

17 October 2022

bp acquisition of Archaea Energy



ARCHAEA
ENERGY



*Performing while
transforming*



Craig Marshall
svp investor relations



Good afternoon everyone and thank you for joining this call at short notice.

I'm joined by Bernard Looney, chief executive officer.

And Murray Auchincloss, chief financial officer and Carol Howle, EVP trading and shipping, are also here with us for Q&A.

Before we begin, I would like to draw your attention to our cautionary statement.

Cautionary statement

In order to utilize the 'safe harbor' provisions of the United States Private Securities Litigation Reform Act of 1995 (the 'PSLRA') and the general doctrine of cautionary statements, bp is providing the following cautionary statement.

This presentation contains certain forecasts, projections and forward-looking statements – that is, statements related to future, not past events and circumstances – with respect to the financial condition, results of operations and businesses of bp and certain of the plans and objectives of bp with respect to these items. These statements are generally, but not always, identified by the use of words such as 'will', 'expects', 'is expected to', 'targets', 'aims', 'should', 'may', 'objective', 'is likely to', 'intends', 'believes', 'anticipates', 'plans', 'we see' or similar expressions. In particular, the following, among other statements, are all forward-looking in nature: expectations in relation to completion of the transaction described including the outcome of third party approvals, the expected timing of completion and the amount and timing of the consideration and how it will be funded; plans and expectations relating to bp's strategy, including bp's transformation to an integrated energy company and growing bp's transition growth engines including bioenergy; plans and expectations for bp's capital expenditure over the medium term to be \$14-16 billion; plans and estimates relating to the growth, development and value creation potential of Archaea Energy's business including expectations for the completion of development pipeline projects; expectations to increase production by around five-fold by 2030; plans and expectations in relation to Archaea Energy's management and operations team; expectations for the portfolio to deliver double digit returns and statements regarding the potential for value creation and enhanced returns exceeding bp's base case; expectations and plans regarding Archaea's joint venture with Republic Services Inc.; expectations for the transaction to deliver increased supply volumes; expectations for the transaction to deliver significant value for bp's shareholders; expectations for rateable EBITDA growth from Archaea Energy's business when integrated with bp including a target of more than \$500 million in 2025 and aim for around \$1 billion by 2027; expectations that biogas will contribute around \$2 billion of EBITDA in 2030 and bp's aim for transition growth businesses to contribute greater than \$10 billion EBITDA by 2030; expectations that the transaction will be accretive to earnings and free cash flow on a per share basis; expectations for the transaction to support bp's net zero ambition including bp's Aim 3 to reduce to net zero the carbon intensity of the energy products bp sells by 2050 or sooner; statements relating to demand for renewable natural gas in 2050 including within scenarios described in the bp Energy Outlook 2022; plans and expectations regarding bp's financial frame including plans and expectations for bp's average cash balance point, plans and expectations for future dividends, plans and expectations regarding bp's credit rating, including in respect of maintaining a strong investment grade credit rating, plans and expectations for bp's annual capital expenditure, plans and expectations for bp's cash balance point, plans and expectations regarding the allocation of surplus cash flow and plans and expectations regarding the amount and timing of share buybacks.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will or may occur in the future and are outside the control of bp. Actual results or outcomes, may differ materially from those expressed in such statements, depending on a variety of factors, including: the extent and duration of the impact of current market conditions including the volatility of oil prices, the effects of bp's decision to exit its shareholding in Rosneft and other investments in Russia, the impact of COVID-19, overall global economic and business conditions impacting bp's business and demand for bp's products as well as the specific factors identified in the discussions accompanying such forward-looking statements; changes in consumer preferences and societal expectations; the pace of development and adoption of alternative energy solutions; developments in policy, law, regulation, technology and markets, including societal and investor sentiment related to the issue of climate change; the receipt of relevant third party and/or regulatory approvals; the timing and level of maintenance and/or turnaround activity; the timing and volume of refinery additions and outages; the timing of bringing new fields onstream; the timing, quantum and nature of certain acquisitions and divestments; future levels of industry product supply, demand and pricing, including supply growth in North America and continued base oil and additive supply shortages; OPEC+ quota restrictions; PSA and TSC effects; operational and safety problems; potential lapses in product quality, economic and financial market conditions generally or in various countries and regions; political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations and policies, including related to climate change; changes in social attitudes and customer preferences; regulatory or legal actions including the types of enforcement action pursued and the nature of remedies sought or imposed; the actions of prosecutors, regulatory authorities and courts; delays in the processes for resolving claims; amounts ultimately payable and timing of payments relating to the Gulf of Mexico oil spill; exchange rate fluctuations; development and use of new technology; recruitment and retention of a skilled workforce; the success or otherwise of partnering; the actions of competitors, trading partners, contractors, subcontractors, creditors, rating agencies and others; bp's access to future credit resources; business disruption and crisis management; the impact on bp's reputation of ethical misconduct and non-compliance with regulatory obligations; trading losses; major uninsured losses; the possibility that international sanctions or other steps taken by governmental authorities or any other relevant persons may impact Rosneft's business or outlook, bp's ability to sell its interests in Rosneft, or the price for which bp could sell such interests; the possibility that actions of any competent authorities or any other relevant persons may limit bp's ability to sell its interests in Rosneft, or the price for which it could sell such interests; the actions of contractors; natural disasters and adverse weather conditions; changes in public expectations and other changes to business conditions; wars and acts of terrorism; cyber-attacks or sabotage; and other factors discussed elsewhere in this presentation, as well as those factors discussed under "Risk factors" in bp's Annual Report and Form 20-F 2021 as filed with the US Securities and Exchange Commission.

Reconciliations to GAAP - This document also contains financial information which is not presented in accordance with generally accepted accounting principles (GAAP). A quantitative reconciliation of this information to the most directly comparable financial measure calculated and presented in accordance with GAAP can be found on our website at www.bp.com.

Tables and projections in this document are bp projections unless otherwise stated.

October 2022

* For items marked with an asterisk throughout this document, definitions are provided in the glossary

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During today's presentation, we will make forward-looking statements including those that refer to our estimates, plans and expectations.

Actual results and outcomes could differ materially due to factors we note on this slide and in our UK and SEC filings.

Please refer to our Annual Report, Stock Exchange announcement and SEC filings for more details.

These documents are available on our website.

I will now handover to Bernard.

Bernard Looney
Chief executive officer



Thanks Craig.

Good afternoon everyone and thank you for joining us on what is an exciting day for bp.



The facility you see in the background of this slide is project Assai in Pennsylvania in the US. It is the highest capacity, operational, renewable natural gas facility in the world.

Today we have announced an agreement to acquire Archaea Energy, the company that owns and operates this facility, which is one of 50 facilities in their portfolio. They are a leading biogas company in the US, producing renewable natural gas and power, and are publicly listed on the New York Stock Exchange. We know them well through our existing relationship – the Mavrix Joint Venture.

This is an exciting and compelling combination, which advances our ongoing transformation to an Integrated Energy Company.

With the proposed acquisition, **we do three things.**

First – we accelerate our growth plans – now expecting to deliver in excess of \$10 billion from our transition growth businesses by 2030.

We'll do this by:

- Deepening our participation in the rapidly growing biogas sector.
- De-risking and accelerating one of our five transition growth engines,

bioenergy.

- And adding a rateable, growing and highly visible source of EBITDA.

Second – we do so by adding distinctive value:

- Building on our existing capability and experience across the biogas value chain.
- We will integrate biogas supply from Archaea Energy with our experienced trading business and global customer relationships.

And third – as biogas helps decarbonise demand – we will reduce carbon intensity – thereby supporting our Aim 3.

Importantly, amongst all of this - we are **remaining disciplined**. So, it is worth spending a few minutes on what is not changing following today's announcement.

We remain committed to our disciplined financial frame, with our five priorities unchanged.

- First, a resilient dividend. We continue – unchanged – to see capacity for an annual increase of the dividend per ordinary share of around 4% through 2025 at around \$60 per barrel Brent. And importantly this is underpinned by an average cash balance point through 2025 which remains unchanged at around \$40 per barrel Brent.
- Second, we remain focused on maintaining a strong investment grade credit rating.
- Third and fourth, we will continue to invest with discipline into the transition and resilient hydrocarbons. Capital expenditure guidance remains unchanged at \$14 to \$16 billion over the medium-term – including inorganics.
- And fifth, our guidance for share buybacks is unchanged. We continue to expect to be able to deliver share buybacks of around \$4 billion per annum at around \$60 per barrel Brent through 2025. And we remain committed to returning 60% of 2022 surplus cash flow through share buybacks, subject to maintaining a strong investment grade credit rating.

In setting the buyback, the board will continue to take into account the cumulative level of and outlook for surplus cash flow, including the effect of this transaction.

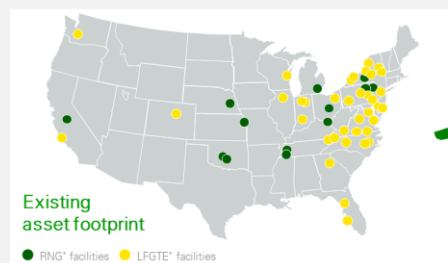
Finally, the acquisition is expected to be accretive to earnings and free cash flow per share, post integration, and to deliver double-digit returns.

Acquiring a market-leading biogas company



A leading and fast-growing producer of RNG* in the US...

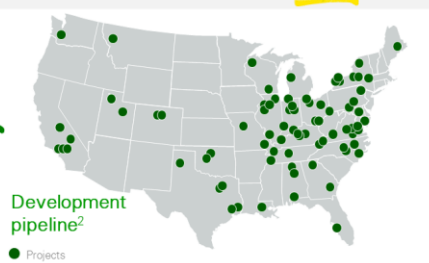
With a strong development pipeline underpinning rapid growth



13 RNG* facilities, 37 LFGTE* facilities

6mboed production¹ expected in 2022

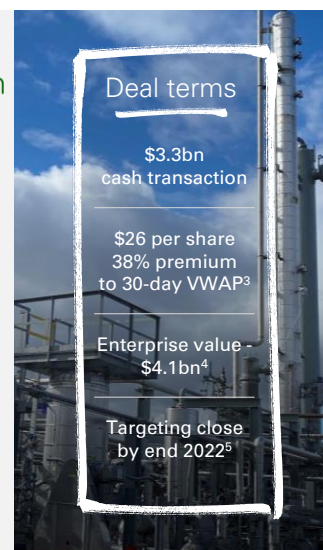
Proven track-record



>80 projects; feedstock for >75% of development pipeline secured

Visibility to ~30mboed production¹ by 2030

Modular capital-light development



(1) Equity production, using conversion factor of 1 mmbtu per day to 8.04 gallons of gasoline equivalent per day

(2) Development projects as reported by Archaea Energy's 2Q2022 results presentation

(3) Premium calculated using Archaea Energy Inc. (NYSE: LFG) 30-day volume weighted average share price (Bloomberg) as of 14 October 2022

(4) Cash consideration plus net debt sourced from Archaea Energy's 2Q 2022 10D, adjusted for disclosed subsequent financing activity

(5) Subject to regulatory approvals and Archaea Energy shareholder approval

Turning then to the proposed acquisition in more detail.

We have worked together with Archaea Energy over the past couple of years, and I recently spent time with Nick Stork, the co-founder, and Danny Rice, the Chairman. They have built a great team, and a company with a proven track record. And we are really excited the team at Archaea Energy will be joining bp on completion, bringing a wealth of capability and experience that we can learn from.

Nick and his co-founders started out as landfill owners in Pittsburgh. They have built a leading biogas company, around the simple concept of sourcing gas from landfill and farm owners that would otherwise have been flared or vented, then processing it to produce renewable natural gas or power.

Today, they have a portfolio of 50 operating renewable natural gas and landfill gas-to-energy facilities, producing around six thousand barrels oil equivalent per day. At closing, Archaea Energy is expected to provide an immediate 50% increase to bp's biogas supply volumes.

And while an established business today, this acquisition is underpinned by the significant and de-risked growth potential we see in the future:

- A pipeline of more than 80 projects creating the potential to grow volumes

around five-fold by 2030.

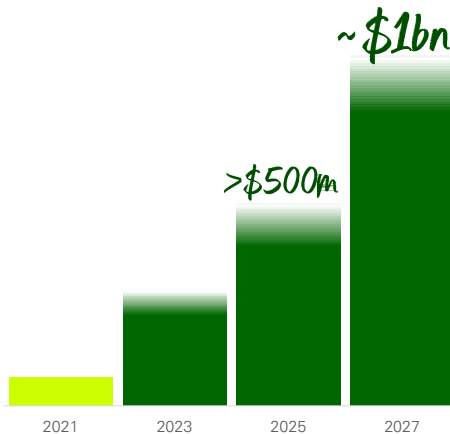
- 40 of these projects are in a joint venture with Republic Services.
- Feedstock for more than 75% of projects in the pipeline has been secured.
- Advance orders for equipment have been placed for 22 projects.
- Low execution risk supports delivery of this growth. Projects are modular, capex-light, and have short development lead-times.
- And there is development potential beyond this, building on existing relationships with landfill and farm owners.

Turning to the transaction itself:

- This is a \$3.3 billion cash transaction.
- The purchase price of \$26 per share represents a 38% premium to Archaea Energy's 30-day volume weighted average share price.
- Total enterprise value of \$4.1 billion includes around \$800 million of net debt.
- With completion of the project pipeline, and when integrated with bp, we aim to deliver EBITDA of around \$1 billion per annum by 2027, underpinning an acquisition multiple of around four times.
- And we are hoping to close the transaction by the end of the year, subject to regulatory approvals and Archaea Energy shareholder approval.

Creating significant value with growth potential

Rateable EBITDA* growth



Attractive NPV with visible near-term upsides¹



(1) NPV at 10% discount rate
 (2) Expected full cycle return including capital expenditure* for project pipeline
 (3) Cash consideration plus net debt sourced from Archaea Energy's 20 2022 100, adjusted for disclosed subsequent financing activity
 (4) Operating assets and pipeline
 (5) Delivery of Archaea Energy's production estimates
 (6) Additional projects expanding on existing relationships with landfill and farm operators
 (7) Capital efficiencies, improvement in efficiency of landfill gas collection systems, and trading optionality to new industries and customers

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The proposed acquisition is expected to deliver significant value for bp's shareholders.

First, EBITDA growth:

- We expect Archaea Energy will deliver rateable EBITDA growth.
- Growing from around \$140 million today, we are targeting around \$550 million in 2025, and aiming for around \$1 billion by 2027 when integrated with bp.
- For bp, we now expect the EBITDA contribution from biogas to double to around \$2 billion in 2030.
- And as a result, we are now aiming for greater than \$10 billion EBITDA from bp's transition growth businesses by 2030.

Second, value creation:

- We are confident our base case, including capex of around \$1.7 billion to support the buildout of the project pipeline by 2027, can support double digit returns.
- And we see potential for further value creation, and enhanced returns, over

and above our base case.

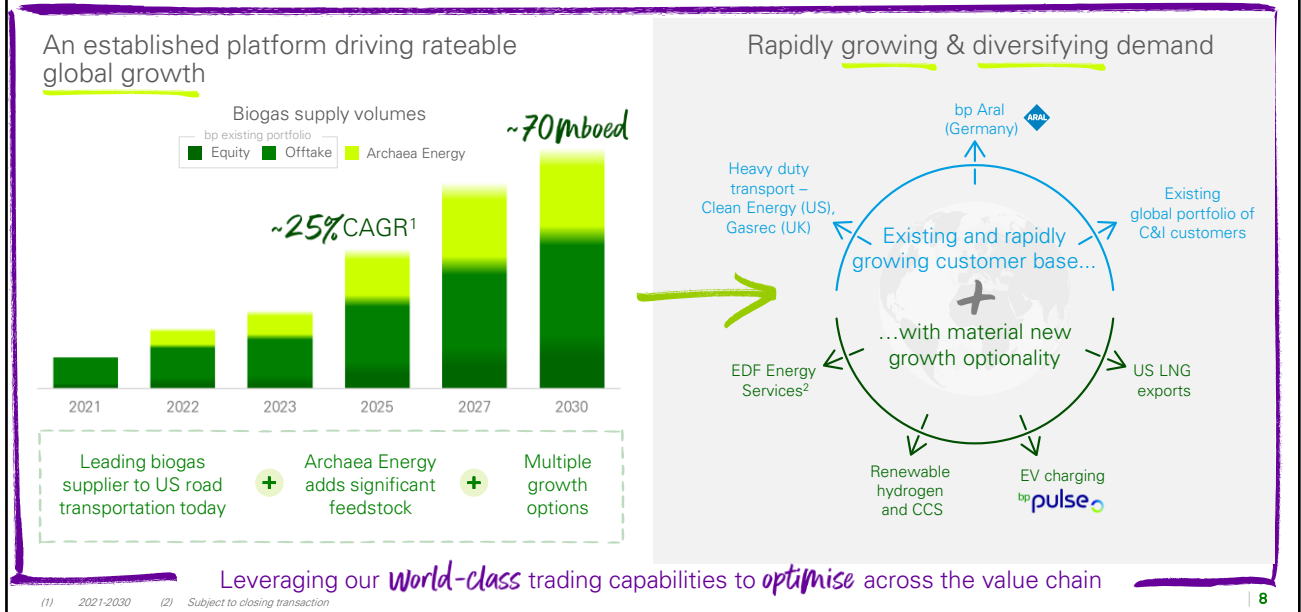
This base case:

- Assumes the build out of the development pipeline.
- Includes a risked view of production from the portfolio.
- Assumes the benefit of trading optimisation, something we are already doing through our Mavrix joint venture with Archaea and we intend to scale-up. For example, we expect to be able to direct more of the RNG into road transportation use, optimising value from the higher RIN credits, while using the scope and scale of our trading and supply portfolio to satisfy the fixed price contracts – value creation through integration.
- And, we are assuming a conservative RINs price, well below the 1 and 2-year average.

Beyond the base case, we see the potential for further sources of value creation, including:

- De-risking the portfolio production plan – through the delivery of Archaea Energy's production estimates.
- Future project growth – expanding on existing relationships with landfill and farm operators.
- And efficiencies and trading optionality – including capital efficiencies relating to the development pipeline, improvement in the efficiency of landfill gas collection systems, as well as trading optionality to new industries and customers.

Combining to grow bp's biogas value chain



What is really exciting about bringing bp and Archaea Energy together, is how the combined portfolios enable bp to capture enhanced value across the biogas value chain.

bp already has an established, global biogas business – a business positioned in an increasingly supportive macro environment of rapidly growing demand, with attractive fiscal incentives. In bp's 2022 Energy Outlook, biogas grows more than 25-fold from 2019 to 2050 in both the Accelerated and Net Zero scenarios.

The addition of **Archaea Energy** rapidly advances our access to feedstock and scales our upstream participation in the biogas value chain – a distinctive source of competitive advantage:

- Today we have a biogas portfolio of equity and merchant offtakes of more than 10 thousand barrels oil equivalent per day.
- Alongside growth in our existing portfolio, the addition of Archaea Energy's production and pipeline has the potential to take biogas supply volumes to around 70 thousand barrels oil equivalent per day by 2030.

On the demand side:

- We have biogas customers today – and demand from these customers is

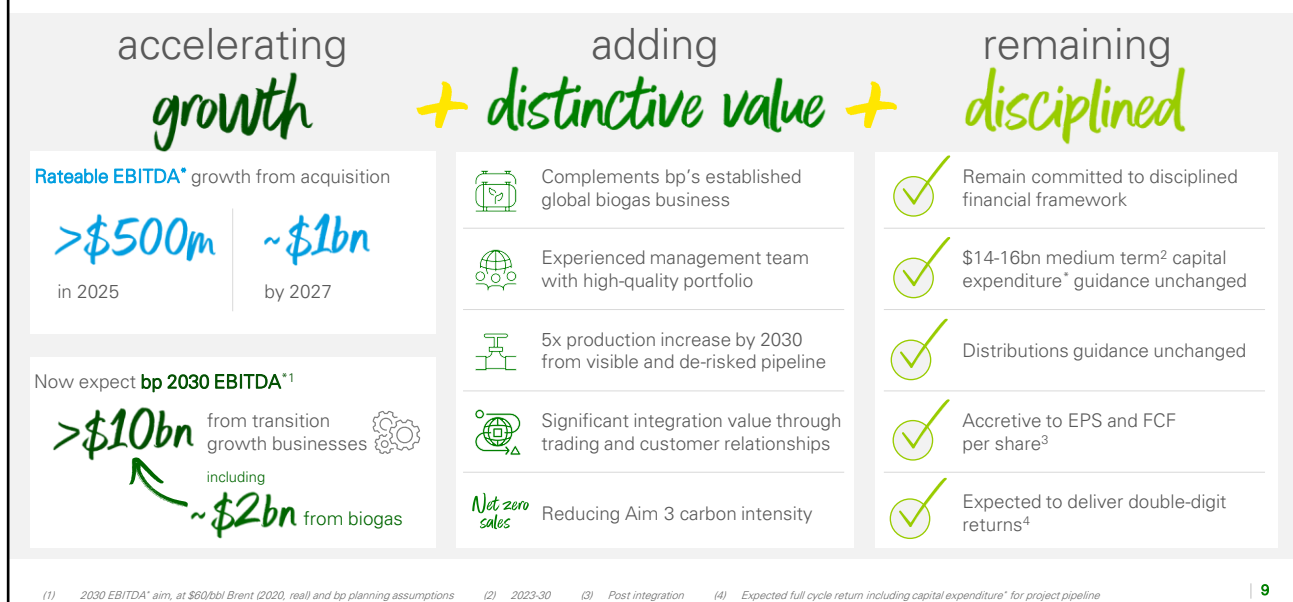
growing and diversifying...rapidly, as they seek to decarbonise.

- We are a leading biogas supplier to heavy duty transport – in the US through our co-marketing agreement with Clean Energy Fuels, in the UK through our investment in Gasrec and in Germany through bp Aral.
- And we see new demand growth optionality – including from US LNG exports, and our own demand from EDF Energy Services customers, subject to that transaction closing, bp Pulse and renewable hydrogen.

Leveraging our global trading organisation, we can integrate our biogas supply volumes to serve this rapidly growing demand across the global value chain – just as we expect to do in the US – capturing value from optimising environmental credits and market dislocations internationally, and offering solutions to customers looking to decarbonise.

This is exactly what bp's transformation to an IEC is set up to do...and win from...integrating across the value chain, extracting value over time as rents shift, and capturing growth ...this is distinctive.

bp and Archaea Energy – a compelling combination



Let me wrap up and we can then turn to Q&A.

With our proposed acquisition of Archaea Energy, we are doing exactly what we said we would do – investing with discipline in our transition growth engines, with a continuing focus on delivering long-term shareholder value.

This is a great deal...

- Combining Archaea's proven biogas development and offtake expertise with...
- bp's trading capabilities and scale, strong balance sheet and access to customers – and customers who are increasingly seeking help to decarbonise their own energy demand.

And importantly, it will enable us to accelerate growth across the biogas value chain, add tangible and rateable EBITDA growth, and all while remaining committed to our disciplined financial frame. This is integration in action – and an exciting day for bp.

Thank you for listening. Murray, Carol and I would be happy to now take any questions you have about this transaction. We will not be commenting on bp's upcoming third quarter results.

Glossary

Glossary – definitions

Adjusting items	Include gains and losses on the sale of businesses and fixed assets, impairments, environmental and other provisions, restructuring, integration and rationalisation costs, fair value accounting effects, financial impacts relating to Rosneft for the 2022 financial reporting period and costs relating to the Gulf of Mexico oil spill and other items. Adjusting items within equity-accounted earnings are reported net of incremental income tax reported by the equity-accounted entity. Adjusting items are used as a reconciling adjustment to derive underlying RC profit or loss and related underlying measures which are non-GAAP measures.	Net zero sales	bp's aim to reach net zero* for the greenhouse gas emissions associated with the lifecycle (including end use) of its marketed and physically traded* energy products, in accordance with bp's Aim 3. Any interim target or aim in respect of bp's Aim 3 is defined in terms of reductions in the weighted average greenhouse gas emissions per unit of energy delivered (in grams CO2e/MJ) relative to the baseline year of 2019. (Work is ongoing to confirm an assured baseline for this Aim to incorporate the inclusion of physically traded sales.) Greenhouse gas emissions (CO2, methane, N2O) are estimated on a lifecycle basis covering production / extraction, transportation, processing, distribution and use of the relevant products (assuming full stoichiometric combustion of the product to CO2).
Capital expenditure	Total cash capital expenditure as stated in the condensed group cash flow statement. Capital expenditure for the operating segments and customers & products businesses is presented on the same basis.	Physically traded energy product	For the purposes of Aim 3, this includes trades in energy products which are physically settled in circumstances where bp considers their inclusion to be consistent with the intent of the Aim. It therefore excludes, for example, financial trades, and physical trades where the purpose or effect is that the volumes traded net off against each other.
EBITDA / adjusted EBITDA	RC profit before interest and tax, excluding net adjusting items*, adding back depreciation, depletion and amortisation and exploration write-offs (net of adjusting items).	RNG	Renewable natural gas.
Hydrogen / low carbon hydrogen	Hydrogen fuel with reduced carbon attributes, including renewable (green) hydrogen made from solar, wind and hydro-electricity, and (blue) made from natural gas in combination with carbon capture and storage.		
LFGTE	Landfill gas to energy.		
Net zero	References to net zero for bp in the context of our ambition and Aims 1, 2 and 3 mean achieving a balance between (a) the relevant Scope 1 and 2 emissions (for Aim 1), Scope 3 emissions (for Aim 2) or product lifecycle emissions (for Aim 3), and (b) the aggregate of applicable deductions from qualifying activities such as sinks under our methodology at the applicable time.		

Glossary - abbreviations

Barrel (bbl)	159 litres, 42 US gallons.
C&I	Commercial and industrial.
CAGR	Compound annual growth rate.
CCS	Carbon, capture and storage.
EPS	Earnings per share.
EVP	Executive vice president.
FCF	Free cash flow.
LNG	Liquefied natural gas.
mboed	Thousand barrels of oil equivalent per day.
mmbtu	Million British thermal units.
NPV	Net present value.
SVP	Senior vice president.
VWAP	Volume weighted average price.