

## Chair and chief executive officer's letter

# Delivering today, transforming for tomorrow

Helge Lund  
Chair



### Nearest GAAP equivalent measures

**\$(2.5)bn**

Loss for the year attributable to bp shareholders<sup>a</sup>

**(3.0)%**

Loss for the year attributable to bp shareholders divided by total equity<sup>b</sup>

**\$46.9bn**

Finance debt at 31 December 2022<sup>c</sup>

### Dear shareholder,

It is now a little over three years since bp's board and leadership team set a new direction for the company – beginning the transformation of bp from international oil company to an integrated energy company.

Since February 2020, the world has seen a pandemic, a war, and a cost-of-living crisis. And now – as we write – our thoughts are with colleagues and all those in Türkiye and Syria following the terrible earthquakes recently.

We take this opportunity to offer joint reflections on what bp has delivered during this time. We do so mindful of the different roles and responsibilities we each perform, but with a shared belief that by working closely together we can continue to deliver value for you, the owners of the company.

### Safety above all

The progress we summarize below is built on a recognition that nothing is more important than safe and reliable operations.

While we have made some improvements, for example, seeing 19% fewer tier 1 and 2 process safety events<sup>★</sup>, we have also had challenges. Tragically, four people lost their lives while working for bp last year, and a pedestrian was killed in a collision with one of our vehicles.

bp continues to focus on actions to maintain and enhance the effectiveness of the safety processes and procedures at bp operations, including supporting a culture of care for others. We firmly believe that when colleagues care deeply about each other, then they really look out for each other, and everyone is safer.

### Performing while transforming

Guided by our purpose – to reimagine energy for people and our planet – bp's focus has been to perform while transforming. Put another way – on delivering the energy the world wants and needs today and tomorrow while creating long-term sustainable value for shareholders. It is still early in our transformation, but we believe the company has made substantial progress. We are a stronger bp today.

In 2022 bp delivered its highest upstream plant reliability<sup>★</sup> on record and its lowest per-barrel production costs<sup>★</sup> since 2006. These two performance measures, combined with high commodity prices, contributed towards operating cash flow<sup>★</sup> of \$40.9 billion for the year, an underlying replacement cost profit<sup>a</sup> of \$27.7 billion, ROACE<sup>b</sup> of 30.5% and net debt<sup>c</sup> of \$21.4 billion at the end of the year.

In a sign of increasing confidence in our strategy, the board decided to increase the dividend per ordinary share by 21% through the year and we announced a total of \$11.25 billion to shareholders in buybacks from 2022 surplus cash flow<sup>★</sup>. We are delivering for shareholders by executing our clear, consistent and disciplined financial frame.

a Nearest GAAP equivalent measure to underlying replacement cost profit <sup>★</sup> of \$27.7 billion, which is loss for the year adjusted for inventory holding gains and net of adjusting items.

b Nearest GAAP equivalent measure to ROACE <sup>★</sup> of 30.5%. Numerator: loss for the year attributable to bp shareholders adjusted for inventory holding gains, net of adjusting items, adding back non-controlling interest and interest expense net of tax. Denominator: the average of the beginning and ending balances of total equity plus finance debt, excluding cash and cash equivalents and goodwill as presented on the group balance sheet over the periods presented.

c Nearest GAAP equivalent measure to net debt <sup>★</sup> of \$21.4 billion, which is finance debt adjusted for the fair value of associated derivative financial instruments and cash and cash equivalents.

In terms of transformation, the proportion of bp's total capital investment in what we call our transition growth★ engines has risen from around 3% in 2019 to around 30% in 2022. This included:

- The acquisition in 2022 of Archaea Energy, a leading US producer of renewable natural gas, accelerating the growth of our bioenergy business.
- The establishment of new businesses in offshore wind and hydrogen.
- A tripling in the number of bp pulse EV charge points★ globally, from more than 7,500 in 2019, to around 22,000.
- The addition of more than 750 strategic convenience sites★ to our global retail network since 2019.

Since 2019, bp has also reduced emissions from our oil and gas operations and production, further rationalized the portfolio and started up 13 major projects★.

### The energy trilemma

Recent events have made it clear that the world wants and needs a better and more balanced energy system, delivering energy that is not only lower carbon, but secure and affordable too – this is known as the energy trilemma.

Transforming today's global energy system so that it can consistently deliver all three is a complex challenge. To tackle it, the energy transition must accelerate. When bp published the *Energy Outlook 2023* earlier this year, one of its insights was that Russia's war in Ukraine is likely to accelerate that transition. At the same time, the energy transition needs to be orderly – decarbonizing rapidly while maintaining the balance of supply and demand that's needed to help avoid, as best as possible, the energy shortages and price rises that have been so difficult for people and businesses.

bp's integrated energy company strategy is deliberately designed to help on both counts: contributing to the energy transition and keeping energy flowing today.

### Leaning in further

The increasing confidence we have in bp's strategy – along with how the world has changed – are what in February convinced us to lean further into our strategy.

First, by planning to invest more into our transition growth engines through this decade than under our previous plans – up to \$8 billion more by 2030. That includes making investments that can help people decarbonize their lives and their businesses sooner – such as EV charging, sustainable aviation fuels and

hydrogen for hard-to-abate industries. Our cumulative investment in these transition growth engines is expected to be in a range of \$55-65 billion between 2023 and 2030.

Second, by planning to invest more into oil and gas – again, up to \$8 billion more by 2030. With investments into resilient, high-quality oil and gas projects – prioritizing where we can deliver quickly and efficiently, and in ways that minimize additional emissions and maximize our contribution to energy security.

As a result of these changes, bp is aiming for its oil and gas production to be around two million barrels a day by 2030. This is around 25% lower than in 2019, but higher than our previous aim of around a 40% reduction by 2030. With this in mind, bp's aim to lower the emissions from the use of its production has been adjusted to 20-30% by 2030. That is lower than our previous aim of 35-40% by 2030, but still significant. Taken in its entirety, we believe bp's strategy – including its specific net zero aims across operations, production and sales – remains consistent with the Paris goals.

### Plan for growth

This is a plan for delivery, for growth and for value creation. And as bp's earnings grow, we can:

- Invest more in bp's transition and in the energy transition.
- Invest more in today's energy's security.

- Create more value for bp's shareholders.
- Benefit governments and society with the taxes and revenues generated by bp's increased earnings.

We have a plan. The strategy is working, and our people are fully behind it. Now it is about execution – operationally and strategically.

### Closing thanks

Your company is running well. It continues to build capability and skills, including attracting talent to bp from a broad range of sectors. And it is becoming more diverse, and stronger for that.

Thank you – as always – for your support. In a challenging year, some of our most rewarding moments were the many meetings we enjoyed with shareholders. Whether you are a long-term bp shareholder or a recent investor, we thank you for the faith you have placed in bp.

Finally, we thank bp's employees for all their work during 2022. Quite simply, they have been outstanding.



**Helge Lund**  
Chair  
10 March 2023



**Bernard Looney**  
Chief executive officer

**Bernard Looney**  
Chief executive officer

