Seals lounging on Platform Emmy in state waters off Huntington Beach. Photo taken by Danny McGinnis, CRC Production Tech III

Cover Photo: CRC's Ventura Operations
Reflecting the priority Californians place on protecting the planet, state leaders have demonstrated their strong commitment to global environmental policies and have devoted billions of taxpayer and consumer dollars through mandates and subsidies to implement those policies. One ironic side effect has been to increase California’s dependence on imported energy from other states and countries that do not apply the state’s world-leading standards and do not meaningfully contribute to sustainability. To address climate change and other natural or man-made challenges, California must become more self-sufficient and more resilient with an “all-of-the-above” energy approach. This means safely developing all our energy resources – from renewables to oil and natural gas – to support everything we do at home and at work. CRC has a critical role to play in this important dynamic. Tapping into the state’s vast oil and gas resources in sustainable ways provides a path to energy equality for the most disadvantaged and directly benefits California’s diverse society, economy and environment by maintaining a more affordable energy mix that enables continued growth of all needed energy sources, including renewables. CRC embodies the American dream and we are proud to deliver that dream through jobs, affordable energy and being responsible stewards of California’s natural resources.

California Resources Corporation (CRC) is dedicated to fostering sustainable growth to meet the future energy needs of all Californians. We seek to proactively advance the state’s energy self-sufficiency by practicing and advocating policies that promote the safe and responsible development of California’s abundant natural resources.

As a responsible steward of California’s ample oil and natural gas resources, we optimize local energy production to the world’s strongest safety, labor, human rights and environmental standards. In doing so, we strive to improve the quality of life for California’s families and communities by championing access to affordable and reliable energy.

CRC’s dedication to a vibrant, sustainable California starts with our values – Character, Responsibility and Commitment. To help our workforce carry out these values, our Board of Directors established three specific Health, Safety and Environmental (HSE) Principles that apply to everything we do:

- Safeguard people and the environment in the design, operation and maintenance of our facilities;
- Engage proactively with neighbors, regulators and other stakeholders to serve as an active and supportive community partner; and
- Promote conservation of water, habitat and energy in our operations.

CRC has established both annual and long-term goals to foster continuous improvement in implementing our HSE Principles. Each year, CRC sets three quantitative HSE goals on health and safety, spill prevention and water conservation that directly impact compensation of our management team and workforce. Additionally, CRC has adopted 2030 Sustainability Goals focused on water recycling, methane capture, renewable energy integration and carbon capture and storage to incorporate into our life-of-field planning. The following report summarizes our sustainability strategy, goals and performance.

Reflecting the priority Californians place on protecting the planet, state leaders have demonstrated their strong commitment to global environmental policies and have devoted billions of taxpayer and consumer dollars through mandates and subsidies to implement those policies. One ironic side effect has been to increase California’s dependence on imported energy from other states and countries that do not apply the state's world-leading standards and do not meaningfully contribute to sustainability. To address climate change and other natural or man-made challenges, California must become more self-sufficient and more resilient with an “all-of-the-above” energy approach. This means safely developing all our energy resources – from renewables to oil and natural gas – to support everything we do at home and at work. CRC has a critical role to play in this important dynamic. Tapping into the state’s vast oil and gas resources in sustainable ways provides a path to energy equality for the most disadvantaged and directly benefits California’s diverse society, economy and environment by maintaining a more affordable energy mix that enables continued growth of all needed energy sources, including renewables. CRC embodies the American dream and we are proud to deliver that dream through jobs, affordable energy and being responsible stewards of California’s natural resources.

Todd Stevens, President and Chief Executive Officer, California Resources Corporation
California is the world’s third-largest consumer of oil and must ensure an affordable, reliable and secure supply. As California’s largest independent oil and natural gas producer, CRC takes pride in providing energy and revenues that are critical to communities and residents throughout our state. We manage the largest privately held mineral acreage position with operations in all four of California’s major oil and gas basins, including San Joaquin, Los Angeles, Ventura and Sacramento. As a California company, our success depends on a vibrant future for California’s society, economy and environment.

Despite our state’s world-class oil and natural gas resources, California’s chronic dependence on out-of-state and foreign energy imports has hit or neared record levels. California consumers are funding jobs and development overseas instead of right here at home. More than 85 percent of oil dollars flowing out of California to foreign countries goes to Saudi Arabia, Ecuador, Colombia, Kuwait and Iraq. This dependence is not sustainable for our society, our economy or our environment. California can and must reverse this trend.

From 2014 through 2017, CRC paid more than $825 million in California state, local and payroll taxes. CRC’s operations have provided an additional $585 million in revenues to the California State Lands Commission from our production on state lands. CRC’s operations in Long Beach alone have generated more than $4.7 billion in revenue for the city and state since 2003. Each year, CRC’s tax payments and production for government agencies supports thousands of public sector jobs for essential services like health, education, regulatory oversight and public safety. Additionally, from 2014 through 2017, CRC has paid nearly $720 million to over 20,000 individuals, small businesses and non-profit organizations who own mineral rights in California.

By choosing to import more oil, natural gas and electricity, Californians lose the benefits of local production and instead pay to develop jobs, schools, infrastructure and technology in the Middle East and South America or other states. Imported energy also raises global greenhouse gas (GHG) and other air emissions, since production in those countries and states does not follow California’s rigorous air quality standards or our GHG cap-and-trade program. Additionally, their products are transported over thousands of miles by pipelines or supertankers to reach California. Finally, relying on distant producers subjects California’s growing population to unnecessary energy shortages and price spikes due to foreign conflicts, natural disasters and transportation incidents.

By increasing local production of oil, natural gas and electricity, CRC and other California producers make our energy supply more secure, affordable and reliable, reduce global emissions, and make our economy and society more resilient and self-sufficient. California’s sustainability depends on increasing cost-effective local energy production, which CRC is committed to deliver.
Pumping unit at CRC’s Elk Hills Field in Kern County, California
Strategic Approach: CRC’s workplace is built on an unwavering commitment to promoting health and safety throughout our operations and providing a pathway to middle-class jobs, ample career advancement and strength through diversity.

At CRC, health and safety leads everything we do. This isn’t just a slogan. We work actively to reduce hazards in our operations by setting consistent expectations in job planning and contractor selection, empowering and training our workforce as safety leaders, and supporting them with safe work practices, technology and rigorous maintenance and asset integrity programs. CRC was the first oil and gas company in California’s 140-year production history to enter into a statewide Project Labor Agreement with the California Building and Construction Trades Council to ensure that our facilities are built and maintained with a safe, highly-qualified workforce. Importantly, CRC empowers all employees, suppliers and vendors with Stop Work Authority to cease any activity - without repercussions - that they perceive may be unsafe or may give rise to an environmental incident.

Our health and safety goal is to sustain our strong safety performance by reducing recordable injuries. Each year, CRC sets a threshold injury and illness incidence rate (IIR) as a quantitative metric that directly affects incentive compensation and promotes continuous improvement. Creating this culture of accountability has led to our California workforce achieving their six best annual combined safety performance ratings in the decades-long history of our operations from 2012 through 2017. Our 2017 IIR of 0.62 was 31 percent better than the average IIR for the U.S. oil and natural gas extraction sector and 79 percent better than the average IIR for U.S. private industry in 2016, the most recent data reported by the U.S. Bureau of Labor Statistics. In addition, our employees received four National Safety Achievement Awards in 2017 from the National Safety Council recognizing CRC’s exceptional safety performance over the past year in each of our operating areas and company-wide. CRC was one of only 27 organizations nationwide so recognized by the National Safety Council in 2017. This is in addition to seven safety awards that CRC received in 2016, including an Occupational Excellence Achievement Award, two Million Work Hours Awards and four Perfect Record Awards.

CRC is proud to participate in an industry that provides high wages for working families regardless of educational background and reflects the ethnic diversity of the state that is unmatched by other industries. California’s oil and natural gas industry supports more than 368,000 jobs throughout the state with an average annual wage of over $84,000 according to a recent study by the Los Angeles Economic Development Corporation. This wage level is more than 35 percent above the average California wage and provides a path to the middle class for a diverse workforce with a range of industrial jobs that do not require a college degree, as well as a fresh start for those who need a second chance. Our industry also reflects California’s diversity with a labor force that is 29 percent Latino, 13 percent Asian and 5 percent Black.

Top: CRC employees at the Elk Hills gas plant in Kern County
Bottom Left: CRC employees reading gauges at our Long Beach operations
Bottom Right: Field operators inspecting pipes at CRC’s Elk Hills Field
Strategic Approach: As a company dedicated to supplying energy for California by Californians, CRC proudly shares and endorses California’s commitment to conserve our natural resources and protect our unique environment.

California has imposed the most stringent environmental regulations on the oil and natural gas industry anywhere. Twenty-six state and federal agencies oversee all aspects of CRC’s exploration and development of oil and gas properties, production, transportation and sale in California. Foreign governments and other states do not follow California’s stringent standards like our greenhouse gas cap-and-trade program. Our California workforce is proud of the commitments and investments CRC has made to actively promote conservation of water, habitat and energy to benefit the communities where we live and work and improve the environment, extending well beyond regulatory requirements.

CRC maintains a Habitat Conservation Area of more than 8,000 acres at our flagship Elk Hills Field to protect threatened and endangered species and their habitat that is overseen by the U.S. Fish and Wildlife Service and the California Department of Fish and Wildlife, and to preserve Native American cultural resources.
Through ingenuity, hard work and coalitions with like-minded Californians, we efficiently produce energy as responsible stewards of California's natural resources. We design and maintain our facilities throughout the state with our neighbors, communities and the environment in mind. CRC operates in sensitive coastal, urban and agricultural settings by applying advanced production technologies and control systems, as well as innovative environmental safeguards and conservation measures. Our environmental stewardship goal is to demonstrate sustained asset integrity by limiting losses of crude oil and condensate to a minute fraction of production.

Each year, CRC sets a threshold oil spill prevention rate as a quantitative metric that directly affects our compensation and promotes continuous improvement. CRC’s spill prevention rate has improved every year since our launch in 2014, retaining over 99.9999 percent of our production in 2017. We also initiate tabletop and full deployment drills with federal, state and local emergency response agencies to ensure that all parties are prepared to respond rapidly should a spill occur.

CRC’s conservation programs and investments surpass California’s stringent regulatory requirements. Unlike most oil and gas producers in other parts of the world who are net consumers of water, CRC is a net water supplier thanks to our extensive investments in treating and recycling produced water that originates in underground oil and gas formations. CRC’s water conservation goal is to expand our role as a net water supplier to agriculture and other uses. In 2017, we supplied 4.9 billion gallons of treated, reclaimed water for agriculture – increasing our 2015 volume by 85 percent. For every gallon of fresh water CRC purchased in 2017, we delivered nearly 3 gallons of reclaimed water to agriculture. This water delivery set a new record for our operations and supports over 5,000 acres of productive farmland and associated farmworker jobs. In 2017, 89 percent of our produced water was reused, recycled or reclaimed, a company record, and we are committed through our 2030 Water Sustainability Goal to significantly increase the volume of produced water we recycle.

CRC also seeks to increase energy efficiency and reduce emissions of GHGs and other compounds, even as we supply more energy to Californians. We devote significant resources to capture natural gas, both in design and construction of new facilities and in retrofitting existing facilities, to minimize air emissions and reduce flaring. CRC is by far the leading in-state producer of natural gas, a fuel that has delivered substantial GHG emission reductions in California, as well as nationwide, and perfectly complements renewable energy. CRC’s operations have reported GHG emissions for years, first voluntarily and then, since 2013, through mandatory reporting to both the California Air Resources Board (CARB) under California’s Global Warming Solutions Act and the U.S. Environmental Protection Agency under the Clean Air Act. The Company also reports voluntarily to the Carbon Disclosure Project on our GHG management program and our estimated GHG emissions. In 2017, the Carbon Disclosure Project provided CRC with a “B” grade for our GHG reporting, the same grade received by several of the supermajor energy companies and above virtually all of our peer companies. CRC’s GHG emission reports to CARB are verified by independent, state-accredited experts and CRC acquires allowances or qualified offsets under California’s cap-and-trade program to address our GHG emissions. Collectively, these efforts enable us to incorporate GHG emissions and the state’s cost of GHG allowances and offsets into our life-of-field planning process. Through our proactive 2030 Sustainability Goals on Methane, Renewables and Carbon, we will redouble our efforts to sustain California’s leadership role in reducing GHG emissions, while preserving an affordable, reliable and secure energy supply for Californians.
Strategic Approach: CRC cultivates a culture bound by high ethical standards and core values of Character, Responsibility and Commitment.

CRC's senior management team and Board of Directors are committed to effective and ethical corporate governance, which we believe sustains and enhances stockholder value. CRC’s Board, which includes seven independent directors, regularly reviews the Company’s governance practices to ensure good business practices and a strong compliance program.

The Company’s comprehensive business and ethical conduct policies are available in our Governance section at CRC.com. These policies apply to all directors, officers and employees, each of whom personally commits to following our code and our corporate policies, as well as to suppliers and vendors working in our operations. Our position is that no business goal is worth our employees compromising their integrity or our shared values.

CRC is an active and constructive participant in California's development of legislation, regulation and energy policy. Our operations are governed by tens of thousands of regulatory and permit requirements, and we have a demonstrated commitment to regulatory compliance. As regulations are proposed or implemented, we offer constructive suggestions on how to meet the objectives in the most efficient manner possible. CRC’s contact with government representatives is subject to applicable federal, state and local laws and Company policies.

CRC contributes to candidates and political organizations that we believe share our interest in promoting a self-sufficient, sustainable society with greater economic and energy equality for California's diverse communities. Such contributions are subject to applicable federal, state and local laws, as well as Company policies. Specific information on campaign finance and lobbying activities is available through the California Secretary of State’s website at www.sos.ca.gov/campaign-lobbying. CRC does not have a federal or state political action committee.
Strategic Approach: CRC seeks to partner with many non-profit organizations throughout California to help make long-term, positive impacts on working families, businesses and diverse communities across the state.

CRC has a strong dedication to the local communities where we live and work. Our families live here, our children are growing up here and our work is focused exclusively on California. CRC takes a proactive approach to engage our stakeholders throughout California, including regulatory agencies, our workforce and labor, business and non-profit organizations. CRC also serves as an active and supportive community partner through impactful donations and volunteerism.

Our charitable contributions support CRC’s five community pillars:

- **Education and Job Training** - CRC supports numerous programs that inspire students of all ages about science, technology, engineering and mathematics (STEM), skills which are important in California’s cutting-edge industries, including oil and natural gas production. We also partner with universities, apprenticeship programs and non-profits to provide paid internships, scholarships and workforce training, focusing on those from disadvantaged communities.

- **Veterans** - CRC supports military and veterans organizations in recognition for their service to our country and as valued members of our workforce.

- **Public Health and Safety** - CRC supports and develops programs that promote community health, safety and well-being, focusing on children’s health and wellness in underprivileged communities and our public safety professionals.

- **Environmental Stewardship and Water Conservation** - CRC’s workforce values the sensitive ecosystems of the Golden State and enthusiastically contributes to solving challenges. The Company dedicates resources to habitat conservation and biodiversity and partners with water districts and non-profit organizations to help alleviate the impact of California’s drought on farmers and rural communities.

- **Community Empowerment** - CRC supports a wide range of community programs and events that strengthen California’s vibrant neighborhoods where we live and work and address the local priorities that make each distinct.

“We are proud to honor California Resources Corporation as the 2017 Humanitarian Company of the Year. CRC is a longtime supporter of the American Red Cross, regularly donating to our signature program, PrepareSoCal, a full-scale preparedness campaign, and of course to disaster relief services throughout the state – giving millions of dollars to both build community resilience and to also benefit those in need over the decades.”

- Jarret Barrios, CEO, American Red Cross, Los Angeles Region

Todd Stevens, CRC’s President & CEO
Strategic Approach: CRC has set ambitious 2030 Sustainability Goals for water, methane, renewables and carbon that shape life-of-field planning at our 135 fields and advance the State of California’s goals.

Energy is a principal input for our operations as well as the principal end use of our products. As a company that operates entirely in California, CRC works hard to implement the state’s goals with respect to water conservation, energy efficiency and reduction of methane and carbon dioxide (CO₂) emissions. Our 2030 Sustainability Goals regarding water, methane, renewables and carbon, which are subject to liquidity and to securing funding and permits, are directly linked to state goals and integral to our life-of-field planning for energy production at the 135 fields we operate. These goals demonstrate our long-term investment in advancing the state’s social, economic and environmental objectives by increasing local energy production under California’s world-leading safety, labor, human rights and environmental standards.

Water Recycling

Our 2030 Water Sustainability Goal is to significantly increase the volume of produced water we reuse, recycle or reclaim against a 2013 baseline, which was the year before CRC’s formation. This goal is important because it reflects the beneficial use of produced water from underground oil and gas formations that is only accessible to the state’s agricultural or industrial water supply through in-state production. This goal builds on our annual water conservation metric, which measures our delivery of treated, reclaimed water to agriculture against our purchased fresh water.

Meeting our 2030 Water Sustainability Goal requires ongoing investment in water treatment and conveyance systems by our dedicated Water Reclaim Team of engineers and hydrologists. As of year-end 2017, we had increased our recycled produced water volume by more than 15 percent above our 2013 baseline, and we are on track to achieve our 2030 Water Sustainability Goal.

Methane Capture

Natural gas, or methane, is a valuable energy source that is essential to California’s economy and Californians’ way of life. Natural gas is critical to the affordability and reliability of California’s electricity grid, by balancing the cost and intermittent nature of renewables like solar and wind. Natural gas is also the preeminent fuel for heating and cooking, whether at home or in industrial or commercial settings, where it is far more efficient than comparable electric appliances.

Because of methane’s value as a fuel, and its regulatory status as a greenhouse gas, it is important to capture methane for beneficial uses wherever feasible, and to reduce methane emissions. Both the state and CRC have set aggressive goals to reduce methane emissions. The state’s goal is to reduce methane emissions in 2030 by 40 percent below the statewide 2013 level. CRC’s parallel 2030 methane sustainability goal requires a significant reduction in methane emissions from our operations, also compared to a 2013 baseline. We selected 2013 as our baseline to align with the state, and 2013 is also the year before CRC was formed.
It is important to note that CRC and its predecessors have for years invested significant resources to produce natural gas for beneficial use and minimize emissions, both in design and construction of new facilities and in retrofitting existing facilities. Our construction of integrated gas gathering, compression and processing facilities near our fields has helped us to ensure a reliable local supply of natural gas for our utility customers and California communities, particularly when interstate pipelines and utility storage facilities undergo inspection and maintenance.

To reduce methane emissions further, we are focused on projects like upgrading gas compression, changing gas-operated pneumatic valves to compressed air, and evaluating how we can facilitate the quality and delivery of renewable biogas from agricultural facilities through blending with our natural gas production.

Emissions of methane from CRC’s operations have decreased by nearly 29 percent from 2013 to 2016, estimated using California’s specified emission factors and protocols, and we are on track to achieve our 2030 Methane Sustainability Goal.

CRC is also a net water supplier.

**WATER**

Significantly increase volume of recycled produced water from 2013 baseline.

As of year-end 2017, we have increased our recycled produced water volume by more than 15% above our 2013 baseline.

CRC is also a net water supplier.

**METHANE**

Significantly reduce methane emissions from 2013 baseline.

Increase Energy Efficiency
Reduce Greenhouse Gas

While supplying more energy to Californians.

CRC devotes significant resources to capture natural gas, both in design and construction of new facilities and in retrofitting existing facilities, to minimize air emissions.
Renewable Energy Integration

CRC’s 2030 Renewable Energy Sustainability Goal is to integrate solar and other renewable energy directly with oil and gas operations wherever feasible. CRC has a dedicated New Energy Ventures team focused on developing renewable projects at our oil and gas fields to maximize efficient energy production.

California law provides that the owner of mineral rights can prevent inconsistent surface uses that would interfere with efficient access to underlying oil and natural gas formations. Despite having these controlling legal rights, CRC has voluntarily facilitated 10 large-scale solar projects in recent years through surface use agreements. Under those agreements, CRC relinquished control over significant portions of the surface, while reserving access to underlying minerals through designated surface drilling locations.

In addition, our New Energy Ventures team expects to construct a solar project at a CRC oil and gas field in the near future to provide electricity for steam generation, which will place us on track to achieve our 2030 Renewable Energy Sustainability Goal. We are also evaluating other potential renewable projects that complement our operations and utilize our substantial acreage in California.

Carbon Capture and Storage

CRC’s 2030 Carbon Sustainability Goal is to design and permit the state’s first carbon capture and storage system at Elk Hills. The Elk Hills Field is California’s largest in-state supplier of natural gas, providing nearly half of California’s natural gas production. Elk Hills Power, LLC, a joint venture partially owned by
CRC, operates the 550-megawatt Elk Hills Power Plant, which generates electricity from local natural gas to power the Elk Hills Field and supply enough electricity to a local utility and California’s electric grid to power up to 350,000 homes. The reliable electricity supply from the Elk Hills Power Plant has enabled CRC to operate the Elk Hills Field with electric-powered equipment that increases energy efficiency and reduces air emissions.

CRC’s 2030 Carbon Sustainability Goal aims to make Elk Hills a model of long-term carbon capture and storage. CRC has a dedicated Enhanced Oil Recovery team that is designing a system to collect CO\textsubscript{2} from the Elk Hills Power Plant and inject it into underground oil and natural gas formations at Elk Hills for enhanced oil recovery and long-term carbon sequestration. Several oil and gas formations at Elk Hills have already been identified as ideal candidates for CO\textsubscript{2} enhanced oil recovery. Under this process, the CO\textsubscript{2} sweeps oil from the pore space in the formation to producing wells, permanently trapping a significant quantity of the injected CO\textsubscript{2} in the pore space. At the surface, the remaining CO\textsubscript{2} is separated from the oil and recycled for injection in a closed loop, supplemented by additional CO\textsubscript{2} from the power plant. This project would render the Elk Hills Power Plant essentially carbon-neutral and help the state meets its 2030 greenhouse gas reduction goals, while continuing to supply affordable, reliable and secure energy for California by Californians for decades to come.

As a company dedicated to **supplying energy for California by Californians**, we proudly share and endorse the state’s commitment to conserve our natural resources and protect our environment.

We **design and maintain our facilities** throughout the state **with our neighbors, communities and the environment in mind**, and are committed to helping California achieve **self-sufficiency in water and energy**, which we believe is the highest form of sustainability.

Our **four 2030 goals** demonstrate CRC’s long-term commitment to **sustainable in-state energy production** that meets the needs of California’s growing population and California’s leading **safety, labor, human rights and environmental standards**.
Comments or questions about this report may be directed to:

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