ConocoPhillips

ConocoPhillips' Annual Report For the Department for Transport

September 2011

About the Report

This document is ConocoPhillips' 2010-2011 Annual Report prepared for the Renewable Fuels Agency for the third obligated year of the Road Transport Fuel Order. The report covers the time period from April 15 2010 (the commencement of the annual Road Transport Fuel Order), through to April 14 2011.

In this report we have provided Company wide policies and aggregated data from our Monthly Reports over the obligated period.

In developing this report, we have drawn upon information published on ConocoPhillips' website, which can be found online at
http://www.conocophillips.com/EN/susdev/Pages/index.aspx
titled "Sustainable Development".

Reporting our Sustainability Performance

The compilation and reporting of this data has been prepared in accordance with sections of the RTFO Technical Guidance.

Ernst & Young LLP provide external assurance over ConocoPhillips' Carbon and Sustainability Reporting under the Renewable Transport Fuels Obligation (RTFO).

Ernst & Young LLP Assurance Report can be found on page 18 of this document.

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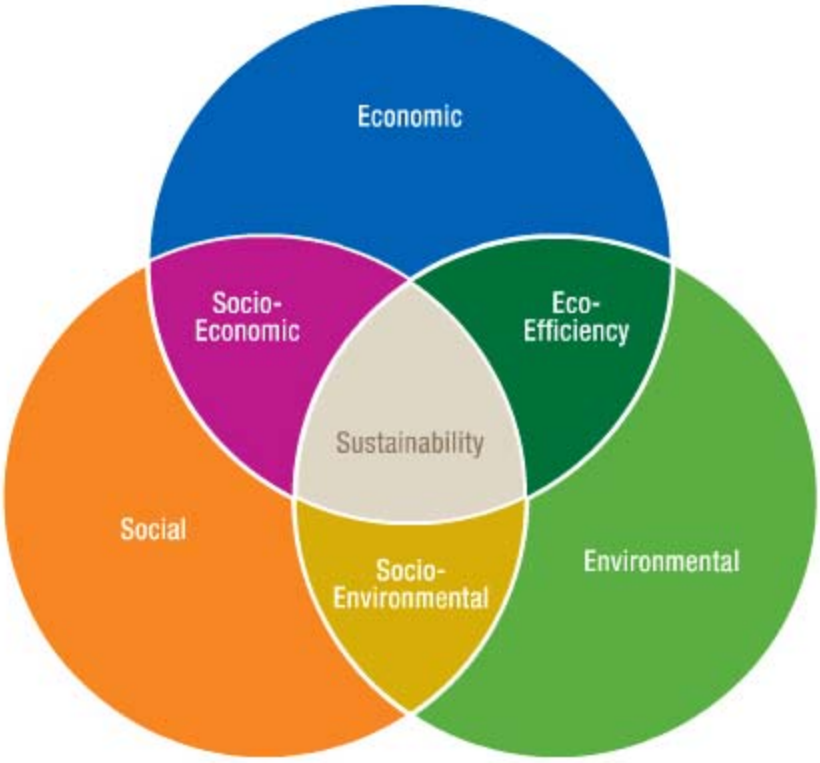
Philosophy

ConocoPhillips' approach to sustainable development stems from our fundamental intent to prosper as a business and to meet the energy needs of present and future generations. In doing so, we also will create value and improve living standards for our stakeholders.

Our approach to delivering on this objective is based on meeting nine specific commitments that lead to measurable actions across each of the three areas of sustainable development: environmental protection, economic growth and social improvement.



Our nine commitments are:

- Increase the availability of ever-cleaner energy
- Be transparent and accountable by measuring and reporting both our financial and nonfinancial performance
- Operate to the highest safety standards
- Positively impact communities wherever we operate
- Minimise the environmental impact of our operations
- Invest in the well-being and development of our employees
- Constantly improve the energy and material efficiency of our operations
- Practice and uphold the highest ethical standards
- Ensure the long-term financial viability of the company

Only by understanding and responding to the opportunities and risks associated with the changing needs and expectations of our stakeholders can we enhance current and long-term profitability.

UK Road Transport Fuel Obligation Performance 2010-2011

Feedstock	General		Environmental	Social	Carbon	
	% Fuel supplied by feedstock type (by volume)	% Data reported on biofuel characteristics	% Meeting Qualifying and/or RTFO standard	% Meeting Qualifying and/or RTFO standard	Average carbon intensity g CO2e / MJ	Average % GHG saving
Biodiesel UCO						
Used cooking oil	93.2	100	100	100	14	83.3
Unknown	6.8	0	0	0	93	-11
Biodiesel ME						
Oilseed rape	25.4	65.8	13	0	52	37.9
Soya beans	65.1	50	0	0	58	30.8
Tallow	2.3	100	100	100	17	79.7
Unknown	7.3	0	0	0	93	-11
Bioethanol						
Wheat (Fuel not specified)	58.5	89.4	58.7	0	30.4	63.7
Corn (Community produced)	22.1	75	0	0	30.3	63.8
Sugar beet	12.1	75	0	0	40	52.3
Molasses	7.1	100	100	100	61	27.2
Unknown	0.2	0	0	0	115	-37.2
Weighted average (all fuels)		**72.5**	**33.4**	**15.7**	**41.9**	**50**
Target (2010/2011)		90%	80%			50%

Table 1.1 Summary of feedstock mix; percentage of verifiable data reported; percentage of feedstock which meets the Qualifying Standards and/or RTFO full Biofuel Sustainability Meta-Standard; average carbon intensity and corresponding GHG savings.

Individual Target Performance

Table 1.2 Environmental Standard Reporting

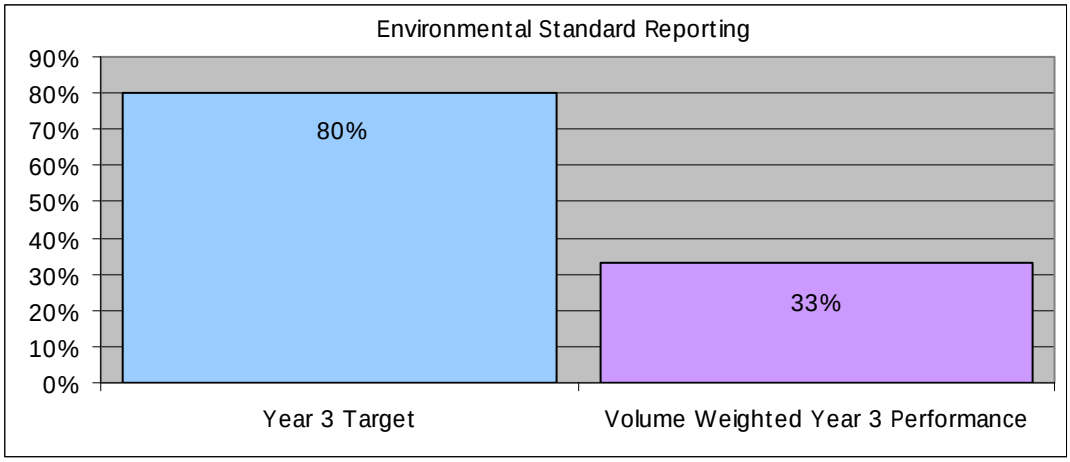


Table 1.3 Annual Greenhouse Saving on Fuel Supplied

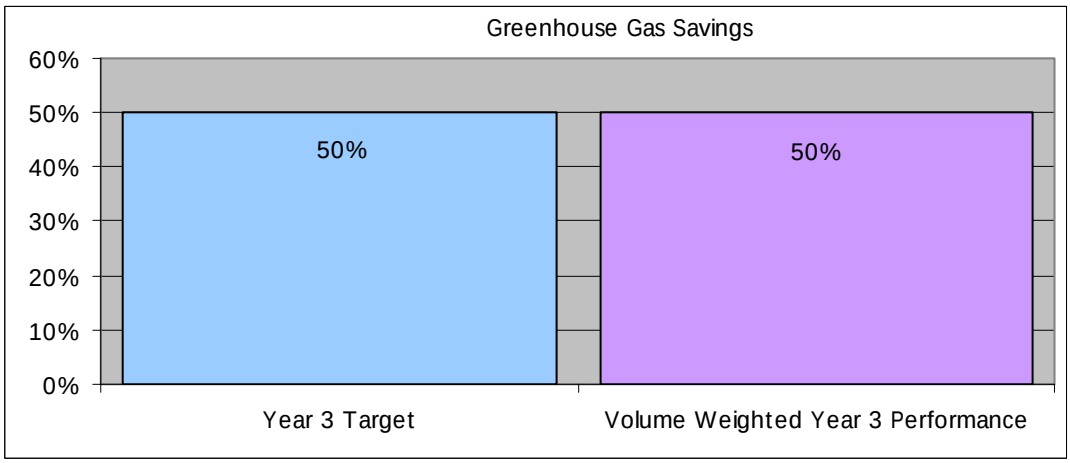
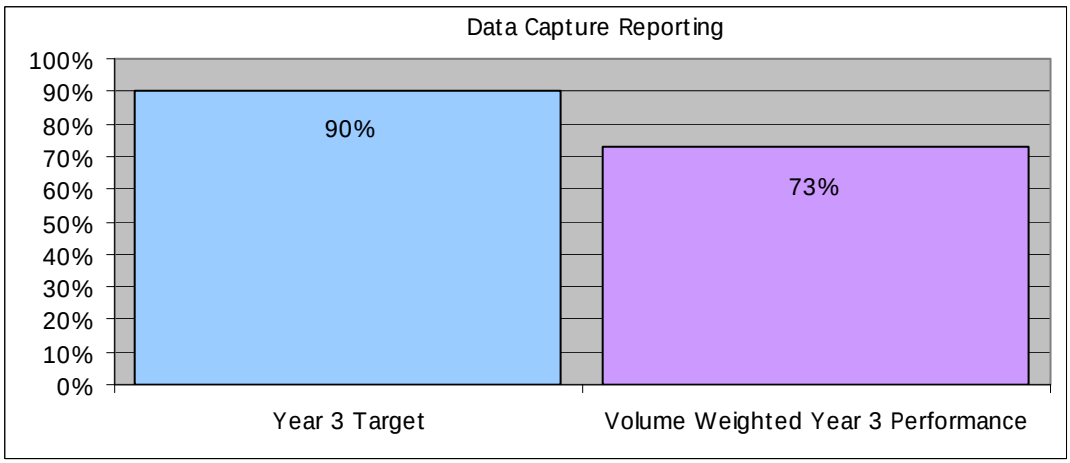


Table 1.4 Data Reporting



Carbon & Sustainability Characteristics by Feedstock

General information		Sustainability information				Average carbon information	
% of total feedstock type	Feedstock origin	Standard	Env Level	Social Level	Land use on 01 Jan 2008	Carbon intensity incl LUC (g CO2e / MJ)	GHG saving (%)
Used cooking oil							
14.1	United Kingdom	By-product	QS	QS	By-product	14	83.3
42.4	Germany	By-product	QS	QS	By-product	14	83.3
10.7	Netherlands	By-product	QS	QS	By-product	14	83.3
10.4	Spain	By-product	QS	QS	By-product	14	83.3
12.5	Belgium	By-product	QS	QS	By-product	14	83.3
1.9	Austria	By-product	QS	QS	By-product	14	83.3
7.9	France	By-product	QS	QS	By-product	14	83.3
Oilseed rape							
13	United Kingdom	Assured Combinable Crops Scheme (ACCS)	QS		Unknown	52	37.9
26	Germany	Unknown			Unknown	52	37.9
1.4	France	Unknown			Cropland - non protected	52	37.9
9.8	France	Unknown			Cropland - protection status unknown	52	37.9
39	Germany	Unknown			Cropland - protection status unknown	52	37.9
10.8	France	Unknown			Unknown	52	37.9
Wheat (Fuel not specified)							
2.7	United Kingdom	Genesis Crops Module	QS		Unknown	16	80.9
5.3	United Kingdom	Scottish Quality Cereals			Unknown	17	79.7
42.6	United Kingdom	Assured Combinable Crops Scheme (ACCS)	QS		Cropland - protection status unknown	30.2	64
13.3	United Kingdom	Genesis Crops Module	QS		Cropland - protection status unknown	18.8	77.6

26.8	United Kingdom	Unknown			Cropland - protection status unknown	36.7	56.2
5.1	United Kingdom	Scottish Quality Cereals			Cropland - protection status unknown	37	55.8
2.7	France	Unknown			Cropland - protection status unknown	55	34.4
1.5	United Kingdom	Unknown			Unknown	36	57
Soya beans							
99	Argentina	Unknown			Unknown	58	30.8
1	Brazil	Unknown			Unknown	58	30.8
Tallow							
7.1	Netherlands	By-product	QS	QS	By-product	17	79.7
92.9	United Kingdom	By-product	QS	QS	By-product	17	79.7
Corn (Community produced)							
100	France	Unknown			Cropland - protection status unknown	30.3	63.8
Unknown							
100	Unknown	Unknown			Unknown	93.5	-11.6
Sugar beet							
97.9	France	Unknown			Cropland - protection status unknown	40	52.3
2.1	United Kingdom	Unknown			Cropland - protection status unknown	40	52.3
Molasses							
5.2	Guatemala	By-product	QS	QS	By-product	61	27.2
15.4	Nicaragua	By-product	QS	QS	By-product	61	27.2
79.4	Costa Rica	By-product	QS	QS	By-product	61	27.2

Table 1.5 Summary of Carbon & Sustainability Characteristics

Policy & Standards

Environment

ConocoPhillips is committed to protecting the environment that we share. We implement high environmental standards in order to ensure that our actions today will not only provide the energy needed to drive economic growth and social well-being, but also secure a stable and healthy environment for tomorrow.

- A comprehensive Health, Safety and Environment (HSE) policy governs our efforts to improve our health and safety performance as well as our environmental stewardship.
- A corporate Climate Change Action Plan guides the company's efforts to address issue related to global climate change.
- Since using energy contributes to greenhouse gas emissions, we continually strive to make our operations more energy efficient.
- We believe that a secure energy future will depend on a diverse mix of energy sources that are reliable, available and environmentally responsible.
- At ConocoPhillips we continue working to reduce air emissions from our operations
- We recognize that water management is an important worldwide issue and that it is critical to the sustainability of our business.
- At ConocoPhillips we recognize the importance of protecting and promoting biodiversity, particularly in sensitive areas.
- Being good stewards of the environment includes setting standards for waste management, minimization and decommissioning.
- We give serious attention to our duty to restore properties impacted by our operations.

Climate Change - Our Approach

At ConocoPhillips everything we do centers on our core purpose to responsibly deliver energy to the world. We recognize that human activity, including the burning of fossil fuels, is contributing to increased concentrations of greenhouse gas (GHG) in the atmosphere that can lead to adverse changes in global climate. While uncertainties remain over the extent of human contributions and the timing and magnitude of future impacts, we are committed to taking action. Our commitment to sustainable development provides the foundation for our actions, which focus on conducting business to promote economic growth, a healthy environment and vibrant communities, now and into the future.

The ConocoPhillips approach to climate change is designed to advance the company mission to responsibly deliver energy to the world and to support our core and emerging businesses. The objective of our climate change strategy is to prepare the company to succeed in a world challenged to reduce GHG emissions. In support of this objective, we are implementing a comprehensive corporate climate change action plan. This plan covers the first phase (from 2008 to 2013) of our long-term effort to manage the rate of growth of GHG emissions from our operations while growing our business. During this period we anticipate that governmental climate change policies and regulations will become increasingly well defined in the countries in which we operate. The key elements of the action plan are illustrated in the following diagram.

- Equipping for a Low Emission World: Using technology and resources to understand the business risks and opportunities related to climate change and to integrate that understanding into our business strategy, long-range planning, project development, and operations processes and practices

- Reducing Our Emissions: Evaluating GHG reduction opportunities, developing plans for our operations and implementing reduction projects

- Pursuing New Business Opportunities: Analyzing the full range of new business opportunities that may emerge in a low-carbon economy and making investment decisions in a timely, strategic manner

- Leveraging Carbon Trading and Technology Innovation: Optimizing the value of emission allowances and offsets, and pursuing the research, development and deployment of technology to manage our own emissions and drive development of new business opportunities

- Engaging Externally: Proactively connecting with external stakeholders to promote practical and sustainable climate solutions, including the development of effective public policy

Meeting the twin challenges of taking action on climate change and providing adequate and reliable supplies of energy will require technical innovation, resource commitments and responsible stewardship by energy producers and consumers alike. ConocoPhillips intends to meet these challenges.

Transparency and Accountability

ConocoPhillips believes it is our responsibility to seek to understand and be understood by our stakeholders – a diverse group of individuals and organizations who can impact or be impacted by our business. We work to accomplish this by maintaining open communication through both formal and informal engagement processes, and providing accessibility to information concerning our business practices.

ConocoPhillips is totally committed to meeting the UK Government's requirements under the RTFO. ConocoPhillips has co-operated fully with the DfT in that we have willingly shared our data and the data provided to us by our suppliers. We strive to procure sustainably produced bio-fuels that will have positive greenhouse gas savings.

ConocoPhillips will continue to work fully with the DfT in order to allow the DfT and the UK Government to achieve its stated goals and objectives around renewable fuel substitution in the UK.

Renewable Fuels

Biofuels Benefits and Challenges

Biofuels are produced from biomass such as plants or organic waste and can be used as direct fuels or blended into gasoline or diesel fuel. A number of published research studies analyze both the promise and the threat of large-scale biofuels production.

These studies conclude that a biofuel's impact on vehicle emissions is dependent upon the biofuel, the vehicle's engine and subsequent emissions. The most commonly used biofuel in the United States is ethanol (ethyl alcohol), produced by fermenting plant sugars extracted from corn. Currently, most U.S. ethanol production is blended into gasoline, with the combination containing 10 percent ethanol. Exceeding this level, as likely needed to meet future year targets established by the Energy Independence and Security Act of 2007 legislation, is problematic because existing engines and vehicles were not designed or warranted for higher ethanol concentration levels. The U.S. Environmental Protection Agency (EPA) has recently provided conditional waivers for misfueling mitigation procedures to allow ethanol up to 15 percent in vehicles from model year 2011 and newer. However, vehicle manufacturers do not agree with this and legal challenges to the waiver continues due to the risk of damage to engine and fuel-system components.

Specially equipped flexible-fuel vehicles (FFVs) are permitted to use higher concentrations of ethanol, such as E-85, which is nominally a blend of up to 85 percent by volume ethanol in gasoline. Because ethanol contains less energy than gasoline, E-85 achieves only about 75 percent of the fuel economy of gasoline on a mile per gallon basis. Also, since ethanol is currently more expensive to manufacture, E-85 requires tax subsidies in order to compete with regular oil-based fuels. ConocoPhillips continues to work with ASTM International, which establishes recommendations for U.S. fuel standards, to revise FFV fuel specifications to address concerns over deliverability and performance.

Currently, the European Union (EU) has a Biofuels Directive (Renewable Energy Directive) which is due to be implemented within the UK and supersede the current

RTFO by the end of 2011. The Renewable Energy Directive sets a 20 percent energy content target for the overall share of energy from renewable sources by 2020. The target for the transport area is 10 percent energy content by 2020.

Biofuel production also impacts water supplies. Water is affected in two ways – the consumption during the crop growth and fuel manufacturing phases, and the impurities associated with the water runoff from croplands. In general regard to water consumption, rain-fed agriculture is more sustainable than irrigated farming. Water quality is affected mostly by farming practices, especially tillage and agro-chemical application. Large-scale biofuels production creates upward price pressure on food, especially if energy crops displace food crops. The use of non-food energy crops may lessen the impact on food prices, providing they do not displace existing food production. Also, an increasing agricultural yield may lessen the impact of biofuels over time.

The United Kingdom's Renewable Fuels Agency (RFA) featured ConocoPhillips in their Annual Report and Accounts 2009/2010, which recognized carbon and sustainability performance, measured by metrics against non-mandated targets for environmental standards, data capture and greenhouse gas savings. ConocoPhillips exceeded the data capture target. Due to the biofuels market still being relatively embryonic achieving the voluntary environmental and greenhouse gas savings targets has been a challenge for the industry. However ConocoPhillips was able to achieve a mid-pack performance during RTFO year 2.

Biofuels

ConocoPhillips announced two significant biofuels research agreements in 2007, including an eight-year, $22.5 million program at Iowa State University (ISU) to develop new technologies for producing biofuels. We provided $1.75 million to begin 14 research projects in 2007 and another $3 million to begin 12 additional research projects in 2008. These projects, conducted by researchers in 11 ISU departments or programs in conjunction with ConocoPhillips researchers, included studies of various biofuel production technologies; technical and economic analyses of different types of

biorefineries; production of crops for conversion to biofuels; sustainable cultivation of crops and biomass; the harvest, storage and transportation of biomass; and the combustion performance of biofuels in engines.

The ISU Department of Agriculture received a grant from ConocoPhillips to study how various biomass crop systems affect groundwater quality, the carbon content of the soil and CO_2 emissions from the soil. Another study investigated natural enzymes called cellulosomes that are found in termites and the stomachs of cows, and that excel at breaking down cellulose from plants. A grant from ConocoPhillips helped develop a method to make synthetic cellulosomes that are efficient and easier to work with than natural cellulosomes. Work in this area could improve the economics and sustainability of biorenewables by minimizing some of the impacts on water and food supply competition.

We also are involved in a $5 million, multi-year sponsored research agreement with the Colorado Center for Biorefining and Biofuels, a research center of the Colorado Renewable Energy Collaboratory. The first project involves converting algae into renewable fuel. Algae can potentially offer substantially higher yields than other oil-producing crops. Also, because algae are not food crops, there is no competition for them in the food chain and less risk of adverse affects on food prices. Similarly, algae do not compete for productive farmland. They can grow in fresh water, saline water or even sewage. Finally, algae can utilize CO2 emissions from industrial operations, making algae an interesting potential carbon capture mechanism. While encouraged by algae's potential, we anticipate that it will take another 10 to 15 years before an algae-to-fuel process becomes commercially viable.

In 2008, ConocoPhillips processed renewable diesel fuel at the Whitegate refinery in Ireland using soybean oil, and at the Borger refinery in Texas using byproduct animal fat supplied through a strategic alliance with Tyson Foods. Both programs were undertaken on a demonstration basis for research, monitoring and economic analysis purposes. The renewable diesel operation at Whitegate is technically proven, but its use will be dictated by market economics. The Borger program with Tyson Foods has been curtailed due to unfavourable economics.

Other Relevant Information

ConocoPhillips' Environmental Management System at Humber Refinery is certified to ISO14001.

Independent assurance statement to ConocoPhillips management

The ConocoPhillips Annual Report for the 2010-11 period of the Renewable Transport Fuels Obligation (the Report) has been prepared by the management of ConocoPhillips who are responsible for the collection and presentation of the information within it. Our responsibility, in accordance with ConocoPhillips management's instructions, is to carry out a limited assurance engagement on the carbon and sustainability (C&S) data contained within the Report. We do not, therefore, accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Report is entirely at its own risk.

WHAT DID WE DO TO FORM OUR CONCLUSIONS?

Our assurance engagement has been planned and performed in accordance with the International Federation of Accountants' International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE3000). The traceability, completeness, consistency and accuracy criteria from the Department for Transport (DfT) Verifiers Guidance[1] have been used to evaluate ConocoPhillips' application of the DfT's Technical Guidance for C&S reporting[2] in the preparation of the Report. These criteria are as follows:

Traceability

- Whether the C&S information in the Report is traceable back to the party or parties that generated the original source information?
- Whether sufficient and appropriate evidence is available to support all C&S information within the Report?

Completeness

- Whether C&S information has been provided for each administrative batch?
- Whether the Report reflects all administrative batches of fuel reported on the DfT Operating System (ROS)?

Consistency

- Whether reported feedstock types for biofuel blends are representative of actual feedstock types for the fuel supplied?

[1] RFA Guidance for Verifiers v3.0 dated March 2011
[2] Carbon and Sustainability Reporting within the Renewable Transport Fuels Obligation – Technical Guidance Part 1 v3.4 dated May 2011 and Technical Guidance Part 2 v3.1 dated April 2010

Accuracy

- Whether the C&S data in the Report has been accurately collated and reported?

In order to form our conclusions we undertook the steps outlined below:

1. Considered reporting risk and materiality for the data provided by ConocoPhillips in the Report to the DfT.

2. Interviewed personnel at ConocoPhillips with responsibility for managing, collating and reviewing C&S data on the biofuels procured by ConocoPhillips and supplied to the UK market, and for reporting this data to the DfT.

3. Reviewed relevant documentation and examined the systems and databases used by ConocoPhillips for managing and reporting C&S data.

4. Examined the evidence held by ConocoPhillips to support the C&S data being reported to the DfT.

5. Engaged with selected suppliers and reviewed documentation provided by the suppliers to form conclusions on the suitability and appropriateness of evidence for C&S information provided up the supply chain.

6. Reviewed the Report for appropriate presentation of the C&S data, including qualitative descriptions of ConocoPhillips' performance during the obligation period.

Level of assurance

Our evidence gathering procedures have been designed to obtain a sufficient level of evidence to provide a limited level of assurance in accordance with ISAE3000.

Limitations of our review

Our scope of work was limited to the C&S information contained within the Report.

Where C&S data has formed part of another auditor's assurance activities we have not repeated the work-steps undertaken.

OUR CONCLUSIONS

Based on our review:

- We are not aware of any C&S information contained within the Report which is not traceable back to the party or parties that generated that information.

- We are not aware of any C&S information contained within the Report which is not supported by sufficient and appropriate evidence.

- We are not aware of any biofuels supplied by ConocoPhillips into the UK market during the RTFO period which have been excluded from the scope of the Report.

- We are not aware of any collation or reporting errors that would materially affect the C&S information contained within the Report.

OUR OBSERVATIONS

Our observations and areas for improvement will be raised in a report to ConocoPhillips' management. Selected observations are provided below. These observations do not affect our conclusions on the Report set out above.

- We requested ConocoPhillips make some changes to the unverified data that had been entered as part of the ROS monthly submissions. This was a result of the testing activities undertaken with ConocoPhillips' suppliers. These related primarily to claims about previous land use where suppliers were unable to provide suitable evidence to support their claims that feedstock had been produced on land that was 'cropland' in February 2008. ConocoPhillips should continue to focus on this area, particularly for those biofuels with relatively complex supply chains.

- There remains uncertainty amongst some of ConocoPhillips counterparties as to what constitutes the correct documentation to fulfil the evidence requirements of the RTFO audit. It will be important for ConocoPhillips to actively engage with those suppliers with a view to considering how the Renewable Energy Directive (RED) implementation of the RTFO will have implications on the reporting requirements for obligated parties (including ConocoPhillips).

OUR INDEPENDENCE

This is the third year Ernst & Young LLP has provided independent assurance services in relation to ConocoPhillips' C&S reporting under the RTFO. With the exception of this work we have provided no other services relating to ConocoPhillips' approach to C&S reporting or any of the business processes relating to the collation and reporting of C&S information for biofuels.

Our assurance team

Our assurance team has been drawn from our UK Climate Change and Sustainability Services team, which undertakes similar engagements to this with a number of significant UK and international businesses.

Ernst & Young LLP
London

8 September 2011