



Dale A. Walsh
Vice President, Corporate Affairs

July 24, 2019

Dr. Wanda M. Austin, Chair
Dr. Alice P. Gast
Mr. Enrique Hernandez, Jr.
Ms. Debra Reed-Klages

Public Policy Committee Meeting
July 30, 2019

A meeting of the Public Policy Committee is scheduled for Tuesday, July 30, 2019, from 9:45 a.m. to 10:45 a.m. PDT, in the Private Dining Room at Casa Palmero, Pebble Beach, California.

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

- Amendment to the Public Policy Committee Charter;
- Company and Chevron Employee Political Action Committee political contributions, direct and indirect lobbying expenditures, and policy priorities for 2019 and 2020;
- U.S. legislative, regulatory, policy, and political developments; and
- International policy and political landscape.

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.

The July 30 joint BN&GC and PPC meeting materials will be sent to you separately.

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

Corporate Affairs
Chevron Corporation
6001 Bollinger Canyon Road, San Ramon, CA 94583-2324

**CHEVRON CORPORATION
PUBLIC POLICY COMMITTEE**

**JULY 30, 2019, 9:45 – 10:45 A.M.
CASA PALMERO – PRIVATE DINING ROOM
PEBBLE BEACH, CA**

AGENDA

Time	Tab	Topic (Presenters)
9:45 a.m.	1	Minutes * (Chair) Review and approve the minutes of the March 26, 2019 Committee meeting.
9:50 a.m.	2	Amendment to the Public Policy Committee Charter (Dale Walsh)
9:55 a.m.	3	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 2019 and 2020.
10:15 a.m.	4	Government Affairs Update (Maria Pica Karp) <ul style="list-style-type: none">• Discuss U.S. legislative, regulatory, policy, and political developments• Discuss international policy and political landscape
10:45 a.m.		Adjourn
	5	<u>Information Item:</u> Key Country Summaries

* Items needing motion, second, and approval.

**CHEVRON CORPORATION
PUBLIC POLICY COMMITTEE
MARCH 26, 2019**

MINUTES

A regular meeting of the Public Policy Committee (“Committee”) of the Board of Directors of Chevron Corporation (“Corporation”) was held at the Chevron office in Houston, Texas, on March 26, 2019, at 3:08 p.m.

Members Present:

Wanda M. Austin, Chairperson
Alice P. Gast
Enrique Hernandez, Jr.
Debra Reed-Klages

Also present were Dale A. Walsh (Secretary), David Payne, Michael Rubio, and Kari H. Endries.

Dr. Austin 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 29, 2019, were reviewed and, on motion duly seconded, unanimously approved.

Mr. Walsh reported on the Corporation’s involvement with and annual review of the American Legislative Exchange Council. A discussion ensued.

Mr. Payne discussed the Corporation’s framework for its new environmental process and risk-based approach to assess and manage environmental, social, and community impacts across the life of its assets. He discussed how the Corporation measures its environmental performance, including petroleum spill volume, greenhouse gas emission, flaring volumes, methane intensity, and fresh water management. Questions were asked and answered.

Mr. Payne described the Corporation’s environmental reserves and top remediation projects, including the Corporation’s proposal to convert decommissioned offshore oil and petroleum rigs into artificial reefs (Rigs-to-Reefs) in California.

Mr. Payne left the meeting. Mr. Walsh discussed internal and external feedback to the Corporation’s climate disclosure update including a summary of employee and press reactions. Mr. Rubio discussed the reactions from his engagements with investors and proxy advisors. He provided an update on the conflicts and lobbying disclosure proposals.

Messrs. Walsh 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

Privileged – ACP/WP

Privileged – ACP/WP

Privileged – ACP/WP

Privileged – ACP/WP

Privileged – ACP/WP

Privileged – ACP/WP

Privileged – ACP/WP

Privileged – ACP/WP

Corporate Affairs: Political Contributions, Lobbying and CEPAC
Chevron Board Public Policy Committee, July 30, 2019

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 Australia. Chevron maintains comprehensive policies, processes and training regarding our contributions and lobbying. Key industry issues that we lobby on include climate, regulatory reform, environment, energy development, international issues, and research.

Risk, Training and Transparency

- Each year the Vice President, Corporate Affairs provides an assessment of the enterprise-wide risk associated with political contributions and U.S. lobbying activities. In 2018, the risk level—and the controls in place to mitigate risks associated with political contributions and lobbying—were both rated “high”. Political Compliance Education Program training is deployed every two years to identified personnel, and training is 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. Trade association memberships where dues paid are over \$100M/year, and a portion of the dues may be used for lobbying are also posted. These organizations represent over 95 percent of the company’s annual trade association expenditures.

Corporate Political Contributions

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

Privileged – First Amendment

Privileged – First Amendment

Lobbying Activity

Chevron engages in direct and indirect lobbying activities. We lobby directly through employee lobbyists in our Washington and state offices as well as through contract lobbyists. Chevron also lobbies indirectly through national, regional and state industry and trade associations. We are members in over 80 associations that are held by various functions in Chevron. Industry associations are reviewed on an annual basis as part of Gov’t Affairs’ budget process.

Federal Lobbying

Privileged – First Amendment

Privileged – First Amendment

Privileged – First Amendment

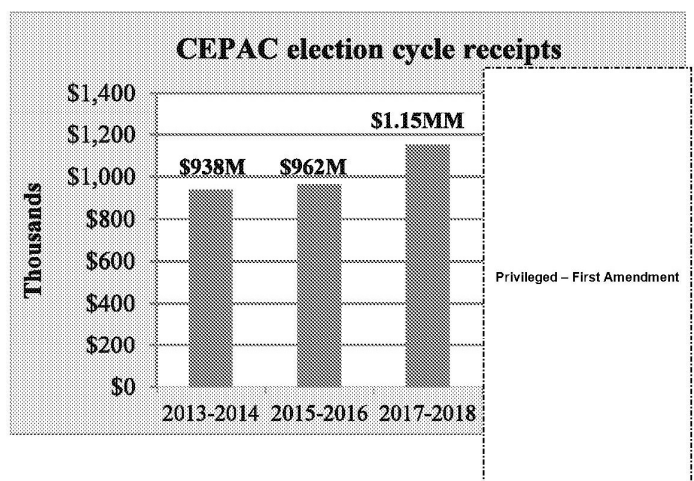
Chevron Employees Political Action Committee (CEPAC)
CEPAC makes contributions to federal candidates as well as in the key operating states of Pennsylvania, Texas and West Virginia where corporate contributions are prohibited.

- Funds are provided to pro-business federal and state candidates, leadership PACs and political parties where allowed by law. CEPAC is non-partisan.
- Funds are not provided to Presidential candidates.
- CEPAC currently has 935 members

Privileged – First Amendment

Privileged – First Amendment

- Solicitation of PAC-eligible employees continues primarily through engagements by PAC board members.
- The retirement of PAC members drives member attrition and makes growth goals challenging.





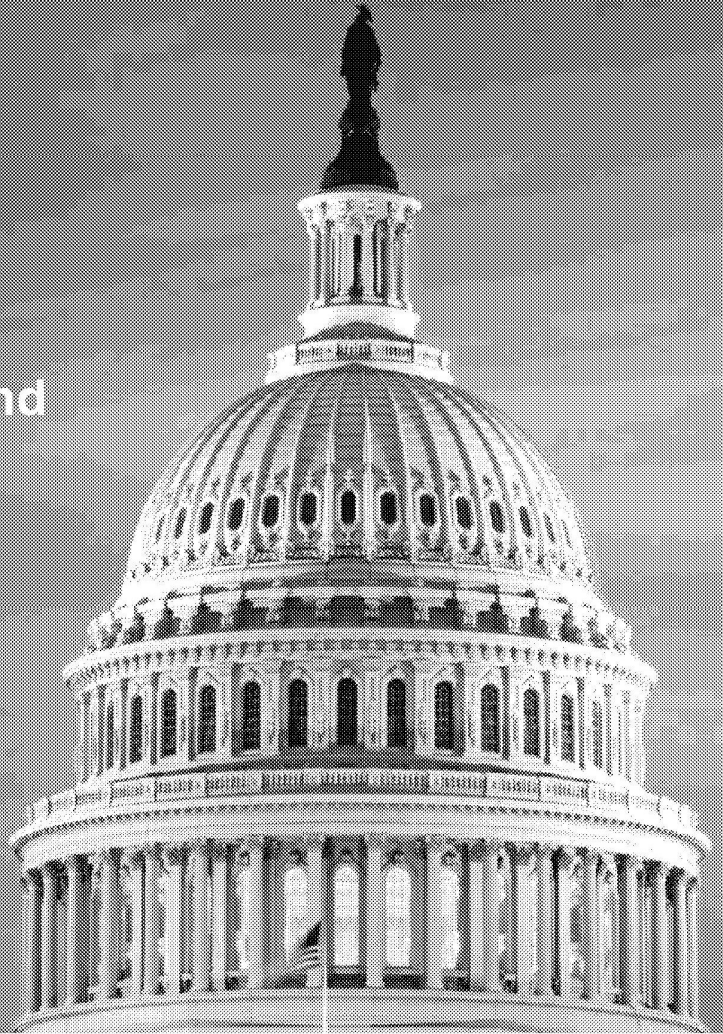
Chevron

human energy[®]

2018 – 2019 Political contributions, lobbying and CEPAC

Lloyd Avram
San Ramon - July 30, 2019

© 2019 Chevron



Key topics

- Political contributions
- Lobbying activity - direct and indirect
- Employees political action committee (CEPAC)
- Investment value



Political contributions

Privileged – First Amendment

Direct lobbying: 2018 – 2019

Privileged – First Amendment



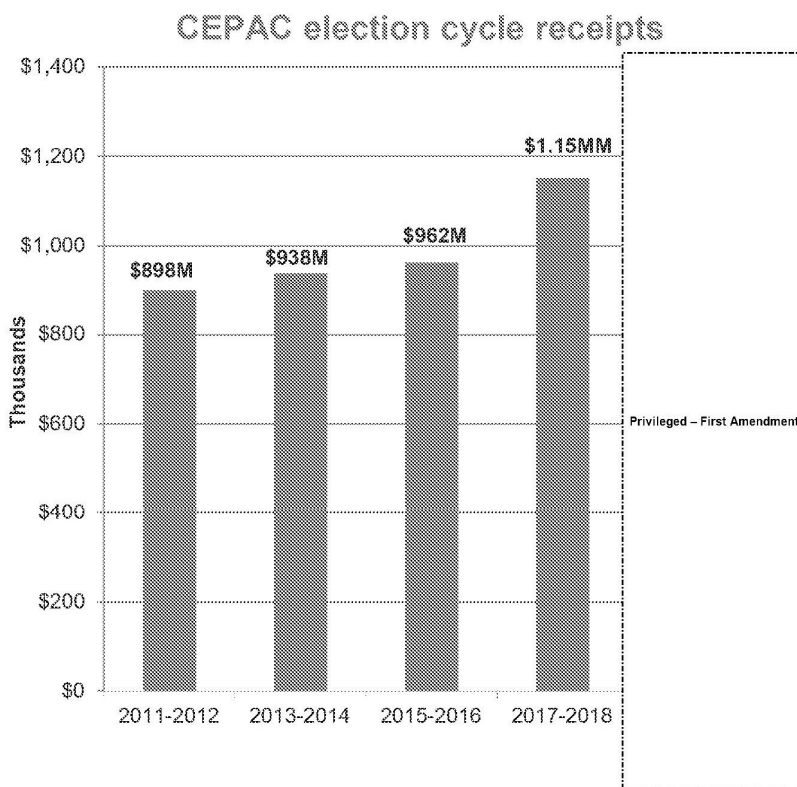
Indirect lobbying: 2018

- Chevron has membership in over 80 trade and industry groups
- Lobbying allocations to top five = Privileged – First Amendment

Privileged – First Amendment



Chevron employees PAC (CEPAC)



Privileged – First Amendment



Case study:

Privileged – First Amendment

Privileged – First Amendment



Case study:

Privileged – First Amendment

Privileged – First Amendment

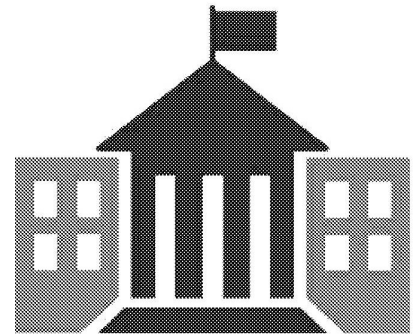


Delivering new value

Government Affairs continues to innovate

- Augmenting political planning and research
 - Joint Federal and State Gov't Affairs planning
 - Adding new political research analyst role

- Leveraging digital tools
 - Creating digital scenario planning forecasting tool
 - Deployed digital legislative and issues data tool



Privileged – First Amendment





Public Policy Update

Board of Directors

Public Policy Committee

July 30, 2019

Confidential – Restricted Access
Public Policy Committee – July 2019

This brief provides an update on international, U.S. federal and state policy activities, including updates on Climate, Off-Carbon Activism, Transportation, Environmental Policy, Access and Infrastructure, Upstream Regulatory Controls, Taxes, Trade, and Sanctions.

Public Policy Overview

The U.S. and international landscapes continue to be dynamic. The Trump Administration's "America First" agenda is driving opportunities and risks. Momentum for regulatory reform remains but has slowed; trade tensions have escalated; climate activism and the legislation it inspires is increasing in the states; and geopolitical tensions are rising.

Privileged – First Amendment

Privileged – First Amendment

International Climate Change Policy

Over 180 nations recognize the Intergovernmental Panel on Climate Change scientific assessment of global warming at 1.5 °C and agreed to the Paris framework for nationally determined contributions (NDCs). In parallel, governments in countries where Chevron operates are designing and adopting policies to reduce GHG emissions at varied paces and scopes. Examples include planned bans on internal combustion engines, and efforts by governments to increase procurement of renewable energy. Policymakers are also beginning to link their NDCs with United Nations Sustainable Development Goals (SDG).

Privileged – First Amendment

More than half of Chevron's total Scope 1 and Scope 2 equity GHG emissions are in regions with existing or developing carbon pricing policies. Outside of the U.S., this includes:

Canada, Mexico, Singapore, Colombia, China, South Korea, Kazakhstan, Argentina, and the UK. Given Australia's recent election, there is uncertainty whether new carbon pricing regulations will be adopted.

U.S. Federal and State Climate Change Policy

Climate change is gaining attention in Congress with 12 different committees holding 50 hearings as of June 14. Democrats have focused on local impacts, calls for action, and climate science. Republicans have avoided discussions of climate science, raised the need for innovation, and highlighted actions being taken. Climate hearings are expected to continue up to the 2020 election as Democrats believe the hearings could help win over independent voters. The Trump Administration has not prioritized federal climate action. Major climate legislation is not expected, however, a narrower proposal that supports innovation and technology may be considered.

Methane: The Administration is reconsidering elements of Environmental Protection Agency's (EPA) New Source Performance Standard for the Oil and Gas Sector. Changes to the rule will revise technical requirements and target reduction of volatile organic compounds with the co-benefit of reducing methane. The Administration also recently finalized changes to the Bureau of Land Management's Methane and Waste Prevention Rule, making it more cost effective by focusing on preventing waste not air quality. The rule is undergoing legal challenges. Environmental NGOs are focused on state-level methane actions and appealing to investors.

At the state level, the governor of New Mexico signed an executive order directing agencies to develop state methane rules. Pennsylvania developed new methane requirements in permits for new sites and is developing methane requirements for existing sources. Colorado has a regulation and started a new stakeholder process to consider additional requirements. These rules are likely to add cost and administrative burden but have not constrained operations to date.

Privileged – First Amendment

Privileged – First Amendment

CVX is a founding member of API's Environmental Partnership and has joined the Methane Guiding Principles and Oil and Gas Climate Initiative (OGCI). Both initiatives set standards for reporting and reducing methane and other emissions.

State Climate Policy: Adoption of, and efforts to expand, climate policy across the U.S. continues to increase. Twenty-four states have signed on to the U.S. Climate Alliance, pledging to meet U.S. GHG reductions under the Paris Agreement. Other examples of state action include:

- Before leaving office, California Governor Brown signed an Executive Order setting a goal for the state to be carbon neutral by 2045 and net negative thereafter.
- Nine Northeastern and Mid-Atlantic states and the District of Columbia are reducing GHG emissions from the power sector under the Regional Greenhouse Gas Initiative (RGGI). New Jersey and Virginia are expected to join RGGI in 2020 or 2021.
- 12 states endorsed the Georgetown Transportation Climate Initiative which recommends states include transportation fuels in a market-based mechanism.

Climate legislation was introduced in 2019 in Washington, Oregon, Nevada, Colorado, New Mexico, New Jersey, and Virginia. Most bills were defeated or held for future sessions. Oregon's cap-and-trade bill failed to advance during the 2019 legislative session but is likely to resurface in 2020. Colorado passed two climate bills on GHG reductions, and Nevada is also likely to adopt, but not mandate, GHG reduction targets. Pennsylvania is considering adoption of a market-based mechanism.

Privileged – First Amendment

Privileged – First Amendment

Off-Carbon Activism

Off-carbon activism has proven to be durable, scalable, and successful by some measures. Apart from achieving a host of infrastructure delays, activists have established public support for their issues and have influenced legislation and regulation at many levels of government. Activists are shifting from an attack on fossil fuel supplies to reducing fossil fuel demand. Their core strategies are to:

- Delay or stop infrastructure development;
- Engage in local initiatives;
- Vilify fossil fuel companies as responsible for climate change; and
- Promote clean technology as an immediately scalable, viable alternative.

Domestically, 900 NGOs have taken at least one action against the industry since 2013. These NGOs have annual revenues of \$6B and employ approximately 40,000 people. A report issued by the U.S. Chamber of Commerce last year found that activists cost the U.S. economy \$92B in lost GDP from stopped or delayed Upstream infrastructure projects from 2013 – 18.

Privileged – First Amendment

Privileged – First Amendment

International Transportation Policy

Fuel Standards: Many governments are taking steps to establish or increase alternative fuel usage. For example, the European Union is poised to require a 10% share of biofuels in the transportation sector by 2020, and Japan has a target of 320 hydrogen fueling stations by 2025.

Privileged – First Amendment

Vehicle Standards: Governments are considering banning the sale of new internal combustion engine vehicles (ICEVs). Densely populated cities are taking actions to limit access to gasoline and diesel vehicles on their streets. Government action is motivated by air quality concerns, economic development, and GHG reductions.

Privileged – First Amendment

U.S. Transportation Policy

Renewable Fuel Standard (RFS): Privileged – First Amendment

Privileged – First Amendment

E15 RVP Waiver: On March 12, 2019, the EPA proposed a rule to facilitate year-round sales of gasoline containing up to 15% ethanol (E15 RVP waiver). Privileged – First Amendment

Privileged – First Amendment

Privileged – First Amendment

CAFE Standards: Final EPA rules to replace the Obama Administration's vehicle GHG-emissions and fuel-economy standards for model years 2022-2025 are expected in Summer 2019. EPA has also indicated that it might revise or revoke federal "California Waivers" that historically allowed the state to set more stringent vehicle emissions standards. If California loses its waiver(s), it may develop or accelerate other state environmental programs to meet its GHG goals, including more stringent emission limits on upstream and downstream operations. Privileged – First Amendment

Privileged – First Amendment

Federal EV Tax Credit: The Driving America Forward Act was introduced in Congress on April 10, 2019 to extend the federal electric vehicle tax credit that to-date has predominantly benefited Tesla and GM. Privileged – First Amendment

Privileged – First Amendment

Environmental Policy

Cost-Benefit Analysis (CBA): The EPA has begun rulemaking for each program office (Air, Water, Waste, and others) to establish their regulations governing the procedures and methods used by staff when performing CBA. It is likely that the Office of Air and Radiation, which governs the Clean Air Act, will be EPA's top priority.

CBA regulations are expected to address industry concerns over EPA's past calculation methods that often overstate benefits and underestimate costs allowing EPA to justify inefficient regulations. These new CBA rules are expected to provide structural process reforms to ensure future EPA regulations are more balanced.

Privileged – First Amendment

U.S. Air: The Administration continues to focus on reducing the overall burden and complexity of federal air quality permitting and regulations. Progressive states, including California, Oregon,

Washington, and Colorado may resist implementation of reforms.

The National Ambient Air Quality Standards (NAAQS) for ozone and particulate matter are the largest cost drivers on industry for federal air quality regulations. The Ozone NAAQS was revised down to 70 ppb in 2015, and will significantly impact our operations in Los Angeles, San Joaquin Valley, Salt Lake, Houston, and the San Francisco Bay Area.

Privileged – First Amendment

Privileged – First Amendment

EPA is currently in process of reviewing the particulate matter and Ozone NAAQS to determine if lower standards are justified given recent science. While EPA aims to conclude this review by 2020, it will likely be left to the next Administration to complete.

U.S. Water: There is growing government and public interest in water sourcing, beneficial uses for produced water, and disposal. EPA held a public meeting in October 2018 and will release a produced water study in mid-2019.

Privileged – First Amendment

Privileged – First Amendment

On December 11, 2018, the EPA and U.S. Army Corps of Engineers released a proposed rule to replace the Obama Administration's 2015 Clean Water Rule. The revised rule will: (1) provide consistency with the Clean Water Act, Supreme Court jurisprudence, and the Administrative Procedure Act; (2) provide a clear, predictable, and administrable definition of waters of the U.S.; and (3) clearly delineate federal and state jurisdictions. The rule is expected to be finalized and adopted by the end of 2019.

Privileged – First Amendment

Privileged – First Amendment

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; (3) state and federal permitting policies that inhibit the installation of new

pipeline infrastructure; and (4) activist driven local ordinances and ballot initiatives.

On April 10, President Trump announced executive orders (EO) intended to speed up pipeline and other infrastructure approvals. The EOs also aim to limit activists' use of regulatory roadblocks; to review existing regulations for LNG by rail and export terminals; and to ensure greater interagency cooperation.

Outer Continental Shelf (OCS): On March 29, the U.S. District Court for the District of Alaska struck down President Trump's 2017 decision to reopen Alaska's Beaufort and Chukchi seas and canyon areas in the Atlantic to oil and gas exploration. This setback has temporarily reset the Interior Department's work on issuing a revised 5-year OCS leasing plan for 2019-2024, which would have included these areas. The plan elements addressing the Western and Central GOM are unaffected.

Privileged – First Amendment

Privileged – First Amendment

Well Control Rule: On May 2, 2019, the Bureau of Safety and Environmental Enforcement issued a final rule that increases alignment with API Standards, particularly on the maintenance and reliability of blowout preventer equipment.

Privileged – First Amendment

Upstream Policy

Policy proposals imposing new regulatory and operational restrictions on upstream operations continue to materialize in several states where Chevron operates.

Privileged – First Amendment

Privileged – First Amendment
Privileged – First Amendment We expect legislative discussions to continue in 2020. Additionally, Governor Newsom is considering policies that would limit the application of certain types of well stimulation techniques.

In Colorado, new legislation overhauled the Colorado Oil, Gas, and Conservation Commission (COGCC), gave local governments enhanced control over the surface siting of oil and gas facilities, and required the COGCC to adopt new regulations addressing public health and safety, air emissions, and other matters.

Privileged – First Amendment
The rulemaking will take up to 2 years.

Taxes

U.S. Tax Reform: In 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). Key aspects of TCJA include a reduced U.S. federal corporate tax rate from 35% to 21%; full and immediate expensing for some property; a one-time “deemed repatriation” tax on U.S. companies related to their offshore earnings in 2017; and two new international tax provisions.

Regulations implementing the TCJA are expected later in 2019 and in future years. **Privileged – First Amendment**

Privileged – First Amendment

State Severance Taxes: Chevron continues to monitor for new legislative and ballot initiatives promoting severance taxes on oil and/or gas production where we operate.

In Pennsylvania, Governor Wolf (D) continues efforts to establish a volumetric natural gas severance tax tied to Henry Hub pricing. West Virginia Governor Justice (R) has proposed an increase in the natural gas severance tax to fund increased pay for teachers.

Legislation proposing a 10% severance tax on oil production in California was introduced, but not considered. **Privileged – First Amendment**

Privileged – First Amendment

Trade and Investment

Trade Agreements: Following the successful renegotiation of NAFTA with Mexico and Canada in 2018, the new U.S.-Mexico-Canada Agreement (USMCA) faces an uncertain passage in the Democrat-controlled House. If Congress fails to pass USMCA this year, passage in election-year 2020 is unlikely. **Privileged – First Amendment**

Privileged – First Amendment

The Administration is working to conclude an agreement with China, following an increase in tariffs on \$200B of Chinese imports from 10 percent to 25 percent on May 10, 2019. Chevron does not import products from China and the impacts are minimal.

At the same time, the Administration is preparing to move forward on trade negotiations with the EU, Japan and the UK. **Privileged – First Amendment**

Privileged – First Amendment

Steel Tariffs/Quotas: On May 17, the U.S. agreed to lift tariffs on steel and aluminum from Canada and Mexico, with an agreement that those two countries would monitor and enforce measures to prevent Chinese steel from entering the U.S. through their ports. Chevron also succeeded in obtaining 4 product exclusions from these tariffs, received 2 denials, and has 1 request pending at the Commerce Department. Chevron advocated against the substitution of quotas for tariffs, which were also avoided.

Sanctions

Sanctions remain a favored tool for both the Administration and Congress to conduct foreign policy. There is growing bipartisan consensus that sanctions can produce change. **Privileged – First Amendment**

Privileged – First Amendment

Russia: The new 116th Congress has drafted three bills to punish Russia for its malign behavior, while the Administration continues to target individuals and entities under existing legislation. The three bills include sectoral energy sanctions which, if adopted, could impact Chevron’s ability to work with Russian

parastatals. **Privileged – First Amendment**

Privileged – First Amendment

Privileged – First Amendment We also continue to monitor the U.S. Government's response to Russian engagement in Venezuela.

Venezuela: In January 2019, National Assembly leader Juan Guaido claimed the title of Interim President of Venezuela. First recognized by the U.S., and now by more than 50 countries, Guaido seeks to remove President Nicolas Maduro. Because of the Administration's support for this objective, it has imposed sanctions on 91 individuals, 46 entities, 46 vessels and 2 aircraft carriers. CVX has been able to operate under a General License issued in February 2019 by the Treasury Department, which expires on July 27, 2019 at 12:01a.m. The Administration's desire for regime change is expected to prompt continued sanctions.

Congress has held multiple hearings on aspects of Venezuela policy, including sanctions ramifications, humanitarian aid, and potential U.S. military plans. The information-gathering phase is largely concluded. The House and Senate have passed sanctions language as part of a broader defense package. This sanction would target those contracting with the Maduro regime, but excludes entities with an OFAC license, including Chevron. The aim of the various bills under consideration is to provide U.S. financial support for humanitarian aid while also considering additional sanctions against the Maduro government if it does not vacate office.

Privileged – First Amendment

Iran: The U.S. decided on April 20, 2019 to end waivers to six countries that had previously been allowed to purchase limited amounts of Iranian oil. Analysts expect that this will take 700,000 b/d of Iranian oil off the market. Chevron continues to monitor the issue for potential market or competitor impacts.



Government Affairs Update

Public Policy Committee
July 30, 2019

© 2019 Chevron Corporation

Confidential

PPC July 2019

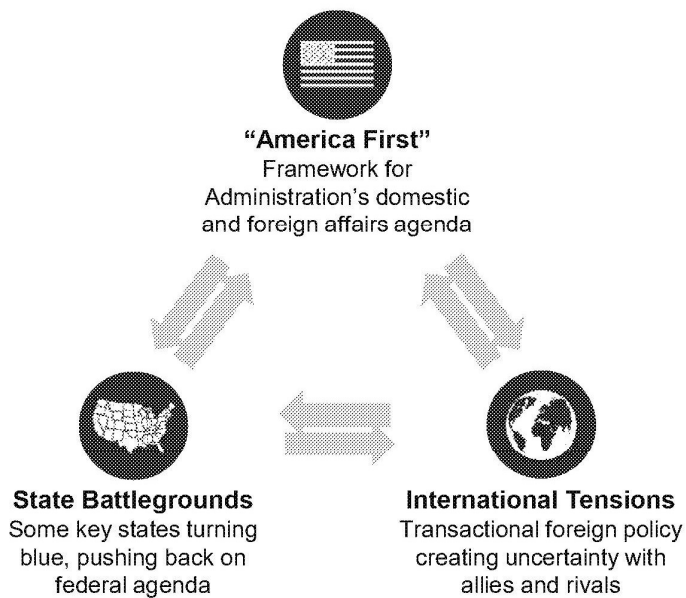
Agenda

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



Overview

Policy Issues increasingly connected



Privileged – First Amendment



Federal landscape

Agenda leading to 2020 elections

Current Issues



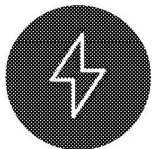
Administration

- Economy, trade, security, immigration



Democrat-Controlled House

- Consumer issues, oversight, climate change



Energy & Environment Regulations

- Methane, Outer Continental Shelf, Jones Act, Fuels, National Ambient Air Quality Standards, Cost Benefit Rule



2020 Elections

- House Democrats and Senate Republicans focused on retaining majority

Our Approach

Privileged – First Amendment



State landscape

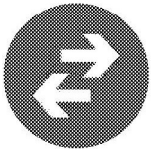
Dynamic political and policy environment

Current Issues



States countering Federal Gov't

- Climate actions through legislation, courts
- Direct impacts, precedent for future actions



Polarization/demographic shifts

- Industry's traditional base is diminishing
- CVX's operating states shifting "left"



Activists pivoting

- Growing influence and resources
- Shifting from supply to demand destruction



Build Up to 2020 Elections

- Threat of state-wide ballot initiatives
- Potential for more progressives to be elected in key operating states

Our Approach

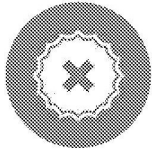
Privileged – First Amendment



International landscape

Increasing trade and geopolitical risks

Current Issues



Sanctions

- Russia, Venezuela key targets



Tariffs

- Tensions with trade partners



Trade Agreements

- Uncertainty on USCMA, others stalled



Geopolitical Tensions

- Russia, Venezuela, Iran, China, DPRK

Our Approach

Privileged – First Amendment



Looking Ahead

Volatile political environment persists



Federal



State



International

Privileged – First Amendment



Discussion





Public Policy Issues Brief Government Affairs

Major Global Issues
Key Country Summaries

Board of Directors
Public Policy Committee

July 30, 2019

KEY COUNTRY SUMMARIES

Financial and Operating Statistics

	Net PP&E & Equity Investment (12/31/2018) ¹		3-Year C&E (2019-2021)		Upstream Production OEG (MBD, 2018)		Net Income (2018) ²	
	<u>\$B</u>	<u>%</u>	<u>\$B</u>	<u>%</u>	<u>Net OEG</u>	<u>%</u>	<u>\$B</u>	<u>%</u>
1. United States	59.8	29.3	32.2	51.7	791	27.1	3.1	20.9
2. Australia	Redacted – Business Confidential (competitive financial information) (non-U.S.)							
3. Kazakhstan								
4. Nigeria								
5. Canada								
6. Angola								
7. Thailand								
8. South Korea								
9. Venezuela								
10. Argentina								
<i>All Other</i>								
Total								

1. “Net Property, Plant, & Equipment” and Equity. Investment reflects Book Value (not Fair Value)
2. Net Income includes interest and foreign exchange impacts, as well as operational earnings

United States

Political Landscape

Domestic Politics: The Trump Administration continues to focus on the U.S. economy, security, and trade. However, momentum for regulatory reform has slowed due to Congressional oversight. The Administration will need to rely heavily on **rulemaking and executive action to achieve the President's policy priorities. The President's insistence on border wall funding** has received push-back from both parties, which may complicate budget deadlines this Fall.

Given the Democratic gains in the 2018 midterms and looming 2020 elections, it is unlikely there will be many legislative **achievements. Congress'** full agenda in 2019 focuses on must-do spending bills, infrastructure, trade, and drug prices. Both parties are pushing for serious bipartisan discussion to solve as many of these issues as possible, but the constrained legislative calendar and politics surrounding the 2020 election year present major obstacles.

Geopolitics: **The Administration's transactional approach to foreign policy continues with a focus on trade agreements** (U.S.-Mexico-Canada Agreement (USMCA) and China), and sanctions (Venezuela, Russia, and Iran). Trade policy uncertainty and sanctions will remain watchpoints for all sectors. New areas for foreign policy and energy cooperation, including increased U.S. energy exports, may develop with China, India, Japan, and Southeast Asia based on the **Administration's Asia EDGE** (Enhancing Development and Growth through Energy) initiative. Asia EDGE seeks to grow sustainable and secure energy markets throughout the Indo-Pacific region; promote U.S. energy exports, including crude and LNG; and promote U.S. energy infrastructure investment throughout the region.

Policy Risks and Trends

- *Focus on regulatory reform:* The regulatory reform agenda got off to a quick start, but has slowed due to oversight hearings by the Democrat-controlled House and the government shutdown in December 2018-January 2019. It is unclear whether agencies will move key regulatory reforms through the rulemaking process, including the Affordable Clean Energy Rule, CAFE standards, and methane. The Administration must finalize reforms before June 2020 to avoid Congressional repeals should the Administration change in 2021.
- *Growing state-level activity:* In the absence of federal-level climate policy action, state lawmakers are proposing and adopting policies to reduce emissions and restrict energy industry activity. Many of these policies are advanced by off-carbon activists. As of July 2019, 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 policymakers are likely to propose carbon pricing legislation in 2019.

- *Activism:* Off-carbon activism is present at both the state and local levels and is primarily directed toward ballot initiatives in purple and blue states, litigation, and the investment community. **Privileged – First Amendment**

Privileged – First Amendment

Privileged – First Amendment These initiatives reflect the strategy of environmental NGOs to convince the public and other sectors that fossil fuels must be restrained and replaced. We expect activism to continue and tactics to evolve.

- *Steel tariffs/quotas:* The Trump Administration continues to favor the use of tariffs and quotas to achieve trade and other policy objectives. The President also threatened the imposition of tariffs on Mexico to gain leverage on non-trade priorities, such as immigration. Tariffs have added costs to Chevron's **Permian and Gulf of Mexico** operations, while threats of absolute quotas on Mexican steel have posed risks of supply disruptions of oil-country tubular goods for our MidContinent Business Unit. In May, President Trump announced the removal of all tariffs on steel and aluminum imports from Mexico and Canada and opted not to impose an absolute quota to replace the tariffs. This **move amounted to a significant victory for Chevron's** and industry advocacy efforts. Despite this development, the pathway for passage of the USMCA agreement remains narrow due to the Congressional calendar and House **Democrats' concerns over** its labor, environmental, and enforcement provisions. U.S. trade policy will likely remain volatile for the foreseeable future, with threats of tariffs and/or quotas being issued and removed in response to developments on trade and other policy areas.
- *Sanctions:* The Administration and Congress continue to utilize sanctions as a key foreign policy tool, creating risks for **Chevron's** international operations, including Kazakhstan and Venezuela. It continues to impose economic sanctions on Venezuela to **pressure the Maduro regime; and on Iran in response to that country's malign behavior** in the Middle East. Congress continues to consider legislation to target Russia for its election-interference in the U.S., support for Venezuela and Iran, and its intervention in Ukraine.

Australia

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

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

Nigeria

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

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

Angola

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

Thailand

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

South Korea

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

Venezuela

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

Argentina

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