Q1 2020 Earnings Call

Company Participants

- Darren W. Woods, Chairman and Chief Executive Officer
- Stephen Littleton, Vice President of Investor Relations and Corporate Secretary

Other Participants

- Doug Leggate, Analyst
- Doug Terreson, Analyst
- Jason Gammel, Analyst
- Jennie Wei, Analyst
- Jon Rigby, Analyst
- Neil Mehta, Analyst
- Phil Gresh, Analyst
- Roger Read, Analyst
- Sam Margolin, Analyst

Presentation

Operator

Good day everyone and welcome to this Exxon Mobil Corporation First Quarter 2020 Earnings Call. Today's call is being recorded.

At this time, I'd like to turn the call over to the Vice President of Investor Relations and Secretary, Mr. Stephen Littleton, please go ahead, sir.

Stephen Littleton {BIO 21547394 <GO>}

Thank you. Good morning, everyone. Welcome to our first quarter earnings call. We appreciate your participation and continued interest in Exxon Mobil. As a quick introduction, my name is Stephen Littleton. I assumed the role of Vice President of Investor Relations on March 15. Joining me on the call today is our Chairman and CEO, Darren Woods.

Before discussing our results, I would like to express our hope that all of you listening and your families are safe and taking the appropriate steps to fight the coronavirus. These are challenging and unprecedented times as the world deals with and adapts to the coronavirus pandemic. Global economies have slowed down significantly as governments work towards containing the disease. During the call today, we will put our results into context and share with you how our business performed in the first quarter.

After I cover the quarterly financial and operating results, Darren will provide his perspectives reflecting on the broader market environment and steps we're taking to both respond to these challenges and ensure we remain well positioned for the recovery. Following Darren's remarks, I'll be happy to address specifics on the quarterly reported results, while Darren will be available to take your questions on broader themes, including the corporations actions related to COVID, progress on major growth projects, strategic priorities and views on market fundamentals.

Our comments this morning will reference the slides available on the Investors section of our website. I would also like to draw your attention to the cautionary statement on Slide 2 and supplemental information at the end of this presentation. As referenced in the cautionary statement, please take note that in light of the COVID-19 pandemic and reduced spending plans we put in place, many of the forward-looking statements from our Investor Day have changed. We will provide a perspective on (technical difficulty) updates during this call and we'll provide a longer-term perspective as we head into next year. I'll now highlight developments since the fourth quarter on the next slide.

In the Upstream, liquids realizations fell significantly through the quarter, approximately 55% as impact from the coronavirus rippled through the global economy, significantly reducing demand. From an operational standpoint, liquids production increased by 2% from the fourth quarter, leading to the highest quarterly liquids production since 2016, including a 15% increase in liquids from the Permian. If you look at total production from the Permian, it has increased by 20%. Kearl achieved record production in the first quarter reflecting the benefit of the investment in additional oil production capacity, which will further reduce unit costs. Offshore Brazil, the Uirapuru exploration well discovered hydrocarbons and results are now being analyzed to inform further exploration activities.

In the Downstream, refining margins fell to similar levels as first quarter 2019 and remained near 10-year lows with the COVID impact significantly reducing demand in March. Refinery utilization was essentially flat with lower maintenance levels than the prior quarter, largely offset by reduced demand.

Margins improved in the Chemical business, benefiting from lower liquids feedstock prices. Our employees have stepped up in a significant way to support the ongoing COVID-19 response efforts. Darren will provide additional details on how we are maximizing production of key products, redirecting charitable contributions and lending our technical expertise to aid health-care workers, first responders and others in the fight against the coronavirus.

Let's move to Slide 4 for an overview of first quarter results. The table on the left provides a view of first quarter results relative to fourth quarter 2019. For context, let me walk you through the impact of the identified items. Starting with the fourth quarter 2019, the results of $5.7 billion included identified items of $3.9 billion, notably the Norway divestment. Excluding these items, fourth quarter results were $1.8 billion. Despite this challenging environment, the underlying business results excluding identified items were $2.3 billion, up $500 million from the fourth quarter. As shown in the middle section of this table, liquids growth and lower operating expenses increased earnings, while the absence of year-end LIFO impacts was a partial offset.

US GAAP first quarter earnings of a negative $600 million include the impacts of two separate non-cash identified items. The first was an adjustment to inventory valuation, given the significant drop in commodity prices in the first quarter, the book value of our inventory was adjusted downward to reflect the lower market values in accordance with US GAAP. This lower cost of market adjustment resulted in a charge of $2.1 billion. It is important to note that we may see further adjustments during the year, potentially an unwinding of the first quarter impact depending on changes and commodity prices going forward. The second item was related to impairments of about $800 million. Market conditions in the first quarter, which included significant reductions in both commodity prices and equity markets required an assessment of carrying values for some assets. This evaluation resulted in non-cash impairment charges of approximately $800 million to recognize reduce market values assigned to goodwill and an upstream equity company, again consistent with US GAAP.

Turning now to Slide 5, we will look at each of our businesses in detail, excluding identified items I just discussed. Starting with the Upstream, Upstream earnings excluding identified items decreased by approximately $1 billion, largely driven by lower prices, which reduced earnings by more than $1.7 billion with liquid realizations down 25% and gas realizations down 10% versus the fourth quarter. This was partly offset by favorable foreign exchange impacts and higher volumes, primarily from strong growth in the Permian and Guyana. Lower expenses and favorable tax items were also help to earnings. On the next slides, I will provide more details on volumes. Liquids volumes grew by approximately 150,000 oil equivalent barrels per day, compared to the first quarter of 2019. Divestments, primarily the Norway non-operative business reduced liquids volumes by 95,000 oil equivalent barrels per day. Growth of 100,000 oil equivalent barrels per day was underpinned by the Permian and Guyana Phase 1 ramp-up at Kearl and Hebron in the Upper Zakum project in Abu Dhabi. Permian production in the quarter was more than 350,000 oil equivalent barrels per day, an increase of 56% versus the prior year or 126,000 oil equivalent barrels per day. Natural gas borrowings were down 88,000 oil equivalent barrels per day versus the prior quarter, driven by Norway and Mobile Bay divestments, as well as lower demand.

Moving to Downstream on the next slide. Earnings excluding identified items increased by more than $400 million relative to the fourth quarter of 2019. The absence of year-end LIFO inventory adjustments and unfavorable foreign exchange impacts reduced earnings by nearly $700 million. Favorable margin impacts increased earnings by more than $900 million. The increase was driven by positive mark to market trading benefits which were partly offset by lower refining margins as demand declined in the quarter, particularly in March. We also saw impact related to lower demand with COVID-19 but this was more than offset by lower expenses that increased earnings by $300 million.

Moving to the next slide, I will discuss Chemical results. Chemical earnings excluding identified items increased by more than $800 million with a significant improvement in margins from lower feed costs across (technical difficulty) chain, reflecting the benefits of integration. Additionally, lower expenses contributed approximately 30% of the earnings improvement.

Let's turn to next page for look at first quarter cash profile. First quarter earnings when adjusted for depreciation expense, non-cash identified items, changes in working capital and other impacts yielded $6.3 billion in cash flow from operating activities. Cash flow from operations and asset sales was $6.4 billion. Shareholder distributions were $3.7 billion, consistent with fourth quarter and leaving $2.7 billion after distributions. First quarter additions to PP&E and net investments and advances were $6.5 billion. As noted in the press release, CapEx was $7.1 billion in the quarter, as the announced reductions are implementing, CapEx will trend down over the course of the remaining year. Gross debt increased approximately $13 billion in the quarter as we took steps to increase liquidity in the current market environment. As a result, we ended the quarter with $11.4 billion of cash.

Turning to Slide 11, I'll cover a few items for consideration with regard to our outlook for the second quarter. Given the challenging market conditions, production will be lower in the second quarter due to economic shut-ins and market related curtailments. At this time, the estimated second quarter impact is 400,000 oil equivalent barrels per day. Also in the Upstream, natural gas production will be lower due to seasonal demand with an expected impact of approximately 100,000 oil equivalent barrels per day. In the Downstream, we are seeing impact from reduced demand with continued pressure on refining margins. For the second quarter, we anticipate sparing of approximately 25% of our refining capacity. Scheduled maintenance is anticipated to be in line with levels from the first quarter. In Chemical, we anticipate continued margin support from lower liquids feedstock pricing while noting that overall realizations remain near bottom of the cycle for many of our products. Sentiment for the second quarter chemical demand is mixed spanning across product segments. Demand for packaging and hygiene is expected to remain strong, while automotive and durables demands will continue to be challenged. Now moving to Downstream, scheduled maintenance is expected to be in line with the previous quarter. Corporate and financing expenses are expected to be about $900 million. Finally, we will continue to progress spending reductions in line with our recent announcements.

With that, I will turn the call over to Darren.

Darren W. Woods {BIO 17692013 <GO>}

Thank you, Steven, and good morning everybody. I hope all of you and your families are safe and healthy. We certainly appreciate you taking time to join us today. I think we can all agree that these are very challenging times. And I know I speak for many when I say that our thoughts are with those who have been personally affected by this pandemic with the health-care workers and first responders who're on the front lines. This morning, I will discuss how we are approaching the current circumstances and how we are working to keep our people and communities safe, managing through the near-term market downturn and preserving long-term shareholder value. As you well know, today we face two acute challenges; a global threat to public health and a significant global economic downturn, resulting in a commodity price collapse, which started with an oversupply situation, was made more extreme by sudden and unprecedented drop in energy demand as economies shut down to stop the spread of the virus. As a capital intensive commodity business, we certainly weathered the ups and downs of many price cycles; however, I have to say, we've never seen anything like what the world is experiencing today.

Our response is primarily focused on three areas; protecting the health and safety of our employees and communities, keeping our operations running to provide the critical energy and products that support modern life and the COVID response efforts, and aggressively reducing spend in today's depressed markets, while preserving value to ensure we are in the best position for the eventual recovery. I know that there are a lot of different views on what the future holds. But I want to be clear on how we see it. The long-term fundamentals that drive our business have not changed, despite the current uncertainty and volatility, the fundamentals that underpin our business remains strong. Why do I say that? We know that in the coming decades populations will grow to more than 9 billion people by 2014, up from just over 7 billion today. Billions of people will enter the middle class and seek lifestyles and products that require energy. Economies will expand once again, of course there are likely to be some bumps in the road over the short term, but historically, periods of economic contraction are followed by periods of significant growth. Finally, as a result of growing populations, increased prosperity and economic expansion, energy consumption will increase. Even with the current downturn, projections show energy consumption growing by 20% through 2040. Most of the growth will be in developing nations and more than half of that energy demand will be met by oil and natural gas. As you all know, we are a company that focuses on the long-term. Our strategy and business is based on long time horizons, which is why we always go back to the fundamentals. At the same time, we have to address short-term challenges such as the unprecedented market conditions we face today, while not losing sight of long-term value. This is exactly what we're doing.

We're taking advantage of the options a deep portfolio and strong balance sheet provides. Re-prioritizing spend to conserve cash, while progressing projects that structurally improve the company. We remain committed to our capital allocation priorities, investing in industry advantage projects that grow cash flow and support a reliable growing dividend and strong balance sheet. Obviously in this environment, it's critical to strike the right balance across these priorities and to remain flexible to market developments, including an eventual recovery and of course do all of this, while keeping our people and communities safe, protecting the environment and delivering the products that society rely on.

Further that point, let me take a few minutes to discuss our response to the pandemic. Early into the pandemic, we activated our Emergency Response Teams and implemented our business continuity plans. People who could, began working from home, while additional cleaning, personal protective equipment and distancing protocols were put in place at our facilities. To date, we've been largely successful limiting exposure and infections at our sites. To support society's broader response, we increased our production of both isopropyl alcohol, a key ingredient in sanitizer, and specialty polypropylene used in medical masks and hospital gowns. On top of that, our people in Baton Rouge reconfigured operations to produce blend, package and distribute medical grade hand sanitizer. We are donating this product to healthcare providers, first responders in Louisiana, New York, New Jersey, New Mexico, Ohio, Pennsylvania and Texas. We're also supporting efforts to design, produce and distribute new reusable medical masks and face shields to help with the shortages. And we're helping our communities around the world with donations to schools, support for food banks and fuel, meals and masks for health-care workers and first responders. I'm extremely proud of our employees for taking care of themselves and their families, supporting response efforts around the world, and doing their jobs, which is what I want to turn to next, starting with the pandemics impact on the market.

This chart provides a perspective of third-party supply demand projections. The dotted lines represent IEA's forecast in the blue shaded area shows the range of demand projections. As you can see, it's a pretty broad range. Our views are pretty consistent with the IEA's. April and May demand down 25% to 30% reflecting significant reductions in the use of gasoline and jet fuel. As we reached the fourth quarter, we expect demand will be below last year due to lost economic activity. Of course, there's a lot of uncertainty on the timing of the recovery, we're planning for a slow one and it takes time to restart businesses and for consumers confidence to grow. Hopefully, it happens faster than we think. For the full-year, estimates range from a loss of 4 million to 12 million barrels per day. We expect it to be on the higher end of the range. As you can see from the red line, while significant, the announced cuts of OPEC plus totaling about 13 million barrels per day are insufficient to offset the loss in demand. We're seeing this in growing global inventories, low market prices, and increasing number of shut-ins. Based on the third-party demand projections and the announced OPEC plus reductions, supply and demand come into balance and then go short sometime in the second half of the year. When you factor in the growing number of industry shut-ins, this could happen faster than projected, again depending on the recovery in demand. When it does happen, we don't expect to see a market response until the inventories are worked down. Bottom line here, it is going to be a very challenging summer with a pretty sloppy market as we move into the back half of the year. We've adjusted our plans to a low price and margin environment through year-end. Our price projections tend to be at the low end of third-party estimates. Once again, I hope for surprise with quick recovery, which we have not ruled out, particularly given our ongoing experience in China. While it's still early days, there are some reasons to be cautiously optimistic as signs of demand and economic activity are beginning to pick up in China with April sales in three of our key businesses back in line with and slightly above the same period last year. It is too early to tell if this initial rebound will be sustained or if it reflects the broader economy or if it is even relevant to other economies around the world, given the range of government responses and policies.

Nonetheless, I find it somewhat encouraging and it supports what I know will be true in the medium to long term. Economies will recover. However, in the short term, we need to compensate for the significant loss in demand and revenue, which is why we announced a 15% reduction in cash OpEx and a 30% reduction in CapEx for 2020. We initiated an effort in the fourth quarter to drive efficiencies and lower cost, which has served as a springboard to this broader and much deeper effort. Spending will be maintained on activities that are critical to the integrity of our operations, the safety of our people and the protection of the environment. We're focusing on capturing additional efficiencies and lower market prices, deferring less critical spend and prioritizing quick payout items. As you can see in the chart these efforts are already yielding results, as the year progresses, we expect to see further reductions to achieve our announced target. While doing this, we remain sensitive to the unknown. In particular, we are working hard to ensure we maintain the capacity to quickly respond to market changes. We want to be well positioned to capture the eventual upswings.

Turning to capital, we took a similar approach, you may recall during our Investor Day that we discussed reductions in our capital spend based on market conditions at the time. I said then that we would continue to monitor the market and make further reductions if required. Shortly thereafter, we intensified work with our venture partners, resource owners and contractors to optimize spend in light of the growing impacts of the pandemic. We set an aggressive objective, reduced spend without compromising the project advantages or returns, any inefficiencies had to be offset with market savings for other efficiencies. I'm very pleased with the work we've done to date. Through extensive collaboration, we've identified opportunities to reduce our CapEx by 30%, down to $23 billion and more than offset deferral costs, preserving the returns and project advantages. As we concluded much of this work during March, very little of it is reflected in our first quarter spend, as we progress through the year, we'll see the reductions ramp up.

With a clear line of sight to the savings, I'm very confident that we will meet our target. We are reducing small capital projects at most of our sites, slowing the pace of some downstream and chemical projects and pushing out the development of Mozambique LNG. The largest share of the reduction will be in our unconventional business, specifically, the Permian Basin, where the short cycle investments are more readily adjusted.

Let me provide a perspective on this. As we discussed in March, we have the flexibility to reduce spend in the Permian, while maintaining scale, preserving capital efficiency and maximizing resource recovery through our cube developments. Neil showed these charts indicating the range of production associated with potential reductions in CapEx. Our revised plans are indicated by the red diamond at the bottom end of the range. Over the course of the year, we expect to ramp rigs down by about 75% in the Permian ending the year at approximately 15 rigs. Our remaining development activity will be focused on Poker Lake in the Delaware Basin, where we are seeing high productivity wells and maintaining a scale advantage. This will include utilization of the recently completed line one at the Cowboy central delivery point.

Since most of 2020s production is locked in with the work already completed, reduction in capital spend will primarily affect 2021, where we expect volumes will be down 100,000 to 150,000 oil equivalent barrels per day from our previous estimates. In 2020, the impact of the reduced CapEx will be much lower at about 15,000 oil equivalent barrels per day. A much larger production impact will be associated with shut-ins with the high production rates of wells in the first two years of operation, it makes economic sense to shut these wells in during very low price environments. For this reason, we expect to shut-in roughly 100,000 oil equivalent barrels per day. Duration of these shut-ins will obviously depend on the evolving price environment.

Let me move next to an update on Guyana. Guyana remains an integral part of our long-term growth plans and as such is a high priority. Our Liza Phase 1 operations have been largely unaffected by the pandemic, production ramp-up is progressing and should reach full capacity in the second quarter. We have also managed the impact on Liza Phase 2 keeping this project on schedule for 2022 start up. Unfortunately, the ongoing election process and uncertainty around the next administration has slowed government approvals of the Payara development plan. In addition, the challenge of rotating crews due to the impact of COVID-19 has temporarily slowed our drilling campaign. As a result, we expect a delay in our future developments of roughly six to 12 months pushing our production objective of more than 750,000 barrels per day into 2026.

Finally, let me say a few words about our financial capacity, which has been built for times like this. As you know, a strong balance sheet is a core competitive advantage and an integral part of our strategy allowing us to maintain our capital allocation priorities across the price cycles. This approach has proven itself during these trying times, allowing us to selectively advance critical investments to structurally improve our business despite very low demand and margins. We issued debt of $8.5 billion in the first quarter, increasing our debt to capital to 24% [ph] and raising cash balances to more than $11 billion. We also increased our revolving credit facilities to $15 billion. With our cash, this gives us a solid backstop in these uncertain and very volatile markets.

In anticipation of a slow economic recovery, we took advantage of a market window in April to issue another $9.5 billion of debt, taking our estimated debt to capital to 26% and increasing cash to about $18 billion. This provides a strong foundation to manage the remaining challenges of 2020. Of course, as always we'll need to keep an eye on developments and respond accordingly.

In closing, I want to reemphasize that the fundamentals that underpin our business remain unchanged. Our capital allocation priorities also remain the same, investing to create value, rewarding shareholders with a reliable growing dividend and maintaining a strong balance sheet. While we work to conserve cash in the near term, we remain focused on enhancing long-term value, leveraging our competitive advantages and the optionality provided by deep portfolio of opportunities. We do all this while working to ensure the safety of our people and communities and doing our part to support society response to pandemic. Our company remains strong. Our people have the skills, experience and fortitude to not only faced the challenges but to find opportunity in them emerging stronger than ever.

With that, I'll turn it back to Steven and we look forward to taking your questions.

Stephen Littleton {BIO 21547394 <GO>}

Thank you for your comments Darren. We will now be more than happy to take any questions you might have.

Questions And Answers

Operator

Thank you, Mr. Littleton and Mr. Woods. The question and answer session will be conducted electronically. (Operator Instructions) We'll go first to Sam Margolin with Wolfe Research.

Q - Sam Margolin {BIO 17168841 <GO>}

Good morning, hope all as well and you are safe. So, you've been steadfast in your view of secular energy demand growth with the cyclical pace and it's something you deploy a lot of human capital to, you're not just talking off agency forecast or anything. So, I wonder how that is moving around here in the early days of this crisis, for example jet fuel, huge component of demand growth out to 2030 but maybe structurally changed, if there is anything in your forecasts on the demand side that are changing on kind of, on a structural or long-term basis that might inform how you deploy capital on the other side of the crisis period of this cycle within the prior range of your five-year plan?

A - Darren W. Woods {BIO 17692013 <GO>}

Thanks, Sam. I hope all is well with you and your family. Yes, we've looked at that, frankly real difficult to plan a longer-term horizon and factor in the impacts what we're seeing today when, what we're seeing today hasn't fully played out yet. And so, I just caveat my comments with the fact that we're in the middle of this thing and so we'll see how it kind of plays out through the rest of the year and if it sticks with the forecasts that are out there and what I showed in my prepared comments. But if you look back in time and you can take 9/11 as an example, you have these dips and then over time, you see a recovery and why you start from a lower point, you see continued growth and a slope that is very consistent with what the world has experienced in the past. I don't think events like this change the basic human nature or people's wants and desires. I don't think it changes people's drive to improve their living (inaudible) or their prosperity, I don't think it changes the economic growth that's required to support growing populations, particularly in some of the developing world. So as you look further out and get past this short-term challenge, I think we're going to be back to the same fundamentals that we've always talked about because people want a better standard of living for themselves and their family. That is a very basic human dynamic and as I've shown before, many times, as people standards of living grows as economies grow the demand for energy grow with it.

Q - Sam Margolin {BIO 17168841 <GO>}

Thanks. And then just as a follow-up to that theme of kind of, and with rate capital spending relative to the prior five-year plan, LNG at Exxon had a number of projects identified that were pre-FID, the structural challenge with that asset class always seems like there were a lot of parties that we're pursuing a utility model which sort of compressed the returns profile of it, it just seemed like a very un-Exxon asset class in that regard. As you think about restoring capital spending to some number closer to your prior five year range, is LNG the category that you think might have a structural slowdown in the outer years out to 2025 or are those projects still very high on your priority list?

A - Darren W. Woods {BIO 17692013 <GO>}

So, I think, Sam, if you go back to the longer-term growth forecast and the demand for fuel, LNG and gas continues to be a fast growing product and demand for LNG continues to grow. So, I think, it's going to continue to pay -- to play a role. I think the -- if you look at the capital projects that were sanctioned and moving forward, many of those have slowed down, some have been canceled, so, I think, as we go through this year, there's going to be some things changing around, which projects get sanctioned and move forward, what the timeframe of those projects are, and then of course the demand will pick back up and we'll see gas continue to grow. So, my suspicion is, we'll see some shifting around in the schedules, but again the fundamentals are going to require additional LNG, and so I would expect to see that continue to be represented to a fairly large extent in our portfolio. What I would say on the utilities type return, it really depends on the specifics of the project. I think you can't look at those as one asset class. As you move around the world, there are different dynamics and challenges and risk associated with different LNG projects and what we look to do is to make sure that the returns of the specific projects meet our criteria. And so that's I think how we look at it and you've got to kind of separate each one individually and look at it. We've got pretty high (multiple speakers) to make sure that we maintain the returns that we need to as a corporation. Thanks, Sam.

Q - Sam Margolin {BIO 17168841 <GO>}

Thank you so much. Be safe. Thanks.

A - Stephen Littleton {BIO 21547394 <GO>}

You too.

Operator

We'll go next to Jon Rigby with UBS.

Q - Jon Rigby {BIO 1760839 <GO>}

Thank you. I'm kind of just as a follow on from that, just two things around that commentary about the slowdown and speed up of activity. Can you give a little bit more color on the process you go through about identifying, which assets you mothball or slow down, how you sort of identify how you preserve value through this lower spending period? And then internally give some indication of how quickly you could mobilize again in terms of people and spending to move back up to the sort of cadence that you were running at pre-COVID, if that's possible? That's my first question.

A - Darren W. Woods {BIO 17692013 <GO>}

Okay. Thanks, John. Yes, the process, and if you recall, when after our Investor Day (inaudible) made their announcements and then the impact of the COVID started picking up, we shortly after that around mid-March, issued a statement that said we were going to revise our capital and OpEx targets for the year, that we're going to significantly revise those. And then basically announced about a month later what the reductions were. The process we went through, I would characterize as a grassroots process in terms of bringing our businesses together, talking about the challenges in what we needed to do as a company and then letting the businesses and our project organization step back and start engaging with the relevant stakeholders to figure out how best to make this change. And the point I made in my prepared remarks was a fundamental principle in looking at this was how do we do this recognizing and stopping some projects in progress will have some inefficiencies and cost associated with it. We need to offset those and find ways to do that in this market, how to provide that. And the fact that everybody was experiencing these challenges, how to get people similar motivations to work together and find efficiencies. And so one key criteria was figuring out where those biggest opportunities where and therefore taking advantage of that to make sure that we did not compromise the returns of the projects, and so part of the criteria was understanding which ones had more flexibility than others. Hence, the large reductions in unconventional, the short cycle investments, we had some -- a lot more opportunity in that space. So, we saw a large reduction there. That was a key driver. The other then was just looking at the payout of those projects, the opportunity, the rewards associated with them and thinking through from an economic profit standpoint, how we want to think about those, what's the cost benefit of slowing some of those projects, and so that was another big factor. And the third then was working with our partners and the resource owners to get alignment on that. So that was -- it was a fairly robust process with a number of people involved, we were fortunate to have our projects organization in place. Last year in April, first time in the company's history, we put all of our project efforts into one organization, and I would tell you that has paid huge, huge dividends during this process. The ability to look across our entire portfolio, leverage the relationship with our contractors, has been a big, big help.

With respect to your, last part of your question around how quickly can you respond? I think you heard in my comments again, we are anticipating a recovery. In fact, I know one will happen and that these projects remain attractive, and we will want to pursue those. And so the big question is, when and when will that recovery happen, when we want to turn these back on? So, one of the challenges we gave the organization is while you are taking steps to make these reductions, keep an eye on the future and make sure we have a clear line of sight of how we will restart and ramp things back up again. And so all the plans we put in place, not only have a ramp down plan, but we're also working how we could quickly ramp that back up. And of course that will vary by project, and by the circumstances within those projects. But I feel again confident that this organization is striking a really good balance between taking short-term action, but preserving long-term value.

Q - Jon Rigby {BIO 1760839 <GO>}

I mean, just as a follow-up, can I just get you to comment on chems, it's obviously as you referenced we're still towards the bottom end of the cycle, but it seems to be the last couple of quarters has been some signs of improvement, is that temporary, the quarter, this 1Q primarily to do with the falling liquids price. So, is there some hope that things are starting to get a little better either internally, operationally or from the macro?

A - Darren W. Woods {BIO 17692013 <GO>}

Well, if you think what we've talked about in the past, what we're seeing in the chemical industry is what I'd call as the classic commodity cycle where we had a lot of capacity brought on in the short term while growth remains good in those products, that excess capacity has overwhelm that growth in the short term and therefore driven margins down to what we're seeing at the back end of last year or really through last year, that has not changed. We continue to see basically a length and oversupply there and the benefits we saw in the first quarter is really around feedstock and feedstock prices dropping off. I'd say the other point within that is just if you look at the mix of chemical products that we make, some of those in response to what we're seeing with COVID and the products required, demand is growing pretty significantly. We happen to be in position to make some specialty products that supply those markets and demand for those types of products. So, we've seen a boost in that and obviously as the COVID impacts start to wind down, we should see some of that revert back to what would be standard demand levels. I can tell you the organization remains very focused on it on a challenging marketplace. Steve, you have got anything to add to that?

A - Stephen Littleton {BIO 21547394 <GO>}

Yes, John. The other thing I'd add is if you notice in the chart that we put out there, we did see a really significant improvement in our OpEx, which was the earnings benefit for us this quarter and in the Chemical business.

Q - Jon Rigby {BIO 1760839 <GO>}

Okay. That's a good point to start. Thank you.

Operator

We'll go next to Neil Mehta with Goldman Sachs.

Q - Neil Mehta {BIO 16213187 <GO>}

Good morning, team. Thank you. Thanks for taking the question. Darren, I guess the first question is around capital allocation and dividend sustainability. We saw one of your peers reduce their dividend in light of the macro environment. Just want to get your views on the right level of distribution, how you think about dividend growth and how you think about that in terms of prioritization around capital allocation?

A - Darren W. Woods {BIO 17692013 <GO>}

Sure, good morning, Neil. I think as I said in my prepared remarks and I have repeated in some of our press release, the priorities in the capital allocation scheme that we've got have not changed with what we're seeing here in the short-term. And again it kind of comes back to a large business that has depleting assets, you've got to continue to invest in industry advantaged accretive projects if you're going to sustain a strong foundation to support the business going forward to successful business to support a growing and reliable dividend and to maintain a strong balance sheet. So, the projects investments are critical foundation to the long-term health of the business. And then obviously if you look at our shareholder base about 70% of them are retail or long-term investors that that look for our dividend and see that as an important source of stability in their income, and so we have a strong commitment to that, and then finally, making sure that we have a balance sheet to manage the volatility that we see in the ups and downs of the price cycles. Obviously, we're in a pretty big dip here, which is outside of the normal price cycle volatility, but I think we're demonstrating that the balance sheet is handling that through this timeframe. So that priority remains the same.

And then I think the question, I talked about this is in the Investor Day, as how you balance across those priorities in the short term. And so today as we to face these very short-term challenging market headwinds, we are making sure that we're maintaining that dividend, and continuing to advance the projects with the expectation that we will see a recovery. Our revenues will rise, more cash will come in, which will allow us to continue to invest in those projects, and so that we're not making a trade off on the medium to long term, but one in the short term based on the needs of a lot of our investment base. And I would just tell you that we will continue to strike that balance as we go forward, if this market evolves and we see changes in -- a recovery that's slower than what we have even anticipated, recognized, and we've been pretty conservative in our outlook. We'll have to step back and look to see if we need to make any further adjustments there. But my view is if you don't have those investments, you're not providing the foundation to support that dividend. A lot of the projects that we've been putting in place, the capital we've been spending here over the last couple of years, those projects are going to come online and start contributing cash. So, I think we're going to begin to see here in the next year or so, a lot of the benefits associated with the investments we have been making and that will contribute to the cash and provide the basis to support the dividend.

Q - Neil Mehta {BIO 16213187 <GO>}

Thank you, Darren. And the follow-up is just around the capital structure and the balance sheet, as you indicated in your slides, you have got a balance sheet and your leverage [ph] ratios are lower than your peers set, but you have been taking on debt at a quite accelerated pace here over the last couple of years. Is there a governor that you look at and say, we have -- we don't want to take on any more debt and just talk about the importance of the strength of the balance sheet to you as you think about weighing those different priorities?

A - Darren W. Woods {BIO 17692013 <GO>}

Sure. I would just maybe start first with the draw that we've had on the balance sheet and I think the context to keep in mind as we've done that is what I would call is a restructuring of the business or bringing in high margin profitable investments into the base to strengthen the structural capacity of the company. And so that's been an important priority for us and the reason why we've increased the investment is to make sure that we're building the capital base and the assets to be successful in the markets that we expect to be in here over the next decade and so, low cost, high-margin, oil barrels, high performance products in Chemicals to meet the growing demand there, and configuration of key integrated refining assets to make sure that we've got the yield profile that's consistent with demands the society have. So, those investments are pretty strategic and pretty foundation and the idea was to structurally improve the business through those investments and so that has a priority. As we did that, we wanted to make sure that we maintain the capacity to manage the swings. And as you see today, we have that capacity. So, we've managed that, met that objective. And then as we look longer term, what's the right level, our view is it has to be sustainable, something that the businesses continue to bear and allow us to have continued attractive and competitive access to the debt markets, and so making sure that we keep that in a range that allows us a good access and people continue to see us as a sound investment and basis for loaning money to is going to be important. So, we try to keep all that balanced, recognizing that they're going to be short-term debt -- dips in that process. We feel right now where we're at pretty good around where we've leveraged up to and the resources that we have available for us, we think we've got what we need to kind of manage through this year.

Q - Neil Mehta {BIO 16213187 <GO>}

All right. Thanks, Darren.

A - Darren W. Woods {BIO 17692013 <GO>}

Sure.

Operator

We'll go next to Roger Read with Wells Fargo.

Q - Roger Read {BIO 6161944 <GO>}

Yeah. Thank you. Good morning.

A - Darren W. Woods {BIO 17692013 <GO>}

Good morning, Roger.

Q - Roger Read {BIO 6161944 <GO>}

Yes, what I would like to ask given the CapEx tests you're doing, the ones the industry is doing, the -- I guess let's call them elective shut-ins, working [ph] as part of OPEC plus or price driven, what do you think the other side of this is in terms of depletion rates? The reason I ask is at the follow up breakfast after the investor event, it was very a clear discussion from Exxon side that the 6% to 8% annual decline is out there. And the comment from those of us on the analyst investor side was we haven't seen it. So, is this something that brings that more to the 4% [ph] and how do you see that within Exxon's portfolio?

A - Darren W. Woods {BIO 17692013 <GO>}

Yeah, thanks for the question Roger. I think that -- I don't think you're going to see that change when you say you haven't seen it, our experience we are physically managing that every year and so we're pretty confident in what the physics are associated with production of the oil and gas resources that we've got. What often maybe obscures the view is a lot of work programs that companies are doing to maintain and offset that decline, which doesn't often -- they're not discrete project so to speak, so it's often hard to model those, but there is a lot of activity. In fact, we do that ourselves to offset that natural decline work and that takes resources, that takes capital investment and spend. So, I think what you're going to find, which I'm not sure if this is where your question was heading, but as you strip out some of that work in those programs to reduce activity to mitigate that decline because the revenues aren't there to support it, I think you'll see that decline rate manifest itself more explicitly across the industry. So my -- my view would be you'll probably get a better visibility into that. It won't be a change per se around what naturally happens through production. It will just be that the offsets aren't necessarily masking that underlying decline rate. And then just stepping back maybe more broadly to your question, I was at the Investor Day and I think as a company we continue to believe that the industry as a whole has been under investing for the demand that is going to be needed in the future. Obviously what's happened here with the coronavirus and the drop in prices is going to pull a lot more capital off the industry as you've seen -- as you've already seen which is going to exaggerate that issue. So, I think on the back end of this thing, we're going to find a market that eventually gets a lot shorter than we were already anticipating.

Q - Roger Read {BIO 6161944 <GO>}

Okay, thanks for that. I think that's the right direction as it has been tough to make (technical difficulty).

A - Darren W. Woods {BIO 17692013 <GO>}

Welcome, Roger.

A - Stephen Littleton {BIO 21547394 <GO>}

Thank you, Roger

Q - Roger Read {BIO 6161944 <GO>}

Thank you. I guess the next question I'd like to go to on the Downstream. Obviously, you mentioned that things had improved or were improving in China, we'll see if that sustained. Within the US and Europe, we've seen the first signs of some of the lock-downs come off and I was just curious if you had any kind of more immediate responses in terms of North American or European demand trends?

A - Darren W. Woods {BIO 17692013 <GO>}

Yes, that's -- it's something we're keeping a really close eye on is where the tail signs in terms of what we see and April was significantly lower demand month than what we saw in March. And so I'd kind of saw that as the depth of the coronavirus impact. If you look at kind of going forward into May, and what we're using in terms of looking trying to get a view of that looking forward is sales of our retail assets around the world, and using that to see how, what kind of demand response with people, primarily around road transportation. And we are seeing improvements really across all three markets, we've seen in May volumes trending up in Europe, we see that happening in the US and we see that also in Asia, although Asia didn't drop nearly as far as Europe or the US. And so, there are some I'd say encouraging early signs in the transportation sector, particularly road transportation. I think on aviation and that's probably going to take a little bit longer, we haven't seen any uptick in that space yet.

Q - Roger Read {BIO 6161944 <GO>}

Thank you.

A - Darren W. Woods {BIO 17692013 <GO>}

You're welcome. Take care.

Operator

We'll go next to Doug Leggate with Bank of America.

Q - Doug Leggate {BIO 1842815 <GO>}

Thank you. Good morning everyone. Good morning, Darren. Hope everybody is doing well over there and obviously we appreciate all the comments you guys have been making about how you've adjusted your business to adapt to this situation we're in right now. I have two questions. They are really follow-ups I guess to what Neil asked, but I want to be a little bit more direct if I may. What are the circumstances, Darren, I think, to be clear, you've obviously underlined the issue of the dividend, but what are of the circumstances where you would ever envisage that Exxon Mobil would cuts it dividend?

A - Darren W. Woods {BIO 17692013 <GO>}

Good morning Doug and everyone's fine here. Thank you for asking. I hope the same is true with you. Looking out -- I know you're looking for a very explicit answer and all I would tell you is, we think it's -- the dividend is an important part of the value proposition that we provide to our shareholders, particularly given the base of our shareholders. It would depend on the circumstances that we see in the market and how prolonged we think those circumstances are going to exist. So, I mean, I would just tell you, we're going to have to wait and see how the market plays itself out. If we find ourselves with some the sustained structural deficit that says the business is going to have trouble over a much longer time period, we have to step back and rethink that, but frankly we're not seeing that today. If you look at some of the early signs, I think we see some encouragement going into May, and so I think we're going to have to kind of play that by year. The beauty of the dividend is it's flexible. We -- the Board considers that every quarter and we're obviously looking at the macro environment, looking at some of the -- kind of tell tales are out there. We've got our organization working very hard around what are some leading metrics that we can keep an eye on to see which direction things are going and so we're going to continue to look at that and make decisions as we go forward to ensure that for the long term, this business is strong and has a good foundation to provide continuing dividends out into the future and products that the world are going to need.

Q - Doug Leggate {BIO 1842815 <GO>}

I understand, it's a tough one to answer explicitly. I guess the - the perception out there is (inaudible) Shell has given you cover, given the industry cover for a wholesale reset, I just want to see if you could offer some perspective, but I appreciate you answering to the extent you have (multiple speakers)?

A - Darren W. Woods {BIO 17692013 <GO>}

Hey Doug, let me just say on that, we're not -- I don't really looked to what Shell is doing to decide our dividend policy frankly. It's a function of our investment base and the commitment that we've made to them.

Q - Doug Leggate {BIO 1842815 <GO>}

And the opportunity is there for sure. My follow-up is kind of related, the credit agencies obviously took you down in March. You've obviously added debt and presumably you had shared with them what you we're doing? Where -- is there a limit that you would be comfortable allowing the balance sheet to go and again is tender dividend related as well, I guess, your capital is flexible if the dividend the sacrosanct. Where does the balance sheet get to a level where you're not comfortable? And I'll leave it there. Thanks.

A - Darren W. Woods {BIO 17692013 <GO>}

Well, again, I know you'd like real specific numbers, but I would just tell you, one of the principles that we had in managing the balance sheet is to make sure that we maintain capacity because as we've just seen here this quarter, the market has got a lot of volatility in it. And therefore, we need to have a foundation or a base that allows us to accommodate that volatility and we need to have access -- competitive access to the market. So, we're going to make sure that we stay in a range that allows us to competitively -- continue to competitively access to debt markets when we need them and make sure that we've got a buffer that allows us to run and continue to manage the ups and downs that are not going to go away in this commodity-based business. So, again, it's not -- it's an ongoing conversation something that the Board and I spend time talking about and looking at and we're going to kind of continue to adjust it as we go forward. The priorities that I've laid out around the investment, the dividends and the balance sheet, I used the term earlier this morning, I used it in our Investor Day, balance, we've got to kind of balance sheet based on what we see happening in the marketplace. We today, we've taken a position that we believe balance it in what we're seeing as the quarter moves on. If things don't play out the way we think or we see something that is structurally very different than what we anticipate, we will look at rebalancing that. It's just difficult to tell right now frankly.

Q - Doug Leggate {BIO 1842815 <GO>}

Thanks, Darren, and good luck.

A - Darren W. Woods {BIO 17692013 <GO>}

Thank you, Doug. Take care.

Operator

We'll go next to Doug Terreson with Evercore ISI.

Q - Doug Terreson {BIO 1504903 <GO>}

Good morning, everybody.

A - Darren W. Woods {BIO 17692013 <GO>}

Good morning, Doug.

A - Stephen Littleton {BIO 21547394 <GO>}

Good morning, Doug.

Q - Doug Terreson {BIO 1504903 <GO>}

Darren, you reiterated your business plan which you've guys have had for a while the global prosperity would drive investment in that you guys would end up at excelling versus your peers to advantage investments. And on this point, you kind of also indicated that your priorities for capital management aren't going to change, but the base probably would. So my question is that, do you think that we know already that there're going to be broad changes to Exxon Mobil and the industries capital management program over the medium term. And so what might be different meaning, you just use the word balance to describe the approach, do you think we need better balance or maybe more balance and also how does consolidation play into all of this, that is, if you think it does given the distress that we're seeing in the energy markets today?

A - Darren W. Woods {BIO 17692013 <GO>}

Yes. Thanks, Doug. Hope all is well with you. On the balance thing, I think that balance is going to be a very -- I'll call it sector, maybe company specific point in terms of where everyone stands with respect to their balance sheet, with their capacity, their scale, their integration. So, I think the balance will be different. And in my view, some segments of our industry today needed better balance and I think that will manifest itself. I think there -- you have got to be able to survive through these downturns and --

Q - Doug Terreson {BIO 1504903 <GO>}

Yes.

A - Darren W. Woods {BIO 17692013 <GO>}

I think position your company to do that. So, I do think there is a balance that is needed there. I also think that the demand will be there because of the fundamental role it plays in economic growth in people's lives. And so as much as short-term kind of swings the industry around, ultimately the demand for the products will come back and the industry is going to have to respond to that demand. And if in the short term, lot more conservatism comes in, a lot less capital flows into the marketplace, will open up that supply demand balance going forward, and that will then incentivize things coming back in and frankly may lead to less balance in terms of what you're talking about. So, I think it's really a function of the capacity and capability of companies to kind of weather through this short-term period, and I think some companies are better positioned to do that than others, which just probably leads you to your second point about consolidation and I think again that -- that opportunity exists particularly in periods like that if you look back in time when prices get low and companies get stressed, you see that tend to happen now in our industry, but in other industries. So, that's certainly a theme which I think will resonate within the industry. Exactly how that plays itself out though, I think, we just have to wait and see.

Q - Doug Terreson {BIO 1504903 <GO>}

Darren, let me ask you something else about that. I mean it always -- there always seems to be the ability to have financial transactions work, but when you guys bought Mobil, there was obviously lots of strategic compared to that combination and other combinations during that period as well. So do you think that we're in an environment where there is no strategic merit especially -- in combinations especially for the company your size or do you think it's -- do you think it's different this time around?

A - Darren W. Woods {BIO 17692013 <GO>}

I've come back to a lot of the value levers that we saw with the Exxon Mobil merger, I mean those value levers, I don't think have really changed over time and so it's really a question of what opportunities are out there, where you can see some of those, probably a subset of the value levers that we saw with that. Of course as we look at opportunities, I've been asked this a lot of times in these calls about acquisitions and what I have always said is we have to look and find some unique value levers to justify the deal, and if you can't do that then there is no space for the deal and that has really been I think the underlying criteria that we've had as we've looked at acquisitions as we continue to look at acquisitions and opportunities is can we find a way of creating and extracting unique value out of some acquisition or opportunity and that's not going to change. We're continuing to look for those things. And if we find (multiple speakers) --

Q - Doug Terreson {BIO 1504903 <GO>}

(inaudible). Thanks a lot.

A - Darren W. Woods {BIO 17692013 <GO>}

You bet. Thank you, Doug.

A - Stephen Littleton {BIO 21547394 <GO>}

Thank you, Doug.

Q - Doug Terreson {BIO 1504903 <GO>}

Yes, thanks.

Operator

We'll go next to Jennie Wei [ph] with Barclays.

Q - Jennie Wei {BIO 18457232 <GO>}

Hi, good morning, everyone. My first question --

A - Darren W. Woods {BIO 17692013 <GO>}

Good morning, Jennie.

Q - Jennie Wei {BIO 18457232 <GO>}

Good morning, thanks for taking my question. My first question maybe skipping gears well [ph] criteria is on the Permian and you've invested meaningful capital in the Permian, including on infrastructure spending and your partners have indicated that the Wink to Webster Pipeline has not been delayed. So, is it fair to think that when Exxon eventually does resume some kind of higher level of overall corporate CapEx that the Permian would be the first call on growth capital from a returns perspective and given the reduced CapEx in the Permian this year, is there any infrastructure build out that you need to address before you get back to your prior growth trajectory. I know you mentioned that the line one of the (inaudible) is complete.

A - Darren W. Woods {BIO 17692013 <GO>}

Yes, thanks, Jennie. So, and Neil talked about this in our Investor Day, as we looked at the range of flexibility that we had and that was one of the points I think Neil tried to make was we even with then, in early March, as we looked at our investments in the unconventional space, that we did have opportunities to ramp down spend and investment there and still fully utilize the infrastructure that we're putting in place and making sure that we got a return on those investments. And frankly it was pretty critical to do that and maintain scale and the scale advantage in the cost. If you think more broadly about what we're trying to do in the Permian, it's really with this long supply market in mind that we've got to find a way to get the cost -- the unit cost of production in the Permian down and the way we're approaching that is through scale and technology. We think that's absolutely critical and so our view is to make that investment in the Permian very competitive in an oversupplied market, which I would tell you we're well on the way towards and so the cuts we've seen to date allow us to continue to preserve the capital efficiency, it allows us to do continue with the development -- the cube developments to make sure we're maximizing the recovery and it utilizes our above surface facilities. So, I think that's where we're at today. We are looking now and you saw in the presentation that Stephen gave with the second quarter outlook, we are taking economic shut-ins in the Permian, and that's not - that's really a function of, if you think about a lot of these wells that are early in their lives or just started up you get very high production rates and from an economic maximizing the NPV of those wells, you're better off deferring that high production rate into a period with better pricing, and so a lot of the shut-ins that we're doing in the Upstream are associated with kind of a value play around making sure that we're bringing those high production rates into a market that is more conducive to high production rates. And, of course, looking forward depending on how the market evolves, we've got the flexibility to bring a lot of those wells back on quickly and ramp up what we're doing in the unconventional space. So, it is, -- you all have talked about that, we've talked about it that short cycle investment gives us a lot of flexibility and we're certainly leveraging it. There's a lot of value there too. I would tell you, we continue to feel very good about the ability for that resource when we get it online to compete in a low price environment. The challenge we've got today is the investment we're -- we're making to get in that position and that's kind of what is inhibiting us, but once we get into it, we feel really good about operating competitively in oversupplied market.

Q - Jennie Wei {BIO 18457232 <GO>}

Okay, thank you for the very comprehensive answer. My follow-up question is maybe following up on some of the other questions but in a different way. Darren, you already have some pre-FID capital invested in attractive projects. And if we end up being in a prolonged oil price environment, at what point is it too detrimental to the long-term business to stay at the current CapEx level, since at some point you need to continue to invest in the business to grow the cash flow, to sustain the dividend, and you mentioned earlier on the call that there is an economic cost for slowing down some of these projects, but you still think that there are long-term fundamentals that are intact?

A - Darren W. Woods {BIO 17692013 <GO>}

Yes, I think, Jennie, we'll have to watch and see how the world evolves and I keep coming back to, and I know you guys probably feel like it's a repetitive statement, but the basic drivers of energy demand have not changed with what we're seeing today. The demand drivers, the fact that energy plays such a critical role in people's everyday lives and in the growth of economies mean that that energy will be needed. So it's really a question of timing and the recovery. And again, I think we're -- April is probably the depth of the impacts in our industry. I hope that's true, it is certainly, it's looking that way from the early signs, but we're going to have to let this kind of quarter play out. I think the second quarter will be a challenging quarter, but we'll have a better view around how the rest of the year is shaping up and we will continue to adjust that we've got additional flexibility to use if we want to and if we could start to conclude that based on some structural change, which frankly it's hard to see right now, but if we see that, we will adjust the plans again.

Q - Jennie Wei {BIO 18457232 <GO>}

Great. Thank you for the answer. You're welcome.

Operator

We'll go next to Jason Gammel with Jefferies.

Q - Jason Gammel {BIO 21747565 <GO>}

Well, thanks very much, gentlemen. I just wanted to see if I could get you to elaborate a little bit further on the sources of the production curtailments that you're going to be undertaking over the course of the quarter and are they primarily based upon the economics of the individual plays or some of this at the interaction of host governments?

A - Darren W. Woods {BIO 17692013 <GO>}

Yes, no. Obviously, 400 Koebd that we put in Stephen's second quarter look ahead and I would tell you the way to think about that is about two-third of that roughly would be in the economic category, about half of that in Kearl and then the other half in this economic steps that were taking in the Permian, which is really around preserving value. Kearl with the low price environment, I think is more challenge from a competitive cost of supply basis. Permian, we get higher value by deferring some of those. And so, by a third -- at Kearl about a third in the unconventional space and then about a third associated with restrictions put on us by the governments around the world.

Q - Jason Gammel {BIO 21747565 <GO>}

That's very useful. You actually somewhat preempted my follow-up question, which was going to note that the operational performance at Kearl has actually been quite strong. So, you're talking about the potential economic challenge there, but could you maybe elaborate a little bit more about any logistical issues that could constrain Kearl from coming back in the near term?

A - Darren W. Woods {BIO 17692013 <GO>}

Sure. I know there's been a lot written about that. I will have to tell you, this has been again another really great benefit of the reorganizations that we've done along the value chain with our upstream. We made the change in our downstream beginning of 2018. We made the change in the upstream in April 2019. And so if you look today, as we headed into this, our ability to see end to end from the wellhead all the way down to the customers, I think was the best in industry frankly. Certainly nobody had anything better in terms that ability to see along. And so we were very early into that process, making sure that we had a clear line of sight of how we would move the physicals, and that we did not find logistics constraints. Of course, you know we've been investing in logistics, both out of Canada and Kearl with the takeaway capacity there on the rail and then pipe and we've invested in the Permian and takeaway capacity there. And so we've got I think a good line of sight of where the bottlenecks are going to happen and a really secure position with respect to logistics to move the barrels, and we've applied our team as basically been keeping an eye on that around the world, not just out of those two resource plays, but everywhere that we lift barrels, making sure that we've got a clear line of sight of how we keep them flowing to the extent that the economics warrant that. So, we have not seen the logistics constraints that others have talked about, just because the fact that the organization was able to kind of see some of those coming and take the appropriate steps to make sure we didn't get caught with any of them.

Q - Jason Gammel {BIO 21747565 <GO>}

Great. I really appreciate the insights, Darren.

A - Darren W. Woods {BIO 17692013 <GO>}

Welcome. Thank you. Operator, we would probably have time for one more call.

Operator

Okay. We'll go next to Phil Gresh with JP Morgan.

Q - Phil Gresh {BIO 15118761 <GO>}

Hey, good morning, Darren.

A - Darren W. Woods {BIO 17692013 <GO>}

Good morning, Phil.

Q - Phil Gresh {BIO 15118761 <GO>}

Thanks for taking the question. So one of the -- one of the, I guess, bridges of the multi-year guidance was your asset sale plan and I'm just wondering, obviously this is a tougher environment for asset sales. So, I guess, is it fair to assume that that whatever -- in the next one to two years might get pushed back a bit? And then in terms of the impact kind of shorter term on the balance sheet from that is that you need to -- with the lower prices you need to lean more into balance sheet in the interim. So, just curious how you think about toggling between those two items and I guess it does all kind of come back to the dividend question being asked you know that if the assets or bridges aren't there, do you look to the flexibility of the dividend as that is something that can help? Thanks.

A - Darren W. Woods {BIO 17692013 <GO>}

Yes, sure, Phil. Good morning to you. I would tell you, absolutely -- the activity that we have, the focus that we have around restructuring the portfolio and high grading that portfolio hasn't really changed. So the drivers and the motivation remain there. The work list that we have with respect to getting assets in the marketplace and the divestments are still in place. It's a really a question, and what we said all along is our ability to execute that divestment program will be a function of finding buyers, who put a value on those assets, a value that's higher than what we see with them and so that we find a deal space and transact. And I think your point, which is a valid one and absolutely correct I think is it is going to be harder to do that in an environment like this, where people are scrapped off cash. So, I would expect to see that divestment program slow just because of the market dynamics and the buyer, seller -- the availability of buyers and we're not counting on that with respect to how we think about the business and how we're going to fund the ongoing business. We have not assumed that we're going to benefit from asset sales. All of our plans are based on essentially managing with the portfolio that we have.

Q - Phil Gresh {BIO 15118761 <GO>}

Okay, great. The second one, I guess this one is just around the quarter for Stephen. In your 8-K you gave obviously the guidance items around these inventory impacts and you also gave guidance around the derivative impacts on the downstream side of the business. I think there is a little confusion on downstream specifically with those derivative impacts, but could you just clarify the magnitude of benefits that was baked in to, I think the margin bar on the bridge?

A - Stephen Littleton {BIO 21547394 <GO>}

Yes, Phil, if you look at the margin factor included in that was the benefit of financial derivatives of about $1.3 billion or so plus or minus, and then obviously that was offset by weaker refining margins have brought it back down to about a $900 plus million benefit to the downstream business.

Q - Phil Gresh {BIO 15118761 <GO>}

Okay. Great, thank you.

A - Stephen Littleton {BIO 21547394 <GO>}

Okay. Thank you, Phil. Operator?

Operator

At this time, I'll turn the call back to the speakers for closing remarks.

A - Stephen Littleton {BIO 21547394 <GO>}

Okay. Thank you for your time and thoughtful questions this morning. We appreciate you allowing us the opportunity to highlight first quarter results and the steps we're taking to not only manage through these challenging times, but to position ourselves for long-term growth and the eventual recovery. We appreciate your interest and hope you enjoy the rest of your day. Thank you. And please be safe.

Operator

This does conclude today's conference. We thank you for your participation.