BP 1Q 2025 Results: Webcast Q&A Transcript

Tuesday, 29 April 2025

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Q&A TRANSCRIPT

Craig Marshall: As usual for everybody on the call, for Q&A, I am going to ask you again, please limit yourself to two questions. We have got a number of people on the call today to get through. We will look to close the call by 14:00. And of course, the IR team is available for any follow-up.

Two questions from Biraj Borkhataria from RBC. First one, trying to unpack the weakness in gas and low carbon beyond trading what is driving the higher non-cash costs. Should we consider this run-rate for the rest of the year? Or is there a one-off element? The second question was on share count. It went up despite the $1.75 billion buyback. Can you walk through the bridge here and how much of it relates to reinvent bp share option plans. Kate?

Kate Thomson: Yes. Thank you. Hello, Biraj. Sorry, I cannot hear your voice today, and apologies for these issues. In terms of the non-cash items going through the gas and low carbon energy segment this quarter. Quarter-on-quarter we got about $200 million of higher non-cash items. DD&A is higher. Obviously, we got the startup of Raven infill. So that was delivered ahead of schedule, which was a great performance by the team. There were also some positive non-cash items in 4Q, which we have not obviously seen again in 1Q – they were unique to the fourth quarter. In terms of the quarter-on-quarter delta, I think that is a little bit different because of the one-offs that you have seen going through 4Q versus 1Q. In terms of the DD&A rate going forward, that is probably a decent run rate with regard to the startup of Raven.

Turning to share count. The end of the quarter share count reduction was actually slightly down. In terms of the reinvent, I cannot break that out for you at this moment. As we have said before, the reinvent options have a six-year vesting period. It is quite hard to forecast the extent and the timing of which that may impact our share count. I think a lot of it is going to be driven by human behaviour with regard to what is going on in terms of the share price and other factors. What I can say is that, of course, we will continue to offset dilution related to employee share plans over time as we always have done. So far, since 2021, we have reduced our total share count by about 22%, and that remains our intent going forward to offset employee share plan impacts over time.

Craig Marshall: Thanks, Kate. We are going to try the lines. We will take the question from Josh Stone at UBS. Now Josh, can you hear us? Can you go ahead with the question, Josh? Thanks.

Joshua Stone (UBS): Murray, in the video, you talked about a very strong operational performance this quarter, and I think you should be commended for that. But when I look at your cash flow statement, that strong performance, at least does not seem to be coming through yet. Maybe just expand a little bit on the difference between your production performance and your cash flow performance? What gives you some confidence that, that cash can actually get better through this year? Some discussion maybe on gas trading and costs would be helpful. But maybe if there is any other line

items do you think we should be paying attention to that driving some of that mismatch in the first quarter?

Then a second question for Kate. I noticed another issuance of hybrids of about $500 million this quarter. It looks to be Lightsource, but just remind us how you are thinking about the hybrid balance this year and the timing of when you might start to redeem some of these bonds?

Murray Auchincloss: Yes, Josh, nice to hear your voice. Thanks. Sorry for the technical difficulties this morning, this afternoon. As far as conversion from earnings into cash flow, it is helpful to look at EBITDA and we continue to provide EBITDA to you. So you can see that. I think the principal issue we have in the quarter is obviously a working capital build. That is something we signaled to you both at Capital Markets Update and the trading statement. We have had a seasonal build in working capital as we fill up our refineries ahead of the driving season and the flying season across 3Q and 4Q. We would expect the majority of that working capital to unwind, and you start to see that coming through, through the rest of the year, assuming a flat price environment.

As far as gas trading, as signalled, a weak gas trading. Oil was average. You will remember that we aim for a 4% earnings return on trading across the five years, and we have the same aim this year[1]. Very volatile trading circumstances in the first quarter. The oil side did well to hit average. Then the gas side caught out a little bit on European regulation changes, and you should expect us to get back to normal on that in the future. You should expect average performance out of us on gas.

I hope that helps on cash flow conversion, and we feel confident in our plans to grow cash flow from $8 to 14 billion across the next three years. and it has been a great operational start for the team. Kate, over to you for the other question.

Kate Thomson: Yes. Thank you. I think you also asked about cost, Josh. I think I counted three questions nested in there but let me quickly talk about costs. Making incredible progress with regard to our $4 to $5 billion cost reduction program, very much building on the progress that we started in 2024, where we delivered $800 million of structural cost reductions and $300 million of absolute reductions through the year. Quarter-on-quarter, we are already $500 million lower in terms of our absolute cost base. That is good progress, and we can talk more in subsequent questions, I am sure, in terms of how we are getting after this and what more we are going to deliver.

Turning to hybrids. Yes, you are correct. We did issue $500 million. This is really just bridge financing for us as we think about bringing in a partner in Lightsource bp. This $500 million of hybrids is only in place until the beginning of next year. They mature in 2026. My overall strategy with regard to hybrids remains completely unchanged from what I said at Capital Markets Update. I do not intend to grow the stack of the $12 billion group hybrids at all. As we step towards each maturity window, we have the first one between June and September this year and the next one in 2026. Then we will be very thoughtful with regard to our cash flows and whether or not we want to take advantage of the ability to reduce that hybrid stack by up to 10% each year. Obviously, we are capped to a maximum of 25% reduction on a cumulative basis by the rating agencies, but we will think about that as and when we get to each maturity window, Josh.

Craig Marshall: Thank you, Josh. We are going to go back to the US, where we try to start. I would just note, Steve and Doug, you were on the call list. I do not see you there again. If you want to try and dial in again if you have got a question, please do. But I am going to start with Roger Read at Wells Fargo. Roger?

Roger Read (Wells Fargo Securities): I would just like to maybe start off bpx. We have had obviously commodity prices come down on the oil side. They have remained pretty favourable on the gas side. It is too soon after the late February Investor Day you announced big changes, but maybe just get a feel for how you are looking at it, how this fits within the range of expectations and what you would think about in terms of either increasing activity on the gas side, like the Haynesville or pulling back at all in Eagle Ford or the Permian with oil closer to $60 per barrel here.

Murray Auchincloss: Yes. Great. Roger, thanks very much. I will take those. On bpx, our plans remain unchanged for now. We continue to think about investing $2.5 billion this year. I think we have got 9 or 10 rigs active right now across the basins. We will closely monitor this. If oil price stays low, of course, we will moderate our plans and switch over into gas. But for now, we plan to keep it pretty tight. Like you, I am getting somewhat optimistic on gas pricing. The demand for natural gas is pretty high and production needs to flow, and new drilling needs to start to help that production flow to fill up the LNG plants and to fill up the other demand that is coming through in the US. Our Haynesville position, our Eagle Ford position are well positioned for that, very close to market, and very little differentials. In time, we think we will grow that gas position, the drilling inside that gas position. Right now, it is not quite the right time, and we will just keep this tightly under review as we watch what unfolds with the hydrocarbon pricing. Thanks, Roger.

Craig Marshall: Thank you, Roger. We are going to stay in the US. Doug, I see you managed to rejoin. Over to you, please.

Doug Leggate (Wolfe Research): Murray, I wonder if I could hit the disposal target. You have nudged it up a little bit for this year, small, obviously, but you have got a big number out there. It seems to us, at least when we walk through the waterfall of the potential disposal candidates, it seems you could far exceed that $20 billion number. I realise it is very early days. But I wonder if I could ask you to frame how you have risked that number in terms of, is there an upside case and maybe put a range around what that might look like over time.

Murray Auchincloss: Yes. Great. Doug, thanks very much. As you say, we have very high quality assets. Transactions are not slowing down right now. Obviously, we have got $1.5 billion behind us in the first quarter, which is fantastic. We are upping our range to $3 to $4 billion based on the strength we see in the conversations on the retail positions that we are looking at, as well as the refining position. Obviously, we have launched a strategic review of Castrol as well. I feel it is a well underpinned plan. It is risked. We will deliver the $20 billion. We have lots of options around that. I think for now, given that we are only one quarter in, I would not be guiding to upside. I think we just need to start to get more track record on that and see how the process goes. But I am very confident in it. It is a number that we will hit, much like the net debt target is a number we will hit. And there is lots of interest inside the assets that we see, especially as interest rates fall

here in Europe, they may not be falling in the US yet. But as interest rates fall in Europe, people are looking for yield and our assets are good for yield. We continue with our strong process. We feel very good about the $20 billion. We have got strong progress and strong interest inside cash flow, and we keep moving forward. Thanks for the question.

Doug Leggate: I wonder if I could ask a quick follow-up. It is also on bpx. You recently dissolved the JV with Devon. It seems to be conflicting data out there as to what it means for bpx I think Enverus put out a report the other day, saying you guys got the better side of the deal, but Devon suggests that the capital costs have come down dramatically with them operating. I wonder if you could offer your perspective on that and whether it impacts the 650,000 barrel a day target in 2030. I will leave it there.

Murray Auchincloss: Yes. No impact to the 650kbd target for now. We really like the transaction. We got more production early on. That is why it adds more value. I think that is what you are referencing in the Enverus report that has been put out. Now, I think there is a different philosophy between ourselves and some companies on what you do in the Lower 48. Our focus is on creating as much NPV as we possibly can for the dollars we spend, whereas some operators simply focus on cost. That is not what we do. Again, if you look at Enverus and they benchmark us across all of our three basins, we are best in class on the NPV per dollar spent. That is about getting more resources for the dollar we've spent on a relative ratio. That applies in the Permian, that applies in the Haynesville and here in the Eagle Ford as well. I think the principal difference between the two companies is we believe in three strings to capture more resource. I think Devon believes in two strings to minimise cost. They are right, they will spend less on the wells, on the casing strings, etc. But again, the benchmarking is showing that using the technology we do, managed pressure drilling, insulated drill pipe and drilling automation, our teams are keeping the costs relatively consistent. I think benchmarking will tell over time who is right on this, and it is very transparent under the US system, but we remain confident, given our track record that we have got a great team. They are doing great work, and we are very, very focused on value for dollars, not just dollars. We love the deal, and we look forward to seeing the results of it, and we shall challenge ourselves on benchmarking to make sure that we continue to be the best in the basins in which we operate in the way that we think about it. I hope that helps, Doug.

Craig Marshall: Thank you, Doug. We are going to come back to the UK, and we will go to Lydia Rainforth at Barclays. Lydia?

Lydia Rainforth (Barclays): Two questions actually, please. On the refining and trading side, if I think about that business, looking at the numbers, about $30 million of operating profit despite what is 96% uptime. Assuming it is a positive contribution from trading, it does still suggest that the refining business is loss-making even with that good number operationally. I guess the question is, is that a concern? How quickly can you actually get that back to where it should be? I suspect that will link in a little bit to the cost side?

Then the second one, just around the head of strategy role and what do you gain from not having that role in place now? How do you make sure you respond quickly to changing circumstances? I think part of the criticism so far has been that the pivot back to what you are doing now, did not happen as quickly as it could have done. Just that

idea of how do you make sure that you will sense check in that kind of flexibility side of it.

Murray Auchincloss: Yes, Lydia, I think on the head of strategy role, we will continue to have a head of strategy. The person will just report to Kate. It will be much more tightly integrated into planning and actuals. That role continues to be very important. I am just not choosing to have that role on my leadership team, but Kate will ably be able to help us navigate all the twists and changes in the external world, and the team will remain in place to help us with that.

I think on refining, what would I say? So 1Q, a difficult margin environment in the Midwest, where there was a surplus of gasoline and obviously, Whiting is a gasoline focused refinery. So that was very, very difficult pricing inside the Midwest. Then in Rotterdam as well, diesel oversupply. The pricing inside Rotterdam was quite difficult. We are seeing these things rebound as we move into turnaround season globally and as demand starts to pick up. Remember, 1Q in the US was pretty difficult. There were quite a few storms in 1Q in the US that drove that low demand. We are starting to see the refining margin lift up now. We have got Atlantic Basin refineries, 1.2 million a day shut in now. We are seeing that start to lift up, and we now think that we are above our planning basis for refining margins. But as always, these things are volatile, we will see what happens. At the same time that is happening, we continue with our efficiency and cost journey. We are obviously high grading the Gelsenkirchen refinery. We continue in those conversations with counterparts, and we have a big cost program across refining that we laid out. Our overall aim is to improve the profitability of that business by $3/bbl[2] over the next few years from 2025 to 2027 and we are well on track with that. I think we were just in an oversupply situation, both in 4Q and 1Q. But that now seems to be starting to alleviate itself as 1.2 million a day capacity shuts down and demand starts to pick up as we move into driving season. I hope that helps.

Craig Marshall: Thank you, Lydia. We will turn next to Kim Fustier at HSBC. Kim?

Kim Fustier (HSBC): Firstly, on capex. The oil price is about $5 per barrel weaker now than the $70 brent you assumed in the CMU in February. You have turned 2025 capex by about 3%, which seems like the right thing to do. I appreciate there is not much flexibility to reduce capex in the near term, but maybe on the 12-month view, would you be able to reduce capex further? And if so, would you cut capex proportionally across upstream and non-upstream businesses? I guess related to that, I think that you exited the low carbon transport business, and you have also cancelled another biofuels project. Relative to the CMU in February, that points to further downside to your transition capex guidance.

Murray Auchincloss: Yes. I think, Kim, no change to the overall guidance that we provided at Capital Markets Update. We set a range of $13 to $15 billion. You have obviously seen us cut our capital from $15 billion down to $14.5 billion. That is not in any specific business, but I would highlight it is across the patch. It is about capital efficiency that we see coming through as well as a few investment choices, none of the two that you mentioned were really impactful inside that capital frame. As far as how we think about this? We are very, very returns driven. We will be doing whatever makes the most sense for returns as we make these decisions. In the event of an oil or gas price downside on a 12-month basis, we have got a lot of flexibility in our onshore rigs around

the world so we can obviously act on that basis. Of course, we can always trim C&M, refining capital as we need it across the business as well. I think what I would say is, we are being extra careful, given what is going on with the macro environment. We have trimmed capital by $500 million. We have accelerated divestment proceeds. We have added $1.5 billion to the cash flow of the corporation in 2025 in case the macro continues to turn worse. We have optionality to reduce $2.5 billion of capex across the Group in the event prices go lower. That would obviously challenge long-term growth. We are not doing that now, but we do have that $2.5 billion, which equates to a further $10 per barrel price downside.

Of course, the last comment I will make is, in the event prices do start going that low, we will start to see significant deflation based on what we have seen in past cycles, and that tends to pass through quite quickly. We have seen softening in the US rig market and completions market now with the rig fleet down 10%. We are starting to see a bit of softness in the offshore floaters, so let us just see how this unfolds, but we are well prepared for any scenario.

Craig Marshall: Thank you, Kim. We will stay in the UK and go to Chris Kuplent at Bank of America. Chris?

Christopher Kuplent (Bank of America Securities): One for you, Kate. Could you walk us through a little bit the restatement and where Archaea has moved from? I remember at the time of the acquisition, this was meant to generate $500 million plus of EBITDA this year, and I am not sure what I can compare between your prior quarterly reports entirely tallied up. That would be helpful to understand the movements between downstream and low carbon.

Then perhaps for you, Murray. You have now signed and published that Kirkuk agreement. But I am still missing numerical details. Is there anything you can provide to us in terms of handrails, whether it is capex statistics, BOE or IRRs?

Murray Auchincloss: Great. I will start off with Kirkuk and then we will hand over to Kate for your other question.

The government of Iraq will publish the PSA at some moment in time is what we understand. They have not done so yet. I have to be guarded in what I say, Chris. I hope you understand that I do not want to break any of those agreements. I think the way you should think about this is this will be an incorporated joint venture where we bring partners into. There will be capex on balance sheet for a little bit, but then the capex will move off balance sheet as we bring those partners in. That is the first thing to say. It will be a very capital-light investment into Iraq.

The terms are much better than the previous rounds. Remember, we are on the eighth round now of price improvements since the first awards back in 2007 and 2008. I think some of the round 5/6 terms have been published. You can look at those inside the various different sources and you will know that we are doing at least as well as that.

The other things that are public that I can talk about is with Rumaila, we only had the oil rights. Now we have both the oil rights and the gas rights, and it is a decent gas price. So, it will be very incentivised to help the nation with natural gas supplies, which they are

encouraging us to look at. That offers up an entirely different tranche of profitability relative to Rumaila.

I think the other thing to say is that there is price upside inside this PSA that did not exist in the previous tranches as you look back across time. It is pretty profitable. It will be cash flow positive quite quickly. Volume ramp-up, I cannot really disclose volume ramp and volume numbers until the PSA is published. Hopefully, that gets published, and then I can talk about this more wholesomely. That is just for the three billion barrels inside the 25-year agreement we struck.

We also continue to look at exploration optionality underneath the existing five domes. We have some commitments to drill some wells there that will open up new avenues beyond the three billion barrels, and I am sure there is lots of resource there, the source rock is very, very rich. Of course, we continue to have conversations with them about the surrounding acreage as well and getting more exploration opportunities.

We think this is a great investment. As we get that PSA published, I would look at the last round for now. Then when the new PSA is published, you should be able to model it pretty tightly, Chris.

Kate Thomson: Hi Chris. Yes, so on Archaea, we moved it out of the customer and products segment and into the gas and low carbon energy segment. Where we have materiality, we have restated the 2024 numbers to demonstrate the impact of that.

With regards to disclosure, we will disclose annually in terms of EBITDA, as we said we would when we were talking about this back at the Capital Markets Update. In terms of progress, it did well last year, nine plants online. We have got three online already this year. I think we are expecting 8 to 10. We still continue to expect Archaea to be free cash flow positive by 2026. From our perspective, it is well on track.

Craig Marshall: Sorry, Chris, did you have a follow-up there?

Christopher Kuplent: All good. I will circle back later. Thank you very much, Craig.

Craig Marshall: Thank you. We will jump back to the US. Jason Gabelman at TD Cowen. Jason?

Jason Gabelman (TD Cowen): I wanted to start on gas and low carbon energy. The tax rate was high across the company, but also in that segment. I was wondering if you could talk about what drove that and what your expectations are on the tax rate for that segment going forward and more broadly for the company?

Murray Auchincloss: Yes. I will let Kate, as our ex-Head of Tax, talk about that.

Kate Thomson: Thanks, Murray. Yes, the Group effective tax rate for the first quarter was around 50%. That is higher than it was in the previous quarter and then in the previous year in terms of 1Q, largely driven by the composition of our profits. We tend to have higher taxed areas in our oil production and operations segment than we do in either our customer and products or our gas and low carbon energy. That is what is driving the effective tax rate for now.

I think it is important to remind people that we have not changed our guidance for the full year. We still currently expect our effective tax rate to be around 40%.

Jason Gabelman: Okay. Can you say something specifically about gas and low carbon energy? It looks like 1Q tax rate for that segment was 47%. It has been around 30% in the past couple of years.

Kate Thomson: Yes, I think we will follow up with you separately on that. We do not guide on tax rates by segment. I will let Craig and the IR team pick that up with you afterwards, if that is okay, Jason.

Jason Gabelman: Okay. That is fine. And then my follow-up is just on gas hedging. I believe you had a solid gas hedging program for the Lower 48 last year, and I was wondering if you are doing the same this year, if you could talk about pricing you have locked in?

Murray Auchincloss: Yes. We would not be specific. It is a bit commercially sensitive right now. But I will say the majority of the gas hedges are locked in for bpx. The majority of the 2025 production profile is locked in around $4, Jason. That is what we have got roughly right now.

Craig Marshall: Okay. Great. Thanks, Jason. No problem. We will come back to the UK and take the next question from Martijn Rats at Morgan Stanley. Martijn?

Martijn Rats (Morgan Stanley): Yes. I have got two as well. I wanted to ask about a few line items that we do not often talk about. But actually, in terms of our ability to model earnings and balance sheet gearing are quite important. One is the line about the minorities, which seems to have sort of grown over time. Look, frankly, it is quite hard to know really what is in there. But any sort of indication guidance, what that minority line could put this current quarter or at least an indication of what we can expect over the next couple of quarters?

And also related to that, the line-item sort of adjusting items, which we never talk about. On our end, we always assume that it is zero going forward. But over the last zero quarters, it is averaged negative $1.7 billion per quarter. In terms of modelling balance sheet gearing, it moves around things quite a bit. To the extent that you can say anything about the line item adjusting items going forward perhaps not being zero. Is there anything you can guide us there? I guess it would help us modelling the balance sheet.

Then next to these two accounting questions. I have got 1 specific question about Kaskida. As in my understanding is that the platform for Kaskida is under construction at the yards, I believe, in Singapore. If that platform is imported into the United States, I would suspect that a tariff would need to be paid, but I wanted to ask if you could confirm that indeed like the importing that platform for that project is subject to an import tariff? And also, if you can say something about how that might impact the economics of the Kaskida project overall?

Murray Auchincloss: Yes. Just to take Kaskida first, finished goods are not subject to tariff[3], Martijn. So I think I do not think that is a risk at this stage. So nothing we are particularly concerned about.

On NCI, I think you are asking a question. I will let Kate tackle that one.

Just on adjusting items, I cannot really give you any guidance. There are a million things that flow through there, fair value accounting effects on hedges on derivatives, etc., move through there. It is quite a volatile set of accounting elements that go through it. You can see it on page 24 of the SEA. I think if I tried to give you guidance on that, I would just get it wrong.

If you think back in history, what has happened there at one moment in time, there were $21 billion of adjusting items in a particular quarter because of the moves on gas prices against the hedges that we had in our LNG trading book. Those eventually evaporated to zero over time.

I would just encourage you to think about cash flow would be my suggestion because that page of adjusting items is very, very difficult to forecast. It has a lot to do with interest rates. It has a lot to do with oil and gas pricing and the contracts we have in place. Generally, there will be offsets in the underlying business, and it is more of an accounting issue than a cash flow or earnings perspective, which is why we provide the adjustments we do.

Kate, over to you on NCI.

Kate Thomson: Yes. Thanks, Murray. Hi, Martijn. The only other point I would add on adjusting items is, of course, you get tax items flowing through that as well and this quarter, the pretax adjusting items were about $400 million, then there was a those $500 million adjusting item relating to the extension of the EPL in the UK system so that also flows through.

Turning to NCI. Yes, it tipped up a little bit in this quarter. A lot of that was really due to the fact that we pre-issued around $2.5 billion of hybrids in the fourth quarter. If you could recall back to that I was explaining that we took advantage of pretty unusually good conditions to issue in advance of upcoming maturities through 2025 and 2026 as did our peers actually. So as a consequence, the costs associated with the hybrids are up a bit. The bit you cannot see is that we chose to take that cash and invest it. So we are earning interest income on the other side of that, which largely offsets it.

In terms of how that is going to look for the next few quarters. As you know, I have just said the first maturity window with regard to our hybrid stack does not open up until June. We have the opportunity if we choose to reduce by up to $1.2 billion, let us see when we get there. But unless and until we reduce that hybrid stack, the level of NCI income is going to remain fairly stable.

Craig Marshall: Thank you, Martijn. We will go next to Michele Della Vigna at Goldman Sachs.

Michele Della Vigna (Goldman Sachs): Two questions, if I may. The first one is on net debt. I was wondering if you could give us perhaps some guidance of where you expect it at the end of the year, assuming flat pricing, given the operating working capital reversal that you expect through the rest of the year?

Then secondly, I wanted to ask you a broader question on tariffs beyond the Kaskida platform. Just whether there is any sensitivity that you guys have done on what could be the impact on your business from tariffs? If there is any part of it, which is especially subject to it.

Murray Auchincloss: Michele, I will take tariffs, and I will hand over to net debt to Kate. I think on tariffs, look, so far, we have not seen a material impact to the business. If you think about our American business, we import product from Canada to process in our refineries. That has now been exempted under the US-Mexico-Canada trade agreement. The aluminium and steel tariffs we are not seeing any impact in our Lower 48 business, because we took a choice 18 months ago to source all of that steel domestically, so we do not see much of an impact.

In the Gulf of America, as we just talked about, there is some specialty steels that we import for drilling and casing, but it is very, very small, and it is not going to have a material impact on the business. As I think about the US operations themselves, there is just not much of an impact on tariff, Michele, at all.

Kate, over to you on the question on net debt.

Kate Thomson: Yes. Hi Michele. I think the first thing I do want to say on net debt is that the target that we have set out of the $14 billion to $18 billion by 2027. I know Murray said it in his opening comments, but I think it bears reinforcing. We are very confident in the delivery of that, and that is what we are really focused on.

With regard to the trajectory through the rest of 2025, we have got some big moving parts on there. As I look at it, around $2.5 billion, perhaps a little bit more of the working capital will reverse. If we hit the top of the new target on divestment proceeds, you have got around another $3.5 billion of proceeds coming in from that source. There are some big moving parts on top of the operational performance.

I think I would like to just take a moment to just comment on the way that we are going to tackle our net debt target. If you remember, in February, we talked about ring-fencing divestment proceeds from transactions on Castrol and Lightsource bp. We have launched a strategic review of Castrol. We have got, as you might imagine, great interest in that asset. It is an iconic brand that has been in place for 125 years, and the team are doing a fantastic job for the last few years, improving their performance and delivery every single quarter. That is looking strong.

We expect to launch a process on Lightsource bp this quarter. The proceeds from both of those go to bring our balance sheet back into the $14 to $18 billion range, and we feel very confident of that.

Craig Marshall: Thanks very much. We will take the next question from Matt Lofting at JP Morgan. Matt?

Matthew Lofting (JP Morgan Chase): Two, if I could, please. I wanted to specifically first ask you about trading. I think you talked about gas earlier, but wanted to just ask on oil and liquid took us over the last 12 months. bp generally turned the contribution in this sort of the average to weak range. Then optically on a headline basis, it seems to have

coincided with moderated oil in the product market. I wondered if you could just talk about whether there is any key market or spread characteristics that the company would want to see strengthened in order for the contribution of that business to follow suit?

Then secondly, on the buyback and $750 million for Q1. Is there any frame you can share on how bp has thought about the calibration of that $750 million for the full year, for example, where at the moment, you think is most appropriate to be for 2025 within the 30% to 40% CFFO range.

Murray Auchincloss: Yes. Great, Matt. I will take the trading question, and I will let Kate take the other question. I think on trading, as Carol talked about at our Capital Markets Update nine weeks ago, our trading is made up of three bits. There is the day-to-day business where we provide customers with energy that makes up about half of our profitability. There is 25% about re-diversions when disruptions occur. So 75% of both oil and gas really is all about that base level business that we continue to work away at. On top of that is trading in a speculative sense, where we do tend to take time spread positions. I think on that particular bit, the things that make it easier or make it hard, I think political headline-driven events make it quite difficult to trade. That is what you saw if you look at the results of the trading houses over the past 12 months. Some of them have outright exited the space as they have dealt with the headlines because they did not have the physical flow that we have.

Then you are just looking to take advantage of spreads over time, whether geographic spreads, time spreads, quality spreads. That is the space where our oil trading book tends to make money. Matt, I am afraid if I go any further than that, my traders will get angry with me. So, I will stop there and pass over to Kate. Go ahead, Kate, on buyback.

Kate Thomson: Yes. Thanks, Murray. Hello, Matt. Yes, with regard to the 1Q share buyback, at the Capital Markets Update, we suggested that the buyback for the first quarter was likely to be in the range of $750 million to $1 billion. As we think about the buyback each quarter as a Board, the first element of the thinking is the way we have now framed our approach to distributions in our new financial framework.

We have said that the total of the resilient dividend and the share buyback over time will be around 30% to 40% of operating cash flow. That is over time, it is not a mechanical quarter in, quarter out calculation. It is a frame for the Board to use as a guardrail in terms of how it thinks about it. We have also said it is a mechanism to share excess cash. At each Board decision as we step through the quarters, we will, of course, take into consideration what is going on in performance as well as the frame of 30% to 40% of operating cash flow, but also current volatility, outlook medium term across the range of the commodities that drive our cash flow. But we are not going to guide forward. We will update you at 2Q when we have stepped through that decision-making process.

Craig Marshall: Thank you, Matt. We will take the next question from Irene Himona, Bernstein.

Irene Himona (Bernstein): I had, first of all, a question on the $500 million cost reduction in Q1, which I thought was quite an impressive number. You said you will update us in Q2 on cost. But I just wanted to try and understand the type of cost savings we are

talking about. Where is it coming from? If you can perhaps give us just a couple of examples to understand.

Then secondly, Kate, if I may go back to the adjusting items and the $539 million UK energy profits levy in Q1, that amount was greater than the full year 2024 amount. Should we treat this as a one-off Q1 event? Or is there more to come later this year on this UK energy profits levy, please?

Kate Thomson: Hi, Irene. I will take the second question first. It is very straightforward. It is purely the tax effecting of the extension of the EPL 2030, which was substantively enacted in the first quarter. You, therefore, have to take the full adjustment at that point in time. You should not think that that is recurring. It is all been accounted for fully now.

With regard to the $500 million cost reduction[4], yes, I am in a similar place to you. I thought it was a good outcome. It is reflective of the fact that we have the teams in action at pace right across the company. In particular, I think for 1Q, I would call out progress in customer and products. I think they are doing very well, but also we are trimming costs, as I have said, across all business, but also in all of the corporate head office functions as well and we are making good progress.

One of the things that we have talked about in the past is our focus on taking out third-party and supply chain, and we have around 3,000 contractors that have now left bp through our Total Resource Management programme. We are now going through the next 3,400 contractors role by role and we are able to use some technology with the help of Palantir that allows us to go through that exercise and create data-led decision-making, as I say, role by role on those contractors and move at a pace that we just could not doing it manually.

We are in action enormously right across the company on that. I look forward to updating in much more detail at the second quarter.

Craig Marshall: Thank you, Irene. We are going to turn to Lucas Herrmann next at BNP. Lucas?

Lucas Herrmann (BNP Paribas Exane): A couple, if I may. Volumes from Venture Global now, I presume that they are flowing. Should we assume that you are going to receive broadly 1.5 million tonnes of LNG this year and start incorporating that in numbers. Just any observations there?

I am going to ask this one. I think it is probably going to be seen by you as a statement of heresy almost. It relates to trading, it strikes me that for bp and for re-establishment of confidence and trust, increased stability, whatever within quarterly numbers is of increasing importance. I do not doubt for a moment, the confidence or the scale of the trading business and your ability historically to generate healthy average returns across an extended period, if not within a short period. But as you say, Murray, and as Carol highlighted, I mean, you have fantastic flows, which obviously drive a sustainable level of margin, albeit, obviously it will vary depending on price.

Then you have a solid ability to optimise. Is this not a point in time where perhaps the organisation should think less about value trading. And think just more about trying to

deliver a stream that is more stable, more consistent and drives less volatility in the quarterly numbers that have tended to be away over the last several quarters. You are welcome to shoot me, Murray.

Murray Auchincloss: Yes. Lucas, I am trying to think about how to answer your second question. I will answer the first one, which is quite easy, which is Venture Global. Yes, it is flowing. It started flowing in mid-April. We have got two MTPA of capacity of Venture Global offtake. I think I will stop describing anything on Venture Global beyond that.

On trading, look, the trading benches are incentivised to make as much money as they possibly can. They take views based on the risk that is out there. If I told them stabilise your income, it really would not be a trading organisation. It would be a marketing flow organisation, and you'd lose an awful lot of edge inside the commercial delivery that we see.

I kind of understand the question, but all trading organisations across the world are highly incentivised to drive as much profit as they can, as opposed to a partial profit. I understand the volatility points you are making. And all I would encourage everyone to think about is that you should not look at this on a quarter-by-quarter basis, nor should you look at on a bench-by-bench basis. You should think of it in an annual cycle, in a multiyear cycle.

We have earned 4% uplift to ROACE on average over the past five years. It has been about half gas. It has been about half oil. Of course, you should divide that in four, as you estimate it quarterly. We are continuing to have a strong track record of delivering that 4% no matter what the macro environment conditions are. I think that is my response, Lucas. Thank you for the challenge.

Craig Marshall: We will go next to Henry Tarr at Berenberg. Henry?

Henry Tarr (Berenberg): I guess with some positive news in Namibia over the last few days with Azule, what are your plans from here in Namibia, I guess? Would you be interested in getting more exposure to the region if the right opportunity came up?

Murray Auchincloss: Great. Thanks, Henry. Yes, it was a significant discovery that our partner Rhino led, through the Azule joint venture, a 50-50 joint venture with ENI. We are very pleased with the well. It was a significant discovery. They did an extended well test on it and obviously produced 10 kbd of light sweet oil as they did that.

We are currently evaluating the results from the drill stem test and thinking about what the next steps forwards are with our partners. I think it is premature to say anything more than that other than we are very pleased with it. As far as would we do more in Namibia? We are always looking for interesting exploration acreage around the world when it is possible. But right now, I think we are pretty happy with the position we have and the block we have, and we will update you in due course on that overtime, Henry. Thank you.

Craig Marshall: Thanks, Henry. We will take the next question from Giacomo Romeo, Jefferies. Giacomo?

Giacomo Romeo (Jefferies): Two questions remaining, maybe put more clarification. Murray, when you talked about $2.5 billion reduction potential for capex. I am just trying to understand what is your thinking there in terms of what level of prices would trigger such a reduction? Should we expect that to be more linearly if prices go down? Or there is a particular level you have in mind that where you would see an acceleration?

Second question is on gas and low carbon. I appreciate the colour on cost. If I look though at the EBITDA, I still find it quite low compared to when I get through the model. Just trying to understand around the contribution from LNG trading whether that was, in fact, positive this quarter, or is there any chance you had actually a negative contribution to the EBITDA this quarter?

Murray Auchincloss: Thanks, Giacomo. No, we did not have a loss. It was a weak quarter, as you signal. On capex flexibility, look, we have made a decision to trim $500 million based on the macroeconomic environment. Let us wait and see what happens over the coming weeks.

There are some OPEC meetings. We will have to see how the negotiations between the US and Iran unfold, and we will have to see how the tariffs unfold as well and what that does to overall demand. We will stay right on top of this, making the decisions we need to make. We have lots of flexibility with the $2.5 billion that we talked about.

Of course, it will demand decisions on different parts of the business. We are not just an oil company. We have oil, we have natural gas, we have service stations that we fund, etc. We will be thinking about the different macro environments in each of those if we were to make those decisions. But a first step of $500 million and no plans to make further cuts at this stage, but we will remain tightly attuned to the marketplace and ensure that we can meet our targets for 2027. Thank you, Giacomo.

Craig Marshall: Thanks, Giacomo. We are going to make time to take the last two individuals with questions. First of all, Paul Cheng at Scotia. Paul?

Paul Cheng (Scotiabank): Two questions, please. Murray. In the Gulf of America, the US have a new rule, the downhole commingling. Can you give us some idea where in this new rule do you see the most opportunity set in your portfolio? And how big are those?

Second question is that if indeed the commodity markets become more challenging, how do you contemplate over the decision process between reducing your capex, which you certainly could, but how about further reducing your buyback? I mean, how would you balance between the two?

Murray Auchincloss: Go ahead, Kate, on the balance between buyback and capex. Then I will take the question on Gulf of America.

Kate Thomson: Yes, will do. Thanks. Hi, Paul. The financial frame that we set out in February alongside our reset strategy, I think, was pretty clear in terms of how we think of the order of priority inside our financial frame. The first one, we are very clear is a resilient dividend, and we said that you should expect a 4% increase a year, and that is a floor.

After that, balance sheet is our next priority. We are categoric in the delivery of this $14 billion to $18 billion target by 2027. After that, we look at capex, and we have designed the financial frame in totality to be able to be flexible but yet ensure we can deliver on our four primary targets. We have a lot of flex in capex, that $13 billion to $15 billion range. Then we share excess cash with shareholders. That is where we have positioned the share buyback in this financial frame as and part of our total distributions, which are overtime at around 30 to 40% of operating cash flow.

I hope that helps you think and understand how we think about the prioritisation. We are going to protect our balance sheet. Yes, the anchor point for us at the moment as the Board is thinking about the operating cash flow and using share buybacks as a mechanism to return excess cash to shareholders, but we will step through that quarter by quarter.

Paul Cheng: Kate, can I ask to clarify, if that means that even in a lower oil price environment, you are still going to pay out about 30% to 40%, but not below that range? Because I thought 30 to 40% is just average throughout the cycles, right? You were in particular looking at the one cycle, should we have a payout lower than the 30%?

Kate Thomson: The 30 to 40% is overtime. Of course, our operating cash flow will move up and down with price, but we are not looking at it in a particular quarter as we step towards the decision as a Board at the end of each quarter. We will take into account what is going on inside the company, how we have performed in the quarter, but also, as I said earlier, the sort of medium-term outlook of the prices that drive our cash flow. It is not just oil, it is also gas and its refining margin. We will take into consideration all of that as we make our decisions each quarter, but we have been pretty clear, we are not going to be guiding forward on share buyback.

Murray Auchincloss: Paul, on downhole commingling, I suppose it is really targeted at the Paleogene, where we do see the differential pressures. Obviously, Kaskida will be our first development on that. It is going to take a bit of time. We do not see as much potential right now inside the Miocene, but it is early, and we are continuing to test that right now. It is mainly for us right now, a Paleogene question and obviously, the Paleogene production comes later in the decade for us. Thanks for the question, Paul.

Craig Marshall: Thanks, Paul. We have got the last question. Biraj, you helped us out with the virtual ones at the start. Maybe we can hear your voice now. You have hung on to the end.

Biraj Borkhataria (RBC Capital Markets): Just one quick clarification about a modelling thing and happy to follow up after. But just a comment, I think Martijn asked about the NCI charges. I guess part of that is the hybrid and part of that, I am assuming it is the standing of things like TANAP and TAP. But just to comment, Kate, you made around the flip side of that, the higher interest. Presumably, that would result in a lower OB&C charge for the year. I am just wondering, in that context, why the 2025 guide was still $1 billion.

Kate Thomson: Biraj, the short answer is you are correct on both. Yes, the NCI is made up of both the charges associated with the hybrid bonds, but also dividends that we pay

out of bp subsidiaries, where there is a level of the equity held by others and things like divestments around pipelines fall into that category as well.

The interest income, yes, you are correct, is reported inside OB&C. We do not split it out. But the other very big component that moves OB&C around is FX, and in particular, movements on various components, including hybrid swaps, so you will see quite a lot of FX volatility. That is the primary element that is driven the quarter-on-quarter change inside OB&C.

I cannot predict where FX is going to go for now. What I look at is my underlying spend and my underlying expectation with regard to costs and income going through the year. At the moment, the guidance feels about right. But we will, of course, review that when we get to the second quarter, and we look again at the full year.

Craig Marshall: Thanks, Biraj. Thank you, Kate. Thank you, Murray. We are going to close the call there. We have managed to get through all the questions. Thank you for raising them. I would just like to thank you again for the patience at the start of the call. We will certainly be looking into what happened there, very unusual. I think we will close the call on that note. And on behalf of Murray, Kate, and myself, thanks very much for listening and for your interest in bp's results today.

[END OF TRANSCRIPT]

Footnotes

1. bp delivered ~4% uplift to group's ROACE on average over the past 5 years, a typical indication of average uplift
2. Aligned with bp’s Capital Markets Update materials which provide more detail on downstream performance plans
3. Kaskida FPU is not currently subject to a 25% steel tariff. It is still subject to the general 10% tariff
4. $480m reduction in underlying operating expenditure in 1Q25 vs 4Q24, p.27 bp stock exchange announcement