



BP 4Q 2022 results: Webcast Q&A transcript

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Q&A TRANSCRIPT

Bernard Looney: Thanks very much for your patience and for listening and for watching the video. Members of the team will now join me on stage, and we'll be delighted, guys. Come on up, game time. We'll be delighted to take your questions starting in the room probably, and then we'll go to on the lines. So I think everybody knows everybody. Emma's here. So we got Anja, Emma, Gordon, Carol, and you've met Murray. So let's get going. And we'll start off here in the room. And we'll start with Lydia, why don't we start with Lydia and then we'll start making our way around. So Lydia, over to you, please.

Lydia Rainforth (Barclays): Thanks. And good morning, and thank you for the video as well. It's Lydia Rainforth from Barclays. So, two questions if I could. The first one is on the change around the upstream production side. Previously those have been described as low margin barrels. Can you just talk us through what's happened to that margin now, why you want to keep them and whether that made you feel uncomfortable with the Scope 2, or the aim 2 goal. And then the third one, and for you, Anja-Isabel. Bernard described you as having brought clarity to the strategy in the renewables part of the business or low carbon part of the business. Can you talk through what you found, what you've changed, and then perhaps linked to that, just how you, Carol and Emma all work together in terms of some of that trading business being quite clear. Thanks.

Bernard Looney: Fantastic. Great, Lydia, thank you. Gordon, why are you keeping these assets longer?

Gordon Birrell: Yeah, thank you for the question, Lydia. I think over the last couple of years, there's really two things that have happened that gives us huge confidence to keep these barrels. Number one is just the operational improvement. We've improved reliability on our assets. We continue to drive down unit costs. We continue to drive capital productivity in the wells area. We've deployed new technology; ocean bottom seismic now is being deployed widely across our portfolio, giving a better view of the barrels that remain.

And then finally, I would say commerciality, if you look at what we've done, say in Azule Energy, we've brought together two very mature sets of assets with our friends at ENI, brought them together into a company now called Azule that's doing over 200,000 barrels per day, has three major projects coming towards it – it has huge growth potential actually. So Aker bp and Lundin Energy would be another example where we've added value through commerciality. So that gives us lots of confidence that if staying inside our portfolio, we can continue to add value to these barrels.

Bernard Looney: Thank you, Gordon. And well done on the reliability for last year, even better than when I was in charge of the upstream. So but anyway, Anja or Anja-Isabel.

Anja Dotzenrath: Anja is fine. Thanks for the question, Lydia. What I found is first of all, a great foundation to start from, and I give you two examples. Lightsource bp, it's a thousand colleague organization by now, in motion to deliver gigawatts at lowest cost possible, presence in 19 countries. So a very, very important capability for everything we want to



do in hydrogen and also in Emma's business, etc, because renewables capabilities are absolutely key. Another example is our entry in offshore wind, which I give, let's say the bp team, the credit for. So I inherited a great pipeline to build on. And so, my focus really in the last 12 months was three things. I mean, being even clearer what we want to do in low carbon, what to do and what not to do.

So where do we want to play in hydrogen? How do we want to play in hydrogen? And I think Bernard alluded to it. And one important question was also to clarify the role of renewables in bp's portfolio. And I think we have a very, very clear answer to that. It's all about integration value. It's not about just gigawatts. It is about value. And this I think is a very unique proposition. The second thing I focused on was building the delivery muscle. We stood up two new operating models, organizations focused on hydrogen and on offshore wind. And we are fine tuning as we speak, but up and running and we brought external talent in.

And the third is really growing the pipeline. And I think you've seen the numbers of literally from very, very little to a very material pipeline in hydrogen and a very, very good pipeline in renewables. And of course, developing the projects, maturing the projects, and then the steering model behind it, because these businesses are distinctively different to oil and gas and that they need a different steering model. So this was what I did in the last 12 months.

Bernard Looney: Brilliant. It's fantastic having Anja here. And there was a question about how you and Emma and Carol works together. Emma, Carol, any one of you want to say how you bring it all together seamlessly.

Emma Delaney: Seamlessly.

Bernard Looney: Okay, good answer. We'll take it as a short answer. Lucas? Thank you, Lydia.

Lucas Hermann (Exane BNP): Thanks very much, Bernard. It's Lucas Hermann at Exane BNP. A couple as well, if I might. And perhaps the first ties in with one of Lydia's. So 15 to 20% return, it's an obvious allocation question, 15 to 20% return in hydrocarbons greater than 15% biogas, greater than 15% electrification or EV 10% or so in hydrogen and 6 to 8% unlevered in renewable. So explain to me, that the 6 to 8% in renewables, in that they're electrons, they're a commodity, you can buy them in. So why allocate in that direction? That's the first question.

And the second is to Murray. And it's just, and maybe to Carol, and it's how do we think about the LNG optimization trading business in terms of pricing this year? And I asked simply because gas prices globally have clearly come back a long way, but you position a long way forward. So when I think about the profit delta that the price would imply for the year, what can you tell me to afford me comfort that what I see on the screen today, TTF and bp JKM relative to last year is not something I'd necessarily affect, volume aside Murray, for the gas and power or the gas and low emission business. Hope that was clear.

Bernard Looney: Possibly to people who understand the market well, which is Carol. So Carol, I'm going to ask you to lead off on that. Murray can add if he wishes to, but Carol, go for it. And Anja, will ask you to take the 6 to 8% question. Please go ahead, Carol.



Carol Howle: So, yes, we have seen, as you said, a reduction in prices since last year. But I think there are also when you look at the fundamentals of the market there's potentially still tightness going forward when you look at growing demand, China coming back in, for example, east unlocking. Yeah, we did lose a lot of demand through winter, warm winter. That's something that we'll continue to watch going forward. So I think we're looking at the supply demand balances. We're looking at all of the factors. They're not all necessarily bearish, I'll just say on that perspective. And we have a portfolio which we've created around optionality. So that's pricing centers, it's demand centers, it's volume, it's flexibility. And our job is to monetize that for bp. And I think the team have done a great job of doing that over multiple years, over multiple market conditions. But I'm sure Murray can give us the right nomenclature for the performance.

Murray Auchincloss: You guys have performed tremendously. Lucas, it's not about high price, low price, it's about volatility, and there's not an awful lot of supply out there right now, so that suggests volatility. So we look to Carol's organization to manage that volatility. And I think there, they continue to be well positioned to do that.

Bernard Looney: And I think a lot of the contracts and supply that we're bringing on in the coming years, importantly were deals that were signed many, many years ago, not in the last year, in the middle of some of the biggest price spikes in history, but many, many years ago. So also a great place as Carol grows from 19 MTPA to 25 by 2025. So Anja, 6 to 8% returns in renewables and power. why should we be in it, why is it an attractive business for bp?

Anja Dotzenrath: And I would slightly disagree if I may to your statement, there's an abundance of green electrons around the world. Actually, this is not the case. And we invest, we allocate capital to own renewable assets. If you believe this is a critical control point. So if you're seeing about projects like AREH (Australian Renewable Energy Hub), for example, in Australia, this is largely off grid renewables and it's 70% of the total capex of the project. So we need a leading edge capability to deliver the green electrons at the lowest cost of energy. This is absolutely crucial for the success of this business.

If you think moving to Europe, if you think about how to scale a hydrogen business in Europe, it is all about scaling offshore wind because this is the only scalable technology in Europe which can deliver gigawatts of, let's say green electricity in service of green hydrogen production. This is why we believe we need to play in offshore wind, because there are regions around the world where this is the only scalable technology. And I think this is how we think about it. If there are liquid markets, if there's an abundance of green electrons and we can buy them in a way cheaply, competitively, we will not deploy capital in renewables. But we believe definitely for this decade to come, we have to, because it is absolutely crucial.

Bernard Looney: Great. Thank you, Anja. Thank you, Carol. Oswald, then we'll keep going.

Oswald Clint (Bernstein): Thank you very much. Just back on the returning average capital employed numbers, so I think 2020, we said upto 2% was delivered to the last 20 years. The last three years we've added 4%. As we look out to that 18% in 2025 and beyond, which is a big number, how much is the trading contribution in that, please, and I'd love just to tie that perhaps, Carol, back to Anja and say do you believe that trading electrons,



you can trade and add value here? I think coming from your old company and others, utilities tend to say it's not quite possible.

So I'd love you to square that circle please. And then secondly, sorry, your deepening or higher conviction on EV convenience to Emma. But can you help us a little bit more in pricing across fleets, Hertz, Scottish Police Force, Uber London, I mean, how much of that is helping it to 15% returns in that business? And even some of the trucking that you're doing in Germany is an array of pricing here that's helping. Thank you.

Bernard Looney: Thank you, Oswald. Let's start off, Murray, 18%. How much includes trading on electrons? Did we make money? And Carol wants to add together both of you guys and Emma. So, Murray?

Murray Auchincloss: Yeah, I don't think I'll guide on what's trading as a component of the 18% Oswald. That would be a little bit tricky for Carol moving forward. But I will say that Carol's had a stunning track record over the last three years, 4% on average ROACE for the group. So you can calculate the numbers now, I'm sure. And Carol has a growing portfolio ahead of her with Archaea and biogas with LNG expanding. And I think the profitability of trading will really depend on a few things. First, continuing volatility. Does continuing volatility happen, as per Lucas's question?

Second, can we continue to manage gross margin competition because it's a competitive space and can we continue to do a good job? So far, so good. And I think I'd put my confidence in Carol and her team, and then we have growing LNG. So as Lucas says, it's volume not price, but again, it's volatility. So I think, I'm not going to guide on it, but certainly we have a fabulous capability here in place. And I'm confident Carol and her organization will do just fine.

Bernard Looney: Thank you. See if Anja and Carol will agree on trading electrons. Who wants to do that one?

Carol Howle: So I think, so one of the questions previously was around integration. And we do work very closely across each other. We're looking at power value chains. So we think about routes to market. We think about how we want to lock positions in. We think about whether it's corporate, industrial, self-supply. We take trading positions around that. We look at greening of products, and so we won't be giving numbers, but we did have a strong power trading delivery last year, and that is because we've built up this position across assets, corporates, merchant and what we call virtual strategies. That's in the US. We're building that in the UK and Europe, and we're also supporting around the Australian Renewable Energy Hub.

Bernard Looney: Anything to add?

Anja Dotzenrath : Perfect answers as always.

Bernard Looney: What's there to add? Murray, I like this idea. Bringing these guys up on stage. I think we should do this.

Murray Auchincloss: Makes it easier for you and I.

Bernard Looney: Little bit easier. Yeah.



Murray Auchincloss: It does.

Bernard Looney: Totally. Brilliant. And deepening EVs, Emma where are the returns coming from, pricing, so on.

Emma Delaney: Yeah. Great. Thanks for the question. So in our EV business, we have a very focused strategy. We're focused on fleets and we're focused on fast charging on-the-go. And just to give you a sense of the balance of that, we probably expect about 80% to come from on-the-go fast charging, 20% from fleets depots. And we've really built capability over the last number of years now more than 500 people really working on deploying into both of those core focus areas, and it's working. So power energy sales up two and a half times utilization is up in every market where we operate. And it's clear that on the fast-charging side, customers in the UK where you have a choice between fast and slow customers choose fast five times more frequently than slow.

So we're really seeing a play into this fast charging on the go. We're investing in this business today, of course, and it'll turn earnings positive, some chunky earnings coming from that by 2025. So really looking forward to that. Fleets in particular, what I like about fleets is we have really sizable fleet business today, 170,000 customers around the world. Those customers and corporates have made commitments to decarbonize and the energy vectors they need to decarbonize will be multitude of energy vectors all the way from biofuels, which is near term decarbonization through EV charging and EV charging in trucks. Who would've thought five years ago that you'd have a 19-ton truck that can be run on electricity, and we're playing into that market with some specific investments, which we've made in Germany where the EV trucks are already taking off. So I think fleets for us really offer an opportunity to play into a number of our areas, and we're really looking forward to seeing what this business brings in the next couple of years.

Bernard Looney: Thanks, Emma. Let's go to Irene. And then after that, guys, we'll go to a couple of questions online. So, Irene?

Irene Himona (Société Générale): Thank you. Irene Himona at Société Générale. My first question on the framework, and congratulations on the numbers, first of all, and you have upgraded EBITDA targets very materially, partly because of the increase to Brent price from 60 to \$70. But of course, you continue to guide on a 4% dividend increase based on \$60 for consistency. But how should we think around that 4%? What does it grow to in your new framework of \$70/bbl, please? And my second question, back to convenience and mobility, obviously if we focused on EV charging, can you give us some insight on the conventional part of that business? So, for example, is Castrol Lubricants finally delivering the long awaited potential that we think it has? Thank you.

Bernard Looney: Great, Irene, thank you. Murray we'll kick off with you and then we'll go to Emma on the non EV charging part of the business.

Murray Auchincloss: For consistency, we stuck with guidance at \$60 to guidance points, \$4 billion of buybacks at \$60, and the capacity to go to the dividend at 4% per annum at \$60. That's what we've chosen to do. If you'd like to figure out what it looks like at \$70, we've got our rules of thumb. They work pretty well. They have worked pretty well over the past three years. So, I'd just use the rules of thumb to guide you towards \$70, but I'm



not giving specific guidance at different price decks. Too many things moving around to do that. So, we'll just stick with our guidance at \$60.

Bernard Looney: Great, thank you, Murray. And Emma?

Emma Delaney: Yeah, thanks, Irene. And as I look at the fuels and Castrol part of the business, so non-EV, non-convenience part of the business for 2022, a number of headwinds there that we've been working against. So particularly forex, cost inflation we saw during 2022, nonetheless, some really bright spots. So aviation a record year and Americas did really well. But nonetheless, some of the volume numbers in 2022 are still 8% behind COVID. So I think plenty of recovery still to come in the base there. And we're seeing some of that recovery. We've seen some of that recovery in some of the businesses, some of the regions come through. And I'll just point out convenience, which is inextricably linked actually to our fuels retail business because most of our convenience today exists on our existing retail network and some stellar performance there despite tricky trading conditions. So 9% gross margin increase per annum over the last three years.

And particularly in the Americas, if I look at AMPM, 12 years of like-for like sales growth in that franchise, Thornton's 20% growth (year on year) in food for now, which is a high margin category. And even in the UK, increased sales. In Germany, we've been rolling out a partnership called reWEWE to go. We see sales there, one and a half times sales at the competitor sites. So I think a lot in the convenience side, which is inextricably linked to the fuel, still some recovery to come actually, which is all to play for as we recover out of COVID.

You mentioned Castrol. I think Castrol has seen unprecedented headwinds over the last three years. Base oil has affected them in particular additive shortages and forex as I mentioned earlier. But nonetheless, and we're not yet where we need to be and where we want to be in Castrol, but we do have a new CEO in place in Castrol and a clear plan to get after Castrol's recovery.

Bernard Looney: Great. Thank you very much, Emma. Let's go to the line and we'll go to Michele Della Vigna at Goldman Sachs, and then we'll go to Paul Cheng at Scotiabank. So, Michele?

Michele Della Vigna (Goldman Sachs): Thank you very much for taking my question and congratulations on the very strong quarter. Two questions, if I may. The first one on LNG, you have one of the best growth in the industry in terms of new supply coming on in 2023 and 2024. You took a major hedging position in Q3, which looking back looks very well timed. I was wondering if you could give us an idea of how much of the extra LNG supply has been locked in terms of pricing for the next two years. And related to that, you had a \$7 billion working capital build because of that in Q3. I was wondering how much of that actually unwound already in Q4 and how much is still to be expected for the next two years.

And then if I can have a second question, we have a major new ESG disclosure coming through in Europe this year, which is the EU Green Taxonomy. I was just wondering out of what you call transition growth engines, which accounts for 25-30% of your capex now going to 50% by 2030, how much of that would you say is taxonomy aligned? Because I think that's going to be a major focus out of ESG investors in Europe this year. Thank you.



Bernard Looney: Michele, thank you. Murray, working capital build/release. Carol, how much have you hedged and sold forward, all of that good stuff, and I'm going to ask Giulia to comment on the taxonomy. We'll get her a microphone in the room. So, Murray?

Murray Auchincloss: So if you go back to Q3 guidance, what we told you is that we expected \$7 billion of working capital release from the LNG book as cargos were delivered starting in 3Q23, heavily weighted into 2024. That's what we talked about last quarter. This quarter we've had a \$4 billion release in working capital. Some of that did come from that LNG book, given the size of the decrease. And so we had about \$2 billion of that release in the quarter out of our \$4 billion release. So as you look out to third quarter 2023 through the second quarter of 2024, we'd expect to see around \$5 billion of release as those cargos get delivered. We don't think it's tremendously price sensitive, but when you have a 50% fall on LNG, a lot happens with the IM and VM that's sitting and that's why some of that money came back in the fourth quarter. Carol, over to you.

Carol Howle: Unfortunately, a short answer. I can't give any guidance on how much we're hedging or the forward sales. We did have below average performance in Q4. That main driver on that was actually Freeport performance risk. But don't see any reason why we can't continue to deliver from that portfolio based on the optionality that we have within it going forward. And I'll leave it at that.

Bernard Looney: Great, thanks. And Giulia, quickly on EU taxonomy.

Giulia Chierchia: That's perfect. Thank you, Michele. Let me start by saying that we actually clearly support the efforts in terms of transparency in the EU taxonomy. We're looking to see what happens in terms of all the multiple taxonomies coming together, SEC, CSRD, the EU taxonomy. We will start disclosing along the EU taxonomy in 2025, based on 2024 data as required by the CSRD. Now if you look into how much of our investment is actually going to be aligned to the EU taxonomy, we'll be disclosing our investments into transition growth engines until then, and you can assume that towards 2030, a significant majority of that will be aligned to the taxonomy.

Bernard Looney: Great. Thank you, Giulia. Excellent. Paul Cheng, Scotiabank, and then we'll come back to the room.

Paul Cheng (Scotiabank): Hi, thank you. Good morning.. Two questions please. What's the assumption, what's the assumption that behind the high end and the low end of your capital range, I mean, what is the parameter behind that? The second one is, if we are looking outside your transitioning business on the conventional or legacy oil and gas, should Europe be part of your long-term portfolio, given the political environment? Thank you.

Bernard Looney: Very good, Paul. Thank you. So Murray, the question I think was what would guide you to \$14 billion to \$18 billion? What's the marginal thing to do in there?

Murray Auchincloss: Great, thanks, Paul. Nice to hear you early in the morning in the US. I think 2023 is a good way to think about our guidance. Right now, the hydrocarbon prices are pretty strong, and as we've said, we expect them to continue to be elevated. Our organic capex in 2022, if you look at the fourth quarter, started to tick up probably into the low fourteens, if you multiply by four or quarterly run rate in 4Q. And of course, we've



added the Archaea pipeline, which will increase organic capex. We're adding more rigs, which will add capex. So we're probably adding an organic run rate now, \$14 to \$15 billion in 2023. What we've guided is \$16 to \$18 billion, including inorganics. So given the high price environment, given what we're seeing organically, that gives you a sense of what our organic and inorganic split is. And looking forward we'll be guided by the price range that's out there in the market each year. As we think about that \$14 to \$18 billion range, if prices fall back to the \$40 level, we'll obviously be at the lower end of the range as prices remain high, we'll have the flexibility to stay at the upper end of the range. I think that's probably what I'd say. Bernard.

ffBernard Looney: Great. Thank you Murray. and Paul on Europe. I mean, I won't collapse and make kind of regional statements in general other than to say we're returns driven. Our investments have to make the returns that we've laid out. There are some great opportunities in Europe today. We have a strong oil and gas business in the UK North Sea. We have a strong oil and gas business in Norway with Aker bp. We are, I think, one of the fastest charging the largest fast charging provider in Germany today. We're excited about that. We have a new partnership with Ignacio Galan and the Iberdrola team that we're very excited about in Spain around hydrogen and the potential for that. So it's a case by case basis. Paul, we look at all countries. We look at. Ultimately, we have to be driven. Our investments are driven by our returns criteria. And there are great opportunities in countries around Europe, just like there are great opportunities elsewhere in the world. So let me leave it at that and come back to the room to Chris Kuplent, please.

Chris Kuplent (Bank of America): Thank you. Chris Kuplent from Bank of America. One under the banner of capex discipline. Just wondered whether your hurdle rates in upstream have changed alongside your \$60 to \$70 move on the real assumptions for pricing. And, if you could, you know there's quite a big difference between one and a half million and two million barrels per day in 2030. So I just wonder whether you could maybe Gordon talk us through the additional projects that would make up either the stemming of decline or the much lower assumed disposals that are behind this new target. And maybe as a bonus question what makes you so confident that with no reduction in your refining footprint and now a much higher oil and gas footprint upstream, your Scope 1 and 2 targets can remain unchanged. Thanks.

Bernard Looney: Very good. Excellent. I'll have Gordon take the Scope 1 and 2 question as well. We'll kick off with Murray first.

Murray Auchincloss: On hurdle rates, no change to hurdle rates, Chris.

Bernard Looney: So we go from that then to what are we keeping? You're not, we'll let you answer your question, one and a half to two million, and how are you going to deliver the Scope 1 and 2 emissions, which we have not changed, Chris, as you quite rightly pointed out. So over to you, Gordon.

Gordon Birrell: Great question, Chris. Thank you for that. So we have a hopper of opportunities of 18 billion barrels, that's what underpins our plan to 2030. And I have to say, the subsurface team under the leadership of Ariel Flores have done a fantastic job of articulating these 18 billion barrels numerically and quality wise, much better than I've seen in the past. So, we've got 18 billion barrels in there. As we bring forward the opportunities they have to hit the hurdle rates. And as Murray said, no change to hurdle

rates. So to create momentum through to 2025, we've got five major projects coming on this year. A little bit backend loaded, but five major projects that we have confidence, big projects, projects like Tortue Phase 1 in Mauritania and Senegal, projects like Tangguh Expansion Phase 3 in Indonesia. Projects like Argos (Mad Dog Phase 2) in the Gulf of Mexico, they're going to come on and they're going to bring high quality barrels with them. Through to 2025, we've got a total of nine major projects coming on stream. So again, creating that momentum through to 2025. And then from 2025 to 2030, we have a rich opportunity set within that 18 billion barrels. So we can make choices that will continue to offset decline allow us to sell the 200,000 barrels per day that that was mentioned earlier, to end up at two million barrels per day by 2030. So I'm very confident that the resources in the ground, we've got the teams in place to execute, we keep driving capital productivity under Andy Krieger in wells. I'll give you just one example. A fast-paced tie back, we're executing right now in the Gulf of Mexico, Thunder Horse Expansion between Phase 1 of that expansion and Phase 2, we safely halved the cost of a deepwater well. That's just one example of how we're driving productivity. And all these things just give us confidence that the Clair Ridge team doing similar great work subsurface wise, drilling wise, to develop the giant field west of Shetland more productively, more efficiently. So I'm actually very confident that we've got the resources in the ground, we've got tremendous teams in place to execute, and all we need to do now is execute well through the balance of this decade.

Bernard Looney: Great. And you've kept your Scope 1 and 2 target constant despite having a higher refining throughput and a higher production. How have you done that?

Gordon Birrell: It just makes it harder. That's as simple as that. I think of the world, the company, our stakeholders require us to deliver.

Bernard Looney: Give confidence.

Gordon Birrell: No, and I think, look, we've got a track record in 2022 of delivering more than a million tons per annum of sustainable emission reductions just through improving the way we operate. We're now starting to fill the hopper with projects that are slightly longer wavelength, maybe require a bit of capital. So, we've got lots of opportunities here to deliver on Aim 1, it's never easy. You got to while you're operating, look for emission reductions. But I think Aim 1 is deliverable. I'm confident it's deliverable and will continue to fill the hopper with opportunities through the balance of the decade.

Bernard Looney: And the reality is, it's what society needs. And quite frankly, Chris, it's what our people want to deliver. They don't want to see us going back on Aim 1, and we control it and we're leaning into it and we'll find, it's harder, of course, it's gotten harder, but we're going to deliver it. So thanks for raising that point. We'll go here in the audience.

Henri Patricot (UBS): Thank you. I'm Henri Patricot from UBS. Thank you for the presentation. I have a couple of follow up questions. The first one on the upstream and the change to the production outlook to 2030, should we expect a major change in terms of allocation between oil and gas? Obviously, you raised your oil price to \$70. So should we expect to be skewed towards oil projects in the later part of this decade, or you still intend to keep that fairly balanced oil and gas?



Gordon Birrell: I think it'll be fairly balanced oil and gas, good question. Fairly balanced oil and gas. And of course, every one of these projects must reach our investment hurdles. That'll be the primary determinant of how we invest. But as we look forward to the 18 billion barrels, and I can see more than a dozen major project FIDs coming towards us from that hopper. And it's pretty balanced, oil and gas.

Gordon Birrell: Returns driven at the end of the day.

Henri Patricot (UBS): Second question is follow up on the previous question around the capital allocation and the increase of \$1 billion per annum both upstream. And on the transition, it sounded like it's all subject to the macro and the ability to generate the cash flow to finance that growth. So you basically have line on site of enough projects to actually go through with all of this. Is that fair?

Murray Auchincloss: Yeah, there's definitely not a lack of opportunities to spend capex, let me put it that way. For 2023, 2024 or 2025 short cycle paybacks, Gordon's already getting the rigs they're already coming into the portfolio, the returns are super high on those. So, I think that's something we'll do. And it's robust through pretty low prices. You see where we're holding our resilient balance point, it's robust through pretty low prices. As you then look at the transition, we're committed to doing these transition investments. If you cycled around the team, Emma's doing a fabulous job on EV adoption. I wouldn't be surprised if she does better than she's talking about. Convenience is going very well. I think we're very excited in the biofuel space between the refineries and additional facilities we see, as Bernard said, the Archaea transactions going to be faster, better. I think we'll see lots of opportunities there. So, I'd probably count on the higher end of the capital range, and that will drive towards that. All of this delivers EBITDA obviously, and an awful lot of the EBITDA that's coming from the transition growth engines isn't price sensitive. So we'll have our higher earnings that aren't as sensitive to the low price environment. So, I'd count on us being able to manage through this time period with a fairly, fairly high activity set.

Bernard Looney: Great. And there is a big wrapper, Murray isn't there around this whole presentation, which is everything we do here has to meet our returns and our growth target has to meet. And that's the wrapper, the under-pinner, the foundation of everything that we talk about today. And if the returns aren't there, the capital doesn't get spent. If the returns and growth are there, it'll get spent. Christyan?

Christyan Malek (JP Morgan): This is Christyan Malek from JP Morgan. Thanks for the presentation. So, sort of one quite long question, if I may, which is three years ago I asked the question, what if oil prices were higher, Bernard, and you said would be very focused on capex, we wouldn't increase capex, and you're increasing capex on oil through a higher oil price deck. And so, sort of begs the question in terms of, I see how you have to frame a macro view and you've got to take a view. I agree with it in some ways, particularly in the oil piece, but what I'm struggling with is the disaggregation of value created through your macro-outlook versus what you're doing bottom up through the businesses. And the proof of concept in terms of the cash flow generated in your renewables, vis-a-vis the investment and the return you're making against a price view. And it's not that clear what you're assuming in the renewables segment as it is obviously in oil, because you can just put a Brent forecast down. So how do you help us disaggregate that value creation from what is a macro call to actually creating value through the value chain in renewables,



particularly when it's becoming increasingly commoditised, is sort of the part A of my question.

Part B is in the spirit of changing capex relative to your macro view, what's stopping you from flipping it back again, if you become more bearish in one of those segments? In other words, you don't think renewables is going to generate the same returns, so you reduce capex. I mean, it sort of feels quite dynamic and fluid around capex versus the prevailing macro view, which can obviously change. And as you said, be very volatile. Thank you.

Bernard Looney: So, you're making an assumption, I think, that we're growing capital because we increased our price deck. That's not the case. We're growing capital because we want to grow bp. You asked for disaggregation, it's very clear, it's in the deck. We deliver \$5-6 billion of extra EBITDA by 2030 -forget price - from the investments that we've got. \$3-4 billion in hydrocarbons, \$2 billion extra in our transition growth engines. So this is about growth. This is about opportunities that we see to invest both in today's energy security and in the energy transition, all of which we believe are accretive, they drive earnings. One of the reasons we've raised a dividend today is because we are investing and we see more potential to grow. So this isn't about prices go up, capex goes up. This is very, very different to that. This is very, very disciplined and focused on growth where we can meet the returns that we laid out. And I think within there, we're very clear, Murray, about where that extra EBITDA comes from. I think we're crystal clear actually in the deck on that. Murray, what have I missed?

Murray Auchincloss: We're returns driven, slide 18 tells you our returns and our assumptions. I'm not really sure how I'd get much clearer on that. And this is about performance really. If you go back to 2020, our balance sheet wasn't as strong as it is now. So we've got a much stronger balance sheet. We've improved our position with the ratings agencies. It gives us the capacity to invest more, to drive more returns for shareholders. So, it's much more about performance and what the strength of the company is, rather than an arbitrary view on price, which you're right, can change over time.

Bernard Looney: Yep. So we'll invest more. We're going to grow the company, we're going to deliver the returns, and the shareholders are going to see increased value both through distributions, like the announcement today on the dividends. So, but we can follow up on it. Where will I go next, here in the back? Sorry.

Amy Wong (Credit Suisse): It's Amy Wong here from Credit Suisse. I'd love to take advantage of having Anja on the panel to ask a question on biogas. Clearly, you guys are making a pretty big statement with we have the Archaea Energy acquisition but also just want to hear about how do you scale a business like that? Because I think what I really struggle with, and some of the investors struggle with, to understand how a biogas business, where you're going from landfill to landfill, is a scalable business and can deliver the type of returns. And I think it was also mentioned on the panel that you're going to do Archaea better and faster. So, what's driving some of those comments? Thank you.

Bernard Looney: Amy, thank you. It's actually Carol's business, so we should give it to Carol. And we had Nick Stork here and his team a few weeks ago, the founder, and we are particularly excited about this business. Go for it.



Carol Howle: We are very excited about the business and we do see great opportunities. So I think when you look at it, I mean, at the moment, of course we're looking at integration, bp Archaea platform coming together, but as Bernard mentioned previously, there's a significant, there's more than 80 projects in that pipeline. We've got the ability to do a modular scaling across each of these landfills, go in there, develop the gas, and bring that out, and then look at different transportation routes to market. So we can increase and accelerate production, we can increase recoveries, and we can also look at accessing newer revenue streams as well.

I mean, in the future, we'll have hydrogen as an opportunity, but right now we can do methanol, we can do CCS, EV charging for Emma's business. We've got utilities interested in renewable natural gas because it's lower carbon intensity, so it's transportation, it's utilities. We could take it into our refineries. There are so many opportunities around it, which creates the optionality that we like in the portfolio. Gives us an opportunity to build the best markets for that to gain premiums and also to trade around those positions. So it is certainly scalable and we see strong returns and we see the opportunity to invest more. And yes, hugely excited to be working with the team.

Bernard Looney: And if I could back to Christyan's point, Christyan, it is a good example. We're putting more money into Archaea than Archaea would have on their own. They could have probably done 20 sites a year of that 80. We'll do more, quickly, because we have the balance sheet to be able to lean into that investment. What's the stat, we'll get 30% of that capex back if we get them online by 2025. So these are decisions that, with the balance sheet, we can lean into, it's got nothing to do with the price assumption on oil. This is opportunity driven. We're going to speed up that pipeline and get those 80 sites online in the next few years. And the EBITDA from that's going to be material without question. So pretty exciting. Anyway, Amy, thank you. Where were you guys pointing to me? Biraj?

Biraj Borkhataria (RBS): Thanks for taking my question. It's Biraj from RBC. Two questions please. The first one in the upstream could you just clarify whether or what role, if any, exploration success has in your plans to 2025 and 2030? And sort of related to that on the inorganic side, most of the inorganic activity acquisitions wise has been on low carbon last couple of years. And I don't want to make Gordon's life even harder, but are you open to inorganic bolt-ons in the upstream? And how are you thinking about that within the constraints of the framework?

And the second question is going back to LNG. So last quarter, Murray, you highlighted the big working capital outflow because of the margining. But if I'm thinking about bp hedging through summer, the 2023 price was actually way above the price cap, which was then implemented. So how does that price cap impact 2023, if at all, in the LNG business?

Bernard Looney: Fantastic. Okay. Thank you, Biraj. Carol, I'll ask you to lead off on price caps, or Murray, as you guys debate it. Carol, go for it on price caps and hedging. And then, Gordon, is exploration success built into your plan? Do you need it? And are you going to come to Murray and me with a bunch of money to go and buy oil and gas assets when you've got 18 billion barrels of your own? Go ahead, Carol.

Carol Howle: So, talking about the European market correction mechanism. So we're working through that. I mean, there are a number of nuances around that in terms of it has



to be over a certain number of days and then there also has to be a certain delta in terms of when that actual cap gets triggered. I think the whole market is working through that at the moment. Do we think it in any way that it impacts our ability to manage our portfolio? No. We do have other opportunities. We've got opportunities directly - bilateral. We've also got opportunities in terms of different structures that we can use. Our role is to make sure that we've got the optionality, we're being proactive around managing that risk. And with Murray's support and treasury's support, that is certainly what we did last year in terms of getting ahead of some of these changes in the market.

Bernard Looney: Thank you, Carol. Gordon?

Gordon Birrell: Yeah. On exploration, the 2030 outcome is influenced by exploration success in a very small way. What would I mean by that? We have exploration success built into the 18 billion barrels, but on a risked basis, we take the exploration risk. And the reason we've done that is we have some pretty rich what we call ILX, infrastructure led exploration opportunities, particularly in the Gulf of Mexico in the North Sea and in Egypt, which if they come in, will become part of the fast tieback opportunity set. But to emphasize and to answer the question, they're all risked within the 18 billion barrels. So as a very small impact on the outcome in 2030.

Bernard Looney: Not reliant on it.

Gordon Birrell: Not reliant on it is a simple answer on that. And then, am I going to come and ask for money to buy inorganic? The answer is a qualified yes, where it's a natural fit in the portfolio. Are we going to go buy something away outside our current portfolio way outside our heartlands that we have in our company? No, that doesn't make any sense. Other companies can go and do that, but where there's a natural bolt-on and we could add more value having it in our portfolio than we think anyone else could, and it meets the criteria of contributing to low carbon and low cost and security of supply, then of course we would consider that.

Bernard Looney: Very good. I mean, I think we used to call it smart M&A or commercial deals. Instead of exiting Norway, we created Aker bp. Aker bp then went and bought Lundin, Aker bp's operated by other production from Johan Sverdrup alone is 250,000 barrels a day. It's a pretty extraordinary company that was created. We could have exited Angola maybe, but we didn't. We wanted to stay, we wanted to grow. We've created Azule Energy. So, think about it as I think you may see us doing some smart M&A commercial deals, partnerships, things that make sense in that space. You'll go ahead, go for it.

Peter Low: Hi Peter Low from Redburn. Yeah, the first question you've announced an increase in spending today across the oil and gas and the renewable and low carbon piece. I think it's probably fair to say you're seeing inflationary cost pressures in both. How are you managing that and kind of what inflation assumptions are embedded within the capex budget? And then the second question was just on the 2030 renewable power target. So, the 50 gigawatts and the 10 gigawatts. Can you explain the difference between those two? Is a lot of it going to be under construction or will you be farming it down? Some colour on that would be helpful.

Bernard Looney: Fantastic. Murray, first of all, just general capex/inflation and then Anja.



Murray Auchincloss: Capex inflation continues to be pretty low for us. You'll remember back in 2022 we had about 10% inflation inside the lower 48, Gordon. Since then, for 2023, we've gone out and let longer term contracts and we've seen deflation as opposed to inflation. So, it's not really featuring as a material issue across the upstream. I think in low carbon, there's really no change from previous guidance. Around 5% inflation is what we saw in the offshore wind platform. There's more inside solar, but solar is self-funding inside bp, inside Lightsource bp. So that doesn't impact the overall balance sheet. So, despite the extraordinary environment we've been through the past couple years, these guys have done a tremendous job working with supply chain to mitigate those supply chain effects. And I wouldn't expect them to not continue to do that in the future.

Bernard Looney: Great. Anja, 50 and 10.

Anja Dotzenrath: 50 and 10. We said 50 gigawatts to FID and as I said, we will be very selective in terms of where we allocate capex because it has to ultimately make sense, create integration value and, as such, a superior return and de-risks because you don't have access to green electrons everywhere around the planet. So, 50 to FID, 10 will be in operations. Another 10 in construction, and then the rest is farm downs. A lot of the 50 will come from Lightsource bp, which is a develop and sell model. Very, very attractive, very stable. But we will also farm down on let's say, for example, offshore wind assets, etc. Because ultimately, what we want is the access to the green electron and the high grading opportunity. And we don't need to necessarily control 100% of the asset.

Bernard Looney: Excellent. Thank you, Anja. Martjin.

Martjin Rats: Alright, wonderful. Well, can we, so slightly conceptual, but I was wondering the \$8 billion in oil and gas in sort of today's environment, it's not entirely sort of obvious and so there are a lot of technical questions have already been asked about it, but I was wondering how the internal decision-making process came about to get you there. What the milestones - the signposts along the way - were where you said, yeah, really like we need to do this. Was this just simply about the oil and gas crisis or European energy crisis or whatever it might be?

The second thing I wanted to ask you is about the assets that you now intend to retain a little bit longer. And I'm sure you're not going to spell those out for us, but I was wondering if you could perhaps talk about whether they have a sort of shared characteristic as in the assets that you're now likely to retain longer. Is it oil, is it gas, is it offshore? Is it onshore eastern hemisphere, western hemisphere? Whether there some common denominator that we can sort of work with. And then finally, if I can throw in a third one, given the way things going, I mean, could you stay in the building?

Bernard Looney: Could we stay in the building?

Martjin Rats: Yeah. As in this building, because I thought it was you would move out. I was wondering if you could stay?

Bernard Looney: Great. I'm fascinated how you connect that to the investment thesis, but it is a nice building. I like it. We can follow up on that, Martjin. Gordon, I will ask you to say about the assets you're keeping longer. I mean, in terms of the production thing, it's really an output of the work that we've been doing. And I would say it's driven by two things.

And in fact, the whole strategy leaning in today is driven by two things, Martijn. First is, we've been at this for three years. We have done a lot. The organization has done a lot. I think it's fair to say that we can all say there's a real track record of delivery. And that has brought with it our increased confidence in the business. And in doing that, the business has improved.

I'm delighted that we've had the best operating reliability on record in bp and the records go back 15 or 20 years. I'm delighted that we have the lowest production costs since 2006. So, our ability to add value to the assets that we have, has improved over the last three years. That's a very important part. And then the external macro part isn't about prices. It's about, it's what is needed. We must solve the energy trilemma, yes, we need lower carbon energy, but we also need secure energy and we need affordable energy. And that's what governments and society around the world are asking. And they're asking it publicly.

They're asking it in United States, invest in today's energy system. Many countries in Europe going around the world searching for energy supplies. So, we are being asked by governments and society. We have improved our business. We have more confidence. And we think in doing this, we can help solve the energy trilemma for society, which feels a worthwhile thing to do. And we feel we can create shareholder value. And that's what we're trying to do. That's what we have to do. That's our job. So that's a little bit of the backdrop. Gordon?

Gordon Birrell: Yeah. In terms of the assets that we now plan to keep, I'd say there's three characteristics. The first one is an improved view of the commerciality around these assets. And I gave the example of Azule and AkerBP and Lundin Energy. And there are others. So, the commercial opportunity around owning these assets, we've got an enhanced view of. The operating performance, and Bernard just mentioned it, that we have seen an improvement and we more improvement going forward in these assets. And that all leads of course, to the third characteristic, which is returns. It's all returns driven, they meet our returns criteria, and it fits with how we look at returns going forward.

Bernard Looney: And we are going to move from St. James Square at some stage, but it'll be another year or two. So, this young lady here, please. Thank you.

Kim Fustier: Hi. It's Kim Fustier from HSBC. On the incremental dollars going into hydrocarbons. I suppose you mentioned bpx and the US Gulf of Mexico, but you didn't mention LNG. And when it comes to the energy security concerns that Bernard alluded to, you would've thought LNG would be front and centre of those. So, I just wondered if you had any plans to invest incremental capex into LNG or maybe use a more capital-lite strategy such as, for example, contracting third party LNG from other companies?

My second question is on the impact of the US Inflation Reduction Act. I wondered if you could offer any thoughts on what that does to the economics of your existing low carbon projects, such as hydrogen and CCS and bioenergy, and whether, as a result of the IRA, it might attract more of your own investment dollars going forward into the US.

Bernard Looney: Great, Kim, thank you very much. I'll ask Anja to take on the impact on the IRA. Carol can add anything on biogas on the IRA if she wishes, and Carol, LNG, I mean, just the growth that we have in LNG over the next three years. Maybe just spell that out a little bit and how we think about it.



Carol Howle: Yeah, no, absolutely. So, 19 million tons per annum in 2022, growing to 25 in 2025 and 30 in 2030. It's a mix of merchant and equity, but we will see the balance going to more merchant in the future. We have a contracting strategy - we have done for a number of years - and as Bernard mentioned before, we've been able to time those purchases well in terms of actually avoiding buying in the peaks and selling in the troughs. So, we've got a good process around that and we'll continue to look for opportunities as they go forward. And then of course, we've got on the upstream gas side, we work very closely with Anja and the team there and with Gordon in terms of selling and trading the equity from bp's positions.

Murray Auchincloss: On the equity side, I suppose we have some choices ahead of us. We've got some choices in Australia. We've got choices in West Africa. We've got choices in the Middle East to continue to think about expanding equity investment in LNG as well, and those are decisions that we'll be making over time.

Bernard Looney: Great. IRA and United States?

Anja Dotzenrath: Game changer very, very clearly. That underpins really a lot of the projects we've been working on, not only in my space, but equally so in Emma's space, I think. And as a consequence of IRA, we clearly have prioritized projects in the US versus other regions around the world. I think it's fair to say that Europe is catching up and some very good announcements - or promising announcements - last week, but the beauty of the IRA is the simplicity, and I think this is where I think Europe, let's say, needs to catch up a little bit as you have to bid your projects in etc. So very clearly strong focus on the US as a consequence of IRA, and then strong focus, as Bernard explained, on our refinery projects because it's a natural thing for the hydrogen. So, I think we'll feel comfortable about the delivery.

Bernard Looney: Good. Great. Anja thank you. We'll take one more question in the room. I'm just going to take Jason Kenney from Santander. Jason, I think your second question's been addressed. Carol, good job on delivery by bp in 2022. That's from Jason not from me.

If trading has added 4% to ROACE over the last three years, what should we expect in the next three years? I'm assuming (he is assuming) 2% through cycle, but how much is excessive volatility and how much is average conditions?

Carol Howle: So, I know with my learned colleague on the left here who would say no guidance, but what I can say is we strongly believe that we do have a differentiated trading platform, global scale, experience, multiple markets, multiple commodities, multiple customers. We have benefited from the inherent increase in volatility over the past few years, but we've also seen growth in that portfolio. We also see further growth going forward, whether that's across biogas, biofuels or LNG or even then into the newer commodities, hydrogen and their derivatives. I believe we've got strong capability, risk management, trading optimization, analytics, we would like to say world class. And I think, subject to volatility and retaining our competitive advantage, as Murray had said, we would like to continue to deliver for bp going forward.

Bernard Looney: Sounds good. Good job. Great. Last question in the room. Lydia, go on and then we'll let you, and then I need to wrap.

Lydia Rainforth: One last one for me. Just given like the amount of cash flow and EBITDA that you now have, where do you want net debt to actually go to, Murray? Just in terms of, to help us think about long term? Because I mean, if I look at the 2025 numbers, you're essentially trading on two times EBITDA, so you're assuming you've got no debts at that point. So where do you want us to go to?

Murray Auchincloss: I think we give this guidance year by year is what we give you. We've firmed up the guidance a little bit this time instead of just strong investment grade credit rating. We've said further progress in the A range. So, we'll be working with the rating agencies to try to achieve that. We think with the growth we're seeing that we should be able to progress through the A range with that continued debt reduction. But it's a little bit about how our interaction with the ratings agencies go. So, fingers crossed, but we provide this guidance one year at a time. We don't look beyond that. The macro environments just too volatile to do anything else Lydia. So, 40% of surplus to debt reduction and continued focus on growing EBITDA so that we can get that cash flow from operations over expanded debt down.

Bernard Looney: Great. Thank you. And thanks for listening. I hope you've got a bit of a sense of the business, the strategy, and I hope importantly the team. I think we're in our stride three years in now. And I hope you can see the confidence that we have in what we're trying to do. We have no more time for questions. For those of you in the room, thank you for coming here. For those of you on the phone, thank you for joining us. It is an important day for us as we transform ourselves. And I hope you've heard three clear points. They're short, don't worry.

First, we're delivering, bp is delivering. We are performing while transforming. Second, we're leaning further in to the strategy and we're doing that with increasing confidence. And third, crucially, we remain focused on delivering for our owners, our shareholders. And I and the team look forward to seeing many of you this week when we're out on the road, we're in the UK, we're headed to Europe, we're headed to United States as well. And for those of you who made the journey here in person, we've got some refreshments outside, and the team will hang around to spend time and chat with you if you'd like. So, thanks, everybody. Really appreciate it. Cheers.

[END OF TRANSCRIPT]