Bernard Looney: But now it's over to you and Giulia and Murray and I will be delighted to take your questions. If I could respectfully ask that you keep them to two points at the most please and to frame them as briefly as you can so that we can get through as many of the questions that we can. We’ve got about an hour here, I think or little less than an hour so I think we’re in good shape timewise.

So assuming that’s okay with everybody, I’m going to move over here. Murray, you and I thought we might, I’m going to stand I think it’s a good idea. We have 1,523 people I think on the webcast, but none more important than Oswald Clint who is set up to ask our first question. So Oz, over to you from Bernstein. Good morning.

Oswald Clint (Sanford Bernstein): Good morning. Thank you very much. I have two questions please. The first obviously, just on the dividend, please. I mean, last quarter, you talked about the macro, the liquidity of the company and the business performance in setting that dividend. You’ve done the hybrids, you did the surprise divestments.

Things look a little bit different. So I just want to really get the rationale for making that dividend decision this morning or is it just your number three of your priorities there Bernard, which is you want to invest at scale from this point onwards, so perhaps if you could just talk around that just a little bit more.

And then secondly, the other big pushback is, can you deliver the attractive returns, and that I think Giulia’s chart was very illustrative in terms of the returns by 2030. You talk about 12% to 14% ROACE by 2025. I think the weighted average of slide 41 is probably around 12% to 13% ROACE as well. You probably have about a third of your business in low carbon, but I just want to think about the risks around that. I think capital intensity you talk about declining but that’s not necessarily the case with wind.

Wind could see some capital intensity increases. So I was just trying to understand that number comes out, it’s a good number, but I’m trying to understand the risks around it please?

Bernard Looney: Very good, great, Oz, thank you. And great to see you’ve done some math already on some of the slides. I’m going to ask, so on the second part of Oz’s question, I’d like Murray to take on a little bit around the financial returns, and Giulia, if you could talk a little bit to some of the risks that you see potentially in there, and Oz, I’ll take the dividend question if I may.

I mean the way I like to think about the dividend decision is as follows. I like to think of it as being rooted in strategy and amplified by COVID. So it’s deeply rooted in strategy. And our strategy is that we wish to become an integrated energy company.

To do that, we have to invest. To do that, we have to have a strong balance sheet. We want to be able to invest continuously into there, not chopping and changing. And that’s why the resilience point that Murray made is so important. So driving that balance point to $40, we believe is a good place to have a balance point.

So it’s rooted in the strategy, and clearly, there is uncertainty in the world that has been created by the pandemic, and therefore, that sense of urgency is only amplified by COVID. So at the decision that is very much focused on and rooted in the strategy of the company, which is becoming integrated energy company.

For that, we need to invest. For that, we need a strong balance sheet. And then we put COVID on top of that, and it’s amplified that situation. And what we’re moving from is the dividend policy that you’re very clear with to a new financial framework that as Murray points out in a somewhere between
$50 and $60 world is actually as attractive and more reliable maybe than the last, and importantly offers upside were people to believe in a different world.

So that’s a little bit about the dividend. Murray, do you want to just say a few words on Oswald’s math and the financial returns, and Giulia, can maybe just talk about some of the things that are in there, that would be great.

**Murray Auchincloss:** Sure. Hey Oz, good to see you. That’s a very big picture of you right now.

So look, returns on alternatives are obviously something that people are quite worried about - we’re not. If you’re in big public auctions for wind there’s a wall of cash coming at it, and you’ll probably see people bidding at around 5%- 6% returns.

By the time you stick a power purchase agreement on that, by the time you lever it (because there’s so much debt that’s willing to do these things), you’re up into the 8% to 10% range. And that’s probably what everybody inside the market would see. We then think we can do things differently, Oz.

We think the power of integration from our trading organisation is awfully good. We can take the power offtake, we can package it with natural gas, we can package it with solar, we can sell it to a customer with complete flow assurance, clean energy, and a fixed price if they want or hedge it for them. We’ll play around with currency with it if we want as well.

And we think by doing that, you start to take the returns well into the double-digit range. We’re not going to promise that, but that’s what our sense is of how these things will evolve in time. And we’re a corporation that takes risk and gets returns and the risks that we can really take are inside the price space, inside the hedging space etc., from our very, very long history.

Now, the other thing I’d say is the cost of supply of these things is dropping like crazy. You see the mass drop in the cost of supply on wind that will continue as the things move offshore. We continue to see it in solar. Just as more and more investments go into it, that cost of supply will continue to drop.

And we think given our capabilities and big offshore construction expertise, through our projects organisation that we can contribute to that as well. So we really think we have something different to offer. We think we can be more efficient. Dev calls it the best price setter (MEPS), so we think we can do that and then we can think we can enhance returns again through all those interesting integrated aspects that we have. So Oz, we’re pretty pumped about it if I’m honest.

**Bernard Looney:** Giulia, are there any risks, any issues that that we need to be worried about?

**Giulia Chierchia:** So as we develop the strategy, we obviously looked into what the risks are. I would say two critical risks. The first one is ability to scale at pace in terms of our growth areas. We believe, we are not starting from scratch.

We have a very strong base that we can build on in terms of our capabilities in Lightsource BP as well as our wind capabilities. And where needed, we will hire externally and drive partnerships to further accelerate that growth.

Secondly, we are mitigating that risk as Murray described by adopting a very strong capital discipline, and therefore an approach to hurdle rates. And the second risk is obviously the environment that we are navigating in the current situation of the coronavirus pandemic. And so uncertainty as to how that will play out in 2021/2022 will obviously play a role.
We believe that our plans are sufficiently diversified - both in terms of low carbon options as well as convenience and mobility - to reduce that risk, as we actually develop across markets and across opportunities. And it’s also fair to say that those opportunities specifically in terms of low carbon energy and electricity, and convenience and mobility have proven to be more resilient to the crisis that we are facing in terms of coronavirus.

**Bernard Looney:** I mean it is amazing what Murray said, that actually, I think, Murray in some markets, I think in Germany our store sales went up for example by 3%, I think in the second quarter, which is incredible. Oz, I hope that helps. Good to see you, we’re going to move on of it’s okay to the next one Christyan Malek at JP Morgan. Christyan, good morning.

**Christyan Malek:** First of all congratulations guys on the unveiling of your new strategy, the impressive blueprint from OilCo to EnergyCo. A couple of questions first of all on your low carbon business build out and how you plan to balance growth organically versus M&A. How will organic investment versus M&A be balanced in delivering specifically the 50 gigawatts target? And with the financing of any potential M&A steps to be absorbed in the low carbon Capex frame provided. And I guess specifically on sub-markets, within low carbon, that you may benefit from M&A, so in terms of achieving the critical mass more rapidly.

The second question is, I’d like to better understand how you prioritise your buyback post net debt reaching $35 billion against opportunities to invest in low carbon, which may see debt go up against. So in a scenario, for example, when you reach $35 billion sooner than you thought, but you had a greater opportunity to invest in new energies, which would come first? The buyback or energy’s growth? Thank you.

**Bernard Looney:** Christyan, thank you. I’ll ask Murray to take the second question around that choice. And I think the first question is around inorganic and organic growth, and Giulia come in if there is anything that you wish to add here. What I would say very simply Christyan is as follows. We have set out a series of aims today in that plan. So you see 50 gigawatt by 2030. You see a capital framework in there that starts off at $13 to $15 billion in phase one and once we hit our net debt, it goes to $14 to $16 billion, which I would remind people is $1 billion lower than our previous range, because we used to carry a $15 to $17 billion range. What I can tell you is that the capital, that capital framework is entirely consistent with the targets that we have set out and within that capital framework is a mixture of organic and inorganic. Now how it will quite play out in terms of the exact mix is another story but what I would want you to know is two things: aims that are outlined are consistent with the capital frame that we have issued and the capital frame that we have issued is a mixture of inorganic and organic capital.

Now, the question is will there be bigger M&A one day? One should never rule that out. One should never rule that out. I think we have a lot of work to do over the next few years. We have that balance sheet to get in order, we have some more track record to develop and while I would never rule that out, it is not front of mind for us right here, right now. Giulia, anything you would add on that?

**Giulia Chierchia:** Well just, Christyan, to your point on the low carbon and specifically the renewables operating model, I would just add to what you say, Bernard, that we also plan to obviously operate as we have been doing with a successful model such as Lightsource BP, which basically means a light asset model, highly levered and therefore with access to lower cost of capital and we will retain the flexibility to decide what to do in terms of farming or not assets as we go forward.

**Bernard Looney:** Great, thank you. Murray, choices, what would we do?
Murray Auchincloss: Hey Christyan, good to see you. Hope you are doing well through COVID. Look, I think just take a look at our priorities is my advice. Number one priority of cash flow is to pay our dividend. Number two is to get our net debt to $35 billion and then once we have got it to $35 billion to maintain strong investment grade credit rating. Priority number three is CAPEX, $13 to $15 billion, then $14 to $16 billion once we are below $35 billion net debt. That $14 to $16 billion includes inorganics as Bernard has said. After that then, we move to surplus. Of that surplus, at least 60% to our shareholders, no questions. At least 60% to our shareholders. And then I guess the Board will have discretion on the residual 40%, which is I think Christyan maybe what you are asking about and the Board will have a choice about does it accumulate cash to reduce debt in case the environment is tricky, do they decide to do an inorganic or do they decide to do more share buybacks. That will be a discussion for the Board each and every quarter. To be clear though, you have to follow those priorities, please. We have tried to make them as coherent as possible.

Bernard Looney: Yes, I think it is a very important slide. At least, we think it is a very important slide because it is going to help us enormously internally as well as externally. So Christyan, thanks for the questions. Hope that helps. The next question is to Jason Kenney of Santander.

Jason Kenney: Hey there. Well done for the progress on reimagining energy and well done for reimagining conference calls as well. This is a good interactive experience for me and hopefully for you too.

Bernard Looney: Good, thank you.

Jason Kenney: I have two questions. Firstly, on results, probably some detail from Murray please. There is a very large non-controlling interest in the quarter. I am wondering if you could break that out and maybe give me an outlook for that line item full year 2020, any guidance on P&L tax this year would be useful as well.

Secondly, on the financial strategy and trying to relate the divestments, $25 billion of divestments to the 1 million barrel a day less of oil and gas out at 2030. So how much of the lower hydrocarbon output by 2030 is due to divestments and how much is just simple decline of the asset base, running it for cash over the next couple of years. If I may just sneak another one in, on the whole strategy, how do you see your cost of capital changing over the period to 2030 with this increase in renewables and new energy businesses coming in and obviously just running out the high carbon business over the next decade. Thanks.

Bernard Looney: Very good. Thanks Jason. I think that is actually four questions because you had two parts to the results one. But Murray, I am going to let you take the results one and the cost of capital and I will take the financial divestments, non-controlling interest, P&L tax guidance, and what is going to happen on our cost capital.

Murray Auchincloss: Yes. I think non-controlling interest, it is best just to follow the Brent price, gas price, etc. and you will be able to figure out how those flow through. Fairly hard to predict right now, Jason but you can probably just look back over the past six quarters and watch that. Alternatively, you can give Craig Marshall a call and he can give you more details on that one.

On P&L tax guidance, it is really tricky right now Jason. Obviously with oil prices low, with gas prices low and with the RMM so low, and refinery utilisation down, the absolute amount of P&L is very low. Of course, in some countries like in Abu Dhabi, etc., we pay tax naturally. So it is very difficult to give any P&L tax guidance right now for the second half of the year. Just keep it as a low rate on a very low base would be my advice. I wish I could tell you more than that but I do not seem to be able to forecast what the effect of tax rates is going to be in any quarter right now given the volatility in results, apologies.
On WACC, you would expect WACC to change over time and to start to decrease but let us see how that unfolds for now. Our WACC is clear, it is the guidance we have provided inside the 2020 ARA, no change so far but we will see how that unfolds over time as the portfolio shifts.

Bernard Looney: Very good. Great Murray, thank you. Jason, on production and divestments and the $25 billion, just a few comments maybe that would help on that. If we look at underlying production, I think it is broadly flat through the first five years, so we have major projects coming on-line and we obviously have base but it is roughly flat over a five-year period. In the second half of the decade, 2025 to 2030, you will see underlying decline start to kick in. So, think of it in two phases and I think we show a 2.6 to 2 in the first five years and 2 to 1.5 in the second five years. We have said around because this is not a precise science so to speak but it is what we are guiding to. So that is how I would expect to see volumes. Just to clarify the $25 billion. The $15 billion by the end of next year is retired. The $25 billion is between, as Murray said, the second half of this year out to 2025, so four and a half years. As Murray said, that includes the proceeds from Alaska and petrochemicals and therefore we have, we think, around $11 to $13 billion of that $25 billion sort of already done. So the point there is we are not in a rush, we are not having to sell assets for some reason, we will find a time to seek value and do asset transactions that we think are good, strong, value-accretive asset transactions. So that is the second thing I would say on that. So Jason, hopefully that helps and if it is okay, thanks for the questions, we will move on. Next is to Lydia Rainforth of Barclays. Hi, Lydia.

Lydia Rainforth: Hi there Bernard and it is lovely to see you all. Two questions if I could. The first one, you have raised some fairly radical changes this morning and indeed through the quarter with the selling down of petrochemicals and the restructuring. How do you think about what the right pace of change for BP is and how do you manage that. Then, a second question, just going back to the capital allocation process for low carbon, how do you actually do that in practice? How do you compare hydrogen to customer touchpoints, to solar? And partly linked to that, Murray, you did talk about several of those projects being integrated and the higher returns - and they sound awesome - but when do we actually get evidence of those and effectively when do we get proof of concept? Thanks.

Bernard Looney: Okay. Very good. So Giulia, you could talk a little bit about the proof of concept around some of these things. Murray, if you can talk a little bit more about the choices that we might make within there. On pace of change - the way we think about it, Lydia, is we set out, I think the title of the press release was about a decade of delivery. I think we were all very conscious that it is a decade of great importance for the world and it needs to be a decade of delivery for the world and we want it to be a decade of delivery for BP in pursuit of our strategy, which we believe is in the interest of all of our stakeholders but also in pursuit of what we think the world needs. Now, that says that there is a degree of urgency to what we need to do because I think it is important that we act and that is what we are setting out today. Clearly, one has to be thoughtful and one has to be careful not to move too quickly. I think, however, that we are guided now by a very clear financial framework with very clear investment hurdles. So, we are not saying we are going to do this at any cost. We are not chasing gigawatts as the equivalent of volume in the upstream world. We are going after gigawatts priced at the right returns so that we can, as Murray says, see an integrated value picture across the company. And there is a lot of change going on within BP. It is necessary. The organisation has obviously got a lot on its mind, with the virus, with what is happening in the world, and what is happening inside the company. But our judgement is that it is a time of action. It is the right plan, which by the way is not back-end loaded towards 2030. If you look at the 2025 metrics, you will find that many of them are front-end loaded, so that tenfold increase in low carbon is actually up to eightfold by 2025. So, we feel that we have judged it right in terms of the plan. But we always have the opportunity to learn, to adjust. We will make mistakes; I have no doubt about that, and we will correct. But in terms of a decade of delivery, I think it is a time for us to be in action and that is the sort of plan that we are setting out today. Giulia, some
proves of concept, or when will we see some of this stuff turning? Lydia I think said it sounds good from Murray, but are there some more proof points?

Giulia Chierchia: So, I would say in terms of our low carbon activities, the first thing is we have defined 2025 clear targets which Murray has communicated, so that is the first element. The second element is we are not starting from scratch, and you have seen is also moving in recent weeks. So, on the renewables side we are starting from 2.5 GW of developed capacity. We have recently announced our partnership with Jinko Power in China to drive renewable solar development. We have also announced recently our participation in the Green Growth Energy Fund in India, which allows us to participate in the funding of green growth opportunities in India. Similarly, on the bio side, through our BP-Bunge JV, we have the second largest sugar cane ethanol and biopower activity in Brazil, and we are planning to scale it further. We are also starting from a position on co-processing in our refineries, which we aim to further scale. So again, in bio we are not starting from scratch. In terms of hydrogen, we are starting from a position of actual production and operation of hydrogen in our own refineries, and as we said, we aim for a 10% market share. We are active in Australia already in hydrogen for the export of hydrogen and ammonia and you will see more news coming in shortly hopefully on the hydrogen side. So, I would say bear with us and hopefully we can come back to you very shortly with some more news.

Bernard Looney: And I would say, Giulia and Lydia, you know, there is no shortage of opportunity. I would tell you right now that we are inundated with opportunity in this space. People wanting to work with us, people seeing what we bring to a joint venture like DiDi or to a joint venture like Lightsource bp. So we are definitely in the world of quality through choice, which is what we always wanted in exploration many, many years ago: to have more options than we have capital to deploy, because that means you will only do the best stuff. So, I feel pretty good about that at the moment. Murray?

Murray Auchincloss: Hey Lydia, nice to see you. Resource allocation. How does it work in practice? Look, we have got 35 businesses more or less that we allocate capital across. If you thought about our history, it would be the Gulf of Mexico and the North Sea, and then you have got new places like bp bunge, solar, et cetera. So, 35 of these businesses across the world, including inorganics, that we think of allocating across. What is so tricky about this is that things are moving so fast. You have to get super, super clear on your assumptions. What is the cost of supply doing? That was easy when you are drilling in oil and gas well. It is trickier when you are thinking about solar. What is happening with that cost of supply? What is your commodity price going to be? That was kind of easy to make a central assumption on oil. Making an assumption on power across 37 geographies is a bit tricky.

So, trying to get super clear across those 35 businesses about what the core set of assumptions are, how you get them to P50 through constant conversation, so you can then create a core starting point. And then you ask yourself, right, how do we add integration on top of this? Where are the sources of value for us? What are the risks? Where could you get nailed on interest rate movements, currency movements, et cetera? So, life becomes much more complicated in this new world, Lydia, and I like that, because that is how we create value. We get these risk mitigation things that a pure play cannot do, so we can see the risk, get it clear, and then figure out how to mitigate it, and then, bang, you have got a lower-risk proposition with really stable returns. So that is kind of a practical example of how we have got it working now. It is complicated, though, but I think you make money in complication.

Bernard Looney: He likes it because he can also understand it. Lydia, thank you. Craig is telling me we need to speed up our answers a little bit, guys, to get through more people. So, I will take the lead on that if I can. Next is Biraj Borkhataria from RBC. Biraj.
**Biraj Borkhataria:** Hey, thanks for taking my questions. Hopefully you can hear me. I wanted to ask about the upstream. You are talking about a substantial drop in production over the next decade. I am just wondering how the US onshore fits in with your intentions. In the upstream, not so long ago, you did a $10 billion deal which at that time was called transformational but it does not really appear in the presentation today. So, can you just talk about where that asset and that theme fits in the portfolio? And the second question is on chemicals. Some of your peers are talking about chemicals providing a different option to pivot. They are looking at ways to decarbonise and focusing on the circular economy, and all things associated with that. So, can you just talk about your rationale for that sale. Is it just an area where you felt like you did not have a strategic advantage, or was it a scale issue or anything else? That would be helpful. Thank you.

**Bernard Looney:** Biraj, thank you. I will ask Murray to take the Lower 48 question. He knows the business well. On chemicals, think of it as two things: number one, we are very proud of what our team has done there, particularly over the last several years around performance improvement, efficiency improvement. We like some of the technologies we have. The reality is that from a scale perspective it would have taken a lot of capital for us to grow it into a really competitive business, and that was sort of the strategic rationale. We also believe that we secured a good price for it that the purchaser and the seller both think is a fair valuation of that business. So, it is a very good transaction and we now need to focus on completing it. So that is the rationale. Murray, quickly on the Lower 48.

**Murray Auchincloss:** Hey, Biraj. BPX remains core to the business. It continues to do really well. The reservoirs are better than we thought. We are finding more zones than we thought originally. Synergies were at $400 million; we will probably get more synergies, but we are above the $350 million target we talked about. And obviously the capital is deflating these days. Service rates are down, and so, when we start drilling again, service rates are going to be an awful lot lower. So, the investment case remains strong. No impairments as we went through our process. So that is very good news. And the way we will think about it moving forward is it is flexible. We have two great gas basins. We have two great liquids basins. And depending on what happens on natural gas price, or depending on what happens on oil price, we will have the ability to modulate investment into that. The last thing I will say is right now, it is going to break even at around $3/mmbtu Henry Hub, which you can see in the forward markets in December, and $35/bbl WTI. So, about right now, it is now cash flow breakeven, with about $1 billion of capex going in, and if prices pick up and we get activity going back in there, we should start to see growth in cash flow over time.

**Bernard Looney:** Strong returns potential, quality of reservoir still matters. Biraj, thank you so much. Good to see you. The next question is from Michele Della Vigna from Goldman Sachs. Michele, good morning.

**Michele Della Vigna:** Good morning, Bernard, and thank you for taking my question. On the low-carbon strategy, you had clearly come a very long way already, mainly focusing on unconsolidated associates like Lightsource bp. I was wondering, as low carbon becomes a key pillar of your business, and also in terms of regulation, things like the European green taxonomy really looks at the progress through the revenue exposure, wouldn’t it perhaps be better to think more as a consolidated activity for your low-carbon business, even if from a headline perspective that could mean lower returns and higher gearing from an accounting standpoint but actually give more visibility on how large and important this business is becoming for the BP of the future?

---

1 Impairments were taken in respect of BPX Energy. See Note 3 of the second quarter 2020 stock exchange announcement.
And then, a second, related question: as we look at your existing business, particularly your new investments in E&P, how do you think about the hurdle rate? And particularly investing in greenfield versus brownfield in view of the transition that you want to implement? Thank you.

**Bernard Looney:** Michele, thank you. Good to see you. Murray if you can take the E&P hurdle rates.

On the consolidation or not, I think what I would say, Michele, is that we start with strategy, which is what businesses do we want to be in. We assess our capabilities to participate. Sometimes we need partners, sometimes we do not, and I think then, as we have in Lightsource bp, got a great partner, I think consolidation is always an option. Gearing, as Murray said, we will continue to monitor, but we are no longer guiding against it. It is about having a strong investment-grade credit rating, is what our objective is. So, we will be guided by doing what we think is right to grow those particular businesses. And those options are available to us. It has got to fit within that financial framework. It has got to match those five orders of priorities. I would not rule it out at all in various businesses, and it will be dependent on the circumstances at the time, on what is right for that business to take it to the next level. Sometimes that might be an option, sometimes it might not. So, time will tell. E&P hurdle rates, Murray?

**Murray Auchincloss:** Sure. Hey, Michele. So, the E&P is kind of transforming as we bring the major projects online. We are moving to infill drilling, filling up those platforms and moving to tiebacks. There probably will not be a tremendous number of big greenfields any more in the future, and the way that we think about it is, given the transition risk, if you are going to move into a big oil greenfield you had better pay back within 10 years at our new price decks with new carbon taxes. That is just sensible to do. So that is a focus on returns and payback, and that really governs what decisions we would make. On gas, because gas is part of the transition, we are saying payback in 15 years at the new gas prices that you can see, and you can back calculate the return on that as well. So, we think that by focusing on payback we can manage transition risk and quality at the same time, and that is how we will be looking at it moving forward.

**Bernard Looney:** Very good. Thank you, Murray, thank you Michele. Next question from Irene Himona at Société Générale. Irene, good morning. How are you?

**Irene Himona:** Good morning, everyone. Thank you very much for your presentation. I had two questions. So, the first one, going back to oil and gas, which, as you said, will be the enabler of the transition. You look to it for sustainable cash generation. Of course, by 2030, we will be looking at peak oil demand and possibly peak gas. So, can you talk a little bit about your vision for the cost structure of that 1.5 Mbd legacy portfolio by 2030? Whether it is unit cash costs or any metric you can help us with? My second question: I noted that one of your four low carbon aims by 2030 is an LNG portfolio of over 30 million tonnes. Again, if you can talk around where you potentially envisage growth in that portfolio, please. Thank you.

**Bernard Looney:** Very good. Excellent. I will take the oil and gas question. Who wants to take the LNG question? Murray, do you want to take it? Excellent. Oil and gas. 2030. I think the things that I would draw your attention to, so, by focusing it, as you would expect, Irene, the quality of each barrel on a unit basis continues to improve. And that is the first thing. So, portfolio will help underpin that. We wanted to be industry-leading in terms of quality and efficiency. That is what Gordon, his job is to make sure that we do that, and that is why we will drive digital. That is why Gordon is going to implement agile, structurally, in what is 16,000 or 17,000 people across refining and upstream, the traditional upstream business. We are not aware of anyone doing that in a structural sense. Organising, in an agile way. He intends to put that in place. We are targeting $6 per barrel of unit production costs by 2025, and we will continue to drive that down if we can. We are big believers in digital, as you know, from your trips with us, so, we will continue to push that agenda. Giulia talked about doubling our investment
in capital in that over the next five years and more thereafter. So, we get your point 100% that we have got to prepare for that world of decline one day. Who knows when it will be? And therefore, the only thing that we can control is the quality and the efficiency and the productivity of those barrels, and Gordon is right on that. Murray, on LNG?

**Murray Auchincloss:** Hi Irene. So, we are going from about 15 Mtpa now to 25 Mtpa by 2025 and 30 Mtpa by 2030. I guess those numbers match, didn’t they? Hadn’t really thought about that. Look, it’s going to come –

**Bernard Looney:** That’s not the reason.

**Murray Auchincloss:** That’s not the reason, but it’s ironic, isn’t it. The mix of merchant versus equity is really the big thing that we’ll have to work our way through. You will have seen from our press releases over time, we have tonnes of merchant LNG these days, whether it’s from Mozambique, whether it’s from the West Coast of Africa, you name it. We’ve got a great merchant portfolio now, where you can take advantage of arbitrage and move things across locations and make great money.

The equity decisions, right now, we’re about 50-50 equity versus merchant. The big decision for the decade is can we get Browse off the ground with a low enough carbon content that the government and the partners are happy about? Can we do the next wave of LNG inside Mauritania and Senegal - can we make it competitive enough. I think that’s the big question for us as we move across the next decade. The challenge for our teams is how do we make sure own equity, such as Browse, Mauritania and Senegal, and Indonesia, are low-cost and competitive against Henry Hub exported, with the right carbon footprint or should we instead move to merchant where you don’t have to deploy that capital?

So that’s a choice ahead of us. We have clear targets out to 2025. Beyond that, we’ll see how that unfolds over time. Thanks, Irene.

**Bernard Looney:** Thanks, Murray. Thanks, Irene. **Henry Tarr next from Berenberg.** Hi Henry.

**Henry Tarr (Berenberg):** Hello there, and thanks for doing this conference call, it’s refreshing. A couple of questions from my side. Looking across the areas of investment – renewables, convenience, mobility – are there any technologies or areas which you don’t have in the company currently or where you want to boost capabilities? Then, secondly, the developed renewables target of 50 GW, is this equity to BP or does it include JV partners – you may have already answered that, apologies if so? Then just quickly, thirdly, your aim is it increase convenience sites materially. How do you think convenience sites are going to be changed by EVs over the next sort of decade? I guess, what’s going to drive the margin there from 25% to 35%? Thanks.

**Bernard Looney:** Great. Thanks, Henry. I’ll let you off on the three questions because I’ll let Giulia take the first one around renewables and convenience. Any new technologies, second one, is around convenience sites and how they change in the world of EVs, and how we can get that 25% to 35% margin increase. The reason I’ll let you off is because you answered it. It is net equity developed Gigawatts. So they are net share, net equity. They’re not gross numbers on the Gigawatts, they are net to BP. That’s that.

Giulia, are you happy to take the other two questions, please?

**Giulia Chierchia:** Yeah. In terms of technologies across our low-carbon portfolios, we believe that the core of technologies are there to deliver on our ambitions. Obviously, technologies keep evolving in all areas in which we will be playing, right. Take renewables, we’re looking into, obviously, evolutions in terms of floating offshore wind. We’re looking into evolutions in terms of hydrogen, both in terms of technology, but cash cost curves to actually make those technologies available, right.
We believe technologies are there. They are evolving. Through our venturing activities, we continue to invest to have the right platforms to participate. As mentioned, where necessary, we will also partner in terms of accessing those capabilities and technologies.

In terms of convenience sites changed by EVs, we, as I was mentioning, if you look out to 2050, we are seeing electric vehicles representing potentially 80% of the total passenger car pool. We are seeing a significant shift in terms of the role of those retail sites. However, we are seeing that shift playing out in time, and we don’t expect that shift to actually happen from one day to the other. If we look forward, we see within sites, sites that will continue playing the current role for quite some time. We see sites that will have to be repurposed much more strongly towards convenience and retail, and sites, for instance, on highways which will over time evolve towards actually fast-charging and ultra-fast charging. It’s going to be a transition of sites. We’re obviously working towards defining what that optimal network configuration looks like over the years.

**Bernard Looney:** Great. Henry, thank you, hope that helps. We’ll keep going. Peter Low of Redburn. Peter, good morning.

**Peter Low (Redburn):** Morning, thanks for taking my questions. The first was just on the distribution framework. Why have you opted to distribute incremental cash flows through buybacks rather than, say, a variable component to the dividend if that is likely to decrease, that absolute dividend payment over time? Then the second one was you mentioned in your prepared remarks that your emissions targets do not rely on offsets. I just wondered how you can get to net-zero in oil and gas production by 2050 without offsetting the scope 3 emissions associated with that. Should we now assume you’ll be producing no oil and gas in 2050? Thanks.

**Bernard Looney:** Peter, thank you, two good questions. I’ll let Murray take the buyback versus the dividend choice there. On the emissions targets, what I said in the prepared remarks is that by 2030 our plans do not require offsets to deliver. We also said that offsets are a tool in the toolbox. They are absolutely necessary for the world. BP intends to facilitate a market in offsets. We will do that through our Trading division, and we may use them. We use them today for compliance purposes. As we move beyond 2030, they have the potential to become a bigger part of the toolkit. However, specifically what I said is that over the next ten years to get those very material reductions in emissions, these are 30-35% or 35-40%, we do not rely on offsets to do that.

Buybacks versus dividend – why the choice – Murray, on the incremental?

**Murray Auchenlloss:** Hi Peter. The ultimate theory question, isn’t it? Look, we’ve looked at this hard over the past year thinking about how to frame this. I would say our sense is that variable dividends are very difficult to get credit with from an appreciation perspective. We think that as we rotate the portfolio and transform the company it makes more sense to return cash to shareholders though that share buyback, and we think that through a ratable share buyback programme that becomes more certain and investors will give more credit for that. It’s obviously a very theory-based question. It’s something that we wrestled with as well. However, we think that’s how we will create more value for shareholders is through that rotation of the assets into share buybacks as opposed to one-off dividends or variable dividends.

**Bernard Looney:** Murray, thanks. Peter, thank you for your question. Next question from Jason Gammel of Jefferies. Jason, good morning.

**Jason Gammel (Jefferies):** Hi, good morning, Bernard. Thanks for taking the questions. First question I had was the types of markets that you’re going to be targeting for renewable power, and my line of thinking is that the high growth markets may also have a high degree of regulation. Is that something
that is acceptable for you? The second question I had is around the hybrid issuance. The cost was a fair bit higher than the 30-year paper that you issued. Can you go into a little more elaboration on why you made that decision other than just the optics of how it’s handled on the balance sheet?

Bernard Looney: Jason, thank you. I am going to ask Giulia to handle the renewable power markets and regulation, and Murray, as the architect of our hybrid issuance, can you say a few words for Jason, please, on that first. Go ahead, Murray.

Murray Auchincloss: Hey Jason, good to see you. Hope you’re well. Look, the hybrid really hit at a unique point in time. We’re working through a crisis. We need liquidity as must as we possibly can get. The hybrid market is something that we thought about for the past five years, once we saw some of the competition doing that, as an interesting way to diversify your sources of cash, to be honest. Obviously, there’s vanilla debt and then there are hybrids.

We’ve been thinking about doing it as a mechanism of diversification of cash flows for quite some time. We went out to the market, and we were stunned by the degree of interest inside this. We had 3-4 times subscription over the top of what we thought we might have. We think the average interest rate of 4.5% on perpetual debt is pretty darn competitive. You would have a hard time issuing equity at that level.

We think it’s a nice complement to the overall capital structure of the company. We like the scale because it helps. It also helps with the net debt target, Jason. The ratings agencies give you 50% credit for it. As we think about it, it helps drive down our net debt. It gets us in shape for the future. It underpins our resilient dividend and it helps ensure we have investment-grade credit rating. So, it just hit at a perfect time with lots of different opportunities with an incredible cost for a perpetual debt at 4.5%, and that is why we went ahead and did it, Jason.

Bernard Looney: Very good, I am very glad we did it.

Murray Auchincloss: Yes, me too.

Bernard Looney: It has been a great move. Giulia?

Giulia Chierchia: Thank you, Jason. First of all, let me start by just clarifying that we are not aiming to play only in renewables. We are aiming to play in an integrated low-carbon electricity value chain, therefore balancing renewable generation together with the customer portfolio and trading, so we are not focusing only on renewables generation. The second element is as we look into the markets in which we are planning to play, we see a mix of growth – developing and developed markets – where we will, therefore, have a varying level of exposure to regulation. Thirdly, I would say again we are not starting from scratch. We have renewables operations across 13 markets already today and have significant experience in terms of managing those regulatory frameworks from the past. We will continue doing so as we move forward.

Bernard Looney: Great, thanks, Giulia. I knew you would keep reminding me, and we keep reminding each other: this point about it is not renewables for renewables sake; we want to build renewables so that we can offer an integrated energy solution to customers. That is what we are trying to do. It is not spin that we want to become an integrated energy company; it is what the example from North American Gas and Power is about today, where we are offering customers – sometimes cities, sometimes big corporates like Amazon or whoever. We are offering them firm, clean and affordable power, so we can give firm by taking our equity gas, taking our equity wind, taking some solar off the

---

2 Including through Lightsource bp’
market. That gives us a reliable source of energy. We can make it firm or affordable for them by hedging it for them because we have the trading organisation, and we make it clean. It is mostly clean already, but the final bit we can do through the carbon offsets, again through our trading organisation. We are bringing integrated solutions together. I think this is a very important point that we want to keep hammering home, which is it is not any one of these areas for its own right; it is about how we create a package that we can offer to customers. Jason, I am happy to talk to you more about that. Thanks, Jason.

The next question is from Jon Rigby from UBS. Morning, Jon.

Jonathon Rigby (UBS): Hi Bernard, thank you. Two questions: the first is going back to the dividend a moment. I’m struck by the fixed element of it. I agree with your comments about variable, but a good signalling device for a company that is making progress is an increase in the base dividend. That is the way that the Board can signal confidence and progress to the market. I am struck by the fact that you do not intend to do that, particularly if your strategy also talks about reducing shares in issue, so the absolute cost of the dividend actually falls over the period. I wonder whether you could just revisit that and maybe in the discretionary bit of cash flow, maybe there is room to increase the fixed element.

The second question goes to the impairment charges you have taken this quarter. It is not the first time you have taken significant impairment charges over the last decade, and most of them have come in a business that you know intimately, which is E&P. I was struck by Murray’s comment that he felt, I think, very comfortable with the rates of return achievable in renewables, a business that you are really just entering for the first time.

Can you talk a little bit about whether you have enhanced the process of assessing the capital allocation and investment decision, because it seems to me is that a flaw in all of the outlooks on returns, et cetera, is that you put capital to work in the wrong assets or the wrong businesses or using the wrong assumptions? Thanks.

Bernard Looney: Thanks, Jon. A bit of feedback for us there on our investment governance, I think, Murray, so I will ask Murray to take that. On then dividend, Jon, you asked whether there is opportunity for the discretionary element of cashflow to somehow be directed towards a growing dividend and I think clarity on these matters is really important. The answer to that is no, there is no discretionary element of cashflow. We said that we will return that at least 60% in buybacks. Buybacks are obviously one opportunity to go to the rest of the cash, as is the balance sheet, as is the potential, if there is one, for a value accretive deal, as I said, down the road. However, that is our judgement on providing that fixed and what we anticipate being a fixed, resilient and reset dividend and the buybacks giving the upside.

Murray Auchincloss: Hi Jon, nice to see you. Tricky question on the impairments, is it not? If I had thought about exploration first, I would say we have been in action over the past decade trying to get this more under control. If you think back to the heydays of the early part of the decade, Jon, we were spending $1.8 billion up to $3.8 billion was the peak level of exploration spend we had with licence bonuses, etc. That of course was when the oil price was $140 and to be honest in hindsight that does not make sense with our current view of oil price. Maybe as a sector and as a company we were chasing that too much. I feel like we have done a good job over time getting that under control. We have drifted exploration spend down significantly over time. Under James Dupree’s leadership we are very careful with bonuses. We are very careful with well commitments, etc. etc. Exploration is something that we are wary of. We are now not going to explore in new countries. We will probably only be spending $300-400 million on that a year to try to manage that. As we think about the new world and as we think about new investments, Jon, we will have that memory in our mind. We will
think about those commitments. We will not be committing too much at once. It will have to be phased with off-ramps so that we manage the risk as we move from one type of exploration to a different type of exploration in things like hydrogen, CCUS, wind etc. That is thought one.

Thought two on the impairments on the balance sheet, yes, we have raised the thresholds again, Jon. We used to talk to you about 15% at 60. We have dropped the price deck materially. We have bumped up the carbon tax materially. We have also dropped gas prices materially. We have raised that threshold and we are trying to make sure that through payback of less than ten years and payback of less than 15 on gas you really start to push that as well. We will try on the new stuff to have firm rates of returns that we hit with very clear assumptions. Making sure that we are clear on what a P50 is with equal upside and downside will help us learn those lessons where we have been too optimistic in the past. We are trying, Jon. We recognise the things that we could have done better in the past and we are trying to get better for the future, learning the lessons and applying them into the new businesses.

Bernard Looney: I think we have to have a little humility here, John. There is a lot we have to take away from this and we should not just skate over it and say they are what they are. It is a piece of reality. I think we are not alone in the industry but we are certainly not apart. I think we have learned a lot. Our exploration spend is down 75% from the peak, over 75% and I do not see it going up from that point. I see it going down. I think life has changed over the last couple of years but as a person who was accountable for the upstream, I take these results very seriously and want to make sure that we do not have to keep repeat doing this in the future. However, it is important to acknowledge reality and that is what we have done in the second quarter. I appreciate your question. I know where it is coming from and I appreciate the spirit in which it is asked. Thank you.

Pavel Molchanov (Raymond James): Good morning or good afternoon. You have an MLP and I am curious what will happen to BP midstream partners in the context of the anticipated production decline by 2030. What should those MLP investors take away from all this?

Murray Auchincloss: I have got to be careful because that is a publicly-traded entity so I do not want to be talking into that, Pavel. I am afraid I will have to pass on that question and that will be something that the MLP Board will have to answer. I hope you do not mind that, Pavel. It is not for me to do that.

Bernard Looney: Pavel, thank you, we can follow up with you afterwards as well if we need to but I think Murray probably knows best on this one. Thanks for your question. Is that okay, Pavel?

Pavel Molchanov: Understood, yes.

Bernard Looney: Lucas Hermann from Exane. Lucas I remember you being very frustrated with me at the last quarterly results call. Good morning Lucas.

Lucas Hermann (Exane): Morning, Bernard. Hopefully, you will not be frustrated with me this time.

Bernard Looney: No, you were frustrated with me, not me frustrated with you.

Lucas Hermann: Two brief questions, the first, pipeline in terms of the renewable build-out and I appreciate you are not chasing but how much visibility do you actually have at the present time? I simply ask because comments from Lightsource bp and elsewhere - the target of 20 GW seems – well just talk around visibility if possible. Then, one for Murray, if I might. Murray, if I look at a normalised year, let us go back to 2019, what proportion of your cash flow from operations or EBITDA, however you wish to present it, you wish to present it, would you say comes from the businesses that you define as customer-focused today? I am really talking about fuels marketing, lubricants, the LNG trading business, the biofuels business - some idea of what the overall cash flow as a proportion of 2019 was from those activities. That is it, thank you.
Bernard Looney: Lucas, thank you, good to see you. Murray, if you can take the second question first and Giulia, interested in any thought you have around the pipeline on gigawatts.

Murray Auchincloss: Lucas, I am trying to think my way through that exotic question. Inside the downstream obviously the refineries do not make a tonne of money, Lucas. If you look at the downstream results it is primarily customer and products and the oil trading side of life. The majority of the downstream would be the answer. On the biofuels, alternative energy, the 2.5 GW, we are in build mode, so you are not making much money now. Money comes once you have built out which will be middle of the decade when you start seeing that thing being built out. Expect a period of low returns as we build our way up and we establish traded positions around it. Expect that to happen middle of the decade.

On the upstream I am going to hesitate to give you a number on what we do inside IST because that would give you an IST number which we do not disclose. However, I think if you look back over time you might be able to guess what we get from integrated supply and trading inside gas inside the upstream portfolio. You know that we do not disclose that.

Lucas Hermann: Thank you, Murray, that 25-30% or so of cash flow is broadly those activities at the present time?

Murray Auchincloss: Sounds like a good calculation.

Lucas Hermann: Thank you.

Giulia Chierchia: In terms of our pipeline of renewables towards our 2025 target, as announced, Lightsource bp is working to build a pipeline of 10 GW by 2023 and is well on the way to develop that. In addition, we do have a pipeline of additional opportunities in the hopper so we feel comfortable with the delivery of those targets.

Bernard Looney: To Lucas’s point, it is pretty punchy. It is not a simple target and that is where we have to remember to Jon Rigby’s point our value over volume learnings and make sure that we only invest if we can get the returns that we feel are attractive. However, based on what we know, Lucas, without going into any further detail, if you can understand, we feel pretty good about it.

Lucas Hermann: To be very clear, the 10 GW from Lightsource bp, you treat 5 GW of that as being your potential.

Giulia Chierchia: Yes.

Bernard Looney: Correct, thank you for clarifying. Thank you, Lucas. I think we need to bring it to a close. I have got a few remarks here and I have got something that I want to do. Just hang with us for a minute as the numbers on the webcast are staying steady, which is great. Hang with us for a couple of more minutes. Thanks everyone for joining. We have asked a lot of your time today and we really appreciate you taking the time. I hope you found it useful. We have shared a lot of information, we recognise that, and we want to and need to keep the conversation going. We will be doing that with some of you over the next few days. It is going to be busy for us through the end of the week. I hope everyone can join us in September for bp Week. What we want to do in bp Week, having brought forward the macro strategy, is help you meet the team, help you meet the people who are going to deliver this and some of their teams, and help you get more into the detail about what it is that underpins this plan. If we do not speak before then, I hope you guys get a bit of a break. We are certainly hoping to and we are all trying to do that ourselves. We do have a little video. It is two minutes long. I think it is fantastic. It sums up what we laid out today and we are going to play that now. With
that, I am going to say thank you and watch the video if you have a moment. We will be in touch. Thanks everybody and well done to the team. Thanks everyone.

[END OF TRANSCRIPT]