



## video transcript

### Mike Wirth, Chevron Chairman & CEO, Interview on “Squawk on the Street”

CNBC TV

24 July 2023

**Jim Cramer:** How bout Mike Wirth?

**David Faber:** How bout that Mike Wirth? Do you want to talk a little Chevron with the man himself? Let's bring him in. Shall we do that? Gonna be in the job for longer, perhaps, than had been originally anticipated. Chevron is out with the second quarter highlights, although not full earnings, but it did report overall earnings, \$6 billion, record oil production in the Permian Basin during the quarter. The preview of those results did coincide with the announced retirement of its longtime CFO, and it did waive the mandatory retirement age for its CEO. Joining us now in a CNBC exclusive is Mike Wirth, Chevron's Chairman and CEO. Mike, good to have you and will be good to have you joining us for many years in the future as well. So, what do those years hold? What is it that when you look ahead and you say, hey, I'm glad I've gotten a few more years from this board of directors to continue to lead this company on its current trajectory. What does that trajectory look like?

**Mike Wirth, Chevron Chairman & CEO:** Well, David and Jim, it's good to be with you. We've got good business momentum, and we're delivering strong results in what's been a turbulent world. You go back to the pandemic and oil prices below zero, the war, and prices above \$100. We've acquired three companies over the last three years, and we still have the constant discussion about climate and ESG. So, it's a challenging environment. We've made tremendous progress. We just announced a very strong second quarter, and I'm excited to continue to lead our company to deliver higher returns for our shareholders and a lower carbon energy system for the world.

**David Faber:** Yeah, when it comes to challenges and again, the years ahead that you that you now have as CEO, how do you see it, Mike? What is your biggest perhaps challenge, so to speak?

**Mike Wirth, Chevron Chairman & CEO:** Well, we have to meet this great challenge, which is a world that's growing that demands more energy and wants to see that energy with a lower carbon footprint coming with it. We can't change the system overnight. We've got what we've got, and it's growing. So, we have to reduce the impact of the energy that the world uses today, and at the same time build these new energy systems that can grow and help create a different energy system into the future. So, we're decarbonizing our oil and gas business, reducing the carbon intensity of every barrel that we move through our system and at the same time, investing in carbon capture and storage, hydrogen, renewable fuels and other technologies that we want to scale and make them a bigger part of the system in the future as we need all solutions to meet this challenge.

**Jim Cramer:** Mike, there are a lot of people who feel that one day we will run out of - in this country - the ability to be able to replace our energy. Obviously in the 2000 period, it looked like a disaster with fossil fuels, and then because of shale, we became something big. Now, you recently said 100% reserve replacement is a number that you ought to expect to see that or greater over time. What that tells me is you think that we're not running out of oil anytime soon.

**Mike Wirth, Chevron Chairman & CEO:** 80% of the energy system today globally are fossil fuels: oil, gas and coal. 20 years ago, that number was about 84%. You can't move this number quickly. And so, we need to reinvest in the energy that the world uses today. We should want responsible producers to do that and to do more of that. Companies that are committed to safety, to protecting the environment, to reducing emissions. We are one of those companies and we intend to replace our reserves through production, through technology, through business acquisitions. And we intend to grow our oil and gas business at the same time as we grow these new energy businesses.

**Jim Cramer:** Mike, you've become very much the spokesperson for an industry in a way that I haven't seen, frankly, since John D. Rockefeller. And one of the things that intrigues me is, is that we'll see articles about how Russia is now producing a certain level, and we were supposed to starve Russia - clearly failed in any effort to do that. When the president brings you in, what does he ask you about the notion of what's going to happen with Russian production and the war in Ukraine?

**Mike Wirth, Chevron Chairman & CEO:** Well, Jim, we have discussions with a number of people in the administration. I've not actually had that conversation with the president, but we talk about the realities of the energy system. We talk about the importance of American energy and the tremendous resource base in this country that can be developed by American companies in a way that's responsible, that helps support our economy with affordable and reliable energy, that allows us to export energy to our allies, especially allies that are in particular need, as we've seen with Europe here recently. We can do this for many decades to come as we invest in these other energy products as well. And so, the discussion we have with the administration is really about how do we do both, how do we find balance in the conversation so that we don't focus so much on just one aspect of the equation, be it affordability, reliability, or the environment that we lose the plot on the others. And so, we need to keep all three of those in sight and as part of the dialogue, as we talk about policy, as we talk about how companies invest.

**Jim Cramer:** Wow, okay, I'm glad that they do that. That's much more thoughtful than I thought. Now, you yourself have recently diversified away from the Permian, although there is some Permian in this acquisition that you did for PDC Energy. Are you yourself beginning to believe that the Permian has become too expensive and that maybe there's better places to look around the country for better oil?

**Mike Wirth, Chevron Chairman & CEO:** First of all, no, the Permian has not become too expensive. It is the best place for us to be investing our dollars. It's the largest single destination for investment. And we just finished a tremendous quarter. We produced more oil out of the Permian Basin in the last quarter than we ever have in our history. It's up 10% over the same quarter last year. Over 770,000 barrels a day. Our well performance is on track. We're going to grow this to over a million barrels a day by the middle of this decade and then hold it flat, at least out through 2040. We're continuing to find capital efficiency and ways to get more done for every dollar that we spend. So, the Permian is a tremendous asset for our company and for our country. Now, we have also increased our exposure to the DJ Basin in Colorado. The PDC acquisition will add 10% to our worldwide reserve base for just 2% of our shares. It adds \$1 billion in free cash flow at \$70 Brent and makes us a very strong producer in Colorado as well as in Texas, which is again good for our company and good for the country. So, there are places outside the Permian you can expect to see us invest, absolutely, but it doesn't mean that the Permian is and not still a premier asset.

**David Faber:** Yeah, I mean, Mike, to that point, I'm looking at a note here. I guess a development hiatus to address well completion issues, saw year over year Permian growth fall to 4% in the first quarter. It's obviously up as much as 11% now in Q2. Do you expect that it's going to go even higher? I see here some analysts estimate growth rates of 15-20% in the second half of this year. Is that possible?

**Mike Wirth, Chevron Chairman & CEO:** Well, we've got a steady program. We've got 14 rigs that'll be running there by the end of this year. The production growth can come in surges and then plateaus as we move rigs around, as activity cycles. But we laid out a plan this year at our Investor Day earlier this year, and we're right on that plan. Wells are performing, as we indicated, drilling and completions, the wells that are being brought on production all are tracking very consistent with what we've indicated. We'll share more Friday on our conference call and show more detail on that. But I'll just say that we are delivering exactly what we said we would deliver and what we intend to deliver.

**David Faber:** Yeah, permitting reform is something certainly people may have heard a bit about, but it's unclear to me exactly where things stand. And we're not just talking about new oil and gas. We're also talking about the ability to actually store carbon, for example. It's important to get the permits for carbon sequestration. Are you seeing anything that indicates progress on that front?

**Mike Wirth, Chevron Chairman & CEO:** We saw a little bit of progress in the recent spending bill that was enacted just a few weeks ago with modest reforms but meaningful reforms and a step in the right direction. There's a lot of talk in Washington about more permitting reform.

We're engaged with discussions on both sides of the aisle. I think the White House is supportive of this. What's important is that it's comprehensive reform, not narrowly targeted reform. We need to be able to build all kinds of infrastructure in this country, whether it's roads and ports, grids and solar and wind or pipelines and the energy systems that keep today's energy flowing to market. So we need to see expedient processes, appropriate review, appropriate limits on legal challenges so this country can get back to building things, which is what's made us what we are.

**Jim Cramer:** Mike, we're beginning to see we may be at the early end of what is EV regret, that there are a lot of people who have bought EVs and they're realizing that they're having anxiety about charging stations. It looks like it may be slowing in this country. I know that's antithetical to what most people think, but boy, when you deal with the companies one by one, you really get the sense that they're too expensive and that people are turning against them. Is it possible that you have to revise down the challenge from EVs for your company in this country?

**Mike Wirth, Chevron Chairman & CEO:** Well, we watch that, Jim. The pattern is not dissimilar to when we first saw the Prius and hybrids come in, where there's a surge of purchases. And then you have a kind of a period of time where most people who want that type of vehicle have one. And you're trying to sell to a different part of the market. I think these kinds of patterns can repeat consumers buy vehicles to meet their needs and their needs are varied. And so we still expect EVs to continue to improve from a technology standpoint, from a cost standpoint. Our expectation is we'll see them continue to come into the fleet here in the US and worldwide, but that doesn't mean that we also won't see growing demand for our products because our products are used in much more than light duty transportation. And our forecast is that demand for oil will continue to grow through this decade and through the next.

David Faber: Yeah, well, we'll be talking to you about it in weeks, months and years to come, Mike. So, appreciate that. Appreciate you joining us. Thank you.

Mike Wirth, Chevron Chairman & CEO: Thank you.