BP 2Q 2023 results: Webcast Q&A transcript

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Q&A TRANSCRIPT

Bernard Looney: And with that, we will turn it over to you and go to questions. So that's where we start. Maybe we'll start with Biraj over here if that's okay.

Biraj Borkhataria: Hi there. It's Biraj Borkhataria, RBC.

Bernard Looney: Morning, Biraj.

Biraj Borkhataria: Morning. Two questions, please. The first one, just on the dividend. I think the 10% bump today is probably quite a nice surprise for investors. I guess when I spoke to Craig this morning, he referenced in relation to the 9% share count reduction in the last year. And I guess you have two sources of growth for the dividend per share. One is how many shares you're buying back and the other is the underlying growth in the business. Or as Murray, you mentioned the cash balance point. So should we expect you to review your dividend going forward twice a year on those two things separately, or is it an annual review going forward with those two items put together?

And then second question is on the credit rating which you've reiterated your intentions to move up one notch today. I was wondering if this has any bearing on the working capital release you expect? As obviously one of the advantage of the stronger credit rating is less collateral as you're hedging gas oil and so on. But what you are referring to for second half of this year into early 2024, is the credit rating upgrade embedded in the current guidance, or would you expect a material change if you were to get credit rating on top of what you've already said? Thank you.

Bernard Looney: Very good, Biraj. Just to clarify on the credit rating, we didn't say we were going up a notch today. We're saying we're not targeting 'AA' grade credit rating. We want to make continued progress in the 'A' grade credit rating. So there's no upgrade to our expectations around that, other than to clarify that we are not seeking a 'AA' grade credit rating. Murray, maybe I'll make some comments at the end, but dividend twice yearly review and the credit rating.

Murray Auchincloss: Yeah. I think, Biraj, good morning. I think the way to think about it is, look back in history. Obviously, the Board reviews the dividend each and every quarter and makes a dividend decision each and every quarter. So I can't guide on forward thinking, but all I can do is reflect on the last moves we've made. So if you rewind back to the second quarter of 2022, we increased the dividend per share by 10%. That was primarily related to share count reduction, but also the ongoing strength of the underlying delivery of the business. Fast forward to February of 2023, we increased capital guidance for transition growth engines and for the upstream as well. And with that increased capital guidance came additional earnings guidance. That 10% dividend per share increase was based on our forecast to future cash flows and the strength we saw in the underlying business all within a balance point of $40 per barrel Brent, $11 per barrel RMM and $3 per mmBtu Henry Hub.

Fast forward to today, we've had a 9% share count reduction over the past 12 months. That easily enables a 10% dividend per share increase without changing the absolute level of the dividend. But of course, as Bernard has talked about, there's incredible strength in the underlying business itself with Mad Dog doing very well. New projects coming online, bpx growing, et cetera. So we have both great performance and we've got the share count reduction that we're reflecting in this 2Q23 decision.

Looking forward, the Board reviews the dividend each and every quarter and makes decisions. It will take into account where we are in the cash balance point, where we see the future outlook over the next few years, and of course, share count reduction, but it's a decision every quarter. I can't guide on anything different than that. As far as the credit rating, that's our second priority, managing the balance sheet.

Obviously, we're on a minus positive outlook right now with S&P. We continue to think about an upgrade over time, but that's really a decision for S&P to make, not for us to make. We believe our metrics are in very good shape. We believe they're above their hurdles of cash cover ratio to receive that upgrade. And we'll keep working with S&P to try to explain our business and ensure we get that upgrade as we disclosed today. We would like further progress in the 'A' grade credit rating range, but we are not chasing 'AA' credit rating, that is inefficient from a balance sheet perspective in our mind and inefficient for shareholders.

So hopefully that helps answer that question, Biraj. And the working capital, if you think about cash outflow and inflow for the year in the first half of the year, obviously we've had a working capital build that's primarily related to the Deepwater Horizon. As we look out at surplus cashflow for the rest of the year, we've got an awful lot of confidence in the second half of the year.

You just need to go through the couple of slides that Bernard talked about of 3% underlying production growth in the oil and gas business, bpx production up, Mad Dog online and ramping up fast, Seagull will come on soon, Tangguh will come on soon, and so on. So there's quite a bit of momentum inside the underlying business, which generates high cash flows at the same time.

We have a release from the LNG that we hedged out last year. This is all the merchant LNG that our trading business manages. And we've been forecasting a release of $5 billion of cash flow starting in 3Q23 through the next four quarters. So we had a deficit in working capital in the first half of this year. We'll have a big release in working capital in the second half of the year and extending into next year as well. And very strong underlying performance, and that gives us the confidence to set the buyback level. Bernard, anything you would add?

Bernard Looney: Other than going through all the list of things that are exciting in the second half of the year from a growth perspective, we of course had $0.9 billion of divestments in the first half of the year. We're still guiding to $2 to 3 billion of divestments in the full year, and of course we had the Gulf of Mexico payment in the second quarter, which will not be present in the second half of the year. So no guidance there at all other than the outlook for cash flows and performance in the second half of the year for those of you who are trying to do surplus cash calculations. So hopefully that's helpful.

Lydia Rainforth (Barclays): Thanks, Bernard, it's Lydia Rainforth from Barclays. I have two questions if I could. The first one on the cost side that you came to, and obviously if I look at the data, bp is the only company of the large caps that's actually managed to reduce costs upstream over the last 12 months. And so, can you just talk through what's driving that, and particularly in the downstream, if you're actually starting to see that digitisation benefit move over?

The second question, Murray, I think I need some help, and you can interpret that however you want. But in terms of the buyback, there's $1.75 billion last quarter. We're saying $1.5 billion this quarter, but you've always said, we'll look forward, we'll look back. So that $1.5 billion, can you just tell me what, how did you get to that number? Because again, is it that whilst you were expecting a stronger second half, is it less strong than you were thinking about three months ago?

Bernard Looney: Thanks. Very good. Very good. You want to go to the second one, first, Murray?

Murray Auchincloss: Yeah, sure. So when we assess the level of buyback, our long-term guidance is at least 60% of surplus cash will be distributed to shareholders through a buyback, and for 2023 in particular, we've guided to 60% of surplus cash. So in the quarter when the Board is assessing the level of buyback, we think about what we've done in the past, $1.75 billon as you said in the first quarter, $1.5 billion announced this quarter. So we've announced $3.25 billion so far this year. We then look at the full year, 2023 based on what we see for underlying growth in the business, the release of working capital, et cetera. and we're thinking about a 60% of surplus cash buyback for shareholders for the year. And I think if you do the math, you can figure out at the pricing that we saw in the first half of the year, if you have that pricing repeat in the second half of the year, you can just calculate what the 60% of surplus cash is and that it'll be relatively close to the buybacks we've done in the first half of the year.

The last comment I'd make is anchor yourself please to our guidance, which is $4 billion of buybacks at $60 per barrel Brent, at the lower end of our capital range and subject to maintaining a strong investment grade credit rating. And use our rules of thumb to calculate what that buyback can be in the future. If you recalculate the first half of the year, you'll get darn near bang on what we've announced for buybacks in the first half of the year based on $78 or $79 per barrel Brent for the first half of the year. So we're very focused on maintaining our dividend and maintaining the balance sheet, and therefore the buyback does move up and down with price, but we've given you guardrails to estimate what it was very, very carefully. So I hope that helps, Lydia.

Bernard Looney: Great. And on cost, Lydia, I think we should be transparent. I think there is an element of portfolio in those numbers, but that's part of the cost game, so to speak. So we are very pleased that we're driving production up and driving unit production cost down. We're actually beginning to see deflation now, particularly in places like bpx where we're seeing some costs down 20%. Across the world, we're seeing things like steel costs coming down, some of the raw material costs coming down. Labour is an area where we do see inflation right across the world, and that is unchanged and we do our best to offset that with some of the productivity improvements that you alluded to.

And we are seeing some sectors being particularly tight, and you'll have seen Bay du Nord being given an extra three years. And that's just a slave to returns, a slave to capital discipline. That market is quite hot, I guess, at the moment, and we see a lot of price increases there. And we're not going to develop that project until we can meet the returns thresholds that we've set out. So we'll come back to that when the market is a little calmer and we continue to see tremendous benefits from digitisation.

Probably not yet in the downstream, it's still early days. I think a lot of that is ahead of us, as we've seen in the upstream, it is a journey. But I was with Murray's control team during the week, Jayne Hodgson, she was telling me about a new close process where we've taken out 70 or 80% of the steps in a close process, which is extraordinary numbers achieved through automation, through digitization. Gordon is beginning now, and we're moving roles to India where we believe we can get incredible quality engineering done and do it at a lower cost. So we are beginning that journey, and I think that's a journey that's going to ramp up materially. We'll also look at that in our offshore wind space, not just in our upstream space.

So we remain excited about the journey ahead of us in productivity, not just digital, but digital for sure. And Leigh-Ann is here and you can talk to her about that. But also, things like the India conversation, and we will continue to push our teams quite hard to make sure that we offset inflation with ongoing synergies. The central procurement organisation that you run, Murray, I think is bringing some real benefits as well. So we are going to stay the course on remaining cost disciplined. We will make sure that safety remains the number one priority. There is no need to compromise on that and we won't. But anything you'd like to add?

Murray Auchincloss: Yeah, I think just a little AI is all the talk these days in our Hungary business centre over the past three years. We've digitised 2,000 jobs and that's pretty extensive work inside restructuring your data, realigning your process, and then allowing automation. So we're able to absorb 2,000 new jobs coming in from the rest of the business or from expansion and then reduce jobs. So labour stays relatively constant, but you're able to eliminate 2,000 jobs just through that simple digitization we've done over the past three years. And our passion remains for this, and we see it as a huge opportunity moving forward.

Bernard Looney: We are not short of opportunity in this space. We're going to keep going, Irene, and then we'll go to Paul on the phone.

Irene Himona (Société Générale): Thank you, you recently got involved in the Eastern Mediterranean, and I wonder if you can talk a little bit about the objectives, the vision. What do you wish to achieve there? Second question on refining, leaving aside the margin environment, which was poor for everyone, obviously a very heavy maintenance quarter, which impacts not only throughput, but also your costs. So I wonder if you can help us understand the cost in terms of RC profit forgone of your maintenance this quarter, which was unusually heavy. Thank you.

Bernard Looney: Very good. On the Eastern Mediterranean, I think at a very, very macro level, it's about the development of natural gas that's close to markets, including close to Europe. So that's at the very biggest level. That's what we're trying to do there. We've been in Abu Dhabi for over 60 years. They wish to expand their business internationally,

given the successful partnership that we've had with them over that period of time. I think we were a natural partner for them to try to do this with, in this part of the world. On top of that, of course, we have a large position in Egypt.

So if you look in the region at what we've got in Egypt what we will have in the East Med coupled with Abu Dhabi's ambitions we're very excited about the development going forward of Leviathan. We're excited about further developments potential exploration over the years ahead. So this gives us a real anchor in the Eastern Mediterranean. There's a lot of synergies across the countries that are involved there, and I think it's a natural extension of our partnership, and it's one that I think we hope that we can grow over time. There's huge demand for gas, both in the region and in Europe. And I think we'll look back on this as being a very, very key move for us, and we'll give further update on the progress around that transaction later in the year.

On refining, Murray may wish to add specifically on cost. I looked at the difference between the first quarter and the second quarter on cost, you can explain the difference between Q1 and Q2 roughly, half of it is margin degradation, both in terms of diesel cracks and in WTI-WCS spread. And then of the remaining half, the majority of it is around the plan maintenance and a little bit of it is associated with oil trading. And of course, the explanation of the maintenance includes not just the outage time, but also the costs incurred in that. Murray, anything you'd like to add?

Murray Auchincloss: Nothing to add.

Bernard Looney: Okay. I must have done okay on that one. Yeah. Okay. Alright, good. Thank you, Irene. We'll go to Paul Cheng where it's very early, I think where Paul is. So Paul, good morning.

Paul Cheng: Good morning, Bernard, two questions please. On the offshore wind in the recent Wall Street Journal article talking about how challenging the economics has become, especially look like in the Gulf of Mexico several operators maybe including you guys, is looking for some renegotiation on pricing. Can you comment on that? And also, that talking about whether you see the offshore wind economics, especially in North America, has become far more difficult because of cost inflation?

And secondly, that you have a sort of a mid-course adjustment a couple quarters ago on the strategy and maybe dial back a bit more to the traditional resilient hydrocarbon business, but you're still looking to reduce production by 25% by 2030, and I think it does look like oil demand may not peak until post 2030. So from that standpoint, does it make sense for bp to further dial back and perhaps that seeking to have a flat production drop 25% by 2030? Thank you.

Bernard Looney: Paul, thank you. Thank you for your questions. I'll have a go and Murray will correct add and improve as appropriate. So on the second one, first so very clearly our strategy is what we call an AND, not or strategy. We are investing in today's energy system AND, not or, we are investing in accelerating the energy transition. We're not making a choice between one or the other. We believe the world needs both, and we believe our shareholders are best served by us investing in both. So it's AND, not or strategy. And in February of this year, we leaned into that strategy by saying that we would invest an

additional $8 billion into our resilient hydrocarbons business AND an extra $8 billion into our transition growth businesses.

In terms of oil and gas production. You'll actually have seen that we grew oil and gas production in the first half of this year. And you'll see also that we've improved our outlook for oil and gas production this year from slightly declining to now expecting it to be flat year on year. If you look at underlying oil and gas production, we'll actually grow production through the middle of the decade, and it will be relatively flat through the end of the decade. The 25% is simply what we're achieving through high grading our production through portfolio management. There are certain barrels within our portfolio that, quite frankly, are probably better off in someone else's hands. And that's what this is about. It is about a high grading of our portfolio. It is about portfolio optimization, but you should expect to see, as I said, underlying growth through the middle of the decade and flattish through the end of the decade. And that's where we get our strategy. That's where we provide the security that the world needs at the same time providing the cash flows that we need for our business. So that's one thing I would say on that.

And then on offshore wind clearly inflation has impacted offshore wind projects. And in an area where the PPAs are not inflation linked or index linked, and where we don't see an integration benefit per se, then obviously projects are challenged and that's the case in the east coast of the United States. What I can tell you categorically is that our returns thresholds are sacrosanct, meaning we will not develop projects that don't meet our returns threshold, which is why we are in the midst of renegotiating those PPA contracts in the east coast with our partner Equinor.

And added to that, I would say that it is points to why our strategy going forward is to do offshore wind only where we see an integration benefit, i.e., we don't want to generate electrons just for electron's sake or to ultimately put into a 20-year PPA. We want to generate electrons where we can do something with the electron add value to the electron like we do today with an oil and gas molecule. So our expectation is that we do offshore wind, just as you've seen in Germany where there is a direct integrated link to our business where we can take the electron, we can high grade it, convert it into a molecule, convert it into power in somebody's car, give it to our trading business, whatever. That's the evolution of the offshore wind strategy, and it is in part based on the learnings of the last two or three years. Murray, anything to add on either?

Murray Auchincloss: Nope. Perfect.

Bernard Looney: Alright, excellent. Paul, thank you. We'll go to Oswald over here.

Oswald Clint (Bernstein): Thank you very much. Maybe just going back to LNG, you spoke about NewMed and ADNOC relationship. I'm curious, could this give you a participation in the ADNOC LNG expansion in United Arab Emirates?, Related to that is Browse again, maybe elaborate on the strategy for taking on the rest of Browse that used to have a very big capex number attached to it in terms of landed costs that might be at the high end relative to somewhere like the United Arab Emirates. So, maybe just frame that LNG asset selection process. And then secondly, Permian - one of your peers talked about applying technology, potentially doubling recovery factors in the Permian over time. I wanted to get your thoughts on what you think you can do with your Permian asset as well. Thank you.

Bernard Looney: Oz, thank you. Murray maybe wants to talk. He loves the Permian, so we'll let you talk a little bit about that. And then on Abu Dhabi?

Murray Auchincloss: We're in ADGAS. We've been in ADGAS forever. Yes, they're expanding, but we can't comment other than that.

Bernard Looney: And Browse, I mean, again, very simple level, Oz, think of it as a very big option. This is a very, very material gas resource that is very, very close to a market that's going to be short of gas for decades to come. So, at the very macro level, this was a very low cost option that we have created here. We believe that there's great potential. The numbers will have to work, the returns will have to work. That's what we are working on. Woodside is doing a fantastic job as operator in leading on that. But you got to look at it and say big gas, close to infrastructure, close to market. Got to make sense at some level. Let's see if we can make the numbers work and that's what we're working on. And if we can, there'll be a project there and if we can't meet our returns threshold, we won't. So that's what I would say about that. Permian, or anything you want to add on the Browse one?

Murray Auchincloss: Just on the LNG portfolio itself, we have a number of very large gas basins to take forward in the second half of the decade. We'll talk about this more in Denver. Browse 14 Tcf is enormous. Its cost of supply is, if you look at Wood Mac, below US export, so it's more competitive than you might think. We have M&S, we have Oman expansion, Abu Dhabi potential expansion, 22 Tcfs in the Haynesville and Eagle Ford to develop, more in Trinidad, more in Azerbaijan. So, there's lots and lots of gas opportunity inside the resource portfolio. And we'll just be very returns driven and choose the right ones to drive forward. So I think it's okay to load up with options., On the Permian, you'll see some fabulous benchmarking from Dave Lawler when we go visit the Permian

Bernard Looney: We always see fabulous benchmarking from Dave.

Murray Auchincloss: And you might actually find out that we're number one in the basin on development on frack spread length and EOR per well. You might see that in the benchmarking. You might look yourself ahead of time. So Dave's got a very, very positive outlook there. We've obviously got the first central gathering station flowing - Grand Slam. Bingo should come up online, hopefully ahead of our visit there. That'll be great news. Two or three more to develop over time. Very, very low emissions recirculated water, electric drive rigs and electric drive frack spreads. Just incredible stuff.

Bernard Looney: First certified natural gas, I think.

Murray Auchincloss: Yep. Stuff I never would've dreamt about as a kid growing up in the oil and gas patch in Calgary. So, it's an amazing story. And they are driving technology at the leading edge on frack and recovery, and I think you'll find from the benchmarking work they do that we're beating the pants off everybody. But let's wait for Denver to understand that. But we continue to see great promise moving forward, and Dave will give you a great description of that.

Bernard Looney: Great. Excellent. Another reason to come to Denver. Lucas?

Lucas Herrmann (Exane BNP Paribas): Thanks very much, Bernard, Murray. A couple if I might. The first, I just wonder if you could talk about Archaea integration. There have been some management changes, which given the initial statements, one could argue was slightly surprising. In other ways, probably not. But just progress with Archaea, particularly build out, not least as waste management companies also seem to be more active in the space and trying to grab opportunity. And secondly, just commentary around Mad Dog Discovery and the tie back to Argos. And if you can give any indication of - I presume that just will allow you to remain at Plateau for an extended period - but just scale and opportunity. Thanks for that.

Bernard Looney: Thanks, Lucas. I think Mad Dog phase two, a little later than we had expected. Now it's online, seems to be doing very well. Four wells online, I think Gordon a fifth this weekend, and I won't get too ahead of myself but more to come here in the next couple of months. So that's looking good. And, I mean, you answered the question quite rightly, which is there'll come a point in time when that field, like them all is in decline. We want to make sure that we keep the facility full. The best way to do that is to drill nearby. We've drilled nearby, we found something, we feel pretty good about it, and that will likely be, I don't know, three, five well tieback in the fullness of time that we'll have, as you would expect, fabulous economics.

So that's on that, and on Archaea, I think the most important thing there is Starlee Sykes is now in leading that business. Starlee ran our Gulf of Mexico business. Many of you will have met her. She ran it successfully for many years. She's one of our most trusted leaders. And as I remind people and as we remind each other, this is bp. This is a bp business. Archaea is no longer Archaea. It's bp and we want it to be run by our people making sure that we've got the right standards in there, that we've got the right culture being built and to make sure that we leverage our company properly in accelerating delivery. And therefore, it makes sense that we put our own management in there, so to speak.

Starlee's going to do a great job in Denver, dare I said it, she will come and present on the early days of what that looks like. We've got 80 sites to build out over the next several years. We remain confident of our $500 million EBITDA target from that business by 2025. I think the EPA recently did some updates on their allocation mechanism or whatever it is that has strengthened some of the RIN pricing in that business. So the fundamentals remain very, very strong. A great resource base albeit in landfills that would otherwise be damaging the environment. A great opportunity for us to capture that, build out these facilities over the next several years, optimise them hugely through Carol's business. On the trading side, does it go into power? Does it go into transportation? Where can we create the most value?

We're looking at capturing carbon at the sites now and take advantage of the IRA to capture the carbon at those facilities. We might also capture the carbon and take it to our refinery and make e-fuels out of it, because it's biogenic carbon? Again, the list goes on. So we just are really, really excited. I'm delighted that Starlee's in there. She's got her arms around the business. We reviewed it with her and Gordon a couple of weeks ago, and Carol and we're feeling really, really good about it. But it's early days and there's plenty of work to be done. And building out these sites isn't straightforward, and it's not

technically complex, but it's local and so on and so forth. But we're feeling pretty good about that business right now. Anything to add?

Murray Auchincloss: Nope.

Bernard Looney: And you'll see us do more of getting our management in on day one as we go forward. We're doing that on TA, for example right now. Where else? Alistair?

Alistair Syme (Citi): Thanks very much. Murray, you mentioned Mauritania and Senegal in your list of gas basins. So what needs to happen to progress further development? And then secondly, Bernard, I collared you outside about politics. I'll ask you about German politics this time, but you referenced in Germany that the future market's going to be short of green electrons. That has a price implication - do you think politicians understand that this is probably not deflationary? And I guess more importantly, are you happy sanctioning development on that basis, given that in the last year or so politicians in Europe have been pretty happy to cap and tax the industry on something that they think should be affordable?

Bernard Looney: I certainly won't comment on German politics. I know even less about that than I know about UK politics. So won't go there, but I think the fundamentals are strong for what we're trying to do in Germany, Alistair. Let's not come at this necessarily just from a climate standpoint, because that's where the conversation goes. And can people afford this? And is it inflationary and so on and so forth. What Germany is doing with its ambitions that it has around offshore wind and its ambitions that it has around hydrogen and how much it will develop at home and how much it will import. Yes, of course, it's influenced by climate change, but it's actually driven probably most today by energy security. It's what the country needs, and the only way that the country is going to diversify it's going to find it very difficult to do solar in Germany. The politics of that are probably difficult as any populated country will understand. And it will look to places like offshore wind to not just supply green electrons, but to supply electrons, period.

So our view is that there is, of course, a price to be paid here. In many ways, we're having to build a new energy system. And that's unquestionably got a cost. But as we look at it and as we look at what our business is doing in Germany, then I think this is a very, very good investment for us. We feel very confident in the outlook. You can look at any of the forward curves. You can look at your outlook for carbon prices. You can look at your outlook for natural gas prices. You can look at your outlook for demand for electrons, period, all of which factor into the economics of this decision, as well as the cost to build, as well as the premium that we've paid. And our view is that on balance, this will end up being a very good use of our capital - limited as we will make it, and we will limit the capital. This will be very, very capital light. But we will have a need and we believe we'll supply that need cheaper and more securely by doing it ourselves than we would if we had to do it in the marketplace. Mauritania and Senegal?

Murray Auchincloss: Yeah. What was the question on Mauritania and Senegal?

Bernard Looney: What has to happen to progress development?

Murray Auchincloss: Yeah. So phase one continues. We're looking forward to getting that online first quarter of next year. We just really need to come together to agree the concept, the engineering concept, with our partners and the government, and then agree share of rent, where the rent goes and how the LNG is priced. So it's an ongoing conversation. Right now, we're really, really focused on getting phase one up and we'll see over time what pace the development of phase two takes. And we remain confident that there's lots of gas resource there. We just have to work through the technical decision and the commercial sharing of rent. It's not a lack of gas resource.

Bernard Looney: Behind Lucas here, Henri

Henri Patricot: Henri Patricot from UBS. Two questions: the first one, just going back to the production guidelines for the year, you expected to be higher year on year what's been working better than expected here. And then secondly, I thank you for the enhanced disclosures for the transition growth engines. Just focusing perhaps on EV charging, I see EBITDA still negative in the first half of the year. Can you perhaps talk about how you see the trajectory here, how profitability varies, perhaps depending on different markets. Thank you.

Bernard Looney: Very good. I'll take the EV charging one maybe and production, Murray. What's caused you to have more confidence in your production outlook for the year in oil and gas? On EV charging, we've got three main markets and an emerging fourth market. So we've got China, Europe, and the UK. I guess UK is part of Europe, but you understand my point. So China, Europe, UK, and the emerging one is the United States. In places like Spain, for example, where I was recently, we have announced plans for a JV with Iberdrola Intending to invest up to €1billion to build that charging network out between the two of us. Germany, we're number two in fast charging. Emma, in Germany today, we were number one. We must have slipped to number two. I think we'll be back to number one, I hope sometime in the future. But we're there or thereabouts as the largest. And then we're building a very resilient network here in Britain.

In China, that market is definitely electrifying. I think it's either 30 or 40% of new vehicles are EV today that are being bought in the market. There is no question what China is doing, and we're seeing it in the utilisation rates, and it is the utilisation rates that are then driving the fact that China today is EBITDA positive. The same is true in Germany, where we are seeing not really a slowdown in the purchasing of these cars. The utilisation is on the up and therefore Germany is also EBITDA positive today.

It's obviously a growth business, we have to invest, but we do expect what is a negative EBITDA business today to turn into a positive business by 2025. We did, as I said in the script, announce that now that we have the land in America, we announced that we sanctioned half a billion dollars with Emma to build out our charging network in the United States. That's over the next two to three years. And then we'll go beyond that. We'll take advantage of the TA network, of course, and start putting chargers down there. But this Hertz partnership where we are building giga hubs, and this is where we can charge 100 cars at one time at major airports like Houston Hobby is really beginning to take off. So the

US is quite exciting for us. And you'll have seen the price changes that are happening in America on the new EV purchases, which are making the purchase of an EV vehicle more and more attractive.

And as I always say, there's an F-150 electric, which I think they increased the price of by 14 or 15% because the demand is so high for it, which is quite extraordinary. So this is an exciting business for us. We are feeling good about it. We're learning a lot about the business. Lots of opportunities to optimise. You may have met Robyn Beavers at some point, Blueprint Power Company that we bought a couple of years ago that's focused on residential power, our power in buildings and how to manage power in buildings and how to optimise it.

They're actually helping the EV people where to place the chargers and software. And that insight of the market and the knowledge can make a huge difference in the EBITDA profile of a charging location. And we think that their help alone could potentially contribute EBITDA in that business in the United States alone as it comes online over the next several years. So we're learning a lot, we're excited about it. And right now, China, Germany, where we're seeing the highest utilisation, they're EBITDA positive, and by 2025, we expect the entire business to be EBITDA positive. Production. Murray?

Murray Auchincloss: Yep. We upgraded our production outlook for 2023, as you noticed., I'll follow Lucas's example of congratulating Gordon again. Congratulations to Gordon again for great performance inside bpx and great performance inside the Gulf of Mexico. So it's the two principal places that are well ahead of where we thought they would be. Mad Dog is producing from four wells 70,000 barrels a day. That's a stunning performance from the reservoir that makes us really excited.

Just fabulous performance out of the Lower 48, and out of the Gulf of Mexico, which has encouraged us to upgrade our guidance for the year. So very pleased with that. And thank you, Gordon.

Bernard Looney: Yep. And while Tangguh is late, it's probably a little earlier than we had anticipated. For those of you interested in big pipelines, which we count ourselves. There is a 80-inch pipeline. Can you imagine an 80 inch? Yeah, it's 74 and an 80 inch or something like that. Extraordinary. So thank you. Question back here, please. Peter?

Peter Low: Hi, thanks. Yeah, it's Peter Low from Redburn. So, my first one was just on the financial framework. You talk about kind of 40% of excess cashflow going to the balance sheet, but actually net debt increased over the past year, kind of despite the strong commodity price environment. Based on your guidance today, should we think that now begins to come down as we look to the 12 months ahead. And then the second one was just on OP&O. The gas realisations were a little bit weaker than I might've expected. Is that just reflective of the weaker spot price environment, or is there anything else going on there? Thanks.

Bernard Looney: Great, Murray, both please

Murray Auchincloss: OPO gas, a little bit weaker than you'd expect. 50% down as opposed to 35% on the marker. That's just the lag on NBP. So the UK prices lagged NBP, and that's

what's driving that difference[1]. It'll reverse itself over time. IR can help you if that doesn't make sense, but that's the reason for that one. As second priority inside the framework is to reduce net debt. Yes, we've been reducing net debt, I think 12 quarters in a row. We've been reducing net debt. Yes, it goes up this quarter. Why did it go up this quarter? Obviously, we had our Deepwater Horizon payment and then we had TA, which is the $1.1 billion of capital and the assumed debt that we get with it. So it's an increase of around $1.6 billion for TA.

That's not a bad thing. TA comes with $800 million of EBITDA that's accretive to rating. So we shouldn't necessarily just obsess about net debt. What's important for the rating is cash cover ratio and TA, although it drove net debt up, is really good for the rating as it's accretive. And we like that it gives us diversification and it gives us accretion on the rating. So we think that's very positive. As we move forward, no change for 2023, 60%/40% and you've heard how we're thinking about surplus in the second half of the year. I would expect 40% of that surplus to go to the balance sheet to continue strengthening it as well, dependent of course on what the oil price is. Hope that helps.

Bernard Looney: Great. Thanks, Murray. Martijn

Martijn Rats (Morgan Stanley): I just have two questions. One, I'm sure Murray might not actually answer this, but I'm going to ask this nonetheless. If I wanted to ask if you could reflect on the weakish oil trading results, because if you look at the oil market in the second quarter, all the things that did not work are working particularly well in the third quarter. So I was wondering if you could tell us a little bit about like, is this a bit of a tumbler every quarter or can we just sort of expect that weak quarters and strong quarters and weak quarters, strong quarter sort of should alternate each other? I would be quite interested in that. And secondly, on Kaskida of course got a quite an interesting project, given that it's sort of come back after many years. I was wondering if there are any milestones that we should be looking out for and the timeframes that are associated with this project.

Bernard Looney: Great. Thank you, Martijn. So rather than Murray not answer it, why don't I not answer it? So I don't think volatility is cyclical on a quarterly basis. It's driven by more than a calendar. I think we'll say nothing more than it was a weak second quarter. I think the one thing that you can say as you look forward in the world in general, and it applies to the energy markets particularly, and therefore it will have an influence on trading over time, is that the energy transition is complex and therefore complexity will likely lead to volatility. And as everybody knows, volatility is constructive for a trading business. So I won't comment on third quarter volatility. I don't think you're incorrect, but we'll leave it at that.

And Kaskida, yeah, we were just saying this morning, we discovered it in 2006. It's a big resource, a lot of oil in place. And the question was how to recover it economically. It's a good story I think of the company retaining an option. And we retained that option over many, many years. At the same time as us doing that, the industry has moved forward. 20,000 psi rigs have been built, are in operation. People have been successful with not just the technical aspects of the developments, but also increasing the learning around how these reservoirs produce. And both of those things are encouraging for us. So we're encouraged by what we see others do. We feel that its time has come, it has entered

[1] *Please refer to 2Q23 results presentation slide and script page 23 for more information*

concept select. Unusually it's 100% bp and our job now, and the team is focused on working through that optimization and getting us to a project that we can develop that's economic and that's what we're focused on doing.

And at the same time as we're doing that, we're focused on Tiber, which is at an earlier stage in the thinking, so to speak. But if Kaskida enters the frame, there's no reason why Tiber wouldn't also enter the frame. So just watch this space over the coming quarters as we get more engineering definition and cost definition around the concept. But this is one that should see FID if it will in the next two to three years[2], I would think. So that's how I would think about it. Kim.

Kim Fustier (HSBC): Thank you. Just on the NewMed deal, first of all. I understand the ADNOC side of the transaction is still being worked out, but I was just wondering what was taking so long to finalise the deal? And secondly, I wanted to hear your thoughts on the attractiveness of the UK as an investment destination for upstream and low carbon in light of recent changes, such as the change to the UK energy profits levy, the announcement of new licensing rounds and government support for CCS? Thank you.

Bernard Looney: Great. So what is taking so long? These things just take some time and we're working through the process. I don't think there's anything that's of particular note. We're involved in a public company and it takes time to go through the necessary processes. So it's not a signal of something amiss, so to speak, it's just that these things take time and the intent remains very clear from all parties, I think, to close this transaction. And then on the UK, I think let me just say generically what I would say, and what I've said this morning to some of the media, we're supportive of any policies or directions which acknowledge that the world needs a rapid transition and it needs an orderly transition. And for us, that means an "and not or" strategy. For us in the UK, that means investing in the North Sea and investing in the transition.

And that's what we're doing. We probably have the most diverse energy strategy of any company probably in Britain. We're involved in oil and gas today. We're drilling, we're on a five well campaign, I think West of Shetlands today that's drilling. We're bringing on Seagull later this year. And we'll continue to look at licenses and investment decisions there based on the information that we have at the time. And at the same time that we're doing that, Lightsource bp is developing solar projects. In fact, I think they developed the biggest solar project in the UK as far as I know. We're in offshore in the UK in the Irish Sea, which is looking good by the way, and also in Scotland. We're in green and blue hydrogen at Teesside, we're in net zero power or low carbon power at Teesside. We're in CCS, we're building out an EV charging infrastructure here in Britain, focused on fast charging, which is going very well.

I was at our Hammersmith site with the team a few weeks ago, seeing record utilisation levels there. We are active and we're importing LNG into the country. So we're active right across the spectrum. And that should give you a sense of how we see Britain as a place to invest. We intend to invest up to 18 billion pounds in Britain this decade. And of course, every decision is taken on the basis of the facts known to us at that time. But that's probably all I will say on that. Christyan, did you want a question?

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[2] *Actual timing of FID could be earlier*

Christyan Malek: Christyan Malek from JP Morgan. Most of my questions have been answered. Two questions. One on the capital frame. And this is no one's ever going to complain about a dividend increase, so thanks for that. But I sort of, it sounds to me that there's a lot of upside through both your projects your reversals and trading. So I just want to understand more just conceptually the logic of raising the dividend when you could have just put more back into buybacks. Means the third time you've raised a dividend in the last 12 months, and yes, you've lowered the share count, but the math doesn't square out entirely. So I kind of want to understand why you didn't just fully, and maybe this is a rhetorical question, your shares are cheap, you're clearly more constructive on the macro outlook, so why not put it all in buybacks?

So, again, it's not a complaint about or challenge on the capital frame. It's more just if you could share some of that logic, if the shares are cheap, in terms of where they are today. And the second question is, just trying to pick your brain around where could you be wrong on the macro, whether it's refining, gas, power prices, oil? How would you frame on a scale of one to ten, where you're probably most bullish across your portfolio, whether it's oil prices, refining etc., I just want to understand to what extent are you being pro-cyclical across different parts of the business in thinking about your outlook on the medium term. Thank you.

Bernard Looney: Thanks, Christyan, I'll let Murray take the first question. I mean, I think on the second question we all have views on the outlook for different products streams. And of course, the reality is we never quite know. I can create a very strong case for oil. Why would I do that? I think everybody is talking about global economic growth and what's happening there. Everybody's talking about what's happening in China, and yet we probably will see in excess of two million barrels per day of demand growth in oil this year and we expect that to continue into next year, maybe not at the two million, but certainly well in excess of one million. So you look at that, you look at the fact that OPEC+ remains exceptionally disciplined, if not increasingly disciplined, and show no sign of changing that tack.

And I guess in discipline, you also look at the US where I think the rig count has fallen to the lowest level now since February of last year, down by I think 20%, I think oil rigs down 12%, gas rigs down more. So I can create there a situation where you describe the outlook for oil prices to be strong over the coming months and years. We of course, know that there are numerous uncertainties and we therefore, don't plan on that basis. And that's why we run the company on the basis of a $40 per barrel Brent oil price, a $3 per mmBtu Henry Hub price, and then an $11 per barrel RMM. And we have no intention of moving away from running the company on that basis because we believe that's the prudent and right way to run the company.

And if oil prices and refining margins and gas are higher, then so be it. We want to make sure that we take full advantage of that. And Murray will talk to how we allocate the surplus cash. Gas, you go through a similar story. Europe, you'd say better positioned than last winter. Of course, storage levels mean we're in a much better position than we were last winter. Does that mean that we're out of the woods? You can't say that. Why not? Because there was a lot of demand destruction last winter, maybe 20% to 25% in industry. What happens to that, does that remain, does it return? We don't quite know the weather which we all see. So there are many things that are uncertain there. I think the one thing

that you can expect through all of these product streams is probably a lot of volatility, probably more so than we have experienced in history. But you may wish to add to that, Murray, and obviously then the conversation about why not more buybacks?

Murray Auchincloss: Yeah, I guess we just - the only thing I'd add is we run the company for a low break even, and we'll take the upside. And so, we run it on a balance point of $40 per barrel Brent and we sanction projects at $60 per barrel Brent, $3 per mmBtu Henry Hub. So we run it very prudently. And then upside is upside I think is the only thing to add. On the capital frame, dividend versus buyback. I think the hint is in the ordering. So the hint is in one, two, three, four, five. Our first priority is the dividend. We have the capacity to grow at 4% per annum at around $60 per barrel Brent and subject to the board's discretion each quarter. And above all else, we want that dividend to be resilient at $40 per barrel Brent, $11 per barrel RMM and $3 per mmBtu Henry Hub. And we will continue to increase it over time while we can keep that balance point alive and well and healthy in the event that the macro turns against us.

But that is our first priority and that gives you the hint of how we think about dividend versus buyback through the frame. We've retired 9.2% of our share count over the past 12 months, 10% dividend per share increase is a bit higher. On performance, as you heard today, we're performing really, really well. Updating the production guidance in 2023 is a huge sign of confidence to do that half way through the year. So I just think we have an awful lot of confidence in the business moving forward. We'll focus on that $40 per barrel Brent, $11 per barrel RMM and $3 per mmBtu Henry Hub balance point as we approach the dividend and it is the first priority for shareholder distributions.

[END OF TRANSCRIPT]