

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-13175



VALERO ENERGY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

74-1828067

(I.R.S. Employer
Identification No.)

One Valero Way
San Antonio, Texas

(Address of principal executive offices)

78249

(Zip Code)

(210) 345-2000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	VLO	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer
Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the registrant's only class of common stock, \$0.01 par value, outstanding as of October 25, 2024 was 316,585,228.

VALERO ENERGY CORPORATION

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PART I – FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS**

VALERO ENERGY CORPORATION
CONSOLIDATED BALANCE SHEETS
(millions of dollars, except par value)

	September 30, 2024	December 31, 2023
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,184	\$ 5,424
Receivables, net	11,073	12,525
Inventories	7,048	7,583
Prepaid expenses and other	671	689
Total current assets	23,976	26,221
Property, plant, and equipment, at cost	52,424	51,668
Accumulated depreciation	(22,743)	(21,459)
Property, plant, and equipment, net	29,681	30,209
Deferred charges and other assets, net	6,725	6,626
Total assets	\$ 60,382	\$ 63,056
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of debt and finance lease obligations	\$ 1,016	\$ 1,406
Accounts payable	11,516	12,567
Accrued expenses	1,190	1,240
Taxes other than income taxes payable	1,400	1,452
Income taxes payable	176	137
Total current liabilities	15,298	16,802
Debt and finance lease obligations, less current portion	9,790	10,118
Deferred income tax liabilities	5,263	5,349
Other long-term liabilities	2,031	2,263
Commitments and contingencies		
Equity:		
Valero Energy Corporation stockholders' equity:		
Common stock, \$0.01 par value; 1,200,000,000 shares authorized; 673,501,593 and 673,501,593 shares issued	7	7
Additional paid-in capital	6,940	6,901
Treasury stock, at cost; 356,916,683 and 340,199,677 common shares	(27,938)	(25,322)
Retained earnings	47,074	45,630
Accumulated other comprehensive loss	(830)	(870)
Total Valero Energy Corporation stockholders' equity	25,253	26,346
Noncontrolling interests	2,747	2,178
Total equity	28,000	28,524
Total liabilities and equity	\$ 60,382	\$ 63,056

See Condensed Notes to Consolidated Financial Statements.

VALERO ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(millions of dollars, except per share amounts)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues (a)	\$ 32,876	\$ 38,404	\$ 99,125	\$ 109,352
Cost of sales:				
Cost of materials and other	29,965	32,385	88,590	91,820
Operating expenses (excluding depreciation and amortization expense reflected below)	1,482	1,578	4,317	4,495
Depreciation and amortization expense	675	671	2,042	1,979
Total cost of sales	32,122	34,634	94,949	98,294
Other operating expenses	3	6	40	18
General and administrative expenses (excluding depreciation and amortization expense reflected below)	234	250	695	703
Depreciation and amortization expense	10	11	34	32
Operating income	507	3,503	3,407	10,305
Other income, net	123	122	389	357
Interest and debt expense, net of capitalized interest	(141)	(149)	(421)	(443)
Income before income tax expense	489	3,476	3,375	10,219
Income tax expense	96	813	726	2,288
Net income	393	2,663	2,649	7,931
Less: Net income attributable to noncontrolling interests	29	41	160	298
Net income attributable to Valero Energy Corporation stockholders	\$ 364	\$ 2,622	\$ 2,489	\$ 7,633
Earnings per common share	\$ 1.14	\$ 7.49	\$ 7.66	\$ 21.22
Weighted-average common shares outstanding (in millions)	318	349	324	359
Earnings per common share – assuming dilution	\$ 1.14	\$ 7.49	\$ 7.66	\$ 21.21
Weighted-average common shares outstanding – assuming dilution (in millions)	318	349	324	359
Supplemental information:				
(a) Includes excise taxes on sales by certain of our foreign operations	\$ 1,539	\$ 1,468	\$ 4,382	\$ 4,339

See Condensed Notes to Consolidated Financial Statements.

VALERO ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(millions of dollars)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income	\$ 393	\$ 2,663	\$ 2,649	\$ 7,931
Other comprehensive income (loss):				
Foreign currency translation adjustment	326	(314)	62	77
Net loss on pension and other postretirement benefits	—	(12)	(11)	(25)
Net gain (loss) on cash flow hedges	43	(78)	(49)	(68)
Other comprehensive income (loss) before income tax expense (benefit)	369	(404)	2	(16)
Income tax expense (benefit) related to items of other comprehensive income (loss)	5	(11)	(13)	(16)
Other comprehensive income (loss)	364	(393)	15	—
Comprehensive income	757	2,270	2,664	7,931
Less: Comprehensive income attributable to noncontrolling interests	51	2	135	264
Comprehensive income attributable to Valero Energy Corporation stockholders	\$ 706	\$ 2,268	\$ 2,529	\$ 7,667

See Condensed Notes to Consolidated Financial Statements.

VALERO ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF EQUITY
(millions of dollars, except per share amounts)
(unaudited)

Valero Energy Corporation Stockholders' Equity								
	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total	Non- controlling Interests	Total Equity
Balance as of June 30, 2024	\$ 7	\$ 6,929	\$ (27,373)	\$ 47,052	\$ (1,172)	\$ 25,443	\$ 2,807	\$ 28,250
Net income	—	—	—	364	—	364	29	393
Dividends on common stock (\$1.07 per share)	—	—	—	(342)	—	(342)	—	(342)
Stock-based compensation expense	—	11	—	—	—	11	—	11
Purchases of common stock for treasury	—	—	(565)	—	—	(565)	—	(565)
Distributions to noncontrolling interests	—	—	—	—	—	—	(111)	(111)
Other comprehensive income	—	—	—	—	342	342	22	364
Balance as of September 30, 2024	<u>\$ 7</u>	<u>\$ 6,940</u>	<u>\$ (27,938)</u>	<u>\$ 47,074</u>	<u>\$ (830)</u>	<u>\$ 25,253</u>	<u>\$ 2,747</u>	<u>\$ 28,000</u>
Balance as of June 30, 2023	\$ 7	\$ 6,889	\$ (22,586)	\$ 42,512	\$ (971)	\$ 25,851	\$ 2,143	\$ 27,994
Net income	—	—	—	2,622	—	2,622	41	2,663
Dividends on common stock (\$1.02 per share)	—	—	—	(360)	—	(360)	—	(360)
Stock-based compensation expense	—	15	—	—	—	15	—	15
Transactions in connection with stock-based compensation plans	—	(4)	10	—	—	6	—	6
Purchases of common stock for treasury	—	—	(1,805)	—	—	(1,805)	—	(1,805)
Distributions to noncontrolling interests	—	—	—	—	—	—	(63)	(63)
Other comprehensive loss	—	—	—	—	(354)	(354)	(39)	(393)
Balance as of September 30, 2023	<u>\$ 7</u>	<u>\$ 6,900</u>	<u>\$ (24,381)</u>	<u>\$ 44,774</u>	<u>\$ (1,325)</u>	<u>\$ 25,975</u>	<u>\$ 2,082</u>	<u>\$ 28,057</u>

See Condensed Notes to Consolidated Financial Statements.

VALERO ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF EQUITY (Continued)
(millions of dollars, except per share amounts)
(unaudited)

	Valero Energy Corporation Stockholders' Equity							
	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total	Non- controlling Interests	Total Equity
Balance as of December 31, 2023	\$ 7	\$ 6,901	\$ (25,322)	\$ 45,630	\$ (870)	\$ 26,346	\$ 2,178	\$ 28,524
Net income	—	—	—	2,489	—	2,489	160	2,649
Dividends on common stock (\$3.21 per share)	—	—	—	(1,045)	—	(1,045)	—	(1,045)
Stock-based compensation expense	—	63	—	—	—	63	—	63
Transactions in connection with stock-based compensation plans	—	(24)	25	—	—	1	—	1
Purchases of common stock for treasury	—	—	(2,641)	—	—	(2,641)	—	(2,641)
Contributions from noncontrolling interests	—	—	—	—	—	—	90	90
Distributions to noncontrolling interests	—	—	—	—	—	—	(113)	(113)
Conversion of IEnova Revolver debt to equity (see Notes 4 and 6)	—	—	—	—	—	—	457	457
Other comprehensive income (loss)	—	—	—	—	40	40	(25)	15
Balance as of September 30, 2024	<u>\$ 7</u>	<u>\$ 6,940</u>	<u>\$ (27,938)</u>	<u>\$ 47,074</u>	<u>\$ (830)</u>	<u>\$ 25,253</u>	<u>\$ 2,747</u>	<u>\$ 28,000</u>
Balance as of December 31, 2022	\$ 7	\$ 6,863	\$ (20,197)	\$ 38,247	\$ (1,359)	\$ 23,561	\$ 1,907	\$ 25,468
Net income	—	—	—	7,633	—	7,633	298	7,931
Dividends on common stock (\$3.06 per share)	—	—	—	(1,106)	—	(1,106)	—	(1,106)
Stock-based compensation expense	—	68	—	—	—	68	—	68
Transactions in connection with stock-based compensation plans	—	(31)	38	—	—	7	—	7
Purchases of common stock for treasury	—	—	(4,222)	—	—	(4,222)	—	(4,222)
Contributions from noncontrolling interests	—	—	—	—	—	—	75	75
Distributions to noncontrolling interests	—	—	—	—	—	—	(164)	(164)
Other comprehensive income (loss)	—	—	—	—	34	34	(34)	—
Balance as of September 30, 2023	<u>\$ 7</u>	<u>\$ 6,900</u>	<u>\$ (24,381)</u>	<u>\$ 44,774</u>	<u>\$ (1,325)</u>	<u>\$ 25,975</u>	<u>\$ 2,082</u>	<u>\$ 28,057</u>

See Condensed Notes to Consolidated Financial Statements.

VALERO ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(millions of dollars)
(unaudited)

	Nine Months Ended September 30,	
	2024	2023
Cash flows from operating activities:		
Net income	\$ 2,649	\$ 7,931
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	2,076	2,011
Gain on early retirement of debt, net	—	(11)
Deferred income tax expense (benefit)	(78)	32
Changes in current assets and current liabilities	795	(1,695)
Changes in deferred charges and credits and other operating activities, net	171	(278)
Net cash provided by operating activities	<u>5,613</u>	<u>7,990</u>
Cash flows from investing activities:		
Capital expenditures (excluding variable interest entities (VIEs))	(399)	(468)
Capital expenditures of VIEs:		
Diamond Green Diesel Holdings LLC (DGD)	(198)	(183)
Other VIEs	(7)	(4)
Deferred turnaround and catalyst cost expenditures (excluding VIEs)	(844)	(665)
Deferred turnaround and catalyst cost expenditures of DGD	(62)	(56)
Purchases of available-for-sale (AFS) debt securities	(17)	(237)
Proceeds from sales and maturities of AFS debt securities	79	220
Other investing activities, net	11	11
Net cash used in investing activities	<u>(1,437)</u>	<u>(1,382)</u>
Cash flows from financing activities:		
Proceeds from debt borrowings (excluding VIEs)	5,200	1,750
Proceeds from debt borrowings of VIEs:		
DGD	250	500
Other VIEs	23	86
Repayments of debt and finance lease obligations (excluding VIEs)	(5,521)	(2,071)
Repayments of debt and finance lease obligations of VIEs:		
DGD	(519)	(474)
Other VIEs	(13)	(59)
Premiums paid on early retirement of debt	—	(5)
Purchases of common stock for treasury	(2,616)	(4,180)
Common stock dividend payments	(1,045)	(1,106)
Contributions from noncontrolling interests	90	75
Distributions to noncontrolling interests	(113)	(164)
Other financing activities, net	(1)	3
Net cash used in financing activities	<u>(4,265)</u>	<u>(5,645)</u>
Effect of foreign exchange rate changes on cash	19	6
Net increase (decrease) in cash, cash equivalents, and restricted cash	(70)	969
Cash and cash equivalents at beginning of period	5,424	4,862
Cash, cash equivalents, and restricted cash at end of period (a)	<u>\$ 5,354</u>	<u>\$ 5,831</u>

(a) Restricted cash is included in prepaid expenses and other in our consolidated balance sheets.

See Condensed Notes to Consolidated Financial Statements.

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

General

The terms “Valero,” “we,” “our,” and “us,” as used in this report, may refer to Valero Energy Corporation, one or more of its consolidated subsidiaries, or all of them taken as a whole. The term “DGD,” as used in this report, may refer to Diamond Green Diesel Holdings LLC, its wholly owned consolidated subsidiary, or both of them taken as a whole.

These interim unaudited financial statements have been prepared in conformity with United States (U.S.) generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities Exchange Act of 1934. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, these interim unaudited financial statements reflect all adjustments considered necessary for a fair statement of our results for the interim periods presented. All such adjustments are of a normal recurring nature unless disclosed otherwise. Operating results for the interim periods are not necessarily indicative of the results that may be expected for the year ending December 31, 2024. These interim unaudited financial statements should be read in conjunction with our audited financial statements and notes thereto included in our annual report on Form 10-K for the year ended December 31, 2023.

The balance sheet as of December 31, 2023 has been derived from our audited financial statements as of that date. For further information, refer to our audited financial statements and notes thereto included in our annual report on Form 10-K for the year ended December 31, 2023.

Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the amounts reported in these interim unaudited financial statements and accompanying notes. Actual results could differ from those estimates. On an ongoing basis, we review our estimates based on currently available information. Changes in facts and circumstances may result in revised estimates.

Accounting Pronouncement Adopted on January 1, 2024

ASU 2023-07

In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, to improve the disclosures about a public entity’s reportable segments primarily through improved disclosures about significant segment expenses and other segment related items. We adopted this ASU effective January 1, 2024 and it did not affect our financial position or our results of operations, but will result in additional disclosures for our annual reporting periods beginning December 31, 2024 and interim reporting periods in 2025.

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Accounting Pronouncement Not Yet Adopted

ASU 2023-09

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, to improve annual income tax disclosures by requiring further disaggregation of information in the rate reconciliation and disaggregation of income taxes paid by jurisdiction. This ASU also includes certain other amendments intended to improve the effectiveness of annual income tax disclosures. We expect to adopt this ASU effective January 1, 2025 and the adoption will not affect our financial position or our results of operations, but will result in additional disclosures.

2. UNCERTAINTY

In September 2022, California adopted Senate Bill No. 1322 (SB 1322), which requires refineries in California to report monthly on the volume and cost of the crude oil they buy, the quantity and price of the wholesale gasoline they sell, and the gross gasoline margin per barrel, among other information. The provisions of SB 1322 were effective January 2023.

In March 2023, California adopted Senate Bill No. 2 (such statute, together with any regulations contemplated or issued thereunder, SBx 1-2), which, among other things, (i) authorized the establishment of a maximum gross gasoline refining margin (max margin) and the imposition of a financial penalty for profits above a max margin, (ii) significantly expanded the reporting obligations under SB 1322 and the Petroleum Industry Information Reporting Act of 1980, which include reporting requirements to the California Energy Commission (CEC) for all participants in the petroleum industry supply chain in California (e.g., refiners, marketers, importers, transporters, terminals, producers, renewables producers, pipelines, and ports), (iii) created the Division of Petroleum Market Oversight within the CEC to analyze the data provided under SBx 1-2, and (iv) authorized the CEC to regulate the timing and other aspects of refinery turnaround and maintenance activities in certain instances. SBx 1-2 imposes increased and substantial reporting requirements, which include daily, weekly, monthly, and annual reporting of detailed operational and financial data on all aspects of our operations in California, much of it at the transaction level. The operational data includes our plans for turnaround and maintenance activities at our two California refineries and the manner in which we expect to address the potential impacts on feedstock and product inventories in California as a result of such turnaround and maintenance activities. The provisions of SBx 1-2 became effective June 26, 2023.

In September 2023, Governor Newsom directed the CEC to immediately begin the regulatory processes concerning the potential imposition of a penalty for exceeding a max margin and the timing of refinery turnarounds and maintenance. Consequently, in October 2023, the CEC adopted an order instituting an informational proceeding on a max margin and penalty under SBx 1-2, as well as an order initiating rulemaking activity under SBx 1-2. In May 2024, the CEC issued resolutions adopting emergency regulations implementing new and expanded refining margin, refinery maintenance, and marine import reporting requirements, all of which became effective in June 2024. It remains uncertain as to what extent any regulations will address the remaining reporting requirements under SBx 1-2. In September 2024, the CEC held a workshop to explore structures for determining a potential max margin and penalty; however, it remains uncertain whether and when the CEC will decide to set a max margin and penalty.

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

SBx 1-2 also requires that certain California agencies prepare specified reports and assessments, including that the CEC prepare and publish a Transportation Fuels Assessment. In August 2024, following the publication of two CEC staff reports and a joint workshop with the California Air Resources Board, the CEC published a final Commission Report on its Transportation Fuels Assessment, which among other things, proposes various policy options intended to mitigate gasoline price spikes in California, including policies designed to reduce the demand for gasoline, encourage fuel conservation, and allow more active participation and management of the petroleum industry supply chain by the State. It remains uncertain whether and when the State will pursue any of the policy options proposed therein.

In September 2024, Governor Newsom held a special legislative session to consider related legislation, Assembly Bill No. 1 (ABx 2-1), regarding minimum inventory requirements and the timing of refinery maintenance and turnarounds, which California adopted in October 2024. Among other matters, ABx 2-1 (i) authorizes the CEC to require that refiners maintain minimum levels of inventories of refined transportation fuels, including any feedstocks and blending components for those fuels, and (ii) provides certain requirements for CEC regulations governing the timing of refinery turnarounds and maintenance under existing SBx 1-2 authority, including that the refiner first make resupply plans or other arrangements to the satisfaction of the CEC's executive director.

We continue to review and analyze the provisions of SBx 1-2 and related legislation, the possible impacts to our refining and marketing operations, and potential impacts on consumers in California. While the CEC has not yet established a max margin, imposed a financial penalty for profits above a max margin, imposed restrictions on turnaround and maintenance activities, imposed minimum inventory levels, or finalized any of the other policy options proposed in its Transportation Fuels Assessment, the potential implementation of a financial penalty, of any restrictions or delays on our ability to undertake turnaround or maintenance activities, of minimum inventory level requirements, or of other undeveloped policy options creates uncertainty due to the potential adverse effects on us. Any adverse effects on our operations or financial performance in California could indicate that the carrying value of our assets in California is not recoverable, which would result in an impairment loss that could be material. In addition, if the circumstances that trigger an impairment loss result in a reduction in the estimated useful lives of the assets, we may be required to recognize an asset retirement obligation that could be material. Other jurisdictions are contemplating similarly focused legislation or actions.

The ultimate timing and impacts of SBx 1-2 and any other similarly focused legislation or actions are subject to considerable uncertainty due to a number of factors, including technological and economic feasibility, legal challenges, and potential changes in law, regulation, or policy, and it is not currently possible to predict the ultimate effects of these matters and developments on our financial condition, results of operations, and liquidity. Consequently, we have continued to evaluate strategic alternatives for our operations in California. As a result, we updated our impairment analysis and determined that the carrying value of these assets was recoverable as of September 30, 2024. Future developments from our evaluation of strategic alternatives could significantly impact our asset impairment assumptions and result in an impairment loss that could be material.

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. INVENTORIES

Inventories consisted of the following (in millions):

	September 30, 2024	December 31, 2023
Refinery feedstocks	\$ 1,317	\$ 2,223
Refined petroleum products and blendstocks	3,976	3,790
Renewable diesel feedstocks and products	1,081	913
Ethanol feedstocks and products	313	313
Materials and supplies	361	344
Inventories	<u>\$ 7,048</u>	<u>\$ 7,583</u>

As of September 30, 2024 and December 31, 2023, the replacement cost (market value) of last-in, first-out (LIFO) inventories exceeded their LIFO carrying amounts by \$3.8 billion and \$4.4 billion, respectively. Our non-LIFO inventories accounted for \$1.4 billion and \$1.5 billion of our total inventories as of September 30, 2024 and December 31, 2023, respectively.

4. DEBT

Public Debt

In March 2024, we repaid the \$167 million outstanding principal balance of our 1.200 percent Senior Notes that matured on March 15, 2024.

In February 2023, we used cash on hand to purchase and retire a portion of the following notes (in millions):

Debt Purchased and Retired	Principal Amount
6.625% Senior Notes due 2037	\$ 62
3.650% Senior Notes due 2051	26
4.000% Senior Notes due 2052	45
Various other Valero and Valero Energy Partners LP Senior Notes	66
Total	<u>\$ 199</u>

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Credit Facilities

We had outstanding borrowings, letters of credit issued, and availability under our credit facilities as follows (in millions):

	Facility Amount	Maturity Date	September 30, 2024		
			Outstanding Borrowings	Letters of Credit Issued (a)	Availability
Committed facilities:					
Valero Revolver	\$ 4,000	November 2027	\$ —	\$ 2	\$ 3,998
Accounts receivable sales facility	1,300	July 2025	—	n/a	1,300
Committed facilities of VIEs (b):					
DGD Revolver (c)	400	June 2026	—	60	340
DGD Loan Agreement (d)	100	June 2026	—	n/a	100
IEnova Revolver (e)	830	February 2028	329	n/a	501
Uncommitted facilities:					
Letter of credit facilities	n/a	n/a	n/a	95	n/a

(a) Letters of credit issued as of September 30, 2024 expire at various times in 2024 through 2026.

(b) Creditors of the VIEs do not have recourse against us.

(c) The variable interest rate on the unsecured revolving credit facility with a syndicate of financial institutions (the DGD Revolver) was 7.201 percent as of December 31, 2023.

(d) The amounts shown for DGD's unsecured revolving loan agreement with its members (the DGD Loan Agreement) represent the facility amount available from, and borrowings outstanding to, the noncontrolling member as any transactions between DGD and us under this facility are eliminated in consolidation.

(e) Central Mexico Terminals (defined in Note 6) has an unsecured revolving credit facility (the IEnova Revolver) with IEnova (defined in Note 6). During the three months ended March 31, 2024, IEnova converted \$457 million of outstanding borrowings under this facility to additional equity in Central Mexico Terminals, which resulted in an increase in the noncontrolling interest related to IEnova. The variable interest rate on the IEnova Revolver was 9.182 percent and 9.245 percent as of September 30, 2024 and December 31, 2023, respectively.

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Borrowings and repayments under our credit facilities were as follows (in millions):

	Nine Months Ended September 30,	
	2024	2023
Borrowings:		
Accounts receivable sales facility	\$ 5,200	\$ 1,750
DGD Revolver	150	500
DGD Loan Agreement	100	—
IEnova Revolver	23	86
Repayments:		
Accounts receivable sales facility	(5,200)	(1,750)
DGD Revolver	(400)	(400)
DGD Loan Agreement	(100)	(25)
IEnova Revolver	—	(55)

Other Disclosures

“Interest and debt expense, net of capitalized interest” is comprised as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Interest and debt expense	\$ 145	\$ 153	\$ 438	\$ 456
Less: Capitalized interest	4	4	17	13
Interest and debt expense, net of capitalized interest	<u>\$ 141</u>	<u>\$ 149</u>	<u>\$ 421</u>	<u>\$ 443</u>

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. EQUITY

Treasury Stock

We purchase shares of our outstanding common stock as authorized by our board of directors (Board), including under share purchase programs (described in the table below) and with respect to our employee stock-based compensation plans. During the three and nine months ended September 30, 2024, we purchased for treasury 3,798,836 shares and 17,054,864 shares, respectively. During the three and nine months ended September 30, 2023, we purchased for treasury 12,805,162 shares and 32,219,955 shares, respectively.

Our Board authorized us to purchase shares of our outstanding common stock under various programs with no expiration dates as follows (in millions):

Program Name	Authorization Date	Total Cost Authorized	Completion of Authorized Share Purchases	Remaining Available for Purchase as of September 30, 2024
September 2023 Program	September 15, 2023	\$ 2,500	Third quarter of 2024	\$ —
February 2024 Program	February 22, 2024	2,500	n/a	2,080
September 2024 Program	September 19, 2024	2,500	n/a	2,500

Common Stock Dividends

On October 29, 2024, our Board declared a quarterly cash dividend of \$1.07 per common share payable on December 20, 2024 to holders of record at the close of business on November 20, 2024.

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive loss by component, net of tax, were as follows (in millions):

	Three Months Ended September 30,							
	2024				2023			
	Foreign Currency Translation Adjustment	Defined Benefit Plans Items	Gains (Losses) on Cash Flow Hedges	Total	Foreign Currency Translation Adjustment	Defined Benefit Plans Items	Gains (Losses) on Cash Flow Hedges	Total
Balance as of beginning of period	\$ (993)	\$ (170)	\$ (9)	\$ (1,172)	\$ (774)	\$ (193)	\$ (4)	\$ (971)
Other comprehensive income (loss) before reclassifications	326	—	33	359	(315)	—	(77)	(392)
Amounts reclassified from accumulated other comprehensive loss	—	(5)	(16)	(21)	—	(7)	47	40
Effect of exchange rates	—	4	—	4	—	(2)	—	(2)
Other comprehensive income (loss)	326	(1)	17	342	(315)	(9)	(30)	(354)
Balance as of end of period	<u>\$ (667)</u>	<u>\$ (171)</u>	<u>\$ 8</u>	<u>\$ (830)</u>	<u>\$ (1,089)</u>	<u>\$ (202)</u>	<u>\$ (34)</u>	<u>\$ (1,325)</u>

	Nine Months Ended September 30,							
	2024				2023			
	Foreign Currency Translation Adjustment	Defined Benefit Plans Items	Gains (Losses) on Cash Flow Hedges	Total	Foreign Currency Translation Adjustment	Defined Benefit Plans Items	Gains (Losses) on Cash Flow Hedges	Total
Balance as of beginning of period	\$ (735)	\$ (162)	\$ 27	\$ (870)	\$ (1,168)	\$ (183)	\$ (8)	\$ (1,359)
Other comprehensive income (loss) before reclassifications	68	—	18	86	79	—	(28)	51
Amounts reclassified from accumulated other comprehensive loss	—	(12)	(37)	(49)	—	(20)	2	(18)
Effect of exchange rates	—	3	—	3	—	1	—	1
Other comprehensive income (loss)	68	(9)	(19)	40	79	(19)	(26)	34
Balance as of end of period	<u>\$ (667)</u>	<u>\$ (171)</u>	<u>\$ 8</u>	<u>\$ (830)</u>	<u>\$ (1,089)</u>	<u>\$ (202)</u>	<u>\$ (34)</u>	<u>\$ (1,325)</u>

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. VARIABLE INTEREST ENTITIES

Consolidated VIEs

We consolidate a VIE when we have a variable interest in an entity for which we are the primary beneficiary. As of September 30, 2024, the significant consolidated VIEs included:

- DGD, a joint venture with a subsidiary of Darling Ingredients Inc. that owns and operates two plants that process waste and renewable feedstocks (predominantly animal fats, used cooking oils, vegetable oils, and inedible distillers corn oils) into renewable diesel and renewable naphtha; and
- Central Mexico Terminals, a collective group of three subsidiaries of Infraestructura Energetica Nova, S.A.P.I. de C.V. (IEnova), which is a Mexican company and indirect subsidiary of Sempra Energy, a U.S. public company. We have terminaling agreements with Central Mexico Terminals that represent variable interests. We do not have an ownership interest in Central Mexico Terminals.

The assets of the consolidated VIEs can only be used to settle their own obligations and the creditors of the consolidated VIEs have no recourse to our other assets. We generally do not provide financial guarantees to the VIEs. Although we have provided credit facilities to some of the VIEs in support of their construction or acquisition activities, these transactions are eliminated in consolidation. Our financial position, results of operations, and cash flows are impacted by the performance of the consolidated VIEs, net of intercompany eliminations, to the extent of our ownership interest in each VIE.

The following tables present summarized balance sheet information for the significant assets and liabilities of the consolidated VIEs, which are included in our balance sheets (in millions):

	DGD	Central Mexico Terminals	Other	Total
September 30, 2024				
Assets				
Cash and cash equivalents	\$ 196	\$ —	\$ 22	\$ 218
Other current assets	1,453	9	38	1,500
Property, plant, and equipment, net	3,823	651	67	4,541
Liabilities				
Current liabilities, including current portion of debt and finance lease obligations	\$ 369	\$ 352	\$ 4	\$ 725
Debt and finance lease obligations, less current portion	649	—	—	649

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	DGD	Central Mexico Terminals	Other	Total
December 31, 2023				
Assets				
Cash and cash equivalents	\$ 237	\$ —	\$ 23	\$ 260
Other current assets	1,520	11	46	1,577
Property, plant, and equipment, net	3,772	665	75	4,512
Liabilities				
Current liabilities, including current portion of debt and finance lease obligations	\$ 616	\$ 808	\$ 19	\$ 1,443
Debt and finance lease obligations, less current portion	669	—	—	669

Nonconsolidated VIEs

We hold variable interests in VIEs that have not been consolidated because we are not considered the primary beneficiary. These nonconsolidated VIEs are not material to our financial position or results of operations and are accounted for as equity investments.

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. EMPLOYEE BENEFIT PLANS

The components of net periodic benefit cost related to our defined benefit plans were as follows (in millions):

	Pension Plans		Other Postretirement Benefit Plans	
	2024	2023	2024	2023
Three months ended September 30				
Service cost	\$ 28	\$ 28	\$ 1	\$ 1
Interest cost	31	30	3	3
Expected return on plan assets	(54)	(50)	—	—
Amortization of:				
Net actuarial gain	(1)	(2)	(1)	(1)
Prior service credit	(3)	(5)	—	(1)
Settlement loss	5	—	—	—
Net periodic benefit cost	\$ 6	\$ 1	\$ 3	\$ 2
Nine months ended September 30				
Service cost	\$ 84	\$ 84	\$ 3	\$ 3
Interest cost	94	90	9	9
Expected return on plan assets	(161)	(151)	—	—
Amortization of:				
Net actuarial gain	(4)	(5)	(3)	(4)
Prior service credit	(8)	(14)	—	(3)
Settlement loss	5	—	—	—
Net periodic benefit cost	\$ 10	\$ 4	\$ 9	\$ 5

The components of net periodic benefit cost other than the service cost component (i.e., the non-service cost components) are included in “other income, net.”

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. EARNINGS PER COMMON SHARE

Earnings per common share was computed as follows (dollars and shares in millions, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Earnings per common share:				
Net income attributable to Valero stockholders	\$ 364	\$ 2,622	\$ 2,489	\$ 7,633
Less: Income allocated to participating securities	1	8	7	24
Net income available to common stockholders	<u>\$ 363</u>	<u>\$ 2,614</u>	<u>\$ 2,482</u>	<u>\$ 7,609</u>
Weighted-average common shares outstanding	318	349	324	359
Earnings per common share	<u>\$ 1.14</u>	<u>\$ 7.49</u>	<u>\$ 7.66</u>	<u>\$ 21.22</u>
Earnings per common share – assuming dilution:				
Net income attributable to Valero stockholders	\$ 364	\$ 2,622	\$ 2,489	\$ 7,633
Less: Income allocated to participating securities	1	8	7	24
Net income available to common stockholders	<u>\$ 363</u>	<u>\$ 2,614</u>	<u>\$ 2,482</u>	<u>\$ 7,609</u>
Weighted-average common shares outstanding	318	349	324	359
Effect of dilutive securities	—	—	—	—
Weighted-average common shares outstanding – assuming dilution	<u>318</u>	<u>349</u>	<u>324</u>	<u>359</u>
Earnings per common share – assuming dilution	<u>\$ 1.14</u>	<u>\$ 7.49</u>	<u>\$ 7.66</u>	<u>\$ 21.21</u>

Participating securities include restricted stock and performance awards granted under our 2020 Omnibus Stock Incentive Plan (OSIP) or our 2011 OSIP. Dilutive securities include participating securities as well as outstanding stock options. For the three and nine months ended September 30, 2024 and 2023, we computed earnings per common share – assuming dilution using the two-class method for all dilutive securities.

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. REVENUES AND SEGMENT INFORMATION

Revenue from Contracts with Customers

Disaggregation of Revenue

Revenue is presented in the table below under “*Segment Information*” disaggregated by product because this is the level of disaggregation that management has determined to be beneficial to users of our financial statements.

Contract Balances

Contract balances were as follows (in millions):

	September 30, 2024	December 31, 2023
Receivables from contracts with customers, included in receivables, net	\$ 5,839	\$ 7,209
Contract liabilities, included in accrued expenses	57	40

Remaining Performance Obligations

We have spot and term contracts with customers, the majority of which are spot contracts with no remaining performance obligations. We do not disclose remaining performance obligations for contracts that have terms of one year or less. The transaction price for our remaining term contracts includes a fixed component and variable consideration (i.e., a commodity price), both of which are allocated entirely to a wholly unsatisfied promise to transfer a distinct good that forms part of a single performance obligation. The fixed component is not material and the variable consideration is highly uncertain. Therefore, as of September 30, 2024, we have not disclosed the aggregate amount of the transaction price allocated to our remaining performance obligations.

Segment Information

We have three reportable segments—Refining, Renewable Diesel, and Ethanol. Each segment is a strategic business unit that offers different products and services by employing unique technologies and marketing strategies and whose operations and operating performance are managed and evaluated separately. Operating performance is measured based on the operating income generated by the segment, which includes revenues and expenses that are directly attributable to the management of the respective segment. Intersegment sales are generally derived from transactions made at prevailing market rates. The following is a description of each segment’s business operations.

- The *Refining segment* includes the operations of our petroleum refineries, the associated activities to market our refined petroleum products, and the logistics assets that support our refining operations. The principal products manufactured by our refineries and sold by this segment include gasolines and blendstocks, distillates, and other products.
- The *Renewable Diesel segment* represents the operations of DGD, a consolidated joint venture as discussed in Note 6, and the associated activities to market renewable diesel and renewable naphtha. The principal products manufactured by DGD and sold by this segment are renewable diesel and renewable naphtha. This segment sells some renewable diesel to the Refining segment, which is then sold to that segment’s customers.

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- The *Ethanol segment* includes the operations of our ethanol plants and the associated activities to market our ethanol and co-products. The principal products manufactured by our ethanol plants are ethanol and distillers grains. This segment sells some ethanol to the Refining segment for blending into gasoline, which is sold to that segment's customers as a finished gasoline product.

Operations that are not included in any of the reportable segments are included in the corporate category.

The following tables reflect information about our operating income, including a reconciliation to our consolidated income before income tax expense, by reportable segment (in millions):

	<u>Refining</u>	<u>Renewable Diesel</u>	<u>Ethanol</u>	<u>Corporate and Eliminations</u>	<u>Total</u>
Three months ended September 30, 2024					
Revenues:					
Revenues from external customers	\$ 31,332	\$ 632	\$ 912	\$ —	\$ 32,876
Intersegment revenues	3	593	235	(831)	—
Total revenues	<u>31,335</u>	<u>1,225</u>	<u>1,147</u>	<u>(831)</u>	<u>32,876</u>
Cost of sales:					
Cost of materials and other (a)	28,922	1,029	842	(828)	29,965
Operating expenses (excluding depreciation and amortization expense reflected below)	1,256	92	133	1	1,482
Depreciation and amortization expense	589	69	19	(2)	675
Total cost of sales	<u>30,767</u>	<u>1,190</u>	<u>994</u>	<u>(829)</u>	<u>32,122</u>
Other operating expenses	3	—	—	—	3
General and administrative expenses (excluding depreciation and amortization expense reflected below)	—	—	—	234	234
Depreciation and amortization expense	—	—	—	10	10
Operating income by segment	<u>\$ 565</u>	<u>\$ 35</u>	<u>\$ 153</u>	<u>\$ (246)</u>	<u>507</u>
Other income, net					123
Interest and debt expense, net of capitalized interest					(141)
Income before income tax expense					<u>\$ 489</u>

See note (a) on page 23.

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Refining	Renewable Diesel	Ethanol	Corporate and Eliminations	Total
Three months ended September 30, 2023					
Revenues:					
Revenues from external customers	\$ 36,521	\$ 759	\$ 1,124	\$ —	\$ 38,404
Intersegment revenues	8	672	310	(990)	—
Total revenues	<u>36,529</u>	<u>1,431</u>	<u>1,434</u>	<u>(990)</u>	<u>38,404</u>
Cost of sales:					
Cost of materials and other (a)	31,115	1,169	1,092	(991)	32,385
Operating expenses (excluding depreciation and amortization expense reflected below)	1,366	84	125	3	1,578
Depreciation and amortization expense	597	55	20	(1)	671
Total cost of sales	<u>33,078</u>	<u>1,308</u>	<u>1,237</u>	<u>(989)</u>	<u>34,634</u>
Other operating expenses	6	—	—	—	6
General and administrative expenses (excluding depreciation and amortization expense reflected below)	—	—	—	250	250
Depreciation and amortization expense	—	—	—	11	11
Operating income by segment	<u>\$ 3,445</u>	<u>\$ 123</u>	<u>\$ 197</u>	<u>\$ (262)</u>	<u>3,503</u>
Other income, net					122
Interest and debt expense, net of capitalized interest					(149)
Income before income tax expense					<u>\$ 3,476</u>

See note (a) on page 23.

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Refining	Renewable Diesel	Ethanol	Corporate and Eliminations	Total
Nine months ended September 30, 2024					
Revenues:					
Revenues from external customers	\$ 94,519	\$ 1,888	\$ 2,718	\$ —	\$ 99,125
Intersegment revenues	8	1,932	654	(2,594)	—
Total revenues	<u>94,527</u>	<u>3,820</u>	<u>3,372</u>	<u>(2,594)</u>	<u>99,125</u>
Cost of sales:					
Cost of materials and other (a)	85,528	3,025	2,625	(2,588)	88,590
Operating expenses (excluding depreciation and amortization expense reflected below)	3,659	262	395	1	4,317
Depreciation and amortization expense	1,793	196	57	(4)	2,042
Total cost of sales	<u>90,980</u>	<u>3,483</u>	<u>3,077</u>	<u>(2,591)</u>	<u>94,949</u>
Other operating expenses	13	—	27	—	40
General and administrative expenses (excluding depreciation and amortization expense reflected below)	—	—	—	695	695
Depreciation and amortization expense	—	—	—	34	34
Operating income by segment	<u>\$ 3,534</u>	<u>\$ 337</u>	<u>\$ 268</u>	<u>\$ (732)</u>	<u>3,407</u>
Other income, net					389
Interest and debt expense, net of capitalized interest					(421)
Income before income tax expense					<u>\$ 3,375</u>

See note (a) on page 23.

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Refining	Renewable Diesel	Ethanol	Corporate and Eliminations	Total
Nine months ended September 30, 2023					
Revenues:					
Revenues from external customers	\$ 102,924	\$ 2,990	\$ 3,438	\$ —	\$ 109,352
Intersegment revenues	8	2,367	790	(3,165)	—
Total revenues	<u>102,932</u>	<u>5,357</u>	<u>4,228</u>	<u>(3,165)</u>	<u>109,352</u>
Cost of sales:					
Cost of materials and other (a)	87,398	4,143	3,422	(3,143)	91,820
Operating expenses (excluding depreciation and amortization expense reflected below)	3,832	274	383	6	4,495
Depreciation and amortization expense	1,751	172	59	(3)	1,979
Total cost of sales	<u>92,981</u>	<u>4,589</u>	<u>3,864</u>	<u>(3,140)</u>	<u>98,294</u>
Other operating expenses	17	—	1	—	18
General and administrative expenses (excluding depreciation and amortization expense reflected below)	—	—	—	703	703
Depreciation and amortization expense	—	—	—	32	32
Operating income by segment	<u>\$ 9,934</u>	<u>\$ 768</u>	<u>\$ 363</u>	<u>\$ (760)</u>	<u>10,305</u>
Other income, net					357
Interest and debt expense, net of capitalized interest					(443)
Income before income tax expense					<u>\$ 10,219</u>

(a) Cost of materials and other for our Renewable Diesel segment is net of the blender's tax credit on qualified fuel mixtures of \$313 million and \$266 million for the three months ended September 30, 2024 and 2023, respectively, and \$952 million and \$900 million for the nine months ended September 30, 2024 and 2023, respectively.

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table provides a disaggregation of revenues from external customers for our principal products by reportable segment (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Refining:				
Gasolines and blendstocks	\$ 14,361	\$ 17,025	\$ 43,004	\$ 47,302
Distillates	13,855	16,392	42,286	47,222
Other product revenues	3,116	3,104	9,229	8,400
Total Refining revenues	31,332	36,521	94,519	102,924
Renewable Diesel:				
Renewable diesel	610	739	1,829	2,864
Renewable naphtha	22	20	59	126
Total Renewable Diesel revenues	632	759	1,888	2,990
Ethanol:				
Ethanol	685	861	1,985	2,522
Distillers grains	227	263	733	916
Total Ethanol revenues	912	1,124	2,718	3,438
Revenues	\$ 32,876	\$ 38,404	\$ 99,125	\$ 109,352

Total assets by reportable segment were as follows (in millions):

	September 30, 2024	December 31, 2023
Refining	\$ 46,546	\$ 49,031
Renewable Diesel	5,761	5,790
Ethanol	1,489	1,549
Corporate and eliminations	6,586	6,686
Total assets	\$ 60,382	\$ 63,056

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. SUPPLEMENTAL CASH FLOW INFORMATION

In order to determine net cash provided by operating activities, net income is adjusted by, among other things, changes in current assets and current liabilities as follows (in millions):

	Nine Months Ended September 30,	
	2024	2023
Decrease (increase) in current assets:		
Receivables, net	\$ 1,382	\$ (709)
Inventories	574	(720)
Prepaid expenses and other	265	(40)
Increase (decrease) in current liabilities:		
Accounts payable	(1,081)	656
Accrued expenses	(93)	(31)
Taxes other than income taxes payable	(114)	(222)
Income taxes payable	(138)	(629)
Changes in current assets and current liabilities	<u>\$ 795</u>	<u>\$ (1,695)</u>

Changes in current assets and current liabilities for the nine months ended September 30, 2024 were primarily due to the following:

- The decrease in receivables was due to a decrease in refined petroleum product sales volumes combined with a decrease in related prices in September 2024 compared to December 2023;
- The decrease in inventories was primarily due to lower inventory levels in September 2024 compared to December 2023; and
- The decrease in accounts payable was due to a decrease in crude oil and other feedstock prices combined with a decrease in related volumes purchased in September 2024 compared to December 2023.

Changes in current assets and current liabilities for the nine months ended September 30, 2023 were primarily due to the following:

- The increase in receivables was due to an increase in refined petroleum product prices in September 2023 compared to December 2022;
- The increase in inventories was due to an increase in inventory volumes in September 2023 compared to December 2022;
- The increase in accounts payable was due to an increase in crude oil and other feedstock prices in September 2023 compared to December 2022; and
- The decrease in income taxes payable was primarily due to income tax payments made during the nine months ended September 30, 2023.

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Cash flows related to interest and income taxes were as follows (in millions):

	Nine Months Ended September 30,	
	2024	2023
Interest paid in excess of amount capitalized, including interest on finance leases	\$ 374	\$ 372
Income taxes paid, net	835	3,098

Supplemental cash flow information related to our operating and finance leases was as follows (in millions):

	Nine Months Ended September 30,			
	2024		2023	
	Operating Leases	Finance Leases	Operating Leases	Finance Leases
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows	\$ 392	\$ 87	\$ 316	\$ 81
Financing cash flows	—	173	—	190
Changes in lease balances resulting from new and modified leases	346	312	343	84

Noncash financing activities for the nine months ended September 30, 2024 included the conversion by IEnova of \$457 million of outstanding borrowings under the IEnova Revolver to additional equity in Central Mexico Terminals, as described in Note 4. There were no other significant noncash investing and financing activities during the nine months ended September 30, 2024, except as noted in the table above.

There were no significant noncash investing and financing activities during the nine months ended September 30, 2023, except as noted in the table above.

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. FAIR VALUE MEASUREMENTS
Recurring Fair Value Measurements

The following tables present information (in millions) about our assets and liabilities recognized at their fair values in our balance sheets categorized according to the fair value hierarchy of the inputs utilized by us to determine the fair values as of September 30, 2024 and December 31, 2023.

We have elected to offset the fair value amounts recognized for multiple similar derivative contracts executed with the same counterparty, including any related cash collateral assets or obligations as shown below; however, fair value amounts by hierarchy level are presented in the following tables on a gross basis. We have no derivative contracts that are subject to master netting arrangements that are reflected gross in our balance sheets.

	September 30, 2024							
	Fair Value Hierarchy			Total Gross Fair Value	Effect of Counter- party Netting	Effect of Cash Collateral Netting	Net Carrying Value on Balance Sheet	Cash Collateral Paid or Received Not Offset
	Level 1	Level 2	Level 3					
Assets								
Commodity derivative contracts	\$ 951	\$ —	\$ —	\$ 951	\$ (824)	\$ (54)	\$ 73	\$ —
Physical purchase contracts	—	1	—	1	n/a	n/a	1	n/a
Investments of certain benefit plans	85	—	4	89	n/a	n/a	89	n/a
Investments in AFS debt securities	1	25	—	26	n/a	n/a	26	n/a
Total	\$ 1,037	\$ 26	\$ 4	\$ 1,067	\$ (824)	\$ (54)	\$ 189	
Liabilities								
Commodity derivative contracts	\$ 883	\$ —	\$ —	\$ 883	\$ (824)	\$ (59)	\$ —	\$ (55)
Physical purchase contracts	—	5	—	5	n/a	n/a	5	n/a
Blending program obligations	—	30	—	30	n/a	n/a	30	n/a
Foreign currency contracts	1	—	—	1	n/a	n/a	1	n/a
Total	\$ 884	\$ 35	\$ —	\$ 919	\$ (824)	\$ (59)	\$ 36	

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2023										
	Fair Value Hierarchy			Total Gross Fair Value	Effect of Counter- party Netting	Effect of Cash Collateral Netting	Net Carrying Value on Balance Sheet	Cash Collateral Paid or Received Not Offset		
	Level 1	Level 2	Level 3							
Assets										
Commodity derivative contracts	\$ 803	\$ —	\$ —	\$ 803	\$ (642)	\$ (66)	\$ 95	\$	—	
Investments of certain benefit plans	76	—	4	80	n/a	n/a	80		n/a	
Investments in AFS debt securities	36	75	—	111	n/a	n/a	111		n/a	
Total	<u>\$ 915</u>	<u>\$ 75</u>	<u>\$ 4</u>	<u>\$ 994</u>	<u>\$ (642)</u>	<u>\$ (66)</u>	<u>\$ 286</u>			
Liabilities										
Commodity derivative contracts	\$ 643	\$ —	\$ —	\$ 643	\$ (642)	\$ (1)	\$ —	\$	(67)	
Physical purchase contracts	—	6	—	6	n/a	n/a	6		n/a	
Blending program obligations	—	58	—	58	n/a	n/a	58		n/a	
Foreign currency contracts	7	—	—	7	n/a	n/a	7		n/a	
Total	<u>\$ 650</u>	<u>\$ 64</u>	<u>\$ —</u>	<u>\$ 714</u>	<u>\$ (642)</u>	<u>\$ (1)</u>	<u>\$ 71</u>			

A description of our assets and liabilities recognized at fair value along with the valuation methods and inputs we used to develop their fair value measurements are as follows:

- Commodity derivative contracts consist primarily of exchange-traded futures, which are used to reduce the impact of price volatility on our results of operations and cash flows as discussed in Note 12. These contracts are measured at fair value using a market approach based on quoted prices from the commodity exchange and are categorized in Level 1 of the fair value hierarchy.
- Physical purchase contracts represent the fair value of fixed-price corn purchase contracts. The fair values of these purchase contracts are measured using a market approach based on quoted prices from the commodity exchange or an independent pricing service and are categorized in Level 2 of the fair value hierarchy.
- Blending program obligations represent our liability for the purchase of compliance credits needed to satisfy our blending obligations under various government and regulatory blending programs, such as the U.S. Environmental Protection Agency's (EPA) Renewable Fuel Standard (RFS), the California Low Carbon Fuel Standard (LCFS), the Canada Clean Fuel Regulations, and similar programs in other jurisdictions in which we operate (collectively, the Renewable and Low-Carbon Fuel Programs). The blending program obligations are categorized in Level 2 of the fair value hierarchy and are measured at fair value using a market approach based on quoted prices from an independent pricing service.

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Investments of certain benefit plans consist of investment securities held by trusts for the purpose of satisfying a portion of our obligations under certain U.S. nonqualified benefit plans. The plan assets categorized in Level 1 of the fair value hierarchy are measured at fair value using a market approach based on quoted prices from national securities exchanges. The plan assets categorized in Level 3 of the fair value hierarchy represent insurance contracts, the fair value of which is provided by the insurer.
- Investments in AFS debt securities consist primarily of commercial paper and have maturities within one year. The securities categorized in Level 1 are measured at fair value using a market approach based on quoted prices from national securities exchanges and the securities categorized in Level 2 are measured at fair value using a market approach based on quoted prices from independent pricing services. The amortized cost basis of the securities approximates fair value. Realized and unrealized gains and losses were de minimis for the three and nine months ended September 30, 2024 and 2023.
- Foreign currency contracts consist of foreign currency exchange and purchase contracts and foreign currency swap agreements related to our foreign operations to manage our exposure to exchange rate fluctuations on transactions denominated in currencies other than the local (functional) currencies of our operations. These contracts are valued based on quoted foreign currency exchange rates and are categorized in Level 1 of the fair value hierarchy.

Nonrecurring Fair Value Measurements

There were no assets or liabilities that were measured at fair value on a nonrecurring basis as of September 30, 2024 and December 31, 2023.

Financial Instruments

Our financial instruments include cash and cash equivalents, restricted cash, investments in AFS debt securities, receivables, payables, debt obligations, operating and finance lease obligations, commodity derivative contracts, and foreign currency contracts. The estimated fair values of cash and cash equivalents, restricted cash, receivables, payables, and operating and finance lease obligations approximate their carrying amounts; the carrying value and fair value of debt is shown in the table below (in millions).

	Fair Value Hierarchy	September 30, 2024		December 31, 2023	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities:					
Debt (excluding finance lease obligations)	Level 2	\$ 8,355	\$ 8,372	\$ 9,218	\$ 9,109

Investments in AFS debt securities, commodity derivative contracts, and foreign currency contracts are recognized at their fair values as shown in “*Recurring Fair Value Measurements*” above.

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. PRICE RISK MANAGEMENT ACTIVITIES

General

We are exposed to market risks primarily related to the volatility in the price of commodities, foreign currency exchange rates, and the price of credits needed to comply with the Renewable and Low-Carbon Fuel Programs. We enter into derivative instruments to manage some of these risks, including derivative instruments related to the various commodities we purchase or produce, and foreign currency exchange and purchase contracts, as described below under “*Risk Management Activities by Type of Risk*.” These derivative instruments are recorded as either assets or liabilities measured at their fair values (see Note 11), as summarized below under “*Fair Values of Derivative Instruments*.” The effect of these derivative instruments on our income and other comprehensive income (loss) is summarized below under “*Effect of Derivative Instruments on Income and Other Comprehensive Income (Loss)*.”

Risk Management Activities by Type of Risk

Commodity Price Risk

We are exposed to market risks related to the volatility in the price of feedstocks (primarily crude oil, waste and renewable feedstocks, and corn); the products we produce; and natural gas and electricity used in our operations. To reduce the impact of price volatility on our results of operations and cash flows, we use commodity derivative instruments, such as futures and options. Our positions in commodity derivative instruments are monitored and managed on a daily basis by our risk control group to ensure compliance with our stated risk management policy that is periodically reviewed with our Board and/or relevant Board committee.

We primarily use commodity derivative instruments as cash flow hedges and economic hedges. Our objectives for entering into each type of hedge is described below.

- *Cash flow hedges* – The objective of our cash flow hedges is to lock in the price of forecasted purchases and/or product sales at existing market prices that we deem favorable.
- *Economic hedges* – Our objectives for holding economic hedges are to (i) manage price volatility in certain feedstock and product inventories and (ii) lock in the price of forecasted purchases and/or product sales at existing market prices that we deem favorable.

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of September 30, 2024, we had the following outstanding commodity derivative instruments that were used as cash flow hedges and economic hedges, as well as commodity derivative instruments related to the physical purchase of corn at a fixed price. The information presents the notional volume of outstanding contracts by type of instrument and year of maturity (volumes in thousands of barrels, except corn contracts that are presented in thousands of bushels).

	Notional Contract Volumes by Year of Maturity	
	2024	2025
Derivatives designated as cash flow hedges:		
Refined petroleum products:		
Futures – short	3,726	—
Derivatives designated as economic hedges:		
Crude oil and refined petroleum products:		
Futures – long	106,763	19,548
Futures – short	96,817	16,645
Options – long	300	—
Options – short	300	—
Corn:		
Futures – long	47,650	465
Futures – short	61,985	8,155
Physical contracts – long	14,333	7,873

Foreign Currency Risk

We are exposed to exchange rate fluctuations on transactions related to our foreign operations that are denominated in currencies other than the local (functional) currencies of our operations. To manage our exposure to these exchange rate fluctuations, we often use foreign currency contracts. These contracts are not designated as hedging instruments for accounting purposes and therefore are classified as economic hedges. As of September 30, 2024, we had foreign currency contracts to purchase \$328 million of U.S. dollars. All of these commitments matured on or before October 25, 2024.

Renewable and Low-Carbon Fuel Programs Price Risk

We are exposed to market risk related to the volatility in the price of credits needed to comply with the Renewable and Low-Carbon Fuel Programs. To manage this risk, we enter into contracts to purchase these credits. Some of these contracts are derivative instruments; however, we elect the normal purchase exception and do not record these contracts at their fair values. The Renewable and Low-Carbon Fuel Programs require us to blend a certain volume of renewable and low-carbon fuels into the petroleum-based transportation fuels we produce in, or import into, the respective jurisdiction to be consumed therein based on annual quotas. To the degree we are unable to blend at the required quotas, we must purchase compliance credits (primarily Renewable Identification Numbers (RINs)). The cost of meeting our credit obligations under the Renewable and Low-Carbon Fuel Programs was \$156 million and \$438 million for the three months ended September 30, 2024 and 2023, respectively, and \$535 million

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

and \$1.2 billion for the nine months ended September 30, 2024 and 2023, respectively. These amounts are reflected in cost of materials and other.

Fair Values of Derivative Instruments

The following table provides information about the fair values of our derivative instruments as of September 30, 2024 and December 31, 2023 (in millions) and the line items in our balance sheets in which the fair values are reflected. See Note 11 for additional information related to the fair values of our derivative instruments.

As indicated in Note 11, we net fair value amounts recognized for multiple similar derivative contracts executed with the same counterparty under master netting arrangements, including cash collateral assets and obligations. The following table, however, is presented on a gross asset and gross liability basis, which results in the reflection of certain assets in liability accounts and certain liabilities in asset accounts:

	Balance Sheet Location	September 30, 2024		December 31, 2023	
		Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives
Derivatives designated as hedging instruments:					
Commodity contracts	Receivables, net	\$ 78	\$ 15	\$ 141	\$ 34
Derivatives not designated as hedging instruments:					
Commodity contracts	Receivables, net	\$ 873	\$ 868	\$ 662	\$ 609
Physical purchase contracts	Inventories	1	5	—	6
Foreign currency contracts	Accrued expenses	—	1	—	7
Total		<u>\$ 874</u>	<u>\$ 874</u>	<u>\$ 662</u>	<u>\$ 622</u>

Market Risk

Our price risk management activities involve the receipt or payment of fixed price commitments into the future. These transactions give rise to market risk, which is the risk that future changes in market conditions may make an instrument less valuable. We closely monitor and manage our exposure to market risk on a daily basis in accordance with policies that are periodically reviewed with our Board and/or relevant Board committee. Market risks are monitored by our risk control group to ensure compliance with our stated risk management policy. We do not require any collateral or other security to support derivative instruments into which we enter. We also do not have any derivative instruments that require us to maintain a minimum investment-grade credit rating.

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Effect of Derivative Instruments on Income and Other Comprehensive Income (Loss)

The following table provides information about the gain (loss) recognized in income and other comprehensive income (loss) due to fair value adjustments of our cash flow hedges (in millions):

Derivatives in Cash Flow Hedging Relationships	Location of Gain (Loss) Recognized in Income on Derivatives	Three Months Ended September 30,		Nine Months Ended September 30,	
		2024	2023	2024	2023
Commodity contracts:					
Gain (loss) recognized in other comprehensive income (loss)	n/a	\$ 83	\$ (197)	\$ 45	\$ (71)
Gain (loss) reclassified from accumulated other comprehensive loss into income	Revenues	40	(119)	94	(3)

For cash flow hedges, no component of any derivative instrument's gain or loss was excluded from the assessment of hedge effectiveness for the three and nine months ended September 30, 2024 and 2023. For the three and nine months ended September 30, 2024 and 2023, cash flow hedges primarily related to forecasted sales of renewable diesel. As of September 30, 2024, the estimated deferred after-tax gain that is expected to be reclassified into revenues within the next 12 months was not material. The changes in accumulated other comprehensive loss by component, net of tax, for the three and nine months ended September 30, 2024 and 2023 are described in Note 5.

The following table provides information about the gain (loss) recognized in income on our derivative instruments with respect to our economic hedges and our foreign currency hedges and the line items in our statements of income in which such gains (losses) are reflected (in millions):

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Three Months Ended September 30,		Nine Months Ended September 30,	
		2024	2023	2024	2023
Commodity contracts	Revenues	\$ (16)	\$ (2)	\$ (23)	\$ (19)
Commodity contracts	Cost of materials and other	(9)	(48)	(66)	126
Commodity contracts	Operating expenses (excluding depreciation and amortization expense)	—	—	—	1
Foreign currency contracts	Cost of materials and other	(17)	19	2	(1)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENT FOR THE PURPOSE OF SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This Form 10-Q, including without limitation our disclosures below under "OVERVIEW AND OUTLOOK," includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. You can identify our forward-looking statements by the words "anticipate," "believe," "expect," "plan," "intend," "scheduled," "estimate," "project," "projection," "predict," "budget," "forecast," "goal," "guidance," "target," "ambition," "could," "would," "should," "may," "strive," "seek," "potential," "opportunity," "aimed," "considering," "continue," "evaluate," and similar expressions.

These forward-looking statements include, among other things, statements regarding:

- the effect, impact, potential duration or timing, or other implications of global geopolitical and other conflicts and tensions, and government and other responses thereto;
- future Refining segment margins, including gasoline and distillate margins, and differentials;
- future Renewable Diesel segment margins;
- future Ethanol segment margins;
- expectations regarding feedstock costs, including crude oil differentials, product prices for each of our segments, transportation costs, and operating expenses;
- anticipated levels of crude oil and liquid transportation fuel inventories, storage capacity, and production;
- expectations with respect to third-party refining, logistics, and low-carbon fuels projects and operations, and the effect and implications thereof on industry and market dynamics;
- expectations regarding the levels of, costs and timing with respect to, the production and operations at our existing refineries and plants, projects under evaluation, construction, or development, and former projects;
- our anticipated level of capital investments, including deferred turnaround and catalyst cost expenditures, our expected allocation between, and/or within, growth capital expenditures and sustaining capital expenditures, capital expenditures for environmental and other purposes, and joint venture investments, the expected costs and timing applicable to such capital investments and any related projects, and the effect of those capital investments on our business, financial condition, results of operations, and liquidity;
- our anticipated level of cash distributions or contributions, such as our dividend payment rate and contributions to our pension plans and other postretirement benefit plans;
- our ability to meet future cash and credit requirements, whether from funds generated from our operations or our ability to access financial markets effectively, and expectations regarding our liquidity;
- our evaluation of, and expectations regarding, any future activity under our share purchase program or transactions involving our debt securities;

- anticipated trends in the supply of, and demand for, crude oil and other feedstocks, refined petroleum products, renewable diesel, sustainable aviation fuel (SAF)¹, ethanol, and corn related co-products in the regions where we operate, as well as globally;
- expectations regarding environmental, tax, and other regulatory matters, including the matters discussed in Note 2 of Condensed Notes to Consolidated Financial Statements and under “PART II, ITEM 1. LEGAL PROCEEDINGS,” the anticipated amounts and timing of payment with respect to our deferred tax liabilities, unrecognized tax benefits, matters impacting our ability to repatriate cash held by our foreign subsidiaries, and the anticipated effect thereof on our business, financial condition, results of operations, and liquidity;
- the effect of general economic and other conditions, including inflation and economic activity levels, on refining, renewable diesel, SAF, and ethanol industry fundamentals;
- expectations regarding our risk management activities, including the anticipated effects of our hedge transactions;
- expectations regarding our counterparties, including our ability to pass on increased compliance costs and timely collect receivables, and the credit risk within our accounts receivable or accounts payable;
- expectations regarding adoptions of new, or changes to existing Renewable and Low-Carbon Fuel Programs, blending and tax credits, or efficiency standards that impact demand for renewable fuels; and
- expectations regarding our low-carbon fuels strategy, publicly announced greenhouse gas (GHG) emissions reduction/displacement targets and ambitions, and our current, former, and any future low-carbon projects.

We based our forward-looking statements on our current expectations, estimates, and projections about ourselves, current and potential counterparties, our industry, and the global economy and financial markets generally. We caution that these statements are not guarantees of future performance or results and involve known and unknown risks and uncertainties, the ultimate outcomes of which we cannot predict with certainty. In addition, we based many of these forward-looking statements on assumptions about future events, the ultimate outcomes of which we cannot predict with certainty and which may prove to be inaccurate. Accordingly, actual performance or results may differ materially from the future performance or results that we have expressed, suggested, or forecast in the forward-looking statements. Differences between actual performance or results and any future performance or results expressed, suggested, or forecast in these forward-looking statements could result from a variety of factors, including the following:

- the effects arising out of global geopolitical and other conflicts and tensions, including with respect to changes in trade flows and impacts to crude oil and other markets;
- demand for, and supplies of, refined petroleum products (such as gasoline, diesel, jet fuel, and petrochemicals), renewable diesel, SAF, ethanol, and corn related co-products;
- demand for, and supplies of, crude oil and other feedstocks;
- the effects of public health threats, pandemics, and epidemics, such as the COVID-19 pandemic and variants of the virus, governmental and societal responses thereto, and the adverse impacts of the foregoing on our business, financial condition, results of operations, and liquidity, and the global economy and financial markets generally;

¹ DGD expects to produce synthetic paraffinic kerosene (SPK), a renewable blending component, using the Hydrotreated Esters and Fatty Acids (HEFA) process. SPK is also commonly referred to as “SAF” or “neat SAF.” Current aviation regulations allow SPK to be blended up to 50 percent with conventional jet fuel for use in an aircraft. This blend is commonly referred to as “SAF” or “blended SAF.” This document refers to both SPK and blended SAF as SAF.

- acts of terrorism aimed at either our refineries and plants or third-party facilities that could impair our ability to produce or transport refined petroleum products, renewable diesel, SAF, ethanol, or corn related co-products, to receive feedstocks, or otherwise operate efficiently;
- the effects of war or hostilities, and political and economic conditions, in countries that produce crude oil or other feedstocks or consume refined petroleum products, renewable diesel, SAF, ethanol, or corn related co-products;
- the ability of the members of the Organization of Petroleum Exporting Countries (OPEC), and other petroleum-producing nations that collectively make up OPEC+, to agree on and to maintain crude oil price and production controls;
- the level of consumer demand, consumption, and overall economic activity, including the effects from seasonal fluctuations and market prices;
- refinery, renewable diesel plant, or ethanol plant overcapacity or undercapacity;
- the risk that any transactions or capital decisions may not provide the anticipated benefits or may result in unforeseen detriments;
- the actions taken by competitors, including both pricing and adjustments to refining capacity or renewable fuels production in response to market conditions;
- the level of competitors' imports into markets that we supply;
- accidents, unscheduled shutdowns, weather events, civil unrest, expropriation of assets, and other economic, diplomatic, legislative, societal, or political events or developments, terrorism, cyberattacks, or other catastrophes or disruptions affecting our operations, production facilities, machinery, pipelines and other logistics assets, equipment, or information systems, or any of the foregoing of our suppliers, customers, or third-party service providers;
- changes in the cost or availability of transportation or storage capacity for feedstocks and our products;
- pressure and influence of environmental groups and other stakeholders upon policies and decisions related to the production, transportation, storage, refining, processing, marketing, and sales of crude oil or other feedstocks, refined petroleum products, renewable diesel, SAF, ethanol, or corn related co-products;
- the price, availability, technology related to, and acceptance of alternative fuels and alternative-fuel vehicles, as well as sentiment and perceptions with respect to low-carbon projects and GHG emissions more generally;
- the levels of government subsidies for, and executive orders, mandates, or other policies with respect to, alternative fuels, alternative-fuel vehicles, and other low-carbon technologies or initiatives, including those related to carbon capture, carbon sequestration, and low-carbon fuels, or affecting the price of natural gas and/or electricity;
- the volatility in the market price of compliance credits (primarily RINs needed to comply with the RFS) under the Renewable and Low-Carbon Fuel Programs and emission credits needed under other environmental emissions programs;
- delay of, cancellation of, or failure to implement planned capital or other strategic projects and realize the various assumptions and benefits projected for such projects or cost overruns in executing such planned projects;
- earthquakes, hurricanes, tornadoes, winter storms, droughts, floods, wildfires, and other weather events, which can unforeseeably affect the price or availability of electricity, natural gas, crude oil, waste and renewable feedstocks, corn, and other feedstocks, critical supplies, refined petroleum products, renewable diesel, SAF, and ethanol;
- rulings, judgments, or settlements in litigation or other legal or regulatory matters, such as unexpected environmental remediation or enforcement costs, including those in excess of any reserves or insurance coverage;

- legislative or regulatory action, including the introduction or enactment of legislation or rulemakings by government authorities, environmental regulations, changes to income tax rates, introduction of a global minimum tax, windfall taxes or penalties, tax changes or restrictions impacting the foreign repatriation of cash, actions implemented under SBx 1-2 and related regulation, actions implemented under the Renewable and Low-Carbon Fuel Programs and other environmental emissions programs, including changes to volume requirements or other obligations or exemptions under the RFS, and actions arising from the EPA's or other government agencies' regulations, policies, or initiatives concerning GHGs, including mandates for or bans of specific technology, which may adversely affect our business or operations;
- changing economic, regulatory, and political environments and related events in the various countries in which we operate or otherwise do business, including trade restrictions, expropriation or impoundment of assets, failure of foreign governments and state-owned entities to honor their contracts, property disputes, economic instability, restrictions on the transfer of funds, duties and tariffs, transportation delays, import and export controls, labor unrest, security issues involving key personnel, and decisions, investigations, regulations, issuances or revocations of permits and other authorizations, and other actions, policies, and initiatives by the states, countries, cities, and other jurisdictions in the countries in which we operate or otherwise do business;
- changes in the credit ratings assigned to our debt securities and trade credit;
- the operating, financing, and distribution decisions of our joint ventures or other joint venture members that we do not control;
- changes in currency exchange rates, including the value of the Canadian dollar, the pound sterling, the euro, the Mexican peso, and the Peruvian sol relative to the U.S. dollar;
- the adequacy of capital resources and liquidity, including availability, timing, and amounts of cash flow or our ability to borrow or access financial markets;
- the costs, disruption, and diversion of resources associated with lawsuits, proceedings, demands, or investigations, or campaigns and negative publicity commenced by government authorities, investors, stakeholders, or other interested parties;
- overall economic conditions, including the stability and liquidity of financial markets, and the effect thereof on consumer demand; and
- other factors generally described in the "RISK FACTORS" section included in our annual report on Form 10-K for the year ended December 31, 2023.

Any one of these factors, or a combination of these factors, could materially affect our future results of operations and whether any forward-looking statements ultimately prove to be accurate. Our forward-looking statements are not guarantees of future performance, and actual results and future performance may differ materially from those expressed, suggested, or forecast in any forward-looking statements. Such forward-looking statements speak only as of the date of this quarterly report on Form 10-Q and we do not intend to update these statements unless we are required by applicable securities laws to do so.

All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing, as it may be updated or modified by our future filings with the U.S. Securities and Exchange Commission (SEC). We undertake no obligation to publicly release any revisions to any such forward-looking statements that may be made to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events unless we are required by applicable securities laws to do so.

NON-GAAP FINANCIAL MEASURES

The following discussions in “OVERVIEW AND OUTLOOK,” “RESULTS OF OPERATIONS,” and “LIQUIDITY AND CAPITAL RESOURCES” include references to financial measures that are not defined under GAAP. These non-GAAP financial measures include adjusted operating income (including adjusted operating income for each of our reportable segments, as applicable); Refining, Renewable Diesel, and Ethanol segment margin; and capital investments attributable to Valero. We have included these non-GAAP financial measures to help facilitate the comparison of operating results between periods, to help assess our cash flows, and because we believe they provide useful information as discussed further below. See the tables in note (a) beginning on page 55 for reconciliations of adjusted operating income (including adjusted operating income for each of our reportable segments, as applicable) and Refining, Renewable Diesel, and Ethanol segment margin to their most directly comparable GAAP financial measures. Also in note (a), we disclose the reasons why we believe our use of such non-GAAP financial measures provides useful information. See the table on page 61 for a reconciliation of capital investments attributable to Valero to its most directly comparable GAAP financial measure. Beginning on page 60, we disclose the reasons why we believe our use of this non-GAAP financial measure provides useful information.

OVERVIEW AND OUTLOOK

Overview

Business Operations Update

Our results for the third quarter and first nine months of 2024 were supported by the continued strong worldwide demand for petroleum-based transportation fuels, while the worldwide supply of those products remained constrained. Our results for the third quarter, however, were also impacted by lower product margins and heavy maintenance activities.

We reported \$364 million and \$2.5 billion of net income attributable to Valero stockholders for the third quarter of 2024 and the first nine months of 2024, respectively. Our operating results, including operating results by segment, are described in the following summary under “Third Quarter Results” and “First Nine Months Results,” and detailed descriptions can be found under “RESULTS OF OPERATIONS” beginning on page 42.

Our operations generated \$5.6 billion of cash during the first nine months of 2024. This cash, along with cash on hand, was used to make \$1.5 billion of capital investments in our business and return \$3.7 billion to our stockholders through purchases of common stock for treasury and dividend payments. In addition, we reduced our outstanding debt during the first nine months of 2024 through the repayment of the \$167 million outstanding principal balance of our 1.200 percent Senior Notes that matured in March 2024. As a result of this and other activity, our cash, cash equivalents, and restricted cash decreased by \$70 million during the first nine months of 2024 to \$5.4 billion as of September 30, 2024. We had \$10.3 billion in liquidity as of September 30, 2024. The components of our liquidity and descriptions of our cash flows, capital investments, and other matters impacting our liquidity and capital resources can be found under “LIQUIDITY AND CAPITAL RESOURCES” beginning on page 58.

Third Quarter Results

For the third quarter of 2024, we reported net income attributable to Valero stockholders of \$364 million compared to \$2.6 billion for the third quarter of 2023. The decrease of \$2.3 billion was primarily due to a decrease in operating income of \$3.0 billion, partially offset by a decrease in income tax expense of \$717 million. The details of our operating income and adjusted operating income by segment and in total are reflected below (in millions). Adjusted operating income excludes the adjustment reflected in the tables in note (a) beginning on page 55.

	Three Months Ended September 30,		
	2024	2023	Change
Refining segment:			
Operating income	\$ 565	\$ 3,445	\$ (2,880)
Adjusted operating income	568	3,451	(2,883)
Renewable Diesel segment:			
Operating income	35	123	(88)
Ethanol segment:			
Operating income	153	197	(44)
Total company:			
Operating income	507	3,503	(2,996)
Adjusted operating income	510	3,509	(2,999)

While our operating income decreased by \$3.0 billion in the third quarter of 2024 compared to the third quarter of 2023, adjusted operating income also decreased by \$3.0 billion primarily due to the following:

- *Refining segment.* Refining segment adjusted operating income decreased by \$2.9 billion primarily due to lower gasoline and distillate (primarily diesel) margins and a decline in crude oil differentials, partially offset by higher margins on other products and lower operating expenses (excluding depreciation and amortization expense).
- *Renewable Diesel segment.* Renewable Diesel segment operating income decreased by \$88 million primarily due to lower product prices (primarily renewable diesel), partially offset by lower feedstock costs and an increase in sales volumes.
- *Ethanol segment.* Ethanol segment operating income decreased by \$44 million primarily due to lower ethanol and corn related co-product prices, partially offset by lower corn prices and an increase in production volumes.

First Nine Months Results

For the first nine months of 2024, we reported net income attributable to Valero stockholders of \$2.5 billion compared to \$7.6 billion for the first nine months of 2023. The decrease of \$5.1 billion was primarily due to a decrease in operating income of \$6.9 billion, partially offset by a decrease in income tax expense of \$1.6 billion. The details of our operating income and adjusted operating income by segment and in total are reflected below (in millions). Adjusted operating income excludes the adjustment reflected in the tables in note (a) beginning on page 55.

	Nine Months Ended September 30,		
	2024	2023	Change
Refining segment:			
Operating income	\$ 3,534	\$ 9,934	\$ (6,400)
Adjusted operating income	3,547	9,951	(6,404)
Renewable Diesel segment:			
Operating income	337	768	(431)
Ethanol segment:			
Operating income	268	363	(95)
Adjusted operating income	295	364	(69)
Total company:			
Operating income	3,407	10,305	(6,898)
Adjusted operating income	3,447	10,323	(6,876)

While our operating income decreased by \$6.9 billion in the first nine months of 2024 compared to the first nine months of 2023, adjusted operating income also decreased by \$6.9 billion primarily due to the following:

- *Refining segment.* Refining segment adjusted operating income decreased by \$6.4 billion primarily due to lower gasoline and distillate (primarily diesel) margins, a decline in crude oil differentials, and a decrease in throughput volumes, partially offset by lower operating expenses (excluding depreciation and amortization expense).
- *Renewable Diesel segment.* Renewable Diesel segment operating income decreased by \$431 million primarily due to lower product prices (primarily renewable diesel), partially offset by lower feedstock costs and an increase in sales volumes.
- *Ethanol segment.* Ethanol segment adjusted operating income decreased by \$69 million primarily due to lower ethanol and corn related co-product prices, partially offset by lower corn prices and an increase in production volumes.

Outlook

Many uncertainties remain with respect to the supply and demand balances in petroleum-based product markets worldwide. While it is difficult to predict future worldwide economic activity and its impact on product supply and demand, as well as any effect that the uncertainty described in Note 2 of Condensed Notes to Consolidated Financial Statements or other political or regulatory developments may have on us, we have noted several factors below that have impacted or may impact our results of operations during the fourth quarter of 2024.

- Gasoline and diesel demand have exceeded pre-pandemic levels and are expected to follow typical seasonal patterns. Jet fuel demand continues to improve and is approaching pre-pandemic levels in the U.S.
- Combined light product (gasoline, diesel, and jet fuel) inventories in the U.S. and Europe are expected to remain comparable to recent historical levels.
- Crude oil differentials are expected to remain relatively stable as a result of increased availability of sour crude oils from Latin America and the potential increase in production by OPEC+ suppliers. However, potential sanction adjustments related to Iran, Russia, and Venezuela, the Russia-Ukraine conflict, and conflict in the Middle East, including impacts on shipping routes and freight costs, could result in increased volatility in the crude oil market and potentially impact crude oil differentials.
- Renewable diesel demand is expected to remain consistent with current levels.
- Ethanol demand is expected to follow typical seasonal patterns.

RESULTS OF OPERATIONS

The following tables, including the reconciliations of non-GAAP financial measures to their most directly comparable GAAP financial measures in note (a) beginning on page 55, highlight our results of operations, our operating performance, and market reference prices that directly impact our operations. Note references in this section can be found on pages 55 through 58.

Third Quarter Results - Financial Highlights by Segment and Total Company (millions of dollars)

	Three Months Ended September 30, 2024				
	Refining	Renewable Diesel	Ethanol	Corporate and Eliminations	Total
Revenues:					
Revenues from external customers	\$ 31,332	\$ 632	\$ 912	\$ —	\$ 32,876
Intersegment revenues	3	593	235	(831)	—
Total revenues	<u>31,335</u>	<u>1,225</u>	<u>1,147</u>	<u>(831)</u>	<u>32,876</u>
Cost of sales:					
Cost of materials and other	28,922	1,029	842	(828)	29,965
Operating expenses (excluding depreciation and amortization expense reflected below)	1,256	92	133	1	1,482
Depreciation and amortization expense	589	69	19	(2)	675
Total cost of sales	<u>30,767</u>	<u>1,190</u>	<u>994</u>	<u>(829)</u>	<u>32,122</u>
Other operating expenses	3	—	—	—	3
General and administrative expenses (excluding depreciation and amortization expense reflected below)	—	—	—	234	234
Depreciation and amortization expense	—	—	—	10	10
Operating income by segment	<u>\$ 565</u>	<u>\$ 35</u>	<u>\$ 153</u>	<u>\$ (246)</u>	<u>507</u>
Other income, net					123
Interest and debt expense, net of capitalized interest					(141)
Income before income tax expense					489
Income tax expense					96
Net income					393
Less: Net income attributable to noncontrolling interests					29
Net income attributable to Valero Energy Corporation stockholders					<u>\$ 364</u>

**Third Quarter Results -
Financial Highlights by Segment and Total Company (continued)**
(millions of dollars)

	Three Months Ended September 30, 2023				
	Refining	Renewable Diesel	Ethanol	Corporate and Eliminations	Total
Revenues:					
Revenues from external customers	\$ 36,521	\$ 759	\$ 1,124	\$ —	\$ 38,404
Intersegment revenues	8	672	310	(990)	—
Total revenues	<u>36,529</u>	<u>1,431</u>	<u>1,434</u>	<u>(990)</u>	<u>38,404</u>
Cost of sales:					
Cost of materials and other	31,115	1,169	1,092	(991)	32,385
Operating expenses (excluding depreciation and amortization expense reflected below)	1,366	84	125	3	1,578
Depreciation and amortization expense	597	55	20	(1)	671
Total cost of sales	<u>33,078</u>	<u>1,308</u>	<u>1,237</u>	<u>(989)</u>	<u>34,634</u>
Other operating expenses	6	—	—	—	6
General and administrative expenses (excluding depreciation and amortization expense reflected below)	—	—	—	250	250
Depreciation and amortization expense	—	—	—	11	11
Operating income by segment	<u>\$ 3,445</u>	<u>\$ 123</u>	<u>\$ 197</u>	<u>\$ (262)</u>	<u>3,503</u>
Other income, net					122
Interest and debt expense, net of capitalized interest					(149)
Income before income tax expense					3,476
Income tax expense					813
Net income					2,663
Less: Net income attributable to noncontrolling interests					41
Net income attributable to Valero Energy Corporation stockholders					<u>\$ 2,622</u>

*Third Quarter Results -
Average Market Reference Prices and Differentials*

	Three Months Ended September 30,	
	2024	2023
Refining		
Feedstocks (dollars per barrel)		
Brent crude oil	\$ 78.37	\$ 86.18
Brent less West Texas Intermediate (WTI) crude oil	3.18	3.72
Brent less WTI Houston crude oil	1.94	2.21
Brent less Dated Brent crude oil	(1.63)	(0.78)
Brent less Argus Sour Crude Index (ASCI) crude oil	4.30	3.43
Brent less Maya crude oil	11.19	8.77
Brent less Western Canadian Select (WCS) Houston crude oil	10.36	9.98
WTI crude oil	75.19	82.46
Natural gas (dollars per million British Thermal Units (MMBTu))		
	1.83	2.38
Renewable volume obligation (RVO) (dollars per barrel) (b)		
	3.89	7.42
Product margins (RVO adjusted unless otherwise noted) (dollars per barrel)		
U.S. Gulf Coast:		
Conventional Blendstock of Oxygenate Blending (CBOB) gasoline less Brent	6.28	14.70
Ultra-low-sulfur (ULS) diesel less Brent	11.89	30.87
Propylene less Brent (not RVO adjusted)	(27.50)	(57.98)
U.S. Mid-Continent:		
CBOB gasoline less WTI	14.08	25.46
ULS diesel less WTI	16.74	37.10
North Atlantic:		
CBOB gasoline less Brent	12.16	22.93
ULS diesel less Brent	13.68	33.91
U.S. West Coast:		
California Reformulated Gasoline Blendstock of Oxygenate Blending (CARBOB) 87 gasoline less Brent	23.56	43.33
California Air Resources Board (CARB) diesel less Brent	14.22	47.66

**Third Quarter Results -
Average Market Reference Prices and Differentials (continued)**

	Three Months Ended September 30,	
	2024	2023
Renewable Diesel		
New York Mercantile Exchange ULS diesel (dollars per gallon)	\$ 2.31	\$ 3.03
Biodiesel RIN (dollars per RIN)	0.60	1.40
California LCFS carbon credit (dollars per metric ton)	53.65	74.46
U.S. Gulf Coast (USGC) used cooking oil (UCO) (dollars per pound)	0.46	0.64
USGC distillers corn oil (DCO) (dollars per pound)	0.48	0.72
USGC fancy bleachable tallow (Tallow) (dollars per pound)	0.47	0.68
Ethanol		
Chicago Board of Trade corn (dollars per bushel)	3.92	4.99
New York Harbor ethanol (dollars per gallon)	1.92	2.39

Total Company, Corporate, and Other

The following table includes selected financial data for the total company, corporate, and other for the third quarter of 2024 and 2023. The selected financial data is derived from the Financial Highlights by Segment and Total Company tables, unless otherwise noted.

	Three Months Ended September 30,		
	2024	2023	Change
Revenues	\$ 32,876	\$ 38,404	\$ (5,528)
Cost of sales	32,122	34,634	(2,512)
Operating income	507	3,503	(2,996)
Adjusted operating income (see note (a))	510	3,509	(2,999)
Income tax expense	96	813	(717)

Revenues decreased by \$5.5 billion in the third quarter of 2024 compared to the third quarter of 2023 primarily due to decreases in product prices for the petroleum-based transportation fuels associated with sales made by our Refining segment. This decrease in revenues was partially offset by a decrease in cost of sales of \$2.5 billion primarily due to decreases in crude oil and other feedstock costs. These changes resulted in a \$3.0 billion decrease in operating income, from \$3.5 billion in the third quarter of 2023 to \$507 million in the third quarter of 2024.

Adjusted operating income also decreased by \$3.0 billion, from \$3.5 billion in the third quarter of 2023 to \$510 million in the third quarter of 2024. The components of this \$3.0 billion decrease in adjusted operating income are discussed by segment in the segment analyses that follow.

Income tax expense decreased by \$717 million in the third quarter of 2024 compared to the third quarter of 2023 primarily as a result of lower income before income tax expense.

Refining Segment Results

The following table includes selected financial and operating data of our Refining segment for the third quarter of 2024 and 2023. The selected financial data is derived from the Financial Highlights by Segment and Total Company tables, unless otherwise noted.

	Three Months Ended September 30,		
	2024	2023	Change
Operating income	\$ 565	\$ 3,445	\$ (2,880)
Adjusted operating income (see note (a))	568	3,451	(2,883)
Refining margin (see note (a))	2,413	5,414	(3,001)
Operating expenses (excluding depreciation and amortization expense reflected below)	1,256	1,366	(110)
Depreciation and amortization expense	589	597	(8)
Throughput volumes (thousand barrels per day) (see note (c))	2,884	3,022	(138)

Refining segment operating income decreased by \$2.9 billion in the third quarter of 2024 compared to the third quarter of 2023. Refining segment adjusted operating income, which excludes the adjustment in the table in note (a), also decreased by \$2.9 billion in the third quarter of 2024 compared to the third quarter of 2023. The components of this decrease in the adjusted results, along with the reasons for the changes in those components, are outlined below.

- Refining segment margin decreased by \$3.0 billion in the third quarter of 2024 compared to the third quarter of 2023.

Refining segment margin is primarily affected by the prices for the petroleum-based transportation fuels that we sell and the cost of crude oil and other feedstocks that we process. The table on page 44 reflects market reference prices and differentials that we believe impacted our Refining segment margin in the third quarter of 2024 compared to the third quarter of 2023.

The decrease in Refining segment margin was primarily due to the following:

- A decrease in distillate (primarily diesel) margins had an unfavorable impact of approximately \$2.0 billion.
 - A decrease in gasoline margins had an unfavorable impact of approximately \$1.2 billion.
 - A decline in crude oil differentials had an unfavorable impact of approximately \$189 million.
 - An increase in margins for other products had a favorable impact of approximately \$319 million.
- Refining segment operating expenses (excluding depreciation and amortization expense) decreased by \$110 million primarily due to a decrease in energy costs.

Renewable Diesel Segment Results

The following table includes selected financial and operating data of our Renewable Diesel segment for the third quarter of 2024 and 2023. The selected financial data is derived from the Financial Highlights by Segment and Total Company tables, unless otherwise noted.

	Three Months Ended September 30,		
	2024	2023	Change
Operating income	\$ 35	\$ 123	\$ (88)
Renewable Diesel margin (see note (a))	196	262	(66)
Operating expenses (excluding depreciation and amortization expense reflected below)	92	84	8
Depreciation and amortization expense	69	55	14
Sales volumes (thousand gallons per day) (see note (c))	3,544	2,992	552

Renewable Diesel segment operating income decreased by \$88 million in the third quarter of 2024 compared to the third quarter of 2023. The components of this decrease, along with the reasons for the changes in those components, are outlined below.

- Renewable Diesel segment margin decreased by \$66 million in the third quarter of 2024 compared to the third quarter of 2023.

Renewable Diesel segment margin is primarily affected by the price for the renewable diesel that we sell and the cost of the feedstocks that we process. The table on page 45 reflects market reference prices that we believe impacted our Renewable Diesel segment margin in the third quarter of 2024 compared to the third quarter of 2023.

The decrease in Renewable Diesel segment margin was primarily due to the following:

- A decrease in product prices, primarily renewable diesel, had an unfavorable impact of approximately \$599 million.
- A decrease in the cost of the feedstocks that we process had a favorable impact of approximately \$486 million.
- An increase in sales volumes of 552,000 gallons per day had a favorable impact of approximately \$55 million.
- Renewable Diesel segment depreciation and amortization expense increased by \$14 million primarily due to an increase in turnaround and catalyst amortization.

Ethanol Segment Results

The following table includes selected financial and operating data of our Ethanol segment for the third quarter of 2024 and 2023. The selected financial data is derived from the Financial Highlights by Segment and Total Company tables, unless otherwise noted.

	Three Months Ended September 30,		
	2024	2023	Change
Operating income	\$ 153	\$ 197	\$ (44)
Ethanol margin (see note (a))	305	342	(37)
Operating expenses (excluding depreciation and amortization expense reflected below)	133	125	8
Depreciation and amortization expense	19	20	(1)
Production volumes (thousand gallons per day) (see note (c))	4,584	4,329	255

Ethanol segment operating income decreased by \$44 million in the third quarter of 2024 compared to the third quarter of 2023 primarily due to a decrease in Ethanol segment margin of \$37 million.

Ethanol segment margin is primarily affected by prices for the ethanol and corn related co-products that we sell and the cost of corn that we process. The table on page 45 reflects market reference prices that we believe impacted our Ethanol segment margin in the third quarter of 2024 compared to the third quarter of 2023.

The decrease in Ethanol segment margin was primarily due to the following:

- A decrease in ethanol prices had an unfavorable impact of approximately \$204 million.
- A decrease in prices for the co-products that we produce, primarily dry distillers grains (DDGs) and inedible DCOs, had an unfavorable impact of approximately \$79 million.
- A decrease in corn prices had a favorable impact of approximately \$231 million.
- An increase in production volumes of 255,000 gallons per day had a favorable impact of approximately \$15 million.

**First Nine Months Results -
Financial Highlights by Segment and Total Company
(millions of dollars)**

	Nine Months Ended September 30, 2024				
	Refining	Renewable Diesel	Ethanol	Corporate and Eliminations	Total
Revenues:					
Revenues from external customers	\$ 94,519	\$ 1,888	\$ 2,718	\$ —	\$ 99,125
Intersegment revenues	8	1,932	654	(2,594)	—
Total revenues	<u>94,527</u>	<u>3,820</u>	<u>3,372</u>	<u>(2,594)</u>	<u>99,125</u>
Cost of sales:					
Cost of materials and other	85,528	3,025	2,625	(2,588)	88,590
Operating expenses (excluding depreciation and amortization expense reflected below)	3,659	262	395	1	4,317
Depreciation and amortization expense	1,793	196	57	(4)	2,042
Total cost of sales	<u>90,980</u>	<u>3,483</u>	<u>3,077</u>	<u>(2,591)</u>	<u>94,949</u>
Other operating expenses	13	—	27	—	40
General and administrative expenses (excluding depreciation and amortization expense reflected below)	—	—	—	695	695
Depreciation and amortization expense	—	—	—	34	34
Operating income by segment	<u>\$ 3,534</u>	<u>\$ 337</u>	<u>\$ 268</u>	<u>\$ (732)</u>	<u>3,407</u>
Other income, net					389
Interest and debt expense, net of capitalized interest					(421)
Income before income tax expense					3,375
Income tax expense					726
Net income					2,649
Less: Net income attributable to noncontrolling interests					160
Net income attributable to Valero Energy Corporation stockholders					<u>\$ 2,489</u>

**First Nine Months Results -
Financial Highlights by Segment and Total Company (continued)**
(millions of dollars)

	Nine Months Ended September 30, 2023				
	Refining	Renewable Diesel	Ethanol	Corporate and Eliminations	Total
Revenues:					
Revenues from external customers	\$ 102,924	\$ 2,990	\$ 3,438	\$ —	\$ 109,352
Intersegment revenues	8	2,367	790	(3,165)	—
Total revenues	<u>102,932</u>	<u>5,357</u>	<u>4,228</u>	<u>(3,165)</u>	<u>109,352</u>
Cost of sales:					
Cost of materials and other	87,398	4,143	3,422	(3,143)	91,820
Operating expenses (excluding depreciation and amortization expense reflected below)	3,832	274	383	6	4,495
Depreciation and amortization expense	1,751	172	59	(3)	1,979
Total cost of sales	<u>92,981</u>	<u>4,589</u>	<u>3,864</u>	<u>(3,140)</u>	<u>98,294</u>
Other operating expenses	17	—	1	—	18
General and administrative expenses (excluding depreciation and amortization expense reflected below)	—	—	—	703	703
Depreciation and amortization expense	—	—	—	32	32
Operating income by segment	<u>\$ 9,934</u>	<u>\$ 768</u>	<u>\$ 363</u>	<u>\$ (760)</u>	<u>10,305</u>
Other income, net					357
Interest and debt expense, net of capitalized interest					(443)
Income before income tax expense					10,219
Income tax expense					2,288
Net income					7,931
Less: Net income attributable to noncontrolling interests					298
Net income attributable to Valero Energy Corporation stockholders					<u>\$ 7,633</u>

*First Nine Months Results -
Average Market Reference Prices and Differentials*

	Nine Months Ended September 30,	
	2024	2023
Refining		
Feedstocks (dollars per barrel)		
Brent crude oil	\$ 81.72	\$ 82.12
Brent less WTI crude oil	4.05	4.68
Brent less WTI Houston crude oil	2.53	3.19
Brent less Dated Brent crude oil	(0.97)	(0.10)
Brent less ASCI crude oil	4.39	5.53
Brent less Maya crude oil	11.66	14.16
Brent less WCS Houston crude oil	11.03	12.19
WTI crude oil	77.67	77.44
Natural gas (dollars per MMBtu)	1.79	2.21
RVO (dollars per barrel) (b)	3.65	7.77
Product margins (RVO adjusted unless otherwise noted) (dollars per barrel)		
U.S. Gulf Coast:		
CBOB gasoline less Brent	7.45	12.57
ULS diesel less Brent	16.87	25.26
Propylene less Brent (not RVO adjusted)	(40.16)	(46.32)
U.S. Mid-Continent:		
CBOB gasoline less WTI	12.16	22.25
ULS diesel less WTI	18.94	32.12
North Atlantic:		
CBOB gasoline less Brent	12.41	18.96
ULS diesel less Brent	19.39	28.19
U.S. West Coast:		
CARBOB 87 gasoline less Brent	25.13	32.89
CARB diesel less Brent	19.65	31.43

**First Nine Months Results -
Average Market Reference Prices and Differentials (continued)**

	Nine Months Ended September 30,	
	2024	2023
Renewable Diesel		
New York Mercantile Exchange ULS diesel (dollars per gallon)	\$ 2.51	\$ 2.80
Biodiesel RIN (dollars per RIN)	0.56	1.51
California LCFS carbon credit (dollars per metric ton)	56.16	73.65
USGC UCO (dollars per pound)	0.43	0.61
USGC DCO (dollars per pound)	0.47	0.65
USGC Tallow (dollars per pound)	0.44	0.62
Ethanol		
CBOT corn (dollars per bushel)	4.23	5.95
New York Harbor ethanol (dollars per gallon)	1.82	2.42

Total Company, Corporate, and Other

The following table includes selected financial data for the total company, corporate, and other for the first nine months of 2024 and 2023. The selected financial data is derived from the Financial Highlights by Segment and Total Company tables, unless otherwise noted.

	Nine Months Ended September 30,		
	2024	2023	Change
Revenues	\$ 99,125	\$ 109,352	\$ (10,227)
Cost of sales	94,949	98,294	(3,345)
Operating income	3,407	10,305	(6,898)
Adjusted operating income (see note (a))	3,447	10,323	(6,876)
Income tax expense	726	2,288	(1,562)
Net income attributable to noncontrolling interests	160	298	(138)

Revenues decreased by \$10.2 billion in the first nine months of 2024 compared to the first nine months of 2023 primarily due to decreases in product prices for the petroleum-based transportation fuels associated with sales made by our Refining segment. This decrease in revenues was partially offset by a decrease in cost of sales of \$3.3 billion primarily due to decreases in crude oil and other feedstock costs. These changes resulted in a \$6.9 billion decrease in operating income, from \$10.3 billion in the first nine months of 2023 to \$3.4 billion in the first nine months of 2024.

Adjusted operating income also decreased by \$6.9 billion, from \$10.3 billion in the first nine months of 2023 to \$3.4 billion in the first nine months of 2024. The components of this \$6.9 billion decrease in adjusted operating income are discussed by segment in the segment analyses that follow.

Income tax expense decreased by \$1.6 billion in the first nine months of 2024 compared to the first nine months of 2023 primarily as a result of lower income before income tax expense.

Net income attributable to noncontrolling interests decreased by \$138 million in the first nine months of 2024 compared to the first nine months of 2023 primarily due to lower earnings associated with DGD,

whose operations compose our Renewable Diesel segment. See Note 6 of Condensed Notes to Consolidated Financial Statements regarding our accounting for DGD and the Renewable Diesel segment analysis on page 54.

Refining Segment Results

The following table includes selected financial and operating data of our Refining segment for the first nine months of 2024 and 2023. The selected financial data is derived from the Financial Highlights by Segment and Total Company tables, unless otherwise noted.

	Nine Months Ended September 30,		
	2024	2023	Change
Operating income	\$ 3,534	\$ 9,934	\$ (6,400)
Adjusted operating income (see note (a))	3,547	9,951	(6,404)
Refining margin (see note (a))	8,999	15,534	(6,535)
Operating expenses (excluding depreciation and amortization expense reflected below)	3,659	3,832	(173)
Depreciation and amortization expense	1,793	1,751	42
Throughput volumes (thousand barrels per day) (see note (c))	2,885	2,974	(89)

Refining segment operating income decreased by \$6.4 billion in the first nine months of 2024 compared to the first nine months of 2023. Refining segment adjusted operating income, which excludes the adjustment in the table in note (a), also decreased by \$6.4 billion in the first nine months of 2024 compared to the first nine months of 2023. The components of this decrease, along with the reasons for the changes in those components, are outlined below.

- Refining segment margin decreased by \$6.5 billion in the first nine months of 2024 compared to the first nine months of 2023.

Refining segment margin is primarily affected by the prices for the petroleum-based transportation fuels that we sell and the cost of crude oil and other feedstocks that we process. The table on page 51 reflects market reference prices and differentials that we believe impacted our Refining segment margin in the first nine months of 2024 compared to the first nine months of 2023.

The decrease in Refining segment margin was primarily due to the following:

- A decrease in distillate (primarily diesel) margins had an unfavorable impact of approximately \$2.9 billion.
- A decrease in gasoline margins had an unfavorable impact of approximately \$2.5 billion.
- A decline in crude oil differentials had an unfavorable impact of approximately \$698 million.
- A decrease in throughput volumes of 89,000 barrels per day had an unfavorable impact of approximately \$278 million.

- Refining segment operating expenses (excluding depreciation and amortization expense) decreased by \$173 million primarily due to a decrease in energy costs.

Renewable Diesel Segment Results

The following table includes selected financial and operating data of our Renewable Diesel segment for the first nine months of 2024 and 2023. The selected financial data is derived from the Financial Highlights by Segment and Total Company tables, unless otherwise noted.

	Nine Months Ended September 30,		
	2024	2023	Change
Operating income	\$ 337	\$ 768	\$ (431)
Renewable Diesel margin (see note (a))	795	1,214	(419)
Operating expenses (excluding depreciation and amortization expense reflected below)	262	274	(12)
Depreciation and amortization expense	196	172	24
Sales volumes (thousand gallons per day) (see note (c))	3,588	3,460	128

Renewable Diesel segment operating income decreased by \$431 million in the first nine months of 2024 compared to the first nine months of 2023 primarily due to a decrease in Renewable Diesel segment margin of \$419 million.

Renewable Diesel segment margin is primarily affected by the price for the renewable diesel that we sell and the cost of the feedstocks that we process. The table on page 52 reflects market reference prices that we believe impacted our Renewable Diesel segment margin in the first nine months of 2024 compared to the first nine months of 2023.

The decrease in Renewable Diesel segment margin was primarily due to the following:

- A decrease in product prices, primarily renewable diesel, had an unfavorable impact of approximately \$1.8 billion.
- A decrease in the cost of the feedstocks that we process had a favorable impact of approximately \$1.3 billion.
- An increase in sales volumes of 128,000 gallons per day had a favorable impact of approximately \$70 million.

Ethanol Segment Results

The following table includes selected financial and operating data of our Ethanol segment for the first nine months of 2024 and 2023. The selected financial data is derived from the Financial Highlights by Segment and Total Company tables, unless otherwise noted.

	Nine Months Ended September 30,		
	2024	2023	Change
Operating income	\$ 268	\$ 363	\$ (95)
Adjusted operating income (see note (a))	295	364	(69)
Ethanol margin (see note (a))	747	806	(59)
Operating expenses (excluding depreciation and amortization expense reflected below)	395	383	12
Depreciation and amortization expense	57	59	(2)
Production volumes (thousand gallons per day) (see note (c))	4,508	4,319	189

Ethanol segment operating income decreased by \$95 million in the first nine months of 2024 compared to the first nine months of 2023; however, Ethanol segment adjusted operating income, which excludes the adjustment in the table in note (a), decreased by \$69 million in the first nine months of 2024 compared to the first nine months of 2023 primarily due to a decrease in Ethanol segment margin of \$59 million.

Ethanol segment margin is primarily affected by prices for the ethanol and corn related co-products that we sell and the cost of corn that we process. The table on page 52 reflects market reference prices that we believe impacted our Ethanol segment margin in the first nine months of 2024 compared to the first nine months of 2023.

The decrease in Ethanol segment margin was primarily due to the following:

- A decrease in ethanol prices had an unfavorable impact of approximately \$706 million.
- A decrease in prices for the co-products that we produce, primarily DDGs and inedible DCOs, had an unfavorable impact of approximately \$238 million.
- A decrease in corn prices had a favorable impact of approximately \$857 million.
- An increase in production volumes of 189,000 gallons per day had a favorable impact of approximately \$29 million.

The following notes relate to references on pages 42 through 55.

- (a) We use certain financial measures (as noted below) that are not defined under GAAP and are considered to be non-GAAP measures.

We have defined these non-GAAP measures and believe they are useful to the external users of our financial statements, including industry analysts, investors, lenders, and rating agencies. We believe these measures are useful to assess our ongoing financial performance because, when reconciled to their most comparable GAAP measures, they provide improved comparability between periods after adjusting for certain items that we believe are not indicative of our core operating performance and that may obscure our underlying business results and

trends. These non-GAAP measures should not be considered as alternatives to their most comparable GAAP measures nor should they be considered in isolation or as a substitute for an analysis of our results of operations as reported under GAAP. In addition, these non-GAAP measures may not be comparable to similarly titled measures used by other companies because we may define them differently, which diminishes their utility.

Non-GAAP measures are as follows (in millions):

- **Refining margin** is defined as Refining segment operating income excluding operating expenses (excluding depreciation and amortization expense), depreciation and amortization expense, and other operating expenses, as reflected in the table below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Reconciliation of Refining operating income to Refining margin				
Refining operating income	\$ 565	\$ 3,445	\$ 3,534	\$ 9,934
Adjustments:				
Operating expenses (excluding depreciation and amortization expense)	1,256	1,366	3,659	3,832
Depreciation and amortization expense	589	597	1,793	1,751
Other operating expenses	3	6	13	17
Refining margin	\$ 2,413	\$ 5,414	\$ 8,999	\$ 15,534

- **Renewable Diesel margin** is defined as Renewable Diesel segment operating income excluding operating expenses (excluding depreciation and amortization expense) and depreciation and amortization expense, as reflected in the table below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Reconciliation of Renewable Diesel operating income to Renewable Diesel margin				
Renewable Diesel operating income	\$ 35	\$ 123	\$ 337	\$ 768
Adjustments:				
Operating expenses (excluding depreciation and amortization expense)	92	84	262	274
Depreciation and amortization expense	69	55	196	172
Renewable Diesel margin	\$ 196	\$ 262	\$ 795	\$ 1,214

- **Ethanol margin** is defined as Ethanol segment operating income excluding operating expenses (excluding depreciation and amortization expense), depreciation and amortization expense, and other operating expenses, as reflected in the table below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Reconciliation of Ethanol operating income to Ethanol margin				
Ethanol operating income	\$ 153	\$ 197	\$ 268	\$ 363
Adjustments:				
Operating expenses (excluding depreciation and amortization expense)	133	125	395	383
Depreciation and amortization expense	19	20	57	59
Other operating expenses	—	—	27	1
Ethanol margin	<u>\$ 305</u>	<u>\$ 342</u>	<u>\$ 747</u>	<u>\$ 806</u>

- **Adjusted Refining operating income** is defined as Refining segment operating income excluding other operating expenses, as reflected in the table below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Reconciliation of Refining operating income to adjusted Refining operating income				
Refining operating income	\$ 565	\$ 3,445	\$ 3,534	\$ 9,934
Adjustment: Other operating expenses	3	6	13	17
Adjusted Refining operating income	<u>\$ 568</u>	<u>\$ 3,451</u>	<u>\$ 3,547</u>	<u>\$ 9,951</u>

- **Adjusted Ethanol operating income** is defined as Ethanol segment operating income excluding other operating expenses, as reflected in the table below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Reconciliation of Ethanol operating income to adjusted Ethanol operating income				
Ethanol operating income	\$ 153	\$ 197	\$ 268	\$ 363
Adjustment: Other operating expenses	—	—	27	1
Adjusted Ethanol operating income	<u>\$ 153</u>	<u>\$ 197</u>	<u>\$ 295</u>	<u>\$ 364</u>

- **Adjusted operating income** is defined as total company operating income excluding other operating expenses, as reflected in the table below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Reconciliation of total company operating income to adjusted operating income				
Total company operating income	\$ 507	\$ 3,503	\$ 3,407	\$ 10,305
Adjustment: Other operating expenses	3	6	40	18
Adjusted operating income	<u>\$ 510</u>	<u>\$ 3,509</u>	<u>\$ 3,447</u>	<u>\$ 10,323</u>

- (b) The RVO cost represents the average market cost on a per barrel basis to comply with the RFS program. The RVO cost is calculated by multiplying (i) the average market price during the applicable period for the RINs associated with each class of renewable fuel (i.e., biomass-based diesel, cellulosic biofuel, advanced biofuel, and total renewable fuel) by (ii) the quotas for the volume of each class of renewable fuel that must be blended into petroleum-based transportation fuels consumed in the U.S., as set or proposed by the EPA, on a percentage basis for each class of renewable fuel and adding together the results of each calculation.
- (c) We use throughput volumes, sales volumes, and production volumes for the Refining segment, Renewable Diesel segment, and Ethanol segment, respectively, due to their general use by others who operate facilities similar to those included in our segments.

LIQUIDITY AND CAPITAL RESOURCES

Our Liquidity

Our liquidity consisted of the following as of September 30, 2024 (in millions):

Available capacity from our committed facilities (a):	
Valero Revolver	\$ 3,998
Accounts receivable sales facility	1,300
Total available capacity	5,298
Cash and cash equivalents (b)	4,966
Total liquidity	<u>\$ 10,264</u>

(a) Excludes the committed facilities of the consolidated VIEs.

(b) Excludes \$218 million of cash and cash equivalents related to the consolidated VIEs that is for their use only.

Information about our outstanding borrowings, letters of credit issued, and availability under our credit facilities is reflected in Note 4 of Condensed Notes to Consolidated Financial Statements.

We believe we have sufficient funds from operations and from available capacity under our credit facilities to fund our ongoing operating requirements and other commitments over the next 12 months and thereafter for the foreseeable future. We expect that, to the extent necessary, we can raise additional cash through equity or debt financings in the public and private capital markets or the arrangement of additional credit facilities. However, there can be no assurances regarding the availability of any future financings or additional credit facilities or whether such financings or additional credit facilities can be made available on terms that are acceptable to us.

Cash Flows

Components of our cash flows are set forth below (in millions):

	Nine Months Ended September 30,	
	2024	2023
Cash flows provided by (used in):		
Operating activities	\$ 5,613	\$ 7,990
Investing activities	(1,437)	(1,382)
Financing activities:		
Debt borrowings	5,473	2,336
Repayments of debt and finance lease obligations (including premiums paid on early retirement of debt)	(6,053)	(2,609)
Return to stockholders:		
Purchases of common stock for treasury	(2,616)	(4,180)
Common stock dividend payments	(1,045)	(1,106)
Return to stockholders	(3,661)	(5,286)
Other financing activities	(24)	(86)
Financing activities	(4,265)	(5,645)
Effect of foreign exchange rate changes on cash	19	6
Net increase (decrease) in cash, cash equivalents, and restricted cash	\$ (70)	\$ 969

Cash Flows for the Nine Months Ended September 30, 2024

In the first nine months of 2024, we used the \$5.6 billion of cash generated by our operations, \$5.5 billion in debt borrowings, and \$70 million of cash on hand to make \$1.4 billion of investments in our business, repay \$6.1 billion of debt and finance lease obligations, and return \$3.7 billion to our stockholders through purchases of our common stock for treasury and dividend payments. The debt borrowings and repayments are described in Note 4 of Condensed Notes to Consolidated Financial Statements.

As previously noted, our operations generated \$5.6 billion of cash in the first nine months of 2024, driven primarily by net income of \$2.6 billion, noncash charges to income of \$2.2 billion, and a positive change in working capital of \$795 million. Noncash charges primarily included \$2.1 billion of depreciation and amortization expense. Details regarding the components of the change in working capital, along with the reasons for the changes in those components, are described in Note 10 of Condensed Notes to Consolidated Financial Statements. In addition, see “RESULTS OF OPERATIONS” for an analysis of the significant components of our net income.

Our investing activities of \$1.4 billion primarily consisted of \$1.5 billion in capital investments, as defined on the following page under “Capital Investments,” of which \$260 million related to capital investments made by DGD.

Cash Flows for the Nine Months Ended September 30, 2023

In the first nine months of 2023, we used the \$8.0 billion of cash generated by our operations and the \$2.3 billion in debt borrowings to make \$1.4 billion of investments in our business, repay \$2.6 billion of debt and finance lease obligations (including premiums paid on the early retirement of debt), return \$5.3 billion to our stockholders through purchases of our common stock for treasury and dividend payments, and increase our available cash on hand by \$969 million. The debt borrowings and repayments are described in Note 4 of Condensed Notes to Consolidated Financial Statements.

As previously noted, our operations generated \$8.0 billion of cash in the first nine months of 2023, driven primarily by net income of \$7.9 billion and noncash charges to income of \$1.8 billion, partially offset by an unfavorable change in working capital of \$1.7 billion. Noncash charges primarily included \$2.0 billion of depreciation and amortization expense. Details regarding the components of the change in working capital, along with the reasons for the changes in those components, are described in Note 10 of Condensed Notes to Consolidated Financial Statements. In addition, see “RESULTS OF OPERATIONS” for an analysis of the significant components of our net income.

Our investing activities primarily consisted of \$1.4 billion in capital investments, of which \$239 million related to capital investments made by DGD.

Our Capital Resources

Our material cash requirements as of September 30, 2024 primarily consisted of working capital requirements, capital investments, contractual obligations, and other matters, as described below. Our operations have historically generated positive cash flows to fulfill our working capital requirements and other uses of cash as discussed below.

Capital Investments

Capital investments are composed of our capital expenditures, deferred turnaround and catalyst cost expenditures, and investments in nonconsolidated joint ventures, as reflected in our statements of cash flows as shown on page 6. Capital investments exclude acquisitions, if any.

We have publicly announced GHG emissions reduction/displacement targets and a long-term ambition. We believe that our allocation of growth capital into low-carbon projects to date has been consistent with such targets and ambition. Certain low-carbon projects have been completed or are already in execution and the associated capital investments are included in our expected capital investments for 2024. Our capital investments in future years to achieve these targets and ambition are expected to include investments associated with certain low-carbon projects currently at various stages of progress, evaluation, or approval. For additional information, see the “RISK FACTORS” section included in our annual report on Form 10-K for the year ended December 31, 2023.

As previously disclosed, in January 2023, we announced that DGD approved a large-scale SAF project. The SAF project at the DGD Port Arthur Plant was successfully completed in October 2024. The project is expected to be fully operational this year, providing the plant the optionality to upgrade approximately 50 percent of its current 470 million gallon renewable diesel annual production capacity to SAF.

Capital Investments Attributable to Valero

Capital investments attributable to Valero is a non-GAAP financial measure that reflects our net share of capital investments and is defined as all capital expenditures, deferred turnaround and catalyst cost expenditures, and investments in nonconsolidated joint ventures, excluding the portion of DGD’s capital investments attributable to the other joint venture member and all of the capital expenditures of other consolidated VIEs.

We are a 50 percent joint venture member in DGD and consolidate its financial statements, and DGD’s operations compose our Renewable Diesel segment. As a result, all of DGD’s net cash provided by operating activities (or operating cash flow) is included in our consolidated net cash provided by operating activities. DGD’s members use DGD’s operating cash flow (excluding changes in its current assets and current liabilities) to fund its capital investments rather than distribute all of that cash to themselves. Because DGD’s operating cash flow is effectively attributable to each member, only

50 percent of DGD's capital investments should be attributed to our net share of capital investments. We also exclude all of the capital expenditures of other VIEs that we consolidate because we do not operate those VIEs. See Note 6 of Condensed Notes to Consolidated Financial Statements for more information about the VIEs that we consolidate. We believe capital investments attributable to Valero is an important measure because it more accurately reflects our capital investments.

Capital investments attributable to Valero should not be considered as an alternative to capital investments, which is the most comparable GAAP measure, nor should it be considered in isolation or as a substitute for an analysis of our cash flows as reported under GAAP. In addition, this non-GAAP measure may not be comparable to similarly titled measures used by other companies because we may define it differently, which may diminish its utility.

The following table (in millions) reconciles our capital investments to capital investments attributable to Valero for the nine months ended September 30, 2024 and 2023.

	Nine Months Ended September 30,	
	2024	2023
Reconciliation of capital investments to capital investments attributable to Valero		
Capital expenditures (excluding VIEs)	\$ 399	\$ 468
Capital expenditures of VIEs:		
DGD	198	183
Other VIEs	7	4
Deferred turnaround and catalyst cost expenditures (excluding VIEs)	844	665
Deferred turnaround and catalyst cost expenditures of DGD	62	56
Capital investments	1,510	1,376
Adjustments:		
DGD's capital investments attributable to the other joint venture member	(130)	(120)
Capital expenditures of other VIEs	(7)	(4)
Capital investments attributable to Valero	<u>\$ 1,373</u>	<u>\$ 1,252</u>

We have developed an extensive multi-year capital investment program, which we update and revise based on changing internal and external factors. As previously disclosed in our annual report on Form 10-K for the year ended December 31, 2023, we expect to incur approximately \$2.0 billion for capital investments attributable to Valero during 2024. Approximately \$1.6 billion of the expected capital investments attributable to Valero are for sustaining the business and the balance towards growth strategies, of which approximately half is allocated to expanding our low-carbon businesses.

Contractual Obligations

As of September 30, 2024, our contractual obligations included debt obligations, interest payments related to debt obligations, operating lease liabilities, finance lease obligations, other long-term liabilities, and purchase obligations. In the ordinary course of business, we had debt-related activities during the nine months ended September 30, 2024, as described in Note 4 of Condensed Notes to Consolidated Financial Statements. There were no material changes outside the ordinary course of business with respect to our contractual obligations during the nine months ended September 30, 2024.

Other Matters Impacting Liquidity and Capital Resources

Stock Purchase Programs

During the nine months ended September 30, 2024, we purchased for treasury 17,054,864 of our shares for a total cost of \$2.6 billion. See Note 5 of Condensed Notes to Consolidated Financial Statements for additional information related to our stock purchase programs. As of September 30, 2024, we had \$2.1 billion remaining available for purchase under the February 2024 Program. On September 19, 2024, our Board authorized us to purchase shares of our outstanding common stock for a total cost of up to \$2.5 billion with no expiration date, which is in addition to the amount remaining under the February 2024 Program. We will continue to evaluate the timing of purchases when appropriate. We have no obligation to make purchases under these programs.

Pension Plan Funding

We contributed \$71 million to our pension plans and \$13 million to our other postretirement benefit plans during the nine months ended September 30, 2024.

Cash Held by Our Foreign Subsidiaries

As of September 30, 2024, \$4.3 billion of our cash and cash equivalents was held by our foreign subsidiaries. Cash held by our foreign subsidiaries can be repatriated to us through dividends without any U.S. federal income tax consequences, but certain other taxes may apply, including, but not limited to, withholding taxes imposed by certain foreign jurisdictions, U.S. state income taxes, and U.S. federal income tax on foreign exchange gains. Therefore, there is a cost to repatriate cash held by certain of our foreign subsidiaries to us.

Environmental Matters

Our operations are subject to extensive environmental regulations by government authorities relating to, among other matters, the discharge of materials into the environment, climate, waste management, pollution prevention measures, GHG and other emissions, our facilities and operations, and characteristics and composition of many of our products. Because environmental laws and regulations are becoming more complex and stringent and new environmental laws and regulations are continuously being enacted or proposed, the level of future costs and expenditures required for environmental matters could increase.

Concentration of Customers

Our operations have a concentration of customers in the refining industry and customers who are refined petroleum product wholesalers and retailers. These concentrations of customers may impact our overall exposure to credit risk, either positively or negatively, in that these customers may be similarly affected by changes in economic or other conditions, including the uncertainties concerning worldwide events causing volatility in the global crude oil markets. However, we believe that our portfolio of accounts receivable is sufficiently diversified to the extent necessary to minimize potential credit risk. Historically, we have not had any significant problems collecting our accounts receivable.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes. Actual results could differ from those estimates. There have been no changes to the critical accounting policies that involve critical accounting estimates disclosed in our annual report on Form 10-K for the year ended December 31, 2023.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK

The following tables provide information about our debt instruments (dollars in millions), the fair values of which are sensitive to changes in interest rates. A 10 percent increase or decrease in our floating interest rates would not have a material effect to our results of operations. Principal cash flows and related weighted-average interest rates by expected maturity dates are presented. See Note 4 of Condensed Notes to Consolidated Financial Statements for additional information related to our debt.

	September 30, 2024 (a)							Total	Fair Value
	Expected Maturity Dates								
	Remainder of 2024	2025	2026	2027	2028	There-after			
Fixed rate	\$ —	\$ 441	\$ 672	\$ 564	\$ 1,047	\$ 5,374	\$ 8,098	\$ 8,043	
Average interest rate	— %	3.2 %	4.2 %	2.2 %	4.4 %	5.5 %	4.9 %		
Floating rate	\$ 329	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 329	\$ 329	
Average interest rate	9.2 %	— %	— %	— %	— %	— %	9.2 %		

	December 31, 2023 (a)							Total	Fair Value
	Expected Maturity Dates								
	2024	2025	2026	2027	2028	There-after			
Fixed rate	\$ 167	\$ 441	\$ 672	\$ 564	\$ 1,047	\$ 5,374	\$ 8,265	\$ 8,079	
Average interest rate	1.2 %	3.2 %	4.2 %	2.2 %	4.4 %	5.5 %	4.8 %		
Floating rate	\$ 1,030	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,030	\$ 1,030	
Average interest rate	8.7 %	— %	— %	— %	— %	— %	8.7 %		

(a) Excludes unamortized discounts and debt issuance costs.

OTHER MARKET RISKS

We are exposed to market risks primarily related to the volatility in the price of commodities, the price of credits needed to comply with the Renewable and Low-Carbon Fuel Programs, and foreign currency exchange rates. There have been no material changes to these market risks disclosed in our annual report on Form 10-K for the year ended December 31, 2023. See Note 12 of Condensed Notes to Consolidated Financial Statements for a discussion about these market risks as of September 30, 2024.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

Our management has evaluated, with the participation of our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report, and has concluded that our disclosure controls and procedures were effective as of September 30, 2024.

(b) Changes in internal control over financial reporting.

There has been no change in our internal control over financial reporting that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

During the three months ended September 30, 2024, there were no new proceedings required to be disclosed in this item under SEC regulations and no material developments in proceedings that we previously reported in our annual report on Form 10-K for the year ended December 31, 2023 or in our quarterly report on Form 10-Q for the quarter ended June 30, 2024. Pursuant to SEC regulations, we use a threshold of \$1 million for purposes of determining whether disclosure of certain environmental proceedings is required in this item. We believe any such proceedings less than this threshold are not material to our business and financial condition.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in our annual report on Form 10-K for the year ended December 31, 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS***Issuer Purchases of Equity Securities***

The following table discloses purchases of shares of our common stock made by us or on our behalf during the third quarter of 2024.

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share (b)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (c)
July 2024	563,512	\$ 160.05	560,560	\$2.6 billion
August 2024	2,131,744	\$ 149.87	2,130,700	\$2.2 billion
September 2024	1,103,580	\$ 136.15	1,102,127	\$4.6 billion
Total	<u>3,798,836</u>	\$ 147.39	<u>3,793,387</u>	\$4.6 billion

- (a) The shares reported in this column include 5,449 shares related to our purchases of shares from participants in our stock-based compensation plans in connection with the vesting of restricted stock and other stock compensation transactions in accordance with the terms of our stock-based compensation plans.
- (b) The average price paid per share reported in this column excludes brokerage commissions and a one percent excise tax on share purchases.
- (c) On September 15, 2023, we announced that our Board authorized us to purchase shares of our outstanding common stock for a total cost of up to \$2.5 billion with no expiration date, and we completed all authorized share purchases under that program during the third quarter of 2024. On February 22, 2024, we announced that our Board authorized us to purchase shares of our outstanding common stock for a total cost of up to \$2.5 billion with no expiration date. As of September 30, 2024, we had \$2.1 billion remaining available for purchase under the February 2024 Program. On September 19, 2024, our Board authorized us to purchase shares of our outstanding common stock for a total cost of up to \$2.5 billion with no expiration date, which is in addition to the amount remaining under the February 2024 Program.

ITEM 5. OTHER INFORMATION

- (a) None.
- (b) None.
- (c) During the three months ended September 30, 2024, no director or officer (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934) of Valero adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408 of Regulation S-K.

ITEM 6. EXHIBITS

Exhibit No.	Description
22.01	Subsidiary Issuer of Guaranteed Securities—incorporated by reference to Exhibit 22.01 to Valero’s annual report on Form 10-K for the year ended December 31, 2020 (SEC File No. 001-13175).
*31.01	Rule 13a-14(a) Certification (under Section 302 of the Sarbanes-Oxley Act of 2002) of principal executive officer.
*31.02	Rule 13a-14(a) Certification (under Section 302 of the Sarbanes-Oxley Act of 2002) of principal financial officer.
**32.01	Section 1350 Certifications (under Section 906 of the Sarbanes-Oxley Act of 2002).
***101.INS	Inline XBRL Instance Document—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
***101.SCH	Inline XBRL Taxonomy Extension Schema Document.
***101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
***101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
***101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
***101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
***104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.

** Furnished herewith.

*** Submitted electronically herewith.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VALERO ENERGY CORPORATION
(Registrant)

By: _____
/s/ Jason W. Fraser
Jason W. Fraser
Executive Vice President and
Chief Financial Officer
(Duly Authorized Officer and Principal
Financial and Accounting Officer)

Date: October 29, 2024

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, R. Lane Riggs, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Valero Energy Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 29, 2024

/s/ R. Lane Riggs

R. Lane Riggs
Chief Executive Officer and President

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Jason W. Fraser, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Valero Energy Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 29, 2024

/s/ Jason W. Fraser

Jason W. Fraser
Executive Vice President and Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Valero Energy Corporation (the Company) on Form 10-Q for the quarter ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ R. Lane Riggs

R. Lane Riggs

Chief Executive Officer and President

October 29, 2024

A signed original of the written statement required by Section 906 has been provided to Valero Energy Corporation and will be retained by Valero Energy Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Valero Energy Corporation (the Company) on Form 10-Q for the quarter ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jason W. Fraser

Jason W. Fraser
Executive Vice President and Chief Financial Officer
October 29, 2024

A signed original of the written statement required by Section 906 has been provided to Valero Energy Corporation and will be retained by Valero Energy Corporation and furnished to the Securities and Exchange Commission or its staff upon request.