Chevron

Joe M. Naylor
Vice President, Policy, Government and Public Affairs

July 18, 2018

Dr. Wanda M. Austin, Chair
Dr. Alice P. Gast
Mr. Enrique Hernandez, Jr.

Public Policy Committee Meeting
July 24, 2018

A meeting of the Public Policy Committee is scheduled for Tuesday, July 24, 2018, from 8:30 a.m. to 9:30 a.m. PDT, in the Conference Room at Casa Palmero, Pebble Beach, California.

The topics to be discussed during the meeting are as follows:

- Company and Chevron Employee Political Action Committee political contributions, direct and indirect lobbying expenditures, and policy priorities for 2018 and 2019;
- U.S. legislative, regulatory, policy, and political developments and implications for and responses by the Company; and
- Summaries of the Company's top ten operating areas.

I am enclosing an agenda and pre-read materials for the meeting. Also enclosed is an updated PPC Issues Brief containing the more significant global public policy issues facing the company and country level summaries for Chevron's top ten operating areas highlighting the policy and political landscape. You may also access these materials through Chevron's Diligent Boards website.

Please let me know if you have any questions about the enclosed materials. I look forward to seeing you next week.

Best regards,

Enclosures

cc: Michael K. Wirth
Mary A. Francis

Chevron Corporation
Policy, Government and Public Affairs
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[redacted]

CHEVRON CORPORATION
PUBLIC POLICY COMMITTEE

JULY 24, 2018, 8:30 – 9:30 A.M.
CONFERENCE ROOM, CASA PALMERO, PEBBLE BEACH, CA

AGENDA

Time	Tab	Topic (Presenters)
8:30 a.m.	**1.**	**Minutes** * (Chair) Review and approve the minutes of the March 27, 2018 Committee meeting.
8:35 a.m.	**2.**	**Political Contributions and Lobbying** (Lloyd Avram) Discuss Company and Chevron Employee Political Action Committee political contributions, direct and indirect lobbying expenditures, and policy priorities for 2018 and 2019.
8:55 a.m.	**3.**	**U.S. Government Affairs Update** (Maria Pica Karp) Discuss U.S. legislative, regulatory, policy, and political developments and implications for and responses by Company.
9:15 a.m.	**4.**	**Key Country Summaries** (Joe Naylor) Discuss country level summaries for Chevron's top ten operating areas highlighting the policy and political landscape.
9:30 a.m.		**Adjourn**

* Items needing motion, second, and approval.

Tab 1

Minutes

DRAFT

CHEVRON CORPORATION
PUBLIC POLICY COMMITTEE
MARCH 27, 2018

MINUTES

A regular meeting of the Public Policy Committee of the Board of Directors of Chevron Corporation ("Corporation") was held at the Chevron office in Houston, Texas, on March 27, 2018, at 2:22 p.m.

Members Present:	Linnet F. Deily, Chairperson Wanda M. Austin Alice P. Gast Enrique Hernandez, Jr.

Also present were Joseph M. Naylor (Secretary), Ronald D. Sugar, Wes E. Lohec, Michael Rubio, and Kari H. Endries.

Ms. Deily called the meeting to order and the Committee proceeded with the agenda. The minutes of the joint meeting of the Committee and the Board Nominating and Governance Committee held on January 30, 2018, were reviewed and, on motion duly seconded, unanimously approved.

Mr. Naylor provided an update of the external feedback the Corporation has received on the "Climate Change Resilience" report. Mr. Rubio addressed the Corporation's approach to stakeholder outreach. A discussion ensued.

Mr. Lohec discussed the Corporation's approach to environmental stewardship and the refresh of its environmental stewardship program. He discussed the Corporation's risk profile tool to manage environmental, process, and social risks across the life of an asset.

Mr. Lohec discussed how the Corporation measures its environmental performance, including emissions of sulfur oxides and greenhouse gases, gas flaring, and water management. He described Chevron Environmental Management Company's (EMC) core execution capabilities, including project performance and efficiency, site remediation, and consulting and research. Mr. Lohec outlined the Corporation's approach to implementing best practices and improving overall environmental performance.

Dr. Sugar, Messrs. Naylor, Lohec and Rubio, and Ms. Endries left the meeting and the Committee met in executive session to conduct the Committee's annual self-evaluation and plan its activities for upcoming meetings.

There being no further business, the meeting was adjourned.

Secretary

Tab 2

Political Contributions and Lobbying

Policy, Government & Public Affairs: Political Contributions, Lobbying and CEPAC
Chevron Board Public Policy Committee, July 24, 2018

Chevron participates in the political process domestically through corporate and Chevron Employees Political Action Committee (CEPAC) contributions, and lobbying activities. Internationally, we make nominal contributions to political parties in Canada and Australia. Chevron maintains comprehensive policies, processes and training regarding our contributions and lobbying. Key industry issues of importance include tax and regulatory reform, environment, energy development, international issues, and research.

Risk, Training and Transparency

- Each year the Vice President, PGPA provides an assessment of the enterprise-wide risk associated with political contributions and U.S. lobbying activities. In 2017, the risk level—and the controls in place to mitigate the risks associated with political contributions and lobbying—were both rated "high."
- Political Compliance Education Program web-based training is deployed every two years to identified personnel through the Learning Management System; instructor-led training sessions are provided annually to employees who engage in more frequent political contributions and lobbying activities.
- Federal and California lobbying reports and political contributions from previous years are voluntarily disclosed and posted on chevron.com.

Corporate Political Contributions

- Contributions are made to candidates, independent expenditure committees (IECs), trade association political action committees (PACs), leadership PACs, political parties, and ballot measure campaigns.

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Lobbying Activity

Chevron engages in direct and indirect lobbying activities. It lobbies directly through employee lobbyists in its federal and state offices as well as through contract lobbyists. We also lobby indirectly through our national, regional and state industry and trade associations. Chevron maintains memberships in over 80 associations that lobby on our behalf.

Federal Lobbying

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State Lobbying

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Privileged – First Amendment

Privileged – First Amendment

Chevron Employees Political Action Committee (CEPAC)

CEPAC makes contributions to federal candidates as well as in [redacted] Chevron operating states where corporate contributions are prohibited (PA, TX, WV).

- Funds are provided to Privileged – First Amendment federal and state candidates, leadership PACs and political parties where allowed by law. CEPAC is non-partisan.
- Funds are not provided to Presidential candidates.

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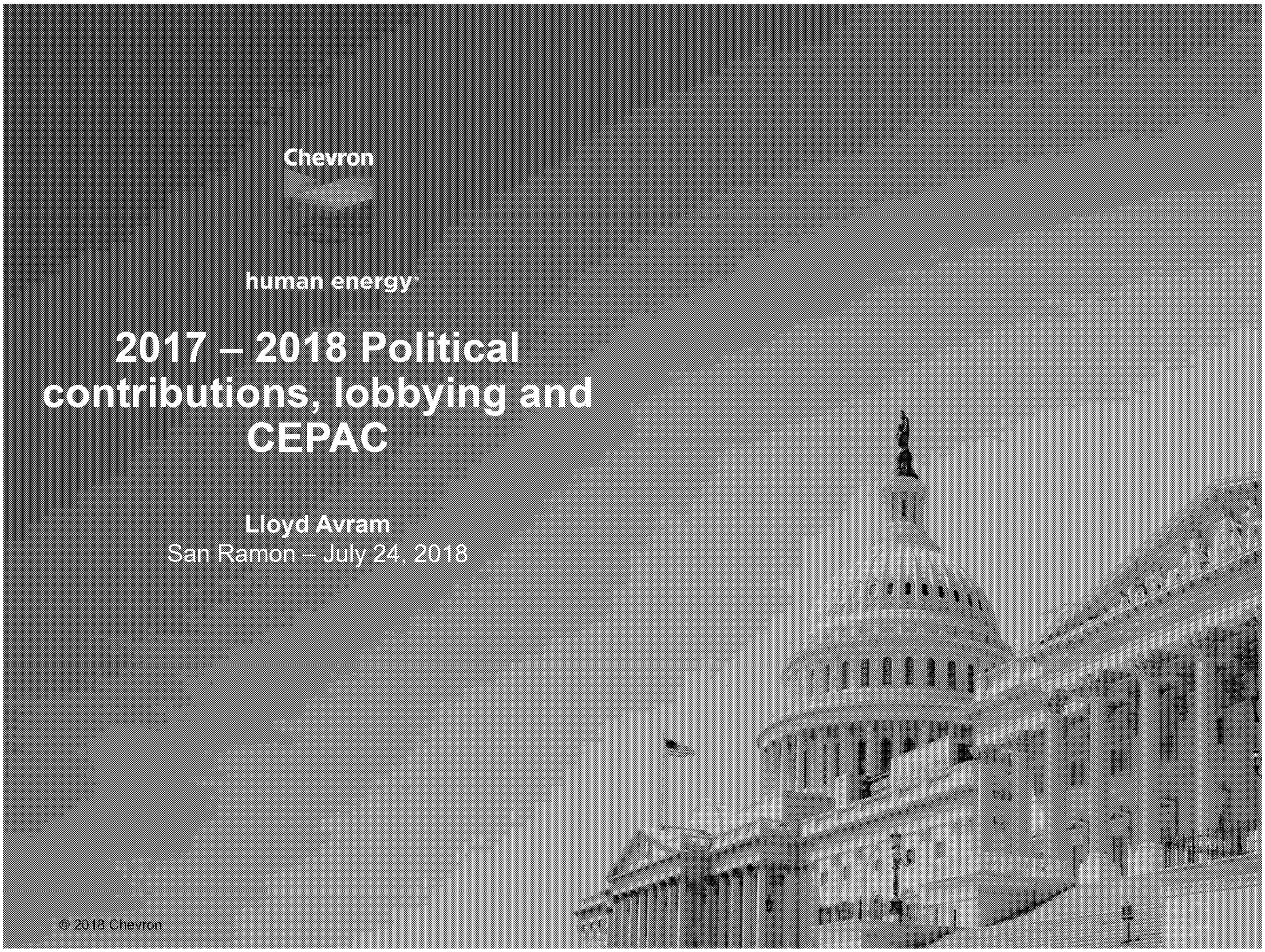
Slides Not Included in Director's Pre-read


Chevron
human energy
2017 – 2018 Political contributions, lobbying and CEPAC
Lloyd Avram
San Ramon – July 24, 2018
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Key topics

- Political contributions
- Lobbying activity - direct and indirect
- Chevron Employees Political Action Committee (CEPAC)

Political contributions

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Direct lobbying: 2017 – 2018

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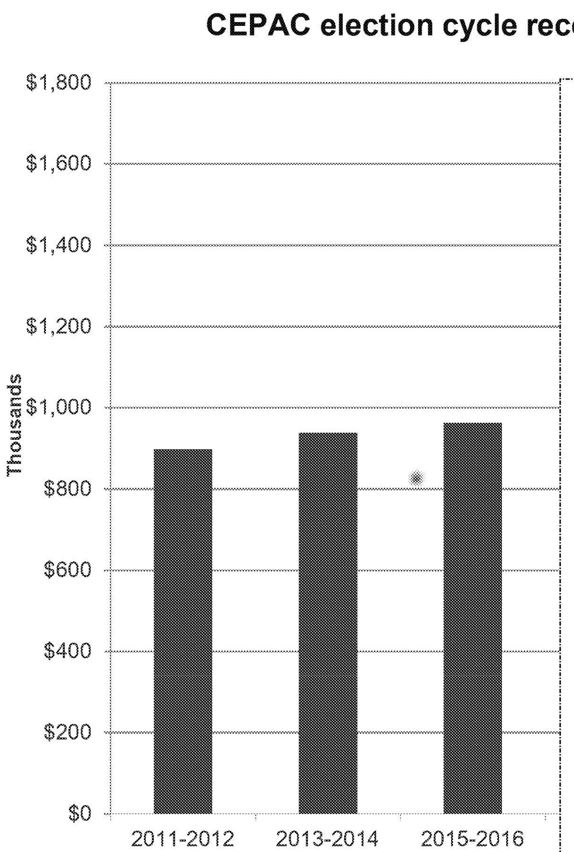
Indirect lobbying: 2017 – 2018

- Chevron holds membership in over 80 trade and industry groups that advocate on issues of importance to our business.
- In 2017, our lobbying allocations to the top five federal groups (by membership contribution amount) totaled Privileged – First Amendment

Privileged – First Amendment

Chevron employees PAC — CEPAC



*Current 2017-2018 projection

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2017 – 2018 CEPAC

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Tab 3

U.S. Government Affairs Update

Global Issues and Public Policy Update

Board of Directors

Public Policy Committee

July 24, 2018

This brief provides our semi-annual update of key global policy issues that can impact Chevron's business. The issues reviewed include: Human Rights; Financial Transparency; Environmental, Social and Governance Reporting; Activism; Overview of U.S. Administration and Congress; Climate, Air, Water, Transportation and Environmental Policy; Sanctions; Taxes; and Trade and Investment.

Global Issues Overview

Human Rights

Chevron's strategy is focused on the successful execution of our Human Rights Policy 520 and supporting processes focused on human rights in our supply chain, security function, communities, and workforce.

Governmental and UN Actions

The UN Working Group on Business and Human Rights will report to the General Assembly in the Fall on the effectiveness of the processes and procedures used by business to manage its human rights impacts. The outcome is likely to be a call for improved remedy mechanisms and an increase in lessons-learned reporting. Chevron is engaging with UN Working Group members to reinforce the company's long-standing approach to respecting human rights.

We continue to witness the progression from voluntary initiatives to the passage of legislative frameworks on human rights, with more than ten countries implementing or debating new laws. The UK's Modern Slavery Act, the Government of Australia's proposal for a Modern Slavery in Supply Chains Reporting Requirement and France's Law on the Corporate Duty of Vigilance are examples of initiatives that Chevron will continue to monitor and call for consistency between laws.

Financial Transparency

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IRS: Base Erosion & Profit Shifting (BEPS)

In 2017, a U.S. regulation required Chevron to report a significant amount of new information to the IRS under the OECD's BEPS framework. It was developed to address concerns that some countries have raised about multinational companies using tax planning strategies to shift profits to low-tax jurisdictions where there are limited business activities.

Chevron filed a report with the IRS in 4Q2017 on 2016 financial information for all of Chevron's consolidated affiliates in over 80 countries worldwide. In 3Q2018, Chevron will file a report on 2017 financial information.

While reporting to the IRS is confidential, there is a risk that when this information is shared with other governments as is expected of OECD members, the information may become public. As of June 2018, there were no inquiries by any tax jurisdiction, nor are we aware of any unauthorized disclosures. A response strategy is in place in the event the information becomes public.

The UK enacted legislation authorizing, but not requiring, the Treasury department to adopt regulations requiring public country-by-country (CbyC) reporting by large companies operating in the UK, but Treasury is not expected to issue regulations in the near future. An EU proposal that would require large companies operating in the EU to publicly file a CbyC report was issued, but is unlikely to be enacted in the near future because Germany does not support it.

EU Accounting Directive

The 2013 EU Accounting Directive requires large extractive companies registered in the EU to disclose project-level payments to governments, including royalties, rents, bonuses, taxes. European peers report on payments for upstream operations globally. Chevron reports on payments related to Chevron North Sea Ltd., and has reported payments for 2015 and 2016. There have been no inquiries on the data.

The EU has begun a review of this directive to assess the reports and the impact of the reporting regime for companies, civil societies and governments in resource-rich countries. They are assessing whether the reporting has had a beneficial impact, as originally intended. Many NGOs support the review and have suggested expanding requirements.

Extractive Sector Transparency Measures Act (ESTMA), Canada

Canada passed ESTMA in 2015, requiring project-level reporting of payments. In May 2018, Chevron filed a second annual report on 2017 data, which is available on Chevron Canada's website. Due to our corporate structure, the report includes payments made to the Canadian government and some payments to the Nigerian and Indonesian governments.

The ESTMA report has resulted in a small number of inquiries and stories to date.

Dodd-Frank

The Dodd-Frank Act (2010) instructed the Securities and Exchange Commission (SEC) to create a rule requiring extractive industry companies listed on a U.S. exchange to annually report payments made to all governments. The SEC's 2012 rule was vacated by a federal district court. The SEC published a second rule in 2016, which was similar to the previous rule. In February 2017, President Trump signed into law a resolution under the Congressional Review Act, invalidating the 2016 rule and requiring the SEC to submit a revised rule, not "substantially similar" to the 2016 rule. The SEC's Reg-Flex agenda lists October 2018 as the date for a Notice of Public Rulemaking.

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Proposals by the Department of Treasury and the House of Representatives to fully repeal Dodd-Frank Section 1504 are unlikely to progress.

Extractive Industry Transparency Initiative (EITI)

Chevron has been actively involved in EITI for 15 years. EITI supports the open and accountable management of oil, gas and mineral resources. Country governments that choose to implement EITI initiate a multi-stakeholder group and a process whereby an independent administrator reconciles and publishes payments reported by companies with receipts reported by governments.

Chevron operates or has a non-operated working interest in 13 of 50 EITI-implementing countries (including Indonesia, Kazakhstan, and Nigeria), and reports payments to those governments for Upstream operations, including royalties, rents, bonuses and taxes. An NGO effort to insert language on human rights abuses into the Kazakhstan EITI paper was rejected, but this indicates how EITI may become a platform to advance other agendas.

Chevron was actively engaged in U.S. EITI, which resulted in the Department of Interior (DOI) adopting a voluntary reporting process for royalties, rents and bonuses on federal public lands and waters; and on cash taxes paid to the IRS. Chevron, along with other major companies such as Exxon and Conoco, chose not to report payments to the IRS, as those payments are confidential in the U.S.

The U.S. withdrew from formal EITI implementation in late 2017, and DOI committed to continue to publish data about company payments to the Department of Interior. Following U.S. withdrawal from EITI, Chevron and other U.S.-based companies in EITI have received some negative attention.

Environmental, Social and Governance (ESG) Reporting

Chevron publishes information about its ESG performance and policies primarily in the annual *Corporate Responsibility (CR) Report Highlights* and on chevron.com.

Chevron's 2017 CR reporting incorporated increased data and narrative around human resources and human rights, including the following: employee engagement scores from the Chevron Employee Survey (CES); workforce training, employee development, and mentorship programs; increased detail on Labor Relations Policy 256; human rights training; and increased detail on our consideration of indigenous peoples' issues and engagement. The *2017 CR Report Highlights* also referenced the Sustainable Development Goals (SDGs), a common practice among our peers.

In 2017 and 2018, Chevron supplemented the *CR Report Highlights* with standalone reports addressing climate change. Chevron's second voluntary climate disclosure report, *Climate Change Resilience: A Framework for Decision Making*, is largely aligned with recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

In January 2018, Chevron provided a public comment letter to the Sustainability Accounting Standards Board (SASB), an NGO proposing new ESG reporting standards, with feedback regarding the proposed changes to its provisional standards. Chevron's feedback largely addressed technical concerns. Importantly, the proposed changes to the SASB standards would relax their materiality and reporting guidelines to allow companies to determine materiality and report data outside of mandatory SEC filings. Privileged – First Amendment

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Off-Oil Activism

Leading environmental NGOs are focused on implementing a three-pronged strategy that emphasizes grassroots action to convince the public and other sectors that fossil fuels are not necessary to power society: stop all new fossil fuel projects, transition to 100 percent renewable energy and divest from "dirty" energy companies.

Several initiatives are underway at the state- and local-level to accelerate the transition to a lower-carbon economy. The U.S. Climate Alliance created a bipartisan coalition of 17 state governors, including California and Colorado, to support climate actions in line with the goals of the Paris Agreement. The Sierra Club's "Ready for 100" campaign secured non-binding commitments from 52 cities, 5 counties, and 1 state to transition to 100 percent renewable energy.

A campaign led by 350.org has secured fossil fuel divestment pledges from hundreds of universities, cities and other institutions worldwide. Norges Bank has recommended removal of oil and gas stocks from Norway's Sovereign Wealth Fund. Other institutions that have indicated a willingness to divest include: the Episcopal church, the Church of England, Rockefeller Brothers Fund, World Council of Churches, the California Academy of Sciences, and the British Medical Association.

Climate Action 100+ is a five-year investor-led initiative to engage with the world's largest corporate greenhouse gas emitters to improve governance on climate change, curb emissions and strengthen climate-related financial disclosures. Since its launch in September 2017, 279 investors with nearly $30 trillion in assets under management have signed on to the initiative. The California Public Employees' Retirement System was nominated to lead engagements with Chevron.

Off-oil activism is present at both the state and local political levels, with marginal results in limiting development. At present, activist efforts are primarily directed toward ballot initiatives in purple/blue states as well as litigation.

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In addition, protected species regulations present a potential threat to surface access. To date, most regulatory actions have been addressed through flexible habitat conservation programs, avoidance siting, and good operating practices.

Public Policy Overview

The U.S. and international political landscape has shifted since the 2016 elections. President Trump remains focused on the U.S. economy, security, and trade. The Administration is continuing to pursue its regulatory reform agenda. After moving quickly to eliminate or modify proposed rules and guidance in 2017, the momentum for reform has shifted to the detailed work of the regulatory process. This pace will likely continue over the next 2-3 years with reform efforts subject to litigation after rulemakings are completed.

On trade and foreign affairs, the Administration is leveraging executive authority to impose sanctions, tariffs, and renegotiate trade agreements. While not a federal domestic focus, climate change policy remains active at the state level and internationally. Other than passing the Tax Cuts and Job Creation Act in December 2017, there has been little energy-sector related legislation by the U.S. Congress.

Climate Change

International Climate Change Policy: As of May 2018, 176 countries, representing over 88 percent of global GHG emissions, have ratified or formally accepted the Paris Agreement. Many governments in countries where we operate are designing and adopting policies to reduce GHG emissions and meet their Agreement goals. The pace and scope of policies varies among the jurisdictions, and includes market-based mechanisms, direct regulations, and subsidies to low-carbon technologies. Many policymakers are linking other goals, such as air quality and economic development, to their policy objectives. This includes forthcoming bans on internal combustion engines and bans on diesel engines in many European and Chinese cities; China's push to develop domestic manufacturing of advanced solar and battery technologies; and efforts to reduce coal-fired power generation.

Chevron works with policymakers to develop policies that help governments achieve their emissions goals while ensuring access to affordable energy. We seek early and proactive engagement in alignment with our Climate Change Policy Principles. In addition, our Supplemental Positions encourage policymakers to consider well-designed market-based mechanisms to reduce GHGs, over less efficient and higher-cost direct regulations and subsidies.

In 2017, 58 percent of Chevron's total Scope 1 and Scope 2 equity GHG emissions were in regions with existing or developing carbon pricing policies.[1] Outside of the U.S., this includes: Canada (nationwide carbon price and provincial-level carbon taxes and emissions trading system (ETS) in place); Mexico (ETS under development); Singapore (carbon tax will be implemented in 2019); Colombia (carbon tax in place on fuels); China (national ETS on the power sector under development); South Korea (ETS); Kazakhstan (ETS); Argentina (carbon tax on regulated fuel prices); and the UK (subject to EU ETS). Upcoming elections in Brazil and Australia could lead to the development of new carbon pricing regulations.

U.S. Climate Change Policy: The Trump Administration continues its efforts to repeal and/or replace the previous Administration's climate change policies and regulations. State level policymaking is active.

Clean Power Plan: In December 2017, the U.S. Environmental Protection Agency (EPA) issued a notice of proposed rulemaking to repeal the Clean Power Plan (CPP). The CPP was the Obama Administration's signature policy to reduce power plants' GHG emissions 32% by 2030, as compared to 2005 levels. EPA still has not indicated when, or how, it plans to replace the rule. Environmental groups and some states will litigate changes. Following a stay by the Supreme Court in 2016, CPP litigation remains pending in the U.S. Court of Appeals for the D.C. Circuit. Chevron continues to monitor developments and

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Methane: The Administration has begun efforts to delay, reconsider and replace elements of EPA's new source performance standard for methane emissions and control technique guidelines, and the Bureau of Land Management's Methane and Waste Prevention rule. Reconsideration and replacement requires a new formal rulemaking process and will likely face legal challenges filed by environmental NGOs and some states. As these rules are being reconsidered, environmental NGOs are shifting their methane focus to states and to influencing investors. Socially responsible investors are filing shareholder proposals, publishing surveys, and hosting workshops and company engagements focused on methane management.

At the state level, California adopted a new methane rule in early 2017. Pennsylvania is developing new methane requirements as part of a general permit. Colorado has started a stakeholder process to consider new requirements in addition to those adopted in their 2014 rule. These rules have added cost and administrative burden, but have not constrained operations.

Consistent with our ongoing efforts to reduce methane emissions from our operations, Chevron was a founding member of API's Environmental Partnership and has joined the Methane Guiding Principles. Both initiatives set standards for reporting and taking action.

California Climate Policy: California is pursuing a climate policy agenda that sets progressively more stringent 2020 and 2030 statewide GHG reduction goals via legislation under AB 32 (2006) and SB 32 (2016). AB 398 (2017) extended and reformed cap-and-trade through 2030. **Privileged – First Amendment**

Privileged – First Amendment

Reducing GHG emission through a well-designed cap-and-trade system is more cost-effective than direct regulations. AB 398 includes provisions that mitigate Chevron's compliance costs and

[1] Scope 1 refers to emissions generated on-site as a result of our operations. Scope 2 represents indirect GHG emissions from consumption of purchased electricity, heat or steam used in our operations. Scope 3 emissions are the results of activities from assets not owned or controlled by the reporting organization, but that the organization indirectly impacts in its value chain.

increase legislative oversight over the California Air Resources Board (CARB). CARB is implementing AB 398's cost containment measures through its revision of the 2017 Scoping Plan, expected in late 2018.

Transportation

<u>International Transportation Policy:</u>

Fuel Standards: Many governments are taking steps to establish or increase renewable fuel standards. For example, based on climate concerns, the European Union is poised to require 12% renewable fuels (excluding palm oil and other food-based biofuels). Privileged – First Amendment

Privileged – First Amendment

Vehicle Standards: While many governments have stated aspirational goals to ban the internal combustion engine (ICE), as of May 2018, only one country, has passed legislation (Norway, April 2018). Additional government action is likely, but timing and scale is unclear. Governments are motivated by a variety of factors like air quality concerns, economic development, and GHG reduction goals. Privileged – First Amendment

Privileged – First Amendment

International Maritime Organization (IMO): On April 13, 2018, the IMO adopted an initial GHG strategy for the shipping industry to reduce average carbon intensity (emissions per unit of work) by 40% by 2030 and 70% by 2050 and total sector emissions by 50% by 2050 (all from a 2008 baseline). Revisions of the initial strategy are expected to be completed by 2023. The GHG targets follow IMO sulfur rules established in 2016 for significant reductions beginning in 2020. Privileged – First Amendment

Privileged – First Amendment

Privileged – First Amendment While Shipping has low-impact compliance options, refining may experience product demand shifts that could require significant investments.

<u>U.S. Transportation Policy:</u>

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Privileged – First Amendment Despite a high level of attention from White House, a stalemate in Congress on the RFS continues. This makes repeal or significant reform of the RFS unlikely in the near-term. Real progress on RFS reform is most likely to come from regulatory action by EPA. By June 2019, EPA is required to establish a new RFS schedule for 2021 and subsequent years. Within this reset process, EPA has significant discretion to determine the future stringency of RFS mandated volumes. Privileged – First Amendment

Privileged – First Amendment

CAFE Standards: On April 2, 2018, EPA announced that it would withdraw and replace the Obama EPA's vehicle emissions standards for model years 2022-2025. The revised standard will be part of a future rulemaking, expected in 2020. A lower standard could impact future fuel demand and the types of vehicles auto manufacturers produce. EPA also indicated that, as part of the future rulemaking, it might revise or revoke the "California Waiver," allowing California to set its own more stringent vehicle emissions standards.

On May 1, 2018, California, 16 states and the District of Columbia, representing 40% of the U.S. vehicle market, filed a Petition with the D.C. Circuit Court of Appeals against EPA to preserve their more stringent standards. If California loses its waiver, it may compensate by developing or accelerating other environmental programs to meet its GHG goals. This could mean more stringent Low Carbon Fuel Standards or additional emission limits on upstream and downstream operations. Privileged – First Amendment

Privileged – First Amendment

Air and Water

International Water: Chevron conserves fresh water in both international and domestic operations by reusing, recycling, and reducing the amount of water used. Chevron reports water use metrics in our Corporate Sustainability Report.

While the oil and gas industry is not a major user of water, there is likely to be continued scrutiny of water sourcing from growing public, media, and governmental attention, regarding the beneficial use, and disposal from both international and domestic jurisdictions.

International Air: This issue continues to be addressed through national regulations.
The most common air quality challenges relate to high levels of particulate matter, ozone, and/or sulfur oxides. Depending on the regional government's approach to addressing air quality, the impacts on the oil and gas industry can vary greatly. For the industry, the most common regulations focus on reducing emissions from flaring, venting, combustion, and equipment leaks. There is a general trend to further ratchet down on emissions, placing pressure on our operations. **Privileged – First Amendment**

Privileged – First Amendment

U.S. Water: There is growing interest in water sourcing, beneficial uses for produced water, and disposal in the U.S. On May 2, 2018, EPA announced the launch of a study of upstream waste waters. **Privileged – First Amendment**

Privileged – First Amendment

Legal challenges of the 2015 Clean Water Rule (WOTUS), which redefined which waterways fall under federal jurisdiction, continue. The Obama EPA's proposed definition would require new and existing facilities (refineries, terminals, pipelines, drill pads) to acquire new or modifying existing Clean Water Act permits, resulting in increased costs, delayed projects, and added regulatory burdens. The EPA is expected to propose a revised WOTUS rule in August 2018 and try to finalize it in late 2019. Chevron is engaged directly and through associations.

U.S. Air: The Administration continues to focus on reducing the overall burden and complexity of federal air quality permitting and regulations. While Chevron's operations in more conservative states will be able to take advantage of these fixes, it is unlikely that our operations in more progressive states will have the same opportunity.

In general, the National Ambient Air Quality Standards (NAAQS) for ozone and particulate matter (PM) continue to be the largest driver of cost on industry. The Ozone NAAQS was revised down to 70 ppb in 2015, and will impact our operations in Los Angeles, San Joaquin Valley, Salt Lake, and the San Francisco Bay Area. Chevron is working with EPA to pursue relief through implementation assistance. EPA recently initiated a review of the 2012 standard for PM NAAQS to determine if a lower standard is justified given recent science. The review is expected by 2022.

Access and Infrastructure

In the U.S., resource access restrictions are primarily driven by: 1) federal minerals leasing policy for onshore and offshore resources; 2) state regulatory hurdles for resource development; and 3) activist driven local ordinances and ballot restrictions.
The Administration is pursuing a pro-development federal oil and gas resources policy and has committed to holding regular onshore/offshore leasing rounds. Producing states continue to focus on regulating safe operations, though some progressive states (NY, CA, CO) are attempting to target specific operating

practices (e.g., hydraulic fracturing and produced water injection) as a rationale to restrict on oil and gas development.

Taxes

U.S. Tax Reform: At the end of 2017, the U.S. government enacted a broad set of fundamental changes to U.S. tax law in the Tax Cuts and Job Act (TCJA). As a result, Chevron may avoid material negative impact from the changes and see significant potential benefits in years ahead.

Key take-aways from the TCJA include a reduced U.S. federal corporate tax rate from 35% to 21% and the repeal of the corporate alternative minimum tax. Additionally, certain tangible personal property acquired in the U.S. before 2023 may be eligible for 100 percent immediate expensing/deduction. The TCJA included a 100 percent deduction for most distributions from foreign corporations. It also allowed for a one-time repatriation of foreign earnings that occurred at the end of 2017, which had an immaterial impact to Chevron.

Two new international tax provisions in the TCJA include a tax on Global Intangible Low Taxed Income and the Base Erosion and Anti-Abuse Tax. Without Chevron's engagement, these taxes could have a significant impact. Regulation to implement the TCJA is expected later in 2018 and into 2019.

State Severance Taxes: State governments and initiative proponents continue to pursue severance taxes on oil and/or gas production in some Chevron operating areas.

In Colorado, ballot measure #94 aims to increase by 10 percent the current severance tax on oil and gas operators generating over $300,000 in gross annual revenue. Proponents of this initiative are currently gathering signatures to qualify it for the November election. In Pennsylvania, Governor Wolf (D) continues longstanding efforts to establish a volumetric natural gas severance tax tied to Henry Hub pricing; a severance tax bill is under review in the state legislature. West Virginia Governor Justice (R) has proposed an increase in the natural gas severance tax as a means to fund increased pay for teachers.

A severance tax on oil production in California will not be pursued legislatively or by initiative proponents in 2018. Privileged – First Amendment

Privileged – First Amendment

Trade and Investment

Trade Agreements: The Administration continues to pursue an "America first" trade policy. Renegotiations of the North American Free Trade Agreement stalled over disagreements over: 1) investment protections and the investor-state dispute settlement (ISDS); 2) a sunset clause allowing parties the ability to withdraw every five years; and 3) a mandate parties source a higher minimum of auto content from the U.S. A vote by Congress on NAFTA may not occur until after the mid-term elections. In March 2018, the U.S. and Korea concluded negotiations on their trade agreement. The U.S. received minor concessions and ISDS was maintained.

Steel Tariffs: On March 8, President Trump announced a 25 percent tariffs on steel imports and provided a process for companies to apply for product exclusions. The Administration reached agreements with South Korea, Argentina, Australia and Brazil to limit steel imports and, in exchange, granted them permanent exemptions from the tariffs. Tariffs were imposed on May 31 on the EU, Mexico, and Canada. Privileged – First Amendment

Privileged – First Amendment

China: In March, the President directed the U.S. Trade Representative to take public comments on the imposition of 25 percent tariffs on $50 billion of imported goods from China to address predatory investment and trade practices. The first phase of U.S. tariffs went into effect on June 15, 2018. Chinese retaliatory tariffs included crude oil and chemicals. The second phase of tariffs could be implemented in August. Chevron's anlalysis indicates impacts include modest supplier price increases and potential loss of future business in China.

The Administration may also announce new investment restrictions on foreign direct investments and enhanced export controls on Chinese persons and entities. It has also been working with Congress to advance legislation to restrict Chinese investments in critical U.S. technologies by modernizing the legal authority of the Committee on Foreign Investment in the U.S. Both the Senate and House have psssed legislation which is now being reconciled in conference. Privileged – First Amendment Privileged – First Amendment both bills scaled back provisions related to export controls and joint ventures connected to outbound U.S. investment.

Sanctions

The Administration and Congress continue to use sanctions as a foreign policy tool. Chevron remains actively engaged in monitoring signposts for additional sanctions as noted below.

Russia: Chevron mitigated the impacts of the August 2017 sanctions to our business related to pipelines, licensing, and Russian project ownership. Russia railways remain on the list of discretionary sanctions. In April 2018, several Russian oligarchs and 17 senior government officials and companies they own or control were sanctioned. Privileged – First Amendment

Privileged – First Amendment

Venezuela: In August 2017, the Administration imposed financial sanctions prohibiting, among other activities, U.S. persons and entities from participating in the distribution of profits from subsidiaries controlled by the Venezuelan government and from issuing new debt and extensions of credit to PDVSA with a maturity of +90 days. Privileged – First Amendment Privileged – First Amendment Privileged – First Amendment Following the May 20 presidential elections, the U.S. and other countries imposed further targeted travel, asset, and financial sanctions.

Iran, North Korea, and Myanmar: On May 8, 2018, President Trump announced the U.S. would cease its participation in the Joint Comprehensive Plan of Action, and begin re-imposing U.S. nuclear-related sanctions. A National Security Presidential Memorandum was issued directing the Treasury Department and other agencies to implement this decision. Chevron continues to monitor the issue for potential market or competitor impacts.

In September 2017, President Trump broadened the Treasury's authority to sanction entities trading or providing financing to North Korea. Congress passed financial sanctions, but additional measures are on hold following President Trump's meeting with North Korea's leader in Singapore. The potential remains for additional sanctions should diplomacy fail.

Privileged – First Amendment

Due to violence against the Rohingya by Myanmar's military, the Administration may impose sanctions against Myanmar officials. The House of Representatives has passed legislation authorizing targeted sanctions military and security forces involved in human rights abuses; action is pending in the Senate. There is currently no discussion of sectoral sanctions, but we continue to monitor developments.

Slides Not Included in Director's Pre-read


Chevron
human energy
Government Affairs Update
Maria Pica Karp
Public Policy Committee
July 24, 2018
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Confidential
PPC July 2018

Agenda

- Overview
- Federal landscape
- State landscape
- International landscape
- Looking ahead

Overview

President Trump delivering on campaign promises

'America First' agenda pursued

Industry opposition is state focused

Allies and adversaries adjust to non-traditional foreign and trade policy

Privileged – First Amendment

Key campaign promises

- ✓ Paris agreement
- ✓ Iran nuclear deal
- ✓ Trade reset
- ✓ Tax reform
- ✓ Affordable care act
- ✓ Regulatory reform

Federal landscape
Agenda set, execution ongoing

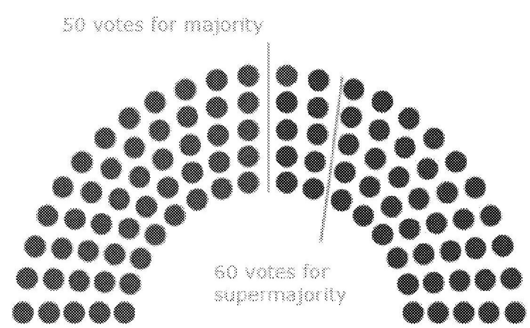
Regulatory reform agenda underway

Senate focus on judicial appointments

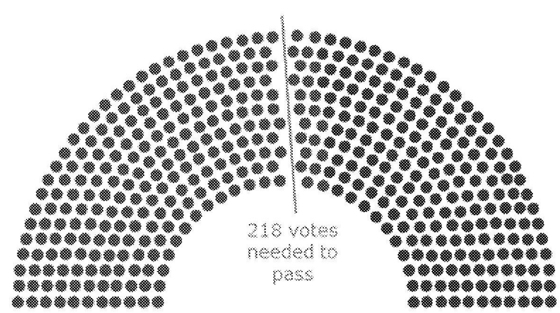
2018 mid-terms driving policy

Privileged – First Amendment

Senate
51 R / 49 D



House of Representatives
240 R / 195 D



State landscape

Activists concentrated and motivated

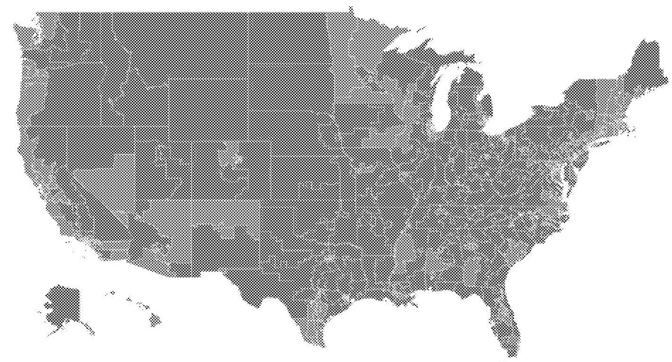
States countering federal actions

Electorate is geo-sorting

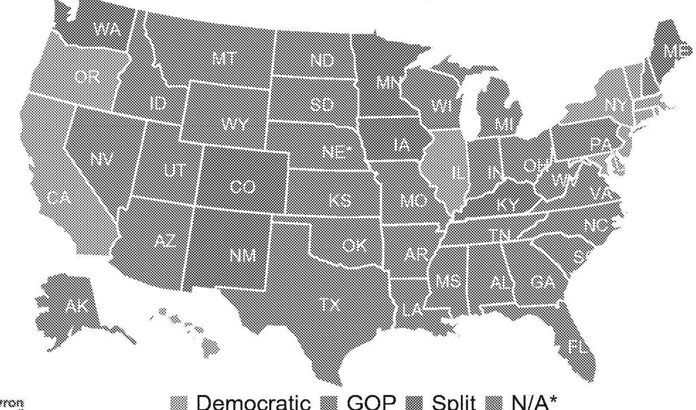
Activists focusing locally

Privileged – First Amendment

2016 House election results by district



Control of state legislatures



International landscape
Growing complexity challenges U.S. influence

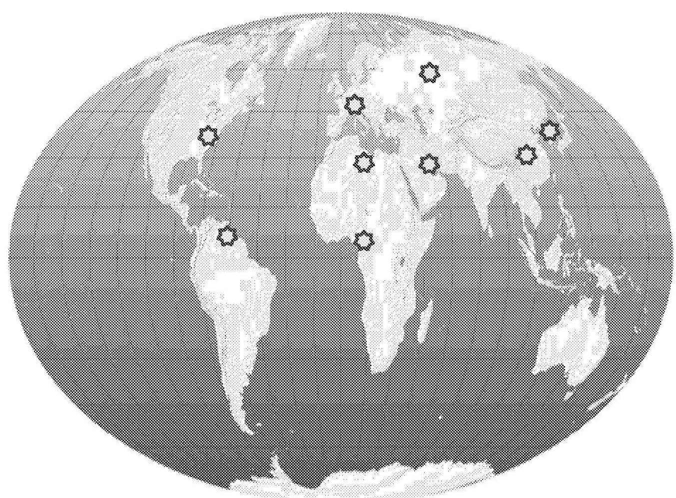
Transactional approach to allies

Sanctions and tariffs as tools

Renegotiate trade deals

Privileged – First Amendment

Near-term Chevron watchpoints



Global geopolitical and policy issues create uncertainty

Looking ahead

The new normal

Non-traditional approach to governing

Complex, evolving global landscape

2018 election outcome uncertain

Privileged – First Amendment

Republican Congress

Privileged – First Amendment

Divided Congress *(House flips)*

Privileged – First Amendment

Democrat Congress

Privileged – First Amendment


Discussion

Tab 4

Key Country Summaries

Chevron

Global Issues & Public Policy
Key Country Summaries

Board of Directors
Public Policy Committee

July 24, 2018

KEY COUNTRY SUMMARIES

Financial and Operating Statistics

	Net PP&E & Equity Investment (12/31/2017) [1]		3-Year C&E (2018-2020)		Upstream Production OEG (MBD, 2017)		Net Income (2017) [2]	
	$B	%	$B	%	Net OEG	%	$B	%
1. United States	59.0	28.1	25.3	46.4	681	25.0	1.9	20.8
2. Australia								
3. Nigeria								
4. Kazakhstan								
5. Canada								
6. Angola								
7. Thailand	Redacted – Business Confidential (non-U.S. operation risk analysis)							
8. South Korea								
9. Indonesia								
10. United Kingdom								
All Other								
Total								

1. Investment reflects Book Value (not Fair Value)
2. Net Income includes interest and foreign exchange impacts, as well as operational earnings
3. The data contained in the chart and following one-pagers has not changed materially since the July 2015 update.

United States

Political landscape

- *Domestic Politics:* Since entering office in 2017, the Trump Administration and Congress has focused on the U.S. economy, security, and trade. It has passed tax reform and continued efforts to roll back Obama-era energy and environmental regulations. The President's immigration policies have met resistance in the courts and his trade policies are facing opposition from domestic regions and sectors targeted by trading partners, such as the agriculture and energy. The Administration's foreign policy agenda has upheld a transactional approached, including trade, sanctions, withdrawals from agreements, and key countries (China, Iran, and North Korea).

- The November mid-terms remain difficult to predict given Congressional Republican retirements and solid performances by Democratic candidates in recent primary and special elections. The possibility of a transition in the House exits with a lower probability in the Senate. However, President Trump's approval ratings, U.S. economic developments, and/or geopolitical events will play a key role in the mid-term elections.

- *Geopolitics:* The Administration's nontraditional, transactional, and direct approach towards foreign policy is likely to continue. Uncertainty on trade will remain for trading partners, allies, and companies. For the energy sector, sanctions and trade will remain watchpoints. New areas for foreign policy and energy cooperation, which could including increased U.S. energy exports, may develop with China, India, Japan, and Southeast Asia.

Policy Risks and Trends

- *Focus on regulatory reform*: Regulatory reform continues to be a key priority for the Administration and Congressional Republicans. The Administration continues to delay implementation, repeal, or consider key regulations, including the Clean Power Plan and methane regulations among others. Congressional negotiations continue around the Renewable Fuel Standard.
  - While the Administration has embraced an "energy dominance" agenda, the regulatory reform process is lengthy, is subject to litigation, and open to changes by future Administrations. Final rulemakings under the current Administration are not expected for an additional 1-2 years.
  - Its use of executive-level authority leaves open the possibility for a future Administration to reshape the regulatory environment again, underscoring the need for durable regulatory reform efforts.

- *Growing state-level activity*: In the absence of federal-level climate policy action, state lawmakers are proposing and adopting policies to reduce emissions. As of July, 20 states and the District of Columbia have adopted climate change policies, including cap-and-trade programs in California, and low carbon fuel standards in nine northeastern states. Washington and Massachusetts policymakers are likely to propose carbon pricing legislation in 2019.

- *Activists work is multi-faceted:* Off-oil activism is present at both the state and local political levels. Activist efforts are primarily directed toward ballot initiatives in purple and blue states, litigation, and the invest community. Leading environmental NGOs are focused on implementing a strategy that emphasizes grassroots action to convince the public and other sectors that fossil fuels are not necessary to power society. Several initiatives underway at the state- and local-level to accelerate the transition to a lower-carbon economy, including a bipartisan coalition to support climate actions in line with the goals of the Paris Agreement.

- *Tariff actions may impact Chevron*: In March 2018, President Trump ordered new tariffs on imported steel and aluminum goods. Japan, Mexico, and the EU countries are key suppliers of steel products for Chevron under current procurement practices. These regions may be a target for long term reductions in steel imports. In addition, on June 15, the Administration announced tariffs on $34 billion of Chinese goods, and is likely to impose additional tariffs on $16 billion of Chinese goods in August.

- *Sanctions:* The Trump Administration and Congress continue to rely on sanctions as a foreign policy tool, which creates risks for Chevron's international operations, including Kazakhstan and Venezuela. In-country developments in Myanmar and the evolving bilateral relationship with North Korea and Iran create uncertainty and raise the risk of secondary sanctions.

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Redacted – Business Confidential (non-U.S. operation risk analysis)

Kazakhstan

Redacted – Business Confidential (non-U.S. operation risk analysis)

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Angola

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Thailand

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Indonesia

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United Kingdom

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Venezuela

Redacted – Business Confidential (non-U.S. operation risk analysis)