REFINITIV STREETEVENTS

EDITED TRANSCRIPT

PSX.N - Phillips 66 at JPMorgan Energy, Power & Renewables Conference

EVENT DATE/TIME: JUNE 22, 2022 / 1:50PM GMT

©2022 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

CORPORATE PARTICIPANTS

Greg C. Garland *Phillips 66 - Chairman & CEO*

Jeffrey Alan Dietert *Phillips 66 - VP of IR*

Kevin J. Mitchell *Phillips 66 - Executive VP of Finance & CFO*

Mark E. Lashier *Phillips 66 - President & COO*

CONFERENCE CALL PARTICIPANTS

Philip Mulkey Gresh *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

PRESENTATION

Philip Mulkey Gresh - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

Okay, great. So good morning, everyone, and thank you for joining us for this fireside chat with the management team of Phillips 66. From Phillips 66, I'm pleased to introduce several members of the management team here today. First, we have Greg Garland, who is current Chairman and CEO and soon to be Executive Chairman starting on July 1. Greg, I guess this is a swan song event for you, huh?

Greg C. Garland - *Phillips 66 - Chairman & CEO*

Yes, but don't make me sing. We can empty the room really fast.

Philip Mulkey Gresh - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

Second, we have Mark Lashier, current President and COO, and soon-to-be President and CEO on July 1; Kevin Mitchell, Chief Financial Officer; and Jeff Dietert, VP of Investor Relations. So we arranged this as a fireside chat. I have a number of topics here that I know everybody will be keenly interested in.

QUESTIONS AND ANSWERS

Philip Mulkey Gresh - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

So I guess to Greg or Mark, whoever wants to take this one, let's just start with the current environment in the refining industry. Margins are at record levels, demand has rebounded strongly and there are a lot of supply constraints in the world, and I know we'll talk about tomorrow's meeting in a few minutes.

But maybe just to start off from a baseline perspective. How do you think that this is going to play out? Is there any kind of supply relief that you see coming that could normalize margins lower? Or are we going to be in an extended up cycle to start?

Mark E. Lashier - *Phillips 66 - President & COO*

Yes, I think that, Phil, that the pressure was actually building. As the global economy is coming out of the COVID recession, demand was surging. Considerable amount of capacity was taken off-line during COVID because of demand destruction, and there just wasn't the ability to keep those assets viable. So I think something like 4.5 million barrels a day of capacity was taken off-line.

©2022 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

As demand resurged, we saw things tightening, we saw inventories dropping. And then you layer on top of that the Russian invasion of Ukraine. That just exacerbated and accelerated, I think, that challenge. And what we're seeing today is there's a rebalancing of things, whether it was immediate products coming from Russia, filling out refineries or the impact of crude trade disruptions.

It's really set up things to be here for quite some time because there's no great relief coming in refining capacity. Nobody is interested in adding refining capacity. In fact, it would take too long to add new refineries to North America. Some refining capacity showing up in China, Middle East, other locations, Africa.

But it takes time. This isn't something that will work its way out in a few months. It's going to take more than that. The market is working, though. I think that supply and demand tends to respond to pricing. It's not necessarily driven by an election cycle, it's driven by market fundamentals.

Greg C. Garland - *Phillips 66 - Chairman & CEO*

Yes. A year ago, we were talking about does this industry ever get back to mid-cycle type margins? And we're still talking about that today, but we're talking about approaching mid-cycle from another direction, which is what a difference a year makes.

Philip Mulkey Gresh - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

Absolutely.

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

I think, Phil, just from a demand perspective, we're seeing gasoline diesel demand slightly under '19 levels. Jet demand continuing to improve about 10% -- 8% to 10% under, and so demand coming back. On the West Coast, we are starting to see some evidence of people shifting from premium grades to mid and regular gasoline as well as smaller per ticket purchases of gasoline. So those are kind of early indicators.

Philip Mulkey Gresh - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

Got it. And one of the questions I've been getting just on the supply that's eventually coming Middle East, China, sort of that you talked about, Mark. Is this just going to be required to meet continued demand growth? Or is it actually going to provide any supply relief? Where do you think we are in the demand?

Mark E. Lashier - *Phillips 66 - President & COO*

Well, I think there's other factors in play, too, as well over time. We see continued loss of gasoline market share to EVs as EVs continue to grow. We think that there's more constraints emerging around EV growth so that the shape of that curve is changing, but the decarbonization pressure is still going to be there.

I think that you'll see more pressure on gasoline and diesel, so the shift of the barrel is going to be important. So I think that there's a number of things in play in addition to the capacity additions.

Greg C. Garland - *Phillips 66 - Chairman & CEO*

But I think to your point that it's probably between 1 million and 2 million barrels a day of capacity that's come on in Middle East and Asia. It's really hard to call those, when they'll come on, how well they'll run, when they start up. The Asian ones are geared towards more distillate production and chemicals, petrochemicals.

©2022 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

And so while it may not help gasoline, it could help distillate in the long run. But if we're going to grow 1 million or 2 million barrels a day, it probably just helps us keep up.

Philip Mulkey Gresh - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

Yes, right. So the topic of the day, of course, is the administration meeting tomorrow with the energy industry executives. I think both of you will be in attendance, as I understand it. So I'm curious what you think can be done to -- I mean, obviously, there's this proposal for a gasoline tax holiday, which seems like would only increase demand, not decrease it, and supply is not keeping up with demand as it is. So like what kinds of things, what levers could actually be pulled where if you walk out of this meeting, you say that, that's a good outcome?

Greg C. Garland - *Phillips 66 - Chairman & CEO*

So I'll start and we can all chime in. So I brought a pump jack tie to wear to the event today, but I decided I would save that for Secretary Granholm tomorrow just to kind of make the statement around, this is still a great business and there are opportunities. I think you need to think about this kind of short term, medium term and long term, Phil.

As you think about short term, it's going to be really hard to move the needle. And so we can't add a lot of capacity. The industry is running really well. We're at 95-plus percent industry utilization. Our assets are running right there. And that's about as good as it gets in this industry. So I think that we -- there's not things that we can do to push more barrels through the system today.

There's things that we can do at the margin. So the President came out last night and said he's supportive of the gas tax. That's $0.18 on $5. Directionally, it helps a little bit but it doesn't solve the problem that Americans see with $5 gas at the sign when they pull in. We could look at the RVOs or the RINs. RINs are $8 a barrel, so even bringing the RVO back to the [wall] would be helpful in terms of lowering the RIN, and that would have an impact on prices.

We could look at winter-grade gasoline. So we think that that's about 500,000 barrels a day of short-term relief. And you can put that in perspective. It was 1 million barrels a day of refining capacity U.S. shut-in during COVID. That would essentially replace the gasoline that was lost with that. So that could be done. It may move a problem down the road for winter-grade blending with butane because generally, we store in the summer and blend in the winter.

But it certainly, short term, could have an impact on that. We could look at Jones Act waivers, things like that, to help move product around. We're not in favor of export bans one way or the other. I think there's a lot of unintended consequences from that. We can certainly go into that if you want to. But generally, our view is that it would probably raise prices, not lower prices. And so we can go into that. I think you need to unleash the power of the U.S. energy business.

And longer term, we need to allow companies to get back and to drill. We need to remove regulatory hurdles, NEPA reform would be great and be able to build infrastructure. So I think that there's longer-term solutions that we could do to bring down the gasoline price in the U.S. Crude is still the largest component in gasoline prices today. And so anything we can do that lowers crude prices, I think, would be beneficial.

And I know others have said this, and it's not good for our industry, for motorists, to see $5 gasoline at the pump. So I think we all like to see gasoline prices come down. And these things that administration can do short term, unfortunately for them, they can't move the needle between now and November in election is our view.

Philip Mulkey Gresh - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

One of the other topics is with all the refineries that were shut, can anything actually be restarted? And you have the Alliance Refinery that suffered material flood damage. Is there any kind of scenario where with the Defense Production Act or some other kind of aid that the government would potentially provide where you would even consider restarting it? Or is it too difficult?

©2022 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Greg C. Garland - *Phillips 66 - Chairman & CEO*

So I have to think about it. I can answer carefully on that one. So I would say we wouldn't voluntarily restart that refinery. It had 12 feet of saltwater in it, and so it's going to take months, if not years, to restart it. It's going to take a lot of money to restart it. And so I would just say that, that wouldn't be our first option.

And frankly, if you look at $45 cracks, the industry is incented today to run as much as we can, restart what we can profitably. So the economic signal is there to restart this. I don't know, Jeff, if you have any, or Mark, you want to add to that. But our view is Alliance probably doesn't restart.

Mark E. Lashier - *Phillips 66 - President & COO*

Yes. I think that the signals need to be there longer term. We're often asked, would you add greenfield refining capacity? And that would take even much longer and you have to have a 30-year outlook. And again, decarbonization pressure is out there. It's consistent. Government policies still exist. Energy security really is coming to the forefront right now, but you're going to have a balance between energy security, which is a long-term thing that we need to talk about with policymakers, in combination with decarbonization. And we can get there but that's going to take time and we've got to have a strategy to address that.

Philip Mulkey Gresh - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

Right. And just on the product export ban piece, because I've been walking around here today continuing to get questions on this. It seems -- I would agree with you. It seems illogical and could raise prices. But is there any realistic possibility of this happening? Is there a scenario where it would happen? Or would you agree that unlikely?

Mark E. Lashier - *Phillips 66 - President & COO*

I think that it could be politically expedient to do that, but I think that we have to have a conversation about what the impacts are. The refining complex in the U.S. is very efficient, very effective. It exports today because some of the products that are produced can't be consumed because of the specifications in the U.S., for instance, high-sulfur diesel, things like that, that are quite viable in other markets.

And so you would -- you'd impair the U.S. refining complex's ability to run at high rates by, in essence, stopping the ability to produce those streams. And it's similar to the impact that the sanctions from Russian material coming in -- Russia producers, refineries produce intermediate streams that they don't upgrade all the way to gas and diesel that can be processed in the U.S.

That's taken several hundred thousand barrels of capacity out of refineries in the U.S. You'd have a similar impact if you put in an export ban because you would not be able to produce everything that you're producing today, and that would impact our ability to produce clean products as well because you can't just back out one piece of a refinery and not impact the whole thing. And so that's, I think, the biggest unintended consequence.

Greg C. Garland - *Phillips 66 - Chairman & CEO*

I think one thing I might add is that on the East Coast, we're importers of gasoline. So to the extent we restrict exports, we would raise the international price, and we'd likely see, on the East Coast and the West Coast, higher prices for gasoline at the retail.

Mark E. Lashier - *Phillips 66 - President & COO*

Yes. The bottom line is it's a global interaction that takes place. It's a global market for refined products. It's a global market for crude. And if we try to disconnect from that, it's going to be very, very disruptive, and it will send shock waves around the planet.

©2022 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Philip Mulkey Gresh - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

Yes. A lot of unintended consequences, I think, that need to be thought through there. Just to move to some more company-specific topics. Mark, you recently laid out a plan to reduce operating costs by $700 million. I've gotten a lot of questions on this from investors. Could you elaborate more on this plan, how you came up with this number? Would it all be refining or otherwise? How do you think about the buckets of potential here and the timing?

Mark E. Lashier - *Phillips 66 - President & COO*

No, it's a great question. We've been developing this plan for almost a year now. We want to be very meticulous about it. We're focused on the entire organization. It's not just about refining. And frankly, it's bigger than cost. Cost is the easiest thing to highlight and talk about, but we're transforming how we manage our business. We're taking advantage of digital innovations that we implemented to our AdvantEdge 66 program to make sure that we're using those across the enterprise.

We're looking at centralizing functions that can be centralized to support our operations. We're looking at things that we can automate to eliminate more routine mundane jobs. We're looking at having the ability out of the frontline operators having access to information so they can make better decisions faster. Their job should be simpler and easier, and we're going to enhance the efficiency and the productivity of the entire workforce. And so it's a total business transformation.

And we do -- we have that preliminary number. We'll continue to refine that. We've got over 1,000 initiatives in play. So that number is getting refined, and we see that as quite achievable. There's probably upside to that number today. But we are just at the beginning stages to execute some of these things. So you'll continue to hear from us, updates around our aspirations to do that and how that's impacting the way we do work because it's going to change everything across the board.

Philip Mulkey Gresh - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

And how are you thinking about inflation that you're seeing in the business today? Are there offsetting pressures, whether it's operating costs, capital costs?

Mark E. Lashier - *Phillips 66 - President & COO*

Well, clearly, the entire economy is subject to the economic pressures of inflation. We're seeing that. I think it's good that we have this process underway. It will offset some of those inflationary pressures, but we're all going to be subject to inflation, whether it's on capital projects and how we manage that or our workforce or how we attract and retain employees. It's -- the pressure is there. We hope we go through this phase and it passes. But this will help mitigate the impact of those inflationary pressures.

Greg C. Garland - *Phillips 66 - Chairman & CEO*

I would say that we do expect that when you look at the compare to, dollar per barrel, us versus our peers, you should see that we've improved. Because I think we'll always cycle through the same inflationary pressures in labor. Frankly, energy is one of the biggest ones that we see. Natural gas, for instance.

Mark E. Lashier - *Phillips 66 - President & COO*

You know, Phil, the most exciting thing about this has been the response of our employees, our workforce, because the industry has been under negative pressure for the last several years. Hydrocarbons need to go away, hydrocarbon fuels need to go away. And we've kind of turned that

©2022 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

psychology around where we've got the entire workforce that says, "Hey, we're going to need to be around for a long time. We've got to get into the best possible shape we can to be a leader out there."

Whether the energy transition takes a short time or a long period of time, we're going to be there. Because we know that the assets we have today are going to be producing hydrocarbon fuels for a long period of time, but how they view that may change, and we've got to be absolutely the most competitive refiner in North America.

Philip Mulkey Gresh - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

And in terms of thinking about the next 3 to 5 years and the opportunity set to grow the company, for the past decade, Midstream has been a huge focus, a lot of capital put into that business. It's much more focused on free cash flow generation. But with your capital budget this year, next year likely to be below $2 billion, I mean, how do you think about what you want to spend your money on moving forward and to drive the future of the company?

Mark E. Lashier - *Phillips 66 - President & COO*

Well, if you look at our capital budget this year and next year, it's just right at that $2 billion level and about half of that goes into sustaining environmental to keep things moving forward. The other half is in growth opportunities. Much of that growth in the next couple of years will be associated with things like our Rodeo Renewed project, where we're converting a refinery in San Francisco to consume renewable feedstocks like vegetable oils and animal fats and used cooking oil to renewable diesel. And that project has been approved and is moving forward. And you'll see us to continue to spend money until it starts up in about 2024.

If you think about our Emerging Energy business that we're standing up, the -- probably the biggest pillar there is renewables. And we're looking for other opportunities around renewables. Longer term, we'll be looking at things like carbon capture, what we can do to participate in the battery value chain. But right now, the primary focus is going to be on renewables and absolutely focusing on how we can capture the greatest returns as we venture into renewables.

Renewables has got a limited opportunity set. And we think, particularly with Rodeo, it's low capital cost. It's using existing assets, putting on some front end that can pretreat some of these fees because there's all kinds of things going on with those fees. But we're going to be able to have a flexible feedstock, low capital cost, great location. We're converting downstream stations to be able to sell that direct to consumers, and we think we've got a great value chain proposition there, and it's going to have really strong returns.

And anything that we do with respect to emerging energy, we are focused on getting strong returns. We're not venturing into things to have a loss leader just to be able to put a big sign up that says we're doing things to be renewable to establish a position in Emerging Energy. We got to have returns that support it.

If you look at the Midstream business, we have grown rapidly. It's been great. We've added assets that have been needed to basically move volumes from the Permian and related oil fields down to markets. And we've got a great position there, but we see opportunities to incrementally add to that position through acquisition and things with existing assets that maybe don't have the same competitive position to fortify that. So you're going to see some consolidation in Midstream.

We continue to see growth opportunities in our marketing. We've had a really dramatic impact on our ability to capture value and marketing through joint ventures, where we have joint ventures with partners that really know how to operate convenience stores, and we bring the fuels to the picture and we've been able to capture more of that retail margin. You have to do that in the right locations to be successful. We've had a very good program there.

And then there's chemicals, so CPChem. We own 50% of that and they've got great growth, near-term growth opportunities and longer-term growth opportunities. They're self-funded. They've got the ability to use their balance sheet to grow and they continue to send great distributions

©2022 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

back to owner companies. They've got -- I think they're spending $1.5 billion roughly this year. Much of that is related to growth, high-return projects, taking advantage of their ethane position and their great asset position they have on the Gulf Coast.

Longer term, we've got 2 mega projects under development with Qatar energies, and we look to reach an FID on the first one, which is a U.S.-based project. And then probably about a year later, we'll be looking at FID for a project that will be in Qatar. And we continue to build on that ethane advantage that's delivering value in a volatile marketplace today.

Philip Mulkey Gresh - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

And is that FID on the Gulf Coast still expected at some point this year? Is that the target?

Mark E. Lashier - *Phillips 66 - President & COO*

Yes, that's right. Second half of this year.

Philip Mulkey Gresh - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

Okay. If we're in an above-normalized environment for some period of time, cash flow will well exceed your mid-cycle views that you've talked about, which -- you could reiterate those, if you like, but it seems like it will be well in excess of that. But Kevin, to you, like what do you do if it's a period of excess cash flow? What's the main focus?

Kevin J. Mitchell - *Phillips 66 - Executive VP of Finance & CFO*

Yes. I think our fundamental principles around capital allocation don't change. So if you step back, take a picture, we've historically been at sort of the 60% reinvestment, 40% return to shareholders. Long term, we don't see that changing. But in terms of the near term, we have been very focused on the balance sheet on paying back debt that we added over the course of the pandemic. So we added $4 billion. We paid off $3 billion of that. We have $1 billion to go to get back to pre-pandemic debt levels.

But while we have flexibility to do that, what I'd also say is the debt that's most -- gives us the most optionality to pay down is also our lowest cost debt. And so when you look in this environment where direction of interest rates, we're going to be cautious around timing on when we do that. And so as a result, you'll probably see us build cash and strengthen the balance sheet that way and give us the ultimate in flexibility.

You did see that we restarted share repurchases in the second quarter. We'll continue with share repurchases. And so I think a combination of flexibility to pay down debt, build cash and return to share repurchases is where you'll see the near-term priorities around capital allocation.

Philip Mulkey Gresh - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

Can you remind me in terms of cash build where you've historically been, where you want to get to? And is there an amount of cash that you don't really want to go above? Or with the potential risk of a recession and things like that, how do you think about managing all these?

Kevin J. Mitchell - *Phillips 66 - Executive VP of Finance & CFO*

Yes. In the pre-pandemic, we used to think of a sort of a quarter -- a period-ending cash balance in the order of $1 billion to $2 billion as being a reasonable cushion. And it is. From a day-to-day operating standpoint, that's fine. But as you look at what we've been through with the pandemic, one thing that, that taught us is having that flexibility and the strength in balance sheet in terms of cash on hand is -- really comes into its own in a time period like that.

©2022 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

And so potentially, we may be looking at -- we'd rather have more of a $2 billion to $3 billion sort of minimum level. It's not a minimum we need to run the company, but it just helps us if you see the sort of uncertainties in the environment out there.

Greg C. Garland - *Phillips 66 - Chairman & CEO*

I'd also say, I mean, we didn't come here to call a recession today. But obviously, I think things are wading that way, whether it's this year or next year. And I think coming into a recession with more cash on the balance sheet is a good thing. We can be more opportunistic even if there's an equity pullback. So we always want to have cash available to buy our own shares because we believe in our company if that moment in time comes.

Philip Mulkey Gresh - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

How would you think about the way the refining business might look if we get into that scenario? I mean, traditionally, it's been demand-led margins, (inaudible) it's a pretty difficult situation. But if we're in a supply-led environment where things are much more challenged in that regard, is it -- could it be a different kind of downturn for the energy industry?

Mark E. Lashier - *Phillips 66 - President & COO*

Jeff, you want to take that?

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

Yes. I think as we look at the 4.5 million barrels a day of global rationalization that Mark, you mentioned earlier, a lot of new projects have been delayed and pushed out, saving capital and not having labor as available. And so it looks like as we look forward, it looks like a tighter market through '23, '24 with a limited amount of new capacity coming on. So I think we're looking for kind of optimizing demand to meet the supply, and there's a likelihood that, that market is tighter than it has been historically.

Greg C. Garland - *Phillips 66 - Chairman & CEO*

I do think we're looking at probably a lighter recession versus a heavier one. And so if you think about that in terms of demand destruction, something the in order, say, 5% or maybe 10% in that range, it probably brings things back into more balance from that standpoint. So I don't see just margins collapsing but they're probably going to not be above mid-cycle, maybe is a good way to say that, like they are today.

Mark E. Lashier - *Phillips 66 - President & COO*

Yes. A typical recession is kind of a 2% hit on demand as opposed to the pandemic, which was 20% hit on demand, so very different than what we've seen recently.

Philip Mulkey Gresh - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

Right. Mark, you made a comment there about M&A opportunities. Just what's your broader view on M&A more broadly and whether it makes sense for Phillips 66 as a part of the capital allocation?

©2022 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Mark E. Lashier - *Phillips 66 - President & COO*

Yes. We're always looking at those things, but we're pretty particular about anything that we would act on. It has to really create value. We have to be able to have line of sight on synergies. We have to be able to make sure that it fits with our strategy.

I think in Midstream, I think there's consolidation opportunities because so much -- so many investments were made and some of those investments may be kind of stranded investments at this point in time where they would be a good fit in our system. They may fill a gap in our system. And so it would release more potential of those assets.

So great opportunities there. But we're not interested in just going after things to get bigger. There's got to be a value creation story behind any M&A that we would do, and we're pretty cautious about that.

Philip Mulkey Gresh - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

Got it. We only have a couple of minutes left. So Greg, I want to give you a chance to say a few words here. I know this is probably your last big public investor conference, at least as a CEO. So we really appreciate you being here. And we'd love to hear any of the key lessons you've learned being at the helm of Phillips 66 for the past decade and a career that spans many decades across the entire industry. So we'd love to hear any parting thoughts you'd have.

Greg C. Garland - *Phillips 66 - Chairman & CEO*

Happy to do that. 42 years, 39 earnings calls, but who's counting? Look, this is a great industry. And you think about an industry that the products that we produce makes people's lives better, safer and more productive.

This is an industry that gives back. I don't care if it's the hours our employees give in their communities or the dollars they give to United Way, building Houses for Habitat, teaching kids in the third grade how to read better. This is an industry that makes a difference in the communities where we live, where we work and we're working for the greater good of society. And so I've been blessed and honored beyond measure to have 42 years to work in this.

So I think there's maybe 3 points that I think that I've learned over this. One is technology. Technology is really important to this industry. And this has been an industry that has embraced technology for as long as I've been in it. You go back to 3D seismic and maybe outside of a couple of universities, most of the supercomputing power pre-Internet was at oil companies. We had great computers in Bartlesville, Oklahoma.

So you think about the Shell revolution, the technology and how that unleashed and unlocked things. And you go back 10 years before Shell, we said the U.S. was dead, it was over, we'd never build another petrochemical facility. And Shell just unleashed all that. So again, technology making a big difference. And I believe that as we move forward into a lower carbon future, technology is going to help solve that.

Second thing is resilience. This industry has been around 150-some-odd years. And I have seen, 8 times in my career, where the price of crude has fallen more than 50%, and we predicted the end of the world 8 times, and 8 times the industry has emerged stronger than ever. And that's true in this last case with the pandemic. I think you've got a much stronger industry moving forward. The people of this industry are resilient. They find ways to make things happen. They're problem solvers, they're engineers, they're scientists. And that resiliency speaks well and bodes well for the future of the industry.

And the third point is really transformation. This has been an industry that leans into technology. With their resilience, they look for a better day. And they're willing to transform and become what they need to be to provide energy and improve lives for society. So there's not a doubt in my mind that the 11 million people that work in energy today are going to be the problem solvers. Energy transition is not going to be solved by 2 guys working in their garage. It's going to be the 11 million people that work in energy today that help provide those opportunities.

©2022 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

I think it's all the above and probably all the below as we think about a world growing from 7 billion to 9 billion people and providing that energy. But we're going to have to do it better. And we have to work on reducing emissions, and we're going to have to work on carbon capture. We're going to have to work on hydrogen. We're going to have to work on renewable fuels. And those are things that are kind of in our wheelhouse as an industry and also for our company that we do really, really well.

And so I can't think of a more exciting time to be in energy, and I tell young people, come help us solve the great challenges and opportunities we have. Thank you.

Philip Mulkey Gresh - *JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst*

Well, thank you so much, Greg. And great conclusion. Thanks, team, for being here.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2022, Refinitiv. All Rights Reserved.

©2022 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.