

# Reinventing bp



//

I want to pay particular tribute to those on the frontline of our business who have kept our plants and platforms running, our shops and forecourts open, and energy flowing to the world. //

#### Dear shareholders,

The year 2020 will be remembered above all for the pain, sadness and loss of life caused by COVID-19. At bp, our thoughts are with the families and loved ones of the colleagues we have lost. Thousands more on our teams have had the virus, and life under lockdown has meant additional challenges, and anxiety for everyone. I want to pay particular tribute to those on the frontline of our business who have kept our plants and platforms running, our shops and forecourts open, and energy flowing to the world. They have sacrificed so much and earned our deepest respect and appreciation.

#### **Responding to brutal conditions**

We began our transformation from an International Oil Company to an Integrated Energy Company against this backdrop, along with lower oil and gas prices, lower refining margins and unprecedented falls in demand for our retail and aviation fuels. Our response included lowering costs, strengthening the balance sheet with an innovative hybrid bond issue, and advancing our strategy to become

**\$20.3bn**

loss attributable  
to bp shareholders

a more diversified, resilient and lower carbon company. As part of our strategy planning process, we reviewed our portfolio and development plans. This work – informed by bp’s views of the long-term price environment – led to significant impairment charges and non-cash exploration write-offs in the second quarter.

For shareholders, all this was reflected in a reset dividend and a diminished share price. I recognize the financial impact this must have had on you. However, I wholeheartedly believe we will not just restore, but will enhance the long-term sustainable value of your company through the actions we are taking to reinvent bp. And despite the most brutal operating conditions I can remember in almost 30 years in this industry, we have made considerable operational and strategic progress.

### Performing while transforming

The loss of \$20.3 billion we reported for the year is clearly disappointing. However, it in no way reflects the heroic efforts of the bp team in extremely difficult circumstances, or their deep commitment to performing while transforming:

- Most importantly – our safety performance continued to improve.
- Reliability of 94% for bp’s operated plants★ and refining availability★ of 96% represents remarkably strong performance, especially given the challenges faced by our frontline staff.
- Capital was reset and we delivered at the lower end of the range.
- We made good progress towards our net debt★ target, including the contribution from high grading our portfolio and \$6.6 billion of divestment and other proceeds received during the year.
- New oil and gas production came on from four major projects★ – in India, Oman, the UK and the US.
- Natural gas from the Shah Deniz field in the Caspian Sea arrived in Italy following final completion of the historic Southern Gas Corridor project.
- And we doubled our retail network in growth markets to around 2,700 retail sites★, plus the addition of around 300 strategic convenience sites★.

### Reinventing bp

This performance is even more remarkable given that we have been carrying out the most extensive reorganization in bp’s 112-year history. We have retired the upstream/downstream business model that has served bp very well. In its place we have introduced a leaner, flatter structure, stripping away tiers of management and lowering the workforce towards a target of around 10,000 fewer jobs. My role is now five layers at most away from more than half of our employees. That means people’s ideas and voices can be more easily heard – and decisions taken much faster.

We are now more centralized, more agile, and better integrated. This enables us to maximize value creation in a rapidly evolving market through economies of scale, and by exploiting synergies and driving continuous improvement in operational performance.

We are now organized around four business groups.

- Production & operations is the operating heart of the company – and is focusing our resilient hydrocarbons portfolio on value.
- Customers & products is growing our convenience and mobility offers for an increasing number of customers.
- Gas & low carbon energy is growing to help meet rapidly increasing clean energy demand.
- Innovation & engineering acts as a catalyst, opening up new and disruptive business models and driving our digital transformation.

And our trading & shipping business and regions, cities & solutions team knit together the offers of our four core groups to drive greater value creation.

### Reimagining energy

Completing our transformation to a net zero Integrated Energy Company will take time. But we are led by our purpose – to reimagine energy for people and our planet – and motivated by the opportunity we see in the energy transition. Trillions of dollars of investment will be needed over the next 30 years in replumbing and rewiring the global energy system.

We now have offshore wind partnerships in the US with Equinor and in the UK with EnBW – two of the best regions globally for the world’s fastest-growing source of energy. Our solar development joint venture★, Lightsource bp, is growing prolifically. We are working with Ørsted to develop green hydrogen for our Lingen refinery. We have joined forces with the mobility

platform DiDi to build a network of electric vehicle chargers in China, by far the world’s biggest market for EVs. And we have a growing list of low carbon partnerships with cities such as Aberdeen and Houston and some of the world’s leading companies, including Amazon, Microsoft, Qantas and Uber.

### A compelling investor proposition

We are fully focused at all times on the bottom line of the business – on executing our strategy while operating safely, reliably and with discipline. We continue to build resilience and strength in the balance sheet as conditions remain challenging and uncertain while vaccines roll out, the pandemic recedes, and economies look to recover. At the same time, we are transforming to create value from the energy transition over the long term.

We see tremendous business opportunity in providing people with the reliable, affordable, clean energy they want and need. Our net zero ambition is clearly the right thing for society, but we know it does not give us a free pass in a fast-changing world. We have to show you the evidence that we can compete fiercely and add value – in service of the compelling investor proposition we believe we offer:

- Committed distributions – including the dividend as the number one priority;
- Profitable growth; and
- Sustainable value.

This is all in service of growing long-term shareholder value, that is our job. And I promise to keep you well informed as we execute our plans. As ever, thank you for your continued support – I will never take that for granted. And I look forward to any feedback you might have.

Thank you.



**Bernard Looney,**  
Chief executive officer  
22 March 2021