CRC Approves California's First Carbon Capture and Storage Project

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LONG BEACH, Jan. 06, 2025 - California Resources Corp. (NYSE: CRC) and its carbon management business, Carbon TerraVault (CTV), today announced approval of the Golden State's first carbon capture and storage (CCS) project, located at CRC's Elk Hills cryogenic gas plant in Kern County, California.

"We are pleased to advance California's first CCS project to the next stage of its development highlighting our ability to deliver carbon management solutions while reducing our own emissions," said Francisco Leon, CRC's President and Chief Executive Officer. "This project strengthens Carbon TerraVault's economic opportunities and positions us to create lasting value for our shareholders and partners. Carbon TerraVault remains at the forefront of providing innovative decarbonization solutions that support a cleaner, affordable, and reliable energy future for California."

"This project represents another step forward in California's world-leading pathway to combat climate change and achieve carbon neutrality over the next two decades," said California Natural Resources Secretary Wade Crowfoot. "While slashing carbon pollution is the main thrust of our climate programs, capturing and removing carbon from our atmosphere is also essential to meeting our carbon targets. This project, which repurposes fossil fuel extraction infrastructure and expertise to sequester carbon, is a forward-looking way to remove emissions while creating jobs in an emerging sector. Simply put, getting projects like this operating in a safe and effective way is critical for our climate progress."

Project approval follows CRC's recent receipt of final Class VI well permits from the Environmental Protection Agency (EPA) for underground injection and storage of carbon dioxide (CO_2) into the 26R reservoir, located at CRC's Elk Hills Field in Kern County, California. The 26R reservoir is part of CTV's joint venture with Brookfield.

"This announcement underscores California's leadership in carbon capture and sequestration in the United States and reaffirms our commitment to collaborating with the right partners on impactful and economically viable energy solutions that advance the transition to net zero," said Natalie Adomait, Managing Partner at Brookfield. "Together with CRC, we are deploying our clean energy expertise to accelerate decarbonization and drive capital deployment across California's critical industries."

26R is one of two depleted oil and natural gas reservoirs that comprise the CTV I storage site, with an expected injection rate of 1.46 million metric tons of CO_2 storage per annum. Total estimated capacity of 26R is up to 38 million metric tons.

Cryogenic Gas Plant CCS Project Highlights

- Capture and Sequestration: CRC plans to capture and, through its joint venture with Brookfield (CTV JV), permanently store up to 100 thousand metric tons (KMTPA) of CO_2 per annum from its Elk Hills cryogenic gas plant in the 26R reservoir.
- First Injection: Operations are expected to commence in late 2025.
- Capture Incentives and Revenue Equivalents: CRC is expected to qualify for $85 per metric ton in 45Q tax credits, with potential for Low Carbon Fuel Standard (LCFS) credit generation and reduction in Cap-and-Trade (C&T) liabilities pending California Air Resources Board (CARB) rulemaking. Decarbonized gas throughput is projected to increase propane recovery by up to 100 barrels of natural gas liquids per day.
- Operating Costs: The project's proximity to CRC's 26R reservoir will minimize transportation costs associated with sequestration.
- Operating Profitability: Through this project, CTV JV is projected to generate EBITDA[1] of $50 - $60 per metric tons in sequestration fees paid by CRC, consistent with the economic type curve[2] for CTV storage-only projects.

- Capture Capital Investment: CRC's capture project capital spending is estimated at $14 - $18 million.
- Reduced GHG Emissions: Project expected to lower Scope 1 and 2 emissions from the Elk Hills Power Plant by up to 7%.

CRC's internal rate of return from this capture and storage project is expected to be at the high-end of its previously disclosed range of 10% - 30%.

[1] EBITDA is a non-GAAP measure. Estimates include realization of tax credits which may change based on future IRS guidance and other factors and assumes that wage and apprenticeship requirements are met. Based on a storage-only project. Assumes full utilization of the CTV I - 26R reservoir and Brookfield's full participation in this project with storage buy-in capital prorated to cryogenic plant CCS project's capital needs
[2] For information on CTV economic type curve, please see CRC's second quarter 2022 earnings release at www.crc.com/investor-relations/events-and-presentations.

About Carbon TerraVault

Carbon TerraVault (CTV), CRC's carbon management business, is developing services to capture, transport and permanently store CO_2 for its customers. CTV is engaged in a series of proposed CCS projects that if developed will inject CO_2 captured from industrial sources into depleted reservoirs deep underground for permanent sequestration. For more information, visit carbonterravault.com.

About Carbon TerraVault Joint Venture

Carbon TerraVault Joint Venture (CTV JV) is a carbon management partnership focused on CCS development formed between Carbon TerraVault I, LLC, a subsidiary of CRC, and Brookfield, to develop both infrastructure and storage assets required for CCS development in California. CRC owns 51% of CTV JV with Brookfield owning the remaining 49% interest.

About California Resources Corporation

California Resources Corporation (CRC) is an independent energy and carbon management company committed to energy transition. CRC is committed to environmental stewardship while safely providing local, responsibly sourced energy. CRC is also focused on maximizing the value of its land, mineral ownership, and energy expertise for decarbonization by developing CCS and other emissions reducing projects. For more information about CRC, please visit www.crc.com.

Forward-Looking Statements

This document contains statements that CRC believes to be "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than historical facts are forward-looking statements, and include statements regarding CRC's future financial position, business strategy, projected revenues, earnings, costs, capital expenditures and plans and objectives of management for the future. Words such as "expect," "could," "may," "anticipate," "intend," "plan," "ability," "believe," "seek," "see," "will," "would," "estimate," "forecast," "target," "guidance," "outlook," "opportunity" or "strategy" or similar expressions are generally intended to identify forward-looking statements. Such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, such statements.

Although CRC believes the expectations and forecasts reflected in its forward-looking statements are reasonable, they are inherently subject to numerous risks and uncertainties, most of which are difficult to predict and many of which are beyond its control. No assurance can be given that such forward-looking statements will be correct or achieved or that the assumptions are accurate or will not change over time. Particular uncertainties that could cause CRC's actual results to be materially different than those expressed in its forward-looking statements include:

- CRC's ability to successfully develop the cryogenic gas plant CCS project, including negotiation of definitive sequestration and other project agreements and the construction of necessary capture and sequestration facilities;
- fluctuations in commodity prices, including supply and demand considerations for CRC's products and services, and the impact of such fluctuations on revenues and operating expenses;
- decisions as to production levels and/or pricing by OPEC or U.S. producers in future periods;
- government policy, war and political conditions and events, including the military conflicts in Israel, Lebanon, Ukraine, Yemen and the Red Sea;
- the ability to successfully execute integration efforts in connection with CRC's merger with Aera Energy LLC, and achieve projected synergies and ensure that such synergies are sustainable;
- CRC's ability to rely on the Class VI permits depends in part on (i) the expiration of a 30-day waiting period during which petitions concerning the permits may be submitted to the EPA and the satisfactory resolution of any such petitions, (ii) completion of construction of sequestration wells and surface facilities that are consistent with permit requirements and are approved by the EPA, and (iii) final authorization from the EPA to inject CO_2;
- regulatory actions and changes that affect the oil and gas industry generally and CRC in particular, including (1) the availability or timing of, or conditions imposed on, EPA and other governmental permits and approvals necessary for drilling or development activities or its carbon management business; (2) the management of energy, water, land, greenhouse gases (GHGs) or other emissions, (3) the protection of health, safety and the environment, or (4) the transportation, marketing and sale of CRC's products;
- the efforts of activists to delay or prevent oil and gas activities or the development of CRC's carbon management business through a variety of tactics, including litigation;
- the impact of inflation on future expenses and changes generally in the prices of goods and services;
- changes in business strategy and CRC's capital plan;
- lower-than-expected production or higher-than-expected production decline rates;
- changes to CRC's estimates of reserves and related future cash flows, including changes arising from its inability to develop such reserves in a timely manner, and any inability to replace such reserves;
- the recoverability of resources and unexpected geologic conditions;
- general economic conditions and trends, including conditions in the worldwide financial, trade and credit markets;
- production-sharing contracts' effects on production and operating costs;
- the lack of available equipment, service or labor price inflation;
- limitations on transportation or storage capacity and the need to shut-in wells;
- any failure of risk management;
- results from operations and competition in the industries in which CRC operates;
- CRC's ability to realize the anticipated benefits from prior or future efforts to reduce costs;
- environmental risks and liability under federal, regional, state, provincial, tribal, local and international environmental laws and regulations (including remedial actions);
- the creditworthiness and performance of CRC's counterparties, including financial institutions, operating partners, CCS project participants and other parties;
- reorganization or restructuring of CRC's operations;
- CRC's ability to claim and utilize tax credits or other incentives in connection with its CCS projects;
- CRC's ability to realize the benefits contemplated by its energy transition strategies and initiatives, including CCS projects and other renewable energy efforts;
- CRC's ability to successfully identify, develop and finance carbon capture and storage projects and other renewable energy efforts, including those in connection with the Carbon TerraVault JV, and its ability to convert its CDMAs and MOUs to definitive agreements and enter into other offtake agreements;
- CRC's ability to maximize the value of its carbon management business and operate it on a stand alone basis;
- CRC's ability to successfully develop infrastructure projects and enter into third party contracts on contemplated terms;
- uncertainty around the accounting of emissions and its ability to successfully gather and verify emissions data and other environmental impacts;
- changes to CRC's dividend policy and share repurchase program, and its ability to declare future dividends or repurchase shares under its debt agreements;
- limitations on CRC's financial flexibility due to existing and future debt;
- insufficient cash flow to fund CRC's capital plan and other planned investments and return capital to shareholders;
- changes in interest rates;
- CRC's access to and the terms of credit in commercial banking and capital markets, including its ability to refinance its debt or obtain separate financing for its carbon management business;
- changes in state, federal or international tax rates, including CRC's ability to utilize its net operating loss carryforwards to reduce its income tax obligations;
- effects of hedging transactions;

- the effect of CRC's stock price on costs associated with incentive compensation;
- inability to enter into desirable transactions, including joint ventures, divestitures of oil and natural gas properties and real estate, and acquisitions, and CRC's ability to achieve any expected synergies;
- disruptions due to earthquakes, forest fires, floods, extreme weather events or other natural occurrences, accidents, mechanical failures, power outages, transportation or storage constraints, labor difficulties, cybersecurity breaches or attacks or other catastrophic events;
- pandemics, epidemics, outbreaks, or other public health events, such as the COVID-19 pandemic; and
- other factors discussed in Part I, Item 1A - Risk Factors in CRC's Annual Report on Form 10-K and its other SEC filings available at www.crc.com.

CRC cautions you not to place undue reliance on forward-looking statements contained in this document, which speak only as of the filing date, and it undertakes no obligation to update this information. This document may also contain information from third party sources. This data may involve a number of assumptions and limitations, and CRC has not independently verified them and does not warrant the accuracy or completeness of such third-party information.

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