



THE TRUE COST OF CHEVRON: AN ALTERNATIVE ANNUAL REPORT, MAY 2010

KEY FINDINGS

www.TrueCostofChevron.com

CORPORATE BASICS

Chevron is the 2nd largest U.S. oil company, 3rd largest U.S. corporation, 4th largest global oil company, 5th largest global corporation, and 46th largest global economy (by revenue). 2009 profits \$10.5 billion, lowest since 2003. Already rebounding, however, as first quarter 2010 profits more than double first quarter of 2009. 2009 revenues fell by over \$100 billion from 2008. Nonetheless, at \$167 billion, they were larger than the GDPs of 137 nations.

Changes at the Top:

David O'Reilly's retirement as CEO of Chevron was greeted with relief by Chevron-affected communities that hoped it indicated a change of course for Chevron. New CEO John Watson's early track record has thwarted these hopes. Moreover, the promotion of George Kirkland and continued employment of William Haynes, may indicate a far more harmful direction.

Although Chevron spent 2009 firing workers and closing down a refinery, it was also making hefty payouts to its top executives, bucking the national trend for energy companies. Incoming CEO John Watson's compensation increased by nearly 60% from 2008 to 2009. Outgoing CEO David O'Reilly wracked up \$65 million in total compensation in his last two years at Chevron, making him one of the highest paid CEOs in the nation.

Lobbying:

In 2009 Chevron spent more money lobbying the federal government than at any time in its history, more than 60% over 2008—Chevron's previous record breaking year. With more than \$21 million spent, Chevron earned a spot on the top ten list of highest spenders on all 2009 federal lobbying. It also backed an increasingly dark horse: the U.S. Chamber of Commerce, while campaign giving became more partisan, with the amount of federal campaign dollars going to Republican candidates increasing from 75% in 2008 to 83% today.

Alternative Energy:

Chevron spent less on green energy in 2009 than in any year since at least 2006: 1.8% of its total capital and exploratory budget. Meanwhile, Barron's named Chevron one of the "oiliest" of the world's oil companies

COAL

Chevron operates the 17th largest U.S. coal company. It owns three coal mines and has plans to develop a fourth. Chevron's Kemmerer, WY mine was listed as one of the most dangerous coal mines in America by the U.S. Congress' Committee on Education and Labor. It is the largest open pit mine in the country.

Chevron's North River Mine, Berry, AL: The mine is in significant non-compliance with its underground injection control permit, and in violation for exceeding total iron concentrations. Concerns include that it is causing mercury contamination in the surface waters and that numerous other contaminants are potentially being released by the mine, including heavy metals, chemicals and/or enzymes.

Chevron's Youngs Creek, Powder River Basin, WY:

Chevron owns 50% interest in Youngs Creek Mining Company LLC, a joint venture to develop the first new coalmine in the Powder River Basin in at least a decade.

A new mine would have drastic impacts on local air, water and land resources. The location, along the Tongue River, is a beautiful area next to the Big Horn Mountains with great cultural significance in Northern Cheyenne communities for generations.

Chevron's McKinley Mine, NM: 60% of the mine sits on Navajo land. In just the last ten years the mine has torn up over 5500 acres of land. After 40 years of constant production, Chevron announced plans to suspend its operations and focus on reclamation. Great concern among Navajo if process will be thorough or will leave contamination to an already decimated area.

ALASKA

Chevron operates ten oil platforms and several onshore and offshore oil- and gas-producing facilities in Cook Inlet where it dumps a toxic mixture of oil, grease, heavy metals, and other pollutants directly into the water. In early 2010, federal agents raided Chevron's Trading Bay facility in a case alleging gross and potentially intentional under-reporting of toxic air emissions.

A few months later, media reports revealed that Chevron was fighting with federal regulators to allow it to continue to use indefinitely a corroded pipe that has lost more than 60 percent of its wall thickness to carry oil from one of its platforms to shore. Chevron is co-owner of the Drift River Oil Terminal, a crude oil storage facility at the foot of an active volcano.

CALIFORNIA

Chevron is the largest company in California, taking in more than twice as much revenue in 2009 than Hewlett-Packard, the second largest California company (by revenue). Chevron is the largest stationary emitter of Greenhouse Gases (GHGs) in the state. Chevron's GHG footprint extends to its gasoline: Chevron boasts that it fuels "about one in every five vehicles on California roads" from its more than 1,500 gasoline service stations. Chevron makes billions of dollars from its California oil. Yet, it has blocked every effort by Californians to get a financial benefit in return by implementing an oil severance tax.

Richmond Refinery

The refinery is now, and has been, in "high priority violation" (HPV) of Clean Air Act compliance standards every year since at least 2006. It is the single largest stationary source of GHGs in the state, emitting nearly five million metric tons of CO₂ in 2008. A 2008 toxics exposure study concluded that the air inside the homes of Richmond residents is more toxic than that outside due to harmful pollutants from the refinery being trapped indoors. Local community won major victory in 2010 when court ruled that Chevron had violated the law in its attempts to retool a heavier more polluting slate of crude at the refinery.

El Segundo Refinery

California's fourth largest GHGs emitter, releasing over 3.6 million tons of CO₂ in 2008. In 2008, the refinery released a total of 862,304 pounds of toxic chemicals into the air, a 37.5% increase from 2007. Chevron illegally reported less toxic chemical releases to the local South Coast Air Quality Management District (SCAQMD) than to the U.S. EPA. Flaring incidents at Chevron El Segundo have been increasing every year since 2007.

MISSISSIPPI

The U.S. EPA reported more than 1.6 million pounds of toxic waste from Chevron's Pascagoula refinery – its largest refinery – in 2008, an increase of 600,000 pounds from 2007. Releases included 46 different toxic substances, including increased amounts of benzene (more than 52,000 pounds), and ammonia (189,000 pounds).

Jackson County, where the refinery is located, is in the top 10% of U.S. counties with the highest amount of toxic chemical releases in both 2007 and 2008. In 2008 more than 35 pounds of toxic chemicals were released per person.

TEXAS

Chevron's Texas operations include on and offshore oil and natural gas production, chemical production, two former oil refineries, a pipeline company, and a natural gas storage facility. Numerous cases are currently winding their way through Texas courts, filed by widows and other family members of former workers at Chevron's former refineries, alleging that Chevron knowingly exposed workers to deadly levels of asbestos and benzene. Based in Texas, Chevron's chemical business, Chevron Phillips, operates ten facilities. Dangerous even when operating in top form, they are

found in constant violation of Texas air quality and hazardous waste laws. In the first two months of 2010, Chevron was found to have committed violations including the unauthorized releases of tens of thousand of pounds of toxic compounds. In 2009 it was assessed nearly half a million dollars in fines for air quality and industrial hazardous waste violations in 17 separate administrative orders. In 2009, Environment Texas filed a lawsuit in federal court charging Chevron Phillips with repeatedly violating the Clean Air Act at its Cedar Bayou plant.

U.S. GULF COAST

On April 20, 2010, BP's Deepwater Horizon drill ship exploded in the U.S. Gulf Coast. The rig was owned and operated by Transocean, the same company with which Chevron has a five-year contract to operate its Discoverer Clear Leader, which graces the cover of Chevron's 2009 annual report, among many other of its offshore rigs. Less than two weeks earlier, on April 6, 2010, 18,000 gallons of crude oil spilled from a Chevron operated pipeline in the Delta National Wildlife Refuge in southeastern Louisiana.

Chevron is the largest leaseholder in the Gulf of Mexico. Chevron also operates an extensive network of on and offshore pipelines through its Chevron Pipe Line Company. Chevron's offshore operations have contributed to coastal erosion. On October 22, 2009, the U.S. Fifth Circuit Court of Appeals upheld the right of residents and owners of lands and property along the Mississippi Gulf coast to sue Chevron, among other oil and chemical companies, for its role in causing Hurricane Katrina.

OFFSHORE DRILLING

Chevron has led lobbying efforts for decades to get the U.S. moratorium on offshore drilling lifted and in 2008 it was successful. Offshore drilling, even when done without incident, causes environmental damage, destroys tourism and fishing communities, threatens marine life, and causes coastal erosion. Drilling in water depths greater than 500 feet releases methane, a green house gas at least 20 times more potent than carbon dioxide in its

contribution to global warming.

Chevron has noted that while the lifting of the moratorium was an important first step, "[t]his policy must be sustained with additional measures to remove remaining moratoria... In particular, the Eastern Gulf of Mexico remains off-limits..." It has also focused on offshore California.

UTAH

Jenna Helf, a former Chevron Field Operator at Chevron's Salt Lake City Refinery, was seriously injured at the refinery in a chemical release involving Hydrogen Sulfide, Mercaptin Sulfurs, Cyanide, and a variety of other toxins. The Utah Labor Commission cited

Chevron, awarded Helf less than \$8,000 in compensation, and ordered Chevron to pay her medical bills. Helf sued Chevron, arguing that her injuries resulted from Chevron's intentional misconduct. The case is now before the Utah Supreme Court.

ANGOLA

Chevron is the largest foreign producer of Angolan oil. Many Cabindans claim Angola illegally annexed the oil-rich territory and they blame Chevron for financing the Angolan government's repressive hold on Cabinda ever since. Oil revenues largely financed Angola's bloody internationalized civil war until 2002. Despite the ongoing war, Chevron steadily increased offshore production. The Angolan government uses military force in Cabinda to quash protest and secure resource-rich territory.

Chevron is indirectly linked to Cabinda's militarization by supplying billions of dollars in oil payments to a repressive and opaque government. Chevron's oil exploration and production activities—including seismic tests, drilling, offshore disposal of drill cuttings and produced water, fracturing and water flooding activities, pipeline leaks, accidental oil spills, and use of chemicals such as dispersants—devastate human and environmental health.

WESTERN AUSTRALIA

Chevron is a partner (16.7% stake) in the Browse Basin LNG Project with Woodside Ltd (48% stake). The Browse Basin offshore natural gas field is located approximately 200 nautical miles off the Kimberley coast. Chevron and its partners plan to build a processing facility for the gas in the region, one of the world's last great natural and Indigenous cultural regions, home to many Aboriginal communities and at least 27 native title (Indigenous ownership) claim groups. More than half of these Traditional Owners (estimated) signed a stern declaration in opposition to the Chevron project.

The area's vast savannah woodlands, wild rivers, spectacular coast and rich marine environments provide

a multitude of habitats that are home to an extraordinary diversity of native wildlife species, including the recently discovered Snubfin dolphin, five species of marine turtle and Humpback whales.

In a separate but equally destructive project in Northwestern Australia, Chevron's giant Gorgon Gas Development and Janz Feed Pipeline broke ground in 2009. Gorgon is sited on Barrow Island Nature Reserve, 70 kilometers off Western Australia's Pilbara coast. The island is a major rookery for Australian flatback turtles and home to 24 terrestrial species that are rare, endangered and/or not found anywhere else.

BURMA

Since the early 1990s, Chevron (formerly Unocal), in a consortium with Total (France) and PTT Exploration and Production (Thailand) has partnered with the state-owned Myanmar Oil and Gas Enterprise (MOGE) on the *Yadana* natural gas project. The *Yadana* project is one of the world's most controversial resource development projects and is widely recognized as a textbook example of corporate complicity in human rights abuses.

In the early years of the project the regime created a highly militarized pipeline corridor in what had previously been a relatively peaceful area. The results were violent suppression of dissent, environmental destruction, forced labor and portering, forced relocations, torture, rape, and summary executions. Today, serious abuses continue to be documented at length, and Chevron continues to deny responsibility for violations committed by the Burma army providing security for the project.

CANADA

Chevron is involved in two separate projects in the tar sands, the Athabasca Oil Sands Project and the Ells River Project. The energy intensive process generates three to five times more global warming pollution than does conventional oil production; requires four tons of earth and as many as five barrels of water per just one barrel of oil, most of which ends up in vast toxic lakes.

Despite rising production costs and plummeting oil prices, Chevron remains committed to increasing tar sands production. On January 26, 2010, Chevron announced its \$21.6 billion capital and exploratory budget and listed the expansion of its Athabasca Oil Sands Project in Canada as one of the company's major upstream projects for the coming year.

CHAD-CAMEROON

Chevron has a 25% stake in the Chad-Cameroon pipeline project: drilling oil wells in southern Chad and the construction and operation of a 650-mile pipeline to transport oil to Cameroon. The project has supported the brutal regime in Chad, fueled violence, impoverished

people in the oil fields and along the pipeline route, exacerbated the pressures on indigenous peoples and created new environmental problems. The money from the oil has paid for arms that have fueled Chad's civil war and the neighboring and associated conflict in Darfur.

COLOMBIA & VENEZUELA

Chevron's two onshore natural gas fields in the La Guajira region of northeast Colombia, and the massive pipeline it helped build to carry that gas to Venezuela, and its former Mina Norte coalmine, are and have been the source of great and ongoing harm to the local peoples of the Wayuu Indigenous nation. The Wayuu, the most populous Indigenous nation of both Colombia and Venezuela, have lived in La Guajira Peninsula of northeastern Colombia and in northwestern Venezuela for centuries.

In 2006, Chevron and Ecopetrol partnered Venezuela's state-owned-oil company, Petróleos de Venezuela (PDVSA), to build a massive 225 kilometer underground pipeline to carry their natural gas through the heart of the Wayuu territory from La Guajira to Maracaibo in the extreme northwest of Venezuela. The Trans Caribe Antonio Ricaurte pipeline came on-line in October 2007 and currently carries some 150 million cubic feet of natural gas a day. The companies promised opportunities and benefits for the communities, but instead created an environmental catastrophe, displacement, and pollution.

ECUADOR

An Ecuadorian court is likely to rule as early as this Fall that Chevron has a more than \$27 billion liability in a lawsuit stemming from Texaco's operations from 1964 to 1990. Analysts at both Barclays Capital and Oppenheimer warned Chevron investors about the Ecuador liability. Texaco's (now Chevron) production resulted in an environmental catastrophe: over 18 billion gallons of toxic waste were dumped in rainforest soil, rivers, and groundwater. 30,000 people are suffering a wave of cancers, birth defects and miscarriages. Beyond shifting blame and claiming it cleaned up the oil

pollution in Ecuador, Chevron has also embarked on an aggressive misinformation campaign aimed at derailing the legal case and confusing the public.

Chevron's far-fetched efforts range from fake news reports, to spy videos the company claims show corruption in Ecuador. In an effort Congresswoman Linda Sanchez (D-CA) called "little more than extortion," Chevron has also lobbied to cancel Ecuador's trade preference with the U.S. in order to pressure the government of Ecuador to intervene in the private case.

INDONESIA

Chevron is Indonesia's largest oil producer. It remained active throughout the infamously brutal and repressive decades of the Suharto dictatorship (1965-1998). The majority of Chevron's oil production has, and continues to, take place in the Riau province on the Sumatra Island. Chevron's Riau production has been plagued by economic injustice, environmental destruction, and the dislocation and disenfranchisement of indigenous populations.

As a result, citizen resistance to Chevron has been a constant of life in Riau, often taking the form of massive protests against the company, with protestors at times numbering in the tens of thousands.

Chevron has employed brutal measures to quiet protests, including utilizing Indonesia's notorious security services, bringing charges of human rights abuse, violence and intimidation. The inhabitants of Riau have been plagued by contamination of their land and water by Chevron's oil, making traditional methods of subsistence impossible and causing dire health effects.

IRAQ

In 2007, Chevron paid \$30 million to settle charges brought by the SEC that it had paid illegal kickbacks to the Hussein regime to win contracts. Since the 2003 invasion of Iraq, Chevron has worked to help design a new model for Iraq's oil system, from a nationalized oil system to a largely privatized model open to U.S. oil company access and control. Chevron has lobbied the U.S. federal government on Iraq every year since at least 2006 (when public lobbying disclosures begin), including specifically on the Iraq Oil Law in both 2007 and 2008.

In 2007 Chevron (with France's Total) signed service contracts for the super giant Majnoon field and the Nahr Bin Omar field. But the contracts were never enforced, as they were dependent upon passage of the Iraq Oil Law. New CEO John Watson has said, "As you may know, we spent a great deal of time working with the Iraqis... Clearly, these are large resources. Clearly, it would be desirable to have a presence there..." U.S. service members cite Chevron's "oil agenda" as dishonoring their service and as a contributing factor to the Iraqi insurgency.

KAZAKHSTAN & TURKMENISTAN

Chevron is Kazakhstan's largest private oil producer as a result of its investments at the Tengiz and Karachaganak fields. At both fields, surrounding populations have suffered greatly from an unprecedented variety of illnesses upon development of the fields, including respiratory illnesses, blood illnesses, cardiovascular illnesses and high levels of stillborn babies, all of which medical specialists have determined to be directly related to the oil industry. In 2009, the villagers received a continuance from Kazakhstan's Supreme Court. The case states the government has failed to ensure the safety of Kazakhstani citizens by forcing them to live in an environmentally toxic area.

Turkmenistan is one of the world's most repressive countries, consistently receiving the lowest ranking of "not free" in Freedom House's assessment of global political rights and civil liberties across 193 countries. The Fund for Peace assigned Turkmenistan 8.9 out of 10 points for "suspension or arbitrary application of the rule of law and widespread violations of human rights". Nonetheless, in November 2009, Chevron announced that it is in negotiations with the government of Turkmenistan for the development of the South Iolotan Gas Field, among the world's five largest deposits

NIGERIA

Nigeria is among Chevron's top five crude oil and natural gas producing countries. Chevron's operations have brought environmental destruction, oil spills, flaring, destruction of local livelihoods, and mass human rights abuses. In 2008 Chevron was taken to U.S. Federal court for its role in collaborating with the Nigerian military in 1998 to quell a peaceful, unarmed protest resulting in the death of two men and injury and torture of others. Though Chevron was found not liable for the military's actions, it did not deny paying the soldiers, transporting them and directing them the day of the attacks.

The plaintiffs are appealing decision. Shamefully, Chevron engages in gas flaring, the burning of associated gas that comes out of the ground when oil is extracted. People live next door to the roaring, ground-level flares—burning 24 hours a day.

Rather than re-inject or harness the associated gas for productive uses, as it does elsewhere, Chevron is among the worst offenders in Nigeria, flaring over 64% of its gas in 2008.

PHILIPPINES

Chevron is part owner of the massive Pandacan oil depot in a residential urban district of Manila. Toxic emissions, catastrophic spills, leakages, and explosions have sickened the community and Pandacan residents suffer from long-term exposure and illnesses associated with the depot operations. There is widespread concern that the depot could be a potential terrorist target. The City of Manila mandated closure of the depot and the Supreme Court has upheld the ordinance. Chevron has yet to close and continues to fight the ordinances through an ongoing legal battle.

In May 2009, despite public opposition, the Manila Mayor and City Council passed Ordinance 8187, which allowed the oil companies to stay and defied the court order to close the depot based on safety and environmental grounds. In response, community groups gathered thousands of signatures under a People's Initiative to repeal the ordinance. While the elections committee dismissed the local initiative on a technicality, groups have petitioned the Supreme Court to compel the committee to act.

THAILAND

Chevron is Thailand's top natural gas and oil producer. Chevron also holds majority interest in the Star Petroleum Refining refinery located at Map Ta Phut in Rayong, a large industrial center. Pollution from the plants is blamed for the high rates of cancers and other harmful health and environmental effects. After over a decade struggle, 27 Rayong villagers went to court. In a series of historic rulings, the Courts declared Map Ta Phut a pollution control zone and halted the bulk of new projects.

Srisuwan Janya, president of the Stop Global Warming Association, launched the lawsuit and has pledged to seek a special court order to halt Chevron's offshore production and exploration projects (among others) due to concern over potential serious health and environmental impacts. To support its extensive offshore production, Chevron operates many mega-projects in the Nakorn Si Thammarat Province in the south of Thailand. These have had devastating environmental, economic, and public health impacts on the local community.

TRANSPARENCY

Chevron pays out billions of dollars in royalties, taxes, and other payments to host governments in its countries of operation. In many countries, these vast undisclosed sums of money have fueled corruption, repression and conflict. Chevron has refused to adopt a policy of disclosing payments in every country of operation. It has also not supported the U.S. Energy Security Through

Transparency Act, a bipartisan bill that would require all SEC-registered companies to disclose payment information on a country-by-country basis.

A global campaign of civil society groups—the Publish What You Pay coalition—has called on Chevron to stop hiding the payments and contracts it makes with host governments.

TRUE COST OF CHEVRON NETWORK

Chevron faces one of the largest and most unique activist networks organizing against any global oil corporation. This network has been building for over a decade, becoming increasingly broad, coordinated, and unified. Over the past year, we have significantly expanded our reach into ever-more communities harmed by – and fighting back against – Chevron. They have come together to mount direct and coordinated challenges to Chevron's human rights, environmental, climatic, public health, workers rights, and other abuses.

Organizations including Amazon Watch, Justice in Nigeria Now, Global Exchange, Communities for a Better Environment, Rainforest Action Network, CorpWatch, EarthRights International, Crude Accountability, West County Toxics Coalition, Mobilization for Climate Justice-West, Filipino-American Coalition for Environmental Solidarity, the Richmond Progressive Alliance, US Labor Against the War, Direct Action to Stop the War, Cook Inletkeeper, Iraq Veterans Against the War, Coalition for a Safe Environment, Asian Pacific Environmental Network, Gulf Coast Sierra Club, Texas Environmental Justice Advocacy Services, Turtle Island Restoration Network, Environmental Rights Action, The Wilderness Society of Western Australia, and many more.

CHEVRON'S OBLIGATIONS

Each section of this report ends with specific demands from the affected communities and their allies.

From these arise several key principal obligations required of Chevron, which fall under the following categories:

- Clean Up Your Mess,
- Clean Up Your Act,
- Reject Alliances with Brutal Governments and Their Militaries,
- Pay Your Fair Share,
- Offer Transparency In All Operations, and
- Be the Best Oil Company That Chevron Can Be