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August 1, 2011

Electronically submitted

Office of the Chief Accountant
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-7010

Re: Staff Paper – Exploring a Possible Method of Incorporation

Chevron Corporation appreciates the opportunity to provide comments to the Securities and Exchange Commission (the "Commission") on the Staff Paper *"Exploring a Possible Method of Incorporation"* (the "Staff Paper") dated May 26, 2011. We appreciate the Commission's efforts to seek input from U.S. issuers as part of its work plan to reach a decision on whether – and how - to incorporate International Financial Reporting Standards (IFRS) into the U.S. financial reporting system.

Chevron is a global, integrated energy company based in San Ramon, California. The company explores for, produces, and transports crude oil and natural gas; refines, markets and distributes transportation fuels and other energy products; manufactures and sells petrochemical products; generates power and produces geothermal energy; provides energy efficiency solutions; and is developing energy resources for the future, including biofuels. The company's activities are widely dispersed geographically, with operations in North America, South America, Africa, Asia, Australia and Europe.

The Commission's decisions regarding whether and how to incorporate IFRS into U.S. financial reporting will have far-reaching consequences for U.S. issuers and the U.S. economy at large. While a single set of global accounting standards would provide certain benefits and efficiencies for some issuers, we believe the benefits would be modest, at best, for Chevron and most other companies. On the other hand, the cost of implementing the new standards could be significant, which underscores the importance of developing a well-planned, comprehensive and cost-effective alignment and transition plan. The method of incorporation proposed in the Staff Paper could be a positive step in that direction, but provides insufficient detail to fully assess overall cost-effectiveness relative to other alternatives. Issuers will not be able to make such an assessment until the detailed transition plan is developed.

While the Financial Accounting Standards Board and International Accounting Standards Board (the "FASB", the "IASB", and collectively the "Boards") have made progress on resolving differences through the Memorandum of Understanding (MOU) convergence projects agreed to by the Boards, it is clear that some important differences will still exist after their completion, as evidenced by the recently completed final standard on fair value measurement and discussions to date regarding financial instruments. It is also clear that under the proposed methodology the intent to retain certain aspects of existing U.S. GAAP will compound these differences. As such, we believe that the endorsement protocol must be carefully considered and include a clear path to resolving differences in a reasonable time period and in a manner that would truly result in achieving the original objective of common, globally-accepted accounting standards, if the decision is made to proceed to adoption of IFRS. Both Boards must be committed to ensure that local standards and carve-outs do not become permanent and material differences. Acceptance of such permanent differences would call into question the entire value proposition regarding a U.S. adoption of IFRS. We respectfully suggest these issues should be explored in more detail before a decision is made on the broader question as to whether to incorporate IFRS into the U.S. financial reporting system, and the secondary question of conversion methodology.

We note that the proposed methodology does not explicitly address how certain differences between IFRS and existing U.S. GAAP would eventually be resolved. For example, IAS 2 - *Inventories*, does not recognize LIFO as a valid inventory costing method. As explained in our April 16, 2009 comment letter, elimination of LIFO inventory accounting would represent a major impediment for many U.S. companies. Chevron would object to any plan to incorporate IFRS into U.S. GAAP if it results in a significant cash income-tax penalty for our company. Other significant differences include oil and gas accounting, impairment of assets, and accounting for property, plant and equipment.

We appreciate that the Commission is faced with a very complex and high-impact decision regarding the incorporation of IFRS into U.S. financial reporting. We also recognize there is significant pressure for the U.S. to reach a decision on IFRS incorporation during 2011. While we are confident in the Commission's ability to assess whether IFRS is the best set of accounting standards for U.S. registrants, we respectfully suggest this decision should not be made until the Boards complete the MOU convergence projects. We also suggest that a decision should not be made until the Boards establish a clear plan as to how the remaining substantive differences between the two bodies of standards will be addressed. These two prerequisites are both critical to assess the cost effectiveness of incorporating IFRS into U.S. GAAP and, in our view, are justifiable reasons for delaying a decision until such work is complete.

Our detailed responses to specific aspects of the proposed framework are included in the attached appendix.

We appreciate the opportunity to comment on this proposal on a possible method of incorporation of IFRS into U.S. GAAP and hope our comments are helpful to the Commission in its continuing deliberations. If you have any questions on the content of this letter, please contact Al Ziarnik, Assistant Comptroller, at (925) 842-5031.

Very truly yours,

Appendix – Responses to Exploring a Possible Method of Incorporation

In general, we believe the proposed framework could represent a practical approach to incorporating IFRS into the U.S. financial reporting system, provided that certain important details are fully resolved. The proposed plan to retain U.S. GAAP will help alleviate many of the issues that would have been created by fully replacing U.S. GAAP with IFRS, and the endorsement protocol is consistent with other major jurisdictions that have incorporated IFRSs into their national reporting framework. The gradual incorporation of IFRS into U.S. GAAP could help to reduce implementation costs for U.S. issuers, minimize disruption to the financial reporting system, and allow investors time to become familiar with the new requirements. However, a comprehensive, stable and cost-efficient implementation plan must be developed to achieve these potential benefits relative to the other adoption alternatives.

Roles

The proposed framework provides helpful new clarity into how the Commission and the FASB would exercise authority over the content of U.S. GAAP and financial reporting requirements. Under the proposed methodology, the FASB retains its role as national standard setter for the United States. We fully support the FASB retaining it full authority over U.S. GAAP and believe that the FASB is critical to maintaining a voice for U.S. constituents in global standard setting. While this envisioned role allows the FASB to issue added disclosure requirements, supplemental or interpretive guidance, or address issues/topics not specifically covered by IFRS, the stated objective is for any FASB modifications to be rare, and for U.S. GAAP to remain consistent with IFRS. We support the objective of avoiding a significant number of exceptions or differences, and respectfully suggest that the incorporation protocol should include clear requirements for the Boards to address such gaps or differences in a reasonable time period to avoid establishment of permanent differences and "carve-outs."

The proposed framework states that U.S. constituents will have the ability to influence the IASB's standard-setting process and have their interests considered. To make this feedback effective, the FASB and IASB must provide outreach and opportunity for comment early in the process of agenda development and in the development or modification of standards. In certain instances, such as regarding industry-specific standards, it may be useful for the FASB and U.S. constituents or industry groups to jointly meet with the IASB to discuss the standards.

Implementation Cost and Effort

The company's analysis of the Exposure Drafts related to the current convergence effort between U.S. GAAP and IFRS indicated the standards, as proposed, would have an unprecedented level of impact on the company's financial systems. The company's total estimated cost for retrospective adoption of the primary convergence topics (leases, revenue recognition, financial statement presentation and financial instruments) exceeds $400 million. The majority of the cost stems from modifications required to the company's financial reporting systems to incorporate the new requirements. These estimates are far greater than we envisioned when first supporting a move to IFRS as the single set of global accounting standards, and call into question the entire value proposition of close alignment with, or incorporation of, IFRS. We believe the endorsement protocol should explicitly and fully consider costs and benefits in making a decision whether to incorporate an IFRS standard.

In addition to the convergence-related implementation costs, the incorporation of IFRS into U.S. GAAP, whether one-time or gradual, will require significant, additional investments of time and resources for U.S. issuers. In our view, finding an efficient method for incorporation that clearly minimizes implementation cost is critical, since the benefits of both convergence and incorporation of IFRS are limited. We believe that a cost-efficient approach will best protect the interests of U.S. investors by enabling U.S. issuers to focus investment of resources on business activities that contribute to economic growth and shareholder value.

Comprehensiveness of IFRS

There are a number of accounting areas in U.S. GAAP that are not addressed in IFRS. There are also many areas of significant differences between the U.S. GAAP and IFRS that are not addressed by the existing set of MOU projects. In our opinion, the Commission should not make a formal decision on IFRS until the FASB and the IASB have developed and committed to a detailed plan and timeline for resolving all substantive differences between the two bodies of standards.

The proposed methodology does not explicitly address how certain differences between IFRS and existing U.S. GAAP would eventually be resolved. For example, IAS 2 - *Inventories*, does not recognize LIFO as a valid inventory costing method. As explained in our April 16, 2009 comment letter, elimination of LIFO inventory accounting would represent a major impediment to many U.S. companies. Chevron would object to any plan to incorporate IFRS into U.S. GAAP if it results in a significant cash income-tax penalty for our company.

We are also concerned with how industry-specific guidance in U.S. GAAP will be impacted by the incorporation of IFRS. For example, ASC 932 addresses the accounting requirements for oil and gas activities. The accounting guidance is used extensively in the United States as well as other jurisdictions which do not have accounting guidance specific to this area. While the IASB has had a research project to develop an extractive industries standard since 2003, this effort has not been formally added to the IASB agenda. In 2010, the IASB project team published a Discussion Paper which introduced a new, and novel accounting model for extractive activities; however, insufficient justification was provided regarding whether the proposed model was superior to present practice as defined under ASC 932. The proposed model was challenged by both U.S. and international companies in the extractive industry during the comment process. The direction of this project raises concern regarding the standard-setting process when industry-specific guidance is to be developed under IFRS.

To address these and other existing gaps in IFRS, we suggest the Commission require the FASB to seek comment on the individual IFRS standards prior to incorporation into U.S. GAAP. Comments from preparers, users, and auditors will help identify any unintended consequences and help ensure the proposed changes are cost effective. The comments will also help identify whether any additions, modifications, or deletions may be required prior to incorporating the IFRS standard.

Transition Plan

Should the Commission decide the incorporation IFRS is a significantly and sufficiently value-adding change for investors and issuers, we are supportive of the proposed methodology for gradually incorporating IFRS into U.S. GAAP. We believe the proposed approach would reduce transition cost, effort and risk relative to a single date or first-time adoption approach; however, the benefits achieved by a more gradual approach will be highly dependent on the detailed transition plan still to be developed by the FASB. We agree with the Commission's observation that particular attention will need to be paid to interdependencies between existing U.S. GAAP standards, given the lack of a one-to-one mapping between IFRS and existing U.S. GAAP. Incomplete consideration of these interdependencies could result in increased systems conversion costs and retraining resulting from multiple changes.

The transition plan must be based on a realistic timeline for implementing the IFRS standards. We agree with the Commission's suggestion that organizing or grouping the IFRS standards into the several prioritized categories should ease transition and help reduce implementation costs.

Regarding those IFRS standards in Category 1 (MOU Projects), we respectfully point out that completion of reasonably converged standards for revenue recognition and lease accounting is not expected until the first half of 2012, following re-exposure for additional comment later this year. It also appears likely to some observers that the financial instruments proposals will require re-exposure in 2012. The project on financial statement presentation is still on hold following re-prioritization in 2010 and may not be re-initiated until later in 2011. We commend the Boards' efforts to realistically prioritize their work and fully consider the feedback provided by all stakeholders on the exposure drafts issued in 2010, and in particular, to explore ways to reduce the potential complexity and cost of implementation. We also commend the Boards' decision to re-expose certain standards prior to completion. We believe the Boards must take the time necessary to complete this important work even if it means that final standards are delayed past 2011. Issuers would not be able to fully develop their implementation plans until after these standard-setter activities are complete. We raise these points to emphasize the importance of setting practical effective dates for the Category 1 items on the transition plan.

The Staff Paper mentions under the discussion of Category 2 (IFRSs Subject to Standard Setting) that the FASB would need to reassess and modify its transition strategy in the event that a project were removed from or deferred on the standard-setter agenda. From the perspective of the U.S. issuer, we believe it will be difficult in practice to maintain the flexibility required for such ongoing changes to the transition plan. Many of these projects could require systems modifications, and continual changes to the plan will introduce re-work and increase the cost of such systems modifications. As noted in our comments dated January 19, 2011 to the FASB on the *Discussion Paper – Effective Dates and Transition Methods*, a carefully coordinated, sequenced approach of implementing new accounting standards will significantly reduce cost and disruption to the company's financial reporting process. This is achievable only if the transition plan is stable. As has occurred with revenue recognition and lease accounting, it is clear that adequate time must be allowed for the standard-setting work to be completed and interdependencies between multiple standards will need to be fully understood prior to setting the detailed transition plan.

We believe that Category 3 (All other existing IFRSs and areas not addressed by IFRSs) will require significant additional standard-setter work that should not be underestimated. In the previous section, we mention two topics, extractive industries and inventory that require further joint work by the Boards to close important gaps in existing IFRS. These are only two of a broader set of additional issues that should be addressed in future convergence work and/or IFRS development. It may be that Category 3 of the proposed transition plan needs to be subdivided into two pieces: 1) known gap areas such as industry-specific standards and inventory, not currently on the IASB standard-setting agenda; and 2) IFRSs that are clearly unlikely to need further convergence or development prior to incorporation into U.S. GAAP.

The Staff Paper discusses that Category 3 IFRSs should allow for prospective application of the new standards whenever possible. We strongly agree with the use of prospective application, and encourage its use for Category 1 and 2 topics as well. Prospective application is clearly more cost-efficient.

For topics in Categories 2 and 3, we agree the FASB would need to consider whether elements of the ASC that were not replaced by the requirements of one or more of IFRSs should be retained, removed or modified. We believe great caution will need to be exercised in this determination, particularly when removing or modifying current ASCs, to ensure sufficient accounting guidance is retained within U.S. GAAP.

Given the large amount of work ahead for the Boards, we believe great care should be used in determining the length of the transition period. If additional convergence or development projects are added to the standard-setting agenda, the Boards' will continue to be fully occupied for some time to come. Experience from the MOU projects suggests that more time is required when making such substantive changes to ensure adequate time for outreach and deliberation.

Finally, IFRS 1 requires companies which adopt IFRS to disclose the impact of IFRS on the company's financial statements. Aside from limited exceptions, the intent of IFRS 1 is for companies to retrospectively apply IFRS to their financial statements. Under the proposed gradual incorporation methodology, it is unclear at what point U.S issuers may be able to make an explicit and unreserved statement of compliance with IFRS, as promulgated by the IASB. It is also unclear what impact the retention of certain aspects of existing U.S. GAAP will have on this objective. It seems likely that a gradual implementation of new standards could result in multiple retrospective restatements during the 5-7 year transition period, which will create difficulties for both issuers and investors. We respectfully suggest this issue be studied further with the FASB and IASB prior to making a decision regarding this proposed approach for gradual incorporation.