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PRESENTATION

Neil Singhvi Mehta - *Goldman Sachs Group, Inc., Research Division - VP and Integrated Oil & Refining Analyst*

All right. We got a full room here for what is always a highlight of the Goldman conference, a conversation with Phillips 66. This is really a diversified conversation. So we want to talk about Refining, we'll talk about Midstream, Chemicals, Renewables. We've got Mark Lashier, President and CEO; Kevin Mitchell, CFO; Jeff Dietert, Investor Relations, longtime friend. Thank you all for being here and -- in Miami, and there's a lot to talk through.

QUESTIONS AND ANSWERS

Neil Singhvi Mehta - *Goldman Sachs Group, Inc., Research Division - VP and Integrated Oil & Refining Analyst*

But Mark, maybe we'll kick it off with you here on the macro. So how is Phillips 66 thinking about the refining environment in 2024? What are the key supply and demand factors we should be taking into consideration as we think about the margin environment? And within your own system, what do you see it real time?

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

You bet, Neil. And first of all, Neil, I want to thank you for having us join you here today. This is just a fantastic way to kick off the new year to knock the rest off from the holiday season and to get back in the gear of everything. But first of all, I just want to talk about Phillips 66 as being a leading integrated energy provider, downstream energy provider. We've got a diversified platform that is an attractive investment opportunity. And part of that attraction is not just the diversification, but it's the integration from Midstream, Chemicals, Refining, Marketing and Specialty products. We can deliver value across the economic cycles. And that's what it's all about.

It's really taking advantage of that integration to deliver that incremental value above what -- sum of the parts might indicate that we'd be worth. We're growing our mid-cycle adjusted EBITDA. By 2025, we'll increase it by 20 -- by 40%, and it's not just a refining story. That growth is essentially in all of our non-refining segments. So we're going to see we're going to see that 60% of our mid-cycle EBITDA is outside of our Refining segment. So that's some of the things we want to touch on today.

We've got compelling shareholder returns, and we're committed to returning 50% of our cash back to shareholders. And that provides clear evidence of the capital discipline that we do in our capital allocation process. And the macro going forward, we see it continue to be constructive. I'm going to have Jeff chime in on the macro. He's the expert. But from a high level, we've come off of a couple of very strong years. We continue to see in the Refining business, low inventories. The crack spreads have seasonally tightened up a bit, but distillate is still strong. Gasoline is, of course, seasonally impaired a little bit, but we see strength going into next year, barring any major recessionary activity, we think we're going to continue on a good constructive path. Jeff, do you want to chime in on things.

Jeffrey Alan Dietert - *Phillips 66 - VP of IR*

Yes. I think as we look at capacity growth, there was about 1.5 million barrels a day of net capacity added in 2023, that compares to global demand growth of 2.2 million, 2.3 million barrels a day. As we look at 2024, we've got another, call it, net 1.4 million barrels a day of capacity being added. And as you look at the IEA, EIA and OPEC, demand expectations are pretty broad for next year between 1 million barrels a day and 2 million barrels a day.

But as we look at 2025, 2026, the capacity growth is relatively modest, and we do have a continuation of rationalization that's occurring Lyondell Houston. We've got Grangemouth U.K. recently announced, Japanese refinery shutting down as well. So only about 1 million barrels a day of growth in 2025, 2026. So not an overwhelming amount of capacity coming into the market.

Neil Singhvi Mehta - *Goldman Sachs Group, Inc., Research Division - VP and Integrated Oil & Refining Analyst*

That's a helpful starting off. Well, let's talk about the EBITDA bridge because in your 3Q update, you indicated a path to $14 billion of normalized EBITDA. And the reaction from a number of the investors is how do we get there? And -- because that's well above where consensus is, which is closer to $10 billion to $11 billion. So can you spend some time bridging what is driving that growth? What do you think we, as a market, underappreciate about the earnings power of the business?

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

There's some really strong elements to that growth, Neil, and we agree that we've got to prove our ability to deliver that. But we've got line of sight on how we're going to generate that mid-cycle EBITDA. And you really think about the midstream, the wellhead to market value chain, how we've rolled up DCP, PSXP and created this wellhead to market entity that can deliver great value. And just the what I'd call the native EBITDA coming in from the DCP roll-up is it adds $1 billion.

We are aggressively pursuing synergies around DCP. We originally had a $300 million target. That's going to be $400 million plus. And then the next biggest increment is just our business transformation focus, our cost control focus, and that's going to contribute another $100 million to that midstream increment. But across the board, we're looking at $1.1 billion by the end of 2024 as a run rate.

We hit $800 million by year-end of '23. And so that is baked into our plans going forward. And the beautiful thing about these cost reductions is we control those. We capture those. We have line of sight on those. We know that we have those captured, and that we're going to -- that margin variation isn't going to take that away that that's there. And so we're looking at $1.1 billion there.

And then you talk about our renewable fuels business Rodeo, will be starting up in the first quarter. So it will ramp up in the first half of the year. So by the end of this year, we're looking at a contribution of around $700 million a year of EBITDA from Rodeo Renewed.

And then we also -- and something new that we haven't talked a lot about is we're enhancing our commercial supply and trading opportunities. We've been very conservative on how we've optimized across our integrated platforms, and we're going to lean into that a bit. And we've already identified the opportunity to capture across the organization, another $600 million in EBITDA out of the commercial supply and trading organization.

So -- and then you come down to CPChem, and CPChem has done a number of very attractive mid-cap projects that are already -- a couple of them are already online, the new hexene facility, a new C3 splitter propylene production facility. And then this year, they'll be bringing on another furnace in their U.S. Gulf Coast 1 cracker. So you look at all those things, the EBITDA -- incremental EBITDA that we'll realize in this time frame another couple of hundred million dollars.

So we've got line of sight on these things. We believe in these things. And really part of what we've done is we increased from $3 billion increase to $4 billion increase based on the confidence our entire organization has on delivering on those cost elements as well as delivering on market (inaudible).

Neil Singhvi Mehta - *Goldman Sachs Group, Inc., Research Division - VP and Integrated Oil & Refining Analyst*

What Jeff and Kevin, I'd be curious on you guys' perspective, you spent a lot of time with investors. When you look at Wall Street and our models as an investment community, what do you think we most underappreciate?

Kevin J. Mitchell - *Phillips 66 - Executive VP & CFO*

So I think there's a couple of elements to that. I think it's worth emphasizing that our $14 billion number is on a normalized mid-cycle basis. I don't think the Street is a mid-cycle for Chemicals in 2025. We're not 100% certain we'll be at mid-cycle in 2025 either. But for consistency purposes, we set that target out on a mid-cycle basis. So it's not a projection that that's where the Chemicals margins will be in 2025. It's what Chemicals will do on a mid-cycle basis. So I think that's one important factor, and it is part of the difference in what you see there.

And I think, quite frankly, the other component is a question mark on whether we will actually deliver on the refining improvements. We've laid out a very clear path to address refining performance improvement, both in terms of utilization, market capture, cost. We're very confident that we will deliver on those. I think externally, there's a little bit of, okay, well, let's see, and we'll give credit when we see it.

Neil Singhvi Mehta - *Goldman Sachs Group, Inc., Research Division - VP and Integrated Oil & Refining Analyst*

Yes. That's a great point. And let's talk a little bit Kevin about refining here in a moment. Let's talk about noncore asset sales because Phillips 66 over many years has really been organically building the business, bolt-on transactions and roll-ups, but you're entering into a little bit of a different strategy here of actually starting to prune the portfolio. And how do you go about doing that in a way that's most effective?

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

Absolutely. Neil, we've taken a step back and really done a deep dive around our strategy. What are the core assets we really need to drive our go-forward strategy and create long-term low volatility earnings that our investors can rely on. And as you noted, we've had a great run in growing the midstream. We've got great midstream assets. We use the MLP model to build assets at a low build multiple and then trade them up in the MLP with a higher multiple. And those assets are all generating great value, but some are less close to our core strategy, maybe we don't operate them or maybe we do operate them, but they're just not key to our go-forward strategy.

And if they're worth more to someone else, we're willing to monetize those assets. And I think that -- what I would say is -- like most good companies, every asset you have, there is a value that you would part with it. But the closer you get to our core strategy, the higher the multiple is going to have to be as we look at what we would do. So we're starting off with about a $3 billion look at assets that we know that we'd be interested if someone else sees greater value in them than we do. And we're having active discussions around those. It's not a fire sale. We don't have this great burning platform where we've got to exit these assets. But we do have a plan. We have gone through a process to identify those assets, and we're working that plan. Kevin?

Kevin J. Mitchell - *Phillips 66 - Executive VP & CFO*

Yes, just to add couple of additional comments. You look at what we did last year, and in fact, even into the prior year, we significantly reduced our position in Gray Oak Pipeline, a great asset, not that strategic to us, though, and it enabled us to take control of the DCP platform. We also sold the South Texas Gateway Terminal. Likewise, good assets. We had [20%] ownership, we did not operate. It was the right thing to do from that standpoint. And so you can look to those as a little bit of a guide as to how we're thinking about this on a go-forward basis.

The other point I would (inaudible) today, we've said in excess of $3 billion (inaudible) increased financial flexibility in terms of why we think about cash returns to shareholders, balance sheet debt, it just gives us flexibility across the board from a balance sheet standpoint.

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

Yes, that's a great point, Kevin. We've made the cash return to shareholders commitment. We upped it to $12 billion to $13 billion by the end of 2024. That's all premise based on operating cash flows. So this additional increment that we might realize from these asset sales, that's somewhat of an insurance policy to -- if there is an economic downturn or if there's something that mitigates that cash flow, we've got the revenue from asset sales to either help our balance sheet out or to supplement what we plan to do, returning cash to shareholders.

Neil Singhvi Mehta - *Goldman Sachs Group, Inc., Research Division - VP and Integrated Oil & Refining Analyst*

Now that makes sense. Is there a time line associated with the $3 billion?

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

We're not putting any fixed time line on it. Again, we don't (inaudible) sense of urgency. We are focused on simplifying our business, focusing on our core assets, focusing on our go-forward strategy. It's really going to be a function of whether someone puts a greater value on these assets than we do.

Neil Singhvi Mehta - *Goldman Sachs Group, Inc., Research Division - VP and Integrated Oil & Refining Analyst*

Great. Well, let's talk about return of capital because that was the other important update here on the 3Q call that the market responded very favorably too, which is the Board raised their total returns target from $10 billion to $12 billion to $13 billion to $15 billion and another $5 billion share authorization. So walk us through the capital allocation framework. And why is now the time to be leaning into the stock?

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

Yes. We see upside to the stock. We see our growth opportunities. We talked about how we're going to grow the earnings over the next several years, and we're -- we've been delivering greater than 50% of our cash back to our shareholders. And we just have line of sight on what our cash generation capabilities are going to be, and that's what really drove us to elevate that. It's the level of confidence we have in our ability to capture the cost savings, to simplify our business, to focus on value creation, to enhance our refining performance, all of those things combined to create a situation where we have full confidence that we can generate the cash and return it to our shareholders. Kevin?

Kevin J. Mitchell - *Phillips 66 - Executive VP & CFO*

Yes. And I would just supplement that the $10 billion to $12 billion original target, we laid that out at our Investor Day, we're 5 quarters through that, and we've done $6.7 billion. So if you just extrapolate that, it already puts us to within that new target range that we laid out. So we feel very confident between the strength of the balance sheet, the overall business environment that we see, we feel very confident in the increased target range. And also at the same time, we increased the percent of available cash flow to shareholders to 50% or greater, and we're currently comfortably in excess of that in terms of how we're looking at that.

Neil Singhvi Mehta - *Goldman Sachs Group, Inc., Research Division - VP and Integrated Oil & Refining Analyst*

Yes. And Kevin, that does send an important signal around capital discipline as well. And in December, you came out with a CapEx budget, $2.2 billion, $900 million sustaining, $1.3 billion in terms of growth. Can you talk about the different components of capital allocation spend and provide progress on some of the key projects, whether it's Rodeo or the -- or your NGL well-to-market strategy?

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

Yes. Before I let Kevin dive into that, there's just 1 clarification on that $2.2 billion because we've been publicly stating we're going to constrain capital to $2 billion. And additional increment, you got the $900 million and the $1.3 billion for growth, but out of that growth, there's $250 million that's going to our 25% interest of debt repayment for the Bakken pipeline. And so the owner and the way it's structured, there's a cash call for debt repayments. And so that flows through our growth capital budget. So that's a unique piece that we exclude from our $2 billion in capital. It just happens to show up there. There are other methodologies we could use, but that's the way we choose to let it show up. So Kevin, you can...

Kevin J. Mitchell - *Phillips 66 - Executive VP & CFO*

Yes. So just to break down that capital number, the growth capital of $1.3 billion. Mark already talked about the $250 million of debt repayment. There is about $350 million of midstream growth capital, excluding that debt repayment. $350 million, that is primarily focused on our NGL wellhead-to-water strategy. And so that's pursuing incremental opportunities that we see to invest around that system. Now we have that full (inaudible) in Refining, we have about $600 million of growth capital, and that funds the completion of Rodeo Renewed. That's the largest single project that we're investing in, in 2024. So you got the completion of Rodeo Renewed.

And then you also have the smaller high-margin, high return, quick payout projects that are helping us in our performance improvement plan around increasing market capture, sustaining higher utilization rates, improving that overall EBITDA per barrel contribution from Refining. That really accounts for the growth capital.

The sustaining capital of $900 million, it's probably worth just clarifying, historically, we've been at about $1 billion. We're saying it's a $300 million reduction from history, but you have to recognize that we've added in the DCP asset base, which is about $200 million of sustaining capital. And so the $1 billion becomes $1.2 billion. And then with our reductions, you get to about $900 million sustaining capital budget.

Neil Singhvi Mehta - *Goldman Sachs Group, Inc., Research Division - VP and Integrated Oil & Refining Analyst*

And your message is this too is effective [governor]. It would take a lot for you to move above?

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

Right. Correct. Yes.

Neil Singhvi Mehta - *Goldman Sachs Group, Inc., Research Division - VP and Integrated Oil & Refining Analyst*

Let's pivot to refining and the operations. It's -- the company has come out and indicated it's looking to increase its market capture by 1% to 2% a year through the implementation of a lot of little projects, right, 10 to 15 projects. Can you talk about the execution of these projects? And -- how do you see it -- how should we, as an investment community evaluate whether you're tracking and progressing because Jeff and I talked a lot about this capture rate as a metric. It's a noisy metric.

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

It's a very noisy measure.

Neil Singhvi Mehta - *Goldman Sachs Group, Inc., Research Division - VP and Integrated Oil & Refining Analyst*

And it's hard to actually isolate what (inaudible).

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

Yes, I think it's important. And the way we look at it is you've got to look at how that noisy metric changes over time because it does. There are things that we don't control that go into market capture. So we focus on the things we can control, positioning ourselves to capture the most we can from the market. And so we've got a program underway where we want to enhance our market capture by 5%. That involves around a $400 million mid-cycle margin improvement, and that involves a series of small projects. And you think about what we've been doing to get that 5%, it's about 15 projects a year, getting 1% to 2% of market capture incrementally a year. You go back to 2022, I think we had about 13 projects that added 1.3% to that number. We invested, I think, around $250 million, $240 million and are getting about $160 million of incremental EBITDA from that.

Then in '23, similar story there. We added -- we did 13 projects for about $240 million that added $100 million of EBITDA to the bottom line. And so that's -- it's just this basic fundamental blocking and tackling, where we're, a, we're ensuring that our assets are available. So we've got -- there's a reliability component. Then there's a clean product component that we make sure that those assets had the ability to produce the highest value products. For example, Lake Charles, we did a project to enhance the jet hydrotreater that increased jet hydrotreater feed by about 8,000 barrels a day and enhance the sulfur spec, so it could be a higher value product.

It's things like that, that are our engineers are out there every day trying to evaluate and looking for those incremental opportunities to improve. And that's really part of our business transformation. The biggest benefit of our business transformation has been the psychology of every employee in the organization. They're out there looking for every day for ways to be more competitive to either lower cost, be more efficient or create more value. And at the end of the day, the ultimate measure is the EBITDA per barrel that we're generating out of our refineries. And so we (inaudible) deliver greater value, we're going to have greater availability of our assets, and we're going to operate those assets at the highest possible utilization.

Jeffrey Alan Dietert - *Phillips 66 - VP of IR*

Neil, you're aware of this, but for those of you in the audience, we did update our investor update earlier this week, and there's some additional disclosures there that I think people will find helpful.

Neil Singhvi Mehta - *Goldman Sachs Group, Inc., Research Division - VP and Integrated Oil & Refining Analyst*

Anything you want to call out, Jeff?

Jeffrey Alan Dietert - *Phillips 66 - VP of IR*

We break down specifically on the 5% market capture, the categories of investments that we're making. And the biggest 2 are feedstock flexibility and product yield, but there are a number of other components there as well.

Neil Singhvi Mehta - *Goldman Sachs Group, Inc., Research Division - VP and Integrated Oil & Refining Analyst*

And the target is to get to 75% over time. Last quarter, in Q3, we were at 66% because it's a tougher capture environment, even though utilization was good. Q4, I would imagine with your sequential progress, all else equal.

Jeffrey Alan Dietert - *Phillips 66 - VP of IR*

Yes. So I think the market conditions have supported market capture as well, wider crude differentials, some decline in crude and product prices during the quarter that supports our business as well. So we should see some improvement in market capture in 4Q.

Neil Singhvi Mehta - *Goldman Sachs Group, Inc., Research Division - VP and Integrated Oil & Refining Analyst*

Okay. Let's talk on Chemicals. I'm just a dumb on oil and gas. Gas is -- I don't have 11 patents like you, but that is -- so help us understand where we are in the Chemicals business?

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

Yes, I always get nervous when a bright guy like Neil says, he is dumb about anything, not buying that. But no, Chemicals has been through a cyclical downturn, came off incredible margins, really helped, it was a strong contributor throughout COVID. And then what really was kind of the third wave of investments related to shale started to come on stream in North America. So it's a homegrown problem, great fundamentals long term for that business by taking advantage of low-cost ethane, a number of producers, including ourselves added capacity. And you're starting to see that capacity come into the markets.

The global economic condition impacts this. And so we still have good, strong conviction around the long-term benefits of chemicals business but we did, I believe, hit bottom in 2023. You start to see the IHS Markit marker tick up for the margins for polyethylene. I think we went from $0.13 a pound in third quarter to $0.16 a pound in the fourth quarter. Mid-cycle is something around $0.30 a pound.

But CPChem is well positioned to endure those kinds of conditions. They have a strong competitive position. 95% of their feedstock is advantaged. And so they've been able to run flat out and create good bottom-of-the-cycle value, almost $1 billion of EBITDA back to us at the bottom of the cycle is a pretty good story. But we see fundamentals continue to improve. It's going to be a function, though, of what's going on in the global economy. There's a lot of turmoil out there. A lot of things that could disrupt any kind of recovery, but we watch what happens in Asia, what happens in China.

But I think if you see any kind of recovery in Asia, any kind of recovery in China, you could see a very quick uptick. We've seen this before in the polyethylene value chain because really, if demand upticks in Asia, to create call on the naphtha crackers in Asia, you've got to see a pretty substantial uptick in margins that the ethane-based providers are going to be able to step right into. And so we continue to be bullish in the long term around CPChem, around their value chain, but the ultimate outcome is going to be driven by global economics.

Neil Singhvi Mehta - *Goldman Sachs Group, Inc., Research Division - VP and Integrated Oil & Refining Analyst*

Why is $0.30 the right mid-cycle margin?

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

I don't know that it's the right mid-cycle margin, but it's based on history. A new mid-cycle margin could appear higher. I think that there are good strong fundamentals globally for growth in that value chain, and CPChem is, I believe, best positioned to take advantage of that.

Neil Singhvi Mehta - *Goldman Sachs Group, Inc., Research Division - VP and Integrated Oil & Refining Analyst*

How are the projects progressing in Qatar and on the Gulf Coast?

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

Those projects are both making great progress. We've got financing in place. They're all project financed, which minimizes the cash impact on us and they're both making good progress. If you happen to be in East Texas, stop by Orange. It's a massive project, massive footprint, a similar project going on in Ras Laffan, Qatar as well. There's a little bit of time lag between the 2. But we believe 2026 will be a very good time for those projects to be coming on. We think that the cycle will be resolved, and there'll be recovery going on when those volumes come to market, or benefit both CPChem and their customers.

Neil Singhvi Mehta - *Goldman Sachs Group, Inc., Research Division - VP and Integrated Oil & Refining Analyst*

And Mark, from your perspective, CPChem is a core business. Is that fair to say?

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

CPChem is a core business. It's the highest return segment that we have. CPChem in its structure as a joint venture really has been able to grow faster and more profitably than many of their competitors and has been a very disciplined approach to growth. And so it is very core to what we do. We've just established ourselves as a strong player in the NGL transportation, gathering and processing, transportation, fractionation. And so we are we view CPChem as an extension of that integration.

So when you look at us as a whole, we've got a strong integration on the crude side through midstream, refining out to marketing and specialty. Strong integration on the NGL gathering and processing, transportation, marketing into chemicals. And there's an interlink between refining and our ability to optimize around NGL, NGL-related products, petrochemical products, all there. So that's what we believe are diversified, but more importantly, integrated value proposition is, and we are driving hard every day to maximize the value of that integration in CPChem is right center core to that strategy.

Neil Singhvi Mehta - *Goldman Sachs Group, Inc., Research Division - VP and Integrated Oil & Refining Analyst*

Thank you. Let's talk a little bit about renewable fuels and Rodeo. It's on the doorstep of coming into service, to talk about what [gaining] factors stand between you and completion? And that $700 million, we've seen renewable economics come under some pressure because the RINs prices are lower and LCFS prices are lower. Has that reduced your conviction in your mid-cycle view of that asset?

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

Yes. We are absolutely fully convicted on the attributes around the Rodeo Renewed project. It's going to be a positive contributor, and we are ready to have it up on stream and contributing. I'll give you the high-level perspective and Jeff can dive into the multiple layers of value creation that are at play there. But the project is progressing as planned. We expect to start it up this quarter, barring any bureaucratic hitches in California. We did have a challenge by NGOs against the county that provided the permit to the environmental impact assessment. It went to court. The judge ruled favorably towards a project on the majority of the items that were raised. There were 2 or 3 others that had to be drilled into.

The new EIA was produced. The public comment period expired December 8, and now it's moving through the bureaucracy to get the final approval of the permits to start up the operations. And our mitigation plan is to continue to run Rodeo as a crude facility, and we've made we've made adjustments to be able to do that, but we will be prepared to start up in the first quarter if we get the green light or we'll continue to process crude oil at fairly attractive margins in California. So we've got that mitigated. But Jeff, do you want to comment on the economics of Rodeo?

Jeffrey Alan Dietert - *Phillips 66 - VP of IR*

Yes. I think Rodeo is really optimally placed. It's low capital cost. It's in the California market. We've got the existing infrastructure to bring rails and truck feedstocks in. We can also bring feedstock in over the water and ship products out over the dock. When we -- [AFE], the project, the BTC, Blenders Tax Credit was not scheduled to continue, it was scheduled to end. So we did not include that in our economics and the IRA has extended that benefit.

So we do have some benefit there. We also have flexibility to produce up to 10,000 barrels a day of SAF. And at the time, the economics were not supportive of SAF, renewable diesel was stronger. The IRA has closed a lot of that gap. And so we do have SAF potential there initially, and then there's a low capital project to extend that should the SAF economics be better than renewable diesel on an ongoing basis.

I think the other thing to mention is that Rodeo was an operating refinery that was putting 50,000 barrels a day of diesel into the market. So this is not an incremental 50,000 barrels a day of renewable diesel. It just replaces Rodeo. And so the 50,000 barrels a day of Rodeo gasoline is coming out of the market and some secondary products as well. So I think those are things that I would highlight.

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

Yes. And I would say that from a commercial perspective, both on the feedstock acquisition. We've got a great position, global commercial and trading organization that's lined up a variety of feedstocks that we're currently selling to others that are consuming those things, but we've got the ability to fully load that facility. And we've got the ability to pull through the renewable diesel out to our own proprietary retail outlets to so we can capture the whole value chain. And we're sitting right in the market, whether it's in California, Washington, Oregon, British Columbia, we've got lots of opportunities on the West Coast, and we don't have to fight our way through the Panama Canal to get those products to market.

Neil Singhvi Mehta - *Goldman Sachs Group, Inc., Research Division - VP and Integrated Oil & Refining Analyst*

Thank you. And we got a minute left. So we do a rapid fire 2 businesses (inaudible) about marketing and midstream. Marketing team (inaudible) normal for profitability in terms of the cents per gallon. The margins have been very good. So any perspective there? And then Midstream, is it fair to say it's much more organic in terms of this growth strategy and where you're going from here after rolling up these 2 assets?

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

You get -- for marketing, we love marketing, the consistent returns that we're (inaudible) marketing the strategy that we've employed. We've got a relatively low (inaudible) exposure in the right locations on the West Coast in the Mid-Continent, and we that model. It's been a low capital, high-return model that's generating those consistent returns. We're realizing value from our brands that we license out there as well, household name brands that are very strong. And so low volatility, high return.

Similar case in our interest in midstream NGL by the way, that it provides low volatility, very consistent return. We can cover our nondiscretionary expenses like our dividend and our sustaining capital for the entire corporation just from the earnings from Midstream NGL business. And that's why we believe it's important to grow that because the growth is there. We see line of sight from the Permian and DJ Basin. So we intend to grow it.

Our focus right now, though, is on integration of DCP, capturing synergies, but we're looking at opportunities. If there are assets out there that would be a good fit, that would provide more value to us than current owners attached to that midstream backbone that we've created, we would look at that. But there's going to be organic opportunities in G&P as well.

Neil Singhvi Mehta - *Goldman Sachs Group, Inc., Research Division - VP and Integrated Oil & Refining Analyst*

All right. Well, thank you so much. (inaudible) good wide ranging conversation. I wish you the great rest of the conference and a terrific year ahead.

Mark E. Lashier - *Phillips 66 - President, CEO & Director*

Thank you, Neil. Thanks for letting us be here.
