

# **OCCIDENTAL'S POSITIONS ON CLIMATE-RELATED POLICIES**





At Occidental (Oxy), we recognize the scientific consensus on climate change and the need to lower both greenhouse gas (GHG) emissions and atmospheric concentrations of carbon dioxide (CO<sub>2</sub>). We also recognize the importance of impactful public policy to achieve the climate goals set forth by the Paris Agreement. As such, we offer a few observations to set the stage for this document:

- Policy is needed in the short term to accelerate the deployment of technologies, including Carbon Capture, Utilization and Storage (CCUS) and Direct Air Capture (DAC), that reduce or eliminate GHG emissions and atmospheric concentrations of CO<sub>2</sub>.
- Policy should be designed to support the commercial application of technologies and be sufficient, certain and financeable.
- Policy should support the development of chemistries and technology for innovative products such as low global warming potential (GWP) refrigerants and those that use CO<sub>2</sub> as a feedstock.
- Policy should promote advantages of using durable products to achieve a lower carbon lifecycle analysis (LCA).
- Longer term, we believe compliance and voluntary markets will provide commerciality.
- Electrification will continue to grow favoring zero-emissions sources but will not eliminate the need for CCUS.
- CCUS and DAC will remain essential over the long term for hard-to-abate emissions, to address elevated concentrations of atmospheric CO<sub>2</sub>, and to provide CO<sub>2</sub> feedstocks for low-carbon or net-zero fuels and feedstocks.

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Oxy was the first U.S. oil and gas company to establish goals for net-zero emissions that align with the Paris Agreement and to endorse the World Bank’s initiative for [Zero Routine Flaring](#) by 2030, as well as an original signatory of the Oil and Gas Climate Initiative’s “Aiming for Zero Methane Emissions” pledge. Our annual [Climate Report](#) outlines Oxy’s commitment to being part of the solution to climate change. The report presents our core net-zero strategy to develop and commercialize technologies that lower both GHG emissions and atmospheric concentrations of CO<sub>2</sub>. The report also highlights our short-, medium- and long-term [targets](#) for achieving net zero.


In 2020, Oxy announced targets to reach net-zero emissions associated with our operations and energy use (Scope 1 and 2) before 2040, with an ambition to do so before 2035, and an ambition to achieve net-zero emissions associated with our total carbon inventory, including the use of our sold products (Scope 1, 2 and 3) before 2050. Our [pathway](#) to achieve these milestones focuses on emissions reduction and mitigation efforts, with an emphasis on the rapid deployment of Direct Air Capture (DAC) and other carbon capture, utilization and storage (CCUS) technologies at scale to reduce emissions and remove CO<sub>2</sub> from the atmosphere. Our pathway also includes:



**Scope 1:** efficiency and process optimization to reduce or eliminate direct emissions from our operations, such as point source capture of GHG emissions, use of hydrogen, conversion to low GWP refrigerants, and advancing revolutionary carbon dioxide removal (CDR) technologies like DAC which serve to balance the emissions that we and our customers are unable to eliminate;

**Scope 2:** transitioning operations to zero-emission power sources, such as renewables, emissions-free natural gas (NET Power) and geothermal; and

**Scope 3:** continuing to lower the carbon intensity of our existing products, developing innovative products that use CO<sub>2</sub> as a feedstock, and expanding construction of DAC and other carbon capture facilities and sequestration hubs, which will serve to balance the emissions on a net basis from the use of our products that we and our customers are unable to directly reduce or eliminate.



WE ARE AN ACTIVE MEMBER OF THE CARBON CAPTURE COALITION (CCC), COMPRISED OF OVER 80 DIVERSE STAKEHOLDER MEMBERS FROM INDUSTRIES, UNIONS AND NGOS WORKING TO SUPPORT FEDERAL LEGISLATION, REGULATIONS AND POLICIES TO INCENTIVIZE CCUS. THROUGH OUR MEMBERSHIP, WE HELPED DEVELOP CCC'S [FEDERAL POLICY BLUEPRINT](#) FOR CARBON CAPTURE TECHNOLOGIES.

Oxy is also developing products and services to support other industries, emitters and governments in their efforts to reduce and eliminate GHG emissions.

We are a recognized world leader in the capture, transportation and storage of CO<sub>2</sub> with over 50 years of experience. Our Oxy Low Carbon Ventures ([OLCV](#)) business was established in 2018 to build upon our carbon management experience to develop and utilize DAC and other CCUS technologies to achieve net zero.

We believe effective public policies are a key catalyst to enhance the implementation of our net-zero [pathway](#). To advance our vision from a policy perspective, we advocate and engage on climate issues individually and through trade associations, coalitions and other organizations of which we are members. We support policies that incentivize investment in and development of these carbon capture technologies, including carbon sequestration tax credits, such as the federal Section 45Q tax credit; the direct payment of these credits; grants and loans for CCUS and DAC technologies and CO<sub>2</sub> infrastructure; and public investments in research, development, and deployment (RD&D) of these technologies. We also support policies that advance the expanded production and use of hydrogen, low GWP refrigerants and products made from captured CO<sub>2</sub>. Because these policy positions were included in the Infrastructure Investment and Jobs Act (IIJA) of 2021 and the Inflation Reduction Act (IRA) of 2022, we advocated for the passage of these important pieces of legislation.

We recognize the growing consensus of international organizations and scientists regarding the need for significant removal of atmospheric CO<sub>2</sub> over the next 10 years to meet the Paris Agreement's goal of limiting climate change to 1.5 degrees Celsius. Initiatives to eliminate emissions are essential factors in reaching the Paris Agreement goals, but without removal of CO<sub>2</sub> from the atmosphere the consensus of international organizations and scientists agree those goals cannot be achieved by 2050. We do not take a prescriptive view as to which policy approach could most efficiently meet society's



climate goals. Rather, we support a range of policies aimed to achieve the goals of the Paris Agreement and focus our efforts on the design of proposed policies seeking to advance technological solutions that can deliver significant rapid reductions in current CO<sub>2</sub> emissions and atmospheric CO<sub>2</sub> concentrations by leveraging existing infrastructure while continuing to supply consumers with affordable, reliable energy sources and essential products. We believe both DAC and CCUS can, with targeted and certain incentives early in their full-scale development and deployment, enable rapid cost and scale improvements that turn commercial in the medium term supported by an emerging global voluntary and compliance market. While broader societal changes to national electric grids and transportation systems could – with trillions of dollars of investment – significantly help reduce emissions in the long term, CCUS will remain necessary for manufacturing, mining and other industrial facilities and DAC will be essential to reduce and maintain appropriate atmospheric CO<sub>2</sub> levels.

The Infrastructure Investment and Jobs Act (IIJA) was signed into law in November 2021 and contains the largest single investment in carbon management provisions since the United States began funding carbon capture research in 1997.

The IIJA focuses on carbon management funding in four major policy areas:

1. CCUS research, development, and demonstration (RD&D);
2. Carbon transport and storage infrastructure and permitting;
3. Carbon utilization market development; and
4. Carbon removal.

Along with the 45Q tax credit enhancements enacted as part of the Inflation Reduction Act (IRA) in August 2022, the unified program creates the biggest investment into carbon capture commercialization to date. In addition, the IRA will incentivize the market to invest in carbon management projects well into the future. Together, these laws represent a significant, critical and timely step forward in the United States' quest to achieve net zero by 2050 by helping to fund the RD&D and infrastructure necessary to meet mid-century decarbonization goals.

### Paris Agreement

We endorse the goals of the Paris Agreement – including its aim to substantially reduce global GHG emissions in an effort to limit the global temperature increase in this century to 2 degrees Celsius above preindustrial levels, while pursuing the means to limit the increase to 1.5 degrees. More importantly, we have developed our net-zero [pathway](#) and strategy specifically to align with those goals. Putting our [pathway](#) into action, we have started construction on our first commercial-scale DAC plant and have applied for permits for sequestration hubs in multiple locations.

### Net-Zero Emissions

In Chapter 4 of its Sixth Synthesis Report released in September 2021, the United Nations Intergovernmental Panel on Climate Change (IPCC) notes that “to compensate for greenhouse gas emissions from sectors that cannot completely decarbonize or which may take a long time to do so,” the deployment of carbon dioxide removal (CDR) technologies, such as DAC, is necessary to achieve the aggregate emissions reductions called for in the Paris Agreement. Oxy believes that the quickest and most efficient path to net zero will be the development of technologies that reduce or eliminate emissions and facilitate the use of negative emission credits.

### Technology and Innovation Incentives

Just as governments have supported the growth of renewable energy, we believe that public policy incentives and investments are critical for enabling the early deployment and scale-up of DAC and other CCUS technologies and supporting infrastructure. This is true even where broader emissions reduction policies exist. Therefore, we continue to support incentives for DAC and other CCUS technologies that reduce and eliminate CO<sub>2</sub> emissions, create negative emissions and help multiple industry sectors to achieve net zero.

**Carbon Capture, Utilization and Storage (CCUS)**: We strongly support CCUS, which is a proven solution for reducing CO<sub>2</sub> emissions from point sources. We advocate for policies that incentivize its widespread deployment.

**Direct Air Capture (DAC)**: DAC is a vital technology necessary to remove CO<sub>2</sub> directly from the atmosphere and will play a key role in Oxy's net-zero [pathway](#). We strongly support policy incentives to make the technology more economical and to accelerate its widespread deployment.

**Hydrogen**: Hydrogen is a key byproduct and growing zero-carbon fuel source in our chemical operations. We support incentives in the IRA that encourage the production and use of hydrogen from all sources.

## Emissions Reduction Policies

We support proposals that reduce GHG emissions, stimulate investment in DAC and other CCUS technologies and help develop the infrastructure needed for economy-wide CCUS deployment. We also continue to support regulations that improve environmental quality and promote the health and well-being of communities and the environment.

- **Carbon Pricing and Implementation**: Oxy believes that, while a variety of policies can enable emissions reductions to achieve the goals of the Paris Agreement, a market-based mechanism should complement a functional regulatory framework. We are focused on the design of proposed policies seeking to ensure technological solutions, like carbon capture, removal, utilization, and storage, are included and adequate measures to ensure the rapid deployment of these technologies are addressed. We also believe that any approach for establishing a carbon price should be developed in collaboration with interested stakeholders and revenue raised should be invested in technologies to eliminate and reduce emissions.
  - **Carbon Tax**: With proper design, we believe that a carbon tax could complement the technology-based incentives discussed above. However, we believe that revenues raised from any carbon tax should primarily be invested in the development of CCUS and DAC technologies and infrastructure to optimize the rapid development of these technologies, particularly in energy-producing communities to promote an equitable transition. The IPCC and the International Energy Agency (IEA) have recognized the importance of pursuing these technologies to achieve significant GHG emissions reductions, which we believe could, in turn, render the tax no longer necessary. We also believe that any tax should not limit the availability of reliable, affordable energy to those who need it most, particularly to farmers, businesses producing essential goods, and disadvantaged communities.
  - **Carbon Border Adjustment Mechanism**: We believe that international trade and climate policies should reward less carbon intensive products as determined by transparent lifecycle analyses and uniform reporting protocols. We also believe that these policies should be aligned around the common goals of the Paris Agreement and must be carefully developed to prevent carbon leakage to non-participating nations while ensuring that U.S. manufacturers and exporters are not disadvantaged and remain competitive.
  - **Cap and Trade System**: We believe that a trading system for GHG emissions must account for emissions avoided through CCUS and for negative emissions created by technologies like DAC and nature-based solutions.



- **Clean Energy Standard (CES)**: We believe that a CES which incorporates DAC and other CCUS technologies can be an effective policy for reducing CO<sub>2</sub> emissions within the power sector. Oxy's investments in solar power and NET Power, a zero-emissions technology for generating electricity from natural gas, strongly align with a CES.
- **Low Carbon Fuel Standard (LCFS)**: We believe a LCFS regulatory approach for reducing emissions in the transportation sector must include DAC and other CCUS technologies. We believe LCFS programs, like the one established in California, are a very effective way to incentivize DAC and CCUS technologies, which are necessary for these programs to successfully achieve their emissions reduction goals.
- **American Innovation and Manufacturing (AIM) Act**: We support the phasedown of hydrofluorocarbon (HFC) production and consumption as a means to facilitate the conversion to the next generation of low GWP refrigerants.
- **Clean Hydrogen Production Standard (CHPS)**: We support policies that accelerate the production and use of hydrogen from all sources as a key advancement in reducing CO<sub>2</sub> emissions. We believe any CHPS regulatory approach should incorporate transparent lifecycle assessment of carbon emissions using carbon analysis tools that align with ISO Standard 14040 and 14067 methodologies while allowing producers and industrial facilities the flexibility to use a carbon accounting model that best fits their internal processes.

## Energy Transition

Oxy was the only U.S.-based energy producer to join a group of multi-national energy companies who jointly developed and agreed upon six Energy Transition Principles and who support incentives that encourage the transition to a net-zero economy. We believe this transition will occur more quickly by deploying DAC and other CCUS technologies at scale.

The six Energy Transition Principles are:

- **Public Support for the Goals of the Paris Agreement**: publicly support the goals of the Paris Agreement, including international cooperation as a vehicle to ensure these goals can be achieved at the lowest overall cost to the economy.
- **Industry Decarbonization**: in line with each company's individual strategy, ambitions and aims, work to reduce emissions from their own operations and strive to reduce emissions from use of energy, together with customers and society. Companies may measure their contributions using carbon intensity and/or absolute metrics at different points in the value chain as determined by their approach.
- **Energy System Collaboration**: collaborate with interested stakeholders, including energy users, investors and governments, to develop and promote approaches to reduce emissions from use of energy, in support of countries delivering their Nationally Determined Contributions (NDCs) towards achieving the goals of the Paris Agreement.
- **Development of Carbon Sinks**: continue to support and promote development of emissions sinks, such as CCUS technology and natural sinks.
- **Transparency**: provide disclosure related to climate change risks and opportunities consistent with the aims of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).
- **Industry and Trade Associations**: report information about their memberships of main industry and trade associations and their alignment with the companies' key climate advocacy and policy positions.

## Targeted Policies

- **Flaring:** We believe that the routine flaring of natural gas represents a gap in the value chain that must be filled through targeted infrastructure to convey natural gas from field locations to transmission pipelines or gas processing plants or expanded beneficial use of field gas for operational purposes, such as reinjection for gas lift or pressure maintenance, compression into a compressed natural gas fuel, or on-site power generation. We were the first U.S. company to join the World Bank's pledge to achieve [Zero Routine Flaring](#) by 2030. We also support regulations, like those in Colorado and New Mexico, that encourage infrastructure design and development that eliminate or reduce the need for flaring of natural gas.
- **Methane Regulation:** Methane is a greenhouse gas that should be regulated. While we believe that voluntary efforts, including the EPA's Natural Gas STAR program, the Global Methane Initiative and The Environmental Partnership (TEP), help achieve significant reductions in methane emissions by sharing best management practices, regulations create a baseline to consistently control emissions. Our industry can help regulators by sharing data and operating information so that effective regulations are promulgated that ensure producers and their customers, such as utilities, refineries and industrial facilities, use the vast majority of methane for beneficial uses and reduce unnecessary emissions. We supported the efforts by the U.S. Congress in 2021 to restore federal methane regulations under the Congressional Review Act and submitted a comment letter to the U.S. Environmental Protection Agency (EPA) supporting and offering constructive input on its proposed framework for additional methane regulation.

## Collective Climate Advocacy

From time to time, Oxy joins with environmental, business and labor groups, other non-governmental organizations (NGOs) and other companies to advocate for climate policies aimed at achieving the goals of the Paris Agreement. In addition to the Energy Transition Principles that Oxy endorsed with other leading energy companies (see above), Oxy is a member of the Carbon Capture Coalition and the Carbon Utilization Research Council, organizations focused on policies that support the development and deployment of DAC and other CCUS technologies, as well as other organizations that support broader climate policies consistent with our climate positions. National efforts including the United Arab Emirates' Partnership to Accelerate Transition to Clean Energy (PACE) are also important opportunities to implement policies that enable net zero. Where the positions held by the associations, coalitions and other organizations with which we participate differ from our own, we offer our views and engage in constructive conversations to encourage those organizations to incorporate or reflect our views. For further detail on the associations, coalitions and other organizations with which we participate and related positions or public statements on climate change, please refer to our [Climate Advocacy and Engagement](#) on oxy.com.

## Transparency

Transparent approaches to emissions and negative emissions accounting, robust lifecycle analyses, public reporting and external verification are important to maintain public trust, as are the transparency of GHG accounting systems, and the implementation of Article 6 of the Paris Agreement. Since 2018, Oxy has published a report on climate-related risks and opportunities informed by the recommendations of the TCFD and supports TCFD-aligned reporting.



Oxy actively engages with regulators and other stakeholders on opportunities to enhance transparency of climate reporting. For example, Oxy submitted a comment letter to the U.S. Securities and Exchange Commission (SEC) with respect to its recent climate disclosure proposal, supporting the SEC's objective to improve the consistency, comparability and reliability of climate-related disclosures and offering several constructive suggestions to achieve this objective.

### **Governance**

The policies and guidelines above have been established by Oxy's management and are overseen by the Sustainability and Shareholder Engagement Committee of Oxy's Board of Directors. They are intended to help ensure alignment with Oxy's corporate strategy and core values.

### **Cautionary Note Regarding Forward-Looking Statements**

This disclosure contains forward-looking statements based on Oxy's current expectations, beliefs, plans and forecasts. All statements other than statements of historical fact are forward-looking statements. Words, and variations of words, such as "will," "should," "could," "may," "progress," "believe," "commitment," "strategy," "initiative," "plan," "seek," "intend," "expect," "aim," "goal," "ambition," "target," "objective" and similar expressions are intended to identify these forward-looking statements, including, but not limited to, statements about Oxy's Pathway to Net Zero. These statements are not guarantees of future performance as they involve assumptions that may prove to be incorrect and involve risks, assumptions and uncertainties that are subject to change in the future. In addition, historical, current and forward-looking sustainability-related statements may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve and assumptions that are subject to change in the future. Factors that may affect Oxy's business and these forward-looking statements can be found in Oxy's filings with the U.S. Securities and Exchange Commission (SEC), including its most recently filed Annual Report on Form 10-K, which may be accessed at the SEC's website, [www.sec.gov](http://www.sec.gov). Oxy disclaims and does not undertake any obligation to update or revise any forward-looking statement in this disclosure, except as required by applicable law or regulation. Inclusion of information in this disclosure is not an acknowledgment that such information is material to an investor in Oxy. References to third-party positions, goals or frameworks are not an endorsement or adoption of such positions, goals or frameworks unless expressly stated otherwise.

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