bp 2025 Capital Markets Update:

Webcast Q&A transcript

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Q&A TRANSCRIPT

Murray Auchincloss: Thanks everybody for listening. That was a little bit of time that we took. Thank you for your patience and bearing with us. We've got an hour now to move to the Q&A session. And what we're going to do, because there are going to be lots of questions in the room, we're going to take a single question each, go through everybody, and then we'll go down to a second round of one each after that, if that's okay. Whenever you ask a question, please tell us who you are and what organisation you represent. Irene jumped off the hurdle first. So Irene, over to you, please.

Irene Himona (Bernstein SG): Thank you very much. Irene Himona, Bernstein. I wanted to ask about energy transition, where you told us that bp went too far and too fast in relation to the actual. And I wanted to ask, first of all, what gave bp the confidence five years ago to go so far and so fast? And secondly, why do you think in reality the world has been so much slower? Is it the cost of these technologies or regulation? What drives it? Thank you.

Murray Auchincloss: Thank you, Irene. I think if I rewind back to five years ago, there was a lot of optimism in the world and there were a lot of priorities in the world that the energy transition became much more important. If you think about it in the priorities of cost, carbon footprint, certainly back then, transition was the number one thing that all of the nations around the world and all the corporations were thinking about. A lot has changed since then. We had COVID, we had a war, we had a material recession, and that impacted the ability of nations and corporations to afford these things. And so we found ourselves in a different place now where nations are prioritising affordability, assurance of flow, security of supply. And the transition just is not being valued as much as it was five years ago.

We find ourselves now with much more conviction around this. Nations now want all forms of energy. Security of supply is top of the mind. Affordability is top of the mind. And of course, nations continue on to transition as well. But the priorities have changed. And that's why you see the strategy today. We're leaning into our upstream which is our core capability over time, we're really high-grading the downstream into the integrated markets that help the fabulous talk that Carol just gave, we're capital light into transition, recognising the importance of supporting the world in transition, but doing it in a smarter way than we have in the past. And all of that we think is very competitive for the future. And I'm excited that we're out talking about it now. Thank you, Irene I'll come over here next.

Michele Della Vigna (Goldman Sachs): Michele Della Vigna from Goldman Sachs. I'm choosing which one question to ask. I wanted to ask one on trading. Clearly, it's been an extraordinary success story, four percentage point of addition to ROACE. I'm just wondering, in your future planning, so for the next three to five years, what do you assume? Because it feels like if we go further back, it was more closer, perhaps, to two percentage points rather than four. And also, if possible, how much did it actually add in, in 2024?

Murray Auchincloss: All right. Go for it, Carol, see what kind of answer Carol gives you on that.

Carol Howle: I'll answer the last bit first, in terms of we won't give a sort of a discrete guidance or information disclosure around how much we delivered last year, but it is 4% on average now over the past five years.

I would say in terms of how we're looking at the business going forward, the way that we build ourselves out across the platform is we are looking at global geographies, we're looking at global commodities, we're looking at value chains, we're looking at how we can access those, whether it's infrastructure, whether it's structural access. We do that on a capital-light basis. I mean petchems is a great example, right? When you think about energy transition, potentially the decline off in terms of ground fuel transportation, where do your naphtha barrels, where do your light barrels go? Your LPGs, your ethanes, your naphthas, they will go into petchem feedstocks, potentially. That's where you're going to see some margin. So we're looking at how do we create this resilience in the new value chains of the future. That's why we also look at things like agriculture. So it's fantastic with bp bioenergy, I mean, we trade 'ags' a bit at the moment anyway, so we have experience in it. But this gives us another value chain we can access, whether it's sugar feedstocks, or instead of looking at ethanol from a domestic perspective, we can now look at the arbitrage in terms of demand into to other geographies.

So we're constantly evolving our business. We're constantly in search of where the next margin is going to be coming from, and we're constantly looking to develop the capabilities to do that. The fantastic thing is also we get the growing asset base on the oil and gas side. We like that. And then also, the structure that William did around JERA Nex bp, for example, we still have 50% offtake on that. So we're able to access these electrons and value chains even as we change how we capitalise those businesses going forward.

Murray Auchincloss: Fantastic. Thanks, Carol. I can never get an answer to the question, Michele, on what to plan for the future, other than assuming the future what we've delivered in the past is the best thing I think we can say. And Carol has a fabulous business that we're all enthusiastic about. I hope you enjoyed her unpacking it a bit more. Biraj, I'll go to you next.

Biraj Borkhataria (RBC Capital Markets): Hi. Thanks for taking my question. It's Biraj Borkhataria, RBC. Regarding the strategic review, obviously, a lot of work has gone into this presentation today. You made some comments around focusing on integrated assets in the downstream. And as you did your strategic review, I was wondering if you had considered something more radical within marketing and convenience. Could you just talk about how integrated you see that within your downstream operations? And maybe to trading as well. And just related to that, the 10% of sites you're looking to sell, is that on the base of 21,000 sites or is that a subset of that? Thank you.

Murray Auchincloss: I think you might have snuck two questions in there, Biraj. Let me just start with portfolio and how we're thinking about it, and I'll ask Emma to answer the portfolio – the sites question. We'll keep to one question each, please.

As we think about the portfolio moving forward from an upstream perspective, we have fabulous assets. And as long as they're growing, we want to keep them inside the

portfolio. If they're high margin, high return, one or two in the basin. At some moment in time, assets end up better in other people's hands when we can't see the investment opportunity in them. So that's how I think about the upstream.

From the downstream perspective, what we're trying to emphasise now is integrated positions are what count. Why do integrated positions count? Because of what you just heard from Carol. To use trader language, it's the natural shorts that are so valuable, the places where we can refine or where we can sell. And we're really focusing the downstream on these integrated advantaged markets with shorts. The thought of then taking the downstream and spinning it off eliminates the short for Carol. It completely eliminates the short, and all of a sudden trading doesn't exist. So, I find when people think about, shouldn't you spin this thing out, the answer is you'll completely destroy and damage trading. Why would you want to do that to such a valuable part of the portfolio? But make no mistake, we are constantly focused on what's the right integration. Sometimes we might buy some things that add to the integration. For this phase, we're now focused on getting rid of the parts of the portfolio that aren't as integrated. That allows us to really high-grade and strengthen the balance sheet. And that's how we're thinking about the downstream right now.

Emma, could you ask answer Biraj's part one A please?

Emma Delaney: Sure. Basically of the circa 20,000, about a quarter are company owned. The divestment, the high grading refers to the quarter.

Murray Auchincloss: Thank you Emma. Next question.

Doug Leggate (Wolfe Research): Thank you. Doug Leggate from Wolfe Research. Thank you, Murray. You talk a lot about the balance sheet and reducing net debt. You don't talk about the capital structure, which is almost double your net debt. And when we think about equity volatility, that's a pretty key driver for perhaps one of the biggest barriers to what's been going on with your share price. So my question is when you think about the call on cash flow from all your sources of financing, how does the breakeven change from what you saw last year at $80/bbl oil with, I guess, $2 billion or $3 billion of surplus cash? How does that change by 2027 as you look at the strategic outcomes?

Murray Auchincloss: Great.

Kate Thomson: Can I take that?

Murray Auchincloss: Yep.

Kate Thomson: Yeah. Thanks, Doug. Look, we tried to be incredibly transparent today. We talked about debt. We talked about leases. We talked about hybrids. And as we look at our capital structure, we are acutely aware of the cost of all of those components. I also explained pretty clearly, I think, why we took the decision in 2020 to issue hybrids. It was during a time of extreme uncertainty. It created significant liquidity, and it diversified our portfolio. Of course, it has a cost and we are aware of the cost. Around half of our hybrid stack is fixed cost, and it's fixed cost significantly below 6%, which actually compares pretty well to our recent tenure, which we issued at 5.3%.

Having said all of that, today we're putting out a net debt target. I'm really pleased with putting a net debt target out because, in my view, what gets measured gets done. And it's important that we create a resilient balance sheet for our company, resilient in terms of having a strong credit rating, in terms of protecting shareholder distributions, and in terms of investing into the company to grow it for the long term. And in our view, that is what we are going to be doing over the next three years. As proceeds come towards us, of course, we will take a view based on value at that point in time and circumstances at that point in time, having regard to the cost of the components of the capital structure as well as the net debt target, which is a primary target and which we will deliver.

I'll take that offline. I'm not going to do maths in the room.

Murray Auchincloss: Great. Thanks very much for that question. No questions on the web yet, so I'll just keep going side to side.

Paul Sankey (Sankey Research): Thanks, Murray. Paul Sankey at Sankey Research. Thinking about where bp is a leader globally, could you talk about your super core assets, if you want? And you just referred to the importance of downstream to trading. One area where you clearly are a global leader is in trading. And I'm struggling with how to – what's totally core and key to bp, because you seem to have just said that you have to have that downstream in order to maintain the trading. Equally, at the same time, you've talked about the multiples of volumes that the trading does relative to the assets. So it doesn't seem that whilst you said you want more assets and the more the merrier, you necessarily need to own all this stuff to be a dominant trader with certain key super core assets. Can you talk a little bit more about that, just how the asset base and this trading all fit together? Because whilst you've done some excellent disclosure here relative to the past, it's still extremely difficult for us in a high volatility business to really work out what the core value is and how it fits with your core assets. Thank you.

Murray Auchincloss: I'll let Carol talk about how she thinks about the core assets and in side the trading sense. All I'd say to you is we continue to provide you with the information to talk about what the returns are in trading. We've now been transparent for five years on what it is. We tell you it's half oil. We tell you it's half gas. It will move between quarters. Why? Obviously because there's volatility. Carol's told you today, 2%, very, very confident. The next optimisation, pretty confident. And the other bit, the value-based trading, it's for you to judge how you would model that. So what we've unpacked for you over time is more and more certainty about what this is. And we've been able to deliver that through COVID, through a war, through the dampest level of volatility we saw in 2024. The volatility inside oil was almost non-existent, yet we still deliver that 4%.

So hopefully that helps in setting the frame for how we think about it and how we're communicating it to you. If we provide any more transparency, we're going to have to give up commercial advantage, and that does not make sense. So Carol, your thoughts on the core assets as you approach the trading short.

Carol Howle: So I mean, it's really important for us to have that structural demand going forward. And we use that information, we use that customer access to build scale and to build optionality. So from that perspective, not only are we locking in an intrinsic margin when you're looking at the supply to the demand centre, but if we're able to actually build flow around it, we can also optimise, move cargoes and utilise infrastructure in different

ways. Now, we're very much focused, when we're looking at bp assets, around what's the overall return to bp. So it's got to be the right return to bp. So Emma's talked about some of the businesses that you have divested. But then we also talk about some of the areas that we're very excited about, like sub-Saharan Africa and your South Africa position, Emma, in terms of the amount of access that gives us.

So it's focused around the returns for bp, the access it gives, the incremental value we can deliver from it, the optionality that it creates. And then we use that information flow and the real-time market analytics to actually then build the value-trading positions on top of it.

Paul Sankey: I guess what I'm driving at is two things, Whiting and US refining and US gas. Those are presumably super cool to the traders.

Carol Howle: We like those positions, yes, but we like Rotterdam as well, for example. And Castellon is a very good European asset for us.

Murray Auchincloss: Yeah. Maybe if you're asking a refining question, the northern-tier refineries are incredibly valuable for the fuel supply network that Carol enjoys and that Emma delivers to customers each and every day. And the coastal refineries are absolutely critical for the flow to Africa. So we really have high graded from 20 refineries back at merger time down to now five. And we feel this is the right point. Thank you for the question. Next over here in the back row.

Ryan Todd (Piper Sandler): Thanks. Ryan Todd at Piper Sandler. Maybe if I could stick on the downstream side a little bit, the $3.5 to 4 billion of incremental cash flow at a flat margin deck is a pretty significant number. And maybe within that, on the product side, which is a couple billion dollars, the $3/bbl lower breakeven cash cost is not a small improvement. So can you maybe help us understand, like how much of that comes from just Whiting running at a normalised run rate? How much of that is maybe from GSK leaving the portfolio versus some level of confidence in, kind of, the remainder of that wedge that you can get there?

Murray Auchincloss: I'll ask Emma to start and then we'll pass to Gordon on the cost question.

Emma Delaney: Yeah, sure. Thank you. So the $3 a barrel, that's on our realised refining margin, first of all. Gelsenkirchen is still in the portfolio, we assume in this period of time because we – let's see where we get to with the sale. Just to clarify that. Whiting is probably about $1 a barrel, the recovery from that. And then the remainder of that, we've talked about improvement in reliability and consistency and availability, which then enables us, when we have consistent reliability and – consistent availability and reliability, then we're really able to optimise the commercial performance, together with Carol, across the asset. And then another chunk comes from the cost side. So perhaps, Gordon, over to you on cost and reliability.

Gordon Birrell: We're going to take out $0.5 billion of cost as a contributor to the cash flow growth that Emma talked about there. And just high-level buckets maintenance. We think there's $200 million of maintenance costs to come out without impacting safety. And the reason for that is we've adopted a centralised, standardised model in the upstream for

quite a number of years. That's delivered a lot of efficiency, and we're going to apply that to the refineries in a rigorous way. Digital, we think by digitising processes, there's $100 million of cost that can come out there, just simply by digitising and automating certain processes. And then workforce rationalisation. So, the jobs that can be done in our business and technology centres, we'll move them there. There will be some rationalisation of costs. Contractors are leaving the organisation as we speak. It will be another $100 million. And then there's a couple of other buckets, but there's clear prize to go after in the matter of cost without impacting that critical safety performance.

Murray Auchincloss: And reliability, Gordon, how are you feeling about the 96%?

Gordon Birrell: Yeah, 96%, we've just got to achieve it consistently. Four out of the last eight quarters, we've actually achieved 96%. We've just got to achieve it eight out of eight quarters. So, the maintenance will help on that. The big outage in Whiting last year, we understand exactly why it happened, and we've taken actions to make sure it doesn't happen again in Whiting and right across our refining portfolio. That particular vulnerability was biggest in Whiting. We've seen investment required in the electrical systems in other refineries. So, we're in action to invest there, so that will impact the availability. But I'm pretty confident that we can achieve 96% consistently, not just four out of the last eight quarters going forward.

Emma Delaney: And just to clarify, of the $3 a barrel, about half is related to reliability, including Whiting, and the other half is cost and commercial.

Murray Auchincloss: Great. Thanks very much. Over to this side, Chris.

Christopher Kuplent (BofA Securities): Thank you. I'll try hard with this one-question rule, but let me try and unpack your portfolio changes embedded in the financial frame here. To what degree is your reduction in net debt exclusively a function of portfolio changes and disposals? And maybe if you could, sort of, try and give us a like-for-like on your cash flow growth. Is that pre or post portfolio changes? Just so we can understand what's apples, what's pears, please. Thank you.

Kate Thomson: Yeah. Let me unpack that. So, the announcement we made today with regard to the strategic review of Castrol– a change in the ownership of Castrol is not embedded in the cash flow projections or any of the cash cost reductions. We need to wait and see what the shape and scale of that transaction looks like. So, I'm not going to prejudge that. Of course, if we're announcing two material asset transactions and saying that we're going to use the proceeds of those to deliver the balance sheet, you can see that they're going to be a material factor in the delivery of that target. And as I've said, the delivery of the target, the timing of the delivery of the target is going to be dependent upon the timing of those transactions. We're not going to rush. We will deliver those transactions for maximum shareholder value. And if the price isn't right, we've got plenty of other options at our disposal in order to deliver that target, because it will get delivered.

The other thing I'd say, which I mentioned in my presentation earlier, is, both with Gelsenkirchen and with Castrol, if those two transactions lead to a significant change in ownership, and we've announced that we're going to put Gelsenkirchen up for sale, they would have a material impact on our cash cost reduction. That is not in the $4-5 billion. It

would be materially higher, were those transactions to lead to something significant. I hope that helps.

Josh Stone (UBS): Thanks. Hi, it's Josh Stone here from UBS. A question on the target setting and, sort of, philosophy of how does bp go about setting its targets, because it's clear the organisation has been guilty of overpromising over the last few years. And I wonder, Murray, when you set these new targets, did you get to the root cause of maybe what was driving that, whether to do with accountability or channels of communication? And can you give us some confidence around these new targets and any contingency you're including inside of them? Thank you.

Murray Auchincloss: Yeah, sure. As you do these things for the past 25 years, kind of, my reflection is, you're always seeking to get to a P50 outcome and understanding the true nature of a P50 outcome. And then you stretch, right? And you have to judge as a manager how far you stretch these things. So, we spent a lot of time, whether it's on major projects, trying to understand exactly what is that P50 outcome that's going to deliver. And then as you think about things like that and portray them externally, you of course try to give yourself a little bit of room.

As I think about the targets that we've set out today, the 2024 to 2027 target, I feel pretty good about it. As you listen to the team, there are concrete actions on plans. They're very, very clear what we're doing. It's not, here's your overview. It's here are the actions we will be taking, BTCs, procurement etc., alliancing. And here are the numbers they can deliver. And of course you give yourself a little bit of headroom, but not too much. On your production, you always get the bottom-up roll-up. You always know not to give the maximum number. You balance yourself a little bit because things happen. That's the nature of these industries.

So, what I would say is I've been on a 25-year journey, really trying to find the midpoint of these things. And by trying to get the organisation to a P50, rigorously understand the P50, rigorously understand the roll-up they have, how much challenge is inside it, you can generally start to flush these things out. As I look at 2024 to 2027, I'm confident we're in good shape. We're going to deliver these, and we're going to do everything we can to lean in and deliver them sooner, but I think it's a well-balanced set of targets that we have out there. And I've got a great team that's going to deliver it, so hope that helps.

Kate Thomson: Can I just add one small point, Murray? I don't know whether you caught it in what I was saying earlier, but we have those four primary targets: growing cash flow, growing returns, reducing costs, reducing debt. Subject to board approval, the intention is that those four primary targets will be reflected in the way that we incentivise and remunerate the most senior leaders in the company, so that gives us added confidence and conviction that these will get delivered.

Murray Auchincloss: Fantastic. Let's go back to this side. Still nothing on the web.

Alejandro Vigil (Santander): Hello. Alejandro Vigil from Santander. My question is, because the new shareholders distribution criteria is 30-40% of operating cash flow. If you can help us to bridge the 2024 qualitatively, it is not needed a number, from the $26.5 billion of operating cash flow in 2024. You can help us to understand the 2025 number, the potential

of operating cash flow in 2025, to understand the buybacks announced, the first quarter announcement. Thank you.

Kate Thomson: Okay. So, I'm assuming you got the toggle between the numbers that we've disclosed in the stock exchange announcement for the fourth quarter, the full year, and into the $10.3bn and rebased to the 2024 real prices. Okay. What I would say is we are forecasting 20% CAGR in our adjusted free cash flow through the three-year period. I'm not guiding on 2025 cash flow. What I would say is, we're pretty confident that around 50% of the growth is going to come through in the first year, through three things, primarily. We've got over $1 billion of lower capex. We've got recovery in our refining, as Gordon's just talked to, confidence in the refineries being available for 96% consistently through the period, and we've got a full year of bp bioenergy. Those three building blocks are a very core part of why you'll see a significant step-up in terms of operating cash flow 2024 to 2025, and then from 2025 to 2026 to 2027, you should expect the other 50% of that growth to come through pretty evenly.

Murray Auchincloss: Hope that helps. Great. Lydia.

Lydia Rainforth (Barclays): Thanks. It's Lydia Rainforth from Barclays. If I go back to the upstream part of the business, I thought we should have a question on that. Can you talk through – and obviously, you've done some big transactions in Kirkuk. So, what the potential is there? And then Haynesville as well, just in terms of the potential that you're seeing there.

Murray Auchincloss: Fantastic. William, you want to take Kirkuk, and Gordon, take Haynesville?

William Lin: Hi Lydia, yeah, Kirkuk, obviously we're very excited. We got the agreements all landed yesterday and announced, as you will have seen. It's a fantastic agreement. As I said, the first phase gives us access to 3 billion barrels of discovered resource that we will help redevelop with the North Oil Company in Iraq. It's a 25-year agreement. It is, without going into a lot of detail, which I shouldn't go into due to confidentially, but it is a better margin, it is a better return than Rumaila. Okay? I can say that. I'm not going to say how much, but it is better. Okay? And it is starting to move into what we've been working with the Iraqi government on, which is how do we improve the terms. We've now 15 plus years on now. Can we improve the terms and incentivise and have more skin in the game? So, 25 years, it also gives us access to gas. We don't have that in Rumaila. Right? We have BGC that takes the gas. We manage the oil and that creates all kinds of complexity. We now have gas and oil together. We have gas rights and oil rights, and we'll be able to lift the incremental production that we produce. We'll be able to book the reserves, get the production. We have the ability to take cargoes either through export or down south through displacement in Basra.

So, there's a lot of flexibility in the contract. We're very privileged to be in a position where we really leverage that incumbency position, that partner of choice. And so very, very excited about the opportunity. And there's lots of running room, lots of running room there, exploration deep rights in in our agreement, plus we're doing an MOU that's going to access additional exploration. So, as you heard me say, there's up to 20 billion barrels of resource to play for.

Murray Auchincloss: Fantastic. Haynesville.

Gordon Birrell: Yeah. Thanks, Lydia. And just to reiterate, bpx, three basins, the Permian largely or mostly oily, bit of gas. The Eagle Ford, that's gas and oil. And then Haynesville, primarily gas. We like it because we can switch capital between the three basins, switch rigs and people between the three basins very readily, very short cycle, depending on the price signals we're getting from oil and gas.

Specifically on the Haynesville, we have ten TCF of resource there, fabulous wells. The most recent wells we've been drilling 60MMSCFD per well. The last seven, I think, on average were 60 per day. So high productivity, very close to the emerging LNG markets on the East coast. And the team is very confident. The worry we always had on Haynesville was the takeaway rights. Could we get pipe capacity to take it away. The team are working on that. Very confident that we can get the gas away if we choose to ramp up the Haynesville drilling programme over the next couple of years.

Murray Auchincloss: It's a fabulous basin that we, have tons of flexibility. And in the chart that you saw at $4 Henry Hub, it's equal quality to the Permian at $70/bbl real. You guys are all watching the forwards on natural gas, so you know how high quality that is right now. Let's move back to the left side.

Maurizio Carulli (Quilter Cheviot): Thank you very much Maurizio Carulli from Quilter Cheviot Investment Management. I have a question on Iraq, but before that, allow me, as a shareholder, to congratulate you on a reset in the strategy and, more importantly, for having redefined the distribution policy to more sustainable terms, because I firmly believe that over distributing is not the right way to create shareholder value, let alone growing it.

Now, on Iraq, I have been following the energy sector for more years that I want to say, and, historically, in Iraq has always been very difficult to produce money and for a number of reasons. Answering Lydia questions, you said that, of course, the terms for the Kirkuk redevelopment are different with respect to what was in the past. My question is, is the difficulty in producing profitability in the past in Iraq have been due to exclusively the agreement terms, or there were other factors? And if that is the case, what gives you the confidence of being able to overcome these factors outside the terms of the agreement in order to have attractive returns?

Murray Auchincloss: Yeah, I'll just take this one. As we look back over the past 15 years with Rumaila now, 15 years with Rumaila, the biggest hamper to making great money out of it was the original terms. It was an auction, it was a bidding round, and everybody bid it to the lowest number and presto. That's what you got was difficult terms as a contractor. Of course, the host nation got fabulous terms and has profited from them magnificently. And they've reinvested inside their nation. And I invite you to go to Baghdad. It's a changed place now. It's much changed with the wealth that they've provided and reinvested into their infrastructure. So, congratulations to the Prime Minister for having achieved that.

This is different. This is different. It's a bilateral relationship based on 15 years of helping them in Rumaila. And this is a much different commercial arrangement that we start with. We did have issues in the 2014/15 time with payment. That was when oil price was very low, and the nation was struggling. It's much wealthier now. Oil prices are much better. The breakeven of the nation is very, very strong.

So, I think those are the two real challenges that we had in the past. I think as you look forward, just to reemphasise what William said, huge resource base, low lifting costs, low development cost, a tremendous opportunity for us to use our big field management skills. We've got access to gas. We get paid in 60 to 90 days. We can take the product where we want, and we're both incentivised. Both sides are very, very incentivised to grow this on behalf of the nation. They've given us rent that we like, that's very attractive and hits all our hurdles inside our portfolio. And of course, they're incentivised to help us do that.

So, I feel this is a magnificently aligned structure. And I think in ten years' time, we'll look back on this as one of the most important transactions bp has done in 20 years, I really do. So, there's a little bit for you, and we're very enthusiastic. And we're thankful to the Prime Minister for helping us get here. And we're going to do proud for him.

Another question over here, then I'll move over there.

Anish Kapadia (Palissy Advisors): It's Anish Kapadia from Palissy Advisors. I just wanted to ask, in the context of a higher interest rate environment now versus the last few years, and also several liabilities on your balance sheet that are not captured in your net debt, what would you estimate the 2025 total cash financing cost when you consider all the elements? So the interest on the net debt, the hybrids, coupons, lease interest, dividends to minorities and the factoring of receivables. Thank you.

Kate Thomson: I think you can see quite clearly from our cash flow statement, our interest costs[1]. You can see our hybrid costs going through. We don't break out cost of any factoring that we do. I'm happy to pick up after you and make sure you've got the breakdown of all those component parts. But I think, based on my calculations, I think you've got in the order of about – if you include lease costs, hybrid costs, etc., after you get past operating cash flow, you've got in the order of about ~~$7 billion~~ $4 billion[2].

Murray Auchincloss: I think I'll move over here now.

Stephen Richardson (Evercore): Murray, can you talk a little bit about value realisation? So, if you think about Castrol, for example, as you go through these alternatives, if you believe that there's hidden value in the portfolio or unappreciated value, how do you think about realising that value? Either through like what you've done in some of your JVs successfully versus an outright sale, if somebody else finds more value in it than you do, or even some of your past experience with publicly traded subsidiaries. Can you just talk about those three, and how does that interplay with the net debt reduction obviously as well? But just talk about value creation.

Murray Auchincloss: Yeah. So first, we've announced a $20 billion package. We're getting after it as fast as we can. I've already had texts on inbounds on Castrol, imagine that. So we're in action. We've set a target. We're going to deliver that target, and we're going to move fast, I think is the first thing I'd say.

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1. *Refer to 'Finance costs' in the Group cash flow statement and footnote 7 of our 2024 Annual report accounts and form 20-F.*

2. *2024 financing activities in the Group cash flow statement include lease liability payments of $2,833 million and payments relating to perpetual hybrids bonds were $1,053 million.*

The type of transactions we've done over the past 15 years we've been very active, it's probably $150 billion, $125-$150 billion we've rotated. Generally, inside the upstream, we wait till late in life, and we find a point where the pass-over value to others is higher. However, we do test for farm-downs. We do constantly test partners who approach us about what value they might give us relative to our own. Generally, in the past, it's been hard to get anything for 2P. So, you'll get something from 1P. You won't get it for 2P, and so generally those transactions don't work because you can't find a value match. You'll get a price disconnect. So, it leads you in the upstream to generally waiting for late life, then seeing what kind of transaction can become available. And that's where the exotics have come out of, from Aker bp to Azule, to the transaction that William did in Alaska with Hilcorp. Those are the kind of late life transactions that generally we see.

But, we're open. If somebody wants to come and make a knockout bid on 25% of Kaskida, we're open to it, but it has to be for value. And we're not going to give it away, is generally our thought pattern.

Inside the downstream, it's all about integration now. It's all about integration and other assets that will be testing ourselves constantly. Is this an integrated asset? Do we keep it? Do we test it with the market? That's how we'll be thinking about it. It's a more straightforward transaction. We've done exotic partnerships in the past in those. Those are pretty hard to pull off, and it's hard to find where value realisation has been created.

And then I think the thing that we've all been working on so hard in the past 12 months is to decapitalise the low carbon space. We had a good portfolio of offshore wind we pulled together. We started sounding out the market on different opportunities. We came to an agreement with our great partner JERA, who we've worked with for decades and decades and decades and found a matching point, probably one of the largest utilities inside Asia. With our industrial capability brought together, that will create something special along the way.

And Lightsource bp will be the same thing. You could do an outright sale, but I think you'll create an awful lot more value if you pull a partner in who can scale it, give us electron flow. That'll create an awful lot more value. So, I think the principles on value realisation for me is to stay open to whatever people are telling you. Think about it. Stick with your core assets, don't sell off your core assets that have growth, and then think exotically. And I don't think there's any corporation inside our sector that does more exotic transactions than we do to drive value.

So, we're very firmly in action on that. We're very open to thinking about these things. We're going to deliver that $20 billion target as fast as we can, and we're open to different structures as needed. Hopefully that kind of answered your question.

Roger Read (Wells Fargo): Thanks for this. Going back to 2020, the initial more aggressive energy transition. And one of the things that was mentioned at the time was the people of bp wanted to do this. Now here we are a few years later, the people of bp are going to go in a different direction. You've got a fairly ambitious goal in the upstream, stretching out to Iraq as well as the other areas you're operating. So, I'm just curious, as you look across the people of bp, technically, their commitment levels, that you're going to be able to deliver all this. And how is this change of strategy impacting them and their commitment to making this change?

Murray Auchincloss: Gordon.

Gordon Birrell: Yeah. Thanks, Roger. So, the one thing I like about this strategy, and I'm excited about it, you might expect me to say the upstream investment, and I am excited about that. But I'm also excited about the fact that we're in execute in some of the low carbon projects. As William explained, two world-scale carbon capture projects. We're not doing PowerPoint anymore. We're in action. We've got engineers on the ground, we're cutting steel in these projects and our people see us doing that. We've deployed a lot of people onto that. So, it's not as if we've completely abandoned the energy transition. Quite the opposite. We're in an industrial-scale investment in low carbon.

Now, at the same time, many of our engineers and scientists are deep, deep, deep petroleum people who like to go and find, develop and produce oil and gas. And going to places like Iraq is a fantastic opportunity. You learn so much going to some of these countries that are a bit different from maybe the countries we were raised in. And so we don't have any shortage of people who are keen to go and deploy their skills into the new areas, whether it be West Coast, India, the Mumbai High or Kirkuk or more in Rumaila or more in Azerbaijan. We've got people who want to do that and like to do that. And it's the entrepreneurial, adventurous spirit that I think and hope we still have inside our company.

Murray Auchincloss: William, you're staffing up India. How do you find it?

William Lin: Yeah, I mean, lots of excitement, I agree with Gordon, but maybe let me answer the low carbon side. I think the beauty of the platforming option of creating this platform for offshore wind with JERA is that we take our offshore wind capability that we did hire in, and we brought a lot of people in since 2020 when we had our original ambition. And those qualified, very experienced people, they actually go into the JV, and the JV then has that new lease on life where the JV then says, let's go execute these offshore wind projects, unshackled, unfettered from the group and our financial frame and what our strategy needs to be. And that JV will have its own principles, its own criteria. And it gives them that new lease on life too. So, I think when we think about both what Gordon said and what I've said now, our people, all in all, feel content.

Murray Auchincloss: Thanks, William.

Alastair Syme (Citi): Thanks, Murray. If I go back the last five years, we, kind of, all understood what bp was about. Right? So the integrated energy company, you could believe it or not, or whatever. I guess, as you pivot back to oil and gas, you're now at a very competitive landscape for investor capital against all these other big integrated companies. So, I guess I'm struggling to think of what bp's competitive position is relative to the industry or what's your strap line as you're trying to attract investor capital here?

Murray Auchincloss: So, I'd start with one of the best upstream's around. Look at the Gulf of America. Look at the lower 48 mix back in the Middle East with strong growth. So, we have tremendous growth opportunities inside the upstream. Fabulous assets, high-graded after many years of divestment, a leading technology charge that you hear Gordon talk about. And you're going to see a lot more on that. So that's the start of the offer. Concentrated downstream with integrated positions that underpins Carol's business. Who else has a trading business like us to take advantage of discontinuities? And to be honest, we've got a pretty aggressive cost programme. We've got a pretty aggressive cash flow

growth target. And, this is a good time to enter the company. With share price suppressed, it's only upwards from here. And we're not done. We're absolutely not done. We will continue to access in the upstream and grow the business. We're going to continue to do great things through trading, even if Carol won't acknowledge that she'll grow in returns. And we're very, very excited about it.

So, quality of asset, quality of people, technology, trading, those are the fabulous things that we offer that not many in the sector can offer this high-graded of a portfolio with this growth rate, with the extras on technology and trading, that you'll hear so much more from us over time.

Lucas Herrman (BNP Paribas, Exane): Thanks very much, Murray. Lucas Herrmann, BNP Paribas, Exane. It's a little philosophical, I mean, and it's about balance sheet, buyback and how you think about – and really bedding down the improvements actually. So, it's this, it's Castrol is a great asset, in my opinion. Castrol is an asset which, I assume – that I believe you could probably sell relatively quickly. I'm not saying you want to do that. You're very clear. You want to maximise value. But it's not that difficult to see the balance sheet position changing pretty dramatically within a relatively short time, not least given that you've also got other divestments ongoing.

The question is this, to what extent is your payout ratio going to require that you bed down the improvements in the business before you're willing – I'm assuming the oil price is flat, okay, so let's just take the commodity out of the equation. So, you need to see the turnaround in the business in the downstream, in particular, before you're willing to become more generous with shareholders around payout. Am I making sense?

Murray Auchincloss: Yeah. So, if you think about what we're trying to do, we have a big growth in cash flow in 2025, as Kate's described, hopefully around 50% of what we're talking about in cash flow growth that comes from operating well. We're two months in. Everything's okay so far, which is fantastic. The team around me is doing a fabulous job, and we need to continue to see that being delivered.

At the same time, we feel for resilience, we need to drive the balance sheet down, and so we are going to be in action on these divestments. We are in action. We are moving fast. We have teasers out, we have data rooms open, and we are moving fast because we recognise the observation you're making silently there.

We have said we will have a cost programme that delivers another $4 to $5 billion. That's going to be fairly evenly spread over the next three years. We did $800 million last year. We think it will be evenly spread over three years. It's hard, hard lifting that the teams are going through. We have immense confidence in it, but it's hard lifting as we do that.

And William kind of signalled to you, where we have the growth inside the downstream, we have a bit of decline in the upstream in a few gas regions. And we need to overcome that and then start to really grow the upstream as we move through 2026 and beyond.

So, you have a few moving parts inside there. What we have said is that we're back to 30 to 40% distributions, like our other European peers, is how we talk about it. We've given you a signal for 1Q. And assuming a flat price environment, we're going to make sure things are bedding down and we get the divestment starting to move away. As we do that

and as we feel more confident, Kate and I will be recommending to the Board that we start to lean into these things.

So, make no mistake, we have set a capital range of $13 to $15 billion. We mean it. Make no mistake, we said $14 to $18 billion of net debt. We mean it. And we've said 30 to 40% CFFO as guidance. If there's excess cash, either through environment or through pace of divestments, the only place it can go is in distributions. So, they will come, is my viewpoint. And this is a great team that's going to deliver great things. And you should have confidence in that. I hope that helps unpack a little bit of how I think about it.

Luke Parker (Wood Mackenzie): Thanks. Luke Parker, Wood Mackenzie. Had a question about strategic venture or your integrated joint ventures. The Aker bp, Pan America and so forth, these have become a material part of the business now. And when I think about the capex that's going through them, and increasingly so, the cash flow that will be coming out of them, how do you think about those in that structure? The advantages, but also the disadvantages, risks, challenges. And do you plan on doing more in future beyond Lightsource perhaps, or are you open to it? Thank you.

Murray Auchincloss: We always look for innovative structures. Generally, they come along every five years or so is how we've observed it. Aker bp was middle of last decade. Angola came a few years later. JERA Nex bp was a fabulous thing that came out, so it's hard to pull these things together to find like-minded companies with a complementary asset basis. In all cases, in all the upstream things you do, you've got a late life and a growth, and you need to pull the two together to create the magic that creates these entities.

So, you always look for them. We tried to do it in Canada ages ago. We tried to do it in Alaska, etc. And we'll continue to seek these out. I think as you think about holding them, they're great growth ventures and they create interesting, interesting options. Who would have thought when we got into Aker bp, that we could get access to Johan Sverdrup and Lundin? Who would have thought? It was a dream that we'd be able to do that, with Oyvind at Aker, and we achieved it.

So, I think when you set it up, it creates a fabulous option that you can then go and start doing different things. And Gordon and Azule has started to do that as well. He's entered Namibia. We've drilled our first well. A second well will come. Who knows where Azule will grow to, but it's a growth vehicle. And I think as far as we're concerned, these are interesting options. They've got great growth moving forward. They create great optionality for additional interesting transactions. And so that's how that's how we think about them, Luke.

Giacomo Romeo (Jefferies): Yeah. Thanks. I'll ask one on – sorry, Giacomo Romeo, Jefferies, I'll ask one on bpx. I think in the past, Murray, you were very clear about – saying that you see this as a self-funded vehicles. Do you think that's still the case? How do you see that potentially, in terms of using it to capture potential upside in gas price in the US in the near term? And in terms of scale, obviously, you'd outline that you think that it has room for growth. But you are subscale compared to many players in the region. Can you see, over the next few years, any potential for any ways to grow inorganically there?

Murray Auchincloss: Gordon.

Gordon Birrell: Yeah. Just taking the second point of your question first, Giacomo, in terms of scale. So we are going to grow it to 650,000 barrels per day to 2030. It's not the biggest, but it's very, very high quality. I mean, we're in the best geology in each of the three basins, and the three basins we think are the best in the lower 48. So the biggest is not always best. I like the quality of what we've got there. And just to reiterate, I also like the ability to move capital between the three basins, depending on how the pricing signals are. So scale, it's not all about scale, although at 650,000 barrels per day it will be material. We have a fabulous team there.

In terms of if you were hinting about divestment or IPO or floating it off, it's such an integrated part of our company. We've got a leadership team that's very entrepreneurial. We give them certain privileges to be standalone, but they have the bp, OMS, the safety system and the support when they require it. But perhaps more importantly, they are the centre of expertise for non-conventional.Take fracking, for example. They do way more fracking than any other part of our company. All the fracking expertise that we're going to need for Kaskida and Tiber will all come from bpx. The fracking expertise we needed to get Oman kicked off all came from bpx. It's that – it's the integration in that centre of capability. And then as you heard from Carol, the integration with ST&S is huge in terms of creating an uplift.

So, we like what we've got. We're going to grow it as fast as we can and continue to take the benefits of that integration.

Murray Auchincloss: And we're very excited about the gas price rise. I think with that, I have to cut it off because we're cut off on broadcasting. So let me do a quick close and then we can catch up with people in the room who have more questions as well.

Thank you for all the questions today and for listening to our capital markets update. Today marks the start of a new chapter for bp building on our over 100-year history. I'm excited about it. We fundamentally reset our strategy, laid out a new direction for bp, and are taking comprehensive action to grow long-term shareholder value. We're going to invest to grow value in our core upstream business, building on our balanced and resilient oil and gas portfolio and the attractive pipeline of new projects. We're going to drive improved performance in our downstream business while high-grading around our core integrated markets. We're going to invest with discipline in the energy transition, focusing on key growth markets and being more selective with our investment to ensure we deliver the returns our shareholders expect.

All of this is focused on a clear plan over the next three years to grow cash flow and returns, allowing us to strengthen the balance sheet and deliver resilient distributions, and underpinned by a clear set of targets we've laid out, which we will be very, very focused on delivering.

Last, we have a brilliant team, who will help deliver this. The people in this company are outstandingly capable, individually and as team players. They're problem solvers. They adapt to challenges. They adapt to change. They're committed to the success of the company and the success translating into value for shareholders. And I'd like to thank all of them for their support. Thanks, guys.

We've reset bp for today and tomorrow. And I'm looking forward to what we're all going to do on your behalf next. Thank you for listening.

[END OF TRANSCRIPT]