BE IT RESOLVED: Shareholders request that Phillips 66, with board oversight, publish a report, omitting proprietary information and prepared at reasonable cost, assessing the public health risks of expanding petrochemical operations and investments in areas increasingly prone to climate change-induced storms, flooding, and sea level rise.

SUPPORTING STATEMENT: Investors request the company assess, among other related issues at management and Board discretion: The adequacy of measures the company is employing to prevent public health impacts from associated chemical releases.

WHEREAS: Investors are concerned about the financial, health, environmental, and reputational risks associated with operating and building-out new chemical plants and related infrastructure in Gulf Coast locations increasingly prone to catastrophic storms and flooding associated with climate change. Chevron Phillips Chemical Company (CPChem), owned jointly by Phillips 66 and Chevron, is a major petrochemical producer in the Gulf Coast.

Petrochemical facilities like ethane crackers and polyethylene processing plants produce dangerous pollutants including benzene (a known carcinogen), Volatile Organic Compounds, and sulfur dioxide. These operations can become inundated and pose significant chemical release risks during extreme weather events. Flooding from Hurricane Harvey in 2017 resulted in CPChem plant shut downs and the release of unpermitted, unsafe levels of pollutants. Nearby Houston residents reported respiratory and other health problems following CPChem’s releases during Hurricane Harvey.

Growing storms and the costs they bring our company are predicted to increase in frequency and intensity as global warming escalates. Recent reports show that greenhouse gas emissions throughout the petrochemical and plastic supply chain contribute significantly to climate change, exacerbating the threat of physical risks such as storms. Flood-related damage is projected to be highest in Texas, where many of CPChem’s petrochemical plants are concentrated, and Houston alone has seen three 500-year floods in a three-year span. Phillips 66 cited Hurricane Harvey as a major reason for a $123 million decrease in pre-tax income from its chemicals segment in 2017.

Civil society groups have mobilized to oppose the expansion of petrochemical facilities in their communities due to concerns regarding direct health and livelihood impacts from air and water pollutant releases. Such opposition threatens to jeopardize CPChem’s social license to operate in the region. Historically, releases from CPChem’s petrochemical operations have exceeded legal limits, exposing the company to liability.
As climate change intensifies flooding and storm strength, the potential for unplanned chemical releases grows.

In spite of these risks, CPChem has accelerated its petrochemical activity in the Gulf Coast, investing heavily to expand in flood-prone areas of Texas. The company has generally disclosed that physical climate-related risks may impact its business and that it has a risk management system to plan for resiliency. The impacts to CPChem’s operations from Hurricane Harvey, however, indicate the company’s level of preparedness is insufficient. While the Company rapidly expands its petrochemical assets in climate-impacted areas, investors seek improved disclosure to understand whether CPChem is adequately evaluating and mitigating public health risks associated with climate-related impacts and the dangerous chemicals it uses.