

**HEARING BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES COMMITTEE ON
ENERGY AND COMMERCE
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS**

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I. Introduction

Chairs DeGette and Pallone, Ranking Members Griffith and McMorris Rodgers, Members of the Subcommittee: Thank you for the opportunity to speak with you today. My name is Michael Wirth, and I am the Chairman and CEO of Chevron.

We are living through a critical and unprecedented moment in history. Over the last few months, we have watched the events in Ukraine with grave and growing concern. The violence and senseless loss of life is heartbreaking, and our thoughts are with all those affected. We appreciate the efforts of leaders across the globe to find a path toward cessation of the hostilities in Ukraine and support efforts to achieve a diplomatic resolution.

Russia's actions in Ukraine have cost many lives and displaced millions of people from their homes. The war has also led to a surge in commodity prices, particularly with respect to energy, that is affecting millions around the world and here in the United States. This has added to the tremendous pressures that our economy and communities were already experiencing from a global pandemic.

I appreciate the opportunity to come before the Subcommittee today to discuss the energy-related challenges facing the world and our company's response. I am optimistic about all that Chevron is doing to meet the need for affordable, reliable, and ever-cleaner energy, and I am inspired by the capacity of the American people to respond to the situation we all face with extraordinary resilience.

II. Chevron's Commitment to America's Energy Future

The impact of the crisis in Ukraine on global oil and gas supply and prices has put into stark relief the importance of American leadership on the world stage. Disruptions in global energy supply can affect the strength of our economy and our communities and directly impact everyday Americans. As always, Chevron is committed to doing its part to provide Americans with access to affordable, reliable, and ever-cleaner energy.

We understand the hardship that rising energy costs have posed for so many Americans, from higher prices at the pump to increased rates on their natural gas, heating, and electricity bills. Many are asking what companies like Chevron can or should be doing to address this challenge, and I look forward to discussing our efforts. At Chevron, we are focused on contributing to a strong domestic supply of energy by continuing to implement our core strategy: leveraging our strengths to deliver lower-carbon energy to a growing world.

A. Chevron's Permian Basin and Other United States Operations and Investments

Last week, President Biden stated that “if we want lower gas prices, we need to have more oil supply right now.” Chevron is working hard to do just that. Chevron has committed to increase its capital expenditure this year by 50 percent, with approximately half of that increase going to increasing oil and gas production and the other half going to renewable fuels and lower-carbon energy. In 2021, Chevron’s U.S. net daily production was approximately 1.1 million barrels of oil. In 2022, focused on U.S. energy security and in line with our commitment to a lower-carbon future, we plan to increase overall production in the United States. In particular, we are investing in our Permian position in Texas and New Mexico, and we expect our additional investments to grow production beyond one million barrels of oil equivalent per day by 2025. With these investments, Chevron is focused on innovating to meet the energy demands of today and tomorrow.

The Permian Basin is a shale basin about 250 miles wide and 300 miles long, spanning parts of west Texas and southeastern New Mexico and including the Delaware and Midland sub-basins. Through our legacy companies, Chevron has been active in the Permian since the early 1920s. Thanks to that history, new technology, and the ingenuity of Chevron employees, Chevron’s Permian assets continue to be a growth engine for the company. As one of the largest producers of oil and natural gas in the Permian, Chevron’s holdings total approximately 2.2 million net acres. Additionally, Chevron’s acquisition of Noble Energy in October 2020 strengthened its premier position to focus on production here at home. In 2019, production in the Permian increased 44 percent over 2018. From 2015 to 2018, development and production costs decreased by approximately 40 percent, and well performance continues to improve. Chevron plans to boost its production in the Permian Basin by 10 percent this year. We are currently planning to spend \$4 billion per year in capital investments in the area, and the Permian Basin is forecasted to reach one million barrels of oil-equivalent production per day in 2025.

As part of Permian Basin communities for nearly 100 years, Chevron continues to be focused on developing the Permian in line with our company’s values, including respect for the environment and the communities in which we operate. Every day, we look for opportunities to lower the carbon intensity of the energy we supply, as our purpose is to produce energy that is affordable, reliable and ever-cleaner. Recently, for example, we’ve made notable progress in water use and minimizing flaring. In our Permian Basin development, more than 99 percent of the water used in well completions in 2018 was from non-fresh and recycled water sources, compared to about 25 percent in 2014. Whenever we can, our operations use brackish water, conserving water that could be used for human consumption or agriculture. We also use centralized infrastructure where possible. This practice reduces our footprint by allowing pipelines, roads, and hydraulic fracturing ponds to serve multiple well pads.

Chevron is also among industry leaders at minimizing flaring in the Permian Basin. According to a 2019 Rystad Energy study, 40 of the largest gas producers in the Basin averaged 6.1 percent flare share of production, while Chevron's Permian operations flared at just 1.07 percent. This reflects our culture of environmental accountability and is driven by our company’s core value to protect people and the environment. We also recently agreed to purchase wind power for our operations in the Permian, a cost-effective renewable energy alternative to our current electricity supply.

In November 2018, Chevron joined with 20 other leading energy companies to form the Permian Strategic Partnership. This coalition aims to improve the quality of life for families living in the Permian. Together, we're working with local leaders to develop and implement long-term strategic plans to foster strong schools, safer roads, quality health care, affordable housing, and a trained workforce. In every aspect of our operations, Chevron is working to develop the Permian in the right and responsible way.

Elsewhere in the United States, we expect a steady queue of developments in the Gulf of Mexico to grow production at competitive unit development costs and with carbon intensities that are a fraction of the global industry average. Our upstream business operations are also planned on a long-range horizon and involve ensuring we have a queue of leases and permit approvals to enable a comprehensive planning approach to development. Chevron's comprehensive planning efforts help ensure we efficiently develop our federal lease positions.

B. Price Fluctuations and Chevron's Role in the Market

I have seen statements in the press suggesting that Chevron and other oil and gas companies are responsible for the increase in fuel prices. I want to be absolutely clear: we do not control the market price of crude oil or natural gas, nor of refined products like gasoline and diesel fuel, and we have no tolerance for price gouging.

In his remarks last week about the release of supplies from the Strategic Petroleum Reserve, President Biden stressed the critical role that companies like ours have to play in increasing domestic supply of oil and gas. At Chevron, we are committed to doing our part to contribute to this goal. We are pursuing the responsible development of oil and gas, while doing our part to advance a lower-carbon future.

President Biden also discussed some of the larger forces that have contributed to rising prices, including the impact of the COVID-19 pandemic and the realities of the crisis in the Ukraine. Fuel prices are impacted by factors that involve far more than one company or even one country. Gasoline prices are fundamentally a function of supply and demand. In recent months, prices have risen due to increased demand resulting from the lifting of pandemic restrictions and the reopening of the world economy, and uncertainty about the stability of supply in face of the ongoing conflict in Ukraine in numerous dimensions, including the impact of sanctions on Russian energy. As recognized by the White House Council of Economic Advisers, "there has been substantial run-up in energy prices since February resulting from the Russian invasion of Ukraine."¹

Chevron represents only around six percent of domestic gasoline sales. Though some 8,000 gas stations around the country bear our brands, the vast majority are privately owned and operated and set their own prices for the fuel they sell to consumers. Chevron owns and operates only about 300 gas stations in three states, a fraction of the more than 150,000 stations across the country.²

¹ Council of Economic Advisers (@WhiteHouseCEA), Twitter (Mar. 10, 2022, 9:33 am), <https://twitter.com/WhiteHouseCEA/status/1501929290404794370>.

² Chevron owns and operates approximately 275 stations in California, with the remaining stations located in Oregon and Washington.

Historically, price spikes from global events have not been sustained. In 1973, when members of the Organization of the Petroleum Exporting Countries declared an embargo against nations following the Arab-Israeli war, the United States suddenly faced gasoline shortages, and gas prices soared. But, once the crisis ended, gas prices returned to normal. In 2012, the national average price of gasoline rose to a new high, due to the devastating impact of Hurricane Sandy and concerns about potential military action against Iran. Again, after these events passed, prices decreased. It is unclear whether this pattern will apply in the current circumstance, so the world needs to be prepared both for a return to normalcy and for extended price volatility if instability persists.

Over the long term, patterns in the price of gasoline reflect patterns in the price of crude oil, gasoline's primary raw material. However, it is not always the case that gasoline prices will exactly track the price of oil in the short term. As recently explained by the American Petroleum Institute, changes in the price of crude oil do not always result in immediate changes at the pump. This mismatch can occur because replacement cost based on current market prices is what typically drives prices for consumers. And while the price of crude oil might dip more quickly, it frequently takes more time for competition among retail stations to bring prices back down at the pump.

This phenomenon is exacerbated in today's context of diverse retail fuel sales options. In the United States, nearly all of the nation's 150,000 gas stations are independently owned businesses that are not operated directly by oil companies. These independent businesses take a number of factors into account when setting and changing prices, including local conditions, perceptions of future costs, supply considerations, and competition. As a result, while changes in the price of crude oil reflect the global cost of that product, and are influenced by demand, supply, inventory, geopolitical events, and other factors, the prices customers are paying at the pump are often influenced by additional local factors that vary in each community or even at each station. The result is two separate products—crude oil and gas prices—that do not always move in tandem.

We intend to continue to work with Congress, the Biden Administration, and the whole of government to achieve our shared goal of delivering affordable, reliable, and ever-cleaner energy to consumers. Recent events underscore the importance of our industry working collaboratively with policymakers on these critical issues. Whether it be accelerating programs for new energy exploration or streamlining the permitting process for the development of critical energy infrastructure, we believe there are a number of policy steps that can be taken to bolster American energy supply and place us on sounder footing should events like the ones we are seeing play out today occur the future. We are eager to maintain an open dialogue with you on these issues.

III. Chevron's Commitment to a Lower-Carbon Future

Chevron is taking action to increase our production to respond to global demand, but we are also continuing to invest in our commitment to reduce our carbon emissions intensity. Throughout Chevron's upstream operations, we are producing energy at a carbon intensity well below the global industry average, placing us in the best-performing quartile of all oil and gas producers. Aligned with the Paris Agreement, Chevron set carbon-intensity targets for 2023, which we exceeded three years ahead of schedule. Last year, we laid out new, even more ambitious goals for 2028. Chevron has introduced a net zero 2050 aspiration for Upstream Scope 1 and 2 emissions, as well as a Portfolio Carbon Intensity metric, which covers Scopes 1, 2, and 3 and will allow for the measurement of the full value chain carbon intensity of Chevron's entire business. We are also

on track to eliminate routine flaring by 2030 and reduce methane emission intensity by 50% from 2016 levels by 2028.

Chevron has also committed to investing more than \$10 billion between 2021 and 2028 in lower-carbon technologies, including \$2 billion to lower the carbon intensity of Chevron's operations. Chevron recently announced the creation of Chevron New Energies, which will be dedicated to growing businesses in carbon capture, hydrogen, and offsets. Building on our company's strengths, we have set the following 2030 growth targets:

- Grow renewable natural gas production to 40,000 MMBtu per day to supply a network of stations serving heavy duty transport customers;
- Increase renewable fuels production capacity to 100,000 barrels per day to meet growing customer demand for renewable diesel and sustainable aviation fuel;
- Grow hydrogen production to 150,000 tons per year to supply industrial, power and heavy duty transport customers; and
- Increase carbon capture and offsets to 25 million tons per year by developing regional hubs in partnership with others.

I am also excited about the recent announcement of our agreement to acquire Renewable Energy Group, a biodiesel production company headquartered in Iowa. The CEO of the company, CJ Warner, is also expected to join our Board. She brings a wealth of experience in the traditional and renewable energy sectors.

IV. Conclusion

I am proud of our contributions to communities across the United States and around the world, especially in this time of crisis—keeping lights on in homes, helping Americans get to work, and ensuring our economy can thrive.

I am optimistic about all that Chevron is doing to meet the many challenges ahead. As we have done in the past, we will continue to innovate, to take action where needed, and to support the communities that have been looking to us to meet their energy needs for more than 140 years.

Thank you, and I look forward to your questions.