Thank you Bob and a very good afternoon everyone.
The last time I spoke with many of you was in Baku eight months ago when we outlined the longer term direction for the Upstream.

We have made good progress since then, and I am looking forward to giving you an update today.

I would like to start with some key messages that I will come back to again as I finish. First and foremost, it all starts with Safety.

It is a core value and will always be our top priority. Fewer people got hurt in our operations in 2016 than ever before – but one injury is one too many. And while the long term trends on process safety measures look good, our 2016 performance reminded us that we must always be diligent and never be satisfied with our performance.

Second, we are delivering what we promised. In Baku, we told you that we planned to reduce our headcount by one-third and reduce ‘costs’ – that’s capital and cash costs – by $9 billion, all by the end of 2017. I am pleased to report that we delivered the $9 billion one year early and our organisation size is now 36% less than the peak in 2013.

Our guidance for base decline was 3-5% – we have exceeded this, with decline in our reservoirs averaging less than 2.5% over the past 5 years.

In Baku, we said we would start up five major projects in 2016 – we started up six, as well as taking five Final Investment Decisions.

Third, we are upgrading our plans for medium term growth.

In Baku, we also said we would deliver $7-8 billion of free cash flow in 2020 at $50 per barrel. Today we upgrade that number to $13-14 billion at $55 per barrel in 2021.

Fourth, we have strengthened our long-term outlook. Looking beyond 2021, we have improved both capacity for growth as well as the
quality of that growth. We always look to grow value and returns, not just volume. We have done this through continued optimisation of our resources through the Area Development Planning process, the recent acquisitions, as well as our Modernisation and Transformation agenda.
So with that backdrop, let us look in greater detail at what we have done and where we are headed.

Everything we do is in service of our strategy.

Safety. It begins and ends with safety. It is our core value.

Execution. Quality execution, of our projects, our operations, our drilling, and managing our reservoirs, is the greatest source of value and returns that we have.

Incumbency. We have a great asset base. Our incumbent positions and the relationships we hold with the resource owners create both stability and opportunity. Leadership in the world’s best oil and gas basins is what we aspire to.

Growth. We grow value through improving returns and cash flow. We actively manage our portfolio, divesting where it makes sense, and pursuing acquisitions where value can be created. We like our asset base, particularly its balance.

Capability. Our strategy is underpinned by the capability of our people, who are motivated and equipped to take on the world’s greatest oil and gas challenges. We have a global workforce that is embracing digital technology to drive improved productivity in everything we do.

So that’s our strategy – let me now walk through a more detailed update.
Let me start with a closer look at how we have been driving performance and establishing a track record of delivery. We have begun to deliver the projects that make up the 800 thousand barrels per day in 2020 – six started up in 2016.

Through working with the supply chain, reducing the size of our organisation, and being disciplined with every dollar, we have delivered the $9 billion savings we promised – 1 year early – and are confident we can do more. This is not just about deflation, but about simplifying, using industry standard solutions, focusing on quality execution, and eliminating defects, all in service of driving efficiency.

We continue to use the same strict investment hurdles to maintain capital discipline. IRRs in the mid-teens for greenfield projects at $60 per barrel; greater than 20% for brownfield projects.

And our capital frame remains a flat $13-14 billion through 2021.

In terms of choices, that means that some activities won’t make the cut, and as Bob said, we demonstrated that with our decision regarding the Great Australian Bight.

Over the past 5 years we have maintained our base decline at less than 2.5% by improving the reliability of our facilities, and delivering valuable well work and infill drilling. 2016 was a particularly good year with decline less than 1%. Plant reliability was 95% and we are focusing on improving overall operating efficiency to in excess of 85%.

We are driving down the breakeven oil price each year and making the business more resilient. Our teams around the world are working on this, and let me give you just one example from Prudhoe Bay in Alaska. The team there has been focused on developing the most advantaged barrels from across the field – executing wellwork and optimising field activities. The results have been fantastic - in spite of reducing drilling, we have reduced decline holding production almost flat. And the result is a business whose overall breakeven is down by 40%.
Turning now to our cost base, where we are really seeing these efficiencies start to show up. In Baku we promised a 33% unit production cost reduction in 2016 over 2013. We actually delivered more than that, with a reduction of 36%. I believe this will continue to position us solidly in the top quartile amongst peers. That trend will continue with a further reduction in 2017 resulting in a total unit production cost reduction of over 40%.

And these changes are sustainable – around 40% of our savings to date from our supply chain have come from efficiency as opposed to rate. Combined with savings from scope optimisation and headcount reductions, around 75% are then sustainable in any environment.

Efficient execution is key as we focus on capital efficiency. We are seeing that pay off in our drilling performance. As you can see here, we have significantly improved the percent of top quartile offshore wells delivered with 55% achieved in 2016. We have internal targets to improve this further.

A great example of capital efficiency is our Thunder Horse South Expansion project. It started up 11 months ahead of schedule and $150 million under budget. This was achieved through early engagement with suppliers to agree the right scope and execution plan, and streamlining ways of working.
Looking now at the medium term, I am pleased to report that the 800 thousand barrels per day of new project production is firmly on track. I have reviewed all of the projects in detail over the last two weeks. There is much to do, but I am confident in the trajectory we show here. The portfolio under construction is ahead of schedule and around 15% under budget.

We aim to startup seven projects this year, contributing to the 500 thousand barrels per day of new capacity by the end of this year. You will see the impact towards the back end of the year, with production ramping up as we go into 2018.

Looking further out, we have nine major projects under construction that are on track for startup in the 2018 to 2021 time period.

Importantly our projects deliver operating cash margins 35% better than the base portfolio in 2015. They also carry a development cost which is around 20% lower on average than the existing portfolio and drive an increase in the percentage of capital in service.
In addition to the projects under construction we have a strong portfolio of potential FIDs – including the first phase of the discovered gas in Mauritania and Senegal, a potential exciting extension of our Atlantis field, India gas projects, and the third train of our Khazzan project in Oman, to name a few.

We continue to optimise these projects – rigorously testing and only proceeding when they exceed our hurdle rates, and are the best they can be.

We also continue to invest for value growth in our existing base businesses. For example, in our lower 48 onshore business we have improved capital efficiency through innovative well designs including a very successful multilateral program, enhanced completions and horizontal development. Wood Mackenzie has acknowledged this by increasing their estimate of the value of the business by around 70%.

All these efforts result in a 5% per annum average production growth out to 2021 – compared to 2016.
All of this work has given us the confidence to upgrade our medium term growth target that we outlined in Baku.

We now expect to deliver $13-14 billion of pre-tax free cash flow in 2021 at $55 per barrel. That is equivalent to around $14 billion of incremental pre-tax free cash flow in 2021 as compared to 2016.

The key underpinnings are as follows:
- 5% per annum average production growth;
- Continued declining unit production costs;
- $1 billion of free cash flow performance improvement since Baku; all delivered within
- A constant capital frame of $13-14 billion.

You will begin to see this growth late this year and building each year thereafter.
So that describes our view of the next five years.

Longer term, we believe in the strength of our portfolio, which is balanced, competitive, and positioned to reflect the direction of travel in the wider energy sector. We have enhanced the quality of the portfolio since Baku by continuing to optimize the Area Development Plans, through the acquisitions and extensions, and through our Modernization and Transformation Agenda – which you will hear more about shortly.

Looking at some specifics, we have underpinned our shift towards competitive gas through:

- New acreage in Oman underpinning a third gas train;
- Accessing 10% of Zohr in Egypt;
- Deepening in Tangguh, and Culzean in the North Sea; and of course
- Our deal with Kosmos in Mauritania and Senegal, a deal which gives BP a leadership position in a huge low cost gas resource, and creates the opportunity to build a new material “leg” to our portfolio.

We have also capitalised on incumbency in key regions to access more advantaged oil through, for example:

- A heads of agreement to extend our ACG license in Azerbaijan; as well as
- The extension of the ADCO concession in Abu Dhabi.

And we have also accessed new exploration acreage in Canada, Mexico and China.

Where we have made acquisitions, I would call these ‘not to be missed’ opportunities, accessing around 5 billion barrels at a very competitive cost of around $1 per barrel. Going forward, we will progress these new activities within our Baku capital frame of $13-14 billion.

We will also continue to put assets into the right hands to drive the best value, and you
saw this with the creation of Aker BP. We created a company of around 700 million boe (proved and probable), and the valuation has risen over 80% in less than a year. We recently announced another creative deal with Enquest around Magnus and the Sullom Voe Terminal in the North Sea.
Looking now to the longer term. Our performance delivery track record, the projects under construction, and our portfolio, give us confidence that we have the capacity for quality growth through to 2030. We have the ability to be around a 3 million barrels per day company during the next decade, excluding Russia. To be clear, this is not a target – we know all too well that growth in cash and returns is more important than volume. It is simply a measure of our confidence in our portfolio and our ability to execute.
Modernisation and transformation

That brings me to our modernisation and transformation agenda. This is about delivering a sustainable step change in our performance, getting us fit for the energy transition, and importantly changing what it feels like to work in the Upstream.

It is an ambitious agenda. We will make our organisation more agile and improve decision making; we are looking to truly embrace digital and the opportunities presented by big data; and we will create a mindset inside the upstream consistent with a margin business. All is in service of industry-leading capital productivity, operational effectiveness, and returns.

Now I would like to try something a little different. I have a video which describes a vision of what life could be like in Operations in the not too distant future. We are creating something similar for Projects, for Reservoir Management and for Drilling. Its purpose is to show what is possible when we take all these themes and add them to what we are learning from other industries. It is meant for an internal audience but I hope you find it helpful.

[Video played]

I hope that gives you some sense of where we are heading. Working like this will be very different – it will unleash ideas and solutions we can’t even imagine today.

And the good news is we are already in action on a lot of what you just saw. Let’s looks at Digital where our ambition is to become the Digital Upstream company.
Two years ago, we started building BP’s proprietary data lake. Today, it holds more than 1 petabyte - a billion million bytes - of data. That’s a lot!

We have developed cloud-based platforms which access our data lake to enable rapid analysis and decision making with state-of-the-art visualisation and predictive tools. A few examples:

ARGUS is our wells data platform. Today 2,458 wells – or 99.5% of all our well stock - are in it.

APEX is our system optimizer. It enables us to optimise production real time by monitoring and modelling physical constraints across the production system -live. It will be installed in all operated assets by 2018.

SIRAAJ is our field development platform – it was pioneered in Oman. It enables live updating of our development plan as results stream in from new drilling data.

We are now monitoring and analysing drilling operations and wells, from remote centres around the world. This will improve our decision making and make our organisation more efficient.

The Plant Operations Advisor – which you saw on the video – is in pilot testing on a facility in the Gulf of Mexico. At the moment it is running over 20 million calculations per day and assesses the operational state of 150 pieces of equipment, every 2 seconds. Again by end 2018, we expect to have it fully deployed.

As you can tell – I am very excited. This agenda is real, it is transformative, and I personally believe, it is essential.
So that seems a good point to stop and recap.

First and foremost, Safety remains a core value – job number one.

Second, we have delivered what we said we would in Baku, and continue to make huge strides around efficiency.

Third, we have upgraded our plans for medium-term growth – growth in production, free cash flow, and returns, all without changing our capital frame.

And finally, we have improved our portfolio quality, strengthened our long-term growth capacity, and are making progress on our commitment to modernise and transform our business.

So I want to close by reiterating my confidence in:

- our business model;
- our outstanding people;
- our long term relationships;
- our portfolio; and
- in the plan we have laid out for you here today.

We have the flexibility, the optionality and the resources to deliver real tangible growth for you – our owners – for decades to come.

Thank you for listening. Let me now handover to Tufan.