

As required by CFTC Regulation 23.105(i)(2) BP Energy Company is making available below its statement of financial condition, including applicable footnotes, which is a part of its 2024 audited consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

BP Energy Company
As of December 31, 2024, and 2023, and for the Years Ended
December 31, 2024 and 2023
With Independent Auditor's Report

As required by CFTC Regulation 23.105(i)(2) BP Energy Company is making available below its statement of financial condition, including applicable footnotes, which is a part of its 2024 audited consolidated financial statements.

BP Energy Company
Consolidated Financial Statements

Contents

Independent Auditor’s Report.....2

Consolidated Balance Sheets4

Consolidated Statements of Profit or Loss.....5

Consolidated Statements of Changes in Stockholder’s Equity6

Consolidated Statements of Cash Flows7

Notes to Consolidated Financial Statements.....8

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INDEPENDENT AUDITOR'S REPORT

The Stockholder and Board of Directors

BP Energy Company

Opinion

We have audited the consolidated financial statements of BP Energy Company (an indirect, wholly owned subsidiary of BP Corporation North America) and its subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of profit or loss, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern at least, but not limited to, twelve months from the end of the reporting period, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and

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therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte & Touche LLP

March 7, 2025

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Consolidated Balance Sheets

(In Millions)

	December 31	
	2024	2023
Assets		
Right-of-use assets, net	\$ 3	\$ 3
Property, plant and equipment, net	-	1
Total property, plant and equipment, net	3	4
Other Noncurrent assets		
Prepayments and other intangibles	15	15
Derivative instruments	12,549	6,921
Goodwill	50	50
Deferred tax assets	117	103
Total other noncurrent assets	12,731	7,089
Current assets:		
Cash and cash equivalents	622	676
Inventories	214	198
Margin deposits, prepayments, and other	106	124
Accounts and notes receivable	786	991
Receivables – affiliates	22,537	20,471
Derivative instruments	2,370	2,933
Total current assets	26,635	25,393
Total assets	\$ 39,369	\$ 32,486
Liabilities and stockholder's equity		
Noncurrent liabilities:		
Derivative instruments	\$ 11,490	\$ 5,544
Long-term gas supply obligations	4,235	2,978
Noncurrent lease liabilities	2	3
Other noncurrent liabilities	567	680
Total noncurrent liabilities	16,294	9,205
Current liabilities:		
Accounts payable	1,361	1,446
Payables – affiliates	330	146
Derivative instruments	1,810	2,603
Current tax liability	232	539
Current lease liabilities	1	1
Other accruals	473	422
Total current liabilities	4,207	5,157
Stockholder's equity:		
Common stock, \$1,000 par; 1,000 shares authorized, issued and outstanding	1	1
Additional paid-in capital	10,956	10,956
Retained earnings	7,911	7,167
Total stockholder's equity	18,868	18,124
Total liabilities and stockholder's equity	\$ 39,369	\$ 32,486

See accompanying notes.

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Consolidated Statements of Profit or Loss
(In Millions)

	Year Ended December 31	
	2024	2023
Revenues		
Trading revenue, net	\$ 1,649	\$ 2,909
Costs and expenses:		
Operating expenses	(1,350)	(1,290)
Depreciation and amortization expense	(1)	(4)
Distribution and administration expenses	(262)	(309)
Total costs and expenses	(1,613)	(1,603)
Income before interest and income taxes	36	1,306
Interest expense	(219)	(93)
Interest income	1,145	964
Profit before income taxes	962	2,177
Income tax expense	(218)	(503)
Net Income	\$ 744	\$ 1,674

See accompanying notes.

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Consolidated Statements of Changes in Stockholder's Equity
(In Millions)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
Balance at December 31, 2022	\$ 1	\$ 11,027	\$ 5,493	\$ 16,521
Common Control Asset Acquisitions and Disposals	-	(71)	-	(71)
Total net income	-	-	1,674	1,674
Balance at December 31, 2023	1	10,956	7,167	18,124
Total net income	-	-	744	744
Balance at December 31, 2024	\$ 1	\$ 10,956	\$ 7,911	\$ 18,868

See accompanying notes.

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BP Energy Company
Consolidated Statements of Cash Flows
(In Millions)

	Year Ended December 31	
	2024	2023
Operating activities		
Net income	\$ 744	\$ 1,674
Depreciation and amortization expense	1	4
Noncash interest expense on long-term gas supply obligations	152	58
Noncash deliveries on long-term gas supply obligations	(185)	(85)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
(Increase) Decrease in non-exchange traded derivative Instruments	87	(329)
Changes in other assets and liabilities:		
(Increase) Decrease in inventories	(16)	(4)
(Increase) Decrease in margin deposits, prepayments, and Other	18	(71)
(Increase) Decrease in accounts receivable	205	1,028
(Increase) Decrease in accounts receivable and payables – Affiliates	304	(696)
Increase (Decrease) in accounts payable	(85)	(1,328)
Increase (Decrease) in current taxes liability	(307)	321
(Increase) Decrease in net deferred tax asset	(14)	(36)
Increase (Decrease) in other accruals/other liabilities	(49)	89
Net cash provided by operating activities	855	625
Investing activities		
Centralized intercompany cash management activity <i>(Note 10)</i>	(2,186)	(2,242)
Net cash used in investing activities	(2,186)	(2,242)
Financing Activities		
Proceeds from long-term gas supply obligation	1,278	1,500
Lease liability payments	(1)	(4)
Net cash provided by financing activities	1,277	1,496
Change in cash and cash equivalents	(54)	(121)
Cash and cash equivalents at beginning of year	676	797
Cash and cash equivalents at end of year	\$ 622	\$ 676

See accompanying notes.

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Notes to Consolidated Financial Statements

1. Organization and Summary of Significant Accounting Policies

BP Energy Company's (BPEC) consolidated financial statements include the accounts of IGI Resources Inc. (IGI), a Boise, Idaho-based energy company, a wholly owned subsidiary of BPEC. Both BPEC and IGI (the "Company") are engaged in the trading and marketing of natural gas, natural gas liquids (NGLs), liquified natural gas (LNGs), and power in North America. The trading and marketing of NGLs ceased after the common control sale in 2023 discussed in Note 13. The Company's primary customers include producers, commercial and industrial end-users, retail end-users, and financial institutions in North America. The Company is a wholly owned subsidiary of BP Company North America, Inc. (BPCoNA) and BPCoNA is wholly owned by BP Corporation North America, Inc. (BPCNA). The Company is also an indirect, wholly owned consolidated subsidiary of BP America, Inc. (BPA) and BP p.l.c. (BP). The accompanying consolidated financial statements are the responsibility of management.

Basis of Presentation

The consolidated financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations issued and effective for the year ended 31 December 2024. The accounting policies that follow have been consistently applied to all years presented, except where otherwise indicated. The consolidated financial statements are presented in US dollars and all values are rounded to the nearest million dollars (\$ million), except where otherwise indicated.

Principles of Consolidation

The assets, liabilities and results of operations of subsidiaries in which the Company has a controlling financial interest are included in the accompanying consolidated financial statements. The Company does not have any significant interests in variable-interest entities. All significant intercompany transactions and balances are eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with IFRS accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities, revenues, and expenses, and the disclosures of contingent assets and liabilities. Actual results could differ from estimates and assumptions made. Areas where critical accounting estimates are made include the fair value of derivatives, including credit risk valuation considerations, and impairment assessments of goodwill.

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Goodwill

Determination as to whether, and by how much an asset containing goodwill is impaired involves management estimates on highly uncertain matters such as the effects of inflation and deflation on operating expenses, discount rates and future commodity prices, including natural gas and refined products.

The recoverable amount of an asset is the higher of its value in use and its fair value less costs of disposal. Fair value less costs of disposal may be determined based on expected sales proceeds or similar recent market transaction data.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate the recoverable amount should be assessed. In assessing whether goodwill has been impaired, the carrying amount of the group is compared with its recoverable amount. Where the recoverable amount is less than the carrying amount (including goodwill), an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Revenue Recognition

Revenues associated with sales of natural gas, NGLs, power and other items are recognized when title passes to the customer as the risk of ownership passes to the purchaser and physical delivery of goods occurs, either immediately or within a fixed delivery schedule that is reasonable and customary in the industry. Revenues associated with services, including risk management and asset management, are recognized as the services are performed. When appropriate, the Company invoices and collects sales tax from its customers, which is carried on the consolidated balance sheets as accounts payable prior to remittance to the taxing authority.

Revenues and purchases of natural gas, NGLs and power associated with energy-trading activities are combined and reported on a net basis on the consolidated statement of profit or loss within trading revenue, net.

Cash and cash equivalents

As discussed in Note 10, rather than holding surplus cash, most of the Company's cash is managed through a centralized funding agreement. Such cash is characterized as a receivable from the BP subsidiary which serves as the central treasury function of BPA and its subsidiaries. For balances that are held in margin accounts, the Company considers these balances to be cleared against the underlying exchange position, such that the balances offset or net against the exchange position.

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Cash and cash equivalents at December 31, 2024 and December 31, 2023 includes \$621 million and \$676 million that is restricted. The restricted cash balances include amounts required to cover initial margin on trading exchanges and certain cash balances established to facilitate Company activity in which the Company is required to maintain a minimum balance.

Inventories

Inventories consist primarily of natural gas and renewable energy credits. Inventories held for short-term trading purposes are stated at fair value less costs to sell and any changes in fair value are recognized in the statement of profit and loss. Natural gas and renewable energy credits are carried at fair value less costs to sell. Costs primarily comprise direct purchase costs. The balances at December 31, 2024 and December 31, 2023, respectively, are as follows:

	2024	2023
	<i>(In Millions)</i>	
Natural gas inventory	\$ 82	\$ 61
Renewable energy credits inventory	132	137
Total inventories	<u>\$ 214</u>	<u>\$ 198</u>

Accounts Receivable

At December 31, 2024 and December 31, 2023, accounts receivable were \$786 million and \$991 million, respectively. The balance at December 31, 2024, and December 31, 2023, primarily represented sales of natural gas and power delivered during the month of December 2024 and December 2023, respectively.

The Company continually monitors the exposure and the creditworthiness of its counterparties. Trade and other receivables are carried at the original invoice amounts, less allowances for doubtful receivables in the amounts of \$286 million and \$262 million as of December 31, 2024 and December 31, 2023, respectively. Allowances are recorded based on expected losses. Balances are written-off when the probability of recovery is assessed as remote.

In December 2024 and December 2023, the Company sold certain accounts receivable to third parties. These sales were done to manage credit exposure and operational cash balances. The notional amount of accounts receivable sold was \$358 million for 2024 and \$491 million for 2023.

Accounts Payable

At December 31, 2024 and December 31, 2023, accounts payable were \$1,361 million and \$1,446 million, respectively. The balance at December 31, 2024, and December 31, 2023, primarily represented purchases of natural gas and power received during the month of December 2024 and December 2023, respectively.

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Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The Company utilizes a mid-market pricing convention (the midpoint between the bid and ask prices) as a practical expedient for determining fair value measurement, as permitted under current accounting standards. The Company categorizes assets and liabilities measured at fair value into one of three levels depending on the ability to observe inputs employed in their measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs that are observable, either directly or indirectly, other than quoted prices included within Level 1. Level 3 inputs are unobservable inputs.

Derivative Instruments

The Company uses derivative instruments to manage certain exposures to commodity prices, as well as for trading purposes. Such derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive or as liabilities when the fair value is negative. If a legally enforceable right of offset exists and contracts are executed with the same counterparty under a master netting arrangement, derivative assets and liabilities with the same counterparty are netted on the consolidated balance sheets and the fair value of collateral paid or received is netted against derivative assets and derivative liabilities, respectively. Gains and losses arising from changes in the fair value of derivatives are recognized on a net basis in the accompanying consolidated statements of profit or loss within trading revenue, net. The Company presents the cash flows from our derivatives in the same category as the item being economically hedged within operating activities on our consolidated statements of cash flows.

Leases

Agreements that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases. The right to control is conveyed if the Company has both the right to obtain substantially all of the economic benefits from, and the right to direct the use of, the identified asset throughout the period of use. An asset is identified if it is explicitly or implicitly specified by the agreement and any substitution rights held by the lessor over the asset are not considered substantive.

A lease liability is recognized on the consolidated balance sheet on the lease commencement date at the present value of future lease payments over the lease term. The discount rate applied is the rate implicit in the lease if readily determinable, otherwise an incremental borrowing rate is used. The incremental borrowing rate is determined based on factors such as the Company's cost of borrowing, lessee legal entity credit risk, currency and lease term. The lease term is the non-

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cancellable period of a lease together with any periods covered by an extension option that the Company is reasonably certain to exercise, or periods covered by a termination option that the Company is reasonably certain not to exercise. The future lease payments included in the present value calculation are any fixed payments, payments that vary depending on an index or rate, payments due for the reasonably certain exercise of options and expected residual value guarantee payments.

Payments that vary based on factors other than an index or a rate such as usage, sales volumes or revenues are not included in the present value calculation and are recognized in the consolidated statements of profit or loss. The lease liability is recognized on an amortized cost basis with interest expense recognized in the consolidated statements of profit or loss over the lease term.

The right-of-use asset is recognized on the consolidated balance sheet as property, plant and equipment at a value equivalent to the initial measurement of the lease liability adjusted for lease prepayments, lease incentives, initial direct costs and any restoration obligations. The right-of-use asset is depreciated typically on a straight-line basis over the lease term. The depreciation charge is recognized in the consolidated statements of profit or loss. Right-of-use assets are assessed for impairment in line with the accounting policy for goodwill.

Agreements may include both lease and non-lease components. Payments for lease and non-lease components are allocated on a relative stand-alone selling price.

If the lease term at commencement of the agreement is less than 12 months, a lease liability and right-of-use asset are not recognized, and a lease expense is recognized in the consolidated statements of profit or loss on a straight-line basis.

If a significant event or change in circumstances, within the control of the Company, arises that affects the reasonably certain lease term or there are changes to the lease payments, the present value of the lease liability is remeasured using the revised term and payments, with the right-of-use asset adjusted by an equivalent amount.

Modifications to a lease agreement beyond the original terms and conditions are accounted for as a re-measurement of the lease liability with a corresponding adjustment to the right-of-use asset. Any gain or loss on modification is recognized in the consolidated statements of profit or loss. Modifications that increase the scope of the lease at a price commensurate with the stand-alone selling price are accounted for as a separate new lease.

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Provisions

The Company recognizes provisions if the following three conditions are met:

- the Company has a present obligation that arises from an event prior to or on the reporting date;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- the obligation amount can be estimated reliably.

Provisions are determined based on the Company's estimate of the expected cost necessary to settle the obligation. Estimates are based on management data from the information system, assumptions adopted by the Company, and previous experience with similar transactions.

The Company is subject to legal proceedings, claims, and liabilities that arise in the ordinary course of business. The Company accrues losses associated with legal claims when those losses are probable and reasonably estimable. Estimates are adjusted as additional information becomes available or circumstances change. Accrued losses are presented on an undiscounted basis.

Income Taxes

Income tax expense represents the sum of tax currently payable and deferred tax. Estimates of interest and penalties relating to tax are also included in income tax expense. The tax currently payable is based on the taxable profits for the period. Deferred income taxes are computed using the liability method and are provided on all temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. Allowable tax credits are applied currently as reductions of the provision for income taxes.

Subsequent Events

The Company has evaluated subsequent events from the December 31, 2024 consolidated balance sheet date through March 7, 2025, the date these consolidated financial statements were available to be issued.

New Accounting Pronouncements

There are no new or amended standards or interpretations adopted from 1 January 2024 onwards, including the amendments to IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments: disclosures' relating to supplier finance,' that had a significant impact on the consolidated financial statements for 2024.

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2. Revenue Recognition

Performance Obligations

The Company has performance obligations as part of its normal course of business. A performance obligation is a promise to transfer a distinct good or service, or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to a customer. The invoice practical expedient within the accounting guidance for “Revenue from Contracts with Customers” allows for the recognition of revenue from performance obligations in the amount of consideration to which there is a right to invoice the customer and when the amount for which there is a right to invoice corresponds directly to the value transferred to the customer. The purpose of the invoice practical expedient is to depict an entity’s measure of progress toward completion of the performance obligation within a contract and can only be applied to performance obligations that are satisfied over time and when the invoice is representative of services provided to date.

The Company has performance obligations to sell commodity products and perform services to customers in North America. The performance obligation to deliver commodity products is satisfied over time as the customer simultaneously receives and consumes the benefits provided. Revenues may be fixed or variable as they are subject to the respective individual customer contract requirements.

Contract Assets and Liabilities

Contract assets are recognized when the Company has a right to consideration that is conditional upon the occurrence of an event other than the passage of time, such as future performance under a contract. The Company did not have any material contract assets as of December 31, 2024 or December 31, 2023.

When the Company receives consideration, or such consideration is unconditionally due from a customer prior to transferring goods or services to the customer under the terms of a sales contract, they recognize a contract liability on the balance sheet in the amount of that consideration. Revenue for such consideration is subsequently recognized in the period or periods in which the remaining performance obligations in the contract are satisfied. The Company’s contract liabilities typically arise from services to retire renewable certificates on behalf of customers or from the prepayment of a commodity. The Company did not have any material contract liabilities as of December 31, 2024 related to services to retire renewable certificates. See Note 6 for further discussion about customer prepayments.

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Disaggregated Revenues from Contracts with Customers

The amounts shown in the table below are included in trading revenue, net in the consolidated statements of profit or loss. The trading and marketing of NGLs ceased after the common control sale in 2023 discussed in Note 13.

	Year Ended December 31	
	2024	2023
	<i>(In Millions)</i>	
NGL sales	\$ -	\$ 698
LNG sales	1,196	1,115
Revenues from contracts with customers	1,196	1,813
IFRS 9 derivative instruments	453	1,600
Direct trading costs	-	(504)
Trading revenue, net	<u>\$ 1,649</u>	<u>\$ 2,909</u>

3. Cash Flow Information

The accompanying consolidated statements of cash flows provide information about changes in cash and cash equivalents. The Company considers all investments with original maturities of three months or less to be cash equivalents.

Net cash provided by operating activities reflects cash payments for interest of \$67 million and \$34 million for the years ended December 31, 2024 and 2023, respectively.

BPA pays U.S. income taxes on behalf of the Company. Miscellaneous taxes paid by the Company in 2024 and in 2023 were immaterial.

The parent of the Company is entitled to receive the dividends declared by the board of directors provided funds are legally available for such dividends. The payment of cash dividends or any other dividend will be made at the discretion of the board of directors.

4. Financial Instruments

The accounting classification of each category of financial instruments, including their carrying amounts which are included in the accompanying consolidated balance sheets, is presented in the table below. The carrying values of financial instruments measured at amortized cost presented in the table below, except for long-term supply obligations, approximate their respective fair values due to their short-term maturities. As discussed in Note 6, the Company's long-term supply obligations are settled with future delivery of physical natural gas. The fair value of the obligations is disclosed in Note 6.

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	Measured at amortized cost	Measured at fair value through profit and loss	Carrying amount
	<i>(In Millions)</i>		
December 31, 2024			
<i>Financial Assets</i>			
Cash and cash equivalents	\$ 622		\$ 622
Trade and other receivables	783		783
Trade receivables – affiliate	22,537		22,537
Notes receivable		3	3
Derivative instruments		14,919	14,919
<i>Financial Liabilities</i>			
Trade and other payables	\$ (1,361)		\$ (1,361)
Trade payables – affiliate	(330)		(330)
Lease liabilities	(3)		(3)
Long-term supply obligations	(4,277)		(4,277)
Derivative instruments		(13,300)	(13,300)

	Measured at amortized cost	Measured at fair value through profit and loss	Carrying amount
	<i>(In Millions)</i>		
December 31, 2023			
<i>Financial Assets</i>			
Cash and cash equivalents	\$ 676		\$ 676
Trade and other receivables	843		843
Trade receivables – affiliate	20,471		20,471
Notes receivable		148	148
Derivative instruments		9,854	9,854
<i>Financial Liabilities</i>			
Trade and other payables	\$ (1,446)		\$ (1,446)
Trade payables – affiliate	(146)		(146)
Lease liabilities	(4)		(4)
Long-term supply obligations	(3,031)		(3,031)
Derivative instruments		(8,147)	(8,147)

Financial risk factors

The Company is exposed to a number of different financial risks arising from natural business exposures as well as its use of financial instruments including market risks relating to commodity prices, interest rates, credit risk, and liquidity risk. All derivative activity is carried out by specialist teams that have the appropriate skills, experience and supervision. These teams are subject to close financial and management control.

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The Company maintains formal governance processes that provide oversight of market risk, credit risk and operational risk associated with trading activity. A policy and risk committee approves value-at-risk delegations, reviews incidents and validates risk-related policies, methodologies and procedures. The Company measures market risk exposure arising from its trading positions in liquid periods using value-at-risk techniques based on Monte Carlo simulation models. These techniques make a statistical assessment of the market risk arising from possible future changes in market prices over a one-day holding period within a 95% confidence level. Trading activity occurring in liquid periods is subject to value-at-risk and other limits for each trading activity and the aggregate of all trading activity. The calculation of potential changes in value within the liquid period considers positions, historical price movements and the correlation of these price movements. Models are regularly reviewed against actual fair value movements to ensure integrity is maintained. The value-at-risk measure is supplemented by stress testing and scenario analysis through simulating the financial impact of certain physical, economic and geo-political scenarios. The value-at-risk measure in respect of the aggregated trading positions in liquid periods was \$9 million as of December 31, 2024, and \$8 million as of December 31, 2023. The daily average value-at-risk measure was \$9 million for 2024 and \$15 million for 2023. This measure incorporates the effect of diversification reflecting the offsetting risks across the trading portfolio. Alternative measures are used to monitor exposures which are outside of liquid periods and for which value-at-risk techniques are not appropriate. In addition, the Company undertakes derivative activity for risk management purposes under a control framework as described more fully below.

Credit Risk

Credit risk relates to the risk of loss resulting from the nonperformance or nonpayment by the Company's counterparties related to their contractual obligations with the Company. Risks surrounding counterparty performance and credit could ultimately impact the amount and timing of expected cash flows. The Company is also exposed to credit risk if counterparties are unable to provide collateral or post margin. The Company's credit risk is monitored and managed through credit approvals, routine monitoring of counterparties' credit limits and their overall credit ratings, limiting the Company's marketing and optimization activities with high-risk counterparties, obtaining margin collateral or prepayment arrangements and establishing payment netting arrangements or master netting arrangements that allow for the netting of positive and negative exposures of various contracts associated with a single counterparty. The Company distinguishes between investment grade and non-investment grade based on Standard & Poor's ratings. Investment grade counterparties are those with a rating of BBB- and above while non-investment grade counterparties are those below BBB-. Internal credit ratings are used when external credit ratings are not available.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss after recovery if there is a default) and the exposure at default (i.e. the asset's carrying amount). The Company allocates a credit risk rating to exposures based on data that is determined to be predictive of the risk of loss, including but not limited to external ratings. Probabilities of default derived from historical, current and future-looking market data are assigned by credit risk rating with a loss given default based on historical

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experience and relevant market and academic research applied by exposure type. Experienced credit judgement is applied to ensure probabilities of default are reflective of the credit risk associated with the Company's exposures. Credit enhancements that would reduce the Company's credit losses in the event of default are reflected in the calculation when they are considered integral to the related asset. As of December 31, 2024, the Company held collateral in the amount of \$327 million and had paid collateral of \$66 million. As of December 31, 2023, the Company held collateral in the amount of \$406 million and had paid collateral of \$160 million.

The following table summarizes the Company's material exposures resulting from outstanding commodity derivative contracts as of December 31, 2024 and 2023:

	2024	2023
	<i>(In Millions)</i>	
Investment grade	\$ 10,927	\$ 5,565
Non-investment grade	3,200	3,580
Affiliates	792	709
	<u>\$ 14,919</u>	<u>\$ 9,854</u>

Many of the Company's derivative master agreements (predominantly International Swaps and Derivatives Association (ISDAs)) contain credit-contingent provisions that require BPCNA to maintain a minimum credit rating as reported by one or more of the major credit rating agencies (based on the agreement with the counterparty). If BPCNA's debt were to fall below the required grade, it would be in violation of these provisions, and the counterparties to the derivative instruments could request additional collateralization on derivative instruments in net liability positions. When required, the Company uses margin deposits, prepayments, and letters of credit as credit support to and from the Company's counterparties for commodity procurement and risk management activities.

Liquidity Risk

Liquidity risk is the risk that suitable sources of funding for the Company's business activities may not be available. The Company pools cash surpluses to the BP treasury function, otherwise known as the NAFCO (see Note 10), which then arranges to fund the Company's or other subsidiaries requirements, invests any net surplus in the market or arranges for necessary external borrowings, while managing BP's overall net cash positions. All trade payables are expected to result in a cash outflow within the next 12 months. The Company manages liquidity risk associated with derivative contracts, other than derivative hedging instruments, based on the expected maturities of both derivative assets and liabilities as indicated in Note 5.

Market Risk

Market risk is the risk or uncertainty arising from possible market price movements and their

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impact on the future performance of a business. The primary commodity price risks to which Company is exposed, and that could adversely affect the value of the Company's assets, liabilities, or expected future cash flows include natural gas, NGLs, oil and power.

The Company enters into derivatives in a well-established entrepreneurial trading operation and measures market risk exposure arising from its trading positions using value-at-risk techniques. These techniques make a statistical assessment of the market risk arising from possible future changes in market prices over a one-day holding period. The value-at-risk measure is supplemented by stress testing. Trading activity occurring in liquid periods is subject to value-at-risk limits for each trading activity and for the Company's trading activity in total. Alternative measures are used to monitor exposures which are outside liquid periods and which cannot be actively risk-managed.

Derivative Instruments

The fair value of derivative instruments is based on prices actively quoted, prices sourced from observable data or market corroboration, or prices based on models and other valuation methods. Further information regarding the Company's valuation techniques used to measure the fair value of derivative instruments is presented in Note 5.

The Company uses derivative instruments to manage certain exposures to fluctuations in commodity prices as well as for trading purposes. These contracts are used to convert specific sales and purchase contracts between fixed and market prices to manage exposure to price differences between locations and other purposes. As part of its energy trading activities, the Company maintains active trading positions in a variety of natural gas, NGLs and power price contracts.

Derivative assets and liabilities are classified on the consolidated balance sheets as derivative instruments. The Company uses derivative commodity instruments traded on exchanges, such as the Chicago Mercantile Exchange, and enters into swap contracts and option contracts in the over-the-counter (OTC) markets, which are governed by ISDA agreements and other master netting arrangements. Amounts not offset on the consolidated balance sheets represent positions that do not meet all of the conditions to be netted, such as the legally enforceable right of offset or the execution of a master netting arrangement.

	2024		2023	
<i>Derivatives held for trading</i>	Fair value asset	Fair value liability	Fair value asset	Fair value liability
Oil derivatives	\$ 224	\$ (186)	\$ 348	\$ (263)
Natural gas derivatives	10,402	(9,295)	7,315	(6,427)
Power derivatives	4,293	(3,819)	2,191	(1,457)
Total	\$ 14,919	\$ (13,300)	\$ 9,854	\$ (8,147)
Of which – Current	\$ 2,370	\$ (1,810)	\$ 2,933	\$ (2,603)
– Noncurrent	\$ 12,549	\$ (11,490)	\$ 6,921	\$ (5,544)

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Effect of Netting Derivative Assets and Liabilities

The table below represents gross and net derivative assets and liabilities, and third party accounts receivable and payable subject to netting agreements on the consolidated balance sheets. Amounts which cannot be offset under IFRS, but which could be settled net under the terms of master netting agreements if certain conditions arise, and collateral received, are also presented in the table to show the total net exposure of the Company. Intercompany accounts receivable and payable are discussed in Note 10.

	Gross Amount Recognized	Amounts Offset	Net Amounts Presented	Gross Amounts Not Offset	Cash collateral (received) posted	Net Amount
	<i>(In Millions)</i>					
December 31, 2024						
Derivative assets	\$ 17,543	\$ (2,624)	\$ 14,919	\$ (5,093)	\$ (233)	\$ 9,593
Derivative liabilities	(15,924)	2,624	(13,300)	5,093	33	(8,174)
Trade and other receivables	1,378	(592)	786	(4)	(57)	725
Trade and other payables	(1,953)	592	(1,361)	4	8	(1,349)

	Gross Amount Recognized	Amounts Offset	Net Amounts Presented	Gross Amounts Not Offset	Cash collateral (received) posted	Net Amount
	<i>(In Millions)</i>					
December 31, 2023						
Derivative assets	\$ 12,078	\$ (2,224)	\$ 9,854	\$ (2,873)	\$ (304)	\$ 6,677
Derivative liabilities	(10,371)	2,224	(8,147)	2,873	104	(5,170)
Trade and other receivables	1,479	(488)	991	(8)	(81)	902
Trade and other payables	(1,934)	488	(1,446)	8	35	(1,403)

5. Fair Value Measurements

The Company uses fair value to measure certain of its assets and liabilities in the consolidated financial statements. Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, that is, an exit price from the perspective of a market participant that holds the asset or owes the liability. Generally, the determination of fair value requires the use of significant judgment and different approaches and models under varying circumstances. Under a market-based approach,

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the Company considers prices of similar assets, consults with brokers and experts, or employs other valuation techniques. Under an income-based approach, the Company generally estimates future cash flows and then discounts them at a risk-adjusted rate.

The Company's most significant fair value measurements represent the valuation of its derivative assets and liabilities, which are measured on a recurring basis (each reporting period), and measurements of impairments and acquired assets on a nonrecurring basis. The Company primarily applies the market approach and income approach for recurring fair value measurements (primarily its derivative assets and liabilities) using the best available information. The Company primarily utilizes the income approach for nonrecurring fair value measurements such as impairments of its assets, as market prices for similar assets may not be readily available and may not incorporate the expected future returns from its assets.

The Company utilizes valuation techniques that seek to maximize the use of observable inputs and minimize the use of unobservable inputs. The Company classifies fair value based on the observability of those inputs. IFRS establishes a fair value hierarchy, which classifies fair value measurements from Level 1 through Level 3 based upon the inputs used to measure fair value:

Level 1 – Quoted prices (unadjusted) are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Pricing inputs include significant inputs that are generally less observable or from unobservable sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

The valuation techniques used by the Company to measure fair value are summarized as follows:

Exchange-traded futures and swaps are valued using unadjusted closing prices provided by the exchange as of the balance sheet date. These derivatives are classified as Level 1 in the fair value hierarchy. OTC financial swaps and physical commodity purchase and sale contracts are generally valued using readily available information in the public markets and quotations provided by brokers and price index developers. These quotes are corroborated with market data and are classified as Level 2 in the fair value hierarchy. In certain less-liquid markets or for longer-term contracts, forward prices are not as readily available. In these circumstances, OTC financial swaps and physical commodity purchase and sale contracts are valued using internally developed methodologies that consider historical relationships among various commodities that result in

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management's best estimate of fair value. These contracts are classified as Level 3 in the fair value hierarchy.

Exchange-traded financial options are valued using exchange closing prices and are classified as Level 1 in the fair value hierarchy. Financial OTC and physical commodity options are valued using industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors and contractual prices for the underlying instruments, as well as other relevant economic factors. The degree to which these inputs are observable in the forward markets determines whether the option is classified as Level 2 or Level 3 in the fair value hierarchy.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables present the Company's derivative assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2024 and 2023, by level within the fair value hierarchy. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of significance for a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities within the fair value hierarchy levels.

Derivative assets held for trading have the following fair values and maturities.

	<u>Less than</u>						<u>Over 5</u>	
	<u>1 year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>3-4 years</u>	<u>4-5 years</u>	<u>years</u>	<u>Total</u>	
	<i>(In Millions)</i>							
December 31, 2024								
Oil derivatives	\$ 112	\$ 54	\$ 29	\$ 15	\$ 10	\$ 4	\$ 224	
Natural gas derivatives	1,339	772	630	569	504	6,588	10,402	
Power derivatives	919	570	363	241	163	2,037	4,293	
Total	<u>\$ 2,370</u>	<u>\$ 1,396</u>	<u>\$ 1,022</u>	<u>\$ 825</u>	<u>\$ 677</u>	<u>\$ 8,629</u>	<u>\$ 14,919</u>	
December 31, 2023								
Oil derivatives	\$ 168	\$ 94	\$ 44	\$ 21	\$ 10	\$ 11	\$ 348	
Natural gas derivatives	1,845	897	584	444	426	3,119	7,315	
Power derivatives	920	454	247	138	96	336	2,191	
Total	<u>\$ 2,933</u>	<u>\$ 1,445</u>	<u>\$ 875</u>	<u>\$ 603</u>	<u>\$ 532</u>	<u>\$ 3,466</u>	<u>\$ 9,854</u>	

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Derivative liabilities held for trading have the following fair values and maturities.

	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
<i>(In Millions)</i>							
December 31, 2024							
Oil derivatives	\$ (100)	\$ (42)	\$ (21)	\$ (12)	\$ (8)	\$ (3)	\$ (186)
Natural gas derivatives	(1,117)	(593)	(495)	(413)	(366)	(6,311)	(9,295)
Power derivatives	(593)	(492)	(357)	(236)	(179)	(1,962)	(3,819)
Total	<u>\$ (1,810)</u>	<u>\$ (1,127)</u>	<u>\$ (873)</u>	<u>\$ (661)</u>	<u>\$ (553)</u>	<u>\$ (8,276)</u>	<u>\$ (13,300)</u>
December 31, 2023							
Oil derivatives	\$ (160)	\$ (59)	\$ (14)	\$ (13)	\$ (8)	\$ (9)	\$ (263)
Natural gas derivatives	(1,938)	(746)	(452)	(331)	(289)	(2,671)	(6,427)
Power derivatives	(505)	(264)	(187)	(122)	(82)	(297)	(1,457)
Total	<u>\$ (2,603)</u>	<u>\$ (1,069)</u>	<u>\$ (653)</u>	<u>\$ (466)</u>	<u>\$ (379)</u>	<u>\$ (2,977)</u>	<u>\$ (8,147)</u>

The following table shows the fair value of derivative assets and derivative liabilities held for trading, analyzed by maturity period and by methodology of fair value estimation. This information is presented on a gross basis, that is, before netting by counterparty.

	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
December 31, 2024							
Fair value of derivative assets	<i>(In Millions)</i>						
Level 1	\$ 31	\$ 12	\$ 4	\$ 2	\$ -	\$ -	\$ 49
Level 2	3,264	1,309	626	282	141	90	5,712
Level 3	713	648	621	597	566	8,637	11,782
	<u>4,008</u>	<u>1,969</u>	<u>1,251</u>	<u>881</u>	<u>707</u>	<u>8,727</u>	<u>17,543</u>
Less: netting by counterparty	(1,638)	(573)	(229)	(56)	(30)	(98)	(2,624)
Total	<u>\$ 2,370</u>	<u>\$ 1,396</u>	<u>\$ 1,022</u>	<u>\$ 825</u>	<u>\$ 677</u>	<u>\$ 8,629</u>	<u>\$ 14,919</u>

	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
December 31, 2024							
Fair value of derivative liabilities	<i>(In Millions)</i>						
Level 1	\$ (27)	\$ (11)	\$ (5)	\$ (1)	\$ -	\$ -	\$ (44)
Level 2	(2,923)	(1,211)	(600)	(223)	(99)	(40)	(5,096)
Level 3	(498)	(478)	(497)	(493)	(484)	(8,334)	(10,784)
	<u>(3,448)</u>	<u>(1,700)</u>	<u>(1,102)</u>	<u>(717)</u>	<u>(583)</u>	<u>(8,374)</u>	<u>(15,924)</u>
Less: netting by counterparty	1,638	573	229	56	30	98	2,624
Total	<u>\$ (1,810)</u>	<u>\$ (1,127)</u>	<u>\$ (873)</u>	<u>\$ (661)</u>	<u>\$ (553)</u>	<u>\$ (8,276)</u>	<u>\$ (13,300)</u>

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December 31, 2023	Less than 1					Over 5		Total
	year	1-2 years	2-3 years	3-4 years	4-5 years	years		
Fair value of derivative assets								
	<i>(In Millions)</i>							
Level 1	\$ 22	\$ 28	\$ 10	\$ 1	\$ -	\$ -	\$ 61	
Level 2	3,692	1,166	522	197	129	128	5,834	
Level 3	863	619	488	449	419	3,345	6,183	
	<u>4,577</u>	<u>1,813</u>	<u>1,020</u>	<u>647</u>	<u>548</u>	<u>3,473</u>	<u>12,078</u>	
Less: netting by counterparty	(1,644)	(368)	(145)	(44)	(16)	(7)	(2,224)	
Total	<u>\$ 2,933</u>	<u>\$ 1,445</u>	<u>\$ 875</u>	<u>\$ 603</u>	<u>\$ 532</u>	<u>\$ 3,466</u>	<u>\$ 9,854</u>	

December 31, 2023	Less than 1					Over 5		Total
	year	1-2 years	2-3 years	3-4 years	4-5 years	years		
Fair value of derivative liabilities								
	<i>(In Millions)</i>							
Level 1	\$ (13)	\$ (25)	\$ (8)	\$ -	\$ -	\$ -	\$ (46)	
Level 2	(3,754)	(1,049)	(489)	(204)	(99)	(50)	(5,645)	
Level 3	(480)	(363)	(301)	(306)	(296)	(2,934)	(4,680)	
	<u>(4,247)</u>	<u>(1,437)</u>	<u>(798)</u>	<u>(510)</u>	<u>(395)</u>	<u>(2,984)</u>	<u>(10,371)</u>	
Less: netting by counterparty	1,644	368	145	44	16	7	2,224	
Total	<u>\$ (2,603)</u>	<u>\$ (1,069)</u>	<u>\$ (653)</u>	<u>\$ (466)</u>	<u>\$ (379)</u>	<u>\$ (2,977)</u>	<u>\$ (8,147)</u>	

The following table presents the impact of certain financial instrument activity for derivative financial instruments classified as Level 3 in the fair value hierarchy for the years ended December 31, 2024 and 2023:

	2024	2023
	<i>(In Millions)</i>	
Fair value at beginning of year	\$ 626	\$ 1,003
Gains/losses in the income statement	(43)	159
Settlements	(431)	(531)
Transfers out of Level 3	(44)	(5)
Fair value at end of year	<u>108</u>	<u>626</u>
Deferred day 1 gains/(losses)	890	877
Derivative Asset (Liability)	<u>\$ 998</u>	<u>\$ 1,503</u>

Transfers out of Level 3 of the fair value hierarchy relate primarily to natural gas and power forward contracts that, due to the passage of time, moved into the liquid window in which market observable prices are available, and were therefore reclassified to Level 2 of the fair value hierarchy.

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At December 31, 2024, and December 31, 2023, the amount recognized in the consolidated statements of profit or loss for the year relating to Level 3 held-for-trading derivatives still held was (\$117) million and \$158 million, respectively.

The following table presents the quantitative information regarding significant unobservable inputs for fair value measurements categorized within Level 3 of the fair value hierarchy for the years ended December 31, 2024 and 2023:

	Unobservable Inputs	Range	Weighted- Average	Fair Value
December 31, 2024				<i>(In Millions)</i>
Natural gas price contracts	Long-dated market price	\$0.60 - \$9.71/mmbtu	\$3.13/mmbtu	\$ 849
Power contracts	Long-dated market price	\$2.71 - \$163.39/mwh	\$48.56/mwh	\$ 149
December 31, 2023				<i>(In Millions)</i>
Natural gas price contracts	Long-dated market price	\$1.29 - \$8.99/mmbtu	\$4.31/mmbtu	\$ 996
Power contracts	Long-dated market price	\$5.19 - \$186.00/mwh	\$44.78/mwh	\$ 507

The Company also used other unobservable inputs such as long-dated market price for oil products, volatilities and correlations. Changes in commodity prices could significantly increase or decrease the fair value of the Company's commodities derivatives. Generally, the Company would enter into additional derivative positions to offset any exposure.

6. Long-Term Gas Supply Obligations

The Company has executed multiple long-term transactions where the counterparty prepaid for future deliveries of fixed volumes of natural gas until 2055. The Company received prepayments for approximately \$1,278 million in 2024 and \$1,500 million in 2023. The obligation to deliver the natural gas in future periods is presented on the accompanying consolidated balance sheets in Other accruals and as Long-term gas supply obligations. The current financing obligation amounts to \$42 million as of December 31, 2024 and \$53 million as of December 31, 2023. The current balance matures as physical gas is delivered in satisfaction of the obligations over the next year. The interest expense is computed using the effective interest rate method applied to the original cash receipt at the onset of the contracts (see Note 8), which results in an effective interest rate of

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5% across all prepayments. As of December 31, 2024, the fair value of the long-term gas supply obligations is \$4,351 million. The fair value is determined using unobservable inputs, primarily long-term gas prices, and so fall within Level 3 of the fair value hierarchy.

7. Leases

The Company leases a number of assets as part of its activities. This primarily includes rail cars and office accommodations. The weighted-average remaining lease term for the total lease portfolio is approximately 4 years.

The table below shows the timing of the undiscounted cash outflows for the lease liabilities included on the consolidated balance sheets.

	2024	2023
Undiscounted lease liability cash flows due:	<i>(In Millions)</i>	
Within 1 year	\$ 1	\$ 1
1 – 2 years	1	1
2 – 3 years	0	1
3 – 4 years	0	0
4 – 5 years	0	0
5 – 10 years	1	1
Over 10 years	0	0
	<u>3</u>	<u>4</u>
Impact of discounting	(0)	(0)
Lease liabilities as of December 31	<u>\$ 3</u>	<u>\$ 4</u>
Of which – current	\$ 1	\$ 1
Noncurrent	\$ 2	\$ 3

	2024	2023
	<i>(In Millions)</i>	
Total cash outflow for amounts included in lease liabilities	\$ 1	\$ 4
Short term lease expense	-	-
Additions to right-of-use assets in the year	1	4

The table below shows the impact of right-of-use assets to the consolidated balance sheets and consolidated statements of profit or loss. Lease interest expense was \$0.1 million and \$0.3 million for the years ended December 31, 2024 and December 31, 2023, respectively.

	2024	2023
	<i>(In Millions)</i>	
Net book amount of right-of-use assets	\$ 3	\$ 3
Depreciation charge for the year	(1)	(4)

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As discussed in Note 10, the cost allocation from BPAPC includes the cost for use of office facilities. For the years ended December 31, 2024 and December 31, 2023, the amount charged for office facilities was \$6 million and \$8 million, respectively.

8. Interest Expense and Interest Income

Interest expense primarily relates to the long-term gas supply obligations described in Note 6, leases and the accretion of interest on counterparty collateral and interest with affiliates. For the years ended December 31, 2024 and December 31, 2023, interest expense was \$219 million and \$93 million, respectively.

Interest income comprises primarily of interest income on NAFCO balance. As explained in Note 10, interest income on the Company's balance with NAFCO is netted with interest expense, for a net total interest income of \$1,145 million for the year ended December 31, 2024, and a net total interest income of \$964 million for the year ended December 31, 2023.

9. Income Taxes

Tax on Profit	Year Ended December 31	
	2024	2023
	<i>(In Millions)</i>	
Current tax		
Charge for the year	\$ 233	\$ 541
Adjustment in respect of prior years	(1)	(2)
	<u>232</u>	<u>539</u>
Deferred Tax		
Temporary differences impact in the current year	(13)	(36)
Adjustment in respect of prior years	(1)	-
	<u>(14)</u>	<u>(36)</u>
Tax charge on profit	<u>\$ 218</u>	<u>\$ 503</u>

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Reconciliation of the effective tax rate

The following table provides a reconciliation of the Company's weighted average statutory corporate income tax rate to the effective tax rate of the Company on profit before taxation.

	Year Ended December 31	
	2024	2023
	<i>(In Millions)</i>	
Profit before taxation	\$ 962	\$ 2,177
Tax charge on profit	(218)	(503)
Effective tax rate	23%	23%
US statutory corporation tax rate	21%	21%
State Income Tax	2%	2%
Effective tax rate	23%	23%

The movement during the year of the net deferred tax assets consisted of:

Deferred Taxes	2024	2023
	<i>(In Millions)</i>	
At January 1 st	\$ 103	\$ 67
(Charge) credit for the year in the statement of profit or loss	14	36
At December 31 st	\$ 117	\$ 103

The following table provides an analysis of deferred tax in the consolidated statements of profit or loss and the consolidated balance sheets by category of temporary difference:

	Consolidated Statements of Profit or Loss		Consolidated Balance Sheets	
	2024	2023	2024	2023
	<i>(In Millions)</i>			
Deferred tax liabilities				
Fixed assets	\$ 10	\$ -	\$ (12)	\$ (45)
Other liabilities	-	-	-	-
	10	-	(12)	(45)
Deferred tax assets				
Contingency	-	(5)	-	2
Other assets	4	41	129	146
	4	36	129	148
Net deferred tax impact	\$ 14	\$ 36	\$ 117	\$ 103
Of which – deferred tax liabilities		\$ -	\$ -	-
– deferred tax assets		\$ 36	\$ 117	\$ 103

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Management assesses the available positive and negative evidence to estimate the realizability of deferred tax assets. A significant piece of positive objective evidence evaluated was the history of net income recognized by the Company during recent years. Management concluded the net deferred tax asset will be realized in future years and no valuation allowance is needed.

Tax benefits relating to an uncertain tax position are recognized only when it is more likely than not that the tax position, based on underlying technical merits, will be sustained upon examination by tax authorities. The tax benefit recognized for such a position is measured based on the largest benefit that has a greater than 50% likelihood of being realized on settlement. At December 31, 2024, the Company had no liabilities for unrecognized tax benefits. In addition, as of December 31, 2024, the Company had no material uncertain tax positions and, accordingly, no interest or penalties have been recorded for uncertain tax positions. The federal tax returns for 2019 and subsequent years remain open for audit for BPA.

10. Transactions with BP and Subsidiaries

The Company has transactions in the ordinary course of business with its parent and with other members of the BP Group. Such transactions primarily include the sale of natural gas, NGLs and power and are included in trading revenue, net in the accompanying consolidated statement of profit or loss, and in receivables – affiliates and payables – affiliates on the accompanying consolidated balance sheets.

As the employees conducting the operations of the Company are employees of BPAPC, the Company receives an allocation of costs from BPAPC as governed by a Service Level Agreement between the Company and BPAPC. Certain of these costs are direct costs associated with the front office trading operations of BPEC, and other costs are indirect for support services. The allocation includes benefit and compensation costs and an allocation of costs related to the facilities and information technology costs of the Company. As of December 31, 2024 and 2023, these costs amounted to approximately \$73 million and \$88 million, respectively. They are included in distribution and administrative expenses in the accompanying consolidated statements of profit or loss, and are recorded as payables – affiliates in the accompanying consolidated balance sheets.

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Affiliate balances are as follows for the year ended December 31, 2024:

Description	Line Item	Consolidated Balance Sheet	Consolidated Statement of Profit or Loss
Affiliate sales	Trading revenue, net	\$ –	\$ 3,503
Affiliate purchases	Trading revenue, net	–	(2,273)
Unrealized gains and losses on derivatives	Trading revenue, net	–	305
Realized gains and losses on derivatives	Trading revenue, net	–	(679)
Cost allocation	Distribution and administration expenses	–	(73)
Interest income	Interest income	–	1,104
Interest expense	Interest expense	-	(49)
Trade receivables – affiliates	Receivables – affiliates	407	–
Trade payables – affiliates	Payables – affiliates	(330)	–
Affiliate balances funding	Receivables – affiliates	22,130	–
Derivative assets – affiliates	Derivative instruments	792	–
Derivative liabilities – affiliates	Derivative instruments	(734)	–

Affiliate balances are as follows for the year ended December 31, 2023:

Description	Line Item	Consolidated Balance Sheet	Consolidated Statement of Profit or Loss
Affiliate sales	Trading revenue, net	\$ –	\$ 2,571
Affiliate purchases	Trading revenue, net	–	(2,358)
Unrealized gains and losses on derivatives	Trading revenue, net	–	616
Realized gains and losses on derivatives	Trading revenue, net	–	(581)
Cost allocation	Distribution and administrative expenses	–	(88)
Interest income	Interest income	–	908
Interest expense	Interest expense	-	(36)
Trade receivables – affiliates	Receivables – affiliates	527	–
Trade payables – affiliates	Payables – affiliates	(146)	–
Affiliate balances funding	Receivables – affiliates	19,944	–
Derivative assets – affiliates	Derivative instruments	709	–
Derivative liabilities – affiliates	Derivative instruments	(956)	–

Internal Financing Agreement

The Company maintains an Internal Finance Account Agreement (IFA) with NAFCO, a BP subsidiary, for cash management services. NAFCO serves as the centralized treasury function of BPCNA and its subsidiaries. As part of this function, business cash requirements of the Company are funded and surplus cash is invested, on a pooled basis. The balances with NAFCO at

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December 31, 2024, and 2023 were a net deposit of \$22.1 billion and \$19.9 billion, respectively and are included in receivables – affiliates in the accompanying consolidated balance sheets. As defined by the IFA, the Company either pays or receives interest on each IFA sub-account balance depending on the net balance. NAFCO and the Company net the IFA sub-accounts in calculating such interest and transfer the balances to a main clearing sub-account as permitted by the IFA agreement. Amounts received from, and amounts transferred to, the BP Group are settled in the ordinary course of business and bear interest based on Secured Overnight Financing Rate adjusted for an applicable margin. See Note 8 for further details.

Furthermore, BPCoNA functions as a paying agent for the majority of BPEC trading accounts payable disbursements. At December 31, 2024 and December 31, 2023, BPEC has an immaterial liability for this activity, which is included in payables – affiliates. These amounts are cleared monthly through the IFA with NAFCO discussed above. These balances with BPCoNA are considered working capital in nature and do not bear interest.

NAFCO and BPCoNA activities are presented on a net basis in the consolidated statements of cash flows. To the extent the cash management arrangement results in a net receivable due from affiliate, changes resulting from such deposits are presented as cash provided by (used in) investing activities. To the extent the cash management arrangement results in a net payable due to affiliate, changes are presented as cash provided by (used) in financing activities.

11. Goodwill

The Company recorded goodwill of \$50 million in connection with the acquisition of natural gas commodity related legal entities. The goodwill balances are tested for impairment on at least an annual basis. No impairment of goodwill has been recorded. The most recent impairment test was performed in September 2024. Goodwill acquired through business combinations has been allocated to groups of cash-generating units that are expected to benefit from the synergies of the acquisition.

The carrying amount of goodwill is compared to the recoverable amount, based on a pre-tax value-in-use calculation, at the date of the test. The recoverable amount is based on the cash flows expected to be generated by the Company over the next 5 years, based on current management estimates of business activity. As the Company activity and related cash flows can be estimated from the Company's past experience, management believes that the cash flows generated over the next 5 years, aggregated with a terminal value, is the appropriate basis upon which to assess goodwill. The cash flows of the business are computed using appropriate individual economic models and key assumptions agreed by Company management. Capital expenditures and operating costs are derived from the Company's plan adjusted for assumptions reflecting the commodity price environment at the time that the impairment test was performed. The actual outcomes may differ from the assumptions made.

12. Contingencies

On August 13, 2015, an Administrative Law Judge with the US Federal Energy Regulatory

Commission (FERC or the Commission) ruled that BP manipulated the market by selling next-day, fixed price natural gas at Houston Ship Channel in 2008 to suppress the Gas Daily index and benefit its financial position. On July 11, 2016, the FERC issued an Order affirming the initial decision and directing BP to pay a civil penalty of \$20 million and to disgorge \$207,169 in unjust profits. BP paid the civil penalty and the disgorgement amount on December 28, 2020 and January 21, 2021, respectively. BP strongly disagreed with the FERC's decision and appealed to the 5th Circuit US Court of Appeals. On October 20, 2022, the Fifth Circuit issued its opinion and agreed with BP that FERC had substantially exceeded its statutory jurisdiction in the orders on review and remanded the case to FERC to redetermine the civil penalty. On November 13, 2023, BP filed a motion pursuant to Rule 212 of the Commission's Rules of Practice and Procedure requesting that the Commission issue an order directing the return to BP of the \$13,606,686 in civil penalties that BP has paid in excess of the reduced civil penalty that BP and the Commission's Office of Enforcement staff agreed to in a Settlement Agreement approved by the Commission. On January 30, 2024, FERC granted BP's motion and directed the Director of the Financial Management Division in the Commission's Office of the Executive Director (OED) to take all necessary actions to facilitate the return of BP's \$13,606,686 civil penalty overpayment. Shortly thereafter, BP received the return of such overpayment.

BPEC may issue a variety of guarantees covering commercial activities and are generally issued in respect to counterparty customer repayment obligations. BPEC will be responsible for purchasing the counterparty customer obligation if the respective customer does not make payment when the obligation becomes due. BPEC will purchase as needed up to a stated limit on each counterparty, which does not exceed \$90 million in aggregate until 2034. BPEC does not generally receive collateral to secure these guarantees. Outstanding guarantees and the carrying amount of the liability was immaterial at December 31, 2024 and December 31, 2023, respectively.

Other inquiries into BPEC's trading activities continue to be conducted from time to time. However, BPEC does not believe that it has any material exposure to loss related to any ongoing inquiries.

13. Common Control Asset Acquisitions and Disposals

During 2023, the Company and its affiliate entities realigned business activities via two separate transactions. The first transaction resulted in the Company disposing of certain operations related to its NGLs commodity transacting business. This disposal was made to another wholly owned subsidiary of BPA including \$70 million of inventory and (\$70) million of net accounts receivable. The disposal was made at book value and there was no impact to Additional Paid in Capital in the Consolidated Balance Sheet.

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The second transaction resulted in the Company acquiring certain natural gas and transportation agreements from another wholly owned subsidiary of BPA. There was no cash payment made for the acquisition and the carrying amount of the net assets acquired of (\$71) million, was recognized in Additional Paid in Capital in the Consolidated Balance Sheet.

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Commodity Futures Trading Commission Regulation §23.101 (unaudited)

		<u>2024</u>
Tangible net worth		\$ 18,818
Credit Risk	4,640	
Market Risk	2,547	
Adder	<u>20</u>	
Minimum regulatory capital requirement		7,207

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**Claims of General Creditors Pursuant to Commodity Futures Trading Commission
Regulation §23.105 (unaudited)**

	<u>Total</u>
Balance at December 31, 2023	-
Change during the year	-
Balance at December 31, 2024	<u>-</u>