



# Plan for the **Net-Zero** **Energy Transition**

2022-2023 Progress Report

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## Executive Summary

ConocoPhillips intends to play a valued role in the energy transition by executing on three objectives: reliably and responsibly meeting energy transition pathway demand, delivering competitive returns on and of capital, and achieving our net-zero emissions ambition. We call this the Triple Mandate, and it represents our commitment to create long-term value for our stakeholders.

This update demonstrates our progress on key milestones since first publishing the *Plan for the Net-Zero Energy Transition* in our Proxy Statement last year. Updates represent progress through the end of 2022 and include our plans to continue advancing our strategy for resilience through the energy transition.<sup>1</sup>



<sup>1</sup> Scope 1 and 2 emissions on a net equity and gross operated basis.

We acknowledge the findings of the Intergovernmental Panel on Climate Change that GHG emissions from the use of fossil fuels contribute to increases in global temperatures. We acknowledge the importance that current science places on limiting global average temperature increases to below 2-degree Celsius compared to pre-industrial times, and to achieve that, current science shows that global GHG emissions need to reach net-zero in the second half of this century. We support the Paris Agreement as a welcomed global policy response to that challenge.

We have had a public global climate change position since 2003. The position is reviewed periodically, agreed to by the Executive Leadership Team and then recommended to the board.

Since publishing our Plan for the Net-Zero Energy Transition in 2022 (our “Plan”), we have continued to focus on implementing our Climate Risk Strategy and advancing the objectives that were first outlined in the Plan. Our commitment to these efforts is demonstrated by our achievements made to date — many of which have been completed ahead of schedule. As we achieve our goals, we fine-tune our strategy and refine our commitments

to demonstrate adaptability, accountability and ongoing alignment with the aims of the Paris Agreement.

The following table is meant to provide an update on how we are progressing against our Plan, including demonstrating our progress in reducing Scope 1 and 2 emissions, our efforts to address Scope 3 emissions, as well as our contributions to the energy transition.

<sup>1</sup> GHG updates are based on 2021 data. Flaring updates are based on preliminary data from Q1 to Q3 2022.

## ENERGY TRANSITION PLAN PROGRESS

RESILIENT PORTFOLIO		<ul style="list-style-type: none"> <li>Focus on low cost of supply and low greenhouse gas (GHG) intensity resources that meet transition pathway energy demand.</li> <li>Assets with less than 10 kg CO<sub>2</sub>e/BOE projected to represent a larger portion of our portfolio by 2030.</li> <li>Developing a new net-zero scenario modelling the collective global government and societal actions that would be required to align with the Paris Climate Agreement ambition of limiting warming to 1.5 degrees.</li> </ul>
REDUCING SCOPE 1 AND 2 EMISSIONS	Methane	<ul style="list-style-type: none"> <li>Achieved near-term 10% methane intensity reduction target four years early.</li> <li>Reduced methane intensity by ~70% since 2015.</li> <li>Set new target to achieve near-zero methane intensity by 2030 (1.5kg CO<sub>2</sub>e/BOE or approximately 0.15% of natural gas produced).</li> <li>Joined OGMP 2.0 and Veritas initiatives to improve methane measurement and reporting transparency.</li> </ul>
	Flaring	<ul style="list-style-type: none"> <li>On schedule to meet the World Bank Zero Routine Flaring goal by 2025.</li> <li>In 2021, routine flaring represented only 5% of total volume of gas flared.</li> <li>Based on preliminary data from Q1 to Q3 of 2022, routine flaring decreased by an additional, estimated 15%.</li> </ul>
	Overall GHG	<ul style="list-style-type: none"> <li>Strengthened GHG intensity reduction target from 35-45% to 40-50% by 2030 from a 2016 baseline and expanded target to include both gross operated and net equity emissions.</li> <li>Achieved 32% gross operated and 27% net equity intensity reductions by year-end 2021.</li> <li>Invested approximately \$150 million on Scope 1 and 2 emissions reductions and low carbon opportunities in 2022.</li> <li>Participated in a Ceres-led Roundtable to discuss solutions for reaching net-zero emissions with cross-sector participation from the financial sector and exploration and production (E&amp;P) oil and gas companies.</li> <li>Tasked each global business unit with developing potential options to achieve our operational net-zero ambition.</li> <li>Expanding third-party limited assurance to all sustainability disclosures in forthcoming 2022 Sustainability Report.</li> <li>Chairing a National Petroleum Council study on reducing methane and GHG emissions.</li> </ul>
	Offsets	<ul style="list-style-type: none"> <li>Evaluating diversified investments in offset projects and funds, such as Climate Asset Management's Nature Based Carbon fund which has supported the Restore Africa Programme and offset projects in Mexico aimed at improved forest management for future offset issuance.</li> </ul>
ADDRESSING SCOPE 3 EMISSIONS AND CONTRIBUTING TO THE ENERGY TRANSITION	Advocacy and Public Policy	<ul style="list-style-type: none"> <li>Expanded policy advocacy beyond carbon pricing to include demand-side policy and regulatory action such as direct federal regulation of methane, advocating for alternative transportation and power generation, and national policy recommendations on natural gas across the value chain.</li> <li>Founding member and continued supporter of the Climate Leadership Council (CLC) and Americans for Carbon Dividends (AFCD) to advance carbon pricing in the U.S. to orient economy-wide demand toward lower GHG intensity in support of U.S. climate goals.</li> <li>Private sector partner within World Bank's Carbon Pricing Leadership Coalition (CPLC) to share and expand the evidence base for effective carbon pricing.</li> </ul>
	Supply Chain Engagement	<ul style="list-style-type: none"> <li>Incorporated Scope 3 emissions into targeted supplier evaluations.</li> <li>Held annual ConocoPhillips Supplier Sustainability Forum to share key sustainability messages and best practices.</li> <li>Building a governance framework for supplier sustainability.</li> <li>Collaborating with industry groups and third-party partners to align on collection, reporting and supplier engagement for Scope 3 supplier emissions.</li> </ul>
	LNG	<ul style="list-style-type: none"> <li>Purchased an additional 10% shareholding interest in Australia Pacific LNG (APLNG) in 2022.</li> <li>Entered into an agreement to purchase an equity interest in new large-scale LNG facility under development by Sempra Infrastructure.</li> <li>Signed agreements to supply long-term LNG to Germany in partnership with QatarEnergy.</li> </ul>
	CCS	<ul style="list-style-type: none"> <li>Evaluating potential opportunities to develop carbon capture and storage (CCS) hubs along the U.S. Gulf Coast.</li> <li>Joined Canada's Oil Sands Pathway Alliance working toward net-zero by 2050 through CCS.</li> <li>Established strategic technology partnership with a chemistry innovator to advance CCS process capability for deployment in company projects.</li> </ul>
	Hydrogen	<ul style="list-style-type: none"> <li>Working with Japanese energy company JERA beginning in 2022 to evaluate the development of blue and green ammonia as a low-carbon power generation fuel from the U.S. Gulf Coast.</li> <li>Invested in venture with Canadian energy technology company Ekona Power to develop hydrogen production technology through methane pyrolysis.</li> </ul>

## Resilient Portfolio

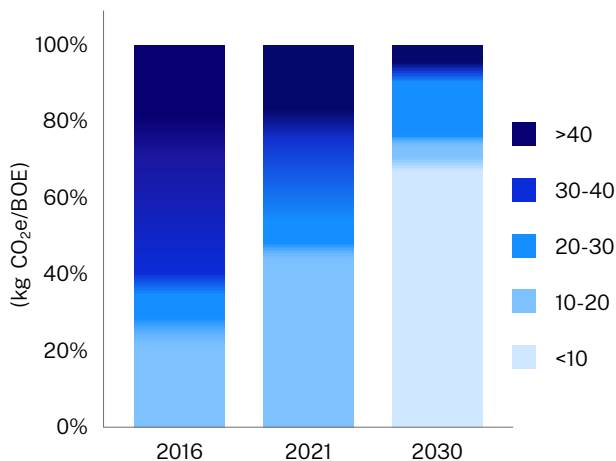
Our ability to meet transition pathway demand will depend on our ability to deliver competitive returns on and of capital. We remain committed to continually improving the underlying cost of supply of our portfolio, returning more than 30% of cash from operations to stockholders through the cycles. Our sector-leading approach focuses on the cost of supply of our portfolio, committing to balance sheet strength and moderating growth by holding to disciplined reinvestment rates. Additionally, we returned \$15 billion of capital for 2022, which represents over 50% of our projected cash from operations, well in excess of our greater than 30% annual commitment.

Oil and natural gas are projected to remain essential parts of the energy supply mix in coming decades across a broad range of transition scenarios. ConocoPhillips intends to maintain its key market role through competitive returns that are resilient to transition-related risks. We focus on remaining resilient and competitive in any scenario by providing low-cost, low GHG intensity barrels by asset type with continuously improving ESG performance. Our strategy uses a fully burdened cost of supply, including cost of carbon, as the primary basis for capital allocation. Providing low cost of supply also addresses a key component of a just transition — secure and affordable energy supply.

In recent years, we have dramatically high-graded our portfolio and applied stringent capital allocation criteria that direct investments to resources that will best match transition demand. We are equally focused on developing assets that have a low cost of supply and low GHG intensity, as these are most likely to compete in any future energy transition pathway, with each asset type competing within its unique market (e.g., unconvensionals, LNG, oil sands). Based on our current forecasts, our GHG intensity will improve over time and assets with less than 10 kg CO<sub>2</sub>e/BOE are projected to represent a larger portion of our portfolio by 2030.

To assist our capital allocation decisions, we test our current portfolio of assets and investment opportunities against future possibilities and identify strengths and weaknesses that may exist. ConocoPhillips uses detailed scenario analysis to understand the range of factors that drive future developments, as well as the potential effects on commodity prices associated with various GHG reductions. This approach allows us to identify alternative energy transition pathways and to test the resilience of our corporate strategy. Use of multiple scenarios reinforces to our stakeholders and shareholders that we are developing resilient strategies that reflect the complex and uncertain range of energy futures.

## GHG Emissions Intensity of Gross Operated Production<sup>1</sup>



<sup>1</sup> Chart shows gross operated production as a percentage of the company portfolio arranged by GHG intensity. 2030 data is estimated from forecasts current as of August 2022 and subject to change.

We use four main energy transition scenarios in our global energy model: Current Trends, Moderate Transition, Accelerated Transition and Paris Agreement. The four scenarios incorporate a wide range of possible outcomes for energy supply and carbon emissions. Technology development (both complementary and competing), government policy (focused on both the supply and demand side) and societal choices play leading roles in influencing the outcomes in each. While these scenarios extend to 2050, well beyond our operational planning period, they give insights on trends that could have an implication for near- and medium-term decisions and enable choices on the creation or preservation of future options. The thoughtful application of scenarios in strategic planning is core to our ability to navigate uncertainty and is a practical way of conveying this information in a decision-useful manner.

### MILESTONE

As part of our comprehensive scenario analysis, we are developing a new net-zero scenario that models the collective global government and societal actions that would be required to align with the Paris Climate Agreement ambition of limiting warming to 1.5 degrees.

# Reducing Scope 1 and 2 Emissions

We have set near-, medium- and long-term goals to reduce our operational emissions and guide us toward achieving our net-zero ambition. For mitigating residual, hard-to-abate operational emissions, we have a strategy in place to develop and purchase voluntary offsets. We also employ assurance practices to support our sustainability data and disclosures, with a goal of increasing verification and providing transparency and accountability around our emissions performance.

## Targets and Performance

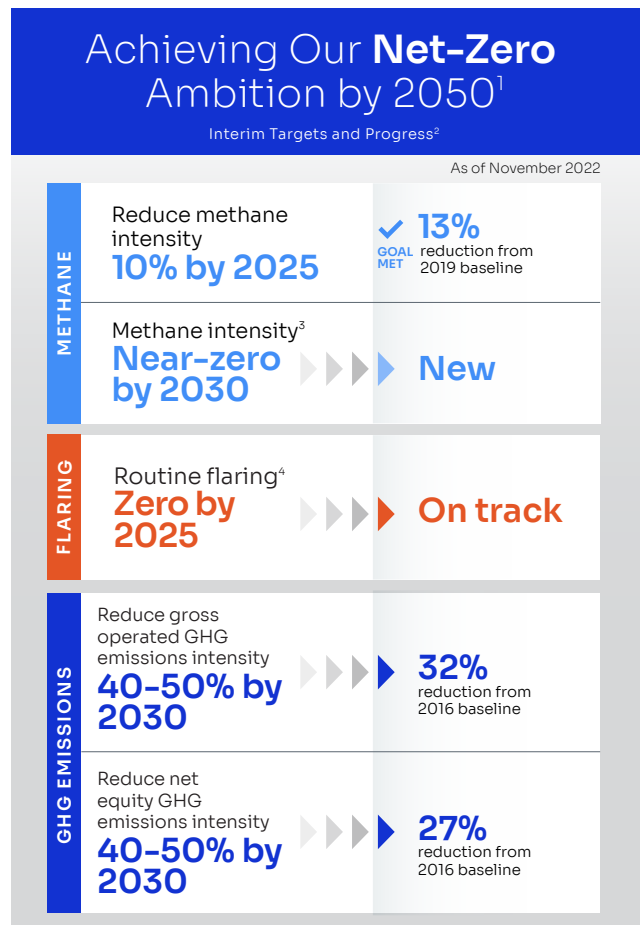
Our plan focuses on actionable goals and targets that will drive emissions reductions, demonstrating a commitment from our Executive Leadership Team and Board of Directors to meet the challenges of the energy transition. The pathway to achieving net-zero emissions by 2050 includes key milestones for Scope 1 and 2 GHG emissions reductions, including methane and flaring commitments.

### METHANE

Reducing methane emissions is a critical part of reducing the GHG intensity of our portfolio and achieving our net-zero ambition. We have already made significant progress in reducing methane emissions; in total, we have reduced our methane emissions intensity by approximately 70% since 2015 and have exceeded our 2025 methane intensity reduction goal of 10%, achieving a 13% reduction in 2021 from a 2019 baseline.

In 2022, ConocoPhillips joined the Oil and Gas Methane Partnership (OGMP) 2.0 Initiative and the Veritas Differentiated Gas Measurement and Verification Initiative to advance our commitment to methane emissions measurement and disclosure. More information about these initiatives may be found in the Collaboration and Engagement section.

Finally, in response to joining OGMP 2.0 and achieving our near-term methane target four years early, we set a new medium-term target to achieve a near-zero methane emissions intensity by 2030. This near-zero target is defined as 1.5kg CO<sub>2</sub>e/BOE or approximately 0.15% of natural gas produced. Revising our target and setting a new milestone on the pathway to net-zero by 2050 demonstrates our adaptability and accountability in holding ourselves to a high standard.



<sup>1</sup> Scope 1 and 2 emissions on a gross operated and net equity basis.  
<sup>2</sup> Progress results as of December 31, 2021 for Scope 1 and 2 emissions.  
<sup>3</sup> Defined as 1.5kg CO<sub>2</sub>e/BOE or ~0.15% of natural gas production.  
<sup>4</sup> In line with the World Bank Zero Routine Flaring initiative.

Our methane emissions reductions come from both voluntary activities and from portfolio changes. We currently have a multi-year pneumatics replacement program that will retrofit 46,000 pneumatics devices across Lower 48, estimated for completion by 2031. In addition to our reduction efforts, we have been conducting pilots of new technologies across our operations to determine effectiveness and scalability of next-generation detection technologies. This has included a wide range of ground-based and aerial technologies, each providing strengths for different monitoring applications. The main objective of these technology pilots is to expeditiously identify, investigate and repair leaks associated with malfunctions and abnormal operating conditions, resulting in faster emissions mitigation.

We continue to test new technologies for methane detection and monitoring. We have implemented systems to monitor for methane leaks through both continuous fixed methane monitoring and aerial technology. We have installed more than 2,000 fixed methane monitoring devices at nearly 400 sites throughout our Permian, Eagle Ford and Bakken assets. In 2022, we also conducted flyovers in our Permian and Eagle Ford assets through our work with The Environmental Partnership to survey approximately 450 ConocoPhillips sites from the air.

## MILESTONE

After achieving our near-term methane intensity target by the end of 2021, we set a new, near-zero methane intensity target to be attained by 2030.

## FLARING

ConocoPhillips is committed to the World Bank Zero Routine Flaring by 2030 Initiative, a program that aims to create consistency among governments, the oil and gas sector and development institutions to address flaring. In 2022, based on our flaring reductions to date, we committed to achieving zero routine flaring<sup>2</sup> by 2025, five years in advance of the World Bank goal, and we continue to make strong progress. In 2021, routine flaring represented only 5% of total volume of gas flared and from Q1 to Q3 of 2022 we decreased routine flaring by an additional 15%, based on preliminary data. Achieving this target is a key near-term action within our ambition to achieve net-zero by 2050.

While our flaring emissions make up only about 9% of our total GHG emissions, the target will drive continued near-term focus on routine flaring reductions across our assets. Flaring for safety reasons, non-routine flaring or flaring gas other than associated gas is not included as part of the World Bank Zero Routine Flaring initiative.

## GREENHOUSE GAS EMISSIONS

In September 2021, we strengthened our medium-term GHG emissions intensity reduction target to 40-50% by 2030 from a 2016 baseline and expanded the target to apply on both a gross operated and net equity basis. The target covers Scope 1 and Scope 2 emissions as these are the emissions over which we have the most control. Our Scope 1 and Scope 2 GHG emissions and emissions intensity calculations directly measure our performance and help us understand climate risk. Lower intensity assets are more resilient to policy, legal, technology and market risk. The company has already progressed toward meeting our target over the past several years. Between 2016 and 2021, we achieved a

32% GHG intensity reduction on a gross operated basis and a 27% GHG intensity reduction on a net equity basis. To add additional accountability to reducing our GHG emissions intensity, our annual Variable Cash Incentive Program that applies to all employees requires that we achieve annual GHG emissions intensity aligned with our 2030 target trajectory range.

To stay on track and achieve this medium-term GHG target, our Low Carbon Technologies organization works across our business units to develop and implement region-specific net-zero scenarios with detailed, time-bound actions, identify technology solutions for hard-to-abate emissions and pilot new methods to reduce and accelerate emissions reduction. These asset-level options inform our corporate net-zero strategy for Scope 1 and 2 emissions reductions.

Our Lower 48 business unit is implementing an ambitious emissions reduction strategy. For greenfield projects, our teams are targeting completion of low-emission design concepts by the end of 2023 with a focus on pneumatics, vapor controls for tanks, flaring and electric compression. For brownfield assets, retrofit projects targeting these same emissions sources will be executed between 2023 and 2030. In addition, we intend to expand electrical infrastructure as needed in areas to support increasing grid connectivity of our operations.

In our Canada business unit, we focus on improvements in operational efficiency to reduce the GHG emissions intensity of our in situ oil sands operations. We are using technology to co-inject non-condensable gas (NCG) with steam to reduce steam requirements and increase production at Surmont. This allows for a reduction in the steam-to-oil ratio (SOR) and consequent reduction in GHG emissions intensity.

We are also pursuing a limited range of renewable energy projects, concentrating on the evaluation of projects that can provide power directly to our facilities to reduce Scope 1 and 2 emissions. We conducted pre-development work in 2021 and 2022 to evaluate the potential for wind and solar electric power generation for our operations in the Permian Basin. We also led a large study that aims to better understand the long-term load demand for the Permian basin as well as upgrades that may be required if the basin was to fully electrify to better prepare key stakeholders. As part of this project, we have engaged with several key Permian operators representing about 40% of Permian Basin production to collaborate on infrastructure and electrification solutions. Another renewables project underway is an offshore wind farm pilot project in Bohai Bay in China, launched in partnership with CNOOC to supply power to the Penglai oilfield.

<sup>2</sup> Routine flaring is defined as flaring of associated gas that occurs during the normal production of oil in the absence of sufficient facilities to utilize the gas onsite, dispatch it to a market or re-inject it.

In addition to progress against our operational GHG emissions intensity target, we are also working toward reducing our net equity GHG emissions intensity. In service of our net equity target, we began engaging with our major operating partners to align on approaches to managing climate-related risk. This includes discussions with QatarEnergy for our LNG partnership in Qatar as well as Origin Energy for our APLNG business.

## Offsets

While operational emissions reductions will drive our progress toward our net-zero emissions ambition, ultimately offsets are likely to be required to mitigate our residual, hard-to-abate emissions. Leveraging know-how from our experience in the compliance offset market, we have designed a flexible strategy to develop and purchase voluntary offsets, beginning in 2022. This strategy includes developing a diversified portfolio of offsets from third-party projects and funds, as well as considering our own offset projects. Our preference will be projects in countries and regions in which we operate or have land holdings. While we do not anticipate the need to utilize offsets to achieve our medium-term targets, we are investing now to secure a lower-cost offset position for the future.

In early 2022, ConocoPhillips sent invitations to prospective offset developers to propose investment opportunities for ConocoPhillips participation. The invitation sought a variety of project types that could start issuing offsets by 2025, including those that are:

- **Nature-based:** relating to forestry and land use, wetlands, agricultural improvements and grasslands or soil enrichment.
- **Technology-based:** relating to energy efficiency, fuel switching, abandoned well management, waste disposal and fugitive emissions reductions.

The evaluation criteria for these projects emphasize the need for durability of the reductions or removals and leakage minimization, as well as community, conservation and biodiversity co-benefits to create and increase commercial value for the projects beyond our net-zero operational emissions ambition.

We have initiated investments which will bank credits in our offsets registry accounts for future use. These include carbon credit funds such as Climate Asset Management's Nature Based Carbon Fund (NBCF). Taking a landscape approach, the NBCF looks to invest in nature-based solutions projects that restore and conserve nature in developing economies. This provides long-lasting and verified positive impacts for biodiversity and communities and offers investors the carbon credits it procures. Through carbon credit delivery, the NBCF can also contribute to ConocoPhillips' net-zero ambition after other emissions reduction avenues have been exhausted.

The NBCF's initial project investment is in the Global EverGreening Alliance's Restore Africa Programme, which aims to restore 1.9 million hectares of land, directly supporting 1.5 million smallholder farming families in six African countries — Kenya, Ethiopia, Malawi, Tanzania, Uganda and Zambia. As of December 2022, implementation had already begun in three of the six countries.

In addition to the carbon credits to be issued as a part of the NBCF investments, we are also directly supporting offset projects in Mexico aimed at improved forest management for future offset issuance.

## Assurance

Our ESG performance metrics and disclosures undergo various internal and external audit, assessment and assurance processes. We have engaged in assurance practices for our sustainability disclosures for more than a decade. We continue to advance our practices and controls to further assure our reporting and meet external expectations and evolving regulatory requirements.

Our corporate reporting practices are in place for internal vetting of metrics that are then approved by business unit leadership and subsequently by the corporate Environmental Assurance team prior to approval for disclosure. Further, our Internal Audit team also provides independent assurance of our non-financial sustainability reporting. The first review, completed in 2019, evaluated governance practices, control processes, risk management and metrics reporting practices. The Internal Audit team conducted an additional review at the end of 2022 with report findings to be finalized in early 2023.

Externally, we seek third-party limited assurance of GHG emissions data annually and assurance of other environmental performance measures every three years. Beginning with the 2021 Sustainability Report, however, we expanded the scope of external assurance beyond GHG emissions data to include limited assurance of all governance, climate and human capital disclosures, as well as water and biodiversity metrics. The limited assurance assessment covered qualitative and quantitative measures.

### MILESTONE

Beginning with the forthcoming 2022 Sustainability Report, we are expanding our reporting assurance measures to include limited third-party assurance annually for all sustainability disclosures, elevating assurance of Scope 1 and 2 operated emissions reporting and evaluating internal assurance governance processes and controls for climate-related risk disclosures.

### EXPANDING LIMITED ASSURANCE

After a successful pre-assessment assurance readiness test conducted in 2022, we intend to further expand the scope of our reporting assurance to include third-party limited assurance of all qualitative disclosures and metrics in the forthcoming sustainability report. We plan to continue this scope annually going forward.

## ELEVATING ASSURANCE OF GHG EMISSIONS

Over time we plan to elevate assurance of our Scope 1 and 2 emissions for all operated assets from limited assurance to reasonable assurance.<sup>3</sup> To prepare for this, we are conducting readiness pre-assessments within individual business units. Based on these assessments, an implementation plan will be developed to define the actions, timeline and resources required to move to reasonable assurance, with consideration for proposed regulatory disclosure requirements and timelines. We want to execute our plan at a pace that is manageable for the business and positions us well for potential future compliance obligations.

We are also developing frameworks and processes to assure equity non-operated GHG emissions. We are exploring options to create language in joint operating agreements to increase access to data and third-party assurance, if conducted. To establish governance around these new assurance updates, we are developing a new GHG emissions corporate governance document to strengthen corporate processes and documentation. Across all assets, an enterprise-wide environmental data management strategy is under development to strengthen data processes; implementation will begin in 2023.

## CLIMATE-RELATED RISK DISCLOSURES GOVERNANCE

With increasing expectations for assurance of environmental, social and governance (ESG) data, potential for future integrated reporting, and in response to proposed climate-related regulatory requirements, we further reviewed our internal process and controls for climate-related risk disclosures relative to financial disclosures. This exercise included conducting a pre-assessment of data, processes, systems and controls used to report Scope 1 and 2 emissions and comparing those against proposed regulatory requirements. It also included conducting a gap assessment between proposed SEC rules and our current climate-related disclosures in public filings and reports such as our Proxy Statement, 10-K and Sustainability Report, and we will work to develop a plan to address key reporting gaps. We continue to collaborate cross-functionally within ConocoPhillips to evaluate how to best manage the broadening governance of ESG disclosures and leverage skill sets gained through designing and maintaining financial assurance processes.

<sup>3</sup> Based on definitions from the ISO 14064-3:2018 Standard, reasonable assurance requires a third-party provider to consider and obtain an understanding of internal processes and controls governing non-financial ESG disclosures, and to conduct extensive testing procedures, including the recalculation and verification of data. The quality and quantity of audit evidence required by the third-party provider for limited assurance, however, is less than what would be expected for reasonable assurance. Testing procedures are less extensive with more limited recalculation and verification of data.



## Addressing Scope 3 Emissions

We do not believe that Scope 3 targets are appropriate for an upstream E&P company like ConocoPhillips.

As an upstream producer, ConocoPhillips does not control how the commodities we sell into global markets are converted into different energy products or selected for use by consumers. Additionally, duplicative counting of end-use emissions along the oil and natural gas value chain makes accurate accounting and credible target-setting problematic. For example, the Scope 3 emissions from refining the oil we produce are a refiner's Scope 1 emissions. The combustion of that oil in the form of an end-use product such as gasoline are also Scope 3 emissions for the producer of the oil, the refiner and the marketer. Further, it is our view that supply-side constraints through Scope 3 targets for targeted Paris-aligned North American and European oil and gas producers, in the absence of policy measures that address global demand, would be counterproductive. If global demand for oil and gas remains the same, production from less accountable operators and jurisdictions would most likely replace the curtailed production. Scope 3 targets do not address demand and do not limit global production and thus are ineffective in reducing global emissions.

We share an interest in maintaining the stability of the financial system and creating long-term shareholder value. It is our understanding, however, that the drive of some NGO and activist investors for Scope 3 targets is premised on a prescribed capital shift away from oil and gas which has been described in some financial sector climate frameworks. The Institutional Investors Group on Climate Change (*IIGCC*), for example, refers to ceasing oil and gas exploration and "running existing assets down."<sup>4</sup> Similarly, the Glasgow Financial Alliance for Net Zero (*GFANZ*) describes the importance of a "managed phaseout" of oil and gas.<sup>5</sup>

The push from activists for such phaseout does not appear to consider market and technology readiness, or related impacts to energy affordability and energy security. This approach also seems to ignore the projection from Paris-aligned scenarios that oil and natural gas, produced from responsible operators, will be needed in the coming decades to meet transition demand. Proponents of Scope 3 targets seek to translate a global carbon budget that is science-based, to broad sectoral and company allocations that are not. The imposition of Scope 3 targets for a prescribed capital shift to phase out production that best meets actual demand is not a realistic way to address energy transition, climate change or shareholder value.

Our responsibility to shareholders is to strongly compete for transition demand by offering resilient, low cost of supply, low GHG emissions intensity production with Paris-aligned goals for operational emissions, while also pursuing the right transition opportunities. This approach provides long-term shareholder value and supports an orderly energy transition that avoids large-scale energy price shocks.

While we do not believe setting Scope 3 targets is appropriate for E&P companies, we do recognize that end-use emissions of oil and gas products, along with other sources of GHG emissions, must be addressed. To address Scope 3 end-use emissions and contribute to the energy transition we plan to:

- Advocate for policy options that address end-use emissions and demand.
- Work with our upstream suppliers to reduce supply chain emissions.
- Selectively invest in advantaged liquefied natural gas opportunities, and develop options to invest in low carbon business opportunities in hydrogen and CCS, subject to economic returns that make sense for our investors.

<sup>4</sup> IIGCC, 2021. *Net zero standard for oil and gas*.

<sup>5</sup> GFANZ, 2022. *The managed phaseout of high-emitting assets*.

## Advocacy and Public Policy

Our advocacy and lobbying are aligned with our focus on reducing our Scope 1 and 2 emissions and supporting sensible policies that reduce Scope 3 emissions. Supply-side constraints alone would be ineffective in reducing global emissions. Demand-side efforts are required for climate goals to be achieved. The most credible way for ConocoPhillips to contribute to reducing Scope 3 emissions is our advocacy for carbon pricing. A well-designed, economy-wide carbon price would allow each sector to focus on the Scope 1 and 2 emissions from the sources it owns and controls. A price on carbon would also provide a stable and predictable market signal that would impact investment flows and end-user choices in a manner that minimizes adverse local economic and social impacts of an energy transition. We advocate for this directly through engagement with government legislators and regulators in all jurisdictions in which we operate, and via collaboration with trade associations that are aligned with our strategy.

We have also demonstrated strong engagement with major trade associations to advance climate policy positions that include support for a market-based approach to reduce GHG emissions. To this end, we have shown successful leadership that has yielded positive results and progress within the American Petroleum Institute (API), the Business Roundtable, the U.S. Chamber of Commerce and others. Our advocacy further addresses methane and flaring regulation, clean fuel or power standards and sector-specific regulations based on carbon-intensity benchmarks. Publicly communicating our governance processes and the depth of our advocacy efforts is a crucial component of our outreach in addressing stakeholder concerns.

ConocoPhillips continues to advocate for an economy-wide price on carbon as the most effective way to reduce end-use Scope 3 emissions. We work within the Climate Leadership Council (CLC) to promote that pricing mechanism and in 2021, we joined the Carbon Pricing Leadership Coalition (CPLC) to more broadly share our support for

enactment of national carbon pricing policies around the world. However, we recognize the policy trend in the U.S. toward a regulatory approach to emissions reductions, and we advocate for effective and efficient regulations and legislation to advance economic incentives and reduce GHG emissions. To that end, we are leading discussions around additional policy options, aligned with our principles, that address end-use emissions and demand:

- Supporting development of alternative carbon pricing mechanisms including some sector-specific programs, which if developed in the design of a World Trade Organization-compliant Border Carbon Adjustment (BCA) mechanism, could function like a carbon price.
- Lobbying to support balanced and cost-effective regulations aimed at directly reducing methane emissions from new and existing oil and gas sources.
- Advocating for the advancement of alternative transportation and power generation as a member of the Fuel Cell and Hydrogen Energy Association (FCHEA).
- Supporting the robust development of an offsets market through our membership in the International Emissions Trading Association (IETA) and advocating via IETA and other trades in support of the further development of a voluntary carbon market.
- Leading the U.S. National Petroleum Council study on Natural Gas GHG Emissions Across the Value Chain, including making policy recommendations at the national level. The study, expected in early 2024, seeks to recommend technology investments, market mechanisms, and policy and regulatory measures to reduce and/or offset GHG emissions across the natural gas value chain.
- Evaluating provisions of the Inflation Reduction Act of 2022 to enhance investment economics of several low carbon technology projects.

## Supply Chain Engagement

We also recognize the importance of Scope 3 emissions in the upstream value chain generated by our suppliers. Therefore, we have ongoing engagements with major suppliers for alignment of their GHG emissions goals with our plans for the energy transition, and we have incorporated an assessment of their emissions into targeted supplier evaluations. We utilize a sustainability questionnaire in key bids that includes questions on supplier GHG emissions and their own Scope 1 and 2 emissions reduction targets.

### MILESTONE

We are continuing to work with our major suppliers to align on our net-zero ambition and address their emissions reductions and targets by implementing our Scope 3 Supplier Emissions Strategy.<sup>6</sup>

We plan to make additional inroads in reducing Scope 3 emissions from those sources that we may be able to influence within our supply chain through continued supplier engagement as part of our Scope 3 Supplier Emissions Strategy. In 2022, we developed a plan for implementation in 2023 to ensure that key elements of our supply chain are evaluated for climate risk, including:

- Identifying suppliers with high relative impact on Scope 3 upstream supplier emissions.
- Promoting alignment of suppliers' GHG targets with our net-zero ambition.
- Building a governance framework for supplier sustainability to include Scope 3 supplier emissions.

- Updating our Supplier Expectations to highlight climate, biodiversity, responsible use of natural resources and human rights. We will revise and implement this documentation through a structured plan to systematically engage with suppliers on sustainability issues throughout the year.
- Collaborating with suppliers in conjunction with industry partners like API and Ipieca to align on disclosure frameworks and systems for collecting and reporting supplier emissions.

We plan to provide guidance to key internal stakeholders on how and when to include emissions impact in supplier bids. During regular engagements between our executive team and those of our major suppliers, we intend to include a standing climate agenda item to discuss GHG targets, performance, opportunities and actions to be taken.

Finally, we will continue to highlight climate and sustainability expectations for suppliers through our annual Supplier Sustainability Forum. In November 2022, we hosted our 10th annual Supplier Sustainability Forum which brought together dozens of suppliers from more than 30 companies, and more than 80 ConocoPhillips representatives to share information for sustainability best practices that are transferable throughout our diverse supply chains. The highlight of the forum was a panel discussion "Changing Landscapes and Net-Zero Alignment" with key ConocoPhillips leaders from our Lower 48 organization, the Low Carbon Technologies team, the Supply Chain team and industry association representatives from the National Association of Manufacturers and the Energy Workforce & Technology Council. They discussed sustainability challenges, how ConocoPhillips is positioned for success and the importance of integrating risk management into our supply chain, business planning and decision making.

<sup>6</sup> Upstream Scope 3 emissions covered under the strategy include Category 1, purchased goods and services and Category 2, capital goods.

## Collaboration and Engagement

Because the energy transition will require joint efforts to achieve meaningful emissions reductions and evolve policy solutions, external engagement and collaboration remain an area of focus for us, as demonstrated by our participation or membership in 2022 in the following:

- World Bank Zero Routine Flaring by 2030: Initiative that aims to create consistency among governments, oil and gas sector and development institutions to address flaring.
- The Environmental Partnership: Coalition of about 100 oil and natural gas companies working to improve methane emissions management.
- E&P Net-Zero Principles Roundtable: Facilitated by Ceres, a small group of financial sector stakeholders, E&P oil and gas companies and nongovernmental organizations (NGOs), seeking to define what it means to be a Paris-aligned E&P company.
- Net-Zero Business Alliance: Initiative by the Bipartisan Policy Center to bring together business leaders and frame an affirmative and pragmatic approach in the climate solutions debate and subsequently engage with governments (as a group and directly) to advance an aggressive climate strategy that is grounded in engineering, commercial and economic realities.
- Net-Zero Company Benchmark: Engaging with Climate Action 100+ twice each year to gather feedback to strengthen our approach to managing climate-related risk.
- Pathways Alliance: Program that includes Canada's Oil Sands Innovation Alliance (COSIA) as well as the Oil Sands Pathways to Net-Zero Initiative, which is an alliance of Canada's top oil sands operators working toward achieving net-zero GHG operational emissions by 2050.
- International Emissions Trading Association (IETA): Nonprofit business organization created in 1999 to establish a functional international framework for trading in GHG emissions reductions.
- Climate Leadership Council (CLC): International policy institute to promote a carbon dividends framework in the U.S.
- Carbon Pricing Leadership Coalition (CPLC): Global voluntary partnership to share and expand the evidence base for effective carbon pricing policies.
- National Petroleum Council study on *Greenhouse Gas Emissions Reduction Plans and Potential Across the US Natural Gas Value Chain*, a multi-stakeholder effort aimed at delivering recommendations to the U.S. Department of Energy on ways to reduce the GHG footprint of natural gas.

### MILESTONE

In 2022, ConocoPhillips joined the *Oil and Gas Methane Partnership (OGMP) 2.0 Initiative* and the *Veritas Differentiated Gas Measurement and Verification Initiative* to advance our commitment to methane emissions measurement and disclosure.

“Reducing greenhouse gas emissions, including methane, is an important priority for ConocoPhillips, and we are pleased to join industry members and stakeholders to advance this important area of emissions management. We believe that applying the rigorous OGMP 2.0 reporting standard across our global assets will be a vital step on our path to net-zero operational emissions by mid-century.”

— Ryan Lance, Chairman and CEO

In addition to these groups, in July 2022 ConocoPhillips joined the *Oil and Gas Methane Partnership (OGMP) 2.0 Initiative*, a voluntary, public-private partnership between the United Nations Environment Programme, the European Commission, the Environmental Defense Fund and over 80 oil and gas companies. OGMP 2.0 has emerged as a globally recognized initiative for methane emissions measurement and reporting and is aimed at minimizing methane emissions from global oil and gas operations. Our membership demonstrates our commitment to improving the transparency of our methane emissions reporting and delivering on our methane reduction objectives and targets by collaborating with industry peers to accelerate best practices in our operations.

In line with the Initiative's guidance, we plan to incorporate source-level and site-level measurements when estimating methane emissions from our operations.

To complement our work with OGMP 2.0, we are also participating in the *Veritas Differentiated Gas Measurement and Verification Initiative*, a U.S.-based methane measurement initiative run by the Gas Technology Institute (GTI). The Veritas program is an effort among academics, environmental groups, certification organizations and oil and gas operators to develop new tools to assess and verify measurement-informed methane emissions. The Veritas program is developing a series of protocols to calculate emissions reductions, including protocols for methane intensity, measurements to inform emissions inventories, reconciliation of emission factor inventories with actual measurements, supply chain summation to aggregate multiple industry segments and audit and assurance for third-party verification of an emissions inventory.

We signed on to OGMP 2.0 and Veritas simultaneously because we see the two frameworks operating in tandem. Our joint participation is an effort to influence the pace of action on methane emissions across the whole industry, not just at ConocoPhillips.

#### MILESTONE

ConocoPhillips participates in a Ceres-led Roundtable to discuss solutions for reaching net-zero emissions and meeting transition demand focused on E&P companies. The *Key Elements for a Net Zero Transition for Operations at Oil and Gas Exploration & Production Companies* is forthcoming in 2023.

Facilitated by Ceres, a nonprofit sustainability advocacy organization, a small group of E&P companies, banks and investment managers came together seeking to define what it means to be a Paris-aligned E&P company. Recognizing the E&P segment has limited opportunities to diversify its business model, the collaboration focused on solutions for reaching net-zero emissions that also meet transition demand.

The resulting product, the *Key Elements for a Net Zero Transition for Operations at Oil and Gas Exploration and Production Companies*, is a basis for engagement and direction as net-zero pathways are traveled.

# Contributing to the Energy Transition

ConocoPhillips is also focused on participating in and contributing to an orderly energy transition and creating business value through differentiated products, business adjacencies, low carbon opportunities and mitigation measures. Below we describe our efforts to develop our liquefied natural gas portfolio and low carbon opportunities like CCS and hydrogen.

## Liquefied Natural Gas (LNG)

While LNG is still considered part of our traditional oil and gas business, its prominence is increasing in global energy markets. We view LNG as an important component of responsibly meeting transition demand in the coming decades. ConocoPhillips has a 60-year history of leadership in LNG and LNG technology.

The use of natural gas in place of coal and refined products represents a specific opportunity for significant reductions in end-use GHG emissions across the globe and a key contribution to the energy transition. We expect LNG to play an increasingly important role in the global energy mix as it has lower GHG emissions than traditional hydrocarbon resources, like coal used for electricity generation. ConocoPhillips will leverage its existing strengths in natural gas marketing and trading in support of its growing global LNG portfolio to meet transition demand and energy security needs. In 2022, we grew our LNG portfolio in several key areas.

### MILESTONE

In 2022, we continued to build our LNG portfolio with an increased equity share in Australia Pacific LNG, new investments in and offtake from U.S. LNG facilities, partnership in LNG expansion with QatarEnergy and an agreement to supply long-term LNG to the German market.

In February we completed the purchase of an additional 10% shareholding interest in APLNG from Origin Energy, expanding our total equity share to 47.5%. This additional stake demonstrates our commitment to provide a reliable and efficient supply of natural gas to the growing Asia Pacific market and to Australia's east coast gas market.

In July, we invested in a new large-scale LNG facility under development by Sempra Infrastructure, a subsidiary of Sempra Energy, in Jefferson County, Texas. We entered into an agreement to acquire a 30% direct equity holding in Port Arthur Liquefaction Holdings, LLC, as well as 5 Mtpa LNG offtake from the Port Arthur LNG project. The first phase of the project is expected to include two liquefaction trains, LNG storage tanks and associated facilities. Our position as one of the largest natural gas marketers in North America enables us to provide feedstock supply. Entering this agreement with Sempra provides us with a ground-floor opportunity to participate in a premier LNG development, reinforcing our commitment to helping solve the world's energy supply needs and seeking to strengthen U.S. and global energy security as we transition to a lower carbon future. Further, equity ownership in the Port Arthur LNG project provides options for ConocoPhillips to participate in future expansions and lower carbon activities in line with our own strategic initiatives as we continue to monitor the pathway of the energy transition.

In the second half of 2022, ConocoPhillips signed agreements forming two new joint ventures with QatarEnergy that will participate in the North Field East (NFE) and the North Field South (NFS) LNG projects. As of December 2022, following the satisfaction of the conditions precedent, we have a 25% shareholding interest in Qatar Liquefied Gas Company Limited (8) (QG8), which has a 12.5% interest in the NFE project. In early 2023, subject to regulatory approvals, we expect to complete the acquisition of a 25% interest in Qatar Liquefied Gas Company Limited (12) (QG12), which has a 25% interest in the NFS project. In November 2022, ConocoPhillips and QatarEnergy announced an agreement to responsibly and reliably supply secure, long-term LNG to Germany. First delivery from NFE is expected in 2026 to the recently announced German LNG Terminal at Brunsbüttel.

In addition to these specific projects, we are one of the largest natural gas producers and marketers in North America, and we have licensed our liquefaction Optimized Cascade Process® in 27 trains around the world. This liquefaction process simplifies modularization and reduces liquefaction equipment counts, resulting in a smaller facility footprint and lower GHG emissions.

## Low Carbon Opportunities

In early 2021 we established, and continue to expand, a multi-disciplinary Low Carbon Technologies organization. The organization's remit is to support our net-zero goals and ambition on Scope 1 and 2 emissions, understand the low carbon energy landscape and prioritize opportunities for potential future competitive investment. We are approaching this effort with the same discipline we follow in our traditional business investment and capital allocation process. This includes keeping costs low, leveraging competencies, identifying viable economic opportunities and anticipating and managing risk while focusing on projects with competitive returns potential.

We are working with organizations focused on CCS monitoring, renewables, energy efficiency, electrification and hydrogen generation, deployment and transportation to advance low carbon opportunities around the globe.



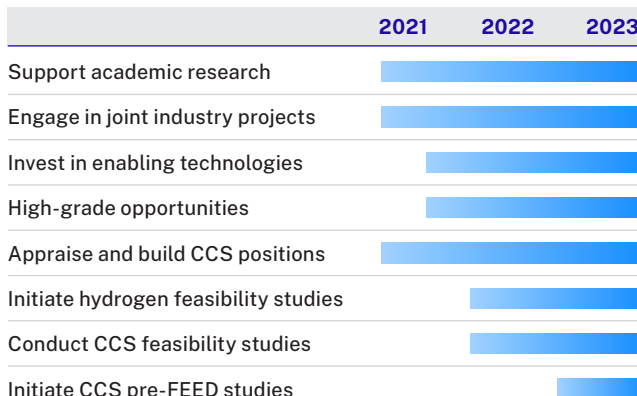
We recognize the important role that CCS and hydrogen play in decarbonizing the global economy. We intend to apply our disciplined approach to development of these new opportunities through clear investment criteria and a focused strategy. We have prioritized opportunities in these technologies as they offer potential for competitive returns and align closely with our technical competencies and global reach. Since 2021, we have advanced our positions in both technologies, including offering support to drive innovation, described in more detail in the following sections.

### CARBON CAPTURE AND STORAGE (CCS)

Development of CCS projects could benefit from our existing technical expertise in subsurface and our track record in the safe development and execution of major projects in the oil and gas industry, and we are actively engaged in subsurface characterization, business development and land acquisition.

## Low Carbon Opportunities<sup>1</sup>

The company has advanced its low carbon positions through a variety of research and development activities.



<sup>1</sup> Shading indicates increasing planned intensity and maturity of our actions over time. 2023 activities are planned.

ConocoPhillips is leveraging our unique land position, technical expertise, project development skills and safety commitment to potentially provide future cost-effective and permanent carbon storage services to industrial sites along the U.S. Gulf Coast. We are evaluating an opportunity to participate in the creation of a CCS hub in this area. This hub could offer cost advantages and risk mitigations and can be modified to meet increasing demand. Hubs should enable access to a diverse source of industrial customers, reducing both the reliance on a single source of CO<sub>2</sub> supply and the risk of asset stranding. The Gulf Coast's large, concentrated industrial emissions sources, coupled with significant subsurface storage capacity in Texas and Louisiana, could make it an ideal location for a hub structure. Long-term off-take agreements would need to be signed with industrial emitters who are looking to address their emissions to meet long-term GHG reduction targets, current carbon credits and future possible credits or taxes.

As part of this work, a 25,000-acre portion of our more than 600,000-acre position in southeast Louisiana was identified as a potential hub for CCS services. The area, in St. Charles and Lafourche Parishes, is well-suited to serve industrial sites located along the Mississippi River corridor. Additionally, ConocoPhillips is in negotiations with landowners along the Texas and Louisiana Gulf Coast for additional rights to sequester CO<sub>2</sub>. The team is also negotiating with large industrial customers near the proposed land positions to provide baseload CO<sub>2</sub> streams to each of the hubs.

ConocoPhillips will evaluate development of low carbon projects, including a CCS project as part of the LNG work previously described with Sempra Infrastructure. The opportunity to participate in CCS projects developed by ConocoPhillips in Texas or Louisiana will be available to Sempra Infrastructure in connection with the Port Arthur LNG project.

In Europe, a carbon capture venture at the ConocoPhillips-operated Teesside Oil Terminal was shortlisted in August 2022 as a site for industrial carbon capture following a competitive submission process. Together with joint partners we are evaluating carbon capture at the site through engineering studies and a due diligence phase with the United Kingdom's Department for Business, Energy and Industrial Strategy. The venture would be part of the East Coast Cluster, using a CO<sub>2</sub> transport and storage network to be developed and operated by one of our partners. Operations are planned to begin in 2027.

Finally, we are a member of the Oil Sands Pathways to Net-Zero Initiative, an alliance of Canada's top oil sands operators working toward achieving net-zero GHG emissions by 2050. The first phase of the initiative is focused on building a carbon capture network in northern Alberta. The initiative also proposes development of a carbon transportation line that will gather CO<sub>2</sub> from oil sands facilities and move it to a storage hub. The transportation line would also be available to companies outside of the oil and gas industry interested in CCS.

## HYDROGEN

ConocoPhillips is also evaluating technologies that will enable the production of hydrogen to be cost effective. We have identified two types of hydrogen manufacturing for bulk fuel supplies in both hydrogen and ammonia form that have technical and commercial adjacencies with the company's core competencies and have potential to grow into a scalable business — hydrogen from natural gas with associated CCS ("blue hydrogen") and hydrogen from the electrolysis of water using electricity from renewables ("green hydrogen").

We are evaluating optimum locations for low-cost hydrogen manufacturing as well as the best means to deliver it to market. Success factors for blue hydrogen are a reliable supply of low-cost natural gas and proximity to subsurface sites suitable for CCS. For green hydrogen, the success factors are low-cost supplies of renewable electricity, water and large scale electrolysis.

Technologies for manufacturing both blue and green hydrogen are rapidly evolving, and, as with CCS, we are pursuing various ways to access these technologies and qualify them for use. Over the last year, we have made early investments in enabling hydrogen technologies. Leveraging our global reach and our technical expertise, we are evaluating and high-grading hydrogen production and marketing opportunities, including ammonia as a hydrogen carrier, both domestically and across the world.

## MILESTONE

We invested in hydrogen production technology with Ekona Power, Inc., and we are working with JERA to evaluate the development of green and blue ammonia from the U.S. Gulf Coast.

In early 2022, we made an investment to support the development of a novel hydrogen production technology from Ekona Power Inc., a Vancouver-based hydrogen technology venture. Ekona's new methane pyrolysis technology platform is expected to produce low-cost hydrogen from methane. The technology converts existing methane streams into hydrogen and solid carbon to reduce CO<sub>2</sub> emissions when applied. This investment represents an opportunity to leverage our existing infrastructure and create optionality at the front end of new technologies that will be crucial to the future of energy.

In September 2022, Japanese energy company JERA announced a collaboration with ConocoPhillips to evaluate the development of green and blue ammonia from the U.S. Gulf Coast. We are working to facilitate the development of low carbon ammonia production to accelerate the production and supply of low carbon fuels from the U.S. for use in the U.S., Europe, Japan and greater Asia. A project engineering study is underway to evaluate this landmark opportunity. While no investment decision has been made, subject to feasibility, commercial operation could be achieved in the late 2020s and may include a complete certified CCS program.



# Managing our Energy Transition Plan

As we navigate an uncharted energy transition in coming years and decades, this plan will evolve in the same way it has developed: through experienced professionals, well-practiced processes, meaningful action and ongoing engagement. Our subject matter experts will closely monitor transition drivers including technology, policy and market sentiment. We will continue to actively collaborate with peers, industry experts and financial sector stakeholders to better understand these drivers and learn from best practices. We are also actively engaged throughout the entire organization — including our Board of Directors, Executive Leadership Team and operations teams — for successful strategy alignment and implementation. Annual advancement of this plan demonstrates our aim to be best in class, with a proactive and pragmatic approach.

Our Triple Mandate will drive continued focus and accountability for both returns and resilience, allowing us to play a valued, meaningful role in a managed and orderly energy transition. The updates in this report reflect our commitment to reducing Scope 1 and 2 emissions, addressing Scope 3 emissions in our supply chain and through policy advocacy, and developing business opportunities in LNG, CCS and hydrogen. By focusing on future energy transition pathway demand, delivering competitive returns and achieving our net-zero emissions ambition, we are well positioned to continue to execute this plan and participate in energy transition opportunities, while also fulfilling our commitment to create long-term value for our stakeholders.

We intend to report on continued implementation of our plan and provide periodic updates on our performance on our website, [www.conocophillips.com](http://www.conocophillips.com) under “Sustainability.”

## Explore ConocoPhillips

### Fact Sheets

Published annually to provide detailed operational updates for each of the company’s six segments. [conocophillips.com/factsheets](http://conocophillips.com/factsheets)

### Sustainability Report

Published annually to provide details on priority reporting issues for the company, a letter from our CEO and key environmental, social and governance metrics. [conocophillips.com/reports](http://conocophillips.com/reports)

### Plan for the Net-Zero Energy Transition Progress Report

Outlines our approach and progress to address risks specific to the energy transition. [conocophillips.com/reports](http://conocophillips.com/reports)

### Managing Climate-Related Risks Report

Published annually to provide details on the company’s governance framework, risk management approach, strategy, key metrics and targets for climate-related issues. [conocophillips.com/reports](http://conocophillips.com/reports)

### Human Capital Management Report

Published annually to provide details of the actions the company is taking to inspire a compelling culture, attract and retain great people and meet our commitments to all stakeholders. [conocophillips.com/hcmreport](http://conocophillips.com/hcmreport)

### Upcoming and Past Investor Presentations

Provides notice of future presentations and archived presentations dating back one year, including webcast replays, transcripts, slides and other information. [conocophillips.com/investors](http://conocophillips.com/investors)

