REFINITIV STREETEVENTS

EDITED TRANSCRIPT

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REFINITIV

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Joseph F. Carey

PRESENTATION

Joseph F. Carey

Good morning. Welcome to New York Stock Exchange. I'd ask you all to please take your seats. We'll start with a brief safety message. My name is Joe Carey. I'm the Fire & Life Safety Director here at the Exchange. We, at the Exchange, take very seriously the safety of our employees and guests. The building is protected by a 2-way voice fire alarm system that's continuously monitored. The alarm will sound with alert tones and strobe lights on the reporting floor and the floor above. You're in the fire protected building, nonfireproof -- fireproof, I'm sorry.

In the event of alarm, please stand by and listen for instructions from the Fire Command station while we do an investigation. Safety staff is assigned to this floor, and we'll keep you informed. If it is necessary to evacuate or if the floor would have become immediately untenable, I call your attention to the exit doors to my right and at the rear of the room behind you. This floor is served by 3 enclosed fire exit stairs labeled A, B and C. Each corridor on this floor will lead to 1 of the stairs. If you go out this door and take the hallway to the left, it will lead to the C stairs. The main corridor off of the elevator lobby will lead to the B stairs. Our preferred route though is in the elevator lobby itself, it's our fire tower, Stair A to which the fire warden will escort you.

Please avoid using the open interior stairs for an evacuation, found right outside Freedom Hall here. Know that we are seeing to your safety and enjoy your event.

Jeffrey Alan Dietert - *Phillips 66 - VP of IR*

Thanks, Joe. I'm good here. Good morning. Well, welcome to Phillips 66's Investor Day. We're glad to have you here in the room today and also welcome those that are participating via the webcast. Our Chairman is here with -- or excuse me, we'll hear from Mark Lashier, the President and CEO, and other members of our executive leadership team this morning. Our Chairman, Greg Garland, is with us today as well as Bruce Chinn, the CEO of CPChem. Bruce will participate in the Q&A session with us as well.

The webcast and the presentation material is available on our website. After today's conference, we will post the transcript as well for your review.

Slide 4 shows our safe harbor statement. We'll be making forward-looking statements today. Actual results may differ materially from what we present. Factors that could cause actual results to differ are included here as well as in our SEC filings.

Today's agenda will start with key messages coming from Mark, followed by presentations from Rick Harbison, Refining; Tim Roberts, Midstream and Chemicals, David Erfert is our Chief Transformation Officer; and Kevin Mitchell, our CFO. After that, Mark will make some closing remarks. We'll take a brief break and then have a question-and-answer session. We ask that you hold your questions until that time.

Before I kick it off to Mark, we'll start with a short video.

(presentation)

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

Thanks, Jeff, and good morning. I want to thank you all for being here today. I'm truly honored to be leading Phillips 66 as President and CEO. Last time I spoke to all of you as a group was back in 2019 at the last Phillips 66 Investor Day. At that point in time, I was sitting in Bruce's Chair as CEO of CPChem. Fact is, I began my career with Phillips Petroleum Company back in Bartlesville, Oklahoma in a research lab. This company has afforded me to have a great career that's prepared me for this moment and this opportunity.

While at CPChem, I initiated a successful business transformation. We had a focus on utilization, market capture and cost. And we're doing the same thing here at Phillips 66 today to position us to thrive in any market environment by making the tough choices now. The challenges are different, but the drive and the determination is the same. I'm laser-focused on disciplined value creation and rewarding shareholders now and in the future. And so is this team. It's a new season. We've got new challenges and new opportunities, and we're unified in our vision and our mission, and we're fully committed to executing on your behalf. I'm thrilled to be part of this team. These are accomplished experts in their field with the learning agility to drive change across the enterprise. They bring a diversity of thought and backgrounds to the table, that challenges all of us to bring our best every single day, and I'm proud to call them colleagues. Together, we're strong, we're driven, we're unified, and the team has the experience and vision to lead Phillips 66 into the future.

And while we're here today representing Phillips 66, we're just a small part of this incredible team of people, employees that are hard at work, taking care of business every day to deliver on our promise to provide energy and improve lives. They do this while honoring our values of safety and honor and commitment, and we're proud of them. We're proud of the contributions they make to Phillips 66. And over the last 100-plus days as their CEO, I've had the opportunity to lead them, but more importantly, I've had the opportunity to learn from them.

I can tell you firsthand, our employees are focused, they're energized and they're aligned on our efforts to be an even stronger company than we are today. As I was transitioning into the CEO role, one of the first things I had the opportunity to do was to invite many of you on a listening tour to get investor feedback. We encouraged some really candid conversations. We wanted to hear things like, "What do you think about us? What do

you think -- how do you like what we're doing? What can we do differently? What can we do better?" Really simple questions that had powerful answers.

Similarly, we reached out in a more formal survey to better understand your views on our strengths and the opportunities that we have. And we took that feedback and sat down with the team and aligned on our strategic priorities, and that's what you're going to hear about today.

At Phillips 66, we believe engagement is a 2-way street, and we're excited to show you that we've been listening and that we're responsive to shareholder feedback. So the first order of business today is make it crystal clear what the purpose of this meeting is. And that purpose is to demonstrate the Phillips 66 management team is committed to creating value for our shareholders.

We're focused on returns and growing distributions in a competitive and sustainable way. We're committed to our integrated downstream model. Our diversified integrated assets provide us with resilience during turbulent times and allow us to maximize value capture during favorable market conditions. We have the ability to unlock value that our competitors simply don't have, and we also have the discipline to extract that value and we're finding ways to enhance our long-term resilience.

It's clear to us that you expect results. We will deliver those results. This morning, you'll hear us make commitments. These commitments are meaningful, they're quantifiable and they are achievable. Here's those commitments. These are 6 priorities that will enable us to reward Phillips 66 shareholders now and in the future.

Rewarding you means we're increase our distributions. Our priority following the post-COVID recovery period was repaying debt. We strengthened our financial position back to prepandemic levels, and we're prioritizing the return of significant capital to shareholders. How will we deliver? We will improve the performance of our refining business. We're going to capture value along the NGL value chain from wellhead to market as we integrate DCP. We're executing our business transformation to deliver sustainable cost savings, and we're going to maintain absolute financial strength and flexibility. And lastly, we'll be disciplined in our approach to accretive value-enhancing growth. We have an overarching returns-oriented mindset that drives our choices as we consider opportunities in our existing business lines as well as our pursuit of lower carbon opportunities.

As we highlighted in the video, we have a solid foundation rooted in our core values and a clear mission. That's not going to change.

Okay. Let's talk about how Phillips 66 is accelerating return of capital to shareholders. Today, we're committing to return $10 billion to $12 billion through a combination of dividends and share repurchases over the second half of this year through 2024. Supporting this commitment, our Board of Directors authorized an additional $5 billion of share repurchases. That brings our total outstanding authorization to $6.7 billion. Further, we're committed to a secure, competitive and growing dividend. We've increased our dividend 11x, 11x since inception, and you can expect annual dividend increases going forward.

Improving our refining performance is absolutely key to enhancing our strong history of returning cash to shareholders. We're taking the necessary steps now to ensure reliability, to increase market capture and reduce costs. Our Midstream chemicals and refining marketing model integrated by a global commercial team provides us with additional market opportunities around the world. Rich Harbison, our brand-new Head of Refining will provide more detail in his presentation on the initiatives we're executing.

We're excited about our DCP Midstream transaction, which unlocks significant opportunities for us. It positions us to compete more effectively in the Midstream NGL business. We made an offer to acquire all the publicly held common units. And if it's successful, our economic interest in DCP will increase to 87%. The transactions that we've undertaken with DCP will add over $1 billion of relatively stable EBITDA per year. And on top of that, we're going to aggressively pursue and capture operating and commercial synergies as we integrate DCP. Tim Roberts, the Head of our Midstream business, will provide more color on the outlook for NGLs that led us to increase our ownership in DCP.

Looking ahead, we're transforming our business to a lower cost, more profitable and more sustainable business model. We have an ambitious vision for the future of Phillips 66, one that will position us to compete and win as the energy markets continue to evolve. Our business transformation is enabling that vision. We're making great progress executing our initiatives to save more than $1 billion in cash every year sustainably, reproducibly

over and over again. Our Chief Transformation Officer, David Erfert is here to provide further details about where you'll see that $1 billion show up in Phillips 66 results.

Let's take a look at our financial strength and flexibility. Operating well, capturing margins, executing growth and managing our costs. These are key to maximizing cash flows and maintaining our financial strength. It gives us the ability to reward shareholders with competitive distributions while still selectively reinvesting to grow at the same time. We're going to deliver $3 billion of additional EBITDA growth by 2025. That's our commitment to you.

We'll continue to prioritize our strong investment-grade credit ratings. The strong balance sheet gives Phillips 66 the flexibility to execute our long-term strategy as a diversified energy company across the commodity cycles. Kevin Mitchell, our CFO, will provide more details on our balance sheet strength and our disciplined financial strategy.

And lastly, we're focused on driving growth and returns in a very focused and disciplined way. We have great projects with strong returns and our disciplined approach to capital allocation ensures that shareholder value is always at the core of our decision-making process. As we invest in these projects, you can expect our total capital spending to be about $2 billion annually through 2024. With this lower spending over the next couple of years, this allow us to sustain our existing assets, continue returns to shareholders in excess of 40% and provide disciplined focused growth to support future distributions. Our ability to deliver and secure growing shareholder distributions in the future is enabled by pursuing disciplined and selective growth today. I'll cover those growth projects in more detail later in the presentation.

We have a proven track record of distributing cash to Phillips 66 shareholders and we have every intention of upholding and building on this record. Phillips 66 was among the first energy companies to commit to the pledge, returning substantial cash to shareholders through dividends and share repurchases. We've returned more than $30 billion of shareholder distribution since our inception in 2012 and that's been well above our 40% target. This track record has been enabled by our uniquely integrated Midstream, Chemicals, Refining and Marketing assets.

Investors have seen an increase in the annual dividend every year since inception. We prioritized dividend security during the pandemic in 2020 when others were forced to cut and even eliminate their dividend. We're going to continue that trend. We've reduced our net shares outstanding by 24% since 2012, and our commitment is to continue down this path.

We're confident that our strategy and our investments are supported by the macro environment we see developing. If you look at global liquids demand, it continues to increase. We expect further growth this decade from the approximate 100 million barrels a day we saw prepandemic. The U.S. will continue to play an important role, meeting oil and NGL demand in years ahead. The geopolitical events underscore the call on U.S. hydrocarbons, given the abundant resources we have in this country and the stability that we enjoy.

NGLs and petrochemical feedstocks are the fast and growing segment of liquids demand, and we expect petrochemical demand to grow faster than GDP, driven by a growing middle class worldwide. The macro fundamentals support our investment case to focus on NGL and Chemicals opportunities. The expected demand growth for plastics drives the need for more capacity, including CPChem's potential investments in world-scale petrochemical facilities.

Refining outlooks improve due to U.S. operating cost advantages and global refinery rationalizations. U.S. refiners have more flexibility to process a wider range of crude slates in intermediate products than the European refiners do. Higher natural gas prices, increased environmental costs, these are making European refineries the marginal producer supporting higher market cracks globally. Underpinning the strength of refining is the 4.5 million barrels per day of capacity that's been closed or converted since 2019 globally. And in the U.S., we've seen 1.5 million barrels per day of capacity removed from the market. The global loss of capacity, combined with the recovering demand for clean products over the next few years support utilization rates and margins. These market fundamentals are why we're optimistic about our future and confident in our strategy.

Over the next few years, we expect share repurchases to be about $2 billion a year or more and to deliver on our commitment to distribute $10 billion to $12 billion a year overall to our shareholders. How are we going to do that? Well, today, our portfolio is capable of generating $7 billion of cash flow in a mid-cycle margin environment. In 3 years, that mid-cycle cash flow is expected to increase to $10 billion per year. The initiatives we already have underway are expected to add that incremental $3 billion in EBITDA. This includes the buyback of DCP, the start-up of our Rodeo

Renewed facility and our business transformation. And our capital priorities haven't changed. The first dollar goes to sustaining capital to ensure continued asset integrity and safe, reliable operations. Next, we fund our dividend, including growth as we remain committed to a secure, competitive growing dividend.

That leaves us with $7 billion a year by 2025 in a mid-cycle market environment to allocate between share repurchases, debt reduction and growth capital. Growth capital will be about $1 billion per year. We'll also be in a position to further pay down debt as our bonds mature.

Before I turn this over to the team, let me reiterate why I'm excited to lead this company especially at this particular time. We continue to make meaningful changes to position the company to compete and win as the energy markets continue to evolve. Phillips 66 will thrive over the next decade by capitalizing on improved market conditions while simultaneously executing cost reduction and margin enhancement opportunities.

Our strategy is ambitious and it's achievable. And just like we've done over the last decade, Phillips 66 will rise to the challenge and deliver meaningful results for you. Our hard work will enable us to reward shareholders today, and it will enhance our ability to compete for years and decades to come.

With that, let's hear from others on the leadership team, starting with Rich Harbison who leads our refining organization.

Richard G. Harbison - *Phillips 66 - SVP of Refining*

Thanks, Mark. Good morning, everyone. How are we doing? It's great to be here. I thought I'd start first with a brief introduction, a background of my career. I started in this business 34 years ago, actually started as an operator in our lubricants division. And then I have transferred into terminal operations, pipeline operations and then refining operations over 22 years ago. And I can't tell you how honored I am to be part of this leadership team here in front of us today, as well as humbled to be leading the refining organization.

So let's talk a little bit about refining here. One thing I've learned over the years is our organization, our people are committed to achieving the highest standard of performance. We're an organization of problem solvers, operating a business capable of generating significant cash flow for Phillips 66. We know there are opportunities to improve.

Let me say we're keenly focused on positioning ourselves as the industry leader in any market environment. Operating excellence is foundational. Everything, every day, we must earn our right to operate in our communities. The license to operate demands excellence from us in personal process safety as well as continuing our journey on the environmental -- reducing our environmental footprint.

And the good news is, we are performing very well as an organization, performing significantly better than our peer average when it comes to personal safety, and we're an industry leader when it comes to process safety. This culture of high standards and continuous improvement that's molded us as leaders in safety is now being harnessed to improve our refining performance. We have 3 specific goals, operating improvement goals over the next couple of years. These goals are: one, increased mechanical availability; two, enhance our market capture; and three, reduce our operating expense. We are actively working these goals systematically across the entire organization, empowering our employees to identify and implement opportunities to improve the business. I can assure you, we have an organization that is driven, driven to operate the assets safely, efficiently, effectively and be the best at what we do.

Now let's take a deeper dive into these goals. First goal, increase mechanical or asset availability. Our historical pre-COVID average utilization was 94%. We have operated at or below industry average utilization since the pandemic. Our utilization has improved in 2022 despite heavy turnaround activity, but remains well below our standards. Utilization is generally driven by 2 key factors: one, market conditions, which we cannot control. Two, mechanical availability and capability, which we can control. We have line of sight of 98% crude unit mechanical availability by 2025.

We are attacking these 3 areas outlined in the chart on the right-hand side of the slide. First, are turnarounds. We're executing initiatives for all phases of these planned events. The goal of this effort is to reduce the time, to optimize the time, to shut down our units, to optimize the time, to complete the maintenance and to optimize the time to restart the units. We are standardizing our planning and execution norms to challenge traditional approaches in all phases of the turnaround cycle.

We're also optimizing work scope by incorporating enhanced inspection techniques. These advanced techniques will assure we are working only on the equipment we need to be working on and only when we need to be working on that equipment. This will reduce the maintenance execution time frame.

Secondly, our equipment oversight programs continue to progress, providing advanced monitoring and data analytics, improving our predictive maintenance, which improves reliability. Finally, we're focused on ensuring, ensuring our units are ready to run and are running full. We are accomplishing this through targeted small capital investments that deliver online reliability and capability. Much of these improvements are developed on the backbone of our previous digital investments. We are capturing and communicating data in real time, more efficiently turning the data into information and most importantly, we're enabling our organization to take action. We have line of sight to achieve a world-class crude unit mechanical availability of 98%, assuring our assets are ready to run and running full.

Switching to our second goal here, enhanced market capture. Refining is a competitive business and having the flexibility to capture margin during any market environment is essential. We operate 10 refineries in the U.S., 1 of 2 refineries in Western Europe. You can see our assets are regionally distributed, limiting our concentration of exposure to any single market. Many of our refineries were built to efficiently process advantage heavy or high sulfur crude with high coking capabilities relative to our peers.

Overall, our crude slate has been balanced between heavy, medium and light crudes. Our system, our U.S. system, ranks in the top third in complexity. Our European refinery assets rank in the top 10% of Western European refineries. So we have a strong kit. The question is, how do we enhance market capture? We're focusing on the things we can control, and these are outlined in the chart. Product value improvements, ensure we are maximizing production of the highest value product. We are progressing initiatives to increase our flexibility to swing between gasoline and diesel production.

Another opportunity is to increase our capability to upgrade products like ultra-low sulfur diesel, upgrading low-sulfur diesel to ultra-low sulfur diesel or taking butane out of our fuel gas systems and putting it into gasoline. Those are just a couple of examples. There's many more. We've identified several opportunities to improve clean product yield and volume game through enhanced molecule management. Actually, one of the more innovative opportunities we've been pursuing is the use of machine learning, AI. We're actually using this to optimize our process unit performance, this allows us to achieve higher production rates, but yet still maintain our product quality as we do that. We are continuing to expand this application across our system.

Crude advantage. We know increased crude processing flexibility will create opportunities to capture value. We have identified several small projects that will enhance this flexibility across our system. Utilization and flexibility. Utilization and reliability. Both of these are supported by our first goal of improving mechanical availability and our work to increase flexibility to fill the process units to their capacity.

We are committed to creating the most value with our existing assets, operating them safely, efficiently and effectively. And we will implement targeted capital investments focused on small projects that have high returns. Bottom line, we will improve our market capture by 5%. This equates to $400 million in realized margin improvement at mid-cycle pricing.

I'd like to highlight an integration example here in our Central Corridor. You can see the 3 Central Corridor refineries, product pipelines in blue and the marketing footprint illustrated on the map. In this region, we have access to high-quality local crudes as well as advantaged Canadian crudes. High clean product yield is pulled through the refineries by a strong network of product pipelines. These product pipelines lead directly to key consumer markets where we have strong branded presence and strategic marketing joint ventures. Additionally, our value chain optimization organization is maximizing value across this system, this integrated system, and they do that by really sharpening our focus on general interest decision-making. I think this provides a really good example of how an integrated system supports market capture, utilization and maximizes value. We saw this play out nicely in our third quarter results.

Now let's move on to cost. We've embarked on a mission, a mission to make a significant step change in how we do business across the enterprise. The goal of this effort is to improve organizational efficiencies and drive cost from the business. In Refining, we're looking at everything, from simplifying work, to organizational structures. And because the best ideas generally come from those closest to the work, we are engaging all levels of the organization to participate in this process.

Let me provide a couple of examples within Refining. I mentioned our effort earlier about turnarounds -- turnaround efficiencies. This effort is not only a time-based exercise, but it's also intended to drive value. We will reduce our turnaround cost by $50 million per year, and this will place Phillips 66 in the top quartile of performers. We have reviewed all of our critical work processes with a keen eye of focusing on reducing low value added activity. The team has identified over $30 million per year in value through avoided investments or reduced operating expense through this exercise.

This broad effort to reduce operating expense includes all phases of the operation, organizational design, third-party spend, maintenance activity, energy costs and more. The mindset that we're driving is capture value in everything we do. Bottom line, we are reducing costs to produce by $0.75 per barrel. This is equivalent to reducing our operating expense by $500 million annually.

All right, in closing, our refining team is focused, focused on being world-class operators that will thrive in any market environment. Our integrated system and complex refining portfolio positions us well for long-term competitiveness. Our refining organization is made up of people, people who are problem solvers. We are committed to be an industry leader in every metric we measure. We have line of sight to 98% crude unit mechanical availability, market capture improvements of 5% and we will reduce our cost structure by $0.75 per barrel. We will create shareholder value by delivering on our refining vision, world-class operations, competing in any market environment.

Thank you for your time this morning. I'm going to turn the podium over to Tim now and talk about Midstream.

Timothy D. Roberts - *Phillips 66 - EVP of Midstream and Chemicals*

Thanks, Rich. Well, thanks, Rich. I guess I'm the only old school one here with paper. Don't be nervous. Good morning. Really good to be here with you. It's glad to be back. I really appreciate each of you taking the time out of your day to spend time with us and really excited to talk about our Midstream business.

First and foremost, what is it each of you should take away from this session? We've been busy. We have brought DCP in for control of that -- through that transaction. And we've created a wellhead to market NGL business that will not only create stable and growing cash flow, but also have a competitive advantage against our peers and competition. Also, the successful integration of DCP will improve our cost structure and create growth opportunities to further generate value. The net result of all that will highlight the earnings potential and unlock the full value that this Midstream business has to offer.

NGLs clearly present the best pathway for value creation and growth going forward. With U.S. production growing and the long-term positive outlook for global petrochemicals, the fundamentals are constructive for those that have an integrated NGL system. These are exciting and busy times in this business, and I'm proud of the work that the team has accomplished over the last 3 years to build a cost-competitive platform.

You can expect us to perform. We do know who our competitors are, and we know what it will take to compete. The team is all-hands-on-deck to integrate DCP and drive our cost structure to a new level. We have a macro environment that supports the supply and demand story for natural gas and NGLs. We expect over 7 million barrels per day of global liquids growth. The U.S. will play a key role in meeting the global demand for LPGs and petrochemical feedstocks.

U.S. crude oil production is expected to grow by over 2 million barrels per day from the current level through the end of the decade. NGL production is growing at a faster pace than crude and is expected to grow by 1.3 million barrels per day over the same time period. It's important to highlight that the level of investment to meet such demand is falling short, which makes the fundamentals for our business more constructive.

Let's talk about the demand side of the story, petrochemicals. As Mark talked about briefly, as global economies mature, we will see continued growth for petchems which supports growing demand for advantaged U.S.-based natural gas and natural gas liquids. So how do we drive value?

This map shows the competitive positioning of our NGL portfolio. So let me paint a picture for you. Imagine a toll road from the Permian to Houston. Before the DCP transaction, we only owned a portion of the toll road. So we can only clip so many coupons. Post-DCP transaction, we own the entire toll road, which means capturing the full economic rent available versus partial. Phillips 66 now touches the molecule at every point on the

NGL toll road. Not only are we levered to some of the best basins in the U.S. like the Permian and the DJ, but we also have some of the highest leverage to the NGL value chain among peers. We are now able to offer services that only a select few midstream companies can provide, and you know many of them. This simplified structure will lead to expanded relationships with new and existing customers. This integrated system will capture more value and drive lower costs, improve reliability and provide much-needed optionality for producers.

The Sweeny Hub is a world-class NGL complex where our fracs, cavern storage and export dock are located. We also have pipeline connectivity to the domestic petrochemical industry, along with waterborne access to global LPG markets. We provide valuable optionality to customers who want an alternative to Mont Belvieu or the congested Houston Ship Channel.

The site recently commissioned Frac 4 which has been running above design capacity since startup. This is a remarkable achievement by our operations and our project teams. Our enhanced integration also puts us squarely into the natural gas business. We have over 5 billion cubic feet per day of gas processing capacity that will be the backbone of our integrated system. But assets are only 1 part of the story. We have some of the best people in the industry. Our success would not be possible without their efforts.

This chart provides an in-depth view of the value chain, as we've talked about before. Using the Permian as a focus point, like the toll road analogy, we will capture value at every point along the chain. With the integration of DCP, we will move the molecule through our own system versus competitors. This will maximize value capture for Phillips 66. Our efforts are aimed at providing competitive, reliable and attractive options to producers which will show up in higher volumes and higher margins. The transaction is accretive and once the buy-in is complete, will generate an incremental $1 billion plus of EBITDA. We are currently in negotiations with the special committee on the buy-in, which limits how much I can share on the value capture and synergies. What I can say is we are moving quickly integrating DCP into Phillips 66. So stay tuned as we work through the process.

I'm excited about the potential that exists for us. Our NGL platform creates a highly competitive value proposition for both our customers and our shareholders. Over time, one thing that stands out is the relative stability in Midstream earnings.

Okay. Let's be clear. We are not immune from commodity swings and cycles, but our high percentage of fee-based business is well positioned to dampen some of that volatility. The DCP transaction is transformational for our business and a successful integration is our primary focus. We will bring rigor, structure, speed and discipline to the integration.

The transaction will allow us to leverage the best that both companies have to offer, including technology, talent, best practices, scale and culture. As we manage the Midstream portfolio, we have existing noncore assets that generate solid underlying cash flow to the business. Noncore assets will need to earn the right to remain in the portfolio.

To wrap up, why are we excited about this business and why should you be? We have created a wellhead to market NGL business that will provide and create stable cash flows and growing cash flows. And we believe we will have competitive advantage versus our peers. And that if we successfully and when we successfully integrate DCP, we will improve our cost structure further and create growth opportunities to further generate value for our shareholders. We have the assets, integration, scale, operational excellence and people that will deliver the results and unlock the full value this integrated business will create.

So thank you for your time this morning. I'd like to go ahead and turn it over to David.

David Erfert - *Phillips 66 - Senior VP & Chief Transformation Officer*

Thank you, Tim. Good morning, everyone. I'm really excited to be here today to share more about our business transformation with you. I've worked in this industry for over 32 years, numerous assignments in refineries, various business, technical and project assignments. And most of my roles have involved making significant improvements or driving significant change. So earlier this year, when I had the opportunity to become our Chief Transformation Officer to lead this effort to reduce our cost structure, I was more than excited as it was right up my alley.

Today's business environment brings an accelerating pace of change, and this has catalyzed our business transformation. To compete effectively, we recognize our need to operate differently and to sustainably lower our cost structure. We will deliver $1 billion annually by the end of 2023. We see $800 million coming from costs and the other $200 million from a reduction in our sustaining capital. We will get these reductions to the bottom line and the cost savings will be sustainable in the years to come.

We started our transformation program earlier this year. We established a very structured and disciplined program to identify and execute cost reductions across the entire enterprise. We are now in full execution mode and already getting savings. We have a high degree of employee engagement across the company at all levels, which is imperative for us to drive permanent cost savings to the bottom line.

The pie chart shows the breakdown of the $1 billion savings. This highlights where it will show up on the bottom line. I already mentioned the $200 million reduction in sustaining capital, third-party freight costs consist of marine pipelines, trucking and rail associated with our operations. $500 million of our cost reductions will come from Refining as a combination of operating expense and SG&A. The other operating cost reductions are from other businesses and corporate staff functions. This will primarily be SG&A, but does include some Midstream operating expense.

Now let's dig a little deeper into what's fueling these savings. Our business transformation is truly a summation of many new cost reduction initiatives. We are leaving no stone unturned and have looked at every single cost in our company from top to bottom. Here are examples of ways we are reducing our cost structure. We are increasing our use of rejuvenated catalysts at our refineries, which have a lower cost but similar performance to new catalysts. We are creating a new centralized projects organization to drive greater capital efficiency. This change will leverage our scale, our technical expertise and fully take advantage of our EPC partnerships.

Another more technical example is energy efficiency at our hydrogen units at our refineries. By safely challenging historical operating limits, we're able to reach the full technical capability of the latest-generation catalyst. This results in lower energy costs by consuming less natural gas, and we've already implemented this at 2 of our refineries and are now scaling this across our entire portfolio.

In terms of labor-related costs, we are going through a rigorous organizational restructuring process. We will achieve a significant portion of our cost reductions by redesigning our organization. We've reduced staffing since 2019, but the business transformation in 2022 drove a major step change and reduced headcount by over 1,100 employees. $250 million of our transformation savings is related to these 2022 staff reductions, most of which are already implemented.

We used a comprehensive process to reevaluate our activities and organizational structure. We identified where work should be done at what level, what do we need to be really good at to achieve our strategy and where do we need to be fit for purpose. We are centralizing organizations where it makes sense and where we can reduce cost. An example of this is in Refining. We implemented a hub-and-spoke centralized model for many of the support functions such as finance, procurement, IT, business services, capital projects and so on. This will help refineries focus on what Rich said, increasing market capture, utilization and reducing costs. We're standardizing, streamlining and simplifying work, and we are leveraging our digital capabilities to increase automation to reduce headcount.

We are already seeing value hit the bottom line. By the end of this year, we will reach $500 million of run rate savings across the company. The $500 million reflects $250 million for the organizational structure changes, quick wins across the enterprise and the $200 million from sustaining capital. With our disciplined approach and enterprise-wide employee engagement, we will achieve the full $1 billion run rate by year-end '23. We are on a great path to the $1 billion, and we are excited about it, and we see more opportunity ahead on our business transformation. You can expect us to provide updates on our progress at upcoming quarterly earnings calls.

And with that, I'll now turn it over to Kevin to review our financial strength and flexibility.

Kevin J. Mitchell - *Phillips 66 - EVP & CFO*

Thank you, David. Good morning, everyone. It's great to see you again. Today, you heard Mark talk about our commitment to returning cash to shareholders. I will describe how our growth in EBITDA and cash generation as well as a strong balance sheet will enable us to deliver on these commitments.

Critical to executing this commitment is financial discipline, strong balance sheet as evidenced by our peer-leading credit ratings. We have been disciplined in our approach to capital allocation. Over the past 10 years, we have returned significant cash to shareholders, and we have invested to grow the company and create shareholder value. This growth enabled us to continue providing a secure, competitive and growing dividend. And our growth in Midstream and Chemicals has improved our financial strength and flexibility.

The value of this financial strength was demonstrated during the pandemic. We were able to secure the dividend and fund our capital obligations in a challenging environment. The conditions at the time required us to add $4 billion of debt. This is a painful but necessary step. But now most of the debt has been repaid and the balance sheet is where we want it to be. We have greater flexibility. We are experiencing refining margins that are trending well above mid-cycle levels. We are now positioned to return a significant portion of cash generation to shareholders. We recently released third quarter results. You saw a significant increase quarter-on-quarter in our share repurchases. You can expect this to continue.

Let me talk about the balance sheet. Our strong balance sheet is necessary to support healthy cash returns to shareholders. We have peer-leading credit strength made possible by prudent financial management, combined with robust cash flow from our differentiated assets. Our balance sheet allowed us to weather the pandemic with credit ratings intact.

As you know, in our third quarter financial results, we consolidated DCP Midstream. Upcoming debt maturities are manageable within our mid-cycle cash flow assumptions, including the optionality to refinance debt. We plan to repay the April 2022-'23 maturity this year to $500 million maturity.

The rating agencies reaffirmed our credit ratings in light of the DCP transaction. We have a strong liquidity position with more than $10 billion of total liquidity. This includes $5 billion of capacity under our revolving credit facility at Phillips 66 and $1.8 billion of credit and accounts receivable facilities at DCP. We target a $2 billion to $3 billion cash balance. However, we are carrying more cash in the near-term, given current market conditions.

We're targeting a net debt-to-capital ratio between 25% and 30%. And just one point of clarification on that. At the end of the third quarter, our net debt-to-capital ratio was 29% and that included the consolidation of DCP Midstream. So a healthy balance sheet provides us with financial flexibility and is a key enabler to our cash return commitments.

Strong distributions are nothing new for us. We have returned more than $30 billion to shareholders since 2012. This represents over 150% of the Phillips 66 market capitalization at spinoff. In addition, investors have seen an increase in the annual dividend every year, including during the pandemic period. We will continue to increase the dividend annually. We're making a significant commitment today to return $10 billion to $12 billion to shareholders via dividends and share repurchases from midyear 2022 through the end of 2024.

To put this in perspective, we will return more than 1/3 of the amount we did in our first 10 years in just 2.5 years. Earlier today, we announced that our Board of Directors approved an additional $5 billion share repurchase authorization. With this approval, we have $6.7 billion of remaining authorization.

Now let me tell you about our strong cash flow generation and how it enables us to reward shareholders. Clearly, to return this level of cash, we need significant cash generation. We are fortunate that we're seeing refining margins well above mid-cycle levels. While earnings today are stronger than mid-cycle, I will update you on our current mid-cycle thinking.

Based on our ongoing efforts to reduce costs, deliver Midstream growth and other growth, including Rodeo Renewed, we expect to increase mid-cycle adjusted EBITDA by $3 billion by 2025. So let's step through it. The increase in Midstream EBITDA is driven by our increased ownership in DCP and as well as completion of Frac 4 at our Sweeny Hub. This contributes over $1 billion. We are enhancing EBITDA by reducing the company's cost structure. We continue to progress the conversion of the Rodeo refinery into a world-class renewable fuels facility. This capital-efficient project provides $700 million of EBITDA growth while lowering carbon emissions.

Finally, our Chemicals joint venture is increasing EBITDA through investments to debottleneck and optimize existing assets. The 2 world-scale projects that are currently in development, that's the U.S. Gulf Coast II project and the Ras Laffan petrochemicals project, they fall outside this guidance window.

We expect to realize over half of this mid-cycle EBITDA increase by the end of next year through increased ownership in DCP and business transformation savings. This increase in mid-cycle adjusted EBITDA translates into higher mid-cycle cash flow.

So next, I'll update you on our capital allocation priorities, given the increase in cash flow generation. With increasing mid-cycle cash flow, we have a significant amount of discretionary cash that can be utilized for share repurchases, debt reduction and strategic growth. Capital allocation priorities have not changed. We will fund sustaining capital with the first $1 billion to safely maintain our assets.

Sustaining capital is $800 million for Phillips 66 and $200 million for DCP. The Phillips 66 sustaining capital reflects a $200 million reduction from previous years because of our business transformation savings. The next $2 billion will go towards dividend and share repurchases will offset the cash impact of dividend increases. This leaves over $4 billion of discretionary cash flow at 2022 mid-cycle levels. With growing mid-cycle EBITDA, we expect to increase discretionary cash flow to $7 billion by 2025.

Keep in mind, current year actuals are above mid-cycle. The market environment means 2023 is also shaping up to be an above mid-cycle year. So in reality, we anticipate reaching $7 billion in discretionary cash flow before 2025. Our main priority for incremental cash flow is funding share repurchases. We continue to strengthen the balance sheet. We have $2 billion of additional debt maturities to repay over the next couple of years. We also expect to fund the DCP transaction with a combination of debt and cash.

From a balance sheet perspective, we expect all of this to be manageable within our free cash flow outlook and will not detract from our cash return commitments. We're also committing to a $2 billion per year capital budget through 2024. But even at the lower end of our mid-cycle assumptions, we can spend $2 billion on share repurchases, $1 billion on debt reduction and have $1 billion to fund growth capital.

We also expect to enter 2023 with a higher-than-typical cash balance. This is appropriate given the current market environment and enhances our financial flexibility. As we manage our portfolio, proceeds from asset dispositions will serve to increase cash return to shareholders. So we still believe in our original long-term capital allocation guidance of 60% reinvested in the business and 40% returned to shareholders. But for the next couple of years, we will return over 40% to shareholders as evidenced by our $10 billion to $12 billion cash distribution commitment and $2 billion capital budget.

In summary, the combination of capital discipline, a competitive integrated portfolio, a strong balance sheet and $3 billion in EBITDA growth supports our commitment to shareholder distributions. We will prioritize shareholder returns while maintaining a conservative net debt-to-capital ratio 25% to 30%. And I will reiterate that a healthy balance sheet with strong investment-grade credit ratings is foundational to our ability to return significant cash to shareholders.

Thank you for your time today. I'll now turn it back to Mark.

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

Thanks, Kevin. Now I'm going to have the opportunity to provide some additional color on how we're going to drive disciplined growth and returns going forward. As Kevin just demonstrated, we've got really strong financial position and a disciplined approach to capital allocation, and we plan to reinvest only $12 billion per year of capital between -- through 2023 to 2024. At the same time, we're going to meet our ironclad commitment to distribute over 40% of our available cash flow to shareholders. Our ability to achieve secure, competitive and growing dividend, shareholder distributions in the future will be enabled by pursuing selective disciplined growth today.

In Chemicals, the demand for plastics products will continue to grow. These products make life better for people around the world. And CPChem is a world leader in ethane cracking to produce ethylene, an essential building block for many chemical and plastics products.

North America and the Middle East remain the best places on the planet to secure ethane and to take advantage of that pricing and access growing global markets. As demand growth continues, additional capacity is going to be needed, including CPChem's potential U.S. Gulf Coast II and Ras Laffan projects, and we're absolutely convinced that meeting that growth will be rewarded.

Project financing at the joint ventures level is key. It will reduce CPChem's cash outflow during construction, reducing the impact on our cash distributions from CPChem to Phillips 66. Our net cash exposure in the form of CPChem distribution impact will be about 10% of the total capital invested in the combined projects. These are attractive projects utilizing CPChem's proprietary technologies and allowing it to meet growing demand for its products.

CPChem's portfolio of high-return projects and proven project execution record enables it to invest confidently across the business cycle. We recognize that we play an important role in the transition to a lower carbon economy. But our commitment is that energy transition projects will have to exceed our internal hurdle rates and compete for capital with our traditional investments.

Our energy research and innovation organization is a true differentiator for us. Having that in-house expertise to help evaluate the technology pathways is invaluable. We're going to leverage technologies, and we're going to leverage our capabilities to secure competitive advantages in that space or we simply won't invest. Renewable fuels are natural for us. They're a growth opportunity for us and a leading path to decarbonize heavy transport as well as aviation fuels. We'll leverage and repurpose existing assets with our core competencies to participate and win in the fuels of the future. A great example of this is our Rodeo Renewed project. It's ideal for conversion to renewables and will save jobs, it will renew -- it will reduce emissions and it's an incredibly capital-efficient opportunity. It's going to provide attractive shareholder returns.

Building a successful and resilient portfolio for a sustainable future means securing competitive advantage, and we'll do that by securing the right returns with the right technologies and the right regulatory environments, with the right partners and at the right time.

At Phillips 66, we absolutely recognize that how we work is as important as what we do. It's simply who we are. We've established ourselves as an industry leader in operating excellence, focused on ESG and operating safely while protecting our people and our communities. We recognize that safe and responsible operations are good business. We have both short- and long-term greenhouse gas emission intensity reduction targets. And here is the best part of how we do things. Through our business transformation efforts, we're actively honing a competitive edge with our employees. And our employees are energized and aligned and they're as optimistic about the future as they were when we launched this great company 10 years ago. And we're confident in our integrated diversified portfolio.

Rich and Tim shared examples of how our integrated assets unlock value creation across the Midstream, Chemicals, Refining and Marketing segments. This diversification allows us and provides us the opportunity to generate cash flow stability that protects us against commodity cycles. This absolutely differentiates us from our competitors. Phillips 66 has the financial strength and discipline to extract value and enhance long-term resilience.

Okay. Last slide, take a good look at this slide. It shows our commitment. I'm committed. This leadership team is committed. Our employees are committed to delivering on these results. And if there's one thing that you take away from today, it's this chart. Burn it into your memory, print it out, set it on your desk and check off these items as we complete or exceed each one of these commitments. Our plans are ambitious,and our plans are achievable, and we'll return $10 billion to $12 billion to shareholders through dividends and share repurchases by the end of 2024.

When we acquired the public common units, our interest in DCP Midstream will increase to 87% and provide more than $1 billion of EBITDA uplift. We are absolutely resolved to reduce our cost structure and achieve more than $1 billion of annual cash savings through our business transformation. We'll increase cash distributions to shareholders while continuing to able Phillips 66 to pursue disciplined growth and enhance our cash flow generation and maintain our financial strength.

I'm going to throw out an old line here. Henry Ford once said that you can't build a reputation on what you're going to do. The implications for us are crystal clear, we are going to execute and we're going to deliver and we're going to build on our solid reputation. Phillips 66 is positioned to reward shareholders now and well into the future.

Thank you for being here today. And more importantly, thank you for your continued interest in our company. We're going to take about a 15-minute break while we assemble the team up here to handle your questions and your comments. See you back then.

(Break)

Jeffrey Alan Dietert - *Phillips 66 - VP of IR*

If you would go ahead and find your seats, and we'll start the Q&A session here in a few moments. All right. Thank you very much. In addition to the presenters from this morning, we've got Bruce Chinn, CEO of CPChem to join for the Q&A session; Zhanna Golodryga, who runs our Emerging Energy and Sustainability business; and Brian Mandell, who runs marketing and commercial activities. So we'll go ahead and start with Q&A. If you would announce your name and your firm so that it shows up properly on the transcript. Neil, can we start with you?

QUESTIONS AND ANSWERS

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

Neil Mehta with Goldman Sachs. First question was around Rodeo Renewed and the $700 million of EBITDA. Can you talk about your confidence level around the achievability of that number, given we've seen some of the renewable diesel projects in recent quarters not living up to maybe the initial anticipated profitability, especially with weaker LCFS levels. And I have a quick follow-up.

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

Thanks, Neil. It's a great question. I'll tee it up a little bit and then Rich can dive in and even Brian may have some things to say about it. We're actually operating a smaller unit there now that has been exceeding our expectations on profitability, I think it's in the right location, the right market, great access to feedstocks. We're securing feedstocks for that facility. We're securing feedstocks for our Humber Refinery today. We've got a solid plan to upgrade that feedstock in volume and in our ability to capture low CI materials and bring that in. And there's almost a concerted thing that goes on amongst the different benefits that are generated there, whether it's LCFS, RINs, blenders tax credit, all of the above. And Rich is far more versed in the details, but he can talk about our expectations there.

Richard G. Harbison - *Phillips 66 - SVP of Refining*

Thanks, Mark. What we're seeing, Neil, is this essentially interactive nature between the incentive programs that are incentivizing the renewable diesel production. So as one comes down, others are kind of creeping up a little bit. So the actual margin of the project based on the original economics is still very positive for us. So we're quite constructive on this project and continuing to develop it as we progress through this year and into next year. And we're looking forward to get this up and running first quarter 2024. Brian, anything to add?

Brian M. Mandell - *Phillips 66 - EVP of Marketing & Commercial*

I guess I would also say we view the acquisition of the feedstocks as being very important, and we've been in that business for 4.5 years at Humber, buying used cooking oil. We have access and we've run used cooking oil in the Rodeo Unit 250 is what we call the first start-up of the Rodeo and we've run canola oil, we've run still cooking oil, soybean oil. So we've run a lot of different feedstocks. We have access to those feedstocks, both on the water and by rail. As you know, we have soybean from Shell Rock Processing. So we have a lot of optionality in the system.

And then we're on top of the big demand zone, California, and we have our own retail stores that we can run the diesel right through, so we don't have to share value with the wholesalers as we integrate our system.

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

Yes. And Neil, I think that element is key that we've got that full value chain. We've converted over 600 retail outlets. We've got truck fueling stations. We're just capturing the whole value chain. Kind of like Tim's toll road, we're going to do that with renewable diesel as well.

Richard G. Harbison - *Phillips 66 - SVP of Refining*

Yes. And let me just also add, I think the Inflation Reduction Act has made renewable jet or sustainable aviation fuel, also much more interesting in the economics of the project as well.

Jeffrey Alan Dietert - *Phillips 66 - VP of IR*

And that recall, we did not include blenders tax credit in our economics. So there could be some upside there.

Great. Doug?

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

Doug Leggate from Bank of America. Jeff, did you say we could have 2 or just one?

Jeffrey Alan Dietert - *Phillips 66 - VP of IR*

One with a follow up.

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

One with a follow-up. Because Neil -- but I think that Neil only did one. So my question is I want to go back to the 2019 presentation. Just help us reconcile the differences between what you presented then and what you presented today. Because at the time, I think you said $9 billion of mid-cycle going to $12 billion and with DCP, you're now at $10 billion going to $13 billion. So it sounds like you missed the 2022 target by some margin. Can you walk us through whether I'm thinking about that correctly?

And my follow-up is whether your definition of mid-cycle has changed in any way, especially for Refining?

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

I'll answer the second and then maybe Jeff will have some color on that, and then Kevin can go through the breakdown of what was discussed in 2019. I think that -- we're not making any prognostication on a change in mid-cycle. We tend to view it from a historic basis although we do believe that we're going to outperform that historic mid-cycle. So if that's a signal that we think it's going to be stronger, I guess, that's what that is. And that's what you see in what we presented today. And so yes, we think that Refining is in for a good, strong run. And the fundamentals around capacity rationalization, clean product demand surge, the geopolitical impacts, all add up to us being in the right place at the right time to really capture a lot of value in refining. Now Kevin will touch on 2019.

Kevin J. Mitchell - *Phillips 66 - EVP & CFO*

Yes, Doug. So I want to make sure we're looking at the same numbers because my recollection is we went from $9 billion to $11 billion in 2022 at the Investor Day back in 2019. And the difference between that $9 billion -- sorry, the $11 billion we said then for 2022 and the $10 billion we're saying today, this really comes down to 2 things. One, we had certain midstream projects that we did not execute as we went through the pandemic. So that was the Red Oak Pipeline, the Liberty Pipeline. There's a couple of other smaller projects. That accounts for about $350 million of EBITDA.

The other shift that we have made in that in the current mid-cycle update is we took out the historic mid-cycle EBITDA for the Alliance Refinery and for San Francisco refinery given that that's converting to renewable service. So that's about another $400 million that was included last time,

excluding this time. And so net, when you put that together, yes, we may have missed it a little bit, but not by much. We're talking $200 million to $300 million gap from what we said 3 years ago to where we are today.

Jeffrey Alan Dietert - *Phillips 66 - VP of IR*

Kevin, you want to go through the by segment for the starting...

Kevin J. Mitchell - *Phillips 66 - EVP & CFO*

For the current, yes. So in terms of that $10 billion starting point. The way to think about it is this. So Refining is $4 billion. So $4 billion of adjusted mid-cycle EBITDA for Refining. The Midstream business, pre-DCP transaction is $2.3 billion. The Marketing business is $2 billion, the Marketing and Specialties segment. And Chemicals is $2 billion. And so those add up to $10.3 billion. You take off $0.3 for the corporate costs, and you get to the $10 billion of mid-cycle adjusted EBITDA as a baseline for 2022.

Jeffrey Alan Dietert - *Phillips 66 - VP of IR*

Doug, if -- to put that in perspective, the 2019 to -- 2012 to 2019 period, the 3:2:1 run-adjusted crack was $12 a barrel. And so as you think about -- today, I looked this morning, we're at $32 a barrel. So there are structural changes that have occurred. The rationalization of over 4.5 million barrels a day of refining capacity, the higher natural gas prices in Europe and international markets relative to where we are today. We're about -- U.S. natural gas prices are about $30 a barrel or $30 an MMBtu above U.S. pricing today and every refinery is different. So rules of thumb are only so accurate. But every dollar per MMBtu is roughly about $0.30 a barrel of cash operating costs. So $30 per MMBtu higher is about $9 a barrel higher cash operating cost. If you look historically, the U.S. advantaged has been closer to $1.50 a barrel. So those are significant differences relative to that 2010 -- 2012 to 2019 period, just to kind of put that in perspective.

Good. Roger?

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

Thank you. Sorry, a little loud. Roger Read, Wells Fargo. Kevin, this question is for you. So if I look at the EBITDA growth and the cash flow growth, your conversion off the current number, $7 billion out of $10 billion, and you're going to go to $10 billion out of $13 billion, so it implies like 100% conversion for cash flow. I was just curious, what are the moving parts in that? And why is the, I guess, in a sense, the cash call on that so modest on the growth here?

Kevin J. Mitchell - *Phillips 66 - EVP & CFO*

We may need to get into Jeff's model here. But fundamentally, the big drivers as you think about this, so DCP on roll-up we will have access to all of the cash. So the DCP model on a roll-up -- once the roll-up is complete, all the cash will be distributed back out, right? So we will have full access to that cash.

The cost savings flow straight through. Those are straight up cash savings. And then, likewise, the other growth, Rodeo Renewed, we expect all of that translate into -- back into a cash -- from a cash standpoint. There's going to be a -- there's going to be some impact from a tax standpoint. It will be a little bit of an offset. But in aggregate, as you look high level at this, it's a $3 billion growth in available cash.

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

Yes. I mean it's an impressive conversion rate for sure. Follow-up question, nothing in here about dispositions, acquisitions. It was mentioned in the Midstream presentation, there might be some noncore ops. What are the thoughts on any use of proceeds outside of an operational level? In other words, if you do dispose of something, where should we think of that going?

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

If we dispose of assets, I think you'll see that roll right into the same capital allocation that the cash that's generated from operations. And we're -- right now, our intense focus is on getting DCP fully integrated, getting it into our organization, getting it -- getting the synergies captured. And then there may be modest growth opportunities that, that will attract. There's assets that are out there that may make more sense. Nothing significant at this point, but we do believe in the long-term growth capability of that NGL value chain, and that's where our focus will be. And of course, we've got the -- we've got a broad array of midstream assets that are generating good cash. If they are more valuable to someone other than us, we'll be glad to liberate them and collect the cash for that.

Kevin J. Mitchell - *Phillips 66 - EVP & CFO*

Yes. Roger, I think in my -- when I was up in the podium, my comment was that the primary use of additional cash, whether it's from dispositions or other purposes, will be returns to shareholders.

Jeffrey Alan Dietert - *Phillips 66 - VP of IR*

I think as you have time to work through the presentation and the notes in the back, there's a lot of financial disclosure there, and we're happy to kind of help you work through that and find the information as you look through some of the details on EBITDA and cash flow. So we'll have detailed information available there. Or there is detailed information there.

All right. Ryan?

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

Maybe a quick one to understand all the moving pieces as well. The $400 million of capture improvement that you've targeted on the Refining side, does that show up in the $3 billion of incremental EBITDA by 2025? Or is that upside to those -- to that guidance?

Kevin J. Mitchell - *Phillips 66 - EVP & CFO*

It's upside. Yes, it is upside to what we put in there. So we did not roll it directly into that calculation. And partly, it's an acknowledgment that in recent periods, we have underperformed. So there's an element of getting us back to where we believe we should be anyway. And so for that reason, we did not add it onto there. If we deliver that -- deliver ahead of that, then there's potential upside.

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

Thanks. And then maybe just a follow-up on your earlier comments there. I mean obviously, you're talking $10 billion to $12 billion of shareholder distributions over a 2.5-year period at a mid-cycle level, we're clearly well above mid-cycle and you're going to be generating a lot more cash than that. As we think about the pacing of how you might accelerate shareholder distributions ahead of that $10 billion to $12 billion target, how should we think about your willingness to do that? And how does the potential cash outlay from the DCP transaction impact the cadence of that as we think over the next few quarters?

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

I think that we would take a focused view on the intrinsic value of our shares and drive our share repurchase program based on that. If there's upside potential there, and we have extra cash, we'll absolutely allocate it to share repurchases, debt reduction across the board, whatever makes the most sense when we have line of sight on that cash. But it really -- the primary focus is return to shareholders. We've got very selective, very focused growth opportunities that we're going to deliver against, and we see that in the $2 billion, $1 billion of sustaining capital and $1 billion of growth capital, and we will wait until we see the whites of the eyes of that extra cash coming in, and then we'll make those distributions.

Kevin J. Mitchell - *Phillips 66 - EVP & CFO*

And from a DCP standpoint, don't really expect the roll-up of DCP to -- well, it won't change our commitment. We factored all of that into our thinking. It will consume some cash, we'll take on some debt, we'll want to repay some debt. But given the amount of available cash we'll have, we're very confident that we can return a significant amount of cash through buybacks, invest the relatively modest growth capital budget and make some periodic debt reductions. So we think we can accomplish all of that quite comfortably.

Jeffrey Alan Dietert - *Phillips 66 - VP of IR*

Paul Cheng?

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

Thank you. Paul Cheng, Scotiabank. Two questions. First, Mark and Kevin, if you look at the organization, what -- let's say in the ideal world and you have all the attractive project you can invest, what's the maximum organizational capability you can do? Like, I mean, when you're still talking about 60-40 and your mid-cycle cash flow at $10 billion post-2025, certainly, I don't think you can invest $6 billion even if you have all the investment opportunities. So curious that what you think is the maximum investment capability for the company?

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

Yes, Paul, I think that -- make it very clear that 60-40 has been and will continue to be a long-term average. And what we're saying today at least 40% back to shareholders, so there is upside to that, and we're demonstrating the upside to that. We have no intent in the next 2 years of executing $6 billion of capital projects. If we have the cash and if we have a compelling investment opportunity, we will explain that very clearly to everyone, so they're on board and take advantage of those opportunities. If we can do so and still meet the obligations that we laid out here for you today.

As far as organizational capability, we've seen the ability to ramp that up and down, we've done hundreds of millions of dollars of capital projects at any given time and have that capability. I think I think Todd Denton's got our capital group, and he understands the organizational capability.

Much of the growth, the aspiration resides at CPChem where they are -- they do have the organizational capability they have in the past, executed tens of billions of project -- tens of billions of dollars worth of projects simultaneously and have done it with excellence and done it well. And they may have the opportunity to do something like that going forward, but they've got the proven track record to execute as well.

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

Okay. The second question is on the Midstream. I think Tim mentioned that with DCP roll up, you will be able to offer services to your customers that otherwise you could not. Can you elaborate? And then maybe give us some example and if possible, quantify what kind of benefit you guys can achieve from those effort?

Richard G. Harbison - *Phillips 66 - SVP of Refining*

Yes. I think, Paul, it's probably a little tougher to quantify as much as maybe if I couched it this way. Currently where we participate, if we were to go to a large producer right now, we have the ability as -- and this is pre-transaction with DCP. Before that transaction, we were able to go and discuss transportation and fractionation rates. What we didn't have was the ability to also go negotiate gathering and processing. So we would have to work with a third party to secure the gathering and processing piece. So 2 of us would have to go into a producer. Where some other competitors out there, they go in and it's one-stop shop and they can offer all the way for the producer, all the way from the wellhead to the market. And we were only participating in a part of that.

Now also what happens, Paul, which is the part where we're -- we like where we're at as far as we've built a wonderful set of assets, but this integration now helps because what happens is the economic rent shifts in that value chain continuously, either dock fees may blow out, G&P may blow out, G&P may be depressed, pipeline fees may go up, may go down. It's always moving.

But what happens is that value usually moves along the chain. And so if you're in all of it, you can capture it and moderate it. That would be the best example I have, and especially as you go, again, we are -- we go as a one-stop shop to a large producer or even midsized producer and can give them a full offering to get their barrels where they need them to be.

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

And it enhances our ability to make sure that our assets in that full chain are fully utilized all the time. There's no gaps. There's no contracting issues. We can ensure over the long term that we've got we've got molecules flowing through gathering processing into the transportation and fractionation out to the dock over to petrochemical producers, the entire value chain.

Jeffrey Alan Dietert - *Phillips 66 - VP of IR*

Let's go to John Royall here.

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

John Royall from JPMorgan. Just looking at your 25% to 30% net debt-to-capital, first, maybe for Kevin. Can you give some color on how you got to that number and why you think it's the right mid-cycle number? And then I assume you run scenarios when you think about these mid-cycles, how does -- where is the net debt to capital go in your stress case? I'm just trying to kind of understand it through the cycle range?

Kevin J. Mitchell - *Phillips 66 - EVP & CFO*

Yes, John, we probably would have had a slightly lower range if we were not consolidating DCP. That certainly did influence our thinking. Now the reality is with DCP debt, you have the cash flow that supports that, and that debt is separate from Phillips 66's debt insofar as it's not guaranteed by Phillips 66. So that debt is funded by the DCP generated cash. And so that does have an impact on how we think about that consolidated level.

But it felt like at 25% to 30%, it's a comfortable band that supports our credit ratings. We have strong investment-grade credit ratings. It's a comfortable band. If we end up with higher cash generation than anticipated and we're anticipating that's probably going to happen in the near term, we may end up going below. It's perfectly okay that we're below that range. Ex-DCP, we probably would have been looking at a 20% to 25% range target probably.

And we've run some scenarios from a stress case, and we've got a fair amount of flexibility within that in part because of the diversification of the portfolio. So we're not entirely driven by just the volatility of refining margins in terms of both -- from both the EBITDA standpoint, debt-to-EBITDA ratios and also cash generation and what that means for the balance sheet.

So we feel pretty comfortable with that range. It's relatively conservative the way we are looking at it. We think that's -- we're already in the range and should be able to move our way further down that range. Even DCP roll-up will have a little bit of an impact, but that's all very manageable.

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

Great. Thank you. And then I guess this one's probably for Rich. Just on the refining improvements, this concept of mechanical availability, something we don't normally see disclosed. So I'm just trying to understand how does that 98% translate to a utilization number relative to the 94% you saw pre-COVID, and just thinking about it in sort of normal market conditions and normal turnaround conditions? And do you have a number for sort of how that hits the bottom line? You gave a number for market capture.

Richard G. Harbison - *Phillips 66 - SVP of Refining*

Yes. Well, usually, utilization, we will give that guidance on a quarterly basis, right? But when I think about mechanical availability and utilization, I almost think about utilization as a backward-looking metric, right, and mechanical availability as a forward-looking metric that takes out the marketplace.

So from my perspective, if we drive up -- directionally drive up the mechanical availability of our equipment, then directionally, we can capture more of the market. And exact ratio, I don't presume that at this point, but I do presume directionally, it's the right way to go, and it's the right way for the organization to progress.

Jeffrey Alan Dietert - *Phillips 66 - VP of IR*

Paul Sankey?

Paul Benedict Sankey - *Sankey Research LLC - Lead Analyst*

Thank you, Jeff. A fairly specific one to start, if I could, and then a more general one. On the specifics, you mentioned Gulf Coast II FID this quarter. I think you said Q4 '22. Ras Laffan, Q1 next year, which is obviously a very short time frame. Could you just talk a little bit about how those 2 projects fit within the framework that you've outlined? It mentioned that there would be a lower call on cash, I guess, because of project financing and how the EBITDA and everything else falls within the framework. And I assume that the fact that you said it's a Q4 '22 FID means there's going to be FID in the next couple of weeks. Is that fair?

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

Yes. I think the quarter runs out soon. So we'll be within that time frame. And again, at a high level, these projects have been under development for some time. There's been an intense focus on getting the capital right, mitigating any inflationary impact, negotiating with EPC contractors. We've got the expert just 2 seats over, and I'll just make some high-level comments that in this environment, they've done a fantastic job negotiating some really strong contracts and a really strong position that will benefit and the front end of getting that right on these mega projects is critical to their success.

And so it fits right in with what CPChem has been doing successfully for the last 20 years, and should they -- they take a long-term view of the market and we believe in those long-term fundamentals, and it will take about 4 years to execute the project and you're looking at a time frame when very little else is being done in that environment as demand continues to march up.

And so we've got great partners with QatarEnergy. They're quite popular in the world right now and they're very constructive, very supportive, good long-term relationship. And both projects will sit on top of the most advantaged ethane on the planet and they will sit on top of the most competitive infrastructure on the planet, whether it's the other joint venture infrastructure that we participate in, in Qatar through Q-Chem, Q-Chem

II, Ras Laffan. And then here in the U.S., on the U.S. Gulf Coast, the unparalleled infrastructure that CPChem enjoys. And part of that deal is that, that venture that CPChem will benefit by providing services to that venture that make it a very competitive venture as well. So -- and Bruce, you can dive into more color.

Bruce Chinn - *Chevron Phillips Chemical Company LLC - President & CEO*

You just stole all my thunder, man.

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

Sorry.

Bruce Chinn - *Chevron Phillips Chemical Company LLC - President & CEO*

I really don't have a lot to add. I think they both are very attractive projects. We believe in the fundamentals of this business and we look long term. They make a lot of sense. Our team has done, as Mark said, an outstanding job of positioning them and we're ready as soon as we get that order to really focus on execution and to deliver what we've always delivered as good, successful, strong projects.

Paul Benedict Sankey - *Sankey Research LLC - Lead Analyst*

And within the framework? Was someone going to talk about that? EBITDA assumptions, CapEx?

Bruce Chinn - *Chevron Phillips Chemical Company LLC - President & CEO*

Well, I mean, Mark explained that basically, with project financing, we have a good plan to deliver to our owners a steady stream of distributions that makes sense, that makes sense to them and they're fully supportive of that. Also, you noted that the range that he showed today that actually delivery is outside of that even during some execution times.

Paul Benedict Sankey - *Sankey Research LLC - Lead Analyst*

Understood. And then the follow-up is completely different, actually. On Rodeo, just even last night, we had an accident at El Segundo in California. I was just wondering if you would potentially keep running it as a refinery. And also, could you talk about what the major risks are to the projects in your perception in terms of any permits that you need or anything else. A few years ago, we sat through many meetings with Tesoro saying they would deliver crude by rail to California, and they never finally succeeded in doing it. And I think we're all nervous that there's going to be some sort of ongoing roadblock to actual delivery of the project. So if you could just highlight if there is anything that could obviously come up within the time frame of, I think, you said Q1 '24 first delivery?

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

Yes, I think that Rich, the last job he had before coming back to headquarters was to manage the San Francisco refinery and the Rodeo project and more importantly, manage all the complexities on the ground in California. So he's well versed to describe how supportive that environment is.

With regard to delaying Rodeo to continue to capture margins. I will say we won't pay any extra to accelerate Rodeo in this environment. But you have to look at the backdrop of the stated policies of the state of California to eliminate internal combustion engines, and we've got to be thinking long term about how we respond to that and the things we do, and we take it very seriously. And part of the government support for Rodeo is it's consistent with their policy. So Rich?

Richard G. Harbison - *Phillips 66 - SVP of Refining*

Yes. So on the permitting front, we received our land use permit back in May of this year, and that was the critical permit to go through public review process and provide our ability and our permissions to actually develop the project at the Rodeo site. So that was a major hurdle for us. And since that period of time, we've been getting the necessary building permits to advance a lot of the preconstruction activities of the project.

Now are we all the way through the permitting process? Absolutely not. We still have some permits to get through, every indication we're getting from the permitting agencies is that they will proceed with the permitting process. We have a lot of political support from the Sacramento office as well and a lot of support from the community and the local labor unions there supporting the development of it.

Jeffrey Alan Dietert - *Phillips 66 - VP of IR*

Sam?

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

Thank you. Thanks, everybody. This is Sam Margolin from Wolfe Research. This is a Refining question, but I think it ties into DCP integration too. For a long time, call it a decade, crude grade differentials were set by geographic factors. And now they're really set by intrinsic value. So for example, the most advantaged crudes at a refinery have a high NGL cut or a high sulfur content. And so I wonder if you think that, that transition in crude differentials is structural and here to stay and what that means for your system specifically as we move away from regional factors and then how that ties into DCP as well.

Brian M. Mandell - *Phillips 66 - EVP of Marketing & Commercial*

Well, I think the key is to have the optionality to run the crudes in their refineries, various crudes. Just as an example, we have Borger Refinery, and we generally run Permian crudes into Borger. Now we have access to a new pipeline coming from Cushing, so we can run WCS or WTI or other crudes right from Cushing. So for all of our assets, the goal is to drive as much optionality as we can.

Richard G. Harbison - *Phillips 66 - SVP of Refining*

And that includes inside the facility as well. So we're increasing our ability to process not only heavy crudes, which we are an industry leader in but also in the medium and the light crudes, increasing our opportunity. So if those differentials change, we'll be prepared to capture those opportunities as well.

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

Okay. Great. Thanks. And this is a follow-up. But Phillips 66 has a very large peer that's famous for its refining and chemicals integration and moving molecules back and forth. And that's really good for the business, but it introduces what you might call, unproductive conversations about which multiple is higher and what kind of optimized operation is best for shareholder value. And so I wonder if you're thinking about the new platform as a dynamic optimization or more of just an improved platform with a steady-state operation that's raised all the time.

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

Our vision is it's absolutely a dynamic optimization platform. Our value chain optimization organization is key to just that. We call it working for the greater good. It's -- you are looking at how you maximize the value productibility of all of our assets. We're not going to be siloed. We're not going to look at 1 refinery, 1 midstream. How does that work? How do we maximize value across the enterprise? And this entire team is focused

on that, and we've got key individuals that are in Brian's organization that are tightly linked to Refining and Midstream to make sure that happens. They're going to be compensated based on that. They're going to be driven to do that. Every day, it's not just an academic exercise, it's going to drive how we do things.

Jeffrey Alan Dietert - *Phillips 66 - VP of IR*

Matthew?

Matthew Robert Lovseth Blair - *Tudor, Pickering, Holt & Co. Securities, LLC, Research Division - MD of Refiners, Chemicals & Renewable Fuels Research*

Thanks, Jeff. It's Matthew Blair from TPH. My question is really on the sum of the parts discount in the stock. And thinking about PSX, I think it's fair to say the most diversified refiner in the space, and you combine that with some stock underperformance over the past decade. So I guess I'm a little surprised that there's not more talk about potentially looking at selling some refineries or simplifying the business overall. And really, my question is just on how do you plan to monetize the sum of the parts discount?

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

Yes. I think that we are focused on simplifying the business. That's -- we've rolled up PSXP in the Midstream. We're rolling up DCP to simplify the business there and to unleash our ability to generate value there. We're always keen to do that in refining. We're looking at ways to simplify. We're actively simplifying how we do our work in refining to simplify that business model as well. And I would argue that the value chain optimization we just talked about is an overarching simplification and optimization of the business.

We're constantly looking at what refining assets belong in our portfolio long term and what is the best way to deal with those that maybe aren't having a long-term future. And you've seen us exit Alliance. It was aided by mother nature, where we're transforming San Francisco into the Rodeo Renewed facility, and we're looking at other things, too, that we're not going to discuss at this point in time.

Jeffrey Alan Dietert - *Phillips 66 - VP of IR*

All right. Got a question here. Trying to see. Jason, I'm sorry.

Jason Daniel Gabelman - *Cowen and Company, LLC, Research Division - Director & Analyst*

Thanks, Jeff, first of all, I appreciate the format of the presentation. I thought the messages were very clear. So thanks for that. Jason Gabelman from Cowen. My first question is just on the cost-cutting program. And in 2019, you laid out a similar cost-cutting program, and it actually looks like costs increased over that period on an absolute basis, stripping out energy and maintenance costs on a per unit -- on a per barrel basis and relative to peers. So to instill some confidence maybe in this program that you're about to embark on, can you discuss maybe what went wrong in that 2019 to 2022 program and how you expect to maybe not incur those same issues?

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

I can come in from a 50,000-foot level. I think Kevin and John can drill in maybe some more. But the primary focus of the work at AdvantEdge66 was deploying advantageous digital innovation across the enterprise. That's been a great success. We're leveraging off of that now as we speak. And there was a major focus on enhancing margin capture. And then COVID hits and cut the knees out from under the ability to capture margin and show you where that value shows up.

The business transformation we're undertaking today is laser focused on cost reduction, changing the way we work, reducing unnecessary work, creating efficiencies in the organization. You saw we've eliminated 1,100 positions right in the middle of the 2 best quarters of our existence. And so we are committed to executing that and delivering on that, and you will see sustainable recurring cost reductions that we'll report on consistently.

Zhanna Golodryga - *Phillips 66 - EVP of Emerging Energy & Sustainability*

Can I just add from the perspective of laying the digital foundation for the company, which that program, AdvantEdge66, started in 2018 was supposed to be finished by 2020. But what we were trying to do is to lay this digital foundation that allows us to get to the second phase of the transformation, which is what we're doing now.

So if you think about some of the comments that Rich made in his presentation, about mechanical availability, about bringing in more efficiency, and digital for us has laid out that foundation and ability to do it. And I would venture to say that we are taking advantage of the asset, one of the biggest assets is data. And so that kind of gave us an opportunity to do things differently.

And if you look about bringing efficiency and agility to the organization, we've -- by building off that digital foundation, we could do our organizational redesign, literally changing our ways of working and how we operate as an organization. So that's setting us for years and years ahead for the future to make sure that we can deliver that we are committing to in business transformation and beyond because there are so many opportunities. And this is not just the advancements in technology from AI to machine learning.

So we talk about value chain optimization, which is empowered in our case, but optimization engine that takes advantage of all of the data that we have across all of the business units to make the right decisions at the right time. And to Rich's point, to go from changing how we do maintenance in -- across our operations into being more predictive and doing maintenance, I've always said, just in time, instead of just in case.

Jeffrey Alan Dietert - *Phillips 66 - VP of IR*

Jason, I would add, if you look at 2019, I think our utilization was 94%, 95%. 2022 was a heavy turnaround year, about 90%. So a few percentage points over 700 million barrels a year of throughput impacts that calculation as well. I don't know if there's anything, Rich, you want to add there?

Richard G. Harbison - *Phillips 66 - SVP of Refining*

No. I mean, Jason, your question is very valid, right? And so we are absolutely committed with getting this to the bottom line. The organization and what John is talking about, we're held to the highest standards of safety, right, personal and process safety. So any changes we make are heavily scrutinized to make sure we're not compromising that part of our business. We have to earn that right every day. And then as we get through this and we look at ways to drive efficiency into the process, we have to keep that at top of mind, but also take advantage of a lot of this platform that's been put in place and really change the way we're working. And that's probably the biggest fundamental difference that you'll see in this exercise is we are fundamentally changing how our organizational structure is and how we are actually executing our work as an organization.

Jason Daniel Gabelman - *Cowen and Company, LLC, Research Division - Director & Analyst*

Thanks. I appreciate all that color. If I could ask a follow-up. There was some discussion on the Inflation Reduction Act related to the Rodeo project, but not much outside of that. And I'm just wondering at a high level as you look at opportunities moving forward, anything else that you think you have an advantage of investing in, that's been maybe catalyzed by the Inflation Reduction Act, thinking about your position in the battery value chain and also the fact that you obviously produce a lot of hydrogen in your plants.

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

Yes. You've touched on our key pillars and I think that our focus today is renewable diesel, of course, and then next near is neighbor sustainable aviation fuel, and we will be producing quantities of sustainable aviation fuel or renewable aviation fuel that gets turned into sustainable aviation fuel, both at Rodeo and at Humber, but we're looking through our energy research and innovation teams and our business development teams at opportunities to grow sustainable aviation fuel at the right time.

And one of the key elements was looking for the signals that we saw in the Inflation Reduction Act that would help subsidize that. But we have to make sure that any path we go down, we can secure a competitive advantage. And so still early days around that.

Certainly, the battery production, the battery value chain, if we're going to come even close to generating the amount of lithium-ion batteries in North America, there is going to be a strong pull on our carbon business and our needle coke business. And we're working with our colleagues at NOVONIX to look at how do we meet that demand, how do we make a better needle coke or make -- maybe it's making a needle coke that's just good enough to increase the volume to serve that. But the demand is going to be huge.

And again, Inflation Reduction Act, the mandate to provide materials that are sourced from North America or North America free trade agreement or countries with free trade agreements with North America, it just doesn't exist today. And so there's pretty substantial upside if that value chain is going to meet the stated commitments.

In hydrogen, we consume a lot of hydrogen. We can make all the hydrogen you want today. You're just not going to like the price, okay? We know how to make hydrogen. We know how to move hydrogen. We know how to store hydrogen. Hydrogen can be a way to store electricity. It's not -- if you're going to store electricity as hydrogen and then produce electricity from it, there's a loss and efficiency there.

We are looking at that landscape, trying to understand what the right role is. And there'll be roles that hydrogen will play in the energy transition in the right location at the right time. We think it's over the horizon a little bit. We're doing things in Europe to understand and participate in a very low capital way in that value chain. We're not investing in ionization facilities. We're not investing in wind facilities. We've got retail outlets to deliver hydrogen to trucks that have fuel cells, that kind of thing. So we understand how that works and what the growth potential is. But that's a bit over the horizon versus, say, things like renewables and even batteries.

Jeffrey Alan Dietert - *Phillips 66 - VP of IR*

Yes, [Phil].

Unidentified Analyst

Jared from Ashler Capital. I just had one on the OpEx reduction plan. Did that include the tailwinds from shutting the Rodeo and Alliance refineries? Or is that incremental to those 2 closures?

Richard G. Harbison - *Phillips 66 - SVP of Refining*

That's incremental to those.

Jeffrey Alan Dietert - *Phillips 66 - VP of IR*

Other questions, [Steven Lane]. I'm having a hard time seeing the back, if there's someone back there. All right. Seeing none, I would thank you for your interest in Phillips 66. Thanks for being here today and your participation. Shannon and I will be available for follow-up questions. And thank you very much.

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

Thanks. Have a good day.