1Q 2018 results:
Webcast Q&A transcript

Tuesday 1 May 2018

This transcript contains minor modifications from the original for accuracy or clarification. Please also refer to our 1Q 2018 results stock exchange announcement and the cautionary statement included in the 1Q 2018 webcast slides.

Q&A Transcript

Biraj Borkhataria (RBC Capital Markets): I've got two questions. Firstly, could you give an update on the Woolworths acquisition and where you are on that process? And, secondly, could you let us know if you have any significant maintenance at Whiting this year?

Brian Gilvary: Thanks, Biraj. On Woolworths there is not a lot we can say other than the fact we are in conversations with them and the regulator in Australia around potential remedies and the way forward. So, I think there will be more to follow on that this year. In terms of on the assumption that that transaction may or may not close, it is more likely to be towards the end of the year before anything happens. I suspect if there is any cash impact that is more likely to be maybe in the first quarter of next year. However, we are working through that right now and it is a little bit premature to say anything about where we end up to with that transaction.

On maintenance schedules around Whiting, nothing out of the ordinary. I think we went through a large one [in 2016] at Whiting around the cokers, although, there is nothing out of the ordinary planned for this year[1].

Oswald Clint (Sanford Bernstein): Thank you, Brian, and good morning. I wanted to ask you about the upstream Opex number ticking up a little bit in the first quarter and bucking the trend of the broader industry. Could you talk a little bit about that number and why you expect it to continue to decrease through 2018, please?

Secondly, just on refining in North America again. I wonder if you could say what type of contributions have been delivered there from those wider differentials in Q1 around Whiting since you talk about that diminishing as you go into the second quarter. Any additional granularity around that would be useful, please. Thank you.

Brian Gilvary: Thanks Oswald. The little ramp-up that you saw in Q1 was really around some Gulf of Mexico work-overs and well work that we were doing, so we would expect to see that continue on the trend that we are seeing. We are acutely sensitive to any signs of inflation at the moment. However, we are not seeing any of that come through, certainly in the contracts that we are looking at currently. It is one area that we focus on just to make sure that as we see these higher prices that we do not start seeing inflation creep back in. And that does not appear to be the case at the moment across the piece as we look to our contracts this year. However, that uptick in Q1 was purely driven by well work. We would expect that now to start to taper off through the rest of the year in terms of the costs that you saw come through in the first quarter.

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[1] In the context of prior refinery turnarounds and an expected cycle of planned turnarounds.

In terms of North America, refining margins were relatively suppressed in the first quarter compared to a year ago. Of course, the light-heavy differential is what really uplifted in terms of the refining system in North America, particularly the Whiting refinery.

We were not able to capture all of that because there were curtailment issues and the light-heavy spread opened up off the back of a tranche of production that came on in the Canadian heavy market. Of course, curtailment issues began to get constrained coming in, so we were not able to capture all of the volume at that heavier discount. However, we caught a fair proportion of that, and that is what helps support the downstream numbers through the first quarter.

Lydia Rainforth (Barclays): A couple of questions. In terms of the share buyback, I see we were running below that level, and I know that is going to be linked to the net debt side. As you go through the year and given where oil prices are, that balance between debt repayment and share buyback, could you just talk about how you see that coming through?

Then, secondly, in terms of the upstream numbers, they clearly have been very good. Are we seeing again that benefit of low decline rate coming through? Thanks.

Brian Gilvary: On the first question, I think we laid out with the third quarter results last year we talked about reinitiating the share buyback to offset the scrip. We knew that we would have a lumpy series of quarters ahead of us, particularly the first quarter. What you would have seen in the fourth quarter, we fully offset the scrip dilution from the third quarter of last year. We have partially offset it through the first quarter this year, knowing that we had the $1.2 billion cash payment that went as part of the final DOJ settlement from 2012. Therefore, we were going to back off a little bit for the first quarter. Now we have got over that hump, in the first quarter regarding the payments associated with that settlement. Also, with the usual Macondo payments having now gone out, we can start to ramp the buyback programme up again. Again, as we've said before, over time we will expect to fully offset the scrip dilution. We will certainly ramp-up activity and you will see that this week as we go back into the buyback market. It was really a function of knowing debt would increase through the first quarter with those payments and a typical seasonal (working capital) build.

What we will now see is net debt, certainly at these prices, naturally start to decline. That will then give us an opportunity later this year to look at potential further distributions either through buybacks or a conversation with the board around dividend.

On production, I think what you are seeing is definitely strong performance coming out of the base - we talked about before about negative decline. I think that is becoming more systematic in our numbers. We will know more about that as we go through this year. The projects coming on early and ahead of budget last year have helped. The ramp-up of those projects has gone well coming into this year, and that is why you are actually seeing headline production up 9%, however, underlying production was up 14%. I think it is just the function of the performance of the projects coming on, the execution of those. We have brought on our first 2018 project already in Egypt this year in January. We look to start-up another five projects that will come on later this year. It really is just a function of the two things: ramp up the projects from last year and continuing strong performance of the base.

Alastair Syme (Citi): Good morning, Brian. You have just recently sanctioned the Khazzan Phase 2 project. Can you offer any perspective around how we should think about the economics of that compared to Phase 1? Any sort of high level comments you want to make?

Brian Gilvary: I think from memory that there is a third gas train and a second liquids train will come with that project. We cannot talk commercially around the nature of the contracts. However, again, the gas will go into a domestic gas market. In that respect, the economics are attractive and robust in terms of what we look at, especially from what we have learned from Khazzan Phase 1 and the optimisation we were able to do around that. It gives us great optimism around what Khazzan Phase 2 might look like. It's basically a development but I think there are around four discoveries. Also, we will be able to utilise existing facilities, so from a cost perspective that enhances the economics. There will be more to follow on that as we go through this year.

Alastair Syme (Citi): Thank you. Can I follow-up also on Tortue which I guess is the next sanction in the pipeline. What needs to happen for that to move forward?

Brian Gilvary: We are in conversations right now with our partners and with the local governments in Mauritania and Senegal. Again, really not a lot to say about that other than the fact there will be more to come this year in terms of what Phase 1 looks like of that development. I suspect Phase 1 will look very different from what the subsequent phases look like. However, we will be looking to move this one forward this year although we are still in discussions with our partners around what the final concept will look like.

Theepan Jothilingam (Exane): A couple of questions. Brian, you touched on performance and the (production) growth. I was just wondering if you could, maybe, quantify how much of the new projects is being installed out of the 900,000 for the five-year plan and what production is actually delivering into Q1?

The second question was just on the strategic alliance with Petrobras. I think a number of your peers have had similar alliances, and I was wondering with the timing of this, is there something specific BP has identified that you can execute with Petrobras? Is that incorporated in the $15 to $16 billion organic capex? Thank you.

Brian Gilvary: I'll pick up the second one. Craig will come back on the production numbers in the first question which he's got there in front of him. On Petrobras we actually had a meeting of a cross section of our executive team two or three weeks back and found that there's a big overlap in our DNA. First of all, Petrobras is a world-class operator. There's no doubt about that and I think we found overlap across a whole range of subjects from technology to sharing people and knowledge transfer, there are clearly a lot of opportunities and I think you will see some of those unfold as the year progresses. We talked about what is really important, what is the differentiator for all of us. It is about technology. It is about relationships and it was clear that there was a huge amount of empathy between teams which led to the signing of that MOU and I think there will be simply more to follow on that as this year progresses. So, nothing specific today but as we explore different opportunities, you will see more come to the fore on a point forward basis.

Craig Marshall: On production, Theepan, we laid out as you will remember earlier this year in February the 900,000 barrels a day by 2021 of major project production. If you recollect the chart we showed you, it does actually breakdown into the production that's operating, the production that's under construction and then that production element towards the backend that is yet to be FID'd. In short, based on those wedges, we will approach this year around 400,000 barrels a day of that 900 on stream and then, obviously, as we start up the rest of the major projects that are in construction with those that obviously already haven't started, that production will ramp up through next year and beyond.

Thomas Adolff (Credit Suisse): Two questions, please. Firstly, on the upstream. One of the six major projects have been brought on stream and, again, ahead of schedule and below budget. So, I wondered if you can talk about the other five projects, where they are and whether the better performance is reflected in your cash flow breakeven estimate for the group?

Secondly, just on technology and you talked about technology creating efficiencies but, obviously, efficiencies also create redundancies and I wanted to focus on the latter. I believe you used to have about 25,000 people employees in upstream back in 2014. Now it's down to around 18,000 employees in upstream, and I just wondered how much more fat there is within the organisation in terms of people or organisational layers, etc. Thank you.

Brian Gilvary: On the first question, the six projects which we've laid out for you in the supplemental information we talked about in previous discussions. The big one is Shah Deniz phase two, which comes on stream this year, which will start to see some commercial production flowing into Turkey. Ultimately, that would take gas into Europe. So that is an incredibly strategic and important project, certainly for Europe in terms of how that gas will flow in the various pipelines that we have under construction, that's 99% complete with an expected start-up through the year.

We also have Constellation, which is not BP operated, in the Gulf of Mexico and we have two-thirds working interest. Again, that's expected to start up this year. That is a tie back to one of our other discoveries with our partners. West Nile Delta this year is another project. We have Taas in Russia and then, of course, Clair Ridge which is a big North Sea project where we would expect to see start-up this year. So, they are all progressing well. A lot of completion activity as you have said already, Atoll has come on stream, and all of those things will help overall in terms of production that drives our breakeven price down to about $35 to $40 a barrel by 2021.

Then in terms of technology - as I had said three or four years ago, we were scratching the surface. We are now deep into the surface of technology and what we are learning in terms of productivity and use of people. I think, what you are going to see, Thomas, is first of all, we will continue to keep our focus on cost. We have a strict capital discipline in terms of $15 to 17 billion and if anything this year, we are trending towards the lower end of that range, although we have set the range this year at $15 to $16 billion. It looks like we had set things up to the mid part of the range, however we are drifting towards the bottom end of that range at the moment.

We will continue to keep a focus on cost but I think, what you are now seeing with the technology is we are getting more productive use of time of the people that we have and we now have the alternatives to redeploy people within the organisation on more productive roles, given they are now getting access to real-time data in any number of different applications, not just in the upstream but in the downstream and our trading businesses and across the piece. I just think the whole world of digitalisation is moving at such a rate of knots and the cadre of people that we are now hiring is showing us how we can exploit that technology and put it to good purpose and good use that ultimately helps enhance revenue. So, yes, there may be more efficiencies to come in terms of our workforces but that will be really about how we redeploy people into more productive roles within the company as we use more and more kinds of technology that are coming through.

Thomas Adolff: Great, thank you very much.

Rob West (Redburn): Hi there. Thank you. The oil price is high, as you said capex is coming in below where you are guiding. What I wanted to ask you is how does that change your willingness to flow extra capital into the US shale business and unlock some of the value there? I noticed the L48 capex slowly going up in the detail you helpfully disclosed but if you could talk about plans to add anymore rigs in some of the sub-basins? And I guess, it is a year on from the last that you really updated us in detail on that business but is there anywhere that is looking particularly attractive to add any incremental rigs and volumes?

Brian Gilvary: That's a great question and Lower 48 is the one place where we can ramp up and ramp down capital and, of course, it is also a function of price. Our breakeven economics now are very, very low. In terms of cash breakeven, they are certainly close to a dollar for some of the wells that we are looking at. A dollar per mmbtu cash breakeven basis.

We have got 12 operated rigs that have been drilling through the first quarter. David Lawler and the team were in last week and went through that just over half of those rigs are working in the Southern Haynesville which has been incredibly productive for us. It is a choice and it is something Bernard can do if he chooses to ramp that up. Right now we are still seeing some deflation come through in the capital numbers which is why I say we seem to be trending towards the lower end of that $15 to $16 billion capital range. I think, somewhere in the midpoint is a good assumption for the year but it is a choice for us in terms of Lower 48. You have to remember we have a very gassy portfolio in Lower 48. It is about 85% gas, 15% liquids, and so it is really opportunity-driven on a point forward basis - but it is the one place we can ramp up and ramp down.

Rob West: That is great. Thank you. Just to be clear. So, would the extra rigs be Haynesville or some of the more emerging areas in the portfolio?

Brian Gilvary: That's a choice for Dave. I can't really detail the specifics here. Right now, I think, it is just over six or seven rigs we have in Southern Haynesville which has been quite a prospective area for us in terms of some of the things that we do with the multi-fracs down there, so that is where they are at the moment. I don't know what the current plans are for the rest of the year.

Michele Della Vigna (GS): Thank you very much and congratulations on the strong quarter. I was wondering if you could give us an update on your LNG strategy. You have, clearly, been very active with Tangguh and the development of Tortue, but also BP has been quite active in contracting new supply and effectively scaling up the marketing effort.

Secondly, I was wondering if you could quantify the economic impact of the expiry of the ADMA licence which has relatively large volumes but pretty small margins. Thank you.

Brian Gilvary: On LNG I think Bernard has laid out before and this is integrated with our trading business. LNG we see as an integrated equity and marketing business but we do have an ambition to expand its portfolio up to 25 million tonnes per annum. That is from both an equity perspective and merchant LNG. As you have said, we have taken contracted volumes around the world. We will continue to move forward on that. We have the Freeport option to export gas out of the United States that comes up in a time window over the next 18 months in terms of that investment. We have a fleet rejuvenation program for our LNG fleet. We will take that out to six new vessels. We will have a total fleet of about seven LNG vessels going forward. We will continue to ramp that activity up. It gives us a huge amount of opportunity. You are going to see quite a number of LNG projects come on to market out to 2022. We are looking at the next big raft of projects. I am not sure how much gas will ultimately get exported out of the United States but we still have a very strong ambition in the LNG space. In fact, we had a good set of results in terms of the first quarter in terms of our gas marketing LNG activity that you will have seen come through the numbers in the first quarter.

In terms of ADMA it is 90,000 barrels a day that will back out net production as that concession rolls off going forward. Economically-wise it will not have a huge impact in terms of the overall earnings given the nature of that contract. However, that will roll off this year.

Christopher Kuplent (Bank of America Merrill Lynch): Firstly, I think you did not fully answer Theepan's earlier question around Brazil. Clearly Bernard has been out there singing the praises of pre-salt and its attractiveness. I suppose what Theepan was also asking was how you think you can fund exposure because the MOU so far is fairly cheap. However, I wonder whether any additional activity together with Petrobras in the pre-salt will happen within that $15-16 billion capex range.

Secondly, a quick follow-up on these strong trading results that you have highlighted in your Upstream division. Can you give us any more granularity as far as they are outside of your achieved oil and gas realisations? Thank you.

Brian Gilvary: Yes, sorry Chris, and thank you for reminding me about Theepan's question. It did occur to me that in my answer to his question that I had not picked that up. We will continue to manage within our $15 to 17 billion frame. That is not negotiable. The upper end of that frame is very clear. The lower end of that frame is flexible, depending where the oil price is. Clearly where oil prices are trading at the moment it is unlikely we will have excursions down to $45/barrel at the moment. Therefore $15 to $17 billion is a good frame going forward. For this year $15 to 16 billion is where we sit and we will live within that frame. If you link back, Chris, to the previous comments around where we are seeing deflation and capex trending to, we are trending towards the lower end of that range.

Therefore we will have up to $2 billion of flexibility within the existing framework. I do not think there is anything that would constrain us going forward in terms of the opportunity set. Of course, every opportunity has to be weighed up against other opportunities that we have in the portfolio set. You are right, Bernard is very strong on the pre-salt in terms of Brazil and we will see what comes out of that, if there are any opportunities for us with Petrobras. However, the $15 to $17 billion frame is clear until 2021.

Then Chris your second question was trading contribution. The way to describe it for this quarter, because we do not give you specific guidance, is the oil trading was above average but it was around a plan-type number for this quarter. On the gas trading it was a strong result which means it is above average, typically $100m or more over what would be a typical trading quarter. That came out of North America gas and power. It was as much out of that position and some of the LNG positions that we have but it was a strong first quarter.

Jon Rigby (UBS): First, can we just go back to Whiting and maybe Toledo as well? Was Toledo also affected by apportionment of crude flows into it? Around that I notice that the benchmark Midwest refining margins are down but spreads are up versus sequential earnings in 4Q. Are you able to characterise net-net the contribution from the Midwest refineries sequentially so we get an idea because there are a lot of moving parts? The second question is on Deepwater Horizon. Obviously, we are another quarter into payment so I wonder whether you can offer some observations if you triangulate on final settlements and outcomes etc.?

Brian Gilvary: Jon, I have not gone into that level of detail around the Midwest refining margins but knowing what I know about the contracts and the way we trade crude around some of the pipelines, I would suspect that Toledo would have been marginally impacted. However, the bulk of the impact would have been Whiting. After the conversations we have had with Tufan I think the issue around curtailment has been around Whiting, less so with Toledo given the way in which the pipeline system works coming into Toledo. Toledo will have been impacted but I think the majority of the impact would have been Whiting.

In terms of where the spreads are at the moment I think they are back down around $15. The spreads opened up off the back of the wedge of production we saw coming in out of Canada. Some of that production is now into turnaround so we are seeing less of that exacerbation. Spreads have moved back into around $15/16, which is a good place to be because that is effectively where we set the economics for the Whiting upgrade. I think $15 is a good place for it to settle. With the curtailment issue we were sourcing some heavy crude at differentials below that $15 but of course we were also capturing the $25 on the barrels that we could access through Canada.

Then in terms of Macondo, we had the final payment with the DOJ settlement of 2012 which is $1.2 billion. That is now firmly closed. Of the 600 BEL claims that were left, that led to that higher provision that we had because of the fourth quarter activity, we are now down to 300 claims left to be processed. There are other claims still being recycled in the system that have been previously denied that will come through the usual appeals process. However, I think we have a pretty strong handle now on what the payment schedule looks like. Everything that was agreed in 2015, with the July 2015 settlement, will start to now kick into action in 2019. In 2018 we had a rest, as there was a big payment on DOJ. So there was a pause in 2018 on that schedule. That schedule now kicks in next year with the remainder of the BEL piece where we took the extra provision at the end of last year[1].

The numbers for this year are just over $3 billion with $1.6 billion already gone out in the first quarter. Next year it will be around $2 billion but it could be less. Let us say around $2 billion then $1 billion a year out to 2032. We are getting more confident around what that [overall profile] looks like [and in terms of the BEL claims remaining to be determined there are some 300 claims left to process through the facility]. We have a process by which we are closing out the balance of [remaining BEL claims]. As part of that process payment schedules are being put in place that can go out from five to ten years. We have some flexibility around how the cash will flow on that front[2].

Irene Himona (Société Générale): Firstly, the start-up of your seven major projects last year is what is driving this very strong 14% production growth this quarter. Can you give us a sense of whether the 500,000 bpd plateau of those projects has been reached or roughly when during the year it reaches that plateau? Secondly, obviously your Upstream free cash flow targets are formulated at $55 real, we are now at $75 for the moment. Can you talk a little bit about what would need to happen perhaps in terms of either the Board's thinking or balance sheet gearing for the decision to be taken to step up the dividend rather than devote the free cash flow to more buybacks? Thank you.

Brian Gilvary: We knew this year would be another $3 billion of Macondo payments to go out. The first focus priority was to offset the scrip and so you will see us do that this year. You will start to see the buyback start to ramp back up again, having got through that first quarter of those bigger payments around Macondo and the typical seasonal working capital build that you see at this time of the year, just like last year. Now as the year progresses we will see net debt and gearing come down naturally and there is no question the Board will want to have a conversation. Certainly we talk about the dividend every quarter. I think we will be talking more as we go towards the second-half of this year and the Board will want to review what conditions would set up a conversation on the dividend and how would that look versus buybacks. That will be something for the Board to consider. As a backdrop we would like to see net debt drift towards the middle of the band but frankly we have got a lot of capacity within that 20% to 30% band. Gearing is at 28% now which really reflects the working capital build and the Macondo payment in the first quarter. That will naturally come down. As that starts to drop down, helped somewhat by where the oil price is for now, if it stays there, that will be a second half of this year conversation. We will pick it up at Q2 results and undoubtedly the Board will have a conversation around that.

Craig Marshall: Irene, on the production the 500,000 barrels a day from those projects, firstly that is installed production capacity. Obviously, the projects run at assumed operating efficiency. That said, as you go through 2018, certainly by the end of the year, we will be up at around 500,000 barrels a day as regards those projects.

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[1] https://www.bp.com/en/global/corporate/investors/results-and-reporting.html

[2] See Note 2 of BP's 1Q 2018 results stock exchange announcement for further information on latest estimate for remaining costs associated with the Gulf of Mexico oil spill, including BEL claims.

Martijn Rats (Morgan Stanley): Many of my questions have already been answered, but there is one that I was hoping you would still comment on. The 96% and the 86% on planned availability and overall operating efficiency is sort of a new disclosure to get very specific numbers on this. Could you give as a bit of a feel for how these numbers have behaved historically? You said that the 86% was two points up from the previous all-time high, but when was that, for example? And how did these numbers do year over year? And what is the historical band in which they have historically moved? And also, where could you see those numbers still going, going forward?

Brian Gilvary: Martijn, thank you. That is a really good question, actually. If you will recall, when we put out our new SEA in the first quarter of last year, we talked about planned reliability, in terms of the 86%, and I think that is 2% higher than the previous high. We also though, in refining, talk about availability, i.e., is the plant available when it was scheduled to be available taking into account turnarounds. That said, we have put the upstream on the same basis this year, just the consistency in our reporting. But we will report both numbers.

On the reliability measure, we have a long history and track record of that, and I think what you are seeing come through that number, the 86%, is the consistency of the projects that have come on stream and how they are performing in that first six months when they come on stream, but also the focus on the huge number of turnarounds we did in 2011, 2012, 2013. I think it was 48, 35, and somewhere around 27 the following year of turnarounds of kit, focused on safety and ensuring that the integrity of the kit was safe, and of course where the two things now come together is that stronger, safety environment we have leads to better reliability. So, we always talk about safety and operational reliability in two hands that go together. And the track record, basically so 86% is 2% above the high. And the high, I think, was back in the first quarter of 2015. The previous high was 84%. Eighty-four percent in the first quarter of 2015.

Martijn Rats (Morgan Stanley): Alright. As a brief follow-up, I recognise there is the risk that you give us one thing and then we always want the next one, but, say that 86% goes to, I do not know, 88 or 90 or something along those lines, is there a rule of thumb for every one or two points' improvement, it has this impact on cost or earnings? Is there a way of translating that into a financial number?

Brian Gilvary: That is really hard, Martijn, because it depends on where the production is coming from. If it is coming from a very high revenue cash flow per barrel stream, then obviously that gives you an enhancement. I think it would be impossible to come up with a rule of thumb for that. Due to the diverse nature of the cash flows from the regions that we operate in.

Colin Smith (Panmure Gordon): Good morning guys. Two questions: first of all, just on the effective tax rate. It came in quite a bit below the guidance for the year; I just wondered if you would comment why that was and what happens and what is the thinking about maintaining the 40% plus guidance for the balance of the year?

And then just on capex, I am curious to see that you have included the extension payment on ACG within the inorganic number, given how long you have been involved there. I wondered if you could just talk a little bit about how you split inorganic versus organic capex, because obviously, things like that do at the end of the day represent cash out for investment?

Brian Gilvary: Maybe on the second one, Colin, the ACG payment, I think it was over five years. You will see those payments coming through, and that was reported as inorganic. That was a renewal that we did, I think about 18 months ago. It was a renewal of the ACG license, and so therefore that was inorganic, and it amortised over five years, so the payment pops up in each of the five years after that.

Colin Smith: I think my point was about why is that considered to be inorganic.

Brian Gilvary: Sorry, Colin. I was just going to come to that, and that needs to be managed through the frame that says inorganics and the Macondo payments are covered through disposals. And so ultimately, it is a reinvestment strategy. And because that was part of a renewal, and a licence extension, it was treated as inorganic, which just basically comes under our accounting rules and how we treat those investments. But ultimately, it has to be paid for through further disposals over time.

Is that okay, Colin?

Colin Smith: Yes. That is fine.

Brian Gilvary: Okay, and then in terms of effective tax rate, it moves around every quarter. It is impossible to pinpoint it based on a single quarter, and all the inputs and outputs that we can see, we think above 40% is still good guidance for the year. This quarter, it was down below 40%, driven by deferred tax balances and forex movements, and that will happen every quarter. But as we look at the forward schedule of revenues and each of the regions that we are currently looking forward to, because of course, it is a function of where the revenues and profits arise, we think above 40% is still a good number for the year.

Lucas Herrmann (Deutsche Bank): Thanks Craig, morning Brian. Brian, I just wondered if you could comment on the rates of return which you think you are recycling capital at the moment. I know the objective is 15% to 20%, at least greenfield, brownfield, but when I look at the projects that you have taken FID on so far this year, the return profile looks markedly better than that in certain cases.

The second question was, and apologies for asking this in part, mineral oil tax in Germany. Can you just explain the mechanics in terms of cash flows in and out slightly better? I think our assumption is there is a big payment that takes place in the fourth quarter. One almost expects a reversal in the first quarter of this year. But just so I have a better idea of how one should expect working capital, if that is working capital, to move across Q4 and into Q1. Thank you.

Brian Gilvary: I will take mineral tax first, because it is fairly straight forward. It all flows out at the end of the year. This year, for 2017, the actual payment was $1.3 billion and it flowed out in the fourth quarter, and then over the first six weeks of the first quarter of this year, it all flows back in again, and then the first quarter, so you would take effectively $1.3 billion, add that to the $1.8 billion, and you would see the working capital build of maybe just over $3 billion, which would be typical for this year, driven by price and volumes that are coming through. But you only see the net impact, and of course you have that cash flow flowing back in in the first quarter. But again, that will flow out at the end of this year again. It is typically in the range of $1.2 billion - $1.4 billion, but for 4Q it was $1.3 billion.

In terms of rate of return, you have heard Bernard and Tufan both talk about this. The typical projects we are looking at are mid-teens internal rate of returns. Significantly above, double-digit percentages above, our cost of capital. And we will continue to do that. But what you see in the overall returns of our portfolio, and of course we look at the portfolio, we look at strategically where we are looking to grow the company, and we will make choices about what investments we do. So, you know, four FIDs so far this year will not necessarily be reflective of the whole portfolio that we are looking at. And typically, mid-teens, but we are also dealing with the $100 a barrel investments we had over 2010 to 2014, and it will take time for that DD&A to work its way through the system before you see us back up above 10% returns (ROACE) to the portfolio, and ultimately back into the mid-teens for the overall portfolio as we go forward.

Christyan Malek (JP Morgan): Hi guys, thanks for taking my questions. Sorry, I have dialled in slightly late so this may have been addressed, but just back to capex run rate, I just want to understand better to what extent is capital efficiency, learning curve around new projects coming online, and you talked about your leading-edge focus on technology and digitisation. How does that all unlock further deflation of the industrial project breakeven level? Could you quantify whether it is a few dollars or possibly more than that that we are looking for, for solving for the industrial level?

Brian Gilvary: That is a great question, Christyan, and it is really hard to quantify, so a lot of this is anecdotal or qualitative rather than quantitative. But there is no question now, having established the technology platforms that we initiated four or five years ago with things like Argus and Apex, there is no question now that we are seeing some benefits of that, and that is why I say capex this year we have said at $15-$16 within our $15-$17 billion frame, but we are undoubtedly moving towards the lower end of that range, and that it basically coming across the piece in the upstream in terms of that technology and how that is helping us, enabling us to continue to drive deflation down in terms of the numbers. And we are also seeing now in the downstream as well, if you look at some of the things that we are deploying in the way of technology there. I think I had said earlier, on the very first part of the call, that you know, four years ago we were scratching the surface; we are deep into the surface now of technology and digitisation and I think there will be more to follow on that this year. And I think at the mid-point results this year at 2Q, we will give you a lot more flavour about what we are starting to see now from the technology that we have deployed across the piece.

Christyan Malek (JP Morgan): Just as a follow-up, obviously you have a lower capex of $3.5 billion, were you surprised at that in terms of efficiencies driving a bit more of a delta there, that you are now starting to see that you planned for, let us say $4 billion for the quarter and it came out at $3.5 billion, and is it right to frame it like that? That you are actually surprising yourself to the downside in terms of structural change, but more retroactively?

Brian Gilvary: No, but I think we are seeing some deflation still come through, but actually 1Q tends to be a low quarter for capital anyway. So I would not take $3.5 billion and times it by four and get to $14 billion; that would probably be the wrong thing to do. 1Q tends to be a lower capital quarter, but I think in terms of the upstream and what Bernard is seeing with his team, there is no question there that you continue to see some benefit of technology come through in those capital numbers. And like I say, we are going to give you a lot more detail on that as the year progresses.

Craig Marshall: Very good. That is the end of the questions. I will hand back to Brian for some final comments. Thank you.

Brian Gilvary: Thanks, Craig. So, thank you for your patience and your time. I hope that the new format has resonated, and we will take feedback from you in terms of how that has landed with in terms of trying to understand the numbers. I think the way to couch this, as we are now a quarter of the way through the five-year plan that we laid out for you back in February of last year. We have got five quarters under our belt; I think that has built a huge amount of confidence for our team in terms of the trajectory of delivery. We are slightly ahead of where we thought we would be last year, and that momentum has carried on into this year and there is no question that the safe and reliable operations that underpin everything we do are now starting to flow through in terms of the quarterly results. So, with that, I thank you and I will look forward to speaking to you at 2Q where we should have Bob with us on that call.

[END OF TRANSCRIPT]