



Executive Committee Meeting

Sunday, September 8, 2019

11:30 a.m. - 4:00 p.m. MDT

West Ballroom AB

The Broadmoor

Colorado Springs, CO

Dial-in Number [REDACTED] and access code [REDACTED]



**American Fuel & Petrochemical Manufacturers
2019 Fall Board of Directors Meeting
September 8 - 10, 2019
The Broadmoor
Colorado Springs, CO**

AFPM Executive Committee – General Schedule of Events

TIME	FUNCTION	LOCATION
Sunday, September 8, 2019		
11:30 a.m. – 4:00 p.m. MDT	Executive Committee Lunch and Meeting	West Ballroom AB
12:00 p.m. – 6:00 p.m. MDT	Registration	Rocky Mountain Foyer
6:00 p.m. – 9:00 p.m. MDT	Reception and Dinner Dinner – Reserved seating for ExecComm	Mountain View Terrace
Monday, September 9, 2019		
7:30 a.m. – 8:30 a.m. MDT	Buffet Breakfast	Rocky Mountain AB
8:30 a.m. – 11:30 a.m. MDT	Board Business Meeting	Rocky Mountain CD
11:30 a.m. – 1:00 p.m. MDT	Lunch	Mountain View Terrace
11:30 a.m. – 1:00 p.m. MDT	Golfers' Lunch	Golf Club Porch
	Recreational Activities: Fly Fishing & Boxed Lunch Golf Outing Hiking, Jeep tour, Segway and Wild West Adv.	
12:30 p.m. – 6:00 p.m. MDT		Depart West Building Lobby
1:00 p.m. – 6:00 p.m. MDT		Broadmoor's East Course
1:00 p.m. – 5:00 p.m. MDT		Depart West Building Lobby
7:00 p.m. – 7:30 p.m. MDT	Reception	Cheyenne Lodge
7:30 p.m. – 10:00 p.m. MDT	Dinner - Reserved seating for ExecComm	Cheyenne Lodge
Tuesday, September 10, 2019		
7:30 a.m. – 8:30 a.m. MDT	Buffet Breakfast	Rocky Mountain AB
8:30 a.m. – 11:00 a.m. MDT	General Session featuring speakers: Afshin Molavi, Co-Director, emerge85 Lab; Senior Advisor, Oxford Analytica Terry Jones, Founder, Travelocity.com; Chairman, Kayak.com	Rocky Mountain CD

Spouses are welcome to attend all functions except the Executive Committee Luncheon Meeting and Board Business Meeting.

The attire for this meeting is business casual for all functions.



Agenda

AFPM Executive Committee Meeting

Sunday, September 8, 2019

11:30 a.m. – 4:00 p.m. MDT

Room: West Ballroom - The Broadmoor

Colorado Springs, CO

Dial-in 1-719-955-2435 and access code 482388

11:30 a.m. [Lunch]

12:00 p.m. I. Call to Order – Joe Gorder

12:02 p.m. II. Antitrust Statement (Attachment) – Rich Moskowitz

12:03 p.m. III. Approval of August 20, 2019 Meeting Minutes★ (Attachment) – Joe Gorder

12:05 p.m. IV. Carbon Policy Discussion - All

- A. Research Presentation
- B. Prior Meeting Recap
- C. Discussion of Draft Position Statement
- D. Policy Discussions (continued)
- E. Next Steps
- F. Board Presentation Discussion

3:00 p.m. V. Issues Committee Report - Gary Heminger

3:05 p.m. VI. Update on Sustainability Initiative – Jaime Zarraby and Rob Benedict

3:10 p.m. VII. President's Report – Chet Thompson

3:40 p.m. VIII. Nominating Committee Report – Bob Herman

3:45 p.m. IX. Board Meeting Preview – Chet Thompson

3:55 p.m. X. New Business – Joe Gorder

4:00 p.m. XI. Upcoming Meetings – Joe Gorder

- October 16, 2019, 11:00 a.m. – 12:00 p.m. EST, Conference Call
- November 19 – 20, 2019, Board Reception, Executive Committee Dinner, and Meeting in Houston, TX [specific location TBD]

Adjourn

Chet M. Thompson
President and CEO

Richard S. Moskowitz
General Counsel

★Requires Approval

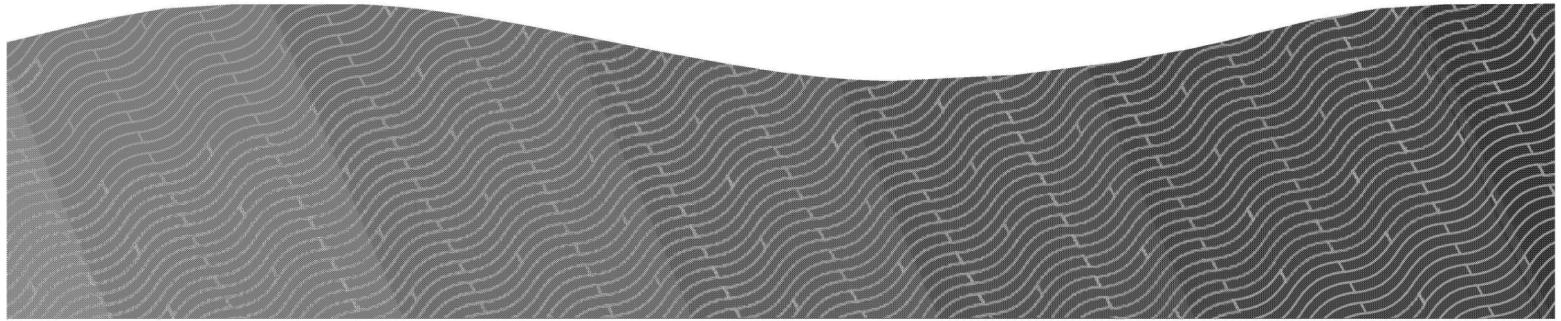


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Antitrust Statement





AFPM ANTITRUST GUIDELINES FOR MEETINGS

The American Fuel & Petrochemical Manufacturers is a nonprofit, tax-exempt membership association organized to foster cooperation and the exchange of technical information among its members. These worthwhile activities are sanctioned by custom and law. It is important, however, to recognize that these activities are subject to the legal limits of federal and state antitrust laws and, in particular, to be aware of the limits of the antitrust laws when participating in AFPM meetings. AFPM is committed to complying with the antitrust laws in all respects and has adopted the following guidelines in order to facilitate compliance with the antitrust laws when conducting AFPM meetings.

I. Role of Chairperson and Counsel. Each meeting (whether in person or by telephone) will have a Chairperson who will ensure that discussion follows the agenda and that participants have and are aware of these guidelines. Matters outside of the scope of the agenda should not be discussed without the approval of the Chairperson and counsel (if present). If necessary, the Chairperson and counsel will redirect, limit, or stop discussion in order to ensure compliance with these guidelines.

II. Participation Must Be Voluntary. Participation in AFPM and all AFPM activities must be voluntary, and each member must decide on its own whether participation in AFPM or any AFPM activity is in its independent interest.

III. Subjects of Discussion. As a general matter, the antitrust laws prohibit competitors from agreeing on the prices they will charge, the products they will offer, the customers they will serve, or the markets in which they will compete. Therefore, there should be no discussion or disclosure of information with respect to (a) expected profits, premiums, prices, surcharges, or discounts; (b) specific customers or classes of customers, or whether you will or will not do business with them; (c) proposed product offerings; (d) allocation of geographic or product markets; (e) any refusal to deal with a customer or supplier; (f) how to deal with the market behavior of a competitor; or (g) any other topic involving a potentially anticompetitive practice.

Some subjects of discussion may lead to agreements that are not unlawful on their face but that may have an unlawful anticompetitive effect or may give rise to the inference of an anticompetitive act, depending upon their scope and how they are implemented. Other subjects may appear to be prohibited by the antitrust laws but in fact may be permitted because of the context or ultimate purpose of the communication. Whether discussing a subject is permissible may vary depending on factors such as the nature of the subject matter, its relationship to competition among AFPM members, the purpose of the communication, and the degree of restraint that AFPM members can be expected to exercise. Any questions regarding the permissible scope of a discussion should be directed to counsel.

IV. Informal Meetings. There should be no informal, secret, or “rump” meetings in which some or all AFPM members discuss matters that are potentially anti-competitive “off the record.”

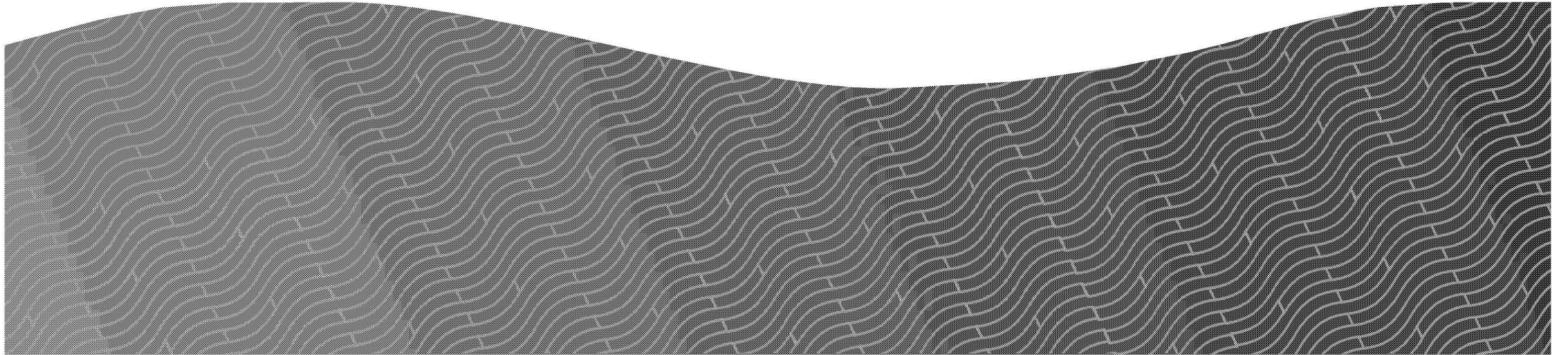
V. Questions, Concerns. Questions or concerns about these guidelines or about any AFPM -sponsored meeting, discussion, or practice should be directed to Rich Moskowitz, General Counsel, at 202-457-8474 or rmoskowitz@AFPM.org

American
Fuel & Petrochemical
Manufacturers



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Draft Minutes





AFPM Executive Committee Meeting
August 20, 2019

DRAFT MINUTES

Executive Committee Members:

Chairman Joe Gorder, Valero
Vice Chairman Gary Heminger, Marathon
Graeme Burnett, Monroe Energy
Dan Coombs, LyondellBasell
George Damiris, HollyFrontier
Bob Herman, Phillips 66
Dave Lamp, CVR
Mark Lashier, Chevron Phillips Chemical
Tom Nimbley, PBF Energy
Jeff Ramsey, FHR
Loic Vivier, ExxonMobil

Staff:

Chet Thompson, President and CEO
David Friedman, VP, Regulatory Affairs
Geoff Moody, VP, Federal Affairs
Derrick Morgan, SVP, Fed. & Reg. Affairs
Richard Moskowitz, General Counsel
Brian Tatum, VP, Finance and Administration
Don Thoren, VP, State & Local Outreach
Susan Yashinskie, SVP, Member Services
Jaime Zarraby, SVP, Communications

Welcome and Call to Order

Chairman Joe Gorder called the meeting to order at 11:00 a.m. Rich Moskowitz reviewed AFPM's antitrust guidelines, and the Committee approved the minutes from the meeting on July 24, 2019.

Review of Action Items from July 24, 2019 Meeting

Chet Thompson reported that AFPM was working on the agenda for the in-person meeting next month, which would be largely dedicated to the continuing discussions on climate policy. Four companies have requested speaking opportunities.

Issues Committee Report

Vice Chairman Gary Heminger reported that the Issues Committee met by conference call on August 15. He reported that Mr. Thompson provided an overview of the carbon policy discussions and previewed the upcoming Board of Directors meeting. AFPM hired a consultant to build and manage the Liquid Fuels coalition, and they would soon engage in public opinion research and coalition recruitment efforts. Mr. Heminger also reported on AFPM's work on the Colorado ZEV mandate and responses to the EV infrastructure money contained in the Senate's surface transportation bill. AFPM staff also reported on the status of the small refinery exemptions, 2020 RFS comments, the status of the litigation challenging EPA's E15 RVP waiver, PFAS, and the Sustainability Taskforce's second meeting.

Proposed 2020 AFPM Budget

George Damiris presented a proposed budget for 2020, which was circulated as a pre-read. He explained that the membership needed to address how active the association should be and how to fund that level of activity. He presented various potential budget scenarios. The members discussed the options, potential membership attrition, and the desire to maintain the existing level of services going into an election year. Upon a motion duly made and seconded, the Committee unanimously voted to recommend the budget that included a 6.7 percent dues increase for refining and petrochemical members, along with a 2.7 percent increase for associate and international members, and maintaining current spending levels on AFPM's key initiatives. In addition, there was discussion and agreed that the Committee should evaluate the following for future budgets: (1) whether AFPM



should move from an annual to a multi-year budget; (2) revisions to its dues schedule and member categories; and (3) the level and use of AFPM's short-and long-term reserves.

President's Report

Mr. Thompson reviewed the latest developments following EPA's issuance of the 2018 small refinery exemptions. He reported that the President is considering ways to appease an angry farming constituency, including potential rescission of the waivers, increasing the 2020 biofuel mandates, and E85 incentives. He noted that EIA data show that ethanol blend rates have remained steady and are not impacted by the small refinery exemptions. The data also show that any reduction in ethanol consumption is the result of falling ethanol exports. The members discussed the issue and concluded that it is important to continue delivering our messages to the administration.

ACTION ITEM:

-- Explore scheduling a meeting with President Trump to discuss implementation of the RFS.

Mr. Thompson also reported that the Nominating Committee will meet and will recommend a slate of Executive Committee members to the Board of Directors in September.

New Business

There was no new business brought before the Committee.

Next Meetings

Chairman Gorder announced that the next Executive Committee meeting will take place at the AFPM Fall Board Meeting on September 8th in Colorado Springs, CO.

Adjournment

The meeting adjourned at 11:55 a.m.

Respectfully submitted,

DRAFT

Chet M. Thompson
President and CEO

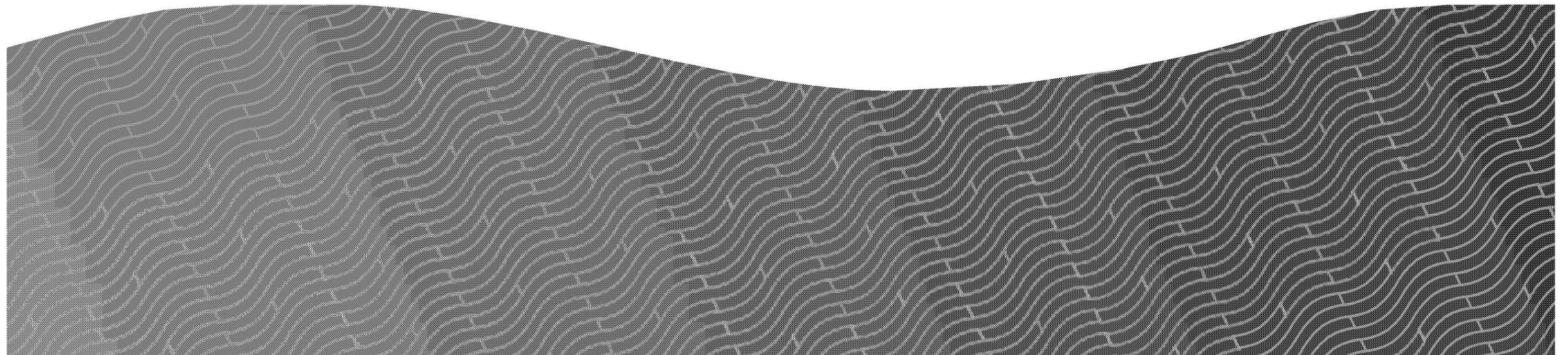
Richard S. Moskowitz
General Counsel



American
Fuel & Petrochemical
Manufacturers



Carbon Policy Discussion



DRAFT AREAS OF ALIGNMENT: AFPM & CARBON POLICY

[NOTE: this document summarizes the areas of alignment tentatively agreed to by the Committee after its last discussion. This document is intended only to be used and shared INTERNALLY with staff and members to articulate AFPM's current position on climate policies. This document WOULD NOT be shared EXTERNALLY or with the media.]

General Perspective

1. Climate change risk is real and must be managed.
2. Humans contribute.
3. Our industries have a part to play in managing the risks of climate change.
4. We should not accept bad public policy.

Our Value

1. Our products make progress possible.
2. Our products make the world a better place.
3. Our products make other products more efficient.
4. Our industries/products will be part of the solution.

Dual Challenge

We must meet the dual challenge of providing the fuel and petrochemical needs of a growing population in an environmentally sustainable way.

Doing Our Part to Manage the Risks of Climate Change Means...

1. Continuing to deliver affordable, reliable fuel and petrochemical products
2. Continuing to improve efficiency and reduce emissions in our operations.
3. Manufacturing products that make other products more efficient.
4. Encouraging innovation and R&D.
5. Offering 95 RON.

AFPM's Role in the Carbon Policy Debate

1. Must play an active role in conversations about carbon policy.
2. Must have a seat at the table.
3. Should represent the U.S. downstream refining and petrochemical perspective.
4. Need to be for something in the carbon policy arena.
5. Need to advocate for our products.
6. Must oppose policies inconsistent with our dual challenge and seeking to end our industries.

AFPM Position

1. Climate change risk is real and must be managed.
2. We have a dual challenge of providing the fuel and petrochemical needs of a growing population in an environmentally sustainable way.
3. We will do this by:
 - a. Continuing to deliver affordable, reliable fuel and petrochemical products;
 - b. Continuing to improve efficiency and reduce emissions within our operations;
 - c. Manufacturing products that make other products more efficient;
 - d. Offering 95 RON; and
 - e. Encouraging innovation and R&D.
4. We will evaluate all potential public policies using our guiding principles
5. There is no scenario in which the world would be better off without our products.

AFPM CLIMATE CHANGE CORE PRINCIPLES

- 1. Improve Human Welfare** – A GHG control program should improve the lives of people by ensuring that energy remains affordable, accessible and reliable.
- 2. International Participation** – A GHG control program should reflect and incorporate transparent and binding global participation, recognize and address imbalances among national programs and global enforcement efforts, and ensure that U.S. competitiveness in global markets is not harmed, particularly with regard to fuels, petrochemicals, and related products.
- 3. Harmonization** – A GHG control program should be harmonized with all statutory and regulatory requirements that increase GHG emissions from domestic industrial operations.
- 4. Pre-Emption** – A GHG control program should preempt all other federal, state, regional and local laws and common law theories of liability.
- 5. Economy-wide** – A GHG control program should apply to as much of the U.S. economy as possible without political preconceptions or exemptions.
- 6. Achievable Targets and Timeframes** – A GHG control program should contain rational emission reduction targets and schedules that integrate ample and diverse supplies of commercially viable long-term energy sources and technologies.
- 7. Program Simplicity and Transparency** – A GHG control program should be transparent and simple to minimize transaction costs.
- 8. Minimize Costs to Economy** – A GHG control program should meet program targets at the least cost to the economy, including not picking winners and losers, ensure maximum compliance flexibility, including recognition of products that enhance energy efficiency, and the benefits of any policy must outweigh the costs.
- 9. Early Actions** – A GHG control program should recognize success achieved through early voluntary actions. In particular, a program should recognize actions taken to reduce overall emissions, enhance energy efficiency, and implement specific emission control technologies.

DRAFT CARBON POLICY EXTERNAL MESSAGING

[NOTE: this document would be an external, public-facing description of AFPM's current position on climate change policy. It could, for example, be posted on AFPM's webpage and shared externally with members, policymakers, the media, etc. Currently, AFPM has no public-facing messaging on climate.]

[Draft Alternative 1—Short Version]

AFPM and our members are committed to meeting the dual challenge of providing the world's growing population with the reliable and affordable energy and petrochemical products humans need to thrive and live longer, healthier lives, while reducing the risks of climate change and our environmental footprint.

As such, AFPM and our members are committed to:

- Delivering affordable, reliable fuel and petrochemical products that lift the standards of living for people all over the world;
- Improving the efficiency and sustainability of our operations;
- Offering fuels and products that make engines and other products more efficient;
- Continuing research, innovation, and application of new technologies to address the challenge; and
- The development of sound public policy solutions for managing the risks of climate change.

[Draft Alternative 2-- Longer Version]

AFPM and our members are committed to meeting the dual challenge of providing the world's growing population with the reliable and affordable energy and petrochemical products humans need to thrive and live longer, healthier lives, while reducing the risks of climate change and our environmental footprint.

As such, AFPM and our members are committed to:

- Delivering affordable, reliable fuel and petrochemical products that lift the standards of living for people all over the world;
- Improving the efficiency and sustainability of our operations;
- Offering fuels and products that make engines and other products more efficient; and
- Continuing research, innovation, and application of new technologies to address the challenge.

AFPM also is committed to the development of sound public policy solutions for managing the risks of climate change that are consistent with meeting the dual change. Attributes of such policies include:

- Balanced and measured to ensure the long-term economic, energy, environment and health needs of the United States and a growing population are met
- Harmonized, economy-wide, and preventing leakage
- Simple and transparent
- Achievable targets and flexibility to adjust as necessary

[Note: the following are draft responses to hypothetical questions from the media. In some circumstances, it might be appropriate to refer them to the more formal descriptions above. In other circumstances, we might need a shorter answer, like the ones below.]

If Asked: Does AFPM acknowledge the existence of climate change? Does it have a position on the issue?

AFPM acknowledges the risks of climate change and the need for our industries to play a role in addressing this challenge. That is why AFPM led a multi-year legislative effort to reduce GHG emissions from the nation's transportation fleet through the use of 95-RON fuel.

We are committed to be part of the policy discussion about how to manage the risks of climate change. We will evaluate policy proposals using a set of guiding principles, chief among them that the proposal allows us to achieve our dual challenge of providing the fuel and petrochemical products the world needs in an environmentally sustainable way.

If Asked: Can you identify a single policy that you have supported that responds to the risks of climate change?

AFPM and our members have also taken a proactive and collaborative approach to developing a high-octane fuel specification that would increase the efficiency of the internal combustion engine and get meaningful GHG reductions from the nation's transportation fleet. This 95-RON proposal – developed with US automakers – would be the carbon equivalent of putting 720,000 electric vehicles on the road every year, while also retaining a consumer's ability to choose the type of car they want, at an affordable price.



ExxonMobil

Energy & Climate AFPM Executive Committee Meeting

Loic Vivier / Guy Powell

September 8, 2019

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Cautionary Statement

Statements of future events or conditions in this report, including projections, targets, expectations, estimates, future technologies, and business plans, are forward-looking statements. Actual future results or conditions, including: demand growth and energy source mix; the impact of new technologies; efficiency gains and energy cost savings; emission reductions; and results of investments, could differ materially due to, for example, changes in the supply and demand for energy and other GHG producing activities; the outcome of research projects and ability to scale new technologies on a cost-effective basis; changes in law or government policy, including environmental regulations, tax laws and international treaties; changes in the rates of population growth, economic development, and migration patterns; trade patterns and the development of global, regional and national mandates; military build-ups; shipping embargoes; harassment; or other conflicts; unexpected technological developments; general economic conditions, including the occurrence and duration of economic recessions; unforeseen technical difficulties; and other factors discussed in this report and in Item 1A of ExxonMobil's most recent Form 10-K. Third-party scenarios, research and projections discussed in this report reflect the modeling assumptions and outputs of their respective authors, not ExxonMobil, and their use or inclusion herein is not an endorsement by ExxonMobil of their likelihood, accuracy or probability. References to "oil" and "gas" include crude, natural gas liquids, bitumen, synthetic oil, and natural gas. The term "project" as used in this publication can refer to a variety of different activities and does not necessarily have the same meaning as in any government payment transparency reports.

The Dual Challenge

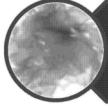
- There are few challenges more important than meeting the world's growing demand for energy while reducing environmental impacts and the risks of climate change.
- ExxonMobil is committed to doing our part to help society meet this dual challenge.



Mitigate emissions in our operations



Provide products to help customers reduce their emissions



Develop scalable technology solutions



Engage on climate change policy

Evolving Climate Change Landscape

- Global average temperature and GHG concentrations continue to rise¹
- International collaboration on climate change is ongoing²

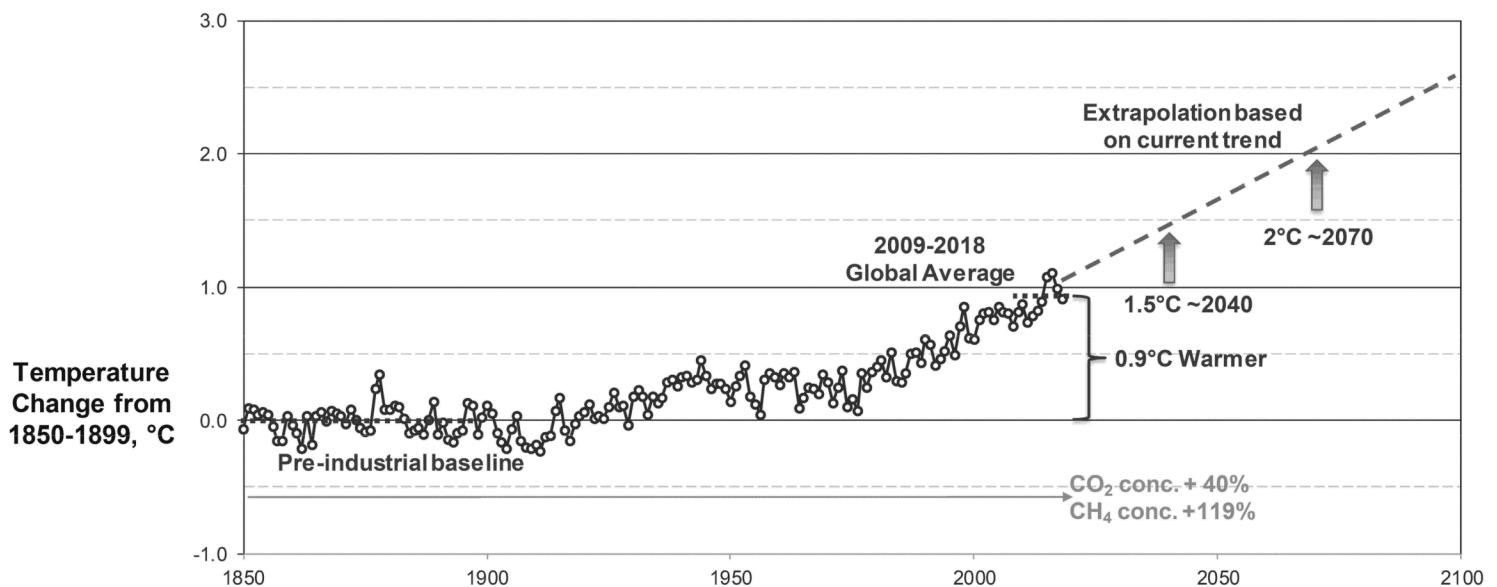


- National and regional GHG policies are increasing³
- Organizations are announcing goals to lower their carbon emissions (e.g., Car Manufacturers, Marine & Aviation)⁴ across transportation sectors



Source: ¹ NASA, ² IPCC, ³ World Bank Carbon Pricing Dashboard as of April 2019 / dsireusa.org / June 2019, ⁴ ICAO, IMO, Press search, Company websites

Temperature +2°C before 2100 at Current Trend



Source: HADCRU4 July 2019. Current trend at 0.2°C /decade is based on average temperature change from 1980 to 2017.
CO₂ and CH₄ concentrations: IPCC 2013 Annex II, AR5; NOAA Earth Systems Research Laboratory (2011-2018 years).

IPCC AR5 Findings

Higher certainty

- GHGs increasing
- Temperatures have increased
- Greenland ice sheet, glaciers melting
- Arctic sea ice declining
- Sea level rising
- Heavy precipitation events increase
- Ocean pH decreases with higher CO₂
- Climate risk increases with GHGs

Lower certainty

- Climate sensitivity to rising GHGs
- Magnitude of future temperature rise
- Antarctic sea ice and ice sheet changes
- Local precipitation patterns
- Frequency, intensity of tropical cyclones
- Droughts and floods
- Impact on ocean ecosystems and organisms
- Magnitude of risks / tipping points

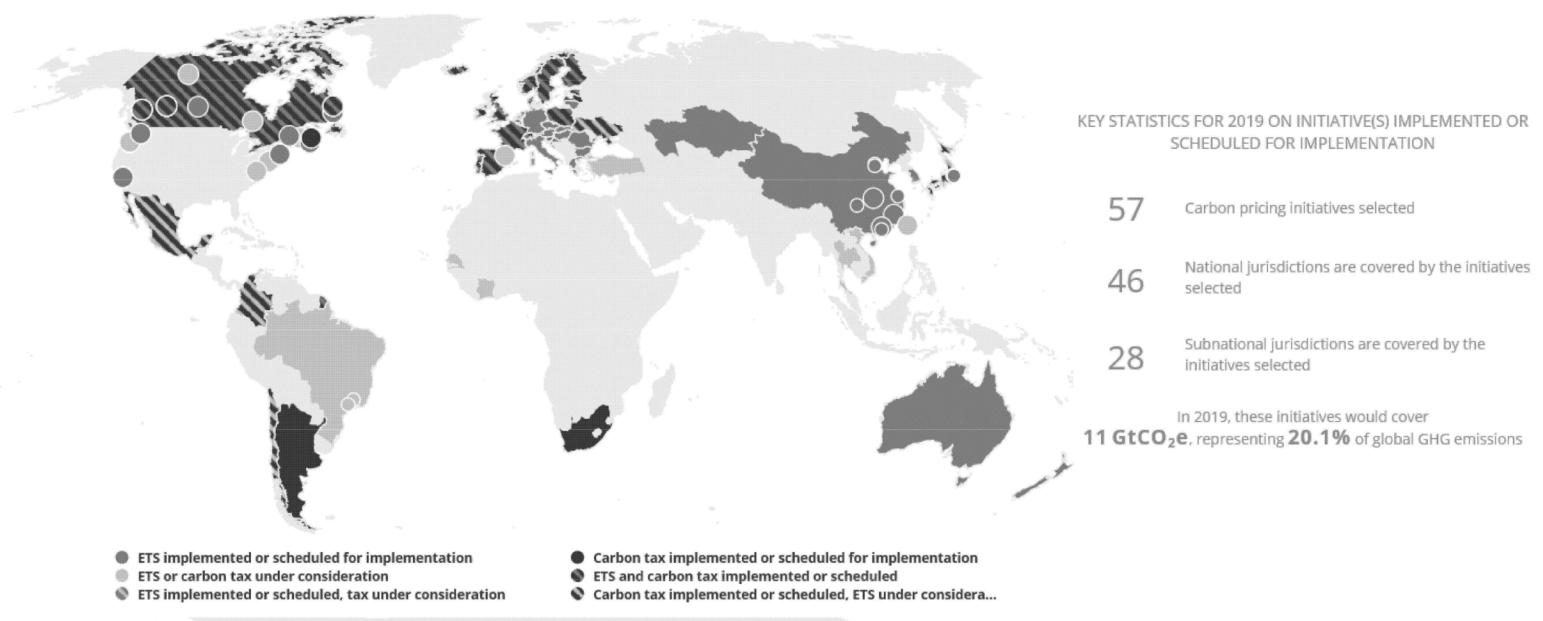
Source: IPCC Special Report on Managing the Risks of Extreme Events and Disasters to Advance Climate Change Adaptation 2011; IPCC AR5 Physical Science Basis 2013; IPCC Special Report on Climate Change and Land 2019; IPCC Ocean and Cryosphere Report, draft 2019.

The World has Multiple Priorities – Efficient Policy is Essential



Source: United Nations – Sustainable Development

Market Based Policy Coverage Growing



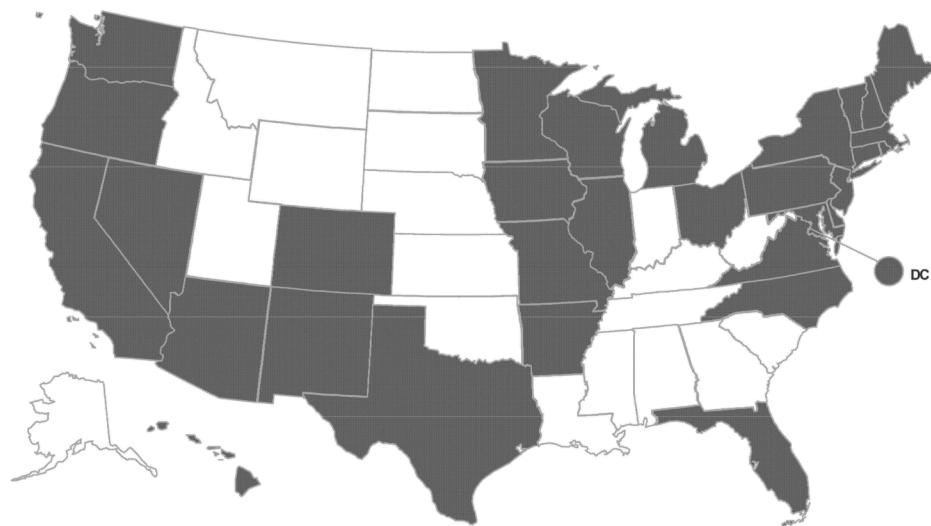
Source: World Bank Carbon Pricing Dashboard as of August 2019

State & Local Carbon Pricing



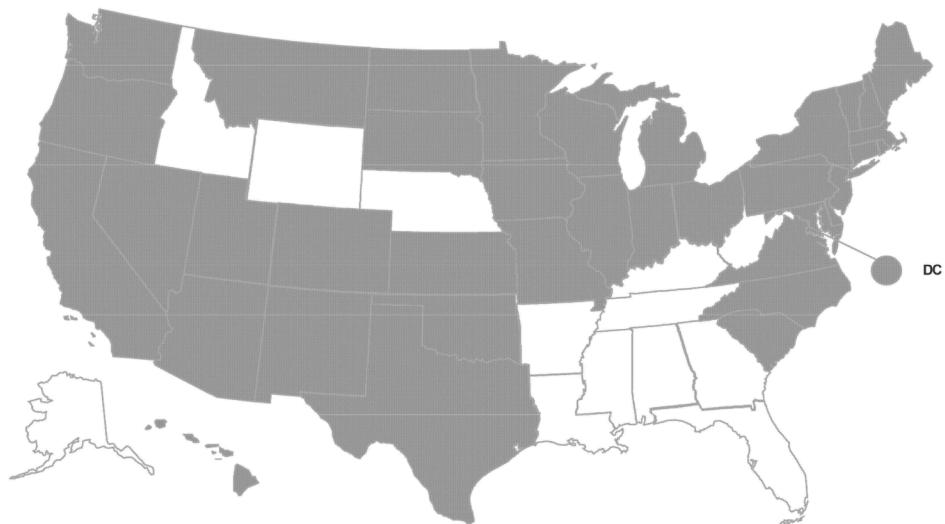
Source: World Bank Carbon Pricing Dashboard, as of August 2019

State & Local Energy Efficiency Policies



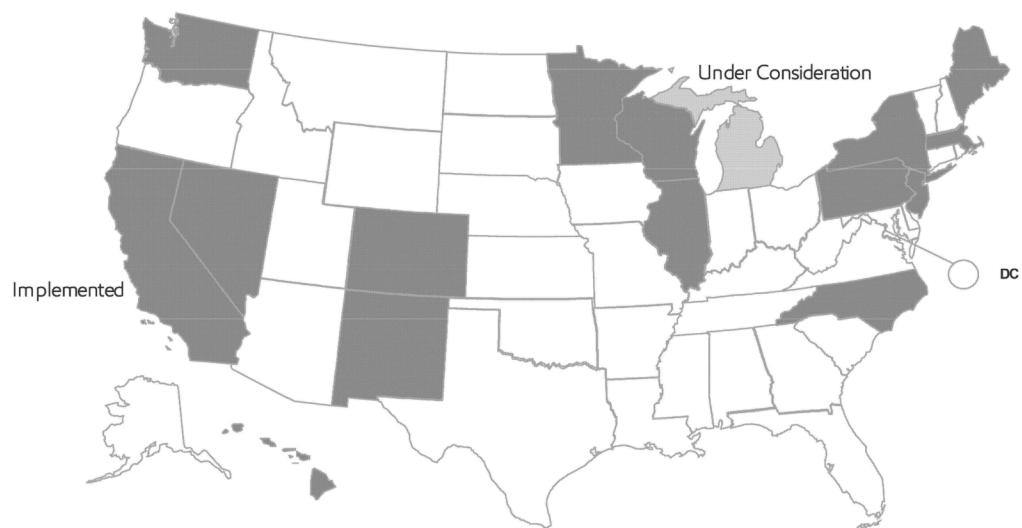
Source: dsireusa.org / June 2019.

State & Local Renewable Energy Policies



Source: dsireusa.org / June 2019.

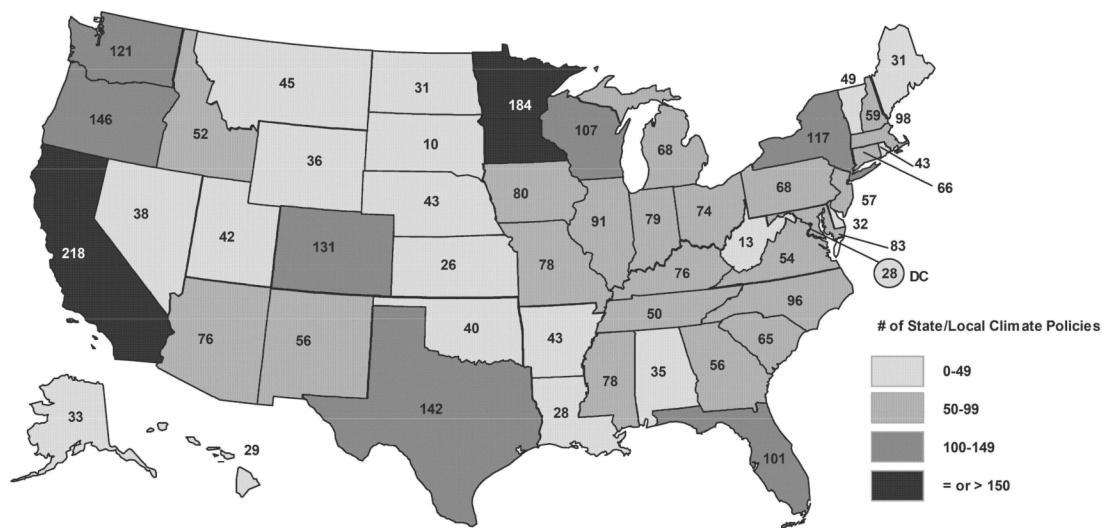
State & Local Deep Decarbonization Policies



Source: EQ Research's Policy Vista™ Legislative Tracking Database as of May 30, 2019.

US implemented includes non-binding goal introduced; non-binding goal enacted; standard introduced; standard enacted; US in plan includes legislation anticipated

Substantial Existing Federal and State Climate Policy



Source: dsireusa.org / August 2019.

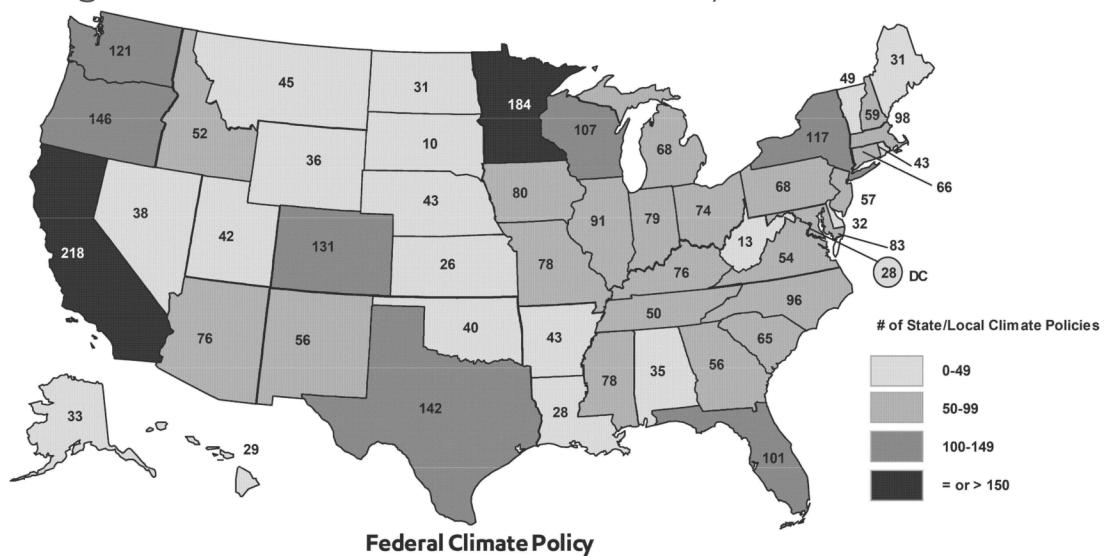
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Substantial Existing Federal and State Climate Policy



Source: dsireusa.org / August 2019.

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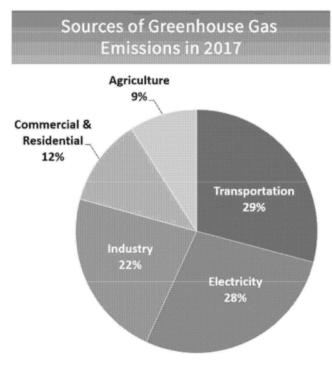
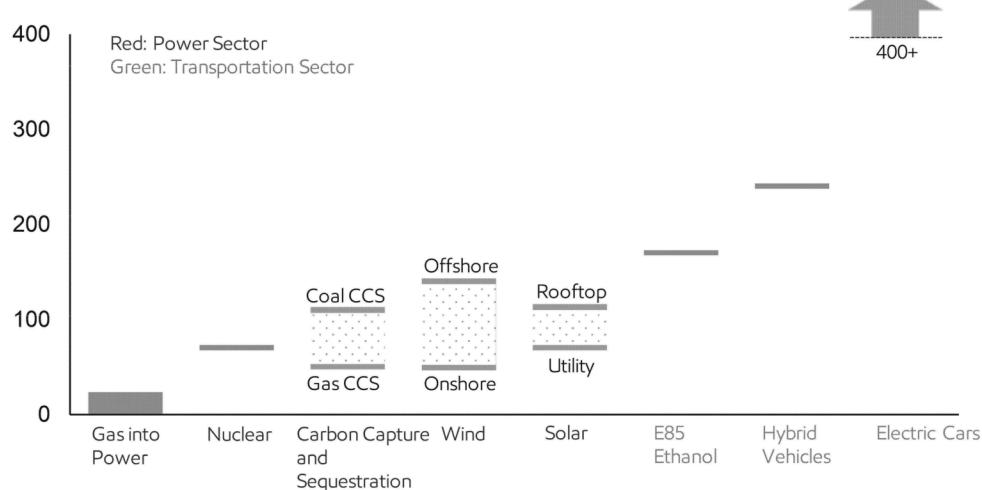
Exxon Mobil  **Mobil** 

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Wide Range of Abatement Costs

Average U.S. CO₂ Abatement Costs

2017 - Dollars per tonne



Source: U.S. Department of Energy, ExxonMobil estimates

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Attributes of Sound Climate Policy

- Promote global participation
- Let market prices drive the selection of solutions
- Ensure a uniform and predictable cost of GHG emissions across the economy
- Minimize complexity and administrative costs
- Maximize transparency
- Provide flexibility for future adjustments to react to developments in technology, climate science and policy

Source: ExxonMobil

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Attributes of Sound Market Based Solutions

- Apply to all greenhouse gas emissions across the economy
- Provide a uniform price for all greenhouse gas emissions
- Apply the costs of greenhouse gas emissions to the parties most able and likely to alter behavior in response to a price signal
- Prevent shifting of greenhouse gas emissions to unregulated jurisdictions
- Provide for linkages with other market-based systems outside the regulated jurisdiction
- Return revenue generated from the system back to the economy in an equitable fashion that encourages economic growth and limits regressive income effects
- Provide accurate / cost-effective greenhouse gas emissions measurement, verification and reporting

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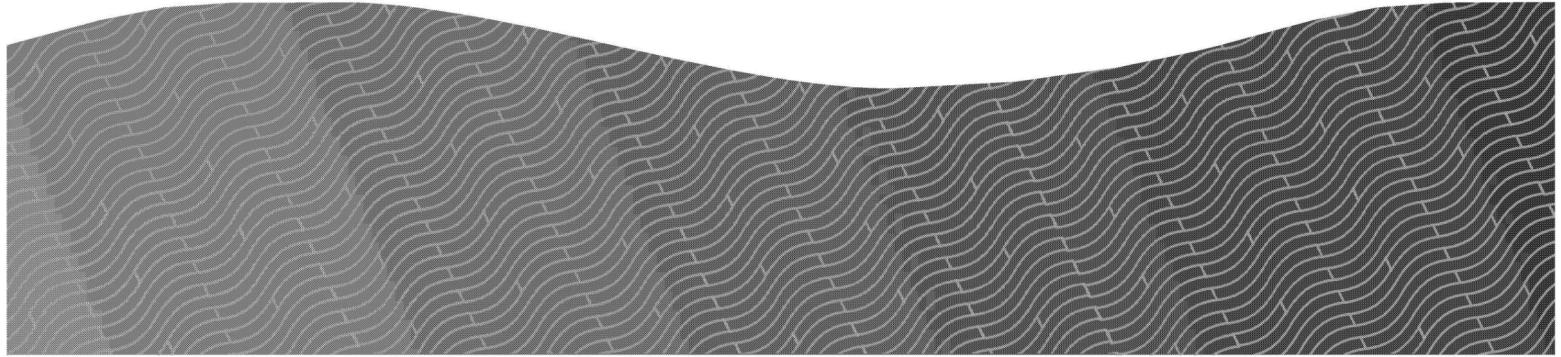


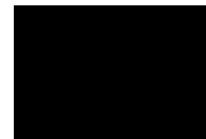
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[REDACTED] office
afpm.org

Nominating Committee





Memorandum

To: AFPM Executive Committee
AFPM Board of Directors

From: Bob Herman, Phillips 66, Nominating Committee Chair

Date: September 5, 2019

Re: Nominating Committee Report

The Nominating Committee is appointed by the Chairman of the Board and responsible for identifying and recommending Board members for elected AFPM leadership positions.¹ Following our review, the Committee unanimously recommends the following slate to fill Executive Committee vacancies that take effect in March 2020:

Chair	Gary Heminger, Marathon (2020-22)
Vice Chair	Jeff Ramsey, Flint Hills Resources (2020-22)
Past Chair	Joe Gorder, Valero (2020-22)
Executive Officer	Graeme Burnett, Monroe Energy (2020-23)
Executive Officer	Dan Coombs, LyondellBasell (2020-23)
Executive Officer	Brian Coffman, Motiva (2020-23)
Executive Officer	Raphael Crawford, Albemarle (2020-22)
Executive Officer	Tom Nimbley, PBF Energy (2020-23)

The Nominating Committee will seek Executive Committee and Board approval of the slate at the upcoming fall board meeting.

¹ The other members of the Nominating Committee are Joe Gorder, Valero (AFPM Chair); Ed Dineen, TPC Group; Mark Lashier, Chevron Phillips Chemical; Tom Schmitt, Hunt Refining; Matt Smorch, Countrymark; and Loic Vivier, ExxonMobil.



Advancing the Energy Transition

Presentation to AFPM Executive Committee
September 8, 2019



BPA_HC0R_00114366

The business case for climate action: the dual challenge

A large, high-contrast black and white photograph of a solar panel farm. The panels are arranged in long, parallel rows that recede into the distance. The sky is bright and hazy, suggesting a clear day. The overall composition is architectural and industrial.

- The political and social landscapes are changing
- Public and shareholder sentiment is shifting toward action on climate
- Activists are more influential than ever before
- Companies are being called upon to act—through voluntary efforts and support for policy—or we risk losing our license to operate
- Our products play an essential role in society and the economy
- The world demands more energy, delivered in new ways, with fewer emissions. This is the dual challenge we all face

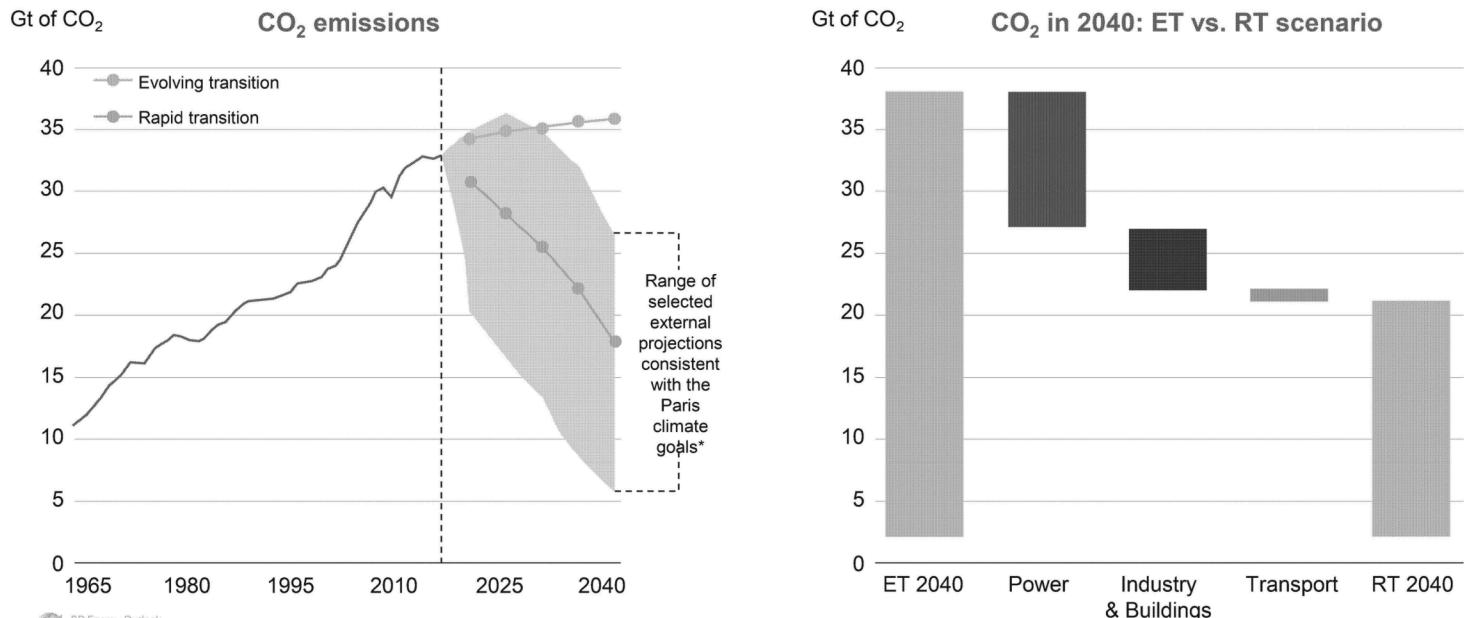
A shared challenge

A black and white photograph serves as the background for this section. On the left, a large industrial facility with multiple cylindrical tanks and pipes is visible. In the center, the Eiffel Tower stands prominently against a cloudy sky. The Seine River is visible in the foreground, with a bridge in the distance.

To meet the Paris goals, we believe the world must take strong action on a range of fronts:

- Reducing emissions rather than promoting one energy source as the answer
- Improving energy efficiency
- Delivering more energy affordably
- Using and deploying new technologies, such as carbon capture, use and storage
- Putting a price on carbon to help drive action in an efficient and cost-effective way

The Energy Transition (Evolving [ET] vs. Rapid Transition [RT])



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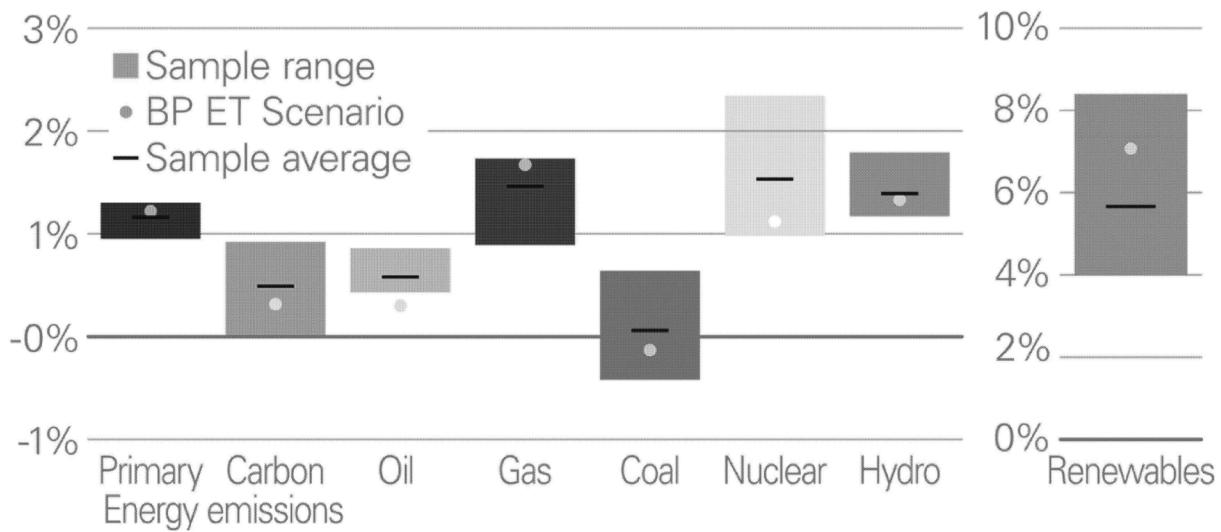
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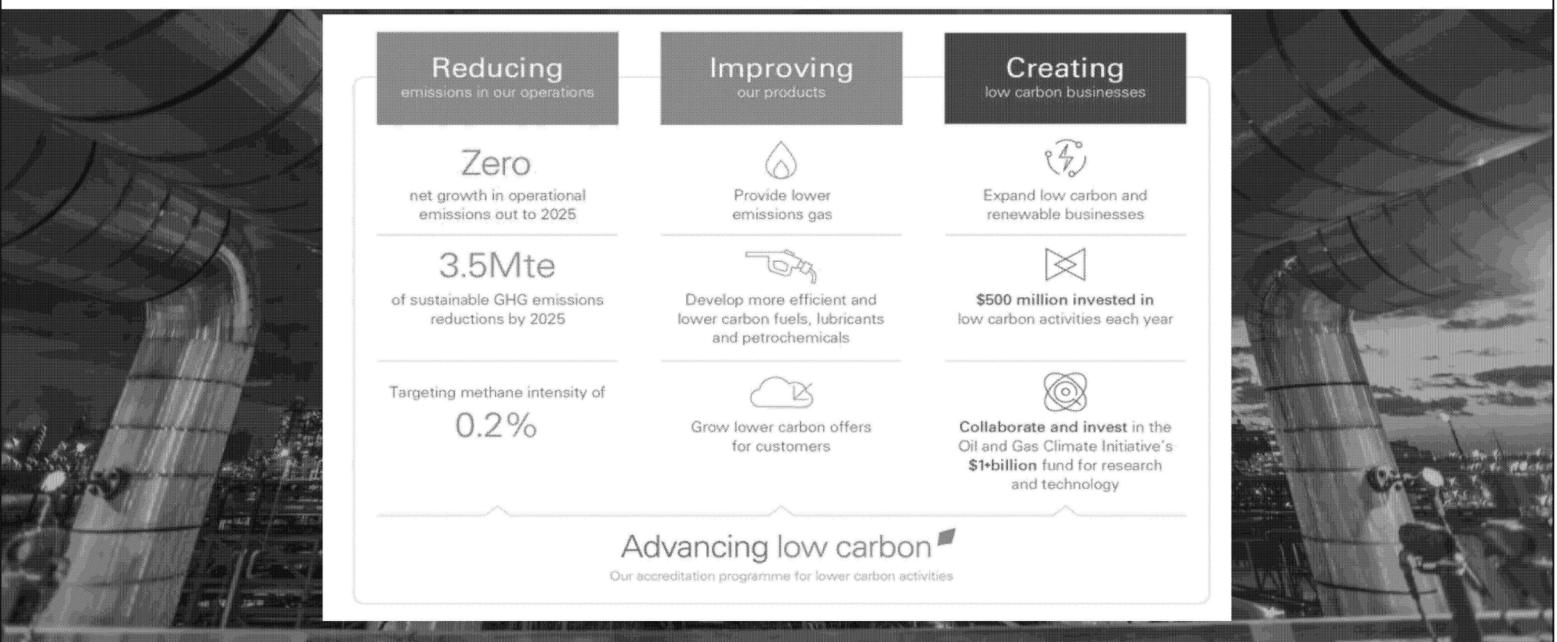
Energy consumption growth by fuel and carbon emissions, 2017-2040



% per annum



Reduce-Improve-Create



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We need more than just one solution



- Technology-neutral policies toward lowering transport emissions
- Support for improved internal combustion engine (ICE) and vehicle efficiency
- More efficient fuels and lubricants for more efficient engines
- More sustainable biofuels in the mix e.g. biojet for aviation, higher volumes of advanced biofuels in road fuels
- Working to make electric vehicles a viable solution. Easy access to ultra-fast charging will help address concerns about range and provide a solution for those that cannot charge at home, enabling mass adoption

We need more than just one solution



- Decarbonizing the power grid
- A regulatory framework that encourages and recognizes emissions reductions throughout the transport system, including greater recognition of the benefits of new, more advanced fuels and lubricants
- Natural gas offers an additional way to decarbonize some forms of transport, such as heavy goods and marine vehicles, where it can offer moderate GHG emissions reductions when replacing traditional liquid fuels. Natural gas can also be mixed or replaced with gas from renewable sources to improve emissions performance

BP's carbon pricing principles



- A well-designed price on carbon
- Economy-wide
- Single policy
- Leakage
- Point of regulation
- Pricing and escalation
- Program assurance
- Offsets
- Additional policies
- Use of revenues

Where do we go from here?



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Carbon Pricing Principles

- A well-designed price on carbon — either a tax or a cap-and-trade system — is the most efficient way to reduce greenhouse gas (GHG) emissions.
- Economy-wide: It should apply to all quantifiable GHG emissions in all sectors of the economy on a CO₂ equivalent basis.
- Single policy: It should pre-empt future and replace existing regulations that overlap or duplicate the carbon price.
- Leakage: It should prevent the shifting of emissions and jobs from one country or subnational jurisdiction to another, ideally through measures ensuring the continued competitiveness of energy-intensive, trade-exposed domestic industries.
- Point of regulation: It should be applied and collected as close as administratively feasible to the point of emissions, providing transparency to emitters and helping them make economic choices to reduce emissions.
- Pricing and escalation: Subject to periodic review, the price should be ramped up gradually before accelerating and levelling off.
- Program Assurance: Alongside periodic review, it should include flexible and dynamic adjustment mechanisms to assure that its emissions and economic goals are achieved.
- Offsets: It should give credit to companies in sectors exposed to the price for investing in accredited emissions reductions from sectors not exposed to the price (e.g., agriculture, forestry and other land use industries).
- Additional policies: These should be limited in number, tightly focused on correcting market failures (e.g. energy efficiency standards), filling temporary gaps in carbon pricing coverage (e.g. regulations for hard-to-quantify GHG emissions like methane) and transitional support for promising but emerging low-carbon technologies (e.g. CCUS and renewables).
- Use of revenues: It is for Governments to determine the use of revenues but they could be returned to the economy in beneficial ways, e.g. through income or payroll tax reductions or investment in programs related to carbon reduction (e.g., sector retraining, low-carbon R&D).