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ONE HUNDRED SEVENTEENTH CONGRESS

Congress of the United States
House of Representatives
COMMITTEE ON ENERGY AND COMMERCE

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May 13, 2022

Mr. Richard E. Muncrief
President and Chief Executive Officer
Devon Energy Corporation
333 West Sheridan Avenue
Oklahoma City, OK 73102

Dear Mr. Muncrief:

Thank you for appearing before the Subcommittee on Oversight and Investigations on Wednesday, April 6, 2022, at the hearing entitled "Gouged at the Gas Station: Big Oil and America's Pain at the Pump." I appreciate the time and effort you gave as a witness before the Committee on Energy and Commerce.

Pursuant to Rule 3 of the Committee on Energy and Commerce, members are permitted to submit additional questions to the witnesses for their responses, which will be included in the hearing record. Attached are questions directed to you from certain members of the Committee. In preparing your answers to these questions, please address your response to the member who has submitted the questions in the space provided.

To facilitate the printing of the hearing record, please submit your responses to these questions no later than the close of business on Friday, May 27, 2022. As previously noted, this transmittal letter and your responses, as well as the responses from the other witnesses appearing at the hearing, will all be included in the hearing record. Your written responses should be transmitted by e-mail in the Word document provided to Austin Flack, Junior Professional Staff, at Austin.Flack@mail.house.gov. To help in maintaining the proper format for hearing records, please use the document provided to complete your responses.

Thank you for your prompt attention to this request. If you need additional information or have other questions, please contact Austin Flack with the Committee staff at (202) 225-2927.

Sincerely,

Frank Pallone, Jr.

Frank Pallone, Jr.
Chairman

Attachment

cc: The Honorable Cathy McMorris Rodgers
Ranking Member
Committee on Energy and Commerce

The Honorable Diana DeGette
Chair
Subcommittee on Oversight and Investigations

The Honorable H. Morgan Griffith
Ranking Member
Subcommittee on Oversight and Investigations

Attachment—Additional Questions for the Record

Subcommittee on Oversight and Investigations
Hearing on
"Gouged at the Gas Station: Big Oil and America's Pain at the Pump"
April 6, 2022

Mr. Richard E. Muncrief, President and Chief Executive Officer, Devon Energy Corporation

The Honorable Frank Pallone, Jr. (D-NJ)

1. You testified that ongoing labor shortages and supply chain challenges facing your industry make it more difficult to boost production. According to reports, less than one-third of oilfield workers received a raise in 2021, while 21% saw their wages decrease.[1] This data is surprising given the extraordinary profits the sector achieved last year.

    a. Did Devon raise the wages for its workers in 2021 or 2022? If so, how much in each year? If not, why not?

    b. Has Devon begun any other initiatives to train or attract workers to help alleviate labor challenges? If so, please describe what Devon has done to attract or train workers.

    c. Has Devon explored any investments that would make its supply chain more resilient? If so, please describe these investments.

Mr. Muncrief's Response: Devon's compensation program includes base pay, performance bonuses, and long-term incentives for every Devon employee. As well as a comprehensive package of benefits to help protect health, wealth, and life balance. Devon strongly believes in pay for performance and offers a pay package that is competitive in our talent markets. We are proud to be an industry leader where all employees participate in Devon's long-term incentives, typically in the form of an annual restricted stock grant of Devon shares that vest over time. Our program supports short- and long-term performance as well as individual accountability and company success. Below are some key figures for 2021 and 2022:

- Approximately 55% of employees received a raise in 2021 with an average pay increase of 5.1%
- Also in December 2021, all employees, excluding executives, received a $10,000 bonus to recognize their contributions to the successful merger of WPX Energy and Devon Energy

[1] *Oil Workers Aren't Seeing Bigger Paychecks as Prices Surge*, Bloomberg (Mar. 21, 2022).

- Approximately 92% of employees received a raise in 2022 with an average pay increase of 4.6%
- All eligible full-time Devon employees received a performance bonus in both 2021 and 2022

Devon has long been committed to providing employees with value-add, business relevant learning opportunities. Our goal is to assist all employees with learning resources aligned to Devon's business strategy. Devon also provides eligible full-time employees the opportunity to continue their professional development by providing a tuition reimbursement benefit.

As I stated at the hearing on April 6, the upstream oil and natural gas sector is being impacted by global supply chain constraints and a shortage of workers. This has increased the time to bring new wells online. Devon has worked diligently and thoughtfully with suppliers to lessen the impact on our operations. Our actions include:

- Placing our orders and putting money down early to allow our suppliers to secure their own supply chain
- Purchasing necessary equipment well in advance of when it is needed (e.g., pumping units and facility related equipment)
- Longer term contracts for certain materials and services that allow our suppliers to similarly manage their supply chain lead time and availability

Just recently Devon announced ownership of our in-basin sand mine that will provide up to 25% of our Delaware Basin sand requirements. This facility improves our safety and emissions performance, while lowering well costs and improving supply chain reliability. There is potential for us to expand this to other operating areas.

The Honorable Diana DeGette (D-CO)

1. During the hearing, you testified that your company is undertaking efforts to ensure cleaner operations. I would like to understand more about these efforts. For each of the following technology areas, how much has your company invested annually for the past ten years, and how much does it plan to invest annually for the next ten years? Please respond with both the dollar amounts and the percentage of your company's gross sales.

    a. Innovative methane waste prevention technologies

    b. Carbon capture, utilization, and storage (CCUS) with enhanced oil recovery (EOR)

    c. CCUS without EOR

d. Direct air capture (DAC) and sequestration of carbon dioxide

e. Gray hydrogen

f. Blue hydrogen

g. Green hydrogen

h. Wind

i. Solar

j. Geothermal

k. Hydro

l. Other renewable

m. Nuclear

n. Electric vehicle (EV) deployment, not including public charging

o. Publicly-available EV charging stations

p. Other low- or zero-emitting transportation fuels, e.g., Sustainable Aviation Fuel

q. Other zero-emitting technologies

Mr. Muncrief's Response: Devon believes a meaningful reduction in greenhouse gas (GHG) and methane emissions is central to managing the risks and opportunities associated with climate change. We factor climate-related issues into our strategic planning, risk management, operational decisions, reporting activities, and stakeholder engagement. In June 2021, Devon publicly committed to voluntary reductions in our GHG and methane emissions – by targeting a 50% reduction in GHG emissions intensity and 65% reduction in methane emissions intensity by 2030 (from a 2019 baseline) and ultimately reaching net zero GHG emissions for Scopes 1 and 2 by 2050. Devon also committed to reduce our flaring intensity to 0.5% or lower by 2025 and to eliminate routine flaring, as defined by the World Bank, by 2030.

Devon publicly reports our efforts and progress towards being a good neighbor, valued and effective community partner, responsible environmental steward, and supportive employer in an annual Sustainability Report. Devon has participated in CDP climate reporting for 17 consecutive years and publishes a Climate Change Assessment Report, which is periodically updated with a goal of continued alignment with the recommendations of the Task Force on Climate-related Financial Disclosure. Devon has publicly supported the ambitions of the Biden Administration to chart a path toward a durable framework for regulating methane at the federal level that encourages innovation and operational flexibility. We continue to engage constructively with the

Environmental Protection Agency (EPA) as the agency promulgates more stringent methane regulations in the oil and natural gas industry.

Since our founding in 1971, Devon has pioneered operational practices, proactively applied new technology, and adapted to evolving market conditions, regulatory environments, and increasing stakeholder expectations. This long history will be key to delivering on our ambitious emission reduction targets. Devon's emission reduction strategy includes a range of actions, including expanding our leak detection and repair (LDAR) program; deploying advanced LDAR technologies in our operating areas; reducing the volume of natural gas that is flared; electrifying facilities to reduce the use of natural gas and diesel consumed onsite, including transitioning from gas-driven to air-driven pneumatic controllers; and optimizing facility design to minimize leaks and eliminate common equipment failures.

With regard to your question about specific technology areas, Devon is evaluating new opportunities to create value in the transition to a lower-carbon economy. In 2021, we established a New Ventures team to explore energy transition opportunities complementary to our core business, including: investment in strategic export opportunities to enhance the ultimate value of our production, electrification (including renewable-source generation), produced water management, hydrogen development, carbon capture utilization and storage, and liquefied natural gas opportunities, among others. The team will not only help guide our climate-related risk management and emissions reduction efforts, but will also pursue climate-related opportunities presented by a lower-carbon future.

In 2022, Devon began reporting environmental capital as part of our publicly disclosed capital expenditures guidance.[2]

2. Please identify your company's annual Scope 1 greenhouse gas (GHG) emissions for the past 10 years. What do you project your company's annual Scope 1 emissions will be for the next ten years? In responding, please specify the level of precision of your responses and identify any conditions pertaining to these responses.

3. Please identify your company's annual Scope 2 GHG emissions for the past 10 years. What do you project your company's annual Scope 2 emissions will be for the next ten years? In responding, please specify the level of precision of your responses and identify any conditions pertaining to these responses.

Mr. Muncrief's Response: Devon calculates and reports greenhouse gas emissions by including all emissions reported to the EPA pursuant to the Greenhouse Gas Reporting Program (GHGRP) for production, gathering and boosting, and processing assets under our operational control, as well as emissions subject to the GHGRP that fall below the basin-level reporting threshold (Scope 1). The GHGRP was developed by incorporating best engineering estimates and calculation methodologies and considering extensive public input. Devon also calculates and reports

[2] https://s2.q4cdn.com/462548525/files/doc_financials/quarterly/2022/q1/Q1-2022-DVN-Guidance.pdf

emissions from electricity consumption (Scope 2) using EPA fuel and electricity emissions factors for assets under our operational control.

Emissions Performance Data	**2018**	**2019**	**2020**
Direct GHG Emissions (Scope 1) (million tonnes CO_2e)	4.72	4.65	3.91
Indirect GHG Emissions from Electricity Use (Scope 2) (million tonnes CO_2e)	0.33	0.27	0.32
Direct and Indirect GHG Emissions (Scope 1 and 2) (million tonnes CO_2e)	5.05	4.91	4.23

The environment metrics have been calculated using the best available data at the time of publication. Historical metrics are subject to change as we continuously seek to improve our data management practices, data sources, and calculation methodologies in order to provide the highest level of transparency, consistency, and accuracy.

As previously stated, Devon publicly committed to voluntary reductions in our GHG and methane emissions – by targeting a 50% reduction in GHG emissions intensity and 65% reduction in methane emissions intensity by 2030 (from a 2019 baseline) and ultimately reaching net zero GHG emissions for Scopes 1 and 2 by 2050. Devon also committed to reduce our flaring intensity to 0.5% or lower by 2025 and to eliminate routine flaring, as defined by the World Bank, by 2030.

4. Please identify your company's annual Scope 3 GHG emissions for the past 10 years. What do you project your company's annual Scope 3 emissions will be for the next ten years? In responding, please specify the level of precision of your responses and identify any conditions pertaining to these responses.

Mr. Muncrief's Response: Devon reports indirect emissions from the use of sold products (Scope 3) on an equity basis from sources not owned or controlled by Devon. Scope 3 GHG emissions include indirect emissions resulting from the consumption and use of Devon's crude oil and natural gas production.

To estimate our Scope 3 emissions, we rely upon IPIECA's 2016 guidance document, Estimating Petroleum Industry Value Chain (Scope 3) Greenhouse Gas Emissions.[3] According to the IPIECA guidance, category 11 "Use of Sold Products" is generally the largest contributor of Scope 3 emissions for a fuel-producing company and can account for more than 80% of a company's total Scope 3 emissions. We report "Use of Sold Products" by calculating combustion emissions for our oil, natural gas and marketed natural gas liquids products. It is important to note that Scope 3 emissions estimates are subject to uncertainty, inconsistency, and duplication due to the reporting of assets outside the control of the reporting company and various reporting methodologies. In

[3] https://www.ipieca.org/resources/good-practice/estimating-petroleum-industry-value-chain-scope-3-greenhouse-gas-emissions-overview-of-methodologies/

addition, two or more companies will account for the same emissions within their Scope 1, 2 or 3 emission inventories (as further described in the IPIECA guidance document).

As reported, Devon's Indirect GHG Emissions from Use of Sold Products for 2018, 2019, and 2020 were 43, 48, and 49 million metric tonnes of carbon dioxide equivalent, respectively. Please note, the Scope 3 emissions estimates are limited to legacy Devon performance (i.e., not pro-forma for the combination of Devon Energy and WPX Energy) using net equity production reported in Devon's 2020 Annual Report on Form 10-K. Scope 1 and 2 GHG emissions data described above represents pro-forma Devon performance for the combination of Devon Energy and WPX Energy.

The emissions metrics have been calculated using the best available data at the time of original publication. Historical metrics are subject to change as we continuously seek to improve our data management practices, data sources, and calculation methodologies in order to provide the highest level of transparency, consistency, and accuracy.

5. Has your company examined ways that it can reduce its scope 3 emissions? If so, please describe what methods your company has found to be effective and whether it plans to invest in reducing its scope 3 emissions.

Mr. Muncrief's Response: Devon's GHG emissions reduction targets include Scope 1 (i.e., emissions from direct operations) and Scope 2 (i.e., emissions from electricity consumption), but exclude Scope 3 (i.e., indirect value chain emissions primarily related to the use of sold products).

As an exploration and production company, Devon has no direct control over how the raw materials we produce and sell are ultimately consumed. For this reason, we are committed to and focused on Scope 1 and 2 emissions for assets under our control, where we can most directly and meaningfully effect emissions reductions. While Devon's emissions reduction efforts and targets do not include Scope 3 emissions, we do report indirect emissions from the use of sold products (Scope 3) in the spirit of enhanced transparency.

We will continue to evaluate ways in which we can reduce value chain emissions and engage constructively with stakeholders upstream and downstream of our production operations, as demonstrated by our commitment to begin evaluating the performance of our contractors (i.e., onsite service providers in our field operations) in key Environmental, Social and Governance (ESG) areas by 2023.

6. What organizations does your company belong to with required GHG emission reduction targets? What are those targets?

Mr. Muncrief's Response: Devon does not currently belong to any organizations with required GHG emission reduction targets. While we do not belong to any such organizations, we have strived to align with many of their best practices, targets, and initiatives. For example, the methane intensity target Devon established in 2019 – to achieve a methane intensity rate of 0.28% or lower by 2025, which we achieved and surpassed in 2020 – aligns with ONE Future. As another example, Devon has committed to reduce our flaring intensity to 0.5% or lower by 2025 and to eliminate routine flaring, as defined by the World Bank, by 2030.

Devon is also a founding member of The Environmental Partnership (the Partnership), a voluntary coalition of oil and natural gas companies operating across the U.S. Since forming in 2017, the partnership has grown to more than 90 companies that commit to collaborating, learning about best practices and technologies, and taking action to improve the industry's environmental performance. While the Partnership does not require GHG emission reduction targets, Devon and the other members benefit from the activities of the Partnership which contribute to our emission reductions and facilitate our ability to achieve our emission reduction goals and targets.

7. Please identify the emissions targets your company utilizes in strategic business planning and decision-making.

Mr. Muncrief's Response: As stated above, in June 2021, Devon publicly committed to voluntary reductions in its GHG and methane emissions – by targeting a 50% reduction in GHG emissions intensity and 65% reduction in methane emissions intensity by 2030 (from a 2019 baseline) and ultimately reaching net zero GHG emissions for Scopes 1 and 2 by 2050. Devon also committed to reduce its flaring intensity to 0.5% or lower by 2025 and to eliminate routine flaring, as defined by the World Bank, by 2030. Devon factors progress toward these targets into our business planning and decision-making.

8. What is your company's plan for existing assets that do not comport with your company's net-zero plans or other emissions targets?

Mr. Muncrief's Response: Devon's voluntary targets to reduce GHG and methane emissions, including our aim to reach net zero GHG emissions for Scope 1 and 2 by 2050 apply company wide. Our intent is that performance against our emissions targets will be assessed against the assets owned and operated by Devon in the target year. Devon currently has no plans to divest assets as a means of achieving our emissions reduction targets.

Responses in this document include "forward-looking statements" as defined by the Securities and Exchange Commission (SEC). All statements, other than statements of historical facts, included in this response that address activities, events or developments that Devon expects, believes or anticipates will or may occur in the future are forward-looking statements. Such statements are not promises or guarantees of future conduct or policy and are subject to a number of assumptions, risks, and uncertainties, many of which are beyond Devon's control. Consequently, Devon's actual activities and future results, including the development, implementation, or continuation of any program, target, or initiative, may differ materially in the future due to a number of factors, including, but not limited to, the risk that Devon is unable to implement the new technologies and practices contemplated to achieve such programs; targets or initiatives successfully or on a timely basis; the risk that such technologies and practices result in higher than anticipated costs or cause operational disruptions that adversely impact Devon's financial performance; and the other risks identified in Devon's filings with the SEC.