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bp 4Q 2020 Results: Webcast Q&A transcript

Tuesday, 2 February 2020

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Q&A TRANSCRIPT

Operator: If audio participants would like to ask a question, they may do so by pressing star one. To cancel your question please press the hash or pound key. If you are listening on the web, please submit your question using the web question facility.

Craig Marshall: Okay, thank you again everybody for listening. We are going to turn to questions and answers. As we have done over the past several quarters, we are working remotely so please bear with us, both on the lines and with the questions just in case there is any delay. A reminder as usual from me, please limit your questions to only two. We have got a long list of people to get through this morning. On that note, we are going to take the first question from Jon Rigby at UBS.

Jon Rigby: Thanks, Craig. Hi, Bernard and hi, Murray. Two questions, please. The first is on some of the proposed changes in Federal regulation in the US. I am particularly interested in your offshore deepwater Gulf of Mexico position because I think historically you have developed a very successful 'drill-to-fill' strategy around the hubs that you have. I just wanted to understand maybe how much inventory you have out there that sits on your existing leases and licences. Then, how much drilling you have to do each year within that perimeter to keep that strategy on course. Just some colour around that, please. Then my second I think I may have to apologise to Murray in advance on this. I am interested because you obviously talk to an absolute net debt number, I had a bit of a struggle this morning reconciling that. It appears to be the impact of some hedge effects around the debt. Can you just talk a little bit about that? What creates that change? Then maybe extend that to the cash flow statement and whether there is any other hedging effects that are running through cash at the moment. I am very aware it has been a very unusual macro environment. Thanks.

Bernard Looney: Jon, good morning, good to hear your voice. Murray is all set to take your question and help you with your struggle this morning. I will let him do that in a moment. On the question regarding the plans in the United States: first of all, I think we just say that we look forward to working with the Administration as they go about their climate and their energy agenda. We are obviously delighted, I think many people are, that US has re-joined Paris. I think these are all good things. I would add that one of the things in their climate agenda is around doubling offshore wind in the United States and we look forward to participating and helping in that journey.

As regard leases, you probably know but less than 1% of our onshore acreage is federal. None of the Permian is federal acreage so I think no real impact there. Offshore to the Gulf of Mexico I think we need to learn a little bit more. It is a pause for now. We need to understand whether it applies to new leases, existing leases, whether it is permitting versus the letting of leases. We need to understand that, and we will be working with the relevant agencies over the coming months to understand that. In terms of the near-term impact, we do not expect any. We have got enough permits to do what we need to do. I think over the next 1-2 years, importantly Mad Dog Phase 2, which I think by the way will leave Korea very, very soon, delighted to see that milestone. All the pre-first oil wells have been drilled for Mad Dog Phase 2 so no issues there. No near-term impacts in the Gulf of Mexico, Jon, over the next year or two, I would say. Before we can give you an assessment of the impact beyond that, we need to really understand what the details would be and what they are. We will be working to understand them. I think obviously there is going to be a period of engagement now. I hope that helps. Murray, over to you on cash and net debt.

Murray Auchincloss: Great. Hi Jon, thanks for the accounting question again, I love it. First of all, on net debt - our financial frame remains intact. We said we would have five priorities. The first priority is paying a resilient dividend, second is drawing our net debt down to $35 billion and investing into the transition, investing into the hydrocarbons and then commencing share buybacks with at least 60% of surplus cash flow once we hit our $35 billion net debt target. Nothing has changed around that over the past quarter and we continue to estimate, as we did last quarter, that we will reach that $35 billion target somewhere in 4Q 2021/1Q 2022. No change to guidance. Hopefully that helps that bit of the question.

On the second bit of the question, maybe you are asking about 4Q cash flow and what is happening there. Maybe it is easy just to think about it from 3Q and then into next year. From 3Q to 4Q, 4Q was a pretty difficult quarter, a very difficult environment with COVID, a very difficult environment with oil price at $44 a barrel and RMM around $6 a barrel, gas prices suppressed and demand very, very difficult in the Downstream business. That is why cash flow is so low. If you thought about the bricks along the way, it is obviously EBITDA down. It is obviously no Rosneft dividend. It is obviously a working capital disadvantage - we had an inflow in 3Q and it was basically flat in 4Q. We had severance payments. We had a petrochemicals divestment. And then, as you are hinting at, we had some moves in derivatives where on gas and the hybrid we had exchange traded derivatives outflow in cash, given the high spike in gas during the quarter.

Looking forward to the first half of next year things improve pretty significantly on an underlying basis. If you think about 4Q versus 1Q right now: Oil price is up $11 a barrel quarter-to-date from $44 a barrel to $55 a barrel quarter-to-date. The Gulf of Mexico is producing well - it has recovered from its hurricanes, Shah Deniz ramping back up as we fill up gas to Italy. Oman is ramping up as well. Downstream is recovering slightly. And trading should get back to a normal quarter. Jon, I hope that helps explain it.

Jon Rigby: Thank you.

Bernard Looney: There are a lot of questions around cash understandably in the fourth quarter. I think if we step back, in October of last year Murray said, and we said, that we would reach our net debt target of $35 billion by the end of 2021, which is now this year, and the beginning of 2022. These results change none of that. There is no change from the position that we laid out in October. The key is that the underlying business continues to perform really well: reliable operations, costs coming out of the business, trading is looking good in January, safety is good, projects are coming online and ramping up and on top of that we are making real strategic progress. I recognise that 4Q was a difficult environment. The numbers are a little bit messy, but the fundamentals are unchanged. We are very optimistic actually as we look into the year and confident in the underlying business and in the plans that we laid out, particularly around net debt, that we talked to in September. No change from that guidance.

Craig Marshall: Thanks, Jon. We will take the next question from Alastair Syme at Citi. Alastair, good morning.

Alastair Syme: Thanks, Craig. Good morning everyone. Can I just ask two questions? What about asset values? In the Annual Report last year on fair value analysis there were some scenarios outlined on long-term oil prices and the most aggressive said that there might be $4-5 billion of impairments. In 2020 you ended up impairing $10 billion and your notes now say there is another $45 billion of assets that carry lower headroom. I appreciate that I am asking an impossibly difficult question on oil prices but you are a company that inherently believes in a more rapid transition than many of your peers and yet your oil price forecast are still pretty similar to what your peers are using. The question is, how do investors get confidence around the risk to your book value from here? Then the second question, you are moving to post-tax reporting as part of your reporting chain, so I was a little surprised to see the EBITDA waterfall charts. So, on resilient hydrocarbons, can you confirm that the changes in cash flow expectations will be in line with EBITDA? Or there some tax considerations to consider? Thank you.

Bernard Looney: Very good. Murray, I will let you take both of Alastair's questions.

Murray Auchincloss: Yes, great. Post-tax reporting is a future attraction to come. In early March we will publish the new segmentation, including the move from pre-tax to post-tax. That is something to come. As far as pre versus post-tax, you saw us signal that we are back to around 40%, or slightly higher, on effective tax rate moving forward. I think give us a little bit of time, we will restate history, we will show you new projections moving forward on a post-tax basis. Alastair, that should help clarify those issues, but you should have seen guidance in the details of what our tax charge should be in 2021.

As far as book values, obviously during 2020, given the effects of COVID and given the effects of what we were seeing with the world, we reset our price deck. Additionally, we also decided not to pursue a significant number of exploration opportunities and that is what saw the big write-offs during the year. I probably do not need to repeat those numbers for you. So that is really what caused the change in book value during 2020.

The price bands that you are talking about, they suggest I think from memory about a 15% movement, and they showed $5 billion of impairment. What we ended up actually doing was a much bigger move in price and $10 billion of impairment. So I do not think that was particularly inconsistent with what we provided last year.

Moving forward, what is our best view of price? Right now, no change. It seems like a pretty reasonable set of assumptions we have got. You can see the details inside Note 1 of the SEA, and we have given you that sensitivity as well, and I think it works relative to what happened last year as well.I hope that helps Alastair.

Bernard Looney: Is that okay, Alastair?

Alastair Syme: Yes, thank you.

Bernard Looney: Great, thanks for the question. Good to hear your voice. Craig?

Craig Marshall: Okay, we will take the next question from Lydia Rainforth at Barclays. Good morning Lydia.

Lydia Rainforth (Barclays): Thanks Craig and good morning. Two questions if I could. The first one just to clarify on that chart around unit margin expansion, 20% increase in unit EBITDA for the Upstream, is that before or after the cost synergies? Is it just the mix/volume effect or is there cost synergies on top of that?

And then secondly, and it's probably for Bernard, just going back to the reinventing bp programme that you have now gotten to the state of splitting out, or integrating, the Upstream and the Downstream operations together. Can you just walk us through how that is going in terms and whether you are seeing the progress that you wanted to at this stage? Thanks.

Bernard Looney: Hey Lydia, good morning, good to hear your voice as well. On the 20%, it is before cost synergies because I think if I am reminded correctly on that chart, you will also see a separate cost synergy bricks so to speak, so it is purely volume and margin and mix, so it is before cost.

And then on reinvent bp, is more than just the restructuring of the company. It gets more into some of the things that you saw when you have been with us in Oman around digitisation, around becoming a more digital company, becoming a more agile company, centralising work and creating a culture, that is more in line with the future direction of the world than maybe one that we have come from.

Restructuring is a big part of reinvent bp. We have made great progress on that. The team has done, I think, an absolutely amazing job. This is the largest restructuring in the company's history. We changed over from the old structure to the new structure on January 1st. The management of change (MOC) exercise that was needed to do that was massive in terms of MOC by individuals across the world.

We said that up to 10,000 people would leave the company, more than half of those people have already left by the end of the year, and we are continuing with - really it is Europe that is remaining where we have various works councils that we need to partner with to finalise that work this year. We are seeing the cost coming through the $2 to $3 billion is we said by the end of 2021 but is now looking like the middle of this year.

The $3 to $4 billion that we said by 2023, I am very confident in, and Murray and I and the team will be working as hard as we can to bring that forward. There is unquestionably benefits to how we work. If I look at what we can learn from the refineries, where I think they are very good at managing things like turnarounds. We can bring that into the Upstream. From the old Upstream, I think a lot of work done on inspection and inspection technologies that we can take to the Downstream.

So today, it feels very natural that all of the operations of the company would be run in one place, and that is what is Gordon's role is, so we are only just getting going. We set Gordon's organisation up in an agile structure. I think it is the first agile structure in oil and gas that I am aware of, and I think we will look forward to learning, as the year goes on, we would not get everything right. I am sure we will make some mistakes along the way that we will correct, but hugely optimistic about the potential that lies ahead, and you will see it in multiple dimensions.

You will see it hopefully in engagement of staff, which we are focusing on heavily this year. You will also see it in the cost line. I think we are below $20 billion now, and I think Craig, is probably the one of the first times we are below $20 billion on the cash costs, in probably 20 years, maybe even since the Amoco merger, so lots of progress and I am really excited about what lies ahead because I think we have not even touched the surface of what is possible with this new organisation yet. I hope that helps, Lydia?

Lydia Rainforth: Yeah great, thank you.

Bernard Looney: Cheers, good.

Craig Marshall: Thank you, Lydia. Yeah, we are going to jump to the web actually. We will take the next question, which I will pose on behalf of Jason Kenney at Santander.

Jason asks, can you talk to the relative positions Oman gas versus East Coast US wind please? Which position do you see is more supportive of CFFO in 2025 and/or 2030?

Bernard Looney: Well, thanks Jason, thanks for the question. First of all in Oman, why did we divest 20% of Oman? Well as you all know, we have the $25 billion divestment target out there. I think we have announced about $14 billion of the $25 billion.

Why do we sell 20% of Oman? We are not in a rush. We have got four years to do the rest. We are certainly not in a rush, and what we have always been clear with you and with shareholders is that we will divest for value. We will only divest when we see value, and we see value in this case.

This is a good price for a good asset so we are pleased with that. We remain at 40%, which is a significant equity position. We remain as operator. We will explore in Oman. So I think it is the right thing to do. That would not be the case for every asset that is on the market today across the industry, but it was the case in this specific circumstance for Oman gas, and we are very pleased, as is the Oman government I believe, with this transaction.

Offshore wind in the United States, is a longer cycle business obviously compared to solar, so you would not be looking at cash flow from operations from that business in 2025, but you will be looking at it in 2030. The good news is, we are ahead of schedule already, I think. That project is going very, very well and as I think I said that investment looks better today than it just did a few months ago, and that is around pace, so our compliments to the team at Equinor, and we are looking forward to building that joint venture in the months ahead, very excited about it.

But you get out to 2030, and this is going to be a material brick of cash flow that will go on for 20 years out to 2050. You start thinking about the need over time for hydrocarbons to be decarbonised, that is obviously not a threat that will face that business when we head out into the 2030s and 2040s, carbon price and so on and so forth. So very, very comfortable with – delighted actually - with the entry into the US offshore wind business, delighted with early progress.

I am sure there will be plenty of things ahead of us in the coming years and very pleased that we have got a very good price for a very good asset in Oman. I hope Jason that gets to the essence of your question.

Craig Marshall: Okay, thanks for the question, Jason. We are going to move to the States, two questions in the States, obviously, up bright and breezy this morning. Thank you for joining. The first one from Paul Cheng at Scotia Bank. Paul?

Paul Cheng (Scotia Bank): Two questions, one on Rosneft, I am still trying to figure out why long-term, right now the price is probably not good for you that to sell now, but why long term is integral to the rest of your business or why is important for you to own it? And I know that Murray that you are going to provide more information in March, but just curious that in the fourth quarter, what is the low carbon business cash or EBITDA and the kind of rough estimate that you can provide? Thank you.

Bernard Looney: Paul, good morning, and thank you for your question. The question around Rosneft, let me take that, and Murray will take the fourth quarter question. The first thing that I would say, maybe make four points if I may on Rosneft.

The first point that I would make is, I think as you well know, we have three parts to our strategy. One is around low carbon electricity in energy. One is around convenience and mobility, both of which we are going to grow, and the other is around resilient hydrocarbons, and Rosneft has some of the most resilient hydrocarbons in the world.

Our production cost per barrel in bp, I think are about $6.70/bbl on their way to $6/bbl. Rosneft's lifting costs are $3 a barrel. So the first thing is, it is actually consistent with strategy in terms of resilient hydrocarbons. The second thing that I would say is that from an environmental performance perspective, I think it is important that people look at the facts, and the facts are maybe surprising to some people.

Rosneft's greenhouse gas intensity per barrel of oil produced is below 30. In fact, it is below many of the majors including bp. They have reduced fugitive emissions in 2019 by 73%, versus 2018, and they have just announced a new carbon plan and they are going to target a methane intensity of 0.25%, which is good, and they are going to drive that greenhouse gas intensity down by a further 30%.

The third thing around Rosneft is the financial aspects of the investment. Since 2013 we have received $4 billion in dividends and in 2020 we received $480 million in dividends from Rosneft, so it is a good financial investment.

Then, finally, I would just say, if I can Paul, that it is a strategic partnership for BP; Rosneft is an excellent operator. They are committed to sustainably developing their resources. We have a lot to learn from each other; they can learn from us; we can learn from them. We are about to sign a strategic cooperation agreement in the next few days around carbon. So I think that, hopefully, gives you a sense of how we think of Rosneft and how it fits within our portfolio.

Murray, 4Q cash numbers from a growth business, so go ahead.

Murray Auchincloss: Yeah, yeah. Great, thanks. Hi Paul, thanks for the question. As far as EBITDA comes from low carbon, that is not really something we are focused on right now, to be honest. We are in build mode, so if you think about the planks we have, plank one is offshore wind. Obviously, that is about access right now, accessing acreage so we can build out the portfolio in the 2030 timeframe plus, as Bernard just described. The second bit is on solar, where we are very, very focused on building gigawatts right now. Why? So we can get offtake into our business. So Lightsource bp really is not focused on EBITDA, they are focused on construction and flipping, and making sure that we expand that market so that we have got energy for retail providers. Bunge, a third plank, obviously in biofuels in Brazil, is about efficiency and gradually expanding that business as well.

So sitting in the fourth quarter of 2020, we are not really focused on near-term EBITDA. You will see a number for EBITDA shortly; it is not going to wow you, it is not intended to wow you, but it is intended to be transparent. I do not know, it is probably somewhere around $100 million would be my guess, but let's see in March when we do that. And as we disclosed on August 4th and as we disclosed in September as well, we are not expecting a ton of EBITDA from low carbon by 2025 either; this is really a longer wavelength business that starts to replace earnings from the historic hydrocarbon business in the late 2020s and early 2030s. And we are balancing the portfolio to maximise the value from hydrocarbons over the next decade, growing C&P ratably across the decade, especially in the convenience space and then gradually building up low carbon. Like the market, I would just encourage us to focus on growth, as opposed to particular EBITDA, because that is the phase of the strategy that we are in.

Bernard Looney: Great. Thanks Murray, thanks Paul.

Paul Cheng (Scotia Bank): Thank you.

Craig Marshall: Thanks Paul. We will stay in the States and move to Dan Boyd at Mizuho. Dan?

Dan Boyd (Mizuho Securities): Hi. Thanks. Good morning guys. I had a question on BPX. When you gave your strategy update, it is one of the few areas where the pre-coronavirus or pre-pandemic targets are still intact of more than doubling the liquids production by 2025. So just wanted to get a little bit more of a roadmap from you on the ability to hit that target. You are only running one rig understandably, giving everything that is going on. You were previously running 13, so is there a path to get back to double-digit recount at BPX and to ramp up to that number?

Bernard Looney: Dan, good morning, thanks for your question. Murray is a bit of an expert, so I would ask him to come in as well, but BPX is going really well. Cost synergies are ahead of plan; I think we said $350 million, they have been delivered early, and we are upgrading that target to $400 million. The rocks look really, really good, better than we had hoped, so that is very good news, and capital productivity and cost productivity continue to come through under Dave and Jack's leadership. So we are very happy with the overall process. As you say, we did cut the rigs right back from double-digit to one or two, right in the first quarter I think, and that is one of the advantages of that business, as you well know. I have been looking at some of the profiles for that business over the coming years. We are not focused on production; we are focused on growing free cash flow and that is what you should expect from us. I think the numbers that I looked at – Murray will correct me if I am wrong – showed more of a flat production over the coming years[1], but a growing free cash flow profile. Double-digit rigs, maybe not, but certainly high single-digit, low double-digit is very possible as we head into the year.

So this is a business that is focused on cash and cash generation, strong returns; I think thousands of locations with returns that are well in excess of 20% at the current prices. So good quality business. We are not trying to grow it in a volume sense, we are trying to grow it in a free cash flow sense, and that is what we focus on. Murray, anything I missed?

Murray Auchincloss: It is cash flow positive at current strip prices during 2021, so that is good news, and we see that growing over time. We have gone from one rig to five rigs, and we will be, probably, having about eight rigs in 2021; they will be spread across the basins. Given the current prices, we will be focused on the oil side as opposed to the gas side this year. We have four basins, two gas, two oil/liquid, so we can move back and forth between those as we need, and it just stands the chance to grow cash flow very ratably through time if we invest on a continuous basis, as opposed to going up and down. As Bernard said, it remains a great investment case.

There has been some noise out there on benchmarking that is suggesting maybe we are not as good a driller as we think we are, but we are going to go, try to clarify that stuff. Everything we look at on benchmarking shows they are first quartile across the Permian and across the Eagle Ford. Some people might be getting confused that Devon actually does not drill and complete those wells in the Eagle Ford. So that is just something for the back of your mind. We remain very confident in that business and look at it as a nice source of ratable cash flow growth over time.

Bernard Looney: Great. Thanks Murray, thanks Dan.

Dan Boyd: That is very helpful, thanks.

Bernard Looney: Thank you.

Craig Marshall: Thank you, Dan. We will take the next question from Thomas Adolff at Credit Suisse. Thomas, good morning.

Thomas Adolff (Credit Suisse): Good morning guys. Two questions from me as well, perhaps mostly for Murray. The first one is just on US offshore wind. Regarding Empire Wind 2 and Beacon 1, can you comment on pricing, especially how it compares to Empire 1? Then the second question is on the balance sheet and the credit rating. Perhaps you can remind us of the importance of having, at the minimum, a single A-minus credit rating and the impact the business would face should you get a downgrade, and why bp does not want to create a bigger buffer, lower the target net debt following the new ratio guidelines for the rating agencies? Thank you.

Bernard Looney: Thomas, good morning to you. I will surprise you, I will actually take one of the questions, but no prizes for judging which one. I will let Murray handle the credit rating agencies and the balance sheet. On offshore wind, no, we cannot disclose those prices at this time, further work to do, but we will when the time is right. Murray, over to you.

(2) Reference 2021-2022 only

Murray Auchincloss: Thanks Bernard. Thomas, I would just add, on the offshore wind, cycle time is everything; everything is about accelerating the pace to first electron. You have heard us say that on the upstream side, it is even more important on offshore wind. So that is something that is really pleasing for us to see that move forward.

On the credit rating, let me wind you back to August 4th. This will probably be a longer answer than you want Thomas, but why not? So if you go back to August 4th, when we laid out the financial frame, we talked about the five priorities. You know the first priority was the resilient dividend. The second priority, just to expand on it a bit, was to reduce our net debt to $35 billion and then we will retire that, and then we will move to measuring ourselves with a strong investment-grade credit rating. And we told you that it would be supported, or indicated, through a range of FFO over adjusted debt of 30% to 40%, so that was a good indicator for you to look at. Nothing has changed on that. Yes, we have had a ratings move by S&P on the sector. What they have said is we have moved from A-minus stable to A-minus negative, and with that type of rating they are saying that if you do not get to 35% to 40% FFO over adjusted debt over the next couple of years that you will be downgraded. And what I would say is that is totally consistent with what we told you on August 4th, that we would have a range of 30% to 40%. Now, I remain confident that we will get to that range of 35% to 40%. Why am I confident? We are starting to see oil price pick up obviously, we are seeing RMM over time will pick up as the vaccines come into place. Natural gas is holding firmly around $3 a barrel, which is good news.

As you look forward, in the first half of the year, obviously, barrels come back online from the Gulf of Mexico. We get growth in our major projects from Shah Deniz and Oman. Raven will come online. Then, really importantly, in 2022, two of the very best highest margin projects in our portfolio, Mad Dog Phase 2 and Tangguh Train 3 come online and Cassia Compression in Trinidad as well.

At the same time that is happening, customers and products is growing. Convenience looks like it is doing really well, the costs are coming down. You know, we are well on track from the $2.5 billion pre-tax cash cost saving by end of 2021 we talked about – we will beat that early. You know Bernard and I are passionate on cost, I am sure we will do better than we are suggesting, so costs coming down, production volumes coming through, big projects ramping up, and I do not feel particularly concerned about hitting that 35-40% target that S&P talks about.

Last comment I would make is there are three ratings agencies, you know, not just one, and I think Moody's has us on A1, Fitch has us on A, and obviously, S&P has moved us to A-minus negative. As you look at those three things, that sure feels like strong investment-grade to me, Thomas. Thus, no change. I saw a note somebody produced, maybe it was you, Thomas, that there was a risk on trading if we move to below A-minus, that is not right. If we were BBB-plus or something like that the traders can still trade. That is not an issue for us, and we adapt structures to make sure that we can manage that type of risk. Hope that helps, Thomas.

Bernard Looney: The only think I would add, Murray, Thomas, is just around our strategy really. I think as we continue to enact our strategy, which is ultimately a decarbonisation and diversification strategy, I think that takes away risk rather than adds risk to the company. I think we are seeing that in the commentary from, I think, Fitch, Craig, who had some positive commentary on the agenda that we have, and Moody's, around the direction that we are taking. I have always said that I think the strategy that we have laid out and that we are executing on is a de-risking strategy as well as a decarbonisation strategy as well as a diversification strategy, and as well as a strategy that we think will create long-term value. Therefore, I also believe that over time that will be taken into account as well.

Having said that, to Murray's point, we are not relying on that. We are relying on the fundamentals that he just laid out.

Thanks for the question. I think Alexia Mignen from Bank of America also had a question online on that, and hopefully, we have answered Alexia's question there as well.

Craig Marshall: Thank you, Bernard. We will take the next question from Christyan Malek at JP Morgan. Christyan?

Christyan Malek (JP Morgan): Hi, thanks gentlemen. Hi, Murray. Hi, Bernard, two questions if I may. First, on returns expectations and the renewables. You declined 12 gigawatts opportunities given they do not meet your threshold of returns. Can you explain what exactly you are doing differently versus what seems to be an ever growing number of participants. Are you confident you can secure enough renewable projects to deliver 8-10% returns and fulfil your pipeline, especially in the context of the ratings agencies who are putting more pressure on your balance sheet meaning you are going to be less competitive versus the traditional players?

The second question, if oil and gas prices do indeed hold or move higher, how would that affect your net debt target to achieve sooner and launching the buyback in Q3? If oil prices move materially higher would you consider raising CAPEX above the low end of the range this year? Thank you.

Bernard Looney: Very good. Thank you very much, Christyan, good to hear your voice. I will let Murray take the question around accelerating oil prices accelerating reduction in net debt and what he would do with all the money. On the what are we doing on the returns side, well, the first thing that we are doing is we are being disciplined. As many of you, and many shareholders have said, you know, actually, we are a little anxious about this volume target and we are worried that you will go off to the races on that – why do you not tell us about some of the things that you do not do?

By the way, there are many, many things, especially in that space – it is a hyperactive space, I would say – and we are looking at all sorts of things all the time. It was important that we laid out for you that we do walk from things, and we walk from them for a fundamental reason, that we believe in that particular instance it has got too heated and we are not going to be able to deliver our returns. There was one opportunity that we looked quite closely in America; it would have been very material. It would have been – it had lots of, sort of, colour to it that would have been quite attractive. However, we got down to the last two or three, and we could not make the numbers work and we walked away.

Conversely, at the same time, Lightsource bp is continuing to do projects, and they have done 30 now, that have averaged 8-10% over that time period. What we are doing is continuing to do the things that we have talked about. I would not underestimate what we bring on our operating capability. I think we have added 1% of availability to our wind business, our onshore wind business in the United States through Onyx, which is a bp-owned company that does data analytics on predictive maintenance. I wouldn't underestimate what we can do on construction. We benchmark in five out of six categories best-in-class. If you look at offshore wind, these are massive projects, billions of dollars, multi-year, as Murray said, and what we have today is Ewan Drummond, who is Vice-President, AGT. With the Shah Deniz project - built a project through seven countries over mountains, under the sea bringing gas from the Caspian to Europe. 25% under budget, on schedule. He is now sitting in that joint venture, on top of that joint venture with Equinor-bp, bringing his experience.

Integration – you will see two deals that we have done now on the trading division of bp is on the purchasing end, both in Spain and in Texas, and that helps us manage returns across the cycle. Therefore, there is lots that we can do to customers that are demanding the things that we want. You have seen the deals that we have done with Microsoft and Amazon. There is going to be more in that space to come. You know, all I can keep doing is sharing examples, like we have done with the project in Spain. Where we get the 8-10%, what it looks like, sharing examples of where we have walked away, and we have done that in the fourth quarter, and I have no doubt we will continue to do that, and sharing examples where we bring things to that part of the business that we think can enhance returns. What I would tell you is that the Equinor-bp joint venture in the US, even after a few months – because of pace, because of cycle time – is already looking better, and it had met our threshold and is now looking better than what it did several months ago.

We are going to be disciplined. If we cannot make the returns work, we will not do the deals. I hope that helps. We will continue to give you more evidence, more proof quarter on quarter at these results and whenever we talk of the examples on both sides. Murray?

Murray Auchincloss: Great. Hi, Christyan, I am going to bore you to death with this answer. If you do not mind, I am going to go back to financial frame – five priorities: resilient dividend, debt down to $35 billion, invest into the transition, invest into resilient hydrocarbons, and then surplus cash – at least 60% to our shareholders. The answer to your question really lies in that – we have laid out our capital stall for 2021, it is around $13 billion. We are not going to change that because we are above $35 billion net debt. I think if we hit $35 billion net debt earlier we are not going to change our CAPEX this year. We are around $13 billion and that is the right thing to do to show discipline for shareholders.

Then as you move forward, obviously, what we said is once we have hit our $35 billion net debt target, our capital range becomes $14-16 billion, and that includes inorganics. I just encourage all of you to look back at the financial frame, we are following the rules tightly on that. Christyan, cross fingers, if some institutions are right and we see some price upside, then both ourselves and our shareholders will enjoy that immensely as at least 60% of those surplus funds will go towards share buybacks. Hope that helps, Christyan.

Bernard Looney: Great. Thanks, Murray. I think the last thing in the world investors would want us to do right now is start changing our mind on capital depending on the oil price. Hopefully, that helps that question. Christyan, thanks for both of those.

Craig Marshall: We will take the next question from Irene Himona at Societe Generale?

Irene Himona (Societe General): Thank you, good morning – I have two questions, please. Going back to BPX Energy, the quarterly disclosures show quite a steep 20% step up in the Q4 unit production cost to $8.10. I wonder what drove that, if it was something non-recurring, if it is seasonal, and importantly, what could we expect for BPX costs in 2021? Then, secondly, in relation to the targeted 7-9% growth in per share EBIDA, you do not actually disclose that figure historically. Are you prepared to tell us what it was for 2020 or do we need to wait for the March new disclosures? Thank you.

Bernard Looney: Irene, good to hear your voice. Murray, over to you on both.

Murray Auchincloss: On BPX and the lifting cost or production cost per barrel going up, Irene, it is really about production volumes. So cash costs were relatively stable across the time period, but an awful lot of that production comes from natural gas – places like Haynesville etc. There is steep decline on those when you do not invest in it. Obviously, given a low-price environment, we pulled our rigs down from, I think, 16 down to one. A natural consequence of that is gas volumes decline and unit costs go up. So that is probably nothing surprising there to you as I describe it. The absolute cost they run – Dave Lawler, who runs the business, is part of the overall Reinvent programme. He has his own efforts on Reinvent as well, going and digitising etc, so I would continue to assume that they will continue to drive cost-efficiency into that business and, over time, it should get a little bit better as we get back to drilling with the five rigs, and then eight rigs as we drive up production gradually.

Craig, do you want to tackle that other question?

Craig Marshall: Yeah. Irene, the EBIDA per share is actually disclosed on our medium-term financial frame slide in the materials. You can see what we did in 2019 and 2020. There is a reconciliation for that in our supplementary information, if you get to that point of your review. And then I think the last thing is, going forward with our new disclosure framework, we will publish that as well going forward, so I think all the information is there for you.

Bernard Looney: Great to get Craig in on a question. Irene, thank you very much. Craig, back to you.

Craig Marshall: Okay, we will take the next question from Os Clint at Bernstein. Os, good morning.

Oswald Clint (Bernstein): Yes. Hi, good morning. Around 300 strategic convenience sites and 2,500 EV chargers added in 2020. Are they attracting customers? Are they attracting the footfall that you might expect? And really, I ask because we have seen this deal from Couche-Tard looking for Carrefour, which is very different format. I guess, if I was being cynical, you could interpret that as them seeing some threat to longer-term fuel retailing as a business model. So I wanted to see, Bernard, what you would say to that.

And then, secondly, it is also probably a bit of a high-level question, but you have been busy. I have seen you on lots of panels here with Prime Ministers and head of large fund managers, and actually future kings as well. So, a lot of information in there. As you put all that together and think about that, do you still feel your pace of change or pace of transition is right? Some might say it is too fast. It is certainly faster than others within your group. That is the second question. Thank you.

Bernard Looney: Great. Os, I am going to actually let Murray take your first question around consumers and mobility – a business that he is passionate about. He has got his own views on what Emma Delaney, EVP Customers and Products should do with our coffee, but I will let him share that in a moment.

I do not know if that was a question or feedback for me on the panels that I am on, but no, look, what can I say? I read your survey, I think it was, that you did of investors, and I think that 40% of people said our strategy was too ambitious; 35%, I think, said it was just about right; and whatever the balance is – about 30% – said that it was not fast enough. So I think that there are mixed views out there on it. My own view, having talked to people like those – and we have been fortunate to be given access to some of these dialogues, which, by the way, I think is a hugely important part of our future, because if you are in the dialogue and you are in the debate you can shape some of these things and help them get to a good place. So it has been great being part of these dialogues. My sense is that I walk away honestly feeling incredibly encouraged about the direction that we are taking. I certainly do not walk away thinking that it is too aggressive. That is not something that I leave those conversations on.

It is only 12 months, almost to the day, since we announced our net zero ambition. What a change in 12 months. Something that was considered – I will not say 'outrageous' – back then, but certainly at the ambitious edge of ambitious. Look at what has happened in the last 12 months. This world is changing. It continues to change around us. We need to keep in step. I like the strategy that we have. I do believe that it is increasingly understood and embraced. I keep coming back to the fundamentals. We offer a fixed and resilient dividend. We offer a commitment to buybacks once that net debt target is reached. And I do believe that we offer long-term value growth, and that is the reason to be in bp.

So I am more encouraged – probably more optimistic, more confident – than I was, probably, as I headed into the end of the year, as we start the year. Now, that is not code for this is all about hype. We have to be focused on the business. We have got to deliver each and every day. That is why safety matters. That is why reliability matters. That is why we need to take cost out of that system. These are the basics of running a good business, and it is those basics that give us the permission to transform the company, which is why we say 'perform while transform'. And Murray and I, and the rest of the leadership team and the organisation, are all over it. But encouraged about the direction and focused on the job at hand, Os, is how I would put it.

Murray, convenience and mobility.

Murray Auchincloss: Yeah, convenience and mobility. Os, good to hear your voice. I think I will parse this one. So, just starting with convenience, probably the best year for convenience earnings for us, despite COVID environment. So footfall is obviously down with COVID, but margins are up and absolute levels are up. That is awfully good news. If I personally reflect on it, I prefer convenience now more than I did before. That is just a result of COVID, and I think consumers such as myself and yourself maybe feel that way. So we think the convenience offer is a good one. We think it has got good, strong growth. I think the statistics are that the world expects 5% growth

in convenience moving forward, so there is no reason to play into that.

On electrification, strong growth in electrification as well. Obviously, you just quoted the stats to us. It is really focused on three countries: UK, Germany and China. In the UK and Germany, this is all about starting to put bp pulse in the UK or in the Aral stations in Germany, close to our retail offers and close to our fuel offers. I suspect you will see a gradual substitution of those over time, and I think that is a pretty powerful business model. When you can get a five-minute charge on your electric vehicles, that is a fantastic way – go get 100 or 200 km after five minutes, go get a coffee. Bernard and I will debate what kind of coffee you should get. Go get a snack. And that is where you make the money for a business such as ours. So we think that is a nice nexus that comes together.

And then the last bit is fleets, and DiDi is an example of fleets, and Uber here in London is an example of fleets, where we will build out charging stations for fleets of Uber drivers or DiDi drivers, and we will become their natural place to rest, charge, gradually get convenience over time and enhance that offer as well. And so I think those fleet deals we do are super, super important, and maybe not something some of the other guys are talking about that you mentioned, Os. And certainly we are seeing that in DiDi in China, given the pace of growth there. So I think our premise is convenience is more desired, it is a higher growth rate, we can couple if with our fuel for now and convenience offers, and that will make great money and great growth, and we also think the fleets are a winning way. Let us see how we get on in London and let us see how we get on in China, but we do think it is the right thing to do, and we do think it creates ratable growth over time.

Bernard Looney: Murray is encouraging them not to make the charging too fast, so that you still have to go and get your cup of coffee, but we will see where that goes. Very interesting, Oswald, if you look online. DiDi has, I think, just manufactured the world's first vehicle that is dedicated for ride hailing. Pretty impressive. So the car is basically not meant for private ownership, and it is the first in the world. It is D1 – worth looking at online. But it is just a reminder of the pace of change in the world. This is what I love being in part of these things, because the world is moving, and cars are going to get built no longer for private owners but for fleets, and we have got to make sure we leverage that, and we will. Great, Os. Back to you, Craig.

Craig Marshall: Yeah, thanks, Os. We will take the next question from Peter Low at Redburn. Peter, good morning.

Peter Low (Redburn): Hi. Thanks for taking my questions. The first was just a clarification. Is the Equinor wind acquisition included in the $13 billion CAPEX going into

2021? And then, can you clarify how much of that $13 billion in 2021 will be allocated to renewables and low carbon more generally?

The second was just on the downstream business. Can you help us better understand some of the moving parts in the fuel result in the quarter? In the release you say that the marketing business was resilient and delivered significant profit despite the weaker volumes. That would obviously imply a significant loss in refining and trading, given the net negative result. Is that the right way to think about it? Is there anything you can do to stem those refining losses, given the continuing weak margin environment? Thanks.

Bernard Looney: Peter, very good, excellent, questions; very, very clear and Murray will take the first one. On the second one, I think the way you think about it is correct. You know it has been a difficult quarter in the refining industry. Thankfully I think average utilisation of refineries worldwide is about 78%. Ours, I think, were in the mid-80s in the fourth quarter and that is a reflection of the fact that we have top-quartile refineries. However, as you can see from one of the bricks in our resilient hydrocarbons plan out to 2025, we believe that there is more that we can do around availability and cost in those refineries to make them even better. That is what we are very much focused on. Obviously, given the environment, we are very focused on that today. You will also have seen us take the decision to convert a refinery in Australia into a terminal. I think these are important portfolio rationalisation decisions that we are taking as well.

So, it is good to see refining margins improve here in January a little bit, strengthening a little bit, which is good. However, they are still a long way off what historical numbers would be.

Murray, anything you would add and the question on capital?

Murray Auchincloss: Yeah and Peter, thanks for the question. The new disclosures in early March will show you the refining and trading number together and convenience and mobility separate from that. So you will be able to see that number but you have the direction of travel right, I will not tell you the numbers till we get clear on them.

As far as CAPEX goes, yes, $13 billion includes organics and inorganics, so we have changed the nature of how we guide, to make sure that those two things are all in. So it is included and yes, the Equinor deal is included in those figures. I think if you go back to my script, of the $13 billion, we said $9 billion would go into upstream, downstream and refineries; $2 billion would go into convenience and mobility and around $2 billion would go into low-carbon energy. I hope that helps clarify everything, Peter.

Peter Low (Redburn): Thank you.

Murray Auchincloss: A pleasure.

Craig Marshall: Okay, thanks Peter. We will take the next question from Chris Kuplent at Bank of America. Good morning, Chris.

Chris Kuplent (Bank of America): Good morning, thanks for taking my questions; two please. The first one: I appreciate this is not usually part of your quarterly reporting but could you give us a bit of a sneak preview on your annual report and sustainability reporting in terms of how 2020 shaped up, regarding your carbon footprint, measured on various measures? Do you have some preliminary data you can share with us? That would be quite interesting and of course equally interesting to hear whether you have commentary around where that is going to go for 2021.

My second question is, of course, going back to disposals. I was interested to hear that you are targeting to sell assets from your lower-margin pile and I just wondered whether you could look back. I am not going to ask you which assets you are going to sell but whether you can just help us, putting your Oman assets and Alaska assets into these EBITDA margin buckets that you have highlighted, Bernard? How do you feel those transactions sit with what we should expect, going forward, in terms of your disposal strategy? Thank you.

Bernard Looney: Morning Chris, thank you, good to hear your voice. I will let Murray take the second question. I think we should wait until we publish our sustainability report. I am glad you are interested in it; that is great. I think what we did say in our messaging today is that you should expect a decrease in both Scope 1 and Scope 2 emissions. Importantly, you will see a decrease in our Scope 3 greenhouse gas emissions that comes from the carbon content of our upstream production. We will come to the question on divestments; that is something that, I think, over time you can continue to expect to see on our way to the targets that we laid out for 2030.

They are probably the most significant things. Giulia is doing a lot of work with the team on that report at the moment and I think, Craig, we are going to have an event of some sort around that, on sustainability. We will follow up at that point. Anything you want to say on that, Craig?

Craig Marshall: Yeah, I think be looking for the sustainability report, as we said, around the end of the first quarter and be looking for an ESG event off the back of that sometime middle of April. I think that is what we are looking at but we will confirm that to the market in due course.

Bernard Looney: Great, thanks on that. Murray, divestment, then EBITDA and margins?

Murray Auchincloss: Yeah. Hey Chris, thanks for the question. So, if you think about the ones that we have completed, those would be Alaska and then a lot of the ones in BPX. BPX, given gas prices, will be at the lower end of that margin table, so you can go calculate the volumes there: San Juan, Wamsutter, etc.. That is something that I think you will be able to see with the transparency we have given.

Alaska is at the bottom end of that range as well, just given the level of production, etc. Oman is probably middle of the pack, would be my answer. However, Bernard has already talked about why we decided to diversify our portfolio with that one. Looking forward, you should expect more high-grading at the lower end of the barrel, where we can get value.

Bernard Looney: Great, thanks Murray, thanks Chris.

Chris Kuplent: Thank you.

Craig Marshall: Thanks Chris. We will take the question from Michele Della Vigna at Goldman Sachs. Michele?

Michele DellaVigna (Goldman Sachs): Thank you. Thank you for the presentation and the time. Two questions, if I may? On the timing for your financial degearing, you are assuming a quite conservative oil price, $45–50. We are about $10 higher than that. I was wondering, if you were to input that higher $10 and assume that it can stay there for the full year, how would that change the pace of your degearing?

Then, I was wondering, once you go through the $35 billion of net debt and let us say, again, the oil price is somewhere between $55–60, how quickly can you get to the $0.10 per quarter of dividend, plus buyback? Is that a phased approach or can, effectively, we get there quite quickly, given your free cashflow generation?

Then, last, a quick question: I saw your liquids pricing was quite weak in the fourth quarter and did not increase with the oil price. I was wondering if there was any specific factor there and if it could reverse in Q1? Thank you.

Bernard Looney: Michele, thank you for the optimistic questions. Great to have some optimism about 'what if' and I think the Goldman Sachs reports are saying $60–70 in the second half of the year. I will let Murray take the last two. However, on the first one, look, I think we should not get into trying to do 'what if's'. There are three factors at play: one is the oil price, one is the refining margin and one is the gas price. I think oil today seems stable, at the moment; it seems underpinned. We see inventories coming back to around the five-year average here in the second quarter, middle of the year. That is why, I think, some of your people think that it could be stronger in the second half of the year. Refining, I think, is more challenged at the moment. Congestion data is down in the United States and Europe between 15–40%, depending on what country. We are seeing some strengthening, though and we are seeing that demand recover and undoubtedly, as the vaccines roll out, that will be the case.

For gas, weather matters, stocks are getting low in Europe; that should help underpin prices. So, there is definitely upside; it would move the curve forward. However, rather than getting into the specifics of how much forward, I think we will just concentrate on executing that plan that we have and reporting quarter on quarter. Like you, we hope that there is some upside and I think the thing, for me, is that we are very well-poised to take advantage of that upside. We should not underestimate the cost reduction, the capital discipline. The company continues to get healthier, on an underlying basis, for projects that are coming on, such that, if that price were to come, we are really well positioned to take advantage of it.

Murray?

Murray Auchincloss: Thanks Bernard. Hey, Michele. You cheated a little bit with three questions, there, so I will be brief on the third, which is lagged pricing. We have lagged pricing inside the upstream and so you just see a bit of a lag in this one. It tends to suppress versus the marker, a little bit.

On your question on when do we get to the $0.10, I am afraid I am not really going to answer the question. It is across range of years, as described in my speaking points. However, probably the best way for you to think about it is to think about the evolution of the portfolio. We have told you low carbon really does not play into big earnings across the next five years. We have told you C&P has ratable growth across the next five years.

You have hints from Bernard and I about what the big milestones are on cashflow for the upstream. So you have: Raven will come online this year; you have Mad Dog phase two; Tangguh next year; Cassia next year. Those will be the big inflection points, as those start to come online and drive in higher cash flow. Then, of course, you have costs coming down, as we forecast.

So I think I would just encourage you to plug those assumptions into your model. You choose what price you have, as we do it; we are just quoting it as a figure across the timespan but it will largely be driven by underlying results. So, I am sorry, I am not giving you a direct answer, Michele but I hope I gave you enough input to think about it.

Michele DellaVigna: Thank you.

Bernard Looney: And we appreciate the questions, Michele. Back to you, Craig.

Craig Marshall: That is great. We will jump across the pond to Jason Gabelman in Cowen in the States. Jason, good morning.

Jason Gabelman (Cowen): Yeah, hey, thanks for taking my question. You mentioned that you have some downward flex on CAPEX next year, from $13 billion. I am wondering, one, what that floor is and two, where the first reductions would come from, if you look to reduce CAPEX?

Then my second question is: you mentioned four areas in the low-carbon business where you are growing, including hydrogen and CCS. There is obviously a lot of continued focus in the market on hydrogen right now. How far away is that from becoming, do you think, an economic solution and potentially a material part of the business? How much can that realistically grow within the business? Thanks.

Bernard Looney: Great, Jason, thank you. In terms of flex on capital, we probably have between $1–2 billion, Murray. The place you would start is in your home country, there, in the onshore United States, which is what that business affords us. So, probably $1–2 billion of flex and it all depends on the day and on how brutal that environment would be. We can flex down that much and that is where we would start, in the onshore US.

In terms of hydrogen and CCS, in terms of material parts of the company, you are really looking at 2030 plus; you are looking at that decade. We believe in hydrogen. The world needs CCS. We need to get after building these projects. We have a hydrogen project in Lingen, in a refinery in Germany. We are looking at the potential for export of ammonia out of Australia. We are exploring many different options in this space. It is definitely a fuel, of the future; there is no question about that. However, it is not something that is going to happen overnight, in terms of being a material part of bp's portfolio.

The best example we have is what we are doing here in the UK at Teeside, where we will build, we hope, in the coming years, with our partners, a power station. We will capture the carbon, we will take it offshore, we will stuff it underground. Taking the carbon back is what I like to describe it as. We will hook it up with some local steel, fertiliser and ammonia factories up there and help them with their hydrogen production. This will be, I think, one of the world's first net-zero industrial sites, in the north east of the UK here. We need many more of these opportunities being built around the world so that we can get the scale that will lead to the cost reduction that will lead to the economics of these things working. However, in terms of materiality, it is 2030 plus, as opposed to before 2030. Hopefully that helps, Jason.

Jason Gabelman: Thanks.

Craig Marshall: Okay, thanks Jason. I think there was a question online from James Lowen at JO Hambro. James, I hope that answered your question, as well, in that space.

We will take the next question from the phones from Lucas Herrmann at Exane. Lucas?

Lucas Herrmann (Exane): Craig, thanks very much and Bernard, Murray, really nice to hear your voices again. Two, if I might? One is pretty straightforward. You mentioned eight core regions in the upstream, I think, Bernard. Forgive me, I have probably forgotten what they are but perhaps you could remind me?

Secondly, just staying with power and renewables, we keep pestering you on returns but is asking around returns just the wrong question, in that the models that most of you seem to be adopting is resource projects, resource finance debt and delever. You then sell down equity and that supports the 8–10% we are targeting. So, to the extent you can sell down equity, you should always be able to push yourself to a position where the return on equity is actually pretty attractive but unfortunately the absolute capital invested almost becomes de minimis.

It is an observation but I just wondered, Murray, Bernard whether you could comment on it because there are times when returns from projects are clearly falling away, given the competition for the resource, or the opportunity. It does feel as though the equity you are going to be able to invest, or the capital you can put in and therefore the absolute cash you can drive, really is not going the right way. That feels very much as though it has been Lightsource's model: i.e. find projects, find someone to finance, retain an element at decent return. That is not meant as an insult; it is just an observation on achieving returns.

That is the question.

Bernard Looney: Very good, thank you. We will get you the eight core regions here in a moment. On the returns question, I think farming down, which is, I think, what you are referring to, is, certainly in the solar world, an accelerator of returns. It is one of the levers that you can choose to exercise. You are correct; it is something that Lightsource bp does. Of course, we have seen it happen in other parts of the sector as well.

I think, as we look at offshore wind, there will be choices that lie ahead as to whether that is the right model or not. As you quite rightly say, by the time you leverage, by the time you have a partner, by the time that you then do farm down, the question is what earnings and what EBITDA do you actually begin to generate over the long term? That is certainly something that we are very, very focused on.

I think that these are choices that lie ahead, particularly in the offshore wind space. The good news is that we are securing and have secured, in the United States, today, good acreage, good access at 50% equity and choices around what you are discussing will lie ahead of us. We have the capital to put behind it, up to $5 billion per year by the end of the decade, so it is not a shortage of investment that will force us; it will be what do we think is the right thing to do from an economic model standpoint?

Murray, anything you would add on that and the eight regions?

Murray Auchincloss: Yeah, nothing to add on that one Bernard, very clear. Lucas, the eight regions that make the majority of cashflow, which is not to be confused with the portfolio decisions that we make in the future: Gulf of Mexico, Angola, North Sea, Asia, BPX, AGT and Middle East, North Africa]. Thanks very much.

Lucas Herrmann: Murray, thanks. I do have a third, which is: what is your favourite coffee?

Murray Auchincloss: Exactly.

Bernard Looney: He better say Wild Bean, or his badge will be deactivated tonight, which is the number one coffee in New Zealand, of all places. So if you ever get the chance to travel again, in your life, Lucas, it tastes very good there, apparently. Back to you, Craig.

Lucas Herrmann: I will look forward to the opportunity.

Craig Marshall: Great, thanks very much. We will take the next question from Biraj Borkhataria at RBC.

Biraj Borkhataria (RBC): Hi, thanks for taking my questions. Murray, you called out a few changes to production as you are moving into 2021. I just noted that gas production in Trinidad is down quite a bit from the start of the year to the end. Could you just talk a little bit about any specifics there? Is it just the impact of storms, or maintenance and can you just comment on whether that production is back closer to kind of normal levels in early 2021?

Then the second question is on the Permian. When you acquired the BHP assets, I believe the flaring intensity was at the higher end of the kind of Permian operator range and Bob Dudley used the phrase, 'We're going to get after it.' Obviously, this will be a function of overall volumes and gas volumes were down 50 percentage-ish, year on year. However, can you provide an update on where you are now and the progress that has been made in the last couple of years? Thank you.

Bernard Looney: Biraj, good morning; thanks for the questions. I will let Murray handle Trinidad.

On flaring, Bob would be proud of us. We are indeed after it. We are all over it. I think flaring has gone from 15% down to 3%, over a 12month period. That is not a function, necessarily, of a passive approach to that; that is an active approach to that, in terms of what we are doing, in terms of investing into how those Permian wells are developed. So, great progress but 3% is not good enough. We have a goal to get to zero routine flaring in Texas and that is what we are focused on.

So I am really proud of the team for getting from 15% to 3%. 15% is not what we want to be at and not what we stand for. We need to do better than 3% and as Bob said, we are on it.

Murray, Trinidad?

Murray Auchincloss: Yeah. Hey Biraj, good to hear your voice. On Trinidad, really there are two things going on: Big turnaround (TAR) and then, obviously, Cassia Compression where we were planning on having online this year. It has been delayed due to COVID issues inside the yard that we could not move construction forward. Trinidad is really characterised by a conveyor belt of projects that come in and sustain gas production over time so, unfortunately, COVID damaged us on that trajectory of the big projects. However, hopefully that is clearing up. We get Cassia Compression online in 2022. Then we will move on to the string of next projects across that, with discoveries from ILX drilling that have happened over the last few years. Thank you, Biraj.

Bernard Looney: Craig?

Biraj Borkhataria: Thank you.

Craig Marshall: Thank you, Biraj. We will take the next question from Bertrand Hodee at Kepler. Bertrand?

Bertrand Hodee (Kepler Cheuvreux): Yes, hello everyone. Thank you for taking my question. I just wanted to come back on the Q4 cashflow and understanding the building blocks here. Can you disclose what was the severance payment cash made in Q4, possibly also during 2020 and what is the severance cash payment you expect to make in 2021? That would be helpful to understand the underlying cash flow.

Bernard Looney: Great, Bertrand, good to hear your voice; I thought you would be asking about Mad Dog phase two. You used to always ask me about that back in the day. However, Murray correct me if I am wrong, on restructuring we have taken a $1.4 billion charge, $500[2] million of outflow in cash terms, up to date and we expect to see the majority of the remainder in the first half of this year.

Murray Auchincloss: $500[2] million through 2020, yeah.

Bernard Looney: Yeah. Hope that helps, Bertrand.

Bertrand Hodee: Yeah, thank you.

Bernard Looney: Thank you.

Craig Marshall: Okay, we will take the penultimate question from Martijn Rats at Morgan Stanley. Martijn?

Martijn Rats (Morgan Stanley): Yeah, okay. I have two. Frankly, admittedly, they are sort of a bit at the margin. However, I wanted to build on the question that Oswald asked a little while ago about some of the targets, particularly in convenience and mobility. Two of these targets that always stand out to me are the number of EV charging points, where there is a large growth ahead and also the number of retail sites in growth markets, where there is also not quite a tripling ahead but very strong growth over the

(2) Actual number for 2020 was $200 million

next five years. These are sort of numbers targets. However, it would be really helpful to have an understanding what the sort of average, typical EBITDA contribution of an EV charging point actually is, or the average, typical EBITDA contribution of a retail site in a growth market? I find that really difficult to figure out independently. However, if these numbers are going to increase over the next couple of years it would be helpful, at least on our side, that if we see these numbers go up, then we can also sort of have some sort of idea what the EBITDA impact of that is. If there is anything to say about that sort of quantitatively, I would hugely appreciate it.

Then, finally, from one of the slides on the reporting segment, do I understand that you will be reporting oil production and gas production in different reporting segments? Do I have that correct?

Bernard Looney: Martijn, good to hear your voice; I will let Murray take both questions. They are not at the margin I think but Murray, over to you.

Murray Auchincloss: Yes, Martijn, you have it. Oil in one column. Sorry, I cannot remember what slide it is in the presentation but that is the second time we have shown you that, so yes: oil in one section and gas and low carbon in the other. Absolutely, that is what is happening. I guess you guys will be happy because you get more transparency into the historic upstream, being able to divide out the oil and the gas.

On convenience and marketing, I think, on EVs, this is kind of a changing market, if I am honest, Martijn. What I could say is that, on the latest chargers that charge in around five minutes, if you get to 18% occupancy, you start making money. That is all you need, during a day, to do it. If you are sitting here in the UK, you can drive by the Hammersmith site and you will see that it is pretty hard to get in because they are almost always occupied. So I think that gives you a sense of what is valuable inside the electrons. Of course, the margin, though, comes more from the convenience side, rather than the electric charging.

I think the way I personally relate to it is you have fuel sales; you have electric sales and you have convenience offer. By providing electricity in places like Germany and the UK, where government mandates are driving towards electrification, this becomes a stopping point for a fast charge and a snack. The margin obviously comes in the snack and the coffee that we have talked about earlier. However, that little step that I told you, 18%, that is a snapshot right now. That will change significantly over time, I am sure quite significantly as we move through time, as technology improves. It is pretty hard to believe how fast it is moving these days.

That is probably what I can give you on EV for now. We are thinking more and more about how we can start to describe this to you better in the future.

As far as growth markets, you are right, it is massive growth. I think the big one is obviously in India, where we are planning to go from something like 1,400 sites to 5,500 sites, so that is the vast majority of the growth inside that. Let us wait for 3rd March, if you do not mind, Martijn. We will see if there is more we can disclose inside that space. I do not have a number at my fingertips right now. However, we will come back and we can maybe answer some questions in that space in March, when we start to expose more of this stuff.

Bernard Looney: Great, a reasonable question and I do not have a number either, so we will come back in March. Craig?

Craig Marshall: Okay, great. Thank you, Biraj. We will take the final question from Anish Kapadia at Palissy. Anish?

Anish Kapadia (Palissy Advisors): Hi, thanks for taking the question. I just have a couple of questions, please. Firstly, you disclosed a substantial gain in the non-operating businesses, I think from one of your venture capital stakes. I do not think it was a sale; I think it was a revaluation. Was that, potentially, the Palantir stake or, if not, could you give a bit more details on what that was and just kind of thinking of that in the context of are there opportunities to realise some of those gains over the course of the year?

Then just a second quick one: on your marketing, I think you revealed, for 2019, about $2.7 billion of earnings. I was wondering if you could just give the comparable figure for 2020. Thanks.

Bernard Looney: Murray?

Murray Auchincloss: We will come back on your second question on 3rd March; I just do not want to misquote anything, so we will come back on 3rd March with the year-over-year in that particular area. Yeah, you have it right on where it came from in 4Q in OB&C. It is equity on Palantir as you say, so that is something for the future.

Bernard Looney: Very good, Anish, thank you.

Craig Marshall: Okay, that is the end of the questions. Again, thank you everybody for listening. As usual, IR are available to answer any follow-up questions and we do look forward to talking to you. As Murray and Bernard have described, we look forward now to early March and the update around our disclosures, so there will be more information in due course around that. However, maybe, on that note, let me hand over to Bernard for some closing remarks. Thank you.

Bernard Looney: Very good. Well, thanks Craig, thanks Murray and thanks to you all for taking the time to join us: a difficult quarter with some difficult numbers and complexity to explain. However, if you step back from all of that, the plan that we have laid out remains the plan. Our business is running well; the world will recover and is recovering and we are very well positioned to take advantage of that. We are executing on our strategy, step by step, day by day, in a very disciplined fashion. All the while focused on the basics of running a good business. We appreciate your interest, we appreciate your questions and I am sure we will be following up with you in the hours, days, weeks and months ahead. I wish all of you and your families a safe and healthy 2021. So, take care and we will be in touch. Thanks.

[END OF TRANSCRIPT]