Our inventory is based on delineation that we have been doing over the last 2.5 years, and our economic assessments, which underpin our development plans. Our current drilling pace is 250 wells per year in the Delaware, 250. We have an inventory in excess of 6,000 wells. That means we can maintain that pace, if we choose to, of 250 wells per year for the next 20 years and beyond. There is a large inventory.

These charts summarize the allocation of our rig activity back to 2017. On the left is the Delaware. We have been in the early stages in the Delaware. Remember, the Delaware has 3x the resource. We only purchased the Bass acreage in 2017. Our focus in the Delaware has been on rapidly understanding the resource and building the surfaced infrastructure ahead of a full-scale development plan and a full-scale production ramp-up. Hence, as you can see on the chart, a high percentage of rigs that have been used on delineating the resource through the middle of last year.

Now I want to emphasize, understanding the subsurface in this unconventional business is critical to optimizing the development plan and to ensure you generate the highest value and highest return. We believe that's strongly and importantly, underestimated. The importance of understanding the subsurface to generate the value that we're going to generate from these facilities and from this resource.

So having gained so much understanding, we've now transitioned the Delaware to a development phase in 2019. So remember, in 2017, we just had 3 rigs running. At the beginning of this year, we had 40 rigs running in the Delaware Basin. Even though we've not yet had a full year of development drilling, we're seeing very solid progress. Drilling times are reducing and we are very pleased with what we see in the rocks and with our well performance.

On the right, you can see the Midland development. It's more mature. You can see that for some time, more than 90% of our rigs have been focused on development drilling. And we saw strong, strong improvements in our drilling last year in the Midland. Drilling times were down sharply, and this has continued in the first 2, 3 months of this year. Our rig count in the Midland peaked last year at 22. As of February this year, we had 18 rigs running in the Midland Basin. This improvement in drilling times is what we had anticipated. It will result in less rigs and lower cost.

Based on the improvements we're seeing, combined with the current market conditions, we anticipate reducing the number of rigs in 2020 by more than 20% this year versus where we are today. So that's more than 20% versus where we are today. And as you will see later, these reductions are only having a very moderate impact on our volumes.

This slide summarizes the Permian production over the last 5 years versus our plans. It's what I expect. We met or exceeded our plans each year. Our volumes last year increased by about 80%. Now while volumes are an important metric, our focus will remain on value. I continue to believe, we continue to believe that the way to maximize the value out of this 10 billion oil equivalent barrel resource comes from optimizing 3 factors: the production rates; the resource recovery, in other words, how much hydrocarbon you can get out of the rock; and capital efficiency. Production rates, resource recovery and capital efficiency. In the following slides, I'm going to expand on how we're managing this balance.

This is a key slide. It's the basis of our development plan. And this is built on leveraging our unique combination of competitive advantages. On the left-hand side, I've listed those key competitive advantages. We have a strong proprietary technology set, particularly in the subsurface technology, think of it as subsurface understanding, and in drilling. Andy is going to provide some further details and perspective on these technologies later this morning. We have large blocks of contiguous acreage. That enables us to develop at scale and at lower cost than the rest of industry. We have industry-leading capability to execute major projects. The way we're developing in the Permian is a major project. And as we're all aware, other companies have struggled to develop major projects on time and on budget.

And then lastly, we have the largest refining and chemical footprint on the U.S. Gulf Coast in the industry that can take advantage from the molecules we're producing in the Permian. These advantages form the foundation of this higher value development plan. It's different, it's differentiated, and it's tailored to those advantages. We described it as being built on 3 platforms. First of all, we are focusing on cube development. Cube development maximizes the resource recovery, it lowers capital costs, it generates higher long-term value.

We're developing at scale to further drive down capital costs and to further drive down operating costs. And then securing ownership and a long-term position in takeaway capacity ensures that we can leverage and take advantage of our unique Gulf Coast position.

Later, Jack will discuss how we're leveraging that opportunity. From an Upstream perspective, this is truly applying a manufacturing approach to an upstream development. And I continue to believe we have an unmatched capability to deliver an efficient development at scale. It's something that others simply cannot replicate. Okay. So I'm going to focus on the 2 Upstream components to this plan. First of all, maximizing the long-term value through cube development. And then secondly, how we're using scale to drive capital efficiency and lower operating costs.

Let's look at cube development first. I think it's well understood. One of the challenges in the Permian is the stacked pay zones that can be connected. We often describe it as the zones. These laterals are in communication with each other, drilling 1 well or drilling 1 lateral can reduce the pressure in the surrounding laterals or the surrounding rocks. This lowers the ability to recover hydrocarbons with future neighboring wells, the so-called parent-child effect. It's important. It's important because of the strong correlation between resource recovery and net present value. Cube drilling is the simultaneous development of multiple stacked pay zones to reduce these parent-child effects. The graphic on the left is a simplified view of a 7-rig 5-lateral cube development.

The colored layers are the stacked pay zones. The red dots are the wells in the cube. And the black lines, those thicker black lines, illustrate the impermeable rock layers. So what that means is the rocks above and below those black lines are not in communication with each other. You need to understand that to effectively develop cubes.

A large-scale cube development is capital efficient, but it's challenging for most operators. It requires a capacity to run multiple rigs simultaneously in one development area. It requires surface infrastructure and logistics to be in place to ensure that you have the takeaway capacity. But the cost of benefits of scale we see as being very significant.

So this is the surface view of what a rig development look like. This is 7 rigs in the Midland Basin, all drilling simultaneously. Schematic, well, I think the schematics are gross oversimplification of the subsurface. The reality is, it's not like that. It's much more complicated. The subsurface is not homogeneous. The geology and reservoir properties vary by locality, they vary by ZIP code. Successful cube development is only possible -- I'm not taking about cube development, I'm talking about successful cube development is only possible if you truly understand the subsurface, understand the reservoir characteristics, understand the fluid properties. That's why the application of our proprietary subsurface technologies is so important to our development. It's key to determining the optimum well spacing, the well stacking, the lateral length, the completion intensity, not all cubes at the same size, not all wells are spaced equally. I read, like you do, many of the reports that talk about all of these wells being spaced equally. We don't think that's the way to succeed. You need to understand the subsurface to know where to place these wells. They need to be tailored to the local geology.

This slide quantifies the value of cube development based on a combination of our experience and our modeling. Here, we compare the NPV, the value impact of developing best wells versus best bench versus cube development. And the bars illustrate the NPV from the different development options. The top 2 bars are developing the best wells or the best ventures. Of course, it requires multiple drilling phases. You come in and drill and you go away, and you come back later and drill again. It does create the potential for higher initial production rates.

If you're looking at IP30s, IP90s, even IP365s alone, you can get high numbers from drilling the best wells and the best benches. But parent-child impacts reduce the overall recovery and reduce the overall value.

The lower bar is the cube development. In this case, all the wells are drilled in a single phase. It has higher initial capital investment, but it's more capital efficient. And the parent-child effects, we now know, are greatly reduced by developing in this way. This 40% increase in net present value comes from the combination of efficient development and higher resource recovery. That's why focusing on metrics like initial production rates is helpful, but we don't believe it's sufficient to determine how best to attempt a full-scale development of this resource. It's not difficult to obtain high IPs, but the result is you're going to leave value in the resource.

This slide illustrates 2 metrics on our performance in the Delaware Basin. The left is our initial production rates over a 365-day period compared to our competitors. As I discussed, our focus in the last 2 years has been on delineation, not on full scale development. But even in delineation drilling, we're achieving the highest industry production rates. I would tell you that illustrates the quality of the resource that we sit on.

The right compares the cumulative average production for wells we drilled in the year that's noted on that chart. The key is looking for continuous improvement recovery. I would tell you this is less meaningful during the delineation period. Delineation wells can be good, but not necessarily give you the complete answer.

Now we bring in the Midland. And on the Midland part of our development, we have had cube development for several years, much greater experience. The Midland is more mature, and we've transitioned to this more widespread spread cube development. This is the recovery trend that we're targeting. You can see the significant improvement year-on-year, and we anticipate this continuing. We're now applying that cube development to a larger Delaware resource.

The second part of our differentiated plan is driving lower costs by developing at scale and its scale that others are not attempting to do. I'm not sure they can do. A reminder, our plan is built on a combination of a proven track record in delivering major projects and on leveraging these large blocks of contiguous acreage, which you can see there on the Big Eddy and Poker Lake sections of the Delaware Basin.

One year on, we've gained more experience in the field and we're increasingly able to quantify the savings. Like last year, I'm going to use the highlighted block, which is Poker Lake to demonstrate what we're doing. Our plan is based on multi-well pads arranged in development corridors. These corridors are up to 10 miles in length, not possible. Not possible without contiguous acreage. The blue squares are the individual multi-well pads. The number of wells on each pad may well vary.

Typically, we're drilling 10,000 foot laterals. So if you think about the space between those corridors, north to south, there's some 4 miles distance.

So if you go out into the Delaware Basin, you'll see a bunch of rigs and way on the distance, you'll see the next set of rigs. The key here is to develop all the geography in the most efficient manner. One obvious benefit is from moving the drilling rigs short distances between wells with this approach. Contrast is moving longer distances, which cost more money, and that's typical with a checkerboard acreage that most of the industry sits on.

And it's not just about efficient drilling. This approach drives capital efficiency above ground as well. Surface facilities, water and gas separation, compression, pumping stations. The simplicity of this approach means that we can design once and then build many. And that results in lower engineering costs, lower fabrication costs, lower installation costs. And ultimately, it's going to result in lower operating costs.

We can also size the facilities larger, that improves capital utilization. In these corridors, we use the surface facilities over and over for multiple wells. The only way to do this, at low cost, is to develop at scale. A typical industry approach results in smaller, higher cost, remotely-spaced facilities. It cannot be leveraged over a high number of wells. And it means that facilities have to be oversized to handle the initial high production during the flowback period.

I included some metrics here. You can look through them. They illustrate the cost savings we are seeing. On the left is D&C cost in the Delaware. We're down 23% in 2019. With a number of wells we're drilling, obviously, it's a critical metric to get the returns we're looking for. We're now

applying ExxonMobil's global drilling capability to the Delaware and Midland Basins, and we're confident this continuous improvement will continue, will further drive down costs. And I've said to my organization, we will do better than the 2020 outlook on the chart.

The right illustrates the improvement in frac stage completions per day. Think of it as a measure of frac crew productivity, it's a similar story to drilling. Again, it's important to recognize, we're only just into the development drilling phase in the Delaware.

Looking at the surface facilities. The left illustrates the cost savings we're seeing in tank battery costs as we build at larger scale. The right illustrates compressor station costs as we grow the number of trains. Typically, we use the same design to build multiple trains, but not all trains are built at the same time. That added over time. And of course, they're optimized with our production. But both examples illustrate how we can deliver up to 50% cost reduction versus the rest of industry.

You can tell, there are a lot of advantages with this approach. Another example is we build these single transportation full of right-of-way or pipeline corridors for gas, for oil, for water, for NGLs. We're even running fiber optic cables in the same trench, which, of course, allows us to have remote monitoring and controls. And it provides the potential for an increasingly autonomous operation, which will drive longer-term operational efficiencies.

In Poker Lake alone, such as the one area of the Delaware Basin, we've already installed more than 350 miles of oil and gas gathering pipe and 150 miles of water pipelines. These logistics deliver product to large-scale consolidated gathering facilities.

This is one of our large-scale facilities. It's a photo of the Cowboy Central gathering station, gathering facility in Poker Lake. It's centralized within our acreage and it contains a unique integration of crude stabilization, gas treating and processing. This particular facility, the construction is near completion, at least, for the initial stages. We'll start this up in June of this year.

You can see noted on the slide, the size of the facilities. There's been an absolute focus on capital efficiency. The design provides optionality for phase development. We're building at scale, but we're pacing the trains consistent with the pace of field development. Inherent in this design is a focus on our environmental footprint. Our Permian flaring intensity was at the lowest levels in late 2019 and decreased by more than 75% versus the prior year. We're on target to reduce our methane emissions across the upstream by 15%. The unconventional segment is a large part of that. We're testing emerging technologies for methane detection, and we're consistently and continuously replacing pneumatic devices with instrument air systems.

These large gathering systems will form an important part of our further reductions in emissions. Our approach also increases the use of recycled water in fracking, producing and fracking in close proximity allows us to build a lower cost integrated water process. By 2022, we expect to have 100% recycled water use for fracking in the Delaware core areas.

If you think about those well pad corridors, we're drilling alongside where we're fracking. And we can take that produced water, clean it up and then use it back in the fracking operation. If you have remote assets and dispersed acreage, that's very expensive to do.

Let me close this Permian section with a few comments on the pace of development. Inherent in short-cycle unconventional developments is flexibility and optionality on pace. In principle, we range bound that pace. First, we want to achieve our capital efficiency targets by building at scale. That sets the floor on the pace of development. You go too slow and it has potential to lose capital efficiency.

Second, we don't want to go too fast to compromise the organization's capacity. It's important that we maintain our high standards of project execution. The indicative range between those points is illustrated by the shaded region on those bars. Leveraging the improvements we've experienced and the inherent flexibility in unconventional business has resulted in us reducing our pace and capital expend in the next 2 years versus last year's outlook.

In part, what Darren was talking about, tightening our capital expenditure across the corporation in the current environment. But the result is pretty moderate. We anticipate to be 20,000 barrels a day lower this year than we said last year and 40,000 barrels a day lower in 2021. But

nevertheless, we'll still increase volumes by 90 Kbd this year versus '19 and 240,000 barrels a day in '21 versus '20. And there's no change to our '24 outlook of 1 million barrels a day.

Let me switch to deepwater and focus on Guyana and Brazil. This chart on the slide illustrates the quality of these developments. This is WoodMac data. It compares the value of our projects to other industry projects. They're going to FID by 2023. The project returns are on the vertical scale, the cost of supply, in other words, the Brent price to achieve a 10% return is on the horizontal axis. The size of the bubble is the value or NPV10 of the projects.

Guyana includes our first 5 boats in the Brazil on this chart is just the Bacalhau or Carcara development. As I will talk about this considerable upside versus what's on that chart.

Many of you have been asking me why we're not going faster in Guyana. Why we cannot be more definitive on our plans at the third FPSO. There is no doubting here the exploration success, and there's no doubting that this development will generate strong cash flows for many years. But this is a frontier development. We must work with the government and our partners to generate the maximum value, which means we have to strike the right balance between gaining more understanding of the resource and bringing on new production in the most cost-efficient manner. This will result in us continuing to optimize our development plans. So in the next few slides, I'll walk through where we are.

The map illustrates the 3 blocks where we're the operator. You can see the size of the Stabroek block 275 miles Northwest to Southeast. To-date, all of our discoveries have been in the southeast segment of the Stabroek block. We have a lot of exploration to go on this block, and we've not yet started drilling on Canje and Kaieteur.

This focuses a close up on the discoveries in the Stabroek block. We had 5 discoveries last year. We have one exploration well so far this year, Uaru, which was also a discovery. We've now had 16 discoveries out of 8 wells -- 18 wells drilled, 16 discoveries out of 18 exploration wells drilled. It's really an unparalleled success.

And I'll remind you, there were 40 dry holes in the offshore basin of Guyana and Suriname before the laser discovery. The role of our technology set, we believe, has been absolutely critical to this success. Higher quality subsurface imaging has been absolutely foundational. Our technology set that's been developed over many, many years is proving pivotal to our success, and Andy will discuss that as well, later on.

Discoveries in 2019 added more than 3 billion oil equivalent barrels to our resource base. We updated that resource base in January to more than 8 billion barrels, but that doesn't include the discovery we had this year. I also understand your interest in more frequent updates on the resource size. I'll just tell you, we have a lot of geoscientists working on this region. Activity levels are extremely high as we continue to explore and develop in parallel. Of course, we'll continue to update the resource base as meaningful additions come forward.

Our current plan is 5 additional exploration wells in 2020. That includes the first drilling on the Canje and Kaieteur blocks, and we're testing the deeper plays on the Stabroek block. We plan to potentially add a fifth drilling ship in the second half of this year.

Just to remind you, recognize these are not just working on exploration, there's a heavy focus on appraisal and development drilling as we expand our drilling plans. I would just remind you of the considerable potential on these 3 blocks. Our current inventory of exploration targets is in excess of 50 on these 3 blocks to-date.

With strong support from the government of Guyana, we moved quickly with Liza Phase 1. You're all aware of that. Came online in December, below budget, ahead of schedule. Our benchmarking tells us that it was 4 years ahead of the industry average, and we're pushing to do better than that on the following FPSOs. We expect Liza 1 to be at capacity, 120,000 barrels a day in the coming months. The 220,000 barrel a day Liza 2 is also on schedule, no change. The topsides integration are ongoing. We target completion in 2021 with a start-up in 2022.

The start-up of Phase 3, which is Payara, is also on schedule for a 2023 start-up. We're currently working with the government to obtain approvals before finalizing the FID. And I think you're all aware, there's an election this week, so we'll see what government is in place by the end of the week. But we'll work with both, whichever parties in the government, it doesn't really impact us at all.

We're continuing to optimize our future developments. We still anticipate FIDs in '21 and '22 for the fourth and fifth boats, which will start up in '24 and '25. And we have retained our production outlook of exceeding 750,000 barrels a day gross by 2025. I would also tell you, these developments are also delivering a greater than 10% return at $40 a barrel.

Very quickly on Brazil, Phase I development of Bacalhau is on schedule. We anticipate FID later this year with the start-up at the end of 2023 or the beginning of 2024, and we're very close to getting the results on our drilling on the Uirapuru block, which is just to the north of Carcara.

This chart updates our offshore acreage position in Brazil. The chart illustrates the scale of our activity, we added more than 450,000 acres last year. So you can see on the chart, in total, we have more acreage than the other IOCs. And importantly, we're the operator in greater than 60% of this acreage. The basis of our bidding strategy in Brazil is driven by leveraging this advantaged subsurface technology, which we believe has been so critical to our success in Guyana.

We switch to LNG, focus on Mozambique and Papua New Guinea. Quick reminder of the LNG supply-demand balance. Darren talked about it earlier on. Gas demand continues to grow. LNG, liquefied natural gas demand, of course, grows faster. It's a fast-growing market. Left-hand side, you can see the existing supply and the supply under construction. Then you can also see what happens beyond 2025. There is over 200 million tonnes, over 200 million tonnes of capacity needed by 2035, that's 60% of today's capacity that's online. So there's a lot of opportunity to build capacity.

On the right shows our percent of the global market. You can see, if you don't add capacity, our percent shrinks rapidly. We're not driven by market objectives, we're driven by our investments being the most competitive in the industry. However, you can see that our plans enable us to maintain our global supply position.

Mozambique area 4, 85 Tcf in place. We have potential for more than 40 MTA of capacity on this block. Jack will discuss our experience on developing major projects in frontier countries later. Of course, we've done it in Chad. We've done it in Papua New Guinea. We've done it in Angola. It plays to the strengths of this corporation.

Our first stage, which is the floating Coral, 3.4 million tonnes on schedule for 2022. The next stage, which is the 2-train, 7.6 million tonne trains onshore liquefaction. Again, we're working towards an FID, really importantly here, since the change in ownership and the change of operator in area 1, we're working very, very closely with the area 1 operator, we and Total see tremendous synergies in working to optimize the development of these 2 blocks. That's going to be really important, both for the country and for the operators, as these developments progress.

Our second major development is in Papua New Guinea. This is an integrated 3-train 8 million-tonne development. Two of those trains are going to be supplied by the Elk-Antelope with the Papua development. The Papua gas agreement was finalized last year, and we continue to work with the government on the gas agreement. Think gas agreement, think fiscals. The fiscals for P'nyang, which is going to supply the third train. And we will need that before we move ahead on the whole project.

This slide looks at volumes. A reminder of what I said last year, not all volumes are equal. There are significant differences in the profitability of our assets. So as we're reducing the North American dry gas volumes at these prices doesn't generate a lot of earnings. Our objective is to grow value, that doesn't always equate to growing volumes.

Our volumes are focused on growing the high-margin liquids and liquefied natural gas. The 2019 volumes were in line with what I communicated in this meeting last year. Our outlook for 2019 is 3.9 million oil equivalent barrels. We expect to offset the base decline in today's assets primarily with the high return in-field developments I discussed earlier. The growth will come from the high-value Permian and Guyana developments.

And that's offset by 2 things, really. First of all, the divestment of Norway. That's 130, 140 Kbd. We hadn't anticipated doing that originally last year. But of course, we did because it was a good time to do it. And we -- the result of that is lower volumes this year. And also, as I said earlier, we're reducing capital expenditure on the low-margin North American dry gas. Our outlook for 2025 remains in that 5 million barrels a day region.

Close, success at our exploration is something that covered last year. It continued in 2019, the commercial discoveries in the last 6 years are 3x the average of the IOCs. That's 50% higher than the next competitor. The majority of our discoveries are liquids. The majority of the discoveries in the

industry have been gas. This success is feeding our pipeline of opportunities for future development. Of course, it's critical in a depletion business. Most critical is we're reloading with high-value opportunities, and we expect the discoveries we have made last year and the 2 years previously will be competitive across a full range of prices.

So in a similar format to the one Darren did, I'll summarize the upstream earnings potential through 2025. This is the growth potential at constant prices over this period, it's a simple story. The base developments are sufficient to offset the base decline and our divestments over this period. And as I said earlier on, in this period, the Permian and Guyana account for a very significant growth. The LNG developments that we're doing, really, they had a more material impact beyond 2025.

So before I close, I'll repeat the messages I started with. We're driving utilization improvements and expense reductions in our current assets to deliver stronger cash flow. We're high-grading our asset portfolio with an aggressive divestment program. We're executing the strongest portfolio of developments this corporation has had since the merger of Exxon and Mobil. And finally, we're strengthening our future pipeline of developments with what we see and the industry sees as our success in exploration.

So thank you. I look forward to taking your questions later. I'll now pass the baton to Jack.

Jack P. Williams - *Exxon Mobil Corporation - SVP*

Thank you. Appreciate it. Good morning. The picture that is behind me is the operator crew in front of our Antwerp coker that we just installed late 2018. This project significantly improves the competitiveness of this integrated complex, the distillate yield is now exceeding design by about 10%.

Let me start with a couple of comments about how we think about the Downstream business. Importantly, to win the Downstream, we must produce the highest demand products at the lowest delivered cost to our customers. So very simple kind of winning proposition there. And for us to be lowest cost, we have to be the most reliable and efficient, and we have to capture advantage from integration and from scale and from logistics.

The product with the highest demand growth are low-sulfur distillates, chemical feeds and high-quality lube base stocks. And so to increase the production of these, we're modifying the configuration of our integrated circuit with high return investments, leveraging proprietary technology and scale and integration.

But you know, I said a couple of words, twice already. These competitive advantages that Darren mentioned earlier are critically important to the Downstream. So you'll hear me say these words: integration, scale, technology, you'll also hear me say the logistics. These are all keys to success for us. So with that, let me move to the key messages.

So to maximize the value from our current assets, we have to operate them safely and reliably and efficiently. We have some advantaged investment opportunities to meet the growing demand for these higher-value products. However, given the current margin environment, we are adjusting the pace of these activities. But we know these investments will be robust even in a lower margin environment because they were designed to be so. And we know they'll be very attractive when we return to an environment similar to the average of the last 5 years.

Our global footprint and value chain offers us optimization opportunities. And a good example is in the Permian, where our unique position enables value capture from the reservoir all the way to the in-fuels and chemicals customers. And we're leveraging our manufacturing strengths to efficiently supply growth markets adjacent to our large integrated sites like Mexico and Indonesia.

So let me start with a look at our current operations. Our competitive advantage in the Downstream starts with our manufacturing facilities. The size of our refineries is, on average, 75% larger than that of the rest of the industry. And that scale advantage is one of the reasons why our operating costs are lower. And additionally, our refinery network delivers leading energy efficiency as this has been a priority for us for over a decade.

Increasingly, we're using digital tools to improve reliability and efficiency. It's all our refinery and steam plants are now feeding real-time operational data into a central data lake for advanced analytics. So as an example, we're using predictive analytics on real-time data from 450 compressor trains

all around our global circuit. And we're identifying degradation mechanisms and able to take actions before imminent failures. We're seeing a real positive impact from our digital investments, but we understand we're only in the first or second inning here in terms of impact on the business, so a long way to go and a lot of upside in that regard.

In addition to our scale advantage, we have a clear preference for -- to develop integrated sites. In fact, 80% of our refining capacity is integrated with chemicals or lubes plants, which reduces the aggregate feedstock costs and also ensures we achieve the highest value for all the molecules flowing to the system.

And to put that in perspective, 30% of the throughput winds up in streams that are interchange between the refinery and the chemical and the lube stocks plants -- base stocks plants. So for example, in Baytown, with 70 streams that are interchanged from low-value fuel gas to the -- from the refinery to the steam crackers and propylene from the cat crackers to the chemical product propylene units. And that all contributes to about $200 million a year of annual integration benefits of that facility.

Baytown is one of our high conversion refinery. So let's look at the full network. This is a view of our refining capacity in the 3 major regions back in 2008, split by conversion layer. Our North America network is very high conversion, has always been very high conversion. Whereas back in 2008, Asia and Europe were quite low. Higher conversion refineries are generally going to be more competitive with up to $7 a barrel advantage in recent years because they yield more of these high-demand products. And this shows the opportunity to add conversion capacity in Europe and Asia.

This view reflects how we're today with Antwerp and water dam projects as well as asset high grading with 14 refinery divestments over that period. And by 2023, we've completed our Singapore resid upgrade and brought online the Beaumont expansion in the U.S. So what drove all these projects were competitive advantages that enable higher returns than those available for the rest of the industry. Where we haven't had clear competitive advantages, we've tested these refineries are worth more to others, and in many cases, divested them. We've had a long history of asset high-grading through divestments, resulting in $22 billion of cash proceeds over the last 12 years, with a significant reduction in capital employed. And perhaps as importantly, to allow our organization to focus on a smaller set of core strategic assets. Active, disciplined portfolio management is an ongoing process, and we'll continue to test value with others in the marketplace.

This is really another enabler for our recent investments in our refining circuit, making the retained strategic assets more competitive. So let me now talk about those investments, starting with the demand trends that underpin their attractiveness. We want to grow our supply of products with the highest demand growth, as I said earlier. So starting at the top there. Today's high-efficiency engines with better fuel economy require higher quality lubricants, and those lubricants require higher quality group II base stocks. And this demand growth comes with the expense of Group I, which will be primarily limited to industrial applications. Two of our major projects are targeting increases in Group II base stock production.

Chemicals demand is robust, pushing more refinery streams into chemical plants, providing considerable advantage to our integrated sites. Distillate demand will continue to grow, with Aviation & Marine and Trucking and other commercial transportation is very difficult to electrify. This is a major theme of our investment program with 5 of our projects that are targeting higher distillate production yields.

And finally, the lower demand for fuel oil is already evident. And this trend should continue, which drives investment to upgrade these streams in 2 of our projects are reducing fuel oil production at their respective sites.

So let's talk about how we're going to meet this demand, this demand shift into higher quality products. Now I'll walk through these growth activities in this order. First, our 6 major refining projects in our Permian logistics projects. Then an important growth element, our revamped and debottleneck projects. They're happening at smaller existing assets and a little smaller than the major projects. And then we'll talk about what we're doing to maximize value in the marketplace in both the fuels and the lubricants value chains.

So let me start with the major projects. On the left is a view of product yield shift impact of the recent major projects that we brought online from 20 -- in late 2018 and early 2019. The 2019 prices that are shown along the x-axis demonstrate the value equation here. These projects have grown volumes of $78 a barrel distillates and $109 a barrel lube base stocks at the expense of $54 a barrel fuel oil. They've also delivered earnings and cash flow, as Darren mentioned earlier. Collectively, they've contributed $300 million last year despite lower margins and only operating the last portion of the year at full out rates.

The performance of the advanced hydrocracker Rotterdam is particularly encouraging, given it is new-to-industry technology that also underpins the larger resid upgrading project in Singapore.

So let me add Singapore and the other 2 projects in execution onto the page now. And on the product shift graph, you'll notice the large fuel oil reduction associated with the Singapore project and the large distillate increase from both Singapore and the Beaumont expansion. Base stock volumes represent a 34% increase in our Group II production. This significant yield shift and the proprietary technology enabling it, along with some deep logistical advantages, result in returns of about 8 to 10 DCFR points higher than similar industry standard projects.

So let's talk about the 3 executing projects a little more, starting with the Beaumont expansion. I showed you earlier that we had high conversion capacity in North America. In fact, on the Gulf Coast, we actually have more conversion capacity than required for our distillation capacity, which is one reason why this project is so attractive. It adds 250,000 barrels a day of atmosphere distillation capacity with no vacuum distillation additions and then only 125,000 barrels a day of hydrotreating capacity to increase our production of ultra-low sulfur diesel. So this project really fits hand in glove with our current Gulf Coast configuration, backing out intermediate product purchases in all 3 U.S. Gulf Coast refineries.

Additionally, the Beaumont integrated site location is advantaged with access to light crude as it's headed to export and discounted to compete in overseas markets. The scope includes product export logistics, so we can choose the most attractive markets to -- for the additional distillate production. And finally, the capital efficiency of the projects being enhanced by modularizing the construction to reduce on-site work hours in a heated Gulf Coast market, reducing the cost and also improving our schedule. It's a truly advantaged project and improves the site competitiveness.

You might recall these charts that I've shown last year and throughout the year, shows the net cash margin for the entire global refinery fleet, using 5-year average prices. So net cash margin, it incorporates both location and configuration of each refinery, along with its feedstock costs, its expected operating expenses and its output prices. -- and all the refineries around the world are included in this model. It does not incorporate the investment required to achieve this current configuration, and it also does not include any integration benefits of colocation with chemicals.

Refineries on the left-hand side have higher cash profitability and tend to have some sort of structural or logistical advantage, and those on the right should be the first to be rationalized. If the industry is oversupplied. With this project, Beaumont moves from the top third to the top 10%, pretty significant shift. And importantly, due to the sizable additional crude throughput, this is on a dollars per barrel basis. So on this additional crude throughput, it adds materially to the refinery earnings and cash flow.

Start is planned in early 2022. And let's move on to the Fawley project in the U.K. As shown on this map, the Fawley integrated site is located -- that's located on the Southern Coast of England, has advantaged fuels logistics into major population centers and also the Heathrow Airport. The current refinery configuration, however, does not allow us to fully leverage this advantage and some of the products to date don't meet the local software specification and are therefore exported. So this project adds hydrotreating capacity to increase the products for the local market and then further enhances our logistics with replacement of an aging pipeline.

This is a structurally attractive project. However, it's a challenging execution environment. And it's been a concern for us ever since the project was first conceived. So in light of this in the current margins, we are pausing to ensure we have the right execution plan going forward. We still like the project very much, but it has to be capital efficient. When completed, it should materially improve the refinery's competitiveness.

You can see a pretty significant improvement on the same chart with the refinery moving well into the top half on the global seriatim. And I should note that Fawley is one of those projects where it -- this does not include the chemical units that are pretty attractive. And so the integrated site would be further to the left. And it provides a material earnings improvement of $200 million a year.

The last project I want to talk about is Singapore. And this is the largest of our major projects, and it's also a major chemicals project. In fact, this project is extraordinarily important for the future of both our refining and our chemical operations in Singapore. It's taking low-value resid streams from both refining operations and the steam crackers and upgrading them to group II lubes to distillates, and also including in those distillates, IMO-compliant marine fuel.

The project deploys industry-first proprietary technology to transform bottom of the barrel flow streams. Neil going to talk more about our R&D efforts in a few minutes, and we'll specifically mention this application. But let me give you a perspective of the complexity.

There's 2 unique but complementary processes that involve the use of 13 different catalysts, 3 of which were proprietary to ExxonMobil, and 17 reactors. Very complex process. We're wanting to upgrade bottom of the barrel up to this high-quality products. But the complexity is worth it. If you take those same 2019 projects that I showed you earlier, the aggregate product uplift from fuel oil to the high-quality products is $32 a barrel. You can imagine that a large technology-enabled project, creating that kind of product uplift would have a significant impact on the competitiveness. And you can see here, it does, and move Singapore into the top quartile of refineries worldwide.

And from a chemical standpoint, our unique crude cracking technology that we've deployed in Singapore generates more resid than that of the Fed steam cracker. So this project has a big impact on the competitiveness of our steam crackers, our chemical operations as well. And it will move Singapore into the first quartile of Asia liquids crackers.

So combined, this project grows integrated earnings by $700 million annually once it starts up in 2023, and it's a great example of integration.

Another great example of integration is the Permian Basin value chain. Neil spoke about the upstream just a minute ago. So I'm doing this just for a reminder, but I want to focus on how we're positioned to further benefit from the Permian production as the strings move down the value chain, starting with the logistics as the barrels move to the Gulf Coast.

The core of our logistics investments is the largest, most efficient pipeline from the Permian to the Gulf Coast. Originates in our in-basin in Wink terminal and terminates in Webster, will there be connections to our Beaumont refinery and also to Beaumont and Baytown. This project is profitable with just the improved transportation efficiency, but it also offers additional optionality through trading and exports. We're expanding our light crude processing capabilities at all 3 of our Gulf Coast refineries. I already spoke about the Beaumont project earlier. That's about 70% of this throughput increase. Two projects at Baton Rouge, adding 50,000 barrels a day, came on last year. And there's some further small high-return projects ongoing between both Baytown and Baton Rouge. They're going to add another 50,000 barrels a day by year-end '22. This additional processing capacity is going to add $500 million in annual earnings potential.

And we're adding 2 new steam crackers that will be fed with ethane from the rich associated gas coming at Permian. One is already online in Baytown, and the second is under construction just north of Corpus Christi. The abundance of low-cost ethane in the U.S. is a significant competitive advantage, and I'll talk further about that advantage during our chemicals presentation in a few minutes.

So when you look at the current and growing exposure across the full Permian value chain, what we have is really unique in the industry, and it's a source of competitive advantage that's underpinned by this really attractive upstream position that Neil talked about.

All these positions are attractive in and of their own right, but combined, they're unique and they're synergistic. Collectively, our logistics, refining and chemicals earnings contributions add over a 40% earnings uplift versus a stand-alone upstream position. Some of these refining contributions are coming from these revamps to increase the Permian crude production.

So let me talk about that whole group of these smaller projects. These projects really maximize the value of our existing assets by making small incremental improvements like creep capacity additions and debottlenecks and logistical improvements. They're much smaller than the major projects, they average about $100 million each over the 50 they're shown. But they're high return. And with a large portfolio of these projects, collectively, they're very material in terms of earnings contribution. The 50 projects will require total investment of under $6 billion by 2025 and will contribute over $1 billion in annual earnings potential once they're all online.

Good progress was made in 2019 with 7 of these projects brought online, adding about $250 million of earnings potential. And we expect a pretty steady pace on this effort with about 10 projects expected to start up in 2020, which will provide a similar earnings impact.

In addition to these manufacturing projects, we've been working to grow the value of our products beyond the refinery gate through improved logistics and training and higher volume of the product sold through our retail channel. For example, on the left, we show how our advantaged

Beaumont integrated complex, I spoke about earlier, is supplying fuels into Mexico, a market that we expect to have a higher rate of growth than the U.S.

We're utilizing our branded wholesaler model there with Mexican retail partners. As of year-end '19, we have 350 Mobil-branded retail sites open and are targeting to nearly double that number this year.

We're the second largest importer of products into Mexico behind Pemex.

Now the graphic on the right shows 2 more pure logistics examples. The gray line on the top shows how we're leveraging our U.S. Gulf Coast crude export capability to optimize our international refining circuit, while also providing trading optionality. Last year, while optimizing the feed slate of our Northwest Europe circuit, we became the largest importer of U.S. crude into Europe.

The red line shows our increasing product value optimization activity through blend hubs. We can realize up to $2 a barrel additional margin at these blend hubs with the capability to meet higher value specifications just through blending products. So these are some examples of where our logistics investments are having a real positive impact on helping us to achieve the highest value for our products.

The last area I'd like to touch on in terms of growth is our synthetic lubricants. Our lubricants business continues to make a strong earnings contribution to the Downstream results. The primary reason for this is the strength of our Mobil 1 brand, especially in the high end synthetic lubricants, where we're the global market leader.

As you can see on the chart, our products are continuing to grow in absolute sales at about 9% a year and are also capturing higher market share. Recently, one of the drivers of that growth has been in China, with total lubricant sales nearly doubling since 2015. We're committed to continued lubricant growth through our Mobil 1 brand and further technology with further technology and logistics investments, like with our new Mobil EV fluids for electric vehicles.

So let me wrap up now the growth -- these growth initiatives with this chart, similar to what Neil showed earlier. It summarizes our expected earnings improvement from all the initiatives I just covered. For 2020, I'll cover that first. We expect to see a full year contribution of the 3 major projects that are already online as well as the 7 revamps that started up in 2019. Planned maintenance this year is going to be back to historic levels, and that's going to provide significant earnings tailwinds versus last year. And of course, in the current challenging margin environment, the organization is very focused on cost management and identification of further efficiencies to improve our bottom line results.

Looking forward beyond 2020, you see the growth areas that I discussed. The other 3 refining projects in the Permian pipeline are expected to be coming on in 2021 through 2023. The revamps and improvements that are coming online -- will be coming online throughout the period as well optimization and trading and marketing initiatives.

So to wrap up where we started, we'll be focused on optimizing our current assets to extract maximum value. Our demand outlook is continuing to drive investments to improve yield of our higher-value products. Our investment program remains on track. We're executing some attractive projects and market initiatives that will grow earnings and cash flow potential. And all of this was the objective of increasing production of higher demand products and industry's overall lowest cost of supply.

With that, I'll hand it back to Neil.

Neil A. Hansen - *Exxon Mobil Corporation - VP of IR & Secretary*

Right. Thank you, Jack. At this point, we're going to take a short break. And after that, we'll continue the presentation with Jack covering the chemical business. We just ask that everyone be back in their seats promptly at 10:05, so about a 15-minute break. Thank you.

(Break)

Jack P. Williams - *Exxon Mobil Corporation - SVP*

Okay. Onto Chemicals, the picture that's behind me is the Beaumont polyethylene expansion project. In the front, you can see the new reactor. And in addition, you can see the base assets at the Beaumont site. We captured scale and integration advantages by building this world-scale polyethylene reactor at an existing facility. It will start up ahead of schedule and is running 5% above design rates.

The Chemical business is similar to the Downstream in that serving our customers at the lowest cost is critically important. But the difference is in demand growth, which is much more robust across a much larger portion of the industry. And the other difference is that we can bring our technology capability directly to bear on the products that we bring to market. We call these performance products and they play a prominent role in our growth plans.

Chemicals demand is increasing with an expanding middle-class population. This demand, along with the recent surge in low-cost feedstock, has attracted significant industry investment. Our investments are delivering industry-leading returns due to advantages in technology-driven performance products, integration and scale advantages and project execution.

We're continuing to invest at bottom-of-cycle-conditions due to these advantages, but we're managing the pace of the new discretionary spending in today's margin environment. Our growth plans are underpinned by a strong track record of meeting evolving customer demand with innovative new products enabled by unparalleled catalyst technology.

Before talking about our portfolio and growth plans, let's first talk broadly about the petrochemical industry and its products. The chemicals demand story starts with a growing middle class that doubles by 2030. This is the same view that Darren showed you earlier. As standards of living improve, chemicals demand grows. So as shown here are India and China in 1990 on the same human development index Y axis that Darren showed, but now the X axis shows the per capita chemical demand. Now here are those same countries in 2017. And as the earlier chart showed, I think the correlation is quite clear as the demand for modern conveniences will continue to grow with the middle class, and here's 3 examples of that.

Flexible plastic packaging extends food shelf life by 2x to 5x, which helps reduce food waste. Automotive lightweighting is really important for improving vehicle fuel economy from the internal combustion engines, but even more so for electric vehicles that are seeking additional range. And polyester fiber, that's in so many of our high-performing modern fabrics.

There's a reason that society is increasing its use of plastics and synthetic fibers: they perform better than the alternatives. In the optimal applications, plastics are stronger. They're lighter. They had better barrier properties. They're easier to recycle, and they're usually less expensive.

So let's take a look at that top application plastic packaging as an example. From a sustainability viewpoint, plastic packaging beats alternatives. Less energy consumption in creating the products. There's a lower carbon footprint. There's less solid waste as less material is used, and there's much lower water usage. And from a solid waste perspective, alternatives generate 5x the waste of plastic. But plastic waste is an important societal issue, and it must be addressed. It's part of a larger, solid waste management problem primarily in lower-income countries.

Solutions are needed here, and we're advancing several. First, we're a founding member of the Alliance to End Plastic Waste and part of an over $1 billion pledged to find solutions to plastic waste management. Next, we're developing products that enable use of more recycled material. We're currently expanding our production of Vistamaxx, which enables end-use products such as kind of crates and bins to contain up to 90% recycled material. And we're working on ways to take difficult-to-recycle plastics as feedstock back into our integrated manufacturing sites to further expand recycling envelope at scale.

So bottom line, plastics provide a net benefit to society and to the environment, and there's an opportunity to substantially grow this benefit through better waste management. And we're playing a role in bringing solutions to this important effort. Because of this net benefit, demand for plastics and petrochemicals will continue to grow.

This chart highlights the growth of 3 of our highest-volume products, representing about 60% of our sales. The demand for these products is robust, growing at about 4% a year over the past decade. And most industry analysts expect this to continue. As an example, just take polyethylene, and

I'm showing a different view here, the annual demand growth is now plotted as the solid red lines and is plotted over the last decade. And the blue bars are supply capacity additions. So you can see that the red lines -- that the blue bars are below the red lines back into 2012 through '15 time frame, which supported strong margins, but then they're above in 2016 to '19, which has led to oversupply and lower margins. And this is how cycles are created. Long-term success depends on capturing value in a cyclical business. So now we've expanded this time frame back another decade, showing the same chart that Darren showed earlier, and you can clearly see the market cyclicality.

We are well positioned to compete in this type of business. We bring some unique advantages, world-scale integrated assets and innovative product development. But the current market environment is clearly challenged. And so while we're continuing to invest, we're also focused on managing costs, prioritizing, and where appropriate, pacing some of these developments and maximizing the value from our base assets. For example, over the last 10 years, we've debottlenecked our base assets to deliver another 700,000 tons of additional capacity, which is the equivalent of a world-scale polyethylene line.

So here's what that base asset portfolio looks like. On the left depicts our manufacturing facilities and on the right, you see the products that they produce. Our large manufacturing footprint is located across 16 countries in North America and Europe and Africa -- excuse me, Asia and the Middle East. And 90% of the facilities are colocated with refineries or natural gas processing plants. This provides us integration benefits that I mentioned back in the downstream presentation. On the right-hand side of this chart are the markets and the applications for our highest value -- highest-volume products. Our market position is #1 or #2 in over 80% of the product markets in which we compete. In 2019, our total production capacity was nearly 29 Mta with products sold to customers in 130 countries.

I'll talk about the polyethylene and the polypropylene at the top in more detail throughout the presentation. So let me look at that other section of the bar and talk about that for a second. These are generally lower volume individually like Vistamaxx and synthetics. But collectively, these products make up 40% of our total sales. And we have strong market positions in these areas. And these products generally benefit from integration with refining and generate high product realizations. So a large asset base that we're working to profitably grow.

The growth plan for chemicals that's shown here is relatively straightforward. We're finding opportunities to add new manufacturing capacity where we can bring an advantage, like an integration with another facility or lower-cost feedstock or superior logistics, and then utilizing those new facilities to manufacture our growing portfolio of performance products.

Let me go back to the portfolio chart and show you where we're adding. First, we're adding new world-scale steam crackers. Building on the success of the third steam cracker that we added at Baytown back in 2018, we're progressing 2 further steam cracker projects. The first one is under construction in Corpus Christi. And like Baytown, it also benefits from low-cost advantage ethane feed, and this is an ExxonMobil joint venture with SABIC. And the second steam cracker complex that we're progressing is in China, the world's largest market for plastics. Our exports to China have continued to grow, and this new China cracker would allow us to efficiently maintain our growth trajectory in this important market.

Next, we're adding olefin derivative units. Most of these are integrated with the 2 crackers that I've just talked about, but 3 of these are further projects at existing integrated sites that are focused exclusively on growing production of performance products.

So let me talk more about these projects, starting with the funded steam crackers. The chart on the left shows the average cost of ethylene in North America from ethane and then Asia Pacific from naphtha. And you can see that the U.S. Gulf Coast crackers are clearly advantaged due to low-cost ethane from the Permian. On this advantage, we brought the Baytown cracker online in 2018. It was the third steam cracker at Baytown, and it captures significant synergies with the other 2 crackers and also the Baytown refinery. It's currently producing 10% above the 1.5 Mta design capacity, and it feeds polyethylene units in Mont Belvieu and also that new line in Beaumont. The cracker under construction just north of Corpus Christi is even larger than the one in Baytown at 1.8 Mta. It will be the world's largest when it starts up, planned for 2022. Building on the advantages of scale and performance products, it's also being built in modules, which is an industry first for chemical plants, and it's delivering significant cost savings.

In addition to these new large steam crackers taking ethane feed and converting all the way to polyethylene and other olefin derivatives, we have several smaller projects downstream of the crackers that take ethylene or propylene feed and manufacture performance products. The Beaumont

polyethylene line, the subject of that opening picture, is fed from -- fed ethylene from the new Baytown cracker and is producing Exceed performance polyethylene. As I mentioned before, the start-up was ahead of schedule in July of last year.

The next to start up will be a new polypropylene unit at Baton Rouge to be built right next to a similar existing unit. It's going to produce our performance impact copolymer, polypropylene, that provides added strength and lighter weight in automotive and appliance applications.

And then the last 2 projects that are shown are being executed at Baytown together, saving $250 million through project synergies. I mentioned the Vistamaxx earlier. This is an expansion train that's needed to satisfy increasing demand for the product. We have one plant right now in Singapore that's supplying the whole world. This would be our second plant. The LAO project, this be -- will be executed along with it, gains economic advantage by the fact that 75% of the output from this plant is needed to manufacture our own performance polyethylene and synthetics products. So we're backing out third-party supply. So all these projects are advantaged and robust in the current market environment.

So let me summarize the product slate that's arriving out of these -- rising out of these new products -- projects. We're adding significant capacity in polyethylene and polypropylene in addition to some other key products. Combined, these product capacity additions total 4.6 Mta. And 70% of this volume is in higher-margin performance products.

So let's look at how this impacts the whole product portfolio. The chart shows the portfolio split between performance and commodity products. And then the second bar shows a projection out to 2025 with a greater portion of total sales coming from performance products reflecting the additions from the last slide. And once those projects are online, performance products will be 30% of our sales, but more than 50% of our earnings. They'll be -- they'll drive -- they'll be driving our growth activities and enabled by our long-term commitment to technological innovation.

Let's talk more about these performance products, starting with our metallocene polyethylene platform. We show here a depiction of our family of metallocene polyethylene products plotted on the Y axis being film properties and the X axis being processability for our customers. Our products are stronger, which enables customers to use thinner film while maintaining the same quality. For example, the Exceed XP film is 4x tougher than the commodity alternative, which would be extraordinarily important in a liquids-containment application. This helps our customers continuously improve their products to meet their customers' needs -- their customers' evolving demand.

The value proposition of our performance products to customers is clear. For example, the Exceed XP provides about 25% value and use advantage above a commodity product. On the chart, you can see that our performance polyethylene product family has grown at pretty impressive rates over the last 2 decades. In fact, the performance polyethylene sales grew by 9% in 2019, and the projection is that we're going to continue growing at around that same rate.

Let me expand the view now and talk about the whole performance -- full performance product portfolio. The plot on the left shows growth of our performance of commodity products over the last 5 years and the projections for the next 5. We expect performance products to supply most of the sales growth through 2025.

On the right, we've described the elements of success in our performance products, and this success was built up over decades and would be very difficult to replicate. Our unique proprietary catalyst technology was developed over 30 years. We have a pipeline of new products. We've commercialized 200 over the last 10 years. A very large customer base, who's -- who are constantly evolving their applications and demand new innovative products. And then we have this large, globally deployed market-facing organization that work with customers for new applications for our products.

So let me show you how these growth activities are all adding to earnings. For 2020, our recent cracker and polyethylene investments, including the Beaumont expansion, will be contributing for the full year, improving our earnings potential. And then beyond 2020, the organization is progressing several low-cost debottleneck projects and some cost efficiencies, which should ratably add to earnings through the period. But major projects do provide the bulk of the earnings growth potential. The Corpus and olefin derivative projects on our Gulf Coast are in construction and coming online in 2021 and 2022. And we're progressing engineering on the China project. So that will be later in the period before it will be contributing any earnings growth.

So these key messages are the same ones I started with. Long-term demand looks strong, and it's attracting investments. Our growth plans are on track with our recent projects, delivering solid earnings even in the current market environment. We're continuing to identify ways to increase our value proposition to our customers, and technology is going to play an ever-increasing important role. And our organization is working to ensure maximum efficiency in the current market environment while continuing to progress the elements of long-term success in the chemicals business.

Okay. So that concludes the Chemical presentation. Let me now turn and kind of change gears a bit and talk about our global projects organization and the benefits it is providing. The picture here was taken during the Hebron project execution. This was a very successful project, and that success has continued into the operations phase. Production averaged over 100,000 barrels a day in 2019, which is well above expectations.

We bring some deep, competitive advantages to project execution. It comes with a -- from a long history of successfully executing some of the industry's most challenging projects. And then with the advent of the new Global Projects Organization back in the second quarter of last year, we became even stronger by bringing together the project expertise from the downstream and chemicals organizations and combining it with the upstream all under one umbrella.

Our approach is unique, is advantaged and is very important because project execution is key to the delivery of our growth plans. Scale, technology and functional excellence are advantages we bring to project execution. Scale enables strategic partnerships with EPC contractors. It means we have an extensive playbook of proven execution strategies that can be tailored to the specifics of new project concepts. And it means as issues arise, we've likely dealt with them before and we can quickly respond. Bringing new technology to bear is imperative to industry leadership, be it proprietary process technologies to upgrade heavy molecules or project execution technology to build a gas processing plant on top of a remote mountain. And functional excellence means having the comprehensive corporate competency that enables strong project teams across multiple projects simultaneously all supported by industry-leading expertise. And this combination is being deployed to today's project portfolio, and it's why we're confident they'll be successfully executed.

Since Exxon and Mobil merged back in 2000, we've completed 127 major projects all across the globe. So for 20 years, we've been consistently executing large projects, and our experienced project professionals of today were being developed during this whole time frame. So I'd like to quickly look at a few past projects that are relevant to today's challenges. Starting with Sakhalin. We began developing Sakhalin back in 2002 and brought on production from the Chayvo field in 2005, Odoptu in 2010 and Arkutun-Dagi in 2015. Two of these developments were onshore operations with extended reach, drill wells to offshore fields with some over 6 miles long. In fact, 8 of the industry's 10 longest-reach wells were drilled by us at Sakhalin.

There's a large onshore processing plant that we keep full by adding subsequent phases of development, most recently, the Chayvo expansion in 2012 and Odoptu Stage 2 in 2018. This area is remote, environmentally sensitive and has a complex regulatory regime. It was one of the earliest experiences with large-scale modularization. It is now being used at our Corpus steam cracker and also in the Singapore resid project. The bar chart shows how we performed on complex projects like Sakhalin versus similar industry projects where we've had an interest.

Next, Angola. I used to compare Ghana to Angola Block 15 about 6 or 7 discoveries ago. The current resource estimate for Ghana is now over 3x larger then Angola Block 15. But from a project development perspective, they're really quite similar. Development in Angola began around the same time at Sakhalin. In total, we installed 5 FPSOs with Kizomba A and B being the anchor vessels. And these were many -- there are many industry first during this development, but the most memorable was this "design one, build many" philosophy. And that's very relevant for Ghana as we seek to standardize much of our subsea architecture.

The bar chart shows benchmarking data on how our deepwater projects stack up against the rest of industry on unit development costs. And the impressive Kizomba B achievement of 31 months from FID to start-up has now been matched by our first Ghana FPSO, the Liza Destiny.

So let me now talk about more, more recent experience in PNG. PNG LNG, we delivered a project that likely no other company could have. It was really a unique accomplishment. Our execution planning enabled a start-up on schedule despite the challenges of developing a remote resource in the mountains of a frontier country. Since start-up, we've seen that our design and operations readiness enabled world-class reliability. And it's directly relevant to Mozambique in terms of developing a large LNG resource in a remote location, dealing with security and logistics challenges, selecting the right EPC contractors, securing project financing. And of course, we hope to have the opportunity to deliver a repeat performance

in PNG itself. The bar chart shows that our LNG unit development cost is very advantaged versus the rest of industry. So those 3 examples demonstrate a long heritage of project management accomplishments that are very relevant to today's projects.

So now let me look to further advantages that are rising out of our global projects organization. The 2 project groups that we brought together had complementary strengths that we brought to this new construct. Upstream brought mega-project capability, development planning expertise, deep experience with numerous EPC contractors and a global execution capability. The Downstream and Chemicals organization brought an expertise with deploying new proprietary process technology, deep experience with brownfield projects at existing facilities, experience with a largely different set of contractors and a large disciplined engineering organization. These complementary skill sets have been brought together to create a project management organization that really is without peer in industry.

So 2 quick examples of showing the advantages of this combination. The Corpus Christi steam cracker project brought the large-scale modularization approach previously used at Sakhalin to avoid a heated labor market and accelerate start-up in the -- in that project. The Singapore resid upgrade takes the advantage we have from this proprietary technology, and our engineering organization is an integral part of that project. And the project team itself has benefited from upstream expertise and experience.

So before wrapping up, I want to elaborate on what I mean by organizational competency. Across the top of the slide are the key project execution phases with requisite skills listed below. We ensure the corporation has adequate competency in all these skill areas to capably execute our projects in the medium- to long-term business plans. This is a responsibility of our project management career community, and these skills are tracked to ensure the corporate competency today and also in the future. The current assessment is listed below each column, the number of professionals with advanced competency and the number of subject matter experts. And of course, real-world experience plays a prominent role in assessing competency. And as I said earlier, these professionals have been developed over the last 20 years through involvement in those 127 major projects that we've executed.

So with that, I'll wrap up our projects execution discussion. We're really pleased with our new Global Projects organization and believe it provides unique competitive advantage. It's already bearing fruit, and it increases our confidence in efficiently executing our current portfolio of projects on time and on budget.

So with that, I'll now hand it over to Andy to talk about technology.

Andrew P. Swiger - *Exxon Mobil Corporation - Senior VP & Principal Financial Officer*

Thank you, Jack.

Technology has been referenced frequently this morning. It remains an important competitive advantage for ExxonMobil. We have a proven track record of transmitting -- translating fundamental science to commercial success, ideas to invention, scale to commercial success. We are steadily advancing our capabilities, process and products to create value. While others have let their capacity and their capabilities attrite, we have strengthened and added to our capabilities. We look at the area of research and development. Looking out to the longer term, our R&D programs are aligned with our corporate and our business strategies, enabling value creation and advancing solutions to the dual challenge, a challenge of supplying the energy the world needs while lowering emissions. And finally, we maintain a very wide line of sight to new ideas and advances in technology through very extensive collaborations.

A few examples of translating science to scale to commercial success. We invented butyl rubber back before World War II. It provided the United States with a viable alternative to natural rubber during the war. And by 1950, butyl had surpassed natural rubber in use. Imagine a world today that we depended on natural rubber.

We invented fluid catalyzed cracking. The first commercial FCC unit was at our Baton Rouge refinery. By the 1950s, this was back in the '40s, by the 1950s, in wide-scale use. Our leadership in process technology, catalysts and active materials that continues to this day was built on this foundation.

3D seismic, invented by Exxon. It revolutionized the search for oil and gas. Over the years, 3D seismic concepts were enhanced, utilizing the advances in computing power, the kinds of things that became available over the following decades as computing power increased. We now apply 3D seismic across the upstream portfolio. It has led to greater success in exploration and greater success in capital-efficient development. Deepwater Guyana provides a good example. After the discovery of the Liza 1 well, we launched at that time the largest 3D seismic survey in our history, using our proprietary design, proprietary design to capture and be able to utilize more of the signal. The advanced imaging and analysis led to the significant exploration success we've seen in Guyana, 16 of 18 wells. You can see the differences in the images there before and after.

But importantly, our advanced capabilities also serve as a key input for reservoir modeling and development planning. From the 3D seismic to the reservoir model to the simulations, we use proprietary tools, including our integrated reservoir modeling and simulation, or iRMS. iRMS combines our subsurface modeling capabilities, reservoir simulation and high-performance computing clusters for rapid scenario testing. This is a tool we apply across the upstream, including unconventional reservoirs. In unconventional reservoirs, iRMS is coupled with proprietary techniques we have developed for fracture and tight reservoir modeling. Using this, we're able to drive value by improving capital efficiency and recovery. In these areas, things like well landing and spacing are key.

Initial deployments in the Permian have demonstrated the ability to improve capital efficiency. See the figures there. This makes this also a very key tool for cube development. Neil showed all the screens there, those complicated structures, the big cubes we're having made possible by iRMS.

In the downstream, the Singapore resid upgrade project that Jack discussed, our technology was an important step in improving profitability. It was enabled by our expertise in process technology, catalysts and modeling. Knowledge of the feed composition, illustrated second from the left there, almost a unique characteristic that we've retained to this day to be able to look at and map every molecule in all the different feeds we may run in a facility. It's a unique proprietary characteristic we have. You take that, you couple it with our catalyst activity and selectivity knowledge and our process engineering capability, we came up with a unique configuration that Jack described, multiple catalysts, including 3 very important proprietary ones, and a cost-efficient conversion of residual fuel streams to clean products. Just the technology piece of this alone, the proprietary technology piece of this alone, above what might have been an industry-standard upgrading project, adds $200 million in earnings potential versus that industry-standard configuration.

Another example on the chemicals field, Jack alluded to this, our performance product portfolio. Our scientists and engineers working with customers applying their knowledge of product and applications with catalysts and process technology to develop new performance products. In the PE, performance example, shown here, working with customers, we develop products with continued improvement in the trade-off between greater processability, the ability of that customer, to turn that plastic into a packaging material; processability, ease of use by the customers; trade-off between that and the product properties, such as strength and transparency; coupled with thinner films and lighter weights, all of this means a winning value proposition, including improved sustainability, that translates to higher margins.

Looking at our research and development portfolio, we said earlier, it is shaped by the business strategies and our work involved in addressing the dual challenge, how to deliver that energy the world needs while reducing emissions. I've noted 5 key areas here. The work draws on the expertise of both our internal scientists and engineers, the 2,300 I have listed there; as well as an extensive network of external collaborations, more than 80 university collaborations just in this space. Take a few examples from this, starting with unconventional development. We're progressing a lot of R&D in the unconventionals, seeking to improve both recovery and capital efficiency with a better understanding of fundamental resource characteristics and what we can do to that relatively new-to-industry resource.

The images I've shown here displays simulation results of novel fracturing technologies we're investigating. You think about the purpose of fracturing in unconventional rocks, it's about exposing more of the reservoir with the fracture system to the pressure drop in the wellbore to get more recovery. As we look at adjusting the processes used to break rock, you can see changes in the fracture patterns here. We can generate outcomes that lead to substantially greater reservoir contact area to provide the potential for increased recovery.

We're in the midst of breaking rock in the lab right now, validating the science, and we expect to be doing field demonstrations in the near future. The work we're doing in this general space encase the potential to more than double recovery in unconventional reservoirs.

Novel products, another very different area. Darren alluded to this earlier on. We're building on our long history of polymerization expertise and thermal chemistry fundamentals. Why? To create new structural materials from hydrocarbons, developing materials with suitable properties to replace steel or cement in applications such as buildings, roads and bridges. Some of the structures you see are illustrated on the right side there. Doing this offers the high-volume opportunity for hydrocarbons with processes that are less CO2-intensive than those used to produce steel and cement. Think about it in terms of this: lightweight, low maintenance, low-cost structures developed in a very efficient way to replace processes that are very CO2-intensive and inefficient now, steel and cement.

In the area of carbon capture and sequestration, we're working with multiple partners. And when I say working with multiple partners, one of the things that differentiates us is we're not really in the business of passive investment. When we enter into a partnership with one of the many companies, some of whom are illustrated up there, it's an active partnership to develop an idea, to develop an invention, to be able to do one of the things that makes us unique, take that idea or invention potentially to scale and commercial success. In this space, in particular, right now, no shortage of ideas. There is no shortage of money. A new fund created every week in this space, it would seem. What the world is short on, and it is like us that have the expertise, scale that up and turn it into a success, and then we're going to do something that's going to make a difference in the dual challenge.

Some of the examples there, we're currently progressing the design of a carbonate fuel cell demonstration plant for our Rotterdam refinery. This particular design has some really neat positive attributes because not only does it concentrate low-concentration CO2 into high-concentration CO2 for sequestration, but it's also going to produce high-value streams, electricity and hydrogen, in the industrial area there for all the years. We're also working on direct air capture technologies that leverage the process heat generated by industrial facilities to economically capture CO2 directly from the air. We've got some great ideas in that space.

Talk a little bit about biofuels. Our work on biofuels from algae has been fairly extensively and publicly discussed. It plays specifically to the heavy-duty transportation sector, one of those very difficult to decarbonize portions of the economy that is so important in addressing the dual challenge. We like algae as a source for biofuel. It has high productivity, and it doesn't compete for agricultural land or freshwater. You look at the competing biofuels there on a scale, it has barrels per acre per year, you can see the advantage of natural algae and the algae potential we have. The productivity of our genetically engineered algae is already more than double that of the next most productive source, more than doubling that barrels per acre per year metric.

Our work in synthetic genomics continues to advance, and we feel very encouraged in achieving the potential productivity of the algae depicted. Think about this in another way. A relative land area required to produce sufficient fuel to replace 10% of the U.S. transportation demand is reflected here in comparison to the area of Texas. If you look at corn there, Texas is about 270 million square miles. Corn, 90 million; algae, as it exists now, 30 million. Algae target, 3,300 square miles. We're rapidly progressing the scale-up outdoor growth systems now, looking at different strains of the algae, taking it out of the lab, the natural environment where it's exposed to all kinds of things, including predators, to learn how to do this. Our goal is technical readiness to scale algae biofuels to 10,000 barrels a day by the year 2025.

As I said before, we recognize good ideas come from all over. And our external collaborations provide a diversity of thought and capabilities. We have a breadth of collaborations in place already with 5 university energy centers. Arranged from here around the difficult to decarbonize energy sectors that Darren discussed, you can see we cover a large space of the low-emission technologies in these collaborations. I noted before, what we bring to this space is our expertise in scaling technologies, taking science to commercial success. Beyond this, we're also progressing collaborations with other universities, national labs, such as the U.S. National Renewable Energy Lab and the National Energy Technology Lab and industry partners.

Back to the key messages, talked about some industry-transforming potential, several examples of applied technology programs that are adding business value, meaning societal needs. The fact that we're leveraging our own scientists and talents and the talents of external organizations. Think about it, we are a technology company that's in the oil, gas and petrochemicals business with technology programs aligned with our business strategies, delivering value today and in the future.

I'll now move on and discuss the summary of our investment and financial plan. You've heard about the plans for each of our businesses. Jack and I have discussed some of the competitive advantages that enable us to achieve those plans. I'll provide some perspective on the resulting financial performance of the corporation, the investments we're making to structurally improve the capacity of the business to grow earnings and cash flow

while we're improving returns. As you've heard today, we are progressing advantaged investments that are attractive across a range of prices and market scenarios. Alongside these investments, we have efforts ongoing to high grade our portfolio and strengthen our industry-leading returns on capital employed.

In light of the current margin environment, we are evaluating the pace of investment. So we look to balance our capital allocation priorities with the opportunities we have to generate value. Our balance sheet strength provides us with a capacity to pursue advantaged growth opportunities across commodity price cycles. Fundamentally, growing long-term shareholder value remains the priority.

Earlier today, Neil Hansen walked through the changes we've made, the price and margin basis. He communicated earnings and cash flow potential. These are more reflective of the cyclical nature of the businesses we operate. The charts on this page show the earnings potential and earnings potential for the upstream, downstream and chemical on a mid-cycle basis, that's the bars as well as the potential ranges based on recent history. We also noted the 2019 price margins with the red diamonds.

We fundamentally remain price-agnostic. We're not good enough to call the price next month, next year, 5 years from now. The reality is that in a capital-intensive commodity industry such as ours, we are going to experience cycles over time. That's why we're progressing our investment plans to grow earnings capacity under a range of prices and market scenarios. The underlying improvement in the plans we are progressing remains intact as earnings potential in 2025 double that of our 2017 earnings in a flat price and margin environment.

This chart outlines our capital investment plans through 2025. We expect, as Darren said earlier, our investment levels to be in the range of $30 billion to $35 billion per year. In 2020, we expect to be in the bottom half of that range, as Darren said before, versus what we thought about the upper half of that range last year. The activity level is reflective of our industry-leading portfolio, which generates average returns of 20%, and includes investments that are accretive across a range of prices and scenarios, including the low-margin environment we experienced last year.

The pace of investment is also reflective of our execution capability and our financial capacity, is also consistent with previous guidance. But it's important to note that the depth and quality of our opportunity portfolio, those provide us with the optionality to respond to changes in market conditions. As Darren mentioned, we anticipate using that flexibility to respond to the broader environment while preserving value. These advantaged growth opportunities, alongside our portfolio of high-grading efforts, result in improved returns on capital employed in a flat price and margin basis. Our return on capital employed over the past 5 years has led our peer group. This chart illustrates our ROCE potential out to 2025, showing significant improvement and demonstrating the quality of our portfolio.

As we've often said, our focus is on managing the business to grow value over the long term. This chart shows cumulative free cash flow since 2012 in the area portion of the chart. On the other side, the chart also illustrates cumulative free cash flow potential from 2020 through 2025, assuming a flat real $60 crude price. The actual result will obviously depend on market conditions, but the improvements will nonetheless structurally increase the capacity of the business to grow free cash flow over time. For this time, cash flow from operations grows at an annual rate of 10%.

Our capital allocation priorities are focused on fundamentals. In a depletion business, accretive investments are a necessity to increase free cash flow over time. This in turn enables to provide our shareholders with a reliable and growing dividend. I said our capital priorities remain unchanged: to fund accretive investments, to provide a reliable and growing dividend, preserve financial flexibility and provide additional returns to our shareholders through buybacks. Look at the chart here. Over the last 10 years, we have distributed dividends at leading growth rates, well in excess of peers.

In closing, our strategy is to structurally improve our capacity to grow earnings and cash flow and returns. This is achieved through high-grading and advantaged investments. We are committed to maintaining the financial strength that provides us with the capacity to deploy capital despite market volatility. This ultimately generates significant free cash flow potential and the capacity to grow shareholder distributions over the long term.

At this time, I'd like to ask the management committee to come up on stage. Darren will provide some closing remarks, and we'll move into the Q&A session.

Darren W. Woods - *Exxon Mobil Corporation - Chairman & CEO*

Thanks, Andy.

We're now reaching the end of the presentation. I hope today, you've got a good understanding of where we're taking the business and how we intend to do that and importantly, how we're responding to near-term market conditions. Our plans are built on a human fundamental, the desire to improve life and the demand growth that results from that.

We have a robust portfolio of advantaged investments driven by our competitive advantages, hopefully you got a sense for that today, and supported today by a very favorable cost environment. We are developing and progressing the best set of opportunities we've seen since the merger of Exxon with Mobil and relying on our financial strength to ride through these short-term market turbulence while exercising judgment in the flexibility of our investment portfolio to strike this balance across our capital allocation priorities. I hope today as well, you got a sense for the importance of technology and the potential that it has to strengthen -- further strengthen our advantages and, at the same time, address the risk of climate change. I'm very proud of the work that we're doing, and I remain extremely confident in the organization's ability to deliver on the commitments that we laid out 2 years ago.

And with that, I'll close. Thank you for your attention and we look forward to your questions.

QUESTIONS AND ANSWERS

Neil A. Hansen - *Exxon Mobil Corporation - VP of IR & Secretary*

Great. Thank you, Darren. We'd like to now open the floor to your questions. (Operator Instructions)

Let me go ahead and start here in the front with Doug.

Douglas George Blyth Leggate - *BofA Merrill Lynch, Research Division - MD and Head of US Oil and Gas Equity Research*

Thank you, Neil. It's Doug Leggate from Bank of America. Darren, thanks for the -- all the detail today. Your share price is at a 15-year low, your dividend is at a 7% yield. Some in this room suggested you're borrowing to pay the dividend. The investment through the cycle, we get that. But I guess my question is, what can you say to investors today about your commitment to cash returns to the dividend policy and how you can sustain that dividend growth through the cycle? And if I could just add another one to that, when would you expect cash flow to cover the dividend and the capital program?

Darren W. Woods - *Exxon Mobil Corporation - Chairman & CEO*

Well, the way I'd answer that, Doug, I think as you look at value creation and cash flow to shareholders, you've got to focus on the right time horizon. And as I said and tried to demonstrate in the early parts of this conversation, if you're caught in the moment of a down cycle and focused on trying to do that in the moment, you come to a different conclusion than if you're looking at the longer term and thinking about how you build that capacity for a sustained period. And that's what you see us working on today is building the capacity to generate free cash flow on a sustained basis and improve the portfolio to do that, and it's going forward. So that's what we're working on doing, and that's why we're putting the investments into the projects that we're putting them in.

And the other point that I was trying to make with these presentations is, this is the time to be doing it, to take advantage of the low-cost environment, take advantage of the low-debt market price and invest in these projects that are going to give us a competitive advantage as we go forward. That's the value proposition here.

And with respect to when does it all balance out, it's a function of where the prices go, obviously, in the margins, which, frankly, we can't predict, which comes back to the other thing, which is everything that we're working on today, all the investments that we have, have been tested against the low-margin and low-price environment. And we've demonstrated that when we bring those on in low price and margin environments that we're getting the returns that we would have expected.

So it's not a theory on paper. It's what we're realizing in practice. And so the challenge that we have is not on the value of the investments themselves. The challenge is doing that in a time period where several of our businesses are in a down cycle, but that is a short-term phenomenon. And if you think about how you generate the most value, it's doing exactly that, investing in the downside, which is what the whole premise of what we're doing here is. And I think we'll continue to do that.

Douglas George Blyth Leggate - *BofA Merrill Lynch, Research Division - MD and Head of US Oil and Gas Equity Research*

So we should expect dividend growth.

Darren W. Woods - *Exxon Mobil Corporation - Chairman & CEO*

Pardon?

Douglas George Blyth Leggate - *BofA Merrill Lynch, Research Division - MD and Head of US Oil and Gas Equity Research*

So we should expect dividend growth.

Darren W. Woods - *Exxon Mobil Corporation - Chairman & CEO*

That's in discussion. We've committed to -- so if you look at the different priorities that we've laid out for capital allocation, a reliable growing dividend, capital investment, a strong balance sheet and then excess cash back to the shareholders.

And the point that I made throughout you heard me make several times is balancing between those in the time horizon that we're in. So we're not going to back away from any of those priorities. It's just a question of how we balance them going forward.

Douglas George Blyth Leggate - *BofA Merrill Lynch, Research Division - MD and Head of US Oil and Gas Equity Research*

Neil, and my follow-up, if I may, is not to be too predictable. But Page 64, the Guyana guidance, more than 750,000 barrels a day hasn't changed. But the chart says something different. Can you reconcile the 2 and tell us what you think Phase 4 and Phase 5 will look like?

Neil A. Chapman - *Exxon Mobil Corporation - SVP*

Yes. Doug, I think you're talking about the chart with the capacity of the boats on that. So it's all a question of timing. There's the capacity of the boats versus the production. And I said 2 years ago, 750,000 barrels a day gross was the target. And I said that, that was an aggressive target at the time. I think it's important to put a perspective on what's happening on Guyana. I tried to make some comments earlier on in this. We're bringing on 5 FPSOs in 6 years. And we're bringing those on twice as fast as the industry has done. And we're doing it in a basin and with a country that has no experience of hydrocarbon development. And at the same time, as we're developing, we're exploring and discovering. It's really important that we take those lessons and those learnings from the discovery program and build them back into the development program. That's why I know there's been questions around why didn't you define what Boat 4 is? And what Boat 5 is? And is it going to be on Hammerhead? Is it going to be on Snoek? Is it going to be where else? The reality is, we've learned so much from what's truly an unprecedented exploration and discovery program. We owe it to the shareholders. We owe it to the partners. We owe it to the country to get the maximum value out of their resource base. So I still

stick by what I said 2 years ago. Our target is over 750,000 barrels a day. Those fourth and fifth boats will be appropriated in '21 and '22, and they'll start up in '24 and '25. And I know there's a first with all this exploration success, why can't you get passed it? That's the reason. I think it's a balance between getting the capital efficiency right versus bringing that oil to market.

Neil A. Hansen - *Exxon Mobil Corporation - VP of IR & Secretary*

Russell, could we come up to Doug Terreson of Evercore?

Douglas Todd Terreson - *Evercore ISI Institutional Equities, Research Division - Senior MD & Head of Energy Research*

Doug Terreson, Evercore ISI. Darren, you're staying as confident as ever about the direction of the company and future execution and the financial profile, too, along these lines, some of your peers have repositioned their value propositions to become more competitive with S&P 500, which has been a higher bar than a lot of your super major peers. So my question is, why wouldn't this be an element of your approach? Or is it? And either way, what aspects of your value proposition do you think are differentially compelling for [jealous] investors, which could obviously be a huge source of demand for ExxonMobil stock.

Darren W. Woods - *Exxon Mobil Corporation - Chairman & CEO*

Yes. I think -- thanks, Doug. The drive and maybe the lack of interest in the industry is a function of the returns that the industry has demonstrated over the last, say, 10 years or so. And frankly, we have reflected a lot on how do you -- how do we get to a point where we get our returns back to where we'd expect them to be. And frankly, actually see the broader dynamic playing out to repeat the sins of the past in the industry as a whole. And what do I mean by that? Just think about the dynamics and the pressure that, certainly, I feel in this job with our company to chase the cycle. Look, if you go back in time and look at our industry, what happens when these revenues come up and people start making more money, they go out and start investing, why are they doing that? Because supply is short of demand. Their rushing through that. The market gets overheated, and they pay a lot to bring these projects on, and they get low returns. And we've seen that. Of course, they generate cash afterwards, which we're experiencing today. We get into a low market. You're generating the cash. Don't invest that. Paid back out to the investors. And so you're in the low part of the market. Pay the money out. Don't invest. And what's going to happen, we will go short again. That's the point I tried to make in the chart. Prices will then rise again, and the industry will rush in to invest, and we'll repeat that cycle over again. And I will promise you that as a whole, there will be lower returns because of that dynamic that's out there.

We're trying to do something different than that. We want to get our returns back, which is what we're trying to show through this chart. And how are we doing that? We invest countercyclically. We've picked up an opportunity set that as we continue to say is the best we've ever seen. We're executing it in a low-cost environment when everybody else has pulled back. We're relying on our financial capacity, which is what it was built for. What good is it if it just sits? And we're doing it at a time when debt costs are low, and that, to me, is a winning proposition. Okay, it is different than what everybody else does. But if you're going to generate returns higher than everyone else, you can't do it following them. That's the proposition. So my view is get our returns that will compete with the S&P 500.

My point is, we've got a higher yield today than the S&P 500 in general. So I'm not worried about competing with the S&P 500. I think what I'm worried about doing is generating the value for this corporation based on the competitive advantages that I know we have. And what we tried to demonstrate with you up here today is that we're doing that and that our plans will accomplish it. And the progress that we've made since 2018 is actually demonstrating that in terms of the money and the returns that we're getting on the projects that we've brought on. That's our strategy.

And the final point I'd make on that is we're not blinded by the short term as well. As you think about climate change in this transition, you heard about the technologies that we're pursuing to think through where does this eventually go to. Andy talked about us being a technology company. I would say we're a technology company first, hydrocarbon second and then you get into oil and gas and Chemicals and refining. And that's the basis on which we're progressing in the longer-term horizon in the longer-term future. All of that is around generating better returns. And my expectation is not only will we do better than our competitors in this industry, we'll be competitive with the S&P 500.

Neil A. Hansen - *Exxon Mobil Corporation - VP of IR & Secretary*

Ryan, can you go back here to Jeanine in the middle there?

Jeanine Wai - *Barclays Bank PLC, Research Division - Research Analyst*

Jeanine Wai from Barclays. First off, thank you so much for your time, and we really appreciate all the detail today. My 2 questions are on the Permian, so maybe for Neil. You emphasized the importance of having these large, big, continuous -- contiguous acreage blocks and that it's key to underpinning your design strategy of design one, build many. And so our question is, beyond kind of the Poker Lake and Big Eddy area, what is your capacity to repeat this throughout other areas in the Permian to continue to drive those efficiencies? And my follow-up, depending on the answer to that question, is what's your strategy in order to create more of these big, contiguous blocks? And is that mainly through trades? Or is it through other inorganic opportunities? Because I think having this competitive footprint that you have in the Permian is really the key to what's making Exxon different.

Neil A. Chapman - *Exxon Mobil Corporation - SVP*

Well, I thank you for the question. And I agree with your last comment. I think it is key to doing it differently. And to elaborate now as to what Darren just said about how we're acting as a corporation, we're acting differently in the Permian Basin. But in terms of the Big Eddy and the Poker Lake, I mean, it's interesting you're asking the question on what's next. They are so large. I mean they are so large. I talked about the 10 miles east to west. I mean it's getting up towards 50 miles north to south. So there is an extraordinary resource base to capture there. That's going to keep us going, as I said in the discussion, through the next 20 years plus at the rates we were drilling at in the fourth quarter of this year and the first -- fourth quarter of last year and the first quarter of this year. So it's an incredible resource.

Now what we do all the time is we look for value-based opportunities in the -- in the Midland and the Delaware. And they can be small opportunities, what I call bolt-on acreage, where it adds more value to us than it is for the person who's selling. But what we're not doing is going after checkerboard acreage everywhere. To get the capital efficiency that we're already demonstrating, a key component -- and I would tell you, it's not the only component, but a key component is having large, contiguous acreage over good rocks. Not all rocks are equal in the Permian, and you've seen that demonstrated by the results across the industry. So what's really, really important to me is we focus on developing what we've got because it is extremely large, and we are finding that more and more of these benches are prospective. And so we've got a lot of running room in the Big Eddy and Poker Lake, and that will be our priority. We look for bolt-ons all the time. We've added bolt-ons even in the last year. We do swaps all of the time. But it really comes for anything larger than that if the opportunity set comes up. Frankly, unless he tells me differently, I don't feel the need to because we have some running room in what we've got.

Darren W. Woods - *Exxon Mobil Corporation - Chairman & CEO*

It will be a value opportunity. If it's available to us, we'll look at capturing that. But I want to add to what Neil said, too, because I think we're doing things differently there. But the way I would characterize or how we got to that, we challenged ourselves, and I talk about these 5 competitive advantages. Again, those aren't just talking points. We challenge ourselves as how do we -- given that we've built these advantages up over decades, how do you leverage those in the resources that we're going after. And in the Permian, how do those manifest themselves in what we do, which is now the strategy that you're seeing beginning to unfold. And obviously, we brought that out. A lot of people thought they don't recognize that and can't compare it to what's currently going on out there, and that was our point. We hope you can't because if you can compare it then we're not truly differentiating ourselves there. But everything that we're doing out there is a function of leveraging the functional excellence, the scale, things that we've talked about, the technology. You heard Andy talk about that. All that is the competitive advantages brought to bear and what I think is a very immature resource. And the challenge we've given ourselves is not only to capture additional value but to keep that value.

Neil A. Chapman - *Exxon Mobil Corporation - SVP*

Yes. In fact, Jeanine, it's an immature resource. And again, for our largest resource, which is in the Delaware Basin, we're only just about to unleash the hounds. I mean we spent 2.5 years delineating, preparing, putting surface infrastructure in place. It's when you get into that true manufacturing mode, drill, frac, drill, frac, drill, frac, that you truly drive down the costs and you drive down the drilling times.

Jack P. Williams - *Exxon Mobil Corporation - SVP*

And then I'd just remind you of the charts I showed showing the value we capture those molecules make the way to the Gulf Coast as well through the logistics and refining and chemical, additional uplift we get beyond the Upstream.

Neil A. Hansen - *Exxon Mobil Corporation - VP of IR & Secretary*

Russ, could you give it to Sam Margolin?

Sam Jeffrey Margolin - *Wolfe Research, LLC - MD of Equity Research & Senior Analyst*

Sam Margolin, Wolfe Research. So appreciate the point about countercyclical spending. I think it's really easy to see it in the Permian and deepwater because, as you point out, cost on a lot of fronts are down materially, even since the bottom of the cycle in 2016. Frankly, it's a little bit tougher to spot these countercyclical benefits in LNG and Chemicals and overlaid with the fact that your working interest in these projects, especially in LNG, is probably a little bit lower than what you're accustomed to or what you prefer. Are LNG and Chemicals higher on the list in your potential CapEx rationalization, if the margin profile stays low? I know you're dropping rigs in the Permian now, but that -- maybe that was part of the development plan all along. Can you just talk about the outlook in LNG and Chemicals in a very weak margin environment with a pretty high CapEx commitment in an uncertain outlook?

Darren W. Woods - *Exxon Mobil Corporation - Chairman & CEO*

Yes. I'll talk maybe some broad comments and then pass it to the 2 guys in their areas to kind of cover up. And I agree with you that some of the advantages that we see in the other areas aren't as evident in the LNG space today. And a lot of the work that we're doing is -- and same with Chemicals and the cracker that we're developing in China is really around we got to find advantages to deliver return that's competitive in this portfolio. Andy talked about a 20% return. So if we can't find that, if it gets eaten up through contracting costs, the rest of it, we will not progress those projects. And so one of the reasons that we're spending as much time as we are developing these things is making sure we find the advantages to make those returns attractive and accretive.

And Neil talked about the work that we're doing with Total was Total coming into Area 1 with Mozambique and thinking long term about developing kind of the bedrock project. The 2 of us now look at that together and the adjacency of those areas, we see a lot of opportunity to bring costs and advantages down. And I'd say we're both working that hard because it's good for both of our companies, and it's good for the country of Mozambique. And so we're going to work that until we get to a point where we're comfortable we're getting the kind of returns that we need. And then with Chemicals, just got to have performance products and some of the other advantages in order to offset any costs that aren't advantageous in this environment.

You guys want to add anything to that?

Neil A. Chapman - *Exxon Mobil Corporation - SVP*

Well, I'd just say on liquid. Darren said it's got to compete in our portfolio, absolutely. And it's got to compete in the industry as well. We're going to invest in liquefied natural gas facilities, which are advantaged in the industry. And that's an absolute benchmark that we hold. So our golden

pass that we're building with our Qatari partner on the Gulf Coast, of course, that was an import terminal. And so we can build this at significantly lower cost than other facilities on the Gulf Coast.

In Papua New Guinea and Area 4 in Mozambique, they have to be competitive with the best in the industry. And the Total, Darren talked about, I talked about, it's the same in Papua New Guinea. The Papua New Guinea three-train, we are -- we're very optimistic that will be a great story for the co-venturers and for the country, but it's got to do what the first facility did. The first facility was a great investment for us. It's operating at 20% above its design capacity now. And so that kind of performance enables you to compete against other LNG facilities around the world. So it's got to compete not just in our portfolio. It's got to compete against other LNG opportunities around the world.

Jack P. Williams - *Exxon Mobil Corporation - SVP*

If I could mention on Chemicals. Just take a second and talk about Chemical and the Chemicals business and our role in it. We have a very unique chemicals company versus what anybody else has. We have the integration with our refining assets that several other companies have, but we combine that with the technology we bring these performance products and the scale we bring, the global scale and not only our manufacturing facilities but also our marketing operations, our research operations, our customer-facing organization. It really is unique. And so what we're doing in the Chemicals business is largely investing with demand growth. So demand is 3%, 4% a year, that's kind of what our top line volume growth would be. We're investing with demand growth because we feel like we need to maintain our market share at a minimum because we bring some real strengths. And really, top of the list of the strengths are these performance products. We're bringing our technology organization to bear, and very few other companies are investing in technology in the Chemicals business like we are. So I think when you combine that piece with the scale and the integration, we're extraordinarily unique. And so I feel like that over time, over the cycles, we are going to generate superior returns. And saying, I don't know when that next cycle when it's going to turn up, but it will. It will. The seeds are in place for the next cycle to turn. And when it does, we're going to have good returns.

Sam Jeffrey Margolin - *Wolfe Research, LLC - MD of Equity Research & Senior Analyst*

So that actually leads me to a follow-up, if I may. On the financial performance section, there's a pretty big uplift in the 2020 expected results versus some 2019 performance measures, and 2019 was impacted by significant margin headwinds on multiyear lows in both Downstream and Chemicals, but there was also some maintenance effects in Downstream. In Chemicals, can you talk about what your expectations are to lift you from the 2019 level to the 2020 benchmark if it's more than just margins and commodity?

Jack P. Williams - *Exxon Mobil Corporation - SVP*

A lot of it is just normalizing for margins, but we should expect, on a normalized basis, increase from '19 to '20. We are expecting reliability improvements. We do have a full year of -- some of the projects we brought on, they only got half a year last year. And then we have -- the organization is very focused on cost right now, and that's going to translate to the bottom line, too. So we should see, on a normalized price basis, earnings growth year-on-year.

Neil A. Hansen - *Exxon Mobil Corporation - VP of IR & Secretary*

Ryan, could you give it to Phil right here?

Philip Mulkey Gresh - *JP Morgan Chase & Co, Research Division - Senior Equity Research Analyst*

Phil Gresh, JPMorgan. First question is for Neil, and then I have one for Andy. So for Neil, you made the comment in reference to a prior question about 250 wells per year at the current run-rate and the 6,000 wells of inventory. That's at 250,000 barrels a day, but you're planning to take it to 1 million barrels a day. So how do you think about where that well count would go in the future, 2024, 2025 to get to that level? And how the remaining inventory would play out at that point in time and where you want to take the Permian thereafter?

Neil A. Chapman - *Exxon Mobil Corporation - SVP*

Phil, did you say 250?

Philip Mulkey Gresh - *JP Morgan Chase & Co, Research Division - Senior Equity Research Analyst*

250 wells per year. And you said you had 6,000 remaining wells in inventory.

Neil A. Chapman - *Exxon Mobil Corporation - SVP*

We have, yes. Okay. So we...

Philip Mulkey Gresh - *JP Morgan Chase & Co, Research Division - Senior Equity Research Analyst*

And so I'm thinking as you quadruple your production, what happens to your well count? And where do you go post 2025?

Neil A. Chapman - *Exxon Mobil Corporation - SVP*

Yes. So in the Delaware, we're talking about?

Philip Mulkey Gresh - *JP Morgan Chase & Co, Research Division - Senior Equity Research Analyst*

Yes.

Neil A. Chapman - *Exxon Mobil Corporation - SVP*

Yes. 6,000 -- in fact, we say greater than 6,000. We haven't quantified it above that. Greater than 6,000. About the running rate we're running today is about 250 wells per year. And all I was saying was if you maintain that rate, you could run that same rate right the way through I think we said 2040 or something like that.

Is that the question you're asking?

Philip Mulkey Gresh - *JP Morgan Chase & Co, Research Division - Senior Equity Research Analyst*

Well, you're quadrupling your production. So I assume that well count is going to go up significantly. So one of the questions I think investors have is, what is your remaining inventory once you get to peak production levels?

Neil A. Chapman - *Exxon Mobil Corporation - SVP*

Oh, I don't know the exact number of that. But our inventory, we would expect, once we get up to the 1 million, 1.2 million barrels a day, we -- our modeling would say that we can maintain that run-rate, that production well beyond 2035. And frankly, we haven't done a lot of modeling beyond that time.

Philip Mulkey Gresh - *JP Morgan Chase & Co, Research Division - Senior Equity Research Analyst*

Okay.

Jack P. Williams - *Exxon Mobil Corporation - SVP*

Neil, if I can just interject what -- Phil, I think one thing to keep in mind is that ramp-up in production is not a ramp-up in rigs. The rigs will stay constant, and it's just a cumulative building of that production. We're not talking about going out and bringing a whole much more rigs out.

Philip Mulkey Gresh - *JP Morgan Chase & Co, Research Division - Senior Equity Research Analyst*

Okay. Second question for Andy. I was just looking at last year's presentation versus this year's presentation on the free cash flow. And the cumulative free cash flow that you guided to last year is around $190 billion. And if I look at the slides here, give or take, $130 billion, $140 billion. The ROCE goes from 15% guidance last year to 12% this year. So I'm trying to understand the deltas here. Is it just the rebasing of the margins? Or are there any other moving pieces? The production looks a little bit lower, too. So I'm just trying to understand on the moving pieces.

Andrew P. Swiger - *Exxon Mobil Corporation - Senior VP & Principal Financial Officer*

The bigger portion -- in simple terms, the bigger portion is down to the rebasing what Neil took us through going to the mid-cycle margins and so forth. And then, of course, we've had improvements in the plan. As we high grade, we get better plans every year. There's a bit of that as well. But the bigger piece of it would be the rebasing.

Neil A. Hansen - *Exxon Mobil Corporation - VP of IR & Secretary*

Okay. Russell, how about Paul Cheng right there?

Paul Cheng - *Scotiabank Global Banking and Markets, Research Division - Research Analyst*

Paul Cheng, Scotiabank. Darren, I think Exxon, the whole market stand is a great execution company, both in development and operation. Development remain terrific. But over the last 2 years since my -- you have more than your traditional fair share of the operating upset, whether using Chemical or refining, so what exactly is happening here? That is only would cause that we should be aware or that is truly just being unlucky and from time to time, but every couple of quarters that we have that? Is that truly considered as unlucky, even though on the surface that they may not have common -- seems like a common cause on that? Also along that, I was surprised in the fourth quarter, Chemical actually lost money. I've been covering the company 27 years. I don't recall Chemical in any quarter actually lost money, and I'm not sure, margin is actually lowest in the last 30 years. So maybe perhaps that with all this new project that Jack had shown on the earning, the improvement, why that we will actually have lost money in Chemical?

Darren W. Woods - *Exxon Mobil Corporation - Chairman & CEO*

Well, I'll start with the last one. First, which is, if you think about the investments that we're making and the expenses that are associated with investment, we haven't seen a period where we've been investing in the bottom of the cycle in the past. And so it's not a function. You got a lot of expenses and capital going into unproductive projects as they are being built and brought out and as you bringing in workforce and getting ready to get those facilities started up. So that's a big, big piece of that. And I would tell you, the margin environment was the worst we've seen for a long, long time. And I'll let Jack expand on that. But let me come back to the reliability question that you asked.

So we've done a lot of work in this space. And I've spent probably 20 years of my life working reliability refineries. It's something that I beat my head against the wall on for a long, long time. And I would tell you, if you take -- if you go look at the last couple of years and go back and look at

off-line capacity across our refining circuit and look at the -- where it's coming from, whether it's reliability incidents or routine maintenance or turnaround maintenance, the big difference between the last couple of years and history is the size of the turnaround maintenance. So we took a lot of capacity off, more than we've ever done before on turnaround maintenance, which then left a much smaller layer of refining capacity available. And so when you had an upset in one of those that's smaller layer had a bigger impact or more visible impact.

Having said that, we're not satisfied with that reliability performance. It's not something that has degraded or is unusual -- unusually high. But I would tell you, it's unacceptable for us because every time you've got assets on the ground that aren't producing, it's wasted value. And so one of the things that we've done is launched a team to try to step back and look at not only what's the best practice within our corporation as a whole and our industry but across the entire relevant industry space around reliability practices to see if we can't kind of reset and change the game with respect to reliability across all of our manufacturing facilities, not just the Downstream and Chemical but with our Upstream assets as well.

Jack, do you want to add anything to that?

Jack P. Williams - *Exxon Mobil Corporation - SVP*

Yes. I'll just say the same effort Darren just talked about. We went through about 3 or 4 years ago in process safety. And again, this was not just refining and Chemicals. This is -- include the Upstream across the whole corporation. We went through that extensive process. We're just now kind of rolling it out to all our organization, and it's very early days. But we really do think that, fundamentally, we're going to be driving a big improvement in process safety. And that has -- they're very -- it's very related to reliability. The 2 are very related. Most of the incidents you have that you're down for some period of time started with the process safety issue. So we -- we're kind of methodically working through this with the corporation, as Darren said. We started the process safety, and we moved on to reliability.

I'll tell you 2 trends on the incidents. One is that if you look at the trends over the last 4 or 5 years, we've had a steady increase in the number of incidents due to what would be termed operator error. So our workforce is performing better and better day in, day out. That's really pleasing to see. And the second thing is the response to those incidents on-site were all excellent. Everybody did exactly what they should have and prevented any incident from getting any worse than it was. And I think when you look at the damage and the -- and so forth, it was pretty minimal in all those incidents.

And then the answer to your fourth quarter question, as Darren said, the margin environment for all our products, when you look at our footprint across the world, all our products we have kind of a couple of dominos lineup from a margin standpoint. But also, we did have our -- one of our Baytown crackers and our Fife ethylene plant were both down for the fourth quarter. And those are pretty good assets for us. So that kind of built on to the margin issue as well.

Paul Cheng - *Scotiabank Global Banking and Markets, Research Division - Research Analyst*

A quick second question is that it looked like for the next several years, global refining capacity addition is going to be much higher than the by-product increase. So in the Beaumont capacity increase, I mean, does it really necessary? Or that is a better sense that you are an integrated company that just to export those oil and stop process it yourself? Is it really generating much better return for you?

Darren W. Woods - *Exxon Mobil Corporation - Chairman & CEO*

Yes, go ahead.

Jack P. Williams - *Exxon Mobil Corporation - SVP*

Yes, let me start there, and you can help me out. Yes, Paul, we're not investing to increase refining capacity. We're investing to increase our refinery competitiveness, our integrated site competitiveness. That's why I showed that net cash margin chart on each of these projects to show you how

much we're moving the site competitiveness. So at Beaumont, the reason why we added distillation capacity was it helped us -- it helped balance the circuit, balance our Gulf Coast circuit. And so it's 250,000 barrels a day, more crude throughput, but only 100,000 barrels a day additional product. And it's a product that we think is growing in demand. So we're -- again, we're not -- we're not expanding. We're reconfiguring our refinery kit to be better advantaged in the industry. And we really like -- I think the projects we're working on, we are very optimistic that they're making significant moves in terms of our competitiveness.

Darren W. Woods - *Exxon Mobil Corporation - Chairman & CEO*

I mean the challenge in refining is to be lowest cost supply -- supplier and then lowest lay down cost at your customer's doorstep. And so if you look at where growth is happening in South America and Africa, you have -- given the size and the scale and some of the things that Jack just talked about, you look at what your lay down cost to bring barrels out of that Gulf Coast, high-conversion refinery that's integrated with the rest of the circuit and delivered to customers at a price that others can't compete with, you've got an advantage on that. And so that was the drive for it. We're not interested in growing refining capacity per se. It's really around making the ones that we've got more advantaged.

And the other thing you'll see with the investments that we're making in refining, they're only in our integrated sites. We've got a Chemical platform. And the challenge, the focus we've got with this is to make sure that the refining assets are as competitive as it can be to support the chemical business, so that they're not a weight on that -- that Chemical business, which we desperately need and see good returns on. So it's making sure that we've got competitive assets across these integrated sites. And by the way, the investment in that Beaumont was justified not on market prices and things changing. It's transportation differentials and backing out imported intermediate feedstocks, a pretty fundamental project.

Neil A. Hansen - *Exxon Mobil Corporation - VP of IR & Secretary*

Hey, Russell, could you come up to the front to Paul Sankey?

Paul Benedict Sankey - *Mizuho Securities USA LLC, Research Division - MD of Americas Research*

Paul Sankey, Mizuho. Darren, you've spoken very forcefully about the cycle and investing through the cycle. Logically, you should be buying back stock or buying another company or 2. Or in the past, you've talked about a balance sheet that would be strong enough to do both. Can you talk about why you're not buying back stock or buying another company?

Darren W. Woods - *Exxon Mobil Corporation - Chairman & CEO*

Well, I'll answer that in 2 phases. First is, our key priority to make sure that we're able to manage all the capital allocation priorities, including buying back stock, is to have a competitive platform that grows earnings and generates and grows cash. That -- as you're looking forward and thinking about all these metrics that are rightly valued out there is how do we make sure we can do that on a sustainable basis. That's got to be priority #1 because if I don't have a strong foundation to grow earnings and cash flow, I can't keep a reliable and growing dividend and I'm not going to generate the cash to buy back stock. So I got to make sure that's happening, which have been our focus and what we've been doing here.

Now unfortunately, in this time horizon, we've been in the bottom of the cycle. That's brought some advantages to us. When the top of the cycle comes, it will be, I think, a lot more revenue coming in than we've had before. And then we'll have opportunities to look at these other priorities. Frankly, buying back stock in this kind of environment, not just as a -- as Paul Cheng I think a couple of years ago, talked about, why don't you think about that as an investment. We had. It is an investment. Once you made sure you've got a foundation that in a platform that's going to sustain you for years ahead. Now you've got some discretionary spend. That is a good investment to look at them today with where the stock price is, I would tell you, it's very attractive. But we've got -- it's why I use this word balance across these priorities. We've got to keep strike a balance there, and we're having those conversations with the Board around how best to do that.

Paul Benedict Sankey - *Mizuho Securities USA LLC, Research Division - MD of Americas Research*

And on acquisitions?

Darren W. Woods - *Exxon Mobil Corporation - Chairman & CEO*

Always looking for. And that's -- again, one of the reasons why you've seen us pull back. So from an NPV standpoint, the projects that we're pursuing are robust, the environment that we're in today and across the board. So we don't have any concerns about those projects and getting those in place. Sooner rather than later, brings that NPV 4, and there's value proposition there. And yet you heard us today talk about pacing and slowing some of that down. Why are you doing? If the value proposition is as high as it is, is we want to make sure that we're preserving some flexibility on the balance sheet in anticipation of or maintaining the optionality of, if something comes into the radar that we think is a unique value proposition that we want to be in a position to act on that.

Paul Benedict Sankey - *Mizuho Securities USA LLC, Research Division - MD of Americas Research*

Neil, if I could follow-up on Phil's question. Can you talk about the Midland inventory because it appears that your 20% producing was the produced -- I'm sorry, developed, was the slide, which, again, would suggest a pretty short inventory life there. Could you go back over the 250 wells, 6,000 while inventory was for Delaware? And then could you talk about the Midland?

Neil A. Chapman - *Exxon Mobil Corporation - SVP*

Yes. Your question is not on the Delaware, on the Midland, Paul?

Paul Benedict Sankey - *Mizuho Securities USA LLC, Research Division - MD of Americas Research*

Yes, I think so, because I think what you were talking about was 250 wells a year in the Delaware only. Is that correct with the 6,000 inventory? At that point, could you do the same for the Midland because...

Neil A. Chapman - *Exxon Mobil Corporation - SVP*

No, our Midland inventory, as you know, is much smaller, and it's more developed, and we have more of those resources in production. But it doesn't mean to say that it's produced, as I made that distinction earlier on. It's in production. And so I think we have -- Darren, maybe you can correct me if I had the numbers wrong here. I think we have 600 wells in production. Maybe I'll just look at the data. At over 2,100 inventory, something like that. The inventory is much larger, much larger in the Delaware than it is in the Midland.

Neil A. Hansen - *Exxon Mobil Corporation - VP of IR & Secretary*

Ryan, could you get Roger?

Roger David Read - *Wells Fargo Securities, LLC, Research Division - MD & Senior Equity Research Analyst*

Roger Read, Wells Fargo. One question, just to follow-up on the Permian since we're all trying to have a better feel on that. As we look at -- I think it's Page 47, the production performance in the Delaware Basin. I know you showed a tremendous amount of effort on delineation as opposed to production. But the sort of lack of performance improvement over the years is in contrast to some of your competitors. And I was curious, is that what we're seeing there and that will improve? Or you would just simply say your well design was so advanced that, I mean, this is what the Delaware Basin is going to be?

Neil A. Chapman - *Exxon Mobil Corporation - SVP*

Yes. I was making the point. We've been in delineation drilling. I mean we've been drilling best wells, best benches. We've been looking for those opportunities. And the point I was making when I rolled over and showed you what the advantages have been, what the performance improvement have been in the Delaware, that's because we've been in development drilling. So we can model very, very clearly where we think where we will get to in the Delaware, and I was trying to lead you to -- we'll have something analogous of that continuous improvement. I -- we've been quoting these numbers before. I was really making the point that it reflects the type of drilling we've been doing over the 3 years on delineation. You will see a significant improvement as we drive forward on development drilling.

Darren W. Woods - *Exxon Mobil Corporation - Chairman & CEO*

And the Midland example that he transitioned to is what he's referring to.

Roger David Read - *Wells Fargo Securities, LLC, Research Division - MD & Senior Equity Research Analyst*

All right. And then on the overall goal to get to 5 million barrels of productive capacity by 2025, you've got an M&A or a disposition program ongoing. Typically, as you brought on -- or this would even be true across the industry. As you bring on the new projects thinking what will come on in Mozambique, what will come on in Guyana and obviously, the growth in the Permian, typically, it's hard to -- for the other projects to compete as much, and they should be sold. So is 5 million a day something that's aspirational? Something we should actually think about putting in a model? As Neil knows, we all like to do aggressive modeling or something in between. I'm just -- I'd like to think about how you're looking at it. You talked about flexibility earlier if things go the other way. What's the flexibility if you're able to actually dispose of more and thinking of that as moving towards maybe accelerating shareholder cash returns?

Neil A. Chapman - *Exxon Mobil Corporation - SVP*

Yes. Let me be crystal clear. Volume is not a target for us. And I said that 2 years ago, and I said it last year, and I'll repeat it. Volume is not a target for us. Volume is an outcome of our value growth plan. And the growth plan between now and 2025, which is the time range horizon we're talking about, the large elements of growth come from those 2 developments, from the Permian and from Guyana, and that's the most significant part of that volume increase. But not all volumes are equal. I was making the point earlier on today that we've pared back on unconventional dry gas. And we're down to, what I would call, leasehold maintenance right now. Because you can build that into your -- what we're currently producing at 4 million oil equivalent barrels, but obviously, that's a lot lower value than other barrels we have in our portfolio. And that's why I think it's really important to don't focus on a total volume target. It's an outcome. But to go back to where the 5 million comes from. 5 million comes from primarily the increases in getting up to 1 million barrels a day in the Permian and getting up to our 45% share of the 750,000 barrels a day in Guyana.

Darren W. Woods - *Exxon Mobil Corporation - Chairman & CEO*

And it has risk divestments in it. So in terms of the program that we've thought about, that's included in it. Now like Norway, as Neil mentioned, that happened sooner than we anticipated. So there is a reconciling item. And so who knows how that divestment program will go. Or -- and the other point that Neil made is we've got more in the market than we've -- we expect to transact on because of this value drive. If -- so it could go either way, less or more. So I think all those will play into that. But that 5 million barrels is not aspirational. It is an outcome of the plans that we've put together and our best assessment of how we've risked investments and how all that fits together.

Neil A. Chapman - *Exxon Mobil Corporation - SVP*

Yes.

Neil A. Hansen - *Exxon Mobil Corporation - VP of IR & Secretary*

Russell, could you get Neil Mehta?

Neil Singhvi Mehta - *Goldman Sachs Group Inc., Research Division - VP and Integrated Oil & Refining Analyst*

Neil Mehta here from Goldman Sachs. The first question is around carbon intensity, and some of your peers have put out explicit carbon targets. I was curious on Exxon's view of whether it makes sense to put out a carbon target and what form it would look like.

Darren W. Woods - *Exxon Mobil Corporation - Chairman & CEO*

Sure. Yes, this is an area there's a lot of discussion on, frankly. I think just -- let's talk about our approach to this more broadly. We're very focused on making sure that we're managing the emissions of our business and our operations. And so you saw that we've put out a target to reduce methane emissions by 15% this year from 16 to 20 and reduce flaring by 25%. And we've been working that, making good progress in our expectations that we will hit that this year. We're also developing products to help consumers reduce their emissions. That's another key element of looking at this bigger climate change risk and how do we help the world solve this problem. Let's help our customers do that as well. And then you heard Andy talk about the third leg of that is looking at what other solutions are needed to enable society to meet its aspiration, which is the technology program, and focusing on solution sets in those 3 primary areas that represent the largest portion of greenhouse gas emissions that today don't have an adequate solution set. And then the fourth area I'd say we're focused on is engaging with policymakers all around the world as to the best way to approach this lowest cost to society to get the benefits that they're looking for. And so that's the broader portfolio of how we're working it and very focused on and driving the organization to get more efficient and less emissions within our base operation.

What I would say, we're not -- we don't think is a good idea and one of the challenges in looking at individual targets is we think about this on a global scale. Individual companies hitting targets and then selling assets to another company, so that their portfolio has a different carbon intensity has not solved the problem for the world. It hasn't made a dent in it. And in some cases, if you're moving to a less effective operator, you've actually made the problem worse. We're not motivated to do that. We're trying to stick to what is going to make a difference when you draw the circle around the globe, which is what this challenge is. This is not a company challenge. This is a global challenge. So how best to address that from a global standpoint. So that's the way we're thinking about it. And I think this idea of moving things in and out of the portfolio from one company to the other actually isn't getting us any closer to a solution in this space.

The last point I'll make on that is there's been a lot of discussion around going after the supply side of the equation. Companies like ourselves, ExxonMobil and other IOCs, which are high-profile companies, I understand why people are targeting on that. I think the point that I would make there, though, is changing our supply in whatever direction we're talking about here doesn't change the demand. And if you don't have a viable alternative set, all you're doing is moving out from 1 company or 1 country to someplace else. And again, doesn't solve the problem. So we're very focused on trying to make sure that we're talking about this holistically and actually taking steps to solve the problem for society as a whole. And not to try to get into a beauty match, beauty competition around who sheet looks like what. We're going to try to get our emissions down as best as we can. We're going to try to solve our customers' issues as best as we can, find new solutions, advocate for the right policy and then think globally about this, what else we can do to contribute.

Neil A. Chapman - *Exxon Mobil Corporation - SVP*

Yes. And to be clear there, Darren, the demand is not changing. So if one company drops out of supply, someone else is going to fill it in. I mean that's the point you're making.

Neil Singhvi Mehta - *Goldman Sachs Group Inc., Research Division - VP and Integrated Oil & Refining Analyst*

Okay. Great. The follow-up question is around the return on capital employed target or goal in 2025 to 12%. Just to be clear, that's based on a real price versus a nominal price at 60. Can you just talk about how that number would look and what the inflator that you're using that underpins that assumption?

Darren W. Woods - *Exxon Mobil Corporation - Chairman & CEO*

Yes. Let me just start by saying it's not a target. This is -- I know that with this group, we've had a really hard time with that. I think ROCE, our view is, if we're investing in the right projects and their advantage versus industry that we should see an improvement in return on capital employed, and that's what that chart tried to represent. With respect to nominal, and there's just -- to use real or nominal, what I would tell you is that's looking at 1 piece of the equation. So when we look at margins, when you've got kind of the differential, we keep those flat on a nominal basis going forward because you've got the -- there's the pluses and the minuses mixed together, we're going to hold that flat. When you talk about an absolute price, it's relative to what other costs are doing. And so what we tend to do in our plan is we drive cost up to inflation. And so our view is, since it's a commodity market and prices are set by the marginal player that if there's inflation in the market describing everybody's cost, that, that will manifest itself in the price. So that's the way we think about it. But when you get down into our plans and think about the value creation, it's really the difference between the cost it takes to realize that price. And the fact that we're inflating both of them means the differential is pretty constant. That's how we think about it.

Neil A. Hansen - *Exxon Mobil Corporation - VP of IR & Secretary*

Ryan, could you give up front and get Ryan Todd?

Ryan M. Todd - *Simmons & Company International, Research Division - MD, Head of Exploration & Production Research and Senior Research Analyst*

Ryan Todd at Simmons Energy. You're pursuing a strategy, which contrasts pretty sharply with a lot of your peers, and you referenced that earlier, Darren. The -- I mean, the market hasn't liked it for a couple of years. It's not like in it very much today. The market can clearly be wrong for a long period of time, so that's maybe another issue. But as you think about the discussions that you have within the management -- within your management committee and with the Board on this, I mean, what would you need to see to drive a material course correction for you, guys? Is it a different view on supply/demand balances going forward? Or how do those discussions play out internally?

Darren W. Woods - *Exxon Mobil Corporation - Chairman & CEO*

Yes. I think that the way we have these discussions and talk with the Board about it, which are very involved, they're very -- we have a lot of engagement around where we're trying to take the company and how we're trying to do that. It would be a function of the outlook and where do we see the world going, and does it change the value proposition of the projects that we're pursuing because I'll come back to this. That was the point of the early section that I showed in the chart, that the demand for oil and gas is going to sustain itself for decades to come. The decline rate that's happening in that part of the sector, the oil and gas sectors, mean you got to have investments to fill that. And the question is, do we have investments that are advantaged versus the rest of industry? And I think as you look at what we're talking about with Guyana and Permian, we've got clear distinction there. That brings on low-cost capacity that's advantaged, gives us a return. There's a value proposition there. And so if that value proposition changed, if something was to make the outcome or the outlook different, then that would change the direction that we're taking.

Ryan M. Todd - *Simmons & Company International, Research Division - MD, Head of Exploration & Production Research and Senior Research Analyst*

All right. And then maybe in the Permian, as we think about the overall -- I appreciate all the detail that you gave in the Permian. As you think about the overall pace of the multiyear program, it's clearly -- there's a balance there. It's a very high rate of return opportunity, but it's also one of the more flexible things in the portfolio. You talked about a small near-term reduction. But can you talk about the drivers of the overall pace? I mean

you're running an activity level that's probably twice as high as just about anybody else in the basin. Is there -- what are the benefits of driving a pace that's not aggressive versus materially slowing it down or?

Neil A. Chapman - *Exxon Mobil Corporation - SVP*

Maybe I'll start this. I tried to describe that in the chart. In my mind, we range-bound it. We range-bound it, but I don't want to go too fast where we lose project execution excellence. That really caps the top end of this range. The bottom end of the range, I want to make sure we're capturing the capital efficiency advantages versus anybody else because that's what drives the return. If you go too slow, you don't capture those capital efficiency advantages. You build big kit, and you don't fill it up quickly. That's not a good efficient use of capital. So we sort of range-bound it by that. And then we'll make a decision on where on that -- between those 2 boundaries that we decide to invest in. I would tell you, if you look at most of the other players in the basin, for sure, they're running less rigs and a lower production rate. They don't have the capacity of this corporation in terms of executing projects, in terms of drilling, in terms of subsurface understanding, in terms of financial capacity. So absolutely, I understand that we're running more rigs, and we're getting at a faster pace than the vast majority. I would expect us to because we have the advantages that we have in the corporation.

So I am very, very comfortable at the rate we're going. What's really important to me is we're demonstrating improvement year after year. To go back to some of the comments Phil made earlier on, we talked about the number of wells. What we're drilling is more efficiently every year. In fact, we're drilling more efficiently every month. We need less rigs for the same number of wells all the time. That comes from driving efficiencies. We've had 40 rigs in the Delaware today. And I get asked a lot, surely, that's too many; surely, it's inefficient. We're micromanaging every single rig, every single rig. And how can we do 40 versus others doing 10? Because we have the capacity to do it, we have the organizational capacity to do it. I would tell you there's no less intensity in our 40 rigs there are and others who are running 8 to 10. And that's the way I look at this business. If I thought that we were operating inefficiently, I will be the first to pull back.

Neil A. Hansen - *Exxon Mobil Corporation - VP of IR & Secretary*

Russell, can you get Jason right there?

Jason Daniel Gabelman - *Cowen and Company, LLC, Research Division - VP*

Jason Gabelman from Cowen. I'd like to ask a question about these price cycles. You mentioned, Darren, that the industry as a whole has underinvested in conventional oil and gas projects over the last 5 years. It seems like there's still some spare production capacity out there. So my question is, is the characterization of the price cycle changing, meaning either the magnitude of the peaks and troughs or the magnitude between the peaks and troughs, do you see that shifting at all in traditional oil and gas or, quite frankly, the other verticals that you participate in like LNG comes in refining?

Darren W. Woods - *Exxon Mobil Corporation - Chairman & CEO*

Yes. And first, I'd just make the point in that chart with the underinvestment, that's IEA data. That's not our data. That's kind of the outside view, and it's taken on top of what is needed beyond the unconventional space. So it's looking at the conventional with the unconventional considered in that growth. And so that's kind of where that's come from and that view of underinvesting. And I would tell you that kind of what supports that perspective is the price environment that I showed in the cost. It's clearly shown that the demand for the services is lower than it has been historically.

With respect to how the cycles move, I think it's hard to see a differential in the Downstream and Chemical businesses. In the Upstream, I think the big differential is the unconventional and the short-cycle time. And -- but I also think it comes back to the availability of capital and the advantages that these companies will be able to sustain over time. We started the unconventional business with -- fragmented with a lot of different players. That has consolidated some. And my suspicion is, if you look kind of the natural evolution of businesses like that, that over time, you'd see more

consolidation, and that will be driven in part by some of this cyclicality. And so I think maybe in the short term, there's some differences there, but maybe longer term, less so.

I don't know if you want to add anything to that, Andy.

Andrew P. Swiger - *Exxon Mobil Corporation - Senior VP & Principal Financial Officer*

No. I agree with that.

Jason Daniel Gabelman - *Cowen and Company, LLC, Research Division - VP*

Great. And my follow-up is just your earnings potential out to 2025 from the base plan that you presented in 2018, I think it's unchanged. It's 2x the 2018 earnings baseline, but it seems like a couple of the large capital projects haven't pushed out the 2 LNG projects, the Singapore or their China Chems project. So where is the delta in keeping that 2025 earnings potential despite moving some of those large project start-ups out beyond the planning time line? And then how did that impact the change in CapEx for this year?

Neil A. Chapman - *Exxon Mobil Corporation - SVP*

Yes. Well, just to answer on the LNG one, is to be clear on what I said was the LNG projects tend to have a material impact before 2025 is through. That has always been our plan. We would start these facilities up on that base plan in that time frame, but you really only ramp up and see the earnings and the bigger impact in the '25 through 2030 period, and that's always been the case.

Jack P. Williams - *Exxon Mobil Corporation - SVP*

And the China cracker is still included in '25. It's coming -- I said it's coming on late in the cycle, so it's coming on at '25.

Darren W. Woods - *Exxon Mobil Corporation - Chairman & CEO*

Which was the earlier basis as well. It was always coming in the back end of that cycle. So it doesn't have any real material impact on the 2025 number.

Neil A. Hansen - *Exxon Mobil Corporation - VP of IR & Secretary*

Okay. I think we have time for one more question. Russell, right there behind you, if you don't mind.

Marshall Hampton Carver - *Heikkinen Energy Advisors, LLC - Founding Partner and Director of Research*

Yes. Marshall Carver with Heikkinen Energy. In the Midland and Delaware, as you switch to more cube development and, therefore, tighter spacing this year, how much of a reduction do you anticipate in oil recovery per well compared to last year?

Neil A. Chapman - *Exxon Mobil Corporation - SVP*

Yes. One of the things I'm very careful of, and I'm very careful with our organization, is not to be predicting the out into the future what we're doing on things like well recovery. I don't think it's right. You'll see the results. We published the results. I don't -- I strongly believe in our cube development, we have a terrific advantage. I laid that out, and it was important for me that I laid out the details for that. It will be advantage versus everyone else.

But I don't want to get into the exact well recovery. What I suggested in the Delaware is that trend that we've seen in the Midland, and we've drilled 18 cubes, if my numbers are correct, so it's not like we just started this. We've drilled 18 cubes. And then 18 cubes have got something like 200 wells in them over the last 18 months or so. This is not brand spanking you. We've been delivering on that performance. You've seen it in the Midland. That trend we would expect to take place in the Delaware, but I don't really want to get into a prediction on the exact number.

Jack P. Williams - *Exxon Mobil Corporation - SVP*

And just one thing I'd add, if I caught your question correctly. A cube development does not mean decreased spacing. No, it just means drilling all the wells that you're going to be drilling at whatever space you deem correct at the same time. It does -- we're not decreasing the spacing.

Neil A. Chapman - *Exxon Mobil Corporation - SVP*

Others have decreased the spacing, as you know.

Marshall Hampton Carver - *Heikkinen Energy Advisors, LLC - Founding Partner and Director of Research*

The reduction in the Permian production from last year's plan to this year's plan for 2020 and 2021, was all of that based on lower activity? Were there any other adjustments there?

Neil A. Chapman - *Exxon Mobil Corporation - SVP*

Yes. As Darren was describing, we pulled up back on some capital expenditure. It's short cycle. It's -- we can do it. It's been offset a lot by the improvements we've made, less rigs for the same -- that we need for the same production. So we've pulled back on capital expenditures, part of our capital expenditure reduction program across the corporation. Darren said we were -- we were flagging, we were at the top end of that $30 billion, $35 billion range. We're now at the lower end. Some of that has come out of that pulling back in the Permian. I think what's really interesting about that is, despite that pullback, you can see, and it's on the charts, the volume reduction versus what I said last year is pretty small, and that gives you an indication of the improvements that we're making.

Neil A. Hansen - *Exxon Mobil Corporation - VP of IR & Secretary*

Okay. Before we break, let me just make a few comments. As I mentioned, the ExxonMobil management team will be hosting lunch upstairs until 1:00. If you'd like to attend lunch -- if you'll exit through the back, staff will lead you up to the seventh floor. Once you get your plate, seating is open. So if you can just find your way to a table. And then if I could ask, if you could please allow the management committee to quickly move upstairs, so they can take their seats. I'm not trying to discourage the interaction. I know it's important. But if we could just move it up to the seventh floor, we would appreciate that.

So again, we thank you for your time today, and we appreciate your continued interest in ExxonMobil, and please travel safely. Thank you.
