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# EDITED TRANSCRIPT

COP.N - ConocoPhillips Analyst & Investor Meeting

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## CORPORATE PARTICIPANTS

**Andy O'Brien** ConocoPhillips - SVP of Global Operations

**Dominic Macklon** ConocoPhillips - EVP of Strategy, Sustainability & Technology

**Nicholas Olds** ConocoPhillips - EVP of Lower 48

**Philip Gresh** VP of Investor Relations

**Ryan Lance** ConocoPhillips - Chairman & CEO

**William Bullock** ConocoPhillips - Executive VP & CFO

## CONFERENCE CALL PARTICIPANTS

**Devin McDermott** *Morgan Stanley, Research Division - VP, Commodity Strategist for Power Markets & Equity Analyst of Power and Utilities Research Team*

**Douglas Leggate** *BofA Securities, Research Division - MD and Head of US Oil & Gas Equity Research*

**John Royall** *JPMorgan Chase & Co, Research Division - Analyst*

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

**Nitin Kumar** *Mizuho Securities USA LLC, Research Division - MD & Senior Energy Equity Research Analyst*

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

**Robert Brackett** *Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst*

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

**Ryan Todd** *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

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

**Paul Sankey** *Sankey Research - Analyst*

## PRESENTATION

**Philip Gresh** - VP of Investor Relations

All right. Well, good morning everyone. My name is Phil Gresh, I'm the Vice President of Investor Relations for ConocoPhillips. On behalf of our entire executive leadership team, it is my privilege to welcome you to the 2023 Analyst and Investor Meeting. I'm going to quickly review today's agenda.

First, Ryan Lance will begin by reaffirming our durable returns-focused value proposition and he will present an overview of our updated 10-year financial plan. Dominic Macklon will then describe our differentiated strategy and portfolio, which forms the foundation for this plan.

Next, you will hear bottoms-up details from the rest of the leadership team. Andy O'Brien will talk about Alaska and International, Bill Bullock will discuss LNG and commercial, and Nick Olds will talk about the Lower 48. Bill will then come back up and provide a summary financial detail of the plan, and Ryan will give some closing comments.

We will then have a short 10-minute break before the Q&A. We expect the presentation to take about 75 minutes. We'll be making forward-looking statements today. Actual results could differ materially from the projections you see. The risks and uncertainties in our future performance are described in the cautionary statement shown here and in our periodic SEC filings.

We will also use some non-GAAP financial measures today. Reconciliations to the nearest GAAP measure can be found in the appendix section. So again, welcome. Thank you for your interest in ConocoPhillips. And it is now my pleasure to turn the meeting over to our Chairman and CEO Ryan Lance.

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**Ryan Lance** - ConocoPhillips - Chairman & CEO

Thank you, Phil. Well, good morning, and welcome back. I guess, I should say it's -- I want to extend my welcome and thank you all for joining us today for our 2023 analyst and investor meeting. It's been a long time. We appreciate the opportunity to speak to you today, and we appreciate certainly the interest in the company.

Boy, how time flies.

So it's been a little bit over three years since we were last here, and certainly, a lot has changed. We've been through a global pandemic where we saw the biggest-ever drop in global demand that we've seen in this industry. And then just as demand was starting to recover, Russia invades Ukraine. And so now energy security and affordability are at the forefront of the conversation.

You fast forward to today and the macro environment is really quite uncertain, as central banks try to tamp down inflation without triggering a recession. But you can count on one thing that has not changed, and that's ConocoPhillips' relentless focus on value creation. It's guided by our foundational principles, our financial priorities and our talented workforce, which you'll hear all about today.

The bottom line, we're a much stronger company today than we were in 2019. We have a better portfolio. We have a stronger financial plan, and we look forward to sharing that with you.

Now before I get into the nitty gritty details of the business today, I want to step back for a minute and say, and answer that question, why are we here?

Well, really, it's quite simple: Why we believe ConocoPhillips remains the must-own energy company in your portfolio.

I say that recognizing that the macro environment is quite uncertain, but we're built for this. And let me tell you why. First, we have the conviction to share with you a 10-year plan: The plan that has been battle tested through the cycles, one that has delivered and will continue to deliver improving and competitive returns on and of capital to all of our shareholders.

And Bill will tell you a lot about that today. Second, we have the deepest, most durable and diverse portfolio of any of our E&P peers. And Dominic, Nick and Andy are going to show you the deep duration of our portfolio. And third, we're well positioned to play in the upcoming energy transition. We have a relentless focus on our Triple Mandate and that is including an acceleration of our GHG emission reduction initiatives that Dominic will share with you today.

I've been the CEO for a little bit over 10 years. Back in 2015, we took our team off-site, and we wanted to describe to ourselves what the best E&P company would look like. What kind of portfolio, what kind of balance sheet, what kind of value proposition. And then we set out to go build that.

And I can tell you today we've done that. But we aren't resting. And we're constantly trying to improve not only our portfolio but our financial plan. Today, we think they're the best in this business. So let me spend a few minutes talking about our returns-focused value proposition. And that's core to how we think about running the company.

The most important thing about this slide is it -- has not changed. First, there is our Triple Mandate, and that ensures that everything we do underlines with the base realities of this business. We're committed to meeting today's energy pathway demand while delivering superior returns on and of our capital, and we remain focused on delivering our net-zero operational emissions ambition.

Second is the foundational principles. It's about balance sheet strength, peer-leading distributions, disciplined investments and ESG excellence.

And third, our foundational priorities, our financial priorities. Again, these haven't changed since we rolled them out over seven years ago. In fact, they've only been further validated by the cycles that this business has been through.

Finally, underlying all of this is our unwavering commitment to sustainability and responsibilities, including engaging with a high-performing, diverse workforce who make all of this plan possible today.

It is this philosophy and this commitment that has anchored the continuous improvement that you've seen at ConocoPhillips since our strategy reset in 2015.

We have streamlined our portfolio through acquisitions and divestitures to create an asset base that has significant low cost of supply resources. Now you're going to hear that term "low cost of supply" a few times today. We kind of like it. It's a bit of our North Star. I probably should have checked what the over-under was on how many times we would say that, but I'm sure a few of you are keeping track.

But it's that portfolio that is really driving the cash flow growth and the returns growth at our mid-cycle price of \$60 WTI. And the proof point -- history shows that we are stronger, a bigger resource base, a better balance sheet, and we have grown this company over the last four years competitively. And we've done this while being a better environmental steward.

It's our confidence in this framework that allows us to give you an updated 10-year plan. And it keeps getting better. So what is our outlook for the next 10 years? Here's our 10-year plan on the page, should look very familiar to you, what we showed you in 2019. The punchline is that we can deliver durable returns and cash flow growth for the long term.

And this is not just versus industry but versus the general market.

Point 1. We expect continued ROCE improvement from our mid-teens level today at a \$60 WTI and we're committed to compete against the top quartile in the S&P 500.

Point 2. We expect top quartile ordinary dividend growth and again, that's at \$60 WTI. And we provide full upside to a higher-priced environment.

Point 3. We have the distribution capacity of greater than 90% of our market cap, and we're not done there. And again, you get higher market cap and distribution upside with a higher-priced environment.

Point 4. We have a free cash flow breakeven of \$35 per barrel. And finally, we have line of sight to 6% CFO growth and 11% free cash flow growth.

As I said in 2019 and again in 2021, we challenge any other energy company to show you this kind of a plan with this kind of duration.

So with that, let me introduce Dominic, and he'll come up and talk to you about how our strategy and our plans fit this 10-year plan. Dominic.

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**Dominic Macklon** - ConocoPhillips - EVP of Strategy, Sustainability & Technology

Well, thank you, Ryan, and good morning, everyone. It's very good to see you all. I'm very pleased to have this opportunity to further demonstrate why we believe this 10-year plan reflects an industry-leading value proposition. And our strategic objective remains very clear: To deliver superior returns through the cycles.

And that's easy to say, but it's more difficult to do. It requires strategic clarity, conviction and disciplined execution. So it's our strategy that powers our returns-focused value proposition. And our strategy can be summarized across three key dimensions.

First, how we allocate capital. We have to be experts at the allocation of capital. And this is the foundation of our strategy, and the foundation of our capital allocation is our continued commitment to disciplined reinvestment rate. That's fundamental. And that discipline, together with our relentless focus on cost of supply, drives both our returns on and of capital.

Second is the portfolio that we choose to have. Through our acquisitions and portfolio management, we have created a differentiated resource portfolio that is deep, durable and diverse. We have the leading Lower 48 unconventional position, and that's complemented with really premium assets in Alaska and internationally.

And third, how we play a valued role in the energy transition. We were the first U.S.-based oil and gas company to declare a Paris-aligned net-zero ambition for our operational emissions. We're accelerating our GHG intensity emissions reduction target through 2030. We have successfully grown our LNG portfolio, a fuel that is crucial to provide reliable, lower-carbon energy for the long term. And we are continuing to evaluate potential new low-carbon business options in hydrogen and carbon capture.

So I will talk briefly to each of these three areas, starting with our capital allocation framework and our commitment to a disciplined reinvestment rate.

Now as many of you know, we rolled out a returns-focused value proposition in 2016. And at the time, the industry was overcapitalizing to drive production growth but at a low return of capital employed and without competitive returns of capital. So we broke rank. We were the forerunner with our strategy reset.

And as you can see, this changed the way we looked at the world. From 2017 to 2022, our reinvestment rate was nearly half that of the prior five years. And this has been the foundation for our track record of peer-leading returns that Bill will talk to shortly.

And this philosophy is here to stay. At \$60 WTI, our reinvestment rate averages around 50% over the 10-year plan, and it remains below 60% throughout, just as it has been over these past five years. And this is while driving approximately 6% CFO growth over the decade.

So with ConocoPhillips, you get competitive returns of capital plus durable CFO growth. And it's our commitment to a disciplined reinvestment rate that underpins all of that.

So next, I want to talk about our low cost of supply framework. I don't know how many times you've said that now, but there's going to be more coming.

We first introduced this in 2016 as part of our strategy reset. And when it comes to capital allocations, Ryan mentioned, this remains our North Star to this day. So as a reminder how we actually calculate this, we build up to this for every asset and normalize around what price is required to achieve a 10% forward rate of return.

And it's critical to highlight, this is a fully burdened metric with everything taken into account. So our allocated G&A, everything, the kitchen sink included. And this helps ensure our investments make a true economic return even in the down cycle and manifest, crucially, as improving ROCE and mid-cycle and above. It's entirely different to single well returns, which can significantly mislead to those bottom line returns that you're going to see.

Now as we showed earlier, we have updated our view of mid-cycle prices from \$50 to \$60 WTI. However, that does not mean we have changed our less than \$40 cost of supply standard to drive that discipline in the company. So just as we remain committed to a disciplined reinvestment rate, so we remain committed to our cost of supply framework. Low cost of supply wins.

Now you might be wondering, and you may have asked questions to yourself about what drives the balance between our short- and long-cycle investments in decision-making? For example, why don't we just invest more in the Permian? Well, after satisfying those two primary criteria I've just described, there are secondary criteria that we consider very carefully to strike that optimal balance.

So we believe it's very important and valuable to maintain diversity in our portfolio, including balancing short-cycle flexible assets with longer-cycle low decline assets. As well as diversity in product and market exposure. So our conventional low-decline assets provide really a very important advantage for us today in our reinvestment rate and our resilience, as well.

And we want to maintain that balance, assuming our primary criteria are satisfied first. And predictable execution. A strong track record and predictable execution is also something we pay very close attention to. Particularly on our larger projects. So Andy and Bill will highlight how we think about this and what we call the "execution pedigree" of our larger projects and -- for both Willow and our LNG projects.

So the outcome is a balanced production growth outlook with around 4% to 5% production CAGR and a relatively consistent production mix.

So moving on to my second focus area. On this slide, we take great pride in sharing the depth and quality of our portfolio. We've been providing these updates on this chart for many years. It's probably familiar to you.

We continue to be the only oil and gas company to provide this level of portfolio insight. And we think that takes on additional significance right now because there's a lot of questions out there across the sector around company's portfolio inventories.

On the left side, you can see we have approximately 20 billion barrels equivalent under \$40 cost of supply and that's at an average of around \$32 a barrel. And this would be sufficient to maintain our current production levels for more than 30 years. So that's pretty deep. And all those resources provide a fully burdened 10% return at under \$40 a barrel. And that's what makes it durable.

Now on the right side, we show the broad geographic distribution of our production over the next 10 years, and that highlights the diversity. And Nick and Andy will share further about the depth and quality of our portfolio. It's a very important area for us to discuss this morning.

So as Ryan mentioned, acquisitions and active portfolio management in recent years have significantly strengthened our portfolio and our performance. To make clear headed decisions around M&A, it requires the same discipline and rigor that we apply to our organic investments. And that's why we continue to use a cost of supply framework to evaluate all our transactions. Now particularly in the case of acquisitions, this ensures we stay focused on the full cycle economics and the bottom-line returns rather than just short-term accretion metrics. So the key message on this slide is really that you can expect us to continue with the discipline and the patience that we have had around our transactions to further improve the company.

Now for my third and final topic of this section, I'd like to address our actions and our progress to position the company to play a strong and valued role in the energy transition. We know it's the low cost of supply, low GHG intensity barrel that will win, and we are making good progress on our GHG intensity reduction.

Our preliminary data for 2022 shows a reduction of greater than 40% on our gross operated emissions intensity, and that's against our 2016 baseline. And with this progress, today we are announcing an acceleration to our 2030 target from the current 40% to 50% reduction to a 50% to 60% reduction, and that's on both a gross operated and a net equity basis.

And of course, these are supported by our zero routine flaring target and our methane intensity targets, and these are both crucial areas for our company and for our industry. Methane in flaring represent one of the four key areas we're focusing on, and Andy and Nick will mention some of the practical examples of how we're reducing emissions across our assets.

So we remain highly committed to our net-zero journey.

Next, I want to share a bit about our strategic perspective on liquefied natural gas or LNG. So we firmly believe LNG is going to play an increasingly crucial role in the global energy mix as a reliable and dispatchable lower-carbon fuel.

Let's not forget the remarkable impact gas has already made here in the U.S. with switching from coal to gas and power generation to significantly reduce CO2 emissions. But while coal has been declining in the U.S., you probably all know, global coal demand has been steadily growing and has yet to peak. So LNG can play a similar role in Asia and in Europe and around the world. For example, looking at the full life-cycle emissions, that's the full life-cycle of U.S. LNG sourced from the Permian Basin and delivered into Germany, it offers a greater than 40% lower emissions to coal for power generation. And the benefits are very similar delivered into Asia.

So the bottom line is the long-term outlook for global gas is very robust, not just due to Europe's immediate goal to reduce dependence on Russian supplies, but in meeting the energy demand of a growing global population, displacing coal and working alongside intermittent renewables.

So LNG is a key element of our long-term strategy, and Andy and Bill are going to share more about the strength of our LNG portfolio shortly. Which brings me to my concluding slide and a summary of our 10-year plan.

So at \$60 WTI, our plan generates \$115 billion of free cash flow available for distributions, which, as Ryan said, is more than 90% of our market cap over these next 10 years.

For our capital outlook, we would expect it to average around \$10 billion in the \$60 WTI case, delivering that 4% to 5% production CAGR.

Now importantly, our plan remains resilient to the down cycle with an average free cash flow breakeven of \$35 a barrel. And we maintain full upside to the price upside -- full exposure to that price upside. We don't hedge, as you know.

And this is all a result of the clear choices and decisions that make up our strategy. And if there's one key message to take away from my section today, it would be that with ConocoPhillips, you can have your cake and eat it, too.

You can have competitive returns plus durable CFO growth.

Now I'll hand over to Andy to provide more insight into our premium assets in Alaska and internationally. Andy.

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**Andy O'Brien** - ConocoPhillips - SVP of Global Operations

Thanks, Dominic, and hello, everyone. So I look forward to updating you today on our plans across our Alaska and international assets. This is a fantastic set of assets made even more powerful when combined with the rest of our portfolio that Bill and Nick will cover.

As I step through, there are three key themes I'd like you to take away from today.

First, Alaska and International provides material diversification to our portfolio. Second, this business delivers meaningful high-margin production growth. And third, our low reinvestment rate provides a significant free cash flow to the company. This material, diverse and low cost of supply resource base differentiates us from our domestic E&P peers. Nobody else has this advantage.

So let's get started with cost of supply. The chart on the left shows our deep inventory of low cost of supply resource across a spectrum of asset classes.

We have long-life, sustaining cash flows in LNG and Surmont. In the Montney, we're building our next core unconventional position. Our conventional international assets are all linked to Brent or international gas prices. And in Alaska, we manage a high-margin legacy business with the next development in Willow to follow.

Now the right-hand side of this chart may be surprising to some. We expect Alaska and International to deliver a 4% CAGR of high-margin production growth at only a 40% reinvestment rate. And that growth is not all from Willow. We're expanding the LNG business in Qatar with North Field East and North Field South. We intend to steadily ramp up production in the Montney and we expect to grow our core Alaska business outside of Willow. I'll share the details of each on the subsequent slides.

So LNG has been a cornerstone of our portfolio for years, and we're leaning in with proven assets and proven partners. Qatargas 3 continues to be a star in the portfolio, supplying LNG to the Asian and the European markets. Year in, year out, QG3 delivers consistent flat production for negligible reinvestment.

Now the North Field expansion projects represent the next stage of our 20-year relationship with Qatar. Across the North Field expansion, we were awarded 2 million tonnes per year with first LNG from NFE expected in 2026. NFE and NFS are as close to manufacturing mode, as you will see in the LNG industry. Now we anticipate our share of capital for NFE to be approximately \$900 million with NFS in the same ballpark.

Now moving to APLNG. The strength of our Brent-linked LNG contracts delivered over \$2 billion of distributions to ConocoPhillips in 2022. We also opportunistically added to our position in '22, and we would have paid back approximately half of that purchase price in just over one year.

Now we operate the LNG facility, and it continues to run really well. It consistently benchmarks globally in the top quartile of all LNG facilities. When the Origin sale to EIG and Brookfield closes, we'll also take over operatorship of the upstream assets, and will increase our working interest by another 2.49%, taking our total ownership to just under 50%. Now the terms of the acquisition are essentially the same as a 10% that we purchased last year.

We know these assets really well. Origin Upstream has a talented workforce, and we look forward to bringing our international upstream and commercial expertise to help further optimize the assets. Now overall, our LNG business is a stable and predictable part of the portfolio that allows for growing long-cycle cash flow generation.

Now similar to LNG, Surmont is another long-life low capital intensity asset. Our optimization is delivering production growth with top quartile steam-oil ratios, lower cost per barrel and lower emissions intensity. Despite no new pads since 2016, these optimizations allowed us to achieve record production levels last year.

Now we're currently drilling our first new pad in seven years. With the cost of supply of just \$15 a barrel, Pad 267 will deliver some of the lowest cost of supply resource in our entire portfolio. It will lengthen the production plateau and it will further lower the steam-oil ratio. We're about halfway through drilling, and we're seeing costs of 30% cheaper than the last time we drilled in Surmont. We expect to have first steam in Q4 this year.

Now in conjunction with the operational optimization and the low cost of supply development, we're equally excited about the opportunity to materially reduce our emissions. We think about this in three categories: application of current technologies, new technologies and CCS. Now we're currently conducting pilots with current and new technologies focused on reducing the steam and/or increasing the production.

We're also a member of the Pathways Alliance, a unique partnership collaborating with both the provincial and the federal government to evaluate the commerciality of large-scale CCS in Alberta.

Now moving from Alberta to British Columbia, let's take a look at our unconventional Canadian asset. In the Montney, we've successfully completed the appraisal phase and landed on a 2-layer plan of development. This is enabling us to high grade the resources to 1.8 billion barrels of oil equivalent at a cost of supply in the mid-\$30s. Now we're excited to be transitioning to a steady development plan and our experience in the Lower 48 is allowing us to rapidly move along the learning curve.

We plan to add a second rig in 2024, and that will allow us to run one continuous frac crew. What's also compelling about the Montney is that we can grow over 100,000 barrels a day over the next decade with just two rigs. And that production is 60% liquids with a long-term commercial offtake in place.

Now I'll move to our international conventional assets. Over the years, we've high-graded this part of the portfolio, and we now operate in four countries: Norway, Libya, Malaysia and China.

And Norway's a great example of how we leverage existing infrastructure. We expect to have four subsea tiebacks all onstream in 2024.

In Malaysia, we continue to add high-margin low cost of supply opportunities.



And in China, we're progressing a wind farm project that will both reduce our GHG emissions and lower our operating costs. In aggregate, we see the international conventional business as a strong free cash flow generator, providing about \$1 billion a year over the next decade with very low reinvestment rates.

So I'll end my asset talk with Alaska, and we'll start with the legacy business. We have over 40 years as a proven, responsible operator in the state. We're currently producing about 200,000 barrels a day of high-margin oil with Brent-linked pricing.

Now even after 40 years, we still see underlying growth potential, and that excludes Willow. This is driven by a combination of infill drilling and step-out pads. Coyote is a great example of developing a new reservoir from an existing pad, and Nuna is a great example of a new pad tied back to existing infrastructure.

Now between these two projects, we've got about 65 wells planned with a peak production of about 40,000 barrels a day. Now importantly, both of these projects have cost of supply in the low \$20s. We'll continue to invest about \$1 billion a year to profitably grow our Alaska legacy business at about 2% to 3% a year over the next 10 years.

Now let's move to Willow, our next development to the West. So I know Willow has garnered a lot of interest. I'd like to start by talking about where we are in the approval process and then share some additional details about the project.

So we were pleased to have received a record of decision from the Biden administration authorizing a three-pad development. Now I did want to just take a moment to thank the Alaska congressional delegation, the Alaska native communities, the governor, the state legislature and organized labor groups for their unwavering support for Willow.

Now as anticipated, since the record of decision, two lawsuits have been filed, but we expect timely resolution. The responsible government agencies have all been really professional with their analysis, and they agree ConocoPhillips has addressed all of the issues required for them to grant their approvals.

Now moving to the project. Willow is a 600 million-barrel resource that will develop from three pads. Willow is located just 8 miles -- yes, that's 8 miles, from our existing infrastructure. It's an extension of our Alaska business. The chart on the lower left compares Willow to our existing infrastructure. We have successfully developed over 120 drill sites connected to 13 central processing facilities.

Willow is simply another three drill sites connected to one new central processing facility. Now equally important is the design and the execution. When the project permitting got delayed, we did not stop planning. We used the two extra years to complete all of the major engineering and FEED work. We are ready to begin the execution phase of this project. The construction scope will be executed by our teams working with proven North Slope contractors who all have an excellent track record.

Now as an example, over the past five years, in our legacy business, we've delivered a similar drill site, pipeline and road construction scope as we will do for Willow on schedule and under budget. So in summary, the design is well advanced. We've done this many times before, we're prepared and we are ready.

So quickly shifting to the drivers, I wanted to provide some helpful guidance as you think about modeling Willow. On the left side, we provide a look at our capital. The capital is going to be about \$7 billion to \$7.5 billion to first oil, for about \$1 billion to \$1.5 billion a year -- per year -- through 2024 to 2028, with 2024 being on the lower end of that range. About 1/3 of the total capital is for processing facilities and 2/3 is the drilling and infrastructure. We've also provided some key milestones below. And as a reminder, first oil is expected in 2029.

On the right of the slide, we provide a look at our production. Now by pre-drilling the initial wells, we can maximize our cash flows, and we'll quickly reach peak production of 180,000 barrels a day. Also as a reminder, the margins we achieved from Alaska have averaged 40% to 50% of Brent since 2016. It's also worth noting Willow's oil quality is better than the typical Alaskan barrel, and its operating costs will benefit from leveraging existing pipeline infrastructure.

Now I hope you find the capital, the production and the margin information useful when you're assessing why we see Willow as such an attractive opportunity in our portfolio.

So let me wrap up where I started. Our Alaska and international assets provide a unique advantage to ConocoPhillips. The production delivers a 4% CAGR of high-margin production growth at an extremely competitive 40% reinvestment rate. This plan generates significant free cash flow of \$50 billion over the next 10 years at a \$60 WTI with upside to higher prices.

This material, diverse and low cost of supply resource differentiates us from our domestic E&P peers. I'll finish exactly as I started by saying nobody else has this advantage.

I'll now hand over to Bill to build upon my earlier LNG comments and talk about our commercial LNG portfolio.

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**William Bullock** - ConocoPhillips - Executive VP & CFO

Well, thank you Andy, and good morning, everybody. I'm going to be rounding out our LNG business efforts. I'm going to focus on our North American footprint and on our recent investment in Port Arthur LNG in particular. And I'm also going to share a bit about our global commercial organization, one that I lead.

So let me just tie back to what Dominic shared. We believe that LNG markets are going to show strong demand growth for decades to come. That's driven by energy security needs. That's driven by the energy transition. And it's also driven by coal-to-gas switching for electric power generation.

Now in addition to our foundational positions in both Qatar and Australia, which you've just heard about from Andy, we are very excited to add the Port Arthur project on the U.S. Gulf Coast to our portfolio. And I'm going to provide more details on why we like Port Arthur in just a moment.

It's also important to note, we have a world-class global commercial organization. One that's in the market daily, that's optimized our assets to enhance our margins. And our extensive global commercial footprint is a significant advantage for ConocoPhillips. And the LNG business, this is one that we know really well. We've been in it for 60 years. In fact, we opened the Japan LNG trade with sales from Kenai, Alaska.

So let's start with LNG macro. We see robust LNG demand growth well into the middle of the century, really led by Asian demand. We also believe that North American liquefaction, with its access to abundant gas resources, is going to be well placed to meet this demand. And in fact, North American liquefaction needs to more than double over the next decade to meet this demand.

Now given our views on global supply and demand for LNG, we believe that expanding our footprint with the Port Arthur project plays an important role in growing a balanced global portfolio. Port Arthur is well positioned to serve both the European markets and Asian markets.

Now looking on the right-hand side, you can see our current and our forecast net exposure to LNG markets. Today, we have 6 million tonnes of LNG. This is from Qatar and Australia. And we see this more than doubling by 2028 with our additions in Qatar at NFE, NFS and with Port Arthur. And I think it's also worth noting that this is balanced. It's balanced across the three largest regions for LNG supply. That's Qatar, that's Australia and that's the U.S.

Now from a capital perspective, and this is very, very important, we expect to spend less than \$4 billion on our LNG growth efforts.

This is at Qatar and it's at Port Arthur. And as I mentioned on our fourth quarter call, Port Arthur spending is just under \$2 billion, and we expect a little over half of that spending in 2023.

Now I do want to speak about Port Arthur in more detail. We do believe that Port Arthur is a very attractive integrated project for ConocoPhillips. And clearly, our decision to participate in both equity and offtake was instrumental to launching this project.

Phase 1 FID is now complete. Startup is slated for 2027, and there are numerous reasons why we like Port Arthur. First, we're working with a high-quality operator with Sempra. The EPC contractor is Bechtel, and Bechtel has just recently completed a similar facility in the Sabine Pass.

And second, location. Location is clearly important for LNG gas supply. And we think that the U.S. Gulf Coast is attractive, particularly the Texas side of the Sabine Pass. It's in close proximity to fast-growing, low-cost, low greenhouse gas basins like the Permian, like the Haynesville. In these basins, they're close to existing infrastructure, which they can leverage. Not only that, though, they can potentially benefit from the rapid development of intrastate pipeline expansions, like we've recently seen coming out of the Permian Basin.

And third, and perhaps most important, our investment has a high degree of optionality, and I'd like to walk you through some of those options at this time. So first, we have access to excess uncontracted volumes from Phase 1. Second, we have options on future phases at Port Arthur and on the West Coast at Costa Azul, and these options are for equity, for offtake or for both. And then finally, regardless of whether we participate in future phases at Port Arthur, our Phase 1 infrastructure is structured to economically benefit from the economies of scale and efficiencies of those future phases.

Now it's important to note at this time, we're very focused on market development. We're prioritizing that over offtake in equity, but these are long-dated options and long-dated options often have significant value. Now one final point on Port Arthur is we're evaluating carbon capture sequestration opportunities with our partner Sempra, and that's really focused on lowering the greenhouse gas intensity of LNG produced at the site.

Now shifting to offtake. We have 5 million tonnes per annum of offtake from Port Arthur Phase 1. We have a highly competitive liquefaction fee, which we believe further highlights the importance of the integrated nature of our investment. And now that FID has been announced, we're receiving significant customer interest and our market development is well underway. So when you pull this all together, we believe that Port Arthur is a unique opportunity and a compelling opportunity for ConocoPhillips.

So let me dive a level deeper on offtake for Port Arthur. While the project has just recently sanctioned, we have been actively developing market in both Asia and Europe for quite some time. Let me give you an example.

As you know, we've secured re-gas capacity at German's first onshore LNG re-gas terminal, aptly named, German LNG. We previously communicated that a portion of our capacity position in German LNG terminal -- this has been allocated to our 2-million-tonne offtake commitment from Qatar, from NFS and NFE. But the remainder of our capacity at German LNG ... this allows us to place some of the volumes from Port Arthur in the German Trading Hub Europe (THE) market. This secures a Henry Hub to THE margin. But more than that, we've retained the upside of being able to divert these volumes if margins are better elsewhere around the world. So that effectively delivers the higher of THE or rest-of-world pricing for this portion of the volume.

Now it takes a global commercial organization to be able to do that. So I want to take a moment to talk about our commercial organization and really to give you some perspective on why we are differentiated when it comes to our LNG marketing and optimization strategy.

So first, we have significant scale. We have commercial offices in six locations around the world. We have LNG teams that have been -- already exist and have been in place for a very long time in Asia, in Europe and in the U.S. Second, we have the breadth and depth of skill sets across a variety of different commodities in different markets.

For instance, we continue to be one of the largest marketers of natural gas in North America. We've got a strong marketing capability, and we've got deep insights in sourcing gas supply. And in fact, we are going to be managing gas supply for Port Arthur.

And turning to Europe. We're active in all the liquid gas markets in Europe. That includes THE, and that's thanks to our position with equity production from Norway.

So the bottom line is we have a strong commercial advantage, one that allows us to optimize our margins across the globe. Other E&P companies do not have this capability, and they would find it very difficult to replicate.

So to wrap up, we see strong demand growth for LNG markets over the longer term. We're well positioned with excellent assets in low-cost regions around the world, and we have a world-class commercial organization, which truly underpins our global LNG efforts.

So now I'd like to turn it over to Nicholas Olds. Nick is going to come talk about our industry-leading position in the Lower 48. Nick?

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**Nicholas Olds** - ConocoPhillips - EVP of Lower 48

Thank you, Bill, and thank you for giving me the opportunity to talk about the Lower 48 business. I'm excited to go over our plan today, highlighting our top-tier Lower 48 portfolio that we believe is highly differential. I think you'll see that ConocoPhillips has a best-in-class portfolio. As I step through this section, there are three key elements that I would like you to take away from the presentation.

First, we are a leader in the U.S. unconventional, and the only E&P with core positions in key four Lower 48 basins. Second, our plan delivers well over a decade of disciplined production and cash flow growth. Third, we have an incredibly talented team that is not satisfied with the status quo. This drives a relentless focus on enhancing our performance, which you'll hear about today. Bottom line, we have a great Lower 48 portfolio to show you, one that's durable, low cost of supply, low GHG intensity and will continue to generate significant cash flow for years to come.

We recognize one of the key industry questions is about depth and durability of the unconventional portfolios. Not only is ConocoPhillips the largest unconventional producer in the Lower 48, but we also have the most remaining net inventory compared to our peers.

So looking through a different lens, we can grow production 5% per year for a longer duration than most of our peers. Additionally, we have low cost of supply resource base averaging \$32 per barrel fully burdened. Our cost of supply framework provides confidence that our inventory is durable through the price cycles. We have a very competitive and diverse portfolio, with Eagle Ford and Bakken sustaining production through the decade and the Permian serving as a key growth engine of the Lower 48 and the company. In the next few slides, I'll dive deeper into the Permian program.

Now we have significantly grown our Delaware footprint with over 650,000 unconventional net acres spanning across this prolific basin. The Delaware is our primary growth engine, representing almost 2/3 of our Permian-operated drilling inventory over the next 10 years, growing at high single digits through the decade. We have a development strategy that allows us to optimize the full field and has delivered improved production performance. Since 2019, Delaware 12-month production per foot has improved 30% while also increasing well lateral length. Our development teams are continuously incorporating year-over-year learnings throughout the plans, and we are confident in the quality of our acreage and in the consistency of results for years to come.

As a further proof point, we are peer leading in value delivery, measured as capital efficiency. Ongoing drilling and completion efficiencies, infrastructure development and water management further reduce our cost of supply. Our Delaware has demonstrated performance, best-in-basin results and high single-digit growth into the next decade in the sweet spot of the basin. And this is not the only position we have in the Permian.

So similar to Delaware acreage, our Midland asset is also in the sweet spot with about 250,000 unconventional net acres. Midland represents about 1/3 of the operated development program over the decade, growing at low to mid-single digits. We like our position in the Midland Basin as it's more mature in the Permian play and delivers consistent competitive performance in an oil-rich part of the basin.

Similar to the Delaware, we've seen improvement in 12-month cumulative production, improving by 6% since 2019. We continue to improve efficiency by leveraging new drilling and completion technologies while increasing lateral lengths. And we're very focused on continuously improving capital efficiency in the Midland Basin with a target to be top tier.

Now while both Delaware and Midland are demonstrating great performance, we're also focusing on making these assets even better through continuous improvement, which brings me to our acreage optimization. Our expansive acreage position continues to provide core-up opportunities. These trades have focused on increasing lateral lengths, which we know can reduce cost of supply by 30% to 40% versus 1-mile laterals. The example shown is part of what we recently done in the Permian transaction.

Furthermore, we've successfully closed 20 acreage trades since 2021, unlocking long lateral development. Today, 80%, let me repeat 80%, is 1.5 miles or longer. That's a lot of long laterals. Additionally, from 2022 to 2023, lateral length has increased 14%, and we're not done yet. More trades are already in the works, and our teams continue to look for ways to further enhance returns and the durability of our portfolio. We leverage our Permian long lateral learnings to accelerate improvement in the Eagle Ford, the Bakken and the Montney. In summary, we have top-tier acreage position and inventory depth in the Permian as well as further upside.

Now pulling our Permian story together, our plan provides 7% production growth with free cash flow doubling by the end of the decade with only a 50% reinvestment rate. This plan generates significant cash flow of \$45 billion over the decade at \$60 WTI. That's almost 40% of our total company free cash flow. In addition, we have significant torque to the upside. So the bottom line, we have one of the largest unconventional acreage positions and well inventories in the Permian, and our demonstrated performance provides confidence in the plan we're showing today. This truly is an asset that keeps getting better and better.

Now moving to the Eagle Ford and Bakken. These assets represent a considerable portion of our Lower 48 portfolio. We have roughly 200,000 and 560,000 unconventional net acres in the sweet spot of these premier basins. These assets have consistent, proven track record of performance, delivering top tier -- that's top tier -- capital efficiency. Combined, these assets the same production of approximately 330,000 barrels equivalent per day throughout the decade with Eagle Ford growing at low single digits and Bakken operating close to plateau.

Eagle Ford continues into the next decade. These assets benefit from existing infrastructure capacity and liquids value optimization to our condensate processing facilities. In addition, we're expanding our resources through technology wins like refracs, which are highly economic, low \$30 cost of supply and can increase the ultimate recovery of the well by 65% compared to its original completion. In the Bakken, we continue to realize benefits from the low capital intensity, oil-weighted margins. The team continues to drive down costs and innovate through data analytics, yielding optimized completion designs resulting in well productivity improvements. Both assets significantly deliver and reliably deliver free cash flow over the decade of \$20 billion of free cash flow at \$60 WTI.

Now, we're always seeking value enhancement opportunities that allow us to achieve more for less, which brings me to my next topic of innovative technology. We're not a single basin E&P. Sharing knowledge and technology across our unconventional assets and the Montney is a key advantage as it unlocks acceleration of learning curves and drives efficiency.

Continuous improvement is a core part of our culture. And it's embedded in what we do every day. Technology application is enabling and accelerating this continuous improvement. Now I'd like to highlight a few examples.

First, Permian drilling efficiency increased by 50% since 2019. The teams have been high grading rigs. We've been incorporating slimhole designs and prioritizing longer laterals. Second, we have improved our Permian completion efficiency by 60% through design changes, simulfrac and more wells per pad. We have enhanced our completion activities through dual fuel and e-frac technologies, which reduce costs and emissions. Over 50% of our 2023 Permian wells will be completed using simulfrac, and that's up from 35% last year. And we'll continue to look for options to increase this. Bottom line, these efficiencies allow us to deliver more barrels per rig line. And finally, by using drones as part of our production and emissions surveillance, we can increase the inspection frequency, identify repairs and reduce downtime. Many of our innovative technologies enhance value while also reducing our emissions intensity, which leads me to our next topic.

So let's talk about sustainability. We have delivered considerable improvements, reducing our GHG intensity by 50% through a combination of growing our low-intensity Permian assets and executing emission reduction projects across the Lower 48. We're eliminating gas-driven pneumatics across our facilities and continuing to advance our methane monitoring capabilities. In addition, we have reduced our associated gas flaring by 80% since 2019 and do not routinely flare due to pipeline constraints in the Lower 48 or anywhere else in the portfolio.

In the Permian, over 50% of our water for hydraulic fracturing was recycled produced water. We're working to increase that as well. These actions have improved our Delaware frac cost per barrel by approximately 50% for using recycled water versus other sources.

All these reductions help us improve the sustainability of our assets while lowering our cost of supply.

Okay. Now to sum it all up for Lower 48. Lower 48 serves as a growth engine for the company. It's a powerful free cash flow machine. This region creates enormous value and contributes significantly to the company's plans. Similar to what you heard from Andy on the Alaska and International businesses, we remain disciplined with expected average annual capital of \$6.5 billion at \$60 WTI, delivering a 5% production growth.

This implies average reinvestment rate of 50%. And over the 10-year period, this plan generates \$65 billion of free cash flow at \$60 WTI with torque to the upside. We intend to lead and manage our shale business for value, durability, sustainability and returns of capital and are excited and optimistic about the future of Lower 48. So with that, I'll turn it back over to Bill to cover the financial plan.

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**William Bullock** - ConocoPhillips - Executive VP & CFO

All right. Thank you, Nick. You've now heard from Dominic regarding the clarity of our strategy, one that delivers superior returns through the cycles. And Andy, Nick and I, we've taken you through our best-in-class portfolio that really underpins the strategy. And now I'm very excited to pull this all together for you for a compelling 10-year financial plan.

Now as Ryan said in his opening remarks, ConocoPhillips offers a tested and robust framework, one that delivers compelling returns on and of capital while growing durable cash flows well into the next decade. We've got a proven track record of strong returns. We see continued improvement in this area in years ahead. And our three-tiered distribution framework is distinctive. It is based on CFO, not free cash flow.

Our plan produces solid growth in both CFO and free cash flow over the entire 10-year plan period. This rewards shareholders both now and into the future.

And finally, we remain committed to our A-rated balance sheet, one that's resilient through commodity prices. And I'm going to show you a stress test here in just a moment to demonstrate this point.

And finally, and I can't emphasize this enough, our financial priorities are unchanged. In fact, our financial priorities have been successfully battle-tested through major economic events over the last five years.

So I'm going to start off with the returns on capital employed. Of course, this is a pillar of our Triple Mandate. And as you can see on the left-hand side, we have demonstrated industry-leading ROCE versus energy peers. And going forward, we are not standing still, as we believe that our ROCE will continue to improve over the next decade. This is driven by earnings growth of about 10% per year. And this should lead to about a 1 percentage point expansion per year in our ROCE on average over the 10-year plan. Now, of note, this plan -- it delivers ROCE in the top quartile at the S&P 500 at \$60 WTI. Of course, top quartile ROCE, that remains one of our primary objectives.

So now moving to cash flows. We expect to generate a 6% CFO CAGR and an 11% free cash flow CAGR at \$60 WTI. It's driven by our 4% to 5% production growth outlook and our disciplined reinvestment rate. Now regarding our longer-cycle investments. We expect cash flow generation to begin at NFE in 2026, NFS and Port Arthur in 2027 and Willow in 2029.

And once all these projects have started or are online, we expect to see uplift to our CFO of \$3.5 billion in the 2029 through 2032 period annually at \$60 WTI. And at \$80 WTI, that would grow to about \$5 billion annually. Now on the right-hand side, you can see this translating into increasing free cash flow over the back half of the decade, as well, and that's given that there's fairly minimal sustaining capital required for these investments.

And all in, we expect to generate \$115 billion of free cash flow over this 10-year plan period. And of course, that would be available for shareholder distributions.

So let's move to shareholder distributions. And the key message here is that we are highly confident in maintaining our commitment to distribute greater than 30% as CFO to our shareholders through the cycles.



We also believe that our shareholder distribution policy, as I mentioned, is distinctive. It is based on CFO, not free cash flow. So investors -- rewarded right off the top. This is before capital expenditures. And as our track record demonstrates, over the last 5 years, we've returned 45% of our CFO to our shareholders -- and that's at an average WTI price of \$64 per barrel.

This has been in line with the average distributions for the majors and well ahead of E&P peers. And additionally, our range of distributions of CFO has been the most consistent of anyone in our peer group. Now from a distribution yield perspective, we have returned a greater percentage of market cap back to our shareholders than our peers at about 7% annually over the last five years. And looking ahead, our plan returns 9% of our market cap annually over the next decade, of course in the form of dividends and distributions and buybacks.

Now I'd like to shift to distribution channels, and I want to spend a minute talking about our three-tiered framework.

So Tier 1 is the ordinary dividend. Over the past five years, we have achieved a 12% annual growth rate in our ordinary dividend. This has been top quartile with S&P 500. And as you heard from Ryan, that remains one of our long-term objectives.

Tier 2 is our share buybacks. And when you combine that with our base dividend, that achieves our commitment of returning greater than 30% of CFO to our shareholders through the entire cycle. It's not just at mid-cycle. And I'm going to show you a sustaining case here in just a moment to demonstrate how we can do that.

And finally, Tier 3. Tier 3 is our variable return of cash or VROC. Last year was our first full year of implementing the VROC. It's another efficient form of capital return, and one that we think is very useful particularly in periods of time of above-cycle pricing.

So I'd like to move to the balance sheet for just a moment. We're well underway with the debt reduction plan that we laid out in 2021 following our Permian acquisitions. We've now paid down \$3.3 billion of debt as of year-end 2022, with \$1.7 billion to go by 2026. This is very manageable. And from a leverage ratio perspective, we're in a very strong position.

Our leverage ratio is currently 0.3 turns, and we expect further improvement on this ratio over the course of the planned period. So simply put, our balance sheet is in great shape.

All right, the two other topics that I want to hit on today is our priorities for cash on the balance sheet and a stress test. So let's start with cash on the balance sheet.

We remain committed to the same framework that we've talked about in the past. We start with \$1 billion of operating cash on the balance sheet. This is for working capital needs. \$2 billion to \$3 billion on the balance sheet is reserved cash, that's really to handle near-term commodity price volatility. And the rest is strategic cash. And of course, that can be used for several purposes, including funding longer-cycle projects and for supporting our buybacks through lower commodity price periods in the cycle.

Alright. I want to move to the stress test case now on the right. Here, we're showing a two-year \$40-barrel WTI case. Now clearly, this is conservative. Particularly given recent history where we've just gone through one of the worst downturns, and we saw a \$40 WTI price for one year. And of course, that was in 2020. But in this scenario, our leverage does not go above 1.5 turns through a 2-year \$40 stress test, and this is without cutting capital from our base program. It is while funding our longer-cycle projects, while meeting our commitment of returning at least 30% of our CFO to our shareholders through the cycle. And we can do all this without having to put additional debt on the balance sheet. Now to do this, of course, we would use some of our strategic and some of our reserve cash, but that's precisely why they are on the balance sheet.

So the key point here is that our balance sheet -- it's a strategic asset. It positions us very well for any future downturn to be able to manage through them quite well.

Alright. So let me just kind of recap the whole plan.

This is a very strong financial plan. It delivers both highly competitive returns and cash flow growth. It generates top quartile ROCE at \$60 a barrel. We've got 6% CFO and 11% free cash flow growth annually. And it returns 90% of today's market cap at a mid-cycle planning price of \$60 a barrel WTI. It also delivers what we expect is going to be top quartile dividend growth rate throughout the plan period. And finally, it maintains our fortress balance sheet. This provides strategic flexibility for us and really resiliency to any potential downturn scenarios.

So that wraps up the financial plan. It is a very strong financial plan.

So before we go to Q&A, Ryan is going to come back up for a few closing remarks. So Ryan?

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**Ryan Lance** - ConocoPhillips - Chairman & CEO

Thank you, Bill. So let me wrap up the presentation, and we'll go back to where we started today.

Our goal is pretty simple, and I hope you saw that today. It's to share with you why we believe ConocoPhillips is the must-own E&P in your portfolio. Dominic described how we think about the strategy and how that plays into our plans. Andy, Bill and Nick took you through a portfolio that we know is differential to all of our E&P peers.

And finally, Bill showed you a pretty compelling financial plan that we think is distinctive and no one else can match in our business. All combined, together with our world-class workforce, you get the best E&P company in the business today, and you get it over the long term as well.

So with that, thank you for your interest. Thank you for your time. We're going to take a 10-minute break. I'll bring the management team back up on stage, and we'll take your questions. So we'll see you in 10 minutes.

(Break)

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## QUESTIONS AND ANSWERS

**Ryan Lance** - ConocoPhillips - Chairman & CEO

Phil is going to lead the Q&A. He'll call on people in doing that. We have a couple of folks with microphones here. So if you would just please raise your hand, Phil will call, and we'll get started. So thank you.

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**Philip Gresh** - VP of Investor Relations

All right. Good morning, everyone. And as you all know, one question and one follow-up, please. Okay. So let's start here with Ryan.

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**Ryan Lance** - ConocoPhillips - Chairman & CEO

Go ahead, Ryan.

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**Ryan Todd** - Piper Sandler & Co., Research Division - MD & Senior Research Analyst

All right. Ryan Todd at Piper Sandler. Maybe a question started out on cadence of CapEx over the next few years. You've given some buckets there, in particular, as we think about the base business and the Lower 48, it looks like you'll be able to hold the Lower 48 capital budget relatively flat over the next three or four years. Is that a fair statement? And what goes into that in terms of assumptions from inflation or activity levels across the assumptions



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**Ryan Lance** - ConocoPhillips - Chairman & CEO

Yes. I can maybe make a couple of comments and ask Nick to chime in as well. So as you see sort of there's portfolio changes that are occurring over the course of the next number of years. So things in Norway are coming back down a little bit. Other places are coming down. And the places that are coming up with some of the LNG investment, obviously, the Willow investment that we got. And we do have some ramp built into our Lower 48, I think, which is maybe more to the point of your question, Ryan. So maybe I can let Nick address that.

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**Nicholas Olds** - ConocoPhillips - EVP of Lower 48

Yes. Thanks, Ryan. So just taking it back to 2023, you see a little bit over \$6 billion for Lower 48, and that is in an \$80 world. And so in the remaining part from 2024 to 2032 with respect to capital, we're in a \$60 world. So there is some deflation that is incorporated into it. We do grow overall for Lower 48 at 5%. So we'll be adding rig activity level and frac activity level to get to the 5%.

And then in the Permian Basin, same about 7% growth there. And again, we'll be adding that activity level throughout the decade. But again, 2024 to 2032 is a \$60 world.

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**Ryan Todd** - Piper Sandler & Co., Research Division - MD & Senior Research Analyst

And then maybe a totally separate gear from a follow-up point of view. But as we think about your LNG portfolio. You talked a lot about your -- the globally diversified portfolio. It grows significantly over the course of the decade. How much merchant risk are you comfortable with? There's some visibility on contracts right now, not a lot of visibility, a lot of open market risk? Are you comfortable with that much merchant risk on the spot markets? Would you look to term up more of that? And how do you think about as you manage your global gas business over the course of the decade?

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**Ryan Lance** - ConocoPhillips - Chairman & CEO

Yes, I can -- I'll let Bill -- I'd just say, we're not looking to become a full merchant marketer of LNG. So you'll see a mix in our portfolio as we go forward marketing some of that. And Bill can speak to some of those specifics.

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**William Bullock** - ConocoPhillips - Executive VP & CFO

Yes. So sure, I'm happy to talk about how we think about that, Ryan. And it's clearly a topic that's on our mind. So when you look at the projects like Qatar and APLNG, these are more E&P-type nature. The merchant risk ones, I think you're talking about is things like Port Arthur, we've got 5 million tonnes. We hopefully shared with you how we think about that with a little bit of a vignette for thinking about going into German LNG on that. That gives you an idea of how we think about that.

And I think that what's important is when you have 5 million tonnes of length, you should be looking for us to be explaining what we're doing to place those before taking out additional length. And as we think about that length, a portfolio that really looks like --- delivered the terminal sales into Europe and Asia with maybe some FOB sales, we're looking at term length on that.

But as you build these portfolios out, you have length, you place that market into offtake before you start adding length into that. And so that's kind of how we think about the portfolios. You need to have a place before you take more than 5 million tonnes. It's quite a bit right now.

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**Philip Gresh** - VP of Investor Relations

All right, Doug.

**Douglas Leggate** - BofA Securities, Research Division - MD and Head of US Oil & Gas Equity Research

I guess I have got two questions, one follow-up. My first one is on an -- it's an interrelated question. The 10-year operated inventory in the Permian, your unconventional business grows 50% by 2030, so more or less 10 years. What does the inventory look like in 2030 given that the unconventional will be about 2/3 of your production at that point?

**Nicholas Olds** - ConocoPhillips - EVP of Lower 48

Yes. So if you look at -- let me just take you back to panel 2 of my section, so we have just under 12 billion barrels of inventory that's less than \$40 averaging \$32. So specifically on the Permian -- in the Delaware, 2/3 of our operated program will be focused in on the Delaware. The remaining 1/3 will be in the Midland Basin. As I mentioned in my wrap-up slide, we don't plateau until the second decade. So if you take a look at that inventory that underpins the \$12 billion, at current rig activity levels, that's well over two decades of inventory life.

**Douglas Leggate** - BofA Securities, Research Division - MD and Head of US Oil & Gas Equity Research

Okay. My second -- related part to that is when you look at your breakeven, the \$35 breakeven, presumably, that excludes the dividend just for clarity, I don't think...

**Ryan Lance** - ConocoPhillips - Chairman & CEO

Yes, it does.

**Douglas Leggate** - BofA Securities, Research Division - MD and Head of US Oil & Gas Equity Research

So what is that sustaining capital breakeven look like in 2032 -- I beg your pardon when the unconventional are 2/3 of the production?

**Ryan Lance** - ConocoPhillips - Chairman & CEO

Dominic can handle.

**Dominic Macklon** - ConocoPhillips - EVP of Strategy, Sustainability & Technology

Yes, Doug. So there's maybe two different ways we'll think about that. There's a sustaining capital and then there's free cash flow breakeven. So if I think about free cash flow breakeven, we said average of \$35 over the 10-year period. It starts -- the first half is in the high \$30s. The second half is in the low \$30s. We actually exit this plan in the high \$20s, actually, in terms of free cash flow breakeven as our CFO grows. And we would challenge any company to have a breakeven in the \$30s for 10 years. And then, of course, the free cash flow of \$115 billion at \$60 and the upside there. I mean, these are very much the features why we believe we're the E&P of choice.

On sustaining capital, I'm going to preempt to probably a question that you always ask, Doug, but -- and it's probably connected with what you asked there. So if you look at -- as we think about sustaining capital, which is really the capital required to sustain our current production, we think of that in a \$40 world, that world where you would really be concerned about that.

And that would still be about \$6 billion at that level. So -- and that would grow over the 10-year period, clearly, as the company grows, that's sustaining, but the sustaining price would come down, which is what really matters. So -- yes. And the breakeven declines over time. Yes, yes.

**Philip Gresh** - VP of Investor Relations

Neil Mehta.

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

The first question is for Willow. I don't know, Andy, if you want to take this, is around Willow. And, at this point, what's left outstanding to get to FID? It feels like we're in the later innings in that process, a couple of legal things that are outstanding. One of the investor concerns has been that we've seen some pipeline challenges from an infrastructure perspective around permitting and execution, whether it's MVP or Trans Mountain. This feels very different from that. So I'd love you to address that head on.

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**Ryan Lance** - ConocoPhillips - Chairman & CEO

Go ahead. Yes, it's very different, Neil. Go ahead, Andy.

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**Andy O'Brien** - ConocoPhillips - SVP of Global Operations

Neil. So sort of unwrap a couple of pieces about -- we will start with where we are in terms of what it takes to get to FID, and then we can compare and contrast the differences of the project. So just as a reminder, what I said in my prepared remarks, we're at a point now where we have the Biden Administration's approval of the project. And we have unanimous support from the Alaska congressional delegation, the governor and the state legislature. But as we expected, there has been two lawsuits filed. And it's important to point out that the lawsuits are actually challenging the federal government, they're not challenging ConocoPhillips. They're very specifically focused on the approval process.

So we do want to see how that plays out. But importantly, that's already progressing. We're at a point now where it's in the Alaska court. The plaintiff request has been denied to have it stop working. So work is carrying on right now. And because of the previous cases that were on Willow, the fact that we've had that extra two years, the scope of what's been challenged is very narrow. So I want to give credit where credit is due. The BLM and the other cooperating agencies, they have done such a rigorous job in evaluating -- this has been a 5-year sort of review process of Willow. So we're very confident that where we are in that process, we are in the final innings. We want to see those legal cases progress. It's encouraging to see that the plaintiffs were denied their request to have us stop working. So we think we're very close there.

And then the second part of your question around, sort of, maybe I'll sort of broaden it to the sort of the whole cost. If you can look at it from our perspective, and I'll compare and contrast a bit to some other projects. So we feel really comfortable with our cost forecast for Willow for three or four reasons. Again, we've had this extra time. We're now at a point where essentially 50% of the costs are locked in. And then the vast majority of the remainder of the cost, we've effectively negotiated most of those contracts. So we know those contracts are on multiyear terms, and we know the rates in those contracts, the escalation factors in those contracts. So we feel that we're in a really good position in terms of the cost.

And a lot of that comes back to one of my previous sort of statements around just how well defined the scope of this project is. We're so far along compared to where you'd normally be in a project, and that's really a huge advantage when you're actually then in the process of contracting it. So again, this is close to our existing infrastructure. As I mentioned, this is something we do day in, day out. We know what we're doing. We're not off building a greenfield project here. This is kind of in our backyard. And then the last part of your question in terms of why, is this, comparing I think other pipeline projects.

One of the big differences here is that when you're building a pipeline, you're often going hundreds, even thousands of miles across hundreds of different local, state, federal jurisdictions. We're building one project in the National Petroleum Reserve, and we have all of our permits already in place. So when you bring that all together, there isn't a sort of last-mile risk. We've got all the permits we need for that project. So again, I don't really see there being any analogy to those kind of projects where they had some of the cost overruns, maybe they didn't have their approvals in place, maybe the scope wasn't all built, and they have the unfortunate situation of hundreds of different approvals. So very different to our projects. So I think we're in a really good shape with that.

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**Ryan Lance** - ConocoPhillips - Chairman & CEO

I think it's important to note, Neil, too, I'd just add that when the federal judge denied the injunction to make us stop work. I mean she has to look at it and say, "Is there any reason to do that?" And she said, "No, we're just -- you can continue to do your work, and -- but you'll continue to go through the legal process." And we're 8 miles away from existing infrastructure. That's not far, as Andy said.

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

Ryan, my follow-up is for you, relative to three years ago, you've done some transformative and really important acquisitions, particularly in the Lower 48. And over the course of the last decade, you've demonstrated you're very good at selling assets as a company and you're very good at buying assets as well. What do you think the outlook is for the M&A markets for oil and gas over the next couple of years? And do you see Conoco playing a role in it?

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**Ryan Lance** - ConocoPhillips - Chairman & CEO

Yes. Thanks. I've said repeatedly, I think there's too many players sitting in the space. So I think there is room for consolidation. Certainly, when you think about investors over the last two to three years, energy hasn't been high up on your radar screen. Hopefully, we've seen some change in that with security, affordability and the whole sustainability -- that Triple Mandate kind of question. So obviously, from the plan that we showed today, we think it is incredibly resilient and incredibly compelling for people to consider. That said, I think there's -- there are too many players in this space, and I think consolidation will continue. I think this part of the cycle at the kind of commodity price we're seeing today, it's really hard. I mean it's hard to do something that both sides are going to find interesting and compelling, unless you're in a position where you have to do something. You don't have any inventory. You don't have length and durability. And hopefully, you see we don't -- we're not in that category.

Will we be aggressive portfolio managers of the portfolio? Absolutely, we will be. You'll see us -- if it's not competitive in the portfolio, we'll be looking to do something with the assets like that. And you've seen our history of what we do. The difference is we had a few things we needed to get done over the last five, six years. And then now we've got the portfolio really where we like it as a result of the transactions over the last couple of years. So we are in a different place today than what I would describe us five years ago.

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**Philip Gresh** - VP of Investor Relations

Okay. I'll go to Roger.

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

Roger Read, Wells Fargo. One question I'd like to ask on, I guess, corporate decline rate, where you are today and where it goes over time with an increasing contribution from unconventional as a percentage of the total.

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**Ryan Lance** - ConocoPhillips - Chairman & CEO

Yes. Dominic has that.

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**Dominic Macklon** - ConocoPhillips - EVP of Strategy, Sustainability & Technology

Yes. So that's something we watch closely. It's an advantage of our company versus other E&P companies, and it's part of the rationale behind wanting to maintain the balance in our portfolio so long as our criteria on disciplined reinvestment rate in local supply are met. So right now, our

-- if you look at our -- we like to think in terms of three-year compound annual decline rate, because it's a significant financial period. So we would be in the sort of 12% to 13% range in terms of unmitigated decline.

And that compares with, a typical E&P company will be in the high teens. So it's about a 30% advantage, if you like to think of it that way. Maybe another data point over the 10-year plan, the CAGR over the 10-year plan is about 9% unmitigated. And then the trend of that through the plan, it stays pretty consistent because we are adding -- although we are growing at Lower 48, we are adding LNG and Willow in there as well. So -- that's an important advantage for the company that underpins our reinvestment rates and free cash flow and everything. So that's where we are.

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

Not to quibble too much, but I don't know many E&Ps with a high teens decline rate.

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**Ryan Lance** - ConocoPhillips - Chairman & CEO

We don't like to disparage other people too much.

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**Dominic Macklon** - ConocoPhillips - EVP of Strategy, Sustainability & Technology

Well, on a three-year basis. I mean, instantaneous, if you take a one year, it's going to be a little higher than that. But if you take over a three-year basis, you might get something like that.

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

I appreciate that. And then my unrelated follow-up is on the marketing side, with the addition of Port Arthur and some of the other LNG 10Bs of gas, one million of barrels of oil or liquids a day. Do you see that changing as well over time? I mean you talked about where it is, but not necessarily growth. I'm just curious, does that expand along with the overall business?

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**Ryan Lance** - ConocoPhillips - Chairman & CEO

Go ahead, Bill.

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**William Bullock** - ConocoPhillips - Executive VP & CFO

Yes, sure. So we did provide some marketing metrics in terms of our size. So I think North America, we're in the market daily, we're several multiples of what our equity production is. And that's really driven by a low-risk trading model. So I think we're pretty happy with where we're at, but we're always looking for opportunities there.

Roger, on the crude side, that's more just our equity production. So -- and that's driven by the business model we have. We actively trade on the gas side, and actively market on that and originate that. On the crude side, we're more placing our barrels into markets at appropriate pricing. So possibly some growth on the gas side that fluctuates year-to-year, you can see that on the rankings every year that come out for North American and European marketers. That's why you see the -- I'd be watching crude is just placing our barrels in the market.

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**Philip Gresh** - VP of Investor Relations

Let's go over here to Sam, and then we'll come back over to Devin after that.

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

I just wanted just a clarification on total capital, kind of related to Ryan's question, over the horizon. So next year, you have a natural benefit from the front end loaded Port Arthur payment rolling over, but it sort of gets replaced by Willow, and you're early in the ramp in Lower 48. So your activity needs are lower, I guess, than they are at the later end of the period, and then you might have some deflation that's coming in early. And so is 2024 kind of a real gap down in the total capital outlook potentially at least versus the trend line over the 10 years?

**Dominic Macklon** - ConocoPhillips - EVP of Strategy, Sustainability & Technology

Yes. So we're not going to tell you what 2024 capital is going to be. But I think the range that we've put out there that \$10B to \$11B is a good working point. I mean the \$10 billion, obviously average is at the \$60 WTI case, which really, if you're in a sustained \$60 world, that's quite a different world to the world we're in today. We have no doubt that there would be material deflation in that world. I think we -- when we look at our U.S. supply model, we think about 20% of current activity in the Lower 48 needs more than \$60 to generate an economic return. So we definitely think we would see deflation in that. But maybe let me give you a sort of a sense of the moving parts and how this whole plan comes together.

So from a pre-productive or longer-cycle capital, we're about \$2 billion this year. But for the next five years, that will be about \$2 billion. So then you may ask, well, if your capital is relatively flat, where is the space for a Lower 48 growth coming from? And I think that's part of your question. Well, what you got to remember is in Norway and in China, as Ryan mentioned, we actually have about \$700 million to \$800 million of capital that is phasing out over that period. So that's what creates the sort of the opportunity to allocate that to the Lower 48. And then, of course, after the first 5 years, your pre-productive capital, longer-cycle is rolling off. And so the second part of the plan, there is quite considerable more capacity for reinvestment. So those are the major moving parts, I think, Sam.

**Ryan Lance** - ConocoPhillips - Chairman & CEO

And I would add, while the profile may look a little bit different is we elected not to add scope in 2023 in the Lower 48, but that was not due to inventory or things like that. It was just merely due to the hyperinflation we're seeing in the Permian Basin and across the Lower 48.

So we have the luxury. We don't -- didn't need to run that hard into those headwinds. So a little bit of that gets shifted a little bit just because we chose to run at a constant scope this year relative to where we were last year.

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

Okay. And then a completely unrelated follow-up as is the trend. But I think the gas supply agreement into Port Arthur is sort of an underrated attribute of the project. Is there any way we can kind of talk through the benefits of that aspect if it's like a price basis surety or if there's some other upside that might be a part of that, too, and because it's relevant to the Permian growth outlook, too, since it's -- there's going to be some gas coming from there?

**Ryan Lance** - ConocoPhillips - Chairman & CEO

Go ahead, Bill.

**William Bullock** - ConocoPhillips - Executive VP & CFO

Yes, sure. That's an interesting question. So I'd start just by saying that it's important to note that we don't make a linkage between our equity production and our supply into Port Arthur. We -- North America is the largest, deepest gas market on the planet. So being able to procure volume into Port Arthur, you can do that with a strong commercial organization. You're right that as we're running a marketing organization, you're looking

at the strength of being able to source volume. It's helpful to have experience in all the different basins and have a portfolio to bring into Port Arthur, and we really bring a strength to that partnership by being able to do that efficiently and effectively through cycles, including ups and downs, which is important for our operations. So that's kind of how we think about it. It does provide mutual benefits for both our marketing organization and for Port Arthur.

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**Philip Gresh** - VP of Investor Relations

So Devin is next, then we'll go over to Paul Cheng after Devin.

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**Devin McDermott** - Morgan Stanley, Research Division - VP, Commodity Strategist for Power Markets & Equity Analyst of Power and Utilities Research Team

Devin McDermott with Morgan Stanley. My first one is on the emissions reduction goals you laid out through 2030. Could you update us on how much of your capital spend is going toward achieving that? And also, you alluded to considering things like CCS or hydrogen. Can you talk a little bit more about what you're looking at there and what type of return hurdle rate you'd consider for those types of projects?

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**Dominic Macklon** - ConocoPhillips - EVP of Strategy, Sustainability & Technology

Yes. Thanks for the opportunity to provide a bit more on that. Yes. So on the operational emissions reductions, so we've allocated about \$300 million this year, about \$200 million capital, about \$100 million expense. And that run rate we've got in there through the next several years. So next four, five years, actually. And that is what we have line of sight to in terms of the projects to achieve that 50% to 60% reduction. So that gives you a sense of the scale and what we're doing there. On hydrogen and CCS, we've selected those two areas. I think you've probably heard us talk about this a lot, because they could make sense for our company in terms of the competencies and the commercial and business adjacencies we have with our LNG customers and so on, when it comes to hydrogen and our competencies around CCS.

So we're in an early stage with them both. We are active in acquiring some long-term leases in a couple of areas for CCS and we're conducting some engineering studies with some key partners. We're working with JERA on hydrogen because they would bring demand. So JERA, largest Japanese utility, and we have a long relationship with -- on LNG side. So that's important. But I think important to say that they're very much in our mind for the longer term. So, as we think about those opportunities, we are probably spending in that, particularly around hydrogen CCS, around \$50 million a year at the moment. So not that significant, but enough to help build the foundation of what could be business opportunities for the long term.

So we don't see hydrogen or CCS being a material part of our capital program this decade, but something rather that we're positioning to understand and develop and say, could be interesting for the company over the longer term. But it will have to fit within our capital allocation framework, which you are, again, very familiar with after having been what we've been through today.

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**Ryan Lance** - ConocoPhillips - Chairman & CEO

And it has to generate a return. This is not a business we're going to do without sort of our -- a pathway that we see to generating a decent return in the business. And that's where our LNG experience, as Dominic said, bringing the market along, the market understands you got to pay a certain price if we're going to develop some of these projects, we need to -- we want to spend the time to understand that. The other thing I would point out is that we've had -- we've isolated and we've put some visibility into the spend to meet the GHG reduction targets. I'd say that's not truly incremental over the last 10 years. We've always been doing some of this as a company, but it's clearly the way the market and investors are asking us now, puts some clarity and some visibility into it. It's a license-to-operate. It's the stuff we have to do to ensure the sustainability over the long term of this business.



**Devin McDermott** - Morgan Stanley, Research Division - VP, Commodity Strategist for Power Markets & Equity Analyst of Power and Utilities Research Team

Great. And then I'll stick with the unrelated follow-up theme and go back to LNG in North America specifically. I think one of the longer-term options you highlighted is the expansion optionality at Port Arthur and potential ... participation in West Coast LNG, in Costa Azul. Can you just remind us the scale of those opportunities in terms of size of capacity and then also the steps towards potential commercialization there over time?

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**Ryan Lance** - ConocoPhillips - Chairman & CEO

Go ahead, Bill.

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**William Bullock** - ConocoPhillips - Executive VP & CFO

Yes, sure. So with Port Arthur, with our investment in Phase 1, we've secured options to be able to participate in Phase 2, 3 and 4. It's up to eight trains on that site. And so those are our options for each phase, and we have the option to participate in Phase 2 on Costa Azul on the West Coast. So that's the scope of those. I think right now, what's important to note is that we're very satisfied with 30% equity in Phase 1 and with 5 million tonnes of offtake. Taking those was a bit unique because it did -- it secured the start of the project, it secured the optionality with it and it secured a very competitive liquefaction before it. Our focus right now really is on market development for 5 million tonnes.

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

Paul Cheng, Scotiabank. Two questions. First, Willow. I think in the past, you guys were talking about farming it down to 50%. So wondering if that is still the plan and what built-in into your production outlook and the cash flow, you said 100% or 50%? And if that has been changed, why change? That's the first question.

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**Ryan Lance** - ConocoPhillips - Chairman & CEO

Yes. So we built -- Willow in at 100%, just to be very clear. We did look at marketing three, four years ago as we were trying to think about the portfolio, think about the exposure that we had up in Alaska. We feel comfortable with the deals that we did to gain, to get to 100% were really, really important because that gave us control, control of the pace which -- and control of the investments that we wanted to go do.

So what you see today is an assumption that Willow, we're going to stay at 100%. Now over time, if we had the opportunity, the market wasn't ready because they didn't know how to risk Willow. They -- could you get a permit, what does the investment stream look like? We now have gotten some of that clarity. But we're prepared to take it on at 100%. Will we have conversations, will we entertain if somebody wants to come in and join us? We would, but that's not part of our base plan.

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

Okay. And secondly, that you guys talking about LNG and commercial operation. Just curious that, I mean, what kind of business model or the risk appetite model that you will adopt, some of your larger customers on the integrated side, especially the European and even (inaudible), it seems like, yes, increasing the risk appetite and taking a far more aggressive approach in the trading. So what is the approach Conoco going to be?

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**Ryan Lance** - ConocoPhillips - Chairman & CEO

I can let Bill chime in. Again, I would just start by saying some of the integrated majors have a very large merchant, LNG business trading, spot market volumes. That's not what we're trying to build in ConocoPhillips. So just to be clear, but I can let Bill talk about sort of how we're thinking. And it really does come down to the 5 million tonnes of Port Arthur. And if we chose to take any capacity on the West Coast. The other LNG projects



that aren't like that, they're locked into very long-term agreements and customers, both our Qatar volumes and our APLNG volumes. But maybe Bill can address that a little bit more on the Port Arthur side specifically.

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**William Bullock** - ConocoPhillips - Executive VP & CFO

Yes. Sure, Ryan. That's a great frame. So you look at things like APLNG and Qatar, those are kind of placed in long-term traditional LNG market developments with secure offtakes. When you think about things like Port Arthur, I think the nature of that is more a merchant-type LNG, if we were buying Henry Hub, trading for a margin. And I think that our company is pretty conservative in terms of how we look at doing that on our commercial business that we talked about. Overall, this is low-risk optimizing type trading. You've never heard us talk about really high swings on that for a reason, Paul. We run very, very little VaR. And so that's what I mean when I think that you should be thinking that we have offtake. We're going to be fundamentally placing this into market development. You can think about that in terms of the spread for LNG for Henry Hub versus the THE, TTF or JKM, but they'll be built up in positions where we're not open.

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**Philip Gresh** - VP of Investor Relations

Okay. Nitin?

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**Nitin Kumar** - Mizuho Securities USA LLC, Research Division - MD & Senior Energy Equity Research Analyst

Nitin Kumar from Mizuho. I want to start with a follow-up on the Permian, the 7% growth. Is that baking in your current type curve? You showed, I think, a 30% improvement. Are you baking in any technology, any secondary recovery, any enhancements? And then just to tack on to that, you mentioned lower cost. Is any of that cost saving coming from things like longer laterals, simulfracs, et cetera?

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**Nicholas Olds** - ConocoPhillips - EVP of Lower 48

Yes. Very good. A lot to unpack on that one. Yes. So the 7% production growth in the Permian over the 10-year does factor in the most recent type curves. As I mentioned, just to kind of pulse back to the Q4 call, in the Permian, our well performance is at or exceeding the type curves. And so that's what's integrated into the plan that we showed with you. I'll take you back to the technology section as well, where we showed 50% improvement in drilling efficiency since 2019, 60% in completions. And so we do have some level of efficiency improvement over that 10-year period as well. With respect to EOR and those further enhancements, that's not in the 12 billion barrel stack. That's something that we'll continue to look at going forward. But most recent type curves and most recent efficiency.

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**Nitin Kumar** - Mizuho Securities USA LLC, Research Division - MD & Senior Energy Equity Research Analyst

And just an unrelated follow-up. You mentioned 50% reinvestment rate over the 10-year horizon, 30% of cash flow is targeted for shareholder returns. You mentioned this a little bit, but just how should we think about that 20% remaining? Is that for strategic purposes, life cycle, whatever?

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**Ryan Lance** - ConocoPhillips - Chairman & CEO

Well, we've said repeatedly, our 30% commitment is a minimum commitment through the cycles. So I think what you have to think about is look at our last five years when the price has been above -- well above our mid-cycle price -- we've delivered well over 40%. I think Bill showed the number of the cash that's going from the operation. So you ought to be thinking that our balance sheet is in pretty good shape. So most of the free cash flow that we're generating today is eligible for -- is there for distribution. And so -- but the 30% is a through-the-cycle number. And -- but that's a floor. That represents our minimum amount of our commitment. But we recognize when prices are above the mid-cycle price, you're going to get a higher percentage of that cash flow, because we're generating much more.

**Philip Gresh** - VP of Investor Relations

We'll go to Bob, then John.

**Robert Brackett** - Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst

Yes. Bob Brackett at Bernstein. You spent a lot of time talking about a \$60 deck, you stress test up to \$80, down to \$40. What if that anchor is wrong? How do you think strategically about an oil price staying north of \$80 through most of that 10-year planning period?

**Ryan Lance** - ConocoPhillips - Chairman & CEO

Well, we run multiple scenarios through our price deck. So -- we have very -- we have four transition-related scenarios. We've got a high-price scenario. We've got the stress test on the low side case. So yes, we know what we're going to go do. We have some elasticity to inflation. So at these very high prices, you're going to get more inflation. So we know that just delivering the base scope is going to take a little bit more capital. But generally, we're not looking at ramping scope dramatically if prices were to ramp.

That just means we're going to have more free cash flow, higher level of distributions, but we're pretty comfortable with the scope that we're executing. The question becomes in those higher-priced environments, how much does it cost to execute that scope? And we do believe there's going to be obviously some inflation. And the system kind of gets capped out like it did in 2022. There wasn't a lot of more rig capacity, there wasn't any more pressure pumping capacity. So the system kind of equilibrates itself over time and puts a throttle on that upside.

**Robert Brackett** - Sanford C. Bernstein & Co., LLC., Research Division - Senior Research Analyst

And a follow-up would be, what's the role of exploration and Libya in the portfolio?

**Ryan Lance** - ConocoPhillips - Chairman & CEO

Well, exploration, we -- with 20 billion barrels of resource below \$40 cost of supply. The exploration for us is near term around existing infrastructure where we know the process pretty well. It's Norway. It's Malaysia. It's what we're doing up in Alaska. We're not doing sort of high-risk, big elephant-finding kind of exploration. We don't have to because of the -- where the portfolio resides. I don't know, Dominic, would you add any more to that?

**Dominic Macklon** - ConocoPhillips - EVP of Strategy, Sustainability & Technology

No, I think that's right. I think we allocate \$150 million a year, which is reasonably modest. And I would say that's an up to \$150 million a year depending on the quality of the opportunities.

**Ryan Lance** - ConocoPhillips - Chairman & CEO

Yes, Libya -- it's interesting. It's -- they've done a remarkable job getting it back up to 50,000 barrels a day. I think the interest we have in Libya primarily is the conversations we've had with the Libyan government, is the resource potential is quite large. And it's very low cost of supply, but they've got to change the fiscal terms. So the gross margin contract that was the kind of contract that reentry was based on back in the Gaddafi era is not one that's going to incentivize a lot of investment.

So the question we really have around Libya: Is there line of sight to a different fiscal contract that would then represent a lot of upside, both for the country and certainly for our company. But -- so the holding cost is minimal. It's -- the contract is pretty good or it's decent, covers our cost and sort of gives us a little bit of upside. But the real question is the further prize and that's what we're trying to evaluate.

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**John Royall** - JPMorgan Chase & Co, Research Division - Analyst

John Royall from JPMorgan. Thanks for the presentation today. So you've spoken a lot about project spend and about total CapEx overall. Can you maybe give us a sense of sustaining CapEx on new projects once they're up and running? And just trying to understand how much higher ex-growth CapEx is in 10 years versus today.

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**Dominic Macklon** - ConocoPhillips - EVP of Strategy, Sustainability & Technology

Well, yes, I mean the reason we like these longer-cycle projects is they do tend to be very much lower in terms of sustaining capital. And I think -- that probably the clearest way to demonstrate the trend of that has been -- I go back to our free cash flow breakeven and how that trends. I mean when you get to this '28 to '32 period, as Willow comes online and our LNG projects coming on -- our LNG really have almost no sustaining capital. It's very, very low.

Then you get to breakevens that are below \$30. And so that's maybe an indication of how efficient that becomes in terms of sustaining capital. So our sustaining capital today at \$40 would be about \$6 billion, that would grow with time as the company grows its production up towards 2.5 million barrels a day, but the sustaining price would come down along with the breakeven. So that does help the competitiveness of the company in terms of reinvestment rates and free cash flow.

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**John Royall** - JPMorgan Chase & Co, Research Division - Analyst

Great. And then my second one is on Willow and I guess just Alaska growth in general. I know the natural home for ANS has tended to be the U.S. West Coast. The regulatory environment seemingly worsening for refiners out there. It does feel like there's some risk that we'd see -- lose some refining capacity there. So where is the incremental barrel of ANS go in that case? I assume, potentially goes to Asia. Does that create any concern over the differential to Brent longer term?

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**Ryan Lance** - ConocoPhillips - Chairman & CEO

Go ahead, Bill.

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**William Bullock** - ConocoPhillips - Executive VP & CFO

Yes. So really interesting question. I think the first thing is that there's significantly more than just several orders of magnitude, more volume going into the West Coast than just the production on ANS right now. So you'd have to see significant reduction on the West Coast refining to really displace ANS, because the shipping is just so close, right? So I think that a way to think about that West Coast capacity is ANS is one of the last barrels that is going to go into the West Coast, because it's just so close. So I just start there, that you're a long way away even with the reductions that we've seen even over the last five years, from displacing ANS gas into the West Coast from a pragmatic, practical standpoint.

But ultimately, I mean, if you saw everything go down, then you're correct, that would go into an Asian market because that's the next closest market. The shipping distance into Asia is actually not that far from Alaska versus the West Coast.

**Ryan Lance** - ConocoPhillips - Chairman & CEO

So your margin doesn't collapse. I mean maybe it's up to \$1 more transportation to get Asia than it is to get to the West Coast. But it's still going to trade at a Brent and it trades, as Andy described, the margin on Alaska stays quite robust even under that kind of a scenario.

**William Bullock** - ConocoPhillips - Executive VP & CFO

It trades at a Brent-plus right now, and you're -- you'd have to lose a lot of market before you'd be displacing that.

**Paul Sankey** - Sankey Research-Analyst

I had a detailed question, which is just a clarification really of what you've already talked about? And then I got a big strategy one for Ryan. On the details, so you're not including any volume assumptions in Port Arthur and you're assuming only one train? Is that correct in the CapEx outlook? And then the cash flow would come through to the cash flow, obviously. So there's nothing in the volume target for Port Arthur. There's no assumption on CapEx of expansions and the cash flow has just added to the cash flow.

**Ryan Lance** - ConocoPhillips - Chairman & CEO

That's correct.

**Paul Sankey** - Sankey Research-Analyst

That's the detailed question.

**Ryan Lance** - ConocoPhillips - Chairman & CEO

Yes, that's correct.

**Paul Sankey** - Sankey Research-Analyst

Okay. Ryan, back to 2019, I think first of all, I commend you for only holding analyst meetings every three years because it's 3.5 years because that's that an awful lot has happened. When we think back to the '19 meeting, what was very clear about it, firstly, you were as often leaders in the 10-year outlook. And what was kind of blatantly obvious in that was that your growth was going to be driven by the Permian. And what was very striking is you didn't have a huge Permian position at the time. So you could pretty easily derive that you would make major Permian acquisitions if you were going to meet your plan, and you did.

If we look at the plan today, it's kind of visible where everything is going to come from. I think the critique would probably be that this company looks great on 2030 free cash flow, but it's kind of a long road to get there. I was wondering, and it's a bit of a follow-up, are you looking at more disposals, which should be the obvious way to sort of choose the performance over the next 10 years given that you don't seem to need to make any acquisitions. Is that going to be -- it's just notable that there's nothing on acquisitions or disposals in any of your cash flows.

**Ryan Lance** - ConocoPhillips - Chairman & CEO

Yes. No, there isn't. So this is the base captured portfolio as it exists today. Would we do more optimization over the course of the next 10 years? We'll see how that goes and see what the opportunity might present itself. But no, this is our base plan. This is our base assets today. And I'll probably take a little bit of an exception. It's not back-end loaded because we're delivering a free cash flow yield today that's competitive with anybody in the business. So I think that's the point we're making. It's the best of both worlds. You get it today, and you get duration over the next decade and

beyond, given the portfolio that we have. Because of the investments that we're making, the low cost of supply resource, we can keep the reinvestment rate down to that 50% level and generate 4% to 5% top line production growth that generates the 6% cash flow growth and the 11% free cash flow growth at a \$60 net WTI.

So I'm repeating myself, but again, you don't have to wait for that. It's coming today. It's coming through \$11 billion of distributions at \$80 that we set out today. 50% of our cash flow is going back, and that's a distribution yield that I think is competitive with anybody in the market today. So again, you get it today, and you get duration in the long term from the plan that we laid out.

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**Paul Sankey** - Sankey Research-Analyst

Yes. And I have to commend you on a share of operating cash flow, cash return, which is also differentiated. If we look at the mega theme, is you'll step up in CapEx, really something that the industry is going to have to follow you in insofar as historically, you led the market going to a much lower level of reinvestment, everybody followed you. It's interesting that you're maintaining the variable dividend, because I think people will abandon that now. But in the big scheme of things, are you really saying that, yes, you can't grow in the Permian and sustain the kind of metrics that you're outlying here and the rest of the industry ultimately is going to have to either buy each other or step up and do this kind of CapEx increases that you'll do?

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**Ryan Lance** - ConocoPhillips - Chairman & CEO

Well, I think there's a longer-term thing that's developing in this business. I think the underinvestment in the E&P side or the resource side of the business, and we have a demand growth projection that leads us, demand growing well into the next decade. So when we try to square that strategically as we think about it, yes, we see that I'd rather be leaning in on these longer-cycle things early in the cycle rather than later in the cycle, and that has us leaning in. Which is why a couple of years ago, we looked at the growing U.S. gas production we're going to have, wanting to get some access to more of the LNG, more access to those global markets. And then clearly leaning in on some of the more mid-cycle and longer-cycle projects just because we're pretty constructive with where this is going over the next decade and beyond.

And we'd rather do this now, phase it in now, and not get ourselves into a position like we were when we spun the company in 2012. We were executing 7 billion, 8 multibillion-dollar projects at the same time. We didn't have a lot of flexibility. We're not going back to that place. And that was a learning from early on in this company. So we feel pretty good about where we're in. We're leaning in. Yes, we're spending \$2 billion of capital, growing and developing the company over the next decade and beyond and just believe now is the time to go do it because it fits our framework. It fits what we do best and what we know is competitive in the portfolio.

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**Philip Gresh** - VP of Investor Relations

We have one follow-up. And then that's probably our last question.

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**Douglas Leggate** - BofA Securities, Research Division - MD and Head of US Oil & Gas Equity Research

Thanks, Phil. Apologies for the follow-up, Ryan.

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**Ryan Lance** - ConocoPhillips - Chairman & CEO

Yes, leave your \$5 on the table, Doug.

**Douglas Leggate** - BofA Securities, Research Division - MD and Head of US Oil & Gas Equity Research

This is Doug from Bank of America. The VROC, you've spent today laying out pretty compelling long-term visibility on your base business. the longevity of your assets. I don't want to call it annuitized, but you get beyond 15 years, incremental DCF is pretty small. You've clearly got capacity to have a sustainable dividend growth above what you have today. Why a variable, do you believe it gets capitalized, what's the point?

**Ryan Lance** - ConocoPhillips - Chairman & CEO

Well, I think the point is the lesson we've learned from the ordinary dividend in our past history. And, as long as I'm up here, Doug, you're going to probably get the same answer. We'll see what the next leadership has in store ... But I've lived through -- the ordinary dividend needs to be growable, needs to be growable at a top quartile rate. It needs to be sustainable. It needs to be -- you can count on it every single day. It needs to be transparent. You ought to see the growth and the capability to go do that. And again, we go back to a mid-cycle price. We go back to what does it mean, what should the dividend represent at a mid-cycle price? We don't think it should represent 100% of the return, but it should be there as a huge foundation to the company. We're going to pay in ordinary dividend, we're going to pay it through the cycles, and we're going to grow it. And we're going to grow it competitively with the top quartile. I don't want that dividend to get too high a burden on the company, because we know what volatility is still going to be here.

So our plan, which is why we have a three-tiered system is the ordinary dividend, you can count on, it's going to be there. It's always going to be there. We'll supplement that up to our mid-cycle price some shares that we'll buy back. We'll buy those back through the cycles. But we recognize when it's above the mid-cycle price, we're going to have a lot more free cash flow, and we're going to give that back. That's why we introduced the third channel through the VROC. We'll see over time if the reward for that is the same as doubling the ordinary dividend or something, I think, is what you're what you're suggesting. And I think there's more value in being able to demonstrate top quartile S&P 500 annual growth in the dividend. That's where we think adds more value.

**Philip Gresh** - VP of Investor Relations

Excellent. Well, thank you, everyone, for coming today. We really appreciate it. There will be a lunch served around the side here. And yes.

**Ryan Lance** - ConocoPhillips - Chairman & CEO

Yes, please go for lunch. I hope I know you want to get back and get to work. But please join us for lunch, and we can continue some of these discussions. So thank you all for your attention and your...

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