UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☑ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2022

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 001-13175

Valero

VALERO ENERGY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**74-1828067**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Valero Way
San Antonio, Texas
(Address of principal executive offices)
78249
(Zip Code)
(210) 345-2000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock	VLO	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐
Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The number of shares of the registrant's only class of common stock, $0.01 par value, outstanding as of April 22, 2022 was 408,096,416.

VALERO ENERGY CORPORATION

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VALERO ENERGY CORPORATION
CONSOLIDATED BALANCE SHEETS
(millions of dollars, except par value)

	March 31, 2022 (unaudited)	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,638	$ 4,122
Receivables, net	13,080	10,378
Inventories	7,174	6,265
Prepaid expenses and other	421	400
Total current assets	23,313	21,165
Property, plant, and equipment, at cost	49,488	49,072
Accumulated depreciation	(18,612)	(18,225)
Property, plant, and equipment, net	30,876	30,847
Deferred charges and other assets, net	6,213	5,876
Total assets	$ 60,402	$ 57,888
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of debt and finance lease obligations	$ 1,295	$ 1,264
Accounts payable	15,236	12,495
Accrued expenses	1,140	1,253
Taxes other than income taxes payable	1,482	1,461
Income taxes payable	632	378
Total current liabilities	19,785	16,851
Debt and finance lease obligations, less current portion	11,866	12,606
Deferred income tax liabilities	4,971	5,210
Other long-term liabilities	3,370	3,404
Commitments and contingencies		
Equity:		
Valero Energy Corporation stockholders' equity:		
Common stock, $0.01 par value; 1,200,000,000 shares authorized; 673,501,593 and 673,501,593 shares issued	7	7
Additional paid-in capital	6,832	6,827
Treasury stock, at cost; 265,399,517 and 264,305,955 common shares	(15,794)	(15,677)
Retained earnings	28,785	28,281
Accumulated other comprehensive loss	(1,009)	(1,008)
Total Valero Energy Corporation stockholders' equity	18,821	18,430
Noncontrolling interests	1,589	1,387
Total equity	20,410	19,817
Total liabilities and equity	$ 60,402	$ 57,888

See Condensed Notes to Consolidated Financial Statements.

VALERO ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(millions of dollars, except per share amounts)
(unaudited)

	Three Months Ended March 31,	
	2022	**2021**
Revenues (a)	$ 38,542	$ 20,806
Cost of sales:		
Cost of materials and other	34,949	18,992
Operating expenses (excluding depreciation and amortization expense reflected below)	1,379	1,656
Depreciation and amortization expense	595	566
Total cost of sales	36,923	21,214
Other operating expenses	19	38
General and administrative expenses (excluding depreciation and amortization expense reflected below)	205	208
Depreciation and amortization expense	11	12
Operating income (loss)	1,384	(666)
Other income (expense), net	(20)	45
Interest and debt expense, net of capitalized interest	(145)	(149)
Income (loss) before income tax expense (benefit)	1,219	(770)
Income tax expense (benefit)	252	(148)
Net income (loss)	967	(622)
Less: Net income attributable to noncontrolling interests	62	82
Net income (loss) attributable to Valero Energy Corporation stockholders	$ 905	$ (704)
Earnings (loss) per common share	$ 2.21	$ (1.73)
Weighted-average common shares outstanding (in millions)	408	407
Earnings (loss) per common share – assuming dilution	$ 2.21	$ (1.73)
Weighted-average common shares outstanding – assuming dilution (in millions)	408	407

Supplemental information:

(a) Includes excise taxes on sales by certain of our foreign operations	$ 1,423	$ 1,120

See Condensed Notes to Consolidated Financial Statements.

VALERO ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(millions of dollars)
(unaudited)

	Three Months Ended March 31,	
	2022	**2021**
Net income (loss)	$ 967	$ (622)
Other comprehensive income (loss):		
Foreign currency translation adjustment	13	76
Net gain on pension and other postretirement benefits	8	15
Net gain (loss) on cash flow hedges	(45)	10
Other comprehensive income (loss) before income tax expense	(24)	101
Income tax expense related to items of other comprehensive income (loss)	—	7
Other comprehensive income (loss)	(24)	94
Comprehensive income (loss)	943	(528)
Less: Comprehensive income attributable to noncontrolling interests	39	87
Comprehensive income (loss) attributable to Valero Energy Corporation stockholders	$ 904	$ (615)

See Condensed Notes to Consolidated Financial Statements.

VALERO ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF EQUITY
(millions of dollars)
(unaudited)

	Valero Energy Corporation Stockholders' Equity							
	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total	Non-controlling Interests	Total Equity
Balance as of December 31, 2021	$ 7	$ 6,827	$ (15,677)	$ 28,281	$ (1,008)	$ 18,430	$ 1,387	$ 19,817
Net income	—	—	—	905	—	905	62	967
Dividends on common stock ($0.98 per share)	—	—	—	(401)	—	(401)	—	(401)
Stock-based compensation expense	—	32	—	—	—	32	—	32
Transactions in connection with stock-based compensation plans	—	(27)	9	—	—	(18)	—	(18)
Open market stock purchases	—	—	(126)	—	—	(126)	—	(126)
Contributions from noncontrolling interests	—	—	—	—	—	—	165	165
Distributions to noncontrolling interests	—	—	—	—	—	—	(2)	(2)
Other comprehensive loss	—	—	—	—	(1)	(1)	(23)	(24)
Balance as of March 31, 2022	$ 7	$ 6,832	$ (15,794)	$ 28,785	$ (1,009)	$ 18,821	$ 1,589	$ 20,410
Balance as of December 31, 2020	$ 7	$ 6,814	$ (15,719)	$ 28,953	$ (1,254)	$ 18,801	$ 841	$ 19,642
Net income (loss)	—	—	—	(704)	—	(704)	82	(622)
Dividends on common stock ($0.98 per share)	—	—	—	(400)	—	(400)	—	(400)
Stock-based compensation expense	—	28	—	—	—	28	—	28
Transactions in connection with stock-based compensation plans	—	(32)	19	—	—	(13)	—	(13)
Distributions to noncontrolling interests	—	—	—	—	—	—	(2)	(2)
Other comprehensive income	—	—	—	—	89	89	5	94
Balance as of March 31, 2021	$ 7	$ 6,810	$ (15,700)	$ 27,849	$ (1,165)	$ 17,801	$ 926	$ 18,727

See Condensed Notes to Consolidated Financial Statements.

VALERO ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(millions of dollars)
(unaudited)

	Three Months Ended March 31,	
	2022	**2021**
Cash flows from operating activities:		
Net income (loss)	$ 967	$ (622)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	606	578
Loss on early retirement of debt	50	—
Deferred income tax benefit	(234)	(239)
Changes in current assets and current liabilities	(722)	184
Changes in deferred charges and credits and other operating activities, net	(79)	47
Net cash provided by (used in) operating activities	588	(52)
Cash flows from investing activities:		
Capital expenditures (excluding variable interest entities (VIEs))	(152)	(160)
Capital expenditures of VIEs:		
Diamond Green Diesel Holdings LLC (DGD)	(219)	(153)
Other VIEs	(13)	(26)
Deferred turnaround and catalyst cost expenditures (excluding VIEs)	(453)	(230)
Deferred turnaround and catalyst cost expenditures of DGD	(6)	(1)
Investments in nonconsolidated joint ventures	—	(12)
Other investing activities, net	2	2
Net cash used in investing activities	(841)	(580)
Cash flows from financing activities:		
Proceeds from debt issuances and borrowings (excluding VIEs)	939	—
Proceeds from borrowings of VIEs:		
DGD	99	—
Other VIEs	28	8
Repayments of debt and finance lease obligations (excluding VIEs)	(1,738)	(31)
Repayments of debt and finance lease obligations of VIEs:		
DGD	(102)	—
Other VIEs	(16)	(1)
Premiums on early retirement of debt	(48)	—
Purchases of common stock for treasury	(144)	(14)
Common stock dividend payments	(401)	(400)
Contributions from noncontrolling interests	165	—
Other financing activities, net	(10)	(1)
Net cash used in financing activities	(1,228)	(439)
Effect of foreign exchange rate changes on cash	(3)	12
Net decrease in cash and cash equivalents	(1,484)	(1,059)
Cash and cash equivalents at beginning of period	4,122	3,313
Cash and cash equivalents at end of period	$ 2,638	$ 2,254

See Condensed Notes to Consolidated Financial Statements.

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

General

The terms "Valero," "we," "our," and "us," as used in this report, may refer to Valero Energy Corporation, one or more of its consolidated subsidiaries, or all of them taken as a whole. The term "DGD," as used in this report, may refer to Diamond Green Diesel Holdings LLC, its wholly owned consolidated subsidiary, or both of them taken as a whole.

These unaudited financial statements have been prepared in accordance with United States (U.S.) generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities Exchange Act of 1934. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation of our results for the three months ended March 31, 2022 have been included. All such adjustments are of a normal recurring nature unless disclosed otherwise. Operating results for the three months ended March 31, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022. The financial statements presented herein should be read in conjunction with the financial statements included in our annual report on Form 10-K for the year ended December 31, 2021.

The balance sheet as of December 31, 2021 has been derived from our audited financial statements as of that date. For further information, refer to our financial statements and notes thereto included in our annual report on Form 10-K for the year ended December 31, 2021.

Significant Accounting Policy

Use of Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. On an ongoing basis, we review our estimates based on currently available information. Changes in facts and circumstances may result in revised estimates.

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. UNCERTAINTIES

Developments with respect to the uncertainties described below are occurring at a rapid pace and cannot be predicted. Their overall economic impact and resulting impact on us also cannot be predicted with certainty at this time. However, we are proactively responding to and actively monitoring the known impacts of the Russia-Ukraine conflict and the COVID-19 pandemic on our business, to the extent practicable, and we will strive to continue to do so, but there can be no assurance that our response or other measures we may take will be fully effective.

Russia-Ukraine Conflict

In late February 2022, Russia began an invasion and military attack on Ukraine. This has resulted in many countries, including the U.S., imposing economic and financial sanctions on Russia and providing humanitarian and military aid to Ukraine. In addition, on March 8, 2022, the U.S. presidential administration issued an Executive Order that, among other matters, banned the import of Russian crude oil and other petroleum and energy products to the U.S. The ban on Russian energy imports took effect immediately, but companies were granted (through issuance of a General License published by the U.S. Office of Foreign Assets Control (OFAC)) 45 days to import petroleum products secured under pre-existing contracts.

As allowed by OFAC's General License, we took delivery of certain feedstocks (procured under contracts entered into prior to the invasion) before the General License's expiration on April 22, 2022. We currently do not anticipate any significant future feedstock sourcing disruptions resulting from the U.S. ban on Russian crude oil and other petroleum and energy product imports, as we obtain crude oil and other feedstocks from many other sources.

The conflict and responsive actions taken by the U.S. and other countries have created uncertainty for both domestic and international financial and commodity markets. Crude oil and consumer fuel prices significantly increased in March 2022 and remain volatile, as change in trade flows in Russian crude oil, other feedstocks, and energy products have impacted the global supply markets. Also, the continued increases in fuel prices have the potential to negatively impact the demand for our products. Thus, the implications of the Russia-Ukraine conflict on our financial position and results of operations remain uncertain.

Impact of the COVID-19 Pandemic

At the onset of the COVID-19 pandemic in March 2020, governmental authorities around the world imposed restrictions, such as stay-at-home orders and other social distancing measures, to slow the spread of COVID-19. These measures resulted in significant economic disruption globally as reduced economic activity negatively impacted many businesses, including our business. Although we have continued to experience improvements in our business, compared to the significant negative effects from the pandemic in 2020, the implications of the pandemic on our financial position and results of operations remain uncertain.

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. INVENTORIES

Inventories consisted of the following (in millions):

	March 31, 2022	December 31, 2021
Refinery feedstocks	$ 2,068	$ 1,995
Refined petroleum products and blendstocks	4,199	3,567
Renewable diesel feedstocks and products	245	135
Ethanol feedstocks and products	364	273
Materials and supplies	298	295
Inventories	$ 7,174	$ 6,265

As of March 31, 2022 and December 31, 2021, the replacement cost (market value) of last-in, first-out (LIFO) inventories exceeded their LIFO carrying amounts by $9.3 billion and $5.2 billion, respectively. Our non-LIFO inventories accounted for $1.6 billion and $1.4 billion of our total inventories as of March 31, 2022 and December 31, 2021, respectively.

4. DEBT

Public Debt

In February 2022, we issued $650 million of 4.000 percent Senior Notes due June 1, 2052. Proceeds from this debt issuance totaled $639 million before deducting the underwriting discount and other debt issuance costs. The proceeds and cash on hand were used to repurchase and retire the following notes in connection with cash tender offers that we publicly announced and completed in February 2022 (in millions):

Debt Repurchased and Retired	Principal Amount
3.65% Senior Notes due 2025	$ 72
2.850% Senior Notes due 2025	507
4.375% VLP Senior Notes due 2026	168
3.400% Senior Notes due 2026	653
Total	$ 1,400

In connection with the early debt retirement activity described above, we recognized a charge of $50 million in “other income (expense), net” primarily comprised of $48 million of premiums paid.

During the three months ended March 31, 2021, there was no issuance or redemption activity related to our public debt.

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Credit Facilities

We had outstanding borrowings, letters of credit issued, and availability under our credit facilities as follows (amounts in millions and currency in U.S. dollars, except as noted):

			March 31, 2022		
	Facility Amount	Maturity Date	Outstanding Borrowings	Letters of Credit Issued (a)	Availability
Committed facilities:					
Valero Revolver	$ 4,000	March 2024	$ —	$ 615	$ 3,385
Canadian Revolver	C$ 150	November 2022	C$ —	C$ 5	C$ 145
Accounts receivable sales facility	$ 1,300	July 2022	$ —	n/a	$ 1,300
Letter of credit facility	$ 50	November 2022	n/a	$ —	$ 50
Committed facilities of VIEs (b):					
DGD Revolver (c)	$ 400	March 2024	$ 100	$ 15	$ 285
DGD Loan Agreement (d)	$ 25	April 2023	$ 25	n/a	$ —
IEnova Revolver (e)	$ 830	February 2028	$ 692	n/a	$ 138
Uncommitted facilities:					
Letter of credit facilities	n/a	n/a	n/a	$ 834	n/a

(a) Letters of credit issued as of March 31, 2022 expire at various times in 2022 through 2023.
(b) Creditors of the VIEs do not have recourse against us.
(c) The variable interest rate on the DGD Revolver was 2.140 percent and 1.860 percent as of March 31, 2022 and December 31, 2021, respectively.
(d) In March 2022, the maturity date of this facility was extended to April 2023. The amounts shown for this facility represent the facility amount available from, and borrowings outstanding to, the noncontrolling member as any transactions between DGD and us under this facility are eliminated in consolidation. The variable interest rate on the DGD Loan Agreement was 2.735 percent and 2.603 percent as of March 31, 2022 and December 31, 2021, respectively.
(e) The variable interest rate on the IEnova Revolver was 3.864 percent and 3.781 percent as of March 31, 2022 and December 31, 2021, respectively.

Activity under our credit facilities was as follows (in millions):

	Three Months Ended March 31,	
	2022	2021
Borrowings:		
Accounts receivable sales facility	$ 300	$ —
DGD Revolver	99	—
IEnova Revolver	28	8
Repayments:		
Accounts receivable sales facility	(300)	—
DGD Revolver	(99)	—
IEnova Revolver	(15)	—

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other Disclosures

"Interest and debt expense, net of capitalized interest" is comprised as follows (in millions):

	Three Months Ended March 31,	
	2022	2021
Interest and debt expense	$ 157	$ 164
Less: Capitalized interest	12	15
Interest and debt expense, net of capitalized interest	$ 145	$ 149

5. EQUITY

Treasury Stock

We purchase shares of our outstanding common stock as authorized under our stock purchase program and with respect to our employee stock-based compensation plans. During the three months ended March 31, 2022, we made open market purchases of 1,334,550 shares for $126 million in connection with our stock purchase program. No open market purchases were made during the three months ended March 31, 2021. As of March 31, 2022, we had $1.2 billion remaining available for purchase under our stock purchase program, which has no expiration date.

Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive loss by component, net of tax, were as follows (in millions):

	Three Months Ended March 31,							
	2022				2021			
	Foreign Currency Translation Adjustment	Defined Benefit Plans Items	Gains (Losses) on Cash Flow Hedges	Total	Foreign Currency Translation Adjustment	Defined Benefit Plans Items	Gains (Losses) on Cash Flow Hedges	Total
Balance as of beginning of period	$ (562)	$ (441)	$ (5)	$ (1,008)	$ (515)	$ (737)	$ (2)	$ (1,254)
Other comprehensive income (loss) before reclassifications	13	(3)	(64)	(54)	76	1	(5)	72
Amounts reclassified from accumulated other comprehensive loss	—	7	46	53	—	8	9	17
Other comprehensive income (loss)	13	4	(18)	(1)	76	9	4	89
Balance as of end of period	$ (549)	$ (437)	$ (23)	$ (1,009)	$ (439)	$ (728)	$ 2	$ (1,165)

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. VARIABLE INTEREST ENTITIES

Consolidated VIEs

We consolidate a VIE when we have a variable interest in an entity for which we are the primary beneficiary. As of March 31, 2022, the significant consolidated VIEs included:

- DGD, a joint venture with a subsidiary of Darling Ingredients Inc. that owns and operates a plant that processes waste and renewable feedstocks (predominately animal fats, used cooking oils, and inedible distillers corn oils) into renewable diesel; and
- Central Mexico Terminals, a collective group of three subsidiaries of Infraestructura Energetica Nova, S.A.P.I. de C.V. (IEnova), which is a Mexican company and indirect subsidiary of Sempra Energy, a U.S. public company. We have terminaling agreements with Central Mexico Terminals that represent variable interests. We do not have an ownership interest in Central Mexico Terminals.

The assets of the consolidated VIEs can only be used to settle their own obligations and the creditors of the consolidated VIEs have no recourse to our other assets. We generally do not provide financial guarantees to the VIEs. Although we have provided credit facilities to some of the VIEs in support of their construction or acquisition activities, these transactions are eliminated in consolidation. Our financial position, results of operations, and cash flows are impacted by the performance of the consolidated VIEs, net of intercompany eliminations, to the extent of our ownership interest in each VIE.

The following tables present summarized balance sheet information for the significant assets and liabilities of the consolidated VIEs, which are included in our balance sheets (in millions):

	DGD	Central Mexico Terminals	Other	Total
March 31, 2022				
Assets				
Cash and cash equivalents	$ 142	$ —	$ 15	$ 157
Other current assets	702	11	17	730
Property, plant, and equipment, net	2,854	659	92	3,605
Liabilities				
Current liabilities, including current portion of debt and finance lease obligations	$ 470	$ 716	$ 8	$ 1,194
Debt and finance lease obligations, less current portion	261	—	19	280

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	DGD	Central Mexico Terminals	Other	Total
December 31, 2021				
Assets				
Cash and cash equivalents	$ 21	$ —	$ 15	$ 36
Other current assets	558	10	13	581
Property, plant, and equipment, net	2,629	676	91	3,396
Liabilities				
Current liabilities, including current portion of debt and finance lease obligations	$ 398	$ 729	$ 9	$ 1,136
Debt and finance lease obligations, less current portion	264	—	20	284

Nonconsolidated VIEs

We hold variable interests in VIEs that have not been consolidated because we are not considered the primary beneficiary. These nonconsolidated VIEs are not material to our financial position or results of operations and are accounted for as equity investments.

7. EMPLOYEE BENEFIT PLANS

The components of net periodic benefit cost related to our defined benefit plans were as follows (in millions):

	Pension Plans		Other Postretirement Benefit Plans	
	2022	2021	2022	2021
Three months ended March 31				
Service cost	$ 38	$ 40	$ 2	$ 2
Interest cost	21	18	2	2
Expected return on plan assets	(48)	(48)	—	—
Amortization of:				
Net actuarial loss	13	20	—	—
Prior service credit	(4)	(4)	(1)	(2)
Net periodic benefit cost	$ 20	$ 26	$ 3	$ 2

The components of net periodic benefit cost other than the service cost component (i.e., the non-service cost components) are included in “other income (expense), net.”

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. EARNINGS (LOSS) PER COMMON SHARE

Earnings (loss) per common share was computed as follows (dollars and shares in millions, except per share amounts):

	Three Months Ended March 31,	
	2022	2021
Earnings (loss) per common share:		
Net income (loss) attributable to Valero stockholders	$ 905	$ (704)
Less: Income allocated to participating securities	3	1
Net income (loss) available to common stockholders	$ 902	$ (705)
Weighted-average common shares outstanding	408	407
Earnings (loss) per common share	$ 2.21	$ (1.73)
Earnings (loss) per common share – assuming dilution:		
Net income (loss) attributable to Valero stockholders	$ 905	$ (704)
Less: Income allocated to participating securities	3	1
Net income (loss) available to common stockholders	$ 902	$ (705)
Weighted-average common shares outstanding	408	407
Effect of dilutive securities	—	—
Weighted-average common shares outstanding – assuming dilution	408	407
Earnings (loss) per common share – assuming dilution	$ 2.21	$ (1.73)

Participating securities include restricted stock and performance awards granted under our 2020 Omnibus Stock Incentive Plan (OSIP) or our 2011 OSIP. Dilutive securities include participating securities as well as outstanding stock options.

9. REVENUES AND SEGMENT INFORMATION

Revenue from Contracts with Customers

Disaggregation of Revenue

Revenue is presented in the table below under *"Segment Information"* disaggregated by product because this is the level of disaggregation that management has determined to be beneficial to users of our financial statements.

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Contract Balances

Contract balances were as follows (in millions):

	March 31, 2022	December 31, 2021
Receivables from contracts with customers, included in receivables, net	$ 8,395	$ 6,228
Contract liabilities, included in accrued expenses	164	78

During the three months ended March 31, 2022 and 2021, we recognized as revenue $69 million and $37 million that was included in contract liabilities as of December 31, 2021 and 2020, respectively.

Remaining Performance Obligations

We have spot and term contracts with customers, the majority of which are spot contracts with no remaining performance obligations. We do not disclose remaining performance obligations for contracts that have terms of one year or less. The transaction price for our remaining term contracts includes a fixed component and variable consideration (i.e., a commodity price), both of which are allocated entirely to a wholly unsatisfied promise to transfer a distinct good that forms part of a single performance obligation. The fixed component is not material and the variable consideration is highly uncertain. Therefore, as of March 31, 2022, we have not disclosed the aggregate amount of the transaction price allocated to our remaining performance obligations.

Segment Information

We have three reportable segments — Refining, Renewable Diesel, and Ethanol. Each segment is a strategic business unit that offers different products and services by employing unique technologies and marketing strategies and whose operations and operating performance are managed and evaluated separately. Operating performance is measured based on the operating income generated by the segment, which includes revenues and expenses that are directly attributable to the management of the respective segment. Intersegment sales are generally derived from transactions made at prevailing market rates. The following is a description of each segment's business operations.

- The *Refining segment* includes the operations of our petroleum refineries, the associated activities to market our refined petroleum products, and the logistics assets that support our refining operations. The principal products manufactured by our refineries and sold by this segment include gasolines and blendstocks, distillates, and other products.

- The *Renewable Diesel segment* represents the operations of DGD, a consolidated joint venture as discussed in Note 6, and the associated activities to market renewable diesel. The principal product manufactured by DGD and sold by this segment is renewable diesel. This segment sells some renewable diesel to the Refining segment, which is then sold to that segment's customers.

- The *Ethanol segment* includes the operations of our ethanol plants and the associated activities to market our ethanol and co-products. The principal products manufactured by our ethanol plants are ethanol and distillers grains. This segment sells some ethanol to the Refining segment for blending into gasoline, which is sold to that segment's customers as a finished gasoline product.

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Operations that are not included in any of the reportable segments are included in the corporate category.

The following tables reflect information about our operating income (loss) by reportable segment (in millions):

	Refining	Renewable Diesel	Ethanol	Corporate and Eliminations	Total
Three months ended March 31, 2022					
Revenues:					
Revenues from external customers	$ 36,813	$ 595	$ 1,134	$ —	$ 38,542
Intersegment revenues	4	386	127	(517)	—
Total revenues	36,817	981	1,261	(517)	38,542
Cost of sales:					
Cost of materials and other (a)	33,606	755	1,104	(516)	34,949
Operating expenses (excluding depreciation and amortization expense reflected below)	1,193	51	135	—	1,379
Depreciation and amortization expense	549	26	20	—	595
Total cost of sales	35,348	832	1,259	(516)	36,923
Other operating expenses	18	—	1	—	19
General and administrative expenses (excluding depreciation and amortization expense reflected below)	—	—	—	205	205
Depreciation and amortization expense	—	—	—	11	11
Operating income by segment	$ 1,451	$ 149	$ 1	$ (217)	$ 1,384
Three months ended March 31, 2021					
Revenues:					
Revenues from external customers	$ 19,469	$ 352	$ 985	$ —	$ 20,806
Intersegment revenues	3	79	60	(142)	—
Total revenues	19,472	431	1,045	(142)	20,806
Cost of sales:					
Cost of materials and other (a)	18,022	187	924	(141)	18,992
Operating expenses (excluding depreciation and amortization expense reflected below)	1,471	29	156	—	1,656
Depreciation and amortization expense	533	12	21	—	566
Total cost of sales	20,026	228	1,101	(141)	21,214
Other operating expenses	38	—	—	—	38
General and administrative expenses (excluding depreciation and amortization expense reflected below)	—	—	—	208	208
Depreciation and amortization expense	—	—	—	12	12
Operating income (loss) by segment	$ (592)	$ 203	$ (56)	$ (221)	$ (666)

(a) Cost of materials and other for our Renewable Diesel segment is net of the blender's tax credit on qualified fuel mixtures of $156 million and $79 million for the three months ended March 31, 2022 and 2021, respectively.

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table provides a disaggregation of revenues from external customers for our principal products by reportable segment (in millions):

	Three Months Ended March 31,	
	2022	2021
Refining:		
Gasolines and blendstocks	$ 15,560	$ 8,729
Distillates	17,444	8,581
Other product revenues	3,809	2,159
Total refining revenues	36,813	19,469
Renewable Diesel:		
Renewable diesel	595	352
Ethanol:		
Ethanol	875	752
Distillers grains	259	233
Total ethanol revenues	1,134	985
Revenues	$ 38,542	$ 20,806

Total assets by reportable segment were as follows (in millions):

	March 31, 2022	December 31, 2021
Refining	$ 51,071	$ 47,365
Renewable Diesel	3,933	3,437
Ethanol	1,780	1,812
Corporate and eliminations	3,618	5,274
Total assets	$ 60,402	$ 57,888

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. SUPPLEMENTAL CASH FLOW INFORMATION

In order to determine net cash provided by (used in) operating activities, net income (loss) is adjusted by, among other things, changes in current assets and current liabilities as follows (in millions):

	Three Months Ended March 31,	
	2022	2021
Decrease (increase) in current assets:		
Receivables, net	$ (2,653)	$ (2,946)
Inventories	(940)	175
Prepaid expenses and other	(77)	(24)
Increase (decrease) in current liabilities:		
Accounts payable	2,744	2,992
Accrued expenses	(120)	105
Taxes other than income taxes payable	36	(144)
Income taxes payable	288	26
Changes in current assets and current liabilities	$ (722)	$ 184

Changes in current assets and current liabilities for the three months ended March 31, 2022 were primarily due to the following:

- The increase in receivables was primarily due to an increase in refined petroleum product prices in March 2022 compared to December 2021;
- The increase in inventories was primarily due to an increase in inventory unit prices and higher inventory levels in March 2022 compared to December 2021; and
- The increase in accounts payable was due to an increase in crude oil and other feedstock prices in March 2022 compared to December 2021, partially offset by a decrease in crude oil and other feedstock volumes purchased.

Changes in current assets and current liabilities for the three months ended March 31, 2021 were primarily due to the following:

- The increase in receivables was primarily due to an increase in refined petroleum product prices in March 2021 compared to December 2020 combined with an increase in sales volumes;
- The decrease in inventories was primarily due to lower inventory levels in March 2021 compared to December 2020; and
- The increase in accounts payable was due to an increase in crude oil and other feedstock prices in March 2021 compared to December 2020 combined with an increase in crude oil and other feedstock volumes purchased.

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Cash flows related to interest and income taxes were as follows (in millions):

	Three Months Ended March 31,	
	2022	2021
Interest paid in excess of amount capitalized, including interest on finance leases	$ 93	$ 103
Income taxes paid, net	204	36

Supplemental cash flow information related to our operating and finance leases was as follows (in millions):

	Three Months Ended March 31,			
	2022		2021	
	Operating Leases	Finance Leases	Operating Leases	Finance Leases
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows	$ 97	$ 20	$ 100	$ 18
Financing cash flows	—	41	—	31
Changes in lease balances resulting from new and modified leases	79	100	72	7

There were no significant noncash investing and financing activities during the three months ended March 31, 2022 and 2021, except as noted in the table above.

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. FAIR VALUE MEASUREMENTS

Recurring Fair Value Measurements

The following tables present information (in millions) about our assets and liabilities recognized at their fair values in our balance sheets categorized according to the fair value hierarchy of the inputs utilized by us to determine the fair values as of March 31, 2022 and December 31, 2021.

We have elected to offset the fair value amounts recognized for multiple similar derivative contracts executed with the same counterparty, including any related cash collateral assets or obligations as shown below; however, fair value amounts by hierarchy level are presented in the following tables on a gross basis. We have no derivative contracts that are subject to master netting arrangements that are reflected gross on the balance sheet.

	March 31, 2022							
	Fair Value Hierarchy			Total Gross Fair Value	Effect of Counter-party Netting	Effect of Cash Collateral Netting	Net Carrying Value on Balance Sheet	Cash Collateral Paid or Received Not Offset
	Level 1	Level 2	Level 3					
Assets								
Commodity derivative contracts	$ 1,815	$ —	$ —	$ 1,815	$ (1,811)	$ —	$ 4	$ —
Physical purchase contracts	—	24	—	24	n/a	n/a	24	n/a
Foreign currency contracts	48	—	—	48	n/a	n/a	48	n/a
Investments of certain benefit plans	79	—	6	85	n/a	n/a	85	n/a
Total	$ 1,942	$ 24	$ 6	$ 1,972	$ (1,811)	$ —	$ 161	
Liabilities								
Commodity derivative contracts	$ 2,423	$ —	$ —	$ 2,423	$ (1,811)	$ (612)	$ —	$ (194)
Blending program obligations	—	18	—	18	n/a	n/a	18	n/a
Physical purchase contracts	—	2	—	2	n/a	n/a	2	n/a
Foreign currency contracts	7	—	—	7	n/a	n/a	7	n/a
Total	$ 2,430	$ 20	$ —	$ 2,450	$ (1,811)	$ (612)	$ 27	

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	December 31, 2021							
	Fair Value Hierarchy			Total Gross Fair Value	Effect of Counter-party Netting	Effect of Cash Collateral Netting	Net Carrying Value on Balance Sheet	Cash Collateral Paid or Received Not Offset
	Level 1	Level 2	Level 3					
Assets								
Commodity derivative contracts	$ 522	$ —	$ —	$ 522	$ (444)	$ (15)	$ 63	$ —
Physical purchase contracts	—	4	—	4	n/a	n/a	4	n/a
Foreign currency contracts	1	—	—	1	n/a	n/a	1	n/a
Investments of certain benefit plans	83	—	6	89	n/a	n/a	89	n/a
Total	$ 606	$ 4	$ 6	$ 616	$ (444)	$ (15)	$ 157	
Liabilities								
Commodity derivative contracts	$ 472	$ —	$ —	$ 472	$ (444)	$ (28)	$ —	$ (41)
Blending program obligations	—	57	—	57	n/a	n/a	57	n/a
Physical purchase contracts	—	5	—	5	n/a	n/a	5	n/a
Foreign currency contracts	10	—	—	10	n/a	n/a	10	n/a
Total	$ 482	$ 62	$ —	$ 544	$ (444)	$ (28)	$ 72	

A description of our assets and liabilities recognized at fair value along with the valuation methods and inputs we used to develop their fair value measurements are as follows:

- Commodity derivative contracts consist primarily of exchange-traded futures, which are used to reduce the impact of price volatility on our results of operations and cash flows as discussed in Note 12. These contracts are measured at fair value using a market approach based on quoted prices from the commodity exchange and are categorized in Level 1 of the fair value hierarchy.

- Physical purchase contracts represent the fair value of fixed-price corn purchase contracts. The fair values of these purchase contracts are measured using a market approach based on quoted prices from the commodity exchange or an independent pricing service and are categorized in Level 2 of the fair value hierarchy.

- Foreign currency contracts consist of foreign currency exchange and purchase contracts and foreign currency swap agreements related to our foreign operations to manage our exposure to exchange rate fluctuations on transactions denominated in currencies other than the local (functional) currencies of our operations. These contracts are valued based on quoted foreign currency exchange rates and are categorized in Level 1 of the fair value hierarchy.

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Investments of certain benefit plans consist of investment securities held by trusts for the purpose of satisfying a portion of our obligations under certain U.S. nonqualified benefit plans. The plan assets categorized in Level 1 of the fair value hierarchy are measured at fair value using a market approach based on quoted prices from national securities exchanges. The plan assets categorized in Level 3 of the fair value hierarchy represent insurance contracts, the fair value of which is provided by the insurer.

- Blending program obligations represent our liability for the purchase of compliance credits needed to satisfy our blending obligations under various governmental and regulatory blending programs, such as the U.S. Environmental Protection Agency's (EPA) Renewable Fuel Standard (RFS), the California Low Carbon Fuel Standard, and similar programs in other jurisdictions in which we operate (collectively, the Renewable and Low-Carbon Fuel Blending Programs). The blending program obligations are categorized in Level 2 of the fair value hierarchy and are measured at fair value using a market approach based on quoted prices from an independent pricing service.

Nonrecurring Fair Value Measurements

There were no assets or liabilities that were measured at fair value on a nonrecurring basis as of March 31, 2022 and December 31, 2021.

Other Financial Instruments

Financial instruments that we recognize in our balance sheets at their carrying amounts are shown in the following table along with their associated fair values (in millions):

		March 31, 2022		December 31, 2021	
	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:					
Cash and cash equivalents	Level 1	$ 2,638	$ 2,638	$ 4,122	$ 4,122
Financial liabilities:					
Debt (excluding finance lease obligations)	Level 2	11,195	11,952	11,950	13,668

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. PRICE RISK MANAGEMENT ACTIVITIES

General

We are exposed to market risks primarily related to the volatility in the price of commodities, foreign currency exchange rates, and the price of credits needed to comply with the Renewable and Low-Carbon Fuel Blending Programs. We enter into derivative instruments to manage some of these risks, including derivative instruments related to the various commodities we purchase or produce, and foreign currency exchange and purchase contracts, as described below under *"Risk Management Activities by Type of Risk."* These derivative instruments are recorded as either assets or liabilities measured at their fair values (see Note 11), as summarized below under *"Fair Values of Derivative Instruments."* The effect of these derivative instruments on our income and other comprehensive income (loss) is summarized below under *"Effect of Derivative Instruments on Income and Other Comprehensive Income (Loss)."*

Risk Management Activities by Type of Risk

Commodity Price Risk

We are exposed to market risks related to the volatility in the price of feedstocks (primarily crude oil, waste and renewable feedstocks, and corn), the products we produce, and natural gas used in our operations. To reduce the impact of price volatility on our results of operations and cash flows, we use commodity derivative instruments, such as futures and options. Our positions in commodity derivative instruments are monitored and managed on a daily basis by our risk control group to ensure compliance with our stated risk management policy that has been approved by our board of directors (Board).

We primarily use commodity derivative instruments as cash flow hedges and economic hedges. Our objectives for entering into each type of hedge is described below.

- *Cash flow hedges* – The objective of our cash flow hedges is to lock in the price of forecasted purchases and/or product sales at existing market prices that we deem favorable.

- *Economic hedges* – Our objectives for holding economic hedges are to (i) manage price volatility in certain feedstock and product inventories and (ii) lock in the price of forecasted purchases and/or product sales at existing market prices that we deem favorable.

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of March 31, 2022, we had the following outstanding commodity derivative instruments that were used as cash flow hedges and economic hedges, as well as commodity derivative instruments related to the physical purchase of corn at a fixed price. The information presents the notional volume of outstanding contracts by type of instrument and year of maturity (volumes in thousands of barrels, except corn contracts that are presented in thousands of bushels).

	Notional Contract Volumes by Year of Maturity	
	2022	2023
Derivatives designated as cash flow hedges:		
Refined petroleum products:		
Futures – long	1,634	—
Futures – short	4,617	—
Derivatives designated as economic hedges:		
Crude oil and refined petroleum products:		
Futures – long	77,765	6
Futures – short	79,740	—
Corn:		
Futures – long	70,295	205
Futures – short	119,175	1,580
Physical contracts – long	46,597	1,391

Foreign Currency Risk

We are exposed to exchange rate fluctuations on transactions related to our foreign operations that are denominated in currencies other than the local (functional) currencies of our operations. To manage our exposure to these exchange rate fluctuations, we often use foreign currency contracts. These contracts are not designated as hedging instruments for accounting purposes and therefore are classified as economic hedges. As of March 31, 2022, we had foreign currency contracts to purchase $709 million of U.S. dollars and $3.1 billion of U.S. dollar equivalent Canadian dollars. Of these commitments, $1.8 billion matured on or before April 25, 2022 and the remaining $2.0 billion will mature by June 16, 2022.

Renewable and Low-Carbon Fuel Blending Programs Price Risk

We are exposed to market risk related to the volatility in the price of credits needed to comply with the Renewable and Low-Carbon Fuel Blending Programs. To manage this risk, we enter into contracts to purchase these credits. Some of these contracts are derivative instruments; however, we elect the normal purchase exception and do not record these contracts at their fair values. The Renewable and Low-Carbon Fuel Blending Programs require us to blend a certain volume of renewable and low-carbon fuels into the petroleum-based transportation fuels we produce in, or import into, the respective jurisdiction to be consumed therein based on annual quotas. To the degree we are unable to blend at the required quotas, we must purchase compliance credits (primarily renewable identification numbers (RINs)). For the three months ended March 31, 2022 and 2021, the cost of meeting our credit obligations under the Renewable and Low-Carbon Fuel Blending Programs was $302 million and $395 million, respectively, which are reflected in cost of materials and other.

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Fair Values of Derivative Instruments

The following tables provide information about the fair values of our derivative instruments as of March 31, 2022 and December 31, 2021 (in millions) and the line items in the balance sheets in which the fair values are reflected. See Note 11 for additional information related to the fair values of our derivative instruments.

As indicated in Note 11, we net fair value amounts recognized for multiple similar derivative contracts executed with the same counterparty under master netting arrangements, including cash collateral assets and obligations. The following table, however, is presented on a gross asset and gross liability basis, which results in the reflection of certain assets in liability accounts and certain liabilities in asset accounts:

		March 31, 2022		December 31, 2021	
	Balance Sheet Location	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives
Derivatives designated as hedging instruments:					
Commodity contracts	Receivables, net	$ 94	$ 220	$ 3	$ 26
Derivatives not designated as hedging instruments:					
Commodity contracts	Receivables, net	$ 1,721	$ 2,203	$ 519	$ 446
Physical purchase contracts	Inventories	24	2	4	5
Foreign currency contracts	Receivables, net	48	—	1	—
Foreign currency contracts	Accrued expenses	—	7	—	10
Total		$ 1,793	$ 2,212	$ 524	$ 461

Market Risk

Our price risk management activities involve the receipt or payment of fixed price commitments into the future. These transactions give rise to market risk, which is the risk that future changes in market conditions may make an instrument less valuable. We closely monitor and manage our exposure to market risk on a daily basis in accordance with policies approved by our Board. Market risks are monitored by our risk control group to ensure compliance with our stated risk management policy. We do not require any collateral or other security to support derivative instruments into which we enter. We also do not have any derivative instruments that require us to maintain a minimum investment-grade credit rating.

VALERO ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Effect of Derivative Instruments on Income and Other Comprehensive Income (Loss)

The following table provides information about the loss recognized in income and other comprehensive income (loss) due to fair value adjustments of our cash flow hedges (in millions):

Derivatives in Cash Flow Hedging Relationships	Location of Gain (Loss) Recognized in Income on Derivatives	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Commodity contracts:			
Loss recognized in other comprehensive income (loss) on derivatives	n/a	$ (164)	$ (13)
Loss reclassified from accumulated other comprehensive loss into income	Revenues	(119)	(23)

For cash flow hedges, no component of any derivative instrument's gains or losses was excluded from the assessment of hedge effectiveness for the three months ended March 31, 2022 and 2021. For the three months ended March 31, 2022 and 2021, cash flow hedges primarily related to forward sales of renewable diesel. The estimated deferred after-tax loss that is expected to be reclassified into revenues over the next 12 months as a result of the hedged transactions that are forecasted to occur as of March 31, 2022 was immaterial. For the three months ended March 31, 2022 and 2021, there were no amounts reclassified from accumulated other comprehensive loss into income as a result of the discontinuance of cash flow hedge accounting. The changes in accumulated other comprehensive loss by component, net of tax, for the three months ended March 31, 2022 and 2021 are described in Note 5.

The following table provides information about the gain (loss) recognized in income on our derivative instruments with respect to our economic hedges and our foreign currency hedges and the line items in the statements of income in which such gains (losses) are reflected (in millions):

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Commodity contracts	Revenues	$ (4)	$ 7
Commodity contracts	Cost of materials and other	(595)	(78)
Commodity contracts	Operating expenses (excluding depreciation and amortization expense)	3	1
Foreign currency contracts	Cost of materials and other	(2)	(8)
Foreign currency contracts	Other income (expense), net	34	30

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENT FOR THE PURPOSE OF SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This Form 10-Q, including without limitation our disclosures below under “OVERVIEW AND OUTLOOK,” includes 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. You can identify our forward-looking statements by the words “anticipate,” “believe,” “expect,” “plan,” “intend,” “scheduled,” “estimate,” “project,” “projection,” “predict,” “budget,” “forecast,” “goal,” “guidance,” “target,” “could,” “would,” “should,” “may,” “strive,” “seek,” “potential,” “opportunity,” “aimed,” “considering,” “continue,” and similar expressions.

These forward-looking statements include, among other things, statements regarding:

- the effect, impact, potential duration or timing, or other implications of the COVID-19 pandemic, government restrictions, requirements, or mandates in response thereto, variants of the COVID-19 virus, vaccine distribution and administration levels, economic activity, and global crude oil production levels, and any expectations we may have with respect thereto, including with respect to our responses thereto, our operations and the production levels of our assets;
- the effect, impact, potential duration or timing, or other implications of the Russia-Ukraine conflict;
- future Refining segment margins, including gasoline and distillate margins, and discounts;
- future Renewable Diesel segment margins;
- future Ethanol segment margins;
- expectations regarding feedstock costs, including crude oil differentials, product prices for each of our segments, and operating expenses;
- anticipated levels of crude oil and liquid transportation fuel inventories and storage capacity;
- expectations regarding the levels of, and timing with respect to, the production and operations at our existing refineries and plants and projects under construction;
- our anticipated level of capital investments, including deferred turnaround and catalyst cost expenditures, our expected allocation between, and/or within, growth capital expenditures and sustaining capital expenditures, capital expenditures for environmental and other purposes, and joint venture investments, the expected timing applicable to such capital investments and any related projects, and the effect of those capital investments on our business, financial condition, results of operations, and liquidity;
- our anticipated level of cash distributions or contributions, such as our dividend payment rate and contributions to our qualified pension plans and other postretirement benefit plans;
- our ability to meet future cash requirements, whether from funds generated from our operations or our ability to access financial markets effectively, and our ability to maintain sufficient liquidity;
- our evaluation of, and expectations regarding, any future activity under our share repurchase program or transactions involving our debt securities;
- anticipated trends in the supply of, and demand for, crude oil and other feedstocks and refined petroleum products, renewable diesel, and ethanol and corn related co-products in the regions where we operate, as well as globally;
- expectations regarding environmental, tax, and other regulatory matters, including the anticipated amounts and timing of payment with respect to our deferred tax liabilities, matters impacting our

ability to repatriate cash held by our foreign subsidiaries, and the anticipated effect thereof on our business, financial condition, results of operations, and liquidity;
- the effect of general economic and other conditions on refining, renewable diesel, and ethanol industry fundamentals;
- expectations regarding our risk management activities, including the anticipated effects of our hedge transactions;
- expectations regarding our counterparties, including our ability to pass on increased compliance costs and timely collect receivables, and the credit risk within our accounts receivable or accounts payable;
- expectations regarding adoptions of new, or changes to existing, low-carbon fuel standards or policies, blending and tax credits, or efficiency standards that impact demand for renewable fuels; and
- expectations regarding our publicly announced greenhouse gas (GHG) emissions reduction/offset targets and our current and any future carbon transition projects.

We based our forward-looking statements on our current expectations, estimates, and projections about ourselves, our industry, and the global economy and financial markets generally. We caution that these statements are not guarantees of future performance or results and involve known and unknown risks and uncertainties, the ultimate outcomes of which we cannot predict with certainty. In addition, we based many of these forward-looking statements on assumptions about future events, the ultimate outcomes of which we cannot predict with certainty and which may prove to be inaccurate. Accordingly, actual performance or results may differ materially from the future performance or results that we have expressed, suggested, or forecast in the forward-looking statements. Differences between actual performance or results and any future performance or results expressed, suggested, or forecast in these forward-looking statements could result from a variety of factors, including the following:

- demand for, and supplies of, refined petroleum products (such as gasoline, diesel, jet fuel, and petrochemicals), renewable diesel, and ethanol and corn related co-products;
- demand for, and supplies of, crude oil and other feedstocks;
- the effects of public health threats, pandemics, and epidemics, such as the COVID-19 pandemic and variants of the virus, governmental and societal responses thereto, including requirements and mandates with respect to vaccines, vaccine distribution and administration levels, and the adverse impacts of the foregoing on our business, financial condition, results of operations, and liquidity, including, but not limited to, our growth, operating costs, administrative costs, supply chain, labor availability, logistical capabilities, customer demand for our products, and industry demand generally, margins, production and throughput capacity, utilization, inventory value, cash position, taxes, the price of our securities and trading markets with respect thereto, our ability to access capital markets, and the global economy and financial markets generally;
- acts of terrorism aimed at either our refineries and plants or third-party facilities that could impair our ability to produce or transport refined petroleum products, renewable diesel, ethanol, or corn related co-products, to receive feedstocks, or otherwise operate efficiently;
- the effects of war or hostilities, and political and economic conditions, in nations that produce crude oil or other feedstocks or consume refined petroleum products, renewable diesel, ethanol or corn related co-products;
- the ability of the members of the Organization of Petroleum Exporting Countries (OPEC) to agree on and to maintain crude oil price and production controls;
- the level of consumer demand, consumption and overall economic activity, including seasonal fluctuations;
- refinery, renewable diesel plant, or ethanol plant overcapacity or undercapacity;

- the risk that any divestitures may not provide the anticipated benefits or may result in unforeseen detriments;
- the actions taken by competitors, including both pricing and adjustments to refining capacity or renewable fuels production in response to market conditions;
- the level of competitors' imports into markets that we supply;
- accidents, unscheduled shutdowns, weather events, civil unrest, expropriation of assets, and other economic, diplomatic, legislative, or political events or developments, terrorism, cyberattacks, or other catastrophes or disruptions affecting our operations, production facilities, machinery, pipelines and other logistics assets, equipment, or information systems, or any of the foregoing of our suppliers, customers, or third-party service providers;
- changes in the cost or availability of transportation or storage capacity for feedstocks and our products;
- political pressure and influence of environmental groups and other stakeholders upon policies and decisions related to the production, transportation, storage, refining, processing, marketing, and sales of crude oil or other feedstocks, refined petroleum products, renewable diesel, ethanol, or corn related co-products;
- the price, availability, technology related to, and acceptance of alternative fuels and alternative-fuel vehicles, as well as sentiment and perceptions with respect to GHG emissions more generally;
- the levels of government subsidies for, and executive orders, mandates, or other policies with respect to, alternative fuels, alternative-fuel vehicles, and other low-carbon technologies or initiatives, including those related to carbon capture, carbon sequestration, and low-carbon fuels, or affecting the price of natural gas and/or electricity;
- the volatility in the market price of compliance credits (primarily RINs needed to comply with the RFS) and emission credits needed under the other environmental emissions programs;
- delay of, cancellation of, or failure to implement planned capital projects and realize the various assumptions and benefits projected for such projects or cost overruns in constructing such planned capital projects;
- earthquakes, hurricanes, tornadoes, and other weather events, which can unforeseeably affect the price or availability of electricity, natural gas, crude oil, waste and renewable feedstocks, corn, and other feedstocks, critical supplies, refined petroleum products, renewable diesel, and ethanol;
- rulings, judgments, or settlements in litigation or other legal or regulatory matters, including unexpected environmental remediation costs, in excess of any reserves or insurance coverage;
- legislative or regulatory action, including the introduction or enactment of legislation or rulemakings by governmental authorities, such as tariffs, environmental regulations, changes to income tax rates, introduction of a global minimum tax, tax changes or restrictions impacting the foreign repatriation of cash, actions implemented under the Renewable and Low-Carbon Fuel Blending Programs and the other environmental emissions programs, including changes to volume requirements or other obligations or exemptions under the RFS, and actions arising from the EPA's or other governmental agencies' regulations, policies, or initiatives concerning GHGs, including mandates for or bans of specific technology, which may adversely affect our business or operations;
- changing economic, regulatory, and political environments and related events in the various countries in which we operate or otherwise do business, including expropriation or impoundment of assets, failure of foreign governments and state-owned entities to honor their contracts, property disputes, and decisions, investigations, regulations, issuances or revocations of permits and other authorizations, and other actions, policies and initiatives by the states, counties, cities, and other jurisdictions in the countries in which we operate or otherwise do business;
- changes in the credit ratings assigned to our debt securities and trade credit;

- the operating, financing, and distribution decisions of our joint ventures or other joint venture members that we do not control;
- changes in currency exchange rates, including the value of the Canadian dollar, the pound sterling, the euro, the Mexican peso, and the Peruvian sol relative to the U.S. dollar;
- the adequacy of capital resources and liquidity, including availability, timing, and amounts of cash flow or our ability to borrow or access financial markets;
- the costs, disruption, and diversion of resources associated with campaigns and negative publicity commenced by investors, stakeholders, or other interested parties;
- overall economic conditions, including the stability and liquidity of financial markets; and
- other factors generally described in the "RISK FACTORS" section included in our annual report on Form 10-K for the year ended December 31, 2021.

Any one of these factors, or a combination of these factors, could materially affect our future results of operations and whether any forward-looking statements ultimately prove to be accurate. Our forward-looking statements are not guarantees of future performance, and actual results and future performance may differ materially from those expressed, suggested, or forecast in any forward-looking statements. Such forward-looking statements speak only as of the date of this quarterly report on Form 10-Q and we do not intend to update these statements unless we are required by applicable securities laws to do so.

All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing, as it may be updated or modified by our future filings with the U.S. Securities and Exchange Commission (SEC). We undertake no obligation to publicly release any revisions to any such forward-looking statements that may be made to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events unless we are required by applicable securities laws to do so.

NON-GAAP FINANCIAL MEASURES

The discussions in "OVERVIEW AND OUTLOOK," "RESULTS OF OPERATIONS," and "LIQUIDITY AND CAPITAL RESOURCES" below include references to financial measures that are not defined under GAAP. These non-GAAP financial measures include adjusted operating income (loss) (including adjusted operating income (loss) for each of our reportable segments, as applicable); Refining, Renewable Diesel, and Ethanol segment margin; and capital investments attributable to Valero. We have included these non-GAAP financial measures to help facilitate the comparison of operating results between periods, to help assess our cash flows, and because we believe they provide useful information as discussed further below. See the tables in note (c) beginning on page 39 for reconciliations of adjusted operating income (loss) (including adjusted operating income (loss) for each of our reportable segments, as applicable) and Refining, Renewable Diesel, and Ethanol segment margin to their most directly comparable GAAP financial measures. Also in note (c), we disclose the reasons why we believe our use of such non-GAAP financial measures provides useful information. See the table on page 45 for a reconciliation of capital investments attributable to Valero to its most directly comparable GAAP financial measure. Beginning on page 44, we disclose the reasons why we believe our use of this non-GAAP financial measure provides useful information.

OVERVIEW AND OUTLOOK

Overview

Business Operations Update

Despite the ongoing COVID-19 pandemic, which negatively impacted the demand for and market prices of our products throughout much of the last two years, the demand for most of our products returned to near pre-pandemic levels by the latter half of 2021 and has remained at those levels during the first quarter of 2022. Demand for most of our products improved along with improvements in the global economy as the worldwide efforts to address the virus have progressed. While increased demand has led to higher market prices for most of our products, including higher market prices for crude oil and other feedstocks that we purchase and process to make those products, the negative impact to the worldwide supply of crude oil and petroleum-based products resulting from the Russian invasion of and military attack on Ukraine in February 2022 was the primary reason for the market price increases during the quarter. Various actions taken by countries and private market participants regarding the purchase and transport of Russian crude oil and petroleum-based products in response to the invasion has resulted in a lower worldwide supply of these products and a corresponding increase in prices. The strong demand and associated increase in refining margins were the primary contributors to us reporting $905 million of net income attributable to Valero stockholders for the first quarter of 2022. Our operating results, including operating results by segment, are described in the following summary under "First Quarter Results" and detailed descriptions can be found under "RESULTS OF OPERATIONS."

Our operations generated $588 million of cash during the first quarter of 2022. This cash, along with cash on hand, was used to make $843 million of capital investments in our business and return $545 million to our stockholders through dividend payments and the purchase of common stock for treasury. In addition, we completed debt reduction and refinancing transactions that reduced our long-term debt by $750 million. As a result of this and other activity, our cash and cash equivalents decreased by $1.5 billion, from $4.1 billion as of December 31, 2021 to $2.6 billion as of March 31, 2022. We had $7.3 billion in liquidity as of March 31, 2022. The components of our liquidity and descriptions of our cash flows, capital investments, and other matters impacting our liquidity and capital resources, can be found under "LIQUIDITY AND CAPITAL RESOURCES."

First Quarter Results

For the first quarter of 2022, we reported net income attributable to Valero stockholders of $905 million compared to a net loss attributable to Valero stockholders of $704 million for the first quarter of 2021. The increase of $1.6 billion was primarily due to higher operating income of $2.1 billion, partially offset by higher income tax expense of $400 million. The details of our operating income (loss) and adjusted operating income (loss) by segment and in total are reflected on the following page. Adjusted operating income (loss) excludes the adjustments reflected in the tables in note (c).

	Three Months Ended March 31,		
	2022	2021	Change
Refining segment:			
Operating income (loss)	$ 1,451	$ (592)	$ 2,043
Adjusted operating income (loss)	1,469	(506)	1,975
Renewable Diesel segment:			
Operating income	149	203	(54)
Ethanol segment:			
Operating income (loss)	1	(56)	57
Adjusted operating income (loss)	2	(56)	58
Total company:			
Operating income (loss)	1,384	(666)	2,050
Adjusted operating income (loss)	1,403	(580)	1,983

While our operating income increased by $2.1 billion in the first quarter of 2022 compared to the first quarter of 2021, adjusted operating income increased by $2.0 billion primarily due to the following:

- *Refining segment.* Refining segment adjusted operating income increased by $2.0 billion primarily due to higher gasoline and distillate (primarily diesel) margins, the effect of estimated excess energy costs in the first quarter of 2021 arising from Winter Storm Uri, and higher throughput volumes.

- *Renewable Diesel segment.* Renewable Diesel segment operating income decreased by $54 million primarily due to higher feedstock costs, an unfavorable impact from commodity derivative instruments associated with our price risk management activities, and higher operating expenses (excluding depreciation and amortization expense), partially offset by higher sales volumes and higher renewable diesel prices.

- *Ethanol segment.* Ethanol segment adjusted operating income increased by $58 million primarily due to higher ethanol prices and the effect of estimated excess energy costs in the first quarter of 2021 arising from Winter Storm Uri, partially offset by higher corn prices.

Outlook

Many uncertainties remain with respect to the Russia-Ukraine conflict and the COVID-19 pandemic, and while it is difficult to predict the ultimate economic impacts that these events may have on us, we have noted several factors below that have impacted or may impact our results of operations during the second quarter of 2022.

- Gasoline and diesel product demand has returned to near pre-pandemic levels and is expected to follow typical seasonal patterns. Jet fuel demand continues to improve slowly, but remains below pre-pandemic levels.

- Crude oil discounts are expected to remain near current levels until restrictions against Russia, Iran, or Venezuela are lifted.

- Renewable diesel margins are expected to remain consistent with current levels.

- Ethanol margins are expected to improve as demand follows typical seasonal patterns.

RESULTS OF OPERATIONS

The following tables, including the reconciliations of non-GAAP financial measures to their most directly comparable GAAP financial measures in note (c) beginning on page 39, highlight our results of operations, our operating performance, and market reference prices that directly impact our operations. Note references in this section can be found on pages 39 through 42.

First Quarter Results -
Financial Highlights By Segment and Total Company
(millions of dollars)

	Three Months Ended March 31, 2022				
	Refining	Renewable Diesel	Ethanol	Corporate and Eliminations	Total
Revenues:					
Revenues from external customers	$ 36,813	$ 595	$ 1,134	$ —	$ 38,542
Intersegment revenues	4	386	127	(517)	—
Total revenues	36,817	981	1,261	(517)	38,542
Cost of sales:					
Cost of materials and other	33,606	755	1,104	(516)	34,949
Operating expenses (excluding depreciation and amortization expense reflected below)	1,193	51	135	—	1,379
Depreciation and amortization expense	549	26	20	—	595
Total cost of sales	35,348	832	1,259	(516)	36,923
Other operating expenses	18	—	1	—	19
General and administrative expenses (excluding depreciation and amortization expense reflected below)	—	—	—	205	205
Depreciation and amortization expense	—	—	—	11	11
Operating income by segment	$ 1,451	$ 149	$ 1	$ (217)	1,384
Other expense, net (b)					(20)
Interest and debt expense, net of capitalized interest					(145)
Income before income tax expense					1,219
Income tax expense					252
Net income					967
Less: Net income attributable to noncontrolling interests					62
Net income attributable to Valero Energy Corporation stockholders					$ 905

First Quarter Results -
Financial Highlights By Segment and Total Company (continued)
(millions of dollars)

	Three Months Ended March 31, 2021				
	Refining	Renewable Diesel	Ethanol	Corporate and Eliminations	Total
Revenues:					
Revenues from external customers	$ 19,469	$ 352	$ 985	$ —	$ 20,806
Intersegment revenues	3	79	60	(142)	—
Total revenues	19,472	431	1,045	(142)	20,806
Cost of sales:					
Cost of materials and other (a)	18,022	187	924	(141)	18,992
Operating expenses (excluding depreciation and amortization expense reflected below) (a)	1,471	29	156	—	1,656
Depreciation and amortization expense	533	12	21	—	566
Total cost of sales	20,026	228	1,101	(141)	21,214
Other operating expenses	38	—	—	—	38
General and administrative expenses (excluding depreciation and amortization expense reflected below)	—	—	—	208	208
Depreciation and amortization expense	—	—	—	12	12
Operating income (loss) by segment	$ (592)	$ 203	$ (56)	$ (221)	(666)
Other income, net					45
Interest and debt expense, net of capitalized interest					(149)
Loss before income tax benefit					(770)
Income tax benefit					(148)
Net loss					(622)
Less: Net income attributable to noncontrolling interests					82
Net loss attributable to Valero Energy Corporation stockholders					$ (704)

First Quarter Results -
Average Market Reference Prices and Differentials

	Three Months Ended March 31,	
	2022	**2021**
Refining		
Feedstocks (dollars per barrel)		
Brent crude oil	$ 97.34	$ 61.09
Brent less West Texas Intermediate (WTI) crude oil	2.88	3.26
Brent less Alaska North Slope (ANS) crude oil	1.73	0.33
Brent less Louisiana Light Sweet (LLS) crude oil	0.57	1.11
Brent less Argus Sour Crude Index (ASCI) crude oil	4.93	2.99
Brent less Maya crude oil	8.50	4.70
LLS crude oil	96.77	59.98
LLS less ASCI crude oil	4.36	1.88
LLS less Maya crude oil	7.93	3.59
WTI crude oil	94.46	57.84
Natural gas (dollars per million British Thermal Units)	4.32	19.66
Product margins (dollars per barrel)		
U.S. Gulf Coast:		
Conventional Blendstock of Oxygenate Blending (CBOB) gasoline less Brent	15.67	10.12
Ultra-low-sulfur (ULS) diesel less Brent	27.95	10.19
Propylene less Brent	(28.82)	18.50
CBOB gasoline less LLS	16.24	11.23
ULS diesel less LLS	28.52	11.30
Propylene less LLS	(28.25)	19.61
U.S. Mid-Continent:		
CBOB gasoline less WTI	16.02	14.82
ULS diesel less WTI	27.27	17.21
North Atlantic:		
CBOB gasoline less Brent	17.68	11.56
ULS diesel less Brent	32.47	11.89
U.S. West Coast:		
California Reformulated Gasoline Blendstock of Oxygenate Blending (CARBOB) 87 gasoline less ANS	28.46	14.56
California Air Resources Board (CARB) diesel less ANS	32.27	14.14
CARBOB 87 gasoline less WTI	29.61	17.49
CARB diesel less WTI	33.42	17.07

First Quarter Results -
Average Market Reference Prices and Differentials (continued)

	Three Months Ended March 31,	
	2022	**2021**
Renewable Diesel		
New York Mercantile Exchange ULS diesel (dollars per gallon)	$ 3.04	$ 1.74
Biodiesel RIN (dollars per RIN)	1.43	1.18
California Low-Carbon Fuel Standard (dollars per metric ton)	138.63	195.30
Chicago Board of Trade (CBOT) soybean oil (dollars per pound)	0.68	0.48
Ethanol		
CBOT corn (dollars per bushel)	6.70	5.39
New York Harbor ethanol (dollars per gallon)	2.39	1.78

Total Company, Corporate, and Other

The following table includes selected financial data for the total company, corporate, and other for the first quarter of 2022 and 2021. The selected financial data is derived from the Financial Highlights by Segment and Total Company tables, unless otherwise noted.

	Three Months Ended March 31,		
	2022	**2021**	**Change**
Revenues	$ 38,542	$ 20,806	$ 17,736
Cost of materials and other (see note (a))	34,949	18,992	15,957
Operating expenses (excluding depreciation and amortization expense) (see note (a))	1,379	1,656	(277)
Operating income (loss)	1,384	(666)	2,050
Adjusted operating income (loss) (see note (c))	1,403	(580)	1,983
Other income (expense), net (see note (b))	(20)	45	(65)
Income tax expense (benefit)	252	(148)	400
Net income attributable to noncontrolling interests	62	82	(20)

Revenues increased by $17.7 billion in the first quarter of 2022 compared to the first quarter of 2021 primarily due to increases in the product prices of the petroleum-based transportation fuels associated with sales made by our Refining segment. This increase in revenues, along with lower operating expenses (excluding depreciation and amortization expense) of $277 million, which includes the impact of estimated excess energy costs of $532 million arising out of Winter Storm Uri in the first quarter of 2021, was partially offset by an increase in cost of materials and other of $16.0 billion primarily due to increases in crude oil and other feedstock costs. These changes resulted in a $2.1 billion increase in operating income, from an operating loss of $666 million in the first quarter of 2021 to operating income of $1.4 billion in the first quarter of 2022.

Adjusted operating income increased by $2.0 billion, from an adjusted operating loss of $580 million in the first quarter of 2021 to adjusted operating income of $1.4 billion in the first quarter of 2022. The components of this $2.0 billion increase in adjusted operating income are discussed by segment in the segment analyses that follow.

"Other income (expense), net" decreased by $65 million in the first quarter of 2022 compared to the first quarter of 2021 primarily due to a charge of $50 million from the early retirement of debt in the first quarter of 2022 (see note (b)).

Income tax expense increased by $400 million in the first quarter of 2022 compared to the first quarter of 2021 primarily as a result of higher income before income tax expense. Our effective tax rate was 21 percent for the first quarter of 2022 compared to 19 percent for the first quarter of 2021.

Net income attributable to noncontrolling interests decreased by $20 million in the first quarter of 2022 compared to the first quarter of 2021 primarily due to lower earnings associated with DGD, a consolidated joint venture. See Note 6 of Condensed Notes to Consolidated Financial Statements regarding our accounting for DGD.

Refining Segment Results

The following table includes selected financial and operating data of our Refining segment for the first quarter of 2022 and 2021. The selected financial data is derived from the Financial Highlights by Segment and Total Company tables, unless otherwise noted.

	Three Months Ended March 31,		
	2022	2021	Change
Operating income (loss)	$ 1,451	$ (592)	$ 2,043
Adjusted operating income (loss) (see note (c))	1,469	(506)	1,975
Refining margin (see note (c))	$ 3,211	$ 1,498	$ 1,713
Operating expenses (excluding depreciation and amortization expense reflected below) (see note (a))	1,193	1,471	(278)
Depreciation and amortization expense	549	533	16
Throughput volumes (thousand barrels per day) (see note (e))	2,800	2,410	390

Refining segment operating income increased by $2.0 billion in the first quarter of 2022 compared to the first quarter of 2021. Refining segment adjusted operating income, which excludes the adjustments in the table in note (c), also increased by $2.0 billion in the first quarter of 2022 compared to the first quarter of 2021. The components of this increase in the adjusted results, along with the reasons for the changes in those components, are outlined below.

- Refining segment margin increased by $1.7 billion in the first quarter of 2022 compared to the first quarter of 2021.

  Refining segment margin is primarily affected by the prices of the petroleum-based transportation fuels that we sell and the cost of crude oil and other feedstocks that we process. The table on page 34 reflects market reference prices and differentials that we believe had a material impact on the change in our Refining segment margin in the first quarter of 2022 compared to the first quarter of 2021.

  The increase in Refining segment margin was primarily due to the following:

  - An increase in distillate (primarily diesel) margins had a favorable impact of approximately $1.1 billion.

- An increase in gasoline margins had a favorable impact of approximately $278 million.
- An increase in throughput volumes of 390,000 barrels per day had a favorable impact of approximately $243 million.

- Refining segment operating expenses (excluding depreciation and amortization expense) decreased by $278 million primarily due to lower energy costs, which includes the effect of estimated excess energy costs in the first quarter of 2021 arising out of Winter Storm Uri of $478 million (see note (a)).

Renewable Diesel Segment Results

The following table includes selected financial and operating data of our Renewable Diesel segment for the first quarter of 2022 and 2021. The selected financial data is derived from the Financial Highlights by Segment and Total Company tables, unless otherwise noted.

	Three Months Ended March 31,		
	2022	2021	Change
Operating income	$ 149	$ 203	$ (54)
Renewable Diesel margin (see note (c))	$ 226	$ 244	$ (18)
Operating expenses (excluding depreciation and amortization expense reflected below)	51	29	22
Depreciation and amortization expense	26	12	14
Sales volumes (thousand gallons per day) (see note (e))	1,738	867	871

Renewable Diesel segment operating income decreased by $54 million in the first quarter of 2022 compared to the first quarter of 2021. The components of this decrease, along with the reasons for the changes in those components, are listed below.

- Renewable Diesel segment margin decreased by $18 million in the first quarter of 2022 compared to the first quarter of 2021.

  Renewable Diesel segment margin is primarily affected by the price of the renewable diesel that we sell and the cost of the feedstocks that we process. The table on page 35 reflects market reference prices that we believe had a material impact on the change in our Renewable Diesel segment margin in the first quarter of 2022 compared to the first quarter of 2021.

  The decrease in Renewable Diesel segment margin was primarily due to the following:

  - An increase in the cost of the feedstocks we process had an unfavorable impact of approximately $392 million.
  - Price risk management activities had an unfavorable impact of approximately $96 million. We recognized a hedge loss of $119 million in the first quarter of 2022 compared to a hedge loss of $23 million in the first quarter of 2021.
  - An increase in sales volumes of 871,000 gallons per day had a favorable impact of approximately $291 million. The increase in sales volume was primarily due to the

additional production capacity resulting from the expansion of DGD's existing renewable diesel plant (the DGD Plant) that commenced operations in the fourth quarter of 2021.

  - Higher renewable diesel prices had a favorable impact of approximately $166 million.

- Renewable Diesel segment operating expenses (excluding depreciation and amortization expense) increased by $22 million primarily due to increased costs resulting from the expansion of the DGD Plant that commenced operations in the fourth quarter of 2021.

- Renewable Diesel segment depreciation and amortization expense increased by $14 million primarily due to depreciation expense associated with the expansion of the DGD Plant that commenced operations in the fourth quarter of 2021.

Ethanol Segment Results

The following table includes selected financial and operating data of our Ethanol segment for the first quarter of 2022 and 2021. The selected financial data is derived from the Financial Highlights by Segment and Total Company tables, unless otherwise noted.

	Three Months Ended March 31,		
	2022	2021	Change
Operating income (loss)	$ 1	$ (56)	$ 57
Adjusted operating income (loss) (see note (c))	2	(56)	58
Ethanol margin (see note (c))	$ 157	$ 121	$ 36
Operating expenses (excluding depreciation and amortization expense reflected below) (see note (a))	135	156	(21)
Depreciation and amortization expenses	20	21	(1)
Production volumes (thousand gallons per day) (see note (e))	4,045	3,562	483

Ethanol segment operating income increased by $57 million in the first quarter of 2022; however, Ethanol segment adjusted operating income, which excludes the adjustment in the table in note (c), increased by $58 million in the first quarter of 2022 compared to the first quarter of 2021. The components of this increase in the adjusted results, along with the reasons for the changes in those components, are outlined below.

- Ethanol segment margin increased by $36 million in the first quarter of 2022 compared to the first quarter of 2021.

  Ethanol segment margin is primarily affected by prices of the ethanol and corn related co-products that we sell and the cost of corn that we process. The table on page 35 reflects market reference prices that we believe had a material impact on the change in our Ethanol segment margin in the first quarter of 2022 compared to the first quarter of 2021.

  The increase in Ethanol segment margin was primarily due to the following:

  - Higher ethanol prices had a favorable impact of approximately $171 million.

- An increase in production volumes of 483,000 gallons per day had a favorable impact of approximately $21 million.
- Higher prices on the co-products that we produce, primarily inedible corn oil, had a favorable impact of approximately $16 million.
- Higher corn prices had an unfavorable impact of approximately $175 million.

- Ethanol segment operating expenses (excluding depreciation and amortization expense) decreased by $21 million primarily due to lower energy costs, which includes the effect of estimated excess energy costs in the first quarter of 2021 arising out of Winter Storm Uri of $54 million (see note (a)).

The following notes relate to references on pages 32 through 39.

(a) In mid-February 2021, many of our refineries and plants were impacted to varying extents by the severe cold, utility disruptions, and higher energy costs arising out of Winter Storm Uri. The higher energy costs resulted from an increase in the prices of natural gas and electricity that significantly exceeded rates that we consider normal, such as the average rates we incurred the month preceding the storm. As a result, our operating loss for the three months ended March 31, 2021 includes estimated excess energy costs of $579 million.

The above-mentioned pre-tax estimated excess energy charge is reflected in our statement of income line items and attributable to our reportable segments for the three months ended March 31, 2021 as follows (in millions):

	Refining	Renewable Diesel	Ethanol	Total
Cost of materials and other	$ 47	$ —	$ —	$ 47
Operating expenses (excluding depreciation and amortization expense)	478	—	54	532
Total estimated excess energy costs	$ 525	$ —	$ 54	$ 579

(b) “Other income (expense), net” for the three months ended March 31, 2022 includes a charge of $50 million from the early retirement of approximately $1.4 billion aggregate principal amount of various series of our senior notes.

(c) We use certain financial measures (as noted below) that are not defined under GAAP and are considered to be non-GAAP measures.

We have defined these non-GAAP measures and believe they are useful to the external users of our financial statements, including industry analysts, investors, lenders, and rating agencies. We believe our adjusted operating income measures (including for our Refining and Ethanol segments) are useful to assess our ongoing financial performance because, when reconciled to their most comparable GAAP measures, they provide improved comparability between periods after adjusting for certain items that we believe are not indicative of our core operating performance and that may obscure our underlying business results and trends. We believe our Refining margin, Renewable Diesel margin, and Ethanol margin, as applicable, are important measures of the relevant segment’s operating and financial performance because, with respect to such segment, it is the most comparable measure to the industry’s market reference product margins, which are used by industry analysts, investors, and others to evaluate our performance. These non-GAAP measures should not be considered as alternatives to their most comparable GAAP measures nor should they be considered in isolation or as a substitute for an analysis of our results of operations as reported under GAAP. In addition, these non-GAAP measures may not be comparable to similarly titled measures used by other companies because we may define them differently, which diminishes their utility.

Non-GAAP measures are as follows:

- **Refining margin** is defined as Refining segment operating income (loss) excluding the modification of RVO adjustment (as defined in note (d)), operating expenses (excluding depreciation and amortization expense), depreciation and amortization expense, and other operating expenses, as reflected in the table below.

	Three Months Ended March 31,	
	2022	**2021**
Reconciliation of Refining operating income (loss) to Refining margin		
Refining operating income (loss)	$ 1,451	$ (592)
Adjustments:		
Modification of RVO (see note (d))	—	48
Operating expenses (excluding depreciation and amortization expense) (see note (a))	1,193	1,471
Depreciation and amortization expense	549	533
Other operating expenses	18	38
Refining margin	$ 3,211	$ 1,498

- **Renewable Diesel margin** is defined as Renewable Diesel segment operating income excluding operating expenses (excluding depreciation and amortization expense) and depreciation and amortization expense, as reflected in the table below.

	Three Months Ended March 31,	
	2022	**2021**
Reconciliation of Renewable Diesel operating income to Renewable Diesel margin		
Renewable Diesel operating income	$ 149	$ 203
Adjustments:		
Operating expenses (excluding depreciation and amortization expense)	51	29
Depreciation and amortization expense	26	12
Renewable Diesel margin	$ 226	$ 244

- **Ethanol margin** is defined as Ethanol segment operating income (loss) excluding operating expenses (excluding depreciation and amortization expense), depreciation and amortization expense, and other operating expenses, as reflected in the table below.

	Three Months Ended March 31,	
	2022	**2021**
Reconciliation of Ethanol operating income (loss) to Ethanol margin		
Ethanol operating income (loss)	$ 1	$ (56)
Adjustments:		
Operating expenses (excluding depreciation and amortization expense) (see note (a))	135	156
Depreciation and amortization expense	20	21
Other operating expenses	1	—
Ethanol margin	$ 157	$ 121

- **Adjusted Refining operating income (loss)** is defined as Refining segment operating income (loss) excluding the modification of RVO adjustment and other operating expenses, as reflected in the table below.

	Three Months Ended March 31,	
	2022	2021
Reconciliation of Refining operating income (loss) to adjusted Refining operating income (loss)		
Refining operating income (loss)	$ 1,451	$ (592)
Adjustments:		
Modification of RVO (see note (d))	—	48
Other operating expenses	18	38
Adjusted Refining operating income (loss)	$ 1,469	$ (506)

- **Adjusted Ethanol operating income (loss)** is defined as Ethanol segment operating income (loss) excluding other operating expenses, as reflected in the table below.

	Three Months Ended March 31,	
	2022	2021
Reconciliation of Ethanol operating income (loss) to adjusted Ethanol operating income (loss)		
Ethanol operating income (loss)	$ 1	$ (56)
Other operating expenses	1	—
Adjusted Ethanol operating income (loss)	$ 2	$ (56)

- **Adjusted operating income (loss)** is defined as total company operating income (loss) excluding the modification of RVO adjustment and other operating expenses, as reflected in the table below.

	Three Months Ended March 31,	
	2022	2021
Reconciliation of total company operating income (loss) to adjusted operating income (loss)		
Total company operating income (loss)	$ 1,384	$ (666)
Adjustments:		
Modification of RVO (see note (d))	—	48
Other operating expenses	19	38
Adjusted operating income (loss)	$ 1,403	$ (580)

(d) Under the RFS program, the EPA is required to set annual quotas for the volume of renewable fuels that must be blended into petroleum-based transportation fuels consumed in the U.S. by obligated parties. The quotas are used to determine an obligated party's renewable volume obligation (RVO). In December 2021, the EPA released a proposed rule that, among other things, modified the volume standards for 2020 and, for the first time, established volume standards for 2021.

Because the existing volume standards for 2020 were established under a currently enforceable rule, we will recognize the effect of the modification in volume standards for 2020 in the period the final rule is enacted. However, because volume standards had not previously been established for 2021, we considered the new information available in the proposed rule in determining the estimated RVO for our Refining segment for the year ended December 31, 2021. As a result, we recognized in December 2021 a benefit related to the

modification of our RVO estimate of $205 million, of which $48 million is attributable to the three months ended March 31, 2021.

(e) We use throughput volumes, sales volumes, and production volumes for the Refining segment, Renewable Diesel segment, and Ethanol segment, respectively, due to their general use by others who operate facilities similar to those included in our segments.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the first quarter of 2022, our liquidity was impacted by the significant increases in commodity prices and our planned debt reduction and refinancing transactions. The significant increases in commodity prices affected the amount of cash generated by our product sales, as well as the cash used to pay for our feedstock purchases. In addition, the debt reduction and refinancing transactions reduced our long-term debt by $750 million as described in Note 4 of Condensed Notes to Consolidated Financial Statements. Overall, our liquidity declined by $1.9 billion during the first quarter of 2022, from $9.2 billion as of December 31, 2021 to $7.3 billion as of March 31, 2022.

Our Liquidity

Our liquidity consisted of the following as of March 31, 2022 (in millions):

Available capacity from our committed facilities (a):		
Valero Revolver	$	3,385
Canadian Revolver (b)		117
Accounts receivable sales facility		1,300
Letter of credit facility		50
Total available capacity		4,852
Cash and cash equivalents (c)		2,481
Total liquidity	$	7,333

(a) Excludes the committed facilities of the consolidated VIEs.
(b) The amount for our Canadian Revolver is shown in U.S. dollars. As set forth in the summary of our credit facilities in Note 4 of Condensed Notes to Consolidated Financial Statements, the availability under our Canadian Revolver as of March 31, 2022 in Canadian dollars was C$145 million.
(c) Excludes $157 million of cash and cash equivalents related to the consolidated VIEs that is available for use only by the VIEs.

Information about our outstanding borrowings, letters of credit issued, and availability under our credit facilities is reflected in Note 4 of Condensed Notes to Consolidated Financial Statements.

We believe we have sufficient funds from operations and from available capacity under our credit facilities to fund our ongoing operating requirements and other commitments over the next 12 months and thereafter for the foreseeable future. We expect that, to the extent necessary, we can raise additional cash through equity or debt financings in the public and private capital markets or the arrangement of additional credit facilities. However, there can be no assurances regarding the availability of any future financings or additional credit facilities or whether such financings or additional credit facilities can be made available on terms that are acceptable to us.

Cash Flows

Components of our cash flows are set forth below (in millions):

	Three Months Ended March 31,	
	2022	2021
Cash flows provided by (used in):		
Operating activities	$ 588	$ (52)
Investing activities	(841)	(580)
Financing activities:		
Debt issuances and borrowings	1,066	8
Repayments of debt and finance lease obligations (including premiums on early retirement of debt)	(1,904)	(32)
Other financing activities	(390)	(415)
Financing activities	(1,228)	(439)
Effect of foreign exchange rate changes on cash	(3)	12
Net decrease in cash and cash equivalents	$ (1,484)	$ (1,059)

Cash Flows for the Three Months Ended March 31, 2022

In the first quarter of 2022, we used $588 million of cash generated by our operations, $1.5 billion of cash on hand, and $1.1 billion in debt issuances and borrowings to make $841 million of investments in our business, repay $1.9 billion of debt and finance lease obligations (including premiums on the early retirement of debt), and fund $390 million of other financing activities. The debt issuance, borrowings, and repayments are described in Note 4 of Condensed Notes to Consolidated Financial Statements.

As previously noted, our operations generated $588 million of cash in the first quarter of 2022, driven primarily by net income of $967 million and noncash charges to income of $343 million, partially offset by an unfavorable change in working capital of $722 million. Noncash charges primarily included $606 million of depreciation and amortization expense and a $50 million loss on the early retirement of debt, partially offset by a $234 million deferred income tax benefit. Details regarding the components of the change in working capital, along with the reasons for the changes in those components, are described in Note 10 of Condensed Notes to Consolidated Financial Statements. In addition, see “RESULTS OF OPERATIONS” for an analysis of the significant components of our net income.

Our investing activities of $841 million consisted of $843 million in capital investments, as defined below under “Capital Investments,” of which $225 million related to capital investments by DGD and $13 million related to capital expenditures of VIEs other than DGD.

Other financing activities of $390 million consisted primarily of $401 million in dividend payments and $144 million for the purchase of common stock for treasury, partially offset by $165 million in contributions from the other joint venture member in DGD.

Cash Flows for the Three Months Ended March 31, 2021

In the first quarter of 2021, we used $1.1 billion of our cash on hand to fund our operations by $52 million, make $580 million of investments in our business, repay $32 million of debt and finance lease obligations, and fund $415 million of other financing activities.

Our operations typically generate positive net cash flows; however, in the first quarter of 2021, we used $52 million of cash to fund our operations that was largely driven by a significant increase in energy costs

at certain of our refineries and ethanol plants due to effects arising out of Winter Storm Uri, partially offset by noncash charges to income of $386 million, and a positive change in working capital of $184 million. Noncash charges primarily included $578 million of depreciation and amortization expense, partially offset by a $239 million deferred income tax benefit. Details regarding the components of the change in working capital, along with the reasons for the changes in those components, are described in Note 10 of Condensed Notes to Consolidated Financial Statements. In addition, see "RESULTS OF OPERATIONS" for an analysis of the significant components of our net loss.

Our investing activities of $580 million consisted of $582 million in capital investments, of which $154 million related to capital investments by DGD and $26 million related to capital expenditures of VIEs other than DGD.

Other financing activities of $415 million consisted primarily of $400 million in dividend payments and $14 million for the purchase of common stock for treasury.

Our Capital Resources

Our material cash requirements as of March 31, 2022 primarily consist of working capital requirements, capital investments, contractual obligations, and other matters, as described below. Our operations have historically generated positive cash flows to fulfill our working capital requirements.

Capital Investments

Capital investments are comprised of our capital expenditures, deferred turnaround and catalyst cost expenditures, and investments in nonconsolidated joint ventures, as reflected in our consolidated statements of cash flows as shown on page 5. Capital investments exclude strategic investments or acquisitions, if any.

We have publicly announced GHG emissions reduction/offset targets for 2025 and 2035. We believe that our expected allocation of growth capital into lower-carbon projects is consistent with such targets. Certain of these lower-carbon projects have been completed or are already in execution and the associated capital investments are included in our expected capital investments for 2022 discussed below. Our capital investments in future years to achieve these targets are expected to include investments associated with certain lower-carbon projects currently at various stages of progress, evaluation, or approval.

Capital Investments Attributable to Valero

Capital investments attributable to Valero is a non-GAAP financial measure that reflects our net share of capital investments and is defined as all capital expenditures, deferred turnaround and catalyst cost expenditures, and investments in nonconsolidated joint ventures, excluding the portion of DGD's capital investments attributable to the other joint venture member and all of the capital expenditures of other consolidated VIEs.

We are a 50 percent joint venture member in DGD and consolidate its financial statements. As a result, all of DGD's net cash provided by operating activities (or operating cash flow) is included in our consolidated net cash provided by operating activities. DGD's members use DGD's operating cash flow (excluding changes in its current assets and current liabilities) to fund its capital investments rather than distribute all of that cash to themselves. Because DGD's operating cash flow is effectively attributable to each member, only 50 percent of DGD's capital investments should be attributed to our net share of capital investments. We also exclude all of the capital expenditures of other VIEs that we consolidate because we do not operate those VIEs. See Note 6 of Condensed Notes to Consolidated Financial

Statements for more information about the VIEs that we consolidate. We believe capital investments attributable to Valero is an important measure because it more accurately reflects our capital investments.

Capital investments attributable to Valero should not be considered as an alternative to capital investments, which is the most comparable GAAP measure, nor should it be considered in isolation or as a substitute for an analysis of our cash flows as reported under GAAP. In addition, this non-GAAP measure may not be comparable to similarly titled measures used by other companies because we may define it differently, which may diminish its utility.

	Three Months Ended March 31,	
	2022	2021
Reconciliation of capital investments to capital investments attributable to Valero		
Capital expenditures (excluding VIEs)	$ 152	$ 160
Capital expenditures of VIEs:		
DGD	219	153
Other VIEs	13	26
Deferred turnaround and catalyst cost expenditures (excluding VIEs)	453	230
Deferred turnaround and catalyst cost expenditures of DGD	6	1
Investments in nonconsolidated joint ventures	—	12
Capital investments	843	582
Adjustments:		
DGD's capital investments attributable to the other joint venture member	(112)	(77)
Capital expenditures of other VIEs	(13)	(26)
Capital investments attributable to Valero	$ 718	$ 479

We have developed an extensive multi-year capital investment program, which we update and revise based on changing internal and external factors. As previously disclosed in our annual report on Form 10-K for the year ended December 31, 2021, we expect to incur $2.0 billion for capital investments attributable to Valero during 2022. Approximately 60 percent of the expected capital investments attributable to Valero are for sustaining the business and 40 percent are for growth strategies, of which approximately 50 percent is allocated to expanding our low-carbon businesses.

Contractual Obligations

As of March 31, 2022, our contractual obligations included debt obligations, interest payments related to debt obligations, operating lease liabilities, finance lease obligations, other long-term liabilities, and purchase obligations. In the ordinary course of business, we had debt-related activities during the three months ended March 31, 2022, as described in Note 4 of Condensed Notes to Consolidated Financial Statements. There were no material changes outside the ordinary course of business with respect to our contractual obligations during the three months ended March 31, 2022.

As of March 31, 2022, our current portion of debt and finance lease obligations included $300 million of 4.00 percent Gulf Opportunity Zone Revenue Bonds Series 2010 (GO Zone Bonds) that are due December 1, 2040, but are subject to mandatory tender on June 1, 2022 (the Mandatory Tender Date) at a price equal to par plus accrued and unpaid interest up to, but excluding, the Mandatory Tender Date. We

have the option, however, to effectuate a remarketing of these bonds. We currently expect to acquire the GO Zone Bonds on their Mandatory Tender Date.

Other Matters Impacting Liquidity and Capital Resources

Stock Purchase Program

As of March 31, 2022, we had $1.2 billion remaining available for purchase under our stock purchase program, which has no expiration date. During the three months ended March 31, 2022, we made open market purchases of 1,334,550 shares for $126 million. Prior to these purchases, however, we had not purchased any shares of our common stock under our stock purchase program since mid-March 2020, and we will continue to evaluate the timing of repurchases when appropriate. We have no obligation to make purchases under this program.

Pension Plan Funding

As disclosed in our annual report on Form 10-K for the year ended December 31, 2021, we plan to contribute approximately $116 million to our pension plans and $22 million to our other postretirement benefit plans during 2022. No significant contributions were made during the three months ended March 31, 2022.

Environmental Matters

Our operations are subject to extensive environmental regulations by governmental authorities relating to the discharge of materials into the environment, waste management, pollution prevention measures, GHG emissions, and characteristics and composition of many of our products. Because environmental laws and regulations are becoming more complex and stringent and new environmental laws and regulations are continuously being enacted or proposed, the level of future expenditures required for environmental matters could increase in the future. See Note 12 of Condensed Notes to Consolidated Financial Statements for disclosure of our environmental liabilities.

Cash Held by Our Foreign Subsidiaries

As of March 31, 2022, $1.4 billion of our cash and cash equivalents was held by our foreign subsidiaries. Cash held by our foreign subsidiaries can be repatriated to us through dividends without any U.S. federal income tax consequences, but certain other taxes may apply, including, but not limited to, withholding taxes imposed by certain foreign jurisdictions, U.S. state income taxes, and U.S. federal income tax on foreign exchange gains. Therefore, there is a cost to repatriate cash held by certain of our foreign subsidiaries to us. However, we have accrued for withholding taxes and U.S. state income taxes on a portion of the cash held by certain of our foreign subsidiaries and we believe that the remaining cost is not material to our financial position and liquidity.

Concentration of Customers

Our operations have a concentration of customers in the refining industry and customers who are refined petroleum product wholesalers and retailers. These concentrations of customers may impact our overall exposure to credit risk, either positively or negatively, in that these customers may be similarly affected by changes in economic or other conditions, including the uncertainties concerning the COVID-19 pandemic and other worldwide events causing volatility in the global crude oil markets. However, we believe that our portfolio of accounts receivable is sufficiently diversified to the extent necessary to minimize potential credit risk. Historically, we have not had any significant problems collecting our accounts receivable.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes. Actual results could differ from those estimates. As of March 31, 2022, there were no significant changes to our critical accounting estimates since the date our annual report on Form 10-K for the year ended December 31, 2021 was filed.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

COMMODITY PRICE RISK

We are exposed to market risks related to the volatility in the price of feedstocks (primarily crude oil, waste and renewable feedstocks, and corn), the products we produce, and natural gas used in our operations. To reduce the impact of price volatility on our results of operations and cash flows, we use commodity derivative instruments, including futures and options to manage the volatility of:

- inventories and firm commitments to purchase inventories generally for amounts by which our current year inventory levels (determined on a LIFO basis) differ from our previous year-end LIFO inventory levels; and
- forecasted purchases and/or product sales at existing market prices that we deem favorable.

Our positions in commodity derivative instruments are monitored and managed on a daily basis by our risk control group to ensure compliance with our stated risk management policy that has been approved by our Board.

The following sensitivity analysis includes all of our derivative instruments entered into for purposes other than trading with which we have market risk (in millions):

	March 31, 2022	December 31, 2021
Gain (loss) in fair value resulting from:		
10% increase in underlying commodity prices	$ (106)	$ (61)
10% decrease in underlying commodity prices	106	61

See Note 12 of Condensed Notes to Consolidated Financial Statements for notional volumes associated with these derivative contracts as of March 31, 2022.

COMPLIANCE PROGRAM PRICE RISK

We are exposed to market risk related to the volatility in the price of credits needed to comply with the Renewable and Low-Carbon Fuel Blending Programs. To manage this risk, we enter into contracts to purchase these credits. As of March 31, 2022 and December 31, 2021, the amount of gain or loss in the fair value of derivative instruments that would have resulted from a 10 percent increase or decrease in the underlying price of the contracts was not material. See Note 12 of Condensed Notes to Consolidated Financial Statements for a discussion about these blending programs.

INTEREST RATE RISK

The following table provides information about our debt instruments (dollars in millions), the fair values of which are sensitive to changes in interest rates. Principal cash flows and related weighted-average interest rates by expected maturity dates are presented. See Note 4 of Condensed Notes to Consolidated Financial Statements for additional information related to our debt.

	March 31, 2022 (a)							
	Expected Maturity Dates							
	Remainder of 2022	2023	2024	2025	2026	There-after	Total	Fair Value
Fixed rate	$ 300	$ —	$ 169	$ 795	$ 905	$ 8,287	$ 10,456	$ 11,111
Average interest rate	4.0 %	— %	1.2 %	3.1 %	4.1 %	4.9 %	4.6 %	
Floating rate	$ 821	$ 20	$ —	$ —	$ —	$ —	$ 841	$ 841
Average interest rate	3.6 %	3.9 %	— %	— %	— %	— %	3.6 %	

	December 31, 2021 (a)							
	Expected Maturity Dates							
	2022	2023	2024	2025	2026	There-after	Total	Fair Value
Fixed rate	$ 300	$ —	$ 169	$ 1,374	$ 1,726	$ 7,637	$ 11,206	$ 12,838
Average interest rate	4.0 %	— %	1.2 %	3.0 %	3.9 %	5.0 %	4.5 %	
Floating rate	$ 810	$ 20	$ —	$ —	$ —	$ —	$ 830	$ 830
Average interest rate	3.5 %	3.9 %	— %	— %	— %	— %	3.5 %	

(a) Excludes unamortized discounts and debt issuance costs.

FOREIGN CURRENCY RISK

We are exposed to exchange rate fluctuations on transactions related to our foreign operations that are denominated in currencies other than the local (functional) currencies of those operations. To manage our exposure to these exchange rate fluctuations, we often use foreign currency contracts. As of March 31, 2022 and December 31, 2021, the fair value of our foreign currency contracts was not material.

See Note 12 of Condensed Notes to Consolidated Financial Statements for a discussion about our foreign currency risk management activities.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

Our management has evaluated, with the participation of our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report, and has concluded that our disclosure controls and procedures were effective as of March 31, 2022.

(b) Changes in internal control over financial reporting.

There has been no change in our internal control over financial reporting that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information below describes new proceedings or material developments in proceedings that we previously reported in our annual report on Form 10-K for the year ended December 31, 2021.

Environmental Enforcement Matters

While it is not possible to predict the outcome of the following environmental proceeding, if it was decided against us, we believe that there would be no material effect on our financial condition, results of operations, and liquidity. We are reporting this proceeding to comply with SEC regulations, which require us to disclose certain information about proceedings arising under U.S. federal, state, or local provisions regulating the discharge of materials into the environment or protecting the environment if we reasonably believe that such proceedings have the potential to result in monetary sanctions of $300,000 or more.

Bay Area Air Quality Management District (BAAQMD) (Benicia Refinery). Between May 2017 and June 2019, our Benicia Refinery received several Violation Notices (VNs) from the BAAQMD for excess emissions, which all resulted from the 2017 third-party induced power outage at the refinery. We aggregated such VNs and resolved them with the BAAQMD during the first quarter of 2022.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in our annual report on Form 10-K for the year December 31, 2021. However, to the extent the Russia-Ukraine conflict or the COVID-19 pandemic adversely affect our business, financial condition, results of operations, and liquidity, they may also have the effect of heightening many of the other risks described in such risk factors.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) Unregistered Sales of Equity Securities. Not applicable.

(b) Use of Proceeds. Not applicable.

(c) Issuer Purchases of Equity Securities. The following table discloses purchases of shares of our common stock made by us or on our behalf during the first quarter of 2022.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Not Purchased as Part of Publicly Announced Plans or Programs (a)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (b)
January 2022	126,802	$ 82.97	126,802	—	$1.4 billion
February 2022	82,074	$ 86.45	82,074	—	$1.4 billion
March 2022	1,336,997	$ 94.18	2,447	1,334,550	$1.2 billion
Total	1,545,873	$ 92.85	211,323	1,334,550	$1.2 billion

(a) The shares reported in this column represent purchases settled in the first quarter of 2022 relating to our purchases of shares from our employees and non-employee directors in connection with the exercise of stock options, the vesting of restricted stock, and other stock compensation transactions in accordance with the terms of our stock-based compensation plans.

(b) On January 23, 2018, we announced that our Board authorized our purchase of up to $2.5 billion of our outstanding common stock, with no expiration date. As of March 31, 2022, we had $1.2 billion remaining available for purchase under this program.

ITEM 6. EXHIBITS

Exhibit No.	Description
3.01	Amended and Restated Bylaws of Valero Energy Corporation–incorporated by reference to Exhibit 3.01 to Valero's current report on Form 8-K dated March 15, 2022 and filed March 18, 2022 (SEC File No. 001-13175).
*31.01	Rule 13a-14(a) Certification (under Section 302 of the Sarbanes-Oxley Act of 2002) of principal executive officer.
*31.02	Rule 13a-14(a) Certification (under Section 302 of the Sarbanes-Oxley Act of 2002) of principal financial officer.
**32.01	Section 1350 Certifications (under Section 906 of the Sarbanes-Oxley Act of 2002).
***101.INS	Inline XBRL Instance Document–the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
***101.SCH	Inline XBRL Taxonomy Extension Schema Document.
***101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
***101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
***101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
***101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
***104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.
** Furnished herewith.
*** Submitted electronically herewith.

Certain agreements relating to our long-term debt have not been filed as exhibits as permitted by paragraph (b)(4)(iii)(A) of Item 601 of Regulation S-K since the total amount of securities authorized under any such agreements do not exceed 10 percent of our total consolidated assets. Upon request, we will furnish to the SEC all constituent agreements defining the rights of holders of our long-term debt not filed herewith.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VALERO ENERGY CORPORATION
(Registrant)

By: /s/ Jason W. Fraser

Jason W. Fraser
Executive Vice President and
Chief Financial Officer
(Duly Authorized Officer and Principal
Financial and Accounting Officer)

Date: April 27, 2022

Exhibit 31.01

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Joseph W. Gorder, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Valero Energy Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 27, 2022

/s/ Joseph W. Gorder

Joseph W. Gorder
Chief Executive Officer

Exhibit 31.02

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Jason W. Fraser, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Valero Energy Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 27, 2022

/s/ Jason W. Fraser

Jason W. Fraser
Executive Vice President and Chief Financial Officer

Exhibit 32.01

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Valero Energy Corporation (the Company) on Form 10-Q for the quarter ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joseph W. Gorder
Joseph W. Gorder
Chief Executive Officer
April 27, 2022

A signed original of the written statement required by Section 906 has been provided to Valero Energy Corporation and will be retained by Valero Energy Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Valero Energy Corporation (the Company) on Form 10-Q for the quarter ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jason W. Fraser
Jason W. Fraser
Executive Vice President and Chief Financial Officer
April 27, 2022

A signed original of the written statement required by Section 906 has been provided to Valero Energy Corporation and will be retained by Valero Energy Corporation and furnished to the Securities and Exchange Commission or its staff upon request.