

Lord Browne's remarks at the press conference following the publication of the Baker Panel Report on January 16, 2007.

Thank you very much for coming in at such short notice. I am sorry not to join you personally today. But I hope you understand it is a very important day for BP and I know Bob Malone, President of BP America, is glad to be with you in Houston. I have with me here in London John Manzoni, Head of Refining and Marketing, and John Mogford, Head of our Safety & Operations function.

The independent safety review panel, chaired by James Baker, has now issued its report giving a thorough assessment of the safety culture and process safety systems at our five US refineries. I would just like to start by saying a few words, before taking questions.

I would like to thank the Panel for its work. We asked for a thoughtful and candid report, which would contain not just lessons for us, but for the entire industry. When I established the panel, Secretary Baker said that he would only take on the task if the "chips were to fall where they may". I agreed with him.

I always expected the report to be a hard hitting and critical analysis, and indeed it is. Its mandate was to provide recommendations for improvement; it is for this reason that it has focused on deficiencies and negatives. Indeed, as the Panel states: its "report focuses primarily on identified deficiencies that might be corrected through the implementation of its recommendations rather than BP's positive attributes that the Panel observed during the course of its review." I would like to thank, for their cooperation, the hundreds of BP employees who provided material to the Panel, or were interviewed.

To the best of my knowledge, this report on a vital aspect of oil and gas operations is unique in its subject matter, breadth and clarity. Reports like this are important. It will make a difference to BP and to the industry as a whole. The Panel said that it was under no illusion that the deficiencies in process safety culture, management or corporate oversight identified in its report were limited to BP.

The report examines every aspect of our process safety regime. And I think we should be open about this. It has identified deficiencies in process safety performance at our US refineries and has called upon us to show the same passion for process safety which BP has shown over many years for personal safety and the environment.

As to personal safety, our recordable injury frequency rate, the standard industry measure, fell by around 70% between 2000 and 2006. In '06, there were seven fatalities in our workforce. Every fatality is a tragedy but the number of fatalities has reduced to the lowest level in nearly 20 years. There was a large drop in driving related fatalities, from 11 in 2000 to two in 2006, following the implementation of a new driving standard in '04. On the environment we continue to reduce greenhouse gases and improve our

products. Greenhouse gas emissions are now around 20% lower than in 2000.

However, more remains to be done to put the third leg of the safety stool – process safety management – on the same basis of improvement.

Let me be quite clear, BP commits to implementing the Panel's 10 recommendations. BP will now consult with the Panel on how best to do this across our US refineries and apply the lessons learned elsewhere in our global operations. As the report acknowledges, BP has made significant changes to its process safety systems and culture since the accident at Texas City. But we can do more. And we will do more.

We intend to take the recommendations and consider them very carefully. As the Panel advises, we should assess their Recommendations against the significant actions already planned and underway, as we consider our next steps.

What is required is not a blizzard of ill thought out and conflicting initiatives, but an intelligent and sensibly implementable programme for sustained action. The Panel has recognised that it will be especially challenging to make significant system-wide changes in short time frames. They also recognise that the task ahead of BP is significant and will take a concerted and lasting effort.

If I had to say one thing which I hope you will all hear today it is this “BP gets it.”

And I get it too. This happened on my watch and, as Chief Executive, I have a responsibility to learn from what has occurred. I recognise the need for improvement and that my successor, Tony Hayward, and I need to take a lead in putting that right by championing process safety as a foundation of BP's operations.

The Panel's recommendations fall into four categories. First, about leadership: setting direction, expectations and accountabilities, having visible conviction and stepping out by taking an industry leading position similar to that we have taken on greenhouse gases.

Second, about an integrated and comprehensive process safety management system. We have had in place the components of process safety management, implemented well in some refineries and not so well in others. Their view is that our system was insufficient to systematically and continuously identify, reduce and manage risk, in particular to identify low probability high consequence risks. The standard to be set is one of excellence, no defects. In particular, they recommend that we monitor the actual on the ground implementation of the system with appropriate scrutiny of detail (at the top we have seen too much aggregated data), improve our auditing methods and monitor appropriate leading and lagging process safety indicators. In the Panel's view, some new indicators will need to be

developed for BP and the industry. Whilst the Panel did not believe that the Board failed to comply with their legal duties, it did recommend that the Board should engage a third party to provide them with technical input and independent assurance in relation to the implementation of the Panel's recommendations.

Third, to ensure that the right level of process safety knowledge and expertise is present at every level in the organisation from the bottom to the top.

Fourth, to ensure that there is a positive, trusting, open process safety culture in each refinery.

I met the Panel twice. And in my discussion I acknowledged that BP had fallen short of its high expectations and of the public's expectations of us. We had not always been sufficiently clear on process safety, or demonstrated sufficient passion for it. However, ninety per cent will be about what we do, not about what we say.

What happened at Texas City was a terrible tragedy. 15 people died and many were injured.

When I arrived at the site, a few hours after the explosion, I said we would take responsibility and, above all, would work hard to make sure that such an accident never happened again. I said it was a watershed, and would forever change BP. That remains true.

I will always remember that day vividly. I went to talk to people and to share with them the pain and trauma which they experienced. As I have said before we are truly sorry for what happened.

Co-operating with the Chemical Safety Board in its investigations of the incident and agreeing to establish the Baker Panel to review our approach to process safety was an important part of BP's response. I cannot think of an example of another company which has voluntarily submitted itself to this sort of detailed and, frankly, testing scrutiny. I think it shows BP's strength of character.

Many of the Panel's recommendations are consistent with the findings of our own internal reviews, and I believe we have already made significant progress in the early stages of transforming BP into a leader in process safety, as the Panel recommends. The actions we are taking date back not only to the Texas City accident in 2005, but some date back to 2003 when we embarked on a major journey to strengthen our operations and system of internal control, following the growth in scale of the group. These actions also included strengthening of our safety management system. As we now recognise, we could have looked at process safety specific issues more rigorously. We will apply the lessons we have learned, throughout our international operations.

The list of what we have done since the accident shows how seriously we take process safety. We started by developing a six point plan, including what we call our Texas City commitments, to relocate all temporary buildings away from hazardous locations and remove all heavier than air hydrocarbon blow down stacks, throughout the group. We have also developed a strengthened sustainable and comprehensive framework for a new operations and safety management system, incorporating our historic framework (called “Getting HSE Right”) and we are putting many of the resulting capabilities in place.

We have formed a new executive team to oversee process safety initiatives; we have established a new safety and operations organisation, reporting directly to the Group Chief Executive; we have expanded the responsibilities and powers of Bob Malone, Chairman and President of BP America; and we have increased spending to an average of \$1.7 billion over each of the next four years to improve safety and integrity in our US refining assets.

The Panel commends this action. It is founded on the historical increase in spending on the 5 US refineries from 2000 to 2005 – total cash fixed costs up by almost 10% per annum and capex up by 25% per annum. We are very clear. No one from the refinery manager, the Group vice president of refining, the head of refining and marketing or me has ever turned down a request for expenditure that has been identified as necessary for safety.

The Panel gives us credit for the actions taken to date. But we are under no illusion that there is more to do. This is not a matter just of compliance with laws and regulations – indeed the Panel did not investigate legal compliance - but it is about setting a standard of excellence and getting there in a sustainable way. I have full confidence in the broader leadership across the BP group, including John Manzoni as head of our Refining & Marketing segment, to achieve this.

Finally, in its executive summary, the Panel says it believes that BP’s workforce is ready, willing and able to participate in a sustained Group-wide effort to move BP towards excellence in process safety. I wholeheartedly agree. And I would like to make clear that the tone is indeed being set at the top.

As the Panel said they “saw no information to suggest that anyone – from BP’s board members to its hourly workers – acted in anything other than good faith”. It is clear, however, with hindsight that we should have done better.

Thank you for listening. My colleagues and I will now be very happy to take some questions, moderated by Bob Malone. Over to you Bob.