

Phillips 66

**January 6, 2026
10:20 a.m. EST**

Neil Mehta: All right. We got a great turnout for this session. We're very honored every year to have Mark come and Phillips 66 team, Kevin, Don. I'm Neil Mehta. I'm joined by my colleague, John Mackay here, and we're going to have a great conversation on refining. This morning, we started off talking about the Permian, then we went to the Marcellus and the Haynesville and now we're going to move to the world of refining, and there's a lot to talk about.

So Mark, I want to give you an opportunity to talk about some of the big strategic initiatives and plans in '26, and then we're going to jump right into refining because there's a lot of moving pieces. A lot of that we can talk about.

Mark Lashier: Well, first off, Neil, I want to thank you and John and the rest of the Goldman team for hosting this every year. It's a great way to come out of the holidays, rested and refreshed and see what's going on in the world, and there's a lot going on in the world. But first and foremost, I just want to make the point that Phillips 66 is positioned to deliver durable through-cycle cash flow with a ratable dividend. We've got a lower volatility business model. We're an integrated player, but we don't have exposure to the volatility of the upstream. So we're focused entirely on downstream, and we've got a great group of complementary assets in our midstream, our refining and marketing petrochemicals.

And many of those assets sit right on top of the regions you just discussed, Neil, and take advantage of one of the best hydrocarbon corridors on the planet. And we've got this system, the combined refining and midstream marketing and chemicals assets that, frankly, are irreplaceable.

When you look at the combination of those assets on the Gulf Coast, the Mid-Continent out in the Permian, it would be prohibitive for anybody to try to replace those assets. And at the end of the day, we're hydrocarbon processors, and we intend to be world-class hydrocarbon processors, getting better every day, more efficient, focused on safe, reliable operations. And we're there to process crude and NGLs. And while those are valuable commodities, they're of no use to anyone until you turn them into products that you use and that you use in your life every day, the clean fuels, the feedstocks, the petrochemicals, the polyethylenes. And we're there to do that, and we've got the system that creates a lot of optionality. So we can optimize around that system.

We can get the most value out of every molecule, out of every barrel, that we process. And at the end of the day, that positions us to deliver consistent cash flow, consistent returns, growing over time, getting better for you, our investors. And we absolutely believe that Phillips 66 can be a cornerstone of your portfolio. That we are committed to being very disciplined capital allocators to take advantage of these assets to deliver those through-cycle cash returns over time and a consistent, growing, competitive dividend. And so we welcome you, and we look forward to

providing that performance for you on an in and out basis and continuing to provide consistent performance and consistently improving performance.

Neil Mehta: So Mark, we'll flow the conversation. Well, I'll start on refining. I'm going to turn to John to talk about midstream, and then we want to spend some time talking about capital allocation, chemicals and the rest of the business. Refining, important news over the weekend, the potential return of Venezuela supplies is a very dynamic situation right now. You process 500,000 barrels a day of Western Canadian crude, which will anchor against the Maya crude, but you also have the capacity to run then in your Gulf Coast units. Talk about how you're watching the situation and what it could mean?

Mark Lashier: Well, we're watching it very carefully. Our friends from Chevron have been participating in Venezuela and exporting crudes, and we've been partaking of that on occasion. So we do have two Gulf Coast refineries that can turn and process Venezuela crudes as they ramp up. And I think that there's- our view is that there's going to be near-term impacts and then, of course, the longer-term play there.

Near-term, we could see more of those barrels coming into the markets into North America, certainly being processed by Gulf Coast refineries, but also then competing with the WCS that's currently being consumed in those refineries and have an impact on those differentials back into the Mid-Continent as well. So we see it being constructive both for our Gulf Coast refining capabilities as well as our Mid-Continent refineries. And ultimately, there's going to be more naphtha requirements. We've got opportunities to export C5s back into Venezuela if that opportunity exists.

And longer term, what you see is the potential for growth. Venezuela was producing three million barrels a day of heavy crude. We've got refineries designed for the long term to process that crude. But it's going to take a lot of investments by the upstream folks over years, if not decades, to realize the full potential. But we really believe that this is an opportunity for Venezuela to return back into the capitalist fold to bring their economy and to benefit their people over the long term. It's a crime what's happened there, and we really do hope that it all plays out that way.

Neil Mehta: Kevin, you've been involved in Venezuela over the years, have been watching it, whether it was in your Conoco seat or as a buyer of Venezuelan crude at Phillips 66. I mean how are you thinking about the situation? And remind us what is the capacity to process? That would be Lake Charles and at Sweeny as well?

Kevin Mitchell: Yes. So specifically for Venezuela crudes at those facilities, it's somewhere in the order of a couple of hundred thousand barrels per day that we could process if the crudes are available and the economics are there to support it. But I think what's very important is the point that Mark was getting to that it impacts the entire sort of heavy crude dynamic. And so across the system, where we're running about 0.5 million barrels per day of heavy crudes, you'd expect to see that benefit flow up through the consumption we have in the Mid-Continent where we're currently a heavy buyer of Western Canadian crude.

Neil Mehta: There's a debate about how much incremental supply that we could come into the market. And I think as we've talked about, there's real challenges around infrastructures and upgraders, but maybe the value is in the redirection of flow, right, Mark, because those barrels otherwise would have flowed into China that now appear to be heading towards the Gulf Coast.

Mark Lashier: Yes. I think that that's the near-term impact that we could see. I think then there will also be -- the Chinese are going to have to find other crudes to backfill those. At one point in time, we were the largest exporter of the Gulf Coast of WCS, and that could come back. They're going to take all they can out of TMX. TMX, we think it's maxed out. We're starting to see more WCS come down through the Mid-Continent, and we could return to the days where we were exporting a few

hundred thousand barrels a day out of the Gulf Coast to China to backfill that. So the system is going to rebalance. But fortunately, I think we're positioned to benefit from that rebalancing.

Neil Mehta: Yes. Let's talk about refining broadly. I think if we had this conversation 5 years ago, Phillips 66 would have been the refining skeptic in the room. I think, Mark, under your leadership, the view has evolved to become more constructive, including tacking on some refiners last year since the last time we did this conference in Wood River and Borger. Are you guys in the structural bull camp now? And how do you think about the supply-demand balances over the next couple of years?

Mark Lashier: Yes. Well, Neil, five years ago, the world was telling every refinery that they needed to go away that there was no future, there's no terminal value in your refineries. And we did a deep dive and came to the conclusion that- that was all nonsense, that the world was going to need refined products for a very long time, that it was going to need all of the above energy and it's really played out. We did scenario planning, had this envelope of where we thought things could play out. I think it's actually above our high case in the way that the things have played out for energy demand and particularly refined product demand. And we continue to see tightness in refining capacity. And certainly, there's abundant crude supply out there. Refineries continue to be rationalized. You're going to see more rationalizations this year. You're going to see additions. I think between now and the end of the decade, we see maybe net 500,000 barrels a year being added, maybe a little more next year, back-end loaded for next year, but really no material movement to loosen things up. We see structurally capacity is going to be tight, and there's probably more rationalization going to happen out there than is visible today.

Neil Mehta: Half a million barrels a day of annual average against the demand number of product, plus/minus 1 million.

Mark Lashier: Yes. So yes, so you see continued tightness in that -- I think that's a conservative number. That doesn't take into account these new builds, will they operate well? Do they come on stream on time? And then it doesn't take into account any unknown rationalizations that we don't have line of sight on today.

Neil Mehta: Yes. Let's talk about Wood River and Borger. I mean, Wood River, in particular, is looking like a good transaction in light of some widening of WCS and the potential for further widening depending on what happens in Venezuela, how is that being integrated into the business? And are there other opportunities for opportunistic refining M&A? We saw what you did yesterday around the Lindsey refinery as well, although that felt more like a logistics-related asset.

Mark Lashier: Yes. We've been looking at the Wood River situation for a long time. Plan is finally aligned where it made sense from a value perspective for us and for our partner, and we were able to move quickly. We were the operator of those assets, so there wasn't a significant change there. I think commercially, it frees us up to do more things commercially around those assets, the crudes that we run and how and where we market the refined products. But it also enables us to more deeply integrate Borger and Wood River into Ponca City and to move intermediates back and forth and to operate that more as one large refining system. Then you layer in the potential of our Western Gateway pipeline that will take refined products to the West Coast that we can -- as we've been telling you, we can deliver from St. Louis to Santa Monica at that point in time. And it really opens up a whole new frontier for those Mid-Continent refineries.

Neil Mehta: And Mark, I think while over the last couple of years, the market has broadly appreciated the advantages of being on the Gulf Coast, and you've seen that in the equity performance of the Valeros and the Marathons over the last decade. One of the areas that I think you are making an out-of-consensus bet on is the Mid-Continent. WRB was signaling that, but there has been a view that the Mid-Con is a disadvantaged place to be relative to the Gulf Coast because less crude

optionality and less access to product markets. Talk about that because I think that's an important part of the PSX differentiation relative to some of your peers.

Mark Lashier: Mid-Continent is and has been our strongest competitive position. We do have linkages to the Gulf Coast. Those assets can move barrels of molecules back and forth between Lake Charles and Wood River, for instance. So there is some connection down to the Gulf Coast, and we'll continue to look at ways to enhance that connectivity. And as far as M&A in refining, I think we've shown great discipline. We know what we would like to have. If it is available, we'll be very disciplined around doing anything there. But certainly, strengthening the Mid-Continent and the Gulf Coast is -- would be directly in our wheelhouse if those opportunities present themselves.

Neil Mehta: Kevin, this is a question for you, Mark, please feel free to jump in as well is this one of the things that when you guys took over a couple of years ago that we were really focused on is improving reliability, improving capture rates, lowering OpEx per barrel, but also improving uptime.

Where are you in that journey? What inning are we in? What's the next step?

Mark Lashier: I like the inning analogy. I would say that from the perspective of safe, reliable operations from the perspective of continuous improvement, of course, it all starts with safety and reliable operations are a key to everything in this business. You have to be running -- you have to be able to run when others can't, and that's when you really capture the upside. And this is a continuous process, Neil. I don't think we'll ever be done chasing the gold or the brass ring of improvement. And that's embedded in our mindset now. We've evolved our entire company from a position of competing internally for capital between different segments to operating as one integrated system, one team PSX, and to take on the competition on the outside. And that requires you to absolutely be improving every day that you're in operation. It's like I said in my opening comments, we want to have consistent performance and consistently improving performance. We see- we set goals out there. We don't see those goals as endpoints. We see those as milestones. And we've got a target to get to \$5.50 a barrel in our refining costs. We've already taken \$1 a barrel out. By the end of this year into 2027, we should be at a run rate at \$5.50 or lower, but that's just a milestone. We're going to continue to drive that mindset to safely and reliably operate these assets at lower and lower cost. Taking L.A. out of the system will get us halfway from where we are today to where we want to be at 5.50, but it doesn't stop there.

Neil Mehta: Okay, Mark. I want to spend some time on cash flow, capital allocation and chemicals, but let's turn it over to John first on midstream.

John Mackay: Yes. Thanks, Neil. Don, Mark was just talking about some of these kind of medium-term targets you have. The \$4.5 billion of EBITDA at midstream has been a big focus for people. You're at 3.9, 4.0 right now. Can you walk us through -- maybe set the stage for midstream, but walk us through that bridge to get there and what it looks like after that?

Donald Baldrige: Sure, sure. So we have this target to hit the \$4.5 billion by the latter part of 2027. And that growth from where we are today, about \$500 million of EBITDA growth, you can think about that as some -- we have some really attractive organic growth projects that we've announced that we're pursuing in the construction phase, whether that's the Dos Picos gas plant that we just turned on last summer, filling that up. We've announced the Iron Mesa gas processing plant that will add capacity in the Permian as well. They'll come on in 2027.

Those volumes out of those plants need additional NGL transportation capacity on our system. So we have a coastal bin pipeline expansion that will come online toward the end of '26. Those are the big chunks, if you will, of that \$500 million, call that 60% of that.

The balance of that growth comes through- continue to improve the efficiencies, continue to have commercial successes around that platform. That incorporates renewals as contracts roll off as

well as escalations of existing contracts. And that's really the glide path, if you will, over the next eight quarters to get you to that \$4.5 billion.

John Mackay: We were- I was lucky enough to get invited to the PSX Midland trip to see a bunch of the midstream assets about a month ago. You guys have done some acquisitions. You've invested some capital organically. Maybe just talk about the overall Permian strategy as a whole. How much of that is getting back to maybe where you'd left some money on the table on the DCP days where you didn't have the capital to invest? How much of it is where we sit in the cycle right now? Maybe just a general kind of Permian growth trajectory for PSX.

Donald Baldrige: Sure. We are certainly blessed with a great footprint within the Permian Basin, and that comes from the legacy DCP assets that we bought in several years ago. And what you're seeing is us invest in new infrastructure, large processing capacity and really start to harvest the opportunity that we have there.

The Permian Basin is such a resource-rich, you know, long-term growth prospects. And by us investing, showing the commitment into that basin, we're seeing the commercial success is the customer response. That's driving the supply growth into our system, which feeds our overall wellhead to market value chain. That's where we see a lot of our growth opportunities continuing to be around the Permian.

But across our midstream platform, we have -- we're in different basins in the Mid-Continent and the DJ that provide some opportunities as well as then just in the refined products and crude business that we have that's really associated with feeding our refineries, taking products from our refineries, delivering that to premium markets. So all in all, that Permian is a core, but it's a broad framework that we're able to execute on.

John Mackay: You touched on this on your first question, but we've seen some of your midstream peers have seen some headwinds from recontracting in the basin. That's been a big focus. You guys have been sound a little less worried about that. Maybe just walk us through what you're seeing from NGL recontracting, how that fits into the \$4.5 billion plan and maybe what it is about your system or your set of contracts that maybe differentiates you from some of your peers?

Donald Baldrige: Sure. Our plan certainly incorporates renewal, and we have a pretty clear view of our contract roll-offs, what kind of volumes that will come due over the next five years, what are the renewal rates that we see in the market. And so all that's incorporated in our glide path to the \$4.5 billion. And the way I think about it is we have contracts that gets renewed, they'll go to market. And so that will have an impact.

But then you have this base business that has annual escalators. And that -- those two combined, although on a quarter-by-quarter, there can be some movement. If you look at it over eight quarter multiyear basis, those really tend to offset. And so that's why we -- you think about our growth plan, we've got that base business that incorporates renewals, it incorporates escalation. And then you see these growth projects that are adding capacity, adding volume that's really driving the earnings growth.

John Mackay: You guys have talked about a kind of maybe towards the end of the decade, \$5 billion, I don't know if you want to call it not formal target, but directional goal with some of these other projects you've talked about that haven't reached FID. What would be the steps you need to get there? Maybe it's a question for Kevin, too, how much capital might you need to spend? And then how would kind of continued midstream M&A fit into that strategy or not?

Donald Baldrige: Yes. I think to step back, what we see in the midstream opportunity set is really a mid-single-digits growth rate on an annual basis. And so that's really what we're seeing that's driving our targets for 2027. But now you're seeing the follow-on opportunities that are out there, that's past 2027. If you

think about our potential for Corpus Christi frac expansion that would be in '28. You think about the Western Gateway pipeline that if that comes to fruition, that would be in '29.

And those type of organic, very attractive investments that allow us to continue to grow at that growth rate. All of that is certainly predicated with living within our capital program. We're about \$1 billion plus that we spend within midstream. If you think about these projects are multiyear construction projects typically. And so all of that fits well within that framework and allows us to, I think, execute on that growth rate beyond 2027, continue to fill the opportunity pipeline and continue to deliver that growth.

John Mackay: And last one on the midstream side and any of the three of you can answer this. On the trip, there's a lot of discussion from Don and the whole team about what Mark said earlier, kind of breaking down the silos between the segments.

Could you spend a little bit of time just talking about kind of, let's say, maybe this new approach to how midstream fits into the broader portfolio, how the integration works, how you think about kind of planning between midstream and chems, midstream and refining and maybe again, how that's different from, let's say, a couple of years ago?

Donald Baldrige: I'll kick it off. I think Western Gateway is a prime example of something that is within the midstream framework shows the power of integration where midstream is a lot of our focus is really about the supply aggregation to feed our processing units, whether that's gas plants, fractionators or refineries and then take that finished product from the tailgates and deliver them to advantaged markets.

And that's the focus of midstream. That forces us and has us very much aligned with the rest of the company. I think that's a bit of a shift from maybe the MLP days, where things were a little bit more separate and just a growth for midstream. That was the MLP of just growing EBITDA for EBITDA's sake, very much more strategic now, aligned with the overall business and the overall returns that we're trying to capture.

Mark Lashier: Yes. I think it's -- we've got everybody focused on integration and growing the value of the entire organization and creating and building on strategic advantage. And so if the returns aren't accretive, if the ROCE is not there, if we're not building out of advantage, if you can't see that an acquisition is going to open up more organic growth that can be accretive to that, then why are we considering it? We're not going to grow just for growth's sake. We're going to grow for value creation sake. The entire organization is focused on that, whether it's from a cost control perspective or a margin enhancement perspective or how we integrate and leverage across the organization. Now we've got people in midstream and refining coming up with these small, few million dollar opportunities that unlock incredible value. So I love it when a young engineer will get up and say, hey, we just -- we just found a project that's got a 1,000% return and said, why are you standing here talking to me? Why aren't you out there looking for more of those? And it's really created a lot of fun out in the organization to hunt down those opportunities and deliver them. And we've completely removed the barriers to accessing that kind of capital to get those things done.

Neil Mehta: Thanks, John. Let's pivot to chemicals, and then we'll talk a little bit about cash flow. We'll finish off there. Mark, we're in a tough part in the chemical cycle. Right now, there's a lot of debate about whether CPChem is core or not core, if there's a deal to be done with your partner there. Talk about your view of the industry, talk about whether this is the right time in the cycle to monetize.

Mark Lashier: Yes. I mean the chemical industry is in the toughest downturn we've experienced certainly in my long career. I would say that from just a pure industrial perspective, CPChem is designed not to just survive situations like this, they're thriving in this environment. They're generating good returns for this part of the cycle. And not only they're not burning cash, they're generating cash for

the owners at this point in time. And they're about to start up two facilities that will define world scale and best-in-class cost structure and that will generate good returns even in this environment. And so they're going from strength to strength. It's been a good model for the last 25 years. We've had good cooperation that's delivered the kind of growth - CPChem has grown faster and more profitably than their competitors. So from an industrial perspective, it's been a great partnership. We've been very clear to the marketplace that any asset that we have is transactable. But a premium asset would require a premium return to us. And so that's where we are. But we're looking at owning half of what we would argue is the world's best-positioned petrochemical player, has the access to the lowest cost ethane on the planet, whether it's the Middle East or the U.S., and so it's very advantaged and it's a very premium asset.

Neil Mehta: And when do you think the market gets better?

Mark Lashier: I have no idea. But we've seen some green shoots in the third quarter. Others had some outages and CPChem's margins popped a bit. That's a good sign, but that's constructive. But it really depends on how quickly assets are rationalized. There are assets that do need to be rationalized, perhaps bringing on these world-scale, world-class assets that would be difficult to compete with may cause some more capitulation out there. We'll see how that plays out. And the big question is whether all of the premise capacity in China actually comes online or not. And if Chinese have their [evolution] that would rationalize older assets. We don't have any control over that. What we look at is the long-term fundamentals of that business. We see continued demand growth. We can see continued prosperity emerging in non-OECD countries. And so the long-term fundamentals are there, and that's what we've believed in for 25, 26 years with CPChem, and we continue to believe in those fundamentals.

Neil Mehta: Thank you, Mark. Kevin, let's talk about cash flow. I think you've got a good framework that we talked about at dinner last night of the 8s and the 2s. So do you want to walk us through it?

Kevin Mitchell: Yes. And a lot of this comes up in the context of both capital allocation and balance sheet and debt reduction. And so in the context of balance sheet, we had \$21.8 billion debt level at the end of the third quarter. We have a target \$17 billion by the end of 2027. And we will accomplish that from between the fourth quarter of 2025 and '26 and '27 in approximately equal chunks. So we expect strong cash generation in the fourth quarter. A lot of that will be driven by working capital. We'll have proceeds from asset dispositions, the Europe retail asset sale closed December 1, but we also funded the WRB acquisition at the beginning of the fourth quarter as well. And those two approximately offset. But as you look to '26 and '27, we're looking at about \$8 billion of operating cash flow, which is consistent with where the Street expectations are.

The formula of the twos is pretty straightforward. The dividend, competitive, growing, secure. It's about \$2 billion per year. 50% total return to shareholders. I would say \$2 billion of buybacks. So that's \$4 billion accounted for. And then the capital budget is a low \$2 billion number and the remainder is available for reducing debt. And so you repeat that over '26 and '27 and you get that 21, almost \$22 billion number down to \$17 billion.

Now what I'd also say is that excludes any other asset dispositions. We have no announced target or really nothing announced around that, but we continue to work through the portfolio and identify those assets that are less strategic, less core, likely non-operated and potentially worth more to others than us. And so we think there is upside from a cash generation standpoint from additional dispositions that can help expedite that debt reduction and also just give us other financial flexibility, whether it's returns to shareholders or other potential investments. So we think there's incremental flexibility through that.

Neil Mehta: And you'll have some working capital also coming back your way, I would imagine.

- Kevin Mitchell: Yes. Specifically in the fourth quarter, we had a pretty hefty drag on working capital through the year, and we'll see at least a sizable amount of that reverse in the fourth quarter.
- Neil Mehta: Mark, on asset sales, you guys have been effective in monetizing a number of assets, including the European retail position, a large part of it. Is there anything that's logical from your perspective beyond the CPCChem conversation that we should be thinking about?
- Mark Lashier: I think Kevin characterized it well. There are assets that may be non-operated, that are non-core. We've got -- internally, we've got a list of things that we would be interested in talking about. We're not advertising that, but I think the players out there that would -- that might be interested are likely aware of the kinds of assets we'd be talking about. But these are generally good high-quality assets generating great EBITDA. But the way we look at it is if it's a non-operated asset or there's no growth opportunities, it's kind of trapped and we can redeploy that capital either the balance sheet, share repurchases, or to grow midstream to do something opportunistic. And so we try -- we want to free up that capital to be able to grow or to benefit our shareholders in other ways.
- Neil Mehta: Let's finish off talking about refining again because that has certainly been the focus. And just maybe talk about the WCS path. We want to ask you to predict where these diffs are going because there's a lot of moving pieces. But are you structurally bullish, the widening of the differential? Or is that going to be a tough thing to see in a lower, flat price environment?
- Mark Lashier: Well, I think that we are constructive, but I don't think you'll -- with \$50, \$60 crude, you're not going to see \$40 diffs. I mean it's not going to happen. But I think if you look at where the baseline is now, can you see higher teens kinds of diffs? That's not out of the realm of possibility, that would be...
- Neil Mehta: Under TI.
- Mark Lashier: Yes. Yes, that would be certainly constructive for us.
- Neil Mehta: Yes. John, any last questions?
- John Mackay: Maybe one more, just going back to midstream. I mean, you guys have sold -- maybe just to the asset sale point, you have sold a handful of midstream assets over the last, let's say, 1.5 years. I think that is where we've seen a lot of these kind of non-operated assets. Is that the bucket you're looking to? And then how do you think about that in the kind of context of where we sit in the macro cycle? Is that a -- I want to wait to see my midstream multiples go up another two turns or buyers know what these are worth and-
- Mark Lashier: I think buyers know what these assets are worth. And we've got a well-defined set of parameters that we look at, and we're patient. We don't -- nothing is a fire sale. We've got a plan to get our debt where we want it, so we don't feel forced to sell these things, but think of it more of a portfolio cleanup and freeing up that capital to do more accretive growth opportunities. And so we've got that list, but we don't feel like there's a tremendous sense of urgency to execute on that list.
- Neil Mehta: Mark, last one for me. Marketing, plus/minus \$2 billion business, maybe a little bit less than amount like you still \$350 million, maybe it's a \$1.8 billion business. Any perspective on what we're seeing real time in terms of demand in your system? And is that a good run rate number to assume going forward?
- Mark Lashier: That is a good run rate number. Marketing in our portfolio has been incredibly consistent in their ability to generate margins. The lion's share of it is wholesale, but we do have retail in a joint venture, United, that is in very specific strategic locations, some pull through some just high return markets, and we like where that is and the performance of what we have today.

You saw us exit a couple of positions in Europe. There was no pull-through. There was no strategic rationale in having those assets and we're able to get good value for them and redeploy that capital.

Neil Mehta:

Great. Mark, Kevin, Don, John, and I thank you very much. Great conversation. Wish you luck at the conference today.