# BP 1Q 2022 Results: Webcast Q&A transcript

Tuesday, 3 May 2022

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## Q&A TRANSCRIPT

**Christyan Malek (JP Morgan):** So, congratulations on the results. First question just – I need to stick to one question – is your macro-outlook, and just in the context of your long run oil price. I know two years ago you talked about sort of more bearish for longer. And within that context, I wanted to know if you have an update on your macro-outlook. Thank you.

**Bernard Looney:** Very good. Good morning, Christyan. It sounds like you're travelling. I hope all is well. On the macro-outlook, if we talk oil and gas prices in general, I think there's probably about a million barrels a day we would estimate off the market today of Russian crude. That number, we think, will probably increase this month when the existing sanctions come into effect for real. That number could double. And obviously if there are some further sanctions, we shall see. As we step back, I think stocks are relatively low on gas and oil at the moment, filling a bit in European gas, but relatively low overall spare capacity in oil I think is relatively low, and of course a lot of uncertainty out there at the moment, and a lot of uncertainty whether it be what's going to happen with Iran, the zero-COVID policy in China, what's happening with inflation, and the knock-on impacts of global economic growth, what's going to happen in Libya, what's going to happen with US shale. So, a lot of uncertainties. Where does that leave us? I think probably in a world where volatility will continue to be the order of the day. So, I think we expect a continued volatile outlook for energy prices, and we probably expect prices to remain strong in the near to medium term. In terms of updating our assumptions, we do that on an annual basis, and we'll be doing that, Murray, in the middle of the year, and I think its best that we come back to you then with how, if at all, this current environment has shifted our medium and longer-term outlook. So, we'll come back to that in the middle of the year.

**Christyan Malek:** Sure. And just a sort of follow-up, and I guess the backdrop to the question was around your capital frame, and whether we should see higher allocation towards particularly oil investing and around shale, if it were to prove that we were in a higher for longer environment. So, in the event that we see a reframing around the long run outlook, could we expect you to shift investments, and potentially slowdown renewable, or is it a very much business as usual and no fundamental change? Just relative to two years ago when you were framing your macro-outlook out to 2030.

**Bernard Looney:** I think one of the good things that we have is our financial frame is very clear, and it's been very consistent. I think discipline is the order of the day. We'll spend between $14 billion and $15 billion dollars on capital investment this year. Our medium-term guidance around capital is $14 billion to $16 billion. There's no change to that. We're going to continue to invest in the hydrocarbons that the world needs today, and we're going to continue to increasingly invest in advancing the energy transition, which is also what the world needs. So, no change to our plans, staying with the plan that we have, discipline being the important order of the day.

**Christyan Malek:** Excellent. Thank you very much.

**Bernard Looney:** Thanks Christyan.

**Biraj Borkhataria (RBC):** Thanks for taking my question. The first one is hopefully a straightforward one, but just looking at the differential cash tax versus P&L, obviously – I'm assuming this is just the lag, you know, in terms of the rate at which commodities prices increases isn't flowing to cash-tax. But is there any reason why in a, let's say in a steady state commodity price environment, that wouldn't sort of normalise as we move through the year? And the second question, just following-up on the last one. You referenced the energy trilemma. I'm just thinking, as you're moving away from sort of crisis management to thinking about the longer-term or medium-term strategy, you've put the press release out today on the UK investments, presumably other governments and stakeholders are probably asking you to do more, but you're sticking with the current capital framework over the medium term. If you're spending more to accelerate the transition, you know, where is that capital coming from, or where are you slowing down or doing less? Thank you.

**Bernard Looney:** Biraj, thank you. Murray, tax, your favourite subject from your previous life, I think.

**Murray Auchincloss:** Thanks Bernard. I still try to deny that. Morning Biraj. On effective rate and cash tax rate on an underlying basis, you saw that our effective rate was 32%, our cash tax was a little bit lower than that, as it normally is. I wouldn't look at the headline tax rates. They're pretty tricky given the scale of the impairment that we saw this quarter. So, you would expect effective tax rate and cash tax rate to close over time, maybe the cash tax rates a little bit lower through cycle. So, I would anticipate that 40% effective tax rate that we talked about on an underlying basis, cash tax slightly less than that, and of course any one quarter can deviate from that, really based on mix of profits, and that's what you saw on the first quarter was a mix of profits.

**Bernard Looney:** Very good. So, Biraj, thank you for the question. I think stepping back, let's just think about our strategy as an integrated energy company, and as you said, its purpose. And we actually said this two years ago, we're not just saying it now, its role in life – its purpose, is to solve the energy trilemma. Yes, the world needs cleaner energy, but it also needs energy that's reliable or secure, and it needs energy that is affordable. That is the energy trilemma, and the role of an integrated energy company is to solve that trilemma. How do we do that? We do that by investing in hydrocarbons today, and you see us doing that, with the majority of our investment today going into hydrocarbons. And we do that at the same time, not "or", at the same time by investing in accelerating that energy transition. And we invested probably about 3% of our capital in 2019 in non-hydrocarbons. By 2025, which is just a few years away, over 40% of our capital will go into non-hydrocarbons, and that number will be around 50% by 2030. The increase that you referred to in the UK, the £18 billion in the UK, that is part of the financial framework that we have laid out. We have said within that, that we are increasing investment in the UK from what has historically been 10% to 15% of our capital will now go up through this decade to 15% to 20% of our capital. And that's because the policies are in place here in Britain to support that; the resources, be that hydrocarbon resources or low-carbon resources, are here to enable us to do that; and the skills and the education system is here to enable us to do that. So, in many ways what you see in the UK, Biraj, is a microcosm of the integrated energy strategy overall, and you're seeing it on a national or a country level.

Investing in hydrocarbons, like we will do in the North Sea today, bringing on a new development like we're doing at Murlach, and at the same time investing in the energy transition system of the future. Investing in offshore wind, investing in hydrogen, investing in solar, investing £1 billion in electrification. So, part of our plan, and the increase that you're seeing is an increase in the weighting of capital in the UK from 10% to 15% up to 15% to 20%. Hopefully, that helps.

**Martijn Rats (Morgan Stanley):** Yeah, good morning. I've got two questions if I may. First of all, I was hoping you could elaborate a little bit on the comments around tightness in product markets. It strikes me as very clear all the product prices are extremely high. But I was wondering how you see they're developing, going forward, how much slack do you think there still is in the global refining system? Are bp's refineries by now running at maximum capacity? I think definitely an important question. So, your perspective on that issue. And then secondly, perhaps your answer is going to be well this is more for full year results than for 1Q results. But I'm going to ask the question, nonetheless. The combined share buybacks that you've now announced for the first half of the year are sort of in the order of $4 billion. The market cap of bp is about $100 billion, so we can buy back 4% of the shares. With 4% of the shares, you've effectively neutralised the 4% dividend per share growth that you've guided for. So, if there are incremental buy backs in the second half, if you stick to the 4% dividend growth guidance, actually, the total dividend that the company distributes in absolute billions of dollars would actually start to shrink. And I was wondering if that is, you know, the message that you want to send, or whether perhaps this 4% dividend per share growth guidance could at some point be reconsidered and I would be interested in your thoughts about that too.

**Bernard Looney:** Very good. Martijn, why don't I let Murray answer the dividend question.

**Murray Auchincloss:** Yeah. Thanks, Martijn. The financial frame is intact, guidance around it is intact. Martijn doesn't change until it changes. We have the capacity to grow the dividend, which is our first priority at around 4% per annum to 2025 assuming ~$60 per barrel world. And of course, on buy backs, we have the capacity to do around $4 billion a year at $60 all through 2025. That guidance remains unchanged for now, and each quarter, we'll revisit the guidance and decide what we do. But you are correct. We are buying back substantial shares right now. So that will be something for the board to contemplate each quarter as it thinks about the financial frame.

**Bernard Looney:** Martijn, thank you. On products, I think what you're seeing is that the system in the west, the refining system in the west, is sort of running flat out. The spare capacity that is in the global system is largely now in the east. bp's refineries are running pretty much flat out at the moment where they can, and we're doing everything that we can to give the market what it needs. I think gasoline stocks, jet stocks are relatively low at the moment. Diesel stocks are, globally, in reasonable shape. So, there is a strong environment at the moment for refining. I think we saw RMM up around $17 per barrel in the first quarter; I think it's running at $37 per barrel today. So, it is a strong environment. The refineries that we have are running flat out, where they can. The majority of the spare capacity in the world is firmly in the east today. So hopefully that helps, Martijn.

**Martijn Rats:** Thank you.

**Lucas Herrmann (Exane):** Two questions if I may, both relatively straightforward. Murray, first of all, divestment proceeds from the year. You've done over $1 billion in the first quarter. Azule should come through, through the course of this year. $2 to $3 billion is starting to sound relatively modest isn't it? If I treat Azule as being a divestment, with proceeds coming in as a divestment. And secondly, if I could just ask around the price lags and not least what's happening with US onshore business, and the direction of production which seems to have moderated this quarter. And the price realisation for gas being relatively modest. But if you could expand on the price lags in the Gulf, and why perhaps, you know, profits there as well were not as high as one might have anticipated given the macro backdrop. Thank you.

**Bernard Looney:** Thanks Lucas. I'll let Murray take both.

**Murray Auchincloss:** Divestment proceeds Lucas - the overall frame we talked about is $25 billion out to 2025. I think we've got $14 billion proceeds in, so far to date relative to that promise. And you're right, we're guiding $2 to $3 billion a year. We achieved $1.2 billion in the first quarter, which was a good start to the year. We do have other divestments in the hopper, and of course timing on these things is very tricky to predict. The other thing I'd say is bid-ask spreads are fairly wide right now between buyers and sellers, and so it's taking more time. I do think the $2 to $3 billion remains good guidance for now. And if you're right, and things move faster, then we'll update guidance in due course. But we're just being careful given how long it's taking to close transactions given bid-ask spreads right now. I think on price lags etcetera, you might remember that in the Gulf of Mexico, we price on a lag. It's just custom and practice. So, all of our Gulf of Mexico offshore production, the prices it receives are December, January, and February. In those months, obviously there was a big difference between December and March, and that decreases the prices in the quarter by $20 per barrel. But we obviously pick that up in 2Q as we price March, April, May. So that's what's happening inside GoM and Abu Dhabi when you look at our realisations. On bpx, it's a little bit difficult to look at those realisations when you look at bpx liquids. That's both NGLs and oil, so you have to create a melting pot of pricing to understand that. And on the gas side, we obviously hedge the gas side, so that's why you see slightly lower gas prices. I think that covered the questions, Lucas.

**Lucas Herrmann:** Murray, how far out are those hedges run in terms of the gas side?

I mean realisations, or rather headline prices, for Q2 are clearly very strong. To what extent has that been ceded via hedging, which is not something I expect you to do, but.

**Murray Auchincloss:** We've had a long practice now of hedging bpx when we set up separately to ensure that we could continue the activity inside the entity - that's a choice we've made as a corporation. And generally, the hedge windows are out 12 to 18 months.

**Bernard Looney:** Not all the gas is hedged. And on divestments Lucas, I think the key overall message is we're not in a rush here. We're going to take our time, we're going to be seekers of value, and with prices being where they are today, and the outlook being the outlook, that's only going to help our situation going forward when it comes to making sure we get good value for our assets. But there is no rush on these divestments. And that's our guiding purpose there. So, thanks. Good to hear from you.

**Irene Himona (Société Générale):** Thank you, good morning, and my congratulations on very strong results. My first question of two is on Russia. Obviously, bp has been there for decades. You've always presented this as a key strategic region of prolific low-cost resources. Now you're out for reasons essentially beyond control. You retained your financial frame and the guidance. But does the organisation perhaps feel that there is a little bit of a gap left in the Upstream portfolio, strategically more than financially? And my second question on cost inflation. In the US, you reported a bpx unit production cost which is up around 15% I think year-on-year. And then you reported bp overall Upstream production cost which is actually down. Can you please talk about the differences you are seeing in cost inflation pressures in US shales versus the rest of the world? Obviously, you are seeing more in the US, and how you're dealing with this? Thank you.

**Bernard Looney**: Irene, thank you. Good to hear from you, and I'll let Murray take the question around production costs and inflation. On Russia, just a couple of things I would say. Number one, you said we are out because of reasons outside our control. I guess I would just say that we chose to exit Russia. We chose to exit within 96 hours of the invasion starting, so it was a choice, obviously, and driven by the attack on Ukraine. But at the end of the day, it was a choice that we made, and we made that choice because we believe it was both the right thing to do, and it was the right thing to do for our shareholders. The first quarter results that you see today Irene are without Russia's contribution, so you're seeing bp and how it can perform absent Russia. You see a business that, yes, had a good trading performance, but also had its highest reliability in many, many years now, which is fantastic, 96.1%. We had our strongest first quarter convenience sales on record. Basket sizes, believe it or not, are up between 20% and 40%; 38% I think in Thorntons in the US, between now and pre-pandemic. So, you see a company and what it's capable of, and our strategy is to become an integrated energy company, and that is about investing in hydrocarbons today while investing in the energy system of the future. And that's the five growth engines that we've laid out. So, I don't see a gap in our portfolio at all, and I think I will just leave it there.

**Murray Auchincloss:** Great, and on cost inflation, Irene, I guess it is a cycle that is very similar to past cycles. The first place inside the portfolio you see inflation is generally the Lower 48, and that is what bpx is seeing. Probably around 10% inflation after mitigation on capex, somewhere between 5% to 8% inflation across a broad range of services on cost. We are not seeing similar levels of inflation outside the US. There continues to be excess capacity inside the supply chain, and so we are just not seeing that there.

On broad performance, we remain very, very focused on driving cost-efficiency into the business through digitisation plans that we have often talked about in the past, not only in bpx but in the rest of the portfolio. So, we are very focused on it. We believe we need to continue to drive costs and capital efficiency because only 15 months ago, the price of oil was very, very low. So, we are just going to continue to focus on that efficiency throughout the business, and as always, bpx is tackling the front end of inflation right now, and they are very, very focused on what they can do to mitigate that. I hope that helps.

**Irene Himona:** Thank you very much.

**Oswald Clint (Bernstein):** Obviously, exceptional number. Could you perhaps talk about whether it was all gas? Are there any signs of power trading coming through that number? I am really trying to get a sense of whether you are set up appropriately for the rest of the year in terms of 2022. And just linked to that, and talking about capex here, I mean, how much gas can you bring forward in the portfolio and start to monetise within this new gas environment? Are there gas caps? Is there subsea compression you are starting to work on? Things like that. That is the first question.

Secondly on convenience & mobility. I think you say marginally down in the release this morning. But it looks weak to me. This is convenience & mobility ex-Castrol. Q1's not obviously the big quarter, and there is some talk around costs and foreign exchange, but is it just that the wholesale price coming up squeezing the margin? Was it just FX? Is there anything else that is not working here? I would just love to get a sense of that particular quarterly number. It does look weak. Thank you.

**Bernard Looney:** Very good, Oswald. Thank you. Maybe, I will just have a quick go at the second and let Murray think about trading power and the potential for accelerating natural gas.

On convenience and mobility, as you say, excluding Castrol, it actually was our strongest first quarter on record[1]. And driven by a number of things that I spoke about earlier, basket sizes are up, as I said, between 20% and 40%; 20% to 30% up in Europe, around 40% up in the US at Thorntons.

We have more loyal customers. We are up to 16 million loyal customers now. We make quite a bit more from a loyal customer than we do a non-loyal one, so to speak. We have more convenience sites. We have more premium fuel sales. They are up 2% since 2019[2], and the margin share from non-fuel sales has risen from 25% to 32%. So, what are you seeing? I think the big thing is you are still seeing an effect of COVID, and retail fuels are still below the levels we saw in 2019. I think for bp, our retail volumes are probably down about 8%. We still had strong lockdowns in Germany in the first quarter, and we also have the situation in China.

So, at the core of your question, is something fundamentally an issue here? I would say absolutely not, Oswald. I just think it is a tough environment with the remnants of COVID lockdowns in Europe, continuing in China and obviously high oil prices which are always a challenge for that convenience business. But the underlying performance of the business, loyal customers - we have got more customers as well, by the way, on BPme on the app. More convenience sites. More growth sites in India. More premium fuel sales. Bigger basket sizes. And in electrification, we sold three times the amount of power in the first quarter than we did in the previous first quarter of last year[3]. So that business is really accelerating with our top sites now being profitable.

So, that hopefully gives you a little sense of what is going on behind the scenes in convenience and mobility. Murray, trading, power, natural gas?

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[1] *For convenience gross margin*
[2] *End 2021 versus 2019*
[3] *In China*

**Murray Auchincloss:** Yes. Hi Os. So, on gas trading, I think that was your question. What are the teams focused on? First, flow assurance. Making sure that molecules get from the producing locations to the consumers. We think that is exceptionally important right now, given where the world is. So, they are very focused on flow assurance and making sure that energy flows.

Generally, our trading organisation is set up to make profits when volatility occurs, and the first quarter was probably the highest quarter of volatility we have seen. So, it is more about volatility. It does not matter if prices are high or low; it is about volatility. So, are we set up well for the rest of the year? I will let you judge what is going to happen with the rest of the year.

On capex and acceleration, we have a lot of options to bring gas forward to help Europe. Obviously, Tortue in Mauritania and Senegal. The first phase is ongoing. We are looking at the second phase that would help. In places like Shah Deniz, we are looking at expanding the compression on the pipeline and bringing additional gas resource to Europe. Across the portfolio in the UK, we are looking at options around ETAP to try to draw more gas in as well. Some of the things you are talking about, like blowdowns, etc. So, the organisation is very, very focused on what we can do to help the energy flows in the world across many jurisdictions as we point towards Europe right now.

**Bernard Looney:** And not just on the Upstream side, I guess also on the ultimate role of trading that we need to remind ourselves is to make sure that the molecules find a home and connecting supply with demand has never been more important than it has been for the energy systems in the first quarter. So, 55 cargos of LNG into Europe in the last five months, 10 of those into the UK. We just signed, I think, our biggest LNG deal ever actually with KOGAS for 1.8 million tonnes, I think, just a few months ago. So, it is not just an Upstream equity investment story around natural gas, it is also through the marketing and trading business, Oswald, so hopefully, that helps.

**Oswald Clint:** Super. Thank you.

**Paul Cheng (Scotiabank):** Thank you. Good morning. Two questions, please. First, just curious that with the Russian invasion, I think – I just want to see how that impacts operationally on your European refining operations. Is the crude slate and the product yield., all those things being impacted within your system.

And the second question is on page 27 of your presentation. For your 2030 EBITDA, the chart there for the resilient hydrocarbons, it seems the chart suggests the oil and gas business, we see a couple of billion dollars of improvement. Can you quantify or maybe help us to understand a little bit better where the improvement comes from? Thank you.

**Bernard Looney:** Very good, Paul. I will let Murray take the second question. On the European refining system, we have got four refineries in Europe in Castellon in Spain, Gelsenkirchen and Lingen in Germany, and Rotterdam in the Netherlands. And I can confirm that all of bp's European refineries are clear of Russian molecules. So, we have managed and adapted as you would expect, and those refineries are running independently of Russian crude to date. And with that, I will pass you to Murray for the question on page 27, which is about the 2030 outlook. Murray?

Murray Auchincloss: Yes, morning Paul. Let's see if I have hit your question here. You are looking at the resilient hydrocarbon EBITDA bridge, and you are wondering where the increase in profit comes from, across the decade. Obviously, the stuff we have talked about in the past, first of all, we are bringing in the upstream. We are bringing on higher-margin barrels, offsetting decline in the other barrels, so that is a big chunk of it as an improvement in the mix.

Second, we have a big focus on cost and improving the cost inside the oil and gas business, driving the production cost per barrel from $7 per barrel down to $6 per barrel through 2025 and then holding that through the decade. Of course, we are seeing an improvement in refining as the margin gets back to pre-COVID levels, and we are able to optimise the refining slate. And last, inside bioenergy, where we have got big plans to expand across five plants around the world, and those are in the engineering design phase, and we are looking forward to our first investment decisions in the next twelve months.

So that gives you a sense of where the growth is coming from 2021 to 2030 and these slides, we have put in the slide presentation just restate this without Rosneft to make sure that our guidance was clear. I hope that helps, Paul and I am happy to take more questions on the sell-side call later today if you like.

Bernard Looney: Thanks, Murray. And Paul, I would just add that the European refineries that we have are running a max throughput as well, doing everything we can to obviously help the situation.

Lydia Rainforth (Barclays): Good morning. Two questions, if I could? Firstly, just to come back to the strategy question. Obviously, it was set up to be conservative at $60 per barrel, but at $100 per barrel you are generating more cash. So, does really nothing change other than more buybacks and lower debt? I am just trying to understand how you adapt it at the margin. And then secondly, and possibly linked to that, you do have a new head of low carbon, Anja. Can you talk to me about what you want from her and any observations that Anja may have made to the Ex-Co about the current bp portfolio that you might like to share?

Bernard Looney: Very good. Lydia good morning. Why don't I let Murray reiterate our point around discipline, around strategy and what our financial framework is. Thank you for that question.

On Anja, so she is just in, and I have to say that she is probably listening in, but we are absolutely delighted with the impact she is making. She clearly brings enormous experience in this sector, which is important as we really lean into this space, asking lots of questions, challenging, turning things away, accelerating things and hiring lots of people. We are actually in the process of bringing some fantastic talent on board from several other companies in this sector. And I am incredibly pleased that they are joining bp, and I think part of it is because of our strategy, and I think part of it is because of the credibility that she has.

We'll get Anja in front of the market hopefully later this year, and I would love you to get the opportunity to spend time with her. But too early to say any changes, other than obviously she is running her eye right across the strategy, and we are working with her on any changes that that might bring about, and as soon as we know if there are any, we'll update you later in the year. But we are really delighted to have her on the team. Murray, on strategy, nothing changes.

Murray Auchincloss: Yes, I think my boss answered the question, Lydia. Nothing changes. Divided number one priority; we need to make sure it is resilient and that we can pay it at $40 balance point. We think that is exceptionally important. It was only 15 months ago that the oil price was in the forties. Second, we need to continue to reduce debt. We are very pleased to see eight straight quarters, now down to $27.5 billion of net debt. Third, the lesson of the past 20 years is to stick with capital discipline. Every time the oil price rises in the past, we have spent an awful lot more as a sector and we destroy value. And we are focused on not destroying value now, continuing to drive efficiency into all of our spend, whether that be capex or cost, and then no change to what we do with our surplus 60% to share buybacks and 40% to debt reduction. I hope that helps, Lydia.

Christopher Kuplent (Bank of America): Good morning. Two quick questions, please. On Russia and your exit, can you elaborate a bit on what criteria you are going to use for selecting buyers coming forward for your Rosneft stake? Is it purely on highest price, or are there other considerations you are going to take into account? And obviously, this is for the market I believe, not just about price but also about the time it takes for you to finally actually exit in reality.

And then to your energy trilemma point, and I appreciate you are going to update us later on changes to your longer-term commodity price assumptions, but could you perhaps comment again about bpx. Partly, the idea of having short cycle in your portfolio made for this time is it because of the hedging that you referred to earlier? And I am by no means suggesting you should significantly upgrade your capex, but if there are opportunities out there with one two-year paybacks, I wonder why your capex message has not changed, if at least not in the composition of the overall capex. So, maybe let me wrap up by asking as to that press release regarding the UK investments, which of these have actually changed? We have been in this new world energy order for the last ten weeks. Which of your capex numbers, if any, do you think have changed that you are representing in these press releases? Thank you.

Bernard Looney: Very good, Chris. Thank you. I will let Murray talk about bpx and what we are doing there, or beginning to sound a little bit like Dave Lawler, who runs that business. So, he is always looking for more capital, but we will take that question. And on the plans that we have announced, as you will have seen, many of these things have been in place. Many have been put in place over the last several months as the government has rolled out its policies supporting the drive on electrification. That has what has allowed us to commit to a £1 billion in electrification through this decade, and the government has just published its energy security strategy for the UK. And I think we can expect to see further investments coming over the coming months from bp in support of that strategy. So, I would say watch this space on that. All within that you should not expect to see our overall capital frame for bp change.

On your question on Russia, I will, unfortunately say the same thing to you, as I say to everyone else. When it comes to commercial processes, we do not comment. We have a policy of not commenting and we are not making an exception for this particular case of

Russia this morning. We will come back to you and update you once we know more. Murray on bpx, please?

**Murray Auchincloss:** Yeah, on bpx. Chris, we have increased the amount of investment going in. Last year, you will remember we spent around $1 billion. This year, we are spending somewhere between $1.6 and $1.7 billion. We will see how we go through the year. Our focus inside the Permian is building out two big gathering systems. They should be up by the end of the year, and at that stage we will have the capacity to ramp up drilling more. Right now, we do not have the capacity to ramp up drilling more on the Permian.

And then in Haynesville, Eagle Ford with ourselves and with partner-operated, we are increasing investment there. I think we are up to nine rigs now[4]. So yes, we are increasing the investments in there, and it is all about doing it efficiently. We do not want to ramp up too fast or we become inefficient, and we want to make sure that we have got facilities in place to ensure that we do not flare or vent methane as we go through the expansion in the Permian.

So very happy that we are investing upwards to $1.6 billion to $1.7 billion. And we have plans further in 2023 and beyond to continue increasing capex. Remember that we are trying to get a dividend out of bpx. Having bought the assets from BHP a few years ago, we are now trying to get our money back. So, we are looking for a dividend out of that entity. Bernard, back to you.

**Christopher Kuplent:** Understood. And therefore, no change to your hedging policy there.

**Murray Auchincloss:** No change to hedging policy.

**Bernard Looney:** Thank you, Chris.

**Alastair Syme (Citi):** Great. First question just on the RMM guidance that you have out there. Is there any reason why that guidance would not apply to the RMM environment we are seeing quarter-to-date? How do you just use that guidance in 2Q? And then secondly, on the low carbon and specifically, wind. We have seen another profit warning from a wind developer yesterday. Just getting bit of back to this point on inflation, it just seems to me as though there is some losses somewhere in the system, either you guys or the supply chain that is unable to pass on the increasing cost that we are seeing in the supply chain. Thank you.

**Bernard Looney:** Alastair, thank you. I will ask Murray to take the question around RMM, and I think rules of thumb and guidance.

On low carbon, certainly on offshore wind, in particular, I think a challenging marketplace on a number of dimensions, including for suppliers in that sector. A couple of things I would say. Number one, we will only do projects that meet our guidance of 8% to 10% returns. We recently bid in a licence round in the United States, and we were unsuccessful. And I hope you take that as a sign of discipline. We have got over five gigawatts net of offshore wind in bp today, that is up from zero about 18 months ago.

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[4] *9 operated rigs across Haynesville, Eagle Ford and Permian, first quarter 2022 average*

We are comfortable with the portfolio that we have. We obviously want to grow that, but we do not want to grow it at any cost or at all costs. So, we are very disciplined, and we will look at future rounds in Holland, in Norway. In Japan, you will have seen the announcement with Marubeni. So, it is a case-by-case basis. They are all very, very different containing very different upfront commitments and so on. And we will do it on a case by case. And if we cannot meet our returns, we would not do it.

And then the second thing that I would say is that you are seeing cost increases in the sector. You are seeing a resharing, I guess, or an opportunity to reshare risk-reward across the entire supply chain. bp should be well placed to do some of that. We can hedge steel prices. We are a massive consumer of upstream steel in our Upstream business. So, these are the types of things that an IEC can do that others may struggle to do. And we are also seeing, in some cases, a knock-on impact on the power prices, where power prices are going up to ensure that the investments remain economic as you would expect our market to do so.

Yes, some challenges out there in that sector with a desire of the world to do more, as there is the UK going up by 10 gigawatts, people increasing hydrogen ambitions, and so on, there is a continuing need for this form of energy. We will do it, and we will invest in that and bring our skills but only do it where we can make the investment returns that we have promised the market. So hopefully that helps you, Alastair. And Murray, guidance?

**Murray Auchincloss:** Yeah. On RMM guidance, it is a bit tricky to figure out how to guide right now. We have not seen this level of RMM before in the past. So, the rules of thumb would be a starting point, things to think about. CO2 prices are very high. Gas prices as inputs into refineries are very high, and market dislocations locally are very high.

So, I think start with the rules of thumb and then I would aim off a bit. I wish I could give you better guidance on that. But we have not seen prices like this before. So, we will have to learn with you as we move through to 2Q and 3Q and understand how they work at these higher prices.

Last comment. There is a big year of TARs ahead of us and we have got a couple of big TARs in 2Q as well. So that is something to consider. Hope that helps.

**Michele Della Vigna (Goldman Sachs):** Once again, congratulations on the results. I was wondering if you could give us an update on the four or five key projects that drive your growth over the next couple of years. I am thinking in particular of Mad Dog, Tangguh 2 and Trinidad. And secondly, I was wondering if the revival of long-term demand for LNG makes the next phase of Tortue more likely, and especially given the need for long-term contracts for project financing there? Thank you.

**Bernard Looney:** Very good, Michele. We might tag team this one. Murray maybe lead on the outlook for the next phase of Tortue, which is, I guess, only improved by today's price environment.

On the projects, you have mentioned the big ones. Mad Dog Phase 2 is doing well actually on location. I think all of the subsea is connected now. We have had some real challenges out there with loop currents which happen in the Gulf of Mexico. So first and most important job is safety at that operation and the team has done that exceptionally well and all the wells that we need are pre-drilled. In fact, a couple of extra. So, we are very excited about that project starting up and it will start up by the end of this year.

Cassia Compression in Trinidad will also start up by the end of the year, as well KG-D6 in India, completing that phase of development there. So excited about that. And then Tortue and Tangguh expansion in Indonesia, Tortue in West Africa, we have had some major impacts from COVID there. The teams have been doing, I think if you do not mind me saying, some heroic jobs and keeping those projects going in Tangguh, for example, we have over 10,000 people over seven or eight hours from Jakarta and the team has been doing an exceptional job of managing with COVID. We had hoped for those projects, both of those to start up by the end of next year, but a lot of it depends on how COVID evolves, particularly with the FPSO (floating production storage and offloading vessel) being completed in China for Tortue.

That is a little bit around the progress of those projects. However, all in all, in pretty good shape.

And Murray, you want to add anything to that or comment on Tortue next phases?

**Murray Auchincloss:** Nothing to add to that. And then Tortue next phases, Michele, as you say, a better environment for it now. We are pleased with the progress on Tortue and looking to expand it. It will just take completion of commercial negotiations with the country and with partners and suppliers to get there. We had the chance to meet with the Finance Minister of Senegal a few weeks ago, here in St. James. And things are feeling positive right now, so we are looking forward to hopefully sanctioning phase two in the future.

**Bernard Looney:** Great. And we should also add, Michele, that the liquids growth from bpx this year and in the coming years, while not a major project will also be a real add to those projects we just talked about.

Thank you, Michele.

**Giacomo Romeo (Jefferies):** Thank you and good morning. First question is I notice that your renewable hopper somewhat fell from 17GW to 12GW, and I understand that 1.8GW moved to developed plus pipeline bucket. Just wondering if you can reconcile what happened to the remaining projects, if that is a reflection of the higher cost pressure you are seeing or whether it is already an impact of Anja, looking at your bidding opportunities there?

Second question is around the potential divestment of the Rosneft stake. If you can talk a little bit about what you are looking at as uses from potential proceeds from the divestment, if they would be reinvested in more of an upstream side of the business or they could be reinvested into accelerating the lower carbon growth or if it could be returned to shareholders? A little bit of clarity on the use of proceeds there would be helpful. Thank you.

Bernard Looney: Giacomo, thank you. On the proceeds from the commercial process, that we are not commenting on. I think again we will just let us leave that until we have something further to say on that commercial process if that is okay. I think our financial frame is very clear and hopefully lays that out.

On the renewable hopper, you know, hoppers should grow and should shrink, that is the nature of a hopper. Yes, I think you have seen it fall. It is probably not the best measure. In many ways, the pipeline is probably a much better measure.

Why has it fallen? Because we have chosen not to do things. And we have chosen not to do things because you are right, Anja is running a very, very tight rule over things and has already kicked back some proposals which we think is a very positive thing. She is doing exactly what we want her to do, which is yes, we want to lean in and accelerate, but we only want to do so if we can make the returns that we have promised, and that is why we have hired her.

So, partly because of Anja's rule that she is running over things and obviously, all because we do not believe that we can make the returns that we have promised you all. It is a combination of both and that is all I would say on that.

Thank you for noticing and thank you for the questions.

Henri Patricot (UBS): Yes. Thank you for taking my questions. A quick one on the gas and low carbon production guidance for the year. Production is expected broadly flat. This is slightly lower previously. Can you comment on what is driving the change and exactly whether we could see further improvement as you look to maximise gas production?

Bernard Looney: Henri, thank you. I will let Murray take that question.

Murray Auchincloss: Yes. Just a little bit less base decline than we thought we would see inside Trinidad is why we are not giving that guidance.

Bernard Looney: Very good. Henri, thank you for being patient and back to you, Craig.

Craig Marshall: Yeah. That is the end of all the questions. Thanks everybody for keeping the questions tight. Thanks for listening. Let me hand back to you Bernard for some closing comments.

Bernard Looney: Very good. Well, thank you everyone. Thank you for your time. Just a few things to close. For us, here at BP, the role of an integrated energy company has never been clearer in many ways than it is today. And the role of an integrated energy company is to solve the energy trilemma of providing the world with cleaner, reliable and affordable energy. That means providing the world with the hydrocarbons that it needs today with lower emissions and at the same time investing in accelerating the energy transition. That is what we are doing.

The second thing I would say is that delivery is our focus. We have set our direction. We have done our change. It is all about delivery inside our company and I hope you can see that in the first quarter results today, with reliability being strong, with convenience being strong on a first quarter basis, with trading being strong. Delivery is what it is all about.

We are doing what we said we would do, which is to perform while transforming – performing for our owners today, and at the same time, transforming the company for tomorrow. We are now focused next up with the Annual General Meeting on the 12th of May. It is the first time we have been able to do this in-person since Aberdeen of 2019. We look forward to meeting some of you, welcoming you there, and we look forward to your support of the Board's recommendations on the resolutions that have been put forward.

And with that, we appreciate your interest and we leave everybody to it. So, thanks very much everybody. Take care.

END OF TRANSCRIPT