Hello and welcome to BP’s second-quarter 2011 results conference call. I am Fergus MacLeod, and today’s presentation will be by Bob Dudley, our Group Chief Executive, and Byron Grote, our Chief Financial Officer.

Before we start, I’d like to draw your attention to our cautionary statement.

During today’s presentation, we will make reference to estimates, plans and expectations that are forward-looking statements. Actual outcomes could differ materially due to factors we note on this slide and in our regulatory filings. Please refer to our Annual Report and Accounts and second-quarter Stock Exchange Announcement for more details. Both of those documents are available on our website.

Thank you, and I will now hand over to Bob.

Thank you Fergus.

Ladies and gentlemen, a warm welcome to BP’s second-quarter results for 2011.

Our agenda for today will start with an overview of our strategic framework. Byron will then take you through our results for the 2nd quarter and then we will move on to a more detailed look at how BP is back on its feet again, and moving forward.

It is just over one year ago that the oil was still flowing into the Gulf and many said we were finished. The Macondo event was a big test, for any company. We have strengthened the balance sheet, continued to announce and close asset sales, reduced our target gearing band, improved our credit ratings and restored a dividend.

We continue to meet our commitment front-on and with integrity. That integrity has included looking deep into the event and publically spreading the lessons learned. Last year’s events were never going to be something that any company could recover from overnight. We have taken the event very seriously and embedded change in a serious way throughout the organisation.

I believe strongly that the strength of this team is the way we see the opportunity to instil those lessons deeply into the fabric of our company, this will make BP a safer, stronger and more resilient company. And this is good business.

Part of what we are doing is to reduce the uncertainties, not only those in the US following the events of last year, but also reduce uncertainties when operating at the frontiers of our industry.
One thing that is certain – the world will need more and more energy and much of it will come from the frontiers.

In our review today we will outline the work to deliver value in each of our businesses and then take your questions.

For the Question & Answer session, we will be joined by Ian Conn, Chief Executive of Refining & Marketing; Mark Bly, head of our Safety & Operational Risk organization; Mike Daly, Bernard Looney and Bob Fryar who head up our upstream businesses, and Lamar McKay, President of BP America.

Before we begin I would like to remind you of the three priorities we outlined in February.

They are all part of the foundation for rebuilding value for our shareholders.

The first is putting Safety & Operational Risk Management at the heart of the company. We are making real changes here, investing in a safer and more reliable future. Reducing operational risk will increase the value of BP.

Second, we recognize the importance of rebuilding trust with those around us. This involves meeting our commitments in the US and resolving the uncertainties we face. As I mentioned earlier, it also means ensuring lessons are implemented across all our operations globally and that we share those lessons with partners and governments.

Third, we are taking steps to deliver value growth for shareholders. Of course we continue to high-grade our portfolio. We also expect to increase investment that will deliver growth and to see operating cash flows growing faster than volumes as we improve margins. We are targeting a continued improvement in downstream returns, and will make divestments that realise value and improve focus. And it remains our intention, as we said in February, to grow the dividend over time in line with the improving circumstances of the firm.

We are taking steps to restore the company and its value. We are committed to seeing the true value of the business more strongly reflected in our share price.

So let me update you on our progress in 2011.

In February we said we expected this to be a year of consolidation as we work to reset the focus of the company. That’s ongoing and progress is being made daily on many fronts:

We have made major changes to the way we manage Safety and Operational Risk. In the US we are continuing to meet our obligations. And we are actively managing our portfolio. I will come back to all of these points later.

I am especially pleased that we have had a very good year so far in achieving access to new upstream opportunities, with success in Trinidad this week, Azerbaijan, Australia, the UK, Indonesia, and the South China Sea. We have also recently entered Brazil with the completion of the acquisition of the Devon assets.
Refining and Marketing is continuing to make strong progress in delivering the earnings growth goals outlined by Iain Conn and his team in 2010, and in Alternative Energy we have expanded our interests in biofuels in Brazil and in the US.

There are of course impacts on our volumes and costs in this year of consolidation that became very clear to us in the first quarter. We increased the number of turnarounds to inspect and check our operations and are driving integrity for the longer-term. Natural declines have reduced output in the Gulf of Mexico following the suspension of drilling. It characterises the Gulf of Mexico today, but as the largest producer there it impacts BP the most. Much of the broad impact is in our highest-margin areas and you can see it in our results today. However we are now taking firm steps in getting back to work in the Gulf, and some of our additional costs – for example for idle rigs – will be reduced going forward. We view these impacts as a near term effect, and expect to see momentum returning in 2012.

As with any business, not everything goes as planned. Our project to jointly explore three exploration blocks in the South Kara Sea and later discussions to bring together the interests of BP, Rosneft and AAR around a new ownership structure for TNK-BP, did not reach fruition. This was a disappointment to me and I recognize the uncertainties it created. However I believe it was worth pursuing, although not one worth implementing at any cost. We remain committed to Russia, to TNK-BP and its ongoing success.

We are pleased with the approval announced this week in India for our deal with Reliance Industries to enter one of the world’s exciting and rapidly growing gas markets.

So all in all we are making progress on our agenda of safety, trust and value. It is not a straight line and we are not satisfied but we expect to build on this progress through the remainder of 2011, into 2012 and beyond.

I’ll come back to this in more detail shortly. Before that, Byron will take you through our 2nd quarter results

Byron..........
Taking both oil and gas together, our total average hydrocarbon realization was 7% higher than the first quarter of 2011 and was 34% higher than a year ago.

Our refining marker margin of $13.92 per barrel is 26% higher than both the first quarter of 2011 and the second quarter of 2010.

Turning to the financials.

Adjusting for charges of $300 million for non-operating items and fair value accounting effects, our second-quarter underlying replacement cost profit was $5.6 billion, an increase of 13% on the second quarter of 2010. This reflects the benefits of higher realizations and a stronger refining environment which have been partly offset by lower production and higher costs, including from higher turnaround maintenance activity. Compared with the previous quarter, underlying replacement cost profit is up by 4%.

The large consolidation adjustment in the second quarter was driven by an unusually low volume of equity crude oil in inventory within our refining and marketing business at quarter end.

The effective tax rate for the quarter was 35%, down from the 37% reported in the first quarter which was higher largely due to a one-off deferred tax adjustment of $700 million related to changes in the taxation of North Sea production. We now expect the full year effective tax rate to be towards the higher end of February guidance at around 34%.

Second-quarter operating cash flow was $7.8 billion. Excluding Gulf of Mexico oil spill-related post-tax expenditures of $1.9 billion, underlying operating cash flow was $9.7 billion, up 17% compared with the second quarter of 2010 and 87% higher than the prior quarter.

In line with previous guidance, we expect our organic capital expenditure to be around $20 billion in 2011.

The second quarter dividend is unchanged at 7 cents per ordinary share.

In Exploration and Production, after adjusting for a charge of $700 million for non-operating items and fair value accounting effects, we reported a pre-tax underlying replacement cost profit of $7.3 billion for the quarter.

The primary factors impacting the quarter’s performance relative to a year ago were higher realizations, partly offset by lower production volumes including the impact of divestments. Costs in the second quarter were impacted by around $300 million as a result of continued rig standby costs in the Gulf of Mexico, and certain other one-off charges. In addition, there were higher exploration write-offs and higher costs from increased turnarounds and maintenance which will support operational reliability and integrity over the long term. TNK-BP earnings and gas trading both improved compared to the prior year.

Production for the quarter was 3.43 million barrels of oil equivalent per day, 11% lower than 2Q 2010. After adjusting for the effect of acquisitions and divestments,
and entitlement impacts in our production-sharing agreements (PSAs), the decrease was 7%.

The lower production primarily reflects continuing decline in Gulf of Mexico production owing to the suspension of production drilling, and higher turnarounds and maintenance activity. The reduction was weighted towards our higher margin areas, including Gulf of Mexico, Angola and the North Sea.

Production in the third quarter will reflect the continuation of the divestment programme, seasonal turnaround activity across the portfolio and the ongoing suspension of production drilling in the Gulf of Mexico.

As we explained in February, our turnaround activity in 2011 is planned to be higher than 2010 with 51 turnarounds this year compared with 35 in 2010. Turnaround activity in the third quarter will be considerably higher than in the second and is again planned for some of our highest margin areas. The activity will impact near term costs and margins as well as volume, but is part of getting the foundation right for the future.

We expect production in 2011 to be in line with our February guidance of around 3.4 million barrels of oil equivalent per day.

Rig standby costs will continue to impact the third quarter.

TNK-BP continues to perform well. Our share of TNK-BP net income was $1.1 billion for the quarter and we received cash dividends of $1.6 billion.

In Refining and Marketing, after adjusting for non-operating items and fair value accounting effects of $50 million, which includes impairments associated with our US divestment programme, we reported a pre-tax underlying replacement cost profit of $1.4 billion for the second quarter compared to $1.7 billion for the same quarter last year.

This result reflects an improved refining environment, more than offset by the swing to a small loss in supply and trading, and reduced economic utilisation at the Texas City refinery following a weather-related power outage. The second quarter results were also impacted by higher turnaround activities, and certain one-off charges.

In the fuels value chains, Solomon refining availability remained high at about 95% for the quarter. Refining throughputs were reduced by over 170 thousand barrels per day due to the outage at the Texas City refinery.

In the international businesses, petrochemicals production volumes were down in the second quarter by approximately 8% driven primarily by weather-related shutdowns and plant turnarounds.

Looking ahead, we expect a normal seasonal decline in refining margins in the third quarter. Throughput at the Texas City refinery has been largely restored and we expect the last of the impacted units to return to full capacity during August. We expect petrochemical production volumes to recover as capacity comes back onstream. The level of planned turnarounds is expected to be lower in the second half of the year relative to the first six months.
In other businesses and corporate, after adjusting for non-operating items, we reported a pre-tax underlying replacement cost charge of $(340) million for the second quarter, an increase of $(200) million versus the charge of a year ago, primarily reflecting increased group level functional spend as a consequence of the Gulf of Mexico oil spill.

Guidance for the year remains unchanged at an average of $400 million per quarter.

Next I would like to provide you with an update on the costs and provisions associated with the Gulf of Mexico oil spill.

In the second quarter we recognized a $600 million reduction in the pre-tax charge for the incident. This reflects the settlements with Mitsui and Weatherford partially offset by an incremental charge for spill response costs, plus a charge for the ongoing quarterly expenses of the Gulf Coast Restoration Organization.

Under these settlement agreements, Mitsui paid BP $1.1 billion in early July, which was subsequently paid to the Trust, and Weatherford paid BP $75 million which will also be applied to the $20 billion Trust.

The total charge taken for the incident is now $40.7 billion which includes the $20 billion Trust commitment. The provision carried forward on the balance sheet at the end of 2Q represents our current best estimate of those future costs for which a provision can be made at this time.

BP is also working to ensure that the other parties involved in the Macondo well contribute appropriately.

As we indicated in previous quarters, we believe that BP was not grossly negligent and we have taken the charge against income on that basis. We will continue to review this quarterly and adjust it as new information becomes available.

Total cash payments of $2.4 billion were made in the second quarter, which included a payment of $1.25 billion into the Trust Fund as well as direct oil spill response costs.

Turning now to cash flow, this slide compares our sources and uses of cash in the first half of 2010 and 2011.

Operating cash flow, excluding post-tax Gulf of Mexico oil spill expenditures was $15.0 billion, 7% lower than a year ago, with higher working capital requirements being a major factor.

We received $4.2 billion of disposal proceeds for deals completed in the first half and additionally held $4.6 billion in deposits for deals to be completed subsequent to the quarter end. These deposits are reported as short-term debt.

First half organic capital spending was $8.1 billion. In addition, inorganic capital spending was $6.0 billion and included the purchase of Brazilian assets from Devon Energy, the majority control of Brazilian ethanol and sugar producer CNAA and the initial deposit of $2 billion in respect of our transaction with Reliance Industries.
Total cash held at the end of the second quarter was $18.7 billion.

Our net debt ratio was just under 20% at the end of 2Q. As I mentioned earlier, the $4.6 billion of deposits for deals to be completed subsequent to the quarter end were reported as short-term debt. As these deals close, net debt will reduce accordingly.

As I explained in our strategy presentation in February, we intend to further reduce gearing within this 10% to 20% range over time. The pace of achieving this is critically dependent upon the timing of announced disposals and acquisitions.

In the third quarter we expect net debt to be impacted by the completion of a number of disposals as well as the second of three payments for the Reliance transaction.

I will now provide a quick update on our acquisitions and disposals activity.

Aside from the acquisitions I have already mentioned, we have made further progress in our objective of achieving $30 billion of divestments by the end of 2011. Thus far we have entered into agreements for divestments with a total value of $25 billion. Proceeds from these disposals have significantly exceeded book value and most expectations.

During the second quarter we completed the sale of our interest in the Wattenburg natural gas processing plant, our assets in Venezuela, a package of downstream fuel storage and pipeline assets in the US and the sale of our downstream businesses in Zambia and Malawi. In July we completed the sale of half of our Devon ACG interest to SOCAR. During the quarter we also announced agreements to sell our aluminum business and our interests in Wytch Farm.

In addition to the $30 billion disposal program, we are making good progress in our plans to sell the Texas City refinery and the southern part of the West Coast fuels value chain, including the Carson refinery by the end of 2012.

That concludes my remarks. Now back to Bob.

Bob Dudley, Group Chief Executive

Thank you Byron.

So let me return to our three strategic priorities: putting safety and risk management at the heart of the company; rebuilding trust; and directly growing value. Let me give you more detail on what we have done so far.

Our Safety and Operational Risk organization – or ‘S&OR’ - is now in action to drive safe, reliable and compliant operations across BP. Its leader reports directly to me.

S&OR has a highly experienced central team which maintains our global standards. It also has several hundred representatives who are deployed at the operating level
in both the upstream and downstream businesses to drive the systematic and disciplined application of those standards. S&OR’s work includes a strengthened audit function and we continue to build programs to develop capability.

The S&OR staff are working alongside the line management and have the authority to assist, to challenge, and to step-in if needed.

Let me give some examples. At the group level, we have set a new global standard whereby a BP-contracted rig will not drill a deep water well from a dynamically positioned drill ship unless it has two blind shear rams and a casing shear ram on its blow-out preventer. This is one of several measures we are implementing that go beyond the demands of regulation but we believe it is the right thing to do.

There is an intense focus on risk management across the whole of the company. You would and should expect that from us.

We are now implementing the recommendations of the Bly report into the Gulf of Mexico accident. And we are doing this top-to-bottom, developing new and thorough ways of working, road-testing for quality and rolling it out globally to the front line. If new guidance is needed more urgently we will issue it.

Within Developments we now have a single Global Wells Organization which drills our wells and has a single global approach for managing risk. Its top priority is safety, but it also includes contingency planning for containment, relief wells and crisis management.

Our second priority for recovering value is rebuilding trust in BP. This of course starts in the Gulf of Mexico where we are working hard every day to earn people’s trust back by meeting our obligations.

On the ground, the focus has shifted from response to recovery.

The decontamination of all vessels is fully behind us and the majority of the clean-up of the beaches is complete. Please visit the Gulf Coast. You can see it for yourself and help tourism.

Whilst we recognize that there is an ongoing impact in the region, there is much evidence to show that the environment and the economy in the affected States are recovering.

During the first quarter of this year, hotels in the coastal areas of the Gulf states received revenue per room well above the level of the same quarter in 2010, prior to the spill.

Tourist businesses in the Gulf region reported strong, and in some cases, a record Spring Break season.

All federal commercial fishing areas are open and January to May 2011 was the second strongest like-for-like period for total shrimp landings in the last five years.
BP is working hard to meet its commitments. As at the end of 2Q we have funded approximately $6.8 billion to meet claims and government payments. We are investing $500 million in the Gulf Research Initiative to examine long term impacts and have already committed $1 billion to early restoration of natural habitats. In total $8.6 billion has now been paid into the Trust Fund.

Earlier this month we announced that BP will be implementing a new set of deepwater oil and gas drilling standards for its operations in the US Gulf of Mexico. These voluntary performance standards go beyond existing regulatory obligations and reflect the Company’s determination to apply the lessons learned from the incident. These have been welcomed by the US regulator.

We’re also committed to sharing what we have learned with the industry, regulators and governments worldwide and our teams have travelled to 20 countries to explain what we have learned. Additionally, we have shared equipment and technology developed during the response, for example with the US Marine Well Containment Company.

We continue to co-operate with a series of investigations, inquiries and hearings. Let me highlight some of the progress and expected key milestones.

The Presidential Commission published its final report in January and the US Coast Guard released its preliminary report in April. The tone and specifics vary, however, both reports identified the accident as resulting from multiple causes and being due to the actions of multiple parties, which is consistent with the findings of BP’s own internal investigation.

Looking forward, we expect the final report from the Marine Board Investigation to be released in the near future. While we do not know what the report findings will be, previous reports have made a number of criticisms of participants in the drilling operation, including BP, and we should expect the same from this report. The National Academy of Engineers’ report is scheduled later this year. Less clear is the timing of the ongoing Department of Justice investigations.

There are also civil lawsuits against BP and other parties. These have been largely consolidated into two Multi-District Litigation proceedings, with most of the cases consolidated under Judge Barbier in the Eastern District of Louisiana. The first phase of this Limitation and Liability trial is currently scheduled for early 2012.

We know there are still uncertainties for all involved, including our shareholders, as to how all this will progress. However, the situation should become clearer as we move into 2012.

Let me now turn to our upstream businesses and our plans to grow value.

The focus for growing value has five main elements. These all involve making some clear choices. Investing in risk reduction; managing our portfolio actively; increasing unit margins; increasing investment in exploration; and prioritizing the growth engines that represent BP’s distinctive territory.

In terms of risk reduction, I have already covered the implementation of lessons from the Gulf of Mexico incident and the new standards we are adopting. As I said
earlier, each of the three upstream divisions now has an embedded Safety & Operational Risk team.

The second element of value growth is active portfolio management, managing our asset base through divestments in order to maximise its value. It will also include some acquisitions.

The third element is the growth of operating cash from the portfolio. We intend to increase the quality of margins across the portfolio as well as we grow volumes, net of divestments, so that operating cash grows faster than production.

The fourth element is investing to grow our upstream business, particularly through increased investment in exploration. We are on track to double exploration spending over the next few years, and you will hear more of these opportunities in a moment.

The fifth element is to focus on specific growth engines where BP is building distinctive capabilities and where we know we can add significant value. These are the deepwater, natural gas and giant field developments. And across all these activities, we are deepening relationships and indeed building new types of relationships with governments and National Oil Companies.

So these are the five elements through which we intend to create and grow value from the upstream over the long-term. I have already explained the key points relating to risk reduction, so let’s move on to active portfolio management.

The first manifestation of this approach is evident in the $25 billion of divestments announced to date. The majority of these are focussed in the upstream and Byron has already given you the detail.

We will continue actively managing our portfolio. We will maintain a focus on growth, balanced with the management of risk. We will carefully consider the overall shape and scope of our global footprint.

Where we are the operator in promising areas, we will seek to increase our working interest. This will better align the balance of our human capital input with expected returns.

Let me underscore the approach we take to our portfolio by reference to two recent agreements.

In Brazil, our acquisition of Devon’s assets was approved by the regulator ANP in May. This gives us a material position in one of the great deepwater provinces of the world. It is one where BP can create value by deploying the deepwater experience developed in the Gulf of Mexico and Angola, applying it to our operated assets, and by making it available to the operator in others.

Our position – as well as being material – is of high quality. Attractive projects are being progressed which will generate significant cash in the second half of the decade. There is also considerable exploration upside potential – again, more on that in a moment.
Meanwhile, in India, we are entering into a unique relationship with Reliance Industries – combining taking equity in their acreage with the formation of a gas marketing joint venture. This is a unique opportunity to form a gas value chain that can supply the fast-growing needs of India – which is one of the more rapidly growing gas markets in the world.

Last week the Indian Minister of Petroleum announced approval for our acquisition of a 30% interest in 21 offshore blocks, including the already producing KG-D6. This is a key milestone and means BP can now proceed towards final regulatory approvals and completion.

Working alongside Reliance Industries we are bringing together their proven capabilities in project management, strengths in operatorship and their local market knowledge, with BP’s industry leading subsurface expertise, and global gas marketing skills. We expect this to significantly enhance value for both companies.

Not only will we together be able to help drive development of the most prolific gas basin in India, but the 50:50 gas marketing joint venture to source and market gas will allow the partners to secure a place in a liberalizing market. Gas demand is projected to double by 2025 and demand growth is exceeding domestic production.

Of course it is also a fit with our strengths in exploration and deepwater and we expect to see exploration upside over the long term.

In both of Brazil and India there is significant potential for high quality add-on investment.

The third element of value growth is growing operating cash faster than production.

One of the measures for our focus will be increasing cash from operations. This is the sum of growth in unit margins and volume.

Over the next five years, we expect to see our average unit operating cash margin improve as we bring new projects online with higher cash margins, assuming of course a constant price environment, and adjusting for any divestments.

We also expect growth in absolute volume from our assets we hold to contribute significantly to operating cash flow in the next five years.

In the near term, we see some specific milestones in this journey:

First, after a shutdown of some 40 days, the Greater Plutonio field in Angola was brought back online at the end of June and has ramped up to around 165 mbd gross.

Second, we are making progress in our preparations for the restart of drilling operations in the Gulf of Mexico. BP has recently received its first permit approval for rig activity from the US regulator. We will start with a permanent abandonment operation for a well in the Atlantis field, and we expect more permits to follow in due course.
Third, in Iraq, after reaching our Improved Production Target late last year, we continue to make strong operational progress on the ground through the Operating Organisation of the giant Rumaila field.

Most of the projects due to come on stream during 2012 and 2013 will enhance unit cash flows as they are in higher margin areas.

There are nine projects scheduled to start-up in this time frame. Four will be operated by BP and two by TNK-BP.

The projects in Gulf of Mexico and North Sea are being developed through subsea tie-backs to existing facilities and allow us to build on investment in existing infrastructure.

In Block 31 the PSVM project in Angola, which is a collection of four reservoirs, is our second operated Floating Production Storage and Offtake (FPSO) facility in Angola.

Let’s turn to the fourth element of value creation – increasing investment with a focus on exploration activity.

We are moving ahead with major projects to add production of up to one million barrels of oil equivalent per day by the end of 2016.

We are increasing total upstream spend to drive that long-term growth. Roughly half of the capital will go to projects which will start to produce in the next five years. Oil and gas is a long term business and roughly half of the capital will lead to production in the second half of the decade and beyond.

Increasing investment is one thing – doing it efficiently is another. That is the true test of adding value.

And here, again, there is progress. Through our single Global Projects Organisation, we have better line of sight of capital allocation on a global basis. This centralized system has many benefits. It enables us to make better decisions. It enables us to match the best people to the best projects. And it provides us with a smarter, global procurement model.

We are on track to double exploration spend in the next few years – both adding new acreage in established basins and entering new basins.

We have detailed plans to expand the drill-out of our prospect inventory. And we intend to significantly increase the number of wells which test new plays over the next few years. The objective is to drive a higher contribution to reserves replacement from new exploration discoveries.

We have a particular commitment to developing our expertise in seismic imaging, which has become a specialism for BP. We are leaders in sub-salt acquisition and processing; and we have also been developing our expertise onshore. We recently completed a development-quality 3D seismic programme onshore in Jordan where we acquired data at rates up to 1500sq km per month, which is an unprecedented rate for onshore seismic work.
The potential depth of our exploration investment is no better illustrated than in these three areas. They all play to our strengths in deepwater, and the Australia opportunity provides entry to a totally new and promising frontier.

In Trinidad…where we already have a very large business, we have recently been awarded 100 per cent interest in two blocks, both in deepwater frontier acreage offshore Trinidad’s east coast.

In Brazil…. we have acquired access to frontier exploration acreage in Camamu and Parnaiba Basins and an emerging pre-salt play in the Campos Basin, where both exploration and appraisal drilling will take place this year, this commenced with our first deepwater well which was spudded last week.

And in Australia we were awarded four licences in January 2011. We are preparing to start acquisition of around 12,000 square kilometres of 3D seismic later this year.

Finally, the fifth element of value growth is to invest in our chosen engines of growth. By this we mean very large, long-term projects where we believe BP will build a distinctive position to add value for our shareholders.

For BP, these need to be material enough for follow-on opportunities to occur. In many cases they will have great opportunities for us to develop new technology or apply existing technology in a new context.

We look at our portfolio in three categories of growth engines: the deepwater, natural gas value chains and giant fields – for both oil and gas.

In the deepwater, we will build on our extensive Gulf of Mexico experience to increase investment there, as well as in Trinidad, Brazil and Angola. Through our hard-earned experience, we are confident of our ability to safely design, engineer and operate large deepwater installations.

In natural gas, we will leverage our expertise in working across countries to create integrated gas delivery value chains. Our ongoing work on the Shah Deniz gas field in Azerbaijan is a great example of this. There, our starting point is gas some 6,000 meters below the Caspian Sea floor and ending with customers some 3,000 kilometres away in Western Europe. Our relationship with Reliance in India will bring another significant gas value chain into the portfolio.

In giant resource plays, we will use expertise with modelling the earth’s sub-surface to optimize reservoir management and maximise resource recovery from a world class portfolio.

These opportunities are matched to our strategy: material, technology–led, and founded on strong relationships, increasingly with National Oil Companies.

In refining and marketing the first half of 2011 has been a period in which we have done what we said we would do. Safety, of course remains our top priority. The S&OR organization is now embedded in Refining & Marketing with all entities now on our Operating Management System. This will better provide assurance across the business, and standardises our approach to managing and reducing operating risk.
We continue to build momentum in earnings and improving returns, on simplifying our portfolio and on improving efficiency. We are on track to deliver more than $2 billion per year of improvement in underlying performance by 2012 compared with 2009. And that will amount to a cumulative underlying improvement of $7 billion per year against 2007. Our result, after stripping out the effects of non-operating items and fair value accounting effects, for the first half was $3.6 billion compared with $2.5 billion for the first half of last year. Aside from an improved refining environment, this shows the continued delivery of our improvement plans.

In terms of portfolio simplification, as previously announced, we are divesting roughly half of our US refining capacity. We are progressing with our intention to divest the Texas City refinery and the Southern West Coast Fuels Value Chain, including the Carson refinery. In addition we continue to divest non-core positions and assets globally.

At the same time, we are continuing to make progress on strategic investments to improve some key assets. One of the largest is our Whiting Refinery Modernisation Project in the US which I will talk more about in a moment.

In the rest of the Fuels Value Chains we continue to improve margin capture. We continue to grow our leading International Businesses, including petrochemicals and lubricants that are materially exposed to the emerging growth markets.

Beyond 2013, our refining & marketing assets will be able to deliver material and sustainable earnings growth and cash flows, with attractive returns well above the cost-of-capital.

Now I’d like to return for a moment to the Whiting Refinery Modernization Project, or WRMP.

This project is one of the largest and most complex refinery projects ever undertaken by BP, and when commissioned in 2013 will conclude over 5 years of design and construction.

The project will significantly increase the capability of the Whiting refinery to process heavy crude. It will also give a unique flexibility of access to three major geographic crude sources - the Gulf of Mexico, the Mid-continent US and Canada. It will provide industry leading flexibility to respond to market dislocations at true world scale levels.

This chart is an updated version of the slide in the February Investor Presentation showing indexed pre-tax profit per barrel in the Mid West relative to refining margins. The yellow dot has been updated to reflect project delivery at 2011 year-to-date refining margins and light-heavy crude differentials. It does not include the significant WTI price dislocation benefits we have seen in 2011.

The second chart shows the history of the light-heavy crude differential. This has averaged around $16.50 per barrel since 2004, with periods of significant upside.
Overall this project is expected to deliver a rough three-fold improvement in profitability at Whiting and will contribute materially to improvement in our US Fuels Value Chain position overall.

In terms of future cash flow generation, we will move from a period of cash investment in Whiting to a period of potentially significant cash generation. To put this in context, in 2011 we are investing in excess of $1 billion in this project and we expect it to generate in excess of $1 billion cash flow per year once fully operational in 2013, based on the historical light-heavy differentials.

Compared to the significant capital investment we are making, this will be a major upward swing in free cash flow.

So to summarise –

BP is a rapidly changing company. As you can see much has been done but there is to come.

2011 is a year of consolidation. In 2012 and 2013 we expect the momentum of our recovery to build as we get back to work in the Gulf of Mexico, the margin mix of our upstream portfolio improves, uncertainties are reduced, the Whiting upgrade comes on-line, and we meet our commitments to the Trust Fund. At the same time we will increasingly focus both our portfolio and our investments on long term value growth.

Ladies and Gentlemen, one year after capping the Macondo well we see the company on stable ground. We are very clear about our priorities, and as I have described, how they will deliver momentum in cash flows and shareholder value as we come out of 2011, a year of consolidation.

We must and do understand the imperative for urgency as we consolidate our recovery and define our forward path.

Equally, I am determined we will undertake this fundamental task fully and thoroughly. The lasting value we are building demands a methodical rigour across all our businesses and geographies.

Only such an exhaustive approach as we are taking will capture, institutionalize and spread across BP the invaluable lessons and experience from the testing year behind us.

I am pleased with the progress we are making against this major piece of work. We will temper the desire for urgency with a dose of realistic patience as we renew ourselves. I believe that will also be in the best interest of all our stakeholders.

There should be no doubt that at BP, the Board and management team are all resolved to deliver deep-rooted, thorough and reliable change – change which will elevate and distinguish the way we work everywhere.

Our first and overriding priority is safe and reliable operations. It is good business. Our shareholders, our employees, our industry and governments should expect this from us.
We are investing to underpin this, investing more into exploration and investing in new opportunities for growth.

We expect to see operating cash flow growing faster than volumes both in the upstream and the downstream and we will continue to actively manage our portfolio, including our announced plans to reduce our US refining position.

All of this will allow us to increase distributions to shareholders over time, as the circumstances of the firm improve.

Thank you for listening. The team and I would now be pleased to take your questions.