**Risk Factors Comparison 2024-02-21 to 2023-02-22 Form: 10-K**

**Legend:** **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

You should carefully consider the following risk factors in addition to the other information included in this Annual Report on Form 10- K. Each of these risk factors could adversely affect our business, operating results and financial condition, as well as the value of an investment in our common stock. These risk factors do not identify all risks that we face; our operations could also be affected by factors, events or uncertainties that are not presently known to us or that we do not currently consider to present significant risks to our operations. Risks Related to Our Manufacturing and Operations **Market conditions, including volatile** ~~Our financial results are affected by changing~~ commodity prices ~~and~~ **,** margins **and demand** for refined petroleum, petrochemical and plastics products **, impact our earnings, financial condition and cash flows** . ~~Our~~ **Similar to other companies in the industry in which we operate, our** financial results are largely affected by the relationship, or margin, between the prices at which we sell refined petroleum, petrochemical and plastics products and the prices for crude oil and other feedstocks used in manufacturing these products. Historically, margins have been volatile, and we expect they will continue to be volatile in the future. The ~~costs~~ **cost** of feedstocks and the prices at which we can ultimately sell our products depend on numerous factors beyond our control, including regional and global supply and demand, which are subject to, among other things, production levels, levels of refined petroleum product inventories, productivity and growth of economies, **geopolitical risks, such as turmoil in the Middle East, Eastern Europe, and other producing regions, technology advancements and the pace of the energy transition, weather- related damage and disruptions due to other natural or human causes, consumer preferences and the use and availability of substitute products,** and governmental regulation. We do not produce crude oil and **other feedstocks and** must purchase all of the ~~crude~~ **feedstocks** we process. The prices for crude oil and refined petroleum products can fluctuate based on global, regional and local market conditions, as well as by type and class of products, which can reduce margins and have a significant impact on our refining, wholesale marketing and retail operations, revenues, operating income and cash flows **. The ability of the members of the Organization of Petroleum Exporting Countries (OPEC) to agree on and to maintain crude oil price and production controls and changes in trade flows from events such as the Russia- Ukraine war have also had, and are likely to continue to have, a significant impact on the market prices of crude oil and certain of our products** . Also, crude oil supply contracts generally have market- based pricing provisions. We normally purchase our refinery feedstocks weeks before manufacturing and selling the refined petroleum products. We also purchase refined petroleum products produced by others for sale to our customers. Changes in prices that occur between the time we purchase feedstocks or products and when we sell the refined petroleum products could have a significant effect on our financial results. The price of **natural gas and** crude oil also influences prices for **the** petrochemical and plastics products **we produce** and the feedstocks used to manufacture ~~the~~ **those** products. Our Chemicals segment uses feedstocks that are derivatively produced in the **processing of natural gas and** refining of crude oil ~~and the processing of natural gas~~ , and those feedstock prices can fluctuate widely for a variety of reasons, including changes in worldwide energy prices and the supply and availability of the feedstocks. Due to the highly competitive nature of most of the products sold by our Chemicals segment, market position cannot necessarily be protected by product differentiation or by passing on cost increases to customers. As a result, price increases in raw materials may not correlate with changes in the prices at which petrochemical and plastics products are sold, thereby negatively affecting margins and the results of operations of our Chemicals segment. Sustained or prolonged declines in commodity prices and margins for our products may adversely affect our results of operations, liquidity, access to the capital markets, and our ability to fund our capital priorities, including share repurchases and dividends. **Index to Financial Statements** Market conditions, including **volatile** commodity prices **and demand for crude oil** , ~~may~~ **natural gas and NGL,** impact the earnings, financial condition and cash flows of our Midstream business. Our Midstream business is affected by the price of and demand for crude oil, natural gas and NGL, which have historically been volatile. The prices for crude oil, natural gas and NGL depend upon factors beyond our control, including global and local demand, production levels, imports and exports, seasonality and weather conditions, economic and political conditions domestically and internationally, and governmental regulations. Decreases in energy prices can decrease drilling activity, production rates and investments by third parties in the development of new crude oil and natural gas reserves. Sustained periods of low prices can also cause producers to significantly curtail or limit their oil and gas drilling operations, which could substantially delay the production and delivery of volumes of crude oil, natural gas and NGL. ~~Index to Financial Statements~~ The volume of crude oil and refined petroleum products transported or stored in our pipelines and terminal facilities depends on the demand for and availability of crude oil and refined petroleum products in the areas serviced by our assets. A period of sustained low demand or prices for crude oil could lead to a decline in drilling activity and production, which would lead to a decrease in the volumes of crude oil transported through our pipelines and terminal facilities, negatively affecting our earnings and cash flows. Likewise, our earnings and cash flows would be negatively impacted by a period of sustained lower demand for refined petroleum products, which could lead to lower refinery utilization and result in a decrease in the volumes of refined petroleum product transported through our pipelines and terminal facilities. The natural gas gathered, processed, transported, sold and stored by us is delivered into pipelines for further delivery to end- users, including fractionation facilities. Demand for these services may be substantially reduced due to lower rates of natural gas production as a result of declining commodity prices. Commodity prices, including when ethane prices are low relative to natural gas prices, can also negatively impact throughput volumes of NGL transported, fractionated and stored. Additionally, revenues and cash flows can increase or decrease as the price of natural gas and NGL fluctuates because of certain contractual arrangements whereby natural gas is purchased for an agreed percentage of proceeds from the sale of the residue gas and / or NGL resulting from its processing activities. ~~Additionally, the level of production from natural gas wells will naturally decline over time.~~ In order to maintain or increase throughput levels on our **natural gas** gathering and transportation pipeline systems and NGL pipelines and the asset utilization rates at our natural gas processing plants, we must continually obtain new supplies. The level of successful drilling activity and prices of, and demand for, natural gas and crude oil, as well as producers' desire and ability to obtain necessary permits are some of the factors that may affect new supplies of natural gas and NGL. If we are not able to obtain new supplies of natural gas to replace the natural decline in volumes from existing wells or because of competition, throughput on our pipelines and the utilization rates of our treating and processing facilities would decline. This could have a material adverse effect on our business, results of operations, financial position and cash flows, and our ability to make cash distributions. Our operations are subject to planned and unplanned downtime, business interruptions, and operational hazards, any of which could adversely impact our ability to operate and could adversely impact our financial condition, results of operations and cash flows. Our operating results are largely dependent on the continued operation of facilities and assets owned and operated by us and our equity affiliates. Interruptions may materially reduce productivity and thus, the profitability, of operations during and after downtime, including for planned turnarounds and scheduled maintenance activities. In the past, we and certain of our equity affiliates also have temporarily shut down facilities due to the threat of severe weather, such as hurricanes. Additionally, the availability of natural gas and electricity necessary to operate our assets can be affected by weather, pipeline interruptions, grid outages, and logistics disruptions, which may also cause us to temporarily curtail or shut down operations. Although we take precautions to ensure and enhance the safety of our operations and minimize the risk of disruptions, our operations are ~~also~~ subject to **the** hazards inherent in chemicals, refining and midstream businesses, such as explosions, fires, refinery **, processing facility** or pipeline releases or other incidents, power outages, labor disputes **, global health crises** , restrictive governmental regulation or other natural or man- made disasters, such as geopolitical conflicts and acts of terrorism, including cyber intrusion. The inability to operate facilities or assets due to any of these events could significantly impair our ability to manufacture, process, store or transport products. Any casualty occurrence involving our assets or operations could result in serious personal injury or loss of human life, significant damage to property and equipment, environmental pollution, impairment of operations and substantial losses to us. For assets located near populated areas, including residential areas, commercial business centers, industrial sites and other public gathering areas, the level of damage resulting from these risks could be greater. Damages resulting from an incident involving any of our assets or operations may result in our being named as a defendant in one or more lawsuits asserting potentially substantial claims or in our being assessed potentially substantial **remediation** fines **or penalties** by governmental authorities. Should any of these risks materialize at any of our equity affiliates, it could have a material adverse effect on the business and financial condition of the equity affiliate and negatively impact their ability to make future distributions to us. We are subject to interruptions of supply and offtake, as well as increased costs, as a result of our reliance on third- party transportation of crude oil, NGL and refined petroleum products. We often utilize the services of third parties to transport crude oil, NGL and refined petroleum products to and from our facilities. In addition to our own operational risks, we could experience interruptions of supply or increases in costs to deliver refined petroleum products to market if the ability of the pipelines or vessels to transport crude oil or refined petroleum products is disrupted because of weather events, accidents, governmental regulations **, public health crises, armed hostilities,** or third- party actions **, including protests** . A prolonged disruption of the ability of a pipeline or vessel to transport crude oil, NGL or refined petroleum products to or from one or more of our refineries or other facilities could have a material adverse effect on our business, financial condition, results of operations and cash flows. **Our** investments in joint ventures decrease our ability to manage risk.We conduct some of our operations,including parts of our Midstream,Refining and Marketing and Specialties (M & S) segments,and our entire Chemicals segment,through joint ventures in which we share control with our joint venture partners.Our joint venture partners may have economic,business or legal interests or goals that are inconsistent with ours or those of the joint venture,or our joint venture participants may be unable to meet their economic or other obligations,and we may be required to fulfill those obligations alone.Failure by us,or an entity in which we have a joint venture interest,to adequately manage the risks associated with any acquisitions or joint ventures could have a material adverse effect on the financial condition or results of operations of our joint ventures and,in turn,our business and operations. ~~One~~ Public health crises, epidemics and pandemics, such as the COVID- 19 pandemic **,** have had and could continue to have a material adverse effect on our business. Any future widespread health crises could materially and adversely impact our business in the future. Our global operations expose us to risks associated with public health crises and outbreaks of epidemics, pandemics, or contagious diseases, such as COVID- 19. The COVID- 19 pandemic and the associated containment efforts had a serious adverse impact on the economy and a material adverse effect on our business, as the demand for crude oil, gasoline, jet fuel, diesel fuel and other refined products was significantly reduced. **We may be impacted again in the future depending on the duration and scope of any future health crises, epidemics, or pandemics.** Even if a virus or other illness does not spread significantly, the perceived risk of infection or health risk may result in reduced demand for our products and materially affect our business. As we cannot predict the duration or scope of any public health crisis, epidemic or pandemic, the negative financial impact to our results cannot be reasonably estimated and could be material. Factors that will influence the impact on our business and operations include the duration and extent of such events, including the virulence of the infection, the timing of vaccine development and distribution across the world and its impact on economic recovery, the extent of imposed or recommended containment and mitigation measures **, including travel restrictions,** and their impact on our operations, and the general economic consequences of public health crises, epidemics and pandemics, such as the COVID- 19 pandemic. To the extent any public health crisis, epidemic or pandemic adversely affected or affects our business and financial results, it may also have the effect of heightening many of the other risks that could adversely affect our business described ~~below~~ **in this Annual Report** , such as risks associated with industry capacity utilization, volatility in the price and availability of raw materials **, supply chain interruptions** , material adverse changes in customer relationships including any failure of a customer to perform its obligations under agreements with us, and risks associated with worldwide or regional economic conditions. Competition Risks Refining and marketing competitors that produce their own feedstocks, have more extensive retail outlets, or have greater financial resources may have a competitive advantage. The refining and marketing industry is highly competitive with respect to both feedstock supply and refined petroleum product markets. We compete with many companies for available supplies of crude oil and other feedstocks and for outlets for our refined petroleum products. We do not produce any of our crude oil feedstocks. Some of our competitors, however, obtain a portion of their feedstocks from their own production and some have more extensive retail outlets than we have. Competitors that have their own production or extensive retail outlets (and greater brand- name recognition) are at times able to offset losses from refining operations with profits from producing or retailing operations, and may be better positioned to withstand periods of depressed refining margins or feedstock shortages. Some of our competitors also have materially greater financial and other resources than we have. Such competitors have a greater ability to bear the economic risks inherent in all aspects of our business. In addition, we compete with other industries that provide alternative means to satisfy the energy and fuel requirements of our industrial, commercial and individual customers. Volatility in market demand for our petrochemical and plastics products and midstream transportation services and the risk of overbuild in these industries could negatively impact the results of operations of our businesses. We and our equity affiliates have made and continue to make significant investments to meet market demand for our products and services, such as investments in midstream infrastructure and construction of new petrochemicals facilities. Similar investments have been made, and additional investments may be made in the future, by us, our competitors or by new entrants to the markets and industries we serve. The success of these investments largely depends on the realization of anticipated market demand, and these projects typically require significant development periods, during which time demand for our products or services may change, or additional investments by competitors may be made that could result in an overbuild of supply. Any of these or other competitive forces could materially adversely affect our results of operations, financial position or cash flows, as well as our return on capital employed. Strategic Performance and Future Growth Risks Large capital **- intensive** projects can take many years to complete, and **the political and regulatory environments or** market conditions could deteriorate significantly between the project approval date and the project startup date, negatively impacting expected project returns. Our basis for approving ~~a~~ large- scale capital **- intensive** ~~project~~ **projects , such as the conversion of our San Francisco refinery into a renewable fuels facility,** is the expectation that it will deliver an acceptable rate of return on the capital invested. We base these forecasted project economics on our best estimate of future market conditions including the regulatory and operating environment. ~~For example, we are in the process of converting our San Francisco refinery into a renewable fuels facility to meet growing demand for renewable fuels.~~ Most large- scale projects take several years to complete. During this multiyear period, **the political and regulatory environments or other** market conditions can change from those we ~~forecast~~ **anticipate** , and these changes could be significant **. Supply chain disruptions may also delay projects or increase costs** . Accordingly, we may not be able to realize our expected returns from a large investment in a capital project, and this could negatively impact our results of operations, cash flows and our return on capital employed. Plans we or our joint ventures may have to expand or construct assets or develop new technologies, and plans for our future performance are subject to risks associated with societal and political pressures and other forms of opposition to the future development, transportation and use of ~~carbon~~ **petroleum** - based fuels. Such risks could adversely impact our **business and** results of operations. Certain of our plans are based upon the assumption that societal sentiment will continue to enable, and existing regulations will remain in place to allow for, the future development, transportation and use of ~~carbon~~ **petroleum** - based fuels. A portion of our growth strategy is dependent on our and our joint ventures' ability to capture growth opportunities in the Midstream and Chemicals segments. **Regulatory** ~~Policy~~ **policy** decisions relating to the production, refining, transportation, marketing and use of ~~carbon~~ **petroleum** - based fuels are subject to political pressures and the influence and protests of environmental and other special interest groups. For example, the construction or expansion of pipelines can involve numerous regulatory, permitting, environmental, political, and legal uncertainties, many of which are beyond our control. We may not be able to identify or execute growth projects, and those that are identified may not be completed on schedule or at the budgeted cost, if at all. In addition, our revenues may not increase immediately upon the expenditure of funds on a particular project. Delays or cost increases related to capital spending programs or the inability to complete growth projects could negatively impact our reputation, results of operations, cash flows and our return on capital employed. **Our** ~~In addition, our~~ Energy Research & Innovation organization works to develop new technologies **and solutions** focused on advancing our business **units** , including renewable **and sustainable** fuels research ~~and energy transition programs~~ . Our efforts to research and develop new technologies is subject to a multitude of factors and conditions, many of which are out of our control. Examples of such factors include evolving government regulation, the pace of changes in technology, the successful development and deployment of existing or new technologies and business solutions on a commercial scale, competition from third parties in developing new technologies and the availability, timing and cost of equipment **. The occurrence of these factors may delay or increase the cost of our efforts, which could negatively impact our reputation, results of operations, cash flows and our return on capital employed** . Political and economic developments could affect our operations and materially reduce our profitability and cash flows. Actions of federal, state, local and international governments through legislation or regulation, executive order, permit or other review of infrastructure or facility development, and commercial restrictions could delay projects, increase costs, limit development, or otherwise reduce our profitability both in the United States and abroad. Any such actions may affect many aspects of our operations, including: • **Establishing maximum margins that can be earned on sales of motor fuels or imposing financial penalties on profits earned above established maximum margins. • Limiting or prohibiting our ability to undertake turnaround or other maintenance activities at our refineries. •** Requiring permits or other approvals that may impose unforeseen or unduly burdensome conditions or potentially cause delays in our operations. • Further limiting or prohibiting construction or other activities in environmentally sensitive or other areas. • Requiring increased capital costs to construct, maintain or upgrade equipment, facilities or infrastructure. • Restricting the locations where we may construct facilities or requiring the relocation of facilities. ~~In addition~~ **For example, in March 2023, the California legislature adopted Senate Bill No. 2 (such statute, together with any regulations contemplated or issued thereunder, SBx 1- 2), which, among other things, (i) authorizes the establishment of a maximum gross gasoline refining margin (maximum margin) and the imposition of a financial penalty for profits above the maximum margin, (ii) significantly expands reporting obligations relating to the maintenance and business of our California refineries, which includes reporting requirements to the California Energy Commission (CEC) for all participants in the petroleum industry supply chain in California, (iii) creates the Division of Petroleum Market Oversight within the CEC to analyze the data provided under SBx 1- 2, and (iv) authorizes the CEC to regulate the timing and other aspects of refinery turnaround and other maintenance activities in certain instances. The CEC is currently in rulemaking with respect to various aspects of SBx 1- 2, and the potential implementation of a financial penalty or any restrictions or delays on our ability to undertake turnaround or other maintenance activities creates uncertainty due to the potential adverse effects on our refining, marketing and midstream operations in California, which may be material to our results of operations, financial condition, profitability and cash flows. We anticipate that other jurisdictions may contemplate 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, but they may be significant. For example, adverse effects on the financial performance of our operations in the state of California or the useful lives of the assets related to such operations may result in the recognition of material asset impairment charges and asset retirement obligations. Furthermore** , the U. S. government can prevent or restrict us from doing business in foreign countries and from doing business with entities affiliated with foreign governments, which can include state oil companies and U. S. subsidiaries of those companies. The Office of Foreign Assets Control (OFAC) of the U. S. Department of the Treasury administers and enforces economic and trade sanctions based on U. S. foreign policy and national security matters. The effect of any such OFAC sanctions could disrupt transactions with or operations involving entities affiliated with sanctioned countries, and could limit our ability to obtain optimum crude slates and other refinery feedstocks and effectively distribute refined petroleum products. **We may face other regulatory changes in the U. S. including, but not limited to, the enactment of tax law changes that adversely affect our industry, new emissions standards, restrictive flaring regulations, and more stringent requirements for environmental impact studies and reviews. Hostilities in the Middle East, Russia or elsewhere or the occurrence or threat of future terrorist attacks could adversely affect the economies of the U. S. and other countries.** Other political and economic risks include global ~~pandemics~~ **health crises** ; financial market turmoil; economic volatility and global economic slowdown; currency exchange rate fluctuations; short- term and long- term inflationary pressures; **rising or prolonged periods of high interest rates;** import or export restrictions and changes in trade regulations; supply chain disruptions; ~~acts of terrorism, war,~~ civil unrest and other political risks; limitations in the availability of labor to develop, staff and manage operations; and potentially adverse tax developments. If any of these events occur, our businesses and results of operations may be adversely affected. We may not be able to effectively identify, whether through acquisition, investment or development, lower- carbon opportunities on favorable terms, or at all, and failure to do so could limit our growth, our ability to participate in the energy transition, and our ability to meet our environmental goals and targets. Part of our strategy includes capturing growth opportunities in our Emerging Energy business to further advance our participation in the energy transition and meet our greenhouse gas (GHG) emissions reduction targets. This strategy depends on our ability to successfully identify and evaluate acquisition and investment opportunities or develop and commercialize new technologies. The number of lower- carbon opportunities may be limited, and we will compete with other energy companies for these limited opportunities, which could make them more expensive and the returns for our business less attractive and possibly cause us to refrain from making them at all. Further, certain lower- carbon opportunities will depend on technological and other advancements that may not be within our control and may not come to fruition or be economically feasible in the near term. Any new opportunities also may depend on the viability of new assets or businesses that are contingent on public policy mechanisms including investment tax credits, subsidies, renewable portfolio standards and carbon trading plans. These mechanisms have been implemented at the state and federal levels to support the development of renewable energy ~~, demand- side,~~ and other clean infrastructure technologies. The availability and continuation of public policy support mechanisms will drive a significant part of the economics and viability of lower- carbon and clean energy investments generally, as well as our participation in them. If we are unable to identify and consummate acquisitions and investments, our ability to execute a portion of our growth strategy and meet our environmental goals may be impeded. Regulatory and Environmental, Climate and Weather Risks Climate change and severe weather may adversely affect our and our joint ventures' facilities and ongoing operations. The potential physical effects of climate change and severe weather, as well as other chronic physical effects such as water shortages and rising sea levels, on our operations are highly uncertain and depend upon the unique geographic and environmental factors present. We have systems in place to manage potential acute physical risks, including those that may be caused by climate change, but ~~if any~~ such events ~~were to occur, they~~ could have an adverse effect on our assets and operations. Examples of potential physical risks include floods, hurricane- force winds **, severe storms, droughts, heat waves, earthquakes** , wildfires, freezing temperatures and snowstorms, as well as rising sea levels at our coastal facilities. We have incurred, and will continue to incur, costs to protect our assets from physical risks and to employ processes, to the extent available, to mitigate such risks. We operate facilities located in coastal regions of the United States, which have been impacted by hurricanes that have required us to temporarily, or even permanently, shut down operations at those sites. ~~For example, due to significant damages from Hurricane Ida, we shut down the Alliance Refinery.~~ CPChem also operates facilities on the Gulf Coast and has had to temporarily shut down sites in the past as a result of hurricanes. Any extreme weather events or rising sea levels may disrupt the ability to operate our facilities located near coastal areas or to transport crude oil, refined petroleum or petrochemical and plastics products in these areas. Extended periods of such disruption could have an adverse effect on our results of operations. We could also incur substantial costs to prevent or repair damage to these facilities. Finally, depending on the severity and duration of any extreme weather events or climate conditions, our operations may need to be modified and material costs incurred, which could materially and adversely affect our business, financial condition and results of operations. There are certain environmental hazards and risks inherent in our operations that could adversely affect those operations and our financial results. The operation of refineries, power plants, fractionators, pipelines, terminals, gas processing facilities and vessels is inherently subject to the risks of spills, discharges or other inadvertent releases of petroleum or hazardous substances. If any of these events had previously occurred or occurs in the future in connection with any of our refineries, pipelines or refined petroleum products terminals, or in connection with any facilities that receive our wastes or byproducts for treatment or disposal, other than events for which we are indemnified, we could be liable for all costs and penalties associated with their remediation under federal, state, local and international environmental laws or **at** common law, and could be liable for property damage to third parties caused by contamination from releases and spills. We expect to continue to incur substantial capital expenditures and operating costs as a result of our compliance with existing and future environmental laws and regulations. Our business is subject to numerous laws and regulations relating to the protection of the environment. These laws and regulations continue to increase in both number and complexity and affect our operations with respect to, among other things: • The discharge of pollutants into the environment. • Emissions into the atmosphere, such as nitrogen oxides, sulfur dioxide and mercury emissions, and GHG emissions, as they are, or may become, regulated. • The quantity of renewable fuels that must be blended into motor fuels. • The handling, use, storage, transportation, disposal and cleanup of hazardous materials and hazardous and nonhazardous wastes. • The dismantlement and abandonment of our facilities and restoration of our properties at the end of their useful lives. To the extent these expenditures, as with all costs, are not ultimately reflected in the prices of our products and services, our business, financial condition, results of operations and cash flows in future periods could be materially adversely affected. The adoption of climate change legislation or regulation could result in increased operating costs and reduced demand for the refined petroleum products we produce. Currently, multiple legislative and regulatory measures to address GHG and other emissions are in various phases of consideration, promulgation or implementation. These include actions to develop international, federal, regional or statewide programs, which could require reductions in our GHG or other emissions, establish a carbon tax and decrease the demand for our refined products. Requiring reductions in these emissions could result in increased costs to (i) operate and maintain our facilities, (ii) install new emission controls at our facilities and (iii) administer and manage any emissions programs, including acquiring emission credits or allotments. For example, in 2017, the California state legislature adopted Assembly Bill 398, which provides direction and parameters on utilizing cap and trade after 2020 to meet the 40 % reduction target for GHG emissions from 1990 levels by 2030 specified in Senate Bill 32. Compliance with the cap and trade program is demonstrated through a market- based credit system. Additionally, on August 25, 2022, the California Air Resources Board (CARB) adopted regulations that effectively ban the in- state sales of new cars containing internal combustion engines beginning in 2035. Also, on December 15, 2022, CARB adopted its " 2022 Scoping Plan for Achieving Carbon Neutrality, " which purports to provide a road map for California to achieve carbon neutrality (which it defines as removing as many carbon emissions from the atmosphere as it emits) by year 2045. Other states are proposing, or have already promulgated, low carbon fuel standards or similar initiatives to reduce emissions from the transportation sector. If we are unable to pass the costs of compliance on to our customers, sufficient credits are unavailable for purchase, we have to pay a significantly higher price for credits, or if we are otherwise unable to meet our compliance obligation, our financial condition and results of operations could be adversely affected. Federal, regional and state climate change and air emissions goals and regulatory programs are complex, subject to change and impose considerable uncertainty due to a number of factors including technological feasibility, legal challenges and potential changes in federal policy. Increasing concerns about climate change and carbon intensity have also resulted in heightened societal awareness and a number of international and national measures to limit GHG emissions. Additional stricter regulatory measures and investor pressure can be expected in the future and any of these changes may have a material adverse impact on our business or financial condition. International climate change- related efforts, such as the 2015 United Nations Conference on Climate Change, which led to the creation of the Paris Agreement, **and the 2023 United Nations Climate Change Conference,** may impact the regulatory framework of states whose policies directly influence our present and future operations. Although the United States had previously withdrawn from the Paris Agreement, it has since taken the steps necessary to rejoin, which was effective in February 2021. The **future of the** U. S. **' s** climate change strategy and the impact to our industry and operations due to **further** GHG regulation is unknown at this time. Increased regulation of the fossil fuel industry, particularly with respect to hydraulic fracturing, could result in reductions or delays in U. S. production of crude oil and natural gas, which could adversely impact our results of operations. Most of the crude oil and **natural** gas production of our Midstream segment' s customers is being produced from unconventional oil shale reservoirs. These reservoirs require hydraulic fracturing completion processes to release the hydrocarbons from the rock so they can flow through casing to the surface. Hydraulic fracturing involves the injection of water, sand and chemicals under pressure into a formation to stimulate hydrocarbon production. The EPA, as well as several state agencies, have commenced studies and / or convened hearings regarding the potential environmental impacts of hydraulic fracturing activities. At the same time, certain environmental groups have suggested that additional laws may be needed to more closely and uniformly regulate the hydraulic fracturing process, and legislation has been proposed to provide for such regulation. In addition, some communities have adopted measures to ban hydraulic fracturing in their communities. Also, certain interest groups have also proposed ballot initiatives and constitutional amendments designed to restrict crude oil and natural gas development generally. If ballot initiatives, local, state, or national restrictions or prohibitions are adopted and result in more stringent limitations on the production and development of crude oil and natural gas, **we may incur significant costs to comply with the requirements, and** producers may experience delays or curtailment in the permitting or pursuit of exploration, development or production activities **. Such compliance costs and delays, curtailments, limitations or prohibitions could have a material adverse effect on our business, prospects, results of operations, financial condition and liquidity** . In addition to these proposed ballot initiatives and constitutional amendments, municipalities, such as the City of Los Angeles, have already enacted or contemplate enacting complete or partial bans on oil and gas exploration and production activities. If legislative and regulatory initiatives cause a material decrease in the drilling of new wells and related servicing activities, it may reduce crude oil, natural gas and NGL supplies, negatively affecting the volume of products available to our Midstream segment and increasing feedstock prices for our Chemicals and Refining segments, resulting in a material adverse effect on our financial position, results of operations and cash flows. Compliance with the EPA' s Renewable Fuel Standard (RFS) could adversely affect our financial results. The EPA has implemented the RFS pursuant to the Energy Policy Act of 2005 and the Energy Independence and Security Act of 2007. The RFS program sets annual renewable volume obligation (RVO) requirements for the quantity of renewable fuels, such as ethanol, that must be blended into motor fuels consumed in the United States. To provide certain flexibility in compliance options available to the industry, a Renewable Identification Number (RIN) is assigned to each gallon of renewable fuel produced in, or imported into, the United States. As a producer of petroleum- based motor fuels, we are obligated to blend renewable fuels into the products we produce at a rate that is at least commensurate to the EPA' s RVO requirements and, to the extent we do not, we must purchase RINs in the open market to satisfy our obligation under the RFS program. We are exposed to the volatility in the market price of RINs. We cannot predict the future prices of RINs. RINs prices are dependent upon a variety of factors, including EPA regulations, the availability of RINs for purchase, and levels of transportation fuels produced, which can vary significantly from quarter to quarter. If sufficient RINs are unavailable for purchase, if we have to pay a significantly higher price for RINs, if we purchase RINs that are ultimately determined to be invalid, or if we are otherwise unable to meet the EPA' s RVO requirements, including because the EPA mandates a blending quantity of renewable fuel that exceeds the amount that is commercially feasible to blend into motor fuel (a situation commonly referred to as " the blend wall "), our operations could be materially adversely impacted, up to and including a reduction in produced motor fuel for sale in the United States. Societal, technological, political and scientific developments around emissions and fuel efficiency may decrease demand for **traditional** transportation fuels. Developments aimed at reducing GHG emissions may decrease the demand or increase the cost for our transportation fuels. Societal attitudes toward these products and their relationship to the environment may significantly affect our effectiveness in marketing our products. Government efforts to steer the public toward non- petroleum- based fuel dependent modes of transportation may foster a negative perception toward transportation fuels or increase costs of our products, thus affecting the public' s attitude toward our major ~~product~~ **products** . Advanced technology and increased use of vehicles that do not use petroleum- based transportation fuels or that are powered by hybrid engines would reduce demand for **the** motor fuel **we produce** . We may also incur increased production costs, which we may not be able to pass along to our customers. Additionally, renewable fuels, alternative energy mandates and energy conservation efforts could reduce demand for refined petroleum products. Tax incentives and other subsidies can make renewable fuels and alternative energy more competitive with refined petroleum products than they otherwise might be, which may reduce refined petroleum product margins and hinder the ability of refined petroleum products to compete with renewable fuels. **The competition for renewable fuels feedstocks may also increase, negatively impacting the availability of such feedstocks or increasing their cost.** These developments could potentially have a material adverse effect on our business, financial condition, results of operations and cash flows. Continuing political and social concerns about ~~the issues of~~ climate change **and other Environmental, Social and Governance (ESG) matters** may result in changes to our business and significant expenditures, including litigation- related expenses. Increasing attention to global climate change has resulted in increased investor attention and an increased risk of public and private litigation, which could increase our costs or otherwise adversely affect our business ~~. For example, shareholder activism has recently been increasing in our industry, and shareholders may attempt to effect changes to our business or governance, whether by shareholder proposals, public campaigns, proxy solicitations or otherwise~~ . Additionally, cities, counties, and other governmental entities in several states in the U. S. began filing lawsuits against energy companies in 2017, including Phillips 66 **, seeking** ~~. The lawsuits seek~~ damages allegedly associated with climate change, and the plaintiffs are seeking unspecified damages and abatement under various tort theories. Similar lawsuits may be filed in other jurisdictions. While we believe these lawsuits are an inappropriate vehicle to address the challenges associated with climate change and will vigorously defend against them ~~for lacking factual and legal merit~~ , the ultimate outcome and impact to us of any such litigation cannot be predicted with certainty, and we could incur substantial legal costs associated with defending these and similar lawsuits in the future. Additionally, governments and private parties are also increasingly filing lawsuits or initiating regulatory action based on allegations that certain public statements regarding climate change and other ~~Environmental, Social and Corporate Governance (~~ ESG ~~)~~ **-** related matters and practices by companies are false ~~and~~ **or** misleading " greenwashing " that violate deceptive trade practices and consumer protection statutes. ~~While we~~ **Such claims** are **included in** ~~currently not a party to any of these~~ lawsuits **filed against energy companies** , ~~they~~ **including Phillips 66. Such lawsuits** present a high degree of uncertainty regarding the extent to which energy companies face an increased risk of liability stemming from climate change or ESG disclosures and practices. ~~Any~~ **Efforts have also been made by governments and private parties to shut down energy assets by challenging operating permits, the validity** of **easements or the compliance with easement conditions. Lawsuits and / or regulatory proceedings or actions of this nature could result in interruptions to construction or operations of current or future projects, delays in completing** ~~these~~ **those projects and / or increased project costs, all of which may have a material, adverse effect on our business, financial condition, results of operation and cash flows. These** risks ~~could~~ **may** result in unexpected costs, negative sentiments about our company, disruptions in our operations, increases to our operating expenses and reduced demand for our products, which in turn could have an adverse effect on our business, financial condition and results of operations. Increased concerns regarding plastic waste in the environment, consumers selectively reducing their consumption of plastic products due to recycling concerns, or new or more restrictive regulations and rules related to plastic waste could reduce demand for CPChem' s plastic products and could negatively impact our equity interest. There is a growing concern with the accumulation of plastic, including microplastics, and other packaging waste in the environment. Additionally, plastics have recently faced increased public backlash and scrutiny. Policy measures to address this concern are being discussed or implemented by governments at all levels. In addition, a host of single- use plastic bans and taxes have been passed by countries around the world and counties and municipalities throughout the U. S. Increased regulation of, or prohibition on, the use of certain plastic products could reduce demand for certain of the products CPChem produces, which could negatively impact its financial condition, results of operations and cash flows, thereby negatively impacting our equity earnings, and cash distributions that we receive, from CPChem. Cybersecurity and Data Privacy Risks ~~Security breaches~~ **Cybersecurity incidents** and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer. Our information technology and infrastructure, or information technology and infrastructure of our third- party service providers (e. g., cloud- based service providers), may be vulnerable to attacks by malicious actors or breached due to human error, malfeasance or other disruptions, including ransomware and other malware, phishing and social engineering schemes **, malicious software, data privacy breaches by employees, insiders or others with authorized access, attempts to gain unauthorized access to our data and systems; and other cybersecurity incidents** . Any such ~~breaches~~ **incidents** could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such **unauthorized** access, disclosure or other loss of information could result in one or more of the following outcomes: (i) **unauthorized access to or** a loss **or misuse** of intellectual property, proprietary information, or employee, customer or vendor data; (ii) public disclosure of sensitive information; (iii) increased costs to prevent, respond to, or mitigate cybersecurity events, such as deploying additional personnel and protection technologies, training employees, and engaging third- party experts and consultants; (iv) systems interruption; (v) disruption of our business operations; (vi) remediation costs for repairs of system damage **, or regulatory fines or penalties** ; (vii) reputational damage that adversely affects customer or investor confidence; ~~and~~ (viii **) exposure to legal liability; and (ix** ) damage to our competitiveness, stock price, and long- term stockholder value. **Any of the foregoing can be exacerbated by a delay or failure to detect a cybersecurity incident or the full extent of such incident. Further, we have exposure to cybersecurity incidents and the negative impacts of such incidents related to our critical data and proprietary information housed on third- party IT systems, including cloud- based systems. Additionally, authorized third- party IT systems or software can be compromised and used to gain access or introduce malware to our IT systems that can materially impact our business.** Although **we devote significant resources to prevent cybersecurity incidents and protect our system and data,** we have experienced ~~occasional,~~ actual ~~or~~ **and** attempted ~~breaches of our~~ cybersecurity **incidents** , **and while** we do not believe that any of these ~~breaches~~ **incidents** has had a material effect on our business, operations or financial condition **, it is possible that a future incident may have such an effect** . A ~~breach~~ **cybersecurity incident** may also result in legal claims or proceedings against us by our shareholders, employees, customers, vendors, and governmental authorities (U. S. and non- U. S.). Our infrastructure protection technologies and disaster recovery plans may not be able to prevent a technology systems breach or systems failure, which could have a material adverse effect on our financial position or results of operations. Furthermore, the continuing and evolving threat of cyberattacks has resulted in increased regulatory focus on prevention. To the extent we face increased regulatory requirements, we may be required to expend significant additional resources to meet such requirements. Increasing regulatory focus on privacy and cybersecurity issues and expanding laws could expose us to increased liability, subject us to lawsuits, investigations and other liabilities and restrictions on our operations that could significantly and adversely affect our business. Along with our own data and information collected in the normal course of our business, we and our partners collect and retain certain data that is subject to specific laws and regulations. The transfer and use of this data both domestically and across international borders is becoming increasingly complex. This data is subject to governmental regulation at the federal, state, international, national, provincial and local levels in many areas of our business, including data privacy and security laws such as the European Union (EU) **and United Kingdom (UK) versions of the** General Data Protection Regulation (GDPR) and the California Consumer Privacy Act (CCPA). The GDPR applies to ~~activities related to~~ **the transfer and processing of** personal data **of those who live** ~~that are conducted from an establishment~~ in the EU **or UK, respectively** . As interpretation and enforcement of the GDPR evolves, it creates a range of new compliance obligations, which could cause us to incur additional costs. Failure to comply could result in significant penalties that may materially adversely affect our business, reputation, results of operations, and cash flows. The CCPA, which came into effect on January 1, 2020, gives California residents specific rights in relation to their personal information, requires that companies take certain actions, including notifications for security incidents and may apply to activities regarding personal information that is collected by us, directly or indirectly, from California residents. As interpretation and enforcement of the CCPA evolves, it creates a range of new compliance obligations, with the possibility for significant financial penalties for noncompliance that may materially adversely affect our business, reputation, results of operations, and cash flows. Comprehensive privacy laws with some similarities to the CCPA have been proposed or passed at the U. S. federal and state levels, such as the Colorado Privacy Act. Additionally, the Federal Trade Commission and many state attorneys general are interpreting federal and state consumer protection laws to impose standards for the online collection, use, dissemination and security of data as well as requiring disclosures about these practices. Existing **and potential future** data privacy laws ~~, or any laws that may become applicable to our business,~~ pose increasingly complex compliance challenges and potentially elevate our costs. Any failure by us to comply with these laws and regulations, including as a result of a security or privacy breach, could result in significant penalties and liabilities for us. Additionally, if we acquire a company that has violated or is not in compliance with applicable data protection laws, we may incur significant liabilities and penalties as a result. Risks Related to Our Equity Investments and......, controls, procedures and policies. Indebtedness, Capital Markets and Financial Risks Uncertainty and illiquidity in credit and capital markets can impair our ability to obtain credit and financing on acceptable terms and can adversely affect the financial strength of our business partners. Our ability to obtain credit and capital depends in large measure on the state of the credit and capital markets, which is **subject to factors** beyond our control. Our ability to access credit and capital markets may be restricted at a time when we would like, or need, access to those markets, which could constrain our flexibility to react to changing economic and business conditions. In addition, the cost and availability of debt and equity financing may be adversely impacted by unstable or illiquid market conditions. Protracted uncertainty and illiquidity in these markets also could have an adverse impact on our lenders, commodity transaction counterparties, or our customers, preventing them from meeting their obligations to us. From time to time, our cash needs may exceed our **available** cash ~~from our consolidated operations and joint venture distributions,~~ and our business could be materially and adversely affected if we are unable to obtain necessary funds from financing activities. From time to time, we may need to supplement cash generated from operations with proceeds from financing activities. Uncertainty and illiquidity in financial markets may materially impact the ability of the participating financial institutions to fund their commitments to us under our liquidity facilities that are supported by a broad syndicate of financial institutions. Accordingly, we may not be able to obtain the full amount of the funds available under our liquidity facilities to satisfy our cash requirements, and our failure to do so could have a material adverse effect on our operations and financial position. ~~Investor~~ **Negative** sentiment towards **fossil fuels and increased attention to environmental and social matters, including** climate change, ~~fossil fuels and sustainability~~ could adversely affect our business, the market price for our common stock and our access to and cost of capital. There have been efforts in recent years aimed at the investment community, including investment advisors, sovereign wealth funds, public pension funds, universities, and other groups, to promote the divestment of ~~energy~~ **fossil fuel** companies, as well as to pressure lenders **, insurers,** and other financial services companies to limit or curtail activities with ~~energy~~ **fossil fuel** companies. If these **or similar** efforts are ~~successful~~ **continued** , our stock price, our ability to access capital markets **or insure our operations,** and our cost of capital may be negatively impacted. Members of the investment community are also increasing their focus on ~~sustainability practices~~ **environmental and social (E & S) matters** , including practices related to GHG emissions, climate change, **business resilience,** diversity and inclusion, environmental justice and other ~~sustainability- related~~ **E & S** matters. As a result, we may face increasing pressure regarding our ~~sustainability~~ **E & S** disclosures and practices. Additionally, members of the investment community may screen companies such as ours for ~~sustainability~~ **E & S** performance before investing in our stock or participating in our financing activities. If we are unable to meet the ~~sustainability~~ **E & S** standards set by these investors, we may lose investors, our stock price may be negatively impacted, our access to capital markets and lenders may be curtailed, and our reputation may be negatively affected. Our efforts to accurately report on ~~sustainability~~ **E & S** - related issues expose us to operational, reputational, financial, legal, and other risks. Standards for tracking and reporting on ~~sustainability~~ **E & S** - related matters, including climate- related matters, have not been harmonized and continue to evolve. Processes and controls for reporting on ~~sustainability~~ **E & S** matters are subject to evolving and disparate standards of identification, measurement, and reporting on such metrics, including any climate change and ~~sustainability~~ **E & S** - related public company disclosure requirements adopted by the SEC, and such standards may change over time, which could result in significant revisions to our current ~~sustainability~~ **E & S** practices and disclosures **. A failure to achieve our published GHG emissions intensity reduction goals and other E & S targets we may set in the future could negatively impact our business. We have announced targets to reduce our Scope 1 and Scope 2 GHG emissions intensity from our operations by 30 % and Scope 3 GHG emissions intensity of our energy products by 15 % by 2030, and a target to reduce our Scope 1 and Scope 2 GHG emissions intensity by 50 % by 2050, in each case as compared to baseline 2019 levels. Our ability to achieve these goals depends on many factors, many of which are beyond our control, such as advancements that enable broad commercial deployment and use of lower- carbon technologies; global policies that fund and incentivize the development of a lower- carbon energy system; changes in consumer behavior and energy choices; the availability of materials throughout the supply chain; evolving regulatory requirements; competitor actions; the availability of renewable feedstocks; and acquisition and divestiture activities. Further, the standards for tracking and reporting on GHG emissions have not been harmonized and continue to evolve. Our selection of disclosure frameworks that seek to align with various reporting standards may change from time to time and may result in a lack of comparative data from period to period. In addition, our processes and controls may not always align with evolving voluntary standards for identifying, measuring, and reporting GHG emissions, our interpretation of reporting standards may differ from those of others, and such standards may change over time, any of which could result in significant revisions to our goals or reported progress in achieving such goals. The pursuit of these targets, and any other climate- related or E & S goals we may announce, may increase our costs, require us to purchase emissions credits or offsets, or limit or negatively impact our business plans. Further, any failure or perceived failure to achieve such goals and targets within the timelines that we announce, or at all, could cause reputational harm, negatively impact our stock price and access to and cost of capital, and expose us to enforcement or litigation, among other negative impacts** . We do not fully insure against all potential losses, including those from extreme weather events, and, therefore, our business, financial condition, results of operations and cash flows could be adversely affected by unexpected or underinsured liabilities and increased costs. We maintain insurance coverage in amounts we believe to be prudent, including against many, but not all, potential liabilities arising from operating hazards. **We rely on existing liquidity, financial resources and borrowing capacity to meet short- term obligations that would result from** ~~Uninsured~~ **uninsured** or underinsured liabilities arising from operating hazards, including but not limited to, explosions, fires, refinery or pipeline releases or other incidents involving our assets or operations, including weather events, **which** could reduce the funds available to us for capital and investment spending and could have a material adverse effect on our business, financial condition, results of operations and cash flows. Deterioration in our credit profile could increase our costs of borrowing money, limit our access to the capital markets and commercial credit, and could trigger co-venturer rights under joint venture arrangements. Our credit ratings could be lowered or withdrawn entirely by a rating agency if, in its judgment, the circumstances warrant. If a rating agency were to downgrade our rating below investment grade, our borrowing costs would increase, and our funding sources could decrease **. This could require us to provide collateral, or other forms of security, which would increase our costs and restrict operational and financial flexibility** . In addition, a failure by Phillips 66 to maintain an investment grade rating could affect its business relationships with suppliers and operating partners. For example, Phillips 66' s agreement with Chevron Corporation (Chevron) regarding CPChem permits Chevron to buy Phillips 66' s 50 % interest in CPChem for fair market value if Phillips 66 experiences a change in control or if both Standard & Poor' s Financial Services LLC and Moody' s Investors Service, Inc. lower ~~its~~ **their** credit ratings below investment grade and the credit rating from either rating agency remains below investment grade for 365 days thereafter, with fair market value determined by agreement or by nationally recognized investment banks. As a result of these factors, a downgrade of credit ratings could have a material adverse impact on Phillips 66' s future operations and financial position. The level of returns on pension and postretirement plan assets and the actuarial assumptions used for valuation purposes could affect our earnings and cash flows in future periods. Assumptions used in determining projected benefit obligations and the expected return on plan assets for our pension plans and other postretirement benefit plans are evaluated by us based on a variety of independent sources of market information and in consultation with outside actuaries. If we determine that changes are warranted in the assumptions used, such as the discount rate, expected long- term rate of return, or health care cost trend rate, our future pension and postretirement benefit expenses and funding requirements could increase. In addition, several factors could cause actual results to differ significantly from the actuarial assumptions that we use. Funding obligations are determined based on the value of assets and liabilities on a specific date as required under relevant regulations. Future pension funding requirements, and the timing of funding payments, could be affected by legislation enacted by governmental authorities. We may incur losses as a result of our forward contracts and derivative transactions. We currently use commodity derivative instruments, and we expect to use them in the future. If the instruments we utilize to hedge our exposure to various types of risk are not effective, we may incur losses. Derivative transactions involve the risk that counterparties may be unable to satisfy their obligations to us. The risk of counterparty default is heightened in a poor economic environment. In addition, we may be required to incur additional costs in connection with future regulation of derivative instruments to the extent it is applicable to us. We are subject to continuing contingent liabilities of ConocoPhillips following the separation. Further, ConocoPhillips has indemnified us for certain matters, but may not be able to satisfy its obligations to us in the future. In connection with our separation from ConocoPhillips **in 2012** , we entered into an Indemnification and Release Agreement and certain other agreements pursuant to which ConocoPhillips agreed to indemnify us for certain liabilities, and we agreed to indemnify ConocoPhillips for certain liabilities. Indemnities that we may be required to provide are not subject to any cap and may be significant. Third parties could also seek to hold us responsible for any of the liabilities that ConocoPhillips has agreed to retain. Further, the indemnity from ConocoPhillips may not be sufficient to protect us against the full amount of such liabilities, and ConocoPhillips may not be able to fully satisfy its indemnification obligations. Each of these risks could negatively affect our business, results of operations and financial condition. ~~34~~