The content below is a transcript from AFPM President and CEO Chet Thompson's address at the 2021 AFPM Annual Meeting, which took place on April 12, 2021.

AFPM President and CEO Chet Thompson addresses the 2021 AFPM Annual Meeting.

A Year in Review

It has been exactly 757 days since I last had the opportunity to address this meeting. In the days since, I, and no doubt all of you as well, have seen more hardship and loss, more challenges and more change than I have seen throughout the entirety of my lifetime. I've also seen remarkable examples of sacrifice, service and kindness. To say a lot has happened since we were last together….frankly doesn't quite hit the mark.

447 days ago we heard about the first reported case of COVID-19 here in the United States – upending not only our way of life, but also quickly and drastically revising our notion of normal. Who would have guessed that by spring 2020, toilet paper would be worth more than crude oil? Shortly thereafter, lockdowns across the country sent the economy into a tailspin, taking demand for our products with it.

It's been 322 days since the death of George Floyd inspired and reinvigorated a national movement for racial and social justice.

226 days since Hurricane Laura ripped through the heart of Louisiana's refining and petrochemical industry – testing our resolve and resiliency once again.

It's been 160 days since almost 160 million Americans went to the polls to vote in one of the most contentious elections in modern history. And 156 days ago, Joe Biden was officially declared president.

And while we all celebrated the end 2020, it seemed as though last year wasn't quite done with us…it's been 96 days since we witnessed rioters storm the Capitol of the United States, forcing members of Congress and the sitting Vice President into hiding. As an American, as a father, and as a native Washingtonian, I was outraged and saddened by the violence that struck the capitol that day.

And as we meet here in San Antonio, let's not forget the polar vortex that struck Texas and other parts of Gulf Coast just 60 days ago, paralyzing the grid and wreaking havoc on our facilities.

So certainly a lot has transpired…if a Hollywood movie had all of this happening in a one year period, we would have panned as too way to unrealistic. But unfortunately, it was all too real.

Weathering Challenges/Pandemic Response

In many ways, our industries – the people of our industries – have been steady anchors through this crazy storm. All along, you've showed up – essential workers keeping our essential facilities running – you adapted and flexed with new protocols to keep your workforce and communities safe, and you adjusted operations to meet shifting demand for our products and the needs of our country and your communities.

You kept critical supply chains moving so our first responders and frontline healthcare workers had the fuel, PPE, and sanitizers they needed to wage the fight against COVID-19. Think back to those early COVID days, when masks, PPE, and hand sanitizer was in very short supply. You stepped up. You retooled and optimized your facilities to help—voluntarily without and any government mandates by the way.

You stepped up to support your communities when they needed it most by volunteering your time and donating and critical resources.

Dual Challenge/Sustainability

Through it all, you continued to execute on your core mission to sustainably provide the fuels and petrochemicals that people and economies around the world need to thrive.

Our sustainability commitment means being responsible stewards of the environment – doing more with less – reducing emissions, conserving energy, using water efficiently, preserving land, and reducing waste.

In the last ten years alone, U.S. refineries have invested more than $100 billion in facility upgrades, expansions, and maintenance, improving refinery efficiency, and enabling the production of cleaner fuels. As a result, we have dramatically reduced our emissions and our carbon intensity by 12 percent during this period. And despite its historic expansion, the petrochemical sector has experienced similar results.

This commitment to sustainability also includes fostering a strong culture of safety throughout our industries and our communities. In the last ten years, our industries have reduced the rate of process safety events by over 50 percent. In fact, last year the refining industry had the lowest rates of injury or illnesses of all US manufacturing sectors. Your facilities and communities are safer than ever. Thank you for your commitment to safety and making that happen.

Our commitment to sustainability is about helping people and communities thrive, by providing well-paying, family-supporting jobs for people of all backgrounds. It's about continuing to build a more inclusive and diversified workforce. It's about investing as you have in education at all levels, from supporting STEM education for children and through training, internships, and apprenticeships that prepare people of all education levels and skill sets for jobs in our industries. And, it's by being good neighbors – fostering open and transparent communications, supporting non-profit partnerships and philanthropic initiatives, and minimizing the impacts from our facilities to these communities. We care about our communities because we are proud members of our communities.

And, our commitment to sustainability is about driving progress through innovation in our processes and our products, and by increasing the sustainability of other industries that use and rely on our products as

well. Despite all of the headwinds, distractions, and chaos of last year, you still managed to advance incredible innovations that will help our planet become cleaner and more sustainable in the years to come.

In fact, a recent Harvard study concluded that oil, gas, and energy production firms are among the highest producers of green patents – patents on products that provide environmental benefit. Harvard described our members companies as “some of the most prolific and influential producers of green innovation” in all the world.

Our industries are bringing more and more low carbon fuels to market, making record investments in renewable fuels like renewable diesel – including five new renewable diesel projects announced just in the last few months alone – along with significant investments in other biofuels. You are also driving progress in emissions reduction through innovative technologies, CCUS, and increasing renewable power generation at your facilities.

And you are making major contributions to address the issue of improper plastic waste disposal, something we all agree is unacceptable. Despite those who have said it couldn’t be done, several of our members have announced major breakthroughs in advanced recycling in the last year. These breakthroughs will allow us to turn our plastic waste into virgin quality feedstock, yielding products of the same quality, strength, durability, and purity as those manufactured from virgin feedstocks. These advanced recycling innovations you are pioneering vastly increase the possibilities of what we can do with the plastic waste that we collect and will help make the world a greener place.

These are just some of the remarkable contributions you’ve been making toward a more sustainable future. So, while there’s a lot of talk and virtue signaling around this issue, I’m proud to report that our industries’ long commitment to sustainability goes beyond mere words to action. Simply put, our actions speak louder than others’ words.

Political Landscape

Despite our efforts, and the role our products have played in the COVID-19 fight, we face an increasingly loud narrative that sustainability is only advanced by policies that ban our products or force them out of the market by other means. Policies like the banning single-use plastics and the internal combustion engines, the work horse of our economy and society. Policies that prevent or delay badly needed expansions and improvements to critical energy infrastructure. Policies that put the finger on the scale for specific technologies without regard to what consumers need, want, or can afford.

This type of black-and-white thinking and policymaking neglect the vital role that our industries and our products play in a healthy and thriving society today, and an even more sustainable future for generations to come. They neglect the indelible role our industries played in helping us literally survive this last year….the role of our petrochemical products in making the hand sanitizer and PPE we’ve come to rely on, and the role of our fuels in keeping those Amazon packages coming…and coming…and coming. It neglects the interconnectivity of our industries to other industries, from healthcare, to agriculture, to technology and transportation, and yes - even to renewable energy as well. Without our products there can be no electric vehicles, there can be no wind turbines, and there can certainly be no solar panels. This thinking also neglects the link between our facilities and workforce and the health and prosperity of communities all across this country.

Black and white thinking is simple, but we know that our world is complex, and we need policies that reflect that complexity. Policies that acknowledge that the world is going to need our products for a generations to come….. and that more progress on sustainability can happen with us in the mix than without us.

We need technology-neutral policies that spur innovation to solve our most pressing problems. We need policies like our proposed 95 RON octane standard that would have significant and immediate impacts in reducing emissions within the transportation sector. And we need policies that help us unlock the potential of other tools such as CCUS and advanced recycling.

We need serious policies that will deliver serious results, not policies built on a false premise that COVID has shown the "potential" of a world without our products. Think about what our world has looked like over the last year. It's certainly not a world I want to live in, or want my kids to live in – nor does it seem to be one that people around the globe are embracing. We need policies that reflect the realities of a world that will add 2 billion people over the next 30 years. Policies that enable us to deliver the fuels and petrochemicals that our growing global population needs to live healthy and prosperous lives.

As I've said repeatedly – and I know you all agree – our industries have a role to play in creating a sustainable world, and we are committed to playing our part to help address the challenges that we face. For our part, we must stay committed to improving the efficiency of our industries and reducing our environmental footprint…we must continue to search for better, cleaner solutions…and we must continue to make the products that make other products and industries cleaner and more efficient. We're certainly not asking for things to stay the same…but we need to find the solutions that will actually lead to both a cleaner and more prosperous world. I know that by working together, we can do just that.

Industry Outlook

I am happy to say we are finally seeing a resurgence in demand for fuel and petrochemical products as vaccinations increase. And while recovery may be slow, major forecasting agencies expect demand for gasoline, diesel, and jet fuel to rebound sharply this year and to continue to meet a substantial share of global energy demand for many decades to come.

We're seeing positive signs for demand on the petrochemical side as well. Demand for ethylene and propylene have more than recovered, and overall demand for ethylene this year is now actually projected to be higher than in 2019. Even with all the market challenges last year, U.S. ethylene exports grew by 125%.

Given future demand forecasts, there is reason for optimism.

Close

There is no doubt that we have faced some of the most challenging days of our lifetime, but the days are getting better. It's now been 121 days since the first vaccine was approved… and perhaps 30 days, give or take, since we could start seeing the light at the end of the tunnel. And while the timing for a full recovery still isn't entirely clear, we're starting to see each other face-to-face…. as evidenced by the people in this room…. to attend graduations, and to enjoy time with family and loved ones – not over our laptops or smart phones, but in person and across the table … to take advantage of the days we have

together.

In the days, weeks and months ahead, we certainly have our work cut out for us, but I’m optimistic that we will continue to adapt and meet these challenges head on, just like we always have over the many decades we’ve been in operation. When we work together and remain committed to tackling and solving the toughest problems, there’s nothing that our industries haven’t been able to accomplish.

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